PG – 1091

III Semester M.B.A. Degree Examination, February 2016
(CBCS) (2014-15 and Onwards)
MANAGEMENT
Paper – 3.3.2 : Corporate Tax Planning and Management

Time : 3 Hours Max. Marks : 70

SECTION – A

Answer **any five** questions from the following **each** question carries **5** marks : **(5×5=25)**

1. A manufacturer has agreed to supply a machine on the following terms :
   a) Price of the machine at Rs .4,50,000 (Exclusive of taxes and duties)
   b) Packing for transportation of the machine Rs. 15,000
   c) Transport charges of machinery Rs. 25,000
   d) Development and tooling charges Rs. 40,000 (exclusive of Duties and taxes)
   e) CST @4%
   f) Octroi paid on machine supplied Rs. 2,000 (not recovered from party separately).
   g) Excise duty 12.5% h. Interest will be charged @ 16% on delayed payment beyond 30 days.
   h) Special discount Rs. 5,000 if advance of Rs. 2,00,000 is paid with order. Work out the excise duty liability based on the following additional information :
      i) Actual transportation cost is Rs. 20,000
      ii) Interest of Rs. 5,000 was charged as party has failed to make payment within 30 days.
      iii) The buyer paid advance with the order.
2. Being a tax expert suggest the government for alternative initiatives in corporate tax to increase the source to the government.
3. From the following details, compute the turnover and central sales-tax payable by a dealer :

Particulars	**Amount (Rs.)**
Total inter-state sales (including CST)	25,00,000
a) Trade commission for which credit notes have to be issued separately	70,000
b) Installation charges charged separately	20,000
c) Excise duty	3,00,000
d) Freight, insurance and transport charges recovered separately in the invoice	80,000

P.T.O.

e) Goods returned by dealers within six months of sale, but after the end of the financial year 40,000

f) Trade discount 10,000

Buyers have issued 'C' forms for all purchases. Sales tax rate within State is 5%.

4. Explain the import procedures for customs duty in India.

5. XYZ Ltd. is engaged in providing taxable services. Calculate the service tax payable by the assessee for the month of March 2015 from the information given below :

Particulars	Amount (Rs.)
1) Total invoices issued during March 2015 for services rendered during March 2015 (No amount is received as on 31-3-2015)	40,00,000
2) Invoices issued during March 2015 includes services rendered in Jammu and Kashmir	4,00,000
3) Advance received for services to be rendered in the month of June 2015 for which invoices are not issued as on 31-3-2015	18,00,000
4) Services rendered to Associated Enterprises for which no invoice is issued but accounting entry is made in the books of accounts in March 2015	1,50,000
5) Advances from clients in February 2015 for which no service has been rendered till date	6,00,000
6) Invoice issued for the service rendered in February 2015 against which no amount is received till date	8,00,000

The above accounts are inclusive of service tax and cess at applicable rates. XYZ Ltd. is not eligible for small Service Provider's exemption in financial year 2014-15.

6. PQR and Co. is an Indian company carrying business in India and Germany. The control and management is wholly situated in India during the year 31st March 2015. It's income accruing or arising in Germany in that year exceeded its income accruing or arising in India. Determine the residential status of the company with reasons.

7. An Indian resident goes to Bhutan on tour. He purchases color TV of Rs. 18,000, a laptop computer of Rs. 79,000, a new digital camera of Rs. 40,000, his personal effects of Rs. 25,000 and a computer of Rs .30,000 and hair dryer of Rs. 2,000 in a duty free shop in Bhutan and brings the same to India. What is the duty payable

   a) If he returns on 3rd day by air
   b) If he returns on 3rd day by land route
   c) If he returns on 11th day by air
   d) If he returns on 11th day by land route.

SECTION – B

Answer **any three** questions from the following **each** question carries **10** marks : **(3x10=30)**

8. Explain the tax provisions as implication on management decision in the following areas :
   a) Product make or buy
   b) Repair or replace.

9. Ram and Sham want to start a business, the estimated profit of which for the year is Rs. 12,00,000 they have two options for selecting a form of organisation.
   a) A partnership firm
      i) 10% interest on capital of Rs. 10,00,000 each
      ii) Salary of Rs. 2,00,000 p.a. each
      iii) Equal distribution of remaining profits
   b) A company
      i) Rs. 6,00,000 each as a share capital and Rs. 3,00,000 each as a loan at 10%
      ii) Salary of Rs. 2,00,000 p.a. each
      iii) Distribution of remaining profits as dividend equally

   Which option is better for tax point of view ?

10. The following is the P and L A/c of the Indian Co. Ltd. for the year ended 31st March 2015.

Particulars	Rs.	Particulars	Rs.
To salaries, wages	6,00,000	By Domestic sales	50,00,000
To rent, rates	4,00,000	By export sales	20,00,000
To repairs	2,40,000	By transfer from general reserve	4,00,000
To selling expenses	7,00,000		
To depreciation	10,00,000		
To income tax	7,20,000		
To proposed dividend	5,40,000		
To net profit	32,00,000		
	74,00,000		**74,00,000**

Other information :

1) The company has LTCG of Rs. 2,00,000 which is not credited to P and L A/C.
2) Foreign Exchange remittance of Rs. 14,00,000.
3) Depreciation U/S 32 is Rs. 9,00,000.

4) The company wants to set of the following :

Particulars	For Tax Purpose	For Accounting Purpose
Brought forward loss of 2012-13	10,00,000	8,00,000
Unabsorbed depreciation	4,00,000	4,00,000

You are required to compute :

a) Book profit as per 115JB

b) Total income of the company

c) Tax liability of the company.

11. a) Discuss the valuation of excisable goods in excise duty.

b) Explain the different types of forms used in CST with its importance.

SECTION – C

Case Study (Compulsory)

12. An importer has imported a machine from USA at FOB cost of $ 20,000. Other details are as follows : **(1×15=15)**

a) Freight from USA to Indian port was $ 1,000.

b) Insurance was paid to insurer in India : Rs. 8,000.

c) Design and development charges of $ 3,000 were paid to a consultancy firm in USA.

d) The importer also spent an amount of Rs. 50,000 in India for development work connected with the machinery.

e) Rs. 15,000 were spent in transporting the machinery from Indian port to the factory of importer.

f) Rate of exchange as announced by RBI was : Rs. 66.75 = One US$.

g) Rate of exchange as announced by CBE and C (Board) by notification under Section 14(3)(a) (i) : Rs. 66.70 = One US$.

h) Rate at which bank recovered the amount from importer : Rs. 66.35 = One US$.

i) Foreign exporters have an Agent in India. Commission is payable to the agent in Indian Rs.@5% of FOB price.

Customs duty payable was 10%. If similar goods were produced in India, excise duty payable as per tariff is 12%. There is an excise exemption notification which exempts the duty as is in excess of 10%. Education cess is as applicable. Special CVD is payable at applicable rates. Find customs duty payable. How much CENVAT can be availed by importer, if he is a manufacturer ?