

LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034



B.Com. DEGREE EXAMINATION – COMMERCE

FIFTH SEMESTER – APRIL 2022

UCO 5502 – INCOME TAX LAW AND PRACTICE

Date: 16-06-2022

Dept. No.

Max. : 100 Marks

Time: 01:00 PM - 04:00 PM

SECTION – A

Answer ALL the questions:

(10 x 2 = 20)

1. Write short notes on 'Financial year' and 'Assessee'.
2. Define the term 'Person' as per Income Tax Act 1961.
3. Mr. X, an Indian citizen goes to Singapore for employment during the previous year 2020-21 on 1st September 2020. He was in India from his birth during the year 1970. Identify his Residential Status for the PY 2020-21.
4. From the following, calculate the taxable income of Mr.X for the assessment year 2021-2022. Car purchased for personal use on 1.4.2002: Rs. 10,00,000. Sold it on 1.4.2020 for Rs. 8,00,000. Expenses on transfer Rs. 30,000.
5. Mr.X is working as an employee in XYZ Ltd. He received the following amounts during the previous year 2020-21. Compute the gross salary:
 - (a) He received Rs. 1,00,000 as salary after deducting Rs. 1,000 as income tax and Rs.12,000 as contribution towards provident fund.
 - (b) He received Rs. 4,000 as Insurance commission.
 - (c) He was also an acting MP and received Rs. 1,25,000 as salary.
 - (d) He took Rs.4,000 as loan for his daughter's marriage from his employer.
6. Mr. X receives a cash gift of Rs. 25,00,000 from his father's brother during the year 2020-21. He also receives Rs. 10,000 from his close friend during the year 2020-21 Calculate the taxable income of Mr.X for the Assessment year 2021- 22.
7. Write a short note on 'Leave Salary'.
8. Mr. X receives Rs. 40,000 as pension from a private company. He gets Rs. 2,00,000 as gift from his friend. Calculate the taxable income of him.
9. What is a capital asset?
10. Mr. X gets Rs. 4,00,000 as professional income. Calculate his taxable income if his House property loss is Rs. 1,00,000.

SECTION – B

Answer any FOUR questions:

(4 x 10 = 40)

11. Write any ten incomes which are exempted from tax.
12. Mr. X had following income during the previous year ended 31st March, 2021:
- Salary Income (computed) in India for three months Rs. 1,00,000
 - Income from house property in India Rs. 1,00,000
 - Interest on Fixed Deposit in SBI Rs. 10,000
 - Amount brought into India out of the past untaxed profits earned in UK Rs. 25,000
 - Income from agriculture in Srilanka being invested there Rs. 25,000
 - Income from business in Bengaluru, Rs. 30,000.
 - Dividends received in France Rs. 23000
- You are required to compute his total income for the PY 2020-21, if he is a – (a) resident; (b) not ordinarily resident; and (c) non-resident.
13. Mr. X owns three house properties in Chennai, the particulars of which are given below:
- | Particulars | House I - | House II - | House III |
|----------------------|-----------|------------|-----------|
| | (Rs.) | (Rs.) | (Rs.) |
| Municipal Valuation | 1,00,000 | 1,50,000 | 1,00,000 |
| Fair Rent | 1,80,000 | 1,80,000 | 1,20,000 |
| Standard Rent | 1,40,000 | 2,00,000 | N.A. |
| Actual Rent(p.m.) | 12,000 | 17,500 | 10,500 |
| Period of vacancy | Nil | 1 months | 6 months |
| Municipal Taxes paid | 20,000 | 80,000 | 15,000 |
- Compute his net income for the assessment year 2021-22.
14. Mr. X received a vacant site as gift from his friend in November 2007. The site was acquired by his friend for Rs. 4,00,000 in April 2002. He constructed a residential building during the year 2008-09 in the said site for Rs. 10,00,000. He carried out some further extension of the construction in the year 2011-12 for Rs. 5,00,000. He sold the residential building for Rs. 50,00,000 in January 2021 but the State stamp valuation authority adopted Rs. 65,00,000 as value for the purpose of stamp duty. Compute his long term capital gain, for the assessment year 2021-22 based on the above information.
15. Mr. X is employed in A Ltd. getting Basic pay Rs. 20,000 p.m., Dearness allowance Rs. 7,000 p.m. The employer has contributed Rs.3,500 to the Unrecognized provident fund and the employee has also contributed equal amount. The employee was retired on 31.10.2020 after serving the employer for 20 years and 6 months and employer has credited interest Rs.21,000 to the provident fund account on 31.10.2020 and interest rate is 12% p.a. The employer has paid provident fund balance Rs 10,00,000 to the employee on 01.11.2020 out of which employee's contribution is Rs. 4,00,000 and employer's contribution is also Rs. 4,00,000 and balance is interest. Employer has paid gratuity Rs.2,60,000 and allowed him pension Rs.5,000 p.m. The employee was allowed commutation of pension on 01.01.2021 for 40% of the pension and has paid Rs.2,40,000. Compute employee Taxable total income for the assessment year 2021-22.
16. Mr. A', a citizen of India left India on 16-5-2002 for employment abroad. He did not come to India upto previous year 2017-18. During 2018-19 and 2019-20, he visited India for 140 days and 200 days respectively. In the previous year 2020-21 he came to India on 6-4-2020 and left on 30-12-2020. Determine his residential status for the PY 2020-21.
17. Explain the provisions relating to taxability of pension.

SECTION – C

Answer any TWO question:

(2 x 20 = 40)

18. Mr X, a civil engineer was in Government service till 30.06.2020. He joined as an adviser (part time) from 1st October, 2020 in an organisation on an honorarium of Rs. 40,000 per month. He owns a house properly which is self occupied. From the following further information, furnished for the year ending 31st March, 2021, you are requested to compute his income under the head salary, net Income and Tax Liability.

(Values per year)

- | | |
|--|--------------|
| (a) Salary from Government service | Rs. 30,000 |
| (b) Leave at credit (encashment) | Rs. 50,000 |
| (c) Provident fund | Rs. 78,000 |
| (d) Commuted pension | Rs. 35,000 |
| (e) Uncommuted Pension | Rs. 20,000 |
| (f) House rent allowance | Rs. 5,000 |
| (g) Gratuity Received | Rs. 1,20,000 |
| (h) Repayment to Housing Development Finance Corporation Ltd. Rs. 24,000
(Paid in July 2021-Principal Rs. 10,000+Interest Rs. 14,000 on loan taken for construction of house) | |
| (i) Deposit in public provident fund account Rs. 32,000 | |

19. Ms. X furnishes the following details for the AY 2021-22:

Particulars	Amount (Rs.)
Net Agricultural Income in India	4,800
Net agricultural income from land in Sri Lanka	10,000
Profit on sale of agricultural land situated in Mangalore City	25,00,000
Vacant land – ground rent received	12,000
Rent received on sub – letting house	37,500
Rent payable for house sub let	15,000
Maintenance expenses on house sublet	1,200
Directors sitting fees	3,600
Interest on Deposits with nationalized bank	1,000
Interest on Postal savings – bank account	1,200
Interest credited to PPF account	6,000
Interest accrued but not received on NSC VIII Issue	1,050
Interest received under Post Office Monthly Income Scheme	12,000
Interest on deposits with HDFC	900
Interest on securities (gross)	5,000
Dividends received from Indian Companies	12,000
Bank Charges for collection of above dividend	100
Dividend received from foreign companies	1,100
Interest paid on amount borrowed to invest in shares of foreign co.	8,600
Gift received from a Charitable Institution registered u/s 12AA	55,000
Gift from a friend in foreign	50,001
Gift from another friend in Indian currency	500
Winnings from Lottery (Net of Tax of Rs. 30,000)	70,000
Cost of Lottery Tickets purchased during the year	5,300
Debenture Interest on 10% debentures of ABC Ltd. of Face Value of Rs. 1,00,000 (due half yearly on 3th September month and 31 st March) but received on 15.4.2021.	
Compute the taxable income from other sources of Ms. X who is following mercantile system of accounting for the assessment year 2021-22.	

20. Following is the profit and loss account of Mr. X for the year ended 31-03-2021:

Particulars	Rs.	Particulars	Rs.
To Repairs on Building	1,81,000	By Gross Profit	6,01,000
To Amount paid to IIT, Mumbai for an approved scientific research programme	1,00,000	By I.T. Refund	8,100
To Interest	1,10,000	By Interest on Company Deposits	6,400
To Travelling	1,30,550		
To Net Profit	93,950		
	6,15,500		6,15,500

Following additional information is furnished:

- (1) Repairs on building includes Rs. 1,00,000 being the cost of building a new toilet.
- (2) Interest payments include Rs. 50,000 on which tax has not been deducted and penalty for contravention of Central GST Act of Rs. 24,000.

Compute the income chargeable under the head "Profits and gains of Business or Profession" of Mr. X for the year ended 31-03-2021 ignoring depreciation.

21. Explain the provisions regarding taxability of Income from other sources.

 Financial Year & Cost Inflation Index (CII)
 2001-02 (Base year) 100

2002-03 105	2009-10 148	2016-17 264
2003-04 109	2010-11 167	2017-18 272
2004-05 113	2011-12 184	2018-19 280
2005-06 117	2012-13 200	2019-20 289
2006-07 122	2013-14 220	2020-21 301
2007-08 129	2014-15 240	2021-22 317
2008-09 137	2015-16 254	
