

[This question paper contains 4 printed pages.]

Sr. No. of Question Paper : 1401 **F-7** **Your Roll No.....**

Unique Paper Code : 1091502

Name of the Paper : Tax Planning for Business

Name of the Course : **Bachelor of Management Studies**

Semester : V

Duration : 3 Hours

Maximum Marks : 75

Instructions for Candidates

1. Write your Roll No. on the top immediately on receipt of this question paper.
2. All questions carry equal marks.
3. Attempt any five questions from 1 to 6.

1. Mr. Ashok has been an employee with ABC Ltd. Mr. Ashok received the following from the company for the year ending 31.3.16 :

	(Amount in Rs.)
Basic	40,000 p.m.
Dearness Allowance is 50% of Basic (50% forms part of retirement benefits)	
Entertainment Allowance	500 p.m.
Children Education Allowance (for 2 children)	200 p.m.
Reimbursement of Medical expenses	25,000
Contribution towards Recognised Provident Fund by the employer	10,000 p.m.
Contribution towards Recognised Provident Fund by Mr. Ashok	10,000 p.m.
Interest credited to R.P.F @ 12%	12,000
House Rent Allowance	10,000 p.m.
Uniform Allowance (actual expenditure was Rs. 5,000)	1,000 p.m.

P.T.O.

Ashok was staying in a house in Delhi at a rent of Rs. 20,000 p.m. He retired on 31.1.16. He received gratuity of Rs. 6,40,000 (organization was covered under Payment of Gratuity Act 1972). He was entitled to a pension of Rs. 30,000 p.m from 1.2.16 and he got 50% of his pension commuted on 1.3.16 for Rs. 30 lakhs. He received payment of Rs. 40 lakhs from his P.F account at the time of retirement. Tax deducted at source was Rs. 4,00,000. He has worked for 30 years and 11 months. He paid Rs. 75,000 as premium for life insurance policy on his name (policy was issued on 1.4.1995 and the sum assured was Rs. 10 lakhs). He has deposited Rs. 80,000 in PPF A/C. Compute his tax liability for Assessment Year 2016-17. (15)

2. (a) Explain the provisions of Section 80U. (5)

(b) Hassan had purchased certain agricultural land on 26.12.88 for Rs. 7,50,000 which was used for agricultural purposes by him. It was sold for Rs. 92 lakhs on 15.9.15 and he purchased agricultural land on 15.10.15 for Rs. 5 lakhs and has deposited Rs. 3 lakhs in Capital Gains Account Scheme on 3.5.16. He withdrew Rs. 1 lakh on 30.3.17 for purchasing agricultural land and the remaining amount was used on 15.9.17. Compute the taxable capital gains for various assessment years if land sold was :

(i) Urban agricultural land

(ii) Rural agricultural land

[CII for previous year 2016-17-1125; 2015-16-1081; 2014-15-1024; 1988-89-161] (10)

3. (a) Explain the provisions of Minimum Alternate Tax relating to payments of tax by companies. (5)

(b) Compute the taxable income and tax liability of Raman (62 years) for the assessment year 2016-17 :

(i) Net income from garment business	5,00,000
(ii) Long-term capital gain on transfer of debentures	4,00,000
(iii) Share of income from HUF in which he is a member	80,000

(iv) Winning from horse races (net of TDS of 30 percent)	35,000
(v) Interest on Bank deposits	1,17,000
(vi) Payment of interest on loan taken for education of son	1,01,000
(vii) Donation to a notable charitable institution	8, 000
(viii) Brought forward loss of a discontinued business	25,000
(ix) Deposit in PPF	1,00,000
	(10)

4. From the Profit and Loss Account of Mr. Naresh (age: 26 years) for the year ending March 31, 2016, ascertain his total income for the assessment year 2016-17 : (15)

Particulars	Rs.	Particulars	Rs.
Opening Stock	10,000	Sales	90,000
Purchases	50,000	Closing Stock	32,000
Wages	20,000	Bad Debts Recovered (earlier allowed as deduction)	4,000
Investment Allowance Reserve	8,000	Sale of Car	17,000
Rent	4,000	Dividend from an Indian Company	5,000
Repairs of Car	5,000		
Interest on Capital	5,000		
General Expenses	6,000		
Depreciation on Car	4,000		
Advance Income Tax Paid	2,000		
Deepawali Expenses	4,000		
Donation	3,000		
Net Profit	27,000		
	1,48,000		1,48,000

Other information :

- (i) Purchases include a petty purchase of Rs. 22,000. Its payment was made by a bearer cheque.

- (ii) Mr. Naresh was carrying on the business in a rented property, half of which is occupied by him for his residence.
- (iii) Mr. Naresh purchased the car for Rs. 20,000 and used it for a period of 9 months during the previous year 2015-16. He charged depreciation @ 20%.
- (iv) Deepawali expenses include Rs. 2,000 as gifts to relatives.
5. (a) X is a citizen of India employed in India with an Indian company. He leaves India for the first time on 31.8.2015 and will not come back before 31.3.2016. Determine the residential status of X for the assessment year 2016-17 if X leaves India :
- (i) to complete a project in South Korea.
- (ii) to meet his friends and relatives in Detroit. (5)
- (b) Mr. X has 2 houses which are self-occupied. Information for the year 2015-16 is as follows :
- | Particulars | House 1 | House 2 |
|---|--------------|--------------|
| M.V p.a. | Rs. 1,00,000 | Rs. 1,50,000 |
| Fair Rent p.a. | Rs. 75,000 | Rs. 1,75,000 |
| Standard Rent p.a. | Rs. 90,000 | Rs. 1,60,000 |
| Municipal taxes paid | 8% | 12% |
| Interest on loan for repairs of the house | — | 55,000 |
- Compute the income from house property of X for the assessment year 2016-17. (10)
6. Write short notes **Any Three** :- (3×5=15)
- (i) Revised Return u/s 139 (5)
- (ii) Deductions u/s 80D
- (iii) Meaning of the term 'Assessee' as per Income Tax Act.
- (iv) Carry forward and Set off of losses under the head Capital Gains.