

Exam. Code : 217604

Subject Code : 6882

M.Com. 4th Semester

CORPORATE TAX LAW AND PLANNING

Group—A : MC-413

Time Allowed—3 Hours] [Maximum Marks—100

Note :- (1) Attempt any **ten** questions from Section A.
Each carries **2** marks.

(2) Answer any **four** questions each from
Sections B and C, selecting **two** questions
from each Section. Each carries **20** marks.

SECTION—A

I. Briefly explain :

- (a) Scope of tax management
- (b) Relationship between residential status and incidence of tax
- (c) Widely held company

- (d) Sole proprietorship
- (e) Provisions of Sec. 80 G
- (f) Infrastructure facility
- (g) Financial Leverage
- (h) Special Economic Zone
- (i) Pre-commencement period expenses
- (j) Bonus shares
- (k) Double Taxation
- (l) Permanent establishment. 10×2=20

SECTION—B

- II. (a) Explain the provisions of Section 80-IAB related to profits and gains of an undertaking or enterprise engaged in development of Special Economic Zone.
- (b) State the features and basic differences between 'Tax Planning' and 'Tax Evasion'. 12+8
- III. Discuss in detail the various provisions related to Advance Payment of Tax. 20

IV. (a) XYZ Ltd. is engaged in the manufacture and sale of drugs and pharmaceuticals. Its net profit for the year ending 31-3-2016 after debit/credit of the following items to the Profit and Loss Account was Rs. 28,00,000.

- (i) Income-Tax paid on non-monetary perquisites provided to the employees Rs. 1,00,000.
- (ii) Legal fees incurred in defending title to factory premises Rs. 2,00,000.
- (iii) Expenditure on scientific research (not in respect of cost of land or building) on in-house research and development facility approved by prescribed authority Rs. 10,00,000.
- (iv) Interest paid on arrears of sales tax Rs. 10,00,00.
- (v) Cash payment of Rs. 20,000 made on 10-10-2015 to a supplier towards purchase of raw material.

(vi) Rent received from letting out vacant land
Rs. 1,00,000.

(vii) Arrears of rent received in respect of a house
property, which was let out in the earlier
years and which was not charged to tax in
any earlier year, Rs. 2,00,000. The said
property was sold during the year ending
31-3-2014.

The company had paid royalty in India to a
foreign company amounting to Rs. 3,00,000
on 1-5-2014, which was disallowed by the
assessing officer for the assessment year
2015-16 since tax was not deducted thereon.
The company deducted and paid tax at source
on the said amount of royalty on 1-1-2016.

The company has brought forward loss from
property relating to assessment year
2015-16 amounting to Rs. 40,000.

Compute the total income and tax liability of
XYZ Ltd. for the assessment year 2016-17.

- (b) Explain the special provisions of Income Tax Act in case of Shipping business. 15+5

- V. (a) Compare and contrast partnership firm and company form of business organisation on the basis of tax incentives available under the Income Tax Act.

- (b) The book profits of a company in the previous year 2015-16 computed in accordance with section 115 JB is Rs. 15 lakh. If the total income computed for the same period as per the provisions of the Income-Tax Act, 1961 is Rs. 3 lakh, calculate the Tax payable by the company in the assessment year 2016-17 and also indicate whether the company is eligible for any tax credit.

15+5

SECTION—C

- VI. (a) Illustrate with the help of an example the steps for calculating unilateral tax relief.

- (b) Does Income-Tax Act contain any provisions for planning Tax in case of make or buy decisions ? If yes, support your answers with suitable examples.

10+10

VII. Discuss the Tax incentives/concessions in case of demerger for the following :

- (a) Demerged company
- (b) Shareholders of demerged company
- (c) Resulting company. 5+5+10

VIII. (a) Explain the necessary conditions and incentives available to exporters u/s 10AA.

- (b) Explain the consequences, where the Scientific Research Assets are sold after having been used for Scientific research. 15+5

IX. (a) **Case I** : A company wants to raise capital of Rs. 20,00,000 for a project where earning before tax shall be 30 % of the capital employed. The company can raise debt fund @ 12 % p.a. Suggest, which of the following 3 alternatives should it opt for :

- (1) 20,00,000 to be raised by equity capital
- (2) Rs. 16,00,000 by equity and Rs. 4,00,000 by loans

- (3) Rs. 4,00,000 by equity capital and
Rs. 16,00,00 by loans.

Assume the company shall distribute the entire amount of profits as dividend and tax rate is 30 %.

Case II : What will be the option, if the earning before Tax is 10 % of capital employed ?

- (b) Why selection of capital structure is an important decision for a business organisation ?

15+5