



LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

B.Com. DEGREE EXAMINATION – COMMERCE

FIFTH SEMESTER – APRIL 2023

16/17/18UCO5MC03 – INCOME TAX LAW AND PRACTICE

Date: 05-05-2023

Dept. No.

Max. : 100 Marks

Time: 01:00 PM - 04:00 PM

SECTION A

Answer ALL the questions

(10 x 2 = 20)

- 1 Define the term 'Assessee'.
- 2 What is an 'assessment year'?
- 3 Who is regarded as 'Person' as per the IT Act 1961?
- 4 What is leave salary?
- 5 What is the basic exemption limit under the old tax regime for which income tax is not required to be paid by an Individual aged below 60?
- 6 Mr. A a non-resident individual has an annual income of Rs 5,00,000. He has made investments of Rs 1,50,000 under Section 80C of the Income Tax Act. What is his tax liability for the assessment year 2022-23?
- 7 Mr. X earns a monthly salary of Rs 40,000. His employer provides him a conveyance allowance of Rs 2,000 per month and a house rent allowance (HRA) of Rs 15,000 per month. Mr. X paid Rs 50,000 towards life insurance premium in the assessment year 2022-23. Calculate Mr. X's gross salary, taxable salary for the assessment year 2022-23
- 8 Mr. Y sold a residential property on 1st January 2022 for Rs 80 lakhs. He had purchased the property on 1st January 2010 for Rs 30 lakhs. He incurred brokerage and legal expenses of Rs 2 lakhs towards the sale. Calculate Mr. Y's capital gains for the financial year 2021-22 (Assessment Year 2022-23). CII for the financial year 2009-10=148 and for the financial year 2021-22=317.
- 9 Mr. X has earned the following income during the financial year 2021-22 :
Interest income from savings bank account - Rs 20,000
Winning from lottery - Rs 10,000
Gift received from a relative - Rs 50,000
Dividend income from stocks - Rs 5,000
Calculate Mr. X's income from other sources and tax liability for the assessment year 2022-23.
- 10 Mr. A is a freelance graphic designer. During the financial year 2021-22, he earned the following income from his profession:
Income from designing projects - Rs 3,00,000 (Salary paid to assistant Rs. 50,000)
Income from workshops and training sessions - Rs 50,000
Income from freelance writing - Rs 20,000
Calculate Mr. A's income from profession and tax liability for the assessment year 2022-23.

SECTION B

Answer any FOUR questions:

(4 X 10 = 40)

- 11 Explain any ten incomes which are exempted under the Income Tax Act 1961.
- 12 Mr. A is a senior executive in a private company. His annual salary package for the financial year 2021-22 is as follows:
Basic Salary - Rs. 25,00,000
House Rent Allowance (HRA) - Rs. 12,00,000
Special Allowance - Rs. 8,00,000
Conveyance Allowance - Rs. 2,00,000
Leave Travel Allowance (LTA) - Rs. 1,50,000
Medical Allowance - Rs. 1,00,000
In addition to the above, he also receives the following benefits:
Company car for personal use, the annual value of which is Rs. 6,00,000
Free accommodation in a company-owned house, the annual value of which is Rs. 15,00,000
Provident Fund (PF) contribution by employer - Rs. 3,00,000
During the year, Mr. A also made a contribution of Rs. 2,00,000 to the National Pension Scheme (NPS) and Rs. 1,50,000 towards life insurance premium. Calculate Mr. A's gross salary, taxable salary for the assessment year 2022-23 assuming he is below 60 years of age and does not have any other sources of income. Ignore Section 115 BAC.
- 13 Mr. X runs a small manufacturing business. The following are his income and expenses for the financial year 2021-22:
Gross Receipts - Rs. 50,00,000
Purchase of Raw Materials - Rs. 15,00,000
Wages and Salaries - Rs. 10,00,000
Rent of Factory - Rs. 2,00,000
Power and Fuel - Rs. 3,00,000
Repair and Maintenance - Rs. 1,50,000
Advertising and Publicity - Rs. 1,00,000 (Revenue Expenditure)
Insurance - Rs. 50,000
Interest paid for Business Loan - Rs. 1,00,000
Interest received from investment in companies - Rs. 45,00,000
Calculate Mr. X's income from business for the assessment year 2022-23.
- 14 Explain any five expenses which are disallowed in the calculation of income from business.
- 15 Mr. S inherited a house from his father in 1995, which was valued at Rs. 20 lakhs at that time and the Fair Market Value on 1.4.2001 was Rs. 30 Lakh. In May 2021, he sold the house for Rs. 2 crores. He made some renovations to the house in 2005-06 and spent Rs. 5,16,719.30

(five lakhs sixteen thousand seven hundred and nineteen rupees and thirty paise) for the same. In addition, he incurred expenses of Rs. 3 lakhs on brokerage for the sale of the house. Calculate the capital gains tax payable by Mr. S for the assessment year 2022-23. Cost inflation index for the financial year 2001-01 is 100, 2005-06 is 117 and for 2021-22 is 317.

- 16 Mr. Sharma is an NRI who has the following income during the financial year 2021-22:
 Interest income from a fixed deposit in India: Rs. 5 lakhs
 Rental income from a house property in Srilanka: Rs. 8 lakhs
 Dividend income from investments in mutual funds in India: Rs. 3 lakhs
 Dividend income from investments in stocks in India: Rs. 2 lakhs
 Royalty income from a book published in India: Rs. 1 lakh
 Gift received from a friend in India: Rs. 2 lakhs
 Winnings from a lottery in India: Rs. 50,000
 Basic salary income from USA Rs. 50 Lakhs per month.
 Calculate the total income from other sources for Mr. Sharma for the assessment year 2022-23.
- 17 Mr. S owns a house property that he rented out for the entire financial year 2021-22. The rent received was Rs. 18,000 per month. During the year, he paid Rs. 60,000 towards municipal taxes and Rs. 24,000 towards repairs and maintenance of the property. The Fair Rental Value of the property was determined as Rs. 2,50,000 p.a., Standard Rent Rs. 2,50,000 p.a, Municipal Valuation Rs. 3,00,000 p.a. Mr. S had taken a housing loan for the property on 1.4.2016 and the house was purchased by him on the date of borrowing, and the interest paid on the loan during the financial year was Rs. 2,40,000. Calculate Mr. S's income from house property for the assessment year 2022-23.

SECTION C

Answer any TWO questions:

(2 x 20 = 40)

- 18 Explain the deductions under section 80 C of the Income Tax Act 1961.
- 19 Explain any ten incomes which are taxable under the head income from other sources.
- 20 Mr. X owns the following four house properties. Other particulars are as follows:

Particulars	House I	House II	House III	House IV
	<u>Self occupied</u> <u>Rs.</u>	<u>Self occupied</u> <u>Rs.</u>	<u>Let out to a</u> <u>business house</u> <u>Rs.</u>	<u>Being used in</u> <u>own business</u> <u>Rs.</u>
Municipal Valuation	70,000	1,55,000	3,60,000	2,23,000
Standard Rent	65,000	---	2,60,000	2,35,000
Fair Rental Value	78,000	1,90,000	3,00,000	2,60,000
Annual rent received	--	---	3,60,000	--

Unrealized rent	NIL	NIL	60,000	NIL
Municipal taxes	6,000	7,000	20,000	15,000
Repairs	16,000	10,000	25,000	18,000
Interest on borrowed Money	22,000	38,000	--	--
Vacancy	NIL	NIL	1 Month	NIL

Mr. X borrowed Rs. 5,00,000 @ 10% for the construction of House III on 1st June 2018 and the house was completed on 31st December 2020. Date of Repayment of Loan is 31st May 2023. Determine the Income from House Property of Mr. X for the Assessment Year 2022-23.

- 21 Mr. X joined a new job in a private limited company at Trichy during April 2014. His particulars of salary for the previous year 2021-22 are as under: -

Basic Salary Rs. 6,50,000 p.a.

Dearness allowance Rs. 20,000 p.m. (enters)

Commission received on the basis of turnover achieved by him

Rs. 1,10,000 p.a.

Bonus - Rs. 55,000

Medical allowance - 800 p.m.

Lunch allowance - Rs.7,000 p.a.

City Compensatory allowance - Rs. 500p.m

He engaged a helper @Rs. 1,500 p.m. and his employer pay him Rs.2,000 p.m. as helper allowance

Transport allowance - 13,200 Rs.

Education allowance @ Rs.600 per month per child for two children

Hostel allowance to two children - Rs. 1,000 p.m. per child

Traveling allowance (for office tour) - 6,000

Entertainment allowance - Rs.24,000 p.a.

House Rent Allowance received Rs. 1,20,000 p.a. and the Rent paid by him Rs. 15,000 p.m.

Employer's Contribution to Recognised Provident Fund @ 13% of Salary.

Overtime allowance Rs. 2,000 p.m.

Gas, Water and electricity bills issued in the name of employee but paid by employer – Rs. 31,900 p.a.

Determine his Salary Income for the Assessment Year 2022-23.
