Paper 16 - Tax Management & Practice

Case Study 1

Dhanraj & Co. furnish the following expenditure incurred by them and want you to find the assessable value for the purpose of paying excise duty on captive consumption. Determine the cost of production in terms of rule 8 of the Central Excise Valuation (Determination of Price of Excisable Goods) Rules, 2000 and as per CAS-4 (cost accounting standard)

- **(i) Direct material cost per unit inclusive of excise duty at 20% - ` 2,400**
- **(ii) Direct wages - ` 500**
- **(iii) Other direct expenses - ` 200**
- **(iv) Indirect materials - ` 150**
- **(v) Factory Overheads - ` 300**
- **(vi) Administrative overhead (25% relating to production capacity) ` 200**
- **(vii) Selling and distribution expenses - ` 200**
- **(viii) Quality Control - ` 50**
- **(ix) Sale of scrap realized - `40**
- **(x) Actual profit margin - 20%.**

Case Study 2

Fly Fast Airways Ltd. sold tickets to the travel agents in India at a minimum fixed commercial price. The agents were permitted to sell the tickets at a higher price. The price to be charged by the travel agents was restricted to a maximum of published price. Fly Fast Airways Ltd. was obliged to pay to its travel agents, a commission at the rate of 9% of published price, on which tax was deducted under Section 194H of the Income Tax Act, 1961 by the company. The Assessing Officer contended that company was also liable to deduct tax at source, on the amount of difference between the published price and the minimum fixed commercial price, by treating it as "additional special commission" in the hands of the agents.

Examine whether the contention of the Assessing Officer is tenable in law, in the light of decided case law.

Case Study 3

Mr. Sanghai had sold a commercial property, which was a long term asset and invested the same in purchase and construction of a flat in a apartment in Mumbai, within the one year of sale of asset and claimed deduction u/s 54F of Income Tax Act, but later the builder has not completed the possession of the apartment within 3 years and the apartment remained under construction even after 3 years. The period of 3 years is lapsed without any mistake of Mr. Sanghai now? Will Mr. Sanghai be liable to tax on the capital gains derived from the sale of the commercial property (or) Will Mr. Sanghai be freed from the liability of capital gains tax?

Discuss allowability of exemption u/s. 54F if builder does not complete construction of house within three Years?

Case Study 4

Abhishek, a person of Indian origin was working in Austria since 1994. He returned to India for permanent settlement in May 2014 when he remitted money into India. For the valuation date 31.3.2014, the following particulars were furnished. You are required to compute the taxable wealth. The reason for inclusion or exclusion should be stated.

(i) Buildingowned and let-out for 270 days for residence. Net maintainable rent (`1,00,000) and the Market Value (Excess of Unbuilt Area over Specified Area is 20% of the Aggregate Area) ` 30 lakhs.

(ii) Jewellery:

(a) Purchased in April 2013 out of money remitted to India from Austria - `12,00,000

(b) Purchased in May 2013, out of sale proceeds of motor-car brought from abroad and sold for ` 40 lakhs.

(iii) Value of interest in urban land held by a firm in which he is a partner `10 Lakhs.

(iv) Bonds held in companies `10 Lakhs.

(v) Motor car used for own business ` 25 Lakhs

(vi) Vacant house plot of 480 sq. mts. (purchased in December 2003) market value of ` 20,00,000.

(vii) Cash in hand -` 45,000.

(viii) Urban land purchased in the year 2008 out of withdrawals of NRE Account ` 15,00,000

Case Study 5

Is a person having income below taxable limit, required to furnish his PAN to the deductor as per the provisions of section 206AA, even though he is not required to hold a PAN as per the provisions of section 139A?