



III Semester M.B.A. Degree Examination, February 2017
(CBCS)

MANAGEMENT

Paper – 3.3.2 : Corporate Tax Planning and Management

Time : 3 Hours

Max. Marks : 70

SECTION – A

Answer **any five** of the following questions. **Each** question carries **five** marks : (5×5=25)

1. What is 'Dividend Distribution Tax' ? Explain briefly the provisions relating to Dividend Distribution Tax.
2. Explain the chargeability of Customs Duty.
3. What is 'service' for the purposes of Service tax ? List the various declared services.
4. Explain briefly the various exceptions for levy of central sales tax.
5. M/s Dollar Ltd., a manufacturing concern furnishes the following particulars :
 - i) Opening written down value under Income Tax of block plant and machinery – Rs. 5,00,000.
 - ii) Purchase of plant and machinery (put to use before 01-10-2015) – Rs. 2,00,000.
 - iii) Sale proceeds of plant and machinery which became obsolete - the plant and machinery was purchased on 1-4-2013 for Rs. 5,00,000 - Rs. 5,000.

Further, out of purchase of plant and machinery :

- a) Plant and machinery of Rs. 20,000 has been installed in office.
- b) Plant and machinery of Rs. 20,000 was used previously for the purpose of business by the seller.

Compute depreciation and additional depreciation as per Income Tax Act for the assessment year 2016-17.

6. Mr. Arnab Ghosh, a manufacturer, furnished the following particulars :

	Rs.
Price of machinery excluding taxes and duties	2,00,000
Transit insurance shown separately	10,000
Packing charges	10,000
Extra charges for designing the machine	25,000
Outward freight beyond the place of removal	15,000



Cash discount allowed to customer for full payment made in advance - 2%
VAT - 5% and Excise duty - 12.5%.

Calculate the excise duty payable by Mr. Arnab Ghosh, stating the reason for inclusion or exclusion of duty.

7. Mr. Sarala a proprietress of Royal security agency received ₹ 2,00,000 by an account payee cheque, as advance while signing a contract with Deepak Chemicals Ltd. for providing security services. She received ₹ 5,00,000 by credit card while providing the service and another ₹ 5,00,000 by a pay order on Jan. 31, 2016 from Deepak Chemicals Ltd. All three transactions took place during Jan. 2016. She seeks your advice about her liability towards value of taxable service and the service tax payable by her.

SECTION – B

Answer **any three** questions. **Each** question carries **ten** marks : (3×10=30)

8. Explain in detail the provisions for chargeability of Excise Duty, by providing suitable examples.
9. X Pvt. Ltd., a closely-held Indian company, is engaged in the business of manufacture of chemical goods (value of plant and machinery owned by the company is Rs. 55 lakhs). The following information for the financial year 2015-16 are given :

	Rs.
Sale proceeds of goods (domestic use)	22,23,900
Sale proceeds of goods (export sale)	5,76,100
Amount withdrawn from general reserve (reserve was created in 1996-97 by debiting P and L A/c	2,00,000
Amount withdrawn from Revaluation Reserve	1,50,000
Total	31,50,000
Less : Expenses	
Depreciation (normal)	6,16,000
Depreciation (extra depreciation because of revaluation)	2,70,000
Salary and wages	2,10,000
Wealth-tax	10,000
Income-tax	3,50,000
Outstanding custom duty (not paid as yet)	17,500
Proposed dividend	60,000
Consultation fees paid to a tax expert	21,000
Other expenses	1,39,000
Net profit	14,56,500



For tax purposes the company wants to claim the following :

- deduction under Section 80-IB (30% of Rs. 14,56,500)
- depreciation under Section 32 is Rs. 5,36,000

The company wants to set-off the following losses/allowances :

	For tax purposes (Rs.)	For accounting purposes (Rs.)
B/f loss of 2010-2011	14,80,000	4,00,000
Unabsorbed depreciation	—	70,000

Compute the tax liability of the company for the assessment year 2016-17 assuming that X Ltd., gets a long-term capital gain of Rs. 60,000 which is not credited in profit and loss account.

10. M/s. Yeshaswi Industries Ltd. has imported a machine from Japan at an F.O.B. cost of 1,00,000 yen (Japanese). The other expenses incurred were as follows :
- a) Freight from Japan to Indian port 10,000 yen;
 - b) Insurance charges 5,000 yen;
 - c) Designing charges paid to consultancy firm in Japan 15,000 yen
 - d) M/s Yeshaswi Industries Ltd. spent Rs. 50,000 in India for development work connected with the machine.
 - e) Transportation cost from Indian port to factory Rs. 15,000
 - f) CBEC has announced exchange rate as 1 yen - Rs. 0.50. However the exchange rate prevailing in the market was 1 yen = Rs. 0.5104.
 - g) M/s Yeshaswi Industries Ltd. made payment to the bank based on exchange rate of 1 yen = Rs. 0.5007.
 - h) The commission payable to the agent in India was @5% of F.O.B. price in Indian rupees.
 - i) The rate is basic customs duty is 8%. Similar goods are subject to 16% excise in India. Education cess and special CVD is as applicable. Find the customs duty and other duties payable.
11. Shri Arvind is a registered dealer in Jaipur (Rajasthan). He sells goods both inside the state and in the course of inter-state trade or commerce. From the following particulars find out taxable turnover and the tax payable under the CST Act :
- a) Goods worth Rs. 20,400 (being specified goods) sold to a registered dealer of Punjab.
 - b) Goods worth Rs. 36,000 were purchased from Himachal Pradesh but while the goods were in transit, it was sold to a registered dealer of Delhi by transferring title deed of goods for Rs. 40,100.



- c) Goods worth Rs. 22,000 were transferred to their branch at Calcutta.
- d) Goods worth Rs. 35,500 were sold to the Government of Bihar. Out of this Bihar Government returned goods worth Rs. 10,000 within two months from the date of sale. It has been effected in the books of accounts.
- e) Goods worth Rs. 16,480 (being specified goods) are sold to an unregistered dealer of U.P. Such goods are taxable in the appropriate state @ 3%.
- f) Undeclared goods amounting to Rs. 54,000 was sold to an unregistered dealer of M.P. The rate of tax in respect of such goods in the appropriate state is 8%.
- g) Goods amounting to Rs. 31,000 were sold to a firm of London in the course of export outside India.
- h) Goods amounting to Rs. 16,160 were sold to a registered dealer of Delhi. In general such goods is taxable in the appropriate state at the rate of 1%.
- i) Goods worth Rs. 37,400 taxable at the rate of 8% was sold to a registered dealer of Ajmer (Rajasthan).
- j) Goods worth Rs. 22,000 was invoiced to their agent at Aligarh (U.P.) but while the goods was in transit, it was sold to an unregistered dealer of Agra (U.P.) for Rs. 23,520. The rate of tax in respect of such goods in the appropriate state is 12%.

The above selling prices include CST. The dealer has submitted all necessary certificates and declarations.

SECTION – C

This is a **compulsory** question carrying **fifteen** marks : **(1×15=15)**

12. Case analysis :

J & Co., proposes to acquire a machine on 1-4-2016 for its business. It will cost about Rs. 1,50,00,000. It is expected to have a working life of 3 years and a scrap value at the end of the useful life is expected to be Rs. 40,00,000. If the machine is purchased through borrowed funds, rate of interest is 15% per annum. The loan is repayable in 3 annual installments of Rs. 50,00,000 each. If the machine is acquired through lease, lease rent would be Rs. 60,00,000 per annum. Profits before depreciation and tax are expected to be Rs. 1,00,00,000 every year. Rate of depreciation is 30%. The discount factor may be assumed at 10%.

J & Co., seeks your advice whether it should

- a) acquire the machine through own funds or borrowed funds; or
 - b) take it on lease.
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