



III Semester M.Com. Examination, April/May 2022

(CBCS Scheme)

COMMERCE

Paper – 3.5AT : Direct Tax Planning

Time : 3 Hours

Max. Marks : 70

SECTION – A

1. Answer **any seven** of the sub-questions. **Each** carries **two** marks. **(7×2=14)**

a) Differentiate between TDS and TCS.

b) What is the time limit for completion of scrutiny assessment under Sec. 143(3) ?

c) What is the TDS rate for commission other than insurance commission for FY 2019-20 ?

d) Rama Ltd. acquired a motor car for Rs. 6,20,000 on 30-8-2019. The company is engaged in manufacture of tea in India. What is the amount of depreciation allowed for the A.Y. 2020-21 ?

e) Define company in which public are substantially interested.

f) Give the meaning of Best Judgement Assessment under Sec. 144.

g) When is a company treated as resident for tax purpose ?

h) Distinguish between tax planning and tax management.

i) What is the time frame for payment of advance tax for company assessee ?

j) Define Block of Assets U/S 2(11).



SECTION – B

Answer **any four** questions. **Each** question carries **five** marks.

(4×5=20)

2. Explain with brief reasons, the allow ability or taxability of the following expenditure/income in computation of income under the head "Profits and gains of business or profession".
- Compensation of Rs. 30 lakhs received by Mr. Jain, a businessman, under an agreement for not carrying on business of software development.
 - Vikram Ltd., engaged in growing and manufacturing tea in India, deposits Rs. 10 lakhs in NABARD. Profit before considering such deposit is Rs. 15 lakhs.
 - Construction of toilets in a rural area by Sigma Ltd. for Rs. 10 lakhs in compliance with Corporate Social Responsibility (CSR) under the Companies Act, 2013.
 - Plot purchased for Rs. 20 lakhs and construction of a building for Rs. 82 lakhs by M/s Madhu Ltd. for storing sugar, in the course of business of warehousing of sugar. Expenditure has been capitalized in the books.
 - Depreciation on a machine acquired for business purpose by M/s. Anand Ltd. for Rs. 2,50,000, out of which an amount of Rs. 50,000 was paid in cash.
3. Write a note on losses which cannot be carried forward for set off when the return of income is not filed within the 'due date' specified under Section 139(1).
4. What do you mean by tax credit ? State the procedure to claim tax credit.
5. From the following figures, you are required to ascertain the depreciation admissible and other liabilities, if any, in respect of the previous year relevant to the A.Y. 2020-21 :

	Plant and Machinery (Rs.)	Building (Rs.)
Written-down value at the beginning of the year	2,50,000	10,00,000
Additions during the year	3,00,000	Nil
Sales during the year	6,00,000	2,00,000



6. Fema limited files its return of loss for the Assessment Year 2020-21 after due date of filing returns of income. The following data is taken from return submitted by the company :

Income/Loss for the Previous Year 2019-20	Rs.
Business loss for the previous year 2019-20 (before depreciation and capital expenditure on scientific research)	6,80,000
Depreciation	1,20,000
Capital expenditure for scientific research	80,000
Short term capital loss	1,80,000
Long term capital gain	40,000
Income from other sources	92,000

Brought forward loss of the earlier years which has been determined in pursuance of return filed within the time limit of Section 139(1) :

Unabsorbed depreciation pertaining to Assessment Year 2011-12 and 2012-13
Rs. 2,28,000

Business loss of the previous year 2015-16 Rs. 72,000

Capital loss of the previous year 2017-18 Rs. 1,40,000

Compute the loss to be carry forward.

7. Sri Ltd. has estimated the following income for the Financial Year 2019 – 20 :

Income from house property (taxable)	Rs. 75,000
Income from business (taxable)	Rs. 7,07,500
Dividend from Y Ltd. (Indian Company)	Rs. 10,000

Determine the amount of installments payable as advance tax during the Financial Year 2019-20.

SECTION – C

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

8. a) Discuss the tax holidays and tax benefits available in respect of profits and gains from eligible start-ups.
- b) Discuss the tax provisions with respect to deduction U/S 80 IC.



9. Write short note on the following :
- Scrutiny assessment U/S 143 (3).
 - Tax considerations in make or buy decisions.
10. Compute the depreciation allowance from the following particulars and WDV on 1-4-2020 and capital gains, if any, for the A.Y. 2020-21 :

Asset	WDV on 1-4-2019	Rate of Depreciation
Building	16,80,000	10%
Building	6,20,000	5%
Plant and Machinery	64,00,000	15%
Plant and Machinery	4,00,000	30%
Typewriters	1,10,000	15%
Scooters and Bikes	2,20,000	15%
Motor cars	4,50,000	15%
Furniture	40,000	10%

During the year 2019-20 the following assets were purchased :

Date of purchase	Date of putting to use	Asset	Cost (Rs.)
1-6-2019	10-6-2019	Foreign Car (15%)	1,60,000
2-10-2019	9-10-2019	Trademark (25%)	50,000
10-6-2019	20-11-2019	Plant (30%)	3,00,000
20-11-2019	20-11-2019	Indian Car (30%)	3,20,000
4-12-2019	10-12-2019	Books (40%)	10,000

During the year 2019-20 the following assets were transferred :

Asset	Date of Sale	Amount (Rs.)
Building (5%)	16-10-2019	8,00,000
Typewriters	20-12-2019	10,000



One car (15%) was completely destroyed by fire on 12-1-2020 and the Insurance company paid Rs. 80,000 as compensation.

One scooter was partially damaged on 13-6-2019 due to accident and Rs. 4,000 claim was recovered from insurance company. Assessee spent Rs. 3,000 on its repairs.

Assessee is not entitled to additional depreciation.

11. R Ltd. is a closely held company engaged in manufacture of insecticides and fertilizers. The value of plant and machinery owned by the company is Rs. 55 lakhs. Its P and L A/c for the year ended 31-3-2020 is as under :

Particulars	Rs.	Rs.
Domestic sales	22,23,900	
Export sales	5,76,100	
Other receipts	<u>2,00,000</u>	30,00,000
Less : Expenses		
Depreciation	4,16,000	
Salary and wages	1,34,500	
Entertainment expenses	10,000	
Travelling expenses	36,000	
Miscellaneous expenses	5,000	
Income tax	3,50,000	
Wealth tax	8,000	
Outstanding custom duty	17,500	
Provision for unascertained liabilities	70,000	



Proposed dividends	60,000	
Loss of subsidiary company	30,000	
Consultation fees paid to a tax consultant	21,000	
Salary and perquisites of MD	1,80,000	
Excise duty of 2017-18	<u>75,500</u>	14,13,500
Net profit		15,86,500

The assessee claims the following deductions :

- Deduction under Sec. 80-IB (30% of Rs. 15,86,500)
- Excise duty pertaining to 2017-18 paid during 2019-20 Rs. 75,500
- Depreciation under Sec. 32 is Rs. 5,36,000

The following further particulars are furnished :

Particulars	Tax purpose	Accounting purpose
Brought forward loss of A.Y. 2018-19.	11,80,000	9,10,000
Unabsorbed depreciation	-	2,45,000

Calculate the tax liability of the company.

12. XYZ Ltd. manufactures component 'M' which is used in motor cars. Its per unit cost during the year 2019-20 is given below :

Direct material	5.00
Direct labour	2.50
Variable overheads	1.50
Fixed overheads (including depreciation of Rs. 0.50)	2.00
	11.00



The capacity of the present plant is 50,000 units p.a. XYZ Ltd. anticipates that the demand of the component 'M' will pick up from next year due to boom in the car market. Consequently, it expects to sell an additional 25,000 units p.a. it can buy the component from Z manufacturer at Rs. 11 per unit. If it decides to expand its capacity, it would require an additional plant costing Rs. 2,00,000. The working life of the plant would be 5 years and its scrap value at the end would be Rs. 40,000. The cost of material, labour and variable overhead would remain the same. However, the fixed overhead (excluding depreciation) would go up by Rs. 37,500. What your advice would be :

- a) If the present capacity utilization is 20,000 units p.a.
- b) If the present capacity utilization is 50,000 units p.a.

Assume 10% as cost of capital.