

Seat No.: _____

Enrolment No. _____

GUJARAT TECHNOLOGICAL UNIVERSITY
MBA – SEMESTER 03- • EXAMINATION – WINTER 2018

Subject Code: 2830009**Date: 06/12/2018****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.** From the four alternative answers given against each of the following cases, indicate the correct answer: (just state A, B, C or D) **6**
- Q.1 (a)** In case of rental house property only such municipal tax is deducted which is:
1. A. Paid by tenant B. Actual payable amount
C. Paid by owner D. All of the above
- Income which accrue outside India from a business controlled from India is taxable in case of:
2. A. Resident Only B. Not Ordinarily Resident Only
C. Both Ordinarily Resident and D. Non-Resident Only
Not Ordinarily Resident
- Deduction under section 80C is allowed in connection with:
3. A. Life Insurance Premium B. Contribution to PPF
C. Contribution to RPF D. All of the above
- Unabsorbed depreciation which could not be set off in the same assessment year, can be carried:
4. A. 8 Years B. Indefinitely
C. 4 Years D. 2 Years
- Basic condition will be for a person who leaves India for employment:
5. A. He is in India in the previous year for a period of 182 days or more B. He has been in India for a period of 730 days or more during 7 years immediately preceding the relevant previous year
C. He has been resident in India in at least 2 out of 10 previous years immediately preceding the relevant previous year D. All of the above
- Deduction allowed against gross salary is:
6. A. Entertainment Tax B. Professional Tax
C. Income Tax D. Insurance Premium
- Q.1 (b)** Explain the following terms: **04**
- (i) Indian Income and Foreign Income.
 - (ii) Tax Planning in respect of Transfer Pricing.
- Q.1 (c)** Give an illustration and explain tax planning with reference to sale of scientific research assets. **04**

- Q.2** (a) What do you understand by Tax Avoidance? Difference between Tax Avoidance and Tax Evasion with the help of suitable examples. **07**
- (b) Mr. Rahul furnishes the following particulars of his income earned during the previous year relevant to the assessment year 2016-17: **07**
- 1) Income from agriculture in Pakistan, received there but later on Rs. 50,000 is remitted to India (agricultural activity is controlled from Pakistan) Rs. 2, 10,000.
 - 2) Income from property in U.S.A received outside India (Rs. 76,000 is used in U.S.A for meeting educational expenses of Mr. Rahul's daughter in China and Rs. 10,000 is later on remitted to India) Rs. 86,000.
 - 3) Income earned from business in Kathmandu which is controlled from Ahmedabad (Rs. 15,000 is received in India) Rs. 65,000.
 - 4) Dividend paid by a foreign company but received in India on April 10th, 2015, Rs. 46,500.
 - 5) Past untaxed profit of 2006-07 brought to India in 2015-16, Rs. 10, 43,000.
 - 6) Gift in foreign currency from a friend received in India on January 20th, 2016, Rs. 80,000.
- Compute the Gross total income of Mr. Rahul for the assessment year 2016-17, if he is;
- (i) Resident and ordinarily resident in India,
 - (ii) Resident but not ordinarily resident in India, or
 - (iii) Non-resident in India.

OR

- (b) Malhotra Ltd. is a widely-held company. It is currently considering a major expansion of its production facilities and the following options are available: **07**

Particulars	Option I	Option II	Option III
Share capital	5,00,00,000	2,00,00,000	1,00,00,000
Debentures @ 14 %	Nil	2,00,00,000	1,50,00,000
Loan from financial institutions @ 18 %	Nil	1,00,00,000	2,50,00,000

Other informations: Expected rate of return (before tax) is 25 %. The rate of dividend of the company since 1980 is not less than 20 % and the date of dividend declaration is June 30th every year. Find out the best option of Jalthal Ltd. for the assessment year 2016-17.

- Q.3** (a) Discuss Sections 10A, 10AA and 10B as the tax incentives under the Income Tax Act for Location of New Business. **07**

- (b) Jahnvi Ltd. is engaged in the business of carriage of goods. On April 1st, 2015, it owns 10 trucks (6 out of which are "heavy goods vehicle"). On May 6th, 2015, one of the heavy goods vehicles is sold by Kehtan Ltd. to purchase a light goods vehicle on May 10th, 2015 which is put to use only from June 17th, 2015. 07

Find out the net income of Jahnvi Ltd. for the assessment year 2016-17 taking into consideration the following data:

	Rs.
Freight collected	9, 00,000
Less:	
Operational expenses	6, 00,000
Depreciation as per section 32	2, 00,000
Other office expenses	15,000
Net Profit	85,000
Other business / Non-business income	2, 50,000

OR

- Q.3** (a) Define Double Taxation Relief. Discuss the Income Tax provision of Section 90A in case of specified association. 07
- (b) Profit and loss account of Malhotra and Co. (a firm of chartered accountants) for the year ending March 31st, 2016 is as follows: 07

Particulars	Amount Rs.	Particulars	Amount Rs.
To Expenses	2,88,000	By Receipts from clients for tax advice	3,60,000
To Depreciation	2,32,000	By Audit fees	2,72,000
To Remuneration to partners	2,75,000	By Net loss	2,18,000
To Interest on capital to partners	55,000		
	8,50,000		8,50,000

Additional informations:

- 1) Out of expenses of Rs. 88,000, Rs. 57, 250 is not deductible by virtue of sections 36 and 37.
- 2) Depreciation as per section 32 is Rs. 3, 23,100.
- 3) Interest on capital to partners is not deductible u/s 40(b), is Rs. 17,900.
- 4) The firm satisfies all conditions of sections 184 and 40(b).

Compute the net income of the firm for the assessment year 2016-17.

- Q.4** (a) What are the different types of residential status? How to determine a residential status of an individual? 07

- (b) Mr. Ram purchases a house property for Rs. 26,000 on May 10th, 1962. He gets the first floor of the house constructed in 1967-68 by spending Rs. 40,000. He dies on September 12, 1978. The property is transferred to Mrs. Ram by his will. Mrs. Ram spends Rs. 30,000 and Rs. 26,700 during 1979-80 and 1985-86 respectively for renewals or reconstruction of the property. Mrs. Ram sells the house property for Rs. 21, 50,000 on March 15, 2016 (Brokerage paid by Mrs. Ram is Rs. 11,500). The fair market value of the house on April 1st, 1981 is Rs. 1, 60,000.

Find out the amount of capital gains and tax liability for the assessment year 2016-17 by using cost inflation index i.e. 1981-82, 1985-86, 2015-16 are 100, 133 and 1081 respectively.

OR

- Q.4** (a) Discuss the tax provisions for Tea/Coffee/ Rubber Development Account (u/s 33AB) and Transport Operators (u/s 44AE). **07**
- (b) Deo & Co., a firm, is engaged in the business of paper trading (turnover of 2015-16 being Rs. 57, 80,000). It wants to claim the following deduction: **07**

	Rs
Salary and interest to partners [as permitted u/s 40(b)]	60,000
Salary to employees	4, 90,000
Depreciation	2, 70,000
Cost of materials used	45, 90,000
Other expenses	<u>3, 45,000</u>
Total	<u>57, 55,000</u>
Net profit (Rs. 57, 80,000 minus Rs. 57, 55,000)	25,000

Determine the net income of Deo & Co. for the assessment year 2016-17 on the assumption that (a) income from business is Rs. 2,50,000, (b) long-term capital gains is Rs. 40,000, (c) income from other sources is Rs. 40,000, and (d) the firm is eligible for a deduction of Rs. 5,000 u/s 80G.

- Q.5** Find out the tax consequences in the following cases: **14**
- (i) Business profit of X Ltd., a tea growing and manufacturing company is Rs. 70, 00,000 for the assessment year 2016-17. It deposits Rs. 25, 00,000 in the "special account" for claiming deduction u/s 33AB. It wants to claim set-off of brought forward business loss of Rs. 12, 00,000.
- (ii) By withdrawing Rs. 20, 00,000 on January 20th, 2016 from the "special account". X Ltd. Purchases a non-depreciable asset for Rs. 18, 00,000 according to the scheme framed by the Tea Board. The remaining amount of Rs. 2, 00,000 is not utilized up to March 31st, 2016.
- (iii) The asset which is purchased for Rs. 18, 00,000 is sold to Y for Rs. 31, 00,000 on December 3, 2018.

OR

Q.5

14

Dr. O. P. Gosai (Age: 45 years) is a Professor in Kanpur. During the previous year 2015-16, he gets the following from the employer:

Basic salary: Rs. 34, 000 per month, Dearness allowance: 30 % of basic salary (40 % is considered for calculating retirement benefits like gratuity and pension), Dearness pay: Rs. 5,000 per month (nothing is considered for retirement benefit), Fixed commission: Rs. 4,000 per month, Commission (as incentive): 5 % of turnover (and extra commission of 2 % if annual turnover exceeds Rs. 15, 00, 000), House rent allowance: Rs. 15, 000 per month (rent paid is Rs. 17, 000 per month upto June 30, 2015 and after that he shifts in his own house but house rent allowance is received throughout the previous year), Employer's contribution towards recognized provident fund: Rs. 5, 400 per month, Interest credited in provident fund account: Rs. 56, 000 (rate of interest 11 %).

Dr. O. P. Gosai has been provided health club facility at a 4 star hotel in Kanpur by the employer – company. This facility is available to all employees of the company. Annual expenditure for providing this facility is Rs. 7, 000 per month (which is borne by the employer). The employer - company also provides tea and light snacks to all employees during tea break (expenditure incurred by the company is approximately Rs. 60 per day for 310 working days).

Dr. O. P. Gosai contributes annually Rs. 5, 500 per month towards recognized provident fund (an additional sum of Rs. 70, 000 is contributed on March 11, 2016). Income of Dr. O. P. Gosai from other sources is Rs. 75, 000. Determine the net income and tax liability of Dr. O. P. Gosai for the assessment year 2016-17 on the assumption that monthly turnover achieved by Dr. O. P. Gosai is Rs. 1, 00, 000.
