

MASTER'S DEGREE (C.S.S) EXAMINATION, NOVEMBER 2024

2023 ADMISSIONS REGULAR

M.C.M SEMESTER III - CORE COURSE

CM3C12TM - Income Tax – Law and Practice

Time : 3 Hours

Maximum Weight : 30

Part A

I. Answer any Eight questions. Each question carries 1 weight

(8x1=8)

1. Explain the term 'Assessee in Default'.
2. Write a short note on income deemed to be received.
3. Explain the taxability of pension.
4. Explain the tax treatment of RPF.
5. Write a note on tax treatment of expenditure on patent.
6. Explain unabsorbed depreciation.
7. Explain the provisions relating to CGAS.
8. Explain the situations where gift is not taxable.
9. Explain the meaning of clubbing of income.
10. Explain the deduction permissible u/s 80EEB.

Part B

II. Answer any Six questions. Each question carries 2 weight

(6x2=12)

11. Mr. Ram furnishes the following particulars of his income during the PY. Find out his Gross Total Income if he is an NOR.
 1. Interest on German Development Bonds (1/6 is received in India) - Rs.36,000
 2. Income from agriculture abroad received there Rs.3,41,000 but remitted Rs.86,000 later to India.
 3. Income from business in Iran controlled from New Delhi - Rs.70,000
 4. Dividend paid by an Indian Company but received outside India - Rs.2,00,000
 5. Past untaxed profit of 2016-17 brought to India in May 2022- Rs.2,10,000
 6. Profits from a business in New Delhi managed from outside India (60 per cent of the profit is received outside India) - Rs.92,000
12. Mr. Narayanan retired from X Ltd. on 15.2.2024. He has completed 32 years and 9 months of service. The company allows 25 days leave for each year of completed service. He availed 8 months leave while in service. His basic pay was Rs.20,000 from 1.4.2023 and he was also getting dearness allowance at the rate of 50% of basic pay. At the time of retirement he received Rs.4,50,000 from the company for surrendering the leave credit. Compute taxable leave salary.
13. Mr. Q owns a house in Ernakulam. Municipal value of the property is Rs.84,000. During the previous year 2023-24, the property was self occupied for two months and let out for Rs.9,000 per month, from June 2023 onwards. The tenant vacated on 30 November 2023 and the property remained vacant during December and January. From February 2024 again it was let out for Rs.10,000 per month. Find out the gross annual value.
14. The profit and loss account for the year ended 31.03.2024 of Omega Ltd. was as follows:

Particulars	Amount	Particulars	Amount
Salaries	1,00,000	Gross profit	3,25,000
Sundry expenses	20,000	Rent from house property	60,000

Depreciation	45,000	Commission on sales	10,000
Provision for baddebts	5,000	Discount received	5,000
Baddebts	5,000	Dividend from an Indian Company	22,000
Advertisement	1,25,000		
Entertainment expenses	28,000		
Interest and discount	3,000		
Donation to Govt. relief fund	5,000		
Income tax advance	16,000		
Provision for tax	12,000		
Net Profit	58,000		
	4,22,000		4,22,000

Considering the following details compute income from business for the year 2023-24:

1. Out of the advertisement expenses Rs.80,000 was spent in U.S.A, Rs.20,000 in newspaper of a political party, Rs.10,000 capital expenditure and Rs.15,000 in the form of gifts to customers.
2. Entertainment expenses were paid in cash.

15. Explain the significance of classifying capital assets into short term and long term.

16. The following information relate to the income of Mr.Nikhil.

1. Agricultural income from Nicobar islands - Rs.50,000
2. Amount received from sub-letting half of his rented residential house (municipal taxes paid for the house Rs.2,000) - Rs.10,000
3. Dividend from an Indian company engaged in agricultural activities - Rs.11,40,000
4. Dividend from an Indian company engaged in non-agricultural activities - Rs.60,000
5. Dividend from a foreign company - Rs.2,00,000
6. Income from consultancy services - Rs.1,00,000
7. Income from a stone quarry in Maharashtra (expenses in connection with stone extraction- Rs.1,10,000) - Rs.1,50,000
8. Agricultural income from Sri Lanka - Rs.1,00,000

Compute taxable income under the head 'Income from other sources' for the year ended 31st March 2024.

17. The following particulars of income of assessee A, B and C are given. Determine how losses shall be set-off for the PY.

• **Assessee A:**

1. Business Income - 15,000
2. Short Term Capital Loss - 1,200
3. Long Term Capital Gain (Shares, STT not paid) - 7,200
4. Long term Capital Gain (Building) - 20,000

• **Assessee B:**

1. Business Income - 30,000
2. Short Term Capital Loss - 40,000

• **Assessee C:**

1. Business Income - 60,000
2. Short Term Capital Gain - 20,000
3. Long Term Capital Gain (Land) - 17,000
4. Brought forward loss (Short term capital asset) - 50,000

18. Explain the provisions u/s 80D and 80DD.

Part C

III. Answer any Two questions. Each question carries 5 weight (2x5=10)

19. Mr. Hussain working as manager of Core Ltd. Mumbai, provides the following information for the year ended 31st March 2024.

- Basic salary - Rs.1,44,000
- Dearness allowance (50% included for retirement benefits) - Rs.1,44,000
- He gets 0.5% commission on the annual turnover of the company. The turnover of the company during the year was Rs.50,00,000
- Bonus Rs.50,000
- Gratuity (While in service) - Rs.30,000
- Own contribution towards RPF Rs.30,000 while the employer's contribution towards RPF is 20% of basic salary. Interest credited to the fund account @ 15%, Rs.6,500 more than the prescribed limit.
- Gold ring worth Rs.10,000 was given by the employer on his 25th wedding anniversary.
- A video camera of the company (Cost Rs.85,000) was given to him for personal use.

20. Shri Arun Kumar is a Chartered Accountant. He has prepared the following Income & Expenditure Account for the year ending 31st March 2024:

Expenses	Amount	Income	Amount
Office expenses	10,000	Audit fees	3,70,000
Employee's Salary	5,000	Gift from Father in Law	5,050
Books other than annual publication	5,500	Dividend	8,500
Personal expenses	3,02,000	Profit on Sale of Investment	6,450
Donation to NDF	500		
Interest on loan	700		
Income Tax	13,300		
Car expenses	2,000		
Net surplus	51,000		
	3,90,000		3,90,000

You are required to compute his Professional Income for the AY 2024-25 considering following points:

1. The car is used equally in official and personal purpose and allowed depreciation for official work is Rs.500
2. Rs.1000 domestic servant salary is included in employees' salary
3. Loan has been taken for personal purposes
4. Allow depreciation on books @ 40%

21. Mr. Rakesh gives you the following particulars of his investments and incomes for the previous year ended 31st March 2024.

- Dividend received from a US Company Rs.60,000 (after TDS in New York Rs.10,000)
- Dividend from an Indian Company engaged in agricultural activities Rs.20,00,000
- Dividend from an Indian company engaged in non-agricultural activities Rs.10,000
- Rs.40,000 units of mutual fund (Income received Rs.8,000)
- Rs.50,000 in POSB account which earn interest @5% per annum
- Rs.50,000 in Fixed Deposit Account with a scheduled bank @ 8%
- 10%, Rs.25,000 debentures(listed) of a domestic company

- Rs.5,000 dividend received from a co-operative society
- 10% KSEB Bonds Rs.20,000
- Interest Rs.9,000 on 10% tax free debentures of a municipal corporation.
- Rs.4,000 received interest on debentures of a listed company by account payee cheque.

The bank debited Rs.1,000 from his account as collection charges of dividend from Indian companies. He collected the interest himself and incurred Rs.1,000 as expenses. He claims the amount as deduction from income. Compute the income under the head 'Income from other sources' for this AY.

22. The following particulars relate to Mr. Balachandran, a teacher in a school in Delhi.

1. Salary Rs.20,000 per month. From salary 15% is deducted for provident fund contribution of the employee to which the school contributes 10%. Tax on employment deducted from salary Rs.4,000.
2. Wardenship allowance Rs.1,200 per month, Examinership remuneration - Rs.3,700
3. Rent-free house (Annual letting value is Rs.20,000)
4. Dividend Rs.8,000 (from an Indian company)
5. Interest received on Government loan @ 8% on Rs.50,000
6. Rent from a let out house property - Rs.12,000
7. Interest on Postal Savings Bank Deposit - Rs.3,000
8. Profit on sale of old car Rs.25,000 and old jewellery Rs.10,000

During the year, he deposited Rs.6,000 in Public Provident Fund. He purchased books worth Rs.650 during the same year. Find out total income taxable.