

**M.Com. III Semester Degree Examination, April/May - 2024****COMMERCE****DSE 2 - : Income Tax Planning and Management
(NEP)**

Time : 3 Hours

Maximum Marks : 70

Note : Answer **any five** of the following questions with question No. **1 Compulsory**. Each question carries **fourteen** marks.

1. Mr. X and Mrs. X are foreign citizens. They come to India on September 3, 2022, **14** for a visit of 170 days. In the earlier previous years, they are in India as follows :

Financial year	Mr. X	Mrs. X
2021 - 22	365 days	240 days
2020 - 21	20 days	340 days
2019 - 20	15 days	Nil
2018 - 19	120 days	118 days
2017 - 18	5 days	350 days
2016 - 17	8 days	190 days
2015 - 16	15 days	160 days
2014 - 15	18 days	332 days
2013 - 14	140 days	192 days
2012 - 13	10 days	221 days



During the previous year 2022 - 23, Mr. X and Mrs. X have the following income :

	Mr. X Rs.	Mrs. X Rs.
Interest on company deposit in India	48,000	7,10,000
Income deemed to be earned in India	32,000	55,000
Income from business situated in Nepal and controlled from India (40 percent is received in India and 60 percent is received outside India)	64,000	38,000
Dividend declared by A Ltd., an Indian company	30,000	48,000
Salary (after standard deduction) received in India for service rendered outside India	92,000	86,000
Interest received from the Government of India (received outside India)	58,000	16,000
Interest received from a foreign company outside India (on capital which is utilised outside India)	70,000	5,000
Interest received from a foreign company outside India (on loan which is utilised for doing business in India)	38,000	92,000
Royalty received in India from the Government of India	10,000	5,000
Royalty received in India from a non-resident in respect of technology used by such person outside India	18,000	7,000

The following information is also available :

	Place of birth	Year of Birth
Mr. X	Dubai	1950
Mrs. X	Bombay	1951
Father of X	Muscat	1921
Mother of X	Kathmandu	1924
Grandmothers of X	Mexico and Dubai	1892 and 1895
Grandfathers of X	Taipei and Logos	1890 and 1890
Father of Mrs. X	Dubai	1925
Mother of Mrs. X	Belfast	1926
Grandmothers of Mrs. X	Chicago and Muscat	1901 and 1902
Grandfathers of Mrs. X	Karachi and Dubai	1901 and 1900

Determine the residential status and gross total income of Mr. X and Mrs. X for the assessment year 2023 - 24.



2. From the Profit and Loss Account of Z (age : 31 years, resident) for the year 14 ending March 31, 2023, ascertain his total income and tax liability for the assessment year 2023 - 24.

Particulars	Rs.	Particulars	Rs.
General Expenses	13,400	Gross Profits	14,15,500
Bad debts	22,000	Commission	8,600
Advance tax	2,000	Brokerage	37,000
Insurance	600	Sundry receipts	2,500
Salary to staff	26,000	Bad debts recovered (earlier allowed as a deduction)	11,000
Salary to Z	51,000	Interest on debentures (i.e., net amount Rs. 22,500+tax deducted at source : Rs. 2,500)	25,000
Interest on Overdraft	4,000	Interest on deposit with a company (non-trade) (net interest : Rs 11,700+tax deducted at source : Rs. 1,300)	13,000
Interest on loan to Mrs. Z	42,000		
Interest on capital of Z	23,000		
Depreciation	48,000		
Advertisement Expenditure	7,000		
Contribution to employees' recognised provident fund	13,000		
Net profit	12,60,000		
	15,12,600		15,12,600

Other Information :

1. The amount of depreciation allowable is Rs. 37,300 as per the Income-tax Rules. It includes depreciation on permanent sign board.
2. Advertisement expenditure includes Rs. 3,000 being cost of permanent sign board fixed on office premises.
3. Income of Rs 4,500 accrued during the previous year, is not recorded in the Profit and Loss Account.
4. Z pays Rs. 6,000 as a premium on own life insurance policy of Rs.7,000.
5. General expenses include (a) Rs. 500 given to Mrs. Z for arranging a party in honour of a friend who has recently come from Canada (b) Rs. 1,000 being contribution to a political party.
6. Loan was taken from Mrs. Z for payment of arrears of income-tax.



3. X, a resident individual submits the following information for the assessment year 2023 - 24 : 14

Particulars	Rs
Business A	
Loss of the previous year 2022 - 23	(-) 1,20,000
Brought forward Loss of the previous year 2021 - 22	(-) 1,45,000
Business B	
Profit of the previous year 2022 - 23	1,35,000
Business C (previous year ends on March 31, business discontinued on April 10, 2022)	
Profits of the period April 1, 2022 to April 10, 2022	Nil
Brought forward loss of previous year 2021 - 22	(-) 1,16,000
Business D (previous year ends on March 31, business discontinued on March 31, 2022)	
Brought forward loss of previous year 2021 - 22	(-) 1,04,000

Other Incomes :

1. Interest on debentures held as stock-in trade Rs. 1,48,000
2. Interest on bonds held as investments Rs. 1,60,000
3. Long-term capital loss on sale of shares Rs (-) 1,46,400
4. Income from house property Rs. 1,17,000
5. Dividend from a domestic company (shares are held as investment) Rs. 1,80,000

Determine the net income of X for the assessment year 2023 - 24. Also, calculate the amount of loss that can be carried forward for being set off to the next assessment year.

4. A Ltd. wants to acquire a machine on 1st April 2022. It will cost Rs 1,50,000. It is expected to have a useful life of 3 years. The scrap value will be Rs. 40,000. If the machine is purchased through borrowed funds, the rate of interest is 15% per annum. The loan is repayable in three annual instalments of Rs. 50,000 each. If the machine is acquired through lease, lease rent would be Rs. 60,000 per annum. Profit before depreciation and tax is expected to be Rs 1,00,000 every year. The rate of depreciation is 15%. The average rate of tax may be taken at 33.99%. A Ltd. seeks your advice whether it should : 14
- (i) acquire the machine through own fund or borrowed fund or
 - (ii) take it on lease.

Present value factor shall be taken @ 10%



5. Mr. GK has estimated the following taxable income for the financial year 2022 - 23. 14

Particulars	Rs
Income from Business	10,00,000
Long-term capital gain on 10.10.2022	25,000
Interest on Savings Bank A/c	6,000
Dividend	3,000
Interest (gross) from a branch of Punjab National Bank (F.D.R)	14,000
Total	10,48,000

Other Information :

1. He will pay life insurance premium on his own life Rs. 25,000
 2. He will deposit in PPF Rs. 70,000
 3. Paid to P.M. Relief Fund Rs. 25,000
 4. Health Insurance premium paid in cash Rs. 2,000
- Determine the amount payable as advance tax on prescribed dates during the financial year 2022 - 23.

6. (A) From the following Receipts and Payments Statements for the year ended 31-03-2023 of a **Medical Practitioner** and further information given, compute his gross total income : 7

Opening Balance	11,000	Salary to Staff	11,200
Consultation fees	50,000	Rent on Dispensary	5,000
Visiting Fees	15,000	Cost of medicines	8,000
Sale of Medicines	10,000	Membership Fees	500
Gifts from Patients	3,000	Purchase of Car	40,000
Dividend from Indian Company	2,000	Stationery	1,200
		Car Expenses	3,000
		Personal Drawings	9,000
		Income Tax	2,500
		Sundry Expenses	300
		Donations	1,000
		Life Insurance Premium	6,000
		Closing Balance	3,300
	91,000		91,000



Additional Information :

1. 1/3 of Car expenses are attributable to his personal use.
 2. Donations are paid to The National Defence Fund set up by the Central Government.
 3. His Life policy amounts to Rs. 60,000 on which he has paid Rs. 6,000 as Premium
 4. Depreciation on car amounts to Rs. 6,000 and all other blocks of assets Rs. 5,000 respectively.
- (B) Mr. Shiva aged 61 years, has a gross total income of Rs. 7,75,000 comprising of income from salary and house property. He has made the following payments and investments : **7**
- (i) Premium paid to insure the life of his major daughter (policy taken on 1.4.2019) (Assured value Rs. 1,80,000) - Rs. 20,000.
 - (ii) Medical Insurance premium for self - Rs. 12,000; Spouse - Rs. 14,000.
 - (iii) Donation to a public charitable institution registered under 80G Rs. 1,50,000 by way of cheque.
 - (iv) LIC Pension Fund - Rs. 60,000.
 - (v) Donation to National Children's Fund - Rs. 25,000 by way of cheque
 - (vi) Donation to Jawaharlal Nehru Memorial Fund - Rs. 25,000 by way of cheque
 - (vii) Donation to the approved institution for the promotion of family planning - Rs. 40,000 by way of cheque
- Compute the total income of Mr. Shiva for A.Y. 2023-24
- 7.** (A) Distinguish between Tax planning, Tax avoidance, and Tax evasion. **7**
- (B) What is assessment ? Briefly explain the types of assessment under the Income Tax Act 1961. **7**
- 8.** (A) Mr. N (a resident individual) purchased land for Rs. 1,20,000 in the previous year 2002 - 03. In the previous year 2007 - 08, he had incurred expenses of Rs. 2,35,000 towards fencing of the land. Mr. N sold his land for Rs. 15,00,000 in the previous year 2022 - 23 after incurring expenses to the extent of Rs. 20,000. You are required to compute capital gain for the Assessment Year 2023 - 24. Cost of Inflation Index in 2002 - 03 = 105, 2007 - 08 = 129, 2022 - 23 = 331. **5**
- (B) Enumerate the provisions of Advance tax and its installment for companies. **5**
- (C) Identify and explain the factors affecting Make or Buy decision. **4**

