

Paper-14: Indirect and Direct - Tax Management

Whenever required, the candidate may make suitable assumptions and state them clearly on the answers.

Working notes should form part of the relevant answer.

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

Question 1.

Fill up the blanks:

[1×25]

- (i) According to Section 2(3) of the Customs Act, 1962, baggage includes unaccompanied baggage but does not include _____.
- (ii) Section 13 of the Customs Act, 1962 provides that, if the pilfered goods are restored to the importer after pilferage, the importer shall _____.
- (iii) In the case of goods imported or exported by post, any label or declaration accompanying the goods which contains the description, quantity and value thereof shall be deemed to be _____ for import or export, as the case may be, for the purposes of the Customs Act, 1962.
- (iv) Section 117 of the Customs Act, 1962 provides general penalty to a person who contravenes any provisions of the Act or abets in contravention and if no penalty has been prescribed, the penalty would be up to _____.
- (v) Under the provisions of the Central Excise Act, 1944, if a registration certificate is granted by the central excise authorities, it will _____, unless it is suspended or revoked by the appropriate authority or is surrendered by the person/ company concerned or it ceases to be valid on the death of the individual owner.
- (vi) The application for refund under Section 11B of the Central Excise Act, 1944 has to be filed within _____.
- (vii) In the fifteen digit registration number (Excise Control Code), under the Central Excise Act, 1944, the first ten characters represent _____.
- (viii) Rule 6 of the Central Excise Rules, 2002 governs _____.
- (ix) Under Section 2(f) of the Central Excise Act, 1944, 'Labelling or re-labelling' of containers and re-packing from bulk packs to retail packs of natural or artificial mineral waters shall be considered as _____.
- (x) The Customs, Excise, Service Tax Appellate Tribunal (CESTAT) may in its discretion, refuse to admit an appeal where the amount of fine or penalty determined does not exceed _____.
- (xi) A company whose gross total income consists mainly of income which is chargeable under the heads, 'Income from house property', 'Capital Gains' and 'Income from other sources' is called a/an _____ (Investment Company; Section 25 Company; Foreign Company).
- (xii) _____ of the Constitution of India provides that no tax shall be levied or collected except by the authority of law (Article 265; Article 268; Article 269).
- (xiii) The Bill of Entry for ex-bond clearance from warehouse on payment of customs duty, is of _____ (Green; Yellow; White) colour.
- (xiv) Under Section 4A of the Central Excise Act, 1944, the assessable value will be calculated on the basis of _____ (Transaction Value; Maximum Retail Price Less Abatement; Maximum Retail Price).

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- (xv) Section 271A of the Income Tax Act, 1961 provides for a penalty of _____, in case the assessee fails to keep, maintain or retain books of accounts, documents, etc., as required under Section 44AA of the Income Tax Act, 1961. (₹25,000; ₹50,000; ₹1,00,000).
- (xvi) No disallowance under Section 40(a)(ia) of the Income Tax Act, 191, shall be made to a deductor, in respect of expenditure incurred in the month of March, if the TDS of such expenditure has been paid before _____ (31st March; the due date for filing of the return; 30 days from the date of tax deduction).
- (xvii) Under Section 13 of the Customs Act, 1962, duty is not payable on pilfered goods, only in case where the goods are pilfered after unloading but before the issue of _____ (Order of clearance; Speaking Order).
- (xviii) Under Section 3 of the Central Excise Act, 1944, duty is not levied on goods produced/ manufactured in _____ (Special Economic Zone; Free Trade Zone; 100% Export Oriented Undertaking).
- (xix) Section 61 of the Customs Act, 1962 provides for warehousing in the case of capital goods intended for use in any 100% export oriented undertaking (EOU) till the expiry of _____ (1 year; 3 years; 5 years).
- (xx) Section 11BB of the Central Excise Act, 1944 provides for the payment of interest @ 6% per annum on refund of duty, which is not paid to the applicant within _____ from the date of receipt of application (30 Days; 1 Year; Three months).
- (xxi) In excise, if entire sale is made through 'related person', price relevant for valuation will be 'normal transaction value' at which the related buyer sales to unrelated buyer, as per rules _____ (9 and 10; 1 and 9; 2 and 10) of Central Excise Valuation (Determination of Price of Excisable Goods) Rules, 2000.
- (xxii) Fixed education allowance given in cash by the employer to the employee to meet the cost of education of the family members of the employee is exempt from tax to the extent of ₹ _____ (300; 100; 200) per month per child for a maximum of two children.
- (xxiii) An assessee who has opted for the scheme of computing business income under section 44AD of the Income-tax Act on presumptive basis at the rate of ____ (10; 8; 5) percent of turnover, shall be exempted from payment of advance tax related to such business.
- (xxiv) In case of VAT, every registered dealer who is liable to pay tax under the Respective State Acts, and whose turnover does not exceed ₹ _____ (50 lakhs; 100 lakhs; 25 lakhs) in the last financial year, is generally entitled to avail the Composition Scheme.
- (xxv) Cenvat credit is _____ (available / not available) on Countervailing Duty paid on imported goods, if the imported goods are used in the manufacture of final products or provision of output service.

Question 2.

(a) From the following particulars compute the 'Income from House Property' of Mr. Mitra for the Assessment Year 2014 - 2015 :

Mr. Mitra inherited a property on 1.4.2010 from which gross rental income is ₹ 30,000 per year. Municipal Tax of the property is ₹ 1,000 per quarter of which 50% is borne by the tenant Mr. Mitra took loan of ₹ 80,000 from a bank for heavy repairing of the property out of which he spent ₹40,000 for his sister's marriage and the balance spent for repairing of the property. He paid during the year 2013-2014 ₹ 6,000 as interest on bank loan and spent ₹100 per month for collection of rent. [7]

(b) From the following information of Mr. A. S. Ghosh, compute the income from salary for the Assessment Year 2014-15.

(1) Net salary ₹ 1,20,000. (2) Amount deducted from salary at source ₹ 10,000 for employee's contribution to R.P.F. and for rent ₹ 500 p.m. (3) Bonus ₹ 10,000 (4) Dearness allowance ₹ 12,000.

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(5) Conveyance allowance ₹ 5,000. (6) Medical allowance ₹ 4,000. (7) Employer's contribution to R.P.F. @ 13% on basic plus D.A. (8) Interest on R.P.F. @ 14% is ₹ 5,600.

He has been provided a rent-free accommodation at Kolkata including furniture costing ₹50,000. [8]

Question 3.

(a) Following transactions took place in the factory of Arvind Ltd. —

- (i) An imported consignment of Raw Materials was received vide Bill of Entry dated 2nd Dec, showing the following Customs Duty payments —
- | | |
|-------------------------|----------|
| Basic Customs Duty | ₹ 23,000 |
| Additional Duty (CVD) | ₹ 20,000 |
| Special Additional Duty | ₹ 5,800 |
- (ii) A consignment of 1,000 kgs of inputs was received. The Excise Duty paid as per the invoice was ₹ 10,000. While the input was being unloaded 50 kgs were damaged, and were found to be not usable.
- (iii) Some inputs for final product were received. These were accompanied by a certified Xerox Copy (photo copy) of Invoice No. 356 dated 23rd Dec. indicating the Excise duty of ₹ 6,400 has been paid on inputs. The original for duplicate copy of invoice are not traceable.

Indicate the eligibility of CENVAT Credit under the CENVAT Credit Rules, 2004 with explanations where necessary. [7]

(b) M/s. Mili Pvt. Ltd., not an SSI unit, purchased fibre 10,000 kg @ ₹ 50 per kg plus excise duty. The said fibre was used to manufacture intermediate product yarn. The said yarn was captively used for the manufacture of fabrics. The said fabric was exempt from duty. The other information are as follows:

- (i) Normal processing loss: 2% of inputs in manufacture of yarn
(ii) Rate of excise duty on all products is 12.36%;
(iii) Assessable Value of yarn: ₹ 80 per Kg.;
(iv) Assessable Value of Fabric (Total): ₹ 13 lakhs;
(v) Colouring Dyes used in the manufacture of Fabric: ₹ 2 lakhs plus excise duty.
(vi) Duty on Capital Goods imported during the period and used in the manufacture of yarn: Basic Customs Duty ₹ 20,000; Additional duty of customs under section 3(1) of the Customs Tariff ₹ 30,000; Additional duty of customs under section 3(5) of the Customs Tariff Act ₹ 10,000.

Compute - (i) CENVAT Credit available; (ii) Duty payable. [8]

Question 4.

(a) Miss Titir started a business of manufacturing cosmetic goods. She incurred the following expenses before the commencement of her business:

S.N.		₹
(i)	Expenses for market survey	25,000
(ii)	Legal charges for drafting an agreement with other for setting up her business	20,000

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(iii)	Expenses for preparation of feasibility report	15,000
(iv)	Expenditure for raising loan for the business	4,000

Her business was started on 1.7.08:

Book value of assets on 31.3.09 were:

S.N.		₹
(i)	Building	10,00,000
(ii)	Machinery	10,00,000
(iii)	Furniture	4,00,000
(iv)	Stock	4,00,000
(v)	Patent	1,00,000

Calculate the allowable preliminary expenditure for the Assessment Year 2014-15. **[8]**

(b) Compute the duty payable under the Customs Act, 1962 for an imported machinery based on the following information:

- (i) Assessable value of the imported equipment US \$ 12,000.
- (ii) Date of Bill of Entry 25.03.2014 basic customs duty on this date 20% and exchange rate notified by the Central Board of Excise and Customs US \$ 1 = ₹ 65.
- (iii) Date of Entry inwards 21.03.2014 Basic customs duty on this date 16% and exchange rate notified by the Central Board of Excise and Customs US \$ 1 = ₹ 57.
- (iv) Additional duty payable under Section 3(1) and (2) of the Customs Tariff Act, 1975: 15%.
- (v) Additional duty under Section 3(5) of the Customs Tariff Act, 1975: 4%.
- (vi) Education Cess @ 2% in terms of the Finance (No. 2) Act, 2004 and secondary and higher education cess @ 1% in terms of the Finance Act, 2007.

Make suitable assumptions where required and show the relevant workings and round off your answer to the nearest Rupee. **[7]**

5. (a) An importer imported some goods for subsequent sale in India at \$ 30,000 on CIF basis. Relevant exchange rate as notified by the Central Government ₹60. The item imported attracts basic duty at 10% and education Cess as applicable. If similar goods were manufactured in India, Excise Duty payable as per Tariff is 14% plus education Cess of 2% and SAH 1%. Special Additional Customs Duty is 4%. Find the total duty payable. **[7]**

(b) State with reasons whether service tax will be levied or not on the interest in relation to overdraft, cash credit, bill discount or exchange in the region of Banking and financial services. **[3]**

(c) Determine the Point of Taxation in each of following independent cases in accordance with point of Taxation Rules, 2011.

S. No.	Date of actual provision of service	Time [date] of Invoice, Bill or Challan as the case may	Date on which payment received

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		be	
1	10.04.2013	30.04.2013	06.04.2013 (part) and 16.04.2013 (remaining)
2.	10.04.2013	12.05.2013	30.04.2013
3.	10.04.2013	12.05.2013	05.04.2013 (part) and 25.04.2013 (remaining)
4.	10.04.2013	22.05.2013	12.06.2013

[5]

Question 6.

(a) Gopal Care Ltd. imported a lift from England at an invoice price of ₹17,50,000. The assessee had supplied raw material worth ₹7,50,000 to the supplier for the manufacture of said lift. Due to safety reasons, the lift was not taken to the jetty in the port but was unloaded at the outer anchorage. The charges incurred for such unloading to ₹25,000 and the cost incurred on transport of the lift from outer anchorage to the jetty was ₹50,000. The importer was also required to pay ship demurrage charges ₹10,000. The lift was imported at an actual cost of transport ₹45,000 and insurance charges ₹20,000.

Compute its assessable value.

[5]

(b) Mr. Rajendra Sinha, an individual, furnishes the following information, relating to the assets and liabilities as on 31.03.2014:

Sl. No	Particulars	Amount (₹)
(i)	Plot of land at Mumbai, comprising an area of 1200 square meters, (on which building has been constructed without the approval of the appropriate authority).	50,00,000
(ii)	Building constructed on land at Mumbai, without the approval of the appropriate authority, and used for his business purposes.	20,00,000
(iii)	Two residential house properties, (one of the house properties is used for the purpose of business, by Mr. Rajendra Sinha)	10,00,000 (each)
(iv)	Urban Land was purchased in August 2011 located in Pune, in the name of his son who is suffering from a disability specified under Section 80U of the Income Tax Act, 1961. The age of his son on 31.03.2014 was 17 years.	5,00,000
(v)	House located in Ahmedabad, shown in his wealth-tax return for the A.Y 2013-14 at ₹50 Lakh was sold on 20.03.2014 for ₹60 Lakh, but the sale deed thereof was executed on 03.04.2014.	55,00,000
(vi)	Motor cars held as stock-in-trade.	75,00,000
(vii)	Gold jewellery brought into India from Singapore, where he was residing, on his return to India on 01.11.2009, for permanently residing in India.	12,00,000

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(viii)	Jewellery made of platinum.	18,00,000
(ix)	Jewellery gifted to wife from time to time, were available with her on the valuation date. The jewellery was acquired for ₹10 Lakhs.	35,00,000 (Fair Market Value)
(x)	Interest in the coparcenary property of the Hindu Undivided Family, of which he is a member.	25,00,000
(xi)	Cash in hand, recorded in the books of account.	10,00,000
(xii)	Fixed Deposits in a co-operative bank.	20,00,000
Liabilities		
(xiii)	Loan borrowed for marriage of daughter	12,00,000
(xiv)	Loan borrowed for construction of building at Mumbai	10,00,000

The minor married daughter of Mr. RajendraSinha holds a plot of land at Bhopal, valued at ₹40 Lakhs. The amounts stated against the assets, except cash in hand, are the values determined as per Section 7 of the Wealth Tax Act, 1957 read with Schedule III thereto.

Compute the net wealth of Mr. RajendraSinha, as on the valuation date 31.03.2014.

State the reasons for inclusion, or exclusion of the various items.

[10]

Question 7.

(a) Compute the net VAT liability of Ritesh using the information given as follows:-

Raw material purchased from foreign market (including duty paid on imports @ 20%):

₹ 13,200

Raw material purchased from local market (including VAT charged on the material @ 4%):

₹ 22,880

Raw material purchased from neighbouring state (including CST paid on purchases @ 2%):

₹ 7,854

Storage, transportation cost and interest: ₹ 2,750

Other manufacturing expenses incurred: ₹ 660

Ritesh sold the goods to Binay and earned profit @ 10% on the cost of production. VAT rate on sale of such goods is 12.5%.

[5]

(b) List out the member of Approval Committee under Special Economic Zones Act, 2005. **[5]**

(c) Compute the service tax liability from the following particulars for the financial year 2013-14:

Particulars	Amount(₹)
Gross Amount (excluding all taxes) charged by the service provider for providing works contract service	1,50,000
Actual Value of material transferred in the above works contract (VAT under the relevant State VAT Law has been paid on this value)	1,05,000

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Excise Duty paid on Inputs	13,125
Service Tax paid on input services	1,500
Excise Duty paid on the capital goods, purchased during the year, used in the provision of works contract service	1,500
Rate of Service Tax	12.36%

[5]