

GUJARAT TECHNOLOGICAL UNIVERSITY
MBA SEMESTER 3 EXAMINATION – WINTER 2018**Subject Code: 830201****Date: 07/12/2018****Subject Name: Corporate Taxation and Financial Planning (CT & FP)****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.1** (a) Define the terms : (1) Salary (2) Resident and Ordinarily Resident (3) Gross Annual Value of a House Property (4) Agricultural Income (5) Block of Assets (6) Assessment Year and Previous Year (7) Capital Asset **07**
- (b) Determine the taxable value of the following perquisites in the following cases **07** for the Assessment Year 2013-14:
1. X is employed by ABC Ltd. On June 1 2012, the company gives him an interest free housing loan of Rs. 14,00,000. The loan is repayable after 10 years but before 12 years. Assume that the lending rate of State Bank of India on April 1 2012 for a similar loan is 10.75% per annum.
 2. Y is employed by PQR Ltd. On April 1 2012, he takes a personal loan of Rs. 25,000 from PQR Ltd. and the company recovers the interest at 9.50% per annum from Y. Assume that the lending rate of State Bank of India on April 1 2012 for a similar loan is 18.50% per annum.
 3. Z is employed by ABC Ltd. On April 1 2012, the company gives the following interest free loans to Z – Rs. 15,000 for child's education and Rs. 5,000 for purchasing a washing machine. Assume that the lending rate of State Bank of India on April 1 2012 for similar loans is 10.50% per annum and 12.75% per annum respectively.
 4. X takes a loan of Rs. 2,00,000 from his employer on May 1 2012 for medical treatment of Mrs. X (as specified in Rule 3A). The Hospital bill is Rs. 2,00,000. Assume that the lending rate of State Bank of India on April 1 2012 for personal loan is 12% per annum.
- Q.2** (a) Explain the relevant provisions of Income Tax Act as per Section 32(1), with reference to treatment of depreciation in the case of Succession, Amalgamation & Demerger. **07**
- (b) Determine the taxable income of X for the Assessment Year 2013-14 and 2014-15 based on the following particulars – **07**

Particulars	Previous Year 2012-13 (Amount in Rs.)	Previous Year 2013-14 (Amount in Rs.)
Salary Income	1,00,000	2,00,000
Business Profits (before Depreciation)	16,000	18,000
Current Depreciation	1,34,000	1,32,000
Income from other sources	10,000	80,000

OR

(b) Following particulars are supplied by a manufacturing unit situated in Nagpur for the assessment year 2013-14: 07

Block of Assets	WDV as on 1.4.2012	Additions	Sale	Rate of Dep.
1	2	3	4	5
Factory building	20,50,000	8,00,000 (completed on 15.1.2013)	-	10%
Residential buildings	50,00,000	5,00,000 (completed on 31.7.2012)	-	5%
Plant and Machinery	90,00,000	3,00,000 (on 5.10.2012)	11,00,000	15%
Furniture and fittings	10,30,000	1,00,000 (on 10.10.2012)	3,50,000	10%

You are required to calculate the amount of allowable depreciation under the Income-tax Act, 1961.

- Q.3** (a) Discuss the items which are disallowed as deduction under section 40(b) while computing firm's income from business and profession. 07
- (b) As a Tax advisor, give your opinion to an assessee, who runs a business, on the admissibility or otherwise of the following items, giving reasons - 07
- Fees paid to lawyer for drafting the Deed of Agreement with an outsider relating to the setting-up the business.
 - Cost of erecting a medical facility to the factory for the emergency treatment of the employees.
 - Loss of Rs. 10,000 which were robbed from the cashier when he was going to deposit the amount in the bank
 - Amount spent in a successful suit filed against another for infringing the assessee's trademark.
 - Penalty paid to customs authorities for importing prohibited goods which yielded a large margin of profits.
 - Travelling expenses of a director who went to Europe for negotiating the purchase of new heavy machinery which was eventually installed next year.
 - Lump-sum consideration of Rs.5,00,000 paid for acquiring know-how

OR

- Q.3** (a) Explain the meaning of 'Deemed profits' as per Section 41 of the Income Tax Act. 07
- (b) Mr. X had income under the following heads during the Previous Year 2012-13: 07
- Taxable salary income Rs. 40,000
 - Income from house property Rs. 75,000
 - Income from other sources Rs. 20,000
 - Interest on securities of Infosys Ltd. (Gross) Rs.8,000
- He made following payments:
- Contribution to P.F. (recognised) Rs. 2,000
 - Donation to the Indira Gandhi Memorial Trust Rs. 4,000
 - Donation to the Prime Minister's National Relief Fund Rs. 2,500
 - Donation to approved charitable trust Rs. 10,000
 - Donation to an approved association for promoting family planning Rs. 4,000

Compute Mr. X's taxable income for assessment year 2013-14.

- Q.4** (a) How Indexed Cost of acquisition is calculated for assessing income from capital gains? **07**
If on 15th November, 2012, X sold an asset, the sale consideration of which was Rs. 4,50,000. He acquired that asset on August 18, 1978 for Rs. 64,000. The Fair market value of the asset on April 1, 1981 was Rs. 62,000. Find out the amount of capital gain chargeable to tax for the assessment year 2013-14 using the cost inflation index as 100 for the year 1981-82 and 852 for 2012-13.
- (b) Explain the provisions of carry forward and set-off of accumulated business loss and unabsorbed depreciation in cases of amalgamation or demerger under section 72A of the Income Tax Act. **07**

OR

- Q.4** (a) “Income Tax Act provides several opportunities for Tax Planning in respect of Corporate Restructuring”. Explain the above statement giving examples of different tax planning options available regarding Corporate Restructuring. **07**
- (b) You are approached by Mr. X, who is planning to join a new job and he can negotiate with his employer on certain benefits. Advise him in the following cases with reference to tax planning for employees, clearly giving reasons for your advice: **07**
1. Whether he should opt for division of salary into basic pay and allowances OR get a consolidated salary.
 2. Under the terms of employment, whether he should make dearness allowance form part of the retirement benefits OR keep it separate by not making DA part of retirement benefits.
 3. For any commission payable as per the terms of employment, whether he should get it based on turnover OR get it as a fixed percentage of basic.
 4. Whether he should opt for re-imbursement of expenses on medical treatment (on free medical facility) OR a regular monthly medical allowance
 5. Whether he should opt for the employer's contribution to RPF up to 12% of salary OR get the similar amount as part of salary, which he can later invest as per his own choice.
 6. Whether he should opt for a perquisite OR an allowance of the same value?
 7. He is allowed the use of more than one car for his private purposes. Should he keep in mind the horse power of any such cars.
- Q.5** (a) Explain the concept of Minimum Alternate Tax under the Income Tax Act. What do you understand by “Book Profit” in the context of Minimum Alternate Tax. **07**

(b) The net profit of ABC Ltd. as per P&L account for the previous year 2012-2013 is Rs. 200 Lakhs after debiting/crediting the following items:- **07**

- (i) Provisions for income tax: Rs. 25 Lakhs
- (ii) Provisions for deferred tax: Rs. 18 Lakhs
- (iii) Proposed Dividend: Rs. 20 Lakhs
- (iv) Depreciation debited to profit and loss account is Rs. 12 Lakh. This includes depreciation on revaluation of asset to the tune of Rs. 4 Lakh.
- (v) Profit from unit established in Special Economic Zone: Rs. 30 Lakh.
- (vi) Provisions for permanent diminution in value of investment Rs. 2 Lakhs.

Brought forward losses and unabsorbed depreciation as per books of the company are as follows:-

Previous Year	Brought Forward Loss (in Lakhs)	Unabsorbed Depreciation (in Lakhs)
2009-2010	2	5
2010-2011	-	3
2011-2012	10	2

Compute book profit of the company under section 115JB (regarding Minimum Alternate Tax) for the Assessment Year 2013-14

OR

- Q.5** (a) Explain with examples the terms Tax Planning, Tax Evasion and Tax Avoidance. **07**
- (b) The Income Tax Act allows several deductions from the Gross Total Income to arrive at the Net Income. List any five of the permissible deductions u/s 80C to 80U. Discuss any two of these deductions in detail. **07**

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