

SIXTH SEMESTER B.Com. DEGREE EXAMINATION, MARCH 2017

(CUCBCSS—UG)

BCM 6B 12—INCOME TAX LAW AND PRACTICE

Time : Three Hours

Maximum : 80 Marks

Part I

Answer all questions.

I. Choose the most appropriate answer from the following :

- 1 A person satisfying none of the basic conditions but satisfying both the additional conditions.
 - (a) Resident and ordinarily resident.
 - (b) Non-resident.
 - (c) Resident but not ordinarily resident.
 - (d) Cannot say.
- 2 In the case of conversion of capital asset into stock-in-trade income is assessed at the :
 - (a) Time of conversion.
 - (b) Time of sale of asset.
 - (c) Time of conversion and sale.
 - (d) Not taxable.
- 3 Interest on — security is always grossed up :
 - (a) Tax free commercial. ✓
 - (b) Less tax commercial.
 - (c) Government.
 - (d) Tax free Government. ✓
- 4 Annual value of a self occupied house will be :
 - (a) Municipal valuation.
 - (b) Fair rental value.
 - (c) Nil.
 - (d) Municipal valuation or Fair rental value whichever is higher.
- 5 In the case of a person resident in India, agricultural income from abroad is :
 - (a) Not taxable.
 - (b) Fully taxable.
 - (c) Taxable in some cases.
 - (d) Partly exempt from tax.
- 6 Income from buying and selling of house property is chargeable under the head _____
- 7 Land becomes long term capital asset when held for more than _____.
- 8 Gift in cash upto Rs. _____ is not taxable.
- 9 Office buildings are eligible for depreciation at the rate of _____.
- 10 Loss from speculation business can be carried forward for a maximum of _____ year

(10 × 1 = 10 marks)

Turn over

Part II

Answer any **eight** questions.
Each question carries 2 marks.

- 11 What are the conditions to be satisfied to claim deduction for unrealised rent ?
- 12 What do you mean by grossing up of income ?
- 13 What is a 'block of asset' ?
- 14 Write a note 'Unabsorbed Depreciation'.
- 15 Which are deductions allowable from gross salary ?
- 16 How is family planning expenses for employees treated for tax ?
- 17 What is annual accretion ? How is it taxable ?
- 18 How is exemption of amount received on VRS determined ?
- 19 What is Converted property ? Who is liable to pay tax on income from converted property ?
- 20 State any four deductions allowable under Section 54, while computing capital gain ?
(8 × 2 = 16 marks)

Part III

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

- 21 Define salary as per Section 17(1).
- 22 From the following information compute the capital gains liable to tax in the financial year 2015-16 :

	(Rs.)
(i) Cost of acquisition of residential house in 1990-91	— 5,00,000
(ii) Sale consideration received in April 2015	— 50,00,000
(iii) Cost of construction of the new residential house before the due date of filing the return for year 2015-16	— 18,00,000

Cost inflation index - 1990-91 - 182 and 2015-16 - 1081.

- 23 Ms. Lakshmi, a professional singer comes to India on 10th May 2013 after staying 10 years abroad. She was then in India and leaves India on 5th January 2016. While in India she was fully engaged with professional programmes in different parts of the country. Determine her residential status in India for the financial year 2015-16.

What will be your answer if she comes to India on 10th May 2013 after staying 3 years abroad and was in India before that ?

- 24 The written down value of a block of 10 machines (depreciation rate 25%) was Rs. 25,00,000. A new machine costing Rs. 4,00,000 was purchased in December 2015. In March 2016, all the 10 old machines were sold for Rs. 1,00,000. Compute depreciation allowance for the year 2015-16. Assets not eligible for additional depreciation.

25 Ms. Mohini receives the following gifts during the financial year 2015-16 :

- 1 Rs. 20 Lakh and a wrist watch (cost Rs. 5,000) from a friend in U.S.A.
- 2 Rs. 5 Lakh from another friend in UK.
- 3 Rs. 2 Lakhs received from grandfather.
- 4 Rs. 40,000 from great grandfather.
- 5 Rs. 3 Lakh from a friend at the time of her marriage.
- 6 A laptop worth Rs. 40,000 from her employer.

She has taxable income from salary Rs. 2,00,000 and winnings from lottery Rs. 1,00,000 during the year. Compute gross total income.

26 The following information relate to the income of Mr. Nikhil during the year 2015-16.

	Rs.
1 Agricultural income from Nicobar Islands	... 50,000
2 Amount received from sub-letting half of his rented residential house (Municipal taxes paid for the house Rs. 2,000)	... 10,000
3 Dividend from an Indian company engaged in agricultural activities	... 40,000
4 Dividend from an Indian company engaged in non-agricultural activities	... 60,000
5 Dividend from a foreign company	... 2,00,000
6 Income from consultancy services	... 1,00,000
7 Income from a stone quarry in Maharashtra (expenses in connection with stone extraction Rs. 1,10,000)	... 1,50,000
8 Agricultural income from USA.	... 1,00,000

Compute taxable income under the head 'Income from other sources' for the year ended 31st March 2016.

27 Briefly explain the situations of clubbing of income.

28 Explain the rules relating to set off and carry forward of losses.

(6 × 4 = 24 marks)

Part IV

Answer any two questions.

Each question carries 15 marks.

29 Explain the deductions from GTI, under chapter VIA of the Income Tax Act.

30 Mr. Gadgil is an officer of a limited company. His monthly emoluments were as follows :

	Rs.
1 Basic salary	— 50,000
2 Dearness Allowance	— 10,000
3 Tiffin allowance	— 1,500
4 Children education allowance	— 600 (for three children)
5 Entertainment allowance	— 3,000
6 Hostel allowance	— 1,500 (for three children)
7 House rent allowance	— 5,000

Turn over

The company paid his private telephone expenses which amounted to Rs. 30,000 during the year. The company gave him a special present on the new year day, the cost of which was Rs. 2,000.

He has a car (with driver) which he uses for official purposes also. The expenses reimbursed by the employer in respect of the car amounted to Rs. 1,20,000.

Compute income from salary assuming that the cubic capacity of the car is 1.6 litre.

What will be your answer if the car is of more than 1.6 litre c.c. ?

- 31 Mr. Bose is an advocate in Ahmedabad. He keeps his accounts on cash basis. The following is the summarized receipts and payments account for the year ended 31.03.2016 :

Receipts and Payments account for the year ending 31.03.2016

	Rs.		Rs.
Balance	2,05,000	Subscription of law journals	6,000
Legal fee	3,70,000	Books purchased	
Special commission fee	21,500	(annual publication)	4,000
Salary as law lecturer		Rent	21,500
in a university	48,000	Office expenses	5,000
Examiner fee		Electricity charges	4,000
(from a University)	12,400	Income tax	22,000
Interest on bank deposit	1,300	Gift to daughter	11,000
Dividend from a		House hold expenses	95,000
co-operative society	21,000	Computer purchased for office	40,000
Directorship fee	12,000	Donation to approved institution	1,000
		Car purchased	3,60,000
		Life insurance premium	6,000
		Balance	1,15,700
	<hr/> 6,91,200 <hr/>		<hr/> 6,91,200 <hr/>

The following details are available :

- 1 Half of the house is used as office and he resides in the remaining half.
 - 2 Half of the rent and electricity charges are in respect of office use.
 - 3 Half of the car expenses are attributable for official use.
 - 4 The computer was purchased on 1.1.2016.
 - 5 He claims that books of Rs. 3,000 were purchased for professional purposes.
- Compute the gross total income of Mr. Bose for the year 2015-16.

(2 × 15 = 30 marks)