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Reg. No.....

Name.....

M.Com. DEGREE (C.S.S.) EXAMINATION, NOVEMBER 2019

Third Semester

Faculty of Commerce

DTO 3C 12—DIRECT TAXES—LAW AND PRACTICE

(2012—2018 Admissions)

Time : Three Hours

Maximum Weight : 30

NPC permitted.

Section A

Answer any five questions.

Weight 1 each.

1. Income tax is charged on the income of the P.Y. What are the exemptions to this rule ?
2. What is meant by perquisites? Give five examples of tax free perquisites.
3. Explain the computation of taxable amount of gratuity under the head salaries.
4. Define Annual Value.
5. What is unabsorbed depreciation? How will you treat it for tax purposes ?
6. Mr. George a resident of Agra receives Rs. 1,92,000 as basic salary during the year 2015–16. In addition, he gets Rs. 19,200 per annum as dearness allowance forming part of pay 7 % commission on sales made by him (Sales made by Mr. George during the year 2015–16 is Rs. 86,000) and Rs. 24,000 per annum as HRA. He pays Rs. 21,500 p.a. as rent. Compute the HRA exempt from tax.
7. Particulars of income of Sri. Anil who is resident but not ordinarily resident for the A.Y. 2016–17 are given below :
 - (a) Profit from business in U.S.A. received in India Rs. 1,00,000.
 - (b) Share of profit from a firm in India Rs. 50,000.
 - (c) Income from house property in U.S.A., deposited there Rs. 60,000.
 - (d) Income from agriculture in Sri Lanka received in India Rs. 40,000.
 - (e) Profit from business in U.K. which is controlled from India but deposited in a Bank a/c in U.K. Rs. 70,000.

Calculate Gross Total Income of Sri Anil.

8. Calculate tax liability of an individual resident in India for the A.Y. 2016–17. Total Income Rs. 3,00,000, Agricultural Income Rs. 15,000.

(5 × 1 = 5)

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**Section B**

Answer any five questions.

Weight 2 each.

9. Explain clearly four types of securities under the head income from other sources.
10. What do you understand by aggregation of income ? Explain.
11. Mr. Y was employed as a fireman in a factory since 1st April, 1983. He is covered under the payment of Gratuity Act. He retired from service on 1st August 2015. His pay at the time of retirement was Rs. 8,000 per month. His annual increment of Rs. 200 falls due on 1st April every year. He was getting dearness allowance at Rs. 800 p.m. for the last several years. He contributes 14 % of basic pay to RPF to which the factory also contributes an equal amount. He was also getting HRA at Rs. 2,000 per month, although he is living in his wife's house for which he does not pay any rent. Fair rental value of the home is Rs. 800 per month. This house belonged to Mr. Y but he had transferred it to his wife without adequate considerations. He received Rs. 1,90,000 for gratuity and Rs. 2,00,000 from provident fund. He received Rs. 28,000 pension during the P.Y. 2015-16. Assuming that salary is due on the last day of the month. Compute taxable salary for the A.Y. 2016-17.
12. Mr. A let out a house to Mr. B on 1-4-08 @ Rs. 3,000 p.m. for 5 years. After the expiry of 5 years Mr. B refused to vacate the house. Hence Mr. A filed a suit to get the house vacated and incurred expenses Rs. 1,000 in this connection. Later on Mr. A agreed to review the tenancy for 5 years w.e.f. 1-4-2013 if B pays him rent @ Rs. 4,000 p.m. B agreed to it and paid the arrears of rent from 1-4-13 to 31-3-15 on 1-6-15. Mr. A paid the following amount during the previous year.
House tax Rs. 6,000, Insurance premium Rs. 800, Ground rent Rs. 500. Find out income from house property for the A.Y. 2016-17.
13. Mr. X gives you the following particulars from his accounts for the year ended on 31-03-2016 :

Net Profit	...	2,00,000
Contributions to unrecognised provident fund	...	40,000
Provision for income tax	...	50,000
Advertisement expenses including advertisement for Rs. 4,000 in a souvenir of a political party	...	20,000
Provision for excise duty	...	30,000
Holiday home expenses	...	35,000
Insurance premium for the health of employees paid by cheque	...	10,000
Penalty imposed by customs authorities for breach of law	...	25,000
Interest for late payment of VAT	...	1,000

Compute income from business.





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14. In April, 1994, S subscribed to the first issue of equity share capital of a Public Limited Company (face value of each share was Rs. 100) to the extent of Rs. 25,000. In 1997, the company converted the face value of its share from Rs. 100 to Rs. 10 each. Half of the holdings of the shares held by S was sold by him in October, 2015 for Rs. 60,000. S had to pay a brokerage of 2 % on sale, (CII for 1994–95 and 2015–16 may be taken as 259 and 1081 respectively). What is the nature of gains realised and compute the same.
15. Mr. P's investments during the year ended 31st March, 2016 consisted of the following :
- Rs. 17,500, 10 % Government Securities.
 - Rs. 10,000, 12% Agra Municipal Bonds
 - Rs. 20,000, 9 % Bombay Port Trust Bonds.
 - 7 % Government Bonds Rs. 18,000.
 - Rs. 10,000, 9 % Securities issued by a foreign Government. Interest credited to Sukanya Samriddhi A/c Rs. 3,000. He paid Rs. 60 as commission for collecting the interest taxable under the head interest on securities and Rs. 1,200 as interest on loan which he had taken for the purpose of purchasing the Bombay Port Trust Bonds. Find out income from other sources.
16. Sri. Ram was assessed to tax in the A.Y. 2015–16 for their first year of operation and the assessment order showed that the assessee had suffered a loss of Rs. 6,000 and was further entitled to depreciation Rs. 15,000, and capital expenditure on Scientific research Rs. 3,200. During the P.Y. 2015–16 the assessee had to a taxable profit from its operations amounting to Rs. 10,000 before charging depreciation Rs. 5,200. The other income during the year amounted to Rs. 4,600. Determine the taxable income of the assessee for the A.Y. 2016–17.

(5 × 2 = 10)

Section C

Answer any three questions.

Weight 5 each.

17. Discuss the provisions of IT Act regarding deduction to made in computing the total income of an individual in respect of payments.
18. From the following information compute the gross tax liability of Mr. Ram for the A.Y. 16–17 :

- 1 Salary for 12 months 5,44,000.
- 2 Interest on listed securities (gross) 3,000

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- 3 Interest on Government Securities 5,000.
 - 4 Interest paid on loan taken to purchase Government Securities Rs. 1,000.
 - 5 Income from house property (Computed) Rs. 30,000.
 - 6 LTCG 70,000.
 - 7 Short term capital loss Rs. 10,000.
 - 8 Dividend from an Indian Co Rs. 4,000.
 - 9 Income from mutual fund (gross) Rs. 7,000.
 - 10 Personal agricultural income Rs. 20,000.
 - 11 B/fd agricultural loss Rs. 25,000.
 - 12 Paid insurance premium Rs. 13,000 on a policy taken after 1-4-12 of Rs. 1,20,000.
 - 13 Paid donations to National Childrens Fund Rs. 5,000.
 - 14 Contribution to unrecognised provident fund Rs. 3,000.
 - 15 Deposited in PPF Rs. 30,000.
19. Dr. Varma is a teacher. Following informations relate for the A.Y. 2016-17 :
- Basic salary Rs. 12,000 p.m. DA – 45 % of salary wardenship allowance Rs. 400 p.m., Examinership remuneration Rs. 3,000, Royalty from books for schools (computed) Rs. 22,500, Gross interest on Government Securities Rs. 5,000 ; Interest on tax-free debentures (gross) Rs. 3,000. Debentures are issued by a public sector company and are notified. Dividend on shares of a foreign company Rs. 2,500, Income from house property Rs. 1,10,000 (computed) contribution to statutory PF Rs. 5,000, contribution to PPF Rs. 12,000, Premium paid by cheque on medical insurance policy on health of dependent father Rs. 3,000. Donations to an approved charitable institution Rs. 10,000. Compute his total income.
20. Sri. Abdu owns 3 residential houses and a bungalow. The bungalow is used for his own residence and three houses are let out. The rental value of the let out house is Rs. 75,000 and that of the bungalow is Rs. 30,000.
- The expenses of the let out properties are :
- (a) Municipal taxes paid Rs. 15,000.
 - (b) Interest on mortgage (Money not utilised for house property) Rs. 2,000.
 - (c) Collection charges for recovery of rent Rs. 300.
 - (d) Repairs and alterations Rs. 4,000.
- One of the tenants is in arrears of rent amounting to Rs. 600 in respect of the year in question and is unable to pay the same. The Conditions of Rule 4 are not satisfied. The expenses of bungalow are municipal taxes paid 4,500, Insurance premium Rs. 350, ground rent Rs. 75. He is also employed and received salary of Rs. 5,48,000 for the previous year ended 31st March, 2016. Compute gross total income.





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21. Sri. Pandey is a reputed Vakil of Bikaner. He has prepared following income and expenditure account for the year ended 31st March, 2016 :

	Rs.		Rs.
Household expenses	1,12,000	Legal fees	3,26,000
Office expenses	7,000	Special Commission appointment fees	1,400
Charity	500	Cash gifts received from clients	2,000
Telephone expenses	500	House rent	15,000
Income tax	900	Interest on Government Securities	3,000
Rent	4,000	Salary as a part time lecturer in law	6,000
Gift to daughter	2,000		
Electricity charges	1,000		
Donation to National Defence Fund	1,000		
Contribution to PPF	2,400		
Books for profession (annual publication)	3,000		
Salaries	15,000		
Purchase of motor car	60,000		
Purchase of furniture	2,000		
LIC premium	5,000		
Motor Car expenses	6,000		
Purchase of type writer	6,000		
Excess of income over expenditure	1,25,100		
	3,53,400		3,53,400

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Following are other particulars :

- 1 Sri. Pandey lives in one-half of the house and the other half is used for office rent and electricity charges are in respect of this house.
- 2 One-half of car expenses are for personal use.
- 3 Depreciate motor car @ 15 %, Type writer 15 % and furniture 10 %.

Compute taxable income from business and professions for the A.Y. 2016-17.

22. From the following information compute the capital gains for the A.Y. 2016-17 :

		House I	House II
Date of purchase	..	May 1977	December 1980
Cost of acquisition	..	1,90,000	2,50,000
Cost of additional construction in 1980	..	10,000	25,000
Fair market value on 1-4-81	..	1,75,000	3,50,000
Cost of additional construction in 1994-95	..	51,800	77,700
Sale proceeds of property in 2015-16	..	24,00,000	42,00,000

Cost Inflation Index :: 1981-82-100, 1994-95-259, 2015-16-1081.

(3 × 5 = 15)

