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P.E.S. College of Engineering, Mandya - 571 401

(An Autonomous Institution affiliated to VTU, Belagavi)

Fourth Semester, Master of Business Administration (MBA)

Semester End Examination; May/June - 2019

Tax Management

Time: 3 hrs

Max. Marks: 100

Note: Answer all **FOUR** full questions from **PART - A** and **PART - B** (Case study) is compulsory.

PART - A

- 1 a. What do you mean by Assessee and Income? 10
- b. Mr. A has four houses, the municipal valuations of which are Rs. 10,000 , Rs. 8,000, Rs. 6,000 and Rs. 6,000 respectively. He lives in the first house. In the second house he runs his business. The third house let out for Rs. 400 per month. A loan was taken on 1st April 2010 for the construction of the fourth house, the construction of which began on 1st May 2010 and ended on 31st January 2012. The house was let out on 1st February 2012 @ Rs. 600 p.m. For the previous year 2015-16, the interest paid by him in respect of the loan amounted to Rs. 800 and for the previous year 2010-11 and 2011-12 the interest paid has been Rs. 1,500 and Rs. 1,400 respectively. Municipal taxes were assessed and paid @ 10% of the municipal valuation. Ascertain his income from house property for the assessment year 2016-17. 10

OR

- 2 a. What is meant by perquisites? Give five examples of tax-free perquisites. 10
- b. Sri Manoj Kumar is getting Rs. 15,000 p.m. as basic pay, Rs. 1,500 p.m. as dearness pay and Rs. 500 as dearness allowance. During the previous year he received the following allowances also :
- Rs. 60,000 as allowance for reimbursement of personal expenditure while on duty during the running of truck
 - Rs. 120 p.m. per son as education allowance for the education of his two sons
 - Both these sons are living in hostel on whom Sri Manoj Kumar is spending Rs. 500 p.m. per son. He is getting Rs. 350 p.m. per son as hostel allowance for meeting this expenditure
 - Rs. 350 p.m. as tribal area allowance
 - Rs. 100 p.m. as conveyance allowance which is used by him for private purposes
 - Rs. 3,000 p.m. house rent allowance
- Sri Manoj Kumar has taken a house for his residence at Bilaspur at Rs. 4,000 per month as rent. He contributes 12% of his basic pay and dearness pay to his recognized provident fund and the employer also contributes a similar amount. Compute the taxable salary of Sri Manoj Kumar for the assessment year 2016-17. 10
- 3 a. Describe the method of computing income under the head 'Income from other sources'. 10
- b. Explain the provisions related to determination of residential status as per Indian Income tax Act. 10

OR

viii) Rs. 10,000 paid to legal advisers in respect of proceedings before income tax authorities

ix) Penalty of Rs. 24,000 for importing yarn in contravention of import regulations

The company has paid advance tax of Rs. 3,50,000. Compute the taxable income of the company and the net tax payable for the relevant assessment year.

7. State the provisions regarding set-off of capital losses. 10

b. Dr. Suresh is a medical practitioner. Besides his own practice, he works as a part-time physician in a private hospital for which he receives a monthly remuneration. He is also a consultant-physician of XYZ Co. Ltd. on a monthly retainer fee. The doctor maintains a record of his receipts and payments and for the year ended 31st March 2016, the following information's are abstracted there from :

Receipts	Rs.
Consultation fee receipts	2,60,000
Gross Remuneration from the private hospital	1,24,000
Retainer fee from xyz co. Ltd.	60,000
Interest on savings Bank A/c	13,000
Payments	
Rent and Electricity charges for the clinic	12,000
Telephone charges	2,400
Printing and Stationery	500
Car maintenance expenses	12,000
Wages of clinical assistant	3,600
Driver's Salary	3,600
Life Insurance Premium	2,400

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The written-down value of the car and the furniture at the clinic as on 1.4.2015 are noted to be Rs. 25,000 and Rs. 2,000 respectively. 20% of the use of the car and the telephone is attributable to the personal and private purposes. Provide for depreciation on car @ 15% and furniture @ 10%. Compute the total income of the director for the assessment year 2016-17.

OR

8 a. What are the charitable donations? What are the conditions for allowing deductions in respect of these donations? 10

b. Explain any five Taxable allowances under Income tax. 10

PART - B (Case study – Compulsory)

9. X (age:24 years) a resident individual, furnishes the following information for the assessment year 2017-18 : Profit and Loss Account for the year ending March 31, 2017

	Rs.		Rs.
Office Expenses	11,000	Gross Profit	8,78,000
Telephone	8,000	Sundry Receipts	8,000
Salary to staff	42,000		
Depreciation	28,000		
Traveling expenses	43,000		
Loss by cash by employee through embezzlement	5,000		
Amount transferred to special reserve account	7,500		
Expenditure on the occasion of Diwali	7,100		
Interest and legal expenses	44,000		
Sundry expenses	8,500		
Net profit	6,81,900		
	8,86,000		8,86,000

Other information:

- a) Salary to staff includes payment of Rs. 12,000 out of India on which tax has not been deducted at source nor paid to the Government
- b) Depreciated value of plant and machinery on April 1, 2016 is Rs. 1,10,000 (rate of depreciation: 15%)
- i) A plant whose written down value of April 1, 2016 is Rs. 17,440 is sold during the previous year for Rs. 11,000
- ii) A machinery (cost price Rs. 20,000) whose written down value on April 1, 2016 is Rs. 2,350 is sold during the previous year for Rs. 15,000
- iii) During the year, X purchases a new plant for office for Rs. 1,22,670 which is eligible for depreciation at the rate of 15%. The Plant is installed and put to use on May 15, 2016
- c) Travelling expenses include Rs. 10,000 being hotel expenditure of an employee in respect of an official visit to Bombay for 5 days
- d) Expenditure on the occasion of Diwali includes a gift of Rs. 2,000 to Mrs. X
- e) Interest includes a payment a payment of Rs. 3,000 out of India on which tax has not been detected
- f) Sundry expenses include expenditure of Rs. 1,000 on maintenance of guest house in Delhi for the purpose of carrying on the business and Rs. 4,000 being employer's contribution towards ESI out of which Rs. 600 is paid after the due date of submission of return of income
- g) Legal expenses include the following payments :
- i) Payment of Rs. 4000 to B an employee of X, for filing income tax appeal
- ii) Payment of Rs. 5,000 to C not being an employee of X, for preparation of return of income
- iii) Payment of Rs. 11,000 to D, an advocate who is not an employee of X, for filing income tax appeals and giving tax advice
- iv) Payment of Rs. 2000 to E, a chartered accountant who is not an employee of X, for obtaining tax advice.

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Determine the taxable income and tax liability of X for the assessment year 2017-18. Assuming that sundry receipts include Rs. 5,000 being amount of endowment insurance policy received from the life insurance corporation of India at the time of maturity of the policy (i.e., December 5, 2016) (amount of insurance premium last paid on June 5, 2016 Rs.400). Besides, X has FD bank interest of Rs. 2,40,000 (not given above) and he deposits Rs. 1,30,000 in PPF account of Mrs. X on March 31, 2017.

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