

Q.P. Code : 60575

**Third Semester M.Com. Degree Examination,
January/February 2020**

(CBCS Scheme)

Commerce

Paper 3.5 — DIRECT TAXES PLANNING

Time : 3 Hours

[Max. Marks : 70

SECTION - A

1. Answer any **SEVEN** sub-questions out of Ten questions. Each sub-question carries **2** marks : **(7 × 2 = 14)**
- (a) Distinguish between revised return and belated return.
 - (b) Mention the time frame for advance payment of tax for company assessee.
 - (c) Mention any 4 double taxation treaties which are entered by India.
 - (d) State the specific managerial decisions relating to 'continue' or 'shutdown'.
 - (e) State the tax provisions of section 44AB of Income Tax Act, 1961.
 - (f) Give the meaning of appeal and revision.
 - (g) Distinguish between 'Tax avoidance' and 'Tax Evasion'.
 - (h) What is tax credit? State its tax provision.
 - (i) State the tax provision under section 80JJA of Income Tax Act, 1961.
 - (j) What do you mean by colourable devices?

SECTION - B

Answer any **FOUR** questions of the following in about **1** page. Each question carries **5** marks : **(4 × 5 = 20)**

2. 'Amrutha' Ltd. is engaged in the business of manufacture of telephone dial pad since 2014. During the previous year 2018-19, the following assets are acquired and put to use.

Particulars	Block I	Block II	Block III
Rate of depreciation	15%	20%	40%
Depreciable value of the block on April 1, 2018	4,00,000	13,00,000	3,00,000
Additions of Plant(new) during the previous year 2018-19			
Plant M	21,50,000	-	-
Plant N	-	2,30,000	-
Plant O	-	-	3,50,000
Sale of old plants during the year	1,95,000	5,25,000	6,00,000

Plant M, N and O are acquired during May, 2018 and put to use during 15th August, 2018. However Plant N is put to use in February, 2019.

Find out the allowable amount of Depreciation, Additional Depreciation and Capital gains if any for the Assessment Year 2019-20.

3. Explain the scope of Tax planning with respect to

- Factors affecting Own or lease decisions
- Amalgamation of Companies

4. Chintu limited has given the following information of its incomes and expenses for the financial year 2018-19.

Taxable income from business is Rs. 8,50,000.

Gain on sale of assets held for more than 36 months is Rs. 2,50,000.

Gain on sale of securities through recognized stock exchanges is Rs. 45,000.

Taxable income from house property is Rs. 29,000.

Interest received on fixed deposits is Rs. 10,000.

The company incurred the following expenses (donations given).

Sl. No.	Donation given to institutions	Amount of donation given in Rs.
01	Prime Minister's National Relief fund	60,000
02	Indian Olympic Association	28,000
03	An institution engaged in promotion of family planning	20,000
04	Prime Minister's Drought Relief fund	20,000
05	A notified temple (Rs. 15,000 given in cash)	39,000
06	Indira Gandhi Memorial Trust	15,000

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Sl. No.	Donation given to institutions	Amount of donation given in Rs.
07	An institution which is recognized u/s 80 G	7,000
08	National Defense Fund set up by the Central Government	18,000
09	National Foundation for Communal Harmony	26,000
10	Swach Bharath kosh	12,000
11	Clean ganga project	19,000
12	Furniture's given to a church	25,000

The company is eligible for deduction u/s 80IB. the assessee had paid Rs. 20,000 to Indian national congress party as donation on 15th June, 2018.

Compute allowable amount of deduction u/s 80G for the Assessment Year 2019-20.

5. Prabhath Company Limited has given the following information for the financial 2018-19. The company has filed its income on 10/11/2019. The total income of the company is Rs. 9,37,500. The company is having balance of Rs. 23,000 as tax deducted at source, it also has relief u/s 91 of Income Tax Act, 1961 amounting to Rs. 8,000. It has Rs. 45,000 balance as tax credit.

It has paid advance tax as follows :

Due Date	Amount of advance tax paid in Rs.
15/06/2018	45,000
13/09/2018	65,000
12/12/2018	35,000
15/03/2019	90,000

Compute Interest u/s 234A, 234B and 234C for the Assessment year 2019-20.

6. Discuss the tax provisions under section 80 IAB.
7. What is assessment? Briefly explain the types of assessment.

SECTION - C

Answer any **THREE** questions of the following. Each question carries **12** marks :
(3 × 12 = 36)

8. Discuss the tax holidays and tax benefits available in respect of profits and gains from Industrial undertaking or enterprise engaged in infrastructure development u/s 80 - IA.

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9. The following particulars are furnished by Monarch Company Limited.

Trading and Profit & Loss account for the year ending 31/03/2018

Particulars	Amount (in Rs.)	Particulars	Amount (in Rs.)
To Purchases	8,25,000	By Sale of goods and services provided	42,36,000
To Entertainment Expenses	75,000	By Amount withdrawn from revaluation reserves	6,00,000
To Travelling expenses	1,10,000	By Long term capital gain	2,20,000
To Depreciation	2,50,000	By Transfer fees	6,000
To Income tax	1,60,000	By Bad debts recovered allowed earlier	10,000
To GST paid	55,000	By Miscellaneous incomes	6,000
To Dividend distribution tax	2,54,000		
To Outstanding GST	60,000		
To Provision for unascertained liability	80,000		
To Proposed dividend	50,000		
To Auditor's fees	1,20,000		
To Provision for loss of subsidiary company	95,000		
To Salaries and Wages	19,00,000		
To Sundry expenses	2,50,000		
To Net profit	7,94,000		
	<u>50,78,000</u>		<u>50,78,000</u>

Additional Information :

- Depreciation under section 32 is Rs. 1,65,000.
- Customs duty of 2016-17 paid during the year Rs. 1,25,000 was not included in the account.
- Sundry expenses include an item of Rs. 28,000 paid in bearer cash to a farmer.
- Amount of depreciation on account of revaluation of assets in Rs. 1,00,000.
- Out of the O/s amount of GST Rs. 25,000 was paid before due date of filing of return of income.

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- (f) Unabsorbed loss brought forward Rs. 3,00,000 for income tax purpose and Rs. 4,24,000 for accounting purposes.
- (g) Unabsorbed depreciation brought forward is Rs. 2,00,000 for accounting purposes.

Compute :

- (i) Total income of the company
- (ii) Book profit u/s 115JB
- (iii) Total tax liability and
- (iv) Tax credit if any for the AY 2019-20.

10. Answer both Part A and Part B.

A. From the following information of Mohith (P) Limited, compute the gross total income for the assessment year 2018-19. Show the carry forward of losses clearly along with reasons.

Sl. No.	Particulars	Amount in Rs.
1	Dividend received on shares in Indian Company	50,000
2	Business loss of Assessment year 2012-13	60,000
3	Business loss of Assessment year 2010-11	1,20,000
4	Long-term Capital gains	50,000
5	Current year Business loss	30,000
6	Unabsorbed depreciation of preceding years	90,000
7	Short-term Capital loss	35,000
8	Current year's depreciation	25,000
9	Dividend received from foreign company	30,000
10	Income from House Property	1,70,000
11	Long term capital loss	20,000

B. Explain the tax provisions relating to scientific research u/s 35 of Income Tax Act, 1961.

11. State the tax provisions for the following :

- (a) Scope of Tax planning
- (b) TDS u/s 194C, 194J
- (c) Types of returns

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12. Pavana Motors Company Limited needs a component in an assembly operation. It is contemplating the proposal to either make or buy the aforesaid component.
- (a) If the company decides to make the product itself, then it would need to buy a second hand machine for Rs. 8 lakh which would be used for 5 years. Manufacturing costs in each of the five years would be Rs. 12 lakh, Rs. 14 lakh, Rs. 16 lakh, Rs. 20 lakh and Rs. 25 lakh respectively. The relevant depreciation rate is 15 percent. The machine will be sold for Rs. 1,00,000 at the beginning of the sixth year.
 - (b) If the company decides to buy the component from a supplier the component would cost Rs. 18 lakh, Rs. 20 lakh, Rs. 22 lakh, Rs. 28 lakh and Rs. 34 lakh respectively for each of the five year. The relevant discounting rate and tax rate 12 percent and tax rate 27.82 percent.

Should Pavana Motors Company Limited 'Make' the component or 'Buy' from the market?

