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20MBAFM304

Third Semester MBA Degree Examination, July/August 2022
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. Who is an Assessee as per IT Act? (03 Marks)
b. What are the general principles of computing business income? (07 Marks)
c. Mr. Kevin, a citizen of UK, was appointed as sales manager in India on 1st April 2015 at Bengaluru. On 30th January 2018 he went to London on deputation for a period of three years, but left his family in India. On 1st May 2019 he came to India and took with him his family to London on 30th June, 2019. He returned to India and joined his original job on 24th January 2021. Determine the Residential status of Mr. Kevin for the assessment year 2021-22. (10 Marks)
- 2 a. What is gross total income? (03 Marks)
b. Write a short note on Tax Planning and Tax Evasion. (07 Marks)
c. From the following particulars of Mr. Sen, compute his taxable capital gains for the AY 2021-22. Cost of purchase house property on 01.12.1998 is Rs.200000, Cost of addition in the year 2000 is Rs.50,000. FMV as on 1.4.2001 Rs.300,000. Cost of addition in 2004-05 Rs.60,000. Sale proceeds in 2020-21 Rs. 35,00,000. CII : 2001-02-100 ; 2004-05-113 ; 2020-21-301. (10 Marks)
- 3 a. What are the losses which can be carried forward as per IT Act? (03 Marks)
b. Mr. Girish, a Manager of A ltd co., retires on 30-06-2020 after serving for 40 years and 3 months. He received a gratuity of Rs.100,000 in August 2020. His salary for the year 2019-20 was Rs. 4,000 p.m. and 2020-21 Rs.6,000 p.m. Calculate his taxable gratuity for the AY 2021-22, assuming Mr. Girish is not covered by the Gratuity Act of 1972. (07 Marks)
c. Natesh & Co. had a block of plant and machinery having WDV of Rs.50,00,000 as on 01-04-2020. During the year an additional machinery costing Rs.20,00,000 was purchased on 05-08-2020. On 02-11-2020 fire has broken in the premises of the company destroying considerable part of the old plant and machinery. Insurance company paid the damages of Rs.25,00,000. The rate of depreciation applicable is 10%. Calculate the amount of depreciation chargeable to P&L A/C for the year ended 31-03-2021. (10 Marks)
- 4 a. Mention exceptions to the general rule of previous year. (03 Marks)
b. Explain tax provisions relating to SPF, RPF and URPF. (07 Marks)
c. Discuss the deduction u/s 80C, 80D, 80DDB and 80E. (10 Marks)
- 5 a. State the meaning of Annual value of house property. (03 Marks)
b. Miss Asha gets a salary of Rs. 30,000 per month. She also gets dearness allowance at 10% of the salary (DA is not considered for retirement benefits), house rent allowance of Rs.5,000 per month and proctor's allowance of Rs.1000 per month. During the previous year 2020-21, she was out of India for 3 months and the salary and allowances for this period were paid to her abroad. She was not paid any proctor's allowance when she was out of India. She paid Rs.4000 per month as the rent of the house. She also owned a two wheeler which she used for the purpose of her employment in India for which she did not get any conveyance allowance. Find out her income from salary for the AY 2021-22. (07 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.

- c. From the following Profit and Loss A/c of Mr. K.C. Shah, a manufacturer, calculate the taxable income from business for the year ending 31st March 2021.

Salaries to employees	95,000	Gross profit	3,00,000
Advertisement Expenses in cash	24,000	Interest on securities	14,000
General expenses	16,000	Income from house property	25,000
Entertainment Expenses	22,000	Bad debts recovered (allowed earlier by income tax authorities.)	12,000
Bad Debts	1,500		
Drawings by Proprietor	24,000	Profit on sale of import license	80,000
GST (due and paid on 1.7.2020)	6,000		
Interest on Proprietor's capital	7,000		
Repairs	2,500		
Rent	21,000		
Legal Expenses	5,000		
Depreciation	15,000		
Bonus (due)	6,000		
Bonus to Proprietor	4,000		
Motor car purchased	72,000		
Expenses on car	12,000		
Donations	2,000		
Employees family planning expenses	6,000		
Net Profit	90,000		
	431,000		431,000

Additional information:

- Rs. 3,000 was spent on purchase of land and is included in legal expenses.
- Half of repair expenses were on let out building.
- Allowable depreciation as per IT rules Rs.14,400
- Bonus was paid to employees on 30th April 2021.

(10 Marks)

6 a. What is Casual Income?

(03 Marks)

- b. The depreciated value of a block assets (consisting of asset A and B) (rate of depreciation 10%) is Rs.1,17,000 on 1/4/2020

Assets	Rate of depreciation (percent)	Data of purchase	Use	Actual Cost
Assets C	10	10/3/2020	10/4/2020	20,000
Assets D	10	1/3/2020	3/2/2021	30,000
Assets E	10	6/5/2020	6/5/2020	40,000
Assets F	10	15/5/2020	2/1/2021	60,000
Assets G	10	6/6/2020	6/4/2021	80,000

Plant A is sold on 16/8/2020 for Rs.86,000

Compute the amount of depreciation.

(07 Marks)

- c. During the year ended 31st March 2021, Mr. Joshi sold the following assets:
- Agriculture land in Mysuru (Urbancity) purchased in 2001 for Rs. 20,000 (FMV as on 1.4.2021 – Rs.30,000) sold for Rs.5,60,000 (CII - 100)
 - Machinery purchased on 1.5.2020 Rs.25,000 sold for Rs.30,000
 - Furniture purchased on 1.5.2020 Rs.2500 sold for Rs.3,800
 - Machinery purchased in 2013-14 (C11 220) for Rs.50,000 sold for Rs.60,000
 - Shop purchased in 2006-07 (C11 122) for Rs.50,000 is sold for Rs.450,000.
 - One residential house purchased in 2008-09 (C11 137) costing Rs. 60,000 is sold for Rs.5,80,000.

During the year he bought another house for his residence for Rs.2,00,000. Find out total amount of capital gain. (10 Marks)

- 7 a. Mention the tax rates under the New Regime as per the Finance Act 2020. (03 Marks)
 b. List the income taxable under the head income from other sources. (07 Marks)
 c. Following is the Profit and Loss Account of Sri. Lakshmi Naragoull for the year ending 31.03.2021.

Salaries and wages	7,50,000	Gross profit	25,00,000
Advertisement Expenses	1,50,000		
Insurance	2,50,000		
Audit fees	50,000		
Depreciation	100,000		
Income tax	30,000		
Transfer to general reserve	40,000		
Office expenses	15,000		
Losses of subsidiary company	25,000		
Net Profit	10,90,000		
	25,00,000		25,00,000

Additional information:

- Brought forward loss as per books of accounts Rs 125,000 and as per income tax is Rs.1,50,000
- Unabsorbed depreciation as per books of accounts amount to Rs.25,000 and as per income tax is Rs.75,000.

Calculate (i) Total Income of the company

(ii) Book Profit

(iii) Tax Liability of the company

(10 Marks)

8 Case Study (Compulsory) :

Mr. Kumar aged 55 years is the Principal in a college in Bengaluru. He furnishes the following details. Compute his Total Income and Tax liability for the AY 2021-22.

- Basic Salary Rs. 40,000 p.m.
- DA - 150% of Basic (enters into retirement benefits)
- Education Allowance for 2 children at Rs.400 per month.
- Medical allowance Rs.8000 ; actual amount spent Rs. 6,000.
- CCA Rs. 5,000 p.m.
- Conveyance allowance Rs. 2,000 p.m.
- He has been provided with rent free furnished accommodation owned by the college and also furniture costing Rs.25,000 is provided to him.
- Telephone bill of Rs.5,000 paid by the employer on behalf of Mr. Kumar.

- ix) Domestic servant provided by the employer and salary at Rs. 2000 p.m. is paid.
- x) He surrendered earned leave and received an amount of Rs. 32,000.
- xi) Free meals during the office hours at Rs.100 per meal for 300 days.
- xii) He attended a conference in Delhi, all the expenses including registration fees amounting to Rs. 50,000 is paid by the college.
- xiii) He contributes 13% of his salary to RPF and a similar contribution is made by the employer.
- xiv) Interest credited to RPF A/C @ 7.5% is Rs.7,580.
- xv) Professional tax paid Rs. 2400 P.A.

During the PY 2020-21, Mr. Kumar earned following income :

- (i) Income from let out property Rs. 3,20,000
- (ii) LTCG Rs. 50,000
- (iii) Interest on debentures (Gross) Rs.20,000.

Also, he made the following payments in the PY 2020-21.

- (I) LIC premium on his own life Rs.25,000 and on the life of his spouse Rs.20,000
- (II) Medical insurance premium on his health of 10,000
- (III) Donation to NDF Rs.32,000
- (IV) Subscription to NSC VIII Issue Rs.50,000.

(20 Marks)
