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Reg. No. : .....

Name : .....

**Third Semester M.Com. Degree Examination, February 2019**
**Paper – I : CO 231 – INCOME TAX PLANNING AND MANAGEMENT**
**(2014 Admission Onwards)**
**Elective : Finance**

Time : 3 Hours

Max. Marks : 75

SECTION – A

Answer **all** questions in **two** or **three** sentences. **Each** question carries **2** marks.

1. What do you mean by 'Income' ?
2. Give the basis of charge under the head salary.
3. What is Clubbing of Income ?
4. What is qualifying deduction ?
5. How do you determine the tax incidence ?
6. What is set off of losses ?
7. Name any four examples of tax avoidance.
8. What is minimum alternative taxes ?
9. What is the provision on venture capital fund ?
10. What is the main objective of GAAR ?

**(10×2=20 Marks)**

SECTION – B

Answer **any five** questions. **Each** question carries **5** marks.

11. How does the tax incidence on individual is measured ?
12. Give an account of Tax planning for salaried employees.
13. Explain the provisions of Income Tax Act 1961 regarding carry forward set off of losses.

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14. What tax reliefs available to an employee in respect of dividend, interest on units of UTI or mutual fund and interest earned from bank ?

15. Enumerate the items of deductions allowable in computing income from other sources.

16. Mr. H submits the following particulars about sale of assets during the year 2017 – 18.

| | Jewellery Rs. | Plot Rs. | Gold Rs. |
|---|---|---|---|
| Sale price | 4,00,000 | 13,24,000 | 3,00,000 |
| Expenses on sale | NIL | 24,000 | NIL |
| Cost of acquisition | 2,00,000 | 6,00,000 | 2,00,000 |
| Year of acquisition | 2007 – 08 | 2004 – 05 | 2009 – 10 |
| C.I.I. | 129 | 113 | 148 |

He has purchased a house for Rs. 12,00,000 on 1-3-2018. Calculate the amount of taxable capital gain if C.I.I. for 2017 – 18 is 272.

17. Calculate ARV from the particulars given below :

MRV = Rs. 60,000 p.a. FRV = Rs. 66,000 p.a.

A) If actual rent is Rs. 72,000 p.a. and standard rent is Rs. 69,000 p.a. or

B) If actual rent is Rs. 63,000 p.a. and standard rent is Rs. 69,000 p.a.

18. Differentiate tax evasion and tax avoidance. **(5×5=25 Marks)**

## SECTION – C

Answer **any two** of the following questions. **Each** question carries **15** marks.

19. From the particular given below, compute salary income of Mr. R.

| | Rs. |
|---|---|
| Salary @ Rs. 40,000 p.m. | 4,80,000 |
| Bonus equal to one month's salary | 40,000 |
| Entertainment allowance @ Rs. 5,000 p.m. | 60,000 |
| Free gas and water supply | 5,000 |

He is provided with a rent free accommodation in Delhi owned by the employer the F.R.V. of which is Rs. 10,000 p.m. (population of Delhi is above 25 lakhs).

He is provided with the facility of a 18 cubic capacity car which he uses both for private and official purposes.

He has engaged a domestic servant @ Rs. 1,000 p.m. and his salary is being paid by his employer.

He is provided the facility of a free lunch in the office during lunch break valued at Rs. 100 per day for 250 days in the previous year.

The employer is maintaining a holiday home at Shimla and employee stayed there for 10 days free of cost. Its costs to the employer shall be Rs. 10,000.

During the year employee and his wife travelled by Air to Bombay to attend a family function and air tickets worth Rs. 24,000 were purchased by him through credit card provided to him by the employer.

Employer and employee both are contributing @ 14% in employees recognized provident fund.

20. Mr. Lamba owns following four house properties. Other particulars are as follows :

| | House I Self occupied | House II Self occupied | House III Let out to a Business house | House IV Being used in own business |
|---|---|---|---|---|
| Municipal valuation | 20,000 | 50,000 | 70,000 | 45,000 |
| Standard rent | – | – | 72,000 | 48,000 |
| Fair rental value | 26,000 | 60,000 | 80,000 | 50,000 |
| Actual rent received | – | – | 96,000 | |
| Vacancy | NIL | NIL | 1 month | NIL |
| Unrealised rent | – | – | 16,000 | – |
| Municipal taxes | 5,000 | 2,000 | 6,000 | 4,000 |
| Repairs | 4,000 | 2,000 | 8,000 | 5,000 |
| Interest on borrowed money | 8,000 | 10,000 | – | – |

Mr. Lamba borrowed Rs. 2,00,000 @ 12% for the construction of House No. III on 1st October, 2014 and the houses was completed on in October 2016 and since then it is letout. A part of the loan of Rs. 50,000 was repay[redacted] on 15th October, 2017. Determine the house property income of Mr. Lamba.

21. Poly Ltd. is an industrial undertaking set up in notified B category backward district as per Section 80 IB of the Income Tax Act 1961. The undertaking commenced its operations w.e.f. 1-4-2010. The following is the Profit and Loss Account of the company for the year ending 31-3-2017.

**Profit and Loss A/c**

| | | | |
|---|---|---|---|
| To Purchases | 45,00,000 | By Sales | 1,05,00,000 |
| To Manufacturing cost | 22,00,000 | | |
| To Administrative expenses | 5,50,000 | | |
| To Depreciation | 1,50,000 | | |
| To M.D. remuneration | 3,00,000 | | |
| To Income tax | 3,00,000 | | |
| To Provision for a pending court case for damages | 50,000 | | |
| To Penalty (Pollution Board) | 75,000 | | |
| To Railway demurrage | 5,000 | | |
| To Net profit c/d | 23,70,000 | | |
| | **1,05,00,000** | | **1,05,00,000** |

**Additional Information** :

i) The depreciation allowable as per Income Tax rules is Rs. 2,00,000.

ii) Administrative expenses include a donation to national children fund of an amount of Rs. 20,000.

iii) The company distributed a dividend of Rs. 10,00,000 during the previous year on November 15, 2016.

iv) While charging depreciation in the Profit and Loss Account, the company revalued a plant item to a higher figure which resulted in an increase in depreciation Rs. 10,000.

**Calculate** :

I) Total income of the company as per normal provision of Income Tax Act.

II) Book profit under Section 115 JB.

III) Final tax liability (including dividend tax).

IV) Tax credit available in future years under Section 115 JAA.

22. Discuss the income which are not included in total income nor income tax is payable on them. **(2×15=30 Marks)**