

- (viii) Interest on Govt. securities Rs. 3,000
- (ix) Income from units of mutual fund Rs. 5,500 (Gross)
- (x) Interest from bank deposits received Rs. 3,000
- (xi) Donation paid to Prime Minister's drought relief fund Rs. 2,500
- (xii) Donation paid to the Govt. for the promotion of family planning Rs. 2,000
- (xiii) Life insurance premium paid during the year Rs. 4,200.

Compute the total income of Shri Ganesh for the assessment year 2011-12 and also state the amount entitled to deduction u/s 80C.

Or

- (b) What are the items included in the income from other sources?

Reg. No. :

Code No. : 6303

Sub. Code : C 42 K

M.Com. (CBCS) DEGREE EXAMINATION,
APRIL 2012.

Fourth Semester

Commerce

TAXATION AND TAX PLANNING

(For those who joined in July 2008 onwards)

Time : Three hours

Maximum : 75 marks

PART A — (10 × 1 = 10 marks)

Answer ALL questions.

1. Who is deemed to be an assessee?
2. Who is a non-resident?
3. What is the amount of exemption regarding commuted pension received by non-government employee who is also in receipt of gratuity?
4. Why salary received by a Member of Parliament is not taxable under the heading salary?

5. Mention any four inadmissible expenses in the computation of income from business.
6. What is the amount of deduction in case of preliminary expenses?
7. What is income tax rate in case of winnings from horse races?
8. What do you mean by set off?
9. What is the extent of deduction under section 80 CCD?
10. Who is a senior citizen for the purpose of Income Tax Act?

PART B — (5 × 5 = 25 marks)

Answer ALL questions choosing either (a) or (b).

11. (a) How would you determine that an individual resident is ordinarily or not ordinarily resident?

Or

- (b) From the following information compute the taxable amount of house rent allowance of Mr. Ram who resides at Trichy.

Salary p.m Rs. 6,000

House rent allowance Rs. 300 p.m

Rent paid per month Rs. 960.

12. (a) Mr. Y who is not covered by the payment of Gratuity Act, 1972 retires on December 25, 2011 from ABC Ltd after completing 36 years and 9 months. His salary is Rs. 6,000 p.m up to June 30, 2011 and Rs. 7,000 from July 2011. Besides he gets dearness allowance at Rs. 1,000 p.m (70% of which considered for service benefits). Find the taxable of gratuity for the year 2011-12.

Or

- (b) Mr. J is the owner of two houses, which are let out and covered by Rent Control Act. From the following particulars, find out the gross annual value of the houses.

	House I	House II
	Rs.	Rs.
Municipal value	26,000	25,000
Fair rent	28,000	30,000
Standard rent	35,000	36,000
Actual rent	30,000	32,000

13. (a) Distinguish between short term and long-term capital gains.

Or

- (b) From the following information compute depreciation allowable for the assessment year 2011-12 :

WDV of furniture on 1.4.2010 Rs. 1,10,000

Furniture purchased in June 2010 Rs. 15,000

Furniture purchased in January 2011
Rs. 20,000

Part of furniture sold in February 2011
Rs. 3,000

Rate of depreciation 10%.

14. (a) What are casual incomes?

Or

- (b) What is a bond washing transaction?

15. (a) Calculate the amount of deductions u/s 80 C and 80D and 80DD of Mr. P for the AY 2011-12 :

LIC premium paid (sum assured
Rs. 2,00,000) Rs. 50,000

Contribution to RPF Rs. 40,000

Contribution to annuity plan of GIC
Rs. 20,000

Medical insurance premium paid on his own
health Rs. 20,000 and the health of his father
Rs. 10,000.

He paid a sum of Rs. 4,000 for the medical treatment his handicapped brother, who suffers from 81% physical disability.

Or

- (b) S.D. Sharma is a lecturer in Delhi University. Calculate his GTI from the following information :

Basic salary Rs. 16,000 p.m

Dearness allowance 45% of salary

City compensatory allowance Rs. 9,600 p.a.

Remuneration as an examiner Rs. 1,000

Dividend from cooperative society Rs. 500

Agricultural income from Kerala Rs. 50,000.

PART C — (5 × 8 = 40 marks)

Answer ALL questions choosing either (a) or (b).

16. (a) Explain any ten exempted incomes.

Or

- (b) Determine the residential status of Mr. X for the previous year 2010-11, assuming that he did not go out of India before and came back to India on April 10, 2011 in the following cases :

- (i) Sponsored by his employer in India for a training in Los Angeles, he leaves India on

(1) 15th June 2010 or

(2) 10th May 2010.

- (ii) He goes for employment purposes to Los Angeles and leaves India on 15th September 2010.

17. (a) Discuss the provisions relating to clubbing of income.

Or

- (b) R is the owner of four houses. One house is let to a tenant for Rs. 3,000 p.a. The second house, the municipal valuation of which is Rs. 4,500 is in his own occupation. The third house remained vacant throughout the whole year as it was not in a condition suitable for letting out. The fourth house, the municipal value of which is Rs. 6,000 p.a is used by Mr. R for his business.

The expenses in respect of these houses were as follows :

	Rs.
Interest on loan taken to repair the house	400
Fire insurance premium for the 1 st , 2 nd and 4 th house	1,410

	Rs.
Collection charges	350
Ground rent in respect of the second house	200

The first house remained vacant for two months. Calculate R's income from house property for the assessment year 2011-12.

18. (a) From the profit and loss account of relevant assessment year compute the income from business of Sri. Babu :

	Rs.		Rs.
Salaries	88,000	Gross profit	3,80,000
Rent	42,000	Sundry receipts	20,000
General expenses	20,000	Dividends	40,000
Advertisement	25,000	Commission	30,000
Legal expenses	15,000	Bad debts	
Salas tax	10,000	recovered	
Wealth tax	20,000	(allowed earlier)	10,000
Telephone charges	12,000	Rent of building	
Gratuity paid	30,000	let out	44,000
Provision for bad debts	10,000		
Advance income tax	20,000		
Depreciation	38,000		

	Rs.	Rs.
Office expenses	12,000	
Municipal taxes of property let out	10,000	
Contribution to employees provident fund	6,000	
Net profit	1,66,000	
	<u>5,24,000</u>	<u>5,24,000</u>

Other information :

- (i) Legal expenses have been incurred for the registration of a business asset
- (ii) 50% of the business premises were used for residential purposes
- (iii) General expenses a donation of Rs. 10,000 toward AP Chief Minister's Relief Fund
- (iv) Advertise expenses were paid in cash
- (v) Allowable depreciation as per income tax rules was Rs. 46,000.

Or

- (b) Mr. Raj purchased 800 equity shares of Rs. 10 each for Rs. 60 per share on 1st January 1989 and paid brokerage Rs. 1,000 and transfer fees Rs. 500. On 1st September 1991 the company issued 200

bonus shares to him. In November 2006 the company issued 500 right shares at the rate of Rs. 30 per share to him. On 1st October 2008 he sold 200 bonus shares and 300 rights shares at Rs. 120 per share. On 1st January 2009 he sold the total remaining holding @ Rs. 90. Compute his taxable capital gains for the assessment year 2011-12 if computation is based on :

- (i) Index cost
- (ii) Original cost of acquisition.

Also point out that which option is better?

Cost inflation indices are 1988-89 – 161; 2006-07 – 519; 2008-09 – 582; 2009-10 – 632; 2010-11 – 711. He has not paid securities transaction tax.

19. (a) Smt Renuka who is a resident of India furnished the following particulars of her investments and incomes for the previous year ended 31st march 2010 :

- (i) Rs. 10,000 in units of mutual fund (gross income Rs. 1,200)
- (ii) Rs. 10,000 in post office savings bank account which earns interest at 3.5% p.a.
- (iii) Rs. 15,000 in fixed deposit account with Dena bank on which interest at 6% p.a. is payable

- (iv) 10% Rs. 20,000 debentures (listed) of a tea company
- (v) Rs. 2,000 interest received on National Development Bonds
- (vi) Rs. 1,000 interest received on the debentures of a cooperative society
- (vii) 10% UP State Electricity Board Bonds Rs. 10,000
- (viii) Rs. 1,00,000 in 7-year Post Office National Savings Certificate interest at 7% p.a. payable on the same every year.
- (ix) Rs. 36,000, 10% tax-free debentures of Agra Municipal Corporation. Interest being payable on 31st December
- (x) Rs. 900 received by an account payee cheque as interest on debentures of a listed company. He collected the entire interest himself and claimed Rs. 200 as his own fees for the collection of interest.

Calculate the taxable income under the head "Income from other sources".

Or

- (b) Explain the provisions of income tax regarding set off and carry forward of losses.

- 20. (a) Shri. Ganesh, working in Western India Limited, Chennai, has furnished the following details of his income for the year ended March 31, 2011 :

- (i) Salary Rs. 12,000 per month
- (ii) Bonus equal to six months salary
- (iii) Transport allowance (for coming to office and going back to his residence) at Rs. 650 per month
- (iv) Entertainment allowance at Rs. 500 per month
- (v) Received house rent allowance of Rs. 3,000 per month from the employer, but he paid a rent of Rs. 4,00 p.m.
- (vi) The employer reimbursed personal medical bills of Rs. 10,000. His treatment has been done in a private nursing home not belonging to the employer
- (vii) His contribution to the company's recognized provident fund is Rs. 18,000 and the employer contributes an equal amount. The interest credited to the provident fund account 9.5% per annum, Rs. 12,000