

GUJARAT TECHNOLOGICAL UNIVERSITY

MBA - SEMESTER- III EXAMINATION – WINTER 2019

Subject Code: 3539282

Date: 02-12-2019

Subject Name: Corporate Tax Planning

Time: 10:30 AM TO 1.30 PM

Total Marks: 70

Instructions:

1. Attempt all questions.
2. Make suitable assumptions wherever necessary.
3. Figures to the right indicate full marks.

- Q.1** Define the terms **14**
- (a) Assessment Year
 - (b) Bonus Share
 - (c) Company
 - (d) Depreciation
 - (e) Perquisites
 - (f) Tax Management
 - (g) Tax Planning
- Q.2** (a) Write short-note on Depreciation U/s32. **07**
- (b) If the individual aged 45 years earns an income of Rs.10,86,920 for the AY 2018-19, then compute his tax liability. **07**

OR

- (b) X purchases 1,100 equity shares in A Ltd. on June 11, 1989 @ Rs.30 per share (brokerage: 1%). On May 23, 2004, he gets 550 bonus shares. FMV of shares in A Ltd., on 01/04/2001 is Rs.46. He sells 1,100 original shares on 10/03/2018 @ Rs.116 (brokerage: 1%). Further on March 29, 2018, he sells 550 bonus shares @ Rs.131 per share (brokerage: 2%). Find out the amount of capital gains on the assumption that STT is not applicable. (CII for 2001:100, CII for 2018-19: 272). **07**
- Q.3** (a) Write a short-note on Set-off and Carry Forward of Losses. **07**
- (b) Write short-note on Hindu Undivided Family. **07**
- OR**
- Q.3** (a) Which are the positive and negative adjustments to net profit to convert into book profit? **07**
- (b) Write short-note on Tonnage Tax Scheme. **07**
- Q.4** (a) Write a short-note on Section-80IA- Profits and Gains from industrial undertakings engaged in infrastructure. **07**
- (b) X gives the following information for the previous year ending March 31,2018: **07**

Particulars	Amount (in Rs.)
Basic Salary	9,00,000
Dearness Allowance (85% is considered for calculating pension but only 70% is considered for calculating Provident Fund)	80,000
Dearness Pay (not considered for retirement benefits)	50,000
Fixed Commission and Bonus	1,80,000

Advance Salary (Pertaining to next year) and arrears of salary (for 2012-13) (not taxed earlier)	1,23,000
Income Tax paid by the employer	20,000
Fixed lunch allowance	24,000
Children Education Allowance (for two children)	9,600

X has been provided with a rent-free unfurnished house. Find out the taxable value of perquisite in the following situation: X is an employee of a private sector company. He has been allotted a rent-free accommodation. House is owned by the employer.

OR

- Q.4** (a) Write a short-note on Expenditure on Scientific Research (Sec.35). **07**
 (b) X Ltd. is a widely held company. It is currently considering a major expansion of its production facilities and the following alternatives are available: **07**

Particulars	Alternative I	Alternative II	Alternative III
Share Capital	5,00,00,000	2,00,00,000	1,00,00,000
Debentures (14%)	-	2,00,00,000	1,50,00,000
Loan from Financial Institution (12%)	-	1,00,00,000	2,50,00,000

Expected rate of return (before tax) is 25%. The rate of dividend of the company since 1990 is not less than 20% and the date of dividend declaration is June 30 every year. Assume the corporate tax rate @ 30%, Surcharge @ 7% and 4% of tax and surcharge as health and education cess.

- Q.5** 1. Write short-note on Sect.80JAA: Employment of New Workmen. **14**
 2. Write short-note on Specified Business (Sec.35AD)

OR

- Q.5** 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 WDV basis and the tax rate is 34.608%. Assume the after tax cost of capital (discounting rate) to be 14%. Advise the company suitably. Assume that the old machine is sold and the new machine is purchased at the beginning of 4th year of the purchase of old machine and there is no other asset in the block. **14**
