

FINAL YEAR B.Com. DEGREE EXAMINATION, MARCH/APRIL 2006**Paper XIV—Optional I (B)—INCOME TAX LAW AND
PRACTICE—INCOME TAX—Paper I**

(New Scheme)

Maximum : 80 Marks

Time : Three Hours

Section A

*Answer any ten questions.
Each question carries 1 mark.*

1. What is Previous Year ?
2. Explain Closely held Company.
3. When a HUF is Resident ?
4. What are perquisites ?
5. Define the term Business.
6. What is Capital Asset ?
7. What are tax-free Government Securities ?
8. What is Permanent Account Number ?
9. Who is entitled to claim refund ?
10. What is Tax clearance certificate ?
1. When does the liability to pay advance tax arise ?
2. What do you mean by tax evasion ?

(10 × 1 = 10)

Section B

*Answer any ten questions.
Each question carries 4 marks.*

3. What is the time limit for filing the return of Income under the Income Tax Act ?
4. State briefly the law relating to deduction of tax at source.
5. Describe the different modes of recovery of tax.
6. Define profits in lieu of salary. To what extent are these exempted from tax.
7. Explain the various types of Capital Gains exempted from tax.

18. Mr. Ramu has furnished the following particulars from the previous year 2004-2005. Compute his total Income if he is a non-resident :—

- (a) Salary for 3 months received in India (computed) ...
- (b) Dividend received in Germany from British Company out of which Rs. 3,000 were remitted to India ...
- (c) Income from Business in Pakistan being controlled from India ...
- (d) Interest on Savings Bank deposits in SBI ...
- (e) Amount brought to India out of past untaxed profit earned in Japan ...
- (f) Income from house property in India (computed) ...

19. State the tax liability of the following :—

- (a) XYZ Ltd., supplied 2,500 units of electricity to an employee free of cost. Manufacturing cost per unit is Rs. 2.50.
- (b) Travelling allowance received by an employee Rs. 1,000 p.m.
- (c) Employer provided free personal attendant to an employee. Wages of the attendant Rs. 1,000 p.m.

20. Mr. Y started construction of house on 1-6-2001 and took a loan of Rs. 3,00,000 at 15% p.a. on 1-6-2001. He took another loan of Rs. 9,00,000 at 18% p.a. on 1-4-2004. The construction was completed on 30-11-2004 and was self occupied from 1-4-2004. Compute his Income from house property and the head Income from Home Property for the A.Y. 2005-2006.

21. From the following information compute depreciation allowable for the A.Y. 2005-2006

	Rs.
WDV of furniture on 1-4-2004	1,10,000
Furniture purchased in June 2004	15,000
Furniture purchased in January 2005	20,000
Part of the furniture sold in February 2005	3,000
Rate of depreciation	15%

22. Kamal purchased a rented residential house in 1968 for Rs. 2,00,000 which he sold in 2004 for Rs. 20,10,000. Fair market value of the house on 1st April 1981 was Rs. 3,00,000. He purchased a new house on 31st December 2004 for Rs. 4,10,000. Compute his taxable income.

23. Compute the income for the year ending 31st March 2005 under the head "Income from other sources" of Mr. Jishnu. His investments were

	Rs.
(a) 5 % Government Securities ...	70,000
(b) 7.5 % Agro Municipal Bonds ...	50,000
(c) 9 % Debentures of a Company ...	30,000
(d) 7 % Capital Investment Bonds ...	20,000

24. From the following details compute Total Income of Mr. Maya for the year 2004-05 :—

	Rs.
(a) Long term Capital Gain (indexed) ...	1,20,000
(b) Interest on Bank Deposits ...	10,000
(c) Dividend from Co-operative Society ...	5,000
(d) Life Insurance Premium paid ...	10,000

(10 × 4 = 40 marks)

Section C

Answer any **two** questions.

Each question carries 15 marks.

5. How is residence of an assessee determined for tax purposes? Explain the incidence of tax liability.

3. Shri. Raju furnished the following particulars of his Income for the Financial Year 2004-05.

- (a) Salary—Rs. 5,000 p.m.
- (b) D.A.—Rs. 250 p.m.
- (c) Entertainment allowance—Rs. 100 p.m.
- (d) Employer's and employee's contribution to RPF Rs. 7,900 each.
- (e) Interest from PF at 9.5 p.a.—Rs. 4,000.
- (f) City compensatory allowance—Rs. 60 p.m.
- (g) Medical allowance—Rs. 1,000.

(h) He has been provided by his employer a large car. Except the driver's salary, the expenses for private use are borne by himself. The car is used for both official and personal use.

(i) He has been provided with the facility of an unfurnished house by the employer in a small town for which the employer charges Rs. 200 p.m. The fair rent of the house is Rs. 6,000 per annum. The house is owned by the employer.

(j) The employer has employed for him a sweeper at Rs. 200 p.m. and servant at Rs. 750 p.m.

Compute the taxable income under the head salary for the A.Y. 2005-2006.

27. From the following particulars compute the Business Income of Mr. Vijayan :—

<i>Particulars</i>	Rs.	<i>Particulars</i>
To Salaries ...	90,000	By Gross Profit ...
Rent ...	20,000	Dividend ...
Service charges ...	4,000	Bad debts recovered (allowed earlier) ...
Legal Expenses ...	5,000	Interest on P.O. ...
Reserve for Income Tax ...	6,000	Savings Bank ...
Depreciation ...	12,000	
Expenses on acquisition of patent rights ...	56,000	
Office Expenses ...	42,000	
Contribution to RPF ...	12,000	
Bad debts ...	4,500	
Donation ...	2,500	
Net Profit	1,05,600	
	<u>3,59,600</u>	

Additional Information :

- (a) Legal expenses include Rs. 2,000 incurred by the assessee for defending a crime against him.
- (b) Depreciation of the year on the assets other than patent right is Rs. 16,900.
- (c) Contribution to RPF includes Rs. 2,000 yet not paid.

(2 × 15 = 30)