**ST. JOSEPH’S COLLEGE (AUTONOMOUS), BENGALURU -27**

Registration Number:

Date & Session:9-12-2022 (9AM)

**M.COM – III SEMESTER**

**SEMESTER EXAMINATION: OCTOBER 2022**

**(Examination conducted in December 2022)**

**MCODEA9420/9418: CORPORATE TAXATION**

**Time: 2 ½ Hours Max Marks: 70**

**This paper contains four printed pages and four parts**

**Section A**

**I Answer any ten of the following (10 X 2 = 20 marks)**

1. State any two conditions for claiming addition depreciation under section 32(1) (iia)
2. Identify whether the following are Indian income or foreign income:
   1. income is received (or deemed to be received) in India during the previous year but it accrues or arises (or is deemed to accrue or arise) outside India during the previous year.
   2. income is received outside India during the previous year but it accrues or arises (or is deemed to accrue or arise) in India during the previous year.
3. Define terminal depreciation.
4. How would speculation business loss be carried forward and setoff?
5. State to whom provisions of section 115JB (MAT) are not applicable
6. Highlight the provisions of section 80GGA.
7. List out at least four common business restructuring strategies for expansion.
8. What was the rationale for introduction of MAT?
9. State the provisions of Section 79 of Income Tax Act 1961.
10. State the extent of deduction that can be claimed for following donation as per Sec 80G
    1. Donation to PM national relief fund Rs. 5,00,000
    2. Donation to political party Rs. 75,000
11. What is Slump sale and what is the tax implication of slump sale?
12. ABC Ltd has the taxable income as per normal provisions of the income tax Act Rs 40 lakhs and Book profits of Rs 75 lakhs for the FY 2021-22. Compute tax payable by the company for A.Y.2022-23.

**Section B**

**II Answer any three of the following (3 x 5 = 15 marks)**

1. Illustrate the criteria to determine residential status of a company.
2. The Net Profit of X Company Ltd., as per profit and loss account for the year ended 31.03.2021 is Rs. 17,50,000. From the following information **calculate the Book-Profit** of the Company under section 115JB for the assessment year 2021-22:

The following amounts are found debited to profit and loss account:

(Rs.) Excise Duty 1,50,000

Provision for Unascertained Liability 1,00,000

Loss of Subsidiary Company 2,00,000

Provision for Income Tax 2,50,000

Wealth Tax 5,000

Proposed Dividend 9,95,000

The following amount is found credited to profit and loss account:

General Reserve (withdrawal) 5,00,000

Additional information: Unabsorbed losses/ allowances brought forward from past year as per books of accounts prepared under Companies Act are as follows:

(Rs.)

Unabsorbed Business Loss (excluding depreciation) 2,65,000

Unabsorbed Depreciation 3,50,000

1. Briefly explain the deductions available to a company as per Section 80JJA, 80 LA and 35 ABB Income tax Act, 1961.
2. On April 1, 2021, the depreciated value of a block of asset (depreciation @ 25%) is ₹1,60,000. It consists of asset A and B. The Assessee purchases asset C of the same block during 2021-22 for ₹60,000 and sells asset A on May 5, 2021 for ₹3,60,000. Calculate depreciation.
3. Following are the details of X Pvt Ltd, determine the brought forward loss available for set off during the previous year 2020-21 relevant to the assessment year 2021-22:

|  |  |
| --- | --- |
| Previous Year 2019-20 | Previous Year 2020-21 |
| Business Loss = Rs. 12 lakh | Business Profit = Rs. 25 lakh  (Before adjusting brought forward loss and  unabsorbed depreciation) |
| Unabsorbed depreciation: Rs. 2 lakh |
| Details of Shareholders as on 31-03-2020 | Details of Shareholders as on 31-03-2021 |
| A = 30%|B = 25% |C = 20% | D = 25% | E = 30% | F = 25% | C = 20% | D = 25% |

How shall your view will differ, if Mr. B had gifted the shares to Mr. F, a relative of Mr. B.

**Section C**

**III Answer any two of the following** (**2 x 10 = 20 marks)**

1. Tata power Projects is a power generating unit. On 1st April 2010 it purchased a plant for Rs. 50,00,000 eligible for depreciation at 15% on SLM. Compute balancing charge or terminal depreciation assuming the plant is sold on 21st April 2012 for:
2. If sold for Rs. 33,00,000
3. If sold for Rs. 47,00,000
4. If sold for Rs. 55,00,000.
5. Compute total income of X Ltd. under following cases –

Business A: Business of Ice cream

Business B: Business consists of purchase and sale of shares of other companies (being treated as speculative business as per explanation of sec. 73)

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Particulars | CASE 1 | | CASE 2 | | CASE 3 | | CASE 4 | |
| A | B | A | B | A | B | A | B |
| Income of P.Y. 2019-20 | 80,000 | 20,000 | 75,000 | 85,000 | (56,000) | 1,50,000 | 3,00,000 | (50,000) |
| B/f loss of P.Y. 2018-19 | 70,000 | 65,000 | 85,000 | 50,000 | 90,000 | 65,000 | 30,000 | 90,000 |
| Unabsorbed depreciation | -- | -- | -- | -- | -- | -- | -- | 20,000 |

1. Compute depreciation available under section 32 of the Income Tax Act 1961, for the following items of plant and machinery purchased by PQR Textile Ltd. (newly started during the year) by paying through account payee cheque, which is engaged in the manufacture of textile fabrics, for the year ended 31-3-2022.

**Particulars Amount (₹ in crores)**

New machinery installed on 1-5-2021 84

New windmill purchased and installed on 18-6-20121 22

Lorries purchased and put to use in July 2021 3

**Items purchased after 30-11-2021**

Fork-lift truck used inside the factory 4

Computer installed in office premises 1

Computer installed in factory 2

New imported machinery 12

(The new imported machinery arrived at Chennai port on 30-3-2022 and was installed on 3-4-2022. All other items were installed during 2021-22)

**Section D**

**IV** **Compulsory Question (1 X 15 = 15 marks)**

1. From the below given Profit and Loss account of Essar Mills limited, compute taxable income from business for the assessment year 2022-23.

|  |  |  |  |
| --- | --- | --- | --- |
| **Debits** | **Amt** | **Credits** | **Amt** |
| Employee family planning expenses | 1,00,000 | Gross profit | 25,65,000 |
| Repairs of building | 30,000 | Dividend on shares | 6,000 |
| Bad debts | 50,000 | Profit on sale of machinery | 3,000 |
| Carriage outwards | 35,000 | Commission from suppliers | 9,000 |
| Wealth tax | 1,00,000 | Maturity value of life insurance policy | 2,00,000 |
| Warehouse rent | 2,00,000 | Export incentives from Govt. | 15,000 |
| Loss due to theft | 1,00,000 | Bad debts recovered (allowed earlier) | 5,000 |
| Provision for GST | 2,00,000 | Interest on Bank FD | 50,000 |
| Extension of building | 1,00,000 |  |  |
| Depreciation | 55,000 |  |  |
| Donations | 1,00,000 |  |  |
| Contribution to RPF | 2,00,000 |  |  |
| Embezzlement by cashier | 1,00,000 |  |  |
| General Expenses | 3,00,000 |  |  |
| Staff salary | 4,00,000 |  |  |
| Compensation to retrenched emp. | 50,000 |  |  |
| Loss on sale of machine | 20,000 |  |  |
| Advertisement expense | 2,00,000 |  |  |
| Net profit | 5,13,000 |  |  |
|  | **28,53,000** |  | **28,53,000** |

**Additional information:**

1. Out of GST provision following amount was paid: GST of Rs. 50,000 was paid on 05.05.2021 and Rs. 10,000 on 01.08.2021. Due date falls on 31.07.2021.
2. Advertisement includes expenses on 30 gift articles given to select customers at a cost of Rs. 300 each.
3. Deprecation as per section 32 amounts to Rs. 44,000 including extension of Building.
4. General Expenses include a compensation Rs. 1,00,000 paid to an employee who was terminated due to misconduct, the termination was done in the interest of company. General expenses also include Rs. 5,000 expenditure paid outside India without TDS.
5. Contribution to RPF for last 2 months @ Rs. 16,000 pm has not been paid to appropriate authority.
6. Donations include a receipt of Rs. 50,000 paid to trader’s association to favour the business in getting an order.
7. Preliminary expense of Rs. 5,00,000 incurred during PY is not recorded. The cost of project was 10,00,000.
8. 80% of employee family planning expenses are capital in nature.

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