

**B. COM. DEGREE (C. B. C. S. S.) EXAMINATION, JANUARY 2019****(2016 Admission Supplementary)****SEMESTER V- CORE COURSE (COMMERCE)****CO5C01B - INCOME TAX LAW AND PRACTICE****Time: Three Hours****Maximum Marks: 80****PART A****I. Answer all questions. Each question carries 1 mark.**

1. Who is a deemed assessee?
2. What is AY?
3. Give four incomes exempt from tax
4. What is commuted pension?
5. What do you understand by Co-ownership?
6. What is additional depreciation?

**(6 x 1 = 6)****PART B****II. Answer any seven questions. Each question carries 2 marks**

7. Define capital receipts and revenue receipts with suitable examples.
8. What is agricultural income. Explain partly agriculture and partly business income.
9. What is the tax treatment for family pension?
10. Ms. Sakshi, working in Australia since 2002, comes to India on a visit every year for 90 days upto 31<sup>st</sup> March 2017. During the year 2017-18 she was in India for 185 days. Determine her residential status for the PY 2017-18.
11. State any four tax free perquisites.
12. What is the tax treatment of entertainment allowance to Govt. employee?
13. What is the tax treatment of income from house property situated outside India?
14. What is the tax treatment of HP used for own business?
15. How will you treat capital expenditure on scientific research?
16. Compute depreciation for the year 2017-18 from the following details:
  - a. WDV of factory building on 01/01/2017 → Rs.2,00,000/-
  - b. New buildings added on 30/06/2016 → Rs.4,00,000/-
  - c. Amount realized on building demolished → Rs.1,00,000/-
  - d. Rate of depreciation → 10%

**(7 X 2 = 14)****PART C****III. Answer any five questions. Each question carries 6 marks**

17. How will you determine the residential status of an individual?
18. Explain the tax treatment of Rent Free House.
19. How will you determine the annual value of a let out house property if there is both vacancy and unrealised rent?

20. Compute tax liability of Mr. Akash for the AY 2018-19 from the following details:
  - a. Non Agricultural Income → Rs.5,10,000/-
  - b. Agricultural income → Rs.20,000/-
21. Sri Vijay is a government employee. He draws a monthly salary of Rs.20,000 besides a D.A @ Rs.5000 p.m. He gets Rs.500 p.m. as entertainment allowance. He spent during the previous year Rs.2000 out of entertainment allowance. Find out the amount of deduction regarding entertainment allowance.
22. Determine the annual rental value with the following particulars:
  - a. Expected Fair Rent → Rs.1,60,000/-
  - b. Municipal Value → Rs.1,40,000/-
  - c. Standard rent → Rs.1,60,000/-
  - d. Actual rent received Rs.2,20,000/-
  - e. Local taxes paid by the owner in PY → Rs.60,000/-
23. Compute depreciation and WDV of Plant and Machinery as on 01-04-18:
  - a. WDV of plant and machinery as on 01-04-2017 → Rs.12,00,000
  - b. Cost of additional purchase of plant and machinery on 01-07-2017 → Rs.2,00,000 (Eligible for additional depreciation)
  - c. Cost of additional purchase of P&M on 01-01-2018 → Rs.4,00,000 (Eligible for additional depreciation)
  - d. Sale of a part of plant on 01-07-2017 → Rs.2,00,000
24. Mr. Anoop gives you the following particulars from his accounts for the year ended on 31-3-2018:
  - a. Net profit → Rs.2,00,000/-
  - b. Contribution to URPF → Rs.40,000/-
  - c. Provision for Income Tax → Rs.10,000/-
  - d. Advertisement expenses, including advertisement for Rs.4,000 on souvenir published by a political party → Rs.20,000/-
  - e. Provision for excise duty → Rs.30,000/-
  - f. Holiday home expenses → Rs.35,000/-
  - g. Insurance premium for the health of employees paid by cheque → Rs.10,000/-
  - h. Penalty imposed by customs authorities for breach of law → Rs.65,000/-
  - i. Interest for late payment of VAT → Rs.1000/-

(5 X 6 = 30)

#### PART D

#### IV. Answer any two questions. Each question carries 15 marks.

25. What is the scope of total income on the basis of residence or incidence of tax?
26. From the following particulars of Sri. Balakrishnan, working in a firm at Jaipur. Compute his taxable income from salary for the previous year 2017-18.
  - a. Basic Salary – Rs. 18,000 p.m.
  - b. Contribution to RPF – Rs. 26,320
  - c. Employer's contribution – Rs. 26,320
  - d. Interest on PF @ 9.5% - Rs. 36,000
  - e. House Rent Allowance – Rs. 24,000. Rent paid for the house Rs. 48,000.
  - f. Medical allowance – Rs. 10,000. Medical expenses Rs. 12,000.

- g. Free service of water and gas for which the payment was done by the employer – Rs. 12,000
- h. He was provided with a cook whose salary was borne by the employer – Rs. 72,000
- i. He claims the following deductions:
- (a) Rs 700 in connection with purchase of books
- (b) He paid Rs 600 as tax on employment
27. Mr. Anand Sharma supplies the following information of the house properties owned by him for the previous year ending 31-03-2018:

	House 1	House 2	House 3
House Properties	Self-Occupied	Let out for Residence	Let out for shop
Municipal Value	12,000	31,000	36,000
Rent receivable for 12 months	N/A	30,000	40,000
Standard Rent	N/A	28,000	38,000
Local taxes	1,800	5,400	9,000
Interest on loan taken for construction	9,000	3,000	2,000
Repairs	1,500	3,000	3,500

Compute his income from house properties taking into consideration that the shop let out remained vacant for 3 months and for the house let out for residence there was unrealized rent of 2,500 in the previous year. The conditions of Rule 4 are satisfied.

28. Shri C N Sharma is a Chartered Accountant. He has prepared the following Income & Expenditure Account for the year ending 31<sup>st</sup> March 2018:

**Income and Expenditure Account**

<i>Expenses</i>	<i>Amount</i>	<i>Income</i>	<i>Amount</i>
Office expenses	10,000	Audit fees	3,70,000
Employee's salary	5,000	Gift from father-in-law	5,550
Books other than annual publication	5,500	Dividend	8,000
Personal expenses	3,02,000	Profit on Sale of Investment	6,450
Donation to NDF	500	Financial Consultancy services	60,000
Interest on loan	700		
Income Tax	13,300		
Car expenses	2,000		
Gift to relatives	6,000		
Drawings	10,000		
Net surplus	95,000		
	<b>4,50,000</b>		<b>4,50,000</b>

You are required to compute his Professional Income for the AY 2018-19 considering following points:

- a. The car is used equally in official and personal purpose and allowed depreciation for official work is Rs.800
- b. Rs.1200 domestic servant salary is included in employees' salary
- c. Loan has been taken for personal purposes
- d. Allow depreciation on books @ 30%

**(2 X 15 = 30)**