

M.Com. DEGREE (CSS) EXAMINATION, JUNE 2015**Fourth Semester**

Faculty of Commerce – Elective – Finance

DT 04 C17—DIRECT TAXES—ASSESSMENT AND PROCEDURES

(2012 Admission onwards—Regular/Supplementary)

[Common for all Electives]

Time : Three Hours

Maximum Weight : 30

Section A

*Answer any five questions.
Each question carries 1 weight.*

1. Distinguish between tax planning and tax avoidance.
2. What wealth belonging to others is included in the net wealth of an individual ?
3. What are the powers of the income tax authorities in the matters of calling forth documents and account books ?
4. What are the provisions regarding deduction of tax at source under the head 'salaries' ?
5. What are the different modes of recovery of tax ?
6. What are the steps for e-filing ?
7. Define partnership firm. When can a firm be assessed u/s 184 ?
8. From the following information compute the amount of tax payable by a partnership firm for Assessment Year 2013-14 :

	Rs.
Income from House property (computed) ...	2,00,000
Income from Business ...	40,00,000
LTCG on sale of an asset ...	1,00,000
Income from other sources ...	50,000

The firm is entitled to the following deductions from its gross total income :

	Rs.	
(a) Under Sec. 801 A ...	20,00,000	
(b) Under Sec. 801 B ...	3,50,000	(5 × 1 = 5)

Turn over

Section B

*Answer any five questions.
Each question carries 2 weight.*

9. What do you understand by Permanent Account Number ? What are the consequences for failure to apply for PAN ? Give examples of ten such transactions where quoting of PAN is compulsory.
10. From the following information compute the total income of the firm and tax payable by it for the Assessment Year 2013-14 :

	Rs.
(a) Profit from an industrial undertaking established in backward state in February 2004	... 40,000
(b) Profit from business of poultry breeding	... 30,000
(c) Short term capital gains	... 20,000
(d) Long term capital gains	... 40,000
(e) Interest from bank	... 6,000
(f) Loss from house property Rs. 10,000 on account of interest on loan taken to construct the property	
(g) Donation to approved charitable institution by cheque	... 15,000

11. SS Ltd. an Indian company computed a loss of Rs. 1,20,000 for the Assessment Year 2013-14. In arriving at the loss the following adjustments have been made :
- A speculation loss carried forward from Assessment Year 2010-11 is set-off to the extent of Rs. 5,00,000.
 - A donation of Rs. 1,00,000 given to a political party.
 - Insurance premia paid to insure the gold and jewellery in stock against risk of fire and theft Rs 2,800.
 - Advances made for purchase of gold the value of which has not been taken into account on the ground that purchase has not been effected in the previous year - Rs. 16,00,000.

Compute the correct total income of the company.

12. Explain the provisions for payment of tax by companies w/s 115 JB.
13. Ascertain amount of tax deducted at source from the following income/receipts during the financial year 2013-14 :
- Lottery winnings of Rs. 1,00,000 (gross) payable to Mr. X, resident in India.
 - Winnings from horse race Rs. 50,000 payable to Mr. Y, non-resident in India.
 - Interest on securities (listed) payable to Mr. Z a resident in India—Rs. 20,000.
 - Dividend payable by a domestic company to B, a resident in India—Rs. 40,000.
 - Interest on unlisted debentures of Y Ltd payable to T, a resident in India—Rs. 10,000.

14. What is meant by AOP and BOI ? Explain the computation of share of a member of AOP or BOI.
15. A, B and C are partners in a firm assessed as firm sharing profits and losses in the ratio of 3 : 2 : 1. The firm's profit and loss account (31st March 2013) showed a Net profit of Rs. 1,17,360 after debiting the following :

- (a) Salary of Rs. 4,000 paid to C.
- (b) Commission to B —Rs. 1,000.
- (c) Donation to approved bodies Rs. 5,000.

The amount of net profit includes Rs. 10,400 from interest on Government Securities. Compute firm's Business profit.

16. What is the procedure followed in valuing the Business Assets for wealth tax purpose ?

(5 × 2 = 10)

Section C

Answer any three questions.

Each question carries 5 weight.

17. Mr. A, an individual, is a resident and citizen of India. He has furnished the following particulars of his assets and liabilities as on 31-3-2013 :

- (a) Cash in hand—Rs. 40,000.
- (b) A boat valued at Rs. 75,000 which has never been used for business purposes.
- (c) Urban land acquired on 1-1-2011, for Rs. 18,00,000 and held as stock in trade.
- (d) One house, valued at Rs. 8,00,000 and used exclusively as A's residence.
- (e) Outstanding interest-free loan of Rs. 4,00,000 raised from a friend for acquiring urban land as at (c) above.
- (f) Equity shares held in the name of A's son (market value being Rs. 2,00,000).
- (g) Income tax liability of Rs. 1,00,000 created on 1-1-2013 which is outstanding but not disputed on appeal.
- (h) 2 motor cars, valued at Rs. 2,00,000 each—one used for personal purposes and the other used in the business of running it on hire.

Compute the net wealth of Mr. A as on 31-3-2013. Also determine the amount of wealth tax payable by Mr. A for the Assessment Year 2013-14.

18. What is meant by 'return of income' ? Explain the different types of returns of income.

Turn over

19. The following is the Profit and Loss Account of B Co. Ltd. for the year ended 31st March 2013 :

	Rs.		Rs.
To Salaries and wages	... 3,00,000	By Domestic sales	... 25,00,000
„ Rent, Rates	... 2,00,000	„ Export sales	... 10,00,000
„ Repairs	... 1,20,000	„ Transfer from	
„ Selling expenses	... 3,50,000	General Reserve	... 2,00,000
„ Depreciation	... 5,00,000		
„ Income Tax	... 3,60,000		
„ Proposed dividend	... 2,70,000		
„ Net profit	... 16,00,000		
	<u>37,00,000</u>		<u>37,00,000</u>

Other information :

1. The company has LTCG of Rs. 1,00,000, which is not credited to Profit and Loss Account.
2. Foreign Exchange remittance —7,00,000.
3. Depreciation u/s 32—Rs. 4,50,000.
4. The company wants to set off the following :

	For tax purpose	For accounting purpose
Brought forward loss (2010-11) ...	5,00,000	4,00,000
Unabsorbed depreciation ...	2,00,000	2,00,000

You are required to compute :

- (a) Book profit as per Section 115 JB.
 - (b) Total income and tax liability of the company.
20. What do you understand by 'tax planning'? Explain the need for tax planning. What are the limitations of tax planning?
21. The total income of a firm XYZ in which X, Y and Z, the partners share profits and losses in the ratio of 1 : 2 : 3, was as per Profit and Loss Account Rs. 1,31,800 for the P.Y. 2012-13. In computing the total income of Rs. 1,31,800, the following have been debited to the Profit and Loss Account :
- Salaries of Rs. 1,30,000 and Rs. 1,20,000 to X and Y respectively.
- Interest on capital calculated at 20% of Rs. 3,500, Rs. 14,000 and Rs. 10,500 to X, Y and Z respectively. Bonus to Z Rs. 15,000. Commission of Rs. 5,000, Rs. 12,500 and Rs. 17,500 to XY and Z respectively. Z had borrowed capital for his investment in the firm and had paid interest of Rs. 7,500 separately to the lender.
- Compute the total income of the firm and taxable income of the three partners in the firm. All are working partners. The firm fulfils the conditions of Sec. 184.
22. Discuss the provisions of the Income Tax Act regarding offences and punishments for such offences.

(3 × 5 = 15)