

**GUJARAT TECHNOLOGICAL UNIVERSITY**  
**MBA – SEMESTER 3 – EXAMINATION – SUMMER 2018****Subject Code: 2830009****Date: 02/05/2018****Subject Name: CORPORATE TAXATION****Time: 02:30 PM To 05:30 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 Multiple Choice Questions. (6 Marks)****(a)**

Rebate under section 87A is available to \_\_\_\_\_ if net income does not exceed \_\_\_\_\_ and subject to maximum limit of Rs \_\_\_\_\_

- |   |                                     |                                     |
|---|-------------------------------------|-------------------------------------|
| 1 | A. Resident Individual, 500000,5000 | B. Resident Individual, 250000,3000 |
|   | C. All assessee, 500000,5000        | D. HUF,250000,5000                  |

Number of digits in a PAN card are-

- |   |      |       |
|---|------|-------|
| 2 | A. 9 | B. 12 |
|   | C. 8 | D. 10 |

Resident/NR and they seek advance ruling in respect of impermissible avoidance arrangement, has to make an application in form no.

- |   |        |         |
|---|--------|---------|
| 3 | A. 34E | B. 34EA |
|   | C. 34C | D. 34D  |

4 Identify odd one out for Arms length price methods

- |   |                                      |   |                           |
|---|--------------------------------------|---|---------------------------|
| A | Comparable Uncontrolled price method | B | Resale price method       |
| C | Profit split method                  | D | Double Taxation Agreement |

5 \_\_\_\_\_Exempt from tax unless expressly taxable.

- |   |                 |   |                 |
|---|-----------------|---|-----------------|
| A | Capital receipt | B | Revenue Receipt |
| C | Double Income   | D | None            |

6 Tea income is chargeable to tax at \_\_\_\_\_

- |   |     |   |     |
|---|-----|---|-----|
| A | 40% | B | 35% |
| C | 60% | D | 65% |

**Q.1 (b) Answer the following in brief.(1 Marks Each)****04**

1. GST
2. Assessee
3. Double taxation
4. Finance Act.

**Q.1 (c) State and explain briefly any 4 Deduction allowable under section 80 of Income Tax Act.****04****Q.2 (a) List out different areas of Tax Planning and explain any two in detailed.****07****(b) Dividend referred under section 115-O vs Section 2(22)(e).****07**

- (b) X purchases 1000 equity shares in A Ltd at the rate of Rs.16 per share (brokerage: 1%) on December 10, 1979. He gets 500 bonus shares (by virtue of holding of 1000 shares) on January 10, 1984. Fair market value of shares of A Ltd on 1.4.1981 is Rs.24. On the April 13, 2016; he transfers 1000 original shares @ Rs.300 per share (brokerage-1.5%) On the April 15, 2016, he transfers 500 bonus shares at Rs.310 per share (brokerage-1.5%). These shares are transferred in BSE. Find out the amount of capital gain. 07

Q.3 (a) Discuss the provisions of tax planning with reference to repairs/ renewal/ renovation. 07

- (b) X Ltd a paper manufacturing concern, purchase a machine on March 1, 1997 for Rs.610000 for its laboratory with view to improving the quality of art paper manufactured by company. 07

1. What will be the amount of deduction under section 35 on account of capital expenditure for the year 1997-1998
2. If the research activity for which machine was purchased ceases in 2015 and machine is brought into business on November 1, 2015 (Market value-Rs.230000), depreciation is admissible at the rate of 15%, Depreciated value of block of assets on 1.4.2015 is Rs1407860, and the scientific machine is sold for Rs190000 on 4.4.2016, what would be the amount of depreciation?
3. If the research activity for which machine was purchased ceases on 1.11.2015 (Market value-Rs.230000), and machine is sold on April 4, 2016 without using it for another purpose, Sale price being Rs190000, or 540000 or 810000 or 2200000. Compute capital gain.

OR

Q.3 (a) Throw light on provisions related DTAA and relief available under section 90, 90A and 91 with reference to Income tax. 07

- (b) Mr. DP (62 years), a non resident is engaged in business of shipping. During the previous year 16-17 one of the ships owned by X collects freight as follows: 07

- On 6.8.2016, a sum of Rs 40 lakh for shipping goods from cochin part (it includes demurrage of Rs 10000 and handling charges of Rs 60000) and
- On 10.1.2017, a sum of Rs 25 lakh for shipping goods from Bombay (it is paid to DP in New York)
- Besides, DP collects Rs 3270000 in India on 3.3.2017 for shipping goods from Karachi to California.

Barring the cases noted above, DP does not have any other income in India. DP incurs an expenditure of Rs 240000 in India (out of which Rs 65000 is paid in cash). DP has brought forward loss of Rs 5000 from trading business in India which was discontinued in 2015. Compute the tax liability of DP for AY 2017-18. Assume Mr DP opts for normal assessment under section 172(7).

Q.4 (a) Answer the questions for independent cases of Advance ruling. 2+2+3

1. Applicability of advance ruling and to whom it is binding on? (2Marks)
2. Cases where Advance ruling to be void in certain circumstances. (2Marks)

- (b) Mr X (28 Years) is ROR in India. His income is Rs896000 from a business in India and Rs192000 from business in Foreign country with whom India has ADT agreement. According to ADT, income is taxable in the country in which it is earned and not in the other country. However, in the other country, such income can be considered for tax. Business income of Rs192000 is taxable at 23%. During the PY, X has deposited Rs42000 in PPF out of which Rs10000 is deposited out of foreign income. He has also received Rs32000 on Govt securities. Find out the tax liabilities for AY17-18

**OR**

- Q.4 (a) Elaborate Associated Enterprise with reference to Transfer Pricing. 07
- (b) X Ltd is a manufacturing company. On April 1, 2016 it owns Plant A and Plant B (Rate of Depreciation-15%, Depreciated value of block being Rs.240000). Plant c (Rate of depreciation-15%) is purchased by company on June 10, 2016 for Rs.60000 and put to use on same day. Find out tax consequences in following cases: 07
1. Plant B is destroyed by fire on January 25, 2017. Rs.10000 being insurance compensation is paid by insurance company on February 10, 2017.
  2. Suppose insurance compensation in situation (1) is Rs.370000.
  3. All plants are destroyed by fire on January 25, 2017. The compensation paid by insurance company on February 10, 2017 is Rs.20000.

- Q.5 X Ltd is a closely held company engaged in manufacture of insecticides and fertilizers. The value of plant and machinery owned by company is Rs.55lakh. Compute Book profit. 14

Particulars	Rs.
Domestic sales	2223900
Export sales	576100
Amount withdraw from General reserve (Reserve created in 1996-97 by debiting P&L account)	200000
Amount withdrawn from revaluation reserve	150000
Less:	
Depreciation (Normal)	616000
Depreciation (Due to revaluation)	270000
Salary and wages	210000
Wealth tax	10000
Income tax	350000
Outstanding custom duty	17500
Proposed dividend	60000
Consultation fees paid to tax consultant	21000
Other exp	139000
Net Profit	1456500

The assessee claims the following as deductions:

- Deduction under section 80IB-30% of 1456500
- Depreciation under section 32 is Rs.536000
- The company wants to set up following losses

Particulars	For Tax Purpose	For Accounting Purpose
B/F loss of 2010-11	1480000	400000
Unabsorbed depreciation	Nil	70000

Compute the tax liability.

**OR**

Q.5

X ltd is a manufacturing company located in India. Business income of company for the PY 16-17 under section 28 is Rs4000000. X ltd holds share in few companies.

Investee Companies	Country of incorporation of investee co	Shareholding of X td in Investee co %	Dividend received during PY 2016-17	Whether investee co has paid tax under sec 115O
A	India	51	40000	Yes
B	India	26	50000	Yes
C	Country C	51	60000	No
D	Country C	26	70000	No
E	Country C	25	80000	No

On 1.9.2016, X ltd declares a dividend of Rs500000 for its own shares. Find out the tax liabilities (income tax and DDT sec. 115O) on assumption that India has ADT agreement with country C and as per agreement dividend income is taxable in India and not in Country C.

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