

**FOURTH SEMESTER M.Com. DEGREE EXAMINATION JUNE 2017**

(CUCSS)

Commerce

MC 4E (F)04—TAX PLANNING AND MANAGEMENT

(2015 Admissions)

Time : Three Hours

Maximum : 36 Weightage

**Part A**

*Answer all questions.*

*Each question carries 1 weightage.*

1. What is MAT ?
2. Distinguish between Tax Avoidance and Tax Evasion ?
3. What do you mean by not ordinarily resident ?
4. What is tonnage tax ?
5. Explain the provisions of the income tax act regarding tax rebate ?
6. What is tax holiday ?

(6 × 1 = 6 weightage)

**Part B**

*Answer any six questions.*

*Each question carries 3 weightage.*

7. How do you determine residential status of companies ?
8. State how would you value the following perquisites under the head salary.
  - (a) Rent free Accommodation.
  - (b) Motor Car.
9. Explain how tax planning can take place under make or buy decisions ?
10. State the provisions of the income tax Act in terms of deduction available under section 80 for industries established in backward areas ?
11. Explain the expenses which are expressly disallowed when computing total income ?

**Turn over**

12. Distinguish between short term capital gain and long term capital gain ?
13. A owns a residential house property. It has two identical units-unit I and unit II. While unit I is self-occupied by A and his family members, unit II is let out (rent being Rs. 7,000 per month, this unit remained vacant for one month during which it was self-occupied).

Municipal value of the property is Rs. 1,25,000. Standard rent is Rs. 1,35,000 and fair rent is Rs. 1,50,000. Municipal tax is imposed at 12% (on Municipal value) which is paid by A. other expenses for the previous year 2015-16 being repairs Rs. 5,000, insurance Rs. 6,000.

A borrowed Rs. 8,00,000 on 1-7-2012 from L.I.C at 12% p.a. to construct the property. Construction of the house was completed on June 30, 2014.

The entire loan is still unpaid.

Compute the income of Mr. A for the assessment year 2016-17 on the assumption that income of A from other sources is Rs. 2,00,000.

14. From the following data, you are required to work out the capital gains for assessment year 2016-17 :

(i) Site purchased in 1975 value	...	Rs. 0.33 lakh.
(ii) Market value of site on 1.4.1981	...	Rs. 0.75 lakh.
(iii) Ground floor-Cost of construction in 1981	...	Rs. 1.50 lakh.
(iv) First floor-Cost of construction in 1985	...	Rs. 2.66 lakh.
(v) Sale consideration received in 2015	...	Rs. 65.00 lakh.
(vi) Investment in new property	...	Rs. 15.00 lakh.

Assume that the property being sold and new property being acquired are both residential.

Index 1985-86 = 133, 2015-16 = 1,081.

(6 × 3 = 18 weightage)

## Part C

Answer any two questions.

Each question carries 6 weightage.

15. The Profit and Loss Account of XY Ltd., for the year ended 31<sup>st</sup> March 2016 shows a Net profit of Rs. 15,00,000. The credits and debits in the Profit & Loss Account include the following items among others :

<i>Credits :</i>	Rs.
(i) Dividend from an Indian Company (Gross) ...	1,00,000
(ii) Net Rent from House Property (Let out to outsiders) after debiting repairs Rs. 1,000 and Municipal Tax Rs. 3,000 ...	23,000
 <i>Debits :</i>	
(i) Provision for Taxation ...	20,00,000
(ii) Salary to the Sales Manager, at Rs. 8,500 per month. Cost of perquisites allowed to him Rs. 14,000 for the year ...	1,16,000
(iii) Cost of maintenance of a liason office in New York for promoting exports ...	60,000
(iv) Legal expenses for contesting a suit for eviction from a premises used as a showroom ...	3,000
(v) Expenses for obtaining a loan from a financial institution for acquiring new machinery ...	20,000
(vi) Amount embezzled by the cashier of the company, which is irrecoverable ...	15,000

The company has distributed dividend Rs. 9,00,000 on 16.10.2015. Compute the total income and tax payable by the company for the relevant assessment year.

Turn over

16. Mr. Ram an Indian resident aged 67 years, submits before you, particulars of his income for the purpose of computing the gross tax for the assessment year 2016-17.

	Rs.
1 Interest on Govt. Securities	... 9,000
2 He runs a business of publication of books, the net income from this business	... 5,55,000
3 He has also held an agency of insurance, by way of which he earned a commission (net).	... 13,000
4 He has an income from interest on a loan of Rs. 60,000 to a firm at 15% p.a	... 9,000
5 Short-term Capital Gains	... 9,000

He claims the following deductions :

- (a) Rs. 600, interest on loan which he took for paying income-tax.
  - (b) Expenses of Rs. 5,000 on an appeal against income-tax assessment.
  - (c) Donation to the Govt, for family planning Rs. 3,000.
17. Explain the powers and duties of the various authorities under the Income Tax Act ?

(2 × 6 = 12 weightage)