

**M.Com. DEGREE (CSS) EXAMINATION, JANUARY 2014****Third Semester****Faculty of Commerce****DT 03C 12—DIRECT TAXES—LAW AND PRACTICE**

Time : Three Hours

Maximum Weight : 30

**Section A***Answer any five questions. Each question carries a weight of 1.*

1. What do you mean by Maximum Marginal Rate ?
2. Enumerate any five items of income which are totally exempt from the payment of income tax ?
3. List out any five tax free allowances.
4. What do you understand by Block of Assets ?
5. Write a note on Profit or loss on Sale of securities.
6. State the provisions regarding set-off capital losses?
7. What is the relevant income tax rate applicable to individual during the Assessment year 2013-14 ?
8. From the following information compute the exempted amount of House Rent Allowance of Mr. Arun, who resides at Chennai :  
Salary per month—Rs.12,000, H.R.A. received per month—Rs. 2,100, Rent paid per month Rs. 750.

(5 × 1 = 5)

**Section B***Answer any five questions. Each question carries a weight of 2.*

9. Briefly explain the important provisions related to clubbing of incomes?
10. Following are the particulars of taxable income of Shri Raju for the previous year ended 31<sup>st</sup> March, 2013: Calculate his total income if he is a Non-Resident :
  - (a) Salary received from Govt. of India—Rs. 35,000.
  - (b) Income from business earned in Australia - Rs. 30,000 of which Rs. 15,000 were received in Kochi. Business is controlled from India.
  - (c) Interest on savings bank deposits in SBI—Rs. 15,000.
  - (d) Dividend from a German Company controlled in America—Rs. 50,000.
  - (e) Income from house property in India (Computed)—Rs. 26,000.

**Turn over**



11. An employer has taken a house on rent at Rs. 30,000 p.m. He allotted half the house to Mr. Anand and the other half to Mr. Murali for residential purposes. The annual salary of Mr. Anand is Rs. 6,00,000 and of Mr. Murali is Rs. 14,00,000. Find out the value of rent-free house of Mr. Anand and Mr. Murali.
12. Mohan an employee of Tata Ltd. is drawing a salary of Rs. 24,000 p.m. including Dearness Allowance of Rs. 4,000 p.m. He is drawing Rs. 1,400 as Entertainment Allowance. The other perquisites are Rs. 2,000 p.m. He was getting uniform allowance at Rs. 6,000 twice a year. It was claimed that whole of it has been spent on uniform. He received Rs. 16,000 as bonus during the Year. Calculate his taxable salary.
13. Mr. Anil is getting a pension of Rs. 24,000 per month from a company. During the previous year he got his two-third pension commuted and received Rs. 14,76,000. Compute the exempted amount, if : (a) He also received gratuity (b) He did not receive gratuity.
14. From the following information determine the annual value of the house :
  - (a) Municipal Value—Rs. 1,60,000 ; (b) Fair Rent—Rs.2,40,000 ;
  - (c) Standard Rent—Rs. 2,00,000.

The house was self-occupied for three months and then let-out, if : (a) Rs. 20,000 p.m., (b) Rs. 30,000 p.m. Municipal tax paid by the owner is Rs. 20,000.

15. From the following information determine the depreciation allowance for the Assessment Year 2013-14.
 

(a) W.D.V. of plant and machinery on 1.4.2012	12,00,000
(b) P & M purchased on 15-5-2012 for production department	10,00,000
(c) In June, 2012 the assessee purchased the following assets :	
(i) Office appliances	2,00,000
(ii) Air-conditioners for guest house	1,20,000
(iii) Car	6,00,000
(iv) P & M purchased on 10-11-2012 for production department	6,00,000
16. Mr. Ajith purchases 2000 Equity Shares of Rs. 20 each for Rs. 160 per share in 1988-89 and incurs an expenditure of Rs. 1600 on brokerage. In May 1992, he receives 400 bonus shares. In September 2012 he gets 400 right shares for Rs. 80 each. He sold 400 bonus shares in Nov. 2012 at Rs. 360 per shares and 400 rights shares at 120 per share in Dec. 2012. Find out the capital gains for the Assessment Year 2013-14. The cost of inflation index for 1988- 89 is 161, 1992-93 is 223 and for 2012-13 it is 852.

(5 × 2 = 10)

### Section C

*Answer any three questions. Each question carries a weight of 5.*

17. Mrs. Prasad is a member of Parliament, gives the following particulars. Compute her taxable income from other sources for the A.Y. 2013-14 :
  - (a) M.P. Salary Rs. 30,000 p.m.
  - (b) He won Rs. 20,000 (Gross) from crossword puzzles.



- (c) Winning from Karnataka lottery (net) received Rs. 70,000.
- (d) Cash gift of Rs. 60,000 from his friend.
- (e) Rent received from letting out a building along with plant, machinery and furniture therein Rs. 50,000.
- (f) Interest on tax free listed debentures of a company Rs. 20000.
- (g) Winning from horse races Rs. 4,000.
- (h) Royalty for writing books Rs. 60,000, actual expenses spent by him for writing the book is Rs. 15,000.
- (i) Dividend declared by a domestic company on 1-3-2013, but paid on 1-5-2013 (Gross)-Rs. 24,000.
- (j) Family pension received- Rs 78,000 P.Y.
- (k) Interest paid includes an amount of Rs. 25,000 remitted outside India to a non-resident. No TDS was made on the interest

18. From the following particulars submitted by Mr. Suresh for the year ended 31-3-2013, compute his Business Income :

Profit and Loss Account for the Year ended 31-3-2013

	Rs.		Rs.
To Staff salaries	70,000	By Gross Profit	3,39,000
Rent & rates	40,000	Life policy amount	5,000
Advertisement	10,000	Sale of machinery	2,000
Audit fees	30,000	Interest & dividends	4,000
Donations	20,000		
Provision for bad debts	20,000		
Sales tax	10,000		
Printing & stationery	20,000		
Contribution to staff welfare fund	10,000		
Purchase of patents	90,000		
Interest on capital	10,000		
Net Profit	20,000		
	<u>3,50,000</u>		<u>3,50,000</u>

*Additional Informations :*

1. Opening stock of goods was Rs. 72,000. It has been valued at cost minus 10%. But closing stock was valued at cost.
2. Purchase includes a payment of Rs. 40,000 by a bearer cheque to supplier.
3. Depreciation allowable as per Rules for the year was Rs. 30,000 (including patents).
4. Advertisement includes expenses by way of 30 gift articles given to selected customers at a cost of Rs. 300 each.
5. Entertainment expenses of Rs. 8,000 have been spent in the PY. 2012-13, but not debited in P & L A/c.

**Turn over**



19. Briefly explain the following with adequate examples :

- |                             |                                |
|-----------------------------|--------------------------------|
| (A) Taxable allowance,      | (B) Taxable Perquisite,        |
| (C) Income Except from Tax, | (D) Bond Washing Transactions, |
| (E) Casual Income.          |                                |

20. From the following particulars, compute gross salary of Mr. Nithin.

He is employed in textile industry in Mumbai at a monthly salary of Rs. 4,000. He is entitled to commission of 1% on sales achieved by him, which were Rs. 1 lakh for the year.

In addition, he received the following allowances from the employer during the previous year :

1. Dearness Allowance Rs. 2,000 per month which is granted under terms of employment and counted for retirement benefits.
2. Bonus Rs. 32,000.
3. House Rent Allowance Rs. 1000 per month (Rent paid for house in Mumbai Rs. 1200 per month).
4. Entertainment allowance Rs. 1,000 per month.
5. Children Education Allowance Rs. 500 per month for 2 children.
6. Transport Allowance Rs. 1,000 per month.
7. Medical Allowance Rs. 500 per month.
8. Servant Allowance Rs. 200 per month.
9. City Compensatory Allowance Rs. 300 per month.
10. Research Allowance Rs. 500 per month (amount spent on research Rs. 3000)
11. A small car provided to him by employer for Nithin's official and personal use. All expenses relating to car including driver's wages met by employer.

During the P.Y, he paid employment tax of Rs. 4,000.

21. Sri. Harikrishnan constructed a house property which was completed on 30-6-2008. He borrowed Rs. 2,00,000 on 1-1-2007 from a bank for the construction of this house. The rate of interest is 10% p.a. Repayment was made only from 31-7-2008 onwards. House was let out for residential purpose on a monthly rent of Rs. 3,000. Other details of the house are given below: Compute the income from House property for the A.Y. 2013-14.

	Rs.
Municipal valuation	: 25,000
Municipal tax paid	: 1,000
Interest on loan for construction of house for the PY 2012-2013	: 6,000
Fire insurance premium paid	: 300

22. Briefly explain the provisions for deductions from Gross Total Income under chapter VIA of the Income Tax Act.

(3 × 5 = 15)