

Name :

Roll No. :

Invigilator's Signature :

CS/MBA (NEW)/SEM-(3 FT & 5 PT)/FM-301/2010-11

2010-11

CORPORATE TAXATION AND TAX PLANNING

Time Allotted : 3 Hours

Full Marks : 70

The figures in the margin indicate full marks.

Candidates are required to give their answers in their own words as far as practicable.

GROUP – A

(Multiple Choice Type Questions)

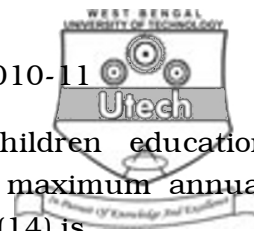
1. Choose the correct alternatives for any *ten* of the following : 10 × 1 = 10

i) TDS stands for

- a) Tax Deduction for Sale
- b) Tax Deduct at Source
- c) Tariff Discount Scheme
- d) Tax Discount Scheme.

ii) For an employee in receipt of hostel expenditure allowance for his three children, the maximum annual allowance exempted under Section 10(14) is

- a) Rs. 10,800
- b) Rs. 7,200
- c) Rs. 9,600
- d) Rs. 3,600.



- iii) For an employee in receipt of children education allowance for his four children the maximum annual allowance exempted under section 10(14) is
- a) Rs. 1,200
 - b) Rs. 2,400
 - c) Rs. 4,800
 - d) Rs. 3,600.
- iv) An individual gets exemption on receipt of entertainment allowance if he is
- a) a Central Government employee
 - b) a State Government employee
 - c) both Central and State government employee
 - d) non-government employee.
- v) Agricultural income is
- a) fully exempted income
 - b) included with non-agricultural income to apply higher rate of tax on non-agricultural income, provided agricultural income is Rs. 5,000
 - c) included with non-agricultural income to apply higher rate of tax on non-agricultural income, provided agricultural income exceeds Rs. 5,000
 - d) taxable as ordinary income.
- vi) Voluntary retirement compensation received from the employer being an individual, firm, HUF, AOP is
- a) fully exempted from income tax
 - b) exempted up to Rs. 5,00,000
 - c) exempted to an amount equivalent to 3 months salary for each completed year of service
 - d) fully taxable in the hands of employee.



- vii) Taxable value of perquisite being sweat shares allotted by the employee is
- a) the fair market value of such shares as on the date when such option is exercised by the employee as reduced by the amount paid
 - b) the fair market value of shares as on the date when such option is vested to the employee as reduced by the amount paid
 - c) fair market value subject to standard deduction of Rs. 50,000
 - d) taxable in hands of employer.
- viii) Capital gain on compulsory acquisition of a capital asset the indexation benefit will be available
- a) till the year when full consideration is received
 - b) till the year when compensation or consideration (or part thereof) is first received
 - c) till the year of compulsory acquisition
 - d) none of these.
- ix) Rounding-off of Income Tax is provided in the Income Tax Act in
- a) U/S 174
 - b) U/S 14A
 - c) U/S 288A
 - d) U/S 184.
- x) Form 'C' is applicable in case of
- a) local sales
 - b) central sales
 - c) export sales
 - d) none of these.



xi) Special provision in respect of newly established undertakings in free trade zone is made in the Income Tax Act in

- a) U/S 10AA
- b) U/S 10A
- c) U/S 10B
- d) U/S 10C.

xii) 'MAT' stands for

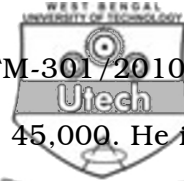
- a) Minimum Advance Tax
- b) Maximum Advance Tax
- c) Maximum Alternative Tax
- d) Minimum Alternative Tax.

GROUP – B

(Short Answer Type Questions)

Answer any *three* of the following. $3 \times 5 = 15$

2. Mr. X, an Indian citizen, left India on 25. 04. 06 and came back on 01. 07. 09. From 25. 04. 06 to 31. 03. 09, every year he visited India but stayed only 89 days in each of the financial years 2006-07 & 2007-08 and stayed for 149 days during 2008-09 financial year. During 1.4.09 to 30. 06. 09, he did not visit India. On 01. 07. 09, he came to India and started living permanently. Discuss the residential status of X for the assessment year 2010-11.

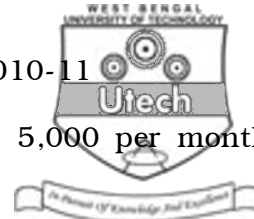


3. Mr. Gupta retired and received gratuity of Rs. 45,000. He is a non-government employee and is covered by Payment of Gratuity Act. He was getting wages @ Rs. 5 per unit. Before retirement, his last three months accumulated salary was Rs. 3,750. Calculate taxable gratuity if he left after 40 years of service.

4. Miss M has been working with X Ltd. for last 20 years and 11 months. Before that, she was employed in Y Ltd. wherefrom, she received leave encashment Rs. 40,000 (fully claimed as seduction). On 31. 07. 09, she has taken voluntary retirement from X Ltd. and received leave encashment Rs. 3,00,000. At the time of retirement, her monthly salary detail was as under :

Basic salary Rs. 5,000 D.A. Rs. 2,000, Commission as a % on turnover Rs. 2,000 p.m. (Turnover accrued evenly throughout the year). Her last increment was Rs. 1,000 in basic salary fell due on 1. 1. 09. X Ltd. allows 20 days leave to its employees for each completed year of service. During continuation of service she availed 160 days leave. Find her taxable leave salary.

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5. Mr. John is entitled for a pension of Rs. 5,000 per month with effect from 1. 07. 09. He commuted 80% of his pension and received Rs. 2,00,000 as on 1. 11. 09. He also received gratuity Rs. 5,00,000 but he is not covered by the Payment of Gratuity Act. Find his taxable pension.

6. Shekhar furnishes the following information for the previous year 2009-10 :

	Building	Shares
Date of acquisition	3. 5. 94	21. 7. 99
Date of sale	21. 8. 09	2. 9. 09
Cost of acquisition (Rs.)	3,50,000	10,000
Sale proceeds (Rs.)	6,25,000	12,000

Index for the year, 1994-95 : 259, 1999-2000 : 389 and 2009-10 : 632. Compute taxable income from capital gains for the assessment year 2010-11.

**GROUP – C****(Long Answer Type Questions)**Answer any *three* of the following. $3 \times 15 = 45$

7. Mr. X is a cost accountant in ABC Ltd., Mumbai and gets Rs. 24,000 per month as salary. He owns two houses, one of which is let out to the employer-company which in turn provided the same to X as rent free accommodation. Determine the net income of Mr. X for the assessment year 2010-11 taking into account the following information relating property income :

Particulars	House-I (Rs.)	House-II (Rs.)
Fair rent	60,000	1,82,000
Annual rent	63,000	1,84,000
Municipal valuation	61,000	1,85,000
Standard rent	NA	NA
Municipal tax paid	14,000	40,000
Repairs	3,500	7,700
Insurance	3,000	33,000
Land revenue	7,500	24,000
Ground rent	4,000	7,800
Interest on capital borrowing by mortgaging House-I (fund are used for construction of House-II)	18,000	—
Unrealized rent of previous year 2002-03	—	1,60,000
Unrealized rent of 2009-10	—	55,000
Nature of occupation	Let out to ABC Ltd.	Let out to Y for business
Date of completion of construction	March, 1999	April, 2001



8. Mr. Z (51 years) was in the service of A Ltd. since 1980. He died on 31st January, 2010. The following information regarding Mr. Z's income is available :

Basic salary Rs 40,000 per month, DA Rs. 12,000 per month (40% of which is calculated for the purpose of determining retirement benefit), transport allowance : Rs. 6,800 per month (out of which Rs. 600 is used for the journey between office and residence and the remaining amount was not spent) and entertainment allowance : Rs. 2,000 per month. He contributed 15% of basic salary toward RPF and A Ltd. also made a matching contribution. Interest is credited at the rate of 9.5%. After the death of Mr. Z, his legal heir (i.e. Mrs. Z) gets the following payments from A Ltd. :

- a) Salary for the month of January, 2010
- b) Family pension : Rs. 2,000 per month
- c) Enhancement of leave standing to the credit of Mr. Z on 31. 01. 2010 : Rs. 2,40,000 (as per service rule Mr. Z is entitled for 45 days leave for each year of service).
- d) Provident fund balance : Rs. 3,90,000
- e) Gratuity : Rs. 2,60,000 (Mr. Z was not covered by Payment of Gratuity Act, 1972, nor is there any agreement with the employer to receive the gratuity).

Mr. Z was a doctor. He used to run a small clinic near his residence which was discontinued after the death of Mr. Z. His income from the clinic for the period 01. 04. 2009 — 31. 01. 2010 was Rs. 79,000



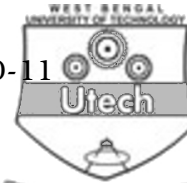
After the discontinuation of the clinic, Mrs. Z covers some of the outstanding bill issued by Mr. Z (amount recovered during 01. 02. 2010 — 31. 03. 2010 : Rs. 1,76,000) Mrs. Z does not have any other income.

On March 30, 2010, Mrs. Z withdrew Rs. 5,40,000 being the balance in account of Mr. Z in NSC, 1987. Assuming that salary, allowances and pension become “due” on the last day of the month, find out

- i) who will be chargeable to tax in respect of the aforesaid receipts.
 - ii) net income and tax liability for the assessment year 2010-11.
9. The profit and loss account and other relevant information in relation to the business of Shri Sanjib Dhara are given below. Compute his total income for the relevant assessment year :

Profit & Loss Account for the year ended 31. 3. 2010

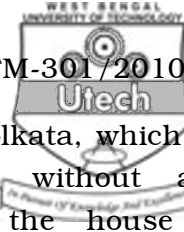
Particulars	Rs.	Particulars	Rs.
To Business expenses	48,000	By Gross profit	1,50,000
" Interest on bank loan	5,000	" Unit Trust of India dividend	10,000
" Repair to furniture	3,000		
" Purchase of furniture	5,000		
" Bad debts	1,400		
" Provision for bad debts	3,200		
" Fire insurance premium	800		
" Life insurance premium	3,600		
" Income tax	3,500		
" Donation to approved institution [u/s 80G(5)]	8,000		
" Donation to P.M. National Relief Fund	6,000		
" Fines	5,000		
" Interest on capital	9,000		
" Depreciation	3,000		
" Net profit	55,500		
	1,60,000		1,60,000



Other Information :

- a) Life insurance premium relates to Shri Dhara's own life (policy value Rs 35,000).
 - b) Depreciation as per I.T. Rules works out Rs. 2,500.
 - c) 60% of the bad debts is allowable.
 - d) In arriving at gross profit, the opening and the closing stocks have been valued at Rs. 72,000 and Rs. 90,000 respectively both at 10% below cost.
 - e) Business expenses include wages of his domestic servant @ Rs. 350 per month.
 - f) During the year, Shri Dhara took away goods for his personal use costing Rs. 6,000 by crediting the Sales Account with Rs. 7,500, although the market price of the goods was Rs. 8,000 at that time.
10. Mr. Mehra is the owner of three houses. From the following particulars of the houses, compute his income from house property for the Assessment year 2010-11 :

First House : The house is situated in Delhi. It was let out with effect from 1. 4. 2008 for Rs. 20,000 p.m. which was vacated by tenant on 31. 3. 10, remained vacant for 2 months. Municipal valuation of the house is Rs. 1,80,000. Municipal taxes @ 20% of municipal value has been paid by him. The fair rent and standard rent of the house are Rs. 2,20,000 and Rs. 2,00,000 respectively. Interest paid by him on money borrowed for the purchase of house property was Rs. 60,000. Construction of the house completed on 31. 12. 03. In the previous year 2009-10, Rs. 15,000 has been recovered for unrealized rent, relating to the previous year 2004-05.



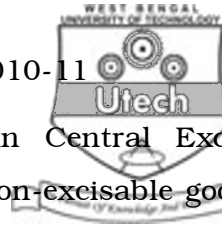
Second House : The house is situated in Kolkata, which he has transferred to his wife in 2005 without any consideration. The municipal value of the house is Rs. 5,00,000. He, however uses this house for his own residence. Municipal tax paid for the house was Rs. 18,750. He took a loan for the purpose of repairing of the house. the loan amount is still outstanding. The interest on load due for the previous year 2009-10 was Rs. 1,65,000 out of which he paid Rs. 1,45,000 during the previous year 2009-10.

Third House : The house consists of two identical flats and situated in Kolkata. One flat has been used by him for his own business and other one has been let out to a tenant. He received Rs. 30,000 as rent for the house. Net municipal value of the house is Rs. 90,000. Municipal tax @ 10% has been paid by him. He paid Rs. 17,500 as interest on loan borrowed for the purpose of the house.

11. Write a short note on Tax incidence on sale to the Government under Central Sales Tax Act. What are the deductions admissible from the gross turnover in order to arrive at the taxable turnover. State the conditions for availing exemption on account of subsequent sale.

Ram of Kolkata sells goods to Mahadevan at Chennai and delivers the same at Kolkata to Bala Transport. The lorry receipt was sent by post to Mahadevan, while the goods were in transit, Mahadevan sells the goods to Ali of Vizag by making an endorsement on LR and goods were delivered to Vizag. Is the second sale between Mahadevan and Ali chargeable to tax ?

3 + 3 + 3 + 6



12. Define excisable goods as mentioned in Central Excise Act, 44. Is there any difference between non-excisable goods and goods carrying nil rate of duty as per the schedule to Central Excise Tariff Act ? Explain. Manufacture implies a change but every change is not manufacture. Elucidate this statement. Discuss the Cenvat credit rules and the manner of utilization of Cenvat credit allowed on inputs received in a factory.

3 + 3 + 3 + 6

