

Reg. No. :

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M.Com. (CBCS) DEGREE EXAMINATION,
NOVEMBER 2023.

Third Semester

Commerce – Core

TAXATION AND TAX PLANNING

(For those who joined in July 2021-2022)

Time : Three hours

Maximum : 75 marks

PART A — (10 × 1 = 10 marks)

Answer ALL questions.

Choose the correct answer :

1. Income Tax is levied as a
 - (a) Direct Tax
 - (b) Indirect Tax
 - (c) Local Tax
 - (d) Wealth Tax

2. Incomes on which Income Tax is not charged are called
- (a) Exceptional Incomes
 - (b) Omitted Incomes
 - (c) Privileged Incomes
 - (d) Exempted Incomes
3. Dearness Allowance is taxable in the hands of
- (a) Government Employees
 - (b) Non Govt. Employees
 - (c) All Employees
 - (d) Private Employees
4. Education Allowance is exempted up to a maximum of
- (a) One child
 - (b) Two children
 - (c) Three children
 - (d) Four children
5. Expected rent cannot exceed
- (a) Municipal rent
 - (b) Fair rental value
 - (c) Actual rental value
 - (d) Standard rental value

6. Unrealised rent allowed earlier and recovered later on is
- (a) Income from house property
 - (b) Exempted income
 - (c) Income from other services
 - (d) To be ignored
7. General deductions for business or profession are covered in the I.T. Act 1961 under
- (a) Sec 20
 - (b) Sec 31
 - (c) Sec 37
 - (d) Sec 45
8. Profits earned from illegal business are
- (a) Taxable
 - (b) Tax free
 - (c) Ignored by tax authorities
 - (d) Deductable
9. Tax on long term capital gain is
- (a) 10%
 - (b) 20%
 - (c) 30%
 - (d) 25%

10. Income from sale of rural agricultural land is
 (a) Taxable capital gain
 (b) Exempted capital gain
 (c) Taxable income
 (d) Non-taxable income

PART B — (5 × 5 = 25 marks)

Answer ALL questions, choosing either (a) or (b).

11. (a) Venkatesh who was born and brought up in India, went to U.K. for further studies on 1st February 2019 and came back to Indian on 1st October 2020. Ascertain his residential status for the previous year 2020-2021.

Or

- (b) List out the Exempted Incomes.

12. (a) From the detail given below, compute net salary for the assessment year 2021-22.
 (i) Salary Rs. 3,500 p.m.
 (ii) D.A. Rs. 1,000 p.m.
 (iii) CCA Rs. 200 p.m.
 (iv) HRA Rs. 1,000 p.m. (Rent paid in Delhi Rs. 1,500 p.m.)
 (v) Commission on sales received Rs. 6,000

Or

- (b) Discuss the deductions allowable under the head salaries.

13. (a) Mr. Surya Provide the following particulars for the Assessment year 2021-22. Calculate Gross Annual Value.

	Rs.
Municipal value	60,000
Farm rent	65,000
Standard rent	59,500
Actual rent	72,000
Loss due to vacancy	6,000

Or

- (b) Write a note on self occupied property.

14. (a) Ascertain taxable profit from business as on 31st March 2021.

Profit and Loss Account			
Particulars	Rs.	Particulars	Rs.
To Office salary	4,800	By Gross profit	1,35,532
To General Expenses	2,550	By Commission	1,205
To Bad debts written off	2,100	By Discount	751
To Reserve for Bad debts	3,000	By Sundry receipts	202
To Fire Insurance premium	450	By Rent of building	52,640

Particulars	Rs.	Particulars	Rs.
To Advertisement	2,500	By capital gain	3,000
To Interest on capital	1,000		
To Interest on Bank loan	1,550		
To Donation	3,875		
To Depreciation	1,200		
To Net profit	<u>1,70,305</u>		
	<u>1,93,330</u>		<u>1,93,330</u>

The amount of Depreciation Allowable is Rs. 1,000

Or

(b) Explain the method of determining taxable professional income.

15. (a) Kalaivani of Madurai constructed a factory with building plant, machinery furniture etc. However he decided to lease out the factory on a hire charge of Rs. 25,000 p.m. During the previous year 2020-21, he spent Rs. 15,000 for repairs and Rs. 10,000 for insurance on the assets. Allowable depreciation is Rs. 35,000 p.a. Ascertain his income from other sources from the above details.

Or

(b) How tax on capital gain is computed.

PART C — (5 × 8 = 40 marks)

Answer ALL questions, choosing either (a) or (b).

16. (a) (i) Compute total income of Mr. X if he is a Resident (ii) Not ordinary resident. Following are the incomes of Mr. X for the previous year 20-21.
- | | |
|--|----------|
| (1) Profit from business from Bangolare | 1,00,000 |
| (2) Income accrued in India but received in Japan | 40,000 |
| (3) Profit from business in Canada but received in India | 50,000 |
| (4) House property income Karachi received in India | 40,000 |
| (5) Profit from business established in England and deposited there the business being controlled from India | 2,00,000 |
| (6) House property income in America and deposited there | 20,000 |
| (7) Past untaxed income brought to India during the P.Y | 1,00,000 |

Or

(b) Explain the treatment of Agricultural Income under Income Tax Act.

17. (a) Mr. X supplied the following particulars for the previous years 2020-21

Salary Rs. 4,50,000; Dearness Allowance Rs. 50,000; Medical allowance Rs. 1,500 per month. Entertainment Allowance Rs. 30,000; Commission Rs. 10,000. HRA Rs. 24,000. He pays a Rent of Rs. 3,000 p.m. in Madurai. Employees contribution to RPF Rs. 4,000 p.m. own contribution by the employee is also Rs. 4,000 p.m. Interest on RPF credited amounted to Rs. 28,000 @ 14% p.a. Calculate taxable salary of Mr. X.

Standard deduction u/s 16(1a) is least of Rs. 50,000 or salary.

Or

- (b) What is salary? Discuss its features.

18. (a) Calculate Income from house property of the house owned by Mr. Z which was constructed in 1998. 75% of the property has been let out at a monthly rent of Rs. 15,000 and 25% is used for his own business. Other particulars are as follows : Municipal value Rs. 1,00,000. Fair rental value Rs. 20,000. Standard Rent Rs. 1,10,000. Municipal tax Rs. 8,000. Interest on loan borrowed for construction Rs. 20,000.

Or

- (b) Define Annual value. How is it determined?

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19. (a) From the following P&L A/c calculate income from business.

	Rs.		Rs.
To Rent and Rates	45,000	By Gross profits	2,25,000
To Depreciation on machinery	8,000	By Income from other services	1,50,000
To Depreciation on Furniture	2,000	By Income from capital gain	1,00,000
To Purchase of Motor Car	50,000	By Miscellaneous income	1,25,000
To Car expenditure	3,000		
To Advertisement (Cash)	25,000		
To Net profit	<u>4,67,000</u>		
	<u>6,00,000</u>		<u>6,00,000</u>

- (i) Allow Rs. 5,000 as depreciation on Machinery
(ii) 50% of Motor car expenses relates to personal use.
(iii) Miscellaneous receipt is approved by I.T. authority as business income.
(iv) Motor car has no depreciation.

Or

- (b) State the procedure for computation of Business Income.

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20. (a) From the following investments and other income of Mr. Akilesh, compute Income from other sources.

- (i) Rs. 31,840, 10% tax free commercial securities.
- (ii) Rs. 6,286 received as interest on tax free public ltd. co. securities (listed)
- (iii) Rs. 3,592 received as interest on Deepak Fertilizer (listed)
- (iv) Dividend received Rs. 10,000 from Indian Company.
- (v) Amount received from Karnataka lottery prize Rs. 34,700
- (vi) Director fees received Rs. 4,000
- (vii) Royalty income by writing books Rs. 40,000 (expenses claimed and allowance Rs. 4,000)
- (viii) Family pension received Rs. 36,000. Standard deductions as least of Rs. 15,000 or 1/3 of pension.

Or

(b) Discuss the Tax planing aspects in assessment of Income from Capital Gains.