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

Register Number:

Date:

**B.Com – VI SEMESTER**

**SEMESTER EXAMINATION: April 2024**

**(Examination conducted in May/June 2024)**

**BCDEA6523 Corporate Taxation**

**Time: 2 Hours Max Marks: 60**

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

**Section A**

**I Answer any five of the following (5Q × 3M = 15 marks)**

1. According to section 35, what is admissibility of deduction for the following
* In-house scientific research carried by assesse for:
	+ 1. Expenses on purchase of land to set up R&D center
		2. Expenses on payment of salary to research personnel
		3. Motor car facility to research director.
1. 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 2023-24, as per section [Sec. 6(3)].
2. Highlight the provisions of section 8OJJAA
3. How would you setoff the losses from the following sources?
	1. Loss from Specified Business
	2. Loss from Speculative Business
	3. Loss from Normal Business
4. What are conditions for claiming MAT credit u/s 115JAA?
5. From the tax point of view, what are the deductions that can be claimed in case of make or buy decision?

**Section B**

**II Answer any two of the following (2Q x 5M = 10 marks)**

1. B Ltd. is an Indian company. A Ltd. is a Mauritius company and it is 100 per cent subsidiary of B Ltd. The assets of A Ltd. are situated in Mauritius. All employees of A Ltd. are also located in Mauritius. The average income wise break-up of total income of A Ltd. for the current year and last 2 years is as follows –
2. 32 per cent of income is from transaction where purchases are made from parties which are non-associated enterprises and sold to associated enterprises;
3. 34 per cent of income is from transaction where purchases are made from associated enterprises and sold to associated enterprises;
4. 27 per cent of income is from transaction where purchases are made from associated enterprises and sold to non-associated enterprises; and
5. 7 per cent of the income is by way of interest, royalty, dividend, capital gain and rent.
6. Find out the residential status of A Ltd. for the assessment year 2023-24 (turnover of A Ltd. is more than Rs. 100 crore).
7. 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 2022, additions were made Rs. 1,00,000
* On 31st December 2022, further additions were made Rs, 1,00,000
* On 1st January 2023, a machine in the block was sold for Rs. 6,00,000
 | 8,00,000 |
| 3 | Computer was purchased on 1st January 2023 | 60,000 |
| 4 | Motor car (WDV) | 60,000 |
| 5 | Furniture and fixtures | 1,00,000 |

1. On April 1, 2015, X and his wife purchased all the shares of a private limited company. Up to March 31, 2015, the company had accumulated business losses of Rs. 5,00,000 and unabsorbed depreciation amounting to Rs. 3,00,000. For the previous year 2015-16, the profits of business are computed at Rs. 4,50,000. Would the company be entitled to carry-forward and set-off the past accumulated losses and unabsorbed depreciation? Would it make any difference if X and his wife have received the shares as a gift from a relative?

**Section C**

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

1. X limited is engaged in the business of manufacturing of hardware since 1999. During the PY, the following assets were acquired and put to use.

|  |  |  |
| --- | --- | --- |
| # | Particulars | Block (Amount in) |
| I | II | III |
| 1 | Rate of depreciation | 15% | 30% | 40% |
| 2 | No. of assets in the block | 5 | 6 | 4 |
| 3 | WDV as on 1-4-22 | 45,00,000 | 62,50,000 | 1,25,0000 |
| 4 | Additions made [Plant and Machinery]1. Plant A
2. Plant B
3. Plant C
 | 1,42,50,000 | 10,00,000 | 42,50,000 |

* Plant A and C were acquired in May 2022 and put to use in Sep 2022. However, plant B which is acquired in May 2022 was put to use during last week of March 2023.
* One of the machines in Block I was sold for 20,00,000. In block II one machine was sold for Rs. 50,75,000.
* In block III all the assets were sold for Rs. 52,00,000.

You are required to compute.

1. Normal and additional depreciation as per section 32 for AY 23-24.
2. WDV of the block as on 1-4-2023.
3. Capital gain or loss in any for AY 23-24
4. From the following information compute the tax liability of ‘X’ Ltd. for the assessment year 2023-24:

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 |  |  |
| Capital gain 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. Differentiate Tax planning, Tax evasion and Tax avoidance. Indicate whether the following acts can be considered as tax evasion/tax avoidance or otherwise:
	1. Samarth deposits Rs. 65,000 in the term deposit of 5 years with the Post Office to avail tax deduction under section 80C. Assuming Mr. Samarth does not opt for concessional tax regime u/s 115BAC of the Income tax Act, 1961.
	2. Sushil is using a motor car for his personal purposes, but charges as business expenditure.
	3. PQR industries Ltd installed an air-conditioner costing Rs. 75,000 at the residence of a director as per terms of his appointment but treats it as fitted in quality control section in the factory. This is with the objective to treat it as plant for the purpose of computing depreciation.
	4. SQL limited maintains a register of tax deduction at source affected by it to enable timely compliance.
	5. R. Ltd issues a credit note for Rs.90,000 for brokerage payable to Suresh who is son of R, managing director of the company. The purpose is to increase his total income from Rs.1,60,000 to Rs.2,50,000 and reduce its income correspondingly.

**Section D**

**IV** **Compulsory Question (1Q × 15M = 15 marks)**

Following is the Profit and Loss Account of South Star corporation (Manufacturing Concern) for the year ending 31-3-2023.

|  |  |  |  |
| --- | --- | --- | --- |
| **DEBITS** | **AMT** | **CREDITS** | **AMT** |
| Opening stock | 1,60,000 | Sales | 8,00,000 |
| Purchases | 4,00,000 | Commission | 50,000 |
| Carriage inwards | 60,000 | Fee from sale of import license | 20,000 |
| Travelling expenses | 1,00,000 | Closing stock | 1,80,000 |
| Wages | 50,000 |  |  |
| Salaries | 40,000 |  |  |
| Bad debts | 1,500 |  |  |
| Rent | 10,000 |  |  |
| Interest paid to creditors | 10,000 |  |  |
| General charges | 15,000 |  |  |
| Income-tax | 25,000 |  |  |
| Legal charges | 8,000 |  |  |
| GST | 2,500 |  |  |
| Staff welfare expenses  | 8,000 |  |  |
| Depreciation (excluding machine) | 30,000 |  |  |
| Bad debt reserve | 5,000 |  |  |
| Net profit | 1,25,000 |  |  |
|  | 10,50,000 |  | 10,50,000 |

Following information was detected from the scrutiny of the accounts:

1. Travelling expenses
	1. Rs. 50,000 were spent on a tour to the Srilanka to promote business, which is included in travel expenses.
	2. Traveling expenses on traveling of Purchase Manager for 10 days out of which he used 5 days for acquiring a new machine from Jaipur for company and 5 days for meeting her relative. However, Purchase Manager agreed to refund proportionate cost.
2. Salary paid in excess of requirement to non-relative ₹ 2,000 and to relative of director ₹ 6,000.
3. Legal charges include:
	1. Penalty paid for violation of custom rules Rs. 4,500.
	2. Legal expenses include Rs. 2,500 paid to a chartered accountant for conducting income-tax appeal
4. Staff welfare expenses include Rs. 5,000 being cost of water purifier (dep. 10%) installed for use by company.
5. Opening stock is valued 10% below cost and closing stock is valued 10% above cost.
6. On 31-7-2022, company purchased a machine from Jaipur costing ₹ 5,00,000.
7. Carriage inward shows the expenditure incurred for acquiring machine from Jaipur.
8. As on 1-4-2022, company holds following assets:

|  |  |  |
| --- | --- | --- |
| Assets | Rate | Value |
| Plant and Machinery | 15% | 6,00,000 |
| Furniture | 10% | 1,00,000 |

Compute taxable total income and tax liability as per the provisions of income tax act.