

V Semester B.B.M. Examination, December 2006
(Semester Scheme)
INCOME TAX – 5.1

3 Hours

Max. Marks: 90

Instruction: Answer in English only.

SECTION – A

Answer any ten sub-questions. Each question carries 2 marks.

(10×2=20)

- a) Distinguish between direct tax and indirect tax.
- b) When does an individual become a resident, but NOR ?
- c) How is RPF treated in income tax ?
- d) What is salary for the purpose of valuing Rent-free house ?
- e) Mention the four cases, when property income is not charged to tax.
- f) What is 'vocation' ?
- g) What is unabsorbed depreciation ?
- h) What is a capital asset ?
- i) What is a casual income ?
- j) What does Sec. 80GG stand for ?
- k) Mention any four income tax authorities.
- l) State four incomes chargeable under 'other sources'.

SECTION – B

Answer any five questions. Each question carries 5 marks.

(5×5=25)

What is income U/S 2(24) of the Income Tax Act, 1961 ?

Explain the meaning of the following:

- a) Tax-free non-Govt. securities
- b) Less-tax non-Govt. securities

4. Mr. Nishanth, a foreign national, came to India for the first time on 15-06. During the financial years 2000-01, 2001-02, 2002-03, 2003-04, 2004-05, 2005-06 he stayed in India for 120 days, 115 days, 15 days, 191 days, 124 days and 80 days respectively. Determine his residential status for the AY 2006-07.
5. Compute the gross salary of Mr. Nischal from the information given below:
- Salary at Rs. 3,500 p.m.
 - DA at Rs. 1,000 p.m.
 - CCA at Rs. 200 p.m.
 - HRA at Rs. 1,000 p.m.
 - Commission on turnover achieved by him Rs. 6,000.
 - He is living in a rented house at Bangalore paying a rent of Rs. 1,000 p.m.
6. Calculate the gross annual value from the following:

Particulars	House 'A'	House 'B'
	Rs.	Rs.
Municipal value	1,00,000	95,000
Fair Rental value	80,000	—
Standard Rent	90,000	80,000
Actual rent (per month)	8,500	8,000
Vacancy period (in months)	$\frac{1}{2}$	1

7. Mr. Viswas has the following incomes during the year ending 31-03-2006:
- Dividend declared by X Company, Bangalore on 31-03-04, Rs. 12,000.
 - Interim dividend received on 31-05-05, Rs. 5,000.
 - He won gold worth Rs. 25,00,000 from Rajasthan State lottery.
 - Interest received on Govt. securities held as investment, Rs. 20,000.
 - During March 2006, he earned Rs. 2,00,000 as prize money on horse races. These horses are owned by him and expenditure incurred on maintenance of these horses amounted to Rs. 2,10,000.

Compute his income from other sources for the AY 2006-07.

Mr. Vinay purchased a house on 01-01-1970 for Rs. 10,00,000 (FMV on 01-04-1981 Rs. 12,00,000). He sold the house on 10-10-2005 for Rs. 85,00,000 and purchased another house on 15-10-2006 for Rs. 10,00,000. He also deposited Rs. 1,00,000 in Capital Gain Account Scheme, before filing his return of income.

Compute his taxable capital gain for the AY 2006-07.

(CII for 1981-82 = 100 and 2005-06 = 497)

From the following particulars, compute the gross total income of Mr. Sanath for the AY 2006-07.

- i) Income from House property 'A' Rs. (-) 8,00,000
- ii) Income from House property 'B' Rs. 5,00,000
- iii) Short-term capital gain on sale of shares Rs. 9,00,000
- iv) Short-term capital loss on sale of jewellery Rs. (-) 4,00,000
- v) Long-term capital loss on sale of shares Rs. (-) 50,000
- vi) Interest on Govt. securities Rs. 20,000
- vii) Unabsorbed depreciation brought forward Rs. 85,000 from 2002-03.

SECTION - C

Answer any three questions. Each question carries 15 marks.

(3×15=45)

Mr. Laxmikanth is a purchase officer in a company in Bangalore. He furnished the following particulars regarding his income for the PY 2005-06:

- i) Net basic salary Rs. 1,20,000 which is after deducting Rs. 2,000 for income tax, Rs. 10,000 as contribution to RPF and rent of the bungalow Rs. 3,600.
- ii) Bonus Rs. 1,800.
- iii) Travelling allowance for official duty travelling Rs. 25,000.
- iv) Reimbursement of medical bills Rs. 15,000 (treatment was done in a Govt. hospital in India)
- v) He lived in a bungalow belonging to the company. The company has provided on this bungalow, the facility of a gardener and a cook, each of whom is being paid a salary of Rs. 250 p.m. and Rs. 800 p.m. respectively. The company paid in respect of this bungalow Rs. 4,800 for electric bill and Rs. 1,200 for water bill.

- vi) He has been provided with a large car for official and personal use. maintenance and running expenses of the car (including driver) are borne by the company.
- vii) The following amounts were deposited in his Provident Fund A/c:
- Own contribution Rs. 10,000
 - Company's contribution Rs. 10,000 and
 - Interest at 9.5% p.a. Rs. 9,075.

Compute his taxable income from salary for the AY 2006-07.

11. Mr. Bhaskar owns a building consisting of three identical and independent units, the construction of which was completed on 1st April, 2005. The building was occupied from 1st April, 2005 onwards. The particulars pertaining to three units for the year ended 31st March, 2006 are given below:

	Unit I	Unit II	Unit III
	Rs.	Rs.	Rs.
Fair Rent	60,000	60,000	60,000
Rent received	—	72,000	—
Municipal taxes: Paid	3,000	5,000	3,000
Due but not paid	3,000	5,000	3,000
Land revenue due, but outstanding	1,200	1,200	1,200
Ground rent due, not yet paid	2,400	2,400	2,400
Nature of occupation	self-occupied for residence	let-out for residence	used for business

On 01-04-2004, Mr. Bhaskar had borrowed a sum of Rs. 5,00,000 with interest at 12% p.a. for the construction of this building. The total cost of construction of the building was Rs. 12,00,000.

The business income of Mr. Bhaskar for the year ended 31st March 2006 was Rs. 2,10,000 (before taking into account any item connected with the property.) The accounts of the business are regularly maintained on mercantile basis.

Compute the gross total income of Mr. Bhaskar for the AY 2006-07.

From the following P & L A/c of a business for the period ended 31-03-2006, ascertain the taxable profits from business and the gross total income for the AY 2006-07:

	Rs.		Rs.
Office salaries	10,000	Gross profit	1,57,320
Proprietor's salary	5,000	Capital gains on sale of	
Interest on capital	2,000	residential house	25,000
General expenses	5,000	Interest from Govt. securities	4,500
Bad debts	2,000	Dividends (gross)	3,200
Advertisements	4,500	Interest from post-office	
Fire ins. premium	2,000	Savings A/c	2,000
Depreciation	4,000		
Reserve for future losses	10,000		
Income tax	4,000		
Advance income tax paid	2,000		
Donations to B'lore University	1,000		
Motor Car expenses	1,000		
Legal charges for defending suit			
for alleged breach of contract	500		
Net profit	1,39,020		
	1,92,020		1,92,020

General expenses include Rs. 1,000 paid as compensation to an old employee whose services were terminated as his continuance in service was considered detrimental to the profitable conduct of the business and Rs. 200 by way of help to a poor university student. The depreciation is found to be in excess by Rs. 1,800. The advertisement cost includes one New sign-board Rs. 500, calendars and diaries Rs. 1,500. Motor-Car expenses include Rs. 500 for private use of the Car. The assessee has received demand notices of sales tax for earlier years amounting to Rs. 10,000 and he has not disputed the liability. Reserve for future losses is meant for this liability.

13. Mr. Renuka is a reputed vakil of Bangalore. He has prepared the following Income and Expenditure A/c for the year ended 31st March 2006:

Rs.			
Household expenses	12,000	Legal fees	1,26,000
Office expenses	7,000	SPl. commission appointment fees	1,400
Charity	500	Cash gifts received from clients	2,000
Telephone expenses	500	House rent	15,000
Income tax	900	Interest on Govt. securities	3,000
Rent	4,000	Salary as part-time lecturer in law	6,000
Gift to daughter	2,000		
Electricity charges	1,000		
Donation to National Defence Fund	1,000		
Contribution to PPF	2,400		
Law journal	3,000		
Salaries	15,000		
Purchase of motor-car	60,000		
Purchase of furniture	2,000		
Life insurance premium	5,000		
Motor-car expenses	6,000		
Purchase of Typewriter	6,000		
Excess of income over expenditure	25,100		
	1,53,400		1,53,400

Following other particulars were received:

- Mr. Renuka lives in one-half of the house and the other half is used for office. Rent and electricity charges are in respect of this house.
- One-half of car expenses are for personal use.
- Depreciate motor-car at 15% and furniture at 10%.

Compute his taxable income from profession for the AY 2006-07.

4. Mr. Sai Bangaaru, working in Western India Ltd., Bangalore, has furnished the following details of his income for the year ended March 31, 2006:

- i) Salary Rs. 12,000 p.m.
- ii) Bonus equal to six months' salary.
- iii) Transport Allowance (for coming to office and going back to his residence) at Rs. 650 p.m.
- iv) Entertainment Allowance at Rs. 500 p.m.
- v) HRA at Rs. 3,000 p.m., but he paid a rent of Rs. 4,000 p.m.
- vi) Personal medical bills of Rs. 10,000 were reimbursed by the employer. His treatment has been done in a private nursing home not belonging to the employer.
- vii) His contribution to the company's RPF is Rs. 18,000 and the employer contributes an equal amount. The interest credited to the Provident Fund A/c 9.5% p.a., Rs. 12,000.
- viii) Interest on Govt. securities Rs. 3,000.
- ix) Income from units of Mutual fund Rs. 5,500 (gross).
- x) Interest on 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 his total income for AY 2006-07 and also state the amount entitled to deduction U/S 80C.
