

2013

M. Com.

3rd Semester Examination

CORPORATE DIRECT TAXES

PAPER — COM-302

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 of the following : 5×2

- (a) Write a short note on tax planning and tax evasion.
- (b) Explain the term 'Indian Company'.
- (c) The following information is given to you by Attractive Ltd.—

Book profit Rs. 40,00,000.

Taxable profit Rs. 27,00,000

You are required to determine the tax liability of the company for the assessment year 2013-14.

(Turn Over)

Assume that in the next two assessment years, the profit figures will be as follows :

Assessment Year	Taxable Profit (Rs.)	Book Profit (Rs.)
2014-15	35,00,000	45,00,000
2015-16	32,50,000	25,80,000

How would you apply the provisions of MAT credit ?
3+2

- (d) You are required to determine the book profit of Mervelous Ltd. for the assessment year 2013-14 on the basis of the following information :

Net profit as per Profit and Loss Account—Rs. 29,25,000

A list of a few selected items which are posted in the financial statement is given below :

Some items on the credit side of the P/L Account include:

Transfer from General Reserve – Rs. 55,000

Transfer from Revaluation Reserve – Rs. 77,770

Some item on the debit side of the P/L Account include:

Wealth Tax – Rs. 1,00,000

Income tax – Rs. 89,000

Transfer to Special Reserve (created in the year 2012-13) — Rs. 5,00,000 .

Provision for losses of Subsidiary A Ltd. — Rs. 3,25,000

Dividends paid – Rs. 1,75,000 (including interim dividend of Rs. 1,05,000)

Depreciation – Normal ; Rs. 50,000;

Due to revaluation ; Rs. 32,500

(The depreciation allowed as per Income Tax Rules is Rs. 95,000).

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

(a) (i) You are provided the following information by Mr. Amitava Basu about his incomes earned and expenditures incurred in the previous year 2012-13.

Income from salaries – Rs. 5,40,000

Income from house property –

House A : Rs. 36,000 (loss)

House B : Rs. 12,000

There is a carried forward loss from house property (arose in the assessment year – 2005-06 in which no return of loss was filed) – Rs. 18,750

Income from business 1 (speculative)– Rs. 45,000

Loss from business 2 (non-speculative)–Rs. 88,890

Income from 'Capital Gains' :

Long-term capital gain – Rs. 1,75,000

Short-term capital loss – Rs. 1,09,500

There is a total brought forward capital loss of Rs. 68,000 as per the taxation books. Of this, Rs. 31,500 relates to the assessment year 2004-05 and the balance to 2009-10 (in which a belated return was filed).

Income from lotteries (net) – Rs. 14,700

Interest income – Rs. 2,500

You are required to determine the gross total income of the assessee for the assessment year 2013-14.

(ii) Discuss in brief the provisions relating to set-off of unabsorbed business loss beyond eight assessment years. 7+3

- (b) Mrs. Priyanka Chowdhury, aged 49 years, reveals the following information to you about the incomes and investments made by her during the previous year 2012-13.

Particulars of income

Income from Salaries – Rs. 9,50,000.

Long term capital gain on sale of property – Rs. 42,850

Loss on the sale of units of Principal Mutual Fund – Rs. 30,000.

Dividend received on the above Mutual Fund units – Rs. 2,500.

Interest on Saving Account Deposit – Rs. 6,240.

Particulars of investments/expenses

Insurance premium paid on the life of her daughter, aged 24 years who got married in 2010 and is not dependent on her parents – Rs. 4,500 (Sum assured – Rs. 25,000).

Premium on ULIP taken in the name of another daughter, aged 35 years who is also married – Rs. 12,500 (Sum assured – Rs. 50,000).

Repayment of loan taken from Public Provident Fund – Rs. 40,000.

Contribution towards Statutory Provident Fund – Rs. 15,500.

Part payment towards the cost of purchase of house property for the residence of family and self – Rs. 60,000.

Tuition fees paid for the education of the servant's daughter – Rs. 900.

Fixed deposit for three years with UCO Bank, Midnapore Branch – Rs. 45,000.

Notified bonds of infrastructure company – Rs. 5,000.

Maintenance cost incurred for the well-being of :

(a) Her sister (disability is 75%) – Rs. 38,500 and

(b) Sister-in-law – Rs. 15,000 (disability is 30%) who are wholly dependent on her.

Cost of medical treatment of her husband working in a private firm – Rs. 4,560. The mentioned treatment was for a specified disease as prescribed by the Board.

Additional information :

1. In respect of the Principal Mutual Fund units as given above, the following dates are given :

Date of purchase : 05.06.2012

Date of sale : 02.11.2012

Record date : 15.08.2012

You are required to determine the tax liability of the assessee for the given assessment year. Give detailed workings.

10

Unit—II**[Marks : 20]**

3. Answer any two of the following : 5×2

- (a) Write a short note on revised return.
- (b) An assessee is required to mention the Permanent Account Number in the case of many transactions. You are required to mention five such transactions.
- (c) Write a short note on tax deducted at source.
- (d) Honesty Ltd. filed its return on December 30, 2013. The income as per return is Rs. 15,25,000.

The details regarding its pre-paid taxes is as follows :

Advance tax paid :

June 10, 2012 — Rs. 70,000;

September 13, 2012 — Rs. 1,02,350;

December 14, 2012 — Rs. 1,25,680;

March 15, 2013 — Rs. 54,390;

March 23, 2013 — Rs. 12,500;

Tax deducted at source — Rs. 40,000.

On completion of assessment on April 10, 2014, the income was revised upwards by Rs. 75,000.

You are required to determine the interest under section 234A as per assessment.

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

- (a) (i) Mr. Kuntal Mukherjee was declared winner of the 'Lucky Man' show which was organized on 1st January, 2013 by a local club in Kolkata. He won a Hyundai i10 car valuing Rs. 5,50,000 along with a cash of Rs. 1,00,000.

You are required to explain the tax treatment with respect to TDS and procedure of deducting the same.

- (ii) Exponential Ltd., a private limited company is willing to expand its operations in Eastern India. For the purpose, in the month of November 2012, it decided to purchase a new machine costing Rs. 10 lakhs (depreciation rate is 10%) having a life of five years. If the management follows the written down value method for the purpose of depreciation, you are required to determine the net cash outflow if the company uses its accumulated fund to finance the purchase. (Assume the cost of capital to be 15% and the corporate tax rate to be 30%).

- (iii) What are the aspects to be considered during tax planning relating to capital structure decisions?

3+4+3

- (b) (i) Casuals Ltd., at the beginning of the year 2012-13 estimates its profit and tax deducted at source to be Rs. 12,45,000 and Rs. 45,840 respectively. In the month of October 2012, it earned a lottery of Rs. 4,500. In the above case, you are required to determine the minimum amount of advance tax instalments to be paid so that no interest is required to be paid under section 234C.
- (ii) Discuss the provisions with respect to interest under section 234B.

6+4

[Internal Assessment : 10 Marks]
