

PARUL UNIVERSITY
FACULTY OF COMMERCE
B.Com.(Hons) Summer 2017 – 18 Examination

Semester: 4

Date: 08-05-2018

Subject Code: 16100251

Time: 10.30 am to 1.00 pm

Subject Name: Fundamentals of Taxation

Total Marks: 60

Instructions:

1. All questions are compulsory.
2. Figures to the right indicate full marks.
3. Make suitable assumptions wherever necessary.
4. Start new question on new page.

Q.1 Do as directed.**A) Choose the correct option. (Each of one mark)****(06)**

1. Income Tax Act, 1961 contains _____ sections.

a) 298	b) 299
c) 297	d) 300
2. Rental income is taxable under the head _____.

a) Salaries	b) Income from House Property
c) Capital Gains	d) Income from Other Sources
3. The rate at which tax is deductible under section 193 is _____.

a) 10%	b) 12%
c) 15%	d) 20%
4. For non-payment or short payment of advance tax -

a) interest is payable under section 234A	b) interest is payable under section 234B
c) interest is payable under section 234C	d) interest is payable under all the three sections 234A, 234B and 234C
5. Brett Lee, an Australian cricket player visits India for 100 days in every financial year. This has been his practice for the past 10 financial years. Find out his residential status for the assessment year 2018-19.

a) Resident	b) Non- Resident
c) Resident and Ordinarily Resident	d) Resident but Not ordinarily Resident
6. Where the property has been acquired, constructed, repaired, renewed or reconstructed with borrowed capital before 1.4.99, the maximum amount of deduction is Rs.:

a) 30,000	b) 2,30,000
c) 2,00,000	d) Nil

B) Answer the following. (Each of one mark)**(06)**

1. What is the meaning of Composite Rent?
2. What do you mean by “Continuous Discharge Certificate”?
3. Which are the two deductions from Annual Value Computed under the head “House Property” ?
4. What are the due dates of payment of installments of Advance Tax?
5. What is the amount of deduction available in case of House Rent Allowance?
6. A chartered accountant sets up his profession on 1st July, 2017. Determine the previous year for the assessment year 2018-19.

Q.2 Answer the following. (Each of 04 mark)**(12)**

1. ABC Inc., a Swedish company headquartered at Stockholm, not having a permanent establishment in India, has set up a liaison office in Mumbai in April, 2017 in compliance with RBI guidelines to look after its day to day business operations in India, spread awareness about the company’s products and explore further opportunities. The liaison office takes decisions relating to day to day routine operations and performs support functions that are preparatory and auxiliary in nature. The significant management and commercial decisions are, however, in substance made by the Board of Directors at Sweden. Determine the residential status of ABC Inc. for A.Y. 2018-19.
2. Define “Assessee” as per Section 2(7) of Income Tax Act, 1961.
3. Mr. Raghav aged 26 years, has a total income of ` 3,40,000, comprising his salary income and interest on bank fixed deposit. Compute his tax liability for A.Y. 2018-19.

Q.3 Answer the following. (Any Three)

(18)

1. Mr. Raj Kumar has the following receipts from his employer:

- | | |
|------------------------------------------------------------------|--------------|
| (1) Basic pay | ₹ 3,000 p.m. |
| (2) Dearness allowance (D.A.) | ₹ 600 p.m. |
| (3) Commission | ₹ 6,000 p.a. |
| (4) Motor car for personal use (expenditure met by the employer) | ₹ 500 p.m. |
| (5) House rent allowance | ₹ 900 p.m. |

Find out the amount of HRA eligible for exemption to Mr. Raj Kumar assuming that he paid a rent of ₹ 1,000 p.m. for his accommodation at Kanpur. DA forms part of salary for retirement benefits.

2. Compute the tax liability of Mr. A (aged 42), having total income of ₹ 51 lakhs for the Assessment Year 2018-19. Assume that his total income comprises of “Salary income”, “Income under the head house property” and “Interest from Saving Bank Account”.
3. Mention the steps to be followed for computing the total income of an “assessee”.
4. Mention the slab rates for Co-Operative Society for the A. Y. 2018-19.

Q.4 Answer the following. (Any two)

(18)

1. Ganesh has a property whose municipal valuation is ₹ 2,50,000 p.a. The fair rent is ₹ 2,00,000 p.a. and the standard rent fixed by the Rent Control Act is ₹ 2,10,000 p.a. The property was let out for a rent of ₹ 20,000 p.m. However, the tenant vacated the property on 31.1.2018. Unrealised rent was ₹ 20,000 and all conditions prescribed by Rule 4 are satisfied. He paid municipal taxes @8% of municipal valuation. Interest on borrowed capital was ₹ 65,000 for the year. Compute the income from house property of Ganesh for A.Y.2018-19.

2. (I) Examine the TDS implications under section 194A in the cases mentioned hereunder –

- (i) On 1.10.2017, Mr. Harish made a six-month fixed deposit of ₹ 10 lakh @9% p.a. with ABC Co-operative Bank. The fixed deposit matures on 31.3.2018.
- (ii) On 1.6.2017, Mr. Ganesh made three nine month fixed deposits of ₹ 1 lakh each carrying interest @9% with Dwarka Branch, Janakpuri Branch and Rohini Branch of XYZ Bank, a bank which has adopted CBS. The fixed deposits mature on 28.2.2018.
- (iii) On 1.4.2017, Mr. Rajesh started a 1 year recurring deposit of ₹ 20,000 per month @8% p.a. with PQR Bank. The recurring deposit matures on 31.3.2018.

(II) ABC Ltd. makes the following payments to Mr. X, a contractor, for contract work during the P.Y. 2017-18–

₹ 20,000 on 1.5.2017

₹ 25,000 on 1.8.2017

₹ 28,000 on 1.12.2017

On 1.3.2018, a payment of ₹ 30,000 is due to Mr. X on account of a contract work. Discuss whether ABC Ltd. is liable to deduct tax at source under section 194C from payments made to Mr. X.

(III) Calculate the amount of tax to be deducted at source (TDS) on amount of lottery received by

Mr. A Rs. 10,00,000/- under section 194-B.

3. Write a short note on Section 234B (Interest for non- payment or short payment of Advance Tax and Section 234C (Interest Payable for deferment of advance tax).