

STELLA MARIS COLLEGE (AUTONOMOUS) CHENNAI – 600 086.
(For candidates admitted during the academic year 2015 – 16)

SUBJECT CODE: 15CM/PC/IC44

M.Com. DEGREE EXAMINATION APRIL 2017
COMMERCE
FOURTH SEMESTER

COURSE : CORE
PAPER : INDIVIDUAL AND CORPORATE TAX PLANNING
TIME : 3 HOURS **MAX. MARKS: 100**

SECTION – A

ANSWER ANY SIX QUESTIONS: (6 x 10 = 60)

1. Explain the provisions of law relating to double taxation relief when an agreement with foreign country exists?
2. Explain tax planning with reference to leasing of an asset.
3. Explain the implementations of the tax concessions and incentives in respect of setting up a new business.
4. a) What is the difference between tax evasion and the avoidance?
b) What is the difference between tax planning and tax management?
5. From the following statement, compute the income from profession of Dr. S.K. Kapoor if accounts are maintained on cash/receipt system:

	Rs.		Rs.
To Dispensary rent	36,000	By Visiting fees	45,000
" Electricity and water charges	6,000	" Consulting fees	1,25,000
" Telephone expenses	6,000	" sales of medicines	72,000
" salary to nurse and compounder	36,000	" Dividends	5,000
" Dep. On surgical equipment	6,000		
" Purchase of medicines	36,000		
" Depreciation on X-ray Machine	4,000		
" Income Tax	5,500		
" Donation to Rama Krishna Mission	4,000		
" Motor Car expenses	9,600		
" Dep. On car	4,800		
" Net Income	93,100		
	2,47,000		2,47,000

Additional information:

1. Electricity and water charges include domestic bill of Rs. 2,500.
 2. Half of motor car expenses are for professional use.
 3. Telephone expenses include 40% for personal use.
 4. Opening stock of medicine was Rs.6000 and closing stock was Rs. 4,000.
6. Mr. X owns a residential house at Bangalore. From the following informations, compute the amount of capital gain.

	Rs.
Cost of construction (during 94-95)	3,80,000
Cost of Additions and improvements (during 97-98)	1,40,000
Sale considerations (sale made on 10.10.2015)	29,00,000
Expenses on transfer	20,000
Cost of new house purchased in Hyderabad (on 15.1.2016) (House is half finished)	5,00,000
Amount deposited in capital gain deposit scheme in SBI on 25-7-2016	3,00,000
An amount of Rs.2,00,000 withdrawn from capital gain deposit scheme on 12 th May 2018 and utilized for the completion of the house.	
Cost inflation index for 1994-95 is 259, for 1997-98 is 331 and for 2015-16 is 1081.	

7. Mr. Atul, an Indian resident, furnishes the following particulars of his income for the assessment year 2016-17. You are required to deal with set-off and carry forward of losses.

	Rs.
i. Income from securities (Gross)	10,000
ii. Income from residential house (computed)	5,000
iii. Profits from Rayon business	25,000
iv. Income from an agency business	2,000
v. Speculation income	2,000
vi. Short-term capital gain	4,000
vii. Long-term capital gain	9,500
The carry forward items from the assessment year 2015-16 are:	
i. Loss from Hosiery Business (discontinued in 2013-14)	4,000
ii. Loss in agency business	3,000
iii. Loss from Rayon business	3,000
iv. Speculation loss	4,000
v. Short-term capital loss	6,000
vi. Long-term capital loss (of previous year 2013-14)	6,500
Current year's depreciation for rayon business is Rs.500	

8. R. Lakshmi has the following investments and incomes for the previous year ended 31-03-2016. Calculate her income from other sources.

	Rs.
1. Dividend from an Indian company.	7,800
2. Examinership remuneration	6,000
3. Royalty by the publication of a book	2,000
4. Winnings from Lottery (Net) [received on 1-3-2016]	48,000
5. Rs.40,000. 10% Debentures of company (Unlisted)	
6. Rs.40,000, 12% Punjab Govt. securities	
7. Rs.50,000, 13% Less tax commercial securities (Unlisted)	
8. Rs.40,000, 10% Tax-free Debentures of a company(Unlisted)	
9. Rs.5,400, as interest on Tax-free debentures (listed) [received on 1-3-2016]	

In October 2015 she sold the above Rs.40,000, 10% (Tax free) debentures of a company for Rs. 45,000. In December 2015 she inherited Rs.63,000, 10%. (tax free) Debentures (Listed) of XY Co. Ltd., from her father. Interest on above securities falls due on December 31st of every year.

She claims the following deductions:

- i. Collection charges for interest and dividend @2% of net amount realised.
- ii. Purchase of lottery tickets Rs.2,000.

SECTION – B

ANSWER ANY TWO QUESTIONS:

(2 x 20 = 40)

9. Write short notes on
 - a) Tax planning with respect to slum sale.
 - b) Incidence of tax on Domestic Companies.
10. Explain tax planning with reference to financial management decision that is Dividend policy and capital Structure.
11. Following are the particulars of salary of Mr. Dass an employee of a Ltd, Co. of Bangalore (Population exceeding 25 lakhs)
 - a) Basic salary Rs. 30,000 p.m.
 - b) D.A. Rs.5,000 p.m [50% enters]
 - c) Transport allowance Rs.2,800 p.m
 - d) Helper allowance Rs.2000 p.m. He is paying Rs.1,600 p.m. to helper which he got engaged for his office work.
 - e) Bonus Rs.10,000.
 - f) Commission Rs.40,000 (on turnover basis).
 - g) Reimbursement of medical bills Rs.60,000 out of this Rs,20,000 is in respect of medical bill of his wife and she got her medical treatment from a government hospital.
 - h) Telephone bill of his residence paid by employer Rs.10,000.
 - i) Amount paid by employer for free supply of gas, electricity at his residence Rs.18,000.
 - j) He got a loan of Rs.5,00,000 from his employer at a nominal rate of interest of 5.4% for the construction of his house. SBI lending rate as on 1-4-2015 is 10.15%.
 - k) He is entitled to a earned leave of one month in a year and he got his current year's leave encashed for Rs.30,000 as he is in need of money for the construction of his own house.
 - l) He is paid house rent allowance of Rs.5,000 p.m till 31st july 2015 and thereafter he is given a rent free house got by his company on a monthly rent of Rs.10,000. Cost of furniture Rs.1,00,000. Before shifting to rent free house he was paying a rent of Rs.8000 p.m.
 - m) He is enjoying the services of a chauffeur driven big car.
 - n) Leave travel concession Rs.20,000.
 - o) He retired from government service 5 years back and now he is getting a pension of Rs.10,000 p.m.
 - p) Both he and his employer is contributing Rs.5,000 p.m. (each) towards recognized provident fund.
 - q) He is given a free lunch worth Rs.50 per day in company's premises which is situated 10 kilometres away from his residence.

Find out Mr. Dass's salary income for the assessment year 2016-17.

12. Following are the particulars of 2 let out houses of Mr. Ashok Jain.

	House - A Rs.	House – B Rs.
Municipal valuation	4,20,000	3,50,000
Fair Rental Value	3,60,000	3,80,000
Standard Rent	4,40,000	3,20,000
Actual Rent	4,80,000	4,20,000
Unrealized rent of current year	40,000	35,000
Vacancy	2 months	2 months
Municipal taxes	12,000	25,000
Actually paid	30,000	10,000
Due but not paid	10,000	8,000
Repairs	12,000	6,000
Insurance premium	8,000	10,000
Other expenses	---	60,000
Interest on money borrowed for the purchase of house	10,000	15,000

Determine Mr. Ashok's income from house property.

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