PUNJAB STATE TRANSMISSION CORPORATION LTD.

Departmental Accounts Examination- 2024 (2nd Session)

Paper- VII

(Industrial, Commercial Laws and Direct/Indirect Taxes)

Category- SAS-II

Roll No.-

Time allowed: 3 hours

Max. Marks: 100

Note: All questions are compulsory

Question 1. (a) Explain the following terms according to the Factories Act 1948- (5+5+10=20 marks)
(i) Factory
(ii) Manufacturing Process
(b) Describe various rules regarding the health of workers mentioned in the Factories Act 1948.

Question 2. (a) Explain various features of the Workmen Compensation Act 1923. (10+10= 20 marks)
(b) What do you mean by contract? Explain various essentials of a contract.

Question 3. (a) Define an offer. Explain various legal rules regarding the offer. (10+10= 20 marks)
(b) What do you mean by negotiable instruments? Explain various characteristics of negotiable instruments.

Question 4. Explain the following (10+10= 20 marks)
(a) What do you understand by the term 'Salary'? What is included in perquisites and profits in lieu of salary?
(b) Name the different kinds of Provident Funds of which a salaried person may be a member and state the income tax provisions regarding each.

Question 5. (a) What penalty is levied for failure to pay Services Tax? (7+8+5= 20 marks)
(b) Describe 'Taxable Quantum' under the Vat Tax Act.
(c) What is Central Sales Tax?

ਸਵਾਲ 1. (ੳ) ਫੈਕਟਰੀ ਐਕਟ 1948 ਦੇ ਅਨੁਸਾਰ ਹੇਠ ਲਿਖੀਆਂ ਸ਼ਰਤਾਂ ਦੀ ਵਿਆਖਿਆ ਕਰੋ- (5+5+10=20 ਅੰਕ)

(i) ਫੈਕਟਰੀ

(ii) ਨਿਰਮਾਣ ਪ੍ਰਕਿਰਿਆ

(ਅ) ਫੈਕਟਰੀ ਐਕਟ 1948 ਵਿੱਚ ਵਰਣਿਤ ਕਾਮਿਆਂ ਦੀ ਸਿਹਤ ਸੰਬੰਧੀ ਵੱਖ-ਵੱਖ ਨਿਯਮਾਂ ਦਾ ਵਰਣਨ ਕਰੋ?

ਸਵਾਲ 2. (ੳ) ਵਰਕਮੈਨ ਕੰਪਨਸੇਸ਼ਨ ਐਕਟ 1923 ਦੀਆਂ ਵੱਖ-ਵੱਖ ਵਿਸ਼ੇਸ਼ਤਾਵਾਂ ਬਾਰੇ ਦੱਸੋ? (10+10 = 20 ਅੰਕ)

(ਅ) ਇਕਰਾਰਨਾਮੇ ਤੋਂ ਤੁਹਾਡਾ ਕੀ ਮਤਲਬ ਹੈ? ਇਕਰਾਰਨਾਮੇ ਦੀਆਂ ਵੱਖ-ਵੱਖ ਜ਼ਰੂਰੀ ਗੱਲਾਂ ਦੀ ਵਿਆਖਿਆ ਕਰੋ?

ਸਵਾਲ 3. (ੳ) ਪੇਸ਼ਕਸ਼ ਨੂੰ ਪਰਿਭਾਸ਼ਿਤ ਕਰੋ? ਪੇਸ਼ਕਸ਼ ਬਾਰੇ ਵੱਖ-ਵੱਖ ਕਾਨੂੰਨੀ ਨਿਯਮਾਂ ਦੀ ਵਿਆਖਿਆ ਕਰੋ? (10+10 = 20 ਅੰਕ)

(ਅ) ਨੈਗੋਸ਼ੀਏਬਲ ਯੰਤਰਾਂ ਤੋਂ ਤੁਹਾਡਾ ਕੀ ਮਤਲਬ ਹੈ? ਨੈਗੋਸ਼ੀਏਬਲ ਯੰਤਰਾਂ ਦੀਆਂ ਵਿਭਿੰਨ ਵਿਸ਼ੇਸ਼ਤਾਵਾਂ ਦੀ ਵਿਆਖਿਆ ਕਰੋ?

ਸਵਾਲ 4. ਵਿਆਖਿਆ ਕਰੋ: (10+10 = 20 ਅੰਕ)

(ੳ) ਤੁਸੀਂ 'ਤਨਖ਼ਾਹ' ਸ਼ਬਦ ਦੁਆਰਾ ਕੀ ਸਮਝਦੇ ਹੋ? ਤਨਖ਼ਾਹ ਦੇ ਬਦਲੇ ਰਿਆਇਤਾਂ ਅਤੇ ਮੁਨਾਫ਼ਿਆਂ ਵਿੱਚ ਕੀ ਸ਼ਾਮਲ ਹੈ?

(ਅ) ਵੱਖ-ਵੱਖ ਕਿਸਮਾਂ ਦੇ ਪ੍ਰੋਵੀਡੈਂਟ ਫੰਡ ਦੇ ਨਾਮ ਦੱਸੋ ਜਿਸ ਦਾ ਇੱਕ ਤਨਖਾਹਦਾਰ ਵਿਅਕਤੀ ਮੈਂਬਰ ਹੋ ਸਕਦਾ ਹੈ ਅਤੇ ਹਰੇਕ ਦੇ ਸੰਬੰਧ ਵਿੱਚ ਆਮਦਨ ਕਰ ਦੇ ਪ੍ਰਬੰਧਾਂ ਨੂੰ ਦੱਸੋ।

ਸਵਾਲ 5. (ੳ) ਸਰਵਿਸਿਜ਼ ਟੈਕਸ ਦਾ ਭੁਗਤਾਨ ਨਾ ਕਰਨ ਲਈ ਕੀ ਜੁਰਮਾਨਾ ਲਗਾਇਆ ਜਾਂਦਾ ਹੈ? (7+8+5= 20 ਅੰਕ)

(ਅ) ਵੈਟ ਟੈਕਸ ਐਕਟ ਅਧੀਨ 'ਟੈਕਸਯੋਗ ਮਾਤਰਾ' ਦਾ ਵਰਣਨ ਕਰੋ।

(ੲ) ਕੇਂਦਰੀ ਵਿਕਰੀ ਟੈਕਸ ਕੀ ਹੈ?

Paper- VII (Industrial, Commercial Laws and Direct/Indirect Taxes)

Solutions

(5 marks)

Ans 1. (a) (i) "factory" means any premises including the precincts thereof-

(i) whereon ten or more workers are working, or were working on any day of the preceding twelve months, and in any part of which a manufacturing process is being carried on with the aid of power, or is ordinarily so carried on, or

(ii) whereon twenty or more workers are working, or were working on any day of the preceding twelve months, and in any part of which a manufacturing process is being carried on without the aid of power, or is ordinarily so carried on,— but does not include a mine subject to the operation of 5 [the Mines Act, 1952 (35 of 1952)], or 6 [a mobile unit belonging to the armed forces of the Union, railway running shed or a hotel, restaurant or eating place].

(5 marks)

(ii) "Manufacturing process" means any process for—

(i) making, altering, repairing, ornamenting, finishing, packing, oiling, washing, cleaning, breaking up, demolishing, or otherwise treating or adapting any article or substance with a view to its use, sale, transport, delivery or disposal; or

(ii) pumping oil, water, sewage or any other substance; or

(iii) generating, transforming or transmitting power; or

(iv) composing types for printing, printing by letter press, lithography, photogravure or other similar process or book binding; or

(v) constructing, reconstructing, repairing, refitting, finishing or breaking up ships or vessels; or

(vi) preserving or storing any article in cold storage;

(10 marks)

Ans 1 (b)

The factories act 1948 lays down several health provisions to ensure a safe and hygienic working environment:

(1) Cleanliness: Factories must maintain a high level of cleanliness, including regular cleaning of floors, workrooms, and passages. This also involves proper disposal of waste and effluents.

(2) Disposal of Waste and Effluents: Factories are required to make adequate arrangements for the treatment and disposal of waste and effluents to prevent environmental pollution and health hazards as per factories act 1948.

(3) Ventilation and Temperature: Adequate ventilation must be provided to ensure that the factory remains well-ventilated. Measures must be taken to control the temperature to provide a comfortable working environment.

(4) Dust and Fume Control: Effective measures must be in place to prevent the inhalation of dust and fumes, which can be hazardous to health.

(5) Lighting: Factories must ensure sufficient and suitable lighting, both natural and artificial, to prevent accidents and health issues related to poor visibility.

(6) Drinking Water: Provision of wholesome drinking water at suitable points conveniently accessible to all workers is mandatory.

(7) Latrines and Urinals: Factories must provide adequate and separate latrine and urinal facilities for male and female workers in a factory, maintained in a clean and sanitary condition.

Ans. 2.

(a) Important Features of Workmen's Compensation Act: (10 marks)

1. **Compulsory Compensation:** The Act mandates that employers are legally obligated to provide compensation to their employees or their dependents in the event of work-related injuries, disabilities, or fatalities. This compensation is provided on a "no-fault" basis, meaning that negligence on the part of the employer need not be proven for an employee to receive compensation.

2. **Absolute Liability:** Employers are held absolutely liable for compensation, regardless of their fault or negligence. This principle ensures that injured employees or their dependents receive financial support without having to establish employer negligence.

3. **Scope of Coverage:** The Act covers employees working in specified hazardous occupations or establishments, including industrial and non-industrial sectors. It applies to both permanent and temporary employees, including casual and contractual workers.

4. **Compensation for Injuries and Disabilities:** The Act provides compensation for various types of injuries, disabilities, or fatalities arising out of and during the course of employment. The compensation amount is determined based on the nature and severity of the injury, the employee's monthly wage, and the specific provisions of the Act.

5. **Compensation for Fatalities:** In case of an employee's death due to a work-related accident or injury, the Act provides for compensation to be paid to the deceased employee's dependents, such as the spouse, children, or parents.

6. **Medical Expenses:** Employers are also responsible for reimbursing medical expenses incurred by the injured employee for the treatment of work-related injuries. This ensures that employees receive proper medical care.

7. **Schedule of Compensation:** The Act includes a detailed schedule of compensation that outlines the compensation amounts payable for various types of injuries and disabilities, including temporary and permanent disablement, loss of limbs, and more.

8. **Appeals Process:** The Act provides a mechanism for both employers and employees to appeal decisions related to compensation. If either party is dissatisfied with the commissioner's decision, they can appeal to higher authorities or courts.

9. **Insurance:** Employers can fulfill their liability under the Act by obtaining an insurance policy known as "Workmen's Compensation Insurance" or "Employer's Liability Insurance." This insurance coverage helps employers meet their financial obligations in case of compensation claims.

10. **Reporting and Records:** Employers are typically required to maintain records and documentation related to workplace accidents and compensation claims. They may also be required to submit periodic reports to relevant authorities.

11. **Timely Disbursement:** The Act emphasizes the timely disbursement of compensation to injured employees or their dependents, ensuring that they receive financial support promptly.

12. **Amendments and Revisions:** The Act has been subject to amendments and revisions over the years to account for changing circumstances and evolving needs. These changes aim to provide better protection and compensation to employees.

(10 marks)

Ans 2 (b)

The term **'contract'** is derived from the Latin word 'Contractum' which means 'drawn together'. A Contract brings (or) draws the parties together and establishes legal relationship between them. An agreement is the basis of contract. An agreement comes into existence whenever one (or) more persons promise to one (or) others, to do (or) not to do something. An agreement which can be enforced through the courts of law is called a contract.

Essential Elements of a valid contract:

The following are the essential elements of a valid contract.

i) Offer and Acceptance: In order to create a valid contract, there must be a "lawful offer" by one party and "lawful acceptance" of the same by the other party.

ii) Intension to create legal relationship: There must be an intension among the parties to create a legal relationship. In case of social (or) domestic agreements, the usual presumption is that the parties do not intend to create legal relationship. But in commercial (or) in business agreement the usual presumption is that the parties intend to create legal relationship unless otherwise agreed upon.

iii) Lawful consideration: An agreement must be supported by lawful consideration. Consideration means something in return. The consideration must be lawful. E.g.: 'A' promises to obtain employment in public service for 'B' and 'B' promises to pay Rs 50,000/- to 'A'. The agreement is not enforceable as the consideration for it is unlawful.

iv) Capacity of Parties: The Parties who enter into an agreement should be legally competent to do so. A Person is said to be legally competent to contract if has attained the age of majority, is of sound mind and is not disqualified from contracting by any law. An agreement made by parties incompetent to contract, then no valid contract comes into existence because those agreements are not enforceable by law. E.g.: Agreements made with minors (or) unsound mind persons are not valid contracts.

v) Free Consent: The consent of the parties to the agreement must be free and genuine. Consent is said to be free when it is not caused by coercion, undue influence, fraud, misrepresentation (or) mistake. If the consent of the parties is not free, then no valid contract comes into existence. E.g.: 'A' who owns two cars, one Maruthi and the other Indica, offers to sell 'B' one car, 'A' intending it to be the Maruthi, 'B' accepts the offer thinking that it was the Indica, there is no free consent and hence no contract.

vi) Lawful Object: The object of an agreement must be lawful. It must not be illegal (or) immoral (or) opposed to public policy and must not be forbidden by law. E.g.: Any agreement entered between parties for doing a crime (or) committing an offence is unenforceable because there is no lawful object.

vii) Certainty of Meaning: The terms and conditions of an agreement must be précised and certain. They must not be indefinite (or) uncertain. If they are so the agreement is not enforceable. E.g.: 'A' agrees to sell 'B' 100 tons of oil. There is nothing whatever to show what kind of oil was intended. So the agreement is not enforceable.

viii) Possibility of Performance: The agreement must be capable of being performed. A promise to do an impossible thing cannot be enforced. E.g.: Mr. 'A' agrees with 'B' to discover treasure by magic. Such agreement is not enforceable.

ix) Not declared to be void (or) illegal: The agreement though satisfying all the above conditions for a valid contract must not have been expressly declared void by any law in force in the country. E.g.: Agreement in restraint of marriage, agreement in restraint of trade etc.

x) Legal Formalities: An oral agreement is a perfectly valid contract except in those cases where writing, registration etc is required by some provisions. In India writing is required in cases of sale, mortgage, lease, memorandum of association, articles of association of a company etc. in some cases a contract has to be attested, registered and stamped.

(10 marks)

Ans. 3

(a) The process of making an agreement commences with offer. An offer is also called proposal. According to Sec2 (A) of the Indian Contract Act 1872, a proposal can be defined as follows. "When one person signifies to another his willingness to do (or) to abstain from doing anything with a view to obtain the consent of that offer to such act (or) abstinence".

A proposal thus consists of three elements

1) it must be made by one person to another. In other words a person cannot make an offer to himself.
2) It must be an expression of readiness (or) willingness to do (or) to abstain from doing something.
3) It must be made with a view to obtain the consent of the other party to proposed act (or) abstinence.

The person making the proposal is called the "Offerer" (or) "Proposer" (or) "Promiser".
The person to whom the proposal is made is called the "Offeree" (or) "Proposee" (or) "Promisee".

Essentials of a valid offer / Rules regarding valid offer:

The following are the essentials of a valid offer.

1) Offer must be capable of creating legal relationship: An offer must intend to create legal relationship. An offer must be such that when accepted it will create legal relationship among the parties. i.e. The social and domestic offers cont create legal relationship among the parties. Thus this type of offer are not valid offer.

2) Offer must be certain, definite and not vague (clear): The terms of the offer must be certain, definite and not vague. If the terms of the offer are vague, no contract can be entered into, because it is not clear as to what exactly the parties intended to do. E.g.: 'X' offers to sell 100 tons of oil to 'Y'. His offer is not certain because it is not clear that he wants to sell which type of oil. Hence this offer is not valid.

3) Offer must be communicated to the Oferee: An offer must be communicated to the person to whom it is made. An offer is completed only when it is communicated to the offeree. One can accept the offer only when he knows about it. Thus an offer accepted without its knowledge does not establish any legal rights on the accepter as well as offerrer.

4) A mere declaration of intention is not an offer: The offer must be distinguished from a mere declaration of intention. Such statements (or) declaration merely indicate that an offer will be made (or) invited in future. So a mere declaration (or) statement of intention is not an offer.

5) An offer may be conditional: An offer can be made subject to a condition. In that case it can be accepted only subject to that condition. A conditional offer lapses when the condition is not accepted. If the offer contains certain conditions and the proposal has done what was reasonable sufficient to give the accepter notice of the conditions, the person accepting the offer, it is presumed to have accepted it with the conditions so attached.

6) An offer should not contain non-compliance of which could amount to acceptance: The offer should not contain a term non-compliance of which could amount to acceptance. It means that while making the offer, the offerer should not say that if offer is not accepted before a certain date, it will be presumed to have been accepted. E.g.: 'X' writes a letter to 'Y', "I offered to sell my car for Rs 1,00,000/-

". If I do not receive your reply by next Friday, I shall assume that you have accepted the offer. Here if 'Y' does not reply, it does not mean that he has accepted the offer.

7) An invitation to offer is not an offer: An offer must be distinguished from a invitation to offer. In the case of an invitation to offer, the aim is merely to circulate information of readiness to negotiate business with anybody who on such information comes to the person sending it. Such invitations are not offers in the eyes of the law.

The following are the some of the examples for invitations to offer but not actual offers.

a) A price list of goods for sale.

b) Quotations of lowest prices.

c) Railway time table etc.

8) Lapse of an offer: An offer lapses

a) If either offerer (or) offeree dies before acceptance.

b) If it is not accepted within the specified time (or) a reasonable time if not time is specified.

c) An offer can also lapse by revocation.

(10 marks)

Ans. 3 (b)

A negotiable instrument is a written document that guarantees the payment of a specific amount of money either on demand or at a set time. The payment is made to the designated person or the person who holds the instrument.

According to Section 13 of the Act, "Negotiable instrument means a promissory note, bill of exchange or cheque payable either to order or to bearer, whether the word "order" or " bearer" appear on the instrument or not."

CHARACTERISTICS OF NEGOTIABLE INSTRUMENTS

1. Easy transferability

The property (ownership) in a negotiable instrument is transferred by mere delivery, if the instrument is payable to bearer, by delivery and endorsement if payable to order.

2. Transferee's title free from all defects

The transferee who takes it bona fide and for value and before maturity (called holder in due course) gets a good even if the title of transferor was defective.

3. Transferee can sue in his own name:

The transferee of the negotiable instrument can sue in his own name, in case of dishonor.

4. Prompt payment

A negotiable instrument enables the holder to expect prompt payment because a dishonor means the ruin of the credit of all persons who are parties to the instrument.

5. Notice of transfer not necessary: The transferee is not required to give a notice of transfer to the person liable to pay the instrument.

Ans. 4 (a) (10 marks)

SALARY Sec.17 (1)): Salary includes:

1. Wages;
2. any annuity of pension;
3 .any gratuity;
4. any fees, commission, perquisites, profit in lieu of salary or in addition to any salary or wages;
5. any advance of salary; but not loan for purchasing a car, scooter or a house etc.
6. any payment received by an employee in respect of any period of leave not availed of by him;
7. employer's contribution towards recognized provident fund in excess of 12% of the employee's salary and interest on provident fund in excess of 9.5% rate.
8. the aggregate of all sums comprised in the transferred balance to the extent to which it is chargeable to tax under sub-rule (4) of Rule 11.
9. The contribution made by the Central Government or any other employer in the previous year, to account of an employee, under a pension scheme.

PERQUISITES in salary are the privileges you earn from your company besides the monthly salary. Such perquisites can be taxable or non-taxable in nature. These include simple benefits like fuel reimbursement, a company-provided car or accommodation, etc. Perquisites may also include medical facilities, interest-free loans, credit cards, and so on. As per Section 17(2) of the Income Tax Act, perquisite in salary includes the following:

(1) Rent-free Accommodation provided by the employer
(2) Concession in the rent on accommodation provided by the employer
(3) Value of any accommodation provided at the concessional rate by the employer
(4) Value of any benefit or amenity supplied free of cost or at the concessional rate by the employer to the employee
(5) Any obligation paid by the employer on behalf of the employee
(6) Value of sweat equity shares allotted or transferred at a concessional rate or free of cost to the employee
(7) Employer contribution to PF, NPS or superannuation fund exceeding Rs. 7.5 lakhs
(8) Annual accretion by way of interest or dividend to the account of Provident fund, NPS or Superannuation fund to the extent of employer contribution
(9) Value of any other fringe benefit or amenity

PROFIT IN LIEU OF SALARY

Profit in lieu of salary includes the following:

1) The amount of any compensation due to or received by an assessee from his employer or former employer inconnection with the termination of his employment or the modification of the terms and conditions relating to there to.

2) Any payment due to or received by an assessee from an employer or a former employer. Where an employer gives to his employee any sum by way of personal gift and not in appreciation of his services, it is not taxable in the hands of the employee.

3) Any payment made from unrecognized provident fund or other fund will be included only to the extent of employer's contributions and interest thereon. Interest on employee's own contribution is also taxable but it will be taxed under the head 'Income from Other Sources' and not as salary income.
4) Any payment received under a Keyman Insurance Policy including the amount of bonus. Any amount due or received (whether in lump-sum or otherwise) by an assessee from any person.

Ans. 4 (b) (10 marks)

Types of Provident Funds

There are different types of provident funds utilised by a person for investment or regular savings for retirement. They are as follows:

(1) Statutory Provident Fund – This scheme is set up under the Provident Funds Act, 1925. It is meant for government employees, universities, recognised educational Institutions, railways, etc. It is also known as the General Provident Fund (GPF). The government revives the interest rates of general provident funds from time to time. Private sector employees are not eligible to contribute to the general provident fund.

(2) Recognized Provident Fund – The Provident Fund Act, 1952 (PF Act) applies to all establishments employing 20 or more employees. The establishments covered under the scheme can join the government-approved scheme or start their own PF scheme by forming their trust. The establishments can join the government-approved scheme set up under the PF Act 1952, a recognised provident fund. Alternatively, the establishment's employer and employee can create a provident fund scheme by forming a trust, and funds are invested as per rules prescribed under the PF Act, 1952. The commissioner of income tax must approve the trust/scheme to receive the status of the recognised provident fund.

(3) Unrecognised Provident Fund – If the commissioner of income tax does not approve the provident fund scheme created by the employer and employee (as mentioned above), then such scheme is an unrecognised provident fund scheme. Certain tax benefits are restricted only to Recognised PFs.

(4) Public Provident Fund – As the name suggests, this fund was established for the general public. Any person can contribute to this scheme by opening a public provident fund account with the authorised bank. The person can deposit an amount starting from Rs.500 to Rs.1,50,000 per annum. The corpus of the PPF can be fully withdrawn after the completion of 15 years.

Tax Treatment for Various Types of Provident Funds

(1) Statutory Provident Fund Account

Particulars	Income Tax Provision
Employee Contribution to the Fund	Deduction allowed under section 80C
Employer's Contribution to the Fund	Exempt from tax
Interest Income	Exempt from tax, refer amendment
On Retirement	The lump sum amount received by an employee is exempt, subject to certain conditions, as introduced in the amendment.

(2) Recognised Provident Fund Account

Particulars	Income Tax Provision
Employee Contribution to the Fund	Deduction allowed under section 80C
Employer's Contribution to the Fund	Exempt up to 12% of BS + DA
Interest Income	Exempt up to 9.5% interest per annum
On retirement, because of any of the following reasons: Due to ill health or To transfer the balance to a new employer or Due to shut down of the employer's business or	The lump sum amount received by an employee is exempt
On retirement before five years of service due to any other reason not mentioned above	The lump sum amount received is taxable. Exemption on the employer's contribution and interest income will be withdrawn.

(3) Unrecognised Provident Fund Account

Particulars	Income Tax Provision
Employee Contribution to the Fund	The deduction is not allowed under Section 80C
Employer's Contribution to the Fund	Not taxed when initial contribution is made
Interest Income	Not taxed on yearly accrual
<u>Amounts received on retirement:</u> Employee contribution Interest on employee's contribution Employer's contribution Interest on employer's contribution	<u>Taxability:</u> Not Taxable Taxable under the head 'Income from other sources' Taxable under the head 'Salary' Taxable under the head 'Salary

(4) Public Provident Fund Account

Particulars	Income Tax Provision
Contribution	Deduction allowed under section 80C
Interest Income	Exempt from tax