

Roll No.....

Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 8  
Total number of printed pages : 9

**NOTE :** All references to sections relate to the Income-tax Act, 1961 and the relevant Assessment Year 2007-08 unless stated otherwise.

## PART—A

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

1. Attempt any five of the following :

- (i) Anand & Sons is a partnership firm consisting of father and three sons. The partnership deed provided that after the death of father, the business shall be continued by his sons, subject to the condition that the firm shall pay 30% of the profits to their mother. Father died on 31<sup>st</sup> March, 2006. In the previous year 2006-07, the reconstituted firm paid Rs.1 lakh (equivalent to 30% of the profit) to their mother and claimed the amount as deduction from its income. Examine the correctness of the claim of the firm.

(3 marks)

- (ii) For the assessment year 2007–08, Ms. Madhuri (Date of Birth : 9<sup>th</sup> September, 1940) furnishes the following information :

	Rs.
Gross agricultural income	2,21,000
Expenditure on earning agricultural income	1,000

Non-agricultural income 2,60,000

Determine the tax liability of Ms. Madhuri for the assessment year 2007–08 on the assumption that she contributes Rs.70,000 towards public provident fund and pays insurance premium of Rs.20,000 on her life insurance policy (sum assured : Rs.1,50,000).

*(3 marks)*

- (iii) Rani Textiles Ltd., a manufacturing company in the field of textiles, installed a dust inhalation plant of Rs.200 lakh in the factory in order to protect the health of its workmen. Whether the expenditure so incurred is capital in nature ?

*(3 marks)*

- (iv) Arun, a resident of Meerut, receives Rs.38,000 per annum as basic salary. In addition, he gets Rs.12,000 per annum as dearness allowance, which does not form part of basic salary, 5% commission on turnover achieved by him (turnover achieved by him during the relevant previous year 2006-07 is Rs.6,00,000) and Rs.7,000 per annum as house rent allowance. He, however, pays Rs.8,000 per annum as house rent. Determine the quantum of house rent allowance exempt from tax.

*(3 marks)*

- (v) Who are the persons not liable to pay wealth-tax in respect of their net wealth under the Wealth-tax Act, 1957 ?

*(3 marks)*

- (vi) State the provisions of the Income-tax Act, 1961 relating to tax deduction at source in the case of payments of compensation on acquisition of certain immovable property.

*(3 marks)*

2. (a) What are the circumstances under which assessing officer shall make the 'best judgement assessment' under the Income-tax Act, 1961 ?

(5 marks)

- (b) Explain the provisions of the Income-tax Act, 1961 regarding set-off and carry forward of losses from transfer of capital assets.

(5 marks)

- (c) Re-write the following sentences after filling-up the blank space choosing appropriate word(s) from given options so as to give the correct answer :

- (i) Wealth-tax is levied @ \_\_\_\_\_.

- (a) 1% of net wealth  
(b) 1% of net wealth exceeding Rs.15 lakh  
(c) 1% of net wealth exceeding Rs.50 lakh.

- (ii) Depreciation allowance is charged @ \_\_\_\_\_ per cent of written down value on intangible assets, *e.g.*, know-how, patents, copyrights, *etc.*

- (a) 15  
(b) 20  
(c) 25  
(d) 30.

- (iii) A, B and C are the partners in a firm engaged in medical profession. For the year ended on 31<sup>st</sup> March, 2007, the book profit of the firm was calculated as Rs.1,36,300. The maximum amount admissible as remuneration to partners is\_\_\_\_\_.

- (a) Rs.1,11,780  
(b) Rs.1,04,280  
(c) Rs.50,000

(d) Rs.1,36,300.

(iv) In case of a non-corporate assessee, advance tax is payable on or before 15<sup>th</sup> September of the relevant previous year \_\_\_\_\_.

(a) upto 15 per cent of advance tax payable

(b) upto 45 per cent of advance tax payable

(c) upto 30 per cent of advance tax payable

(d) upto 36 per cent of advance tax payable.

(v) Municipal value : Rs.14,000; Fair rent: Rs.14,500; Standard rent: Rs.14,200. Actual rent as property let-out throughout the previous year : Rs.16,800. Unrealised rent of the previous year: Rs.7,000. The annual value of the house property shall be \_\_\_\_\_.

(a) Rs.9,800

(b) Rs.7,200

(c) Rs.14,200

(d) Rs.7,500.

*(1 mark each)*

3. (a) With reference to the provisions of the Income-tax Act, 1961, state with reasons in brief, whether the following statements are true or false :

(i) Short term capital gain from the transfer of shares to recognised stock exchange is exempt.

(ii) A firm resident in India having total income of Rs.1,46,000 is eligible to claim deduction under section 80D.

(iii) An existing assessee, engaged in trading activities, can claim additional depreciation under section 32(1)(iia) if a new plant was acquired and installed in the trading concern

on 2<sup>nd</sup> May, 2006.

- (iv) Where an individual repays a sum of Rs.25,000 towards principal of loan taken from a bank for pursuing higher studies and Rs.15,000 towards interest, the deduction allowable under section 80E is Rs.40,000 and not Rs.15,000 (interest component only).
- (v) Where the Commissioner of Income-tax is satisfied that the activities of the charitable trust, which has been accorded registration is not genuine, he can cancel the registration by passing an order in writing.

(2 marks each)

(b) Briefly answer *any five* of the following :

- (i) What do you mean by self-assessment ?
- (ii) Who is a non-resident ?
- (iii) What is the maximum amount of exemption allowed under section 10(10B) on account of retrenchment compensation ?
- (iv) How much deduction from gross total income is available under section 80C regarding provident fund contribution, life insurance premium, *etc.* ?
- (v) What are the special provisions for computing income on presumptive basis in the case of tax payers engaged in the business of civil constructions ?
- (vi) What deductions are allowed under section 24 while computing 'income from house property' ?

(1 mark each)

4. Comment on *any five* of the following statements :

- (i) If any person fails without a reasonable cause,

to furnish a return of his income, he is subjected to three types of punishment.

- (ii) There are certain types of income which are included in the total income, but on which no income-tax is payable.
- (iii) An assessee is not only liable in respect of his own incomes for tax purposes, but his liability may extend to income of other persons also.
- (iv) The incidence of income-tax depends upon the residential status of an assessee.
- (v) 'Pay as you earn' scheme means that assessee has to pay tax simultaneously along with the earning of his income.
- (vi) Fringe benefit tax is payable by an employer irrespective of the fact whether his income is liable to be taxed or not.

*(3 marks each)*

5. (a) The income of an individual for the year ended 31<sup>st</sup> March, 2007 consists of the following :

*Rs.*

- (i) Business profits (Computed after claiming deduction of Rs.20,000 paid as donation to a college and Rs.6,000 as deposit in National Saving Certificates )  
92,000
- (ii) 25% Share of profit from a firm 50,000
- (iii) Interest on government securities 1,10,000
- (iv) Dividends on shares of Indian companies 2,000

Compute the total income and tax payable for the assessment year 2007-08, assuming he has

deposited Rs.49,000 in the public provident fund.

(7 marks)

- (b) The house property of Abhinav is compulsorily acquired by the Government for Rs.10,00,000 vide Notification issued on 12<sup>th</sup> March, 2003. Abhinav had purchased the house in 1986-87 for Rs.2,00,000. The compensation is received on 15<sup>th</sup> April, 2006. The compensation is further enhanced by an order of the court on 5<sup>th</sup> April, 2007 and a sum of Rs.2,00,000 is received as enhanced compensation on 25<sup>th</sup> May, 2007. Abhinav wants to claim full exemption of the capital gains. Advise Abhinav in this regard. Compute the capital gains and determine the year in which it is taxable.

(Note: Cost inflation index for various years is — 1986–87 : 140; 2002–03 : 447; and 2006–07 : 519.)

(8 marks)

### PART—B

(Answer ANY TWO questions from this part.)

6. (a) Discuss the provisions relating to 'transit of goods' and 'transhipment of goods' without payment of duty under the Customs Act, 1962.

(8 marks)

- (b) From the following information, compute the taxable turnover and tax liability of four products A, B, C and D. The State sales tax rate of Product-A is 12%; Product-B is 8%; Product-C is the declared goods whose tax rate is 3%. The local sales tax on Product-D has been declared by the State Government generally to be 2%.

For the year 2006-07, the total sales value of

each product, including central sales tax applicable against Form-C, is as follows :

<i>Product-A</i>	<i>Product-B</i>	<i>Product-C</i>	<i>Product-D</i>
Rs.10,40,000	Rs.15,60,000	Rs.10,30,000	
Rs.15,30,000			

Additional information :

- (i) A buyer of Product-A to whom goods worth Rs.1,04,000 were sold on 14<sup>th</sup> August, 2006, returned goods worth Rs.20,800 (including central sales tax) on 15<sup>th</sup> January, 2007.
- (ii) Another buyer of Product-A could not provide Form-C for goods worth Rs.15,600.
- (iii) A buyer of Product-B to whom goods worth Rs.20,800 were sold did not send the Form-C as the Product-B was not covered in his registration certificate.
- (iv) A buyer of Product-C to whom goods worth Rs.10,300 were sold on 5<sup>th</sup> April, 2006 returned the goods on 17<sup>th</sup> November, 2006.
- (v) Another buyer of Product-C to whom goods worth Rs.15,450 were sold could not provide Form-C.
- (vi) There was only one buyer of Product-D and he provided Form-C.

*(8 marks)*

- (c) What are the objectives of providing for 'exemptions' under the central excise laws ?

*(4 marks)*

7. (a) A material was imported by air at CIF price of US \$5,000. Freight paid was US \$1,500 and insurance cost was US \$500. The banker realised the payment from importer at the exchange rate of Rs.45 per dollar. Central Board of Excise and Customs notified the exchange rate as

Rs.44.50 per US\$. Find out the value of the material for the purpose of levying duty.

(5 marks)

- (b) Under what circumstances, the despatch of goods from one State to another may not amount to inter-State sale for the purpose of levying of central sales tax ?

(5 marks)

- (c) Who are required to be registered under the Central Excise Act, 1944 ? What is the penalty provided for non-registration under the Act ?

(5 marks)

- (d) State the circumstances when the abatement of customs duty may be allowed under the Customs Act, 1962.

(5 marks)

8. Write notes on *any four* of the following :

- (i) Inter-State sale and its ingredients
- (ii) E-filing of central excise returns
- (iii) Duty drawback on re-export of goods
- (iv) Payment of excise duty
- (v) Transaction value.

(5 marks each)

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