Total number of printed pages–8

14 (COM-4) 4036 TXPL

2018

TAX PLANNING

Paper : 4·18/COM-4036

(New and Old Course)

Full Marks : 80

Time : Three hours

The figures in the margin indicate full marks for the questions.

*Answer **all** questions.*

1. Answer as directed : 1×7=7

   (a) Any salary or pension received from a foreign government is taxable under which of the following income heads ?

   (i) Salary and profit in lieu of salary

   (ii) Income from other sources u/s 56(1)

   (iii) Income from other sources u/s 56(2)

   (iv) Either of *(i)*, *(ii)* and *(iii)* above.

   (Choose the correct option)

Contd.

(b) The basis of charge as regards the income from house property is the 'Annual Value' of the property. This is as per which of the following sections of the Income Tax Act ?

(i) section 22

(ii) section 23(1)

(iii) section 23(2)

(iv) section 24(1).

(Choose the correct option)

(c) In what ways section 145 of the Income Tax Act is applicable regarding ascertainment of Profit and Gains of Business or Profession ?

(i) Profits be computed in a consistent manner from year to year

(ii) Profits be computed for each business separately, if the assessee carries on more than one business

(iii) Profit be computed according to method of accounting regularly followed by the assessee

(iv) All of the above.

(Choose the correct option)

(d) The deductions allowable from Gross Total Income (GTI) u/s 80C are allowed to —

(i) Individual assessees

(ii) Hindu Undivided Family (HUF)

(iii) Any Association of Persons

(iv) Both (i) and (ii) above.

(Choose the correct option)

(e) Kunal, a director of a company named MK Limited received Rs. 5,00,000 as salary and director's fees from the company during the previous year 2016-17. Under which of the following heads, it would be taxable ?

(i) Salary

(ii) Income from profession

(iii) Income from other sources

(iv) Either of (i) and (iii) above.

(Choose the correct option)

(f) Who is an 'assessee in default' so far as it concerns the payment of advance tax under Income Tax Act, 1961 ?

(g) Section 54B of the Income Tax Act, 1961 provides for exemption of capital gains arising from the transfer of which of the following assets?

(i) Residential house property

(ii) Urban agricultural plot of land

(iii) Jewellery

(iv) Industrial machineries on account of shifting industries from urban to rural areas.

(Choose the correct option)

2. Answer the following questions briefly (in about **150** words each) : ***(any five)***

5×5=25

(a) State the conditions that are considered as 'basis of charge' of salary income for tax purposes.

(b) Show the treatment of the following items in the process of computing Profits and Gains from Business by an individual assessee : Advance income tax paid, Reserve for doubtful debts, legal expenses, professional tax, recovery of loss or expenditure.

(c) Mention the deductions allowable from the Net Annual Value of a residential house property (not self occupied) under the Income Tax Act, 1961.

(d) Mention *ten* items of 'General Income' chargeable to tax under the head 'Income from other sources' u/s 56(1) of the Income Tax Act, 1961.

(e) What is meant by 'Gross Total Income (GTI)' of an individual assessee? State the procedure of computing GTI under the Income Tax Act, 1961.

(f) Discuss the provisions of the Income Tax Act, 1961 regarding 'allowability of deduction of depreciation' while computing 'Profits and Gains from Business' of a sole-trader (one man company).

(g) Discuss the scope of tax planning regarding 'make or buy' decision by a corporate assessee.

(h) Write a note on tax planning regarding 'transfer of assets' by a holding company to one of its subsidiary.

3. Define and distinguish tax planning and tax avoidance with suitable examples. Discuss the scope of tax planning by an individual assessee through the provisions of section 80C of the Income Tax Act, 1961. 4+8=12

Or

Discuss the scope of tax planning for industrial undertakings established in a free trade zone or export processing zone under section 10A and 10B of the Income Tax Act, 1961. 6+6=12

4. What are the tax planning provisions regarding 'transfer of income' and 'clubbing of income' of an individual assessee under the Income Tax Act, 1961? 12

Or

State the items of income that are exempted from tax under section 10 of the Income Tax Act. 12

5. *(a)* Mention the procedure of computing 'long term capital gains' (with indexation) as per the provision of Income Tax Act, 1961. 4

(b) Mr. Vivek Agarwal bought 5000 equity shares of Silver Sports India Ltd. of Rs. 30 per share fully paid @ Rs. 50 per share on 1/4/1980. He received 2500 bonus shares on 1/4/1992 by virtue of his possessing of 5000 shares. Fair market value of the shares of Silver Sports India Ltd. on 1/4/1981 was Rs. 100 per share.

He was offered and allotted 2000 right shares of Rs. 150 each on 1/4/2005 and 1000 right shares of Rs. 180 each on 1/4/2010.

On 31st March, 2017, he sold all these shares @ Rs. 500 per share.

Compute the capital gain on transfer of shares that were traded in Guwahati Stock Exchange through a registered broker (brokerage 3 per cent) for the relevant assessment year (2017-18).

(CII→1981-82→100, 1992-93→223, 2005-06→497, 2010-11→711, 2016-17→1125) 8

6. Anurag Saikia, an employee of Radisson Blu Hotel, Guwahati, has furnished the following particulars of his income for the previous year ending 31st March, 2017. Compute the assessee's total taxable income for the Assessment year 2017-18 after allowing deductions u/s 80C.

(a) Basic salary @ Rs. 30,000 p.m.

(b) Dearness allowance 50% of the basic salary, p.m. (does not form a part of salary for retirement benefit).

(c) City compensatory allowance @ Rs. 500 p.m.

(d) House rent allowance received Rs. 3,000 p.m., actual rent paid Rs. 5,000 p.m.

(e) Fixed medical allowance Rs. 3,000 p.m.

(f) Rent-free furnished accommodation was provided to the assessee in the previous year for which the employer company paid a rent of Rs. 5,000 p.m.

(g) Employer's contribution to Recognised Provident Fund of the employee @ 15% of basic salary.

(h) Short term capital gains (computed) during the previous year Rs. 20,000.

(i) Interest on securities received during the previous year was Rs. 30,000.

(j) Professional tax deducted Rs. 300 p.m.

(k) Payment of Life Insurance premium on a policy on his own life Rs. 30,000 and a deposit in post office PPF Rs. 40,000.

12
