

PAPER – 14

Indirect & Direct Tax Management

TEST PAPER – III14/TXM/2008/T-

Time Allowed: 3hrs

Full Marks: 100

Part A

Direct Tax

Answer All Questions:

1. a) What are the methods under which the arm's length price, relating to an international transaction, is determined u/s 92C?

b) J Ltd., is an Indian Company which is a 100% subsidiary of K Ltd., a foreign company. K Ltd. Sells its product to J Ltd., at 15\$ per unit. At the same time, it sells its products to an unrelated party at \$ 20 per unit. How will the arm's length price be determined in this transaction?

(10)

2. Write a short note on
- i) Tax Implication – Make or Buy Decision
 - ii) Tax Implication – Own or Lease

(10)

3. Given below is the P&L A/C of K,L,M & Associates, a partnership firm for the previous year 2007-2008.

Particular	Rs.	Particular	Rs.
Purchase	15,45,000	Sales	35,00,000
Direct & Indirect Expense	8,00,000	Interest on Securities	45,000
Depreciation	2,00,000	(TDS – Rs.5,000)	
Interest to partners	2,00,000		
Salaries to partners	6,60,000		
Net Profit	1,40,000		
	35,45,000		35,45,000

You are further informed

- i) Depreciation allowable as per Section 32 is Rs.1,50,000
- ii) Purchase include cash purchase of Rs.30,000
- iii) A,B,C share profits in the ratio of 4:3:3 C is a sleeping partner

- iv) Interest is paid to partners @20% p.a. interest is authorized by partnership deed
- v) Salaries, authorized by partnership deed are paid to all the partners equally

Compute (i) Book profit and

(ii) Total income of the firm in the following cases:-

- (a) It is a professional form
- (b) It is a business form
- (c) It does not file the return of its income , leading to best judgment assessment.

(15)

4. a) Enumerate the list of person / entities treated as “individual” u/s 3 of the Wealth Tax Act.

b) Who are the persons / entities to whom Wealth Tax is not applicable u/s 45 of the Wealth Tax Act?

c) Is Wealth Tax a debt owed on the valuation date and hence deductible while computing net wealth?

d) On what grounds can it be said that partial partition is de-recognised under the Wealth Tax Act?

e) How far is the exemption of Public charitable trust under the Income Tax Act, 1961 relevant for exemption under Wealth Tax Act?

3+3+3+3+3= (15)

Part B **Indirect Tax Management**

Answer All Questions

1. Briefly explain with reference to the Central Excise Act, 1944

- a. Factory
- b. Whole sale dealer
- c. Dutiability of Waste and Scrap

(10)

2. Explain in brief the procedure for assessment and clearance of imported goods from customs port.

(10)

3. An Importer has imported a machine from UK at FOB cost of 10,000 UK pounds. Other details are as follows:-

- a. Freight from UK to Indian Port was 700 pounds
- b. Insurance was paid to Insurer insured in India – Rs.6000
- c. Design and development charges of 2000UK pounds were paid to a consultancy firm in UK
- d. The importer also spent an amount of Rs.50,000 in India for development work connected with the machinery.
- e. Rs.10,000 were spent in transporting the machinery from Indian Port to the factory of importer.
- f. Rate of exchange RBI: Rs. 68.82 = One UK Pound
- g. Rate of exchange as announced by CBE 2C (Board) by Notification u/s 14 (3) (a) (i): Rs.68.70 = One UK Pound
- h. Rate at which bank recovered the amount from importer Rs.68.35 = One UK Pound.
- i. Foreign exporters have an Agent in India Commission is payable to the agent in Indian Rupees @5% of FOB price.

Custom duty payable was 10%. If similar goods were produced in India, Excise duty payable @24%. There is an excise exemption notification which exempts the duty as in excess of 16%. Education Cess 2% and SAH Education Cess 1%. Find custom duty payable .

How much Cenvat can be availed by importer, if he is manufacturer?

(15)

4. Write Short Note on

- a. Identical goods and similar goods with reference to custom valuation Rules 1988.
- b. Residual Method of valuation of Imported goods
- c. 'Entry' with reference to the provisions of the custom Act 1962.

(15)