



**HAG-010-001604** Seat No. \_\_\_\_\_

**B. B. A. (Sem. VI) (CBCS) Examination**

**June / July - 2017**

**Business Taxation - 2 : Paper - 604**

*(New Course)*

**Faculty Code : 010**

**Subject Code : 001604**

Time :  $2\frac{1}{2}$  Hours]

[Total Marks : 70

- Instructions :** (1) Working notes shall be treated as a part of the answer.
- (2) Figures to the **right** indicate full marks of the questions.

- 1 From the following details of House Property of 14  
"Mr. Madhav" you are required to compute his taxable  
income from House Property for the A. Y. 2016-17 :

<i>Particular</i>	<i>House No. 1 (Rs.)</i>	<i>House No. 2 (Rs.)</i>
(1) Annual value as per municipal record's	30,000	60,000
(2) Fair rent	44,400	57,600
(3) Annual rent received (let out for residence)	48,000	48,000
(4) Standard rent determined under Mubai Rent Control Act.	42,000	54,000

(5)	Date of completion of construction :	31,-03-2012	31-03-2014
(6)	Municipal taxes paid during (2015-16) :		
	Of earlier previous year	12,000	–
	Of current previous year	6,000	12,000
	Of next previous year in advance	–	12,000
(7)	Insurance premium paid	3,000	–
(8)	Interest on loan taken for construction purpose :		
	– Outstanding interest of earlier previous year paid	6,000	–
	– Additional interest paid for late payment of outstanding interest of earlier previous year	1,200	–
	– Unpaid interest of current previous year (include additional int. of Rs. 1,200 on unpaid interest)	7,200	9,600

**OR**

- 1 Shree Nayan Rathod has prepared the following Profit and Loss Account for the year ending on 31<sup>st</sup> March, 2016 : 14

***Profit and Loss Account***

<b><i>Particular</i></b>	<b><i>Rs.</i></b>	<b><i>Particular</i></b>	<b><i>Rs.</i></b>
To General expenses	65,000	By Gross	24,32,000
To Bad debt	2,000	By Discount and commission	6,000
To Bed debt reserve	5,000	By Rent income	27,000
To Provision for taxation	57,000	By Interest on post office <b>saving's</b> A/c.	3,000
To Income tax	1,85,000	By Bad debt recovered	16,000
To Insurance premium	8,000	By Surplus on sale of shares	75,000
To Motor car expenses (except depreciation)	1,05,000	By Profit on sale of machinery (sold for Rs. 10,000)	1,000
To Sales tax	55,000		
To Staff salary	10,85,000		
To Legal charges	4,000		
To Donation to approved charitable trust	6,000		
To Net profit	9,83,000		
	<b>25,60,000</b>		<b>25,60,000</b>

*Additional Information is as follows :*

- (1) Insurance premium includes Rs. 3,000 being medi-claim insurance and Rs. 2,000 being Life insurance premium.
- (2) 25% of the amount of bad debt recovered relates to the amount of bad debt's not allowed before three years.
- (3) Half  $\left(\frac{1}{2}\right)$  use of motor car is for personal purpose and

the written down value of the car as on 1-04-2015 was Rs. 2,50,000. (Depreciation Rate 15%).

Compute his total taxable business income for the Assessment year 2016-2017 and also determine the deduction u/s. 806 based on qualifying amount.

**2** Kumari Amidhara furnished the following particulars of her investment for the year ending 31<sup>st</sup> March, 2016 : **14**

- (1) Rs. 2,00,000 9% municipal debentures.
- (2) Rs. 3,20,000, 7.5% tax-free securities of Indian Govt.
- (3) Rs. 20,000, 7.5% port trust bond's.
- (4) Rs. 1,00,000, 10% tax-free debentures of 'Krishna Ltd.' (T.D.S. at 20%)
- (5) Rs. 10,000, 6.5% treasury saving deposit certificates.
- (6) Rs. 5,000; 9% preference shares of a company.
- (7) Rs. 40,000; 9% tax-free debentures of a Radha Ltd. listed on recognised stock exchange in India. (T.D.S. at 10%)

He took a loan for purchasing tax-free securities of Indian Govt. and paid interest of Rs. 1,800.

He also paid Rs. 3,000 interest on loan for purchasing debentures of "Radha Ltd.". He paid Rs. 260 bank commission for collection of interest and Rs. 30 for collection of dividend.

Compute the taxable income for the A.Y. 2016-17 under the head income from other sources.

OR

- 2 Compute the capital gains chargeable to tax of 14  
Shree Jaydipkumar from the following details of the A.Y.  
2016-17 :

<i>Sr. No.</i>	<i>Date of purchases</i>	<i>Selling Price Rs.</i>	<i>Transfer Charges Rs.</i>	<i>Cost Rs.</i>	<i>Particular of Assets</i>	<i>Index of years of Purchase</i>
1	1-1-68	40,71,000	23,000	3,00,000	Only self occupied house	100
2	1-6-05	4,45,920	—	1,59,040	Shares of Reliance Ltd.	497
3	1-3-94	2,39,600	4,000	73,200	Shares of Arvind Ltd.	244
4	1-9-85	33,16,100	11,000	3,99,000	Jewellery	133
5	1-1-15	—	—	7,65,000	Residential house for self-occupation (New)	-

He had sold old self occupied house on 15-3-2016. The cost inflation index of financial year 2015-16 is as per income tax rules. (Cif as on 1-4-81 was 100).

On 1-4-81 the fair market values of self-occupied house and Jewellery were Rs. 3,00,000 and Rs. 1,80,000 respectively. Shares of both the companies (sold on 1-11-2015) were subject to securities transaction tax (STT).

- 3 Kiran & Co. is partnership firm consisting of two partners Kiran and Jagruti. The following profit and loss Account was submitted by the firm for the year ending on 31-03-2016 :

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*Profit and Loss Account*

<i>Particular</i>	<i>Rs.</i>	<i>Particular</i>	<i>Rs.</i>
Cost of goods sold	7,00,000	Sales	10,80,000
Office salaries	40,000	Interest on investments	6,000
Interest on loan for purchase of machinery @ 15%	25,000	Long-term capital gains	8,000
Office rent	22,000	Short term capital gains	10,000
Commission to working partner Kiran	20,000	Winning for lotteries	60,000
Interest on loan to Jagruti @ 20% p.a. who is a non-working partner	20,000		
Salary to working partner Kiran	1,10,000		
Salary to non-working partner Jagruti	26,000		
Int. on capital - Kiran	15,000		
At 20% Jagruti	10,000		
Reserve for bad debts	6,000		
Misc. expenses	10,000		
Income tax paid	8,000		
Net profit	1,52,000		
	<b>11,64,000</b>		<b>11,64,000</b>

Compute the book profit for the purpose of partner's remuneration. Also calculate the maximum remuneration payable to the partners.

OR

**3** The net profit as per Profit and Loss Account of "Shivangi Co. Ltd." a resident company. For the year ended 31-03-2016 is Rs. 190 lakhs arrived at after the following adjustment's : **14**

- (1) Depreciation on Asset's Rs. 100 Lakhs.
- (2) Reserve for currency exchange fluctuations Rs. 50 lakhs.
- (3) Provision for tax Rs. 40 lakhs.
- (4) Proposed dividend Rs. 120 lakhs.

Following further details are also provided by the company.

- (i) Net profit includes Rs. 10 lakhs received from a subsidiary company.
- (ii) Provision for tax includes Rs. 16 lakhs of tax payable on distribution of profit and Rs. 2 lakhs of interest payable on income tax.
- (iii) Depreciation includes Rs. 40 lakhs towards revaluation of the asset's.
- (iv) Amount of Rs. 50 lakhs credited to Profit and Loss Account was drawn from Revaluation Reserve.
- (v) Balance of Profit and Loss A/c. shown in Balance Sheet at the Asset's side as at 31-3-2016 was Rs. 30 lakhs Representing unabsorbed depreciation.

Compute the income of the company for the year ended 31-3-2016 liable to tax under the provision of MAT.

**4** What is tax planning ? Which are objectives of tax planning ? **14**

**OR**

**4** Write about the following : **14**

- (1) Tax avoidance and tax evasion
- (2) Authorities for tax management.

- 5** Attempt any two from the following : **14**
- (1) Merits and demerits of Gujarat Value Added Tax
  - (2) Explain registration under VAT
  - (3) Liability to pay service tax
  - (4) Central Sales Tax
  - (5) Administration of service tax.
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