

November 2018
Bachelor of Business Administration (BBA) Examination

V Semester
INCOME TAX - I

Time 3 Hours]

[Max. Marks 60

Note : Attempt any two questions from Section A and any three questions from Section B. All questions carry equal (12) marks.

Section A

1. What do you understand by Income Tax ? Mention the tax rates applicable for the various types of the assesseees for the Assessment Year 2018-19.
2. Explain any three of the following terms :
 - (a) Assessment Year and Previous Year.
 - (b) Agricultural Income.
 - (c) Person.
 - (d) Total Income.
3. How do we determine the residential status of an assessee for income tax purposes ? Discuss the influence of residence on tax liability.
4.
 - (a) Give a brief account of exempted incomes under the Income Tax Act.
 - (b) Discuss the provisions of Income Tax Act relating to exemption of gratuity received on retirement with the help of an example.

Section B

5. Shree Hanuman Prasad has the following incomes for the previous year ending on 31st March, 2018. Compute his Gross Total Income if he is (i) Ordinary Resident, (ii) Not Ordinary Resident (iii) Non Resident.
 - (a) Earned Rs. 4,00,000 from a business in America and the profits have been remitted to India.
 - (b) Income from electronic business Rs. 2,00,000. Branch office is situated in Canada and controlled from head office in Mumbai.
 - (c) Remuneration of Rs. 50,000 for services rendered in American directly deposited in a bank in India.
 - (d) Capital gains Rs. 85,000 from transfer of house property in Kanpur.
 - (e) Remuneration of Rs. 2,30,000 from an Indian Company carrying on business in America for services rendered in America.
 - (f) Income from business in Kolkata managed from U. S. A. — Rs. 3,00,000.
 - (g) Agricultural Income from Indore — Rs. 1,50,000.
 - (h) Dividend from Indian Company — Rs. 60,000.
 - (i) Profit from business in U. S. A. received in India Rs. 2,50,000.
 - (j) Gift in foreign currency from a relative received in India Rs. 80,000.

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6. (a) Mr. Deepak went to China for the first time on 10/1/2007 and came back to India on 22/6/2007.
 (i) He went to London on 30/9/2010 and came back after 90 days.
 (ii) He went to Bangladesh on 16/7/2013 and came back after 100 days.
 (iii) He had gone to Myanmar for 85 days on 2/12/2015.
 (iv) He was out of India for 280 days in the previous year 2017-18.
 Determine Residential Status of Mr. Deepak for the Previous Year 2017-18.
- (b) Mr. Vimal, a resident of Indore gets a salary of Rs. 24,000 per month and Rs. 2,000 per month as dearness allowance during the previous year. He received House Rent Allowance of Rs. 2,800 p. m. He is also getting 2% commission on turnover of Rs. 12,00,000 achieved by him during the previous year. Whereas he paid Rs. 4,000 as rent. Compute Taxable House Rent Allowance for the Assessment Year 2018-19.
7. Mr. Shashank is working in a company at Bhopal. The following are the particulars of his income for the year ending on 31st March, 2018.
 Salary Rs. 11,750 per month, Commission Rs. 18,400 annual and Bonus equal to two month basic salary.
 Dearness allowance 20% of basic salary.
 Mr. Goyal contribution to recognized provident fund Rs. 22,500.
 Employer's contribution Rs. 20,800.
 Interest credited to provident fund @ 12% Rs. 7,800.
 Free refreshment during office hours Rs. 500 per month.
 Free education facility in the employer's school Rs. 1,600 per month per child for two children.
 Medical bills paid by the employer Rs. 16,000.
 Find out taxable salary for the Assessment Year 2018-19. Professional Tax Rs. 1,200 deducted from his salary.
8. (a) Mr. Ramesh retires from a company on 4th January, 2018 after serving for 16 years. At the time of retirement his basic salary was Rs. 17,600 per month and he is also entitled to Dearness Allowance of Rs. 3,200 per month. On the retirement he received Rs. 2,40,000 as gratuity. He is covered under the Gratuity Act. Compute the taxable part of Gratuity for the A. Y. 2018-19.
- (b) Mr. Shobhit is getting a pension of Rs. 8,000 p. m. from a company. During the previous year he got his three fourth of pension commuted and received Rs. 7,20,000. Compute the exempted amount assuming he also received gratuity.
9. (a) Mr. Ghosh retires on 31-10-17 after 20 years of service and received Rs. 3,84,000 as leave encashment for 12 months. His employer allows him one and a half months of leave for every one year of service. He has already availed leave for 18 months. His salary for 2016-17 was Rs. 24,000 p.m. and was raised to Rs. 32,000 p.m. from 1-4-17. Compute the taxable amount of leave encashment.
- (b) Mr. Sreedhar an employee in a company, is drawing a salary of Rs. 36,000 p.m. plus 10% of his salary as dearness pay. He is getting entertainment allowance of Rs. 4,000 p.m. He spent Rs. 20,000 on the entertainment of the customers of the company. He is provided with a rent free unfurnished house at Allahabad of the fair rental value of Rs. 8,000 p.m. The house is owned by the company. He is also provided with a small car for his personal and official use and all the expenses of its maintenance and running are met by the company. Find out his taxable salary for the A. Y. 2018-19.

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Note : Attempt any two questions from Section A and any three questions from Section B. Each question carries 12 marks.

Section A

1. What is Agriculture Income ? Is it charged to tax ? Justify your answer through example.
2. Explain any three of the following terms :
 - (a) Assessment Year
 - (b) Casual Income
 - (c) Education Cess
 - (d) Indian Citizen.
3. What are the Revenue and Capital Receipts ? How are they different from one another ? Explain them through example.
4. What are the various characteristics of income which are charged under the head income from salary ? Explain in detail.

Section B

5. Ascertain the residential status of the assessee in the following cases for the Assessment Year 2016-17 :
 - (a) Ajay is a citizen of India. He left for Iran on 18th April, 2015 and could not return to India till the end of the Financial Year 2015-16.
 - (b) Gautam left for U. S. A. on 10th March, 2013 after having lived in India for 20 years. He returned to India on 10th September, 2015.
 - (c) Mr. Shoeb Khan a Pakistani cricket player, comes India since 2005-2006 every year to play cricket and stays here for 120 days. State his residential status for assessment year 2016-17.
6. Smt. Rajshree an employee in a company in Ahmedabad (population exceeds 25 lakhs) is drawing Rs. 8,000 per month as salary plus dearness allowance @ 20% of her salary. She is also getting City Compensatory Allowance Rs. 4,000, Medical Allowance Rs. 6,000, Bonus Rs. 16,000 and Commission Rs. 4,000.

She is provided with a rent free unfurnished house owned by the employer. The fair rental value of the said house is Rs. 24,000 per annum. She is provided free of charge a sweeper and a cook, whose wages are Rs. 300 and Rs. 700 per month respectively and a gardener whose wages is Rs. 250 per month. She is also given free electricity for personal use for which the employer has paid Rs. 6,000 during the year to Electric Supply Company.

Compute the taxable salary for the assessment year 2016-17.

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7. (a) Mr. Shyam, an employee of AB Ltd. receives Rs. 90,000 as gratuity under the Payment of Gratuity Act, 1972. He retires on August 15, 2015 after rendering service for 32 years and 4 months. The last drawn salary was Rs. 3,250 p.m. Calculate the amount of gratuity chargeable to tax.
- (b) Ms. Uma, not being covered by the Payment of Gratuity Act, 1972 retires during 2015-16 from SR Private Ltd. and receives Rs. 45,000 as gratuity after a service of 40 years 11 months. Her average monthly salary during the last 10 months of service was Rs. 2,200. Determine the taxable gratuity in her case.
8. (a) Mr. X, an employee of Y Ltd., receives Rs. 80,000 as leave salary at the time of his retirement on 28-02-2016. Average salary drawn during last 10 months Rs. 3,000. Last drawn salary is Rs. 3,200. Duration of service is 24 years and 7 months; leave taken while in service is 9 months. Leave entitlement as per employer's rules is $1\frac{1}{2}$ months for each completed year of service. Calculate the taxable leave salary for AY 2016-17.
- (b) Mr. Zakaria, staying at Chennai, receives Rs. 12,500 monthly as basic salary; Rs. 1,500 as D.A. provided in terms of employment and 4% as commission on turnover achieved by him. He is paid an house rent allowance of Rs. 1,800 p.m. The turnover achieved by him for the year is Rs. 15 lakhs. House rent paid by him is Rs. 2,500 p.m. He received advance salary of Rs. 50,000 in March 2016 relating to the period April to July 2016. Determine the taxable quantum of house rent allowance.
9. X Ltd. provide the following perquisites to its employee Mr. Ram for the P. Y. 2015-2016:
- (1) Accommodation taken on lease by X Ltd. for Rs. 15,000 per month. Rs. 5,000 per month is recovered from the salary of Mr. Ram.
 - (2) Furniture for which hire charges paid by X Ltd. Rs. 3,000 PM. No amount has been recovered for the same from the employee.
 - (3) A Santro car which is owned by X Ltd. and given to Mr. Y to be used for office and personal use. All running and maintenance expenses are fully met by the employer. He is also provided with a Chauffeur.
 - (4) A Gift Voucher of Rs. 10,000 on his birthday.
 - (5) He has been provided leave travel concession to visit to Manali by taxi and reimbursed Rs. 55,000 for the same. While he visited the same by deluxe class bus, the charges could have been Rs. 25,000. And the same facility has been provided by the company to him every year in January, since 2010.
- Compute the value of perquisites chargeable to tax for the AY 2016-2017. Assuming his salary for perquisites valuation to be Rs. 8 lacs. Working should form part of your answer.

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[Min. Marks 24

Note : Attempt any two questions from Section A and any three questions from Section B. Each question carries 12 marks.

Section A

1. Income tax is charged on the income of the 'previous year'. Do you fully agree with this statement ? If not, what are the exceptions ?
2. Explain any three of the following terms :
 - (a) Assessee
 - (b) Canons of Taxation
 - (c) Agricultural Income
 - (d) Total Income.
3. Enumerate any fifteen items of income which are totally exempt.
4. Explain how tax liability of an assessee is determined with reference to his residence.

Section B

5. The following are the incomes of Mr. Hemant for the previous year 2014-15 :

	Rs.
Dividend from Indian Company	10,000
Profit from business in Japan received in India	12,000
Profit from business in Singapore deposited in a bank there.	
This business is controlled from India	20,000
Profit from business in Indore	11,000
Interest received from a non-resident Mr. Abdul, on the loan provided to him for a business carried on in India	5,000
Income was earned in America, and received there, but brought in India	8,000
Share of income from an Indian partnership firm	15,000
Income from house property in India (Calculated)	12,000
Interest on debentures of an Indian company	5,000
Capital Gain on sale of agricultural land situated in Ajmer	8,000

Compute his taxable income, if he is :

- (a) Resident
 - (b) Non-ordinarily Resident
 - (c) Non-Resident.
6. (a) Mr. John is a foreign citizen. Since 1994, he comes to India every year in the month of April for 105 days. Find out the residential status of Mr. John for the assessment year 2015-16 if (i) Mr. John is not a person of Indian origin; and (ii) Mr. John was born in Poona in 1949.
 - (b) Mr. Naresh is employed in a Private Company in Indore at a salary of Rs. 70,000 per month, Rs. 6,000 per month as dearness pay. He received Rs. 2,000 per month as house rent allowance. He paid Rs. 2,500 per month rent. Compute house rent allowance exempted from tax.

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7. The following particulars are of Mr. Mahesh's income :

Salary (after deducting Rs. 48,000 for Income tax at source) Rs. 3,60,000 p.a.

Dearness allowance (under the terms of employment) Rs. 42,000 p.a.

Education allowance Rs. 15,700 p.a.

Medical allowance Rs. 37,200 p.a.

Rent-free house (in Jaipur) the company paid Rs. 8,000 per month as rent. The house is furnished and the cost of the furniture is Rs. 2,50,000.

Domestic servant, sweeper and a watchman were paid by the company @ Rs. 1,250 per month each.

His and employer's contribution to recognised provident fund is 12% of salary.

The company provided him free telephone at his residence and paid bill amounting to Rs. 8,000.

He paid professional tax Rs. 7,000.

Compute taxable salary of Mr. Mahesh for the assessment year 2015-16.

8. (a) Mr. Jitesh is getting a pension of Rs. 12,000 per month from a company. During the previous year he got his two-third pension commuted and received Rs. 7,38,000. Compute the exempted amount of pension, if : (i) he also received gratuity, (ii) he did not receive gratuity.
- (b) Mr. Anant was employed in a company. He took voluntary retirement on 1st December, 2014 after completing 25 years of service. On 1st January, 2014 his salary was Rs. 6,000 per month. In his company 2 months leave accrued every year. Mr. Anant availed 10 months leave during his tenure of service. He received Rs. 2,40,000 as encashment of earned leave at the time of retirement. Compute the amount exempt regarding encashment of earned leave.
9. (a) Mr. Sunil is an officer in a government office in tribal area at Meghnagar. The particulars of his income during the previous year are as under :
Basic salary Rs. 12,400 per month.
Dearness allowance 18%, Entertainment allowance Rs. 600 per month and Tribal allowance Rs. 500 per month.
Rent free house, the rent of the house is Rs. 1,000 per month as per government rules, whereas the fair rent of the house is Rs. 2,400 per month.
Calculate taxable salary of Mr. Sunil for the assessment year 2015-16.
- (b) After serving for 33 years and 9 months in Vijay Chemicals Ltd., Mr. Amit who is covered under the Payment of Gratuity Act retires from service on 30th November, 2014. The company pays him a Gratuity of Rs. 9,00,000. His monthly basic salary at the time of retirement was Rs. 30,000, D. A. Rs. 9,000 and HRA Rs. 4,500. You are required to determine the amount of gratuity exempt under section 10(10) of the Income Tax Act.

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Section A

1. Write the difference between the following :
(a) Previous Year and Assessment Year
(b) Gross Total Income and Total Income
(c) Capital Expenditure and Revenue Expenditure.
2. Define and explain the following terms as per the Income Tax Act :
(a) Person (b) Assessee
(c) Agriculture Income (d) Partially Agriculture Income.
3. Explain in brief any 12 Exempted Incomes u/s. 10 of the Income Tax Act.
4. (a) Define and explain Perquisite Income u/s. 17(2) of the Income Tax Act.
(b) Who are Specified Employees ? Which perquisites are taxable only to them ?

Section B

5. Following are the particulars of Ms. Chitra for the P. Y. 16-17. She is Finance Manager in Honours Ltd. :

Basic Salary	Rs. 40,000 p. m.
Dearness Allowance under agreement	100% of Basic Salary
Transport Allowance	Rs. 2,500 p. m.
Medical Allowance	Rs. 2,500 p. m.
House Rent Allowance (Rent Paid in Indore Rs. 10,000 p. m.)	Rs. 7,500 p. m.
Domestic Servant Provided by Employer	Rs. 3,000 p. m.
Gift from Employer	Rs. 11,000
Professional Tax deducted from Salary	Rs. 2,500

Compute the taxable income from Salary for the A. Y. 17-18.

6. (a) Mr. Clinton an American citizen comes to India for the first time in 2012-13 and stays for 120 days in that year. During 2013-14, 2014-15, 2015-16 and 2016-17 he stayed in India for 50 days, 110 days, 80 days and 90 days respectively. Determine his residential status for the A. Y. 2017-18.
- (b) Mr. Shubham, an Indian citizen left India for the first time as a member of the crew of Indian ship on 15/11/2014. Thereafter he settles down a broad on employment and comes back on a visit to India on 10/6/2016 and stays for 190 days. Determine his residential status for the A. Y. 2017-18.

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7. Find out the taxable income of Mr. Akhil for the A. Y. 2017-18. Would your answer be different if he was a resident but not ordinary resident or a non resident :

Particulars

Amt. (Rs.)

1. Interest from Debentures in India received in Delhi	1,75,000
2. Income from agriculture land situated in Japan received in Japan	4,50,000
3. Profit from Business in Germany, controlled from Germany	8,25,000
4. Profit from business in Delhi but managed from Japan	2,50,000
5. Rental Income received in India, property situated in Delhi	2,40,000
6. Income from agriculture land situated in Delhi received in Delhi	5,00,000

8. Mr. Kunal retires on 31-01-2017 from Prestige Ltd. He furnishes the following particulars :

Basic Salary	Rs. 25,000 p. m.
Dearness Allowance under agreement	Rs. 20,000 p. m.
Pension	Rs. 12,000 p. m.
Gratuity covered by the payment of Gratuity Act, 1972	Rs. 5,00,000
Leave Salary	Rs. 3,00,000
Tax on Employment	Rs. 2,500

Completed years of service 20 years and 10 months. Leave availed while in service 12 months.

Compute his taxable salary income for the A. Y. 2017-18.

9. (a) Mr. Harshit, age 56 years and who has put in 20 years of service in a Public Sector Undertaking voluntarily resigns the job under a scheme of voluntary separation. He has 4 years and 2 months of service left and his last drawn salary is Rs. 20,000 p. m. He is paid Rs. 12,00,000 as compensation.

Compute the taxable amount of Compensation for the A. Y. 2017-18.

- (b) Mr. Jayesh retired from Central Government Service on 30-06-2016 and gets pension of Rs. 6,000 p. m. upto 31-01-2017. With effect from 01-02-2017 he gets 1/3rd of his pension commuted for Rs. 2,40,000.

Compute the taxable amount of pension for the A. Y. 2017-18.