

STELLA MARIS COLLEGE (AUTONOMOUS) CHENNAI – 600 086.
(For candidates admitted during the academic year 2019-2020 and thereafter)

B.Com. DEGREE EXAMINATION - NOVEMBER 2024
COMMERCE
FIFTH SEMESTER

COURSE : MAJOR CORE
PAPER : INCOME TAX LAW AND PRACTICE
SUBJECT CODE : 19CM/MC/IT54
TIME : 3 HOURS **MAX. MARKS: 100**

SECTION A

Answer ALL questions. **(10 x 2 = 20 marks)**

1. Define the term 'Person' as per IT act 1961.
2. Which of the following Incomes are taxable when the residential status of Mr. V is a resident.
 - a) Income accrued in Canada but received in India ₹ 2,000
 - b) ₹ 5,000 earned in Africa and received there
 - c) ₹ 5,000 earned in India but received in Canada.
 - d) ₹ 10,000 earned and received in Sri Lanka from a business controlled from India.
3. Mr. Raja has drawn a salary of ₹ 6,000 pm who is working in Chennai. House rent allowances @ ₹ 700 pm but actual rent paid by Employee ₹ 800 pm. Compute the exempted HRA.
4. X, an employee of LMN Ltd., receives ₹ 93,000 as gratuity under the Payment of Gratuity Act, 1972. He retired on January 2, 2024 after rendering service of 20 years and 6 months. At the time of retirement, monthly salary was ₹ 8,000 included of dearness allowance of ₹ 200 per month. Calculate amount of gratuity Chargeable to tax.
5. State the meaning of standard rent.
6. What is the rate of depreciation for the following assets: a) Surgical equipments
b) Residential building c) Motor car used by a transport company d) Laptop
7. Who is a representative assessee?
8. Mr. X received the following gift during the PY 2023-24. Compute taxable income from other sources.

Gift from whom	Date of gift	₹
Cash gift from grand Mother	April 15, 2023	75,00,000
Gift from friend	July 22, 2023	45,000
Gift from Employer (it was purchase on 1 st May 2023)	October 20, 2023	65,000
Gift from friends at the time of Marriage	September 15,2023	1,35,000
Gift under a will from non-relative	November 10, 2024	10.40,000

9. Mr. Ram purchases a house property on September 1, 1989 for ₹ 42,00,000. Fair market value of the property on April, 1,2001 is ₹ 40,50,000. He incurs the following expenses.

- a) Construction of a room on the ground floor during 1990-91.....₹ 3,00,000
 b) Reconstruction in 2003-2004.....₹ 6,00,0000

The property is transferred on March 31,2024 for ₹ 5,10,00,000. Find out long term capital gain for AY 2024-25 (CII: 2001-02: 100, 2003-04:109, 2023-24:348)

10. Explain the concept of Set off and carry forward of losses.

SECTION B

Answer any FIVE questions.

(5 x 8 = 40 marks)

11. Mr. Raj is a foreign citizen (not being a person of Indian origin). During the financial year 2023-24, he came to India for 70 days. Determine his residential status for the assessment year 2024-25 on the assumption that during financial year 2009-2010 to 2022-2023, he was present in India as follows.

2022-23 :100 days	2015-16 :181 days
2021-22 :80 days	2014-15 :90 days
2020-21 :60 days	2013-14 :71days
2019-20 :126 days	2012-13 :4 days
2018-19 :80 days	2011-12 :8 days
2017-18 :70 days	2010-11 :55 days
2016-17 :23 days	2009-10 :298 days

12. Mr. X (age: 26 years) is an employee of a co-operative society at Varanasi. During the previous year 2023-24

- He gets ₹ 45,000 per month as basic salary, ₹ 10,000 per month as bonus and ₹ 1,500 per month as dearness allowance (62 per cent forms part of salary for computation of retirement benefits)
- ₹ 3,000 per month as medical allowance (medical expenditure is however, more than ₹ 3,000 per month).
- He is a member of a recognized provident fund to which the employer contributes ₹ 89,000 pa (X also makes a matching contribution).
- X gets an interest-free loan (repayable within 8 years) of ₹ 2,00,000 from the employer for purchasing a house (SBI lending rate: 10.40 per cent).
- Besides, he gets ₹ 2,05,700 as interest on company deposits from a private sector undertaking.

Determine the taxable income and tax liability of X for the assessment year 2024-25 assuming he deposits ₹ 60,000 in his PPF account during the previous year 2023-24.

13. Ms. Divya (age :24 years resident) has occupied two houses for her residential purpose; particulars are as follows.

Particulars	House 1	House 2
Municipal valuation (MV)	60,000	30,000
Fair rent (FR)	85,000	62,000
Standard rent under Rent Control Act (SR)	65,000	36,000
Municipal taxes paid	10%	10%
Fire insurance	600	360
Interest on capital borrowed for construction of houses (loan was taken in 2011-12 and construction is completed within one year)	50,000	1,00,000

Income of Ms. Divya from business is ₹ 14,30,000.

Determine the taxable income for the assessment year 2024-25 and assumption that she contributes ₹ 1,70,000 towards the public provident fund.

14. Mrs. Harini (age: 32 years) a lawyer, who maintains books of account on cash basis, furnishes the following particulars of her income for the previous year ending, March 31, 2024.

Receipt and Payment Account for the year ending March 31,2024

Receipts	₹	Payments	₹
Balance brought down	21,000	Purchase of typewriter	7,000
Fees from clients:		Car expenses	8,000
2023-24	12,40,000	Office expenses	7,000
2022-23	2,03,000	Salary to staff	9,18,000
Presents from client	4,000	Interest on loan	1,000
Loan from clients	8,000	Income tax penalty	2,000
		Contribution to public provident fund	1,30,000
		purchase of notified bonds of infrastructure of company	72,000
		Balance carried down	3,31,000
	14,76,000		14,76,000

Notes:

- 20 per cent of car expenses are attributable towards use of personal purpose.
- Fee due but outstanding is ₹ 40,000
- Depreciation of car is ₹ 3,000
- Income of Mrs. Harini from other sources is ₹ 1,45,000
- Mrs. Harini purchased a computer for ₹ 80,000 on March 10, 2023. It is however, put to use on December 3, 2024 (rate of depreciation 40%)

Determine taxable income from Profession.

15. Mr. Kiran, a Technical Director of a reputed concern, gives you the following information for the PY 2023-24:

- Received ₹ 35,800 as Int. on Fixed Deposits with Bank of India (TDS 10%)
- Received ₹ 24,000 Agricultural Income
- Received ₹ 4,450 Interest on Company Deposit (Tax deducted at source ₹ 550)

- (4) Received ₹ 1,500 Interest on Deposit in Post Office Savings Bank.
- (5) Received ₹ 2,100 Dividend from Reliance Industries Ltd., @ 21% on 100 shares of ₹ 100 each purchased by him at ₹ 170 each.
- (6) Received Directors Board Meeting fees ₹ 200 per meeting.
During the previous year Mr. Kiran attended five meetings.
- (7) Received family pension after the death of Mrs. Kiran ₹ 2,500 per month.
- (8) Received interest on Konkan Railway Corporation Bonds ₹ 2,000
- (9) Received interest on PPF kept at State Bank of India ₹ 12,000
- (10) Received LIC policy amount on maturity of policy of Mr. Kiran ₹ 3,00,000.
- (11) Received private tuition fees ₹ 15,000 and expenses incurred ₹ 2,000
- (12) Received winning in horse race ₹ 4,000

You are required to calculate his income from other sources for AY 2024-25

16. Mr. C sold the following assets during the PY 2023-24:

Particulars	Land	Plant & Machinery
Date of acquisition	03.09.2001	10.01.2016
Cost of acquisition	60,000	12,00,000
Sale consideration	14,00,000	7,00,000
Expenses on transfer	20,000	-
WDV of the plant on 01.04.2023	-	5,00,000
FMV as on 01.04.2001	3,00,000	-

On 18th March 2024, he purchased a residential house property for ₹ 7,00,000. Ascertain his income from capital gains for the PY 23-24.

17. Explain Deduction u/s 80C in detail.

SECTION C

Answer any TWO questions.

(2 x 20 = 40 marks)

18. X (age: 29 years) furnishes the following information relevant for PY 23-24.

Profit and Loss Account for the year ending March 31, 2024

Particulars	₹	Particulars	₹
Household expenses	23,000	Gross profit of agency business	32,65,150
Bad debts	1,000	Commission	18,000
Provision for bad debts	400	Sundry receipts	2,000
Fire insurance	6,000	Interest on investment	14,000
Salary to:		Bad debts recovered (earlier allowed as deduction)	9,750
Staff	9,00,000		
X	12,000	Interest on securities (gross)	11,000
Contribution towards unrecognized provident fund	72,000		

Interest on:			
Overdraft taken for payment of sales tax	8,000		
Capital of X	42,000		
Loan given by X's brother	9,000		
Depreciation on building and furniture	11,500		
Advertisement:			
Revenue expenditure	7,000		
Capital expenditure on a sign board	20,000		
General expenses.	8,000		
Net profit	22,00,000		
	38,19,900		38,19,900

Other information:

1. General expenses include medical expenditure of X ₹ 500.
2. Income of ₹ 35,000, accrued during the previous year ending March 31, 2024, is not recorded in the Profit and Loss Account.
3. Depreciation on building, furniture and sign board comes to ₹ 8,000 according to the tax provision.

19. For the AY 24-25, Mr. X (age: 64 years) submits the following information:

Property income:

	HOUSE I ₹	HOUSE II ₹
Fair rent (FR)	3,50,000	3,20,000
Municipal valuation (MV).	3,60,000	3,50,000
Standard rent (SR)	3,00,000	5,00,000
Annual rent	6,00,000	4,20,000
Unrealized rent of the previous year 2023 -24	10,000	80,000
Unrealized rent of the previous year 2022-23	-	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
Repairs	5,000	7,000
Insurance	20,000	30,000
Land revenue	25,000	40,000
Ground rent	66,000	82,000
Interest on capital borrowed by mortgaging House I (funds are used for construction of House II)	1,40,000	-
Nature of occupation	Let out for residence	Let out for business

Determine the taxable house property income of Mr. X for the assessment year 2024-25.

20. During the previous year 2023-24, Mr. Murugan Ltd. sells the following assets:

	Date of sale	Sale Proceeds (₹)	Date of Purchase	Cost of acquisition (₹)
Rural agriculture land	June 15,2023	2,00,000	March 1, 2002	20,000
Urban agriculture land	November 1, 2023	6,00,000	May 10, 2001	30,000
Shares (not listed)	January 15, 2024	1,70,000	January 10, 2017	1,25,000
Debenture (listed in Cochin stock Exchange)	January 12,2024	40,000	January 10, 2017	20,000
Date of purchase	Mr. Murugan Ltd. Purchase the following assets:			Amount invested
July 10, 2023	Agricultural land			2,00,000
August 1, 2023	Rural Electrification corporation Bonds			20,000
November 10, 2023	Agricultural land			4,00,000
November 15 , 2023	Residential house			90,000
July 14, 2024	Bonds of National Highways Authority of India(date of redemption July 20, 2030)			1,40,000

Determine the taxable income for the assessment year 2024-25.(CII-2001-02: 100, 2016-17:264)

21. Mr. James (age: 30 years) is a salaried employee in Bombay. He gets the following emoluments from his employer during the previous year ending March 31, 2024.

Basic salary	₹ 4,80,000
Bonus	₹ 1,30,000
Commission (fixed)	₹ 1,48,000
House Rent allowance	₹ 1,20,000
Employer Contribution towards recognised provident fund	₹ 62,400

During previous year 2023-24, the employer has provided a laptop for using it for official and private purpose. Ownership is not transferred. Further, the employer provides club facility for the official use.

He owns a house property, which is used by him for his residence. Municipal valuation of the house property is ₹ 1,30,000, whereas the standard rent under rent Control Act is ₹ 1,20,000. He makes the following expenditures in respect of house property, municipal taxes: ₹ 13,000; Repairs: ₹ 11,000; interest on capital borrowed to pay municipal tax: ₹ 3,150; and Insurance: ₹ 1,600.

Besides, he received ₹ 1,69,000 as interest from deposits in saving bank accounts.

He has received different gifts from A- ₹ 25,000 on October 1,2023 and from B -₹ 26,000 on March 1, 2024 during the previous year 2023-24. He makes the following expenditure and investments.

Contribution towards recognized provident fund	₹ 1,40,000
Payment of insurance premium on own life policy (sum assured in 2016; ₹ 60,000)	₹ 14,000
Donation of the National defense funds	₹ 3,200

Determine the net income and tax liabilities of Mr. James for the AY 2024-25.
