

Indirect & Direct-Tax Management

Time Allowed: 3 Hours

Full Marks: 100

*The figures in the margin on the right side indicate full marks.*

*Answer Question No. 1 (carrying 25 marks), which is compulsory and any five from the rest.*

1. Fill in the blanks:

1×25=25

- (i) For Central Excise purposes, in the case of stock transfer, value to be adopted is the price prevailing in the \_\_\_\_\_ (depot, factory) at the time of clearance from factory.
- (ii) Cenvat credit \_\_\_\_\_ (can, cannot) be availed by a manufacturer in respect of excise duty paid on jigs purchased and used in the factory.
- (iii) Advance income-tax payable by a resident, aged 61, deriving income of ₹ 9 lacs, solely from pension and house property, is \_\_\_\_\_. (nil, ₹ 1,05,000)
- (iv) E-filing of service tax return is \_\_\_\_\_ (mandatory, optional) for a non-corporate assessee.
- (v) EOU can sell a portion of their production in Domestic Tariff Area (DTA) upto 50% of their \_\_\_\_\_ (FOB, CIF) value of exports in earlier year.
- (vi) Under Export Promotion Capital Goods (EPCG) scheme, an authorization holder can import capital goods (i.e. plant, machinery, equipment, etc.) at concessional rate of customs duty of \_\_\_\_\_. (5%, 7.5%)
- (vii) The net wealth computed under the provisions of the Wealth Tax Act shall be rounded off to the nearest \_\_\_\_\_ (hundred, thousand) rupees.
- (viii) Rate of income tax deductible at source under section 194C from payment to a contractor, which is a company, is \_\_\_\_\_. (1%, 2%)
- (ix) An assessee \_\_\_\_\_ (is, is not) legally obliged to recover indirect taxes from the customer.
- (x) Royalty payable by an Indian company to a foreign company as per an agreement approved by the Central Government is taxed at \_\_\_\_\_ (10%, 25%) in assessment year 2014-15.
- (xi) Interest on loan received by a foreign company outside India from an Indian Company on a loan utilized by the latter for a business carried on outside India \_\_\_\_\_ (shall be, shall not be) deemed to accrue or arise in India.
- (xii) In case of import by air, air-freight to be included in assessable value cannot exceed \_\_\_\_\_ (25%, 20%) of the FOB value.
- (xiii) Duty-free import of samples is allowed upto ₹ \_\_\_\_\_ (1 lakh, 3 lakhs) per annum.
- (xiv) An order passed by the Commissioner under section 12AA of the Income Tax Act refusing to grant registration to a charitable trust can be contested in appeal before \_\_\_\_\_ (Commissioner [Appeals], Income Tax Appellate Tribunal).

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- (xv) If a lathe machine (capital goods) is removed after use, the manufacturer or service provider shall pay an amount equal to the CENVAT credit taken thereon, as reduced by \_\_\_\_\_ (2.5%, 5%) for each quarter from the date of taking the credit to the date of removal.
- (xvi) A return for income tax assessment year 2011-12 filed on 1st April, 2013 is a \_\_\_\_\_ (valid, invalid) return.
- (xvii) Appeal to High Court under central excise is to be filed within \_\_\_\_\_ (90, 180) days from the date of the order of the Tribunal.
- (xviii) Failure to pay tax or interest payable on self assessment under wealth tax act is liable to penalty by deeming assessee to be in default not exceeding \_\_\_\_\_ (100%, 300%) tax in arrears.
- (xix) Beyond 200 nautical miles from the base line is called \_\_\_\_\_ (Continental shelf, High Sea).
- (xx) All excisable goods other than salt which are produced/manufactured in India by or on behalf of Government are \_\_\_\_\_ (liable, not liable) to excise duty.
- (xxi) The actual exporter shall issue a certificate to the penultimate seller in \_\_\_\_\_ (Form H, Form G) under CST Act.
- (xxii) The acknowledgement of e-payment of service tax challan contains CIN which is a unique \_\_\_\_\_ (eleven, twenty) digit identifier consists of BSR code of the bank, the date of deposit and challan sequence number.
- (xxiii) If goods were lost by fire before removal from factory, the said goods are \_\_\_\_\_ (eligible, not eligible) for remission of duty.
- (xxiv) As per Rule 9(10) of Central Excise Rules, an Input Service Distributor is required to file half yearly return in the prescribed form ST-3 within \_\_\_\_\_ (25 days, one month) from the close of half year.
- (xxv) Trading in commodity derivatives is a \_\_\_\_\_ (speculative, non-speculative) transaction as per Section 43(5) of income tax act.
2. (a) 'Any type of land held by an assessee on the valuation date is chargeable to wealth tax under the Wealth Tax Act'. Examine the correctness of the statement. 5
- (b) How capital gain is to be computed, if the consideration on transfer of capital asset is not determinable? 3
- (c) Safar Ltd., a manufacturer of motor cars, has been selling its products at a price which is substantially lower than its cost of production, consistently during the last 5 years for increasing its market share and has been paying excise duty on its clearances on the sale price of such cars. Excise authorities contend that assessable value under the circumstances cannot be less than the cost of production and excise duty should be paid on the cost of production. Discuss the validity of the contention of the excise authorities. 5
- (d) Mr. Acharya is a Cost Accountant practicing in Salem for last 25 years. He transfer his practice of Mr. Subramany on 1st October, 2013 and receives ₹ 50 lacs for goodwill. Examine whether Mr. Acharya is liable to tax in respect of the amount received. 2

3. (a) Mention any seven services on which reverse charge is applicable and the extent thereof. 7  
 (b) Sankhadip, a non-resident Indian furnishes you the following particulars of income in India during the year ended 31st March, 2014:

| Particulars  | ₹                                       | ₹        |
|--|---|----------|
| Income from house property located in Bengaluru (computed)   |   | 1,90,000 |
| Dividend received from Indian companies  |   | 80,000   |
| Interest on debentures in an Indian public company (subscribed in convertible foreign currency)  | 2,20,000                                |          |
| Less: interest on loan taken for purchase of Debentures  | <u>25,000</u>                           | 1,95,000 |
| Long-term capital gains on sale of shares purchased in US \$. The sale was not through any stock exchange<br>Cost in 2004-05<br>Sale in 2013-14  | 3,50,000<br><u>7,50,000</u><br>4,00,000 |          |
| Less: Commission<br>Cost Inflation Index: F. Y. 2004-05 = 480;<br>F. Y. 2013-14 = 939<br>Average of TT Buying Rate and TT Selling Rate on the date of purchase of shares and the date of sale of shares are ₹ 45 and ₹ 60 respectively.<br>TT Buying Rate on the date of sale of shares is ₹ 62.50 for 1 US \$ | <u>2,500</u>                            | 3,97,500 |

Compute the tax payable by Sankhadip for Assessment Year 2014-15 if he opts for the provisions of Chapter-XII-A of the Income-tax Act. 8

4. (a) Duolex Pipes Ltd. is a manufacturer of steel pipes. Compute the CENVAT credit admissible to the company for the following excise duty/service tax incurred by it during April, 2013: 9

|  |            |
|--|------------|
| Steel plates (raw material)                          | ₹ 1,20,000 |
| Production machinery                                 | ₹ 25,000   |
| Steel and Cement for making foundation for machinery | ₹ 15,000   |
| Lubricating oil                                      | ₹ 2,000    |
| High Speed Diesel                                    | ₹ 3,000    |
| Pollution control equipment                          | ₹ 22,000   |
| Machinery spares                                     | ₹ 12,000   |
| Motor car  | ₹ 30,000   |
| Legal fees to advocates                              | ₹ 1,500    |
| Security charges paid to Vigilant Ltd.               | ₹ 1,000    |

Ignore small scale exemption.

- (b) Dr. Jindal is running a nursing home with his friend Dr. Swaminathan as a partnership firm, JS & Co. The particulars of Dr. Jindal's Income for the year ended 31st March, 2014 are as follows:

| Particulars   | ₹         |
|---|-----------|
| Remuneration from JS & Co. as authorized by the partnership deed  | 12,00,000 |
| 50% share of profit from JS & Co.   | 3,00,000  |
| His income from his private chamber at his residence  | 2,45,000  |
| Fees received from PS Private Limited for attending board meeting (net of TDS ₹ 4,000)  | 36,000    |
| Dr. Jindal took a loan of ₹ 75,000 from PS Private Limited in which he holds 12% shares on 31st March, 2014 on which date the company had ₹ 65,000 under the head 'Reserves & Surplus'. |           |
| His share of income from property belonging to Hindu Undivided Family of which he is coparcener   | 20,000    |
| He received a motor car valued ₹ 6,00,000 by way of gift from his friend on the occasion of his 25th marriage anniversary   |           |

Compute total income of Dr. Jindal for the Assessment Year 2014-15.

5. (a) How does the Customs Act, 1962 seek to prohibit the import of goods infringing intellectual property rights (IPR)?

- (b) Keeping in mind the provisions of the Customs Act, 1962 and Customs Tariff Act, 1975, compute the total customs duty payable by Mr. Harshad, an importer on a machine imported by sea into India, from the following details:

FOB price of the machinery 10,000 (US Dollars)

Handling Charges ₹ 5,500

Exchange Rate 1 US Dollar = ₹ 60

Rates of Customs Duty:

Basic 10% Ad valorem

SAD—4%

Additional (CVD) 15%

Ignore Education cess and SAHE cess.

- (c) Godzila Jewellers Pvt. Ltd., furnishes the following details of its assets and liabilities as on 31.03.2014 and requests you to compute the net wealth of the company as on that date:

(₹ in Lakhs)

|  |    |
|--|----|
| Land within municipal limits (State Housing Board has initiated acquisition proceedings in respect of this land) | 45 |
| Jewellery (held as stock-in-trade)   | 74 |
| Note: All items in stock purchased after 01.04.2011  |    |
| Motor cars used exclusively for business purposes  | 43 |
| Commercial complex let out for 270 days during the year  | 67 |
| Loan taken against jewellery and used for acquiring urban land   | 21 |

Give brief note for treatment of each item.

6. (a) The assessee manufactures packing machines. The end product was subject to strict quality control tests. The assessee claimed Cenvat credit for the excise duty on the testing equipments purchased by it for carrying out aforesaid tests. The Department rejected the same. Test the veracity of the rival claims. 5
- (b) 'Central Government can become a dealer under the CST Act, 1956, but the State Government cannot. Is the statement correct? Give reasons. 3
- (c) Discuss whether expenses incurred by a service provider on behalf of service receiver, which are reimbursed to the former, will form part of taxable services. Give any one example of such expenses. 3
- (d) Under what circumstances can the VAT registration of a dealer be cancelled? 4
7. (a) M/s Abani Exports Ltd. has cleared their manufactured final products during January 2014 and the duty payable for the month on his final products was as follows:  
Basic Duty—₹ 46,000, NCCD—₹ 2,000, Education cesses as applicable  
During the month, he received various inputs on which total duty paid by suppliers on inputs was as follows—Basic duty—₹ 40,000 plus applicable education cess.  
Service tax paid on input services was as follows: Service tax—₹ 8,000, Education cess—₹ 240.  
There is no opening balance in their PLA account. How much duty the assessee will be required to pay through PLA account for the month of January 2014? 4
- (b) Mr. Sitaraman, a resident Indian, aged 57, provides following information relating to previous year ended 31.03.2014. Compute the total income and eligible carry forward of losses to the next year. 6  
Income from salaries—₹ 3,22,000  
Loss from house property—₹ (1,65,000)  
Loss from retail business—₹ (2,25,000)  
Income from speculation business—₹ 26,000  
Loss from specified business covered by section 35AD—₹ (31,000)  
Long—term capital gains from sale of residential house—₹ 3,60,000  
Long—term capital loss from sale of listed shares in recognized stock exchange (STT paid)—₹ (1,21,000)  
Loss from card games—₹ (33,000)  
Income from betting (Gross)—₹ 51,000 (against which ₹ 10,000 has been incurred as expense)  
Life Insurance Premium paid (policy taken on 10th August 2013 for self for actual capital sum assured of ₹ 9 Lakh)—₹ 1,00,000
- (c) A 100% Export Oriented Undertaking cleared goods value of which under central excise law is ₹ 1.05 lakhs and customs Act ₹ 1.00 lakhs to Domestic Tariff Area. The rate of Basic Customs Duty is 10% Rate of Excise Duty is 12% and special CVD is 5% (Goods are exempt from VAT). Compute the duty payable and credit available. 5
8. (a) Mr. Pramod Kumar owns one residential house in Bhubaneswar. The house is having two identical units. First unit of the house is self occupied by Mr. Pramod Kumar and the other unit is rented for ₹ 8,000 p.m.

The rented unit was vacant for 3 months during the previous year. The particulars of the house for the previous year 2013-14 are as under:

Standard rent—₹ 1,60,000 p.a.,

Municipal valuation—₹ 1,80,000 p.a.,

Fair rent—₹ 1,72,000 p.a.

Municipal tax (Paid by Mr. Pramod Kumar) 5% of municipal valuation

Light and water charges—₹ 500 p.m.

Interest on borrowed capital—₹ 1,200 p.m.

Insurance charges—₹ 5,500 p.a.

Repairs—₹ 15,000 p.a.

Compute income from house property of Mr. Pramod Kumar for the A.Y. 2014-15.

10

- (b) M/s XYZ Ltd. engaged in the business has approached you on admissibility of the following expenses while computing 'profit and gains from business'. Briefly explain what would be your advice regarding admissibility of the expenses.

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- (i) Donated to an University for starting a laboratory for scientific research which is not relating to the assessee's business—₹ 1,00,000.
- (ii) Paid to Government towards damages on account of shortfall in export target—₹ 50,000.
- (iii) Paid to Bank towards Interest on, overdraft taken for payment of advance income tax and on Loan from bank for payment of dividends to shareholders—₹ 20,000 and ₹ 40,000 respectively.
- (iv) Paid for shifting of business from the original site to the present place which is more advantageously located—₹ 12,000.
- (v) Paid to workers towards retrenchment compensation on the closure of one of the units—₹ 4 lakh.