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V Semester B.Com. Examination, November/December 2014
(Fresh) (2014-15 & Onwards)
COMMERCE
5.3 : INCOME TAX

Time : 3 Hours

Max. Marks : 100

Instruction : Answer should be written either completely in **English** or **Kannada**.

SECTION – A

Answer **any ten** questions. **Each** question carries **two** marks.

(10×2=20)

1. a) Define the term Previous Year.
- b) State the various heads of Income.
- c) Give any two examples of agricultural income.
- d) Who can be resident but not ordinary resident under Income Tax Act ?
- e) Who is assessee-in-default ?
- f) How do you treat an income as an Indian income or as a Foreign income ?
- g) Define Annual value.
- h) Give the meaning of salary for the purpose of calculating exempted earned leave salary.
- i) What is meant by an allowance ?
- j) What is standard rent ?
- k) Expand CBDT and PAN.
- l) Mention any two exempted income.



SECTION – B

Answer any four questions. Each question carries eight marks.

(4×8=)

2. Explain the canons of Taxation.

3. Mr. Harish a General Manager in a private company in Bangalore, retired from his service on December 15, 2013 after 28 years and 8 months of service and receives ₹ 3,50,000 as death cum retirement gratuity. At the time of retirement his basic salary was ₹ 18,200 per month. He has received ₹ 1,000 per month as D.A., 80% of which form part of salary for the purpose of computation of retirement benefits and 6% commission on turnover achieved by him. Total turnover achieved by him for 10 months ended 30th November 2013 is ₹ 1,50,000.

Assume he is not covered under Gratuity Act. Compute his taxable gratuity for the A.Y. 2014-15.

4. Mr. Veeresh a citizen of England came to India for the first time on 01-05-2007. He stayed here without any break for 3 years and left for Singapur on 01-05-2010. He returned to India on 01-04-2011 and went back to England on 1-12-2011. He was pointed back to India on 20-1-2014.

Determine his residential status for the A.Y. 2014-15.

5. Calculate total house property net annual value for the A.Y. 2014-15.

Particulars	₹
Municipal value	1,20,000
Fair rent	1,30,000
Standard rent	1,10,000
Actual rent	
[If the property is let out throughout the P.Y.]	1,26,000
Unrealised rent	10,500
Vacancy period	1 month
Municipal tax paid by owner	17,000

6. Mr. Srinidhi retires from service on 30-6-2013. He is paid pension of 7,500 per month. He commutes 75% of his pension on 1-12-2013 and received 4,50,000 as commuted pension.

Compute the taxable amount of commuted pension for the assessment year 2014-15 assuming that

- a) He is government employee
- b) He is non government employee who doesn't receives gratuity
- c) He is non-government employee receives gratuity.



SECTION – C

Answer any three questions. Each question carries sixteen marks.

(3×16=48)

7. Mr. Nischay furnishes the following particulars of his income earned during the previous year 2013-14.

- a) Profit from business in Chennai ₹ 50,000.
 - b) Income from agriculture in Srilanka ₹ 1,90,000.
 - c) Income from property in Mexico received there ₹ 2,00,000.
 - d) Interest on Singapur Development Bonds ₹ 1,50,000 ($\frac{1}{3}$ received in India).
 - e) Income from business in Kuwait controlled from Mumbai ₹ 85,000 (₹ 35,000 received in India).
 - f) Dividend from domestic company ₹ 1,000.
 - g) Profit on sale of building in Bangalore received in Nepal ₹ 50,000.
 - h) Income from agriculture in Punjab ₹ 1,00,000.
 - i) Profit on sale of plant at London ₹ 50,000 (50% is received in India)
 - j) Rent from House property in Nepal received there ₹ 20,000
 - k) Profit from business in Mysore received in Mandya ₹ 25,000.
 - l) Dividends from U.K. based company received in U.K. ₹ 27,000.
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Compute his Gross Total Income for the Assessment year 2014-15 if he is

- a) Ordinary resident
- b) Not ordinary resident
- c) Non resident.

8. The following particulars relates to the income of Mr. Pavan for the previous year 2013-14 :

He is employed in a cotton textile mill at Bangalore on a monthly salary of ₹ 25,000. He is also entitled to a commission @ 1% of sales effected by him. The sales effected by him during the previous year amounted to ₹ 40,00,000. He received the following allowances and perquisites during previous year :

- a) Dearness pay at ₹ 6,000 per month.
- b) Bonus at two months basic salary.
- c) Entertainment allowances @ ₹ 2,000 per month.
- d) House rent allowances at ₹ 5,000 per month.
- e) The employer paid ₹ 10,000 towards the income tax liability of Mr. Pavan.
- f) The employer provided a telephone at his residence by meeting all expenses amounting to ₹ 6,000 for the year.
- g) He and his employer contributed 15% of his salary to his R.P.F. and interest credited to this fund at 10% amounted to ₹ 30,000 during the previous year.
- h) He spent ₹ 6,000 per month as rent of the house occupied by him in Bangalore.

Compute his taxable income under the head salaries for the assessment year 2014-15.



9. Mr. Mukesh is owner of three houses in Bangalore.

Particulars	House A	House B	House C
	₹	₹	₹
Fair Rent	18,000	15,000	12,000
Municipal valuation	15,000	20,000	10,000
Let out (Per month)	2,000	1,500	2,500
Use by tenant	Residential	Office	Residential
Construction started	30-5-2008	1-1-2008	2-3-2005
Construction completed	1-4-2011	1-6-2011	31-3-2006
Repair expenses	1,000	–	4,000
Collection charges	2,000	500	–
Interest on Loan			
a) For construction	10,000	–	–
b) For marriage of daughter	–	6,000	–
c) For repair	–	–	1,000

Municipal Tax is 10% of Municipal valuation. Municipal tax of House 'A' was paid by owner but Municipal tax of House 'B' was not paid upto 31st March 2014. Municipal Tax of House 'C' was paid by the tenant. The House 'C' was remained vacant for 2 months.

Compute income from House property for the Assessment Year 2014-15.



10. Mr. Ganesh the manager of Maruthi Suzuki Ltd., Mumbai, has furnished the following details of his income for the year ended 31st March 2014 :

- i) Basic salary ₹ 21,000 per month.
- ii) Bonus - 2 months basic salary.
- iii) Commission is 3% on sales - During the year he reached a sales of ₹ 5,00,000.
- iv) Dearness allowance forming part of salary ₹ 7,000 per month (Considered to retirement benefits).
- v) Medical allowance ₹ 1,400 per month.
- vi) Entertainment allowance ₹ 3,000 per month.
- vii) Childrens hostel allowance for his two children at ₹ 500 per month per child.
- viii) R.P.F. – Company's contribution ₹ 6,000 per month.
- ix) R.P.F. – Own contribution ₹ 5,000 per month.
- x) Interest on R.P.F. at 11% P.a. ₹ 44,000.

He has been provided rent free furnished accommodation at Mumbai whose fair rental value is ₹ 10,000 and cost of furniture ₹ 60,000. He paid professional tax of ₹ 2,400.

Compute his taxable salary for the Assessment year 2014-15.