III Semester M.B.A. (Day) Examination, January 2013
(2007-08 Scheme)
MANAGEMENT
F.3 : Tax Compliance and Management

Time : 3 Hours Max. Marks : 75

SECTION – A

1. Answer **any six** of the following. **Each** question carries **2** marks. **(6x2=12)**
   a) What do you mean by tax avoidance ?
   b) What do you mean by assessee in default ?
   c) What do you mean by green channel ?
   d) What do you mean by deemed dividend ?
   e) Differentiate between revenue expenditure and capital expenditure.
   f) What is safeguard duty ?
   g) Define cenvat credit.
   h) Differentiate between exemptions and deductions.

SECTION – B

Answer **any three** of the following questions. **Each** question carries **eight** marks. **(3x8=24)**

2. Differentiate between tax planning and tax management.
3. The following are the income of Mr. Satish for the previous year 2011-12 :
   a) Profit from business in Iran received in India Rs. 5,000 ;
   b) Income from house property in Iran received in India ₹ 500 ;
   c) Income from house property in Pakistan deposited in a bank there ₹ 1,000 ;
   d) Profits of business established in Pakistan deposited in a bank there ₹ 20,000 (Out of 20,000 a sum of 10,000 is brought into India) – this business is controlled in India ;
   e) Accrued in India but received in England ₹ 2,000 ;
   f) Profit earned from business in Kanpur ₹ 6,000 ;

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g) Income from agriculture in England – It is all spent on the education of children in London ₹ 5,000 ; and

h) Past untaxed foreign income brought into India during the previous year ₹ 10,000.

From the above particulars, ascertain the taxable income of Mr. Satish for the previous year 2011-12 (A.Y. 2012=13) if Mr. Satish is :

1) A resident

2) A not ordinarily resident and

3) A non resident.

4. An Indian resident goes to Nepal on tour. He purchases colour TV of Rs. 18,000, a laptop computer of Rs. 79,000 and hair dryer of Rs. 2,000 in a duty free shop in Nepal and brings the same to India. What is the duty payable ?

a) If he returns on 3rd day by air

b) If he returns on 3rd day by land route

c) If he returns on 11th day by air

d) If he returns on 11th day by land route.

5. Briefly explain service tax valuation rules.

6. For the assessment year 2012-13, compute income from house property on the basis of following information :

Municipal value of the house	₹ 40,000
Municipal tax paid	₹ 8,000

House was self-occupied-It contains two units. But one unit of the house was let out @ Rs. 2,000 p.m. from 1-10-2011. In respect of the house the following expenses were incurred :

i) Fire insurance premium	₹ 800
ii) Ground rent	₹ 1,000
iii) Land revenue	₹ 1,200

A loan of Rs. 40,000 was taken on 1st April 2007 at 15% P.A. for the construction of this house. The house was completed on 31st-5-2008 and only half of the loan was repaid on 31-3-2011.

SECTION – C

Answer **any two** of the following questions. **Each** question carries **twelve** marks. **(2×12=24)**

7. Smt. Mohani Devi is an employee of a private college (owned by a charitable institution registered U/s 12 AA) in Delhi, she is in the grade of ₹ 4,500-200-7,500 since 1st Jan. 2010. She gets ₹ 6,000 p.m. as dearness allowance and C.C.A. ₹ 200 p.m. She has been provided with a furnished accommodation by the college. The college is not the owner of this house. The rental value of the house is Rs. 3,000 p.m. and furniture costing ₹ 24,000 has also been provided by the college. She has been given a small car which in addition to college work, she used by her for her private purpose also. The driver's remuneration and all the expense relating to the use of the car are borne by the college.

   She has been provided with the facility of a gardener, a watchman and a servant who are paid by the college at Rs. 150 p.m., Rs. 1,200 p.m. and Rs. 800 p.m. respectively. She contributes 10% of her pay to the recognised provident fund, towards which the college contributes @ 8%. She paid employment tax ₹ 500 during the year.

   Assume that the salary becomes due on the first of the next month, determine her taxable income under the head 'salary' for the assessment year 2012-13.

8. An importer has imported a machine from UK at FOB cost of 10,000 UK pounds. Other details are as follows :

   a) Freight from UK to Indian port was 700 pounds
   b) Insurance was paid to insurer in India : Rs. 6,000
   c) Design and development charges of 2,000 UK pounds were paid to a consultancy firm in UK.
   d) The importer also spent an amount of Rs. 50,000 in India for development work connected with the machinery.
   e) Rs. 10,000 were spent in transporting the machinery from Indian port to the factory of importer.
   f) Rate of exchange as announced by RBI was Rs. 68.82 = one UK pound.
   g) Rate of exchange as announced by CBE & C (Board) by notification under Section 14(3) (a) (i) : Rs. 68.70 = one UK pound.
   h) Rate at which bank recovered the amount from importer : Rs. 68.35 = one UK pound.
   i) Foreign exporters have an agent in India. Commission is payable to the agent in Indian rupees @ 5% of FOB price.

   Customs duty payable was 10%. If similar goods were produced in India, excise duty payable as per tariff is 24%. There is an excise exemption notification which exempts the duty as is in excess of 14%. Education less is as applicable spl CVD is payable at applicable rates. Find customs duty payable. What are the duty refunds/benefits available if the importer is

   a) Manufacturer
   b) Service provider
   c) Trader.

9. Write short notes on **any two** of the following :
   a) Provisions governing the set-off of losses
   b) FBT
   c) Provisions for payment of tax by companies U/s 115 JB.

SECTION – D

Case Study **(Compulsory)** : **(1×15=15)**

10. The Profit and Loss A/c of X Ltd., a domestic company, for the year ending 31st March 2012 is given below :

P and L A/c

Particulars	₹	**Particulars**	₹
– Exp. related to goods manufactured	10,00,000	– Sale of goods manufactured by the company	16,00,000
– Exp. related to sale of other goods	8,20,000	– Sale of other goods	14,50,000
– Proposed dividend	8,05,000	– Long term capital gain	5,70,000
– Provisions for un-ascertained liabilities	40,000	– Amount withdrawn from General reserve	20,000
– General reserve	60,000		
– Income tax paid	30,000		
– Wealth tax paid	45,000		
– Net profit	8,40,000		
	36,40,000		**36,40,000**

Other relevant information are as follows :

1) An outstanding liability related to sales – tax for 2009-10 paid during 2011-12 ₹ 50,000, which was not charged to P & L A/c.
2) Brought forward loss as per books of account is ₹ 60,000 while the brought forward depreciation as per books of account is ₹ 80,000.
3) Brought forward unabsorbed depreciation is ₹ 4,60,000.
4) Brought forward loss under the head capital gain ₹ 3,50,000.

Compute the tax liability of 'X' Ltd. for the assessment year 2012-13.