

FINAL EXAMINATION

June 2015

F-P14(TXM)
Syllabus 2008

Indirect & Direct Tax Management

Time Allowed: 3 Hours

Full Marks: 100

*The figures in the margin on the right side indicate full marks.
Wherever required, the candidate may make suitable assumptions and
state them clearly in the answers.*

Working notes should form part of the relevant answer.

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

All sub-divisions of a question should be answered continuously.

*Answer Question No. 1 which is compulsory and
any five from the rest.*

1. Fill up the blanks:

1×25=25

- (i) Cenvat credit _____ be availed by a manufacturer in respect of excise duty paid on jigs and dies purchased and used in the factory.
- (ii) Refund of excise duty can be claimed by an assessee within a period of _____ from relevant date u/s 11B of the Central Excise Act, 1994.
- (iii) Maximum amount of deduction available u/s 24 of the Income-tax Act, 1961 towards interest on loan taken in April, 2014 for construction of house property which is self-occupied is ₹ _____.
- (iv) An Indian company holds 30% shares in a foreign company. It has received gross dividend of ₹ 1,00,000 and has incurred expenditure of ₹ 10,000 for earning the same. The income-tax chargeable u/s 115BDD of the Income-tax Act, 1961 is ₹ _____.
- (v) An individual assessee has sold residential house and intends to purchase a residential house in London within a period of one year. Exemption under section 54 of the Income-tax Act, 1961 _____ (will be/will not be) available.
- (vi) A resident individual having turnover of ₹ 80 lakhs for the year ended 31-03-2015 has paid interest of ₹ 25,000 to a non-resident on 12-05-2014. In order that no disallowance is made u/s 40(a)(i) of the Income-tax Act, 1961, the maximum time limit available for deducting and paying tax source is _____.
- (vii) Expenditure incurred by an Indian company for fulfilling corporate social responsibility as per provisions of the Companies Act _____ (is/is not) a deductible business expenditure.
- (viii) Filing of return of income is _____ for an individual, resident in India, having a bank account in Sri Lanka and deriving total income of ₹ 1,40,000 before deduction under Chapter VIA.
- (ix) Time limit for passing an order under section 143(3) of the Income-tax Act is _____ from the end of the relevant assessment year.
- (x) Declared services are covered by section _____ of the Finance Act, 1994.

Please Turn Over

- (xi) Composition Scheme _____ be availed by a registered dealer who makes inter-State purchases.
- (xii) Under Export Promotion Capital Goods (EPCG) scheme, an authorisation holder can import capital goods (i.e. plant, machinery, equipment, etc.) at concessional rate of customs duty of _____.
- (xiii) The net wealth computed under the provisions of the Wealth Tax Act shall be rounded off to the nearest _____ rupees.
- (xiv) For a farm house not to be treated as an "asset" under section 2(ea) of the Wealth Tax Act, it should be located _____ kilometers beyond the municipal or corporation limits.
- (xv) Compounded levy scheme is _____ (compulsory/optional) scheme under Central Excise Law.
- (xvi) Certificate of registration under Central Sales Tax Act is to be issued by the registration authority in the prescribed Form _____ (B/G).
- (xvii) A service provider having turnover of ₹ 40 lakhs during last previous year could not pay the service tax on the due date that is 6th January, 2015 is liable to pay interest at the rate of _____ (15% / 18%) P.a. if deposited on 23rd March, 2015.
- (xviii) Restaurant with Air-conditioned / central heating and bar are required to pay service tax on _____ (40% / 60%) of value / amount of service.
- (xix) As per rule 2(a) of the CENVAT Credit Rules, if a manufacturer of automobile uses parts and components to manufacture an automobile, these parts and components will be _____ (eligible/not eligible) for Cenvat Credit as inputs.
- (xx) Excisable goods shall be exported within _____ (six/nine) months from the date on which they were cleared for export from factory of manufacturer or warehouse unless such period extended by the Commissioner of Central Excise.
- (xxi) Dismantling charges for removing the second hand plant at suppliers place and shipping to Indian importer is _____ (includible/not includible) in the FOB Value under Customs Valuation.
- (xxii) An assessee having unexplained credits which has been deemed as income under section 68 of Income Tax Act will be taxed at the special rate of _____ (20% / 30%) plus surcharge and cess as applicable without deduction of any expenditure or allowance under any provision of Income Tax Act.
- (xxiii) As per Section 194I of Income Tax Act, tax deduction at source will be made at the rate of _____ (2% / 10%) from payment to payee or credit to payee account for use of any land or building.
- (xxiv) An appeal against the order of Commissioner (Appeals) under Wealth Tax Act is to be filed within _____ (30 / 60) days from the date of communication of the order or within the extended time.
- (xxv) The Supreme Court and the High Court can give judgment only on the question of _____ (fact / law).
2. (a) BHARAT FERTILIZERS P. LTD. carried out repairs of several machinery in its plant. Metal scrap and waste were generated during the course of such repairs. Will such generation be regarded as "manufacture" for excise duty purposes? Support your view with the decisions of the Apex Court. _____ 5

- (b) Under Customs law, can be benefit of certain exemptions granted in respect of any imported goods, be availed in respect of smuggled goods of identical nature? 4
- (c) The details relating to VAT transactions undertaken by DEEPTHI & Co., a registered VAT dealer, during the month of March, 2015 are given below :

Raw materials :	(₹)
Purchases from local market (invoice value)	6,60,000
Input VAT rate is 10%	
Goods purchased from dealers opting for Composition Scheme	3,12,000
Capital goods at invoice values :	
Machinery purchased on 01-12-2014	3,37,500
Input VAT rate for capital goods is 12.5%	
Sale of finished goods manufactured :	
Sales within State excluding VAT at 10%	8,00,000
Sales within State of zero-rated goods (Output VAT at 0%)	1,20,000

Input credit on capital goods is available on eligible machinery, spared over 2 years.

Raw materials have been used for producing finished goods of both types of finished goods (zero-rated as well as chargeable goods in the ratio of 4:1).

Compute the net VAT liability of the dealer. There are no opening or closing stocks. 6

3. (a) Mr. Upadhyaya is providing various types of services to several types of industrial houses and construction engineers. The following details for the month of March, 2015 :

Duty on trucks purchased for transporting construction materials to site	12,00,000
Diesel for trucks	2,20,000
Duty on Air-conditioners installed in office	1,50,000
Duty on Van for transporting labourers to work sites	9,00,000

You are required to compute the Cenvat credit available to the assessee. 5

- (b) Is remission of duty permissible under section 23 fo the Customs Act, 1962 when the remission application is filed after the expiry of the warehousing period (including extended warehousing period)? 4

- (c) Yadhav, a registered dealer in CST, furnishes the following data for the year ended 31-03-2015 :

Inter-State sales excluding CST, wherever collected	12,00,000
Freight charged, not shown separately in invoices (shown separately in a separate account in ledger)	40,000
Sales return by customer L, within 5 months	1,00,000
Goods rejected by customer M, returned after 6 months	30,000
Excise duty collected, recorded separately in books	1,10,000

Sales return are shown in a separate ledger account and are not deducted from sales account.

Compute the taxable turnover and CST payable by the dealer.

3

- (d) Specify the rate of income-tax deduction at source for the following amounts, with brief reasons :

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Particulars	₹
Interest paid by a partnership firm to a resident individual not having PAN	4,500
Payment made to a non-resident entertainer	25,000
Dyeing charges paid to a firm during the year ended 31-03-2014	82,000

4. (a) How is the value of service in relation to Money Changing determined for service tax purposes? 3

- (b) Briefly discuss Duty drawback on re-exports. 4

- (c) Hemali & Co., have taken service tax registration on centralised basis, for their premises at Salem (in Tamil Nadu), covering 12 other locations in different States. They have rendered a service, not covered in the negative list, at Srinagar. The assessee has a branch at Delhi, which is the nearest place from where most of the services to the present service receiver is being provided. Branch at Mumbai has also rendered some service.

State with brief reasons, which place has to be taken as the "location of the service provider", as per the Place of Provision of Services Rules, 2012. 3

- (d) Mr. Lokesh is employed in a company and has earned salary of ₹ 10.5 lakhs for the year ended 31-03-2015. He has paid profession tax of ₹ 14,000, life insurance premium of ₹ 1,60,000, donation of ₹ 86,000 to a project eligible for deduction under section 35AC and donation of ₹ 90,000 to a charitable trust registered under section 12AA and recognised under section 80G.

Compute his total income for the assessment year 2015-16. 5

5. (a) Hema Polymers Ltd. manufactures PFY. Goods are sold at its factory gates at Chennai as well as from its depot at Kachipuram. The prices prevailing at these two places are different. On 21-03-2013, 10,000 kgs have been removed from the factory to the depot at Kachipuram. On this day, sales have taken place at both the factory and the depot, the sale price being ₹ 1000 per kg and ₹ 1010 per kg respectively. Determine the assessable value as per section 4(b) of the Central Excise Act for the above 10,000 kgs moved to the depot.

Will your answer be different if the last sale at the depot was on 17-03-2013 (15000 kgs at ₹ 990 per kg)? 5

- (b) State, with reasons, whether the following expenses are deductible in computing income under the head "Profits and Gains from business or profession" for the Assessment year 2015-16 : 4
- (i) Consultancy fee of ₹ 40,000 is credited to the account of the consultant on 1st January, 2015 without deduction of tax at source as applicable under section 194 J of the Income-tax Act. Tax was not deducted up to 31st March, 2015. Tax was deducted on 1st April, 2015 and deposited on 20th May, 2015.
- (ii) A company was generating electricity privately for its factory. Later, at its expense, electric lines were laid from the trunk road to the factory. It paid ₹ 5 lakhs to the State Electricity Board as its contribution for this purpose. The ownership of the power line was to vest with the State Electricity Board.
- (c) Mrs. Susan furnishes the following details of her assets as on 31-03-2015 :

	₹ in lacs
Jewellery	19
Units in UTI Gold Mutual Fund	5
Industrial plot bought on 21-03-2013	9
Urban house plot	22
[On this, she had started construction of a residential house; the construction is around 60% complete]	
Amount spent for house construction in above plot	18
Office building	31
Compute her net wealth as on 31-03-2015, briefly explaining the treatment of each item.	6

6. (a) M/s. Techno Motors Ltd. engaged in the manufacturing of Motor Cars has paid Service Tax (including EC and SHEC) on following services received during the month of February 2015. Compute the Cenvat Credit available for the month of February 2015 with suitable notes wherever required in support of such computation. 5
- (i) Sales promotion services – ₹ 4,00,000
- (ii) Quality control services – ₹ 3,00,000
- (iii) Market research for the new car to be launched – ₹ 3,50,000
- (iv) Insurance of the cars manufactured – ₹ 60,000
- (v) Outdoor catering services provided to the employees – ₹ 50,000
- (b) M/s. ASP, a LLP provides following information for the Previous Year 2014-15. Compute taxable income, tax liability and carry forward of tax credit if any for the Asst. Year 2015-16. 10
- Net profit as per P&L A/c – ₹ 90.63 lakhs
- Depreciation as per P&L A/c – ₹ 6.20 lakhs
- Depreciation as per Income Tax Rules – ₹ 7.50 lakhs
- Inadmissible expenses – ₹ 1.64 lakh
- Deduction u/s 10AA (computed) – ₹ 82.70 lakhs
- Deduction under Chapter VIA – under section 80 GGC for ₹. 32,000 and under section 80IA is ₹ 60,200.

7. (a) M/s. CARE Energy Ltd. has imported a machinery from M/s BML Ltd, England at an invoice price of ₹ 20.00 lakhs. From the following information determine the Assessable Value for levy of Customs duty. 5

- (i) M/s CARE Energy Ltd had supplied raw material to M/s BML Ltd, England , which is used in the manufacturing of the machinery – ₹ 5.00 lakh.
- (ii) Due to safety reason, the machinery was not taken to jetty in the port but was unloaded at the outer anchorage. The charges incurred for such unloading is ₹ 25,000 and cost incurred on transportation of machinery from outer anchorage to the jetty is ₹ 50,000.
- (iii) The importer paid ship demurrage charges for ₹ 10,000.
- (iv) Cost of transportation is ₹ 45,000 and insurance charges ₹ 20,000 for import of the machinery.

(b) M/s. ABC Ltd. is engaged in the manufacturing of industrial equipments prepared its financial statements in compliance to the provisions of Companies Act. While computing the taxable income for the assessment year 2010-11, arrived with unabsorbed depreciation and missed to file the return of income by the due date as specified in the provisions of Income Tax Act. In the next assessment year 2012-13 the unabsorbed depreciation of the assessment year 2010-11 has been adjusted and return was filed within due date. The Assessing Officer denied to allow the carry forward of depreciation and adjustment as above. Is the Assessing Officer right in his approach? Explain with reference to provisions of Income Tax Act and decided cases. 5

(c) Following details pertaining to Mr. Vashist, a resident Indian aged 52, are furnished to you: 5

(a) Salary received from LMN Ltd.	720000
(b) Profession tax paid by employer	10000
(c) Loss from own business not covered by section 35AD	210000
(d) Long-term capital gain from sale of listed shares in recognised stock exchange	120000
(e) Long-term capital gains from sale of residential house plot	110000
(f) Winnings from T.V. games show (Net of TDS ₹ 33,000)	77000
Expenses incurred for participating in the show	5000
(g) Loss incurred from betting	52000
(h) Loss from agricultural lands in India	32000

Compute the total income of the assessee under proper heads of income for the assessment year 2015-16.

8. (a) Compute the total income from the following data relating to Mr. Abhinav, aged 59, a resident Indian, for the assessment year 2015-16: 6

	(₹.)
Income from let out property (Loss)	2,30,000
Salary received from ABC Ltd.	3,92,000
Income from capital gains:	
Short-term, from sale of house plot	3,10,000
Long-term from sale of listed shares in NSE	2,90,000
Income from fertiliser business carried on by minor son	3,20,000

Loss from gambling	35,000
Winnings from a TV Games show (Net of TDS ₹ 2,40,000)	5,60,000
Expenses incurred for attending this TV show	60,000
Life insurance premium paid for minor son	1,20,000
Additional information:	
Brought forward business loss for the assessment year 2013-14, carries on by the assessee in his name(Business was stopped on 31-3-2013)	1,40,000

- (b) Provide brief calculations/ answers for the following questions: 2×2=4
- (i) Mr. A, an individual purchased a car on 1-7-2013 for ₹ 6 lakhs. This is the only asset in the block. Apart from business use, it is estimated that 20% of the usage is for personal purposes. The car is sold on 30-3-2014 for ₹ 5 lakhs. No other asset was purchased in this block during the year ended 31-3-2015. Ascertain the short term capital gain/loss chargeable to tax. u/s 50 of the Income-tax Act, 1961.
- (ii) An assessee owns a piece of land of area 80,000 sq.ft. in the limits of a municipality, whose population as per last census was 92,000 and whose present population is 1,20,000. Is this land an asset under the wealth Tax Act?
- (c) SRK Limited has a carried forward MAT credit of ₹ 3 lakhs under section 115JAA(3) of the Income-tax Act from assessment year 2014-15. The company's total income and book profit under section 115JB in assessment year 2015-16 are ₹ 6 lacs and ₹ 7.50 lakhs respectively.

Compute the tax payable by the company for assessment year 2015-16 and the amount to be carried forward under section 115JAA.