

Paper 16 - Tax Management and Practice

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Time Allowed: 3 Hours

Full Marks: 100

Answer Question No. 1 which is compulsory and any five from the rest.

1.

- (a) Fill in the blanks: 5 x 1 = 5**
- (i) Rate of tax deduction at source in respect of commission, etc. on sale of lottery tickets is _____
 - (ii) Interest for defaults in payment of advance income tax is at the rate of _____
 - (iii) SSI exemption under The Central Excise Act is Rs. _____ if turnover in the preceding year does not exceed specified limit.
 - (iv) Preferential rate of import duty is applicable when goods are imported from _____
 - (v) Due date of filing of annual return under Service Tax is _____
- (b) Choose the most appropriate alternative. 5 x 1 = 5**
- (i) Advance tax under Income Tax Act is payable by the assessee if tax payable during the year:
 - (a) is any amount without limit
 - (b) exceeds ₹ 10,000
 - (c) is ₹ 10,000 or more
 - (d) is ₹ 10,000 or less
 - (ii) Rate of TDS on winnings from lotteries in case of a foreign company, if there is no other income is:
 - (a) 30%
 - (b) 40%
 - (c) 30% plus cess
 - (d) 40% plus cess
 - (iii) Units claiming SSI exemption are required to file returns under Central Excise Act on:
 - (a) Monthly basis
 - (b) Quarterly basis
 - (c) Half yearly basis
 - (d) Yearly basis
 - (iv) Basic customs duty is levied on the basis of:
 - (a) Transaction value
 - (b) Tariff value
 - (c) Market value
 - (d) Transaction value or tariff value as the case may be
 - (v) Payment of Service Tax is mainly on:
 - (a) Receipt basis
 - (b) Accrual basis
 - (c) Receipt or Accrual whichever is later
 - (d) Receipt or Accrual whichever is earlier
- (c) State true or false with reasons: 5 x 2 = 10**
- (i) Sale of building before receipt of completion certificate is liable to service tax.
 - (ii) The rate of customs duty is given in The Customs Act, 1962.
 - (iii) Non-dutiable goods are excluded from excisable goods.
 - (iv) The remuneration paid to working partners shall not be allowed as deduction to the firm if its book profits is "Nil".
 - (v) Long term capital gain which is exempt u/s. 10(38) shall not be included for computing book profits u/s. 115JB.

- 2.** The P & L A/c of PQR Ltd for the year ending 31-3-2016 shows a profit of ₹ 6,50,000. The debits in the P & L a/c included the following:

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- (i) Consideration paid for obtaining a license from a foreign company ₹ 4,00,000.
- (ii) Expenses to remove a drain under statutory obligation ₹ 2,00,000.
- (iii) Commission to employees which is paid on 1-10-2016 ₹ 25,000.
- (iv) Loss on account of non-recovery of a debt ₹ 30,000.
- (v) Payment in respect of income tax proceedings ₹ 75,000.
- (vi) Payment to State Electricity Board for providing service lines ₹ 55,000.
- (vii) Expenditure on research include ₹ 50,000 being cost of plant and ₹ 25,000 paid to National Laboratory for approved project.
- (viii) Advertisement expenses outside India ₹ 60,000. (RBI permission not taken)
- (ix) Interest paid outside India without TDS ₹ 40,000.
- (x) Fees for technical services without TDS ₹ 50,000.

The credits in the P & L a/c included the following:

- (a) Rent of commercial property ₹ 2,00,000.
 - (b) Amount charged from suppliers using guest house of the company ₹ 30,000.
- Calculate tax liability of the company for the AY 2016-17. (ignore MAT Provisions)

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3. (a) A charitable trust gets the following amounts during the period ending 31-3-2016:
- (i) Income from property held for charitable purposes ₹ 4,00,000 out of which ₹ 1,50,000 is to be received during 2017-18.
 - (ii) Voluntary contributions ₹ 3,50,000.
 - (iii) Sale proceeds of a capital asset ₹ 3,00,000. Its cost of acquisition is ₹ 2,00,000. Expenses on transfer is ₹ 10,000. A new capital asset is purchased for ₹ 3,40,000 for charitable purpose.
 - (iv) The trust spends only ₹ 4,20,000 for Charitable purposes.
 - (v) The trust has obtained extension of time for applying the unrealized income of ₹ 1,50,000 in the year of receipt.
- Determine taxable income of the trust for the AY 2016-17. 9
- (b) Mr. Ram sells a residential house for ₹ 80 lakhs on 1-5-2015 which is purchased by him on 1-5-1992 for ₹ 15,00,000 on 31-12-2015 he purchased a flat for ₹ 12,00,000 for his residence. On 31-3-2016 he sells the new flat for ₹ 18,00,000. Compute capital gain for the AY 2016-17 and also suggest a scheme of tax planning. 7
4. (a) ABC Limited has claimed exemption on the income from long-term capital gains under section 54EC by investing in bonds of National Highway Authority of India within the prescribed time. In the computation of "book profit" under section 115JB, the company claimed exclusion of long-term capital gains because of exemption available on it by virtue of section 54EC. The Assessing Officer reckoned the book profit including long-term capital gains for the purpose of levy minimum alternate tax payable under section 115JB. Is the action of the Assessing Office justified in law? 8
- (b) "Nargis", a resident of India, owned for the financial year ended on 31-03-2013, a house property in London purchased in July, 2002; a shop in Sydney purchased in June, 2004 and space in a commercial complex in New York purchased in April, 2010. She is also having authority to operate the bank account (maintained with Citibank, London) of a company owned by her daughter and son-in-law since July, 2011.
- She has been served in July, 2013 with the notices issued under section 148 of the Act for assessment years 2001-02 to 2012-13. She, for the reason of challenging the action of the Assessing Officer for issuing notices under section 148 for last 12 years, seeks your opinion. Advise her suitably. 8

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5. (a) Calculate the excise duty payable in case of the following goods cleared from the factory:

Goods	Quantity removed	Value of goods	Rate of duty	Other factors
Marble tiles	7500 sq.mts	₹ 8,00,000	₹ 30 per Sq.mt	--
Cement	1000 MT	₹ 38,00,000	₹ 220 per MT	--
Chemicals	4000 Ltrs	₹ 16,00,000	12.5%	--
Stainless Steel Patties	8000 MT (Cleared in Sept)	₹ 32,00,000	₹ 40,000 pm per machine	No. of machines are 4

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- (b) A firm gives the following particulars relating to the services provided by them for the quarter ending March 2016:

- (i) Total bills ₹ 8,50,000 out of which a bill for ₹ 60,000 was raised on a Diplomatic Mission and payment of another bill for 75,000 was not received till 31-3-2016.
- (ii) Amount of ₹ 80,000 was received as an advance from a client on 15-3-2016 to whom services are to be provided in April 2016.

You are required to determine:

- (i) Taxable value of services.
- (ii) Amount of service tax payable.
- (iii) Due date of payment
- (iv) The possibility of payment on receipt basis.

(2+2+2+2)

6. (a) A Ltd removes 50,000 units of finished goods from its factory @ ₹ 8 per unit. The company has the following CENVAT credit:

	BED u/s. 3(1)(a)	NCCD U/s. 136	BCD u/s 12	CVD u/s 3(1)
Raw materials	20,000	4,000	--	--
Imported RM	--	--	8,000	10,000
Spare parts	4,000	--	--	--
Office Plant	6,000	--	--	--
Diesel (including import)	2,000	--	500	600

All the prices given are exclusive of cess. Excise duty is payable @ 12.5% and ₹ 3,000 is payable as NCCD. Service tax on input services is ₹ 3,600. However, these services are utilized for providing exempted output service and value of output service is ₹ 40,000. You are required to determine net duty payable.

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- (b) Mr and Mrs Ghosh are returning from France, after a stay of 18 months have brought the following items:

- (i) Laptop computer ₹ 30,000
- (ii) Personal Computer ₹ 20,000
- (iii) Refrigerator ₹ 40,000
- (iv) Video Camera ₹ 10,000
- (v) Perfumes ₹ 25,000
- (vi) Two litres of liquor ₹ 5,000
- (vii) Flat Panel LED TV ₹ 50,000
- (viii) Other dutiable goods ₹ 10,000

Apart from the above articles, they brought ₹ 10 lakhs worth of jewellery weighing 300 grams. Calculate total customs duty payable by Mr & Mrs Ghosh.

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7. (a) M/s. Decent Laminates imported resin impregnated paper and plywood for the purpose of manufacture of furniture. The said goods were warehoused from the date of their import. M/s. Decent Laminates sought an extension of the warehousing period, which was granted. However, even after the expiry of extended period, it did not remove the goods from the warehouse. Subsequently, it applied for remission of duty under section 23 of the Customs Act, 1962 on the ground that the imported goods had become unfit for use on account of non-availability of orders for clearance and had lost their shelf life also.

Explain, with the help of a decided case law, if any, whether the application for remission of duty filed by M/s. Decent Laminates is valid in law. **8**

- (b) M/s. Krishna Computer Colour Lab. is in the business of developing and printing of colour photographic films. It develops the negatives supplied by the customer and provides positive prints as per the order placed by the customer. The Department has demanded service tax on the entire amount charged from the customers without deduction of any amount towards cost of materials.

The assessee's contention is that no service tax could be charged on the material content since service tax is only a tax on services and not on goods. Therefore, the assessee has sought to bifurcate the gross receipts on account of processing of photographs into the portion attributable to goods and those attributable to services so that service tax could be paid with respect to the value of service alone in their case.

Briefly explain, with regard to decided case law, if any, whether the stand taken by M/s. Krishna Computer Colour Lab. is correct in law. **8**

8. (a) X Ltd of India exports semi-finished furniture to Y Ltd of USA, a subsidiary company at ₹ 3,750 per piece which includes insurance ₹ 450 but is shown separately. Y Ltd polishes the furniture at a cost of ₹ 1,650 per piece and transfer it to Z Ltd of Canada, another subsidiary company. Z Ltd sells it at ₹ 12,000 per piece after incurring market expenses of ₹ 1,100 per piece. The total number of pieces exported are 1200.

The profits are shared equally. Find out equitable profits of the companies. **8**

- (b) Mr. Q, a resident but not ordinary resident in India submits the following:
- (i) Income from employment in India ₹ 3,00,000
 - (ii) Income from property outside India ₹ 2,00,000.
 - (iii) Income from business outside India but its control is from India ₹ 1,00,000.
 - (iv) Dividend from an Indian Company is ₹ 50,000

He deposited ₹ 1,00,000 in PPF out of income earned outside India. You are required to calculate net tax payable by Mr. Q. There is no ADT agreement and assume rate of tax outside India @ 8%. **8**