

BATCH : GI –1 to GI –5**DATE: 18.08.2017****MAXIMUM MARKS: 100****TIMING: 3 Hours****PAPER – 4 : TAXATION****Question No. 1 is Compulsory****Answer any five questions from the remaining six questions.****Wherever necessary, suitable assumptions should be made by the candidates.****ANSWER-SHEET****Answer 1:****(a)**

	Rs.	Rs.	
Business income	19,40,000		
Add: Excess payment to brother (Rs. 9,60,000 - Rs. 1,40,000)	8,20,000		
Less: Agricultural income	(-) 4,00,000	23,60,000	3M
Income from other sources			
Purchase of equity shares [(Rs. 1,700 - Rs. 400) x 500 sh.]	6,50,000		
Dividend on units (exempt)	Nil		
Bank interest	8,000		
Interest on deposit of dependent mother (not taxable as income of Mrs. X)	Nil		
Birthday gift received by minor son of Mrs. X (Rs. 65,000 - Rs. 1,500)	63,500		
Interest income of minor son (6% of Rs. 65,000 x 5 ÷ 12)	1,626	7,23,125	(0.5x6=3M)
Gross total income		30,83,125	
Less: Deduction under section 80C		1,10,000	
Net income (rounded off)		29,73,130	1M
Tax liability of Mrs. X will be calculated as under-			
Non-agricultural income		29,73,130	3M
Agricultural income		4,00,000	
Total		33,73,130	
Tax on total		8,36,939	
Less: Tax on Rs. 6,50,00(i.e., agricultural income of Rs. 4,00,000 + exemption limit of Rs. 2,50,000)		55,000	
Balance*		7,81,939	
Add: Education cess		15,639	
Add: Secondary and higher education cess		7,819	
Tax liability (rounded off)		8,05,400	

(10 Marks)**(b)**

1. Conducting admission test service - FMS (Delhi University) Provides management education recognized by the University Grants Commission. If an educational institute provides qualification recognized by law, and the job of conducting admission test is outsourced, service tax is not applicable. Amount paid by FMS (Delhi University) to the service provider for conducting admission test on its behalf, is not chargeable to service tax.
2. Fees collected by recognized college - It is a negative list item under Category 12. It is not chargeable to tax.
3. Commission charges by bank - Negative list covers sale and purchase of foreign exchange between banks or authorized dealers of foreign exchange or between

banks and such dealers. Consequently, it is not chargeable to tax.

4. Transportation between Port Blair and Chennai - Service by way of transportation of passengers on a vessel, from Chennai to Port Blair (mainland -island) is covered in the negative list (under Category 15). Normal public ships/other vessels that sail between places located in India would be covered in the negative list entry even if some of the passengers on board are using the service for tourism (in such case the service is not predominantly for tourism purpose).

(5 Marks)

- (c)** Value of taxable services provided by Y (Pvt.) Ltd.- It is not given whether the different figures given in the problem are inclusive (or exclusive) of service tax. It is assumed that advance received during March 2016 is inclusive of service tax and other figures in the problem are exclusive of service tax. On this assumption value of taxable service for the relevant period will be as follows -

	Rs.
Service billed during December 2015 [Rs. 5,00,000 - Rs. 2,00,000 (being service provided to UNO which is exempt as given in Mega Exemption Notification)]	3,00,000
Service billed during January 2016 (service rendered in Indian territorial waters is chargeable to tax)	4,00,000
Service billed during February 2016 (service provided by RBI is not taxable, service provided to RBI is taxable)	5,00,000
Advance received (100 ÷ 115 x Rs. 3,40,000) (advance received for service to be provided in a non-taxable territory is not taxable)	<u>2,95,652</u>
Value of taxable service	<u>14,95,652</u>

(5 Marks)

Answer 2:

- (a)**

	Rs.	Rs.	
Net profit as per profit and loss account		8,50,250	
Add: Inadmissible expenses			
Household expenses	20,000		}
Income-tax	36,100		
Interest on capital	84,000		
Reserve for bad debts	3,400		
Consultancy fees (30% of Rs. 1,00,000), as tax deducted at source is deposited after due date of submission of return of income)	30,000		
Excessive depreciation on furniture (i.e., Rs. 18,000 - Rs. 17,200)	<u>800</u>		
		<u>1,74,300</u>	
		10,24,550	
Less: Notional profit on goods withdrawn by X (i.e., Rs. 41,250 - Rs. 27,850)		<u>13,400</u>	
		10,11,150	
ADJUSTMENT IN RESPECT OF VALUATION OF STOCK SO AS TO BRING THEM AT COST			
Add: 1/9 of Rs. 2,10,000		<u>23,333</u>	1/2M
		10,34,483	
Less: 1/9 of Rs. 1,04,000		<u>11,556</u>	1/2M
Business income		10,22,927	
Any other income [gift from a friend is income, see para 114]		<u>96,000</u>	1/2M

Gross total income	11,18,927	
Less: Deductions under section 80C (PPF : Rs. 6,000 + NSC : Rs. 96,000)	1,02,000	1M
Net income (rounded off)	10,16,930	
Tax on net income*	1,30,079	
Add: Surcharge (surcharge is applicable @ 12% of tax if net income exceeds Rs. 1 crore)	-	
Tax and surcharge	1,30,079	2M
Add: Education cess	2,602	
Add: Secondary and higher education cess	1,301	
Tax payable (rounded off)	1,33,980	

Notes:

1. Good withdrawn by the owner is not treated as sale. Profit element on this notional sale (i.e., Rs. 41,250 - Rs. 27,850) is, therefore, excluded while computing net income. This is because of the fact that one cannot make profit by selling goods to oneself.
2. Stock is valued by X at 10% below cost. Therefore, for computing taxable income, amount of closing and opening stock is worked out at cost (as shown under) and necessary adjustment is made accordingly :

	Rs.
Closing stock shown in books	2,10,000
closing stock at cost price (i.e., Rs. 2,10,000 x 100 ÷ 90)	2,33,333
Amount added to book profit	23,333
Opening stock shown in books	1,04,000
Opening stock at cost price (i.e., Rs. 1,04,000 x 100 ÷ 90)	1,15,556
Amount deducted from book profit	11,556

(8 Marks)

(b) VAT payable by B -

	Amount Rs.	VAT Rs.	
Sale of goods (produced from raw material X)	37,00,000	4,62,500	1M
Sale of goods (produced from inter-State purchase and imported raw material)	22,00,000	88,000	1M
Sale of goods (produced from raw material Z)	9,00,000	9,000	1M
Total	68,00,000	5,59,500	
Less: Input credit			
Raw material X (4% of Rs. 25,00,000)		1,00,000	1M
Raw material Z (4% of Rs. 8,00,000)		32,000	1M
Raw material purchased from another State (not eligible)		-	1M
Custom duty (not eligible)		-	1M
VAT payable		4,27,500	1M

(8 Marks)

Answer 3:

(a) Computation of Capital Gains of Ms. Anshu for the A.Y. 2017-18

Particulars	Rs.	Rs.
Full value of consideration [See Notes (i) & (ii) below]		25,00,000
Less: Indexed Cost of acquisition [See Note (iii) below]		
Indexed cost of land (Rs. 1,10,000 × 1125/100)	12,37,500	
Indexed cost of building (Rs. 3,20,000 × 1125/447)	8,05,369	20,42,869
Long-term capital gain		4,57,131
Less: Brought forward short-term capital loss set off [See Note (iv) below]		1,50,000

Taxable capital gains (Amount to be invested in NHAI bonds to get full exemption from tax on capital gains) [See Note (v) below]	3,07,131

Notes :

- (i) As per section 50C(1), where the consideration received or accruing as a result of transfer of a capital asset, being land or building or both, is less than the value adopted by the Stamp Valuation Authority for the purpose of payment of stamp duty, such value adopted by the Stamp Valuation Authority shall be deemed to be the full value of the consideration received or accruing as a result of such transfer. Accordingly, full value of consideration would be Rs. 25 lacs in this case.
- (ii) As per section 50C(3), where the valuation is referred by the Assessing Officer to Valuation Officer and the value ascertained by such Valuation Officer exceeds the value adopted by the Stamp Valuation Authority for the purpose of payment of stamp duty, the value adopted by the Stamp Valuation Authority shall be taken as the full value of the consideration received or accruing as a result of the transfer. Since the value ascertained by the Valuation Officer (i.e. Rs. 27 lakhs), is higher than the value adopted by the Stamp Valuation Authority (i.e. Rs. 25 lakhs), the full value of consideration in this case would be Rs. 25 lakhs.
- (iii) Since the cost of land acquired by Anshu on 1.4.1981 is not given in the question, the fair market value as on 1.4.1981 is taken as the cost of acquisition. Indexation benefit is available since land and building are both long-term capital assets, as they are held by Anshu for more than 36 months.
- (iv) As per section 74, brought forward unabsorbed short term capital loss can be set off against any capital gains, short term or long term, for 8 assessment years immediately succeeding the assessment year for which the loss was first computed. Therefore, short-term capital loss on sale of shares during the F.Y.2011-12 can be set-off against the current year long-term capital gains on sale of land and building.
- (v) As per section 54EC, an assessee can avail exemption in respect of long-term capital gains, if such capital gains are invested in the bonds issued by the NHAI redeemable after 3 years. Such investment is required to be made within a period of 6 months from the date of transfer of the asset. The exemption shall be the amount of capital gains or the amount of such investment made, whichever is less. Therefore, in this case, if Anshu invests the entire capital gains in bonds of NHAI, she can get full exemption from tax on capital gains.

(8 Marks)

(b) Computation of service tax liability of X -	
Rent of residential building I (letting out of residential building for residential purposes is not chargeable to service tax)	Nil 1M
Rent of residential building II (letting out of residential building for residential purposes is not chargeable to service tax)	Nil 1M
Rent of vacant plot of land III	6,00,000 1M
Rent of vacant plot of land IV (letting out of vacant plant for agricultural purposes is not chargeable to service tax)	Nil 1M

Rent of residential building V (letting out of residential building for residential purposes is not chargeable to service tax)	Nil	1M
Rent of commercial building VI (letting out of commercial property is chargeable to tax)	1,50,000	1M
Rent of residential building VII (letting out of residential property for residential purposes is not taxable, if residential property is let out for commercial purposes, it is chargeable to tax)	8,50,000	1M
Value of taxable service	<u>16,00,000</u>	
Service tax @ 14%	<u>2,24,000</u>	1M
		(8 Marks)

Question 4:**(a) Computation of total income and tax liability of Shri Madan for A.Y. 2017-18**

Particulars	Rs.	Rs.
Income from house property (Refer Note 1)		80,500
Business Income		1,00,000
Long-term Capital Gains		50,000
Income from Other Sources		1,50,000
Total Income		3,80,500
Computation of tax liability		
Long-term Capital Gain of Rs. 50,000 @ 20%		10,000
Other income of Rs. 3,30,500 (Rs. 3,30,500 – Rs. 3,00,000) × 10% (Refer Note 2)		3,050
		13,050
Less: Rebate under section 87A		5,000
Add: Education Cess @ 2%	161	8,050
Secondary and Higher Education Cess @ 1%	81	242
Tax liability		8,292
Tax liability (Rounded Off)		8,290

Computation of total income and tax liability of Smt. Hema for A.Y. 2017-18

Particulars	Rs.	Rs.
Short-term Capital Gains	2,00,000	
Less: Business loss	75,000	1,25,000
Income from Other Sources		50,000
Total Income		1,75,000
Tax liability (Since total income is less than basic exemption limit of Rs. 2,50,000)		Nil

Notes:

- As per section 64(1)(vi), the income arising to the son's wife of an individual, directly or indirectly, from assets transferred to her, otherwise than for adequate consideration, by such individual, shall be included in the total income of the individual.

Therefore, the rental income from building transferred by Shri Madan to his son's wife Smt. Hema without consideration on 01.10.2016 is includible in the hands of Shri Madan.

Particulars	Madan (Rs.)	Hema (Rs.)
	Period (01.04.2016- 30.09.2016)	Period (01.10.2016- 31.03.2017)
Gross Annual Value (Rs. 10,000 × 6 months) (Rental income taken as GAV in the absence	60,000	60,000

of information relating to Municipal Value, fair value and standard rent)		
Less: Municipal taxes paid (paid in June for first half year only)	5,000	Nil
Net Annual Value (NAV)	55,000	60,000
Less: Deduction under section 24(a), 30% of NAV	16,500	18,000
Income from House Property	38,500	42,000
Income from House Property of Hema to be clubbed in the hands of Madan as per section 64(1)(vi)	42,000	
Income from house property	80,500	

(2+2=4M)

2. The basic exemption limit for A.Y. 2017-18 in respect of an individual who is of the age of 60 years or more during the relevant previous year is Rs. 3,00,000. The same has been considered while calculating Madan’s tax liability.

(8 Marks)

(b)

	Rs. 11,00,000
Machine price (excluding taxes and duties)	
Adjustments -	
Add: Installation and erection expenses (nothing is given in the problem whether the expenditure results in emergence of an immovable property, on the assumption that the nature of property created is immovable, it is not subject to excise duty)	Nil 1M
Add: Packing charges	18,000 1M
Add: Design and engineering charges	6,000 1M
Add: Cost of material supplied free of charge by buyer	9,000 1M
Add: Pre-delivery inspection charges	2,000 1M
Less: Cash discount	(-)22,000 1M
Add: Bought out accessories (these are not required for functioning of machine, hence not included)	Nil 1M
Assessable value	11,13,000
Excise duty @ 12.5%	1,39,125 1M

(8 Marks)

Answer 5:

(a)

(8 Marks)

	X Rs.	Mrs. X Rs.	Y Rs.	
Salary	2,60,000	-	-	
Income from other sources				
- Bank interest of Mrs. X	80,000	1M	-	
- Bank interest of Y [8.25% of Rs. 70,000 (-) Rs. 1,500]	4,275	1M	-	
- Bank interest of X	90,000	1M	-	
- Interest of company deposit	-	2,60,000	-	
Gross total income	4,34,275	2,60,000	1M	-
Less: Deduction under section 80C	40,000	1,000	-	1M
Net income (rounded off)	3,94,280	2,59,000	-	
Income-tax	14,428	900	-	
Less: Rebate under section 87A (100% of tax or Rs. 2,000, whichever is lower)	2,000	900	-	
Balance	12,428	Nil	-	
Add: Surcharge (not applicable as taxable income does not exceed Rs. 1 crore)	Nil	Nil	-	
Tax	12,428	Nil	-	(2+2=4M)

Add: Education cess	249	Nil	-
Add: Secondary and higher education cess	124	Nil	-
Tax liability (rounded off)	12,800	Nil	-

(b) Computation of customs duty payable by Y Enterprises :

	Duty Rs.	Total Rs.	
Assessable value		20,00,000	
Add: Basic customs duty (10% of Rs. 20,00,000)	2,00,000	2,00,000	2M
Assessable value and basic customs duty		22,00,000	
Add: Countervailing duty (to compensate excise duty) (12.5% of Rs. 22,00,000)	2,75,000	2,75,000	2M
Total	4,75,000	24,75,000	
Add: Education cess (@ 3% of Rs. 4,75,000)	14,250	14,250	2M
Total		24,89,250	
Add: Special CVD (to counter balance sales tax/VAT) (4% of Rs. 24,89,250)	99,570	99,570	2M
Total customs duty	5,88,820	25,88,820	

(8 Marks)

Question 6:

(a)

	Resident and ordinarily resident Rs.	Resident but not ordinary resident Rs.	Non-resident Rs.	Reasons
Interest on German Development Bonds:				
- Two-fifths is taxable on receipt basis	24,000	24,000	24,000	See Note 1
- Three-fifths is taxable in the case of resident and ordinarily resident on accrual basis	36,000	-	-	See Note 2
Income from agriculture in Bangladesh:				
- Income accrued and received outside India	1,81,000	-	-	See Note 3
Income from property in Canada received outside India:				
- Income accruing and arising outside India	86,000	-	-	See Note 2
Income earned from a business in Kampala, controlled from Delhi:				
- Rs. 15,000 is taxable on receipt basis	15,000	15,000	15,000	See Note 1
- Balance is not taxable in the case of non-resident	50,000	50,000	-	See Note 4
Dividend paid by a foreign company:				
- Income received in India	46,500	46,500	46,500	See Note 1
Past untaxed profit brought to India:				
- Not an income of the previous year 2015-16 relevant for the assessment year 2016-17, hence not taxable	-	-	-	See Note 5
Profits from a business in Madras and managed from outside India:				
- Income accrued in India	27,000	27,000	27,000	See Note 6
Profit on sale of a building in India				

but received in Sri Lanka:				
- Income deemed to accrue or arise in India	14,80,000	14,80,000	14,80,000	See Note 7
Pension from an Indian former employer received in Rangoon:				
- Income deemed to accrue or arise in India	36,000	36,000	36,000	See Note 8
Gift form a friend				
- It is taken as an income	80,000	80,000	80,000	See Note 9
Total	20,61,500	17,58,500	17,08,500	

(0.8x10=8M)

Notes:

1. It is Indian income. It is always taxable.
2. It is received as well as accrued outside India. It is foreign income. It is not business income or income from profession. It is taxable only in the case of resident and ordinarily resident taxpayer.
3. It is received outside India (remittance of Rs. 50,000 to India is not "receipt" of income in India). It is accrued outside India. It is foreign income from a business, which is controlled from outside India. It is, therefore, taxable in India only in the case of resident and ordinarily resident taxpayer.
4. It is accrued outside India. It is received outside India. It is foreign income. It is taxable in the case of resident and ordinarily resident taxpayer. It is not taxable in the case of non-resident. Since it is business income and business is controlled from India, it is taxable in the hands of resident but not ordinarily resident taxpayer.
5. It is income of the previous year 2006-07. It cannot be taxed at the time of remittance in 2015-16.
6. As the income is accrued in India, it is Indian come. It is, therefore, taxable in all cases.
7. As the building is situated in India, income is deemed to be accrued in India. Consequently, it is Indian income and is chargeable to tax in all cases.
8. Service was rendered in India. Pension income is deemed to accrue in India. It is Indian income and is chargeable to tax in all cases.
9. If the aggregate amount of gift(s) received by an individual/HUF from all persons (not being relatives) during a financial year exceeds Rs. 50,000, it is taxable as income. For detailed discussion, see para 114.

(8 Marks)

(b) Service tax provisions-

Point of taxation in the case of continuous service - See para 451.2.

Other Points:

1. Point of taxation in the case of advance up to Rs. 1,000 - If the service provider receives a payment up to Rs. 1,000 in excess of amount indicated in the invoice, the point of taxation to the extent of such excess amount, at the option of service provider, shall be the date of invoice.
2. What is completion of service in case of continuous supply of service: Where the provision of the whole (or part) of the service is determined periodically on the completion of an event in terms of a contract, which requires the service receiver to make any payment to service provider, the date of completion of each such event as specified in the contract shall be deemed to be the date of completion of provision of service.
3. Point of taxation in case of continuous supply of service: In the case of continuous supply of service, the point of taxation shall be broadly the same which has been discussed in the above para.

4. Reminders issued by insurance companies: Generally, insurance companies issue reminder notices/letters to policy holders to pay renewal premiums. These reminders are not invoices under rule 4A of the Service Tax Rules. No tax point arises on account of such reminders. Reminder letters/notices for insurance policies (not being invoices) would not invite levy of service tax- Circular No. 166/1/2013-ST, dated January 1, 2013 (this circular is applicable only for life insurance sector).

Installment 1 - 10 per cent is payable within 10 days from signing of agreement.

Installment 2 - 35 per cent is payable on casting of first floor slab.

Installment 3 - 25 per cent is payable on casting of second floor slab.

Installment 4 - 25 per cent is payable on completion of flooring and wooden work.

Installment 5 - 5 per cent is payable on completion of building.

Casting of first floor and second floor slabs is completed on December 1, 2015 (invoice issued on December 7, 2015) and January 10, 2016 (invoice issued on February 27, 2016) respectively. Flooring and wooden works are completed on March 7, 2016 (but no invoice issued). Construction of building is completed on May 20, 2016 (invoice issued on May 15, 2016).

Payment is actually made by X Ltd. to the contractor on September 5, 2015 (installment 1), December 12, 2015 (installment 2), March 20, 2016 (installment 3), March 3, 2016 (installment 4), June 1, 2016 (installment 5).

In this case, the point of taxation will be as follows:

Completion of milestone for payment	Date of issue of invoice	Date of payment	Point of taxation
September 11, 2015	No invoice issued	September 5, 2015	September 5, 2015
December 1, 2015	December 7, 2015	December 12, 2015	December 7, 2015
January 10, 2016	February 27, 2016	March 20, 2016	January 10, 2016
March 7, 2016	No invoice issued	March 3, 2016	March 3, 2016
May 20, 2016	May 15, 2016	June 1, 2016	May 15, 2016

Adjustment of service tax - Z can take the credit of excess service tax paid by him. He can himself adjust the excess service tax paid on Rs. 30,000 against the service tax liability of the period in which Rs. 30,000 is refunded to the service recipient. For detailed discussion, see para 474.3-5.

474.3-5 ADJUSTMENT OF SERVICE TAX- Up to March 31,2011, service tax is payable on receipt basis. With effect from April 1, 2011, service tax is payable on invoice basis or receipt basis, whichever is earlier. Consequently, rule 6(e) has been amended with effect from April 1, 2011. The amended provisions are applicable if the following conditions are satisfied -

- a. an assessee (i.e., service provider) has issued an invoice or received any payment;
- b. the above payment is received against a service to be provided; and
- c. the service is not actually provided by the assessee, wholly or parthyl, for any reason or the amount of invoice is renegotiated due to deficient provision of service or any terms contained in a contract.

If the above conditions are satisfied, the assessee may take the credit of such excess service tax paid by him. However, the credit of such excess service tax is possible only in one (or both) of the following cases -

- a. he has refunded the payment (or part there of) so received for the service provided to the person from whom it was received; or

b. he has issued a credit note for the value of service not so provided to the person to whom such an invoice had been issued.

After such refund of amount or issue of credit note, the assessee can himself adjust the excess service tax paid by him against service tax liability (without any monetary limit). The following points should be noted -

1. With effect from Aril 1, 2011, adjustment is possible even in the case of issue of credit note. Up to March 31, 2011, the provision of credit note was not there.
 2. Up to March 31, 2011, adjustment was possible only against service tax liability for the subsequent period. With effect from April 1, 2011, adjustment is possible whether liability of service tax pertains to the current period or the subsequent period.
 3. Adjustment is possible if service is not provided wholly or partly. With effect from April 1, 2011, adjustment is also possible if the amount of invoice is renegotiated due to deficient provision of service or any terms contained in a contract (express or implied).
- When excess amount of service tax is paid for other reasons - Under rule 6(4A) where an assessee had paid excess amount of service tax to the credit of Central Government for a month or of quarter, as the case may be, the assessee is allowed to adjust the excess service tax paid by him for the subsequent period. This self-adjustment facility has now been extended to all assesses subject to the following conditions -
1. Self-adjustment of excess credit is allowed on account of reasons other than interpretation of law, taxability, valuation or applicability of any exemption notification.
 2. Adjustment can be made only in the succeeding month or quarter.
 3. The details of self-adjustment should be intimated to the superintendent of Central Excise within a period of 15 days from the date of adjustment.

(4 × 2 = 8M)

(8 Marks)

Question 7:

(a) As X has occupied two houses for his own residential purpose, on house (according to the choice of X) will be treated as self-occupied property and the other house will be treated as "deemed to be let out" property. Assuming that the assessee has exercised his option to treat House I as self-occupied property, House II will be treated as "deemed to be let out" property. Taxable income will, therefore, be determined as under:

HOUSE II (DEEMED TO BE LET OUT PROPERTY)		Rs.
Step I - Reasonable expected rent of the property [MV or FR, whichever is higher, but subject to maximum of SR]		32,000
Step II - Rent received/receivable after deducting unrealized rent but before adjusting loss due to vacancy		Nil
Step III - Amount computed in Step I or Step II, whichever is higher		32,000
Step IV - Loss due to vacancy		Nil
		Rs.
Step V - Gross annual value is step III minus Step IV		32,000
Less: Municipal taxes (i.e., 10% of Rs. 30,000)		3,000
Net annual value		29,000
Less: Deductions under section 24	Rs.	
Standard deduction (30% of Rs. 29,000)	8,700	
Insurance	Nil	8,700
Income from House II		20,300
HOUSE I (SELF-OCCUPIED PROPERTY TREATED AS SUCH)		
Annual value [Sec. 23(2)(a)]		Nil
Less: Deductions under section 24		

3M

Standard deduction	Nil	
Interest on borrowed capital [*maximum permissible deduction is Rs. 2,00,000 if capital is borrowed after March 31, 1999 and construction is completed within 3 years from the end of the financial year in which loan is taken]	1,41,600*	1,41,600
Income from House I		<u>(-),1,21,300</u>
DETERMINATION OF NET INCOME		
Income form house property:		
House I	(-),1,41,600	
House II	<u>20,300</u>	(-),1,21,300
Business income		<u>6,30,000</u>
Gross total income		<u>5,08,700</u>
Less: Deduction under section 80C [contribution to provident fund]		<u>1,40,000</u>
Net income		<u>3,68,700</u>
Tax on Rs. 3,68,700		11,870
Less: Rebate under section 87A (100% of tax or Rs. 2,000, whichever is lower)		<u>2,000</u>
Balance		9,870
Add: Education cess (2% of tax)		197
Add: Secondary and higher education cess (1% of tax)		99
Tax liability (rounded off)		<u>10,170</u>
		(8 Marks)

(b)

Computation of interest on delayed payment of service tax

Name of the service provider	PQR Ltd.	Mr. Manik
Service tax liability	Rs. 1,23,600	Rs. 2,16,000
Delay in payment of service tax	20 days	25 days
Value of taxable services in prev. financial year	Rs. 40,00,000	Rs. 62,00,000
Rate of interest	12% per annum	15% per annum
Interest (rounded off)	[Rs. 1,23,600 x (12/100) x (20/365)] =Rs. 813 (rounded off)	[Rs. 2,16,000 x (15/100) x (25/365)] =Rs. 2,219 (rounded off)

Note: As per section 75 of Finance Act, 1994 read with Notification No. 13/2016 ST dated 01.03.2016 in case of collection of any amount as service tax but failing to pay the amount so collected to the credit of the Central Government on or before the date on which such payment becomes due, the simple interest @ 24% p.a. is payable. However, in all other cases, 15% simple interest p.a. is payable. Since in the above case, service tax has not been collected, so simple interest @ 15% p.a. is payable. However, the applicable rate gets reduced by 3% for service providers whose turnover of services does not exceed Rs. 60 lakh in the preceding financial year.

(4 x 2 = 8M)

(8 Marks)
