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CIS 506

III Semester M.Com. (IBM) Degree Examination, December 2018
Choice Based Credit System
COMMERCE
Tax Management

Time : 3 Hours

Max. Marks : 70

SECTION – A

Note : Answer **any four** questions out of seven, **each** question carries **10** marks; answer to **each** question should **not** exceed **4** pages. **(10×4=40)**

1. Mr. Dinesh is working with a company submits the following particulars of his income for the previous year 2016-17. Compute the amount of taxable HRA after allowing exemption u/s 10 13(A).
- Salary at Ludhiana Rs. 20,000 p.m.
 - Salary raised to Rs. 25,000 p.m. with effect from 1-6-2017
 - Dearness allowance (50% enters into pay for service benefits) Rs. 12,000 p.m.
 - Commission on turn over achieved by him Rs. 10,000
 - He was transferred to Delhi from 1-10-2017 at the same salary.

He was getting HRA @ Rs. 3,000 p.m. at Ludhiana and Rs. 5,000 p.m. at Delhi. He was paying rent of Rs. 5,000 p.m. at Ludhiana where he stayed till 30-11-2017. After which he stayed Delhi till 31-12-2017 with his relatives during which he paid no rent. He satisfied to hired house from 1-1-2017 at a monthly of Rs. 7,500 p.m.

2. Compute the income under the head salaries from the following particulars give below Mr. S.K. Kapoor was manager in a factory in Mumbai, which is not covered under Payment of Gratuity Act.

	Rs.
a) Salary (Per month)	30,000
b) D.A. (Per month)	10,000
c) HRA (He lives with his HUF) (Per month)	8,000
d) Travelling Allowance for his official tour	24,000

P.T.O.



e) He retired on 31-1-2018 after 20 years service	
f) Gratuity (average salary for last 10 month being Rs. 39,000 p.m.)	3,90,000
g) Refund from URPF (He and his employer's contribution was equal)	2,50,000
h) Leave encashment for 5 months	2,00,000
i) Pension (Per month).	8,000
j) Commuted Value of 3/4 th of pension	3,00,000
k) His salary and pension both are due on last day of the month.	

3. Ganesh has a property whose municipal valuation is Rs. 2,50,000 p.a. The fair rent value is Rs. 2,00,000 p.a. and the standard fixed by the Rent Control Act is Rs. 2,10,000 p.a. the property was let out for a rent of Rs. 20,000 p.a. However, the tenant vacated the property on 31-04-2018. Unrealized rent was Rs. 20,000 and all condition prescribed by the rule 4 are satisfied. He paid municipal taxes @8% of municipal valuation. Interest on borrowed capital was Rs. 65,000 for the year. Compute the income form house property of Ganesh for the assessment year 2018-19.

4. Mr. X furnishes the following particulars of his income for the previous year 2017-18 :

Particulars	Profit (Rs.)	Loss (Rs.)
House property :		
A situated in Delhi	5,00,000	
B situated in Dubai and controlled from Dubai, rent received there		2,00,000
a) Business :		
i) Jute mills, situated in Dhaka, controlled from Kolkata, profit received in Dhaka		15,00,000
ii) Cotton mills	18,00,000	
b) Speculation :		
i) Shares	2,00,000	
ii) Silver		5,00,000
Capital Gain :		
Short-Term Capital gain on sale of land	3,00,000	



Long-Term Capital Loss from the sale of share	2,00,000
Other Sources :	
i) Card Games	2,50,000
ii) Loss from the activity of owning and maintaining race horses	3,00,000

Compute his gross total income of assessment year 2018-19 in the following cases.

- i) He is resident and ordinarily resident in India.
 - ii) He is resident and not ordinary resident in India.
 - iii) He is Non- resident in India.
5. What do you understand by the Qualifying amount u/s 80G ? Who is entailed to it and what are the provisions of the act in this connection ?
6. How is resident of an assessee determined for tax purpose ? Explain the incidence of tax liability.
7. Discuss the background and procedures to be followed in Service Tax Act 1994.

SECTION – B

Answer **any two** questions out of three questions, **each** question carries **15** marks; answer to **each** question should **not** exceed **7** pages. **(15×2=30)**

8. Mr. DRG provided following information about his salary :

	Rs.
Salary	20,000 p.m.
D.A. as per terms of employment	100% of salary
Bonus	20,000
City compensatory allowance	400 p.m.
Lunch allowance	500 p.m.

Reimbursement of medical expenditure incurred on treatment of wife from a private nursing home is Rs. 22,000.

He is given a choice to select either

a) Rent free house owned by employer at Chandigarh (Population 9 lakhs)

OR

b) House Rent Allowance @Rs. 8,000 p.m. He can hire similar type of house @ Rs. 7,000 p.m.

Advise him which option he should choose from taxation point of view.



9. Given below is the Income and Expenditure account of Mr. Parkash C. Tandon a Lawyer

Income and Expenditure			
	Amount		Amount
To Household expenses	27,000	By Legal fees	2,30,000
To Office expenses	45,000	By Special Commission from profession	25,000
To Donation to NDF	4,500	By Gains on race course	2,000
To Charity	2,400	By Profit on sale of plot (Long- Term)	31,000
To Loss on shares sold (Long term)	41,300	By Divided on share	5,000
To income-tax	20,600	By Share of profit in a firm	50,000
To Share of loss in an AOP	40,700	By Interest on advance	10,500
To Gratuity to one of his disabled clerks	60,500	By Present from Client	6,000
To Net Income	1,42,600	By Bank Interest (F.D.)	7,500
		By Interest on National Rellif Bonds	5,400
		By Director's Fees	4,500
		By Co-operative Society (Dividend)	7,700
	3,84,600		3,84,600

Other information :

- a) He paid Rs. 5,000 to Bar council as his subscription.
 - b) He donated Rs. 10,000 to a Charitable Trust.
 - c) He had taken a loan to renovate his office. Interest paid during the year was Rs. 20,300.
10. What are the circumstances in which a claim for refund of tax may arises ? Describe briefly the procedures of claiming a refund.