Seat No.: ________ Enrolment No.___________

GUJARAT TECHNOLOGICAL UNIVERSITY

MBA - SEMESTER–III • EXAMINATION – SUMMER • 2015

Subject Code: 830201 **Date: 01-06-2015**

Subject Name: Corporate Taxation and Financial Planning (CT&FP)

Time: 14:30 pm – 17:30 pm **Total Marks: 70**

Instructions:

1. **Attempt all questions.**
2. **Make suitable assumptions wherever necessary.**
3. **Figures to the right indicate full marks.**

Q.1	**(a)**	"The line of demarcation between tax planning and tax avoidance is very thin and blurred." – Explain this statement with necessary examples.	**07**
	(b)	Explain the two modes of granting relief under ADT agreements.	**07**
Q.2	**(a)**	Explain deduction available under section 80-IA in respect of profits and gains by infrastructure development undertakings.	**07**
	(b)	Define: Investment Company, Widely-held Company and Closely-held Company.	**07**
		OR	
	(b)	Briefly explain any seven exempted incomes under Income tax Act.	**07**
Q.3	**(a)**	"The incidence of income-tax depends upon the residential status of an assessee." Discuss in context of company and HUF.	**07**
	(b)	Xerox Ltd. needs a component in an assembly operation. It is contemplating the proposal to either make or buy the aforesaid component. If the company decides to buy the component from a supplier the component would cost Rs. 18 lakh, Rs. 20 lakh, Rs. 22 lakh, Rs. 28 lakh and Rs. 34 lakh respectively in each of the five year. If the company decides to make the product itself, then it would need to buy a machine for Rs. 8 lakh which would be used for 5 years. Manufacturing costs in each of the five years would be Rs. 12 lakh, Rs.14 lakh, Rs. 16 lakh, Rs.20 lakh and Rs.25 lakh respectively. The relevant depreciation rate is 15%. The machine will be sold for Rs. 1 lakh at the beginning of the sixth year. The relevant discounting rate and tax rate are 14% and 33.99% respectively. Additional depreciation is not available. Should Xerox Ltd. make the component or buy from outside?	**07**
		OR	
Q.3	**(a)**	Explain the Book profit concept and its calculations according to MAT provisions of Income tax act.	**07**
	(b)	Discuss tax benefits available to Firm, Limited Liability Partnership (LLP) & Company.	**07**
Q.4	**(a)**	Discuss whether the following income are taxable or not in India –	**07**

- X Ltd., a non-resident foreign company, is engaged in the business of shooting a cinematograph film in India. The film after its completion is sold to another non-resident outside India. None of shareholders of X Ltd. is an Indian citizen or resident in India.
- Y Ltd., a non-resident, gets royalty from Z Ltd., a non-resident, outside India. Royalty is, however, payable by Z Ltd. in relation to a business of manufacturing carried on by it in India.
- A Ltd., a non-resident, gets interest from B Ltd., an Indian company, outside India. The capital was borrowed by B Ltd. for the purpose of a business carried on by it outside India.

(b) Find out the residential status in the cases given below for the assessment year 2013-14: **07**

- Cinemax Ltd., an Indian company, has five members on its board of directors who are all non-resident in India. All the shareholders are foreign citizen and non-resident in India. The business of the company is controlled from a place outside India.
- Yamaha Ltd., a foreign company, operates in India and all decisions regarding the affairs of the business are taken in India. However, a few decisions regarding fixation of price of final products, raising loan, managerial remuneration, etc., are taken in Berlin where the company is registered.
- Z and company is a partnership firm of Z and A, both of whom are foreign citizen and non-resident in India. They remain outside India. The firm is controlled by B, a whole-time manager in India. B generally consults Z and A on all major issues regarding the affairs of the firm.

OR

Q.4 **(a)** Explain the various allowances and perquisites which have tax benefits under employee remuneration with necessary examples. **07**

(b) Discuss the provision of Scientific Research under section 35 D of the Income tax Act. **07**

Q.5 **(a)** For the A.Y.2013-14, if Mr. X is (i) Ordinary Resident ,(ii) Resident But Not Ordinary Resident or (iii) Non Resident in India. From the following information given below, find out his income chargeable to tax. **07**

- Royalty received by him outside India from the Government of India – Rs.17000
- Technical Fees received from A Ltd. (an Indian Company) in Germany for advice given by him in respect of a project situated in Iran – Rs. 117000
- Income from a business situated in Sri Lanka (goods are sold in Sri Lanka, sale consideration is received in Sri Lanka but business is controlled partly in Sri Lanka and partly in India) – Rs. 217000
- Income from business connection in India (it is received outside India)– Rs.317000
- Interest on German Development Bonds (2/5th is received in India) – Rs. 60000

(b) What are the provisions relating to deductions from gross total income in respect of donations to certain funds, charitable institutions, etc., under section 80G of the Income-tax Act? **07**

OR

Q.5 **(a)** Discuss tax benefits of amalgamated and amalgamating companies in respect of amalgamation. **07**

(b) How tax planning will affect the capital structure decision of a company? Explain with necessary example. **07**

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