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B.Com. (CBCS) DEGREE EXAMINATION,
APRIL 2023.

Fifth Semester

Commerce – Major Elective

INCOME TAX LAW AND PRACTICE – I

(For those who joined in July 2017 – 2020)

Time : Three hours

Maximum : 75 marks

PART A — (10 × 1 = 10 marks)

Answer ALL questions.

Choose the correct answer :

1. Previous year means
 - (a) accounting year
 - (b) calendar year
 - (c) financial year
 - (d) financial year before the assessment year

2. Rate of income tax is determined under
 - (a) notification of CBDT
 - (b) the finance act
 - (c) the income tax act
 - (d) an ordinance

3. An individual who wants to be a resident in India has to fulfill:
 - (a) one of the basic conditions
 - (b) both the basic conditions
 - (c) any one of the basic and additional condition
 - (d) both additional conditions

4. The residential status of an Indian company always
 - (a) resident
 - (b) non-resident
 - (c) not ordinarily resident
 - (d) ordinarily resident

5. Pension received from former employer is taxable under the head
 - (a) income from salary
 - (b) income from other sources
 - (c) income from profession
 - (d) income from house property

6. Interest on RPF is exempt up to
- (a) 10% (b) 9.5%
- (c) 12% (d) 15%
7. Local taxes are generally calculated on
- (a) Fair rent (b) Actual rent
- (c) Municipal value (d) Standard rent
8. Income from subletting taxable under the-head
- (a) Income from other sources
- (b) Income from house property
- (c) Income from profession
- (d) Income from capital gain
9. Gifts from clients are
- (a) Professional income
- (b) Professional expenses
- (c) Business income
- (d) Business expenses
10. Rate of depreciation allowable on cost of patents rights is
- (a) 10% (b) 15%
- (c) 25% (d) 100%

PART B — (5 × 5 = 25 marks)

Answer ALL questions, choosing either (a) or (b).
Each answer should not exceed 250 words.

11. (a) Write a short note on agricultural income.

Or

(b) Briefly explain the history of taxation.

12. (a) How will you determine the residential status of an individual assessee?

Or

(b) Shri Murugan, who has born and brought up in India, went for further studies to the UK. on 1st March, 2020 and came back to India on 1st October, 2021 early morning. Compute his residential status for the Assessment Year 2022-23.

13. (a) Discuss the fully taxable allowances under Income Tax Act.

Or

(b) An employer has taken a house on rent @ 15,000 p.m. He allotted half of the house to Mr. X and the other half to Mr. Y for residential purposes. The annual salary of Mr. X is Rs. 3,00,000 and of Mr. Y Rs. 7,00,000. Compute the value of rent free house for Mr. X and Mr. Y.

14. (a) Analyze the various deductions allowed under income from house property.

Or

(b) How will you treat the interest on borrowed capital for income tax purposes for the following houses separately?

Details	House I (Self occupied)	House II (let out for residence)
Date of loan	15.3.2017	10.4.2016
Interest on borrowed capital	Rs. 2,38,000	Rs. 1,78,000

15. (a) Discuss the provisions relating to:

- (i) Intangible assets
- (ii) Cost of Motor car

Or

(b) Compute income from business of Shri Devi for the year ended 31.03.2022:

Net profit as per Profit and loss a/c (Before charging the following) 5,75,000

- (i) Expenditure on Family planning 45,000
- (ii) Lump-sum payment made for Technical know-how 90,000
- (iii) Entertainment expenditure 80,000

- (iv) Expenditure on acquiring Patent Right 84,000
 - (v) Expenditure on Advertisement – Paid in cash 18,000
 - (vi) Amount paid to Rajasthan University for an approved résearch programme in Social Sciences not connected with his business 20,000
 - (vii) Provision for Excise duty 45,000
- (He paid only Rs. 20,000 before charging the due date og filing IT. return)

PART C — (5 × 8 = 40 marks)

Answer ALL questions, choosing either (a) or (b)
Each answer should not exceed 600 words.

16. (a) Describe the procedure for computation of total income.

Or

- (b) Explain the various principles of taxation.

17. (a) “The incidence of tax depends upon the residential status of an assessee” – Discuss.

Or

(b) Shri Raman has the following incomes for the Previous Year ending on 31st March 2022:

Income from salary in India from a company	50,000
Dividend (gross) from an Indian Company received in England and spent there	10,000
Income from house property in India received in Pakistan	20,000
Dividend from a foreign company received in England and deposited in a bank there	10,000
Income from business in Kolkata managed from U.S.A.	20,000
Income from a business in U.S.A (controlled from Kanpur Head Office)	12,000
Income was earned in Australia and received there, but brought into India	25,000
His maternal uncle sent a Bank draft from France as a gift to him on his marriage	20,000

Compute the gross total income, if he is:

- (i) Ordinarily resident,
- (ii) Not-ordinarily resident and
- (iii) Non-resident.

18. (a) Examine the various perquisites taxable in the hands of all employees.

Or

(b) The following are the particulars of the income of Mr. Ramesh for the Previous Year ended on 31st March 2022:

- (i) Salary Rs. 45,000 p.m.
- (ii) Bonus equal to two months' pay
- (iii) Dog allowance Rs. 750 p.m.
- (iv) Special allowance Rs. 600 p.m.
- (v) Employee's contribution to a Recognised Provident Fund @ 15% of salary.
- (vi) Employer's contribution to the fund @ 15% of the salary.
- (vii) Interest credited to the provident fund @ 9.5% pa. is Rs. 28 000.
- (viii) He is provided with lunch in the office. the cost of per meal is Rs. 30.
- (ix) The employer has given him a small car which he uses for personal and official purposes. He meets the expenses for the personal purposes from out of his pocket.

Compute the income from salaries of Mr. Ramesh for the Assessment Year 2022-23.

19. (a) Discuss the exempted income from house property.

Or

(b) Mr. Gugan owns a big house, the construction of which was completed in May 2017. 50% of the floor area is let out for residential purposes on a monthly rent of Rs. 3,200. However, this portion remained vacant for one month during 2021-22. 25% of the floor area is used by the owner for the purpose of his profession, while the remaining 25% of the floor area is utilized for the purpose of his residence. Other particulars of the house are as follows:

- (i) Municipal valuation Rs.75,000
- (ii) Standard rent Rs. 90,000
- (iii) Municipal taxes paid Rs.12,000
- (iv) Repairs Rs. 3,000
- (v) Interest on capital borrowed for repairs Rs. 28,000

Compute the taxable income from house property of Mr. Gugan for the Assessment Year 2022-23.

20. (a) Categorize the admissible expenses under profits and gains of business or profession.

Or

(b) Shri Jothi is a chartered accountant, she has submitted the following Incomes and Expenditure account for the year 2021-22. Compute his income from the profession for the Assessment Year 2022-23.

Expenses	Rs.	Income	Rs.
To Office rent	33,000	By Audit fees	3,00,000
To Salary to staff	75,000	By Financial Consultancy services	60,000
To Charities	5,000	By Interest on Deposits in a bank	22,000
To Gifts to relatives	6,000	By Dividends on Units of UTI (gross)	6,000
To Subscription for journals	2,400	By Accountancy works	32,000
To Drawings	16,000		
To Car expenses	24,000		
To Household expenses	8,600		
To NSCs purchased	20,000		
To Net Income	<u>2,30,000</u>		
	<u>4,20,000</u>		<u>4,20,000</u>

Additional Information:

- (i) Office rent includes Rs. 3,000 though paid is not recorded.
- (ii) Depreciation of car during the year is Rs. 6,000.
- (iii) 30% of car expenses are related to personal purposes.