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BCMCMC 213

**Credit Based Third Semester B.Com. Degree
Examination, November/December 2015
(2015-16 Batch Onwards)
COMMERCE
Business Taxation – I (Elective)**

Time : 3 Hours

Max. Marks : 80

Instruction : Provide working notes wherever necessary.

SECTION – A

Answer **any four** questions :

(4×4=16)

1. Define and explain the term 'previous year'. Mention the rule of previous year and bring out any two exceptions to the rule.
2. Write a note on Permanent Account Number.
3. Write the provisions for the treatment of 'free medical facilities' as a tax free perquisite.
4. Mr. Suraj, a citizen of India, serving in England, since 2002, came to India for the first time on August 31, 2010. He stayed here for 3 years and left for Germany on Sept 01, 2013. He returned to India on April 02, 2014 and remained in India till July 31, 2014, when he went back to England. He again came to India by assuming the responsibilities as an employee of the business firm of England in India, on January 01, 2015. What is his residential status for the Assessment Year 2015-16 ?
5. From the following particulars find out the taxable house rent allowance :
 - a) Basic as on January 01, 2014 ₹ 10,000
 - b) Annual increment of ₹ 250 falls due on June 01, every year.
 - c) Dearness allowance at 70% of basic which is considered for retirement benefits.
 - d) HRA at ₹ 3,000 p.m., rent paid ₹ 3,300 p.m.On February 01, of the previous year, he shifts his residence to his newly built house.
6. Saikiran retired from service on February 28, 2015 after serving for 24 years and had to his credit 10 months earned leave. His salary for the month Feb. 2015 was ₹ 24,900 and DA at 25% of basic. He was entitled to get an annual increment of ₹ 500 which was due on September 01, every year. He received ₹ 3,50,000 on leave encashment. Find out the taxable portion of leave encashment.

P.T.O.



SECTION – B

Answer any four questions :

(4×8=32)

7. Write a note on :
- Statutory Provident Fund
 - Recognised Provident Fund
8. How to determine the residential status of an individual assessee ?
9. What is meant by perquisite ? Write the provisions relating to "Motor Car" as a perquisite.
10. From the following particulars compute the deductions u/s 80C.
- LIC premium paid on own life policy ₹ 18,000. The policy value as ₹ 70,000 (policy taken before 1/4/2012)
 - LIC premium paid on the life policy of mother ₹ 5,000.
 - NSC purchased ₹ 20,000.
 - Accrued interest on NSC VIII issue ₹ 3,750.
 - Interest received on NSC VIII issue ₹ 4,820.
 - Deposit in Syndicate Bank for 3 years ₹ 15,000.
 - Contribution to RPF ₹ 12,000 and to URPF ₹ 8,000.
 - Tuition fees of the 3 children paid ₹ 18,720 (two sons and one daughter). All are paid with equal fees.
11. Mamatha retired from service on May 31, 2014, after serving for 28 years and 7 months. Her last drawn salary was ₹ 18,500. She was entitled to receive an annual increment of ₹ 300 in the month of November every year. She was receiving a DA of 20% of her basic. She has achieved a sales target of ₹ 24 lakhs during the last 10 months prior to the month of retirement on which she received a commission of 1%. She received a gratuity of ₹ 5,60,000. Earlier she had received ₹ 35,000 as gratuity which was then exempted from tax. Compute the taxable gratuity if she is :
- Covered by the Payment of Gratuity Act
 - Not covered by the Payment of Gratuity Act
12. Mr. Nagaraj is working in TATA Steels Ltd. From the following particulars, compute the perquisite value of accommodation provided.
- Basic salary Rs. 20,000 p.m.
 - Bonus equal to one month's salary.
 - Furnished accommodation provided to the employee for which the rent paid by the co. is Rs. 80,000 p.a.
 - Rent recovered from Mr. Nagaraj is Rs. 10,000 p.a.
 - Furniture costing Rs. 80,000 is also provided in the house for which the co. pays a rent of Rs. 1,000 p.m.
 - Population of the place of employment is 26 lakhs.



SECTION - C

Answer any two questions :

(2×16=32)

13. Define and explain agricultural income with examples. What is the present position of taxability of agricultural income ?
14. From the following particulars compute the tax liability of Suraj if his residential status is :
- | | | |
|-------|---------|---------|
| i) OR | ii) NOR | iii) NR |
|-------|---------|---------|
- a) Salary received in India including ₹ 50,000 for services rendered in Russia ₹ 3,80,000
- b) Agricultural income from land located in America ₹ 1,24,000 out of which he remits ₹ 70,000 to India.
- c) Business income from Ranchi controlled from Katmandu ₹ 3,00,000 (80% received in Ranchi)
- d) Business income from Dubai, controlled from Nagaland ₹ 2,60,000.
- e) Dividend received : From foreign companies ₹ 24,000; from Indian companies ₹ 26,000.
- f) Profit on the sale of building located in Delhi, received in Italy ₹ 4,12,000.
- g) Interest on deposit with companies in India ₹ 1,00,000 (50% received in UK)
- h) Interest on deposit with London branch of SBI ₹ 94,000.
- i) Gift from a friend on the occasion of marriage ₹ 76,000.
- j) Gift from a friend in Germany received there ₹ 48,000.
- k) Gift from a friend in the form of Motor Cycle worth of ₹ 1,40,000.
- l) Salary received in India for services rendered in Australia ₹ 54,000.
- m) Income accrued in Bhopal but received in Japan ₹ 80,000.
- n) Interest on Indian Government Securities ₹ 5,500.
- o) Interest on POSB A/c ₹ 6,000.
- p) Past untaxed foreign income brought into India during the previous year ₹ 90,000.
15. Sri Kiran Pandey, is a marketing manager in a company in Salem (population exceeding 25 lakhs). He furnishes the following particulars regarding his income for the previous year :
- i) Net salary ₹ 4,40,000 after deducting ₹ 5,000 for income tax, ₹16,000 as contribution to Recognised Provident Fund and ₹ 4,000 as the rent of the bungalow which was provided to him by the company.
- ii) Commission ₹ 2,500.



- iii) Travelling allowance for official duty ₹ 30,000.
 iv) Reimbursement of medical bills ₹ 17,000. He took the treatment in a government hospital in India.

The company has also provided him the facility of a gardener and a cook to whom the company has paid the salary of ₹ 1,000 p.m. and ₹ 1,650 p.m. respectively. The company has paid ₹ 5,200 as electricity bill of the bungalow. He has been provided with a small car for both personal and official use. The maintenance including the drivers salary is borne by the company.

He has contributed to Recognised Provident Fund (15% of Salary) ₹ 30,000. The company has also contributed the same amount to the fund.

Interest on the Recognised Provident Fund @ 11.5% per annum amounts to ₹ 11,500.

Compute the taxable salary income of Sri Kiran Pandey.

16. Mr. Arjun furnishes the following details of his salary income :
- Basic salary ₹ 22,500 p.m.
 - Dearness allowance ₹ 14,000 per month (60% enters into retirement benefits)
 - Dearness pay ₹ 400 p.m. (not enters into retirement benefits)
 - Entertainment allowance ₹ 600 p.m.
 - Commission on sales at 1% on sales of ₹ 15,00,000.
 - City compensatory allowance ₹ 700 p.m.
 - Medical allowance ₹ 500 p.m.
 - Education allowance of ₹ 700 p.m. (He has three children studying in a college). The said amount was given for education of each child separately.
 - HRA ₹ 6,000 p.m. The actual rent paid by him was ₹ 8,000 p.m.
 - He is given with a car of 1.8CC for both private and official purposes. The running and maintenance of this car is met by him.
 - He has contributed 13% of his salary to Statutory Provident Fund to which the company has made the equal contribution.
 - He has made the following payments :
 - * Professional tax ₹ 200 p.m.
 - * LIC premium (own) paid ₹ 24,000
 - * Contribution to ULIP ₹ 12,000
 - * Repayment of housing loan, principal ₹ 18,200
- Compute the taxable salary and deductions u/s 80(C)