PG – 603

III Semester M.Com. Degree Examination, March/April 2025
(CBCS) (2021-22 Onwards)
COMMERCE
3.5 (A & T) : Corporate Tax Planning

Time : 3 Hours Max. Marks : 70

SECTION – A

Answer **any seven** out of ten questions. **Each** question carries **two** marks. **(7×2=14)**

1. a) What do you mean by Advance Tax Rulings ?

   b) Define Tax Credit.

   c) What is the significance of the Annual Finance Act in taxation ?

   d) What are the implications of bonus shares on tax liability ?

   e) What are Tax Havens ?

   f) What is the role of the CBDT Tribunal in tax disputes ?

   g) Explain the term 'Minimum Alternative Tax' (MAT).

   h) Explain the importance of e-filing of tax returns.

   i) Differentiate between tax avoidance and tax management.

   j) Describe e-TDS.

SECTION – B

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

2. Elucidate the concept of Vivad se Viswas.

3. A company has made an advance tax payment of Rs. 5,00,000 but its final tax liability was Rs. 6,20,000. Compute the interest payable under Section 234B and 234C.

P.T.O.

4. Right and Co., a firm engaged in retail business, employed 30 new employees on 1.4.2023 on a monthly salary of Rs. 24,500 to be paid by account payee cheque. In addition, each employee was entitled to 10% employer contribution to recognised provident fund. The employees were also entitled to transport allowance of Rs. 3,500 p.m. paid in cash. The gross total income of Right and Co. included profits and gains from business of Rs. 75 lakhs. The firm claimed deduction under section 80JJAA of Rs. 26,46,000, being 30% of Rs. 88,20,000 lakhs (30 new employees × Rs. 24,500 p.m. × 12) on the basis of the report of the chartered accountant issued in Form 10DA. The same chartered accountant was also the tax auditor of the firm. The chartered accountant contended that "emoluments" do not include employer contribution to PF. Also, cash payments were not to be considered as "additional employee cost" for the purpose of section 80JJAA. Hence, only Rs. 24,500 p.m. per employee paid by account payee cheque has to be treated as additional employee cost. Since the same does not exceed the limit of Rs. 25,000 p.m. and the employees have been employed for more than 240 days in the P.Y. 2023-24, the employees would qualify as "additional employees" for the purpose of deduction under section 80JJAA for A.Y. 2024-25.

   Is his contention correct ? Examine the ethical implications in this case.

5. DVC Ltd. owns two Plants – Plant A and Plant B – on April 1, 2023 (rate of depreciation 15%, depreciated value on April 1, 2023: Rs. 2,37,000). The company purchases Plant C on May 31, 2023 for Rs. 20,000 and sells Plant A on April 10, 2023 for Rs. 10,000, Plant B on December 12, 2023 for Rs. 15,000 and Plant C on March 1, 2024 for Rs. 24,000. Calculate the written down value of the Block of assets and Depreciation admissible.

6. STP Ltd. is an Indian company engaged in the manufacturing of supreme quality cotton bedsheets. It has total borrowings of Rs. 60 crores by way of loan as on 1.04.2023. Fix Ltd. of Canada imported 4 lakhs bedsheets from STP Ltd. for the resale in Canada @ Rs. 2,200 per unit. STP Ltd. sold similar bedsheets to other dealers in Canada @ Rs. 2,300 per unit. STP Ltd. received a bank guarantee on 1.04.2023 for availing a cash credit limit of Rs. 9 crores for which Fix Ltd. was the guarantor. The terms of trade for other dealers was to make payment within 1 month from the date of sale of goods by STP Ltd., whereas for Fix Ltd., the credit period allowed was 3 months from the date of sale of goods. The cost of capital was 12% per annum and the supply of goods is assumed to be uniform throughout the year. You are required to determine whether STP Ltd. and Fix Ltd. are associated enterprises. If yes, compute the ALP of the transaction between them and the amount to be added to the income of STP Ltd., if any, by way of an ALP adjustment. Assuming that the above adjustments to the transfer price have been made suo-moto by STP Ltd. in its return of income, what is the time limit for the repatriation of such excess money ? What are the implications if the excess money is not repatriated within such prescribed time limit ?

7. Indicate whether the following acts can be considered as tax evasion/tax avoidance or otherwise :

   i) Sushil is using a motor car for his personal purposes, but charges as business expenditure.

   ii) PQR industries Ltd. installed an air-conditioner costing Rs. 75,000 at the residence of a director as per terms of his appointment but treats it as fitted in quality control section in the factory. This is with the objective to treat it as plant for the purpose of computing depreciation.

iii) SQL limited maintains a register of tax deduction at source affected by it to enable timely compliance.

iv) R Ltd. issues a credit note for Rs. 90,000 for brokerage payable to Suresh who is son of R, managing director of the company. The purpose is to increase his total income from Rs. 1,60,000 to Rs. 2,50,000 and reduce it's income correspondingly.

v) Company claiming depreciation on the motor car which is being used by director for personal purposes.

SECTION – C

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

8. Explain Tax Planning with reference to setting up a new business, considering location, nature and form of organization.

9. Following is the P and L A/c of Sania Ltd. company for the year ended 31.03.2024. Compute the taxable income of the company for A.Y. 2024-25.

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Purchases	2,25,000	By Sales	14,00,000
To General Charges	40,000	By Agriculture Income	55,000
To Commission and brokerage	1,80,000	By Transfer from Investment Reserve	2,00,000
To Income tax	1,15,000	By L.T.C.G	2,50,000
To Legal expenses	65,000		
To Fines and penalties	25,000		
To Depreciation	2,60,000		
To Provision for contingent liabilities	70,000		

To Proposed dividend	1,50,000		
To Loss of subsidiary company	2,00,000		
To Net profit	5,75,000		
Total	**19,05,000**	**Total**	**19,05,000**

Additional Information :

a) General charges include donation to PM National Relief Fund of Rs. 22,000.

b) Depreciation as per Income Tax Act Rs. 3,00,000.

c) Brought forward business losses and depreciation.

Particulars	**As per A/cs Rs.**	**As per I.T. Act Rs.**
B/F Business Losses	3,00,000	4,00,000
Unabsorbed Depreciation	50,000	1,50,000

d) Investment Reserve was created during P.Y. 2010-11 as a result of profit on revaluation of investment directly credited.

e) The LTCG has been invested in NHAI bonds as per section 54EC.

i) Calculate the tax liability as per Normal Provisions of I.T. Act and as per MAT Provisions. Tax rate is 25% Plus cess.

ii) Is the company entitled to any tax credit ?

10. Beaker Ltd. wants to acquire a machine on 1st April, 2023. If it purchases the same, it will cost Rs. 60 lakhs, have the expected useful life of 5 years and scrap value will be Rs. 10,000. The company could either purchase the machinery with its own fund or borrowed funds. If the machine is purchased through borrowed funds, rate of interest will be 11.5% per annum and the loan will be repayable at the end of 5 years. If machine is acquired through lease, lease rent would be 16 lakhs per annum. Profit before depreciation and tax is expected to be 4.50 crores

every year. Depreciation is charged @ 15% on written down value. Besides, additional depreciation is available in the first year. Average rate of tax may be taken at 32.445%. Advice Beaker Ltd. whether it should –

i) Acquire the machine through own funds or borrowed funds; or

ii) Take it on lease.

Present value factor shall be taken @ 10%.

11. Sun Bright Ltd., an Indian company furnished the following particulars of its income for the previous year 2023-24. Calculate its total income and income tax liability for the assessment year 2024-25.

	Amount (Rs.)
Income from business	5,00,000
Dividend received during the year :	
– from Indian company	20,000
– from foreign company	5,000
Gains from transfer of capital assets :	
– short term capital gains	25,000
– long term capital gains	50,000
Agricultural income in India	35,000

Additional information :

- Business expenses already charged from business income include Rs. 10,000 revenue expenditure and Rs. 30,000 capital expenditure on family planning programme for employees.
- Company has debited following donations in the profit and loss account of the business of company.

  PM Care Fund : 50,000.

SECTION – D

Answer the following question. **(1×12=12)**

12. A company XYZ Ltd., is planning to expand its business by acquiring another firm. The firm has outstanding tax liabilities, and there are concerns regarding set-off and carry-forward of losses. The management also wants to explore tax benefits under MAT and potential deductions available under various provisions.

    a) How should XYZ Ltd. approach tax planning for this acquisition ?

    b) What provisions under the Income Tax Act can be utilized for minimizing tax liability ?

    c) Explain the tax implications of corporate restructuring in such scenarios.
