

2015

M B A

4th Semester Examination

Subject : CORPORATE TAXATION

(Specialization : Financial Management)

PAPER—F-401

Full Marks : 100

Time : 3 Hours

The figures in the right-hand margin indicate full marks.

Candidates are required to give their answers in their own words as far as practicable.

Illustrate the answers wherever necessary.

Write the answers to Questions of each Half in separate books.

(First Half)

(Marks : 50)

1. Answer any *four* questions : 4×5
- (a) What is CENVAT? State its chief features.
- (b) State the provision of the Customs Act, 1962 relating to transit and transshipment of goods.

(Turn Over)

- (c) "Value added tax reduces the cascading effect." Elucidate the answer on the basis of Sales Tax *vs* VAT with suitable examples. Use imaginary figures.
- (d) Susmita Travels, Kolkata has provided the following information. Calculate the Service Tax payable. Give reasons for exemptions, if any.
- (i) Package tours conducted in South India Rs.25 lakh.
 - (ii) One day site seeing trips conducted Rs.12 lakh.
 - (iii) Pilgrimage tours conducted in North India Rs.13 lakh.
 - (iv) Non-package tour conducted in Karnataka Rs.8 lakh.
 - (v) Bills charged for hotel booking in relation to tours Rs.78,000.
 - (vi) Travels services offered to Canadian embassy, New Delhi Rs.2 lakh.
- (e) With the following particulars calculate the taxable turnover & VAT Payable by a dealer under West Bengal VAT Act.

<u>Interstate Sales</u>	<u>Amount</u>
Sale of steel (Excluding tax)	5,00,000
	(without 'C' form)
Sale of Inforsys Ltd. Shares	2,50,000

Sale of stationary items against Form 'C'	8,00,000 (Excluding tax)
Sale of Ceramic Tiles against Form 'C'	10,40,000 (Including tax)
Sale of Roof Tiles	2,20,000 (Including tax)
Sale of Milk Products	1,10,000 (Excluding tax)
Sale of Milk	1,75,000

Rate of tax under WB VAT Act: Steel - 4%.

Declared goods: Stationary items - 4%, Ceramic Tiles - 12.5%, Roof Tiles - 4%, Milk Products - 4%.

Goods: Milk - NIL.

- (f) What do you mean by Set off and Carry forward of losses? How are these items computed in case of computing Corporate Tax liabilities under Section 79 of the Income Tax Act? $2\frac{1}{2} + 2\frac{1}{2}$

2. Answer any two questions : 2×10

- (a) An importer has imported a machine from New York at invoice price of \$15,000. Other details are as

follows:

- (i) Freight from USA to Indian Port was \$800.
- (ii) Insurance was paid to insurer in India Rs.12,000.
- (iii) Design & development charges at \$2,500 were paid to a consultancy firm in USA.
- (iv) The importer also spent an amount of Rs.90,000 in India for development work connected with the Machinery.
- (v) Rs.20,000 were spent in transporting the machine from Indian Port to the factory of importer.
- (vi) Rate of exchange as announced by RBI was Rs.42 = \$1.
- (vii) Rate of exchange as announced by Central Government by notification U/S 14(3)(a)(i) Rs.41.70 = \$1.
- (viii) Foreign exporter has an agent in India. Commission is payable to the agent in Indian rupees @5% of invoice price.
- (ix) Rate charged by Bank who recovered the amount from importer Rs.41.50 = \$1.
- (x) Customs duty payable was 25%. If similar goods were produced in India, Excise duty payable as per tariff is 24%. There is an excise

exemption notification which exempts the duty as is in excess of 16%.

Find out Customs duty payable if importer is manufacture and using the goods himself.

- (b) Tata Motors Ltd. manufactures luxury cars. The ex factory price term is as follows:

Cost of car	Rs. 5,00,000
Cost of luxury seats	Rs. 25,000
Cost of Toolkit, manuals	Rs. 10,000
Royalty to Ford motors USA	Rs. 50,000
Warranty charges for year	Rs. 24,000
Pollution inspection charge	Rs. 5,000

The company also collected an amount of Rs.10,000 through debit note towards sales depot expenses. The company has the policy of delivering the car to customer's residence for which the company incurs average freight charges of Rs.5,000. The company also has an optional extended warranty scheme for 2 years from the end of the base warranty period for which company charges Rs.25,000. Compute the assessable value and if the rate of basic excise duty is 16% find out duty payable.

- (c) Prakash Ltd. is engaged in the business of manufacture of chemical goods. The following information is given :

Particulars	Amount	Particulars	Amount
Depreciation	4,00,000	Sale(domestic)	22,20,000
Salary & Wages	2,20,000	Sale(export)	5,80,000
Entertainment expenses	20,000	Other receipts	2,00,000
Travelling expenses	25,000		
Income tax	2,80,000		
Wealth tax	10,000		
Outstanding Customs duty	15,000		
Provision for unascertained liability	60,000		
Proposed dividend	50,000		
Loss of subsidiary Co	20,000		
Fees of tax expert	15,000		
Salary to M.D.	1,20,000		
Net Profit	17,65,000		
	30,00,000		30,00,000

The company wants to claim:

- (i) Deduction U/S 801B (small scale industry).
- (ii) Excise duty for 2014-15, paid in this year Rs.65,000.
- (iii) Actual depreciation Rs.4,60,000.

The following losses are to be set off :

	<i>For tax purpose</i>	<i>For accounting purpose</i>
B/f business loss		
of 2013-2014	11,00,000	9,00,000
Unabsorbed depreciation	—	3,00,000

you requested to examine the applicability of Sec-115JB and determine tax liability of Prakash Ltd. for AY 2015-16

[Internal Assessment : 10 Marks]

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(Second Half)

(Marks : 50)

3. Answer any *four* questions : 4×5
- (a) Define Tax Planning. Distinguish between Tax Planning and Tax Evasion.
- (b) Define Tax Management. Specify whether the following acts can be considered as tax planning, tax evasion or tax management.
- (i) Mr.B.Dalmia deposited Rs.1,00,000 in Public Provident Fund Account to reduce the taxable income so as to pay less tax.
- (ii) XYZ associates a partnership fund spent Rs.2,00,000 as capital expenditure but will fully treated the same as revenue expenditure in computing business income.

- (iii) ABC Ltd. duly submitted the return of loss as per section 139(3) of the Income Tax Act, 1961 so as to be entitled to carry forward the unabsorbed loss.
- (iv) PQ Ltd. maintains the Register of Tax Deducted at Source (TDS) regularly to ensure timely deposit of TDS Return with the tax authority.
- (c) "From the tax planning view points, acquisition of a residential accomodation out of borrowed money is a better option than acquisition out of own fund." Explain.
- (d) The Balance Sheet of True heart Ltd. showed the following:

	Rs.
50,000 equity shares of Rs.10 each	5,00,000
3,000, 12% preference share of Rs.100 each	3,00,000
General Reserve	60,00,000

The directors of the company do not want to maintain such high amount of General Reserve. In the Board of Director's meeting then arise two opinions:

- (i) Issue bonus shares to both preference & equity share holders.
- (ii) Pay high rate of dividend to the share holders.
- You are requested to comment on the best opinion from the angle of tax planning.

- (e) Z Ltd. is an Indian Company. For the previous year 2014-15, the following income are noted from the books of accounts of the tax payer:

	Rs.
Income from business in India	3,80,000
Income from business in a foreign country with whom India has ADT agreement	2,16,000
Rate of tax in the foreign country on the above income is 17.5% which is deducted at source. You are required to calculate the Indian tax liability of Z Ltd.	

- (f) What is the impact of location of an undertaking on the tax planning in case of corporate form of business?

4. Answer any two questions : 2×10

- (a) (i) Define the term "Arm's Length Price".
(ii) Discuss any two methods of calculating Arm's Length Price. 2+8
- (b) What is Bonus Share? Narrate the Procedure of planning taxes on the issue of bonus shares. 2+8
- (c) Mr. Prasad, an ordinary resident in India, furnished the following particulars of his income/savings during the previous year 2014-15.

- | | Rs. |
|---|-----|
| (i) Income from foreign business
(including Rs.2,00,000 from business
connection in India) accruing | |

outside India.	12,00,000
(ii) Loss from Indian business	(-)20,000
(iii) Income from house property	4,00,000
(iv) Dividends (gross) from Indian companies	60,000
(v) Deposit in Public Provident fund	70,000
(vi) Tax paid in foreign country	2,50,000

There is no double taxation avoidance treaty. Compute the tax liability for the Assessment Year 2015-16.

[Internal Assessment : 10 Marks]
