

Reg. No. :

Code No. : 5529

Sub. Code : PKCM 32

M.Com. (CBCS) DEGREE EXAMINATION,
NOVEMBER 2021.

Third Semester

COMMERCE — CORE

TAXATION AND TAX PLANNING

(For those who joined in July 2017 onwards)

Time : Three hours

Maximum : 75 marks

PART A — (10 × 1 = 10 marks)

Answer ALL questions.

Choose the correct answers :

1. The term income included
 - (a) Legal income only
 - (b) Legal and illegal incomes
 - (c) Illegal income only
 - (d) None of the above

2. An Indian company's residential status is that it is always
- (a) Resident (b) Non-resident
- (c) Ordinarily resident (d) All the above
3. Value of RFA in case of Govt. employee shall be taxable up to
- (a) 15% of employees salary
- (b) 7.5% of employees salary
- (c) Licence fee fixed by Govt.
- (d) 10% of employees salary
4. Interest on RPF balance is exempted up to
- (a) 9.75% (b) 9.5%
- (c) 10% (d) 12%
5. GAV of self-occupied house is
- (a) Always nil (b) Always fully taxable
- (c) Higher of MRV/FRV (d) None of these
6. Arrears of rent recovered are subject to standard deduction u/s 24 up to
- (a) 1/5th of arrears (b) 1/4th of arrears
- (c) 1/6th of arrears (d) 30% of arrears

7. Under valuation of opening stock is
- (a) Deducted from net profit
 - (b) Added to net profit
 - (c) Credited to P and L a/c
 - (d) Debited to P and L a/c
8. Unabsorbed capital expenditure on scientific research can be carried forward for
- (a) 15 years
 - (b) 14 years
 - (c) 8 years
 - (d) indefinite period
9. Short term capital gain on sale of listed shares are
- (a) Exempted
 - (b) Taxable
 - (c) 50% exempted
 - (d) None of the above
10. Land held 56 months is
- (a) Short term capital assets
 - (b) Long term capital assets
 - (c) Exempted capital assets
 - (d) None of these

PART B — ($5 \times 5 = 25$ marks)

Answer ALL questions, choosing either (a) or (b) not exceeding 250 words.

11. (a) Explain the incidence of income tax.

Or

- (b) Mr. Hari, a foreign national came to India for the first time on June 15, 2015. During the financial year 2014-15, 2015-16, 2016-17, 2017-18, 2018-19 and 2019-2020, he stays in India for 120 days, 115 days, 191 days, 124 days and 80 days respectively. Determine his residential status for the assessment year 2020–2021.

12. (a) Computation of Gross salary of Mr. Z for the assessment year 2020 – 2021.

Salary at Rs. 12,000 p.m.

Dearness allowance at Rs. 6,000 p.m. (enter into retirement benefits)

C.C.A. at Rs. 2,000 p.m.

House rent allowance Rs. 8,000 p.m. (rent paid at Rs. 6,000 p.m.)

commission Rs. 10,000.

Or

- (b) Mr. Nataraj employed in Delhi and gets the following emoluments.

Basic salary Rs. 8,000 p.m.

DA (forming part) Rs. 6,000 p.m.

Bonus Rs. 10,000.

CCA Rs. 2,000.

Conveyance allowance Rs. 500 p.m. (actual amount spent Rs. 4,000). He is provided with a rent free house. Calculate taxable value of rent free house and gross salary on the assumption that the population is 26 lakhs.

13. (a) From the following particulars, compute the gross annual value of Mr. Saran for the previous year 2019-2020.

Rs.

MRV 80,000

FRV 90,000

SRV 96,000

Actual rent Rs. 10,000 p.m

He could not realize rent for two months and house also remained vacant for three months.

Or

- (b) From the following particulars, compute the gross annual value

	Rs.
Municipal value	36,000
Fair rental value	24,000
Annual rental value	42,000
Vacancy period	2 months

14. (a) Mr. Kumar has prepared the following P and L A/c for the year ended 31.3.2019. You are required to compute his income from business and his gross total income for the assessment year 2020 – 2021.

Particulars	Rs.	Particulars	Rs.
To income tax	700	By gross profit	1,35,900
To charities	375	By dividend (co-operative society)	2,600
To donations	400	By rent from house property	500
To advertisements	1,450	By bad debts recovered	2,000
To postage and telegrams	100		
To other expenses	5,125		
To net profit	13,250		
	<u>1,41,000</u>		<u>1,41,000</u>

Or

- (b) List out the general deductions allowed u/s 37.

15. (a) An assets purchased in the year 2011-12 for Rs. 5,25,000. During the previous year it was sold for Rs. 15,00,000. Expenses in connection with the transfer of sale is Rs. 15,000. Calculate taxable capital gain for the previous year 2018-19. (CII-2011-12; 184; 2018-19; 280)

Or

- (b) What are the exemptions allowable from the capital gains income?

PART C — (5 × 8 = 40 marks)

Answer ALL questions, choosing either (a) or (b) not exceeding 600 words.

16. (a) Discuss the history of tax system in India.

Or

- (b) Explain the characteristics of an effective tax system.

17. (a) Mr. Ravi is working in ABC LTd., Chennai. He is paid the following emoluments every month.

Basic pay	6000 p.m.
Bonus	30000
D.A. (enter into service benefits)	4000 p.m.
CCA	1000 p.m.
Transport allowance	1000 p.m.

HRA (while actual rent he pays is
Rs. 6,000 p.m) 5000 p.m.
Club bill paid by employer 8,000 p.a.

Employer contribution to RPF at 15% of salary.

Interest on RPF at 10% per annum amounted to Rs. 20,000 during the year computer his salary income.

Or

(b) Describe the tax planning for salary income people.

18. (a) Calculate income from house property from the following.

MRV 7000 p.m.
FRV 8000 p.m.
SRV 7500 p.m.
Actual rent 8500 p.m.

The house has been let out from 1st January of 2009. In the year 2013 and 2014 it was self-occupied. Again from 1st April 2015 it was let out. During the current previous year 2019-20 half month rent could not realize.

Or

(b) Explain the tax planning aspects in assessment of house property income.

19. (a) From the P and L a/c of Mr. Ramesh for the year ended 31.3.2020. Compute the income from business for the assessment year 2020-2021.

Particulars	Rs.	Particulars	Rs.
Office expenses	40,000	Gross profit	6,40,000
General expense	16,000	Interest on Govt. securities	11,200
Interest on bank loan	4,000	Discount received	16,000
Audit fees	4,000	Bad debts recovered (not written off earlier year)	800
Interest on capital	12,000	Sundry receipts	16,000
Rent	20,000	Dividend	16,000
Provision for income tax	16,000		
Charity	8,000		
Legal expenses	4,000		
Compensation to retrench employees	20,000		
Extension of building	36,000		
GST	8,000		
Net profit	5,12,000		
	<u>7,00,000</u>		<u>7,00,000</u>

Additional information :

- (i) General charges included Rs. 8,000 towards purchase of computer.
- (ii) Legal expenses include Rs. 1600 penalty by customs authority.
- (iii) Rent includes Rs. 8,000 paid as rent of the house in which the assessee lives.
- (iv) Depreciation allowed Rs. 12,000 as per income tax rules. (Excluding depreciation on computer purchased)
- (v) Income tax provision is excessive to the extend of Rs. 5,000.

Or

- (b) From the following receipts and patent account of Dr. Rajasekar. Compute professional income for the previous year 2019–20.

Receipts	Rs.	Payment	Rs.
To balance b/d	1,50,000	By establishment expenses	30,000
To consultation fess	24,00,000	By rent of clinic	1,20,000
To visiting fees	3,60,000	By staff salary	4,80,000
To sales of medicine	11,40,000	By electricity	60,000

To gift from patients	By investment in 50,000residential property	32,90,000
To Gift from relatives	60,000	
To dividend on shares	By books 5,000	10,000
	By balance c/d	1,75,000
	<u>41,65,000</u>	<u>41,65,000</u>

20. (a) Mr. Guna sold a plot of land at Delhi on 1.6.2018 (CII:280) for Rs. 14,40,000. He paid Rs. 40,000 as selling expenses. The plot was received by him on the death of his father on 15.3.2005 (CII:113). His father had acquired it on 1.4.1990 for Rs. 1,00,000 and its F.M.V. on 1.4.2001 was Rs. 3,10,000.

On 1.10.2018 he invested Rs. 3,00,000 in bonds issued by Royal electrification corporation limited notified u/s 54EC and 2,00,000 on 1.3.2019 in bonds of National highway authority of India.

Compute his taxable capital gain.

Or

- (b) Describe the tax planning aspects in assessment of income from capital gain.