

18001903



Reg. No.....

Name.....

M.Com. DEGREE (C.S.S.) EXAMINATION, NOVEMBER 2018

Third Semester

Faculty of Commerce

DT0 3 C 12—DIRECT TAXES—LAW AND PRACTICE

(2012 Admission onwards)

Time : Three Hours

Maximum Weight : 30

[NPC Permitted]

Section A

Answer any **five** questions.

Weight 1 each.

1. Explain the term assessee u.s. 2(7).
2. Write short notes on HRA.
3. Explain the computation of encashment of earned leave under the head salaries.
4. In computing income from business, what are the provisions relating to the deduction in respect of preliminary expenses.
5. Write notes on bond washing transactions.
6. Sri Roy, who is not covered by the payment of Gratuity Act, 1972, receives a gratuity of Rs. 11,64,000 when he retires on 23rd June, 2015 after a service of 34 years 9 months and 25 days. His last drawn emoluments are as follows :

Basic Salary — Rs. 75,000 per month, Dearness allowance — Rs. 15,000 p.m. (Not as per the terms of employment) Servant Allowance Rs. 600 p.m. (fixed) Annual increment of basic salary Rs. 3,000 p.m. falls due on 1st January every year. What amount of Gratuity is exempt from tax in the AY 2016-17.

7. Following are the particulars of taxable income of Sri Hari for the PY 2015-16. Royalty received from Government of India 24,000 Income from business earned in Afganistan Rs. 25,000 of which Rs. 15,000 were received in India. Business controlled from India. Interest received from Arun a non resident against a loan provided to him run a business in India Rs. 5,000.

Royalty received from Sri Afuan a resident for technical services provided to run a business outside India Rs. 20,000.

Income from business in Jaipur Rs. 40,000 This business is controlled from France, Rs. 20,000 remitted to France. Find Gross total Income.

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8. A firm furnished the following particulars for the AY 2016–17.

	Rs.
Loss from business ...	2,00,000
Loss from specified business ...	70,000
Depreciation Allowance for current year ...	40,000
Income from house property (Computed) ...	4,00,000

Items carried forward from earlier years : Business loss AY 2014–15 – 2,40,000, depreciation allowance (unabsorbed for the AY 2015-16) – 1,00,000. Compute firms gross total income.

(5 × 1 = 5)

Section B

Answer any five questions (weight. 2 each.)

9. Explain the treatment of unabsorbed depreciation.
10. Discuss the provisions relating to deduction u/s 80 G under IT Act.
11. Mrs. Ram was an employee in a company on a salary of 8,000 p.m. On 1st August 2015 she was retrenched and her services were terminated. She served the employee for 8 years She got from her employer a compensation of Rs. 34,000 under Industrial Disputes Act. On December 1, 2015 she got another employment of Rs. 9,000 p.m. Smt. Ram took from her employer an advance equal to 4 months salary on 1st February, 2016 and also a loan of Rs. 75,000 in order to meet the expenses of her daughters marriage. Presuming that the salary becomes due on 1st day of every month, compute taxable salary of Mrs. Ram for the AY 2016–17 : SBI charges interest at 12 % p.a.
12. Mr. X is the owner of a big house whose municipal valuation is Rs. 36,000 p.a. 1/3rd portion of the house is let out to a tenant at 1,600 p.m. for residential purpose and remaining 2/3rd portion is occupied by him for his own residence. The construction of this house started in June 2011 and was completed on 1st November 2013. He paid the following expenses Municipal taxes : 3600, Insurance premium – Rs. 600, Property tax to State Government – Rs. 600, Mr. X had taken a loan of Rs. 50,000 on 1st July, 2011 for construction of this house. The loan has not yet been paid back and interest at 12 % p.a. is payable on it. During the P.Y. he received Rs. 5,000 from an old tenant as an arrear of rent. This amount was allowed as deduction in the past year as unrealised rent. Compute his income from house property.



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13. Sri P.S. Rathore gives you the following particulars from his books of account. Compute his taxable business income for the year ending 31-3-2016.

Net profit as per Profit and Loss Account (Before charging the following) - 2,75,000

Expenditure on family planning 45,000

Lumpsum payment made for technical know-how - 90,000, Entertainment expenditure - 30,000, Expenditure on acquiring patent rights - 84,000, Expenditure of advertisement paid in cash - 18,000, Amount paid to Rajasthan University for an approved Research Programme in Social Science not connected with his business - Rs. 20,000. Provision for excise duty - Rs. 45,000 (He paid only Rs. 20,000 before filing IT return).

14. From the following information of an assessee compute the chargeable capital gains :

(a) Cost of acquisition of residential house in 1981-82 — 2,00,000, Sales consideration on 02/06/15 - 36,00,000 ; Cost of new house purchased for residential purposes by due date of filing the return - 10,00,000. The cost inflation index in 1981-82 was 100 and in 2015 - 16 it was 1081.

(b) Would it make any difference if the assessee deposits Rs. 8,00,000 in Capital Gain Account Scheme by the due date of filing the return for the AY 2016-17 but does not utilise the amount of acquisition of residential house before 2/6/2018.

15. Sri Anand has the following investments for the previous year ended 31/11/16.

10 % Rs. 30,000 tax free Government Securities.

10 % Rs. 40,000 Karnataka Government loan.

10 % Rs. 36,000 tax free debentures (listed) of a company.

10 % Rs. 20,000 debentures (listed) of a tea company Rs. 7,200 received as interest on debentures of a company (not listed). He paid commission to his bank Rs. 500 for collecting the above amounts. Find out his taxable income from interest as securities for AY 2016-17.

16. Compute net tax liability of Prof. X, a disabled person, who is 67 years on 1/4/16 for the AY 2016-17, from particulars given below :

Professional gain	...	6,20,000
Income from house property (computed)	...	41,000
STCG-6,000, LTCG	...	20,000
Punjab State Lottery Price	...	Rs. 50,000
Agricultural Income (Net)	...	20,000
Amount invested in NSC VIII issue	...	30,000
Unexplained cash credit	...	Rs. 1,00,000

(5 × 2 = 10)

Turn over



Section C

*Answer any three questions.
Each question carries 5 weight.*

17. Dr. Das is a medical practitioner in Chennai. He furnishes the following information for preparing his return of income for the AY 2016-17. Gross receipts from the dispensary Rs. 2,35,000 Gross receipts from consultation Rs. 2,75,000. Visiting fees 80,000.

Cost of medicines dispensed Rs. 77,000. Salaries and allowances to dispensary staff Rs. 22,500. His wife is also a medical practitioner, whose income from visits and consultancy is Rs. 1,20,000. Dr. Das made purchases of 10 instruments for use in his profession for an amount of Rs. 30,000.

No instrument was of more than Rs. 5,000. Dr. Das undertook a tour of Germany spending Rs. 25,000. He says that by this tour his professional competence has increased. He also says that his reputation among his customers has also gone up by this visit. His expenses on books (annual publication) are of the order of Rs. 12,000. He owns a big house consisting of two units. One unit of which he used for dispensary and the other for his residential purpose. The Municipal value of the house is Rs. 23,600 and local taxes - Rs. 2,000. Dr. Das claims Rs. 10,000 having been spent on repairs and renovation of the building. His other incomes during the year are Rs. 35,000. You are required to calculate his total Income.

18. Sri Raj is an employee of a company in Mumbai. The following information is available about his income during the PY ended 31/3/16 Monthly Salary – 40,000, Commission - Rs. 1,25,000 HRA for the full year 1,80,000, Actual rent paid by him for the year (Accommodation taken in Mumbai). Rs. 2,00,000.

The terms and conditions on his employment were modified during the year partly to his disadvantages and for that the employee paid him a compensation Rs. 3,50,000.

He has been provided with a large motor car partly for office work and partly for his personal use. All expenses including drivers salary maintenance and petrol charges were borne by the employer. He had let out his house property in Hyderabad for a rent of Rs. 6,000 p.m. for six months whereas remained vacant for the remaining six months. He paid property tax of Rs. 7,500. He earned interest on fixed deposits with Camera Bank - 97,500. He contributed Rs. 30,000 to the recognised Provident fund and paid Rs. 26,000 as annual premium on a life insurance policy taken on his life before 1/4/2012. Where the sum assured was Rs. 2 lakhs.

Compute the total income of Sri Raj for the AY 2016-17 and calculate the tax on total income.

19. Sri Chandra is an advocate in Ahmedabad. He keeps his accounts on cash basis. The following is the summarised receipts and payments account for the year ended 31-3-16.

Receipts and Payments Account for the year ending 31-03-2016.

Balance	...	2,05,000	Subscription of law journals	...	6,000
Legal fees	...	3,70,000	Books purchased (Annual Publication)	...	4,000
Special Commission fees	...	21,500	Rent	...	21,500
Salary as law lecturer in a University	...	48,000	Office expenses	...	5,000
Examiner fee from University	...	12,400	Electricity charges	...	4,000
Interest on bank deposit	...	1,300	Income tax	...	22,000
Dividend from a Co-operative Society	...	21,000	Gift to daughter	...	11,000
Directorship fee	...	12,000	Household expenses	...	95,000
			Computer purchased for office	...	40,000
			Donation to approved institution	...	1,000
			Car purchased	...	3,60,000
			LIC premium	...	6,000
			Balance	...	1,15,700
		6,91,200			6,91,200

The following details are available. Half of the house is used as office and he resides in the remaining half. Half of the car expenses are attributable for official use. The Computer was purchased on 1/1/16 He claims that books of Rs. 3,000 were purchased for professional purposes. Compute gross total income of Mr. Chandra for the previous year, 2015-16.

20. Sri Chowdhary is a Purchase Officer in a company in Kota (population exceeding twenty five lakh). He furnished the following particulars regarding his income for previous year 2015-16.

Net basic salary Rs. 1,80,000 which is after deducting Rs. 2,000 for income tax, Rs. 10,000 as contribution to RPF and rent of the bungalow Rs. 3,600 Bonus Rs. 15,000 Travelling allowance for official duty – 25,000 Reimbursement of medical bills Rs. 15,000. Treatment was done in a government hospital in India). He lived in a bungalow belonging to the company. The company has provided on his bungalow the facility of a gardener and a cook each of whom is being paid a salary of Rs. 250 per month and Rs. 800 p.m. respectively. The company paid in respect of this bungalow Rs. 4,800 for electric bill and Rs. 1,200 for water bill. He has been provided with a large car for official and personal use. The maintenance and running expenses of the Car (including driver) are borne by the Company. The following amounts were deposited in his provident fund account, (a) own contribution Rs. 10,000 ; (b) Company's contribution 10,000 ; (c) Interest at 9.5 % p.a. Rs. 9,075. Compute his taxable income from salary for AY 2016-17.



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21. Mr. Pran, owner of 3 houses in Chennai furnished the following information Compute his income from house property for the Assessment Year 2016-17.

	House 1 <i>let out</i>	House 2 <i>self occupied</i>	House 3 <i>self occupied</i>
Standard rent ...	36,000	63,500	
Gross Annual Value ...	34,000	56,500	30,000
Rent received ...	37,500	—	—
Fair rent ...	45,000	67,500	45,000
Repairs ...	2,000	—	3,000
Municipal tax (10 % of MV) ...	40 % due	fully paid	fully paid
Interest on loan taken for } construction of house } ...	2,000	4,000	3,000
Brokerage for arranging loan ...	500	1,000	750
Vacancy period ...	2 months	6 months	6 months
Collection charges ...	3,000	—	—
Recovery of unrealised rent } (allowed as deduction in the } ... Assessment Year 2013-14 }	5,000	—	—

22. Explain briefly the Capital gains exempted from tax U/S 54.

(3 × 5 = 15)

