

LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

M.Com. DEGREE EXAMINATION – COMMERCE

SECOND SEMESTER – APRIL 2010

CO 2953 - BUSINESS TAXATION

Date & Time: 26/04/2010 / 1:00 - 4:00 Dept. No.

Max. : 100 Marks

SECTION – A

Answer ALL questions:

(10 x 2 = 20)

1. Give any two distinctions between 'Capital and Revenue Receipts'.
2. When is the closing balance of the block termed as short term capital gain and short term capital loss?
3. Enumerate the inadmissible expenses and inadmissible incomes considered in calculating 'Taxable Income under the head Profits and Gains.'
4. What items of wealth are exempt from wealth tax?
5. What is Duty Drawback under the Customs Act.
6. Mr. X, an Indian citizen, who is appointed as a taxation advisor by the Government of Uganda, leaves India for the first time on March 25, 2006 for joining his duties in Uganda. He is not maintaining any residential house in India. During the previous year 2008-09 he comes to India on leave for 85 days. Determine his residential status for the Assessment year 2009-10.
7. State whether the following items are deductible or not and why:
 - (i) Brokerage paid for raising a loan
 - (ii) Legal expenses paid to protect the building of the business
 - (iii) Rs.10,000 were snatched from the cashier on his way to the bank to deposit the amount.
 - (iv) Some paid to a labour leader to call off the strike
8. 200 Cycles were sold by ABC Ltd. to a related person M/s.XYZ at Rs.1,500 per cycle. M/s.XYZ sold these cycles to independent buyers at Rs.1,850 per cycle (prices exclusive of all taxes). The rate of Excise duty is 10%.
Determine the assessable value and the total duty payable
9. An importer, imported consignment of imported goods, chargeable to duty @ 40% ad valorem. The vessel arrived on 26.8.08. A bill of entry for warehousing the goods was completed and the goods were duly warehoused. In the meantime an exemption notification was issued on 15.10.08, reducing the effective customs duty to 25% ad valorem.
Thereafter, the importer filed bill of entry claiming 25% duty. The Custom Department charged higher rate of duty @ 40% ad valorem. Give your view about the same, discussing the relevant provisions of the Customs Act, 1962.
10. Mr. Z purchases input worth Rs.16,000 and records sales of Rs.21,000 in the month of January. Input tax rate and output tax rate are 4% and 12.5% respectively. Calculate VAT due to the Government.

SECTION – B

Answer any five questions:

(5 x 8 = 40)

11. Write a note on Remission of duty under Excise Duty.
12. Outline any eight reasons for prohibiting imports / exports
13. Highlight the salient features of White Paper on VAT
14. What are the assets and liabilities not included in net value of business assets under Wealth Tax Act?
15. From the following information compute the gross maintainable rent of the building:
 - (i) Rent received Rs.50,000 p.m;
 - (ii) Accepted deposit from the tenant Rs.10 lakh repayable Rs.1 lakh per quarter. It bears interest @ 12% p.a;
 - (iii) Actual interest paid on deposit to the tenant till valuation date Rs.92,000;
 - (iv) Annual value assessed by local authority is Rs.6,25,000

16. Thunder TV Ltd. is engaged in the manufacture of colour television sets having its factories at Bangalore and Pune. At Bangalore the company manufactures picture tubes which are stock transferred to Pune factory where it is consumed to produce television sets. Determine the Excise duty liability of the captively consumed picture tubes from the following information :

	Rs.
Direct material cost (per unit)	600
Indirect Material	50
Direct Labour	100
Indirect Labour	50
Direct Expenses	100
Indirect Expenses	50
Administrative Overheads	50
Selling and Distribution Overheads	100

Additional Information:

1. Profit Margin as per the Annual Report of the company for 1999-2000 was 15% before Income Tax.
2. Material Cost includes Excise Duty paid Rs.100.
3. Excise Duty rate applicable is 16%.

17. Compute the customs duty liability as per the provisions of the Customs Act, 1962 from the following information. Make suitable assumptions and indicate the same in your answer :

Product imported - 'X'

Total FOB value of the goods	US\$ 74,000
Quantity imported	100 Mts
Ocean freight	US\$ 10,000
Insurance	US\$ 740
Landing charges	1% of CIF value
Exchange rate	1 US\$ = Rs.37
Date of presentation of B/E	28.02.09
Date of Entry inwards of the vessel	03.3.09

Customs duty rates

Types of customs duty	As on 28.2.09	As on 3.3.09
i) Basic customs duty	30%	25%
ii) Special customs duty	2%	2%
iii) Countervailing duty	10%	8%

18. Sri. Y has the following incomes for the previous year ending on 31-3-09.

1. Income from salary in India from a company Rs.50,000
2. Dividend from a Indian company received in England and spent there Rs.10,000
3. Income from house property in India received in Pakistan Rs.20,000
4. Dividend from a foreign company received in England and deposited in a bank there Rs.10,000
5. Income from business in Kolkata, managed from USA Rs.20,000
6. Income from business in USA (controlled from Kanpur Head office) Rs.12,000
7. Income was earned in Australia and received there, but brought into India Rs.25,000
8. His maternal-uncle sent a bank draft from France as a gift to him on his marriage Rs.20,000

Compute the gross total income, if he is (i) Resident, (ii) Not Ordinary Resident and (iii) Non-Resident.

SECTION – C

Answer any TWO questions:

(2 x 20 = 40)

19. XYZ, is a partnership firm with X, Y and Z as partners sharing profits and losses equally. Z being the wife of X, carries on the business of commission agent. For the previous year, the profit and loss account discloses a net profit of Rs.2,00,000. The following information is available on examination of the books and records:

- a) Z became a partner by investing capital from her own resources. She actively engaged in the business;
- b) Salary of Rs. 6,000 was paid to Y;

- c) Interest of Rs.2,400 and Rs.2,000 was paid to X and Z on their respective capital;
- d) Z's godown was rented by the firm for which rent of Rs.3,000 was paid to her;
- e) Tax of Rs.10,000 was paid during the year by the firm.

The amounts noted in items no. (b), (c), (d) and (e) above were debited to P&L account. X has Rs.30,000 as his individual income. Y has computed income of Rs.17,000 from house property, Z's only other source of income is the godown let out to the firm of Rs.31,000 (computed) Determine (a) total income of the firm and (b) individual income of the partners.

- 20.** KML Ltd is a domestic company with a net profit of Rs.74,00,000 for the previous year after providing for taxation of Rs.3,50,000 but before providing for depreciation. The following are other particulars:

	Rs.
(i) Depreciation	4,70,000
(ii) Brought forward business loss	3,40,000
(iii) Net profit include the following	
Dividend from DBN Ltd.	60,000
Short term capital gain on sale of units	87,000
Following items have been debited to P&L account	
a) Expenses on maintenance of holiday home	32,000
b) Penalty levied for infringement of excise laws	12,000
c) Donation to National Defence Fund	14,000
d) Donation to approved institution	21,000

Compute the total income and tax payable by the company,

- 21.** A doctor has got the following assets and liabilities as on 31st March, 2009:

	Rs.
(1) House properties :	
(i) Self-occupied house	10,00,000
(ii) Let out for residential purposes for the whole PY.	12,00,000
(iii) Let out for residential purposes for 8 months and self-occupied for 4 months during P. Y.	8,00,000
(iv) House at Delhi used as clinic	23,00,000
(2) Surgical equipments	80,000
(3) Car in the name of his wife	1,80,000
He transferred shares worth Rs.2,00,000 to his wife without consideration. She sold the shares for Rs.3,00,000, purchased a car for Rs.1,80,000, spent Rs.20,000 on other items and deposited Rs.1,00,000 in a bank in her name	
(4) Balance in Public Provident Fund	40,000
(5) Life Insurance Policy which has become due on 1.3.2009	1,00,000
(6) Two parents, whose value is Rs.50,000 and Rs.1,00,000 respectively. The first patent has been given to a Scientific Research Association without consideration and the second has been given to a Drug Company in consideration of royalty	
(7) Medicines	50,000
(8) Bills outstanding for medicines purchased	20,000
(9) Cash in hand	1,50,000

Compute the Net Wealth of the doctor.
