TAXATION

AMENDMENTS BY FINANCE ACT, 2010

For PCC & IPCC

AOC™
Academy of Commerce

Assessment Year 2011-12

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IPCC/PCC TAXATION

AMENDMENT CLASS

By

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(Special provision for financially weak aspirants)

Dedicated to

my sisters,
PARUL AGARWAL
and
DEEPIKA AGARWAL

INDEX

INCOME-TAX

TAX RATES FOR AY 2011-12

Individual & HUF

For women resident in India

Upto Rs. 1,90,000	Nil
Rs. 1,90,010 – Rs. 5,00,000	10%
Rs. 5,00,010 – Rs. 8,00,000	20%
Rs. 8,00,010 – ∞	30%

For Senior Citizens i.e. Individual + Resident + ≥65yrs.

Upto Rs. 2,40,000	Nil
Rs. 2,40,010 – Rs. 5,00,000	10%
Rs. 5,00,010 – Rs. 8,00,000	20%
Rs. 8,00,010 – ∞	30%

For Individuals other than above, HUF, AOP, BOI, Artificial Juridical person

Upto Rs. 1,60,000	Nil
Rs. 1,60,010 – Rs. 5,00,000	10%
Rs. 5,00,010 – Rs. 8,00,000	20%
Rs. 8,00,010 – ∞	30%

Others

Person	*Tax Rate*	*Surcharge*
Firm, LLP, Local Auhtority	30%	-NA-
Domestic Company	30%	7.5%*
Company other than domestic company	40%	2.5%*

* Surcharge shall be charged only if total income exceeds Rs. 1 crore.

* ***Marginal relief:*** In the case of every company having a total income exceeding Rs. 1 crore, the total amount payable as income-tax and surcharge on such income shall not exceed the total amount payable as income-tax on a total income of Rs. 1 crore by more than the amount of income that exceeds Rs. 1 crore.

Co-operative society

Upto Rs. 10,000	10%	
Rs. 10,010 – Rs. 20,000	20%	-NA-
Rs. 20,010 - ∞	30%	

EC & SHEC

Education Cess	2%*
Secondary & Higher Education Cess	1%*

* 2% & 1% shall be of tax + surcharge (if any)

Statement of Tax

Particulars	*Amount (Rs.)*	*Amount (Rs.)*
Tax on winning from lotteries, etc. @ 30%	---	
Tax on STCG u/s 111A @ 15%	---	
Tax on Long-term capital gains @ 20% (In case of listed securities, units & zero coupon bonds, assessee has option to calculate tax on LTCG @ 10%, but in that case indexation shall not be available)	---	
Tax on other income @ slab rates (In case of resident Individual & Resident HUF exemption of Rs. 1,60,000/1,90,000/2,40,000 first shall be claimed from other incomes and balance, if any, shall be claimed from LTCG and then from STCG u/s 111A. In any case, cannot be claimed from winning from lotteries, etc.)	---	
Total tax		---
Add: Surcharge, if any		---
		--- (a)
Add:		
EC @ 2% of (a)	---	
SHEC @ 1% of (a)	---	---

Less: Relief u/s 89		---
Tax liability for the year		---
Add: Interest u/s 234A, 234B & 234C		---
Tax & interest liability for the year		---
Less: Payments		
TDS	---	
Advance Tax	---	---
Net tax payable/(refundable)		---
Net tax payable/(refundable) – R/o to the nearest multiple of ten		---

AMENDMENTS

Charitable Purpose – ***Section 2(15)***

<u>"charitable purpose"</u> includes

- relief of the poor,
- education,
- medical relief,
- preservation of environment (including watersheds, forests and wildlife) and preservation of monuments or places or objects of artistic or historic interest, and
- the advancement of any other object of general public utility:

Provided that ***<u>the advancement of any other object of general public utility</u>*** shall not be a charitable purpose, if it involves the carrying on of any activity in the nature of trade, commerce or business, or any activity of rendering any service in relation to any trade, commerce or business, for a cess or fee or any other consideration, irrespective of the nature of use or application, or retention, of the income from such activity:

Provided further that the first proviso shall not apply if the aggregate value of the receipts from the activities referred to therein is Rs. 10,00,000 or less in the previous year.

(Words in box added by Finance Act, 2010 w.r.e.f. AY 2009-10)

<u>Analysis</u>

— Amendment applicable only if there is advancement of any other object of general public utility.

— Earlier, even if business of Rs. 10 is carried on, charitable purpose becomes fully taxable.

— Now, if business receipts are upto Rs. 10 lacs in previous year, charitable purpose shall not be taxable.

— Further, now it is possible that status of trust carrying charitable purpose may change every year depending upon business receipts.

Income deemed to accrue or arise in India – Section 9

Explanation

For the removal of doubts, it is hereby declared that for the purposes of this section, income of a non-resident shall be deemed to accrue or arise in India under clause (v) {income by way of interest} or clause (vi) {income by way of royalty} or clause (vii) {income by way of fees for technical services} of sub-section (1) and shall be included in the total income of the non-resident, whether or not, -

(i) the non-resident has a residence or place of business or business connection in India; or

(ii) the non-resident has rendered services in India.

(Words in box added by Finance Act, 2010 w.r.e.f. 01/06/1976)

Donations for research – Section 35

Purpose	*Donee*	*Deduction*
Scientific research	Research association, university, college, other institutions, ***national laboratory, IIT***	~~125%~~175% of donation
Scientific research	Company (company's main object being is to carry on scientific research)	125% of donation
Research in social sciences, statistical research	Research association, university, college, other institutions	125% of donation

(Words in box added/substituted by Finance Act, 2010)

Analysis

— Weighted deduction of 175% allowed for scientific research.

— Now donation to research association for research in social sciences and statistical research is also allowed as deduction u/h PGBP.

— Corresponding amendment made in Section 80GGA (deduction to assessees not having income u/h PGBP for donations) i.e. in that section also donation to research associations for research in social sciences and statistical research is also allowed as deduction.

— Company assessee shall be allowed ~~150%~~200% deduction for in-house scientific research.

Deduction in respect of expenditure on specified business – Section 35AD

Specified business	*Eligible assessee*	*Date of commencement of business on or after*
Setting up & operating a **cold chain facility** for agricultural produce, meat, poultry products, processed food, etc.	Any assessee	April 1, 2009
Setting up & operating a **warehousing facility** for storage of agricultural produce	Any assessee	April 1, 2009
Laying & operating a cross-country natural gas **pipeline network** for distribution including storage facilities	Indian company or consortium of such companies	April 1, 2007
Laying & operating a cross-country crude/ petroleum oil **pipeline network** for distribution including storage facilities	Indian company or consortium of such companies	April 1, 2009
Building & operating, anywhere in India, a new ***hotel*** of 2 star or above	Any assessee	***April 1, 2010***
Building & operating, anywhere in India, a new ***hospital*** with atleast 100 beds	Any assessee	***April 1, 2010***
Developing & building a ***housing project*** under a scheme for redevelopment or rehabilitation	Any assessee	***April 1, 2010***

Deduction

100% deduction of **capital expenditure** incurred during the previous year.

100% of capital expenditure incurred prior to commencement of business shall be allowed in year of commencement of business only if same has been capitalized on the date of commencement of business.

Capital expenditure ***shall not include*** land, goodwill & financial instrument.

Other provisions

1. Business should be new business i.e. should not be formed by splitting/reconstruction of old business.
2. Business should not be set up by transfer of old plant & machinery. Old plant & machinery should not be more than 20% of total plant & machinery used for the business.
3. Deduction u/c VI-A shall not be allowed in respect of such business for any assessment year.
4. Actual cost of the asset for which deduction has been allowed under section 35AD shall be taken as NIL.

(3 new businesses and words in box added by Finance Act, 2010)

Computation of Income on Estimation Basis – Section 44AD/44AE

Section	44AD	44AE
Eligible Business	Any ***business*** other than business referred in section 44AE	Business of plying, hiring or leasing of goods carriages
Eligible Assessee	***Resident*** - Individual, HUF, Firm (except LLP)	Any assessee
Income u/h PGBP equals to	8% of total turnover or gross receipts of the assessee	- For heavy goods vehicles – Rs. 5,000pm or part of a month during which vehicle is ***owned*** by the assessee - For vehicles other than above – Rs. 4,500pm or part of a month during which vehicle is ***owned*** by the assessee
Not applicable in case	- Turnover/Gross receipts exceed ***Rs. 60 lacs*** OR - Assessee claims income from said business to be lower than 8% computed as above	- Assessee owns ***more than 10*** goods carriages at any time during the year OR - Assessee claims income from said business to be lower than computed as above
Deduction u/c VI-A	Deduction of this business income shall not be allowed but other deductions can be claimed from this income	This income shall be aggregated with other incomes and deduction u/c VI-A (Section 80C to 80U) shall be allowed.
Advance Tax provisions	Shall not be applicable for such business	Shall be applicable
Deduction or disallowance u/s 30-38	All deduction or disallowance u/s 30-38 shall be deemed to be allowed. i.e. no separate deduction or allowance shall be allowed for any expense incurred for earning such income	
Deduction u/s 40(b)	Deduction for ***interest and salary u/s 40(b)*** to partners shall be allowed from the income computed above	
Depreciation	Depreciation shall be deemed to have been allowed& accordingly WDV of next year shall be calculated	
Applicability of sections 44AA & 44AB	Sections 44AA (maintenance of books of accounts) & Section 44AB (audit) shall not be applicable on such business (i.e. business for which assessee opted for taxation on estimation basis). If assessee claims that profits are lower than as computed above, he shall maintain books of accounts as prescribed u/s 44AA and get his accounts audited u/s 44AB	

(Section 44AD inserted altogether new and section 44AF deleted by Finance Act, 2009 w.e.f. AY 2011-12)

Compulsory audit of accounts – Section 44AB

Nature	***Condition for audit***
Business	Total sales, turnover or gross receipts exceeds ~~Rs. 40,00,000~~ Rs. 60,00,000 for that previous year
Profession	Gross receipts exceeds ~~Rs. 10,00,000~~ Rs. 15,00,000 for that previous year
U/s 44AD, 44AE, 44BB, 44BBB	If person claims income less than income computed under these sections. For business covered u/s 44AD, audit is required only if his income exceeds maximum amount not chargeable to tax.

(Words in box substituted/added by Finance Act, 2010)

Subscription to Long-term Infrastructure Bonds – Section 80CCF

Allowed to : Individual & HUF

Quantum : Maximum Rs. 20,000

Deduction is allowed for any amount paid or deposited as subscription to ***long-term infrastructure bonds*** as may be notified by the CG.

Analysis

- Deduction shall be allowed to Individual & HUF only.
- This deduction is in addition to deduction u/s 80C of Rs. 1,00,000. I.e. if an individual or a HUF invests Rs. 20,000 in notified long-term infrastructure bonds, then he may claim deduction u/c VI-A of Rs. 1,20,000.

Medical/Health Insurance Premium – Section 80D

Deduction is allowed for payment of premium towards ***medical insurance*** (also called insurance on the health of the assessee) or contribution towards Central Government Health Scheme (CGHS)

(Words in box added by Finance Act, 2010)

Allowed to	***Premium for insurance of***	***Quantum***
Individual	Self, spouse & dependent children	Maximum Rs. 15,000 (Rs. 20,000 in case of senior citizen)
Individual	Parents (It is in addition to above deduction for individual)	Maximum Rs. 15,000 (Rs. 20,000 in case of senior citizen)
HUF	Any member	Maximum Rs. 15,000 (Rs. 20,000 in case of senior citizen)

Explanations:

– Amount should be paid out of his income chargeable to tax
– Payment must be made by any mode other than cash
– Medical insurance shall be in accordance with scheme framed by GIC of India or any other insurer approved by IRDA

Deduction for business of hotels & convention centres – Section 80ID

Business

i. Of hotel in National Capital Territory of Delhi, Faridabad, Gurgaon, Gautam Budh Nagar, Ghaziabad on or before ~~31/03/2010~~ 31/07/2010

ii. Of building, owning & operating a convention centre in National Capital Territory of Delhi, Faridabad, Gurgaon, Gautam Budh Nagar, Ghaziabad on or before ~~31/03/2010~~ 31/07/2010

iii. Of hotel in places in India having World Heritage Site on or before 31/07/2013

Assessee

Any assessee

Quantum

Deduction shall be 100% of profits for first 5 years starting from the year in which hotel/convention centre starts functioning

(Words in box substituted by Finance Act, 2010)

Monetary Limits for TDS

Section	***Nature***	***Limits upto 30/06/2010***	***Limits w.e.f. 01/07/2010***
194B	Winnings from lotteries, etc.	5,000	10,000
194BB	Winnings from horse race	2,500	5,000
194C	Payment to contractor	20,000 50,000	30,000 75,000
194D	Insurance Commission	5,000	20,000
194H	Commission or brokerage	2,500	5,000
194-I	Rent	1,20,000	1,80,000
194J	Fees for professional or technical services, royalty, non-compete fees	20,000	30,000

TDS Certificates

As per Finance Act, 2009 TDS certificates were not required to be provided by deductor to deductee w.e.f. 01/04/2010.

But by Finance Act, 2010 this provision has been deleted resulting into following situation:

Certificate for TDS shall be given by deductor/payer
- In case of income in the nature of salary – Form 16
- In case of other incomes – Form 16A

Due Dates for deposit of TDS

If deductor/payer is other than Govt.

Deduction date	***Due Dates***	
	Earlier	***Now***
If amount credited on March 31st	May 31st	April 30th
If amount deductible in March except above case	April 7th	April 30th
If amount deductible in April to Feb.	7th of next month	7th of next month

If deductor/payer is Government

Amount deposited w/o challan	On the same day	On the same day
Amount deposited with challan	of deduction	7th of next month

Due dates for deposit of Statements of TDS

Quarter ending	***Due dates***	
	Earlier	***Now***
June	July 15th	
September	October 15th	
December	January 15th	
March	June 15th	May 15th

Interest for non-deduction or late deposit of TDS – Section 201

– If the person liable to deduct tax fails to deduct tax or after deducting fails to deposit the tax,

– then interest shall be chargeable

- @ 1% pm (part of the month shall be treated as full) on the amount of TDS from the date on which such tax was deductible to the date on which such tax is ~~actually paid~~ deducted; and

- @ 1.5% pm (part of the month shall be treated as full) on the amount of TDS from the date on which such tax was deducted to the date on which such tax is actually paid.

(Words in box added/substituted by Finance Act, 2010 w.e.f. 01/07/2010)

Disallowance of expenses in case of non-deduction or late deposit of TDS
Section 40(a)(ia)

Section 40(a)(ia) states that TDS on expenses payable to resident (viz., interest, commission or brokerage, rent, royalty, fees for professional services, fees for technical services, amounts payable to contractors/sub-contractors) is not deducted, or after deduction is not deposited with CG, then said expense shall not be allowed as PGBP expense.

In that case, said expense shall be allowed in the year in which such TDS is deposited.

Time-limits for deposit of TDS u/s 40(a)(ia) to claim expense in the year of incurrence only

Month	*Old time-limits*	*New time-limits*
April to February	By March 31st of the PY	By due date of ROI for that previous year
March	By due date of ROI for that previous year	

(New time limits prescribed by Finance Act, 2010 w.e.f. AY 2010-11)

Analysis

— Now if TDS is deducted on or before March 31st of the previous year and deposited by due date of filing of return, even then expense shall be allowed on incurrence basis. If TDS is deposited after due date, then same shall be allowed in the year of payment.

Cost Inflation Index

Financial Year	CII	***Financial Year***	CII
1981-82	***100***	1996-97	305
1982-83	109	1997-98	331
1983-84	116	1998-99	351
1984-85	125	1999-00	389
1985-86	133	2000-01	406
1986-87	140	2001-02	426
1987-88	150	2002-03	447
1988-89	161	2003-04	463
1989-90	172	2004-05	480
1990-91	182	2005-06	497
1991-92	199	2006-07	519
1992-93	223	2007-08	551
1993-94	244	2008-09	582
1994-95	259	2009-10	632
1995-96	281	***2010-11***	***711***

Gratuity u/h salaries

As per existing provisions, Gratuity received by employee is exempt to some extent but subject to maximum of Rs. 3,50,000.

This limit of Rs. 3,50,000 has been increased to Rs. 10,00,000 w.e.f. May 24, 2010.

Analysis

— Increased limit of Rs. 10,00,000 is applicable in both cases viz., employee is covered by Payment of Gratuity Act, and employee is not covered by Payment of Gratuity Act.

— If employee retires before 24/05/2010, then limit of Rs. 3,50,000 shall apply and accordingly calculations shall be made.

Interest limit for RPF

As per existing provisions, interest credited to RPF account of the employee is exempt @ 9.5%pa. W.e.f. September 01, 2010, this rate has been reduced to 8.5%pa.

Analysis

— This change is applicable only in case of RPF and not in case of SPF.
— For interest upto August 31, 2010, exemption of 9.5%pa shall be allowed and for balance interest, 8.5%pa shall be exempt.
— E.g. Interest @11% amounting to Rs. 17,952 is credited to the RPF account of the employee. In that situation, following shall be exempt:

	From April to August	***From Sept. to March***
Interest Credited	17,952 x 5 / 12 = 7,480	17,952 x 7 / 12 = 10,472
Less: Exempt	7,480 x 9.5 / 11 = 6,460	10,472 x 8.5 / 11 = 8,092
Taxable	7,480 – 6,460 = 1,020	10,472 – 8,092 = 2,380

Allowances to Transport Employees

Not relevant for students having May 2011 attempt, but relevant for November 2011 attempt

As per existing provisions, allowances to transport employees is exempt to the extent of 70% of such allowance or Rs. 6,000pm, whichever is less.

By notification in month of November 2010, limit of Rs. 6,000pm has been increased to Rs. 10,000pm with retrospective effect. So for full AY 2011-12, limit shall be Rs. 10,000pm.

Requirement to furnish PAN – Section 206AA

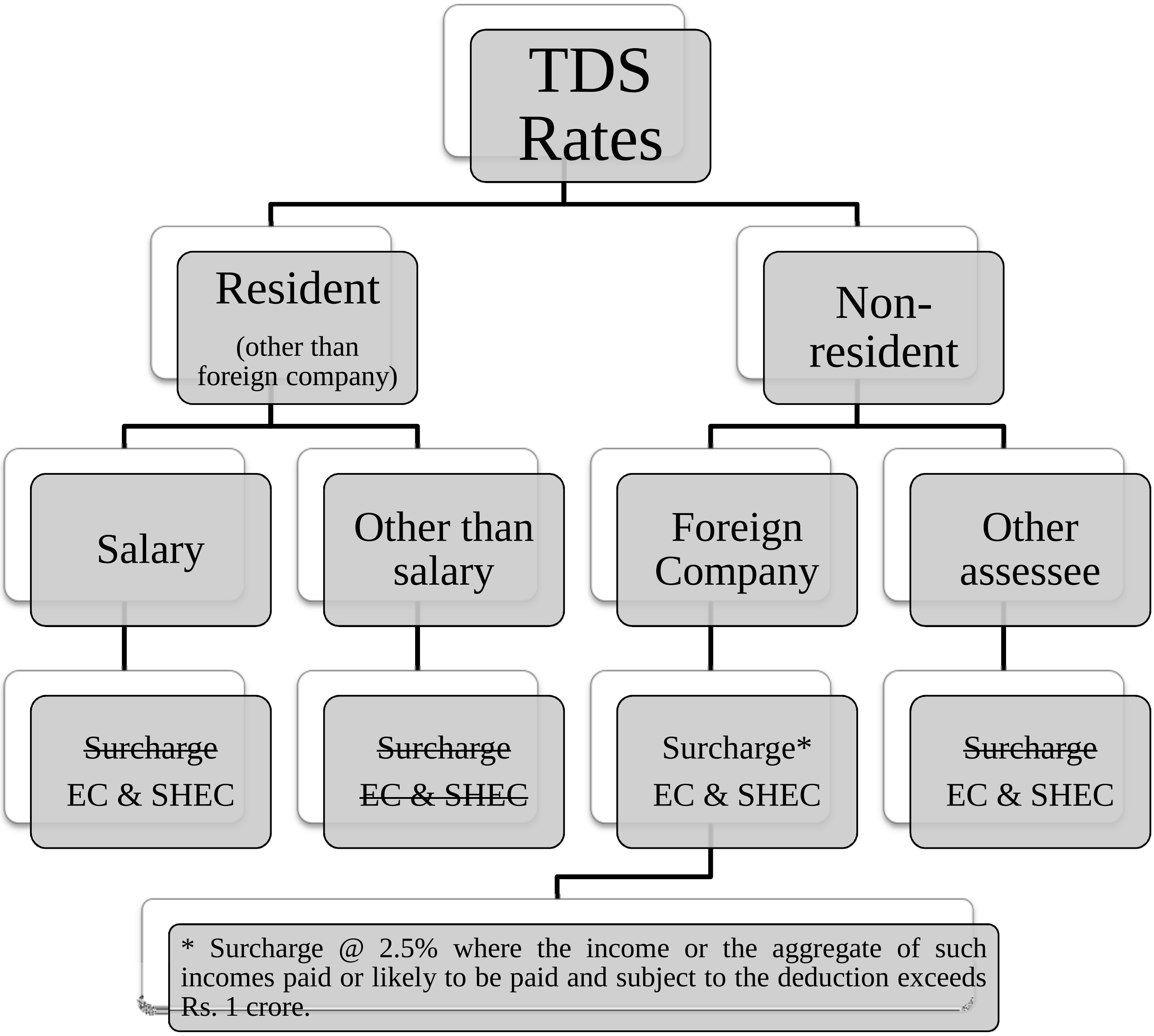
(1) Notwithstanding anything contained in any other provisions of this Act, deductee shall furnish his PAN to the deductor, failing which tax shall be deducted at the higher of the following rates, namely:—

(i) at the rate specified in the relevant provision of this Act; or
(ii) at the rate or rates in force; or
(iii) at the rate of 20%.

(2) No ***certificate*** u/s 197 shall be granted unless the application made under that section contains the PAN of the applicant.

(3) Where the PAN provided to the deductor is invalid or does not belong to the deductee, it shall be deemed that the deductee has not furnished his PAN to the deductor and the provisions of sub-section (1) shall apply accordingly.

(Section 206AA inserted by Finance Act, 2009 w.e.f. 01-04-2010)


TDS Rates
Resident
(other than foreign company)
Non-resident
Salary
Other than salary
Foreign Company
Other assessee
~~Surcharge~~
EC & SHEC
~~Surcharge~~
~~EC & SHEC~~
Surcharge*
EC & SHEC
~~Surcharge~~
EC & SHEC
* Surcharge @ 2.5% where the income or the aggregate of such incomes paid or likely to be paid and subject to the deduction exceeds Rs. 1 crore.

LIMITED LIABILITY PARTNERSHIP

Status – Section 2(23)

(i) ***"firm"*** shall have the meaning assigned to it in the Indian Partnership Act, 1932, and ***shall include a limited liability partnership*** as defined in the Limited Liability Partnership Act, 2008;

(ii) "partner" shall have the meaning assigned to it in the Indian Partnership Act, 1932, and shall include,—

a) any person who, being a minor, has been admitted to the benefits of partnership; and
b) a partner of a limited liability partnership as defined in the Limited Liability Partnership Act, 2008;

(iii) "partnership" shall have the meaning assigned to it in the Indian Partnership Act, 1932, and shall include a limited liability partnership as defined in the Limited Liability Partnership Act, 2008;

<u>In brief</u> – under Income-tax Act, ***general partnership firm & LLP have been treated on same footing***. i.e. tax rates applicable for firm shall apply to LLP and similarly salary & interest provisions [Section 40(b)] shall apply. Profit share in LLP shall be exempt in hands of partners.

Signing of Return – Section 140

In case of ROI of LLP, same shall be signed by designated partner and, in case of absence of same, shall be signed any partner.

Conversion of Company into LLP – Section 47(xiiib)

Provides that

1) any transfer of a ***capital asset*** or intangible asset by a private company or unlisted public company to a LLP; or
2) any ***transfer of a share*** or shares held in a company by a shareholder

on conversion of a company into a LLP in accordance with section 56 and section 57 of the LLP Act, 2008, ***shall not be regarded as a transfer*** for the purposes of levy of capital gains tax under section 45, subject to fulfillment of certain conditions. This clause has been introduced to facilitate conversion of small private and unlisted public companies into LLPs. These ***conditions*** are as follows:

1. all the ***assets and liabilities*** of the company immediately before the conversion become the assets and liabilities of the limited liability partnership;
2. ***all the shareholders*** of the company immediately before the conversion become the partners of the limited liability partnership and their ***capital contribution and profit sharing ratio*** in the limited liability partnership are in the same proportion as their ***shareholding in the company*** on the date of conversion;
3. the shareholders of the company do not receive any consideration or benefit, directly or indirectly, in any form or manner, other than by way of share in profit and capital contribution in the limited liability partnership;
4. the aggregate of the profit sharing ratio of the shareholders of the company in the limited liability partnership shall not be less than fifty per cent at any time during the period of five years ***from the date of conversion***;
5. the total sales, turnover or gross receipts in business of the company in any of the three previous years preceding the previous year in which the conversion takes place does not exceed sixty lakh rupees; and
6. no amount is paid, either directly or indirectly, to any partner out of balance of ***accumulated profit*** standing in the accounts of the company ***on the date of conversion*** for a period of three years from the date of conversion.

Subsequent default – Section 47A(4)

If subsequent to the transfer, any of the above conditions are not complied with, the capital gains not charged u/s 45 would be deemed to be chargeable to tax ***in the PY in which the conditions are not complied with***, in the ***hands of the LLP*** or the shareholder of the predecessor company, as the case may be.

Cost of acquisition & POH – Section 49(1)

The CoA of the capital asset for the successor LLP shall be deemed to be the cost for which the predecessor company acquired it. It would be further increased by the cost of improvement of the asset incurred by the predecessor company or the successor LLP. (for assets covered by section 35AD, actual cost shall be nil)

POH of such capital assets in the hands of successor LLP shall include duration for which capital assets held by the predecessor company.

Where the capital asset being ***rights of a partner*** referred to in section 42 of the Limited Liability Partnership Act, 2008 became the property of the assessee on conversion as referred to in clause (xiiib) of section 47, the cost of acquisition of the asset shall be deemed to be the ***cost of acquisition to him of the share or shares*** in the company immediately before its conversion.

Carry forward & set-off – Section 72A(6A)

Business loss and ***unabsorbed depreciation*** of the predecessor company shall be deemed to be business loss & unabsorbed depreciation of the successor LLP of the previous year in which conversion took place. i.e. The successor LLP would be allowed to carry forward and set-off the business loss and unabsorbed depreciation of the predecessor company for ***fresh 8 years***.

If the entity fails to fulfill any of the conditions mentioned above, the benefit of set-off of business loss/unabsorbed depreciation availed by the LLP would be deemed to be the profits & gains of the LLP chargeable to tax ***in the previous year in which the LLP fails to fulfill*** any of the conditions listed above.

WDV & Depreciation – Section 43(6) & 32(1)

The actual cost of the block of assets in the case of the successor LLP shall be the WDV of the block of assets as in the case of the predecessor company on the date of conversion.

The aggregate depreciation allowable to the Predecessor Company & successor LLP shall not exceed, in any previous year, the depreciation calculated at the prescribed rates as if the conversion had not taken place. Such depreciation shall be apportioned between the predecessor company & the successor LLP in the ratio of the number of days for which the assets were used by them.

Voluntary Retirement Scheme – Section 35DDA(4A)

If a company eligible for deduction u/s 35DDA in respect of expenditure incurred under VRS ($1/5^{th}$ of such expenditure allowable over a period of 5 years) is converted into a LLP and such conversion satisfies the conditions laid down in 47(xiiib), then, the LLP would be eligible for such deduction from the year in which the transfer took place.

Conversion of firm into LLP

As an LLP and a general partnership is being treated as equivalent in the Act, the conversionfrom a general partnership firm to an LLP will have no tax implications if the rights and obligations of the partners remain thesame after conversion and if there is no transfer of any asset or liability after conversion.If there is a violation of these conditions,the provisions of section 45 shall apply. ***(Relevant extract from memorandum to Finance Bill 2009)***

TAXATION OF GIFTS

Relevant Provisions

Section 47(iii)

Nothing contained in section 45 shall apply to any transfer of a capital asset under a gift.
(i.e. no capital gain shall arise in the hands of donor in case of gift. Here gift implies free of cost. For this purpose, transfer of capital asset for inadequate consideration is not a gift.)

Section 49(1)(ii)

Where the capital asset became the property of the assessee under a gift the cost of acquisition of the asset shall be deemed to be the cost for which the previous owner of the property acquired it.
(i.e. in case of gift, CoA for for done shall be CoA to donor. Further, this provision shall not be applicable in case of transfer for inadequate consideration)

Section 49(4)

Where the capital gain arises from the transfer of a property, the value of which has been subject to income-tax under clause (vii) or clause (viia) of section 56(2), the cost of acquisition of such property shall be deemed to be the value which has been taken into account for the purposes of the said clause (vii) or clause (viia).

Explanation 1(i)(b) to Section 2(42A)

In determining the period for which any capital asset is held by the assessee in the case of a capital asset which becomes the property of the assessee in the circumstances mentioned in ***section 49(1)***, there shall be included the period for which the asset was held by the previous owner referred to in the said section.
(i.e. in case of gift, period for which capital asset is held by donor shall also be included in PoH of donee. Further, this provision shall not be applicable in case of gift is taxable in hands of donee in pursuance of section 56(2))

Section 56(2)(vii)

Where an individual or a HUF receives, in any previous year, from any person or persons on or after the ***1st day of October, 2009***, -

(a) any sum of ***money***, ***without consideration***, the ***aggregate*** value of which exceeds Rs. 50,000, the whole of the ***aggregate*** value of such sum;

(b) any ***immovable property***,
   (i) ***without consideration***, the stamp duty value of which exceeds Rs. 50,000, the stamp duty value of such property;
   ~~(ii) for a consideration which is less than the stamp duty value of the property by an amount exceeding Rs. 50,000, the stamp duty value of such property as exceeds such consideration;~~

(Words deleted by Finance Act, 2010 w.r.e.f. 01/10/2009)

(c) any property, other than immovable property, -

(i) without consideration, the ***aggregate*** fair market value of which exceeds Rs. 50,000, the whole of the aggregate fair market value of such property;

(ii) for a consideration which is less than the aggregate fair market value of the property by an amount exceeding Rs. 50,000, the aggregate fair market value of such property as exceeds such consideration :

Provided that where the stamp duty value of immovable property as referred to in sub-clause (b) is disputed by the assessee on grounds mentioned in section 50C(2), the Assessing Officer may refer the valuation of such property to a Valuation Officer, and the provisions of section 50C and section 155(15) shall, as far as may be, apply in relation to the stamp duty value of such property for the purpose of sub-clause (b) as they apply for valuation of capital asset under those sections :

Provided further that this clause shall not apply to any sum of money or any property received -

(a) from any relative; or

(b) on the occasion of the marriage of the individual; or

(c) under a will or by way of inheritance; or

(d) in contemplation of death of the payer or donor, as the case may be; or

(e) from any local authority as defined in the Explanation to section 10(20); or

(f) from any fund or foundation or university or other educational institution or hospital or other medical institution or any trust or institution referred to in section 10(23C); or

(g) from any trust or institution registered u/s 12AA.

Explanation

For the purposes of this clause, -

(a) "assessable" shall have the meaning assigned to it in the Explanation 2 to section 50C(2);

(b) "fair market value" of a property, other than an immovable property, means the value determined in accordance with the method as may be prescribed;

(c) "jewellery" shall have the meaning assigned to it in the Explanation to section 2(14)(ii);

(d) "property" means the following ***capital asset*** of the assessee, namely:—

(i) immovable property being land or building or both;

(ii) shares and securities;

(iii) jewellery;

(iv) archaeological collections;

(v) drawings;

(vi) paintings;

(vii) sculptures;

(viii) any work of art; or

(ix) bullion (w.e.f. 01/06/2010);

(Words in box added by Finance Act, 2010)

(e) For the purposes of this clause, ***<u>"relative"</u>*** means -

(i) spouse of the individual;

(ii) brother or sister of the individual;

(iii) brother or sister of the spouse of the individual;

(iv) brother or sister of either of the parents of the individual;

(v) any lineal ascendant or descendant of the individual;

(vi) any lineal ascendant or descendant of the spouse of the individual;

(vii) spouse of the person referred to in clauses (ii) to (vi);

(f) "stamp duty value" means the value adopted or assessed or assessable by any authority of the Central Government or a State Government for the purpose of payment of stamp duty in respect of an immovable property;

<u>In short</u>

See next page with following assumptions:

- Donor is non-specified person
- Gift/transfer is made on or after 01/10/2009
- Donee is Individual/HUF
- Donee receives property as capital asset

If gift is being made

- By specified person, or
- In circumstances in which gift is not taxable (e.g. on occasion of marriage), or
- On or before 01/10/2009

then nothing shall be taxable in hands of donee u/h IOS.

In that case, if property transferred free of cost, capital gains shall not arise in hands of donor. CoA for donee shall be of previous owner & PoH shall include previous owner's PoH.

If property transferred for consideration, capital gains shall arise in hands of donor subject to section 50C. CoA for donee shall be purchase price and PoH shall be counted from date of purchase only.

TAXABILITY OF GIFT RECEIVED BY INDIVIDUAL/HUF

S.No.	Nature of Property	Transfer Price	SDV/FMV less Tfr. Price	Treatment in hands of donor		Treatment in hands of donee			
				Capital Gains taxability	Sale Consideration	Gift taxability	CoA	PoH	Indexation of CoA
1	Immovable property	Nil	≤ 50,000	Not taxable by virtue of section 47	-NA-	Not taxable	CoA to previous owner	PoH of previous owner shall also be included	From the date first held by donee
2			> 50,000	Not taxable by virtue of section 47	-NA-	Taxable = SDV	SDV	PoH shall start from ***date of gift***	From the date first held by donee
3		Inadequate consi-deration	≤ 50,000	Taxable	SDV by virtue of section 50C	Not taxable	Purchase price, not SDV	PoH shall start from date of purchase	From the date first held by donee
4			> 50,000	Taxable	SDV by virtue of section 50C	Not taxable	Purchase price, not SDV	PoH shall start from date of purchase	From the date first held by donee
5	Movable specified property	Nil	≤ 50,000	Not taxable by virtue of section 47	-NA-	Not taxable	CoA to previous owner	PoH of previous owner shall also be included	From the date first held by donee
6			> 50,000	Not taxable by virtue of section 47	-NA-	Taxable = FMV	FMV	PoH shall start from ***date of gift***	From the date first held by donee
7		Inadequate consi-deration	≤ 50,000	Taxable	Sale price, no applicability of section 50C	Not taxable	Purchase price, not FMV	PoH shall start from date of purchase	From the date first held by donee
8			> 50,000	Taxable	Sale price, no applicability of section 50C	Taxable = FMV – purchase price	FMV	PoH shall start from date of purchase	From the date first held by donee
9	Movable non-specified property	Nil	≤ 50,000	Not taxable by virtue of section 47	-NA-	Not taxable	CoA to previous owner	PoH of previous owner shall also be included	From the date first held by donee
10			> 50,000	Not taxable by virtue of section 47	-NA-	Not taxable	CoA to previous owner	PoH of previous owner shall also be included	From the date first held by done
11		Inadequate consi-deration	≤ 50,000	Taxable	Sale price, no applicability of section 50C	Not taxable	Purchase price, not FMV	PoH shall start from date of purchase	From the date first held by done
12			> 50,000	Taxable	Sale price, no applicability of section 50C	Not taxable	Purchase price, not FMV	PoH shall start from date of purchase	From the date first held by donee

Taxation of Gift in hands of firm/company – ***Section 56(viia) w.e.f. 01/06/2010***

Where a ***firm or a company*** not being a company in which the public are substantially interested, receives, in any previous year, ***from any person*** or persons, on or after the 1st day of June, 2010, any property, ***being shares of a company*** not being a company in which the public are substantially interested, -

(i) without consideration, the aggregate fair market value of which exceeds Rs. 50,000, the whole of the aggregate fair market value of such property;

(ii) for a consideration which is less than the aggregate fair market value of the property by an amount exceeding Rs. 50,000, the aggregate fair market value of such property as exceeds such consideration :

Provided that this clause shall not apply to any such property received by way of a transaction not regarded as transfer under clause (via) or clause (vic) or clause (vicb) or clause (vid) or clause (vii) of section 47.

Explanation

For the purposes of this clause, "fair market value" of a property, being shares of a company not being a company in which the public are substantially interested, shall have the meaning assigned to it in the Explanation to clause (vii);

Analysis

- Conditions to be satisfied for taxability
  - Gifted property is shares of closely held company. (If gift is of any other property like debentures, gold, etc. same shall not be taxable)
  - Gift receiver (donee) is either firm or closely held company. (If donee is AOP/BOI/Trust, etc. same shall not be taxable)
  - Donor may be any person
  - Gift is being made on or after 01/06/2010
  - Difference in transfer price and FMV exceeds Rs. 50,000 from the recipient point of view.
- Aforesaid taxability shall not arise in case shares are received in scheme of amalgamation or demerger.

DETERMINATION OF FAIR MARKET VALUE OF THE PROPERTY OTHER THAN IMMOVABLE PROPERTY

Meaning of expressions used in determination of fair market value – *Rule 11U*

For the proposes of this rule and rule 11UA, -

(a) "accountant" shall have the same meaning as assigned in the Explanation to section 288 of the Act;

(b) "balance-sheet", in relation to any company, means the balance-sheet of such company (including the notes annexed thereto and forming part of the accounts) ***as drawn up on the valuation date***;

(c) "merchant banker" means category I merchant banker registered with Security and Exchange Board of India established u/s 3 of the Securities and Exchange Board of India Act, 1992;

(d) "quoted shares or securities" in relation to share or securities means a share or security quoted on any recognized stock exchange with regularity from time to time, where the quotations of such shares or securities are based on current transaction made in the ordinary course of business;

(e) "recognized stock exchange" shall have the same meaning as assigned to it in section 2(f) of the Securities Contracts (Regulation) Act, 1956;

(f) "registered dealer" means a dealer who is registered under Central Sales-tax Act, 1956 or General Sales-tax Law for the time being in force in any State including value added tax laws;

(g) "registered valuer" shall have the same meaning as assigned to it in section 34AB of the Wealth-tax Act, 1957 read with rule 8A of Wealth-tax Rules, 1957;

(h) "securities" shall have the same meaning as assigned to it in section 2(h) of the Securities Contracts (Regulation) Act, 1956;

(i) "unquoted shares and securities", in relation to shares or securities, means shares and securities which is not a quoted shares or securities;

(j) ***"valuation date" means the date on which the respective property is received by the assessee***.

Determination of Fair Market Value – *Rule 11UA*

For the purposes of section 56 of the Act, the fair market value of a property, other than immovable property, shall be determined in the following manner, namely:—

(a) Valuation of ***jewellery*** -

(i) the fair market value of jewellery shall be estimated to be the price which such jewellery would fetch if sold in the open market on the valuation date;

(ii) in case the jewellery is received by the way of purchase on the valuation date, from a registered dealer, the invoice value of the jewellery shall be the fair market value; (*i.e. no gift element in such a case*)

(iii) In case the jewellery is received by any other mode and the ***value of the jewellery*** exceeds rupees fifty thousand, then assessee may obtain the report of registered valuer in respect of the price it would fetch if sold in the open market on the valuation date;

(b) Valuation of ***archaeological collections, drawings, paintings, sculptures or any work of art***. -

(i) the fair market value of archaeological collections, drawings, paintings, sculptures or any work of art (hereinafter referred as artistic work) shall be estimated to be price which it would fetch if sold in the open market on the valuation date;

(ii) in case the artistic work is received by the way of purchase on the valuation date, from a registered dealer, the invoice value of the artistic work shall be the fair market value;

(iii) in case the artistic work is received by any other mode and the value of the artistic work exceeds rupees fifty thousand, then assessee may obtain the report of registered valuer in respect of the price it would fetch if sold in the open market on the valuation date;

(c) Valuation of ***shares and securities***. -

(a) the fair market value of ***quoted shares and securities*** shall be determined in the following manner, namely:—

(i) if the quoted shares and securities are received by way of transaction carried out through any recognized stock exchange, the fair market value of such shares and securities shall be the transaction value as recorded in such stock exchange;

(ii) if such quoted shares and securities are received by way of transaction carried out other than through any recognized stock exchange, the fair market value of such shares and securities shall be, -

(a) the lowest price of such shares and securities quoted on any recognized stock exchange on the valuation date, and

(b) the lowest price of such shares and securities on any recognized stock exchange on a date immediately preceding the valuation date when such shares and securities were traded on such stock exchange, in cases where on the valuation date there is no trading in such shares and securities on any recognized stock exchange;

(b) the fair market value of ***unquoted equity shares*** shall be the value, on the valuation date, of such unquoted equity shares as determined in the following manner, namely:—

The fair market value of unquoted equity shares = $\frac{(A-L)}{(PE)} x\ (PV)$

Where,

A = ***Book value*** of the assets in Balance Sheet as reduced by any amount paid as advance tax under the Income-tax Act and any amount shown in the balance sheet including the debit balance of the profit and loss account or the profit and loss appropriation account which does not represent the value of any asset.

L = Book value of liabilities shown in the Balance Sheet but not including the following amounts:—

(i) the paid-up capital in respect of equity shares;

(ii) the amount set apart for payment of dividends on preference shares and equity shares where such dividends have not been declared before the date of transfer at a general body meeting of the company;

(iii) reserves, by whatever name called, other than those set apart towards depreciation;

(iv) credit balance of the profit and loss account;

(v) any amount representing provision for taxation, other than amount paid as advance tax under the Income-tax Act, to the extent of the excess over the tax payable with reference to the book profits in accordance with the law applicable thereto;

(vi) any amount representing provisions made for meeting liabilities, other than ascertained liabilities;

(vii) any amount representing contingent liabilities other than arrears of dividends payable in respect of cumulative preference shares.

PE = Total amount of paid up equity share capital as shown in Balance Sheet.

PV = the paid up value of ***such*** equity shares.

(c) the fair market value of ***unquoted shares and securities other than equity shares*** in a company which are not listed in any recognized stock exchange shall be estimated to be price it would fetch if sold in the open market on the valuation date and the assessee may obtain a report from a merchant banker or an accountant in respect of such valuation.

Analysis

Shares & securities:

i. Listed securities purchased through recognized stock exchange: Purchase price shall be the FMV i.e. nothing shall be taxable as gift.
ii. Listed securities by any other mode: Lowest price quoted on recognized stock exchange on the date gift received.
iii. Unlisted equity shares: Value on the basis of balance sheet of company as on valuation date.
iv. Unlisted other securities: Value as securities may fetch in open market and report may be obtained from merchant banker/accountant to this account.

Any other capital asset:

i. If purchased from registered dealer: Invoice value shall be the FMV i.e. nothing shall be taxable as gift.
ii. Received by any other mode: Value as asset may fetch in open market and report may be obtained from registered valuer to this account.

SERVICE-TAX

Transport of passengers by air services – ***Notification 26/2010***

Notification No. 26/2010 exempts the services of transport of passengers by air services from so much of service tax as is in excess of –

(a) 10% of the gross value of the ticket or ***Rs. 100***/journey, whichever is less, for passengers travelling in ***any class***, ***within India***;

(b) 10% of the gross value of the ticket or ***Rs. 500***/journey, whichever is less, for passengers embarking in India for an ***international journey*** in ***economy class***:

Provided that this exemption ***shall not apply*** in cases where –
the credit of duty paid on ***inputs*** used for providing such taxable service has been taken under the provisions of the CENVAT Credit Rules, 2004;

Explanation - For the purposes of this notification, economy class in an aircraft means –
(i) where there is more than one class of travel, the class attracting the lowest standard fare; or
(ii) where there is only one class of travel, that class.

TAXABLE SERVICES

Commercial Training or Coaching Services – ***Section 65(105)(zzc)***

⇒ shall mean any service provided or to be provided

⇒ to any person,

⇒ by any institute or establishment providing commercial training or coaching

⇒ for imparting skill or knowledge or lessons

⇒ on any subject or field,

⇒ whether with or without issuance of a certificate,

⇒ and includes

- coaching or tutorial classes
- computer training institute

Exemptions:

✓ sports

✓ preschool

✓ issuance of law recognized degree/certificate
- If institute/establishment not recognized by law at the time of conducting the course, then such service shall be taxable

✓ training or coaching forming essential part of course/curriculum of law recognized degree/certificate
- Exemption not available if charges directly paid to training centre

✓ vocational training – skills to enable person to seek employment (including self-employment)

✓ recreational training – dance, singing, etc.

✓ services by individuals at the premise of receiver *(but not tuition bureau)*

Clarifications/Explanations:

✓ Intention of profit motive is irrelevant. In either case service tax shall be leviable.

By Finance Act, 2010, it has been cleared w.r.e.f. 01/07/2003 that commercial training or coaching centre includes any centre/institute where training/coaching is imparted for consideration, whether or not such centre or institute is registered as a trust/society/similar other organization under any law and carrying on its activity with or without profit motive.

Term 'commercial' appearing in definition only means that such training or coaching should be provided for a consideration, whether or not such training or coaching is conducted with a profit motive.

- ✓ ***Recreational training institute*** means a commercial training or coaching centre which provides coaching or training relating to recreational activities such as dance, singing, martial arts, hobbies.

- ✓ ***Computer training institute*** means a commercial training or coaching centre which provides coaching or training relating to computer software or hardware.

- ✓ ***Vocational training institute*** means a commercial training or coaching centre which provides vocational coaching or training that impart skills to enable the trainee to seek employment or undertake self-employment, directly after such training or coaching.

  - Institutes offering following shall not be covered under vocational training institute (i.e. shall not be exempt) because they only improve the chances of success for a candidate possessing required skill and do not impart training to enable the trainee to seek employment or self-employment:
    - general course on improving communication skills;
    - how to be effective in group discussions or personal interviews;
    - personality development;
    - general grooming & finishing;
    - etc.

- ✓ ***Vocational training institute*** (w.e.f. 27/02/2010)means an Industrial Training Institute or an Industrial Training Centre affiliated to the National Council for Vocational Training, offering courses in designated trades as notified under the Apprentices Act, 1961
  - W.e.f. 29/04/2010, service provided in relation to Modular Employable Skill courses approved by the National Council of Vocational Training, by a Vocational Training Provider registered under the Skill Development Initiative Scheme with the Directorate General of Employment and Training, Ministry of Labour and Employment, Government of India shall also be exempt

- ✓ *Whether donations and grants-in-aid received from different sources by a charitable Foundation imparting free livelihood training to the poor and marginalized youth, will be treated as 'consideration' received for such training and subjected to service tax under 'commercial training or coaching service'?*

The important point here is regarding the presence or absence of a link between 'consideration' and taxable service. It is a settled legal position that unless the link or nexus between the amount and the taxable activity can be established, the amount cannot be subjected to service tax. Donation or grant-in-aid is not specifically meant for a person receiving such training or to the specific activity, but is in general meant for the charitable cause championed by the registered Foundation. Between the provider of donation/grant and the trainee there is no relationship other than universal humanitarian interest. In such a situation, service tax is not leviable, since the donation or grant-in-aid is not linked to specific trainee or training. (Circular No. 127/9/2010 dated August 16, 2010)

- ✓ If training is provided by employer to employees in-house that shall not be taxable, but, however, if some outside agency is appointed for the purpose, then same shall be taxable.
- ✓ It does not matter if training is provided online.
- ✓ Continuous education programs for professional development and creating awareness are not commercial training and hence not taxable.

Legal Consultancy Services – Section 65(105)(zzzzm)

- ⇒ shall mean any service provided or to be provided
- ⇒ to a business entity,
- ⇒ by any other business entity
- ⇒ in relation to advice, consultancy or assistance
- ⇒ in any branch of law, in any manner

- ⇒ However, any service provided by way of appearance before any court, tribunal or authority shall not amount to taxable service.

- ⇒ ***"Business entity"*** includes an association of persons, body of individuals, company or firm, but does not include an individual (individual includes sole proprietorship).
- ⇒ ***W.e.f. 08/05/2010*** this definition of "Business entity" has been made applicable to entire service tax law.

Exemptions:

- ✓ Any service provided by way of appearance before any court, tribunal or authority
- ✓ The service provider and/or service recipient is an individual.

⇒ shall mean any service provided or to be provided
⇒ to any person,
⇒ by any other person
⇒ in relation to information technology software

~~⇒ for use in the course, or furtherance, of business or commerce~~ (omitted w.e.f. 01/07/2010)

Information technology software *includes*:

i. development of information technology software
ii. study, analysis, design and programming of information technology software
iii. adaptation, upgradation, enhancement, implementation and other similar services related to information technology software
iv. providing advice, consultancy and assistance on matters related to information technology software
v. providing the right to use ITS for commercial exploitation
vi. providing the right to use software components for the creation of and inclusion in other ITS products
vii. providing the right to use ITS supplied electronically

Information technology software means any representation of instructions, data, sound or image, including source code and object code, recorded in a machine readable form, and capable of being manipulated or providing interactivity to a user, by means of computer or an automatic data processing machine or any other device or equipment.

Exemptions:

✓ Providing the right to use the packaged/canned software, pre-packed in retail packages intended for single use provided:
    - The document providing the right to use such software is packed alongwith the software.
    - Custom duty (in case of import)/Excise duty (in case of in-house manufacturer/duplicator) has been paid on entire amount received from the buyer.

Practising Chartered Accountant Services – Section 65(105)(s)

⇒ shall mean any service provided or to be provided
⇒ to any person,
⇒ by a practising chartered accountant
⇒ in his professional capacity,
⇒ in any manner.

<u>Exemptions:</u>

✓ Services relating to ***representing*** the ***client*** before any ***statutory authority*** in the course of ***proceedings*** initiated under any law, ***by way of issue of notice***.

<u>Clarifications/Explanations:</u>

✓ ***Practising Chartered Accountant*** means a person who is a member of the Institute of Chartered Accountants of India and is holding a certificate of practice granted under the provisions of Chartered Accountants Act, 1949 and includes any concern engaged in rendering services in the field of chartered accountancy.

Manpower Recruitment or Supply Agency Services – Section 65(105)(k)

⇒ shall mean any service provided or to be provided
⇒ to any person,
⇒ by a manpower recruitment or supply agency
⇒ in relation to
⇒ the recruitment or supply of manpower
⇒ ***temporarily or otherwise***,
⇒ in any manner.

<u>Exemptions:</u>

✓ Services provided to ***goods transport agency*** to provide any service to a customer in relation to transport of goods by road
  - o provided invoice issued to goods transport agency contains the name & address of the goods transport agency and name & date of consignment note.

<u>Clarifications/Explanations:</u>

✓ ***Manpower recruitment or supply agency*** means ***any person*** engaged in providing any service, directly or indirectly, in any manner for recruitment or supply of manpower, temporarily or otherwise, to any other person.

- ✓ It ***includes*** services in relation to
  - o Pre-recruitment screening
  - o Verification of the credentials and antecedents of the candidate, and
  - o Authenticity of documents submitted by the candidate.

- ✓ Educational institutes such as IITs and IIMs fall within the definition of 'manpower recruitment or supply agency', and service tax is liable on services provided by such institutions in relation to campus recruitment. In this case service tax is liable on amount charged by educational institute from the companies participating in campus interview.

- ✓ Help by an expert in selection process is covered under this service.

Cargo Handling Services – Section 65(105)(zr)

- ⇒ shall mean any service provided or to be provided,
- ⇒ to any person,
- ⇒ by a cargo handling agency
- ⇒ in relation to
- ⇒ cargo handling services.

<u>Exemptions:</u>

- ✓ Services provided to goods transport agency to provide any service to a customer in relation to transport of goods by road
  - o provided invoice issued to goods transport agency contains the name & address of the goods transport agency and name & date of consignment note.
- ✓ Handling of export cargo
- ✓ Handling of passenger baggage (including unaccompanied baggage)
- ✓ Mere transportation of goods
- ✓ Services in relation to agricultural produce
- ✓ Services in relation to goods intended to be stored in cold storage

<u>Clarifications/Explanations:</u>

- ✓ ***Cargo handling service*** means loading, unloading, packing or unpacking of cargo.
- ✓ It ***includes***:
  - o cargo handling services provided for freight in special containers or for non-containerised freight
  - o services provided by a container freight terminal or any other freight terminal

  for ***all modes of transport***
  - o cargo handling service incidental to freight
  - o service of ***packing together with transportation*** of cargo or goods, with or without one or more of other services like loading, unloading, unpacking (e.g. packers & movers)

- ✓ Word agency implies that cargo handling agency shall not be owner of the goods. Such services for self-owned goods shall not be taxable.
- ✓ Where individual undertakes the activity of loading/unloading (e.g. through hired labours), then same shall not be taxable. In this case sole proprietorship differs from individual.
- ✓ If service is combined for both transportation & handling both, service tax shall be chargeable on amount of handling only provided cost of transportation is shown separately, otherwise on full amount.
- ✓ Word "cargo" means goods which are being transported from one place to another by any means of transport.

Custom House Agent Services – Section 65(105)(h)

- ⇒ shall mean any service provided or to be provided,
- ⇒ to any person,
- ⇒ by a custom house agent
- ⇒ in relation to
    - o the entry or departure of conveyances, or
    - o the import or export of goods.

Clarifications/Explanations:

- ✓ ***Custom House Agent*** means a person licensed, temporarily or otherwise, under the regulations made under section 146(2) of the Customs Act, 1962.

Consulting Engineer Services – Section 65(105)(g)

⇒ shall mean any service provided or to be provided
⇒ to any person,
⇒ by a consulting engineer
⇒ in relation to
⇒ advice, consultancy or technical assistance
⇒ in any manner
⇒ in one or more ***disciplines of engineering***
⇒ ***including*** the discipline of computer hardware engineering.

Clarifications/Explanations:

✓ ***Consulting engineer*** means any professionally qualified engineer or any body corporate or any other firm who, either directly or indirectly, renders this service.

✓ Services in disciplines of both computer hardware engineering and computer software engineering shall be taxable here only.

✓ Disciplines of engineering includes:
  - Structural engineering works
  - Civil engineering works
  - Mechanical engineering works
  - Electrical engineering works
  - Construction management

IPCC November 2010

Question 1

(a) Mr. Soohan submits the following details of his income for the assessment year 2011-12

Particulars	***Rs.***
Income from Salary	30,00,000.00
Loss from let out house property	40,000.00
Income from sugar business	50,000.00
Loss from iron ore business b/f (discontinued in 2004-05)	1,20,000.00
Short term capital loss	60,000.00
Long term capital gain	40,000.00
Dividend	5,000.00
Income received from lottery winning (Gross)	50,000.00
Winnings in card games	6,000.00
Agricultural Income	20,000.00
Long term capital gain from shares (STT paid)	10,000.00
Short term capital loss u/s 111A	10,000.00
Bank interest	5,000.00

Calculate gross total income and losses to be carried forward.

(b) Mr. A is a proprietor of Akash Enterprises having 2 units. He transferred on 01-04-2010 his unit 1 by way of slump sale for a total consideration of Rs. 25 lacs. The expenses incurred for this transfer were Rs. 28,000. His balance Sheet as on 31-03-2010 is as under:

Liabilities	**Total Rs.**	**Assets**	**Unit 1 Rs.**	**Unit 1 Rs.**	**Total Rs.**
Own Capital	*15,00,000 0*	*Building*	*12,00,000*	*2,00,0000*	*14,00,000*
Revaluation Reserve (for building of unit 1)	*3,00,0000*	*Machinery*	*3,00,0000*	*1,00,0000*	*4,00,000*
Bank loan (70% for unit 1)	*2,00,0000*	*Debtors*	*1,00,0000*	*40,0000*	*1,40,000*
Trade creditors (25% for unit 1)	*1,50,0000*	*Other assets*	*1,50,0000*	*60,0000*	*2,10,000*
Total	***21,50,000***	***Total***	***17,50,000***	***4,00,000***	***21,50,000***

Other information:

(i) Revaluation reserve is created by revising upward the value of the building of unit 1.

(ii) No individual value of any assets is considered in the transfer deed.

(iii) Other assets of unit 1 include patents acquired on 01-07-2008 for 50,000 on which no depreciation has been charged.

(c) Smart & Express Co. is providing taxable information technology software services. The firm fumishes the following information relating to the services rendered, bills raised, amount received pertaining to this service, for the financial year ended on 31st March, 2011 as under:

		Rs.
(i)	Amount received being 10% of the assignment fees on 31st March, 2011 for the upgradation and enhancement of software services to be rendered during the financial year 2011-12.	6,00,000
(ii)	Services provided to UNICEF, an International Organization in Gandhinagar, for analysis, design and programming of latest Information technology software.	5,00,000
(iii)	Services billed to clients – In one of the bill amounting to Rs. 3,00,000 service tax was not charged due to conflicting nature and in another bill the firm failed to recover service tax from the client, which was charged separately, due to insolvency of the client, the bill details are as under:	3,00,00,000

	Rs.
Being the charges for right to use IT software	8,00,000
Service tax @ 10%	80,000
Education cess @ 2%	1,600
Secondary & Higher education cess @ 1%	800
	8,82,400

(iv) Amount received for service rendered during current financial 1,04,78,500 year (excluding payment for 2 bills in item (iii) above for which also payment was received during current financial year)

Service tax and education cess have been charged separately in all the bills except wherever mentioned when it is not so charged separately.

Compute the value of total taxable services and service tax payable thereon for the year ended 31-03-2011, assigning reasons in brief to the treatment of all items.

(d) Mr. Rajesh is a registered dealer and gives the following information. You are required to computer the net tax liability and total sales value under value added tax:
Rajesh sells his products to dealers in his State and in other States.
The profit margin is 15% of cost of production and VAT rate is 12.5% of sales.

(i) Intra State purchases of raw material Rs. 2,50,000/- (excluding VAT @ 4%).
(ii) Purchases of raw materials from an unregistered dealer Rs. 80,000/- (including VAT @ 12.5%).
(iii) High seas purchases of raw materials are Rs. 1,85,000/- (excluding custom duty @ 10% Rs. 18,500).
(iv) Purchases of raw materials from other States (excluding CST @ 2%) Rs. 50,000/-.
(v) Transportation charges, wages and other manufacturing expenses excluding tax Rs. 1,45,000/-.
(vi) Interest paid on bank loan Rs. 70,000/-.

Question 2

(a) (i) Which income of Sikkimese individual is exempted from tax under section 10(26AAA)?

(i) How will you calculate the period of holding in case of the following assets?

(1) Shares held in a company in liquidation

(2) Bonus shares

(3) Flat in a co-operative society

(4) Transfer of a security by a depository (i.e. demat account)

(b) How can an assessee adjust the excess payment of service tax against his liability of service tax for subsequent periods? What is the basic condition for it?

(c) What records should be maintained under VAT system by a registered dealer?

Question 3

(a) Dr. Shuba is a medical practitioner. Her age is 64 as on 1st January, 2011. The receipts and payments account of 2010-11 of her is as under;

To	**Rs.**	**By**	**Rs.**
Balance B/f	10,000	Purchase of commercial vehicle before 30 Sep. 2010	4,00,000
Receipts from sale of medicine	2,50,000	Drawings	2,50,000
Consultation fee	50,000	Deposit in bank for 5 years	1,50,000
Visiting fee	2,00,000	Surgical instrument purchased before 30 Sep. 2010	50,000
Lecture fees	5,000	Installment of loan paid (including interest Rs. 22,333)	1,21,000
Family pension	2,80,000	Medical insurance premium	32,000
Savings bank interest	1,000	Installment of housing loan (Principal component Rs. 48,000)	1,08,000
Share from HUF	50,000	Advance tax paid	20,000
Agricultural income	1,00,000	Purchase of medicine	47,000
Income from lottery (Net after deduction of TDS @ 30%)	35,000	Payment for medical journal	5,000
		Vehicle expenses	50,000
		Balance C/f	48,000
Total	**12,81,000**	**Total**	**12,81,000**

Other relevant information is as under:

(i) She resides in her own house which was constructed in 1998 with a loan from LIC Housing of Rs. 10,00,000 out of which Rs. 6,00,000 was still due. She got it refinanced from SBI on 01-04-2010 at the rate of 10% One-fourth portion of the house is used for clinic purposes.

(ii) She invested in term deposit Rs. 1,50,000 in Bank of Baroda on 01-07-2010 for a period of 5 years in the name of her minor daughter at 9% interest p.a.

(iii) She purchased a commercial vehicle on 1st July 2010 at Rs. 4,00,000. A loan of Rs. 3,00,000 was taken to buy the van at 8% interest. One fourth use of vehicle is estimated to be personal.

(iv) She paid medical insurance premium for herself of Rs. 16,000 and for mother Rs. 16,000. Her mother is dependent on her.

(v) She got her share from HUF's income of Rs. 50,000

(b) Write a note in brief on provisional payment of service tax.

(c) State the variants of VAT. Present them in schematic diagram and explain each one briefly.

Question 4

(a) (i) Explain the consequences of not deducting tax and paying to Government Account under section 201 of the Income Tax Act, 1961.

(ii) Can political party claim exemption of its income under section 13A of the Income Tax Act, 161?

(b) How will a taxable service be valued when the consideration thereof is not wholly or partly in terms of money?

(c) State with reasons in brief whether the following statements are correct or incorrect with reference to the provision of value added tax.

(i) It is permitted to issue 'tax invoice' inclusive of VAT i.e. aggregate of sales price and VAT.

(ii) A registered dealer is compulsorily required to get its books of accounts audited under VAT laws of different States irrespective of limit of turnover.

Questions 5

(a) From the following details, find out the salary chargeable to tax for the assessment year 2011-12-

Mr. X is regular employee of Rama & Co. in Gurgaon. He was appointed on 01-01-2010 in the scale of 20,000-1,000-30,000. He is paid 10% D.A. & Bonus equivalent to one month pay. He contributes 15% of his pay and D.A. towards his recognized provident fund and the company contributes the same amount.

He is provided free housing facility which has been taken on rent by the company at Rs. 10,000 per month. He is also provided with following facilities:

(i) Facility of laptop costing Rs. 50,000.

(ii) Company reimbursed the medical treatment bill of his brother of Rs. 25,000, who is dependent on him.

(iii) The monthly salary of Rs. 1,000 of a house keeper is reimbursed by the company.

(iv) A gift voucher of Rs. 10,000 on the occasion of his marriage anniversary.

(v) Conveyance allowance of Rs. 1,000 per month is given by the company towards actual reimbursement.

(vi) He is provided personal accident policy for which premium of Rs. 5,000 is paid by the company.

(vii) He is getting telephone allowance @ Rs. 500 per month.

(viii) Company pays medical insurance premium of his family of Rs. 10,000.

(b) What do you mean by e-filing of returns? Is there any facility of e-filing of service tax returns? If yes, then which of the services are eligible for this facility?

(c) What are the conditions to be fulfilled by the dealer accepting the composition scheme under the value added tax?

Question 6

(a) Sai Ltd. has a block of assets carrying 15% rate of depreciation, whose written down value on 01.04.2010 was Rs. 40 lacs. It purchased another asset of the same block on 01.11.2010 for Rs. 14.40 lacs and put to use on the same day. Sai Ltd. was amalgamated with Shirdi Ltd. with effect from 01.01.2011.

You are required to compute the depreciation allowable to Sai Ltd. & Shirdi Ltd. for the previous year ended on 31.03.2011 assuming the assets transferred to Shirdi Ltd. at Rs. 60 lacs.

(b) State with reasons in brief whether the following statements are correct or incorrect with reference to the provisions of service tax:.

(i) The scope of taxable service shall include any service provided or to the provided to business entity, by any other business entity, in relation to advice, consultancy of assistance in any branch of law including service provided by way of appearance before any court, tribunal or authority.

(ii) Service tax provisions are not applicable in Jammu and Kashmir because State Government concurrence was not obtained in respect of Finance Act, 1944.

(b) Mention the purchases which are not eligible for input tax credit (any eight items) under value added tax.

Question 7

(a) Answer any two sub-parts out of three sub-parts of the question.

(i) Mr. Shah, an Accounts Manager, has retired from JK Ltd. on 15-01-2011 after rendering services for 30 years 7 months. His salary is Rs. 25,000/- p.m. upto 30-09-2010 and Rs. 27,000/- thereafter. He also gets Rs. 2,000/- p.m. as dearness allowance (55% of it is part of salary for computing retirement benefits). He is not covered by the Payment of Gratuity Act, 1972. He has received Rs. 8 Lacs as gratuity from the employer company.

(ii) State under which heads the following incomes are taxable:

(i) Rental income in case of dealer in property
(ii) Dividend on shares in case of a dealer in shares
(iii) Salary by a partner from his partnership firm
(iv) Rental income of machinery
(v) Winnings from lotteries by a person having the same as business activity
(vi) Salaries payable to a Member of Parliament
(vii) Receipts without consideration
(viii) In case of retirement, interest on employee’s contribution if provident fund is unrecognized.

(iii) Explain briefly the applicability of section 22 for chargeability of income tax for:

(i) House property situated in foreign country and
(ii) House property with disputed ownership.

(b) Not relevant now

(a) Compute the VAT payable by Mr. Shyam, who purchased goods from a manufacturer on payment of Rs. 4,16,000 (including VAT) and eamed 20% profit on purchase price. VAT rate on both purchases and sales is 4%.

ANSWERS

Answer 1

(a) Computation of gross total income of Mr. Soohan for AY 2011-12

Particulars	Rs.	Rs.
Salaries		
Income from salary	3,00,000	
Less: Loss from house property	(40,000)	2,60,000
Profits and gains of business or profession		
Income from sugar business	50,000	
Less: Brought forward loss from iron-ore business	(50,000)	Nil
Balance business loss of Rs. 70,000 of P.Y. 2004-05 carried forward to AY 2012-13		
Capital gains		
Long term capital gain	40,000	
Less: Short term capital loss	(40,000)	Nil
Balance short-term capital loss of Rs. 20,000 to be carried forward		
Short-term capital loss of Rs. 10,000 u/s 111A to be carried forward		
Income from other sources		
Winnings from lottery	50,000	
Winnings from card games	6,000	
Bank interest	5,000	61,000
Gross Total Income		3,21,000
Losses to be carried forward to A.Y. 2012-13		
Loss of iron-ore business	70,000	
Short term capital loss	30,000	

Note:

1. The following income are exempt u/s 10 -
   (i) Dividend income {Exempt under section 10(34)}, assuming that dividend is received from a domestic company.
   (ii) Agricultural income {Exempt under section 10(1)].
   (iii) Long-term capital gains on which STT is paid {Exempt under section 10(38)}.
2. It is presumed that loss from iron-ore business relates to P.Y. 2003-04, the year in which the business was discontinued.

(b) Computation of capital gains on slump sale of Unit 1

Particulars	Rs.
Sale value	25,00,000
Less: Expenses on sale	28,000
Net sale consideration	24,72,000
Less: Net worth (See Note 1 below)	12,50,625
Long term capital gain	12,21,375

Note 1 : Computation of net worth of Unit 1

Particulars	Rs.	Rs.
Building (excluding Rs. 3 lakhs on account of revaluation)		9,00,000
Machinery		3,00,000
Debtors		1,00,000
Patents (See Note 2 below)		28,125
Other assets (Rs. 1,50,000 – Rs. 50,000)		1,00,000
Total assets		14,28,125
Less: Creditors	37,500	
Bank Loan	1,40,000	1,77,500
Net worth		12,50,625

Note 2 : Written down value of patents as on 01-04-2010

Value of patents:	Rs.
Cost as on 01-07-2008	50,000
Less: Depreciation @ 25% for PY 2008-09	12,500
WDV as on 01-04-2009	37,500
Less: Depreciation for PY 2009-10	9,375
WDV as on 1-04-2010	28,125

It is assumed that values given above are also the values as per Income-tax.

(c) Computation of value of taxable service and service tax payable by Smart & Express Co.

		Rs.
(i)	Amount received in advance for upgradation and enhancement of Software services {Note 1}	6,00,000
(ii)	Services rendered to UNICEF – not liable to service tax {Note 2}	Nil
(iii)	The actual amount realized is liable for service tax {Note 3}	3,00,000
(iv)	The actual amount realized is liable for service tax {Note 3}	8,00,000
(v)	Amount realized for service rendered	1,04,78,500
	Total	1,21,78,500
	Less: Service Tax (1,21,78,500 x 10.3)/110.3	11,37,249
	Total value of taxable services	1,10,41,251
	Service tax payable thereon @ 10%	11,04,125

EC @ 2%	22,083
SHEC @ 1%	11,041
Total service tax payable	11,37,249

Working Notes:

(1) The scope of taxable service includes service provided towards upgradation, enhancement, implementation and other similar services related to information technology software.

(2) Services provided to the International organizations like UNICEF is exempt from Service Tax.

(3) If assessee does not recover service tax by any reason, then receipts are treated as inclusive of service tax.

(4) Amounts received represent that amount received i.e. inclusive of service tax.

(d) Computation of net VAT liability and total sales value

	Rs.
Intra-State purchases of raw material (excluding VAT Rs. 10,000)	2,50,000
Purchases of raw materials from unregistered dealer	80,000
High seas purchases of raw materials	2,03,500
Purchases of raw material from other States	51,000
Transportation charges, wages and manufacturing expenses	1,45,000
Interest on loan	70,000
Cost of production	7,99,500
Add: Profit margin 15%	1,19,925
	9,19,425
Add: VAT @ 12.5%	1,14,928
Total sales value	10,34,353

Computation of VAT liability:	
VAT on above sales price @ 12.5%	1,14,928
Less: Set off of VAT on intra-state purchases:	10,000
Net VAT payable	1,04,928

Notes:

1. Input tax credit is not available on the purchases from unregistered dealer. Hence, VAT paid thereon is a part of cost of production.
2. Duty paid on imports is not allowed as input tax credit and it is a part of cost of production.
3. Set-off of tax paid on inter-state purchases is not allowed.

Answer 2

(a) (i) Income of Sikkimese individual from any source in Sikkim or by way of dividend/interest on securities is exempt u/s 10(26AAA). However, income of Sikkimese woman, married to non-Sikkimese, shall not be exempt.

(ii) (1) Shares held in a company in liquidation – Period of holding is calculated till date of liquidation from date of allotment or purchase. Period after liquidation shall be excluded.

(2) Bonus shares – Period of holding shall be from date of allotment till date of transfer.

(3) Flat in a co-operative society – Period of holding shall start from the date of allotment of share (or date of possession if no share) till date of transfer.

(4) Transfer of a security by a depository (i.e. demat account) – Period of holding shall be from date of allotment or purchase of shares till date of transfer. To identify the shares being sold, FIFO method shall be allowed.

(b) Adjustment of excess service tax paid

In case of payment of service tax to the CG in excess of the amount required to be paid, assessee may adjust such excess in the succeeding month/quarter, subject to following conditions:

i. Self-adjustment not allowed in case of reasons involving interpretation of law, taxability, classification, valuation or applicability of any exemption notification.

ii. Excess amount paid or proposed to be adjusted should not exceed Rs. 1,00,000 for the relevant month/quarter.

   - Except in case of centralized registration where excess amount paid is on account of delayed receipt of details of payments from branch offices.

iii. Adjustment can be made only in the succeeding month or quarter.

iv. The details of self-adjustment should be intimated to the Superintendent of Central Excise within a period of 15 days from the date of such adjustment.

(c) Following records should be maintained:

a. Purchase records
b. Sales records
c. VAT account
d. Separate record of any exempt sale
e. Copies of all invoices issued, in serial number
f. Copies of all credit and debit notes issued, in chronological order
g. All purchase invoices, copies of customs entries, receipts for payments of customs duty or tax
h. Details of the amount of tax charged on each sale or purchase
i. Total of output tax and input tax in each period and net total of tax payable or excess carried forward at the end of each period.
j. Details of goods manufactured and delivered from the factory of the taxable person

Answer 3

(a) Computation of total income of Dr. Shuba for A.Y. 2011-12

Particulars	Rs.	Rs.	Rs.
Income from House Property			
Annual Value		Nil	
Less: Interest on loan (3/4th of 10% of Rs. 6,00,000 or Rs. 30,000)		30,000	(30,000)
Profits & Gains of business or profession			
Sale of medicine	2,50,000		
Consultation Fee	50,000		
Visiting Fee	2,00,000	5,00,000	
Less: Exepenses			
Medicine purcjase	47,000		
Journal	5,000		
Depreciation			
Surgical Instrument (15% of 50,000)	7,500		
Vehicle (3/4th of 15% of 4,00,000)	45,000		
House Property (1/4th of 5% of (10,00,000 less depreciation since PY 1998-99))	10,769		
Interest on loan (3/4th of Rs. 22,333 & not Rs. 24,000)	16,750		
Vehicle expenses (3/4th)	37,500		
Interest on housing loan (1/4th)	15,000	1,84,519	3,15,481
Income from other sources			
Family pension (2,80,000 less Rs. 15,000)		2,65,000	
Lecture fee		5,000	
SB Interest		1,000	
FD Interest	10,125		
Less: Exemption for clubbing of minor's income	1,500	8,625	
Winnings from lottery		50,000	3,29,625
Gross Total Income			6,15,106
Less: Deductions u/c VI-A			
80C – Housing Loan (3/4th)		36,000	
80D – Medical Insurance (15,000 + 16,000)		31,000	67,000
Total Income			5,48,106
Total Income (R/o)			5,48,110
Tax on total Income			
On winnings from lottery @ 30%		15,000	
On other income @ slab rate		40,622	55,622
Add: EC + SHEC @ 3%			1,669
Tax payable			57,291

Less: TDS	15,000	
Advance Tax	20,000	35,000
Net tax payable		22,291
Net tax payable (R/o)		22,290

(b) <u>Provisional payment of service tax</u>

If assessee is unable to correctly estimate, at the time of deposit, the actual amount of service tax for any month or quarter, he may make a written request to AC/DC for making payment of service tax on provisional basis. AC/DC may allow payment on provisional basis on such value of taxable services as may be specified by him.

<u>Provisional Assessment</u>

At the time of filing the return, the assessee is required to file a statement in form ST-3A giving detail of difference between service tax deposited and the service tax liable to be paid for each month, alongwith quarterly or half yearly statements.

AC/DC may complete the assessment after calling for necessary documents or records.

(c) VAT has following three variants.

(a) Gross product variant
(b) Income variant
(c) Consumption variant

Gross product variant
- Tax is levied on all sales and
- deduction for tax paid on inputs
- excluding capital inputs
- is allowed

Income variant
- Tax is levied on all sales
- with set-off for tax paid
  - on inputs and
  - only depreciation on capital goods

Consumption variant
- Tax is levied on all sales
- with deduction for tax paid
- on all business inputs (including capital goods)

<u>GPV</u> : No allowance for taxes on capital goods in year of purchase or in year of depreciation. Capital goods carry a heavier tax burden as they are taxed twice. Modernization and upgrading of plant & machinery is delayed (due to higher cost of machinery and hence longer depreciation period).

<u>IV</u> : Many difficulties connected with specification of any method of measuring depreciation, which basically depends on the life of an asset as well as on the rate of inflation.

<u>CV</u> : This form is neutral between the methods of production (capital intensive or labour intensive). Tax is also neutral between the decision to save or consume.

Answer 4

(a) (i) If the person liable to deduct tax fails to deduct tax or after deducting fails to deposit the tax, then interest shall be chargeable

@ 1% pm (part of the month shall be treated as full) on the amount of TDS from the date on which such tax was deductible to the date on which such tax is deducted; and

@ 1.5% pm (part of the month shall be treated as full) on the amount of TDS from the date on which such tax was deducted to the date on which such tax is actually paid

Such interest shall be paid before submitting quarterly return. If TDS is not deposited after deducting, the amount of TDS alongwith interest shall be charge upon all the assets of the payer (i.e. person liable to deduct tax)

(ii) Following incomes shall be exempt:

- Income taxable u/h house property
- Income taxable u/h other sources
- Income by way of voluntary contributions
- Income taxable u/h capital gains

Conditions for claiming exemption

- Political party maintains such books of accounts and other documents as may enable AO to compute its total income
- Maintains records of voluntary contributions in excess of Rs. 20,000 alongwith name & address of contributor
- Accounts must be audited by a CA

Political party shall mean a party registered u/s 29A of the Representation of the People Act, 1951.

(b) Section 67 of the Finance Act, 1994 states that when consideration is not wholly or partly in terms of money, then consideration received shall be treated as inclusive of service tax and accordingly calculation of value of taxable service shall be made. In other words, in that value of taxable service shall be so much as after adding amount of service tax becomes equal to consideration received.

(c) (i) Incorrect

Reason: As per white paper, tax invoice shall show amount & rate of tax charged separately in the invoice.

(ii) Incorrect

Reason: States have provided turnover limits exceeding which audit becomes mandatory.

Answer 5

(a) Computation of taxable salary of Mr. X for A.Y. 2011-12

Particulars	Rs.
Basic pay {(20,000x9) + (21,000x3)}	2,43,000
Dearness allowance {10% of basic pay}	24,300
Bonus	20,250
Employer's contribution to RPF	
(15% of 2,43,000 + 24,300 – 12% of 2,43,000)	10,935
Telephone allowance	6,000
Rent-free accommodation	40,388
Medical reimbursement (25,000 – 15,000)	10,000
Reimbursement of salary of housekeeper	12,000
Laptop	Exempt
Medical Insurance Premium	Exempt
Gift voucher	5,000
Salary income chargeable to tax	3,71,873

Notes:

1. Bonus is generally in percentage terms of basic salary paid during the year. Therefore bonus is Rs. 2,43,000/12.
2. It has been assumed that dearness allowance does not form part of salary for retirement benefits.
3. In case of accommodation taken on lease by the employer, value of rent-free accommodation shall be 15% of salary or actual rent payable, whichever is less.
   Actual rent payable = Rs. 1,20,000
   15% of salary (Rs. 2,43,000 + 20,250 + 6,000) = 40,388
4. Conveyance allowance is exempt since it is based on actual reimbursement for official purposes.
5. Premium of Rs. 5,000 paid by the company for personal accident policy is not liable to tax.

(b) E-filing of returns means electronic filing of returns through computer & internet. Electronic filing may be done from any place and further there is no requirement to visit department office.
Yes, there is facility of e-filing of service tax returns. For assessees who have deposited service tax of Rs. 10,00,000 (including amount paid by way of CENVAT credit) in the preceding financial year, they shall submit e-return only. For other assessees it is optional. E-filing is not dependent of nature of service provided. Therefore, facility of e-filing is available for all services.

(c) The dealer accepting the composition scheme should adhere to following conditions;
   (i) Option should be exercise in writing
   (ii) Should be addressed to Commissioner
   (iii) Dealer need not maintain any statutory records except purchase, sales, inventory
   (iv) On the date of exercise, stock should not include goods brought from outside the State

(v) Dealer shall not use any goods brought from outside the State after date of exercise
(vi) No ITC on goods lying in stock on date of exercise

Answer 6

(a) Depreciation for PY 2010-11 as if no amalgamation has taken place

Particulars	Amount Rs.
Written down value (WDV) as on 01-04-2010	40,00,000
Addition during the year (used for less than 180 days)	14,40,000
Total :	54,40,000
Depreciation on Rs. 40,00,000 @ 15%	6,00,000
Depreciation on Rs. 14,40,000 @ 7.5%	1,08,000
Total depreciation for the year	7,08,000

Depreciation to Sai Ltd. = 7,08,000 x 275 / 365 = 5,33,425
Depreciation to Shirdi Ltd. = 7,08,000 less 5,33,425 = 1,74,575

(b) (i) Incorrect
Reason: As per Section 65(105) of the Finance Act, 1994 service provided by way of appearance before any court, tribunal or authority is excluded from the scope of taxable service of legal consultancy services.

(ii) Correct
Reason: As per Constitution of India, any Central Act can be made applicable to J&K only if concurrence of J&K is received. For Finance Act, 1994, no such concurrence has been received till date.
It is assumed that Finance Act, 1994 is written as Finance Act, 1944 by mistake.

(c) The following purchases are not eligible for input tax credit.
(i) purchases from unregistered dealers
(ii) purchases from registered dealer who opt for composition scheme
(iii) purchase of notified goods
(iv) purchase of goods without invoice or non-availability of purchase invoice
(v) purchase of goods where invoice does not show the amount of tax separately
(vi) purchase of goods which are being utilized in the manufacture of exempted goods
(vii) goods in stock, which have suffered tax under an earlier Act but under VAT Act they are covered under exempted items
(viii) purchase of goods used for personal use/consumption or provided free of charge as gifts
(ix) high seas purchases (imports)
(x) inter-State purchases

Answer 7

(a) (i) Computation of gratuity taxable in the hands of Mr. Shah for the AY 2011-12

Least of the following shall be exempt –

		Rs.
(i)	Gratuity received	8,00,000
(ii)	Half-month's salary for every year of completed service (15/30 x 30 x {25,000 x 7 + 27,000 x 3 + 2,000 x 10 x 55%}/10)	4,00,500
(iii)	Monetary limit	10,00,000

Therefore, Rs. 4,05,000 shall be exempt and balance of Rs. 3,95,000 (Rs. 8,00,000 less Rs. 4,05,000) shall be taxable

(ii)

	Particulars	Head of Income
(i)	Rental income in case of dealer in property	Income from house property
(ii)	Dividend on shares in case of a dealer in Shares	Income from other sources
(iii)	Salary by partner from his partnership firm	Profit and gains of business or profession
(iv)	Rental income of machinery	Income from other sources/ Profits and gains of business or profession
(v)	Winnings from lotteries by a person having the same as business activity	Income from other sources
(vi)	Salaries payable to a Member of Parliament	Income from other sources
(vii)	Receipts without consideration	Income from other sources
(viii)	In case of retirement, interest on employee's contribution if provident fund is unrecognized	Income from other sources

(iii) Applicability of section 22 for chargeability of income-tax for -

(i) House property situated in foreign country

For resident & ordinarily resident	Shall be applicable
For resident but not ordinarily resident and for non-resident	Shall be applicable only if rental income is received in India

(ii) House property with disputed ownership

In case of disputed ownership, protective assessment is being made in which assessment is made upon both the parties to dispute. Ultimately tax is claimed from the assessee who wins the dispute.

(b) Not relevant now

(c) Computation of VAT payable by Mr. Shyam

	Rs.
Purchase cost (including VAT)	4,16,000
Less: VAT (4,16,000x 4 / 104)	16,000
Purchase cost (excluding VAT)	4,00,000
Add: Profit margin @ 20% on purchase price	80,000
Sale price	4,80,000
VAT @ 4%	19,200
Less: Input credit	16,000
VAT payable	3,200

PCC November 2010

1. (a) Mr. Ram an Indian citizen left India on 22.09.2010 for the first time to work as an officer of a company in Germany. 4x5 = 20

Determine the residential status of Ram for the assessment year 2011-12 and explain the conditions to be fulfilled for the same under the Income-tax Act, 1961

(b) Mrs. Kasturi transferred her immovable property to ABC Co. Ltd. subject to a condition that out of the rental income, a sum of Rs. 36,000 per annum shall be utilised for the benefit of her son's wife.

Mrs. Kasturi claims that the amount of 36,000 (utilized by her son's wife) should not be included in her total income as she no longer owned the property.

State with reasons whether the contention of Mrs. Kasturi is valid in law?

(c) Determine the total income of Mr. Chand from the following information for the Asst. Year 2011-12:

(i)	Interest received on enhance compensation (It relates to transfer of land in the financial year 2005-06. Out of the above Rs. 65,000 relates to financial year 2010-11 and the balance relate to preceding years)	4,00,000
(ii)	Business loss relating to discontinued business of the asst. year 2005-06 brought forward and eligible for set off.	1,50,000
(iii)	Current year business income (i.e.) financial year 2010-11) (Computed)	1,10,000

(d) Compute net VAT liability of Rishi from the following information:

Particulars	Rs.	Rs.
Raw material from foreign market		1,20,000
(Includes duty paid on imports 20%)		
Raw material purchased from local market		
Cost of raw material	2,50,000	
Add : Excise duty 16%	40,000	
	2,90,000	
Add : VAT @ 4%	11,600	3,01,600
Raw material purchased from neighbouring State		51,000

(Includes CST @ 2%)		
Storage and transportation cost		9,000
Manufacturing expenses		30,000

Rishi sold goods to Madan and earned profit @ 12% on the cost of production.

VAT rate on sale of such goods is 4%.

2. (a) Mr. Raju, a manufacture at Chennai, gives the following Manufacturing. 12

Trading and Profit & Loss Account for the year ended 31.03.2011

Manufacturing, Trading and Profit & Loss Account for the year ended 31.03.2011

	Rs.		**Rs.**
To Opening Stock	71,000	By Sales	32,00,000
To purchase of Raw materials	16,99,000	By Closing stock	2,00,000
To Manufacturing Wages & Expenses	5,70,000		
To Gross Profit	10,60,000		
	34,00,000		34,00,000
To Administrative charges	3,26,000	By Gross Profit	10,60,000
To State VAT penalty paid	5,000	By Dividend from domestic companies	15,000
To State VAT paid	1,10,000	By Income from agriculture (net)	1,80,000
To General Expenses	54,000		
To Interest to Bank	60,000		
(On machinery term loan)			
To Depreciation	2,00,000		
To Net Profit	5,00,000		
	12,55,000		**12,55,000**

Following are the further information relating to the financial year 2010-11:

(i) Administrative charges include Rs. 46,000 paid as commission to brother of the assessee. The commission amount at the market rate is Rs. 36, 000.

(ii) The assessee paid Rs. 33,000 in cash to a transport carrier on 29.12.2010. This amount is included in manufacturing expenses. (Assume that the provisions relating to TDS are not applicable to this payment.)

(iii) A sum of Rs. 4,000 per month was paid as salary to a staff throughout the year and this has not been recorded in the books of account.

(iv) Bank term loan interest actually paid upto 31.03.2011 was Rs. 20,000 and the balance was paid in October 2010.

(v) Housing loan principal repaid during the year was Rs. 50,000 and it relates to residential property occupied by him. Interest on housing loan was Rs. 23,000. Housing loan was taken from Canara Bank. These amounts were not dealt with in the Profit and Loss Account given above.

(vi) Depreciation allowable under the Act is to be computed on the basis of following information.

Plant & Machinery (Depreciation rate @ 15%)	**Rs.**
Opening WDV (as on 01.04.2010)	12,00,000
Additions during the year (used for more than 180 days)	2,00,000
Total additions during the year	4,00,000

Note: Ignore additional depreciation U/s. 32(iia)

Compute the total income of Mr. Raju for the assessment year 2011-12.

Note: Ignore application of Sec. 14A for disallowance of expenditures in respect of any exempt income.

(b) Prasad & Co. seeks your advise for the following in the context of service tax: 4

(i) It wants to file revised service tax return even though the original return was filed belatedly.

(ii) It will pay service tax only on actual receipt of money from the customers though it maintained its books of account on mercantile basis.

Your answer must be with reasons.

3. (a) Two brothers Arun and Bimal are co-owners of a house property with equal share. The property was constructed during the financial year 1998-99. The property consists of eight identical units and is situated at Cochin. 12

During the financial year 2010-11, each co-owner occupied one unit for residence and the balance of six units were let out at a rent of Rs. 12,000 per month per unit. The municipal value of the house property is Rs. 9,00,000 and the municipal taxes are 20% of municipal value, which were paid during the year. The other expenses were as follows:

		Rs.
(i)	Repairs	40,000
(ii)	Insurance premium (paid)	15,000

(iii)	Interest payable on loan taken for construction of house	3,00,000

One of the let out units remained vacant for four months during the year.

Arun could not occupy his unit for six months as he was transferred to Chennai. He does not own any other house.

The other income of Mr. Arun and Mr. Bimal are Rs. 2,90,000 and Rs. 1,80,000 respectively for the financial year 2010-11.

Compute the income under the head 'Income from House Property' and the total income of two brothers for the assessment year 2011-12.

(b) ABC & Co. received the following amount during the half year ended 31.03.2011:

		Rs.
(i)	For services performed prior to the date of levy of service tax (Assume service tax was levied from a specified date by change of law)	3,50,000
(ii)	Advance amount received in March, 2011 (No service was rendered and the amount was refunded to the client in July 2010)	75,000
(iii)	For free services rendered to customers, amount reimbursed by the manufacturer of such product. (for the period after the imposition of service tax)	50,000
(iv)	Amounts realised and on which service tax is payable (excluding the items (i) to (iii) above)	14,26,500

Calculate the service tax liability duly considering the threshold limit.

4. (a) Mukesh (aged 55 year) owned a residential house at Nagpur. It was acquired by Mukesh on 10.10.1984 for Rs. 4,00,000. It was sold for Rs. 55,00,000 on 04.11.2010. The State stamp valuation authority fixed the value of the property at Rs. 60,00,000. The assessee paid 2% of the sale consideration as brokerage for the sale of said property. 7

Mukesh acquired a residential house at Chennai on 10.12.2010 for Rs. 15,00,000 and deposited Rs. 10,00,000 on 10.04.2011 in the capital gain bond of Rural Electrification Corporation Ltd (REC). He deposited Rs. 5,00,000 on 06.07.2011 in the Capital Gain Deposit Scheme in a nationalized bank for construction of additional floor on the residential house property acquired at Chennai.

Compute the capital gain chargeable to tax in the hands of Mr. Mukesh for the assessment year 2011-12. Calculate the income-tax payable on the assumption that he has no other income chargeable to tax.

Cost inflation index: Financial year 1984-85 = 125

Financial year 2010-11 = 711

(b) M/s Arora Ltd., submits the following details of expenditure pertaining to the financial year 2010-11: 5

(i) Payment of professional fees to Mr. Mani Rs. 50,000. Tax not deducted at source.

(ii) Interior works done by Mr. Hari for Rs. 2,00,000 on a contract basis. Payment made in the month of March 2011. Tax deducted in March 2011, was paid on 30.06.2010.

(iii) Factory Rent paid to Mrs. Rao Rs. 15,00,000. Tax deducted at source and paid on 01.10.2011.

(iv) Interest paid on Fixed Deposits Rs. 2,00,000. Tax deducted on 31.12.2010 and paid on 28.09.2011.

(v) Payment made to M/s Green & Co. towards import of Raw Material Rs. 25,00,000. No tax was deducted at source. The supplier Green & Co. is located in London.

Examine the above with reference to allowability of the same in the assessment year 2011-12 under the Income-tax Act, 1961. Your answer must be with reference to Section 40(a) read with relevant tax deduction at source provisions.

(c) X & Co., is a service provider. It received Rs. 19,80,000 during the financial year 2010-11 after deduction of tax at source under Section 194 J of the Income-tax Act, 1961.

The rate of tax deduction being 10% (i.e. after deduction of Rs. 2,20,000).

(i) Calculate the service tax liability of X & Co.

(ii) Can a multiple service provider use a single challan for payment of service tax for various services rendered by it?

5. (a) Mr. Raghu, Marketing Manager of KL Ltd. based at Mumbai furnishes you the following information for the year ended 31.03.2011: 8

Basic salary	- Rs. 1,00,000 per month
Dearness allowance	- Rs. 50,000 per month
Bonus	- 2 Months basic salary
Contribution of employer to Recognized Provident Fund	@ 15% of basic salary plus Dearness allowance

Rent free unfurnished accommodation was provided by the company at Mumbai (accommodation owned by the company)

		Rs.
(i)	Recognised Provident Fund contribution made by Raghu	1,50,000
(ii)	Health insurance premium for his family	20,000
(iii)	Health insurance premium in respect of parents (senior citizens)	28,000
(iv)	Medical expenses of dependent brother with 'severe disability' (covered by Section 2(o) of National Trust for Welfare of Person with Autism, Cerebral Palsy,	60,000

Mental Retardation and Multiple Disabilities Act, 1999).

(v)	Interest on loan taken for education of his son studying B. Com (full time) in a recognised college	24,000
(vi)	Interest on loan take for education of a student for whom Mr. Raghu is the legal guardian for pursuing B.Sc. (Physics) (full-time) in a recognized university.	20,000

Compute the total income of Mr. Raghu for the assessment year 2011-12.

(b) State the conditions for deductibility of bad debt written off under the Income-tax Act, 1961 — 4

(c) State how the service tax paid would be adjusted when the service in not provided either wholly or partially? — 4

6. (a) State with reasons the taxability/deductibility of the following items in the context of Income-tax Act, 1961: — 12

(i) Agricultural income to a resident of India from a land situated in Malaysia.

(ii) Bad debt written off and allowed in the financial year 2008-2009 of Rs. 50,000 recovered in the financial year 2010-11.

(iii) Allowance received by an employee working in a transport system at Rs. 10,000 per month to meet his personal expenditure while in duty. He is not receiving any daily allowance.

(iv) Amount withdrawn from Public Provident Fund as per relevant rules.

(v) Telephone provided at the residence of employee and the bill aggregating to Rs. 25,000 paid by the employer. Determine the perquisite value taxable in the hands of employee.

(vi) Payment of R. 50,000 to an electoral trust by an Indian company.

Assume that all the facts given above relate to financial year 2010-2011

(b) Raj and Co., a manufacturer of Product 'X' sold its goods to a distributor at Rs. 11,250 inclusive of tax. The distributor sold the goods to wholesaler for Rs. 13,500. The wholesaler sold the goods to a retailer for Rs. 16,875. The retailer sold the goods to consumer at Rs. 22,500. All the sales were inclusive of VAT @ 12.5%. — 4

Compute the total VAT payable under the subtraction method

7. Answer any **four** out of the following: — 4x4 = 16

(a) Explain the tax treatment of Limited Liability Partnership under the Income-tax Act, 1961.

(b) Sachin received Rs. 15,00,000 on 23.01.2011 on transfer of his residential building in a transaction of reverse mortgage under a scheme notified by the Central Government. The building was acquired in March 1991 for Rs. 8,00,000.

Is the amount received on reverse mortgage chargeable to tax in the hands of Sachin under the hear 'Capital gains'?

Cost inflation index for the Financial year 1990-91 = 182 Financial year 2010-11 = 711

(c) AB Co. Ltd., allotted 1000 sweat equity shares to Sri Chand in June 2010. The shares were allotted at Rs. 200 per share against the fair market value of Rs. 300 per share on the date of exercise of option by the allottee viz. Sri Chand. The fair market value was computed in accordance with the method prescribed under the Act.

(i) What is the perquisite value of sweat equity shares allotted to Sri Chand?

(ii) In the case of subsequent sale of those shares by Sri Chand, what would be the cost of acquisition of those sweat equity shares?

(d) Discus briefly on carry forward and set off of losses in the case of change in constitution of firm or on succession under Section 78 of the Income-tax Act, 1961.

(e) List out the merits of VAT.

ANSWERS

Answer 1

(a) An individual becomes resident in India for a previous year if he satisfies any one of the following basic conditions-

(i) He stays in India during the relevant previous year for 182 days or more, or

(ii) He stays in India during the relevant previous year for 60 days or more and 365 days or more in the 4 years immediately preceding the relevant previous year.

However, in case of Indian citizens leaving India for employment during relevant previous year, basic condition (ii) shall not be applicable on such person.

During the previous year 2010-11, Mr. Ram, an Indian citizen, stayed in India for 175 days only (i.e. 30+31+30+31+31+22 days).

Since he does not satisfy the basic condition of 182 days, he is non-resident for the A.Y. 2011-12.

(b) As per provisions of section 64(1), if any asset is transferred to any person, for inadequate consideration, then income from such extent to the extent is utilised for immediate or deferred benefit of the son's wife, shall be included in total income of the transferor.

Therefore, income of Rs. 36,000 for the benefit of son's wife is chargeable to tax in the hands of transferor i.e., Smt. Kasturi assuming transfer was for inadequate consideration.

Hence, the contention of Smt. Kasturi is not valid in law.

(c) Computation of total income of Mr. Chand for A.Y. 2011-12

	Particulars	Amount (Rs.)	Amount (Rs.)
	Profits and gains of business or profession		
	Current year business income	1,10,000	
Less:	Brought forward business loss of discontinued business Rs. 1,50,000 set-off (maximum Rs. 1,10,000)	1,10,000	Nil
	Income from other sources		
	Interest of enhanced compensation taxable on receipt basis - section 56(2)	4,00,000	

Less:	Deduction @ 50%	2,00,000	2,00,000
	Total Income		2,00,000

(d) Computation of VAT liability or Rishi:-

Particulars	Rs.	Rs.
Raw materials purchased from foreign market (including duty paid on imports @ 20%)		1,20,000
Raw material purchased from local market:-		
Cost of raw material		2,50,000
Raw material purchased from neighbouring State (including CST @ 2%)		51,000
Storage and transportation cost		9,000
Manufacturing expenses		30,000
Cost of production		4,60,000
Add: Profit @ 12% of cost of production		55,200
Sale Price		5,15,200
VAT @ 4% on Rs. 5,15,200		20,608
Net VAT liability of Rishi:-		
VAT on sale price		20,608
Less: Input tax credit		
Duty paid on imports		Nil
CST paid on inter-state purchase		Nil
VAT paid on local purchases		11,600
Net VAT payable by Rishi		9,008

Note: Since Rishi is a manufacturer (given that he purchased raw materials), he shall be allowed CENVAT credit of excise duty. Therefore, same is not added to the cost of production.

Answer 2.

(a) Computation of total income of Mr. Raju for the A.Y. 2011-12

	Particulars	Amount (Rs.)	Amount (Rs.)
	Profits and gains of business or profession		
	Net profit as per profit and loss account		5,00,000
Add:	Excess commission paid to brother disallowed under section 40A(2)	10,000	
	Bank term loan interest paid after the due date of filling of return under section 139(1)	40,000	
	State VAT penalty paid	5,000	
	Depreciation as per P&L A/c	2,00,000	3,03,000
			8,03,000
Less:	Divided from domestic companies [Exempt]	15,000	
	Income from agriculture [Exempt]	1,80,000	
	Depreciation as per Income-tax Act	2,25,000	

	Salary not recorded	48,000	4,20,000
			3,83,000
	Income from house property		
	Annual value of self-occupied property	Nil	
Less:	Deduction for interest on housing loan	23,000	(23,000)
	Gross Total Income		3,60,000
Less:	Deduction under section 80C in respect of Principal repayment of housing loan		50,000
	Total Income		3,10,000

Working Note:

Computation of depreciation under the Income-tax Act, 1961

Particulars	Rs.
Depreciation @15% on Rs. 14 lakh (Opening WDV of Rs. 12 lakh plus assets purchased during the year and used for more than 180 days Rs. 2 lakh)	2,10,000
Depreciation @ 7.5% on Rs. 2 lakh (Cost of assets used for less than 180 days)	15,000
	2,25,000

Notes:

1. Salary not recorded assumed to be not recorded by mistake.
2. Cash payment does not exceed Rs. 35,000, hence nothing shall be disllaowed.

(b) (i) Revised service tax returns may be filed within 90 days from the date of filing original return. Even if the original return is filed belatedly, the return could be revised by filing a revised return.

(ii) As per Finance Act, 1994, service tax is payable only when consideration is received by the assessee. Therefore, Prasad & Co.'s view is justified although it is following mercantile basis.

Answer 3.

(a) Computation of total income for the A.Y. 2011-12

Particulars	Arun	Bimal
Income from house property	Rs.	Rs.
I. Self-occupied units		
Annual value	Nil	Nil
Less: Deduction under section 24		
Interest on loan taken for construction (3,00,000/8, maximum Rs. 30,000)	30,000	30,000
Loss from self-occupied property	(30,000)	(30,000)
II. Let-out units – WN	1,25,850	1,25,850
Income from house property	95,850	95,850
Other Income	2,90,000	1,80,000
Total Income	3,85,850	2,75,850

Working Note- Computation of income from let-out portion of house property

	Particulars	Rs.	Rs.
	Let-out units - 6		
	Gross Annual Value		
	(a) Municipal value (75% of Rs. 9 lakh)	6,75,000	
	(b) Actual rent [(12000 × 6 × 12) – (Rs. 12,000 × 1 × 4)]	8,16,000	
	- whichever is higher		8,16,000
Less:	Municipal taxes 75% of 20% of Rs. 9 lakh		1,35,000
	Net Annual Value (NAV)		6,81,000
Less:	Deduction under section 24		
	(a) 30% of NAV	2,04,300	
	(b) Interest on loan taken for the house [75% of Rs. 3 lakh	2,25,000	
			4,29,300
	Income from let-out portion of house property		2,51,700
	Share of each co-owner		1,25,850

(b) Computation of service tax liability of ABC & Co.:-

Particulars	Rs.
Amount received for the services rendered prior to levy of service tax	Not taxable
Advance received is liable to service tax.	75,000
Amount received from manufacturer for free services rendered to customers is liable for service tax	50,000
Amount realized for services rendered after imposition of service tax	14,26,500
Total	15,51,500
Less: Threshold limit	10,00,000
Value of taxable service	5,51,500
Service tax payable = $\text{Rs. } 5,51,500 \times \frac{10.30}{110.30}$	51,500

Answer 4.

(a) Computation of capital gains in the hands of Mukesh for the A.Y. 2011-12

Particulars	Rs.	Rs.
Sale consideration (under section 50C)		60,00,000
Less: Brokerage @2% of Rs. 55,00,000		1,10,000
Net sale consideration		58,90,000
Less: Indexed cost of acquisition 4,00,000 x 711 / 125		22,75,200
		36,14,800
Less: Exemption under section 54 and 54 EC		
Under section 54:		
(i) Residential house acquired at Chennai on 10.12.2010	15,00,000	
(ii) Amount deposited in Capital Gains Accounts Scheme on 06.07.2011	5,00,000	
	20,00,000	
Under section 54EC:		

Amount deposited in RECL bonds on 10.04.2011	10,00,000	
		30,00,000
Taxable long-term capital gain		6,14,800

Computation of tax liability of Mr. Mukesh for A.Y. 2011-12

Tax on Rs. 4,54,800 (i.e. long term capital gain Rs. 6,14,800 less Rs. 1,60,000) @ 20%	90,960.00
Add: Education cess @ 2%	1,819.20
Secondary and higher education cess @ 1%	909.60
Total tax liability	93,688.80
Total tax liability (R/o)	93,690.00

(b) Allowability of expenses of M/s. Arora Ltd for the A.Y. 2011-12

(i) Payment of professional fees is subject to TDS under section 194J. Since no tax is deducted at source, the expenditure of Rs. 50,000 is disallowed under section 40(a).

(ii) Since the tax was deducted in March, 2010 and paid on or before the due date of filing the return (i.e., on or before September 30th, 2011), the expenditure on interior works will be allowed as deduction. Hence, disallowance under section 40(a) is not attracted.

(iii) The maximum time allowable for deposit of tax deducted at source is upto the due date of filing of return i.e., 30th September, 2011 and that too, only in respect of tax deducted during the month of March, 2011. In this case, since tax deducted under section 194-I was paid after the due date of filing the return, the expenditure can be claimed only in the subsequent year i.e. P.Y. 2011-12. Hence, for the P.Y. 2010-11, the expenditure of Rs. 15,00,000 is disallowed under section 40(a).

(iv) Since TDS deposited on or before due date of return of income, expense shall be allowed for AY 2011-12.

(v) Since payment towards import of raw materials does not attract the provisions of deduction of tax at source, the expenditure will be allowed as deduction. Hence, no disallowance is attracted under section 40(a).

(c) (i) Calculation of service tax liability of X & Co.:-

Particulars	Rs.
Amount received (Net)	19,80,000
Add: Tax deducted at source under section 194J	2,20,000
Gross amount (including service tax)	22,00,000
Service tax liability = $22,00,000 \times \frac{10.3}{110.3}$	2,05,439.71
Service tax payable (rounded off)	2,05,440.00

(ii) A multiple service provider (a service provider rendering more than one taxable service) can use single GAR-7 challan for payment of service tax on different services. However, amount attributable to each such service should be mentioned separately in GAR-7 challan.

Answer 5

(a) Computation of total income of Mr. Raghu for the assessment year 2011-12

Particulars		Rs.	Rs.
Basic salary			12,00,000
Dearness allowance			6,00,000
Bonus			2,00,00
Employer contribution to RPF in excess of 12% is taxable (15% - 12% of 18,00,000)			54,000
Rent free accommodation @15% of Rs.20 lakh (basic salary + dearness allowance + bonus)			3,00,000
			23,54,000
Less: Deductions under Chapter VI-A			
Section 80C			
Contribution to RPF Rs.1,50,000 restricted to		1,00,000	
Section 80D – Health insurance premium			
Family Rs.20,000 restricted to	15,000		
Parents (Senior Citizens) Rs.28,000 restricted to	20,000	35,000	
Section 80DD			
Medical treatment of dependent brother with severe disability		1,00,000	
Section 80E – Interest on loan taken for full-time education of			
- his son studying B.Com.	24,000		
- a student studying B.Sc. for whom he is the legal guardian	20,000		
		44,000	
			2,79,000
Total Income			20,75,000

Note – It is assumed that dearness allowance forms part of salary for retirement benefits.

(b) The conditions for deductibility of bad debts written off under the Income-tax Act, 1961 are -

(1) The debt must represent income of the assessee for the same year or for any earlier, or it must be money lent in the ordinary course of business.

(2) Debt must be written off in the book of accounts of the assessee in the year.

(c) Where an assessee has deposited service tax in respect of a taxable service which is not so provided by him either wholly or partially for any reason, he may adjust the excess service tax so paid by him (calculated on a pro rata basis) against his service tax liability for the subsequent period provided the value of taxable service and the service tax thereon have been refunded to the person from whom it was received.

Answer 6

(a) (i) Agricultural income from a land in any foreign country is taxable. Exemption under section 10(1) is not available in respect of such income.

(ii) As per section 41(4), any amount recovered by the assessee against bad debt earlier allowed as deduction shall be taxed as income in the year in which it is received. Therefore, in this case, Rs.50,000 would be taxable in the A.Y. 2011-12.

(iii) Under section 10(14), any allowance granted to an employee working in a transport system to meet his personal expenditure during his duty is exempt provided he is not in receipt of daily allowance. The exemption is 70% of such allowance (i.e., Rs.7,000 per month, being 70% of Rs.10,000) or Rs.6,000 per month, whichever is less. Hence, Rs.72,000 (i.e., 6,000 x 12) is allowable as deduction under section 10(14) and balance of Rs. 48,000 shall be taxable. (Students appearing for November 2011 should note that for November 2011 attempt exemption shall be Rs. 10,000pm or 70% of such allowance, whichever is less. i.e. Rs. 1,20,000 less 7,000 x 12 = Rs. 36,000)

(iv) Any amount withdrawn from public provident fund as per relevant rules is not taxable as per section 10(11).

(v) Telephone provided at the residence of the employee and payment of bill by the employer is a tax free perquisite.

(vi) Amount paid by an Indian Company to an electoral trust is eligible for deduction under section 80GGB from gross total income.

(b) Calculation of VAT payable by Raj & Co. under subtraction method:-

Particulars	Turnover under VAT (Rs.)	VAT (Rs.)
Sale by manufacturer to distributor	11,250	$\left[11{,}250 \times \frac{12.5}{112.5}\right] = 1{,}250$
Sale by distributor to whole seller	13,500-11,250=2,250	$\left[2{,}250 \times \frac{12.5}{112.5}\right] = 250$
Sale by whole seller to retailer	16,875-13,500=3,375	$\left[3{,}375 \times \frac{12.5}{112.5}\right] = 375$
Total VAT payable	22,500	2,500

Answer 7

(a) Taxation scheme of LLP is on the same lines as applicable for general partnerships.

The definition of the terms “partner”, “firm” and “partnership” have been amended to include a limited liability partnership.

Income of LLP shall be taxable at the rate of 30%.

An LLP is eligible for deduction of remuneration paid to working partners, if the same is authorized by the partnership deed, and subject to the limits specified in section 40(b).

An LLP is entitled to deduction of interest paid to partners if such payment is authorized by the partnership deed and the rate of interest does not exceed 12% simple interest per annum.

(b) As per section 47, any transfer of a capital asset in a transaction of Reverse Mortgage under a scheme made and notified by the Central Government will not be regarded as a transfer. Therefore, capital gains tax liability is not attracted.

Section 10(43) provides that the amount received by a senior citizen as a loan, either in lump sum or in installments, in a transaction of Reverse Mortgage would be exempt from income-tax.

Therefore, the amount received by sachin in a transaction of Reverse Mortgage of his residential building is exempt under section 10(43).

(c) (i) As per section 17(2), the value of sweet equity shares chargeable to tax as perquisite shall be the fair market value of such shares on the date on which the option is exercised by the assessee as reduced by the amount actually paid by, or recovered from, the assessee in respect of such shares.

Particulars	Rs.
Fair market value of 1000 sweat equity shares @ Rs.300 each	3,00,000
Less: Amount recovered from Sri Chand 1000 shares @ Rs.200 each	2,00,000
Value of perquisite of sweat equity shares allotted to Sri Chand	1,00,000

(ii) As per section 49, where capital gain arises from transfer of sweat equity shares, the cost of acquisition of such shares shall be the fair market value which has been taken into account for perquisite valuation under section 17(2).
Therefore, in case of subsequent sale of sweat equity shares by Sri Chand, the cost of acquisition would be Rs.3,00,000.

(d) Carry forward and set off of losses in case of change in constitution of firm or on succession [Section 78]
(i) Where there is a change in the constitution of firm, so much of the loss, proportionate to the share of a retired or deceased partner remaining unabsorbed, shall not be allowed to be carried forward by the firm.
(ii) Where any person carrying on any business or profession has been succeeded in such capacity by another person otherwise than by inheritance, such other person shall not allowed to carry forward and set off against his income, any loss incurred by the predecessor.

(e) Merits of VAT

1. No tax evasion is possible as the credit of duty paid is allowed against the liability on the final product manufactured or sold. Under VAT, unless proper records are kept in respect of various inputs, it is not possible to claim credit. A perfect system of VAT is a perfect chain where tax evasion is difficult.

2. Neutrality is the greatest advantage of VAT. VAT does not interfere in the choice of decision for purchases because it has anti – cascading effect. The system is neutral with regard to choice of production technique, as well as business organsiation. All other things remaining the same, the issue of tax liability does not vary the decision about the source of purchase.

3. It has a certainly as it is based simply on transactions. There is no need to go through complicated definitions like sales, sales price, turnover of purchases and turnover of sales. The tax is also broad-based and applicable to all sales in business leaving title room for different interpretations.

4. Transparency is ensured as the buyer knows, out of the total amount paid for purchases of material, what is the amount paid towards VAT. This transparency enables the State

Governments to know as to what is the exact amount of tax coming at each stage. Thus, it is a great aid to the Government while taking decisions with regard to rate of tax etc.

5. For Government, better revenue collection and stability is achieved as the tax credit will be given only if the proof of tax paid at an earlier stage is produced. This means that if the tax is evaded at one stage, full tax will be recoverable from the person at the subsequent stage or from a person unable to produce proof of such tax payment.
6. Since the tax paid on an earlier stage is to be received back, the system promotes better accounting systems.
   Note: Any four points may be given.

Dear Student,

Sample paper is being provided for your practice and the same is provided as per pattern followed by ICAI in November, 2010 attempt.

Attempt the same after thorough revision of your Taxation subject course. To evaluate yourself, try to complete the paper within 3 hrs. creating similar environment as that of examination hall.

After completing, post/deliver the same at AOC Laxmi Nagar Centre alongwith your name, address, mobile no. & email ID. Checked answer sheet alongwith printed solutions shall be posted to you as soon as possible.

If you have any query/doubt relating to this question paper or any other query relating to Taxation subject, you may approach the faculty personally or over phone, CA. Pankaj Saraogi, free of cost in tax hour. Details of tax hour are provided somewhere else in this amendment book only.

Thanking you.
AOC Pvt. Ltd.

SAMPLE PAPER

Question No. 1 is compulsory

Attempt any **five** questions from the remaining **six** questions.

Working notes should form part of the answer.

Wherever necessary suitable assumptions may be made by the candidates.

Marks

1. (a) Check the taxability of the following gifts received by Mrs. Rashmi during the previous year 2010-11 and compute the taxable income from gifts for Assessment Year 2011-12: 5

(i) On the occasion of her marriage on 14.8.10, she has received Rs.90,000 as gift out of which Rs.70,000 are from relatives and balance from friends.

(ii) On 12.9.10, she has received gift of Rs.24,000 from cousin of her mother.

(iii) A cell phone of Rs.21,000 is gifted by her employer on 15.8.2010.

(iv) She gets a gift of Rs.25,000 from the elder brother of her husband's grandfather on 25.10.2010.

(v) She has received a gift of Rs.2,000 from her friend on 14.4.2010.

(b) G, an American citizen, is appointed by a multi-national company to its branch in New Delhi in 2007. G has never been to India before this appointment. He arrives in Bombay on 15th April, 2007 and joins the New Delhi office on 20th April, 2007. His wife and children join him in India on 20th October, 2007. The company allotted him a leased residence for purposes of his stay. This residence is occupied by him from the beginning of October, 2007. 5

On 10th February, 2008, he is transferred by his employer, on deputation basis, to be the regional chief of his employer's operations in South East Asia having headquarters in Hongkong. He leaves New Delhi on 11th February and arrives in Hongkong on 12th February, 2008. G leaves behind his wife and children in India till 14th August, 2009, when they leave along with him for Hongkong. G had come to India earlier on 15th June, 2009, on two months' leave. The members of the family occupied the residence till date of departure to Hongkong.
At the end of the period of deputation, G is reposted to India and joins the New Delhi office of his employer as chief of Indian operations on 1st February, 2011.

In what residential status G will be assessable, for the various years, to income tax in India?

(c) Virat Kholi& Co., a partnership firm, is providing taxable legal consultancy services, for the second consecutive assessment year. The firm furnishes the following information relating to the services rendered, bills raised, amounts received relating to this service, for the year ended 31.3.2011. 5

(i)	Free services rendered to poor people (value of the services computed on comparative basis)	40,000
(ii)	Advances received from clients for which no taxable service has been rendered so far	5,00,000
(iii)	Service billed to clients Gross Amount (Service tax has been charged separately in all the bills; the firm follows mercantile system of accounting)	12,00,000
(iv)	The firm has received the following amounts during the year:	
	Relating to taxable services rendered in March, 2010 (excluding service tax at applicable rates and TDS under section 194-J of the IT Act,1961 to the tune of 45,320)	5,44,680
	Relating to taxable services rendered in current year 2010 (excluding Service tax at applicable rates and TDS under section 194-J or the IT Act,1961 to the tune of`120000) (*includes 50,000 for appearance fee before Labour Court received from another firm)	9,80,000*
	Service tax has been separately received for applicable items in (iv) above.	

You are required to compute the value of taxable services for the year ended 31.3.2011 and Service tax payable, briefly explaining the treatment of each item above.

(d) Compute the total value of purchases eligible for input tax credit from the following particulars:- 5

Particulars	Rs.
Inputs purchased from a registered dealer who opts for composition scheme under the provisions of the VAT Act	10,000
Inputs purchased for being used in the execution of a works contract	1,00,000
Raw material purchased from unregistered dealers	70,000
High seas purchases of inputs	1,00,000
Goods purchased for sale to other parts of India in the course of inter-State trade or commerce	20,000

2. (a) Suman, an employee furnished the following particulars for previous year ending 31.03.2011: 4

S. No.	Particulars	Rs.
(a)	Salary income as computed	6,00,000
(b)	During the year arrears of salary were received (not included in the above) related to F.Y. 2001- 02	15,000
(c)	Assessed income of Financial Year 2001-02	66,000
(d)	On 25.3.2011, amount deposited in Public Provident Fund Account	50,000

You are requested to compute relief u/s. 89 in terms of tax payable.

The rates of tax for the A.Y. 2002-2003 are:

On First Rs. 50,000	Nil
On next Rs. 10,000	10%
On next Rs. 90,000	20%
On the balance	30%

(Surcharge @ 2% when taxable income exceeds Rs. 60,000).

(b) Mr. Dhaval and his wife Mrs. Hetal furnish the following information: 4

S. No.	Particulars	Rs.
(i)	Salary income (computed) of Mrs. Hetal	4,60,000
(ii)	Income of minor son ‘B’ who suffers from disability specified in Section 80U	1,08,000
(iii)	Income of minor daughter ‘C' from singing	86,000
(iv)	Income from profession of Mr. Dhaval	7,50,000
(v)	Cash gift received by 'C' on 2.10.2010 from friend of Mrs. Hetal on winning of singing competition	48,000
(vi)	Income of minor married daughter ‘A’ from company deposit	30,000

Compute the total income of Mr. Dhaval and Mrs. Hetal for the assessment year 2011-12.

(c) (i) Should service tax be paid even if not collected from the client or service receiver? 2 x 2

(ii) Where a service provider maintains books of accounts on mercantile basis relating to taxable services provided by him, will service tax be payable on accrual basis?

(d) Who are not eligible for composition scheme? 4

3. (a) Mr. Sukhvinder is engaged in the business of plying goods carriages. On 1st April, 2010, he owns 10 trucks (out of which 6 are heavy goods vehicles). On 6th May, 2010, he sold one of the heavy goods vehicles and purchased a light goods vehicle on 2nd May, 2010. This new vehicle could however be put to use only on 15th June, 2010. 8

Compute the total income of Mr.Sukhvinder for the assessment year 2011-12, taking note of the following data :

	Rs.	Rs.
Freight charges collected		12,70,000
Less : Operational expenses	6,25,000	
Depreciation as per section 32	1,85,000	
Other office expenses	15,000	8,25,000
Net Profit		4,45,000
Other business and non – business income		70,000

What shall be your answer in case heavy goods vehicle was sold on 2nd May, 2010 and light goods vehicle was purchased on 6th May, 2010?

(b) (i) A particular service has been brought into the service tax net with effect from1.6.2010. Mr. Vignesh has provided this service on 20.5.2010; the payment for the same was received on 10.6.2010. Is service tax payable on the same? 2 x 2

(ii) Mr. Saravanan has collected a sum of Rs. 15,000 as service tax from a client mistakenly, even though no service tax is chargeable for such service. Should the amount so collected be remitted to the credit of the Central Government?

(c) Enumerate the tax rates under VAT. 4

4. (a) Ramesh is the karta of Ramesh (HUF) in which the other members are his wife Padma, major son Guru and a minor daughter Champaka. The following details of this HUF, resident in India, pertaining to the year ended 31st March, 2011 are made available to you: 8

(a) Rent (at Rs. 10,000 per month) received from a flat in Salem is Rs. 1,10,000. Rent of Rs.10,000 for the month of March, 2011 was received in April, 2010.

Property tax paid Rs. 10,000.

Bank loan of Rs. 10,00,000 was taken for construction of this flat, bearing interest at 10%. Rs. 8,000 interest is in arrears pertaining to this year, which was paid by the HUF in May, 2011 only. Principal repayment during the year was Rs. 48,000.

(b) Ramesh represents the HUF in a partnership firm M/s. Ashok & Co., engaged in turmeric business. The firm has paid interest of Rs. 1,80,000 to the HUF computed at 15%.

For the services rendered by Ramesh to this firm as the lone Working partner, the firm has paid him a remuneration of Rs. 1,50,000 as per the provisions of the partnership deed. The "book profit" of the firm in terms of Section 40(b) is Rs. 1,35,000.

(c) The HUF is also running two businesses, as narrated below:

(i) Retail trade in food grains:

A rough account book alone is maintained. Expense bills/vouchers are not properly maintained. The total turnover is Rs. 23.75 lacs. The net profit as per the rough account is Rs. 1,41,000. This has been arrived at after considering a penalty of Rs.8,000 levied by Sales-tax authorities for misuse of "C" Form.

(ii) Business of Civil construction:

Cash received from contractee	Rs. 31,00,000
Value of materials supplied by contractee	Rs. 7,00,000

No books of account are maintained.

(d) The HUF has received dividend of Rs. 90,000 from shares held in a foreign company.

(e) Tuition fees of Rs. 20,000 was paid for the purpose of part-time education of Ms. Champaka in an Indian college.

(f) The following sums have been paid by the HUF in respect of Life Insurance Premium:

Policy holder's name	***Insurer***	***Premium Rs.***	***Late fee Rs.***
Mrs. Padma	LIC	30,000	500
Guru	IRDA approved private insurer	42,000	1,500

Part of the above premiums were paid from out of agricultural income of Rs. 60,000 derived from agricultural lands situated in Colombo.

You are required to compute the total income of Ramesh (HUF) for the assessment year 2011-12, showing clearly the computation under proper heads of income. You are also required to indicate with reasons, whether any item is to be considered in the hands of Ramesh (individual).

(b) List the documents to be submitted along with a service tax return. 4

(c) (i) Under what circumstances registration can be cancelled under VAT? 2 x 2

(ii) Briefly explain the income variant of VAT.

5. (a) Compute the tax liability of Mr. Madhavan for the Assessment year 2011-12 from the following particulars : 4

		Rs.
(i)	Net house property income as computed under the head "Income from house property"	2,70,000
(ii)	Income from business before adjusting the following	90,000
	(a) Carried forward business loss	70,000
	(b) Current depreciation	30,000
	(c) Carried forward unabsorbed depreciation	1,40,000
(iii)	Short term capital gain – jewellery	1,60,000
(iv)	Long term capital loss – shares – 10(38)	40,000
(v)	Long term capital gains – Debentures	2,00,000
(vi)	Dividend on shares held as stock in trade	10,000
(vii)	Divided from a company carrying on agricultural operation	12,000
(viii)	Income from growing and manufacturing coffee (cured and roasted)	1,00,000

During the previous year 2010-11, the assessee has donated Rs.35,000 to an approved local authority for the promotion of family planning and purchased NSC VIII issue for Rs.1,00,000.

(b) Mrs. Indira, a landlord, derived income from rent from letting a house property to M/s Vaibhav Corporation Ltd. of Rs.1,00,000 per month. She charged the service tax @ 10.3% on lease rent charges. Calculate the deduction of tax at source (TDS) to be made by M/s Vaibhavi Corporation Ltd. on payment made to Mrs. Indira and narrate related formalities in relation to TDS. 4

(c) (i) Explain the term "Vocational Training Institute" under the provisions of service tax. 2 x 2

(ii) With reference to commercial training or coaching services, state whether service tax is applicable in the following cases:
BTL Engineering College offering B.Tech to students. However, the college has been derecognized by the All India Council for Technical Education.

(d) Mr. X, a manufacturer sells goods to Mr. B, a distributor for Rs.2,000 (excluding VAT). Mr. B sells goods to Mr. K, a wholesale dealer for Rs.2,400. The wholesale dealer sells the goods to a retailer for Rs.3,000, who ultimately sells to the consumers for Rs.4,000. 4
Compute the tax liability, input credit availed and tax payable by the manufacturer, distributor, wholesale dealer and retailer under invoice method assuming VAT rate @ 12.5%.

6. (a) Answer any **two sub-parts** out of **three sub-parts** of the question 2 x 4

(i) (a) Mrs. Hetal, an individual engaged in the business of Beauty Parlour, has got her books of account for the Financial year ended on 31st March, 2011 audited under section 44AB. Her total income for the assessment year 2011-12 is Rs. 2,35,000. She wants to furnish her return of income for assessment year 2011-12 through a tax return preparer.

(b) Can an individual, who is not in India, sign the return of income from outside India? Is there any other option?

(ii) Explain with brief reason whether the return of income can be revised under section 139(5) of the Income-tax Act, 1961 in the following cases:

(i) Defective or incomplete return filed under section 139(9).

(ii) Belated return filed under section 139(4).

(iii) Return already revised once under section 139(5).

(iv) Return of loss filed under section 139(3).

(iii) State with proper reasons whether the following statements are True/False with regard to the provisions of the Income-tax Act, 1961:

(i) Mr. Priyank is a partner, but not a working partner, in a firm, whose turnover for the previous year 2010-11 is Rs.75 lacs. The due date of filing the return of income by Mr. Priyank is 31st July, 2011, if he is getting only interest on capital from the firm.

(ii) Partnership firms deriving loss need not file return of income.

(b) An assessee who has collected service tax from a client is unable to perform the service. Briefly explain the situations in which and the conditions subject to which he can adjust the service tax relating to above, against his forthcoming service tax liability. 4

(c) Compute the VAT payable at each stage using 'invoice method' from the particulars given below: 4

Stage	Particulars	Profit (as % of cost price)
I	Sambhav Medicaids Ltd. sold the medicines manufactured by it to the distributors of medicines – Rishabh Pharmacy – at Rs. 4,000	---
II	Rishabh Pharmacy sold the medicines to the wholesalers – Suhani Medicos	62.5%
III	Suhani Medicos sold the medicines to the retailers – Galaxy Medicines	20%
IV	Galaxy Medicines sold the medicines to the ultimate consumers	25%

Assume that the VAT Rate is 4% and that there was no value addition at various stages of sale except profit margin.

7. (a) Mr. Rahul Jadav furnishes the following particulars relating to his house properties and other incomes and expenditure for the year 2010-11 : 8

(i) First House : This house is taken by him on lease for 10 years which is let to a tenant, for his residence, at a monthly rent of Rs.2,400

He has incurred the following expenses during this year :

Lease rent	Rs. 1,000/month
Salary of Durban	Rs. 200/month
Interest on loan taken to pay for the acquisition of the lease	Rs. 200/month

(ii) Second House : This house was constructed by him in 2001, but was transferred to his wife in 2005 out of love and affection. He, however, continues to stay in this house with his wife till date. He has taken a loan for the construction of this house for which interest of Rs.6,000 becomes due for the year, but had not been paid by him. He has paid repair expenses of Rs.1,000 during the year.

(iii) Taxable income from business for this year amounts to Rs.64,000.

Compute gross total income of Mr. Rahul Jadav for the assessment year 2011-2012.

(b) (i) Can service tax return be revised by a person? 2 x 2

(ii) Ms. Amrapali, a registered service provider did not render any services during the financial year 2010-11. Whether she is required to file service tax return?

(c) Under which of the following cases, the purchases are eligible for availing input tax credit: 4

(a) Ram & Co. of Gujarat purchased the goods to be resold within the State of Gujarat.

(b) Rishabh purchases goods from a registered dealer. He claims that he has paid the amount of VAT on the said goods, but the invoice pertaining to said purchases has been lost on account of negligence of a clerk in his office.

(c) Goyal Manufacturers purchased some raw materials and used it in the manufacture of exempted goods.

Rs. 100/-

About the Author

Author CA. Pankaj Saraogi is in teaching profession since last 2 years. He is well versed in Tax laws specially Income-tax and presently teaching the same to CA IPCC/PCC and CA Final.

He qualified his CA Final in November 2006 with 10th Rank all over India and 4th Rank in NIRC-ICAI. He was also awarded by ICAI for securing highest marks in Direct Taxes – CA Final (86/100) in northern region. Besides CA, his qualifications include CS Final with 6th Rank in CS Foundation, M. Com, B. Com (H) from SRCC with 4th Rank, B. Ed. & DISA (ICAI).

He started his career as article trainee with Shashi K. Garg & Co., followed by exposure in Direct Taxation in Price Waterhouse Coopers, Delhi. Presently he is doing his own practice in Direct Taxes.

He has been speaker in various seminars organized by NIRC-ICAI & CA Study Circles.

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