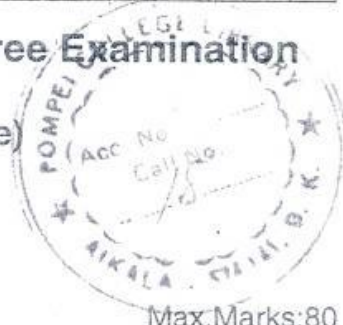


Business Taxation
2007 November
Commerce SYBCom
Semester 3
University Exam
Mangalore University

shaalaa.com

Credit Based Third Semester B.Com. Degree Examination
October / November 2007
(Credit Based Semester Scheme)

COMMERCE
BUSINESS TAXATION - I



Time : 3 Hours

Max.Marks:80

Note : Provide working notes wherever necessary.

SECTION-A (4x4=16)

Answer any **FOUR** from this section:

1. Define and explain the term 'previous year'. Mention the rule of previous year and bringout the exceptions to the rule.
2. Write an explanatory note on 'assessee' and 'person'.
3. Explain 'tax-free perquisites'.
4. Simon, an American, came to India on 20th December, 2002. He was in India till 10th January 2005 when he went back to U.S.A. He came to India taking up an employment in a French concern on 16th April 2005. He was sent for 6 months training to U.S.A. on 1 October, 2005.
He was transferred to London branch on 10th July 2006.
Find out his residential status for the previous years 2005-06 and 2006-07.
5. Rakesh retired on 31 October 2006 after serving for 30 years, 7 months and received a gratuity of Rs.3,60,000. His last drawn basic was Rs.20,600 and D.A. at 30% of basic (40% of DA is considered for PF). The increment of Rs.250 falls due on 1st August every year. Earlier he had received a gratuity of Rs.20,000 which was then exempt.
Rakesh is covered under Payment of Gratuity Act 1972. Find out taxable gratuity.
6. Sumanth furnishes following particulars:

Basic	:	Rs.12,500 p.m.
DA	:	50% of basic (70% enters P.F.)
Bonus	:	Rs.12,500
HRA	:	Rs.2,800 p.m.

Actual rent paid for the house in Delhi. Rs.3,000 p.m. till December 31, 2006 and Rs.3,500 p.m. thereafter.
 Compute taxable HRA for the previous year 2006-07.

Contd... 2

SECTION B (4x8=32)

Answer any **FOUR** questions.

7. Define the term 'Income' bring out its characteristics.
8. Write an explanatory note on Statutory Provident Fund and Recognised Provident Fund.
9. Explain the rules governing residential status of individual and HUF assesseees.

10. Sanath retired from service on 31 December 2006 after serving for 30 years and 8 months. He had 9 months' earned leave to his credit which he encashed and received Rs.30,000. His basic as on 1-1-2006 was Rs.14,500 and the increment of Rs.500 fell due on 1st October. DA was fixed at Rs.8,000. 50% of which is considered for retirement benefits. He received commission at 1% of turnover of Rs.30 lakh for 10 months. He commuted 2/3 of his pension and received Rs.80,000.

Compute taxable leave encashment and taxable commuted pension (assume no gratuity is received).

11. Saleem furnishes the following particulars:

Basic	: Rs.18,500 p.m.
DA	: 40% of basic (30% enters PF)
Bonus	: 2 months' basic
Commission	: Rs.25,000
Entertainment Allowance	: Rs.250 p.m.

Company provided him a rent free house the FRV of which is Rs.60,000. Cost of furniture is Rs.50,000 (WDV is Rs.35,000). City population is 14 lakh.

He was a member of URPF to which he contributed 12% and the company 13%. The PF was recognised on 10 December 2006 and the transferred balance was Rs.1,40,000 including 30,000 interest.

Find out the perquisite value of RFA and taxable PF contribution by the employer.

12. From the following particulars compute deduction u/s 80C :

	Rs.
a) Contribution to RPF (Employer's contribution Rs.22,000)	18,600
b) PPF deposit (Interest on PPF Rs.2,650)	12,000
c) LIC premium paid (own life)	21,400
d) LIC on employed son's life	15,200
e) LIC on mother's life	3,000
f) NSC purchased	13,000
g) Interest accrued on NSC	2,570
h) Interest received on NSC	4,160
i) Tuition fee paid for children	16,350
j) Donation to school where his children study	5,000
k) Repayment of housing loan (including interest Rs.17,000)	30,000
l) Deposit in SBI for 1 year	10,000

Contd... 3

SECTION C (16X2=32)

Answer any TWO questions.

13. Define and explain agricultural income. Explain the present position with an example.
14. Compute the Total Income of Mr. Ravi Kapoor, an Indian Citizen, from the following particulars, if he is (a) Ordinarily Resident (b) NOR (c) NR for the Assessment Year 2007-08:

	Rs.
a) Salary received in U.K. for services rendered in India	1,10,000
b) Salary in U.K. for services rendered in U.K.	4,12,000
c) Agricultural income in UK (50% is remitted to India)	1,00,000
d) Profit from purchase and sale of standing crop in India (through an agent)	20,000
e) Business Income in UK, controlled from India ($\frac{1}{3}$ received in India)	1,20,000
f) Business Income in Chennai, controlled from Hongkong (1/3 received in Hongkong)	1,05,000
g) Dividend received from British Companies in U.K.	80,000
h) Income from house property in London	35,000
i) Interest on deposits with SBI London branch	30,000
j) Interest on deposit with Bombay branch of Foreign Bank (25% remitted to London)	65,000
k) Past untaxed profits brought to India in the previous year	20,000
l) Gift from a friend in U.K. received in India.	54,000

15. Ravindran furnishes the following particulars for the assessment year 2007-08:

Basic	: Rs.16,800 p.m.
DA	: Rs.4,000 p.m. (30% enters PF)
Dearness Pay	: Rs.2,000 p.m. (30% enters PF)
Conveyance Allowance	: Rs. 600 p.m. (50% spent for official purposes)
Deputation Allowance	: Rs.300 p.m.
Servant Allowance	: Rs.500 p.m.
Education Allowance	: Rs.200 p.m. for one child.

He is provided a rent free house the FRV of which is Rs.30,000 p.a. Cost of furniture supplied is Rs.80,000 which includes a Laptop costing Rs.38,000. His wife was treated in a private hospital. The expenses came to Rs.20,000 and the company reimbursed Rs.16,000.

He contributed 12½% of salary to PPF to which the company contributes equally. Interest credited during the year amounted to Rs.12,750 at 10% p.a. He took a vehicle loan of Rs.3,00,000 at 7% and paid Rs.14,000 as interest (SBI rate 8.5%).

Company gave him gift coupons and he purchased articles worth Rs.10,000 out of the coupons. The co. paid the health insurance premium of Rs.2,000 and paid the club bills of Rs.4,000.

Contd... 4

During the year he paid Rs.1,800 as profession tax, 14,500 as LIC premium, repaid housing loan Rs.34,000 (including interest of Rs.14,000), deposited Rs.25,000 in PPF and invested Rs.30,000 in Equity Linked Savings Scheme of ICICI.

Compute taxable salary and deduction u/s 80C. (City Population:12 lakh)

16. Mrs. Suman furnishes the following particulars:

Basic	: Rs.13,500 p.m.
D.A.	: 100% of basic (50% enters PF)
Dearness Pay	: Rs.700 p.m. (50% enters PF)
Tour Allowance	: Rs.1,000 p.m. (80% is spent for official purposes)
CCA	: Rs.200 p.m.
Conveyance Allowance	: Rs.1,200 p.m.

She took 2 months salary (Basic + DA) as advance in February 2007 for meeting education expenses of her son.

She contributed 12% of her salary to RPF to which the company contributed 13%. Interest credited to PF a/c at 11% amounted to Rs.33,000.

The company gave her a rent free house, it paying a rent of Rs.3,000 per month. Cost of furniture supplied is Rs.40,000. The company sold her a car for Rs.30,000 and the WDV of the same was Rs.50,000.

Her brother's daughter is getting free education in the school run by the company and the expenses amount to Rs.1,250 p.m.

Her husband was treated in a private hospital. Expenses came to Rs.20,000 and the company met the bill to the extent of Rs.17,000.

During the year she made the following payment and investments:

	Rs.
LIC (own life)	14,500
LIC (husband's life)	20,400
PPF deposit	10,000
Post Office SB deposit	18,450
NSC purchased	16,000
Housing loan repaid	
(includes interest Rs.10,000)	25,000
Professional tax paid	1,800
Health insurance premium paid	2,000

In February, 2007 she received a gift of a wristwatch costing Rs.5,500 from the company. It also paid her life insurance premium of Rs.3,500 on a policy of Rs.50,000.

Compute taxable salary and deduction u/s 80C.
