

CLASS: B.Com.

15A/93

St. JOSEPH'S COLLEGE (AUTONOMOUS) TIRUCHIRAPPALLI – 620 002

SEMESTER EXAMINATIONS – APRIL 2015

TIME: 3 Hrs.

MAXIMUM MARKS: 100

SEM	SET	PAPER CODE	TITLE OF THE PAPER
VI	2012	11UCO630215	INCOME TAX LAW AND PRACTICE

SECTION – A

Answer all the questions:

20 x 1 = 20

Choose the correct answer:

- Which of the following is a capital receipt?
a) Commission received b) Salary received
c) Profit from business d) Sale proceeds of building
- An Indian company's residential status is that it is always
a) Resident b) Non-resident
c) Ordinarily resident d) None of these
- Casual income is
a) Fully taxable b) Partly taxable
c) Fully exempted d) None of these
- House rent allowance is:
a) Fully exempted b) Partly taxable
c) Fully taxable d) Actual rent paid alone is taxable
- Maximum deduction of entertainment allowance in case of Govt. employee U/S 16 (ii) is
a) ` 7,500 b) ` 5,000
c) 15% of employee's salary d) 25% of employees salary

Fill in the blanks:

- The year in which the income is earned is _____.
- Statutory limit for deduction of leave salary is _____.

8. Commuted pension is fully exempt for _____ employee.
9. Preconstruction interest is deductible in _____ installments.
10. Incomes on which income tax is not charged are called _____.

State True or False:

11. Rate of TDS for listed securities is 10%.
12. Long term capital gain on sale of listed shares are exempted from tax.
13. Exemption U/s 54 is allowed for investment in another residential house.
14. Technical know-how acquired after 1-4-98 is eligible for depreciation at 25% P.A.
15. Professional expenses are allowed on payment basis.

Match the following:

- | | |
|--|-----------|
| 16. Income Tax Act | - a) 9.5% |
| 17. Interest on RPF balance is exempted upto | - b) 1961 |
| 18. Income Tax rules framed by CBT | - c) 10% |
| 19. Rate of depreciation on furniture | - d) 20% |
| 20. Tax on long term capital gain | - e) 1962 |

SECTION – B

Answer any FOUR questions:

4 x 20 = 80

21. X (age: 26 years) is an employee of a co-operative society at Varanasi. During the previous year 2013-14, he gets ` 45,000 per month as basic salary, ` 10,000 per month as bonus and ` 1,500 per month as dearness allowance [32% of it forms part of salary for computation of retirement benefits] and ` 3,000 per month as medical allowance [medical expenses is, however, more than ` 3,000 per month]. He is a member of recognized provident

fund to which the employer contributes ` 89,000 [‘X’ also makes a matching contribution]. ‘X’ gets an interest-free loan [repayable within 8 yrs.] of ` 2,00,000 from the employer for purchasing a house [SBI lending rate; 10.75 percent]. Besides, he gets ` 95,000 as interest on company deposits from a private sector undertaking. Determine the taxable income and tax liability of X for the assessment year 2014-15.

22. Mrs. X [age : 22 years] has occupied two houses for her residential purposes, particulars of which are as follows.

	House I	House II
Municipal valuation	36,000	92,000
Fair rent	29,000	97,000
Standard rent under the rent control act	24,000	86,000
Municipal tax paid	4,000	10,000
Interest on borrowed capital	1,000	4,000
Repairs	NIL	600

Business income of Mrs. X is ` 5,00,000. Besides she is employed by a private limited company on monthly salary of ` 24,000. Every year she contributes ` 60,000 towards public provident fund. Determine the taxable income and the tax liability of Mrs. X for assessment year 2014-15.

23. ‘X’ maintaining books of account on the basis of financial year, holds the following securities on April 1, 2013.

` 4,30,000 7% MP Government loan [date of payment of interest: July 15 every year]

` 3,80,000 11% debentures (non-listed) of ABC Ltd. [date of payment of interest : June 30 every year]

Apart from the aforesaid securities, X invests in UP Government loan, Central Government securities and (listed) debentures of PQR Ltd. and receives on December 1, 2013, ` 36,000, ` 90,000 and ` 1,08,000 [net of tax deducted – rate of tax 10%], respectively, as interest. His business income is ` 24,32,000. He

pays ` 6,000 as commission to his bank for collecting interest on securities. Determine the taxable income of X for the assessment year 2014-15.

24. For the previous year 2013-14, X reports the following income:

- | | |
|---|----------|
| 1. Fees for technical services received from a non-resident company for a project situated outside India [income is received outside India and later on it is gifted to Mrs. X] | 97,000 |
| 2. Income from a profession set up in India, service is rendered from India but amount is received in USA [Later on remitted to India] | 1,24,000 |
| 3. Rental income from house property situated in Kenya [amount is received in USA which is entirely used for the education of his daughter in USA] | 80,000 |
| 4. Agricultural income from Bhutan [received in Nepal and agricultural operations are controlled from India] | 2,00,000 |
| 5. Agricultural income from Kerala | 70,000 |
| 6. Rental income of property situated in Kenya pertaining to the previous year 2012-13 is remitted to India in the current year | 75,000 |
| 7. Technical fees paid by Government of India for a foreign project [amount is received outside India] | 90,000 |
- Find out the income of X chargeable to tax for the assessment year 2014-15 if 'X' is (i) resident and ordinarily resident (ii) resident but not ordinarily resident and (iii) non-resident in India.

25. Mrs. X [age: 55 years], a resident individual, furnishes the following particulars for the assessment year 2014-15.

	`		`
Office expenses	82,000	Gross profit	26,66,600
Audit fees	11,000	Sundry receipts	20,000

Legal expenses	500		
Cost of extension to building	40,000	Customers duties recovered from the Govt. [earlier not allowed as deduction]	12,000
Depreciation on machinery and extension of building	31,000		
Salary to staff	2,81,000	Bad debts recovered [earlier allowed as deduction]	1,000
Bonus to staff	45,000		
Contribution to an approved gratuity fund	30,000	Gift from a friend	60,000
Outstanding liability in respect of interest payable to IDBI	38,000		
General expenses	71,000		
Net profit	21,30,100		
	<u>27,59,600</u>		<u>27,59,600</u>

- Bonus is outstanding on March 31, 2014, ` 40,000 is, however, paid on September 30, 2014.
- Depreciation on machinery and extension of building shown in the P/L a/c is calculated according to the income tax provisions.
- General expenses include payment of ` 10,000 to an approved institute for the purpose of carrying on a scientific research in natural science. The research is, however, not related to the business of the assessee.
- During the previous year 2013-14. Mrs. 'X' also makes a capital expenditure of ` 11,000 for the purpose carrying on a scientific research related to her business. this expenditure is, however, not reduced in the P/L a/c.
- Outstanding interest payable to IDBI is paid as follows: ` 600 on April 10, 2014, ` 4,000 on May 10, 2014, ` 6,000 on June 30, 2014 and ` 1,500 on September 10, 2014. The remaining amount is still outstanding.

6. Salary to staff includes ` 40,000 being compensation paid for termination to an employee. Determine the net income and tax liability of Mrs. X for the assessment year 2014-15, assuming that she annually deposits ` 25,000 in the public provident fund.
