

**STELLA MARIS COLLEGE (AUTONOMOUS) CHENNAI – 600 086.**  
**(For candidates admitted during the academic year 2009 – 2010 & thereafter)**

**SUBJECT CODE: CM/PC/CT44**

**M.Com. DEGREE EXAMINATION APRIL 2012**

**COMMERCE**

**FOURTH SEMESTER**

**COURSE : CORE**

**PAPER : CORPORATE TAX PLANNING**

**TIME : 3 HOURS**

**MAX. MARKS: 100**

**SECTION A**

**ANSWER ANY FIVE QUESTIONS:**

**5\*8=40**

1. Mr. Raj sold a plot of land at Madurai on 1-6-2010 (CII = 711) for Rs.12,40,000. He paid Rs.40,000 as selling expenses. The plot was received by him on the death of his father on 15-3-85 (CII=125). His father had acquired it on 1-4-1980 for Rs.1,00,000 and its FMV on 1-4-1981 was Rs.1,40,000.  
On 1-10-2010 he invested Rs.3,00,000 in notified securities eligible for exemption u/s 54EC. Compute his taxable capital gain.

2. Compute income from house property from the particulars given below for the assessment year 2011-12 :

Fair rental value Rs.20,000 p.a.

Standard rent Rs.28,000 p.a.

Municipal rental value Rs.24,000p.a.

Actual rent received Rs.30,000p.a.

Municipal taxes Rs.2,400

Date of completion 31.3.2006

Date of letting 1.4.2006

Fire insurance premium Rs.400 p.a.

Ground rent Rs.600 p.a.

Interest on loan taken construct the house – 2003-2004 to 2008-09 at Rs.15,000 p.a.  
2009-10 Rs.10,000.

3. The total income of X Ltd. computed under the normal provisions of Income Tax Act is Rs.2,50,000. However, the Book profit of the company (calculated as per section 115JB) amount to Rs.8,15,000. Calculate the tax liability of company for Assessment year 2011-12.

4. Calculate the amount of depreciation on the assets of Akash Ltd., from the following particulars :

<b>Block of assets</b>	<b>W.D.V.on 1.4.10</b>	<b>Additions</b>	<b>Rate</b>
Factory building	Rs.14,00,000	Rs.6,00,000	10%
Residential building	4,00,000	8,00,000	5%
Plant and Machinery	30,00,000	10,00,000	15%
Furniture	25,000	-	10%
Cars	65,000	-	15%

A Part of factory building was destroyed by fire, the insurance company accepted the claim for Rs.60,000 and the scrap realized amounted to Rs.10,000.

5. From the following particulars of incomes and losses of Aruna Ltd. ascertain the total income for the assessment year 2011-12 :

Income from securities	Rs.15,000	
Income from house property	5,000	
Profit from textile business	25,000	
Long-term capital gain	20,000	
Short-term capital gain	4,000	
Speculation income	4,000	
Income from agency business	10,000	
The carry forward losses from the previous year 2009-10 :		
Loss from glass business ( discontinued in 2008-09)		Rs.4,000
Loss in agency business		3,000
Loss from textile business		3,000
Speculation loss		4,000
Short-term capital loss		6,000
Long-term capital loss ( 2006-07)		6,500
Current year depreciation of textile business	Rs.1,000.	

6. Differentiate Lease financing from Hire purchase financing
7. Distinguish between Tax Planning and Tax Evasion.
8. Explain the duties and responsibilities of the assessing officer relating to search and seizure.

### SECTION- B

ANSWER ANY THREE QUESTIONS:

3\*20=60

9. The profit and loss account of Shri Cement Ltd. for the financial year 2010 – 11 are as follows:

<i>Particulars</i>	<i>Rs</i>	<i>Particulars</i>	<i>Rs</i>
Opening stock	50,000	Sales of cement	10,00,000
Purchase of material	2,38,000	Car sold	80,000
Purchase of cement	1,12,000	Dividend on shares of a company	20,000
Preliminary expenses	42,000	Refund of excise duty	
Royalty	25,000		12,000
Manager's salary	35,000		
Excise duty	27,500		
Interest on loan	26,300		
Interest on capital	28,000		
Depreciation on car	30,000		
Income tax	20,000		
General expenses	84,000		
Salary and wages	88,000		
Sales tax	37,000		
Patents purchased	35,000		
Entertainment expenses	16,700		
Net profit	2,18,000		
	<u>11,12,500</u>		<u>11,12,000</u>

Additional information:

- a. Opening stock is valued 20% under cost
- b. Wages include Rs. 5,000 paid to domestic servant
- c. General expenses includes Rs. 4,000 for clearing machine that was imported.
- d. Preliminary expenses were incurred before production started
- e. During the year a car was purchased for Rs. 150,000 which was sold for Rs. 80,000 on January 2010.
- f. Guest house expenses Rs. 10,000 are included in entertainment expenses
- g. Allowed depreciation is Rs. 39,000 for the previous year on industrial assets
- h. General expenses include following
  - a. Donation to a public school Rs. 2,000
  - b. Special advertising campaign for a launch of a new product Rs. 40,000
  - c. Registration expenses for trade mark registration is Rs. 8,000
  - d. Employee's family planning expenditure Rs. 7,000
- i. Closing stock of finished cement Rs. 85,000 is not included in computing the net profit

Find out the taxable business income for the assessment year 2009 – 10.

10. Compute income from other sources of Misty Ltd. from the following investments during the previous year 2010 -11 :
  - a. Rs.11,000, 10% Central Government Securities.
  - b. Rs.31,760, 10% tax free commercial securities.
  - c. Rs.6279 received as interest on tax free public limited company listed securities
  - d. Rs.7,200 received interest on Karnataka Government securities.
  - e. Rs.3,588 received as interest on D Ltd.listed.
  - f. Rs.30,000, 13.5% securities of Paper Mill Co. Listed
  - g. Rs.35,000,11% securities of Coma Ltd.
  - h. Rs.10,000, 15% Jaipur Municipal Corporation bonds
  - i. Equity dividend from Hyjac Ltd. Rs.10,000
  - j. Rs.20,000, 14% Municipal debentures
  - k. Net amount received from Karnataka state lottery Rs.34,550
  - l. Income from letting on hire of building and machinery composite rent Rs.17,000, allowable depreciation on building and machinery Rs.4,000 and insurance premium paid Rs.400.
  - m. Income from undisclosed sources Rs.10,000
  - n. Dividend on preference shares Rd.3,200
  - o. Collection charges on dividend and interest income Rs.200

11. Compute the taxable income and the tax liability of Anton Ltd. from the following information :
- a. Fair rental value of the house property – Rs.56,000, Municipal value –Rs.45,000, Standard rent –Rs.50,000, Rental value – Rs.10,000 p.m., municipal taxes – Rs.3500, 50% paid by the tenant. Insurance premium paid –Rs.2400, repairs and collection charges incurred –Rs.5,000.
  - b. The company sold the following assets during the previous year 2009-10 :  
 Sale of shop purchased in 1985-86 (c.i.i. 133) for Rs.20,000- Rs.2,00,000  
 Agricultural land purchased in 1979-80 for Rs.20,000, F.M.V. on 1.4.1981 – Rs.1,20,000 – Rs.5,00,000, capital gain was re-invested in the purchase of another land for Rs.6,00,000.  
 Furniture purchased on 1.9.09 for Rs.40,000 –Rs.30,000.  
 Shares acquired on 1.1.2009 for Rs.1,00,000- Rs.80,000
  - c. Net profit as disclosed by the Profit and loss account is Rs. 25,00,000, after debiting the following expenses :  
 Legal expenses paid for land acquisition Rs.15,000  
 Medical expenses of the grand son of the managing director-Rs.1,00,000  
 Allowable depreciation –Rs.54,000, depreciation debited Rs.40,000  
 Advertisement expenses for advertising in the daily of a political party –Rs.10,000  
 Penalty paid for non-payment of excise duty –Rs.10,000
12. Explain the conditions for claiming deductions under :
- a. Sec.80 G
  - b. Sec.80GGB
  - c. Sec. 80IA
  - d. Sec.80JJAA
13. a) Explain how tax planning is achieved through ‘Amalgamation’?  
 b) A foreign company has entered into an agreement with an Indian company on 1<sup>st</sup> July 2010 under which industrial equipment belonging to the firms has been leased to the latter on an annual lump sum payment of \$50,000. How will the lease rent be taxed in the hands of the foreign company in respect of assessment year 2011-12?

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