

III Semester M.B.A. Examination, April/May 2022
(CBCS) (2014 – 15 and Onwards)
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 **five** marks.

(5×5=25)

1. State and explain the various types of Customs Duty.
2. Explain the chargeability under the head "Income from Business".
3. GST is a destination-based tax. Explain the concept of 'Place of Supply' in this context.
4. What is 'Place of Effective Management' ? Explain its significance in determining the residential status of a company.
5. Explain the conditions under Section 32 of Income Tax Act for claiming depreciation as an admissible business expenditure.

6. Assessable Value	Rs. 5,00,000
Basic Customs Duty	10%
Countervailing Duty	12%
Social Welfare Surcharge	10%
Integrated Goods and Services Tax	18%

Calculate Customs Duty Payable and Effective Rate of Duty.

7. State whether the following transactions are 'Supply' or 'Not a Supply' providing clear explanation.
 - a) Shyla Ltd., hires the services of Peter Architects Inc., a US Company, for designing its new building of its Head Office. Fees charged by the Architects are 10000\$.

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- b) Sulekha hires the services of Potter Architects Inc., a UK Company, for designing her farmhouse. The UK Company has charged 10000€ for its services.
- c) ABC Associates received legal consultancy services from its head office located in New Zealand. The head office has rendered such services free of cost to its branch office.
- d) Sreekantha, a proprietor registered in Mysore, has sought architect services from his son Nischal located in US, with respect to his newly constructed house in Delhi.
- e) Chandra agrees not to compete with Raja in Mysore Market, for a lump sum consideration of Rs. 3 Crores.

SECTION – B

Answer any three questions. Each question carries ten marks. (3×10=30)

8. Explain in detail the provisions for valuation under Section 15(1) of CGST Act, for the purpose of levying GST.
9. Explain the tax treatment for 'expenditure on scientific research' in computing taxable business income of a company, under Income Tax Act, 1961.
10. H Ltd., engaged in diversified activities, earned a net profit of Rs. 14,25,000 after debit/credit of the following items to its profit and loss, account for the year ended 31-03-2021.

	Rs.
<u>Items debited to Profit and Loss Account</u>	
Expenses relating to exempted incomes	2,10,000
Provision for loss of subsidiary	70,000
Provision for sales tax demand (paid before due date)	75,000
Provision for wealth tax demand	90,000
Provision for income tax demand	1,05,000
Expenses on purchase or sale of equity shares	15,000
Depreciation	3,60,000
Interest on bank loan, inadmissible according to section 43B	90,000



Items credited to Profit and Loss Account

Exempted incomes	2,70,000
Profits from speculation	60,000
Long-term capital gain on sale of equity shares liable for securities transaction tax	3,60,000
Income from Units of UTI	75,000

The company provides the following information

- a) Depreciation includes Rs. 1,50,000 on account of revaluation of fixed assets.
- b) Depreciation allowable as per Income-tax Rules is Rs. 2,80,000.
- c) Brought forward loss and unabsorbed depreciation.

	Amount as per books		Amount as per Income-Tax	
	Loss Rs.	Depreciation Rs.	Loss Rs.	Depreciation Rs.
2012-13	2,50,000	3,00,000	2,00,000	2,50,000
2017-18	Nil	2,70,000	1,00,000	1,80,000
2018-19	3,50,000	3,15,000	1,20,000	2,10,000

You are required to :

- i) Compute the total income of the company for the Assessment Year 2021-22, and
 - ii) Compute the book profit and the tax payable by the company.
11. Sarvamala & Co. , proposes to acquire a machine on 01-04-2020 for its business. It will cost about Rs. 3,00,00,000. It is expected to have a working life of 3 years and a scrap value at the end of the useful life is expected to be Rs. 80,00,000. If the machine is purchased through borrowed funds, rate of interest is 15% per annum. The loan is repayable in 3 annual installments of Rs. 1,00,00,000 each. If the machine is acquired through lease, lease rent would be Rs. 1,20,00,000 per annum. Profits before depreciation and tax are expected to be Rs. 2,00,00,000 every year. Rate of depreciation is 30%. The discount factor may be assumed at 10%.
- J & Co., seeks your advice whether it should -
- a) acquire the machine through own funds or borrowed funds; or
 - b) take it on lease.
- Make suitable assumptions.



SECTION - C

This is a **compulsory** question carrying **fifteen** marks.

(1×15=15)

12. **Case Analysis. Compulsory.**

Compute the assessable value from the following information and the customs duty payable:

- FOB value of machine UK Pounds £ 20,000
- Freight paid (AIR) UK Pounds £ 5,000
- Design and Development charges paid in UK £ 8,000
- Cost of Primary Packing charged separately £ 3,000
- Commission payable to local agent @ 1 % of FOB in Indian Rupees.
- Insurance - Not known
- The Exchange rate notified by the CBIC is Rs. 95 per UK pound.

Basic Customs Duty Rate is 10%, Social Welfare Surcharge at applicable rate and IGST Rate is 12%.