Roll No. ______________________

(Do not write anything on question paper except Roll No.)
[This paper consists of THREE Pages]

Jagan Institute of Management Studies

End-Term Examination, December 2017 – January 2018
Trimester V – PGDM/PGDM (IB)/PGDM (RM) 2016-18

Corporate Tax Planning

ET_PG_IB_RM_CTP_2612

Time: 3 Hrs. *M. Marks: 70*

INSTRUCTIONS: Attempt any FIVE questions including Q1 & Q8 which are compulsory.

Q 1 Attempt any **FOUR** of the following:

a) Explain the concept of "tax management ". How is tax management distinguished from tax planning?

b) What is money laundering? Discuss the Indian government policies to curb money laundering.

c) Discuss the provisions of double taxation as per Income Tax Act-1961.

d) Explain the factors to be considered at the time of deciding form of business organization at the time of starting a new business.

e) What are the provisions of tax with reference to merger of companies? **16**

Q 2 A and B want to start a business. They have two options for selecting a form of organisation, partnership firm or a private limited company. The estimated profit of which, before interest and remuneration is Rs. 12,00,000. Other information are:

i) Remuneration Rs. 40,000 p.m. each by the firm and the company.

ii) Each will give a loan to the business of Rs. 20, 00,000 @ 12% p.a.

iii) Contribution as capital Rs. 20, 00,000 each. On this interest will be paid @ 12% p.a. However, the company cannot pay interest on it.

iv) The profits after tax will be distributed equally as profits/dividends.

Suggest whether they should form a partnership firm or a private company. **12**

Q 3 X, a resident Indian has derived the following incomes for the previous year relevant to the assessment year 2017-18:

i) Income from profession Rs. 45, 00,000

ii) Income from a business in U K (tax paid in U K for this income in equivalent Indian rupees Rs. 1,60,000) Rs. 80,000

iii) Commission income from concern in USA (tax paid in USA at 20%) converted in Indian rupees Rs. 20, 00,000

X wishes to know whether he is eligible to any double taxation relief and if so, its quantum. India does not have any double taxation avoidance agreement with U K and USA. **12**

Q 4 An asset costing Rs. 5,00,000 is to be acquired. There are two alternatives available to the entrepreneur. First one is buying the asset by taking a loan of Rs. 5,00,000 repayable in five equal instalments of Rs. 1,00,000 each along with interest @ 14% p.a. Assuming that lease rentals processing fees, interest as well as the principal amounts are payable at the year end. The second one is leasing the asset for which annual lease rental is Rs. 1, 50,000 up to five years. The lessor charges 5 % as processing fees in the first year. Assume the internal rate of return to be 10% and the present value factor at 10% is:

Years	1	2	3	4	5
PV Factor	.909	.826	.751	.683	.621

Suggest which alternative is better in the above case. **12**

Q 5 a) Mr. X needs Rs. 15, 00,000 for entering as a partner in a partnership firm. For the arrangement of the capital he has following sources:

i) Self-savings Rs. 4,80,000.

ii) Gift from father Rs.8,40,000 or loan from father @ 12% Rs. 8,40,000. His father is 63 year old and he is a retired officer and getting pension Rs. 60,000 per month.

iii) Remaining amount Rs. 1,80,000 loan from his brother in law @ 15 % p.a. Interest will be payable @ 12% p. a. on partners' capital according to partnership deed. Mr. X will receive salary of Rs. 37,500 per month as an active working partner.

Give proper advice to him as a tax consultant. Your advice to be in reference with assessment year 2018-19. **12**

Q 6 a) Explain in brief about the concept of Advance ruling as per Income tax 1961. **5**

b) What is the procedure of appeal in case an assesse is not satisfied with the decision of the assessing officer? Is there any circumstance where revision is possible? Discuss. **7**

Q 7 Determine whether in the following situations there is an amalgamation for income tax purposes:

A) i) All the assets and liabilities of company 'N. are transferred to company 'B';

ii) The position of shareholders is as under:

a) 40% shares in value in company *'A:* are held by company 'B';

b) 60% shares in value in company 'N. are held by other shareholders. The other shareholders holding 40% shares in value in company 'N. becomes the shareholders of company 'B'.

B) i) Company *'A:* transferred a division of an undertaking to company 'B';
ii) All the assets and liabilities of the 'division' become the assets and liabilities of company 'B'; **12**

Q 8 ABC Ltd., a closely held Indian company, is engaged in the business of manufacture of paints in India. A profit and loss account for the year ending 31-3-2017 is given below:

PROFIT AND LOSS ACCOUNT (figures in Lakh)

	Rs.		**Rs.**
Salary and wages	15.00	Sales	96.00
Postage and telegram	0.80	Amount withdrawn from general reserve	6.00
Traveling and conveyance	1.00		
Depreciation	10.00		
Income tax	8.00		
Wealth tax	0.20		
Excise duty due	2.00		
Provision for future losses	1.20		
Proposed dividend	1.60		
Loss of subsidiary company	1.00		
Audit fee	0.50		
Director remuneration	16.00		
Deferred tax liability	2.70		
Net profit	42.00		
Total	**102.00**	Total	**102.00**

Additional information:

i) The excise duty due on 31-3-2017 was paid on 2-12-2017.

ii) Custom duty of Rs. 2,40,000 which was due on 31-3-2014 was paid during the financial year 2016-17.

iii) Depreciation as per income tax is Rs. 22.86 lakhs.

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

	For tax purposes	For accounting purposes
Brought forward loss of assessment year 2015-16	24,00,000	20,00,000
Unabsorbed depreciation	6,00,000	6,00,000

Compute the total income of the assessee and the tax liability for the assessment year 2017-18. **18**

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