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| Reg.No : |  |  |  |  |  |  |  |  |  |  |  |

**D.K.M. COLLEGE FOR WOMEN (AUTONOMOUS), VELLORE – 1**

**SEMESTER EXAMINATIONS**

**NOVEMBER – 2016 CCO5F**

***INCOME TAX LAW AND PRACTICE***

**Time: 3 Hrs Max. Marks: 75**

**SECTION – A (10 X 2 =20)**

**Answer ALL the questions.**

1. Define Person.
2. Define previous year.
3. What is clubbing of Incomes?
4. What is a belated return?
5. Calculate taxable HRA if Mr.Thanu is working and living at Coimbatore.

|  |  |
| --- | --- |
|  | Rs. |
| Basic Salary P.a | 78,000 |
| Dearness allowance P.a (forming part of salary) | 7,800 |
| House rent allowance P.a | 11,700 |
| Rent Paid P.a | 13,200 |

1. Calculate gross annual value from the following information:

|  |  |
| --- | --- |
| Actual Rent | Rs. 24,000 P.a |
| Fair Rent | Rs.28,000 P.a |
| Standard Rent | Rs.20,000 P.a |

1. Mr.Pramod Prepared Profit and Loss Account of his shop for the year ended 31.3.2016

|  |  |  |  |
| --- | --- | --- | --- |
| Particulars | Rs | Particulars | Rs. |
| Salaries  Rent  Household expenses  Income – tax  Advertisement  Employees welfare expenses  Life Insurance Premium  Bad debts reserve  Net Profit | 13,000  1,600  2,000  9,00  8,00  9,00  2,100  8,00  12,900 | Gross Profit  Gift received from friends | 34,725  2,75 |
| 35,000 | 35,000 |

Compute his income from business.

1. What are perquisites?
2. Kamlesh purchased a rented residential house in 1968 for Rs.2,00,000 which he sold in October,2015 for Rs.39,00,000 Fair Market value of the house. as on 1st April, 1981 was Rs.3,00,000.Compute his taxable Capital gains.
3. Compute Income from other sources for the following incomes:
4. He was a director in a company from which he received Rs.13,000 as Director’s fees.
5. Dividend received from a foreign company Rs.6,000
6. Received Winnings from Lottery Rs.28,000
7. Income from agriculture in England Rs.78,000

**SECTION – B (5 X 5 =25)**

**Answer any FIVE of the following questions.**

1. Explain the incidence of residence on tax liability.
2. In What circumstances is the income of one person treated as the income of another?
3. From the following particulars, Calculate the salary income of Mr.Haridas (an employee of an individual for the A.Y.2016 – 2017)

|  |  |
| --- | --- |
|  | Rs. |
| Salary | 5,500 P.M |
| House – rent allowance | 2,400 P.M |
| Dearness allowance | 5,000 P.M |
| Entertainment allowance | 1,200 P.M |

Mr.Haridas and his employer contribute to recognized Provident fund 14 percent of salary.

One small car is allowed to him by his employer both for private and official use. Expenses of car are borne by the employer. He lives in a rented house monthly rent being Rs.3,000 Mr.Haridas is working at Meerut.

1. From the following information compute the annual value of the house.

|  |  |
| --- | --- |
|  | Rs. |
| Municipal Value | 4,00,000 |
| Fair rent | 3,60,000 |
| Standard rent | 4,50,000 |
| Actual rent | 50,000 P.M |

Building remained vacant for two months during the previous year.

Un realized rent Rs.50,000 conditions of Rule 4 are satisfied.

Municipal tax paid by the owner Rs.25,000 and by the tenant Rs.25,000

1. From the following information of a Chartered Accountant, Compute taxable income from profession for the A.Y.2016 - 17

|  |  |  |  |
| --- | --- | --- | --- |
| Receipts | Rs | Payments | Rs. |
| Consultation Fees  Gifts from Clients  Gifts from father – in – law  Appellate Tribunal Appearance  Fees for drafting Memorandum of Association | 2,50,000  20,000  30,000  12,000  10,000 | Official Rent  Stipend to Article clerks  Professional books (not annual publication) purchased  Charitable Donation  Professional Tax | 25,000  20,000  12,000  4,000  2,000 |

1. An Iron and steel mill purchased a plant in the year 2014 - 15 for Rs.8,00,000 out of which Rs.2,00,000 was received from the Government of India as grant.

The plant was destroyed by fire in November, 2015 and the Insurance Company accepted a claim of Rs.3,00,000 and the scrap was sold for Rs.10,000.

Work out the amount of depreciation or other claim for the previous year’s 2014 – 15 and 2015 – 16

1. Grant was given to meet the cost of the plant ; or
2. As an incentive to set up industry in a back ward area.
3. Mr. P owns a residential house at Agra which he acquired in May 1989 for Rs.3,00,000.he sells the house for Rs.30,00,000 on August 18,2015.He purchases a residential house at Kanpur on February 14,2016, for Rs.10,00,000.Find out the amount of capital gains Chargeable to tax for the A.y 2016 - 17

The C.I.I in 1989 – 90 and 2015 – 16 were 172 and 1081.

1. The following incomes were received by Mr. A during the financial year 2015 – 16.

|  |  |
| --- | --- |
|  | Rs. |
| Director’s fees | 6,000 |
| Income from Agricultural land (in Pakistan) | 40,000 |
| Interest from Post Office Saving bank Account | 1,500 |
| Interest on Fixed Deposit in SBI | 1,800 |
| Winning from lottery (Net) | 35,000 |
| Crossword Puzzles | 2,500 |
| Royalty on Books | 20,000 |
| (Expenses in this connection Rs.4,000)  Compute his income from other sources. | |

**SECTION – C (3 X 10 =30)**

**Answer ALL the questions.**

1. a) How is residence of assesses determined for income tax purpose?

(Or)

b) Sri Chowdhry is purchase officer in a company in Kota (Population exceeds Rs.25 lakh). He

furnished the following particulars regarding his income for the previous year 2015 – 16.

1. Net basic salary Rs.1,20,000 which is after deducting Rs.2,000 for income tax ,Rs.10,000 as contribution to recognized provided fund and rent of the bungalow Rs.3,600
2. Bonus Rs.1800.
3. Travelling allowance for official duty travelling Rs.25,000
4. Reimbursement of medical bills Rs.15,000(treatment was done in a government hospital in India)
5. He lived in a bungalow belonging to the company. The Company has provided on this bungalow the facility of a gardener and a cook each of whom is being paid a salary of Rs.250 P.M and Rs.800 P.M respectively. The Company paid in respect of this bungalow Rs.4,800 for electric bill and Rs.1,200 for water bill.
6. He has been provided with a large car for official and personal use. The maintenance and running expenses of the car (including driver) are borne by the company.
7. The following amounts were deposited in his provident fund account.
8. Own contribution Rs.10,000 b) Company’s contribution Rs.10,000 and
9. Interest @ 9.5% P.a Rs.9,075

Compute his taxable income from salary for the A.Y 2016-17.

1. a) Following is the Profit and Loss Account of a Merchant.

|  |  |  |  |
| --- | --- | --- | --- |
| Receipts | Rs | Payments | Rs. |
| To Rent  To Salary of Staff  To Diwali expenses  To Interest on loan  To Sundry expenses  To Bad Debts.  To Charity  To Reserve for Bad Debts  To Rates  To Entertainment  To Loss by theft  To Net Profit | 6,000  5,400  200  12,500  5,500  600  100  200  600  850  1,400  29,450  62,800 | By Gross Profit  By Interest from debtors  By Rent from property  By Sundry Incomes  By Commission | 52,300  2,800  2,400  1,600  3,700  62,800 |

(Or)

b) From the particulars given below, compute the total income for the previous year 2015 – 16 :

|  |  |
| --- | --- |
|  | Rs. |
| 1. Income from let – out house (Computed) | 6,000 |
| 1. Annual rental value of his self – occupied house | 4,000 |
| 1. Municipal taxes | 400 |
| 1. Profit from electric goods business after depreciation | 10,000 |
| 1. Profit from agency business | 3,000 |
| 1. Speculation gain from gold | 2,000 |
| 1. Long – term capital gains | 7,000 |
| 1. Short – term capital gains | 2,000 |

Following losses have been brought forward from 2014 – 2015 previous year.

|  |  |
| --- | --- |
|  | Rs. |
| 1. Loss from electric goods business | 6,000 |
| 1. Loss from an agency business | 1,000 |
| 1. Speculation loss from silver | 4,000 |
| 1. Unabsorbed depreciation | 1,000 |
| 1. Long – Term Capital Loss | 4,400 |
| 1. Short – Term Capital Loss | 3,000 |

1. a) Shrikant furnishes the following information for the previous year 2015 -16.

|  |  |
| --- | --- |
| Particulars | Jewellery |
| Year of purchase | 1983 – 84 |
| Year of Sale | 2015 – 16 |
| Cost of Purchase | Rs.1,16,000 |
| Sale Proceeds | Rs.12,10,000 |
| Commission paid on sales | Rs.10,000 |

Shrikant purchased a new residential house for Rs.6,00,000 on 15.3.2016 out of sale proceeds of jewelley.The C.I.I. for the years 1983 – 84 and 2015 –16 were 116 and 1,081 respectively.

Compute the Capital Gains for the A.Y 2016 –17.

(Or)

b) Explain briefly the different types of assessment.

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