

STELLA MARIS COLLEGE (AUTONOMOUS) CHENNAI – 600 086.
(For candidates admitted during the academic year 2015-16 and thereafter)

SUBJECT CODE: 15CM/MC/IT65

B.Com. DEGREE EXAMINATION APRIL 2021

COMMERCE
SIXTH SEMESTER

COURSE : MAJOR – CORE

PAPER : INCOME TAX LAW & PRACTICE

TIME : 90 MINUTES

MAX. MARKS: 50

SECTION –A

Answer all the Questions

(3x2=6)

1. Mr. Gowtham , a German, is appointed as a scientist in India on 15.04.16. On March 31, 2017 he went to America on deputation and left his wife and children in India. He returned to India and joined his original job on 6th February, 2020. Determine his residential status in India for the AY 2020-21.
2. What is Casual income?
3. W.D.V. of office furniture on 1.4.2019 – Rs.4,00,000
Additions made on 1.11.2019 is Rs.1,00,000
Sale value of one of the furniture during the previous year is Rs.75,000.
Rate of depreciation is 10%. Calculate the taxable amount of depreciation.

SECTION –B

Answer any Three Questions

(3x8=24)

4. The Following is the Profit and Loss Account of Mr. Kumar , for the year ended on 31.3.2019. Compute his total business income for the PY 19-20.

Particulars	Rs.	Particulars	Rs.
To opening stock	15,000	By Sales	1,80,000
To Purchases	40,000	By Closing stock	20,000
To wages	20,000	By Gifts from father	10,000
To Rent	46,000	By Income tax refund	3,000
To Repairs to Motor car	3,000		
To GST paid	2,000		
To Medical expenses	3,000		
To General expenses	10,000		
To Depreciation on Motor car	4,000		
To Advance income tax	1,000		
To Profit	69,000		
TOTAL	2,13,000	TOTAL	2,13,000

Additional Information:

- a. Mr. Kumar carries on his business from rented building half of which is used as his residence.
 - b. Motor car – $\frac{3}{4}$ th was used for the business , and $\frac{1}{4}$ th for personal use.
 - c. Medical expenses were incurred during sickness of Mr. Kumar for his treatment.
 - d. Wages include Rs.250 p.m. on account of Motor car driver for ten months.
 - e. GST includes Rs.200 for interest on late payment of sales tax.
5. Explain the Provisions of the Income tax Act 1961 regarding Set off and Carry Forward of losses.
6. From the following details compute Income from Other Sources for the AY 2020-21.
- Winnings from Lottery tickets - Rs.1,00,000
- a. Winnings from horse race - Rs. 50,000
 - b. Dividend received from cooperative society – Rs.20,000
 - c. He has earned an income of Rs.40,000 under speculation business.
 - d. Income from undisclosed sources – Rs.20,000
 - e. Interest on deposit with a company – Rs.10,000
 - f. Royalty for writing books – Rs.80,000 (expenditure on writing books is Rs.20,000)
 - g. Interest on post office savings bank –Rs.2,000
 - h. Family Pension received Rs.24,600.
 - i. Dividend from R Ltd. company – Rs.30,000
 - j. Interest received on Government securities held as investmentsRs.14,000.
 - k. Rs.89,800 , 10% tax free debentures of a listed company.
 - l. 7 % Capital investment bonds – Rs.20,000
 - m. Rs.8,000 received as interest from less tax commercial securities.
Bank charged collection charges of 2% on dividend. Expenses incurred on purchase of lottery tickets –Rs.500.
7. Mr. Harish has earned Gross Total Income of Rs.8,50,000 during the PY 2019-20 and made the following donations during the year.
- a. Rs.60,000 to Chief Minister's Earthquake Relief fund , Gujarat
 - b. Rs.30,000 to National foundation for communal harmony.
 - c. Rs.38,000 to a University of National Eminence.
 - d. Rs.41,000 to Jawaharlal Nehru Memorial fund.
 - e. Rs.35,000 to Govt. of India for promotion of family planning.
 - f. Rs.70,000 to Govt. of TamilNadu.
 - g. Rs.45,000 to Municipal Corporation to protect the interest of minorities.
 - h. Rs.30,000 to Clean Ganga Fund set up by Central Govt.
 - i. Rs.10,000 to a Poor student in cash.
 - j. Rs.5,000 worth clothes distributed to poor.

SECTION –C**Answer any One Question****(1x20=20)**

8. Mr.Ravi is employed at Kolkata with the mercantile firm as sales manager from the Particulars given below, compute his taxable salary for the Assessment Year 20-21.
- (a) Basic salary Rs. 25,000 per month
 - (b) Dearness allowance at 20% of basic salary but only 10 % is eligible for service Benefits. Bonus amounts to one month salary.
 - (c) Commission on turnover achieved by him Rs.12,500
 - (d) City Compensatory Allowance –Rs.1,200
 - (e) He went to Mumbai on official work and was given a running allowance of Rs.6000 p.m. and daily allowance of Rs.500.p.m.
 - (f) Mr.Sen's contribution to the recognized provident fund is Rs. 60,000 for the year and his employer also contributes an equal amount.
 - (g) Interest credited to provident fund at the rate of 14% p.a amounted to Rs. 4,200
 - (h) The employer has provided Mr. Sen a Motor car of not more than 1.6 litre capacity which he uses for both private and official purposes. Driver's salary of Rs.1,250 p.m is paid by the employer.
 - (i) During the relevant previous year he purchased books worth Rs.800 for his office work.
 - (j) He has been getting entertainment allowance of Rs.8000 per year from his employer.
 - (k) Professional tax paid by Mr. Sen is Rs.1,500
 - (l) He lives in a bungalow belonging to the company. Its fair rent is Rs.2,750 p.m. The company has provided a Gardener and a cook , each of whom is paid a salary of Rs.250 per month and Rs.100 per month respectively. The company has paid Rs.6,000 for electricity and Rs.1,200 for water bills.
 - (m) Life insurance premium paid by employee : own life –Rs.3,000 p.a. wife's life Rs.4,000 p.a. Major son –Rs.2,000 p.a.
 - (n) The employer reimbursed medical expenses to the tune of Rs. 16,000 for treatment taken at a private hospital.
 - (o) She is given a loan for purchasing a house property on 1.4.2019 of Rs.5,00,000 at 3% interest. The interest charged by SBI is 9%.
9. Determine the Taxable Capital Gain for the AY 2020-2021 in each of the following situations separately.
- a. Mr. Rajesh purchased a machine on 1.10.2011 at a cost of Rs.8,00,000 . W.D.V on 1.4.2019 was Rs.5,00,000 and sold on 1.8.2019 for Rs.3,00,000.
 - b. Mr. Arun purchases a house property for Rs.26,000 on 10th May 1986. He gets the first floor of the house constructed in 1990-1991 by spending Rs.40,000. He dies on 12th September 2004. The Property is transferred to Mrs. X by his will. Mrs. X spends Rs.80,000 and Rs.26,700 during 2006-2007 and 2008-2009 respectively for reconstruction of the property. Mrs.X sells the house property for Rs.95,00,000 on 15th March 2020. (brokerage paid by Mrs.X is Rs.41,500). The fair market

value of the house on 1st April 2001 is Rs.4,60,000.(CII for 2006-07 -Rs.122, 2008-2009 - 137 , 2019-20 - Rs. 289 , 2001-02 -Rs.100 , 2003-04 - Rs.109.)

- c. Ms. Anitha purchased bonds on 1.11.2006 for Rs.2,60,000 and was sold on 1.1.20 for Rs.4,00,000. (CII for 2006-07 -Rs.122 , 19-20 Rs.289)
- d. Mrs. Karthika purchased agricultural land (Agra city) in 2002-2003 (self cultivated) for Rs.2,00,000. She sold the land on 10.7.2019 for Rs.7,50,000. The capital gain has been invested in the purchase of a house on 10.8.2019 for Rs.2,00,000 and purchased another piece of agricultural land on 10.10.2019 at Rs.1,50,000.(CII 2002-03 – Rs.105)
- e. Mr. Hari sold his residential house on 1.10.2019 for Rs.18,00,000 which he had purchased for Rs.3,00,000 on 1.2.2003. He spent Rs.60,000 for its improvement in 2004-2005. Mr. Hari invested the capital gain in the purchase of a residential house on 1.12.2019 for Rs.3,00,000 and invested on 1.3.2020 Rs.1,50,000 in the bonds of National Highway Authority of India. (CII 2002-03 – 105, 2004 -05 – 113).
- f. Mr. Ramesh inherited a house on November 2007 from Mr. Suresh who had purchased it on November 1998 for Rs.7,00,000. Mr.Suresh renovated the house in March 1999 at a cost of Rs.3,00,000 . Its FMV on 1.4.2001 was Rs.10,50,000. In 1999-2000 Mr. Suresh has agreed to sell the house and had received Rs.1,00,000 as advance money. The sale could not materialise and the advance money was forfeited. The house was further renovated in 2010 -11 at a cost of Rs.2,00,000 . Mr. Ramesh sold the house in January 2020 for Rs.36,00,000 and paid Rs.50,000 as brokerage. (CII 2010-11 -167, 2007-08 -129, 2019-20- 289).
