



K15P 0202

Reg. No. :

Name :

**Third Semester M.A./M.Sc./M.Com. Degree (Reg./Sup./Imp.)
Examination, November 2015
COMMERCE
(2014 Admn.)**

COM3C 13 : Income Tax Law and Practice

Time : 3 Hours

Max. Marks : 60

SECTION – A

Answer **any 4** questions **each** carries **1** mark for Part **a)**, **3** marks for Part **b)** and **5** marks for Part **c)** :

1. a) What is maximum marginal rate ?
b) Who is a 'person' under Income Tax Act ?
c) Nixon, an American citizen, was appointed as senior Scientific Officer in India on 1st April 2001, on 31st January 2009 he went to Uganda on deputation for a period of 3 years but left his wife and children in India. On 1st May 2010 he came to India and took with him his family to Uganda on 30th June 2010. He returned to India and joined his original job on 2nd Feb. 2012. What would be the residential status of Nixon for income tax purposes in the A.Y. 2012-13.
2. a) What do you mean by transferred balance ?
b) Give any six examples of excepted income for an employee.
c) A, a bank manager gets ₹ 18,000 p.m. as salary and D.A. at 10% of the salary. He is getting entertainment allowances of ₹ 8,000 p.a. During the previous year ended 31-3-2014, he received a bonus of 3 months salary. He is also provided with a rent free house (unfurnished) in a town (whose population is less than 4 lakhs) whose fair rent is ₹ 5,000 p.m. Find out his income under the head salaries for the Assessment Year relevant to the previous year 2013-14.
3. a) What do you mean by composite rent ?
b) How will you calculate the expected rent of a house property ?

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c) Mr. A let out a house to Mr. B on 1-4-2006 @ ₹3,000 p.m. for 5 years. After the expiry of 5 years Mr. B refused to vacate the home. Hence Mr. A filed a suit to get the house vacated and incurred expenses of ₹1,000 in this connection. Later on Mr. A agreed to renew the tenancy for 5 year from 1-4-2011 to 31-3-2013 on 1-6-2013. Mr. A paid the following amount during the period.

- 1) House tax ₹6,000;
- 2) Insurance premium ₹ 800
- 3) Ground rent ₹ 500.

Find out the income for House property for the A.Y. 2014-15.

4. a) What do you mean by profession ?
- b) Mention any six items of expenditure. Which are expressly allowed as deduction under the head business and profession ?
- c) Advise the assessee about the admissibility or otherwise of the claims with regard to the following items, giving reason ?
- a) Compensation paid to an employee for premature termination.
 - b) Amount spent in a successful suit filed against another for infringing the assessee's trade mark.
 - c) Penalty paid to customs authorities for importing prohibited goods which yield a large margin of profit.
 - d) Travelling expenses of a director who went to Europe for negotiating the purchase of a new machinery which was eventually installed next year.
 - e) Lump sum consideration paid on 1-7-2011 for acquiring know-how ₹6,00,000.

5. a) What is short term capital asset ?
- b) How will you compute long term capital gain.
- c) Suresh converts his plot of land purchased in the year 1981-82 for ₹40,000 into stock in trade on 31-3-2011. The fair market value on 31-3-2011 is ₹3,20,000. The stock in trade is sold for ₹3,60,000 in the month of May 2011. Find out the taxable income if any, and if so under which head of income and for which A.Y. Cost inflation index in 1981-82 was 100 and in 2010-11 is 711.



- 6. a) What is less tax government securities ?
- b) Name at least five items which can be included under the head 'Income from other sources' ?
- c) Calculate income from other sources from the information given below :
 - a) Winning from lottery ₹ 1,00,000.
 - b) Amount received from race winning ₹ 35,000.
 - c) Gift received ₹ 20,000 from his friend, ₹ 1,00,000 from his elder brother, ₹ 1,40,000 as gift on his marriage, ₹ 80,000 as gift from his NRI friend and ₹ 18,000 received from his friend.

SECTION – B

Answer the **two** questions, **each** carries **12** marks.

- 7. Discuss fully the taxable allowances under the head salary.

OR

Mr. Raghav owns a residential house property. It has two equal residential units. While Unit I is self occupied by Raghav for his residential purpose. Unit II is let out (rent being ₹6,000 p.m. rent of two months could not be recovered) Municipal value of the property is ₹ 1,30,000, standard rent is ₹ 1,25,000 and fair rent is ₹ 1,40,000, Municipal tax is imposed at 15% which is paid by Raghav. Other expenses for the previous year 2013-14 being repairs ₹ 800, insurance ₹ 1,500, interest on capital (borrowed during 1997). For constructing the property ₹ 63,000. Find the house property income of Raghav for the A.Y. 2014-15.

- 8. a) Mr. Pinto sold the following assets during the financial year 2012-13

| | Plot A | Plot B | Jewellery |
|------------------------------------|---------------|---------------|-----------|
| Date of Purchase | 1-1-1988 | 10-5-2009 | 1-4-1978 |
| Date of Sale | 1-11-2012 | 1-5-2012 | 28-3-2013 |
| Cost of acquisition | 2,40,000 | 1,00,000 | 50,000 |
| Sales price | 15,30,000 | 4,00,000 | 20,00,000 |
| Selling expenses | 30,000 | Nil | Nil |
| Fair market value on 1-4-1981 | Nil | Nil | 2,20,000 |
| Cost inflation index 2012-13 – 852 | 2002-03 – 447 | | |
| | 1987-88 – 161 | 1981-82 – 100 | |

Compute taxable capital gain if any.

OR



- b) Dr. Suresh is a medical practitioner. Beside his own practice he works as a part time physician in a private hospital for which he receives a monthly remuneration. He is also consultant physician of XYZ Co. Ltd. on a monthly retainer fee.

The doctor maintain a record of his receipts at payment and for the year ended 31-3-2014. The following information is abstractd their from.

Receipts

| | |
|---|----------|
| Consultation fee receipts | 1,60,000 |
| Gross remuneration from private hospital | 24,000 |
| Retainer for from XYZ Co. Ltd. | 6,000 |
| Interest on Bank deposits (Nationalised bank) | 13,000 |

Payments

| | |
|---|--------|
| Rent and electricity charges for the clinic | 12,000 |
| Telephone charges | 2,400 |
| Printing and stationary | 500 |
| Car maintainence expenses | 12,000 |
| Wages of clinical assistant | 3,600 |
| Driver salary | 3,600 |
| LIC premium | 2,400 |

The written down value of the car and the furniture at the clinic as on 1-4-2013 are used to be ₹ 25,000 and ₹ 2,000 respectively. 20% of the use of the car and the telephone is attributable to the personal and private purposes. Provide for depreciation on car @ 15% and Furniture @ 10%.

Prepare statement showing the total income of the doctor for the A.Y. 2014-15.

(2×12=24)