

B.Com DEGREE EXAMINATION, APRIL 2019
III Year V Semester
Income Tax Law and Practice - I

Time : 3 Hours

Max.marks :75

Section A (10 × 2 = 20) Marks

Answer any **TEN** questions

1. Define the term 'Assessee'
2. Ms. Parvathi left India for the first time on 15.12.17 and returned back to India on 2.2.18. Determine his residential status for the A/Y 2018-2019.
3. The following are the incomes of 'Y' during the previous year 2017-18
 Profits made from a business in Japan which is controlled from India Rs. 10,000,
 Income from companies in Thailand and received in India Rs.1,00,000,
 Income from Agriculture in Sri Lanka and received in India. Compute total income if he is: i) Resident ii) Not Ordinarily Resident iii) Non-resident in India.
4. Define perquisite under IT Act.
5. Sri Ram joined the service of R. Ltd on 1.11.2010 in the scale of pay of 8,000-500 – 10,000-1,000-13,000-1,500-17,500. Calculate the basic pay for the previous year 2017-18, if salary falls due on last day of each month.
6. Calculate the basic salary of Mrs. Reji for the Assessment year 2018-19
 Salary received Rs. 18,000, tax deducted at source Rs. 2,000, own contribution to PF Rs.3,000
7. Compute gross annual value for the following houses

| | House 1 Let out for Business | House 2 Own Residence |
|-----------------------|------------------------------------|-----------------------------|
| Fair rental value | 1,10,000 | 90,000 |
| Municipal value | 1,00,000 | 1,00,000 |
| Actual value received | 1,11,000 | 1,01,000 |
8. Compute net annual value from the following particulars given below. Actual rent Rs.60,000 p.a. M.R.V Rs. 50,000 p.a. F.R.V Rs. 65,000 p.a. municipal tax paid 10%.
9. A firm's stock of goods on 1.4.2017 and on 31.3.2018 are Rs. 2,50,000 and 3,00,000 respectively. The stocks are valued at 20% below cost. Calculate the amount of under valuation.

10. Calculate deduction under section 35AB to Kathir for the AY 2018-19
Patents acquired on 1.6.17 at Rs. 2,10,000
Patents acquired on 1.12.17 at Rs. 2,80,000
11. Mention any three powers of chief commissioner.
12. What is best judgement assessment?

Section B ($5 \times 5 = 25$) Marks

Answer any **FIVE** questions

13. How will you determine residential status of an individual Assessee?
14. The following are the particulars of income of Mr. A for the previous year 2017-18.
 - a) Rent from a property in Delhi received in USA Rs. 80,000
 - b) Income from a business in USA controlled from Delhi Rs. 1,20,000
 - c) Income from a business in Bangalore controlled from USA Rs. 1,80,000
 - d) Rent received from a property in USA but subsequently remitted to India 60,000
 - e) Interest from deposits with an Indian company received in USA Rs 20,000
 - f) Profit for the year 2016-17 of a business in USA remitted to India during 2017-18 (not taxed earlier) Rs. 75,000.
 - g) Gifts received from his parents Rs. 45,000Compute his income for the assessment year 2018-19 if he is: i) Resident ii) Not Ordinarily Resident iii) Non-resident in India.
15. Mr. Bharathi (resident), an employee of private ltd., retires from her service on 16th January 2018 after serving for 36 years and 6 months. He receives Rs. 97,000 as gratuity under the gratuity act 1972. At the time of retirement her basic salary was Rs.2,300 p.m and dearness allowance was Rs.400 p.m. What amount of gratuity will be taxable for the assessment year 2018-2019?
16. Calculate taxable HRA from the following:
Basic pay of Rs.5,000 p.m.
DA (not forming) Rs. 3,000 p.m
HRA (Rent paid at Chidambaram Rs. 3,250 p.m) Rs. 3,000 p.m.
Medical allowance Rs. 500 p.m.

17. Calculate income from house property of Ms. Jeevitha from the following information. House was constructed in 1997, 75% is let out and 25% is self occupied.

| | Rs. |
|------------------------------|--------|
| MRV | 50,000 |
| FRV | 60,000 |
| Standard rent | 55,000 |
| Municipal tax | 4,000 |
| Interest on borrowed capital | 10,000 |

18. From the following details, compute the taxable income under the head income from business. Profit before adjusting the following items is Rs. 7,00,000

| | Rs. |
|------------------------------------|--------|
| Trade expenses | 5,000 |
| Establishment expenses | 10,000 |
| Household expenses | 2,000 |
| Discount allowed | 1,000 |
| Income tax | 700 |
| Provision for bad debts | 1,000 |
| Donations to National Defence Fund | 1,000 |
| Audit fees | 200 |

19. Ashika owns two buildings A and B on April 1, 2017, (rate of depreciation: 10%, depreciated value: Rs. 14,15,700). He purchases on December 1, 2017 building C for Rs. 3,10,000 (rate of depreciation: 10%) and sells building A during the previous year 2017-18 (on 1.10.2017) for Rs. 8,70,000. Determine the amount of depreciation.

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

Answer any **TWO** questions

20. Compute salary income from the following information.
- Salary received (after deduction of income tax and RPF) Rs. 60,000
 - Income tax deducted Rs. 6,000 and RPF deducted Rs. 6,000
 - Dearness allowance 20% of salary
 - Bonus Rs. 10,000
 - Education allowance Rs. 500 p.m (employee has one child)
 - Club bill paid by the employer on behalf of employee Rs. 1,000
 - House rent allowance at Rs. 500 p.m. (rent paid for house Rs.800 p.m) and house in Chennai.

21. Mrs. Shantha owns two houses in Bangalore. She has let-out both the houses throughout the year for residential purpose.

| | House I | House II |
|------------------------|----------|-----------|
| Municipal value | 4,00,000 | 12,00,000 |
| Fair rental value | 7,20,000 | 7,20,000 |
| Rent received | 4,80,000 | 8,00,000 |
| Standard rent | 6,00,000 | 6,00,000 |
| Repairs | 72,000 | 1,00,000 |
| Municipal tax paid | 40,000 | 1,20,000 |
| Insurance premium paid | 48,000 | 70,000 |

On 1st April 2017, she bought residential house for self occupation for Rs.10,00,000 by taking a housing loan in Canara bank.

Loan amount was Rs. 7,00,000 and rate of interest 12% p.a.

Compute taxable income from house property for the Assessment year 2018-19.

22. Following is the profit and loss a/c of Mr. Siva for the previous year 2017-18

| | | | |
|------------------------------------------------------|--------|--------------------------------------------|--------|
| To salaries | 30,000 | By Gross profit | 80,000 |
| To Rent | 1,000 | By bank interest | 600 |
| To Commission on sales | 600 | By bad debts recovered (last year allowed) | 2,400 |
| To LIC premium | 1,600 | By rent from house property | 5,000 |
| To Entertainment exp. | 600 | By interest on commercial securities | 2,000 |
| To Commission paid to collect Interest on securities | 250 | | |
| To Embezzlement by cashier | 3,000 | | |
| To Gift tax | 600 | | |
| To Bad debts (allowed) | 450 | | |
| To Repairs to house | 1750 | | |
| To Office expenses | 9,180 | | |
| To Depreciation | 5,000 | | |
| To Net profit | 35,970 | | |
| | 90,000 | | 90,000 |

Other information:

Depreciation on the assets is Rs. 4,200

Actual bad debts written off during the year amount to Rs. 700

Compute the taxable business income for the assessment year.

23. Describe the powers of the Central board of direct taxes