

B.Com. DEGREE (C.B.C.S.S.) EXAMINATION, OCTOBER 2016**Fifth Semester****INCOME TAX LAW AND PRACTICE**

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

[2013 Admission onwards]

Time : Three Hours

Maximum : 80 Marks

Answers may be written either in English or in Malayalam.

Part A

Answer all questions.

Each question carries 1 mark.

1. What is Direct Tax?
2. Who is a deemed assessee?
3. What is a profession?
4. What is the tax significance of employer - employee relationship ?
5. State any two tax free perquisites.
6. What is block of assets ?
7. Expand CBDT.
8. Enumerate the deductions under section 24 (1) for determining income from house property.
9. State the tax treatment of family pension.
10. Enumerate any *two* allowances which are fully taxable.

(10 × 1 = 10)

Part B

Answer any eight questions.

Each question carries 2 marks.

11. What is Annual Accretion ? What is its tax treatment ?
12. What is Previous Year and Assessment Year ?

Turn over

28. Mr. Felix, a non-resident, residing in U.S since 1990, came back to India on April 1, 2013 for permanent settlement in India. With reasons state his residential status for Assessment years 2014-15 and 2015-16 ?

29. Find out annual value in respect of following properties :

	I	II	III
	Rs.	Rs.	Rs.
(i) Municipal value	.... 1,60,000	2,50,000	2,50,000
(ii) Fair rent p.a	.... 1,70,000	2,00,000	2,65,000
(iii) Standard Rent p.a	.... 1,50,000	2,10,000	2,70,000
(iv) Actual Rent p.a	.... 1,68,000	1,70,000	2,52,000
(v) Unrealised rent of the previous year	.... 12,000	15,000	40,000
(vi) Vacancy (months)	.... 1	2	3
(vii) Municipal tax paid	.... 16,000	20,000	25,000

30. Following are the incomes of Sri Pramod for the previous year 2014-15 :

	Rs.
(i) Profit from business in Mumbai	.... 5,00,000
(ii) Income accrued in India but received in U.S.A	.... 1,75,000
(iii) Profit from business in Canada but received in India	.... 3,45,000
(iv) Profit from business established in England and deposited there, the business being controlled from India	.... 90,000

Compute the total income of Sri. Pramod for the A.Y 2015-16, if he is :

- (a) Resident.
- (b) Not Ordinarily Resident or
- (c) Non-Resident.

Turn over

13. What is profit in-lieu of salary ?
14. Explain the exemption for children education allowance.
15. What is unabsorbed depreciation ?
16. How unrealized rent is treated while computing income from house property ?
17. "No WDV no depreciation". Explain.
18. State income tax treatment of profit from speculation business.
19. What is the tax treatment of commuted pension ?
20. Enumerate the items which constitute agricultural income.
21. When does a company become resident in India ?
22. What is casual income ? Give two examples.

(8 × 2 = 16)

Part C

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

23. 'Income tax is charged on the income of the Previous Year'. Do you fully agree with this statement ? If not, what are the exceptions ?
24. What is annual value ? How will you compute the annual value of a let out property ?
25. Explain the tax treatment of provision of rent free un-finished house by an employer to an employee.
26. Explain the tax treatment of amount received from 'Key - man insurance policy'.
27. Mrs. Chandralekha is employed in a public company at Chennai. She draws a salary of Rs. 10,70,000 per annum and Dearness allowance Rs. 76,000 per annum (not forming part of salary). The Company allows a rent free house to Mrs. Chandralekha for which the company pays a rent of Rs. 60,000 per annum. The company deducts Rs. 35,000 per annum from Mrs. Chandralekha's salary for the house. Determine the taxable value of concessional rent.

31. Books of Morrison Ltd. disclosed the following data :

- | | | |
|---|------|----------|
| (i) Written down value of Plant and Machinery on 01 -04 -2014 | .... | 1,00,000 |
| (ii) Cost of new machinery purchased on 01 -01-2015 | .... | 60,000 |
| (iii) Amount received on sale of one machine on 15- 12 -2014 | .... | 20,000 |

Calculate chargeable depreciation of Plant and Machinery for the AY 2015-16 (rate of depreciation for the block 25 %)

(6 × 4 = 24)

Part D

Answer any two questions.

Each question carries 15 marks.

32. How would you determine whether an individual is ?

- (a) Ordinarily resident in India.
- (b) Not ordinarily resident in India and
- (c) Non - resident in India.

33. Sri. Manoj is the Personnel Manager in a company at Delhi. He furnished the following particulars regarding his income for the previous year 2014-15 :

- (i) Net salary Rs. 8,00,000 which is after deducting Rs. 1,00,000 for income tax, Rs. 75,000 as contribution to RPF and rent of bungalow Rs. 72,000.
- (ii) Bonus Rs. 50,000.
- (iii) Traveling allowance for tour Rs. 60,000.
- (iv) Reimbursement of medical bills Rs. 9,500.
- (v) He lives in a bungalow belonging to the company ; its fair rent is Rs. 6,000 per month. The company paid in respect of this bungalow Rs. 36,000 for electric bill and Rs. 5,000 for water bill.

(vi) The following amounts were deposited in his recognized provident fund account :

(a) Own contribution Rs. 1,15,000.

(b) Company's contribution Rs. 1,15,000.

(vii) Interest credited to RPF at 10 % p.a. 6000.

Compute his income from salary.

34. Dr. Naveen Sharma is a registered medical practitioner. He keeps his books on cash basis and his summarised cash account for the year ended 31-3-2015 is as follows :

To Balance b/d	65,000	By Cost of medicines	40,000
" Sale of medicines	74,000	" Salaries to staff	30,000
" Consultation fees	1,16,000	" Surgical equipment	25,000
" Visiting fees	80,000	" Motor car	1,50,000
" Interest on fixed deposits	2,000	" Car expenses	45,000
" Dividend on shares	10,000	" Rent of dispensary	12,000
		" Personal expenses	4,000
		" Life insurance premium	6,000
		" Balance c/d	35,000
	3,47,000		3,47,000

Information :

(i) One third of motor car expenses are in respect of his personal use.

(ii) Depreciation allowable on motor car @ 20 % and surgical equipments is @ 25 %.

Compute his income from profession.

Turn over

35. Sri. Reghunath constructed a house property which was completed on 30-6-2011. He borrowed Rs. 2,00,000 on 1-1-2010 from a bank for the construction of this house. The rate of interest is 10 % p.a. Repayment was made only from 31-7-2011 onwards. House was let out for residential purpose on a monthly rent of Rs. 8,000. Other details of the house are given below :

	Rs.
(a) Municipal valuation	..... 85,000
(b) Municipal tax paid	..... 4,000
(c) Interest on loan for construction of house for the PY 2014-2015	..... 6,000
(d) Fire insurance premium paid.	..... 300

Compute the income from House Property for the AY 2015-16.

(2 × 15 = 30)