



# LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

**B.Com. DEGREE EXAMINATION – COMMERCE**

**FIFTH SEMESTER – NOVEMBER 2017**

**CO 5504 – INCOME TAX LAW AND PRACTICE**

Date: 10-11-2017

Dept. No.

Max. : 100 Marks

Time: 09:00-12:00

## PART – A

**Answer ALL the questions**

**(10 x 2 = 20 Marks)**

1. What is meant by incidence of tax?
2. Write a note on HUF.
3. What is professional tax?
4. Write a short note on statutory provident fund.
5. What is standard rent?
6. What is unrealised rent?
7. What are deemed profits?
8. Define the term business.
9. Write a note on Income Tax Act under Section 54 B.
10. How is the dividend income put to tax under the provisions of income tax Act 1961?

## PART - B

**Answer FOUR questions only:**

**(4 x 10 = 40 Marks)**

11. For the previous year ended 31<sup>st</sup> March 2017 Mr. Xavier had the following incomes:

	Rs.
a) Honorarium received from Govt of India (Rs. 5,000 incurred as travelling expenses in this connection).	10,000
b) Profits earned from a business in Chennai controlled from Australia.	5,000
c) Profits earned from a business in U.K controlled from Delhi.	6,000
d) Profit earned from a business in Srilanka, controlled from Bhutan and (credited to his personal account in the bank there).	4,000
e) Dividend from an American company credited to his account in Switzerland.	2,000
f) Agricultural income from Malaysia not remitted to India.	6,000
g) Rental Income from a property in Nepal deposited by the tenant in a foreign branch of an Indian bank operating there. Rs.	12,000
h) Royalty received in Singapore from a resident for technical services provided for a business in Singapore .	25,000
i) Gift from brother in foreign currency (one-third of which is received in India)	3,70,000
j) Profit on sale of machinery in California (one half received in Kolkata)	90,000

Compute total income of Mr. Xavier for the assessment year 2017 – 2018 if he is

(i) Ordinary Resident (ii) not ordinary resident (iii) non-resident.

12. Explain the incomes which are exempted from Income tax.

13. Mr. Sri Neeraj owns two houses, the particulars of which are given below for the previous year 2016-17:

Particulars	House A Rs.	House B Rs.
Rent received	Nil	1,72,000
Standard rent	5,00,000	1,50,000
Municipal valuation	4,90,000	1,60,000

Fair rent	5,00,000	1,80,000
Municipal taxes paid during the year	49,000 p.a.	16,000 p.a.
Fire insurance (due)	5,000 p.a.	3,000 p.a.
Ground rent paid	4,500 p.a.	3,900 p.a.
Interest on money borrowed during 98-99 for construction of houses (50% paid)	36,000 p.a.	48,000 p.a.
Unrealised rent (pertaining to this year)	Nil	6,000
Nature of occupation	Self occupied	Let out

Compute income from house property for the assessment year 2017-18 assuming that the Assessing Officer is satisfied with the non-recovery of rent.

14. Stephen Raj an advocate, furnishes the following receipts and payments for the previous year 2016-17:

Receipts and Payments Account			
	Rs.		Rs.
To Balance b/d	6,540	By Rent	2,400
To Legal fees	84,400	By Telephone	3,000
To Salary (as a part time law lecturer)	3,600	By Salaries	2,400
To Interest on debentures (non listed)	2,700	By Subscription of law journal	240
To Gifts from clients	10,000	By Travelling expenses	560
To Rent	6,000	By Office expenses	600
To Interest on foreign security	8,000	By Purchase of stamp paper	1,600
To Refund of company deposit	2,000	By Interest on loan	870
		By Donation to a school	5,000
		By Income tax paid	8,420
		By Municipal tax	600
		By LIC premium	6,000
		By Wealth tax	1,600
		By Balance c/d	89,950
	1,23,240		1,23,240

- The loan was borrowed for constructing his residential house. Its rental value is Rs. 300 per month.
- School is recognised for I.T. purposes
- Gifts from clients include Rs. 2,000 received from his father. Compute the professional income.

15. From the following particulars of Mr. Edward for the previous year ended 31<sup>st</sup> March, 2017 compute his Income U/H other sources for the Assessment year 2017-18.

He received:	Rs.
(i) Director's fee from a company	10,000
(ii) Interest on Bank Deposits	3,000
(iii) Income from undisclosed sources (unexplained money)	12,000
(iv) Winning from lotteries	24,500
(v) Royalty on a book written by him	8,000
(vi) By giving lectures in functions	5,000
(vii) Interest on loan given to a relative	7,000
(viii) Interest on tax free debentures of a company (listed in recognised stock exchange)	3,600
(ix) Dividend on shares	6,400
(x) Interest on post office savings bank A/c	500
(xi) Interest on Government Securities	2,200

He paid Rs.100 for collection of dividend and Rs.1000 for typing the manuscript of book written by him.

16. Mr. Cheran owns many properties in India. He sold some of these during the previous year 2016-17.
- Jewellery costing Rs.80,000(which was acquired in June 2014 was sold for Rs.1,00,000 in May 2016.
  - House of Coimbatore: Let out for residential purpose. It was inherited by him in 1964. Sale price on 31.10.2016 Rs.14,00,000. Fair Market Value on 1.4.1981 Rs. one lakh. Cost of improvement made during 1989-90 Rs.25,000. Expenses on transfer are Rs.25,000.
  - Household furniture costing Rs.14,000 in 1987 was sold in March, 2017 for Rs.26,000.
  - Self cultivated urban land was sold for Rs.5,90,000 on 1.1.2017 and its cost in 1982-83 was Rs.50,000. He purchased a new piece of land for his own cultivation for Rs.1,50,000 in June 2017. From the above particulars, compute his total income assuming that he has no other income except these and cost inflation indices are 1981-82 100; 1982-83:109; 1997-98:331 and 2016-17:1125, 1989-90:172.
17. Mr. Annan was born on 3.3.1947. He submits following particulars of his income and asks you to compute his tax liability for the assessment year 2017-18:

	Rs.
Income	11,59,400
Amount deposited in PPF	1,00,000
Life insurance premium paid on one old policy	40,000
Winnings from lotteries not included at above	20,000

### PART – C

Answer any TWO questions only:

(2 x 20 = 40 Marks)

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

	House I Rs.	House II Rs.	House III Rs.
<i>Standard rent under the Rent Control Act (SR) [*not applicable]</i>	15,000	20,000	-*
<i>Municipal valuation (MV)</i>	10,000	30,000	30,000
<i>Fair rent (FR)</i>	18,000	18,000	35,000
<i>Municipal taxes paid</i>	1,200	2,400	3,600
<i>Repairs</i>	Nil	Nil	200
<i>Insurance premium</i>	1,200	1,300	600
<i>Ground rent</i>	1,800	7,000	400

*X borrows Rs.90,000 @ 20 per cent per annum for construction of House III (date of borrowing: June 1, 2007, date of repayment of loan: May 10, 2018),*

*Construction of all the houses is completed in May 2014. X is a salaried employee, drawing Rs.13,40,000 per annum as salary. Determine the taxable income of X for the assessment year 2017-18 on the assumption that he contributes Rs.1,05,800 towards recognized provident fund.*

19. Compute the salary income of Mr. Subramaniyan who is working as Finance Manager of Star Ltd, Delhi (population above 25 lakhs). He submits the following particulars of his income:

Salary (Due on 1 <sup>st</sup> day of month)	Rs. 28,000 p.m.
Dearness allowance (40% enters pay for retirement benefits)	14,000 p.m.
Employer's contribution to RPF ( same amount is contributed by Mr. Subramaniyan)	4,500 p.m.
Interest credited on RPF balance @ 13%	26,000
Entertainment allowance	12,000 p.a.
Rent free residential house – rent paid by employer (House was given from 1.9.2016)	8,800 p.m.



house	1984-85	125	60,000			5,90,000
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