

ANSWER SCRIPT



Manipal Academy Of Higher Education

Department of Commerce

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Exam Event: DCOM - I-III and V Semester UG - Mid Term Examination - October 2023
Subject Name: [BBAC 3501] BUSINESS TAXATION
Exam Date: 16-Oct-2023 (09:30 AM - 11:00 AM)
Course: Bachelor of Business Administration
Branch: BBA
Year/Sem: Semester 5

Score

17.50
20.00

QNo	Score / Max Score
A (5 / 5)	
1	1.00 / 1
2	1.00 / 1
3	0.00 / 1
4	1.00 / 1
5	0.00 / 1
B (4 / 4)	
6	2.50 / 2.5
7	2.50 / 2.5
8	2.50 / 2.5
9	2.50 / 2.5
C (1 / 1)	
10	4.50 / 5

What does N stand for in HSN?

- Network
- Nationalization
- Nomenclature
- Nomination

GST is applicable on:

- Petrol
- Alcoholic Liquor for human consumption
- Tobacco Natural Gas
- Natural Gas

Mr. Amit is an investor in the Indian Equity Market purchased 5,000 shares for Rs. 5 each in the morning and sold at Rs. 10 each in the evening. What will be the securities transaction tax payable for this transaction?

Rs. 5.00

Rs. 6.25

Rs. 10.00

Rs. 12.50

According to the Securities Contract Act of 1956, securities transaction tax is not applicable for the following types of securities.

Equity Mutual Funds

Shares, stocks, bonds and debentures

Commodity transactions

Securitized Debt instruments

XYZ Ltd. allotted 100 bonus shares to Mr. Arvind in the ratio of 1:2 on 01.12.2021. He received dividend of Rs. 10 per share on 01.05.2022. Find out the taxable income, if any, for AY?

Nil Rs. 1,500 Rs. 2,000 Rs. 3,000

Computation of GST Payable by Mr B :

Input tax paid by Mr. B to Fragrance Ltd.

$$\text{Value of supply} = 22,000$$

$$\text{IGST @ 12\%} = \underline{2,640}$$

$$\text{Total} = \underline{\underline{24,640}}$$

Output tax collected by Mr B from Mr. C
(Assuming Mr. C is situated in Karnataka)

$$\text{Value of supply} = 30,000$$

$$\text{CGST @ 6\%} = 1800$$

$$\text{SGST @ 6\%} = \underline{1800}$$

$$\underline{\underline{3600}}$$

GST payable

	Input	IGST	CGST	SGST	C/f
Output		—	1800	1800	
IGST	2640		1800	840	—
CGST					
SGST					
Tax payable			<u>—</u>	<u>960</u>	

∴ The total GST payable by Mr. B to Govt = ₹960

Computation of tax payable by Mr. Rakulith Bhandary.

Particulars	Amt (₹)
<u>Capital gains</u>	
<u>LTCG from sale of share</u>	
Sale consideration (500 x 5000)	25,00,000
Less : Cost of Acquisition (450 x 5000)	22,50,000
	Note 1
Taxable long term Capital gain	2,50,000
<u>LTCG on sale of immovable property</u>	
Sale consideration	25,00,000
Less : Cost of acquisition	13,10,433
$[10,50,000 \times \frac{317}{254}]$	
Taxable long term Capital gain	11,89,567

Tax payable :

LTCG tax on shares at 10% above ₹ 1,00,000

$$[2,50,000 - 1,00,000] 10\% = \underline{15,000}$$

LTCG on sale of immovable property @ 20 %.

$$[11,89,567 \times 20\%] = \underline{2,37,913}$$

$$\text{tax payable} = 2,52,913$$

$$(+) 4\% \text{ Health \& Education Cess} = \underline{10,117}$$

$$\text{Total tax payable} \underline{\underline{2,63,030}}$$

Note 1 i

i) Cost of acquisition of shares will be higher of :
 cost of acquisition, and, 425
 lower of
 Fair Market value and 450
 Sale consideration 500

Hence, FMV will be considered for cost of acquisition

Calculation of exempt HRA & total taxable income of Rajveer
Let,

- A = HRA received = ₹8000, Rent paid = ₹9000
- B = HRA received = ₹8000, Rent paid = 0
- C = HRA received = NIL, Rent paid = ₹9000

Particulars	A	B	C
Income from salary			
Basic [42000 x 12]	5,04,000	5,04,000	5,04,000
DA [12,000 x 12]	2,04,000	2,04,000	2,04,000
CCA [2000 x 12]	24,000	24,000	24,000
Other allowances [8000 x 12]	96,000	96,000	96,000
HRA [8000 x 12]	96,000	96,000	—
Gross salary	9,24,000	9,24,000	8,28,000
Exemption			
Exempt HRA, least of			
1) actual HRA			
2) Rent paid - 10% salary*	(37,200)	(0)	—
3) 50% of salary**			
	8,86,800	9,24,000	8,28,000
Deduction u/s 80GG			
Lower of			
1) 5000 x 12 = 60,000			
2) Rent paid - 10% salary	—	—	(37,200)
3) 25% of salary			
Total taxable income	8,86,800	9,24,000	7,90,800

Exempt HRA for A.

$$\begin{aligned}
 &1) \text{ actual HRA} && 96,000 && = 96,000 \\
 &2) \text{ Rent paid} - 10\% \text{ salary}^* && = 108000 - 70,800 = 37,200 \\
 &3) 50\% \text{ of salary}^{**} && = [708000 \times 50\%] = 354,000
 \end{aligned}$$

HRA deduction for scenario c

$$\begin{aligned}
 &1) 5000 \times 12 = 60,000 && = 60,000 \\
 &2) \text{ Rent paid} - 10\% \text{ salary} && = 37,200 \\
 &3) 25\% \text{ of salary} && = 177,000
 \end{aligned}$$

NOTE

* Salary = Basic + DA + Commission received = 708,000

** 50% of salary is taken as I assume him to be a resident of Mumbai

Calculation of exempt gratuity and taxable gratuity of Anil.

Actual gratuity received = 17,00,000

Exempt gratuity, is lower of

a) Actual gratuity, 17,00,000

b) Avg salary $\times \frac{15}{26} \times 32 = 12,00,000$ (12,00,000)

c) 20,00,000

Taxable gratuity 5,00,000

\therefore Exempt gratuity for Anil = 12,00,000

Taxable gratuity for Anil = 5,00,000

NOTE :-

$$\begin{aligned} \text{Average Salary} &= \text{Basic} + \text{DA} = 42,000 + 23,000 \\ &= \underline{\underline{65,000}} \end{aligned}$$

Computation of residential status of Dr. Anand

Month	No of days stayed abroad.
April	18
May	—
Jun	—
Jul	—
Aug	2
Sept	30
Oct	31
Nov	25 + 3
Dec	7
Jan	—
Feb	20
Mar	9
	<u>145</u>

$$\begin{aligned}\text{No of days stayed in India} &= 366 - 145 \\ &= \underline{\underline{221 \text{ days}}}\end{aligned}$$

Dr. Anand is a resident if,

- he stays in India for atleast 182 days in current P.Y., or
- he stays in India for atleast 365 days in 4 years preceding current P.Y. and atleast 60 days in current P.Y.

Since he has stayed for 221 days in current P.Y., he is a resident as per (a),

To compute whether ordinary or Not ordinary resident

P.Y	N. of days	(a)	(b) [Current P.Y, 4 preceding P.Y]
2022 - 23	178		✓ [178, 621]
2021 - 22	165	}	✓ [165, 602]
2020 - 21	192		
2019 - 20	143		
2018 - 19	121		
2017 - 18	146		
2016 - 17	159		
2015 - 16	134		
2014 - 15	87		
2013 - 14	32		

As per the data given,

Dr Anand is a resident in P.Y 2022-23, and 2021-22. [Satisfies condition (b)]

Also, he has stayed in India for 1,104 days in the 7 preceding P.Y's.

∴ he is a ordinary resident as he satisfies,

c) Resident for atleast 2 P.Ys in the 10 preceding P.Ys .
immediate to current P.Y. and

d) Stayed for atleast 730 days in the 7 preceding P.Ys
immediate to the current P.Y.

⇒ Dr. Anand is an ordinary resident

condition d calculation needs to be shown