



**M.Com. III Semester Degree Examination, April/May - 2023**

**COMMERCE**

**Income Tax Planning and Management**

**(CBCS)**

Time : 3 Hours

Maximum Marks : 70

**Note :** Answer **any five** of the following questions with Question **No. 1 Compulsory**, each question carries **equal** marks.

1. (a) Define Company. Explain the provisions for determination of residential status and incidence of tax of a company under Income Tax act. **6**
- (b) Briefly describe the tax planning provisions with respect to residential status of Individual assessee. **8**
2. (a) The following information is relating to XYZ Company Ltd., Davangere. You are required to ascertain the depreciation admissible for the PY 2022-23. **7**

| <b>Particulars</b>   | <b>Plant and Machinery in (Rs)</b> | <b>Buildings in (Rs)</b> |
|--|------------------------------------|--------------------------|
| WDV as on 1 <sup>st</sup> April, 2022  | 2,50,000                           | 10,00,000                |
| Additional purchases as on 1 <sup>st</sup> September, 2022                                 | 3,00,000                           | 2,00,000                 |
| Sales during the year  | 1,50,000                           | 4,00,000                 |
| Rate of Depreciation   | 15%                                | 10%                      |
| <b>NOTE :</b> New purchase of Plant and Machinery is eligible for additional depreciation. |                                    |                          |

- (b) Mr. 'J' provided following information and asked you to compute the taxable Capital Gain and Tax Liability thereon. **7**
- (i) Cost of acquisition of residential house in 2001-02 is ₹ 2,00,000
- (ii) Sale consideration on 02.06.2022 is ₹ 20,00,000
- (iii) Cost of new house purchased for residential purpose by due date of filing of return is ₹ 7,00,000
- (iv) CII in 2001-02 = 100 and 2022-23 = 331



3. The following is the Profit and Loss Account of 'B' Company Ltd., for the year 14 ending 31/03/2022

| Particulars                   | Amount (₹)       | Particulars                            | Amount (₹)       |
|-------------------------------|------------------|--|------------------|
| To Salaries                   | 3,00,000         | By Domestic sale                       | 25,00,000        |
| To Rent                       | 2,00,000         | By Export Sale                         | 10,00,000        |
| To Repairs                    | 1,20,000         | By Transfer from General Reserve       | 1,00,000         |
| To Selling Expenses           | 3,50,000         | By Withdrawal from revaluation reserve | 1,00,000         |
| To Depreciation (Normal)      | 3,00,000         |  |                  |
| To Depreciation (Revaluation) | 2,00,000         |  |                  |
| To Income Tax                 | 3,60,000         |  |                  |
| To Proposed Dividend          | 2,70,000         |  |                  |
| To Net Profit                 | 16,00,000        |  |                  |
| <b>Total</b>                  | <b>37,00,000</b> | <b>Total</b>                           | <b>37,00,000</b> |

**Other Information :**

- (a) The Company has LTCG of Rs. 1,00,000 which is not credited to Profit and Loss Account.
- (b) Depreciation U/S 32 is Rs. 4,50,000
- (c) The company wants to set off the following :

| Particulars                     | For Tax Purpose | For Accounting Purpose |
|---------------------------------|-----------------|------------------------|
| Brought Forward Loss of 2019-20 | ₹ 5,00,000      | ₹ 4,00,000             |
| Unabsorbed Depreciation         | ₹ 2,00,000      | ₹ 2,00,000             |

Compute the Taxable Income, Book Profit and Tax Liability of the Company for the AY 2022-23.



4. 'S' Ltd. produces most of its own parts and components. The standard wage rate in the parts department is ₹ 12 per hour. Variable manufacturing overheads is applied at a standard rate of ₹ 9 per labour hour and fixed manufacturing overheads are charged at a standard rate of ₹ 10.50 per hour. For its current year production company required a new component, this component can be made in the parts department without any expansion of existing facilities. It would be necessary to increase cost of product testing and inspection to ₹ 15,000 per month. Estimated labour time for the new component is half an hour per unit. Raw material cost has been distributed at ₹ 24 per unit. The alternative choice before the company is to purchase the required component from an outside supplier at ₹ 36 per unit. The company has estimated that it will need 2,00,000 new components during the year. 14

Advise the company, whether it would be more economical to buy or to make the new component.

5. Mr. Gopal estimated the following income for the FY 2022-23. 14
- (a) Income from House Property ₹ 3,00,000.
- (b) Income from Profession ₹ 4,00,000.
- (c) Income from Other Sources ₹ 1,00,000.

He is eligible to claim deduction U/S 80C of ₹ 80,000. Determine the amount of advance tax payable by Mr. Gopal on installment basis during the FY 2022-23, and also suggest him the due dates of installment.

6. (a) Illustrate the provisions relating to carry forward and set-off MAT Credit. 7
- (b) From the following information calculate taxable income after making necessary adjustments of losses; 7

| Particulars                  | Situation I (₹) | Situation II (₹) |
|------------------------------|-----------------|------------------|
| Long Term Capital Gain/Loss  | 1,70,000        | – 3,00,000       |
| Short Term Capital Gain/Loss | – 50,000        | 1,10,000         |
| Business Income/Loss         | – 80,000        | – 90,000         |

**Note :** Give necessary explanations wherever necessary as working notes.



7. (a) ABC Company has currently all equity shares capital structure consisting of 15,000 Equity Shares of ₹ 100 each. The management is planning to raise another ₹ 25 Lakh rupees to finance a major programme of expansion and is considering the following 3 alternatives of financing. **7**
- (i) To issue 25,000 Equity Shares of ₹ 100 each
  - (ii) To issue 25,000, 8% Debentures of ₹ 100 each
  - (iii) To issue 25,000, 8% Preference Shares of ₹ 100 each
- The company's EBIT is expected at ₹ 8,00,0000. The corporate tax rate is 31.2%. Determine EPS in each alternative and comment on which alternative is best.
- (b) Briefly describe different types of assessment and procedure for E - Filing of returns. **7**
8. (a) Briefly describe tax planning provisions relating to Capital Gains. **5**
- (b) Tax Planning v/s Tax Evasion. **5**
- (c) Comment on 'Interest on delay in payment of Advance Tax'. **4**

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