PG – 256

III Semester M.Com. Examination, April/May 2022
(CBCS) (Semester Scheme)
(2021 – 2022 Onwards)
COMMERCE
3.5 : Corporate Tax Planning

Time : 3 Hours Max. Marks : 70

SECTION – A

1. Answer **any seven** out of ten. **Each** question carries **two** marks. **(7×2=14)**
   a) What is meant by Advance Tax Rulings ?
   b) Write any two factors relating to make or buy decisions.
   c) What is meant by foreign collaborations ?
   d) Differentiate between Amalgamation and merger.
   e) What is MAT Credit ?
   f) Write a brief note on Budget implications to income tax provisions.
   g) Write any two conditions to be fulfilled claim deduction under section 80-IC.
   h) Enumerate the various reasons that a business may suffer loss.
   i) Define scrutiny assessment.
   j) Define Direct taxes code.

SECTION – B

Answer **any four** questions out of six. **Each** question carries **five** marks. **(4×5=20)**

2. Explain the various principles of Direct Taxes.
3. What are the implications of tax laws on amalgamation relating to set off and carry forward of losses ?
4. How is a Settlement commission set up ? What are its powers ?

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5. From the particulars given below, calculate the amount of depreciation and Short term capital gain/loss. Rate of Depreciation is 15%.
   a) Written down value of the block of Plant and Machinery as on 1-4-2020 Rs. 1,60,000.
   b) Cost of additions made during May 2020 Rs. 40,000.
   c) Expenses incurred as commission at the time of sale Rs. 10,000.
   d) Net consideration of all the assets comprising in this block Rs. 2,40,000.

   What is the difference it will make if the net consideration is Rs. 1,50,000 ?

6. DB Ltd. is an existing company and needs capital for its expansion. It has two options.
   a) To have equity capital of Rs. 40,00,000 and loan capital of Rs. 20,00,000 @ 15% p.a.
   b) To have equity capital of Rs. 20,00,000 and loan capital of Rs. 40,00,000 @ 15% p.a.

   The expected rate of return is 22% and company had been distributing dividend @ 20% p.a for last several years. Rate of tax is 30% Plus H.E. Cess 4% of tax. Suggest the better option assuming that company has decided to plough back its entire profits.

7. The estimated taxable business income of Vijay Ltd. for the financial year 2020-21 is Rs. 6,00,000 and taxable LTCG on 03.06.2020 is Rs. 3,00,000. Calculate the advance tax installment assuming estimated TDS to be Rs. 25,000.

SECTION – C

Answer **any two** questions out of four. **Each** question carries **twelve** marks. **(2×12=24)**

8. Define Tax planning. Differentiate between Tax Avoidance and Tax Evasion.

9. Describe briefly the procedure of Assessment under Income Tax Act.

10. Following is the Profit and Loss A/c of Lakshmi Ltd. An Indian Company for the year ending 31-03-2021.

Particulars	**Amount (Rs.)**	**Particulars**	**Amount (Rs.)**
Salaries and Wages	7,50,000	Gross Profit	25,00,000
Advertisement expenses	1,50,000		
Insurance	2,50,000		

Audit fees	50,000		
Depreciation	1,00,000		
Income Tax	30,000		
Transfer to General reserve	40,000		
Office expenses	15,000		
Losses of subsidiary company	25,000		
Net Profit	10,90,000		
Total	**25,00,000**	**Total**	**25,00,000**

Additional Information :

a) Brought forward loss as per books of accounts is Rs. 1,25,000 and as per income tax is Rs. 1,50,000.

b) Unabsorbed depreciation as per books of accounts amount to Rs. 25,000 and as per income tax is Rs. 75,000.

Calculate :

1) Total income of the company under normal provisions.

2) Book-profit and tax liability as per section 115JB.

3) Tax liability of the company.

11. XYZ Ltd. is considering the purchase of a new machine costing Rs. 60,000 with an expected life of 5 years with salvage value of Rs. 3,000, in replacement of an old machine purchased 3 years ago for Rs. 30,000 with expected life of 8 years. The present market value of this old machine is Rs. 35,000. Because of the purchase of new machinery, the annual profits before depreciation are expected to increase by Rs. 12,000. The relevant depreciation rate for the machine is 15% on written down value basis and the tax rate is 32.445 percent. Assume the after tax cost of capital (discounting rate) to be 14% and additional depreciation is not available. Advise the company suitably.

Present value factor for Re. 1 at 14%.

Year	I	II	III	IV	V
PV factor	0.877	0.769	0.675	0.592	0.519

SECTION – D

Answer the following : **(1×12=12)**

12. Aman, Raman and Sonu are partners in AOP sharing profits and losses equally. The following information is given for the previous year 2020-21.

Net profit as per P & L A/c (after debiting the following)	Rs. 2,10,000
Salary to Aman	Rs. 80,000
Salary to Raman	Rs. 60,000
Salary to Sonu	Rs. 50,000
Interest on capital @ 15% p.a	
To Aman	Rs. 12,000
To Raman	Rs. 10,500
To Sonu	Rs. 9,000

Sonu is running his independent trading business also. Its profits for the P.Y. 2020-21 are Rs. 70,000 duly computed as per the provisions of the Income Tax Act, 1961.

Now, a tax expert has advised them to claim the status of firm under Income Tax Act, 1961 and make saving in tax payment. He has told all the partners about the requirements of Section 184 of the Act regarding submission of deed etc.

Analyse the case and suggest the tax impact as a tax expert.
