

B.Com. DEGREE EXAMINATION, APRIL 2020
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. Write a note on "Person" u/s 2 of the Income Tax Act.
2. Mr.X left for U.S.A along with his family, for the first time, on 14-10-2018. He returned to India on 31-05-2019. Determine his residential status for the assessment year 2019-2020.
3. Mr.A comes to India for the first time on 1.08.2018. During his stay in India, he stayed upto 25.10.2018 in Chennai and thereafter in Mumbai. Determine his residential status for the PY:2018-19.
4. Write a note on 'Standard deduction'.
5. X receives salary of Rs.9000 p.m and D.A of Rs.5, 000 p.m. His employer a private company declares 50% of D.A to enter into pay for service benefits. Compute the total taxable allowances considering the following information.

	Rs.
(a) Lunch allowance	100 p.m
(b) Family allowance	300 p.m
(c) Deputation allowance	40 p.m
(d) Medical allowance	500 p.m
(e) Allowance for entertainment	1000 p.m
(f) Wardenship allowance	600 p.m
(g) Non-practising allowance	880 p.m
(h) Additional D.A	1500 p.m
(i) City compensatory allowance	150 p.m

6. Mr.A is salaried employee working in Delhi. He gives the following details.

Salary	Rs.20,000 p.m
D.A (forming part)	Rs.10,000 p.m
HRA	Rs.8,000 p.m
(Rent paid by him is Rs.10,000 p.m)	

Calculate taxable HRA

7. Compute the Net Annual value from the following

Actual rent received	Rs.72,000 p.a
Municipal rent value	Rs.60,000
Fair rent value	Rs.16,000
Municipal tax paid 10% of MRV	

8. Determine the amount of interest of Mr.Raj for pre. Construction period :

Amount borrowed Rs.10,00,000 at 12% per annum
 Date of borrowing 01.04.2012
 Date of repayment 31.07.2016
 Date of completion of construction of house 18.01.2018

9. Find out the amount of deduction under section 35AB to Mr Vimal in A.Y 2019-20 if patent acquired on 1.5.2018 @ Rs.4,20,000.
10. Anil commenced Business on 7.09.2018. He commenced production on 20.03.2019. The following expenses were incurred by him before commencement of business.
 - (a) Preparation of feasibility report and conducting market survey Rs. 1,25,000.
 - (b) Engineering service work is carried by a concern (Which is not approved by the board) Rs.1,40,000.

If cost of the project is 10,00,000 find amount of preliminary expenses allowed as deduction in A.Y.2019-20.
11. Explain PAN
12. What do you mean by Best Judgment Assessment.

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

Answer any **FIVE** questions

13. Explain the two basic conditions to determine the Residential status of an Individual
14. Mr.D earns the following income during the FY: 2018-19
 - i. Dividend from the company 10,000
 - ii. Pension from former employer in India received in America 40,000
 - iii. Profit from business in Paris controlled in India (half remitted to India as received) 2,00,000
 - iv. Income from the house property in Ceylon received here 40,000
 - v. Income from agriculture in Bhutan received there and brought to India 50,000

Compute taxable income if he is resident , not ordinarily resident / non- resident
15. Mr.Rao is working in a company at Vijayawada :
 - i. Salary Rs.9,000 p.m
 - ii. DA Rs.6,000 p.m
 - iii. Commission @ 2% on a sale of Rs.8,00,000
 - iv. Bonus Rs.6,000
 - v. Employer's contribution to PF 14% of Basic Salary
 - vi. Interest credited to PF @ 11% amounted to Rs.5,500
 - vii. He paid (Rao) life insurance premium Rs.8,000

Compute the salary Income if the provident fund is recognised provident fund.
16. Calculate Taxable value of pension of Mr.B a government employee who retired on 30th April 18 and received Rs.2,400 p.m as pension upto 31.10.2018. On 01.11.2018 he commuted 70% of his pension for Rs.1,80,000. He had a total of 35 years and 8 months service
17. Mr.Tendulkar constructed a multistorey building at Bangalore consisting of 40 flats. Each flat is let out @ Rs. 1,500 p.m. Municipal value Rs.7,50,000

Following are the other particulars

(a) Lift Maintenance	Rs. 15,000
(b) Water pump expenses	Rs. 2,000
(c) Gardener's salary	Rs. 1,000
(d) Watchman's Salary	Rs. 2,000

Municipal tax paid at 10% of M.V Interest on loan for construction of house Rs.25, 000. Compute income from house property

18. The following is the Profit and Loss account of a merchant from the year ending 31st March 2019

Particulars	Rs.	Particulars	Rs.
To General expenses	2,750		
To office salary	6,500	By Gross profit	36,750
To Bad debts	1,700	By commission	1,250
To provision for bad debts	3,000	By Discounts	500
To Advertisements	3,800	By sundry receipts	200
To fire insurance (House Property)	550	By rent of building	3,600
To Depreciation	1,200	By profit on sale of investments	3000
To Interest on capital	2,000		
To Interest on Bank loan	1,300		
To Net Profit	22,500		
	45,300		45,300

Compute the taxable profits from business. The amount of depreciation is Rs.1,000 as per Income Tax Act.

19. Dr.Lokesh is a registered medical practitioner. Compute his professional income from the following, cash book for the previous year.

Particulars	Rs.	Particulars	Rs.
To Balance b/d	1,22,000	By Cost of medicines	10,000
To Consultation fees	55,000	By surgical equipment	8,000
To Sale of medicine	25,250	By motor car	1,20,000
To Visiting fees	24,000	By Car expenses	6,000
To Income from Property	3,600	By Salary	4,600
To dividend	4,500	By Dispensary rent	1,600
To Loan from bank	3,000	By general expenses	300
		By personal expenses	11,800
		By Int on bank loan	300
		By Municipal taxes	200
		By LIC premium	3,000
		By Balance c/d	71,550
	2,37,350		2,37,350

- a) Depreciation on car @15% on surgical equip @15%
b) Personal expenses of car 1/3

Section C (2 × 15 = 30) Marks

Answer any **TWO** questions

20. Compute the taxable salary of Mrs.Devi of Madurai (Population 18 lakhs) for the assessment year 2019-20 from the following particulars

- a) Basic pay Rs.8,000 p.m
b) Dearness allowance of Rs.2,000 p.m (enters into retirement benefits)
c) Bonus Rs.8,000 p.a
d) Rent free accommodation provided by the employer, the fair rental value of which is Rs.20,000 p.a. The cost of furniture provided there is Rs.10,000

- e) Entertainment allowance Rs.500 p.m
- f) Her contribution to RPF is at 15% of salary
- g) Employer's contribution to RPF is Rs.15,000 p.a
- h) Interest credited to provident fund at 9.5 per cent per annum amounted to Rs.1,900
- i) Free use of large motor car for both official and personal purposes. Driver is also provided by the employer

21. From the following information, find out the income under the head income from house property for the assessment year 2019-20

	Rs
Municipal valuation	1,90,000
Fair rent	1,85,000
Standard rent	1,70,000
Annual rent	2,16,000
Unrealised rent for the PY: 2017-18	30,000
Unrealised rent of 2017-18 realised during the PY: 2018-19	28,000
Interest on borrowed capital(per annum)	36,000

The above cited property is let out for residence throughout the previous year 2018-19. Municipal tax (paid) is at the rate of 20 per cent

22. The following is the Profit and Loss account of Mr.Kumar, for the year ended on 31-03-2019. Compute his total business income for that year

Particulars	Rs.	Particulars	Rs.
To opening stock	15,000	By Sales	1,80,000
To Purchases	40,000	By Closing stock	20,000
To Wages	20,000	By Gifts from father	10,000
To Rent	46,000	By Income tax refund	3,000
To Repairs to Motor car	3,000		
To Sales tax paid	2,000		
To Medical expenses	3,000		
To General expense	10,000		
To Depreciation on Motor car	4,000		
To Advance Income tax	1,000		
To Profit	69,000		
	2,13,000		2,13,000

Further Information :

- a. Mr.Kumar carries on his business from rented building half of which is used as his residence
- b. Motor car 3/4th was used for business and 1/4th for personal use.
- c. Medical expenses were incurred during sickness of Mr. Kumar for his treatment
- d. Wages include Rs.250 p.m on account of Motor car driver for ten months
- e. Sales tax includes Rs.200 for interest on late payment of sales tax.

23. Analyze various types of return