

Unique Paper Code: 22413304 (Old Course)
Name of the Course: B. Com. (Hons.)
Name of the Paper: Personal Tax Planning
Semester: III
Duration : 3 Hours
Max Marks: 75

SET I

1.

How is the residential status of an individual determined for income tax purposes. Is there any tax advantage to an Individual to plan for his residential status in India during a previous year? Explain with the help of suitable example.

2.

Rama Shetty, a resident and ordinarily resident in India, has derived the following income from various operations relating to plantations and estates owned by him during the year ended March 31, 2020. Compute agricultural income, taxable income and tax liability of Rama Shetty for Assessment Year 2020-21.

S. No.	Particulars	₹
1.	Income from sale of centrifuged latex processed from rubber plants grown in West Bengal	2,50,000
2.	Income from sale of coffee grown, cured, roasted and grounded, in Sri Lanka. Sale consideration was received at Chennai	3,00,000
3.	Income from sale of coffee grown and cured in Tamil Nadu	1,25,000
4.	Income from sale of tea grown and manufactured in Assam	3,75,000
5.	Income from sapling and seeding grown in a nursery at Cochin. Basic operations were not carried out by him on land	1,50,000

3.

Jupiter Ltd. has offered Mr. Rohan a job in Kolkata at a basic salary of Rs. 30,000 per month and dearness allowance (which does not form a part of retirement benefit salary) Rs. 10,000 per month and gave an option to Mr. Rohan to choose any one of following two packages:-

	Package 1	Package 2
1	HRA: Rs. 3,500 p.m. (Rent to be paid Rs. 4,200 p.m.)	Company owned an unfurnished accommodation Fair Market Value: Rs. 80,000 p.a.
2	Education allowance Rs. 500 p.m. (for two children)	Education facility for two children in an educational institution owned by employer value at Rs. 500 p.m. per child.
3.	Telephone allowance Rs. 1,000 p.m.	Free telephone facility at residence up to Rs. 1,000 p.m.
4	Medical allowance Rs. 1,800 p.m.	Medical reimbursement of Rs. 21,600 p.a.
5.	Conveyance allowance Rs. 2,000 p.m. (for private use)	Motor car facility for private use with expenditure valued at Rs. 30,000 p.a. and driver of Rs. 5,000 p.m. The cost of the car was Rs. 4,00,000, purchased by the company on April 01, 2015

The company also offers the services of watchmen, sweeper and gardener in both the above packages. The salary of each employee is Rs. 800 per month.

Which package should Mr. Rohan choose to reduce his tax liability?

4.

Mr. Suresh works with XYZ Ltd. His income from salary of Rs. 15,00,000 p.a. (net). He has a house property in Gurgaon which is used by him for his own residence. A loan of Rs. 30,00,000 was taken on April 01, 2015 @ 10% p.a. for the construction of this house, which was completed on May 31, 2017. No part of the loan has been repaid this far.

On October 11, 2019, he gets a commercial property by way of gift from his friend, Mohan. Stamp duty value of the property is Rs. 24,00,000. Stamp duty value is challenged by the assessee before the A.O. The department determined the value for Rs. 19,50,000.

He has made the following investments and contributions:

Particulars	Amount (Rs.)
Public provident fund contribution NPS	1,10,000
NPS	20,000
Mediclaime insurance premium for assessee's parents in law	48,000
Donation to political party in cash	10,000
Donation to political party by cheque	10,000

Suggest Mr. Suresh as to how he can reduce his tax liability?

5.

Mr. Kamal, a retail trader gives the following Trading and Profit and Loss Account for the year ended March 31, 2020:

Particulars	Rs.	Particulars	Rs.
Salary	30,000	Gross Profit	5,50,000
Rent and Rates	55,000	Other receipts	50,000
Printing expenses	25,000		
Depreciation	1,30,000		
Interest on loan	1,60,000		
Property tax	40,000		
General Expenses	10,000		
Net Profit	1,50,000		
	6,00,000		6,00,000

- (i) Salary includes Rs. 15,000 paid to his sister, which is unreasonable to the extent of Rs. 5,000.
- (ii) Rent and rates includes sales tax liability of Rs. 5,000 paid on April 10, 2020.
- (iii) The whole amount of printing was paid in cash by way of one-time payment.

- (iv) Other general expenses include Rs. 5,000 paid as donation to Andhra Government for family planning.
- (v) His turnover for the previous year 2018 – 2019 is Rs. 1.80 crore, received by way of account payee cheque or use of electronic clearing system through bank.

You are required to advise Mr. Kamal whether he can opt for presumptive taxation under section 44AD and if so, whether it would be beneficial for him to declare income as per section 44AD. Assume that he has not opted for presumptive taxation scheme in any earlier previous year. Also, assume that the whole of the amount of turnover received by account payee cheque or use of electronic clearing system through bank account during the previous year.

6.

Explain the provisions of Section 54 (Profit on sale of property used for residence), Section 54EC (Capital gain not to be charged on investment in certain bonds) and Section 54F (Capital gain on transfer of certain capital assets not to be charged in case of investment in residential house).