

Qn 1. Answer the following with reasons having regard to the Provisions of the Income tax Act, 1961 for the Assessment Year 2010-11 : **[5 x 2 = 10 marks]**

- (i) State the scope of total income in the case of an individual, whose residential status is 'non-resident' with reference to Section 5(2) of the Act.
- (ii) Mr. X a citizen of India received salary from the Government of India for the services rendered outside India. Is the salary income chargeable to tax ?
- (iii) Mr. Anil earned Rs. 5,00,000 from sale of Coffee grown and cured (processed) by him. He claims the entire income as agricultural income, hence exempt from tax. Is he correct ?
- (iv) What is the time limit for filing application seeking registration in the case of Charitable Trusts/Institutions under Section 12AA of the Act ?
- (v) In what status and tax rate Limited Liability Partnership (LLP) is taxed under the Act ?

Ans. 1

(i) Scope of Total income of Non Resident [Section 5(2)]: Subject to the provisions of this Act, the total income of any previous year of a person who is a non-resident includes all income from whatever source derived which -

- (a) Is received or is deemed to be received in India in such year by or on behalf of such person; or
- (b) Accrues or arises or is deemed to accrue or arise to him in India during such year.

(ii) True. As per **Sec 9(2)(b)** Salary payable by the Government to a citizen of India for services rendered outside India would be deemed to accrue or arise in India regardless of the place of actual receipt of the salary income. Any allowances and perquisites received by the government employees outside India is fully exempt from tax u/s 10(7). It means for a government employee who is also a citizen of India, only basic salary is taxable in India.

(iii) Not Correct. Since The coffee is only cured and not grounded and roasted therefore according to Rule 7 B, an assessee is engaged in the business of growing and manufacturing coffee in India, 75% of income is treated as agricultural income and balance 25% of income treated as non agricultural income. Hence Mr. Anil cannot claim the entire amount of Rs.500000 as agricultural income. In this care, Rs.3,75,000 is treated as agricultural income hence exempt and Rs.125000 is non agricultural income hence taxable. Therefore, the contention of Mr. Anil is not correct.

(iv) The trust should apply for registration (Form No. 10A for application) with the Commissioner of Income-tax within one year from the date on which the trust is created and after that such trust is registered by the Commissioner under section 12AA.

(v) Status of limited liability partnership (LLP) is just like as the status of a Partnership Firm and tax rate is 30% + 2% Education Cess +1% SHEC.

Qn. 2. Mr. Raman (aged 70 years), Karta of a Hindu Undivided Family (HUF) furnishes the following information for the Financial Year 2009-10 : **[20 marks]**

- (i) Income from the business of Poultry farming Rs. 4,00,000.
- (ii) Income by way of winning from Horse race Rs. 30,000 (Horse race won on 28.2.2010)
- (iii) Net profit from the business of dealing in Equity shares Rs. 88,500. (Computed after deducting Securities Transaction Tax (STT) of Rs. 11,500).
- (iv) Brought forward business loss relating to discontinued automobile business Rs. 38,500 (relates to Assessment Year 2007-08).
- (v) Payment of Life Insurance Premium (on self) Rs. 22,500.
- (vi) Contribution to Pension Fund of LIC Rs. 17,500.
- (vii) Contribution made in the name of a member of HUF in Public Provident Fund Account Rs. 20,000.
- (viii) Interest income from Company deposits Rs. 15,100.
- (ix) Housing Loan principal repaid Rs. 30,000.
- (x) Interest on Housing loan Rs. 36,000 (actually paid Rs. 25,000).
- (xi) The HUF gave the right to receive furniture rent of Rs. 26,000 per annum by Mrs. Raman without transferring the ownership rights in her favour.

The HUF owns a residential property which has three identical residential units. Unit 1 and Unit 2 are self occupied by the members of the HUF for residential purpose. Municipal tax paid @ Rs. 5,000 per annum for each residential unit.



Unit 3 is let out for a rent of Rs. 8,000 per month. The tenant paid the Municipal tax in respect of Unit 3 as per agreement.

The Assessee realised Rs. 1,20,000 on 16.4.2009 as per court order towards arrear rent for the period from 1.1.2007 to 31.12.2008.

Compute the Total Income and tax payable for the Assessment Year 2010-11.

Ans. 2 Computation of Total Income of Mr. Raman to Assessment Year 2010-11

I/H/P (WN 1)	Rs.	Rs.
Unit 1 & 2 (Self Occupied)	(24000)	
Unit 3 (Let out)	<u>139200</u>	115200
P G B P Income (WN 2)		450000
Capital Gain Income		Nil
Income from others sources (WN 3)		71100

Gross Total Income		636300
(-) Deduction u/s 80C – 80U		
(i) Life insurance premium paid	22500	
(ii) Contribution to pension fund of LIC (Available only for Individuals)	NIL	
(iii) Contribution to PPF	20000	
(iv) Housing loan principal repaid	<u>30000</u>	<u>72500</u>
Total Income		563800

Computation of Tax Liability

Tax at Special Rates : Income on horse race winning (30000 x 30%)	9000
Tax at Normal Rates :	
On first 160000	Nil
Next 140000 @ 10%	14000
Next 300001 – 500000 @ 20%	40000
Next 33800 @ 30%	<u>10140</u>
	73140
(+) Education cess @ 3%	<u>2194</u>
Tax liability	75334
	or 75330

Note : The tax slabs as applicable to individuals will only apply to huf and the information about the age of kartha for this matter is irrelevant.

WN 1. Income From House Property (Sec. 22)

Particulars	Self Occupied	Let Out
Gross Annual Value (Sec 23)	NIL	96000
Less : Municipal Taxes	N.A	NIL (Note 2)
Net Annual Value	NIL	96000
Less : Standard Deduction U/s. 24 a	nil	28800
Less : Interest U/s. 24 b (2:1)	24000	12000
Add : Arrears of rent received U/s. 25b (70%)	Nil	84000
Income from House Property	(24000)	139200

$$\text{IHP} = 139200 - 24000 = 115200$$

Note 1 : Set off from the same head available under the same head u/s. 70.

2 : If the Municipal taxes is borne by the tenant, then it will not be deducted from Gross Annual Value.

WN 2 : PGBP (Sec. 28)

Poultry Farming (not a Agriculture Income)	400,000
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Income from share trading business	88,500
Note : STT is allowed as business expenditure U/s. 36(1)(xv)	
Less : Set off of automobile business loss as per Sec 72	<u>38500</u>
	450000

Total PGBP = 450,000

WN 3 . Income from other Sources (Sec 56)

Income From Horse Race(115 BB)	30,000
Interest on company Deposits	15,100
Rent of furniture (Clubbed u/s. 64)	26,000
Total Income from other Sources =	71,100

Qn 3. (a) Mr. John commenced a proprietary business in the year 2000. His capital as on 1.4.2008 was Rs. 6,00,000.

On 10.4.2008 his wife gifted Rs. 2,00,000 which he invested in the business on the same date.

Mr. John earned profit from his proprietary business as given below :

Previous year 2008-09 = Profit Rs. 3,00,000

Previous year 2009-10 = Profit Rs. 4,40,000

Compute the Income from business chargeable to *tax* in the hands of Mr. John for the Assessment Year 2010-11.

During the Financial Year 2009-10, he sold a vacant site which resulted in chargeable long-term capital gain of Rs. 5,00,000 (computed). The vacant site was sold on 20.12.2009.

Compute the total income and tax liability of Mr. John and the instalments of advance tax payable for the Financial Year 2009-10. **[8 marks]**

(b) Mr. Prakash has the following Assets which are eligible for depreciation at 15% on Written Down Value (WDV) basis : **[7 marks]**

1.4.2006	WDV of plant 'X' and Plant 'Y'	Rs. 2,00,000
10.12.2009	Acquired a new plant 'Z' for	Rs. 2,00,000
22.1.2010	Sold Plant 'Y' for	Rs. 4,00,000
	Expenditure incurred in connection with transfer	Rs. 10,000

Compute eligible depreciation claim/chargeable capital gain if any, for the Assessment Year 2010-11.

Ans. 3 (a) Computation of Income from business chargeable to tax in the hands of Mr. John for the A/Y. 2010-11

Opening Capital on 1.4.08	= 600,000
Add : Profits for the year	= 300,000
Add : Gift Received	= 200,000
Closing capital as on 31.03.09	= 11,00,000

Note: Since sec. 64 says that where a gift is received from the spouse, income will be clubbed in the proportions of the amount of gift received and invested in the business and capital of the spouse receiving gift as on the first day of the relevant financial year. Gift Received is on 10.04.2008 - no clubbing in FY 08-09

on 1.4.9 proportion of amount of gift received to total capital is 2 : 11

therefore $440,000 \times \frac{2}{11} = 80,000$ will be clubbed in the hands of Mrs. John and the rest i.e., 360,000 will be taxable in the hands of Mr. John for FY 09-10

Ans. 3 (b)

Computation of Eligible Depreciation Claim for the Assessment Year 2010-2011

W D V of plant X and Y on 1.4.2009 (WN 1)	122825
(+) Assets acquired (new plant Z)	<u>200000</u>
	322825
(-) Moneys payable (Sale consideration of plant Y) 400000 but subject to W D V for the Assessment Year 2010-2011	<u>322825</u>
	NIL
(-) Depreciation @ 15%	<u>Nil</u>
	NIL

Computation of Chargeable Capital Gain for the Assessment Year 2010-2011

Since the block of assets is a depreciable asset hence STCG or STCL will arise.



Sale Proceeds		400000
Less : Cost of Acquisition (WDV of the block at the beginning	122825	
+ Cost of asset acquired during the year	<u>200000</u>	<u>322825</u>
STCG		<u>77175</u>

Wn 1 : Calculation of WDV of the block of plant X & Y as on 1.4.2009

W D V of plant X and Y on 1.4.2006	200000
(-) Dep. for the previous year 2006-07 @ 15%	<u>30000</u>
W D V of plant X & Y on 1-4-2007	170000
(-) Dep. for previous year 2007 – 08 @ 15%	<u>25500</u>
W D V of plant X and Y on 1.4.2008	144500
Dep. for previous year 2008 – 09 @ 15%	<u>21675</u>
W D V of plant X & Y on 1.4.2009	122825

Note : Expenditure incurred in connection with transfer will be allowed as a normal business expenditure u/s 37(1).

Qn. 4. (a) State with reasons, whether tax deduction at source provisions are applicable to the following transactions and if so, the rate of tax deduction : **[8 marks]**

- An Insurance Company paid Rs. 45,000 as Insurance Commission to its agent Mr. Hari.
- X & Co. (Firm) engaged in wholesale business assigned a contract for construction of its godown building to Mr. Ravi, a contractor. It paid Rs. 25,00,000 to Mr. Ravi as contract payment.
- AB Ltd. allowed a discount of Rs. 50,000 to XY & Co. (a firm) on prompt payment of its dues towards supply of automobile parts.
- Y & Co. engaged in real estate business conducted a lucky dip and gave Maruti car to a prize winner.

Note : Assume that all the facts given above relate to Financial Year 2009-10.

Qn. 4 (b) Mr. Banerjee furnishes you the following details for the year ended 31.3.2010 : **[6 marks]**

Income (loss) from house property	Rs.
House-1	36,000
House-2-Self occupied	(20,000)
House-3	60,000
Profits and gains from Business or Profession	
Textile Business	2,00,000
Automobile Business	(3,00,000)
Speculation Business	2,00,000
Capital Gains	
Long-term capital gain from sale of shares (STT paid)	1,50,000
Long-term capital gain from sale of vacant site	2,00,000
Short-term capital loss from sale of building	1,00,000
(Note : Assume that the figures given above are computed and arrived at after considering eligible deductions).	
Other sources :	
Gift from a Friend (non-relative) on 5.6.2009	60,000
Gift from Maternal Uncle on 25.2.2010	1,00,000
Gift from Grandfather's Younger Brother on 10.2.2010	1,00,000
Compute the total income of Mr. Banerjee for the Assessment Year 2010-11.	

Ans. 4 (a) Note for the FY 09-10 due the amendments brought in by the finance act 2009 (2) the rates have changed w.e.f 01.10.2009 and also there will not be any Cess deduction from 01.10.2010 from any payment other than salaries. Also surcharges will be required to be deducted only from payments to Companies.

(i) As per Sec 194D, any person responsible for paying to a resident person any income by way of remuneration or reward (i.e. commission etc.) for soliciting or procuring insurance business including business relating to the continuance, renewal or revival of policies of insurance, then TDS is deductible @10% at the time of payment or crediting the party whichever is earlier.



Note : Tax shall not be deducted if the aggregate amounts of remuneration or reward credited or paid during the financial year to the payee does not exceed Rs.5000.

Therefore in this case TDS liability = RS. 45000 x 10% = Rs. 4500.

Ans. 4 (ii) The recipient is an individual and as per Sec 194 C tax will have to be deducted @ 1% if the payment is made after 30.09.2009 and 2% if the payment is made before the said date.

TDS liability if the amount is paid before 30.9.2009 Rs. 25,00,000 x 2% = Rs. 50,000

TDS liability if the amount is paid on or after 30.9.2009 Rs. 25,00,000 x 1% = Rs. 25,000

Ans. 4 (iii) The provisions for TDS contained in the sections 192 to 195 does not provide for deduction of tax on the amount of discount allowed and therefore there is no need to deduct any tax for the same.

Ans. 4 (iv) From 01.10.2009 gifts in kind are also taxable. For lotteries payment in cash tax has to be deducted upfront and remitted to the government @ 30%. However since kind is also taxable from 01.10.2009 the company must ensure that the tax equal to 30 % of the value of the car is deposited as advance tax and only then the company shall give the delivery of the car to the winner of the lucky dip.

Qn. 4 (b) Mr. Banerjee furnishes you the following details for the year ended 31.3.2010 :

[6 marks]

Income (loss) from house property	Rs.
House-1	36,000
House-2-Self occupied	(20,000)
House-3	60,000
Profits and gains from Business or Profession	
Textile Business	2,00,000
Automobile Business	(3,00,000)
Speculation Business	2,00,000
Capital Gains	
Long-term capital gain from sale of shares (STT paid)	1,50,000
Long-term capital gain from sale of vacant site	2,00,000
Short-term capital loss from sale of building	1,00,000
(Note : Assume that the figures given above are computed and arrived at after considering eligible deductions).	

Other sources :

Gift from a Friend (non-relative) on 5.6.2009	60,000
Gift from Maternal Uncle on 25.2.2010	1,00,000
Gift from Grandfather's Younger Brother on 10.2.2010	1,00,000

Compute the total income of Mr. Banerjee for the Assessment Year 2010-11.

Ans. 4 (b) Computation of Total Income of Mr. Banerjee for A/Y 2010-11

	Rs.
<u>Income from house property</u>	
House I	36000
House II (Self occupied)	(20000)
House III	<u>60000</u>
	76000
<u>Income from profits and gains from business or profession</u>	
Textile business	200000
Automobile business	(300000)
Speculation business	<u>200000</u>
	100000
<u>Income from capital gains</u>	
Long term capital gain from sale of shares (STT Paid) exempt u/s 10(38)	NIL
Long term capital gain from sale of vacant site	200000
Short term capital loss from sale of building	<u>(100000)</u>
	100000

Note : STCL can be set off against both STCG and LTCG		
<u>Income from other sources</u>		
Gift from a friend (non relative)		
on 5.6.09	60000	
Gift from Maternal Uncle on 25.2.10	Nil	
(exempt u/s 56 (2))		
Gift from grandfather		
younger brother	100000	
Total Income of Mr. Banerjee		<u>160000</u>
		<u>436000</u>

Qn. 5. Answer the following with reference to Income-tax Act, 1961 : **[4 x 4 = 16 marks]**

- Briefly explain the term 'Manufacture' defined in Section 2 (29BA).
- In whose hands the income from an asset is chargeable to tax in the case of transfer which is not revocable during the life time of the beneficiary/transferee ?
- List the conditions for deduction under Section 80-1D for hotels located in specified district having "World Heritage Site".
- State the provisions for self assessment prescribed under Section 140A of the Act.

Ans. 5 (i) Manufacture [Sec.2 (29BA)]

The term manufacture with its grammatical variation shall mean –

- a change in non living physical object or article or thing resulting in transformation of the object or article or thing into a new and distinct object or article or thing having a different name character and use or
- bringing into existence of a new and distinct object or article or thing with a different chemical composition or internal existence.

Ans. 5 (ii)

Revocable transfer of Assets - (Section 61)

All Income arising to any person by virtue of a revocable transfer of assets will be included in the income of the transferor.

Meaning of transfer : Transfer includes any settlement, trust, covenant, agreement or arrangement.

Meaning of Revocable transfer (Sec. 63): Transfer will be regarded as revocable if:

- The transferor has right of transfer directly or indirectly on the whole or part of the Income or assets. (or)
- The transferor has a right to re-assume power directly or indirectly over the whole or any part of the income or assets.

When Section 61 will not apply (Section 62) : The Provisions of Sec. 61 shall not apply if

The transfer is by way of trust	In any other case
Not revocable during the life time of the beneficiary	Not revocable during the life time of the transferee

Ans. 5 (iii) Deduction in respect of profit from hotel business in World Heritage Site [Sec. 80-ID (2) (iii)]

Applicable to : All assessees

Quantum of deduction and period

Sub Sec.	Location and period	Quantum of deduction and period
2(i)	1.4.07 to 31.3.10 in the case of Hotel(2, 3, 4 star)	100% of the profits or gains for the Initial 5 consecutive assessment years
2 (ii)	1.4.07 to 31.3.10 build own and operate convention centre	100% of the profits or gains for the Initial 5 consecutive assessment years
2(iii)	1.4.08 to 31.3.2013 in the case of Hotel(2, 3, 4 star)	100% of the profits or gains for the Initial 5 consecutive assessment years

Conditions to be satisfied

- Nature of business : The assessee is engaged in the business of hotel.
- Location : Such hotel should be located in the specified district having a World Heritage Site.

- Specified district having a World Heritage Site

District	State	District	State
Agra	Uttar Pradesh	Raisen	Madhya Pradesh
Jalgaon	Maharashtra	Gaya	Bihar
Aurangabad	Maharashtra	Bhopal	Madhya Pradesh
Kancheepuram	Tamil Nadu	Panchmahal	Gujarat
Puri	Orissa	Kamrup	Assam
Bharatpur	Ranasthan	Goalpara	Assam
Chhatarpur	Madhya Pradesh	Nagaon	Assam
Thanjavur	Tamil Nadu	North Goa	Goa
Bellary	Karnataka	South Goa	Goa
South 24 Parganas*	West Bengal	Darjeeling	West Bengal
Chamoli	Uttarakhand	Nilgiri	Tamil Nadu.

* excluding areas falling within the Kolkata urban agglomeration on the basis of the 2001 census

3. Time : Such hotel is constructed and starts functioning at any time during 01-04-2008 to 31-03-2013.
4. New Business : Such business is not formed by the splitting up, or the reconstruction, of a business already in existence.
5. New Building : Such business is not formed by the transfer to a new business of a building previously used as a hotel.
6. New Plant & Machinery : Such business is not formed by the transfer to a new business of machinery or plant previously used for any purpose.
Exception : Refer Telecommunication Service in sec.80-IA
7. Return of income is required to be furnished with due date.
8. A report of audit from chartered accountant (certifying that the deduction has been correctly claimed) shall be furnished along with the return of income.

Ans. 5 (iv) In self-assessment, assessee itself is responsible to determine its taxable income, tax liability and to pay tax accordingly. Provision of sec. 140A is as follows -

- a) Where any tax is payable (after deducting relief, advance payment of tax or tax deducted or collected at source or MAT credit, if any) on the basis of return furnished the assessee is required to pay such tax before filing the return.
- b) If any interest is payable for delayed filing of return (u/s 234A) or default in payment of advance tax (u/s 234B) or for deferment of advance tax (u/s 234C) then such interest should be paid along with self-assessment tax.
Note: While calculating above interest for the purpose of self-assessment, tax on the total income declared in the return shall be considered.
Tax point: This rule is not applicable while calculating actual interest u/s 234A and 234B.
- c) Where the amount paid by the assessee falls short of the aggregate of tax and interest, the amount so paid shall first be adjusted towards interest payable and the balance, if any, shall be adjusted towards tax payable.
- d) After assessment, any amount paid under this section shall be deemed to have been paid towards such assessment.
- e) If an assessee fails to pay whole or any part of such tax or interest or both in accordance with the provisions of sec. 140A, he shall be deemed to be an assessee in default.

Qn. 6. Answer the following :

[5 x 2 = 10 Marks]

- (i) Is Service tax payable on free-service ?
- (ii) State the due dates for payment of Service tax in the case of an individual rendering taxable service.
- (iii) A Company located in the State of Jammu & Kashmir rendered service in Delhi. Is the service provided by the Company liable for Service tax ?
- (iv) Do you agree with the statement that 'Tax cannot be evaded under VAT system' ?
- (v) Mr. Raj rendered taxable service in February, 2010. The amount was however realised on 18.4.2010. What is the due date for payment of Service tax ?

Ans. 6 (i) No, service tax is not payable on free service as service tax is levied only on taxable services. As per sec 67 of the finance act 1994, assessable value ie consideration (in monetary + non monetary terms) received before, during and after providing an service, is taxable, therefore when there is no consideration, the tax payable will also be nil.



Ans. 6 (ii) As per Rule 6, the service tax provider is required to pay service tax within.

Case	Due date
In case of individual, proprietary firm or partnership firm -	
• Service tax on the value of taxable service received during the quarter ending March	Within 31 st March
• Service tax on the value of taxable services received during other quarters.	Within 5 th (6 th if paid electronically) of the month immediately following the quarter

Ans. 6 (iii) Service tax is Consumption oriented and the place of service is of most relevance and not where the service provider is registered and therefore the person providing service in New Delhi will be liable to service tax dues.

Ans. 6 (iv) Under the VAT System although tax can still be evaded but the loss of revenue will be minimized since input will be allowed only on production of proper invoice. The input tax credit system encourages trades to collect invoice which will lead to more transparency and shall allow several tax departments to apply "cross check". Therefore the above statement is true.

Ans. 6 (v) Service tax is payable only when amount is actually realized. In this case service is provided in February 2010 but amount is realized on 18.4.2004. Hence the due date for payment of service tax is within 5th of the month immediately following the quarter when the amount is realised i.e. 5th July and if service tax is paid electronically then the due date is 6th of July.

Qn. 7 X & Co. received the following amounts : **[6 marks]**

Date of receipt	Nature of receipt	Amount	
20.4.2009	For service	Rs. 1,00,000	Services rendered in July, 2009
30.6.2009	Advance for service	Rs. 5,00,000	Services were rendered in July and August, 2009
5.8.2009	For service	Rs. 50,000	For services rendered in March, 2009
10.9.2009	Advance for service	Rs. 3,50,000	A sum of Rs. 50,000 was refunded in April, 2010 after termination of agreement. For the balance amount, service was provided in September, 2009.

Compute :

- The amount of taxable service for the first two quarters of the Financial Year 2009-10.
- The amount of Service tax payable.

Ans. 7 (a) The amount of taxable service for the first two quarters of the Financial Year 2009-2010 shall be as under:

<u>For first quarter</u> (April – June)	Amount	
Advance Receipt	100000	
Advance for service	<u>500000</u>	600000
 <u>For 2nd Quarter</u> (July – Sep.)		
Receipt for services rendered	50000	
Advance payment for services	<u>350000</u>	<u>400000</u>
Total amount received for the services provided or to be provided		1000000

(b) Amount of Service Tax payable

$$Q1 = 600,000 \times 10.3/110.3 = 56029$$

$$Q2 = 400000 \times 10.3/110.3 = 37353$$

The excess Service tax amount can not be refunded but it can be adjusted in the quarter when the amount is refunded i.e. April-June 2010 and the assessee must also intimate the department in 15 days of such self adjustments. Also while filling the half yearly ST-3 returns it must be ensured that the proof of payment must be enclosed with the returns.

Qn. 8 (a) Compute the VAT liability of Mr. P Kapoor for the month of October, 2009, using the 'Invoice method' of Computation of VAT. **[3 x 3 = 9]**



Purchases from the local market (Includes VAT @ 4%)	Rs. 65,000
Storage cost incurred	Rs. 750
Transportation Cost	Rs. 1,750
Goods sold at a margin of 5% on the cost of such goods.	
VAT rate on Sales 12.5%.	

(b) State briefly about Provisional payment of Service tax.

(c) What are the three variants of VAT ? Which of these methods is most widely used and why ?

Answer 8. a

	Rs.
Purchase = 65000/1.04	62500
add: Storage Cost incurred	750
: Transportation Cost	1750
Total Costs	65000
Add : 5 % profit	3250
Sale Price	68250
12.5% thereon = output Vat	8531
Less ; Input Credit (65000 x 4/104)	2500
Vat Payable	6031

Ans. 8 (b) Provisional payment of tax

Applicability

In case the assessee unable to correctly estimate, at the time of deposit, actual amount of service tax for any month or quarter.

Procedure

He may make a written request to Assistant/Deputy Commissioner of Central Excise for making payment of service tax on provisional basis. Assessee need to state the reason why he is unable to decide his tax liability correctly.

On receipt of such a request, the concerned officer may allow payment of service tax on provisional basis on such value of taxable services as may be specified by him.

Attachments to be filed along with return:

1. Memorandum of ST-3A, incase of provisional payment of tax.
2. When payments are made, GAR-7 challans.

Answer 8 C.

The three Variants of VAT is as follows :

1. Gross Product variant (only RM inputs allowed)
2. Income variant (RM + CG based on depreciation allowed)
3. Consumption Variant - RM+CG

Consumption variant is most widely used in practice because :

1. Cascading effect is eliminated.
2. It reduces litigation, as there is no need for any differentiation between capital goods and non capital goods, both of which are treated alike. Further there is no need to specify life of capital good and rate of depreciation allowance, as is required in case of Income Variant.
3. Since the VAT paid on capital goods is set off against VAT liability on sales, this system is neutral in respect of techniques of production (viz. labour intensive or capital intensive).