

Your overall performance is good. Revise all your previous topics at least once in a week rather allocate a day in a week for revision and evaluating your performance. This will help you memorize topics and bind out shortcomings in your preparation.

Question No-1

Name of the assessee: Laxmi Tea Ltd

Previous year: 2021-2022

Assessment year: 2022-2023

marks 12

Computation of Total Income

Total marks 38

Particulars

	Amount ₹	Amount ₹
Profit and gain from business or Profession		
Net profit from profit and Loss A/c		
Add: Disallowed or Items to be considered separately		5,50,00,000
i) Depreciation as per books (Note-1)	40,00,000	
ii) Interest on term loan for purchase of Mach. Energy (Note-2)	-	
iii) Repairs to factory building, to the extent of amount spent from withdrawn from Tea Deposit account maintained with NABAR as per section 33AB (Note-3)	10,00,000	
iv) Expenditure on stamp duty and registration fees for the issue of bonus shares (Note-4)	-	
v) Goods and service tax dues of earlier years determined during the year on disposal of appeals by appellate authority (Note-5)	10,00,000	
vi) Written off of bad debt in respect of Bad debts transferred from Saraswati Tea Ltd in PY 2021-22 (Note-6)	-	
vii) Contribution to Employee's welfare Trust (Note-7)	20,00,000	
		62,00,000
		62,00,000
		62,00,000

Apply same approach towards your exams

Particulars	Amount ₹	Amount ₹
<u>Less:</u> Amount credited to profit and loss A/c But not chargeable to tax		
i) Profit from sale green tea leaves plucked in own gardens (Agricultural Income - Exempt u/s 1011)		(20,00,000)
		<u>59,20,000</u>

Less: Items allowed as deduction

i) Depreciation as per Income tax Rules (Note-1)	(55,00,000)	
ii) On conversion of over interest into new loan in FY 2019-20, repayable in five annual installment (Note-2)	(20,00,000)	(57,00,000)
iii) Deduction under section 33AB in respect of Amount deposited in NABARD		<u>53,50,000</u>

Lower of following:

a) Actual Amount deposited	2,50,00,000	
b) 40% of profit from the business of growing and manufacturing tea computed under the head PGBP Before deduction u/s 33AB (53,50,000 × 40%)	21,40,000	(21,40,000)
		<u>32,10,000</u>

<u>Less:</u> 60% of Income in Exempt (As per Rule-8) Being Agriculture Income		(19,26,000)
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<u>Business Income / Total Income</u>		<u>1,28,40,000</u>
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Notes

① Depreciation computed as per Income tax rules to be deducted while computing income under the head PGBP (ie) Rs. 55,00,000 to be deducted. Depreciation as per book (ie) 4,00,000 is to be disallowed thus added back.

② Interest on term loan from bank for purchase of machinery for one of its tea factories. Thus loan is taken for the purpose of business. Interest shall be allowed as deduction u/s 36(1)(iii). Thus no adjustment required.

③ As per section 33AB, where any amount credited to Tea Deposit account maintained with National Bank for Agricultural and Rural Development (NABARD) by the assessee, utilized for the purpose of business of assessee shall not be allowed as deduction. In the present case Rs. 10,00,000 withdrawn from tea deposit account with NABARD is utilized for repairs to factory building scheme approved by board shall not be allowed as deduction. Hence, disallowed.

④ In case of ^{issue of} bonus shares, there is no fresh funds comes in or there is no increase in capital employed. There is no increase in the capital base of the company, thus expense on account of stamp duty and registration fees for the issue of bonus shares shall be treated as revenue expenditure & allowed as per section 37(c). Thus, no adjustment required.

⑤ As per section 43B, tax, cess, interest payable shall be allowed as deduction only if it is paid on or before the due date of filing return of income under section 139 irrespective of method of accounting followed by the assessee.

In the present case, Rs. 1000000 being GST due of earlier years determined during the year on disposal of assets by the appellate authority for which the company has furnished a bank guarantee to the commercial tax authority. There is no information regarding payment of tax due. Thus it is disallowed under section 43B.

⑥ As it was held in T. Veeradhacharan case, the bad debts can be written off by successor in respect of trade debt transferred from predecessor. Thus Rs. 500000 bad debts written off by the company in respect of trade debt transferred from Saraswati Health in FY 2012-13 pursuant to a scheme of amalgamation approved by Territorial High Court is allowed as deduction under section 36(1)(vii). Thus, no adjustment required.

⑦ As per section 36(1)(iv), Employer contribution towards statutory provident fund, Recognised provident fund, Approved superannuation fund, Approved gratuity fund is only allowed as deduction if payment is made within 43B time limit (i.e.) on or before the due date of filing return u/s 139(1). Thus employer's contribution to Employer's Welfare Trust is to be disallowed.

⑧ As per section 43B interest payable is allowed as deduction only when it is paid with on or before the due date of filing return on income u/s 139(1). If avet of interest is converted into loan it does not mean interest is paid. Deduction is available only when actual installment is paid. Thus during FY 2021-22 not installment is paid. Therefore no deduction is available in this regard. Thus the company has paid 200000 toward installment due of FY 2020-21 in February 2022. Thus, it is deductible.

Question NO-2

Computation of total income

marks 6

Particulars		Amount ₹
Income under the head salary		
Salary (computed)		550000
Income under the head capital gain		
Short term capital gains u/s 111A		45000
Gross Total Income		595000
<u>Less: Deductions under chapter VI-A</u>		
<u>Deduction u/s 80C</u>		
Contribution to PPF (5000)		
<u>Deduction u/s 80G</u>		
Refer notes-1 (82250)		(82250)
Net Total Income		507750

NOTE 1 computation of deduction u/s 80G
keep it up !!!

Particulars	Qualifying Amount	% Eligible	Deduction allowed
<u>Deductions where maximum limit is not applicable</u>			
1) contribution to swachh Bharat	15000	100%	7500
2) contribution to clean Crango ^{Cash} fund	2500	100%	2500
3) contribution to Nation fund for control of drug abuse	5000	100%	5000
4) contribution to Nation children fund	20000	100%	20000
5) contribution to Prime Minister's Drought Relief Fund	10000	50%	5000

Particulars	Qualifying Amount	% Eligible	Deduction allowed
<u>Deductions where Maximum limit is applicable</u>			
① Payment to state government for family planning	30000	100%	30000
② Payment to approved charitable institution [The total deduction is restricted to 10% of Adjusted total income (Note 2) i.e. $545000 \times 10\% = 54500$ $\therefore 54500 - 30000 = 24500$ or 25000 whichever is lower = <u>24500</u>]	24500 25000	50%	12250
			<u>82250</u>

Deduction under section 80G

Note 2 Adjusted total income

Particulars	Amount
Salary Gross Total income	595000
Less: Short term capital gain 0% IIA	(45000)
Less: Deduction 0% 80C (PPF)	(2000)
Adjusted total income	<u>545000</u>

Question No-3

Alternative (i): A partnership firm

marks 6

computation of Tax liability of Partnership Firm and its partners.

Particulars	Amount (₹)
Profit of business Estimated by firm	20,00,000
Less: Interest on capital @ 12% (20,00,000 × 3 × 12%)	(7,20,000)
Book profit	12,80,000
Less: Salary allowed to S (b)	
Lower of	

performance is good avoid mistakes you have done here

$$+ 9,80,000 \times 60\% \\ = \text{Rs. } 8,58,000$$

b) Actual salary (3,00,000 × 3)	Rs. 9,00,000	(8,58,000)
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Excess Total income	4,22,000
Tax liability: Tax @ 30% on 4,22,000	12,66,00
Add: Health and Education cess @ 4%	50,64
Total Tax liability of Firm (Rounded off)	<u>13,16,60</u>

Income and Tax liabilities of each Partner:

Salary (2,86,000 - 50,000)	2,86,000
Interest (20,00,000 × 12%)	2,40,000
Total income	5,26,000
Tax on Total income	1,77,00
Add: Health and education cess @ 4%	7,08
Total tax liability of each partner	<u>1,84,08</u>
Total tax liability of Firm and its partners	<u>18,68,90</u>

Alternative @ : A company.

computation of tax liability of company and its directors.

Particulars	Amount (₹)
Profit of Business as per profit and loss Estimated by company	2000000
Less:	
Interest on Loan	576000
(1600000 × 3 × 12%)	
Salary (300000 × 3)	900000
	(1476000)
Gross Total Income	524000
Tax @ 11.5 BAA	
Tax @ 22% on 524000	115280
Add: surcharge @ 10% on 115280	11528
	126808
Add: Health and Education cess @ 4%	5072
Tax liability of the company	131880
Profit After tax (to be distributed as dividend)	392120
<u>Income and Tax liability of each Directors</u>	
Salary (300000 - 50000)	350000
Interest on loan	192000
Dividend	130207
Total Income	572710
Tax on total income	37042
Add: Health and Education cess @ 4%	1482
Tax liability (inclusive of HEC after rebate) (rounded off to Rs.10)	16,780
Total tax liability (income-tax and Directors' tax liability)	1,82,220
Total Tax liability of company and its directors	216240

Conclusion:

The Business should be constituted as Partnership firm rather than company. Because the Tax liability of firm is comparatively lower.

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- 1) A ✓
- 2) C ✓
- 3) B ✓
- 4) B ✓
- 5) A ✓

marks 5

A

Question 10-5

Dispute Resolution committee [section 245MA] [DAC]

The central government may constitute two or more Dispute Resolution committee. The Dispute Resolution committee resolves the dispute of such persons or class of persons as specified by the board. The dispute should arise as a ~~var~~ variation in amount of specified order of any assessment year.

Specified order means:

- ① specified order included draft order as specified by the board.
- ② The Aggregate amount of variation proposed or made in order should be upto 10 lakhs.
- ③ The order should be a result of search initiated u/s 132 or survey u/s 133A or reversion u/s 132A or information received from DTA with reference to section 90/90A
- ④ In case the assessment has filed Return of income of the year to which specified order belongs, then the Total income in return filed should not exceed 50 lakhs.

Persons not eligible for ~~Dispute~~ Resolution:

- ① On whom order of detention is passed by conservation of Foreign exchange and prevention of smuggling Activities Act 1964/1974.
- ② On whom have prosecuted, convicted under following act for offences punishable under following act
i) Indian penal code

You have good conceptual clarity about this question

- ii) Unlawful activities Act, 1975-1967.
- iii) Narcotic Drugs and psychotropic substances Act, 1985
- iv) Prohibition of Benami Transaction Act, 1988
- v) Prevention of money laundering Act, 2002
- vi) Prevention of corruption Act, 1988.

③ On whom prosecution have been initiated by IT authorities for any offence punishable under the provisions of the Act or Indian penal code or imposing any civil liability under law in force. or any person who have convicted any offences in respect of prosecution initiated by IT authorities

④ who have been notified by section 3 of special court (Trial of offences of Transaction in securities) Act, 1992.

⑤ Such other persons as may be notified.

Powers of DRC:

The DRC, subject to such conditions as may be specified, has power in respect of persons whose dispute is resolved.

① To reduce or waive the penalty imposed under the Act.

② To provide immunity from prosecutions of offences punishable under the Act.

Faithful Assessment Procedure:

The central government may notify a scheme with respect to dispute resolution so as to import greater transparency, efficiency and accountability in dispute resolution process.

① By eliminating the interface between dispute resolution committee and assessment in dispute resolution process to the extent technologically feasible

② By Optimising the utilization of resources through economies of scale and functional specialization

③ Introducing dispute resolution systems with dynamic jurisdiction.

The central government may for the purpose of the scheme, notify such direction as to some of the provisions of the Act shall not apply or apply with such modification, exception or adaptations as may be specified in notification

Such directions shall not be issued after

31/3/2023

marks 5

Question NO-4

Calculation of Under-reported income:

Particulars	Amount (₹)
A = Total income as per assessment order	1175000
B = A - Under-reported income - Misreporting of income [1175000 - 60000 - 250000]	1040000
C = Book profit	4180000
D = Book profit - Under-reported income - Misreporting of income [4180000 - 1290000]	4060000
[Misreporting of incomes of 60000 is already deducted in B, hence will not be deducted in D]	

You have correctly solve this question

Under-reported income = (A-B) + (C-D)
 [Out of which 60000 in Misreporting of income]

Tax on under-reported income:

Tax on under-reported income will be calculated as per section 270A. Since assessee is a company tax shall be calculated at applicable rates.

Penalty of under-reported income:

Particulars	Amount ₹
Tax on under-reported income 195000 x 31.2%	60840
Tax on misreporting of income 60000 x 31.2%	18720
Penalty under section 270A	
50% of Tax payable [Under-reported income]	30420
100% of Tax payable [Misreporting of income]	37440

Note:

The company x ltd may ~~apply~~ vs 220AA
for granting of immunity from imposition
of penalty.