



EMPLOYERS LIABILITY FOR COMPENSATION UNDER WORKMEN COMPENSATION ACT, 1923



An employer is liable to pay compensation to an employee –

1. For personal injury caused to him by accident and
2. For any occupational disease contacted by him.

Personal injury by accident: An employer is liable to pay compensation to an employee if personal injury is caused to him by accident arising out of and in course of his employment.

The word injury means damage done to an employee by some accident. The Act contemplates compensation for personal injury. It is not necessarily confined to physical or mental injury. It includes psychological and physiological injury as well. Thus nervous shock causing incapacity to work is as much a personal injury as a broken limb.

Occupational diseases: Workers employed in certain occupations are exposed to certain diseases which are inherent in those occupations. Contracting of occupational disease is deemed to be an injury by accident within the meaning of sec 3. In such cases unless contrary is proved, the accident is deemed to have arisen in course of employment. As such an employer is liable to pay compensation if the disease can be directly attributable to a specific injury by accident arising out of and in course of employment.



NO COMPENSATION shall be payable to an employee in respect of any disease unless the disease is directly attributable to a specific injury by accident arising out of and in course of employment.

An employer is not liable to pay compensation for personal injury caused to an employee by accident arising out of and in the course of employment –

- (a) If the injury does not result in total or partial disablement of the employee for a period exceeding 3 days;
- (b) If the injury, not resulting in death, or permanent total disablement, is caused by an accident which is directly attributable to –
 - (i) The employee having been at the time of the accident under the influence of drink or drugs; or
 - (ii) The willful disobedience of the employee to an order expressly given, or to a rule expressly framed for the purpose of securing the safety of the employees; or
 - (iii) The willful removal or disregard by the employee of any safety guard or other device (which is an offence under the factories Act, 1948) which he knew to have been provided for the purpose of an offence under the Factories Act, 1948) which he knew to have been provided for the purpose of securing the safety of the employees.

If these defenses were not available to an employer, an employee may be induced to cause to himself an injury by his own acts and to claim compensation from the employer.

EXAMPLE:

A workman while returning home after duty was murdered within the premises of the employer. His widow claimed compensation. Comment based on the provisions of workmen compensation act, 1923.

In this case, there was casual and approximate connection between the accident and the employment. Since the workman was on the spot only for his employment and accordingly his wife/ legal heir is entitled for compensation. (Naima Bibi Vs Lodhne Colliery)



Rules for Computation of Net Agricultural Income

Rule 1.—

Agricultural income of the nature referred to in sub-clause (a) of clause (1A) of section 2 of the Income-tax Act shall be computed as if it were income chargeable to income-tax under that Act under the head "Income from other sources" and the provisions of sections 57 to 59 of that Act shall, so far as may be, apply accordingly.

Provided that sub-section (2) of section 58 shall apply subject to the modification that "the reference to section 40A therein shall be construed as not including a reference to sub-sections (3) and (4) of section 40A.

Rule 2.—

Agricultural income of the nature referred to in sub-clause (b) or sub-clause (c) of clause (1A) of section 2 of the Income-tax Act [other than income derived from any building required as a dwelling-house by the receiver of the rent or revenue of the cultivator or the receiver of rent-in-kind referred to in the said sub-clause (c)] shall be computed as if it were income chargeable to income-tax under that Act under the head "Profits and gains of business or profession" and the provisions of , sections 30, 31, 32, 36, 37, 38, 40, 40A [other than sub-sections (3) and (4) thereof], 41, 43, 43A, 43B and 43C of the Income-tax Act shall, so far as may be, apply accordingly.

Rule 3.—

Agricultural income of the nature referred to in sub-clause (c) of clause (1A) of section 2 of the Income-tax Act, being income derived from any building required as a dwelling-house by the receiver of the rent or revenue or the cultivator or the receiver of rent-in-kind referred to in the said sub-clause (c) shall be computed as if it were income chargeable to income-tax under that Act under the head "Income from house property" and the provisions of sections 23 to 27 of that Act shall, so far as may be, apply accordingly.

Rule 4.—

Notwithstanding anything contained in any other provisions of these rules, in a case—

- (a) where the assessee derives income from sale of tea grown and manufactured by him in India, such income shall be computed in accordance with rule 8 of the Income-tax Rules, 1962, and sixty per cent,



of such income shall be regarded as the agricultural income of the assessee;

- (b) where the assessee derives income from sale of centrifuged latex or cenex or latex based crepes (such as pale latex crepe) or brown crepes (such as estate brown crepe, re-milled crepe, smoked blanket crepe or flat bark crepe) or technically specified block rubbers manufactured or processed by him from rubber plants grown by him in India, such income shall be computed in accordance with rule 7A of the Income-tax Rules, 1962, and sixty-five per cent, of such income shall be regarded as the agricultural income of the assessee;
- (c) where the assessee derives income from sale of coffee grown and manufactured by him in India, such income shall be computed in accordance with rule 7B of the Income-tax Rules, 1962, and sixty per cent, or seventy-five per cent., as the case may be, of such income shall be regarded as the agricultural income of the assessee.

Rule 5.—

Where the assessee is a member of an association of persons or a body of individuals (other than a Hindu undivided family, a company or a firm) which in the previous year has either no income chargeable to tax under the Income-tax Act or has total income not exceeding the maximum amount not chargeable to tax in the case of an association of persons or a body of individuals (other than a Hindu undivided family, a company or a firm) but has any agricultural income, then, the agricultural income or loss of the association or body shall be computed in accordance with these rules and the share of the assessee in the agricultural income or loss so computed shall be regarded as the agricultural income or loss of the assessee.

Rule 6.—

Where the result of the computation for the previous year in respect of any source of agricultural income is a loss, such loss shall be set off against the income of the assessee, if any, for that previous year from any other source of agricultural income.

Provided that where the assessee is a member of an association of persons or a body of individuals and the share of the assessee in the agricultural income of the association or body, as the case may be, is a loss, such loss shall not be set off against any income of the assessee from any other source of agricultural income.



Rule 7.—

Any sum payable by the assessee on account of any tax levied by the State Government on the agricultural income shall be deducted in computing the agricultural income.

Rule 8.—

(1) Where the assessee has, in the previous year relevant to the assessment year commencing on the 1st day of April, 2014, any agricultural income and the net result of the computation of the agricultural income of the assessee for any one or more of the previous year's relevant to the assessment years commencing on the 1st day of April, 2006 or the 1st day of April, 2007 or the 1st day of April, 2008 or the 1st day of April, 2009 or the 1st day of April, 2010 or the 1st day of April, 2011 or the 1st day of April, 2012 or the 1st day of April, 2013, is a loss, then, for the purposes of sub-section (2) of section 2 of this Act,—

- (i) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 2006, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 2007 or the 1st day of April, 2008 or the 1st day of April, 2009 or the 1st day of April, 1, 2010 or the 1st day of April, 2011 or the 1st day of April, 2012 or the 1st day of April, 2013,
- (ii) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 2007, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 2008 or the 1st day of April, 2009 or the 1st day of April, 2010 or the 1st day of April, 2011 or the 1st day of April, 2012 or the 1st day of April, 2013,
- (iii) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 2008, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 2009 or the 1st day of April, 2010 or the 1st day of April, 2011 or the 1st day of April, 2012 or the 1st day of April, 2013,
- (iv) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 2009, to the extent, if any, such loss has not been set off against the agricultural income for the



previous year relevant to the assessment year commencing on the 1st day of April, 2010 or the 1st day of April, 2011 or the 1st day of April, 2012 or the 1st day of April, 2013,

- (v) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 2010, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 2011 or the 1st day of April, 2012 or the 1st day of April, 2013,
- (vi) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 2011, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 2012 or the 1st day of April, 2013,
- (vii) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 2012, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 2013,
- (viii) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 2013,

shall be set off against the agricultural income of the assessee for the previous year relevant to the assessment year commencing on the 1st day of April, 2014.

- (2) Where the assessee has, in the previous year relevant to the assessment year commencing on the 1st day of April, 2015, or, if by virtue of any provision of the Income-tax Act, income-tax is to be charged in respect of the income of a period other than the previous year, in such other period, any agricultural income and the net result of the computation of the agricultural income of the assessee for any one or more of the previous year relevant to the assessment years commencing on the 1st day of April, 2007 or the 1st day of April, 2008 or the 1st day of April, 2009 or the 1st day of April, 2010 or the 1st day of April, 2011 or the 1st day of April, 2012 or the 1st day of April, 2013 or the 1st day of April, 2014, is a loss, then, for the purposes of sub-section (10) of section 2 of this Act,—
 - (i) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 2007, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 2008 or the 1st day of April, 2009 or the 1st day of April, 2010 or the 1st day of April, 2011 or the 1st day of April, 2012 or



- the 1st day of April, 2013 or the 1st day of April, 2014,
- (ii) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 2008, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 2009 or the 1st day of April, 2010 or the 1st day of April, 2011 or the 1st day of April, 2012 or the 1st day of April, 2013 or the 1st day of April, 2014,
- (iii) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 2009, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 2010 or the 1st day of April, 2011 or the 1st day of April, 2012 or the 1st day of April, 2013 or the 1st day of April, 2014,
- (iv) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 2010, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 2011 or the 1st day of April, 2012 or the 1st day of April, 2013 or the 1st day of April, 2014,
- (v) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 2011, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 2012 or the 1st day of April, 2013 or the 1st day of April, 2014,
- (vi) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 2012, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 2013 or the 1st day of April, 2014,
- (vii) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 2013, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 2014,
- (viii) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 2014,



shall be set off against the agricultural income of the assessee for the previous year relevant to the assessment year commencing on the 1st day of April, 2015.

- (3) Where any person deriving any agricultural income from any source has been succeeded in such capacity by another person, otherwise than by inheritance, nothing in sub-rule (1) or sub-rule (2) shall entitle any person, other than the person incurring the loss, to have it set off under sub-rule (1) or, as the case may be, sub-rule (2).
- (4) Notwithstanding anything contained in this rule, no loss which has not been determined by the Assessing Officer under the provisions of these rules or the rules contained in the First Schedule to the Finance Act, 2006 or of the First Schedule to the Finance Act, 2007 or of the First Schedule to the Finance Act, 2008 or of the First Schedule to the Finance (No.2) Act, 2009 or of the First Schedule to the Finance Act, 2010 or of the First Schedule to the Finance Act, 2011 or of the First Schedule to the Finance Act, 2012 or of the First Schedule to the Finance Act, 2013 shall be set off under sub-rule (1) or, as the case may be, sub-rule (2).

Rule 9.—

Where the net result of the computation made in accordance with these rules is a loss, the loss so computed shall be ignored and the net agricultural income shall be deemed to be nil.

Rule 10.—

The provisions of the Income-tax Act relating to procedure for assessment (including the provisions of section 288A relating to rounding off of income) shall, with the necessary modifications, apply in relation to the computation of the net agricultural income of the assessee as they apply in relation to the assessment of the total income.

Rule 11.—

For the purposes of computing the net agricultural income of the assessee, the Assessing Officer shall have the same powers as he has under the Income-tax Act for the purposes of assessment of the total income.



Wealth Tax

Assets [Sec. 2(ea)]

Assets includes property of every description, movable or immovable are defined in Section 2(ea) as follows —

(1) Guest House, Residential House or Commercial Building [Sec. 2(ea)(i)]

The following are treated as "assets" -

- (i) Any building or land appurtenant thereto whether used for commercial or residential purposes or for the purpose of guest house
- (ii) A farm house situated within 25 kilometers from the local limits of any municipality (whether known as a municipality, municipal corporation, or by any other name) or a cantonment board.

The following are not included in "Assets":

- (a) A house meant exclusively for residential purposes and which is allotted by a company to an employee or an officer or a director who is in whole-time employment, having a gross annual salary of less than ₹10,00,000;
- (b) Any house for residential or commercial purposes which forms part of stock-in-trade;
- (c) Any house which the assessee may occupy for the purposes of any business or profession carried on by him;
- (d) A residential property that has been let out for a minimum period of 300 days in the previous year;
- (e) Any property in the nature of commercial establishments or complexes.

State whether following property are asset or not -

Particulars	Whether assets u/s 2(ea)(i)	Reason
A residential house given on rent for 300 days during the Previous Year	No	Residential house rented for more than 300 days are excluded from the definition of assets.
A residential house given on rent for 299 days during the Previous Year	Yes	Residential house rented for less than 300 days.
A commercial house given on rent for 320 days during the Previous Year	Yes	Commercial house falling under the category of commercial establishments.
A guest house of the company dealing in furniture	Yes	Guest house covered under the definition of assets.
Farm house situated within 25 k.m. of Howrah/ Municipal board	Yes	Farm house (to be measured aerielly) covered under the definition of assets.
Factory building used for own business	No	House which the assessee occupy for the purposes of own business or profession carried on by him is



		excluded from the definition of assets.
A residential flat allotted to its employee by a Individual/HUF where the salary of the employee is ₹9,99,000 p.a.	Yes	A residential house which is allotted by a company to an employee having a gross annual salary of less than ₹10,00,000 is not an asset.
A residential flat allotted to its employee by a company where the salary of the employee is ₹9,99,000 p.a.	No	A residential house which is allotted by a company to an employee who is in whole-time employment, having a gross annual salary of less than ₹10,00,000 is not an asset.
A residential flat allotted to its employee (having substantial interest) by a company where the salary of the employee is ₹ 9,99,000 p.a.	No	A residential house which is allotted by a company to an employee who is in whole-time employment, having a gross annual salary of less than ₹10,00,000 is not an asset.
A commercial shop let out to its whole time director by a company where the salary of the employee is ₹9,99,000 p.a.	Yes	A house meant exclusively for residential purposes and which is allotted by a company to an employee having a gross annual salary of less than ₹10,00,000.
A residential flat let out to its whole time director by a company where the salary of the employee is ₹9,99,000 p.a.	Yes	A house meant exclusively for residential purposes and which is allotted by a company to an employee having a gross annual salary of less than ₹10,00,000.
A residential flat let out to its Part time director by a company where the salary of the employee is ₹9,99,000 p.a.	Yes	A house meant exclusively for residential purposes and which is allotted by a company to an employee or an officer or a director who is in whole-time employment , having a gross annual salary of less than ₹10,00,000.
A shop held by an individual as stock in trade	No	Any house for residential or commercial purposes which forms part of stock-in-trade.
A commercial establishment let out for 290 days during the Previous Year	No	Any property in the nature of commercial establishments or complexes – Not an assets.

(2) Motor Cars [Sec. 2(ea)(ii)]

Motor car is an “asset”, except the following -

- (a) Motor cars used by the assessee in the business of running them on hire;
- (b) Motor cars treated as stock-in-trade.

In the case of a leasing company, motor car is an asset.

“Motor car” covers all motor vehicles other than heavy vehicles.



State whether following property are asset or not –

Particulars	Whether assets u/s 2(ea)(ii)	Reason
Motor car held as fixed asset in a company engaged in the business of iron & steel	Yes	Neither motor car has not been used by the assessee in the business of running them on hire nor it is treated as stock - in - trade.
Motor car held as fixed asset in a company used by an employee for personal purpose	Yes	Neither motor car has not been used by the assessee in the business of running them on hire nor it is treated as stock- in - trade.
Motor car held by an individual as personal effect	Yes	Neither motor car has not been used by the assessee in the business of running them on hire nor it is treated as stock- in - trade.
Motor car held as stock in trade	No	Motor cars treated as stock-in-trade are not assets.
Motor car held by an individual/HUF/Company for running them on hire	No	Motor cars used by the assessee in the business of running them on hire are not assets.

(3) Jewellery, bullion, furniture, utensils of gold, silver, etc. [Section 2(ea)(iii)]

Jewellery, bullion, furniture, utensils or any other article made wholly or partly of gold, silver, platinum or any other precious metal or any alloy containing one or more of such precious metals are treated as “assets”.

For this purpose, “jewellery” includes -

- (a) ornaments made of gold, silver, platinum or any other precious metal or any alloy containing one or more of such precious metals, whether or not containing any precious or semi-precious stones, and whether or not worked or sewn into any wearing apparel;
- (b) precious or semi-precious stones, whether or not set in any furniture, utensils or other article or worked or sewn into any wearing apparel.

The following are not included in “Assets”:

- (a) Where any of the above assets (i.e., jewellery, bullion, utensils of gold, etc.) is used by an assessee as stock-in-trade, then such asset is not treated as “assets” under section 2(ea)(iii).
- (b) Jewellery does not include the Gold Deposit Bonds issued under the Gold Deposit Scheme, 1999 notified by Central Government.

State whether following property are asset or not -

Jewellery	Whether assets u/s 2(ea)(iii)	Reason
Gold biscuit (not held as stock in trade)	Yes	Jewellery, bullion , furniture, utensils or any other article made wholly or partly of gold , silver, platinum or any other precious metal or any alloy



		containing one or more of such precious metals are treated as "assets.
Silver made furniture held for house hold purpose	Yes	Jewellery, bullion, furniture , utensils or any other article made wholly or partly of gold, silver , platinum or any other precious metal or any alloy containing one or more of such precious metals are treated as "assets.
Jewellery given as security for business loan	Yes	Ownership of the Jewellery is with the assessee. So it is assessed in the hand of the assessee as on the valuation date.
Gold furniture held by a company used for office purpose	Yes	Jewellery, bullion, furniture, utensils or any other article made wholly or partly of gold, silver, platinum or any other precious metal or any alloy containing one or more of such precious metals are treated as "assets. No matter whether it is used for official purpose or not.
Golden necklace of house-wife	Yes	Jewellery, bullion, furniture, utensils or any other article made wholly or partly of gold, silver, platinum or any other precious metal or any alloy containing one or more of such precious metals are treated as "assets.
Jewellery held as stock in trade	No	Where jewellery, bullion, utensils of gold, etc. is used by an assessee as stock-in-trade, then such asset is not treated as "assets.
Jewellery held for personal purpose converted into stock in trade as on the valuation date.	No	Where jewellery, bullion, utensils of gold, etc. is used by an assessee as stock-in-trade, then such asset is not treated as "assets.

(4) Yachts, boats and aircrafts [Sec. 2(ea)(iv)]

Yachts, boats and aircrafts (other than those used by the assessee for commercial purposes) are treated as "assets".

State whether following property are asset or not -

Aircraft	Whether assets u/s 2(ea)(iv)	Reason
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Aircraft used for hiring purpose	No	Aircraft used for commercial purposes.
Aircraft used for personal purpose	Yes	Yachts, boats and aircrafts (other than those used by the assessee for commercial purposes) are treated as "assets".
Aircraft given to manager by a company dealing in readymade garments	Yes	Aircraft used for personal purposes.
Aircraft held by Indian Air Lines	No	Indian Airlines used aircraft for commercial purposes.

(5) Urban land [Sec. 2(ea)(v)]

An "urban land" is an assets whether it is agricultural land or non-agricultural land.

Urban land means land situated in —

- (i) Any area which is comprised within the jurisdiction of a municipality (whether known as a municipality, municipal corporation, notified area committee, town area committee, town committee, or any other name) or a cantonment board and which has a population of not less than 10,000;
- (ii) Any area within distance (to be measures aerially) given below-

≥ 2 kilometers from the local limits of any municipality/ cantonment board as referred above	Population more than 10,000 but not more than 1 lakh.
≥ 6 kilometers from the local limits of any municipality/ cantonment board as referred above	Population more than 1 lakh but not more than 10 lakh.
≥ 8 kilometers from the local limits of municipality/ cantonment board as referred above	Population more than 10 lakh

- "Population" means the population according to the last preceding census of which the relevant figures have been published before the valuation date.

The following are not included in "Assets":

- (i) Land classified as agricultural land in the records of the Government and used for agricultural purposes; or
- (ii) Land on which construction of a building is not permissible under any law for the time being in force in the area in which such land is situated; or
- (iii) The land occupied by any building which has been constructed with the approval of the appropriate authority; or
- (iv) Any unused land held by the assessee for industrial purposes for a period of 2 years from the date of its acquisition by him; or
- (v) Any land held by the assessee as stock-in-trade for a period of 10 years from the date of its acquisition by him.



State whether following property are asset or not -

Particulars	Whether assets u/s 2(ea)(v)	Reason
Land situated within the jurisdiction of a municipality or a cantonment board, which has a population of 9,900 as per the last census [$< 10,000$]	No	Population is less than 10,000.
Urban land on which a building is constructed with permission	No	The land occupied by any building which has been constructed with the approval of the appropriate authority is not an asset.
Urban land on which a building is not constructed however construction is permitted under the law.	Yes	Land on which construction of a building is not permissible under any law for the time being in force in the area in which such land is situated is not an asset. Hence the urban land is fall under the category of assets.
Urban land on which a building (residential or commercial) is constructed without the approval of appropriate authority	Yes	The land occupied by any building which has been constructed with the approval of the appropriate authority is not an asset.
Urban land held as stock in trade acquired in 1997	Yes	The land is held by the assessee as stock-in-trade for more than 10 years.
Urban land held as stock in trade acquired in 2011	No	The land is held by the assessee as stock-in-trade for less than 10 years.
Urban unused land acquired for industrial purpose on 17 th July, 2013.	No	Unused urban land held by the assessee for industrial purposes for less than 2 years from the date of its acquisition.
Urban unused land acquired for industrial purpose on 17/7/2005	Yes	Unused urban land held by the assessee for industrial purposes for more than 2 years from the date of its acquisition.
Urban land acquired for industrial purpose on 17 th July, 2013 for the time being used for agricultural purpose	Yes	The assets has been used for agriculture purpose.

(6) Cash in hand [Sec. 2(ea)(vi)]

In case of individual and HUF, cash in hand on the last moment of the valuation date in excess of ₹50,000 is an 'asset'. In case of companies, any amount not recorded in books of account is 'asset'.

State whether following property are asset or not -

Particulars	Whether assets u/s 2(ea)(vi)	Reason



CMA Students Newsletter (For Intermediate Students)

Vol.1B: January 15, 2015

Bank balance in Current account	No	For Individual – cash in hand in excess of ₹50,000 is an 'asset'. For Company - any amount not recorded in books of account is 'asset'.
Cash balance at the end of financial year deposited in Bank at the last moment.	No	For Individual – cash in hand in excess of ₹50,000 is an 'asset'. For Company - any amount not recorded in books of account is 'asset'.
X Ltd. has physical cash balance of ₹60,000, the same amount is shown in the cash book	No	For Individual – cash in hand in excess of ₹50,000 is an 'asset'. For Company - any amount not recorded in books of account is 'asset'.
Mr. X has physical cash balance of ₹60,000, the same amount is shown in the cash book	Yes, upto ₹10,000	For Individual – cash in hand in excess of ₹50,000 is an 'asset'. For Company - any amount not recorded in books of account is 'asset'.
Mr. X has physical cash balance of ₹30,000 and balance in current account of ₹45,000	No	For Individual – cash in hand in excess of ₹50,000 is an 'asset'. For Company - any amount not recorded in books of account is 'asset'.

Illustration:

Whether the following assets are "asset u/s 2(ea) of the Wealth Tax Act 1957

Particulars	Resident
Urban land on which a building (residential or commercial) is constructed with the approval of an appropriate authority	No
Urban land on which a building (residential or commercial) is constructed without the approval of appropriate authority	Yes
Shares, debentures, fixed deposits in bank, plant & machinery, units of a mutual fund, amount recoverable from the Government, sundry debtors, Goodwill and Stock in trade	No



CMA Students Newsletter (For Intermediate Students)

Vol.1B: January 15, 2015

In the cash book of an individual/HUF opening balance as on the valuation date is ₹1,85,000 out of which the assessee deposits ₹1,35,000 in his current account with the Citi Bank before the closure of banking hours on the same day (no other inflow and outflow of cash as on the same day).	Since, at the time of valuation i.e. last moment of valuation date the cash balance is only ₹50,000 hence assets u/s 2(ea) shall be taken as Nil.
Motor cars used by a person in the business of running them on hire to tourists (Indian or foreign citizen) or to other person.	No, since the cars are used for running them on hire.
Residential house owned by a company and allotted to a part time director whose salary is ₹1,00,000 p.a.	Yes, as the director is not a whole time director.
Farm house which is not situated within 25 kms of any municipality or a cantonment board.	No
Diamond held as stock in trade	No
Diamond held as Fixed asset	Yes
Diamond held as a personal asset by a business man	Yes
Guest house held as stock-in-trade by a property dealer	No
Guest house (not held as stock-in-trade) for entertaining personal guests	Yes
Farm house which is situated 30 kilometers from local limits of Delhi but within 6 kilometers from Faridabad	Yes
Factory building, office building and godown building used for the purpose of carrying on own business or profession	No
Factory building and godown building given on rent	Yes, if it is letout less than 300 days.
Residential house owned by an individual (or Hindu undivided family) and allotted to one of his full-time employees whose salary (including commission, bonus and allowances) is ₹ 83,332 per month	Yes, house is allotted by individual or HUF.
Residential house owned by a company and allotted to a part-time director whose salary is ₹ 6,00,000 per annum	Yes, house was not allotted to full time director.
Residential house owned by a company and allotted to one of its officers/employees/full-time directors whose salary (including commission, bonus and allowances) is :	
₹ 83,333.00 per month	No
₹ 83,334.00 per month	Yes



A residential or commercial building held as stock-in-trade	No
Residential house owned by a company and allotted to an employee/full-time director (or managing director) whose salary is less than ₹ 10,00,000 per annum and who owns 90 per cent equity share capital in the company	No
A commercial complex having 20 offices given on rent by the owner	No
A multi-storey office complex given on rent	No
A residential house given on rent for 300 days during 2014-15	No
Motor car (Indian as well as foreign) held as :	
a. stock-in-trade	No
b. fixed assets	Yes
c. personal asset by a salaried employee	Yes
d. personal asset by a businessman	Yes
e. fixed asset by a company and given for business use to full-time-employee or a director drawing less than ₹10,00,000 per annum	Yes
Motor cars used by a person in the business of running them on hire to tourists (Indian or foreign citizens) or to other persons	No
Silver, gold, jewellery, bullion, etc., owned by a jeweller (as stock-in-trade)	No
Gold owned by an individual (not as stock-in-trade)	Yes
Gold/silver furniture held by a company (not as stock-in-trade)	Yes
Aircraft used by a manufacturing company having turnover of ₹400 crore for use by its directors	No
Aircraft owned by an individual (not as stock-in-trade) for giving it on lease to others	No
Urban land on which a building (residential or commercial) is constructed :	
a. with the approval of an appropriate authority	No



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b. without the approval of an appropriate authority	Yes
Urban land on which construction is not permitted	No
Vacant urban land (on which construction is permissible) owned by a person since 1990	Yes
Urban land held as stock-in-trade and which was acquired —	
a. on June 1, 2004	Yes
b. on June 1, 2005	No
Urban unused land held by an assessee, for industrial purposes (whether or not construction is started) and which was acquired :	
a. on April 1, 2013	No
b. on March 31, 2013	Yes
Urban land held by an assessee for industrial purposes (as construction of factory will be started during November 2014, it is used for agricultural purposes on temporary basis) and it was acquired on —	
a. April 1, 2012	Yes
b. March 31, 2012	Yes
Land acquired in 1965 (it may be used for construction of any building — residential or commercial) and	
a. situated within the jurisdiction of a municipality having population of less than 10,000	No
b. situated within the jurisdiction of a municipality having population of 10,000 or more	Yes



E-commerce

Electronic commerce, commonly known as e-commerce, is the buying and selling of products or services over electronic systems such as the Internet and other computer networks. The internet is like a shop which is permanently open all 24 hours and all 365 days in a year. This makes the Internet the ideal place to do business. E-commerce is not a single technology but a combination of sophisticated technologies and business services integrated to provide instant transaction and response to consumers. For example e-commerce is collection of Internet, Intranet, e-mail, fax, EDI, etc. to provide online commerce services.



The components involved in e-commerce are:

1. Customers
2. Suppliers
3. Service Provider
4. Channel partner (distributor)
5. Regulatory Authority

The following are the steps by which a transaction in e-commerce takes place:

1. Consumer accesses a shopping mall and selects a shop for purchasing certain items
2. Shopping mall serves the access to the merchant for a selected shop
3. Merchant system presents the home page to the consumer
4. Consumer selects the desired goods
5. Consumer interacts with the merchant system and makes the payment
6. Merchant system accesses his bank for authorization of the consumer payment
7. Authorization of payment by the bank
8. Merchant system informs the consumer that the payment is accepted and transaction is completed.
9. The consumer bank informs the consumer of the money transfer.
10. Physical delivery of the items.



Main Goals of e-commerce

It helps in achieving the following goals

1. Reach new markets
2. Create new products or services
3. Build customer loyalty
4. Enrich human capital
5. Make the best use of existing and emerging technologies
6. Achieve market leadership and competitive advantage.

Advantages of e-commerce

1. Business without the barriers of time or distance: One can log on to the Internet at any time, whether day or night and purchase or sell anything at his desires.
2. Lower cost of sale as there is no human interaction during the on-line electronic purchase order process.
3. Cheapest means of doing business as compared to paper based commerce.
4. Advantages to buyer includes
 - Reduction in buyer's sorting out time.
 - Better buyer decision.
 - Less time is spent in resolving invoice and order discrepancies
 - Increased opportunities for buying alternative products.
5. Helps to reduce the delivery time, labour cost and the cost incurred for document preparation, mail preparation, data entry, communication, supervision expenses etc.

Disadvantages of e-commerce

1. Because of technology phobia only a few people are using this mode of commerce.
2. Buying products through the internet do not allow physical examination of products.
3. Specific hardware and software are bulky and costly to start an e-commerce company.
4. Website must be maintained and updated regularly which leads to extra labour costs.
5. Well skilled and trained workers are required to create and maintain e-commerce facilities of a company.
6. E-commerce business exposes itself to security risks, disclosure of confidential data, transaction risk or virus attacks.
7. Another limitation is that it is not suitable for perishable commodities.
8. Where consumer is not satisfied with a particular product then returning the product and getting a refund can be troublesome and time consuming
9. Maintaining integrity, authentication, confidentiality and privacy of electronic record or message when transmitted during e-transaction.





Pricing Decision for Special Order

Organizations producing goods and services need to set the price for their product. Setting the price for an organization's product is one of the most important decisions a manager faces. It is one of the most crucial and difficult decisions a firm's manager has to make. Pricing is a profit planning exercise.



Special order pricing is a technique used to calculate the lowest price of a product or service at which a special order may be accepted and below which a special order should be rejected. Usually a business receives special orders from customers at a price lower than normal. In such cases, the business will not accept the special order if it can sell all its output at normal price. However when sales are low or when there is idle production capacity, special orders should be accepted if the incremental revenue from special order is greater than incremental costs.

This method of pricing special orders, in which price is set below normal price but the sale still generates some contribution per unit, is called contribution approach to special order pricing. The idea is that it is better to receive something above variable costs, than receiving nothing at all.



The following example is used to illustrate special order pricing:

Example:

Marlson Chair Company received an offer in October 2014 to sell 25,000 outdoor patio chairs to Easy Life Corporation. Easy Life will like Marlson & Co. to bid for the proposed sales order and indicates that this is a one-time order.

Marlson Company produces 4,00,000 chairs annually by operating at 80% of full capacity. Regular selling price for the type of chairs is ₹33. The chairs required are similar to those currently being produced by Marlson & Co. Budgeted annual production costs and other expenses for 2014 are as follows:

Volume of 4,00,000 chairs	Total	Per unit
Raw Material	₹17,00,000	₹4.25
Direct Labour	23,00,000	5.75



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Variable factory overhead	31,00,000	7.75
Fixed factory overhead	25,00,000	
Variable selling costs	5% of selling price	
Fixed selling & Administration overhead	₹14,50,000	

Marlson Company wants to earn a minimum profit of Re.1 per chair and no selling expenses will be incurred for special order transactions. Assume that normal operations will not be affected by the special order and that regular sales volume for 2014 is 4,00,000 chairs as initially planned.

Required:

- (i) What should be minimum price to be quoted by Marlson & Co.?
- (ii) Prepare an income statement analysis showing the position of Marlson & Co. Without special order, for special order and with special order.

Solution:

(i)

Variable cost to be incurred	(Per unit)
Raw Material	₹4.25
Direct Labour	5.75
Variable Overhead	7.75
Total Variable cost per unit	17.75
Total incremental cost for 25,000 units (25,000 × ₹17.75)	₹4,43,750
Desired Profit (25,000 × Re.1.00)	25,000
	4,68,750
Units selling price to be quoted by Marlson & Co. (4,68,750 ÷ 25,000)	₹18.75

(ii) Income Statement Analysis

Details	Without special order	For special order	With special order
Sales	₹1,32,00,000	₹4,68,750	₹1,36,68,750
Less: Variable costs:			
Raw Material	₹17,00,000	₹1,06,250	₹18,06,250
Direct Labour	23,00,000	1,43,750	24,43,750
Variable Factory Overhead	31,00,000	1,93,750	32,93,750
Variable Selling Costs	6,60,00	-	6,60,000
Total Variable Costs	77,60,000	4,43,750	82,03,750
Total Contribution	54,40,000	25,000	54,65,000
Fixed Factory Overhead	25,00,000	-	25,00,000
Fixed Selling & Adm. Overhead	14,50,000	-	14,50,000
Total Fixed Overhead	39,50,000	-	39,50,000
Profit	14,90,000	25,000	15,15,000

In short run, as long as relevant revenues are in excess of relevant costs for each decision, profit will be increased or losses decreased. A policy of minimizing losses can also be continued for short period, as in the long term, a company must generate profits, if it is to stay in business.



Negative List in Service Tax

According to section 65B(34) of the Finance Act, 1994, "negative list" means the services which are listed in section 66D of the Act. Services mentioned in the negative list are not liable to service tax. The negative list comprises of the following services:

(a) Services by Government or a local authority excluding the following services to the extent they are not covered elsewhere—

- (i) services by the Department of Posts by way of speed post, express parcel post, life insurance and agency services provided to a person other than Government;
- (ii) services in relation to an aircraft or a vessel, inside or outside the precincts of a port or an airport;
- (iii) transport of goods or passengers; or
- (iv) support services, other than services covered under clauses (i) to (iii) above, provided to business entities;

(b) Services by the Reserve Bank of India;

(c) Services by a foreign diplomatic mission located in India;

(d) Services relating to agriculture by way of—

- (i) agricultural operations directly related to production of any agricultural produce including cultivation, harvesting, threshing, plant protection or testing;
- (ii) supply of farm labour;
- (iii) processes carried out at an agricultural farm including tending, pruning, cutting, harvesting, drying, cleaning, trimming, sun drying, fumigating, curing, sorting, grading, cooling or bulk packaging and such like operations which do not alter the essential characteristics of agricultural produce but make it only marketable for the primary market;
- (iv) renting or leasing of agro machinery or vacant land with or without a structure incidental to its use;
- (v) loading, unloading, packing, storage or warehousing of agricultural produce;
- (vi) agricultural extension services;
- (vii) services by any Agricultural Produce Marketing Committee or Board or services provided by a commission agent for sale or purchase of agricultural produce;

(e) Trading of goods;

(f) Any process amounting to manufacture or production of goods

(g) Selling of space for advertisements in print media;

[Prior to **amendment made by Finance (no. 2) Act, 2014**, selling of space or time slots for advertisements other than advertisement broadcast by radio or television was in negative list. Thus before amendment, only TV/ Radio advertisement were taxable.]

A detailed analysis:



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Nature of advertisement	W.e.f. 01-10-2014	Before 01-10-2014
1. Sale of space or time for advertisement to be broadcast on radio or television	Taxable	Taxable
2. Sale of time slot by a broadcasting organization	Taxable	Taxable
3. Advertisement in/on internet websites	Taxable	Not taxable
4. Advertisement in/on out-of-home media,	Taxable	Not taxable
5. Advertisement in/on film screen in theatres,	Taxable	Not taxable
6. Advertisement in/on bill boards	Taxable	Not taxable
7. Advertisement in/on conveyances	Taxable	Not taxable
8. Advertisement in/on buildings,	Taxable	Not taxable
9. Advertisement in/on cell phones	Taxable	Not taxable
10. Advertisement in/on Automated Teller Machines,	Taxable	Not taxable
11. Advertisement in/on tickets,	Taxable	Not taxable
12. Advertisement in/on public places	Taxable	Not taxable
13. Advertisement in/on stadium (e.g. cricket stadium)	Taxable	Not taxable
14. Aerial advertising	Taxable	Not taxable
15. Advertisement in "Goods and Service Tax Cases" - A weekly magazine on Indirect Tax Laws [it amounts to 'newspaper', as it contains public news (i.e., legal news) and comments thereon]	Not taxable	Not taxable
16. Advertisement in/on commercial publications, being business directories or yellow pages or trade catalogues ['Not covered in 'book'; not Print Media]	Taxable	Not taxable
17. Advertisement in newspaper [Print Media]	Not taxable	Not taxable
18. Advertisement in Book on Tax Laws [Print Media]	Not taxable	Not taxable
19. Advertisement in pamphlets [it amounts to 'print media' and therefore, it is in negative list]	Not taxable	Not taxable

- (h) Service by way of access to a road or a bridge on payment of toll charges;
- (i) Betting, gambling or lottery;
- (j) Admission to entertainment events or access to amusement facilities;
- (k) Transmission or distribution of electricity by an electricity transmission or distribution utility;
- (l) Services by way of—
- (i) pre-school education and education up to higher secondary school or equivalent;



- (ii) education as a part of a curriculum for obtaining a qualification recognised by any law for the time being in force;
- (iii) education as a part of an approved vocational education course;

(m) Services by way of renting of residential dwelling for use as residence;

(n) Services by way of —

- (i) extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount;
- (ii) inter se sale or purchase of foreign currency amongst banks or authorised dealers of foreign exchange or amongst banks and such dealers;

(o) Service of transportation of passengers, with or without accompanied belongings, by—

- (i) a stage carriage;
- (ii) railways in a class other than—
 - (A) first class; or
 - (B) an air-conditioned coach;
- (iii) metro, monorail or tramway;
- (iv) inland waterways;
- (v) public transport, other than predominantly for tourism purpose, in a vessel between places located in India; and
- (vi) metered cabs or auto rickshaws;

[The expression 'radio taxi' removed from negative list and made taxable vide Finance (No. 2) Act, 2014 w.e.f. 01.10.2014 and abatement of 60% provided. the abatement of 60% is allowed only if Cenvat credit on inputs, input services and capital goods, used for providing the taxable service, has not been taken under the provisions of the Cenvat Credit Rules, 2004]

Example: If X Ltd. collected ₹ 5 lakhs (exclusive of taxes) for the month ending March, 2015 for transport of passengers in radio taxi, the value of taxable service will be ₹ 2 lakhs (₹ 5 lakhs – 60% of ₹ 5 lakhs). The said service is not within the negative list and therefore liable to service tax. But the service is eligible for abatement of 60%, if Cenvat credit is ignored.

(p) Services by way of transportation of goods—

- (i) by road except the services of—
 - (A) a goods transportation agency; or
 - (B) a courier agency;
- (ii) by an aircraft or a vessel from a place outside India to the first customs station of landing in India; or
- (iii) by inland waterways;

(q) Funeral, burial, crematorium or mortuary services including transportation of the deceased.