Total No. of Questions-**7** **VGIPCM** Total No. of Printed Pages- **8**
Time Allowed - **3** Hours Maximum Marks - **100**

TAXATION

Question No. 1 is Compulsory
Attempt any **five** from the remaining **six** questions
Wherever required, suitable assumptions may be made by the candidate and stated clearly in the answer.
Working notes should form part of the answer

1 (a) Mrs. Neelam aged 60 years, who is resident and ordinary resident in India during the previous year 2013-14 is maintaining books of account on cash basis provides you the Trading and Profit & Loss account for the year ended 31-03-2014 as under:

Particular	Amount	Particular	Amount
To Opening Stock	4,50,000	By Sales	62,20,000
To Purchases	50,15,000	By Closing Stock	3,00,000
To Gross Profit c/d	10,55,000		
	65,20,000		**65,20,000**
To Salary	6,00,000	By Gross Profit b/d	10,55,000
To Sales promotion	21,200	By Interest on FDR (Net of TDS 10%)	9,000
To Vehicle Expenses	58,000	By Interest on Debenture	15,000
To Professional fees	20,000	By Rent received of House property	65,000
To Municipal taxes for property let-out	1,500	By Recovery of bad debts (not allowed as deduction earlier)	10,000
To Donation to National Children's Fund	12,500		
To Insurance of Vehicle	10,000		
To Bonus to Employee	30,000		
To Legal Expenses	11,000		
To Value added tax (VAT)	20,000		
To Net Profit	3,69,800		
Total	**11,54,000**	**Total**	**11,54,000**

Other Information:

1) The house property is let out at Rs. 6000/- per month.
2) Professional Fees has been paid in cash
3) The Closing Stock has been recorded at Sale value i.e. with 20% Gross Profit
4) VAT has been paid on 30-06-2014 includes penalty for late payment Rs. 2000/-
5) Vehicle has been used 20% for personal purposes

Compute Total Income and Tax Liability for the assessment year 2014-15.

(10 Marks)

(b) ABC & Associates is a registered service provider provides you the following information calculate the value of taxable service and service tax payable for half year ended 30-09-2013:

a. Service relating to cultivation of ornamental flowers Rs. 1,20,000/-.
b. Service relating to packing of potato chips Rs. 74,000/-
c. Service relating to Warehousing of Biscuits Rs. 50,000/-
d. Service for Packing of Wheat in Retail Packs Rs. 70,000/-
e. Training of farmers on use of new pesticides Rs. 10,000/-
f. Training of Farm Labour Rs. 1,80,000/-
g. Testing of soil Rs. 20,000/-
h. Leasing of vacant land for poultry farming Rs. 1,00,000/-
i. Sale of Rice on Commission of basis Rs. 30,000/-
j. Fertilizers developed through scientific research Rs. 25,000/-

(5 Marks)

(c) The particulars regarding sale, purchase etc. of Shubham Udyog for the last quarter of the year 2013-14 are as under:

S. No.	Particular	Amount
	Purchase of raw material within the State Taxable @ 1% Taxable @ 4% Taxable @ 12.5%	 40,00,000 60,00,000 10,00,000
	Sale of goods manufactured from raw material purchased @ 4% tax rate Taxable sale within the State (tax rate 4%) Exempted sale within the State Sale in the course of inter-state trade or commerce (CST rate 2%)	 30,00,000 20,00,000 30,00,000
	Sale of raw material purchased @ 1% tax rate	44,00,000
	Goods manufactured from the raw material purchased @ 12.5% tax rate has been exported VAT on Export 0%	12,00,000

Compute the amount of Value Added Tax (VAT) payable/Refundable by M/s Shubham Udyog for the relevant quarter. There was no opening or closing inventory.

(5 Marks)

2. (a) Lotus Limited is a company registered in India engaged in Manufacturing of tyres have Profit from such business Rs. 60 Crores before considering the following, calculate Tax Payable

Date	Particular	Amount
01-04-2013	Opening WDV of Plant & Machinery	20 Crore
10-07-2013	Purchase of Plant and Machinery "A"	40 Crore
05-10-2013	Purchase of Plant and Machinery "B" (Including old machine 5 Crore)	60 Crore
10-11-2013	Expenses on In-house Scientific Research approved by Prescribed Authority	2 Crore
16-11-2013	Family Planning Expenses of Capital Nature	1.25 Crore
23-11-2013	Purchase of Pollution Control Equipment	1 Crore
15-02-2014	Purchase of Plant and Machinery "C"	10 Crore
20-03-2014	Sale of Plant and Machinery	10 Crore

(8 Marks)

b) XYZ Limited is a registered service provider had provided an exempted service to Mr. Gaurav for Rs. 5,00,000/- on 18-06-2013. The Invoice has been issued on 25-06-2013, the payment has been received by an account payee cheque on 29-06-2013, the cheque has been deposited on 30-06-2013 and it is credited in bank account on 07-07-2013. However, this service is made taxable by withdrawing exemption notification w.e.f. 01-07-2013. The bank remain closed on 02-07-2013 and 08-07-2013 due to strike. Compute amount of service tax payable (if any) .

(4 Marks)

(c) Explain in brief Voucher Method and Subtraction method of computation of VAT Liability.

(4 Marks)

3. (a)Mr. Raju is employed with Damodar Ltd. had provide you the following information you are requested to calculate his total Income and tax liability for the year ended 31-03-2014:

i. Basic Salary Rs. 25,000/- per month

ii. Dearness Allowance 20% of Basic pay out of which 50% forming part for retirement benefit

iii. House rent allowance Rs. 15,000/- per month
He paid Rent Rs. 20,000/- per month up to 31-07-2013 and thereafter, Rs. 25,000/- per month in Delhi.

iv. Children Education allowance Rs. 500/- per month for three children

v. He contributes Rs. 6,000/- per month in pension fund u/s 80CCD and his employer contributes Rs. 5,000/- per month

vi. Transport allowance Rs. 1,600/- per month (Actual spend NIL per month)

vii. He has been provided facility of car (CC 1600) which is self driven by him and used for both office as well personal purposes

viii. Professional tax on employment of Rs. 5,000/- paid out of which 2,000/- paid by employer.

ix. Medical facility provided by employer, cost to employer Rs. 18,000/-

x. The Employer had sold an air-condition to Mr. Raju on 15-05-2013, purchased by company on 01-05-2010 for Rs. 50,000/- which is put to use on 17-05-2010.

Other information:

a. He had paid Life insurance premium for self Rs. 25,000/- (Purchased on 31-03-2013 Capital Sum Assured Rs. 1,00,000/-) and major son (Suffering with severe disability) dependent on him Rs. 20,000/- (Purchased on 31-03-2014 capital sum assured Rs. 80,000/-)

b. He has received Rs. 1,01,000/- from Brother of his grandfather without consideration.

c. He also contribute in Public Provident fund Rs. 50,000/-

(8 Marks)

(b)State with reasons whether the following statement are true or false giving justification for your answer in brief:

i) Course run by an Institute during the month of June 13 affiliated to National Skill Development Corporation is exempt.

ii) Point of Taxation Rules, 2011 is optional for company if value of taxable services does not exceeds 50 Lacs.

iii) Testing of Soil relating to agriculture is liable to service tax.

iv) E-filing of service tax return is mandatory for all assessee

(4 Marks)

(c) What are the benefits and drawback of composition scheme under Value added tax law.

(4 Marks)

4.(a) Mr. Parvesh, an assessee provides you the following information for the year ended 31-03-2014 compute his tax payable.

1) He had sold 4000 shares of listed company (STT Paid) on 15-04-2013 at Rs. 50/- out of which 2000 shares was purchased on 01-03-2012 @ Rs. 40/- each and 2000 are bonus shares allotted on 18-04-2012 at Rs. 38/- each in his demat account.

2) Winning from Lottery Rs. 35,000/- (Net of TDS).

3) The Income of minor child on fixed deposit during the year was Rs. 20,000/-

4) He has earned Income from nursery Rs. 20,000/- during the year.

5) He is the owner of house property at Delhi having Ground Floor and First Floor, Ground Floor used for self residence purpose and First floor let out for Rs. 10,000/- per month. The particular of property are as under:

Fair Rental Value	Rs. 1,44,000/-
Municipal Rental Value	Rs. 1,56,000/-

6) CII for the year 2011-12: 785 2012-13: 852 2013-14: 939

(8 Marks)

(b)Birla Ltd., is engaged in providing taxable services, furnishes you the following information calculate amount of service tax payable and due date of payment thereof:

Date of Provision of Service	Invoice Date	Date of Amount received	Amount received
10-06-2013	18-06-2013	01-07-2013	3,00,000
15-05-2013	01-07-2013	02-07-2013	2,50,000
16-07-2013	30-06-2013	28-06-2013	2,00,000
18-07-2013	29-06-2013	05-07-2013	1,50,000

Further Information:

a. The service tax rate has been changed w.e.f. 01-07-2013 by way of exemption notification to 6%
b. The rate of service tax up to 30-06-2013 was 12%
c. EC & SHEC is separately applicable
d. The amount given above is excluding service tax

(4 Marks)

(c) Elaborate the requirement and procedure for Registration under the Value added tax law.

(4 Marks)

5 (a) During the previous year 2013-14, the following transactions occurred in respect of Mr. Ramesh

(i) Mr. Ramesh had a fixed deposit of Rs. 1,00,000/- in State Bank. He instructed the bank to credit the interest on the deposit @ 12% from 1-4-2013 to 31-3-2014 to the savings bank account of Mr. Kamal, son of his brother, to help him in his education.

(ii) Mr. Ramesh holds 22% share in a partnership firm. Mrs. Kamlesh (wife of Mr. Ramesh) received a commission of Rs. 40,000 from the firm for promoting the sales of the firm. Mrs. Kamlesh possesses no technical or professional qualification.

(iii) Mr. Ramesh gifted a flat to Mrs. Kamlesh on April 1, 2013. During the previous year, the flat generated a net income (computed) of Rs. 54,000 to Mrs. Kamlesh.

(iv) Mr. Ramesh gifted Rs. 1,80,000 to his minor son Master Rahul who invested the same in a business and incurred a loss of Rs. 20,000 during the year.

(v) Mr. Ramesh's minor son Master Koshal derived an income of Rs. 35,000 through application of his skill and talent.

vi) During the year, Mr. Ramesh got a monthly pension of Rs. 25,000. He had no other income.

vii) Mrs. Kamlesh received salary of Rs. 22,000 per month from a part time job.

viii) Master Koshal also win a lottery during the year Rs. 5,000/-

Discuss the tax implications of each transaction and compute the total income of Mr. Ramesh, Mrs. Kamlesh and their minor children.

(8 Marks)

(b) Compute the interest payable for the delayed payment of service tax by the service providers relating to a period in the financial year 2013-14 in the following cases:

Name of the service provider	**ABC Ltd.**	**Mr. Vikas**
Service tax liability	Rs. 1,25,600	Rs. 2,18,000
Delay in payment of service tax	20 days	30 days

The aggregate value of taxable services rendered in the previous financial year 2012-13 by ABC Ltd. was Rs. 50 lakhs and by Mr. Vikas was Rs. 65 lakhs.

(4 Marks)

(c) Elaborate any four Demerits of Value added tax laws.

(4 Marks)

6 (a) Explain with reasoning about taxability, non-taxability, deduction or exemptions of the following in context of Income Tax Laws:

i) The assessee Mr. Kailash had taken a loan of Rs. 20 Lac for purchase on house property vide loan sanction letter dated 10-04-2013, the purchase consideration of said property is 35 Lac, the Interest due on said property for the year 2013-14 Rs. 2,30,000/- and 2014-15 Rs. 1,80,000/-. The assessee does not owned any other house property at the time of sanction of loan,

ii) ABC Bank having balance as on 01-04-2013 in provision for advances Rs. 20 Crore, the bank is going to write off advances to the tune of Rs. 24 Lac during the year 2013-14 as they actually become bad debt.

iii) The Building held by the assessee as Stock in Trade (Valued at Cost Rs. 18 Lac) having Stamp Duty Value Rs. 30 Lac sold for Rs. 25 Lac.

iv) Mr. Jitender purchased building having Stamp Duty Value Rs. 22,50,000/- for Rs. 20,00,000/- on 01-05-2013, the said building has been sold by him to Mr. Nilesh for Rs. 24,00,000/- on 28-02-2014 (Stamp duty value 26,00,000/-)

(8 Marks)

(b) Explain the Service Tax Voluntary Compliance Encouragement Scheme 2013.

(4 Marks)

(c) State with reasons whether the following are true or false in the context of VAT:

(i) Taxpayer's Identification Number (TIN) is a 10 digit alpha numeral.

(ii) Self assessment concept on deemed basis is one of the important features of VAT**.**

(4 Marks)

7 (a) Answer any **two** of the following ***three*** parts:

i) Smt. Jaya started a proprietary business as on 1.4.2012 with her capital of Rs. 2,50,000. Her husband gifted Rs. 2,00,000 on 04.05.2012, which was invested by Smt. Jaya on the same date. Smt. Jaya earned following profits from her proprietary business:

	Rs.
Financial year 2012-2013	2,00,000
Financial year 2013-2014	3,90,000

You are required to compute the income, to be clubbed in the hands of Jaya's husband for the A.Y. 2014-2015 with reasons.

ii) Explain the tax treatment

1) Reverse Mortgage
2) Buy back of shares

iii) Mr. Vivek is the General Manager of ABC Ltd, New Delhi. From the following particulars for the year ended 31.03.2014, compute the relief available to him under section 89 of the Income-tax Act, 1961, in terms of tax payable for assessment year 2014-15:

Particulars		**Rs.**
i.	Salary income for the year	5,60,000
ii.	Amount deposited in Public Provident Fund during the year	35,000
iii.	Salary for Financial Year 2005-06 received during the year	40,000
iv.	Assessed Income for the Financial Year 2005-06	1,40,000

The rates of Income-tax for the assessment year 2006-07 are:

Particulars	Tax Rate (%)
On first Rs. 1,00,000	Nil
On Rs. 1,00,000 – Rs. 1,50,000	10
On Rs.1,50,000 – Rs. 2,50,000	20
Above Rs. 2,50,000	30
Education Cess	2

(8 Marks)

(b) Miss Tanya, a wedding planner, has rendered services to Mr. Raj Kundra in relation to marriage of his son. Miss Tanya, being a close relative of Mr. Raj Kundra, has not charged any fee from him. Is service tax payable on such free service.

(4 Marks)

(c) How a can an auditor play a role to ensure that the tax payers discharge their tax liability properly under the VAT system?

(4 Marks)

CA-IPC (IPCC) CLASSES

FOR NOV 2014 EXAM

By **CA VIJAY GAURAV**

TAXATION

(Including **EXCISE, CUSTOM, CST)**

(Applicable w.e.f. Nov 14 Exam)

Start	Days	Completed	Time	Fees
03-06-14	T. T. S.	30-08-14	8-12 pm	7500/-

Registration Requirement

1. Registration fee 1000/-
2. Two Photograph

ABOUT CA VIJA YGAURAV

CA VIJAY GAURAV is a **Graduate from "University of Delhi"** He is **fellow member of "ICAI"** qualified in 2002. He is a **reputed tax consultant** working as Tax Consultant for various organizations. Teaching is passion for him and he is teaching Taxation, Law and Audit at CA-IPC and Indirect Tax at CA- Final level **since more than 10 years.**