



LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

M.Com. DEGREE EXAMINATION – COMMERCE

SECOND SEMESTER – APRIL 2016

CO 2815 - DIRECT TAX PLANNING AND MANAGEMENT

Date: 16-04-2016
Time: 01:00-04:00

Dept. No.

Max. : 100 Marks

SECTION – A

Answer all questions

(10 x 2 = 20 marks)

1. Give any four differences between Capital Expenditure and Revenue Expenditure?
2. Distinguish between Exemption and Deduction.
3. Name the assets which are falling under the head the intangible block of assets for providing depreciation.
4. Who is a Non-Resident of India?
5. State the rule for 'inter-head adjustments' related to set off and carry forward
6. What is Agriculture Income?
7. Differentiate vacancy allowance from unrealised under the head 'Income from HP'.
8. Mention the head of the income in which there is no loss and always income and why?
9. State the rule for paying advanced tax by Corporates?
10. Bring out the salient features of deduction under section 80D.

SECTION – B

Answer any Four questions

(4x 10 = 40 marks)

11. List and explain any ten Incomes Exempted from tax U/S- 10.
12. Describe the powers and functions of Central Board of Direct Taxes.(CBODT)
13. X, a resident and ordinarily resident in India, gives the following particulars of his income and expenditure for the previous year ending March 31, 2015:
Rent of a house situated in Delhi Rs.4,00,000; rent from letting a building (in Bombay) along with plant and machinery (letting out of building cannot be separated from letting out of plant and machinery) : Rs.9,00,000; depreciation of building in Bombay : Rs.16,000; depreciation of building in Delhi: Rs.9,000; repairs and insurance of building (in Bombay) and plant and machinery : Rs.7,500.Dividends on preference shares from an Indian company declared on August 3, 2014: Rs.40,000.
Loan from another Indian company which is deemed as dividend under section 2(22)(e) is given on April 3, 2014 (net amount received : Rs.10,80,000, tax deducted at source : Rs.1,20,000)
Royalty income: Rs.8,20,000.
Winnings from came races on September 25, 2014 (net amount received : Rs.74,000, tax deducted at source : Nil). Interest on 6.5 per cent (tax-free) National Relief Bond : Rs.1,70,000. Gift received on January 20, 2015 in foreign currency from a school friend : Rs.50,000. Gift from another friend on March 31, 2015 : Rs.6,000.
Determine the income chargeable under the head "Income from other sources" for the assessment year 2015-16.

14. During the previous year 2014-15, X sells the following assets-

	Commercial property	Gold	Non-listed Shares	Diamonds
Date of sale	January 3, 2015	December 17, 2014	March 3, 2015	March 15, 2015
Year of acquisition	1982-83	1983-84	1992-93	1991-92
	Rs. 7,00,000	Rs. 4,00,000	Rs. 8,90,000	Rs. 7,80,000
Sale consideration	7,00,000	1,05,172	8,90,000	1,68,593
Indexed cost of acquisition	3,05,000		6,97,534	

X owns one residential house property .On April 3,2015, he invests in the following assets-

1. Residential house property: Rs. 2,15,000.
2. Bonds of National Highways Authority of India (maturity period:4 years) :Rs. 3,70,000.
3. Bonds of Rural Electrification Corpn .(redeemable after 7 years) :Rs. 7,80,000.

Find out the income chargeable to tax under the head “Capital gains” after giving maximum permissible exemption under different sections.

15. Mr. X, a lawyer, who maintains books of account on cash basis, furnishes the following particulars of his income for the previous year ending March 31,2015.

Receipt and payment account for the year ending March 31,2015

Balance brought down	Rs. 21,000	Purchase of typewriter	Rs. 7,000
Fees from clients :		Car expenses	8,000
➤ Of 2014-15	2,40,000	Office expenses	7,000
➤ Of 2013-14	2,03,000	Salary to staff	18,000
Presents from clients	4,000	Interest on loan	1,000
Loan from a client	8,000	Income –tax penalty	2,000
		Contribution to public provident fund	60,000
		Purchase of notified bonds of infrastructure company	42,000
		Balance carried down	3,31,000
	4,76,000		4,76,000

1. 20 per cent of car expenses are attributable towards use of car for personal purposes.
2. Fees due but outstanding is Rs. 40,000.
3. Depreciation of car is Rs. 3,000
4. Income of X from other sources is Rs. 1,45,000.
5. X purchased a computer for Rs. 80,000 on March 10,2014. It is, however, put to use on December 3, 2014(rate of depreciation : 60 per cent).

Determine the taxable income and tax liability of X for the assessment year 2015-16.

16. Find out the Written Down Value for different blocks on 31st March 2015 in the case of X. Ltd from the information gives below.

Block of Assets	Rate of Depreciation	WDV as on 1-4-2014
Plant -A and B	15%	3,40,000
Building -A	10%	16,92,000

After April 1st 2014 the company purchases the following assets –

Assets	Date of purchase	Rate of Depreciation	Actual Cost
Plant -C	April 1st 2015	15%	19,26,000
Building -B	March 30th 2015	10%	5,00,000
Patent - A	April 10 th 2014	25%	15,000

The following assets are transferred by X ltd.

Assets	Date of purchase	Sale consideration
Plant -B	November 1st 2014	4,10,000
Building -A	May 10th 2014	22,00,000
Patent - A	March 1st 2015	15,500

17. Compute the Agricultural Income of Shri. Venkatesh for assessment year 2015-16.

	Rs.
a) Income from self-cultivated land	75,000
b) Rent of agricultural land	80,000
c) Annual value of house given to tenants	6,000
d) Interest on loan borrowed to purchase agricultural land	15,000
e) Collection charges on recovery of rent for agricultural land	500
f) Land revenue paid to Government	1,000
g) Labour charges	300
h) Depreciation of equipment	800
i) Purchase of seeds and fertilizers	3,000
j) Interest on arrears of land revenues received from tenants	15,000
k) Business income	90,000

SECTION - C**Answer any two questions****(2 x 20 = 40 marks)**

18. During the previous year 2015-16, X (age : 32 years), a nationalised bank employee in Surat, receives the following emoluments:

Basic salary : Rs.46,000 per month, high cost of living allowance (but not forming part of salary) : Rs.8,000 per month, overtime allowance : Rs.7,500 per month and house rent allowance : Rs.9,000 per month (rent paid by him : Rs.8,500 per month) : Employer bank contributes 14 per cent of basic salary towards recognized provident fund, X makes a contribution of Rs.8,000 per month. Interest credited on July 5, 2014 at the rate of 12 per cent in the provident fund account of X is Rs.11,600. Income of X from other sources is Rs.8,56,000. The following perquisites are provided by the bank.

- Free holiday home facility at Kulu (expenditure of the employer) Rs.61,400
- Free gardener (who is an employee of the bank; annual salary of the gardener being Rs.48,000 paid directly by the bank.
- Free sweeper (who is employed by X, annual salary of Rs.24,000 is paid by the bank);
- Subsidized telephone (expenditure of the employer : Rs.16,000) ; and
- Ordinary medical facility in a private clinic (expenditure of the employer : Rs.18,000).

During the previous year X makes the following payments:

- Fixed deposit in bank under scheme specified for section 80C: Rs.10,000; (b) insurance premium on the life policy of his father : Rs.4,000; (c) insurance premium on his own life policy : Rs.11,000 (sum assured : Rs.40,000, policy taken in April 2014),(d)Insurance premium on the life of the major child (due date October 10,2014 ;date of payment : March 25, 2015) Rs.3,000 (sum assured of policy taken in 2010 : Rs.20,000).

Find out the amount of net income and tax payable for the assessment year 2015-16

19. X (age : 31 years), owns four houses (outside the jurisdiction of the Rent Control Act) particulars of which are as follows:

Particulars	House I Rs.	House II Rs.	House III Rs.	House IV Rs.
Municipal valuation (MV)	2,00,000	16,000	86,000	5,00,000
Fair rent (FR)	2,50,000	22,000	92,000	5,55,000
Rent (if property is let out throughout the year)	---	----	----	5,72,000
Unrealised rent	---	----	----	90,000
Municipal tax paid by X	17,000	800	3,000	45,000
Date of completion of construction	June 16, 1991	June 5, 1974	June 14, 1997	March 31, 1998

Repairs	Nil	2,000	950	Nil
Collection charges	---	---	---	400
Land revenue	800	---	230	900
Interest on capital borrowed for repairs of house property	2,000	800	810	10,000
Interest on capital borrowed for construction of house property	5,700	---	----	---
Interest on capital borrowed for payment of municipal taxes	200	----	600	100
Nature of occupation	Self occupied for residence	Self Occupied for businesses	Self Occupied for residence	Let out for residence

House IV remains vacant for the month of January 2015. Business income of X for the previous year 2014-15 is Rs.12,03,000 (it has been computed as per the provisions of Income-tax Act). Determine the taxable income and tax liability of X for the assessment year 2015-16 on the assumption that he could not occupy House III for 2 months during the previous year and X pays insurance premium of Rs.85,000 on his insurance policy of Rs.9,00,000. He also deposits Rs.50,000 in his public provident fund account.

20. Jafir presents the following particulars relating to his business for the current assessment year 2015-16:

Particulars	Rs.	Particulars	Rs.
To Opening Stock	24,000	By Sales	1,29,875
To Purchases	80,000	By Closing Stock	39,950
To Wages	30,000	By Sale of car	22,000
To Fuel, Oil, etc.	10,000	By Gift from Mother	20,000
To Rent	8,000	By Dividends (Net)	4,000
To Salaries	16,000	By Income tax refund	1,750
To Repairs of Car	5,000	By Compensation from a competitor for refraining from carrying on a competing business	10,000
To Depreciation of Car	4,000	By Bad debts recovered	2,500
To General expenses	12,000		
To Income tax including advance tax	5,000		
To amount paid to a University for scientific research	10,000		
To Net profit	25,575		
	2,29,575		2,29,575

Additional Information:

- a) Motor car was purchased in July 2000 for Rs. 24,000. Allowable rate of depreciation is 15%. The car was sold in March 2015 for Rs. 22,000.
- b) 3/4 of motor car was used for personal use work and 1/4 for business work.
- c) Premises rented by Jafir are one-half used for business and one-half for own residence.
- d) General expenses include Rs. 600 being expenses on Jafir's medical treatment; Rs. 600 on charities and wealth tax Rs. 4,000.
- e) Salaries include Rs. 4,800 drawn by Jafir himself.
- f) Bad debts recovered were earlier disallowed as deduction.
- g) Opening stock is overvalued by 20%
- h) Closing stock is overvalued by 20%
- i) Wages include Rs. 5,000 incurred as Family Planning expenditure among employees. (Rs. 3,000 being capital expenditure). Compute the business income.

21. X and Y gives the following information:

	X (Rs.)	Y (Rs.)
Date of transfer	July 10, 2014	September 19, 2014
Date of purchase	October 6, 1984	April 10, 1983
Sale consideration	18,00,000	14,50,000
(Stamp duty value)	(20,00,000)	(17,50,000)
Cost of acquisition	50,000	90,000
Expenses on transfer	10,000	6,000

To get the exemption under section 54, the following residential house properties are purchased by X and Y at Noida:

	X (Rs.)	Y (Rs.)
Date of purchase	December 20, 2014	March 1, 2014
Cost of acquisition	12,00,000	16,00,000

X and Y transfer their house properties at Noida as follows:

	X (Rs.)	Y (Rs.)
Sale consideration	12,90,000	16,85,000
(Stamp duty value)	13,20,000	16,10,000
Date of transfer	April 10, 2016	May 20, 2016

Find out the capital gain chargeable to tax in the hands of X and Y for different assessment years. **(CII for 1983-1984=116, 1984-1985=125 and 2014-2015=1,024)**
