

2013

**MASTER OF BUSINESS ADMINISTRATION**

**[ Fourth Semester Examination ]**

**CORPORATE TAXATION**

*( Specialisation : Financial Management )*

PAPER—F-401

*Full Marks : 100*

*Time : 3 hours*

*The figures in the right-hand margin indicate marks  
Candidates are required to give their answers in their  
own words as far as practicable*

*Illustrate the answers wherever necessary*

**Write the answers to Questions of each Half in  
separate books**

**FIRST HALF**

**[ Marks : 50 ]**

1. Answer any *four* questions : 5 × 4
- (a) What is CENVAT? What are its chief  
features? 2 + 3

*( Turn Over )*

- (b) Total income computed in accordance with the provisions of the IT Act and Book profit of L & T Ltd, a domestic company for the Assessment year 2012-13, and 2013-14 are given below : 5

<u>AY</u>	<u>Total Income</u> ₹	<u>Book Profit</u> ₹
2012-13	2,50,000	12,00,000
2013-14	(-)1,90,000	5,50,000

you are required to calculate MAT credit U/S 115 JAA. From the following information

- (c) State the provision of the customs Act, 1962 relating to transit and transshipment of goods. 5
- (d) "Value added tax reduces the cascading effect." – Elucidate the answer on the basis of sales tax vs VAT with suitable examples. Use imaginary figures. 5

( 3 )

(e) Find out the Point of Taxation No : as per Service Tax rules, 2011 5

Date of completion of Service	Date of Invoice	Date on which payment received	Point of Taxation
(i) 10-04-12	30-4-12	05-05-12	?
(ii) 10-04-12	15-5-12	20-05-12	?
(iii) 10-04-12	30-4-12	05-04-12	?
(iv) 10-04-12	15-5-12	05-04-12 (part) and 20-04-12 (Remaining)	?
(v) 10-04-12	30-4-12	05-04-12 (part) and 05-05-12 (Remaining)	?

(f) What are the provision of "Tax on distributed profit of domestic companies" U/S 115 O to 115 Q. ? 5

2. Answer any *two* questions : 10 × 2

(a) JAIPAN Ltd. furnishes the following information for the year ended 31-03-2013

	<u>For Accounting Purpose</u>	<u>For Tax Purpose</u>
	₹	₹
Operating profit ( after debiting depreciation of ₹ 5,00,000 income tax of ₹ 4,00,000 and crediting net. agricultural income of ₹ 1,50,000 )		25,50,000
<u>Less</u>		
Transfer to General Reserve	3,00,000	
Proposed dividend	<u>2,00,000</u>	<u>5,00,000</u>
		<u>20,50,000</u>

*Other information :*

(i) Depreciation as per Income Tax Rules	—	7,00,000
(ii) Eligible deduction U/S 80 IAB	—	2,00,000
(iii) Brought forward Loss	5,00,000	—
(iv) Unabsorbed Depreciation	1,50,000	3,00,000

( 5 )

you are required to examine the applicability of Sec.115 JB and determine tax liability of JAIPAN Ltd for AY-2013-14. 10

(b) HINDALCO ENGINEERING Provides you the following information for the period ended on 30-04-2012. 10

Date

Particulars

07-04-2012 : The company raise a bill on JCP Ltd for ₹ 22,00,000 including service tax and the amount will be receivable after 45 days (Material content included in the bill ₹ 7,90,000)

12-04-2012 : The company received an workorder from TATA STEEL Ltd for ₹ 50,00,000 which will be completed after 3 months. Advance received in this regard ₹ 2,50,000.

- 18-04-2012 : An amount of ₹ 6,90,000 received from Mr Z including service tax in respect of bill raised on 16-04-2012.
- 19-04-2012 : The company paid telephone bill of ₹ 10,500 including service tax for the month of March -2012.
- 22-04-2012 : The company engaged into a subcontract with L & T Ltd for ₹ 6,20,000 and a bill raised by the L & T for the same amount on the same date. (Material content included in the bill ₹ 3,50,000 ).
- 26-04-2012 : The company paid against a bill raised by an advertising agency of ₹ 25,000(excluding service tax ). The service provided by the agency is not directly related to the output service provided by the company.

( 7 )

You are required to compute the service Tax payable by the company for the month of April-2012.

- (c) (i) From the following information determine the CENVAT credit from the excise duty. 5

<u>Goods</u>	Excise duty paid at the time of <u>purchase</u> ( ₹ )
1. Component and accessories	20,000
2. Moulds and dies	5,000
3. Pollution control equipments	25,000
4. Appliances used in office	30,000
5. Accessories which are removed from factory with final products	30,000
6. Paints	5,000
7. Packing materials	7,000
8. Lubricating oils	1,000
9. Petrol	8,000

(ii) A manufacturer has prepared the invoice as under

price of goods (excluding excise duty)	₹ 5,00,000
Advertising charges	₹ 60,000
Publicity charges	₹ 30,000
Marketing & selling charges	₹ 20,000
Outward freight & Insurance	₹ 32,000
Sales Tax	₹ 40,000

Allowed discount at 10% on the price of goods. If the rate of Basic Excise Duty is 16 % find out duty payable. 5

[ *Internal Assessment* : 10 Marks]

### SECOND HALF

[ *Marks* : 50 ]

3. Answer any *four* questions : 5 × 4

(a) (i) What are the implications of tax avoidance? 3

(ii) Match the following :

2

A

B

- |  |  |
|--|--|
| <p>(i) Starting of a new business in a SEZ in order to avail benefit U/S 10 AA.</p> <p>(ii) Starting of a new unit in Jammu &amp; Kashmir for availing deduction U/S 80I B while the actual production is done in Nagpur only.</p> | <p>(i) Tax avoidance</p> <p>(ii) Tax planning</p> <p>(iii) Tax evasion</p> |
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(b) "While making tax planning for amalgamation, there are certain benefits that can be enjoyed by an amalgamated company under the Income tax Act" - Discuss in brief any five of them after considering that the amalgamation fulfills conditions U/S 2(1B) of the Income tax Act.

5

(c) R-INFOTECH Ltd. furnishes the following

particulars for the previous year 2012-13  
(The company set up in the free trade zone) 5

Total sales of the above undertaking	—	50,00,000
Export sales	—	40,00,000
Domestic sales	—	10,00,000
Money brought to Indice in convertible foreign exchange upto 30-9-12	—	36,00,000
Profit from the above undertaking	—	5,00,000

Compute the deduction available from the  
total income U/S 10 A and taxable income if  
there is no other adjustments.

(d) Mrs. Arpita Sengupta to be appointed as  
Marketing Manager in the SRIRAM Ltd.  
has the following alternatives : 5

( 11 )

<u>Particulars</u>	<u>Package - 1</u> <u>Posting</u> <u>in Kolkata</u>	<u>Package - 2</u> <u>Posting</u> <u>in Midnapore</u>
1. Basic salary	25,000 P.M.	25,000 P.M.
2. HRA	—	9,000 P.M. ( Rent paid ₹ 4,000 P.M.)
3. Rent free Furnished Accommodation	House in Salt Lake (Original cost of the Furniture ₹ 60,000)	—
4. Medical Allowance	1,500 P.M.	—
5. Medical Reimbursement	—	18,000 P.A

Which package will you recommend so that tax liability is minimum.

(e) Z Ltd. is an Indian Company. For the previous year 2012-13, the following income are

noted from the books of accounts of the taxpayer.— 5

₹

Income from a business  
in India 3,80,000

Income from a business in a  
foreign country with whom  
India has ADT agreement 2,16,000

Rate of tax in the Foreign country on the  
above income is 17.5 % which is deducted  
at source. You are required to calculate the  
Indian tax liability of Z Ltd.

(f) How would you advise a salaried employee  
to minimize his/her tax burden for the  
current previous year ? 5

4. Answer any *two* questions : 10 × 2

(a) What is Bonus share ? What is the procedure  
of planning taxes on the issue of bonus shares ?  
2 + 8

(b) What do you mean by tax planning, tax  
avoidance and tax evasion ? Is there any  
distinction among these events. 5 + 5

(c) ZP INFOTECH, an IT company provides you the following information for the period ended on 31.03.2013. 10

Income from professional fees in India 33,95,000

Income from professional fees from Korea with whom India has no ADT agreement, 22500 USD  
(on the date of receipt  
1USD = Rs. 54)

Long term capital Gain 5,60,000

Short term capital Gain 3,20,000

Eligible deduction U/S 80 IA 30,000

Eligible deduction U/S 80 GGB 35,000

Eligible deduction U/S 80 GGA 15,000

Eligible deduction U/S 80 G 22,000

Depreciation U/S 32 4,65,000

Tax deducted at source in Korea @ 29.32 %

( 14 )

and the remaining amount is remitted to India. you are required to calculate eligible UNILATERAL RELIEF U/S 91 (As per ADT Rules) and the Indian tax liability for the AY-2013-14.

[ *Internal Assessment* : 10 Marks]

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