

GUJARAT TECHNOLOGICAL UNIVERSITY**M.B.A -IIIrd SEMESTER-EXAMINATION – MAY/JUNE- 2012****Subject code: 2830009****Date: 29/05/2012****Subject Name: Corporate Taxation (CT)****Time: 02:30 pm – 05:30 pm****Total Marks: 70****Instructions:**

1. Attempt all questions.
2. Make suitable assumptions wherever necessary.
3. Figures to the right indicate full marks.

Q.1 (a) Distinction between: Tax Planning & Tax Management. 07**(b) Discuss in detail-income exempted under section 54 & 54G 07**
Of capital gain.**Q.2 (a) Soham Ltd., a company in which the public are substantially 07**
interested, submits the following particulars for the
previous year ending March 31, 2011. Determine its tax
liability for the assessment year on the assumption that
dividend distributed for the year 2011-12 is Rs
4,20,000 (date of distribution May 10, 2011).

Profit from Manufacturing activity in India (set up in 1971)	9,00,000
Dividends from an Indian company	3,00,000
Dividends from a foreign company on shares Allotted to it in consideration of transfer of technical Know-how.	6,00,000
Royalty from the Nepal Government for use of its patents	2,00,000
Royalty from an Indian company in respect of transfer of technical known how	2,00,000
Short-term gain on sale of shares	18,000
Short-term loss on sale of land	15,000
Long-term gain on sale of building (sale proceeds Rs 1,50,000, index cost of acquisition Rs 1,12,400)	37,600
Long-term loss on sale of shares (sale price: Rs 28,000, index cost Rs 58,000)	30,000
Short-term gain on sale of machine (sale proceeds Rs 2,00,000, cost of acquisition as per Sec. 50 Rs 1,40,000)	60,000
Brought forward business loss	6,00,000
Unabsorbed depreciation	1,00,000

(b) Give illustration and explain tax planning with reference to 07
sale of scientific research assets.**OR**

(b) Find out the tax consequences in the following cases- **07**

1. Business profit of Mohan Ltd., a tea growing and manufacturing company is Rs 90 lacs for the assessment year. It deposits Rs 35 lacs in the 'special account' for claiming deduction under section 33AB. It wants to claim set-off of brought forward business loss of Rs15 lacs.
2. By withdrawing Rs 20 lacs on January 20,2011 from the "special account", Mohan Ltd purchases a non-depreciable asset for Rs 18 lacs according to the scheme framed by the Tea Board. The remaining amount of Rs 2 lacs is not utilized up to March 31,2011.
3. The assets which is purchased for Rs 18 lacs is sold to Tulsi for Rs 31 lacs on December 3,2013.

Q.3 (a) Mishri & company, a firm is engaged in the business of civil construction (Turnover of 2010-2011) being Rs. 40 lac. It wants to claim the following deduction. **07**

Particulars	Amount
Salary & interest to partners (as permitted by sec. 40(b)	80,000
Salary to employees	5,00,000
Depreciation	3,00,000
Cost of material used	26,00,000
Others Expenses	5,00,000
Total	39,80,000
Net Profit	20,000

Determine the net income of Mishri & company for the current assessment year. Assuming taxable income from other business is Rs. 2,50,000 , long term capital gain is Rs. 35,000 & the firm is eligible for deduction of Rs. 25,000 under sec 80G.

(b) Jahnvi Ltd., is engaged in the business of carriage of goods. **07**
On April 1, 2010, it owns 10 trucks (6 out of which are heavy goods vehicle). On May 6, 2010, one of the heavy goods vehicles is sold by the company to purchase a light goods vehicle on May 10, 2010 which is put to use only from June 17, 2010.

Find out the net income of Jahnvi Ltd for the assessment year taking into consideration the following data:

Freight Collected	9,00,000
Less:	
Operational expenses	6,00,000
Depreciation as per sec.32	2,00,000
Other office expenses	15,000
Net Profit	85,000
Other business/non-business income	50,000

OR

Q.3 Accurate Ltd. needs component in an assembly operation. **14**

It is contemplating the proposal to either make or buy the aforesaid component.

1. If the company decides to make the product itself, then it would need to buy a machine for Rs 8 lakh which would be used for 5 years. Manufacturing costs in each of the five years would be Rs 12 lakh, Rs 14 lakh, Rs 16 lakh, Rs 20 lakh and Rs 25 lakh respectively. The relevant depreciation rate is 15 per cent. The machine will be sold for Rs 1 lakh at the beginning of the sixth year.

2. If the company decides to buy the component from the supplier the component would cost Rs 18 lakh, Rs 20 lakh, Rs 22 lakh, Rs 28 lakh and Rs 34 lakh respectively in each of the five year.

The relevant discounting rate and tax rate are 14 per cent and 33.2175 per cent respectively. Additional depreciation is not available. Should Accurate Ltd. make the component or buy from outside?

PVF A: 1st year-0.877, 2nd year-0.769, 3rd year-0.675, 4th year-0.592, 5th year-0.519.

Q.4 (a) Case study: **07**

Mrs X is offered an employment by PQR Ltd., at a basic salary of Rs 1,00,000 per month. Other allowances according to rules of the company are: dearness allowance: 18 per cent of basic pay (not forming part of the salary for calculating retirement benefits), bonus: one month basic pay; project allowance; 6 per cent of basic pay.

The company gives Mrs. X an option either to take a rent-free unfurnished accommodation at Indore for which the company would directly bear the rent of Rs 45,000 per month, or to accept a house rent allowance of Rs 45,000 per month and find out own accommodation. If Mrs. X opts for house rent allowance, she will have to pay Rs 45,000 per month for an unfurnished house. Her income from other sources is Rs 2,00,000.

Find out the best option for Mrs. X.

- (b)** Mr. Sur (26 years) is a musician deriving income from concerts performed outside India of Rs 10 lacs. Tax of Rs 2,10,000 was deducted at source in the country where the concerts were given and remaining Rs 7,60,000 is remitted to India. India does not have any agreement with that country for avoidance of double taxation. Assuming that the Indian income of Mr. Sur is Rs 3,00,000, what is the relief due to him under section 91 for the assessment year, assuming that Mr. Sur has deposited Rs 25,000 in the public provident fund account. **07**

OR

Q.4 Find out the tax consequences in the following different situations: **14**

X Ltd is a manufacturing company. On April 1, 2010, it owns plant A and plant B (depreciation rate: 15 per cent; depreciated value of block being Rs 2,40,000). Plant C (depreciation rate 15 per cent) is purchased by the company on June 10, 2010 for Rs 60,000. It is put to use on the same day.

1. Plant B is destroyed by fire on January 25, 2011. Rs 10,000, being the compensation is paid by the insurance company on February 10, 2011.
2. Suppose insurance compensation in situation (1) is Rs 3,70,000.
3. Plants A, B and C are destroyed by fire on January 25, 2010. Compensation paid by insurance company on February 10, 2011 is Rs 20,000.
4. Suppose in situation (3) insurance compensation is Rs 4 lacs.

Q.5 Mr. Sharma (40 years), a non-resident, is engaged in the business of shipping. During the previous year. one of the ships owned by Mr.Sharma collects freight as follows: **14**

- a) On August 6, 2010 , a sum of Rs 40 lacs for shipping goods from Mundra port (it includes demurrage of Rs 10,000 and handling charges of Rs 60,000); and
- b) On January 10, 2011, a sum of Rs 25 lacs for shipping goods from Bombay (it is paid to him in New York).

Besides, Mr.Sharma collects Rs 20,70,000 in India on March 3,2011 for shipping goods from Karanchi to California.

Barring the cases noted above, Mr.Sharma does not have any other income in India.Mr.Sharma incurs an expenditure of Rs 2,40,000 in India (out of which Rs 65,000 is paid in cash). Mr.sharma has brought forward loss of Rs 5,000 from a trading business in India which was discontinued in 2009. Compute the tax liability of Mr.Sharma for the assessment year.

OR

- Q.5** (a) How a residential status of an individual can be decided? **07**
(b) Give illustration to explain Indian income & foreign income. **07**
