

(b) Deduction available for hotels and convent centres u/s 80 ID.

(c) Unilateral relief and bilateral relief.

(10×2=)

[This question paper contains 6 printed pages.]

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Your Roll No. ....

M.COM. : SEMESTER – IV (NC) F-I

Paper No. – MN 432

Corporate Tax Structure and Planning

Time : 3 Hours

Maximum Marks : 100

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

Attempt all questions.

All questions carry equal marks.

1. The profit & Loss account of R Ltd. (a domestic company) for the year ending March 31, 2015 is given below :

Profit and Loss account

Particulars	Amount	Particulars	Amount
Raw Materials	1000000	Domestic sales of goods	2500000
Salary and wages	120000	Export of goods	600000
Entertainment Expenditure	20000	Other receipts	200000
Travelling Expenditure	30000	Dividend from an Indian company	100000
Income tax	200000	Profit on shares sold through recognised stock exchange after holding for two years	222000
Wealth tax	5000		
Outstanding Excise duty	15000		
Provision for unascertained liabilities	40000		
Dividend paid	50000		
Dividend Distribution tax	8498		
Depreciation on asset after revaluation	640000		
STT on sales of shares	2000		
Net Profit	1491502		3622000
Total	3622000		

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**Other Informations :**

- (a) Company wants to claim deduction u/s 80 IB (30% of 1491502).
- (b) Custom duty of Rs.50000 pertaining to 2012-13 paid during 2014-15.
- (c) Depreciation u/s 32 is Rs. 600000.
- (d) Asset whose book value was Rs. 1000000 was revalued to Rs. 2000000.
- (e) Brought forward loss of financial year 2012-13 was Rs. 740000 for tax purposes and Rs. 800000 for accounting purposes.
- (f) Unabsorbed depreciation is 300000 for tax purposes and Rs. 450000 for accounting purposes.

Compute the tax liability of the assessee for the assessment year 2015-16.

**OR**

Explain the provisions of minimum alternate tax (MAT) u/s 115 JB and tax credit availability u/s 115 JAA.

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2. An asset costing Rs. 10 lakh is to be acquired. There are two alternatives available to the company. First is to buy the asset by taking a loan of Rs. 10 lakh which is payable in five equal annual installments along with the rate of interest @14% per annum. Second alternative is to take the asset on lease by paying annual lease rentals of Rs. 3 lakhs up to five years. Assume the installments of the loan, interest payments and lease rentals are payable at the end of the each year. Suggest which alternative is better.

Applicable rate of tax is 30.9%.

Applicable rate of Depreciation is 15% (WDV).

Internal rate of return is 10% and Present value factors are as follows :

YEAR	1	2	3	4	5
PV Factor	0.909	0.826	0.751	0.683	0.621

**OR**

The directors of a domestic company, whose existing capital is Rs. 1 crore all in equity, proposes to expand its business for which it requires fresh investment of Rs. 50 lakhs. The directors are considering three possible ways of expansion. First one is to raise entire

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amount of 50 lakhs through issue of equity shares. Second is to raise 35 lakhs from issue of equity shares and rest of the amount from issue of 12% Debentures. Third possible way of expansion is to raise ₹ 25 Lakhs from issue of equity shares and remaining amount from issue of 12% Debentures. Assume the company shall distribute the entire amount of profits as dividend and applicable tax rate is 30.9% and rate of return is 25%.

Also compare this case when rate of return is 10% of capital employed, other things remains the same. Comment on the results of both the cases. (20)

3. (a) In view of availing tax concessions what conditions should be satisfied in the case of demerger companies under the Act.
- (b) Discuss the rules of conversion of a firm into company with a view to availing of exemption from capital gain tax. Also state in what circumstances such exemptions can be withdrawn. (20)

OR

(a) Explain the meaning of 'Amalgamation'. Discuss the rules when assets transferred in the scheme of amalgamation shall not be treated as transfer.

(b) What do you understand by 'Undertaking'? Discuss the rules of calculating written down value of assets in the hands of transferor in the case of slump sale [u/s 43(6)]. (10×2=20)

4. Discuss the provisions of 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.

OR

Explain the provisions of International transaction u/s 92 of the Income Tax Act, 1961. What are the conditions for the applicability of arm's length price in the International transaction and how to compute it u/s 92C of the Act? (20)

5. Write explanatory notes on any two of the following :

(a) Industrial company and company in which public are substantially interested.

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