

GUJARAT TECHNOLOGICAL UNIVERSITY
MBA – SEMESTER 3 – EXAMINATION – WINTER 2018**Subject Code:3539282****Date:06/12/2018****Subject Name: CORPORATE TAX PLANNING****Time:10:30am To 01:30pm****Total Marks: 70****Instructions:**

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

- Q.1 Answer the following questions:(2 Marks Each) **14**
- a) Company under section 2(17) of Income Tax Act, 1961.
 - b) Domestic Company [Sec.2 (22A)] of Income Tax Act, 1961.
 - c) Provision of Rebate under section 87A
 - d) Tax Planning
 - e) Tax Evasion
 - f) List out different areas of Tax Planning in context of Income Tax Act,1961
 - g) How many years following losses to be carry forward?
 1. House Property Loss
 2. Loss from activity of owning and maintaining race horses
- Q.2
- a) Discuss conditions to be fulfilled for the accumulated business loss and the unabsorbed depreciation of the amalgamating company shall be deemed to be business loss/ depreciation of the amalgamated company for the previous year in which the amalgamation is affected. **07**
 - b) X Ltd., a domestic company, has distributed on 1/11/2018, dividend of Rs 230 lakh to its shareholders. On 1/10/2018, X Ltd. has received dividend of Rs 60 lakh from its domestic subsidiary company Y Ltd., on which Y Ltd. has paid dividend distribution tax under section 115-O. Compute the additional income-tax payable by X Ltd. under section 115-O. Assuming rate of DDT under section 115-O is 20.357647%. **07**
- OR**
- b) Tonnage tax company operates only 1 qualifying ship throughout PY 2017-18. The ship has net tonnage of 25000 tons and corporation tax rate is 30.9% Compute tonnage tax liability. **07**
- Q.3
- a) Discuss the provisions of tax on distributed profits of domestic Companies under section 115-O of Income Tax Act, 1961. **07**
 - b) On 1.4.2017, Y Ltd commences the operation of warehousing facility for storage of agri produce. **07**
 - Exp incurred prior to 1.4.17:
 - Purchase of land for warehouse. Rs.5000000
 - Construction of cost of warehouse Rs.800000
 - Purchase of knowhow for warehouse Rs.1000000
 - Salary to staff Rs.78000
 - This exp is capitalized on 31.3.2017.
 - Exp incurred during 17-18
 - Construction cost of warehouse Rs.6000000

- Purchase of old plant (from domestic market) Rs.200000
- Purchase of plant (from Germany) Rs.400000
- Purchase of new plant Rs.900000
- Purchase of Goodwill Rs350000
- Compute amount of deduction under section 35AD.

OR

Q.3 a) Discuss the provision of tax planning with reference to sale of scientific research assets based on following points. **07**

1. Amount of deduction under section 35(2)
2. Amount Chargeable to tax as business income in the year of sale
3. Amount chargeable to tax as capital gain according to sec.45

b) X ltd manufacturing electric pumping sets. The company has option either to make or buy from the market components Y used in manufacture of sets. **07**

- The Components will be manufactured on new machine costing Rs.77713 (net of taxes). Material required cost Rs2 per kg and Rs0.30 per hour in case of wages. The salary of foremen employed is Rs1500 per month and Variable overhead includes Rs20000 for manufacturing 25000 components p.a. Material requirements is 25000kgs and requires 50000 labor hours.
- The components are available in market Rs4.30 per piece.

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

Q.4 a) Write short note on features of Tonnage Tax Scheme [SEC.115V TO 115VZC]. **07**

b) X and Co (a firm of X and Y with Unlimited liability) is engaged in the business of manufacturing (Turnover of 17-18 being Rs8850000 out of which Rs400000 is received by account payee cheques or darft up to July 31,2018. It wants to claim the following deductions. **07**

Salary and interest to partners (as permitted by Sec40(b))	60000
Salary to employees	490000
Depreciation	270000
Cost of material used	7590000
Other exp	345000
Total	8755000
Net profit (8850000-8755000)	95000

Determine the net income for AY2018-19 assuming LTCG is Rs40000 and firm is eligible for deduction sec. 80G is Rs5000. The firm has brought forward loss of Rs240000 (PY14-15) of trading which has been discontinued.

OR

Q.4 a) Discuss the provisions related to Applicability, Non applicability and tax liability as per Minimum Alternate Tax (MAT) **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	Alt:1(Rs.)	Alt:2(Rs.)	Alt:3(Rs.)
Share capital	50,00,000	20,00,000	10,00,000
14% Debenture		20,00,000	15,00,000
18% Loan from Bank		10,00,000	25,00,000

Expected rate of return before tax Rs 25%. The rate of dividend of the company since 1980 is not less 20% and date of dividend declaration is june30 every year. Which alternative company should opt with reference to tax planning?

Q.5 DG Ltd. wants to acquire a machine on 1st April, 2017. It will cost Rs 1,50,000. It is expected to have a useful life of 3 years. Scrap value will be Rs 40,000. If the machine is purchased through borrowed funds, rate of interest is 15% p.a. The loan is repayable in three annual installments of Rs 50,000 each. If machine is acquired through lease, lease rent would be Rs 60,000 p.a. Profit, before depreciation and tax is expected to be Rs 1,00,000 every year. Rate of depreciation is 15%. Average rate of tax may be taken at 33.99%. A Ltd. seeks your advice whether it should:

- Acquire the machine through own funds, or
- Take it on lease.

Present value factor shall be taken @ 10%. The Profit or loss on sale of the asset is to be ignored. Answer the questions supported by working notes.

- a) Advice whether asset should be taken on lease or on purchase. **14**
 b) Whether it should be acquired through own funds or borrowed funds?

OR

Q.5 The net profit of ACC ltd as per P&L a/c for the P.Y2017-18 is Rs.100 lakh after debiting/crediting the following items: **14**

- Provision for income tax Rs.15lakh
- Provision for deferred tax Rs.8lakh
- Proposed dividend Rs.20lakh
- Depreciation debited to P&L a/c is Rs.12lakh. It includes revalued depreciation of asset Rs.2lakh.
- Profit from unit established in SEZ Rs.30lakh
- Provision for permanent diminution in value of investment Rs.2 lakh
- Brought forward losses and unabsorbed depreciation as per books of company are as

P.Y	Brought forward loss(Rs.in lakhs)	Unabsorbed Depreciation(Rs.in lakhs)
14-15	2	5
15-16		3
16-17	10	2

- a) Compute book profit of the company under section 115JB for the AY 2018-19
 b) Compute tax liability under 115JB if MAT rate is 18.5%
