

Roll No.

Total No. of Questions – 7

Total No. of Printed Pages – 12

Time Allowed – 3 Hours

Maximum Marks – 100

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Answers to questions are to be given only in English, except in the case of candidates who have opted for Hindi Medium. If a candidate has not opted for Hindi Medium, his/her answers in Hindi will not be valued.

Questions No. 1 is compulsory.

Answer any five questions from the remaining six questions.

In case, any candidate answers extra question(s)/sub-question(s) over and above the required number, then only the requisite number of questions first answered in the answer book shall be valued and subsequent extra questions answered shall be ignored.

Wherever necessary, suitable assumption may be made and stated clearly by way of a

Note, in the answer.

Working Notes should form part of the answer.

All questions in income-tax pertain to the assessment year 2016-17, unless stated otherwise in the questions.

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(a) Mr. Vinod Kumar, resident, aged 62, furnishes the following information pertaining to the year ended 31-3-2016 : 10

	(₹)
(i) Pension receives (Net of TDS)	6,27,000
(ii) Short-term capital gains (from sale of listed shares)	65,000
(iii) Long-term capital gains (from sale of listed shares)	1,24,000
(iv) Interest on fixed deposit from bank	1,60,000
(y) Pertaining to consultancy services provided by him :	
Gross receipts	12,60,000
Expenses :	
Rent for premises	1,44,000
Salary of P.A.	1,20,000
Stenographer's salary	1,00,000
Business Development expenditure	91,000
Conveyance	3,00,000
(vi) Contribution to PPF	1,10,000
(vii) Premium on life insurance policy taken on 10-1-2016 (sum assured ₹ 5,00,000)	60,000
(viii) Mediclaim Insurance Premium for self (paid otherwise than by cash)	27,000
Preventive health checkup expenses (in cash)	6,000
(ix) Donation given in cash to a charitable trust registered under Section 12AA (eligible for deduction u/s 80G) of the Income-Tax Act, 1961	14,000
(x) Interest received from Post Office Savings A/c.	18,000
Additional information :	
TDS from pension	25,000
1/4 th of conveyance expenses is estimated for personal use.	

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Compute the total income of the assessee for the assessment year 2016-17, under proper heads of income. Listed share were sold in recognized stock exchange.

~~(b)~~ Dharmendra Ltd. gives the following particulars relating to the services provided by it to its various clients for the month of January, 2016 : 6

(i) Total bills raised for ₹ 17,50,000, out of which bill for ₹ 1,50,000 was raised on a SEZ unit for services rendered in the said unit and payment for bills for ₹ 2,00,000 were not received until 31-01-2016. Service tax is separately charged on the bills raised, wherever applicable.

(ii) Amount of ₹ 1,14,500 (including service tax) was received as an advance from Ramotar Ltd. on 25-01-2016 to whom the services were provided in March, 2016.

Compute :

(i) Value of taxable services.

(ii) Amount of service tax payable.

(iii) Last date for service tax payment.

Assume that service tax is separately charged in the bills as well as for advance payment, wherever applicable. Assessee is not a small service provider.

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- (c) Compute net VAT liability of Rohan from the following information 4
for the month of February, 2016 :

Particulars	₹	₹
Raw material from foreign market (including duty paid on imports @ 20%)		1,50,000
Raw material purchased from local market :		
Cost of raw material	3,00,000	
Add: Excise duty @ 12.5%	37,500	
	3,37,500	
Add: VAT@4%	13,500	3,51,000
Raw Material purchased from neighbouring state (Including CST @ 2%)		51,000
Storage and Transportation costs		11,000
Manufacturing expenses		25,000

Rohan sold goods to Arya and earned profit @ 12% on the cost of production. VAT rate on sale of such goods is 4%.

There were no opening and closing stocks.

- (a) (i) How is the residential status of a company determined for the purposes of Income-tax Act, 1961, for the assessment year 2016-17? 4
- (ii) How is the term "Assessee" defined under the provisions of the Income-tax Act, 1961? 4

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- (b) Mandi & Co. is providing taxable information technology software services. The firm furnishes the following information relating to the services rendered, bills raised, amount received pertaining to the services, for the quarter ending 31-03-2016 as under :

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Particulars	Amount ₹
Amount received being 10% of the assignment fees on 31-03-2016 for the upgradation and enhancement of the software services (including service tax)	7,00,000
Services provided to UNICEF, an international organization in Delhi, for design and programming of IT services.	4,00,000
Services provided to A Ltd. for IT services. Service Tax was not received from the client due to some dispute.	3,00,000
Services provided to B Ltd. for providing software services. However, Mandi & Co. failed to recover the service tax amount from B Ltd. due to insolvency of client. Summary of the bills (all issued in January, 2016) is as under :	
Charges for Software service	5,00,000
Services tax @ 14.50%	<u>72,500</u>
	5,72,500
Amount received from other clients during January to March, 2016 including service tax	70,00,000

Compute the value of total taxable services and service tax payable thereon for the quarter ending 31-03-2016 by Mandi & Co.

The assessee had rendered taxable services of ₹ 110 lacs during the year ended 31-3-2015.

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(c) Madhav Enterprises imported some goods from USA. The assessable value of the imported goods is ₹ 20,00,000. Compute the custom duty payable from the following additional information :

Date of Bill of entry 30-09-2015 (Rate of BCD is 10%)

Date of entry inward 25-09-2015 (Rate of BCD is 8%)

C.V.D. is payable @ 12.5%

Special C.V.D. @ 4%

3. (a) (i) State the conditions to be fulfilled by a political party for enjoying exemption in relation to certain incomes, under the Income-tax Act, 1961. 4

(ii) Mr. Suresh has set up an undertaking in SEZ (Unit A) and another undertaking in DTA (Unit B) in the financial year 2010-11. In the previous year 2015-16, total turnover of the unit A is ₹ 180 lacs and total turnover of Unit B is ₹ 120 lacs. Export turnover of Unit A for the year is ₹ 150 lacs and the profit for the unit A is ₹ 60 lacs. 4

Calculate the deduction available, if any, to Mr. Suresh under Section 10AA of the Income-tax Act, 1961, for the Assessment year 2016-17, if the manufacturing started in Unit A in the financial year 2010-11.

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- (b) Yahoo Pvt. Ltd. a manufacturer furnishes the following information : 4

Bill No.	Particulars	Date of Bill	Excise duty / Service Tax Paid (₹)
801	Input Goods "A"	15-01-2015	15,000
802	Input Goods "B"	16-05-2015	24,000
810	Input Goods "C"	12-03-2016	30,000
757	Machinery, (eligible capital goods under Chapter 82)	11-03-2015	2,00,000

All the input goods and the machinery were received on the dates of Bills. Bill No. 810 is missing.

Yahoo Pvt. Ltd. is not a SSI unit. Determine the CENVAT credit that can be availed by Yahoo Pvt. Ltd. during the month of March, 2016.

- (c) Determine the transaction value and the Central Excise Duty payable of M/s. Rajiv Enterprises from the following particulars : 4

	Particulars	₹
1.	Price of machinery, excluding taxes and duties	6,00,000
2.	Installation and erection expenses (Machinery has been fixed to the earth)	35,000
3.	Packing charges (Primary and secondary)	12,000
4.	Design and engineering charges	4,500

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Additional information :

- Cash discount @ 2% on price of machinery (not considered in 1 above) was allowed as per terms of contract, since full payment was received within 15 days of the dispatch of machinery.
- Bought out accessories valued at ₹ 7,000. The accessories are optional and provide ease of use of the machinery.
- Central Excise Duty @ 12.5%.

Brief note is to be appended for treatment of each item.

4. (a)

Discuss the taxability or otherwise in the hands of the recipients, as per the provisions of the Income-tax Act, 1961 :

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- (i) ABC Private Limited, a closely held company, issued 10,000 share at ₹ 130 per share. (The face value of the share is ₹ 100 per share and the fair market value of the share is ₹ 120 per share).
- (ii) Mr. A received an advance of ₹ 50,000 on 1-09-2015 against the sale of his house. However, due to non-payment of instalment in time, the contract has cancelled and the amount of ₹ 50,000 was forfeited.
- (iii) Mr. N, a member of his father's HUF, transferred a house property to the HUF without consideration. The value of the house is ₹ 10 lacs as per the Registrar of stamp duty.
- (iv) Mr. Kumar gifted a car to his sister's son (Sunil) for achieving good marks in CA Final exam. The fair market value of the car is ₹ 5,00,000.

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(b) When can an assessee avail the benefit of Small Service Provider (SSP) exemption for the purposes of service tax ? Name two situations in which such SSP exemption is not available. 4

(c) State with reason, whether the following transactions are true or false, as per the provisions of the Central Sales Tax Act, 1956 : 4

(i) CST is not leviable on inter-State sale of electrical energy.

(ii) Cost of freight, though not separately shown in the invoice, will not form part of sale price.

(a) Venus Ltd., engaged in manufacture of pesticides, furnishes the following particulars relating to its manufacturing unit at Chennai (for the year ending 31-3-2016) : 8

	(₹ in lacs)
Opening WDV of Plant and Machinery	20
New machinery purchased on 1-9-2015	10
New car purchased on 1-12-2015	8
Computer purchased on 3-1-2016	4

Additional information :

- All assets were put to use immediately.
- Computer has been installed in the office.
- During the year ended 31-3-2015, a new machinery had been purchased on 31-10-2014, for ₹ 10 lacs. Additional depreciation, besides normal depreciation, had been claimed thereon.

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- Depreciation rate for machinery may be taken as 15%.

Compute the depreciation available to the assessee as per the provisions of the Income-tax Act, 1961 and the WDV of different blocks of assets as on 31-3-2016.

(b) Briefly explain the concessional/composition rates of service tax applicable to Air travel agents. 4

(c) Discuss whether the following services are chargeable to service tax or not; in March, 2016 : 4

(i) An Indian tour operator provided the service to Mr. Yuhan, a Japanese national, for a tour in Sri Lanka.

(ii) Mr. Amit, an organizer, provided services to Mr. Kumar in respect of a business exhibition held in Patna.

(iii) Mr. Chandra Bhusan provided the services by conducting religious rites at the birth ceremony of a child.

(iv) Sunita provided consultancy services to Government directly connected with solid waste management.

(d) Mr. Aditya furnishes the following details for the year ended 31-03-2016 : 8

Particulars	Amount (₹)
Loss from speculative business A	25,000
Income from speculative business B	5,000
Loss from specified business covered under Section 35AD	20,000
Income from Salary	2,50,000
Loss from House Property	1,50,000
Income from trading business	45,000
Long-term Capital Gain from sale of urban land	2,00,000
Long-term Capital Loss on sale of shares (STT not paid)	75,000
Long-term Capital Loss on sale of listed shares in recognized stock exchange (STT Paid) e/f	82,000

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Following are the brought forward losses :

- (1) Losses from owning and maintaining of race horses pertaining to A.Y. 2015-16 ₹ 2,000.
- (2) Brought forward loss from trading business ₹ 5,000 relating to A.Y. 2012-13.

Compute the total income of Mr. Aditya and show the items eligible for carry forward.

(b) Briefly touch upon the provisions relating to interest payable for delayed payment of service tax. 4

(c) What are the due dates for filing of service tax returns ? Is there any late fee payable for any delay in filing of service tax returns ? 4

(a) Answer any two of the following three sub-divisions (i), (ii) & (iii) :

(i) Ashwin a resident Individual carrying on business, furnishes you the following information :

Turnover during financial year	₹
2014 - 15	1,20,00,000
2015 - 16	98,00,000

State whether tax deduction at source provisions are attracted for the under-mentioned expenses incurred during the financial year 2015-16 :

Particulars	₹
Commission paid to Babloo	8,500
Payment to Vijay for repair of office building	23,000
Payment of fees for technical services, to Vivek	35,000

All payments are made to residents. 4

If tax has to be deducted at source, state the amount of tax to be deducted at source.

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(ii) Briefly discuss the provisions of Section 234B of the Income-tax Act, 1961 for short-payment or non-payment of advance tax. 4

(iii) Discuss with reason, whether the following statements are true or false, as per the provisions of the Income-tax Act, 1961 : 4

(A) Any amount received by an individual or his legal heir as compensation for natural disaster from the Government, is taxable.

(B) Dividend received (on which no Dividend Distribution Tax has been paid) by a dealer in shares or one engaged in buying/selling of shares, is chargeable under the head "Income from other sources". (*Discussion must be on the head of income*).

(b) How is the value of taxable service, whose value is not ascertainable, determined ? 4

(c) A manufacturer wishing to avail CENVAT credit in respect of certain eligible inputs, wants to store them outside the factory where he carries on manufacture. Briefly state the relevant provisions concerned for storage of inputs outside the factory. 4

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