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**P.G. Diploma in Taxation EXAMINATION, 2017
DIRECT TAXES—STRUCTURE AND PROCEDURE**

Paper III

Time : Three Hours

Maximum Marks : 100

N.B. :— (i) *All questions are compulsory.*

(ii) *All questions carry equal marks.*

1. Define the term 'Business and Profession' and explain the deductions 'expressly allowed' and 'deductions expressly disallowed' from the 'Profits and Gains' from Business and Profession.

Or

Explain in detail 'Clubbing of Income' Set off and Carry forward of losses.

2. Write short notes on (any *four*) :

(i) Deductions u/sec-16 (Salary Income)

(ii) Deductions u/sec-24 (House Property)

(iii) Short-term and long-term Assets

(iv) Income tax rebates and reliefs

(v) Annual value

(vi) Taxable allowances.

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3. Mr. Arvind is a manager working in Reliance Company, Mumbai. He has submitted the following information of salary for financial year, 2016-17. Compute his taxable income from salary for the A/year, 2017-18 and income tax thereon :

- Basic Pay Rs. 60,000 p.m.
- D.A. 45% of basic salary (Not admissible for retirement benefits)
- Medical allowance Rs. 7,000 p.a.
- Helper allowance Rs. 5,000 p.m.
- Entertainment allowance Rs. 1,000 p.m.
- Employer and his own contribution to the recognised provident fund is 13% of basic salary.
- Interest credited to RPF at 12% was Rs. 60,000
- Commission received Rs. 30,000
- He has been given a gift in cash of Rs. 10,000 on his birthday by the employer.
- House rent allowance Rs. 5,000 p.m. He paid Rs. 7,000 p.m. rent for his residence.
- Hostel allowance Rs. 400 p.m. Mr. Arvind has one son studying in college.
- He has provided with a car 20 Hp by his employer for both official and private purpose. The running and maintenance expenses including driver's salary paid by employer.
- He has been provided gardener and cook. The salary paid to them Rs. 7,000 p.m. and Rs. 6,000 p.m. respectively. He paid professional tax Rs. 2,500 p.a.

4. Mr. Vijay owns three houses. Particulars of which are as under :

(Rs.)

| Particulars | House-I | House-II | House-III |
|-----------------------------------------------------------|----------------|-----------------|------------------|
| | Let out | Let out | Let out |
| Municipal valuation | 3,60,000 | 4,80,000 | 6,00,000 |
| Fair rent | 3,70,000 | 4,70,000 | 6,20,000 |
| Standard rent | 3,80,000 | 4,65,000 | 6,30,000 |
| Annual rent (If the property let out throughout the year) | 3,78,000 | 4,50,000 | 6,25,000 |
| Unrealised rent (Of f/y 2016-17) | 15,700 | | |
| Period of vacancy | One month | — | — |
| Municipal taxes | 10% of M.V. | 10% of M.V. | 10% of M.V. |
| Date of Construction completed | 10-4-2003 | 10-10-2002 | 10-5-2002 |
| Date of loan taken for construction | 16-11-1999 | 15-7-1998 | 2-11-1999 |
| Interest paid on loan | 1,70,000 | 1,53,000 | 1,55,000 |

Find out the income from house property for the A.Y. 2017-18 and income tax thereon.

Or

An Assessee purchased a residential flat on 1st June, 2014 for Rs. 15,00,000. The said flat was sold by him on 10th March, 2017 for Rs. 25,00,000. On 15th March, 2017 the assessee has invested entire amount of Rs. 25,00,000 in the Capital Gain Tax Savings Bonds of 'Rural Electrification Corporation Ltd.'. You are required to :

- (i) Compute the amount of Capital Gains.
- (ii) State and explain whether it is short-term or long-term capital gain.
- (iii) Calculate the amount of taxable capital gains for the assessee for A/year 2017-18 after considering the investment in Bonds. Explain your answer with reasons and provisions of the Income Tax Act, 1961.

5. From the following particulars, compute the business income of Mr. Shardul for A/year 2017-18 and income tax thereon :

Profit & Loss A/c for the year ended 31-3-2017

| Particulars | Rs. | Particulars | Rs. |
|----------------------|------------|------------------------|------------|
| To Salaries | 1,10,000 | By Gross Profit | 4,00,000 |
| To Rent & Taxes | 30,000 | By Dividend | 5,000 |
| To Repairing Charges | 5,000 | By Bad debts recovered | |
| To Legal Charges | 4,000 | (allowed earlier) | 6,000 |

| | | | |
|---------------------------------------------|-----------------|----------------------------------------------|-----------------|
| To Reserve for Income Tax | 5,000 | By Interest from (Postoffice – Savings Bank) | 5,000 |
| To Depreciation | 11,000 | | |
| To Expenses of Acquisition of patent rights | 42,000 | | |
| To Office Expenses | 22,000 | | |
| To Contribution of RPF | 10,000 | | |
| To Bad debts | 6,000 | | |
| To Donations (to NDF) | 5,000 | | |
| To Banking Cash transaction tax | 10,000 | | |
| To Net Profit | 1,56,000 | | |
| | <u>4,16,000</u> | | <u>4,16,000</u> |

Additional Information :

- (i) Legal expenses include Rs. 500 incurred by Mr. Shardul for defending a case for damage for breach of contract which was decided in favour of Mr. Shardul.
- (ii) Depreciation of the year on assets as per income tax rules is Rs. 25,000.
- (iii) Contribution by the employer to RPF due on 31-3-2017 Rs. 4,000 was deposited on 25-6-2017.
- (iv) Depreciation of patents allowed as per income tax rules at 25%.

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P.G. Diploma in Taxation EXAMINATION, 2017
INDIRECT TAXES — STRUCTURE AND PROCEDURE
(Central Excise and Service)
Paper IV

Time : 3 Hours

Maximum Marks : 100

N.B. :— (i) Q. No. 6 and Q. No. 7 are compulsory.

(ii) Attempt any *three* questions from Q. 1 to Q. 5.

(iii) Figures to the right indicate full marks.

1. Explain the provisions regarding the payment of duty of excise under Central Excise Rules, 2002. [20]
2. Explain the provisions of the Finance Act, 1994 relating to registration with reference to service tax. [20]
3. (a) Explain the term 'sale' under the Central Sales Tax Act, 1956. State the main elements of sales. [10]
(b) State the transaction that are not taxable under Central Sales Tax Act, 1956. [10]
4. Explain the term 'set-off' under the VAT scheme, illustrate the procedure of computation of set off. [20]

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5. Write short notes on : [20]

- (a) Excise Control Code (ECC).
- (b) Stock Broker's Services — scope with specific exemptions.
- (c) Sales during import and export under the CST Act.
- (d) Merits of VAT scheme.

6. (a) R Ltd. a manufacturer, has agreed to supply a machine on the following terms and conditions : [20]

₹

- (i) Price of machine (Exclusive of taxes and duties) 8,00,000
- (ii) Packing for transportation of machine 40,000
- (iii) Design and drawing relating to manufacture of machine (exclusive of taxes and duties) 1,00,000
- (iv) Central Sales Tax — 2%
- (v) Central Excise Duty — 12.5%
- (vi) Cash discount of ₹ 5,000 will be offered if full payment is received before dispatch of goods.

The buyer made all payment before delivery of machine.
Determine the assessable value and Excise Duty payable.

Or

(b) R. Ltd. provides the following services relating to information technology software. Compute the value of taxable service and service tax payable thereon if all charges are exclusive of service tax :

- (1) Development and design of information technology software — ₹ 11 lakhs.

- (2) On-site development of software — ₹ 6 lakhs.
 - (3) Sale of pre-packaged software which is put on media — ₹ 32 lakhs.
 - (4) Advice and consultancy on matters relating to information technology software — ₹ 7 lakhs.
 - (5) License to use software was given to different clients — ₹ 11 lakhs.
 - (6) On the basis of specification of S Ltd. a software was developed and delivered to it on media i.e. CD — ₹ 5 lakhs.
 - (7) Up-gradation on information technology software — ₹ 8 lakhs.
 - (8) Programming of software — ₹ 3.5 lakhs.
 - (9) Enhancement and implementation of information technology software — ₹ 5 lakhs.
 - (10) Sale of computers with in low — ₹ 95 lakhs.
- Assume service tax rate as 14% + 0.5% SBC.

7. (a) Total inter-state sale for financial year 2015-16 of R Ltd. is ₹ 70,90,000 which consists of the following :
- | | |
|-------------------------------------------------------|-----------|
| | 20 |
| | ₹ |
| 2% CST sales (State VAT rate is 12%) | 60,80,000 |
| 1% CST sales of declared goods (Local rate of tax 1%) | 30,10,000 |
- Out of the goods sold for ₹ 1,02,000 on 15-7-2015 which were liable to CST @ 2%, goods worth ₹ 40,800 were returned on 11-12-2015 and goods worth ₹ 10,200 were returned on

1-2-2016. A buyer to whom goods worth ₹ 50,500 carrying 1% C.S.T. was dispatched on 15-4-2015 rejected the goods and the same was received back on 16-11-2015.

Compute the taxable turnover and tax liability of R Ltd., if the relevant C forms have been received.

Or

- (b) R Ltd. furnishes you the following information of purchases and sales effected for the financial year ending 31-3-2015 :

| | ₹ |
|-------------------------------------------------------------------------------------------------------------------------|-----------|
| Purchase of raw materials with state 400 units (inclusive of VAT Levy at 12.5%) | 11,00,000 |
| Inter-state purchases of raw materials, inclusive of CST at 2% | 5,06,000 |
| Import of packing material, inclusive of customs duty of ₹ 11,000 | 3,80,000 |
| Capital goods purchased on 1-4-2014 inclusive of VAT @ 12.5% (input credit to be spread over 36 months) | 8,75,000 |
| Sales of taxable goods within state, inclusive of VAT levy at 4% | 39,44,000 |
| Sales of goods within state, exempt from levy (goods were manufactured from the Inter-state purchased of raw materials) | 3,60,000 |

Compute the VAT liability of the dealer for the year ending 31-3-2015.

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P.G. Diploma in Taxation EXAMINATION, 2017

AUDITING AND TAX AUDIT

Paper V

Time : Three Hours

Maximum Marks : 100

N.B. :— (i) Question No. 1 is compulsory.

(ii) Solve any *four* questions from Q. Nos. 2 to 7.

(iii) *All* questions carry equal marks.

1. What is Audit Programme ? State the advantages and disadvantages of Audit Programme. [20]
2. What are the qualifications, disqualifications for appointment of a Company Auditor ? [20]
3. Explain the meaning, scope and role of Auditors under the Income Tax Act. [20]
4. What is Audit ? Define Auditing. Explain types of Errors and Frauds. [20]
5. (A) Give specimen of Audit Report From 3CC. [10]
(B) What is selective Tax Audit under Section 142(2A) of Income Tax Act ? [10]

P.T.O.

- 6.** (A) Elucidate control in an EDP Environment. [10]
(B) Explain use of Computer Assisted Audit Techniques. [10]
- 7.** Write short notes on : [20]
(a) Verification of Assets
(b) Clean Audit Report
(c) Audit Certificate
(d) Audit Note Book.