

Business Taxation
2009 December
Commerce SYBCom
Semester 3
University Exam
Mangalore University

shaalaa.com

Reg. No.

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**BCMCMC 205****Third Semester B.Com. Examination, November/December 2009****(Credit Based Semester Scheme)****COMMERCE****Business Taxation – I****Elective Subject**

Time : 3 Hours

Max. Marks : 80

*Instruction : Support your answers with working notes.***SECTION – A****(4 marks each)****16****Answer any four :**

1. Define 'Previous year'. State the previous year rule and the exceptions of the same.
2. Explain the income-tax provisions relating to HRA and entertainment allowance.
3. Explain how an individual assessee becomes an ordinarily resident.
4. Saleem, an Indian citizen, went to Australia for higher studies on 15th June 2005. He returned to India on 25th November 2007 and joined an US concern. He worked in this company till 10th September 2008 when he got appointment in Indonesia and therefore left India. Find out his residential status for the previous years 2007-08 and 2008-09.
5. Abraham retired from service on 30th Nov. 2008 after serving for 26 years and had 12 months earned leave to his credit. His last drawn salary was Rs. 15,800 and DA at 20% of basic. The increment of Rs. 200 fell due on 1st July every year. He received Rs. 2,20,000 on leave encashment. Find out taxable leave encashment.

P.T.O.



6. Walter retired from service on 31 December 2008. Then his emoluments are :

Basic	:	Rs. 16,000 p.m.
DA	:	Rs. 4, 000 p.m.
CCA	:	Rs. 500 p.m.
HRA	:	Rs. 5,000 p.m.

Actual rent paid for the house at Poona was Rs. 6,000 p.m. He commuted $\frac{2}{3}$ of his pension and received Rs. 2,00,000.

Compute taxable HRA and taxable commuted pension.

SECTION – B
(8 marks each)

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Answer any four :

7. Write an explanatory note on Rent-free Accommodation Valuation as per rule 3 (1) u/s 17 (2).
8. Explain the provisions of Income Tax Act relating to Statutory Provident Fund and Recognised Provident Fund.
9. Explain the scope of Total Income of an individual assessee when he is OR, NOR and NR.
10. Bhargav Arora retired from service on 31 July 2008 after serving for 28 years, 6 months and 20 days. His basic on 1-1-2008 was Rs. 15,200 and the annual increment of 150 falls due on 1 May. He got DA at 40% of basic. He received Rs. 3,65,000 as gratuity. Earlier he had received Rs. 15,000 as gratuity which was then exempt. Compute taxable gratuity assuming that he is :
 - a) Covered under Payment of Gratuity Act
 - b) Not covered under P.G. Act.



11. Prateek furnishes the following particulars :

Basic : Rs. 20,400

DA : 30% of basic

CCA : Rs. 1,500 p.m.

Medical Allowance : Rs 500 p.m.

Bonus received : Rs. 25,000.

He was provided with rent-free furnished house owned by the Co., FRV of which was Rs. 40,000. Cost of furniture hired was Rs. 60,000 and the Co., paid Rs. 600 per month as hire charges. On 1 January 2009 he shifted his residence to his own house.

Compute the perquisite value of RFA. City population : 7 lakh.

12. From the following particulars. Compute deduction u/s 80C	Rs.
a) Contribution to URPF	16,400
b) PPF deposit (interest thereon 18,400)	20,000
c) Life insurance premium	14,500
d) LIC premium on stepson's life policy	18,500
e) LIC premium on sister's life policy (dependent)	23,240
f) ULIP of UTI premium	10,000
g) NSC VIII issue	25,000
h) Interest on NSC (accrued)	6,750



i) Int. on NSC matured	2,430
j) Repayment of housing loan (including interest Rs. 14,000)	36,000
k) Deposit in 2 years Postal Time Deposit	15,000
l) LIC premium on employed wife's life policy (paid by her out of her income)	13,000

SECTION – C
(16 marks each)

32

Answer any two :

13. Define and explain 'agricultural income'. Explain how it is partially integrated with non-agricultural income.
14. Compute the Total Income of Mr. Mahesh Thakur from the following particulars, if he is i) OR ii) NOR iii) NR
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|--|-----------|
| | Rs. |
| a) Salary received in India
(including Rs. 30,000 for services rendered in Nepal) | 1,80,000 |
| b) Agricultural income from land situated in U.K.
(50% is remitted to India) | 85,000 |
| c) Business income in Poona controlled from London
(25% received in U.K.) | 4,00,000 |
| d) Business income from Burma, controlled from Poona | 1,60,000 |
| e) Interest on deposits with companies in India
(Rs. 40,000 received in U.K.) | 80,000 |
| f) Dividend from foreign companies | 44,000 |
| g) Profit on sale of building in Poona, received in U.K. | 11,50,000 |
| h) Interest on deposit with London branch of SBI | 80,000 |



- i) Interest on Poona branch of Royal British Bank, UK 16,000
- j) Income from house property in Poona, received in U.K. 70,000
- k) Past untaxed profits brought to India in PY 35,000
- l) Gift from friend on the occasion of marriage 62,000
- m) Gift from friend in U.K. received there 42,000
- n) Gift from a business associate on the occasion of 30th birth day 28,000
- o) Gift from a friend in the form of car valued 3,60,000
- p) Interest on post office savings bank account in London, received there 36,000
15. Sridharan is working as sales executive in a company. He furnishes following particulars :
- Basic : Rs. 12,500 p.m.
- DA : 120% of basic
- Commission : 2% of sales turnover of Rs. 40 lakh
- Travelling allowance : Rs. 1,000 p.m. (He spends 70% of this purpose)
- Overtime allowance : Rs. 15,000
- Education allowance : Rs. 250 p.m for 2 children
- Conveyance allowance : Rs. 1,500 p.m.
- House Rent Allowance : Rs. 4,000 p.m.
(Actual rent paid for the house at Delhi is Rs. 5,000 p.m.)
- He contributes 10% of his salary to RPF to which his employer contributes 12½%. Interest credited to the PF a/c at 10% amounted to Rs. 16,500.



The company has provided furniture costing Rs. 48,000, has paid the electricity bills amounting to Rs. 8,400, appointed a servant to whom the company pays Rs. 1,000 p.m. He was admitted to a private hospital for treatment. The bill came to Rs. 22,000 and the Company paid Rs. 17,000.

The company paid his club bills amounting to Rs. 12,000, sent him to a refresher course paying a fee of Rs. 10,000 and gave interest-free loan of Rs. 15,000. SBI rate is 12.5%.

During the year he paid Rs. 1,200 as profession tax, Rs. 21,000 as insurance premium on LIC policy, deposited Rs. 30,000 in Home Loan Account with SBI, invested Rs. 25,000 in mutual fund of LIC-market plus and deposited Rs. 500 p.m. in bank R.D. for 5 years.

Compute the taxable salary and deduction u/s 80C.

16. Shreyas Gupta furnishes the following particulars of his income for the year 2008-09 :

Basic on 1st April 2008 : Rs. 17,500

Increment of Rs. 500 falls due on 1st September 2008.

DA : Rs. 2,500 p.m. 50% of which is considered for P.F.

Commission : Rs. 20,000

Bonus : 1 month salary.

C.C.A. : Rs. 250 p.m.

Deputation Allowance : Rs. 600 p.m.

Conveyance Allowance : Rs. 800 p.m.

(He spends 60% for official purpose)

Daily Allowance : Rs. 6,500

(He has spent Rs. 5,000 on his transfer)

He contributes 10% of his salary to URPF to which the company contributed equally.



The fund was recognised on 1st January 2009. Then the accumulated balance stood at Rs. 1,35,000 including interest amounting to Rs. 25,000. The company has provided him a house at a concessional rent of Rs. 500 p.m. where as it pays a rent of Rs. 4,000 p.m. Cost of furniture provided (including laptop Rs. 30,000) amount to Rs. 70,000. City population is 14 lakh.

During the year the company has provided the following facilities :

- a) Payment of food bills Rs. 3,600 p.a.
- b) Payment of electricity and water bills Rs. 1,000 p.m.
- c) Payment of watchman's salary Rs. 750 p.m.
- d) Vehicle loan Rs. 2,00,000 at 6% p.a. (SBI. rate 10.25% ; principal is not paid)
- e) Free education to his child. Cost of education is Rs. 1,350 p.m.
- f) Treatment in Govt. hospital, the expenses met by the Co. amounted to Rs. 20,000.

During the year he paid Rs. 16,000 towards LIC premium, Rs. 12,500 towards LIC premium of his employed wife's life, Rs. 30,000 in PPF, account and deposited Rs. 15,000 in 5 years SBI bank FD (Tax savings).

Compute taxable salary and deduction u/s 80C.