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BCMCMC 213

Credit Based III Semester B.Com. Degree Examination, Oct./Nov. 2016
(2015-16 Batch Onwards)
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 the term 'Assessee'.
2. Define 'Previous year'. State the rule of previous year and mention exceptions to the rule.
3. Explain the provisions of "Free-meals" and "Gifts" while calculating taxable salary.
4. Mr. Simon, a foreigner, came to India from U.S.A. for the first time on 1st April 2009. He stayed here continuously for 3 years and went to France on 1st April 2012. He, however, returned to India on 1st July 2012 and went to U.S.A. on 1st December 2013. He again came back to India on 25th January, 2016 on a service in India. What will be his residential status for assessment year 2016-17 ?
5. From the following particulars find out taxable house rent allowance.
 - a) Basic salary Rs. 12,000 p.m.
 - b) Dearness allowance Rs. 2,500 p.m. (50% enters into retirement benefits)
 - c) Commission 1% of turnover of Rs. 20 lakhs.
 - d) HRA received Rs. 3,500 p.m.
 - e) Rent paid for the house at Mumbai Rs. 4,500 p.m.

P.T.O.



6. After serving for 33 years, 9 months in Metro Ltd. Mr. Anil who is covered under Payment of Gratuity Act, 1972, retires from service on 30th June 2015. The employer pays him a gratuity of Rs. 9,00,000. His monthly basic salary at the time of retirement was Rs. 30,000, D.A. Rs. 9,000 and HRA Rs. 4,500.
- Compute taxable gratuity.

SECTION – B

Answer **any four** questions :

(4×8=32)

7. Write a note on agricultural income. How is it treated for taxation ?
8. Explain the rules to determine residential status of an individual-assessee.
9. Explain the income tax provisions relating to Statutory Provident Fund, Recognised Provident Fund, Unrecognised Provident Fund.
10. From the following particulars compute deduction u/s 80C.
- | | |
|---|--------|
| a) Life insurance premium paid on own life | 20,000 |
| b) Life insurance premium paid on mother's life | 5,000 |
| c) Contribution to Recognised Provident Fund | 10,000 |
| d) Contribution to Public Provident Fund | 22,000 |
| e) NSC VIII issue purchased | 12,000 |
| f) Interest received on NSC matured | 6,000 |
| g) Accrued interest on NSC | 2,650 |
| h) Fixed deposit for 5 years in SBI | 25,000 |



- | | |
|---|--------|
| i) Amount deposited in 2 years Postal Time Deposit Scheme | 15,000 |
| j) Contribution to ULIP | 10,000 |
| k) Deposit in Home loan account of National Housing Bank | 20,000 |
| Interest accrued there on | 8,400 |
| l) Repayment of housing loan (including interest of Rs. 10,000) | 45,000 |
11. Naveen retired from service on 31st October 2015 after serving for 30 years, 8 months, 10 days and received Rs. 2,00,000 as gratuity and Rs. 1,80,000 as leave encashment. His last drawn basic was Rs. 11,500 and D.A. at 20% of basic. The annual increment of Rs. 500 was due on 1st August every year. He received commission at 1% of turnover of Rs. 15 lakh for last 10 months. He had 8 months earned leave to his credit.
Compute taxable gratuity and leave encashment. He is not covered under Payment of Gratuity Act, 1972.
12. From the following particulars compute perquisite value of rent free accommodation of Mr. Arun.
- a) Basic salary Rs. 10,000 p.m.
 - b) D.A. 50% of basic ($\frac{1}{2}$ of this is considered for retirement benefit)
 - c) Bonus 2 months basic.
 - d) Commission 2% of turnover of Rs. 10 lakhs.
 - e) Medical allowance Rs. 1,000 p.m.
 - f) Conveyance allowance Rs. 2,000 p.m. (50% for official purpose)
- He is provided with rent free house at Bangalore having population of more than 25 lakhs.
Cost of furniture Rs. 50,000 and company pays Rs. 600 p.m. as hire charges.



SECTION – C

Answer **any two** questions :

(2×16=32)

13. Define 'perquisite'. Explain the mode of valuation of :

- 1) Rent free accommodation
- 2) Motor car.

14. From the following particulars compute total income of Mr. Prakash, an Indian citizen if his residential status is

- i) Ordinarily resident
 - ii) Not ordinarily resident
 - iii) Non resident.
- a) Salary received in India (including Rs. 30,000 for services rendered in Nepal) Rs. 2,00,000.
 - b) Income from business in Singapore controlled from India (Rs. 40,000 was received in India) Rs. 1,00,000.
 - c) Income from business in Kolkatta, managed from U.S.A. Rs. 75,000.
 - d) Income from profession in Kenya received there. The profession was set up in India Rs. 1,50,000.
 - e) Interest on U.K. Govt. securities (half of which was received in India) Rs. 50,000.
 - f) Income from property in Canada received outside India Rs. 1,25,000.
 - g) Profit on sale of building in India received in Sri Lanka Rs. 30,000.
 - h) Income from house property in Pakistan deposited in a bank there Rs. 70,000.
 - i) Agricultural income from Sri Lanka (25% remitted to India) Rs. 60,000.



- j) Dividend from Indian company Rs. 10,000.
- k) Interest on deposits with Pakistani branch of SBI Rs. 60,000.
- l) Interest on deposits with Bangalore branch of a foreign bank Rs. 35,000.
- m) Gift from a friend received outside India Rs. 1,25,000.
- n) Gift from a friend on occasion of marriage Rs. 65,000.
- o) Pension from former employer in India received in England Rs. 2,00,000.
- p) Past untaxed foreign income brought into India during previous year Rs. 90,000.

15. Mr. Santhosh is an employee in a company in Chennai. He gives the following information.

- a) Basic pay Rs. 20,000 p.m.
- b) Dearness allowance Rs. 10,000 p.m. (50% enters into P.F.)
- c) Entertainment allowance Rs. 400 p.m. (actual expenses Rs. 250 p.m.)
- d) City compensatory allowance Rs. 500 p.m.
- e) He received education allowance of Rs. 800 p.m. He has two children studying in a college.
- f) He received hostel allowance of Rs. 400 p.m. for one child.
- g) He contributes 14% of his salary to Recognised Provident Fund with equal contribution from the company.
- h) Interest credited to R.P.F. at 10% p.a. amounted to Rs. 30,000.
- i) He is provided with rent free furnished house for which company pays a rent of Rs. 78,000 p.a. Cost of furniture Rs. 80,000 (written down value Rs. 50,000) is also provided to him.



D) The company has given a car of 1.6 cc which is used by him for his private purposes also. All expenses relating to use of the car including driver's salary are borne by the company.

k) His father was admitted to a private hospital and medical bill amounted to Rs. 50,000. Company paid 50% of this bill amount.

During the year Mr. Santhosh paid Rs. 2,400 as profession tax, LIC premium of Rs. 20,000, repaid housing loan of Rs. 30,000 (including interest of Rs. 14,000) and deposited Rs. 10,000 in Public Provident Fund.

Compute his taxable salary and deduction u/s 80 C for the assessment year 2016-17.

16. Mrs. Rashmi is working in a company in Bangalore (population exceeds 25 lakh). She furnishes following details of her salary for the previous year 2015-16.
- i) Net salary Rs. 1,54,000 after deducting Rs. 16,000 for income tax. Rs. 25,000 as contribution to recognised provident fund and Rs. 14,000 as rent of bungalow.
 - ii) Bonus Rs. 15,000.
 - iii) Conveyance allowance Rs. 7,000 p.a. She has spent Rs. 5,000 for official duties.
 - iv) Company reimbursed medical bills of Rs. 22,000 (treatment was done in a private hospital).
 - v) She lived in a bungalow owned by the company, fair rent of which is Rs. 12,000 p.m. the company has provided on this bungalow facility of a gardener and a watchman who are paid Rs. 300 p.m. and Rs. 500 p.m. respectively. The company paid in respect of this bungalow Rs. 3,000 as electric bill and Rs. 5,000 for water bill.



- vi) Company has provided car of 1.4 cc for official and personal use. All the expenses of the car including driver's salary are borne by the company.
- vii) The following amounts were deposited in her provident fund account.
 - a) Co's contribution Rs. 35,000
 - b) Interest at 10.5% per annum amounts to Rs. 10,500.
- viii) The company paid Rs. 30,000 as school fees of her children.

During the year she paid Rs. 12,000 as instalment of loan taken for house construction. Profession tax paid by her amounted to Rs. 2,000.

Compute taxable salary and deduction u/s 80 C for the assessment year 2016-17.
