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K19P 1140

Reg. No. :

Name :

III Semester M.Com Degree (CBSS-Reg./Suppl./Imp.)

Examination, October - 2019

(2014 Admission onwards)

COM3C13 : INCOME TAX LAW AND PRACTICE

Time : 3 Hours

Max. Marks : 60

SECTION - A

Answer any **Four** questions in this section. Each question carries 1 mark for part (a), 3 marks for part (b), and 5 marks for part (c). (4×9=36)

1. a) What is "Profit in Lieu of Salary"?
 - b) Explain the difference between exemption and deduction with at least 2 examples.
 - c) Mr. E is a Finance Manager in ABC Ltd. The company has provided him with rent-free unfurnished accommodation in Mumbai. He gives you the following particulars: Basic salary Rs. 6,000 p.m.
Dearness Allowance Rs. 2,000 p.m. (30% is for retirement benefits)
Bonus Rs. 1,500 p.m. Even though the company allotted the house to him on 1.4.2017, he occupied the same only from 1.11.2017. Calculate the taxable value of the perquisite for A.Y.2018-19.
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2. a) Can net annual value of House Property be negative?
 - b) State income connected with land but **not** Agricultural Income.
 - c) What are the exemptions to the rule that the income of the previous year shall be assessed in the subsequent assessment year?

P.T.O.



3. a) Write a short note on "Self-assessment".
b) Explain the procedure for the calculation of Total Income.
c) If Mr. 'A' had income against the following heads,

Taxable salary income	40,000
Income from house property,	75,000
Income from other sources	20,000
Interest on securities of DCM Ltd. (Gross)	8,000
Total	1,43,000

He made following payments:

Contribution to P.F. (recognised)	2,000
Donation to the Prime Minister's National Relief Fund	2,500
Donation to the Indira Gandhi Memorial Trust	4,000
Donation to an approved association for promoting family planning	4,000
Donation to approved charitable trust	10,000

Compute Mr. A's taxable income for assessment year 2016-17.

4. a) What is a "Bond Washing Transaction"?
b) Distinguish between capital expenditure and revenue expenditure under Income Tax.
c) Mr. Ram who is a person with disability submits the following information, compute



(3)

K19P 1140

(a) the Taxable Income (b) the Tax Payable for the assessment year 2018-2019.

i. Salary (per annum)	3,00,000
ii. Rent received	48,000
iii. Dividend from Co-operative Society	1,000
iv. Interest on Savings Bank Deposits.	18,000
v. Interest on Government securities	1,000
vi. Winning from Lotteries (gross)	5,000
vii. NSC (VIII Issue) purchased during the year	10,000
viii. Deposit under PPF Scheme	30,000

He earned a long-term capital gain of 15,000 on sale of gold during the year

5. a) Define the term "Allowance".
- b) Mr. Ram is employed at Bombay. His basic Salary is 5,000 per month. He receives 5,000 p.a. as house rent allowance. Rent paid by him is 12,000 p.a. Find out the amount of taxable house rent allowance.
- c) Mr. Hari retires on 15th October 2017, after serving 30 years and 7 months. He gets Rs. 3,80,000 as gratuity. His salary details are given below:

FY 2017-18	Salary Rs. 16,000 p.m.	D.A. 50% of salary. 40% forms part of retirement benefits.
FY 2016-17	Salary Rs. 15,000 p.m.	D.A. 50% of salary. 40% forms part of retirement benefits.

Determine the taxable gratuity if Mr. Hari retires from private sector, not covered by payment of Gratuity Act, 1972.

P.T.O.



6. a) State the limit upto which deduction are available under the following heads:
- i. 80C Investments and Savings made
 - ii. 80D Health Insurance
- b) State the provisions of the Income Tax Act regarding taxation of gratuity.
- c) The following incomes are received by Dr. Shyam during financial year 2017-18
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|--|--------|
| i. Director's fees | 5,000 |
| ii. Income from agricultural land in Pakistan | 15,000 |
| iii. Rent from Let Out of land in Pathankot | 20,000 |
| iv. Interest on deposit with HDFC Bank | 1,000 |
| v. Dividend from Indian company | 5,000 |
| vi. Rent from subletting a house | 28,000 |
| vii. Other expenses on sublet house | 1,000 |
| viii. Rent payable by Dr. Shyam for the sublet house | 12,000 |
| ix. Winning from horse race (gross). | 15,000 |
| x. Interest on securities (gross) | 2,500 |

You are required to calculate income from other sources of Dr. Shyam for the assessment year 2018-19.

SECTION - B

Answer the **Two** questions in this section. Each question carries **12** marks. **(2×12=24)**

1. a) Mr. A, the General Manager of XYZ Ltd., retired on 31.12.2017 after 30 years of service. The particulars of his income are as follows:



- i. Salary 10,000 per month from January 1, 2017. House rent allowance 4,000 per month from January 1, 2016.
- ii. Medical expenses reimbursed by employer: 7,200 for the period from April 1, 2017 to December 31, 2017.
- iii. Mr. A and his family also availed LTC - they visited Mumbai and the expenses of 5,600 being the cost of air conditioned second class rail tickets was reimbursed by the employer.
- iv. The employer provides him a car for personal purposes and expenses are incurred by the employer amounting to 9,900.
- v. Mr. A contributes 22% (12% regular and 10% additional voluntary contribution) to recognised provident fund and the company matches his regular contribution of 12%.
- vi. Mr. A has invested 20,000 in ULIP Scheme of UTI and 10,000 in public provident fund. He paid 8,000 towards life insurance premium on policy for a sum assured of 60,000.
- vii. He lives in his own house. The annual municipal value of the house is 15,000.
- viii. Payment of club bills to the extent of 2,700 for the year being monthly subscription @ 300 per month was reimbursed by the employer.
- ix. Mr. A received 1,50,000 as gratuity. He is not covered by the Payment of Gratuity Act.
- x. He received 1,60,000 for encashment of leave, being 16 months leave not availed of.

Compute A's income for the assessment year 2018-19.

OR

- b) What are the provisions of the Income Tax Act relating to set off and carry forward of losses?

P.T.O.



2. a) Arjun Singh is the owner of a business. Following is his P & L A/c for year ended on 31-3-18:

Particulars	Rs.	Particulars	Rs.
Establishment charges	51,110	Gross profit	5,08,700
Rent, rates and taxes	29,000	Interest on Govt. Securities (Gross)	53,500
Sundry expenses	70,500	Rent from property	54,000
House hold expenses	18,800		
Provision for bad debts	12,000		
Loss on sale of motor car (used for private purpose)	18,000		
Insurance premium (including life insurance of Rs.1790 of Arjun Singh)	28,800		
Interest on bank loan	13,800		
Provision for Depreciation	64,000		
Net profit	3,10,200		
Total	<u>6,16,200</u>	Total	<u>6,16,200</u>

Additional information:

- i. Bad debts written off during the year Rs.6,500
- ii. Admissible depreciation as per Income tax rules Rs. 16,000



(7)

K19P 1140

- iii. The assessee is running his business in a rented property. half of which is used by him for his own residence. Rent of Rs. 24,000 in respect of entire house is included in rent, rate and taxes. The balance of Rs. 5,000 is on municipal tax paid for property given on rent.

Compute the Gross total Income of Sri Arjun Singh for the assessment year 2018-19.

OR

- b) Explain the provision of section 80G of income tax act, in respect of donations.
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