



AAB-010-001604 Seat No. _____

B. B. A. (Sem. VI) (CBCS) Examination

March / April - 2016

Business Taxation - II

Faculty Code : 010

Subject Code : 001604

Time : $2\frac{1}{2}$ Hours]

[Total Marks : **70**

Instructions : (1) Working notes shall be treated as a part of the answer.
(2) Answer both the sections in single answer book.
(3) Figures to the right indicate full marks of the question.

SECTION - I

M.C.Q. **20**

- 1 Which of the following statements is correct ?
 - (A) Annual value means actual rent received less local taxes.
 - (B) It is only the owner of the property who is liable to pay local taxes.
 - (C) The net annual value of any one self-occupied residential property is taken to be nil.
 - (D) Income received by a tenant from a sub-tenant is also assessed under the head 'Income from house property'.
- 2 Mr. R gifted his house property to his wife in 2012. Mrs. R has let out the house property at Rs. 8,000 p.m. The income from such property will be taxable in the hands of
 - (A) Mrs. R
 - (B) Mr. R. However, income will be first computed as Mrs. R's income and thereafter clubbed in the income of Mr. R.
 - (C) Mr. R as he will be treated as deemed owner of the house property and liable to tax.
 - (D) Exempted income.

3 Which of the following methods an assessee has to follow for recording his income under the head business or profession ?

(A) Cash system only
(B) Mercantile system only
(C) Either mercantile or cash system
(D) Hybrid system

4 What would be the criteria for allowing deduction u/s 35 for expenses incurred on scientific research related to assessee's own business ?

(A) As revenue expense
(B) As Capital Expenditure
(C) Both revenue and capital expenditure
(D) Both revenue and capital expenditure excepting expenditure incurred on acquisition of land.

5 Which of the following formula would give the correct amount of exemption u/s 54F in regard to sale of a capital asset other than a house property ?

(A) Amount invested in new house $\times \frac{\text{Total Capital Profit}}{\text{Net Consideration}}$
(B) Amount invested in new house $\times \frac{\text{Net Consideration}}{\text{Total Capital Profit}}$
(C) $\frac{\text{Net consideration} \times \text{Total Capital Profit}}{\text{Amount Invested in New House}}$
(D) Capital Gain – Amount invested in new house.

6 For claiming exemption u/s 54 EC, the amount to the extent of capital gain subject to maximum of Rs. 50 lakhs should be invested within 6 months from the date of transfer in

- (A) State Bank of India
- (B) Notified Securities
- (C) State Bank of India or Notified Securities
- (D) Bonds of MHAI or RECL.

7 Winning from lotteries, cross word puzzles etc. are casual income and hence

- (A) Fully Exempt
- (B) Exempt upto Rs. 5,000
- (C) Fully Taxable
- (D) Exempt upto Rs. 3,500

8 Loss from derivative trading in shares can be carried forward for

- (A) 8 years
- (B) 10 years
- (C) 4 years
- (D) 5 years

9 Share of profits which a partner receives from the firm shall be

- (A) Fully exempt
- (B) Taxable under the head business or profession
- (C) Included in the total income of partner for rate purposes
- (D) Fully taxable

10 The deduction of interest and remuneration subject to restriction u/s 40(b) shall be allowed to the firm if the partnership firm is

- (A) Evidenced by an instrument
- (B) By oral agreement
- (C) By oral agreement or evidenced by an instrument
- (D) By publishing in newspaper its intention to carry on business.

11 Tax on dividend is payable by

- (A) Any Indian company
- (B) A public limited company
- (C) A shareholder
- (D) A domestic company

12 The maximum exemption limit in case of a company assessee is

- (A) Rs. 2,50,000
- (B) Rs. 3,00,000
- (C) Rs. 50,000
- (D) Rs. Nil

13 An assessee can file an appeal to _____ within _____ of the service of order of income tax officer.

- (A) Tribunal, 60 days
- (B) Commissioner, 30 days
- (C) Tribunal, 30 days
- (D) Commissioner, 60 days

14 Which of the following is not an income-tax authority under the Income-tax Act ?

- (A) The CBDT
- (B) The Income-tax Appellate Tribunal
- (C) The Inspector of Income-tax
- (D) The Assessing Officer

15 For the previous year 2014-15, the rate of dividend distribution tax including surcharge and cess, for Indian company is _____.

- (A) 12.5%
- (B) 14.025%
- (C) 16.2225%
- (D) 28.325%

16 In whose case the provisions of minimum alternate tax are applicable ?

(A) Any Assessee
(B) Any Company Assessee
(C) A company or a firm
(D) An Indian company

17 The Gujarat Value Added Tax Act 2003, was incorporated from

(A) 1.4.2003 (B) 1.6.2003
(C) 1.8.2003 (D) 1.4.2003

18 The Central Sales Tax Act, 1956, came into effect from

(A) 1.7.1957 (B) 1.4.1956
(C) 1.7.1956 (D) 1.4.1957

19 Which of the following statements is correct ?

(A) Service tax is a charge on taxable service provided
(B) Service tax is a charge on taxable services to be provided
(C) Service tax is a charge on taxable services provided or to be provided.
(D) Service tax is a charge on any service provided or to be provided.

20 What is the prescribed period for filling of a service tax return ?

(A) Half yearly (B) Monthly
(C) Quarterly (D) Yearly

SECTION - II

1 Mr. B started business letting properties on rent for 10 commercial and residential purposes. For the previous year 2014-15 rent is Rs. 3,40,000 on accrual basis. Fair rent is Rs. 2,92,500.

Mr. B pays one third of municipal taxes, while the balance is paid by tenant. Total municipal tax is 12% of municipal valuation which comes to Rs. 35,360 are duly paid in the previous year. Other details of the property are as under :

- (1) Amount received from the tenant for providing different amenities are 36,000 which is included in actual rent of Rs. 3,40,000.
- (2) Unrealized rent was Rs. 3,500 for which no steps were being taken to recover it.
- (3) Interest on capital borrowed for the purpose of construction Rs. 24,000.
- (4) 3 flats of rental value of Rs. 1,500 p.m. and 6 flats of the rental value of Rs. 900 p.m. (inclusive of cost of amenities) remained vacant for 6 months and 7 months respectively during the p.y. 2014-15.

You are required to determine his taxable income from house property for the P.Y. 2014-15.

OR

1 The profit and loss account of Mr. A for the year 10
ended on 31.3.2015 is as follows :

	<i>Amount</i> <i>(Rs.)</i>		<i>Amount</i> <i>(Rs.)</i>
To Insurance	10,000	By Gross Profit	1,75,000
To Interest on loan	15,000	By Miscellaneous	
To Interest on capital	12,000	income	8,000
To Salary	30,000	By Interest on	
To Rent and Taxes	10,000	Govt. Securities	5,000
To Motor Car expenses			
(Total)	9,000		
To Legal Expenses	2,000		
To Travelling Expenses	50,000		
To Net Profit	50,000		
	1,88,000		1,88,000

Additional Information :

- (1) Rs. 2000 as life insurance included in the above amount of insurance.
- (2) The WDV of motor on 1.4.14 was Rs. 75,000. The prescribed rate of depreciation is 20%. Consider 1/3rd use of Motor is for personal purpose.
- (3) On 1.4.14, Rs. 35,000 was paid for advertisement. The benefit of such amount will be derived for 5 years.
- (4) On 1.1.15 a machinery of Rs. 3,44,000 was purchased, for which Rs. 6,000 was paid as travelling expenses which is included in the travelling expenses above. 20% depreciation is approved on machinery.
- (5) Rs. 4,889 as bad debts has been approved by the assessing officer for the P.Y. which is not recorded in the above P/L account.

Calculate taxable business profit for the P.Y. 2014.15.

2 Kum. S sold her following assets during the year ending **10**
on 31.3.2015 :

<i>Type of Assets</i>	<i>Date of Purchase</i>	<i>Purchase Price (Rs.)</i>	<i>Date of Sale</i>	<i>Sale Price (Rs.)</i>	<i>Transfer Expenses (Rs.)</i>
(1) Residential house (one)	10.7.77	2,00,000	10.6.14	42,57,500	33,750
(2) Shares of X Ltd.	1.8.06	1,03,800	1.10.14	2,47,000	1,800
(3) Shares of Y Ltd.	1.12.80	50,000	1.10.14	5,33,000	1,500
(4) Jewellery	1.10.84	2,50,000	21.9.14	21,39,000	3,000
(5) Debentures	10.7.80	2,00,000	2.2.15	2,42,000	2,000
(6) Motor car (Personal use)	15.10.06	3,10,000	12.12.14	2,75,000	-
(7) New Flat	30.12.14	10,00,000	-	-	-

Other Informations :

- (1) She had incurred Rs. 1,20,000 in the year 2004-05 for additional construction made.
- (2) The fair market value of assets as on 1.4.81 were as under
 - Residential house Rs. 3,50,000
 - Jewellery Rs. 4,00,000
 - Y Ltd. shares Rs. 40,000
- (3) Security Transaction Tax has been paid on shares of X Ltd.
- (4) No security Transaction Tax was paid on shares of Y Ltd.

(5) Relevant cost inflation index for different years were as follows :

1981-82 – 100;
1984-85 – 125;
2004-05 – 480;
2006-07 – 519
2014-15 – 1024.

(6) She has purchased new flat after the sale of old residential house.

Calculate her taxable capital gain for the A.Y. 2015-16.

OR

2 Investments of Mr. R as on 1.4.14 were as follows : **10**

(1) Rs. 60,000, 12% M.P. Government loan
(2) Rs. 20,000, 10% tax-free debentures of N Ltd. (TDS 20%)

On 31.7.14 M.P. Government Loan of Rs. 40,000 was sold and on the same date purchased at Rs. 102 additional 10% tax free debentures of N Ltd. for the face value of Rs. 40,000. For this purpose he had to borrow Rs. 40,000 from bank at 12% per annum interest.

(3) Rs. 2,700 as interest received on listed debentures (TDS 10%)
(4) Rs. 1,35,000 10% tax-free debentures of Ashok Ltd. (TDS 10%)
(5) Winning from lottery (net) Rs. 1,57,500 (TDS 30%)
(6) Rs. 64,000, 10% less tax debentures of Sanjay Ltd. (TDS 10%)
(7) Unexplained cash Rs. 80,000.

(8) Interest of Rs. 3,826 on fixed deposits with bank.
 (9) Rs. 6,174 as interest on 7% capital investment bond.

Interest on all above securities was paid on 30th June and 31st December.

Find out taxable income from other sources for the A.Y. 2015-16.

3 Profit and Loss Account of R.G. and Sons, a partnership firm is as follows : **10**

Dr.		Cr.	
<i>Particulars</i>	<i>Amount</i> (<i>Rs.</i>)	<i>Particulars</i>	<i>Amount</i> (<i>Rs.</i>)
To Establishment and Expenses	3,50,000	By Gross Profit	7,67,000
To Interest on capital to partners at 24%	60,000	By Rent from house property	90,000
To interest on loan to partners at 20%	24,000	By dividend from units	24,000
Interest on loan to Mrs. R at 15%	36,000		
Municipal Tax on let out house property	12,000		
Repairs of let out house property	6,000		
Donation to National Children Fund	12,000		
Remuneration to Partners	2,20,000		
Interest on Money borrowed for investment in Units	11,000		
Sales Tax	30,000		
Net Profit	1,20,000		
	8,81,000		8,81,000

Other Information :

- (1) Out of municipal taxes of Rs.12,000, Rs. 6,000 was payable on 31.3.2015 and the same was paid on 30.6.2015.
- (2) Sales tax includes a sum of Rs. 10,000 payable on 31.3.2015; Rs. 6,000 was paid on 30.7.2015 and Rs. 4,000 was paid on 30.11.2015 although the due date of payment under Sales-tax Act was 14.5.2015.

Calculate taxable income of the firm and each partner for the A.Y. 2015.16.

OR

**3 The profit and loss account of R Ltd. for the year ended 10
on 31.3.15 showed a net profit of Rs. 6,00,000 :**

- (1) Debit side of P/L A/c. included the following items :
 - (a) Rs. 60,000 as interest paid on money borrowed for extending company's factory premises. The expansion was however in progress.
 - (b) The depreciation provided in the books Rs. 80,000; however the amount computed under Income-tax Act is Rs. 1,80,000.
 - (c) Rs. 60,000 was paid to the company's lawyer for arguing appeals of the company before the Tribunals against levy of penalty for some earlier cases which appeals have been dismissed by the Tribunal.
 - (d) Rs. 5,000 for late payment of professional tax as penal interest.
 - (e) Rs. 15,000 being fine imposed by the municipality for violating their regulations.
 - (f) Reserve for bad debts Rs. 45,000.

(2) The credit side of P/L Account included the following :

(a) Dividend from foreign subsidiary Co. in Japan
Rs. 40,000

(b) Dividend from Unit Trust of India Rs. 60,000

(3) It is also observed that opening stock of Rs. 9,00,000 and closing stock of Rs. 10,80,000 are undervalued by 10% on cost.

Compute the total income of the company for the A.Y. 2015-16.

4 Attempt any two from the following : **10**

(1) Authorities for tax management
(2) Objectives of tax planning
(3) Tax planning by individuals
(4) Tax Avoidance and Tax Evasion.

5 Attempt any two from the following : **10**

(1) Tax credit
(2) Merits and demerits of Value Added Tax
(3) Meaning and characteristics of Central Sales Tax Act 1956
(4) Administration of Service Tax.
