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**18MBAFM303**

## Third Semester MBA Degree Examination, July/August 2021 Direct Taxation

Time: 3 hrs.

Max. Marks: 100

**Note: Answer any FIVE full questions.**

1.
  - a. Name any three persons defined U/S 2(31). (03 Marks)
  - b. Distinguish between tax planning and tax evasion with examples. (07 Marks)
  - c. Mr. X an Indian citizen, leaves India for the first time on Sept.20, 2017 for the purpose of employment. He comes to India for a visit of 146 days on 10<sup>th</sup> April, 2018. He finally comes back on May 16, 2019. Find out residential status of 'X' for A.Y. 2020-2021. (10 Marks)
  
2.
  - a. Distinguish between capital and revenue expenditure. (03 Marks)
  - b. Mr. 'X' sets up a new profession on Jan.14, 2019 and keeps his books of accounts on the basis of financial year. Though he has never gone out of India, he claims that he is NOR for the conditions, he has not been assessed as resident during 2 out of preceding 10 years due to absence of taxable income. Comment on the claim of 'X' and determine his residential status for the AY 2020-21. (07 Marks)
  - c. Mr. 'X' furnishes the following particulars of his income for the P.Y. 2019-20.
    - i) Profit on sale of Plant at London (1/2 is received in India) Rs.1,46,000.
    - ii) Profit on sale of plant at Delhi (1/2 received in London) 1,02,000.
    - iii) Salary from Indian company received in London 60,000 (1/2 paid for rendering service in India).
    - iv) Interest on UK development bond (entire amount received in London) Rs.1,00,000.
    - v) Income from property in London received there Rs.50,000.
 Determine taxable income for the AY 2020-21 if the assessee is (a) OR (b) NOR (c) NR. (10 Marks)
  
3.
  - a. Name any three deductions U/S 80C. (03 Marks)
  - b. Discuss the steps to determine income from house property. (07 Marks)
  - c. Mr. X an employee of A Ltd. receives Rs.100,000 as gratuity (he is covered under the payment of Gratuity Act. 1972). He retires on Dec.31, 2019 after rendering service for 38 years and 8 months. At the time of retirement the monthly basic pay and DA were 2,400 and 800 respectively. Is the entire amount of gratuity exempt? (10 Marks)



- 4 a. What is commuted value of pension? (03 Marks)  
b. List out any seven property incomes which are exempted from tax. (07 Marks)  
c. From the following information relating to financial year 2019-20, calculate taxable income from salary of Mr. Krishna who is working in a private company in Mysore. Basic pay Rs.60,000 pm, DA 60% of basic (forming part of salary), CCA Rs.2000 pm. Entertainment allowance Rs.5000 pm, Educational allowance Rs.4000 pm (for his 2 children). Hostel allowance Rs.5000 pm (for his 2 children). Academic research allowance Rs.40,000 (actual amount spend Rs.45,000), HRA Rs.10,000 pm (Rent paid Rs.15000 pm), and bonus Rs.80,000, Rs.200 pm deducted from his salary towards professional tax. (10 Marks)
- 5 a. How do you calculate indexed cost of acquisition and indexed cost of improvement? (03 Marks)  
b. Mr. X retires from the Central Government services on May 31, 2019. He gets pension of Rs.15000 pm upto Nov.30, 2019 with effect from Dec.1, 2019, he gets 1/3 of his pension commuted for Rs.7,18,000. Determine taxable amount of pension and commuted value of pension for the AY 2020-21. (07 Marks)  
c. X Ltd. owns 2 buildings, building – A and B on April 1, 2019 (Rate of depreciation 10% and WDV Rs.14,00,000). He purchases on Dec.1, 2019 building ‘C’ for Rs.3,00,000 (10% depreciation). What is the amount of depreciation for the per year 2019-20, if building ‘A’ is sold on 10/1/2020 for i) Rs.8,00,000 ii) Rs.15,00,000? (10 Marks)
- 6 a. What is MAT? (03 Marks)  
b. Discuss set-off and carry-forward of losses. (07 Marks)  
c. Mr. X purchases a house property for Rs.80,000 on June 30,1987. The following expenses are incurred by him for making addition/alteration to the house property.  
i) Cost of construction of 1<sup>st</sup> Floor in 1995-96 Rs.1,10,000  
ii) Cost of construction of 2<sup>nd</sup> Floor in 2005-06 Rs.3,51,000.  
iii) Alteration of the property in 2014-15 Rs.2,40,000  
iv) FMV of the property on April 1, 2001 is Rs.4,50,000. The house property is sold by ‘X’ on June 15, 2019 for Rs.90,00,000. Expenses incurred on transfer Rs.20,000. Compute taxable capital gain for the AY 2020-21. CII for the year 2005-06, 117, 2014-15, 240 and 2019-20, 289. (10 Marks)
- 7 a. Distinguish between short-term and long term capital gain. (03 Marks)  
b. Explain Intra head and Inter head set off, with suitable example. (07 Marks)  
c. Mr. X sells the following capital assets during the P.Y. 2019-20.

	Non-Listed shares	House Property
Sales consideration	24,00,000	7,00,000
Year of acquisition	2012-13	2005-06
Cost of acquisition	8,70,000	46,800
Cost of improvement (in 2011-12)	-	1,47,200

Compute taxable capital gain for the A.Y. 2020-21. CII for the year 2005-06, 117, 2012-13, 200, 2011-12, 184 and 2019-20, 289. (10 Marks)



- 8 From the following P and L A/C of Mr. X, for the year ending March 31, 2020, calculate taxable income for the A.Y. 2020-21.

Particular	Amount	Particular	Amount
General Expenses	13,400	Gross profit	3,15,500
Bad debts	22,000	Commission	8,600
Advance tax	2,000	Brokerage	37,000
Insurance	600	Sundry Receipts	2,500
Salary to staff	26,000	Bad debts Recovered (deduction allowed earlier)	11,000
Salary to Mr. 'X'	51,000	Interest on debentures	25,000
Interest on overdraft	4,000	Interest on bank deposit	13,000
Interest on loan to Mrs. 'X'	42,000		
Interest on capital of Mr. X	23,000		
Depreciation	48,000		
Advt-exps.	7,000		
Contribution to Employees RPF	13,000		
Net profit	160,600		
Total	4,12,600		4,12,600

Additional Information

- The amount of depreciation allowable is Rs.37,300 as per IT rules. It includes depreciation on permanent sign board.
- Advertisement expenditure includes Rs.3000 being cost of permanent sign board fixed on office premise.
- Income of Rs.4,500 accrued during the P.Y is not recorded in Profit and Loss account.
- Mr. X pays Rs.6000 as premium on own life insurance policy of Rs.70,000.
- General expenses include Rs.500 given to Mrs. X for arranging a party in honor of a friend who has recently come from Canada.
- Loan was taken from Mrs. X for payment of arrears of income tax. **(20 Marks)**

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