

OR iii. From the given information, calculate tax liability of Assessee for **6** the Assessment year 2017-18.

Business income Rs 320000

Short term capital gain Rs 150000

Salary income Rs 520000

Interest from bank Rs 140000

Deposit in PPF Rs 60000

Life insurance premium paid on his own life Rs 45000



Enrollment No.....

Faculty of Management Studies

End Sem (Even) Examination May-2019

MS5OE06 Tax Planning & Management

Programme: MBA

Branch/Specialisation: Management

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. | Following is not head of income | 1 |
| | (a) | Income from salary | (b) Income from interest |
| | (c) | Income from business | (d) Income from house property |
| | ii. | Previous year ended on | 1 |
| | (a) | 31 December | (b) 30 June |
| | (c) | 31 March | (d) Option of Assessee |
| | iii. | Salary is taxable at the time of | 1 |
| | (a) | Receiving | |
| | (b) | Accrual | |
| | (c) | Receiving or accrual whichever is earlier | |
| | (d) | All of these | |
| | iv. | Medical bills reimbursed regarding Private Hospital are exempt up to | 1 |
| | (a) | Rs 10000 | (b) Rs 15000 |
| | (c) | Rs 50000 | (d) Whole Amount |
| | v. | Which of the following is allowed deduction from annual rental value? | 1 |
| | (a) | Municipal tax | (b) Repair |
| | (c) | Insurance premium | (d) Ground rent |
| | vi. | Annual value of self-occupied house is | 1 |
| | (a) | Municipal valuation | (b) Standard rent |
| | (c) | Fair rent | (d) None of these |
| | vii. | Which is/are not regarded as transfer under capital gain | 1 |
| | (a) | Gift | (b) Will |
| | (c) | Both (a) and (b) | (d) None of these |

[2]

- viii. The tax rate on long term capital gain for individual is
 - (a) 10% (b) 20% (c) 15% (d) 30%
- ix. Sec. 80C deduction available to
 - (a) Individual (b) HUF
 - (c) Both (a) and (b) (d) None of these
- x. Sec. 80G deduction is available in connection with
 - (a) Charity (b) Donation (c) Royalty (d) Repair

1

- Q.2**
- i. Every Assessee is person but every person is not Assessee, explain. **4**
 - ii. What do you understand by Tax planning, Tax avoidance and tax evasion? Explain briefly. **6**

- OR**
- iii. Mr. Anil furnished the following information about his Income: **6**

- (a) Income from house property in USA received in India Rs 40000
- (b) Income from business in Bhopal Rs 100000
- (c) Past untaxed foreign income brought in to India during the previous year Rs 48000
- (d) Income from business (controlled from India) in UK Rs 80000

- (e) Agricultural income in India Rs 25000
- (f) Agricultural income in Japan Rs 85000

Compute his taxable income if he is

- (a) Ordinarily Resident
- (b) Not-Ordinarily Resident
- (c) Non-resident

- Q.3**
- i. Explain any four fully exempted allowances while computing income from salary? **4**
 - ii. What do you understand by perquisite? Explain perquisites valuation of rent-free house. **6**

- OR**
- iii. An employee gets salary Rs 18000 per month, Dearness Allowance 40% of salary under terms of employment, Bonus Rs 10000 per year, commission @ 3% on sales of Rs 100000 and house rent allowance Rs 2000 per month. Calculate the amount of exempted and taxable house rent allowance. If

- (a) He is living in Indore by paying rent Rs 4000 per month
- (b) He is living in Mumbai by paying rent Rs. 10000 per month.

1

- [3]**
- Q.4
- i. Explain the provision related to valuation of self-occupied house property. **4**
 - ii. Discuss the procedure of computation of income from house property of fully let out house. What are the deductions available from such house property? **6**
- OR
- iii. Compute taxable income from house property from given information which is fully let out:
- Fair rent Rs 82000
 Actual rent Rs 106000
 Municipal Valuation Rs 70000
 Standard Rent Rs 120000
 Municipal Tax paid by owner Rs 7500
 Interest on loan (loan taken for repair) Rs 120000
 Fire Insurance premium Rs 5000
 Ground rent paid Rs 500

- Q.5**
- i. Explain any four disallowed expenses while calculating income from business & profession. **4**
 - ii. Explain the provisions related to long term capital gain & short-term capital gain. **6**

- OR**
- iii. Mr. Hari purchased a house in August 1986 for Rs 80000 for self-residence. On February 1988, Rs 30000 spent on improvement. On December 2016, he sold the house for Rs 1080000. He paid Rs 20000 brokerage on sale of house. Compute his taxable capital gain with working notes. Cost inflation index for 1986-87 is Rs 140, 1987-88 is Rs 150 and 2016-17 is Rs 1125. **6**

- Q.6**
- i. Explain any four deductions available to individual in relation to computing his total income. **4**
 - ii. What is income from other sources? Explain any five incomes taxable under the head income from other sources. **6**

P.T.O.

Scheme of marking

Q 1) mcs

- (i) (b) income from interest
- (ii) (c) 31 march
- (iii) (c) Reining or Accrual whichever is earlier
- (iv) (b) Rs. 15000
- (v) (a) municipal Tax
- (vi) (d) Name of tenets
- (vii) (c) both (a) and (b)
- (viii) (b) 20%
- (ix) (c) both (a) & (b)
- (x) (b) donation

Q 2 (i) Above meaning = 2 marks

Peris meaning = 2 marks

2 (ii) Each Point 1 marks $\times 6 = 6$ (Pointwise difference) or
 2 marks for each explanation (Detailed explanation
 of tax planning, Tax avoidance, Tax evasion)

2 (iii) 1 marks for each Point correct
 Calculation

2(iii) Computation of taxable income of Mr. Anil

Particulars of income	Ordinary Resident	Non Ordinary Resident	Non Resident
(i) Income from House Property in USA Received in India	40000	40000	40000
(ii) Income from business Bhopal	1,00,000	1,00,000	1,00,000
(iii) Past untaxed income brought into India	Exempt	Exempt	Exempt
(iv) Income from business (Controlled from India) in U.K.	80000	80000	-
(v) Agriculture income in India	Exempt	Exempt	Exempt
(vi) Agriculture income in Japan	85000	-	-
Taxable income	3,05,000	2,20,000	1,40,000

Q. 3 (i) 1 marks for each fully exempted allowance
with discription $1 \times 4 = 4$ marks

3(ii) Meaning of Perquisites = 1 mark

Valuation of Perquisites with detailed chart

Ex explanation = 5 marks

Total $(1+5)=6$ marks

3(iii) 3 marks for each part (a) & (b)

3(iii) (a) He is living in indeo by paying rent Rs.
2000/- per month

Rs.

Hence Rent Allowance Received
Exemption whichever is less

24000

$$\begin{array}{l}
 \text{(i) HRA Received} = 24000 \\
 \text{(ii) Rent Paid - 10\% of Salary} * \\
 48000 - 30540 = 17460 \\
 \text{(iii) 40\% of Salary} * = 122160 \\
 \text{Rs. } 305400
 \end{array}$$

$$\begin{array}{r}
 17460 \\
 + 6540 \\
 \hline 24000
 \end{array}$$

Salary for valuation purpose is taken basic + DA under terms
of employment & commission 3% on salary Rs 1,00,000 bonus
is not taken in calculation

$$\begin{aligned}
 \text{hence Salary} &= 18000 \times 12 + 40\% \text{ D.A.} + @3\% \text{ of } 1,00,000 \\
 &= 216000 + 86400 + 3000 \\
 &= 305400
 \end{aligned}$$

(b) He is living in mumbai paying rent Rs. 1000/- per month

Rs.

$$\begin{array}{l}
 \text{HRA Received} \\
 \text{Exemption: whichever is less} \\
 \text{(i) HRA Received} = 24000 \\
 \text{(ii) Rent Paid - 10\% of Salary} * \\
 120000 - 30540 = 89460 \\
 \text{(iii) 50\% of Salary} \\
 \text{Rs. } 305400
 \end{array}$$

24000

Nil

Taxable HRA

Q: 4 (i) ~~Provision~~ valuation of self occupied property

1 point for each explanation $1 \times 4 = 4$ marks

(ii) Procedures of computation with formats = 3 marks
deduction available explanation = 3 marks
Total = 6 marks

(iii) 2 marks for correct valuation of GAV
4 marks for proper calculation of municipal tax
Std. deduction & Int. on loan with Taxable income from house property

Solution

Income from House property

Valuation of GAV = Gross annual value

municipal valuation / fair Rent / Actual Rent

whichever is higher subject to not exceed by Std. Rent

municipal valuation = 70000

fair Rent = 82000

Actual Rent = 1,06,000

Higher is 1,06,000 Not exceeded by 120,000

Hence GAV is Rs. 1,06,000

GAV = 106000

Lss: mun. tax paid
by owner $\frac{7500}{98500}$
NAV

Lss: Deduction u/s 24 n 45E

Q. 5 (i) 4 shallower expenses 1 marks $4 \times 1 = 4$ marks

5 (ii) portion of long term capital gain with format = 3 marks
portion of short term capital gain with format = 3 marks
Total = 6 marks

5 (iii) Computation of Taxable Capital gain (Long term)

Sales consideration	Rs. 10,80,000
Less: indexed cost of acquisition	6,42,857
$\frac{80000 \times 1125}{140} =$	

indexed cost of improvement

$\frac{30000 \times 1125}{150} =$	225000
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Brokerage =

Taxable long term capital gain	20000
	<u>1,92,143</u>

1 mark for format

2 marks for indexed cost of acquisition

2 mark for indexed cost of improvement.

1 mark for final Answer

Q. 6 (i) 1 mark for each explained deduction

$$1 \times 4 = 4 \text{ marks}$$

6 (ii) meaning = 1 mark 5 ~~deduction~~ incomes taxable under other forms with explanation = 5 marks
Total 1 + 5 = 6 marks

Q: 6 (iii) Taxable income calculation = 3 months
 Tax liability calculation = 3 months
 Total = 6 months

Computation of income for AY 2017-18

Income from Business	32,0000
Income from Capital gain Short term Capital gain	1,50,000
Income from Salary	5,20,000
Income from other sources (Interest income)	1,40,000
<u>From Total Income</u>	<u>11,30,000</u>

Less: Deduction u/s 80C

Deposits in PPF 60000

Life Ins. Premium paid

on his own life 45000
From Qualifying Ans. 1,05,000 105,000

Taxable income 10,25,000

Tax liability 1,32,500

Add Education Cess 3% 3975

Tax calculation Total Tax Liability 136475

Up to 2,50,000 = 0 = 0

2,50,001 to 5,00,000 = 10% = 25000

5,00,001 to 10,00,000 = 20% = 1,00,000

10,00,001 to 10,25,000 = 30% = 7500