

Sree Chaitanya Mahavidyalaya
M.Com. (Semester-3) Examination-2022
Corporate Tax Planning & Management
Paper- COMPDSE04T

Full Marks-40

Time-2 Hours

Group-A

1. Answer any five questions

5x2=10

- (a) Can Toyota Motor Corporation headquartered in Toyota City, Japan be treated as a Company as per the Income tax Act?
- (b) Distinguish between Demerged Company and Resulting Company, as per Income Tax Act?
- (c) What incentive is available u/s 80-IE of Income Tax Act?
- (d) A company has to pay Rs. 2,00,000 as advance tax during the financial year 2021-21. The company has actually paid the following amount as advance tax on 15.06.2020 Rs. 25,000. Is the company liable to pay interest u/s 234C? If yes, determine the amount of interest.
- (e) Name two cases where merger is not be treated as an amalgamation as per the Income Tax Act?
- (f) What incentive is available u/s 80-IAC of Income Tax Act?
- (g) What is 'Eligible Business' u/s 80-IAC of Income Tax Act?
- (h) Distinguish between Tax Evasion and Tax Avoidance.

Group-B

Answer any two questions

2x5 =10

2. From the following information determine whether there is an amalgamation for income tax purposes:
 - i. All the assets and liabilities of Company 'A' 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 'A' are held by other shareholders.
 The other shareholders holding 40% shares in value in company 'A' become the shareholders of company 'B'.
3. Company A proposes to be merged with company B in 2021-22. The following particulars are related to the former company:

i. Unabsorbed depreciation (first computed in the previous year 2013-14)	Rs. 40 lakh
ii. Unabsorbed business loss (first computed in the previous year 2016-17)	Rs. 50 lakh

 What will be the consequences for those brought forward loss and depreciation to the assessment of Company B if:
 - (a) The merger satisfies the conditions of sec. 2(1B).
 - (b) The merger satisfies the conditions of sec. 2(1B) but does not satisfy the conditions of sec 72A.
 - (c) The merger satisfies the conditions of sec. 2(1B) as well as sec. 72A.
4. Will you recommend, in view of the provisions and rates of taxes of the Income-tax Act, the use of long-term debt while designing the capital structure of a Company? Explain your answer.

5. What are the points that should be kept in mind while taking a decision to repair or replace an asset, in presence of income tax?

Group-C

Answer any two questions

2x10=20

6. The gross total income of H Company Ltd, a domestic company, for the previous year 2020-21, is Rs. 1,50,00,000 which includes Rs. 20,00,000 of long term capital gain which is earned on 16th September, 2020. Compute advance tax payable by the company taking into account that Rs. 5,00,000 is deducted at source during the financial year 2020-21 from payments accruing to H Company Ltd, by its payers. Its gross turnover for the previous year 2018-19 was Rs 11 Crore.
7. Write a note on deduction of tax at source from payments to contractors or sub-contractors.
8. Three Companies have raised capital as given below:

Particulars	Company-1	Company-2	Company-3
Capital (Rs.)	20 Crores	16 Crores	4 Crores
Loans (Rs.)	-----	4 Crores	16 Crores
Total Investment (Rs.)	20 Crores	20 Crores	20 Crores
Rate of return on investment	25%	10%	8%

Rate of interest on loan: 10%.

Gross Turnovers of these companies are not likely to exceed Rs 100 Crores in future. Determine the rate of income-tax applicable to these companies.

Explain whose capital structure is the best and why?

9. Decide which one is a better alternative, lease or buy, from the following particulars:
 Applicable rate of tax on corporate profit: 30%
 Cost of capital: 12%
 Rate of Depreciation, as per the Income tax Act: 20% on straight-line method (Cost of the machine: Rs 1,00,000)
 Lease rent: Rs. 32,000 per annum payable at the beginning of each year for 5 years
 Present value of Re. 1 discounted @12% is as follows:
 Year 1= 0.898; Year 2= 0.797; Year 3= 0.712; Year 4= 0.636; Year 5= 0.567.
 Make any other suitable assumption, if necessary.