



Avinashilingam Institute for Home Science and Higher Education for Women
(Deemed to be University under Category 'A' by MHRD, Estd. u/s 3 of UGC Act 1956)
Re-accredited with 'A+' Grade by NAAC. Recognised by UGC Under Section 12B
Coimbatore - 641 043, Tamil Nadu, India

Bachelor's Degree Examination – June 2021

Class : III UG
Major : B.Com. B.Com (PA)

Time : 3 Hours
Max. Marks: 100

18BCOC25 / 18BCPC29 Income Tax Law and Practice- II

Part A
Choose the Correct Answer

10 x 1 = 10

- Income tax is a _____.
a. Professional tax
b. Direct tax
c. Indirect tax
d. Service tax
- Income tax rates are fixed in _____.
a. Income tax Act
b. Finance Act
c. Income tax rules
d. Finance rules
- The minimum exceptional limit of income is _____.
a. 250,000
b. 200,000
c. 300,000
d. 500,000
- Rebate of Income tax is defined as per section _____.
a. 81A
b. 87A
c. 81C
d. 87C
- The periodic payment of money for the past service is known as _____.
a. Gratuity
b. Pension
c. Commuted pension
d. Leave salary
- Pension is taxable under _____ head.
a. Salary
b. House property
c. Capital gains
d. other sources
- Interest on loan for self-occupied house taken before 1st April, 1999 will be allowed up to _____.
a. 30,000
b. 1, 50,000
c. 10,000
d. 50,000
- Interest on delayed payment of VAT is _____.
a. Allowed
b. Disallowed
c. Partly allowed
d. None of the above
- Any payments made outside India and TDS is not paid, then it is _____.
a. Allowed
b. Disallowed
c. Partly allowed
d. None of the above
- Foreign house property's income is taxable only in the case of _____.
a. Non Resident
b. Not Ordinarily Resident
c. Ordinarily Resident
d. None of the above

Answer ALL questions**Each answer should not exceed 400 words or two pages**

11. a. Net profit after charging the following is Rs.50,000 compute the income from business
 Income tax Rs.10, 000
 Wealth tax Rs.5, 000
 And Sales tax Rs.7, 000
 Drawing Rs.15, 000
 Under valuation of opening stock 6,000
 Under valuation of closing stock Rs.8, 000
 (or)
- 11.b. Priyarajan received the following gift during the previous year
 Gift from a friend 27,000
 Gift from his spouse 15,000
 A Laptop from friend 40,000
 Gift from his maternal uncle 10,000
 Gift from his cousins 33,000
 Compute the taxable income under the head income from other sources
- 12.a. Explain the guidelines for solving the assessment of return of income
 (or)
12. b. Mr. A purchased equity shares on 20/Jan/2017 for Rs. 16,000. FMV of the shares was Rs.11,000 as on 31/Jan/18. He sold the shares on 26/Apr/2018 for Rs. 26,000. What will be the long-term capital gain/ loss?
13. a. Examine the doctrine of form and substance in the context of tax planning?
 (or)
- 13.b. Differentiate between the diversion of income and application of income in context of Income Tax Act.
14. a. List out Salient Features of the Scheme of Taxation of Firms
 (or)
- 14.b. Explain the computation of Total income and Total Liability
- 15.a. Mr. Sarthak a software engineer wants to commence a business in manufacture of solar powered car. He provides the following information:
 (i) The project cost is estimated at ₹ 5 Crores.
 (ii) He has a residential house in Surat since 2010 which could be sold for ₹ 3 Crores.
 (iii) And the balance ₹ 2 Crores could be financed through bank borrowings at a cost of 13% per annum.
 (iv) He has another option Viz. his friend Miss Juhi who is willing to contribute ₹ 2 Crores and become a co-promoter.
 The indexed cost of acquisition of the residential house (Computed) is ₹ 70 lakhs.
 Mr. Sarthak seeks your guidance on the project finance taking into account any tax incentives available under Income Tax Law besides the funding of project through bank finance or accepting Miss Juhi as Co-Promoter.
 You are requested to advice Mr. Sarthak, on Income tax aspects to avail tax benefits within the four corners of law.
 (or)
- 15.b. Describe the special provisions of relating to assessment of companies

Part C
Answer ALL questions

5 x 12 = 60

Each answer should not exceed 800 words or four pages

16.a. Discuss in detail the recovery and refund of taxes

(or)

16.b. Explain the role of central board in direct taxes

17.a. Total income of Rahul, a resident of India, for the previous year 2017-18, inclusive of long capital of long term capital gain of Rs.150000 is Rs 360000.

I. Compute the tax liability for the assessment year 2018-19

II What shall be the tax liability if income Rs.310000 inclusive of STGC of sale of shares (Listed share subject to STT) Rs.190000

(or)

17.b. Mr. J bought equity shares on 13/Nov/2010 for Rs. 12,000. FMV of the shares was Rs. 30,000 as on 31/Jan/18. He sold the shares on 11/May/2019 for Rs.25, 000 what will be the long-term capital gain/ loss?

18.a. Suresh is employed in Delhi and is drawing Rs. 50,000 per month as salary. Besides, he got one month salary as bonus. He is given an option by the employer, either to accept HRA or a rent-free accommodation which is owned by the employer. HRA is payable @ Rs. 10,000 per month, while the rent for accommodation in Delhi is Rs. 12,000 per month. Advise Suresh, whether it would be beneficial for him to avail HRA or rent-free accommodation provided by the employer (assuming Mr. Suresh has not opted for section 115BAC of the Income tax Act, 1961)

(or)

18.b. Specify whether the following acts can be considered as (i) Tax planning; or (ii) Tax management; or (iii) Tax evasion. (i) P pays premium of Rs.10,000 for health Insurance policy so as to reduce his total income from Rs. 6,40,000 to Rs. 6,30,000 by claiming deduction u/s 80D (assuming Mr. P has not opted for section 115BAC of the Income tax Act, 1961). (ii) SQL Ltd. pays advance tax by estimating his total income in previous year to ensure timely compliance. (iii) An individual tax payer making tax saver fixed deposit of Rs. 1,00,000 in a nationalized bank. (iv) A bank obtaining declaration from depositors in Form No. 15G /15H and forwarding the same to income-tax authorities. (v) Z debits his household expenses as business expenses in the books.

19.a. How to compute the total tax liability?

(or)

19.b. Mr. Raja is businessman (age 35 years). His total income for the year 2020-21 amounted to Rs. 1,02, 00,000. Will he be liable to pay surcharge, if yes, then how much and will he get the benefit of marginal relief?

20.a. Red Ltd., a non-resident foreign company, had entered into a collaboration agreement, approved by the Central Government, with Blue Ltd. an Indian company on February 21, 2003 and is in receipt of following payments during the previous year ending on March 31, 2019:

i. Interest on 8% debentures for ₹ 40 lakhs issued by Blue Ltd. on July 1, 2018 in consideration of providing of technical know-how, manufacturing process and designs (date of payment of interest being March 31 every year).

(i) Service charges @ 2.5% of the value of plant and machinery for ₹ 500 lakhs leased out to Blue Ltd. payable each year before March 31.

(ii) Apart from the above incomes, Red Ltd. received a long-term capital gain amounting to ₹ 1.90 Lakhs on sale of debentures of Green Ltd., an Indian company, subscribed in US\$. Compute the Total Income of Red Ltd. and determine its tax liability for the assessment year 2019-20.

(or)

20.b. Tulsi Private Ltd., a company engaged in ship breaking activity, sold some old and used plates, wood etc., in respect of which it did not collect tax from the buyer. The company claimed that such items are usable as such. Hence these are not 'scrap' to attract the provisions for collection of tax at source. The Assessing Officer treated such items in the nature of 'scrap' and raised a demand under section 201(1) and interest under section 201(1A). Is the action of the Assessing Officer in treating such items as 'scrap' tenable in law? Discuss.
