

Name:

Enrolment No:



UNIVERSITY OF PETROLEUM AND ENERGY STUDIES
End Semester Examination, December 2018

Course: Tax Practice and Filing of Returns (Hons 7)

Course Code: LLBL487

Semester: IX

Programme: B.COM .,LLB(Hons) Taxation Laws

Time: 03 hrs.

Max. Marks: 100

Instructions:

SECTION A

S. No.		Marks	CO
Q 1	What is a revised return in context of the Income Tax Act, 1961? Give reference to the time limit and number of times a return can be revised.	2	CO1
Q 2	What do you mean by a "Loss Return"? Explain the consequences of delay in filing a loss return.	2	CO1
Q 3	Differentiate between Tax Avoidance and Tax Evasion.	2	CO2
Q 4	Give any four points on tax planning in relation to Income from house property.	2	CO4
Q 5	Explain any four tax incentives to resulting company in case of Demerger.	2	CO4

SECTION B

Q 1	Explain Tax Management in context of the Income Tax Act, 1961.	10	CO4
Q 2	Give a brief on comparative study of partnership firm and company in relation to tax liability.	10	CO3

SECTION-C

Q 1	<p>City Consultants Pvt. Ltd. has accumulated profits of Rs. 6 lakhs. In the following independent cases determine the tax liability of the company and its' shareholders while explaining the relevant provisions of the Income Tax Act briefly, for the AY 2018-19.:</p> <p>i) Dividend declared by the company in its Annual General Meeting.</p> <p>ii) An advance (not in the nature of trade advance) of Rs. 3 lakhs is given to its Director Mr. Abhay. He has 15% equity shares in the company.</p>	10	CO5
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	<ul style="list-style-type: none"> iii) The advance received in point (ii) is refunded by Mr. Abhay before the closing of the financial year. iv) The normal dividend declared by the company is adjusted against the advance given to Mr. Abhay. v) The advance given in point (ii) is in the nature of trade advance. vi) The company reduces Rs. 5 lakhs share capital. vii) The company reduces Rs. 4 lakhs share capital. viii) Mr. Abhay received Rs. 11 lakhs as dividend during the financial year. ix) The company issues bonus shares to its shareholders. x) The company issues bonus debentures to the shareholders. 		
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Q 2	<p>Explain the cases in which it is mandatory to file Income Tax Return for the following assesseees:</p> <ul style="list-style-type: none"> i) Company ii) Firm iii) Individual iv) Charitable Trust v) Political Parties 	10	CO5
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SECTION-D

Q 1	<p>Beetle Industries Ltd. is a widely-held company. It proposes to increase its production for which it will require Rs. 80,00,000. The company proposes the following three alternatives for the structure of the additional capital.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th>First Alternative</th> <th>Second Alternative</th> <th>Third Alternative</th> </tr> </thead> <tbody> <tr> <td>Share Capital</td> <td>80,00,000</td> <td>35,00,000</td> <td>15,00,000</td> </tr> <tr> <td>10% Debentures</td> <td>-</td> <td>35,00,000</td> <td>25,00,000</td> </tr> <tr> <td>Loan from financial institution (Int. 12%)</td> <td>-</td> <td>10,00,000</td> <td>40,00,000</td> </tr> </tbody> </table> <p>Expected return on capital employed in business is 25% (before tax). Generally companies engaged in similar business are paying 20% dividend on its share capital. Assume tax rate is 30%.</p> <p>You have to advise the company as to which alternative it should choose for the capital structure so as to give maximum return to the shareholders.</p>		First Alternative	Second Alternative	Third Alternative	Share Capital	80,00,000	35,00,000	15,00,000	10% Debentures	-	35,00,000	25,00,000	Loan from financial institution (Int. 12%)	-	10,00,000	40,00,000	16	CO5
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Q 2	<p>X, Y and Z have decided to set-up a business. For this purpose X, Y and Z are having Rs. 6,00,000, Rs. 3,00,000 and Rs. 3,00,000 respectively. They wish:</p> <p>(i) to charge interest on their capital/loan @ 12% p.a. Salary X Rs. 30,000 p.m., Y Rs. 15,000 p. m., Z Rs. 15,000 p.m. and share Profits in the ratio 2 : 1 : 1, or</p> <p>(ii) Y and Z to receive half of the income of the firm as salary, being distributed amongst them equally, while nominating X as the sole owner of the business.</p> <p>They expect an income of Rs. 10,00,000 (before charging interest on capital/loan) during the relevant year.</p> <p>As an income tax expert you are approached by X, Y and Z for considered opinion as to whether they should have a firm or a sole proprietary concern of X, while Y and Z becoming employees and money-lenders to the concern so that they can reduce their tax liability? What is your advice and what arguments would you give in support of your advice?</p>	17	CO5
Q 3	<p>A resident Individual aged 45 years has derived the following income/investments for the previous year relevant to the Assessment Year 2018-19:</p> <p>(i) Income from business in India: Rs. 7,00,000</p> <p>(ii) Income from business in foreign country: Rs. 2,25,000</p> <p>(iii) Tax paid in foreign country: Rs. 35,000</p> <p>(iv) Interest on Fixed Deposit in India: Rs. 80,000</p> <p>(v) Interest on Savings Bank Account: Rs. 20,000</p> <p>(vi) Income from Long Term Capital Gain: Rs. 5,00,000</p> <p>(vii) During the year he deposited Rs. 1,00,000 in Public Provident Fund and Rs. 35,000 in Health Insurance.</p> <p>India does not have any double taxation avoidance agreement with that country.</p> <p>Prepare computation of Income, claiming all reliefs and deductions available and find out his total tax liability.</p>	17	CO5

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SECTION A

S. No.	Question	Marks	CO
Q 1	What is a belated return in context of the Income Tax Act, 1961? Also mention the time limit and the applicable late fees.	2	CO1
Q 2	What is a “Defective Return”? Give three instances where a return is treated as defective.	2	CO2
Q 3	What is Tax Evasion?	2	CO4
Q 4	What is the monetary limit of deduction under section 80D of the Income Tax Act, 1961 in different scenarios?	2	CO5
Q 5	Explain any four tax incentives to amalgamating company in case of Amalgamation.	2	CO4

SECTION B

Q 6	“Tax planning is not possible without tax management.” Discuss.	10	CO4
Q 7	Explain Tax Planning for Hospitals.	10	CO4

SECTION-C

Q 8	<p>In the following cases please enumerate the ITR form to be filed along with reason:</p> <ul style="list-style-type: none"> i) An Individual having Income from Salary only. ii) An individual having income from salary and capital gains. iii) An individual having income from business under section 44AD and Income from Other Sources. iv) An individual having Tax Audit. 	10	CO3
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	<p>v) A company.</p> <p>vi) A partnership firm.</p> <p>vii) A Charitable Trust.</p> <p>viii) An individual having income from business under section 44AD and Income from Capital Gains.</p> <p>ix) A Company incorporated under Section 8 of the Companies Act, 2013.</p> <p>x) A political party.</p>		
Q 9	<p>Answer the following with reference to the Income Tax Act, 1961:</p> <p>a) X Ltd. (a closely held company engaged in trading) having accumulated profits of Rs. 10,00,000 advanced a loan of Rs. 3,00,000 to a partnership firm on July 26, 2017. Mr. A possesses 14% equity shares in X Ltd. and has 25% shares in the profits of the firm. Explain the tax consequences for Mr. A and X Ltd.</p> <p>b) Mr. Ram took a loan of Rs. 1,00,000 on 10.9.2017 from a company in which the public are not substantially interested. The company also paid insurance premium Rs. 5,000 on his behalf. He holds 25% equity shares of the company. On the date of loan and paying the premium the accumulated profits of the company were Rs. 80,000. Subsequently in the same year the company declared dividends to its shareholders. The dividend on the shareholding of Mr. Ram amounting to Rs. 15,000 was set-off against the amount of loan etc. Explain tax consequences for Mr. Ram and the company.</p>	10	CO3
SECTION-D			
Q 10	<p>SAC Limited wants to raise capital of Rs.40,00,000 for a Project where earning before tax shall be 40% of the capital employed. The company can raise debt fund @ 18% p.a. Suggest which of the following 3 alternatives should it opt for:</p> <p>a) Rs. 40,00,000 to be raised by Equity Capital.</p> <p>b) Rs. 32,00,000 by Equity and Rs. 8,00,000 by Loans.</p> <p>c) Rs. 8,00,000 by Equity Capital and Rs 32,00,000 by Loans.</p> <p>Assume the company shall distribute the entire amount of profit as dividend and tax rate is 33.99% and dividend tax is 17.304%.</p>	16	CO3

Q 11	<p>A and B want to start a business, the estimated profits of which for the year are Rs. 9,00,000. They have two options for selecting a form of organisation:</p> <p>(a) Partnership firm:</p> <ul style="list-style-type: none"> (i) 12% interest to be calculated on Capital of Rs. 6,50,000 each. (ii) Salary of Rs. 1,80,000 p.a. each. (iii) Equal distribution of remaining profits. <p>(b) Company:</p> <ul style="list-style-type: none"> (i) Rs. 5,00,000 each as share capital and Rs. 3,00,000 each as loan @ 15%. (ii) Salary Rs. 1,80,000 p.a. each. (iii) Distribution of remaining profits as dividends equally. <p>Assume that the company is liable to pay income tax @ 25% + Health & Education cess (3%).</p> <p>Which option is better from tax point of view?</p>	17	CO3
Q 12	<p>Mr. Aravind Adiga runs a self owned book store and approaches you as a Tax Consultant to file his Income Tax Return for the FY 2017-18. He does not maintain books of accounts and wants to offer his income at the minimum permissible rate under section 44AD. He gives you the following information:</p> <ul style="list-style-type: none"> i) Total sales during the year: Rs. 80,00,000/- ii) Amount realised through banking mode: Rs. 30,00,000/- iii) Amount realised in cash: Rs. 40,00,000/- iv) Remaining amount is not realised till the current date. v) During the year he sold a Land on which Long term capital gain of Rs. 5,00,000 is computed. vi) He also has the following Interest Incomes: Interest from Fixed Deposit: 50,000 Interest from Savings Bank a/c: Rs. 15,000 vii) During the year he deposited Rs. 1 Lakh in Public Provident Fund. <p>Prepare a Computation of Income and calculate the tax payable by him.</p>	17	CO3