Ans 1 (a)

Computation of Capital Gain in the hands of Mrs. Thilagam
(for the Assessment Year 2011-12)

(1) On the Shares Sale dated 25.05.2010

These shares are long term capital assets and LTCG on it would be exempted u/s 10(38) of the income Tax Act, 1961.

(2) On the Bonus Shares Sale dated 21.07.2010 (Short Term Capital Asset)

Net Sale Consideration	Rs. 1,25,000/-
Less: - Cost of Acquisition	Nil
Short Term Capital Gain	Rs. 1,25,000

(3) On the Shares Sales dated 28.02.2011 (Long Term Capital Asser)

Net Sales Consideration	Rs. 1,70,000/-
Less :- Indexed cost of Acquisition (2000*100*711/632)	Rs. 2,25,000/-
Long Term Capital Loss	Rs. 55,000/-

Ans 1 (b)

Computation of the Business Income of Nathan Aviation Ltd
for the A.Y. 2011-11

Income from Business

Unit S :-

Profit from Unit	Rs. 13 Lakhs
Less :- Profit Exempted u/s 10AA	Rs. 12 Lakhs
Taxable Profit	Rs. 1 Lakh

Unit N

Profit from Undertaking	Rs. 4 Lakh	
Total Profit	Rs. 5 Lakh	
Less :- Brought Forward Loss u/s	Rs. 2 Lakh	Rs. 3 Lakh
Gross Total Income		**Rs. 3 Lakh**

Working Notes

Calculation of the Exempted Income u/s 10AA

Exempted Income = Profit from undertaking*Export Turnover/Total Turnover

Exempted Income = 13*120/130 = Rs. 12 Lakh

Ans 1 (c)

Computation of value of Taxable Service

Particulars		Amount
(a) Amounts collected from companies for pre-recruitment screening		2,50,000
(b) Amount collected from companies for recruitment of		
a. Permanent Staff	3,00,000	
b. Temporary Staff	4,00,000	
(c) Advance received from prospective employers for Conducting campus interviews in college		1,00,000
Total Value of Taxable Service		10,50,000

Amount of Service Tax = 10,50,000*10.3%= 1,08,150/-

Ans 1 (d)

Computation of VAT Liability (for the year ended 31.0302011)

Particulars	Amount
Output VAT [7,28,000*4/104]	28,000/-
Less :- Input VAT Credit	
• Input VAT Credit on purchase of raw material [5,30,000*6/106]	30,000/-
• Input VAT on Capital Goods [3,30,000*10/110]/2	15,000/-
VAT Refundable/ Input Credit carried forward	**17,000/-**

Notes

- Input Credit of CST and custom duty is not allowed

Ans 2 (a) (i)

As per provision of Import of Service, if a person utilized any service in Indian which are provided by the non-resident in respect of service defined in the Category III of said rules, recipient of service would be liable to pay service Tax to Government on the amount which is paid to non-resident.

In the Given case, Miss Vivitha would be liable to pay service tax but these services should be used for commercial purpose.

Ans 2 (a) (ii)

Computation of Amount of Deduction u/s 35 of Income Tax Act, 1961

Particulars		Amount
(a) Payment made to K Research Ltd	Rs. 20 Lakh	
(b) Payment made to LMN College	Rs. 15 Lakh	
(c) Payment made to National Laboratory	Rs. 8 Lakh	
Total Amount of donation covered u/s 35(1)(ii)	Rs. 43 Lakh	
Deduction Amount [43*175%]		**Rs. 75.25 Lakh**

Amount of Expenditure on the Scientific Research covered u/s 35(1)(i)

• Machinery purchased	Rs. 25 Lakh	
• Salaries to research staff	Rs. 12 Lakh	
Total Amount	Rs. 37 Lakh	
Amount of Deduction u/s 35 (1) (i)		**Rs. 37.00 Lakh**
Total Deduction u/s 35 of Income Tax Act, 1961		**Rs. 112.25 Lakh**

Ans 2 (b)

Calculation of Service Tax Liability

Particulars	Amount of service tax
(1) Coaching Fee collected from student [14,50,000*10.3%]	Rs. 1,49,350/-
(2) Advance received [3,00,000*10.3/110.3]	Rs. 28,015/-
Total Service Tax Liability	Rs. 1,77,365/-

Due date of the payment of service tax is 6th July, 2010.

Ans 2 (c)

Variants of VAT

Variant of VAT means method of off-setting credit available on purchases with output tax. Broadly, there are three variants viz. Gross Product Variant, Income Variant and Consumption Variant. The details of these variants are as under:

Variant	Rule	Pros and Cons
Gross Product Variant	Deduction for tax paid on all purchase of raw material and components shall be allowed. But, no deduction shall be allowed for tax paid at the time of purchase of capital goods	a) Capital goods are taxed twice i.e., at the time of purchase and at the time of sale of goods produced using that capital goods by way of depreciation included in the value of output product. b) These doubly tax treatment of capital goods cause delay in modernization and upgrading of plant and machinery. c) The economic base of the variant is equivalent to Gross National Product (GNP)
Income Variant	Deduction shall be allowed for tax paid on: a) Purchase of raw materials and components; and b) Depreciation on capital goods	a) Credit on capital purchases are allowed in the ratio of Depreciation over the life of the capital asset. b) Computation of depreciation is also depending on different variant viz. the life of asset and rate of inflation. Thus, it is difficult to provide a specific method of depreciation.
Consumption Variant	Deduction for tax paid on all business purchases including capital assets shall be allowed	a) There is no need to distinguish between current expenditure and capital expenditure. Further, life of assets, etc. is not required to specify. b) Since tax paid on capital goods is also allowed to be set-off, hence its impact on investment decision is nil.

		c) It is simple and easier. Chances of disputes between Government and the tax payer are less. d) The system leads to loss of revenues to the Government.

Ans 3(a)

Computation of Total Income of Mr. Vidyasagar
(for A.Y. 2011-12)

Income from Business or Profession

(i) Profit the Wholesale Business

Net Profit as per Profit and Loss A/c		Rs. 5,60,000	
Add :-			
Depreciation as per books	Rs. 34,000		
Prepaid Municipal Tax	Rs. 4,200		
Salary paid to Manager in cash Disallowed u/s 40A(3)	Rs. 21,000	Rs. 59,200	
		Rs. 6,19,200	
Less :- Depreciation as per income tax		Rs. 1,10,400	
			Rs. 5,08,800

(ii) Remuneration/interest from Oscar Musicals u/s 28(v)

Interest allowed u/s 40(b)	Rs. 1,20,000

Income from Other Sources

Interest from Bank Gross	Rs. 15,000	
Interest on Income Tax Refund	Rs. 2,300	
		Rs. 17,300
Gross Total Income		**Rs. 6,46,100**

Less :- Deduction under Chapter-VI-A		
u/s 80 C	1,00,000	
u/s 80CCE	20,000	Rs. 1,20,000
Total Income		**Rs. 5,26,100**

Ans 3 (b) (i)

As per Rule 6(1) Explanation.- The transaction of taxable service is with any associated enterprise, any payment received towards the value of taxable service, in such case shall include any amount credited or debited, as the case may be, to any account, whether called 'Suspense account' or by any other name, in the books of account of a person liable to pay service tax.

Ans 3 (b) (ii)

As per Rule 6 (4C) of Service Tax Rules, 1994

Notwithstanding anything contained in sub-rules (4), (4A) and (4B), where the person liable to pay service tax in respect of services provided or to be provided in relation to renting of immovable property, referred to in sub-clause (zzzz) of clause (105) of section 65 of the Act, has paid to the credit of Central Government any amount in excess of the amount required to be paid towards service tax liability for a month or quarter, as the case may be, on account of non-availment of deduction of property tax paid in terms of notification No.24/2007-Service Tax, dated the 22nd May, 2007, from the gross amount charged for renting of the immovable property for the said period at the time of payment of service tax, the assessee may adjust such excess amount paid by him against his service tax liability within one year from the date of payment of such property tax. The details of such adjustment shall be intimated to the Superintendent of Central Excise having jurisdiction over the service provider within a period of fifteen days from the date of such adjustment.

Ans 4 (a)

Computation of the Total Income

Income from Salaries

Salaries	2,20,000	
Less :- loss from House Property adjusted u/s 70	1,90,000	
		30,000

Income from House Property

Loss from House Property	1.90,000	
Less Adjusted from Salary income u/s 70	1,90,000	
		Nil

Income from PGBP

Income from Speculation Business	30,000	
Less :- adjusted loss from Cloth Business u/s 70	30,000	
		Nil
Loss from Cloth Business	2,40,000	
Less :- adjusted loss from speculation business u/s 70	30,000	
Remaining loss carried forward u/s 72	2,10,000	

Income From Capital Gain

Long Term Capital Gain		2,50,000

Income from Other Sources

Income from betting		45,000
Gross Total Income		**3,25,000**
Less :- Deduction u/s 80C		**30,000**
Total Income		**2,95,000**

Ans 4(b)

As per Section 94 of the Finance Act, 1994 give power to Central Government for making rules for the administrating. This power is as follows:-

(1) In particular, and without prejudice to the generality of the foregoing power, such rules may provide for all or any of the following matters, namely: -

(a) collection and recovery of service tax under sections 66 and 68;

(aa) the determination of amount and value of taxable service under section 67;

(b) the time and manner and the form in which application for registration shall be made under sub-sections (1) and (2) of section 69;

(c) the form, manner and frequency of the returns to be furnished under sub-sections (1) and (2) and the late fee for delayed furnishing of return under sub-section (1) of section 70;

(cc) the manner of provisional attachment of property under sub-section (1) of section 73C;
(ccc) publication of name of any person and particulars relating to any proceeding under sub-section (1) of section 73D;

(d) the form in which appeal under section 85 or under sub-section (6) of section 86 may be filed and the manner in which they may be verified;

(e) the manner in which the memorandum of cross objections under sub-section (4) of section 86 may be verified;

(ee) the credit of service tax paid on the services consumed for providing a taxable service in case where the services consumed and the service provided fall in the same category of taxable service;

(eee) the credit of service tax paid on the services consumed or duties paid or deemed to have been paid on goods used for providing a taxable service;

(eeee) the manner of recovery of any amount due to the Central Government under section 87;

(f) provisions for determining export of taxable services

(g) grant of exemption to, or rebate of service tax paid on, taxable services which are exported out of India;

(h) rebate of service tax paid or payable on the taxable services consumed or duties paid or deemed to have been paid on goods used for providing taxable services which are exported out of India;

(hh) rebate of service tax paid or payable on the taxable services used as input services in the manufacturing or processing of goods

exported out of India under Section 93A

(hhh) the date for determination of rate of service tax and the place of provision of taxable service;

(i) any other matter which by this Chapter is to be or may be prescribed.

Name of Some rules made by Central Government in this behalf :-

1. Service Tax (Determination of Value) Rules, 2006
2. Dispute Resolution Scheme Rules, 2008
3. Service Tax Dispute Resolution Scheme, 2008
4. Export of Service Rules, 2005
5. Service Tax (Provisional Attachment of Property) Rules, 2008
6. The Service Tax (Publication of Names) Rules, 2008
7. Service Tax (Advance Rulings) Rules 2003
8. Service Tax Return Preparer Scheme, 2009
9. Service Tax Rules, 1994

Ans 4 (c) Concept of VAT

VAT is a form of Sales tax. It is a tax on the sale of goods. It is imposed on intra-state sale. i.e sale of goods within state. Since it is imposed on the amount of value addition made, it is known as tax on value added tax. VAT is imposed only on the amount of value addition measured by deducting the purchase price from the sale price. This is done by providing set off of tax paid on purchase against the tax payable on sales.

Input Tax: - Input tax means the tax paid or payable by a dealer of a state on purchases :-

- Of any goods (including raw material; capital goods) goods intended for resale or other inputs;
- Made in the course of his business
- From a registered dealer within the state.

Ans 5 (a)

Computation of Capital Gain

Net Sale Consideration		Rs. 12,00,00
Less :- Indexed Cost of Acquisition [(1,50,000-80,000)*711/140	Rs. 3,55,500	
Less :- Indexed Cost of Improvement [50,000*711/116]	Rs. 3,06,465	
Less :- Indexed Cost of Improvement [1,90,000*711/244]	Rs. 5,53,648	
		Rs. 12,15,613
Long Term Capital Loss		**Rs. 15,613**

For Answer of Rest Question, you may send email with detail of your name, City, Phone Number to email id “ **Sachinagarwalcallb@gmail.com”**