

Q.5	Attempt any two:	
i.	Give any five allowed deductions for calculating income from business.	5
ii.	Profit & Loss Account of M/s Harish Enterprises shows a Net Profit of Rs. 2,63,500 after debiting the following amount:  Withdrawn for personal expenses Rs. 40,000, Life Insurance Premium Rs. 15,000, Income Tax Rs. 22,000, Expenses relating to income tax proceeding Rs. 15,000 and Municipal Tax relating to the self-occupied property Rs. 14,000. Compute his taxable income under the head 'Profit from Business'.	5
iii.	State any five expressly disallowed deductions for calculating income from business.	5
Q.6	Attempt any two:	
i.	Explain the process of calculation of Long-Term Capital Gain.	5
ii.	An assessee purchased an old house for Rs. 2,60,000 on 1 <sup>st</sup> August 2006 and spent Rs. 30,000 for its improvement in January 2008. The house was sold by him on 1 <sup>st</sup> September 2018 for Rs. 7,80,000. Brokerage was paid Rs. 10,000 for the transaction. Compute taxable capital gain. Cost Inflation Index were as under-	5
	2006-07      122 2007-08      129 2018-19      280	
iii.	Write any five incomes which are chargeable under the head of Income from other Sources.	5

\*\*\*\*\*



**Enrollment No.....**  
**Faculty of Management Studies**  
**End Sem (Even) Examination May-2022**  
**MS3CO12 Business Taxation**  
**Programme: BBA      Branch/Specialisation: Management / DM**  
**Duration: 3 Hrs.      Maximum Marks: 60**

Note: All questions are compulsory. Internal choices, if any, are indicated. Answers of Q.1 (MCQs) should be written in full instead of only a, b, c or d.

- |     |      |   |   |
|-----|------|---|---|
| Q.1 | i.   | Previous year is-<br>(a) Preceding year      (b) Income earning year<br>(c) Tax calculating year      (d) Income computation year   | 1 |
|     | ii.  | Minor income is exempt to the extent of-<br>(a) 1000      (b) 1500      (c) 5000      (d) Fully exempt  | 1 |
|     | iii. | House facility for Govt. employee is-<br>(a) Exempted<br>(b) Taxable as per Rules<br>(c) Taxable as per Govt. Rules<br>(d) Fair rent taxable  | 1 |
|     | iv.  | Salary is taxable at the time of-<br>(a) Receiving<br>(b) Accrual<br>(c) Receiving or Accrual which is earlier<br>(d) At the end of year  | 1 |
|     | v.   | Which house property is not charged to tax?<br>(a) Farmhouse      (b) Palace of an ex-ruler<br>(c) Business Building      (d) All of these  | 1 |
|     | vi.  | Municipal value of let out house is Rs. 80,000, Fair Value Rs. 90,000, Self-Residence Rs. 70,000 and Actual Rent is Rs. 1,10,000<br>Gross Annual Value of house is-<br>(a) Rs. 1,10,000      (b) Rs. 90,000<br>(c) Rs. 80,000      (d) Rs. 70,000 | 1 |
|     | vii. | Disallowed expenses of business is-<br>(a) Workers Salary      (b) Manager Salary<br>(c) Proprietor Salary      (d) All of these  | 1 |

[2]

- |            |  |             |
|------------|--|-------------|
| viii.      | Capital expenditure allowable on scientific research-  | 1           |
|            | (a) 1/5      (b) 1/10      (c) 1/6      (d) Whole Amount   |             |
| ix.        | Income of Dhoni for playing Test match is taxable under the head-  | 1           |
|            | (a) Professional Income<br>(b) Income from Salary<br>(c) Income from other Sources<br>(d) None of these  |             |
| x.         | Short term capital assets if the assessee held movable asset-  | 1           |
|            | (a) Less than 1 year<br>(b) Less than 2 years<br>(c) Not more than 3 years<br>(d) All of these   |             |
| <b>Q.2</b> | i. What is the meaning of “Assessment Year”?<br>ii. What do you mean by “Agricultural Income”? Give any two characteristics.<br>iii. Following are the particulars of taxable income of Shri Hari Narayan Arora for the previous year ended 31 <sup>st</sup> March 2019:<br>(a) Royalty received from Govt. of India Rs. 2,24,000<br>(b) Income from business earned in Afghanistan Rs. 25,000 of which Rs. 15,000 were received in India. Business controlled from India.<br>(c) Interest received from Shri Aditya Kumar a non-resident against a loan provided to him run a business in India Rs. 5,000.<br>(d) Royalty received from AL-Afnan a resident for technical services provided to run a business outside India Rs. 20,000.<br>(e) Income from business in Jaipur Rs. 40,000 this business is controlled from France. Rs. 20,000 were remitted to France.<br>Find out Gross Total Income of Shri Hari Narayan Arora for assessment year 2019-20 if he is-<br>I. Resident of India<br>II. Not Ordinarily Resident of India<br>III. Non-Resident of India in previous year. | 2<br>3<br>5 |
| <b>OR</b>  | iv. Discuss any five Exempted Incomes.   | 5           |

[3]

- |            |  |             |
|------------|--|-------------|
| <b>Q.3</b> | Attempt any two:<br>i. Define House Rent Allowance with a suitable example.<br>ii. The following particulars are of Mrs. Dr. Veena Soni’s Income relating to the previous year 2018-19:<br>(a) Salary 2,54,000 per annum<br>(b) Dearness Allowance (under the term of employment) Rs. 12,000 per annum.<br>(c) Education allowance (for three children) Rs. 5,700 per annum.<br>(d) Medical Allowance (Actual Expenditure Rs. 4,000) Rs. 7,200 per annum.<br>(e) Rent free house (in Mumbai) the company paid Rs. 5,000 per month as rent. The house is furnished and the rent of the furniture is Rs. 2,000 per annum.<br>Compute ‘Income from Salary’ for the Assessment Year 2019-20.<br>iii. Describe any five perquisites which are exempted from tax in all cases.   | 5           |
| <b>Q.4</b> | i. Determine the Annual Value of the following Let-Out Houses<br>House A- Municipal Valuation Rs. 60,000 annual, Fair Rent Rs. 55,000 annual, Actual Rent Rs. 4,000 per month, Standard Rent Rs. 50,000 annual.<br>House B- Municipal Valuation Rs. 40,000 annual, Fair Rent Rs. 36,000 annual, Actual Rent Rs. 45,000 annual, Standard Rent Rs. 42,000 annual.<br>ii. Mr. Rahul Gupta owns a house municipal valuation of which is Rs. 72,000. 2/3 <sup>rd</sup> portion of the house is self-occupied and remaining portion is let out for Rs. 3,000 per month. Municipal Taxes paid are Rs. 12,000. Other expenses are repairs Rs. 13,000, Ground Rent Rs. 3,000, Insurance premium Rs. 4,500 and Interest on Loan Rs. 27,000.<br>Find out the Taxable Income from House Property for the Assessment Year 2019-20.<br>OR     iii. Define Annual Value and describe the allowed deductions which are deducted from Annual Value for the computation of Income from House Property. | 4<br>6<br>6 |

**Marking Scheme**  
**MS3CO12 Business Taxation**

Q.1	i.	Previous year is-	1		For each Correct point 1 mark	5
	(b)	Income earning year			Any five perquisites which are exempted from tax in all cases.	
	ii.	Minor income is exempt to the extent of-			1 mark for each perquisites	
	(b)	1500			(1 mark * 5)	
	iii.	House facility for Govt. employee is-				
	(c)	Taxable as per Govt. Rules				
	iv.	Salary is taxable at the time of-				
	(c)	Receiving or Accrual which is earlier				
	v.	Which house property is not charged to tax?				
	(d)	All of these				
Q.2	vi.	Municipal value of let out house is Rs. 80,000, Fair Value Rs. 90,000, Self-Residence Rs. 70,000 and Actual Rent is Rs. 1,10,000 Gross Annual Value of house is-	1			4
	(a)	Rs. 1,10,000			For House A	
	vii.	Disallowable expenses of business is-			For House B	
	(c)	Proprietor Salary			Find out the Taxable Income from House Property for the Assessment Year 2019-20.	
	viii.	Capital expenditure allowable on scientific research-			Practical Proportionate marking	
	(d)	Whole Amount			OR	
	ix.	Income of Dhoni for playing Test match is taxable under the head-			iii. Define Annual Value	
	(c)	Income from other Sources			Allowed deductions	
	x.	Short term capital assets if the assessee held movable asset-				
	(c)	Not more than 3 years				
OR	i.	Meaning of "Assessment Year"	2		Attempt any two:	5
	ii.	Meaning of Agricultural Income			i. Any five allowed deductions for calculating income from business	
		Any two characteristics			1 mark for each deduction	
	iii.	For each Correct point 1 mark			(1 mark * 5)	
OR	iv.	Any five Exempted Incomes.	5		ii. Compute his taxable income under the head 'Profit from Business'	5
		1 mark for each point			Practical Proportionate marking	
Q.3		Attempt any two:	5		iii. Any five disallowed deductions for calculating income from business. 1 mark for each deduction	5
	i.	Define House Rent Allowance				
		Example				
	ii.	Compute 'Income from Salary' for the Assessment Year 2019-20.	5			5

Marking Scheme - M53012  
 (Business Taxation)

Q & (iii) Shri Hari Naresh Alora

Particular	RI	NOR	NR1
i) Royalty	2,24,000	2,24,000	2,24,000
ii) Income from Business	25,000	25,000	15,000
iii) Interest Received	5,000	5,000	5,000
iv) Royalty received from AL-Afnan	20,000	Nil	Nil
v) Income from Business	40,000	40,000	40,000
Gross total Income	314,000	294,000	284,000

Q3 II

Statement of Income from Salary  
for the Assessment year 2019-20

Basic Salary	254000
Dearness allowance	12000
Education allowance ( $25700 - 2400$ )	3300
Medical allowance (Fully Taxable)	7200
Value of Rent free House	
Rent paid by company or 15% salary 60,000 or 41475 whichever is less, so	41475
+ Furniture Rent,	2000
Gross Salary	43475
less - Standard Deduction	319,975
Income from Salary	40,000
	279,975

Working Note for valuation of 15% Salary

$$254000 + 12000 + 3300 + 7200 = 276500 \times \frac{15}{100} \\ = 41475$$

SD  $\rightarrow$  2019-20  $\rightarrow$  40,000

SD  $\rightarrow$  2020-21  $\rightarrow$  50,000

## Q4 II Valuation of Income from House property

1) $\frac{2}{3}$ rd portion self occupied sec 23(2)	Nil	
less - Interest on loan $\frac{2}{3}$ rd of		
	27,000	(-) 18,000
- $\frac{1}{3}$ let out portion sec 23(I)		
Annual Rental value of the let out portion		
$3000 \times 12 = 36,000$	36,000	
less - Municipal taxes (proportionate amount)	(-) 4000	
Proportionate annual value of let out portion $\frac{1}{3}$	32,000	
less - Deduction u/s 24		
(A) 30% of Net A.V.	9600	
(B) interest on loan ( $\frac{1}{3}$ )	9,000	18,600 + 13,400
Taxable Income from H.P. (loss)		(-) 4,600

## 15 II Statement of Income from Business

Net profit as per PSL AIC		₹ 63,500
→ disallowed items		
Personal expenses	40,000	
Life insurance premium	15,000	
Income tax	22,000	
Municipal tax (self occupied property)	14,000	91,000
Income from Business		354500

## 24 I Valuation for annual value of House Property

### A) Rent control

- (A) 60,000 / 55,000 / 48,000      60,000  
or  
(B) 48,000 / 50,000      50,000  
(C) a or b which is less      50,000

### B) Rent Control

- (A) 40,000      (B) 45,000  
or      or  
36,000      42,000  
or  
45,000  
45,000      45,000  
(C) whichever is less, so      45,000

## Q6) II Calculation for long term Capital gain

Sales consideration		7,80,000
less → Aggregate amount of the following		
(A) Transfer w/cp (Brokerage)	→ 10,000	
(B) Indec cost of acquisition		
Purchase price x Indec for (2018-19)		
Indec for 2006-07 (year of Purchase)		
$\frac{2,60,000 \times 280}{122} = 5,96,721$	5,96,721	
(C) Indec cost for improvement		
Purchase price x Indec for (2018-19)		
Indec for 2007-08 (year of Purchase)		
$\frac{30,000 \times 280}{129} = 6,511.6$	6,511.6	671837
Long term capital gain		10816.8