

M.Com 4th Semester Examination, 2021

Tax Planning

Paper: COM 4036

Time: 3 hours

Full marks: 80

Q1. Answer the following questions briefly (about 50 to 75 words each) (5x8=40)
(Any 8 questions)

- a) What are the conditions that are considered as 'basis of charge' of salary income for income tax purposes as per The Income Tax Act., 1961?
- b) Who is an 'assessee' as per The Income Tax Act., 1961?
- c) Mention the deductions allowable from the Net Annual Value (NVA) of a residential house properly (not self occupied) under The Income Tax Act., 1961.
- d) What is meant by 'Tax Deducted at Source' (TDS)? Who is liable to deduct tax at source from salary income as per the Income Tax Act., 1961?
- e) Who is an 'assessee in default' in regard to the payment of advance tax under The Income Tax Act., 1961?
- f) Mention the prerequisites which are taxable in the hands of all types of employees.
- g) Mention the items of 'specific income' chargeable to tax under the head 'Income from other sources' u/s 56 (2) of The Income Tax Act., 1961.
- h) Define 'Gross Total Income' and state the procedure of computing it as per the provision of Income Tax Act., 1961.
- i) State the provisions of the Income Tax Act., 1961 regarding 'allow ability of deduction for depreciation' while computing 'profit and gains from business' of an one man company.
- j) Show the treatment of the items given below in the computation of 'Business Income' of individual assesses.
 - (i) Advance income tax paid.
 - (ii) Reserve for doubtful debts.
 - (iii) Legal expenses relating to business
 - (iv) Professional tax.
 - (v) Recovery of loss earlier allowed.

Q2. Answer any four questions out of the following (in about 100-150 words each)

(10x4=40)

- a) Discuss the provisions of tax planning in regard to 'make or buy' decision of a corporate assesses. 10
- b) Mention the points regarding tax planning through 'transfer of assets' by a holding company to one of its subsidiary. 10
- c) State ten items of income which are exempt from tax under section 10 of the Income Tax Act., 1961 with special mention of sub-sections. 10
- d) Define and distinguish 'tax planning', 'tax evasion' and tax avoidance with at least one suitable example of each of these. Mention four benefits of tax planning. 6+4=10
- e) (i) Mention the procedure of computing 'long-term capital gains' as per the provision of Income Tax Act. 4+6=10
- (ii) Mr. H. Barua purchased 1500 equity shares of Jewel Farmers Company of the face value of Rs. 10 each on 12.5.2018 at Rs. 9 per share and paid Rs. 1500 as brokerage and other related expenses. He sold these shares on 20.03.2021 @ Rs.16 per share and incurred Rs. 2000 as brokerage. Fair Market Value (FMV) of these shares on 31.01.2019 was Rs. 11 each.
- Compute his capital gain for the assessment year 2021-22.
- f) Mrinal Barua, an employee of Trade and Industries Ltd. Guwahati, has furnished the following particulars of his income for the previous year ending 31st March, 2020. Compute his total taxable income for the assessment year 2020-21 after allowing deductions u/s 80c.

- i) Basic salary @Rs. 40,000 p.m.
- ii) Dearness allowance 50% of basic salary, p.m. (does not form a part of salary for retirement benefits)
- iii) City compensatory allowance @Rs. 1000 p.m.
- iv) Fixed medical allowance Rs. 2000 p.m.
- v) Rent-free furnished accommodation was provided to the assessee in the previous year for which the employer company paid a rent of Rs. 8000 p.m.
- vi) Employer's contribution to Recognised provident Fund (RPF) of the employee @15% of basic salary.
- vii) Interest on non-government securities received during the previous year Rs. 20,000.

- viii) Professional tax deducted Rs. 200 p.m.
- ix) Payment of life insurance premium on a policy on his own life Rs/ 20,000 and a deposit of Rs. 50,000 into Post office Public provident Fund.
