



## III Semester M.Com. Examination, March/April 2021

(CBCS)

## COMMERCE

## Paper – 3.5 AT : Direct Taxes and Planning

Time : 3 Hours

Max. Marks : 70

## SECTION – A

1. Answer **any 7** sub-questions of the following. **Each** sub-question carries

2 marks :

(7×2=14)

- a) Give the meaning of Domestic Company.
- b) Define amalgamation as per Income Tax Act, 1961.
- c) When does the claim for refund arise ?
- d) What is minimum alternate tax ?
- e) Mention the factors to be considered in make or buy decisions.
- f) What are the losses of a company which can be carry forward ?
- g) When is a company treated as resident for tax purpose ?
- h) What are the criteria to claim additional depreciation ?
- i) Mention any four double taxation treaties which are entered by India.
- j) Give the meaning of belated return.

## SECTION – B

Answer **any 4** of the following. **Each** question carries 5 marks :

(4×5=20)

2. What do you mean by tax credit ? State the procedure to claim tax credit.

P.T.O.



3. Ram Ltd. has given the following information of its incomes and expenses for the financial year 2019-20 :

Gain on sale of assets held for more than 36 months is Rs. 1,25,000

Taxable income from business is Rs. 4,25,000.

Gain on sale of securities through recognised stock exchanges is Rs. 22,500.

Taxable income from house property is Rs. 14,500.

The company incurred the following expenses (donations given) :

Sl. No.	Donation given to institutions	Amount of donation (Rs.)
1	Prime Minister's National Relief Fund	30,000
2	Indian Olympic Association	14,000
3	An institution engaged in promotion of family planning	10,000
4	Prime Minister's Drought Relief Fund	10,000
5	A notified temple (amount given in cash)	18,000
6	Indira Gandhi Memorial Trust	7,500
7	An institution which is recognised u/s 80G	3,500
8	National Defense Fund set up by the Central Government	9,000
9	Clothes gives to orphanage	3,000
10	National Foundation for Communal Harmony	13,000
11	Swach Bharat Kosh	6,000
12	Clean Ganga Project	9,500
13	Furniture's given to a Church	25,000

The company is eligible for deduction u/s 80IB. The assessee had paid Rs. 10,000 to Recognised Political party as donation on 15<sup>th</sup> July 2019.

Compute allowable amount of deduction u/s 80G for the Assessment Year 2020-21.



4. From the following data, you are required to work out the total income chargeable to tax and ascertain tax there on of X Ltd, a domestic company, for the assessment year 2020-21 :

Particulars	Amount (Rs.)
Business loss	50,00,000
Property income	45,00,000
Income from other sources	1,00,000
Short term capital gains	3,00,000
Long term capital gains	10,00,000

5. Surabhi Company Limited has given the following information for the financial year 2019-20. The company has filed its income on 01-03-2021. The total income of the company is Rs. 4,68,750. The company is having balance of Rs. 11,500 as tax deducted at source, it also has relief u/s 91 of Income Tax Act, 1961 amounting to Rs 4,000. It has Rs. 22,500 balance as tax credit.

It has paid advance tax as follows :

Due Date	Amount of Advance Tax paid (Rs.)
15-06-2019	17,500
13-09-2019	37,500
12-12-2019	22,500
15-03-2020	30,000

Compute interest u/s 234A, 234B and 234C for the AY 2020-21.

6. Discuss the provisions of set off and carry forward of losses under the Income Tax Act.
7. What is assessment ? Briefly explain the types of assessment.



## SECTION – C

Answer **any three** questions. **Each** question carries **12** marks : (3×12=36)

8. Discuss the following :

- Provisions relating to advance payment of tax.
- Best Judgement Assessment u/s 144.

9. Damro Exporters Ltd. runs a new small-scale industrial undertaking set-up in 2008-09 which satisfies all the conditions of Sec. 80-IB. Given below is the P & L A/c for the PY 2019-20 :

Particulars	Amt. (Rs)	Particulars	Amt. (Rs.)
Stock	4,00,000	Domestic sales	14,00,000
Purchases	23,00,000	Export sales	43,00,000
Salaries and Wages	9,70,000	Export incentive	50,000
Entertainment expenses	1,30,000	Profit of foreign branch	2,50,000
Freights and insurance attributable to exports	3,00,000	Brokerage/commission/interest/rent etc.	50,000
Travelling expenses	2,20,000	Transfer from contingency reserve	10,00,000
Depreciation	1,50,000	Stock	3,50,000
Selling expenses	1,20,000		
Income tax paid	90,000		
Income tax penalty	20,000		



Wealth tax paid	10,000	
Custom duty payable against demand notice	30,000	
Provision for unascertained liability	20,000	
Provision for ascertained liabilities	50,000	
Proposed dividend	3,00,000	
Loss of subsidiary company	50,000	
Net Profit	22,40,000	
	<b>74,00,000</b>	<b>74,00,000</b>

You are further informed :

- a) Excise duty paid for 2018-19, amounting Rs. 1,20,000 was paid on 15-12-2019.
- b) Depreciation u/s 32 is Rs. 2,20,000.
- c) During the year 2015-16, contingency reserve, amounting Rs. 10,00,000 debited to P & L A/c was added back to the extent of Rs. 4,00,000 in the computation of book profits. The company has transferred the said reserve to the P & L A/c during the year.
- d) Brought forward business loss/depreciation :

PY	Accounting purpose		Tax purpose	
	Loss Rs.	Depreciation Rs.	Loss Rs.	Depreciation Rs.
2016-17	10,00,000	1,00,000	5,00,000	2,50,000
2017-18	2,00,000	3,00,000	1,00,000	2,00,000

Compute the total income, book profits and tax liability.



10. SV Engineering Company is considering replacing or repairing a particular machine, which has just broken down. Last year, this machine costed Rs. 40,000 to run and maintain. A further useful life of 5 years is expected, if immediate repairs of Rs. 38,000 are carried out. If the machine is not repaired, it can be sold immediately to realize about Rs. 10,000. (Ignore loss/gain on such disposal).

Alternatively, the company can buy new machinery for Rs. 98,000 with an expected life of 10 years with no salvage value after providing depreciation on straight line basis. In this case, running and maintenance costs will reduce to Rs. 28,000 each year.

The company considers a normal return of 10% per annum after tax for a minimum requirement on any new investment. Which alternative will you choose? Assume straight line method of depreciation is acceptable for income tax purposes also. Take corporate tax rate as 30% plus cess.

11. An industrial undertaking, which commenced the manufacturing activity with effect from 1<sup>st</sup> September 2019 has acquired the following assets during the previous year 2019-20 :

Assets	Date of acquisition	Date when put to use	Cost of acquisition Rs.
Factory building	4-4-2019	1-9-2019	50,00,000
<b>Plant and Machinery</b>			
Machinery A	5-5-2019	1-9-2019	2,00,000
Machinery B	7-6-2019	1-9-2019	5,00,000
Machinery C	30-8-2019	1-9-2019	10,00,000



Machinery D	1-9-2019	31-10-2019	4,00,000
Machinery E	1-1-2020	28-2-2020	3,00,000
Machinery F (second hand)	11-1-2020	13-1-2020	2,00,000
Motor car	1-2-2020	1-2-2020	5,00,000
Air-conditioner (installed in the office)	1-2-2020	2-2-2020	1,00,000

Compute the depreciation allowable for the assessment year 2020-21 and the written down value as on 1<sup>st</sup> April 2020.

- 12. a) Explain the tax provisions relating to scientific research u/s 35 of Income Tax Act, 1961.
- b) Discuss the tax holidays and tax benefits available in respect of profits and gains from eligible start-ups.