

2022**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 - 1**

1. Answer any *two* questions : 2×2
- (a) Define the term 'book profit' in the context of Minimum Alternate Tax.
- (b) State the losses which can be carried forward.
- (c) *What do you mean by Place of Effective Management (POEM) of a company?*
- (d) Define the domestic company.

(Turn Over)

2. Answer any *two* questions : 2×4

- (a) Write short notes on :
- (i) Indian Company ; and
 - (ii) Company in which public is substantially interested.
- (b) Distinguish between long-term capital and short-term capital gain.
- (c) Mention any four deduction allowed U/S 80C.
- (d) Write down the provisions regarding set-off carried forward loss under the head 'Capital gain'.

3. Answer any *one* question : 1×8

- (a) (I) The profit as per the statement of profit and loss of XYZ Ltd., a resident company, for the year ended 31.03.2021 is ₹ 190 lacs arrived at after making the following adjustments :

<i>Particulars</i>	<i>₹ in lacs</i>
Depreciation on assets	100
Reserve for currency exchange fluctuation	50
Provision for tax	40
Proposed dividend	120

Following further information are also provided by company :

- (i) Profit includes ₹ 10 lacs, being dividend received from an Indian subsidiary company.
- (ii) Provision for tax includes ₹ 16 lacs of tax payable on distribution of profit and of 2 lacs of interest payable of income tax.
- (iii) Depreciation includes ₹ 40 lacs toward revaluation of assets.
- (iv) Amount of ₹ 50 lacs credited to statement of profit and loss was drawn from revaluation reserve.
- (v) Balance of statement of profit and loss shown in balance sheet at the asset side as at 31.03.2017 was ₹ 30 lacs which includes unabsorbed depreciation of ₹ 10 lacs.

Compute the book profit for the year ended 30.03.2021.

- (II) The gross total income of Mr. X for the A.Y. 2020-21 is Rs. 5,00,000. He has made the following investments / payments during the F.Y. 2017-18 :

<i>Particulars</i>	<i>Rs.</i>
Contribution of PPF	1,10,000
Payment of tuition fees for education of son and daughter studying in class VII and XI	45,000
Repayment of housing loan taken from SBI	20,000
Contribution to approved pension fund of LIC	1,05,000

Compute the eligible deduction under Chapter VI-A for A.Y. 2020-21.

- (b) Mrs. Sheela gives you the following information regarding her incomes / losses for the previous year 2020-21 and brought forward losses.

<i>Particulars</i>	<i>Rs.</i>
Salaries	5,62,000
Income from business	15,620
From Non-speculative businesses :	
Business A	2,15,000
Business B	(45,390)
Income from house property	1,55,800

<i>Particulars</i>	<i>Rs.</i>
Capital gains : Short-term capital gain	58,450
Interest income from :	
Savings account	3,940
1 year fixed deposit in a post office	18,900
Unabsorbed house-property loss relating during the assessment year 2020-21 (relating to which belated return was filed)	24,450
Unabsorbed business loss relating to non-speculative business B that arose in the assessment year 2019-20	6,890
Unabsorbed depreciation of Rs. 8,750 relating to non-speculative business B that arose in the assessment year 2017-18	3,150
Unabsorbed long-term capital loss relating to assessment year 2017-18 in which belated return was filed	24,520

You are required to compute the taxable income for the assessment year 2021-22.

Unit - 2

4. Answer any *two* questions : 2×2

- (a) What is tax avoidance ?
- (b) Mention the applicability of taxation provisions in the following cases :
 - (i) Long-term capital gain of Rs. 1,25,000 on sale of equity shares
 - (ii) Interest of Rs. 7789 on savings account
- (c) State the provisions of section 234A.
- (d) What is digital signature ?

5. Answer any *two* questions : 2×4

- (a) Write a short note on presumptive taxation.
- (b) Write down the provisions of tax deduction from salaries.
- (c) Lucy Ltd. gives you the following details about the costs incurred annually in producing 50,000 units of a product :

Particulars	Rs. (per unit)
Labour cost	6.00
Material cost	3.90
Other variable overhead	1.50
Rent of premises used for manufacturing	3.60
Other fixed overhead	8.00

The company is thinking of buying the product from a vendor who has agreed to supply at a unit price of Rs. 18.40. The management finds that if it buys the product, the premise on which rent is paid will no longer be required.

You are required to apply tax planning and suggest whether the company should make or buy the product.

- (d) Indicate with reasons whether the following acts can be considered as tax planning / tax evasion / tax avoidance :
- (i) Ananta deposits Rs. 15,000 in 5-year term deposit with a bank to avail tax deduction under section 80C. (Assume that the individual opts for determining the *tax liability* as per old regime).

- (ii) Amarendra uses a motor car for his personal use, but shows the expenses as expenses incurred for his business.
- (iii) Z Ltd. installed an air-conditioner at the residence of a director as per term of his appointment but treats it as fitted in quality control section in the factory.
- (iv) Investment made by Mrs. Kamala towards NPS

6. Answer any one question :

1×8

- (a) Mr. Dhoot filed his income tax return on November 15, 2021. The return showed an income of Rs. 6,95,000. The following advance tax instalments are paid by him during the previous year 2020-21 :

On 10th September :	Rs. 4,220
On 6th December :	Rs. 7,810
On 12th March :	Rs. 10,000
On 25th March :	Rs. 5,780
Tax deducted at source :	Rs. 3,540

The assessment got completed on March 21, 2022 showing his income to be Rs. 7,38,950. You are required to compute interest under section 234C as per assessment.

- (b) Growth Ltd. is thinking of purchasing a machine costing Rs. 15,00,000. It has two options in hand :
- (i) Purchase using a combination of owned fund (75%) and debt fund (25%), or
 - (ii) Take the asset on operating lease basis.

The details are given below :

- The life of machine is five years.
- The depreciation rate is 10% under written down value method.
- The machine qualifies for additional depreciation.
- The scrap value is Rs. 25,000.
- The tax rate is 31.2%
- The discount rate is 13%

The profit before depreciation and taxes every year is estimated to be Rs. 8,00,000. Under the lease agreement, the lease rentals amount to Rs. 6,00,000 that is payable at the end of the year.

Show necessary calculations to determine the better option.

[Internal assessment - 10]
