



Name :

Roll No. :

Invigilator's Signature :

CS/MBA(N)/SEM-3 FT & 5 PT/FM-301/2011-12

2011

CORPORATE TAXATION AND TAX PLANNING

Time Allotted : 3 Hours

Full Marks : 70

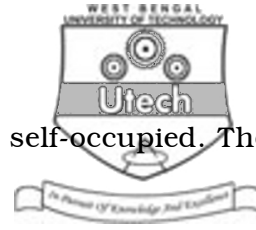
The figures in the margin indicate full marks.

Candidates are required to give their answers in their own words as far as practicable.

GROUP – A

(Multiple Choice Type Questions)

1. Choose the correct alternatives for any *ten* of the following : 10 × 1 = 10
 - i) Income which accrue outside India from a business controlled from India is taxable in case of
 - a) Resident only
 - b) Not ordinarily resident only
 - c) Both ordinarily resident and NOR
 - d) Non-resident
 - ii) Dividend paid by an Indian company is
 - a) Taxable in India in the hands of the recipient
 - b) Exempt in the hands of recipient
 - c) Taxable in the bands of the company and exempt in the hands of the recipient
 - d) Both (b) and (c)



- iii) A has two house properties. Both are self-occupied. The annual value of
- a) Both houses shall be nil
 - b) One house shall be nil
 - c) No house shall be nil
 - d) None of these.
- iv) Tax audit is compulsory in case a person who is carrying on business and whose gross turnover / sales / receipts, as the case may be, exceeds
- a) Rs. 10 lakhs
 - b) Rs. 40 lakhs
 - c) Rs. 1 crore
 - d) Rs. 60 lakhs.
- v) The cost inflation index number of the P.Y. 2010-11 is
- a) 672
 - b) 519
 - c) 551
 - d) 711.
- vi) Mr. Y is a tax consultant. During the year ended 31.03.2011 he has earned Rs. 48,000 from teaching of



- ix) Income that is absolutely exempt from Tax, under Income Tax Act, is enumerated under section
- a) 5 b) 10
- c) 40 d) 80.
- x) Compensation received by victims of Bhopal gas leak disaster under section 10 (10 BB) is
- a) taxable income b) tax-free income
- c) not taxable upto Rs. 25,000
- d) none of these.
- xi) Agricultural income received from outside India is taxable under the head
- a) salaries
- b) profits and gains of business or profession
- c) income from other sources
- d) none of these.
- xii) According to the Income Tax Act, 1961 a person does not include a / an
- a) Trust b) Individual
- c) Firm d) Company.

**GROUP – B****(Short Answer Type Questions)**

Answer any *three* of the following. $3 \times 5 = 15$

2. Explain the relation between residential status and incidence of tax as stated under Section 5 of Income Tax Act of India, 1961.
3. X, a foreign national (not being a person of Indian origin), came to India for the first time from US on July 11, 2004. He stayed here for a stretch of 3 years and left for Japan on July 11, 2007. He returned to India on April 10, 2008 and remained here till August 17, 2008, when he went back to USA. He again came to India on January 31, 2011 at 11.59 PM and continued to stay in India thereafter. During 7 years immediately preceding the previous year 2010-11, he is resident in India as follows :

2009 -10	2008 -09	2007 -08	2006 -07	2005 -06	2004 -05	2003 -04	2002 -03	2001 -02	2000 -01
NIL	130	102	365	365	264	NIL	NIL	NIL	NIL

Determine is residential status for the assessment year 2011-2012.

4. Mr. Kalpesh borrowed a sum of Rs. 30 lakhs from the National Housing Bank towards purchase of a residential flat. The loan amount was disbursed directly to the flat promoter by the bank. Though the construction was completed in May, 2009, repayments towards principal and interest had been made during the year ended 31.3.2009.

In the light of he above facts, state :



- (i) Whether Mr. Kalpesh can claim deduction under Section 24 in respect of interest for the assessment year 2009-10;
- (ii) Whether deduction under Section 80C can be claimed for the above assessment year, even though the construction was completed only after the closure of the year.

$$2\frac{1}{2} + 2\frac{1}{2}$$

5. Find out the GAV in the following cases for the AY 2011-12 (there is no unrealized rent)

	X (in Rs.)	Y (in Rs.)
MV	61000	61000
Fair rent	72000	72000
Standard rent	60000	6000
Amount of Rent :		
From 01/04/2010 to 30/06/2010 (per month)	5000	2000
From 01/10/2010 to 31/03/2011 (per month)	9000	2500
Vacancy period	01/07/2010-30/09/2010	01/07/2010-30/09/2010
Unrealised Rent	NA	NA
Actual rent received / receivable	69000	21000

6. Discuss briefly any five deductions allowed from gross total income under Section 80 of the Income Tax Act.



GROUP – C

(Long Answer Type Questions)

Answer any *three* of the following. $3 \times 15 = 45$

7. Describe in brief the Central Excise Act, 1944 and also comment on CENVAT.
8. Mr. X (66 years) is in Central Government service till his retirement on May 32, 2007 when he joins A Ltd. in which 40% equity shares are held by the Central Government, Punjab Government and the RBI. During the PY 2010-11, he gets the following from A Ltd.

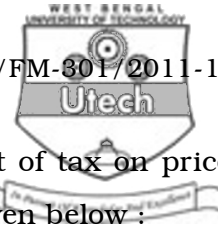
Basic Salary Rs. 20000 per month, DA Rs. 2000 per month (half of which is part of salary for retirement purposes); overtime allowance up to May 31st, 2010 Rs. 2000 per month; helper allowance for office use Rs. 1000 per month (expenditure Rs. 800 per month), medical bills reimbursement Rs. 44000 (out of which Rs. 12000 is in respect of treatment in a Government hospital); free gas and electricity only for personal use Rs. 24000; free telephone at residence Rs.9000, free lunch in office Rs. 10500 (amount paid directly to canteen @ Rs. 35 per day for 300 days); interest free loan for house Rs. 200000 for six years (SBI lending rate as on April 1, 2010 is 10.75%); earned leave encashment Rs. 16000 (as per service rules X is entitled for 2 days leave for each month of service and during 2010-11, X has encashed 24 days leave earned during the year);



mediclaim insurance on life of X is. 5060; mediclaim insurance premium on the life of X's brother who is not dependent upon X Rs. 4100 (the amount is reimbursed to X); leave travel concession for X and his family Rs. 46500 (no journey is undertaken) up to May 31, 2010, X has been paid house rent allowance of Rs. 4000 per month (rent paid at Delhi : Rs. 4000 per month). With effect from June 1.2010, he has been provided a rent free furnished house at Saket, New Delhi whose lease rent is Rs. 15000 per month (rent of the furniture provided with effect from September 15, 2010 Rs. 20000). Further, A Ltd bears the following expenses in respect of the house – repairs of house Rs. 6000 and rent of air conditioning system Rs. 9000 (for the summer of 2010).

Income of X from other sources is Rs. 680267 (which includes Government pension Rs. 120000). Find out the taxable income of Mr. X for the AY 2011-12 on the assumption that Mr. X annually contributes Rs. 30000 towards recognized provident fund and Rs. 10000 in public provident fund.

9. Mr. X manufactures computers (desktops) by assembling various parts from different vendors in India. He bears sales tax when he purchases several parts. Further, when such taxed parts are assembled and converted into a new output then further tax is paid on such new output. However, in case of VAT, when Mr. X pays tax on its output (assembled computer) any tax paid on inputs (parts) shall be allowed as



deductions. In such manner cascading effect of tax on price is eliminated by VAT system. The data are given below :

A produces product X with exempted raw material and B produces product Y with raw material X. Tax rate on X and Y is 4 %.

Details are as under:

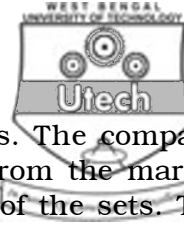
Particulars	Dealer A	Dealer B
Raw-materials	Exempted goods	X
Finished Goods	X	Y
Cost of raw-material	100	260
Conversion cost (including profit)	150	200
Tax rate on output	4%	4%

Calculate :

- (i) Amount charged from customer in sales tax system i.e., selling price for dealer A and dealer B.
- (ii) Amount charged from customer in VAT system i.e., selling price for dealer A and dealer B.
- (iii) Cascading effect eliminated by VAT.

10. Write short notes on any *three* of the following :

- a) Capital gains on Slump sale.
- b) Minimum Alternate Tax (MAT)
- c) FCNR amounts
- d) Fringe Benefit Taxes (FBT)
- e) Standard rent
- f) Tax benefits for a Hindu Undivided Family (HUF).



11. a) M Ltd. manufactures electric pump sets. The company has the option to either make or buy from the market component Y used in the manufacture of the sets. The following details are available: The component will be manufactured on new machine costing Rs. 1 lakh with a life of 10 years. Material required cost Rs. 2 per kg and wages Rs. 30 per hour. The salary of the foreman employed is Rs. 1500 per month and other variable overheads include Rs. 20000 for manufacturing 25000 components per year. Material requirement is 25000 kgs and requires 50000 labour hours. The component is available in market at Rs. 4.30 per piece. Will it be profitable to make or buy the component? Does it make any difference if the component can be manufactured on an existing machine?
- b) T Ltd. is expected to file its return of loss for the AY 2010-11 on December 1, 2011. The following data is taken from the return expected to be submitted by the company :

Income / Loss of the PY 2010 - 11

Business Lost for the PY 2010-11 (before depreciation and capital expenditure on scientific research)	Rs. 170000
Depreciation	Rs. 30000
Capital Expenditure for Scientific research	Rs. 20000
Short-term capital loss	Rs. 45000
Long-term capital gain	Rs. 10000
Income from other sources	Rs. 23000
Brought forward loss of the earlier years which has been determined in pursuance of return filed within the time limit of section 139 (1) Unabsorbed depreciation pertaining to the AY 1997-98 and 2000 - 2001	Rs. 57000
Business loss of the PY 2007-08	Rs. 18000
Capital loss of the PY 2009-10	Rs. 35000

8 + 7



12. Compute Income from House property from the following information for the AY 2010-11

House	H-I	H-II	H-III
Usage type	Let out	self-occupied	for business purpose by assessee
Particulars	Rs.	Rs.	Rs.
Standard Rent	2,75,000	2,10,000	NA
Fair Rent	2,40,000	2,20,000	1,90,000
Rent Received	2,20,000	-----	-----
Municipal value	2,50,000	1,55,000	1,85,000
Municipal Tax	10%	10%	12%
Interest on Loan	1,65,000	65,000	-----
Repairs	12,000	15,000	8,000
Annul Charges	15,000	20,000	35,000
