

LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034



B.Com.DEGREE EXAMINATION –COMMERCE

FIFTH SEMESTER – APRIL 2018

CO 5504– INCOME TAX LAW AND PRACTICE

Date: 27-04-2018
Time: 09:00-12:00

Dept. No.

Max. : 100 Marks

SECTION- A

Answer all the questions

(10x2=20)

1. What is previous year?
2. Who are considered as person under sec.2 (31)?
3. Give any 5 partly exempted allowances.
4. What are the different types of provident funds?
5. What are the conditions to be fulfilled for the basis of charge in the case of house property?
6. Mention the 3 important factors to be taken for considering the expected rent.
7. Who is a professional? And give examples.
8. What do you mean by inadmissible expenses for a business?
9. What are self generated assets?
10. Who are the authorized persons to issue the security as per sec.18?

SECTION-B

Answer any FOUR from the following

(4x10=40)

11. Explain the canons of taxation
12. Write the rules for the determination of residential status of an individual
13. Compute the taxable income of Mr.RangaRao for the assessment year 2017-18 from the following, if he is a) resident, b) not ordinarily resident and c)non-resident

Incomes	(Rs.)
Salary received in India for 3 months	90,000
Income from the house rent	1,34,700
Interest from bank deposit in India	10,000
Past untaxed profit earned in Austria brought during the previous year 2016-17	2,00,000
Income from agriculture in China being invested in India	1,23,500
Income from Burma being controlled from Chennai	1,01,500
Dividend of French company	2,30,000

14. a) Discuss the residential status of an individual in case of
- i) Resident
 - ii) Ordinary resident
 - iii) Non-resident

b)Mr.Windey is a German. During the financial year2016-17 he was in India for 120 days. Determine his residential status for the assessment year 2017-18 on the assumption that during the financial years 2003-04 to 2015-2016 he was present in India as follows:

Year	Days	year	Days	Year	days
2003-04	25	2007-08	16	2011-12	150
2004-05	289	2008-09	28	2012-13	59
2005-06	270	2009-10	30	2013-14	59
2006-07	20	2010-11	50	2014-15	182

And 2015-16=182 days

15. X has given the following information of residential house property situated at Delhi.

Details	
Date of transfer	July 10, 2016
Date of purchase	October 6, 1984
Sale consideration	18,00,000
Stamp duty valued on sale consideration	20,00,000
Cost of acquisition	50,000
Expense of transfer	10,000
To get the exemption under section 54, the following residential house properties are purchased by X at Noida -	
Date of acquisition	December 20, 2016
Cost of acquisition	12,00,000
X transfers his house properties at Noida as follows	
Sale consideration	12,90,000
Stamp Duty value	13,20,000
Date of transfer	April 10, 2018

Find out the capital gain chargeable to tax in the hands of X for different assessment years.

Note: CII 1984-1985 = 125, 2016-2017 = 1125.

16. Mr.Nagarjuna is the owner of 2 houses. In respect of these he has furnished the following particulars:

Particulars	House I	House II
Date of completion of construction	31 st March 2002	1 st July 2006
Municipal rent	3,60,000	6,00,000
Actual rent	3,00,000	60,000 P.m
Municipal tax	36,000	30,000 (due)
Ground rent	1,000	7,800
Interest on loan taken for the construction	50,000	1,82,000

Compute his income from house property for the assessment year 2017-18. Out of the municipal taxes of House I Rs.18,000 paid by Miss.Devi who is the tenant.

17.Mr. Dinesh Yadav is a lawyer practicing Hyderabad. His cash is as follows:

Receipts	Rs.	Payments	Rs.
To balance	50,000	By rent of chamber	24,000
Fees	3,50,000	Car expenses	36,000
Remuneration as examiner	30,000	House hold expenses	1,20,000
Interest on bank deposits	25,000	Local tax for the house	12,000
Rent from house property	80,000	Repairs of the house	40,000
Dividends	16,000	LIC premium for self	48,000
		Cost of journals	40,000
		Medical treatment for self	50,000
		Balance	1,81,000
Total	5,51,000		5,51,000

Additional information:

a)1/3 of the house is used by Mr. Yadav for his own residence.

b)Mr. Yadav is insured for Rs.4,00,000

c)Mr. Yadav has to get medical treatment for an eye ailment caused by consistance study of law books.

d)1/2 of the car expenses relate to personal use of the car by Mr.Dinesh.

e) depreciation computed at the prescribed rate on the diminishing value method of the car Rs.20,000.

Compute his income from profession.

SECTION –C

Answer any Two questions (2x20=40)

18. Miss.Susmitha is employed in Kolkatta with a mercantile firm as HR manager. From the undernoted particulars, compute his taxable income for the assessment year 2017-18.

- a) Basic salary Rs.50,000 x 12= 6,00,000
- b)DA at 20% of the basic salary but only10% of salary is eligible for service benefits.
- c) Incentive commission at 1% of the sales achieved by him but not exceeding 50% of monthly salary of Rs.50,000. The turnover achieved by him for the relevant previous year before charging the said commission was Rs.34,56,000.
- d)Miss. Susmitha contribution to the recognized provident fund of the firm is Rs.1,20,000 for the year and his employer also contributes an equal amount.
- e) Interest credited to provident fund at the rate of 14% P.a amounted to Rs.8,400
- f)The employer has provided to Miss.susmitha whose rent of Rs.14,000 per month is paid to the owner by employer. Cost of furniture provided is 2,00,000.
- g) She is provided with a motor car of not more than1.6 ltrs. Rating which she uses for both private and official purposes. Drivers salary of Rs.2,500 P.m. is paid by the employer. she is also provided with a gardener and watchman whose salary was Rs.1,200 per month and Rs.1,400 per month.
- h) During the relevant previous year she purchased books worth Rs1,600 for his office work.
- i) She also has been getting entertainment allowance of Rs.16,000 per year from the same employer.
- j) Her son is a medical student of Kolkatta medical college and she spent Rs.4,000 for his studies as college tuition fees.
- k) According to the terms of appointment her employer contributes a sum of Rs.12,000 per year to an approved superannuation fund on his account.
- l) During the previous year Miss. Susmitha paid the following life insurance premium.
 - a)on a policy of Rs.1,20,000 on her own life with LIC-Rs.24,000
 - b)with Max India Insurance Co. on a policy of Rs.1,00,000 on her husband’s life-Rs.24,000
- m) professional tax paid by her Rs.3,000 and Income tax paid by her employer is Rs.8,000

19.Mr.XavierRajan (29 years)furnishes the following information relevant for the assessment year 2017-18 and following is the profit and loss account for the year ended 31 March 2017

Particulars	Rs.	Particulars	Rs.
To office expenses	45,000	By gross profit	8,03,000
Sundry expenses	39,000	Sundry receipts	11,000
Entertainment expenses	5,000	Bad debts recovered (not allowed as deduction earlier)	7,100
Audit fees	12,000	Customs duties recovered from the government (earlier allowed as deduction)	32,500
Legal charges	4,000	Gift received from father	43,000
Extension of building	6,000		
Depreciation on plant and machinery			
Salary to staff	23,000		
Bonus	43,000		
Employees RPF	36,000		
Un approved gratuity fund	15,000		
Sales tax	4,000		
Provision for sales tax	38,000		
Donation to approved research centre	25,000		
Net profit	19,000		
	5,82,600		
Total	8,96,600		8,96,600

Other information:

- i)As shown in the profit and loss account Rs.19,000 is paid to a scientific research association for the purpose of carrying on approved scientific research in natural science , not related to the business of Mr.Xavierrajan. Besides He purchases a plant of Rs.30,000 for the purpose of carrying on scientific research related to his business. Neither cost of plant nor depreciation thereon is debited to profit and loss account.
- ii)Out of bonus of Rs.36,000, Rs.4,000 is paid during 2016-17 andRs.26,000 is paid by July 31 2017(being the due date of furnishing return of income). The balance of Rs.6,000 is , however, paid on November 11 2017.
- iii) Depreciation on plant and machinery and extension of building as per income tax provision is Rs.19,000.
- iv) Sales tax of Rs.38,000 includes a)interest for late payment of sales tax Rs.1,200 b)penalty for evading

sales tax Rs.10,000

v) Provision for sales tax represents an outstanding sales tax liability, which is however, paid on July 10 2017.

vi) Salary to staff includes a payment of pension of Rs.5,000 to the widow of former employee.

Ascertain the net income and tax liability of Mr.Xavierrajan for the assessment year 2017-18, assuming that he deposits Rs.20,000 in PPF account during the previous year 2016-17 and his income from other sources is Rs.1,06,000.

20. Mr.Rajan owns 3 houses 2 of which are self occupied, the particulars of which are as under

Particulars	House I (Rs.)	House II (Rs.)	House III (Rs.)
Municipal value	80,000	1,20,000	2,50,000
Fair rental value	82,000	1,30,000	2,20,000
Standard rent	Nil	1,10,000	2,30,000
Actual rent	Nil	Nil	2,00,000
Repairs	10,000	20,000	5,000
Insurance	6,000	7,000	3,000
Municipal taxes	5,000	10,000	15,000

Interest on money borrowed for repairs of the property II is Rs.50,000 Find out the net income from the house property.

21. The following particulars of Mr.Johnson for the previous year ended 31st March 2016 compute his total income for the assessment year 2017-2018.

Particulars	Amount (Rs.)
Directors' fee from accompany	10,000
Interest on bank deposits	3,000
Income from undisclosed sources	12,000
Winnings from lotteries' (net)	82,200
Royalty on book written by him	8,000
By giving training programme	5,000
Interest on loan given to his friends	7,000
Interest on tax free debentures of a company(listed in a recognized stock exchange) net	3,560
Dividend on shares	6,400
Interest on post office savings bank account	500
Interest on government securities	2,200
A sum of rupees received as gift on 1-8-10 from a friend	26,000
A sum of rupees received as gift on 1-10-10 from his sister	50,000

He paid Rs. 200for collection of dividend and Rs.1,000 for typing the manuscript of book written by him

He also had the following transaction:

1. House property purchased for Rs.6,00,000 (stamp duty value:6.5 lakh)
2. Plot of land purchased for Rs. 7,00,000 (stamp duty value (9 lakh).
