

(8)

9. Write notes on any **two** of the following :

5×2=10

- (a) Set-off and carry forward of losses.
- (b) Deduction under Section 80C.
- (c) Deduction under Section 80IE.

A

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Roll. No. _____

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B.Com. (Hons.) (Semester-VI)

Examination, 2015

COMMERCE

Tax Planning & Management

(BCH-603)

Time Allowed : Three Hours] [Maximum Marks : 70

Note : Answer **five** questions in all. Question **No.1** is **compulsory**. Attempt **one** question from each unit, which are of 10 marks each.

1. Answer the following questions in brief :

3×10=30

- (a) What is 'Tax Management'? Explain.
- (b) Distinguish between 'Tax Planning' and 'Tax Evasion'.
- (c) What is 'dividend tax'?

(2)

- (d) What deductions are allowed under the head 'Income from Salaries'?
- (e) What are the salient features of assessment of a partnership firm?
- (f) What tax incentives are associated with debt capital?
- (g) Make a distinction between long-term and short-term capital gains.
- (h) From the point of view of tax considerations which one of the following would you prefer and why? Payment of dividend or issue of bonus shares.
- (i) Discuss the factors you will consider in making a decision regarding 'Make or Buy'.
- (j) Explain tax planning provisions relating to hospital.

Unit-I

2. "The basic object of tax planning is take maximum advantages of various incentives, concessions and deductions while complying with provisions of tax Laws". Explain this statement and highlight the limitations of tax planning.

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(7)

Unit-IV

8. Mr. Mohit submits the following particulars about sale of assets during the year 2013-14 :

	Jewellery	Plot	Gold	Shares
	₹	₹	₹	₹
Sale Price	10,40,000	28,24,000	5,00,000	6,00,000
Expenses on sale	20,000	1,24,000	-	12,000
Cost of Acquisition	70,000	2,80,000	1,00,000	70,000
Year of Aquisition	1987-88	1984-85	1999-2000	1984-85

He has purchased a residential house for ₹ 14 lakh on 15.3.2014. He was not owning any other house. Calculate the amount of taxable capital gain if cost inflation index for 1984-85, 1987-88, 1999-2000 and 2013-14 are 125, 150, 389 and 939 respectively. Is there further any scope of tax planning.

10

(4)

ary of ₹ 3,00,000 per annum. You are required to advise him on this conversion from tax planning point of view.

5. (a) Discuss the main points of tax planning in respect of employee's remuneration from the employee's point of view.

5×2=10

- (b) Mr. Ramesh is offered an employment by Tata Ltd. at a basic salary of ₹ 24,000 per month. Other allowances according to rules of the company are : Dearness Allowance under terms of employment : 18% of basic salary, Bonus : Two month's basic salary, Project Allowance : 6% of basic pay.

The company gives Mr. Ramesh an option either to take rent free unfurnished accommodation at Bhopal for which the company would directly bear the rent of ₹ 17,000 per month or to accept a House Rent Allowance of ₹ 17,000 per month and find out own accommodation. If Mr. Ramesh opts for HRA, he will have to pay ₹ 17,000 per month as rent. Which one of the two options should be opted by Mr. Ramesh in order to minimise his tax bill.

(5)

Unit-III

6. (a) Define 'Amalgamation' as per Income-Tax Act, 1961. 5×2=10

- (b) A company has share capital of ₹ 50,00,000 and it planning to invest an additional fund of ₹ 40 lakh towards its expansion programme. Suggest the best option from the following from tax planning point of view :

- (a) To issue share capital of ₹ 40 lakh.
(b) To borrow ₹ 10 lakh @ 18% interest per annum and to issue debentures of ₹10 lakh @ 11% interest per annum and balance amount be collected by issuing shares in public.
(c) To issue debentures for ₹ 25 lakh @ 11% interest per annum and balance be collected by issuing shares in public.

Rate of return before interest and tax is 30%. Rate of tax is 30%+ surcharge @ 10% and education Less @ 3%.

(6)

7. The management of ABC Ltd. wants to acquire a new machine. The Cash price of the machine is ₹ 2,00,000. The company has enough cash reserves to finance to purchase. However, it seeks your advice, whether from the point of view of tax planning, it should buy the machine or get it on lease. On the basis of the following particulars, explain the suitability of each alternatives. 10

- (i) Rate of Income-Tax 30.9%.
- (ii) Rate of depreciation 25% per annum.
- (iii) Expected life of the machine : 9 years
- (iv) Lease rent : ₹ 62,000 per annum for the first five years and 600 per year afterwards.
- (v) Present value of ₹ 1 discounted at 14% :
year 1-0.877, year 2-0.769; year 3-0.675, year 4-0.592, year 5-0.519; year 6-0.456, year 7-0.400; year 8-0.351 and year Nine-0.308.

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(3)

3. What do you mean by 'Tax-Audit'? In which circumstances are they compulsory. Explain selective tax audit. 10

Unit-II

4. Sri R.K. Sharma owns a business and earns taxable income of ₹ 15,00,000. He desires to convert his business into a private company and carry on the same business. His wife will be the other member in the company for 25% share. In proposed he wants to become the Managing Director with the following remuneration and perquisites : 10
- (a) Salary ₹ 25,000 per month.
 - (b) Dearness pay ₹ 25,000 per month.
 - (c) House Rent Allowance ₹ 6,000 per month. He will pay ₹ 7,500 per month as a rent.
 - (d) Free use of car for official and private purposes both. Total expenses for car are estimated to be ₹ 90,000.
 - (e) Reimbursement of medical bills ₹ 30,000 per annum.
 - (f) Reimbursement of telephone bills ₹20,000 per annum. His wife will join the company as an employee and receive a sal-

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P.T.O.