

Business Taxation
2008 November
Commerce SYBCom
Semester 3
University Exam
Mangalore University

shaalaa.com

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Credit Based Third Semester B.Com. Degree Examination

October / November 2008

COMMERCE

Business Taxation -I (Elective)

Time : 3 Hours

Max.Marks: 80

Note: Provide working notes wherever necessary

SECTION - A

Answer any **FOUR** questions:

4x4=16

1. Explain the term 'assessee' and 'Assessment year'.
2. Explain public provident fund.
3. Explain the provisions with regard to retrenchment compensation and compensation received at the time of voluntary retirement.
4. Mr. Hitler an American came to India on 20th Dec. 2004. He was in India till January 2006 when he went to Canada. He came to India taking up an employment in a British company on 20th May 2006. He was sent to Japan for 6 month's training on 1st November 2006. He was transferred to Singapore branch on 20th August 2007. Find out his residential status for the assessment years 2007-08 and 2008-09.
5. Mr. Dinakar retired on 30th Sept. 2007 and received Rs. 98,400 as earned leave encashed. He had to his credit 9 months approved earned leave. His last drawn basic was Rs. 7000 and D.A. (Fixed) Rs. 2000/-. Annual increment of Rs. 500/- falls due on 1st July every year. D.A. was considered for retirement benefits. Compute taxable portion of earned leave encashed.
6. Mr. Ganesh of Chennai is employed as a manager of a private company. The particulars of his salary for the previous year 2007-08 are as under
 - i) Basic salary Rs. 10,000 p.m.
 - ii) D.A. Rs. 6000 p.m. (50% for retirement benefit)
 - iii) Conveyance allowance Rs. 1,000 p.m.
 - iv) Commission 1% on an turnover of Rs. 10,00,000/-
 - v) H.R.A Rs. 3000 p.m.
 - vi. C.C.A. Rs. 500 p.m.
 Computer taxable H.R.A assuming the actual rent paid by him id Rs. 2500 p.m. and he received one month's advance salary in the previous year.

SECTION - B

Answer any **FOUR** questions:

4x8=32

7. Explain the rules governing residential status of an individual and company assesses.
8. Explain tax-free perquisites.
9. Given an account of agricultural income.
10. Mr.Dinesh retired from service on 31st Jan. 2008 after serving for 27 years and 8 months. He received a gratuity of Rs. 3,25,000/- His basic salary as on 01-01-2007

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was Rs. 13,500/- and the increment of Rs. 700/- fell due on 1st Oct. His D.A was fixed at Rs. 3,000 p.m., 50% of which enters into retirement benefits.

He commuted 3/4 of his pension and received Rs. 2,00,000/-

Compute taxable gratuity and taxable commuted pension assuming he is not covered under payment of Gratuity act.

11. From the following particulars compute deduction u/s 80c.

- i. Repayment of housing loan from SBI, principal Rs. 35000/- and interest Rs. 65000.
- ii. F.D in Canara Bank for 5 years Rs. 25000 and interest received Rs 2000/-
- iii. LIC premium on own life Rs. 7000/- (policy amount Rs. 25000)
- iv. LIC premium on wife's life Rs. 3000/-
- v. Contribution to RPF Rs. 5000/-
- vi. Contribution to ULIP Rs. 20000/-
- vii. Subscription to notified mutual funds Rs. 20,000/-
- viii. Amount spent for his children for education-
 - a. Anil Rs. 20,000/-
 - b. Ashok Rs. 25,000 (out of which Rs 10,000 for donation)
 - c. Amar Rs. 20,000/-

12. From the following particulars compute the taxable value of accommodation.

- i. Basic salary Rs. 2,48,000 P.A.
- ii. Bonus Rs. 12,000
- iii. Commission Rs. 10,000/-
- iv. Furnished accommodation provided to the employee for which actual rent paid by the company Rs. 78,000 P.A.
- v. Rent recovered from the employee Rs. 20,000 P.A.
- vi. Medical allowance Rs. 2,000 p.m.
- vii. Furniture at cost Rs. 50,000/- for which company pays Rs. 1000/- p.m. as rent.

SECTION- C

Answer any **TWO** questions:

2x16=32

13. Define the term income. Bring out its characteristics.
14. Following are the incomes of Sri Krishna for the previous year 2007-08.
 - i) Profit from business in Iraq Rs. 1,00,000 (1/2 received in India)
 - ii) Income from house - property in Srilanka received in India Rs. 1,00,000

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- iii) Income from house-property in Japan deposited in a bank there Rs. 50,000
 - iv) Profits of business established in Iran, but remitted to India Rs. 2,00,000/- (Business is controlled from India).
 - v. Income from cotton business in Bangalore, which is received in Australia Rs. 50,000
 - vi. Profit earned from business in Kanpur Rs. 60,000
 - vii. Income from agriculture in Germany Rs. 1,00,000 (all spent there for education)
 - viii. Royalty received by him in U.S.A from the Govt. of India Rs. 90,000
 - ix. Income from salary received from a company at Delhi Rs. 1,20,000
 - x. Past un taxes foreign income brought into India during the previous year Rs. 40,000/-
 - xi. Income from agriculture in Hubli Rs. 15,000/-
 - xii. Gift from a friend in U.S.A received in India in foreign currency Rs. 1,00,000.
- Computer total income if he is ordinarily resident, Not ordinarily Resident and Non Resident.

15. Mr. Rajesh furnished the following details of his salary for the previous year 2007-08.

- * Basic pay Rs. 15000 P.M.
- * D.A. Rs. 6500 P.M. (40% enters into retirement benefits)
- * Entertainment allowance Rs. 300 P.M.
- * Helper allowance Rs 400 P.M., salary paid to helper Rs 300 P.M.
- * Employer's and his contribution to R.P.F Rs. 3000 P.M.
- * Interest credited on the accumulated balance of the fund at 13.5% P.A. Rs.5200/-
- * City compensatory allowance Rs. 200 P.M.
- * Medical allowance Rs. 150 P.M.
- * He is also provided with furnished accommodation for this company charges Rs 200 P.M. The house is owned by the employer. Cost of furniture provided amounts to Rs. 22,000/-
- * His club-bills and telephone bills of his residence amounting to Rs. 600 and Rs. 6500 respectively are paid by the company.
- * He received education allowance of Rs 4950 for 2 children.
- * He received hostel allowance of Rs. 400 P.M.(one child stays in a hostel).
- * He was provided free- lunch during working hours by the employer for 300 days. Average cost per lunch is Rs. 60.

His payments were

Professional tax	Rs. 2640
Income tax	Rs. 2000
Invested in PPF	Rs. 10,000
Equity linked saving scheme of ICICI	Rs. 30,000

Compute taxable salary and deduction v/s 80 C. (city population is 26 lakh)

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16. Prof. Shashank is principal of a college at Kolkata in the grade of Rs.1500-200-18500 since 1st January 2004. From the following particulars compute his taxable salary and deduction u/s 80c.

D.A. Rs. 2000 P.M. (25% of this enters into retirement benefit).

Dearness pay Rs. 400 P.M. which also enters into retirement benefits.

Education allowance Rs. 350 P.M. (His 3 children are studying in college)

Hostel allowance Rs. 400 P.M. (His son stays in college hostel)

Medical allowance Rs. 250 P.M. (Actual medical expenses incurred during the year is Rs 1800)

He has appointed a domestic servant and a sweeper at his residence whose salary Rs. 350 P.M. and Rs. 500P.M. respectively is paid by the college. Telephone bills of Rs. 6000 P.A. for the telephone facility at his residence is paid by the college. Academic allowance Rs. 300 P.M. is also given to him.

House rent allowance Rs. 2500 P.M. (He pays Rs. 3000 P.M. rent for his house)

During the year the employer paid Rs. 6000 premium on his personal life insurance policy and Rs. 12000 income tax on his behalf.

Entertainment allowance Rs 600 P.M. He contributes 12.5% of his salary to RPF to which the employer also contributes an equal amount. Interest credited to his RPF a/c was Rs. 22,000/- during the year at 11%

During the year he paid Rs. 4000 employment tax, repaid Rs 25000/- towards housing loan principal amount and spent Rs. 10,000/- on purchase of books and journals. Assume salary for each month falls due on the first of the next month.

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