

Roll No.....

Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 8

Total number of printed pages : 7

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 2010-11 unless stated otherwise.

PART—A

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

1. (a) Choose 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) Income accruing from agriculture in a foreign country is taxable in the case of an assessee who is —
 - (a) Resident
 - (b) Not-ordinarily resident
 - (c) Non-resident
 - (d) None of the above.
 - (ii) Foreign income received in India during the previous year is taxable in the case of —
 - (a) Resident
 - (b) Not-ordinarily resident
 - (c) Non-resident
 - (d) All of the above.
 - (iii) Manav receives Rs.50,000 as basic salary from the government during the financial year 2009-10 and receives Rs.9,000 by way of entertainment allowance which he spends in full for official purposes. The amount deductible under section 16(ii) in respect of the allowance will be —
 - (a) Rs.5,000
 - (b) Rs.9,000
 - (c) Rs.10,000
 - (d) None of the above.

- (iv) Prakash obtained interest-free loan of Rs.20,000 from his employer company for purchasing a two-wheeler. The market rate of interest on such loan is 20% per annum. The lending rate of State Bank of India is 15.5% and that of the private sector banks is 16%. The taxable amount of this perquisite will be computed at the rate of —
- (a) 20%
 - (b) 16%
 - (c) 15.5%
 - (d) Nil rate.
- (v) Sushil, a non-resident, received Rs.18,000 by way of dividend from a foreign company and the company deducted Rs.2,000 by way of tax at source. The amount includible in income of Sushil will be —
- (a) Rs.2,000
 - (b) Rs.18,000
 - (c) Rs.20,000
 - (d) None of the above.

(1 mark each)

- (b) Re-write the following sentences after filling-in the blank spaces with appropriate word(s)/figure(s) :
- (i) The tax payable or refund due to an assessee is to be rounded off to the nearest _____.
 - (ii) The net annual value of house let-out is Rs.1,00,000 and actual amount spent by the assessee on repairs and insurance premium is Rs.20,000, the amount of deduction allowed under section 24(a) shall be Rs. _____.
 - (iii) The amount of additional depreciation in respect of new building constructed in financial year 2009-10 at a cost of Rs.25 lakh for manufacturing garments will be Rs._____.
 - (iv) No deduction of tax at source will be made by a banking company under section 194A with respect to aggregate amount of interest paid or payable on time deposits during the financial year 2009-10, if it does not exceed Rs._____.
 - (v) The amount of deduction under section 80DD in respect of maintenance including medical treatment of a dependent with 60% disability will be Rs._____ when no amount is actually spent on treatment by the resident assessee and the handicapped person does not claim any deduction under section 80U.

(1 mark each)

- (c) Atul is working as Accounts Officer with Badri Steels Ltd., Ghaziabad drawing a salary of Rs.40,000 per month. He gets D.A. @ 12% of salary and entertainment allowance @ Rs.800 per month. He spends 40% of entertainment allowance on entertaining the customers of the company. The company has provided him the

facility of rent-free unfurnished house for which the company pays rent @ Rs.3,000 per month. The company has provided the services of a cook at the house of Atul for which the company pays Rs.1,000 per month as salary. The facility of free refreshment and free meal for 300 days is provided to Atul costing Rs.25 per day and Rs.120 per day respectively during working hours in the office.

Atul and the company both contribute 15% of basic pay and D.A. towards recognised provident fund; Rs.10,000 is credited to provident fund account by way of interest @ 9% per annum.

Compute taxable income from salary of Atul for the assessment year 2010-11.

(5 marks)

2. (a) State, with reasons in brief, whether the following statements are true or false :
- An income derived from land situated in India is agricultural income.
 - Allowances payable to Central Government employees for serving outside India is fully taxable as salary.
 - Telephone provided to an employee at his residence is a tax-free perquisite.
 - Net wealth computed under the Wealth-tax Act, 1957 shall be rounded off to the nearest multiple of Rs.100.
 - Tax return preparers are employees of income-tax department.

(2 marks each)

- (b) Alok, aged 40 years, has following incomes for the previous year 2009-10. You are required to ascertain his taxable income and tax liability :

	<i>Rs.</i>
Income from salary	2,10,000
Profit from business	1,50,000
Actual rent of house property	1,80,000
Municipal tax paid being 10% of municipal value	20,000
Agricultural income	1,20,000
Long-term capital gain on sale of plot	15,000
Winning from lottery (<i>gross</i>)	5,00,000
LIC premium paid	20,000
Contribution to public provident fund	50,000
Interest on fixed deposit in a bank	30,000

(5 marks)

3. (a) Sanjay furnishes following particulars of income from his business for the previous year 2009-10 :

(i) Net profit as per profit and loss account Rs.72,000 after charging the following :

- (a) Depreciation on building Rs.31,000
- (b) Provision for discount on debtors Rs.40,000
- (c) Private household expenses Rs.50,000
- (d) Charity (unapproved) Rs.7,000
- (e) Computer for scientific research Rs.60,000
- (f) Payment of expenses made through bearer cheque Rs.25,000
- (g) Security deposit Rs.16,000
- (h) Audit fee paid in cash Rs.25,000
- (i) Patent purchased during the year Rs.75,000
- (j) Market survey feasibility report expenses Rs.50,000 on new project costing Rs.6,00,000.

(ii) Opening stock Rs.66,000 valued at 10% above cost and closing stock Rs.72,000 valued at 10% below cost.

(iii) Income credited to profit and loss account include —

- (a) Bank interest on fixed deposits Rs.9,000
- (b) Refund of excise duty Rs.18,000 earlier allowed as deduction
- (c) Bad debts recovered Rs.5,000.

Compute total income of Sanjay and his tax liability if he is a senior citizen assuming depreciation on building as per the Income-tax Act, 1961 is Rs.50,000.

(7 marks)

(b) Write notes on **any two** of the following :

- (i) 'Best judgment assessment' under section 144
- (ii) 'Assessee' under section 2(7)
- (iii) 'Deemed asset' under the Wealth-tax Act, 1957.

(4 marks each)

4. (a) The tax payable for the assessment year 2010-11 by an individual is Rs.1,23,600. He has deposited the following amount as advance tax :

<i>Date of Deposit</i>	<i>Amount Deposited</i>
	<i>(Rs.)</i>
14 th September, 2009	20,000
15 th December, 2009	60,000
15 th March, 2010	30,000

Compute the interest payable under section 234C.

(5 marks)

- (b) Discuss the statutory obligations of an assessee to file the return of income and indicate the time-limits for filing the return.

(5 marks)

- (c) Rupesh acquired a residential house on 1st September, 1978 for Rs.1,00,000. He spent Rs.25,000 on 1st July, 1980 for improvement of this house property. A further amount of Rs.50,000 was spent by him on 15th November, 1985 on improvement of the house. Rupesh gifted the said property to his son Bhupesh on 12th October, 1994. Bhupesh also spent the following amounts on improvement of the house :

<i>Date of Expenditure</i>	<i>Amount</i> (Rs.)
15 th July, 1995	60,000
15 th June, 2009	40,000

Bhupesh sold the above house on 30th November, 2009 for a sum of Rs.15,00,000. Expenses on transfer were 2% of the sale consideration. Compute the capital gains for the assessment year 2010-11, assuming the fair market value of the house as on 1st April, 1981 to be Rs.3,00,000.

Cost inflation index for various years is as under :

1985-86	—	133
1994-95	—	259
1995-96	—	281
2009-10	—	632.

(5 marks)

5. (a) Distinguish between **any three** of the following :

- 'Long-term capital gains' and 'short-term capital gains'.
- 'Defective return of income' and 'belated return of income'.
- 'Normal depreciation' and 'additional depreciation'.
- 'Capital expenditure' and 'revenue expenditure'.

(4 marks each)

- (b) Discuss the provisions relating to 'carry forward and set-off of business losses'.

(3 marks)

6. (a) Write short notes on **any three** of the following :

- Taxability of income by virtue of business connection
- Capital gains in case of damage or destruction of capital asset
- Clubbing of income of a minor child
- Tax liability of an association of persons
- Tax on income of foreign institutional investors from capital gains arising from transfer of their securities.

(3 marks each)

- (b) Rohit provides the following particulars and asks you to work out the amount of net wealth to be declared by him in the wealth-tax return for the assessment year 2010-11 :
- (i) Value of a motor car Rs.6,00,000.
 - (ii) Value of a motor cycle Rs.60,000.
 - (iii) A house of which ground floor is used by him for business purposes and first floor for self-residence having value of Rs.60,00,000 on 31st March, 2010.
 - (iv) Jewellery worth Rs.12 lakh purchased on 30th March, 2010 by his wife out of funds given by him of Rs.5 lakh and by his son of Rs.5 lakh.
 - (v) Shares of various companies worth Rs.2,00,000 purchased by him in the name of his daughter-in-law.
 - (vi) Cash in hand Rs.1,20,000.

(6 marks)

PART—B

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

- (i) How is the value of taxable services determined as per provisions contained in section 67 of the Finance Act, 1994 ?
(5 marks)
- (ii) Briefly state the provisions relating to the procedure of registration under the service tax.
(5 marks)
- (iii) What are the general exemptions which are available to service providers from payment of the whole amount of service tax ?
(5 marks)
- (iv) Re-write the following sentences after filling-in the blank spaces with appropriate word(s)/figure(s) :
 - (a) The application for registration shall be made within a period of _____ of commencement of business by an input service provider.
 - (b) The registration certificate is issued to a service provider within 7 days by the _____.
 - (c) Return of service tax is required to be filed by every assessee in Form No._____.
 - (d) Due date for payment of service tax in the case of individual assessee is _____ immediately following the quarter of the financial year except in case of last quarter.
 - (e) Service tax is rounded off to the nearest multiple of _____.

(1 mark each)

- (v) State, with reasons in brief, whether the following statements are true or false :
- Service tax has been imposed by amending Chapter-VI of the Finance Act, 1994.
 - There are provisions of TDS in respect of service tax.
 - Service tax is applicable on whole India excluding Jammu and Kashmir.
 - Registration is mandatory under the service tax.
 - No service tax is payable on free services.

(1 mark each)

PART—C

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

- How is the value added tax (VAT) structure an improvement over the sales tax system ?
(5 marks)
- “Input tax credit is generally given for the entire VAT paid within the State on purchases of taxable goods meant for re-sale or manufacture of taxable goods.” Explain.
(5 marks)
- Discuss the provisions of registration under VAT.
(5 marks)
- How would you take input tax credit when goods purchased are transferred by the dealer to his branch in any other State ?
(5 marks)
- State, with reasons in brief, whether the following statements are true or false :
 - Value added tax (VAT) is levied by the Central Government.
 - VAT is a multi-point tax.
 - VAT system has six broad tax rates.
 - VAT system is followed by all States in India.
 - Registration of dealer is mandatory under VAT.

(1 mark each)