

STELLA MARIS COLLEGE (AUTONOMOUS) CHENNAI – 600 086.
(For candidates admitted during the academic year 2008-2009 & thereafter)

SUBJECT CODE : CM/MC/IT44

B.Com. DEGREE EXAMINATION APRIL 2012

COMMERCE

FOURTH SEMESTER

COURSE : MAJOR – CORE
PAPER : INCOME TAX LAW & PRACTICE
TIME : 3 HOURS **MAX. MARKS : 100**

SECTION – A

ANSWER ALL THE QUESTIONS:

(10 x 3 = 30)

1. State three exceptions to the condition that income of the previous year is taxable in the assessment year.
2. What is casual income?
3. State any three exemptions under sec.54.
4. State the features of salary income.
5. How will you calculate exempted House Rent Allowance?
6. Calculate Gross Annual Value of a let out property from the following.
Municipal Valuation: Rs.50,000
Fair Rent: Rs. 60,000
Standard Rent: Rs. 70,000
Annual rent if the property is let out throughout the year: Rs. 72,000.
Property was vacant for 4 months.
Unrealized rent of the previous year: Rs. 5,000.
7. From the following, calculate the income from the Self Occupied House Property of the assessee.
Municipal Valuation: Rs.2,50,000
Fair Rent: Rs.2,40,000
Standard rent: Rs.2,55,000
Actual rent : Not Applicable
Municipal taxes paid by the owner: Rs. 10,000
Interest paid on the loan borrowed for repairing the house property: Rs. 50,000.
8. Mr.X sells an asset on 1.5.2010 (CII – 711) for Rs. 5,50,000. The cost price of the asset purchased on 1.1.1976 is Rs. 30,000. The fair market value of the same on 5.5.1981 (CII- 100) was Rs. 40,000. Calculate the taxable capital gain for the A.Y. 2011-12.
9. Mr.Anbu, an Indian citizen leaves India for the first time on 31st May 2006 and comes back on 15th May 2009. He again leaves India on 10th June 2010 to come back on 14th January 2011. He is living in India since then. Determine his status for the assessment year 2011-12.

10. From the following calculate the taxable gift amount of Mr.X.
- i) Received Rs. 30,000 from his friend.
 - ii) Received Rs. 5,000 from another friend.
 - iii) Received Rs. 1,00,000 from his sister.

SECTION – B

ANSWER ANY FIVE QUESTIONS:

(5 x 8 = 40)

11. Ms. Selvi furnishes the following particulars of her income during the previous year relevant to the assessment year 2011-12. Compute her Gross total income if she is a non-resident.
- i) Interest on foreign Bonds (1/3 is received in India): Rs. 51,000
 - ii) Income from agriculture in Srilanka: Rs. 31,000
 - iii) Income from property in UK, received in Germany : Rs. 1,10,000
 - iv) Income earned from business in Pakistan, business being controlled from Chennai (Rs. 25,000 is received in India.): Rs. 65,000
 - v) Dividend from an Indian Company: Rs. 1,00,000
 - vi) Royalty received in U.S.A. for the services rendered in U.S.A : Rs. 25,000
 - vii) Income earned from business in Chennai, business being controlled from Pakistan: Rs. 1,25,000
 - viii) Profit on sale of building in Chennai, but received in Bangladesh : Rs. 2,50,000
 - ix) Interest received from a non resident on a loan given to him for a business in India: Rs. 28,000
12. Mr. Ronald , a foreign national came to India for the first time on June 15, 2005. During the financial years 2005-06, 06-07, 07-08, 08-09, 09-10 and 10-11, he stays in India for 120 days, 115 days, 15 days, 191 days, 124 days and 80 days.
- i) Determine his residential status for the assessment year 2011-12.
 - ii) Determine his residential status if he stays in India for 200 days in each year from 2005-06 to 2010-11.
13. Mr. Regan an IT specialist of Chennai, is working with two companies, viz., TCS and Wipro. He retires from TCS on November 30, 1988 (Salary at the time of retirement : Rs. 2,600) and receives Rs. 22,000 as gratuity out of which Rs. 20,000 is exempt under section 10(10)(iii). He also retires from Wipro on December 10, 2010 after 38 years and 8 months of service and receives Rs. 3,90,000 as death-cum retirement gratuity. His average basic salary drawn from Wipro for the preceding 10 months ending on November 30, 2010 is Rs, 18,200 per month. Besides, he has received Rs. 1,000 per month as dearness allowance, 80 per cent of which forms part of salary for the purpose of computation of all retirement benefits (for provident fund 85 per cent is considered) and 6 per cent commission on turnover achieved by him. Total turnover achieved by him during 10 months ending on November 30, 2010 is Rs. 2,00,000. Determine the amount of gratuity exempt under section 10(10)(iii) for the assessment year 2011-12.

14. Compute the taxable salary income of Mr. Xavier, a resident of Madurai, from the following information :
- He receives Rs. 3,80,000 per annum as basic salary.
 - Dearness allowance Rs. 30,000 per annum (which forms part of basic salary for computing retirement benefits)
 - 4 % commission on turnover achieved by him (turnover achieved by him during the relevant previous year 2010-11 is Rs. 60,00,000)
 - Rs. 60,000 per annum as house rent allowance. He, however, pays Rs.70,000 per annum as house rent.
 - Medical allowance Rs.1,000 per month.
 - Children education allowance Rs.500 p.m. per child for his three children.
- Compute his taxable salary.

15. Ms.Vasanthi has occupied two houses for her residential purposes, particulars of which are as follows:

Particulars	House I. Values in Rs.	House II. Values in Rs.
Municipal valuation	60,000	30,000
Fair rent	85,000	32,000
Standard rent	65,000	36,000
Municipal taxes paid by owner	10%	10%
Fire insurance	200	300
Repairs	1000	500
Ground rent	25	10
Interest on capital borrowed for construction of house. (loan borrowed on March 10, 2009 is yet to be paid, construction is completed on March 10, 2010)	1,41,600	

Determine her Gross total income for the assessment year 2011-12 with an assumption that her income from business (computed) is Rs. 5,30,000.

16. Mr.Velu has occupied three houses for his residential purposes, particulars of which are as follows:

Particulars	House I. Values in Rs.	House II. Values in Rs.	House III. Values in Rs.
Municipal valuation	10,000	30,000	30,000
Fair rent	18,000	18,000	35,000
Standard rent	15,000	20,000	-----
Municipal taxes paid by owner	1,200	2,400	3,600
Land revenue	500	600	300
Repairs	800	700	-----
Electricity bill	100	50	50
Lift Maintenance	20	10	30
Insurance premium	500	500	200

Mr.Velu borrows Rs. 90,000 @ 20% per annum for construction of House III (date of borrowing : June 1, 2003, date of repayment of loan: May 10, 2012). Construction of all the houses is completed in May 2008.

Determine his Gross total income for the assessment year 2011-12 with an assumption that his income from salary (computed) is Rs. 12,40,000.

17. Ms. Monica purchases a house property for Rs. 26,000 on May 10, 1962. She gets the first floor of the house constructed in 1967 – 68 by spending Rs. 40,000. She dies on September 12, 1978. The property is transferred to her spouse Mr. Nirmal by her will. He spends Rs. 30,000 and Rs. 26,700 during 1979-80 and 1985-86 respectively for renewals and reconstruction of the property. He sells the property for Rs. 21,50,000 on March 15, 2011. Brokerage paid by him is Rs. 11,500. The fair Market Value of the property on April 1, 1981 is Rs. 1,60,000. Compute the capital for the A.Y. 2011-12. Cost Inflation Indexes for various years are as follows: 1981-82: 100, 1985-86: 133, 2010-11: 711.

SECTION – C

ANSWER ANY TWO QUESTIONS:

(2 x 15 = 30)

18. Mr. Niranjan, an employee of a private sector Co. based at Coimbatore is in receipt of the following income for the previous year ending March 31st 2011.
- Basic salary Rs. 90,000 p.m.
 - Dearness allowance Rs. 10,000 p.m.
 - City compensatory allowance Rs. 5,000 p.m.
 - He has been provided with the rent free accommodation, the fair rental value of the house is Rs. 15,000 p.m.
 - Employer's contribution to recognized provident fund is 14% of employee's salary and the employee also contributes a similar amount.
 - Interest credited to Recognised provident fund at 12 % is Rs. 12,000.
 - Travel allowance Rs. 25,000, expenditure on travel amounted to Rs. 23,000.
 - He has been provided with the chauffeur driven big car for his official and personal use.
 - His club bills paid by the employer amounted to Rs. 12,000.
 - Medical expenditure incurred in a private hospital for the treatment of his spouse amounted to Rs. 28,000 during the year.
 - He is provided with the services of a sweeper, gardener and a security, the salary paid per month is Rs. 1500, Rs. 2,000 and Rs. 2,500.
 - Professional tax paid by him during the year amounted to Rs. 3,200.
 - Life Insurance premium of Rs. 5,000 is paid by the employer.
- Compute his taxable salary income.

19. Determine the taxable income of Mr. Jerry for the assessment year 2011-12.

Property income	House I	House II
	(Rs.)	(Rs.)
Fair rent	3,50,000	3,20,000
Municipal valuation	3,60,000	3,50,000
Standard rent	3,00,000	5,00,000
Annual rent	6,00,000	4,20,000
Unrealized rent of the previous year 2010-11	10,000	80,000
Unrealized rent of the previous year 2009-10	-----	3,00,000
Vacant period (number of months)	2	4
Loss on account of vacancy	1,00,000	1,40,000
Municipal taxes paid	40,000	50,000
Interest on borrowed capital by mortgaging House I (funds are used for construction House II)	1,40,000	----
Nature of occupation	Let out for residence	Let out for residence
		..5

20. Mr.X gives the following information (he does not own any residential house property)

Particulars	Amount in Rs.
Date of transfer	May 10, 2010
Date of purchase	June 23, 1982
Sales consideration	36,55,000
Cost of acquisition	3,00,000
Expenses on transfer	55,000
To get exemption under section 54F, the following residential house properties are purchased by Mr.X at Pune.	
Date of purchase	May 12,2010
Cost of acquisition	27,00,000

Determine the taxable income of Mr.X for the assessment year 2011-12 with an assumption that his income from other sources is Rs. 1,00,000. Cost Inflation Index for the year 1982-83 is 109 and for the year 2010-11 is 711.

21. Mr.X a resident and ordinarily resident in India, gives the following particulars of his income and expenditure for the previous year ending March 31, 2011. Compute his income taxable under the head income from other sources.

- i) Rent of a house in Delhi: Rs. 30,000
- ii) Rent from letting a building in Mumbai: Rs. 60,000 (building and machinery cannot be separated)
- iii) Depreciation of building in Mumbai: Rs. 3,000
- iv) Depreciation of building in Delhi: Rs. 2,000
- v) Repairs of building in Mumbai: Rs. 6,000
- vi) Dividends on preference shares from an Indian company declared on August 3, 2010: Rs. 9,000
- vii) Loan from another Indian company which is deemed as dividend under section 2 (22) (e) is given on April 3, 2010(net amount received: Rs. 18,000. Tax deducted at sours: Rs. 2,000)
- viii) Royalty income: Rs. 7,000.
- ix) Winning from camel races on September 25, 2010 (net amount received: Rs. 13,000, TDS nil)
- x) Interest on 6.5% (tax free) national Relief Bond: Rs. 42,000
- xi) Gift received on January 20, 2011 in foreign currency from a school friend: Rs. 1,80,000. Gift from another friend on March 31, 2011: Rs. 20,000
Determine the income chargeable under the head "Income from other sources" for the assessment year 2011-12.
- xii) Interest on government securities RS. 10,000.
- xiii) Interest received on taxfree commercial securities (listed) Rs. 8000.
- xiv) Investment in Rs. 80,000, 10% less tax commercial securities.
