

15P438

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Name :

Reg No:

FOURTH SEMESTER M.COM DEGREE EXAMINATION, MARCH 2017

(CUCSS-PG)

CC15P MC4 E04-TAX PLANNING AND MANAGEMENT

(2015 Admission)

Time: 3 Hours

Maximum weightage: 36

Part A

Answer *all* questions.

- 1 What is Tax Evasion?
- 2 What is Minimum Alternate Tax?
- 3 What is Closely Held Company?
- 4 Briefly explain the provisions regarding STT.
- 5 What are Accumulated Profits?
- 6 How do you treat interim dividend?

(6x1=6 weightage)

Part B

Answer any *three* questions

- 7 Pioneer Ltd is a domestic company in which public are substantially interested.

The following are the particulars of income

Interest on Government Securities	20000
Income from business	500000
STCG	15000
LTCG	33000
Dividend from Indian Company	10000
Dividend from foreign Company	10000
Book Profits u/s 115-JB	900000

- 8 What are the differences between Tax Planning and Tax management?
- 9 Compute the Income of a tonnage tax company

The Company has two qualifying ships. The net tonnage of ship 1 is 27749 ton 400 Kg and Ship 2 16750 ton 500 Kg. The Ship 1 runs for 365 days during the previous year and Ship 2 for 150 days during the previous year

- 10 There are two members A and B in a joint Hindu family having a capital of Rs 1250000. They can run a business as a business of an individual joining the other as an employee and money lender or as a HUF. If the business is run as of an individual the other member will receive a salary of Rs 2 lakh and interest @ 12% on Rs 625000. If the business is run as HUF each member will receive salary Rs 150000. Suggest which form of organisation should be adopted from tax point of view if the expected business income is Rs 600000 for the previous year 2016-17
- 11 Mr. Praveen, an individual employed by a company, draws a salary of Rs 3000 per month. His employer gives him the choice of one of the two alternatives given below:
- Getting a rent free unfurnished house at Delhi (Population 80 lakhs) having fair rental value of Rs 1000 per month
 - Getting a Cash HRA of Rs 1000 per month having to find out his own accommodation in Delhi and pays the requisite rent.
- Mr. Praveen opts for the second alternative and takes the cash HRA of Rs 1000 per month. He takes a house in Delhi at a rent of Rs 800 per month. Has he made a wise choice? Discuss
- 12 PQR Ltd is carrying on the business of manufacturing automobiles. It has also established its research and development section. The company installed a machine for scientific research on 1-6-2013 by spending 1500000. The entire cost has been debited to P/L Account. Now this machine is sold for Rs 1700000 on July 1 2015 without using it for any other purposes of the business. The business income of the company before giving any effect to above facts is Rs 7000000. Discuss the tax treatment on sale of above machine
- 13 The total Income of an individual (45 years old) computed under the normal Provisions of Income tax Act is Rs 1000000. However the Adjusted Total Income of the individual computed as per section 115 JC (2) amounted to Rs 3000000. Calculate the final tax liability of the individual.
- 14 Briefly explain the differences between Partnership firm and Company in relation to Tax Liability?

(6x3=18 Weightage)

Part C

Answer any *two* questions

- 15 Masters Co Ltd has provided the following informations for the year ended 31-3-2016
- | | |
|---|---------|
| Total Income computed as per Income Tax Act | 2000000 |
| Profit as per Statement of Profit & Loss | 5000000 |

Items deducted in Statement of Profit & Loss

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Provision for Income Tax	650000
Dividend Distribution Tax	40000
Provision for Deferred Tax	60000
Securities transaction tax	100000
Provision for gratuity on actuarial valuation	150000
Dividend declared	250000
Expenditure to earn agricultural income	100000
Depreciation	450000

(This includes depreciation of Rs 200000 on revaluation of assets)

Items added to Statement of Profit & Loss

Transfer from Special Reserve	200000
Agricultural Income	400000
LTCG exempt u/s 10(38)	200000
Brought forward Loss	
Business loss b/f as per books of Account	800000
Depreciation b/f as per books of Account	700000

Compute

1, Tax Payable by the company

2, Tax Credit to be carried forward if any

16 Tinku and Binku want to start a business. They have two options for selecting a form of Organisation- Partnership firm or Private Company. The estimated profits before the following deductions are Rs 696000.

1, Remuneration Rs 20000 per month each by the firm and Rs 25000 per month each by the company

2, Each will give a loan to the business of Rs 200000 @ 12% p.a

3, Contribution as capital Rs 200000 each. On this interest will be paid @ 12% per annum. However the company cannot pay interest on it

4, The profits after tax will be distributed equally as profits/dividends.

Suggest whether they should form a partnership firm or a private company

17 Briefly explain tax planning for Shipping Companies?

(2x6 = 16 weightage)
