THIRD SEMESTER M.Com. DEGREE EXAMINATION, NOVEMBER 2020

COMMERCE

FMCM3C12- INCOME TAX: LAW, PRACTICE AND TAX PLANNING- I

Time: Three Hours **Maximum Weightage: 30**

Part A: Answer any *four* questions. Each carries *two* weightage.

1. Distinguish between tax avoidance and tax evasion.
2. What do you mean by advance payment of tax?
3. What is a 'Tax Clearance Certificate'?
4. Mention any 4 situations where PAN is compulsory.
5. Mr. Frederic, an American citizen has stayed in India for a period of 150 days during the P.Y. 2019-20. He also stayed in India for a period of 44 days during 2011-12, 36 days during 2013-14 and throughout the financial year 2015-16. Determine his residential status for the P.Y 2019-20.
6. Mr. Anwar bought a building in June 2002 for Rs: 5,00,000. During March 2012 he spent Rs: 7,00,000 for additions to the building and sold it in February 2020 for Rs: 58,00,000. Selling expenses Rs: 49,000.
   Compute taxable capital gains. [CII 2002-03: 105, 2011-12: 184 and 2019-20: 289]
7. From the following particulars, compute GTI of Mr. Anirudh for the P.Y. 2019-20:
   Income from business Rs 74,000
   Speculation loss Rs: 4,500
   Interest received on listed debentures Rs; 9,000
   Long term capital loss Rs: 16,500
   Dividend from Indian company Rs: 42,000
   Income from house property (Loss) Rs: 12,000
   Short term capital gains Rs: 30,500

(4 × 2 = 8 weightage)

Part B: Answer any *four* questions. Each carries *three* weightage.

8. How can we distinguish capital receipts and revenue receipts?

9. Compute income from house property:

Municipal valuation	Rs: 1,05,000
Standard rent	Rs: 1,20,000
Fair rental value	Rs: 1,32,000
Municipal taxes paid by tenant	Rs: 8,500

The house was self occupied for 4 months and let out @ Rs: 12,000 p.m. for the remaining 8 months. The assessee paid Rs:30,000 interest during the year 2019-20, on loan taken for the construction of the house.

10. An employer has taken a house on a rent of Rs: 15,000 p.m. He allotted half the house to Mr. Alex and the other half to Mr. Vimal for residential purposes. The annual salary of Mr. Alex is Rs: 3,50,000 and that of Mr. Vimal is Rs: 7,30,000. Find out the value of rent free house for Mr. Alex and Mr. Vimal.

11. Mr. Amitabh gives the following particulars of the income of his family during the financial year 2019-20. Compute his taxable income:

Income from profession Rs: 8,75,000

Salary of Mrs. Amitabh Rs: 6,24,000

Lottery winning by Aami (minor daughter) Rs: 1,00,000

Income from house property owned by Abhith (minor son) Rs: 74,000

Income of Adithya (minor son) from chess tournament Rs: 60,000

Interest on debentures of Abhishek (major son) Rs: 48,520

12. Compute the tax liability of Mr.Venugopal, a resident in India, for the A.Y. 2020-21 if his total income is Rs: 12,54,000 and agricultural income Rs: 20,000.

13. Compute the tax to be deducted at source during the financial year 2019-20 in the following cases, if the recipient is an individual and resident in India:

   a) Winning from horse race Rs: 1,00,000

   b) Insurance commission Rs: 65,200

   c) Income from interest on securities (Listed) Rs: 52,000

   d) Dividend from domestic company Rs: 72,000

   e) Commission to lottery agent Rs: 35,000

   f) Lottery winnings Rs: 10,00,000

14. What are the situations under which a return of income submitted by an assessee shall be considered as defective?

(4 × 3 = 12 weightage)

Part C: Answer any _two_ questions. Each carries _five_ weightage.

15. What are the important powers of Central Board of Direct Taxes?

16. What do you mean by assessment? Explain the different types of assessments of income.

17. Following details are furnished by Mr. Reddy, an Indian citizen employed in a public limited company for the year 2019-20. You are required to compute his income from salary for the assessment year 2020-21:

Salary   Rs: 20,000 p.m.

Bonus equal to one month salary

Employer's contribution to RPF Rs: 25,000

Employment tax deducted at source Rs: 2,500

Leave travel concession received Rs: 15,000

Interest credited to RPF @ 8.5% p.a.

Residential accommodation in a town where population is 18 lakhs (Rent collected by the company from Mr. Reddy Rs: 1,800 p.m.)

Non-practicing allowance Rs: 2,500 p.m.

Children education allowance for 3 children@ Rs: 450 p.m each.

Entertainment allowance Rs: 850 p.m.

18. The Profit and Loss Account of a partnership firm of Mr.X and Mr.Y for the year ending 31-03-2020 is given below:

Particulars	Rs:	Particulars	Rs:
Opening Stock	30,900	Sales	9,56,313
Purchases	1,62,800	Closing stock	28,687
Penalties and fines	62,000	Rent from house property	15,000
Selling expenses	7,950		
Interest to Mr. X	6,000		
Office expenses	5,450		
Net Profit	7,24,900		
	10,00,000		10,00,000

The firm satisfies the conditions of Sec. 184 and the following details are also available:
(1) Interest on capital Rs: 6,000 @ 8% has been paid to Mr. X
(2) Penalties and fines have been levied because of illegal sale and purchases of goods.
(3) Remuneration payable to partners as per deed: Mr. X Rs: 4,00,000 and Mr. Y Rs: 2,00,000
(4) Mr. X and Mr. Y are equal partners in the firm.
 Compute tax payable by the firm and the total income of the partners.

(2 × 5 = 10 weightage)