Roll No. …….

Total No. of Questions - 7 Total No. of Printed Pages - 35

Time Allowed – 3 Hours Maximum Marks – 100

SUGGESTED ANSWER

MKG

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 who has not opted for Hindi medium, answers in Hindi, his answers in Hindi will not be valued.

Question No.1 is compulsory

Attempt any **five** questions from the remaining **six** questions.

Wherever required, suitable assumptions may be made by the candidate.

Working notes should form part of the answer.

THIS BOOKLET CONTAINS QUESTIONS COMPRISING OF THE FOLLOWING CHAPTERS.

- COMPUTATION OF TOTAL INCOME AND TAX LIABILITY
- TAXABILITY OF GIFT
- ADVANCE PAYMENT OF INCOME TAX
- RESIDENTIAL STATUS AND SCOPE OF TOTAL INCOME
- INCOME UNDER THE HEAD HOUSE PROPERTY
- INDIRECT TAXES

1. (a) ABC Ltd. has imported certain raw materials/ spare parts/components from USA from XYZ Ltd. and price charged by XYZ Ltd. is US $ 30,000 FOB (Free on Board) and consignment was received in India through ship on 01.11.2013 and import manifest was filed by the person in-charge of ship on 31.10.2013 as per section 30. Entry inward was granted on 03.11.2013 as per section 31. The exporter has taken additional payments as given below: **Marks 8**

1. Engineering and design work US $ 1000
2. Royalty and license fee US $ 800

The importer has made additional expenditure as given below:

1. Commission and brokerage for purchase of above goods US $ 300
2. Transportation charges upto Indian port US $ 2000
3. Loading/ unloading / handling charges in connection with goods at Indian port US $ 600

Rate of BCD/Rate of exchange by RBI / CBEC is as given below:

1. 27.10.2013 - 8% ₹53 per dollar by RBI/ ₹55 per dollar by CBEC
2. 01.11.2013 - 10% ₹55 per dollar by RBI/ ₹56 per dollar by CBEC
3. 03.11.2013 - 12% ₹58 per dollar by RBI/ ₹59 per dollar by CBEC
4. 05.11.2013 - 13% ₹60 per dollar by RBI/ ₹62 per dollar by CBEC

The importer has filed bill of entry on 05.11.2013

Rate of CVD under section 3(1) of Customs Tariff Act is 12% and SAD under section 3(5) of Customs Tariff Act is 4%. Government has imposed anti-dumping duty and in the given case it comes out to be ₹1,00,000.

The company has manufactured final product and other processing charges are ₹5,00,000 and it was sold at a profit of 40% on cost. The company has not charged any output excise duty and also not charged DVAT which is otherwise 12%. The company has taken additional payment from the buyer as under:

1. Advertising, Publicity	₹20,000
2. Marketing and selling organisation expenses	₹30,000
3. Storage	₹50,000
4. Outward handling	₹20,000
5. Servicing and warranty	₹1,00,000
6. Packing charges	₹5,000
7. Charity	₹1,000
8. Design, development and engineering charges	₹2,00,000
9. Consultancy charges	₹3,000
10. Testing and inspection charges at the place of removal	₹40,000
11. Transportation charges from factory to the place of buyer	₹50,000

Goods were manufactured on 01.01.2014 and rate in CETA 1985 was Nil. The goods were removed from factory gate on 10.01.2014 when rate was 12% through a notification.
The company is not eligible for SSI exemption.

Discuss the tax treatment and compute Net Excise duty /VAT Payable.

Solution:

Computation of transaction value under section 14(1) of Customs Act 1962

All payments given by the importer upto the place of importation of goods shall be added hence transaction value shall be

FOB value	US $ 30,000
Engineering and design work	US $ 1000
Royalty and license fee	US $ 800
Commission and brokerage for purchase of above goods	US $ 300
Transportation charges upto Indian port	US $ 2000
Loading/ unloading / handling charges in connection with goods at Indian port	US $ 600
Total	US $ 34,700

As per section 14 of The Customs Act, 1962, rate of exchange shall be as determined by CBEC on the date of presentation of bill of entry in case of imported goods.

In the given case bill of entry is presented on 05.11.2013 so rate of exchange shall be ₹62 per dollar, hence transaction value in Indian Rupees shall be

34,700 x 62 =	21,51,400.00
Add: BCD under section 12 of Customs Act, 1962 @ 13% **(Note 1)**	2,79,682.00
Add: CVD under section 3(1) of CTA,1975 @ 12% (21,51,400 + 2,79 682 = 24,31,082 x 12%)	2,91,729.84
ADD: Primary Education Cess @ 2% (2,79,682 + 2,91,729.84 = 5,71,411.84) x 2%	11,428.24
Add: Secondary and Higher Education Cess (279,682 + 2,91,729.84 = 5,71,411.84) x 1%	5,714.12
SAD under section 3(5) CTA 1975 (21,51,400 + 2,79,682 + 2,91,729.84 + 11,428.24 + 5,714.12 = 27,39,954.20) x 4%	1,09,598.17
Anti-dumping duty (EC/SHEC is not payable on anti-dumping duty and also CVD and SAD is not payable on anti-dumping duty)	1,00,000.00

The company shall be eligible for the following tax credits as per rule 3(1) of CCR 2004

1. CVD 2,91,729.84
2. SAD 1,09,598.17

No tax credit is allowed for anti-dumping duty/BCD/EC/SHEC

Cost of raw materials 21,51,400 + 2,79,682 + 11,428.24 + 5,714.12 + 1,00,000 =	25,48,224.36
Add: processing charges	5,00,000.00
Total	30,48,224.36
Add: profit @ 40% on cost	12,19,289.74
Total	42,67,514.10

As per section 4 of CEA 1944, additional payments taken by the manufacturer at the place of removal in connection with the goods shall also be added to the transaction value hence the value shall be computed by adding the following amounts

1. Advertising, Publicity	20,000.00
2. Marketing and selling organisation expenses	30,000.00
3. Storage	50,000.00
4. Outward handling	20,000.00
5. Servicing and warranty	1,00,000.00
6. Packing charges	5,000.00
7. Charity	1,000.00
8. Design, development and engineering charges	2,00,000.00
9. Consultancy charges	3,000.00
10. Testing and inspection charges at the place of removal	40,000.00
Total	47,36,514.10

Since company has not charged any excise duty and DVAT, above price shall be presumed to be inclusive of DVAT and Excise duty hence DVAT shall be computed in the manner given below:

47,36,514.10 / 112 x 12 = 5,07,483.65

Amount inclusive of excise duty plus EC plus SHEC i.e. price cum duty shall be
47,36,514.10 – 5,07,483.65 = 42,29,030.45

Amount of output excise duty shall be
42,29,030.45 / 112.36 x 12 = 4,51,658.65

Amount of EC
42,29,030.45 / 112.36 x 0.24 = 9,033.17

Amount of SHEC
42,29,030.45 / 112.36 x .12 = 4,516.59

Net Tax Payable	**Excise Duty**	**EC**	**SHEC**
Output	4,51,658.65	9,033.17	4,516.58
Less: Tax credit			
CVD	2,91,729.84	-	-
SAD	1,09,598.17	-	-
Net Tax Payable	50,330.64	9,033.17	4,516.58
Rounded off	50,331.00	9,033.00	4,517.00

Net DVAT Payable	5,07,483.65
Rounded off	5,07,484.00

Note :

1. As per section 15 of The Customs Act, 1962, the rate of duty and tariff valuation applicable to any imported goods, shall be the rate and valuation in force,—

(*a*) in the case of goods entered for home consumption under section 46, on the date on which a bill of entry in respect of such goods is presented under that section ;

(*b*) in the case of goods cleared from a warehouse under section 68, on the date on which a bill of entry for home consumption in respect of such goods is presented under that section;

(*c*) in the case of any other goods, on the date of payment of duty :

Provided that if a bill of entry has been presented before the date of entry inwards of the vessel or the arrival of the aircraft by which the goods are imported, the bill of entry shall be deemed to have been presented on the date of such entry inwards or the arrival, as the case may be.

In the given case bill of entry is filed after the filing of entry inwards so rate of duty i.e. BCD shall be the rate in force on the date on which bill of entry is filed i.e. dated 05.11.2013 rate 13%.

2. As per Rule 3(1)(vii) of CCR 2004, the manufacturer or producer of final product or provider of output service shall be allowed to take credit of additional duty leviable under section 3 of the Customs Tariff Act

3. As per Rule 3(1)(viia) of CCR 2004, the manufacturer or producer of final product shall be allowed to take credit of additional duty leviable under sub-section (5) of section 3 of the Customs Tariff Act i.e. special additional Duty. **(A service provider shall not be eligible to take credit of special additional duty).**

1. (b) XY Partnership Firm has income as given below: **Marks 4**

1. Income from Business ₹20,00,000
2. Income under the head House Property ₹7,00,000

The firm has paid advance tax as given below:

Upto 15th June 2013	₹ 20,000
Upto 15th Sept 2013	₹ 30,000
Upto 15th Dec 2013	₹ 80,000
Upto 15th March 2014	₹1,00,000

Balance amount of tax was paid on 10th Dec 2014.
Due date for filing of ROI in case of partnership firm is 31.07.2014.
Compute tax liability for the Assessment Year 2014-15 and also interest under section 234A, 234B and 234C.

Solution:

	₹
Computation of Total Income	
Income under the head Business/Profession	20,00,000
Income under the head House Property	7,00,000
Gross Total Income	27,00,000
Less: Deduction u/s 80C to 80U	Nil
Total Income	27,00,000
Computation of Tax Liability	
Tax on ₹27,00,000 @ 30%	8,10,000
Add: Education cess @ 2%	16,200
Add: SHEC @ 1%	8,100
Tax Liability	8,34,300

	Amount payable as advance tax	Amount actually paid by way of advance tax	Shortfall	Interest
	₹	₹	₹	₹
Upto 15th Sept, 2013 (8,34,300 x 30%)	2,50,290	30,000	2,20,290 (2,20,200 x 1% x 3 month)	6,606
Upto 15th Dec, 2013 (8,34,300 x 60%)	5,00,580	80,000	4,20,580 (4,20,500 x 1% x 3 month)	12,615
Upto March 15, 2014 (8,34,300 x 100%)	8,34,300	1,00,000	7,34,300 (7,34,300 x 1% x 1 month)	7,343

Interest liability under section 234C ₹26,564

Interest under section 234B

7,34,300 x 1% x 9 ₹66,087

Interest under section 234A
7,34,300 x 1% x 5 ₹36,715

1. (c) Mr. Rajeev Arora an American citizen has come to India for the first time on 01.07.2010 as an executive of a multinational company. His employer has allowed him to visit USA every year and for this purpose he will be leaving India every year on 1st November and shall come back on 31st December, besides that he has visited Hong Kong on several occasions in connection with the official work, because he is looking after the employer's operations in Hong Kong also, with details as under: **Marks 4**

Date of leaving India	Date of arriving in India
10.09.2010	30.09.2010
07.02.2011	08.05.2011
11.07.2011	21.10.2011
10.02.2012	23.07.2012
11.02.2013	12.06.2013
01.02.2014	10.04.2014

Determine his residential status for the previous years 2010-11 to 2013-14.

Solution:
Previous Year 2010-11
{July – 31, August – 31, September – 11, October – 31, November – 1, December – 1, January – 31, February – 7}

Days of stay in India are 144 so Mr. Rajeev Arora is non-resident.

Previous Year 2011-12
{May – 24, June – 30, July – 11, October – 11, November – 1, December – 1, January – 31, February – 10}

Days of stay in India are 119 so he is non-resident.

Previous Year 2012-13
{July – 9, August – 31, September – 30, October – 31, November – 1, December – 1, January – 31, February – 11}

Days of stay in India are 145 so he is non-resident.

Previous Year 2013-14
{June – 19, July – 31, August – 31, September – 30, October – 31, November – 1, December – 1, January – 31, February – 1}

Days of stay in India are 176. During the preceding 4 years, his stay is for 365 days or more so he is resident. His stay during 7 years is 729 days or less, hence he is resident but not ordinarily resident.

1. (d) An importer has imported a machinery to be used for providing the service of construction of commercial buildings. The assessable value of imported machinery as approved by customs is ₹1,00,000. Customs duty payable is 10%. If the machinery is manufactured in India, excise duty @ 12% is leviable on such machinery. Education cess and secondary and higher education cess are as **Marks 4**

applicable. Special CVD is payable on said machinery. You are required to:-

(i) calculate the total customs duty payable.

(ii) examine whether the importer can avail any CENVAT credit? If yes, how much?

Solution:

Computation of customs duty payable

Particulars	**Duty %**	**Amount (₹)**	**Amount of Duty (₹)**
Assessable value		1,00,000.00	
Basic customs duty	10	10,000.00	10,000.00
Sub-Total for calculating CVD		1,10,000.00	
CVD x excise duty rate	12	13,200.00	13,200.00
Sub-total for education cess on customs (₹10,000 + ₹13,200)		23,200.00	
Education cess of customs	2	464.00	464.00
Secondary and Higher Education cess of customs	1	232.00	232.00
Sub-total for Special CVD (₹1,00,000 + ₹ 10,000 ₹13,200 + ₹464 + ₹232)		1,23,896.00	
Special CVD u/s 3(5)	4	4,955.84	4,955.84
Total customs duty			**28,851.84**
Customs duty payable (rounded off)			28,852

Since importer is a service provider, he can avail CENVAT credit of only CVD i.e. only of ₹13,200 and not of special CVD.

2. (a) Department of Posts provided following services to persons other than Government during the quarter ended 31.03.2014:- **Marks 4**

Services rendered	**Amount charged for such services (₹ in lakh)**
Basic mail services	100
Transfer of money through money orders	500
Operation of saving accounts	150
Rural postal life insurance services	200
Distribution of mutual funds, bonds and passport applications	500
Issuance of postal orders	300
Collection of telephone and electricity bills	100
Pension payment services	50
Speed post services	500
Express parcel post services	200

Compute the service tax liability of Department of Posts for the quarter ended 31.03.2014.

Notes:

1. Point of taxation for all the aforesaid cases fall during the quarter ended 31.03.2014.
2. All the service charges stated above are exclusive of service tax, wherever applicable.
3. Small Service Providers' exemption need not be taken into account while solving

the aforesaid question.

Solution:

Services provided by the Government or a local authority are not chargeable to service tax as they are included in the negative list. However, following services provided to a person other than Government, by the Department of Posts are excluded from the negative list:-

(i) Speed post

(ii) Express parcel post

(iii) Rural postal Life Insurance

(iii) Agency services which include distribution of mutual funds, bonds, passport applications, collection of telephone and electricity bills, etc.

Hence, the aforesaid services are taxable.

Thus, the amount of service tax payable by the Department of Posts for the quarter ended 31.03.2014 would be as follows:-

Particulars	Amount (₹ in lakh)
Basic mail services	Nil
Transfer of money through money orders	Nil
Operation of saving accounts	Nil
Rural postal life insurance services	200
Distribution of mutual funds, bonds and passport applications	500
Issuance of postal orders	Nil
Collection of telephone and electricity bills	100
Pension payments	Nil
Speed post services	500
Express parcel post	200
Value of taxable service	1,500
Service tax @ 12% [15,00,00,000×12%]	180
Education cess @ 2% [1,80,00,000×2%]	3.6
Secondary and higher education cess @ 1% [1,80,00,000×1%]	1.8
Service tax liability	185.40

2. (b) Define the Following Terms as per CCR,2004 **Marks**

(i) Capital Goods **4**

(ii) Inputs

Solution (i)

2 (*a*) "capital goods" means:—

(*A*) the following goods, namely:—

(*i*) all goods falling under Chapter 82, Chapter 84, Chapter 85, Chapter 90, [1][heading 6805, grinding wheels and the like, and parts thereof falling under heading 6804] of the First Schedule to the Excise Tariff Act;

(*ii*) pollution control equipment;

(*iii*) components, spares and accessories of the goods specified at (*i*) and (*ii*);

(*iv*) moulds and dies, jigs and fixtures;

(*v*) refractories and refractory materials;

(*vi*) tubes and pipes and fittings thereof;

(*vii*) storage tank; and

(*viii*) motor vehicles other than those falling under tariff headings 8702, 8703, 8704, 8711 and their chassis but including dumpers and tippers,

used—

(*1*) in the factory of the manufacturer of the final products, but does not include any equipment or appliance used in an office; or

(*1A*) outside the factory of the manufacturer of the final products for generation of electricity for captive use within the factory; or

(*2*) for providing output service,

(*B*) motor vehicle designed for transportation of goods including their chassis registered in the name of the service provider, when used for—

(*i*) providing an output service of renting of such motor vehicle; or

(*ii*) transportation of inputs and capital goods used for providing an output service; or

(*iii*) providing an output service of courier agency;

(*C*) motor vehicle designed to carry passengers including their chassis, registered in the name of the provider of service, when used for providing output service of—

(*i*) transportation of passengers; or

(*ii*) renting of such motor vehicle; or

(*iii*) imparting motor driving skills;

(*D*) components, spares and accessories of motor vehicles which are capital goods for the assessee;

Mould = a hallow container used to give shape to molten or hot liquid material when it cools and hardens.
Die = is a specialized tool used in manufacturing industries to cut or shape material mostly using a press
Jigs = Jig is a tool that guides the cutting (or machining) tool. The most common type of jig is the drill jig, which guides the drill bit for creating holes at desired locations.
Fixtures = A jig guides tools in relativity to the work piece, while a fixture holds the work piece itself.
Refactory = Lining consisting of material with a high melting point; used to line the inside walls of a furnace.

<u>Solution (ii)</u>

(*k*) "input" means—

(*i*) all goods used in the factory by the manufacturer of the final product; or

(*ii*) any goods including accessories, cleared along with the final product, the value of which is included in the value of the final product and goods used for providing free warranty for final products; or

(*iii*) all goods used for generation of electricity or steam for captive use; or

(*iv*) all goods used for providing any output service;

but excludes—

(*A*) light diesel oil, high speed diesel oil or motor spirit, commonly known as petrol;

(*B*) any goods used for—

(*a*) construction or execution of works contract of a building or a civil structure or a part thereof; or

(*b*) laying of foundation or making of structures for support of capital goods,

except for the provision of service portion in the execution of a works contract or construction service as listed under clause (*b*) of section 66E of the Act;

(*C*) capital goods except when used as parts or components in the manufacture of a final product;

(*D*) motor vehicles;

(*E*) any goods, such as food items, goods used in a guest house, residential colony, club or a recreation facility and clinical establishment, when such goods are used primarily for personal use or consumption of any employee; and

(*F*) any goods which have no relationship whatsoever with the manufacture of a final product.

Explanation.—For the purpose of this clause, "free warranty" means a warranty provided by the manufacturer, the value of which is included in the price of the final product and is not charged separately from the customer

2. (c) ABC Ltd. has imported raw material from USA for US $ 10000. Protective duty 8% as per section 6 & 7 of CTA 1975 plus CVD (as given below) SAD @ 4%. Other processing charges ₹5,00,000, profit on cost 40%. **Marks 5**

The company has manufactured two products i.e. Product A and Product B. Product A is subject to output excise duty @ 10% plus EC/SHEC and DVAT @ 12.5% and product B is exempt from excise duty and DVAT is payable @ 12.5%

The company has not maintained separate records for the input as per rule 6(2) of CCR 2004 and has opted to pay 6% with regard to Product B as per Rule 6(3) of CCR 2004.

Bill of entry was filed on 29.06.2013.

The company has also imported plant and machinery for US $50000 on the same date (there is no protective duty on plant and machinery) and depreciation is allowed @ 20% on SLM and tax credit is allowed in two installments as per rule 4(2) of CCR 2004. CVD (as given below) plus SAD @ 4%.

Raw material and plant and machinery were brought to the factory on 05.07.2013.

Product A is 60% of total production and product B is 40% of total production.

Assessee is not eligible for SSI exemption.

Details of arrival/import manifest/entry inward/bill of entry etc. is as given below:

Ship/Aircraft	Arrival	Import Manifest	Entry Inward	Bill of Entry
Aircraft	01.07.2013	30.06.2013	02.07.2013	29.06.2013

Rate of exchange / rate of duty is as given below:

Date	RBI Rate	CBEC Rate	BCD Rate	CVD Rate
01.07.2013	60	62	12%	12%
30.06.2013	61	60	11%	10%
02.07.2013	59	61	11%	10%
29.06.2013	64	63	11%	10%

Discuss the tax treatment and compute Net Excise duty /VAT Payable.

Solution:

In the given case bill of entry is presented on 29.06.2013 so rate of exchange shall be ₹63 per dollar as given by CBEC, hence transaction value in Indian Rupees shall be

10000 x 63 =	6,30,000
Add: BCD under section 12 of Customs Act, 1962 @ 12%	
i.e. rate on date of arrival of aircraft as per section 15 of CA 1962	75,600
Add: Protective duty @ 8% as per section 6 & 7 of CTA 1975	50,400
(6,30,000 x 8%)	
Add: CVD under section 3(1) of CTA, 1975 @ 12%	90,720
(6,30,000 + 75,600 + 50,400 = 7,56,000 x 12%)	
ADD: Primary Education Cess @ 2%	
(75,600 + 50,400 + 90,720 = 2,16,720) x 2%	4,334.40
Add: Secondary and Higher Education Cess	
(75,600 + 50,400 + 90,720 = 2,16,720) x 1%	2,167.20
SAD @ 4%	34,128.86
(6,30,000 + 75,600 +50,400 +90,720 + 4,334.40 + 2,167.20 = 8,53,221.60) x 4%	

The company shall be eligible for the following tax credits as per rule 3(1) of CCR 2004

1. CVD 90,720.00
2. SAD 34,128.86

No tax credit is allowed for BCD/ protective duty /EC/SHEC

Cost of raw material

6,30,000 + 75,600 + 50,400 + 4,334.40 + 2,167.20 = 7,62,501.60

<u>Plant and Machinery</u>

In the given case bill of entry is presented on 29.06.2013 so rate of exchange shall be ₹63 per dollar, hence transaction value in Indian Rupees shall be

US $ 50000 x 63	31,50,000
Add: BCD under section 12 of Customs Act, 1962 @ 12%	3,78,000
Add: CVD under section 3(1) of CTA,1975 @ 12%	4,23,360
(31,50,000 + 3,78,000 = 35,28,000 x 12%)	
ADD: Primary Education Cess @ 2%	
(3,78,000 + 4,23,360 = 8,01,360) x 2%	16,027.20
Add: Secondary and Higher Education Cess	
(3,78,000 + 4,23,360 = 8,01,360) x 1%	8,013.60
SAD @ 4%	
(31,50,000 + 3,78,000 + 4,23,360 + 16,027.20 + 8,013.60 = 39,75,400.80) x 4%	1,59,016.03

Tax credit

1. CVD 4,23,360 but it will be utilized in 2 installments
2. SAD 1,59,016.03 as per Rule 4(2) of CCR 2004, cenvat credit for SAD is allowed in the same year

Cost of Plant and machinery

31,50,000 + 3,78,000 + 16,027.20 + 8,013.60 =	35,52,040.80
Depreciation on plant and machinery @ 20%	7,10,408.16

Cost of final product	
Raw materials	7,62,501.60
Depreciation	7,10,408.16
Processing charges	5,00,000.00
Total	19,72,909.76
Add: Profit @ 40%	7,89,163.90
	27,62,073.66
Product A (Taxable)	16,57,244.20
(60% of 27,62,073.66)	
Add: Excise Duty @ 10%	1,65,724.42
Add: EC @ 2%	3,314.49
Add: SHEC @ 1%	1,657.24
Total	18,27,940.35
Add: DVAT @ 12.5%	2,28,492.54
Product B (Exempt)	11,04,829.46
(40% of 27,62,073.66)	
Add: DVAT @ 12.5%	1,38,103.68
Total	12,42,933.14
Amount Payable as per Rule 6 (3) (11,04,829.46 x 6 %)	66,289.77

Note: As per Circular No. 870/08/2008-CX dated 16.05.2008, amount payable under rule 6(3) shall be recovered from buyer by raising an additional invoice and amount should be shown in the invoices as "6% amount paid under rule 6 of the CCR, 2004".
The CENVAT Credit of the amount paid by the buyer shall not be allowed.

Net Tax Payable	Excise Duty	EC	SHEC	DVAT
Product A	1,65,724.42	3,314.49	1,657.24	2,28,492.54
Product B	66,289.77	-	-	1,38,103.68
Total	2,32,014.19	3,314.49	1,657.24	3,66,596.22
Less: Tax credit				
CVD on raw material	90,720.00	-	-	-
SAD on raw material	34,128.86	-	-	-
CVD on Plant & Machinery (4,23,360 /2)	2,11,680.00	-	-	-
SAD on plant & machinery	1,59,016.03	-	-	-
Refund	2,63,530.70	-	-	-
Net Tax Payable	-	3,314.49	1,657.24	3,66,596.22
Rounded off	2,63,531.00	3,314.00	1,657.00	3,66,596.00

2. (d) (i) An individual acts as a referee in a football match organized by Sports Authority of India. He has also acted as a referee in another charity football match organized by a local sports club. Discuss whether he is required to pay any service tax. **Marks 3**

(ii) RXL Pvt. Ltd. manufactures beauty soap with the brand name 'Forever Young'. RXL Pvt. Ltd. has organized a concert to promote its brand. Ms. Ahana Kapoor, its brand ambassador, who is a leading film actress, has given a classical dance performance in the said concert. The proceeds of the concert will be donated to a charitable organization.

Explain whether Ms. Ahana Kapoor will be required to pay any service tax.

(iii) A State Transport Undertaking has hired motor vehicles meant to carry 8 - 10 passengers from Fast Cab Renting, a motor vehicle renting company. Give your comments as to whether any service tax is payable in this case.

Solution (d)(i):
Services provided to a recognized sports body by an individual inter alia as a referee in a sporting event organized by a recognized sports body is exempt from service tax vide Mega Exemption Notification No. 25/2012 ST dated 20.06.2012.

Since in the first case, the football match is organized by Sports Authority of India, which is a recognized sports body, services provided by the individual as a referee in such football match will be exempt under the said notification. However, when he acts as a referee in a charity football match organized by a local sports club, he would not be entitled to afore-mentioned exemption as a local sports club is not a recognized sports body and thus, service tax will be payable in this case.

Solution (d)(ii):
Services provided by a performing artist in folk or classical art forms of (i) music, or (ii) dance, or (iii) theatre, excluding services provided by such artist as a brand ambassador are exempt from service tax vide Mega Exemption Notification No. 25/2012 ST dated 20.06.2012.

Since Ms. Ahana Kapoor is the brand ambassador of 'Forever Young' soap manufactured by RXL Pvt. Ltd., the services rendered by her by way of a classical dance performance in the concert organized by RXL Pvt. Ltd. to promote its brand will not be eligible for the abovementioned exemption and thus, be liable to service tax. The fact that the proceeds of the concert will be donated to a charitable organization will not have any bearing on the eligibility or otherwise to the above-mentioned exemption.

Solution (d)(iii):
Services by way of giving on hire, inter alia, to a State Transport Undertaking, a motor vehicle meant to carry more than 12 passengers is exempt from service tax vide Notification No. 25/2012 ST dated 20.06.2012.

Since the motor vehicles given on hire by Fast Cab Renting to the State Transport Undertaking are meant to carry 8-10 passengers, the same would not be eligible for exemption under the said notification and thus, service tax would be payable in this case.

3. (a) A manufacturer of machinery sold a special machine. Following details are provided in relation to amounts charged: **Marks 3**

Price of machinery excluding taxes and duties	6,00,000
Installation charges [Machinery is fixed to earth in customer's premises]	21,000
Packing charges	9,000
Extra charges for designing the machine	20,000
Outward freight beyond place of removal	12,000

Other information furnished is -
(a) Cash discount @ 2% on price of machinery was allowed as the customer paid the bill amount before dispatch.
(b) State VAT rate – 5%
(c) Central excise duty rate 12% and education cesses as applicable.

Calculate excise duty payable on the special machine.

Solution:

Computation of excise duty payable

Particulars	**₹**
List price of machinery	6,00,000
Add: Packing charges [Note 1(i)]	9,000
Extra design charges [Note 1(i)]	20,000
Total	6,29,000
Less : 2% cash discount on price of machinery [₹6,00,000 x 2%] [Note 1(iv)])	12,000
Assessable value	6,17,000
Excise duty @ 12.36% [inclusive of 3% education cesses]	76,261.20
Excise duty payable [rounded off]	**76,261**

Notes:-

1. While computing assessable value:-

(i) Packing charges and extra designing charges have been included as such payments are 'in connection with sale'.

(ii) Installation and erection expenses have not been included as they result in immovable property which is not goods.

(iii) Outward freight has not been included as it is incurred for transporting the goods beyond the place of removal.

(iv) Cash discount has been allowed as deduction as it has been passed on to the buyer.

2. State VAT does not affect excise duty payable.

3. (b) Mrs. X has income asunder – **Marks 4**

Income under the head Salary	1,55,000
Income under the head Capital Gains	
Long term capital gain	27,000
Short term capital gain	59,000
Income under the head Other Sources (lottery income)	7,000
Agricultural income from India	1,05,000
Deduction allowed under section 80C to 80U	7,000

Compute her tax liability for the assessment year 2014-15 in two situations –
(i) She is resident
(ii) She is non-resident

Solution:

(i) She is resident

Computation of Total Income

	₹
Income under the head Salary	1,55,000
Income under the head Capital Gains	
Long term capital gain	27,000
Short term capital gain	59,000
Income under the head Other Sources (lottery income)	7,000

Gross Total Income	2,48,000
Less: Deduction u/s 80C to 80U	7,000
Total Income	2,41,000
Agricultural income from India	1,05,000

Computation of Tax Liability

Step 1. Tax on (agricultural + non agricultural income)	
i.e. Tax on ₹ 3,12,000/- at slab rates	11,200
Step 2. Tax on (₹2,00,000 + agricultural income) at slab rates	10,500
Step 3. Deduct Tax at Step 2 from tax at Step 1	700
Tax on long term capital gain ₹27,000 @ 20% u/s 112	5,400
Tax on casual income ₹7,000 @ 30% u/s 115BB	2,100
Less: Rebate u/s 87A (8,200 or 2,000) whichever is less	2,000
Tax before education cess	6,200
Add: Education cess @ 2%	124
Add: SHEC @ 1%	62
Tax Liability	6,386
Rounded off u/s 288B	6,390

(ii) She is non-resident

Computation of Total Income

Income under the head Salary	1,55,000
Income under the head Capital Gains	
Long term capital gain	27,000
Short term capital gain	59,000
Income under the head Other Sources (Casual Income)	7,000
Gross Total Income	2,48,000
Less: Deduction u/s 80C to 80U	7,000
Total Income	2,41,000
Agricultural income from India	1,05,000

Computation of Tax Liability

Step 1. Tax on (agricultural + non agricultural income)	
i.e. Tax on ₹ 3,12,000/- at slab rates	11,200
Step 2. Tax on (₹2,00,000 + agricultural income) at slab rates	10,500
Step 3. Deduct Tax at Step 2 from tax at Step 1	700
Tax on long term capital gain ₹27,000 @ 20% u/s 112	5,400
Tax on casual income ₹7,000 @ 30% u/s 115BB	2,100
Tax before education cess	8,200
Add: Education cess @ 2%	164
Add: SHEC @ 1%	82
Tax Liability	8,446
Rounded off u/s 288B	8,450

Note: Rebate under section 87A is not allowed to non-resident

3. (c) Mr. X has paid advance tax as given below: **Marks 4**

Upto September 15, 2013	₹45,000
Upto December 15, 2013	₹95,000

He has not estimated any capital gain but he had long term capital gains of

₹3,00,000 on 01.01.2014. He has paid advance tax upto 15th March 2014 ₹1,70,000.

His actual income other than capital gains was found to be ₹11,00,000.

He has filed return of income on 10.12.2014 and has paid difference of the tax on 10.12.2014.

Last date for filing of return is 31.07.2014.
Compute interest payable under section 234A, 234B and 234C.

Solution:

Computation of Tax Liability

	₹
Normal Income	11,00,000
Long term capital gains	3,00,000
Total Income	14,00,000
Tax on ₹11,00,000 at slab rate	1,60,000
Tax on ₹3,00,000 @ 20%	60,000
Add: Education cess @ 2%	4,400
Add: SHEC @ 1%	2,200
Tax Liability	2,26,600
(Tax liability excluding capital gains ₹11,00,000 at slab rate + EC @ 3%	1,64,800)

Computation of Interest under section 234C

Since capital gains arises on 1st January 2014, installments for 15th September and 15th December shall be checked without including tax on capital gain and shall be as given below:

	Amount payable as advance tax	Amount actually paid by way of advance tax	Shortfall	Interest
	₹	₹	₹	₹
Upto September 15, 2013 (1,64,800 x 30%)	49,440	45,000	4,440 (4,400 x 1% x 3)	132
Upto December 15, 2013 (1,64,800 x 60%)	98,880	95,000	3,880 (3,800 x 1% x 3)	114

Installment for 15th March shall be including tax on capital gains and is as given below:

	Amount payable as advance tax	Amount actually paid by way of advance tax	Shortfall	Interest
	₹	₹	₹	₹
Upto March 15, 2014 (2,26,600 x 100%)	2,26,600	1,70,000	56,600 (56,600 x 1% x 1)	566

Interest payable under section 234C ₹ 812

Interest under section 234B

56,600 x 1% x 9 ₹5,094

Interest under section 234A

56,600 x 1% x 5 ₹2,830

3. (d) ABC Co. Ltd. is engaged in the manufacture of excisable goods. It procured the following items during the month of January, 2014. Determine the amount of CENVAT credit available by giving necessary explanations for treatment of various items. **Marks 3**

Items	**Excise duty paid* [₹]**
Electrical transformers falling under Chapter 85 of the Excise Tariff	52,000
Moulds and dies	1,00,000
Pollution control equipment	30,000
Trucks used for the transport of raw material falling under tariff heading 8704	10,000
Office equipment	20,000
Capital goods used outside the factory for generation of electricity for captive use within the factory	10,000
Refractories	5,000

*(including EC and SHEC)

Solution :

Computation of CENVAT credit available to ABC Co. Ltd.:

Particulars	**Amount (₹)**
Electrical transformers falling under Chapter 85 of Excise Tariff (Note-1)	52,000
Moulds and dies (Note-1)	1,00,000
Pollution control equipment (Note-1)	30,000
Trucks used for the transport of raw material falling under tariff subheading 870490 (Note-2)	Nil
Office equipment (Note-3)	Nil
Capital goods used outside the factory for generation of electricity for captive use within the factory (Note-1)	10,000
Refractories (Note-1)	5,000
Total excise duty paid on the eligible capital goods	1,97,000
CENVAT credit available = 50% of excise duty paid on capital goods (Note-4)	98,500

Notes:

1. As per the definition of capital goods following goods are, inter alia, eligible as capital goods for the purposes of claiming CENVAT credit:-
   (a) all goods falling under Chapter 85,
   (b) moulds and dies,
   (c) pollution control equipment,
   (d) refractories
   (e) capital goods used outside the factory of the manufacturer of the final products for generation of electricity for captive use within the factory.

2. Motor vehicles used in the factory of the manufacturer are eligible as capital goods provided they do not fall under tariff headings 8702, 8703, 8704 and 8711. Therefore, the trucks used for the transport of raw material falling under tariff heading 8704 are not eligible capital goods.

3. Capital goods do not include any equipment used in the office of the manufacturer of the final products.
4. CENVAT credit of only upto 50% of the excise duty paid is available in respect of the eligible capital goods in the year of purchase.

3. (e) Zebra Engineers are manufacturers of specialty articles. Such articles are sold through retail shops. **Marks 2**

MRP marked on the package	₹2,000 per piece
Price at which Zebra Engineers sells articles to their wholesalers	₹1,300 per piece
Price at which wholesalers sell the articles to retail shop owner	₹1,500 per piece
Price at which articles are sold by retailers to final consumers	₹1,900 (₹100 offered as discount on printed retail sale price)
Excise duty	12%
Education cess	2%
Secondary and Higher Education Cess	1%

Calculate excise duty payable on an article. Such articles are not covered under section 4A of Central Excise Act, 1944.

Solution:

Since the articles are not covered under section 4A of Central Excise Act, 1944 (RSP based valuation provisions), excise duty will be payable on the basis of assessable value under section 4 of Central Excise Act (transaction value). Thus, value for purpose of excise duty will be ₹1,300 i.e., the price at which the articles are sold to wholesalers.

Particulars	**₹**
Transaction value [price at which Zebra Engineers sells articles to their wholesalers]	1,300
Excise duty @ 12% [12% of ₹ 1,300]	156
Education cess @ 2% [2% of ₹156]	3.12
Secondary and Higher Education Cess @ 1% [1% of ₹ 156]	1.56
Total excise duty payable (rounded off)	**161**

4. (a) R. Ltd. of Mumbai made a total purchases of input and capital goods of ₹ 60,00,000 during the month of February, 2014. The following further information is available: **Marks 5**

(i) Goods worth ₹ 15,00,000 were purchased from Assam on which CST @ 2% was paid.

(ii) The purchases made in February, 2014 include goods purchased from unregistered dealers amounting to ₹ 18,50,000.

(iii) It purchased capital goods (not eligible for input tax credit) worth ₹6,50,000 and those eligible for input tax credit for ₹ 9,00,000.

(iv) Sales made in Mumbai during the month of February, 2014 is ₹ 10,00,000 on which VAT at 12.5% is payable.

All purchases given are exclusive of tax. VAT @ 4% is paid on local purchases. Calculate the:

(a) amount of purchases eligible for input tax credit.

(b) amount of input tax credit available for the month of February, 2014.

(c) Net VAT payable for the month of February, 2014.

Input tax credit on eligible capital goods is available in 36 equal monthly installments.

Solution:

Computation of purchases eligible for input tax credit, input tax credit available for February, 2014 and net VAT payable for the month:-

S. No.	Particulars	₹
(i)	Goods purchased from Assam on which CST @ 2% was paid (Purchases made from outside the State on which CST is payable are not eligible for input tax credit)	-
	Purchases from unregistered dealers	
(ii)	(Purchases from unregistered dealers are not eligible for input tax credit)	-
	Capital goods eligible for input tax credit	9,00,000
(iii)	Balance purchases liable to VAT and thus, are eligible for input tax credit (₹ 60,00,000 – (₹ 15,00,000 + ₹ 18,50,000 + ₹ 6,50,000 + ₹ 9,00,000)	11,00,000
(iv)		**20,00,000**
	Purchases eligible for input tax credit	
	VAT paid on purchases eligible for input tax credit (₹ 11,00,000 x 4%)	44,000
	VAT paid on capital goods eligible for input tax credit (input tax credit available in 36 equal monthly installments) [₹ 9,00,000 * 4 % / 36]	1,000
	Input tax credit available for February, 2014	
	Output VAT payable (₹ 10,00,000 x 12.5%)	**45,000**
	Less: Input tax credit available	**1,25,000**
	Net VAT payable	45,000
		80,000

4. (b) Mr. David (Citizen of India) a Government employee serving in the Ministry of External Affairs left India for the first time on 31.03.2013 due to his transfer to Indian High Commission in Canada. He did not visit any time during previous year 2013-14. He has received the following income for the Previous Year 2013-14. **Marks 4**

(i) Salary	5,00,000
(ii) Interest on fixed deposit from bank in India	1,00,000
(iii) Income from agriculture in Pakistan, Amount received in Pakistan and remitted to India	2,00,000
(iv) Income from house property in Pakistan , Amount received in Pakistan and remitted to India	2,50,000

Compute his gross total income for Assessment Year 2014-15.

Solution 4(b)

Mr. David is a non-resident in the previous year 2013-14 as he doesn't come to India during the year.

Computation of Gross total income of Mr. David for A.Y. 2014-15

₹

Income under the head Salary	
Salary income {Taxable as it is deemed to be earned in India u/s 9}	5,00,000
Income under the head Salary	5,00,000
Income under the head Other Sources	
Interest on FDR	1,00,000
Income from agriculture in Pakistan	Nil
Income under the head Other Sources	1,00,000
Income under the head House Property	
Income from house property in Pakistan	Nil
Gross Total Income	**6,00,000**

4. (c) **(i)** Explain date for determining the rate of duty and tariff valuation of imported goods. **Marks 2+2**

(ii) Sumar Export House exported some goods to Switzerland. Compute the export duty payable by it from the following information available:

(a) Assessable value ₹55,00,000.

(b) Shipping bill presented electronically on 26.02.2014.

(c) Proper officer passed order permitting clearance and loading of goods for export on 04.03.2014.

(d) Rate of export duty are as under:

	Rate of export duty
On 26.02.2014	10%
On 04.03.2014	8%

Solution(i)

As per Section 15 of Custom Act,1962 The rate of duty and tariff valuation, if any, applicable to any imported goods, shall be the rate and valuation in force

(*a*) in the case of goods entered for home consumption under section 46, on the date on which a bill of entry in respect of such goods is presented under that section

(*b*) in the case of goods cleared from a warehouse under section 68, on the date on which a bill of entry for home consumption in respect of such goods is presented under that section

(*c*) in the case of any other goods, on the date of payment of duty

Provided that if a bill of entry has been presented before the date of entry inwards of the vessel or the arrival of the aircraft by which the goods are imported, the bill of entry shall be deemed to have been presented on the date of such entry inwards or the arrival, as the case may be.

Solution(ii):

Computation of export duty

Particulars	**Amount (₹)**
Assessable value of the export goods	55,00,000
Export duty @ 8% [Refer Note below]	4,40,000

Note: In case of goods entered for export, the rate of duty shall be the rate in force on the date on which the proper officer makes an order permitting clearance and loading of the goods for exportation.

4. (d) ABC Ltd., a domestic company has total income of ₹500,00,000 and company has distributed dividend of ₹65,00,000 and one of the shareholder Mr. X has received dividend of ₹5,00,000. Compute tax liability and additional tax liability of the company and also that of the shareholder. **Marks 3**

Solution 4(d)

Tax liability and additional tax liability of the company shall be as given below:

	₹
Profit before tax	500,00,000.00
Income tax on ₹500,00,000 @ 30 %	150,00,000.00
Surcharge @ 5%	7,50,000.00
Education cess @ 2%	3,15,000.00
SHEC @ 1%	1,57,500.00
Income tax liability	162,22,500.00
Dividend	65,00,000.00
Additional income tax @ 15% of ₹65 lakhs	9,75,000.00
Add: Surcharge @ 10%	97,500.00
Add: Education cess @ 2%	21,450.00
Add: SHEC @ 1%	10,725.00
Additional income tax	11,04,675.00
Rounded off u/s 288B	11,04,680.00

Tax liability of the shareholder shall be nil.

5. (a) Answer the following questions: **Marks 5**

(i) Mr. T, an architect, rents a cab from Mr. S, who is engaged in the business of renting of motor vehicles. Value of services provided by Mr. S is ₹ 2,500. Mr. S avails CENVAT credit on inputs, capital goods and input services. Who is liable to pay service tax in this case?

Will your answer be different if RST Ltd., a manufacturing company, rents the cab from Mr. S?
Also, compute the amount of service tax payable.

Note: Mr. T, Mr. S and RST Ltd. are located in Mumbai.

(ii) PQR Ltd. a manufacturing company, rents a cab from Mr. M, who is engaged in the business of renting of motor vehicles. Value of services provided by Mr. M is ₹ 2,500 and service tax payable thereon is ₹ 123.60. Who is liable to pay service tax in this case?

Note: PQR Ltd and Mr. M are located in New Delhi.

Solution:

(i) In case of renting of motor vehicles, abatement of 60% from gross amount charged is available if CENVAT credit on inputs, capital goods and input services is not availed. Therefore, since in the given case, Mr. S avails CENVAT credit on inputs, capital goods and input services, it cannot pay service tax on abated value.

In case of taxable services provided by way of renting of a motor vehicle designed to carry passengers on **non abated** value to any person who is not engaged in the similar line of business by any individual/HUF/partnership firm (whether registered or not) including association of persons, located in the taxable territory to a business entity registered as body corporate, located in the taxable territory, both service provider and service receiver are liable to pay service tax. 60% of tax is to be paid by service provider and 40% by service receiver.

Since in the given case, service by way of renting of motor vehicle is provided by an individual (Mr. S) to another individual (Mr. T) and not to any body corporate, reverse charge provisions will not apply and entire service tax will be payable by service provider (Mr. S). Thus, service tax of ₹ 309 (12.36% of ₹ 2,500) is liable to be paid by Mr. S.

However, when motor vehicle is taken on rent by RST Ltd. (a company), reverse charge provisions will apply and 60% of tax will be paid by Mr. S (service provider) and 40% by RST Ltd. (service receiver). Thus, Mr. S will pay ₹ 185 and RST Ltd. will pay ₹ 124.

(ii) In case of renting of motor vehicles, abatement of 60% is available from gross amount charged on fulfillment of certain conditions. In other words, effective rate of service tax in case of renting of motor vehicles provided on abated value is 4.944% [12.36% of 40].

Thus, in the given case, service tax is payable on abated value [(₹123.60 / ₹ 2500) x 100 = 4.944%].
In case of taxable services provided by way of renting of a motor vehicle designed to carry passengers on **abated** value to any person who is not engaged in the similar line of business by any individual/HUF/partnership firm (whether registered or not) including association of persons, located in the taxable territory to a business entity registered as body corporate, located in the taxable territory, entire service tax is liable to be paid by service receiver.

Since in the given case, renting of motor vehicle service is provided to a company (PQR Ltd.), reverse charge provisions will apply and entire service tax will be payable by service receiver (PQR Ltd.). Thus, service tax of ₹ 123.60 (4.944% of ₹2,500) is liable to be paid by PQR Ltd.

5. (b) Discuss taxability in the following cases: **Marks 4**

(i) Mr. Sunny Arora has received gift of ₹ 2,50,000 in cash from spouse of his brother.

(ii) Mr. Ritesh Bansal has received gift of ₹ 2,50,000 in cash from husband of his sister.

(iii) Mr. Mohit Singh has received gift of ₹ 2,50,000 in cash from sister of his brother's wife.

(iv) Mr. Rahul Kumar has received gift of ₹ 2,50,000 in cash from the sister of his spouse.

(v) Mr. Hunny Jindal has received gift of ₹6,000 in cash on his birthday from each of his eleven friends.

(vi) Mr. Satbeer Singh has received gift of ₹ 2,50,000 in kind from his friend.

(vii) Mr. Ashok Kumar has received gift of ₹2,50,000 in cash from his friend on the occasion of his marriage.

(viii) Mr. Mukesh Verma has received gift of ₹1,00,000 in cash and ₹1,00,000 in kind from his fiancée.

Solution:

(i) Mr. Sunny Arora has received gift of ₹2,50,000 in cash from spouse of his brother, in this case it will not be considered to be his income.

(ii) Mr. Ritesh Bansal has received gift of ₹2,50,000 in cash from husband of his sister, in this case it will not be considered to be his income.

(iii) Mr. Mohit Singh has received gift of ₹2,50,000 in cash from sister of his brother's wife, in this case it will be considered to be his income.

(iv) Mr. Rahul Kumar has received gift of ₹2,50,000 in cash from the sister of his spouse, in this case it will not be considered to be his income.

(v) Mr. Hunny Jindal has received gift of ₹6,000 in cash on his birthday from each of his eleven friends, in this case it will be considered to be his income because the total amount is exceeding ₹50,000.

(vi) Mr. Satbeer Singh has received gift of ₹2,50,000 in kind from his friend, in this case it will be considered to be his income.

(vii) Mr. Ashok Kumar has received gift of ₹2,50,000 in cash from his friend on the occasion of his marriage, in this case it will not be considered to be his income.

(viii) Mr. Mukesh Verma has received gift of ₹1,00,000 in cash and ₹1,00,000 in kind from his fiancee, in this case gift in cash will be considered to be his income and the gift in kind shall also be considered to be his income.

5.	(c)	Briefly answer the following questions:-	**Marks**
		(a) Which is the most popular and common method for computing VAT liability and at what stage is the tax imposed under this method?	**4**
		(b) Can VAT be said to be non-beneficial as compared to single stage-last point system?	
		(c) What are the items aggregated in the addition method to calculate the VAT payable?	
		(d) Does White Paper on VAT allow only a manufacturer to avail set off of input tax credit on capital goods and not a trader?	

Solution :

(a) Invoice method is the most common and popular method for computing the tax liability under the VAT system. Under this method, tax is imposed at each and every stage of sale on the entire sale value, and the tax paid at the earlier stage is allowed as set-off.

(b) VAT system has many advantages like reduced tax evasion, transparency, certainty, reduction in cascading effect of taxes etc. which are not there in the single stage-last point system. However, since VAT is imposed or paid at various stages and not at last stage, it increases the working capital requirements and the interest burden on the same. To this extent, it may be considered to be non-beneficial as compared to the single stage-last point taxation system though to a large extent, this rigour is brought down through input tax credits on purchases.

(c) Under addition method, all factor payments (excluding value of material) and profit are added to arrive at the value addition on which VAT rate is applied to compute the VAT payable. This method is mainly used with income variant of VAT.

(d) No. As per the White Paper on VAT, set off of input tax credit on capital goods is available to both manufacturers and traders.

5. (d) Compute interest allowed under section 24(b) in the following cases for assessment year 2014-15. **Marks 3**

Situations	A	B	C	D	E
Date of loan	01.07.2010	01.07.2011	01.07.2011	01.04.2012	01.03.2013
Amount of loan	6,00,000	6,00,000	6,00,000	6,00,000	6,00,000
Rate of interest	6%	6%	6%	6%	6%
Date of completion/ Date of purchase	31.03.2013	31.03.2012	01.01.2013	01.07.2013	01.04.2013
Date of repayment	01.04.2011	01.04.2014	01.01.2014	01.12.2013	Nil

Solution: ₹

Situation A

Computation of interest allowed under section 24(b)

Current period interest Nil

Prior period interest

From 01.07.2010 to 31.03.2012

(but interest will be calculated upto 31.03.2011 because the loan has been repaid on 01.04.2011)

6,00,000 x 6% x 9/12 = 27,000

Installment = 27,000/5 = 5,400

Total interest allowed 5,400

Situation B

Computation of interest allowed under section 24(b)

Current period interest

From 01.04.2013 to 31.03.2014

6,00,000 x 6% = 36,000

Prior period interest

Since there is no prior period hence interest is nil

Total interest allowed 36,000

Situation C

Computation of interest allowed under section 24(b)

Current period interest

From 01.04.2013 to 31.12.2013

6,00,000 x 6% x 9/12 = 27,000

Prior period interest

From 01.07.2011 to 31.03.2012

6,00,000 x 6% x 9/12 = 27,000

Installment = 27,000/5 = 5,400

Total interest allowed [27,000 + 5,400] 32,400

Situation D

Computation of interest allowed under section 24(b)

Current period interest

From 01.04.2013 to 30.11.2013

6,00,000 x 6% x 8/12 = 24,000

Prior period interest

From 01.04.2012 to 31.03.2013
6,00,000 x 6% = 36,000
Installment = 36,000/5 = 7,200
Total interest allowed [24,000 + 7,200] 31,200

Situation E
Computation of interest allowed under section 24(b)
Current period interest
From 01.04.2013 to 31.03.2014
6,00,000 x 6% = 36,000
Prior period interest
From 01.03.2013 to 31.03.2013
6,00,000 x 6% x 1/12 = 3,000
Installment = 3,000/5 = 600
Total interest allowed [36,000 + 600] 36,600

6. (a) Explain Import Procedures. **Marks 5**

Solution:
The procedure for importation of goods by air, by sea or by land has been outlined below:-

(1) **Landing /calling of vessel/aircraft/vehicle:** In case goods are imported by sea/air, the goods shall be loaded in the vessel/aircraft in the exporting country and sent to India. In case of import by land, the goods shall be sent in a vehicle.
When the vessel/aircraft carrying imported goods arrives in India, the **person-in-charge of such vessel/aircraft** [master/pilot of the vessel/aircraft respectively] entering into India from outside India shall allow calling /landing of the vessel/aircraft only at the customs port/customs airport **unless permitted by CBEC**.

(2) **Delivery of import manifest/report:** The person-in-charge of a vessel/aircraft shall deliver to the proper officer an **import manifest** [detailed information about goods in vessel/aircraft] by presenting the same **electronically** before the arrival of the vessel/aircraft at the customs port/customs airport. In case of import by land, the person-in- charge of the vehicle shall deliver to the proper officer an **import report** [detailed information about goods in vehicle] within 12 hours of the arrival of vehicle at the customs station.

(3) **Grant of Entry Inwards to the master of the vessel/permission to unload the goods:** On receiving import manifest from the master of a vessel, the proper officer shall grant Entry Inwards to the master. The master of the vessel shall not permit the goods to be unloaded until the order of Entry Inwards has been granted by the proper officer to such vessel. Date of Entry Inwards is the date on which the vessel finds a berth place for discharge of cargo.

(4) **Unloading of goods:** Imported goods shall be unloaded:-

(a) only if mentioned in the import manifest/import report.

(b) only at the approved places in any customs port/customs airport.

(c) under the supervision of the proper officer.

(d) during working hours and shall not be unloaded on Sunday/on any holiday.

(5) **Unloaded goods to be in the custody of the Custodian until their clearance:** Once the imported goods have entered the customs area, they shall remain in the custody of the **Custodian** [a person approved by the Commissioner of Customs for this purpose]. If the imported goods are pilfered after unloading in a customs area, while in the custody of the Custodian, then the Custodian shall be liable to pay duty on such goods.

(6) **Filing of entry for import, i.e. Bill of Entry:** The importer of any goods, other than goods intended for transit or transhipment [provisions of goods in transit/transhipment are discussed below in point (11)], shall file a Bill of Entry electronically for clearance of goods from the custom station port/airport. .

In case the goods are to be cleared for home consumption, importer would file Bill of Entry for home consumption. However, if the importer does not need the goods immediately, he may request the goods to be warehoused. In that case, an Into-Bond Bill of Entry (for warehousing) would be filed. When subsequently, the goods are clearance from warehouse for home consumption, an Ex-Bond Bill of Entry is required to be filed.

(7) **Timing of filing of Bill of Entry:** A Bill of Entry may be presented at any time after the delivery of the Import Manifest/Import Report. However, in case of import by a vessel/aircraft, a bill of entry may be presented even before the delivery of such Import manifest if the vessel or the aircraft by which the goods have been shipped for importation into India is expected to arrive within 30 days from the date of such presentation.

(8) **Assessment of duty on the imported goods:** Assessment is the procedure of quantifying the amount of liability. The importer will self-assess the duty considering the applicable rate of exchange and rate of import duty. This self-assessment is subject to verification by the proper officer of the Customs and may lead to reassessment by such officer the assessment made by the importer is found to be incorrect. The proper officer shall return the Bill of Entry to the importer after determination of the duty amount.

(9) **Payment of duty:** If the goods are cleared to be stored in a warehouse, payment of duty is deferred till the time of clearance from such warehouse. However, in case the goods are cleared for home consumption, customs duty has to be paid. The duty may be paid manually or electronically unless otherwise specified.

The importer has to pay the duty within **2 days** (excluding holidays) of the determination of such duty amount. In case he fails to do so, he is required to pay interest on the duty till the time he actually pays the duty and clears the goods.

(10) **Clearance of imported goods from the custom station:** The goods lying under the custody of the custodian have to cleared either for home consumption or for warehousing or for transhipment within 30 days (or such extended time as the proper officer may allow) from the date of unloading of goods at the customs station. The importer may exercise any of the following options:-

(a) Clearance for home consumption: In case the importer files the Bill of Entry for home consumption and the proper officer is satisfied that the imported goods are not prohibited goods and duty on the same has been paid, he may make an order permitting clearance of the goods for home consumption.

(b) Warehousing of imported goods: The importer may not clear the goods for home consumption and request the goods to be warehoused. In such a case, he shall file an Into-Bond Bill of Entry for warehousing and is assessed to duty. Thereafter, he shall execute a bond binding himself in a sum equal to twice the amount of the duty assessed on such goods. The proper officer after satisfying himself that

all the requirements have been fulfilled shall make an order permitting the deposit of the goods in a warehouse.

Subsequently, the importer of any warehoused goods may clear them for home consumption provided:-

(i) an ex-Bond Bill of Entry has been presented to the proper officer and duty is assessed and paid by him

(ii) rent and warehousing charges along with any penalty on warehoused goods, if any, have been paid by importer, and

(iii) an order for clearance of such goods for home consumption has been made by the proper officer.

(11) Imported goods in transit or transhipment:

Transit of goods: Where any goods (not being prohibited goods) which are imported in a conveyance are mentioned, in the import manifest/import report, as for **transit in the same conveyance** to any place outside India or any customs station, they may be allowed to be so transited **without payment of duty**.

Transhipment of goods: Where any goods (not being prohibited goods) which are imported in a conveyance are mentioned, in the import manifest/import report, as for **transhipment** to any place outside India or to any major port/other port* as notified /any other customs station, they may be allowed to be so transhipped **without payment of duty**. The importer shall present the Bill of Entry for transhipment to the proper officer.

Unlike transit under transhipment, goods are transferred from one conveyance to another.
*The ports in India have been classified as major and minor ports on the basis of their jurisdiction. While major ports are administered by the Central Shipping Ministry, minor ports are administered by the relevant departments or ministries in the States.

6. (b) Compute tax liability in the following cases for the assessment year 2014-15. **Marks 4**

(i) Mr. X (resident) has total income of ₹100,05,000
(ii) Mr. X (non-resident) has total income of ₹103,00,000
(iii) Mr. X (resident), aged 60 years has total income of ₹106,00,000
(iv) Mr. X (non-resident), aged 60 years has total income of ₹108,00,000
(v) Mrs. X (non-resident), aged 60 years has total income of ₹104,50,000
(vi) Mr. X (resident), aged 80 years has total income of ₹104,25,000
(vii) Mrs. X (resident), aged 80 years has total income of ₹104,10,000
(viii) Mr. X (non-resident), aged 80 years has total income of ₹104,22,380

Solution:

(i) Computation of Tax Liability

	₹
Total Income	100,05,000
Tax on ₹100,05,000 at slab rate	28,31,500
Add: Surcharge @ 10%	2,83,150
Tax before education cess	31,14,650
Increase in income ₹5,000 over ₹100,00,000 and increase in tax in comparison to income of ₹100,00,000,₹2,84,650 (31,14,650 – 28,30,000), but increase in tax cannot be more than increase in income hence marginal relief shall be ₹2,84,650 – ₹5,000	2,79,650
Tax after marginal relief	28,35,000
Add: Education cess @ 2%	56,700
Add: SHEC @ 1%	28,350
Tax Liability	29,20,050

(ii) Computation of Tax Liability

Total Income	103,00,000
Tax on ₹103,00,000 at slab rate	29,20,000
Add: Surcharge @ 10%	2,92,000
Tax before education cess	32,12,000
Increase in income ₹3,00,000 over ₹100,00,000 and increase in tax in comparison to income of ₹100,00,000, ₹3,82,000 (32,12,000 – 28,30,000), but increase in tax cannot be more than increase in income hence marginal relief shall be ₹3,82,000 – ₹3,00,000	82,000
Tax after marginal relief	31,30,000
Add: Education cess @ 2%	62,600
Add: SHEC @ 1%	31,300
Tax Liability	32,23,900

(iii) Computation of Tax Liability

Total Income	106,00,000
Tax on ₹106,00,000 at slab rate	30,05,000
Add: Surcharge @ 10%	3,00,500
Tax before education cess	33,05,500
Add: Education cess @ 2%	66,110
Add: SHEC @ 1%	33,055
Tax Liability	34,04,665
Rounded off u/s 288B	34,04,670

(iv) Computation of Tax Liability

Total Income	108,00,000
Tax on ₹108,00,000 at slab rate	30,70,000
Add: Surcharge @ 10%	3,07,000
Tax before education cess	33,77,000
Add: Education cess @ 2%	67,540
Add: SHEC @ 1%	33,770
Tax Liability	34,78,310

(v) Computation of Tax Liability

Total Income	104,50,000
Tax on ₹104,50,000 at slab rate	29,65,000
Add: Surcharge @ 10%	2,96,500
Tax before education cess	32,61,500
Add: Education cess @ 2%	65,230
Add: SHEC @ 1%	32,615
Tax Liability	33,59,345
Rounded off u/s 288B	33,59,350

(vi) Computation of Tax Liability

Total Income	104,25,000.00
Tax on ₹104,25,000 at slab rate	29,27,500.00
Add: Surcharge @ 10%	2,92,750.00
Tax before education cess	32,20,250.00
Add: Education cess @ 2%	64,405.00
Add: SHEC @ 1%	32,202.50
Tax Liability	33,16,857.50
Rounded off u/s 288B	33,16,860.00

(vii) Computation of Tax Liability

Total Income	104,10,000
Tax on ₹104,10,000 at slab rate	29,23,000
Add: Surcharge @ 10%	2,92,300
Tax before education cess	32,15,300
Increase in income ₹4,10,000 over ₹100,00,000 and increase in tax in comparison to income of ₹100,00,000, ₹4,15,300 (32,15,300 – 28,00,000), but increase in tax cannot be more than increase in income hence marginal relief shall be ₹4,15,300 – ₹4,10,000	5,300
Tax after marginal relief	32,10,000
Add: Education cess @ 2%	64,200
Add: SHEC @ 1%	32,100
Tax Liability	33,06,300

(viii) Computation of Tax Liability

Total Income	104,22,380.00
Tax on ₹104,22,380 at slab rate	29,56,714.00
Add: Surcharge @ 10%	2,95,671.40
Tax before education cess	32,52,385.40
Increase in income ₹4,22,380 over ₹100,00,000 and increase in tax in comparison to income of ₹100,00,000, ₹4,22,385.40 (32,52,385.4 – 28,30,000), but increase in tax cannot be more than increase in income hence marginal relief shall be ₹4,22,385.40 – ₹4,22,380	5.40
Tax after marginal relief	32,52,380.00
Add: Education cess @ 2%	65,047.60
Add: SHEC @ 1%	32,523.80
Tax Liability	33,49,951.40
Rounded off u/s 288B	33,49,950.00

6. (c) **(i)** A service provider has not been able to file the half yearly service tax return by the prescribed due date. He is worried and does not know what recourse is available to him in this situation. He seeks your help on the issue. What advice will you offer him? **Marks 2+2**

(ii) Siddhi Ltd. exported some goods to Samson Inc. of USA. It received US $ 9,000 as consideration for the same and sold the foreign currency @ ₹ 61 per US dollar. Compute the value of taxable service under rule 2B of the Service Tax (Determination of Value) Rules, 2006 in the following cases:-

(a) RBI reference rate for US dollar at that time is ₹ 62 per US dollar.

(b) RBI reference rate for US dollars is not available.

Solution(i):

Service tax law provides for delayed filing of returns. A half-yearly return can be filed after the due date with prescribed late. The prescribed late fee is given hereunder:

Period of delay	**Late fee**
15 days from the date prescribed for submission of the return	₹ 500
Beyond 15 days but not later than 30 days from	₹1,000

the date prescribed for submission of the return.	
Beyond 30 days from the date prescribed for every submission of the return	An amount of ₹1,000 plus ₹100 for day from the 31st day till the date of furnishing the said return.

However, such late fee cannot exceed ₹20,000. If the gross amount of service tax payable is nil, such late fee may be reduced/waived by the Central Excise Officer on being satisfied that there was sufficient cause for the delay.

Solution(ii):

(a) For a currency, when exchanged from, or to, Indian Rupees (INR), the value shall be equal to the difference in the buying rate or the selling rate, as the case may be, and the Reserve Bank of India (RBI) reference rate for that currency at that time, multiplied by the total units of currency.

Hence, in the given case, value of taxable service would be as follows:-

(RBI reference rate for $ – Selling rate for $) × Total units of US $

=₹(62-61) × 9,000

=₹ 9,000

(b) If the RBI reference rate for a currency is not available, the value shall be 1% of the gross amount of Indian Rupees provided or received, by the person changing the money.

Hence, in the given case, value of taxable service would be as follows:-

1% of ₹ (61 × 9,000)

=₹5,490

6. (d) Compute the service tax liability of Mr. A, an air travel agent, for the quarter ended March 31, 2014 using the following details:- **Marks 3**

Particulars	**Amount (₹)**
Basic air fare collected for domestic booking of tickets	50,00,000
Basic air fare collected for international booking of tickets	80,00,000
Commission received from the airlines on the sale of domestic and international tickets	5,00,000

In the above case, would the service tax liability of Mr. A be reduced if he opts for the special provision for payment of service tax as provided under rule 6 of the Service Tax Rules, 1994 instead of paying service tax @ 12%.

Note: Mr. A is not eligible for the small service provider's exemption under Notification No. 33/2012-ST dated 20.06.2012 and service tax has been charged separately.

Solution:

As per rule 6 of the Service Tax (Determination of Value) Rules, 2006, only the commission received by the air travel agent from the airline is included in the value of taxable service. The air fare collected by the air travel

agent in respect of the service provided by him does not from part of the value of taxable service. Accordingly, the service tax liability of Mr. A would be computed as under:

Particulars	₹
Basic air fare collected for domestic booking of tickets	Nil
Basic air fare collected for international booking of tickets	Nil
Commission received from the airlines on the sale of domestic and international tickets	5,00,000
Value of taxable service	5,00,000
Service tax @ 12% [₹5,00,000×12%]	60,000
Education cess @ 2% [₹60,000×2%]	1,200
Secondary and higher education cess @ 1% [₹60,000×1%]	600
Service tax payable	61,800

However, if Mr. A opts for the special provision for payment of service tax as provided under rule 6 of the Service Tax Rules, 1994, service tax liability would be computed as under:

Particulars	₹
0.6% of the basic air fare collected for domestic booking of tickets	30,000
[₹50,00,000 × 0.6%]1.2% of the basic air fare collected for international booking of tickets [₹80,00,000× 1.2%]	96,000
Service tax	1,26,000
Add: Education cess @ 2%	2,520
Add: Secondary and Higher Education cess @ 1%	1,260
Service tax payable	1,29,780

No, the service tax liability of Mr. A would not be reduced in the aforesaid option.

7. (a) Mr. Nishant Khurana earns the following income during the financial year 2013-14: **Marks 5**

	₹
(1) Income from house property in London, received in India	60,000
(2) Profits from business in Japan and managed from there (received in Japan)	9,00,000
(3) Dividend from foreign company, received in India	30,000
(4) Dividend from Indian company, received in England	50,000
(5) Profits from business in Kenya, controlled from India, Profits received in Kenya	3,00,000
(6) Profits from business in Delhi, managed from Japan	7,00,000
(7) Capital gains on transfer of shares of Indian companies, sold in USA and gains were received there	2,00,000
(8) Pension from former employer in India, received in Japan	50,000
(9) Profits from business in Pakistan, deposited in bank there	20,000
(10) Profit on sale of asset in India but received in London	8,000
(11) Past untaxed profits of UK business of 2012-13 brought into India in 2013-14	90,000
(12) Interest on Government securities accrued in India but received in Paris	80,000
(13) Interest on USA Government securities, received in India	20,000
(14) Salary earned in Bombay, but received in UK	60,000

(15) Income from property in Paris, received there 1,00,000

(Presume all the above incomes are computed incomes)

Determine the gross total income of Mr. Nishant Khurana if he is (i) resident and ordinarily resident, resident but not ordinarily resident, non-resident in India during the financial year 2013-14.

Solution:

		ROR	NOR	NR
(1)	Income received in India	60,000	60,000	60,000
(2)	Income accruing/arising and received outside India	9,00,000	—	—
(3)	Income received in India	30,000	30,000	30,000
(4)	Income accruing in India but exempt under section 10(34)	—	—	—
(5)	Income accruing/arising and received outside India, but business controlled from India	3,00,000	3,00,000	—
(6)	Income accruing/arising in India	7,00,000	7,00,000	7,00,000
(7)	Income accruing/arising in India	2,00,000	2,00,000	2,00,000
(8)	Income accruing/arising in India	50,000	50,000	50,000
(9)	Income accruing/arising and received outside India	20,000	—	—
(10)	Income accruing/arising in India	8,000	8,000	8,000
(11)	Past untaxed profits	—	—	—
(12)	Income accruing/arising in India	80,000	80,000	80,000
(13)	Income received in India	20,000	20,000	20,000
(14)	Income accruing/arising in India	60,000	60,000	60,000
(15)	Income accruing/arising and received outside India	1,00,000	—	—
	Gross Total Income	**25,28,000**	**15,08,000**	**12,08,000**

7. (b) Solaris India Pvt. Ltd.'s total inter-State sales @ 4 % CST for the Financial Year 2013-14 is ₹1,50,00,000 (CST not shown separately). In this regard, following additional information is available: **Marks 4**

(i) Goods sold to Mr. A for ₹1,50,000, on 16.07.2013 were returned by him on 12.12.2013.

(ii) A buyer, Mr. B, to whom goods worth ₹55,000 were dispatched on 16.04.2013, rejected such goods. The said goods were received back on 15.11.2013.

(iii) Goods sold to Mr. C for ₹5,00,000, on 16.04.2013 were returned by him on 12.12.2013.

Determine the amount of taxable turnover and tax liability of Solaris India Pvt. Ltd.

Solution:

Computation of taxable turnover and tax liability of Solaris India Pvt. Ltd.

Particulars	**Amount (₹)**
Total sales	1,50,00,000
Less: Goods returned by Mr. A (deductible as returned within 6 months)	1,50,000
Less: Goods returned by Mr. C (not deductible since returned after six months)	Nil

Less: Goods rejected by Mr. B after six months (Refer note below)	55,000
	1,47,95,000
Less : Central sales tax $=1,47,95,000 \times \frac{4}{104}$ (Rounded off)	5,69,038
Turnover	1,42,25,962

Note: The period of six months for return of goods is not applicable in respect of rejected goods as it is a case of un-fructified sale.

7. (c) List out all the services of Negative List. **Marks 4**

Solution:

The negative list shall comprise of the following services, namely:—

(a) services by Government or a local authority excluding the following services to the extent they are not covered elsewhere—

(i) services by the Department of Posts by way of speed post, express parcel post, life insurance, and agency services provided to a person other than Government;

(ii) services in relation to an aircraft or a vessel, inside or outside the precincts of a port or an airport;

(iii) transport of goods or passengers; or

(iv) support services, other than services covered under clauses (i) to (iii) above, provided to business entities;

(b) services by the Reserve Bank of India;

(c) services by a foreign diplomatic mission located in India;

(d) services relating to agriculture or agricultural produce by way of—

(i) agricultural operations directly related to production of any agricultural produce including cultivation, harvesting, threshing, plant protection or testing;

(ii) supply of farm labour;

(iii) processes carried out at an agricultural farm including tending, pruning, cutting, harvesting, drying, cleaning, trimming, sun drying, fumigating, curing, sorting, grading, cooling or bulk packaging and such like operations which do not alter the essential characteristics of agricultural produce but make it only marketable for the primary market;

(iv) renting or leasing of agro machinery or vacant land with or without a structure incidental to its use;

(v) loading, unloading, packing, storage or warehousing of agricultural produce;

(vi) agricultural extension services;

(vii) services by any Agricultural Produce Marketing Committee or Board or service provided by a commission agent for sale or purchase of agricultural produce;

(e) trading of goods;

(f) any process amounting to manufacture or production of goods;

(g) selling of space or time slots for advertisements other than advertisements broadcast by radio or television;

(h) service by way of access to a road or a bridge on payment of toll charges;

(i) betting, gambling or lottery;

(j) admission to entertainment events or access to amusement facilities;

(k) transmission or distribution of electricity by an electricity transmission or distribution utility;

(l) services by way of—
(i) pre-school education and education up to higher secondary school or equivalent;
(ii) education as a part of a curriculum for obtaining a qualification recognised by any law for the time being in force;
(iii) education as a part of an approved vocational education course;

(m) services by way of renting of residential dwelling for use as residence;

(n) services by way of—

(i) extending deposits loans or advances in so far as the consideration is represented by way of interest or discount;
(ii) inter se sale or purchase of foreign currency amongst banks or authorised dealers of foreign exchange or amongst banks and such dealers;

(o) service of transportation of passengers, with or without accompanied belongings, by—
(i) a stage carriage;
(ii) railways in a class other than—
(A) first class; or
(B) an air-conditioned coach;
(iii) metro, monorail or tramway;
(iv) inland waterways;
(v) public transport, other than predominantly for tourism purpose, in a vessel between places located in India; and
(vi) metered cabs, radio taxis or auto rickshaws;

(p) services by way of transportation of goods—
(i) by road except the services of—
(A) a goods transportation agency; or
(B) a courier agency;
(ii) by an aircraft or a vessel from a place outside India up to the customs station of clearance in India; or
(iii) by inland waterways;

(q) funeral, burial, crematorium or mortuary services including transportation of the deceased.

7. (d) The following details have been furnished by Mrs. Hemali, pertaining to the year ended 31.03.2014: **Marks 3**

(i) Cash gift of ₹51,000 received from her friend on the occasion of her "Shastiaptha Poorthi", a wedding function celebrated on her husband completing 60 years of age. This was also her 25th wedding anniversary.

(ii) On the above occasion, a diamond necklace worth ₹2 lacs was presented by her sister living in Dubai.

(iii) When she celebrated her daughter's wedding on 21.02.2014, her friend assigned in Mrs. Hemali's favour, a fixed deposit held by the said friend in a scheduled bank; the value of the fixed deposit and the accrued interest on the said date was ₹51,000.

Compute the income, if any, assessable as income from other sources.

Solution:

(i) Any sum of money received by an individual on the occasion of the marriage of the individual is exempt. This provision is, however, not applicable to a cash gift received during a wedding function celebrated on completion of 60 years of age.

The gift of ₹51,000 received from a non-relative is, therefore, chargeable to tax under section 56 in the hands of Mrs. Hemali.

(ii) The provisions of section 56 are not attracted in respect of any sum of money or property received from a relative. Thus, the gift of diamond necklace received from her sister is not taxable under section 56, even though jewellery falls within the definition of "property".

(iii) To be exempt from applicability of section 56, the property should be received on the occasion of the marriage of the individual, not that of the individual's son or daughter. Therefore, this exemption provision is not attracted in this case.

Any sum of money received without consideration by an individual is chargeable to tax under section 56, if the aggregate value exceeds ₹50,000 in a year. "Sum of money" has, however, not been defined under section 56.

Therefore, there are two possible views in respect of the value of fixed deposit assigned in favour of Mrs. Hemali –

(1)The first view is that fixed deposit does not fall within the meaning of "sum of money" and therefore, the provisions of section 56 are not attracted. Fixed deposit is also not included in the definition of "property".

(2) However, another possible view is that fixed deposit assigned in favour of Mrs. Hemali falls within the meaning of "sum of money" received.

Income assessable as "Income from other sources"

If the first view is taken, the total amount chargeable to tax as "Income from other sources" would be ₹51,000, being cash gift received from a friend on her Shastiaptha Poorthi.

As per the second view, the provisions of section 56 would be attracted in respect of the fixed deposit assigned and the "Income from other sources" of Mrs. Hemali would be ₹1,02,000 (₹51,000 + ₹51,000).