

Roll No.....

Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 8

Total number of printed pages : 8

NOTE : All references to sections mentioned in Part-A of the Question Paper relate to the Income-tax Act, 1961 and the relevant Assessment Year 2009-10 unless stated otherwise.

P A R T – A

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

1. (a) State, with reasons in brief, whether the following statements are correct or incorrect. Attempt **any five** :

- (i) Income from vacant plot of land is taxable under the head 'income from other sources'.
- (ii) The maximum income of Rs.2,25,000 is not chargeable to income-tax in case of a citizen woman of 65 years age.
- (iii) Due date for filing of return of income of an individual is 31st July of the previous year.
- (iv) No deduction is allowable from income from salary.
- (v) Indexation of cost of acquisition is necessary for short-term capital gain.
- (vi) Return of income once filed cannot be revised.
- (vii) Gift from an unrelated person is tax-free upto Rs.50,000.

(1 mark each)

(b) Re-write the following sentences after filling-in the blank spaces with appropriate word(s)/figure(s) :

- (i) Income of a business commenced on 1st March, 2009 will be assessed during the assessment year _____.
- (ii) Belated return can be filed within _____ from the end of the relevant assessment year.
- (iii) Fringe benefit tax is charged at the rate of _____.
- (iv) Advance tax is payable in _____ instalments by a non-corporate assessee.
- (v) Net wealth computed under the Wealth-tax Act, 1957 shall be rounded off to the multiple of Rs. _____.

(1 mark each)

(c) Robbert, a US national came to India for the first time on 1st November, 2008 for a period of six months. He declared following incomes during the previous year ending 31st March, 2009 :

- (i) Salary received in India for four months at the rate of Rs.75,000 per month.
- (ii) Interest on fixed deposit in a bank in India : Rs.50,000.
- (iii) Income from agriculture in USA : Rs.10,00,000.
- (iv) Income from a business in Nepal being controlled from India : Rs.2,00,000.
- (v) Salary earned in USA brought into India in the previous year : Rs.5,00,000.

You are required to compute Robbert's taxable income and tax liability for the assessment year 2009-10.

(5 marks)

2. (a) Choose the most appropriate answer from the given options in respect of following having regard to the provisions of the Income-tax Act, 1961 :

- (i) The maximum penalty for failure to get accounts audited under section 44AB or furnish audit report along with return of income is –
 - (a) Rs.10,000
 - (b) Rs.20,000
 - (c) Rs.50,000
 - (d) Rs.1,00,000.
- (ii) The amount of education cess and secondary and higher education cess to be collected along with income-tax for assessment year 2009-10 shall be –
 - (a) 1 %
 - (b) 2 %
 - (c) 3 %
 - (d) 4%.
- (iii) Deduction under section 80C can be claimed for fixed deposit made in any scheduled bank, if the minimum period of deposit is –
 - (a) 5 years
 - (b) 8 years
 - (c) 10 years
 - (d) 12 years.

(iv) X is the owner of a house, the details of which are given below :

Municipal value	Rs.30,000
Actual rent	Rs.32,000
Fair rent	Rs.36,000
Standard rent	Rs.40,000.

The gross annual value would be –

- (a) Rs.36,000
 - (b) Rs.35,000
 - (c) Rs.30,000
 - (d) Rs.40,000.
- (v) Interest-free loan to an employee, where the amount of loan does not exceed any one of the following, shall be treated as the tax-free perquisite in all cases under section 17(2) –
- (a) Rs.10,000
 - (b) Rs.15,000
 - (c) Rs.20,000
 - (d) Rs.25,000.
- (vi) The maximum exemption in respect of transport allowance granted to an employee to meet his expenditure for the purpose of commuting between the place of his residence and the place of his duty shall be –
- (a) Rs. 600 per month
 - (b) Rs. 700 per month
 - (c) Rs. 800 per month
 - (d) Rs. 900 per month.

(1 mark each)

- (b) John, Jack and Jill are partners sharing profits and losses in the ratio of 2:1:1 respectively. Their summarised profit and loss account for the year ending 31st March, 2009 is appended below :

	Rs.		Rs.
Office salaries	17,040	Gross profit	1,81,710
Bad debts reserve	3,000	Interest on	
Telephone	6,000	securities	12,000
Salary to Jack	9,000	Rent received	18,000
Collection charges of interest on securities	150		
Interest on loan from John	6,000		
Municipal taxes (<i>let out property</i>)	3,000		
Commission to partners :			
John	12,000		
Jack	15,000		
Jill	<u>18,000</u>		
		45,000	
Net profit to partners :			
John	61,260		
Jack	30,630		
Jill	<u>30,630</u>		
		<u>1,22,520</u>	
		<u>2,11,710</u>	<u>2,11,710</u>

Compute total income of the firm for the assessment year 2009-10 and tax liability thereon. Interest paid to John has been calculated at the rate of 20% per annum simple.

(7 marks)

- (c) Yash, a minor, who is a physically handicapped (suffering from disability of the nature specified in section 80U), earns bank interest of Rs.50,000 and Rs.60,000 from making bags manually by himself. State whether income of Yash should be clubbed with the income of his parents as per section 64(1A).

(2 marks)

3. (a) Distinguish between the following :

- (i) 'Scrutiny assessment' and 'best judgement assessment'.
- (ii) 'Long-term capital gain' and 'short-term capital gain'.
- (iii) 'Exempted incomes under section 10' and 'deductions under section 80'.
- (iv) 'Previous year' and 'assessment year'.
- (v) 'Assets' and 'deemed assets' under the Wealth-tax Act, 1957.

(2 marks each)

- (b) Compute the net wealth and tax liability of assessment year 2009-10 of Sona Jewels which is engaged in jewellery business. Following are the particulars of assets on 31st March, 2009 :

	Rs.
Factory building (W.D.V)	80,00,000
Bank balance	15,00,000
Unaccounted cash	5,20,000
Silver ware	56,00,000
Gold jewellery	54,00,000
Car (W.D.V)	10,00,000
Farm house within municipal limit	25,00,000
Guest house in Britain	90,00,000

The market value of car is Rs.15 lakh. The assessee has raised a loan of Rs.50 lakh from a bank by mortgaging guest house. The loan was utilised to construct factory building.

(5 marks)

4. (a) Who is liable to pay advance income-tax ? On what dates the instalments of advance tax are payable and what amount is to be paid under each instalment ?

(4 marks)

- (b) What are the provisions regarding deduction of tax at source from the following incomes :

- (i) Winnings from lottery
- (ii) Payment to a resident contractor
- (iii) Commission and brokerage
- (iv) Payment of rent.

(2 marks each)

- (c) Discuss the items which are disallowed as deduction under section 40(b) while computing firm's income from business and profession.

(3 marks)

5. (a) Karan made a gift to Sujata during their engagement which took place on 15th May, 2008. After their marriage which was held on 15th June, 2008, they decided to live apart owing to some reasons and they obtained a legal divorce on 15th September, 2008. Whether transfer made on 15th May, 2008 be included for wealth-tax purposes in the hands of Karan ?

(3 marks)

(b) Discuss the taxability or otherwise of the following gifts received by Madhuri, a lady, during the financial year 2008-09 :

- (i) Rs.30,000 from her elder sister.
- (ii) Rs.50,000 from the daughter of her elder sister.
- (iii) Wrist watch valued at Rs.6,000 from her friend.

(3 marks)

(c) Gaurav, aged 50 years, is an individual, whose gross total income before deduction under section 80C is Rs.1,90,000 and his total income after deduction under section 80C is Rs.95,000. Whether he is required to file return ?

(3 marks)

(d) Kundan submits the following information for the assessment year 2009-10 :

Income from business		Rs.20,000
Property income	House-A	House-B
	(Rs.)	(Rs.)
Municipal valuation	17,500	40,000
Municipal taxes paid by tenant	1,500	2,000
Land revenue paid	1,000	8,000
Rent received	19,000	34,000
Insurance premium paid	250	1,000
Repairs paid by tenant	250	9,000
Interest on borrowed capital for payment of municipal tax of house property	100	200
Nature of occupation	Let out for residence	Let out for business
Date of completion of construction	1.4.1993	1.4.1991

Determine the taxable income of Kundan for the assessment year 2009-10.

(6 marks)

6. (a) Discuss the provisions relating to incidence of wealth-tax.

(5 marks)

(b) What are deemed fringe benefits ?

(5 marks)

(c) State, with reasons in brief, whether the following are capital or revenue receipts/ expenditure :

- (i) Rs.20,000 spent in connection with obtaining a licence for running a cinema hall.
- (ii) Rs.3,00,000 received as compensation for termination of contract of agency.
- (iii) Lump sum received as advance rent.
- (iv) Overhaul expenses of second hand machinery.
- (v) Payment to an employee to retain him in job.

(1 mark each)

P A R T – B

7. Attempt **any four** of the following :

- (i) Briefly state the provisions of service tax regarding following :
 - (a) Liability to registration
 - (b) Procedure for registration
 - (c) Issue of registration certificate
 - (d) Time limit for registration
 - (e) Surrender of certificate of registration.

(1 mark each)

(ii) What is general rule regarding valuation of taxable service ? Indicate the position where the gross amount charged by a service provider includes service tax payable.

(5 marks)

(iii) What is the due date for payment of service tax ? What is the rate of interest for delayed payment and penalty for default in payment of service tax ?

(5 marks)

(iv) Discuss 'advance ruling in service tax'.

(5 marks)

(v) Explain the provisions regarding service tax on Company Secretaries.

(5 marks)

PART - C

8. Answer **any two** of the following :

(i) Who is liable to pay VAT ? Discuss the advantages of introduction of VAT in India.

(10 marks)

(ii) Discuss – (a) Rates of VAT; and (b) Filing of return under VAT.

(10 marks)

(iii) Discuss, with suitable example, various methods for computation of VAT liability.

(10 marks)

(iv) Write notes on – (a) Registration under VAT; and (b) Zero rating.

(10 marks)

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