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

COMMERCE

Direct Taxes And Planning

(CBCS Scheme)

Paper : 3.5 A.T

Maximum Marks : 70

Time : 3 Hours

SECTION-A

Answer any 7 sub-questions out of ten questions. Each sub-question carries 2 marks.

(7×2=14)

1. a. Mention any four Cannons of Taxation.
- b. State the tax provisions of section 35D for amortization of preliminary expenses under Income Tax Act, 1961.
- c. What is additional depreciation? When assessee can claim additional depreciation?
- d. What do you mean by Presumptive taxation?
- e. Whether MAT credit admissible under section 115JAA has to be set - off against the assessed tax payable before calculating interest under sections 234A, 234B and 234C?
- f. What is Return of Income? Mention the types of Return of Income.
- g. What is MAT u/s 115JB? What's the reason for its introduction?
- h. Mention any 4 double taxation treaties which are entered by India.
- i. SQL limited maintains a register of tax deduction at source affected by it to enable timely compliance specify with the reason, whether this can be considered as tax planning or tax management or tax evasion or tax avoidance.
- j. Give the meaning of Arm's Length Pricing u/s 92F.

[P.T.O.]



SECTION - B

Answer any 4 questions of the following. Each question carries 5 marks. (4×5=20)

2. Teerath Ltd. Is a widely held company. It is currently considering a major expansion of its production facilities and the following alternatives are available :

Particulars	Alt -1 (Rs.)	Alt - 2 (Rs.)	Alt -3 (Rs.)
Sharecapital	10,00,000	20,00,000	50,00,000
14% Debentures	15,00,000	20,00,000	
18% Loan from Bank	25,00,000	10,00,000	

Expected rate of return before tax is 30%. Rate of dividend of the company since 2000 has not been less than 22% and date of dividend declaration is 30th June every year. Corporate tax rate is 30%. Which alternative should the company opt with reference to tax planning?

3. Define Assessment and write a note on different assessments.
4. Rohith company Ltd., is engaging the manufacturing activities submits the following information.

Particular	Block I	Block II	Block III
Rate of Depreciation	15%	30%	40%
WDV during the previous year 2020-21	4,00,000	9,00,000	6,00,000
Additions of New Plant during the Previous year			
Plant X	18,00,000		
Plant Y		2,60,000	
Plant Z			2,00,000
Sale of Old Plant during the previous year	3,00,000	5,00,000	9,00,000

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Plant X, Y and Z were acquired on May 2020 and put to use on July 2020 but Plant Y is put to use on February 2021. Calculate Normal depreciation, Additional depreciation and capital gain if any for the assessment year 2021-22.

5. From the following information, determine the tax liability of Z Ltd., domestic company, for the assessment year 2020-2021 and 2021-2022.

S.No.	Assessment Year	Book-Profits Rs.	Total Income Rs.
1	2020-21	2,60,000	1,30,000
2	2021-22	2,20,000	1,50,000

6. Byrava Limited has given the following information of its incomes and expenses for the financial year 2020-21.

- * Taxable income from business is Rs. 6,50,000.
- * Gain on sale of assets held for more than 36 months is Rs. 75,000.
- * The company incurred the following expenses (donations given).

Donation given to institutions	Amount of donation given in Rs.
* Prime Minister's National Relief fund	45,000
* Clean ganga project	30,000
* Furniture's given to a church	10,000
* An institution which is recognized u/s 80 G	8,000
* An institution engaged in promotion of family planning	30,000
* Indian Olympic Association	25,000
* Swach Bharath kosh	63,000
* National Defense Fund set up by the Central Government	66,000
* National Foundation for Communal Harmony	35,000

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* Indira Gandhi Memorial Trust	26,000
* A notified temple (Rs. 15,000 given in cash)	34,000
* Prime Minister's Drought Relief fund	34,000

The Assessee had paid Rs. 45,000 to Indian national congress party as donation on 15th June, 2020. Compute allowable amount of deduction u/s 80 G for the Assessment Year 2021.

7. Write a note on deduction u/s 80IB.

SECTION - C

Answer any 3 questions from the following. Each question carries 12 marks. (3×12=36)

8. XYZ 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 new machine for Rs. 16 lakh which would be used for 5 years. Manufacturing costs in each of the five years would be Rs. 24 lakh, Rs. 28 lakh, Rs. 32 lakh, Rs. 40 lakh and Rs. 50 lakh respectively. The relevant depreciation rate is 15 percent. The machine will be sold for Rs. 2 lakh at the beginning of the sixth year.
- b. If the company decides to buy the component from a supplier the component would cost Rs. 36 lakh, Rs. 40 lakh, Rs. 44 lakh, Rs. 56 lakh and Rs. 68 lakh respectively for each of the five year.

The relevant discounting rate is 10 percent and tax rate 33. Percent.

Year	1	2	3	4	5	6
PV factor @ 10%	0.909	0.826	0.751	0.683	0.621	0.564

Should XYZ limited 'Make' the component or 'Buy' from the market?

9. 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.



10. Supreme Ltd. furnishes the following particulars of income and loss for the year ending 31 March 2021.

- * Income from house property owned by the company (computed) Rs. 3,50,000.
- * Income from owning of race horses Rs. 25,000.
- * Dividends on shareholdings of foreign ventures Rs. 50,000.
- * Dividends received from domestic companies Rs. 1,00,000.
- * Long - term capital gain (computed) on transfer of buildings Rs. 2,50,000.
- * Short - term capital loss of Rs. 1,25,000.
- * Profits of business before depreciation and interest Rs. 3,00,000.
- * Depreciation for the year 2020-21 Rs. 1,00,000.
- * Interest paid for the year 2020-21 Rs. 20,000.

Brought forward losses of the earlier previous years are as follows :

- * Loss from House Property of PY 2018-19 1,30,000.
- * Business loss of PY 2010-2011 Rs. 50,000.
- * Business loss of PY 2016-2017 Rs. 1,50,000.
- * Unabsorbed depreciation of 2008-2009 Rs. 55,000.
- * Long - term capital loss of PY 2019-2020 Rs. 1,75,000.
- * Loss from owning of race horses of PY 2018-2019 Rs. 40,000.

The company made the following donations during the year :

- * Zila Saksharta Samiti Rs. 3000.
- * Prime Minister's Drought Relief Fund Rs. 7,000.
- * Indian Olympic Association Rs. 2,000.



- * An institution recognized u/s 80 G Rs. 11,000.
- * National Foundation for Communal Harmony Rs. 4,000.
- * Prime Minister's National Relief Fund Rs. 6,000.

Compute the total income of the company for the Assessment Year 2021-2022 and losses to be carried forward to the next assessment years.

11. From the following particulars of Ravi Ltd, Compute Book Profit and tax liability as per 115JB MAT Provision for the AY 2021-2022.

Particular	Amount	Particular	Amount
To purchases	5,00,000	By sales	20,00,000
To Transfer to General Reserve		By Amount withdrawn	
To Depreciation	50,000	from contingency Reserve	1,00,000
To Interest on Income tax	2,00,000	By LTCG u/s 10(38)	
To Income tax	20,000	By STCG	50,000
To Provisions for Unascertained Liabilities	50,000	By Amount withdrawn	70,000
To provisions for Certain Liabilities	30,000	from Revaluation Reserve	
To Expenditure incurred on LTCG u/s 10 (38)	80,000	By Bad debts disallowed	75,000
To Proposed Dividend	15,000	recovered earlier	
To Provisions for Loss from Subsidiary Company	60,000	By dividend received from	40,000
To contributions to National laboratory for scientific Research	90,000	domestic company	
To Dividend Distribution Tax	55,000		60,000
To Net Profit	40,000		
	12,05,000		
	23,95,000		23,95,000

**Additional Information :**

- a. Depreciation includes Revaluation depreciation of Rs. 50,000.
- b. Revenue Expenditure incurred on promotion of family planning was not debited to P&LA/C was Rs. 10,000.
- c. Opening and Closing Stock was overvalued by 20%.
- d. Brought forward business loss and unabsorbed depreciation.

Assessment Year	Amount as per Income Tax		Amount as per books of accounts	
	Loss	Depreciation	Loss	Depreciation
2018-19	1,00,000	1,80,000	80,000	50,000
2019-20	1,30,000	80,000	-	70,000

12. Briefly, Explain the following :

- a. Scope of Tax Planning.
 - b. Advance Payment of Tax.
 - c. Tax Planning with respect to replacement of asset.
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