

CBCS SCHEME

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16/17MBAFM403

Fourth Semester MBA Degree Examination, Dec.2019/Jan.2020

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. Define the 'Assessment Year' and 'Previous Year' as per IT Act. (02 Marks)
 - b. Distinguish between
 - i) Tax Planning and Tax Evasion
 - ii) Tax Planning and Tax Avoidance. (06 Marks)
 - c. X furnishes the following particulars of his income earned during the previous year relevant to the Assessment Year 2018 – 19.
 - i) Interest on German Development Bonds (two fifths is received in India) Rs 60,000
 - ii) Income from Agriculture in Bangladesh received there but later on Rs 50,000 is remitted to India (Agriculture activity is controlled from Bangladesh) Rs 1,81,000.
 - iii) Income from property in Canada received outside India [Rs 76,000 is used in Canada for meeting Educational Expenses of X daughter in USA and Rs 10,000 is later remitted to India] Rs 86,000.
 - iv) Income earned from business in Kampala (Uganda) which is controlled from Delhi (Rs 15,000 is received in India) Rs 65,000.
 - v) Dividend paid by a Foreign company but received in India on April 10, 2017 Rs 46,500.
 - vi) Post untaxed profit of 2008 – 09 brought to India in 2017 - 18 Rs 10,43,000.
 - vii) Profits from business in Chennai and managed from outside India Rs 27,000.
 - viii) Profits on sale of a building in India but received in Nepal Rs 14,80,000.
 - ix) Pension from a former employer in India, received in Colombo Rs 36,000.
 - x) Gift in Foreign currency from a friend received in India on Jan 30, 2018 Rs 80,000.

Find out Gross Total Income of X, if he is

 - i) Resident and ordinarily resident in India.
 - ii) Resident but not ordinarily resident in India.
 - iii) Non – resident in India for the A.Y 2018 – 19. (08 Marks)
2.
 - a. What is meant by Perquisites? (02 Marks)
 - b. Explain briefly the Tax Provisions of Sec 80C, Sec 80 DDB and Sec 80E. (06 Marks)
 - c. X owns the following Assets on April 1, 2017

Assets	Written down value on April 1, 2017 (Rs)	Rate of depreciation (percent)
Furniture	20,170	10
Building	9,00,500	10
Plant and Machinery	2,10,000	20
Plant and Machinery	64,00,000	15
Plant and Machinery	2,05,000	40

During the previous year 2017 – 18, the following assets are purchased by X

Data of purchase	Date when the asset is put to use	Asset	Cost (Rs)	Rate of depreciation (%)
October 1, 2017	October 9, 2017	Trade mark	15,000	25
June 20, 2017	June 22, 2017	Plant (second hand)	1,90,000	40
November 30, 2017	December 1, 2017	Foreign made car	1,40,000	15
December 6, 2017	December 10, 2017	Books for professional use	2,700	40

Determine the amount of depreciation for the Assessment Year 2018 – 19. (08 Marks)

- 3 a. Explain the Concept of GST. (02 Marks)
- b. X, an employee of MN Co, Ltd, receives Rs 78,000 as gratuity. He is covered by the Payment of Gratuity Act 1972. He retires on December 12, 2017 after rendering services of 38 years and 8 months. At the time of retirement his monthly basic salary and dearness allowance was Rs 2,400 and Rs 800 respectively. Is the entire amount of gratuity exempt from tax? (06 Marks)
- c. During the Previous Year 2017 – 18, X sells the following assets :

	Commercial property	Gold	Non-listed shares	Diamonds
Date of Sale	Jan. 3, 2018	Dec 17, 2017	March 3, 2018	March 15, 2081
Year of Acquisition	2002 - 03	2003 - 04	2007 - 08	2001 - 02
	Rs	Rs	Rs	Rs
Sale Consideration	7,00,000	4,00,000	8,90,000	7,80,000
Indexed cost of Acquisition	3,05,000	1,05,172	6,97,534	1,68,593

X owns one residential house property on April 3, 2018 he invests in the following assets.

1. Residential house property Rs 2,15,000.
 2. Bonds of National Highways Authority of India (Maturity period : 4 years) Rs 3,70,000.
 3. Bonds of Rural Electrification Corporation (redeemable after 7 years) : Rs 7,80,000.
- Find out the Income Chargeable to Tax under the head "Capital gain". (08 Marks)

- 4 a. What is Minimum Alternate Tax (MAT)? (02 Marks)
- b. What is Capital Asset? What are the transaction not included in transfer of Capital Asset? (06 Marks)
- c. i) X comes to India for the first time, on April 16, 2015. During his stay in India upto October 5, 2017. He stays at Delhi upto April 10, 2017 and there after remains in Chennai till his departure from India. Determine his residential status for the Assessment year 2018 – 19.
- ii) 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 January 16, 2018. Determine residential status of X for the A.Y 2018 – 19. (08 Marks)

- 5 a. Distinguish between Direct and Indirect tax. (02 Marks)
- b. State any six Income Chargeable to Tax under the head income from other source. (06 Marks)
- c. Explain the Provisions regarding set – Off of losses. (08 Marks)

- 6 a. What are the Capital and Revenue Expenditure? (02 Marks)
 b. What is the basis of charge of GST? (06 Marks)
 c. From the Profit and Loss account of X (age 31 years) for the year ending March 31, 2018, ascertain his Total Income and Tax Liability for the A.Y 2018 – 19.

Particulars	Rs	Particulars	Rs
General expenses	13,400	Gross profit	4,15,500
Bad debts	22,000	Commission	8,600
Advance tax	2,000	Brokerage	37,000
Insurance	600	Sundry receipts	2,500
Salary to staff	26,000	Bad – debt recovered (earlier allowed as deduction)	11,000
Salary to X	51,000	Interest on debenture (i.e net amount Rs 22,500 + tax deducted at source : Rs 2,500)	25,000
Interest on overdraft	4,000	Interest on deposit with a company (non trade) (net interest : Rs 11,700 + tax deducted at source : Rs 1,300)	13,000
Interest on loan to Mrs X	42,000		
Interest on capital of X	23,000		
Depreciation	48,000		
Advertisement expenditure	7,000		
Contribution to employees recognized provident fund	13,000		
Net profit	2,60,600		
	5,12,600		5,12,600

Other information :

- The amount of depreciation allowable is Rs 37, 300 as per the Income Tax Rules. It includes depreciation on permanent sign board.
 - Advertisement expenditure includes Rs 3,000 being cost of permanent sign board fixed on office premises.
 - Income of Rs 4,500, accrued during the previous year is not recorded in the profit and loss account.
 - X pays Rs 6,000 as premium on own Life Insurance Policy of Rs 70,000.
 - General Expenses include (a) Rs 500 given to Mrs. X for arranging a party in honour of a friend who has recently come from Canada.
(b) Rs 1,000 being contribution to a political party.
 - Loan was taken from Mrs. X for payment of arrears of Income Tax. (08 Marks)
- 7 a. What are the basis of Charging Salary income? (02 Marks)
 b. What is Customs duty? Explain the different types of Customs duty. (06 Marks)
 c. What are the exempted goods and services under GST? (08 Marks)

8 CASE STUDY (Compulsory) :

X (38 years) is a Accountant. He is posted at Kozikode (Kerala). He gets Rs 65,000 per month as salary and Rs 10,000 per month as had duty allowances. The Employer Company has provided a rent – free unfurnished house at Kozikode (population as per 2001 census is 16 lakh). The Employer – Company pays Rs 16,000 per month as rent of the unfurnished house. However, the same house is purchased by the Company for Rs 80,00,000 from the landlord on December 1, 2017 and after that no rent is paid (only expenditure of the company is running and maintenance of the property which approximately comes to Rs 400 per month). The Company has provided 1600CC car at the place of posting. Car is taken on lease by the Company (monthly lease is Rs 19,000). The entire expenditure of the car is met by the Company upto December 31, 2017. From January 1, 2018, expenditure pertaining to personal use of the car is met by X and expenditure pertaining to official use and lease rent is paid by the Employer Company. Free residential telephone is provided to X for personal use (expenditure of the employer is Rs 20,000).

Employer and Employee contribution towards recognized Provident Fund (contribution of each of them is 12 percent of salary upto December 31, 2017 and increased to 12.5 percent from January 1, 2018). Interest is credited on January 1, 2018 (rate of interest : 9 percent). X pays Rs 80,000 on March 31, 2018 to Kerala Housing Board (House is yet to be allotted) (out of Rs 80,000, the Employer Company has contributed Rs 30,000 out of its pocket which is not recoverable from X). Interest on debentures received by X during the financial year 2017 – 18 is Rs 86,000. X deposits Rs 42,000 in Public Provident Fund. Find out the Net Income and Tax Liability for the Assessment Year 2018 - 19.

(16 Marks)
