

Jamnalal Bajaj Institute of Management Studies

Masters in Information Management (MIM)

Masters in HRD Management (MHRDM)

Year 2 Semester I

November 2015 Semester-end examination

TAXATION

Maximum marks : 60

Duration : 2 hours

PART A – DIRECT TAX

Attempt any 3 questions from Part A – Direct Tax. All questions carry 15 marks.

1. From the Profit and Loss Account of Mr. X for the year ended 31st March, 2015, ascertain his total income for AY 2015-16 :

	Rs.		Rs.
General expenses	23,500	Gross profit	5,05,000
Bad debts	12,250	Commission	12,600
Advance tax	15,000	Brokerage	6,000
Insurance	800	Sundry receipts	12,800
Salary to staff	1,85,000	Bad debts recovered (earlier allowed as deduction)	5,000
Salary to X	25,000	Interest on debentures (Net amount Rs.11,250 + TDS 1,250)	12,500
Interest on overdraft	2,000	Interest on deposit with a company (Net interest Rs.23,400 + TDS Rs.2,600)	26,000
Interest on loan for payment of income tax	5,000		
Interest on capital of X	21,000		
Depreciation	37,000		
Advertisement expenditure	17,000		
Contribution to employees' recognised provident fund	15,000		
Net profit	2,21,350		
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Total	5,79,900	Total	5,79,900

Other information :

1. Advertisement expenditure includes Rs.5,000, being permanent neon sign board fixed on office premises.
 2. The amount of depreciation allowable is Rs.25,400 as per the Income tax Rules. It includes depreciation on permanent sign board.
 3. Income of Rs.5,300 accrued during the previous year, is not recorded in the Profit and Loss Account.
 4. X pays Rs.8,000 as premium on own life insurance policy of Rs.70,000.
 5. General expenses include –
 - a. Rs.1,500 gifted to a friend of Mr. X
 - b. Rs.2,000 being contribution to a political party.
2. P receives the following gifts during the previous year 2014-15 :
- a. On December 3, 2014, P gets by gift a commercial flat from the elder brother of his father-in-law. Stamp duty value is Rs.19,00,000.
 - b. On January 16, 2015, he gets a gift of Rs.50,000 (cash gift Rs.12,500 and gift of a work of art whose market value is Rs.37,500) from a notified public charitable institution.
 - c. On January 24, 2015, he receives a house property under will of a person known to him. The stamp duty value is Rs.25,00,000.
 - d. On February 1, 2015, P gets by way of gift a plot of land in Goa from a partnership firm. The partnership firm has only two partners – father of P and Mrs. P. The stamp duty value of the plot of land is Rs.15,00,000.
 - e. On February 6, 2015, P purchases 500 shares in ABC Ltd. from his friend D at Rs.100 per share (outside the stock exchange). The lowest market quotation in the Bombay Stock Exchange and the National Stock Exchange on the date of purchase is Rs.200 and Rs.210 respectively.
 - f. On March 1, 2015, he gets a gift of a gold ring from a cousin of his mother-in-law. The fair market value is Rs.20,000.
 - g. On March 2, 2015, he gets a painting by way of gift from C Ltd.. Mrs. P holds 80% shares in C Ltd.. The fair market value of the painting is Rs.59,000.
 - h. On March 5, 2015, he gets a small plot of land by way of gift from a cousin of Mrs. P. Stamp duty value is Rs.5,40,000.
 - i. On March 7, 2015, P receives a shop (situated in Kashmir) by way of gift from a friend. Stamp duty value is Rs.1,50,000.
 - j. On March 31, 2015 he gets a gift of Rs.50,000 from his nephew.

Compute the amount chargeable to tax under the head "Income from other sources" for A.Y. 2015-16.

3. During the previous year 2014-15, X transfers the following assets :

- a. On April 6, 2014, X transfers agricultural land situated in a village in Pakistan. Sale consideration is Rs. 20,00,000. Cost of acquisition at the time of purchase in 2012-13 was Rs.16,50,000.
- b. On April 20, 2014, he transfers agricultural land situated in a village in Uttar Pradesh. Sale consideration is Rs.26,00,000. Land was purchased in 1984-85 for Rs.50,000.
- c. On April 30, 2014, he transfers a personal computer for Rs.60,000 (it was purchased for Rs.58,000 on May 31, 2013).
- d. On June 15, 2014, he transfers personal jewellery for Rs.17,00,000 (purchased during 1986-87 for Rs.1,20,000). To avail of exemption he has invested Rs.17,00,000 in purchasing new jewellery on the same day.
- e. On July 18, 2014, he transfers a painting for Rs.6,00,000 (purchased during 2003-04 for Rs.2,00,000). Out of the sale consideration, X purchases on the same day an M. F. Hussain painting for Rs.6,00,000.
- f. On August 1, 2014, he transfers debentures of A Ltd. for Rs.4,00,000. These debentures are transacted in the National Stock Exchange. Cost of acquisition Rs.3,00,000. Date of acquisition May 11, 2012.
- g. On September 16, 2014, he transfers his personal car for Rs.2,50,000 (this car was purchased in 2003-2004 from second hand market for Rs.90,000 and he spent Rs.50,000 on renewal of the car).

Calculate the taxable capital gains of X for AY 2015-16.

CII – FY 1984-85 : 125; FY 1986-87 : 140; FY 2003-04 : 463; FY 2012-13 : 852;
FY 2014-15 : 1024

4. Write short notes on any 3 of the following :

- a. Deduction under Section 80D
- b. Exemption in respect of amounts received under an insurance policy
- c. Enumerate any 5 investments / payments which qualify for deduction under Section 80C.
- d. Agricultural income
- e. Clubbing of minor's income and exemption in respect of minor's income

PART B – INDIRECT TAX

Attempt any 1 question from Part B – Indirect Tax. All questions carry 15 marks.

1. From the following information furnished to you by Mr. S, a new dealer, regarding his purchases and sales transactions, find out from which month he will be liable to pay tax as per the provisions of MVAT Act, 2002. Give reasons for your answer.

Month	Details of purchases				Details of sales	
	Inside Maharashtra		Import		Tax free goods Rs.	Taxable goods Rs.
	Tax free goods Rs.	Taxable goods Rs.	Tax free goods Rs.	Taxable goods Rs.		
April 2014	12,000	1,000	23,000	-	40,000	3,000
May 2014	20,000	4,000	19,000	1,000	70,000	3,000
June 2014	50,000	2,000	10,000	1,800	18,000	1,000
July 2014	1,02,000	4,600	12,000	800	70,000	1,000

2. Write short notes on any 3 of the following:
- Enumerate the transactions on which no tax is payable under the Central Sales Tax Act, 1956
 - Periodicity and due dates for filing Return under MVAT Act, 2002
 - Circumstances under which Returns can be revised under MVAT Act, 2002
 - Essential ingredients of a Tax Invoice
 - Enumerate any 5 services from the Negative list of services

You