

[Time: 2 ½ Hours]

[Marks: 75]

- N.B.**
1. Q. 1 is compulsory.
  2. Q.2 to Q.5 are compulsory with internal choice.
  3. Figures to the right indicate full marks.
  4. Workings should form a part of your answer.
  5. Use of simple calculator is allowed.

**Q.1 (A) Choose correct alternative and rewrite the statement: (Any 8) (8)**

- 1) The Income Tax Act extends to \_\_\_\_\_ of India.  
a) States b) Union territories c) Citizens d) Whole
- 2) The Financial year in which the income is earned is called as the \_\_\_\_\_.  
a) Assessment year b) Present year c) Previous year d) Current year
- 3) Income deemed to accrue or arise in India is taxable in case of \_\_\_\_\_.  
a) Resident only b) Both ordinary resident and NOR  
c) Non-Resident d) All the assesses
- 4) Gratuity received by the Government employee is \_\_\_\_\_.  
a) Fully taxable b) Fully exempt c) Partly taxable d) Partly exempt
- 5) Medical reimbursement by employer is not taxable upto Rs. \_\_\_\_\_.  
a) 5,000 b) 10,000 c) 15,000 d) 20,000
- 6) Municipal tax is deducted from \_\_\_\_\_.  
a) Net Annual Value b) Gross Annual Value c) Municipal Valuation d) Fair rent
- 7) Bonus paid to employee is allowed as deduction on \_\_\_\_\_.  
a) Accrual basis b) Payment basis c) Declaration d) None of the above
- 8) Capital gain arises from the transfer of \_\_\_\_\_.  
a) An asset b) Any fixed asset c) A capital asset d) House property only
- 9) Gift received by an Individual / HUF from relatives shall be \_\_\_\_\_.  
a) Exempt upto Rs 25,000 b) Exempt upto Rs 50,000  
c) Fully Exempt d) Fully Taxable
- 10) Deduction u/s 80C is allowed to the maximum limit of \_\_\_\_\_.  
a) Rs. 50,000 b) Rs. 75,000 c) Rs. 1,00,000 d) Rs. 1,50,000

**Q.1 (B) State whether given statements are True or False: (Any 7) (7)**

1. Income tax in India is governed by the Income Tax Act, 1961.
2. Thane Municipal Corporation is a local authority.
3. There are 5 heads of Income under Income Tax Act, 1961.
4. Employer-Employee relationship is necessary for taxing the remuneration under the head Income from Salary.
5. Reasonable letting down value is higher of fair rent or municipal valuation.
6. Past untaxed profits brought into India is always taxable.
7. Entertainment Allowance deduction is only allowed to Non-government employees.
8. Dividend declared by Indian company is fully taxable in the hands of shareholders.
9. The quantum of deduction allowed under section 80D shall be limited to Rs. 1,00,000.
10. In case of short term capital asset indexation is applicable.

- Q.2 Mr. Santosh Mankame is a Sales Manager in Akruti Pvt. Ltd. He gives you the following information for the year ended 31<sup>st</sup> March, 2018. (15)

Particulars	Rs.
Basic Salary ( Gross )	Rs. 6,00,000 per annum
Dearness Allowance	Rs. 1,20,000 per annum
Bonus	Rs. 1,00,000
Commission on Sales	Rs. 84,000
Reimbursement of Medical expenses	Rs. 45,000
Conveyance Allowance received ( Amount spent Rs. 30,000 )	Rs. 36,000 per annum
Professional Tax deducted from Salary	Rs. 2,500 per annum

Other Information :

Dividend received from Reliance Industries. Rs. 30,000

Interest received on Debentures Rs. 12,000

He paid by cheque mediclaim premium of Rs 18,000 on health of himself, spouse and dependent children. He had taken loan from SBI for higher education of his son who is pursuing MBA with Mumbai University. During the year 2017-18 he paid Rs 60,000 as interest on loan.

Compute his taxable income for the Assessment Year 2018-19.

**OR**

- Q.2. Mr Peter Florrick is a U.S.A. citizen. He came to India on 15<sup>th</sup> September, 2017 for a visit and was in India till 31<sup>st</sup> March, 2018. In earlier previous years, he is in India as under: (15)

Previous Year	Days
2007-08	198
2008-09	200
2009-10	182
2010-11	190
2011-12	50
2012-13	220
2013-14	185
2014-15	190
2015-16	110
2016-17	205

Find out the residential status of Mr. Peter Florrick for the assessment year 2018-19 assuming that he is not a person of Indian origin.

- Q.3 Mr. Kaustubh Munj gives you following information regarding house property owned by him, for previous year 2017-18 (15)

Particulars	House I (Self-Occupied)	House II (Let Out Property)
Fair rent (per month)	25,000	20,000
Municipal Valuation (per month)	37,500	24,000
Municipal Taxes Paid	30,000	25,000
Rent received (per month )	-	30,000
House II was vacant for 2 months		
Repairs	30,000	20,000
Interest on Borrowed Capital ( loan taken on 1-4-2013)	1,00,000	70,000



Other information:

- 1) Interest on deposits with Bank Rs. 75,000
- 2) Winning from lottery Rs. 25,000

He invested Rs 70,000 in PPF A/c, Rs 10,000 in NSC & Rs 20,000 as LIC premium paid for self & spouse. Compute his Taxable Income for the Assessment Year 2018-19.

**OR**

Q.3 Mr. Rohit (75% disability) is a proprietor of RP & Co. following is the Profit and Loss Account for the year ended 31<sup>st</sup> March, 2018. (15)

Particulars	Rs.	Particulars	Rs.
To Salaries	2,80,000	By Gross Profit	15,60,000
To Conveyance	60,000	By Dividend from Indian Co.	20,000
To Printing & Stationery	40,000	By Interest on Bank Deposit	40,000
To Staff welfare	1,20,000		
To Depreciation	60,000		
To Motor car expenses	50,000		
To Advertisement	30,000		
To Audit Fees	20,000		
To Embezzlement by Employee	30,000		
To Drawings	80,000		
To Income Tax	60,000		
To Net Profit	7,90,000		
	<b>16,20,000</b>		<b>16,20,000</b>

Additional Information:

- 1) Depreciation as per Income Tax Rules Rs 65,000.
- 2) Advertisement includes Rs 10,000 paid for souvenir published by a political party.
- 3) 1/5<sup>th</sup> of Motor Car expenses are considered personal.
- 4) During the year he invested Rs 50,000 in pension fund.

You are required to compute his Taxable income for the assessment year 2018-19.

Q.4 Ms. Netra purchased a house property for Rs 10,00,000 on 26<sup>th</sup> August 1994. She made the following additions/alterations to the house property.

Cost of construction of First Floor in Financial year 2006-07 Rs. 5,00,000

Cost of improvement in Financial year 2012-13 Rs. 8,00,000

Cost of construction of Second Floor in Financial year 2013-14 Rs. 12,00,000

She sold the property on 15<sup>th</sup> January, 2018 for Rs. 1,50,00,000. She paid a brokerage of Rs. 3,00,000 for the sale transaction. Fair market value of the property as on 1-4-2001 was Rs 15,00,000. Investment in new house property was Rs 50,00,000 on 15-3-2018.

Relevant Cost Inflation Indices are as follows:

Financial Year	Cost Inflation Index
2001 – 02	100
2006 – 07	122
2012 – 13	200
2013 – 14	220
2017 – 18	272

Compute the capital gains for Assessment year 2018-19.

(15)

OR

Q.4 Mr. Siddheshwar has earned the following incomes during the financial year ended on 31<sup>st</sup> March, 2018. Compute his Gross Total Income for the assessment year 2018-19. (15)

- Resident and Ordinary Resident
- Resident but not Ordinarily Resident
- Non Resident

Particulars	Rs
1. Rent from a property in Mumbai, received in London	1,50,000
2. Income from agriculture in Sri Lanka	1,00,000
3. Dividend from Japanese Company, received in India	75,000
4. Income received in USA for services rendered in India	1,20,000
5. Income from business in Mumbai, controlled from New York	2,00,000
6. Royalty Income received from Indian Companies	1,30,000
7. Income from Profession in Bangladesh, received in Bangladesh (Profession was set up in India)	1,25,000
8. Income accrued in New York and received in London	2,50,000
9. Amount brought to India, out of past untaxed profits earned in London	1,50,000

- Q.5 (a) Define Capital Assets under Section 2(14). (8)
- (b) Write any seven exempted Income u/s 10 of Income Tax Act 1961. (7)

OR

Q.5 Write a short note on (any three): (15)

- Person
- Residential Status of an individual
- Gross Annual Value of House Property
- Entertainment Allowance
- Deduction u/s 80D