

Expected return on capital employed in business is 25% (before tax). Generally, companies engaged in similar business are paying 20% dividend on its share capital. Assume tax rate is 25%, Surcharge 7% and Health and Education Cess 4%.

You have to advice the company as to which alternative it should choose for the capital structure so as to pay maximum dividend to the shareholders.

**(2 × 10 = 20 Marks)**

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(4)

**21U676**

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Name: .....

Reg. No: .....

**SIXTH SEMESTER B.Com. DEGREE EXAMINATION, APRIL 2024**

(CBCSS-UG)

(Regular/Supplementary/Improvement)

**CC20U BCM6 B15 – CORPORATE TAXATION AND TAX PLANNING**

(Commerce: Taxation – Elective Course)

(2019 Admission onwards)

Time: 2 ½ Hours

Maximum: 80 Marks

Credit: 5

**Part A**

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

1. Define company.
2. What is tax planning?
3. What is a widely-held company?
4. Write a short note on bonus share.
5. What are the tax provisions in respect of infrastructure facility?
6. What is tonnage tax?
7. List any two deductions available for a resident company.
8. What is MAT?
9. Explain inter-corporate dividends.
10. What is TDS?
11. What is tax evasion?
12. Write a note on dividend policy.
13. What is SEZ?
14. "From tax point of view, it is always better to form a partnership firm and not a company." Do you agree with this statement? Why?
15. Explain the term 'lease'.

**(Ceiling: 25 Marks)**

**Part B**

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

16. Explain the residential status of a company.
17. What is the need for tax planning? What are its limitations?
18. What are the salient features of assessment of joint stock companies?
19. Distinguish between 'tax planning' and 'tax management'.

(1)

**Turn Over**

20. P. Ltd is an Indian Company manufacturing textile. For the year ending 31<sup>st</sup> March, 2023, the Statement of profit and loss showed a net profit of Rs. 10,25,000 after deducting the following:

- Dividends Rs. 2,00,000 paid to share holders for the accounting year 2021-22.
- Interest Rs. 10,000 paid on loan taken for the payment of company's income tax
- Rs. 10,000 paid to legal advisers in respect of proceedings before income tax authorities.
- Penalty of Rs. 24,000 for importing yarn in contravention of import regulations.

Compute taxable income of the company.

21. From the following information determine whether the assessee should purchase an asset or taken on lease.

- Cost of asset Rs. 1,00,000
- Rate of depreciation 15%
- Rate of interest 10%
- Repayment of loan by the assessee Rs. 20,000 p.a
- Rate of tax 26%
- Residual value Rs. 20,000 after 5 years
- Profit of the assessee Rs. 1,00,000 before depreciation, interest and tax/before lease rent and tax
- Lease rent Rs. 30,000 p.a

22. From the following information compute the income of a tonnage tax company:

- The company has two qualifying ships. The net tonnage of ship I is 27,749 tons 400 kg and ship II 16,750 tons 500 kg.
- Ship I runs for 365 days during the previous year and ship II for 150 days during the previous year.

23. A company requires 20,000 units of a component every year for next five years.

The component can either be manufactured by the company in its factory or the purchased 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 Rs. 4
- Labour cost per unit Rs. 6
- Variable overhead cost per unit Rs. 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 Rs. 1,00,000

- The component is available in the market at (a) Rs. 12.50 per unit (b) Rs. 14 per unit.

(Ceiling: 35 Marks)

### Part C

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

24. Explain the provisions for payment of tax by Companies u/s 115JB.

25. The gross total income of Ramesh Ltd was computed as under for the Previous Year 2022-23:

- Paper mill's income Rs. 2,80,000
- Mini cement plant profit Rs. 60,000
- Profit of new industrial unit situated at Himachal Pradesh (Backward industrial state) Rs. 85,000 (This unit was established in January 2012.)
- Export business profit Rs. 2,45,000
- Profit from poultry farming, commenced in October 2018 Rs. 1,00,000
- Long term capital gain Rs. 70,000
- Income from royalty:
  - Income from Prabhakar Ltd. (Indian Company) for supply of technical know how Rs. 80,000
  - Stoneson Ltd. (Foreign Company) for supply of technical know how Rs. 90,000
- Profit of hotel Rs. 90,000
- Profit of small-scale industry Rs. 50,000
- Loss of steel plant Rs. 90,000
- Dividend from non-domestic company Rs. 75,000

Compute company's total income and gross tax liability. Company donated by cheques Rs. 40,000 to PM National Relief Fund and Rs. 90,000 to MP Government for family planning.

26. "Tax planning is not possible without tax management." Discuss.

27. Trapti Limited is a widely-held company. It proposes to increase its production for which it will require Rs. 1,00,00,000. The company proposes the following three alternatives for the structure of the additional capital.

	First Alternative	Second Alternative	Third Alternative
Share capital	1,00,00,000	40,00,000	20,00,000
10% Debentures	-	40,00,000	30,00,000
Loan from financial institution (Int. 12%)	-	20,00,000	50,00,000

(3)

Turn Over