

(i) Printed Pages : 7

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(ii) Questions : 14

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Exam. Code :

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Bachelor of Commerce 5th Semester
(1129)

INCOME TAX LAWS

Paper-BCM-501

Time Allowed : Three Hours]

[Maximum Marks : 80

Note :— (1) Attempt any **four** questions from Unit-A.

(2) Attempt any **two** questions each from Unit-B and Unit-C.

UNIT—A

1. Explain exemption under Section 54.
2. Explain treatment gratuity.
3. Mr. A has two sons. He is in receipt of children education allowance of Rs. 150 p.m. for his elder son and Rs. 70 p.m. for his younger son. Both his sons are going to school. He also receives transport allowance Rs. 1,800 p.m. and tribal area allowance of Rs. 500 p.m. Calculate his total taxable allowances.
4. Prem owns a house in Madras. During the previous year 2018-19, 2/3rd portion of the house was self-occupied and 1/3rd portion was let out for residential purposes at a rent of Rs. 8,000 p.m. Municipal value of the property is Rs. 3,00,000 p.a., fair rent is Rs. 2,70,000 p.a. and standard rent is Rs. 3,30,000 p.a. He paid Municipal taxes @ 10% of Municipal value during the year. A loan of Rs. 25,00,000 was taken by him during the year 2014 for acquiring the property. Interest on loan paid during the previous year 2018-19 was Rs. 1,20,000. Compute Prem's income from house property for the A.Y. 2019-20.

5. X purchases a house property for Rs. 26,000 on May 10, 1992. He gets the first floor of the house constructed in 1997-98 by spending Rs. 40,000. He dies on September 12, 1998. The property is transferred to Mrs. X by his will. Mrs. X spends Rs. 30,000 and Rs. 26,700 during 1999-00 and 2005-06 respectively for reconstruction of the house property. Mrs. X sells the house property on November 1, 2018 (brokerage paid by Mrs. X is Rs. 11,500). The fair market value of the house on April 1, 2001 is Rs. 1,60,000. Mrs. X purchases a new house property on March 10, 2019 for Rs. 10,00,000. Calculate the taxable Capital Gain.
6. Mr. X received the following gifts during the previous year 2018-19. Compare his taxable income under the head "Income from other sources" :
- (a) Received Rs. 1,00,000 as gift from Y (friend) on 1-6-2018.
 - (b) Received a microwave costing Rs. 14,500 as gift from his another friend Z.
 - (c) Received Rs. 50,000 as gift from another friend Amrit on 1-11-2018.
 - (d) Received Rs. 30,000 as gift from his sister on 1-1-2019.
 - (e) Received Rs. 40,000 as gift from his friend Mr. D on 1-12-2019.
 - (f) On April 13, 2018 he received a plot worth Rs. 10 lakh from his Nani's sister under will.
 - (g) On June 21, 2018 he purchased a house from father in law of his brother for Rs. 5 lakh. The stamp duty value of the house is Rs. 7 lakh.
- 5 marks each

UNIT—B

7. What do you mean by residential status ? Explain the provisions to determine residential status of individual.
8. Define agricultural income. How it is treated for income tax purpose ?
9. Mr. A employed as Production Manager in B Limited furnishes you the following information for the year ended 31-3-2019 :
 - (i) Basic salary up to 31-10-2018 Rs. 50,000 p.m.
 - (ii) Basic salary from 1-11-2018 Rs. 60,000 p.m.
 - (iii) Dearness allowance 40% of basic salary.
 - (iv) Bonus equal to one month salary (basic + DA enters)
 - (v) Contribution by employer to recognised Provident Fund Account of the employee 16% of basic salary.
 - (vi) Professional tax paid Rs. 2,500 out of which Rs. 2,000 was paid by employer.
 - (vii) Facility of laptop and computer was provided to A for both official and personal use. Cost of laptop Rs. 45,000 and computer Rs. 35,000 were acquired by the company on 1-12-2018.
 - (viii) Motor car owned by employer (cubic capacity of the engine exceeds 1.6 liters) provided to the employee from 1-11-2018 meant for both official and personal use. Repair and run expenses of Rs. 45,000 from 1-11-2018 to 31-3-2019 were fully met by employer. The motor car was self driven by employee.
 - (ix) He was given rent free accommodation at Bangalore at a concessional rent of Rs. 1,000. Cost of furniture Rs. 1,00,000.

- (x) Leave travel concession given to employee, his wife and three children (one daughter age 7 and twin sons age 3). Cost of air ticket (economy class) reimbursed by the employer Rs. 30,000 for adults and Rs. 45,000 for the three children. Mr. A is eligible for availing exemption this year to the extent it is permissible in law.
- (xi) He got a loan of Rs. 5,00,000 from his employer at a nominal rate of interest of 3.65% for the construction of his house on 1st December, 2018. SBI lending rate as on 1-4-2018 was 8.4%. SBI rate on 1st December, 2018 was 8.5%.

Compute the salary income chargeable to tax in the hands of Mr. A for the Assessment Year 2019-20 if salary is due on last day for every month.

10. Mr. X owns a big house (completed on March 1, 2014). The house has three independent residential units. Unit 1 (50% of the floor space) is let out for residential purpose on monthly rent of Rs. 16,000 (this unit is however used by X from January 15, 2019 to March 15, 2019 for his residential purpose). A sum of Rs. 1,000 could not be collected from the tenant. Unit 2 (25% of the floor area) is used by X for the purpose of his residence while Unit 3 (remaining 25% of the floor area) is used by him for the purpose of business. Other particulars of the house are : Municipal valuation Rs. 3,84,000, Municipal taxes paid Rs. 32,000, Repairs Rs. 40,000, Ground Rent Rs. 16,000, Land Revenue paid Rs. 9,800, Insurance Premium Rs. 16,000 and interest on Capital borrowed for payment of Municipal taxes Rs. 14,000. Compute the taxable income from house property if Mr. X pays Rs. 18,000 towards interest on home loan. 15 marks each

UNIT—C

11. Explain briefly the expenses allowed to be debited under the head “Profit and Gains from Business or Profession”.
12. What do you mean by transfer under Capital Gains ? Explain briefly the transactions which are not regarded as transfer.
13. X a resident individual furnishes the following particulars for the Assessment Year 2019-20 :

Profit and Loss Account for the year ended March 31, 2019

	Rs.		Rs.
Office Expenses	9,000	Gross Profit	8,86,575
Salary to Staff	24,000	Sundry Receipts	38,000
Depreciation	15,000		
Travelling Expenses for Business	9,000		
Embezzlement by Cashier	6,000		
Transfer to Reserve	1,875		
Expenditure on Festival	2,000		
Interest and Legal Expenses	22,600		
Sundry Expenses	5,000		
Telephone for Employees	25,000		
Net Profit	8,05,100		
	9,24,575		9,24,575

Other information :

- (a) Salary to Staff includes payment of Rs. 6,000 out of India on which tax has not been deducted at source.
- (b) Depreciation value of Plant and Machinery on April 1, 2018 is Rs. 70,000 (Depreciation rate 15%).
- An Air Conditioner (cost price Rs. 7,500) whose written down value on April 1, 2018 is Rs. 2,450 is disposed off for Rs. 7,000.
 - A Typewriter whose written down value on April 1, 2018 is Rs. 570 is sold for Rs. 200.
 - X purchases a Telephone set for Rs. 10,000 on November 1, 2018 which is eligible for depreciation at the rate of Rs. 15%.
- (c) Travelling Expenses include Rs. 7,600 being hotel expenses of an employee in respect of official trip to Madras for 5 days.
- (d) Amount debited as expenditure on festival is cost of gift presented to a relative.
- (e) Sundry Expenses include cash payment of Rs. 12,000 to an Advocate (who is not an employee of X) for giving income tax advice.

Determine the taxable income from business and profession of Mr. X for the Assessment Year 2019-20.

14. Mr. X owns two residential houses one at Ludhiana and other at Chandigarh. He submits the following information about sale of assets during the previous year 2018-19 [CII 280].

Assets	Residential House	Plot	Jewellery
Date of acquisition	1-3-79	1-11-2002	3-4-2004
Cost of acquisition	1,10,000	3,50,000	80,000
FMV on 1-4-2001	6,80,000	—	—
C.I.I.	100	105	113
Date of Sale	15-6-2018	16-6-2018	17-6-2018
Sale Price	25,00,000	11,60,000	2,80,000

He invested Rs. 8,00,000 for purchase of Residential House Property on 19-12-2018 and Rs. 1,00,000 for purchase of N.H.A.I. bonds on 12-12-2018. Compute the taxable Capital Gain of Mr. X.

15 marks each