

0190571

K19U 2306



Reg. No. :

Name :

V Semester B.Com. Degree (CBCSS-Reg./Sup./Imp.)
Examination, November - 2019

(2014 Admn. Onwards)

CORE COURSE

5B13 COM : INCOME TAX LAW & PRACTICE - II

Time : 3 Hours

Max. Marks : 40

PART - A

Answer all questions. Each carries $\frac{1}{2}$ mark. (4 \times $\frac{1}{2}$ = 2)

1. The present Chairman of CBDT is _____.
2. Surcharge @ 12% is charged when the total income of a company exceeds _____.
3. Advance payment of tax is applicable only when the tax payable is at least _____.
4. _____ means computation of total income and determination of tax payable.

PART - B

Answer any four questions. Each carries one mark. (4 \times 1 = 4)

5. What is meant by Clubbing of income?
6. What is "POEM"?
7. Define a widely-held company.
8. Mention the income tax rates applicable to a Co-op. Society for the AY 2019-20.
9. What is re-assessment?
10. Who can be a partner of a firm?



PART - C

Answer any six questions (not exceeding one page). Each carries three marks. (6 × 3 = 18)

11. Mention any six powers of CBDT.
12. What are the provisions regarding set off of the following losses:
 - a) Long term capital loss.
 - b) Short term capital loss.
 - c) Speculation loss.
13. Explain the provisions regarding the treatment of a firm's brought forward losses.
14. Mr. Singh is disabled. He is employed in a bank in Pune. His particulars of income for the previous year 2018-19 are:

Salary income (computed)	:	Rs. 6,65,000
Interest on Fixed Deposit	:	Rs. 20,000
Donation to National Defence Fund	:	Rs. 9,500 (paid by cheque)

Compute total income of Mr. Singh for the AY 2019-20
15. The taxable income of Mr. Ranganath is Rs: 9,17,000 from business and Rs: 65,000 from house property for the A Y 2019-20. His wife is also employed and is getting a salary of Rs,16,500 per month. Compute his tax liability for the A Y 2019-20.
16. The book profit of ABC Co. Ltd. in the previous year 2018-19 computed in accordance with sec. 115JB of the Income tax Act is Rs.12,00,000. Its total income under the Income tax Act for the same period is computed at Rs: 4,50,000. Is the company liable to pay MAT? If yes, how much has to be paid?
17. A co-operative society in a college had the following incomes during the year ended 31.03.2019:

a) Income from merchandise business	:	46,000
b) Income from college canteen	:	19,000
c) Income from credit facilities given to members	:	9,500
d) Interest on Government securities	:	12,000



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- e) Dividend (Gross) on shares held in another Co-op. Society : 9,000
f) Taxable income from house property : 6,000

Determine the total income of the Society for the A Y 2019-20.

18. Mr. Khan is appointed at Kolkata. He stayed in a hotel for 25 days and thereafter shifted in a house provided by the employer. From the following information, determine the taxable value of stay in hotel:
- a) Room rent in hotel is Rs: 1,000 per day.
b) Salary for valuation of accommodation during the P Y Rs: 7,50,000.
c) The employer recovered Rs: 300 per day from Mr. Khan regarding stay in hotel.

PART - D

Answer any two questions. Each carries eight marks. (2×8=16)

19. Mr. Alexander, an employee of a firm, furnished the following particulars of his income for the year ended 31-3-2019.

a) Basic Salary	Rs. 1,44,000
b) Dearness allowance	Rs. 28,800
c) Own contribution to Recognised P F	Rs. 20,160
d) Employer's contribution to the said P F	Rs. 20,160
e) Bonus	Rs. 12,000
f) Interest on balance in Recognised P F (not exceeding the prescribed limit)	Rs. 14,000

- g) He was provided with a small car for which the employer paid all the running and maintenance cost. The car was used for personal as well as office uses.
h) He was also provided with rent-free accommodation at Kolkata for which the employer paid a rent of Rs: 1,250 per month. He was allowed the use of one refrigerator and an air-conditioner costing Rs: 8,000 and Rs: 12,000 respectively while their written down values on 1-4-2018 were Rs: 4,500 and 7,000 respectively.

Compute the tax liability of Mr. Alexander for the AY 2019-20.

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20. Mr. Rahim is a registered medical practitioner. He keeps his books on a cash basis, and his summarised cash account for the year ended 31st March 2019 is as under:

Balance b/d	1,22,000	Cost of Medicines	20,000
Loan from bank for private purposes	3,000	Interest on loan from bank	300
Sale of Medicines	35,250	Surgical Equipments	8,000
Consultation Fees	1,55,000	Car Expenses	6,000
Visiting Fees	24,000	Salaries	4,600
Rent from the property (not subject to local taxes)	3,600	Rent of Dispensary	1,600
Interest on Govt. Securities	4,500	General Expenses	300
		Personal Expenses	1,11,800
		Life Insurance Premium	3,000
		Motor Car	1,20,000
		Insurance of Property	200
		Balance c/d	71,550
	<u>3,47,350</u>		<u>3,47,350</u>

Compute his income from profession and house property for the A Y 2019-20 taking into account the following further information :

- One-third of motor car expenses are in respect of his personal use
- Depreciation allowable on the motor car and surgical equipments is @ 15%.

21. Explain briefly the different types of assessment.

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ANSWER KEY

1. Pramod Chandra Mody
2. Ten crore rupees
3. Rs: 10,000
4. Assessment
5. Inclusion of income of others in the income of the assessee.
6. "POEM" stands for Place Of Effective Management. It means a place where key management and commercial decisions for the conduct of business of an entity are taken.
7. A company in which the public are substantially interested.
8. Up to Rs: 10,000 : 10%
Above Rs: 10,000 up to Rs: 20,000 : 20%
Above Rs: 20,000 : 30%
9. If the A.O. has reason to believe that any income chargeable to tax has escaped from assessment, he may assess or re-assess such income.
10. Individual, Company, Trust.
11. Following are the important powers of CBDT (Any 6 points, ½ mark for each point):
 - (a) It may make rules for carrying out the purposes of the Income Tax Act
 - (b) It may issue instructions and directions to other income tax authorities for the proper administration of the Act
 - (c) It may appoint income tax authorities below the rank of an Assistant Commissioner or a Deputy Commissioner, based on the instructions of Central Government
 - (d) It may authorise an income tax authority to appoint such executive or ministerial staff as may be necessary
 - (e) It is empowered to declare any institution, association or body as a company for any assessment year
 - (f) It can issue directions that income from property held under trust shall not be included in the total income of the recipient
 - (g) It may entertain applications of objection regarding detection of books of accounts or other documents u/s 132(10)
 - (h) It may authorise any Principal Director General or Director General or Principal Director or Director to perform such functions of any other income tax authority as may be assigned to him by the Board
 - (i) It may require two or more Assessing Officers to function concurrently
 - (j) It may authorise any Additional Director or Additional Commissioner or any Joint Director or Joint Commissioner to take steps regarding search and seizure u/s 132.
12.
 - (a) LTCLs can be set-off against LTCGs only
 - (b) STCLs can be set-off against STCGs and LTCGs only
 - (c) Speculation losses can be set-off against speculation profits only
13.
 - (a) Speculative business losses can be set-off against the speculative business income of the firm in subsequent four years.
 - (b) Non-speculative business losses can be set-off against any business profit of the firm in the subsequent eight years

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- (c) LTCLs can be set-off against LTCGs of the firm in the subsequent eight years
 (d) STCLs can be set-off against long term as well as short term capital gains of the firm in the subsequent eight years
 (e) Unabsorbed depreciation can be set-off against business income or any other income of the firm

14.

Salary Income		6,65,000
Bank Interest		20,000
Gross Total Income		6,85,000
Less : Deductions :		
Donation to National Defence Fund u/s 80 G	9,500	
Disability u/s 80 U	75,000	* 84,500
Total Income		<u>6,00,500</u>

15.

Income from Business		9,17,000
Income from House Property		65,000
Total Income		9,82,000
Income Tax on first Rs: 2,50,000		Nil
Income Tax on next Rs: 2,50,000	2,50,000 x 5%	12,500
Income Tax on the balance	4,82,000 x 20%	96,400
Total Tax		1,08,900
Add : Health & Education Cess	1,08,900 x 4%	4,356
Total Tax Liability		1,13,256
Total Tax Liability (Rounded off)		<u>1,13,260</u>

16.

(1) Tax on Total Income Rs: 4,50,000	4,50,000 x 25%	1,12,500
Add : Surcharge		Nil
Total		1,12,500
Add : Health & Education Cess	1,12,500 x 4%	4,500
Tax Payable		<u>1,17,000</u>
(2) Tax on Book Profit Rs: 12,00,000	12,00,000 x 18.5%	2,22,000
Add : Surcharge		Nil
Total		2,22,000
Add : Health & Education Cess	2,22,000 x 4%	8,880
Tax Payable		<u>2,30,880</u>
Company is liable to pay (1) or (2) whichever is more		
Company is liable to pay MAT		
		<u>2,30,880</u>

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17.

Computation of Total Income of Co-operative Society for the A Y 2019-20		
(1) Income from House Property		6,000
(2) Income from Business:		
College Canteen	19,000	
General Merchandise Business	46,000	
Credit Facilities	9,500	74,500
(3) Income from Other Sources:		
Dividend from Co-op. Society	9,000	
Interest on Govt. Securities	12,000	21,000
Gross Total Income		1,01,500
Less : deductions admissible u/s 80P :		
(a) Income from credit facilities	9,500	
(b) Dividend from Co-op. Society	9,000	
(c) Income from other business (Max:50,000)	50,000	68,500
Total Income		<u>33,000</u>

18.

Computation of Taxable Value of Stay in Hotel		
(1) 24% of Salary	$(7,50,000 \times 25 + 365) \times 24\%$	12,329
(2) Hotel Rent	$1,000 \times 25$	25,000
(1) or (2) whichever is less is taken		12,329
Less : Amount recovered from	300×25	7,500
Taxable Value of Stay in Hotel		<u>5,329</u>

19.

Computation of Tax Liability of Mr. Alexander for the A Y 2019-20		
Basic Salary		3,44,000
D A		28,800
Bonus		12,000
Motor Car (1,800 x 12)		21,600
Value of rent free house*		17,000
Gross Salary		4,23,400
Less : Standard Deduction		40,000
Taxable Salary		3,83,400
Gross Total Income		3,83,400
Less : Deductions :		
Contribution to recognised P F	20,160	20,160
Total Income		3,63,240
Up to Rs: 2,50,000		Nil
Rs: 2,50,001 – Rs:3,63,240 (5%)	5,662	5,662
Add: Health & Education Cess (4%)		226
Total		5,888
Total Tax Liability Rounded off		<u>5,890</u>

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*Value of rent-free house:

(a) Actual Rent	:	15,000	
(b) 15% of Salary (15% of 3,44,000 + 12,000)	:	53,400	
(a) or (b) whichever is less, is taken	:	15,000	
Add: 10% of Cost of Refrigerator and Air-conditioner	:	2,000	

Value of Rent free house	=	17,000	

20.

Computation of Income from Profession of Mr. Rahim for the A Y 2019-20		
Earnings from Profession:		
Sale of Medicines	35,250	
Consultation Fees	1,55,000	
Visiting Fees	24,000	2,14,250
Less: Expenses allowed :		
Cost of Medicines	20,000	
Car expenses (2/3 rd)	4,000	
Salaries	4,600	
Rent of Dispensaries	1,600	
General Expenses	300	
Surgical Equipments @ 15%	1,200	
Depreciation of car @ 15% (1,20,000 x 15% x 2/3)	12,000	43,700
Income from Profession		1,70,550

Computation of Income from House Property of Mr. Rahim for the A Y 2019-20	
Annual Value	3,600
Less : 30% of Annual Value	1,080
Income from House Property	2,520

Notes: 1. Income from interest on securities is taxable under the head "Income from Other Sources". Hence, it has not been taken here.

21. There are five types of assessments:

- (a) Self Assessment : If any tax and /or interest is payable on the basis of the Return of income after taking into account the advance tax paid and tax deducted at source etc., the assessee shall first pay such tax and/or interest and fee, if any, then file the return along with the proof of such payment, i.e: Chellan for payment. This is called Self Assessment.
- (b) Assessment on the basis of Return : After the return is filed, an intimation is sent to the assessee for paying any sum remaining payable. Such intimation shall be deemed to be an order of assessment on the basis of the return.
- (c) Regular Assessment : It means the assessment made on the basis of evidence or best judgement assessment under section 144.
- (d) Re-assessment : If the A.O. has reason to believe that any income chargeable to tax has escaped from assessment, he may assess or re-assess such income.
- (e) Precautionary or Protective assessment : Where it is not clear as to who has received the income, the A.O. can commence proceedings against any or all of them to determine as to who is responsible to pay tax.
