

GUJARAT TECHNOLOGICAL UNIVERSITY
MBA – SEMESTER (3) – EXAMINATION – SUMMER 2016**Subject Code: 2830009****Date: 02/05/2016****Subject Name: CORPORATE TAXATION (CT)****Time: 10.30 AM TO 01.30 PM****Total Marks: 70****Instructions:**

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

Q. No. Answer the following multiple choice questions:**06****Q.1 (a)** Tonnage tax scheme is applicable in the following cases:

1.

A. Foreign Shipping Company	B. Indian Shipping Company
C. Limited Liability partnership in shipping industry	D. None of the above

A company want to purchase a plant (cost: ₹80 crore). It can outright purchase it. Alternatively it can take the plant on lease. The following factors are taken into consideration to find out which one is better.

2.

A. Corporate tax rate	B. Corporate tax rate and depreciation rate
C. Corporate tax rate, depreciation rate, lease rate, cost of capital and useful life of plant	D. None of above

If a firm is converted into company, capital gain in the hands of firm is not chargeable to tax. This exemption is available, if a few conditions given by section 47(xiii) are satisfied. One of the condition is-

3.

A. All the shareholders in the company should be partner in the firm immediately before succession	B. All the partners in the firm should become shareholders in the company
C. Both these conditions should be satisfied	D. None of these conditions is relevant

Dividend paid by the Indian Company is:

4.

A. Taxable in India in the hand of recipients	B. Exempted in the hand of recipients
C. Taxable in the hand of the company but exempted in the hand recipients	D. Taxable in the hand of recipients but exempted for the company

Income which accrue outside India from a business controlled from India is taxable in case of :

5.

A. Resident Only	B. Not Ordinarily resident only
C. Both ordinarily resident and NOR	D. Non-resident

Unabsorbed depreciation which could not be set off in the same assessment year, can be carried:

6.

A. 8 Years	B. Indefinitely
C. 4 Years	D. 2 Years

- Q.1 (b) Define the following: **www.FirstRanker.com** **www.FirstRanker.com** **04**
1. Tax Evasion
 2. Double Taxation
 3. Permissible deductions
 4. Companies in which public are substantially interested.
- Q.1 (c) 1. Who is liable to pay dividend tax? **04**
2. Explain the provisions for Telecom Licence fees (Sec.35ABB).
- Q.2 (a) Explain capital gain exemption under sections 54 to 54 GA. **07**
- (b) B joined a company, on 1-6-2014 and was paid the following **07**
- emoluments and allowed perquisites as under:
- Emoluments: Basic pay ₹25,000 per month, D.A ₹10,000 per month,
Bonus ₹50,000
- Perquisites:
- i) Furnished accommodation in Delhi owned by the employer and provided free of cost.
 - ii) Value of furniture therein ₹3,00,000.
 - iii) Motor-car owned by the company (with engine c.c less than 1.6 liters) along with chauffeur for official and personal use.
 - iv) Sweeper salary paid by company ₹1,500 per month.
 - v) Watchman salary paid by company ₹1,500 per month.
 - vi) Educational facility for 2 children provided free of cost. The school is owned and maintained by the company.
 - vii) Interest free loan of ₹ 6,25,000 given on 1-1-15 for purchase of a house. No repayment was made during the year. Assume SBI rate to be 8 % p.a.
 - viii) Interest free loan for purchase of computer of ₹50,000 given on 1-1-2015. No repayment was made during the year. Assume SBI rate to be 10 % p.a.
 - ix) Corporate membership of club. The initial fee of ₹1,00,000 was paid by the company. B paid the bills for his use of Club facilities.
- You are required to compute the income of B under the head "Salaries" in respect of assessment year 2015-16. Suitable assumptions may be made, wherever necessary.

OR

- (b) Zankar Ltd. is a company engaged in the development of property. The shares issued by it carry the right of occupancy in building constructed by it in proportion to the holding. For construction of the office complex, the company collected new refundable deposits for its shareholders, and leased them floor space proportionately to the share held. The premises were let out by the shareholders who receive rental income. The company also collected amounts towards maintenance charge from each shareholder in respect of the premises let out by them. On the following issues your advice is sought:
- Are the non-refundable deposits taxable in the company's hands and what is the basis for computing the income of the company?
 - Discuss the taxability or otherwise of the maintenance charge collected?
 - Are the shareholders assessable on the rental income received by them and if so, how?

Q.3 (a) Define Company, Indian Company and Domestic Company. 07

- (b) Find out the net income in the cases of Suraj (32 years) and Chand (28 years) (both are retail traders at Delhi) from the following data for the assessment year 2010-11: 07**

Particulars	Suraj ₹	Chand ₹
Sales turnover	40,00,000	60,00,000
Less: Expenses		
Cost of Goods sold	36,00,000	54,00,000
Depreciation	10,000	15,000
Other expenses	3,20,000	4,80,000
Business Income	70,000	1,05,000
Other Income	2,15,000	2,30,000
Public Provident Contribution	30,000	60,000

OR

Q.3 (a) Explain the conditions applicable for arm's length price in the international transactions. 07

- (b) Mr. Rhythm (24 years) is a musician deriving income from concerts performed outside India of ₹ 9,50,000. Tax of ₹ 1,90,000 was deducted at source in the country where the concert were given and remaining ₹ 7,60,000 is remitted to India. India does not have any agreement with that country for avoidance of taxation. Assuming that the Indian income of Mr. Rhythm is ₹ 2,00,000, what is the relief due to him under section 91 for assessment year 2010-11, assuming that Mr. Rhythm has deposited ₹ 22,000 in the public Provident fund account. 07**

- Q.4 (a) Dhun Ltd., paper manufacturing concern, purchases a machine on March 1, 2002 for ₹ 6,10,000 for its laboratory with a view to improving the quality of art paper manufactured by the company.
- 1) What will be the amount of deduction under section 35 on account of capital expenditure of ₹ 6,10,000 for the A.Y 2002-03.
 - 2) If the research activity for which the aforesaid machine is purchased ceased in 2008 and the machinery is brought into business proper on November 1, 2008 (market value : ₹ 2,30,000): depreciation is admissible at the rate of 15 per cent; depreciation value of the relevant block of assets on April 1, 2008 is ₹ 14,07,860, the scientific research machine is sold for ₹ 1,90,000 on April 2009, what will be the amount of depreciation and amount of chargeable profit under section 41(3).

(b) Explain the procedure of filling application for advance ruling. **07**

OR

- Q.4 (a) Discuss the tax benefits for various forms of organization: Firm, LLP and Company with reference to new business. **07**
- (b) Give suitable example to explain the tax benefits for converting a sole proprietary business into a company. **07**

- Q.5 XYZ (P).Ltd is a company which was started on April 1, 1999 and in which there are only equity shares. The shares are held throughout by X, Y and Z equally. The company has made losses/profits in the past as under and the same have been accepted in the income-tax assessments: **14**

Assessment year	Business Loss (₹)	Unabsorbed depreciation (₹)	Total (₹)
2006-07	Nil	30,00,000	30,00,000
2007-08	Nil	18,00,000	18,00,000
2008-09	9,50,000	8,70,000	18,20,000
Total	9,50,000	56,70,000	66,20,000

During the previous year ended March 31, 2009, X transferred his shares to P and during the previous year ended March 31, 2010, Y transferred his shares to Q. During the previous year March 31, 2009, the company made a profit of ₹ 12,00,000 (before debiting ₹ 6,00,000 for depreciation) and during the previous year ended March 31, 2010, the company made a profit of ₹ 80,00,000 (before debiting ₹ 5,00,000 for depreciation).

Compute the taxable income of the company for the A.Y 2010-11. Working should form part of your answer.

OR

- Q.5 Ms. Swara is offered an employment by Music Ltd at a basic salary of ₹ 1,24,000 per month. Other allowances according to rules of the company are; dearness allowance: 18 per cent of basic pay (not forming part of salary for calculating retirement benefits), bonus: 1 month basic pay; project allowance: 6 per cent of basic pay. **14**
- The company gives Ms. Swara an option either to take a rent-free unfurnished accommodation at Bhopal for which the company would directly bear the rent of ₹ 45,000 per month, or to accept a house rent allowance of ₹ 45,000 per month and find out own accommodation. If Ms. Swara opts for house rent allowance, she will have to pay ₹ 45,000 per month for an unfurnished house. Her income from other sources is ₹ 1,70,000.
- Determine the best option for Ms. Swara. Working note will be considered as a part of your answer.