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Name.....

Reg. No.....

SIXTH SEMESTER B.Com./B.B.A. DEGREE EXAMINATION, MARCH 2021

(CUCBCSS—UG)

B.Com.

BCM 6B 12—INCOME TAX LAW AND PRACTICE

(2014 Admissions)

Time : Three Hours

Maximum : 80 Marks

Part I

Answer all questions.

Each question carries 1 mark.

(a) Choose the most appropriate answer from the following :

- 1 _____ is an example for casual income.
 - a) Capital gains.
 - b) Winnings from card games.
 - c) Daily allowance.
 - d) Pension.
- 2 Maximum exemption limit applicable to senior citizens under the IT Act 1961 is _____.
 - a) 5,00,000.
 - b) 2,50,000.
 - c) 10,00,000.
 - d) 3,00,000.
- 3 Income of foreign companies will be chargeable to tax @ _____.
 - a) 10%.
 - b) 20%.
 - c) 30%.
 - d) 40%.
- 4 Family pension will be taxable under the head _____.
 - a) Income from salaries.
 - b) Income from business.
 - c) Income from other sources.
 - d) Income from house property.
- 5 The Rent fixed under Rent Control Act is :
 - a) Fair Rent.
 - b) Municipal Value.
 - c) Standard Rent.
 - d) Composite Rent.

Turn over

(b) Fill in the blanks :

- 6 Cost of acquisition of assets purchased before 1.4.2001 is _____.
- 7 _____ income is non-repeating and non-recurring.
- 8 _____ is the rate of tax arrived at by dividing the tax by the total income.
- 9 A parent on behalf of a minor child is called _____.
- 10 The apex authority for direct taxes in India is _____.

(10 × 1 = 10 marks)

Part II

Answer any eight questions.

Each question carries 2 marks.

- 11 What do you mean by grossing up of income ?
- 12 Discuss the taxability of gift.
- 13 Explain annual accretion and transferred balance.
- 14 Distinguish between long term capital gain and short term capital gain.
- 15 Explain block of assets.
- 16 What is previous year ? What are the exceptions to the rule of previous year ?
- 17 Define profits in lieu of salary ?
- 18 Briefly mention any *four* deductions allowed to a businessman in computing profits under section 30 to 36 of the Income Tax Act 1961.
- 19 Distinguish between Gross Total Income and total income.
- 20 Briefly explain 1) Indexation ; and 2) Aggregation of income.

(8 × 2 = 16 marks)

Part III

Answer any six questions.

Each question carries 4 marks.

- 21 What do you mean by clubbing of income ? Explain the provisions relating to clubbing of incomes.
- 22 Describe the provisions of Section 80D, 80DD and Section 80DDB of the Income Tax Act 1961.

23 Mr. Raja sold the following assets during the year 2019-20 :

- 1) BMW car (used for personal purposes only) ₹ 50,00,000. The car was purchased one year back for ₹ 40,00,000.
- 2) Platinum necklace ₹ 15,00,000 (used for personal purposes only, received as gift one year back, on the occasion of marriage, cost not known but fair market value on the date of gift ₹ 7,00,000)
- 3) 50,000 shares of South Indian Bank Ltd, ₹ 12,50,000 (purchased in June 2019 for ₹ 10,00,000.
- 4) Agricultural land in urban area ₹ 60,00,000 (purchased in March 2006 for ₹ 20,00,000, CII for 2006-07- 117 and 2019-20-289).

Compute Capital gain chargeable to tax during the Assessment Year 2020-21.

24 Mr. Amal, a bank officer, receives ₹ 26,000 p.m. as salary and ₹ 1,000 p.m. as dearness allowance. He is also getting entertainment allowance of ₹ 800 p.m. he is also getting a bonus equal to 3 months' pay. He resides in a house taken on rent by the bank, whose rent is ₹ 4,000 p.m. He paid employment tax ₹ 2,500 during the previous year. Compute his income under the head salaries for the Assessment Year 2020-21.

25 Given below is the P and L Account of a Timber Merchant for the year ended 31.3.2020 :

<i>Particulars</i>	<i>Amount in ₹</i>	<i>Particulars</i>	<i>Amount in ₹</i>
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 Profit	2,50,000		
	6,50,000		6,50,000

You are required to compute his income under the head Income from Business for the Assessment Year 2020-21.

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26 What are Perquisites ? Briefly explain different types of perquisites.

27 Mr. X received the following incomes during the previous year 2019-20 :

	₹
a) Interest on fixed deposit with SBI ...	7,000
b) Dividend from a foreign company ...	3,500
c) Dividend from a co-operative society ...	4,000
d) Prize of Meghalaya state lottery (gross) ...	22,000
e) Royalty on an iron mine ...	19,000
f) Share in HUF income ...	7,500

Considering the following points, find out his income from other sources for the A.Y. 2020-21 :

- 1 X purchased lottery tickets ₹ 2,400 in the previous year.
- 2 ₹ 100 paid commission to bank for dividend collection.
- 3 ₹ 850 expenses for royalty.

28 Mr. Gopesh furnishes the following particulars of his income during the P.Y. 2019-20. Compute his Gross Total Income if he is :

- 1) Ordinarily resident.
- 2) Not ordinarily resident.
- 3) Non-resident.

	Amount in ₹
1) Interest on German development bonds (1/3 rd is received in India) ...	51,000
2) Income from agriculture in Bangladesh, remitted to India ...	31,000
3) Income from property in Canada received in USA ...	1,10,000
4) Income earned from business in Dubai ...	65,000
(Business being controlled from India, ₹ 25,000 received in India)	
5) Dividend from an Indian company ...	15,000
6) Royalty received in Singapore from Mr. David, a resident in India, for technical services provided for a business carried on in Singapore ...	25,000

	Amount in ₹
7) Profit from a business in Chennai; controlled from Singapore	... 1,25,000
8) Profit on sale of a building in India, but received in Nepal	... 2,50,000
9) Income from agriculture in Punjab received in Mumbai	... 30,000
10) Profit from business in Indonesia, which is business is controlled from India	... 40,000

(6 × 4 = 24 marks)

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

- 29 Mr. Sundar has a big house. 50% of the floor area is let out for residential purpose on a Monthly rent of ₹ 22,500, 25% of the floor area is used for the purpose of his profession, while the remaining 25% of the floor area utilised for the purpose of his own residence. Other particulars of the house are as follows :

	₹
a) Municipal valuation of the house	... 6,00,000
b) Standard rent	... 9,00,000
c) Municipal taxes paid	... 80,000
d) Repairs	... 30,000
e) Interest on capital borrowed for repairs	... 3,00,000
f) Ground rent	... 8,000
g) Annual charges	... 10,000
h) Fire Insurance Premium	... 12,000

Compute income from house property of Mr. Sundar for the A.Y. 2020-21.

- 30 Mr. Kiran working as manager of Excel Engineering Company Ltd. at Chennai provides the following information :

- 1 Basic salary ₹ 12,000 p.m.
- 2 D.A. (50% included for retirement benefits) ₹ 1,44,000.

Turn over

- 3 He gets 0.5% commission on the annual turnover of the company. The turnover of the company was ₹ 50,00,000.
- 4 Bonus ₹ 50,000.
- 5 He has been provided meals during office hours costing ₹ 120 per meal for 300 days.
- 6 Gratuity (while in service) ₹ 30,000.
- 7 Own contribution towards recognized provident fund ₹ 30,000, while the employer's contribution towards RPF is @ 20 % of salary. Interest credited to the fund account @ 15%, ₹ 6,500 more than the prescribed limit.
- 8 Gold ring worth ₹ 10,000 was given by the employer on his 25th wedding anniversary.
- 9 A video camera of the company (cost ₹ 85,000) was given to him for personal use.
- 10 Encashment of earned leave during service ₹ 40,000.
- 11 He received education allowance @ 250 p.m. each for his three children, hostel allowance @ ₹ 500 p.m. for his one child, medical allowance ₹ 5,000 p.a. and Entertainment allowance @ 500 p.m.
- 12 He received HRA @ ₹ 5,000 p.m. from his employer but he resided in his own house.
- 13 He paid Profession tax ₹ 2,500 during the P.Y.

Compute income from salary for the P.Y. 2019-20.

- 31 How would you determine the residential status of an Individual? Explain the relation between residential status and incidence of tax.

(2 × 15 = 30 marks)

