

**NINTH SEMESTER LL.B. (FIVE YEAR) AND FIFTH SEMESTER
LL.B. (THREE YEAR) DEGREE EXAMINATION, MAY 2011**

LAW OF TAXATION—I

Time : Three Hours

Maximum : 80 Marks

Part A

I. Answer any *five* questions. Each question carries 4 marks :

- (a) Bring out the difference between tax and fee and explain the cannons of taxation.
- (b) What is the constitutional basis for taxation ? Explain the mutual relation of Income Tax Act with the Finance Act.
- (c) Explain the concept of income. "Income Tax is a charge on income and not on capital"—Discuss. Pointing out the distinction between capital and revenue.
- (d) Income of the "previous year" is taxable in the following "assessment year" Discuss—What are the exceptions to the Rule ?
- (e) What are the rules regarding set off and carry forward of losses ? Explain.
- (f) Explain the meaning of "agricultural income".

(5 × 4 = 20 marks)

Part B

II. Answer any *three* problems. Each problem carries 10 marks : —

- (a) Examine whether the following are agricultural income stating the reasons : —
 - (i) Where there was a lease of coconut trees alone without the land for the enjoyment of the usufructs, i.e. the coconuts. The income derived from selling the coconuts.
 - (ii) Dividend paid out of agricultural income of a company in the hands of the shareholder of the company. ✕
- (b) A foreigner came to India and stayed in Madras for the period from October 10, 2007 to February 15, 2008, and then he went to Cochin for business and stayed there till the 16th of May 2008. On the next day he left India for good and never came back again. He was coming to India for the first time. He is sought to be assessed for Income Tax by the I.T. Department. He objects to it on the ground that he was not a resident in India at any time. Decide.

Turn over

- (c) The husband transfers all his income from house property to his wife without transferring the house property to her. He is assessed to income tax by the Assessing Officer for the income from house property transferred to his wife. The assessee objects to it stating that the income has already been transferred to his wife and it does not belong to him so that he may be assessed to tax on it. Decide.
- (d) X, Y and Z have specific shares in the house property let out and jointly owned by them in the ratio 2 : 3 : 4. The chargeable annual value of the property is Rs. 81,000. Determine the annual value of the house property belonging to each co-owner.

(3 × 10 = 30 marks)

Part C

III. Answer any *two* questions. Each question carries 15 marks :

- (a) Explain the terms assessment year and previous year. Discuss how the residential status and tax liability is determined in the case of a person.
- (b) Explain clubbing of income. Discuss the provisions in the Income Tax Act regarding clubbing of income. What are the provisions in the Income Tax Act regarding advance payment of tax and tax deducted at source ?
- (c) Discuss the procedure for assessment of Income Tax. Explain Permanent Account Number, Self assessment, Regular assessment and Best Judgement assessment.

(2 × 15 = 30 marks)