

Roll No.....

Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 8 Total number of printed pages : 8

PART—A

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

1. (a) Arun, a citizen of India residing in Germany for the past 10 years, came back to India for the first time during January, 2006. During the financial year 2005-06, he received the following income :
 - He works in a company in Germany and earns a salary of Euro 1,000 per month;
 - He owns agricultural land near Bangalore and a residential house in Delhi which has been let-out. While the agricultural income is being remitted to his account in Germany every year, the rental income of Rs.84,000 is being deposited in his bank account at Delhi; and
 - He also owns shares in various Indian companies and receives dividend every year, which has been regularly deposited in his bank account at Delhi.He seeks your advice as to taxability of the above income under the provisions of the Income-tax Act, 1961 as he is an Indian citizen and earning income in India.
- (b) On 23rd December, 2005, Rajat sold 500 grams of gold, the sale consideration of which was Rs.2,50,000. He had acquired this gold on 20th August, 1980 for Rs.40,000. Fair market value of 500 grams of gold

on 1st April, 1981 was Rs.36,000. Find out the amount of capital gain chargeable to tax for the assessment year 2006-07. Also calculate the tax liability. (Note : Cost Inflation Index for the years 2004-05 : 480; and 2005-06 : 497.)

- (c) Under what circumstances, land will not be considered as urban land for wealth-tax purposes ?
- (d) Sunder died on 23rd July, 2002 while being in Central Government service. In terms of rules governing his service, his widow Mrs. Sunder is paid a family pension of Rs.10,000 per month and dearness allowance of 40% thereof. State whether the amount of family pension is assessable in her hands, and if so, under what head of income. Can she claim any relief/ deduction on such receipt ? Compute taxable income for the assessment year 2006-07 and tax thereon.
- (e) When is a return of income regarded as a 'defective return' ? Can the assessee rectify the defect in return? Explain.

(3 marks each)

2. (a) Kartik owns a commercial complex in Hyderabad which is let-out with effect from 1st April, 2005 along with air-conditioners, furniture and fixtures and lights. Besides, he is providing certain amenities like, electricity, lift facility, ward staff, etc. The monthly rent inclusive of all charges is fixed at Rs.60,000 and he would like to show 60% of such income under the head 'income from house property' attributable to rent of commercial property and 40% towards provision of amenities to be shown under the head 'business income/income from other sources'. State, with reasons, whether he can do so.

(5 marks)

- (b) What are the pre-conditions to be fulfilled for exercising revisionary powers by the Commissioner of Income-tax under section 263 of the Income-tax Act, 1961 ? Can he revise an order without affording an opportunity to the assessee ? What is the time limit to exercise such powers ? Briefly explain.

(5 marks)

- (c) Indicate the tax implications of the following transactions in the computation of net wealth as on 31st March, 2006 :

- (i) Ramnath obtained a loan of Rs.6 lakh from his friend by mortgaging his residential flat and the said loan was utilised by him for purchase of shares and securities. As on 31st March, 2006, the loan outstanding stood at Rs.2.40 lakh.
- (ii) Mrs. Padmaja acquired jewellery in the year 1998 out of the cash gift of Rs.8 lakh received from her husband. The fair market value of said jewellery as on 31st March, 2006 stood at Rs.16 lakh.

(5 marks)

3. Attempt *any three* of the following :

- (i) A return of income has been filed for the assessment year 2005-06 declaring a loss of Rs.2 lakh. At the time of assessment, the assessing officer discovered a concealment of income of Rs.3 lakh. Calculate the amount payable as tax and penalty imposable under section 271(1)(c), if the assessee is (i) a company; or (ii) an individual.
- (ii) The Finance (No.2) Act, 2004 has extended the disallowance under section 40(a)(ia) to residents in respect of certain payments. Elucidate this statement by stating the payments in respect of which such disallowance is attracted in the hands of residents.

- (iii) What is 'self-assessment' ? What are the consequences of non-payment of tax on self-assessment ?
- (iv) Discuss the special provisions relating to tax on income of foreign institutional investors from securities or capital gains arising from their transfer.

(5 marks each)

4. (a) Manish is the general manager of a transport company drawing a salary of Rs.15,000 per month. The company has provided him with accommodation in Meerut for which 10% of his basic salary is deducted. Actual rent paid by the company for accommodation is Rs.1,20,000 per annum. He is also receiving entertainment allowance of Rs.500 per month. He is provided by the company with a car having engine cubic capacity of 1.8 litres for his personal and official use, but running and maintenance expenses for the same are borne by the assessee himself. He is in receipt of bonus equivalent to 2 months' salary. Compute his taxable income under the head 'salary' for the assessment year 2006-07.

(7 marks)

- (b) During the previous year 2005-06, a charitable trust earned an income of Rs.10 lakh out of which Rs.8 lakh was received during the previous year 2005-06 and the balance Rs.2 lakh was received during the previous year 2006-07. To claim full exemption of Rs.10 lakh in the previous year 2005-06, state —
- (i) What is the maximum amount which can be accumulated to be utilised for charitable or religious purposes at a later date ?
 - (ii) How much amount should actually be spent during the previous year 2005-06 ?

(iii) How much amount will be deemed to be utilised during the previous year 2005-06 and within what time should it be actually utilised ?

(5 marks)

(c) Explain the deduction available to an individual in respect of income by way of royalty from a patent.

(3 marks)

5. Thomas took voluntary retirement from State Bank of India on 1st March, 2005 under the Voluntary Retirement Scheme (VRS) and received a sum of Rs.25 lakh on account of VRS benefits. Later, he started a business of plying, hiring and leasing of goods carriages from 1st June, 2005 by acquiring 3 heavy goods vehicles for Rs.12 lakh, 2 medium goods vehicles for Rs.5 lakh and 3 light commercial vehicles for Rs.6 lakh. Although, he did not maintain regular books of account for his business, the diary maintained by him revealed gross receipts of Rs.2,12,000 for the financial year ended 31st March, 2006 and he incurred an expenditure of Rs.78,300 on the business towards salaries of drivers, repairs, fuel, *etc.* Depreciation on vehicles is not included in the said expenditure.

During the financial year 2005-06, he received a sum of Rs.72,000 on account of pension from bank and he contributed a sum of Rs.50,000 to his PPF account maintained with the said bank in the same year. His PPF account was credited with interest of Rs.35,000 during the financial year 2005-06.

Further, he had two residential properties, one is self-occupied and other is let-out. During the financial year 2005-06, Thomas was able to let-out his property only for 11 months on a monthly rent of Rs.7,000. The total municipal taxes on the let-out property was Rs.8,000, 50% of which was paid by the tenant and 50% by him during the financial year 2005-06. The interest on loan taken for renovation of the house paid by him during the year was Rs.14,000. The insurance premium on the house

and actual repairs and collection charges paid are Rs.1,600 and Rs.18,000 respectively and the entire expenditure is borne by him. During the financial year 2005-06, he was able to recover the unrealised rent of Rs.13,000 from old tenant who vacated the house during July, 2004 after spending litigation expenses of Rs.5,000. During the financial year 2005-06, Thomas suffered long-term capital loss on account of sale of shares on various dates amounting to Rs.31,500.

From the aforesaid information, you are required to compute the total income of Thomas for the assessment year 2006-07 giving reasons in respect of each and every item and indicate the relief/rebate/deduction which he is entitled to claim.

(15 marks)

PART—B

(Answer ANY TWO questions from this part.)

6. (a) The sales of a dealer (including central sales tax/sales tax, if any) are as under :

| | <i>Rs.</i> |
|--|------------|
| Cereals, pulses, sugar and salt (Exempt in the State) | 10,00,000 |
| Shares and securities | 2,50,000 |
| Other goods sold in the State | 20,00,000 |
| Exports from India | 15,00,000 |
| Goods purchased and sold in other State | 3,00,000 |
| Inter-State sale on which rate of tax is 10% | 11,00,000 |
| Inter-State sale to a State Government on Form-D (Sales tax rate in the State is 5%) | 2,60,000 |
| Inter-State sale to a registered dealer on Form-C (State tax rate is 3%) | 5,15,000 |
| Goods sent to branch office located in other State on Form-F | 10,00,000 |

Calculate taxable turnover of the dealer under the Central Sales Tax Act, 1956.

(8 marks)

- (b) Explain the meaning of 1st and 2nd check appraisements under the Customs Act, 1962.

(6 marks)

- (c) What do you mean by 'self-assessment procedure' under the Central Excise Act, 1944 ? Is it available for all kinds of goods ?

(6 marks)

7. (a) Explain 'compounded levy scheme' under the central excise law.

(8 marks)

- (b) Bring out the distinction between the concept of 'identical goods' and 'similar goods' with reference to the customs valuation rules.

(6 marks)

- (c) What is 'deemed sale' with reference to the Central Sales Tax Act, 1956 and explain the inclusions and exclusions in the definition of sale under the provisions of the Central Sales Tax Act, 1956 ?

(6 marks)

8. (a) Write notes on *any two* of the following :

(i) CENVAT

(ii) Deemed export

(iii) Duty drawback.

(5 marks each)

- (b) Attempt *any two* of the following :
- (i) Under what circumstances the registration of a dealer is cancelled under the Central Sales Tax Act, 1956 and when it may be required to be amended ?
 - (ii) What is 'penultimate sale' in the course of export ?
 - (iii) Explain the powers of the Central Government with regard to imposition of prohibition on imports/exports and specify some of the purposes for which such imposition is made with reference to the provisions of the Customs Act, 1962.

(5 marks each)

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