

B.Com.(A&F) DEGREE EXAMINATION, NOVEMBER 2018
III Year V Semester
Core Major - Paper XV
INCOME TAX LAW & PRACTICE I

Time : 3 Hours

Max.marks :75

Section A ($10 \times 2 = 20$) Marks

Answer any **TEN** questions

1. What is Previous Year ?
2. What is the residential status of an individual who came to India for the first time in 2015-16 and who was in India as follows:

Previous year	2017-18	2016-17	2015-16
Presence in India	185	15	26 days

Find out the residential status in the assessment year 2018-19.
3. Mr.S hired a house of 5 rooms at Rs.5,000 p.m. He paid Rs.6,000 as municipal taxes and spent Rs.5,000 on the repairs of the house. He has given two rooms at the rate of rs.3,000 p.m.to his friend Mr.P. Compute his income from sub letting.
4. What is Self occupied property?
5. Mr.D owns a house at Vijay nagar 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 plus 2% of municipal taxes as sanitation sur charge. Compute net annual value.
6. Define the term Depreciation.
7. Following particulars are furnished by a pvt. Ltd. company relating to its plant and machinery (15% block) for the year ending on 31st mar 2018:

WDV on 1st Apr 2017 Rs.4,00,000 Additions during the year (installed on 1.7.2017) Rs.60,000. During the year an item of machinery was sold for Rs.20,000. The WDV of this item (as on 1.4.2017) was Rs.11,000. The item was purchased for Rs.16,000. Compute depreciation and WDV.
8. Give two examples for exempted income .
9. Mr G retires on 31.10.2017 after 20 years of service and received Rs.1,80,000 as leave encashment for 12 months. His employer allows him $1\frac{1}{2}$ months of leave for every one year of service. He has already encashed leave for 18 months. His salary for 2016-17 was Rs.15,000 and from 1.4.2017 it was raised to Rs.16,000 p.m. Compute taxable amount of leave encashment.
10. To what extent following are allowable deductions in computing the income of business carried on by Mr.A:

Entertainment expenditure incurred during the previous year ending 31.3.2018 is Rs.50,000

Income tax deposited in advance during the previous year 2017-18 amounted to Rs.10,000.
11. What is Total Income ?
12. Who can file a return ?

Section B ($5 \times 5 = 25$) MarksAnswer any **FIVE** questions

13. Write a note on PAN.
14. Mr. Singh retired on 31-12-2017 and his pension was fixed at Rs. 3600 p.m. He got $\frac{3}{4}$ of the pension commuted for which he received Rs. 1,80,000 from his employer, a Ltd Co., Find out the taxable amount of commuted value of pension if
- (a) he gets gratuity and
- (b) he does not get gratuity.
15. Mr. X is an employee of a company getting salary of Rs.50,000 p.m. Taxable value of perks provided to him Rs.76,500 During the previous year 2017-18 he had made the following investments :
- Savings Amount contributed to unrecognised provident fund Rs.36,000 Amount deposited in public provident fund on his own name Rs.78,000 Life insurance premium paid : on his own life Rs.16,000 on the life of his father Rs.8,000 on the life of his minor son Rs.4,000 Tuition fees paid for his son's education Rs.44,000 Amount deposited in Post office savings bank account Rs.10,000 Amount invested in units of mutual fund notified u/s 80C Rs.12,000
- Calculate the amount of deduction u/s 80C.
16. Mr.R gives you the following particulars from his accounts for the year ended 31.3.2018 :
- Net profit as per profit and loss account (without charging the following items) Rs.2,75,000 Expenditure on family planning Rs.45,000 Lump sum consideration for purchase of technical know how developed in government laboratory Rs.90,000 Exertainment expenditure Rs.30,000 Expenditure on acquisition of patent right Rs.84,000 Expenditure on advertisement paid in cash Rs.8,000 Provision for excise duty Rs.45,000 (He paid Rs.20,000 on 27.6.2018 and Rs.7,000 on 10.11.2018 due date of filing of return is 31.7.2018) Amount paid to Rajasthan university for an approved research programme in the field of social sciences not connected with his business. Compute his business profit for the year ending 31.3.2018.
17. Calculate ARV from the particulars given below:
- Actual Rental value = Rs. 7000 p.m.
- MRV = Rs. 60,000 p.a
- FRV = Rs. 66,000 p.a
- Standard Rent = Rs. 69000 p.a
- Assessee could not realise rent for two months and house also remained vacant for 2 months during the previous year 2017-18.
18. Ram is a registered medical practitioner. He has prepared the following income and expenditure account the year ending 31st mar 2018. You are required to prepare a statement showing his income from profession.

Income and Expenditure Account (in Rs.)

House hold expenses	20,000	Consulation fees	10,000
Car purchased	30,000	Visiting fees	20,000
Travelling expense personal	4,000	Gains on race gross	10,000
Charity and donations	1,000	Share in sale proceeds	34,000
Income tax	2,000	of an ancestral house	
Salaries	8,000	Profit on sale of securities	6,000
Gift to daughter	7,000	Dividend on units gross	5,000

Establishment expense	1,000	Interest on P.O. savings	600
Surgical equipment	4,000	Gifts from father in law	2,000
Books	2,000	Bad debts recovered	2,000
Life insurance premium	2,000	(not allowed in earlier year)	
Wealth tax	1,000	Interest on fixed deposits	1,300
Interest on capital	1,000		
Surplus	7,900		
	90,900		90,900

Rate of depreciation allowable on car is 15% and surgical equipment is at 15% In case of books for profession the rate of depreciation is 60%.

19. State the incomes exempted from House property.

Section C ($2 \times 15 = 30$) Marks

Answer any **TWO** questions

20. The following are the incomes of Mr.S for the previous year 2017-18

Profit on sales of machinery in Bangalore but received in Australia Rs.30,000

Profit from business in Canada, the business being controlled from India Rs.42,000

(One third is received in India)

Income from house property in Iran Rs.20,000

Agricultural Income in England and was received there but later on brought into India Rs.8,000

Past untaxed foreign income brought into India during the previous year 2017-18 Rs.6,000

Compute the total income of Mr S for the assessment year 2018-19 if he is

(i) Resident (ii) Not ordinarily resident or (iii) Non resident.

21. Mr.Arun an employee of Arun Corporation Ltd. receives the following salary and perquisites from his employer during the previous year 2017-18 :

Basic pay Rs.4,50,000 p.a. profit bonus Rs.17,500 Commission on sales @ 2 percent of turnover (turnover of the year 2017-18 achieved by Arun Rs.28,50,000) advance salary of April 2018 Rs.37,500 Employer's contribution towards recognised provident fund @Rs.5,500 p.m. Interest credited in provident fund account @12.5 percent Rs.8,700 Travelling allowance Rs.400 which is fully utilised for official purposes. A rent free furnished house in Mumbai (rent of unfurnished house paid by employer Rs.96,000 rent of furniture Rs.12,000) Free services of a gardner (salary Rs.3,000) and free supply of ration (expenditure of the employer Rs.7,500) He owns a house in Chennai. During the previous year he earns taxable income of Rs.15,000 from the house.

Mr. Arun holds 20 percent equity shares in the employer company. During the previous year Arun makes the following payments and investments :

a.) Own contribution towards recognised provident fund Rs.66,000

b.) Deposits in public provident fund Rs.30,000 Determine taxable salary income and qualifying amount for deduction u/s.

22. Following are the particulars of house properties of M for the previous year 2017-18 Compute his income from house properties :

	House A	House B
Construction started on	31.3.1998	10.2.1996
Construction completed on	31.3.1999	1.6.1999
	Rs.	Rs.
Actual rental value	60,000	42,000

Municipal valuation	50,000	36,000
Standard rent	45,000	-
Fair rental value	48,000	54,000
Municipal tax	2,500	3,600
Interest on money borrowed to	6,200	-
Renovate the building		
Vacancy period	2 months	-
Rent collection charges	4,300	1,600

Both the above houses were let out for residential purposes. Insurance premium of House I and Ground rent of House II are still outstanding. The tenant paid the municipal taxes of House II.

23. From the following profit and loss account of Sriram a sole trader, compute the business income for the assessment year 2018-19

	Rs.		Rs.
To General expenses	18,000	By Gross profit	89,000
To Staff salaries	7,000	By Bad debts recovered	1,000
To Bad debts	3,000	By Income tax refund	4,500
To Depreciation	4,000	By Dividend on shares	8,000
To Advertisement	5,000	By Dividend on units of UTI	5,000
To Income tax appeal	11,000		
To Fire insurance premium	2,000		
On stock			
To Donation to National	7,000		
Defense fund			
To Patents purchased	10,500		
To Audit fees	1,000		
To Provision for doubtful	3,800		
Debts			
To Life insurance premium	5,200		
To Net profit	30,000		
	1,07,500		1,07,500

- i. Patents are purchased in the previous year
- ii. Bad debts recovered is allowed earlier
- iii. Depreciation on assets other than patent is Rs.4,800