[This question paper contains 7 printed pages]

Your Roll No.	**: ....**
Sl. No. of Q. Paper	**: 4098 G**
Unique Paper Code	: MN-432
Name of the Course	**: M.Com.**
Name of the Paper	: Corporate Tax Structure and Planning
Semester	: IV (NC)

Time : 3 Hours ***Maximum Marks : 100***

Instructions for Candidates :

(a) Write your Roll No. on the top immediately on receipt of this question paper.

(b) Attempt **all** questions.

(c) **All** questions carry equal marks.

1. Y Ltd., a closely held Indian company, is engaged in the business of manufacture of chemical good. Value of Plant and Machinery owned by company is 55 Lakh. the following informations for the financial year 2015-16 are given: 20

P.T.O.

Sale proceeds of goods (domestic sale)	2223900
Sale proceeds of goods (export sale)	576100
Amount withdrawn from general reserve	200000
Amount withdrawn from revaluation reserve	150000
Total	**3150000**
Less : Expenses	
Depreciation (normal)	616000
Depreciation (Extra depreciation on account of revaluation)	270000
Salary and wages	210000
Wealth Tax	10000
Income tax	350000
Outstanding custom duty (not paid as yet)	17500
Proposed dividend	60000
Consultation fees paid to a tax expert	21000
Other expenses	139000
Net profit	**1456500**

For tax purposes the company wants to claim the following :

Deduction under section 80-IB (30 percent of Rs. 1456500)

Depreciation under section 32 (Rs. 536000)

The company also wants to set off following losses and unabsorbed depreciation	For tax purposes	For Accounting purposes
Brought forward loss of assessment year 2014-15	1480000	400000
Unabsorbed depreciation	Nil	70000

Compute the net income and tax liability of Y Ltd. for the assessment year 2016-17 assuming that Y Ltd. has a (deemed) long term capital gain of Rs. 60000 under proviso (i) to section 54D(2) which is not credited in Profit & Loss account. 20

OR

Discuss the adjustments to be made in the net profit of the P&L a/c for computing 'Book Profit' under the provision of MAT (u/s 115 JB), along with the provisions of Tax Credit (115 JAA). 20

2. X Ltd., an Indian company, engaged in the business of manufacture of transformers and switchgears, negotiates for the purchase or taking on hire a machine from a concern in U.K. If it acquires the machine, then the total cost will be Rs. 60,00,000 payable in 5 annual (interest free) instalments of Rs. 12,00,000 each, payable at the beginning of the year.

If X Ltd. takes the machine on hire, it has to pay an annual rent of Rs. 8,00,000 per annum payable at the beginning of the year. Company proposes to use the machine for 10 years.

Which option should company choose and why ?

The Following assumptions have been made :

(a) The company is widely held company and tax rate is 33.99%/

(b) Rate of Depreciation on machinery is 15% (WDV) no additional depreciation applicable.

(c) Cost of capital is assumed as 10 percent for present value factors. 20

OR

(a) Explain the provision of section 91 of income tax act, 1961 relating to avoidance of double taxation of foreign income of a resident.

(b) Discuss the rules of conversion of a firm into company with a view to availing of exemption from capital tax. Also state in what circumstances such exemptions can be withdrawn. 10×2=20

3. An Indian company considering the proposal of raising Rs. 50 lakh for a project where earning before tax shall be 30% of the capital employed. The company can raise this entire amount either by issue of equity share or by borrowing from a bank @ 14% per annum or by mix of both, which of the following three alternatives should it opt. for :

(a) Entire Rs.50 lakh to be raised through equity share capital.

(b) 40 lakh from issue of equity shares and remaining from 14% Bank loan.

(c) 10 lakh from issue of equity shares and rest Rs.40 lakh from 14% Bank loan.

Assume the company shall distribute the entire amount of profits as dividend and applicable corporate tax rate is 30.9%

What will be you answer if return on capital employed before tax is 10% instead of 30% other things remaining the same ? Compare and comment on both the situations. 20

OR

Discuss the provisions governing the tax liability for dividend u/s 2(22) and the tax treatment of bonus shares in the hands of shareholders and the company. 20

4. (a) X and Y are two shareholders of Z Ltd. a closely held company. X holds 55 percent share capital of Z Ltd. On January 30, 2016, X sold all his shares to A. Now Z Ltd. wants to set off brought forward loss of Rs.100000 and unabsorbed depreciation of Rs.300000 of the previous year 2014-15 against the income of the immediate previous year 2015-16 i.e Rs.900000. Compute the taxable income of Z Ltd. for the assesment year 2016-17.

Do you change your answer, if it would have been given that A is the relative of X, other facts remains the same in the given problem ? State applicable provisions of section 79 in this case.

(b) Distinguish among Tax planning, Tax evasion and Tax management.

$10 \times 2 = 20$

OR

Discuss the conditions and consequences of availing deduction in respect of expenditure on specified business u/s 35 AD. 20

5. Write Explanatory notes on any **two** of the following : 10×2=20

(a) Industrial company.

(b) Demerger.

(c) Transfer pricing. -