

M.Com. (CBCS) DEGREE EXAMINATION, APRIL 2021
THIRD SEMESTER
COMMERCE - CORE
TAXATION AND TAX PLANNING
(for those who joined in July 2017 onwards)

Time : Three hours

Maximum: 75 marks

Part - A (10 X 1 = 10 marks)

Answer all question, choose the correct answer:

1. The Income Tax Act came into force from.....

(a) 1st March 1971

(b) 1st April 1971

(c) 1st March 1961

(d) 1st April 1961

2. Income received in India whether occurred in India or outside India, the tax incidence in case of non-resident is

(a) Taxable as ~~per slabs~~(b) Exempted ~~from slab~~

(c) Partly exempted

(d) None of the above

3. The children education allowance, the amount exempted from taxable income is limited to

(a) ₹ 100 per month per child upto 3 children

(b) ₹ 1,000 per year per child upto 2 children

(c) ₹ 100 per year per child upto 2 children

(d) None of the above

4. The house rent allowance (HRA) under the salary head of Income Tax Act is given by

(a) Section 10

(b) Sec 10(13A)

(c) Section 11(13B)

(d) Section 11

5. The Income from House Property is taxable in the hands of the individual even if property is not registered in his name

(a) When the property has been transferred to spouse for inadequate consideration

(b) Where the property is transferred to a minor child for inadequate consideration

(c) Where the individual holds on importable estate

(d) All of the above

6. The Gross annual value of the property is depends upon the

(a) Standard rent

(b) Municipal Valuation

(c) Fair rent

(d) All of the above

7. Income chargeable under the head 'Profits and Gains from Business or Profession' is covered under

(a) Section 23

(b) Section 28

(c) Section 25

(d) Section 24

8. The income charged under the head Business/Profession are

(a) The profit and gain of any business or profession which was carried on by the assessee at any time during the previous year

(b) Export incentives available to the exporters under any scheme of Government

(c) Any compensation or other payment due to or received by any person specified by the Section 28(ii)

(d) All of the above

9. The capital gain is chargeable under of Income Tax Act.

(a) Section 45

(b) Section 55

(c) Section 56

(d) Section 40

10. Long-term Capital Loss can only be set off against

(a) Long-term capital loss

(b) Short-term capital loss

(c) Long-term capital gain

(d) All of the above

PART-B (5X5=25 Marks)

Answer all Questions, Choosing either (a) or (b) ~~Each answer should not exceed 250 words.~~

11. (a) Briefly explain History of Income Tax in India

(OR)

(b) Mr. Jagadish, Scientist from USA was appointed as senior scientists in India for the first time on 1-11-2013. On 31st January 2016 he went to Pakistan on deputation but left his family (Wife and Children) in India. On 1st May 2017 he came to India and took his family on 31st October 2017. He returned to India and joined his original post on 5th Feb, 2019.

Determine the residential status of Mr. Jagadish for the assessment years 2016-17 to 2019-20.

12. (a) Mr. Viji gets a salary of Rs. 33,000 p.m. and he has been provided with rent-free furnished accommodation at Karnal [Population 7.5 lakhs]. The fair rental value of the unfurnished house is Rs. 60,000 p.a. He gets D.A @ 40% of salary which is given as per terms of employment. He gets education allowance of Rs. 500 p.m. for education of his son. The cost of furnishing of the house is Rs. 2,30,000. The employee has been provided with hired air conditioner for five months and hire charges of Rs. 1000 p.m. are paid by the employer.

(OR)

(b) From the particulars given below, find out whether the employee, who is ~~neither a director nor a shareholder~~, is specified or not if:

(a) ~~He is Haryana Govt. Employee; or~~

(b) ~~He is private sector employee~~

*The taxable salary
Income of Mr X.
for the P.Y 2019-20*

Particulars	Amount
Salary	60,000
D.A (Enters) <i>(for reliving benefit)</i> ✓	6,000
Commission	10,000
H.R.A.	30,000
Rent Paid at Chandigarh	36,000
Entertainment Allowance @ Rs.1000 p.m.	12,000

13. (a) Calculate ARV from the particulars given below:

MRV Rs.60, 000

FRV Rs.66, 000

a. If Actual Rent is Rs. 72,000 p.a. and Standard Rent is Rs. 69,000 p.a.

b.If Actual Rent is Rs.63, 000 p.a. and Standard Rent is Rs.69, 000 p.a.

(OR)

(b)Compute ARV from particulars given below:

Particulars	Amount
MRV	60,000 p.a.
FRV	66,000 p.a.
Standard Rent	63,000 p.a.
Real Rent	6,000 p.m.
Date of Completion	31- 5 2018
Date of Letting	1-8-2018

14. (a) Subhiksan is a registered medical practitioner. He has prepared the following Income and Expenditure Account for the year ending 31st March, 2019. You are required to prepare a statement showing his income from profession.

INCOME AND EXPENDITURE ACCOUNT

Particulars	Amount	Particulars	Amount
Household Expenses	20,000	Consultation fees	10,000
Car purchased	30,000	Visiting fees	20,000
Travelling Expenses(personal)	4,000	Gains on Race (Gross)	10,000
Charity and Donations	1,000	Shares in sale proceeds of an ancestral house	34,000
Income Tax	2,000	Profit on sale of securities	6,000
Salaries	8,000	Dividend on shares (Gross)	5,000
Gift to Daughter	7,000	Interest on P.O Savings Bank	600
Establishment Exp.	1,000	Gifts from Father-in-Law	2,000
Surgical Equipment	4,000	Bad debts recovered (Not allowed in earlier year)	2,000
Books	2,000	Interest on fixed deposit	1,300
Life Insurance premium	2,000		
Wealth Tax	1,000		
Interest on Capital	1,000		
Surplus	7,900		
Total	90,900	Total	90,900

Rate of Depreciation allowable on car is 15% and surgical equipment's is at 15%. In case of books for profession the rate of depreciation is 40%.

(OR)

(b) Following is the Profit and Loss Account of K.V. Nitish for the previous year 2018-19

PROFIT AND LOSS ACCOUNT

Particulars	Amount	Particulars	Amount
To Salaries	25,650	By Gross Profit	80,000
To Rent	1,000	By Bank Interest	450
To Commission on sales	100	By Bad Debts recovered (last year allowed)	2,000
To Income- Tax	2,600	By Rent from House Property	4,800
To Entertainment expenses	600	By Interest on Commercial Securities	2,000
To Commission paid to collect interest on securities	25		
To Embezzlement by cashier	1,000		
To Municipal tax of H.P	600		
To Bad debts (allowed)	450		
To Repairs to house	1,625		
To Office Expenses	9,180		
To Depreciation	5,000		
To L.I.C premium	1,320		
To Net profit	40,100		
Total	89,250	Total	89,250

Depreciation on the assets is Rs.4, 500. Compute the taxable business income for the assessment year 2019-20

15. (a) Mr. Kavin purchases 5,000 units of a debt- oriented mutual fund of Rs.10 each on 1-4-2018. He is allotted 2,000 bonus units on record date of 1-6-2018. He received Rs.2 per unit as dividend on original units. The original units were sold by him on 1-12-2018 at Rs. 9 per unit. On 12-3-2019 he sold a plot of land for Rs. 2, 34,000 and it was acquired by him on 1-11-2017 for Rs.1, 23,000. Compute his total income and cost of bonus units.

(OR)

(b) From the following particulars, compute Tax Liability of Mr. S.S. Riswanth (Age 40 years):

Long-term capital gain covered U/S 112A	3, 00,000
Other Income	2, 50,000
Total income	5, 50,000

PART - C (5X8=40 Marks)

Answer all Questions, Choosing either (a) or (b) ~~Each answer should not exceed 600 words.~~

16. (a) How would you determine the Residential Status of a Person.

(OR)

(b) Mr. Anand das furnishes the following particulars of his income earned during the previous year relevant to the assessment year 2019-20:

S.No	Particulars	Amount
1.	Interest on German Development Bonds (one -third is received in India)	51,000
2.	Interest from agriculture in Bangladesh, remitted to India	31,000
3.	Income from Property in Canada received in U.S.A.	1,10,000
4.	Income earned from business in Kuwait, business being controlled from Mumbai (Rs. 25,000 is received in India)	65,000
5.	Dividend from an Indian Company	15,000
6.	Royalty received in Singapore from Mr. Gulfam, a resident in India for technical services provided for a business carried on in Singapore.	25,000
7.	Profit from a business in Chennai ; this business is controlled from Singapore	1,25,000
8.	Profit on sale of a building in India, but received in Nepal	2,50,000
9.	Income from agriculture in Punjab, received in Mumbai	30,000
10.	Profit from business in Indonesia; this business is controlled from Delhi (60% of the profit deposited in a bank there and 40% is remitted to India.	40,000
11.	Interest received from Mr. Shyam, a non- resident, on the loan provided to him for a business in India.	28,000

Compute his Gross total Income, if he is:

(i) Resident

(ii) Not Ordinarily Resident

17. (a) Mr. Rana was appointed as sales manager of a company at Bhubaneswar [Population 12 lakhs] on 1-1-2015 in the scale of Rs.30,000-1000-40,000 at Rs. 30,000 p.m. His salary is due on the last date of the month. His other emoluments are:

Particulars	Amount
Dearness Allowance	40% of salary
Conveyance Allowance (upto 30-9-2018 and his actual expenses on conveyance for employment purposes were Rs.600 p.m.)	1,000 p.m.
House Rent Allowance 31-7-2018 (Rent paid was Rs.8,000 p.m.)	6,500 p.m.
Fixed Medical Allowance	400 p.m.

Rent free house provided by employer from 1-8-2018. FRV of the house is Rs. 45,000 p.a. and cost of furnishing amounts to Rs. 60,000 Employer also paid Rs.600 p.m. as electricity bill from 1-8-2018 to 31-3-2019.

He was given use of 1.4 Lt. Capacity Car with driver both for personal and employment purposes from 1-10-2018 onwards.

He and his employer both contributed 14.5% of salary each towards RPF.

Interest credited on RPF balance @12% amounts to Rs. 6,000

Club bill paid by employer during the year were Rs. 4,800

Compute his Salary Income.

(OR)

(b) From the particulars given below, Compute Salary Income of Mr. Imran.

Particulars	Amount
Salary @Rs.40,000 p.m.	4,80,000
Bonus equal to one month's salary	40,000
Entertainment allowance @ Rs. 5,000 p.m.	60,000
Free gas and water supply	5,000

He is provided with a rent free accommodation in Delhi owned by the employer, the F.R.V. of Which is Rs.10, 000 p.m. (Population of Delhi is above 25 lakhs).

He is provided with the facility of a 18 cubic capacity car Which he uses both for private and official purposes.

He has engaged a domestic servant @Rs.1000p.m and his salary is being paid by his employer. He is provided the facility of a free lunch in the office during lunch break valued at Rs.100 per day for 250 days in the previous year.

The employer is maintaining a holiday home at Shimla and employee stayed there for 10 days free of cost. Its cost to the employer shall be Rs. 10,000

During the year employee and his wife travelled by Air to Bombay to attend a family function and air tickets worth Rs.24, 000 were purchased by him through credit card provided to him by the employer.

Employer and employee both are contributing @14% in employee's recognized provident fund.

18. (a) Mr. P is owner of a house property in Rourkela . It has been let out for Rs. 90,000. The tax payable by the owner comes to Rs. 8,400on municipal valuation on Rs. 84,000 but the landlord has taken an agreement from the tenant stating that the tenant would pay tax direct to the Municipality. The landlord, however, bears the following expenses on tenant's amenities:

Particulars	Amount
Water charges (as per agreement)	1,000
Lift maintenance	1,000
Salary of Gardener	1,200
Lighting of stairs	800
The landlord claims the following deductions: Repairs	30,000
Land Revenue	1,000
Collection Charges	2,000.

Legal charges incurred on purchase of land on which house property is situated Rs. 24,000.

Compute the Taxable income from House Property.

(OR)

(b) Following are the particulars of two house properties owned by Mr. Narain.

Particulars	House-I	House-II
Municipal Valuation	96,000	90,000
Fair Rent	88,000	96,000
Standard Rent	90,000	1,08,000
Actual Rent received	9,000 p.m.	10,000 p.m.
Self-occupied	1-4-18 -30-3-19	1-12-18-31-3-19
Let-out	1-12-18 -31-3-19	1-4-18-30-11-18
Municipal Taxes- Due	6,000	8,000
Paid	3,000	NIL
Interest on borrowed Money	10,000	42,000

Loan taken to construct House-II is still outstanding. Loan was taken in 1998.

Find out Mr. Swamis income from house property.

19. (a) From the following Profit and loss Account of a manufacturer, Calculate the income under the head Profits and Gains of Business or Profession for the year ending on 31st March.

Particulars	Amount	Particulars	Amount
Salaries to employees	1,95,000	Gross profit	5,80,000
Advertisement expenses(in cash)	24,000	Interest on securities	14,000
General expenses	16,000	Income from house property	25,000
Entertainment expenses	22,000	Bad debts recovered (allowed earlier)	12,000
Bad debts	1,500		
Drawings by the proprietor	24,000		
GST (due and paid on 1-7-2018)	6,000		
Interest on proprietors capital	7,000		
Repairs	2,500		
Rent	21,000		
Legal expenses	5,000		
Depreciation	15,000		
Bonus(due)	6,000		
Bonus to the proprietors	4,000		
Car purchased	72,000		
Expenses on car during the year	12,000		
Donations	2,000		
Provisions for bad debts	6,000		
Net profit	1,90,000		
	6,31,000		6,31,000

From the examination of books of accounts, the following other information's are available:

1. Advertisements expenses were spent on insertions in newspapers.
2. Rs. 3,000 were sent on purchase of land are included in legal expenses
3. Half of the repair expenses were on let-out building.
4. Depreciation allowable on all assets including car is Rs. 14,400.
5. Bonus was paid to employees on 30-6-2019 and date of filing of return is 31-7-2019.

(OR)

(b) From the following particulars, Compute the Business Income of Mr. S. Rangnathan.

Particulars	Amount	Particulars	Amount
To Salaries	90,000	By Gross Profit	3,50,000
To Rent and Taxes	20,000	By Dividend	4,000
To Service Charges	4,000	By Bad debts recovered (allowed earlier)	4,400
To Legal expenses	5,000	By Interest from post	
To Reserve for Income-tax	6,000	By Office Savings Bank	1,200
To Depreciation	12,000		
To Expenses on acquisition of patent rights	56,000		
To Office expenses	42,000		
To Contribution to R.P.F.	12,000		
To Bad debts	4,500		
To Donation to N.D.F.	2,500		
To Net Profit	1,05,600		
Total	3,59,600	Total	3,59,600

20. (a) During the year ended 31st March, 2019 Mr. David sold the following assets:

Particulars	Sale proceeds
(i) Shop purchased in 2005-06 (C.I.I.:117) Rs.48,000	1,80,000
(ii) Machinery purchased in 2003-04 (C.I.I. :109) for Rs.50,000 (W.D.V on 1-4-2018 Rs.35,000)	60,000
(iii) Furniture purchased on 1-5-2018 for Rs.1,000	1,300
(iv) Machinery purchased on 1-5-2018 for Rs. 10,000	12,000
(v) Agricultural land in Agra purchased in 1998-99 for Rs.40,000 [F.M.V. on 1-4-2001 (C.I.I. :100) being Rs.75,000]	2,80,000
(vi) One residential house purchased in 2007-08 (C.I.I. :129) Costing Rs.80,000	2,90,000

During the year he bought a new house for his residence for Rs.6, 00,000.

Work out the amount of Capital Gains to be included in the Gross Total Income and also compute his total income, If his other business income during the year was Rs.1, 00,000. Cost Inflation Index for 2018-19 is 280.

(OR)

(b) Mr.X owns a residential house at Bangalore. From the following information's, compute the amount of Capital Gain.

Particulars	Amount
Cost of construction (during 2004-05)	6,00,000
Cost of Addition and improvements (during 2007-08)	2,40,000
Sale consideration (sale made on 10.10.2018)	29,00,000
Expenses on transfer	20,000
Cost of new house purchase in Hyderabad (on 15.1.2019) (House is half finished)	5,00,000
Amount deposited in Capital Gain Deposit Scheme in SBI on 25-7-2019	3,00,000

An amount of Rs. 2, 00,000 withdrawn from capital gain deposit scheme on 12 th May 2021 and utilized for the completion of the house. Cost inflation index for 2004-05 is 113, for 2007-08 is 129 and for 2018-19 is 280.