

TYBCAF

Taxation

- 15-16

2015-16

Sem-V

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QP Code : 35052

(2 1/2 Hours)

[Total Marks : 75

- N.B. : (1) All questions are compulsory with internal options.
 (2) Each question carries 15 marks.
 (3) Working notes forms part of answer.
 (4) Use of simple calculator is allowed.

1. A) Fill in the blanks and rewrite the sentences. (Any 8)

- A new business was set up on 15-11-2014 and it commenced its business from 1-12-2014. The first previous year in this case shall be _____
- Salary is taxable on _____ even if it is not received.
- An Indian citizen leaves India for job becomes Resident in India only if he stays in India at least for _____ days in previous year.
- The Maximum Limit of exemption of gratuity for non-government employee is Rs. _____
- Rent received from letting out machinery is taxable under the head _____
- Cash paid as a single payment in excess of Rs. _____ is disallowed in case of computation of Profit/gain from business.
- Residential status to be determined for _____ year.
- A receives children education allowance from company for 3 children. It will be exempted only for _____ no. of children.
- Deduction from Family pension is allowed maximum up to Rs. _____
- Shares held for more than _____ months are Long Term Capital Assets.

1. B) State whether true or false

- Income can be in cash or kind.
- The maximum deduction allowed U/s 80C is Rs. 50,000/-
- Reasonable letting value is lower of fair rent or Municipal valuation.
- Leave salary received during the period of service is fully exempt.
- Deduction for bonus or commission to employees is allowed on payment basis.
- Salary of MP/MLA is taxable under the head income from salary.
- Dividend declared by Unit Trust of India is taxable in the hands of receiver.
- A foreign company is always non-resident.

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- 9) Andheri sport complex is an association of person.
 10) Short term capital gain arising from transfer of any assets which is held for more than 12 month.

- 2 Mr. K, an Indian citizen, furnishes the following particulars of his income earned during the previous year relevant to A.Y. 2015-16. 15

	Rs.
1. Interest on Nepal Development Bond (1/3 received in India)	21000
2. Income from agriculture in Bangladesh	40000
3. Rent from property in Japan received outside India	10000
4. Income earned from business in London which is controlled from Delhi (Rs. 15000 received in India)	35000
5. Interest paid by a Indian company but received outside India	9000
6. Past untaxed profit brought to India	33000
7. Profit from a business in Thane but managed from outside India	50000
8. Profit on sale of building in Mumbai but received in Sri Lanka	40000
9. Pension from an Indian employer in India received in Netherland	30000

Find out his gross total income for the A.Y. 2015-16 if he is

- (i) Resident and ordinarily resident
 (ii) Resident but not ordinarily resident &
 (iii) Non-Resident in India

OR

2. Mr. F is a Foreign citizen came to India on September 5, 2014 for a visit and was in India till 21st February 2015 in earlier previous years, he was in India as under: 15

2004-05	-	98 days
2005-06	-	180 days
2006-07	-	95 days
2007-08	-	210 days
2008-09	-	50 days
2009-10	-	190 days
2010-11	-	185 days
2011-12	-	175 days
2012-13	-	130 days
2013-14	-	110 days

Find out the residential status of Mr. F for the assessment year 2015-16.

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3. Mrs. Shonu an employee of Maharashtra State Government, appoints you as her tax consultant for previous year 2014-15. Following are details of her income and investments.

1. Basic salary	Rs 32,500 p.m.
2. House rent allowance	Rs 18,500
3. Dearness allowance	80% of basic salary
4. Savings bank interest	Rs 18,000
5. Travelling allowance	Rs 1200 p.m.
6. Tuition fee income	Rs 3500 p.m.
7. Entertainment allowance	Rs 1750 p.m.
8. Gratuity (retired on 31/12/2014) (16 years of continuous service)	Rs 2,00,000
9. Deduction of profession tax during the year	Rs 1800
10. Life insurance premium paid	Rs 72,000
11. Medici claim insurance premium paid	Rs 12,500
12. Contribution to public provident fund	Rs 36,000
13. Dividend from Indian company	Rs 1200

You are requested to compute the net taxable income for assessment year 2015-16.

3. Mr Joseph purchased a bungalow in December 1975 for Rs 79,500/- . He gifts the property to his friend Jacob on 10th June 1992. The following improvements were made on bungalow.

	Rs
Addition of one room during 1978-79	13,000
Addition of two rooms during 1985-86	63,000
Addition of four rooms during 1998-99	2,62,000
Total	3,68,000

Fair market value of the property on 1st April 1981 is Rs 1,06,000/- . The property was sold for Rs 6,50,000 on 30th January 2015. 2% brokerage was paid on sale transaction.

A new house property was purchased on 1st December 2014 for Rs 12,50,000/-

Financial Year	Cost inflation Index
1981-82	100
1985-86	133
1998-99	351
2014 -15	1024

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Mr Jacob also has a self occupied house property at Mumbai. Municipal Value and Fair Rent of this property is Rs. 400000 and 440000 respectively. Interest on loan taken for construction of this property was Rs. 120000. This loan was taken in November 2010. The construction of property was started in April 2008 and completed in March 2011. Compute the net taxable income in the hands of Jacob for assessment year 2015-2016

4. Mr. H gives you the following information for the year ended 31/3/2015.
Profit and Loss Account for the year ended 31/3/2015.

Particulars	Rs.	Particulars	Rs.
To Salaries to Staff	2,02,000	By Gross Profit	10,00,000
To Salary to Mr.H ✓	60,000	By Writings from horse racing ✓	1,00,000
To General Expenses = 20000	1,50,000	By Dividend from Co., operative Bank	22,000
To Conveyance	70,000	By Interest on P.P.F. Account ✓	40,000
To Rent of premises	1,02,000	By Old Debt recovered	38,000
To Fire Insurance Premium	25,000		
To Reserve for Doubtful Debts ✓	20,000		
To Income Tax ✓	15,000		
To Contribution to P.P.F.	50,000		
To Depreciation ✓	70,000		
To Net Profit	4,36,000		
Total	12,00,000	Total	12,00,000

Other information :

- (1) Depreciation allowable under Income Tax Rules is Rs. 60,000
- (2) General Expenses include Rs. 10,000 for gifts to staff and Rs. 20,000 for personal use
- (3) Old debts in respect of which recovery is made were not allowed as deduction in past, though they were written off in books.

OR

Net Taxable Income

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4. Mr. V is a Chartered Accountant, Following is his Receipt and Payments Account for the year ended 31st March, 2015.

Receipts	Rs.	Payments	Rs.
To Cash & Bank b/f	70,000	By Office Rent	2,000
To Fees from Clients (net)	3,60,000	By Printing & Stationery	5,000
To Honorarium for Articles	40,000	By Gifts to Staff	11,000
To Dividend from Indian companies	5,000	By General Expenses	14,000
To Interest- Bank Saving A/c	2,000	By Motor Car Expenses	16,000
To Interest on Post Office Saving A/c	3,000	By Telephone Expenses	12,000
To Interest- Bank Fixed Deposit	8,000	By Income Tax	60,000
To Interest on Govt. Securities	6,000	By Drawings	1,20,000
To Income Tax refund	1,00,000	By Car Insurance	12,000
		By conveyance	12,000
		By Tally Software Installation	19,000
		By LIC Premium paid	64,000
		By Salaries to Staff	12,000
		By Computer (cost)	16,000
		By Cash & Bank C/f	2,00,000
TOTAL	5,94,000	TOTAL	5,94,000

Additional Information:

- (1) Depreciation allowed on all assets is Rs. 25,000.
- (2) Personal use of the Motor car is estimated to be 25%.
- (3) Fees from clients are after TDS of Rs. 2,000.
- (4) General expenses include a sum of Rs. 4,000 given to his daughter as birthday gift.
- (5) Drawings include a sum of Rs. 30,000 paid for medical premium on self and for family of Rs. 20,000 and Rs. 10,000 for his father, who is a senior citizen.
- (6) Income Tax refund is received for AY 2012-13 and 2013-14 which includes interest of Rs. 19,600.

Compute the net taxable income of Mr. V for the AY 2015-16.

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5. A) State the legal status of the following as per the definition of person under Income Tax Act, 1961?

- a) Mr Kane (a minor)
- b) M.I.G. Club
- c) University of Mumbai
- d) Bombay Port Trust
- e) Reliance Info Tech Ltd.
- f) Grampanchayat of Wadgaon.
- g) Mr Raja and Ms Rani running a business in partnership
- h) Mr A, his wife and two sons running a family business under Hindu Law.

B) Enumerate any 7 expenses which are disallowed while computing Profit / Gain from Business.

OR

5. Write short notes on the following:

- a) Deduction U/s 80 TTA
- b) Capital Assets
- c) Exemption of Gratuity U/s 10 (10)