III Semester M.B.A. Degree Examination, Jan./Feb. 2018
(CBCS) (2014-15 and Onwards)
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. How should residential status of a company be determined as per the latest amendment applicable ? Explain in detail, the concept of 'Place of Effective Management'.

2. State and explain the various types of Customs Duty.

3. X Ltd., is engaged in the business of manufacture of hardware since 1999. During the previous year 2016-17, the following assets are acquired and put to use

(Rs. in Thousands)

	Block 1	**Block 2**	**Block 3**
Rate of Depreciation	15%	30%	60%
Number of assets in the block	9	18	14
Depreciated value of the block on 1/4/2016	4,500	6,250	1,250
Additions of plants (new) during the previous year 2016-17 :			
– Plant A	14,250	–	–
– Plant B	–	1,000	–
– Plant C	–	–	4,250
Sale of old plants (one plant in each block)	2,000	7,175	10,500

Plants A and C are acquired during May 2016 and put to use during September 2016. However, plant B which is also acquired during May 2016 is put to use during the last week of March 2017.

Find out the following :

a) Additional and normal depreciation for the assessment year 2017-18.

b) Capital gain on sale of old plants; and

c) Depreciated value of the blocks on April 1, 2017

4. Deeraj manufacturers are manufacture of drugs. State tax (SGST) and Central tax (CGST) rate on supply of goods is 2.5 each. They sold the goods @ ₹ 10,000. They purchased input @ ₹ 6,500. The state tax (SGST) and Central tax (CGST) rate on input is 6% each. All these inputs were used in manufacture of final products. There was no opening or closing stock of inputs or final products. Calculate the tax payable.

5. Explain the importance of GST to Indian Economy.

6. Distinguish between Tax planning and Tax management and Tax evasion.

7. Mr. and Mrs. Khanna visited USA and bought a personal computer for ₹ 63,000 and a laptop computer of ₹ 98,500 while returning to India, besides their personal effects valued at ₹ 86,000 and a camera of ₹ 30,000, two litres of liquor ₹ 1,600. Determine the customs duty payable.

SECTION – B

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

8. Explain in detail the meaning and scope of "Supply" under GST Act.

9. Compute the Customs Duty Liability as per the provisions of the Customs Act, 1962 from the following information. Make suitable assumption.

a) The total FOB value of the goods US $ 70,000.

b) Quantity imported 200 metric tons.

c) Ocean Freights US $ 10,000 and Insurance US $ 740.

d) Landing charges @ 1% of CIF value.

e) Exchange Rate US $ 1 = Rs. 63.

f) Date of presentation of Bill of Entry 15th December 2017.

g) Date of Entry inwards of the vessels is 2nd January 2018.

h) Customs Duty Rates are as follows :

Particulars	**As on 15/12/2017**	**As on 02/01/2018**
Basic Customs Duty	15%	10%
Integrated Tax	10%	12%

10. Bharat Ltd., a company engaged in manufacture of electrical switches is a widely-held company. It is considering a major expansion of its production facility and import of latest technology which is expected to improve its profitability from the present rate of 20% to at least 25% (before tax). The finance manager has given the following proposals :

₹ (in lakh)

	A	B	C	D
Share Capital (Equity)	40	20	30	50
14% Preference Shares	20	20	–	10
16% Non-Convertible Debentures	–	20	–	40
Term Loans from Institutions and Banks (20%)	–	40	70	–
Lease Finance (22%)	40	–	–	–
Total	**100**	**100**	**100**	**100**

i) The rate of dividend on equity has not been below 24% in the past.

ii) The tax rate payable by the company is 33.99%.

Your opinion with detailed reasons is sought on the above.

11. What are the charitable donations ? What are the condition for allowing deduction in respect of these donations ?

SECTION – C

12. Case study (**Compulsory**) : **(1×15=15)**

Statement of Profit and Loss
(for the year ended 31st March, 2017)

Particulars	Note No.	Figures as at the end of current reporting period ₹
I. Revenue from operations :		17,61,300
II. Other income :		
Rent from agricultural lands		950
Revenue from fisheries		3,700
Sale proceeds of cane		6,07,055
Transfer fees		300
Profit on sale of motor		1,230
III. Total Revenue (I + II)		**23,74,535**

IV. Expenses :	
Cost of materials consumed	–
Change in inventories of finished goods, work-in-progress and Stock-in-Trade	–
Employee benefits expenses :	
Salaries and wage	1,20,495
Finance costs :	
Interest on debentures	25,000
Depreciation and amortization expenses	69,000
Other expenses :	
Manufacturing expenses	8,85,295
Excise duty	1,07,500
Establishment charges	50,150
General charges	13,750
Director's fees	1,750
Managing director's remuneration	41,000
Cultivation expenses	4,57,500
Taxation reserve	25,000
Total expenses	**17,96,440**
Profit for the period (III – IV)	**5,78,095**

Compute the total income of the company and net tax liability for the Assessment Year 2017-18 after taking the following informations into consideration :

i) Sales included cost of cane ₹ 6,12,000 on account of cane produced and consumed in the factory, the average market price of such cane being ₹ 6,75,000.

ii) The motor sold during the year ₹ 3,230 was purchased in the past for ₹ 17,000, the depreciation claimed in respect thereof in past assessment being ₹ 15,000.

iii) General charges include (a) ₹ 750 legal expenses incurred in defending a suit regarding the companies title to certain agricultural lands and (b) ₹ 9,000 paid to a Director for a trip to Hawaii to study modern methods of confectionery manufacture.

iv) Depreciation in respect of all assets has been agreed at ₹ 50,000.

v) The company has paid advance tax of ₹ 1,20,000.