

2018**M.Com.****2nd Semester Examination****TAX LAWS AND PLANNING****PAPER—COM-203****Subject Code—03***Full Marks : 50**Time : 2 Hours*

The figures in the right-hand 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* questions : 2×5
- (a) Explain the concept of MAT and its rationale. 5
- (b) Explain how is the residential status of a company determined under the Income Tax Act, 1961. 5
- (c) Discuss the provisions of the Income Tax Act relating to the carry forward and set-off of losses. 5

(Turn Over)

(d) Define the following :

(i) Indian Company ; and

(ii) Widely-held company.

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

2. Answer any *one* question :

1 × 10

(a) (i) From the following information submitted to you, compute the total income of P for the assessment year 2017-18 and calculate his tax liability assuming he is not allowed any deduction under sections 80C to 80U.

	₹
Income from Salary	3,00,000
Income from House Property	40,000
Business Loss	(-)1,90,000
Loss from a specified business referred to section 35AD	(-) 60,000
Short-term Capital Loss	(-) 60,000
Long-term Capital Gain	2,40,000

(ii) Prabhat Pvt. Ltd. submits the following information.

	Previous Year 2014-15	Previous Year 2015-16	Previous Year 2016-17
Business income/loss	(-) 150,000	(-) 250,000	(+) 5,00,000
unabsorbed depreciation	40,000	80,000	—
shareholding as on last day of previous year	P 35% Q 20% R 15% S 30%	P 35% Q 20% T 15% U 30%	P 35% Z 20% T 15% U 30%

Can the losses of previous year 2014–15 and 2015–16 be set off against the income of previous year 2016–17? Give explanation. 6+4

- (b) Alpha Ltd., a resident company, earned profit of ₹ 15 lakh after debit/credit of the following items to its statement of Profit and Loss for the year ended on 31.03.2017.

Items debited to the statement of Profit and Loss :

<i>Particulars</i>	<i>₹</i>
Provisions for loss of subsidiary	70,000
Provisions for doubtful debts	75,000
Provision for income tax	1,05,000
Depreciation	3,60,000
Penalty for infraction of law	50,000

Items credited to the statement of Profit and Loss :

<i>Particulars</i>	<i>₹</i>
Profit from unit established in SEZ	5,00,000
Share in income of an AOP as a member	1,00,000
Income from units of UTI	75,000
Long-term capital gains	3,00,000

Other Information :

- (i) Depreciation includes ₹ 1,50,000 on account of revaluation of fixed assets.
- (ii) Depreciation as per Income Tax Rules is ₹ 2,80,000.
- (iii) Balance of Statement of Profit and Loss shown in Balance Sheet at the asset side as at 31.03.2016 was ₹ 10 Lakh which includes unabsorbed depreciation of ₹ 4 lakh.
- (iv) The capital gain has been invested in specified assets under section 54EC.
- (v) The AOP, of which the company is a member, has paid tax at maximum marginal rate.
- (vi) Provision for income tax includes ₹ 45,000 of interest payable on income tax.

Compute minimum alternate tax under section 115 JB of the Income Tax Act, 1961, for A. Y. 2017-18.

Unit - II

(Marks : 20)

3. Answer any *two* questions : 2×5

(a) What are the differences between tax evasion and tax avoidance ?

(b) Frolic Ltd., a Kolkata-based company estimated its income from business to be Rs. 12,83,000 for the financial year 2016-17. In October 2016, the company received a bulk order from two new clients from Delhi. Accordingly, the income was revised upwards by Rs. 1,90,000 in November. In February next year, the company earned a short-term capital gain of Rs. 2,90,000 on sale of a plot of land.

You are required to determine the minimum advance tax instalments to be paid by the company as per advance tax provisions.

(c) Write a short note on tax deduction at source from lotteries.

- (d) Mr. Mahadeb, a salaried employee declares a taxable income of Rs. 6,58,950 for the assessment year 2017-18. The income includes a short-term capital gain of Rs. 28,350 on sale of 1000 units in a debt-oriented mutual fund earned on 25.8.2016. The income tax return is filed on 17.10.2017 and the assessment of income is completed on 19.4.2018 according to which the income is revised to Rs. 7,25,000 by an addition of Rs. 66,050 to the income from house property.

The advance tax instalments paid by the assessee are as follows :

September 15, 2016—Rs. 9,500

December 10, 2016—Rs. 10,200

March 12, 2017—Rs. 8,800.

The tax deducted at source is Rs. 3,420.

Based on the above information, you are required to calculate interest under section 234A as per assessment.

4. Answer any one question :

1×10

- (a) (i) Mrs. Anita Agarwal, aged 52 years declares the following income to her employer for the assessment year 2017-18 :

Income from salaries : Rs. 7,25,000

Income from house-property by renting two properties in Midnapore : Rs. 2,10,000

Income from consultancy services : Rs. 45,000

Long-term capital loss : Rs. 45,600

TDS from rental income and consultancy fees is at the rate of 10%.

You are required to compute the tax that should be deducted from salaries.

- (ii) Write down the provisions of interest under section 234B.

6+4

- (b) (i) In November, 2016, Kaizen Ltd. is planning to purchase a machinery (which qualifies for additional depreciation) costing ₹ 20,00,000 (depreciation rate – 10% on WDV basis). The asset has an expected life of seven years.

There are two options for purchasing the asset :

First option : To buy it using 100% own funds.

Second option : To get 40% financing from a nationalized bank at an interest rate of 14% for the period of the asset and the rest to be contributed from own funds.

Assuming that the cost of capital is 15% and tax rate is 30.9%, you are required to suggest the better option. Show detailed calculations.

- (ii) What is tax planning?

7+3

[Internal Assessment — 10 Marks]