

LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034



M.Com. DEGREE EXAMINATION – COMMERCE

SECOND SEMESTER – APRIL 2022

PCO 2501 – DIRECT TAX PLANNING AND MANAGEMENT

Date: 15-06-2022

Dept. No.

Max. : 100 Marks

Time: 09:00 A.M. - 12:00 NOON

PART –A

Answer ALL questions

(10x2 = 20 marks)

1. What do you mean by Speculation Loss?
2. Define Clubbing of income.
3. List out any four examples of Non-Agricultural incomes.
4. What is advance payment of tax?
5. Write a short note on Unabsorbed Depreciation.
6. What do you understand by Cooperative Society covered under “Alternate Minimum Tax”.
7. Write a note on Commissioner of Income-Tax.
8. What is E-filing of Tax Return?
9. What is the meaning of the term “Appeals”.
10. List out various Appellate Authorities under income tax.

PART-B

Answer any FOUR questions

(4x10=40 marks)

11. What is the procedure for setting a case through Settlement Commission?
12. Describe the procedure of constitution of Appellate Tribunal. Explain the procedure for filing an appeal to the Appellate Tribunal.
13. Explain the provisions of Income Tax Act, 1961 regarding carry-forward and set off of losses.
14. The following information is given by Mr.X pertaining to the previous year ending March 31, 2022
 - Technical fees received from A Inc., a company incorporated in Spain (for a manufacturing project to be set up in India, project will be set up by the foreign company in India in 2024) (amount is paid to X in foreign currency in UK) -Rs. 9,32,000
 - Honorarium received from the Kerala Government (Rs. 19,000 is incurred as travelling expenditure) - Rs. 3,00,000
 - Profits earned from a business in Kerala controlled from Spain – Rs. 2,75,000.
 - Technical fees received from Kerala Government (for a manufacturing project to be set up by Kerala Government in Bangladesh) (amount is paid to X in foreign currency outside India) - Rs. 9,43,000.
 - Profit earned from a business in Karachi, controlled from Karachi (paid in UK which is immediately remitted to India on the next day) – Rs. 24,50,000
 - Dividend from a UK company credited to his account in Spain – Rs.7,69,000
 - Agricultural income from Bhutan (received in Bhutan but later on remitted to India, agricultural activity is controlled from Uttar Pradesh) – Rs. 12,15,000.

Determine the net income of X for the Assessment Year 2022-23 if X is a (1) resident and ordinarily resident (Case 1), (ii) resident but not ordinarily resident (Case 2), or (iii) non-resident in India (Case 3).

15. Find out the net income and tax thereon for the Assessment Year 2022-23, taking into consideration the following additional information

The employer company provides the following perquisites

1. A domestic servant (expenditure of the employer: Rs. 3,000 per month)
2. Car (1200 cc) for domestic and official purposes (expenditure of the employer on running and maintenance: Rs. 11,000 per month)
3. Car insurance (Rs. 12,000 per year).
4. Driver (Rs. 6,000 per month).

X contributes 15 per cent of the basic salary towards recognized provident fund. Employer Company makes a matching contribution. X also contributes Rs. 1,20,000 annually to the Public Provident Fund account. Ignore section 115BAC pertaining to alternative tax regiment.

16. X purchases the following assets on March 10, 2015: of B Ltd – Rs .1,04,000

On June 10, 2016, he gifts debentures of B Ltd. to his son Y. X dies on April 3, 2020 and as per his will, debentures of A Ltd. are transferred to his son Y. On March 1, 2022, Y sells debentures of A Ltd. for Rs. 4, 10,000 (expenditure on transfer: Rs. 600) and debentures of B Ltd. for Rs. 2.78,000 (expenditure on transfer: Rs. 700). Find out the amount of capital gains chargeable to tax for the assessment a 2022-23.

17. From the following particulars of X (date of birth: October 17, 1979, resident), determine the net income and tax liability for the assessment year 2022-23 (ignore section 115BAC pertaining to alternative tax regime) –

Particulars	Rs	Rs
Profit from business of selling goods		8,64,000
Current profit of publication of magazines and journals		3,10,000
Brought forward loss of the business of publication		5000
Profits from a small scale industrial undertaking set up in Delhi in 2004 (before deducting the following)		3,80,000
Salary to manager	1,08,000	
Depreciation	12,000	
Income from business of dairy farming		4,65,000
Brought forward loss of the business of dairy farming		16,73,000
Agricultural income in India		42,00,000
Income from the business of dealing in equity shares (after deducting securities transaction tax of Rs .18000)		3,17,000
Payment of insurance premium on the life of married daughter (sum assured Rs. 4,00,000) (policy taken during 2021-22)		68,000

PART –C

Answer any TWO questions

(2x20= 40 marks)

18. X (47 years) is employed by ABC Textiles Ltd., Surat. From the information given below find out net income and tax liability of X for the Assessment Year 2022-23.

Basic salary: Rs. 46,000 per month, commission at the rate of 10 per cent of sales made by X: Rs. 90,000 for the period ending on December 31, 2021 and Rs. 45,000 for the period ending March 31, 2022, dearness allowance: Rs. 8,000 per month (1/4 is part of salary for computing pension but only 20 per cent is part of salary for computing other retirement benefits, like provident fund, gratuity, etc. house rent allowance: Rs. 25,000 per month, tiffin allowance: Rs. 10,000 per month (but only with effect from February 1, 2022.

Besides, he has been provided with the amenities of gas, electricity and water, the expenses of which amounting to Rs. 18,000 are paid by the employer.

He has purchased from the company's showroom garments of MRP of Rs. 30,000 at a discount of 95 per cent of MRP (as per service rules). Production cost of these garments is 30 per cent of MRP (dealers generally get a discount of 60 per cent of MRP).

He resides in a rented accommodation at 32, Navsari Bazaar, Surat (rent being Rs. 21,000 payable every month to the landlord D Ltd population of Surat is above 25 lakh).

However, the employer-company has purchased this property from D Ltd. on December 31, 2021 and the same house is allotted as a rent-free unfurnished house to X without charging any rent. House rent allowance has been discontinued on the same day.

X contributes Rs. 6,000 per month towards recognized provident fund. Contribution by the employer company is not more than 12 per cent of salary.

Provident fund interest is credited at the rate of 8 per cent which comes to Rs. 2, 94,000 for the previous year 2021-22

X pays life insurance premium on the life of his married daughter (annual insurance premium since 2006 being Rs. 10,000, sum assured Rs. 95,000, premiums which became due on May 15, 2020 and May 15, 2021 are paid during the previous year 2021-22).

Income of X from other sources is Rs. 1, 44,000. Besides, he gets a pension of Rs. 3,600 per month from the previous employer with whom X was employed till 1996 and contributes Rs. 20,000 towards public provident fund. Ignore section 115BAC pertaining to alternative tax regiment.

19. X (age: 64 years), a salaried employee (drawing Rs. 8,38,983 as annual salary) has occupied three houses for his residential purposes, particulars of which are as follows:

PARTICULARS	HOUSE I Rs.	HOUSE II Rs	HOUSE III Rs.
Municipal valuation	70,000	11,90,000	69,000
Fair rent	53,000	11,78,000	71,000
Standard rent under Rent Control Act	63,000	11,,85,000	73,000
Municipal taxes paid	4,000	42,000	6,000
Repairs	NIL	NIL	NIL
Insurance premium due but outstanding	900	2,000	1,200
Ground rent due but outstanding	600	-	800

X borrows from a relative Rs.40, 00,000 @ 9% p.a for construction of House II (Date of borrowing June 1, 2018, date of repayment of loan May 31, 2021)

Construction of all the houses is completed in August 2020. Determine the taxable income and tax liability of X for the assessment year 2022-23 on the assumption that X contributes Rs. 46,000 towards statutory provident fund and Rs. 8,000 towards National Relief Bonds Ignore section 115BAC pertaining to alternative tax regime.

20. X is a doctor. He owns a property in a posh colony in Cochin. The property has four units of equal size. Unit 1 on the ground floor is used by X for his medical profession. Unit 2 on the first floor is let out to a non-resident on monthly rent of Rs. 80,000 with effect from July 1, 2021. This unit remains vacant during May and June 2021 as suitable tenant is not available. The old tenant has occupied Unit 2 since 1986 and after a Court verdict he vacates it on April 30, 2021 without paying rent of 6 months (monthly rent being Rs. 10,000) Unit 3 on the second floor and Unit 4 on the third floor are converted into one residential unit and is occupied by X for his residential purposes.

Municipal valuation of the entire property is Rs. 3, 00,000. Market rent of a similar property is Rs. 7, 00,000. Standard rent is Rs. 6, 50,000, Municipal tax is levied at the rate of 15 per cent. Entire municipal tax is payable by X. Municipal tax of previous year 2021-22 is paid in two instalments - Rs. 28,000 on March 31, 2022 and Rs. 17,000 on June 1, 2022.

X has taken a loan of Rs. 20 lakh from SBI at the rate of 9 per cent per annum for renovation of second and third floor. This loan was taken in 2020 and nothing is repaid up to March 31, 2022. On March 31, 2022, he repays Rs. 15, 00,000. Interest on loan is not paid although it has become due for payment.

Income of X from medical profession is Rs. 33, 10,000 (without deducting depreciation of Unit 1 which comes to Rs. 32,000 and municipal tax). X annually pays life insurance premium of Rs. 50,000 on the life of his dependent mother (64 years) and Rs. 1, 20,000 in public provident fund. He wants to claim deduction under section 80C in respect of repayment of loan taken from SBI.

Determine the amount of net income and tax liability of X for the assessment year 2022-23. Ignore section 115BAC pertaining to alternative tax regime.

21. Write short notes on (a) Revision, (b) Prosecution, ITR3 and ITR6.

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