

**PAPER-14**

**INDIRECT AND DIRECT TAX MANAGEMENT**

**REVALIDATION TEST PAPER-RV/14/TXM/2010**

(Answer Question 1 and any **FIVE** from the remaining)

**PART A**

1. a) i) Enumerate the list of person / entities treated as “individual” u/s 3 of the Wealth Tax Act.

ii) Who are the persons / entities to whom Wealth Tax is not applicable u/s 45 of the Wealth Tax Act?

iii) Is Wealth Tax a debt owed on the valuation date and hence deductible while computing net wealth?

iv) On what grounds can it be said that partial partition is de-recognised under the Wealth Tax Act?

v) How far is the exemption of Public charitable trust under the Income Tax Act, 1961 relevant for exemption under Wealth Tax Act?

3\*5

b) State with reasons whether the following statements are true or false

i) Waste and Scrap are always treated as excisable goods.

ii) Importers can store imported without payment of duty in public warehouse or private warehouse

5\*2

## PART B

2. Given below is the P&L A/C of K,L,M & Associates, a partnership firm for the previous year 2009-2010.

Particular	Rs.	Particular	Rs.
Purchase	15,45,000	Sales	35,00,000
Direct & Indirect Expense	8,00,000	Interest on Securities	45,000
Depreciation	2,00,000	(TDS – Rs.5,000)	
Interest to partners	2,00,000		
Salaries to partners	6,60,000		
Net Profit	1,40,000		
	35,45,000		35,45,000

You are further informed

- i) Depreciation allowable as per Section 32 is Rs.1,50,000
- ii) Purchase include cash purchase of Rs.30,000
- iii) A,B,C share profits in the ratio of 4:3:3 C is a sleeping partner
- iv) Interest is paid to partners @20% p.a. interest is authorized by partnership deed
- v) Salaries, authorized by partnership deed are paid to all the partners equally

Compute (i) Book profit and

(ii) Total income of the firm in the following cases:-

- (a) It is a professional form
- (b) It is a business firm
- (c) It does not file the return of its income , leading to best judgment assessment.

(15)

3. An Importer has imported a machine from UK at FOB cost of 10,000 UK pounds.

Other details are as follows:-

- a. Freight from UK to Indian Port was 700 pounds
- b. Insurance was paid to Insurer insured in India – Rs.6000
- c. Design and development charges of 2000UK pounds were paid to a consultancy firm in UK
- d. The importer also spent an amount of Rs.50,000 in India for development work connected with the machinery.
- e. Rs.10,000 were spent in transporting the machinery from Indian Port to the factory of importer.
- f. Rate of exchange RBI: Rs. 68.82 = One UK Pound
- g. Rate of exchange as announced by CBE 2C (Board) by Notification u/s 14 (3) (a) (i): Rs.68.70 = One UK Pound

- h. Rate at which bank recovered the amount from importer Rs.68.35 = One UK Pound.
- i. Foreign exporters have an Agent in India Commission is payable to the agent in Indian Rupees @5% of FOB price.

Custom duty payable was 10%. If similar goods were produced in India, Excise duty payable @24%. There is an excise exemption notification which exempts the duty as in excess of 16%. Education Cess 2% and SAH Education Cess 1%. Find custom duty payable .

How much Cenvat can be availed by importer, if he is manufacturer? (15)

4. a) Detail the implications of ‘Demerger’ with reference to Income Tax.

b) State the factors to be considered in taking a management decision relating to owning or leasing fixed assets

8+7

5(a). Software is ‘goods’, but unbranded Software is Service” – Comment (10)

(b) 1500 pieces of a product ‘K’ were manufactured during the financial year. Its list price (ie, retail price) is Rs.250 per piece, exclusive of taxes. The manufacturer offers 20% discount to wholesalers on the list price. During the year, 840 pieces were sold in wholesale, 510 pieces were sold in retail, 35 pieces were distributed as free samples. Balance quantity of 115 pieces was in stock at the end of the year. The rate of duty is 16% plus education cess and SAH education cess as applicable. What is the total duty paid during the financial year? Assume that the manufacture is not eligible for SSI concession. (5)

6. a) What are the methods under which the arm’s length price, relating to an international transaction, is determined us 92C?

b) J Ltd., is an Indian Company which is a 100% subsidiary of K Ltd., a foreign company. K Ltd. Sells its product to J Ltd., at 15\$ per unit. At the same time, it sells its products to an unrelated party at \$ 20 per unit. How will the arm’s length price be determined in this transaction?

8+7

7.(a)Write a note on Exemption granted to SSI

(b) Define Captive Consumption

8+7

8. Write Short Notes on any three of the following:

- (a) Slump Sale
- (b) Anti Dumping Duty
- (c) Basic Principle of VAT
- (d) Dutiability of Waste and Scrap

5\*3