

**LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034**  
**B.Com. DEGREE EXAMINATION - CORPORATE SECRETARYSHIP**

FIFTH SEMESTER – NOVEMBER 2015

**BC 5508 - INCOME TAX, LAW AND PRACTICE**

Date : 11/11/2015

Dept. No.

Max. : 100 Marks

Time : 09:00-12:00

**PART – A**

Answer **ALL** the questions:

(10x2=20 marks)

1. What is meant by gratuity?
2. State any two expenses which are not allowable under the head profits and gains of business or profession.
3. What is meant by capital receipt?
4. What is meant by short term capital gain?
5. Define clubbing.
6. X an Indian citizen, who is appointed as senior taxation officer by the government of Nigeria, leaves India for the first time on sept 26,2014 for joining his duties in Nigeria. During the previous year 2015-2016 , he comes to India for 176 days. Determine the residential status of X for the Assessment year 2015-2016.
7. X who resides in madras, gets Rs. 3,00,000 per annum as basic salary. He receives Rs. 50,000 per annum as house rent allowance. Rent paid by him is Rs. 40,000 per annum. Find out the amount of taxable house rent allowance for the AY 2015-2016.
8. X purchases a house property on Sept 1,1979 for Rs 2,16,000. Fair market value of the property on April 1,1981 is Rs. 1,70,000..He incurs the following expenses:  
Construction of a room on the ground floor during 1980-81 Rs. 40,000  
Renewals / reconstruction in 1993-94 Rs. 92,000  
The property is transferred on March 31,2015 for Rs. 26,45,000. Find out the amount of long term capital gain for the AY 2015-2016.
9. X owns a house property which is given on rent. For the PY 2000-2001, he claims a deduction of Rs. 78,000 on account of unrealised rent , out of which the assessing officer allows only Rs. 62,000 as deduction. What are the tax consequences if X recovers on June 19,2014 from the defaulting tenant Rs 10,000.
10. X transfers an industrial undertaking to an association of persons subject to the condition that out of the annual income ( i.e Rs. 30,00,000) a sum of Rs. 5,00,000 shall be utilized for the benefit of daughter-in-law of X. Explain the tax treatment of X.

**PART – B**

Answer any **FOUR** questions:

(4x10=40 marks)

11. Explain any ten incomes which are exempt from tax.
12. What is meant by allowance? Explain the types of allowances.
13. Explain the provisions relating to set off and carried forward of losses.
14. The Receipts and Payments A/C of Mr. Kumar for the year ended 31.03.2014 is as follows:

Receipts	Rs.	Payments	Rs.
To Balance b/d	5,000	By rent	2,400
To Lawyer ship fees	35,000	By Car expenses	3,600
To Examiner fees	3,000	By Household expenses	12,000
To Interest on bank deposit	2,500	By House tax	1,200
To Rent from HP	8,000	By House repairs	4,000
To Dividend	1,600	By LIC premium (self)	4,800
		By Cost of journals	4,000
		By Medical exp.(self)	5,000
		By Balance C/D	18,100
	55,100		55,100

- (i) Medical expenses are due to excessive study of law books.
- (ii) 50% of car expenses are for personal purposes.
- (iii) Car depreciation is R.s 2,000.

Find out Kumar's professional income

15. X, maintaining books of accounts on the basis of financial year, holds the following securities on April 1, 2014:  
Rs. 60,000 7% MP government loan (date of payment of interest: July 15 every year)  
Rs. 30,000 11% debentures (non-listed) of ABC ltd. (date of payment of interest: June 30 every year)  
Apart from the aforesaid securities, X invests in UP government loan, central government securities and (listed) debentures of PQR ltd and receives on December 1,2014, Rs. 3,000, Rs. 9,000 and Rs. 2,700 (net of tax deducted- rate of tax 10%), respectively, as interest. His business income is Rs.11, 86,000. He pays Rs.200 as commission to his bank for collecting interest on securities. Determine the taxable income of X for the assessment year 2015-2016.
16. Shri Anil earned Gross total Income of Rs 5,00,000 in the PY 2014-2015 and made the following donations during the year:
  - Rs. 10,000 to chief minister earthquake relief fund Gujarat
  - Rs. 15,000 to National Foundation for communal Harmony
  - Rs. 20,000 to municipal corporation approved for promotion of family planning
  - Rs. 45,000 to approved institutions.

Compute the amount of deduction admissible to him u/s 80 G for the AY 2015-2016.

17. X sells agricultural land situated in an urban area for Rs. 10,31,000 (brokerage paid @ 2%) on march 31 2015 (cost of acquisition : Rs. 1,05,000 on march 1, 1987; It was used for agricultural purposes since 1990). On march 31,2015, he owns one residential house property. On April, 6 2015, he purchases the following assets-

a. agricultural land Rs. 1,10,000 and

b. a residential house property :Rs. 5,00,000

Find out the capital gains chargeable to tax for the AY 2015-2016. C.I.I. for 1986-87 is 140.

### PART-C

Answer any **TWO** questions:

(2x20=40 marks)

18. Explain the exemptions which can be claimed from the head capital gains.

19. X (61 years) has occupied three houses for his residential purposes, particulars of which are as follows :

Particulars	House I Rs.	House II Rs.	House III Rs.
Standard rent	15,000	20,000	Not applicable
Municipal value	10,000	30,000	30,000
Fair rent	18,000	18,000	35,000
Municipal tax paid	1,200	2,400	3,600
Repairs	Nil	Nil	200
Insurance premium	1,200	1,300	600
Ground rent	1,800	7,000	400

X borrows Rs. 90,000 @ 20 % per annum for construction of House III (date of borrowing:

June 1,2007, date of repayment of loan: May 10,2016.Construction of all the houses is

completed in May 2012.X is a salaried employee, drawing Rs.13,40,000 per annum as salary.

Determine the taxable income and tax liability of X for the assessment year 2015-2016 on the assumption that he contributes Rs.1,05,800 towards Recognised Provident Fund .

20. From the Profit and loss account of x (age 31 years) for the year ending march 31,2015, ascertain his total income and tax liability for the assessment year 2015-16

	Rs.		Rs.
General expenses	13,400	Gross profits	4,15,500
Bad debts	22,000	Commission	8600
Advance tax	2,000	Brokerage	37,000
Insurance	600	Sundry Receipts	2,500
Salary to staff	26,000	Bad debts recovered (earlier allowed as deduction)	11,000
Salary to X	51,000	Interest on debentures (i.e net amount Rs 22500 +tax deducted at source Rs 2500)	25000
Interest on overdraft	4,000	Interest on deposit with a company (non trade) (net interest Rs. 11,700+tax deducted at source Rs. 1,300)	13,000
Interest on loan to Mrs. X	42,000		
Interest on capital of X	23,000		
Depreciation	48,000		
Advertisement expenditure	7,000		
Contribution to employees' recognized provident fund	13,000		
Net profit	2,60,600		
	5,12,600		5,12,600

#### Other information

1. The amount of depreciation allowable is Rs. 37,300 as per the income tax rules. It includes depreciation on payment sign board.
2. Advertisement expenditure includes Rs. 3,000, being cost of permanent sign boards fixed on office premises.
3. Income of Rs. 4,500, accrued during the previous year, is not recorded in the Profit and Loss Account.
4. X pays Rs. 6000 as premium on own life insurance policy of Rs. 70,000
5. General expenses include a) Rs. 500 given to Mrs. X for arranging a party in honour of a friend who has recently come from Canada b) Rs. 1,000 being contribution to a political party.
6. Loan was taken from Mrs. X for payment of arrears of income tax.

21. From the following details compute the salary income of Sachin a resident of Mumbai for the assessment year 2015-2016.

Particulars	Rs.
Salary including dearness allowance	90,000
Bonus	9,600
Contribution to RPF paid by employer	6,000
LIC Premium paid by employer	19,000
Rent paid by employer for flat provided	45,000
Cost of furniture provided by the employer at the aforesaid flat	40,000
Rent recovered from Sachin by the employer	12,000

Bills paid by the employer for gas, electricity and water provided free of cost at the above flat Rs.3,000. Sachin was provided with company's Car (Self driven) for official and also for personal use with effect from October 3, 2006. It is not possible to determine expenditure on personal use and all expenses were borne by employer.

Sachin is also provided with a sweeper (Salary Rs.400p.m) and Gardener (Rs.500p.m), throughout the year.

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