PG – 545

II Semester M.Com. (FA)/MFA Degree Examination, July 2017
(CBCS)
Paper – 2.3 : CORPORATE TAX PLANNING

Time : 3 Hours Max. Marks : 70

SECTION – A

1. Answer **any 7** sub-questions out of ten questions. **Each** sub-question carries **2** marks. **(7×2=14)**

   a) Mention the time frame for advance payment of tax for company assessee.

   b) What is MAT u/s 115JB ? What's the reason for its introduction ?

   c) State the specific managerial decisions relating to make or buy.

   d) Differentiate between 'Tax Management' and 'Tax Planning'.

   e) State the tax provisions of Section 35ABB.

   f) What is Best judgment assessment ? When it is applied ?

   g) Distinguish between 'Tax Avoidance' and 'Tax Evasion'.

   h) What is tax credit ? State its tax provision.

   i) Mention any 4 double taxation treaties which are entered by India.

   j) What are the exceptions to the general rule of previous year ?

SECTION – B

Answer **any 4** questions of the following in about **one** page. **Each** question carries **5** marks. **(4×5=20)**

2. Explain the scope of Tax planning with respect to

   a) Amalgamation and Mergers.

   b) Discuss the scope of Tax planning.

3. What is assessment ? Briefly explain the types of assessment.

4. Compute tax credit and show its utilization for the various assessment years assuming tax rates applicable are same as of current assessment year for various assessment years given. The information pertaining to Ciplar Company Limited.

Assessment Years	Book profit calculated as per Section 115JB	Total income computed as per Normal provisions of Income Tax Act, 1961
2014-15	20,00,000	25,00,000
2015-16	25,00,000	15,00,000
2016-17	20,00,000	16,00,000
2017-18	1,10,00,000	61,00,000
2018-19	1,15,00,000	95,00,000

5. Discuss the tax provisions under Section 80 IAB.

6. Gananath Limited has given the following information of its incomes and expenses for the financial year 2016-17.

✓ Taxable income from business is Rs. 4,50,000.

✓ Gain on sale of assets held for more than 36 months is Rs. 1,50,000.

✓ The company incurred the following expenses (donations given).

Donation given to institutions	Amount of donation given in Rs.
• An institution which is recognized u/s 80G	18,000
• Clean Ganga project	60,000
• Furniture's given to a church	30,000
• Indian Olympic Association	30,000
• An institution engaged in promotion of family planning	20,000
• Indira Gandhi Memorial Trust	13,000
• Swacch Bharath kosh	23,000

• National Defense Fund set up by the Central Government	48,000
• National Foundation for Communal Harmony	23,000
• Prime Minister's National Relief fund	35,000
• A notified temple (Rs. 15,000 given in cash)	28,000
• Prime Minister's Drought Relief fund	12,000

The assessee had paid Rs. 30,000 to Indian National Congress party as donation on 15^{th} June, 2016.

Compute allowable amount of deduction u/s 80G for the Assessment Year 2017-18.

7. P Limited is engaged in selling of mobile phones. The following details are extracted from books of accounts of P Limited. The net profit for the year Rs. 4,50,000. It is calculated by adjusting the following adjustments :

	Rs.
• Amount transferred to general reserve	50,000
• Wealth tax paid	20,000
• Long term capital gain liable for STT u/s 111A	60,000
• Amount withdrawn from revaluation reserve	60,000
• Income tax provision	60,000
• Profit from sick industrial unit	90,000
• Reserve for known liability	32,000
• Depreciation (revaluation depreciation Rs. 58,000)	1,50,000
• Loss of subsidiary company	30,000
• Deferred tax provision	48,000
• Dividend from domestic company	46,000
• Reserve for unknown liability	34,000

Compute book profit and tax liability on book profit for the A.Y. 2017-18.

SECTION – C

Answer **any 3** questions of the following. **Each** question carries **12** marks. **(3×12=36)**

8. The books of accounts of Macledoes limited reveals the following date. You are required to compute total income as per normal provisions of Income Tax Act, 1961 and tax liability for the A.Y. 2017-18. The book profit calculated u/s 115 JB is Rs. 8,90,000.

Trading and Profit and Loss account for the year ending 31-3-2017

Particulars	**Amount (in Rs.)**	**Particulars**	**Amount (in Rs.)**
To Purchases	10,50,000	By Sale of goods and services provided	45,36,000
To Entertainment expenses	24,000	By Amount withdrawn from revaluation reserves	7,00,000
To Travelling expenses	1,60,000		
To Depreciation	2,80,000	By Long term capital gain	3,10,000
To Income tax	1,60,000	By Transfer fees	54,000
To Wealth tax	55,000		
To Dividend distribution tax	1,76,000		
To O/s Value added tax	60,000		
To Provision for unascertained liability	80,000		
To Proposed dividend	50,000		
To Auditor's fees	1,20,000		
To Provision for loss of subsidiary company	95,000		

To Salaries and Wages	19,00,000	By bad debts recovered	
To Sundry expenses	2,50,000	disallowed earlier	30,000
To Net profit	11,70,000		
	56,30,000		**56,30,000**

Additional Information :

i) Depreciation under Section 32 is Rs. 1,75,000.

ii) Customs duty of 2014-15 paid during the year Rs. 95,000 was not included in the account.

iii) Sundry expenses include an item of Rs. 28,000 paid in bearer cash to a farmer.

iv) Amount of depreciation on account of revaluation of assets is Rs. 1,00,000.

v) Out of the O/s amount of value added tax Rs. 25,000 was paid before due date of filing of return of income.

vi) Unabsorbed loss brought forward Rs. 3,00,000 for income tax purpose.

9. Discuss the tax holidays and tax benefits available in respect of profits and gains from Industrial undertaking or enterprise engaged in infrastructure development u/s 80 – IA.

10. Answer **both** Part A and Part B : **(7+5)**

A) Coot Company Limited has given the following information for the financial year 2016-17. The company has filed its income on 7-11-2017. The total income of the company is Rs. 15,85,000 which includes long term capital gain of Rs. 4,00,000 and short term capital gain liable for STT is Rs. 62,500. The Company is having balance of Rs. 75,000 as tax deducted at source, it also has relief u/s 91 of Income Tax Act, 1961 amounting to Rs. 44,000. It has Rs. 49,000 balance as tax credit. It has paid advance tax as follows :

Due date	**Amount of advance tax paid in Rs.**
15-6-2015	35,000
13-9-2015	50,000
12-12-2015	58,000
15-3-2016	1,20,000

Compute Interest u/s 234A, 234B and 234C for the Assessment Year 2017-18.

B) Briefly explain the Types of returns.

11. Answer **both** Part A and Part B : **(7+5)**

A) ZPC Company Limited engaged in manufacture and selling of tube lights. It has acquired and used the following assets during the previous year 2015-16.

Assets	**Rate of Depreciation (%)**	**Date of Acquisition**	**Date when put into use**	**Cost of acquisition (in Rs.)**
Busses and lorries	100	10-9-2016	2-10-2016	7,00,000
Factory building	10	4-4-2016	1-9-2016	23,00,000
Residential guest house	5	15-5-2016	20-5-2016	12,00,000
<u>Plant and Machinery</u>				
Plant at Mysore	15	4-5-2016	1-8-2016	6,00,000
Equipment used in Flour Mills	80	5-5-2016	1-9-2016	12,00,000
Machinery at Kannore (second hand)	15	1-9-2016	31-10-2016	6,00,000
Electrical fittings	10	10-2-2017	13-2-2017	5,00,000
Motor car	15	1-2-2017	1-2-2017	3,00,000
Plant at Bengaluru	15	1-2-2017	2-2-2017	8,00,000

Compute the allowable depreciation u/s 32 for the A.Y. 2017-18 and written down value as on 1-4-2017.

B) Explain the tax provisions under relating to scientific research u/s 35 of Income Tax Act, 1961.

12. West Coast Company Limited needs a component in an assembly operation. It is contemplating the proposal to either make or buy the aforesaid component.

    1) If the company decides to make the product itself, then it would need to buy a new machine for Rs. 16 lakh which would be used for 5 years. Manufacturing costs in each of the five years would be Rs. 24 lakh, Rs. 28 lakh, Rs. 32 lakh, Rs. 40 lakh and Rs. 50 lakh respectively. The relevant depreciation rate is 15 percent. The machine will be sold for Rs. 2 lakh at the beginning of the sixth year.

    2) If the company decides to buy the component from a supplier the component would cost Rs. 36 lakh, Rs. 40 lakh, Rs. 44 lakh, Rs. 56 lakh and Rs. 68 lakh respectively for each of the five year.

    The relevant discounting rate and tax rate 10 percent and tax rate 33.063 percent.

    Should West Coast Limited 'Make' the component of 'Buy' from the market ?