

Reg. No. :

Code No. : 7535

Sub. Code : ZKCM 32

M.Com.(CBCS) DEGREE EXAMINATION,
APRIL 2023.

Third Semester

Commerce – Core

TAXATION AND TAX PLANNING

(For those who joined in July 2021 onwards)

Time : Three hours

Maximum : 75 marks

PART A — (10 × 1 = 10 marks)

Answer ALL questions.

Choose the correct answer :

1. A good tax system should aim at
 - (a) Growth
 - (b) Progression
 - (c) Income to government
 - (d) Imposing tax burden

2. The term income includes
(a) Profits and gains (b) Dividends
(c) Capital gains (d) All of these
3. Benefit to employees in the form of perquisites are taxable under the head
(a) House property
(b) Salary
(c) Capital Gains
(d) Profits and gains of business
4. In case of tax free salary the tax is to be paid by
(a) Employer
(b) Employee
(c) Government itself pays tax
(d) Need not pay tax
5. The Gross Annual Value of a self occupied property is
(a) Always nil
(b) Fully taxable
(c) Higher than Standard rent
(d) Higher than Actual rent

6. Expected rent cannot exceed
(a) Municipal rent (b) Fair rent
(c) Actual rent (d) Standard rent
7. Profits earned from an illegal business is
(a) Taxable
(b) Not taxable
(c) Ignored by income tax authorities
(d) Deductable
8. Preliminary expenses are deductible U/S
(a) 35 (b) 36
(c) 35D (d) 36D
9. Indexation is applicable to
(a) Sale of short term capital assets
(b) Sale of long term debentures
(c) Sale of depreciable capital assets
(d) Sale of long term capital assets which are not depreciable assets
10. Dividend income received from cooperative society are
(a) Exempted
(b) Taxable
(c) Ignored by income tax authorities
(d) Deductable

PART B — (5 × 5 = 25 marks)

Answer ALL questions by choosing (a) or (b).

11. (a) Give few examples of capital receipts.

Or

- (b) State the rules relating to the residential status of a person.

12. (a) Mr. Sankar receives the following emoluments during the previous year 2021–22;

Particulars	Amount
Basic pay	90,000
Commission 60% of basic pay	54,000
Entertainment allowance	12,000
DA forming part of salary	10,000

Determine the deduction of Entertainment allowance from salary if he is a government employee since 1974.

Or

- (b) X a resident of Ambala receives Rs.48,000 as basic salary during the previous year 2021–22. In addition he get Rs.4,800 as DA forming part of salary, 7% commission on sales made by him (sales value Rs.86,000) and Rs.6,000 as HRA. He however pays Rs.5,800 as house rent. Determine the quantum of HRA exempted from tax.

13. (a) Mr. Berline has let out a house property for a monthly rent of Rs.20,000. Its Municipal valuation is Rs.2,50,000 PA, Fair rent Rs.2,40,000 PA. It has been let out from 1/10/1991. He has paid Municipal Tax of Rs.10,000/- part of the Municipal tax of Rs.5,000/- is borne by the Tenant. Find out the Net Annual Value of the property.

Or

- (b) Rajan owns 3 houses, two of which are self occupied; the particulars of the house are given below;

Particulars	House I	House II	House III
Municipal value	35,000	45,000	20,000
Fair rent	39,000	60,000	22,500
Standard rent	--	50,000	19,000

Find the gross annual value of the property.

14. (a) From the following compute taxable income under the head income from business, Profit before adjusting the following item is Rs.5,50,000/-

Particulars	Amount
Administration expenses	10,000
Trade expenses	5,000
House hold expenses	3,000
Discount allowed	4,000

Particulars	Amount
Income tax	400
Provision for bad debts	2,000
Bad debts	3,000
Donation to Prime Minister relief fund	4,000
Legal fee	200

Or

- (b) Mr. Prince submits the following particulars of his business from which you are required to calculate his business income. Net profit as per Profit and Loss Account (After adjusting the following) Rs.1,25,000/- (i) Sales tax Rs.20,000/- (ii) Income tax Rs.55,000/- (iii) Bad Debts provision Rs.3,000/- (iv) Commission to procure business order Rs.8,000/- (v) Interest on Capital Rs.38,000/- and (vi) Depreciation Rs.4,000/- (but as per income tax rules Rs.2,000/- only)
15. (a) The cost of acquisition of 400 Equity shares in S Ltd., on 25th March 2015 is Rs.40,000/- (Security Transaction tax paid). Fair market value on 31/01/2018 is Rs.160 per share. These shares were transferred on 1/10/2021 at Rs.800/- per share. Find the net taxable income for the above.

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- (b) Mr. Alfro Purchased a plot of land worth Rs.20,00,000 on 1/6/2004. He negotiated to sell it and received Rs. 10,000/- but the sale did not materialise and he has forfeited the advance. During 2008–09 the asset was gifted to his daughter Joshi who received an advance of Rs.60,000 from Mr.Flint. However the sale did not materialise and she retained the advance. Mrs. Joshi sold the property for Rs.95,00,000/- on 1/11/2021. (CII: 2004–05 Rs.113; 2008–09 Rs.137; 2021–22 Rs.317). Compute the capital gain of Mrs. Joshi.

PART C — (5 × 8 = 40 marks)

Answer ALL questions, choosing either (a) or (b).

16. (a) Bring-out the incomes that are excluded from total income and exempted from tax.

Or

- (b) Mr. Ramesh is an India Citizen working with a Multinational company being posted in France. During the previous year 2021–22 he comes to India for a visit of 130 days. In the preceding 4 years he was in India for more than 900 days. His annual income for the previous year is as follows; Income from salary at France Rs.10,00,000/- and Income from Fixed Deposit in a Bank in India Rs.18,00,000/- Determine his residential status.

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17. (a) Mr X an employee of Tamilnadu Government submits the following information relevant for the assessment year 2022-2023.

Salary Rs.86,000/- Entertainment allowance Rs.8,000/- Bonus Rs.10,200/- Education allowance Rs.4,000/- for her grand children. Income tax penalty paid by the employer Rs.2,000/- Medical expenses reimbursed by the employer Rs.2,000/- Leave travel Concession Rs.1,000/- Free Residential telephone Rs.4,000/- Free refreshment during office hours Rs.4,000/- Payment of electricity bill by employer Rs.1,060/- Reimbursement of Gas bills Rs.1,000/- Professional Tax paid by the employer Rs.300/- Professional tax paid by Mrs X Rs.150/- Mrs.X is provided with a car of more than 1.6 litres for both personal and official use and expenses of maintaining and running the car with driver are borne by the employer. Contribution to PPF Rs. 1,20,000/- (Principal amount) repayment of loan taken for purchase of house Rs.70,000/- Determine the taxable salary and amount deductible U/S 80C.

Or

- (b) Details of Employee's salary:

Particulars	Amount
Salary	80,000
DA	8,000
CCA	2,000
MA	1,500
Club bill paid by the employer	4,000
Professional tax paid by employee	1,500
Employer's contribution to RPF	6,000
Interest on RPF at 10%	12,000

From the above details find out whether the employee is a specified employee under each of the situation given below;

- He is neither a director in the company nor holds any share in the company
- He is director in the company
- He holds 25% share capital of the company

18. (a) Mr. Jenith borrowed a sum of Rs.20,00,000 at 15% PA. On 1/4/2019 for construction of house. The construction was completed on 20/3/2021. What would be the amount of interest allowable in computing the income from house property for the PY 2021-22 if the house is

(i) Self occupied from 20/3/2021 (ii) Let out from 20/3/2021 and (iii) Deemed to be let out.

Or

(b) Mr X occupies 3 flats for his residential purpose, the particulars of which are as follows;

Particulars	House I	House II	House III
Municipal valuation	90,000	45,000	40,000
Fair rent	1,20,000	40,000	45,000
Std Rent as per rent control act	80,000	NA	25,000
Municipal taxes paid	10%	10%	10%
Fire insurance	1,000	600	1,200
Interest payable on capital borrowed for purchase of flat before 1/4/1999 for house I and for House II & III after 1/4/1999	40,000	50,000	10,000

Determine the taxable income for the assessment year 2022-23. You are informed that X could not occupy House II for 2 months commencing from 1/12/2021 and that he has attained the age of 65 on 23/08/2021.

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19. (a) The following is the receipts and payments account of a Medical Practitioner for the year ending March 31st 2022.

Receipts	Amount	Payments	Amount
Balance B/d	1,10,000	Client rent	15,000
Visiting fees	65,000	Staff salary	80,000
Consultation fees	65,000	Rent & Taxes	5,000
Sale of medicines	25,000	Electricity and water	4,000
Rent for operation theatre	15,000	Purchase of medical books	4,000
Interest and dividends	20,000	Purchase of surgical equipments	30,000
		Motor car expenses	-
			15,000
		Membership fee – medical association	5,000
		Audit fee	20,000
		Staff welfare expenses	2,000
		Diwali expenses	1,000
		Entertainment expenses	6,000

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Receipts	Amount	Payments	Amount
		Purchase of medicines	30,000
		Balance C / d	<u>83,000</u>
	<u>3,00,000</u>		<u>3,00,000</u>

Additional information:

- (i) A cash payment of Rs.5,000/- being given to him by a patient in appreciation of his medical service but was not accounted for in the books of accounts
 - (ii) 1/3 of motor car expenses related to his personal use. Depreciation of Rs.6,000/- is allowable under the income tax act for professional use.
 - (iii) Audit fee include income tax appeal expenses of Rs. 15,000/-
 - (iv) Depreciation computed Rs. 10,000 on surgical equipments at prescription rate.
 - (v) Interest and dividend include; Rs.4,000 on bank deposits, Rs.4,000 as dividend from UTI, Rs.5,000 as interest from NSC and Rs.7,000 as dividend from Indian Companies.
 - (vi) His taxable income from house property was Rs.5,00,000/-
- Compute his net income from profession for the AY 2022 – 23.

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(b) The following is the profit and loss account of Mr Roy. You are required to ascertain his business income considering the following;

Particulars	Amount	Particulars	Amount
To rent and taxes	450	By Gross profit	14,623
To establishment (staff)	1,750	By bank interest on personal deposits	577
To rent	600		
To house hold expenses	1,450		
To discount	250		
To advertisement	200		
To income tax	480		
To postage and stationery	810		
To fire insurance premium	150		
To gifts and presents	160		
To charity and donation to approved institutions	1,140		
To purchase of plant and machinery (not installed)	1,500		

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Particulars	Amount	Particulars	Amount
To repairs of furniture	50		
To interest on loan	1,000		
To life insurance premium	600		
To reserve for doubtful debts	700		
To interest on capital	250		
To net profit	3,660		
Total	15,200		15,200

Computation of business income for Mr Roy.

20. (a) Mr. X Purchased a house property for Rs.26,000 on 10/5/1962. He gets the first floor of the house constructed in 1967-68 by spending Rs.40,000/- He dies on 12/9/2003. The property is transferred to Mrs.X by will and she spends Rs.80,000 in 2006-07 and Rs.26,700 in 2008-09 for reconstruction of the property. Mrs.X sells the house property for Rs.95,00,000 on 15th March 2022 (brokerage paid Rs.41,500). The fair market value of the house on 1st April 2001 is Rs.4,60,000. (CII: 2006-07 Rs.122; 2008-09 Rs.137; 2021-22 Rs.317; 2001-02 Rs.100 and 2003-04 Rs.109. Compute taxable amount of capital gain.

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- (b) Mr. Mani owned two motor cars which were mainly used for business purposes. The written down value on 1st April 2021 of these cars is Rs.1,81,000/-. The block of assets comprising of these two assets was sold June 2021 for Rs.1,50,000/-. In September 2021 he sold 1000 shares in X Ltd (unlisted) an Indian Company for Rs.30,00,000/- He has purchased the same in March 2005 for Rs.3,10,000. A house plot purchased in March 2011 for Rs.3,00,000/- was sold by him for Rs.9,35,000/- on January 2022. (CII: (2010-11) - 167; (2004-05) - 113; (2021-22) - 317.) Compute Taxable gains chargeable to tax in respect of the above transactions for the AY 2022-23.

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