



THE AMERICAN COLLEGE, MADURAI

(An Autonomous Institution Affiliated to Madurai Kamaraj University)
Re-accredited (2nd Cycle) by NAAC with Grade "A", CGPA – 3.46 on a 4-point scale

Backlog Arrear Examination, March 2021

INCOME TAX

Course Code: CMC 3634

Max Marks: 75

Time: 3hrs

Answer any FIVE of the following not exceeding two pages (5X15=75)

1. Enumerate the powers of the Director General of Income Tax and Directors of Income Tax.
2. Discuss the penalties imposed by Income Tax Authorities.
3. From the following particulars of income of Shri M during the year ending March 31, 2015 ascertain his **total income** for the Assessment Year 2015-16.

S.No.	Particulars
1	As a secretary of a company, he received salary at Rs.25,000 p.m. and a house rent allowance of Rs.5,000 p.m. He is living in a house for which he pays Rs.6,000 p.m.
2	He had a house property which was let out at Rs.2,000 p.m. for which he had to pay Rs.500 as ground rent and Rs.167 as insurance charges. The house was subject to local tax at Rs.2,000 per year.
3	He owned a residential house since 1965 which he sold during the year at a profit of Rs.2,500.
4	He had some agricultural lands in the village wherefrom he received an income of Rs.4,200.
5	During the year he received Rs.750 as interest from saving account in the bank and Rs.3,550 interest on Postal Saving Bank Account.
6	He was a gambler and during the year he earned an income of Rs.5,900 from gambling.
7	From a mutual fund his dividend income is Rs.3,000.
8	He earned Rs.27,500 as interest from Government securities.
9	He had a half-share in an AOP and his share of profit was Rs.7,200.

- AOP has no such member whose individual income exceeds exempted limit.
- He insured his life and paid Rs.28,000 as premium.

- He got his LIC Policy in May 2012 and the capital sum assured is Rs.2,50,000.
 - He donated Rs.20,000 for promotion of family planning.
4. Sanjay Chopra, his two brothers and major son constitute an H.U.F. and the following statement of income has been submitted by them for assessment purposes:

S.No.	Particulars
1	Profit from business carried on by the karta in the account and on behalf of H.U.F. Rs.1,80,000 (after deducting Rs.6,000 paid to Vijay a member of the H.U.F. for working as travelling salesman and Rs.20,000 paid to Sanjay Chopra for managing the affairs of the business.)
2	The family owns a house with the rental value of Rs.10,000, local charges in respect of this being Rs.500. It is used for residence of the family. Mr. Chopra has created a charge on this house for payment of Rs.5,000 p.a. to his sister. Fire insurance premium paid is Rs.100 and theft insurance Rs.200.
3	The H.U.F. sold another house for Rs.12,00,000 on 10 th April, 2014 (Cost Inflation Index in 2014-15 was 1024) which was acquired in 1955. Its fair market value on 1 st April 1981 was Rs.1,20,000. (C.I.I. for 1981-82 was 100)
4	Loss of stock in trade occasioned by enemy action Rs.5,000 not charged earlier.
5	Sanjay Chopra wins a prize of Rs.50,000 in Rajasthan State Lottery and claims it as his personal winnings. It is on record that the ticket was bought in his name though the rupee has been spent from the cash box of the business.
6	Dividend on units of mutual funds Rs.5,000. Interest credited in saving bank account Rs.15,000. Interest on debentures Rs.10,000 and Interest on Government securities held by family was Rs.9,000.

Compute the **total income** of the family for the Assessment Year 2015-16.

5. Profit and Loss Account of ABC and Co. (a firm of chartered accountants) for the year ending 31-3-2015 is as follows:

Profit and Loss Account

Particulars	Rs.	Particulars	Rs.
Expenses	10,000	Receipts from Clients	1,35,000
Depreciation	75,000	Bank Interest	25,000
Remuneration to Working partners	80,000	Net Loss	42,500
Interest on capital to partners @ 20%	37,500		

	2,02,500		2,02,500
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Other information:

- 1) Out of expenses of Rs.10,000 Rs.6,400 is not deductible by virtue of section 36 and 37.
- 2) Depreciation as per section 32 is Rs.27,500.

Find out the amount of **total income** of the firm for the assessment year 2015-16. The remuneration and interest on capital to partners have been paid according to partnership deed, which as submitted along with return.

6. An Indian company carries on business in Motor Transportation. Its Profit and Loss Account for the previous year 2014-15 shows a net profit of Rs. 2,80,610. Find out **Gross Total Income** and **Tax Liability** of the company after taking into consideration the following particulars.

S.No.	Particulars
1	The Profit and Loss Account was debited with the following expenses: <ul style="list-style-type: none"> - Rs.2,50,000 as depreciation. - Rs.18,750 as Bad Debt Reserve. - Rs.12,000 spent to obtain a new licence and the company was able to get it. - The engine of a very old bus was replaced by a new one by spending Rs.60,000. - Mr. X, a retiring director, was paid Rs.60,000 as gratuity in appreciation of his services. In the past, the company never paid such a gratuity to any of its retiring directors and even the service conditions did not provide for the payment of such gratuity.
2	The Profit and Loss Account was found credited with following incomes: <ul style="list-style-type: none"> - Agricultural receipts of Rs.65,000. - Rs.12,000 interest from an Indian Company on its debentures (Gross)
3	Capital gain on sale of Motor Car Rs.20,000 (Short Term).
4	As per the rates applicable in the current year, the amount of depreciation comes to Rs.1,65,000.
5	Book Profits as per Section 115JB Rs.6,00,000.

7. XYZ, a domestic company (in which public are substantially interested) in manufacturing textile. For the year ending 31.3.2015, the Profit and Loss Account showed a net profit of

Rs.10,00,000 on a turnover of Rs.One crore. This include following debits to Profit and Loss Account.

S.No.	Particulars	Rs.
1	Dividends amounting to Rs.20,000 paid to the shareholders for the accounting year 2014-15.	
2	Interest amounting to Rs.10,000 paid on the loan taken for the payment of the company's income tax liability.	
3	Interest amounting to Rs.15,000 paid on the loan taken to make donation to an approved charity.	
4	<ul style="list-style-type: none"> - Rs.20,000 spent by the managing director include: <ul style="list-style-type: none"> (1) Visit to Canada to buy machinery and finalise a collaboration agreement for a new independent undertaking proposed to be set-up (cement factory) Rs.10,000 and (2) USA to study export market for textiles Rs.10,000. - Managing Director's wife accompanied her husband Rs.10,000 was contributed by the company towards her foreign trip expenses and the Canadian collaborator paid Rs.16,000 towards her expenses. 	
5	Company incurred Rs.25,000 as entertainment expenditure.	
6	Company incurred expenditure of Rs.1,00,000 as follows: <ul style="list-style-type: none"> - Advertisement in newspaper Rs.50,000. - Advertisement in Souvenir of a political party – BJP Rs.25,000. - Guest house at factory Rs.35,000. 	
7	Rs.20,000 paid to legal advisers in respect of proceedings before income tax authorities.	
8	Penalty of Rs.24,000 for importing yarn in contravention of import regulations.	

Compute the **taxable income** of the company as per normal provisions and **dividend tax liability**.
