

M.Com. 3rd Semester Examination, 2011

CORPORATE DIRECT TAXES

PAPER—COM-302

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

Illustrate the answers wherever necessary

UNIT – I

[Marks : 20]

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

(a) Explain in brief the importance of determining residential status of companies.

(Turn Over)

- (b) The following information is provided by Mrs. Nandini Gupta, aged 56 years for the previous year ended 31st March, 2011 :

	Rs.
Income from salaries	525000
Long-term capital loss incurred during the year	(15000)
Short-term capital gain	25800
Dividend from an Indian company (transferred directly to the Bank account through ECS)	1500

She made the following payments /investments during the year :

Tution fees of :

Her only daughter	24000
The son of her maid	1500
Mediclaime policy permium (in the name of her father)	24400

You are required to calculate the tax liability of the assessee for the assessment year 2011-12.

- (c) What do you understand by the term 'Indian Company' as per the Income Tax Act, 1961 ?

(d) The terms 'tax avoidance' and 'tax evasion' mean the same thing. Discuss the statement.

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

(a) Glamour Ltd. manufacturer of cosmetics gives the following details relating to the previous year 2010-11 :

Net profit for the year ended 31st March, 2011 is Rs. 30,00,000.

The items which are debited to the Profit and Loss Account include :

	Rs.
Salaries and wages	4,50,000
Provision for Income tax	1,00,000
Penalty paid to customs authorities	85,000
Loss due to damage of goods by rats in the warehouse	25,000
Depreciation : normal	32,000
: due to revaluation of assets	18,000
Dividends payable by the company	2,25,000
Interest U/S 234A	9,500
Professional fees paid to a consultancy firm	50,000

The credited items include the following :

Transfer from an investment reserve (created in 2004-05 by debiting the P/L Account)	Rs. 88,800
Dividend received from UTI Mutual Fund	Rs. 15,000
Credit from revaluation reserve	Rs. 14,500
Capital gain on sale of units of SBI Mutual Fund (balanced scheme)	Rs. 79,000
Long-term capital gain on transfer of units of an equity -oriented fund	Rs. 1,25,000

The following additional information is given :

1. The depreciation allowed as per IT Rules is Rs. 55,000.
2. There is an unabsorbed loss from a speculative business of his brother and this business (both relating to assessment year 2007-08) amounting to Rs. 33,000 and Rs. 56,500 respectively.

3. The transaction relating to transfer of units of an equity-oriented fund is covered under the Securities Transaction Tax(STT).
4. There is a carried forward tax credit of Rs. 50,000 (relating to the Assessment Year 2009-10)

You are required to determine the tax payable by the company applying provisions of MAT.

10

- (b) (i) X, a resident individual, submits the following information for the Assessment Year 2011-12 :

	<u>Rs.</u>
Business A-	
Loss of the year	(28,000)
Brought forward loss of the year 2009-10	(19,500)
Business B-	
Profit of the year 2010-11	2,56,000

	<u>Rs.</u>
Business C (previous year ends on 31st March and the business is discontinued on 10.4.10)	
Profit for the period 01.4.10 to 10.4.2010	Nil
Brought forward loss of the year 2009-2010	(9,700)
Income from other sources :	
Dividend on units of UTI Mutual Fund	25,000
Dividend received from an Indian company	90,000
Loss from the activity of owning race horses	(9,000)
Long-term capital loss from the sale of shares	(14,900)
Income from house property	77,600

You are required to determine the taxable income of the assessee.

- (ii) Discuss any one case where the maximum limit of 8 years relating to carry forward and set-off of unabsorbed business loss is not applicable.

8 + 2

UNIT – II

[Marks : 20]

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

- (a) Write a short note on Permanent Account Number.
- (b) Mr. Abhik Guha, aged 39 years, gives the following information for the assessment year 2011-12 :

	Rs.
Salary income	4,50,000
Income from house property : (relating to the previous year 2010-2011)	1,00,000
Long-term capital loss (on 05.11.2010)	(25,000)
Short-term capital gain (earned on 10.01.2011)	8,000
Re-investment of 4th year interest from NSC (VIIIth issue)	4,400
Deposit in bank (3 year term deposit) made on 15.02.2011	20,000

You are required to calculate the advance tax instalments of the assessee.

(c) Discuss the provisions relating to interest under section 234C.

(d) XYZ Ltd. (whose net income is Rs. 80,00,000) is planning to buy a new machinery whose purchase price is Rs. 6,25,000. The life span of the machine is 5 years (depreciation @20% on WDV basis). The cost of capital is 15%. It has two options :

Purchase using 100% own funds or through an operating lease having a lease period of 5 years and the rental amount being Rs. 1,50,000 per year (to be paid at the beginning of each year). The tax rate is 30.90%.

Which one is a better option ? Make necessary calculations.

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

(a) Write a short note on the provisions relating to tax deduction at source from : 7 + 3

(i) Income from salaries

(ii) Lottery winnings.

- (b) (i) X Ltd. files its return of income relating to the assessment year 2011-12 on 20th February, 2012. Before filing the return, the assessee deposits an amount of Rs. 2,89,490 (being self-assessment tax) under section 140 A computed as follows :

	<u>Rs.</u>
Tax on income (@30.9%)	3,09,000
<i>Add :</i>	
Interest U/S 234A (for late submission)	12,060
Interest U/S 234B (for less payment of advance tax)	26,532
Interest U/S 234C (correctly computed)	9,700
<i>Less :</i>	
Advance tax	45,500
Tax deducted at source	22,300
Self-assessment tax	<u>2,89,492</u>

On 05th May, 2012, the assessment gets completed and the assessed income is found to be Rs. 10,32,000.

You are required to determine the interest U/S 234B on assessment.

(ii) Write a short note on incomplete return. 6 + 4

[*Internal Assessment* : 10 Marks]
