

PAPER-7
APPLIED DIRECT TAXATION

TEST PAPER – I/7/ADT/2008/T-2

Time Allowed: 3 Hours

Full Marks: 100

Answer Question No. 1 is compulsory and any two from the rest in this section.

Q1) (A) Fill up the blanks: 1*6=6

- (i) In case of an existing industrial undertaking for additional depreciation, increase in installed capacity as compared to the installed capacity as on 31.03.2002 is _____ per cent.
- (ii) The due date for filing return of net wealth by an individual who is a non-working partner in a firm whose accounts are audited u/s 44AB of the Income Tax Act, 1961 is _____.
- (iii) The maximum amount of permissible under section 80C, subject to overall ceiling of Rs.1, 00, 000, for repayment of principle part of eligible housing is Rs _____ and that of interest is Rs _____.
- (iv) The Basic exemption limit in case of a non-resident individual being a senior citizen is Rs _____.
- (v) 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)
- (vi) Where an Indian company incurred any expenditure in connection with amalgamation or demerger, the same is allowable as deduction, spread over _____ successive years beginning with the year _____.

(B) State with reasons whether the following statements are true or false (Answers without reasons will not receive any credit)

2*7=14

- (i) Mr. A has compared gift of Rs.1, 50,000 on 12th December, 2004 from his close friend who is assessed to income-tax. The same is taxable at the hands of Mr. A.
- (ii) Surplus on sale of motor car on which depreciation has been allowed for 4 years by proprietor of a business will be taxed as long-term capital gain.
- (iii) In the case of an individual resident in India, who is an author maximum deduction available from gross total income in respect of eligible royalty income is Rs. 5 lacs
- (iv) Gift received from assesses grandfather in excess of Rs. 50,000 will be taxed as income from other sources.
- (v) Property held by an assessee under trust for any private purpose of charitable nature in India is not an exempt asset under section 5 of the wealth tax Act.
- (vi) A charitable trust whose income is not exempt under any clause of section 10 of the Income tax Act, 1961. will be chargeable to wealth tax in all cases, where the trust profits exemption.
- (vii) Income from Any Farm house is exempt from Tax

Q2) (a) What are expectation to the rule that the Income of the previous year shall assessed in the subsequent assessment year? **6**

(b) State whether the following are capital or revenue receipts:

1. Premium on issue of new shares
2. sales tax collected from purchasers of goods
3. Share Premium

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(c) Name any three transaction where tax collection at source is required to be made and the rate at which tax collection is to be done. **4**

Q3) (a) Compute the total income of Mr. & Mrs. A from the following information:

	<u>Rs.</u>
(i) Salary Income (computed) of Mrs. A	2,30,000
(ii) Income from profession of Mr. A	3,90,000
(iii) Income of Minor son B from Company Deposit	15,000
(iv) Income of Minor daughter C from Special Talent	32,000
(v) Gift received by C on 30/09/2006 from friend of Mr.A	2,500

Brief working is sufficient. Detailed computation under various heads of income is not required. **7**

(b) Mr. Yeshwant submits the following information for the financial year ending 31.03.2008.

He desires that you should:

- (i) Compute the Gross Total Income
- (ii) Ascertain the amount of losses that can be carried forward,

(I) He has two houses:

- | | |
|---|----------|
| (a) House No. 1 –After all statutory deductions | 36,000 |
| (b) House No. 2 – Current year loss | (10,000) |

(II) He has three proprietary businesses

(a) Textile Business;

- | | |
|---|----------|
| - Discontinued from 31.10.2007- Current year loss | (25,000) |
| - Brought forward business loss of year 2003-04 | (80,000) |

(b) Chemical business:

- | | |
|--|----------|
| -Discontinued from 01.03.2006- hence no profit/loss | Nil |
| - Bad debts allowed in earlier years recovered this year | 30,000 |
| - Brought forward business loss A.Y 2006-07 | (20,000) |

(c) Leather Business: Profit for current year **70,000**

(III) Capital Gains:

- | | |
|----------|----------|
| (a) STCG | 20,000 |
| (b) LTCL | (15,000) |

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Q4) Mr. A, a senior citizen has furnished the following particulars relating to his House properties

Particulars	House I	House II
Nature of occupation	Self Occupied	Let Out
Municipal Valuation	Rs. 60,000	Rs. 1,20,000
Fair Rent	Rs. 90,000	Rs. 1,50,000
Standard Rent	Rs. 75,000	Rs. 90,000
Actual Rent	Nil	Rs. 9,000
Municipal Taxes paid	Rs. 6,000	Rs. 12,000
Interest on Capital Borrowed	Rs. 70,000	Rs. 90,000

Loan for both Houses were taken on 01.04.2003. House II remained vacant for 4 months.

Besides the above two houses, A has inherited during the year an old house from his grandfather. Due to business commitments, he sold the house immediately for a sum of Rs. 250 lakhs. The house was purchased in 1962 by his grandfather for a sum of Rs. 2 lakhs.

However the fair market value as on 01.04.1981 was Rs. 20 lakhs. With the sale proceeds, A purchased a new house in March 2008 for a sum of 100 lakhs & the balance was used in his business.

The other income particulars Mr. A besides the above are as follows(A.Y. 2008-09):

Business loss	Rs.2 lakhs
Income from other sources (bank interest)	Rs.1 lakhs
Investment made during the year: P.F.	Rs. 70,000
ICICI Infrastructure Bond purchased	Rs. 30,000

Compute total income of Mr. A & his tax liability for the A.Y. 2008-09. **16**

Q5) Write short notes:-

1. Section 80GG
2. Self Assessment Tax under Section 140A
3. What is revocable transfer of Assets U/s 61? **4*2=8**

Q7) Mr. Executive is employed as a manager of XYZ Ltd. at Chennai. He has furnished the following particulars in respect of his income for the year ending 31 .3.2003.

- i) Basic salary Rs. 1,20,000.
- ii) DA Rs. 60,000 (50% of which forms part of salary)
- iii) He has been provided a rent free furnished bungalow in the factory premises at Chennai. Fair rental value of such bungalow is Rs. 3,000 p.m. Furniture provided in the bungalow Rs. 2 lakhs (cost) whose written down value Rs. 180000 and rented furniture for which rent paid Rs. 10,000.

- iv) The company employs a watchman and pays Rs. 300p. m. for looking after the bungalow.
- v) He availed 15 days leave out of 30 days to which he was entitled. He encashed the unavailed leave (for 15 days) and received Rs. 6,000 which he claims as exempt.
- vi) The company pays Rs. 1,000 p.a. as premium for an accident insurance policy for the benefit of Mr. Executive.
- vii) The company has paid club fees of Rs. 1,000 p.a. The club bill amounting to Rs.2750 have also been reimbursed.
- viii) The company has deducted tax on employment @150p.m from the salary of Mr. Executive.

Besides above, the company has given the following benefits to the employee: —

- i) The company has advanced an interest free loan of Rs. 2 lakhs for purchase of Motor car on 1.5.2002. Mr. Executive has been repaying the loan in installments of Rs. 5.000 p.m. at the end of each month.
- ii) Company provides free meals in the once during working hours for 200 days. The cost of meals to the company is Rs. 80 per meal.
- iii) The company has given a gift cheque of Rs. 10.00() on the occasion of Mr. Executive's birth day on 15.9.2002.
- iv) The company had purchased a Laptop for Rs.' 1.50,000 on I .10.1999. This Laptop sold w Executive for Rs. 10.000
- v) The company also provides Mr. Executive to use Video Camera which was purchased for Rs. 1,00,000 on 1.10. 1999.
- vi) The company provides the use of motor car (capacity 1.6 ltr.) for official as well as private purpose.
- vii) Expenditure on maintenance of the car by the company is Rs. 30,000.
Compute the taxable income of Mr. Executive for the assessment year 2003-04.