

03/11/18

[Time: 2 ½ Hours]

[Marks: 75]

- N.B.
1. Q. 1 is compulsory.
 2. Q.2 to Q.5 are compulsory with internal choice.
 3. Figures to the right indicate full marks.
 4. Workings should form a part of your answer.
 5. Use of simple calculator is allowed.



Q1A. Multiple choice questions [Answer any 08]

[08]

1. Under the head Income from Business or Profession, the method of accounting which an assessee can follow is:
a. Mercantile system b. Cash system c. either of (a) or (b)
2. Export incentives received by an assessee are:
a. Exempt b. Taxable as business income c. Exempt upto certain limit
3. The asset of a particular block is acquired and 'Put to use' during the previous year for less than 180 days, the assessee shall charge depreciation at:
a. Normal rate b. 50% of Normal rate c. No depreciation is allowed
4. Standard deduction under Section 24 (a) of Income from House property is:
a. 1/3rd of Net Annual value b. Rs. 30,000 c. 30% of Net Annual value
5. The quantum of deduction u/s 80U is
a. Rs. 80,000 b. Rs.75,000 c. Rs. 70,000
6. Very senior citizen u/s 80 D means attaining _____ years any time during the previous year.
a. 75 b.85 c.80
7. Annual interest accrued on NSC VIII issue shall be
a. exempt from tax b. taxable on receipt c. taxable on accrual basis
8. Profession tax deducted is allowed on _____.
a. Accrual basis b. payment basis c. both (a) & (b)
9. Tax allowed as deduction while computing the business income is
a. Wealth tax b. Income tax c. Sales tax
10. The amount of payment made in cash towards any expenditure is allowed as deduction upto:
a. Rs.25,000 b. Rs.20,000 c. Rs. 10,000

Q1B. State whether the following sentences are True or False [answer any 07]

[07]

- a. AOP consists of individuals only as members.
- b. Rent received from letting out any asset is income from house property.
- c. Income means any receipt in cash.
- d. Residential status is determined for Assessment year.
- e. Unrealised rent is deducted from Net Annual Value.
- f. Deduction under section 37(1) is allowed for expenses of capital nature.
- g. Amount brought to India out of past profits is taxed in the year of remittance.
- h. Advance against salary is taxable but advance of salary is not taxable.

- i. Income received by a software professional in UK from the Indian company is taxable in India.
- j. Charging section for business income is Sec.28

Q2. Mr. Atul who is totally blind is employed with XBTR Ltd. The details of his salary for the previous year 2017-18 are as follows: [15]

Particulars	Rs.
Basic Salary	8000 p.m.
Dearness Allowance	75% of Basic Salary
H.R.A [exempt amount Rs. 400/- p.m. u/s 10(13A)]	20% of Basic Salary
Entertainment allowance	2000 p.m.
Arrear Salary	5000
Advance against salary	6000
Contribution of employer to Recognised Provident fund in excess of prescribed limits	2300
Interest on recognised provident fund in excess of prescribed limits	780
Bonus equal to 2 months basic was declared	
Amount spent by him on entertainment	500 p.m.
Education allowance [exempt u/s 10(14) – Rs. 1200/-p.a.]	600 p.m.
Perquisite value of vehicle provided by employer for personal use	4000
Professional tax deducted from salary	200 p.m.
He paid medical insurance premium for himself and his wife by cheque	7000 p.a.

Compute the net taxable income for Assessment year 2018-19.

OR

Q2A. Mr. Jazz, an American citizen, furnishes the following particulars regarding his income earned during the previous year relevant to Assessment Year 2018-19. [07]

Sl. no.	Particulars	Rs.
1	Interest on Nepal Development Bond (1/3 received in India)	21,000
2	Income from Agriculture in Bangladesh	40,000
3	Rent from property in Japan received in USA	10,000
4	Income earned from business in London controlled from Delhi (Rs.15,000 received in India)	35,000

Find his Gross Total Income if he is (i) Resident and Ordinarily Resident (ii) Resident but Not ordinarily Resident (iii) Non- resident in India for the Assessment Year 2018-19.

Q2 B. [08]

Mr. Kumar retires from Aeroforbs Pvt. Ltd. on 30th June, 2017. He gets pension of Rs.28,000/- per month upto 31st January, 2018. With effect from 1st February, 2018 he gets 75% of pension commuted for Rs.126,000/- . Pension becomes due on last day of each month. Determine the taxable amount of pension under two circumstances:

- i. If he receives gratuity, and
- ii. If he does not receive gratuity.



Q3. Following is the Income and Expenditure Account of Dr. Ranveer. Compute his total taxable income for the Assessment Year 2018-19 [15]

Income and Expenditure Account for the year ended 31st March, 2018

Expenditure	Rs.	Income	Rs.
To Staff Salaries	120,000	By Consulting charges	400,000
To Dispensary expenses	67,500	By Visit fees	100,000
To Dispensary rent	60,000	By Gift from patients	40,000
To Purchase of Medicines	45,000	By Sale of Medicines at Dispensary	80,000
To Income tax	35,000	By Rent from House Property	120,000
To Professional fees to doctors	22,000		
To Car expenses (for professional purpose)	36,400		
To Membership fees	2,000		
To Municipal tax for rented house	12,000		
To Interest on Housing loan for rented house	18,000		
To Printing Charges	4,000		
To Depreciation	48,000		
To Charity	1,500		
To Surplus for the year	268,600		
	740,000		740,000

- Gift from patients include Rs. 1000/- from his father in personal capacity.
- Depreciation as per Income tax rules Rs.45,000.
- He paid Medical insurance by cheque – Rs.8,000/-.
- He purchased National Savings Certificates worth Rs.30,000 and paid LIC premium of Rs.60,000/-.
- He paid Rs. 20,000 to National Housing bank towards repayment of principal loan amount.

Compute the taxable income of Dr. Ranveer for the Assessment Year 2018-2019.

OR

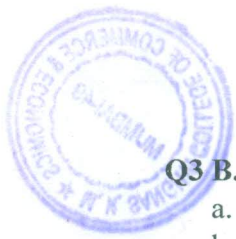
Q3 A. Mrs. Geeta purchased a house property Rs. 200,000 in the year 1970-71. [08]

The following expenses were incurred for the property:

- Cost of construction in the year 1978-79 – Rs150,000
- Cost of construction of the 1st floor in 2004-2005 – Rs. 350,000
- Alteration of House property in 2013-14 – Rs. 300,000
- Fair market value of the property on 1st April, 2001 is Rs.500,000/-. The house property is sold to Mr. Alok in the previous year 2017-18 for Rs.50,00,000/-
- Expenses incurred on transfer during the previous year Rs. 5,000/-

Compute capital gains for Assessment Year 2018-19.

[Cost of Inflation Index: 2001-02: 100; 2004-05: 113; 2013-14: 200; 2017-18: 272]



Q3 B. Ascertain the legal status of the following persons:

[07]

- Pune University
- Akruti Associates Pvt. Ltd.
- Thane Municipal Corporation
- Kalpana Co-op. Housing Society
- M/s Karuna & Associates (unregistered partnership)
- Palghar Gram Panchayat
- Master Satish, a lunatic

Q4. Mr. Munnar is the purchase manager of W.V. Pvt. Ltd. His net taxable income under the head Salaries is Rs. 136,000/-. Particulars of his other income are as follows:

[15]

Sl. No.	Particulars	Rs.
i.	Income from Units of Unit Trust of India	4,000
ii.	Income form Company deposit scheme	1,000
iii.	Dividend from Indian companies	4,000
iv.	Dividend from foreign company	2,000
v.	Interest on P.P.F A/c with SBI	1,500
vi.	Interest on Fixed deposits with Bank of Maharashtra	3,000
vii.	Interest on Central Government Securities	2,000
viii.	Contribution to LIC premium u/s 80 CCC	10,000
ix.	Deposit in P.P.F A/c made during the year	70,000
x.	Deposit made in 5 years Term Deposit with Schedule Bank eligible u/s 80C	30,000

He spent Rs. 49,000 on his wife who is severally disable as defined u/s 80DD. However, she has claimed deduction u/s 80U while computing her total income.

You are to compute his net taxable income for the Assessment Year 2018-19.

OR

Q4. Mr. Norman is a co-owner of a house property along with his brother.

[15]

Information regarding the house property is stated as below:

Particulars	Rs.
Municipal value of the Property	320,000
Fair Rent	300,000
Standard rent	340,000
Rent Received	30,000 p.m.

The loan for the construction of this house property is jointly taken and the interest charged by the bank is Rs.50,000 of which Rs. 42,000 has been paid. Interest on the unpaid interest is Rs.900. To repay this loan, Norman and his brother took another fresh loan and interest charged on this loan is Rs. 10,000. The Municipal tax of Rs.10,200 has been paid by the tenant.

Compute the income of Mr. Norman for the Assessment Year 2018-19 after considering the following details further:

- Interest accrued on Fixed Deposits with Banks Rs. 10,000/-
- Interest accrued on Public Provident fund Rs. 2,000/-
- Investment in Public Provident Fund Rs. 60,000/-
- Paid Rs. 25,000 by cheque as premium for medical insurance policy for self.



Q5. a. Explain in details items of income included in 'Profit in Lieu of Salary' under the head Income from Salary. [08]

Q5. b. What are capital assets u/s 2(14) of Income tax Act. Explain in details [07]

OR

Q5. Short Notes (Answer any 3) [15]

- a. Perquisites
- b. Exemption of Gratuity u/s 10(10)
- c. Residential Status
- d. Remuneration of partners u/s 40(b)
- e. Cost Inflation Index

