

**2017****M.Com. 2nd Semester Examination****TAX LAWS AND PLANNING****PAPER—COM-203***Full Marks : 50**Time : 2 Hours**The figures in the margin indicate full marks.**Candidates are required to give their answers in their own words as far as practicable.**Illustrate the answers wherever necessary.***Unit - I****(Marks : 20)**

1. Answer any *two* of the following questions : 2×5
- (a) The book profits of a company in the previous year 2016-17, computed in accordance with Sec. 115 JB of the Income Tax Act, is Rs. 17,00,000. Its total income under the Income Tax Act for the same period is computed at Rs. 3,50,000. Is the company liable to pay 'Minimum Alternative Tax'? If yes, how much has to be paid? 5
- (b) Write short note on Sec. 80D. 5

*(Turn Over)*

(c) How do you determine the residential status of companies? 5

(d) What do you mean by "set-off and carry forward of losses"? Which losses can be carried forward?

$2 \times 2 \frac{1}{2}$

2. Answer any *one* question of the following : 1×10

(a) Siba Ltd., a closely held Indian company is engaged in the business of manufacture of paints in India. A profit and loss account for the year ending 31.3.2016 is given below :

Profit and Loss A/c

Dr.		(Rs. in lakhs)		Cr.	
		Rs.			Rs.
To	Salary and wages	7.50	By	Sales	48.00
"	Postage	0.40			
"	Interest paid for investment in AOP	2.00	"	Share of profit from AOP	9.00
"	Travelling	0.50			
"	Depreciation	5.00	"	Amount withdrawn from General Reserve	3.00
"	Income tax	4.00			
"	Wealth tax	0.10			
"	Excise duty due	1.00			
"	Provisions for future losses	0.60			

Dr.	(Rs. in lakhs)		Cr.
	Rs.		Rs.
" Proposed dividend	0.80		
" Loss of subsidiary company	0.50		
" Audit fee	0.25		
" Director remuneration	8.00		
" Deferred tax liability	1.35		
Net profit	28.00		
	60.00		60.00

Additional information :

- (1) The excise duty due on 31.3.2016 was paid on 2.12.16.
- (2) Custom duty of Rs. 1,20,000 which was due on 31.3.2014 was paid during the financial year 2015-16.
- (3) Depreciation as per income-tax is Rs. 11.43 lakhs.
- (4) The company wants of set off the following losses / allowances :

	For tax purposes Rs.	For accounting purposes Rs.
Brought forward loss of assessment year 2016-17	12,00,000	10,00,000
Unabsorbed depreciation	3,00,000	3,00,000

Compute the total income of the assessee and the tax liability for the assessment year 2016-17.

- (b) (i) Discuss the provisions relating to set-off and carry forward of losses of a closely held company.
- (ii) During the year ended 31.3.2017, Mr. Y has following income and the brought forward losses :

	Rs.
Short-term capital gains on sale of shares	2,60,000
Long-term capital loss of Assessment year 2014-15	90,000
Short-term capital loss of Assessment year 2015-16	80,000
Long-term capital gain	78,000
Loss from betting	1,20,000
Income from lotteries	2,00,000
Cost of lottery tickets purchased	10,000
Compute the taxable income for the assessment year 2017-18.	6+4

**Unit - II****(Marks : 20)**

**3. Answer any two questions from the following : 2×5**

(a) Purity Ltd. gives an initial estimate of its business income to be Rs. 6,54,000. However, due to a fire incident in its premise on 29th August, 2015, he revised his estimate downwards by Rs. 1,20,000. It is further mentioned that it earned a short-term capital gain of Rs. 1,50,800 on sale of NSE-listed equity shares on 25th November, 2015.

You are required to determine the minimum advance tax instalments to be paid by the assessee.

(b) Write a short note on tax deduction at source from lotteries and horse race winnings.

(c) Mrs. Preity Singh declared her taxable income to be Rs. 4,95,000 in the income tax return filed on October 12, 2016 relevant for the assessment year 2016-17. The advance tax instalments paid by her during the previous year were :

On 15th September : Rs. 4,800

On 15th December : Rs. 4,200

On 15th March : Rs. 7,500

Tax deducted at source : Rs. 1,200

The assessment got completed on January 11, 17 showing her income to be Rs. 5,20,000. You are required to compute interest under section 234A as per return and as per assessment.

- (d) Discuss the provisions of advance tax under the Income Tax Act.

4. Answer any *one* of the following : 1 × 10

- (a) (i) Health Ltd. wants to expand the production capacity of its health drink 'Nutrima' for which it is thinking of buying a machinery costing Rs. 7,00,000 (having a depreciation rate of 15% on written down value basis) which will be having a life of 6 years. The details regarding costs associated with manufacturing are given below :

Materials required per year : Rs. 5,10,000

Labour cost per year : Rs. 3,15,000

Additional annual security contract will cost :

Rs. 60,000

The annual production is expected to be 50,000 packets of the health drink.

Assuming that the cost of capital is 12% and the tax rate to be 30.9%, you are required to determine the effective cost per packet by producing it in the plant itself. How will your answer change if no new machinery is required to be purchased for the purpose ?

(ii) Write a short note on tax evasion. (5+1)+4

(b) (i) What is tax planning? Distinguish between 'tax planning' and 'tax evasion'. What is the need for tax planning?

(ii) Z Ltd. wants to raise capital of Rs. 20,00,000 for a project where earning before tax shall be 40% of the capital employed. The company can raise funds

@ 18% p.a. Suggest which of the following three alternatives should it opt for :

- (i) Rs. 20,00,000 to be raised by equity capital.
- (ii) Rs. 16,00,000 by equity and Rs. 4,00,000 by loans.
- (iii) Rs. 4,00,000 by equity capital and Rs. 16,00,000 by loans.

Assume the company shall distribute the entire amount of profit as dividend. (1+2+2)+5

*[ Internal Assessment — 10 ]*

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