

2021

TAX PLANNING & PROCEDURES — 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

1. What do you mean by tax planning? Mention two examples of tax planning. 3+2

Or,

Identify whether the following acts are to be considered as (i) Tax Planning (ii) Tax Management or (iii) Tax evasion: 1×5

- (a) Mr. Amartaya Roy purchased a residential flat for ₹ 12,00,000 by utilising the long-term capital gain from sale of residential building.
- (b) Mrs. Diksha Sen contributed ₹ 40,000 in the Public Provident Fund Account for the previous year 2019-20.
- (c) Mr. Rajan Das, owner of sole proprietorship business, purchased Air Conditioner for his own house, but treated as a business asset and claimed depreciation.
- (d) Mr. Rohit Dutta received interest on fixed deposit from SBI ₹ 15,000 and subsequently not reported the same while furnishing the return of income for the previous year 2019-20.
- (e) Smt. Ruchi Mehta maintains a register for those people whose payments were made after tax deduction at source under different provisions of Income Tax Act.

2. Bishal is the owner of two houses. He constructed the houses by taking loan from a bank. Other information:

	House 1 (₹)	House 2 (₹)
Gross annual value	6,20,000	5,50,000
Municipal tax	20,000	10,000
Interest on loan	2,60,000	1,68,000

He wishes to let out one of the houses and to self occupy the other. Advise Bishal from tax planning point of view. 5

Or,

Banani purchased a house on 05.06.17 for ₹ 5,00,000. She now wishes to sale the house and considering the following two alternatives:

- (a) Sell the house on 08.04.19 for ₹ 10,00,000
- (b) Sell the house on 18.12.19 for ₹ 10,50,000.

Banani pays tax @ 30% plus HEC. Advise Banani (Calculations need to be shown). [CII for 17-18 : 272, 19-20 : 289] 5

Please Turn Over

3. Basuli is the owner of a business and wishes to purchase business assets. The business is suffering from shortage of fund. She has two options:

- (a) To purchase new office appliances for ₹ 1,00,000 and new machines costing ₹ 3,00,000.
 (b) To purchase second hand computers valued ₹ 4,00,000.

Advise Basuli from tax planning point of view.

2+2+1

Or,

Basir furnishes the following information for the P.Y 2019-20:

	(₹)
(a) Gross total income (including short-term capital gain on sale of building of ₹ 1,50,000)	8,00,000
(b) Payment of life insurance premium on own life	60,000
(c) Contribution to Public Provident Fund	1,00,000
(d) Donation to P.M's National Relief Fund	10,000
(e) Donation to Rajiv Foundation	10,000
(f) Donation to Bharat Sevashram Sangha (in kind)	15,000
(g) Donation to an approved organisation promoting family planning	40,000
(h) Donation to a notified mosque	40,000

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

5

4. Smt. Amrita Chatterjee has been selected for a Job in a Private Limited Company. The company has given the following alternative options for education facility for his three children:

Option 1 : Children education allowance @₹ 2,000 p.m. per child. (actual school fees ₹ 2,000 p.m.)

Option 2 : Education facility from employer's own source in the same school for all the three children.

You are asked to advise her from tax planning point of view.

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5. Banalata (42 years), an ordinarily resident of India furnished the following information for the P.Y. 2019-20:

	(₹)
(a) Income from profession in India	7,50,000
(b) Long-term capital gain on sale of gold	2,00,000
(c) Income from profession in Uganda	6,00,000
(d) Deduction u/s 80 C	50,000
(e) Tax paid in Uganda	90,000

Govt. of India has no double taxation avoidance agreement with Uganda.

Compute relief u/s 91 and tax payable by Banalata for the A.Y. 2020-21.

4+1

Group-B

6. (a) Mr. Arun Sen (age 48 years) having Total income ₹ 2,00,000 after getting deduction u/s 80G of ₹ 2,50,000 for the assessment year 2020-21. Is he liable to file tax return for the previous year 2019-20? What is the due date (if he is required to file)?
- (b) What are the consequences for non-filing of Income Tax return?
- (c) Mr. Ranjan has following sources of income for the previous year 2019-20:
 Salary income ₹ 4,00,000
 House property loss ₹ 1,00,000
 Business income ₹ 3,00,000
 Capital gain ₹ 1,20,000
- He is seeking your advise, as tax professional, which kind of ITR is applicable in this case for furnishing the tax return?
- (d) Can belated return be revised?
- (e) What is the due date of filling revised return, if the original return was filed belatedly for the previous year 2019-20? 3+3+2+1+1

Or,

- (a) Write a short note on belated return.
- (b) Write a short note on revised return. 5+5
7. (a) From the following information, compute self assessment tax payable by Bhaskar (age 62 years) for the A.Y. 2020-21:
 Taxable income ₹ 13,50,000, TDS from salary ₹ 1,80,000, TDS from interest ₹ 20,000. He is liable to pay interest u/s 234A ₹ 4,000, fees u/s 234F ₹ 5,000.
- (b) Write a short note on scrutiny assessment u/s143(3). 5+5
8. (a) Bhaswati (age 28 years) furnished the following information for the previous year 2019-20:
 Income from salary ₹ 10,50,000, Loss from house property ₹ 1,50,000, Deduction u/s 80D ₹ 20,000, Tax deducted at source ₹ 42,040.
 Compute advance tax payable by Bhaswati (along with the date of payments).
- (b) 'All assesseees are liable to pay advance tax'— Do you agree? 7+3

Or,

Rahim furnishes the following information:

Tax on Total Income	₹ 56,000
Due date of furnishing return	31.07.2020
Actual date of furnishing return	15.03.2021
Advance tax paid	Nil
Tax paid on 30.09.19	₹ 20,000

Compute Interest liability u/s 234A, 234B, 234C.

3+3+4

9. (a) Write a short note on TDS on lottery income.
 (b) How TDS will be deducted if the recipient fails to furnish PAN?
 (c) When right to claim refund arises? Mention an example. 5+2+(2+1)
10. (a) (i) Under what circumstances, can an Assessing Officer direct an assessee to get his accounts audited?
 (ii) By whom such an audit will be conducted?
 (iii) What will be the consequence of the failure of the assessee to comply with the Assessing Officer's direction?
 (b) Discuss the power of The Commissioner of Income Tax(Appeal).
 (c) An Assessee, who is aggrieved by the order passes u/s 263 by the Commissioner of Income Tax (CIT), is desirous to know the available remedial measures against the order under the Income Tax Act. Advise the assessee. (3+1+1)+3+2
11. A business entity required ₹ 20,00,000 for modernisation of its business. The entity has three options:

	O ₁	O ₂	O ₃
	₹	₹	₹
Equity shares of ₹ 10 each	20,00,000	10,00,000	10,00,000
9% Preference shares of ₹ 100 each	—	10,00,000	5,00,000
12% Debentures of ₹ 100 each	—	—	5,00,000

Expected rate of return is 15% (before tax), rate of tax is 31.2% (including cess), rate of Dividend Distribution tax is 20.55529%. Which one entity should choose? 10

Or,

- (a) Tala Ltd. wishes to start a business of manufacturing of electronics goods. The company plans to invest ₹ 20,00,000 for purchasing new plant and machinery for the purpose of business. The company has two alternative options:
 Option 1 : To start the business in the state of Maharashtra.
 Option 2 : To start the business in the notified backward area of West Bengal.
 You are asked to advise the company from the tax planning point of view.
- (b) All Ltd. having two wings book publishing and hotel business, has decided to transfer its book publishing business to a new company Ananda Ltd. by way of demerger with effect from 1.4.2019 after satisfying necessary conditions for demerger.
 (i) State the tax consequences in the hands of the All Ltd. and Ananda Ltd.
 (ii) State the tax consequences in the hands of shareholders of All Ltd. 4+(4+2)

Group-C

12. On 01.07.19, a business entity wishes to purchase a machine costing ₹ 5,70,000 with an installation charge of ₹ 30,000 having 5 years of useful life. The entity has two options:

- (a) To purchase it by paying in two equal annual instalment starting on 01.07.19.
- (b) To obtain the machine by paying lease rent of ₹ 1,50,000 p.a. at the beginning of the year.

Rate of — (i) Depreciation – 15%, (ii) Additional depreciation – 20%,

(iii) Tax – 31.2% (including cess), (iv) Discount – 12%.

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

You are requested to advise the entity.

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Or,

Discuss tax implications need to be considered from tax planning point of view in the following cases: 8+7

- (a) Make or buy
- (b) Repair or replacement of assets.
