M.Com. IV Semester Date: 08.05.2020

Corporate Tax Planning and Management

Today we conducted the online class on zoom app from 01.00pm to 01.40pm for the students of M.Com. IV Semester of Corporate tax planning and management. The questions asked by students (with their answer given by me) are below:

1. *What is Merger and* Acquit ion?

   Answer: Mergers and Acquisitions is a collective term for a variety of different business transactions in which, for example, companies merge or change ownership. M&A is a great way to achieve strategic goals in a short amount of time and with relatively secure and stable result. They lend themselves to realize a big and rewarding time gain ("economies of scale"). Also the reduction of the available time and the acceleration of competitive interactions persuade the companies to act faster proactively and respond to largely unpredictable events.

2. Explain the Section 2 (1B) of the Income Tax Act.

   Answer: Section 2 (1B) of the Income Tax Act contains the definition of amalgamation. At the same time there is no definition of merger in the said Act. The definition in the IT act focuses attention on certain areas. First, the term amalgamation used in the IT Act refers only to amalgamation in relation to the companies and not in reference to any other amalgamation between other forms of legal entities like partnership or sole proprietorship. Second, there are two types of combination (a) merger of one or more company with another company. This is also known as absorptions. (b) Merger of two or more companies to form a new company.

3. What are the tax concessions under section 2 (1B) of Income tax Act?

   Answer: The following tax concessions are available if an amalgamation satisfies the conditions of Section 2(1B) and the amalgamated company is an Indian company:

   1. Non-chargeability of capital gain on the transfer of a capital asset including shares held by a shareholder at the time of amalgamation (Section 47(vi) and (vii)).
   2. Eligibility of amalgamated company for the deduction in respect of any asset representing expenditure of a capital nature on scientific research (Section 35(5)).

3. Eligibility of amalgamated company for the deduction in respect of acquisitions of patent or copyrights (Section 35A(6)).
4. Similar deduction in respect of expenditure of know-how as provided in Section 35AB(3).
5. Amortization of expenditure for obtaining telecom licenses fees. (Section 35ABB(6)).
6. Amortization of certain preliminary expenses (Section 35D(5) r/w Rule 6AB).
7. Amortization of expenditure on amalgamation (Section 35DD).
8. Amortization of expenditure on prospecting etc. for certain minerals (Section 35E(7) r/w Rule 6AB).
9. Writing off bad debts (Section 36(1)(vii)).
10. Deduction in respect of any expenditure for the purposes of promoting family planning(Section 36(1)(ix)).
11. Computation of written down value of the transferred fixed assets in the case of amalgamated company (Explanation 2(b) to Section 43(6)).
12. Continuance of deduction available (Section 80-IA and Section 80-IB).
13. Benefit of carry forward and set off of accumulated losses and unabsorbed depreciation (Section 72A)

The Act therefore seeks to extend tax neutral treatment to transactions of mergers and demergers that is however subject to fulfilment of prescribed conditions under the Act.

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