

STELLA MARIS COLLEGE (AUTONOMOUS) CHENNAI – 600 086.
(For candidates admitted during the academic year 2015 – 2016 and thereafter)
SUBJECT CODE: 15CM/MC/IT55

B.Com.(A&F) DEGREE EXAMINATION NOVEMBER 2018
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. Define the term 'Assessee'.
2. What do you mean by the term 'cost of acquisition' under the head Capital Gain?
3. Explain how an assessee avoids tax by certain transactions in securities (bond washing) under the head 'other sources'?
4. In what circumstances, the Best Judgment Assessment is made?
5. What are the three modes of e-filing?
6. Ms. Susan comes to India on 10th May 2015 after staying for 10 years in USA. She stays in India up to 4th January 2018 and leaves India on 5th January 2018 for USA. During her stay in India she was exploring the possibilities of a new business. Determine her residential status for the previous year 2017-18.
7. State whether the following items are deductible or not and why –
 - a. Fees paid to the lawyer for drafting partnership deed
 - b. Penalty paid to custom authorities for violating customs rules
8. Ms. Asha passed her MBA examination in June 2017 and joined her job on 1st July 2017 on a salary of Rs.40,000 per month. She resigned from her Job on 15th November, 2017, and got relieved on 30th November and started her own business on 15th December and earned a profit of Rs.80,000 upto 31st March, 2018. Find out her taxable income.
9. If a professional man has his gross taxable income (ie., income before allowing this deductions) of Rs.3,60,000 and pays rent of Rs.5,000 p.m. at Madurai, calculate amount of deduction u/s.80GG.
10. Discuss whether the provision of clubbing of income of minor shall be applicable or not in the following case – Mr. Raj deposited Rs.5,00,000 in the name of his minor grandson, Manu, under fixed deposit account. The deposit carries an annual interest income of Rs.50,000.

SECTION – B

ANSWER ANY FIVE QUESTIONS:

(5 x 8 = 40)

11. Which of the following incomes are taxable when the residential status of Ms. Mala is (i) Resident, (ii) Not Ordinary Resident and (iii) Non-Resident
 - a. Income accrued in Canada but received in India Rs.2,000
 - b. Rs.5,000 were earned in Africa and received there but brought to India
 - c. Rs.5,000 earned in India but received in Canada
 - d. Rs.10,000 earned and received in Srilanka from a business controlled from India
 - e. House property income (computed) from Srilanka Rs.2,000

- f. Rs.4,000 was past untaxed foreign income which was brought to India during the previous year
- g. Profit earned from a business in Kanpur Rs.10,000.
12. Ms. Yasmin gets a salary of Rs.33,000 p.m. and she has been provided with rent-free furnished accommodation at Karnal (population 7.5 lacs). The fair rental value of the house is Rs.60,000 p.a. He gets D.A. at 40% of salary which is given as per terms of employment. He gets education allowance of Rs.500 p.m. for education of her son. The cost of furnishing of the house is Rs.2,30,000. The employee has been provided with hired air conditioner for five months and hire charges of Rs.1,000 p.m. are paid by the employer. Compute her gross salary, giving effect to the above.
13. Municipal Rental Value (MRV) of the residential house is Rs.24,000 and actual rent is Rs.2,500 p.m. During the previous year 2017-18 house was vacant for two months. The municipal taxes are 10% of MRV. During the year, owner paid Rs.30,000 as arrears of municipal taxes. Interest on loan taken for the construction of house payable to his employer is Rs.16,000. Compute income from house property.
14. A 'block of assets' consists of 5 machines. The written down value of all machines as on 1-4-2017 is Rs.1,80,000. Rate of depreciation is 15%. A new machine costing Rs.1,60,000 was acquired in March 2017 but actually put into use only on 10-10-2017. Two old machines are also sold for Rs.3,20,000 in December 2017. Determine the amount of depreciation for the assessment year 2018-19.
15. Mr. Raj sold a plot of land at Jaipur on 1-6-2017 [CII=272] for Rs.14,40,000. He paid Rs.40,000 as selling expenses. The plot was received by him on the death of his father on 15-3-2005 [CII=113]. His father had acquired it on 1-4-1990 for Rs.1,00,000 and its FMV on 1-4-2001 was Rs.3,10,000. On 1-10-2017 he invested Rs.3,00,000 in bonds issued by Rural Electrification Corporation Limited notified u/s.54EC. Compute his taxable capital gain, given the CII for 2017-18 is 272.
16. Ms. Hamsa, a resident individual, submits the following particulars of income for the previous year ending March 31, 2018 – Dividend from REC International Ltd. Rs.4,800. Dividend declared on 16-5-2017 by Sundaram Finance Ltd. Rs.2,700, interest paid on capital borrowed for the purpose of investment in shares of Sundaram Finance Ltd. Rs.4,200. Collection charges in respect of dividend Rs.50. Winnings from Lottery – net amount Rs.70,000. Tax deducted at source Rs.30,000. Winnings from card games Rs.23,500. Interest on securities issued by the Government of Singapore Rs.20,570. Determine the income chargeable under the head 'income from other sources' for the assessment year 2018-19.
17. The following are the particulars of income/loss of Ms. Anju. You are required to set-off losses and carry forward and set-off where necessary –

	AY (17-18)	AY (18-19)
Income from salary (computed)	15,000	15,000
Income from interest on securities (gross)	5,000	5,000
Loss from business	53,000	15,000
Short-term capital gain	8,000	--
Long-term capital gain (land)	21,000	--

SECTION – C

ANSWER ANY TWO QUESTIONS:

(2 x 20 = 40)

18. Ms. Malathy is a production manager of an industrial unit at Chennai. The particulars of her salary income is as under –

Basic Salary	Rs.40,000 p.m.
Dearness Allowance (given under the terms of employment)	Rs.15,000 p.m.
Entertainment Allowance	Rs.1,000 p.m.
Medical Allowance	Rs.500 p.m.
House Rent Allowance	Rs.12,000 p.m.
Rent paid for the house	Rs.15,000 p.m.

Car of 1.2 lt. capacity provided by employer for private and official use. Employer meets expenses of car.

She and her employer (each) contribute 13% of salary to RPF.

She had taken interest free loan of Rs.15,000 to purchase of refrigerator.

Compute income under the head Salary for the assessment year 2018-019.

19. Ms. Ratha owns a residential house property. It has two equal residential units – Unit I and Unit II. While Unit I is self occupied by Ms. Ratha for her residential purposes, Unit II is let out (rent being Rs.6,000 per month, rent of two months could not be recovered). Municipal value of the property is Rs.1,30,000, standard rent is Rs.1,25,000 and fair rent is Rs.1,40,000. Municipal tax is imposed at 15% which is paid by her. Other expenses for the previous year 2017-18 being repairs Rs.800, insurance Rs.1,500, interest on capital (borrowed during 1998) for constructing the property – Rs.63,000. Find the house property income of Ms. Ratha for the assessment year 2018-19.

20. From the following particulars, compute the business income of Mr. Keshav –

	Rs.		Rs.
To Salaries	90,000	By Gross profit	3,50,000
Rent and taxes	20,000	Dividend	4,000
Service charges	4,000	Bad debts recovered (allowed earlier)	4,400
Legal expenses	5,000	Interest from Post office savings Bank	1,200
Reserve for Income Tax	6,000		
Depreciation	12,000		
Expense on acquisition of patent rights	56,000		
Office expenses	42,000		
Contribution to RPF	12,000		
Bad debts	4,500		
Donation to NDF	2,500		
Net Profit	1,05,600		
	3,59,600		3,59,600

1. Legal expenses include Rs.2,000 incurred by assessee for defending a case for damages for breach of contract which was decided in favour of assessee.
2. Depreciation of the year on assets other than patent rights is Rs.16,900.
3. Contribution to RPF due on 31-3-2018 Rs.2,000.

21. During the year ended 31st March 2018, Ms. Daisy sold the following assets –

Particulars	Sale proceeds (Rs.)
Shop purchased in 2005-06 (CII-117) for Rs.48,000	1,80,000
Machinery purchased in 2003-04 (CII-109) for Rs.50,000 (WDV on 1-4-2017 Rs.35,000)	60,000
Furniture purchased on 1-5-2017 for Rs.1,000	1,300
Machinery purchased on 1-5-2017 for Rs.10,000	12,000
Agricultural land in Agra purchased in 1998-99 for Rs.40,000 (FMV on 1-4-2001) (CII-100) being Rs.75,000	2,80,000
One residential house purchased in 2007-08 (CII-129) costing Rs.80,000	2,90,000

During the year, he bought a new houses for her residence for Rs.6, 00,000.

Work out the amount of Capital Gains, given the CII for 2017-18 is 272.

Computation of capital gain for the assessment year 2018-19
