

B.Com. DEGREE EXAMINATION NOVEMBER 2007

COMMERCE

FIFTH SEMESTER

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

SECTION - A

ANSWER ALL QUESTIONS:

(10 x 3 = 30)

1. State the Assessment Year in the following cases:
 - a) Mr.X who is a manager in a private firm draws salary Rs.20,000 per month after Tax deducted at source Rs.1,200 per month in the Year 2006-07.
 - b) Mr. White who visited India on a business trip makes income Rs.1 00 0000 in the year 2005-06 and he is business in December 2005.
 - c) Ms.REX firm is closing its business in December 2005.
2. How much of the following is taxable under salary for AY 2007-08?
 - a) Rs.3,000 per child for three children as education allowance for the year;
 - b) Rs.2,000 received as reimbursement of the medical bills;
 - c) Rs.12,000 paid by the company for 10 days accommodation at a hotel on account of the transfer to a new branch and his monthly salary is Rs.24,000.
3. Mr.Anil receives Rs.6,000 as monthly pension from 1.1.2007 and he is commuting one fourth of his pension for Rs.1,20,000 on the same date and he is also in receipt of gratuity, ascertain his taxable pension & commuted pension.
4. Ms.Anita has a house property completing its construction on 1 May 2006 and she uses it for her own residence from 1 September 2006. She claims her annual interest paid on 30th August Rs.45,000 for deduction. How much she can claim rightly?
5. Are the following expenses admissible?
 - a) Income tax paid Rs.12,000;
 - b) Sales tax paid Rs.30,000;
 - c) Charity by way of alms Rs.2,500.
6. The WDV of machinery on 1.4.2006 is Rs.10,00,000. During the year company sold machinery for Rs.8,00,000 and purchased machinery costing Rs.1,50,000 on 1.1.2007. Compute depreciation chargeable for the year 2006-2007 at 20%.
7. Compute the indexed value of cost of Acquisition of a house property which Ms.Ane sold in December 2006. She got it from her uncle as a wedding gift in January 2002 when the value was 3 lakhs but her uncle bought it in December 1979 for 25,000 though its value in April 1981 was 75,000. (CII 2001-02:426; 1981-82:100; 2006-07:519) **..2**

8. What is the taxable income from other sources:
 - a) Exam remuneration Rs.3,500 and traveling expenses Rs.300;
 - b) Won a lottery Rs.60,000 and cost of tickets Rs.500 and paid to agent Rs.3,000.
 - c) Investment in tax free commercial securities Rs.40,000 at 8% p.a.

9. Ms.Begum donated the following: Rs.20,000 to govt family planning scheme; Rs.50,000 to Africa Children Fund; Rs.10,000 to Madras University research center; Rs.12,000 to CM relief fund; Find out 80G deduction if her Total income in Rs.3 lakhs.
10. Ascertain the tax liability of Ms.Vandana 68 years old from the following information: Her pension Rs.1,70,000; income from her investments Rs.48,000; dividends from Mutual funds Rs.8,000; Her savings in annuity scheme Rs.4,000; PPF 20,000 LIC premium Rs.8,000 and saved in gold Rs.25,000 and Invested in equity linked mutual funds Rs.10,000, repaid housing loan Rs.36,000.

SECTION - B

ANSWER ANY FIVE QUESTIONS:

(5 x 8 = 40)

11. Mr.Dinesh was born in India in the year 1986. From 1996 to 2002 he was in Cambodia, from 2002 to 3rd march 2006 he was in Austria. On 1st April 2006 he came to India and stayed till 31st January 2007.
Identify his residential status for the AY 2007-08.
He received from employer Rs.1,00,000 as salary, he transferred from his bank in Austria Rs.2,00,000, he gets Rs.1,50,000 income from his assets in England being controlled by his friends in London. Determine his taxable income.
12. Mr.Sri Ram who is not covered by Payment of Gratuity Act of 1972 retired in November 2006 from Polyflex Ltd and received Rs.1,96,000 as gratuity after 37 years and six months of service. His salary is Rs.7,500 per month upto July 31, 2006 and Rs.8,500 per month from 1 august 2006. Besides he gets Rs.800 per month as DA (Rs.600 forms part of salary). Calculate taxable gratuity.
13. Calculate the depreciation from the following information:

Assets	WDV as on 1-4-2006	Additions during 2006- 07	Rate of depreciation %
Patent rights	Nil	35,000 (1.1.2007)	25
Technical know how	Nil	15,000 (November 2006)	25
Aircraft	10,00,000	Nil	40
Car (imported)	Nil	25,00,000	15
Plant and machinery	15,00,000	5,00,000	15
One of the plants WDV Rs.2 lakhs was sold for 1,80,000 in December 2006.			

14. Ms.Sudah is owner of a house whose municipal valuation is Rs.50,000 per annum. 75% portion of the house is let out to a tenant at Rs.7,500 per month for residential purposes and the remaining 25% portion is occupied by her for her own residence. Fair rental value Rs.60,000 and it standard rent is Rs.55,000. The house is subject to Municipal Tax valuation Rs.4,000 per annum which is unpaid. Interest on loan for the house works at Rs.10,000 per annum. Calculate her income from house property for AY 2007-08.

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15. Ms.Suman sold her gold ornaments in December 2006 for 1,00,000. She had got from her parents who bought them at Rs.25,000 in the year of her wedding in January 2000.
She also sold her house property in October 2006 for Rs.8,50,000 and had to pay 2% brokerage. It was bought in January 1998 at a cost of Rs.1,50,000 and in May 2002 a sale agreement was entered into by Mr.Mohan towards which he gave Rs.30,000 as advance and this was forfeited as the sale was given up.
Find out the taxable capital gains. CII 1997-98:331; 1999-2000:389; 2002-03:447; 2006-07:519.

16. Ms.Lalitha furnishes the following information for the year 2006-07:
 Income from metal business:Rs.2,00,000 and loss of 2005-06 brought forward Rs.30,000.
 Loss from speculation business Rs.3,000 and loss of 2005-06 brought forward Rs.10,000.
 Income from smuggling (without deduction of penalty Rs.5,000) Rs.75,000.
 Loss from self occupied property Rs.8,000 and infome from let out house property Rs.1,00,000.
 Short term capital gain Rs.8,000 and short term capital loss brought forward from the previous year Rs.2,000 and Long term capital loss for the current year Rs.40,000. Determine taxable income.
17. Ms.Begum declares the following income and expenses:
 Income from house property Rs.2,50,000, income from investments Rs.1,50,000, income from lottery Rs.50,000 and savings in Fixed deposits in nationalized banks Rs.2,00,000 (10% interest).
 Expenses-donations to PM relief fund Rs.10,000, surgical expenses on her self Rs.20,000 and on her handicapped child Rs.30,000. Savings in Public provident fund Rs.40,000 and LIC premium paid Rs.12,000.
 Ascertain is her taxable income for AY 2007-08.

SECTION - C

ANSWER ANY TWO QUESTIONS:

(2 x 15 = 30)

18. Ms.Benita is an executive in a Chennai based Private company. She receives net salary of Rs.35,800 per month after the following deductions: TDS Rs.1,500, RPF Rs.2,500, Rent for company quarters Rs.2,000 though the rental value of the quarters is Rs.6,000 per month. Furniture is also provided free of cost and their annual rental paid by the company is Rs.16,500.
 In addition she receives Rs.2,000 per month as CCA and Rs.1,200 for conveyance expenses. She receives also Rs.1,200 per month as entertainment allowance.
 The company contributes an amount equal to her contribution to the Provident fund and the interest credited to PF account at 12% Rs.24,000.
 She is given gifts worth Rs.10,000 in appreciation of her achievement in work. She pays professional tax Rs.2,400 per annum. She paid Rs.20,000 as tuition fee for her son and she had taken a loan of Rs.2 lakhs for her son's education and the repayment of the same loan during the year is Rs.60,000. Compute her taxable salary for the year 2006-07.

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19. Mr.Yashpal owns a house which is let out for residential purposes. Calculate income from house property assuming House 2 was self occupied for two months in the year.

PARTICULARS	HOSE I	HOSE II
Municipal value	60,000	30,000
Fair rental value	85,000	32,000
Standard rent	65,000	36,000
Municipal tax paid	6,000	3,000
Fire insurance premium	2,000	1,000
Ground rent due	500	200

Interest on capital borrowed for construction of the House I Rs.1,40,000 for the year 2006-2007. (The loan taken Rs.10,00,000 at 14% on 5 April 2003 and the construction was completed on 5 March 2004 and the loan is not repaid till date).

20. Mr. Parthiban has prepared the Trading profit and loss a/c for the year ended 31 March 2007 to disclose a Net Profit of Rs.2,30,000. Consider the following information and find out the total taxable income.

The opening stock Rs.1,20,000 was under cast by 20% but the closing stock Rs.60,000 was overcast by 25%.

- a) Income tax Rs.25,000 and penalty for violation of trade agreements Rs.4,000 debited in P/L a/c.
- b) Donations to govt. relief fund and payment of gratuity to retired employee Rs.50,000 each debited in P/L a/c.
- c) Profit on sale of shares Rs.40,000 and loss on furniture Rs.5,000 shown in P/L a/c.
- d) The company claimed Rs.36,000 towards depreciation at 20% on all assets though the Income Tax Act provides for 25%.
- e) Wages in connection with installation of a machinery Rs.10,000 was wrongly included in wages bill and shown in the P/L a/c.
- f) He withdrew stock for own use Rs.10,000 though the market value is Rs.15,000 the same was credited in the trading a/c for Rs.5,000 and also shown in the drawings in the Balance Sheet.

21. Ms.Anu Raman is a senior executive on a monthly salary of Rs.25,800 gross that includes HRA Rs.2,500 though she is staying in one portion her own residence. She lets out the remaining three fourths to two families and collects Rs.3,000 from each as the monthly rent.

She had invested in Debentures yielding 8% interest Rs.20,000 and she had taken Rs.15,000 loan for the above investment from a bank for which she paid Rs.12% interest.

She declares a loss Rs.1,00,000 carried over from her previous business which she discontinued in the recent past in 2004-2005.

She claims a capital loss Rs.2,00,000 against the long term capital gain of Rs.2,00,000 from the sale of jewellery during the year 2006-07.

Her income from other investments during the year amount to Rs.1,00,000.

She has LIC policy on her life as well as on her son's life and she pays Rs.4,000 as monthly premium.

Find out her taxable income and her tax liability for the assessment year 2007-08.

