



JP – 289

III Semester M.Com. Degree Examination, May/June 2023

(CBCS Scheme)

(2021 – 22 Onwards)

COMMERCE

AT : 3.5 – Corporate Tax Planning

Time : 3 Hours

Max. Marks : 70

SECTION – A



1. Answer **any seven** questions out of ten. **Each** question carries **two** marks. (7×2=14)

- What is a Tax Haven ?
- How do you arrive at Adjusted Gross Total Income ?
- What is canon of equity ?
- What is Annual Finance Act ?
- Define Tax holiday.
- What is tax evasion ?
- Define tax planning.
- What is transfer pricing ?
- What are lease decisions ?
- State the provision of deductions u/s 80 GGA.

SECTION – B

Answer **any four** questions out of six. **Each** question carries **five** marks. (4×5=20)

- Write a note on Settlement of Pending Litigations.
- Discuss various principles of taxation.
- Advance payment of tax plays a crucial role in corporate tax planning. Discuss.

P.T.O.



5. From the following information, compute tax payable by Z Ltd. for the Assessment Year 2022-23.

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|--|--------------|
| 1) Total Income of the company for the Previous Year 2021-22 | Rs. 6,00,000 |
| 2) Book profit u/s 115 JB of the company for the Previous Year 2021-22 | Rs. 8,00,000 |
| 3) Carried forward credit u/s 115JAA from the Assessment Year 2021-22 | Rs. 1,50,000 |

6. The directors of a Domestic Company, whose existing capital is Rs. 1 Crore all in equity shares proposes to expand its business for which an additional investment of Rs. 40 lakh would be needed. The entire money can be raised either by issue of Equity shares or by issue of 10% Debentures. They decide in favour of issue of Equity Shares or by issue of 10% Debentures. They decide in favour of equity shares.

As a Tax Consultant, do you approve the proposal ? Assume that rate of return is 20% and rate of income tax is 24% including cess.

7. R did not file any return of income for the assessment year 2021-22. The Assessing Officer assessed his income at Rs. 5,40,000 under Section 144 after giving him show cause notice to which R did not respond. Besides the tax, the interest was charged under Section 234A, 234B and 234C. The notice of demand of Rs. 46,500 (including interest was sent to R on 5-3-2022 which was received by him on 7-3-2021). Advise R, the procedure of filing an appeal ?

SECTION – C

Answer **any two** questions out of four. **Each** question carries **twelve** marks. **(2×12=24)**

8. Discuss the Provisions of Set-off and Carry Forward of losses, under Income Tax Act.
9. What is Direct Tax Code, and how does it impact on various sectors in India ?
10. Decide which one is a better alternative – lease or buy in the following situations :
 Tax rate : 28%
 Cost of capital : 12%
 Depreciation rate (income tax) : 25%
 Lease rent : Rs. 34,000 per annum for 5 years (per Rs. 1 lakh)
 Present value of Re. 1 discounted @ 12% is as follows :
 Year 1 = 0.893; Year 2 = 0.797; Year 3 = 0.712; Year 4 = 0.636; Year 5 = 0.567.
 Make any other suitable assumption, if necessary.



11. The accounts of a public company have been prepared in accordance with provisions of the Companies Act and its Statement of Profit and Loss laid before the Annual General Meeting for the previous year ending 31st March, 2021 show a net profit of Rs. 15 lakh. The following information relevant for the purpose of computing its assessable income has been extracted from a scrutiny of Statement of Profit and Loss :

Items added in the statement of profit and loss :

- | | |
|---|---------------|
| 1) Profit from a new industrial undertaking qualifying for deduction under Section 80IA (Net) | Rs. 17,00,000 |
| 2) Long term capital gains | Rs. 3,00,000 |

Items deducted in the statement of profit and loss :

- | | |
|--|---------------|
| 1) Depreciation relating to 2019-20 brought forward | Rs. 10,00,000 |
| 2) Business loss relating to 2019-20 brought forward | Rs. 12,00,000 |
| 3) Current year's depreciation | Rs. 10,00,000 |
| 4) Penalty for infraction of law | Rs. 1,00,000 |
| 5) Provision of GST | Rs. 3,00,000 |
| 6) Dividend proposed | Rs. 2,00,000 |

Depreciation admissible under the Income Tax Act and Rules for the previous year is Rs. 19,50,000. The capital gains have been invested in specified assets under *Section 54EC*. GST provided in the accounts has been remitted before the due date. There is no loss or unabsorbed depreciation to be carried forward and adjusted as per income tax assessment.

You are required to compute the total tax liability of the company for the Assessment Year 2021-22.



SECTION – D

Compulsory.**(1×12=12)**

12. ABC Inc. is a large multinational corporation that operates in several countries around the world. In the year 2022, ABC Inc. reported total revenue of ₹10 billion and a net income of ₹1 billion. The company has been accused of engaging in aggressive tax planning strategies that may constitute tax evasion. The company's tax department argues that these strategies are legal and comply with all relevant tax laws and regulations.

- a) Define Tax Avoidance, Tax Evasion and Tax Management.
 - b) Evaluate the arguments made by the company's tax department and explain whether their tax planning strategies are likely to be considered tax avoidance, tax evasion, or tax management.
 - c) Discuss the potential consequences for ABC Inc. if it is found to have engaged in tax evasion.
 - d) Provide recommendations on how ABC Inc. can ensure that it complies with all relevant tax laws and regulations while minimizing its tax liability.
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