

Paper-14: Indirect and Direct - Tax Management

Time Allowed: 3 hours

Full Marks: 100

All the questions relate to the assessment year 2014-15, unless stated otherwise.

Working notes should form part of the answers.

Answer Question No. 1 (carrying 25 marks), which is compulsory and any five from the rest.

1. Fill up the blanks:

[1×25]

- (i) Service tax is levied on services provided within the taxable territory of India including territorial waters of India extending up to _____ (under International Sea Act).
- (ii) To avoid disputes between sale of goods and services, Section 66E of the Finance Act, 1994 provides certain activities to be specifically treated as _____.
- (iii) Section 2(42C) of the Income Tax Act, 1961 defines _____ as, the transfer of one or more undertakings as a result of the sale, for a lump sum consideration without values being assigned to the individual assets and liabilities in such sales.
- (iv) Section 17(2)(iv) of the Income Tax Act, 1961 provides that, amount paid by _____, in respect of any obligation which otherwise would have been payable by the employee, is taxable as a perquisite in the hands of the employee.
- (v) Section 2(29C) of the Income Tax Act, 1961 defines _____ as the rate of income-tax (including surcharge on income-tax, if any) applicable in relation to the highest slab of income in the case of an individual, association of persons or, as the case may be, body of individuals] as specified in the Finance Act of the relevant year.
- (vi) Section 194B of the Income Tax Act, 1961 provides that, any person responsible for paying to any person any income by way of winnings from lottery, or crossword puzzle or card game and other game of any sort shall be liable to deduct tax at source, at the time of _____ of such income @ 30%.
- (vii) Section 139(4) of the Income Tax Act, 1961 provides that, a belated return can be filed by the assessee for any previous year at any time, before the _____.
- (viii) Section 272B of the Income Tax Act, 1961 provides that, if any person fails to comply with the provisions of Section 139A or to quote or intimate his Permanent Account Number, as required under section 139A or willfully quotes or intimates a number which is false, then he shall be liable to a penalty of _____.
- (ix) Section 271(1)(c) of the Income Tax Act, 1961 provides that, if the Assessing Officer is satisfied that, any person has concealed the particulars of his income; or furnished inaccurate particulars of such income, then, he may direct such person to pay the penalty, in addition to tax, if any, payable by him, which shall not be less than the amount of tax sought to be evaded, but not exceeding _____.
- (x) Section 206A of the Income Tax Act, 1961 provides that, any banking company, a co-operative society, or a public company, who is responsible for paying to a resident, interest

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- (other than interest on securities), not exceeding ₹5,000, the person responsible for making the payment, is _____ to deduct tax at source under Section 194A.
- (xi) Rule 10A(a) of the Income Tax Rules dealing with the Transfer Pricing Regulations defines an "uncontrolled transaction" to mean a transaction between enterprises other than _____ enterprises, whether resident or non-resident.
- (xii) Rule 6(2) of the Service Tax Rules, 1994, as amended by Notification No. 16/2013-ST, dated 22.11.2013, makes e-payment of service tax mandatory for the assessee, who has paid a total service tax of _____ or above, including the amount paid by utilization of CENVAT Credit, in the preceding financial year (₹10 Lakhs; ₹1 Lakh; ₹50 Lakhs).
- (xiii) In the case of a non-resident engaged in the business of operation of aircraft, the income is determined under Section 44BBA of the Income Tax Act, 1961 at _____ (7.5% of turnover; 10% of turnover; 5% of turnover).
- (xiv) The deduction allowable under Section 80LA of the Income Tax Act, 1961 in respect of eligible income of Offshore Banking Units and International Financial Services Centre is _____ of such income for 5 consecutive assessment years and 50% of such income for 5 consecutive assessment years thereafter (100%; 80%; 75%).
- (xv) Under Section 194LA of the Income Tax Act, 1961, any person responsible for paying to a resident any sum exceeding ₹2 Lakhs towards compensation for compulsory acquisition of the seller's urban industrial land under any law, has to deduct income-tax at the rate of _____ (10%; 15%; 20%).
- (xvi) Section 13B of the Income Tax Act, 1961 provides that, voluntary contributions received by electoral trusts during the Previous Year 2013-14 is _____ (fully taxable; fully exempt from tax; exempt only if the trust distributes to a registered political party during the year 95 % of the aggregate donations received by it).
- (xvii) Section 10(32) of the Income Tax Act, 1961 provides for an exemption up to _____, in respect of each minor child, where a minor's income is clubbed with the income of the parent (₹1200, ₹1500, ₹2000).
- (xviii) Special Audit under Section 14A of the Central Excise Act, 1944 can be ordered by any Central Excise officer, not below the rank of a/an _____ (Assistant Commissioner of Central Excise; Deputy Commissioner of Central Excise; Assistant Commissioner of Central Excise or Deputy Commissioner of Central Excise), with the prior approval of the Chief Commissioner of Central Excise.
- (xix) Under the provisions of Section 48 of the Customs Act, 1962, if the imported goods are not cleared within _____ days of unloading at the customs station, the custodian may sell them under permission of the proper officer (30; 45; 60).
- (xx) Under the provisions of Section 11A of the Central Excise Act, 1944, Show Cause Notice for recovery of excise duties not levied, or not paid or short levied or short paid or erroneously refunded can be served on the person chargeable with duty, within _____ (6 months; 1 year; 2 years) from the relevant date.
- (xxi) Section 15 of the Customs Act, 1962 provides that, the rate of duty and tariff valuation of imported goods, entered for home consumption under Section 46, shall be applicable, as on the date on which _____ (Bill of Entry is presented; Customs Duty is paid).
- (xxii) Where an employee has more than one employer, he is required by section 192(2) of the Income-tax Act to furnish in Form no. _____ (16; 16A; 12B) to one of the employers the details of the salary due/ received by him from other employers.

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- (xxiii) Section 114 of the Customs Act, 1962, provides for levy of penalty in case of goods in respect of which any prohibition is in force not exceeding _____ (one time of the value of the goods; two times of the value of the goods; three times of the value of the goods).
- (xxiv) The authority for advance ruling is required to pronounce its advance ruling in writing within _____ (90; 45; 60) days from the date of application.
- (xxv) An assessee can file revised return for _____ (three times; as many number of times; two times) within the limitation period if the assessee discovers any omission or wrong statement therein.

Question 2.

- (a) Calculation of Income Tax in the case of an employee below the age of sixty years having a handicapped dependent (With valid PAN furnished to employer), for A.Y. 2014-2015:

S. No.	Particulars	₹
1	Gross Salary	3,20,000
2	Amount spent on treatment of a dependant, being person with disability (but not severe disability)	7000
3	Amount paid to LIC with regard to annuity for the maintenance of a dependant, being person with disability(but not severe disability)	50,000
4	GPF Contribution	25,000
5	LIP Paid	10,000

[5]

- (b) Mr. Y submits the following particulars of his income for the assessment year 2014-2015

	(₹)
Income (other than income from business & profession)	4,00,000
Dividend from Indian Company	1,000
Interest on Bank Deposit	2,000
Life Insurance Premium paid	6,000
Donation to JawaharLalNehru Memorial Fund	15,000
Donation to Prime Minister's National Relief Fund	16,000
Donation to a Public Charitable Institution	24,000
Donation to a University for statistical research approved U/s 35(1)(iii)	5,000

Determine the net income and tax liability for the assessment year 2014-2015. [10]

Question 3.

- (a) Determine the assessable value for purpose of excise duty under the Central Excise Act, 1944 in the following cases:
- (i) An assessee sells his excisable goods for ₹ 120 per piece and does not charge any duty of excise in his invoice. Subsequently it was found that the goods were not exempted from excise duty but were liable at 20% advalorem.

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- (ii) Certain excisable goods were sold for ₹ 120 per piece and 20% advalorem is the rate of excise duty. Subsequently it was found that the price cum duty was in fact ₹ 140 per piece as the assessee had collected ₹ 20 per piece separately.
- (iii) The cum duty price per piece was ₹120 and the assessee had paid duty at 20% advalorem. Subsequently it was found that the rate of duty was 30% advalorem and the assessee had not collected anything over and above ₹ 120 per piece. **[9]**

- (b) Give the consequences regarding excise duty liability if goods manufactured by EOU (Export Oriented unit) & brought to DTA (Domestic tariff Area). **[6]**

Question 4.

- (a) State briefly with reasons whether credit under the CENVAT Rules, 2004 would be available in the following cases:

- (i) Inputs are pilfered from the store-room.
(ii) Final product is cleared in durable and returnable packing material.
(iii) An input becomes a waste and is sold as scrap.
(iv) Inputs used in trial runs. **[8]**

- (b) The Net Profit of X Ltd. for the year ended March 31, 2014 amounted to ₹ 7,50,000 after debiting/crediting the following items:

Particulars	₹
Provision for bonus (paid on November 15,2014)	30,000
Provision for commission to employees (paid on December 1,2013)	76,000
Payment of annual installment under an approved agreement to a foreign collaborator for technical knowhow	1,00,000
Legal expenses incurred for issue of capital	30,000
Interest paid on unpaid purchase price of business assets	15,000
Cost of goods purchased from Y Co. Ltd. which was paid by bearer cheque	50,000
Sales include sale of gold not being stock in trade (indexed cost of acquisition ₹ 1,70,000)	2,00,000
Rent received from Staff for the quarters allotted	75,000
Rent received for commercial property rented to a foreign bank	1,50,000
Expenditure on scientific research include cost of land ₹30,000 and ₹20,000 paid to approved national laboratory. Land revenue in connection with worker's quarters and let-out commercial property (paid on June 15,2013)	12,000

- Calculate Taxable Income of the company for the Assessment Year 2014-15. The answer should clearly indicate the basis for treatment of each item. **[7]**

Question 5.

- (a) Compute taxable value and service tax from following sums received by M/s. ABC Medical Centre (exclusive of service tax) (Ignore small service provider's exemption) -
- (1) Testing (with Transmission of medical samples between laboratories): ₹ 6 lakh ;
 - (2) Medicines consumed as a part of health care services : ₹ 5 lakh ;
 - (3) Preventive health care services : ₹4 lakh ;
 - (4) Treatment along with Facilities provided such as TV, AC, room rent, meal to patient

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- (as a part of package): ₹33 lakh ;
- (5) Genetic affinity examination for determining biological father : ₹4 lakh ;
 - (6) Hair transplant services due to injury in a fire accident: ₹7 lakh ;
 - (7) Cosmetic surgery of a film star : ₹16 lakh ;
 - (8) Conducting medical examinations of individuals : ₹1 lakh. **[5]**

(b) AB Ltd. Carried out following works, all of which are leviable to sales-tax/VAT as transfer of property involved in the execution of works contract (the sum charged given below are exclusive of all taxes) -

- (1) New constructions: ₹ 50 lakh;
 - (2) Additions and alterations to damaged structures on land to make them workable: ₹ 25 lakhs;
 - (3) Supply along with erection, commissioning and installation of plants: ₹ 72 lakhs;
 - (4) Maintenance and repair of goods: ₹ 40 lakhs;
 - (5) Maintenance and repair of immovable property: ₹ 30 lakhs;
- Compute taxable value and service tax thereon. **[5]**

(c) The book profits of Star Heights Ltd., for the previous year 2013-14 computed in accordance with Section 115JB is ₹ 37.50 Lakhs. If the total income computed for the same period as per the provisions of the Income Tax Act, 1961 is ₹ 7.50 Lakhs, compute the tax payable by the company in the Assessment Year 2014-15. Is Star Heights Ltd. eligible for any tax credit? If so, for how many years, shall Star Heights Ltd. avail such tax credit? **[5]**

Question 6.

(a) Dream House Constructions Ltd. furnishes the following particulars of its wealth for the valuation date as on 31.03.2014:

	Particulars	₹ in lacs
(i)	Land in urban area (held as stock in trade since 1998)	70
(ii)	Motor cars (including one imported car worth ₹35lacs used for hiring)	45
(iii)	125 acres of land acquired at Ghaziabad township on 15.5.2012 for construction of commercial complex	150
(iv)	Two Residential flats of 950 sq feet each provided to 2 employees (salary of one employee exceeds ₹5 lacs per annum)	30
(v)	Farm house of 8 acres at a remote village	7
(vi)	Cash in hand as per cash book	5
Liabilities:		
(i)	Loan for purchase of land at urban area	50
(ii)	Loan for purchase of land at Ghaziabad	100
(iii)	Wealth-tax liability for A.Y. 2014-15	10
(iv)	Loan for construction of residential flats	10

Compute the net wealth of the company for the A. Y. 2014 – 2015. **[5]**

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(b) On 08-04-2013, M/s. AgrawalPackagings cleared plastic bottles whose assessable value was ₹10,00,000 and duty payable was ₹1,23,600. On 16-4-2013, the purchaser returned the plastic bottles to AgrawalPackagings. M/s. Agrawal Packaging took credit of duty of ₹1,23,600 on basis of invoice issued at the time of clearance of plastic bottles. The Department denies the credit on the ground that the duty on such goods has not been paid, as the due date for payment of duty falls on 05-05-2013. Discuss whether contention of department is correct.

[5]

(c) Sky High Airways Ltd. sold tickets to the travel agents in India at a minimum fixed commercial price. The agents were permitted to sell the tickets at a higher price. The price to be charged by the travel agents was restricted to a maximum of published price. Sky High Airways Ltd. was obliged to pay to its travel agents, a commission @ 9% of published price, on which tax was deducted under Section 194H of the Income Tax Act, 1961 by the company. The Assessing Officer contended that company was also liable to deduct tax at source, on the amount of difference between the published price and the minimum fixed commercial price, by treating it as "additional special commission" in the hands of the agents.

Examine whether the contention of the Assessing Officer is tenable in law, in the light of decided case law/s under Income Tax Act, 1961.

[5]

Question 7.

(a) Determine the cost of production on manufacture of the under-mentioned product for purpose of captive consumption in terms of Rule 8 of the Central Excise Valuation Rules, 2000.

(Amount in ₹)

Direct material	11,648
Direct wages & salaries	8,400
Works overheads	6,200
Quality control costs	3,500
Research and development costs	2,400
Administrative overheads	4,100
Selling and distribution costs	1,600
Realizable value of scrap	1,200

The Administrative Overheads are in relation to production activities.

Material cost includes Excise duty ₹ 1,648.

[5]

(b) Mr. VinodDutta, an Indian resident, won a Tata Indica worth ₹ 6 Lakhs, as the first prize in a lottery. According to Section 194B of the Income Tax Act, 1961, tax has to be deducted at source from the winnings of lottery at the time of payment of the prize money.

Explain the procedure to be adopted before handing over the Tata Indica (the lottery prize) to Mr. VinodDutta.

[5]

(c) Mr. Rupesh Kumar, an Indian resident, is a practicing Cost and Management Accountant. He was paid ₹90,000 on 1st September, 2013 towards fees for his professional services, without deducting tax at source. Later on, a further sum of ₹1,00,000, was due to him on 1st March,

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2014, from which tax of ₹20,000 was deducted at source. The tax so deducted, was deposited on 26th June, 2014. Compute interest payable by the deductor under Section 201(1A) of the Income Tax Act, 1961. **[5]**