

POST-GRADUATE COURSE

Assignment — June, 2019

COMMERCE

Paper - XVI : Corporate Tax Planning and Management

Full Marks : 50

Weightage of Marks : 20%

Special credit will be given for accuracy and relevance in the answer. Marks will be deducted for incorrect spelling, untidy work and illegible handwriting. The weightage for each question has been indicated in the margin.

MODULE - I

Answer any *two* questions. $12\frac{1}{2} \times 2 = 25$

1. An effective and well structured tax planning process influences the different management process decision in every functional area like Production, Marketing, Finance, HR, Procurement, R&D etc. With reference to above, discuss how tax planning influences the business decisions and policy framing in any industry and how effective tax planning helps in achieving the desired goal and target of the organisation.

Illustrate the above, with refence to case studies in each functional area of business. $12\frac{1}{2}$

2. a) 'Research and Development' is considered as the most important tool for survival and growth in the business. A number of benefits / advantages are available in respect of expenditure incurred on R&D by any company.

Explain the above with reference to the different provisions of the Income Tax Act relating to the benefits of Research and Development with a specific note on the conditions to be fulfilled, nature of expenditure, Amount of benefit available and other relevant requirements as per law.

- b) What do you mean by 'Deemed Dividend' ? Whether the provisions of Income Tax Act that are applicable to 'Dividend' are also applicable to deemed dividend ? $6 + 6\frac{1}{2}$
3. An appropriate capital structure of any business results in the best possible return to the stakeholders. Discuss how tax planning influences the decision of capital structure of any company and what are the factors involved therein.

Management of ABC Ltd. seeks your advise in respect of their decision on selecting the best possible capital structure. The following information are made available :

- i) Total Capital Requirement for business — Rs. 700 lakhs
- ii) Expected return on Capital Employed before interest and tax is 30%.
- iii) Rate of interest on borrowed capital = 10% p.a.
- iv) Rate of debenture to be issued = 11% p.a.
- v) Tax rate = 30%.

Suggest the management the best alternative that to be chosen from the following :

- a) 25% by issue of share capital and 75% by Bank loan.
- b) 30% by share capital, 30% by bank loan and 40% by issuance of debenture.
- c) 100% issuance of equity shares.
- d) 40% by equity shares, 40% by debenture and 20% through bank loan. $12\frac{1}{2}$

4. a) What do you mean by 'Demerger' and 'Demerged Company' ? What are the tax concession / incentives available in case of demerger to
 - i) Demerged Company
 - ii) Resulting Company
 - iii) Shareholders of Demerged Company ?
- b) What is Foreign Collaboration Agreement ? How tax planning influences in setting up any Foreign Collaboration Agreement ?

$$7 + 5\frac{1}{2}$$

MODULE - II

Answer any *two* questions. $12\frac{1}{2} \times 2 = 25$

5. a) What are the tax consideration to be considered for determining of the decision relating to repair/renewal or replacement of an equipment and machinery ?
- b) A company decides to purchase an equipment for Rs. 10,00,000. Two alternatives are available to the company.

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Alternative one : Buy the equipment by taking a loan of Rs. 10 lakhs repayable in 5 equal instalments of Rs. 2 lakhs each. Interest payable is @ 10% p.a. Assume that lease rental, processing fees, interest as well the principal amount are payable at end of the year.

Alternative two : Take the equipment on lease for which the annual lease rental is Rs. 7,50,000 per annum. The lease charges 1% of processing fees in the first year. Assume the internal rate of return to be at 10% and the present value at 10% are as follows :

Year	1	2	3	4	5
<i>P/V factor</i> :	0.909	0.826	0.751	0.683	0.621

Suggest the management which course of action to be adopted. $4 + 8\frac{1}{2}$

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6. In respect of any Assessment order, what do you mean by 'Rectification of Mistake' under section 154 of the Income Tax Act ? How and under what circumstances, appeal could be filed before Appellate Authority against any Impugned Assessment order ? Explain the procedure and time limit for filing of appeal before Commissioner (Appeals). $4 + 3 + 5\frac{1}{2}$

7. Write short notes on the following :

- a) Revised Return
- b) Time limit for Completion of Assessment
- c) Best Judgement Assessment
- d) Revision. $3 + 3\frac{1}{2} + 3 + 3$

8. a) Explain the provision of Income Tax Act relating to Tax on Dividend Payable by an Indian Company.

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- b) What do you mean by “Inter-Corporate Dividend” ? Whether, dividend distribution tax would be applicable on dividend paid by Holding Company where the holding company receives dividend from 100% Subsidiary Company on which dividend tax has been paid ?
- c) What are the procedure and time limit in respect of filing of Appeal Petition before Commissioner (appeals) ? What are the procedures for filing any condonation of delay in filing appeal/petition ? $4 + 4 + 4\frac{1}{2}$

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