



K21U 0935

Reg. No. : .....

Name : .....



IV Semester B.Com. Degree (CBCSS – Sup./Imp.) Examination, April 2021  
(2014 – '18 Admissions)

Core Course

4B07COM – INCOME TAX LAW AND PRACTICE – I

Time : 3 Hours

Max. Marks : 40

PART – A

Answer **all** questions. **Each** carries  $\frac{1}{2}$  mark.

1. When two or more persons join in a common purpose to produce income or gains such association is called \_\_\_\_\_
2. In case of plying, hiring or leasing goods carriage, 100% of the expenditure is disallowed, if the payment is made in cash where the payment exceeds \_\_\_\_\_
3. Any movable property received by an assessee as a gift, without any consideration, it is taxable if its \_\_\_\_\_ exceeds ₹ 50,000.
4. A person who fails to perform some responsibilities under the Income Tax Act, 1961 is called \_\_\_\_\_ (4× $\frac{1}{2}$ =2)

PART – B

Answer **any four** questions. **Each** carries **one** mark.

5. What is long term capital gain ? How is it different from short term capital gain ?
6. "Under certain circumstances, the income tax assessment may be taken place in the previous year itself." – Explain.

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7. Make a note on 'Treatment of arrears of rent received'.
8. Make a short note on the determination of residential status of a Hindu Undivided family.
9. Make a note on 'Grossing up of Income'.
10. What are the different methods for computing depreciation as per section 32 of the Income Tax Act, 1961 ? Briefly explain. (4×1=4)

### PART – C

Answer **any six** questions (**not exceeding one** page). **Each** carries **three** marks.

11. What are the different earnings of an assessee that can be treated as agricultural Income as per Income Tax Act, 1961 ?
12. Define 'Person' as per Income Tax Act, 1961.
13. "Provident Funds are used by salaried individuals for savings as well as tax planning" . What are the income tax implications of different types of Provident Funds ?
14. Mr. Sanu has the following incomes during the financial year 2019-20.  
Compute his taxable income if he is
  - i) Ordinarily Resident
  - ii) Not Ordinarily Resident or
  - iii) Non-resident in India.

Particulars	Amount in ₹
i) Income from house property situated in USA	1,10,000
ii) Income from salary received in India for the services rendered in France	1,48,000



iii) Profit from business in Nepal controlled from Cochin	2,80,000
iv) Profit from business in Pune	5,80,000
v) Agricultural income from India	3,00,000

15. Mrs. Tiwari a resident individual, furnishes the following information for the previous year 2019-20.

- Family pension received from Govt. of UP – ₹ 1,50,000/-
- She authored a book on Income Tax for colleges and received royalty of ₹ 2,80,000/- from the publisher. She claims that she spent ₹ 35,000/- for stationery and type setting for the preparation of the book.
- She received remuneration of ₹ 15,000/- the UPSC for acting an invigilator for various examinations.
- She prepared question papers for different university examinations and received ₹ 2,500/-. She incurred ₹ 150/- towards postage which was later reimbursed by the universities.
- Cash worth ₹ 2,00,000/- was found in her bank locker, the source of which could not be explained by her.

Compute her taxable income from other sources for the assessment year 2020-21.

16. Mr. Manu had a commercial land in Jaipur. He purchased it in May 1889 at a price of ₹ 3,25,000/-. The fair market value of the land as on 01<sup>st</sup> April 2001 was ₹ 4,50,000/-. He constructed a building there in 2009-2010 spending ₹ 5,50,000/-. He sold it in the year 2019-20 and received ₹ 54,00,000/-. Commission paid on sales was ₹ 55,000/-. Calculate taxable capital gains, if any.

[Cost inflation indices – 2001-02 : 100 ; 2009-10 : 148 ; 2019-20 : 289]



17. Ms. Banumati furnishes the following information for the financial year 2019-20 regarding a house property owned by her.

- a) Municipal rental value ₹ 3,64,000/-
- b) Rent payable for a similar house ₹ 4,00,000/-
- c) Rent as per Rent Control Act – ₹ 4,05,000/-
- d) Actual rent ₹ 3,85,000/-
- e) Municipal tax amounts to 15% of the Municipal value. The tenant agreed to pay one-third of the taxes and the owner paid her portion during the year.
- f) The construction of the property was begun in July 2014 and was completed in Sept. 2018. Interest paid up to 31<sup>st</sup> March 2018 was ₹ 2,50,000/- and paid for the financial year 2019-20 was ₹ 75,000/-.

Find out income from house property for the Assessment Year 2020-21.

18. Ms. June has the following investments as on 1<sup>st</sup> April 2019.

- a) ₹ 50,000/-, 10% Bonds issued by Government of Nagaland.
- b) ₹ 85,000/-, 10% Development Trust Debentures.
- c) ₹ 25,000/-, 10% Debentures in a Textile Company.
- d) ₹ 60,000/-, 12% Tax free bonds issued by Government of Karnataka.

On 1<sup>st</sup> October 2019, she sold Development Trust Debentures and purchased 15% Port Trust Bonds for ₹ 1,00,000/-, for which he took a personal loan of ₹ 25,000/- from Bank of Maharashtra at an annual interest of 12%. She inherited ₹ 20,000/-, 12% Mumbai Government Loan from her father who died on 1<sup>st</sup> December 2019. All interests are payable half yearly on 1<sup>st</sup> January and 1<sup>st</sup> July.

Compute the income from other sources taxable in the hands of Ms. June for the Assessment Year 2020-21.

(6×3=18)



PART – D

Answer **any two** questions. **Each** carries **eight** marks.

19. Mr. Komalan has been employed with JJ Ltd. located at Bangalore since June 01, 1992. He furnishes the following information for the financial year 2019-20.

- a) Basic Salary – ₹ 48,000/- per month.
- b) Dearness Allowance – 20% of the basic salary up to June 2019 and 25% thereafter.
- c) The company paid a bonus equal to one-month basic salary.
- d) He was provided with a small car for both private and official purposes. The employer met all expenses, but he drives the car himself.
- e) He was also provided with residential accommodation in a building owned by the employer at a concessional rent of ₹ 500/-.
- f) The company deducted professional tax of ₹ 2,500/- from his salary for September 2019.
- g) He retired from service on March 31, 2020 and received the following benefits –
  - a) Gratuity under Payment of Gratuity Act, 1972 – ₹ 11,00,000/-.
  - b) Accumulated balance in Recognized Provident Fund – ₹ 15,45,000/-.

Compute his taxable salary for the Assessment Year 2020-21.



20. From the following information, compute taxable income from profession of Adv. Salmon, a practicing lawyer in Mumbai High Court, for the Assessment Year 2020-21.

### Summary of Receipt and Payment Account

		(Amount in ₹)			(Amount in ₹)
To	Balance b/d	4,10,000	By	Law Journal Subscription	12,000
"	Legal Fees	5,40,000	"	Law books (annual	
"	Special			publications) purchased	8,000
	commission fees	1,000	"	Rent	43,000
"	Salary as part-time		"	Car expenses	44,000
	lecturer in law	1,76,000	"	Office expenses	10,000
"	Examiner fee from		"	Electric charges	8,000
	University of Madras	4,800	"	Income tax	44,000
"	Interest on bank		"	Household expenses	1,90,000
	deposit	2,600	"	Cost of typewriter	
"	Dividend from a			purchased for office use	15,600
	cooperative society	2,000	"	Donation	2,000
"	Director's fees	20,000	"	Car purchased	4,40,000
			"	Life insurance premium	12,000
			"	Gift to daughter	22,000
			"	Balance c/d	3,05,800
		<b>11,56,400</b>			<b>11,56,400</b>



**Further Information :**

- a) Rent and electric charges are for the entire premises used by him. One-half of the premises are used by him for residence and remaining for office use.
  - b) One-half of car expenses is in respect of personal use.
  - c) Life insurance premium is paid on a policy of ₹ 1,00,000/- taken on own life.
  - d) He claimed ₹ 1,600/- for books purchased out of his salary income and the remaining ₹ 6,400/- against professional income. (Depreciation on books is 40%).
21. "Identification of residential status of an assessee is in the first step towards identification of income tax liability of an assessee". Elaborate the statement with due focus on identification of the residential status of an individual and its income tax implications. (2×8=16)
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