Q.P. Code : 61324

Birla Institute of Management LIBRARY M.P.

Third Semester M.B.A. (Day) Degree Examination, February/March 2020

(CBCS)

Management

Paper 3.3.2 – CORPORATE TAX PLANNING AND MANAGEMENT

Time : 3 Hours] *[Max. Marks : 70*

SECTION – A

Answer any **FIVE** of the following questions. Each question carries **5** marks : **(5 × 5 = 25)**

1. Define the provisions of Sec 115JAA.

2. Define the following :

   (a) Countervailing Duty

   (b) Input Tax Credit

   (c) Reverse Charge

3. How do you determine the residential status of a company.

4. What do you understand by "tax planning"? Distinguish between "tax planning" and "tax management".

5. Mr. Vivek's G.T.I. for the P.Y.2018-19 was Rs, 5,00,000. He made the following donations :

   (a) Maharashtra Chief Minister's Earthquake Relief Fund Rs. 10,000.

   (b) National Foundations for Communal Harmony Rs. 15,000.

   (c) Rs.10,000 to an Educational Institution of National Eminence.

   (d) Rs.5,000 to National Children's Fund.

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(e) Donations to the Municipal Corporation for promotion of family planning Rs. 40,000.

(f) Donations to Minority Community Corporation (Notified) Rs. 25,000. Compute his taxable income for the A.Y. 2019-20.

6. Mr. A in Kolkata supplied machinery of Rs. 1,00,000 to Mr. B in Kolkata in July 2019. He charged Rs. 12,000 as charges for erection and commissioning of the machinery and Rs. 10,000 as machine design charges. As per payment terms, the payment was to be made within 30days. However, B did not pay within 30 days. Hence, A recovered Rs. 3,000 as interest for the late payment in September, 2019. Calculate the GST payable. The tax rates were as follows - Central Tax (CGST)-9%, State Tax (SGST)-9%, Integrated Tax (IGST)-18%.

7. Jay Corp. Limited owns two building A and B on 1.4.2018 (Depreciation at 10%) and its WDV at the begining was Rs. 14,15,700. On 1.12.2018 the company purchases building C for Rs.3,10,000 (rate of depreciation 10%) and sells building A on 10.1.2019 for Rs. 8,70,000 compute depreciation allowable. In the above said case if building A is sold for Rs. 15,87,000 what is the allowable depreciation for the year?

SECTION – B

Answer any **THREE** of the following questions. Each question carries **10** marks : **(3 × 10 = 30)**

8. What are the procedures and practices involved in assessment of an Indian company according to Income tax Act 1961?

9. XYZ Industries Ltd., has imported certain equipment from Japan at an FOB cost of 2,00,000 Yen (Japanese). The other expenses incurred by M/s. XYZ Industries in this connection are as follows :

(a) Freight from Japan to India Port 20,000 Yen

(b) Insurance paid to Insurer in India Rs. 10,000

(c) Designing charges paid to consultancy firm in Japan 30,000 Yen.

(d) M/s. XYZ industries had expended 1,00,000 in India for certain development activities with respect to the imported equipment

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(e) XYZ Industries had incurred road transport cost from Mumbai port to their factory in Karnataka Rs. 30,000

(f) The Central Board of Excise and Customs had notified for purpose of section 14(3)* of the customs act, 1962 exchange rate of 1 Yen = 0.3948. The inter bank rate was 1 Yen = 0.40

(g) M/s. XYZ Industries had effected payment to the Bank based on exchange rate 1 Yen = 0.4150

(h) The commission payable to the agent in India was 5% of FOB cost of the equipment in Indian Rupees.

Arrive at the assessable value for purposes of customs duty under the customs Act, 1962 providing brief notes wherever required with appropriate assumptions.

10. Southern Star company wants to raise capital of Rs. 40,00,000 for a project where earning before tax shall be 30% of the capital employed. The company can raise debt fund at 12% p.a. suggest, which of the following three alternatives it should opt for :

(a) Rs. 40,00,000 to be raised by equity capital

(b) Rs. 32,00,000 by equity and Rs. 8,00,000 by loans

(c) Rs. 8,00,000 by equity capital and Rs. 32,00,000 by loans. Assume the company shall distribute the entire amount of profits as dividend and the company is in the tax bracket of 30% plus 12% surcharge plus cess at applicable rates.

11. Answer the following questions based on the information provided and justify your answer by providing brief notes wherever required with appropriate assumptions.

(a) Mr. A, a manufacturer, sold goods to Mr. B, wholesaler, and issued invoice for the sale on 1st August 2019. Now, determine the time of supply of goods for the following cases :

(i) Mr. A removes the goods for delivery to Mr. B on 16th August 2019.

(ii) Mr. B collects the goods from premises of Mr. A on 10th August 2019.

(iii) Mr. B made full payment on 26th July 2017.

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(b) Mr. Vinod is traveling to Mumbai via train. The train stars at Delhi and stops at certain stations before Mumbai. Vinod boards the train at Vadodara (Gujarat) and promptly purchases lunch on board. The lunch had been boarded in Delhi. Identify the place of supply and the kind of duty payable by Mr. Vinod.

(c) Mr. A of Mumbai is sold goods to Mr. B of Bangalore for Rs. 20,000 with the following terms and conditions :

Packaging charges – Rs. 250

Transportation expenses – Rs. 2,000

Mr. A is allowing discount of Rs. 2000 at the time of supply. Determine value of supply for the purpose of levy of GST? Assume a GST payable at 18%.

(d) From the following details compute the input tax credit available to Mr. Mishra :

Cost of services rendered Rs. 5,00,000.

Rate of GST – 18%

However, he claims the following input tax credit

Office rent paid – 40,000

Internet Bill – 1,000

Telephone Rent – 3,000

SECTION – C

12. Case study : **Compulsory** question carrying fifteen marks : **(1 × 15 = 15)**

Mr. X Ltd., a closely-held Indian company, is engaged in the business of manufacture of chemical goods (value of plant and machinery owned by the company is Rs. 55 lakh) The following information for the financial year 2018-19 are given :

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Particulars	Rs.
Sale proceeds of goods (domestic sale)	22,23,900
Sale proceeds of goods (export sale)	5,76,100
Other Receipts	2,00,000
Total Receipts	30,00,000
Less : Expenses	
Depreciation	4,16,000
Salary and wages	1,34,500
Entertainment expense	10,000
Traveling expenses	36,000
Miscellaneous expenses	5,000
Income-tax	3,50,000
Wealth tax	8,000
Outstanding customs duty (not paid as yet)	17,500
Provision for unascertained liabilities	70,000
Proposed Dividends	60,000
Loss of subsidiary company	30,000
Consultation feed paid to a tax expert	21,000
Salary and Perquisites given to the managing director	1,80,000
Excise duty of 2013-14	75,500
Net Profit	15,86,500

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For tax purposes the company wants to claim the following :

Deduction under section 80-IB (30 per cent of Rs. 15,86,500)

Execise duty pertaining to 2015-16 paid during 2018-19 Rs. 75,500.

Depreciation under section 32 (Rs. 5,36,000)

The company wants to set off the following losses/allowances :

	For tax purposes	For accounting purposes
Brought forward loss of 2015-16	11,80,000	9,10,000
Unabsorbed depreciation	Nil	2,45,000

Compute the net income and tax liability of X Ltd. for the assessment year 2019-20.
