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Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 6

Total number of printed pages : 7

**NOTE** : 1. Answer **ALL** Questions.

2. All references to sections mentioned in Part-A of the Question Paper relate to the Income-tax Act, 1961 and the relevant Assessment Year 2013-14 unless stated otherwise.

**PART – A**

1. (a) Discuss, with reasons in brief, the admissibility or otherwise of the following items while computing income of a business :

- (i) Fine paid under the Customs Act, 1962 for importing prohibited goods while the business earned a huge amount of profit.
- (ii) Capital expenditure on in-house scientific research related to business of the assessee.
- (iii) Donations to a registered political party.
- (iv) Contribution to the approved gratuity fund.
- (v) Salary paid to the proprietor's son who is working as a manager of the business. The salary is reasonable.

(5 marks)

(b) Riya has a house property in Delhi, particulars of which are as under :

	₹
— Municipal value	3,00,000
— Standard rent	3,12,000
— Municipal taxes paid	50,000
— Interest on money borrowed for acquiring the house after 1 <sup>st</sup> April, 2009	1,60,000
— Actual rent for 10 months	35,000 per month
Period of occupation for own residence	2 months

Compute the income from house property for the assessment year 2013-14.

(5 marks)

- (c) Write a note on the provisions of 'alternate minimum tax' (AMT) under the Income-tax Act, 1961.  
(5 marks)
- (d) Explain the deduction in respect of medical insurance premium under section 80D.  
(5 marks)
- (e) Describe any five methods under which the arm's length price relating to an international transaction is determined under section 92C.  
(5 marks)

*Attempt all parts of either Q.No. 2 or Q.No. 2A*

2. (a) When is an assessee liable to pay advance tax ? For whom it is not compulsory ?  
(3 marks)
- (b) Explain the provisions of the Income-tax Act, 1961 under which income of a minor child is included in the income of parents.  
(3 marks)
- (c) Profit of a partnership firm is ₹4,00,000 after charging interest on capital @20% of its total capital of ₹8,00,000. How much remuneration is allowable under section 40(b) to its partners ?  
(3 marks)
- (d) Distinguish between 'domestic company' and 'foreign company'.  
(3 marks)
- (e) How is 'survey under section 133A' different from 'search under section 132' ?  
(3 marks)

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*OR (Alternate Question to Q.No. 2)*

2A. (i) Write short notes on the following :

- (a) Block of assets for the purpose of charging depreciation.  
 (b) Dividend distribution tax under section 115-O.

*(3 marks each)*

(ii) Arvind earned a gross total income of ₹10,00,000 during the previous year 2012-13. He made the following donations through crossed cheques in the previous year :

- ₹30,000 to National Foundation for Communal Harmony  
 — ₹50,000 to approved institutions  
 — ₹20,000 to Prime Minister's National Relief Fund  
 — ₹80,000 to Mumbai Municipal Corporation for promoting family planning.

Calculate the amount of deduction admissible under section 80G for the assessment year 2013-14.

*(4 marks)*

(iii) Mention the due dates for filing return of income for different categories of assesseees.

*(5 marks)*

3. (a) Kartar furnishes the following particulars for the previous year 2012-13 in respect of an industrial undertaking established in special economic zone during the financial year 2007-08 :

	₹
Total sales	60,00,000
Export sales	40,00,000
Profit from above undertaking	8,00,000

Compute the amount of exemption available to Kartar under section 10AA.

*(5 marks)*

- (b) Shyam is owner of a goods transport company. During the previous year, he used two light commercial vehicles for 8 months 3 days and one heavy commercial vehicle for 6 months. In addition, he possesses 4 heavy vehicles throughout the year. His receipts from freight were ₹13,00,000 and his operating expenses were ₹9,70,000 including ₹2,50,000 for depreciation. As per income-tax rules, depreciation allowable was ₹2,80,000. Whether Shyam should opt for the presumptive profit under section 44AE ?

(5 marks)

- (c) From the following information, compute the taxable capital gains of Sanjay :

- He sold his self generated goodwill for ₹15,00,000 after using it for six years. He spent ₹1,50,000 for the development of the goodwill.
- The bonus shares (not listed) held by him in RK Ltd. were sold for ₹4,20,000 on 28<sup>th</sup> March, 2013. The face value of the shares which were allotted in May, 2012 was ₹2,50,000.
- Short-term capital loss from the transfer of a building used for his business ₹1,00,000.
- A car purchased by him for ₹5,00,000 in 2005-06 for personal use, was sold on 1<sup>st</sup> July, 2012 for ₹2,10,000.

(5 marks)

4. (a) Sumit is an Indian and resident and ordinary resident in India. The value of his assets and liabilities as per Schedule III of the Wealth-tax Act, 1957 as on 31<sup>st</sup> March, 2013 are as follows :

	₹
— Guest house in Hong Kong	10,00,000
— Jewellery gifted to his wife	15,00,000
— His value of interest in the assets of a firm as a partner	8,00,000
— Cash in hand	3,00,000

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| — He took a life insurance policy for ₹5,00,000 which has surrender value as on 31 <sup>st</sup> March, 2013 | 75,000    |
| — He has a commercial complex at Delhi having 20 offices which were let-out                                  | 30,00,000 |
| — He owns a residential house in Mumbai, which is let-out for 320 days in the previous year                  | 10,00,000 |

Compute the net wealth and wealth-tax liability of Sumit.

*(6 marks)*

- (b) Dev is an officer of Rajasthan Government. He is in the pay scale of ₹20,000-800-28,000 since 1<sup>st</sup> June, 2011. He gets dearness allowance @10% of his basic salary and entertainment allowance @₹1,000 per month. The employment tax payable to State Government was ₹2,000 but Dev paid ₹1,500 in the previous year. He has paid ₹15,000 as premium on a policy of ₹1,00,000 which was taken on 1<sup>st</sup> April, 2012. He also paid part-time coaching fees of his son ₹10,000. Compute the tax liability of Dev for the assessment year 2013-14.

*(6 marks)*

- (c) How does residential status affect the tax liability of an assessee ? Explain.

*(3 marks)*

### PART – B

5. (a) "Service tax is generally payable by the service provider, but in certain circumstances it is the liability of the service receiver." Do you agree ? Explain.

*(5 marks)*

- (b) Who can avail input tax credit ? Can input tax credit be carried forward ? Discuss.

*(5 marks)*

- (c) Piyush rendered a taxable service to a client on 25<sup>th</sup> August, 2013. A bill of ₹40,000 was raised on 29<sup>th</sup> August, 2013 for which ₹15,000 were received from the client on 1<sup>st</sup> October, 2013 and balance on 23<sup>rd</sup> October, 2013. Answer the following :
- (i) If service tax was separately charged in the bill, what is the value of the taxable services and service tax payable ?
- (ii) If no service tax was separately charged in the bill :
- Is Piyush liable to pay service tax, even though the same has not been charged by him ?
  - In case, he is liable, what is the value of taxable services and service tax payable ?

(5 marks)

*Attempt all parts of either Q.No. 6 or Q.No. 6A*

6. (a) Explain the term 'inter-State sale' as per the Central Sales Tax Act, 1956. When is a sale or purchase deemed to have taken place in the course of inter-State sale ?
- (b) For whom registration is compulsory under service tax ? What is the time-limit for registration ? How much fees is determined for it ?
- (c) Determine the VAT liability of Sambhav from the following information :
- |  |           |
|--|-----------|
| — Purchases from local market ( <i>including VAT</i> ) | ₹2,60,000 |
| — VAT rate on input                                    | 4%        |
| — Transportation, insurance and handling charges       | ₹6,000    |
| — Goods sold at a profit margin                        | 15%       |
| — VAT rate on sales                                    | 10%       |

(5 marks)

: 7 :

*OR (Alternate question to Q.No. 6)*

- 6A.** (i) Distinguish between 'exempt sales' and 'zero rate sales' under the VAT scheme.  
(5 marks)
- (ii) In what purchases, input tax credit is not allowed under VAT ?  
(5 marks)
- (iii) What do you understand by 'point of tax' in service tax ? How is point of tax determined where service is taxed for the first time ?  
(5 marks)