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Name.....

Reg. No.....

FOURTH SEMESTER M.Com. DEGREE EXAMINATION, APRIL 2020

(CUCSS-PG)

(Regular/Supplementary/Improvement)

CC15P MC4 E04 - TAX PLANNING AND MANAGEMENT

(2015 Admission onwards)

Time: Three Hours

Maximum: 36 Weightage

PART A

Answer *all* questions. Each question carries 1 weightage.

1. What is tonnage tax scheme?
2. What is alternative minimum tax?
3. Explain the tax planning provisions in respect of infrastructure facility.
4. What is Dividend Distribution Tax?
5. What is tax avoidance?
6. What is rebate?

(6 x 1 = 6 Weightage)

PART B

Answer any *six* questions. Each question carries 3 weightage.

7. Distinguish between tax planning, tax management and tax avoidance.
8. What are special tax provisions? Discuss the tax incentives for exporters.
9. How to calculate Book profit u/s 115JB?
10. From the following informations, compute the tax payable by a tonnage tax company for the Assessment year 2018-2019:
 - i) The company has two qualifying ships. The net tonnage of Ship I is 27749 ton 400 kg and ship II 16750 ton 500 kg.
 - ii) Ship I runs for 365 days during the previous year and ship II for 150 days during the previous year.
 - iii) Turnover of core activities ` 20 crore
 - iv) Profit from incidental activities 5.5 lakh.
11. Discuss the provisions of deduction in respect of profit and gains from housing projects u/s 80 IBA of the Income Tax Act.

(1) **Turn Over**

12. A, B and C have decided to set up a business. For this purpose A, B and C are having ` 600000, ` 300000 and ` 300000 respectively. They wish (1) to charge interest on their capital/loan@12% p.a. Salary A Rs.20000 p.m., B ` 10000 p.m .C ` 10000 p.m and share profits in the ratio 2:1:1, or (2) B and C to receive half the income as salary nominating A as the sole owner of the business.

They expect the income of ` 800000 (before charging interest on capital/loan) during the relevant year.

As an income tax expert you are approached by A, B and C for considered opinion as to whether they should have a firm or a sole proprietary concern of A, while B and C becoming employees and money lenders to the concern so that they can reduce their tax liability. What is your advice and what argument would you give in support of your advice?

13. 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 favour of issue of equity shares.

As a Tax consultant do you approve the proposal? Assume the rate of return is 20% and rate of income tax is 30%.

14. From the following information compute total income of the assessee:

i) Profit from an undertaking entitled to deduction	
U/s 80 IB @ of profit	20,00,000
ii) Loss from another undertaking not entitled to deduction	
Under chapter VI A	9,00,000
iii) Interest income	1,00,000
	(6 x 3 = 18 Weightage)

PART C

Answer any *two* questions. Each question carries 6 weightage.

15. The statement of Profit & Loss of XY Ltd., for the year ended 31st March, 2018 shows a net profit of ` 1500000. The statement of profit & loss includes the following items among others:

i) Dividend from an Indian Company (Gross)	1,00,000
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ii) Net Rent from house property (let out to outsiders)

After debiting repairs ` 1000 and

Municipal tax ` 3000 23,000

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iii) Provision for taxation 20,00,000

iv) Cost of maintenance of a liaison office in Newyork
 For promoting exports 60,000

v) Legal expenses for contesting a suit for eviction from
 A premises used as a show-room 3,000

vi) Expenses for obtaining a loan from a financial institution
 For acquiring new machinery 20,000

vii) Amount embezzled by the cashier of the company,
 Which are irrecoverable 15,000

Entire amount of dividend income from another Indian company has been distributed as dividend to its shareholders on 10-09-2017.

Compute the total income of the company for the relevant assessment year.

16. Mr.Z is offered an employment by B.Co Ltd., with the following two alternative packages:

Particulars	I	II
a. Salary	2,00,000	2,40,000
b. D.A	1,56,000	1,16,000
c. Bonus	24,000	24,000
d. Hostel expenditure		
Allowance for one child	-----	5,400
e. Cost of education of a child		
In employer's school	5400	-----
f. HRA (Rent payable ` 60, 000)	2500	2500
g. Medical allowance	15,000	-----
h. Reimbursement of medical Bills of a private clinic	-----	15,000
i. Refrigerator, TV & Fans	50000	-----

j. Computer

50,000

Which of the alternatives should Z opt keeping in view his tax liability?

17. Discuss the considerable points regarding capital structure decision for minimum tax liability.

(2 x 6 = 12 Weightage)
