

Seat No. : _____

N17-101

November-2014

B.B.A., Sem.-V

CC-306 : Direct Taxes

Time : 3 Hours]

[Max. Marks : 70

1. (A) Select an appropriate option from the given one : (One should write the correct option in the answer.) **10**
- (1) Maximum exemption limit for the gratuity under Income tax act is
- (a) ₹ 1,00,000 (b) ₹ 5,00,000
- (c) ₹ 10,00,000 (d) ₹ 80,000
- (2) House Rent Allowance is fully taxable to
- (a) a person who is living in his own house
- (b) a person is paying lower rent
- (c) a person who is paying rent to close friend
- (d) None of the above
- (3) Maximum amount of exemption for the compensation of Voluntary retirement scheme is
- (a) ₹ 2,00,000 (b) ₹ 3,00,000
- (c) ₹ 5,00,000 (d) ₹ 15,00,000
- (4) In case of income from house property maximum amount of interest on loan (taken after 1.4.99) for construction of house can be claimed for
- (a) ₹ 1,00,000 (b) ₹ 1,50,000
- (c) ₹ 1,80,000 (d) ₹ 75,000
- (5) Municipal Tax is deductible on the basis of _____ for computing income from house property.
- (a) Payment
- (b) Amount Due
- (c) 50 % of amount due
- (d) 50 % of amount paid

- (6) In computation of _____ capital gain Indexation is not necessary.
- (a) short term
 - (b) long term
 - (c) shares held for more than 3 years
 - (d) None of the above
- (7) Which of the following expenses are expressly disallowed as per Income Tax Act for computing Income from Business or Profession ?
- (a) Revenue Business Expenses
 - (b) Personal expenses whose benefit is available to owner only
 - (c) Expenses relating to employees
 - (d) Expenses relating to purchase of goods
- (8) Interest on capital invested by the owner of the business is _____
- (a) allowable business expenses
 - (b) disallowed business expenses
 - (c) allowable business expenses on cash basis
 - (d) None of the above
- (9) Dividend on shares of foreign company situated in foreign country is _____
- (a) fully exempt
 - (b) fully taxable
 - (c) taxable @50% of the amount received
 - (d) taxable @ 60% of the amount received
- (10) To become resident and ordinary resident of India one should be in India for _____ days in previous year to satisfy first basic condition.
- (a) 182
 - (b) 168
 - (c) 128
 - (d) 200

(B) State whether following statements are true or false : 4

- (1) Capital expenditure paid for business is not allowed as business expenses in computation of business income as per Income tax Act.
- (2) Gratuity received by the Government Employee is fully exempt from Tax.
- (3) Bad Debt recovered (which is not allowed as business expenses in earlier year) is considered to be Business Income.
- (4) Bank charges paid for collection of dividend from Indian company can be deductible from income from other sources.

2. (A) Write note on following : 9

- Agriculture income
- Person
- Assessment Year and Previous year

OR

Write note on following :

- Previous year
- Income exempt from tax
- Assessee

(B) Determine residential status of Mr. Suresh aged 49 years (who is Indian origin and UK resident who left India for first time in the year 2010-11) for P.Y. 2013-14 on the basis of his following information about his stay in India : 5

| Year | Days stayed in India |
|---------|----------------------|
| 2010-11 | 125 |
| 2011-12 | 85 |
| 2012-13 | 215 |
| 2013-14 | 95 |

OR

Determine Gross total Income of Mr. Aryan for P.Y. 2013-14 from following information as if he is

- Resident and Ordinary Resident
- Resident but not ordinary
- Non-Resident

| Particulars | ₹ |
|--|----------|
| Profit from furniture business in Bombay | 1,40,000 |
| Interest on Japanese bonds (one-third is received in India) | 1,20,000 |
| Profit from business controlled from Bangalore having Branches in Malaysia and Australia | 45,000 |
| Rent from House Property situated in Dubai but received in Madrid (Spain) | 20,000 |
| Pension from Gujarat government received in London | 2,40,000 |

3. (A) Determine Net taxable Salary of Shri Nirav from following information for the P.Y. 13-14 :

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- Name of employer: PQR Ltd.
- Date of joining : 1-4-13
- Salary Slab : 25000-1000-28000-2000-34000
- D.A. 60% of Basic Salary (50% is part of Salary)
- C.C.A. ₹ 1000 p.m.
- Transportation Allowance ₹ 1,200 p.m.
- Uniform Allowance ₹ 1,500 (80% is utilized for the uniform)
- Bonus @ ₹ 12,000 p.a.
- Employer has provided following facilities to Mr. Nirav.
- Accommodation at Ahmedabad (Population as per 1991 Census 50 lakhs). Accommodation is actually owned by the employer. Furniture of ₹ 50,000 is provided along with the accommodation which is owned by employer. Additional furniture if also provided and Rent paid for the furniture is ₹ 18,000.
- Motor Car of 1.1 Ltr. with driver for office and personal purpose.
- Free Domestic Servants as follows :
 - * Cook salary paid ₹ 3,500 (p.m.)
 - * Domestic servant ₹ 1,200 (p.m.)

- Employer and Employee has contributed 14.5% to recognized provident fund.
- Interest credited to RPF a/c is ₹ 2100 @ 10.5%.
- Interest free personal loan of ₹ 12,000 from employer for entire year. (Rate of interest charged by SBI is 17%).
- Employer has paid Professional Tax of ₹ 400 p.m.
- Employer has recovered ₹ 1,500 for the facility of accommodation.

OR

Answer the following :

(I) Mr. Ramesh Sharma retired from Prakash Ltd. on 1-8-2013 after service of 18 years received following : **5**

- Gratuity ₹ 7,85,000
- Exgratia ₹ 25,000
- Leave encashment for 185 days balanced leave ₹ 88,000. He was entitled for 32 days for every completed year of service.

His salary at the time of retirement was as under

- * Basic Salary ₹ 18,000 p.m.
- * D.A. ₹ 4,000 p.m.
- * H.R.A. ₹ 2,500 p.m.

Determine his Net Taxable Salary from above information as if he is not covered under the act and taxable leave encashment.

(II) Mr. Mayur had joined Fakir Ltd. on 01-04-12 with salary slab of 10000-10000-14000-2000-22000. He has received following emoluments along with basic salary. **5**

- D.A. ₹ 4,000 p.m.
- HRA ₹ 8,000 p.m. (Actual rent paid ₹ 9,000 p.m. in Rajkot)
- Entertainment Allowance ₹ 1000 p.m. (Actual amount spent for entertainment is ₹ 5,000)
- Medical Allowance ₹ 2,000 p.m. (Actual amount spent for the medical treatment is ₹ 18,000)
- Children's Education Allowance ₹ 400 p.m. (he has only one child)

Determine his taxable salary for P.Y. 2013-14.

(B) Write note on following :

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- (1) Perquisites taxable to specified employees only.
- (2) Fully taxable allowances.

OR

Write note on following :

- (1) Rules of computation of Entertainment Allowance.
- (2) Fully Exempt Perquisites

4. Determine Business Income of Shri Amichand from following Profit and Loss Account the year ended on 31-03-2014. Determine his business income for P.Y. 2013-14 from following :

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| Particulars | ₹ | Particulars | ₹ |
|---------------------------|-----------------|-------------------------------------|-----------------|
| To Office Rent | 24,000 | By Gross Profit | 4,50,000 |
| To Salary to Staff | 1,25,000 | By Dividend | 10,000 |
| To Telephone Bill | 56,000 | By Profit on Sale of Car | 1,50,000 |
| To Motor Car Expenses | 34,000 | By Commission on Sale | 12,000 |
| To Depreciation on car | 24,000 | By Interest on PO S/B A/c. | 500 |
| To House-hold Expenses | 36,000 | By Rent from Let out House Property | 24,500 |
| To Stationary | 2,000 | By Gift from friends | 10,000 |
| To Life Insurance Premium | 8,000 | | |
| To Bonus to Staff | 5,000 | | |
| To Newspapers | 1,200 | | |
| To Audit Fees | 2,000 | | |
| To Sales Tax | 6,500 | | |
| To Income Tax | 1,750 | | |
| To Provision for Bad debt | 250 | | |
| To Travelling Expenses | 1,000 | | |
| To Repairing Exp. | 6,000 | | |
| To Office Expenses | 24,000 | | |
| To Net Profit | 3,00,300 | | |
| | 6,57,000 | | 6,57,000 |

Additional information :

- (i) Salary to staff includes ₹ 12,000 paid to wife who is not devoting anytime for the business work.

- (ii) $\frac{1}{2}$ of the Telephone bill is relating to personal mobile.
- (iii) Allowable depreciation as per income tax Act is ₹ 30,000.
- (iv) Repairing expenses includes ₹ 2,000 for the let out house property.

OR

Write note on following :

- (1) Expenses expressly allowed as business expenses. 4
 - (2) Rules of computation of Depreciation on assets under the income of Business or Profession. 6
 - (3) Scientific Research expenses. 4
5. (A) Determine income of Shri Mahesh Shastri under the head “Income from other sources” for P.Y. 2013-14 from following information : 6
- (a) Interest on 14% Debentures of Parekh Ltd. ₹ 9,000 (TDS @10)
 - (b) Director’s sitting fees ₹ 3,000.
 - (c) Dividend from Bata India Limited ₹ 6,000.
 - (d) Lease rent from subletting property from ABC Ltd. ₹ 4,000.
 - (e) Winning from Horse race ₹ 17,500 (TDS@30)
- Paid ₹ 150 for bank charges for collecting interest on Debentures of Prakash Ltd.

OR

Write note on following :

- (1) Grossing Up
 - (2) Income chargeable under the head “Income from Other Sources”.
- (B) Write note on following : 8
- (1) Rules of computation of Gross Annual Value for Income from House Property.
 - (2) Indexation

OR

Write note on following :

- (1) Deductions allowed under the head “Income from House Property”.
 - (2) Long Term Capital Gain
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