M.Com. DEGREE (C.S.S.) EXAMINATION, FEBRUARY 2021

Third Semester

Faculty of Commerce

DTO 3C 12—DIRECT TAXES : LAW AND PRACTICE

(2012—2018 Admissions)

Time : Three Hours   Maximum Weight : 30

Section A

Answer any **five** *questions.*
Each answer not to exceed **one page.**
Each question carries a weight of 1.

1. Define the term Assessee.

2. Illustrate the tax treatment of HRA under the IT Act.

3. Describe the residential status of an individual.

4. Name any five incomes which are exempted from under section 10 of the Income Tax Act.

5. What are allowances ? Write any four fully taxable allowances.

6. Find out the amount of taxable HRA :

    (a)   Basic salary Rs. 5,000 per month.

    (b)   DA 10 percentage of the basic which enters for retirement benefits.

    (c)   Commission based on turnover Rs. 24,000.

    (d)   HRA Rs. 2,000 per month.

    (e)   Rent paid Rs. 2,500 per month.

    House situated in Agra.

7. Shri Sukhesh has the following income for the financial year 2019- 20 :

Particulars	Amount (Rs.)
Income from house property situated in London	40,000
Income from salary received in India for services rendered in London	28,000
Profit from business in London controlled from India	1,20,000
Profit from Kanpur business	1,10,000
Agricultural Income in India	10,000

Compute the income of Shri Sukhesh for the assessment year 2019-20, if he is a resident in India.

Turn over

8. Mr. Binoy of Chennai get a salary of Rs. 4,000 per month .He gets DA of Rs. 500 per month (taken for service benefits). He gets an annual bonus of Rs. 2,000. He is provided with a rent free unfurnished accommodation by the employer and its fair rental value is Rs. 48,000. Calculate the perquisite value of rent free accommodation.

(5 × 1 = 5)

Section B

Answer any **five** *questions.*
Each answer should not exceed **two pages.**
Each question carries a weight of 2.

9. Define the term salary under Section 17 of the Income Tax Act.

10. How would you compute long term capital gain ?

11. Compute income from salary of Mr. Murugan for the financial year 2019-20 :

   (a) Salary.....Rs. 27,500 p.m.

   (b) DA.........Rs. 16,500 p.m.

   (c) A small car has been provided for both personal and official purposes.

   (d) Unfurnished rent free house at Delhi is given to him. The house was owned by the employer, the fair value of it is Rs. 35,000.

   (e) His contribution to RPF is 15% of the salary and the employer is also contributing same amount.

   (f) Interest credited to RPF is Rs. 5,600 which is 14%.

   (g) He is provided with free meals for 250 days costing per meal Rs. 50.

   (h) Professional tax paid by the employee amount to Rs. 1,000.

12. How annual value of a rested house property is determined ?

13. Profit and Loss account of M/S Bharath Traders shows a net profit of Rs. 1,00,000 after debiting the amount withdrawn for personal expenses Rs. 10,000. Life insurance premium Rs. 15,000. Income tax Rs. 22,000, expenses relating to income tax proceeding Rs. 15,000 and Municipal tax relating to the self-occupied property Rs. 1,400. Compute his taxable income under the head "Profits from Business".

14. Mr. Sunder subscribed 2000 equity shares of Coal India @ Rs. 250 per share on 1-1-1980. He was allotted 500 bonus shares on 1-5-1981. The FMV on 1-4-1981 was Rs. 300 per share. He sold 2,500 shares @ Rs. 3,000 per share in 2018-19 FY. The brokerage paid for the trade was Rs. 10,000. Determine the capital gain of Mr. Sunder.

(*Hint* : Assumed no STT paid.)

15. Mr.Vijayan had the following incomes during the year 2018-19 :

Particulars	Rs.
Interest on bank deposit	4,000
Income from units of a mutual fund	5,000
Interest on Govt. security	8,000
Winnings from lottery	10,000
Winnings from horse race	5,000

He claimed the following deductions (1) Collection charges of interest on Govt. security by bank Rs. 100 (2) Expenses for buying lottery tickets Rs. 1,000.

Compute income from other sources of Mr. Vijayan for the Assessment Year 2019-20.

16. From the following information of a trader, compute the gross total income for the Assessment Year 2019-20 :

Particulars	Rs.
Income from house property	1,50,000
Business loss	60,000
Current year's depreciation	10,000
Business loss of preceding year's	50,000
Un-absorbed depreciation of preceding years	30,000
Short term capital loss	40,000
Long term capital gains	50,000

(5 × 2 = 10)

Section C

Answer any **three** *questions.*
The answer should not exceed **five pages.**
Each question carries a weight of 5.

17. Explain the procedure of calculating total income .also discuss any 8 deductions to be made from the gross total income while computing the total income of an individual.

18. Explain the Capital Gain exempt under Section 54, 54B and 54F.

Turn over

19. The following are the particulars of Mr. Ravi for the previous year 2018-19. You are asked to compute his net tax liability or the amount refundable, as the case may be.

Particulars	Rs.
Business Income	1,46,900
Rent of property	10,000
Municipal tax on property paid	1,000
Agricultural income	10,000
Long term capital gain	15,000
Lottery winning from Kerala State	50,000
Life insurance premium paid	10,000
Contribution to public PF	15,000
Casual income from crossword puzzles	1,200

20. The statement of Income and Losses for the year ended 31st March 2019 of Mr. Yadu is as follows :

1. Taxable income from salary..................... 1,16,800

2. Taxable income from Interest on debentures.........8,400

3. Taxable income from House property

Particulars	Rs.
Income from House "A"	7,200
Loss from house "B"	(−) 3,400
Loss from House "C"	(−) 9,200
Income/Loss from house "D"	0

4. Income from business

Particulars	Rs.
Profit from Iron business	12,800
Loss from Stationery business	(−) 8,900
Profit from speculation business "A"	10,600
Loss from speculation business "B	(−) 4,600

5. Income from capital gains

Particulars	Rs.
Short term capital gains	18,600
Long term capital gains	4,200
Long term capital loss	(–) 8,300
Short term capital loss	0

6. Income from other sources............... 7,700

Compute Gross Total Income of Mr. Yadu for the Assessment Year 2019-20.

21. Mr. Sunil Kumar is a manager of Rajasthan Cloth Mills Ltd, Delhi. He gets basic pay @ Rs. 8,000 per month dearness allowance @ Rs. 3,000 per month and entertainment allowance @ Rs. 500 per month. He has been provided with a rent free house owned by the company, the fair annual rent of which is 37,000. He has also been provided by the company with facility of free use of water and light for which the employer paid Rs. 10,000 during the previous year. Employer paid a life insurance premium of Rs. 1,000 for the policy on the life of the employee.

The company has provided him a large car, all the expenses relating to office use are borne by the company. The car is used partly for personal purposes also. The salary of the driver is paid by the company. The company has provided the amenity of free lunch and refreshment in office, the cost of which is Rs. 1,750 and Rs.300 per month respectively. He had been provided with the facility of a sweeper and a cook who are paid salary by the company at the rate of Rs. 200 per month and Rs. 600 per month respectively. He and the company contributes 14% of the basic pay and DA towards Recognised Providend Fund. During the financial year 2018-19 interest credited to his PF Account @ 9% amounts to Rs. 13,500.

Compute the taxable income from salaries of Shri. Sunil Kumar for the Assessment Year 2019-20.

22. Sai Kumar uses two houses for his residential purposes. The following relate to these.

Particulars	House I Rs.	House II Rs.
Municipal valuation	60,000	30,000
Flair rent	85,000	32,000
Standard rent (As per Rent Act)	65,000	36,000
Municipal tax paid	10%	10%
Fire insurance premium	600	360

Turn over

Particulars	House I Rs.	House II Rs.
Loan for house construction	9,44,000	--------
Date of loan	10-04-2016	--------
Rate of interest	15%	--------
Interest	1,41,600	--------
Date of completion	10-03-2018	--------

Find Kumar's Income from House property for the year 2018-2019.

(3 × 5 = 15)