

2020

TAX PROCEDURES AND PLANNING — HONOURS

Paper : DSE 6.2T

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 two* questions.

15×2

1. (a) “Tax Planning is nothing but tax avoidance” — Do you agree?
(b) State whether the following acts can be considered as— (1) Tax Planning; (2) Tax Evasion.
(i) Arup deposited ₹ 50,000 in PPF and claim deduction u/s 80C.
(ii) Bilas paid L. I. P. of ₹ 20,000 on the life of his father and claim deduction u/s 80C.
(iii) Chandrika donated ₹ 30,000 to National Defence Fund to enjoy higher rate of deduction to reduce her taxable income. 5+10
2. (a) Dolan and Enakshi are working in a IT company. Dolan also has income from bank deposit and Enakshi has income from interest on bank fixed deposit. Enakshi also has b/f loss of ₹ 50,000 from house property self occupied by her.
State the return form in which Dolan and Enakshi can submit their return of income for the assessment year 2019-20.
(b) Write a note on ‘self assessment tax’. 10+5
3. Gourgopal is drawing basic salary of ₹ 30,000 p.m., dearness allowance (net forming part of salary) ₹ 10,000 p.m., medical allowance ₹ 3,000 p.m. and bonus ₹ 12,000 p.a. He has given the following options by his employer :
(i) To accept house rent allowance of ₹ 5,000 p.m.
(ii) To accept rent free unfurnished house in Asansol (Population 12 lakhs).
If he accepts house rent allowance, he will have to pay rent @ ₹ 6,000 p.m. for his house in Asansol.
Which one Gourgopal will accept? (All workings need to be shown). 15

Please Turn Over

4. Harihar (50 years) is a citizen and resident of India furnishes the following information for the previous year 2018-19 :

| | ₹ |
|-------------------------------|-----------|
| Income from business in India | 15,00,000 |
| Income from business in Gabon | 5,00,000 |
| Deduction u/s 80C | 1,20,000 |
| Deduction u/s 80G | 30,000 |
| Tax paid in Gabon | 80,000 |

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

Compute relief u/s 91 and tax payable by Harihar as in India. 12+3

5. Discuss the applicability of TDS provisions as per the Income Tax Act in the following independent cases:

- (a) CESC Ltd. is paying arrear salary ₹ 3,50,000 to its manager for the last year.
- (b) A reputed TV Channel pays prize money to the winner of the TV game show “Kaun Banega Lakhpati” ₹ 1,00,000.
- (c) Axis Bank pays ₹ 50,000 per month as rent to the Central Government as rent of their branch situated in a Government building.
- (d) A film production company pays ₹ 75,000 to a cameraman for cinematography of a documentary movie.
- (e) SBI pays interest on Fixed Deposit of ₹ 60,000 as interest. 15

6. (a) Who and under what circumstances application for advance ruling can be made?
(b) Advance ruling is binding upon certain parties. Mention the name of such parties. 10+5

7. (a) Mention any two income tax authorities under Income Tax Act.
(b) What are the powers of Income Tax Commissioner (Appeals)?
(c) What is the time limit to file an appeal to the Income Tax Commissioner (Appeals)? 3+8+4

8. On 07.08.16 Nabin purchased a house for ₹ 8,00,000. During the year 2018-19 he wants to sell the house. He has two options :

- (i) Sell the house on 05.05.18 for ₹ 18,00,000.
- (ii) Sell the house on 15.12.18 for ₹ 18,50,000.

Total taxable income of Nabin (without considering capital gain on sale of house) is ₹ 12,50,000.

[CII for 16–17 : 264; 18–19 : 280]

Advise Nabin (Tax implications for both the cases need to be shown).

15

Group - BAnswer *any two* questions.

25×2

9. (a) Write a short note on belated return.
- (b) Write a short note on Best Judgement assessment. 12+13
10. (a) Jaya (age 38 years) furnished the following information for the previous year 2018-19 :
Income from profession ₹ 10,00,000; Income from other sources ₹ 2,00,000; Deduction u/s 80C ₹ 1,50,000; Tax deducted at source ₹ 12,600.
Compute advance tax payable (along with date of payments) by Jaya for the assessment year 2019-20.
- (b) Kaushik furnishes the following information for the assessment year 2019-20 :
(i) Gross total income ₹ 8,50,000; (ii) Deduction u/s 80C ₹ 1,00,000; (iii) Due date of submission of return– 31.07.19; (iv) Actual date of submission of return 07.12.19; (v) Tax deducted at source ₹ 15,000.
Compute interest payable u/s 234A by Kaushik. Is he liable to pay any fees under Income Tax Act?
13+12
11. A business entity wants to purchase a machine costing ₹ 6,00,000 having 5 years of life. The company has two options :
- (i) To pay entire cost immediately.
- (ii) To pay ₹ 2,00,000 immediately and balance can be obtained as loan from SBI at a simple interest of 10% p.a. Principal is repayable at the end of 5th year. Rate of depreciation 15%; Additional depreciation is not applicable, rate of tax– 31.2% (including cess), rate of 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 required to advice the entity. 8+14+3
12. (a) Mr. Arijit Mukherjee is the owner of manufacturing units in Kolkata, plans to enhance its production capacity under any of the following three different alternatives :
- Alternative 1 : By installing new plant and machinery in Kolkata
Alternative 2 : By installing old plant and machinery in Kolkata
Alternative 3 : By taking plant and machinery under rent agreement in Kolkata
You are asked to advice from tax planning point of view.
- (b) Texa 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 the business. The company has two alternative options :
- Option 1 : To start a business in the state of Maharashtra.
Option 2 : To start a business in the notified backward area of West Bengal.
You are asked to advice the company from the tax planning point of view. 12+13
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