

## **SEMESTER-III**

### **COURSE- B.COM(H)**

### **SUBJECT-INCOME TAX LAWS & PRACTICES**

#### **QUESTION BANK**

#### **UNIT-I**

1. What do you understand by income tax? Discuss its main characteristics.
2. What do you understand by term 'income'? Discuss it's with characteristics.
3. Defines the term 'Income'. Distinguish between gross total income and total income.
4. Explains the term agriculture income. What are its types? Is agricultural income fully exempted from tax?
5. Writes notes:-
  - (a) gross total income
  - (b) total income.
  - (c) assessment year
  - (d) previous year
6. How is the residential status of an Assessee determined for income tax purposes? Discuss the influence of residence on tax liability.
7. Discuss the following with examples-
  - (1) Ordinary resident, (2) not –ordinary resident, (3) non- resident
8. Mr. Scott who is citizen of Germany has been staying in India since 2004. He leaves India for the first time on 14th July, 2012 on a visit to Germany and comes back on 8th January, 2013. Determine his residential status for the previous year 2012-13.
9. Mr. Ramchandran, an Indian citizen and origin, has been living in America for the last 15 years and comes to India every year for three months. During the year 2014- 15 he came India on 1st Nov. 2014 and returned back on 31-1-2015. Determine his residential status. He will be Non-resident for the previous year 2014-15, because he was not in India for at least 182 days during the previous year.
10. Shree Ramesh has the following income for the financial year 2014-15.
  1. Income from property situated in London 40000
  2. Income from salary received in India for services rendered in London 28000
  3. Profit from business in London controlled from India 120000
  4. Profit from Kanpur business 110000
  5. Agricultural income in India 10000Compute the income of shree Ramesh for the assessment year 2015-16. If he is not ordinary resident in India

11. Particulars of income of an Assessee are as follows-

- i. Interest on debenture of a company at England which was received in India 26000
- ii. Interest received from Shree Philip a non resident, on the loan provided to him for a business carried on in India 15000
- iii. Royalty received in Germany from Kailash a resident in India, for technical services provided for a business carried on in Germany 320000
- iv. Fees from an Indian company carrying on business at London for technical services rendered at London having been directly deposited by the company in his bank account in India 230000. Compute total income for the assessment year 15-16. If he is a (a) Resident (b) not ordinary resident and (c) non resident

12. Following are the particulars of taxable income of Shree Harinarayan Arora for the previous year ended 31st march 2015.

- i. Royalty received from government of India 224000
- ii. Income from business earned in Afghanistan 25000, of which 15000 were received in India business is control from India
- iii. Interest received from Shree Aditya Kumar a non resident against a loan provided to him run a business in India 5000
- iv. Royalty received from AL-Afnan a resident for technical services provided to run a business outside India 20000
- v. Income from business in Jaipur 40000, this business is controlled from France. 20000 were remitted to France. Find out gross total income Shree Harinarayan Arora for assessment year 15-16, If he is – (a) resident of India (b) not ordinary resident of India (c) nonresident of India

13. Following are the income of Mr. Ram for the previous year 2014-15

- i. Interest on England development bond (1/5 received in India) 50000
- ii. Income from agriculture in America received there, but later on remitted to India 81000
- iii. Income from property in Canada received outside India 40000
- iv. Income earned from business in Uganda, which is controlled from Delhi (25000 received in India) 45000
- v. dividend (gross) paid by a domestic company an received outside India 40000
- vi. Untaxed profit of 2009-10 brought to India in 14-15 Rs. 10000
- vii. Profit from a business in Chennai which is controlled from London 200000
- viii. Profit on sale of a building in India but received in Srilanka 18000

From the above particulars ascertain the gross total income of Mr. Ram for the previous year 2014-15, If he is –(a) resident of India (b) not ordinary resident of India (c) nonresident of India

## Unit - II

Income from salary

1. Valuate the following perquisites under the head income from salary-

- (1) Domestic servant 2,800 per month.
- (2) Free of cost electricity 850 per month.
- (3) Free education in the employer's school for 2 children-1st child 15,000 and 2<sup>nd</sup> 9,000 per annum.

(4) Reimbursement of medical expenses during the previous year 17,350.

2. Mr. Prites Parikh provided the following facilities-

i. His one son and younger brother are getting free education in the school run by the Trust. The Trust spends 1,200 per months per student.

ii. The employer provided him a motor car for partly official use and partly personal use. Whole expenditure amounting to 26,400 was incurred by the employer.

iii. The employer provided him free water facility from own sources which cost is 100 per month. Beside, electric bills 2,700 were paid by the employer to electricity board. While the connection is in the name of the employee.

iv. The employer sold him a old refrigerator for 2,000 It was purchased by the employer for 4,000 four year ago.

Compute the taxable perquisites income under the head Salaries for the A.Y. 2015-16.

3. A Semi- Govt. Officer receives basic salary 14,000 per months D.A. 48% of basic salary (Under the terms of employment) and bonus equal to one month basic salary.

The following amounts have been deducted from his salary for Recognized provided fund (i) 10% of basic salary (ii) 50% of D.A. The employer contributed 27,000 towards the fund.

Interest credited to the fund balance 20,000 @ 10%.

Compute taxable amount regarding the Recognized Provident Fund.

4. Mr. Premisingsh Parihar is appointed in company on a salary of 8,000 per month. The company provided him with a rent house, fair rent of which is 1,600 per month. Company paid him bonus 8,500 commission 3,000 and advance salary 6,000. He gets also dearness and back. The employer provided the furniture, cost 20,000 with the house.

Determine the value of accommodation facility if-

(a) The house is owned by the employee and situated at city populated 15 Lakhs

(b) The house is owned by the employee and situated of city populated not more than 10 lakhs.

5. Mr. Neeraj Bansal is General Manager in a transport company on a salary of 18,000 p.m. The company has provided him with accommodation for which 10% of his salary is deducted./actual rent paid by the company for the accommodation is 54,000 p.a. He is also receiving entertainment allowance of 500 p.m. valuate th4e house facility.

6. Find out the eligible amount for deduction towards Gross salary in the following situation for the assessment year 2015-16.

(a) Mr. Sujeet Sanwani is a manager in a company. The company deducted professional tax 1,800 Income Tax 22,000 and 15,000 for the contribution towards recognized provident fund against his salary.

(b) Mr. Chandra Shekhar Joshi is a Govt. employee. He gets salary 12,500. p.m. and entertainment allowance 800 p.m. professional tax levied by state Government 1,200 was deducted from his salary, His contribution to statutory provident fund is 8.33% of salary.

(c) Mr. Prafulla Jain is saving in an advertising company at salary 15,000 per month and 2,000 p.m. entertainment allowance. He spent half amount of entertainment allowance on company's customers and remaining amount on his family's recreation.

7. Shri Gajendra Mathure was appointed in Mumbai in a private factory on a post of Manager on 1<sup>st</sup> January, 2015. The particulars of his income on 31<sup>st</sup> March, 2015 are given below:

- (1) Basic Salary 46,000 per month.
  - (2) Dearness Allowance 1,000 per month (its 10% is included for retirement benefits).
  - (3) Lunch allowance 300 per month.
  - (4) Children education allowance 150 per month per child (for three children).
  - (5) Rent free accommodation where fair rental value is 5,000 per month house belongs to employer.
  - (6) Hire of A.C. provided in the accommodation 850 per month and cost of furniture 60,000.
- find out value or perquisite of Rent Free Accommodation and taxable salary.

8. Discuss the rules of valuation of perquisites under the head of salary in income tax act?

9. Explain the followings with examples-

1. Valuation of rent free house
2. Valuation of medical facilities
3. Valuation of Servants facilities
4. Valuation of education facilities
5. Leave travel concession
6. Loan without interest or concessional rate

11. How valued facility of rent free accommodation under income tax rules in the following situations-

- (a) Unfurnished and furnished accommodation facility in the case of govt. employee.
- (b) Unfurnished and furnished accommodation facility in the case of non govt. employee if –
  - i) The employer is owner
  - ii) The employer takes house at rent

12. An employee receives basic salary Rs.78,000, dearness allowance Rs. 17,000. City compensatory allowance Rs. 12,000 and commission Rs. 15,000. The employer and employee each contributes 15% of salary to provident fund. Calculate taxable contribution to provident fund if provident fund is- (a) Recognised, (b) Unrecognised (c) Statutory.

13. Mr. Milind Shelke is appointed in company on a salary of Rs. 8,000 per month. The Company provided him with a rent free house, fair rent of which is Rs. 1,600 per month. The Company paid him bonus Rs.8,500, commission Rs. 3,000 and advance salary Rs. 6,000. He gets also dearness allowance 20% of basic salary and 15% transport allowance for commuting from residence to office and back. The employer provided the furniture, cost Rs. 20,000 with the house. Determine the value of accommodation facility if-

- (a) The house is owned by the employer and situated at city populated 15 lakhs.
- (b) The house is owned by the employer and situated at city populated not more than 10 lakhs.

14. Discuss the following deductions.

- (a) Deduction for tax on Profession

(b) Deduction for entertainment allowance

### Income from House Property

1. Answer the following question in short.

(a) Explain the term annual value.

(b) State the exempted income under the head income from house property.

(c) State the standard deduction u/s 24 (a).

(d) State the deduction for interest under section 24 (b).

2. Write notes –

i. Statutory deduction.

ii. Exempted income from house property head.

3. Write short notes on the following –

i. Interest on loan taken for construction.

ii. Recovered of unrealized rent.

4. What is Gross Annual value?

5. What will be annual value in the following condition-

	A	B	C
Municipal value	20,000	30,000	40,000
Actual Rent	40,000	38,000	30,000
Fair Rent	28,000	28,000	32,000
Standard Rent	26,000	26,000	30,000

6. Determine the annual value of the house from following details-

Expected Rent 1,00,000 (annual)

House Let-out @ 1,00,000 P.M.

Municipal tax paid by owner 9,000 (10% of municipal value)

House remains vacant for 1 month

7. Find out the Gross Annual Value of the let out houses-

S.No.	Municipal Value	Fair Rent	Actual Rent	Remark
1.	36,000 p.a.	4,000 p.m.	4,500 p.m.	-
2.	80,000 p.a.	6,000 p.m.	6,000 p.m.	-
3.	55,000 p.a.	60,000 p.a.	6,000 p.m.	2 months vacant
4.	90,000 p.a.	Not available	9,000 p.m.	Light and water facilities free of cost under the terms of rent dead 1,000 P.M.

8. Mr. Mayank Shukla is the owner of a house at Khandwa particulars in respect of which for the year ended 31st march, 2015 are as below:

Actual rent received (monthly) 4,500

Municipal valuation (Annual) 42,000

Fair Rent (monthly) 4,000  
 Total municipal tax 6,300  
 Municipal tax paid by Mayank 4,200  
 Municipal Tax paid by tenant 2,100  
 Interest on loan taken for renovation of the house 18,400  
 Compute Mr. Mayank income from house property for the assessment year 2015-16.

9. Shri Harjeet singh Bhatiya is owner of a house. Its Municipal valuation is 1,50,000 annual and let out at the rent of 12,000 per month while its fair Rent is 10,500 per month. The following expenses were made for the house.

- (i) Local tax 10% property tax and 5% Education & health Cess of Municipal valuation (1/3 tax paid by tenant).
- (ii) Repairs and maintenance 20,000 annual.
- (iii) Ground rent 200.
- (iv) Insurance premium 4,000.
- (v) Collection charges 800.

On 1st July 2010 he obtained loan of 12 Lakhs from Nagrik Sahkari Bank @ 8% per annum for repair of the house. During the previous year he paid 1,50,000 as instalments including interest 83,700 relating to the previous year. Find out the income from house property for the assessment year 2015-16.

10. Mr. Shree Kant Govarikar is owner to two house of Nasik.

The First house, Municipal valuation of which is 2,25,000 per annum, is occupied for self residence and the second house, Municipal valuation of which is 1,40,000 was let out for residential purpose at the rent of 14,250 per month. The following expenses were made for the houses.-

	First House	Second House
Date of Completion	1.8.1996	1.1.1998
Municipal Tax	7,500	5,400
Ground Rent	150	450
Interest on loan for construction	87,750	37,000
Fire Insurance premium	1,450	1,410
Collection charges	825	

Assuming that the second house has remained vacant for 4 month and his other income was 2,90,700 Find our his income house property for the assessment year 2015-16.

11. Mr. Sawan Mandhanya is owner of three houses, whose Municipal valuations are 1,20,000, 1,00,000 and 80,000 per annum respectively Municipal tax is 15% of Municipal valuation. The first house was occupied by Mr. Mandhanya for self residence A Loan taken amounting 15 Lakhs for its construction on 1.4.2000 while the house was completed on 1.1.2002. Second house was let out to Mr. Leeladhar Mundra at the rent of 10,000 per month. Third house is used for his own business. First and second house were completed on 1st April, 2014 and second house was let out from 1st June 2014, third house was completed on 1st January 2014. The expenses of houses are below-

	I	II	III
Repairs	5,000	2,000	4,000

Collection charges	--	6,000	---
Insurance premium	2,000	--	3,000
Interest on loan for construction	1,06,000	10,000	--
Mortgage loan for business purpose	--	40,000	---
Lease rent	--	--	1,000

Find out his income from house property for the assessment year 2015-16.

12. Shri Ganshyam owns four houses. Their municipal valuation is 50,000, 60,000, 55,000 and 1,00,000 respectively. The municipality levies 10% tax. The first house is occupied by him for his residence. The second house is let out to a tenant for residential purpose at a monthly rent of 6,000. The third house is occupied by a business house at an annual rent of 66,000. In the fourth house Shri Ganshyam is carrying on his own business which has yielded a taxable income of 1,00,000. The construction of second and third house was completed on 31.03.2010. He claims the following deductions:

(i) Collection charges 8,000.

(ii) Interest on loan taken for the repairs of the first house amounted to 8,000 per annum, During the previous year 2014-15 16000 were paid as interest which included interest of 8,000 for the year 2013-14.

(iii) Gardener salary 6,000 in respect of third house

Compute income from house property for the assessment year 2015-16.

### Unit – III

#### Income from Business Profession

1. State any four expressly allowed deduction for calculating income from business.
2. State any four expressly disallowed deduction for calculating income from business.
3. Write notes –
  1. Maintenance of accounts.
  2. Compulsory audit of accounts
  3. Deemed profits.
4. Write notes on-
  - i. Amortization of expenditure on acquisition of patent or copyrights.
  - ii. Expenditure on scientific research.
5. Enumerate expenses which are allowed in computing taxable profits of a business and also state expenses or losses which are not admissible?
6. Are the following payments allowed in computation of income from business or profession?
  - i. Gift to employee on Deepawali 3,000
  - ii. Labour welfare expenses 6,300.
  - iii. Contribution to labour welfare fund 8,000
  - iv. Donation to a recognized college 5,000
  - v. Contribution to approved National laboratory for scientific research 7,000.

Give reason in support of your answer

## Capital Gain

1. Distinguish between long term capital gains and short term capital gains. Discuss the procedure of computation of long term capital gains.
2. Short answer type question-
  - i. Define 'capital assets'. Discuss the types of capital assets.
  - ii. What do you mean by indexed cost of acquisition and improvement ?
  - iii. When will the capital gain from residential house be exempted ?



3. Explain short term and long term capital assets.
4. Define 'Capital Assets'.

#### Income from Other Sources

1. Write notes on the following-
  - (a) Income from sub-tenant.
  - (b) Interest on securities,
  - (c) Income from lottery and race.
2. Write a note on taxability of income as dividend on shares.
3. How and how much shall be taxable the amount received as gift?
4. Give 10 examples of Income from other sources.

5. Mr. Jyotirmay ghosh income particulars are as under for the previous year 2014-15.

i. Net amount received from prize of Haryana state lottery 140000.

ii. Profit on sales of plot 16000

iii. Royalty from mine 19000

iv. Income from agriculture land in India 15000.

Collection charges of royalty 1200 and dividend 30. He bought lottery tickets worth Rs. 1760 during the previous year. Compute taxable income from other source for the assessment year 2015-16.

6. Mr. Ankit Maroo has taken a house at the rent of 3000 per month and let out its tree portions at the rent of 1200 per month each. The remaining portion is being used for himself. He incurred the following expenses in connection with the house –

i. Current repair 2000

ii. Insurance premium 1000

iii. Rent collection charges 500

iv. Electric, water, light etc. 2500

During the previous year 2014-15 he has also receives the following income-

i. Wining from horse race 4000.

ii. Loss from cards 1000.

iii. Interest deposited on P.O. 5 years recurring deposit account 1765.

iv. Gifts received –

a. Received 20000 as gift on birthday from his friend.

b. Received 100000 as gift from his elder brother.

c. Received 140000 as gift on marriage from his friends.

d. Received 80000 as gift from has N.R.I friend.

e. Another gift of Rs. 18000 received from his friend.

Compute income from other source.

7. Mrs. Nagrajans receipts were as under-

i. She purchased a plot to build a house on 1 Aug 2014 but was unable to start construction work. Since 1 Nov. 2012 the plot has been let out to a fruit seller at 400 per month.

ii. She received family pension from Andhra Pradesh govt. 51000. Her husband was a govt. officer.

iii. Rent received from sub-tenant 22500. She has paid rent 14000 for the house Rs. 1000 for other expenses of house were incurred by her.

iv. Interest received on debentures (Listed) of an Indian company amounting to Rs.4950. On 1st Dec.2014 she borrowed Rs.150000 @ 15% per annum for purchasing 14% reliance industries debentures. During the previous year she did not received any interest on such debentures.

v. She is a partner in a firm and received a profit share of Rs. 10500 and interest on capital Rs.7360.

8. Mr. naveen godbole's investments are as follows on 1st April, 2014-

i.12% Porwal mills (Pvt. ltd) Debentures 15000.

ii. 7% (Less tax) Maruti trading company debentures 8000 listed at a recognized stock exchange in india. He sold Maruti Trading Company debentures on 1st Aug. 2014 @ 103 (Ex-interest)

Brokerage paid 1/2%.

- iii. 0% fixed deposit to kotak mahendra finance Ltd. 7000.
  - iv. 7.5% tax free [u/s 10 (15)] Indian Govt. securities 18000.
  - v. 14% (less tax) Arvind mills debentures 12000 (listed)
- Compute income from other sources. Interest is payable half yearly on each 15 July and 1st January.

#### Unit IV

#### Clubbing of income & Set off & Carry Forward

1. “An Assessee is not only liable in respect of his own incomes for tax purposes but his liability may extend to some other incomes also”. Comment on the statement.
2. What is the significance of clubbing of income?
3. What are the provision of inclusion of the income of minor child & wife of assessee in his total income?
4. “ It is said that clubbing is not applicable in the case of negative income” Explain.
5. X & Mrs.X hold 20% & 30% equity shares in C Ltd. respectively. They are also employed from 1/4/2014 in Bombay branch of C Ltd. (Monthly salary Rs.80000& Rs.40000 respectively) without any technical/professional qualification.  
Other Income of X & Mrs. X are rs.160000 & Rs.190000. Find out the net income of X & Mrs. X for the assessment year 15-16.
6. Discuss the provision under Income tax act relating to set off and carry forwards of losses.
7. “The loss under one head of income can be set off against the income under other heads during the same assessment year”. Explain the statement and state the exceptions.
8. Explain Inter head & same head set-off.
9. Mr. B has received rent Rs.90000 from a rental property. Current year business profit Rs.80000. Past year trade loss Rs.150000 have been brought down. It included a loss of Rs.50000 of a business which was wound up. Unabsorbed depreciation Rs.33000 of 2013-14 is brought forward. Determine gross total Income adjusting the loss under Income tax provisions.
10. Following are the particular submitted by Mr. Siddharthanath for the year ending 31st March 2014, Compute his total Income-

Particular	Amount
i) Income from house property-	
a) Income from House A	60000
b) Loss from House B	20000
ii) Income from Business or Profession-	
a) Income from cloth business	30000

b) Loss from Hardware business	60000
c) Loss from speculation Business	10000
iii) Income from other sources-	
a) Income from Lottery	25000
b) Loss from maintenance of horse race	7000
c) Interest on securities	10000
iv) Gross salary	166000

#### Deduction from G.T.I.

##### 1 . Discuss the following deductions-

- (a) Deduction in respect of Life Insurance Premium, Contribution to Provident Fund, NSC etc. (Sec80C)
- (b) Deduction for medical treatment of dependent being a person with disability ( Sec. 80DD)
- (c) Deduction for donation (Sec. 80G)
- (d) Deduction in respect of payment of interest taken for higher education (Sec. 80E)
- (e) Deduction in respect of contribution to pension fund set up by LIC or other insurer (Sec. 80CCC)
- (f) Deduction for Medical Insurance (Sec. 80D)
- (g) Deduction for Income of persons with disability (Sec. 80U )

##### 2. An Assessee made the following payments during the previous year 2014-15-

- (1) Life insurance premium-
  - (a) On own life Rs. 12,000 (Policy amount Rs. 80,000)
  - (b) On father's life Rs. 2,000 (policy amount Rs. 25,000)
- (2) Contribution to Recognised P.F. 15% on Rs. 36,000.
- (3) NSC (VIII Issue) purchased Rs. 30,000.

3. An assessee spent Rs. 30,000 for treatment of his dependent son, who is handicapped and also deposited Rs. 10,000 under an approved scheme. Show the amount deductible u/s 80DD in respect of maintenance of disabled dependent.

4. Mr. Ramdayal Shukla resides at Kanpur in a rental house for which he pays rent Rs. 4,000 per month. During the previous year his G.T.I. was Rs. 2,66,000. He paid Rs. 6,000 for medical insurance premium. Compute deduction under section 80GG in respect of rent paid.

#### Computation of Total Income & Tax Liability of Individual

1. State the method of rounding off of income.
2. Distinguish between Total Income and Gross Total Income.
3. Name of various heads of income and their brief introduction.
4. Name and sections of any 8 deductions given from G.T.I.

5. Give Income tax applicable for woman assessee.

6. Mr. x has submitted following particulars for the assessment year 2015-16

- (1) Taxable income from salary 200000
- (2) Taxable income from house property 100000
- (3) Income from business 80000
- (4) Long- term capital gain 20000
- (5) Income from lottery 10000

You are required to compute his total tax liability

7. From the following information compute net tax payable by Mrs. Vidhya Maheshwari for the A.Y.2015-16

- (1) Income from salary (computed) 2,45,000
- (2) Interest on Govt. Securities 25,000
- (3) Lottery Winning 1,00,000
- (4) Donation to Prime Minister National Relief Fund 50,000

## **Unit V**

### Procedure for Assessment

1. Discuss the provision of Income Tax Act relating to filing of Return of Income
2. Discuss the procedure of assessment under Income Tax Act.
3. Discuss the various types of Assessment. Describe the procedure of assessment.
4. Write short notes on the following-
  - (a) Best Judgement Assessment
  - (b) Regular Assessment
  - (c) Self Assessment
  - (d) Rectification of mistakes
5. State the provisions for belated return.
6. What is Permanent Account Number?
7. Explain self- assessment of tax.
8. Discuss the various provision of Income Tax Act regarding penalties.
9. Describe the procedure for filling an appeal to the commissioner( Appeal).
10. What is Central Board of Direct Tax? Discuss its functions& Powers.