

# SUGGESTED ANSWER FOR IPCE MAY 2013

## TAXATION

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1(a)

### Computation of Income of Mrs Rani for the Assessment Year 2013-14

| PARTICULAR                                                                | AMOUNT            |
|---------------------------------------------------------------------------|-------------------|
| Income Under the Head Salary                                              |                   |
| Income Under the Head House Property                                      |                   |
| Income Under the Head Profits & Gains from Business or Profession (W.N.1) | 3,21,000/-        |
| Income Under the Head Capital Gain                                        |                   |
| Income Under the Head Other Sources (W.N.2)                               | 34,000/-          |
| <b>GROSS TOTAL INCOME</b>                                                 | <b>3,55,000/-</b> |
| Deduction under Chapter VIA (W.N.3)                                       | 30,000/-          |
| <b>TAXABLE INCOME(Round off U/s 288A)</b>                                 | <b>3,25,000/-</b> |

### Computation of Tax Payable by Mrs Rani for the Assessment Year 2013-14

| PARTICULAR                                | AMOUNT          |
|-------------------------------------------|-----------------|
| Tax at Normal Rate (W.N. 4)               | 11500/-         |
| Tax at Special Rate (W.N. 4)              | 3000/-          |
| Total tax                                 | 14,500/-        |
| Add: Education Cess 2%                    | 290/-           |
| Add: SHEC 1%                              | 145/-           |
| <b>Tax including Cess</b>                 | <b>14,935/-</b> |
| Relief                                    | 0/-             |
| Tax Payable                               | 14,935/-        |
| TDS/TCS/ Advance Tax                      | 3,000/-         |
| <b>Self Assessment Tax u/s 140A</b>       | <b>11,935/-</b> |
| <b>TAXABLE INCOME(Round off U/s 288A)</b> | <b>11,940/-</b> |

### W.N. 1 Computation of Income Under the Head Profits & Gains from Business or Profession:

| PARTICULAR                                                                   | AMOUNT          | AMOUNT            |
|------------------------------------------------------------------------------|-----------------|-------------------|
| Income Over Expenditure                                                      |                 | 3,01,250/-        |
| <b>Add:</b>                                                                  |                 |                   |
| Medicines & needles (Personal use)                                           | 22,000/-        |                   |
| Depreciation As per Books of Accounts                                        | 81,000/-        |                   |
| Donation to Prime Minister Relief Fund                                       | <u>20,000/-</u> | 1,23,000/-        |
| <b>Less:</b>                                                                 |                 |                   |
| Depreciation U/s 32                                                          | 60,000/-        |                   |
| Receipt from Valuation of Answer Book                                        | 24,000/-        |                   |
| Dividend                                                                     | 10,500/-        |                   |
| Lotteries                                                                    | 7,000/-         |                   |
| Income Tax Refund                                                            | <u>1,750/-</u>  | 1,03,250/-        |
| <b>Income Under the Head Profits &amp; Gains from Business or Profession</b> |                 | <b>3,21,000/-</b> |

**W.N. 2 Computation of Income Under the Head Other Sources:**

| PARTICULAR                                 | AMOUNT          | AMOUNT          |
|--------------------------------------------|-----------------|-----------------|
| Receipt from Valuation of Answer Book      |                 | 24,000/-        |
| Dividend                                   | 10,500/-        |                 |
| Less: Exempt u/s 10(34)                    | <u>10,500/-</u> | Nil             |
| Lottery Income                             |                 | 10,000/-        |
| <b>Income Under the Head Other Sources</b> |                 | <b>34,000/-</b> |

**W.N. 3 Computation of Deduction under Chapter VIA:**

| PARTICULAR                                                                                                                                                             | AMOUNT          | AMOUNT          |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|-----------------|
| <b>Section 80C:</b>                                                                                                                                                    |                 |                 |
| LIC Premium Paid                                                                                                                                                       | 12,000/-        |                 |
| Maximum Deduction Allowed 20%                                                                                                                                          | <u>10,000/-</u> | 10,000/-        |
| (since date of taking policy not given we are considering it as old policy but if someone considers it as policy taken after 1.04.12 then Max 10% deduction i.e. 5000) |                 |                 |
| <b>80G:</b>                                                                                                                                                            |                 |                 |
| Prime Minister National Relief Fund                                                                                                                                    |                 |                 |
| 100% deduction                                                                                                                                                         |                 | 20,000/-        |
| <b>Total Deduction under Chapter VIA</b>                                                                                                                               |                 | <b>30,000/-</b> |

**W.N. 4 Computation of Tax at Normal & Special Rate:**

Gross Total Income = 3,55,000/-

Income Taxable @ Special  
Rate i.e 30%

10,000  
X 30%  
3,000/-

Income Taxable @ Normal  
Rate i.e Slab Rate

Remaining Income = 3,45,000/-  
Less: Chapter VIA = 30,000/-  
Balance income = 3,15,000/-  
Tax at Slab Rate = 11,500/-

**Note:**

1. No Deduction of expense on Casual Income is allowed.
2. Income Tax Refund is not taxable under any head (Interest on IT Refund is taxable under Other Sources)
3. If we consider policy taken after 01.04.2012 then Maximum deduction = 5,000/-
4. It is assumed the Donation is made by any other mode than cash.
5. 57,860/- is maturity amount of LIC Policy it is exempt under section 10(10D) [assumed that Premium is less than 20% of sum assured].

1(b)

**Computation of Service tax payable by Q. Ltd. in the month of September 2012.**

| Particular                                                                                                                                                                    | Amount     |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| Supply of Farm Labour (Covered in Negative List)                                                                                                                              | Nil        |
| Service to People Free of Cost (Free of cost excluded from definition of service under section 65B(44))                                                                       | Nil        |
| Advance received from the client in September (Point of Taxation is date of receipt of Advance)                                                                               | 85,000/-   |
| Amount received for service rendered in June 2012(bills for same were issued on 25th June 2012) (Point of Taxation in June 2012 as date of completion of service was in June) | Nil        |
| Bill Raised for service rendered in the month of September no amount received (Completion of service is Point of Taxation)                                                    | 75,000     |
| Taxable Value of Service                                                                                                                                                      | 1,60,000/- |
| Tax on Above                                                                                                                                                                  | 19,200/-   |
| Education Cess @ 2%                                                                                                                                                           | 384/-      |
| SHEC @1%                                                                                                                                                                      | 192/-      |
| Service Tax Payable for September                                                                                                                                             | 19,776/-   |

1(c)

**Computation of Taxable Turnover & VAT Payable By Mr Bansilal of Punjab:**

Sale Price of Total Goods (W.N.) =6,12,600

Taxable Turnover = Sale Price of Total Goods X 90% i.e. 5,67,600 X 90% =5,10,840/-

Vat Charged on Above Sale = 5,10,840/- X 12.50% = 63,855.00/-

Less: Input tax Credit of Current Period (W.N.) = 24,600.00/-

Less: Input tax Credit of Past Period (given) = 7,500.00/-

VAT Payable 31,755.00/-

**W.N. Computation of Sale's Price & Input Tax Credit Available for the Current Period:**

| Particular                                                                          | Cost of Goods     | Input Tax Credit |
|-------------------------------------------------------------------------------------|-------------------|------------------|
| Purchase from local Registered Dealer                                               | 1,15,000/-        | 4,600/-          |
| Purchase from Local Dealer under Composition Scheme                                 | 2,20,000/-        | Nil              |
| Depreciation on Capital Goods (Assumed that Consumption Variant is VAT is followed) | 37,500/-          | 20,000/-         |
| Other Direct & Indirect Expenses(115000+220000)X30%                                 | 1,00,500/-        | Nil              |
| Total Cost/ Input Tax Credit                                                        | 4,73,000/-        | <b>24,600/-</b>  |
| Profit Margin 20% of Cost                                                           | 94,600/-          |                  |
| Total Sale Price                                                                    | <b>5,67,600/-</b> |                  |

## 2(a)

Devesh is a Non- Resident since his stay is less than 182 day

Whereas Siddhant is a Resident but Ordinarily Resident in India.

| Sr No. | Particular                                                                                                                                                                             | Devesh Non-Resident | Siddhant R-OR     |
|--------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|-------------------|
| 1      | Interest on American Development Bond (50% Non- Indian & 50% Indian Income)                                                                                                            | 23,000/-            | 18,000/-          |
| 2      | Dividend form Japanese Company received in America:<br>It is not taxable in hands of Non Resident & Taxable in hands of resident & will not be exempt u/s 10(34) as DDT is not charged | NIL                 | 15,000/-          |
| 3      | Profit on Sale of Share of an Indian Company received in India (as it is received in India)                                                                                            | 45,000/-            | 75,000/-          |
| 4      | Profit from business in Mumbai, but directly Manage from America                                                                                                                       | 10,000/-            | N.A.              |
| 5      | Income from business in Mumbai                                                                                                                                                         | 32,000/-            | 28,000/-          |
| 6      | Fees for technical services rendered in America & Received in America but were utilised in India (Indian Income Section 9)                                                             | 1,50,000/-          |                   |
| 7      | Interest on Saving Bank A/c SBI Mumbai                                                                                                                                                 | 4,500/-             | 12,000/-          |
| 8      | Rent Receiver From Property in Mumbai (W.N1)                                                                                                                                           | 67,200/-            | 38,500/-          |
|        | <b>Gross Total Income</b>                                                                                                                                                              | <b>3,31,700/-</b>   | <b>1,86,500/-</b> |
|        | <b>Less: Deduction under Chapter VIA</b>                                                                                                                                               |                     |                   |
|        | Section 80C:- LIC Premium Paid                                                                                                                                                         | Nil                 | 25,000/-          |
|        | Section 80TTA:- Interest on Saving Bank A/c                                                                                                                                            | 4,500/-             | 10,000/-          |
|        | <b>Total Income</b>                                                                                                                                                                    | <b>3,27,200/-</b>   | <b>1,51,500/-</b> |

### W.N. 1 Income Under the Head House Property:

| Particular                 | Devesh Non-Resident | Siddhant R-OR |
|----------------------------|---------------------|---------------|
| Rent Received              | 96,000/-            | 55,000/-      |
| Deduction: Statutory @ 30% | 28,800/-            | 16,500/-      |
| House Property Income      | 67,200/-            | 38,500/-      |

Note: Interest From Saving Bank a/c is allowable as deduction u/s 80TTA maximum upto 10,000/-

## 2(b)

As Per Section 65B(34) of Finance Act 1994 "Negative List" means the service which are listed in section 66D of the Finance Act 1994. This list got Importance due to Comprehensive coverage of service tax.

Services by Government or a local authority which are excluded from the Negative List are—

- (i) services by the Department of Posts by way of speed post, express parcel post, life insurance and agency services provided to a person other than Government;
- (ii) services in relation to an aircraft or a vessel, inside or outside the precincts of a port or an airport;

- (iii) transport of goods or passengers; or
- (iv) support services, other than services covered under clauses (i) to (iii) above, provided to business entities

## 2(c)

### Neutrality:-

1. The greatest advantage of VAT system is that it does not interfere in the choice of decision for purchase.
2. This is because the system has anti-cascading effect.
3. How much value added & at what stage it is added in the system of production/distribution is of no consequence.
4. The system is neutral with regard to choice of production technique, as well as business organisation.
5. All other things remaining the same, the issues of tax liability does not vary the decision about the source of purchase.

## 3(a)(ii)

### Case 1:

Calculation of Exemption in respect of LTC when Son's Age is 6 years & twin daughters age is 3 year:

Exemption **u/s 10(5)** = 43,000/- + 15,000/- = 58,000/-

**Reason:** The age of Son is more than that of twin daughters, Mr. Rajesh can avail exemption of all his 3 children. The restriction of 2 children is not applicable to multiple birth after 1st Child. The holiday being in India & the journey performed by air & that to by Economy Class, the entire reimbursement by the employer will be exempt.

### Case 2:

Calculation of Exemption in respect of LTC when Twin Daughters age is 6 year & Son's Age is 3 years:

Exemption **u/s 10(5)** = 43,000/- + 15,000/- X 2/3 = 53,000/-

**Reason:** The Age of Twins is more than that of Son, Mr. Rajesh cannot avail exemption of all his 3 Children. LTC exemption can be availed in respect of only 2 children.

## 3(a)(ii)

### Retrenchment Compensation Received

| Particular                                | Amount            |
|-------------------------------------------|-------------------|
| Retrenchment Compensation Received        | 10,00,000/-       |
| Less: Exempt under Section 10(10B) W.N. 1 | 4,32,692/-        |
| <b>Taxable Retrenchment compensation</b>  | <b>5,67,308/-</b> |

**W.N. 1 Calculation of Exemption:**

| Particular                                                                                                                                 | Amount            |
|--------------------------------------------------------------------------------------------------------------------------------------------|-------------------|
| Retrenchment Compensation Received                                                                                                         | 10,00,000/-       |
| Statutory Limit                                                                                                                            | 5,00,000/-        |
| Calculation as per Industrial Dispute Act, 1947<br>$= 15 \times \frac{(20,000/- - x) + (5,000/- - x) \times 3}{3} \times 30 \text{ years}$ | 4,32,692/-        |
| <b>Whichever is less</b>                                                                                                                   | <b>4,32,692/-</b> |

**3(b)**

EASIEST stands for Electronic Accounting System in Excise & Service Tax. It makes tax payment easy. This facility is available with 28 banks.

The Benefits of EASIEST to the taxpayer are as follows:-

- (a) Only 1 copy of the challan is to filled instead of 4 copies as required earlier.
- (b) EASIEST facilitates online verification of the status of tax payment using Challan Identification Number (CIN).

**3(c)**

If a dealer wishes to opt for the composition scheme, he should not have any stock of goods which were brought from outside the State on the day he exercises the option to pay tax by way of composition.

Hence, it is not possible for Seth Traders to opt for the composition scheme as it has a stock of goods costing 30,000/- purchased from outside the state on the day it wishes to opt for the composition scheme.

Other Conditions to be satisfied by a dealer who wishes to opt for the composition scheme are as follows:

- (i) A dealer who wishes to avail the composition scheme has to exercise the option in writing for a year or a part of the year in which he gets himself registered. For this, the dealer has to intimate to the Commissioner.
- (ii). The dealer should also not claim input tax credit on the inventory available on the date on which he opts for composition scheme.

Q 4 a.

**Computation of Gross Total Income of Mr. A**

| Particular                                                               | Amount      | Amount            |
|--------------------------------------------------------------------------|-------------|-------------------|
| <b>Income Under the Head Salary:</b>                                     |             |                   |
| Income from House No. 1                                                  | 80,000/-    |                   |
| Income from House No. 2 (Loss)                                           | (-)30,000/- | 42,000/-          |
| <b>Income Under the Profits &amp; Gains from Business or Profession:</b> |             |                   |
| Profit From Leather Business                                             | 1,00,000/-  |                   |
| Less: Current Year Loss (Textile Business)                               | (-)40,000/- |                   |
|                                                                          | 60,000/-    |                   |
| Add: Bad Debts recovered u/s 41(1)                                       | 35,000/-    |                   |
|                                                                          | 95,000/-    |                   |
| Less: Brought forward Losses of textile business for A.Y. 2009-10        | 95,000/-    | NIL               |
|                                                                          |             |                   |
| <b>Income Under the Capital Gain:</b>                                    |             |                   |
| Short term Capital Gain                                                  |             | 60,000/-          |
| <b>Gross Total Income</b>                                                |             | <b>1,02,000/-</b> |
| <b>Deduction Under Chapter VI A</b>                                      |             |                   |
| Section 80C: LIC Premium                                                 |             | 10,000/-          |
| <b>Taxable Income</b>                                                    |             | <b>92,000/-</b>   |

**Statement Showing Loss to be carried forward to A.Y. 2014-15**

| Particular                             | Amount   |
|----------------------------------------|----------|
| Business Loss of A.Y. 2011-12          | 50,000/- |
| Long term Capital Loss of A.Y. 2013-14 | 35,000/- |

**Note:**

- Share of Profit from Firm 16,550/- is exempt u/s 10(2A).
- LTCL cannot be set-off against STCG. Therefore, it has to be carried forward to the next year to be set-off against LTCG of that Year.

**4(b)**

**(1) Incorrect:**

From 1st April 2012 there was a change in effective rate of tax i.e. it changed from 10.30% to 12.36% hence Point of Taxation Rule 4 is applicable. Date of payment in case when there is change in effective rate of tax is the date on which payment is credited in the bank Account if the same is not credited in bank account within 4 days. In the given case the Date of Payment is 15/04/2012 Assuming that the invoice is issued before 1st April 2012 we can say that the Point of taxation is on 30th March 2012 & in such Situation where Invoice is issued & service rendered before the both are before the date on which there is change in effective rate then old rate else new rate will apply.



**(2) Incorrect:**

Above Statement is on Negative list of service which do not cover Mailing service by way of Speed Post but it do not mention that it will also not cover registered post. Hence considering the same we can say that the registered post is covered under Negative List & Not liable to Service Tax.

**(3) Incorrect:**

Service tax is Consumption base tax. i.e. the place of consumption of service is more important. Jammu & Kashmir are not a taxable territory hence service rendered there by any person is not liable to service tax. But when any person who is residing in Jammu and Kashmir & is providing tax in Taxable Territory is liable to Service Tax & Patna is a Taxable Territory.

**(4) Correct:**

As per Section 65B(44) i.e. Definition of Service "Service is an Activity Carried out by a Person for Another for Consideration" therefore atleast 2 person are necessary. Self service is not a service. In similar manner when a branch provides service to its other branch or Head office is service provided to self hence out of the preview of the definition of Service hence not liable to tax.

**4 (c)**

1. Stock transfer to branches or on consignment basis dose not amount to sale.
2. It is not subjected to CST or VAT.
3. If the goods sent outside State on stock transfer/ consignment basis, credit (set-off) of tax paid on the inputs purchased within the state is available only to the extent of tax paid in excess of 2% as 2% is retained by the State Government.
4. Eg. If the tax paid on input is 12.5%, input credit of 10.5% is available.
5. If the stock are transferred to the other branches within the same state 100% input credit is allowed.

**Q 5 (a.)**

**Computation of Gross Total Income of Mr. A**

| Particular                                                                                                         | Amount            | Amount            |
|--------------------------------------------------------------------------------------------------------------------|-------------------|-------------------|
| <b>Income Under the Head Salary:</b>                                                                               |                   |                   |
| Salary from Larsen Ltd. (25,000 X 12)                                                                              | 3,00,000/-        |                   |
| Salary of Mrs. A Clubbed (A holds Substantial Interest in Larsen Ltd.) (10,000X12)                                 | <u>1,20,000/-</u> | 4,20,000/-        |
| <b>Income Under the Head Other Source:</b>                                                                         |                   |                   |
| Interest on Security                                                                                               |                   | 30,000/-          |
| Total Income Before Clubbing                                                                                       |                   | 4,50,000/-        |
| Add: Income of Minor Child (W.N.1)<br>(Note: since the head of income is not given hence it is treated separately) |                   | 1,000/-           |
| <b>Gross Total Income</b>                                                                                          |                   | <b>4,51,000/-</b> |



**Computation of Gross Total Income of Mrs. A**

| Particular                                   | Amount          | Amount            |
|----------------------------------------------|-----------------|-------------------|
| <b>Income Under the Head House Property:</b> |                 |                   |
| Gross Annual Value (12,000 X 12)             | 1,44,000/-      |                   |
| Less: Municipal Tax                          | <u>Nil</u>      |                   |
| Net Annual Value                             | 1,44,000/-      |                   |
| Less: Statutory Deduction (30% x NAV)        | <u>43,200/-</u> | 1,00,800/-        |
| <b>Gross Total Income</b>                    |                 | <b>1,00,800/-</b> |

**W.N. 1 Computation of Income of Minor**

| Particular                            | Amount         | Amount         |
|---------------------------------------|----------------|----------------|
| <b>Income of Twins: (2000X2)</b>      | 4000/-         |                |
| Less: (1500 x2) u/s 10(32)            | <u>3,000/-</u> | 1,000/-        |
| <b>Income of Minor Son: (1,200X1)</b> | 1,200/-        |                |
| Less: (1200 ) u/s 10(32)              | <u>1,200/-</u> | Nil            |
| <b>Gross Total Income</b>             |                | <b>1,000/-</b> |

**5(b)**

**Computation of Taxable Service & Service Tax payable of ABC & Co. for the Financial Year 2012-13**

| Particular                                                                  | Amount of Taxable Service | Amount of Service Tax |
|-----------------------------------------------------------------------------|---------------------------|-----------------------|
| Amount Collected from Pre-recruitment screening                             | 3,00,000/-                | 37,080/-              |
| Amount Collected from Recruitment of Permanent Staff                        | 1,80,000/-                | 22,248/-              |
| Amount Collected from Recruitment of Temporary Staff                        | 4,50,000/-                | 55,620/-              |
| Advance receive from prospective employers for conducting campus interviews | 71,200/-                  | 8,800/-               |
| <b>Total Service /Service Tax Payable</b>                                   | <b>10,01,200/-</b>        | <b>1,23,748/-</b>     |

**Note:**

1. Amount Received in Advance are also liable to Service Tax. Service Tax on advance has been calculated on the presumption that the same is inclusive of service tax  $(80,000 \times 12.36 / 112.36 = 8,800)$
2. Since the value of taxable service rendered in the preceding year is more than 10 Lakh (30 Lakh), the assessee is not a small service provider. Hence, it is not eligible for the exemption available to the small service provider.

5(c):

**Computation of Vat Payable at each Stage**

| Particular                            | Cost of Goods                | Sales Price | Vat Payable/ Credit              |
|---------------------------------------|------------------------------|-------------|----------------------------------|
| <b>In the Hands of B of Delhi:</b>    |                              |             |                                  |
| Purchase from A a Manufacturer in CST | 1,040/-<br>(1,000/- +4% CST) |             |                                  |
| Freight Expenses                      | 60                           |             |                                  |
| Total Cost / Sales Price              | 1,100/-                      | 1,250/-     | 156.25 -0.00 = <b>156.25/-</b>   |
| <b>In the Hands of C of Delhi:</b>    |                              |             |                                  |
| Purchase from B                       | 1,250/-                      |             |                                  |
| Sale to Consumer D                    |                              | 1,500/-     | 187.50-156.25=<br><b>31.25/-</b> |

Therefore VAT Payable:

By B= 156.25/- & C = 31.25/-.

6 (a.)

**Computation of Capital Gains in the Hands of Mrs. Neelima**

| Particular                                           | Amount     | Amount          |
|------------------------------------------------------|------------|-----------------|
| Sale Consideration (1100 x 240)                      |            | 2,64,000/-      |
| <b><u>Less: Cost of Acquisition:</u></b>             |            |                 |
| Share Purchased before 01.04.1981<br>(27500X852/100) | 2,34,300/- |                 |
| Bonus Share Purchased in FY 1984-85<br>(0X852/125)   | NIL        | 2,34,300/-      |
| Less: Cost of Transfer (2,64,000/- x 2%)             |            | 5280/-          |
| <b>Long Term Head Capital Gain</b>                   |            | <b>24,420/-</b> |

**Case 1:**

When A Ltd. is an unlisted company & Securities Transaction Tax was not applicable at the time of Sale :

Ans: Entire LTCG = 24,420/- is fully taxable and rate of tax applicable is 20%

**Case 2:**

When A Ltd. is an Listed company & the share are sold in a recognised stock exchange & Securities Transaction Tax was Paid at the time of Sale :

Ans: Entire LTCG = Fully Exempt u/s 10(38).

**Note:**

1. Cost of Acquisition of Bonus Share before 01.04.81 will be taken at F.M.V on 01.04.81 & of Share purchased in Feb 1979 will also be taken at the larger of 2 =  
 $500 \times 30 = 15000/- + 1\% \times 15,000/- = 15,150/-$   
or  
 $500 \times 50 = 25,000/-$   
i.e.  $25,000/- + 50 \times 50$  (cost of 50 Bonus Share) = 27500/-
2. Cost of Bonus Share after 01.04.1981 is zero.
3. Indexation is allowed on Share.

**6.(b)**

**Computation of Taxable Service & Service Tax payable of Mr. Rajesh for the Financial Year 2012-13**

| Particular                                  | Amount             |
|---------------------------------------------|--------------------|
| Advance received while signing the contract | 1,25,000/-         |
| Amount received by Pay Order                | 6,00,000/-         |
| Amount Received through Credit Card.        | 5,25,000/-         |
| <b>Value of Taxable Service</b>             | <b>12,50,000/-</b> |
| Tax on above @ 12%                          | 1,50,000/-         |
| Education Cess @ 2% on above                | 3,000/-            |
| SHEC @ 1%                                   | 1,500/-            |
| <b>Total Service Tax Payable</b>            | <b>1,54,500/-</b>  |

**Note:**

1. Money means legal tender, cheque, promissory note, bill of exchange, letter of credit, draft, pay order, traveller cheque, money order, postal or electronic remittance or any such similar instrument but shall not include any currency that is held for its numismatic value.
2. Gross amount charged includes payment by cheque, credit card, deduction from account and any form of payment by issue of credit notes or debit notes & book adjustment.

**6(c)**

| Gross Product Variant                                                                                                           | Consumption Variant                                                          |
|---------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------|
| 1. No Input Tax Credit on Capital Goods                                                                                         | 1. Input Tax credit is available on Capital Goods                            |
| 2. Input Tax Credit is Added to Cost of Capital Goods                                                                           | 2. It is not added to cost as Credit is available on that                    |
| 3. VAT on Capital Goods is charged by way of depreciation on the final product every year & hence Increased Cost of the Product | 3. Cost of Product is not effected as VAT is not Charged as cost of Product. |
| 4. Capital goods Carry heavy tax burden as they are taxed Twice                                                                 | 4. It does not carry heavy duty burden                                       |
| 5. Modernization & Upgradation of Plant & Machinery is delayed due to Double tax treatment.                                     | 5. It is decision Neutral.                                                   |

**7. (a)**

(i) Advance Tax is payable by an assessee on his Total Income, which includes Capital Gains & Casual Income like Lotteries Income, Crossword Puzzles etc.,

As it is not possible for the assessee to estimate his Capital Gain, or Income from lotteries etc. well in advance, it has been provided that if any such income arises (i.e. not on estimate but on actual basis) after the due date for any installment, then, the entire amount of tax payable (after considering tax deducted at source) on such Capital Gain & Casual Income should be paid in the remaining Installments of advance tax, which are due after such date of arising of Income by way of Capital Gain or Casual Income.

Where no such installment is due (i.e. Capital Gain or Casual Income arising after 15th March), the entire tax should be paid by 31st March of the relevant Financial Year.

If all the above procedure is followed then **no** interest liability on late payment would arise if the entire tax liability is so paid.

(ii) For Income tax purpose Firm is Defined to include Limited Liability partnership as defined under Limited Liability Partnership Act 2008.

It is also Said that the Partner shall include Partner of Limited Liability Partnership.

It is also Said that the Partnership shall include Partner of Limited Liability Partnership.

& It is also Said that the Firm shall include Partner of Limited Liability Partnership.

Hence in view of all the above it is clear that the LLP is liable to tax at 30% as that of firm. And it has to also comply with provision laid down in 40(b). But LLP is kept out of the scope of Section 44AD.

Return of LLP will be signed by Designated Partner under section 140 but in absence of designated partner any other partner.

(iii)

(A) Head of Income: **Profits & Gains from Business or Profession**

Section 22 basis of charge of House Property says that property can be used for any purpose other than the business of the Assessee. When assessee carries on business in his own property it becomes property of business & section 32 on depreciation is also on Nature of use. Hence depreciation is applicable at appropriate rate.

(B) Head of Income: B's Income - **House Property** & X's - **Income Other Source**

Section 22 basis of charge of House Property put forth the most Important condition of Ownership of the property. Since B is the owner his Income shall be charged to House Property.

But since X is not the owner his income can't be taxed under the head House Property. But Basis of Charge of Other Source Section 56(1) say that if the income is of revenue in nature & is not taxed under any head then it is taxed under the head other source.

(C) Head of Income: B's Income - **House Property**

Section 27 on deemed ownership says that if the lease period is more than 12 year it will be deemed that the lessee is the deemed owner of House Property. & Hence it will be charged to house property. But he has to compulsory avail 30% statutory deduction he **cannot** avail deduction on actual basis which is totalling to 40%.

**7. (b)**

Where the value of the service under service tax provision determined where such value is not ascertainable, the service provider shall determine the equivalent money value of such consideration. But in no case such value shall be less than the cost of provision of such taxable service.

**7(c)**

1. Input Tax Credit on Capital Goods available to trader also.
2. Tax Credit on Capital Goods may be adjusted over Maximum period of 36 Months.
3. The state has an option to reduce this period.
4. Maharashtra allows the Input tax credit in the month of purchase itself to the extent of full 100%.
5. However if the Capital Asset is sold before expiry of 36 months then proportionate credit will be withdrawn.
6. There is a Negative List of Capital Goods (on the basis of principle already decided by the Empower Committee) not eligible for Input Tax Credit.

