for CA IPCC/PCC Taxation

NOV. 2011 SOLUTIONS

as per AY 2012-13

for May 2012 attempt

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AOC™
Academy of Commerce

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IPCC & PCC NOVEMBER 2011
As per provisions of AY 2012-13

Question 1

Rao & Jain, a partnership firm consisting of two partners, reports a net profit of Rs. 7,00,000 before deduction of the following items:

(1) Salary of Rs. 20,000 each per month payable to two working partners of the firm (as authorized by the deed of partnership).
(2) Depreciation on plant and machinery under section 32 (computed) Rs. 1,50,000.
(3) Interest on capital at 15% per annum (as per the deed of partnership). The amount of capital eligible for interest Rs. 5,00,000.

Compute:

(i) Book-profit of the firm under section 40(b) of the Income-tax Act, 1961.
(ii) Allowable working partner salary for the assessment year 2012-13 as per section 40(b) of the Income-tax Act, 1961.

Question 2

Shri Madan (age 67 years) gifted a building owned by him to his son's wife Smt. Hema on 01-10-2011. The building fetched a rental income of Rs. 10,000 per month throughout the year. Municipal tax for the first half-year of Rs. 5,000 was paid in June 2011 and the municipal tax for the second half-year was not paid till 30-09-2012.

Incomes of Shri Madan and Smt. Hema other than income from house property are given below:

Name	Business income (Rs.)	Capital gain (Rs.)	Other sources (Rs.)
Shri Madan	1,00,000	50,000 (long term)	1,50,000
Smt. Hema	(75,000)	2,00,000 (short term)	50,000

Note: Capital gain does not relate to gain from shares and securities.

Compute the total income of Shri. Madan and Smt. Hema taking into account income from property given above and also compute their income-tax liability for the assessment year 2012-13.

Question 3

Mr. Balaji, employed as Production Manager in Beta Ltd., furnishes you the following information for the year ended 31-03-2012:

(i) Basic salary upto 31-10-2011 Rs. 50,000 p.m.
Basic salary from 01-11-2011 Rs. 60,000 p.m.
Note: Salary is due and paid on the last day of every month.
(ii) Dearness allowance @ 40% of basic salary.
(iii) Bonus equal to one month salary. Paid in October 2011 on basic salary plus dearness allowance applicable for that month.
(iv) Contribution of employer to recognized provident fund account of the employee @ 16% of basic salary.
(v) Profession tax paid Rs. 3,000 of which Rs. 2,000 was paid by the employer.

(vi) Facility of laptop and computer was provided to Balaji for both official and personal use. Cost of laptop Rs. 45,000 and computer Rs. 35,000 were acquired by the company on 01-12-2011.

(vii) Motor car owned by the employer (cubic capacity of engine exceeds 1.60 litres) provided to the employee from 01-11-2011 meant for both official and personal use. Repair and running expenses of Rs. 45,000 from 01-11-2011 to 31-03-2012, were fully met by the employer. The motor car was self-driven by the employee.

(viii) Leave travel concession given to employee, his wife and three children (one daughter aged 7 and twin sons aged 3). Cost of air tickets (economy class) reimbursed by the employer Rs. 30,000 for adults and Rs. 45,000 for three children. Balaji is eligible for availing exemption this year to the extent it is permissible in law.

Compute the salary income chargeable to tax in the hands of Mr. Balaji for the assessment year 2012-13.

Question 4

Mr. Selvan, acquired a residential house in January, 2001 for Rs. 10,00,000 and made some improvements by way of additional construction to the house, incurring expenditure of Rs. 2,00,000 in October, 2005. He sold the house property in October, 2011 for Rs. 75,00,000. The value of property was adopted as Rs. 80,00,000 by the State stamp valuation authority for registration purpose. He acquired a residential house in January, 2011 for Rs. 25,00,000. He deposited Rs. 20,00,000 in capital gains bonds issued by National Highways Authority of India (NHAI) in June, 2012.

Compute the capital gain chargeable to tax for the assessment year 2012-13.

What would be the tax consequence and in which assessment year it would be taxable, if the house property acquired in January, 2011 is sold for Rs. 40,00,000 in March, 2013?

Cost inflation index: F.Y. 2000-2001 = 406
F.Y. 2005-2006 = 497
F.Y. 2011-2012 = 785
F.Y. 2012-2013 = 880 (assumed)

Question 5

Ramji Ltd., engaged in manufacture of medicines (pharmaceuticals), furnishes the following information for the year ended 31-03-2012:

(i) Municipal tax relating to office building Rs. 51,000 not paid till 30-09-2012.

(ii) Patent acquired for Rs. 20,00,000 on 01-09-2011 and used from the same month.

(iii) Capital expenditure on scientific research Rs. 10,00,000 which includes cost of land Rs. 2,00,000.

(iv) Amount due from customer X outstanding for more than 3 years written off as bad debt in the books Rs. 5,00,000.

(v) Income tax paid Rs. 90,000 by the company in respect of non-monetary perquisites provided to its employees.

(vi) Provident fund contribution of employees Rs. 5,50,000 remitted in July, 2012.

(vii) Expenditure towards advertisement in souvenir of a political party Rs. 1,50,000.

(viii) Refund of sales tax Rs. 75,000 received during the year, which was claimed as expenditure in an earlier year.

State with reasons the taxability or deductibility of the items given above under the Income-tax Act, 1961.

Note: Computation of total income is not required.

Question 6

Mr. Chandran (aged 38) owned 6 heavy goods vehicles as on 01-04-2011. He acquired 2 more heavy goods vehicles on 1-7-2011. He is solely engaged in the business of plying goods vehicles on hire since financial year 2007-08.

He did not opt for presumptive provision contained in section 44AE for the financial year 2010-11. His books were audited under section 44AB and the return of income was filed on 5-8-2011. He has unabsorbed depreciation of Rs. 70,000 and business loss of Rs. 1,00,000 for the financial year 2010-11.

Following further information is provided to you:

(i) Deposited Rs. 20,000 in Tax Saver Deposit with UCO Bank in the name of married son.

(ii) Paid medical insurance premium of Rs. 23,000 for his parents (both aged above 70) by means of bank demand draft.

(iii) Paid premium on life insurance policy of his married daughter Rs. 25,000.

(iv) Repaid principal of Rs. 40,000 and interest of Rs. 15,000 to Canara Bank towards education loan of his daughter, who completed B.E. two years ago. She is employed after completion of her studies.

Assuming that Mr. Chandran has opted for presumptive provision contained in section 44AE of the Income-tax Act, 1961, compute the total income of Mr. Chandran for the assessment year 2012-13.

Question 7

Brett Lee, an Australian cricket player visits India for 100 days in every financial year. This has been his practice for the past 10 financial years. Find out his residential status for the assessment year 2012-2013.

Question 8

On 10-10-2011, Mr. Govind (a bank employee) received Rs. 5,00,000 towards interest on enhanced compensation from State Government in respect of compulsory acquisition of his land effected during the financial year 2006-07.

Out of this interest, Rs. 1,50,000 relates to the financial year 2008-09; Rs. 1,65,000 to the financial year 2009-10; and Rs. 1,85,000 to the financial year 2010-11. He incurred Rs. 50,000 by way of legal expenses to receive the interest on such enhanced compensation.

How much of interest on enhanced compensation would be chargeable to tax for the assessment year 2012-13?

Question 9

State any four of the specified businesses eligible for deduction under section 35AD of the Income-tax Act, 1961.

Question 10

State the applicability of TDS provisions and TDS amount in the following cases:

a) Rent paid for hire of machinery by B Ltd. to Mr. Raman Rs. 2,10,000.

b) Fee paid to Dr. Srivatsan by Sundar (HUF) Rs. 35,000 for surgery performed to a member of the family.

Question 11

State with reasons whether you agree or disagree with the following statements:

a) Return of income of Limited Liability Partnership (LLP) could be signed by any partner.

b) Time limit for filing return under section 139(1) in the case of Mr. A having total turnover of Rs. 45 lakhs for the year ended 31-03-2012, whether or not opting to offer presumptive income under section 44AD is 30th September 2012.

Question 12

Mr. Vaibhav started a proprietary business on 01-04-2010 with a capital of Rs. 5,00,000. He incurred a loss of Rs. 2,00,000 during the year 2010-11. To overcome the financial position, his wife Mrs. Vaishaly, a software Engineer, gave a gift of Rs. 5,00,000 on 01-04-2011, which was immediately invested in the business by Mr. Vaibhav. He earned a profit of Rs. 4,00,000 during the year 2011-12. Compute the amount to be clubbed in the hands of Mrs. Vaishaly for the Assessment Year 2012-2013. If Mrs. Vaishaly gave the said amount as loan, what would be the amount to be clubbed?

Question 13

Mr. Batra furnishes the following details for year ended 31-03-2012:

Particulars	Rs.
Short term capital gain	1,40,000
Loss from speculative business	60,000
Long term capital gain on sale of land	30,000
Long term capital loss on sale of shares (securities transaction tax not paid)	1,00,000
Income from business of textile (after allowing current year depreciation)	50,000
Income from activity of owning and maintaining race horses	15,000
Income from salary	1,00,000
Loss from house property	40,000

Following are the brought forward losses:

(i) Losses from activity of owning and maintaining race horses-pertaining to A.Y. 2009-10 Rs. 25,000.

(ii) Brought forward loss from business of textile Rs. 60,000 - Loss pertains to A.Y. 2004-05.

Compute gross total income of Mr. Batra for the Assessment Year 2012-13. Also state the eligible carry forward losses for the Assessment Year 2012-13.

Question 14

The gross total income of Mr. Nepal for the Assessment Year 2012-13, was Rs. 12,00,000. He has made the following investment/payments during the year 2011-12-

	Particulars	Rs.
1.	L.I.C. premium paid (Policy value Rs. 1,00,000)	25,000
2.	P.P.F. amount paid	25,000
3.	Repayment of housing loan to Indian Bank	50,000
4.	Payment made to L.I.C. pension fund	20,000
5.	Infrastructure Bonds of IDBI Ltd.	30,000
6.	Medical insurance premium for self, wife and dependent children.	18,000
7.	Mediclaim premium for parents (aged over 80 years)	30,000

Compute eligible deduction under Chapter VI-A for the Assessment Year 2012-13.

Question 15

Ms. Rachna was gifted a land by her father in December, 2002 at the occasion of her marriage. The land was allotted to her father in November, 1992 at cost of Rs. 6 lac by DDA for commercial purpose. She set up a nursery on land, earns profit Rs. 2 lacs during the year 2011-12 from seedlings grown in nursery. She sold the nursery to her friend at Rs. 50 lacs in October, 2011. Her friend paid

Rs. 20 lacs in cash and Rs. 30 lacs in the form of shares. Market value of land on date of sale was Rs. 90 lacs and shares Rs. 70 lacs. Rachna, with an intention to earn profit, invested Rs. 20 lacs in shares by purchasing shares for Rs. 15 lacs from National Stock Exchange and Rs. 5 lacs in subscription to equity shares forming part of eligible issue of capital by a public company. She spent Rs. 60,000 on purchase of computers, Rs. 20,000 on net connectivity and Rs. 2 lacs toward salary and other expenses. She paid monthly rent Rs. 2,500 for a shop which was taken in October 2011, for trading in shares. Depreciation rate on computers is 60%.

The value of shares purchased and sold during the year are as follows:

Purchases including received from friend	Rs. 80,00,000
Sales	Rs. 1,00,00,000

The market value of shares remains unsold as on 31-03-2012 is Rs. 40 lakhs. Ms. Rachna

- Made contribution of Rs. 20,000 to approved pension fund.
- Paid Rs. 25,000 to LIC for medical insurance premium of self and spouse.
- Repaid loan Rs. 1,00,000 and interest Rs. 20,000 to SBI taken in February, 2012 for her son's admission in Sri Ram College of Commerce B.Com.
- Invested Rs. 1,00,000 in long term infrastructure bonds.
- Contributed Rs. 25,000 to a research association, which has as its object undertaking of scientific research.

Rachna did not earn any short term capital gain during the year. Rachna has not celebrated her 40th birthday yet. Compute the total income of Ms. Rachna and tax thereon payable by her for the Assessment Year 2012-13. Cost inflation index for financial year 1992-93 is 223, 2002-03 is 447 and 2011-2012 is 785.

Question 16

Mrs. Deepali (aged 40 years), working with M/s Good Company Ltd., a manufacturer of tyres based at Mumbai, has received the following payments during the financial year 2011-12 from her employer:

Basic salary	Rs. 60,000 per month.
Dearness allowance	40% of basic salary.

Her employer has taken on rent her own house on a monthly rent of Rs. 15,000 and the same has been provided for residence of Mrs. Deepali. Company is recovering Rs. 2,000 per month as rent of house.

Mrs. Deepali has further furnished the following details:

(i) Subscription to notified long term infrastructure bonds of Rs. 30,000 under section 80CCF of the Income-tax Act, 1961.

(ii) She has paid professional tax of Rs. 6,000 during financial year 2011-12.

(iii) She is owning only one house and payment of interest of Rs. 1,75,000 and principal of Rs. 1,00,000 was made for housing loan taken for purchase of house.

(iv) She has also taken a loan of Rs. 2,00,000 from her employer for study of her son. SBI rate for such loan is 10%. Her employer has recovered Rs. 10,000 as interest from her salary for such loan during the year.

Compute taxable income and tax liability for assessment year 2012-13.

Question 17

Mr. Mithun purchased 100 shares of M/s Goodmoney Co. Ltd. on 01-04-2006 at rate of Rs. 1,000 per share, in public issue of the company.

Company allotted bonus shares in the ratio of 1:1 on 01-12-2010. He has also received dividend of Rs. 10 per share on 01-05-2011.

He has sold all the shares on 01-10-2011 at the rate of Rs. 3,000 per share through a recognized stock exchange and paid brokerage of 1% and securities transaction tax of 0.02% to celebrate his 75th birthday. The cost inflation Index are as follows:

Financial Year	Cost Inflation Index
2006-07	519
2011-12	785

Compute his total income and tax liability for Assessment Year 2012-13 assuming that he is having no income other than given above.

Question 18

Mr. X retired from the services of M/s Y Ltd. on 31-01-2012 after completing service of 30 years and one month. He had joined the company in 1980 at the age of 30 years and received the following on his retirement :

(i) Gratuity Rs. 6,00,000. He was covered under the Payment of Gratuity Act, 1972.
(ii) Leave encashment of Rs. 3,30,000 for 330 days leave balance in his account. He was credited 30 days leave for each completed year of service.
(iii) As per the scheme of the company, he was offered a car which was purchased on 01.02.2009 by the company for Rs. 5,00,000. Company has recovered Rs. 2,00,000 from him for the car. Company depreciates the vehicles at the rate of 15% on Straight Line Method.
(iv) An amount of Rs. 3,00,000 as commutation of pension for 2/3 of his pension commutation.
(v) Company presented him a gift voucher worth Rs. 6,000 on his retirement.
(vi) His colleagues also gifted him a Television (LCD) worth Rs. 50,000 from their own contribution.

Following are the other particulars :

(i) He has drawn a basic salary of Rs. 20,000 and 50% dearness allowance per month for the period from 01-04-2011 to 31-01-2012.
(ii) Received pension of Rs. 5,000 per month for the period 01-02-2012 to 31-03-2012 after commutation of pension.

Compute his gross total income from the above for Assessment Year 2012-13.

Question 19

Mr. Asim, a 58 year old individual, engaged in the business of roasting and grounding of coffee, derives income of Rs. 10 lacs during the financial year 2011-12. Compute the tax payable by him assuming he has not earned any other income during the financial year 2011-12.

Question 20

State with reasons the allowability of the following expenses under the Income-tax Act, 1961 while computing income from business or profession for the Assessment Year 2012-13:

(i) Provision made on the basis of actuarial valuation for payment of gratuity Rs. 5,00,000. However, no payment on account of gratuity was made before due date of filing return.
(ii) Purchase of oil seeds of Rs. 50,000 in cash from a farmer on a banking day.
(iii) Tax on non-monetary perquisite provided to an employee Rs. 20,000.
(iv) Payment of Rs. 50,000 by using credit card for fire insurance.
(v) Salary payment of Rs. 2,00,000 outside India by a company without deduction of tax.
(vi) Sales tax deposited in cash Rs. 50,000 with State Bank of India.
(vii) Payment made in cash Rs. 30,000 to a transporter in a day for carriage of goods

Question 21

Mr. David, a Government employee serving in the Ministry of External Affairs, left India for the first time on 31-03-2011 due to his transfer to High Commission of Canada. He did not visit India any time during the previous year 2011-12. He has received the following income for the Financial Year 2011-12:

		Rs.
(i)	Salary	5,00,000
(ii)	Foreign Allowance	4,00,000
(iii)	Interest on fixed deposit from bank in India	1,00,000
(iv)	Income from agriculture in Pakistan	2,00,000
(v)	Income from house property in Pakistan	2,50,000

Compute his gross total income for Assessment Year 2012-13.

Question 22

Compute the amount of tax deduction at source on the following payments made by M/s. S Ltd. during the financial year 2011-12 as per the provisions of the Income-tax Act, 1961.

Sr. No.	Date	Nature of Payment
(i)	1-10-2011	Payment of Rs. 2,00,000 to Mr. "R" a transporter who is having PAN.
(ii)	1-11-2011	Payment of fee for technical services of Rs. 25,000 and Royalty of Rs. 20,000 to Mr. Shyam who is having PAN.
(iii)	30-06-2011	Payment of Rs. 35,000 to M/s X Ltd. for repair of building.
(iv)	01-01-2012	Payment of Rs. 2,00,000 made to Mr. A for purchase of diaries made according to specifications of M/s S Ltd. However, no material was supplied for such diaries to Mr. A by M/s S Ltd.
(v)	01-01-2012	Payment made Rs. 80,000 to Mr. Bharat for compulsory acquisition of his house as per law of the State Government.
(vi)	01-02-2012	Payment of commission of Rs. 6,000 to Mr. Y.

Question 23

Mr. Gupta is having a trading business and his Trading and Profit & Loss Account for the financial year 2011-12 is as under:

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Opening stock	1,00,000	By Sales	70,00,000
To Purchase	49,00,000	By Closing stock	50,000
To Gross profit	20,50,000		
Total	70,50,000	Total	70,50,000
Salary to employees (Including Contribution to PF)	5,00,000	By Gross Profit b/d	20,50,000
Donation to Prime Minister Relief Fund	1,00,000		
Provision for bad debts	50,000		
Bonus to employees	50,000		
Interest on bank loan	50,000		
Family planning expenditure incurred on employees	20,000		
Depreciation	30,000		
Income-tax	1,00,000		
To Net profit	11,50,000		
Total	20,50,000	Total	20,50,000

Other information:

(i) Depreciation allowable Rs. 40,000 as per Income-tax Rules, 1962.
(ii) No deduction of tax at source on payment of interest on bank loan has been made.
(iii) Payment of bonus to workers made in the month of October on the occasion of Diwali festival.
(iv) Out of salary, Rs. 25,000 pertains to his contributions to recognized provident fund which was deposited after the due date. Further, employees contribution of Rs. 25,000 was also deposited after the due date.

Calculate gross total income of Mr. Gupta for the Assessment Year 2012-13.

Question 24

M/s. Dollar Ltd., a manufacturing concern, furnishes the following particulars:

		Rs.
(i)	Opening writing down value under Income-tax of block plant and machinery	5,00,000
(ii)	Purchase of plant and machinery (put to use before 01-10-2011)	2,00,000
(iii)	Sale proceeds of plant and machinery which became obsolete - the plant and machinery was purchased on 01-04-2009 for Rs. 5,00,000.	5,000

Further, out of purchase of plant and machinery:

a) Plant and machinery of Rs. 20,000 has been installed in office.
b) Plant and machinery of Rs. 20,000 was used previously for the purpose of business by the seller.

Compute depreciation and additional depreciation as per Income-tax Act, 1961 for the Assessment Year 2012-13.

Question 25

(i) State when a return of income can be treated as defective.
(ii) An Assessing Officer finds a defect in the return of income and intimated the defect vide letter dated 09-10-2011, which was received by Mr. Ram on 14-12-2011. What is the date by which Mr. Ram has to rectify the defect, assuming that Mr. Ram has not applied for extension of time.

Question 26

Discuss the taxability of agricultural income under the Income-tax Act, 1961. How will income be computed where an individual derives agricultural and non-agricultural income?

Question 27

Laxman, a registered dealer submits the following information for the month of February, 2012:

Particulars	Amount (Rs.)	Rate of VAT
Details of purchase		
Raw material purchased from another State (CST @ 2%)	10,00,000	
Raw material X purchased within the State	15,00,000	1%
Raw material Y imported from Singapore (includes customs duty paid @ 10%)	11,00,000	
Raw material Z purchased within the State.	6,00,000	12.5%
Details of Sales		
Sale of goods produced from raw material X	27,00,000	4%
Sale of goods produced from inter-state purchase and imported raw materials	32,00,000	1%
Sale of goods produced from raw material Z	8,00,000	12.5%

Note: The purchase and sales figures given above do not include VAT / CST.

Assume that there was no opening or closing inventory. Compute the amount of Value Added Tax (VAT) payable by Laxman for the month of February, 2012.

Question 28
Explain the role of Chartered Accountants in proper compliance of VAT.

Question 29
State any two benefits and two drawbacks for a dealer who opts for composition scheme under VAT as per White Paper.
Question 30
State with reasons whether the following are true or false in the context of VAT as per White Paper:
(i) No declaration form is prescribed under VAT system.
(ii) Taxpayer's Identification Number (TIN) is a 10 digit alpha numeral.
(iii) Self-assessment concept on deemed basis is one of the important features of VAT.
(iv) Set off of input tax credit on capital goods is available only to manufacturers and not to traders

Question 31
Ashok, purchased raw material 'A' for Rs. 30,00,000 plus VAT @ 4%. Out of such raw material 60% was used for manufacture of taxable goods and the remaining for manufacture of goods which are exempt from VAT.
Another raw material 'B' was purchased for Rs. 15,00,000 on which VAT was paid at 1 %. Entire raw material' 'B' was used for manufacture of taxable goods only.
The entire taxable goods were sold for Rs. 50,00,000 plus VAT @ 12.5%.
Compute VAT liability of Ashok on the assumption that there was no opening or closing inventory.
Note: Ashok is not a dealer who opted for Composition Scheme.

Question 32
Briefly explain the benefits of the system of cross-checking under VAT as per White Paper.

Question 33
X Co. furnishes you the following information:
Raw material purchased Rs. 5,00,000 plus VAT @4%.
Manufacturing expenses (revenue nature) Rs. 2,00,000.
Sale price Rs. 8,00,000 plus VAT @ 4%.
Plant & machinery acquired Rs. 2,50,000 plus VAT @ 4% eligible for input tax credit in the year of acquisition itself.
Compute VAT liability under :
(i) gross product variant.
(ii) consumption variant.
State which variant is beneficial to the dealer?

Question 34
The following particulars are provided by Mr. Prohit of Calcutta, who has purchased raw materials for manufacturing PVC Cans and PVC Pipes from Mr. Arvind. The State VAT for raw materials and other materials was 12.5%.

		Rs.
1.	Cost of raw materials purchased	1,00,000
2.	VAT paid by Mr. Arvind	12,500

3.	Cost of other materials-Local	20,000
	-Interstate purchases	40,000
4.	VAT paid on local materials purchased -12.5%	2,500
5.	CST paid @ 2%	800
6.	Manufacturing expenses	39,200
7.	Profit margin (on Sale Value)	20%

Mr. Prohit utilized and manufactured 75% of production as PVC cans and 25% of production as PVC pipes. While PVC cans are subject to 12.5% VAT, PVC pipes are exempt. All materials were used in production and there was no closing stock of raw materials and other materials.

What would be the invoice value of sales charged by Mr. Prohit if all the manufactured goods were sold within the State? What would be his liability to VAT?

Question 35

Briefly explain the consumption variant of VAT and reasons for its preference over other variants.

Question 36

Chandra Limited started providing taxable services. The services became taxable from 1-10-2011. Chandra Limited for the month of March, 2012, received following receipts (inclusive of service tax)

S. No.	Particulars	Amount (Rs.)
1.	Amount received in respect of services rendered in July and August, 2011.	10,30,000
2.	Services provided to the Branch of World Health Organisation -a unit of UN.	1,03,000
3.	Services rendered to its auditors against audit fee Payable.	5,15,000
4.	Advance received for services to be rendered in May, 2012.	6,18,000
5.	Services provided to office staff and their relatives free of cost	20,000

Out of advance received, 50% was returned on 15-04-2012 to the party, as they have closed their operations from 31-03-2012.

Compute the taxable services and service tax payable for March, 2012 by Chandra Limited.

Question 37

Whether service tax is payable by independent directors who are part of the Board of Directors under management consultancy service.

Question 38

S. Ltd. paid service tax of Rs. 8 lacs during the preceding financial year and utilized CENVAT credit of Rs. 3 lacs. Whether he is required to deposit service tax electronically for the FY 2011-12.

Question 39

Briefly explain the following in reference to service tax:

(i) Applicability of service tax liability in case of Job work.

(ii) Exemption available to small scale service providers.

(iii) Liability of service tax in case of sponsorship services.

(iv) Liability of service tax in case of export of services.

Question 40

State the liability of service tax in respect of the following services.

(i) Services provided for personal use or use by the family members of a foreign diplomatic agent in a foreign diplomatic mission.

(ii) Services provided for issuing fitness certificate of vehicles by Regional transport office.
(iii) Services received from outside India and consumed in India.
(iv) Services rendered to a friend free of cost.

Question 41

State the service tax provisions regarding adjustment of service tax paid when service was not provided either wholly or partly.

Question 42

Briefly explain the important points to be kept in mind while paying service tax.

Question 43

Vikas Coaching Centre, engaged in commercial training and coaching service, furnishes you the following information and the amounts received by it for the half-year ended 31-03-2012:-

	Rs.
Coaching fee for Civil Service examinations	3,50,000
Postal coaching fee for University examinations	2,40,000
Sports coaching fee from a local college	1,10,000
Fee for management diploma of a foreign university (not recognized by law in force in India)	4,40,000
Coaching and training provided by sending staff to the residence of service receivers.	6,40,000

Determine the value of taxable service. Your answer must be with reasons.

Question 44

(i) When does e-payment of service tax become mandatory?
(ii) State the 'due date' for e-payment of service tax by individuals and companies.

Question 45

M/s ABC & Associates (a partnership firm) is engaged in providing consulting engineering services. For the quarter ending December 2011, its gross receipts were Rs. 18,00,000. The break-up of these receipts are as follows:

Month in which services are performed	Receipt (Rs.)
March, 2011 (includes Rs. 1,00,000 for the services rendered to an international organization)	4,00,000
April, 2011 (includes Rs. 1,25,000 for the services rendered within the Indian territorial waters)	3,00,000
December, 2011 (includes Rs. 1,75,000 for services rendered to its associated enterprise)	5,00,000
February, 2012 (includes Rs. 1,50,000 for services rendered in the State of Jammu & Kashmir)	6,00,000

In the financial year 2010-11, M/s ABC & Associates, had paid Rs. 2,06,000 as service tax (@ 10.3%). State the amount of service tax payable for the quarter ending December 2011.

Question 46

Explain optional composition scheme under service tax for distributor or selling agents of lotteries.

Question 47

State the contents of Service tax return.

Question 48

Write short notes on Service Tax Code Number and the objective sought to be achieved thereunder.

About the Faculty

Faculty CA. Pankaj Saraogi is in teaching profession since last 4 years. He is well versed in Tax laws specially Income-tax and presently teaching the same to CA IPCC/PCC and CA Final. He is also the existing visiting faculty of ICAI for CA Final – Direct Tax Laws subject.

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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