

2021

TAX PROCEDURES & PLANNING — HONOURS

Paper : DSE 6.2 T

Full Marks : 80

The figures in the margin indicate full marks.

*Candidates are required to give their answers in their own words
as far as practicable.*

Group-A

Answer *any four* questions.

1. (a) What do you mean by tax planning?
(b) State whether the following acts can be considered as tax evasion or tax management or tax planning:
- (i) Amit paid life insurance premium of ₹ 25,000 on the life of himself (Policy value ₹ 1,50,000 taken on 18.10.14) and claim entire amount as deduction u/s 80C.
 - (ii) Bikash received remuneration of ₹ 54,000 for acting as a visiting faculty which he did not furnish in his return of income.
 - (iii) Chandrani submitted her return within the time specified u/s 139(1).
 - (iv) Dulal donated ₹ 10,000 to PM's National Relief Fund and enjoyed deduction in full u/s 80G.
 - (v) Era deposited ₹ 1,00,000 in SBI in the name of her daughter (age 4 years) and interest on such deposit has not clubbed in her hand. 5+(1×5)
2. Falguni wishes to spent ₹ 2,00,000 in relation to research activities and considers the following options:
- (i) Payment to University of Calcutta for social research
 - (ii) Payment to IIT, Mumbai for approved scientific research
 - (iii) Payment to ABC Ltd. who will use for scientific research
 - (iv) Payment to a scientific research association for scientific research not related to business
- State tax implications of each payment and advise Falguni about the best option for the A.Y. 2020-21. 8+2
3. (a) Indrani furnished the following information for the P.Y. 2019-20:
- | | ₹ |
|---|-----------|
| (i) Gross total income (including long term capital gain on sale of building of ₹ 2,00,000) | 10,00,000 |
| (ii) Payment of health insurance premium on our health | 20,000 |
| (iii) Payment to an Indian recognised political party | 1,00,000 |
| (iv) Donation to P.M's National Relief Fund | 10,000 |

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(v) Donation to J.L. Nehru Memorial Fund	10,000
(vi) Donation to an approved organisation promoting family planning	50,000
(vii) Donation to a notified temple	30,000

Compute allowable deduction u/s 80G from the planning point of view.

(b) Jayanta wants to start a business in a notified backward area in West Bengal.

State the benefits he can enjoy under income Tax Act.

7+3

4. (a) Nadim (age 32 years) computed his taxable income at ₹ 7,50,000. TDS made from salary ₹ 50,000 and from interest income ₹ 5,000.

Is he liable to pay advance tax for the P.Y. 2019-20?

(b) Oishi (age 36 years) furnished the following information for the P.Y. 2019-20:

Income from business ₹ 10,00,000; Income from dividend from an Indian Company ₹ 50,000; Income from dividend from a foreign company ₹ 80,000; Agricultural income from land situated in Bangladesh ₹ 1,50,000; Deduction available u/s 80C ₹ 1,30,000 and TDS ₹ 8,200.

Compute advance tax payable by Oishi (along with date of payment).

2+8

5. Mr. Abdul furnish the following information:

Tax on Total Income	₹ 80,000
Due date of furnishing return	31.7.2020
Actual date of furnishing return	1.3.2021
Advance tax paid	Nil

Compute interest liability u/s 234A, 234B, 234C of Mr. Abdul while submitting the return for the assessment year 2020-21.

3+3+4

6. (a) What is self assessment?

(b) What are the situations when Assessing Officer may use Best Judgement Assessment u/s 144?

(c) What is the maximum time limit to issue notice u/s 143(2) for Scrutiny Assessment for the Assessment Year 2020-21?

3+5+2

7. (a) Mr. Ananta Sen (age 52 years) is a software engineer deriving income ₹ 90,000 from technical service performed in Bangladesh. Tax of ₹ 18,000 was deducted at source in that country where the professional service provided. India does not have any double tax avoidance agreement with that country. His income in India amounted to ₹ 9,05,000. He has deposited ₹ 1,00,000 in tax savings term deposit with an Indian bank eligible for deduction u/s 80C.

Compute relief u/s 91 and tax payable by Mr. Sen for the assessment year 2020-21.

5+1

(b) The employer of Labanya offers her the following alternatives:

(i) To pay lunch allowance @₹ 2,000 p.m.

(ii) To provide free lunch.

Advise Labanya.

1+2+1

8. The following issues arise in connection with the deduction of tax at source (TDS). Discuss the liability for tax deduction in these cases separately:
- Dr. Ramesh Chakroborty, as assistant professor of a Government College receives arrear salary for earlier 2 years of ₹ 2,00,000.
 - A reputed TV channel pays prize money to winner of the TV game show "Dada Number One" ₹ 60,000.
 - Axis Bank pays ₹ 1,00,000 per month as rent to owner of the building.
 - A film production company pays ₹ 2,50,000 to a cameraman for cinematography for a documentary movie.
 - A college pays ₹ 8,00,000 to a contractor for construction of their apex building. 2×5

Group-B

 Answer *any two* questions.

9. A Ltd. wished to expand its business. For this purpose the entity wishes to purchase a machine costing ₹ 5,80,000 with an installation charges of ₹ 20,000. The machine has 5 years useful life. The entity has two options:
- To purchase immediately out of own fund.
 - To obtain machine on lease by paying lease rent of ₹ 1,50,000 p.a. at the beginning of the year.
- Rate of Depreciation 15%, Additional Depreciation 20%, tax rate 31.2% including cess, discount factor 12%.
You are requested to guide the entity in selection of the best option.
Discount factor @12%

Year	1	2	3	4	5
PVIF @12%	0.893	0.797	0.712	0.636	0.567

10+8+2

10. (a) A business entity requires ₹ 50,00,000 for modernisation of its business. The entity has three options:

	A ₁	A ₂	A ₃
Equity shares of ₹ 10 each	50,00,000	30,00,000	20,00,000
10% Preference shares of ₹ 100 each	—	20,00,000	10,00,000
13% Debentures of ₹ 100 each	—	—	20,00,000

Expected rate of return 15% (before tax), rate of tax 31.2% (including cess) and rate of DDT is 20.55529%. Advise the entity about the best alternative.

- (b) State the tax implications in the hands of issuing company in the following cases:

- To pay dividend to preference and equity shareholders
- To issue bonus shares to both equity and preference shareholders

14+(2+4)

11. (a) A business entity wishes to sale a machine used for scientific research (benefit u/s @100% was enjoyed during the relevant assessment year). You as a tax consultant need to advise the business entity from tax planning point of view.
- (b) Better Ltd. wishes to amalgamate with Best Ltd. Mention any six tax benefits that Best Ltd. can enjoy an account of amalgamation. 11+9
12. (a) Write a short note on return forms applicable to an individual assessee.
- (b) State the situations when income tax return is treated as defective.
- (c) Mention the income tax authorities constituted under Income Tax Act.
- (d) What is the quantum of penalty that could be levied in each of the following cases:
- (i) Failure to get books of account audited as required under section 44AB of Income Tax Act.
- (ii) Failure to get books of accounts audited in response to the notice issued u/s 142(2A) of Income Tax Act. 5+5+6+4
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