

2021**TWO YEAR M. COM. SEMESTER 1 EXAMINATION***(New Syllabus under CBCS)***Instructions for Examinees from Affiliated Colleges***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 2 P.M.)**
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 **full 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 **017/MCM/123456** for fourth paper **(Paper Code CC104)** the file name will be: **017-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.

2021**COMMERCE****Paper: CC-104****(Direct Taxes)****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 Hour****Duration of Examination: 12noon to 2pm****Module – I**Answer **any two** questions.

1. (a) Y Ltd. furnishes you the following information for the year ended 31.3.2021:

Total turnover of Unit A located in Special Economic Zone Rs.100 lakhs

Profit of the business of Unit A Rs.30 lakhs

Export turnover of Unit A Rs.50 lakhs

Total turnover of Unit B located in Domestic Tariff Area (DTA) Rs.200 lakhs

Profit of the business of Unit B Rs.20 lakhs

Compute deduction under section 10AA for the A.Y. 2021-22 and total income of Y Ltd, assuming that Y Ltd. commenced operations in SEZ and DTA in the previous year 2018-19.

(b) Mention the name of three funds, donation to which is entitled to deduction @100% under Section 80 G.

(c) ABC Ltd. appointed 50 total number of additional employees during Previous Year 2020-21. Given below are additional information:

No. of employees	Salary	No. of days employed	Participation in RPF	Mode of payment
25	Rs.20,000 per month	Out of 25,2 were employed on 1.11.2020 and rest of the employees were employed on 1.4.2020	5 employees, out of employees employed on 1.4.2020, do not participate in RPF	Through electronic mode
25	Rs.30,000 per month	Out of 25, 5 were employed on 1.12.2020 and rest of the employees were employed on 1.4.2020.	2 employees, out of employees employed on 1.4.2020, do not participate in RPF	Out of employees employed on 1.4.2020,2 employees were paid salary in cash.

Calculate the Quantum of deduction under section 80JAA for the Assessment Year 2021-22.

[4^{1/2} + 3 + 5]

2. (a) (i) On 1.4.2017 B Ltd, acquired Telecom license at a cost of Rs. 27,00,000. Validity period of the right 10 years from the date of acquisition. Payment made on 1.4.2018. One-third of the right is transferred on 15.09.2020 for Rs. 14,00,000 after using it for two years. State the tax implication of the transfer for B Ltd.

(ii) Would your answer differ, if one-third of the right is transferred for Rs. 23,00,000,

(b) State the conditions to be satisfied for claiming Terminal Depreciation.

[6 + 3^{1/2} + 3]

3 (a) Bahubaali Ltd. holds 100% shares of Katappa Ltd., which is an Indian company. Bahubaali Ltd. acquired precious jewellery of Rs. 4,00,000 on 20.12.1996 (fair market value as on 01.04.2001 was Rs. 10,00,000). Bahubaali Ltd. sold the entire jewellery set to Katappa Ltd. on 01.01.2012 for an agreed value of Rs. 32,00,000. Katappa Ltd. converted the entire jewellery into stock-in-trade of its newly opened jewellery business chain on 15.11.2019, when the fair market value of the same was Rs. 52,00,000. Bahubaali Ltd., in order to repay a long-term loan, decided to sell some of its investments and it sold 10% shares held in Katappa Ltd. on 15.03.2020. Katappa Ltd. sold the jewellery set on 10.04.2020 for Rs. 55,00,000.

Discuss the tax implications for the relevant assessment years.

[Given CII for FY 2001-02:100, 2011-12: 184, 2018-19: 280, 2019-20: 289, 2020-21: 301]

(b) Srivalli Mandanna purchased a residential land on 15.02.2002 for Rs. 35,00,000. Arjuna Raj Developers Ltd. entered into a joint development agreement with Srivalli on the following terms and conditions:

(i) Srivalli would transfer the land to Arjuna Raj Developers Ltd. on 20.10.2018.

(ii) The developer would pay an amount of Rs. 40,00,000 to Srivalli on 20.10.2018.

(iii) The company would construct 10 identical residential flats on the land out of which 4 would be transferred to Srivalli on the date of completion of the project.

(iv) Completion certificate was issued by the competent authority on 20.03.2021 when the stamp duty value of each flat was Rs. 50,00,000.

Discuss the tax implications of the above for the relevant assessment years in the hands of Srivalli Mandanna.

[Given CII for FY 2001-02:100, 2018-19: 280, 2020-21: 301]

[8 + 4^{1/2}]

4. a) (i) A machinery acquired by Jhilaam Ltd. at a cost of Rs. 7,00,000, on 1.4.19, for scientific research purpose is sold on 1.9.20 for ₹ 8,50,000. Deduction u/s 35, Rs. 10,50,000, was allowed in the previous year 2019-20 for the machinery. State the tax implications of the transfer when after acquisition and before sale the machinery was used only for scientific research purpose.

(ii) Would your answer differ if after using for scientific research and before sale the asset concerned was also used in business proper?

(b) Veekat Ltd. distributed assets of Rs. 5,00,000 on 30.09.2020 to the shareholders, the market value of which was Rs. 9,00,000. The balance of free reserve of the company on the date of distribution was Rs. 6,00,000. The equity share capital as on 31st March, 2020 was Rs. 10,00,000 (Face value of Rs. 10 each) and it included bonus shares of Rs. 10 each issued out of general reserve in the ratio of @2 shares for every 8 shares held in the company. Determine the amount of deemed dividend distributed by the company.

(c) The following information is derived from the Balance Sheet of Barfi Ltd. as on 30.09.2020:

Particulars	Amount (Rs.)
Equity Share Capital	4,00,000
10% Preference Share Capital	2,00,000
<i>Reserves & Surplus:</i>	
Securities Premium	4,00,000
General Reserve	50,000
P& L Account (Cr.)	2,00,000
	6,50,000

The company issued bonus shares to all shareholders in the ratio 1:1 on 01.10.2020. Determine the amount of deemed dividend from the perspective of the company.

$$[(4+2) + 3 + 3\frac{1}{2}]$$

Module - IIAnswer *any one* question.

5.(a) Blue Jasmine LLP furnished the following information the previous year 2020-21.

	Rs.
(i) Income from Unit in SEZ (without considering deduction U/S10AA)	16,00,000
(ii) Income from specified business unit (after considering deduction U/S35AD of Rs 5,00,000)	32,00,000
(iii) Depreciation allowable in respect of assets eligible for deduction U/S35AD	1,75,000
(iv) Deduction U/S10AA	2,00,000
(v) Income from other sources (including dividend from Indian company of Rs 1,00,000)	2,50,000
(vi) Long term capital gain on sale of land	3,00,000
(vii) Deduction U/S80JAA	3,50,000

Rate of tax of LLP – 30%; Rate of AMT – 18.5%; surcharge and cess as applicable.
 Compute tax payable by Blue Jasmine LLP for the assessment year 2021-22. Also compute AMT credit to be c/f (if any).

b) Marigold (Age 48 years) furnished the following information for the previous year 2020-21:

	Rs.
(i) Income from profession in India	10,00,000
(ii) Income from other sources in India	3,00,000
(iii) Income from profession in Congo	6,00,000
(iv) Income from profession in Tanzania	4,00,000
(v) Deduction U/S80G	1,50,000
(vi) Tax paid in Congo	1,20,000
(vii) Tax paid in Tanzania	1,00,000

Government of India has no double taxation avoidance agreement with both Congo and Tanzania. Compute relief U/S91 and tax payable in India by Marigold for the assessment year 2021-22 (Ignore sec 115 BAC). [8 + 7]

6. (a) Prism Private Limited. is engaged in manufacturing and selling ceramic tiles. Net profit as per the Statement of Profit and Loss for the year ended 31.03.2021 is Rs.60,48,000.

Expenses as per Statement of Profit and Loss includes:	Rs.
– Income Tax	15,60,000
– Provision for GST	1,55,000
– Depreciation	25,30,000
– Donation to National Defense Fund	2,50,000

Income as per Statement of Profit and Loss includes:	Rs.
– Dividend received from Indian companies	1,80,000
– Amount withdrawn from general reserve	1,75,000

Other information:

- (i) Depreciation as per the IT Rules: Rs.20,10,000.
- (ii) The company has the following brought forward losses for accounting purpose:
 - Business Loss: Rs.75,000
 - Unabsorbed Depreciation: Rs.1,10,000
- (iii) The company is eligible for deduction under section 80G and 80M.
- (iv) Tax credit brought forward u/s 115JAA amounts to Rs.12,14,000.
- (v) During the previous year the company distributed equity dividend of Rs. 4,00,000.

Compute the tax payable by the company for the assessment year 2021-22. Applicable normal tax rate is 30% and MAT is 15%. Surcharge and cess as applicable.

(b) Peter Works Ltd., an Indian company, has earned business income of Rs. 90.2 lakhs during the previous year 2020-21. In addition, the company received the following dividends:

	Rs. in lakhs
(i) Dividend from a company incorporated in Tokyo (Equity shareholding 34%)	20
(ii) Interest expenditure to earn the dividend in (i) above	1.4
(iii) Dividend from a company incorporated in Taiwan (Equity shareholding 19%)	11
(iv) Interest expenditure to earn the dividend in (iii) above	2.5
(v) Dividend from an Indian company (Equity shareholding 27%)	6

Compute tax liability of Peter Works Ltd. for the A.Y. 2021-22 (Ignore MAT).

[10 + 5]