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SARDAR PATEL UNIVERSITY
VALLABH VIDYANAGAR

MBA III SEMESTER EXAMINATION

DATE: 3-5-2008 CORPORATE TAX PLANNING (FM208)

TIME: 3-6pm

NOTE: 1. Attempt all questions.

2. All questions carry equal weightage.

3. This is a closed book examination

Total Marks : 70

- 1 (A) How would you deal with the following in computing taxable profits from business (10)
or profession:
- 1 Foreign currency, kept outside India to purchase stock-in-trade, was converted into Indian currency on account of devaluation and the conversion surplus, brought to India, was transferred to General Reserve Account.
 - 2 Legal charges incurred for framing the scheme of amalgamation of xyz company with the assessee company.
 - 3 Compensation paid to cancel the purchase order of a machine due to abnormal rise in its price. The assessee claims it as trading loss, or capital loss.
 - 4 The assessee claims the set-off unabsorbed depreciation of a discontinued business against the profits of another business.
 - 5 Subsidy received from the government to compensate the loss suffered in exports under government sponsored scheme, has been directly credited to Capital Reserve A/c. The assessee claims it as exempt.
- 1 (B) Differentiate the term evasion and avoidance of tax, tax planning and tax management with practical illustrations. (4)
- 2 (A) (a) Mr. L Purchased agriculture land in May 2003 in Chennai for 900,000. The land is not found much fertile. He proposes to purchase a very fertile piece of Land in Bangalore in April 2005 for Rs. 15,00,000 and sell the Madras land in June 2005 for Rs 20,00,000 . Would it be advisable? (5)
- (b) Mr. N proposes to sell the land, purchased in 1985 for Rs. 500,000, to Mr. J in November 2005 for Rs. 20,00,000. J has agreed to pay the price in May (5)

2006 with interest @ 24% p.a. N seeks your advise whether to accept the offer or not.

2 (B) What are capital and revenue receipts ? Give suitable examples. (4)

3 (A) What is "Infrastructure Capital fund"? Explain. (4)

3 (B) Balance Sheet of Z Ltd. As on 31st December 2005 is given as follows: (10)

Liability		Assets	
Equity Share Capital	1200000	Fixed Assets	500000
Preference Share Capital	800000	Investment	1600000
General Reserve	400000	Debtors	600000
Profit & Loss	500000	Bills Receivable	300000
Capital Reserve	700000	Stock in trade	400000
Depreciation Reserve	400000	Cash in hand	200000
Creditors	300000	Cash at bank	1400000
Bills payable	400000		
Sundry liabilities	300000		
Total	5000000/-	Total	5000000/-

The Company's Annual General Meeting is proposed to held in March 2006. The Company. is considering either to declare dividends or distribute its investment for the shareholders proportionately. The Co. seeks your advice in this connection. Kindly advise the company in a manner that interest of the investors and company are not affected adversely.

4 (A) J, a Japanese National discloses the following particulars of his income during (10) financial year 2005-06.

1. Income from house property in Japan, remitted by tenant to him in India through State Bank of India.	1,00,000
2. Loss from business in India	-5,00,000
3. Profits from speculation business in India	2,00,000
4. Interest received on bonds of Indian companies outside in India	45,000
5. Net dividend received from Japanese Co. outside India (tax deducted at sources 15,000)	1,35,000

6. Interest received on compensation of land, acquired by Govt. of India during the financial year – 2000-01	60,000
7. Profit from business in Japan, controlled and managed from India but profits being received in Japan	10,00,000

Determine his total income for the previous year 2005-06 in the
Following cases:

1. He is resident and ordinary resident during the previous year.
 2. He is resident but not ordinary resident during the previous year.
 3. He is non-resident during previous year.
- 4 (B) “Where the net result of computation made for any assessment year in respect of any head of income is a loss, the same can be set off against the income from other heads”. Describe the exemptions to the aforesaid rules. (4)
- 5 (A) Find out the Capital gain of Mr. X. X purchases on May 10, 2006, 1000 preference shares of Rs. 10 each in A Ltd. @ Rs. 55.55. On October 20, 2006 @ Rs. 20 per share. A Ltd. Declares 50 percent dividend (record date: August 3, 2006). During previous year 2006-07, he has generated long term capital gain of Rs. 76,000 on sale of gold. (10)
- 5 (B) Explain New provision of MAT (Minimum Alternative Tax). (4)