

2020

TAX PLANNING AND PROCEDURE — HONOURS

Eighth Paper

(T-34-A)

Full Marks : 100

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 two* questions

10×2

1. “Tax Planning is nothing but tax avoidance.” — Do you agree? 10
2. State which of the following acts can be considered as — (i) Tax Planning; (ii) Tax Evasion. 2×5
 - (a) V paid life insurance premium of ₹ 40,000 on own life to enjoy the deduction u/s 80C.
 - (b) W inflated his business expenses by ₹ 80,000 to reduce profit.
 - (c) X donated ₹ 30,000 to P.M.’s National Relief Fund to enjoy higher deduction u/s 80G.
 - (d) Y paid life insurance premium of ₹ 52,000 on the life of her mother and claim deduction u/s 80C.
 - (e) Z started a small manufacturing unit in a notified backward area in West Bengal and claim higher rate of additional depreciation.
3. Mr. Rahaman, an event manager, is the owner of two houses in same locality, which are to be used for let out purpose and own business purpose. Suggest the possible tax planning (if any) for reducing his total tax liability.

	House 1 (₹)	House 2 (₹)
Rental income	6,00,000	5,00,000
Annual repair and maintenance	4,00,000	3,00,000

10

4. Bikash made a long-term capital gain of ₹ 40,00,000 on sale of his house. He is considering two options:
 - (a) Purchase a residential house for ₹ 40,00,000.
 - (b) Purchase equity shares of ITC Ltd. of ₹ 20,00,000 and invest ₹ 20,00,000 in different mutual funds.
 Advise Bikash from Tax planning point of view. 10

Please Turn Over

5. Smt. Amrita Chatterjee has been selected for a Job in a Private Limited Company. Company has given the following alternative options for her accommodation :

Option 1 : Receiving house rent allowance for ₹ 10,000 p.m. (Rent Payable for the flat at Kolkata ₹ 12,000)

Option 2 : Providing rent free accommodation owned by the employer in the same apartment.

Additional information :

Basic Salary ₹ 60,000 p.m. and dearness allowance ₹ 40,000 p.m. (entirely forming part of salary)

You are asked to advise from tax planning point of view of Amrita Chatterjee. 10

6. Debdutta wants to pay/donate ₹ 50,000 and considers the following options :

(a) Payment to IIT, Delhi for approved scientific research

(b) Donation to a registered political party

(c) Payment to ISI, Kolkata for social research

(d) Donation to Indira Gandhi Memorial Trust.

Advise Debdutta by stating tax implications of above payments/donations. 8+2

7. Enakshi (Age 28 years) is noted singer furnishes the following information for the P.Y. 2018-19 :

	₹
Income from profession in India	25,00,000
Income from profession (singing) in Zaire with whom the Govt. of India has no double taxation avoidance agreement	7,00,000
Deduction u/s 80C	1,50,000
Deduction u/s 80G	50,000
Tax paid in Zaire	1,40,000

Compute relief u/s 91 and tax payable by Enakshi in India for the assessment year 2019-20. 8+2

8. State the provisions under Income Tax Act in relation to double taxation relief when there exists double taxation avoidance agreement between India and the other country. 10

Group - B

Answer *any three* questions 20×3

9. (a) State the due date for submission of return of an individual whose income is subject to audit.
 (b) Mention any two losses which can be carried forward even if return of loss is not submitted.
 (c) Write a short note on return of loss u/s 139(3).
 (d) Fatik and Gopal are working in a private firm. Taxable income of Fatik is ₹ 7,20,000 and that of Gopal ₹ 4,75,000.

State the mode of submission of return of income by Fatik and Gopal assuming no refund has been claimed. 3+5+6+6

Or,

- (a) "A return of income can be submitted after the expiry of the due date." — Discuss the validity of the statement. Can the submitted return be revised?
 (b) Write a short note on revised return. (6+4)+10

10. (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 2019-20? 6+7+7
11. (a) Can an employee draw salary without tax deducted at source or lower amount of tax deducted at source?
 (b) Hiranmoy was employed with X Ltd. at a salary of ₹ 50,000 p.m. on 1st September 2018. He joined Y Ltd. at a salary of ₹ 60,000 p.m.
 Compute tax to be deducted per month by Y Ltd. assuming Hiranmoy submitted Form 12B to Y Ltd., X Ltd. deducted tax at source from salary ₹ 12,360.
 (c) Who can claim refund? 5+10+5
12. Indra and Indira are couple. They furnished the following information for the P. Y. 2018-19 :

	<u>Indra (Age 42 yrs)</u>	<u>Indira (Age 38 yrs)</u>
	₹	₹
Income from salary (computed)	—	7,50,000
Income from profession	9,50,000	—
Income from other sources	1,50,000	50,000
Deduction u/s 80C	1,00,000	50,000
TDS from salary	—	50,000
TDS from interest	15,000	7,000

Compute advance tax payable by Indra and Indira along with date of payment for the A.Y. 2019-20. 15+5

Or,

- (a) Gross total income of Joygopal of ₹ 10,00,000 consists of salary and income from other sources. Deduction of ₹ 1,50,000 u/s 80C is available to him. He submitted return for the A.Y. 2019-20 on 31.10.19. TDS made from salary ₹ 55,800.
 Compute interest payable u/s 234A by Joygopal.
- (b) When an assessee is liable to pay interest u/s 234B?
- (c) State the circumstances when an application can be rejected by Authority for Advance Ruling (AAR). 10+5+5
13. (a) Write a short note on Central Board of Direct Taxes (CRDT).
 (b) Mention any two orders of A.O. against which an assessee can make appeal to Commissioner (Appeal).
 (c) What is the quantum of penalty in the following cases?
 (i) Failure to get books of accounts audited as required u/s 44AB within the prescribed time.
 (ii) Concealment of particulars of income. 8+6+(3+3)

Please Turn Over

14. (a) MB Ltd. requires ₹ 60,00,000 for expansion of business. It has two options :

	<u>O1</u>	<u>O2</u>
	₹	₹
Equity shares of ₹ 10 each	50,00,000	30,00,000
8% Preference shares of ₹ 100 each	10,00,000	10,00,000
15% Debentures of Rs. 100 each	—	20,00,000
Expected rate of return 12% (before tax), rate of tax 31.2% (including cess), rate of Dividend Distribution Tax 20.55529%.		

Which one MB Ltd. should choose?

(b) A business entity wants to sell a machine used for inhouse scientific research.

You, as a tax consultant, are required to advise the entity from tax planning point of view. 12+8

Or,

(a) In the Board of Directors meeting there emerges two views in respect of payment to preference and equity shareholders.

(i) To issue bonus shares to preference and equity shareholders.

(ii) To pay dividend to preference and equity shareholders.

Advise the Board of Directors about the best option.

(b) "There are certain tax benefits which can be enjoyed by a resulting company in case of demerger under the Income Tax Act."

State any such five tax benefits.

5+5+2+8

Group - C

Answer *any one* question

20×1

15. Whitelily Ltd. wants to purchase a machine costing ₹ 6,00,000 having 5 years of life. The Company has the following options :

(a) To pay the entire cost of machines on purchase from own fund.

(b) To pay the cost of machine in 5 equal annual instalments starting from the date of purchase.

(c) To pay ₹ 2,00,000 as down payment and balance can be obtained as loan from UBI at a simple interest of 10% p.a. Principal is repayable at the end of 5th year.

Rate of depreciation – 15%, Rate of additional depreciation – 20%, Rate of tax – 31.2% (including cess), Rate of discount – 12%.

[Present value of ₹ 1 at 12% – $Y_1 : .893$, $Y_2 : .797$, $Y_3 : .712$, $Y_4 : .636$ and $Y_5 : .567$]

You are required to guide the company in selection of the best option.

20

16. Discuss the tax implications need to be considered from the tax planning point of view in the following cases :

(a) Own or Lease of Plant and Machinery for Business

(b) Shut down vs. Continuation of business.

10+10