

STELLA MARIS COLLEGE (AUTONOMOUS) CHENNAI – 600 086.
(For candidates admitted during the academic year 2019-20 and thereafter)
COURSE CODE: 19CM/MC/IT54
B.COM DEGREE EXAMINATION NOVEMBER 2021
COMMERCE – SHIFT II
FIFTH SEMESTER

COURSE : MAJOR – CORE

PAPER : INCOME TAX LAW & PRACTICE

TIME : 3 HOURS

MAX. MARKS: 100

SECTION -A

Answer all the Questions

(3x4=12)

1. On 23rd December, 2020, Rajat sold 500 grams of gold, the sale consideration of which was 13,50,000. He had acquired this gold on 20th August, 2000 for 4,00,000. Fair market value of 500 grams of gold on 1st April, 2001 was 3,60,000. Find out the amount of capital gain chargeable to tax for the assessment year 2021-22. CII 2001-02 -100, CII 2020-21 – 301.
2. Mr.X has income from business of owning and maintaining race camels `60,000, loss from owning and maintaining race horses `7,000 and income from horse races `7,000. He has brought forward business loss of `7,000 of the assessment year 2014-15 and brought forward business loss of `7,000 of the assessment year 2018-19. Compute his taxable income for the assessment year 2021-22.
3. WDV block of machinery (consisting of machinery X & Y) (Depreciation 15%) as on 01-04-20 is Rs.3,00,000. Another Machinery Z acquired on 30/09/20 for Rs.1,00,000. Machinery X is sold on 20/12/20. Compute the tax treatment for assessment year 21-22 if the machinery is sold for Rs.5,00,000.

SECTION –B

Answer any three Questions

(3x16=48)

4. a. Shri.Jagdish Prasad's gross total income for the previous year ending on 31st March, 2021 is Rs. 40,15,000. He donated the following amounts by cheques:
 - Prime Minister's National Relief Fund Rs.1,00,000.
 - National Children's Fund Rs.2,00,000.
 - Rs.2,00,000 for repairs of a temple of public worship so notified.
 - Rs.1,00,000 to a local college for construction of class rooms.
 - Rs. 20,000 given as aid to a poor student.
 - Rs.1,00,000 to a Municipality.
 - Rs. 50,000 to U.P. Government for family planning.
 - He deposited 15,000 in PPF. Determine his total income for the assessment year 21-22.

(10 Marks)

b. What are the donations allowable as deductions under sec 80G and to what extent?

(6 Marks)

5. a. Two sisters, Seema and Rashmi, are co-owners of a house property, with 50% share each in the property. The property was constructed prior to 1st April 1999. The property has 7 equal units and is situated in Bangalore. During the FY 2020-21, each co-owner occupied one unit each and the balance were let out @ a rental of Rs.20000 per unit per month. The Municipal Valuation (MV) was Rs.7,00,000 and the Municipal Taxes were @ 10% of the MV. Interest payable on loan taken for construction was Rs.400,000. One of the let-out units was vacant for 6 months in the year. Compute the Income from House Property for each of the sisters for the PY 2020-21. **(8 Marks)**

b. Explain the Provisions of Sec 24 of Income Tax Act 1961. **(8 Marks)**

6. a. The following are the particulars of Income of Sachin Kumar of Previous years 2020-21.

- Rent from a property in Delhi received in USA Rs. 80000
- Income from a business in USA controlled from Delhi Rs.120000
- Income from a business in Bangalore controlled from USA Rs.180000
- Rent from a property in USA received there, later on remitted to India Rs. 60000
- Interest from deposits with an Indian co. received in USA. Rs. 20000
- Profits for the year 2014-15 of business in USA remitted to India Rs.10,000
- Past untaxed income during the previous year 20-21 Rs. 45000

Determine its Taxable Income in case he is i) OR ii) NOR iii) NR **(10 Marks)**

b. The tax liability of an Individual is determined on the basis of his Residential Status. Discuss. **(6 Marks)**

7. a. Mr. Rahul was appointed as a manager on 1st July 2014 in the grade of 20,000-500-22,000-1,000-40,000. Find out his salary for the previous year 2020-21 if

- a. Salary is due on the first day of every month
b. Salary is due on the last day of every month **(8 Marks)**

b. Explain the features of income taxable under the head Salaries **(8 Marks)**

SECTION – C **(1x40=40)**

Answer any one Question

8. a. Ram furnishes the following details of his salary income received from the company at Delhi for the year 2020-2021:

- Salary 40,000 p.m.
- Dearness Allowance 5000 p.m.
- Entertainment Allowance 500 p.m.
- Employer's and his own contribution to recognized Provident Fund 2,600 each
- Interest on the accumulated balance of provident fund @ 12% p.a. 4,000

- He is also provided with a furnished accommodation for which his employer charges 2000 p.m. The fair rent of house is 12,000 per annum. The house is owned by the employer. Furniture costing Rs.10,000 is provided. An air conditioner is taken on hire for 6 months and hire charges are Rs.600 p.m.
 - Reimbursement of hotel bills (necessary for duty) Rs.100
 - Employee's contribution to Provident Fund Rs.2,000
 - Premium of Mrs. A's life policy of ` 50,000 is 6,000 paid by the employer
 - Purchase of books necessary for duty 1,000 paid by the employer.
 - He is provided with a free motor car (big car) by the employer for the purpose of both official and personal with a driver. All expenses are met by the employer.
 - Medical expenditure reimbursed by the employer Rs.18,000
 - Free gas, electricity and water supply Rs. 4,500
 - Refreshments provided during office hours include Rs.200 p.m.
 - Gardener, sweeper and a security has been provided to the employee. Each of their salary include Rs2,000 p.m.
- Compute Salary Income for the AY 2021-2022. **(20 Marks)**

b. Give your answers to each of the following with workings.

1. Mr. Raj lives in Chennai. HRA received Rs.1,00,000. Rent paid Rs.5,000 per month. Basic salary Rs. 10,000 p.m. DA enters retirement benefits Rs.5,000 p.m. Commission Rs.2,000 . Calculate Taxable HRA. **(5 Marks)**
2. Calculate Taxable allowances
Medical allowance – Rs.10,000, Transport allowance – Rs.3,000, Lunch allowance –Rs.4,000, Running flight allowance – Rs.20,000 p.m , allowance of Rs.5,000 received by member of parliament. **(5 Marks)**
3. State if the following statements are True or false , with reason **(10 Marks)**
 - a. Entertainment allowance is fully taxable for govt. employees.
 - b. An employee is said to be specified employees if he gets salary of Rs.30,000 p.a.
 - c. Salary received by present, past and future employers is taxable
 - d. Salary on which income tax is borne by the employer is called foregoing salary.
 - e. Wages paid by the employer for the domestic servants employed by the employee is taxable perquisite.

9. a. From the following P&L A/c and additional information of M/s. Kartik Traders, owned by Mr. Sharma for the previous year 20-21 compute Business Income.

Profit & Loss Account

Particulars	Rs	Particulars	Rs
To Opening Stock	72,000	By Sales	12,00,000
To Purchases	8,00,000	By Closing Stock	81,000
To wages	30,000		
To Carriage & Freight	40,000		
To Gross Profit	3,39,000		
Total	12,81,000		12,81,000
		By Gross Profit b/d	3,39,000
To Staff Salaries	90,000	By Life policy amount	5,000
To Rent & Taxes	20,000	By Sales of old machinery	2,000
To Advertisement	20,000	By Interest & dividend	4,000
To Audit Fees	20,000	By Bank Interest	10,000
To Donation	10,000	By Bad debts recovered disallowed earlier	10,000
To Income tax	10,000	By Sale of Motor Car	20,000
To reserve for bad debts	10,000	By Income tax refund	2,000
To Depreciation	60,000	By income from horse races	40,000
To GST	10,000	By income from capital gains	40,000
To Printing & Stationery	20,000		
To Contribution to staff welfare fund	10,000		
To Patents purchased	90,000		

To Interest on capital	10,000		
To Bad debts	10,000		
To Net profit c/d	82,000		
Total	4,72,000	Total	4,72,000

Additional information

- The opening stock has been valued at cost – 10 % basis and closing has been valued at cost + 10 % basis
- Purchases include a payment of Rs.40,000 by a bearer to supplier
- The W.D.V of different assets as on 1.4.2020 is as follows:
 - Residential buildings (10% block) – Rs.4,00,000
 - Plant & Machinery (15% block) – Rs. 60,000
 - Factory building (10% block) - Rs.3,50,000
- Cost of New machine acquired and used from 1.1.2021 - 40,000
- W.D.V of furniture on 1.4.2020 was Rs.50,000 and has been sold for Rs. 40,000.
- Preliminary expenses includes Rs.20,000 on a Project costing Rs.5,00,000.

(25 Marks)

- b. 1. State if the following statements are True or False with reason
- a. Depreciation under Income-tax Act is charged at the prescribed rate on the written down value of the individual asset.
 - b. Advertisement in souvenir of a NGO is disallowed while computing business income.
 - c. If any asset is used for less than 150 days in the year of purchase, the depreciation rate will be only 50% of the normal rate.
 - d. An assessee can claim additional depreciation on plant and machinery at the rate of 20% of Historical cost if a few conditions are satisfied.
 - e. Deduction for bonus or commission to an employee is allowed only on payment basis.

(10 Marks)

2. State the admissibility of the following with reason **(5 Marks)**

- a. Payment made to a person in a day exceeding Rs. 10,000 other than account payee cheque, bank draft or use of electric clearing system.
- b. Capital expenditure on scientific research Rs.50,000.
- c. Expenditure incurred on neon sign board for the business premises Rs.15,000.
- d. Amount paid to a labour leader to call off the strike Rs.20,000.
- e. Income of Rs.10,000 earned from gold smuggling business.
