

2014

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) XYZ Ltd. furnishes the following particulars and request you to examine Sec 115JB in respect of the AY-2014-15 and the unabsorbed loss and depreciation to be carried forward.

(Turn Over)

<i>For the FY 2012-13</i>	<i>As per Book (Rs.)</i>	<i>for the purpose of assessment to income-tax (Rs.)</i>
Loss for the year	8,00,000	8,00,000
Depreciation	2,00,000	4,00,000
<i>For the FY-2013-14</i>		
Depreciation	2,00,000	10,00,000

Profit as per Profit and Loss A/c Rs. 10,00,000

- (b) KENT Ltd. provides you the following extracts of the P&L A/c

P&L A/c for the year ended 31.3.2014

To, Freight	40,000	By, Service	
" Security		Provided	5,00,000
Charges	25,000	" Supply of	
" Job off loading	50,000	Material	3,00,000

Security Service provider is an Individual. You are required to calculate Service Tax payable after CENVAT credit under Revenue Charge Mechanism.

- (c) On April 1, 2013, X and Mrs. X purchased all the shares of a Private Limited Company. The company had the unabsorbed allowance/losses :

	Rs.
Accumulated Loss	3,00,000
Unabsorbed depreciation	8,00,000

State the effect of change of shareholders on the right of the company to carry forward of the above items.

- (d) What are the different types of Excise Duty ?
- (e) Briefly explain the term Warehouses with reference to the Provisions of the Customs Act.
- (f) State the salient features of the West Bengal Value Added Tax Act, 2003.

2. Answer any *two* questions : 2×10

- (a) The Net profit of Supreme Ltd. (a domestic company) for the year ended 31.3.2014 has been computed at Rs. 10,20,000 after taking into consideration of following items.

	Rs.
Depreciation	1,35,000
Amount Withdrawn from Dividend Equalisation Reserve and credited to P&L A/c	1,00,000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 (Unascertained)	28,000

Additional Information :

	Rs.
(i) Depreciation allowance U/S 32	2,00,000
(ii) Deduction U/S 80AB	1,30,000
(iii) Brought forward Loss of 2012-13	
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 115 JB of the Income Tax Act for the AY 2014-15.

- (b) X Ltd. gives the following particulars relating to the services provided by it to its various clients during the period October 2013 to December 2013 Service Tax is separately charged on taxable value. You are to compute in each case :
- (a) Point of Taxation.
 - (b) Service Tax Payable
 - (c) Last date of Service Tax Payable.
 - (i) An invoice was raised on 25th October, 2013 for service valued Rs. 2,00,000. The service was completed on 5th October, 2013. Payment of Rs. 1,50,000 was received on 10th November, 2013, and the balance amount yet to be received.

- (ii) A service valued Rs. 50,000 was provided on 28th November, 2013 and the invoice was raised on 5th January, 2014. Payment yet to be received.
 - (iii) An advance of Rs. 27,575 was received on 15th November, 2013 and the rest amount on 30th November, 2013 for the service provided valued Rs. 60,000. The service was completed on 10th November, 2013 and the invoice was raised on 20th November, 2013.
 - (iv) An amount of Rs. 55,150 was received as an on 25th November, 2013 from AB Ltd. to whom services were to be provided in April, 2014.
 - (v) Service valued Rs. 1,00,000 was completed on 10th November 2013, and bill was raised on 20th December, 2013. Payment was received on 15th December, 2013.
- (c) On the basis of the following information, Compute total turnover, the taxable turnover and VAT Payable by a dealer Kolkata registered and VAT Act (Tax is not included in sales) :
- (i) Sales of goods against from 'D' to Kerala Govt. (Local tax rate : 5%) Rs. 6,00,000
 - (ii) Sales of undeclared goods to registered dealers of Tamil Nadu (local tax rate : 8%) without form 'C' — Rs. 2,00,000.

- (iii) Sale of declared goods to unregistered dealer of Goa (local tax rate : 3%) — Rs. 3,00,000.
- (iv) Sale of goods of Govt. of West Bengal (Exempt under VAT) — Rs. 1,00,000.
- (v) Declared goods purchased from a registered dealer in Mumbai — Rs. 2,50,000.

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

- (vi) Sale of declared goods to a registered dealer to Maharastra against from 'C' — Rs. 3,60,000.

He returned goods worth Rs. 40,000 after 4 months and worth Rs. 20,000 after 6 months.

- (vii) Goods worth Rs. 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 Rs. 2,00,000 (local tax rate : 3%).

[Internal Assessment : 10 Marks]

(Second Half)**(Marks : 50)**

3. Answer any *four* questions : 4×5

- (a) State any five requisites of a good tax planning.
- (b) "Tax avoidance is nothing but tax evasion". Do you agree? Give reasons.
- (c) Write a short note on Tax Planning through issue of Bonus Shares.
- (d) Mr. Gopal is entitled to a salary of Rs. 20,000 p.m. He is given an option by the employer either to take HRA @ Rs. 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 Rs. 6,000 p.m. as rent for his residential accommodation in Delhi. Advice Mr. Gopal in this regard.
- (e) Y Ltd., is an Indian Company. For the previous year 2013-14 the following incomes are noted from the books of account of the tax payer —

	Rs.
Income from a Business in India	3,50,000
Income from country A with whom India has ADT agreement (Tax deducted Rs. 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 AY 2014-15.

- (f) Mention the tax related issues in case of Foreign Collaboration as per the provisions of Income Tax Act 1961.

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 shareholders 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.
- (b) Discuss the application of tax planning in the context of :
- (i) Location of undertaking and
 - (ii) Ownership Pattern in corporates.
- (c) Mr. Rohit and Dhawan proposed to set up a business either as a partnership or as a private limited company, with capital contribution of Rs. 10,00,000 each profit of the business before charging their remuneration at Rs. 15,000 p.m. each and interest @ 12% p.a. is estimated at Rs. 18,00,000. Profit after tax are proposed to be distributed equally as profit/dividend.

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

[Internal Assessment : 10 Marks]
