 LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

**M.Com.** DEGREE EXAMINATION - **COMMERCE**

SECOND SEMESTER – APRIL 2011

# CO 2953 - BUSINESS TAXATION

Date : 07-04-2011 Dept. No. Max. : 100 Marks

Time : 1:00 - 4:00

**SECTION – A Answer ALL questions ( 10 x 2 = 20 )**

1. Define person as per Income Tax Act.
2. Give any four examples of inadmissible expenses under the head business and profession.
3. Identify any two differences between Direct Taxes and Indirect Taxes.
4. Define Factory under Excise Duty?
5. Give any four arguments in favour of Value Added Tax.
6. Sri. Y has the following incomes for the previous year ending on 31st March 2010.

Income from salary in India from a company Rs.50,000

Dividend from a Indian company received in England and spent there Rs.10,000

Income from house property in India received in Pakistan Rs.20,000

Dividend from a foreign company received in England and deposited in a bank there   
 Rs.10,000. Compute the GTI, if he is (i) ROR, (ii) RBNOR and (iii) NOR.

1. What are the assets exempt from Wealth Tax?
2. WDV of block of plant and machinery on 1-4-2009 was Rs.5,95,000. During the year 2009-10 a new item costing Rs.1,50,000 was acquired in May 2009 and an item was sold on 15-9-2009 for Rs.79,000. Calculate the WDV of the block of assets given the depreciation rate at 15% in relation to assessment year 2010-11.
3. Calculate the customs duty payable from the following details:

Customs Value (A.V.) of imported goods Rs.5 lakh, custom duty payable 60%. Had the goods been manufactured in India, the exercise duty payable would have been 20%.

1. Mr.Rao has a brand name PQ. He gets the goods manufactured from Mr.X under the brand name PQ at Rs.30 per article. Mr.Rao sold the goods at Rs.50 per article. Assuming that the rate of excise duty is 20%, compute the assessable value and excise duty payable.

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

**11.** Identify the points on which an individual is taxed as ROR, RBNOR and NOR.

**12.** What are the rules pertaining to registration of manufacturer under Excise Duty?

# 13. Briefly explain the salient features of White Paper on VAT

**14.** The total income of A Ltd. Computed under the Income Tax is Rs.5,00,000. However, the Book profit of the company calculated under section 115 JB amounts to Rs.24,50,000. Calculate the tax liability of company for assessment year 2010-11.

**15.** Discuss how the following items are to be dealt with in the Income Tax assessment:

(a) Payment in U.K. of salaries and interest amounting to Rs.80,000 and Rs.30,000 respectively without deduction of tax at source;

(b) income tax paid on behalf of a non resident in respect of whose income the assessee was assessed as agent;

(c)Expenditure incurred outside India to promote the sales of the company although no sale was made during the accounting year;

(d) Provision of Rs.2,80,000 for doubtful debts.

**16.** Compute the Net wealth and wealth tax liability of ABC (P) Ltd. for the assessment year:

1. Gold jewellory Rs.50,00,000
2. Stock of gold and silver Rs.20,00,000
3. Purchase of land for factory Rs.60,00,000
4. Motor cars Rs.5,00,000
5. Show room and business office Rs.18,00,000
6. Residential bungalow at Chennai Rs.20,00,000
7. Loan taken to purchase gold for trade Rs.15,00,000
8. Bonds of public sector co. Rs.20,000
9. Cash in hand as per cash book Rs.1,00,000

**17.** How much to pay as VAT, if the rate is 10% in the following cases –

(a) purchase price Rs.100 and sale price Rs.120

(b) purchase price Rs.200 and sale price Rs.250

**18.** A new industrial undertaking set up on 1-4-2009 has acquired following assets as per dates mentioned against each:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Assets | Date of acquisition | Date of use | Cost (Rs.) | Rate of depreciation |
| Machinery | 31.3.2009 | 5.9.2009 | 6,00,000 | 15% |
| Electric motor | 1-7-2009 | 1.10.2009 | 78,000 | 15% |
| Plant | 12.11.2009 | 15.12.2009 | 12,00,000 | 15% |

Calculate amount of written down value as on 1.4.2010.

**SECTION – C Answer any TWO questions ( 2 x 20 = 40 )**

**19.** From the following particulars compute the net wealth and wealth tax liability of a Resident Indian citizen :

|  |  |  |
| --- | --- | --- |
|  |  | Rs. |
| (1) | Self-occupied property | 14,00,000 |
| (2) | Let-out house property for residential purposes for the whole previous year | 15,00,000 |
| (3) | Let-out house property for residential purpose for eight months and self-occupied for four months during the previous year | 15,00,000 |
| (4) | Cash in hand | 1,70,000 |
| (5) | Jewellery held for personal use | 25,00,000 |
| (6) | Flat in Delhi used as business office | 10,00,000 |
| (7) | Shares in companies | 4,00,000 |
| (8) | Motor car for personal use | 1,80,000 |
| (9) | Fixed deposit in the name of minor son | 2,00,000 |
| (10) | Flat in London | 10,00,000 |
| (11) | Unused land in Chennai acquired on 1.6.2003 and held for industrial purpose | 10,00,000 |
| (12) | Loan taken for purchase of jewellery | 10,00,000 |

**20.** Aswath Pvt Ltd. furnish the following information:

Interest on securities (computed) Rs.10,000

Income from house property (computed) Rs.20,000

1. Textile manufacturing

Profit as per P&L account before depreciation Rs.2,00,000

Depreciation Rs.95,000

1. Hosiery manufacturing

Profit as per P& L account before depreciation Rs.75,000

Depreciation Rs.18,000

Agency business loss brought forward from 2003-04 Rs.18,000

Income from other sources Rs.25,000

Book profit u/s 115 JB Rs.7,00,000

Compute the total income and tax liability for the assessment year 2010-11.

**21.** A, B and C are partners in a firm assessed as firm sharing profits and losses in the proportion of 3:2:1. The firm’s profit and loss account for the year ended 31st March, 2010 showed a net profit of Rs.1,17,360 after debiting the following amounts:

1. salary of Rs.4,000 paid to C (only C is a working partner)
2. rent of Rs.9,000 paid to A for the portion of building owned by A in which the firm’s office was situated
3. interest on capital at 10% is Rs.1,000; Rs.2,000 and Rs.3,000 to A, B and C respectively
4. Commission on sale to B Rs.1,000
5. Expenses on current repairs of the business premises belonging to partner A Rs.1,000. The rent agreement does not contain any provision regarding repairs by the firm
6. Donation to approved bodies Rs.5,000

The net profit included Rs.10,400 from interest on government securities. Compute firm’s total income for the assessment year 2010-11.

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