

Roll No.....

Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 8

Total number of printed pages : 8

NOTE : All references to sections mentioned in Part-A of the Question Paper relate to the Income-tax Act, 1961 and the relevant Assessment Year 2009-10 unless stated otherwise.

PART – A

(Answer Question No.1 which is compulsory and any three of the rest from this part.)

1. (a) Choose the most appropriate answer from the given options in respect of the following having regard to the provisions of the relevant direct tax laws :
- (i) Income-tax in India is charged at the rate(s) prescribed by –
 - (a) The Finance Act
 - (b) The Income-tax Act
 - (c) The Central Board of Direct Taxes
 - (d) The Ministry of Finance.
 - (ii) Under the Income-tax Act, 1961, depreciation on machinery is charged on –
 - (a) Purchase price of the machinery
 - (b) Market price of the machinery
 - (c) Written down value of the machinery
 - (d) All of the above.
 - (iii) Income accruing in India in previous year is taxable for –
 - (a) Resident
 - (b) Not ordinarily resident
 - (c) Non-resident
 - (d) All of the above.

(iv) Sandeep purchased a house for his residential purpose after taking a loan in January, 2007. During the previous year 2008-09, he paid interest on loan Rs.1,67,000. While computing income from house property, the deduction is allowable to the extent of –

- (a) Rs.30,000
- (b) Rs.1,00,000
- (c) Rs.1,67,000
- (d) Rs.1,50,000.

(v) Which of the following is an 'asset' under section 2(ea) of the Wealth-tax Act, 1957 –

- (a) Equity shares in a company
- (b) Balance in provident fund
- (c) Motor car held as stock-in-trade
- (d) Jewellery for personal use.

(1 mark each)

(b) Re-write the following sentences after filling-in the blank spaces with appropriate word(s)/figure(s) :

- (i) Deduction for bad debt is allowed to an assessee carrying on business in the year in which the debt is _____ as bad.
- (ii) Deduction available under section 80GG towards rent paid shall not exceed Rs. _____ per month.
- (iii) It is obligatory for an assessee to pay advance tax where the amount of tax payable is Rs. _____ or more.
- (iv) A belated return of income can be filed at any time before the expiry of _____ from the end of relevant assessment year.
- (v) Wealth-tax is levied on the net wealth of a person as on 31st March, this date is known as _____ date.

(1 mark each)

(c) Rajan is an employee of a private limited company and gets the following emoluments during the previous year ended on 31st March, 2009 :

Salary : Rs.96,000;

Salary in lieu of leave : Rs.6,000;

Entertainment allowance: Rs.10,000; and

Commission : Rs.8,000.

Rajan's son studies in a school which is owned and maintained by the company. The cost of education in a similar school in the locality is Rs.22,000 per year, but the company charges Rs.4,000 from Rajan. Salary of a domestic servant provided to Rajan by the company is Rs.6,000 and the same is paid by the company. The company purchases a computer on 1st April, 2008 for Rs.50,000 which is given to

Rajan for office and private use. The company purchases a refrigerator for Rs.20,000 on 30th June, 2008 for personal use of Rajan. Rajan and the company both contribute Rs.12,000 towards recognised provident fund. Rajan deposits Rs.40,000 towards public provident fund. Rajan earns Rs.1,00,000 by way of rent from a vacant plot of land. Compute the taxable income and tax liability of Rajan for the assessment year 2009-10.

(5 marks)

2. (a) From the following profit and loss account of Vinay for the year ended 31st March, 2009, compute his total income and tax liability for the assessment year 2009-10 :

	Rs.		Rs.
Interest on capital	12,000	Gross profit	5,10,000
Insurance	2,000	Brokerage	30,000
Bad debts	30,000	Bad debts recovered	15,000
Depreciation	34,000	(earlier allowed as	
Advance tax	25,000	deduction)	
General expenses	12,000	Sundry receipts	18,000
Advertisement	5,000	Interest on debentures	
Salary (including salary		(gross) [TDS Rs.4,120]	40,000
to Vinay Rs.20,000)	85,000		
Interest on loan	8,000		
Net profit	4,00,000		
	<u>6,13,000</u>		<u>6,13,000</u>

Additional information :

- (i) The amount of depreciation allowable as per income-tax rules is Rs.42,000.
- (ii) General expenses include Rs.5,000 given as contribution to a political party.
- (iii) Vinay pays Rs.5,200 as premium on his own life insurance policy of Rs.50,000.
- (iv) Loan was obtained for payment of income-tax.

(4 marks)

- (b) Write short notes on **any two** of the following :

- (i) Taxation of zero coupon bonds
- (ii) Share of profit from partnership firm
- (iii) Exemption of income of newly established units in special economic zone.

(3 marks each)

- (c) State, with reasons in brief, whether the following statements are correct or incorrect :

- (i) Unabsorbed depreciation of any year can be carried forward for set-off for an unlimited period of time.

- (ii) An individual is not liable to pay fringe benefit tax.
- (iii) The entire amount of winning from lotteries is taxable at a special rate of income-tax.
- (iv) Income of minor child is included in the income of his parents under the Income-tax Act, 1961 in all cases.
- (v) When the prize is given partly in cash and partly in kind, income-tax will be deducted from cash only.

(1 mark each)

3 (a) Distinguish between **any three** of the following :

- (i) 'Gross total income' and 'total income'.
- (ii) 'Recognised provident fund' and 'statutory provident fund'.
- (iii) 'Compulsory best judgment assessment' and 'discretionary best judgment assessment'.
- (iv) 'Exemptions' and 'deductions'.

(4 marks each)

(b) What is the time-limit for deposit of 'tax deducted at source' (TDS) to the credit of Central Government ?

(3 marks)

4 (a) What are the special provisions for computing profits and gains of retail business ?

(5 marks)

(b) What are the provisions relating to clubbing of income arising to spouse from the assets transferred ?

(5 marks)

(c) Alka is carrying on textile business. Compute her net wealth from the following details of her assets and also determine her wealth-tax liability for the assessment year 2009-10 :

Market Value
(Rs.)

(i) Land in rural area (it lies within 8 kms. from a municipality having a population of more than 10,000; land was purchased in 1990; construction is permissible)	48,00,000
(ii) Land in urban area (held as stock-in-trade since 2001)	35,50,000
(iii) Motor cars	8,60,000
(iv) Aircraft for use of employees and auditors	1,25,00,000
(v) Bank balance	12,00,000
(vi) Guest house situated in rural area	10,50,000

Market Value
(Rs.)

(vii) Residential flats of identical size provided to employees near the factory (salary of employees does not exceed Rs.5,00,000 in a year)	30,00,000
(viii) Residential house given to general manager (whose annual salary is Rs.15,00,000)	25,00,000
(ix) Cash in hand as per cash book	2,00,000
(x) Two residential houses let-out on rent (value of each being Rs.22 lakh; one is let-out for 250 days during the financial year 2008-09).	

Alka has taken a loan of Rs.24,00,000 for acquiring the aircraft; Rs.5,50,000 for urban land; and Rs.4,00,000 for residential house given to general manager.

(5 marks)

5. (a) Anurag sells a plot of land on 8th July, 2008 for Rs.40 lakh and paid brokerage on its sale @1%. He purchased this plot on 19th December, 1986 for Rs.4,20,000. On 1st February, 2009, he purchased a residential house for Rs.15 lakh. He owns one residential house on 8th July, 2008. The cost inflation index for 1986-87 was 140 and for 2008-09 is 582. Find out the amount of capital gains chargeable to tax for the assessment year 2009-10. Suppose Anurag sells the new residential house before 1st February, 2012, what will be the taxable amount of capital gains and in which year it will be charged to tax? If Anurag purchases any other residential house before 1st February, 2011, what will be the taxable amount of capital gains and in which year it will be charged to tax?

(5 marks)

- (b) Danny has the following investments in the previous year ended 31st March, 2009 :
- (i) Rs.7,160 received as interest on securities of Karnataka government.
 - (ii) Rs.9,000 received as interest on securities of a listed paper manufacturing company.
 - (iii) Rs.7,200 received as interest on the unlisted securities of a sugar company.
 - (iv) Rs.30,000, 11% securities (unlisted) of a textile company.
 - (v) Rs.20,000, 10% Tamil Nadu government loan.
 - (vi) Rs.50,000, 13.5% listed debentures of Dolly Ltd.

Interest on all securities is payable on 30th June, and 31st December. The bank charges 1.5% commission on net realisation of interest as collection charges.

Danny also received Rs.15,000 as director's fee from a company. His other incomes are -- winnings from horse race : Rs.25,000 (gross); and interest on post office savings bank account : Rs.6,000.

Find out taxable income of Danny from other sources for the assessment year 2009-10.

(5 marks)

- (c) "Loss under any head of income for any assessment year can be set-off against the income from other heads of income but when it has to be carried forward for being set-off, it can only be set-off from income under the same head." Explain.

(5 marks)

6. (a) Rohit is the owner of a house property, its municipal valuation is Rs.80,000. It has been let-out for Rs.1,20,000 per annum. The local taxes payable by the owner amount to Rs.16,000, but as per agreement between the tenant and the landlord, the tenant has paid the amount direct to the municipality. The landlord, however, bears the following expenses on tenant's amenities :

	Rs.
Extension of water connection	3,000
Water charges	1,500
Lift maintenance	1,500
Salary of gardener	1,800
Lighting of stairs	1,200
Maintenance of swimming pool	750
The landlord claims the following deductions :	
Repairs and collection charges	7,500
Land revenue paid	1,500

Compute the taxable income of Rohit from the house property for the assessment year 2009-10.

(10 marks)

- (b) What are 'capital assets' ? What items are not included in capital assets ?

(5 marks)

PART - B

7. Attempt **any four** of the following :

- (a) "Service tax is generally payable by the service provider, but there are certain situations in which service receiver is liable to pay service tax." Explain.

(5 marks)

- (b) What are the due dates for payment of service tax by different assessees ?
(5 marks)
- (c) Indicate the amount of interest payable for late payment of service tax and the amount of penalty payable for late filing of return of service tax.
(5 marks)
- (d) Explain the provisions regarding submission of return under service tax.
(5 marks)
- (e) What is the basis of calculation of service tax payable ? Explain the provisions governing valuation of taxable services.
(5 marks)
- (f) Choose the most appropriate answer from the given options in respect of the following :
- (i) What would be the value of taxable service, if gross amount charged by a service provider on 5th March, 2009 is Rs.9,000 --
(a) Rs.8,010
(b) Rs.8,160
(c) Rs.9,000
(d) Rs.8,100.
- (ii) If Raj has collected any amount of service tax from Brij which is not required to be collected, Raj shall pay the amount so collected to --
(a) Brij
(b) The Central Government
(c) Keep it with himself
(d) None of the above.
- (iii) E-payment of service tax is compulsory in the case of an assessee who had paid service tax in the preceding financial year equal to at least --
(a) Rs.10 lakh
(b) Rs.40 lakh
(c) Rs.50 lakh
(d) Rs.1 crore.
- (iv) Upto what amount, the value of all taxable services provided by a service provider during a financial year is exempt from payment of service tax --
(a) Rs.4 lakh
(b) Rs.8 lakh
(c) Rs.10 lakh
(d) Rs.12 lakh.

- (v) If a corporate assessee has paid Rs.15,000 as excess service tax during the previous half-year ending period, this excess amount can be adjusted against its subsequent tax liability --
- (a) Equally every month
 - (b) Equally per quarter
 - (c) In one lump-sum
 - (d) Equally on half-yearly basis.

(1 mark each)

P A R T - C

8. Attempt **any four** of the following :

- (i) How would you take input tax credit when goods purchased are transferred by the dealer to his branch in any other State ?
- (ii) "A registered dealer can set-off the amount of input tax against the amount of his output tax." Explain.
- (iii) Explain the procedure of registration under 'value added tax' (VAT) .
- (iv) In what purchases input tax credit is not allowed under VAT ?
- (v) What are the deficiencies in the design of VAT that has been adopted by the States in India ? Give your opinion.
- (vi) "Tax credit or invoice method has been adopted universally because of the inherent advantages in the credit method of calculating tax liability." Explain.

(5 marks each)

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