

# C.U.SHAH UNIVERSITY

## Summer Examination-2017

**Subject Name: Direct & Indirect Taxes**

**Subject Code: 5MS04DIT1**

**Branch: MBA**

**Semester: 4**

**Date: 12/04/2017**

**Time: 10:30 To 01:30**

**Marks: 70**

**Instructions:**

- (1) Use of Programmable calculator and any other electronic instrument is prohibited.
- (2) Instructions written on main answer book are strictly to be obeyed.
- (3) Draw neat diagrams and figures (if necessary) at right places.
- (4) Assume suitable data if needed.

### SECTION – I

- |            |  |             |
|------------|--|-------------|
| <b>Q-1</b> | <b>Attempt the Following questions</b>   | <b>(07)</b> |
|            | <p>a. Under which head of income interest received from fixed deposit will be taxable? <span style="float: right;">1</span></p> <p>b. Mr. X has received education allowance of Rs.3700 p.a for his two children find out exempted education allowance <span style="float: right;">1</span></p> <p>c. State the conditions to be fulfilled to be a resident <span style="float: right;">1</span></p> <p>d. Give one example of tax management <span style="float: right;">1</span></p> <p>e. State any two partly agricultural income <span style="float: right;">1</span></p> <p>f. Give one example of artificial judicial person <span style="float: right;">1</span></p> <p>g. State the previous year for Mr. X if he starts business on Date 01/02/2017 <span style="float: right;">1</span></p> |             |
| <b>Q-2</b> | <b>Attempt all questions</b>   | <b>(14)</b> |
|            | <p>a State ways of tax planning with reference to place of business <span style="float: right;">7</span></p> <p>b Explain - 'Tax avoidance and tax evasion are different' <span style="float: right;">7</span></p>   |             |
| <b>OR</b>  |  |             |
| <b>Q-2</b> | <b>Attempt all questions</b>   | <b>(14)</b> |
|            | <p>a State any seven incomes on which tax is not payable <span style="float: right;">7</span></p> <p>b Explain block of asset method of calculating depreciation with imaginary figures <span style="float: right;">7</span></p>   |             |
| <b>Q-3</b> | <b>Attempt all questions</b>   | <b>(14)</b> |
|            | <p>a Option I- Mr. X is a proprietor having a total income of Rs.18, 00,000. <span style="float: right;">7</span></p>  |             |

Option II- Mr. X and his major son Mr. Y were partners in a firm XY & Co.net profit of the firm before interest & salary to partners Rs. 18, 00,000. Capital invested in firm by Mr. X and Mr. Y was Rs.2, 50,000 respectively. .(presuming permissible salary equally to both partners & interest is to be paid to partners) find out under which form of organization tax liability in total will be



minimum for A/Y 2017-18.

- b** Mr X was having retail business below is the information for A/Y 2017-18. Sale of Rs.90,00,000 , cost of goods sold Rs.60,00,000 , other expenses Rs. 23,00,000 ,LIC premium paid Rs. 1,20,000 on his life, PPF paid Rs. 40,000 Find out net income to be shown under sec 44AD,also find out tax payable by him 7

**OR**

- Q-3 a** From the following information compute tax credit available under section 115JAA and tax payable by it for various assessment years. 7

Assessment years	Book profit as per 115JB	Total income as per I T Act
2008-09	60,00,000	10,00,000
2009-10	80,00,000	12,00,000
2010-11	1,20,00,000	24,00,000
2011-12	1,00,00,000	65,00,000
2012-13	30,00,000	10,00,000
2013-14	60,00,000	90,00,000

Tax on book profit up to A/Y 2009-10 was 10% thereafter 15%, tax as per income tax is 30%, (Surcharge of 10% if income exceeds Rupees 1 crore) and 3 % cess is chargeable.

- b** Mr. X has two house property one is self occupied on which municipal tax of Rs. 14,000 p.a is paid over and above interest to bank @ 10% on loan of Rs. 5,00,000 is paid. 7

Second house is rented at a monthly rent of Rs.18, 000, municipal tax of Rs. 16,000 p.a was paid by tenant. He had paid interest on loan for the said house of Rs. 40,000 p.a and repairing for the house Rs. 19,000 p.a. He was having a job with a monthly salary of Rs. 25000. He was getting examiner remuneration of Rs. 24000 p.a Calculate tax payable by him for A/Y 2017-18.

## SECTION – II

- Q-4 Attempt the Following questions** (07)

- a.** State any one service on which service tax is not chargeable 1
- b.** What is meant by arm length price? 1
- c.** Name any two managerial decisions with respect to tax planning 1
- d.** State the formula for calculating EPS & P/E Ratio 1
- e.** State two modes of granting relief under ADT agreement 1
- f.** State the rate of krishi kalyan cess as per service tax 1
- g.** State any three names of indirect tax 1

- Q-5 Attempt all questions** (14)

- a** Write a detailed note on advance ruling 7
- b** State various situations under which two enterprises shall be deemed to be associated enterprise 7

**OR**

- Q-5 a** Short note : Registration procedure in VAT 5
- b** Who may be regarded as agent? 5
- c** State the provisions of tax planning with respect to sale of scientific research assets. 4



**Q-6**

**Attempt all questions**

**(14)**

- a** X Ltd. is currently considering a major expansion of its production facilities and the following alternatives are available. **7**

Particulars	Alternative 1	Alternative 2	Alternative 3
Equity share capital(of Rs. 10 each)	10,00,000	5,00,000	3,00,000
8% debentures	-	3,00,000	2,00,000
12% loan	-	2,00,000	5,00,000

Expected rate of return (before interest and tax) is 30%.Presume income tax rate @ 30.90%. State which option company should opt on the basis of return to equity share holder .Also find out EPS in each of the three alternatives.

- b** X is a musician deriving income from concerts performed outside India of Rs. 8, 50,000.Tax of Rs.1, 70,000 was deducted at source in the country where the concerts were given. India does not have any agreement with that country for avoidance of double taxation. Assuming that the Indian income of X is Rs. 4, 50,000, what is the relief due to him under section 91 for assessment year 2017-18, assuming that X is resident of India and deposited Rs. 40,000 in public provident fund. **7**

**OR**

**Q-6**

**Attempt all Questions**

- a** X Ltd. is deciding to purchase one Asset for Rs.8, 00,000.Rate of depreciation is@ 20% by wdv method, life of the machine is 5 years, rate of income tax is 30.90%.if above machine is purchased (1) by own fund (2) on lease by paying Rs 2, 10,000 at the end of every year up to 5 years (3) Down payment of Rs 3,00,000 and balance at the end of 5<sup>th</sup> year, interest @ 10% on outstanding amount payable at the end of every year. Find out by which method of purchasing the machine will be profitable. Present value at 10% rate of interest is as under. (0909,.826,.751,.683,.621.) **7**

- b** Mr. X is employed at Bombay with a basic salary of Rs.12, 00,000 p.a Other taxable allowances is Rs.2, 00,000 p.a, Bonus is equal to one month basic salary. Company gives two option to Mr. X **7**  
Option I To give house rent allowance to Mr. X Rs.15, 000 p.m , he pays Rs. 20,000 p.m towards rent.  
Option II To provide rent free unfurnished house to Mr.X, house was not owned by the company, taken on annual rent of Rs. 1, 00,000 by the company.  
State which option will be beneficial to Mr.X.

