

Code No: MB164G/R16

MBA IV Semester Supplementary Examinations, August-2021

TAX MANAGEMENT

Time: 3 Hours

Max. Marks: 60

*Answer Any FIVE Questions
All Questions Carry Equal Marks
Question No. 8 is Compulsory*

1. a Mr. Allen Prasanth is working in a company at Hyderabad. His salary particulars are as under: 8M
- i. Basic pay Rs. 18,000 p.m
 - ii. D.A Rs. 8,400 p.m
 - iii. Bonus Rs. 36,000
 - iv. Commission Rs. 24,000
 - v. Advance Salary Rs. 20,000
 - vi. Entertainment allowance Rs. 8,000
 - vii. Conveyance allowance Rs. 6,000(80% Spent)
 - viii. Rent free accommodation fair rental value of Rs. 80,000 pa and cost of furniture Rs. 48,000
 - ix. Free Lunch for 250days each costing Rs. 80.
 - x. Employee and employer's contribution to RPF Rs. 20,000 each and interest credited thereon at 13% Rs. 6,500.
- Compute Mr. Allen Prasanth taxable salary.
- b What are direct taxes and indirect taxes? Explain the nature and features of direct and indirect taxes. 4M
2. a Explain the significance of CENVAT. Define the term Capital Goods under CENVAT. 6M
- b What are exempted goods under exemption notification? 6M
3. a Briefly write about the essential components in levy of tax. 6M
- b Distinguish between tax avoidance and tax evasion. Enumerate the general principles regarding tax avoidance. 6M
4. a What are the tax considerations one has to keep in mind while designing a policy for make or buy decisions? Explain. 6M
- b GS Ltd is an existing company and needs capital for its expansion. It has two options: 6M
- To have equity capital of Rs.40,00,000 and Loan capital of Rs.20,00,000 @ 15%p.a.
To have equity capital of Rs.20,00,000 and Loan capital of Rs.40,00,000 @ 15%p.a.
The expected rate of return is 22% and company had been distributing dividend of 20%p.a. for last several years. Rate of tax is 30% + surcharge @5% of tax. Education cess is @3% of tax and surcharge. Suggest the better option assuming that company has decided to plough back its entire profits.
- Note:** The surcharge @5% is applicable only, if the total income of the company exceeds Rs.1crore.

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5. a What is transfer pricing? Explain the types of transfer pricing. 6M
b Explain Rebate and Relief as per Income Tax Act-1961 6M
6. a Minimization of global tax liability is not the only objective of transfer pricing. Discuss. 6M
b "Tax planning is a legal and moral way of tax saving." Discuss this statement and state the important of tax planning. How does tax planning differ from tax evasion? 6M
7. a Critically examine the need for, features, and impact of "Double Taxation Avoidance Agreement". 6M
b What are different kinds of incomes which are chargeable to tax under the head income from other sources? 6M
8. Mr. Venkateswara Rao, lecturer in a college, submits the following particulars of income and payments for the assessment year 2020-21 12M
Basic Salary Rs.14,500 p.m.
Dearness allowance Rs.1,300 p.m.
Warden ship allowance Rs.1,600 p.m.
Examinership remuneration Rs.4,000 p.m.
Royalty from books (computed) Rs.73,920
Income from house property (computed) Rs.5,000
Interest on government securities. Rs.4,600
Contribution to SPF Rs.7,000
Contribution to PFF Rs.42,000
Medical insurance premium on his mother's health (dependent) Rs.3,000
Donation to an approved charitable institution Rs.30,000
Find out the total income of Mr. Venkateswara Rao.
