



LOYOLA COLLEGE (AUTONOMOUS) CHENNAI – 600 034

B.Com. DEGREE EXAMINATION – ACCOUNTING AND FINANCE

SIXTH SEMESTER – APRIL 2025

UAF 6503 – INCOME TAX LAW AND PRACTICE



Date: 28-04-2025

Dept. No.

Max. : 100 Marks

Time: 09:00 AM - 12:00 PM

SECTION A - K1 (CO1)

Answer ALL the Questions

(10 x 1 = 10)

1. Definitions

- a) Assessee.
- b) Assessment year.
- c) Person.
- d) Gross Total Income.
- e) Capital Gains.

2. MCQ

- a) Under the Income Tax Act, the incidence of taxation depends on
 - a. The citizenship of the tax payer
 - b. The residential status of the tax payer
 - c. The age of the tax payer
 - d. The community of the tax payer
- b) The maximum amount available as exemption under hostel allowance for children is
 - a. Rs. 1200
 - b. Rs. 2400
 - c. Rs. 3600
 - d. Rs. 7200
- c) The maximum deduction allowed for self-occupied property, when loan is borrowed before 1999 and it is for construction or acquisition of house property is
 - a. Rs. 100,000
 - b. Rs. 200,000
 - c. Rs. 30,000
 - d. Rs. 50,000
- d) An assessee sold a residential house and made investment in residential house, under which section he can claim exemption?
 - a. Sec. 54
 - b. Sec. 54D
 - c. Sec. 54F
 - d. Sec. 54G
- e) Circulars issued by CBDT are binding on
 - a. Assessee
 - b. Income Tax Authority
 - c. Both of above
 - d. Persons

SECTION A - K2 (CO1)

Answer ALL the Questions

(10 x 1 = 10)

3. Match the following

- a) Sec 6 (i) - Agriculture Income
- b) Sec 10 AA - Leave Travel Concession
- c) Sec 10 (i) - Resident
- d) Sec 10 (5) - Taxable
- e) Dividend from cooperative society - Leave Salary

4. True or False

- a) The incidence of tax is usually less on resident but not ordinarily resident than on ordinarily resident.
- b) Statutory Provident Fund was started in the year 1961.
- c) Business includes any trade, commerce or manufacture.
- d) At the time of liquidation of company any transfer by way of distribution of assets to its shareholders is not treated as transfer.
- e) CBDT is headed by a Chairman and followed by six members of various departments.

SECTION B - K3 (CO2)

Answer any TWO of the following in 100 words each.

(2 x 10 = 20)

5. Mr. Dominic has received the following income during the P.Y. 31-3-2024.
- | | |
|---|--------|
| Salary received in India for three months | 9,000 |
| Income from House Property in India (computed) | 13,470 |
| Interest on Savings Bank Deposits in SBI | 1,000 |
| Amount brought into India out of the past untaxed profits earned in Germany | 20,000 |
| Income from Agriculture in Indonesia being invested in India | 12,350 |
| Income from Business in Bangladesh, being controlled from India. | 10,150 |
| Dividends received in Belgium from French companies out of which Rs. 2500 were remitted to India | 23,000 |
| You are required to compute total income of Mr. Dominic for the P.Y. 2023-24, if he is Resident, NOR, NR. | |
6. The following information is given to you by Z. an individual, to enable you to ascertain his taxable salary for the assessment year 2024-25.
- He was employed as a Senior manager of a company and was paid the following:
Basic salary – Rs.4000 p.m, Special allowance – at 25% of the basic salary, Peon allowance: at Rs. 200 p.m., Bonus: Rs. 20,000. Entertainment allowance @ 1500 p.m.
 - Three of his children were educated in convents outside the place of his service and the employer paid an allowance of Rs. 7600 per child per annum to meet the costs of education and boarding expenses.
 - During the year, he was asked to proceed to Amristar to manage temporarily the Branch there and was paid a special pay (not included above) Rs. 5000 for this purpose.
 - The employer reimbursed Z with Rs. 300 per month being the tuition fee paid to the Institute of Higher learning and management where X had enrolled himself for MBA course.
 - During the year he availed LTC for his family and himself. The travel was within the prescribed block of years. He did not travel but his wife and two major children performed the Journey by air. The company paid to X Rs. 10,800 as LTC claim. Travel by air-conditioned first class would have cost each of the persons for the places visited Rs. 1,800 (both ways).
7. For the assessment year 2024-25, 'X' submits the following information:
Income from business (speculative): ₹40,000
- | Property | House I ₹ | House II ₹ |
|--|-----------------------|----------------------|
| FRV | 3,60,000 | - |
| Municipal valuation | 3,50,000 | 8,00,000 |
| Annual Rent | 3,80,000 | 6,80,000 |
| Standard Rent | 3,40,000 | 8,50,000 |
| Municipal taxes paid by tenant | 3,000 | 4,000 |
| Municipal taxes paid by 'X' | 20,000 | 40,000 |
| Repairs paid by tenant | 500 | 18,000 |
| Land revenue paid | 2,000 | 16,000 |
| Insurance premium paid | 500 | 2,000 |
| Unrealized rent of the previous year 2023-24 | - | 50,000 |
| Interest on loan borrowed for payment of municipal tax of house property | - | 1,20,000 |
| Nature of occupation | Let out for residence | Let out for business |
- Date of completion of construction:
House I: April 1, 2019
House II: July 1, 2001
X borrowed ₹5,00,000 to construct House I on 1-7-2017, and the loan was repaid on 1-1-2019. The rate of interest is 12%.
X borrowed ₹6,00,000 to construct House II on 1-1-1998, and the loan is still due. The rate of interest is 12%.
Determine the taxable income of 'X' for the assessment year 2024-25.

8. Mrs. Jacob, an ordinary resident of India, received the following income as interest on Investments in securities during the year ended 31st March 2024.
1. Rs. 1000 as interest on central Government Bonds
 2. Rs. 7200 as interest on Debentures issued by a local authority.
 3. Rs. 5600 as interest on Debentures of 'A' Ltd. (unlisted).
 4. Rs. 2700 as interest on Debentures of 'B' Ltd. (listed).
 5. Rs. 4800 as interest on Tax Free Debentures of 'C' Ltd (unlisted)
- Determine Mrs. Jacob's interest on securities under the head 'Income from other sources' for the Assessment year 2024-25.

SECTION C – K4 (CO3)

Answer any TWO of the following in 100 words each.

(2 x 10 = 20)

9. Explain any ten incomes exempted from Income tax U/S 10.

10. From the following Profit and Loss A/c of a manufacturer, calculate income under the head "Profits and Gains of Business or Profession" for the year ending 31st March 2024.

Particulars	Rs.	Particulars	Rs.
Salaries to employees	95,000	Gross Profit	3,80,000
Advertisement expenses (paid in cash)	24,000	Interest on securities	14,000
General Expenses	16,000	Income from house property	25,000
Entertainment Expenses	22,000	Bad debts recovered (allowed earlier)	12,000
Bad debts	1,500		
Drawings by Proprietor	24,000		
Sales tax (due and paid on 1-7-2024)	6,000		
Interest on proprietor's capital	7,000		
Repairs	2,500		
Rent	21,000		
Legal expenses	5,000		
Depreciation	15,000		
Bonus	6,000		
Bonus to proprietor	4,000		
Car purchased	72,000		
Expenses on Car during the year	12,000		
Donation	2,000		
Provisions for bad debts	6,000		
Net Profit	90,000	Total	4,31,000
Total	4,31,000		

Additional Information:

From the examination of books of accounts, the following other information is available:

- (a) Advertisement expenses were spent on insertion in newspapers.
- (b) Rs. 3,000 was spent on the purchase of land and is included in legal expenses.
- (c) Half of the repair expenses were on the let-out building.
- (d) Depreciation allowable on all assets, including the car, is Rs. 14,400.
- (e) Bonus was paid to employees on 30-6-2024, and the due date for filing returns is 31-7-2024.

11. Compute the amount of Capital Gains exempted under Section 54 and the capital gains chargeable to tax.
- Mr. Vasan sells a residential house property in Chennai for Rs. 99,00,000 on April 25, 2023, which was acquired by him on May 10, 2011, for Rs. 5,00,000.
- In August 2023, he purchases:
- A house in Madurai for Rs. 15,00,000
- Another house in Tiruchi for Rs. 5,00,000
- On June 30, 2024, Vasan sells the house property in Madurai for Rs. 20,00,000.

Cost Inflation Index (CII):
2011-12 = 184
2023-24 = 348

12. Describe the key roles and responsibilities of CBDT.

SECTION D – K5 (CO4)

Answer any ONE of the following in 250 words

(1 x 20 = 20)

13. X (22 years) is a mechanical engineer and is employed by a power generation company as chief production manager. He gets Rs. 84,000 per month as salary and 2 months salary as bonus. Up to October 31, 2023, he was posted at the corporate office of the company at Chennai. He had been provided a rent-free unfurnished accommodation at Chennai up to October 31, 2023, which is owned by the company. With effect from November 1, 2023 he has been transferred to the power generating site of the company which is situated in a 'remote area'. After October 31, 2023, he gets the following allowances/perks from the company-
Transfer allowance – Rs. 140,000 (amount spent on fare and other incidental expenses in connection with transfer: Rs. 102,000)
A rent free furnished flat at power generating site (owned by the company)
Club facility at the power generating site for personal entertainment of the employee and family members (expenditure of the company is Rs. 500 per month),
Maruti car (for official and personal purposes, but without driver, expenses of the company Rs. 40,000),
Education facility to the dependent brother of X in a school owned by the company in the remote area at power generating site (cost of education in a similar institute is Rs. 600 per month),
Meal at the generating site (cost of meal Rs. 80 per day) and medical facility in employer's hospital at the power generating site (expenditure incurred by company is Rs. 16,000).
Company maintains unrecognized provident fund and contributes 14 per cent of salary towards it. X contributes Rs. 10,000 per month. Income of X from other sources is fixed deposit bank interest of Rs. 167,000.
Determine the net income and tax liability of X for the assessment year 2024-25 on the assumption that X contributes Rs. 140,000 in public provident fund.

14. X (age: 55 years) owns four houses, particulars of which are as follows:

	I Rs.	II Rs.	III Rs.	IV Rs.
Municipal valuation (MV)	30,000	5,000	68,000	95,000
Fair rent (FR)	39,000	18,000	77,000	95,000
Standard rent (SR)	36,200	12,000	75,000	90,000
Rent (if property is let out throughout the year)	42,000	-	-	-
Unrealized rent	3,500	-	-	-
Municipal taxes	-	500	7,000	9,000
- Paid by X	3,000	-	-	-
- Paid by tenant	-	-	-	-
Date of completion of construction	May 31, 2022	May 31, 2022	March 31, 2022	April 1, 2021
Repairs	Nil	2,000	1,000	3,000
Collection charges	200	300	-	-
Land revenue	400	400	-	-
Ground rent	300	300	-	600
Nature of occupation	Let out for residence	Self-occupied for residence	Self-occupied for business	Self-occupied for residence

Property I remains vacant for 2 months from March 16, 2024, to May 15, 2024. X borrows Rs. 30,000, Rs. 40,000, and Rs. 65,000 for the construction of House I, House II, and House IV, respectively. The date of borrowing is June 15, 2017, and the loan, along with interest, was repaid on December 31, 2021, at an interest rate of 15% per annum. The business income of X for the previous year 2023-24 is Rs. 14,55,000, which has been computed as per the provisions of the Income-tax Act. Determine the taxable income and tax liability of X for the assessment year 2024-25, assuming that he is eligible for a deduction under section 80C for a public provident fund

contribution of Rs. 1,40,000 and under section 80G for a donation to the Prime Minister's Relief Fund amounting to Rs. 1,00,000. Ignore section 115BAC.

SECTION E – K6 (CO5)

Answer any ONE of the following in 250 words

(1 x 20 = 20)

15. Wye is an owner of a small shop at Bombay. Determine his net income on the basis of the following Profit and Loss A/c for the year ending March 31, 2024.

Particulars	Rs	Particulars	Rs
Opening stock	1,04,000	Sales	20,51,000
Purchases	10,08,750	Closing stock	2,10,000
Salaries & Wages	1,75,000		
Rent and Rates	1,31,000		
Commission	21,500		
Household expenses	20,000		
Income tax for 2017-18	36,100		
Advertisements	5,000		
Postage and Telegrams	4,000		
Interest on Capital	84,000		
Reserve for doubtful debts	3,400		
Depreciation on furniture	18,000		
Net Profit	6,50,250		
Total	22,61,000	Total	22,61,000

Additional Information:

Closing stock and opening stock have been consistently valued at 20% below cost price.

Written down value of furniture on April 1, 2023, was Rs. 1,72,000; the rate of depreciation is 10%.

Amount of sales includes Rs. 41,250 representing the value of goods withdrawn for Wye's family use (cost price: Rs. 27,850).

Household expenses include a contribution of Rs. 11,750 towards the Public Provident Fund.

Mr. Wye has paid Rs. 1,00,000 to I.I.T Chennai for carrying out programs of scientific research.

16. Ascertain the amount of capital gain chargeable to tax for the assessment year 2024-25. Can X claim exemption under sections 54, 54EC, and 54F?

X owns two houses (at Amritsar and Pune). He transfers the following long-term capital assets during 2023-24:

Details of Asset Sale

Asset	Date of Sale	Sale Consideration (Rs.)	Indexed Cost of Acquisition (Rs.)
Residential house property at Pune	April 10, 2023	10,00,000	4,00,000
Gold	April 11, 2023	8,00,000	7,00,000
Silver	April 12, 2023	6,00,000	2,00,000

Details of Asset Purchase

Date of Purchase	Asset	Amount Invested (Rs.)
October 11, 2023	Residential house at Bombay	7,00,000
October 9, 2023	Bonds of National Highways Authority of India (for Section 54EC)	2,50,000
