

3M3014

Roll No. _____

Total No of Pages: **4****3M3014****M. B. A. III Sem. (Main/Back) Exam., Jan. 2016****M-313 Corporate Taxation****(Major-I)****Time: 3 Hours****Maximum Marks: 70****Min. Passing Marks: 28***Instructions to Candidates:*

- (i) *The question paper is divided in two sections.*
- (ii) *There are sections A & B. Section A contains 6 questions out of which the candidate is required to attempt any 4 questions. Section B contains short case study / application based question which is compulsory.*
- (iii) *All questions carry equal marks.*

1. NIL2. NIL**SECTION-A**

Q.1 "Income tax is charged on income but there is no definition of the term 'income' under income tax act; rather it only provides as to what is included in income". Discuss. [14]

Q.2 Mr. Ram Kumar Sharma submits the following

information relevant for the assessment year 2014-15:

	₹
Profit of business A carried on in India	1,00,000
Loss of business B carried on in India	37,500
Profit of business C carried on in U.S.A not controlled from India (income earned & received in U.S.A)	50,000
Loss of Business D carried on in U.S.A & controlled from India (income is earned & received in U.S.A)	80,000
Unabsorbed Depreciation of Business D b/f	32,500
Taxable income from house property situated in India	15,000
Income from house property situated in U.S.A (rent received in U.S.A)	15,000

Find out the total income or loss carried forward of Mr. Ram Kumar for the assessment year 2014-15 if he is- [14]

- (a) Ordinary resident in India;
- (b) Not ordinary resident in India;
- (c) Non-resident in India.

Q.3 'Avoidance of tax liability by so arranging commercial affairs that the charge of tax is distributed is not prohibited. A tax payer may resort to a device to divert the income before it accrues to him. Effectiveness of the device depends not upon considerations of morality, but on the operations of the Income Tax Act, 1961'. Discuss. [14]

Q.4 The profit & loss a/c of X Ltd., a domestic company for the year ending 31st March, 2014 is given below: [14]

Profit & Loss Account			
	₹		₹
Exp. Related to goods manufactured	10,00,000	Sale of goods manufactured by the company	16,00,000
Exp. Related to sale of other goods	8,20,000	Sale of other goods	14,50,000
Proposed Dividend	8,05,000	Long term capital gain	5,70,000
Provisions for unascertained liabilities	40,000	Amount withdrawn from general reserve	20,000
General reserve	60,000		
Income tax paid	30,000		
Wealth tax paid	45,000		
Net profit	8,40,000		
	36,40,000		36,40,000

Other relevant information are as following:

- An outstanding liability related to sales tax for 2011-12 paid during 2013-14 ₹ 50,000, which was not charged to above P&L a/c.
 - Brought forward loss as per books of account is ₹ 60,000, while the brought forward depreciation as per books of account is ₹ 80,000.
 - Brought forward unabsorbed depreciation is ₹ 4, 60,000.
 - Brought forward loss under the head capital gain ₹ 3,50,000.
- Compute the tax liability of X Ltd. for the assessment year 2014-15.

Q.5 "Tax incentives have been provided for amalgamation to the shareholders of the amalgamating company, the amalgamated company and the amalgamating company." Enumerate the incentives provided to the amalgamating company & its shareholders. [14]

Q.6 Kantikar and his wife are partners in a firm A & Co., engaged in manufacturing of footwear. Their minor son Rishi has been admitted to the benefits partnership. The profit charging ratios are: [14]

	Profit	Loss
Kantikar	40%	50%
Mrs. Kantikar	30%	50%
Rishi	30%	

The abridged balance sheet of the firm as on 31st March 2014 is as under:

Capital	₹		₹
Kantikar	14,00,000	Urban house plot	19,60,000
Mrs. Kantikar	10,50,000	Jewellery	3,80,000
Rishi	10,50,000	Housing complex	34,20,000
Bank Loan	4,58,000	Cash in hand	40,000
Income tax payable	44,000	Cash at bank	4,30,000
Loan creditors	18,00,000	Stock in trade	1,68,000
Trade creditors	5,96,000		
Total	63,98,000	Total	63,98,000

As regards the above balance sheet, the following further information are available:

(a) The Urban house plot is of area 490 sq meter. The bank loan is in respect of this plot. The market value as on 31.03.2014 ₹ 10,000 per sq. metre.

(b) The housing complex consists of 3 houses of identical area is Delhi, constructed two years back on leasehold land, the lease to expire on 20.1.2045. The firm carries on business in one of the above three units. The other two residential units have been let out. The pertinent details are:

	UNIT-I	UNIT-II
Let out during the year ended 31.03.2014 for	10 months	9 months
Rent per months	18,000	18,000
Repair expenses borne by tenant	28,000	18,000
Deposit received from tenants	6, 00,000	6, 00,000
(Interest paid there on @9% p.a.)		

The tenant in unit 2 was running a taxi hire concern & the firm had entered into an agreement with the tenant that he shall provide 2,000km (p.a.) of free taxi travel to the firm for its business use. The normal taxi fare charged is around ₹ 4 per km. The firm has utilised the 2,000km. The municipal taxes levied from the whole complex are ₹ 12,000 per annum-

- (c) Loan creditors of ₹ 18, 00,000 relate to the above complex
 (d) The market value of jewellery is ₹ 6, 20,000.

Compute the interest of the adult partners & Rishi in the firm M/s A & Co. as on 31.03.2014 for the purpose of computation of net wealth in their respective individual hands. In whose hands will Rishi's net wealth be assessed?

SECTION-B

- Q.7 Hari kiran, a chief executive appointed on a contract period of two year by a company furnishes the following particulars of his income for the financial year ending 31st March, 2014: [14]

Compute his total income for the assessment year 2014-15

- | | ₹ |
|---|-----------|
| A. (i) Basic Pay & Dearness Allowance | 4, 80,000 |
| (ii) Other allowances: | |
| (a) Education allowance for two children of assessee | 4,200 |
| (b) House Rent Allowance | 12,000 |
| (c) Servant Allowance | 1,500 |
| (d) Gas, electricity, water supply | 1,500 |
| (e) Conveyance allowance for private purpose | 6,000 |
| B. He resides in his own house, the annual letting value of which is ₹ 18,000. The municipal tax thereon ₹ 3,000 per annum. | |
| C. Interest Income: | |
| (a) Public provident fund ₹ 1,000. | |
| (b) National saving certificates VIII issue (Accrued) ₹ 750 | |
| (c) On fixed deposit with banks ₹ 11,000 (Gross) | |
| D. He has invested the following amounts out of his income: | |
| (a) Deposited into Public provident fund ₹ 53,000 | |
| (b) Insurance premium paid on the life of: | |
| (i) Dependent son | 2,000 |
| (ii) wife | 2,000 |
| | ₹ 4,000 |
| (c) Deposit in National savings certificates VIII issue ₹ ,5000. | |