27. XYZ ltd has provided the following information for the year ended 31.3.2020

1. Income computed as per the provision of income tax act ₹ 20,00,000
2. Profit as per statement of profit and loss account ₹ 50,00,000
3. Items deducted in statement of profit and loss:

   Provision for income tax ₹ 6,50,000

   Dividend distribution tax ₹ 40,000

   Provision for deferred tax ₹ 60,000.

   Securities transaction tax ₹ 1,00,000.

   Provision for gratuity actuarial valuation ₹ 1,50,000

   Dividend declared ₹ 2,50,000.

   Expenditure to earn agriculture income ₹ 1,00,000.

   Depreciation ₹ 4,50,000, this includes depreciation of ₹ 2,00,000 on revaluation of asset.
4. Items added to the statement of profit and loss.

   Transfer from special reserve ₹ 2,00,000.

   Agricultural income ₹ 4,00,000.

   Long term capital gain exempted u/s 10(38) ₹ 2,00,000.

   Brought forwarded business loss as per books of account - ₹ 8,00,000.

   Brought forwarded depreciation as per books of account - ₹ 7,00,000.

   You are required to calculate tax payable by the company and tax credit to be carried forwarded

(2 × 10 = 20 Marks)

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20U676 (Pages: 4) Name: ……………..……….

Reg. No: ……..…….………

SIXTH SEMESTER B.Com. DEGREE EXAMINATION, APRIL 2023

(CBCSS-UG)

CC20U BCM6 B15 - CORPORATE TAXATION AND TAX PLANNING

(Commerce: Taxation – Elective Course)

(2020 Admission - Regular)

Time: 2 ½ Hours Maximum: 80 Marks

Credit: 5

Section A

Answer ***all*** questions. Each question carries 2 marks.

1. Explain the term lease.
2. What is amalgamation?
3. What is tax planning?
4. What is bonus shares?
5. What is capital structure?
6. What do you mean by Export Processing Zone (EPZ)?
7. Explain repair and replacement of an asset.
8. Discuss the residential status of company.
9. Explain Make or Buy Decision.
10. What is interim dividend?
11. What do you mean by security transaction tax?
12. Distinguish between tax planning and tax avoidance.
13. Explain dividend distribution tax.
14. What is tax evasion?
15. Define Indian Company.

(Ceiling: 25 Marks)

Section B

Answer ***all*** questions. Each question carries 5 marks.

16. Explain provisions of tax planning with regard to purchase or lease of an asset.
17. Differentiate tax planning and tax management.
18. Explain the tonnage tax scheme for companies.
19. Explain the importance of tax planning for new business.

20. A company requires 20,000 units of a component every year for the next five years. The component can either be manufactured by the company in its factory or be purchases from the market. From the following information suggest to the company whether it should make the component or buy it from the market.

Material cost per unit ₹ 4

Labour cost per unit ₹ 6

Variable overhead cost per unit ₹ 2

If the company manufactures the part, it has to purchase a machine by taking a loan from the bank. The present value of net cash outflow in this regard in five years will be ₹ 1,00,000

The component is available in the market at i) ₹ 12.50 per unit. ii) ₹ 14 per unit.

21. A domestic company submits the following particulars of its income for the previous year ending on 31.03.2022:

1. Profits of business after deduction of donations to approved charitable institution ₹ 4,00,000
2. Donation to charitable institution by cheque ₹ 50,000
3. Interest on Government securities ₹ 20,000
4. Dividend from domestic company (Gross) ₹ 60,000
5. Long Term Capital Gain ₹ 1,00,000
6. Book Profits u/s 115JB ₹ 10,00,000

During the financial year 2021 - 22 the company deposited ₹ 50,000 in IDBI. The company distributed a dividend of ₹ 1,00,000 on 06/09/2022.

Compute the taxable income of the company and tax payable by it for AY 2022- 23.

Assume the turnover of the company is less than 400 crores.

22. From the following information compute the tax payable by a tonnage tax company for the assessment year 2022 – 2023.

The company has two qualifying ships.

a) The net tonnage of ship 1 is 27,749 ton and 200 kg and ship 2 is 16,750 ton and 400 kg
b) Ship 1 runs for 365 days during the previous year and ship ii for 180 days during the previous year
c) Turnover of core activities ₹ 10 crore
d) Profit from incidental activities ₹ 3 lakh

23. The director of a domestic company, whose existing capital is 1 crore all in equity shares, proposes to expand its business for which an additional investment of 50 lakh would be needed. The entire money can be raised either by issue of equity shares or by issue of 10% debentures.

They decide in favor of equity share.

As the tax consultant do you approve the proposal?

Assume that the rate of return is 20% and rate of income tax is 30%.

(Ceiling: 35 Marks)

Section C

Answer any ***two*** questions. Each question carries 10 marks.

24. Define a company. Explain types of companies. When is a company resident?

25. X Ltd is a domestic company, has two businesses A and B. For the last two years business A has been running at a loss wiping out the entire profits of business B. At the end of FY 2019-20, there are brought forward losses of ₹ 8,00,000 and unabsorbed depreciation of ₹ 5,00,000.

In the FY 2020-21onwards it is expected that business B will earn a profit of ₹ 5,00,000 annually and if business A is continued at a minimum level there will be an annual loss of ₹ 1,00,000 and rate of tax will be 30.9%.

Please suggest the management of the company.

a) Whether the business A should be continued or shut down.

b) If continued for how many years?

26. A Ltd. wants to acquire an asset costing ₹ 1,00,000. It has two alternatives available. The first one is buying the asset by taking a loan of ₹ 1,00,000 repayable in 5 equal installments of ₹ 20,000 each with interest @ 14% p. a. The second one is leasing the asset for which annual lease rental is ₹ 30,000 up to 5 years. The lessor charges 1% as processing fees in the first year. Assume the internal rate return to be 10%.

The present value factors are:

Year	PV Factor
1	0.909
2	0.826
3	0.751
4	0.683
5	0.621

Assume lease rentals, processing fees, loan as well as interest amount are payable at year end.

Suggest which alternative is better for the company.

Take rate of depreciation @ 15%, tax rate at 33.99%