## POST-GRADUATE COURSE
### Term End Examination : June, 2017
# COMMERCE

**Paper-XVI : Corporate Tax Planning and Management**

**Time : 2 Hours**                    **Full Marks : 50**

( Weightage of Marks : 80% )

*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. Any Strategic Business decision of business entity largely depend upon efficient and effective tax planning.

   Describe the above statement with reference to the significant tax planning procedures that may influence the process of business decision and to run the activities of the business in a most efficient manner. Explain suitable examples / case study to justify your answer.         $12\frac{1}{2}$

2. a) What do you mean by "most efficient Capital structure decision" for the stakeholders ? How such Capital structure is designed with reference to impact of taxes on the net return to the stakeholders ? Explain the above with reference to tax impact on Financial leverage, Capital mix, Earning per share, in the appropriate work out examples in each case.

   b) Do you feel that dividend policy is also influenced by tax planning approach ?

                    $8 + 4\frac{1}{2}$

3. a) Discuss whether the following are taxable in the hands of the recipient :

   (i) Receipt of Final Dividend

   (ii) Receipt of dividend by one company from another who has already paid tax on dividend

   (iii) Deemed dividend

   (iv) Interim dividend.

   b) Discuss how the dividend policy is influenced by the provisions relating to "Tax on distributed profit of domestic companies".         $( 4 \times 2 ) + 4\frac{1}{2}$

4. a) Tax planning plays a very significant role in designing a most beneficial foreign collaboration agreement. Explain the above with reference to the significance of foreign collaboration agreements and need for an effective tax planning in respect of any such agreement.

   b) Discuss the tax treatment of Royalties and Commission payable outside India in respect of any Foreign Collaborator in India.

                    $8 + 4\frac{1}{2}$

**MODULE – II**

Answer any *two* questions :    $12\frac{1}{2}$ × 2 = 25

5.  a)  What do you mean by Demerger, Demerged company and Resulting Company ?

    b)  Explain the tax concession / benefits available to a demerged company and the share holders of the demerged company. Also state the conditions need to be fulfilled.    $6 + 6\frac{1}{2}$

6.  a)  An effective tax planning is used to determine certain management decision like own or lease an asset. Explain how tax planning influences such a decision.

    b)  *X* Co. Ltd. need an equipment for Rs. 10,00,000 two alternatives are available :

        (i)  Buy the asset by taking a bank borrowing where rate of interest is 12% p.a. repayable in 5 equal installments of Rs. 2,00,000 each. (Interest is inclusive). All charges like processing fees, interest etc. and principle are payable at year end only.

        (ii)  Take the asset on lease for which annual lease rent would be Rs. 3,10,000 p.a. for 5 years. Processing fees of 1% would be chargeable in first year.

        Consider Internal rate of return as 10% and present value factor at 10% would be

| Year | 1 | 2 | 3 | 4 | 5 |
|------|-----|-----|-----|-----|-----|
| PV Factor | 0·909 | 0·826 | 0·751 | 0·683 | 0·621 |

        Advise the management about the best possible alternative.    $4 + 8\frac{1}{2}$

7.  Write short notes on any *two* of the following :
$6\frac{1}{4}$ × 2

    a)  Summary Assessment

    b)  Best Judgement Assessment

    c)  Rectification of mistake in Assessment

    d)  Appeal petition.

8.  a)  Discuss which are the orders that are appealable before Commissioner (Appeals). ( any *five* )

    b)  Explain the procedure and time limit need to be followed for submission of Appeal petition before Commissioner ( Appeals).
$5 + 7\frac{1}{2}$