

Enrollment No: _____

Exam Seat No: _____

C.U.SHAH UNIVERSITY

Summer Examination-2018

Subject Name : Direct and Indirect Taxes

Subject Code : 5MS04DIT1

Branch: MBA

Semester : 4

Date : 24/04/2018

Time : 10:30 To 01:30

Marks : 70

Instructions:

- (1) Use of Programmable calculator & 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

Q-1 Attempt the Following questions (7)

- a. Who has been constituted to administer the Income Tax Act ?
- b. Sur charge on Income Tax goes to whom?
- c. What is the exemption limit for Super Senior Citizens for A.Y. 2018-19?
- d. How much rebate is allowed u/s 87A?
- e. What should be the TDS on Rs.9,500 P.a. interest on Government Securities?
- f. What is the limit of deduction u/s 80CCE?
What is the formula for calculating EPS & P/E
- g. Ratio?

Q-2 Attempt all questions:

- (a) Write a note on Tax Evasion & Tax Avoidance. (7)

- (b) Business profit of XYZ Ltd. engaged in manufacturing & growing tea in India is Rs. 120,00,000.
(before deduction u/s 33AB) for A.Y. 2016-17. It deposits Rs. 50,00,000 in NABARD for claiming deduction u/s 33AB. It wants to claim set off of brought forward business loss of Rs. 40,00,000. Find the taxable income of XYZ Ltd. For the A.Y. 2016-17. (7)

OR

Q-2 Attempt all questions:

- (a) State any seven exempted incomes under section 10 of Income Tax Act. (7)

- (b) ABC Ltd. Was incorporated on 31/12/2012 for manufacture of tyres & tubes for motor vehicles. The manufacturing unit was set up on 30/04/2013. The company commenced its manufacturing operations on



01/05/2013.

The total cost of plant & machinery installed in the unit is Rs.100 crores. The said plant & machinery included

Second hand plant & machinery bought for Rs.10 crores & new plant & machinery for scientific research

Relating to business of the assesses acquired at a cost of rs. 10 crores.

Compute the amount of depreciation allowed u/s 32 of Income Tax Act, 1961. in respect of the A.Y. 2014-15

Furnish explanation in support of your computation. (7)

Q-3 XYZ ltd. Requires an equipment costing Rs. 10,00,000. The same will be utilized over a period of 5 years.

It has two financing options in this regard:

(1) Arrangement of a loan of Rs. 10,00,000 @13% p.a., the loan being repayable in 5 equal year end instalments

The equipment can be sold for Rs. 1,00,000 at the end of fifth year.

(2) Leasing the equipment for a period of five years at an early rental of Rs. 3,30,000 payable at year end.

The rate of depreciation is 15% on WDV basis, Income tax rate is 35% and discounted rate is 12%. NPV rate at 12% is as under:

0.893, 0.797, 0.712, 0.636, 0.567

Advise which of the financing options should XYZ ltd, exercise & why? (14)

OR

Q-3 Attempt all questions:

(a) State the provisions of tax planning with respect to sale of scientific research assets & insurance compensation. (7)

(b) PQR furnishes the following particulars of his income earned during the previous year relevant to the assessment year 2017-18:

	Rs.
1. Interest on G.K. Development Bonds (one sixth is received in India)	27000
2. Income from agriculture in Burma, received there but later on remitted to India	3,20,000
3. Interest from property in U.K. received in India	2,30,000
4. Income earned from business in Japan which is controlled from Mumbai (Rs. 7,75,000 is received in india)	11,75,000
5. Interest on F.D. with Indian company but received outside India(Gross amount)	32000
6. Past profits from business in Japan brought to india in July, 2016.	1,50,000
7. Profits from a business in Mumbai & managed from outside India (50% of the profit is received outside India)	50,000

Find the Total Gross income of PQR for the A.Y. 2017'-18:

(a) If he is resident & ordinarily resident in India.

(b) If he is resident but not ordinarily resident in



India.

(c) If he is non resident in India. (7)

SECTION – II

Q-4 Attempt the Following questions (7)

- a. What is meant by Double Taxation Relief?
Name who will file application in form 34D & 34E of advance
- b. ruling
How much Swachh Bharat Cess is included in
- c. Service tax?
- d. Give full form of AAR.
- e. Give full form of OECD.
- f. Define transfer pricing.
- g. Who is to be covered by VAT?

Q-5 Attempt all questions: (7)

- (a) Explain the methods for computation of "Arm's Length Principle" in brief. (7)
- (b) How to file service tax return on what intervals & with whom? (7)

OR

Q-5 Attempt all questions: (7)

- (a) State the taxable income of Non Resident. (7)
- (b) Write a note on VAT. (7)

Q-6. XYZ Ltd., a company has share capital of Rs. one crore and is planning to invest an additional fund of Rs. 80 lacs towards its expansion programme. Suggest the best option from the following tax planning point of view: (7)

Option A: To issue share capital of Rs. 80 lacs.

Option B: To borrow Rs. 20 lacs @ 18% p.a. and to issue debentures of Rs. 20 lacs @ 11% p.a. and the balance amount be collected by issuing shares in the public.

Option C: To issue debentures for Rs. 50 lacs @ 11% p.a. and the balance be collected by issuing shares in public. Rate of return is 30% before paying any interest and tax and rate of tax is 33.063%.

- (b) R purchased an asset for scientific research for Rs. 15,00,000 in the previous year 2008-09. During the previous year 2015-16, the said asset ceased to be used for scientific research. The



following information is also submitted to you:

	Amount (Rs.)
Profit from business before depreciation	5,00,000
WDV of BOA as on 01-04-2015 (15%)	10,00,000
The scientific research asset if used for business shall be eligible for depreciation @ 15%.	
Compute the total income for the assessment year 2016-17, if the scientific research asset is sold for Rs. 28,00,000 assuming:	
a. It is sold without using for business;	
b. It is sold after using for business.	(7)
(CII for 2008-09 is 582 & for 2015-16 is 1081)	

OR

- Q-6.** Mrs. XYZ, an individual resident retired employee of the Prasar Bharti aged 60 years, is a well known dramatist deriving income of Rs. 1,10,000 from theatrical works played abroad. Tax of Rs. 11,000 was deducted in the country where the plays were performed. India does not have any Double Tax Avoidance Agreement u/s 90 of Income Tax Act, 1961, with that country. Her income in India amounted to Rs. 5,10,000. In view of tax planning, she has deposited Rs. 1,50,000 in PPF & paid contribution to approved Pension Fund of LIC Rs. 32,000. She also contributed Rs. 28,000 to Central Govt. Health Scheme during the previous year and gave payment to medical insurance premium of Rs. 26,000 to insure the health of her father, a non resident aged 84 years, who is not dependent on her. Compute the tax liability of Mrs. XYZ for the A.Y. 2018-19. (14)

