

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 2011

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. Define the term previous year and state any two exceptions to the rule that income of the previous year is assessed to tax in the assessment year.
2. Who is a resident?
3. Write short notes on 'perquisites'.
4. Define gross annual value
5. What is casual income?
6. Dr.Manikandan was appointed as manager of a Private Ltd. Co. on 1-1-2005, in the grade of Rs. 17,400-Rs.300- Rs.18,000 –Rs.500- Rs.25,000 at a basic pay of Rs. 17,400 p.m. Compute his salary income for the previous year 2009-10 if :
(a) Salary is due on First of every month,
(b) Salary is due on last date of every month.
7. Rajan owns two houses, both of which are let out. The particulars of the houses are as under. You are required to compute the Gross Annual Value for the assessment year 2010-11 :

	House I –Rs.	House II-Rs.
Rental value per month	8,000	10,000
Municipal value	70,000	90,000
Fair Rental value	78,000	1,20,000
Standard Rent	-	1,00,000
Unrealised rent	15,000	20,000
Vacancy period	I month	I month

8. Mr. X sells the following assets in the year 2009-10 . the details are as under :

	Debentures	House property
Sale consideration	Rs. 6, 00, 000	Rs. 8,00,000
Year of acquisition	1998 – 1999	2003-04
Cost of acquisition	Rs. 3, 00,000	Rs.4,00,000

Calculate Capital Gain. (c.i.i. '98-99 – 351, '03-04 – 463, '09-10 – 632)

9. Compute the income taxable under the head other sources of Mr. Y, a resident individual from the following information :
 - a. Received Rs. 4,590 cash in respect of interest on debentures (listed in recognized stock exchange) from X company Ltd.
 - b. Interest received on tax free commercial securities (un listed) Rs.6,000.
10. Mr. Subramani left India for the first time on 20-05-2007. During the financial year 2009-2010, he comes to India on May 27 and stayed for a period 53 days in India. Determine his residential status for the previous year 2009-2010 .

SECTION – B**ANSWER ANY FIVE QUESTIONS:****(5 x 8 = 40)**

11. Mr. Balasubramani who was employed in a company retired on 21-10-09. The following are his receipts at the time of his retirement from the company :
- He received Rs. 1,20,000 as gratuity. He served the company for 26 years and 8 months. At the time of retirement, his salary was Rs. 5,000 per month. However, the average salary of 10 months preceding the month of retirement is Rs. 4,800 per month. He is not covered under the payment of Gratuity Act 1972.
 - His pension was fixed at Rs.1,500 p.m.. He gets ½ of his pension commuted and receives Rs.80,000.
 - He received Rs.75,000 as leave encashment for 15 months. His employer allowed him 45 days leave for every one year of service.
 - Received Rs.2,50,000 from Recognised provident fund.

12. Mr.Sunder is the owner of two houses and provides the following information about these houses :

	House A-Rs.	House B- Rs.
Date of completion	1.6.2009	1.8.2009
Standard rent	15,000 p.a	-
Fair rental value	18,000 p.a.	24,000 p.a.
Municipal rental value	12,000 p.a.	20,000 p.a.
Actual rent	12,000 p.a.	self occupied
Municipal taxes	1,200	10% of MRV
Ground rent due	400	400
Fire insurance premium	500	400
Interest on loan for the construction :		
2006-07	4,000	11,000
2007-08	4,000	11,000
2008-09	3,000	11,000
2009-10	3,000	7,000

13. Mr. Rakesh is employed as an Engine Driver in Northern Railway. He is in receipt of Rs.7,00 as basic pay, Rs.2,500 p.m. as dearness pay and Rs.2,500 p.m. as dearness allowance. During the previous year he received the following allowances:
- Rs.16,500 as running allowance
 - Rs.200 p.m. per child as education allowance for the education of his two sons.
 - One of these sons is living in hostel on whom he is spending Rs.800 p.m. He is in receipt of Rs.500 p.m. for his son as Hostel allowance for meeting this expenditure.
 - Rs.250 as city compensatory Allowance.
 - Rs.400 p.m. as uniform allowance.
 - Rs.1,250 p.m. as House rent allowance. he has taken a house for his residence at Ludhiana at Rs.1,500 p.m. as rent .
 - He contributes 10% of his basic pay and dearness pay to his Statutory Provident fund and the Northern Railway also contributes a similar amount.
- Compute the salary income for the Assessment year 2010-11.

14. Ram Nath sells the following capital assets during the previous year 2009 – 2010. Compute the capital gains:

	Shares (Unlisted) Rs.	House Property Rs.	Jewellery Rs.
Sales consideration	3,30,000	4,35,000	4,00,000
Year of acquisition	1992-1993	1985-1986	1987-88
Cost of acquisition	2,90,000	18,000	70,000
Cost of improvement incurred in 1991-1992	-	70,000	-

(C.I.I. - 1985-86 -133, 1987-88 -150, 1992-93- 223, 2009-10 -632)

15. Following are the particulars of income of Ragavan. Compute his income under the head income from other sources for the current assessment year.

- Dividend received from an Indian company Rs. 11,000.
- Winning from Lottery amount received Rs. 68,500.
- Winning from card games (gross) Rs. 25,000.
- Interest received on Government securities held as Investments Rs. 14,000.
- Family pension received Rs. 24,600.
- Interest received on tax free commercial securities Rs.6,300.
- Investment of Rs.30,000, in 11% securities of X Ltd.

He incurred the following expenses:

- a. Interest paid on amount borrowed for purchasing shares Rs. 7,000.
- b. Collection charges in respect of interest on Government securities @ 2 ½% on amount collected.
- c. Purchased lottery ticket of Rs. 500.

16. Mr. Chandaran went to Australia for studying Medical Course on 5th August 2009 and came back to India on 25th Feb 2010. His family (wife and children) remained in India. He had never been out of India before. What is his residential status for the Assessment year 2010 – 2011?

Compute his Gross Total income if he is a Resident, Not ordinarily a resident and Non-resident from the following particulars of income :

	Rs.
a. Profit from business in Bangalore	10,000
b. Income accrued in India but received in Japan	4,000
c. profit from business in Canada but received in India	5,000
d. Income from house in Karachi received in Bombay	4,000
e. Profits from business in England, deposited there, the business being controlled from India	20,000
f. Income from house property in America , deposited there	2,000

17. Mr.Sunder owns many properties in India, he sold some of these during the previous year 2009-10 :
- A house property sold for Rs.7, 20,000, in October 2009 was purchased for Rs.1,00,000 in 1982-83. He spent Rs.10, 000 for the construction of another room in 1984-85. Expenses incurred in the execution of sale deed were Rs.10, 000 which were borne by him.
 - On the death of his father in November 1985, few shares were transferred to him which he sold in March 2010 for Rs.60, 000. His father purchased those shares in May 1985.
 - He sold an agricultural land at Durgapur in October 2009 for Rs.90, 000 and invested the sale price within 6 months to buy another agricultural land in Hugli. Land was purchased in December 2007 at a cost of Rs.30, 000 and was cultivated by tenant.
 - He also sold his household furniture for Rs.10, 000. The original cost of furniture was Rs.6, 000 the furniture was purchased in 1987 and was sold in December 2009.
 - He sold jewellery for Rs.1,60,000 in October 2009 . the cost of the jewellery purchased at the time of his marriage in July 1987 was Rs.30,000.
(C.I.I. 1982-83 – 109, 1984-85 -125, 1985-86 -133, 1987-88- 150, 2009-10 -632)

SECTION – C

ANSWER ANY TWO QUESTIONS:

(2 x 15 = 30)

18. From the particulars given below calculate salary income of Mr.Hari for the assessment year 2010-11 :
- Basic salary Rs.15,000 p.m. (Due on the last day of month)
 - D.A. 60% of salary (50% forms part of salary)
 - Bonus – basic salary for one month
 - Commission –Rs.66,000.
 - Leave encashment - Rs.20,000
 - He has engaged an helper at Rs.1,200 p.m. and his employer pays him Rs.1,500 p.m. on this account.
 - Medical bills for Rs. 50,000 were reimbursed - from a recognized hospital Rs.12,000 and from a private hospital Rs.38,000.
 - Telephone bill paid by employer Rs.15,000.
 - He has employed a cook at Rs.1,000 p.m. and the salary is reimbursed by the employer.
 - On 1.12.2009, he has taken a loan of Rs.3,00,000 from his employer to purchase a car. Rate of interest is 8% p.a. Prescribed rate of interest by SBI as on 1.4.2009 is 12%
 - He and his employer contribute Rs.3,000 p.m. each towards RPF.
 - Interest credited on the accumulated balance of RPF at 10% is 20,000.
 - He received Rs.20,000 as leave travel concession but has not travelled anywhere.
 - he has been provided with the free use of car of 1.8 lt. capacity. the car is used for employment purposes only.
 - he has been provided with a rent free house hired by employer at Rs.20,000 p.m., he is residing at Nagpur, the population of which is 18 lakhs.

19. Mr.Lakshman owns the following house properties in the previous year 2009-10 :
- Completed construction of a residential house on 1.4.1999 . Interest paid on loan borrowed for purpose of construction during the 2 years prior to completion was Rs. 20,000. The house was let out on a monthly rent of Rs. 4000. Annual corporation tax paid is 6,000. Interest paid during the year Rs. 15,000. Amount spent on repairs is Rs. 2000. Fire insurance premium paid is Rs. 2,000. The property was vacant for 3 months. Annual letting value as per corporation records is Rs. 30,000.
 - Another house, the construction of which was completed on 31.10.2001, Municipal valuation –Rs.15,000 p.a., Fair rent Rs.18,000 p.a., Standard rent Rs.1,500 p.m., Actual rent Rs.1,600 p.m., municipal taxes paid (including Rs.1,500 paid by tenant) Rs.2,500, water and sewerage tax levied by the state government Rs.1,200. The unrealized rent for the year 2002-03 amounted to Rs.16,000 out of which a deduction has been claimed for Rs.12,000. During the year Rs.14,000 were recovered from the defaulting tenant .
Compute the income chargeable under the head “income from house property” for the AY 2010-2011.

20. From the following information relating to sale of assets during the previous year 2009- 10 , Compute the taxable capital gain :

	Residential House property	Jewellery	Listed debentures
Date of acquisition	11.3.1984	1.7.1994	12.4.2004
C.I.I.	116	259	480
Cost of acquisition	Rs.3,00,000	Rs.1,00,000	Rs.2,00,000
Sale price	Rs.20,00,000	Rs.4,00,000	Rs.4,00,000

Investment in residential house property on 19.11.2009 at Rs.13,00,000 and purchase of Bonds of Rural electrification Corporation Rs.1,20,000.

21. Mr.Ashok had the following investments as on 1.4.2009 :
- Rs.40,000 , 12% Central Government loan.
 - Rs.30,000, 10% Govt. securities.
 - Rs.20,000, 9% preference shares of a Ltd. Co.
 - Rs.50,000, 11% Bombay port trust bonds
 - Rs.50,000, 15% debentures of a Ltd. Co.
 - Rs.10,000, 10% securities issued by Govt. of England.
 - Rs.10,000, 9% National Relief Bonds.
 - Rs.16,000, 10% (tax free) Debentures of a limited company (unlisted)
 - Rs.3580 interest received on Tamil Nadu Govt. securities
 - Rs.4,500 received interest on listed securities of a Textile company
 - On 1.9.2009, he bought Rs.50,000, 12% Maharashtra Govt. Bonds for Rs.60,000, interest of which is payable on 30th June and 31st December. For this purpose he took a loan from his bankers for Rs.40,000 at 15% p.a.
 - Bank charged 2% of interest as collection charges.
- Calculate the income from other sources.
