

PARUL UNIVERSITY
FACULTY OF COMMERCE
B.Com. (Hons) Winter 2018-19 Examination

Semester: 4
Subject Code: 16100251
Subject Name: Fundamentals of Taxation

Date: 27/11/2018
Time: 02:00pm to 04:30pm
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) Multiple choice type questions. (Each of one mark)****(06)**

1. In order to control laundering of unaccounted money by availing the benefit of basic exemption limit, the unexplained money, investment, expenditure, etc. deemed as income would be taxed at the rate of _____

- | | |
|-----------------------------------|-----------------------------|
| a) 30% plus surcharge @25% of tax | b) 60% plus surcharge @ 25% |
| c) 30% | d) 60% |

2. Section _____ provides a rebate from the tax payable by an assessee, being an individual resident in India.

- | | |
|--------|--------|
| a) 87 | b) 85 |
| c) 85A | d) 87A |

3. In case of a Foreign Company where the total income exceeds ` 1 crore but does not exceed ` 10 crore, surcharge is payable at the rate of _____ of income-tax computed.

- | | |
|--------|--------|
| a) 10% | b) 12% |
| c) 5% | d) 2% |

4. Where the total income of an artificial juridical person is ` 3,10,000, the income-tax payable is ` and surcharge payable is `

- | | |
|------------------------------|----------------------------------|
| a) ` 3,000; surcharge – nil. | b) ` 5,000; surcharge – nil |
| c) ` 6,000; surcharge – nil. | d) ` 93,000; surcharge – ` 4650. |

5. Entry _____ of the Union List of the Constitution of India has given the power to Central Government to levy taxes on income.

- | | |
|-------|-------|
| a) 81 | b) 83 |
| c) 82 | d) 80 |

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 are the due dates of payment of installments of Advance Tax?
2. Which are the two deductions from annual value?
3. A chartered accountant sets up his profession on 1st July, 2017. Determine the previous year for the assessment year 2018-19.
4. What is the meaning of 'Keyman Insurance Policy'?
5. What is the meaning of 'Continental Shelf'?
6. A is running a business from 1993 onwards. Determine the previous year for the assessment year 2018-19.

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

1. Define "Assessee" as per Section 2(7) of Income Tax Act, 1961.
2. 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.
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:

- | | |
|--|--------------|
| i) Basic pay | ₹ 3,000 p.m. |
| ii) Dearness allowance (D.A.) | ₹ 600 p.m. |
| iii) Commission | ₹ 6,000 p.a. |
| iv) Motor car for personal use (expenditure met by the employer) | ₹ 500 p.m. |
| v) 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. . Mention the steps to be followed for computing the total income of an “assessee”.

3. Mention the slab rates for Co-Operative Society for the A. Y. 2018-19.

4. Mention the slab rates for Co-Operative Society for the A. Y. 2018-19.

Q.4 Answer the following. (Any two)

(18)

1. 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).

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 payment made to Ricky Ponting, an Australian cricketer, by a newspaper for contribution of articles ₹ 25,000.

3. 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.