6. He has been provided a small car for his official purpose. Running expenses of the car paid by the Government amounted to Rs.5,000 per month, including driver's salary.
7. Interest on savings account with a co-operative bank - Rs.4,000
8. Interest on National Plan Certificates - Rs.2,000
9. He has a house, which has been occupied by his brother-in-law free of rent. The annual letting value of the house according to municipal valuation is Rs.40,000. He paid municipal tax Rs.1,000 and professional tax Rs.3,000 during the year.
10. Life insurance premium paid by Mr.Hassan for wife - Rs.3,000

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TM253264I **Reg. No :.....**

Name :.....

MASTER'S DEGREE (C.S.S) EXAMINATION, OCTOBER 2025

2024 ADMISSIONS REGULAR

SEMESTER III - CORE COURSE COMMERCE AND MANAGEMENT

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. Distinguish between capital and revenue expenditure.
2. Explain Maximum Marginal Rate.
3. Explain the tax treatment of RPF.
4. Explain the treatment of unrealised rent for the purpose of tax.
5. Explain Sec 43B where expenses are allowed on actual payment.
6. Write a note on tax treatment of expenditure on patent.
7. Which are the interest incomes exempt u/s10(15)?
8. Explain the provisions relating to CGAS.
9. Explain the set off procedure of capital loss.
10. Explain the deduction permissible u/s 80EEB.

Part B

II. Answer any Six questions. Each question carries 2 weight **(6x2=12)**

11. Mr. Amar Singh settled in Australia has the following incomes during the current financial year. Compute Gross Total Income of Mr.Amar Singh if he is an Ordinarily Resident.

    1. Income from agriculture in Australia, remitted to India - Rs.2,00,000
    2. Income from agriculture in Punjab, received in Australia - Rs.4,00,000
    3. Income earned from another business in Kuwait, business being controlled from India Rs.1,00,000 (Rs.25,000 is received in India)
    4. Dividend from a US company received in Australia - Rs.2,50,000
    5. Profit from a business in Delhi, controlled from Australia - Rs.7,00,000
    6. Profit from business in Maldives, the business is controlled from Delhi (50% of the profit deposited in a bank there and 50% is remitted to India)- Rs.5,00,000

12. From the following information compute the income from house property.

    - Municipal Valuation - Rs.1,00,000
    - Fair Rental Value - Rs.1,40,000
    - Standard Rent - Rs.1,20,000
    - Municipal taxes paid by the tenant - Rs.10,000
    - The house was self occupied for four months and let out at the rate of Rs.12,000 per month, for the remaining eight months. The assessee paid Rs.30,000 interest during the year 2024-25, on loan taken for the construction of the house.

13. Mr. Praveen is a Govt. employee in Kolkata. He was residing in his own house. With effect from 1.8.2024, he was transferred to Patna where he took a rented house for Rs.4,500 per month. His salary during the year included the following.

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- Basic pay Rs.22,000 per month
- Dearness allowance (included for retirement benefits) Rs.4,000 per month
- House rent allowance Rs.2,500 per month

Compute taxable HRA, if any, for the previous year.]

14. The profit and loss account for the year ended 31.03.2025 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 2024-25:

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 tax implications on 'Dividend Income'.
16. Mr. X provides the following information regarding the sale of his residential house.

- House purchased in 2003-04 - Rs.5,00,000
- Sold in January 2025 - Rs.50,00,000
- Purchased another residential house in February 2025 - Rs.10,00,000
- Invested in bonds of Rural Electrification Corporation Ltd. in March, 2025 - Rs.15,00,000
- Invested in bonds of National Highway Authority of India in March 2025 - Rs.5,00,000

Compute the amount of capital gain to be included in the total income for the previous year 2024-25. The CII: 2003-04 - 109; 2024-25 - 363.

17. From the following particulars compute the total income of Mr.X for the AY.

1. Income from profession - Rs.15,00,000
2. Income of minor son (professional singer) - Rs.50,000
3. Winnings from lottery (ticket purchased in the name of Mr.X's minor daughter P) - Rs.1,00,000
4. Mr.X's father gifted debentures in an Indian company to Mr.X's minor son Q and company paid gross interest - Rs.20,000
5. Mr. X's wife is a government servant and her income from salary - Rs.6,00,000
6. Interest on debentures purchased by Mr.X but gifted to Mrs.X - Rs.40,000
7. Interest on bank deposit in the name of minor daughter R (Handicapped) - Rs.2,00,000

18. Explain the deduction permissible for donation u/s 80G.

Part C

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

19. From the following information, **compute the income from house property.** Fair Rental Value of the let out property Rs.72,000, Standard rent as per Rent Control Act Rs.60,000. The property has been let out at the rate of Rs.7,000 per month. Municipal taxes paid by him during the year were : 2022-23 - Rs.10,000, 2023-24 - Rs.10,000 and 2024-25- Rs.10,000. Other information:

- House remained vacant for two months during the previous year.
- Unrealised rent received during the year 2024-25 - Rs.20,000 (allowed earlier)
- Expenditure incurred on collecting unrealised rent - Rs.5,000
- Arrears of rent received during the year - Rs.12,000
- Interest due for the year 2024-25 on loan taken to renovate the building Rs.10,000

20. The following is the Income and Expenditure account of a lawyer for the year ending 31st March 2025. You are required to compute his **Professional Income.**

Expenses	Amount	Income	Amount
Household expenses	79,500	Legal fees	2,26,430
Office expenses	7,300	Gain on race horse (gross)	3,600
Charity	500	Dividend on shares	1,600
Income Tax	900	Short Term Capital Gain	1,010
Short Term Capital Loss	2,800	Interest on Advances	890
Gratuity to one of his disabled clerks	600	Gift from a client	1,000
Net income	1,44,995	Director's fee	300
		Bank interest	335
		Interest on POSB	430
		Dividends from Co-operative Societies	1,000
	2,36,595		**2,36,595**

21. Dr. Reddy is a resident of Delhi. He lives in a rented house. He had purchased jewellery for Rs.8,00,000 in April 2001. He sold the jewellery in March 2025 for Rs.39,54,000. Compute taxable capital gains in the following situations. CII for 2001-02 is 100 and 2024-25 is 363.

1. Purchased two residential houses for Rs.39,54,000
2. Purchased a residential house for Rs.40,00,000
3. Used Rs.13,00,000 to purchase one residential house in his village and deposited the balance in a bank.

22. Mr. Hassan is a Government employee working in Ernakulam. He gives the following details. Compute the total income of Mr.Hassan for this AY.

1. Salary - Rs.1,20,000 per month
2. Leave surrendered - Rs.74,000
3. Entertainment allowance for 8 months - Rs.8,000
4. Life insurance premium deducted from salary - Rs.4,000
5. House rent allowance - Rs.1,000 per month