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2016

M B A

4th Semester Examination

Subject : CORPORATE TAXATION

(Specialization : Financial Management)

PAPER—F-401

Full Marks : 100

Time : 3 Hours

The figures in the right-hand margin indicate full 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 :

4×5

- (a) (i) State the provisions of Income Tax Act, 1961 regarding set off and carry forward of loss in speculation business.

(Turn Over)

- (ii) Compute taxable income of Mr. J.P. Sharma from the following :

| | Rs. |
|---------------------------------------|-------------------------------|
| Income from non-speculation business | 1,80,000 |
| Income from salary | 2,05,000 |
| Loss from speculation business | 45,000 |
| Short-term capital gains | 23,000 |
| Long-term capital loss | 20,000 |
| Dividend received from Indian Company | 60,000 |
| | $2\frac{1}{2} + 2\frac{1}{2}$ |

- (b) Discuss the CENVAT Credit availability under the Central Excise Act.
- (c) What are the objectives of customs duty? Define 'goods' under the Customs Duty Act.
- (d) What are the due dates for payment of service tax. State in brief the registration requirement in case of Service tax.
- (e) State the features of Value Added Tax.
- (f) What are the taxable events for excise duty? Define assessable value under the Central Excise Act.

$2\frac{1}{2} + 2\frac{1}{2}$

2. (a) The Net Profit of Susmits Ltd. (a domestic company) for the year added 31-03-2015 has been computed at ₹ 10,20,000 after taking into consideration of following items.

| | ₹ |
|--|----------|
| Depreciation | 1,35,000 |
| Amount withdrawn from divided equalisation | |
| Reserve and credited to P&L A/C | 1,00,000 |
| Income tax | 2,00,000 |
| Proposed dividend | 1,25,000 |
| Outstanding Interest on LIC Loan, | 50,000 |
| Provision for liabilities (Un ascertained) | 28,000 |
| <i>Additional Information :</i> | ₹ |
| (i) Depreciation allowance U/S 32 | 2,00,000 |
| (ii) Deduction U/S 80 AB | 1,30,000 |
| (iii) Brought forward loss of 2013-2014 | |
| For tax purpose | 8,80,000 |
| For accounting purpose | 4,90,000 |
| (iv) Unabsorbed depreciation for tax purpose | Nil |

Compute the Minimum Alternate Tax as per Section

115JB of the Income Tax Act for the Assessment Year 2015-2016.

- (b) S.K. Manufacturer Ltd. procured the following items in the month of December 2015 and paid excise duty as below :

| <i>Item</i> | <i>Excise duty Paid (Rs.)</i> |
|---|-----------------------------------|
| (i) Raw Materials | 90,000 |
| (ii) Capital goods used outside the factory for generation of power for Captive use within the factory. | 2,60,000 |
| (iii) Refrigerator for personal use in the guest house | 30,000 |
| (iv) Components for use in the manufacture of final product. | 50,000 |
| (v) Goods supplied as free warranty and not charged to customers | 18,000 |

Determine the CENVAT credit available with S.K. Manufacturer Ltd. from the above. It is reported that the aggregate value of clearness of S. K. Manufacturer Ltd. for the preceding financial year is Rs. 490 lakhs.

(c) On the basis of the following information, compute total turnover, the taxable turnover & VAT payable by a dealer Kolkata registered and VAT Act (Tax is not included in sales) :

- (i) Sales of goods against form 'D' to Kerala Govt. (Local tax rate : 5%) ₹ 6,00,000.
- (ii) Sales of undeclared goods to registered dealers of Tamil Nadu (local tax rate : 8%) without Form 'C' ₹ 2,00,000.
- (iii) Sale of declared goods to unregistered dealer of Goa (Local tax rate : 3%) ₹ 3,00,000.
- (iv) Sale of goods of Govt. of West Bengal (Exempt under (VAT) ₹ 1,00,000.
- (v) Declared goods purchased from a registered dealer in Mumbai ₹ 2,50,000.

But while the goods were in transit they were sold to a registered dealer of Cochin (Kerala) against Form 'C' by transfer of documents of title to goods for ₹ 2,00,000 (local tax rate 7%).

- (vi) Sale of declared goods to a registered dealer to Maharashtra against Form 'C' ₹ 3,60,000.

- (vii) Goods worth ₹ 1,60,000 were sent to his agent in West Bengal . But while the goods were in transit, they were sold to a registered dealer in Orissa against 'C' by transfer of documents of title to goods for ₹ 2,00,000 (local tax rate : 3%).

[Internal Assessment : 10 Marks]

(Second Half)

(Marks : 50)

3. Answer any *four* questions : 4×5
- (a) What do you mean by tax planning ? How does it differ from tax management ?
- (b) "While tax planning is permissible under the tax laws, tax evasion is a punishable offence". Explain.
- (c) Write a short note on tax planning relating to amalgamation and merger of companies.
- (d) Highlight the tax planning aspect of medical allowance in respect of remuneration to employees.

- (e) Mr. Gopal is entitled to a salary of ₹ 20,000 p.m. He is given an option by the employer either to take HRA @ ₹ 6,000 p.m. or a rent free accommodation which is owned by the company. If Mr. Gopal option for HRA, he will have to pay ₹ 6,000 P.M. as rent for his residential accommodation in Delhi. Advice Mr. Gopal in this regard.
- (f) Y Ltd. is an Indian Company. For the previous year 2015-2016 the following incomes are noted from the books of accounts of the tax payer—

| | |
|---|---------------|
| Income from a Business in India | ₹ 3,50,000 |
| Income from country A with whom India has ADT agreement (Tax deducted ₹ 20,000) | 2,40,000 |
| Income from country B with whom India has no ADT agreement (Tax deducted @19.25%) | 2,10,000 |

Calculate Indian Tax liability for the Assesment Year 2016-2017.

4. Answer any *two* questions :

2×10

- (a) "While making tax planning for amalgamation, there are certain benefits that can be enjoyed by an amalgamated company, amalgamating company and share holders of the amalgamating company under

the Income Tax Act." Discuss in details after considering that the amalgamation fulfils conditions U/S 2(IB) of the Income Tax Act. 10

(b) Discuss the application of tax planning in the context of :

(i) Location of Undertaking and

(ii) Ownership Pattern incorporates. 10

(c) Mr. Rohit and Dhawan proposed to set up a business either as a Partnership or a Private Limited Company, with capital contribution of ₹ 10,00,000 each profit of the business before charging their remuneration at ₹ 15,000 p.m. each and interest @ 12% p.a. is estimated at ₹ 18,00,000. Profit after tax are proposed to be distributed equally as profit/dividend.

Advice them with appropriate working about the form of organisation they should choose from the point of view the tax implication involved in each case, assuming that they have no income other than from the proposed business.

[Internal Assessment : 10 Marks]