

K. J. SOMAIYA INSTITUTE OF MANAGEMENT STUDIES AND RESEARCH,
Vidyavihar, Mumbai- 400077

Program: PGDM-FS (Batch2016-18), Trim-VI
Subject: Taxation
(End Term Examination)

Maximum Marks: 50
Duration: 3 hours

Date: 3rd April, 2018

Instructions

1. Question 1 is compulsory, carrying 10 marks.
2. Attempt any 4 questions from the remaining, each carrying 10 marks

Q1. Mr. Arun,(61 years) who served PSR Ltd. for 25 years 10 months retired from service on 31st Dec 2017. The following were the details of his salary for the Previous Year 2017-18.

- a)Basic salary Rs 65,000 per month
- b)DA-Rs 15,000 per month (100% enters into pay for all retirement benefits)
- c)HRA-Rs30,000 per month(Rent paid is Rs 42,000 a month at Bangalore)
- d)Transport Allowance is Rs 4,000 a month
- e)Car of 2000cc with driver is provided
- f)The company reimbursed Rs20,000 worth of medical bills to Mr. Arun
- g)On the date of retirement, he received a gratuity of Rs 9,00,000 (covered by the Payment of Gatuity Act)
- h)He was also entitled to a pension of Rs 10,000 per month.

He contributed 12% of his salary to RPF while in service. Mr Arun also paid medical insurance premium on own life, amounting to Rs Rs 24,000.

He also earned interest from Fixed Deposits amounting to Rs 55,000.

Compute Taxable Income for AY 2018-19.

Q2. Mr. Sairam , a trader, furnishes the following information:

Profit & Loss A/c for the year ending 31st March, 2017

Particulars	Rs	Particulars	Rs
To General expenses	4,80,000	By Gross Profit	22,00,000
To salary to staff	2,40,000	By Commission	40,000
To Salary to Sairam	1,20,000	By bad debts recovered(earlier allowed)	60,000
To interest on capital	60,000	By Interest on listed debentures	1,00,000
To interest on overdraft	40,000		
To extension of building	1,50,000		

To Interest on loan	40,000		
To Depreciation	1,20,000		
To Travelling expenses	80,000		
To Audit fees	72,000		
To Fire insurance	78,000		
To bonus to staff	1,00,000		
To contribution to RPF	1,22,000		
To advertisement	2,00,000		
To Reserve for Bad Debts	60,000		
To bad debts w/o	90,000		
To Net Profit	3.48,000		
	24,00,000		24,00,000

Other information:

- Depreciation allowable as per IT Rules Rs 1,40,000
 - Income accrued amounting to Rs 60,000 during the previous year not entered in P&L A/c
 - Advertisement includes Rs 50,000 being the cost of permanent sign board
 - Provide depreciation on signboard @ 10%
- Compute Income from Business for the AY 2017-18.

Q3. From the following details, calculate the Taxable Income of Mr Arjun for the AY2017-18:

Particulars	House	
	1	House 2
Municipal Value	200,000	300,000
Fair Rental Value	156,000	350,000
Standard Rent	150,000	N.A.
Actual Rent	17,500(p.m.)	30,000(p.m.)
Period of vacancy(in months)	1	2

House 1 was mortgaged for Rs.10,00,000 on 1st April 2012 at 12 % interest for repair and reconstruction.15% of Municipal value is to be calculated for Municipal tax for both the houses. Municipal tax for House 1 is paid and for House2 it is due.

Mr Arjun earned Rs 12,00,000 as Income from Salary.

He also earned Rs 34,000 as Interest from Govt. securities and Rs 20,000 dividend from Indian companies. He also took an education loan on which he paid Rs 25,000 as interest. He invested Rs 1,00,000 in PPF for the year.

Q4. Ms. Meena acquires a house property on 30th April,1998 for Rs 8,70,000. The fair market value of the property on April 1, 2001 is Rs. 9,00,000. Expenditure on construction of the second floor during 2006-07 is Rs 3,97,183. The property is sold for Rs 1,25,00,000 on 31ST October,2017 . The expenses on transfer amounted to Rs. 1,00,000. Meena invests in a new house costing Rs 40,00,000.

The CII for the year 2017-18 is 272 and for the year 2006-07 it is 122.

Compute the capital gains chargeable to tax for the AY 2018-19.

Q5. A) Following are the taxable incomes of Ms Rekha for the AY 2018-19

1. Profit of a hotel business at Singapore-Rs 9,00,000
2. Dividend declared in Sydney but received in India-Rs 50,000
3. Income from transfer of a long term Capital asset situated in india - Rs 60,000
4. Interest on debentures of a company in London , which was received in India -Rs 1,80,000
5. Cash gifts received in India from a relative in USA – Rs 1,00,000
6. Income earned from a business in Nepal, controlled from India- Rs 5,00,000

Compute Ms Rekha's Total Income for the AY 2018-19 if she is

(i)ROR, (II) RNOR, (III) NRI

B) Mr. Bill, a British citizen, came to India for the first time on 1.4.2011. He stayed here continuously for 3 years and went to France on 1.4.2014. He however returned to India on 1.7.2015 and went to Poland on 1.12.2015. He again came back to India on 25.01.2017 on a service in India. What is his residential status for the AY 2018-19.

Q6. Mr. Dilip is a manager in A Ltd in Pune. He gets Rs 50,000 pm as salary and Rs 10,000 pm as DA (not considered for calculation of retirement benefits).He also receives the following allowances:

Transport Allowance – Rs 1,000 pm (for commuting between office and residence)

Travelling Allowance-Rs 3,000 pm-75% is used for official purposes

Research Allowance –Rs 2,000pm

Helper Allowance-Rs 9,000 pm

HRA –Rs 17,000 pm received for the entire year (till May 2017, he resides in a rented house for which rent is Rs. 5,500 pm)

On May 1st,2017, he takes an interest free housing loan of RS 55,00,000 from the company. SBI lending rate for this purpose is 8.75%.

Find out the net income for the AY 2018-19, assuming that he repays Rs 5,00,000 of the principal amount on 31st March, 2018.