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Your Roll No.....

7030

M.Com./Semester III (OC) G

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.

- I. The Profit & Loss Account of R Ltd. (a domestic company) for the year ending March 31, 2016 is given below :

Profie and Loss Account

| Particulars | Amount Rs. | Particulars | Amount Rs. |
|--------------------------------|---------------|----------------------------------|---------------|
| Salary and wages | 7,50,000 | Sales | 48,20,000 |
| Postage & Telegrams | 40,000 | Amount withdrawn from General | |
| Travelling & Conveyance | 50,000 | Reserve | 3,00,000 |
| Depreciation | 5,00,000 | | |
| Income tax | 4,00,000 | | |
| Wealth tax | 10,000 | | |
| Excise duty due | 1,00,000 | | |
| Provision for future losses | 60,000 | | |

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| | | | |
|-------------------------------|------------------|--------------|------------------|
| Dividend paid | 80,000 | | |
| Loss of subsidiary Company | 50,000 | | |
| Audit fee | 25,000 | | |
| Director remuneration | 8,00,000 | | |
| Deferred tax liability | 1,35,000 | | |
| Net profit | 21,20,000 | | |
| Total | 51,20,000 | Total | 51,20,000 |

Other Informations :

- (a) Excise duty due on 31-3-2014 was paid on 02-12-2015
- (b) Custom duty of Rs. 1,20,000 which was due on 31-03-2013 paid during PY 2015-16.
- (c) Depreciation u/s 32 is Rs. 11,43,000.
- (d) The company wants to set off the following losses and unabsorbed depreciation :

| Particulars | For tax purposes | for Accounting purposes |
|----------------------------------------------------|-------------------------|--------------------------------|
| Brought forward loss of assessment year 2014-15 | 12,00,000 | 10,00,000 |
| Unabsorbed depreciation | 3,00,000 | 3,00,000 |

Compute the tax liability of the assessee for the assessment year 2016-17.

Or

Discuss the adjustments to be made in the net profit of P & L A/c for computing 'Book Profit' under the provisions of MAT (u/s 115 JB), along with the provisions of Tax Credit. 20

2. X Ltd., a domestic company is planning to acquire a machinery costing Rs. 60,00,000 and has effective useful life of five years because the products produce by this machinery will become obsolete after five years and this machinery has no alternative use.

X Ltd. is considering two options to acquire this machinery for next five years as follows :

Option 1 : Company will pay Rs. 10,00,000 in cash and borrow remaining amount @ 12% pre annum from a bank. This amount of loan payable in five equal annual instalments payable at the end of the each year along with interest amount.

Option 2 : Company will take this machinery on lease by paying lease rentals of Rs. 24,00,000 each year, payable at the beginning of the each year.

Applicable rate of tax is 30.9%, Rate of depreciation allowed is 15% (WDV). Assuming internal rate of return 10% for present value factor, what would your advice be for X Ltd. ?

If lease rentals are payable at the end of the year, would you change your advice ?

Or

Discuss the tax concessions available to the corporate sector in respect of setting up a new business in Free Trade Zone (u/s 10A) & Special Economic Zone (u/s 10AA) of the Income Tax Act. 20

3. Discuss the provisions of governing the tax liability for dividend u/s 2(22) and the tax treatment of bonus shares in the hands of shareholders and the company.

Or

Discuss the conditions and consequences of availing deduction in respect of expenditure on specified business u/s 35AD. 20

4. Given below the particulars of OR and NOR :

| Particulars (for P.Y. 2015-16) | OR (age 45 years) | NOR (age 60 years) |
|-------------------------------------------------------------------------------------------------|------------------------|----------------------------|
| Residential Status | Ordinarily Resident | Non-ordinarily Resident |
| Business income from India | 50,00,000 | 40,00,000 |
| Business income from Japan (Business is controlled from outside India) | 40,00,000 | 20,00,000 |
| Professional income from US (Profession is set up in India) | 30,00,000 | 40,00,000 |
| Contribution to PPF | 1,50,000 | 1,50,000 |
| Tax paid in Japan | 14,00,000 | 7,50,000 |
| Tax paid in US | 6,00,000 | 15,00,000 |
| Interest income earned in US in financial year 2013-14, remitted to India in P.Y.2015-16. | 1,00,000 | 1,50,000 |
| Income from other sources in India | Nil | 25,00,000 |

Suppose India has no DTAA with Japan and US. Compute the tax liability of OR and NOR in India for the A.Y 2016-17.

P.T.O.

Or

- (a) Differentiate between 'Tax Planning', 'Tax Management' and 'Tax Evasion' with the help of examples.
- (b) Briefly explain the provisions of avoidance of double taxation agreements under the Income Tax Act, 1961. 2×10=20
5. Discuss the benefits available under the Income Tax Act in case of amalgamation of companies in any *two* of the following :
- (a) The amalgamating company
- (b) The amalgamated company
- (c) The shareholders of amalgamating company. 2×10=20