

# Solved Scanner

## Appendix

**CMA Final Gr. III (New Syllabus)**

**(Solution of December 2014)**

**Paper - 16: Tax Management and Practice**

### **Chapter - 2: Central Excise**

#### **2014 - Dec [2] (b)**

Excise Duty on output $700 \times 12.36\%$	86.52
<i>Less: Cenvat credit</i>	
Excise Duty on input $140 \times 12.36\%$	17.30
Input Service Tax $150 \times 12.36\%$	18.54
Excise Duty on Capital Goods $20 \times 10.30\%$	2.06
	<u>48.62</u>

SSI exemption cannot be claimed during the Year 2015-16.

#### **2014 - Dec [7] (a), (b)**

- (a) Adding two additives to improve quality will transform the product and will therefore be covered by definition of manufacture under excise law.
- (b) Since, the cleansing solution would be used for medical purposes i.e. degerming or scrubbing the skin of patients prior to a surgical operation. Thus, it can be classified as a "medicament" under excise law.

### **Chapter - 3: Cenvat Credit**

#### **2014 - Dec [2] (a)**

- (i) Available
- (ii) Not Available
- (iii) Not Available
- (iv) Not Available

**2014 - Dec [9] {C} (c)**

Yes, cenvat credit can be claimed in respect of testing materials purchased by Daffodils Packaging Ltd. This testing material expense is incurred prior to delivering the product to customer.

**Chapter - 4: Customs Law****2014 - Dec [3] (a)**

Cost	20,000 Euro
+ Air Freight	1,500 Euro
+ Insurance	400 Euro
CIF Value	21,900 Euro
+ Landing charges 1%	219 Euro
Assessable Value in Euro	22,119 Euro
Assessable Value in Rupee	15,92,568
+ BCD @ 10% on 15,92,568	1,59,257
	17,51,825
+ CVD @ 12% on 17,51,825	2,10,219
	19,62,044
+ EC @ 2% on (1,59,257 + 2,10,219)	7,390
+ SHEC @ 1% on (1,59,257 + 2,10,219)	3,695
	19,73,129
+ Special CVD @ 4%	78,925
Value of Imported Goods	20,52,054
Custom Duty Payable (20,52,054-15,92,568)	4,59,486

**2014 - Dec [4] (c)**

Cost of machine	2,000 \$
+ Transport charges	80 \$
+ Handling charges	5 \$
+ Buying commission	10 \$
+ Lighterage charges	20 \$

+ Freight to Inland Container Depot	100 \$
+ Ship Demurrage charges	40 \$
FOB	<u>2,255 \$</u>
+ Freight	500 \$
+ Insurance (1.125% × 2,255)	25.37 \$
CIF	<u>2,780.37 \$</u>
+ Landing charges 1%	27.80 \$
Assessable Value	<u>2,808.17 \$</u>
Assessable Value (in ₹) 2,808.17 × 58	1,62,874
+ BCD @ 10% on 1,62,874	16,287
	<u>1,79,161</u>
+ CVD @ 12% on 1,79,161	21,499
	<u>2,00,660</u>
+ EC @ 2% on (16,287 + 21,499)	756
+ SHEC @ 1% on (16,287 + 21,499)	378
	<u>2,01,794</u>
+ Special CVD @ 4% on 2,01,794	8,072
Value of Imported Goods	<u>2,09,866</u>
Total Custom Duty Payable 2,09,866 - 1,62,874	46,992

**Chapter - 5: Exim Policy****2014 - Dec [4] (a)**

- (i) Yes, M/s B Ltd. can seek advance authorisation in relation to the supplies made by it as the supplies are made to United Nations.
- (ii) FOB value of export should be atleast 110% of value of input used.  
Minimum FOB value of export = ₹ 20 lakhs × 110%  
= ₹ 22 lakhs

**2014 - Dec [6] (b)**

IEC Code is unique 10 digit code issued by DGFT – Director General of Foreign Trade, Ministry of Commerce, Government of India to Indian Companies.

An application for grant of IEC number shall be made by the Registered/Head Office of the applicant and apply to the nearest Regional Authority of Directorate General Foreign Trade, the Registered office in case of company and Head office in case of others, falls in the 'Aayaat Niryaat Form - ANF2A' and shall be accompanied by documents prescribed therein. In case of STPI/ EHTP/ BTP units, the Regional Offices of the DGFT having jurisdiction over the district in which the Registered/ Head Office of the STPI unit is located shall issue or amend the IECs.

Only one IEC would be issued against a single PAN number. Any proprietor can have only one IEC number and in case there are more than one IECs allotted to a proprietor, the same may be surrendered to the Regional Office for cancellation.

**Chapter - 6: Service Tax****2014 - Dec [4] (b)****Value of Taxable Services**

Taxable Services in first half year	6,00,000
+ Services to charitable trust registered	8,20,000
Value of Taxable Services	<u>14,20,000</u>
Service Tax Payable (12.36%)	1,75,512

**2014 - Dec [7] (c)**

In case of Transportation Service, service recipient is liable for service tax. By inserting a specific clause in the agreement, liability of service tax cannot be shifted to the other party.

**Chapter - 7: Central Sales Tax and VAT Act****2014 - Dec [6] (c)**

Yes, a VAT dealer can claim ITC on the basis of photostat copy of purchase invoice.

**Chapter - 8: Income Tax****2014 - Dec [1] (a), (b)****(a)**

Sale consideration	50,00,000
- Cost of Acquisition	<u>10,00,000</u>
	40,00,000
- Applied for charity (41,00,000- 10,00,000)	<u>31,00,000</u>
<b>Taxable Capital Gain</b>	<u>9,00,000</u>

(b)

**Computation of Book Profit**

Net Profit as per P/L A/c	120 lacs
+ Provision for Doubtful debts	2.40 lacs
+ Provision for Income Tax	18.00 lacs
+ Provision for Deferred Tax	9.00 lacs
+ Depreciation or Revaluation of Asset	3.00 lacs
- Profit or Sale of land	10.00 lacs
	<u>142.40 lacs</u>
- Unabsorbed Depreciation	9.00 lacs
	<u>133.40 lacs</u>

**2014 - Dec [3] (b)**

Business income before current depreciation	76
(-) Depreciation of current Year	19
(-) Tax holiday relief u/s 80-IB	<u>38</u>
	19
(-) Unabsorbed depreciation b/f	19
PGBP	<u>Nil</u>

**2014 - Dec [5] (a)**

- Total of GTI & computation of tax can be adjusted.
- Issued within 1 year from end of Financial Year in which return is filed.
- Yes, 100% return filed is processed u/s 143(1).
- Illogical deduction claimed where no income in relation to that deduction is shown.

**2014 - Dec [6] (a)**

Since, Mrs Anandi owns a house in Jaipur which is her permanent home in India, she is resident in India. Her all income whether from India or Singapore is taxable in India.

**Income from House Property**

GAV	7,20,000
- Municipal Taxes	Nil
NAV	7,20,000
- Standard deduction @ 30%	<u>2,16,000</u> 5,04,000

**PGBP**

Income from Business in Singapore	40,00,000
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**Capital Gain**

STCG	12,00,000
	<u>57,04,000</u>

**2014 - Dec [8] (a), (b), (c)**

- (a) No, such amount collected by NBFC Division would be treated as advance. It shall not be treated as income of the company.
- (b) Service charges collected would be taxable as income from other sources and not income from house property.
- (c) Transfer of immovable property other than agricultural land is liable for TDS @ 1% in case of sale consideration exceeding ₹ 50 lakh.  
TDS deductible = 1% × (80 lac + 90 lac) = ₹ 1,70,000

**Chapter - 9: Wealth Tax****2014 - Dec [5] (b)****Computation of Wealth of Firm**

Land	1,100
Factory Building	300
Residential House	400
Gold and Silver	700
	<u>2,500</u>
- Loan for Land	400
	<u>2,100</u>
<b>Wealth of Sea</b>	
To the extent of capital	800
Remaining in Profit sharing ratio $300 \times \frac{2}{5}$	120
	<u>920</u>

**Chapter - 10: Taxation of International Transactions****2014 - Dec [9] {C} (a), (b)**

- (a) (i) Yes, transfer pricing provisions under the Income tax Act, 1961 shall be attracted in respect of provisions of scientific research services by foreign company to its Indian subsidiary.
- (ii) Transfer pricing provisions shall also apply to lease of equipment by an Indian company from a specified foreign company.

(b) Average of other comparable transaction =  $\frac{84 \text{ lac} + 86 \text{ lac}}{2} = 85 \text{ lac}$

Permissible Variation = 5% x 81 lac  
= 4,05,000

Actual Variation in transaction = 4,00,000

No tax implication under section 94A in respect of above transaction.

**Shuchita Prakashan (P) Ltd.**

25/19, L.I.C. Colony, Tagore Town,  
Allahabad - 211002

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