

**PARUL UNIVERSITY**  
**FACULTY OF COMMERCE**

**M.Com. (Hons), Summer 2017 – 18 Examination**

Semester: 2

Subject Code: 16201153

Subject Name: Direct Tax Planning and Management

Date: 11/05/2018

Time: 10:30am to 1:00pm

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. An assessee includes:**

- |                  |                  |
|------------------|------------------|
| a) An individual | b) Company       |
| c) HUF           | d) All the above |

**2. Taxable Income of a person is determined on the basis of his:**

- |                                |                         |
|--------------------------------|-------------------------|
| a) Residential status in India | b) Citizenship in India |
| c) None                        | d) Both of the above    |

**3. Surcharge of 15 per cent is payable by an individual where the total income exceeds:**

- |                 |                      |
|-----------------|----------------------|
| a) Rs.7,50,000  | b) 8,50,000          |
| c) Rs.10,00,000 | d) None of the three |

**4. The amount of education cess and secondary and higher education cess together to be collected along with Income tax for assessment year 2017-18 shall be:**

- |       |       |
|-------|-------|
| a) 1% | b) 2% |
| c) 3% | d) 4% |

**5. The basic exemption limit in case of a resident individual being a senior citizen who is above 60 years is:**

- |               |              |
|---------------|--------------|
| a) 10, 00,000 | b) 3, 00,000 |
| c) 2, 50,000  | d) 5, 00,000 |

**6. A foreign company is taxable at flat:**

- |        |        |
|--------|--------|
| a) 20% | b) 25% |
| c) 30% | d) 40% |

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

1. What is Fringe benefit tax?
2. What is Customs Duty
3. What is Minimum Alternate Tax?
4. What is Sales tax?
5. What is tax planning?
6. What is Wealth Tax

**Q.2 Do as directed: (Each of 04 mark)****(12)**

1. Rajesh gives you the following information pertaining to the previous year ending on March 31, 2018. Find out net income of Rajesh for the assessment year 2018-19 on the assumption that (a) Rajesh is resident and ordinarily resident in India (ROR), (b) Rajesh is resident but not ordinarily resident (RNOR), (c) Rajesh is non-resident (NR) in India.

	Particulars	Rs.
1	Royalty from a patent registered in USA (royalty is received outside India from a foreign company and the foreign company has used the patent for manufacturing purposes in India)	20,00,000
2	Dividend from an Indian company (Rajesh holds 55 per cent shares in the Italian company, business of the company is partly controlled from India and Dividends are received outside India)	18,00,000
3	Profit of a sole proprietary business situated in Dubai, received in Mauritius (business is entirely controlled from India)	4,50,000
4	Loss from a business situated in Pakistan (controlled from Pakistan)	(-)2,00,000

5	Rent of a commercial property situated in Bhutan (received in Nepal)	2,35,000
6	Speculation profit earned and received in India on April 1,2018	4,00,000

**2. During the previous 2017-18, Mr. Zalan (not being a person of Indian origin) visits India on November 3, 2017. Determine the residential status of Mr. Zalan for the assessment year 2018-19 on the basis of following information:**

1. During the year 2013-14, Mr. Zalan is present in India for 350 days.
2. During the year 2012-13, he is in India for 15 and 365 days respectively.
3. Mrs. Zalan is non-resident in India for assessment year 2017-18.

**3. Mr. Harshad is a foreign national and provides the following particulars of his income relevant for the previous year 2017-18:**

Particulars	Resident and ordinarily resident Rs.	Resident but not ordinarily resident Rs.	Non-resident Rs.
1. Income from agriculture in London	50,000	Nil	Nil
2. Dividend from an Indian company (exempt)	Nil	Nil	Nil
3. Income from business in Delhi	2,30,000	2,30,000	2,30,000
4. Income from property in Nepal received in Nepal	18,000	Nil	Nil
5. Gift in foreign currency			
➤ One-third received in India	3,00,000	3,00,000	3,00,000
➤ Balance received outside India	6,00,000	Nil	Nil

**Q.3 Do as directed: (Any Three)**

**(18)**

**1. John was Indian citizen up to March 31, 2011. With effect from April 1, 2011, he migrated to Kenya and took the citizenship of that country. He was born in Delhi in 19802. His parents were born in Kolkata during 1950. However, grandparents of John were born in South Africa. From the information given below, find out the residential status of John for the assessment year 2018-19.**

Previous year	Presence in India	Year	Presence in India
2017-18	14 days	2011-12	38 days
2016-17	60 days	2010-11	180 days
2015-16	181 days	2009-10	181 days
2014-15	180 days	2008-09	175 days
2013-14	58 days	2007-08	181 days
2012-13	60 days	2006-07	44 days

Note – He left India for the first time in 1996 to set up a business outside India and since then he comes to India every year as shown in the table above.

**2. Mr. Yadith gives you the following information pertaining to the previous year ending on March 31, 2018. Find out net income of Yadith for the assessment year 2018-19 on the assumption that (a) Yadith is resident and ordinarily resident in India (ROR), (b) Yadith is resident but not ordinarily resident (RNOR), (c) Yadith is non-resident (NR) in India.**

	Particulars	Rs.
<b>1.</b>	Profit on sale of a house property situated in UK (50 per cent is received in Chennai and 50 per cent is received in UK)	1,77,000
<b>2.</b>	Income from a profession set up in Bangalore (consultancy is provided in UK and amount is received in UK)	8,32,000
<b>3.</b>	Interest of debentures of an Indian company (received in Mauritius)	2,95,000

4	Interest on a deposit with an Australian company (1/3 is received in India and 2/3 are received in Mauritius)	6,30,000
5	Profits on transfer of unquoted shares in an Indian company (1/3 is received in India and 2/3 are received in Mauritius)	9,00,000
6.	Profits on sale of a property situated in UK (10% of profit is received in India and 90% received in Mauritius, amount received in Mauritius is utilised for purchasing gold in India) (value of gold on March 31, 2018 is Rs.17,00,000)	10,00,000
7.	Rent of a commercial property situated in Mauritius (deposited in State Bank Of India, Mauritius branch)	6,10,000

3. Write a note on importance of tax planning.

4. Write a detailed note on the following:

- Double taxation relief,
- Bilateral Relief,
- Unilateral relief

Q.4 Do as directed. (Any two)

(18)

1. Find out the tax liability in the following cases pertaining to the assessment year 2018-19

Assesses	Taxable income (Rs.)	Long term capital gains included in taxable income (Rs.)	Winnings from lotteries included in taxable income (Rs.)
X, a resident HUF	2,30,000	-	18,000
Y, a HUF	2,68,000	2,000	16,000
Z, an individual (42 years)	11,70,000	40,000	70,000
Mrs. A, a resident individual (58 years)	42,50,000	-	-
B Ltd, an Indian Company	1,12,00,000	50,000	73,000
C Ltd, an Indian Company	35,000	500	-
D Society, a co-operative society	5000	700	150
E & Co. Partnership firm	10,30,000	60,000	-
F, a non-resident individual (74 years)	2,56,000	12,000	-

2. Write a detailed note on Corporate Tax Planning with reference to Setting up of new business

3. Compute the Taxable Income and the Tax liability on Rs. 10, 86,920/- for the assessment year 2018-19 for the following.

- For the individual of 45 years
- Firm
- Company
- Co-operative societies