

**17P448**

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Name.....

Reg. No.....

**FOURTH SEMESTER M.Com. DEGREE EXAMINATION, APRIL 2019**

(CUCSS - PG)

**CC15P MC4 E04 - TAX PLANNING AND MANAGEMENT**

(Regular/Improvement/Supplementary)

(2015 Admission onwards)

Time : Three Hours

Maximum : 36 Weightage

**Part A**

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

1. What is tax holiday?
2. Who is the Principal Officer of a company?
3. Is corporate tax revenue collected by central government is divisible with states?
4. Differentiate between tax management and tax planning.
5. State the significance of 'Double Taxation Avoidance Agreement' in India.
6. How does MAT differ from AMT?

**(6 x 1 = 6 Weightage)**

**Part B**

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

7. Discuss the deductions allowed to a company from its Gross Total Income.
8. Examine the provisions of Income Tax Act concerning the 'set off and carried forward of business losses'.
9. Distinguish 'Advance tax and TDS'.
10. Basic Salary Rs 15000 p.m, D.A Rs 2000 p.m.(As per terms of employment), Commission Rs 20000 p.a. Employer is given an option to accept rent free house for which employer is paying a rent of Rs 4000 p.m. or H.R.A. Rs 4000 p.m. Rent paid by the employee is Rs 5000 p.m. Advise the employee which option to be opted.
11. What are the differences between Tax Evasion and Tax Avoidance?
12. The total income of XYZ Ltd,a domestic company computed under the normal provisions of Income Tax Act is Rs 5,00,000. However the bookprofit of the company amounted to Rs. 14,50,000. Calculate the tax liability of the company? What is the amount of tax credit available to the company?
13. Briefly explain the differences between Partnership firm and Company in relation to Tax Liability.

**(6 x 3 = 18 Weightage)**

### Part C

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

14. Compute tax payable by the company if Minimum Alternate Tax is applicable.

| Particulars                                | Amount         | Particulars                    | Amount         |
|--|----------------|--------------------------------|----------------|
| To Salaries                                | 1275000        | By GP b/d                      | 7353750        |
| General expenses                           | 652500         | Dividend from domestic company | 26250          |
| Sales expenses                             | 322500         |                                |                |
| Directors remuneration                     | 1233000        |                                |                |
| Income tax                                 | 270000         |                                |                |
| Penalty                                    | 15000          |                                |                |
| Proposed dividend                          | 480000         |                                |                |
| Provision for losses of subsidiary company | 300000         |                                |                |
| Net profit                                 | 2832000        |                                |                |
| <b>Total</b>                               | <b>7380000</b> | <b>Total</b>                   | <b>7380000</b> |

Adjustments

1. Salaries include one bill of Rs 90000 against which payment was made in cash.
2. General expenses include interest on loan Rs 22500 .Loan taken for personal use and Donation to National Defence Fund Rs 20000.

| Particulars             | As per IT Act | As per books of a/c |
|-------------------------|---------------|---------------------|
| B/f losses              | 4,20,000      | 2,10,000            |
| Unabsorbed depreciation | 2,55,000      | 75,000              |

15. The management of X Ltd wants to acquire a new machine. The Cost Price of the machine is Rs 200000. The Company has enough cash reserves to finance the purchase. However it seeks your advise whether from the point of view of tax planning it should buy the machine or get it on lease. Explain the suitability of each alternatives:

Asset sold for Rs 10000 at the end of fifth year

Rate of Income Tax 35%, Cost of capital 12%

Rate of depreciation under Income Tax Act 25%

Expected life of the machine 5 years

Lease rent Rs 64000 per annum for the five years. (Per Rs 2 lakh)

Present Value of Re 1 discounted at 12%: 1<sup>st</sup> Year 0.893, 2nd Year 0.797, 3rd Year 0.712, 4th Year 0.636, and 5th Year 0.567.

16. Briefly explain tax planning for Shipping Companies.

**(2 x 6 = 12 Weightage)**

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