

## BUSINESS TAXATION – VI Sem

### PROBLEMS ON CUSTOM DUTY

#### PROBLEM 1.

Foreign trade international ltd. had imported machine from England. They have given the following particulars.

Particulars Amount

FOB value of machine £8,000

Air freight paid £2,500

Design & development charges paid in England £500 Commission @ 2% of FOB value paid to local agent in Indian currency.

Date of Bill of entry is 24-10-2015 [rate of basic custom duty is 20%].

Exchange rate has notified by CBIC is RS.68/£

Date of arrival of aircraft is 20-10-2015 when rate of BCD was 18%, the exchange rate has notified by CBIC was Rs.70/£

Insurance charges though actually paid detail are not available.

Compute the assessable value & determine the custom duty payable by foreign trade International ltd. Give brief notes also whenever necessary .

#### PROBLEM NO.2 (Nov - 2016)

Compute the custom duty payable from the following data.

- a. Machinery imported from USA 10,000\$
- b. Accessories compulsory supplied with machine 2,000\$
- c. Air Freight \$3,000
- d. Insurance 500\$
- e. Local agents commission Rs.5 ,000
- f. Exchange rate US \$1 ~ RS .60
- g. Custom duty on machine 10% advalorem
- h. Customs duty on accessories 20% advalorem

#### PROBLEM NO.3

Mr. ABC ltd & Deodorant imported from Germany MRP of the Deodorant customs tariff sub-heading N0330720 is RS.750. However its Assessable value as per Sec 14(1) of the customs Act 1962 is Rs.600. Deodorant is assessable under central excise, on the basis of MRP after allowing an Abatement of 40%.

BCD is 10%, IGST rate is 18%. Calculate the total duty payable.

#### PROBLEM NO.4

Mr. 'A' imported a shampoo. MRP of the shampoo under customs tariff, sub heading NO.3305 10 is Rs400. however its assessable value as per sec. 14(1) of the customs Act 1962 is Rs.250 . Shampoo is assessable under central excise, on the basis of MRP after allowing an abatement of 40% Basic custom duty is 10%, IGST is 18%. Calculate the total duty payable under the customs tariff Act 1975 on the shampoo.

**PROBLEM NO.5 (Nov - 2014)**

SVM Ltd. imported goods from USA at a cost of US Dollar 19,000 FOB, the other details are as follows:

- a) Transit insurance 1,900 Dollars
- b) Commission to local agent Rs. 5,800
- e) Sea freight charges Rs. 5,500
- d) Packing charges Rs. 4,300
- e) Design and development charges of 5,000 dollars were paid to consultancy firm in USA
- (l) Rate of exchange notified by CBSE RS.58 ~ | Dollar
- (g) Rate of exchange announced by importer bank RS.59 ~ | Dollar

Compute assessable value of the imported goods.

## PROBLEMS ON ASSESSEMENT OF FIRMS

### PROBLEM NO.1

A, B, and C partners sharing profits equally carrying on the business. The firms net profit before partners salary and commission is Rs, 15,00,000. The partners salary is A Rs.1,50,000; B - Rs. 1,00,000 and C- Rs. 2,00,000 and commission of Rs. 50,000; Rs.40,000 and Rs. 60,000 respectively.

Calculate allowable remuneration or admissible remuneration.

### PROBLEM NO.2

Ram. Shyam and Kishore are partners of a firm with equal shares. The profit and loss a/c for the year ended 31-3-20 19 shows a Net Profit of Rs. 1.00.000 after debiting the following as per the deed:

1. Salary to Ram Rs.20.000 and to Shyam Rs. 15.000
2. Bonus to Kishore Rs.15.000.
3. Interest on capital to Ram Rs.2.000 (in excess of specified limit)
4. Rs.20,000 paid for rent of the business premises.
5. Commission of Rs.5,000 was given to Kishore.

Compute book profit and total income of the firm assuming all the partners are working partners.

### PROBLEM NO. 3

XYZ are partners in firm sharing P&L in the ratio of 1:2:3 the net profit as per P&L is Rs.2, 63 ,600. The following have been debited to *P/L A/C*.

Salaries of 2,60,000 and 2,40,000 to X& Y respectively

Interest on capital calculated @20% i.e., Rs.7,000, Rs.28, 000 & Rs.21,000 to X, Y &Z respectively.Z had borrowed capital for his investment in the firm and paid Interest of Rs. 15, 000 separately to the lender.

Compute the Total Income of the firm and gross Total Income of the three partners in the firm

### PROBLEM NO. 4

A, B & C are partners sharing P & L equally the firm incurred a net loss of Rs.1 ,50,000 after deducting the following;

1. Interest on capital @ 20%
  - A 16,000
  - B 14,000
  - C 18,000
2. Salary to A, B & C Rs. 40,000 each. Bonus to A & B Rs. 20,000 each.
3. Commission to C Rs. 10,000.
4. Donation to Prime Minister Drought relief fund Rs. 20,000.
5. Depreciation on assets Rs. 1,00,000 (allowed Rs. 1,20,000).

6. Income Tax Rs. 10,000
7. GST / Sales Tax Rs. 10,000
8. General reserve Rs. 30,000.

The P & L includes the following Income

1. Capital Gain LTCG Rs. 20,000, STCG Rs. 20,000.
2. Export earning Rs. 1,00,000.

Compute the taxable income of the firm.

### **PROBLEM NO. 5**

ABC are partners in a firm sharing P&L in the ratio of 3:2:1 respectively the firm's profit and Loss A/c for the year ending 31-3-2019 showed the net profit of Rs. 1,22,000 after debiting the following amounts:

1. Salary of Rs. 2,000 per month paid to C.
2. Rent of Rs. 9,500 paid to A for the portion of building owned by Mr. A in which the firm's office was situated. Fair rental value of the building is Rs. 5,000.
3. Interest on capital of Rs. 500, Rs. 1,000 and Rs. 1,500 to A, B and C respectively.
4. Commission paid to B Rs. 20,000.
5. Expenses on current repairs of the business premises belonging to partner A Rs. 500.
6. Donation to approved body Rs. 2,500 by cheque.
7. Salary to B's son Rs. 36,000, B's son is a qualified management graduate and was serving another concern on Rs. 2,900 per month.

The net profit of Rs. 1,22,000 included Rs. 24,000 from interest on Govt. securities.  
Compute total income of the firm for the assessment year 2019-20 assuming that it is a professional firm.