**SESSION SEP 2023**

**PROGRAM MASTER OF COMMERCE**

**SEMESTER III**

**COURSE CODE & NAME DCM7104 – CORPORATE TAX LAWS AND PLANNING**

**CREDITS 4 NUMBER OF ASSIGNMENTS & MARKS 02**

**Assignment Set – 1st**

**1. (A)Specify with brief reason, whether the following acts can be considered as an act of**

**(i) Tax management; or**

**(ii) Tax planning; or**

**(iii) Tax evasion; or**

**(iv) Tax avoidance:**

**1. To reduce tax payable, Sunil Varma an individual, paid ₹ 55,000 as of life insurance premium on the policy of his minor son.**

**2. A foreign company has an Indian subsidiary that is selling its product to the parent company at a price of ₹ 100 per unit while the same product is sold to another foreign company at ₹ 200 per unit.**

**3. A company is claiming depreciation on the motor car which is being used by the director for personal purposes.**

**4. Installation of Air Conditioner costing ₹ 75,000 at the residence of the Director as per terms of appointment, but treating it as Plant installed in Quality Control Section in the factory.**

**5. Mr. D is a working partner in a firm and he is entitled to a salary of ₹ 30,000 per month. He treats this as salary instead of business income.**

**Ans:**To reduce tax payable, Sunil Varma an individual, paid ₹ 55,000 as of life insurance premium on the policy of his minor son.

**Classification:**

**Tax planning.**

**Reason:** This can be considered tax planning as Sunil Varma is making use of the tax benefit available for life insurance premiums paid for himself, his spouse, or his children. This is a legitimate way to reduce tax liability.

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**(B) Why is tax planning necessary? Explain the type of Tax Planning.**

**Ans:Tax planning is necessary for individuals and businesses for several reasons:**

**Minimizing Tax Liability:** Tax planning helps in legally minimizing the tax liability by taking advantage of available deductions, exemptions, and credits. This ensures that individuals and businesses pay only the amount of taxes required by law.

**Enhancing Cash Flow:** Effective tax planning can lead to increased cash flow by reducing the amount

**2. A. The taxable income of SGRCS Pvt ltd. computed as per the provisions of Income-tax Act is Rs. 14, 20,000. Book profit of the company computed as per the provisions of section 115JB is Rs. 9, 40,000. What will be the tax liability of SGRCS Pvt ltd. (ignore cess and surcharge)?**

**Ans:**In India, the tax liability for a company is determined based on its taxable income as per the regular provisions of the Income-tax Act and the book profit as computed under the provisions of Section 115JB (Minimum Alternate Tax - MAT).

The company is required to pay tax on the higher of these two amounts.

In this case, the taxable income as per the provisions of the Income-tax Act is Rs. 14, 20,000, and the book profit as per

**B. Explain the various reliefs available to the assessee to avoid double taxation under Sections 90 and 91 of the Income Tax Act 1961.**

**Ans:**Under the Income Tax Act, 1961, Sections 90 and 91 provide relief to taxpayers to avoid double taxation, especially in cases where income is taxed in more than one jurisdiction.

**These sections empower the government to enter into Double Taxation Avoidance Agreements (**

**3. (A)A corporation is looking to raise Rs. 40 Lakhs to fund a project that will result in pre-tax earnings equal to 30% of the total amount of capital utilized. The corporation could raise debt financing at a rate of 12% per year. The company can raise funds through any one of the following three possible options:**

**1. Rs. 20 lakhs in equity capital,**

**2. Rs. 20 lakhs in loans, and Rs. 40 lakhs in equity capital 3. 8 lakhs rupees in equity capital and 32 lakhs rupees in loans.**

**Assume that the business will distribute all profits and dividends.**

**The tax levy is 30%. Determine which of the three options the corporation should choose to reduce its tax liability.**

**Ans:**To determine the optimal financing option that minimizes the corporation's tax liability, we can calculate the after-tax earnings for each option and then compare them.

**The options are as follows:**

Option 1: Rs. 20 lakhs in equity capital

Option 2: Rs

**Assignment Set – 2nd**

**4. Mr. Kumar (a resident) purchased a house in December 2006 for Rs. 8,56,200 and incurred a cost of improvement of Rs 2,00,000 in year 2010 and sold the same, in April 2021 for Rs. 76,20,000 (brokerage Rs. 20,000). He purchased another house for Rs 30, 00,000 in Dec 2021.**

**Cost inflation index number: Previous year**

**117 2005-06**

**122 2006-07**

**167 2010-11**

**301 2020-21**

**317 2021-22**

**Answer following questions:**

**(a) Determine the nature of capital gain?**

**(b) Determine the amount of capital gain?**

**(c) Determine the Capital gain tax liability in this transaction?**

**(d) Can he claim the option of not availing of the indexation and paying tax @ 10% on the capital gain?**

**(e) Specify the amount he can claim as exemption U/s 54.**

**Ans:Let's calculate the capital gain and address each question:**

**(a) Nature of Capital Gain:** The nature of capital gain can be categorized as either short-term or long-term based on the holding period.

**Holding Period: Date of purchase:**

**December 2006 Date of sale:** April 2021 The holding period is more than 24 months, making

**5. Mr. Yadav is offered the post of director by SGRCS Ltd, with the following two options:**

|  |  |  |
| --- | --- | --- |
|  | **Option I**  | **Option II** |
| **Basic Salary**  | **18, 00,000** | **18, 00,000**  |
| **Conveyance Allowance (For Private Use)**  | **18,000** |  |
| **Car Facility (For Private Use) (1.6 litre cap. ) (Cost of Car 2, 00,000)** |  | **18,000**  |
| **Entertainment Allowance**  | **24,000**  |  |
| **Entertainment Facility (Health Club)**  |  | **24,000**  |
| **Education Allowance for two children**  | **12,000**  |  |
| **Education Facility for two children(Educational institute run by employer )**  |  | **12,000**  |
| **Rent-free residential facility at Jaipur (population is below 25 lakh)** | **3,60,000**  | **3,60,000** |

**Which option do you recommend to Mr. Yadav as an expert tax planner?**

**Ans:**To recommend the better option for Mr. Yadav, we need to analyse the tax implications of both Option I and Option II.

**Let's evaluate the tax treatment of each component in both options:**

**Option I:**

**6. A. Write a short note on:**

**I. Transfer Pricing**

**II. Advance Tax Payment**

**III. Due date of Filing Income-tax Return**

**IV. DTAA**

**V. Revised Return of Income**

 **Ans:Sure, here's a short note on each of the topics:**

**I. Transfer Pricing:** Transfer pricing refers to the pricing of goods, services, or intangible assets when transferred between related entities, often across different tax jurisdictions. The objective is to ensure that transactions between related entities are conducted at arm's length, as if the entities were unrelated.

This is crucial