

Shree Guru Kripa's Institute of Management

TAXATION

Reg. No.....

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Date: 21.03.2015

Time Allowed: 3Hrs

Maximum Marks: 100

Question 1 is compulsory. Answer any 5 from the remaining 6 (16 × 5 = 80 Marks)

1(a) From the following details, compute the Total Income of Akilesh for the Assessment Year 2015–2016 –
[10 Marks]

1. Akilesh is a Chartered Accountant and is employed with a Company as its Chief Accountant. He is paid a gross monthly salary of ₹ 33,000 (inclusive of a house rent allowance of ₹ 6,000). He contributes ₹ 3,000 p.m. to a RPF, to which his employer also contributes an equal sum.
2. With the permission of his employer, Akilesh teaches Accountancy at an Evening College for which he is paid a remuneration of ₹ 6,000 p.m. along with Conveyance Allowance of ₹ 1,200 p.m.
3. Akilesh lives in his own house, built by him in the year 2009 and occupied from 01.10.2009. The construction was financed by, among other things, loan taken by him from the Housing Development Finance Corporation Ltd. to which he pays an instalment of ₹ 4,500 p.m. towards principal. The interest on the loan for the previous year works to ₹ 14,400. The annual value of the property, as assessed by the municipality is ₹ 48,000 and the annual municipal taxes ₹ 12,000.
4. In September 2014, he purchased for ₹ 30 a ticket for a lottery conducted by the Government of Tamil Nadu and at the draw held in October 2014, this ticket won a prize money of ₹ 1,50,000. The Director of the State Lotteries deducted ₹ 45,000 from this sum towards income – tax and paid the balance to Akilesh.
5. Akilesh paid in the year, life insurance premia of ₹ 24,000 on policies of ₹ 2,50,000 taken on his life, ₹ 10,500 paid on a policy for ₹ 1,35,000 taken by him on his wife's life, ₹ 4,800 on an endowment policy for ₹ 60,000 taken on the life of his son who became a major on 16.05.2014.
6. He paid in the year ₹ 10,500 as premia to effect an assurance on the health of his wife, his dependent children and himself.
7. During the year, he made the following deposits:
 - (a) ₹ 24,000 as Fixed Deposits with a scheduled Bank.
 - (b) ₹ 10,800 in Savings Accounts in the joint names of his wife & himself with Post Office.
 - (c) ₹ 36,000 as deposits in an account with Post Office under National Savings Scheme.
 - (d) ₹ 9,000 to the credit of the PPF account with the State Bank of India.
8. In the year, he earned interest on the following accounts –
 - (a) ₹ 12,000 on Fixed Deposits with a scheduled Bank.
 - (b) ₹ 12,000 in Saving Accounts in the joint names of his wife & himself with Post Office.
 - (c) ₹ 9,600 in PPF account with the State Bank of India.

He had subscribed to the Equity Shares of X Co pvt Ltd (Unlisted Company) on 20.05.2013 ₹ 15,000 & sold these shares on 31.07.2014 for ₹ 36,000. [CII for PY 2007–2008 is 551; CII for PY – 2013–2014 is 939; CII for PY – 2014–2015 is 1024]



- 1(b) P Ltd manufactures two products namely “A” and “B”. A is a specified product u/s 4A of the Central Excise Act, 1944. The Sale Prices of both the products are ₹ 50 per unit and ₹ 30 per unit respectively. The sale prices of both the products included 12% Basic Excise Duty Plus 2% Education Cess and 1% Secondary and Higher Education Cess. Central Sales Tax at 3% is also included in both the Selling Prices. 1,00,000 Units each of the two products were removed from the Factory for sale. **[5 Marks]**

Calculate the Excise Duty liability of P Ltd on the products assuming 40% abatement u/s 4A on Product A.

- 1(c) Compute Total Customs Duty along with EC and SHEC payable form the following data: **[5 Marks]**
- (i) Transaction Value u/s 14(1) = ₹ 1,00,000
 - (ii) Basic Customs Duty is ₹10%
 - (iii) Additional Customs Duty u/s 3(1) is 12%
 - (iv) Additional Customs Duty u/s 3(5) is 4%

- 2(a) Mr. X, Finance Manager of K Ltd. Mumbai, furnishes the following particulars for the Previous Year 2014–2015 – **[8 Marks]**

- (a) Salary (per month) ₹ 46,000
- (b) Value of Medical Facility in a Hospital maintained by the Company ₹ 7,000
- (c) Rent Free Accommodation owned by the Company
- (d) Housing Loan of ₹ 6,00,000 @ Interest Rate of 5.20% p.a. (no repayment made during the year, to be repaid within 10 yrs)
- (e) Gifts made by the Company on the occasion of wedding anniversary of X ₹ 4,750
- (f) A wooden table and 4 Chairs were provided to X at his residence (Dining Table). This was purchased on 01.05.2011 for ₹ 60,000 and sold to X on 01.08.2014 for ₹ 30,000
- (g) Personal purchases through Credit Card provided by the Company amounting to ₹ 10,000 was paid by the Company. No part of the amount was recovered from X.
- (h) An Ambassador Car which was purchased by the Company on 16.07.2012 for ₹ 2,50,000 was sold to the Assessee on 14.07.2014 for ₹ 80,000
- (i) Other Income received by the Assessee during the Previous Year 2014–2015 are ₹
 - Interest on Fixed Deposits with a Company 5,000
 - Income from Specified Mutual Fund 3,000
 - Interest on Bank Deposits of a minor married daughter 3,000
 - Income from UTI received by his handicapped minor son 1,200
- (j) Contribution to LIC towards Premium u/s 80CCC 10,000
- (k) Deposit in PPF Account made during the year 2014–2015 75,000
- (l) Bonds of ICICI (Tax Savings) eligible for tax deduction 25,000

Compute Total Income of Mr. X for the Assessment Year 2015–2016.

- 2(b) Farm Heroes is engaged in providing services for the last five years. The value of Taxable Services provided by Farm Heroes during the preceding Financial Year was ₹ 45 Lakhs. It has received the following sums (exclusive of Service Tax) in the month of January 2015. Calculate the Value of Taxable Services and Tax Payable thereon for the month of January 2015. **[5 Marks]**



1. Supply of Farm Labour	₹ 55,000
2. Testing of Soil of Farm Land	₹ 1,65,000
3. Value of Services provided free	₹ 50,500
4. Processing of Raw Material to make it fit for production and this process is not liable to Excise Duty	₹ 6,35,000
5. Advance Received for Services (as mentioned in (4) above) to be provided in May 2015.	₹ 2,13,000

2(c) Explain Sale/Purchase in the course of Export. **[3 Marks]**

3(a) M/s Arora Ltd, submits the following details of Expenditure pertaining to the Financial Year 2014–2015:

- Payment of professional fees to Mr. Mani ₹ 50,000. Tax was not deducted at source.
- Interior works done by Mr. Hari for ₹ 2,00,000 on a contract basis. Payment made in the month of March 2015. Tax deducted in March 2014 was paid on 30.06.2015
- Factory Rent paid to Mr. Rao ₹ 15,00,000. Tax deducted at source and paid on 01.10.2015.
- Interest paid on Fixed Deposits ₹ 2,00,000. Tax deducted on 31.12.2014 and paid on 28.09.2015.
- Payment of Audit fee during the PY 2013–2014 ₹ 1,00,000 without deducting tax and disallowed. Tax was deducted and remitted on 05.06.2014.

Examine the above with reference to allowability of the same in the assessment year 2015–16 under the Income–Tax Act, 1961. Your answer must be with reference to section 40(a) read with relevant Tax Deduction at Source provisions. **[4 Marks]**

3(b) Mr. A furnishes you the following information for the year ended 31.03.2015 – **[4 Marks]**

- Income from plying of vehicles (as per books) (He owned 7 Vehicles throughout the year) ₹ 6,94,400
- Income from Retail Trade of Garments (computed as per books) (Sales Turnover ₹ 21,70,000) ₹ 75,000
- He has brought forward depreciation relating to Assessment Year 2013–2014 ₹ 1,00,000
- On 06.01.2015, he deposited ₹ 1,50,000 into his PPF A/c and purchased NSC for ₹ 1,00,000.

Compute Total Income of Mr. A for AY 2015–2016.

3(c) Mr. Happy, a Service Provider, has provided services of ₹ 1,00,00,000. Out of this, ₹ 70,00,000 are taxable output services and ₹ 30,00,000 are exempt output services. Mr. Happy has opted not to maintain separate inventory and accounts and pay prescribed amount on value of exempt Output Services. **[4 Marks]**

Service Tax paid on his Input Services, excluding EC & SHEC is ₹ 6,00,000. ST Rate is 12%. Calculate the Total Amount Payable including Service Tax, EC and SHEC by Mr. Happy by GAR–7 challan.

3(d) Mayank, a Dealer, furnished the following details for the month of January: **[4 Marks]**

Inputs purchased within the State	₹ 1,00,000
Finished Goods sold within the State	₹ 2,00,000
Goods sold in the course of inter–State trade	₹ 1,00,000
Capital Goods procured during the month	₹ 1,00,000
VAT paid on Capital Goods	12.5%



Input VAT Rate	12.5%
Output VAT Rate	4%
Central Sales Tax Rate	2%

Compute the Total Tax Liability under the State VAT Law.

Note: The Capital Goods are not goods included in the Negative List. Input Tax Credit on Capital Goods is available in full in the year of purchase.

4(a) Following data is given by an Assessee for the preparation of his Income Tax Return for AY 2015–2016 – ₹

(a) Loss under the head 'Business'	1,00,000
(b) Capital Gains on sale of House Property – Long Term	2,00,000
(c) Capital Loss on Sale of Shares – Short Term	50,000
(d) Loss in respect of Property used for the purpose of residence	10,000
(e) Loss in respect of Property let out	25,000
(f) Share of Loss from Firm brought forward from A.Y. 2009–2010	60,000

Compute the Net Income / Loss, and Determine the loss, if any to be carried forward giving the reasons for the same. **[5 Marks]**

4(b) Explain the taxability of receipt of Arrears of Rent. **[3 Marks]**

4(c) X Ltd is the owner of a coal–mine. It obtained a patent from the concerned Competent Authorities in relation of foregoing coal–mine in February, 2012. Further, the company has entered into an agreement with A Ltd in April, 2012 for allowing the latter party to extract coals for the next three years. The consideration payable by A Ltd. For using the coal–mine has been fixed @ ` 1000 per tonne. The quantum of coal extracted by A Ltd and other relevant details are given in the following table:**[4 Marks]**

Relevant Year	Relevant Output (In Tonnes)	Consideration for using the mine @ ₹1000/- per tonne	Date of Issuance of Invoice	Date of Receipt of Payment
2012–2013	2,000	20,00,000	05.07.2013	26.08.2013
2013–2014	3,000	30,00,000	13.04.2014	03.04.2014
2014–2015	4,000	40,00,000	11.04.2015	20.07.2015

4(d) BOIL Ltd sells its products A, B and C through Unrelated Wholesalers. The Wholesale Price is ₹ 1,05,600 (inclusive of Excise Duty). Cash Discount of ₹ 1,600 is allowed if the payment is made within 14 days, and if the payment is made after 30 days interest is charged at 18% per annum. Charges for Returnable Packing is ₹ 1,762 and Special Packing ₹ 3,000. The Manufacturer has paid Turnover Tax ₹ 1,310 which is not recoverable from the Buyer. What is the Assessable Value and what is the Excise Duty payable, if the product is liable for Excise Duty at 12% plus applicable Cess? **[4 Marks]**

5(a) A house was purchased on 01.05.2001 for ₹ 2 Lakhs and was used as a Residence by the Owner. The Owner had contracted to sell this property in June 2014 for ₹ 8 Lakhs, and he had received an advance of ₹ 50,000 towards sale. The intending Purchaser did not proceed with the transaction and the advance was forfeited by the Owner. The property was sold in July 2014 to another Buyer for ₹ 10,00,000. The Owner, from out of sale proceeds, invested ₹ 3 Lakhs in New Residence in Dec.2014. Compute the Net Taxable Capital Gains, and Other Income if any. **[6 Marks]**



- 5(b) Define Short term Capital Asset u/s 2(42A) of Income tax Act, 1961 **[2 Marks]**
- 5(c) (i) Mr. Suresh Karthik, a Service Provider, received an Advance of ₹ 3 Lakhs from Mr. Dinesh Raina on 12-04-2014. Even when the Advance was received, there was some doubt as to whether any service will be rendered. No services were rendered to Mr. Dinesh Raina, and ultimately on 12-03-2015, Mr. Suresh Karthik refunded the amount to him. Mr. Suresh Karthik wants to know whether – **[2 Marks]**
- (i) Any Service Tax is payable when the advance was received, and
- (ii) He can make self-adjustment of Service Tax while remitting Service Tax due for the quarter ended 31-03-2014.
- 5(c) (ii) State with reasons, whether the following Statements are True or False. **[3 Marks]**
- (1) Mr. Vikas, an Individual, has not provided any Service in the half year period of April to September. He need not file any Return for this period.
- (2) Mr. Sumeet has filed his Service Tax Return belatedly. He wants to revise the same. He can file a Revised Return.
- 5(d) Explain the conditions to be fulfilled for availing credit on Capital Goods. **[3 Marks]**
- 6(a) Check the taxability of the following gifts received by Mrs. Rashmi during the Previous Year 2014-2015 and compute the Taxable Income from gifts for Assessment Year 2015-2016: **[5 Marks]**
- (a) On the occasion of her marriage on 14.08.2014, she has received ₹ 90,000 as gift out of which ₹ 70,000 are from relatives and balance from friends.
- (b) On 12.09.2014, she has received gift of ₹ 18,000 from cousin of her mother.
- (c) A Cell Phone of ₹ 21,000 is gifted by her Employer on 15.10.2014.
- (d) She gets gift of ₹ 25,000 from elder brother of her husband's grandfather on 25.10.2014.
- (e) She has received gift from her friend of ₹ 2,000 on 14.04.2014.
- 6(b) Mr. Chaturvedi, having Gross Total Income of ₹ 6,35,000 for the Previous Year 2014-2015 furnishes the following data: **[3 Marks]**
- (a) Deposited ₹ 5,00,000 in Tax Saver Deposit in the name of major son in a Nationalized Bank.
- (b) Paid ₹ 25,000 towards Premium on Life Insurance Policy of his married daughter.
- (c) Contributed ₹ 10,000 to Prime Minister National Relief Fund.
- (d) Donated ₹ 20,000 to a Government Recognized Institution for Scientific Research.
- Assume that the Gross Total Income of Mr. Chaturvedi does not include any Income under the head "Profits and Gain of Business or Profession". Compute the Total Income of Mr. Chaturvedi for the Assessment Year 2015-2016.
- 6(c) What do you mean by Bundled Service? Explain by giving an example. **[4 Marks]**



- 6(d) Mr. X reported Sales Turnover of ₹ 36,20,000. This includes the following – **[4 Marks]**
- (a) Excise Duty ₹ 3,00,000, and
 - (b) Deposit for Returnable Containers and Packages ₹ 5,00,000.

Sales Tax was not included separately in the Sales Invoice. Compute Tax Liability under the CST Act, assuming the rate of tax at 4%.

- 7(a) Discuss the meaning of a Revised Return. Can a Return filed belatedly be revised? **[3 Marks]**
- 7(b) Discuss the tax deduction provision u/s 194DA of the Income Tax Act, 1961. **[3 Marks]**
- 7(c) Discuss the meaning and taxability of Anonymous donations received by a charitable trust. **[2 Marks]**
- 7(d) Can a Multiple Service Provider use a single challan for payment of Service Tax for various services rendered by it? **[3 Marks]**
- 7(e) List the purchases which are not eligible for Input Tax Credit under VAT Legislation. **[5 Marks]**