

PAPER-7
APPLIED DIRECT TAXATION

TEST PAPER – I/7/ADT/2008/T-3

Time Allowed: 3 Hours

Full Marks: 100

Q1) (a) Fill up the blanks:

1*8=8

- (i) For self-occupied house property occupied on 1.07.2004, for which housing loan was availed, if the interest up to 31.3.2004 is Rs.90,000 and thereafter the interest payable is Rs 3,000 p.m, the deduction available u/s 24 in respect of interest for the year ended 31.03.2005 is Rs _____.
- (ii) To claim the benefit under section 10A, SEZ undertaking having a turnover of Rs. 2 crores, should file the return of income on or before _____.
- (iii) A person owns 4 heavy goods vehicles. His estimated annual income under section 44AE is Rs. _____ (1,68,000/1,51,200/1,92,000/2,40,000)
- (iv) Where an employer gives a second hand motor car to an employee, the requisite value is actual cost less depreciation at _____% for every completed year under _____ method of computing depreciation.
- (v) Exemption under section 10B of the Income tax Act, 1961 is available till assessment year _____.
- (vi) Where L, whose cash & bank balance on 14.01.2007 is Rs. 50,000 gifts Rs. 2,50,000 to M, without any actual delivery of the money Rs. _____ will be clubbed in the hands of L for wealth tax purposes.
- (vii) Where Assessee does not himself carry on Scientific Research but makes contribution to Scientific Research Association the available deduction under section 35 is _____%.
- (viii) Maximum Deduction under section 54EC from Capital gain is Rs. _____

(b) Answer in brief :

2*4=8

- (i) An assessee raised an invoice of Rs. 50,000 in A. Y. 2008-09 and had taken it into account as his income. Since it was not recoverable, he has filed suit in civil court. However, he wants to write off as bad debt in A Y 2008-09 and claim as deduction as bad debt. Can he do so?
- (ii) Your client is a doctor. When is he required to compulsorily maintain books of account?
- (iii) Explain the provisions under the Income Tax Act, 1961 in respect of valuation of closing stock of raw materials when assessee has availed Cenvat in respect of his inputs.
- (iv) Explain Provision of section 54B (Deduction for Transfer of Agricultural land).

(c) Choose the correct answer:

1*4=4

- (i) Surcharge of 2.5% is payable in the case of companies, by
 - (a) Domestic companies only;
 - (b) Companies other than domestic companies;
 - (c) All companies;
 - (d) None of the above

- (ii) Government's contribution to the new pension scheme referred to in section 80CCD is
 - (a) An exempt income;
 - (b) Income chargeable to tax as "Salaries" in full;
 - (c) 50% thereto is income chargeable to tax as "Salaries";
 - (d) Income chargeable to tax as "Income from other sources" in full.
- (iii) Long-term capital gains arising on compulsory acquisition of agricultural land held by a domestic company within specified urban limits is;
 - (a) Not exempt under section 10(37);
 - (b) Exempt under section 10(37) in full.
 - (c) 50% of the receipt is exempt under section 10(37).
 - (d) 25% of the receipt is exempt under section 10(37).
- (iv) In case of companies deriving loss any assessment year, for filling of return of income within the due date laid down in section 139(1) is compulsory;
 - (a) Only where the Department issues notice to the assessee-company;
 - (b) For domestic companies only;
 - (c) For foreign companies only;
 - (d) For all companies.

- Q2)** (a) Under what circumstances the assessing Officer may refer the valuation of capital asset to the valuation Officer ? **5**
- (b) Explain Agricultural Income and its Tax liability. **5**
- (c) State whether tax audit under section 44AB is applicable in the following cases:
- (i) Gross turnover from manufacturing business Rs.20 lakhs and gross turnover from retail business of Rs.30 lakhs where the assessee opts to be assessed under section 44AF.
 - (ii) Professional receipts Rs. 15 lakhs and gross sales in the business Rs.20 lakhs. **6**

- Q3)** M/s Alpha Beta Co. Ltd has the following assets and liabilities as on 31st March 2008. Compute the Net Wealth as on 31.3.2008 (stating whether each item is taxable or not).
- (i) Land in urban area (Construction not allowed as per Municipal bye laws) **36,00,000**
 - (ii) Land in rural area **38,00,000**
 - (iii) Land in urban area (bought 12 years ago, but 50,60,000 Construction of factory yet to start)
 - (iv) Residential Quarters for workers **34,80,000**
 - (v) Residential Quarters for officers—six units (2 48,00,000 of them are occupied by officers drawing monthly salary of Rs. 46700 each)
 - (vi) Guest House and land appurtenant thereto **10,00,000**
 - (vii) Air craft **2,80,00,000**
 - (viii) Motors cars for use of officers **20,50,000**
 - (ix) Loan from for acquiring aircraft **90,00,000**
 - (x) Residential house provided to a whole- time director **27,00,000**
(Salary Rs 7, 20,000p.a, the director owns 25% equity)

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Q4) a. OPTIMA Ltd is engaged in the business of plying goods carriages. On 1st April 2007 the company owns 10 trucks(6 out of which are 'heavy goods vehicle').On May 2,2007, one of the heavy goods vehicles is sold by OPTIMA Ltd to purchase a light goods vehicle on May 2,2007, which is put to use only from June 15, 2007.Find out the total income of OPTIMA Ltd .for the assessment year 2008-09 taking into consideration the following data gathered from its books:

	Rs.	
Freight collected		
	8,90,000	
Less: Operational expenses	6,40,000	
Depreciation as per section 32	1,90,000	
Other office expenses	<u>15,000</u>	
Net profit	45,000	
Other non-business income	70,000	5

(b) Arvind commenced construction of a residential house intended exclusive for his residence, on 01.11.2006. He raised a loan of Rs 5 Lacs,@ 16% interest for the purpose of construction on 01.11.2006.Finding that there was an overrun in the cost of construction he raised a further of Rs. 8 Lacs at the same rate on 01.10.2007. What is the interest allowable u/s24 assuming that the construction was completed on 31.03.2008. **6**

(c) From the following figures, you are required to ascertain depreciation admissible & other liabilities if any for the Ay 2008-09:

	Plant & Machinery	Building
WDV at the beginning	2,50,000	
10,00,000		
Additions during the year	3,00,000	
NIL		
Sales during the year	6,00,000	
2,00,000		5

Q5)

- A) Mr. Abhay has following two house properties. Compute his Income from House Property for the A. Y. 2008-09:
- i) House 1 situated at Pune self occupied during the previous year having Municipal Value as Rs 12 lacs. Its Fair rent is 10Lacs. Interest on loan Borrowed for the purchase of House property is Rs. 1.80 Lacs. Municipal Tax paid during the year amounts to Rs. 2,500/-
 - ii) House 2 situated at Mumbai is let out to CPM Pvt. Ltd for monthly rent of Rs. 30,000/-. Since the Company goes into liquidation in February 2007, no rent has been received till date. Municipal Value of the House is Rs. 4.20 Lacs. Municipal Tax paid during the year amounts to Rs. 1,500/-.
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B) Mr. Pawan has transferred his house property in April 2007 for sale consideration of Rs. 35 lacs. Expenses for transfer of asset paid Rs. 25,000/-.

This house property is inherited to Mr. Pawan from his father during 1995-96.

His father had purchased the house in 1965 for Rs.1,00,000/-. The Municipal value as on 1.04.1981 was Rs. 2,90,000/- The cost of improvement incurred by his father in the year 1992-93 was Rs. 12,000 and by himself Rs. 120,000 in year 2000-01.

Compute the Capital Gain.

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Q6) Compute the Salary Income from the following information of Mr. Jaydeep.

Basic Salary Rs 20,000 per month, dearness allowance: Rs. 6,000 per month, employers contribution towards provident fund Rs. 3,000(He makes a matching Contribution) , interest credited at the rate of 15% on April 30 2007: 7500/-, pension after retirement: Rs.10,000 per month and payment of provident fund at the time of retirement: Rs. 760,000(out of which employers Contribution is Rs 330000, interest thereon Rs. 44,000; Jaydeep' s contribution: Rs. 3,40,000, and interest thereon Rs. 46000) Salary and pension become due on the last day of each month. He has deposited the entire provident fund payment with a company (rate of Interest 9%)

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Q7) Write Short notes on the following (any two):

- i. Slum Sale
- ii. Section 43B
- iii. Specified Investment by an Charitable Institution under section 11(5).

4*2=8