M.Com. IV Semester Date: 01.05.2020

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 the Optimum Capital Structure*?

   Answer: The optimum capital structure is a mix of equity capital and debt funds. Their composition depends upon many factors namely :

   1. Cost of Capital and also expenditure incurred in raising of such capital.
   2. Expectation of shareholders by way of dividend, growth etc.
   3. Expansion need of the business i.e. the rate by which profits of the business shall be again ploughed back in the business.
   4. Taxation policy ; and
   5. Rate of return on investment (Equity + Debt funds).

2. What is dividends in mutualfunds?

   Answer: Many mutual funds generally give their investors two options – growth option or dividend option. It is important for you as an investor to understand that a steady dividend from a company is not the same as dividends from mutual funds. While the former reflects the profitable running of the company, the latter doesn't benefit the investors in the same way.

3. Please explain the bonus shares and tax ?

   Answer: When Bonus Shares are issued to the equity shareholders, the value of the shares is not taxed as dividend distributed. However, where redeemable preference shares are issued as Bonus shares, on their redemption, the amount shall be taxed as dividend distributed. Where Bonus Shares are issued to the Preference Shareholders, on their issue it is deemed to be dividend and liable to tax.

4. What are the capital assets?

   Answer: Land, building, house property, vehicles, patents, trademarks, leasehold rights, machinery, and jewellery are a few examples of capital assets. This includes having rights in or in relation to an Indian company. It also includes the rights of management or control or any other legal right.

5. What are the exemptions on capital gains under section 54F?

   Answer: Exemption under Section 54F is available when there are capital gains from the sale of a long-term asset other than a house property. You must invest the entire sale consideration and not only capital gain to buy a new residential house property to claim this exemption. Purchase the new property either one year before the sale or 2 years after the sale of the property. You can also use the gains to invest in the construction of a property. However, the construction must be completed within 3 years from the date of sale.

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