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Kambal

Avinashilingam Institute for Home Science and Higher Education for Women
Deemed to be University Estd. u/s 3 of UGC Act 1956, Category A by MHRD (now MoE)
Re-accredited with A++ Grade by NAAC. CGPA 3.65/4, category I by UGC
Coimbatore - 641 043, Tamil Nadu, India
Bachelor's Degree Examination – May 2025
VI Semester

Class : III UG
Major : Retail Management

Time : 3 Hours
Max. Marks: 100

21BREC25 Income Tax Law and Practice

Course Outcomes

- CO1: Elucidate an understanding of theoretical and technical knowledge of taxation law principles as they Apply through legislation, for both individuals and business entities.
CO2: Analyze, generate and transmit solutions to complex problems in relation to taxation matters.
CO3: To efficiently compute tax for Business and Profession and knowledge on tax authorities.
CO4: To efficiently handle assessment to 1' Individuals and Partnership Firm
CO5: To be a potential person on the knowledge of Income tax Authorities.

Part A

10 x 1 = 10

Choose the Correct Answer

1. Which of the following is NOT a head of income under the Income Tax Act, 1961? CO1K1
 - a. Income from Salary
 - b. Income from House Property
 - c. Income from Capital Gains
 - d. Income from Indirect Taxes

2. What is the difference between direct and indirect taxes? CO1K2
 - a. Direct taxes are levied on income while indirect taxes are levied on goods and services.
 - b. Direct taxes are levied by the central government while indirect taxes are levied by state governments.
 - c. Direct taxes are progressive while indirect taxes are regressive.
 - d. All of the above.

3. Computation of Income under Salary and House Property CO2K2

Which of the following allowances is generally exempt from tax?

 - a. House Rent Allowance
 - b. Travel Allowance
 - c. Medical Allowance
 - d. Entertainment Allowance

4. What is the tax rate applicable on long-term capital gains from the sale of equity shares? CO1K2
 - a. 10%
 - b. 15%
 - c. 20%
 - d. 30%

5. Assessment of Individuals and Partnership Firms CO1K2

Which of the following is NOT a condition for the chargeability of salary?

 - a. Receipt of salary in cash
 - b. Receipt of salary in kind
 - c. Receipt of salary in foreign currency
 - d. Receipt of salary in crypto currency

6. How is the income of an individual assessed for tax purposes in most jurisdictions? CO3K3
 - a. On a daily basis
 - b. On an annual basis
 - c. On a monthly basis
 - d. On a transactional basis

7. In the case of a partnership firm, who is responsible for the assessment of income? CO3K3
 - a. Each partner individually
 - b. Only the managing partner
 - c. The firm as a separate entity
 - d. The government tax authorities

8. Which body is responsible for administering and enforcing income tax laws in many countries? CO4K4
 - a. Ministry of Finance
 - b. Central Bank
 - c. Income Tax Authority
 - d. Chamber of Commerce

9. Which authority is responsible for assessing the tax liability of an individual? CO4K4
 - a. Income Tax Officer
 - b. Joint Commissioner of Income Tax
 - c. Commissioner of Income Tax
 - d. Central Board of Direct Taxes

10. What is the purpose of an income tax appeal? CO5K5
 - a. To challenge the tax assessment order
 - b. To seek a refund of excess tax paid
 - c. To obtain a stay on tax recovery proceedings
 - d. All of the above

Part B

5 x 6 = 30

Answer ALL questions

Each answer should not exceed 400 words or two pages

- 11.a. Distinction between direct and indirect taxes. Provide examples of each. CO1K1
- (or)
- 11.b. Distinction between resident and non resident. Provide examples of each. CO1K2
12. a. Explain how the residential status of an individual determined for income tax purposes? CO2K3
- (or)
- 12.b. Write about the significance of the basis of charge in income tax computation? CO3K3
- 13.a. Briefly explain the process of computing taxable income under the head "Salaries." CO3K3
- (or)
- 13.b. Mr. Ramesh earns a monthly salary of Rs. 1,00,000. He also receives a house rent allowance of Rs. 20,000 per month. Calculate his taxable salary assuming he does not stay in a metro city. CO3K2
- 14.a. A partnership firm has a net profit of Rs. 5,00,000. Calculate the tax liability of the firm assuming a tax rate of 30%. CO4K4
- (or)
- 14.b. Differentiate between the tax treatment of salary and business income. CO4K4
- 15.a. Enumerate the following profit and loss account of a manufacturer calculate the income under the head profit and gains of business or profession for the year ending 31st march CO5K1

Particular	Amount	Particular	Amount
Salaries to employee	195000	Gross profit	580000
Advertisement expenses incash)	24000	Interest on securities	14000
General expenses	16000	Income from house property	25000
Entertainment expenses	22000	Bad debts recovered (allowed earlier)	12000
Bad debts	1500		
Drawing by the proprietor	24000		
GST(due and paid on 1-7-2020)	6000		
Interest on Proprietors capital	7000		
Repairs	2500		
Rent	21000		
Legal expenses	5000		
Depreciation	15000		
Bonus Due	6000		
Bonus to the proprietor	4000		
Car purchased	72000		
Expenses on car duties the year	12000		
donation	2000		
Provision bad debts	6000		
Net profit	190000		
Total	631000	Total	631000

Additional information:

1. Advertisement expenses were spent on inserting in news paper
2. RS. 3000 were spent on purchase of land and are included in legal expenses
3. Half of the repair expenses were on let-out building
4. Depreciation allowable on all assets including car is RS. 14400
5. Bonus was paid to employees on 30-6-2023 and date of filling of return is 31- 7-2023

(or)

- 15.b. List out and explain the income exempted from income tax CO5K1

Part C

5 x 12 = 60

Answer ALL questions

Each answer should not exceed 800 words or four pages

- 16.a. Discuss the merits and demerits of the current provisions for taxing capital gains in India. CO4K4
- (or)
- 16.b. Express calculate the ARV from the particulars given below: CO2K3
- | | |
|-------------------------|-----------------------------|
| Actual rent RS: 6000 pm | MRV RS: 60000 p.a |
| FRV RS : 66000p.a | Standard rent RS: 69000 p.a |
- During the previous year 2021-22 assesses could not realise rent for 2months Calculate ARV.

- 17.a. Illustrate the deductions under section 80c. CO2K2
(or)
- 17.b. Investigate the tax benefits available to senior citizens and calculate the tax liability of a senior citizen with a specific income profile. CO3K2
- 18.a. Explain the Exempted income U/S 10 and explain any 10 exempted income. CO4K3
(or)
- 18.b. Critically evaluate. Mr. Santhosh sold a house on 1.9.2020 for Rs. 15,00,000. This house was inherited by him during 2001-2002 from his father who had constructed it in 1991-1992 for Rs 50000. Mr. Santhosh spent Rs 50000 on renovation of the house in 2006-2007 fair market value of the house as on 1.04.2001 was Rs.4,40,000. These houses was under negotiations for sale in May 2010 and he received Rs. 20000 as advance money. The contract could not materialise and the advance money was forfeited. Compute the amount of capital gain assuming that he does not qualify for any exemption.
[C.I.I for 2001-02 : 100, 2006-07 : 122, 2010-11 : 167 & 2020-21 : 301] CO4K4
- 19.a. Mrs.Kavya an employee of ABC Ltd retired on 31.10.2020. CO2K3
Her particulars are as follows in Rs.
1. Basic salary 10000
2. Years of service 22 years 11 months
3. Leave encashment 150000
4. Leave availed during the service 15 months
5. Balance unweiled leave 18 months
6. Average salary of the last 10 months 9000
7. Leave eligibility - A month and a half for every completed year of service Compute Gross Salary.
- (or)
- 19.b. Explain Mr. Sanjay is the owner of a big house whose municipal valuation is 36000 pa. 1/3 portion of the house is let out to a tenant at Rs.1600 pm . The construction of this house started in June 2016 and was completed on 01.11.2018. The house is subject to the local taxes of Rs.3600 pa which are unpaid. The other expenses in respect of this house are Insurance premium 600/- property tax to state government Rs.720/-. Mr sanjay has taken a loan of Rs. 50000 on 1.07.2016 for the construction of this house. The loan has not yet been paid back and on interest @12% per annum is payable on it. Elucidate Sanjay's income from house property for the PY 2021-22. CO4K2
- 20.a. Mr.karthik retired on 30.09.2020 after serving 23 years 9 months. He was receiving basic salary of Rs. 6000 pm and as DA 20% of his salary (50% salary part of salary). On retirement he received Rs. 180000 as gratuity. He was entitled to a pension of Rs. 3600 pm from 01.10.2020 . He got 75% of pension commuted on 01.01.2021 and received a sum of Rs. 120000 as commuted pension. Salary was due on the first day of the next month. Determine Gross Salary CO3K4
- (or)
- 20.b. Explain the rules and responsibilities of income tax authorities. CO5K2
