

SIXTH SEMESTER B.Com. DEGREE EXAMINATION, MARCH 2019

(CUCBCSS)

B.Com.

BCM 6B 12—INCOME TAX LAW AND PRACTICE

Time : Three Hours

Maximum : 80 Marks

Part I

Answer all questions.

Each question carries 1 mark.

Choose the most appropriate answer from the following :

1/ Education cess of 3 % is calculated on _____.

(a) Total income.

(b) Gross total Income.

(c) Income tax.

(d) Income tax plus surcharge.

2/ The Income Tax Act 1961 defines term 'Previous Year' as per _____.

(a) Sec. 2 (24).

(b) Sec. 2 (30).

(c) Sec. 2 (31).

(d) Sec. 3.

3/ An employee in receipt of education allowance for his three children, the maximum annual allowance exempt under Sec.10 (14) is Rs. _____.

(a) 1,800.

(b) 2,000.

(c) 2,400.

(d) 3,000.

4/ The income tax exemption limit in case of firm is Rs. _____.

(a) 2,50,000.

(b) 3,00,000.

(c) 5,00,000.

(d) Nil.

5/ Preliminary expenses incurred in case of a company are allowed deduction in _____.

(a) Ten equal instalments.

(b) Five equal instalments.

(c) Four equal instalments.

(d) Fully in a year.

Turn over

- ✓ The rate of tax applicable to the highest slab of income of an individual, AOP or BOI is called _____.
- ✓ Cost of treatment in private hospital upto Rs. _____ is tax-free perquisite.
- ✓ In case of self occupied house the maximum amount of interest deductible is _____.
- ✓ The rate of depreciation applicable to intangible assets such as goodwill, patent, copy right, etc. is _____.
- ✓ Person with disability can claim deduction from Gross Total Income under Sec. _____.

(10 × 1 = 10 marks)

Part II

Answer any **eight** questions.
Each question carries 2 marks.

- ✓ 11 What is assessment year ?
- ✓ 12 What is total income ?
- ✓ 13 Who is an assessee in default ?
- ✓ 14 What is income deemed to be received ?
- ✓ 15 What is short term capital gain ?
- 16 State the deductions in computing income from house property under Sec. 23 of IT Act 1961.
- ✓ 17 State any *two* items of expenditure which are expressly disallowed in computing business income.
- ✓ 18 What do you mean by bond washing transactions ?
- 19 State any *four* items which are deductible under Sec. 80 C of Income Tax Act ?
- ✓ 20 What is block of assets ?

(8 × 2 = 16 marks)

Part III

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

- 21 Explain Profits in lieu of salary.
- ✓ 22 State the incomes exempted under the Income from House Property.
- 23 Explain the provisions of Income Tax Act, 1961 regarding Expenditure on scientific research in computing income from business.
- ✓ 24 Mr. X a citizen of U.K. came to India for the first time on 1.5.2010. He stayed here without any break for 3 years and left for Bangladesh on 1.5.2013. He returned to India on 1.4.2014 and went back to U.K. on 1.12.2014. He was posted back to India on 20.1.2017. Determine his residential status for the Assessment Year 2017-18.

25 Compute income from house property from the following information :—

	Rs.
Fair rent	... 72,000
Let out	... 7,000 p.m.
Standard rent	... 60,000
Municipal tax paid during the previous year @ 20 % of M.V. :	
for the Previous Year 2015-16	... 10,000
for the Previous Year 2016-17	... 10,000

Other information :

- (a) House remained vacant for two months during the previous year.
 (b) Expenditure incurred on collecting unrealised rent Rs. 5,000.

26 Books of Sunrise Ltd. disclosed the following details :

	Rs.
W.D.V. of Plant and Machinery on 1.4.2016	... 1,00,000
Cost of new machinery purchased for production of articles on 1.1.2017 and put to use	... 60,000
W.D.V. of machinery sold on 1.2.2017	... 30,000
Amount received on machinery sold on 1.2.2017	... 40,000

Calculate chargeable depreciation of Plant and Machinery for the Assessment Year 2017-18.

27 Mr. Abhilash has the following investment during the Previous Year 2016-17 :

- (a) Rs. 4,00,000—10 % Tax-free debentures of a company listed on a recognised stock exchange in India.
 (b) Rs. 1,60,000—9 % Tax-free commercial securities.
 (c) Rs. 20,000—9 % Port trust bonds.
 (d) Rs. 30,000—10 % Municipal debentures.
 (e) Rs. 1,60,000—12% Debentures of a public limited company (not listed).

For the purpose of purchasing securities mentioned above, he took a loan of Rs. 1,00,000 and paid an interest of Rs. 10,000 on it.

Find out the income from interest on securities.

28 Mr. X paid health insurance premium to GIC on his health Rs. 1,00,000 and his spouse Rs. 15,000 during the year 2016-17 :

He also paid health insurance premium of Rs. 35,000 on his father's health who is a senior citizen and not dependent on him. The payments have not been made in cash.

Compute the amount of deduction under Section 80 D from his GTI.

(6 × 4 = 24 marks)

Part IV

Answer any **two** questions.
Each question carries 15 marks.

29 Explain the scope of total income on the basis of residential status.

30 Mr. Thomas is working in a limited company on a salary of Rs. 8,000 per month. The following details are also available :

- (a) The company has provided him with a rent-free house at Delhi. It has also provided him necessary furniture costing Rs.16,000.
- (b) He is getting Rs. 3,000 p.m. as entertainment allowance. The electricity bills are also paid by the company which averaged Rs. 500 p.m.
- (c) The company also provided him a gardener paying a salary of Rs. 1,000 p.m.
- (d) The company has given a large car along with a chauffeur for official and private purposes. However the company meets the running expenses of the car.
- (e) He was also provided free lunch in office on 300 working days costing Rs. 21,000.
- (f) He contributes 12 % of his salary to a recognised provident fund and the company also contributes equal share. The amount of interest credited to his Provident Fund Account @ 8.5 % for the previous year was Rs.10,000.
- (g) He was given a laptop for his personal use, the cost of which was Rs. 40,000.
- (h) The company contributed Rs. 3,000 for him under the staff group insurance scheme.
- (i) Professional tax paid by the company on behalf of him Rs. 1,500.

Compute taxable income from salary for the Assessment Year 2017-18.

31 Mr. Anil sold a house for Rs. 20 lakh on 1st November 2016. The house was constructed by him in 1980 at a cost of Rs. 1.2 lakh and used for own residence. Besides, he has two more houses. On 1st February 2017 he invested Rs. 2,00,000 to qualified bonds of NHAI. After construction he spent Rs. 14,000 in 1986-87 on improvement of the house. Compute his taxable capital gains. He paid 3 % brokerage for selling the house and other expenses were Rs.10,000. On 1st April 1981 the market value of the house was Rs. 1,40,000.

Cost inflation index for 1981-82 is 100, 1986-87 is 140 and 2016-17 is 1,125.

(2 × 15 = 30 marks)