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14 (COM-4) 4-18/4036

2019

TAX PLANNING

Paper : 4-18/COM-4036

(New and Old Course)

Full Marks : 80

Time : Three hours

The figures in the margin indicate full marks for the questions.

1. Answer as directed : 1×5=5

(i) What is the tax treatment of commuted pension in case of non-government employees ?

(a) fully taxable

(b) fully exempted

(c) partly taxable, partly exempted

(d) taxable and special relief is admissible.

(Choose the correct option)

Contd.

(ii) If the annuity is received by an employee from his present employer, it will be taxed as —

(a) salary

(b) allowance

(c) perquisite

(d) profit in lieu of salary.

(Choose the correct option)

(iii) The reasonable expected rent of a house property cannot be more than the _____ fixed under the Rent Control Act.

(Fill in the gap with appropriate answer)

(iv) Profit made from the sale of export licenses come under the head —

(a) Profits and Gains of Business

(b) Capital Gain.

(c) Income from other sources

(d) Any of the above three heads.

(Choose the correct option)

(v) Deductions from Gross Total Income under section 80C are allowed to which one of the following assessee/assesseees ?

(a) Individuals only

(b) Individuals and Hindu Undivided Family (HUF)

(c) Individual, Firms and Hindu Undivided Family (HUF)

(d) Individual, Firms, Hindu Undivided Family (HUF) and Corporate houses.

(Choose the correct option)

2. Give very brief answers to the following questions : 2×5=10

(i) Define 'agricultural income' as per the provision of the Income Tax Act, 1961.

(ii) Who is liable to pay tax on income as per the Income Tax Act, 1961 ?

(iii) Examine the taxability of the following two incomes under the Income Tax Act, 1961 :

(a) Share of profit of a partner from a firm

(b) Refund from statutory Provident Fund received by a Government employee.

(iv) Mention *any two* perquisites which are taxable for all employees and *any two* perquisites taxable only for specified employees.

(v) Give the meaning of 'business' and 'profession' for the purpose of and in the context of computing 'Profit and Gains from Business and Profession' as per the provision of Income Tax Act.

3. Give brief answers to the following questions (in about **100** to **120** words) : (**any three**)

3×5=15

(i) Describe the procedure of determining the Net Annual value of a residential house property let-out, as per the provision of Income Tax Act, 1961.

- (ii) Mention the procedure of 'advance payment of tax' by a Corporate assessee as per the provision of Income Tax Act, 1961.
- (iii) What are the general incomes chargeable to tax under the head "Income from other Sources" as per the provision of Income Tax Act, 1961.
- (iv) State the provisions of Income Tax Act, 1961 in regard to 'make or buy' decision by a business house/unit.
- (v) What are the 'basis of charge' of salary income as per the provision of Income Tax Act, 1961 ?

4. How can an individual assessee avail the provisions of Income Tax Act, 1961 regarding "clubbing of income" for tax planning purposes ? Discuss with suitable examples.

10

Or

What are the exemptions available for long term capital gains as per the provisions of Income Tax Act, 1961 ?

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5. Discuss the provisions under Section 10A and 10B of the Income Tax Act, 1961 regarding tax exemptions to industrial undertakings in Special Economic Zones (SEZ) and Export Oriented Units (EOU).

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Or

Mention twenty items which are regarded as tax-free or exempted from income tax as per the various sub-sections of sections 10 of the Income Tax Act, 1961.

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6. Sri Pranab Barua is an employee of Radisson group of hotels in Guwahati. He has furnished the following particulars of his income for the previous year ending 31st March, 2019. Compute his total taxable income for the Assessment year 2019-20 after allowing for deductions under section 80C.

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- (a) Basic salary @ Rs. 25,000 p.m.
- (b) Dearness allowance Rs. 10,000 p.m.
(forms a part of salary for retirement benefit and other related benefits)

- (c) Fixed medical allowance @ Rs. 2,500 p.m.
- (d) Conveyance allowance @ Rs. 3,000 p.m. (fully spent for duty purposes)
- (e) City compensatory allowance @ Rs. 1,000 p.m.
- (f) Rent-free unfurnished accommodation in the previous year, for which the employer company paid a rent of Rs. 6,000 p.m.
- (g) Employer's contribution to the employee's Recognised Provident Fund (RPF) @ 15% of salary.
- (h) Interest on securities of Indian companies received during the previous year Rs. 10,000.
- (i) Dividend received from the shares in Reliance India Ltd. Rs. 30,000 in the previous year.

- (j) Professional tax deducted for the year Rs. 3,000.
- (k) Payment of life insurance premium on a policy on his own life Rs. 25,000 and deposit made in Post Office Public Provident Fund (PPF) Rs. 50,000.

Or

Discuss the tax incidence of transfer of assets from a holding company to one of its subsidiary as per the provision of Income Tax Act, 1961. 10

7. (a) How is "Long-term Capital gains" computed with indexation as per the provision of Income Tax Act ?
- (b) Sameen, a resident individual in Guwahati bought a residential plot of land on 1st April, 2014 for Rs. 10,00,000. The construction of a building was completed thereon on 1st April, 2016 at a cost of Rs. 50,00,000. He sold the property consisting of the

plot and the building on March 31st, 2019 for Rs. 1,50,00,000 (one point five crore). Advise Sameen on the issue of nature of capital gains arising from the sale of the property for the assessment year 2019-20. (CII: 2014-15 = 240, 2016-17 = 264, 2018-19 = 280)

4+6=10

Or

What is meant by 'Tax Deducted at Source (TDS)'? Who is liable for deducting tax at source? State the consequences of non-depositing of tax deducted at source in due time to government's exchequer.

3+3+4=10

8. From the following information furnished about M/s XYZ Limited, a partnership firm assessed as such, for the previous year 2018-19, compute the remuneration of partners that can be debited to P/L statement, the firm's business income and income of each partner chargeable to tax under the head 'Profits and Gains from Business'.

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(a) Profit	
(after debiting the following items)	Rs. 75,000
(i) Salary to X (working partner)	Rs. 96,000
(ii) Salary to Y (non-working partner)	Rs. 60,000
(iii) Commission to Z (working partner)	Rs. 84,000

(b) Interest on Capital @ 24% p.a.

(i) Partner X	Rs. 24,000
(ii) Partner Y	Rs. 12,000
(iii) Partner Z	Rs. 10,000

Or

Discuss the scope of 'tax planning through export' by a business house taking into consideration the relevant provisions regarding this in the Income Tax Act, 1961.

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