

Paper 16 – Tax Management and Practice

PTP_Final_Syllabus 2012_Jun2015_Set 1

The following table lists the learning objectives and the verbs that appear in the syllabus learning aims and examination questions:

	Learning objectives	Verbs used	Definition
LEVEL B	KNOWLEDGE What you are expected to know	List	Make a list of
		State	Express, fully or clearly, the details/facts
		Define	Give the exact meaning of
	COMPREHENSION What you are expected to understand	Describe	Communicate the key features of
		Distinguish	Highlight the differences between
		Explain	Make clear or intelligible/ state the meaning or purpose of
		Identify	Recognize, establish or select after consideration
	APPLICATION How you are expected to apply your knowledge	Illustrate	Use an example to describe or explain something
		Apply	Put to practical use
		Calculate	Ascertain or reckon mathematically
		Demonstrate	Prove with certainty or exhibit by practical means
		Prepare	Make or get ready for use
		Reconcile	Make or prove consistent/ compatible
	ANALYSIS How you are expected to analyse the detail of what you have learned	Solve	Find an answer to
		Tabulate	Arrange in a table
		Analyse	Examine in detail the structure of
		Categorise	Place into a defined class or division
		Compare and contrast	Show the similarities and/or differences between
Construct		Build up or compile	
	Prioritise	Place in order of priority or sequence for action	
	Produce	Create or bring into existence	

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Time Allowed: 3 hours

Full Marks: 100

This paper contains 9 questions, divided in two sections Section A and Section B. In total 7 questions are to be answered. Answer any five questions from Section A (out of six questions - Questions Nos. 1 to 6).

In Section B, Question No.9 is compulsory and answer any one question from the remaining two questions of the section (i.e. out of Question nos. 7 & 8).

Students are requested to read the instructions against each individual question also. All workings must form part of your answer. Assumptions, if any, must be clearly indicated.

All the questions relate to the assessment year 2015-16, unless stated otherwise.

Section A

Answer any five Questions

1. (a) Rampur Ltd., a closely held Indian company, is engaged in the business of manufacture of paints in India. A profit or loss account for the year ending 31.3.2015 is given below:
Profit and Loss Account

Figures in lakhs

Particulars	`	Particulars	`
Salary and wages	7.50	Sales	48.00
Postage and Telegrams	0.40	Amount withdrawn from General Reserve	3.00
Travelling and Conveyance	0.50		
Depreciation	5.00		
Income-tax	4.00		
Wealth tax	0.10		
Excise duty due	1.00		
Provisions for future losses	0.60		
Proposed dividend	0.80		
Loss of subsidiary company	0.50		
Audit fee	0.25		
Director remuneration	8.00		
Deferred tax liability	1.35		
Net profit	21.00		
Total	51.00		51.00

Additional information

1. The excise duty due on 31.3.2015 was paid on 2.12.2015.
2. Custom duty of ` 1,20,000 which was due on 31.3.2013 was paid during the financial year 2014-15.
3. Depreciation as per income tax is `11.43 lakhs.

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- (b)** Travis Private Limited is engaged in providing the taxable services. Compute the value of taxable service and the service tax payable by it in the month of March, 2015 from the information furnished below:

Receipts	`
Advances received from clients for which no service has been rendered so far	8,00,000
Demurrage charges recovered for use of the services beyond the agreed period	50,000
Security deposits forfeited for damages done by service receiver owing to his negligence in the course of receiving a service	5,00,000

Besides, the above receipts, one of the clients - STP Ltd. made a payment of ` 1,50,000 (out of which ` 25,000 were paid extra by mistake). However, Travis Private Limited refused to return the excess payment received.

Travis Private Limited is not eligible for small service providers' exemption under Notification No. 33/2012-ST, dated 20-06-2012. **[7]**

- 4. (a)** Who are the residents eligible to file an application for advance ruling under the Customs Act, 1962? **[6]**

- (b)** Explain the procedure in appeal to be followed by the Commissioner (Appeals). **[8]**

- 5. (a)** Profit and Loss A/c of NG and Sons, a partnership firm is as follows:

Particulars	`	Particulars	`
Establishment and other expenses	3,00,000	Gross Profit	11,60,000
Interest on Capital to partners @ 24% p.a.	48,000	Rent from House Property	60,000
Interest on loan to partners @ 20%	20,000	Interest from Government Securities	32,000
Interest on loan to Mrs. G @ 16%	24,000		
Municipal taxes of let out house property	10,000		
Repairs of the house property	5,000		
Donations to National Children's Fund	10,000		
Remuneration to partners	5,60,000		
Interest on money borrowed for investment in Government Securities	10,000		
Sales tax	25,000		
Net Profit	2,40,000		
	12,52,000		12,52,000

Other information

- (a) Out of municipal taxes of `10,000; `6,000 was payable on 31.3.2015 and the same was paid on 30.6.2015.

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- (b) Sales tax includes a sum of ₹10,000 payable on 31.3.2015. ₹6,000 was paid on 31.7.2015 and ₹4,000 was paid on 30.11.2015, although the due date of payment under the Sales-tax Act was 14.5.2015.

Compute:

- (i) The book-profit.
- (ii) The maximum amount of remuneration deductible u/s 40(b).
- (iii) The Total Income of the firm assuming that the maximum remuneration allowable u/s 40(b) is paid to the partners.
- (iv) Also state the income from the firm which will be taxable in the hands of the partners. **[10]**

- (b) The Assessing Officer has reasons to believe that the following incomes of the assessment year have escaped assessment:

	Amount of income escaped assessment
Assessment year 2008-09	1,90,000
Assessment year 2009-10	95,000
Assessment year 2010-11	5,20,000

The Assessing Officer has issued 3 notices on 15.11.2014. Are these notices valid?

What will be your answer if the person has some assets located outside. **[4]**

6. (a) Samik, a resident Indian, has derived the following incomes for the previous year relevant to the assessment year 2015-16.

Sl. No.	Particulars	₹
1.	Income from profession	2,84,000
2.	Rent from house property in Country X ₹ 10,000 p.m. received there, municipal tax paid in that country ₹20,000 (Tax paid in Country X for his income in equivalent Indian rupees 10,000 on the net income of ₹ 1,00,000)	
3.	Royalty on books from foreign country Y (eligible for deduction under section 80QQB) (Tax paid in country Y @ 20%) converted in Indian rupees	10,00,000
4.	The expenses incurred for earning royalty	1,00,000
5.	Interest from scheduled banks	18,000

Samik wishes to know whether he is eligible to any double taxation relief and if so, its quantum.

India does not have any Double Taxation Avoidance Agreement with Countries X and Y. **[9]**

- (b) Punjab National Bank provides the following information for the month of June:

CENVAT Credit available on Inputs	₹ 2,00,000
CENVAT Credit available on Inputs Services	₹ 4,00,000
Service Tax liability before availing eligible CENVAT	₹ 10,00,000

Determine the amount of CENVAT Credit available to Punjab National Bank for the month of June, 2014 in view of Rule 6(3B) of Cenvat Credit Rules, 2004. Also determine the net service tax liability of the bank after availing the eligible CENVAT Credit. **[5]**

Section B

Question no. 9 is compulsory and Answer any one Question from 7 & 8.

7. Answer the following Questions [3x5=15]

- (a)** Would the provisions of deemed dividend under section 2(22)(e) be attracted in respect of financial transactions entered into in the normal course of business?
- (b)** Would interest earned on fixed deposits made by a social club with its corporate members satisfy the principle of mutuality to escape taxability?
- (c)** Can an assessee revise the particulars filed in the original return of income by filing a revised statement of income?

8. Answer the following Questions [8+7=15]

- (a)** Whether the charges towards pre-delivery inspection and after-sale-service recovered by dealers from buyers of the cars would be included in the assessable value of cars?
- (b)** In case the testing is critical to ensure marketability of manufactured product i.e. the manufacture is not complete without testing; is CENVAT credit of the testing material allowed?

9. Answer the following Questions [7+8 =15]

- (a)** Would refund of excise duty and grant of interest subsidy under the incentive scheme formulated by Central Government for public interest, namely, to accelerate industrial development, generate employment and create opportunities for self-employment in state of Jammu and Kashmir be treated as a revenue receipt or a capital receipt?
- (b)** In case of specific classification viz-a-viz classification based on material used/composition of goods, which one should be adopted?