

**THIRD SEMESTER M. Com DEGREE EXAMINATION, NOVEMBER 2022**  
**(Regular/Improvement/Supplementary)**

**COMMERCE**

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

**Time: 3 Hours**

**Maximum Weightage: 30**

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

1. What is tax management?
2. How residential status of company is determined?
3. What is protective assessment?
4. What do you mean by faceless assessment scheme?
5. Distinguish between capital and revenue expenditure.
6. In what context a person is said to be deemed resident.
7. What is income escaping assessment?

**(4 × 2 = 8 weightage)**

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

8. What would be the consequences if tax is not deducted at source?
9. What are the objectives of conducting I T surveys?
10. On 01/08/1998 Mr. Bhandari purchased a plot for Rs. 40,000. FMV of the plot on 01/04/2001 was Rs. 80,000. On 03/08/2021, he sold the plot for Rs. 15,00,000 and paid brokerage, etc, @ 2% on sales consideration. Out of the sale consideration he invested Rs 7,35,000 in the construction of a residential house which was completed before 30/06/2022. Compute the taxable capital gain.
11. Compute tax liability of Mr. X who has agriculture income of Rs. 90,000 and non-agriculture income of Rs. 7,60,000.
12. Sri Suresh has to pay Rs. 60,000 as advance tax during the financial year 2021-22. He deposited the following amounts.

15/06/2021	9,000
15/09/2021	19,000
15/12/2021	12,000
15/03/2022	20,000

Is he liable to pay any interest u/s 234C? if yes, determine the amount of interest payable.

13. Sri Nag Bhushan have the following investment during the previous year 2021-22.
  1. Rs. 4,00,000 - 10 % tax free debentures of a company listed on a recognised stock exchange in India.
  2. Rs. 1,60,000 - 9% tax free commercial securities.
  3. Rs. 20,000 - 9 % Port Trust Bonds.
  4. Rs. 30,000 - 10 % Municipal debentures.
  5. Rs 1,60,000 - 12% debentures of a public limited company (not listed).

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

For the purpose of purchasing securities mentioned above, he took a loan of Rs. 1,00,000 and paid an interest of Rs. 10,000 on it. The bank also charged 2% commission on realisation of interest received on the above securities.

Find out the income from other source.

14. The following is the Profit & Loss Account of Evergreen Bank Ltd., a scheduled bank, for the year ended 31/03/2022.

To establishment	125000	By G/P b/d	600000
To rent and rates	13750	By profits on sale on investments	18500
To fire insurance	8500	By interest on govt securities	12000
To entertainment	7250	By rent received	40000
To general expenses	34000	By dividends from domestic companies	10000
To reserve for bad & doubtful debts	5250		
To donation & charities	3750		
To depreciation	30000		
To provision for taxation	155000		
To net profit	298000		
	680500		680500

Compute the business income of the bank for the year 2021-22 after considering the following additional information:

- The admissible depreciation amounts to Rs. 25,000.
- Donations and charities include a sum of Rs. 2,500 paid to Recognised Charitable Institution.
- General Expenses include a sum of Rs. 4,800 and Rs 800 paid towards Municipal Taxes and Insurance on property let respectively.
- Investments (Govt Securities) were purchased in July 2021 and sold in March 2022.

(4 × 3 = 12 weightage)

**Part C: Answer any two questions. Each carries five weightage.**

- Explain in detail about different ITR forms. In what context different ITR forms are used?
- The following details have been supplied by the Karta of a HUF. Compute Total Income and Tax Liability.
 

(a) Profit from business	- 10,90,000
(b) Salary received by a member of HUF	- 10,000
(c) Directors fees received by Karta	- 8,000
(d) Rent from let out property	- 20,000
Municipal tax paid	- 1,000
(e) Annual municipal value of the joint family house	- 18,000
Municipal tax paid	- 1,000
Interest on loan for construction of house	- 20,000
(f) Interest	- 5,000
(g) LTCG on transfer of building	- 10,000
(h) Profit from an AOP (1/4 <sup>th</sup> share)	- 10,000
(i) Dividend from companies (Gross)	- 10,000
(j) Donation to NDF by cheque	- 5,000
(k) Medical insurance premium on the health of the members of the family	- 36,000
(l) Premium paid on LIC policies	- 19,000

17. Dr. Reddy is a medical practitioner. Besides his own practice, he works as part time physician in a private hospital for which he receives a monthly remuneration. He is also consultant physician of XYZ Co. Ltd. on a monthly retainer fee.

The doctor maintains a record of his receipts and payments and for the year ended 31<sup>st</sup> March 2022, following information are abstracted therefrom:

Receipts

Consultation fees	-	4,60,000
Gross Remuneration from private hospital	-	8,24,000
Retainer fee from XYZ Co Ltd.	-	60,000
Interest on Saving Bank Account	-	13,000

Payments

Rent and electricity charges of the clinic	-	38,000
Telephone charges	-	12,400
Printing and stationery	-	9,500
Car maintenance expenses	-	38,000
Wages of clinical assistant	-	98,600
Driver's salary	-	95,600
Life insurance premium	-	12,400

The written down value of the car and the furniture at the clinic as on 01/04/2021 are noted to be Rs. 5,25,000 and Rs. 12,000 respectively. 20 % of the use of car and the telephone is attributable to the personal and private purposes. Provide for depreciation on car @ 15% and furniture @ 10%. Compute the amount of tax for the AY 2022-23.

18. Mr. X is employed in a factory (owned by an individual) on a monthly salary of Rs. 60,000. In addition to the salary, he received a bonus of two months' salary during the previous year. The factory has provided the assessee with a rent free unfurnished accommodation. The rent paid by the employer is Rs. 3,400/month. One son of the assessee is studying in the USA and his expenses are borne by the employer which for the accounting year amount to Rs. 14,000. He is provided with a small car by the employer which he uses partly for private purposes and partly for official purpose. All the expenses in respect of the car are paid by the factory. He is getting entertainment allowance @ Rs 2,800/month. Find out the taxable income from salary for the assessment year 2022-23.

**(2 × 5 = 10 weightage)**