

**E 5286**

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Reg. No.....

Name.....

**B.Com. DEGREE (C.B.C.S.S.) EXAMINATION, OCTOBER 2018**

**Fifth Semester**

**INCOME TAX LAW AND PRACTICE**

(Common for Optional Stream Finance and Taxation of Model I and Model II B.Com. and U.G.C. Sponsored B.Com. Taxation)

[2013 Admission onwards]

Time : Three Hours

Maximum Marks : 80

*Answers may be written either in English or in Malayalam.*

**Part A**

*Answer all questions.*

*Each question carries 1 mark.*

1. Define the term Person.
2. What is Partly Agricultural Income ?
3. State any *four* deductions available to the assessee under section 36 of the Income Tax Act.
4. What is Dear Allowance ? What is its tax treatment ?
5. Who is a non-resident individual ?
6. Distinguish between Previous Year and Assessment Year.
7. Give any *four* examples of incomes exempt under section 10 of Income Tax Act.
8. State any *four* taxable allowances.
9. If let out house remains vacant for part of previous year, how would you treat it in computing the income from house property ?
10. Define the term Business.

(10 × 1 = 10)

**Part B**

*Answer any eight questions.*

*Each question carries 2 marks.*

11. Distinguish between Total Income and Gross Total Income.
12. What is the tax treatment of vacancy allowance while computing Income from House property ?
13. What is the Scope of Total Income in the case of a non-resident ?
14. Are the following expenses/losses deductible in computing the income from business ?
  - (a) Donation to a political party.
  - (b) Income tax paid.

**Turn over**

- (c) Legal charges for an appeal against income-tax assessment.  
 (d) Embezzlement of cash by an employee.
15. What are the conditions to be satisfied for an income to be treated as agricultural income ?
  16. How will you determine the residential status of H.U.F. ?
  17. Define the term Assessee.
  18. What is Annual Accretion ? Describe the tax treatment.
  19. Explain the value of the perquisite motor car if the car is owned by the employer and the car is used for official as well as personal use.
  20. What is Composite rent ?
  21. What are the features of an income as per the Income Tax Act ?
  22. Distinguish between revenue receipt and Capital receipt.

(8 × 2 = 16)

**Part C**

*Answer any six questions.  
 Each question carries 4 marks.*

23. Explain the valuation of rent free residential accommodation provided by the employer to the employee.
24. Define Annual Value.
25. Explain the conditions to be satisfied for a house property income to be treated as Agricultural house property.
26. Explain the tax treatment of H.R.A.
27. Determine the annual value of the house in the following cases :  
 Expected rent Rs. 1,00,000, House let-out @ Rs. 10,000 p.m.  
 House tax paid by owner Rs. 9,000 (10% of municipal value)  
 House remains vacant for : (a) 1 month, (b) 3 months.
28. Sri Anitabh Bacchan an Indian citizen went to America on 1st April, 2016 for a film shooting. Due to ill health, he had to stay there just after shooting. He came back to India on 25th September, 2016. He had to go again on 8th December, 2016 and returned India on 15th February, 2017. Is Sri Anitabh Bacchan resident in India for the Assessment Year 2017-18 ? If not, Why ?
29. Following are the incomes of Mohan :  
 (a) Received Rs. 10,000 in India, which accrued in England ;  
 (b) Rs. 20,000 earned in India but received in England ;  
 (c) Rs. 10,000 were earned and received in Africa but brought to India ;  
 (d) Rs. 28,000 were earned and received in Japan from a business which was controlled and managed in Japan and this amount was not brought to India ;  
 (e) Rs. 16,000 was untaxed foreign incomes of some earlier year, which was brought to India in previous year.

Which of the above incomes are taxable, when Mohan is : 1) Resident 2) Not-ordinarily resident ?

30. Mr. Shyam is employed in a Company at Rs. 15,000 per month. He is a member of Recognised Provident Fund to which he and his employer contributes 15% of his salary. During the year he was given credit of Rs. 12,000 as interest on the provident fund balance of Rs. 1,00,000. Calculate the taxable amount of annual accretion to be included in his income under the head Salaries.
31. Compute the taxable income from house property from the following particulars:

Fair market value	Rs. 80,000
Actual rent	Rs. 72,000
Municipal Valuation	Rs. 50,000
Standard rent	Rs. 60,000
Municipal taxes	20%
Interest paid	Rs. 18,000.

(6 × 4 = 24)

**Part D**

*Answer any two questions.  
 Each question carries 15 marks.*

32. What is Perquisites ? Explain the perquisites which are fully taxable for all the employees.
33. Mr. Ram, an employee of a firm, furnished the undernoted particulars of his income for the year ended 31<sup>st</sup> March, 2017 :  

(a) Basic salary	Rs. 1,44,000
(b) Dearness Allowance	28,800
(c) Own contribution to RPF calculated	20,160
(d) Employer's contribution to the said fund	20,160
(e) Interest on balance in RPF (not exceeding the prescribed rate)	14,000
(f) Bonus	12,000
(g) He was provided with a small car for which the employer paid all the running and maintenance cost. The car was used for personal as well as office purposes.	
(h) Ram was also provided with rent free accommodation at Kolkata for which the employer paid a rent of Rs. 1,250 per month.	
(i) Life Insurance Premium of Rs. 12,000 was paid by Ram's employer on an insurance policy for Rs. 2,40,000 on Ram's life.	

Compute Ram's taxable salary for the Assessment year 2017-18.

34. Given below is the Profit and Loss Account of Jagannath for the year ended 31<sup>st</sup> March, 2017 :

**Turn over**

	Rs.		Rs.
Opening Stock	.. 25,000	Sales	.. 6,00,000
Purchases	.. 2,50,000	Rent of Property	.. 15,000
Wages	.. 1,00,000	Closing stock	.. 35,000
Audit fees	.. 1,000		
Repairs (House property)	.. 2,000		
General Charges	.. 1,500		
Commission for raising loan	.. 1,000		
Bad debts reserve	.. 500		
Bad debts	.. 2,000		
Interest on Capital	.. 10,500		
Contribution to Staff Welfare Fund	.. 2,500		
Provision for Income tax	.. 1,500		
Depreciation (Allowable)	.. 2,500		
Net Profits	.. 2,50,000		
	<u>6,50,000</u>		<u>6,50,000</u>

You are required to compute his business income for the Assessment year 2017-18.

35. The particulars of a residential house are given below for the Assessment year 2017-18 :

Municipal Value	.. Rs. 44,000
Fair rent	.. Rs. 48,000
Standard rent	.. Rs. 36,000
Actual rent	.. Rs. 37,200
Municipal taxes paid	.. Rs. 8,800
Ground rent payable	.. Rs. 60
Interest on money borrowed for construction	.. Rs. 5,000
Collection charges actually paid	.. Rs. 300

The assessee mortgaged the property for Rs. 36,000 which was spent on his daughter's marriage. The assessee paid interest of Rs. 3,000 on the mortgage loan this year. Compute his income from house property.

(2 × 15 = 30)