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B.M.S COLLEGE FOR WOMEN
BENGALURU – 560 004

III SEMESTER END EXAMINATION – APRIL 2024

M.Com.-CORPORATE TAX PLANNING
(CBCS Scheme – F+R)

Course Code: MCM305T
Duration: 3 Hours

QP Code: 13013
Max. Marks: 70

SECTION – A

1. Answer any Seven Questions out of Ten. Each Question Carries Two Marks. (7x2=14)

- Give the meaning of Tax planning.
- Who is liable to pay advance tax?
- State the meaning of Capital Structure
- What is inter corporate dividend?
- Differentiate Tax evasion & Tax avoidance
- Define a Company.
- As a tax expert, analyse the tax aspects of own or lease decision.
- What are the benefits of corporate tax planning?
- What is MAT u/s 115JB?
- When a company is said to be resident?

SECTION – B

Answer any Four Questions out of Six. Each Question Carries Five Marks. (4x5=20)

- Write a short note on computation of tonnage income under tonnage tax scheme.
- Give the meaning of Tax Management? Elaborate on different areas of Tax Management.
- Mr. Joshi has estimated the following incomes for the financial year 2023-2024:

Income from House Property (Taxable)	₹65,000
Income from Profession (Taxable)	₹7,07,500
Dividend from X & Co	₹10,000

Compute Total income and tax liability and also determine the amount of instalments payable as advance tax.

- A Domestic company in which public are substantially interested submits the following particulars of its income of the previous year ended 31st March 2023.
 - Profits of business after deduction of donation to approved charitable institution 1,20,000
 - Donation to the charitable institution by cheque 30,000
 - Interest on Govt. Securities 10,000
 - Dividend from a domestic company (Gross) 60,000
 - Long term capital gain 50,000

vi) Book Profits u/s 115JB 8,00,000

During the Financial Year 2022-23 the company deposited Rs.15,000 in Industrial Development Bank of India. The Company distributed a gross dividend of Rs.1,00,000 on 6.12.2022.

Compute the taxable income of the company and tax payable by it for the AY 2023-24.

6. XYZ Ltd., is carrying on the business of manufacturing automobiles. It has also established its 'Research and Development' section. The company, installed a machine for scientific research on 1.6.2020 by spending Rs.15,00,000. The entire cost has been debited to P & L a/c. Now this machine is sold for Rs.8,00,000 on July 1st, 2022 without using for any other purposes of the business. The business income of the company before giving any effect to above facts is Rs.70,00,000.

Discuss the tax treatment on sale of above machine and calculate the total income.

7. What are the deductions that can be claimed out of Gross Total Income in case of Companies?

SECTION – C

Answer any Two Questions out of Four. Each question carries Twelve Marks.

(2x12=24)

8. A, B and C have decided to set-up a business. For this purpose A, B and C are having ₹6,00,000, ₹ 3, 00,000 and ₹ 3, 00,000 respectively. They wish

(i) to charge interest on their capital/loan @ 12% p.a., Salary A ₹ 20,000 p.m., B ₹10,000 p.m., C ₹ 10,000 p.m. and share profits in the ratio 2: 1: 1, or

(ii) B and C to receive half the income as salary nominating A as the sole owner of the business. They expect the income of ₹8, 00,000 (before charging interest on capital/loan) during the relevant year.

As an income tax expert, you are approached by A, B and C for considered opinion as to whether they should have a firm or a sole proprietary concern of A, while B and C becoming employees and money-lenders to the concern so that they can reduce their tax liability? What is your advice and what arguments would you give in support of your advice?

9. What is Deemed Dividend? Analyse in detail tax planning provisions with respect to Dividend Income.

10. Sandra Industries Ltd wants to acquire a machine costing Rs.10,00,000 for the manufacturing division and is considering the following two options:

Option I: To buy the machine by taking a loan @ 15% p.a. repayable in 5 yearly Instalments of Rs. 2,00,000 each together with interest payable at end of each year.

Option II: To take it on a lease for 5 years at an annual base rent of Rs.3,25,000 for 5 years payable at each year end. The lessor will charge 1% cost of machine as file charges payable along with the lease rent of I year.

Other Information:

- Tax rate applicable to company is 34.944%
- After tax cost of capital is 14%

- c) Rate of depreciation on machine is 15% on WDV basis
 d) Present value of Re.1 @ 14% at the end of year

I	II	III	IV	V
0.877	0.770	0.675	0.592	0.519

Suggest which option company should accept?

11. The statement of profit and loss of Bharath Ltd., a domestic company disclosed a net profit of Rs.15,75,000 for the financial year 2022-23. The summarised statement is as follows:

Items charged	Rs.	Items credited	Rs.
Opening Stock	40,000	Sales	70,00,000
Purchases	18,35,000	Closing stock	1,00,000
Direct wages	8,00,000	Dividend from Indian company	5,000
Freight inward	10,000	Bad debts recovered	2,000
Salaries	5,00,000		
General expenses	3,00,000		
Sales expenses	2,00,000		
M D Remuneration	5,00,000		
Director's sitting fees	50,000		
Income tax	3,00,000		
GST penalty	1,10,000		
Proposed dividend	4,00,000		
Provision for losses of subsidiary	3,00,000		
Depreciation	1,00,000		
Excise duty	80,000		

Additional Information:

1. General expenses include:
 - a) Festival celebration expenses Rs.5,000
 - b) Diwali Pooja expenses Rs.5,000
 - c) Donation to PM National Relief Fund Rs.10,000
2. Sales expenses include 1,000 diaries distributed to dealers involving an expenditure of Rs.50,000.
3. Excise duty related to previous year 2021-22 Rs.10,000 paid during the current year.
4. Bad debts recovered during the year relates to previous year 2021-22 and were claimed as deduction in the same year.
5. Bought forward Business losses and depreciation

	As per Books	For tax purpose
B/F Business Loss	1,50,000	3,00,000
Unabsorbed depreciation	1,00,000	2,00,000

Calculate:

- Total income and tax liability as per normal provision of IT Act for the Ay 2023-24
- Book profits and tax liability under 115JB
- Ultimate Tax liability for the Company.

SECTION – D

(Compulsory Skill-based Question on Subject / Paper)

(1x12=12)

12. Venus Ltd. a company engaged in manufacture of electrical switches is a widely-held company. It is considering a major expansion of its production facility and import of latest technology which is expected to improve its profitability from the present rate of 20% to at least 25% (before tax). The finance manager has given the following proposals:

₹ (in lakh)

Particulars	A	B	C	D
Share Capital (Equity)	40	20	30	50
14% Preference Shares	20	20	-	10
16% Non-Convertible Debentures	-	20	-	40
Term Loans from Institutions and Banks (20%)	-	40	70	-
Lease Finance (22%)	40	-	-	-
Total	100	100	100	100

- The rate of dividend on equity has not been below 24% in the past.
- The tax rate payable by the company is 26%.

Your opinion with detailed reasons is sought on the above.
