

**THIRD SEMESTER M.Com DEGREE EXAMINATION, NOVEMBER 2021  
(Regular/Improvement/Supplementary)**

**COMMERCE**

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

**Time: 3 Hours**

**Maximum Weightage: 30**

**Part A: All questions can be answered. Each carries two weightage (Ceiling 6 weightage).**

1. Enumerate any two situations of tax avoidance.
2. Who is deemed resident?
3. What is belated return?
4. Specify any two situations where quoting of PAN is mandatory.
5. What are bond washing transactions?
6. What is angel tax?
7. How foreign income is taxable to different categories of residents?

**Part B: All questions can be answered. Each carries four weightage (Ceiling 12 weightage).**

8. Explain the powers of Authorized Officers with respect to Search and Seizure.
9. Mention the items on which tax is collected at the source?
10. Mr. Om is a cloth merchant. From the following Profit and Loss A/c for the year ended 31/03/2021. Compute his income from business for the AY 2021-22.

Salaries and Wages	15000	Gross Profit	270000
Rent and Taxes	4000	Dividend on Shares	4000
Domestic Expenses	2500	Rent from Building let out	10000
Income Tax	1200		
Postal Charges	1500		
Donation	2500		
Life Insurance Premium	2000		
Audit Fees	1500		
Bad Debts Reserve	1800		
Bad Debts	2500		
Depreciation	5000		
Net Profit	244500		
	284000		284000

Other information:

1. Rent and taxes include Rs. 2000 paid as municipal tax on building let out.
2. Value of life insurance policy is Rs. 18000.
3. Donation was given to an approved institution.
4. Permissible depreciation Rs. 4000.

**(P.T.O.)**

11. Mr. Gosh retires on 31/10/2020 after 20 years of service and received Rs. 1,92,000 as leave encashment for 12 months. His employer allows him one and half months of leave for every one year of service. He already availed leave for 18 months. His salary for 2019-20 was Rs 12,000 and from 01/04/2020 it was raised to Rs 16,000 p.m. Compute the taxable amount of encashment of earned leave.
12. Mr. N purchased a machine on 30/11/2019 for Rs. 2,00,000 and spent Rs 24,000 on its installation. It was used for his own business till 01/05/2020 on which date he sold it for Rs. 1,20,000. He repurchased it on 01/10/2020 for Rs. 3,20,000. Determine actual cost and depreciation admissible for the year ending 31/03/2021. Rate of depreciation is 15%.
13. Kamlesh purchased a rented residential house in 1998 for Rs. 2,00,000 which he sold in October,2020 for Rs.39,00,000. Fair market value of the house as on 01/04/2001 was Rs. 3,00,000. He purchased a new house on 31/12/2020 for Rs.24,00,000. Compute his taxable capital gains and also compute tax on Capital Gain.
14. The Total Income of Mr. X, resident of India is Rs. 8,60,000. Calculate advance income tax payable during the financial year 2021-22 and find out installments if tax deducted at source is Rs 1,840.

**Part C: All questions can be answered. Each carries six weightage (Ceiling 12 weightage).**

15. Explain in detail the different categories of assessment under Income Tax Act.
16. Mr. Ram Chandra is a professor in a University. His income for the previous year ended 31/03/2021 was as follows. Advice him for the selection of new and old regime.
  - (a) Basic pay including grade pay Rs 1,31,000 p.m.
  - (b) DA at 31% of the pay.
  - (c) Special pay @ Rs 500 p.m for promoting small family norms.
  - (d) Transport allowance @ Rs 3,800 p.m
  - (e) Proctor allowance @ 500 p.m
  - (f) He is living in his own house. Annual value of the house Rs 40,000 and he is getting 15% of the pay as HRA.
  - (g) During the PY his investments were as follows.
    - i. He contributed in a PF @ Rs 8,000 p.m.
    - ii. His life insurance premium was Rs 1,200 p.m.
    - iii. He pays Rs. 30,000 as payment of interest and Rs. 40,000 as investment for housing loan taken for the construction of his house.
  - (h) During the PY his donations were as follows.
    - i. Maharashtra Chief Minister's Earthquake Relief Fund – 10,000
    - ii. National Foundation for Communal Harmony - 10,000
    - iii. To Municipal Corporation for promotion of family planning – 40,000
    - iv. To Minority Community Corporation (Notified) – 25,000
17. The following details have been supplied by the Karta of a HUF. Compute the total income and net tax payable.
  - a) Profit from business - 2,82,000
  - b) Salary received by a member of family for services rendered elsewhere – 36,000
  - c) Rent from let out property - 12,000 p.a
  - d) Municipal tax paid thereon - 1,000
  - e) Annual municipal value of the joint family house - 24,000  
Municipal taxes paid - 3,000  
Interest on loan taken for construction Rs 22,000 and loan taken for extension Rs. 10,000.

- f) Dividend from companies (Gross) - 10,000
- g) Directors fees - 5,000
- h) Interest on bank time deposit - 24,000
- i) LTCG - 25,000
- j) Donation to Govt. for family planning by cheque - 8,320
- k) Interest on capital from a firm - 18,000 (12%)
- l) Salary received by Karta from the firm for his services - 40,000
- m) Share of profits from firm - 36,000
- n) Medical insurance premium on the health of the members paid by cheque - 8,500
- o) Advance tax paid - 1,000
- p) Insurance premium paid on LIC policies Rs 51,000.

The income tax officer has found Rs 10,000 paid as salary to a member of the family as unreasonable. Depreciation was found to be in excess by Rs 2,000.

18. From the following information compute the relief available u/s 89:

	AY 2021-22	AY 2020-21	AY 2019-20
Total Income assesses	6,65,000	2,90,000	2,40,000

The total income of Rs. 6,65,000 includes arrears of salary for the AY 2020-21 Rs. 60,000 and for the AY 2019-20 Rs. 50,000.