

SVKM's NMIMS
NMIMS – GLOBAL ACCESS SCHOOL FOR CONTINUING EDUCATION

Programme: DFM/PGDFM

Examination: June 2016
Subject: Corporate Taxation – Direct and Indirect

Semester: II
Course : New
Marks : 70
Time: 11.00 a.m. to 2.00 p.m.

Date: 19.06.2016

Instructions:

1. Answer to each new question to be started on a fresh page.
2. Figures in bracket indicate full marks.

Q.1) Attempt any 2 out of 4

(Marks: 2X5=10)

- a) What are the tax free perquisites for all employees?
- b) What is Depreciation? Define its applicability with reference to Block of Assets and Class of Assets.
- c) Discuss any 5 pre-conditions to carry forward losses.
- d) R is employed in a public company and is paid a sum of Rs. 7,00,000 on voluntary retirement from service. The normal age for retirement in the company is 60 years and R retired at the age of 46 after 22 years of service. His monthly salary at the time of retirement was as follows:

Basic Pay	Rs. 10,000
Dearness Allowance(40% includible for pension)	Rs. 7,000
HRA	Rs. 4,000
Conveyance allowance	Rs. 1,000

What is the amount of compensation taxable under the Income Tax Act?

Q.2) Write Short Notes on any 2 out of 5

(Marks: 2X5=10)

- a) Fronting Loans
- b) TDS and its provision under the Income Tax Act.
- c) Green Channel and Red Channel and their significance.
- d) Deductions admissible under Section 24.
- e) Levy and collection of Excise Duty in India.

Q.3) Attempt any 3 out of 5

(Marks: 3X10=30)

a) Please enumerate any 7 deductions under section 80C.

b) S is engaged in the business of civil construction. The P & L Account of the company for the year ending 31-03-2013 is as under:

		(Rs.)	
Opening stock for building materials	40,000	Receipts from the business of civil construction contracts	37,60,000
Salary to workers and employees	4,10,000	Rent of godown	80,000
Purchase of building materials	24,00,000	Surplus from insurance comp. received for loss of P & M by fire	2,00,000
Interest on loan	3,20,000	Interest on company deposits	25,000
Office admin. Expenses	2,60,000	Dividend from companies	50,000
Traveling expenses	1,40,000	Closing stock of building materials	25,000
Municipal taxes on godown	12,000		
Insurance prem. for godown	8,000		
Director's remuneration	2,53,000		
Depreciation on P & M	65,000		
<u>Provision for tax</u>			
Current Tax	1,00,000		
Deferred tax	43,000		
Net Profit	89,000		

Following additional information is available:

- 1.) Municipal tax of godown includes Rs. 3000 not paid by the company.
- 2.) The book value of the Plant & machinery, which was insured against fire, was Rs. 4,20,000. The WDV of P&M block under Sec 43(6) as on 31-3-2012 was Rs. 1,85,000.
- 3.) The entire building material was purchased from a firm in which the MD of this company is a partner. The fair market value of materials purchased is Rs. 2,00,000.
- 4.) Interest on loan includes Rs. 15,000 being interest on loan taken for investment in shares of various companies.
- 5.) Office admin expenses include Rs. 90,000 paid as donation to a charitable organization recognised under section 80G.
- 6.) The prescribed rate of depreciation under the IT rules for Plant and Machinery is 15%.
- 7.) The company has decided to follow the Presumptive tax provision in respect of its business income.

Compute the total income of the company for the A.Y. 2013-2014. Your answer should include explanation of your treatment of various items.

Ignore the provision of minimum alternate tax under Sec 115JB.

Q.3. c) X owns two buildings, the depreciated value of the block on 1-04-2007 being 22.50 lakhs. One of the said buildings, which has been purchased on 30-04-1996 for Rs. 18 lakhs, is compulsorily acquired by the government on 15-05-2007 for which a sum of Rs. 50,00,000 is paid as compensation on 20-3-2008. The said building was being used by the company as a tenant for about 4 years prior to the date of acquisition of the same by the company. The company purchases a new building on 10-4-2008 for Rs. 14 lakhs, for the purpose of setting up another industrial undertaking.

a.) Compute the amount of capital gains for the assessment year 2008-09.

b.) What would be the capital gains if the new building was purchased on 8/05/2007.

d) What is transfer pricing? What is its significance with respect to the Income Tax Act?

e) Sony Japan and Y. Ltd are associated enterprises. Y. Ltd manufactures mobile phones and sells them to Sony Japan and LG, Korea at a price of Rs. 2,000 and Rs. 3,200 respectively. In a particular year, Y. Ltd supplied 1, 00,000 units to Sony Japan and 20,000 to LG Korea. The above transactions to Sony Japan and LG Korea are comparable subject to the following exceptions:

(i) While sales to Sony Japan are on FOB basis, sales to KG are on CIF basis. The freight and insurance paid by Sony Japan for each unit is Rs. 300.

(ii) The sales to LG are under a free warranty for 1 year whereas sales to Sony are without such warranty. The estimates cost of executing such warranty may be taken at Rs. 350.

(iii) Sony placed a large price and as such, Y offered a discount of Rs. 50 per unit to Sony.

Compute the arm's length price and the amount of increase in the total income of Y Ltd; if any due to such arm's length price.

Q.4) Attempt both the questions

(Marks: 2X10=20)

a) X owns a big house which has three independent units. Unit I (50% of the floor area) is let out for residential purpose on a monthly rent of Rs. 8000. This unit remains vacant for one month when it is not put to any use. A sum of Rs. 1,500 could not be collected from the tenant. Unit II (25% of the floor area) is used by X for the purpose of his profession, while Unit III (remaining 25%) is utilized by him for the purpose of his residence. Other particulars of the house are as follows:

Municipal valuation: Rs. 60,000, fair rent: Rs. 70,000, Standard rent: Rs. 90,000, Municipal taxes: Rs. 13,000, repairs: Rs. 4,000, interest on capital borrowed for renewal of the property: Rs. 36,000 and fire insurance premium: Rs. 15,000. Professional income of X is Rs. 90,000 (without debiting house rent and other incidental expenditure including admissible depreciation on the portion of the house used for profession: Rs. 8,000).

Determine the Gross Total income of X.

b) Are Sales Tax and Value Added Tax different names for the same tax? Critically evaluate VAT as applied in various states of India.

