



PJ-513

III Semester M.Com. Examination, January - 2020
(CBCS Scheme)

COMMERCE

Paper - 3.5AT : Direct Taxes and Planning

Time : 3 Hours

Max. Marks : 70

SECTION - A

1. Answer **any seven** of the following sub-questions in about **3-4** lines each.
Each Sub-questions carries **two** marks : **7x2=14**
- What are the canons of Taxation ?
 - State the tax provision of section 80GGB of the Income Tax Act, 1961.
 - Distinguish between 'Tax Avoidance' and 'Tax Evasion'.
 - What is PAN ? What are its uses.
 - State the reason for introduction of MAT u/s 115 JB.
 - Differentiate TDS from Advance payment of taxes.
 - Name the different methods of Tax collection.
 - What is Best Judgement Assessment ? When is it applied ?
 - Mention any four Double taxation treaties which are entered by India.
 - State the specific managerial decisions regarding retain or replace.

SECTION - B

Answer **any four** questions of the following in about **one** page. Each question carries **5** marks : **4x5=20**

- Discuss the tax provision under section 80IC.
- Discuss in detail the provisions of Set off and Carry forward of Losses under Income Tax Act, 1961.
- What is Assessment ? Explain the types of assessment.
- Shri Bharath has estimated the following income for the financial year 2018-19 ;
 - Income from House Property (Taxable) - ₹ 75,000
 - Income from profession (Taxable) ₹ 7,07,500
 - Dividend from X Ltd. - ₹ 10,000Determine the instalments of Advance Tax payable.

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6. X Ltd., is engaged in the business of manufacture of software of since 2014. The company provided the details of the asset as on 01-04-2018, the following assets are acquired and put to use :-

Rate of Depreciation	Block 1 15%	Block 2 30%	Block 3 60%
Number of assets in the block	9	18	14
Depreciated value of the block on 1/4/2018	4,500	6,250	1,250
Additions of plants (new) during the previous year 2018-19			
Plant A	14,250	--	--
Plant B	--	1,000	--
Plant C	--	--	4,250
Sale of old plants (one plant in each block)	20	7,175	10,500

Plants A and C are acquired during May 2018 and put to use during September 2018. However, Plant B which is also acquired during May 2018 is put to use during the last week of March 2019.

Find out the following :

- (a) Additional and normal depreciation for the assessment year 2019-20.
 (b) Depreciated value of the blocks on April 1, 2019.
7. Calculate tax payable for each of the following years, giving effect for tax credit and set-off :

Assessment Year	Tax Liability ₹	Minimum Alternate Tax ₹
2016-17	8,00,000	10,00,000
2017-18	10,00,000	30,00,000
2018-19	15,00,000	25,00,000
2019-20	5,00,000	20,00,000
2020-21	9,00,000	1,00,00,000
2021-22	95,00,000	1,00,00,000

**SECTION - C**

Answer **any three** questions out of five. Each question carries **twelve** marks.

3x12=36

8. Is Tax planning is legitimate exercise and also discuss the scope of Tax Planning.
9. Discuss the tax holidays in respect of profits and gains from certain undertakings involved in infrastructure development undertaking u/s 80IA.
10. X Pvt. Ltd., a closely-held Indian company, is engaged in the business of manufacture of chemical goods (value of plant and machinery owned by the company is ₹ 55 lakhs). The following information for the financial year 2018-19 is given :

	₹
Sale proceeds of goods (domestic use)	22,23,900
Sale proceeds of goods (export sale)	5,76,100
Amount withdrawn from general reserve (reserve was created in 1996-97 by debiting P&L A/c	2,00,000
Amount withdrawn from Revaluation Reserve)	1,50,000
Total	31,50,000
Less : <u>Expenses</u>	
Depreciation (normal)	6,16,000
Depreciation (extra depreciation because of revaluation)	2,70,000
Salary and wages	2,10,000
Wealth-tax	10,000
Income-tax	3,50,000
Outstanding custom duty (not paid as yet)	17,500
Proposed dividend	60,000
Consultation fees paid to a tax expert	21,000
Other expenses	1,39,000
Net Profit	14,56,500



Additional Information :

- (a) For tax purposes the company wants to claim the following :
- Deduction under section 80-IB (30% of ₹ 14, 56, 500).
 - Depreciation under section 32 is ₹ 5, 36,000.
- (b) The company wants to set-off the following losses/allowances :

	For Tax Purposes ₹	For Accounting Purposes (₹)
Brought forward loss of 2011-2012	14,80,000	4,00,000
Unabsorbed Depreciation	---	70,000

Compute the tax liability of the company for the assessment year 2019-20 assuming that X Ltd., gets a long-term capital gain of ₹ 60,000 which is not credited in Profit and Loss Account.

11. J and Co., proposes to acquire a machine on 01/04/2016 for its business. It will cost about ₹ 1,50,00,000. It is expected to have a working life of 3 years and a scrap value at the end of the useful life is expected to be ₹ 40,00,000. If the machine is purchased through borrowed funds, rate of interest is 15% per annum. The loan is repayable in 3 annual installments of ₹ 50,00,000 each. If the machine is acquired through lease, lease rent would be ₹ 60,00,000 per annum.

Profits before depreciation and tax are expected to be ₹ 1,00,00,000 every year. Rate of Depreciation is 30%. The discount factor may be assumed at 10%. Tax applicable as per provisions of the act.

J and Co., seeks your advice whether it should -

- (a) acquire the machine through own funds or borrowed funds; or
- (b) take it on lease.

**12. Answer Both Part - A and Part - B.**

(A) Haridas Limited has given the following information of its incomes and expenses for the Financial year 2018-19

- Taxable Income from business is ₹ 4,50,000
- Gain on sale of assets held for more than 36 months is ₹ 1,50,000
- Gain on sale of securities through recognized stock exchange is ₹ 85,000
- Taxable income from house property is ₹ 35,000
- Interest received on fixed deposits is ₹ 25,000
- The company incurred the following expenses (donations given)

Sl. No.	Donation given to institutions	Amount of donation given in ₹
1	Prime Minister's National relief fund	30,000
2	Indian Olympic Association	18,000
3	An Institution engaged in promotion of family planning	10,000
4	Prime Minister's Drought Relief fund	30,000
5	A notified temple (₹. 15,000 given in cash)	29,000
6	Indira Gandhi Memorial Trust	25,000
7	An institution which is recognized u/s 80G	9,000
8	National Defense fund set up by the Central government	28,000
9	National Foundation for communal Harmony	16,000
10	Swacha Bharath Kosh	23,000
11	Clean ganga Project	29,000
12	Furniture's given to a Church	45,000

The Company is eligible for deduction u/s 8011B. The assessee has paid ₹ 30,000 to Indian National Congress party as donation on 15th June, 2019. Compute allowable amount of deduction u/s 80G for the assessment year 2019-20.

(B) Z Ltd., needs an investment of ₹ 3,00,000 for a project during the previous year 2017-18. Rate of interest is 20%. Determine the suitable combination of owner's equity and debt-equity, if the rate of return expected is (a) 25% (b) 15%. Equity will be divided into shares of ₹ 10 each.