[This question paper contains 4 printed pages.]

2837 *Your Roll No.* ....

M.Com. /Sem. III (OC) **F**

PAPER NO. 7141 : CORPORATE TAX PLANNING

Time : 3 Hours *Maximum Marks : 100*

(Write your Roll No. on the top immediately on receipt of this question paper.)

*Attempt **all** questions.*

All questions carry equal marks.

1. (a) The Zion international is a closely held company has submitted the following information.As a tax consultant compute the tax liability of Zion internationalkeeping in view the provisions of MAT u/s 115 JB for the assessment year 2015-16:

Profit & Loss A/c

	Rs.		Rs.
To expenses relating to business	45,00,000	By long term capital gain	10,00,000
To income tax paid	2,00,000	By sale	70,00,000
To general reserve	4,00,000		
To provision for contingent liability	4,00,000		
To proposed dividend	10,00,000		
To balance c/d	15,00,000		
	80,00,000		80,00,000

P.T.O.

- Brought forward loss as per books of account Rs. 2,50,000.

- Brought forward depreciation as per books of account Rs. 1,40,000.

- Brought forward loss under the head capital gains (computed a per Income Tax Act) Rs.2,25,000

- Brought forward unabsorbed depreciation Rs. 2,90,000. (20)

OR

Elucidate the essence of tax planning and scope of all tax planning activities. Also differentiate between tax management, tax planning and tax management.

(20)

2. (a) An individual residing in the North East of India wants to startup a business where in he wants to have maximum tax gain. Suggest him the new busine s set up as a Corporate Tax Planner to keep minimum tax liability. (8)

(b) Explain arm's length price. How i it computed under section 92 C or the Income Tax Act, 1961? (12)

OR

What are closely held companies, openly held companies and Industrial companies? Explain the provision of see 79 for carry forward and set off of losses in the cases of certain companies. (20)

3. Mr X carries on a business of ready-made garments. He wants to acquire a machine for Rs 20,00,000 having an expected life of 10 years after which it will be discarded and sold at the depreciated price. He has three options:

(a) Purchase the machine with own funds

(b) Borrow Rs 20,00,000 from a private bank at the rate of interest of 12% per annum and processing charges of 0.25% and repay the entire loan at the end of ten year.

(c) He can also opt to obtain the asset on lease, for the annual payment of lease rent of Rs 3,50,000 for ten years with lease management fee of Rs 55,000 to be paid at the time of the agreement. Assuming the rate of tax to be 15%, uggest whether the assesse should acquire the assets with own funds or borrowed funds or take the assets with the own funds or borrowed funds or take the asset on lease whiletaking the discounting rate to be 10%. (20)

OR

Discuss the provision dividend u/s 2(22)along with the tax treatment of dividend in the hands of shareholders and company issuing bonus shares. (20)

4. Explain transfer pricing as per sec 92 Of the Income Tax Act 1961. Discuss the conditions for applicability of arm's length price in the international transaction. (20)

OR

Discuss the provisions of Sec 92 CC and 92 CCD for Advance Pricing Agreement. (20)

5. Write explanatory notes on any four of the following:

   (a) Conditions for demerger u/s 2(19AA)

   (b) Tax treatment of Capital gains in case of slump sale u/s 50B of the Income Tax Act 1961.

   (c) Tax treatment of salary received by foreign nationals u/s 10(6) of the Income Tax Act 1961.

   (d) Tonnage Tax Scheme u/s 115V

   (e) Tax advantages for an amalgamating company.

(5×4=20)

(100)