

CBCS SCHEME

20MBAFM304

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Third Semester MBA Degree Examination, Jan./Feb. 2023 Direct Taxation

Time: 3 hrs.

Max. Marks: 100

Note: 1. Answer any *FOUR* full questions from Q.No.1 to 7.
2. Q.No. 8 is compulsory.

- 1 a. Define the term Person as per the IT Act.1961. (03 Marks)
- b. Mr. X a foreign national (not being a person of Indian origin) came to India for the first time from USA on July 11, 2014. He stayed here for a stretch of 3 years and left for Japan on July 11, 2017. He returned to India on April 10, 2018 and remained here till August 17, 2018, Then he went back to USA. He again came back to India on January 30, 2021 at 11.59pm and continued to stay in India thereafter. Determine his residential status for the assessment year 2021-22. (07 Marks)
- c. Mr. Ramesh retired on 15.07.2020 after completion of 26 years 8 months of service and received gratuity of Rs.12,00,000. At the time of retirement, his salary was:
- Basic salary: Rs.40,000 pm.
 - Dearness Allowance: Rs.10,000 pm (70% of which is for retirement benefits).
 - Commission: 1% of turnover (turnover in the last 12 months was 1,50,00,000).
 - Bonus: Rs.20,000 p.a.
- Compute his taxable gratuity assuming:
- He is private sector employee and covered by the Payment of Gratuity Act 1972.
 - He is private employee and not covered by the Payment of Gratuity Act 1972.
 - He is a Government employee. (10 Marks)
- 2 a. Who is a specified employee? (03 Marks)
- b. Mr. Suraj retired on 01-12-2020 after 20 years and 10 months of service, receiving leave salary of Rs.10,00,000. Other details of his salary income are:
- Basic salary: Rs.10,000 pm (2000 was increased with effect from 1.4.2020).
 - Dearness Allowance: Rs.6,000 pm (60% of which is for retirement benefits).
 - Commission: Rs.1,000 pm.
 - Leave availed during service: 480 days.
- He was entitled to 30 days leave every year. You are required to compute his taxable leave salary assuming:
- He is a government employee.
 - He is a non government employee. (07 Marks)
- c. Define Business or Profession as per Income Tax Act. Discuss the basis of charge as per (section 28). (10 Marks)

Important Note : 1. On completing your answers, compulsorily draw diagonal cross lines on the remaining blank pages.
2. Any revealing of identification, appeal to evaluator and/or equations written eg, 42+8 = 50, will be treated as malpractice.

- 3 a. What is MAT? (03 Marks)
- b. From the following particulars of income furnished by Mr. Shashank pertaining to the year ended 31st March 2021. Compute the total income for the AY2021-22, if he is:
- Resident and ordinary resident.
 - Resident but not ordinarily resident.
 - Non resident.
 - Short term capital gains on sale of shares of an Indian company received in Germany Rs.20,000.
 - Dividend from an Australian company received in Australia Rs.12,000.
 - Rent from property in London deposited in a bank in London, later on remitted to Indian through approved banking channels Rs.90,000.
 - Dividend from RIL Ltd. an Indian company Rs.7,500.
 - Agricultural income from lands in Tamil Nadu Rs.20,000. (07 Marks)
- c. Miss. Z has the following salary structure:
- Basic salary Rs.15,000 pm.
 - Dearness Allowance Rs.5,000 pm (not forming part of retirement benefit).
 - Hostel Allowance Rs.1,000 pm (does not have any child).
 - Tiffin Allowance Rs.500 pm.
 - Transport Allowance Rs.200 pm.
 - Bonus Rs.20,000 p.a.
 - Commission Rs.15,000 p.a.
 - Free refreshment in office worth Rs.5,000 p.a.
 - Mobile phone facility by employer Rs.900 pm.
 - Computer facility worth Rs.10,000 p.a.
 - She has been provided a Rent-free Accommodation (owned by employer) in Kolkata. The house was allotted to her with effect from 1st May 2020 but she could occupy the same only from 1st June 2020. Find her gross taxable salary. (10 Marks)
- 4 a. What is Tax Planning? (03 Marks)
- b. Discuss the steps to determine income from House property. (07 Marks)
- c. Discuss set-off and carry forward of losses. (10 Marks)
- 5 a. What do you mean by Slump Sale? (03 Marks)
- b. What is Perquisites? Explain any five tax free perquisites. (07 Marks)
- c. Mr. Raghu is the owner of two houses (all residential) at Bangalore of which one residential house was sold on 28-02-2021 for Rs.20,00,000. This house was purchased by him on 1-1-1979 for Rs.15,000. He had made some additions to this house by spending Rs.3000 on 20-03-1980. Further, he added a room to this house at a cost of Rs.1,00,000 on 14-11-2015. The fair market value of this house on 1-4-2001 was Rs.15,000. He purchased a new residential house at Mysore on 25-03-2021 for Rs.2,00,000. Compute capital gain for the AY2021-22. (CII for 2020-21 : 301, 2014-15 : 240 and for 2001-02 : 100). (10 Marks)

- 6 a. State the provisions relating to section 80C of IT Act. (03 Marks)
 b. Mr. X, a proprietor engaged in manufacturing business, furnishes the following particulars:

	Particulars	Rs.
1)	Opening WDV of plant and machinery as on 1-4-2020	30,00,000
2)	New plant and machinery purchased and put to use on 08-06-2020	20,00,000
3)	New plant and machinery acquired and put to use on 15-12-2020	800,000
4)	Computer acquired and installed in the office premises on 02-01-2021	300,000

Compute the amount of depreciation and additional depreciation as per Income Tax Act 1961 for the AY 2021-22. Depreciation rate for plant and machinery is 15% and computer is 40%. (07 Marks)

- c. The following is the Profit and Loss account of the Raj oil mills for the financial year 2020-21. Compute its business income on the basis of additional information.

Profit and Loss Account			
Particulars	Rs.	Particulars	Rs.
Office salaries	15000	Gross profits	80,000
General expenses	7000	Profit on sale of car	15000
Bad debts	1000	Recovery of bad debts	5000
Advertising expenses	3700	Interest on Government securities	3500
Insurance premium (Fire)	1500	Dividends	3500
Depreciation	5000	Gifts on the occasion of Deepawali	5000
Reserve for bad debts	3000		
Donation to a school	2500		
Car expenses	2000		
Net profit	71,300		
Total	1,12,000	Total	1,12,000

Additional Information:

- I. General Expenses include
 i) Rs.2500 as compensation paid to an accountant who had to be removed from service in interest of business and
 ii) Rs.3300 as contribution paid to the Government for laying electric cable for the company's plant.
- II. Depreciation as regards to the relevant blocks of assets under the Income Tax Act was Rs.3,500.
- III. In the assessment year 2018-19 the assessing officer had refused to allow deduction for the bad debts of Rs.5000 now recovered.
- IV. Car expenses include Rs.500 attributable to use of car for personal work. (10 Marks)
- 7 a. Distinguish between capital expenditure and revenue expenditure. (03 Marks)
 b. Discuss the incomes taxed under the head income from other sources. (07 Marks)

- c. Mr. Kishore gives the following information of his income for the PY2020-21. Compute total taxable income for the AY 2021-22.
- Rent received per month Rs.9,000.
 - Income from business (computed) Rs.200,000.
 - Income from salary (computed) Rs.4,10,000.
 - Income from other sources Rs.1,02,000.
- He makes payment towards:
- Life Insurance premium Rs.25,000.
 - Donation to Prime Minister relief fund Rs.15,000.
 - Interest on education loan on his son Rs.8,500.
 - Medical Insurance premium on his health Rs.12,000.

(10 Marks)

8 Compulsory

Following is the Profit and Loss Account of ABC Ltd. An Indian company for the year ending 31st March 2021.

Particulars	Amount Rs.	Particulars	Amount Rs.
Salaries and wages	7,50,000	Gross Profit	25,00,000
Advertisement expenses	150,000		
Insurance	250,000		
Audit fees	50,000		
Depreciation	100,000		
Income Tax	30,000		
Transfer to General reserve	40,000		
Office expenses	15,000		
Losses of subsidy company	25,000		
Net profit	10,90,000		
	25,00,000		25,00,000

Additional Information:

- Brought forward loss as per books of accounts is Rs.1,25,000 and as per income tax is Rs.1,50,000.
- Unabsorbed depreciation as per books of accounts amounts to Rs.25,000 and as per income tax is Rs.75,000.

Calculate:

- Total income and tax liability of the company under normal provisions.
- Book profit and tax liability as per section 115JB.

(20 Marks)

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