

Seat No. : _____

NH-107
December-2015
5th Years M.B.A. Integrated
Corporate Taxation

Time : 3 Hours]

[Max. Marks : 100

1. (a) Answer the following : (any 5) **10**
- (1) What is tax evasion ?
 - (2) Define company under sec 2(17) of Income Tax Act.
 - (3) Explain Dividend v/s 2(22)(e)
 - (4) Discuss the residential status of a company.
 - (5) Explain the provision of carry forward & set off of losses in case of certain companies (section 79).
 - (6) What do you mean by Investment Company ?
- (b) Shine Pvt. Ltd. is a closely held company engaged in the business of paints. The Profit & Loss A/c. for the year ended on 31/3/2015 is as under : **10**

Particulars	Amount (₹)	Particulars	Amount (₹)
To General Expenses	2,08,500	By Sales (Domestic)	33,35,850
To Fees paid to tax expert	31,500	By Export Sales	8,64,150
To Depreciation (normal)	9,24,000	By Amount withdrawn from revaluation reserve	2,25,000
To Depreciation (because of revaluation)	4,05,000	By Amount withdrawn from general reserve (reserve was created in 1997-98 by debiting P & L)	3,00,000
To Salary and Wages	3,15,000		
To Proposed Dividend	90,000		
To Income Tax	5,40,000		
To Outstanding Custom Duty (not paid as yet)	26,250		
To Net profit	21,84,750		
	47,25,000		47,25,000

For Tax purpose the company wants to claim the following :

- (1) Deduction under section 80 I B (30% of ₹ 21,84,750)
- (2) Depreciation u/s 32 (₹ 8,04,000)
- (3) The company wants to set off following losses and allowances :

	For Tax purpose	For Accounting purpose
Brought forward loss of 2009-10	22,20,000	6,00,000
Unabsorbed depreciation	—	1,05,000

Compute the net income and tax liability of Shine Pvt. Ltd. for assessment year 2015-16. Also compute Tax credit, if any.

2. (a) Mr. X is into business of growing and manufacturing tea, he consults you for tax planning; explain in detail the provisions of Section 33 AB for claiming deduction as per Income Tax Act, 1961. **5**
- (b) Mr. X is engaged in the business of carriage of goods. On April 1, 2014, it owns 15 trucks (10 out of which are “heavy goods vehicle”). On May 6, 2014, two of heavy goods vehicles is sold by X ltd. to purchase two light goods vehicle on May 10, 2014 which is put to use only from June 17, 2014. **5**
- (c) Write a note on : (any **two**) **10**
 - (i) Investment allowance for acquisition and installation of new plant and machinery.
 - (ii) Deduction in respect of employment of new workmen 80 JJAA.
 - (iii) Compare the tax benefits available to partnership firm and company form of organization.
 - (iv) Explain the conditions for amalgamation under Income Tax Act.
3. (a) The directors of a company propose to expand and modernize its business for which an additional investment of ₹ 50 crore would be needed. They feel confident about raising the entire sum of ₹ 50 crore either by making a further issue of equity share or by borrowings from financial institution at 18% p.a. They decide in favour of raising the additional capital by issue of equity shares. The company’s present paid up equity share capital is ₹ 50 crore and it has been declaring dividend at 20% (ignoring dividend tax) on September 30 every year for the last five years though, considering the proposed expansion, there is desire to raise it to 25%.
As a tax consultant do you approve of the proposal to raise the entire additional capital through issued of equity shares or would you advise differently ? Answer in detail. **10**

- (b) X Ltd. Manufactures electric pumping sets. The company has the opinion to either make or buy from the market component Y used in manufacture of the sets. **10**

The following details are available :

The components will be manufactured on new machine costing ₹ 2 lakh with a life of 10 years. Material required cost ₹ 2 per kg and wages ₹ 0.30 per hour. The salary of the foreman employed is ₹ 2,000 per month and other variable overheads include ₹ 20,000 for manufacturing 25000 components per year. Material requirement is 25000 kgs, and requires 50000 labour hours.

The component is available in market at ₹ 4.30 per piece.

Will it be profitable to make or to buy the component ? Does it make any difference if the component can be manufactured on an existing machine ?

4. (a) Answer the following : (any **two**) **10**

- (1) Describe the treatment of Provident Fund for Income Tax purpose.
- (2) Explain any two retirement benefits to non-government employees.
- (3) Give the list of allowances which are taxable with a limit as specified under Income Tax Act.

- (b) Sri Ram is an officer in a company in Ahmedabad. He furnishes the following particulars regarding his income for previous year 2014-15. **10**

- (1) Basic salary ₹ 17,000 pm.
- (2) Bonus ₹ 5,000
- (3) Dearness Allowance ₹ 3,000 pm
- (4) Travelling Allowance ₹ 45,000. He spends ₹ 30,000 for official purposes.
- (5) Reimbursement of medical bills ₹ 25,000.
(Treatment was done in a Government hospital in India)
- (6) He lived in a bungalow belonging to the company. His fair rent is ₹ 15,000 pm. The company has provided on this bungalow the facility of a watchman and a cook each of whom is being paid in respect of this bungalow ₹ 5,000 for electricity bills and ₹ 3,000 for water bills.
- (7) He has been provided with 1.5 litres engine capacity car for official and personal use. The maintenance and running expense of the car (including driver) are borne by the company.
- (8) The following amounts were deposited in his Provident Fund Account.
 - (a) Own contribution ₹ 24,000
 - (b) Company's contribution ₹ 30,000
 - (c) Interest @ 12% ₹ 12,600
- (9) Rent of house recovered from Sri Ram ₹ 21,600

Compute his taxable income from salary for the assessment year 2014-15. Assume the population of Ahmedabad to be more than 25 lakhs as per 2001 census.

5. (a) The accounting year of Mr. Nayak is the financial year 2013-14. On 1-4-2013 he owned five machines of which the book value of 3 machines (having a common rate of depreciation at 30%) was ₹ 6,50,000 and the book value of other of other 2 machines (having a common rate of depreciation at 15%) was ₹ 9,60,000 on 30-04-2013, a new machine was purchased at ₹ 5,00,000 on which the rate of depreciation was 30%. On 1-7-2013, an old machine (having depreciation rate at 30%) was sold for ₹ 4,20,000. Calculate the total admissible depreciation in respect of both the blocks of machines. **5**
- (b) Explain the various methods used to determine arms length price under section 92C of Income Tax Act, 1961. **10**

OR

- (b) (1) List the conditions for applicability of arm's length price in the international transaction.
- (2) Write a note on provisions for avoidance double taxation.
- (c) Explain in detail tonnage tax scheme. **5**
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