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

1. (a) Write 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) Which of the following income is not exempt under section 10 —
   (a) Share in total income of firm
   (b) Income from agriculture in Lahore
   (c) Bonus on life insurance
   (d) Income from mutual funds.

(ii) Which of the following income is taxable under the head ‘income from salary’ —
   (a) Salary received by a partner from firm
   (b) Salary received by a Member of Parliament
   (c) Salary of a Government Officer
   (d) None of the above.

(iii) Rate of depreciation chargeable on fully temporary wooden structure for the assessment year 2011-12 is —
   (a) 5%
   (b) 10%
   (c) 100%
   (d) None of the above.

(iv) When the income of an individual includes ₹20,000 as the income of his minor child in terms of section 64(1A), taxable income in this respect will be —
   (a) Nil
   (b) ₹20,000
   (c) ₹18,500
   (d) None of the above.
(v) Deduction available to an individual in respect of maintenance including medical treatment of a dependent being a person with 80% disability, when amount incurred in this respect is ₹40,000 will be —

(a) ₹40,000
(b) ₹50,000
(c) ₹1,00,000
(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 residential status of an assessee is determined for the relevant __________.

(ii) For the purposes of clubbing of income of the specified person in the income of the individual under section 64, the word ‘income’ includes _______________

(iii) Deduction available under section 80QQB in respect of royalty income of authors shall not exceed ₹__________ in a previous year.

(iv) Rent received by original tenant from sub-tenant is taxable under the head __________.

(v) Commissioner of Income-tax is appointed by __________.

(1 mark each)

(c) What are the requisites for filing a revised return under the Income-tax Act, 1961?

(5 marks)

2. (a) State, with reasons in brief, whether the following statements are true or false:

(i) Prize given to Suresh by the Government of Madhya Pradesh on account of higher crop yield is an agricultural income.

(ii) Voluntary contribution received by electoral trust shall be exempt in all cases.

(iii) Sandeep Ltd. is a company registered in Japan. The control and management of its affairs is wholly situated in India. Sandeep Ltd. is non-resident company in India.

(iv) The Commissioner (Appeals) may confirm, reduce or enhance the amount of tax assessed by the Assessing Officer.

(v) A partnership firm incurring loss need not to file return of income.

(2 marks each)
(b) Vinod sells the following assets on 10th January, 2011:

<table>
<thead>
<tr>
<th>Asset</th>
<th>Sales consideration</th>
<th>Cost of acquisition</th>
<th>Transfer expenses</th>
<th>Date of acquisition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity Shares in R Ltd.</td>
<td>6,00,000</td>
<td>40,000</td>
<td>4,000</td>
<td>04.05.1988</td>
</tr>
<tr>
<td>Jewellery</td>
<td>7,50,000</td>
<td>80,000</td>
<td>—</td>
<td>04.03.1996</td>
</tr>
<tr>
<td>Plot of Land</td>
<td>25,00,000</td>
<td>2,50,000</td>
<td>25,000</td>
<td>04.02.1991</td>
</tr>
<tr>
<td>Goodwill of a Business</td>
<td>25,00,000</td>
<td>Nil</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

Based on the following indices, compute income from capital gains of Vinod for the assessment year 2011-12 taking into consideration the facts that the business was set-up in November, 1997 and that he purchased a plot of land for ₹8,00,000 and jewellery for ₹2,00,000 on 10th March, 2011.


(5 marks)

3. (a) Adarsh, a Member of Parliament (MP) from Uttar Pradesh, submits the particulars of his income for the assessment year 2011-12. Compute his income from other sources:

<table>
<thead>
<tr>
<th>Source of Income</th>
<th>Amount (₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary as MP</td>
<td>4,60,000</td>
</tr>
<tr>
<td>Daily allowances as MP</td>
<td>1,80,000</td>
</tr>
<tr>
<td>Dividend received from a domestic company</td>
<td>60,000</td>
</tr>
<tr>
<td>Winnings from horse race (Gross)</td>
<td>40,000</td>
</tr>
<tr>
<td>Winnings from Sikkim State lotteries received (Net)</td>
<td>70,000</td>
</tr>
<tr>
<td>Agricultural income in Sri Lanka</td>
<td>4,00,000</td>
</tr>
</tbody>
</table>

He received a royalty of ₹1,00,000 from a book of stories written by him. He claimed ₹12,000 as expenditure on stationery and typing.
He let-out one of his buildings alongwith plant, machinery and furniture for ₹50,000 per month. He claimed the following expenses as deduction for this building — insurance : ₹10,000; repairs : ₹15,000; depreciation : ₹40,000.

Interest credited to his recurring deposit account and cumulative time deposit account in post office were ₹32,000 and ₹48,000 respectively.

(5 marks)

(b) Narayan had to pay ₹1,13,300 as advance tax during the financial year 2010-11. He has deposited the amount of advance tax as follows:

<table>
<thead>
<tr>
<th>Date</th>
<th>₹</th>
</tr>
</thead>
<tbody>
<tr>
<td>15.09.2010</td>
<td>29,760</td>
</tr>
<tr>
<td>15.12.2010</td>
<td>36,400</td>
</tr>
<tr>
<td>15.03.2011</td>
<td>47,140</td>
</tr>
</tbody>
</table>

Is he liable to pay any interest under section 234C? If yes, determine the amount of interest payable by him.

(5 marks)

(c) Describe the provisions relating to chargeability of cash credits in respect of which the assessee has no satisfactory explanation.

(5 marks)

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

(i) ‘Gross total income’ and ‘total income’.
(ii) ‘Allowances’ and ‘perquisites’.
(iii) ‘Active user of asset’ and ‘passive user of asset’.
(iv) ‘Exemption under section 54G’ and ‘exemption under section 54GA’.
(v) ‘Statutory provident fund’ and ‘public provident fund’.

(3 marks each)
(b) Mrs. Suman provides you following information regarding assets and liabilities owned by her on 31st March, 2011:

<table>
<thead>
<tr>
<th>Market Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>(₹)</td>
</tr>
<tr>
<td>(i) Residential house (self-occupied)</td>
</tr>
<tr>
<td>(ii) Loan taken for purchase of self-occupied house</td>
</tr>
<tr>
<td>(iii) Motor car for business use</td>
</tr>
<tr>
<td>(iv) Land in urban area</td>
</tr>
<tr>
<td>(v) Loan taken to purchase above land</td>
</tr>
<tr>
<td>(vi) Cash in hand</td>
</tr>
<tr>
<td>(vii) Cash at bank</td>
</tr>
<tr>
<td>(viii) Land in rural area within 5 kms. from Delhi</td>
</tr>
<tr>
<td>(ix) Jewellery</td>
</tr>
<tr>
<td>(x) Farm house situated outside 30 kms. from local limits of municipality</td>
</tr>
<tr>
<td>(xi) One residential house given on rent for 330 days during the previous year</td>
</tr>
<tr>
<td>(xii) Loan taken for construction of above house</td>
</tr>
</tbody>
</table>

Compute net wealth and wealth-tax liability of Mrs. Suman for the assessment year 2011-12. (6 marks)

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

(i) Deduction in respect of interest on loan taken for higher education.

(ii) Treatment of agricultural income for tax purposes.

(iii) Circumstances in which best judgment assessment is made by the assessing officer.

(iv) Consequences of failure to deduct tax at source.

(v) Assets exempt from tax as per section 5 of the Wealth-tax Act, 1957. (3 marks each)
(b) Anurag owns three houses, the particulars of which are given below:

<table>
<thead>
<tr>
<th>House</th>
<th>Municipal value (₹)</th>
<th>Fair rent (₹)</th>
<th>Monthly rent (₹)</th>
<th>Rent collection charges (₹)</th>
<th>Repair expenses (₹)</th>
<th>Interest on loan</th>
</tr>
</thead>
<tbody>
<tr>
<td>House-A</td>
<td>80,000</td>
<td>90,000</td>
<td>8,000</td>
<td>8,000</td>
<td>5,000</td>
<td>40,000</td>
</tr>
<tr>
<td>House-B</td>
<td>1,20,000</td>
<td>1,00,000</td>
<td>9,000</td>
<td>10,000</td>
<td>6,000</td>
<td>—</td>
</tr>
<tr>
<td>House-C</td>
<td>1,00,000</td>
<td>1,10,000</td>
<td>12,000</td>
<td>6,000</td>
<td>4,000</td>
<td>—</td>
</tr>
</tbody>
</table>

Interest on loan:
- For construction: 40,000
- For marriage of son: 30,000
- For repairs: 8,000

Commencement of construction:
- House-A: 04.04.2003
- House-B: 04.01.2005
- House-C: 04.07.2006

Completion of construction:
- House-A: 31.03.2007
- House-B: 30.06.2007

Use by tenant:
- House-A: Residential
- House-B: Office
- House-C: Residential

Municipal tax is charged @ 10%. Anurag paid municipal tax of House-A but did not pay municipal tax of House-B. The tenant paid the municipal tax of House-C which remained vacant for 3 months.

Compute income from house property of Anurag for the assessment year 2011-12.

6. (a) Mahender is the karta of a Hindu Undivided Family (HUF). Compute the taxable income of the family and amount of tax payable by it on the basis of the following particulars for the year ended 31<sup>st</sup> March, 2011:

(i) Income from house property: The family uses its ancestral house for residence; the municipal value of the house is ₹60,000 per annum and interest on loan borrowed for the house has accrued to the tune of ₹22,000.

The family owns another house which is let-out for ₹8,000 p.m. The family made payment in respect of municipal taxes for the three previous years 2008-09 to 2010-11 during the current previous year 2010-11 itself equal to ₹12,000 for the let-out house.
(ii) Income from family business: Net income of the family business after charging salary amounting to ₹1,20,000 of karta is ₹4,00,000. It also incurred/earned the following items of losses, expenses and incomes:

<table>
<thead>
<tr>
<th>Item</th>
<th>₹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loss on horse race</td>
<td>4,000</td>
</tr>
<tr>
<td>Winnings from lotteries</td>
<td>20,000</td>
</tr>
<tr>
<td>Profit on speculation in silver</td>
<td>18,000</td>
</tr>
<tr>
<td>Loss on speculation in gold</td>
<td>6,000</td>
</tr>
<tr>
<td>Life insurance premium on the life of family members</td>
<td>12,000</td>
</tr>
<tr>
<td>Donation to National Defence Fund</td>
<td>10,000</td>
</tr>
<tr>
<td>Donation to other approved bodies</td>
<td>50,000</td>
</tr>
</tbody>
</table>

(iii) Income from other sources:

<table>
<thead>
<tr>
<th>Item</th>
<th>₹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest on maturity of NSCs, VIII Issue</td>
<td>12,500</td>
</tr>
<tr>
<td>Dividend received from an Indian company (Gross)</td>
<td>15,000</td>
</tr>
<tr>
<td>Collection charges paid for dividend</td>
<td>400</td>
</tr>
</tbody>
</table>

(10 marks)

(b) Discuss the procedure of regular assessment under the Income-tax Act, 1961.

(5 marks)

PART—B

7. Attempt any four of the following:

(i) What are the various provisions relating to payment of service tax? Explain.

(5 marks)

(ii) What are the provisions regarding penalties under service tax in the following cases:

(a) Failure to take registration.
(b) Failure to keep books of account.
(c) Failure to produce accounts and documents.

(5 marks)

(iii) “The value of any taxable service shall be the gross amount charged by the service provider for such service rendered by him”. In the light of this statement, explain how the value of taxable service is determined.

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

(a) Rate of service tax payable for the financial year 2010-11 is __________ per cent.

(b) Maximum amount of penalty for late filing of service tax return is __________.

(c) Under service tax rules, every assessee is required to furnish to __________ at the time of filing his return for the first time a list of all accounts maintained in relation to the service tax.

(d) Service tax in India is levied by __________.

(e) Service tax return can be revised within a period of __________ from the date of submission of return.

(1 mark each)

(v) State, with reasons in brief, whether the following statements are true or false:

(a) Service tax in India is levied under a separate enactment.

(b) The Central Excise Officer is empowered to impose penalty under service tax.

(c) The Central Government has exempted some of the taxable services.

(d) Recovery and adjustment of service tax means the same thing.

(e) Service tax is administered by service tax department.

(1 mark each)

PART—C

8. Attempt any four of the following:

(i) What is ‘white paper’? What are the different parts of white paper under value added tax (VAT)?

(ii) Explain the procedure of computation of VAT liability of a dealer.

(iii) Write a note on certification by professionals under VAT system.

(iv) Explain the audit procedure applicable under the VAT system.

(v) “Input tax credit in relation to any period means setting off the amount of input tax by a registered dealer against the amount of his output tax.” Explain.

(5 marks each)