

Reg. No

Name

19P4022

M. COM DEGREE END SEMESTER EXAMINATION - MARCH/APRIL 2019

SEMESTER 4 : COMMERCE

COURSE : 16P4COMT17EL : DIRECT TAXES - ASSESSMENT AND PROCEDURES

(For Regular - 2017 Admission and Supplementary - 2016 Admission)

Time : Three Hours

Max. Marks: 75

Section A

Answer any 10 (2 marks each)

1. What is Book Profit?
2. What is remuneration of a partner?
3. What is 'Foreign Company'?
4. Mention any two items disallowed under section 40(b).
5. What is a declared company as per CBDT?
6. Explain the return submitted by a charitable trust.
7. What is discretionary best judgment?
8. Who is a Tax Recovery Officer?
9. What is an Appellate Tribunal?
10. What is International taxation?
11. What is Tax Avoidance?
12. What is Tax Holiday?

(2 x 10 = 20)

Section B

Answer any 5 (5 marks each)

13. P, Q and R are members of an AOP, share profits and losses equally. During the financial year 2017-18, the AOP made a profit of ₹ 2,00,000 while the personal income of P, Q and R were ₹ 80,000, ₹ 3,50,000 and ₹ 15,50,000 respectively. Q is a woman and R is a senior citizen of 66 years of age. Compute the tax payable by the AOP and the members for the assessment year 2018-19.
14. A and B constitute an association of persons sharing in the ration of 2:1. For the year ended 31.3.2018, the P&L a/c of the association was as follows.

P&L a/c for the year ended 31.03.2018

Cost of Goods Sold	3,244,400	Sales	4,900,000
Remuneration to:		Dividend from companies	25,000
A	130,000	Long Term Capital Gains	640,000
B	170,000		
Salary to Employees	256,000		

Interest to:			
A	48,300		
B	35,700		
Other Expenses	1,117,000		
Sales tax penalty due	39,000		
Net Profit	524,000		
Total	5,565,000		5,565,000

The following additional information is furnished:

- i. Other expenses include:
 - a. Entertainment expenses ₹35,000
 - b. Wristwatches of ₹ 2,500 each given to 12 dealers, who exceeded the sales target.
 - c. Employer's contribution ₹ 6,000 to the provident fund.
 - d. ₹ 30,000 paid in cash.
- ii. Outstanding sales tax penalty was imposed for not filing sales tax returns in time.

A and B had income from other sources ₹ 4,00,000 and ₹ 2,50,000 respectively. Compute the tax payable by A and B for the year.

15. The P&L a/c of X Ltd. is given below:

(₹)

(₹)			
Business Expenses	4,50,000	Long Term Capital Gains	1,00,000
Income Tax paid	20,000	Sales	7,00,000
General Reserve	40,000		
Provision for Contingency	40,000		
Proposed Dividend	1,00,000		
Net Profit	1,50,000		
	8,00,000		8,00,000

The company gives the following additional information:

- a) Brought forward business loss ₹ 80,000
- b) Brought forward depreciation ₹ 3,80,000
- c) Brought forward capital loss ₹ 50,000
- d) Brought forward speculation loss ₹ 3,00,000

Compute the tax payable by the company for the year 2017-18

16. Megastar Ltd. filed its return of income for the financial year 2017-18 showing a total income of ₹ 10 crores from real estate business in Mumbai. In the course of scrutiny of return of income and assessment proceedings, the Assessing Officer noticed the following facts.

1. The share capital of the company is subscribed by non-existent shareholders to the extent of ₹ 80 lakh in the year.
2. The company has collected ₹ 2 crores money outside books in cash, from

purchasers of flats. It has also incurred expenses outside books to the extent of ₹ 75 lakh. The company has been assessed in past three years on the net profit of 15% of total turnover.

3. The company forfeited ₹ 60 lakh of deposits from investors in flats as they did not honour the schedule of instalments. This amount is not included in the declared profit of the year.
4. The company paid ₹ 40 lakh as damages to investors for not completing construction as per agreement. This is claimed as a deduction in Profit and Loss Account.
5. The company paid ₹ 20,000 towards the electricity bill of the director for his residence. The company had provided him a free furnished accommodation and claims it as a deduction.
6. The company has also claimed a deduction for interest ₹ 40,000 paid to Income Tax Department and ₹ 30,000 for interest paid on money borrowed for paying income tax.
7. The company paid ₹ 50,000 as 'protection money' (debited to P&L a/c) and claims deduction for the same from income.
8. In July 2017 the company paid dividend ₹ 5 crores for the financial year 2016-17 and debited the amount to P&L a/c.

Compute the total income of the company and its tax liability for the year 2017-18.

17. When an assessee can submit a 'Revised Return of Income'
18. What are the different types of income tax surveys conducted by authorities?
19. What are the major features proposed by GAAR?
20. What are the limitations of tax planning?

(5 x 5 = 25)

Section C

Answer any 3 (10 marks each)

21. A, B and C are partners in a firm, sharing in the ratio of 5:3:2. The P&L a/c of the firm for the year ending 31.03.2018 was as follows:

Rent Rates and Taxes	6,000	Gross Profit	40,000
Salaries	9,000	Interest on Securities	3,000
Electricity charges	1,200		
Interest on capital			
A	2,000		
B	1,500		
C	1,000		
Depreciation	2,500		
Reserve for Bad debts	500		
Interest on Loan from B	300		
Commission to C	1,000		
Surplus:			
A	9,000		

B	5,400		
C	3,600		
	43,000		43,000

Further information:

- i. Salary includes ₹ 2,000 paid to C.
- ii. Depreciation allowable ₹ 2,400
- iii. Rent ₹ 2,000 paid to C has been included in rent and taxes.

Ascertain the total income of the firm under section 185, since the firm failed to comply with the conditions of section 184. Also, compute the tax payable by the firm.

22. The following details are available from the accounts and records of Bright Ltd, a widely held company, for the financial year 2017-18.
 - a. General expenses include ₹ 4,560 spent in relation with the termination of a disadvantageous trade relationship and ₹ 7,550 as compensation paid to an accountant who had to be removed from service in the interest of business.
 - b. ₹ 3,000 included in the legal expenses were incurred for defending a criminal case against the manager of the company.
 - c. Admissible depreciation as per Income Tax Act ₹ 37,000.
 - d. Bad debt recovered were not allowed as a deduction by the assessing officer in the earlier assessment for lack of proof.

The P&L a/c of the company as on 31.03.2018 is given below:

P&L a/c for the year ended 31.03.2018

General Expenses	29,350	Gross Profit	1,70,710
Office Salaries	5,000	Profit on sale of building (business building)	20,000
Bad debt	2,000	Bad debts recovered	6,200
Motor car expenses	4,500	Refund of Income tax	4,750
Commission for raising loans	8,200	Dividend on preference shares (Indian Company)	7,000
Petty expenses	5,000		
Legal expenses	7,560		
Donations (approved)	2,500		
Donation (PM's relief fund)	6,000		
Preliminary expenses	8,500		
Depreciation	34,500		
Repairs	4,200		
Net Profit	89,950		
	2,08,660		2,08,660

You are required to compute the total income and tax payable by the company for the year 2017-18.

23. Write notes on :
- a) Voluntary Return of Income; b) Belated Return of Income; c) Revised return of Income; d) Defective return of income.
24. What are the powers of the officers authorized to Search and Seizure?
25. Explain the scope of tax planning by individuals.

(10 x 3 = 30)