

Tax Laws

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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 2012-13 unless stated otherwise.

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) On 5th February, 2012 Rajat gets a gift of motor car from a relative Madan. Fair market value of the car is `3,60,000. The amount taxable in the hands of Rajat under section 56(2)(vii) is —
- (a) `3,60,000
(b) `3,10,000
(c) Nil
(d) `50,000.
- (ii) Which of the following may be a 'not ordinarily resident' in India —
- (a) Partnership firm
(b) Joint stock company
(c) Association of persons
(d) Hindu Undivided Family.
- (iii) Salary received in lieu of unavailed leave during service shall be —
- (a) Fully taxable
(b) Fully exempted
(c) Partially taxable
(d) None of the above.
- (iv) The net wealth computed under the provisions of the Wealth-tax Act, 1957 shall be rounded off to the nearest —
- (a) `1
(b) Multiple of `10
(c) Multiple of `100
(d) Multiple of `1,000.
- (v) A person carrying on profession is required to get his accounts compulsorily audited by a Chartered Accountant if his gross receipts from profession for the previous year exceed —
- (a) `10,00,000
(b) `15,00,000
(c) `40,00,000
(d) `60,00,000.

(1 mark each)

: 2 :

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

- (i) Under the Income-tax Act, 1961, the rate of depreciation on intangible assets is _____.
- (ii) For the assessment year 2012-13, the basic exemption limit in case of a non-resident individual, aged 66 years is ` _____.
- (iii) The aggregate amount of deduction under sections 80C, 80CCC and 80CCD cannot exceed ` _____.
- (iv) In case the income of an individual includes any income of his minor child in terms of section 64(1A), such individual shall be entitled to exemption of the amount of such income or ` _____, whichever is less.
- (v) In the case of income in the nature of family pension, the amount deductible is $33\frac{1}{3}\%$ of such income or ` _____, whichever is less.

(1 mark each)

(c) Ramesh, aged 66 years, sold a residential house at Pune for ` 20,00,000 on 1st October, 2011. This house was acquired by his father on 1st January, 1979 for ` 1,00,000. On the death of his father, he inherited the house on 5th July, 1986. Fair market value of the house as on 1st April, 1981 was ` 1,40,000. He paid brokerage @1% to the real estate agent at the time of sale. He purchased a residential house at Baramati on 7th March, 2012 for ` 8,00,000 and on 20th April, 2012 purchased bonds of ` 3,00,000 (redeemable after 3 years) of Rural Electrification Corporation Ltd.

His other incomes are ` 50,000. He deposited ` 10,000 in public provident fund.

Compute the taxable income and tax liability of Ramesh for the assessment year 2012-13.

Note : *Cost inflation indices* —

1981-82 : 100; 1986-87 : 140; and 2011-12 : 785.

(5 marks)

OR

(c) What are the provisions of section 54F in relation to capital gains on transfer of asset other than a residential house ?

(5 marks)

: 3 :

2. (a) State, with reasons in brief, whether the following statements are true or false :
- There is no difference between 'exemption' and 'deduction'.
 - It is not possible to have negative income under the head 'income from house property'.
 - Loss in speculation as well as non-speculation business can be carried forward to a maximum of four consecutive assessment years immediately succeeding the assessment year for which loss was first computed.
 - Every person is liable to pay wealth-tax.
 - Allowances paid by any employer outside India would be wholly exempted from income tax.

(1 mark each)

- (b) Following is the trading and profit and loss account of Narendra for the year ended 31st March, 2012 :

| | | | |
|--|-----------------|-------------------|-----------------|
| Opening stock | 20,250 | Sales | 3,83,600 |
| Purchases | 1,80,500 | Closing stock | 23,200 |
| Wages | 10,200 | Gift from father | 10,000 |
| Donation to Prime Minister National Relief Fund | 20,000 | Income-tax refund | 2,500 |
| Building rent | 60,000 | | |
| Repairs of car | 5,300 | | |
| Medical expenses (<i>personal</i>) | 8,000 | | |
| General expenses | 4,200 | | |
| Depreciation on car | 12,000 | | |
| Profit for the year | 98,850 | | |
| | <u>4,19,300</u> | | <u>4,19,300</u> |

Additional information :

- Opening stock has been undervalued by 10% of cost while closing stock has been valued at its cost.
- One-third of the building rent is related to self-residential house.
- The car is used equally for business as well as for personal purposes.
- Wages includes wages of household servant `250 per month.

From the above information, you are required to determine the taxable income of Narendra under the head income from business and profession.

(10 marks)

: 4 :

3. (a) Compute the advance tax payable by Rohan from the following estimated income submitted for the financial year 2011-12 :

| | |
|--|----------|
| (i) Income from salary | 5,80,000 |
| (ii) Rent from house property (<i>per annum</i>) | 3,60,000 |
| (iii) Interest on government securities (<i>gross</i>) | 25,000 |
| (iv) Interest on saving bank deposits | 3,000 |
| (v) Receipt from horse race (<i>net</i>) | 14,000 |
| (vi) Agricultural income | 90,000 |
| (vii) Contribution towards PPF | 60,000 |

Tax deducted at source by the employer on salary is ₹ 37,080.

(7 marks)

- (b) State, with reasons, in brief, whether the following expenses are admissible as deduction while computing the 'income from other sources' :

- Interest of ₹ 10,000 paid on money borrowed for purchasing shares to be held as investment.
- Expenditure of ₹ 20,000 incurred for purchase of lottery tickets.
- An expenditure of ₹ 40,000 incurred for the activity of owning and maintaining race horses.

(2 marks each)

- (c) For the previous year 2011-12, Ajit did not file the return of income on the due date. Can he file the return of income after due date ? State in brief.

(2 marks)

4. (a) Anand owns a house at Delhi. From the following particulars, compute the income from house property for the assessment year 2012-13 :

| | |
|---|----------|
| Municipal valuation | 2,50,000 |
| Fair rent | 2,80,000 |
| Actual rent (₹ 25,000 per month) | 3,00,000 |
| Standard rent | 2,60,000 |
| Municipal taxes paid (half of it was borne by the tenant) | 25,000 |
| Expenses on repairs | 5,000 |
| Fire insurance premium paid | 5,000 |
| Ground rent | 6,000 |
| Unrealised rent | 1 month |
| Vacancy period | 1 month |

He had borrowed a sum of ₹ 20,00,000 @ 10% p.a. from LIC Housing Ltd. on 1st August, 2007 and the construction of the house was completed on 1st January, 2011. Total loan is still unpaid.

(5 marks)

: 5 :

- (b) (i) What is alternate minimum tax ?
(2 marks)
- (ii) Explain the provisions relating to taxation of winnings from lotteries.
(3 marks)
- (c) "Capital gains arise in the previous year in which the transfer took place." Are there any exceptions to this rule ? Explain.
(5 marks)

5. (a) Lalit submits the following details of his income for the assessment year 2012-13 :

| | |
|---|----------|
| Income from salary | 3,00,000 |
| Loss from let-out house property | 40,000 |
| Income from sugar business | 50,000 |
| Brought forward loss of iron ore business (discontinued in financial year 2005-06) | 1,20,000 |
| Short-term capital loss | 60,000 |
| Long-term capital gains | 40,000 |
| Dividend | 5,000 |
| Income from lottery winnings (<i>gross</i>) | 50,000 |
| Winnings in card games (<i>gross</i>) | 6,000 |
| Agricultural income | 20,000 |
| Long-term capital gains from the shares (<i>STT paid</i>) | 10,000 |
| Short-term capital loss from shares under section 111A | 15,000 |
| Bank interest | 5,000 |

Calculate gross total income and losses to be carried forward.

- (5 marks)
- (b) Explain the procedure of assessment after partition of a hindu undivided family (HUF).
(4 marks)
- (c) Describe the different modes of collection and recovery of income-tax.
(4 marks)
- (d) The power of rectification of mistake lies with the authority who passed the order. Explain briefly.
(2 marks)

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

- (i) 'Best-judgment assessment' under section 144
- (ii) 'Deemed asset' under the Wealth-tax Act, 1957
- (iii) Due dates of filing of the return of income under the Income-tax Act, 1961.

(2 marks each)

(b) Piyush is engaged in the construction of residential flats. For the valuation date 31st March, 2012 he furnishes the following data :

₹ (in lakhs)

| | |
|---|----|
| Land in urban area (construction not permitted as per Municipal laws in force) | 20 |
| Motor cars | 5 |
| Jewellery (<i>investment</i>) | 10 |
| Cash balance (as per books) | 2 |
| Bank balance (as per books) | 3 |
| Guest House (situated in rural area) | 4 |
| Residential flat occupied by the Manager for residence (annual salary being ₹ 6,00,000) | 8 |
| Residential house let-out for 100 days in the financial year | 7 |
| Loans obtained for purchase of motor car | 2 |
| Loans obtained for purchase of jewellery | 2 |

Compute the taxable net wealth and state the reason for inclusion or exclusion of each item in the computation.

(5 marks)

(c) Distinguish between *any two* of the following :

- (i) 'Recognised provident fund' and 'unrecognised provident fund'.
- (ii) 'Normal depreciation' and 'additional depreciation'.
- (iii) 'Taxation of unrealised rent received' and 'taxation of arrears of rent received'.

(3 marks each)

: 7 :

PART — B7. Attempt *any four* of the following :

- (i) Re-write the following sentences after filling-in the blank spaces with appropriate word(s)/figure(s) :
- (a) Return of service tax is required to be filed by every assessee in Form No. _____ .
- (b) Every small service provider of taxable services whose aggregate value of taxable services in a financial year exceeds _____ must mandatorily obtain registration.
- (c) From 1st April, 2012, the applicable rate of service tax is _____ .
- (d) In India, service tax was first introduced in the year _____ .
- (e) If a person collects from any person an amount representing it as service tax when not required to be collected, he shall forthwith deposit the amount so collected to _____ .

(1 mark each)

- (ii) What general exemptions are available to service providers from payment of the whole amount of service tax ? Explain in brief.

(5 marks)

- (iii) X & Co. of Jammu rendered taxable services both within and outside the State of Jammu & Kashmir. It received `53,24,000 for the services rendered inside the State of Jammu & Kashmir and `45,00,000 for the services rendered outside the State of Jammu & Kashmir.

Compute the value of taxable services.

(5 marks)

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

- (a) No service tax is payable on free services.
- (b) Service tax is always paid by the service provider.
- (c) The provisions of service tax extend to whole of India.
- (d) Services provided to developer of special economic zone are liable for service tax.
- (e) The fee for application for advance ruling of service tax is `1,000.

(1 mark each)

- (v) What do you mean by 'reverse charge' and under what circumstances the service receivers are liable to pay service tax ?

(5 marks)

PART — C

8. Attempt *any four* of the following :

- (i) State, with reasons in brief, whether the following statements are true or false :
- As a result of introduction of value added tax (VAT), the central sales tax will be phased out.
 - The White Paper specified that registration under the VAT is not compulsory for the small dealers with gross annual turnover not exceeding ` 10 lakh.
 - Punjab was the first state to implement VAT *w.e.f.* 1st April, 2003.
 - The rate of VAT for precious and semi-precious metals is 4%.
 - There are certain cases of purchases in respect of which generally no input tax credit is available.

(1 mark each)

- (ii) Tulip Traders, a registered dealer under the local VAT law, having stock of goods purchased from outside the State, wishes to opt for the composition scheme. Advise the dealer whether it is possible ? Will the VAT chain be broken if the dealer opts for the said scheme ?

(5 marks)

- (iii) Ghanshyam is a trader in Delhi who has purchased certain goods from Punjab for ` 4,00,000 and paid central sales tax (CST) @ 2%. He has sold all the goods in Delhi for ` 6,00,000 *plus* VAT @ 12.5%.

He has purchased certain goods in Delhi for ` 5,00,000 and paid VAT @ 12.5% and all the goods were sold by him under inter-State sale to some persons in Uttar Pradesh for ` 7,00,000 *plus* central sales tax @ 2%. Show the VAT calculations.

(5 marks)

- (iv) Compute the VAT amount payable by a trader who purchases goods from a manufacturer on payment of ` 6,75,000 (including VAT) and earns 25% profit on sale to retailers. VAT rate on purchase and sale is 12.5%.

(5 marks)

- (v) Rohit, a manufacturer in Delhi, purchased raw material 'A' from Haryana for ` 6,00,000 and paid CST @ 2%. He purchased raw material 'B' from Delhi for ` 8,00,000 and paid VAT @ 4%. He incurred ` 2,00,000 as manufacturing and other expenses and earned a profit of ` 1,00,000.

60% of the goods were sold in Delhi and VAT charged was 12.5% and remaining 40% of the goods were sold to dealer in Maharashtra and CST was charged @ 2%.

Compute the VAT and CST payable.

(5 marks)