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

Register Number:

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**M.Com – III SEMESTER**

**SEMESTER EXAMINATION: OCTOBER 2021**

**(Examination conducted in March 2022)**

**MCO DEA 9420: 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. Enlist the condition for claiming addition depreciation under section 32(1) (iia)
2. X Ltd. is an Indian company. It has 10 shareholders who are foreign citizens and non-resident in India. The business of the company is fully controlled from outside India. Find out the residential status of X Ltd. for the assessment year 2021-22, as per section [Sec. 6(3)].
3. Define terminal depreciation
4. How would setoff losses from the following sources?
   1. Loss from Specified Business
   2. STCG
5. Mention two exemptions to provisions of section 79
6. State to whom provisions of section 115JB (MAT) are not applicable
7. Highlight the provisions of section 80JJAA
8. According section 50B, what is a slump sale?
9. What are conditions for claiming MAT credit u/s 115JAA?
10. Identify the carry forward period in the following cases:
    1. Speculative loss
    2. Unabsorbed depreciation
11. State the extent of deduction that can be claimed for following donation as per section 80G
    1. Donation to PM national relief fund Rs. 10,00,000
    2. Indira Gandhi Memorial Trust Rs. 25,00,000
12. Define business restructuring

**Section B**

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

1. Summarize the procedure of determining residential status of a company as per [Sec. 6(3)]
2. State the tax implications of amalgamation
3. 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 2019-20. Compute the final tax liability and MAT credit (if applicable). What is the carried forward period for MAT Credit?
4. A private limited company has share capital in the form of equity share capital. The shares were held until 31st March, 2019 by 4 members A, B, C and D equally. The company made losses/profits for the past three assessment years are as follow:

|  |  |  |  |
| --- | --- | --- | --- |
| **Asst. Year** | **Business Loss** | **Unabsorbed depreciation** | **Total** |
| 2017-18 | NIL | Rs. 15,00,000 | Rs. 15,00,000 |
| 2018-19 | Nil | Rs. 12,00,000 | Rs. 12,00,000 |
| 2019-20 | Rs. 9,00,000 | Rs. 9,00,000 | Rs. 18,00,000 |

The above figures have been accepted by the tax department.

During the previous year 31-3-2020, A sold his shares to Y and during the previous year 31-3-2021, B sold his shares to Z. The profits for the past two years are as follows:

31-3-2020 Rs. 18,00,000 (before charging depreciation Rs. 9,00,000)

31-3-2021 Rs. 45,00,000 (before charging depreciation Rs. 7,50,000)

Compute taxable income for A.Y. 2021-22.

1. From the following data calculate depreciation admissible as per section 32 of the following company engaged in the business of marketing and distribution.

|  |  |  |
| --- | --- | --- |
| # | Particulars | Amount |
| 1 | Building (WDV) | 5,00,000 |
| 2 | Machinery (WDV)   * On 30th June 2019, additions were made Rs. 1,00,000 * On 31st December 2019, further additions were made Rs, 1,00,000 * On 1st January 2020, a machine in the block was sold for Rs. 6,00,000 | 8,00,000 |
| 3 | Computer was purchased on 1st January 2020 | 60,000 |
| 4 | Motor car (WDV) | 60,000 |
| 5 | Furniture and fixtures | 1,00,000 |

**Section C**

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

1. From the following information compute the tax liability of ‘X’ Ltd. for the assessment year 2020-21:

Profit and Loss Account

|  |  |  |  |
| --- | --- | --- | --- |
| **Particulars** | **Amount**  **(Rs. in lakhs)** | **Particulars** | **Amount**  **(Rs. in lakhs)** |
| Salary and wages | 7,50,000 | Sales | 48,00,000 |
| Postage and Telegrams | 40,000 | Amt. withdrawn from Gen. reserve | 3,00,000 |
| Travelling and Conveyance | 50,000 |
| Depreciation | 5,00,000 |  |  |
| Income tax | 4,00,000 |  |  |
| Wealth tax | 10,000 |  |  |
| Excise duty due | 1,00,000 |  |  |
| Provision for future losses | 60,000 |  |  |
| Proposed dividend | 80,000 |  |  |
| Loss of subsidiary company | 50,000 |  |  |
| Audit fee | 25,000 |  |  |
| Director remuneration | 8,00,000 |  |  |
| Deferred tax | 1,35,000 |  |  |
| Net Profit | 21,00,000 |  |  |
|  | **51,00,000** |  | **51,00,000** |

**Other information:**

For tax purposes, the company provides the following information:

1. Depreciation under section 32 is Rs. 11,43,000.
2. The company wants to set-off the following losses/ allowances:

|  |  |
| --- | --- |
| **Particulars** | **For Accounting Purposes** |
| B/F Loss of assessment year 2017-18 | 10,00,000 |
| Unabsorbed Depreciation | 3,00,000 |

Computation of book profits and MAT as per section 115JB.

1. Kite & Co. (firm) had sold all its assets and liabilities on 31.03.2018 to ABC Co. (P) Ltd. for a lump sum consideration of Rs. 500 lakhs.

The Balance Sheet of Kite & Co. as on 31.03.2018 is as below:

|  |  |  |  |
| --- | --- | --- | --- |
| **Liabilities** | **Rs. in Lakhs** | **Assets** | **Rs. in Lakhs** |
| Capital | 1,500 | Fixed Assets: |  |
| Unsecured loans | 100 | Plant and Machinery | 300 |
| Bank borrowing | 700 | Land (At revalued figure) | 1,200 |
| Sundry Creditors | 200 |  |  |
|  |  | Current Assets: |  |
|  |  | Sundry Debtors | 500 |
|  |  | Cash & Bank balance | 50 |
|  |  | Loans & Advances | 340 |
|  |  | Closing stock | 110 |
|  | **2,500** |  | **2,500** |

Additional Information:

(1) The land was acquired in March, 2006 for Rs. 200 lakhs.

(2) WDV of plant & machinery under section 43(6) was Rs. 250 lakhs.

(3) Cost inflation index for the financial year 2005-06 was 117 and for 2017-18 is 272.

(4) Stock is overvalued by 10%.

(5) Loans and advances include Rs. 150 lakhs due from ABC Co. (P) Ltd.

Compute capital gain arising from slump sale and tax liability on such gain.

1. ‘Bhorku’ Limited is engaged in the business of manufacturing computer hardware since 20011. During the previous year 2020-21, the following assets are acquired and put to use.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| # | Particulars | Block | | |
| I | II | III |
| 1 | Rate of depreciation | 15% | 20% | 40% |
| 2 | No. of assets in the block | 23 | 18 | 16 |
| 3 | WDV as on 1-4-20 | 16,00,000 | 50,00,000 | 10,00,000 |
| 4 | Additions made [Plant and Machinery]   1. Plant M 2. Plant N 3. Plant O | 28,50,000 | -  2,00,000 | -  8,50,000 |
| 5 | Sale of old plants (5 in each block) | 90,000 | 14,45,000 | 21,00,000 |

* Plant M, N and O were acquired in Aug 2020 and put to use on 30th Sep 2020. However, plant N which is acquired in Aug 2020 was put to use during last week of March 2021.

You are required to compute.

* Normal and additional depreciation as per section 32 for AY 21-22.
* WDV of the block as on 1-4-2021.
* Capital gain or loss in any for AY 21-22.

**Section D**

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

1. From the below given Profit and Loss account of Quality mills limited, compute taxable income from business for the assessment year 2020-21.

|  |  |  |  |
| --- | --- | --- | --- |
| **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 05.05.2019 and Rs. 10,000 on 01.08.2019. Due date falls on 31.07.2019.
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.