Total No. of Questions-**7** **VGIPCN** Total No. of Printed Pages- **10**

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) Mr. Paliwal born on 15th August 1952, a Practicing Chartered Accountant maintaining books of account on cash basis provides you the details of transactions for the year ended 31-03-2014 as under:

Receipts	**Amount**	**Payment**	**Amount**
Balance b/d	1152952.00	Rent Expenses	240000.00
Consultation Charges	2541000.00	Electricity Expenses	180000.00
Gift Received from Clients	51,000.00	Donation to Political Party	11000.00
Loan taken for House	1500000.00	Agriculture Expenses	4000.00
Bad Debt Recover	10000.00	Telephone Expenses	15000.00
Interest on Saving Bank	12000.00	Personal Expenses	500000.00
ST Capital Gain on Listed Shares	51500.00	Life Insurance	25000.00
Agriculture Income	26000.00	Salary	1024000.00
Income Tax Refund	5000.00	Municipal Taxes	12000.00
Debenture Interest	9000.00	Service Tax	29000.00
		Running & Maintenance of Car	42000.00
		Purchase of House	3000000.00
		Repayment of Housing Loan including Interest paid on 31-03-2014	246250.00
		Balance c/d	30202.00
Total	**5358452.00**	**Total**	**5358452.00**

Further Information:

1) The Consultation charges Rs. 10000/- not received till 31-03-14.

2) Salary includes Rs. 24000/- paid through bearer cheque

3) The Service tax includes 10000/- belongs to Previous Year 2012-13 and Rs. 2000/- is Fine for late payment.

4) Tax deduction rate applicable on Debenture interest is 10%

5) Car has been used 20% for personal purposes

6) Written down value of the Car as on 01-04-2013 is Rs. 325000/- the depreciation rate applicable is 15%

7) Loan for house has been sanctioned and disbursed on 01-05-2013 @ 15% p.a. and possession of house received on 15-03-2014.

8) Life Premium paid for the life of Handicap Minor Married daughter where capital sum assured is Rs. 150000/-

9) During the year he had paid medical insurance premium of Rs. 18000/- out of which Rs. 6000/- (Paid in Cash) related to Preventive Health Check up of his family.

10) Personal Expenses includes Tuition Fee of Rs. 40000/- paid in respect of recognised course for adopted Child.

Compute his Total Income and Tax Liability for the assessment year 2014-15 (Take suitable assumption wherever considered necessary).

(10 Marks)

(b) The following particulars are being provided; you are required to compute service tax liability for half year ended 30-09-2013:

a) Service Value Rs. 551000/- provided to an approved international body
b) Service provided in relation to Processing Fee of Loan Rs. 150000/-
c) Booking of Railway Tickets Rs. 300000/- out of which 200000/-related for to First Class Air-Conditioned coach
d) Transportation of pilgrims through cable car Rs. 50000/-
e) Service of Rs. 101000/- provided by Ms. Sonali a Renowned Actresses as Brand Ambassador and given a classical Dance show, the whole collection is donated to a charitable institution.

Service tax shall be charged separately as applicable.

(5 Marks)

(c) XYZ Limited is engaged in Manufacturing of Excisable goods. It provides you the following information for Month ended on October 2013. Compute CENVAT Credit available for the year ended 31st March 2014 on the following purchase:

Items	**Excise Duty Paid (Including EC/SHEC)**
Electric Transformer (Including Rs. 5000/- for Construction of foundation for its support on earth)	48000.00

Moulds and Dies	50000.00
Truck for Transportation of Raw Material from stock yard to Production floor	90000.00
Office Equipment	20000.00
Capital Goods used for Generation of electricity for captive use outside the factory	12000.00
Refractories	5000.00

(5 Marks)

2. (a) Mr. Diwakar sold his residential property on 2nd February, 2014 for Rs. 90 lakh and paid brokerage @ 1% of sale price. He had purchased the said property in May 2000 for Rs. 2200000/-. In June, 2014, he invested Rs.75 Lakh in equity of Diwakar (P) Ltd., a newly incorporated Small manufacturing company, which constituted 70% of share capital of the said company. Diwakar (P) Ltd. utilized the said sum for the following purposes –

(i) Purchase of new plant and machinery during July 2014 – Rs 65 Lakh (Including Rs. 6 Lac for Purchase of Computer and Car)

(ii) Deposited Rs. 8 Lac in Specified Bank Account

Compute the chargeable capital gain for the A.Y. 2014-15. Assume that Mr. Diwakar is required to file return of income on or before 30th September, 2014.

Cost Inflation Index 2013-14 (939), 2000-01 (406)

(8 Marks)

b) Compute Duty of Excise and the person liable to pay in the following cases:

i) Excise duty payable on molasses is Rs. 1500 per tonne. ABC Limited sold 100 Tonne molasses to XYZ Limited on 15-05-2013 and received the same by procurer on 17-05-2013

ii) UNO India Limited is a leading manufacturer of Shoes. Legal Metrology Act 2009 requires declaration of Retail sale price on shoes. The Maximum Retail price declared on the package is Rs. 2000 per pair however the company sold the pair to wholesalers at Rs. 1500/- and it is finally sold to consumer for Rs. 1900/-. Assuming abatement of 40% and Excise Duty Rate 12% and Education Cess as applicable.

(4 Marks)

c) Explain the Provisions regarding Pilfered Goods and Deteriorated goods under Custom Act, 1962.

(4 Marks)

3. a) Mr. Pradeep, aged 48 years, is the Sales Manager of ABC Ltd. in Delhi. From the following details, compute the taxable income and tax thereon for the assessment year 2014-15.

Basic salary	Rs. 20,000 per month
Dearness allowance (40% for Retirement Benefit)	40% of basic salary
Transport allowance (Actual Spend 1000/- Per Month)	Rs. 1,500 per month
Rent free accommodation provided by ABC Ltd. and recovered Rs. 2000/- per month from Mr. Pradeep	
Motor car running and maintenance charges fully paid by employer (The motor car is owned by the company and driven by the employee). The engine cubic capacity is above 1.60 Litres. The motor car is used for both official and personal purpose by the employee up to 31-12-2013) Rs. 50,000	
Children education allowance	Rs. 500 p.m. for two children
Tiffin allowance (actual expenses Rs. 6,000)	Rs. 5000 p.a.
Tax paid on employment	Rs. 2500
As per the scheme of the company, he was offered a car which was purchased on 01.02.2011 by the company for Rs. 500000 on 15-01-2014. Company has recovered Rs. 205000 from him for the car. Company depreciates the vehicles at the rate of 15% on Straight Line Method.	
Medical insurance premium Rs. 16000/- (Paid in Cash Rs. 5800 and balance by account payee cheque)	

(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 October 13 affiliated to National Skill Development Corporation is exempt.

ii) Reiki Healing Treatment Such therapy is not a recognized system of medicine in terms of section 2(h) of Clinical Establishments Act, 2010 is a taxable service

iii) Medical treatments by way of yoga is covered under Mega Exemption Notification

iv) Cord blood bank which provides services in relation to preservation of stem cells is exempt

v) Maintenance services for refrigerators and air-conditioners are liable for Excise duty.

vi) Excise Duty shall be payable on transaction value in case the Capital Goods removed as waste or scrap

vii) Abatement in case of Construction of Commercial complex in the Month of October 2013 is 70%

viii) Dharmada Charged in the invoice is not to be included in Assessable Value.

(1 Marks each)

4. (a) Mr. Ram is a co-owner of a house property along with his brother holding equal share in the property the Municipal Value of the said property is Rs. 320000.00 and Fair rent Rs. 300000 the Standard rent fixed under the Rent Control Act is Rs. 340000. The Property has been given on rent for Rs. 30000 p.m.

The above said property was constructed by taking loan in joint name and the interest charged by the bank is Rs. 50,000 out of which Rs. 40,000 has been paid during the year.

The Payment of Interest has been made by them late, for which Interest on the unpaid interest charged by bank Rs. 500.

The municipal tax of the said property paid during the year was Rs. 10000 out of which Rs. 2000 paid by the tenant.

Compute the income from this property chargeable in the hands of Mr. Ram for the A.Y. 2014-15.

(5 Marks)

(b) Mr. Lokesh Kumar is owner of flat in Delhi purchased by him on 10-04-2000 for Rs. 10 Lacs the said flat sold by him to Mr. Arun for Rs. 15 lacs on 29-11-2013 however the Stamp duty value fixed was Rs. 17 Lac. What will be the tax treatment in the hands of Mr. Lokesh and Mr. Arun.

(3 Marks)

(c) Answer the following:

i) A USA manufacturer is exporting Steel Utensil to India. He is selling the same product in USA @ Rs 80 per piece, but exports the same to India @ Rs. 60 per piece. Due to availability of cheap imported goods, Indian manufacturers of the steel utensil are suffering. What action can be taken by the Government in this regard?

(3 Marks)

ii) An importer has imported machinery used for manufacturing of excisable goods. The assessable value of imported machinery is Rs. 2,00,000. Customs duty payable is 10%. If the machinery is manufactured in India, excise duty @ 12% is leviable on such machinery. Education cess and secondary and higher education cess are as applicable. Special CVD is also payable on said machinery. You are required to calculate the total customs duty payable and the amount that importer can avail as CENVAT credit (if any)

(5 Marks)

5 (a) Mr. Rakesh submit the following details of his income for the assessment year 2014-15:

Particular	**Amount**
Income from salary	300000
Loss from let out house property	40000
Income from sugar business	50000
Loss from iron ore business b/f (discontinued in A.Y. 2007-08)	120000

Short term capital loss	60000
Long term capital gain	40000
Dividend	5000
Income received from lottery winning (Net of TDS 30%)	35000
Winnings from card games	6000
Agricultural income	20000
Long term capital gain from shares (STT paid)	10000
Short term capital Gain under section 111A	10000
Saving Bank interest	6000
Invested in PPF	20000

Calculate Total income and tax thereon and losses to be carried forward

(8 Marks)

(b) With reference to service tax law as contained in Finance Act, 1994, discuss whether any consideration' is involved in following cases:

(i) Donations given to a charitable trust with the condition that such trust would display the name of the donor in a fair organized by it.

ii) X agrees to construct a shopping mall for Y on land owned by Y, and in return, Y agrees to provide two shops in such mall to X.

iii) Fine imposed by Traffic Police on over speeding vehicles on an expressway.

iv) Services are provided by A to B. However, payment for the services is made by C, a debtor of B, on the instructions of B.

(4 Marks)

(c) Compute net VAT payable/refundable by Dealer Mr. Amrinder Kumar from the following details furnished by it for the month of March, 2014:-

Particular	Nature	VAT Rate	Amount
Raw material	Purchase	Nil	200000
Raw material	Purchase	4%	1000000
Raw material	Purchase	12.50%	500000
Intra-State sale of finished goods (These goods were produced entirely from raw material procured at Nil VAT)	Sale	4%	250000
Exempted sales (60% of the raw material procured at 4% VAT was used in producing these goods)	Sale	Nil	700000
Intra-State sale of finished goods	Sale	12.50%	300000
Inter-State sale of raw material	Sale	4%	500000
50% of the raw material produced at 12.50% VAT has been utilised to produce capital goods for the manufacturing process in the factory	Captive Consumed		

(4 Marks)

6 (a) Answer the following

i) Mr. Kulkarni purchased 2000 equity shares of Anand Limited a listed Company on 29-01-2001 for Rs. 54/- each. The company has issued 3 bonus shares for every 5 shares held on 15-12-2012. On 14-07-2013 the company decided to buy back its shares at Rs. 80/- per share. Mr. Kulkarni sold all his holding to the company on 20-07-2013. Compute Capital Gain in the hands of assessee.

What will be the amount of Capital Gain taxable in the hands of Kulkarni if Anand Limited is an Unlisted Domestic company?

Cost Inflation Index 2000-01 (406), 2001-02 (426) 2013-14 (939)

(5 Marks)

ii) State whether the following statement is Correct or Incorrect

a) Income of Securitization Trust is Exempt u/s 10

b) Area having distance of 3 Kms from Local Limits of Municipal Corporation with population of 20000 is an Urban Area

c) Conversion of Interest in to Loan is not allowed as deduction u/s 43B of Income Tax Act, 1961

(1 Mark each)

(b) GIA Ltd. sold a machine, manufactured by it, to Hunny Singh at a price of Rs. 2000000 (excluding taxes and duties). Further, following additional amounts were also charged:

Particular	**Amount**
Expenses pertaining to installation and erection of the machine	50000
Special packing charges	20000
Design and engineering charges	30000
Dharmada	5000
Outward Freight Separately mentioned in the Invoice	12000
CENVAT Credit Available on Inputs	52000
Capital Goods purchased during the year Excise duty paid @ 12.36%	200000

Determine the total amount of central excise duty payable on the machine from the aforesaid information.

(6 Marks)

c) Explain Anti-Subsidy Duty under Custom Laws

(2 Marks)

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

i) M/s. PP & Co., a sole proprietary concern, was converted into a company on 01.09.2013. Before the conversion, the sole proprietary concern had a Block of Plant and Machinery (Rate of depreciation 15%), whose WDV as on 01.04.2013 was Rs. 300000. On 1st June 2013, a new plant of the same block was purchased for Rs. 120000. After the conversion, the company has purchased the same type of Plant on 01.01.2014 for Rs. 160000. Compute the depreciation that would be allocated between the sole proprietary concern and the successor company.

(4 Marks)

ii) Explain the tax treatment

1) Composite Rent
2) Sale of Flat held as Stock in Trade below the Stamp Duty Value

(2 Marks each)

iii) State whether the following are chargeable to tax and the amount liable to tax:

(a) A sum of Rs. 151000 was received as gift from non-relatives by Mr. Dhashrat on the occasion of the marriage of his son Mr. Ram.

(b) Interest on enhanced compensation of Rs. 45000 was received as per court order in December 2013 by Mr. Love Kumar. Out of the said amount, a sum of Rs. 30000 relates to preceding financial years.

(2 Marks each)

(b) ABC (Pvt.) Ltd. is engaged in providing taxable services to its clients. Its service tax liability for the month of January, 2014 is Rs. 482000/-. ABC (Pvt.) Ltd. intends to make e-payment of service tax on the due date i.e., on 06.02.2014.

Break-up of CENVAT credit available with ABC (Pvt.) Ltd. as on 01.01.2014 is given below:

Particular	**Amount of CENVAT**
Inputs	100000
Capital goods	200000
Input Services	30000

ABC (Pvt.) Ltd. has provided the following further details:

Particular	**Excise Duty**		**Input Service**
	Input	**Capital Goods**	
Inputs received on 10.01.2014	30000		
Inputs received on 15.01.2014	50000		
Capital goods received on 20.01.2014		70000	
Invoices dated 23.01.2014 received on same day			30000
Invoices dated 02.02.2014 received on same day			32,000
Inputs received on 04.02.2014	41,000		

Further Information

i) Out of total duty of Rs. 50000 paid on inputs received on 15.01.2014, Rs. 20000 represented National Calamity Contingent Duty.

ii) Capital Goods are being used for providing exempted as well taxable services.

You are required to determine the service tax payable by ABC (Pvt.) Ltd. in cash, if any.

(4 Marks)

(c) Explain the composition Scheme under Value added Tax Law.

(4 Marks)

CA-IPC
MAY 2015 EXAM
By CA VIJAY GAURAV

TAXATION

01-12-14 to 13-02-15
(Monday to Friday)
8-11 am

AUDIT

06-12-14 to 15-02-15
(Saturday & Sunday)
8-11 am