

BCM54 — INCOME TAX LAW AND PRACTICE I

Time : Three hours

Maximum : 75 marks

SECTION A — (10 X 2 = 20 marks)

Answer ALL questions.

1. Who is liable to pay Income Tax?
2. What do you mean by Diversion of Income?
3. Mention any two exempted allowances.
4. Mr.X, resides in Chennai, gets Rs.3,00,000 p.a as basic salary, D.A forming part of salary for service benefits Rs.40,000 and 2% commission on turnover achieved by him. (Turnover achieved by him during the relevant period is Rs.3,00,000). He receives Rs.60,000 as H.R.A. though he pays a rent of Rs.80,000 p.a. Determine the Taxable HRA from the above case.
5. Define the term “Standard Rent”.
6. Find out the gross annual value from the following

Particulars	Rs.
Municipal Valuation	1,80,000
Fair rent	1,90,000
Standard Rent	NA
Actual Rent	1,40,000
Let out period	8 months
Self-occupied period	4 months

7. Define the term business
8. From the following information, compute the amount of depreciation allowable for the AY 2021-22.

Particulars	Rs.
WDV on furniture 1-4-19	1,10,000
Furniture purchased on 10 th June 2019	15,000
Furniture purchased on 18 th January 2020	20,000
Part of furniture sold in February 2020	3,000
Rate of Depreciation 10%	

9. State any two objectives of conducting income tax survey.

10. Write short note on CBDT.

SECTION B — (5 × 5 = 25 marks)

Answer ALL questions.

11. (a) Explain any five Canons of Taxation. Or
(b) How would you determine the residential status of an Individual?
12. (a) Compute taxable part of annual salary from information given below:

Particulars	Rs
Net Salary received	72,000
Income tax deducted at source	4,000
Professional tax deducted at source	1,200
Group insurance: Premium deducted by the employer	1,200
Rent of house deducted out of salary	3,600

Or

- (b) Examine the Tax treatment of the following allowances received by Mr.Kavi Employed in a Private Company.

Sl.No.	Particulars	Rs
1	City Compensatory allowance	5,000 p.m
2	Tiffin allowance	300 p.m
3	Servant allowance	1,200 p.m
4	Entertainment allowance	9,000 p.m
5	Uniform allowance	600 (Fully Spent)
6		
	Tribal area allowance	300 p.m
7	Marriage allowance	300 p.m
8	Overtime allowance	150 p.m
9	Helper allowance	80 p.m (50% is spent)
10	Project allowance	100 p.m

13. (a) Find the Gross annual value in the following situations for the assessment year.

Particulars	(Rs. In Thousands)					
	Names of House Owners					
	A	B	C	D	E	F
Municipal Value	21	22	35	41	50	44
Fair Rental Value	22	20	39	43	45	55
Standard Rent	NA	23	49	40	NA	47
Actual/Annual Rent	17	28	47	42	60	41

Or

- (b) Enumerate the incomes from House Property which are wholly exempt from tax.
14. (a) The Net profit of Mr. Sunil of Madurai as per his Profit and Loss Account are for the year ended 31.3.2020 after charging the following item was Rs.3,40,000:

Particulars	Rs.
(i) Interest on capital	20,000
(ii) Salary to staff	1,16,000 ⁰
(iii) Office expenses	3,000
(iv) Bad debts written-off	13,000
(v) Provisions for income-tax	16,000
(vi) Donation	10,000
(vii) Depreciation	17,000

Depreciations allowable as per the Act is only Rs.12,000.

Compute income from business.

Or

(b) Mr. Krishna has the following machines in his production department. Compute depreciation:

(i) Machines as on 1.4.2016:	Rs.
(1) Machine A	50,000
(2) Machine B	50,000
(3) Machine C	10,000
(4) Machine D	25,000
(ii) Machine X purchased on 1.5.2017	25,000
(iii) Machine Y purchased on 1.12.2017	50,000
(iv) Machine sold:	
(1) Machine A and B on 1.6.2017	50,000
(2) Machine C and D on 1.11.2017	59,750

(v) Special training expenses for Machine Y 5,000

15. (a) List out the powers of commissioner (Appeals).

Or

- (b) What are the Objectives of conducting Income Tax survey?

SECTION C — (3 × 10 = 30 marks)

Answer any THREE questions.

16. Suriya earns the following income during the previous year 2020-21.

Particulars	Rs.
(a) Interest from an Indian Company received in Germany	1,00,000
(b) Pension from former employer in India received in UK	2,00,000
(c) Profits made from a business in Hong kong which is Controlled from India (half of the profit being received in India)	20,000
(d) Income from companies in USA and received in India	1,00,000
(e) Income from Agriculture in USA and received in India	10,000
(f) Income from employment in Japan received there	20,000
(g) Past untaxed profits brought to India	50,000
Compute Gross Total Income Suriya for the Assessment year 2021-22, if he is:	
(i) Resident and Ordinarily Resident in India	
(ii) Resident but not Ordinarily Resident in India	
(iii) Non Resident in India.	

17. Kumar a lawyer by profession keeps his cash book as per cash system of accounting. The following is the summary of his cash book for the year ended 31st March 2020.

Receipts	Rs.	Payments	Rs.
To Balance	5,000	By Rent of Chamber	2,400
To Fees	35,000	By Car expenses	3,600
To Remuneration as Examiner	3,000	By Household expenses	12,000
To Interest on bank		By Local taxes for the House	1,200

Deposits	2,500	By Repairs of the house	4,000
To Rent from house property	8,000	By LIC premium for self	4,800
To Dividends	1,600	By Cost of books for Profession	4,000
		By Medical treatment of Self	5,000
		By Balance	18,100
	55,100		55,100

Additional information:

- 1/3 of the house is used by Kumar for his own residence.
- Kumar is insured for Rs.40,000
- Kumar has to get medical treatment for an eye ailment caused by intensive study of law books.
- ½ of the car expenses related to personal use of the car by Kumar. Depreciation computed at the prescribed rate on the written down value of the car is Rs.2,000.

Compute his income from profession.

18. Sri Raj furnished the following particulars of his income for the Previous Year 2020-21:

Particulars	Rs.
(a) Salary	15,000 p.m
(b) Dearness allowance	1,250 p.m
(c) Entertainment allowance	1,000 p.m
(d) Employer's and employee's contribution to a recognized provident fund each.	24,000
(e) Interest from provident fund @ 9.5% p.a.	19,000
(f) City Compensatory allowance	200 p.m
(g) Medical allowance	10,000
(h) He has been provided with the facility of An unfurnished house by the employer in A town (population less than 10 lakh) for Which the employer charges Rs.500 p.m.	

The fair rent of the house is Rs.30,000 per

The house is owned by the employer.

- (i) The employer has employed for him a sweeper @ Rs.200 p.m., and a servant @ Rs.750 p.m. Compute the taxable income under the head Salary for the Assessment Year 2021-22.

19. Mr. Joseph owns a house which is let out for residential purposes. The construction of the house was completed in June 2015. The Annual letting value of the house is Rs.96,000. Municipal Taxes paid Rs.20,000. He spent Rs.24,000 on White washing. On 1.4.2013 he had borrowed Rs.30,000 on pro-note at 12% interest and spent it on the construction of the house. Nothing has been repaid out of this loan so far. Mr. Joseph earns salary of Rs.20,000 per month. He has a scooter for going to office and spends for petrol, etc., on an average Rs.1,000 per month. Compute his Income from House property and his Total income for the A.Y 2021-22.
20. Describe the powers and functions of the Central Board of Direct Taxes.
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INCOME TAX LAW AND PRACTICE I (BCM54)

PART A (10x2 = 20 Marks)

Answer all the questions

1. Who is non-Resident?
2. Who is assessee
3. What are perquisites?
4. Define the term salary.
5. What is vacancy period?
6. What is FRV?
7. Explain the expense disallowed in computation of business income.
8. Write the meaning of profession.
9. Who is an assessing officer?
10. Define CBDT.

PART B (5x5 = 25 Marks)

Answer all the questions

11. (a) Define: Assessment Year and Previous Year.
(or)
(b) Mr Abbas left India for the first time on 15th Dec 2019 and returned back to India on 2nd Feb 2020. Identify his residential status AY 2021-22
12. (a) Mr. X, a resident of Madurai, receives Rs.1,60,000 p.a as basic salary. In addition, he gets Rs.30,000 p.a as dearness allowance (60% forming part of basic salary), 10% commission on sales made by him (sales made by X during the relevant previous year is Rs.1,00,000) and Rs.25,000 p.a as house rent allowance. He however pays Rs.21,000 p.a as house rent. Determine the quantum of HRA exempt from tax.
(or),
(b) Compute the income under the head salaries.
Basic salary Rs.4000 pm; HRA Rs.1500 pm;
Commission Rs.8000 pa; Bonus Rs.6000 pa ; Income tax deducted at source Rs.200 pm; PF deducted Rs.350 pm; Professional tax deducted Rs.40 pm.
He pays a house rent of Rs.1200 pm at Coimbatore.
13. (a) Mr.G owns a house property. It is used for his own residence in the previous year. Its municipal value is Rs. 160000; FRV Rs.176000; standard rent Rs.150000. Calculate the gross annual value of this house property for AY 2021-22.
(or)
(b) Mr.R owns a house which consists of two independent units. One is let out and the other is self-occupied. The let out portion is also self-occupied for two months. The particulars are:
FRV – Rs.24000; Municipal value – 12500; Actual rent for let out portion (Rs.1000 pm) 10,000; local tax -2500; Interest on loan borrowed for construction- 2500. Determine the income from house property
14. (a) **Calculate income from business.** Net profit as per profit and loss a/c (after charging the following) Rs.40000.
(i) Sales tax Rs.2000 and income tax 3000
(ii) bad debts provision 1000; (iii) commission to procure business order 4000; (iv) interest on capital 1500; depreciation 2000 (but as per IT rules) Rs.1800.

(or)

(b) Compute income from Business

Net profit 75,000

Interest on capital 3,000

Provision for income tax 1,500

Provision for doubtful debts 2,500

Drawings 6,000

15. (a) What are the powers of Deputy Commissioner of Income Tax?

(or)

(b) State the powers of income tax officers as to search and seizures.

PART C (3x10 = 30 Marks)

Answer any Three questions

16. Explain various types of emptied income U/S10

17. Compute income from salary of Mr X a government employee working in Chennai

Basic salary 12,000 p.m

Dearness allowances 7,000 p.m

City compensatory allowance 1,000 p.m

House rent allowance Rs.7,000p.m (rent paid Rs.3,000 p.m)

Entertainment allowances Rs.7,000

Project allowances Rs.6000.

Washing allowances Rs.5000.

Education allowances 500 p.m one child.

18. Calculation income from house property from the following

Particulars	House I	House II
Municipal value	40,000	50,000
Fair rental value	70,000	60,000
Standard rent	N.A	52,500
Nature of occupation	Let out	Self-occupied
Municipal tax	2,000	3,000
Repairs	1,000	1,500
Collection charges	1,500	2,500
Land revenue due	2,500	3,000
Interest on capital borrowed	32,000	3,10,000

19.The profit and loss account of Mr.Anand for the year ended 31.3.2019

	Amount		Amount
To salaries	6,000	By gross profit	20,000
To rent	4,000	By rent received	6,000
To general expenses	2,000	By STCG	2,000
To depreciation	1,000	By interest received	2000
To charity	1,500		
To donation	200		
To provision for bad debts	1000		
To advertisement	1800		
To Net profit	12,000		
	30,000		30,000

20. Describe the powers and duties of CBDT.