

Register Number:

Date:

**ST. JOSEPH’S UNIVERSITY, BANGALORE-27**

**M.COM - IV SEMESTER**

**SEMESTER EXAMINATION: APRIL 2024**

**(Examination conducted in May /June 2024)**

**MCODEA0320: DIRECT TAX PLANNING**

**(For current batch students only)**

**Time-2 hours Max Marks-50**

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| **This paper contains two printed pages and three parts** |
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**PART A**

**Answer any TWO of the following. Each question carries five marks. (2x5=10)**

1. Briefly point out and explain the factors to be considered while deciding whether to own or lease an asset from the point of view of tax planning.
2. From the following information, compute the amount of capital gains under section 46(2) for the assessment year 2023-24:
	1. The shareholder holds 20% of the total shares in the company under liquidation.
	2. Indexed cost of acquisition of shares Rs. 1,75,000.
	3. Received assets worth Rs. 4,00,000 on its liquidation.
	4. Accumulated profits of the company before distribution Rs. 5,00,000.
3. X purchased 15000 shares of PQR Ltd. for Rs. 1,50,000/- on 01.04.2022 and the company issued a bonus of 2:1 on 01.10.2022. On 03.03.2023, X sold all the shares of PQR Ltd. including bonus for Rs. 9,00,000. What will be the capital gains on such transfer of shares? What will be your answer in the above example, if only 20,000 shares were sold for a consideration of Rs. 4,00,000.

**PART B**

**Answer any TWO of the following. Each question carries fifteen marks. (2x15=30)**

1. Karuna Limited requires Rs.75,00,000 to finance its expansion program and has shortlisted the following three plans:

|  |  |  |  |
| --- | --- | --- | --- |
| Sources | Plan 1 | Plan 2 | Plan 3 |
| Share capital | 1,50,00,000 | 60,00,000 | 30,00,000 |
| 9% debentures | -- | 60,00,000 | 40,00,000 |
| Loan from IDBI (12%) | -- | 30,00,000 | 80,00,000 |
|  | 1,50,00,000 | 1,50,00,000 | 1,50,00,000 |

The expected rate of return before interest and taxes is 25% for the past few years and the company has been declaring a dividend of 40%. Tax rate applicable to the company is 30% excluding surcharge. Select the best plan.

1. Draw up a salary structure for a 32 year individual, working in the service industry in Bangalore, India with a total CTC of Rs.22 lakhs per annum with components of allowances and perquisites as well as investments he can make which can reduce his tax liability for the AY.2023-24. Which tax regime would you recommend and Why?
2. Mrs. Nandini, an individual resident retired employee from Doordarshan, aged 61 years is a well-known singer deriving income of Rs. 1,10,000 from performances abroad. Tax of Rs. 11,000 were deducted in the country where the performances were conducted and India does not have any DTAA under Section 90 of the Income Tax Act, 1961, with that country. Her income in India amounted to Rs. 6,10,000. In view of tax planning she has deposited Rs, 1,50,000 in Public Provident Fund. She also contributed Rs. 28,000 towards a government health scheme for herself and paid Rs. 25,000 health insurance premium for her mother, a non-resident super senior citizen, not dependant on her. Compute tax liability for Mrs. Nandita for A.Y. 2021-22 assuming she does not opt for Section 115BAC.

**PART C**

**Answer the following question. The question carries ten marks. (1x10=10)**

1. A. Nirav Enterprises purchased machinery for Rs.5,00,000 as on 18/8/2021 for scientific research. On 17/7/2022, the research work being completed. Thereafter, the machinery was used for business purpose other than scientific research. The WDV of the respective block on 31/3/2023 is Rs. 4,80,000. Depreciation rate 15%.State tax implications on 31/3/2023, when the machinery was sold for -
	1. Rs. 1,00,000
	2. 7,00,000 (6 marks)
		1. Write a brief note on Tax Haven (4marks)

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