

M.Com. DEGREE (CSS) EXAMINATION, OCTOBER 2024**Third Semester (Regular/Supplementary - 2020 Admission Onwards)****Branch: Commerce (Finance and Taxation & MIB)****PG20CO312 - INCOME TAX - LAW AND PRACTICE**

Time: 3 hrs

Max. Weightage: 30

PART A**(Answer any EIGHT questions. Each question has weightage ONE.)**

1. What are Allowances?
2. How capital gain is determined in the case of compulsory acquisition?
3. What are the provisions regarding unexplained expenditure and unexplained money in Income Tax Act?
4. What are the deductions allowed under the head Income from House Property?
5. What are the deductions not allowed in computing income from other sources?
6. How residential status of HUF is determined?
7. Shri Bishan Narain is a District Magistrate of Agra. He is living in a furnished bungalow provided by the government free of rent. His salary is ₹ 1,20,000 per month. The rent of unfurnished bungalow as per Govt. rules is ₹ 2,000 per month but its fair rental value is ₹ 17,500 per month. He is provided furniture costing ₹ 1,70,000 Compute the value of rent-free house as a perquisite for the purposes of income tax.
8. Mr. Ram owns house property. Its annual letting value is ₹ 80,000. During the previous year it was let-out to a tenant on a monthly rent of ₹ 7,000. He claimed the following expenses actually incurred by him
 - (i) Municipal taxes ₹ 8,000.
 - (ii) Expenses for the recovery of rent of ₹ 600.
 - (iii) Maintenance Allowance paid to the step-mother ₹ 12,000 annually which was a charge on the property according to his father's will.The house remained vacant for one month during the previous year Compute the income from house property for the Assessment Year.
9. A person set-up a new business on 1st July, of the PY and for this purpose he purchased machinery for ₹ 40,000 from another person who was closing down his business and installed it in his own building which constructed at a cost of ₹ 2,00,000 in May of the PY. The prescribed rates of depreciation for machinery and building are 15% and 10% respectively. Compute depreciation on the assets.
10. Mr. A purchased a house in Delhi in 2000 for ₹ 1,00,000 and added two rooms and a verandah in the house at a cost of ₹ 30,000 in 2000. He made improvements in the house and added two bathrooms at a cost of ₹ 2,40,000 in May 2014.

Mr. A sells the house on 1st July of the PY for ₹ 25,00,000. Compute the capital gains, if the fair market value of the house on 1st April, 2001 in ₹ 4,00,000. The cost inflation index in 2001-02, 2014-15 were 100, 240 respectively.

(8×1=8)

PART B

(Answer any SIX questions. Each question has weightage TWO.)

11. Write a note on additional depreciation on Plant and machinery.
12. In what circumstances the income of one person treated as income of another?
13. Explain deduction from gross total income under section 80G.
14. Following are the particulars of income of Shri Hari Narayan Arora for the previous year.
 - (i) Royalty received from Govt. of India ₹ 24,000.
 - (ii) Income from business earned in Afghanistan ₹ 25,000 of which ₹ 15,000 were received in India. Business is controlled from India
 - (iii) Interest received from Shri Aditya Kumar, a non-resident, against a loan provided to him for a business carried on in India ₹ 5,000.
 - (iv) Royalty received from Shri Al-Afnan, a resident, for technical services provided to run a business outside India ₹ 20,000.
 - (v) Income from a business in Jaipur ₹ 40,000, this business is controlled from France. ₹ 20,000 were remitted to France.

Compute gross total income of Shri Hari Narayan Arora for the Assessment Year. If he is

 - (a) Ordinarily resident of India;
 - (b) Not-ordinarily resident of India and
 - (c) Non-resident of India in previous year

15. Mr. X is the owner of a house at Agra, particulars in respect of which for the Assessment Year are as below:

	₹
1. Actual rent received	4,500
2. Municipal valuation	4,200
3. Total municipal tax	630
4. Municipal tax paid by Mr X	420
5. Municipal tax paid by the tenant	210
6. Interest on Loan taken for renewing the house	150
7. Unrealised rent allowed previously recovered during the year	2,000

Compute Mr X's Income from house property for the Assessment Year.

16. Mr. Ajay sold some of his property during the PY as under:
 - (a) Jewellery costing ₹ 80,000 (which was acquired in June 2021) was sold for ₹ 1,00,000 in May of the PY

- (b) House at Kolkata: Let out for residential purpose. Its sale Price during PY ₹14,00,000.
Fair market value on 1-4-2001 ₹ 3,00,000. Cost of improvement made during 2009-10 ₹ 29,600 Expenses on transfer are ₹ 25,000.
- (c) Household Furniture costing ₹ 14,000 in 2009 was sold in March of PY for ₹ 26,000.
- (d) Car was sold on 1 Dec of PY for ₹ 45,000, its written down value on 1 April of PY was ₹38,000.
- (e) Self-cultivated land was compulsorily acquired under a law for ₹ 8,00,000 on 1 Jan of PY and its cost in 2003-04 was ₹ 65,400,
Compute his taxable capital gains. Cost inflation indices are 2001-02-100, 2003-04-109, 2009-10 148.

17. Mr. R has the following investments in the previous year. He does not maintain accounts regarding his income and expenses.

₹ 10,000, 9% National Rural Development Bonds.

₹ 72,000, 10% Tax-free Debentures of Life Insurance Corporation of India.

Received ₹ 9,000 as interest on tax-free Debentures of U.P Housing Board.

₹ 18,000, 10% National Savings Certificates VIII Issue.

He paid ₹ 1,000 and ₹ 400 interest on loan taken to purchase National Savings Certificates (VIII Issue) and National Rural Development Bonds respectively.

Interest on 9% National Rural Development Bonds becomes due on 30th September and 31st March every year. The interest which has become due on 31 March of the PY had not been received on that date.

Interest on debentures of LIC of India and U.P.H.B. is payable on 1st July and 1st January
He paid commission to his bank ₹ 300 for collecting the above amounts.

Compute Mr. R's taxable income from interest on securities for the Assessment Year.

18. Mr. Rathi submits the following information relevant for the Assessment Year.

	Profit(₹)	Loss(₹)
Salary income computed	2,42,000	
Income from house property:		
House A	1,15,000	
House B		3,30,000
Profit and gains of business or profession:		
Business A	2,28,000	
Business B		10,000
Business C (speculative)	11,000	
Business D (speculative)		23,000
Capital gains:		
Short-term capital gains	6,000	
Short-term capital loss		28,000
Long-term capital gains on sale of building	12,500	
Income from other sources:		
Income from card games	13,000	
Loss from card games		7,010
Loss on maintenance of race horses		6,000
Interest on securities	4,000	

Compute the net income of Mr. Rathi for the Assessment Year

(6×2=12)

Turn over

PART C

(Answer any TWO questions. Each question has weightage FIVE.)

19. From the following particulars of Shri Yadunandan Upadhyay, compute his salary income appending notes where necessary:

	₹
(a) Salary ₹15,000 p.m.	1,80,000
(b) Bonus	6,000
(c) Dearness Allowance	1,800
(d) Entertainment Allowance (never given before)	6,000
(e) Employer's contribution to Recognised P.F	21,000
(f) Employee's contribution to Recognised P.F	21,000
(g) Interest on P.F.@ 12%	2,400
(h) Personal expenses of Mr. Upadhyay's son met by the employer	1,000
(i) Rent-free unfurnished house provided by the employer, whose annual rental value is(city is Delhi)	36,000
(j) Watchman engaged by the employer for many years for the security of residence of Shri Upadhyay, total salary paid to him by employer during the year	4,800
(k) Medical expenses of the employee	600
(l) Free refreshment during office hours	3,000
(m) Club bill of the assessee paid by the employer	400
(n) Unit Linked Insurance Plan Contribution paid by the employer	6,000
(o) He deposited ₹ 12,000 in PPF.	

He was provided with rent-free house for a period of 8 months only during the PY, after which he shifted to his own house. He continued to enjoy the facility of a watchman for his own house also.

20. The Net profit of Mr. Sulaiman as per his Profit and Loss Account after charging the following items was ₹ 3,40,000

	₹
Interest on capital	20,000
Office expenses	3,000
Salary to staff	1,16,000
Bad debts written-off	13,000
Provisions for bad debts	10,000
Provisions for income-tax	16,000
Donation	10,000
Depreciation	17,000
Depreciations allowable as per the Act is only ₹ 12,000.	
Compute income from business.	

21. Hari Kiran, a Chief Executive appointed on a contract period of two years by a company, furnishes the following particulars of his income for the PY. Compute his total income for the Assessment Year.

(i) Basic Pay & Dearness Allowance ₹ 4,80,000

(ii) Other Allowances:

(a) Education Allowance for two children of the assessee ₹ 4,200

(b) House Rent Allowance ₹ 52,000

(c) Servant Allowance ₹ 1,500

(d) Gas, Electricity, Water supply ₹ 11,500

(e) Conveyance Allowance for private purposes ₹ 6,000

He resides in his own house, the annual letting value of which is ₹ 18,000. The Municipal Tax thereon ₹ 3,000 per annum.

Interest Income:

a) Public Provident Fund ₹ 1,000.

b) National Savings Certificates VIII Issue (Accrued) ₹ 750.

c) On Fixed Deposits with Banks ₹ 11,000 (Gross).

He has invested the following amounts out of his income:

Deposited into Public Provident Fund ₹ 53,000.

Insurance Premium paid on the life of:

(i) Dependent son ₹ 2,000

(ii) Wife ₹ 2,000

Deposit in National Savings Certificates VIII Issue ₹ 5,000.

22. From the following information compute the gross tax liability of Mr Ram for the Assessment Year

	₹
1. Salary for 12 months	5,94,000
2. Interest on listed securities (gross)	3,000
3. Interest on Govt. securities Interest paid on loan taken	5,000
4. Interest paid on loan taken to purchase Govt. Sec	1,000
5. Income from house property (computed)	19,000
6. Long-term capital gain	70,000
7. Short-term capital loss	10,000
8. Dividend: Income from an Indian Company (Gross)	4,000
9. Income from Mutual Fund (Gross)	7,000
10. Personal agricultural income	20,000
11. Brought forward agricultural loss	25,000
12. Paid insurance premium ₹ 13,000 on a policy taken after 1.4.2014 of ₹ 1,20,000	
13. Paid donations to National Children's Fund by cheque	5,000
14. Contribution to Unrecognised Provident Fund	3,000
15. Deposited in PPF	30,000

(2×5=10)

(END OF QUESTION PAPER)