

Tax Laws

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 2011-12 unless stated otherwise.

PART—A

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

1. (a) Write 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) Which of the following income is not exempt under section 10 —
- (a) Share in total income of firm
(b) Income from agriculture in Lahore
(c) Bonus on life insurance
(d) Income from mutual funds.
- (ii) Which of the following income is taxable under the head 'income from salary' —
- (a) Salary received by a partner from firm
(b) Salary received by a Member of Parliament
(c) Salary of a Government Officer
(d) None of the above.
- (iii) Rate of depreciation chargeable on fully temporary wooden structure for the assessment year 2011-12 is —
- (a) 5%
(b) 10%
(c) 100%
(d) None of the above.
- (iv) When the income of an individual includes ₹20,000 as the income of his minor child in terms of section 64(1A), taxable income in this respect will be —
- (a) Nil
(b) ₹20,000
(c) ₹18,500
(d) None of the above.

2/2011/TL

P.T.O.
263/1

263

: 2 :

- (v) Deduction available to an individual in respect of maintenance including medical treatment of a dependent being a person with 80% disability, when amount incurred in this respect is ₹40,000 will be —
- (a) ₹40,000
 - (b) ₹50,000
 - (c) ₹1,00,000
 - (d) None of the above.

(1 mark each)

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

- (i) The residential status of an assessee is determined for the relevant _____.
- (ii) For the purposes of clubbing of income of the specified person in the income of the individual under section 64, the word 'income' includes _____.
- (iii) Deduction available under section 80QQB in respect of royalty income of authors shall not exceed ₹_____ in a previous year.
- (iv) Rent received by original tenant from sub-tenant is taxable under the head _____.
- (v) Commissioner of Income-tax is appointed by _____.

(1 mark each)

- (c) What are the requisites for filing a revised return under the Income-tax Act, 1961 ?
- (5 marks)

2. (a) State, with reasons in brief, whether the following statements are true or false :
- (i) Prize given to Suresh by the Government of Madhya Pradesh on account of higher crop yield is an agricultural income.
 - (ii) Voluntary contribution received by electoral trust shall be exempt in all cases.
 - (iii) Sandeep Ltd. is a company registered in Japan. The control and management of its affairs is wholly situated in India. Sandeep Ltd. is non-resident company in India.
 - (iv) The Commissioner (Appeals) may confirm, reduce or enhance the amount of tax assessed by the Assessing Officer.
 - (v) A partnership firm incurring loss need not to file return of income.

(2 marks each)

2/2011/TL

Contd

: 3 :

(b) Vinod sells the following assets on 10th January, 2011 :

	<i>Equity Shares in R Ltd. (₹)</i>	<i>Jewellery (₹)</i>	<i>Plot of Land (₹)</i>	<i>Goodwill of a Business (Self-generated) (₹)</i>
Sales consideration	6,00,000	7,50,000	25,00,000	25,00,000
Cost of acquisition	40,000	80,000	2,50,000	Nil
Transfer expenses	4,000	—	25,000	—
Date of acquisition	04.05.1988	04.03.1996	04.02.1991	—

Based on the following indices, compute income from capital gains of Vinod for the assessment year 2011-12 taking into consideration the facts that the business was set-up in November, 1997 and that he purchased a plot of land for ₹8,00,000 and jewellery for ₹2,00,000 on 10th March, 2011.

Cost inflation index for various years are — 1988-89 : 161; 1990-91 : 182; 1995-96 : 281; and 2010-11 : 711.

(5 marks)

3. (a) Adarsh, a Member of Parliament (MP) from Uttar Pradesh, submits the particulars of his income for the assessment year 2011-12. Compute his income from other sources :

	₹
(i) Salary as MP	4,60,000
(ii) Daily allowances as MP	1,80,000
(iii) Dividend received from a domestic company	60,000
(iv) Winnings from horse race (<i>Gross</i>)	40,000
(v) Winnings from Sikkim State lotteries received (<i>Net</i>)	70,000
(vi) Agricultural income in Sri Lanka	4,00,000

He received a royalty of ₹1,00,000 from a book of stories written by him. He claimed ₹12,000 as expenditure on stationery and typing.

263

: 4 :

He let-out one of his buildings alongwith plant, machinery and furniture for ₹50,000 per month. He claimed the following expenses as deduction for this building — insurance : ₹10,000; repairs : ₹15,000; depreciation : ₹40,000.

Interest credited to his recurring deposit account and cumulative time deposit account in post office were ₹32,000 and ₹48,000 respectively.

(5 marks)

- (b) Narayan had to pay ₹1,13,300 as advance tax during the financial year 2010-11. He has deposited the amount of advance tax as follows :

Date	₹
15.09.2010	29,760
15.12.2010	36,400
15.03.2011	47,140

Is he liable to pay any interest under section 234C ? If yes, determine the amount of interest payable by him.

(5 marks)

- (c) Describe the provisions relating to chargeability of cash credits in respect of which the assessee has no satisfactory explanation.

(5 marks)

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

- 'Gross total income' and 'total income'.
- 'Allowances' and 'perquisites'.
- 'Active user of asset' and 'passive user of asset'.
- 'Exemption under section 54G' and 'exemption under section 54GA'.
- 'Statutory provident fund' and 'public provident fund'.

(3 marks each)

: 5 :

(b) Mrs. Suman provides you following information regarding assets and liabilities owned by her on 31st March, 2011 :

	<i>Market Value (₹)</i>
(i) Residential house (self-occupied)	50,00,000
(ii) Loan taken for purchase of self-occupied house	10,00,000
(iii) Motor car for business use	10,00,000
(iv) Land in urban area	35,00,000
(v) Loan taken to purchase above land	5,00,000
(vi) Cash in hand	1,25,000
(vii) Cash at bank	2,00,000
(viii) Land in rural area within 5 kms. from Delhi	5,00,000
(ix) Jewellery	14,80,000
(x) Farm house situated outside 30 kms. from local limits of municipality	40,00,000
(xi) One residential house given on rent for 330 days during the previous year	35,00,000
(xii) Loan taken for construction of above house	5,00,000

Compute net wealth and wealth-tax liability of Mrs. Suman for the assessment year 2011-12.

(6 marks)

5. (a) Write short notes on **any three** of the following :

- (i) Deduction in respect of interest on loan taken for higher education.
- (ii) Treatment of agricultural income for tax purposes.
- (iii) Circumstances in which best judgment assessment is made by the assessing officer.
- (iv) Consequences of failure to deduct tax at source.
- (v) Assets exempt from tax as per section 5 of the Wealth-tax Act, 1957.

(3 marks each)

263

: 6 :

(b) Anurag owns three houses, the particulars of which are given below :

	<i>House-A</i> (₹)	<i>House-B</i> (₹)	<i>House-C</i> (₹)
Municipal value	80,000	1,20,000	1,00,000
Fair rent	90,000	1,00,000	1,10,000
Monthly rent	8,000	9,000	12,000
Rent collection charges	8,000	10,000	6,000
Repair expenses	5,000	6,000	4,000
Interest on loan :			
– For construction	40,000	—	—
– For marriage of son	—	30,000	—
– For repairs	—	—	8,000
Commencement of construction	04.04.2003	04.01.2005	04.07.2006
Completion of construction	31.03.2007	30.06.2007	31.12.2008
Use by tenant	Residential	Office	Residential

Municipal tax is charged @ 10%. Anurag paid municipal tax of House-A but did not pay municipal tax of House-B. The tenant paid the municipal tax of House-C which remained vacant for 3 months.

Compute income from house property of Anurag for the assessment year 2011-12.

(6 marks)

6. (a) Mahender is the karta of a Hindu Undivided Family (HUF). Compute the taxable income of the family and amount of tax payable by it on the basis of the following particulars for the year ended 31st March, 2011 :

(i) Income from house property : The family uses its ancestral house for residence; the municipal value of the house is ₹60,000 per annum and interest on loan borrowed for the house has accrued to the tune of ₹22,000.

The family owns another house which is let-out for ₹8,000 p.m. The family made payment in respect of municipal taxes for the three previous years 2008-09 to 2010-11 during the current previous year 2010-11 itself equal to ₹12,000 for the let-out house.

2/2011/TL

Contd

: 7 :

- (ii) Income from family business : Net income of the family business after charging salary amounting to ₹1,20,000 of karta is ₹4,00,000. It also incurred/earned the following items of losses, expenses and incomes :

	₹
Loss on horse race	4,000
Winnings from lotteries	20,000
Profit on speculation in silver	18,000
Loss on speculation in gold	6,000
Life insurance premium on the life of family members	12,000
Donation to National Defence Fund	10,000
Donation to other approved bodies	50,000

- (iii) Income form other sources :
- | | |
|---|--------|
| Interest on maturity of NSCs, VIII Issue | 12,500 |
| Dividend received from an Indian company (<i>Gross</i>) | 15,000 |
| Collection charges paid for dividend | 400 |
- (10 marks)

- (b) Discuss the procedure of regular assessment under the Income-tax Act, 1961.

(5 marks)

PART—B

7. Attempt *any four* of the following :

- (i) What are the various provisions relating to payment of service tax ? Explain.
(5 marks)
- (ii) What are the provisions regarding penalties under service tax in the following cases :
- (a) Failure to take registration.
 - (b) Failure to keep books of account.
 - (c) Failure to produce accounts and documents.
- (5 marks)
- (iii) “The value of any taxable service shall be the gross amount charged by the service provider for such service rendered by him”. In the light of this statement, explain how the value of taxable service is determined.

(5 marks)

263

: 8 :

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

- (a) Rate of service tax payable for the financial year 2010-11 is _____ per cent.
- (b) Maximum amount of penalty for late filing of service tax return is ₹_____.
- (c) Under service tax rules, every assessee is required to furnish to _____ at the time of filing his return for the first time a list of all accounts maintained in relation to the service tax.
- (d) Service tax in India is levied by _____.
- (e) Service tax return can be revised within a period of _____ from the date of submission of return.

(1 mark each)

(v) State, with reasons in brief, whether the following statements are true or false :

- (a) Service tax in India is levied under a separate enactment.
- (b) The Central Excise Officer is empowered to impose penalty under service tax.
- (c) The Central Government has exempted some of the taxable services.
- (d) Recovery and adjustment of service tax means the same thing.
- (e) Service tax is administered by service tax department.

(1 mark each)

PART—C

8. Attempt *any four* of the following :

- (i) What is 'white paper'? What are the different parts of white paper under value added tax (VAT) ?
- (ii) Explain the procedure of computation of VAT liability of a dealer.
- (iii) Write a note on certification by professionals under VAT system.
- (iv) Explain the audit procedure applicable under the VAT system.
- (v) "Input tax credit in relation to any period means setting off the amount of input tax by a registered dealer against the amount of his output tax." Explain.

(5 marks each)

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2/2011/TL