

M.Com(A&F) DEGREE EXAMINATION, APRIL 2020
I Year II Semester
Income Tax Law and Practice

Time : 3 Hours

Max.marks :75

Section A (10 × 2 = 20) Marks

Answer any **TEN** questions

1. Define Assessment Year
2. What are the two basic conditions to determine Residential status of the individual?
3. Mr James a Foreign national came to India for the first time on June 15, 2013. During the financial year, 2013-14, 2014-15, 2015-16, 2016-17, 2017-18 and 2018-19. He stayed in India for 50 days, 183 days, 115 days, 25 days, 190 days and 58 days respectively. Ascertain his residential status for the assessment year 2019-20
4. How do you compute the cost of acquisition of Depreciable Assets?
5. Ganesan furnishes the following particulars of his income for the previous year 2018-19. Compute his Income from Other Sources for the assessment year 2019-20.

	Rs.
Dividend (Gross) from Ashok Leyland Ltd.	25,000
Dividend from a co-operative society	5,000
Interim Dividend from Rane (Madras) Ltd.	6,000
Dividend from a Foreign Company	26,000
Dividend from U.T.I	3,000

6. Determine the gross annual value in the following cases for the assessment year 2019-20

	Rs. In thousand		
Properties	I	II	III
Fair Rent (a)	87	50	70
Municipal Value (b)	86	42	50
Standard Rent (c)	84	64	NA
Actual Rent (d)	82	92	79

You may assume that the properties are let out throughout the previous year.

7. State the amount of deduction available under Sec 80E
8. Shri. Kamal had taken a loan from bank for his higher studies. He started repaying the loan with effect from 1-4-2015 and during 2018-19 he repaid Rs. 50,000 as principal amount and Rs. 10,000 as interest. His gross total income for PY 2018-19 is Rs. 2,40,000. Compute the amount of deduction under Section 80E.
9. Jaya Kumar transfers 2,000 Debentures of Rs. 100 each carrying 13% interest to Mr. Raman on 1-4-2018 on the condition that if price is not paid within one year, the debentures will revert back to Jaya Kumar. How is the income treated under Income Tax Act 1961?
10. Decide about the person in whose hands the following incomes shall be taxable for the assessment year 2019-20. Mr. Rajan owns 10,000 15% debentures of Rs. 100 each of X Ltd. (annual interest being Rs. 1,50,000). On May 1, 2018 he transfers interest income to Balu, his friend without transferring the ownership of these debentures.
11. Give any two tax considerations in make or buy business decisions.

12. Define Efiling.

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

Answer any **FIVE** questions

13. List out any five incomes exempted from tax.

14. Mr. Rajendran left for USA along with family, for the first time, on 14-10-2018. He returned to India on 31-5-2019. Determine his residential status for the assessment year 2019-20

15. Compute the amount of capital gains exempted under section 54 and capital gains chargeable to tax in relation to the following transactions.

Mr. Vasan sells a residential house property in Chennai for Rs. 99,00,000 on April 25, 2018 which was acquired by him on May 10, 2011 for Rs. 5,00,000. In August 2018, he purchases a house in Madurai for Rs. 15,00,000. On June 30, 2019, Vasan sells the property in Madurai for Rs. 20,00,000. CII for 2011-12 is 184 for 2019-18 it is 280.

16. Murugappa Group of companies submit the following information as to a block of Plant and Machinery (rate of depreciation 40%) as under:

Aggregate written down value of machines X and Y on 01-04-2018 was Rs. 30 Lakhs
Purchases of new machine C on 1st November, 2018 was Rs. 6 Lakhs

Compute the amount of depreciation for Assessment year 2019-20 if

- a) Machine X and Y are sold for 31 lakhs on 01-11-2018
- b) Machine C is sold for 28 lakhs on 01-01-2019

17. Mr. Kumar, a resident individual submits the following details for the previous year 2018-19:

	Rs.
Contribution towards pension fund of LIC	35,000
Medical expenditure on the health of his father of 80 years	40,000
Medical treatment of dependent handicapped brother	15,000
Deposit with UTI for the maintenance of the dependent handicapped brother	40,000

Salary income of the assessee is Rs. 1,70,000 p.a.

Professional tax paid Rs. 1,200

Find out the deductions eligible u/s 80C to 80U. What is the amount of deductions eligible u/s 80DD if his brother is of 60 years of age?

18. Jayanth transfers the following assets during 2018-19. Decide about the person in whose hands the incomes shall be taxable:

- i. Jayanth gifted gold jewellery worth Rs. 5,00,000 to his wife on 1-5-2018. It was acquired on the same day. On 1-8-2018, Mrs Jayanth sold this jewellery for Rs. 6,00,000 and on the same day invested the same in a plot for Rs. 7,00,000. The remaining amount was paid by her out of her own funds. The plot was sold for Rs. 8,00,000 on 1-11-2018.
- ii. Jayanth transferred a house property (Annual rent received Rs. 90,000) to Mrs Jayanth on 1-10-2018 for an adequate consideration.
- iii. Jayanth transfers 2,000 Debentures of Rs. 100 each carrying 15% interest to his daughter-in-law without any consideration. The transfer was made on 01-06-2018
- iv. Jayanth transfers an asset without consideration (annual income Rs. 2,00,000) to an AOP created by him. The trust provides that income derived from asset is to be utilised for the benefit of Jayanth's wife and daughter-in-law equally

19. Expand PAN. State its importance in various transactions.

Section C ($2 \times 15 = 30$) MarksAnswer any **TWO** questions

20. Following are the details of income of Mahesh for the previous year 2018-19

	Rs.
i) Salary received in India for services rendered in Australia	4,00,000
ii) House property income received in India from a property situated in Singapore (computed)	2,00,000
iii) Salary received in USA for services rendered in India	5,00,000
iv) Rent of a house property situated in Mumbai received in Australia (Computed)	6,00,000
v) Income from business in UK controlled from India	10,00,000
vi) Income from business in Chennai controlled from Japan	12,00,000
vii) Dividends from UTI received in India	3,00,000
viii) Rent from property in France received there but subsequently remitted to India (Computed)	50,000
ix) Profits from a business received in South Africa controlled from there	1,00,000
x) Profits for the year 2013-14 of a business in Indonesia remitted to India during the previous year 2018-19	10,000

Compute the Total income of Mahesh for the Assessment year 2019-20 if he is:

- Resident and Ordinarily Resident in India
- Resident but not Ordinarily Resident in India
- Non-Resident in India

21. From the following particulars of Mr. Kannan who is working in Ram & Co., Delhi (population above 25 lakhs) compute his total income and find out qualifying amount for deduction u/s 80C

	Rs.
Salary Rs. 3,000 per month	36,000
Entertainment allowance (never given before)	25,000
Dearness Allowance	18,000
Employer's contribution to RPF	4,000
Employee's contribution to RPF	4,000
Education expenses of Mr. Kannan's Son met by the employer	1,000
Rent-free and furnished house in Delhi provided by the employer, rental value of house owned by employer is	6,000
Medical expenses during office hours	600
Club bill of Mr. Kannan paid by the company	400
Insurance premium paid from his salary	1,000
Bonus	26,000

Car of 1.8 ltr is provided for personal and office use.

Drivers wages Rs. 6,000. Expenses on running and maintenance are met by employer

Gas water and electricity bills paid by employer Rs. 3,000

Mr. Kannan paid college tuition fees of his children Rs. 16,000

Amount deposited in PPF Rs. 60,000

Life insurance premium on spouse's life (principal) Rs. 80,000

Housing loan principal amount paid Rs. 60,000

22. An assessee, who is an individual, received the following incomes during the financial year 2018-19:

	Rs.
Business Income	6,80,000
House property income (computed)	25,000
LTCG	50,000
STCG	10,000

He made the following payments for donations during the year.

	Rs.
i) National children welfare fund	6,000
ii) P.M. National Relief fund	7,000
iii) National Defence Fund	6,000
iv) P.M Drought Relief Fund	8,000
v) Local authority to promote family planning	10,000
vi) Public Charitable Trust (Approved)	1,20,000
vii) He paid Rs. 7,000 by cheque to GIC under mediclaim	

Compute the assessee's Total income.

23. A) Master Ajay (Age 16 years) received following incomes during 2018-19

	Rs.
Interest on bank deposit	75,000
Interest on Government securities	80,000
Interest on Debentures	40,000
Income by acting in a film	1,00,000
Income by a singing concert held by him	50,000
His father's total income	1,09,000
His mother's total income	1,09,100

Decide about the person in whose hands the above incomes shall be taxable and the amount of Income to be taxed.

B) Mr. Vivek transfers his self acquired property yielding an annual income of Rs.2,00,000 to his Hindu undivided family, consisting of Vivek, Mrs. Vivek, his major son Ravi and minor son Naraynan.

Discuss:

- How the income is treated under Income tax act 1961?
- If the family is partitioned equally subsequently how the income is treated?