

CBCS SCHEME

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16MBAFM403

Fourth Semester MBA Degree Examination, June/July 2018

Tax Management

Time: 3 hrs.

Max. Marks:80

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

- 1 a. What do you mean by Assessee in Default as per Sec.2(7)(c)? (02 Marks)
b. Explain the items of income chargeable to tax under the head Income from other sources. (06 Marks)
c. Write a short note on Tax Planning and Tax Evasion. (08 Marks)
- 2 a. What is GST? (02 Marks)
b. Mr. X purchases a house property for Rs 26,000 on May 10, 1982. He gets the first floor of the house constructed in 1987 – 88 by spending Rs 40,000. He dies on September 12, 1998. The property is transferred to Mrs X by his will. Mrs X spends Rs 30,000 and Rs 26,700 during 1999 – 2000 and 2005 – 2006 respectively for renewals/reconstruction of the property. Mrs X sells the house property for Rs 21,50,000 on March 15, 2018 [Brokerage paid by Mrs X is Rs 11,500]. The fair market value of the house on April 1, 2001 is Rs 1,60,000. [CII 2001 – 02 – 100 , 2005 – 06 – 117 , 2017 – 18 – 272]. Compute capital gain for the A.Y. 2018 – 19. (06 Marks)
c. Mr. Raj submits the following particulars of his income from various sources for the P.Y. 2017 – 18. Determining the Total Income of the assessee for the A.Y. 2018 – 19.

i)	Gross salary from ABC Ltd	1,30,000
ii)	Income from House Property : X Y	+ 65,000 - 50,000
iii)	Profit from Business/profit : Trading in sugar Trading in Timber Growing and manufacture of Tea Speculation in bullion Speculation in shares	+ 400,000 - 600,000 + 200,000 - 300,000 + 350,000
iv)	Short term capital gain : Shares Loss from Jewellery Long term capital loss from land	+ 200,000 - 80,000 -140,000
v)	Loss from lottery Gross winning from puzzle Loss from letting out plant & Machinery	- 50,000 + 50,000 - 20,000

(08 Marks)

- 3 a. What is Customs duty? (02 Marks)
b. X, a foreign citizen [not being a person of Indian origin], leaves India for the first time in the last 20 years on November 20, 2015. During the calendar year 2016, he comes to India on September 1, for a period of 30 days. During the calendar year 2017, he does not visit India at all but comes to India on January 16, 2018. Determine the residential status of X for the assessment year 2018-17. (06 Marks)

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- c. A, B and C are partners in a firm, sharing profits and losses in the proportions of $\frac{2}{5}^{\text{th}}$, $\frac{2}{5}^{\text{th}}$ and $\frac{1}{5}^{\text{th}}$ respectively. The profit and loss account for the year ended 31/3/2018 is as follows:

Particulars	Rs	Particulars	Rs
To, Sundry trade expenses	1,01,800	By, Gross profit b/d	4,90,000
To, Interest on capital @ 15%		By, Interest on securities	10,000
A – 15,000			
B – 15,000			
C – 15,000	45,000		
To, Rent to B	30,000		
To, Salary to B	72,000		
To, Commission to C	36,000		
To, Net profit	2,15,200		
Total	5,00,000	Total	5,00,000

Compute the total income of the firm. The firm fulfills the conditions of section 184. Taxable income of the three partners in the firm B and C are working partners. (08 Marks)

- 4 a. What do you mean by Capital gains? (02 Marks)
b. What are the various heads of Income and discuss its importance? (06 Marks)
c. Explain Section 80C, 80CCC, 80D and 80G of Income tax Act 1961. (08 Marks)

- 5 a. What is MAT? (02 Marks)
b. Mr. Hasuvi retires on 31st August, 2017 from Private service after 30 years and 6 months under payment of Gratuity Act, 1972. He was getting salary of Rs 22,000 P.M. D.A is paid 60% of salary but only 30% is a part of superannuation benefits. He gets 5% commission on his sales, amounting Rs 5,00,000. He gets gratuity of Rs 6,50,000. Determine his taxable salary. (06 Marks)
c. Compute the written down value from the following information for the assessment year 2018-19. (08 Marks)

Block of Asset	Rate of (%) Depreciation	Depreciated value on 1/4/2017
Plant A, B and C	15	10,40,000
Plant D and E	40	2,60,000
Plant F	30	70,000
Building A, B, C and D	10	10,90,600
Building E, F and G	5	7,10,200
Building H, I, J and K	40	16,90,000

The following Assets are transferred :

Assets	Date of sale	Sale consideration
Plant B	December 20, 2017	25,10,900
Plant D	January 31, 2018	12,000
Building L	March 6, 2018	6,00,000

After April 1, 2017 the company purchases the following assets :

Assets	Date of Purchases	Rate of (%) Depreciation	Actual cost
Plant G	April 6, 2017	30	6,000
Plant H	May 11, 2017	15	18,000
Furniture	June 6, 2017	10	56,000
Car	July 7, 2017	15	2,56,000
Building L	September 26, 2017	5	7,28,700
Computer	September 27, 2017	40	90,000
Copy right	September 30, 2017	25	17,50,000

- 6 a. What do you mean by Block of Assets? (02 Marks)
b. What is Perquisites? Explain any four Tax – Free Perquisites. (06 Marks)

c. During the previous year 2017-18, X [39 years] is employed by a Private Sector Company. He gets Rs 45,000 per month as basic salary, Rs 15,000 P.M as D.A [30% is considered for calculation of Provident fund] , Tiffin allowance of Rs 1000 P.M , Medical allowance of Rs 1500 per month. Besides he gets a fixed commission of Rs 5000 P.M. The employer company has provided a watchman at the residence of X [Company bears salary of Rs 4000 P.M out of which Rs 1000 P.M is recovered from X]. The Company provides a car (1200 CC) for personal and office use of X. [The entire expenditure on salary and driver of approximately. If Rs 76,000 is incurred by the company along with hire charges of car of Rs 1800/-. Only a sum of Rs 900/- is recovered for providing car from X]. The employer – company contributes 15% of salary towards recognized provident fund. A matching contribution is made by X. However with effect from January 1, 2018. X makes an additional contribution of Rs 4000 P.M. Interest of Rs 74,000 is credited in Provident fund account at the rate of 10%, On October 1, 2017. Income of X from other sources is Rs 1,74,240. Find out Gross Total Income of X for the assessment year 2018 – 19. (08 Marks)

- 7 a. What do you mean by Slump Sale? (02 Marks)
- b. Mr. Halasiddappa furnishes the following particulars of his income ended during the P.Y. 2017 – 18. Compute his Total Income for the A.Y 2018-19. (06 Marks)
- Income from salary accrued and received in India Rs 20,000.
 - Profit of a hotel business at Melbourne Rs 30,000.
 - Dividend declared in Perth but received in India Rs 4,000.
 - Income from transfer of a long term capital asset situated in India Rs 20,000.
 - Interest on debentures of a company at Manchester , which was received in India Rs 6000.
 - Royalty received in Germany from Shri Kailasha, resident in India for technical services provided for a business carried on in Germany Rs 20,000.
- c. Mr. Vishwas, a leading tax consultant, who maintains books of account on cash basis furnishes the following particulars of income and expenditure for the assessment year 2018-19.

Receipt and Payment A/c for the year ending 31/3/2018

Particulars	Rs	Particulars	Rs
Balance b/d	12,400	Purchase of a Typewriter	6,000
Fees from clients	9,55,000	Car expenses	18,000
Presents from clients	24,000	Office expenses	40,000
Interest free loan from client for purchase of a car	2,38,000	Salary to staff	43,000
Winnings from lottery	46,000	Expenses in respect of let out property : (Municipal tax Rs 2000, Repairs Rs 1000 , Insurance Rs 3000)	6,000
Interest from UTI (received on Sept, 11, 2017)	12,000	Car purchased on 10/12/2017	2,40,000
Rent of a let out property	60,000	Repairs of office	12,000
Share of income from a firm	15,000	Interest on loan	10,000
		Income Tax payment	2,000
		Life Insurance Premium	2,08,000
		Balance c/d	7,77,400
Total	13,62,400	Total	13,62,400

Car is partly used for Official purposes (40%) and partly for Private purposes (60%). Depreciation of Typewriter is 15% and car is 7.5%. Determine Income from Profession and Gross total income of Mr. Vishwas for the Assessment year 2018-19. (08 Marks)

8 CASE STUDY (Compulsory) :

From the following information, compute the Tax liability of Raj and Company. Keeping in view the provisions of MAT U/S 115 JB for the assessment year 2018-19.

Profit and Loss Account

Particulars	Rs	Particulars	Rs
To, Expenses relating to business	4,50,000	By Long term capital gain	1,00,000
To I.T paid	20,000	By Sale	7,00,000
To General Reserve	40,000	By Deferred tax	1,00,000
To Provision for Contingent liability	40,000		
To Provision for Diminution in value of an Asset	50,000		
To Proposed Dividends	50,000		
To Balance c/d	2,50,000		
Total	9,00,000	Total	9,00,000

Other Information :

- B/F loss as per books of account Rs 1,00,000.
- B/F Depreciation as per books of account Rs 80,000.
- B/F loss under the head capital gains [computed as per Income Tax Act] Rs 60,000.
- B/F unabsorbed depreciation Rs 3,00,000 for the assessment year 2018-19. (16 Marks)