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) No tax is deductible at source from payment on transfer of certain immovable properties under section 194-IA, where the consideration paid or payable is less than —
   (a) ₹25,00,000
   (b) ₹50,00,000
   (c) ₹75,00,000
   (d) ₹1,00,00,000.

(ii) Intangible assets (acquired after 31st March, 1998) are eligible for depreciation allowance and the rate of depreciation allowable is —
   (a) 10%
   (b) 20%
   (c) 25%
   (d) 100%.

(iii) While computing the total income of an assessee, any sum contributed by way of cash, during the previous year 2013-14 to any political party shall qualify for deduction at the rate of —
   (a) 100%
   (b) 0%
   (c) 50%
   (d) 10%.

(iv) The maximum amount of deduction under section 80GG in respect of rent paid is —
   (a) ₹2,000 per month
   (b) ₹3,000 per month
   (c) ₹5,000 per month
   (d) ₹18,000 per month.
(v) Which of the following is not included in the term 'income' under the Income-tax Act, 1961 —
(a) Dividend
(b) Profits and gains
(c) Profit in lieu of salary
(d) Reimbursement of travelling expenses.

(1 mark each)

(b) Smt. Bimla receives the following gifts during the previous year 2013-14:
- 1st September, 2013: Cash gift of ₹51,000 from a friend on marriage anniversary
- 30th September, 2013: Purchase of a house from her husband for ₹15,00,000 (stamp duty value is ₹80,00,000)
- 29th December, 2013: Purchase of a painting from an art gallery (being registered dealer under Maharashtra VAT) for a concessional price of ₹80,000 (invoice value is ₹80,000, however, it can be easily sold for ₹2,00,000)
- 10th March, 2014: Cash gift of ₹40,000 from a colleague
- 15th March, 2014: Purchase of a second-hand car for ₹2,00,000 (fair market value is ₹3,50,000)
- 31st March, 2014: Cash gift of ₹30,000 from a non-resident friend

Find out the amount chargeable to tax under the head 'income from other sources' for the assessment year 2014-15.

(5 marks)

(c) Re-write the following sentences after filling-in the blank spaces with appropriate word(s)/figure(s):
(i) Losses from the activity of owning and maintaining race horses can be carried forward for ________ assessment year(s) immediately succeeding the assessment year in which the loss was first computed.
(ii) The total income of a co-operative society is ₹1,20,000 for the assessment year 2014-15. The income tax payable by the co-operative society will be ___________ including cess.
(iii) The residential status of an assessee is determined for the relevant ____________.
(iv) For the purposes of clubbing of income of the minor in the income of the parent under section 64(1A), the parent shall be allowed a deduction of ____________.
(v) Rent received by original tenant from sub-tenant is taxable under the head ________.

(1 mark each)
2. (a) Sohan purchased an asset for scientific research in the previous year 2005-06 for ₹30,00,000. During the previous year 2013-14, the said asset ceased to be used for scientific research. The following information is also submitted to you :

Profit from business before depreciation 10,00,000
Written down value of block of assets ( @ 15% ) as on 1st April, 2013 20,00,000

The scientific research asset if used for business shall be eligible for depreciation @ 15%. The cost inflation index for 2005-06 is 497 and for 2013-14 is 939.

Compute the total income if the scientific research asset is sold for ₹60,00,000 during 2013-14, assuming that :
(i) It is sold without using for business; and
(ii) It is sold after using for business.

(5 marks)

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

(i) Every person is liable to pay advance tax.
(ii) When the prize is given partly in cash and partly in kind, income-tax will be deducted from cash only.
(iii) All incomes that accrue to a minor child will be included in the total income of parent whose total income is greater.
(iv) Foreign income of a non-resident is always taxable in India.
(v) For the assessment year 2013-14, Rahim files the income-tax return on 25th July, 2013. Intimation under section 143(1) may be sent upto 31st March, 2014.

(2 marks each)

3. (a) Ayush has been in service of Y & Co. (P) Ltd. since 1st February, 1986, in Delhi. During the financial year ended 31st March, 2014, Ayush received salary @ ₹90,000 per month, dearness allowance @ ₹15,000 per month, city compensatory allowance @ ₹2,000 per month, entertainment allowance @ ₹5,000 per month and house rent allowance @ ₹25,000 per month from the company. He resides in the house property owned by his HUF for which he pays a rent of ₹30,000 per month. Ayush has been in receipt of entertainment allowance from the company since February, 1986.

Ayush contributes ₹10,000 per month to a recognised provident fund. The company is also contributing an equal amount. He retired from the service of the company on 31st December, 2013 when he was allowed a gratuity of ₹9,00,000 and pension of ₹40,000
per month. On 1st February, 2014, he got one-half of the pension commuted and received ₹15,00,000 as commuted pension. He also received ₹20,00,000 as the accumulated balance of the recognised provident fund.

Compute his income under the head 'salaries' for the assessment year 2014-15.

(b) Sumit submits the following particulars:

<table>
<thead>
<tr>
<th>Previous year</th>
<th>2012-13 (₹)</th>
<th>2013-14 (₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business profits (before depreciation)</td>
<td>(−) 50,000</td>
<td>45,000</td>
</tr>
<tr>
<td>Current depreciation</td>
<td>18,000</td>
<td>20,000</td>
</tr>
<tr>
<td>Income from other sources</td>
<td>20,000</td>
<td>70,000</td>
</tr>
</tbody>
</table>

Determine the net income of Sumit for the assessment years 2013-14 and 2014-15.

4. (a) Rosy Ltd. constructed a building and started operating a hotel of 3-star category w.e.f. 1st April, 2013. The company incurred the following expenditure in this connection:

- Capital expenditure (including cost of land ₹50 lakh) incurred during December, 2012 to March, 2013 which were capitalised in the books of account on 31st March, 2013: ₹1,10,00,000
- Capital expenditure incurred during previous year 2013-14: ₹1,40,00,000 (it includes ₹20 lakh paid for goodwill)

You are required to compute the deduction available under section 35AD for the assessment year 2014-15.

(b) Distinguish between the following. Attempt any three:

- 'Revenue expenditure' and 'capital expenditure'.
- 'Revised return' and 'defective return' of income.
- 'Voluntary donation' and 'corpus' received by a registered charitable trust.
- 'Summary assessment' and 'self assessment'.

5. (a) Mohit invested ₹1,00,000 on the purchase of gold ornaments on 4th January, 1989. He holds the gold ornaments as investments. On 12th January, 2011, he started a business of dealing in jewellery and converted his holding into his stock-in-trade. The market
value of the gold ornaments as on the date of conversion was ₹5,00,000 and therefore, Mohit credited his capital account by ₹5,00,000 and debited his stock account by ₹5,00,000. The gold ornaments are now reflected in the business of Mohit as stock-in-trade. These gold ornaments were sold in the previous year 2013-14 for a sum of ₹6,00,000. Cost inflation index for the years 1988-89 : 161; 2010-11 : 711 and 2013-14 : 939.

You are required to —
(i) Compute the capital gains and business income.
(ii) What would be the answer, if the gold ornaments are held by the assessee till 31st March, 2014 ?

(b) Under what circumstances is the assessing officer empowered to re-open the assessment made by him ? Give example.

(c) What is the method of calculating tax on dividend, royalty and fee for technical services earned by non-residents under the Income-tax Act, 1961 ? Explain in brief.

6. (a) Smt. Rakhi provides the following information regarding assets and liabilities owned by her as on 31st March, 2014 :

<table>
<thead>
<tr>
<th></th>
<th>Market value (₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential house (self-occupied)</td>
<td>50,00,000</td>
</tr>
<tr>
<td>Loan taken for purchase of self-occupied house</td>
<td>10,00,000</td>
</tr>
<tr>
<td>Motor car for business use</td>
<td>10,00,000</td>
</tr>
<tr>
<td>Land in urban area</td>
<td>35,00,000</td>
</tr>
<tr>
<td>Loan taken to purchase above land</td>
<td>5,00,000</td>
</tr>
<tr>
<td>Cash in hand</td>
<td>1,25,000</td>
</tr>
<tr>
<td>Cash at bank</td>
<td>2,00,000</td>
</tr>
<tr>
<td>Land in rural area (within 5 kms. from Delhi)</td>
<td>5,00,000</td>
</tr>
<tr>
<td>Jewellery</td>
<td>14,80,000</td>
</tr>
<tr>
<td>Farm house situated outside 30 kms. from local limits of Municipality</td>
<td>40,00,000</td>
</tr>
</tbody>
</table>

Compute net wealth and wealth-tax of Smt. Rakhi for the assessment year 2014-15. Also give important working notes.

(6 marks)
(b) Write short notes on the following. Attempt any three:
(i) Belated return of income
(ii) Share of profit from partnership firm
(iii) Additional depreciation
(iv) Alternate minimum tax (AMT).

(3 marks each)

PART — B

7. Attempt any four of the following:
(a) State, with reasons in brief, whether the following statements are true or false:
(i) The Central Excise Officer is empowered to impose penalty under service tax.
(ii) Postal services for registered post are liable to service tax.
(iii) A firm, having office in Jammu, provides services to another firm in Patna. These services are not liable to service tax.
(iv) Free after-sales service is also liable to service tax.
(v) Service tax return can be revised within 120 days from the date of its filing.

(1 mark each)

(b) What is ‘negative list of services’? Which services by the government or a local authority are not included in the negative list of services?

(5 marks)

(c) Ravi, Rajan & Co. is a partnership firm. It is engaged in the business of recruitment and supply of labourers. The firm had rendered taxable services to the tune of ₹45 lakh in the financial year 2012-13. It furnishes the following information pertaining to the half-year ended on 30th September, 2013:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount collected from companies for pre-recruitment screening</td>
<td>₹3,00,000</td>
</tr>
<tr>
<td>Amount collected from companies for recruitment of</td>
<td></td>
</tr>
<tr>
<td>— Permanent staff</td>
<td>₹2,50,000</td>
</tr>
<tr>
<td>— Temporary staff</td>
<td>₹7,50,000</td>
</tr>
<tr>
<td>Advances received from prospective employers for conducting campus interview in colleges</td>
<td>₹1,50,000</td>
</tr>
</tbody>
</table>

Wherever applicable, service tax has been charged separately and received from clients. Compute the value of taxable services rendered and the service tax payable by the assessee for the relevant half-year.

(5 marks)
(d) Prakash has started providing taxable service with effect from 5th April, 2013. During the financial year 2013-14, the following bills are raised by him:

<table>
<thead>
<tr>
<th>Date</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>12th April, 2013</td>
<td>₹ 3,50,000</td>
</tr>
<tr>
<td>13th August, 2013</td>
<td>₹ 4,50,000</td>
</tr>
<tr>
<td>28th October, 2013</td>
<td>₹ 1,25,000</td>
</tr>
<tr>
<td>10th November, 2013</td>
<td>₹ 1,00,000</td>
</tr>
<tr>
<td>1st February, 2014</td>
<td>₹ 75,000</td>
</tr>
<tr>
<td>29th March, 2014</td>
<td>₹ 1,00,000</td>
</tr>
</tbody>
</table>

When is he required to get registration under service tax and charge service tax? What will be the amount of service tax?

(5 marks)

(e) "Abatement in service tax is a major relief to certain kind of services which are chargeable to service tax." Explain this statement with relevant provisions of the law.

(5 marks)

PART — C

8. Attempt any four of the following:

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

(i) Under addition method of VAT computation, the tax rate is applied to the difference between the value of output and cost of input.

(ii) VAT rate is 1% for inputs used for manufacturing of declared goods, capital goods and other essential items.

(iii) Central sales tax paid on inter-State purchases is eligible for being set-off against VAT payable in the State.

(iv) Export sales are zero-rated.

(v) Input tax to the extent of 2% will be allowed as credit if goods are sent inter-State.

(1 mark each)
(b) Manufacturer X sold a product to Y of Delhi at the rate of ₹1,800 per unit. He has charged CST at the rate of 2% on the said product and paid ₹60 as freight. Y sold the said product to Z of Delhi at the rate of ₹2,200 per unit and charged VAT at the rate of 12.5%. Z of Delhi sold goods to a consumer at the rate of ₹3,000 per unit and charged VAT at the rate of 12.5%.

Compute VAT liability of Y and Z.

(5 marks)

(c) Enlist any six purchases eligible for availing input tax credit under VAT.

(5 marks)

(d) (i) Discuss the rules regarding 'compulsory registration' under VAT.

(2 marks)

(ii) Manish furnishes the following information:

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening stock of finished goods and raw material</td>
<td>Nil</td>
</tr>
<tr>
<td>Purchase of raw material within State (excluding VAT @ 5%)</td>
<td>9,00,000</td>
</tr>
<tr>
<td>Purchase of raw material inter-State (including CST @ 2%)</td>
<td>2,55,000</td>
</tr>
<tr>
<td>Manufacturing expenses</td>
<td>3,50,000</td>
</tr>
<tr>
<td>Sales (excluding VAT @ 5%)</td>
<td>20,00,000</td>
</tr>
<tr>
<td>Closing stock of finished goods and raw material</td>
<td>2,50,000</td>
</tr>
</tbody>
</table>

Compute his VAT liability.

(3 marks)

(e) What do you mean by 'exempt sale' and how is it different from zero rating sale under VAT?

(5 marks)