



LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

M.Com. DEGREE EXAMINATION – COMMERCE

SECOND SEMESTER – APRIL 2017

CO 2953- BUSINESS TAXATION

Date: 03-05-2017
Time: 01:00-04:00

Dept. No.

Max. : 100 Marks

SECTION – A

Answer ALL questions

(10 x 2 = 20)

1. Define the term 'person' under the Income Tax Act.
2. State whether the following items are deductible or not and why:
 - (a) Fees paid to the lawyer for drafting partnership deed.
 - (b) Brokerage paid for raising a loan.
3. What is the provision involved in identifying the residential status of a HUF?
4. Define 'net wealth' under the Wealth Tax Act.
5. State with reasons, whether the following constitute assets chargeable to Wealth Tax.
 - (i) Agricultural farm house situated 26 kms outside the municipal limits of Madurai.
 - (ii) a cash balance of Rs. 1,50,000.
6. Differentiate direct tax from indirect tax.
7. What is 'remission of duty' under Excise duty?
8. The selling price of a product inclusive of excise duty @ 12% is Rs.2,800 per article. If 100 articles are produced and sold, compute the (i) assessable value, and (ii) total excise duty payable.
9. A person after about 26 years stay in India, returned to England in April 2014 and returned to India on 15th February 2016 to take up a salaried appointment. What is his residential status for the previous year 2015-16?
10. Workout the taxable income for assessment year 2016-17 of a partnership firm:
 - (i) net profit of Rs.3,65,000 arrived at after debiting interest on capital of partners of Rs.1,80,000 and salaries to working partners of Rs.4,80,000;
 - (ii) total capital of the partners on which interest paid as debited in the profit and loss account was Rs.10,00,000.

SECTION – B**Answer any five questions****(5 x 8 = 40)**

11. Give a brief account of the provisions relating to 'depreciation' under the head Profits and gains from business or profession.
12. The total income of XY Co. Ltd. computed under the normal provisions of Income Tax Act is Rs.2,50,000. However, the Book profits of the company calculated as per section 115JB amount to Rs.8,15,000. Calculate the tax liability of company for assessment year 2016-17.
13. List out the ten circumstances under which the central government may absolutely prohibit import or export of goods.
14. How the manufacturing provisions relating to registration and the related exemption under the Central Excise.
15. What do you mean by customs value? What are the key elements used to determine the value?
16. Mr. Suman is carrying on agency business. From the following information, compute his income from business for the assessment year 2016-17:

- (a) Commission earned at 6% on total sales of Rs. 4,00,000 from Lever Ltd.
- (b) Commission earned at 5% on total sales of Rs.3,00,000 from Bond Ltd.
- (c) Commission earned at 4% on total sales of Rs.2,00,000 from Glaxo Ltd.
- (d) Commission earned at 7% on total sales of Rs.5,00,000 from PG Ltd.

Commission received from Tata Co. for termination of their agency Rs.40,000.

Commission received from Godrej Co. at 8% on total sales of Rs.1,25,000.

He paid compensation to Bhat Co. Rs.10,000 for getting some modification in the terms of agency agreement with them.

The following expenses have been incurred:

Rent of the building Rs.16,000. Salary to staff Rs.15,000. Advertisement Rs.25,000. Printing and stationery Rs.12,000. Wages to labourers Rs.11,000. Income tax paid Rs.10,000. Income Tax appeal expenses Rs.3,000. Miscellaneous expenses Rs.14,000. Half of the building is used by him as his residence.

17. The net wealth of a firm consisting of three partners Mr.A, Mr.B and Mr.C having equal shares and a capital contribution of Rs.7,00,000, Rs.3,00,000 and Rs.2,00,000 respectively is as under:
- (i) Value of assets located outside India Rs.20,00,000
 - (ii) Value of assets located in India Rs.50,00,000
 - (iii) Debts incurred in relation to assets in India Rs.10,00,000

Determine the value of interest of the partners in the firm under the Wealth Tax Act.

18. Calculate the VAT liability from the following particulars -

Input worth Rs.1,00,000 were purchased within the State. Rs.2,00,000 worth of finished goods were sold within the State and Rs.1,00,000 worth of goods were sold in the course of inter-state trade. VAT paid on procurement of capital goods worth Rs.1,00,000 during the month was at 12.5%. If the input and output tax rate in the State are 12.5% and 4% respectively and the Central Sales Tax rate is 2%.

Show the total tax liability under the VAT.

19. Define Duty Drawback as per Customs Act. What are the conditions for claiming Duty drawback? Under what circumstances Drawback is not allowed? What is the procedure in claiming the Duty drawback?

20. M/s. Roy Traders Ltd. is a company has derived the following incomes:

| | |
|---|--------------|
| a) Profit from the manufacturing unit at Lucknow | Rs.4,80,000 |
| b) Profit from trading activities at Lucknow | Rs.1,20,000 |
| c) Interest on debentures issued by another company | Rs.32,000 |
| d) Dividend from a foreign company | Rs.12,000 |
| e) Profit from hotel business (Depreciation Rs.70,000) | Rs.2,45,500 |
| f) Royalty income received from foreign company | Rs.2,35,000 |
| g) Brought forward unabsorbed depreciation | Rs.39,000 |
| h) Book profit of the company as per sec.115JB | Rs.23,50,000 |

You are required to calculate total income and tax liability of the company.

21. Mr. John furnishes the following particulars of his assets and liabilities as on 31st March 2016:

| <u>Assets</u> | <u>Lacs.</u> |
|--|--------------|
| Residential house at New Delhi | 25 |
| Residential house at Agra | 15 |
| Plot of land at Mumbai | 60 |
| House at New Delhi, used for his business | 15 |
| Commercial complex at Agra | 20 |
| Residential house at Chennai, let out for 335 days during the year | 10 |
| Motor car used in business of running them on hire | 20 |
| Shares in private company | 25 |
| Cash in hand | 3 |
| Gold jewellery | 12 |
| <u>Liabilities</u> | |
| Loan borrowed for purchase of land at Mumbai | 20 |
| Loan borrowed for purchase of shares in private Ltd. co | 10 |
| Loan borrowed for purchase of gold jewellery | 6 |

Compute the net wealth and the tax liability for the assessment year 2016-17.
