

P16_Practice Test Paper_Syl12_Dec13_Set 3

TAX MANAGEMENT AND PRACTICE

Full Marks: 100

Section A Answer all Questions

1. Answer any three Question [3x5=15]

Answer the following with the help of decided case laws-

- Whether the addition and mixing of polymers and additives to base bitumen results in the manufacture of a new marketable commodity and as such exigible to Excise duty?
- Whether the benefit of exemption meant for imported goods can also be given to the smuggled goods?
- Whether the exempted goods on which duty has been paid by mistake by the assessee and refund thereof has also not been claimed would be excluded while computing turnover for preceding year for claiming SSI exemption?
- Whether non-disclosure of a statutory requirement under law would amount to suppression for invoking the larger period of limitation under section 11A?

2. Answer any two Questions [2x5=10]

- (a) A manufacturer having a factory at Kanpur has uniform price of ₹1,100 per unit (excluding taxes) for sale anywhere in India. During financial year 2012-13, he made following sales:-

i.	Sale at factory gate in Kanpur	1,000 units – no transport charges
ii.	Sale to buyers in Delhi	1,500 pieces – actual transport charges incurred ₹18,000.
iii.	Sale to buyers in Chennai	600 pieces – actual transport charges incurred ₹48,000.
iv.	Sale to buyer in Mumbai	900 pieces – actual transport charges incurred ₹33,000.
v.	Sale to buyer in Patna	800 pieces – actual transport charges incurred ₹24,800.

Fine assessable value per unit under the central excise.

- (b) Determine the basis of valuation under section 4 or section 4A of the Central Excise Act, 1944 in the following cases,
- Package products with MRP printed/ marked thereon, exported to Nepal.
 - A packaged commodity covered under MRP notification and also the Legal Metrology Act, 2009 unpacked and shown to the customer, tested and then sold to the customer.
 - Chocolates distributed as free gift along with his bottles of soft drinks.
 - Ice creams sold in bulk to hotels.
- (c) State whether the following elements are to be included or not as part of the 'Transaction value' under section 4 of the Central Excise Act, 1944.
- Erection and commissioning charges
 - System software etched in the computer system
 - Cylinder holding charges
 - After - sales warranty charges

3. Answer all Questions [3x5=15]

- (a) An importer imported some goods on 1st May, 2012 and the goods were cleared from Mumbai port for warehousing on 8th May, 2012 by submitting Bill of Entry, exchange rate

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was ₹ 56 per US \$. FOB value US \$ 10,000. The rate of duty on 8th May, 2012 was 20%. The goods were warehoused at Pune and were cleared from Pune warehouse on 31st September, 2012, when rate of basic customs duty was 16% and exchange rate was ₹ 58.75 per 1 US \$. What is the duty payable while removing the goods from Pune on 31st September, 2012? CVD @10% and Special CVD @4% are applicable.

You are required to find:

- I) The total Customs duty payable?
- II) The interest if any payable?

OR,

Distinguished between Pilfered goods u/s 13 and Lost or destroyed goods u/s 23 of the Customs Act, 1962.

(b) Discuss whether any duty drawback is admissible under section 75 in the following cases and if yes, what is the quantum of such duty drawback—

	FOB value of exported goods (₹)	Rate or amount of drawback	Market price of goods (₹)	Value of imported material used in goods (₹)
(a)	2,00,000	0.75% of FOB value	1,60,000	1,00,000
(b)	98,000	1% of FOB value	1,00,000	60,000
(c)	90,000	0.8% of FOB value	1,05,000	52,500
(d)	2,800	1.5%	3,100	2,600
(e)	3,00,000	40% of FOB value	2,25,000	1,80,000
(f)	1,20,000 (2,000 kgs.)	₹ 30 per kg.	66,000	48,000
(g)	4,40,000	3.5% of FOB value	5,06,000	4,95,000

(c) State the differences between orders under Section 6A(1) and 6A(2).

4. Answer any two Questions [2x5=10]

(a) Mr. Kalishanker, a Cost Accountant, raised an invoice for ₹84,270 (75,000+9,270 service tax) to a client on 20.4.12. The client, however, has paid a lump-sum of ₹80,000 on 28.7.12 for full and final settlement.

How much service tax Mr. Kalishanker has to pay and when does this tax become due for payment?

What will be his liability, if the client refuses to pay service tax and pay only ₹76,000 in total?

(b) State briefly whether the following service under the Finance Act, 1994 relating to service tax are taxable service.

- i. Service provided in the State of Rajasthan by a person having a place of business in the State of Jammu and Kashmir.
- ii. Service provided from India for use outside India

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- iii. Service provided from outside India and received in India by Individual otherwise than purpose of use in business or commerce.
- iv. Service provided to an Export Oriented Unit
- (c) M/s Martin Pvt. Ltd. is a distributor or selling agent authorized by a State in India. Following is the details of lotteries of a distributor to be organized by the State.

Particulars	Lakhpatti (Printed)	Crorepatti (Online)
No. of tickets proposed	7,50,000	8,50,000
Face value of ticket	₹ 10 each	₹ 500 each
Guaranteed prize payout	@60%	@90%
No. of tickets sold	6,00,000	7,35,000

Calculate the service tax under composition scheme as per Rule 6(7C) of the Service Tax Rules, 1994.

Section B

Answer all the Questions

5. Answer any three questions [3x5=15]

Answer the followings with the help of decided case laws-

- (a) Would making an incorrect claim in the return of income per se amount to concealment of particulars or furnishing inaccurate particulars for attracting the penal provisions under section 271(1)(c), when no information given in the return is found to be incorrect?
- (b) Can winnings of prize money on unsold lottery tickets held by the distributor of lottery tickets be assessed as business income and be subject to normal rates of tax instead of the rates prescribed under section 115BB?
- (c) Whether the Tribunal was justified in directing the Assessing Officer to allow the claim of the assessee for exemption under section 10(10C) of the Income-tax Act, 1961 to the extent of ₹5,00,000 by applying the prospective amendment retrospectively?
- (d) Would refund of excise duty and grant of interest subsidy under the incentive scheme formulated by Central Government for public interest, namely, to accelerate industrial development, generate employment and create opportunities for self-employment in state of Jammu and Kashmir be treated as a revenue receipt or a capital receipt?

6. Answer any two Questions [2x5=10]

- (a) From the following information, determine the tax liability of KMD Ltd., domestic company, for the Assessment Year 2012-2013 and 2013-2014.

S. No.	Assessment year	Book-profits (₹)	Total income (₹)
1.	2012-2013	2,90,000	1,35,000
2.	2013-2014	3,00,000	2,00,000

[5]

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(b) W Ltd is a qualifying shipping company which has got two qualifying ships during the Previous Year 2012-2013:

Ship	Tonnage weight	No. of operational days
Ship A	37,959 tonnes and 990 kg	300 days
Ship B	25,580 tonnes and 275 kg	365 days

[5]

(c) Compute the taxable income of Chamber of Commerce from the following data:

	(1) ₹	(2) ₹	(3) ₹
Gross receipts for specified services rendered to members	3,50,000	3,00,000	4,00,000
Expenses incurred in connection with the above	1,50,000	1,50,000	3,00,000
Interest on bank deposits	80,000	60,000	1,20,000
Receipt from members	3,00,000	4,50,000	5,00,000
Expenditure incurred on members	2,10,000	6,75,000	5,20,000

[5]

(d) Rahul a resident Indian, has derived the following income for the Previous Year relevant to the Assesment Year 2013-2014.

Particulars	Amount (₹)
Income from profession	8,00,000
Share of income from a partnership in country X (tax paid in Country X for this income in equivalent Indian ₹45,000)	5,50,000
Commission income from a concern in country Y (tax paid in country Y @ 20%, converted in equivalent Indian Rupees)	1,55,000
Interest on scheduled banks [other than savings account]	35,000

Rahul wishes to know whether he is eligible to any double taxation relief, if so, its quantum. India does not have any Double Taxation Avoidance Agreement with countries X and Y.

[5]

7. Answer any two Questions [2x5=10]

(a) (i) For the assessment year 2011-12, R could not file the return within the due date. The Assessing Officer passed the order under section 144 on 28.05.2012 which was received by the assessee on 2.6.2012. The assessee filed the return on 30.6.2012. Is the return valid? [2]

(ii) Return of income for previous year 2010-2011 was submitted by R on 16.07.2011. The Assessing Officer wants to take the case for scrutiny assessment and serve the notice on (I) 27.09.2012; (II) 31.10.2012. Is the notice valid? [3]

(b) (i) Return of income for previous year 2010-11 was submitted by Raju on 28.07.2011 declaring an income of ₹11,40,000. A revised return was filed on 18.05.2012 declaring an income of ₹8,80,000 up to what time a notice for scrutiny can be served by the Assessing Officer. [3]

(ii) Can father, mother, son and his wife, presently assessed as Hindu undivided family as well as individual, form an association of persons as well as a source of income not belonging to the Hindu undivided family? [2]

(c) The Assessing Officer while making the assessment of assessment year 2004-05, passed an order on 5.7.2006 disallowing certain expense which was being allowed to the assessee right from assessment year 1971-1972 to the assessment year 2003-04. The assessee filed an appeal against the aforesaid assessment order made under section 143(3) to CIT (Appeal)

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then to ITAT and so on which finally went up to the Supreme Court. The Supreme Court on 15.10.2011 held that said expense is not allowable.

Discuss whether the Assessing Officer can issue notice for reassessment of income right from assessment year 1971-72 in view of the no time limit applicable as per section 150(1).

[5]

(8) Answer any one Question [1x5]

(a) Mr. Sujit furnishes the following particulars for the compilation of his Wealth Tax return for Assessment Year 2013-14.

- i. Gifts of jewellery made to wife from time to time aggregating ₹80,000. Market value on valuation date ₹4,50,000
- ii. Flat purchased under installment payment scheme in 1998 for ₹ 10,50,000. Used for purposes of his residence and market value as on 31.3.2013. (Installment remaining unpaid ₹2,60,000) ₹35,00,000
- iii. Urban land transferred to minor handicapped child valued on 31.3.2013 ₹6,00,000. [5]

(b) SPD Ltd. a widely held company owns the following assets as on 31.3.2013: -

- i. Land at Rajarhat (West Bengal) purchased in 2003 on which a residential complex consisting of 24 flats, to be sold on ownership basis, is under construction for last 18 months
- ii. Two office flats at Noida purchased for resale in the year 2002
- iii. Shares of Group Companies, break-up value of which is ₹ 22,00,000 (d) Cash at construction site ₹11,00,000
- iv. Residential flat in occupation of company's whole-time director drawing a salary of ₹5,50,000 per annum.

Which of the above assets will be liable for wealth? Give reasons in brief.

[5]

(9) Answer any two Questions [2x5=10]

(a) Legend India Ltd. is an Indian company. The following incomes are noted from its books of account:

[5]

Income from a business in India 3,80,000

Income from a business in a foreign country with whom

India has ADT agreement 3,32,000

According to the ADT agreement, ₹3,32,000 is taxable in India. However, it can also be taxed in the foreign country @ 16.65% which can be set off against Indian tax liability. Find out the Indian tax liability.

(b) Sunil, aged 64 years, is resident in India. His income is ₹33,60,000 from a business in India and 8,90,000 from a business in a foreign country with whom India has agreement for avoidance of double taxation (ADT). According to the ADT agreement, income is taxable in the country in which it is earned and not in other country. However, in the other country, such income can be included for computation of tax rate. According to the tax laws of the foreign country, Mahesh has paid ₹44,500 as tax in that country. During the previous year, Sunil has paid ₹48,000 as tuition fee for his daughter in India and ₹2,00,000 as tuition fee for his son outside India for full time education. Sunil has also received an interest of ₹64,000 on Government securities. Find out the tax liability of Sunil. Does it make any difference, if Sunil is a non-resident? [5]

(c) Amit, an Indian resident, has paid tax in a foreign country in respect of his income which accrued in that country. India has no double taxation avoidance agreement with that country. Such income is also taxable in India. Is there any relief available to him in respect of the tax paid by him? Explain. [5]