

## **PAPER – 16: TAX MANAGEMENT AND PRACTICE**

**Paper – 16 : Tax Management and Practice**

Time Allowed: 3 Hours

Full Marks: 100

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

1. (a) Mr. B. has two heavy goods vehicles as on 1.4.2015. He acquired 7 heavy goods vehicles on 15.6.2015 and were put to use on 1.7.2015. He sold two heavy goods vehicles on 30.9.2015. He submits other information:-
- (i) Brought forward business loss of discontinued business ₹70,000
  - (ii) Unabsorbed depreciation of current year ₹50,000
  - (iii) Other expenses relating of his business ₹20,000

You are required to compute business income if he opts presumptive taxation of income u/s 44AE [5]

- (b) B Ltd., not a small scale unit sold goods manufactured by it to A Ltd., The cum-duty sale price of the goods excluding VAT is ₹9 lakhs. sale price includes the following:

Particulars	₹
Packing (including secondary packing) charges	14,000
Mandatory inspection charges	10,000
Rent of returnable containers	56,250
Trade discount	25,000
After sales services charges	12,000

Determine the assessable value of the goods for the purpose of central excise duty. [5]

- (c) Mr. A, a practicing cost and Management Accountant received 10% of the gross amount as advance from his client in Sept. 2015 and the balance in June 2016. Date of provision of service as per invoice dated 1.4.2016.

Other Particulars:-

(i)	Gross amount charged	₹ 8,00,000
(ii)	Salary paid to staff for giving assistance	₹ 50,000
(iii)	Turnover of earlier year is	₹ 40,00,000

Determine point of Taxation and calculate service tax for the different assessment years. Also mention the dates on which service tax is payable. [5]

- (d) Determine the Cenvat allowable if goods are produced by an export oriented unit which use in other places in India. The following data is available:
- (i) Assessable value ₹410 per unit
  - (ii) Number of units cleared are 10,000
  - (iii) Basic customs duty 10%
  - (iv) Countervailing duty 14%
  - (v) Cess as applicable [5]

2. (a) Amar Ltd. discloses a net profit of ₹22 lakhs for the year ended 31.3.2016:

(A) Items debited to profit and loss account	₹
(i) Provisions for sales tax	2,00,000

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(ii) Compensation for termination of service of employee	3,00,000
(iii) Royalty without TDS and remittance	1,00,000
(iv) Income tax paid	50,000
(v) Payment to director for goods (market price ₹3 lakhs)	3,50,000
(vi) Bank term loan interest related to previous year 2014-15	30,000
(vii) Stationery bill paid in cash	40,000
(viii) Depreciation	1,30,000
<b>(B) Items credited to profit and loss Account</b>	
(i) Interest on trading securities	1,50,000
(ii) Net winnings from lotteries	1,75,000
(iii) Interest on notified units of mutual fund	25,000
(iv) Capital gain on sale of long term capital asset	2,50,000
<b>(c) Additional information</b>	
(i) Depreciation as per Sec. 32	1,25,000
(ii) Brought forward business loss of previous year 2012-13 for tax purpose.	2,25,000
(iii) Amount of deduction eligible u/s 80G	1,50,000

You are required to compute total income, and tax liability for the Assessment Year 2016-17. (Ignore the provisions of MAT) [10]

- (b) What are the salient features of Income computation and disclosure standards relating to borrowing costs and discuss significant deviations between ICDS IX and AS 16 [6]
3. (a) Compute the amount of depreciation available u/s 32 of the income tax Act, 1961 and other benefits available in respect of the following assets purchased by A Ltd. Which is engaged in manufacturing activities, for the year ended 31.3.2016

Particulars	₹ (lakhs)
<b>Assets purchase up to Sept. 30</b>	
Industrial land	30
Machinery (new)	12
Machinery (old)	8
<b>Assets purchased from Nov. 10</b>	
Trucks for transporting goods	4
Computers installed in office premises	6
Computers installed in factory	2
Imported machinery (new)	18
Imported machinery (old)	10

All assets, except computers were installed during the year [8]

- (b) Total income of TS consultancy Ltd., for the previous year ended 31.3.2016 is ₹12 lakhs. Tax deducted at source by different payers amounted to ₹ 44,500. The company is entitled to claim relief u/s 90 as per DTAA is ₹ 22,700. During the year, the company has paid advance tax as under:-
- (i) ₹20,000 on 15.6.2015
  - (ii) ₹70,000 on 15.9.2015
  - (iii) ₹90,000 on 15.12.2015
  - (iv) ₹80,000 on 15.3.2016
- Compute interest, if any payable by the company on the assumption that the company filed its return of income within due date. [8]

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4. (a) A company had four units. One of its units was closed as it is located in non-conforming area. The company has claimed deduction of retrenchment compensation paid to workers of the closed unit and interest on money borrowed for payment of retrenchment compensation. The revenue contended that the unit was separate business maintaining separate books of account and workers, and hence, the assessee should not be allowed deduction as it is in the nature of capital. Is the contention of revenue tenable in law? [5]
- (b) The assessee had claimed benefit of exemption u/s 54 F in respect of capital gain arising on the sale of property being a depreciable asset which is held for more than 36 months. However, the department contended that no exemption u/s 54F is available, as the said exemption is granted in respect of the capital gain arising from the transfer of long term capital asset where as the capital gain arising on transfer of depreciable asset is short term capital gain by virtue of provisions under section 50. Discuss whether the assessee is eligible to claim exemption u/s 54F or not with relevant case law. [5]
- (c) David, a foreign national and a cricketer came to India as a member of Australian cricket team in the year ended 31<sup>st</sup> March, 2016. He received ₹5 lakhs for participation in matches in India. He also received ₹1 lakh for an advertisement of a product on TV. He contributed articles in a newspaper for which he received ₹ 10,000. When he stayed in India, he also won a prize of ₹10,000 from horse racing in Mumbai. He has no other income in India during the year.
- (i) Compute tax liability of David for Assessment Year 2016-17.  
(ii) Are the income specified above subject to deduction of tax at source?  
(iii) Is he liable to file his return of income for Assessment Year 2016-2017?  
(iv) What would have been is tax liability, had he been a match referee instead of a cricketer? [6]
5. (a) MS JK Traders have imported a machine from UK at FOB value of £7500. Air freight paid £2000 and designing charges paid in UK £600. Commission @ 2% of FOB value paid to local agent in Indian currency. Date of bill of entry is 15.10.2015 (rate of BCD is 10%) and exchange rate as notified by CBEC is ₹72 per UK Pound). Date of arrival of aircraft is 31.10.2015 (rate of BCD 12% and exchange rate as notified by CBEC is ₹68 per UK pound). Rate of CVD is 12.50% but as per exemption notification, excess of 10% is not taken into consideration. Rate of SAD is 4%. Compute assessable value and determine the customs duty payable by MS JK traders. [8]
- (b) A partnership firm provided IT related services to a company in the month of Sept. 2015. An invoice inclusive of service tax issued in the month of Sept. 2015. The company has paid ₹16,45,250, after deducting 10% towards TDS under Income tax Act 1961 in the month of Oct. 2015. You are required to calculate:
- (i) Service tax payable by assessee.  
(ii) Due date of payment of service tax [8]
6. (a) X Ltd manufacturers two products namely Hair oil and body lotion. Body lotion is a specified product u/s. 4A of Central Excise Act 1944. The sales price of both the products are ₹ 50 unit and ₹ 40 unit respectively. The sales price of both products included 16% excise duty as BED and education cess as applicable. It also includes CST of 4% additional information is as follows: Hair oil 20,000 units and body lotion 3,00,000 units. Deduction permissible u/sec. 4A 40%. Calculate the total excise duty liability of X Ltd on both the products. [8]

- (b) An assessee cleared various manufactured final products during June 2015. The duty payable for June 2015, on his final products was as follows, Basic ₹8,00,000, Education cess as applicable during the month, he received various inputs on which total duty paid by suppliers of Inputs was as follows: Basic duty ₹3,00,000; Education cess ₹6,000; SAH Education cess ₹3000. Excise duty paid on capital goods received during the month was as follows. Basic duty ₹50,000; Education Cess ₹1,000; SAH education cess ₹500. Service tax paid on Input services was as follows – Service Tax ₹25,000. Cess: Education cess – ₹500. SAH Education – ₹250. How much duty the assessee is liable to pay by challan for the month of June 2015, if assessee had no opening balance in his PLA account. What is last date for payment? [8]
7. (a) Whether the physician samples intended of distribution to medical practitioner as free samples would be considered to be marketable or not as they are statutorily prohibited from being sold. Discuss with appropriate cases regarding the levy of excise duty on such samples. [5]
- (b) X Ltd., engaged in the service of over burden removal in mines, had acquired some tipper trucks and taken Cenvat credit to the extent of the excise duty paid on the said trucks acquired by them. Subsequently, on becoming aware that the said trucks do not qualify as capital goods or inputs under CENVAT credit rules, 2004 the said company reversed the credit taken, all of which had remained unutilized. The department had issued a SCN that interest u/s 11AB on the amount of credit taken, but not utilized should be paid. Write a note whether the action of the department is correct in law [5]
- (c) Sweet Sugar Mills is engaged in the manufacture of Sugar. Government of India had issued directions under the Sugar Control Order for sugar companies to maintain buffer stock of sugar of certain quantity for a specified period. In order to compensate the sugar mill the Government had extended buffer stock subsidy towards storage, interest and insurance charges in respect of the buffer stock of sugar actually held by the sugar mill. The department has issued a show cause notice to the assessee raising a demand of service tax on the ground that the amount received by the sugar mill as buffer subsidy is covered under the taxable service of 'storage and warehousing'. Discuss briefly with reference to decided case law whether the action of the department is sustainable in law. [6]
8. (a) ABC Ltd., has imported inputs without payment of duty under export promotion schemes. The CIF value of such inputs is ₹ 18 lakhs. The inputs are processed and the final product is exported. The exports made by ABC Ltd., are subject to general rate of value addition prescribed under EPS. What should be the minimum FOB value of the exports if ABC Ltd., is covered under
- (i) Advance authorization scheme  
(ii) Duty free import authorization scheme [8]
- (b) The following are the particulars of income earned by Mr. Jawan, a resident but not ordinary resident for the assessment year 2016-17:  
Income from profession in India ₹14 lakhs  
Income from business outside India but controlled in India ₹10 lakhs  
Income from house property outside India ₹4 lakhs  
Life insurance premium ₹2 lakhs
- There is no double taxation avoidance agreement between India and other country in which he earns income. Compute total income and tax payable by him. [8]