

IPCC November 2011 Taxation Paper Solutions to Numerical Questions

I(a)

Net profit		7,00,000
Less: Depreciation		1,50,000
Less: Interest @ 12% of Rs. 5,00,000		60,000
Book profit		4,90,000
Maximum salary allowable as per section 40(b)		
On first Rs. 3,00,000	2,70,000	
On balance Rs. 1,90,000	1,14,000	3,84,000
Actual Salary (20,000 x 2 x 12)		4,80,000
Lower: allowable salary		3,84,000

I(b)

	Madan	Hema
Rental Income (clubbed with Madan)	1,20,000	-
Less: Municipal Taxes (on paid basis)	5,000	-
NAV	1,15,000	-
Less: Standard Deduction @ 30%	34,500	-
IHP	80,500	-
Business Income	1,00,000	(75,000)
LTCG	50,000	-
STCG	-	2,00,000
IOS	1,50,000	50,000
GTI	3,80,500	1,75,000
TI	3,80,500	1,75,000
Tax on LTCG @ 20% & on balance @ slab rates 2,40,000/1,90,000	19,621.50	Nil
R/o	19,620.00	Nil

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2(a)

Basic salary (50,000 x 7 + 60,000 x 5)	6,50,000
DA (40% of 6,50,000)	2,60,000
Bonus	70,000
Employer's cont. (16% of 6,50,000)	1,04,000
Less: exempt (12% of 6,50,000) (assumed DA not forming part)	78,000
Prof. tax	2,000
Facility – Laptop	Nil
Motor Car (2,400 x 5)	12,000
LTC	Exempt
	10,20,000
Less: Prof. Tax	3,000
Income u/h salaries	10,17,000

3(a)

Full Value of Consideration	80,00,000
Less: ICoA (10,00,000 x 711 / 389)	18,27,763
Less: ICoI (2,00,000 x 711 / 480)	2,96,250
	58,75,987
Less: Exemption u/s 54	25,00,000
LTCG AY 2011-12	33,75,987
(no deduction u/s 54EC NHAI bonds because purchased after 6 months from the date of transfer)	
Consequences of selling new house property	
FVC	40,00,000
Less: CoA (25,00,000 – 25,00,000)	Nil
STCG AY 2012-13	40,00,000

4(a)

- Not allowed as deduction because not paid till due date of return (section 43B)
- Depreciation @ 25% on Rs. 20,00,000 since put to use for 180 days or more
- Land Rs. 2,00,000 not allowed as deduction. Other capital expenditure deduction shall be allowed @ 200% i.e. Rs. 16,00,000

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- (iv) Allowed as bad debts u/s 36
- (v) Not allowed as deduction as per section 40
- (vi) Not allowed as deduction because not deposited by due date i.e. 20th of next month
- (vii) Not allowed as expense u/h PGBP but allowed as deduction u/s 80GGB
- (viii) Taxable u/h PGBP u/s 41(1)

5(a)

Income as per section 44AE

6 x 5,000 x 12 + 2 x 5,000 x 9

4,50,000

Less: Business loss carried forward

1,00,000

(Business loss can be carried forward because last year return filed within due date being 30/9/2010 – audit required last year)

(Unabsorbed depreciation carried forward shall not be allowed as deduction because section 32 depreciation is deemed to be allowed and unabsorbed depreciation governed by section 32(2))

3,50,000

Less: Deduction

Tax saver deposit

Nil

Medical insurance

20,000

LIC

25,000

Intt education

15,000

60,000

Total Income

2,90,000

6(a)

(i) RNOR

(ii) Whole interest shall be taxable u/h IOS in the year of receipt and deduction equal to 50% of interest received shall be allowed and no other deduction shall be allowed from this income

Interest received

5,00,000

Less: Deduction @ 50%

2,50,000

Taxable interest u/h IOS

2,50,000

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7(a)

- (ii) (a) TDS @ 2% of Rs. 2,10,000 4,200
 (ii) (b) No TDS being services used for personal purposes Nil
- (iii) (a) Disagree. ROI shall be signed by designated partner, if there is no designated partner, then by any partner
 (iii) (b) Disagree. If he opts for section 44AD, then DD shall be 31/7/2011, otherwise 30/9/2011

1(c)

Civil service	3,50,000
University examinations	2,40,000
Sports	---
Foreign university	4,40,000
By staff	6,40,000
Total:	16,70,000
Value of taxable service (16,70,000 x 100 / 110.3)	15,14,053
(assumed assessee is not small service provider & further amount received are inclusive of service tax)	

1(d)

Output tax		
27,00,000 x 4%	1,08,000	
32,00,000 x 1%	32,000	
8,00,000 x 12.5%	1,00,000	2,40,000
ITC		
15,00,000 x 1%	15,000	
6,00,000 x 12.5%	75,000	90,000
		1,50,000

NO ITC of CST & Customs duty

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3(b)

March 10 (international orgn services exempt)	3,00,000
April 10 (territorial waters form part of India)	3,00,000
January 11 (Associated enterprises services taxable)	5,00,000
February 11 (J&K services exempt)	4,50,000
	<u>15,50,000</u>
Service tax payable (15,50,000 x 10.3 / 110.3)	1,44,742
(being gross receipts, therefore inclusive of service tax)	
(further last year paid service tax, therefore not a small service provider)	

4(c)

- (i) True, no declaration forms required
- (ii) False, 11 digit numerals
- (iii) True
- (iv) False, set off of ITC on capital goods available to both manufacturers & traders

5(c)

Output tax (50,00,000 x 12.5%)	6,25,000
ITC	
30,00,000 x 60% x 4%	72,000
15,00,000 x 1%	15,000
	<u>87,000</u>
	<u>5,38,000</u>

7(b)

Export cargo	Exempt
Empty containers	Not a cargo
Packing & transport	10,00,000
Agriculture produce	Exempt
Other	52,00,000
	<u>62,00,000</u>
Value of taxable service (62,00,000 x 100 / 110.3)	56,21,034
(given received, therefore inclusive of service tax)	

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7(c)

	GPV	CV
Output tax (8,00,000 x 4%)	32,000	32,000
Less: ITC		
Raw material (5,00,000 x 4%)	20,000	20,000
P&M (2,50,000 x 4%)	---	10,000
VAT payable	12,000	2,000

CV is beneficial being more profit margin.

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