

**2019**

**M.COM.**

**2<sup>nd</sup> Semester Examination**

**Tax Laws and Planning**

**PAPER - COM-203**

**Full Marks : 50**

**Time : 2 Hours**

The figures in the right-hand margin indicate full marks.

Candidates are required to give their answers in their Own words as far as practicable.

Illustrate the answers wherever necessary.

**(Turn Over)**

## Unit I [Marks : 20]

1. Answer any TWO questions of the following: 2 X 2

- What do you mean by place of Effective Management (POEM) of a company?
- Define the term 'Book Profit' in the context of Minimum Alternate Tax.
- State the losses which can be carried forward.
- The gross total income of Mr. X for the A.Y. 2018-19 is Rs. 8,40,000. He has made the Following investments/payments during the F. Y. 2017-18:

Particulars	Rs.
Contribution to PPF	1,50,000
Payment of tuition fees for education of son and daughter studying in class VII and XI	10,800
Repayment of housing loan taken form SBI	80,000
Contribution to approved pension fund of LIC	105,000
Payment of medical insurance premium	17,164

Compute the eligible deduction under Chapter VI-A for A.Y. 2018-19.

2. Answer any TWO questions of the following:

4 X 2

a) Write short notes on:

i) Indian Company ; and

ii) Company in which public is substantially interested.

2 + 2

b) The profit as per the statement of profit & loss of XYZ Ltd., a resident company, for the year ended 31.03.2018 is Rs. 190 lacs arrived at after making the following adjustments:

Particulars	Rs ( In lacs)
Depreciation on assets	100
Reserve for currency exchange fluctuation	50
Provision for tax	40
Proposed dividend	120

Following further information are also provided by that company:

i) Profit includes Rs. 10 lacs, being dividend received from an Indian subsidiary company.

ii) Provision for tax includes Rs. 16 lacs of tax payable on distribution of profit and of Rs 2 lacs of interest payable on income tax.

iii) Depreciation includes Rs. 40 lacs toward revaluation of assets.

iv) Amount of Rs. 50 lacs credited to statement of *profit and loss* was drawn from revaluation reserve.

- v) Balance of statement of profit and loss shown in balance sheet at the asset side as at 31.03.2017 was Rs. 30 lacs which includes unabsorbed depreciation of Rs. 10 lacs. Compute the book profit for the year ended 31.03.2018.
- c) Determine the residential status in the following cases for the A.Y. 2018-19:
- A Ltd. is an Indian Company. It carries on business in New Delhi and London. The place of effective management of A Ltd. is situated outside India. 80% of the total income of the company is from the business in London.
  - R Ltd. and S Ltd. companies are registered in Nepal and India respectively. All meetings of Board of Directors of R Ltd. were held in India, whereas all board meeting of S Ltd. were held in Nepal during the previous year 2017-18.
- d) Distinguish between:
- Indian Company and Domestic Company; **2 + 2**
  - Section 80CCC and Section 80CCD.

**3. Answer any ONE of the following: 8 X 1**

- a) From the following details, compute the total income of Mr. A, Mr. B, & Mr. C for A.Y. 2018-19:

Particulars	Mr A. Rs.	Mr. B Rs.	Mr. C Rs.
Salary (computed)	925000	1045000	1115000
Interest Income (on Fixed Deposits)	75000	85000	95000

The particulars of their investments / payments made during the P. Y. 2017-18 are given hereunder-

i) Deposit in Public Provident Fund by Mr. A - Rs. 150,000.

ii) Life Insurance Premium paid by Mr. C, the details of which are as follows:

Date of Issue of Policy	Person Insured	Actual Capital Sum Assured Rs	Insurance Premium Paid During 2017-18 Rs.
14/5/2011	Self	1,45,000	15,000
11/6/2016	Spouse	1,25,000	15,000
31/7/2016	Handicapped Son (Sec. 80U Disability)	2,00,000	32,000

iii) Payment of medical insurance premium by the following persons to insure their health:

Payer	Amount (in Rs.)	Mode of payment
Mr. A (aged 55 years)	30,000	Account payee cheque
Mr. B (aged 52 years)	15,000	Cash
Mr. C (aged 48 years)	20,000	Crossed cheque

iv) Mr. B paid interest on loan of Rs. 2,20,000 taken for the purchase of house in which he currently resides. He is claiming benefit of self-occupation under section 23(2) in respect of this house. He does not own any other house. Repayment of principal amount of loan taken for purchase of the said house Rs. 1,70,000.

v) Contribution by Mr. A by cheque to National Children's Fund during the year Rs. 30,000.

vi) Mr. B makes the following donations during the P.Y. 2017-18:

Donation to political party by crossed cheque – Rs. 50,000

Donation to Electoral trust by cash –Rs 50,000.

- b) i) Particulars of taxable income under various heads of T for the previous year 2017-18 are as under :

	( Rs)
(a) Taxable income from salary head	— 57,000
(b) Taxable incomes from various houses :	
Income from House A -	12,000
Income from House B -	9,000
Income form House C -	6,750
(c) Business incomes:	
Profit form business	25,500
Current year's depreciation	9,750
Previous trade losses	6,750
Speculation profit	6,000
(d) Capital Gains:	
Short-term capital profit	24,000
Long-term capital profit on shares (Net)	7,800
Long-term capital loss on building (Net)	18,750

Compute gross total income for the assessment year 2018-19 after setting off the losses.

ii) XYZ Pvt. Ltd. has three shareholders i.e., X, Y and Z. All the three shareholders have equal shareholding of the company. During the previous year 2017-18 the company incurred a loss of Rs. 2,40,000.

On 24.2.2019 X and Y transferred their shareholding to A.

On 31.3.2019 the shareholders were:

Z – 1/3 rd shareholding;

A – 2/3 rd shareholding.

Will the company be able to carry forward and set off the loss of Rs. 2,40,000 to the subsequent year?

## Unit II

[ Marks : 20]

4. **Answer any TWO of the following questions: 2 X 2**
- What is self-assessment?
  - Write down the due date of filing income tax return for different assesses.
  - What will be the difference in treatment while evaluating lease proposal for operating lease and financial lease?
  - What is tax holiday?
5. **Answer any TWO of the following questions: 4 X 2**
- Write down the provisions of advance tax.
  - What are the different steps to e-file the income tax return?
  - Mention the provisions relating to presumptive taxation.
  - Write a brief note on digital signature and digital signature certificate.
6. **Answer any ONE of the following questions: 8 X 1**
- (i) The following cases are given with regard to lottery winnings. You are required to apply the provision of TDS and give comments for each of them.
    - Mr. Ashis Sinha won a car in a lottery. The price of the car is Rs. 4,75,000.
    - Mrs. Kaushiki Bose won a cash price of Rs. 50,000 and a scooty having price of Rs. 72,000 in a lottery.

ii) Mr. Amit Bajaj is employed with Glamour Ltd. since 2015. He estimates his gross total income to be Rs. 3,84,000 and deductions under Chapter VIA to be Rs. 44,000 for the financial year 2017-18. He leaves his current place of employment on 30<sup>th</sup> September, 2017. After trying out different employment options for one month, he finally got employed with Shine Ltd. at a monthly salary of Rs 40,000 where he is still continuing. You are required to apply the provisions relating to TDS and show the monthly tax deduction from the salary of Glamour Ltd. and Shine Ltd. **3 + 5**

b) i) Discuss the provisions of tax deduction at source from interest on fixed deposits.

ii) Expert Ltd. seeks to expand its product line for which it needs to start a new project that requires capital of Rs. 1 crore. The company expects the project to fetch a return of 19% on its investment. Regarding the financing of the project, the following are the alternatives that are available:

Source	Alternative 1 (Rs.)	Alternative 2 (Rs.)	Alternative 3 (Rs.)
Equity capital (face value : Rs. 100)	50,00,000	40,00,000	45,00,000
10% Non-convertible debentures	25,00,000	30,00,000	35,00,000
12% Project loan from UCO Bank	25,00,000	30,00,000	20,00,000

You are required to suggest the best option to the company after taking into account tax consideration for different financing options. Show detailed calculations. **4 + 4**

**[Internal Assessment 10 marks]**