



RAN-0536

M. Com. Integrated (Sem. IX) Examination

March / April - 2019

MC-9.2 Corporate Tax Planning and Management - 1

સૂચના : / Instructions

નીચે દર્શાવેલ નિશાનીવાળી વિગતો ઉત્તરવહી પર અવશ્ય લખવી.
Fill up strictly the details of signs on your answer book

Name of the Examination:

M. Com. Integrated (Sem. IX)

Name of the Subject :

MC-9.2 Corporate Tax Planning and Management - 1

Subject Code No.:

0 5 3 6

Seat No.:

--	--	--	--	--	--

Student's Signature

Instructions :

1. Q. 1 is compulsory.
2. Figures to the right indicate full marks of a question.
3. Precise and to the point answers are expected.

Q.1 Answer in short:

(10)

- (1) What is tax avoidance? Explain with example.
- (2) What is tax treatment in the hands of company and a shareholder when an equity share holder sells such bonus shares during PY 2017-18?
- (3) What is "dividend"? What is effective rate of dividend tax during AY 2018-19?

Q.2 (A) What is dividend under income tax act? Explain with extended meaning inclusive of distributions deemed as dividend.

(4)

- (B) Sona ltd. is a widely held company. It is currently considering a major expansion plan of its production facilities and the following alternatives are available:

(9)

Alternatives	I	II	III
Equity Share Capital	1,00,00,000	50,00,000	1,50,00,000
12% Preference Shares	30,00,000	50,00,000	NIL
Bank Loan (15 per cent)	20,00,000	50,00,000	NIL

Expected rate of return (before tax) is 25%.

Calculate rate of return on equity share capital. Select the alternative accordingly. Take corporate tax rate @ 30% (subject to 3% education cess and 12% surcharge.) Ignore Dividend Tax.

- Q.3** Partners Neel, Nitin and Mukesh are having a partnership firm of Suraksha Textiles. They are considering a possibility of converting this firm into sole proprietorship. Guide them from the view point of tax liability of partnership firm vs. sole proprietorship businesses in accordance with AY 2017-18. Should they convert the partnership in sole proprietorships? **(13)**

Partnership Firm	Proprietorships
1. Partners Neel, Nitin and Mukesh	1. Three sole proprietorships of Neel, Nitin and Mukesh
2. Profit of a firm ₹ 27,00,000	2. Profit of each proprietorship ₹ 9,00,000
3. Capital invested total ₹ 60,00,000 (1:1:1)	3. Capital invested by each partner ₹ 20,00,000
4. Interest on capital 12%	4. Other income of each partner ₹ 3,50,000
5. Maximum remuneration as per income tax provisions	5. Each proprietor avail maximum benefit under section 80C of income tax act.
6. Other income of each partner ₹ 3,50,000	
7. Each partner avail maximum benefit under section 80C of income tax act.	

- Q.4** Write short notes : (any two) **(14)**

- (1) Deduction to companies engaged in operating and maintaining a hospital in a rural area [Section 80IB]
- (2) Taxability of Dividend in the hands of a company and a share holder
- (3) Difference between Tax evasion and Tax avoidance