



CBCS SCHEME

16/17MBAFM403

Fourth Semester MBA Degree Examination, June/July 2019 Tax Management

Time: 3 hrs.

Max. Marks:80

**Note: 1. Answer any FOUR full questions from Q1 to Q7.
2. Question No. 8 is compulsory.**

- 1 a. What is NPS system? (02 Marks)
- b. X, a resident of Ajmer, receives Rs.1,92,000p.a as basic salary during the PY 2017-18. In addition, he gets Rs.19,200p.a as dearness allowance forming part of basic salary for commutation of all retirement benefits, 7% commission on sales made by him (sales made by X during the relevant PY is Rs. 86000) and Rs. 24,000pa as HRA. He however pays Rs.21,500 pa as house rent. Determine the quantum of house rent allowance exempt from tax. (06 Marks)
- c. X furnishes the following particulars of his income earned during the previous year to the AY 2018- 19.
- | | | |
|------|---|-----------|
| i | Interest on German development bonds ($\frac{2}{5}$ th received in India) | 60,000 |
| ii | Income from agriculture in Banglash received there but later on Rs. 50,000 is remitted to India (agricultural activity is controlled from Banglash) | 1,81,000 |
| iii | Income from property in Canada received outside India [Rs. 76,000 is used in Canada for meeting educational expenses of X's daughter in USA and Rs.10,000 is later remitted to India] | 86,000 |
| iv | Income earned from Kampala (Uganda) which is controlled from Delhi (Rs. 15000 is received in India) | 65,000 |
| v | Dividend paid by a foreign company but received in India on April 10 th , 2017 | 46,500 |
| vi | Past untaxed profit of 2008-09 brought to India in 2017-18 | 10,43,000 |
| vii | Profits from a business in Madras and managed from outside India | 27,000 |
| viii | Profits from a former employer in India received in Rangoon | 36,000 |
| ix | Gifts in foreign currency from a friend received in India on January 20,2018 | 80,000 |
| x | Profits on sale of building in India but received in Srilanka | 14,80,000 |

Find out the gross total income if Mr. X is a resident, resident but not ordinary resident and non resident in India for the AY 2018 – 19. (08 Marks)

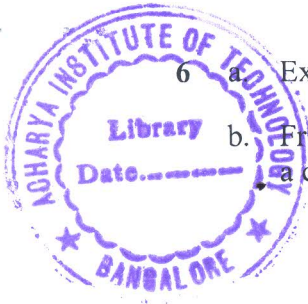
- 2 a. Define the term "Annual Value" under section 23(1) of income tax. (02 Marks)
- b. X purchases 1,000 (non listed) shears in Y ltd on Aug 16, 2002 for Rs. 19,090. On May 17, 2004 he gets 500 bonus shares. On October 20, 2014, he acquires 1,500 right shares for Rs. 14,582. He sells 3000 (non-listed) shares in Y ltd on February 12, 2018 at the rate of Rs.110 per share (brokerage on sale : 1%). He owns one residential house property. He purchases a residential house on June 29th, 2018 for Rs, 2,90,000. Ascertain the amount of capital gains chargeable to tax for the AY 2018 – 19. (06 Marks)
- c. Explain the permissible deductions U/S 80C to 80U. (08 Marks)

- 3 a. Explain the deductions available under section 40(b). (02 Marks)
- b. X, an employee of MN Ltd, receives Rs. 93000 as gratuity under the payment of gratuity Act, 1972. He retires on January 2, 2018 after rendering service of 20 years and 6 months. At the time of retirement monthly salary was Rs.8,000 (inclusive of dearness allowances of Rs,200 per month) Calculate amount of gratuity chargeable to tax. (06 Marks)
- c. During the PY 2018-19,X(age : 32years), a Nationalised bank employee in Surat, receives the following emoluments :
- Basic salary : Rs. 46,000 per month, high cost of allowance (but not forming a part of salary) Rs. 8,000 per month, overtime allowance : Rs. 7500pm and house rent allowance : Rs.9000 per month (rent paid by him : Rs.8500 per month). Employer bank contributes 14% of basic salary towards recognized provident fund, X makes a contribution of Rs. 8000 per month. Interest credited on July 5th, 2017 at the rate of 12% in the provident fund account of X is Rs. 11,600. Income of X from other sources is credited and is Rs. 8,56,000. The following prerequisites are provided by the bank.
- Free holiday home facility at Kullu (expenditure of the employer : Rs.61,400)
 - Free gardener (who is an employee of the bank, annual salary of the gardener being Rs. 48,000 paid directly by the bank)
 - Free sweeper (who is employed by X, annual salary of Rs.24,000 is paid by the Bank)
 - Subsidized telephone (expenditure of the employer : Rs. 16,000)
 - Ordinary medical facility in private clinic (expenditure of the employer Rs. 18000)
- During the previous year X makes the following payments :
- Fixed deposit in bank under scheme specified for section 80C : Rs. 10,000
 - Insurance premium on his own life Rs, 11,000(sum assured : Rs, 40000 policy taken in April 2017)
 - Insurance premium on his life policy of his major child (due date : Oct 10, 2017, date of payment : March 25, 2018) : Rs.3,000 (sum assured of policy taken in 2011: Rs. 20,000). Find the amount of net income and tax payable for the AY 2018 – 19. (08 Marks)

- 4 a. What is MAT? (02 Marks)
- b. Profit and loss account of XYZ (a LLP of X, Y and Z) for the year ending March 31, 2018 is as follows :

| | | | |
|--------------------------|-----------|----------------------|-----------|
| Cost of goods sold | 62,25,000 | Sales | 61,00,000 |
| Interest to partners | 1,20,000 | Agro income in India | 2,00,000 |
| Remuneration to partners | 2,70,000 | Net loss | 3,47,000 |
| Other expenses | 32,000 | | |
| | 66,47,000 | | 66,47,000 |

- Out of other expenses of Rs.32,000, Rs.3,000 is not deductible U/S 30 to 37. Moreover, interest to partners is not deductible to the tune of Rs. 18,000 under section 40(b). Find out the amount of net income of the firm for the AY 2018 – 19. The firm satisfies all conditions of Sec 184 and 40(b). (06 Marks)
- c. Briefly explain the exemptions available under section 54 of capital gains of IT Act of 1961. (08 Marks)
- 5 a. Differentiate between tax planning and tax evasion. (02 marks)
- b. Prepare a brief note pertaining to different GST rates notified for supply of various goods. (06 marks)
- c. Explain the provisions regarding set-off and carry forward of losses. (08 Marks)



- 6 a. Explain the conditions for claiming deductions of remuneration of partners U/S 40(b). (02 Marks)
- b. From the following information compute Depreciation Allowance allowable to XY and Co, a chartered accountants concern for the AY 2018 – 19.

| Assets | Rate of depreciation | W.D.V on 1.4.2017 |
|--|----------------------|-------------------|
| Computers | 40 | 140,000 |
| Typewrites | 15 | 30,000 |
| Furniture and fittings | 10 | 1,00,000 |
| Office buildings | 10 | 5,00,000 |
| Staff quarters-Area not exceeding 80 sq. Mtrs | 05 | 15,00,000 |
| Purchased a new computer during the PY Rs. 60,000 | — | |
| Sold old office building for Rs. 15,00,000 and purchased a new office building for Rs. 40,00,000 in Dec 2016 | — | |
| Purchased books (annual publications) for professional purposes Rs. 40,000 | 40 | |

(06 Marks)

- c. Dr. Suresh is a medical practitioner. Besides his own practice, he works as a part time physician in a private hospital for which he receives a monthly remuneration. He is also a consultant physician of XYZ Co. Ltd on a monthly retainer fee. The doctor maintains a record of his receipts and payments and for the year ended 31st March 2018, the following information are abstracted there form :

| <u>Receipts :</u> | Rs. |
|--|----------|
| Consultation fees receipts | 2,60,000 |
| Gross remuneration from the private hospital | 1,24,000 |
| Retainer fee from XYZ Co. Ltd. | 60,000 |
| Interest on savings banks A/C | 13,000 |

| <u>Payment :</u> | |
|---|--------|
| Rent and electricity charges for the clinic | 12,000 |
| Telephone charges | 2,400 |
| Printing and stationary | 500 |
| Car maintenance expenses | 12,000 |
| Wages of clinical assistant | 3,600 |
| Drivers salary | 3,600 |
| Life insurance premium | 2,400 |

The written down value of the car and furniture at the clinic as on 1.4.2017 are noted to be Rs.25000 and Rs.2000 respectively. 20% of the use of the car and the telephone is attributable to the personal and private purposes. Provide for depreciation on car @ 15% and furniture @ 10%. Compute total income of the doctor for the AY 2018 – 19. (08 Marks)

- 7 a. What is presumptive taxation? (02 Marks)
- b. A Co. (a partnership firm) sells a commercial building on May 10, 2017 for Rs.1,10,00,000. From the data given below, find out the income under the head "Capital gains" for the AY 2018-19.
- | | |
|--|----------|
| Cost of plot of land (acquired in 2004-05) | 3,00,000 |
| Cost of construction (incurred in 2005-06) | 4,00,000 |
| Cost of additional construction (incurred in 2009-10) | 6,00,000 |
| Expenditure on transfer [CII 2004-05 = 113, 2017 = 272, 2005-06 = 117, 2009 -10 = 148] | 6,000 |
- (06 marks)
- c. X (age : 32 years), a lawyer who maintains books of account on cash basis, furnishes the following particulars of his income for the previous year ending march 31, 2018.

Receipts and payment account for the March 31, 2018.

| Particular | Rs. | Particular | Rs. |
|-----------------------|-----------|--|-----------|
| Balance brought down | 7,20,000 | Purchase of furniture | 56,000 |
| Fees from clients : | | Car expenses | 2,45,000 |
| 2017-18 | 21,20,000 | Office expenses | 82,000 |
| 2016-17 | 90,000 | Salary to staff | 8,40,000 |
| Presents from clients | 40,000 | Interest on loan | 20,000 |
| Loan from a client | 5,00,000 | IT penalty | 3,000 |
| | | Contribution to PPF | 1,40,000 |
| | | Purchase of notified bonds of infrastructure company | 12,000 |
| | | Balance C/f | 20,72,000 |
| | 34,70,000 | | 34,70,000 |

- Note : i) 5% of car expenses are attributable towards use of car for personal purposes
 ii) fees due but outstanding is Rs.9,00,000
 iii) depreciation of car is Rs.2,70,000
 iv) income of X from other sources is Rs. 8,32,000
 v) X purchased a computer for Rs. 30,000 on March 10, 2017 (rate of depreciation 40%). Determine the taxable income and tax liability of X for the AY 2018-19. (08 Marks)

8 CASE STUDY [Compulsory]

Mrs. X (34 years) is in the IT department of A Ltd. She joined the company on November 1, 2015 in the pay scale of Rs. 80,000–Rs. 5,000–Rs. 2,00,000. At the time of joining, her salary was fixed at Rs.84,000. Besides, she gets Rs.10,000 per month as DA(not forming part of salary for any retirement benefits purposes). As per service rule, she is entitled to the following :

| | |
|-------------------------|---|
| Fixed servant allowance | : Rs. 1250 per month |
| Fixed meal allowances | : Rs. 1500 per month |
| Conveyance allowances | : Rs. 3000 per month |
| Garden allowances | : Rs. 1900 pm (allowed with effect from may 1, 2017). |

These allowances are used for personal purposes. However, conveyance allowance has been discontinued with effect from January 1, 2018. A car (1400 cc) is provided for official and private uses with effect from January 1, 2018. The entire expenditure (i.e Rs. 43,000 including driver's salary) is paid by employer – company. Mrs. X contributes 15% of her salary towards unrecognized provident fund. A matching contribution is made by the employer. Interest of Rs.81,000 is credited in provident fund account at the rate of 11%. Mrs X pays a sum of Rs. 10,000 as life insurance premium on an insurance policy (sum assured : Rs. 80,000) taken by her husband. Determine the net income and tax liability of Mrs. X for the AY 2018-19. Salary becomes due on the last day of each month. Mrs. X has purchased NSC IX issues of Rs.1,00,000 on March 31, 2018. (16 Marks)