

LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034**B.Com. DEGREE EXAMINATION – COMMERCE****FIFTH SEMESTER – NOVEMBER 2023****UCO 5502 – INCOME TAX LAW AND PRACTICE**

Date: 03/11/2023

Dept. No.

Max. : 100 Marks

Time: 09:00 AM - 12:00 NOON

SECTION A**Answer ALL the questions****(10 x 2 = 20)**

1	Define the term 'Person'.
2	What is 'Previous Year'?
3	What is a casual income?
4	What is leave salary?
5	Write the provisions relating to rebate under section 87 A of the IT Act 1961.
6	Mr. A a non-resident individual visits India for the first time on 1.3.2022 and stayed for a period of 190 days. Find out his residential status for the AY 2023-24.
7	Mr. X receives an iPhone 14 ProMax as a gift (value Rs. 1.50 Lakhs) from his friend on 1.9.2022. He also received Rs. 50,000 from his foreign friend on 1.10.2022. Find out his taxable income for the AY 2023-24.
8	Mr. Y sold a residential property on 1st January 2023 for Rs. 1 Crore. He had purchased the property on 1st January 2011 for Rs 40 lakhs. He incurred brokerage and legal expenses of Rs 5 lakhs towards the sale. Calculate Mr. Y's capital gains for the financial year 2022-23.
9	Mr. X has earned the following income during the financial year 2022-23 : Salary (net) Rs. 5,00,000 Long Term Capital Gain: Rs. 5,00,000 (Computed) Calculate Mr. X's tax liability for the assessment year 2023-24.
10	Mrs. X receives a family pension of Rs. 50,000 pm. Calculate the taxable income and tax liability of Mrs. X for the AY 2023-24.

SECTION B**Answer any FOUR questions****(4 X 10 = 40)**

11	Explain the provisions relating to 80 C of the IT Act 1961.														
12	Mr. X is a foreign citizen (not being a person of Indian origin). During the financial year 2022-23, he came to India for 80 days. Determine his residential status for the assessment year 2023-24 on the assumption that during financial years 2008-09 to 2021-22, he was present in India as follows: <table style="width: 100%; border: none;"> <tr> <td style="width: 50%;">2021-22: 120 days</td> <td style="width: 50%;">2014-15: 195 days</td> </tr> <tr> <td>2020-21: 80 days</td> <td>2013-14: 90 days</td> </tr> <tr> <td>2019-20: 60 days</td> <td>2012-13: 71 days</td> </tr> <tr> <td>2018-19: 126 days</td> <td>2011-12: 4 days</td> </tr> <tr> <td>2017-18: 80 days</td> <td>2010-11: 8 days</td> </tr> <tr> <td>2016-17: 70 days</td> <td>2009-10: 55 days</td> </tr> <tr> <td>2015-16: 23 days</td> <td>2008-09: 300 days</td> </tr> </table>	2021-22: 120 days	2014-15: 195 days	2020-21: 80 days	2013-14: 90 days	2019-20: 60 days	2012-13: 71 days	2018-19: 126 days	2011-12: 4 days	2017-18: 80 days	2010-11: 8 days	2016-17: 70 days	2009-10: 55 days	2015-16: 23 days	2008-09: 300 days
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13	Mr. X furnishes the following particulars of his income earned during the previous year relevant to the assessment year 2023-24: i) Interest on US Development Bonds (two-fifths is received in India) Rs. 1,00,000. ii) Income from agriculture in Srilanka, received there but later on Rs. 30,000 is remitted to India (agricultural activity is controlled from USA) Rs. 3,80,000. iii) Income from property in Canada received outside India (Rs. 76,000 is used in Canada for meeting educational expenses of X's daughter in USA and Rs. 20,000 is later on														

- remitted to India] Rs. 96,000
 iv) Income earned from business in Pakistan which is controlled from Delhi (Rs. 25,000 is received in India) Rs. 65,000
 v) Dividend paid by a foreign company but received in India on April 10, 2022. Rs. 40,000
 vi) Past untaxed profit of 2018-19 brought to India in 2022-23. Rs. 10,40,000
 vii) Profits from a business in Madras and managed from outside India. Rs. 27,000.
 viii) Gift from his wife on 1.4.2022: Rs. 5,00,000
 ix) Gift from his grandmother on 1.6.2022: Rs. 3,00,000
 x) Gift from his son on 1.7.2022: Rs. 3,00,000

Find out the gross total income of X, if he is (i) resident and ordinarily resident in India, (ii) resident but not ordinarily resident in India, or (iii) non-resident in India for the assessment year 2023-24.

14 Explain the provisions relating to calculation of unfurnished rent free accommodation.

Mr. X sells the following long-term capital assets on January 11, 2023: -

Particulars	Residential House Property	Land
Sale consideration (Rs.)	10,00,000	6,00,000
Cost of Acquisition (Rs.)	3,00,000	2,20,000
Expenses on transfer (Rs.)	30,000	20,000
Date of acquisition	12-05-2003	19-03-2016

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The due date of filing return of income for the Assessment Year 2023-24 is 31st July 2023. For claiming exemption under various sections, Mr. X purchases the following assets-

Assets	Date of acquisition and Amount	Amount (Rs.)
Land for (constructing a residential house)	02-4-2023 for Rs. 3,00,000	3,50,000
Bonds of R E C (redeemable on 8-8-2027)	05-7-2023 for Rs. 8,00,000	8,50,000
Bonds of N H A I (redeemable on 11-6-2030)	10-7-2023 for Rs. 3,00,000	3,25,000

Find out the amount of capital gain chargeable for the Assessment Year 2023-24.

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Dr. X is a medical practitioner in Chennai. From the following, calculate his income from profession for the AY 2023-24:

- Gross receipt from dispensary Rs. 2,50,000
 Gross receipt from consultation Rs. 1,80,000
 Operation fee Rs. 3,50,000
 Visiting fee Rs. 70,000
 Gifts from patients Rs. 30,000
 Medicines purchased Rs. 1,25,000
 Closing stock of medicines Rs. 35,000
 Salaries paid to employees Rs. 1,50,000
 Surgical equipment purchased Rs. 48,000
 Dr. X wanted to attend a medical seminar in Australia to update the knowledge and spent an amount of Rs. 25,000
 Medical books purchased Rs. 30,000

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Mrs. X has the following incomes in the previous year 2022-23.

- Dividend from an Indian company - Rs. 80,000
 Royalty by publication of a book Rs. 50,000.
 Winnings from Lottery (Gross) - Rs. 1,00,000
 Rs. 80,000, 10% Tax-Free Commercial securities (listed)
 Interest on post office savings bank account - Rs. 5,000
 Rs. 7,500 received as interest on Tamil Nadu Govt. Securities
 Director fees -Rs. 3,00,000
 Rs. 2,00,000, 11% Securities of a Paper Mill Co.Ltd. (Listed)
 Gift from a non relative: Rs. 7,00,000
 Agricultural income from USA received in India: Rs. 70,00,000.

SECTION C

Answer any TWO questions

(2 x 20 = 40)

18 Explain the canons of taxation with examples.

19 Mrs. X (age: 65 years) is a part-time lecturer in a college of Madras University. The details of her salary and other income for the previous year 2022-23 are as follows:

- Basic Salary: Rs. 3,00,000
- DA (Forms part of salary): Rs. 50,000
- Special allowance: Rs. 2,50,000
- Education allowance for two children (expenditure being Rs. 6000): Rs. 4,000
- Hostel expenditure allowance for one child (expenditure being Rs. 9,000): Rs. 6,800,
- HRA: Rs. 1,00,000.
- Remuneration from the Calcutta University for acting as examiner :1,00,000
- Allowance for research which is to be completed during January-April 2023 (actual expenditure incurred for completing the research: Up to March 31, 2023: Rs. 1,500; during April 2023: Rs. 3,000): Rs. 6,000.

She is a member of statutory provident fund to which she contributes 12 per cent of her salary and similar amount is contributed by the college. Besides, the college reimburses Rs. 21,000 being expenditure incurred by Mrs. X on medical treatment of her daughter in a private clinic.

During the year, she spent Rs. 20,000 on the purchase of books for her teaching purposes. She has maintained a scooter for the whole year for office as well as private purposes. She has been living in a rented house and paying Rs. 9,000 per month as rent. For the year 2022-23, she paid Rs. 5000 as insurance premium on her life policy for Rs. 40,000 (date of payment: April 3, 2023).

Mrs. X deposits Rs. 90,000 in public provident fund every year. Compute the total income and tax liability for the assessment year 2023-24 in case Mrs. X is (a) a resident and ordinarily resident; or (b) a resident but not ordinarily resident. Ignore section 115BAC.

Mr. X, a resident individual gives the following information for the Previous Year 2022–23:

Profit & Loss Account			
Particulars	Rs.	Particulars	Rs.
Legal expenses	2,100	Gross Profit	16,21,500
GST	23,000	Sundry Receipts	6,900
Salary to Staff	15,000	Short Term Capital Gain	9,000
Staff Welfare Expenses	7,000		
General Expenses	8,500		
Bad Debts	5,000		
Advance Tax for AY 2023-24	800		
Fire Insurance	9,000		
Advertisement Expenses	12,000		
Interest on Francis’s Capital	5,600		
Expenditure on acquisition of copyright incurred on February 3, 2023 (put to use on same day)	6,800		

Bonus to staff	12,000		
Depreciation on Other Business Assets	6,500		
Provision for Income Tax	3,000		
Contribution to Political Party	1,500		
Payment to an approved research association for carrying scientific research	20,000		
Net Profit	14,99,600		
	16,37,400		16,37,400

Other Information: -

- a. Salary to staff includes salary paid to a relative which is unreasonable to the extent of Rs. 5,900
- b. Advertisement expenses include Rs. 7,000 being cost of diaries gifted to customers;
- c. Depreciation on other assets according to income tax rules is Rs. 10,500;
- d. He purchased NSC VIII issue Rs. 1,30,000 during the year;
- e. As shown in the P & L a/c Rs. 20,000 is paid to a research association for the purpose of carrying on approved scientific research in natural science, not related to business of Mr. X.
- f. General expenses include (i) Medical expenditure of Mr. X Rs. 1,700.
(ii) Expenditure of Rs. 2,800 incurred on training of the employees,
- g. Income of Rs. 2,000 accrued during the previous year ending 31 / 03 / 2023 is not recorded in the Profit & Loss A/c.
- h. Out of bonus to staff Rs. 12,000, Rs. 4,000 is paid during 2022-23 and Rs. 6,000 is paid by July, 31 2023. The balance of Rs. 2,000 is however, paid on December 10, 2023, which was after the due date of filing of return.

Find out the taxable Business Income of Mr. X for the assessment year 2023-24.

Mr. X owns a big house (erection completed on March 31, 2018). The house has three independent units. Unit 1 (50 per cent of the floor area) is let out for residential purpose on monthly rent of Rs. 8,200. Unit 1 remains vacant for 1 month when it is not put to any use. A sum of Rs. 700 could not be collected from the tenant. Unit 2 (25 per cent of the floor area) is used by X for the purpose of his profession, while Unit 3 (the remaining 25 per cent) is utilised for the purpose of his residence. Other particulars of the house are as follows:

- 21 Municipal valuation: Rs. 60,000, fair rent: Rs. 70,000, standard rent under the Rent Control Act: Rs. 90,000, municipal taxes: Rs. 15,000, repairs: Rs. 4,000, interest on capital borrowed for renewal of the property: Rs. 36,000, ground rent: Rs. 6,400, annual charge created under the will by father in favour of Mrs. X: Rs. 9,000 and fire insurance premium paid : Rs. 15,000. Income of Mr. X from profession is Rs. 7,95,000 (without debiting house rent and other incidental expenditure including admissible depreciation on the portion of house used for profession : Rs. 8,000). Determine the taxable income of Mr. X for the assessment year 2023-24. Mr. X deposits Rs. 1,10,000 in PPF account.

Financial Year & Cost Inflation Index (CII)

2001-02 (Base year) 100

2002-03 105

2003-04 109

2004-05 113

2005-06 117

2006-07 122

2007-08 129
2008-09 137
2009-10 148
2010-11 167
2011-12 184
2012-13 200
2013-14 220
2014-15 240
2015-16 254
2016-17 264
2017-18 272
2018-19 280
2019-20 289
2020-21 301
2021-22 317
2022-23 331

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