

CA Integrated PCC and Accountant Technician

IPCC November 2010

(Only questions on service tax and Vat covered)

Q 1(c) Smart & Express Co. is providing taxable information technology software services. The firm furnishes the following information relating to the services rendered, bills raised, amount received pertaining to this service, for the financial year ended on 31st March, 2010 as under - (i) Amount received being 10% of the assignment fees on 31st March, 2010 for the upgradation and enhancement of software services to be rendered during the financial year 2010-11- Rs 6,00,000 (ii) Services provided to UNICEF, an International Organisation in Gandhinagar, for analysis, design and programming of latest information technology software – Rs 5,00,000 (iii) Services billed to client – Rs 3,00,00,000 (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 the service tax from the client, which was charged separately, due to insolvency of the client, the bill details are as under - Being the charges for right to use IT software – Rs 8,00,000 plus Service tax @10% Rs 80,000 plus Education cess @ 2% Rs 1,600 plus Secondary & Higher education cess @1% Rs 800 – Total Rs 8,82,400) (iv) Amount received for services rendered during current financial year (excluding payment for 2 bills in item (iii) above for which payment received during current financial year) - Rs 1,04,78,500. - - 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 31-03-2010, assigning reason in brief to the treatment of all items (5 marks)

Q 1(d) Mr. Rajesh is a registered dealer and gives the following information. You are required to compute 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 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 material from an unregistered dealer - Rs. 80,000 (including VAT @ 12.5%) (iii) High seas purchases of raw material are Rs. 1,85,000 (excluding custom duty @ 10% of 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 (5 marks)

Q2 (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? (4 marks)

Q2(c) What record should be maintained under VAT system by a registered dealer? (4 marks)

Q.3(b) Write a note in brief on provisional payment of service tax (4 marks)

Q3(c) State the Variants of VAT. Present them in schematic diagram and explain each one briefly (4 marks).

Q. 4(b) How will a taxable service be valued when the consideration thereof is not wholly or partly in terms of money? (4 marks)

Q4(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 & 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 (4 marks)

Q5(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? (4 marks)

Q5(c) What are the conditions to be fulfilled by the dealer accepting the composition scheme under the Value Added Tax? (4 marks)

Q6(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 be provided to business entity, by any other business entity, in relation to advice, consultancy or 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, 1994

Q6(c) Mention the purchases which are not eligible for input tax credit (any eight items) under Value Added Tax (4 marks)

Q7(b) Shashwat Hotels Pvt. Ltd. has given the following information for F.Y.2009-10. You are required to compute the taxable services under Service Tax Act and the tax thereon for FY 2009-10 without assigning any reason for the treatment - (i) Reception room and vehicle parking space were let out for a film shooting for 3 months. The charges received for this Rs. 5 Lacs (ii) The conference hall was let out to a Gujarati Samaj Trust for a week for a music competition for Rs. 50,000 (iii) The hotel was booked by a customer for 3 days for a marriage function. The room booking charges were received in advance (excluding service tax) in the same year of Rs. 50,000. The electricity charges separately billed Rs. 20,000, hire charges including catering charges for 3 days billed of Rs. 3,25,000 after deducting the advance (iv) During the year, the conference hall was let out to MNO Ltd. The charges received were as under - Hall rent Rs. 4 Lacs, computer & projector systems charges Rs. 25,000, electricity charges Rs. 30,000. Hall rent includes charges for snacks and cold drinks Rs. 50,000 (v) The hotel garden was let out to a political party for 2 days for a meeting. The charges received Rs. 25,000. - - The hotel charges 10% service charges which are later distributed as tips to employees. - - The above charges are excluding service tax. All the charges have been received in FY 2009-2010. The hotel has already been registered under Service Tax Act in F.Y. 2008-09 (4 marks)

Q7(c) Compute the VAT amount payable by Mr. Shyam, who purchased goods from a manufacturer on payment of Rs. 4,16,000 (including VAT) and earned 20% profit on purchase price. VAT rate on both purchases and sales is 4% (4 marks)

CA-IPCC May 2010 and AT

(Only questions on service tax and Vat covered)

Q 5 Provide brief answer to the following questions on Service tax: (a) Is Service tax payable in respect of services provided in the Indian territorial waters? (b) Is Service tax leviable on fee collected by Public authorities while performing statutory functions under the provisions of law? (c) Can an assessee file a revised Service tax return? (d) Explain the term “Commercial training or Coaching centre” **(Marks 4 x 2 =8)**

Q 6(a) X & 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, amount received relating to this service, for the year ended 31.03.2010: **I** -Free Service rendered to poor people (Value of the services computed on comparative basis – Rs 40,000. **II** - Advances received from clients for which no taxable service has been rendered so far – Rs 5,00,000 **III** - Services billed to clients Gross amount (service tax has been charged separately in all the bills; the firm follows mercantile system of accounting – Rs 12,00,000 **IV** - The firm has received the following amounts during the year: Relating to taxable services rendered in March, 2009 (excluding service tax at applicable rates and TDS under section 194-J of the IT Act, 1961 to the Tune of Rs.45,320) – Rs 5,44,680 **V** - Relating to taxable services rendered in current year 2009 (excluding Service tax at applicable rates and TDS under section 194-J of the IT Act, 1961 to the tune of Rs.1,20,000) – Rs 9,80,000 (includes Rs.50,000 for

appearance fee before Labour Court received from another firm). 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 31.3.2010 and the Service tax payable, briefly explaining the treatment of each item above **(Marks 8)**

Q 6(b) Answer the following questions on Service Tax: (i) What is the scope of taxable service in respect of membership of Clubs or Associations? State the exception to the same. (ii) Does a service provider have an option to pay Service tax at a rate different from the general rate applicable on gross value of taxable services, in the case of purchase and sale of foreign currency? (iii) What is the late fee payable for delay in furnishing the Service tax return? Can the same be waived? **(Marks 3 x 3 =9)**

Q 7 Answer the following questions on VAT: **(a)** What are the items aggregated in the Addition method to calculate the VAT payable? When is this method mainly used? **(b)** Is any threshold exemption limit fixed for dealers to obtain VAT registration, as per the White Paper? If yes, why is the same provided? **(c)** Is the VAT chain continued when a purchasing dealer opts for VAT composition scheme? What is the loss to the seller and buyer opting for the composition scheme, and the subsequent buyers? **(d)** Can it be said that VAT brings about certainty to a great extent in the matter of interpretational issues? If so, how **(Marks 4 x 2 =8)**

Q8(a) Mr.X, a dealer in Mumbai dealing in consumer goods, submits the following information pertaining to the Month of March, 2010: **(i)** Exempt goods 'A' purchased for Rs.2,00,000 and sold for Rs.2,50,000. **(ii)** Goods 'B' purchased for Rs.2,25,000 (including VAT) and sold at a margin of 10% profit on purchases (VAT rate 12.5%); **(ii)** Goods 'C' purchased for Rs.1,00,000 (excluding VAT and sold for Rs.1,50,000 (VAT rate 4%) **(iii)** His unutilized balance in VAT input credit on 01.03.2010 was Rs.1,500. Compute the turnover, Input VAT, Output VAT and Net VAT payable by Mr. X **(Marks 8)**.

Q 8(b) Answer the following questions on VAT – **(i)** What are the merits of VAT in the context of tax evasion, neutrality and transparency? **(ii)** State the importance of VAT invoice/ tax invoice in administering VAT **(iii)** Discuss the tax consequences of Stock transfer under the VAT scheme **(Marks 3x3=9)**

CA IPCC/AT November 2009

Q5. Answer the following : (a) Should Service tax be paid even, if it is not collected from the client or Service Receiver ? (b) Mr. Raju is a multiple service provider and files only a single return. State with reasons whether he can do so ? (c) Explain the term “Vocational Training Institute” under the provisions of Service tax. (d) State with reason in brief whether the following statement is true or false with reference to the provisions of Service Tax - Mr. Salim, an architect has received the fees of Rs. 4,48,500 after the deduction of Income Tax of Rs. 51,500. The Service Tax is payable on Rs. 4,48,500. (2 x 4 = 8 marks).

Q 6. (a) Rosy Tours Co. has arranged three package tours during F Y 2008-09. The particulars of the Services and Charges are as under : (i) Tour 1: April, 2008 – Charges received Rs. 3.5 Lacs The package includes transportation, accommodation, food, tourist guide and entry fees for monuments (ii) Tour 2 : October, 2008 – Charges received Rs. 6.5 Lacs. The package includes transportation and accommodation for stay (iii) Tour 3 : December, 2008 – Charges received Rs. 4 Lacs. The charges are solely for arranging accommodation for stay. However, the bills issued to the clients do not mention it clearly that the charges are solely for arranging the accommodation for stay. All the charges are excluding service tax. The rate of service tax is 12% Education cess. Compute the taxable services and tax thereon (8 marks)

Q 6(b) Answer the following: (i) Whether export service provided by Service Provider is excluded for the purpose of Payment of Service Tax ? (ii) List the documents to be submitted alongwith the First Service Tax Return. (iii) What is the due date for payment in case of e-payment of Service Tax ? (3 x 3 = 9 marks)

Q 7. Answer the following : (a) What are the Different rate under VAT system ? (b) Under what circumstances registration can be cancelled under VAT ? (c) Briefly explain the income variant of VAT (d) State with reasons in brief whether the following statements is true or false with reference to the provision of Value Added Tax. - The Vat Rate on sale of Lottery Ticket is 4% (2 x 4 = 8 marks)

Q 8(a) Mr. X, a manufacturer sells goods to Mr. B, a distributor for Rs. 2,000 (excluding of 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. 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% (8 marks)

Q8(b) Answer the following : (i) What are the different stages of VAT? Can it be said that entire burden fall on the final consumer? (ii) Discuss filing of Return under VAT (iii) List out six purchases which are not eligible for input tax credit (3 x 3 = 9 marks).

CA PCC November 2009

Q 6. Ms. Priyanka, a proprietress of Royal Security Agency received Rs 100,000 by an account payee cheque, as advance while signing a contract from proceeding taxable services; she receive Rs. 5,00,000 by credit card while providing the service and another Rs.5,00,000 by a pay order after completion of service on January 31, 2009. All three transactions took place during financial year 2008-2009. She seek your advice about her liability towards value of taxable service and the service tax payable by her (5 marks)

Q 7 Mr. Goenka, a trader selling raw materials to a manufacturer of finished products. He imports his stock in trade as well as purchases the same from the local markets. Following transaction took place during financial year 2008-09 - (1) Cost of imported materials (from other State) excluding tax - Rs 1.00.000 (2) Cost of local materials including VAT – Rs 2.25.000 (3) Other expenditure includes storage, transport, interest and loading and unloading and profit earned by him - Rs 87.500. Calculate the VAT and invoice value charged by him to a manufacturer. Assume the rate of VAT @12.50% (5 marks)

Q 8.Answer the following (a) Ms. Amrapali, a registered Service Provider did not render any services during the financial year 2008-09. Whether she is required to file service tax return ? (b) VAT would increase the working capital requirements and the interest burden. Discus. (c) Mr. Bharat is a registered Service Provider. He transfers his business to Mr. Rakesh on 31st July, 2008. Explain the requirement to be complied with by Mr. Bharat and Mr. Rakesh on such transfer under the provisions of Service tax. (d) Write the provisions on liability for payment of Services provided abroad. (e) Which Act and Rule governs the levy of Service tax in India ? (5 x 3 = 15 marks)

CA PCC June 2009

Q6. Answer any five of the following : (a) Mr. X, a service provider who pays service tax regularly, was of the opinion that a particular service was not liable for service tax. He, therefore, did not charge service tax in his bill. He received the bill amount without service tax. How will service tax liability of Mr. X be determined in such case? (b) Whether service tax return can be furnished after the due date? (c) How can the excess payment of service tax be adjusted? (d) Discuss the accountability of an “input service distributor” who may not be liable to pay service tax. (e) Discuss the word “Transparency” in the context of VAT system (f) When does a small service provider require to register under the Service Tax Act, but not liable to collect and pay Service Tax? (10 marks).

Q 7 (a) Compute the VAT amount payable by Mr. A who purchases goods from a manufacturer on payment of Rs. 2,25,000 (including VAT) and earn 10% profit on sale to retailer? VAT rate on purchase and sale is 12.5%. **(b)** An unregistered “Service provider” provides following details in respect of taxable services provided during the Financial Year 2008-09 - * 30/06/2008 – Advance received from a customer – Rs.1,00,000/- * 30/09/2008 – Part payment received against a bill of Rs. 9,50,000 raised on a customer - Rs. 5,00,000 * 31/12/2008 – Money received against taxable services provided during December, 08 – Rs. 3, 00,000 * 31/01/2009 – Taxable services rendered during January, 09 – Rs. 1,00,000 * 31/03/2009 – Taxable services provided during March, 09 – Rs. 2,00,000. The service provider complies with the provisions of registration and collection of service tax as per service tax laws. He gets registered during the year. He received the money against the bills raised during the months January and March 2009. Compute the service tax liability of service provider for the year 2008-09 considering the rate of service tax @ 12.36% (3+3 = 6 marks)

Q 8. Answer any three of the following – **(a)** How the value of taxable services determined when the consideration against taxable services is received in other than monetary terms? **(b)** What are the sources of Service Tax Law? **(c)** How can an auditor play role to ensure that the tax payers discharge their tax liability properly under the VAT system? **(d)** Discuss the ‘Subtraction method’ for computation of VAT (3 x 3 = 9 marks).

CA PCC May, 2008

Q6) Answer any five of the following: (a) Briefly explain the nature of the service tax (b) A particular service has been brought into service tax net with effect from 1/6/2007. Mr. Vignesh has provided this service on 20/5/2007, the payment for the same was received on 10/6/2007. Is the service tax payable on the same? (c) Mr. Saravanan has collected sum of Rs. 15000 as a 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? (d) Who are the persons liable to file service tax return? (e) Briefly explain the income variant of VAT (f) What are the demerits of VAT from the view point that it is form of consumption tax? (2 x 5 = 10 marks)

Q7) Ms Priya rendered taxable services to a client. A bill of Rs. 40000 was raised on 29/4/2007. Rs. 15000 was received from a client on 1/5/2007 and the balance on 23/5/2007. No service tax was separately charged in the bill. The questions are: (a) Is Ms Priya liable to pay service tax, even though the same has not been charged by her? (b) In case she is liable, what is the value of taxable services and the service tax payable? (2+4 = 6 marks)

Q8) Answer any three of the following: (a) Briefly explain the charge of service tax (b) Mr. Vasudevan has rendered freely, a service to a client which is taxable, but has not charged or received any fee from a client. Is service tax payable on such free services? (c) What are the different stages of VAT? Can it be said that the entire burden falls on the final consumer? (d) Briefly explain, how VAT helps in checking tax evasion and in achieving neutrality (3 x 3 = 9 marks)

CA – PCC November 2007

Q 6 Answer the following : (a) Where a service provider maintains books of account on mercantile basis relating to taxable services provided by him, will service tax be payable on accrual basis? (b) What are the documents to be submitted alongwith service tax return ? (c) What are the due dates for filing of service tax returns? (d) Is a service provider allowed to pay service tax on a provisional basis ? (e) Does the VAT system bring certainty to a great extent ? (f) Can VAT be said to be non-beneficial as compared to single stage- last point system ? (2 marks each)

Q 7 (a) J.C. Professionals, a partnership firm, gives the following particulars relating to the services provided to various clients by them for the half-year ended on 30.09.06: (i) Total bills raised for Rs. 8,75,000 out of which bill for Rs. 75,000 was raised on an approved International Organisation and payments of bills for Rs. 1,00,000 were not received till 30.09.06. (ii) Amount of Rs. 50,000 was received as an advance from XYZ Ltd. on 25.09.06 to whom the services were to be provided in October, 06. You are required to work out the : (a) taxable value of services (b) amount of service tax payable. (3 marks)

Q 7 (b) Compute the invoice value to be charged and amount of tax payable under VAT by a dealer who had purchased goods for Rs. 1,20,000 and after adding for expenses of Rs. 10,000 and of profit Rs. 15,000 had sold out the same. The rate of VAT on purchases and sales is 12.5% (3 marks)

Q 8 Answer the following : (a) Who is liable to pay service tax in relation to services provided by a goods transport agency? (b) What are the due dates for payment of service tax ? (c) Briefly explain the Invoice method of computing tax liability under the VAT system. What are its other names ? (d) What are the different variants of VAT, and how is deduction available for tax paid on inputs including capital inputs? (3 marks each)