

B.Com. DEGREE EXAMINATION APRIL 2019
COMMERCE
SIXTH SEMESTER

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

Section A

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

- 1) In what way, the Direct Tax differs from Indirect Taxes?
- 2) What is the purpose of levying Securities Transaction Tax?
- 3) What do you mean by the 'assessment year'?
- 4) Why perquisites are offered to the employees under the head 'salary'?
- 5) Bring out the relevance of TAN for an assessee.
- 6) Ms. Banu went to West Germany for diploma course on 5th August 2017 and came back to India on 25th February 2018. Her family remained in India. She had never been out of India before. What is her residential status for the year ending on 31st March 2018.
- 7) Compute gross salary from information given below – Salary at Rs.25,000 p.m.; D.A at Rs.5,000 p.m. (Rs.2,500 p.m. enters into pays for service benefits); Advance salary for two months Rs.55,000; and Employer's contribution to RPF Rs.3,500 p.m.
- 8) Ms. Devi owns a house property and submits the following particulars – Rent received Rs.1,75,000; Standard rent Rs.1,60,000; Municipal valuation Rs.1,70,000; Fair Rental value Rs.1,72,000; Municipal taxes 12% of municipal rental value. Compute Net Annual Value.
- 9) An assessee was engaged to be married to Mr. R. The engagement was announced on 30-9-2016 and marriage took place on 15-10-2016. Assessee transferred to Mr. R on 12-10-2016 debentures of a company worth Rs.1,00,000. Mr. R received Rs.15,000 as interest on these debentures in September, 2017. The IT Officer's contention is that it is not Mr. R's income. Discuss whether IT Officer's contention is correct or wrong.
- 10) Ms. Joyce left on 1-4-2015 for USA for her higher studies. For this purpose she had taken a loan from bank. She started repaying this loan with effect from 1-4-2017 and during 2017-18 she repaid Rs.30,000 as principal amount and Rs.28,000 as interest. Can she claim any benefit under section 80E for the amount repaid by her?

Section B

Answer Any FIVE questions. **(5 x 8 = 40)**

- 11) Mention the different kinds of incomes specifically mentioned as chargeable to tax under the head 'Income from Other Sources' and the permissible deductions.
- 12) What is E-Filing of Return? Explain its provisions and the mode of e-filing.
- 13) Ms. X, the owner of two houses, occupies one for her own residence and the other she lets to a tenant at a monthly rent of Rs.5,000. The municipal valuation of the house occupied is Rs.26,000 and of the other is Rs.52,000. The municipal taxes of the two amounted to Rs.6,000. The other expenses in respect of the two houses are as follows – Insurance premium (for both houses) Rs.12,000; Annual charge in respect of the house occupied Rs.3,000; Ground rent for the house let Rs.1,000; Repairs of the house occupied Rs.7,000; Interest on loan taken to repair the two houses Rs.4,000. Calculate the Ms. X's income from house property.

- 14) From the following particulars you are required to ascertain the depreciation admissible in respect of the previous year relevant to assessment year 2018-2019 –

	Plant & Machinery	Building
Written down value at the beginning of year	Rs.2,50,000	Rs.10,00,000
Additions during the year	3,00,000	Nil
Sales during the year (a part of the assets)	6,00,000	2,00,000

Rate of depreciation for Plant and Machinery is 15% and Building is 10%.

- 15) Mr. Chandar sold his residential house on 1-11-2017 for Rs.16,25,000 which he had purchased for Rs.4,10,000 on 1-2-2002. He spent Rs.56,100 for its improvement in 2003-04. In 2005-06, he had agreed to sell the house to Mr. Rajan for Rs.6,50,000 and had received an advance of Rs.10,000 for the same. However, since Mr. Rajan did not get the sale registered within the agreed time, the agreement was cancelled and the advance money was forfeited by Mr. Chandar. Compute the capital gain for the assessment year 2018-19 assuming that Mr. Chandar bought a new residential house on 1-11-2017 for Rs.2,50,000 and invested on 1-3-2018 Rs.1,50,000 in the Bonds notified u/s.54EC. The cost inflation index for the financial years 2001-02, 2003-04, 2005-06 and 2017-18 were 100, 109, 117, 272, respectively.

- 16) Compute income from the other sources from the particulars given below –

Interest on deposits with a company	Rs.10,000
University remuneration on working as examiner	Rs.6,000
Royalty for writing books (He claims to have spent Rs.20,000 on writing these books)	Rs.60,000
Dividend declared by R. Co. on 1-3-2018 but paid on 1-5-2018	Rs.6,000
Interim dividend paid on 1-5-2017	Rs.3,000
Stake money on race horses	Rs.1,50,000
He maintained horses and their maintenance expenses are	Rs.2,40,000
Family pensions received	Rs.36,000

- 17) From the following, compute the total income for the previous year 2017-18

Income from Let out house (computed)	Rs.6,000
Annual rental value of his self occupied house	Rs.4,000
Municipal taxes	Rs.400
Profit from electric goods business after depreciation	Rs.10,000
Profit from agency business	Rs.3,000
Speculation gain from Gold	Rs.2,000
Following losses have been brought forward from 2016-17 previous year	
Loss from electric goods business	Rs.6,000
Loss from agency business	Rs.1,000
Speculation loss from Silver	Rs.4,000
Unabsorbed depreciation	Rs.1,000
Long term capital gain	Rs.4,400

Section C

Answer Any TWO questions.

(2 x 20 = 40)

- 18) Mr. Anand, an employee of Madurai (population 15 lakhs) based company provides the following particulars of his salary income –

i. Basic salary	Rs.12,000 p.m
ii. Profit bonus	Rs.12,000
iii. Commission on turnover achieved by him	Rs.42,000

iv. Entertainment allowance	Rs.2,000 p.m
v. Club facility	Rs.6,000
vi. Transport allowance	Rs.1,800 p.m
vii. Free use of car of more than 1.6 lt. capacity for both personal and employment purposes; expenses are met by employer	
viii. Rent free house provided by employer. Rent paid by Employer	Rs.6,000 p.m
ix. Free education facility for his children (Bill issued in the name of employer)	Rs.22,500
x. Gas, water and electricity bills issued in the name of employee but paid by employer	Rs.16,800

Compute income under the head salary for the assessment year 2018-19.

19) Mr. Sathish sold the following assets during the year 2017-18 as he has discontinued his business. The sale proceeds are given as under -

a) Land purchased on 2001-02 (CII-100) situated at Mysore for Rs.80,000	Rs.2,70,000
b) Machinery purchased for Rs.12,000 in 2004 (WDV on 1-4-2017 Rs.6,000)	Rs.21,000
c) Office furniture purchased in April 2017 for Rs.1,200	Rs.1,700
d) Shop purchased in 2004-05 (CII-113) for Rs.90,000	Rs.2,60,000
e) Residential house purchased in 2001-02 (CII-100) for Rs.70,000 sold on 15-4-2017	Rs.3,50,000
f) Rs.10,000 (10%) Debentures purchased on 1-5-2017 sold on 16 th March 2018	Rs.12,000

He purchased another residential house on 15-3-2018 for Rs.6,50,000 during the year. Compute his taxable income under the head 'Capital Gains' if CII for 2017-18 is 272.

20) The net profit disclosed by the Profit and Loss account of Mr. Sanjay, owning a Departmental stores, for the year ended 31st March, 2018 is Rs.20,000. The undernoted particulars and information are available in regard to the accounts –

- Stock of goods as on 1-4-2017 and 31-3-2018 has been valued at Rs.2,50,000 and Rs.3,00,000 at 20% below cost, the market values being Rs.3,50,000 and Rs.4,20,000 respectively.
- Mr. Sanjay withdrew from the trading stock for his domestic use goods which had cost Rs.10,000 and credited to sales by a sum of Rs.5,000 debiting his capital account. The market value of the goods on the date of withdrawal was Rs.15,000.
- Articles of foreign manufacture were imported infringing the Customs Regulations and penalty of Rs.10,000 paid on that account was debited to the Profit and Loss account under 'Legal Expenses'.
- 'Legal expenses' also include cost of stamp duties and mortgages charges of Rs.8,000 for giving security of immovable properties against a long-term business loan of Rs.5,00,000 taken from the ICICI.
- Depreciation debited to account falls short of the admissible depreciation for taxation purposes by Rs.25,000.

- f) Shares acquired for investment purposes on 1st October 2016 at a cost of Rs.35,000 were sold on 31st December 2017 for Rs.60,000. Gain has not been credited to P & L account.
- g) Machinery hired by him for use in his business was destroyed by fire and compensation of Rs.10,000 paid to the owner on that account was debited to the P & L account.

From the information given above, compute business income of Mr. Sanjay for the assessment year 2018-19.

- 21) From the particulars given below, determine total income of Mr. Sharma for the assessment year 2018-19 –

Salary income (computed)	Rs.4,50,000
House property income (computed)	Rs.30,000
Business Loss	Rs. (-) 80,000
Capital gain	
- Short term	Rs.20,000
- Long term	Rs.12,000
Income from other sources –	
- Winnings from lottery	Rs.50,000
- Winnings from card games	Rs.16,000
- Interest on securities	Rs.10,000

Mr. Sharma's savings are –

- Recognised Provident Fund Rs.1,000 p.m
- Life insurance premium Rs.20,000 p.a on a policy value of Rs.1,50,000
- Contribution towards pension fund of LIC Rs.12,000
- Own medical insurance premium paid Rs.12,000 and also paid for his spouse Rs.12,000.

He spend Rs.30,000 for handicapped son on his treatment.

One of his son is studying in a reputed management college and took a loan of Rs.2,00,000 at 12% from a Nationalised bank in 2014.
