

Roll No.....

Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 6

Total number of printed pages : 5

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 2014-15 unless stated otherwise.

PART – A

1. (a) What is agricultural income ? What is the tax treatment of agricultural income ?
(5 marks)
- (b) Define 'transfer' as per the Income-tax Act, 1961.
(5 marks)
- (c) X resides at Bhopal, his basic salary is ₹4,80,000 per annum. He resided in a house owned by his father upto 30th September, 2013 during the relevant previous year 2013-14, for which he did not pay any rent. After that, he took a house on rent at ₹10,000 per month. The employer pays ₹5,000 per month to him as house rent allowance throughout the year. He argues that he paid the whole amount of house rent allowance (i.e. ₹60,000) to the landlord as a rent i.e. ₹60,000, thus, his whole amount of allowance should be exempted from tax. State whether X is correct in his argument ?
(5 marks)
- (d) State with reasons whether the following constitute an asset chargeable under the Wealth-tax Act, 1957 in the hands of ABC Ltd. :
- (i) Agricultural farm house situated 26 kms. outside the municipal limits of Bhopal, but within 22 kms. of Vidisha municipal corporation.
 - (ii) Factory building and godowns leased out on rent .
 - (iii) House at Rajkot let-out for residential purpose.
 - (iv) Aircraft held by a shipping company having turnover of ₹1 ,600 crore for exclusive use of its managing director.
 - (v) Cash in hand ₹5,00,000 as per cash book.
- (5 marks)
- (e) Discuss the term 'deemed ownership' of house property as given under section 27.
(5 marks)

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

2. (a) Distinguish between 'tax deduction at source' and 'tax collection at source'.
- (b) Discuss the tax implications arising consequent to conversion of a capital asset into stock-in-trade of business and its subsequent sale.
- (c) Discuss the provisions of the Wealth-tax Act, 1957 regarding the inclusion of the wealth of minor child in the wealth of the parents. Enumerate the exceptions to this provision.
(5 marks each)

OR (Alternate question to Q.No. 2)

- 2A. (i) Discuss in brief about deduction on account of preliminary expenses under section 35D. (5 marks)
- (ii) Rajesh, aged 45 years, paid medical insurance premium of ₹ 10,000 during the previous year 2013-14 to insure his health as well as the health of his spouse. He also paid medical insurance premium of ₹ 17,000 during the year to insure the health of his father, aged 65 years, who is not dependent on him. He contributed ₹ 4,400 to central government health scheme during the year. He has incurred ₹ 3,000 in cash on preventive health check-up of himself and his spouse and ₹ 4,000 by cheque on preventive health check-up of his father. Compute the deduction allowable under section 80D for the assessment year 2014-15. (5 marks)
- (iii) Discuss best judgment assessment under section 144. In what circumstances can it be made ? (5 marks)
3. (a) Compute the 'advance tax payable' by Kiran for the following incomes estimated for the financial year 2013-14 :
- (i) Gross total income is ₹ 30,75,000
(ii) Investment in public provident fund is ₹ 80,000
(iii) Gross total income includes LTCG amounting to ₹ 10,00,000 earned on 16th September, 2013.
- Assume that ₹ 1,85,000 has been deducted at source during the financial year 2013-14. (5 marks)
- (b) Jay Ltd. has let out a premises with effect from 1st October, 2013 on monthly rent of ₹ 2,00,000. The lease is valid for 10 years and the tenant has made a deposit equivalent to 5 months rent. The tenant has undertaken to pay the municipal taxes of the premises amounting to ₹ 90,000.
- What will be the value of the property under Schedule III of the Wealth-tax Act, 1957 for the assessment year 2014-15 ? (5 marks)
- (c) What are the special provisions for computing profits and gains of business or profession on presumptive basis under section 44AD. (5 marks)

: 3 :

4. (a) Malani furnishes the following details for the year ended 31st March, 2014 :

	₹
Short-term capital gain on sale of equity shares listed in recognized stock exchange (STT paid)	1,40,000
Loss from speculative business	60,000
Long-term capital gain on sale of land	30,000
Long-term capital loss on sale of shares (securities transaction tax not paid)	1,00,000
Income from business of textile (after allowing current year depreciation)	50,000
Income from activity of owning and maintaining race horses	15,000
Income from salary	1,00,000
Loss from house property	40,000
Following are the carry forward losses :	
(i) Losses from activity of owning and maintaining race horses — pertaining to assessment year 2012-13, ₹25,000.	
(ii) Carry forward loss from business of textile ₹60,000 – loss pertains to assessment year 2006-07.	

Compute gross total income of Malani for the assessment year 2014-15. Also state the losses eligible for carry forward for the assessment year 2015-16.

(8 marks)

- (b) Vinay and Vivek are partners in Aaram Co., a partnership firm, which is engaged in manufacturing bottles. They share profits and losses in the ratio of 2:3. The profit and loss account of the firm for the year ended 31st March, 2014 is as follows :

	₹	₹
Expenses :		
Cost of purchases		20,00,000
Depreciation		1,00,000
Salary to staff		2,00,000
Remuneration to partners :		
Vinay	5,00,000	
Vivek	2,40,000	7,40,000
Interest on capital @ 18% p.a. :		
Vinay	54,000	
Vivek	81,000	1,35,000
Sundry expenses		2,01,000
Net profit		7,35,200
		41,11,200
Income :		
Sales		39,43,000
Dividends		28,200
Winnings from lotteries (net)		1,40,000
		41,11,200

Additional information :

- (i) The firm donated ₹30,000 to Prime Minister's National Relief Fund and this amount is included in sundry expenses.
- (ii) Depreciation admissible under the income-tax rules is ₹1,36,000.
- (iii) The firm is evidenced by partnership deed.

Compute the taxable income and amount of tax liability of the firm for the assessment year 2014-15.

(7 marks)

PART — B

5. (a) Compute net VAT liability of Vishnu from the following information :

	₹	₹
Imports of raw materials from foreign market (includes duty paid on imports @ 20%)		2,40,000
Raw material purchased from local market :		
Cost of raw material including excise duty	8,42,700	
Add : VAT @ 4%	<u>33,708</u>	8,76,408
Raw material purchased from neighbouring State (includes CST @ 2%)		1,02,000
Storage and transportation cost		51,000
Manufacturing expenses		2,60,000
Vishnu sold goods to Shiv and earned profit @ 20% on the cost of production. VAT rate on sale of such goods is 4%.		

(5 marks)

- (b) Discuss chargeability of the service tax in respect of following services :
- (i) Services rendered to a friend free of cost. Market value of the same is ₹11,230.
 - (ii) Services received from outside India and consumed in India.
 - (iii) Service provided by individual advocate to Indian company.
 - (iv) Service rendered to a recognised sports body by a referee for a match organised by a recognised sports body.
 - (v) Service provided by society for pre-school education.

(5 marks)

- (c) Raghu, a consulting engineer issued invoice in respect of the taxable services rendered in the month of March, 2014 for ₹75,00,000 inclusive of service tax. Compute service tax liability (service tax, education cess and secondary and higher education cess) for the month of March, 2014. What is due date, in the above case for payment of service tax ?

(5 marks)

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

6. (a) Briefly state the provisions relating to the registration under service tax.
- (b) The following details are provided by A of Pune, who has purchased raw material for manufacturing product 'X-1' and 'X-2' from B :

	₹
Cost of raw material purchased	5,00,000
VAT paid by B	62,500
Cost of other materials (<i>local</i>)	1,00,000
Imported material	2,00,000
VAT paid on local material purchased @ 12.5%	12,500
Import duty paid on imported material @ 13%	26,000
Other manufacturing expenses	84,000
Profit margin (<i>on cost</i>)	25%

A manufactured 80% of product 'X-1' and 20% of 'X-2', VAT rate on 'X-1' is 12.5% and on 'X-2' 5%. All materials were used in production and there was no closing stock of raw material and finished goods.

Calculate sales price of products 'X-1' and 'X-2' if all the manufactured goods were sold within the State ? What would be his liability of VAT ?

(5 marks)

: 5:

- (c) “Tax credit or invoice method has been adopted universally because of the inherent advantages in the credit method of calculating tax liability.” Explain. (5 marks)

OR (Alternate question to Q.No. 6)

- 6A. (i) Explain the provisions regarding submission of return under service tax. (5 marks)
- (ii) Write short notes on the following :
- (a) Zero rating. (2 marks)
- (b) Contents of VAT invoice. (3 marks)
- (iii) On what purchases input tax credit is not allowed under VAT ? (5 marks)

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