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## Fourth Semester MBA Degree Examination, Aug./Sept. 2020 Tax Management

Time: 3 hrs.

Max. Marks:80

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

- 1
  - a. Who is demand assessee? (02 Marks)
  - b. X, a foreign citizen (not being a person of Indian origin), comes to India for the first time on May 2, 2012. From May 2, 2012 to March 31, 2019, he is present in India for 962 days (2012 – 13 : 190 days ; 2013 – 14 : 300 days ; 2014 – 15 : 90 days ; 2015 – 16 : 10 days ; 2016 – 17 : 200 days ; 2017 – 18 : 72 days and 2018 – 19 : 100 days). Determine the residential status of X for the assessment year 2018 – 19. (06 Marks)
  - c. X and Y are employed by A Ltd. (salary being Rs.48000 per month). As per the company's policy, an employee is entitled for a car (1600 CC) and a driver. The car can be used for official and personal purposes. A car owned by the company can be provided along with driver and the company will bear running and maintenance expenditure up to a maximum of Rs.72000 per annum and actual salary of the driver (upto Rs.60000 per annum). An employee, at his option, can use his own car for official and personal purposes and company will reimburse actual expenditure on maintenance of the car but upto a maximum of Rs.72000 per annum and salary of driver upto Rs.60000 per annum.  
X has taken a car and driver from the company for official and personal purposes (actual maintenance expenditure is approximately Rs.72000 p.a. for car and Rs.60000 p.a. for driver). However, Y has used his own car and driver for official and personal purposes (amount of actual expenditure reimbursed on this account is approximately Rs.72000 for car and Rs.60000 per annum for driver). (08 Marks)
  
- 2
  - a. What are the incomes should be treated as income from house property? Mention any two. (02 Marks)
  - b. Briefly discuss the administration of Goods and Services Tax Act. (06 Marks)
  - c. X (age 26 years) is an employee of a co-operative society at Varanasi. During the previous year 2017-18, he got  
 Basic salary : Rs. 45000 per month  
 Bonus : Rs. 10000 per month  
 Dearness allowance : Rs.1500 per month (32% of it forms parts of salary for computation of retirement benefits)  
 Medical allowance : Rs.3000 per month (medical expenses is, however, more than Rs.3000 per month).  
 He is a member of recognized Provident Fund to which the employer contributes Rs.89000 (X also makes matching contribution)  
 X gets an interest free loan (repayable within 8 years) of Rs.2,00,000 from the employer for purchasing a house (SBI lending rate : 10.40 percent). Besides, he gets Rs.1,55,700 as interest on company deposits from a private sector undertaking.  
 Determine the taxable income and tax liability of X for the assessment year 2018-19 assuming, he deposits Rs.60000 in his PPF account during the previous year 2018-19. (08 Marks)

- 3 a. What do you understand by block of assets? (02 Marks)
- b. X acquires a house property on April 30, 1988 for Rs.170000. Expenditure on improvement incurred during 1989-90 is Rs.1,10,000. The fair market value of the property on April 1, 2001 is Rs.3,10,294. Expenditure construction of 2<sup>nd</sup> floor in the property during 2006-07 is Rs.5,42,080. The property is acquired by Government of India on May 10, 2017. Compensation granted by the appropriate authority is Rs.25,00,000 which is paid to X in 2 installments (i.e. Rs.6,00,000 on June 10, 2017 & Rs.19,00,000 on April 25,2018) X is not satisfied with the compensation awarded by the appropriate authority. On his appeal, the Delhi High Court increases the compensation to Rs.45,00,000. The additional compensation of Rs.20,00,000 is received by X is as follows:
- (i) Rs. 15,00,000 on May 7, 2018 and
  - (ii) Rs.5,00,000 on May 10, 2019 along with interest of Rs.1,80,000 as directed by the court.

X purchases a residential house property in Pune on May 9, 2017 for Rs.11,00,000 and constructs another unit in the same property on April 20, 2018 by spending Rs.9,00,000. Expenditure incurred by X for getting initial compensation is Rs.10,000 and legal expenditure for litigation in Delhi High Court is Rs.70,000. X annually gets bank interest of Rs.5,00,000 and annual deposits of Rs.1,00,000 in PPF.

Find out the long term capital gain of X for the assessment year 2018-19 and find out the net income of X.

CII for 2017-18 – 272, 2001-02 – 100, 2006-07 – 122

(06 Marks)

- c. Profit and Loss Account of XYZ (a LLP of X, Y and Z) for the year ending March 31, 2018 is as follows :

Particulars	Rs.	Particulars	Rs.
Cost of goods sold	62,25,000	Sales	61,00,000
Interest to Partners	1,20,000	Agricultural 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.32000, Rs.3000 is not deductible under section 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 assessment year 2018-19. The firm satisfies all conditions of sections 184 and 40 (b).

(08 Marks)

- 4 a. What is capital asset? (02 Marks)
- b. X Ltd., a manufacturing company, owns the following assets on 1<sup>st</sup> April 2017:

Assets	Rate of depreciation	Written down value on April 1, 2017
Plant A	30%	Rs.4,00,000
Plant B	15%	Rs.8,50,000
Plant C	15%	Rs.28,00,000
Plant D	30%	Rs.38,000

X Ltd., purchases the following assets on 10<sup>th</sup> March 2018 :

Assets	Rate of depreciation	Cost price Rs.
Plant E	30%	13,80,000
Plant F	15%	8,10,000

X Ltd., sells the following plants during the previous year 2017-18:

Assets	Rate of depreciation	Sale consideration Rs.	Expenses on Transfer (Rs.)
Plant C	15%	48,20,000	32,000
Plant A	30%	16,90,000	415

Determine the amount of depreciation for the assessment year 2018-19.

(06 Marks)

- c. Amith (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 31/03/2018.

Receipts	Rs.	Payments	Rs.
Balance b/d	7,20,000	Purchase of furniture	56,000
Fee from clients :		Car expenses	245000
2017-18	21,20,000	Office expenses	82000
2016-17	90,000	Salary to staff	840000
Presents from clients	40,000	Interest on loan	20000
Loan from a client	5,00,000	Income tax penalty	3000
		Contribution to PPF	1,40,000
		Purchase of notified bonds of infrastructure Co.	12,000
		Balance C/d	2072000
	34,70,000		34,70,000

Adjustments:

- 5% of car expenses are attributable towards use of car for personal purposes.
- Fees due but outstanding is Rs.9,00,000.
- Depreciation of car is Rs.2,70,000
- Income of X from other sources is Rs.8,32,000.
- X purchased a computer for Rs.30000 on 10/3/2017 (rate of depreciation 40%)

Determine the professional income for the assessment year 2018-19.

(08 Marks)

- Define taxable supply under GST. (02 Marks)
  - Enumerate the permissible deductions under sections 80 CCG, 80E and 80EE. (06 Marks)
  - Write a brief note on nature and types of customs duties. (08 Marks)
- What do you understand by clubbing of income? (02 Marks)
  - Mr. Sunil, not being covered by the payment of Gratuity Act 1972, retires on January 25, 2018 from ABC and receives Rs.3,76,000 as gratuity after service of 40 years and 2 months. His average monthly salary is Rs.16590. Determine the amount of,
    - Taxable gratuity
    - Gratuity exempt from tax.
 for the assessment year 2018-19. (06 Marks)
  - ABC Ltd., has the taxable income as per normal provisions of IT Act Rs.40,00,000 and Book Profits of Rs.75,00,000 for the FY 2017-18. Calculate MAT Credit. (08 Marks)
- Write a short note on Corporate Dividend Tax. (02 Marks)
  - Discuss whether the following services are chargeable to GST:
    - Service provided by courier agency.
    - Tirumala Tirupathi Devasthanam (TTD) owns residential complexes in Tirumala. These are given on rent to pilgrims, who visit Tirumala for Darshan. Daily rent of these units is as follows:  
Category A – Rs.800 per day.  
Category B – Rs.1500 per day.  
Category C – Rs. 3500 per day.
    - Life insurance business service under Pradhan Mantri Jan Dhan Yojana. (06 Marks)
  - Answer the following :
    - Person who should have allotted with TAN.
    - What is TDS?
    - Who should sign of return of income? Mention any 5 assesseees.
    - What is agricultural income? (08 Marks)



- 8 Mrs.X (age 28 years), a resident individual is owner of a departmental store at Madras Chennai and income is derived from different agencies of manufacturing companies. She requests you to compute his total income of the assessment year 2018-19 on the basis of the following Profit and Loss Account for the year ending 31/03/2018 :

Particulars	Rs.	Particulars	Rs.
Opening stock	12,00,000	Sales	80,81,000
Purchases	41,79,000	Closing stock	9,00,000
Salary and wages	4,90,000		
Rent and Rates	18,000		
Household expenses	50,000		
Commission	67,000		
IT for 2017-18	10,000		
Advertisement	14,000		
Postage	9,000		
Interest on own capital	55,000		
Reserve for future losses	10,000		
Depreciation	9,000		
Net Profit	28,70,000		
	89,81,000		89,81,000

Additional information:

- (i) Stock of goods at the opening as well as the closing day of the accounting year has consistently been valued at 20 percent below the cost price.
- (ii) The amount of household expenses include a contribution of Rs.4000 towards PPF.
- (iii) Sales include a sum of Rs.20,000 representing goods withdrawn for the use of Mrs. X's family members. These goods were purchased at a cost of Rs.24,000. Market value of these goods is Rs.27,000.
- (iv) Depreciation according to IT rules work out of Rs.9200.
- (v) Salary and wages include Rs.40000 being entertainment allowance paid to employees.

(16 Marks)

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