D4ACM2302 **(3 Pages)** **Name..............................**
Reg. No..........................

FOURTH SEMESTER M.Com. DEGREE EXAMINATION, APRIL 2025
(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. Explain the tax planning in relation to make or buy.
2. Elaborate on the provisions for payment of tax by companies under section 115 JB.
3. Explain the tax liability of members in BOI or AOP.
4. Discuss the different types of trust.
5. Explain the differences between AOP and BOI.
6. Describe the deduction in respect of profits and gains of an enterprise engaged in development of Special Economic Zones.
7. Explain the term book profit in relation to the assessment of firms.

(4 × 2 = 8 weightage)

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

8. What is MAT and explain the basic provisions of MAT.
9. Under Section 40(b), what items are disallowed as deduction while computing firm's income from business or profession. Explain.
10. Explain tax under tonnage system.
11. Write a note on deductions under Section 80 P.
12. Mr. Shyam has received offers from the employers of Delhi for service as under:

	A	B
Salary	2,88,000	3,60,000
D.A.	3,22,500	3,22,500
Bonus	24,000	60,000
Rent free house (F.R.V)	2,16,000	---
House rent allowance	---	1,08,000
He will pay rent Rs18,000 p.m	---	---
	8,50,500	8,50,500

Which offer should he accept and why?

13. During the previous year 2023-24, a charitable trust received income of Rs. 6,00,000 from property held for charitable purpose and Rs. 2,00,000 from voluntary contributions.

The trust utilized the amount during the previous year 2023-24 as under:

a. Spent for charitable purpose in India Rs. 1,90,000.

(P.T.O.)

b. Spent for charitable purpose outside India Rs. 30,000.
c. Spent on addition to hospital building for charitable purposes Rs. 3,00,000.
d. Income tax paid for the assessment year 2022-23 Rs. 2,00,000.

The trust has not applied for the option under explanation to section 11(1).

Compute the taxable income of the trust.

14. The income of a co-operative society for previous year ending on 31st March, 2024 is as under:

a. Income from other business Rs. 5,000.
b. Income from processing the agricultural produce of its members Rs. 6,000.

(Without the aid of power)

c. Income from fishing and allied activities Rs. 4,000.
d. Income from interest on securities (Gross) Rs. 2,500.
e. Income from house property (Computed) Rs. 2,300.

Compute the total income of the society and compute the tax payable by it for the assessment year 2024-25.

(4 × 3 = 12 weightage)

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

15. A domestic company possesses huge reserves. It wants to distribute deferred dividends of Rs. 100 crores to its equity shareholders. For this purpose, it may issue 3 year 10% redeemable preference shares or 3 year 10% redeemable debentures. Keeping in view the following information, suggest the company whether it should issue bonus shares or bonus debentures so that the tax liability of the company and its shareholders is reduced assuming that:

a. Company is liable to pay tax @ 30% on its income.
b. Shareholders are liable to pay tax on interest income @ 30%.

16. XYZ Ltd. has provided the following financial information for the year ending 31-03-2024:

1. Total income as per the provisions of the Income Tax Act: ₹25,00,000
2. Net profit as per the Statement of Profit & Loss: ₹60,00,000
3. Adjustments to Net Profit:

(A) Items Debited to P&L A/c:
- Provision for Income Tax: ₹7,00,000
- Transfer to General Reserve: ₹50,000
- Provision for Deferred Tax: ₹80,000
- Provision for Warranty: ₹1,20,000
- Depreciation (including revaluation depreciation of ₹2,50,000): ₹5,50,000

(B) Items Credited to P&L A/c:
- Transfer from Revaluation Reserve: ₹2,50,000
- Dividend Income (exempt under normal provisions): ₹3,00,000

4. Brought forward business loss as per books: ₹10,00,000
5. Brought forward depreciation as per books: ₹8,00,000

Tax Rate Assumptions:
- Corporate tax rate: 25% (for companies with turnover below ₹400 crore)
- MAT rate: 15% of book profit

- Health & Education Cess: 4%

Compute the following:

1. Book Profit as per MAT provisions.
2. Tax payable under normal provisions and under MAT.
3. MAT credit to be carried forward, if any.

17. X, Y and Z are three equal partners in a firm, of which Z is a sleeping partner. The firm's P & L account for the year ended 31st March, 2024 is given below:

Profit and Loss Account

For the year ended 31-03-2024

Particulars		Amount	Particulars	Amount
To Salaries		32,000	By Gross Profit	2,32,000
To rent, rates etc.		10,000	By Discount	8,800
To Advertisement		12,000		
To Bad debts reserve		4,800		
To Depreciation		8,000		
To Fire insurance premium		2,000		
To Partner's salaries:				
X	16,000			
Y	12,000	28,000		
To Commission:				
X	8,000			
Z	4,000	12,000		
To Interest on capital:				
X	2,000			
Y	4,000			
Z	6,000	12,000		
To Net Profit:				
X	40,000			
Y	40,000			
Z	40,000	1,20,000		
		2,40,800		2,40,800

1. Depreciation was excess debited by Rs. 2,000.
2. Rent includes rent of Z's godown Rs. 2,400

Compute book profit and firm's total income for the relevant assessment year. The firm fulfils the conditions of Section 184.

18. Explain tax planning in relation to setting up of a new business in relation to location, nature and form of organisation.

(2 × 5 = 10 weightage)