

**2020**

**TWO YEAR M. COM. SEMESTER 1 EXAMINATION**

**(New Syllabus under CBCS)**

**Instructions for Examinees**

*The students are required to strictly adhere to the following instructions:*

1. Use A4 size paper for giving the examination.
2. Write the following on the top of the first page of answer sheet:
  - i) Roll Number: (as per the Admit Card)
  - ii) Registration Number: (as per the Admit Card)
  - iii) Paper Code and Name of the Paper
  - iv) Date of the examination
  - v) Duration of examination (12 noon to 2pm)
3. Put page number on the top right of each page (including the first page).
4. Only one side of the paper should be used for examination.
5. Put your signature with date, at the bottom right of every page used.
6. Before sending your answer scripts, arrange the pages sequentially. Scan them in the order of page number and convert them into a single pdf. file.
7. Pdf. file name should be your **Full Roll Number <underscore> paper code**. While submitting the answer scripts, the subject of the mail will be exactly the same with the file name. [e.g., if the roll no of a student is C95/MCM/123456, for fourth paper (Paper Code CC104) the file name will be: C95/MCM/123456\_CC104
8. Submit your answer scripts in pdf. format within the stipulated time through designated email id given to you.
9. Preserve your answer scripts in soft as well as hard-copy form of all the papers of your examination.

**2020**

**COMMERCE**

**Paper CC: 104: Direct Tax (DTAX)**

**(Full Marks -40)**

*The figures in the margin indicate full marks*

*Candidates are required to give their answers in their own words as far as practicable*

**Time: 2 Hours**

**Duration of Examination: 12noon to 2pm**

**Module –I**

Answer *any two* questions.

1. (a) ALtd. commenced business on 2016-17 appointed total number of additional employees during the previous year 2019-2020 is 50. Given below are additional information:

Number of Employees	Salary per month	Number of days employed	Participation in RPF	Mode of payment
30	Rs.20,000	Out of 30,10(employed on 1.4.2019) rest employed on 1.11.2019.	5 employees out of employees employed on 1.4.2019 do not participate in RPF	Through Electronic Mode
20	Rs.23,000	Out of 20,5 (employed on 1.11.2019) rest employed on 1.6.2019.	4 employees out of employees employed on 1.6.2019. do not participate in RPF	4 out of employees employed on 1.6.2019. were paid in cash and rest through electronic mode.

- i) Compute the total deduction under section 80JJAA.  
ii) Would your answer change if A Ltd. is in the first year of new business?

(b) Z Ltd. has one unit at Special Economic Zone (SEZ) and other unit at Domestic Tariff Area (DTA). The company provides the following details for the previous year 2019-20.

PARTICULARS	Z LTD.[SEZ + DTA] (amount in lakhs)	UNIT IN DTA (amount in lakhs)
TOTAL SALES	1000	200
EXPORT SALES	920	300
PROFIT OF THE BUSINESS	180	60

Calculate the eligible deduction under section 10AA of the Income-tax Act, 1961, for the Assessment Year 2020-21, in the following situations:

- (i) If both the units were set up and start manufacturing from 22-05-2013
- (ii) If both the units were set up and start manufacturing from 14-05-2017.

[7 ½ + 5]

2. (a) Mr. Kalyan Kumar purchased a Jewellery set on 05.06.1996 for Rs.75,000, the fair market value of which as on 01.04.2001 was Rs.3,20,000. In 2016, he started his own Jewellery business and brought the said Jewellery set as stock-in-trade of the business on 02.05.2016. He recorded the value of the said Jewellery set at Rs.8,50,000 in the books of accounts, whereas the fair market value of the same as on 02.05.2016 was Rs.11,60,000.

His daughter visited the Jewellery show room on 15.02.2020. She liked the above mentioned set of Jewellery very much. Mr. Kumar gifted the same to his daughter.

You are required to discuss the tax consequences for the above.

[CII for FY 2001-02: 100; 2016-17: 264; 2019-20: 289]

(b) Alpha Ltd. acquired a plot of land on 05.02.2000 for Rs.1,00,000 (the fair market value as on 01.04.2001 was Rs.2,80,000). Alpha Ltd. sold the land to its 100% Indian subsidiary company Beta Ltd. on 15.07.2013 for Rs.20,50,000. On 12.06.2015, Beta Ltd. sold the said plot of land to Aqua

Developer (P) Ltd. for Rs.26,40,000. Beta Ltd. incurred Rs.30,000 as expenses incidental to transfer of such land. Alpha Ltd. sold 20% shares of Beta Ltd. on 07.01.2020.

You are required to show the tax consequences in the hands of both Alpha Ltd. and Beta Ltd.

[CII for FY 2001-02: 100; 2013-14: 220; 2019-20: 289]

[5 + 7<sup>1/2</sup>]

3. (a) On 30.06.2019, Vishal Ltd., an Indian company, acquired the business of Small Ltd. under a scheme of amalgamation. Block of Plant and Machinery (WDV on 1.4.2019: Rs. 9,75,000) was transferred under the scheme by Small Ltd. Rate of depreciation applicable is 15%. The Assessing Officer is of the opinion that since Small Ltd. is not owner of the Block concerned on 31.03.2020, depreciation can be claimed only by Vishal Ltd. Justify the opinion of the Assessing Officer. Also state the amount of addition to the block of Plant and machinery of Vishal Ltd. on account of plant and machinery acquired from Small Ltd.

(b) During the Previous Year 2019-20 Ananta Ltd acquired the business of Terminal Ltd. under a scheme of amalgamation. Both Ananta Ltd and Terminal Ltd. are Indian companies. The following expenses were incurred in connection with this amalgamation:

I) Liquidation expenses Rs. 8,00,000

II) Legal expenses Rs. 4,00,000.

Calculate the deduction available u/s 35DD, when expenditures are incurred by:

i) Terminal Ltd.

ii) Ananta Ltd.

(c) A Ltd., an Indian Company, purchased machine on 1.6.2013 for Rs. 4,50,000 and used for the purpose of promoting family planning among its employees. The machine was sold on 1.9.2019 for Rs. 5,75,000. Deduction was allowed for the machine during the relevant assessment years. State the tax implication of the transfer. CII: 2013-14 – 220, 2019-20 – 289.

[4 + 3<sup>1/2</sup> + 5]

4. In each of the following cases determine the amount of deemed dividend from the view point of the company distributing the same.

(a) P Ltd. distributed investments of the market value of Rs. 4,00,000 among its shareholders. As per books of accounts of P Ltd. cost of the investments was Rs. 2, 50,000. Accumulated profit of the company on the date of distribution was Rs. 2,00,000. Share Capital of P Ltd. was Rs. 5,00,000 (including capitalised reserve of Rs. 1,00,000).

(b) Progress Ltd. issued bonus shares of Rs. 100 each in the ratio of 1 for 4 held to its holders of 6,000, Equity Shares of Rs. 100 each. Accumulated profit on the date of issue Rs. 3,00,000 (excluding capitalised reserve of Rs. 1,00,000).

(c) Misfortune Ltd., in liquidation, distributed Rs. 15,00,000 among shareholders. Share Capital of the company was Rs. 20,00,000. Accumulated Profit on the date of liquidation Rs.5,00,000 whereas accumulated profit on the date of distribution was Rs. 2,00,000.

(d) On 1.7.2019 Fairweather Ltd., a closely-held company provided loan of Rs. 7, 00,000 to Worthless Ltd., beneficially holding 10% equity shares in Fairweather Ltd. Balances in Profit & Loss A/c and in General Reserve on that date were Rs.4,00,000 and Rs. 5,00,000 respectively. Worthless Ltd. repaid the entire loan on 1.10.2019. Fairweather Ltd is in the business of money lending. Loan was given to Worthless Ltd. at favourable terms and conditions unlike that to outside borrowers. Give note in support of your answer.

[3 + 2 + 3 + 4<sup>1/2</sup>]

## Module: II

### Answer any one question.

5 (a) Tulip Rose LLP furnished the following information for the P.Y. 2019-20:

	<u>Rs.</u>
i) Income from specified business (without considering deduction U/S 35AD but after considering depreciation of Rs 4,00,000 in respect of assets eligible for deduction U/S 35AD)	80,00,000
ii) Deduction U/S 35AD	10,00,000
iii) Long term capital gain on sale of listed equity shares (computed U/S 112A)	3,00,000
iv) Income from other sources (including dividend from a domestic company Rs 50,000)	2,50,000
v) Deduction U/S 80JJAA	3,00,000

Rate of tax for LLP – 30%, rate of AMT-18.5%, Surcharge and Cess as applicable.

Compute tax payable by Tulip Rose LLP for the assessment year 2020-21.

b) Sunflower Ltd, a domestic company furnished the following information for the P.Y. 2019-20 :

	<u>Rs</u>
i) Income from business (without considering the following dividends)	50,00,000
ii) Dividend received from M Ltd (domestic company, paid DDT)	6,00,000
iii) Expenses incurred to earn the above dividend	50,000
iv) Dividend received from N Ltd (incorporated in USA and Sunflower Ltd held 18% of share capital)	2,70,000
v) Expenses incurred to earn the above dividend	20,000
vi) Dividend received from P Ltd (incorporated in Denmark and Sunflower Ltd held 30% of share capital)	7,50,000

Rate of corporate tax 30%, Surcharge and Cess as applicable.

Compute tax payable by Sunflower Ltd. for the assessment year 2020-21.

- c) Miss Lily (Age 33 years), a resident individual furnished the following information for the P.Y. 2019-20 :

	<u>Rs</u>
i) Income from business in India	8,00,000
ii) Long term capital gain on sale of land	3,00,000
iii) Income from other sources	1,50,000
iv) Deductions under Chapter VI-A	2,50,000
v) Income from business in Uganda	4,00,000
vi) Tax paid in Uganda	50,000

Govt. Of India has no Double Taxation Avoidance Agreement with Uganda.

Compute relief U/S 91 and tax payable by Lily for the assessment year 2020-21.

[ Tax rate : uptoRs 2,50,000 – NIL, Rs 2,50,001 – Rs 5,00,000 – 5%, Rs5,00,001 – Rs 10,00,000 – 20%. Above Rs 10,00,000 – 30%. Surcharge & Cess as applicable]

[6 +4 +5]

6. (a) Locomotive Works Private Company Ltd. has provided the following information for the year ended 31.03.2020. Compute the tax payable by the company for the assessment year 2020-21.

	<b>Rs.</b>
(I) Net Profit as per the Statement of Profit and Loss following the Companies Act, 2013	97,75,000
(II) Statement of Profit and Loss includes:	
▪ Provision for Income Tax	22,10,000
▪ Dividend Distribution Tax	3,78,900
▪ Interest on term loan from SBI	19,40,000
▪ Depreciation (including depreciation on account of revaluation of assets: Rs.2.5 lakhs)	33,57,000
▪ Equity dividend paid	24,34,500
▪ Amount transferred to General Reserve	9,50,000
▪ Long-term Capital Gains (Computed)	12,00,000

(III) Other information:

- (i) Out of the interest on term loan Rs.98,000 was paid after the due date of submission of return.
- (ii) Depreciation as per the IT Rules: Rs.41,60,000 including additional depreciation of Rs.3,50,000.
- (iii) The company has the following brought forward business losses and unabsorbed depreciation:

	For accounting purpose		For tax purpose	
	Business Loss (Rs.)	Unabsorbed Depreciation (Rs.)	Business Loss (Rs.)	Unabsorbed Depreciation (Rs.)
A.Y. 2015-16	65,000	5,88,000	-	1,52,000
A.Y. 2016-17	1,52,000	9,53,600	-	2,34,600

- (iv) The company is eligible for a deduction under chapter VIA of Rs.13,20,000.
- (v) Tax credit brought forward u/s 115JAA amounts to Rs.10,37,500.

(b) Rolta Steel Ltd., an Indian company, has a nominal equity capital of Rs.5 crores. The company declared dividend @ 20% on its equity capital on 01.09.2019. The company provides the following details of its dividend income for the P.Y. 2019-20.

Dividend from	Shareholding % by Rolta Steel Ltd.	Amount of Dividend (Rs.)
Parrot Ltd. (Indian Co.)	40%	22,56,000
Rose Ltd. (Foreign Co.)	58%	7,80,700
Lilium Ltd. (Foreign Co.)	100%	15,21,700
Orchid Ltd. (Foreign Co.)	33%	3,27,000
Olive Ltd. (Foreign Co.)	51%	5,50,000 (not yet received)

- (i) Compute the dividend distribution tax (DDT) payable by Rolta Steel Ltd. u/s 115-O for the dividend declared on 01.09.2019. DDT rate is 20.55529%.
- (ii) Also state how dividend from Orchid Ltd. will be taxed in the hands of Rolta Steel Ltd. for the assessment year 2020-21.

[10 + 5]