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Total No. of Questions : 15

MBA (2014 to 2017) (Sem.-3)

DIRECT TAX PLANNING

Subject Code : MBA-923

Paper ID : [C1180]

Time : 3 Hrs.

Max. Marks : 60

INSTRUCTION TO CANDIDATES :

1. **SECTION-A** contains **SIX** questions carrying **FIVE** marks each and students has to attempt any **FOUR** questions.
2. **SECTIONS-B** consists of **FOUR** Subsections : Units-I, II, III & IV. Each Subsection contains **TWO** questions each carrying **EIGHT** marks each and student has to attempt any **ONE** question from each Subsection.
3. **SECTION-C** is **COMPULSORY** and consist of **ONE** Case Study carrying **EIGHT** marks.

SECTION-A

1. Discuss the types of Assessee as per IT Act.
2. Who is an Individual? Explain.
3. What is a Firm? Explain.
4. What is MAT? Explain.
5. What is Deduction of Tax at Source? Explain.
6. What constitutes Salary? Explain.

SECTION-B

UNIT-I

7. Differentiate between Tax Planning and Tax Management in detail. Give examples.
8. Discuss the major types of exempted incomes under IT Act 1961.

UNIT-II

9. Write a detailed note on Advance Payment of Tax.
10. How would you calculate the total income under various heads? Elaborate with examples.

UNIT-III

11. Give major tax planning tips with reference to Wealth Tax Law.
12. Discuss and elaborate major MAT provisions.

UNIT-IV

13. Give tax planning guidelines depending upon the nature of new business.
14. What is Dividend Policy? What are the tax considerations while deciding a dividend policy of a business firm? Discuss.

SECTION-C

15. Case Study :

It is advisable, though not a statutory obligation, to keep the accounts of the new business separate. This obviates the necessity of making any estimates, complicating the state of affairs of the new business. In this connection, reference may be made to CIT v. Dunlop Rubber Co. (I) Ltd. (107 ITR 182) : In this case, the existing company established a new factory and no separate accounts were maintained by the new unit. But, as a matter of fact, this was not essential for claiming the benefit. In this case, the assessee claimed the benefit on the proportion of turnover between the new unit and old unit. Was the method adopted correct? The duty of Revenue Department was to determine the exemption allowed by law. It was held: "It was the duty of the I.T.O. under Sections 143 to 145 of the Act, to determine the total income of the assessee and determine the tax payable, even if the income could not be derived from the books' of the assessee. So, Income-tax officer cannot deny the relief. Difficulty in computing the relief cannot be a ground for rejecting the claim. A rule of apportionment consistent with commercial accounting must be evolved in computing the income. If the assessee already followed certain system, which is in vogue in general, from a commercial accounting angle, and if the Income-tax Officer disputes such system, he should correct it and cannot reject it as whole-sum. In this case it was held that the Income-tax Officer could not refuse the claim for exemption." Supreme Court in Textile Machinery Corporation Ltd. v. CIT (108 ITR 195) inter-alia, held that the fact that there was common management or the fact that separate accounts had not been maintained, would not lead to the conclusion that they were not separate undertakings. Even if separate account is not maintained, the investment in each of the units can be reasonably determined with the material which the assessee may make available to the department. The test is whether it is a new and identifiable undertaking separate and distinct from the existing business. It is sufficient if the new undertaking is an integrated unit by itself wherein articles are produced and a minimum of 10 persons are employed. In Mahindra Sintered Products Ltd. (177 ITR 111), the Bombay High Court held that it was not necessary that separate accounts had to be maintained but separate accounts kept in the ledger are sufficient to claim deduction under Section 80J.

Questions :

- a) In simple words write the problem discussed in the case.
- b) As per your views, what is the best solution of the problem discussed in the case?