



LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

B.Com. DEGREE EXAMINATION – COMMERCE

FIFTH SEMESTER – NOVEMBER 2022

17/18UCO5MC03 – INCOME TAX LAW AND PRACTICE

Date: 25-11-2022

Dept. No.

Max. : 100 Marks

Time: 09:00 AM - 12:00 NOON

SECTION – A

ANSWER ALL QUESTIONS

(5X2=10)

1. Define the term 'Assessee'
2. What is short term capital gain?
3. Write any four incomes which are taxable under the head income from other sources.
4. What are the four types of provident funds available for investments in India?
5. What are the 'profits and gains'?
6. What is the maximum qualifying amount for availing deduction under section 80C?
7. Mr.X purchased a car for his personal use on 1.4.2015 for Rs. 5,00,000 and sold it for Rs. 5,50,000 on 1.7.2021. Calculate the taxable capital gain.
8. Can a person buy two flats adjacent to each other having a common meeting point to claim exemption under section 54 of the IT Act 1961?
9. Calculate the tax liability from the following for the assessment year 2022-23.
Taxable salary income:Rs. 61,00,000. Tuition fee paid by the assessee for school education of one child: Rs. 1,00,000.
10. Calculate the income taxable under the head income from other sources. Winning from lottery(Net) Rs. 68,800, Royalty income from a publishing house: Rs. 40,000.

SECTION – B

ANSWER ANY FOUR QUESTIONS

(4X10=40)

11. What are the general principles governing the computation of taxable income under the head "profits and gains of business or profession?"
12. Mr. Suresh is employed in Delhi and is drawing Rs. 50,000 per month as salary. Besides, he got one month salary as bonus. He is given an option by the employer, either to accept HRA or a rent-free accommodation which is owned by the employer. HRA is payable @ Rs. 10,000 per month, while the rent for accommodation in Delhi is Rs. 12,000 per month. Advise Suresh, whether it would be beneficial for him to avail HRA or rent-free accommodation provided by the employer (assuming Mr. Suresh has not opted for section 115BAC of the Income tax Act, 1961, Assessment year 2022-23).
13. Mr. X had following income during the previous year ended 31st March, 2022:
 - a) Salary Income (computed) work done in India Rs. 5,00,000
 - b) Income from house property in Srilanka Rs. 4,00,000
 - c) Interest on Fixed Deposit in SBI branch in USA Rs. 1,00,000
 - d) Amount brought into India out of the past untaxed profits earned in Singapore Rs. 20,00,000
 - e) Income from agriculture in Srilanka being Rs. 5,00,000
 - f) Income from business in Bangladesh, being controlled from Ludhiana Rs. 50,00,000
 - g) Dividends received in India from Indian companies Rs. 40,000Find out the taxable income if the assessee is a ROR, RNOR and Non Resident for the assessment year 2022-23.
14. Mrs. X working in XYZ Pvt. Ltd., has the following incomes for the financial year 2021- 2022. Find out her taxable income for the assessment year 2022-23.

Basic pay: Rs. 70,000 p.m

DA: Rs. 11,900 p.m (10 % forms part of retirement benefits)

CCA: Rs. 1,000 p.m

HRA: Rs. 8,000 p.m

Rent paid in Chennai: Rs. 30,000 p.m

Leave encashment received: Rs. 2,80,000. Leave surrendered: 120 days. Company gives 45 days leave per year. She has 20 years of experience in the same company. She has not availed or surrendered any leave so far.

She got a loan of Rs. 10,00,000 from his employer on 1.4.2020 @5% p.a. SBI rate is 12%.

Education allowance received for 2 children: Rs. 5000 p.m per child.

Entertainment allowance: Rs. 5000 per year

She pays Rs. 10,000 p.m as Life Insurance Premium for her life. Policy amount Rs. 25,00,000. She contributes Rs. 15,000 per month towards Public provident Fund.

15. Mrs. X owns three residential house properties in Chennai for her own residential purposes. Find out her taxable income for the assessment year 2022 – 23.

Particulars	House 1	House 2	House 3
Municipal Valuation p.a. in Rs.	5,00,000	6,00,000	7,00,000
Fair Rental value p.a. in Rs.	3,00,000	5,00,000	8,00,000
Standard Rent p.a. in Rs.	5,00,000	6,00,000	5,00,000

She incurs the following expenditure also during the previous year. Repairs: Rs. 1,00,000 for each house. Painting Rs. 4,00,000 for each house.

She borrowed Rs. 40,00,000 loan for house 1 and Rs. 50,00,000 loan for House 2. She purchased those houses on 1.3.2019 and the loan was also taken on that date. She makes a repayment of principal for both the houses. Each month she pays Rs. 10,000 and Rs. 20,000 towards Principal repayment from 31.3.2019 for house 1 & 2 respectively. The interest rate is 6% p.a on diminishing balance.

16. Mr. X an Indian origin comes on a visit to India on 1.1.2021 and left India on 31.3.2022. He also stayed in India during the following years.

2019 – 2020 – 61 days

2018 – 2019 – 185 days

2017 – 2018 – 90 days

2016 – 2017 – 220 days

2015 – 2016 – 182 days

Find out his residential status for the assessment year 2022- 2023. Also find out the answer if he is not an Indian origin /Indian Citizen.

17. Write any ten disallowable expenses while computing business income as per IT act 1961.

SECTION – C

ANSWER ANY TWO QUESTIONS

(2X20=40)

18. X Ltd., a manufacturing company, which maintains accounts under mercantile system, has disclosed a net profit of Rs.12.50 lakhs for the year ending 31st March, 2022. You are required to compute the taxable income of the company for the Assessment year 2022-23, after considering the following information, duly explaining the reasons for each item of adjustment:

(i) Advertisement expenditure debited to profit and loss account includes the sum of Rs. 60,000 paid in cash to the sister concern of a director, the market value of which is Rs. 52,000.

(ii) Legal charges debited to profit and loss account include a sum of Rs. 45,000 paid to consultant for framing a scheme of amalgamation duly approved by the Central Government.

(iii) Repairs of plant and machinery debited to profit and loss account include Rs. 1.80 lakhs towards replacement of worn out parts of machineries.

(iv) A sum of Rs. 6,000 on account of liability foregone by a creditor has been taken to general reserve. The same was charged to the Revenue Account in the A.Y. 2012-13

(v) Sale proceeds of import entitlements amounting to Rs.1 lakh has been credited to Profit & Loss Account, which the company claims as capital receipt not

chargeable to income-tax.

Being also engaged in the biotechnology business, the company incurred the following expenditure on in-house research and development as approved by the prescribed authority:

(a) Research equipments purchased Rs. 1,50,000.

(b) Remuneration paid to scientists Rs. 50,000.

The total amount of Rs. 2,00,000 is debited to the profit and loss account. Assume Tax Rate 30%.

19. Mr. X owns the following four house properties. Other particulars are as follows:

Particulars	House I <u>Self occupied</u> <u>Rs.</u>	House II <u>Self occupied</u> <u>Rs.</u>	House III <u>Let out to a</u> <u>business house</u> <u>Rs.</u>	House IV <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.

20. 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.

21. Explain any ten exempted incomes as per IT Act 1961

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