

Seat No. : _____

DA-131

December-2013

5 Years MBA Integrated (KS) SY MBA

INTRODUCTION TO TAXATION

Time : 3 Hours]

[Max. Marks : 100

- Instructions :**
- (1) All questions carry **equal** marks.
 - (2) Figure to the right indicate marks.
 - (3) Show necessary calculations as part of your answer.

1. (a) Answer the following questions : **6**
 - (1) Define person u/s 2(31) along with an example.
 - (2) Short note on Assessment Year
 - (b) Write a detailed note on Appellate authority of Income tax. **6**
 - (c) Mr. XYZ, an Egyptian, is working in India since 13 years. He regularly visits India in June, July and August every year. Check his residential status for the assessment year 2013-14. **8**
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2. From the following information of Chandler Bing, Compute the salary income for the Assessment year 2013-14. **20**
 - (1) Basic Salary : He joined on 1-7-2009 in the grade of ₹ 11,000-1000-18000. The increment becomes due on 1st July every year. He is a specified employee.
 - (2) Dearness Allowance : 50% of Basic Salary.
 - (3) Bonus and Commission : ₹ 1,20,000.
 - (4) Entertainment Allowance : ₹ 1,000 p.m.
 - (5) Children Education Allowance : ₹ 1,000 p.m.
 - (6) The company has provided him a flat owned by the company, 'the fair rental value of the said flat is ₹ 5,400 per annum'. The Company has spent ₹ 1,60,000 on its furnishing. Recovery of token rent for accommodation @ 10% of basic pay. He is working at Ahmedabad and population of Ahmedabad is more than 25 lakhs.
 - (7) The company has appointed a gardener at a monthly salary of ₹ 1,000.
 - (8) The company has reimbursed the medical expenses of ₹ 12,000 incurred by him for the treatment of his family members.
 - (9) The company has provided a car without driver and all expenses of maintenance are borne by the employee. The car is for office use and private use and has 1.8 cubic litre capacity.

- (10) The company is contributing @ 15% of basic pay towards his recognized Provident Fund.
- (11) Interest credited to his R.P.F. @ 15% ₹ 15,000.
- (12) Leave encashment amount received in cash ₹ 6,000.
- (13) The company pay ₹ 2,000 per month for telephone facility.
- (14) The company paid ₹ 15,000 for personal purchases made by Chandler Bing by using the credit card.
- (15) The company has made following deductions from his pay :
- Professional tax ₹ 2,400.
 - Employee's contribution to Recognised Provident Fund : 12% of basic pay.
 - Life Insurance policy premium : ₹ 25,000.
 - Income Tax ₹ 15,000.

OR

2. (a) Discuss the provisions of Income-tax Act, 1961 relating to House Rent Allowance, Entertainment Allowance, and Gratuity. **10**
- (b) Define "Perquisites". Illustrate with examples the value of Rent-free accommodation. **10**
3. (a) Find out taxable income of following properties owned by Mr. Jadeja which are used for residential purpose only. Do the calculations for the assessment year 2013-14. **12**

	H1	H2	H3	H4
Municipal Value	50,000	50,000	80,000	80,000
Fair Value	60,000	40,000	70,000	90,000
Standard Rent	55,000	65,000	70,000	92,000
Actual Rent (Per month)	5,100	4,800	5,500	6,000
Municipal Tax (in %)	10	10	8	7
Interest on loan taken for construction	4000	3000	5000	4500

- (b) As a general rule only the legal owner is liable to pay tax under the head "House Property" – Explain the statement with exceptions to the rule. **8**
4. (a) Write a note on expenses which are not allowed as a deduction in "Profits and Gains from Business and Profession". **6**

OR

Write a note on expenses which are allowed as a deduction in "Profits and Gains from Business and Profession".

- (b) Give a clear difference between Business and Profession. **2**

- (c) Given is Receipts and Payments A/c of Dr. Mehta, ENT for the year ended on 31-3-2013. Calculate total taxable business income for Assessment Year 2013-14. **12**

Receipts	₹	Payments	₹
To Balance b/d	6,00,000	By Surgical Equipments – Purchase (> 182 Days)	1,00,000
" Consultation Fees	5,00,000	" Rent of Clinic	50,000
" Interest on Bonds	10,000	" Salary of Staff	2,00,000
" Visit Fees	1,00,000	" Mahurat-Puja Expenses	10,000
" Operation Theatre Rent	25,000	" Membership Fee in O7 club	2,00,000
" Surgical Equipments – Sales	1,00,000	" Purchase of Medical Books	5,000
" Sales of Medicines	50,000	" Income Tax	50,000
		" Purchase of Medicines	20,000
		" Machinery Purchase	1,00,000
		" Balance c/d	6,50,000
	13,85,000		13,85,000

Additional Information :

- (1) Sales tax paid amounted to ₹ 10,000 which has not been mentioned above.
- (2) Opening stock and Closing stock of medicines are ₹ 50,000 and ₹ 10,000 respectively.
- (3) Opening Written Down Value of surgical equipment was ₹ 1,50,000, Depreciation rate is 10%.
- (4) Patient named Mr. Khushal gave gift worth ₹ 10,000 in consideration of medical treatment provided to him.

5. (a) How will you differentiate long term and short term capital gain ? **3**
- (b) Mr. Suresh sold his solitaire diamond ring on 1-8-2012 for ₹ 15,00,000, which he had purchased in 1992-93 for ₹ 50,000. From the proceeds, he purchased a residential house for ₹ 10,00,000 on 1-10-2012. Calculate his capital gain on sale of ring, which is exempt from tax keeping in mind the following Cost. Inflation Index. [Year 1992-93: 223, 2012-13: 852] **7**

- (c) From the following information of Joey Greene, Compute his taxable income under the head 'Income from other sources' for the assessment year 2013-14. **10**

	₹
(1) Sitting fee for attending the meeting of Board of Directors	2,000
(2) Dividend received from a foreign company	700
(3) Rent from sub-letting a house	26,250
(4) Winnings from horse-race (Gross)	12,300
(5) Gift received from his Father's brother	60,000
(6) Interest received on 12% debentures of ₹ 1,50,000 (after deducting TDS @ 10%)	16,200
(7) Net prize money (after deduction of tax at 30%) received on lottery won. Gross amount is ₹ 50,000.	35,000
(8) Interest on 7% Capital Investment Bonds of ₹ 25,000	1,750
(9) Expenses for buying lottery tickets	2,100
(10) Royalty received	6,000
(11) Agricultural income from land situated in Bangladesh	3,000
(12) On 1-2-2013, Joey Greene bought a gold-chain worth ₹ 80,000 from a friend for a consideration of only ₹ 25,000	

OR

Answer the following questions :

- (1) Mention examples of any six items included under the head 'Income from other sources'.
- (2) Explain the meaning of 'Grossing-up' with an example.
- (3) Mention the circumstances when gifts received by an assessee shall not be treated as an income.
