

STELLA MARIS COLLEGE (AUTONOMOUS) CHENNAI – 600 086.

(For candidates admitted during the academic year 2015 – 2016)

SUBJECT CODE: 15CM/MC/IT55

B.Com.(A&F) DEGREE EXAMINATION NOVEMBER 2017

ACCOUNTING AND FINANCE

FIFTH SEMESTER

COURSE : MAJOR – CORE

PAPER : INCOME TAX LAW AND PRACTICE

TIME : 3 HOURS

MAX. MARKS: 100

SECTION – A

ANSWER ALL QUESTIONS:

(10 x 2 = 20)

1. What is Direct Tax?
2. What is Previous Year?
3. Define the term 'Business'.
4. What is Intra-head set off?
5. What is PAN?
6. The following amounts of income have been computed for Mr. Ramchand for the Previous Year ended 31-3-2017
 - a. Dividend received in London on June 3, 2016: Rs. 1, 00,000 from a foreign company.
 - b. Share of profit received in London on December 15, 2016 from a business situated in Srilanka but controlled from India: Rs. 2, 00,000.
 - c. Remittance from London on January 15, 2017 out of past untaxed profit of 2015-2016 earned and received there : Rs. 3,00,000 and interest earned and received in India on may 11,2017 : Rs. 1,92,000

Compute the total income of Mr.Ramchand for the relevant assessment year if he is a resident and ordinarily resident.

7. Find out the GAV.

(Rs. in Thousands)

Municipal value	105
Fair rent	107
Standard Rent	NA
Actual Rent	103
Unrealized Rent	1

Period during which the property remained vacant Nil

8. Compute the amount of depreciation of a Plant and Machinery (20% block) for the AY : 2017-2018

W.D.V as on 1-4-2016 Rs. 6, 00,000

Additions made on 1-8-2016 Rs. 80,000

Additions made on 16-12-2016 Rs. 60,000

Sale value of one of the plant
on 10-3-2017 Rs. 40,000

9. Decide about the person in whose hands the following income shall be taxable during the AY: 2017-2018. On January 1,1996, X transfers 1000 , 14% debentures of Rs. 100 each of A Ltd without any consideration to Mrs. X (interest is annually payable on December 31).

10. Compute the amount of deduction U/S 80D.

Payment of premium on Mediclaim insurance policy on X's father who is resident in India – Rs.30,500.

Payment of premium on own Mediclaim policy – Rs. 26,000.

ANSWER ANY FIVE QUESTIONS: (5 x 8 = 40)

11. X, a resident of Ajmer, receives Rs. 1, 92,000 per annum as basic salary during the PY: 2016-17. In addition, he gets Rs. 19,200 per annum as dearness allowance forming part of basic salary for computation of all retirement benefits, 7 percent commission on sales made by him (Sales made by X during the relevant PY is Rs. 86,000). And Rs. 24,000 per annum as house rent allowance. He, however, pays Rs. 21,500 per annum as house rent. Determine the quantum of house rent allowance exempt from tax.
12. Sir. Srinivasan took a loan of Rs. 40,000 on 01.06.2011 at 15% to construct a house. The construction of the house was completed on 20.06.2017. Date of repayment of loan is 16.01.2022. Compute the amount of interest deductible in computing income from the house property. Assume the house is let out.
13. From the following details, compute the total income of a Resident, Resident and not ordinarily Resident and Non-Resident
- a. Profit from business in Japan received in India Rs.1,20,000
 - b. Profit from business in Pakistan deposited in a bank there but controlled from India Rs.200,000
 - c. Income from house property in India received in America Rs.62,000
 - d. Capital gain on sale of agricultural land situated at Allahabad Rs.48,000
 - e. Share of income from an Indian Partnership firm Rs.1,50,000
 - f. Interest on debentures of an Indian Company received in Dubai Rs.25,000
 - g. Profit from a business in Indore controlled by London Head office –Rs.1,10,000
14. X holds the following securities on 1.4.2016:
Rs. 10, 00,000 5% UP Government loan (date of payment of interest: January 1)
Rs. 40,000 6% Non-Listed debentures of ABC Ltd. (dates of payment of interest: June 11 and December 11 every year)
Rs. 25,000 8% debentures of PQR Ltd (dates of payment of interest: June 15 and December 15 every year)
On December 1, 2016, X sells Rs.25, 000 8% debentures of PQR Ltd. He has received a gift of Rs. 1, 00,000 in foreign currency from a friend on December 1, 2016 on his marriage anniversary and his post office savings bank interest is Rs. 4,300. Calculate the taxable income of X for the AY: 2017-18.
15. Calculate the deduction allowable U/S 80C from the following:
- | | Rs. |
|---|--------|
| Insurance premium on the life of mother | 3,800 |
| Insurance premium on the life of Father | 500 |
| Contribution towards Employees Provident Fund | 50,000 |
| Contribution towards Public Provident Fund | 51,000 |
| Investments in units of a notified mutual fund for financing infrastructural facility | 2,000 |
| Contribution made for participating in unit-linked insurance plan | 2,000 |
| Insurance premium due before March 31, 2017 but paid on April 4, 2017 on own life | 1,000 |
| Contribution to Unrecognized Provident Fund | 12,000 |

16. X holds 20 percent equity share capital in Y Ltd. Mrs. X is employed by Y Ltd. (Salary being Rs. 1,40,000 per month) as general manager (finance). She does not have any professional qualification to justify the remuneration. Ascertain in whose hands salary income is chargeable to tax.

17. X purchases a house property for Rs. 76,000 on June 30, 1967. The following expenses are incurred by him for making additional/alteration to the house property:

	Rs.
Cost of construction of first floor in 1975-76	1, 10,000
Cost of construction of the second floor in 1983-84	3, 40,000
Alteration/Reconstruction of the property in 1992-93	2, 90,000
Fair Market Value of the property on April 1, 1981	4, 50,000
The house property is sold by X on June 15, 2016 for Rs. 99, 50,000 (Expenses incurred on transfer: Rs. 10,000) (CII for the year 1981-82 -100,1983-84 -116,1992-93 -223,2016-17 -1125)	

SECTION – C

ANSWER ANY TWO QUESTIONS:

(2 x 20 = 40)

18. For the AY 2017-18, (X age: 61 years), a resident individual, furnishes the following information:

	Rs.
Basic Pay	1, 20,000
Project allowances	1, 29,400
Education allowances (Rs. 200 per month for 2 sons and Rs. 150 per month for a daughter)	6,600
Hostel expenditure allowances (Rs. 650 per month for 1 child)	7,800
Transport allowances (For journey between office & residence)	19,200
Free car (1150 CC) facility for X for official and private purposes, cost to the employer-company	27,000
Free meals in office (300 working days)	12,700
Employer's contribution towards Unrecognised Provident Fund	3,000
Compute his salary income.	

19. Compute the amount of capital gains exempted U/S 54 and capital gains chargeable to tax in relation to each of the following transactions.

a. Mr. Vasani sells a residential house property in Chennai for Rs. 99,00,000 on April 25, 2016 which was acquired by him on May 10, 1986 for Rs. 5,00,000 in August 2016. He purchases a house in Madurai for Rs. 15,00,000.

On June 30, 2017 Vasani sells the house property in Madurai for Rs. 20, 00,000.

CII for 1986-87 is 140, for 2016-17 it is 1125.

b. Sale of a plot of land at Jaipur on 1.6.2016 for Rs.14,40,000. He paid Rs.40,000 as

- c. selling expenses. The plot was received by him on the death of his father on 15.3.1985. His father had acquired it on 1.4.1980 for Rs.1,00,000 and its fair market value on 1.4.1981 was Rs.1,10,000. On 1.10.2016 he invested Rs.3,00,000 in bond issued by the Rural Electrification Corporation Ltd. And Rs.2,00,000 on 1.3.2017 in the bond of National Highways Authority of India (CII 1981-82-100, 1984-85 -125 and 2016-17 -1125)
- d. He purchased shares of various companies worth Rs.1,20,000 during 2011-12. On 1.11.2012 , he became a dealer in shares and securities and converted his shares into his stock in trade. The fair market value on the date of conversion was Rs.3,00,000. These shares were sold during 2016-17. (CII 2011-12 -785, 2012-13-852, 2016-17-1125)
- e. Machinery purchased in 1983-84 for Rs.50,000 (WDV on 1.4.2016 – Rs.35,000) sold for Rs.60,000
- f. House hold furniture costing Rs.5,000 purchased on 1.5.2016 was sold for Rs.12,000
20. X (age 26 years), a leading tax consultant, who maintains books of accounts on cash basis furnishes the following particulars of income and expenditure for the AY: 2017-18.

Receipt and Payment Account for the year ended March 31, 2017.

Receipt	Rs.	Payments	Rs.
Balance b/d	12,400	Purchase of a typewriter	6,000
Fee from clients:		Car expenses	18,000
Of 2016-17	7,30,500	Office expenses	40,000
Of 2015-16	1,11,500	Salary to staff:	
Of 2017-18	1,13,000	Of 2016-17	32,000
Presents from clients	24,000	Of 2017-18	11,000
Interest- free loan from a client for purchase of a car.	2,38,000	Expenses in respect of let out property (Municipal tax – Rs. 2000, Repairs- 2,000, Insurance Rs. 3,000)	6,000
Winning from lottery	46,000	Car purchased on December 10, 2016	2,40,000
Interest from UTI (received on September 11, 2016)	12,000	Repairs of office	12,000
Rent for a let out property	60,000	Interest on loan	10,000
Share of income from a firm	15,000	Income tax payment	2,000
		Life insurance premium	2,08,000
		Balance c/d	7,77,400
	13,62,400		13,62,400

Car is partly used for official purposes (40%) and partly for private purposes (60%).
Compute his Professional income.

21. X, an individual, submits the following information relevant for the assessment year 2017-18.

Particulars	Profit (Rs.)	Loss (Rs.)
Salary income	1,42,000	
Income from house property:		
House A	1,15,000	
House B		1,17,000
House C		1,21,000
Profits and gains of business or Profession:		
Business A	1,08,000	
Business B		1,18,000
Business C (Speculative)	1,11,000	
Business D (Speculative)		1,23,000
Capital gains:		
Short-term capital gains	1,06,000	
Short-term capital loss		1,28,000
Long term capital gains on sale of building	12,500	
Income from other sources:		
Income from card games	1,08,000	
Loss from card games		1,07,010
Loss on maintenance of race horses		1,06,000
Interest on securities	1,04,000	

Determine the Net Income of X for the Assessment Year 2017-18.
