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**CMS 561**

**IV Semester M.Com. Degree Examination, September/October 2022**  
**(Choice Based Credit System)**  
**(Regular and Repeaters)**  
**COMMERCE**  
**Optional (TAX) : Corporate Tax Planning**

Time : 3 Hours

Max. Marks : 70

## SECTION – A

Answer **any four** questions out of **seven**, **each** question carries **10** marks, answer to each question should **not** exceed **4** pages. **(4×10=40)**

1. What do you mean by E-way bill ? Explain its scope.
2. S Ltd. is a widely held company. It is currently considering a major expansion of its production facilities and the following alternatives are available :

Particulars	Alternative one	Alternative two	Alternative three
	Rs.	Rs.	Rs.
Share capital	50,00,000	20,00,000	10,00,000
Debentures (14%)	–	20,00,000	15,00,000
Loan from financial institution/bank @ 18%	–	10,00,000	25,00,000

Expected rate of return (before tax is 25%), the rate of dividend of the company since 1980 is not less than 20% and the date of dividend declaration is June 30 every year. Which alternative should company opt for ?

3. Briefly discuss the exemptions and deductions available under Section 80 for corporate assessee.

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4. RS Ltd. wants to amalgamate with PQ Ltd. on June 30, 2021. You are required to find out the tax implication in respect of the following losses/allowances of RS Ltd. in the assessments of RS Ltd. and PQ Ltd.

Unabsorbed depreciation allowance of the previous year 2016-17 : Rs. 36,000; brought forward business loss of the previous year 2019-20 : Rs. 10,00,000 ; unabsorbed scientific research expenditure : Rs. 11,000; bad debts : Rs. 15,000; Capital gain arising on transfer of assets to PQ Ltd. : Rs. 2,50,000 and brought forward capital loss Rs. 40,000. Also discuss whether PQ Ltd. can claim deduction under Section 80 IA or 80 IB in respect of industrial undertaking taken over from RS Ltd.

5. B Ltd., an Indian company, engaged in the business of manufacture of transformers and switchgears, negotiates for the purchase or taking on hire a machine from a concern in U.K. If it acquires the machine, then the total cost will be Rs. 60,00,000 payable in 5 annual installments of Rs. 12,00,000 each, the payments to be made on July 1 each year beginning with the year 2021. If it takes the machine on hire, it has to pay an annual rent of Rs. 8,00,000 also payable on July 1 each year starting from the same 2021. The company proposes to use the machine for 10 years from 2021. The following assumptions have been made :

- 1) The company is a widely-held company and tax rate is 30.9%
- 2) Rate of depreciation on machinery is 15%
- 3) Cost of capital is assumed as 10%.

Suggest the company which alternative is better i.e. purchase by installment or hire.

6. Distinguish between tax evasion and tax avoidance.
7. Briefly discuss the tax provisions of conversion of a firm into a company.



SECTION – B

Answer **any two** questions out of **three**, **each** question carries **15** marks, answer to each question should **not** exceed **7** pages. **(2×15=30)**

8. X Ltd. is engaged in the business of manufacture of garments.

<b>Particulars</b>	<b>Rs.</b>
Sale proceeds of goods (domestic sale)	22,23,900
Sale proceed of goods (export sale)	5,76,100
Amount withdrawn from general reserve	2,00,000
Amount withdrawn from revaluation reserve	1,50,000
<b>Total</b>	<b>31,50,000</b>
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 customs 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
<b>Net profit</b>	<b>14,56,500</b>

For tax purposes the company wants to claim the following :

- Deduction Under Section 80-IB (30 percent of Rs. 14,56,500)
- Depreciation Under Section 32 (Rs. 5,36,000).



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

<b>Particulars</b>	<b>For tax purposes</b>	<b>For accounting purposes</b>
Brought forward loss of 2017-18 (Rs.)	14,80,000	4,00,000
Unabsorbed depreciation (Rs.)	–	70,000

Compute the book profit, net income and tax liability of X Ltd. for the assessment year assuming that X Ltd. has a (deemed) long term capital gain of Rs. 60,000 under Section 54D(2) which is not credited in statement of profit and loss.

9. ABC Ltd. is considering the purchase of a new machine costing Rs. 60,000 with an expected life of 5 years with salvage value of Rs. 3,000, in replacement of an old machine purchased 3 years ago for Rs. 30,000 with expected life of 8 years. The present market value of this old machine is Rs. 35,000. Because of the purchase of new machinery, the annual profits before depreciation are expected to increase by Rs. 12,000. The relevant depreciation rate for the machine is 15% on written down value basis and the tax rate is 30.9%. Assume the after tax cost of capital (discounting rate) to be 14% and additional depreciation is not available. Advise the company suitably.
10. Briefly discuss the applicability of general anti-avoidance rule.
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