D4ACM2202 (4 Pages) Name............................
Reg.No..........................

FOURTH SEMESTER M.Com. DEGREE EXAMINATION, APRIL 2024
(Regular/Improvement/Supplementary)

COMMERCE
FMCM4C15 - INCOME TAX LAW, PRACTICE AND TAX PLANNING II

Time: 3 Hours **Maximum Weightage: 30**

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

1. What tax considerations are necessary while making a choice between 'make' or 'buy'?
2. Write a short note on exemption from tax for SEZ.
3. How is charitable trust assessed?
4. What is assessment of firm under section 184?
5. What are the objectives of tax planning?
6. What is an Indian company under Sec 2(26)?
7. What categories of income of a co-operative society are deductible in computing its total income?

(4 × 2 = 8 weightage)

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

8. ABC Ltd. is a domestic company in which public are substantially interested. The following are the particulars of income in respect of the Previous Year 2022-23:

		₹
(i)	Interest on Government securities	20,000
(ii)	Income from business	4,90,000
(iii)	Short-term capital gains	15,000
(iv)	Long-term capital gains	33,000
(v)	Dividend from an Indian Co. (Gross)	20,000
(vi)	Book profits u/s 115-JB	9,00,000

Compute company's total income and its tax liability.

(P.T.O.)

9. A, B and C are partners in a firm with equal shares. The Profit and Loss Account of the firm for the year ended 31st March, 2023 is as under:

	₹	₹		₹
To Interest on Capital @ 12%:			By Gross Profit	9,000
A	8,000		By Loss: A	1,25,000
B	7,000		B	1,25,000
C	9,000	24,000	C	1,25,000
To Salary: A	1,20,000			
B	1,20,000			
C	1,20,000	3,60,000		
		3,84,000		3,84,000

Compute book profit and the total income of the firm for the Assessment Year 2023-24. The firm fulfils the conditions of *Sec.* 184.

10. A, B, C are members of an Association of Persons. They share profit or loss equally. During the previous year the income of AOP is ₹ 2,20,000 and the income of A, B and C is ₹ 40,000, ₹ 5,10,000 and ₹ 5,20,000 respectively. Compute tax liability of AOP and A, B and C for the Assessment Year 2023-24.

11. A College Co-operative Society Ltd. had the following income during the year ended 31st March 2023:

		₹
1.	Income from the College Canteen	10,000
2.	Income from the General Merchandise Business	43,000
3.	Income from the Credit Facilities given to members	8,000
4.	Interest on Government Securities	10,000
5.	Taxable Income from House Property	6,000
6.	Dividends (gross) on shares held in another Co-operative Society	5,000

Compute the gross total income, the total income and tax liability of the Society for the Assessment Year 2023-24.

12. Identify various tax planning provisions related to infrastructural facility.

13. Distinguish between tax planning and tax management.

14. Explain tax planning provision in respect of capital structure.

(4 × 3 = 12 weightage)

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

15. X Ltd. disclosed the following profit in the Statement of Profit and Loss for the year ended 31st March, 2023.

    Net profit during the year ₹ 10,00,000. The investigation of the accounts showed the following:

    (i) Opening and closing stocks were ₹ 5,70,000 and ₹ 9,50,000 respectively, which were valued at 5% below cost.

    (ii) A claim is made for deduction of bonus ₹ 1,20,000 payable to workers for the Previous Year 2021-22 in pursuance of Industrial Court Award dated 20th November, 2022. The same has not yet been charged against the profits.

    (iii) The profits include ₹ 20,000 received as compensation for vacation of the premises of Sales Department. The assesse claims that it is not taxable.

    (iv) The following expenses have been charged against the above net profit:

    (a) Fine of ₹ 11,000 paid for breach of customs regulations.

    (b) Interest paid on borrowing for importing machinery from abroad ₹ 10,000. The machine was not received during 2022-23.

    (c) ₹ 500 paid to Chamber of Commerce as annual subscription.

    (d) Income tax paid ₹ 10,000 for the Assessment Year 2022-23.

    (e) Donation paid to a charitable institution ₹ 25,000 by cheque. This institution is approved under *section* 80G.

    (f) The company paid ₹ 15,000 on account of underwriting commission for fresh issue of shares and ₹ 2,000 on account of brokerage for raising a loan from the bank.

    (v) The company deposited ₹ 2,50,000 as advance tax.

    From the above particulars compute the company’s total income and net tax payable.

16. Explain tax planning provision in respect of:

    (a) Tea, Coffee and Rubber industry.

    (b) Hotel.

    (c) Infrastructure facility.

(P.T.O.)

17. A, B and C are partners of a firm enjoying profits and losses in the ratio 3:2:1. From the following available particulars compute the book profit and total income of the firm for the Assessment Year 2023-24 assuming that the firm fulfils the conditions of *section* 184:

Profit and Loss Account
(*for the year ended 31.03.2023)*

	₹	₹		₹
To sundry Expenses		1,64,500	By Gross Profit	2,00,000
To Salaries:			By Interest on Securities (Gross)	18,600
A	17,000		By Dividend from Indian Companies (Gross)	10,000
B	15,000	32,000	By Income from House Property	20,000
To Commission to C		20,000	By Capital Gain (Short-term)	18,000
To Interest on Capital @ 12% p.a.:				
A	5,000			
B	10,000	15,000		
To Net Profit:				
A	17,550			
B	11,700			
C	5,850	35,100		
		2,66,600		2,66,600

Sundry expenses include ₹ 5,000 spent for the purchases of a scooter by A for using as conveyance to attend office.

18. The management of X Ltd. wants to acquire a new machine. The cash price of the machine is ₹ 1,00,000. The company has enough cash reserves to finance the purchase. However, it seeks your advice, whether from the point of view of tax planning, it should buy the machine or get it on lease. On the basis of the following particulars, explain the suitability of each alternatives.

(i) Rate of Income Tax: 26%.

(ii) Rate of depreciation under the Income Tax Act: 25%.

(iii) Expected life of the machine: 9 years

(iv) Lease rent: ₹ 31,000 per annum for the first 5 years and ₹ 300 per year afterwards.

(v) Present value of ₹ 1 discounted at 14%: Year One- 0.877; Year Two- 0.769; Year Three- 0.675; Year Four- 0.592; Year Five- 0.519; Year Six- 0.456; Year Seven- 0.400; Year Eight- 0.351 and Year Nine- 0.308

(2 × 5 = 10 weightage)