

M.Com. 2nd Semester Examination, 2023

INCOME TAX

PAPER —COM-203

Full Marks : 50

Time : 2 hours

The figures in the right hand margin indicate marks
Candidates are required to give their answers in their
own words as far as practicable

COM — 203.1

[Marks : 20]

1. Answer any *two* of the following : 5 × 2

- (a) Mr. Shubnam (aged 55 years) gives the following details about his income, investments and expenses for the A Y 2022-2023 :

Income from salaries : Rs. 34,00,000

Income from house property : Rs. 25,55,000

Interest from savings account : Rs. 17,350

Investment in PPF : Rs. 1,45,000

Mediclaim insurance paid in the policy of self : Rs. 15,000.

Compute his tax liabilities under the old tax regime. Show detailed calculations. 5

(b) Following are the details of incomes and losses of Mrs. Kushali (aged 45 years) during the PY 2021-2022 :

Salary income : Rs. 5,20,800

Income from house property :

Loss from house property 1 : Rs. 1,75,000

Income from house property 2 : Rs. 54,700

Income under the head 'Profits and gains from business or profession' :

Loss from speculative

business : Rs. 2,99,000

Profit from non-speculative

business : Rs. 2,75,500

Income under the head 'Capital gains' :

Short-term capital gain on sale of equity shares : Rs. 42,800

Long-term capital loss on sale of equity-oriented mutual funds : Rs. 34,600

Income under the head 'Income from other sources :

Interest from savings account : Rs. 8,900

Interest from fixed deposit : Rs. 56,000

It is further mentioned that following are the brought forward losses :

- * Short-term capital loss of Rs. 25,500 relating to the AY 2014-15.
- * Short-term capital loss of Rs. 5,230 relating to the AY 2017-18 for which belated return was filed.

On the basis of the above information, you are required to determine the total income of the assessee.

5

- (c) State the provisions under the Income Tax Act regarding set-off and carry forward of loss from business.

5

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

(a) (i) What do you understand by a domestic company ?

(ii) What is MAT credit ?

(iii) The tax on book profit for the previous year 2021-22 of SUN Ltd. was computed at Rs. 6,05,800 including surcharge and health and education cess as applicable as per provisions of section 115JB of the Income Tax Act, while its tax on total income computed under the normal provision of Income Tax Act is Rs. 5,72,300 including surcharge and health and education cess for the said previous year. You are required to examine the applicability of Sec. 115JB in case of SUN Ltd and also the amount of MAT credit available, if any under the Act.

3 + 2 + 5

(b) (i) Determine the status of the following persons :

(A) Vidyasagar University

(B) Kolkata Municipal Corporation.

(C) A partnership firm with A, B and C as partners.

(D) A family consisting of Mr. B, his brother Mr. C and Mrs. B.

(E) Reserve Bank of India.

(F) SBI Life Insurance

(ii) What do you understand by revenue receipt and capital receipt ? Explain with two examples for each.

(iii) Write down the provisions of section 80D.

3 + 4 + 3

COM – 203.2

[Marks : 20]

3. Answer any *two* of the following :

5 × 2

(a) Nature of business is related to tax planning.

Discuss.

5

(b) ABC Ltd., a domestic company in India, wants to raise capital to the tune of Rs. 20,00,000 for financing a project where the earning before tax is estimated at 30% of capital employed. The company has three alternative financing proposals as below :

Proposal -A : To raise entire finance by equity ;

Proposal-B : To raise finance by means of equity capital of Rs. 16,00,000 and balance Rs. 4,00,000 by way of debt finance on which 12% interest is payable ; and

Proposal-C : To raise finance by means of equity capital of Rs. 4,00,000 and by debt finance of Rs. 16,00,000 at 12% interest.

Assume corporate tax rate at 35% (including surcharge and health and education cess) and face value of each equity share to be Rs. 100. Advise the company as to the best financing proposal.

(c) What is presumptive taxation ? Compute the taxable income (profit) using its provisions in the following two cases :

(i) A businessman, engaged in garments has an estimated turnover of Rs. 180 lacs during the year of which one-fifth is received by way of account payee cheque, 5% in the form of account payee draft and the remaining by cash.

(ii) A business which is engaged in plying goods carriages has a turnover of Rs. 80 lacs of which receipts through digital transactions is 40% and the remaining 20% is in cash.

3 + 2

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

(a) (i) Kiln Ltd. estimated its total income for the previous year 2021-22 at Rs. 32,85,000 and paid the two instalments of advance tax duly. Thereafter, the company observed a sudden fall in its business income to Rs.

21,70,000 owing to COVID-19 impact. As a result, the company decided not to pay further advance tax because of sharp decline in its business income. Is the decision of the company viable in the eye of law ? Give reasons in support of your answer assuming the turnover of the company to be Rs. 2.50 crores.

(ii) What is best judgement assessment ? 6 + 4

(b) (i) Quick Ltd. is planning to buy a machine costing Rs. 15 lac (depreciation rate-10% on WDV basis) which has an expected life of four years. The company is considering the option to purchase the asset by using any of the two options :

(A) Purchasing it by using own funds, or

(B) Taking a five year loan from a nationalized bank at 11% interest rate for financing 70% of the asset cost and contributing the remaining from own fund.

Assuming that the salvage value is Rs. 50,000, cost of capital is 13% and corporate tax rate to be 25%, you are required to suggest the better option. Show detailed calculations.

(ii) Identify with reasons whether the following cases fall under tax planning, tax evasion or tax management :

- (A) Non-inclusion of rental income in the taxable income intentionally.
- (B) Timely payment of advance tax instalments by Mr. Z.
- (C) Submission of form 15G in time to avoid deduction of tax at source.
- (D) Routing of business transactions through a shell company created only for the purpose to reduce tax liability.

6 + 4

[Internal Assessment – 10 Marks]
