

**SRM INSTITUTE OF SCIENCE AND TECHNOLOGY**

**FACULTY OF SCIENCE AND HUMANITIES**

**DEPARTMENT OF COMMERCE – LESSON PLAN – ODD SEMESTER 2018-2019**

<b>B.COM GENERAL - III YEAR – III SEMESTER – CORE PAPER - XV</b>		<b>L</b>	<b>T</b>	<b>P</b>	<b>TOTAL</b>	<b>CREDIT</b>
<b>UCM 15503</b>	<b>INCOME TAX LAW AND PRACTICE - I</b>	<b>4</b>	<b>1</b>	<b>0</b>	<b>5</b>	<b>4</b>

<b>B.COM (ISM) - III YEAR – III SEMESTER – CORE PAPER - XV</b>		<b>L</b>	<b>T</b>	<b>P</b>	<b>TOTAL</b>	<b>CREDIT</b>
<b>UIS15503</b>	<b>INCOME TAX LAW AND PRACTICE - I</b>	<b>4</b>	<b>1</b>	<b>0</b>	<b>5</b>	<b>4</b>

Maximum: 100 Marks (Internal: 50 Marks; External: 50 Marks)

**List of Faculty Members handling the Subject –**

1. III Year B.Com General A Batch – Dr. M. Jeevarathinam
2. III Year B.Com General B Batch – Dr. M. Jeevarathinam
3. III Year B.Com General C Batch – Mr. Jalal
4. III Year B.Com General D Batch – Mr. Jalal
5. III Year B.Com ISM – Dr. T. Sasikumar

**OBJECTIVES**

- To impart knowledge on the basic principles of direct tax laws.
- To equip students about the computation of income and taxation.

**UNIT I**

Meaning of Income – Canons of Taxation and the Income Tax Act – Important definitions under the Income Tax Act, Scope of Total Income - Residential Status – Incomes exempt from Tax.

<b>S.NO</b>	<b>DATE</b>	<b>DAY ORDER</b>	<b>DESCRIPTION</b>
1	19/06/19	III	Issue of Syllabus and Introduction to Income tax
2	20/06/19	IV	Canons of Taxation – Equality – Certainty – Convenience – Economy etc.,
3	21/06/19	V	Definitions in Income Tax Act 1961-Person – Individual, HUF, BOI, AOP, Firm, Company, Local Authorities and other Artificial juridical person.

4	24/06/19	I	Assessee – Ordinary Assessee, Assessee-in-default, Representative Assessee. Income – Previous Year – Assessment Year
5	25/06/19	II	Residential Status – Basic Condition u/s 6(1), Additional Condition u/s 6(6). Ordinary Resident – Resident but not ordinary resident – Non-Resident.
6	26/06/19	III	Scope of Total Income – Indian Income – Foreign Income.
7	27/06/19	IV	Problems related to Residential Status
8	28/06/19	V	Problems related to Residential Status
9	01/07/19	I	Problems related to Residential Status
10	02/07/19	II	Problems related to Incidence of Tax
11	03/07/19	III	Problems related to Incidence of Tax
12	04/07/19	IV	Problems related to Incidence of Tax
13	05/07/19	V	Problems related to Incidence of Tax
14	08/07/19	I	<b>Revision – Unit I</b>
15	09/07/19	II	<b>SEMINAR – ISSUE OF ASSIGNMENT QUESTIONS</b>

## UNIT II

Heads of Income – Salaries – Allowances – Perquisites and their Valuations – Deductions from salary – Other related provisions – Gratuity – Pension – Commutation of Pension – Provident Fund – Rebate – Agricultural Income.

S.NO	DATE	DAY ORDER	DESCRIPTION
16	10.07.19	III	Heads of Income – Salaries
17	11.07.19	IV	Allowances – Full taxable – Partly taxable – Fully exempted – Problem solved under this head.
18	12.07.19	V	Perquisites and their Valuations - Problem solved under this head.
19	15.07.19	I	Deductions from salary – Entertainment allowance – Tax on employment - Problem solved under this head.
20	16.07.19	II	Other related provisions - Gratuity - Problem solved under this head.
21	17.07.19	III	Pension – Commutation of Pension – Problem solved under this head.
22	18.07.19	IV	Provident Fund – Rebate - Problem solved under this head.

23	19.07.19	V	Income from salary – Problem solved
24	22.07.19	I	Income from salary – Problem solved
25	23.07.19	II	Income from salary – Problem solved
26	24.07.19	III	Income from salary – Problem solved
27	25.07.19	IV	Agricultural Income
28	26.07.19	V	Problem solved under this head.
29	29.07.19	I	<b>SEMINAR – ISSUE OF ASSIGNMENT QUESTIONS</b>
30	30.07.19	II	<b>Revision – Unit I and II</b>

### UNIT III

Income from house property – Definition of annual value - Deductions - Computation of a let out and a self-occupied property.

S.NO	DATE	DAY ORDER	DESCRIPTION
31	31.07.19	III	Income from house property
32	01.08.19	IV	Definition of annual value
33	02.08.19	V	Deductions u/s 24 – Standard deduction – Interest on Borrowed Capital.
34	05.08.19	I	Computation of a let out and a self-occupied property
35	06.08.19	II	<b>CYCLE TEST – I</b>
36	07.08.19	III	<b>CYCLE TEST – I</b>
37	08.08.19	IV	<b>CYCLE TEST – I</b>
38	09.08.19	V	<b>CYCLE TEST – I</b>
39	13.08.19	I	Problem related to income from house property – Self-occupied and deemed to be let out.
40	14.08.19	II	Problem related to income from house property
41	16.08.19	III	Problem related to income from house property
42	19.08.19	IV	Problem related to income from house property
43	20.08.19	V	Problem related to income from house property
44	21.08.19	I	<b>SEMINAR – ISSUE OF ASSIGNMENT QUESTIONS</b>
45	22.08.19	II	<b>Revision – Unit III</b>

### UNIT IV

Income from business or profession – Allowable and not allowable expenses - General deductions – Its principles – Provisions relating to depreciation – Deemed

business profits chargeable to profits to tax compulsory maintenance of books of account - Audit of accounts of certain persons – Special provision for computing incomes on estimated basis under sections 44 AD and 45 AE – Computation of income from business or profession.

<b>S.NO</b>	<b>DATE</b>	<b>DAY ORDER</b>	<b>DESCRIPTION</b>
46	23.08.19	III	Income from business or profession – Introduction
47	26.08.19	IV	Allowable and not allowable expenses
48	27.08.19	V	General deductions – Its principles
49	28.08.19	I	Provisions relating to depreciation
50	29.08.19	II	Deemed business profits chargeable to profits to tax compulsory maintenance of books of account
51	30.08.19	III	Audit of accounts of certain persons
52	03.09.19	IV	Special provision for computing incomes on estimated basis under sections 44 AD and 45 AE
53	04.09.19	V	Computation of income from business or profession.
54	05.09.19	I	Problem related to Profits and Gains to Business or Profession.
55	06.09.19	II	Problem related to Profits and Gains to Business or Profession.
56	09.09.19	III	Problem related to Profits and Gains to Business or Profession.
57	11.09.19	IV	Problem related to Profits and Gains to Business or Profession.
58	12.09.19	V	Problem related to Profits and Gains to Business or Profession.
59	13.09.19	I	<b>Seminar – Revision Unit IV</b>
60	16.09.19	II	<b>CYCLE TEST - II</b>
61	17.09.19	III	<b>CYCLE TEST – II</b>
62	18.09.19	IV	<b>CYCLE TEST – II</b>
63	19.09.19	V	<b>CYCLE TEST – II</b>

## **UNIT V**

Filing of return of income assessment procedure in brief – Due date of filling the return – defective return – Belated return – Revised return – self assessment – Best judgment assessment – Various income tax authorities.

S.NO	DATE	DAY ORDER	DESCRIPTION
64	20.09.19	I	Filling of return of income assessment procedure in brief
65	23.09.19	II	Compulsory Filing of Return of Income [Section 139(1)] - Due date of filling the return
66	24.09.19	III	Interest for Default in Furnishing Return of Income
67	25.09.19	IV	Belated return [Sec. 139(4)]
68	26.09.19	V	Revised return [Sec. 139(5)] - Defective return [Sec. 139(9)]
69	27.09.19	I	Self-assessment U/S 140 A
70	30.09.19	II	Regular assessment [Sec. 143(3)]
71	01.10.19	III	Best judgment assessment U/S 144
72	03.10.19	IV	Reassessment / Escaping Assessment U/S 147
73	04.10.19	V	Various income tax authorities: Directors-general of income tax
74	09.10.19	I	chief commissioners of income-tax
75	10.10.19	II	Commissioners of income tax / chief commissioners of income tax
76	11.10.19	III	Commissioner of income-tax (appeals) Joint commissioner of income tax
77	14.10.19	IV	Assessing officer Inspectors of income tax
78	15.10.19	V	ISSUE OF QUESTION BANK WITH HINTS

**TEXT BOOK: (Only Assessment Year Edition to be followed)**

1. BhagavathiPrasad, Income Tax Law and Account – VishwaPrakasan, New Delhi.
2. Reddy T S & Hariprasad Reddy Y, Income Tax Theory, Law and Practice, Margham Publication, Chennai.

**REFERENCES**

1. Mehrotra H.C, Income Tax Law and Accounts, SahityaBhavan Publications, Agra.
2. Vinod K. Singhania, Students Guide to Income Tax, Taxman.Publication, New Delhi.

## QUESTION PAPER PATTERN – UNIT BASED

EXAMINATION	PART - A	PART – B	TOTAL MARKS
<b>CYCLE TEST</b> I - Unit I & II II – Unit III & IV	9 Questions – Equally Distributed- All questions to be answered and each carries TWO Marks	2 Questions – 1 Question from each Unit – Internal Choice Pattern – Each Carries 16	Part A – 18 Marks and Part B – 32 Marks = Total Marks – 50 Marks
<b>MODEL EXAMINATION</b> Full Syllabus	10 Questions – 2 Questions from each Unit - All Questions carry 2 Marks each	5 Questions – 1 Question from each Unit – Internal Choice – All Questions carry 16 Marks each	Part A – 20 Marks and Part B – 80 Marks = Total Marks – 100 Marks
<b>SEMESTER EXAMINATION</b> Full Syllabus	10 Questions – 2 Questions from each Unit - All Questions carry 2 Marks each	5 Questions – 1 Question from each Unit – Internal Choice – All Questions carry 16 Marks each	Part A – 20 Marks and Part B – 80 Marks = Total Marks – 100 Marks

### EVALUATION PATTERN:

#### 1. Internal Examination – 40 Marks

Cycle Test – I – Marks obtained for 50 will be converted to 10  
 Cycle Test – II – Marks obtained for 50 will be converted to 10  
 Model Examination – Marks obtained for 100 will be converted to 20

#### 2. Assignment – 5 Marks

5 Marks will be awarded for Assignment/Project/Seminar/Class Work Maintenance

#### 3. Attendance – 5 Marks

Attendance Marks is as  
 95% and More Attendance – 5 Marks  
 90% to 94.99% - 4 Marks  
 85% to 89.99% - 3 Marks  
 80% to 84.99% - 2 Marks  
 75% to 79.99% - 1 Mark

Less than 75% - Nil

#### **4. External Examination – 50 Marks**

Examination will be conducted at the end of the Semester for 100 Marks – Marks Obtained for 100 will be converted to 50.

#### **5. Qualification to Higher Semester**

Student must appear for minimum of Three Subjects in the Current Semester to qualify for higher semester – failure will lead to detention in the present semester

#### **6. Passing Criteria**

Passing minimum is 40% in End Semester (External) Examination and 40% Overall (Internal and External)

**\*\*\* Students securing less than 75% Attendance in the semester will be detained in the semester and they have to redo the semester in the forthcoming Academic Year on payment of fees as prescribed by the University**

**MODEL QUESTION PAPER**

**SRM INSTITUTE OF SCIENCE AND TECHNOLOGY**  
**FACULTY OF SCIENCE & HUMANITIES**

B.Com III (General & ISM)

**UCM/UIS15503 Income Tax Law and Practice - I**

**Time: 3 hrs**

**Marks 100**

**Section A**

**Answer All questions**

**10 × 2 = 20**

1. What do you mean by agricultural income?
2. How is calculate residential status of HUF?
3. Define gratuity.
4. What is the tax free perquisite?
5. What is tax treatment of unrealized rent recovered?
6. Write the condition to be satisfied in order deduct the municipal tax from gross annual value?
7. Write a note on tax treatment of preliminary expenses?
8. What is tax treatment expenditure on know-how?
9. State the meaning of revised return.
10. What is self-assessment?

**Section B**

**Answer the followings**

**5 × 16 = 80**

11. a) Mr. Raman & Mr. Lakshmanan are brothers and they earned the following incomes during the financial year 2018-19. Mr. Raman settled in Canada in the year 1995 and Mr. Lakshmanan Suresh settled in Delhi. Compute the total income for the assessment year 2019-20

Sr. No.	Particulars	Mr. Raman	Mr. Lakshmanan
1	Interest on Canada Development Bonds (only 50% of interest received in India)	35,000	40,000
2	Dividend from British company received in London	28,000	20,000
3	Profit from a business in Nagpur, but managed directly from London	1,00,000	1,40,000
4	Income from a business in Chennai	80,000	70,000
5	Fees for technical services rendered in India, but received in	1,00,000	-

	Canada		
6	Interest on savings bank deposit in UCO Bank, Delhi	7,000	12,000
7	Agricultural income from a land situated in Andhra Pradesh	55,000	45,000
8	Rent received in respect of house property at Bhopal	1,00,000	60,000
9	Life insurance premium paid	-	30,000
10	Short term capital gain on sale of shares of an Indian company received in India	60,000	90,000

(Or)

- b) (i) Brett Lee, an Australian cricket player visits India for 100 days in every financial year. This has been his practice for the past 10 financial years. Find out his residential status for the assessment year 2019-20.
- (ii) Miss Charlie, an American national, got married to Mr. Radhey of India in USA on 2.03.2017 and came to India for the first time on 16.03.2018. She remained in India up till 19.9.2018 and left for USA on 20.9.2018. She returned to India again on 27.03.2019.
12. a) Mr. Ramesh, is Self-employed at Kolkata with a mercantile firm as Sales Manager. From the under noted particulars, compute his taxable income for the Assessment Year.
- 1) Basic salary Rs.7,500 p.m.
  - 2) Dearness Allowance at 20% of the basic salary out of which 10% of salary is eligible for service benefits.
  - 3) Incentive Commission at 1% of the turnover achieved by him but not exceeding 50% of monthly salary of Rs.7,500. The turnover achieved by him for the relevant previous year was Rs.2,72,800.
  - 4) Mr. Ramesh contribution to the Recognised Provident Fund is Rs.15,000 for the year and his employer also contributes an equal amount.
  - 5) Interest credited to Provident Fund @ 11% per annum amounted to Rs.4,400.
  - 6) The employer pays Mr. Ramesh a house rent allowance of Rs.1,700 per month and Mr. Ramesh lives in a rented house for which he pays a rent of Rs.2,000 per month.
  - 7) He is provided with a motor car of more than 1.6 litre capacity which he uses both for private and office purposes. The employer pays all expenses of the said car including driver's salary of Rs.1,250 per month.
  - 8) During the relevant previous year he took a loan of Rs.1,50,000 from his employer to purchase a car. Rate of interest being 10% p.a. Assume that SBI rate on 1-4-2017 is 12%.
  - 9) He has been getting entertainment allowance of Rs.8,000 per year.

- 10) Mr. Ramesh's son is a medical student of Kolkata Medical College and his employer paid Rs.24,000 as his education fee.
- 11) According to the terms of appointment his employer contribute a sum of Rs.6,000 per year to an approved superannuation fund on his account.
- 12) During the relevant previous year Mr. Ramesh paid the following Life Insurance Premium:
- (a) On a policy of 60,000 on his own life- Rs.7,600
- (b) On a policy of `50,000 on his son's life – Rs.4,000

(or)

b) Mr. Karthi submits the following information regarding his salary income which he gets from ABC Ltd. Basic salary Rs.15,000 p.m.; D.A. 40% of basic salary (forming part of retirement benefits); City Compensatory Allowance Rs.300 p.m.; Children Education Allowance Rs.400 p.m. (for 3 children); Transport allowance Rs.1,800 p.m.; Reimbursement of Medical Expenses Rs.25,000. He is also entitled to HRA of Rs.6,000 p.m. from 1.4.2017 to 31.8.2018. He was paying a rent of Rs.7,000 p.m. for a house in Chennai. From 1.9.2018 he was provided with an accommodation by the company for which the company was paying the rent of Rs.5,000 p.m. The company charged him `1,000 p.m. as rent for the accommodation. Compute gross salary for the assessment year 2019-20.

13. a) Mr. Ramu owns a house property which is let-out for Rs.5,000 per month. The fair rent of the property is Rs.72,000. Municipal taxes paid during the year for each half year is Rs.3,600. The tenant has undertaken to do the repairs. Ramu took a loan of Rs.1,00,000 @ 15% per annum on May 1, 2011 for the construction of his house. The construction of the house was completed on January 31, 2014. Compute the income from house property for the assessment year.

(or)

b) X is cost accountant in ABC Ltd. at Bombay and gets Rs.18,000 per month as salary. He owns two houses one of which is let out to ABC Ltd. And provided by the company to X as rent-free quarters. Determine the total income of X for the assessment year, after taking into account the following information regarding his house properties:

	House I	House II
Fair rent (Rent Control Act is not applicable)	1,60,000	1,82,000
Let out for Rent	1,63,000	1,84,000
Municipal Valuation	1,61,000	1,85,000
Municipal Taxes paid (50% paid by tenant and 50% not yet paid)	14,000	40,000
Repairing Costs	3,500	7,700
Fire Insurance Premium paid	3,000	33,000
Land Revenue	7,500	24,000
Ground Rent	4,000	7,800

Interest on money borrowed by mortgaging House I for construction of House II	-	40,000
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14. a) Dr. Raj is a Medical Practitioner. He gives you the following summary of cash book for the year ending 31-3-2019

To Balance	10,000	By Rent of clinic	18,000
To Consultation Fee	60,000	By Purchase of medicine	38,000
To Visiting fee	45,000	By Staff salaries	24,000
To Gifts and presents	8,000	By Surgical equipment	40,000
To Sale of medicines	42,000	By Motor car expenses	8,000
To Dividend from UTI	6,000	By Purchase of motor car	1,40,000
To Life Insurance Maturity	1,00,000	By Household expenses	7,000
To Dividend from NDS.	6,000	By Closing balance	2,000
	2,77,000		2,77,000

- (i) 50% of the motor car expenses incurred in connection with profession. Car was purchased in December 2019.
- (ii) Household expenses include Rs.6,800 insurance premium.
- (iii) Gift and presents include Rs.3,000 from relatives.
- (iv) Closing Stock for medicine Rs.12,000 and opening stock on 1-4-2018 was Rs.4,000.

Compute his professional gain for the Assessment Year.

(Or)

b) The following is the Profit and Loss account of Mr. X for the year ended on 31-3-2019. Compute his taxable Business income for the assessment year 2019-20.

	Rs.		Rs.
To Salaries	13,800	By Gross Profit	50,600
To Sundry Expenses	1,200	By Discount	750
To Reserve for Bad Debt	4,500	By Dividend on shares	1,250
To Gifts and presents (personal)	450	By Sundry Receipts	3,000
To Donation to N.D.F.	2,500	By Winning from lottery	5,500
To Expenditure on Know-how	18,000	(gross)	
To Car Expenses	1,200		
To Advertisement	4,000		
To Interest on Bank Loan	1,550		
To Charity	500		
To Life Insurance Premium (self)	550		
To Depreciation:			
On Building	1,000		
On Furniture	200	1,200	

To Difference in Trial Balance	1,250		
To Net Profit for the year	10,400		
	61,100		61,100

- i. This motor car was used equally for business purposes and the proprietor's private purposes.
- ii. The amount of depreciation allowable according to Income-tax Rules in respect of building and furniture was Rs.750 and Rs.250 respectively.
- iii. Included in the advertising expenses is a sum of Rs.1,800 expended on a special advertising campaign undertaken during the year in respect of a product of a company placed recently in the market.
- iv. Salaries include Rs.8,500 being the amount drawn by Sharma during the year against profits.

**15. a)** Explain the procedure of filling of return.

(Or)

**b)** Explain the various income tax authorities.