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Name.....

Reg. No.....

THIRD SEMESTER M.B.A. DEGREE EXAMINATION, DECEMBER 2015

BUS 3E 02—CORPORATE TAXATION

(2013 Admissions)

Time : Three Hours

Maximum : 36 Weightage

Answer all the sections,

Section A

*Answer all the questions.
Each question carries 1 weightage.*

1. What is incidence of tax ?
2. Define agriculture income.
3. What is tax avoidance ?
4. What do you mean by deemed assessee ?
5. What is escaped profits ?
6. What are bonus shares ?

(6 × 1 = 6 weightage)

Section B

*Answer any six questions,
Each question carries 3 weightage.*

7. B Ltd. grows sugarcane to manufacture sugar. The data for the financial year 2013—14 is as follows :

	Rs.
Cost of cultivation of sugarcane	... 6,00,000
Market value of sugarcane when transferred to factory	... 10,00,000
Other manufacturing cost	... 6,00,000
Sales of sugar	... 25,00,000
Salary of Managing Director who looks after all operations of the Company	... 3,00,000

Determine the tax liability of the company.

Turn over

8. Discuss the admissibility or otherwise of the following claims in connection with assessment to income-tax. They do not necessarily relate to the same assessee :

- An expenditure of Rs. 1,00,000 was incurred on the occasion of the silver jubilee of the company for presentation of silver mementos to shareholders and directors, the value of each memento being Rs. 1,000 only.
- An assessee carries on business in respect of which it holds tenancy rights. It carries out improvements to the said building at a cost of Rs. 2,00,000 and claims depreciation @ 10 % thereon. The assessing officer rejects the claim on the ground that the assessee is not the owner of the building.
- Excise duty amounting to Rs. 2,00,000 for the period 2013-14 was paid by the company by 30-9-2013 before furnishing the return of income for the assessment year 2014-15.
- A criminal case was filed against a company under the Essential Commodities Act, 1955. The company incurred litigation expenses amounting to Rs. 50,000 to defend the directors. The directors were ultimately acquitted.
- A company was generating electricity privately for its factory. Later, at its expense, electric lines were laid from the trunk road to the factory. It paid Rs. 5,00,000 to the State Electricity Board as its contribution for this purpose. The ownership of the power-line was to vest with the State Electricity Board.
- X and Y are two shareholders of Pooja Ltd., a closely held company. X holds 55 % share capital on 30-1-2013, X transfers his shares to A. Pooja Ltd. wants to set off brought forward loss of Rs. 4,00,000 (business loss 1,00,000 ; unadjusted depreciation 3,00,000) of the previous year 2011-12 against the income of the previous year 2010-11 (i.e., Rs. 9,00,000). Can it do so ?

9. G Ltd. an Indian company for the previous year 2013-14, the following incomes are noted from the books of account of the taxpayer :

<i>Particulars</i>	<i>Amount</i>
	(Rs.)
Income from a business in India	... 4, 80,000
Income from a business in a foreign country with whom India has ADT agreement.	} ... 3, 16,000

According to the ADT agreement Rs. 2,16,000 are taxable in India. However it can also be taxed in the foreign country 17.5 % which can be set off against Indian tax liability. Find out the tax liability for the AY 2014-15 and give note on the provisions of ADT.

10. Explain tax planning with reference to managerial remuneration.
11. Explain the provisions of income tax relating to shut down or continue decisions.
12. Elucidate the procedure for determination of residential status and incidence of tax for companies.

13. Explain the expenses allowable under certain restrictions.
 14. Explain the obligations of the companies as for as income tax is concerned.

(6 × 3 = 18 weightage)

Section C

*Answer any two questions.
 Each question carries 6 weightage.*

15. Describe the provisions of Income tax regarding tax planning with reference to mergers and acquisitions with examples.
 16. Explain the provisions of deductions from total income applicable to corporate assessee.
 17. X Ltd's details of Income for Financial Year 2013-14 is as follows :

	Rs.
Sale precedes (domestic)	... 32, 00,000
Export precedes	... 6, 30,000
Withdrawal from General Reserve (Reserve was created earlier by debiting Profit & Loss A/c)	... 1, 50,000
Withdrawn from Revaluation Reserve	... 80,000
Total	... 40, 60,000
Less : Depreciation (including Dep. on Revaluation of Rs 70,000)	... 5, 40,000
Salaries	... 3, 60,000
Wealth tax	... 45,000
Income tax	... 32,000
Outstanding Custom duty	... 12,400
Outstanding Excise duty	... 11,800
Professional fees	... 50,000
Other business expenses	... 25,000
Net Profit	... 29, 83,800
Less : Dividend (Proposed)	... 30,600
Net Profit as per Profit and L Account	... 29, 53,200

The company is eligible for following : — Deduction u/s 80 IB Rs. 4,50,000, Depreciation u/s 32 Rs 6,40,000.

The company wants to set-off the following : Brought forward loss of F.Y. 2007-08 : — As per Account Rs. 4,00,500, As per Income Tax Act, 1961 Rs. 10,80,000 Unabsorbed depreciation as per — Account Rs. 90,000.

Compute the Total Income and Tax Liability of X Ltd. for the A.Y. 2014-15.

(2 × 6 = 12 weightage)