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08MBAFM428

Fourth Semester MBA Degree Examination, June 2012
Tax Management

Time: 3 hrs.

Max. Marks: 100

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

- 1 a. Distinguish between direct and indirect tax. (03 Marks)
b. What is meant by perquisites? What are tax free perquisites? (07 Marks)
c. Following are the taxable income of Shri Prashant for the previous year 2010–2011:

Rs

1	Income from salary accrued and received in India	20,000
2	Profit of a hotel business at Melbourne	30,000
3	Dividend declared in Perth but received in India	4,000
4	Income from transfer of a long-term capital asset situated in India	20,000
5	Interest on debentures of a company at Manchester which was received in India	6,000
6	Interest received from Shri Philip, a non resident, on the loan provided to him for a business carried on in India	5,000
7	Royalty received in Germany from Shri Kailash a resident in India for technical services provided for a business carried on in Germany	20,000
8	Fees from an Indian Company carrying on business at London from technical services rendered at London having been directly deposited by the company in his bank account in India	30,000

Compute Shri Prashant's total Income for the assessment year 2011–2012, if he is
(i) Resident (ii) Not ordinarily resident (iii) Non resident. (10 Marks)

- 2 a. What is securities transaction tax? (03 Marks)
b. How do you determine the residential status of an Individual and Hindu Undivided Family? (07 Marks)
c. X (date of birth: June 10, 1944) has income of Rs. 14,15,000 (ie long term capital gain on sale of a house: Rs 94,000, Pension Rs. 59,000 and bank interest Rs. 12,62,000. He pays Rs. 30,000 as insurance premium annually. Find out tax liability for the assessment year 2011–2012. (10 Marks)
- 3 a. Who is a i) Deemed Assesses ii) Assesses in default. (03 Marks)
b. Ma Ghosh retires on 31.10.2009 after 20 years service and received Rs 48,000 as leave encashment for 12 months. His employer allows him 1½ month of leave for every one year of service. He has already encashed leave for 18 months. His salary for 2008–09 was Rs 3000 and from 1.4.2009 it was raised to Rs 4,000 p.m. Compute the taxable amount of leave encashment. (07 Marks)
c. Explain in brief the set – off and carry forward of the losses. (10 Marks)
- 4 a. What is bond washing transaction? (03 Marks)
b. Distinguish between: i) Tax planning and Tax Evasion (07 Marks)
ii) Tax planning and Tax Avoidance.

- c. Following is the profit and loss Account of Kartik Mallya for the previous year 2010–11

Profit and Loss Account			
To Salaries	25,650	By Gross Profit	80,000
To Rent	1,000	By Bank interest	450
To Commission on sales	100	By Bad Debts recovered (last year allowed)	2,000
To Income Tax	2,600	By Income from House property	4,800
To Entertainment expenses	600	By Interest on commercial securities	2,000
To Commission paid to collect interest on securities	25		
To Embezzlement by cashier	1,000		
To Municipal tax (House)	600		
To Bad debts (allowed)	450		
To Repairs to house	1,625		
To Office expenses	9,180		
To Depreciation	5,000		
To LIC premium	1,320		
To Net profit	40,100		
Total :	89,250	Total :	89,250

Notes: 1) Allowable depreciation on the assets is Rs 4,500, Compute the taxable business income for the assessment year 2011–2012. (10 Marks)

- 5 a. What is Slump sale? (03 Marks)
 b. Enumerate about the special provisions relating to 44 AD, 44 AE and 44 AF. (07 Marks)
 c. X an Indian citizen, who is appointed as Senior Taxation Officer by the Government of Iran, leaves India for the first time on September 10, 2009 for joining his duties in Iran. During the previous year 2010–11, he comes to India on a visit for 181 days. Determine the residential status of X for the assessment years 2010–11 and 2011–12. (10 Marks)
- 6 a. What is Fringe Benefit Tax? (03 Marks)
 b. What is VAT? What are its advantages and disadvantages? (07 Marks)
 c. Discuss the various types of customs, duties levied in India. (10 Marks)
- 7 a. What is MAT? (03 Marks)
 b. What are the incomes that can be taxed under the head, “ Income from other source” ? (07 Marks)
 c. Mr. Barua received Rs. 60,000 on his retirement on 30.9.2009 as gratuity from his employer with whom he has served for 29 years and 7 months. Compute the taxable amount in each of the following cases separately if his salary during calendar year 2008 was Rs. 2000 and during 2009 was Rs. 2400 and it is due on 1st of every month. He had worked earlier with a company for 6 years and received Rs.92,000 as gratuity which was fully exempted U/S 10(10)
 i. He is a government employee.
 ii. He is working in a machine tool factory at Ludhiana. (covered under payment of gratuity Act)
 iii. He is working in a commercial office at Delhi. (10 Marks)

8 **Case Study :**

Mr. X (age: 32 years), posted at Bombay, receives a salary of Rs 18,000 per month during 2010–11 from A Ltd. His employer contributes Rs. 26,500 towards provident fund. His other allowances are Special allowance Rs. 1,14,000 and Medical allowance: Rs.11,000 and 0.5 percent commission on sales achieved by him. During the year turnover achieved by X is Rs.4,80,000. Employer provides a Maruti – 800 car with a chauffeur for his private and Official purposes with effect from November 10, 2011. The amount of interest credited to provident fund on May 10, 2010 @ 11 percent per annum comes to Rs. 12,830. Income of X from other source is Rs.7,54,000.

Payments /contributions :		Rs.
a	Insurance premium paid on own life (sum assured Rs.22,500)	6,500
b	Insurance premium paid on the life of mother	3,800
c	Insurance premium paid on the life of father	500
d	Insurance premium paid on the life of Mrs. X (sum assured: Rs.100,000)	4000
e	Insurance premium paid on the life of his major son (sum assured: Rs.20,000)	3100
f	Insurance premium due before March 31, 2011 but paid on April 4, 2011 on own life	1000
g	Contribution towards employee's provident fund	50000
h	Contribution towards public provident fund	1000
i	Contribution made for participating in unit linked insurance plan	2000
j	Repayment of loan taken from LIC for purchase of a house (whose construction is completed on March 10, 1987 and used by him for his residence)	22000
k	Tuition fees of X's son	12500
l	Investments in units of a noticed Mutual fund for financing infrastructural facility	2000

Determine the amount of tax liability on the assumption that provident fund is :

- Statutory provident fund
- Recognised provident fund
- Unrecognised provident fund.

(20 Marks)

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