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SEMESTER III

M.B.A.

END SEMESTER EXAMINATION

Nov/Dec- 19

MGF 02: TAX PLANNING AND MANAGEMENT

Max Marks: 60

Time: 3 hours

Instructions: Answer all questions by selecting any two parts from each question (Q.No. 1-4). Question No. 5 is compulsory. All questions carry equal marks.

1(a) Explain with reasons whether the following transactions attract income-tax in India in the hands of recipients?

i. Salary paid to Mr. David, a citizen of India 15,00,000 by the Central Government for the services rendered in Canada.

ii. Legal charges of 7,50,000 paid to Mr. Johnson, a lawyer of London, who visited India to represent a case at the Supreme Court.

iii. Royalty paid to Rajeev, a non-resident by Mr. Mukesh, a resident for a business carried on in Sri Lanka.

iv. Interest received of 1,00,000, on money borrowed from France, by Ms. Dyana, a non-resident for the business at Bangalore.

v. Mr. X has received gift of 6,000 in cash on his birthday from each of his eleven friends.

vi. On the occasion of her marriage on 07.09.2018, Neha has received 1,20,000 as gift out of which 85,000 are from relatives and balance from friends. (6)

1(b) Mr. Ajay has incomes as given below:

-Income under the head house property 15,00,000

-Gift of a painting from a friend with market value 2,00,000

-Gift of shares and securities from Mrs. X valued 3,00,000

-Income under head salary 3,00,000

He has paid advance tax as given below:

Upto 15th June 2018 15,000, Upto 15th Sept 2018 30,000

Upto 15th Dec 2018 50,000, Upto 15th March 2019 60,000

Balance amount of tax was paid and return of income was filed on 10th

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1(c) Mr. X owns a residential house in Delhi. The house is having two identical units. First unit of the house is self-occupied by Mr. X and another unit is rented for 55,000 p.m. The rented unit was vacant for three months during the year. The particulars of the house for the previous year 2018-19 are as under:

Standard Rent	11,20,000 p.a.
Municipal Valuation	10,44,000 p.a.
Fair Rent	11,35,000 p.a.
Municipal tax paid by Mr. X	12% of the Municipal Valuation
Light and water charges	800 p.m.
Interest on borrowed capital	2,000 p.m.
Insurance charges	3,500 p.a.
Painting expenses	16,000 p.a.

Compute his income and tax liability of Mr. X for the assessment year 2019-20. (6)

2(a) Mrs. X has let out one residential house property @ 1,00,000 p.m. and she has paid municipal tax of 1,00,000. She has taken a Medi-claim policy on 17.07.2018 in the name of Mr. X and paid premium of 18,000 by cheque. She has incurred 21,000 on the treatment of her brother who is dependent on her and suffering from severe disability. She has purchased N.S.C. in P.Y. 2016-17 and there is accrued interest of 30,000 and also there is accrued interest of PPF 10,000. She has taken Jeevan Suraksha Policy in the name of Mr. X and paid premium of 19,000. She has taken a loan in 2012-13 from SBI for the education of his son who is studying in B.com (Hons) in SRCC and she had paid principal amount of 60,000 and interest 10,000 in P.Y. 2018-19. She has Agricultural Income 1,00,000
Compute her Income Taxable Income for the A.Y. 2019-20. (6)

for the Assessment Year 2019-20. Assuming employee not covered under Payment of Gratuity Act 1972. (6)

5. Write short notes on the following:

- (a) Tax deducted at source
- (b) Tax Planning, Tax Avoidance and Tax Evasion
- (c) Treatment of depreciation under income from Business/Profession (3*4=12)

Table 1:

Cost Inflation Index	
Financial year	Cost Inflation Index
2001-2002	100
2002-2003	105
2003-2004	109
2004-2005	113
2005-2006	117
2006-2007	122
2007-2008	129
2008-2009	137
2009-2010	148
2010-2011	167
2011-2012	184
2012-2013	200
2013-2014	220
2014-2015	240
2015-2016	254
2016-2017	264
2017-2018	272
2018-2019	280

END

2(b) Mr. Atul has received income of 8,00,000 in connection with his business. Other information is as given below:

- He has donated 30,000 to a political party by cheque.
 - He donated 10,000 by cheque to Delhi University notified under section 80G
 - He paid premium of medi-claim policy 6,000 by cheque in the name of his major married independent son.
 - LIC premium paid 25,000 on 15.01.2019 (Policy value 1,00,000)
 - Repayment of housing loan to Indian Bank 50,000
 - Payment made to LIC pension fund notified under section 80CCC 20,000
- Compute income tax liability for A.Y 2019-20. (6)

2(c)(i) Mr. X, a mentally retarded minor, has a total income of 1,20,000 for the assessment year 2019-20. The total income of his father Mr. Y and of his mother Mrs. Y for the relevant assessment year is 2,40,000 and 1,80,000 respectively. Discuss the treatment to be accorded to the total income of Mr. X for the relevant assessment year.

2(c)(ii) Mr. X has transferred through a duly registered document the income arising from a godown, to his son, without transferring the godown. In whose hands will the rental income from godown be charged? (2*3=6)

3(a) The following are the details relating to Mr. John, a resident Indian, aged 57, relating to the year ended 31.03.2019:

Income from salaries	2,20,000
Loss from house property	(1,90,000)
Loss from cloth business	(2,40,000)
Income from speculation business	30,000
Long-term capital gains from sale of urban land	2,50,000
LT capital loss from sale of listed shares (STT paid)	90,000
Loss from card games	(32,000)
Income from betting	45,000
Life insurance premium paid	1,20,000

Compute the total income and how the items eligible for carry forward. (6)

3(b) (i) Mr. X submits his return of income on 12.09.2019 for AY 2019-20 consisting of income under the head house property and other sources. On 21.01.2020, he realized that he had not claimed deduction under section 80TTA in respect of his interest income on the Savings Bank Account. He wants to revise his return of income, since one year has not elapsed from the end of the relevant Assessment Year. Discuss.

(ii) Mr. Atal, a super senior citizen, has reported a Gross Total Income 5,60,000 and the deductions eligible under Chapter VI-A amounting to 70,000 for the previous year 2018-19. Is he liable to file his return of income u/s 139(1) for the Assessment year 2019-20? If so Why?

(iii) Mr. Kamal filed his Return of Income for the Assessment Year 2019-20 on 30-03-2020. Can he revise such return of income? If so Why? (3*2=6)

3(c) Mr. A (Date of birth 01.10.1946) has purchased one house on 01.04.1995 for 4,00,000 and incurred 2,00,000 on its improvement on 01.10.1998. Its market value on 01.04.2001 was 3,00,000. This house was acquired by the Government on 01.10.2013 and the compensation fixed was 50,00,000 and the Government has paid half of the compensation on 01.10.2018 and balance half on 01.10.2019. The assessee has filed an appeal for increasing the compensation and the court has given decision on 31.03.2020 directing the Government to pay additional compensation of 5,00,000. The Government has paid half of the amount on 01.04.2021 and balance half on 01.04.2022. He has invested 72,000 in NSC in previous year 2018-19. Compute assessee's tax liability for the assessment year 2019-20 and also capital gains for various years. (6)

4(a) Fill in the blanks (cost inflation index is given on page no. 6):

i. Mr. X acquires 200 shares of a company on 1.5.2014 at Rs. 50 each. On 9.11.17, the company allotted bonus shares in ratio of 1:1. The fair market value as on 31.1.18 was Rs. 220. Now on 3.7.18, X sells all his

shares for Rs. 250. In this case, CG on bonus shares will be _____

ii. ABC Ltd. has one plant and machinery on 01.04.2018 with w.d.v 6,00,000 and it was acquired by the company on 01.04.2007 and the plant was sold on 01.01.2019 for 11,00,000 and selling expenses are 30,000, in this case, capital gains shall be _____

iii. X converts his capital asset (acquired on June 10, 2008 for 60,000) into stock-in-trade on March 10, 2014. The fair market value on the date of the above conversion was 3,00,000. He subsequently sells the stock-in-trade so converted for 4,00,000 on June 10, 2018. in this case, capital gains shall be _____ (6)

4(b) Mr. X is employed in ABC Ltd. getting basic pay 41,000 p.m., dearness allowance 7,000 p.m. (10% of the dearness allowance forms part of salary for retirement benefits). The employer has paid commission of 3,000 p.m. and has allowed him medical allowance 400 p.m. The employee was paid house rent allowance 6,000 p.m. The employee has paid rent of 5,000 p.m. The employer has discontinued payment of house rent allowance with effect from 01.09.2018 and has provided him rent free accommodation with effect from 01.11.2018. The accommodation was owned by the employer and the population of the place is 4,00,000. The employee was allowed arrears of salary 10,000 and advance salary 20,000. The employee was also provided furniture with effect from 01.01.2019. Its original cost is 1,00,000 and written down value is 35,000. Compute employee's Tax Liability for the Assessment Year 2019-20. (6)

4(c) Mr. XYZ is employed in ABC Ltd. getting basic pay 22,000 p.m., dearness allowance 5,000 p.m. He was retired on 21.12.2018. The employer has allowed him pension of 9,000 p.m. and the employee has requested for commutation of 52% of his pension. The employer has allowed him such commutation on 01.02.2019 and has paid 5,61,600. The employer has paid him gratuity of 6,95,000 and employee has completed service of 20 years and 11 months. Compute Tax Liability