

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 2014-15 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) No tax is deductible at source from payment on transfer of certain immovable properties under section 194-IA, where the consideration paid or payable is less than —
- (a) ₹25,00,000  
(b) ₹50,00,000  
(c) ₹75,00,000  
(d) ₹1,00,00,000.
- (ii) Intangible assets (acquired after 31<sup>st</sup> March, 1998) are eligible for depreciation allowance and the rate of depreciation allowable is —
- (a) 10%  
(b) 20%  
(c) 25%  
(d) 100%.
- (iii) While computing the total income of an assessee, any sum contributed by way of cash, during the previous year 2013-14 to any political party shall qualify for deduction at the rate of —
- (a) 100%  
(b) 0%  
(c) 50%  
(d) 10%.
- (iv) The maximum amount of deduction under section 80GG in respect of rent paid is —
- (a) ₹2,000 per month  
(b) ₹3,000 per month  
(c) ₹5,000 per month  
(d) ₹18,000 per month.

- (v) Which of the following is not included in the term 'income' under the Income-tax Act, 1961 —
- Dividend
  - Profits and gains
  - Profit in *lieu* of salary
  - Reimbursement of travelling expenses.

(1 mark each)

- (b) Smt. Bimla receives the following gifts during the previous year 2013-14 :

1 <sup>st</sup> September, 2013	Cash gift of ₹51,000 from a friend on marriage anniversary
30 <sup>th</sup> September, 2013	Purchase of a house from her husband for ₹15,00,000 (stamp duty value is ₹80,00,000)
29 <sup>th</sup> December, 2013	Purchase of a painting from an art gallery (being registered dealer under Maharashtra VAT) for a concessional price of ₹80,000 (invoice value is ₹80,000, however, it can be easily sold for ₹2,00,000)
10 <sup>th</sup> March, 2014	Cash gift of ₹40,000 from a colleague
15 <sup>th</sup> March, 2014	Purchase of a second-hand car for ₹2,00,000 (fair market value is ₹3,50,000)
31 <sup>st</sup> March, 2014	Cash gift of ₹30,000 from a non-resident friend

Find out the amount chargeable to tax under the head 'income from other sources' for the assessment year 2014-15.

(5 marks)

- (c) Re-write the following sentences after filling-in the blank spaces with appropriate word(s)/figure(s) :
- Losses from the activity of owning and maintaining race horses can be carried forward for \_\_\_\_\_ assessment year(s) immediately succeeding the assessment year in which the loss was first computed.
  - The total income of a co-operative society is ₹1,20,000 for the assessment year 2014-15. The income tax payable by the co-operative society will be \_\_\_\_\_ including *cess*.
  - The residential status of an assessee is determined for the relevant \_\_\_\_\_.
  - For the purposes of clubbing of income of the minor in the income of the parent under section 64(1A), the parent shall be allowed a deduction of \_\_\_\_\_.
  - Rent received by original tenant from sub-tenant is taxable under the head \_\_\_\_\_.

(1 mark each)

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2. (a) Sohan purchased an asset for scientific research in the previous year 2005-06 for ₹30,00,000. During the previous year 2013-14, the said asset ceased to be used for scientific research. The following information is also submitted to you :

	₹
Profit from business before depreciation	10,00,000
Written down value of block of assets (@15%) as on 1 <sup>st</sup> April, 2013	20,00,000

The scientific research asset if used for business shall be eligible for depreciation @ 15%. The cost inflation index for 2005-06 is 497 and for 2013-14 is 939.

Compute the total income if the scientific research asset is sold for ₹60,00,000 during 2013-14, assuming that :

- (i) It is sold without using for business; and
- (ii) It is sold after using for business.

(5 marks)

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

- (i) Every person is liable to pay advance tax.
- (ii) When the prize is given partly in cash and partly in kind, income-tax will be deducted from cash only.
- (iii) All incomes that accrue to a minor child will be included in the total income of parent whose total income is greater.
- (iv) Foreign income of a non-resident is always taxable in India.
- (v) For the assessment year 2013-14, Rahim files the income-tax return on 25<sup>th</sup> July, 2013. Intimation under section 143(1) may be sent upto 31<sup>st</sup> March, 2014.

(2 marks each)

3. (a) Ayush has been in service of Y & Co. (P) Ltd. since 1<sup>st</sup> February, 1986, in Delhi. During the financial year ended 31<sup>st</sup> March, 2014, Ayush received salary @ ₹90,000 per month, dearness allowance @ ₹15,000 per month, city compensatory allowance @ ₹2,000 per month, entertainment allowance @ ₹5,000 per month and house rent allowance @ ₹25,000 per month from the company. He resides in the house property owned by his HUF for which he pays a rent of ₹30,000 per month. Ayush has been in receipt of entertainment allowance from the company since February, 1986.

Ayush contributes ₹10,000 per month to a recognised provident fund. The company is also contributing an equal amount. He retired from the service of the company on 31<sup>st</sup> December, 2013 when he was allowed a gratuity of ₹9,00,000 and pension of ₹40,000

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per month. On 1<sup>st</sup> February, 2014, he got one-half of the pension commuted and received ₹15,00,000 as commuted pension. He also received ₹20,00,000 as the accumulated balance of the recognised provident fund.

Compute his income under the head 'salaries' for the assessment year 2014-15.

(10 marks)

(b) Sumit submits the following particulars :

	<i>Previous year</i>	
	<i>2012-13</i>	<i>2013-14</i>
	(₹)	(₹)
Business profits ( <i>before depreciation</i> )	(–) 50,000	45,000
Current depreciation	18,000	20,000
Income from other sources	20,000	70,000

Determine the net income of Sumit for the assessment years 2013-14 and 2014-15.

(5 marks)

4. (a) Rosy Ltd. constructed a building and started operating a hotel of 3-star category *w.e.f.* 1<sup>st</sup> April, 2013. The company incurred the following expenditure in this connection :

₹

Capital expenditure (including cost of land ₹50 lakh) incurred during December, 2012 to March, 2013 which were capitalised in the books of account on 31 <sup>st</sup> March, 2013	1,10,00,000
Capital expenditure incurred during previous year 2013-14 (it includes ₹20 lakh paid for goodwill)	1,40,00,000

You are required to compute the deduction available under section 35AD for the assessment year 2014-15.

(6 marks)

(b) Distinguish between the following. Attempt **any three** :

- (i) 'Revenue expenditure' and 'capital expenditure'.
- (ii) 'Revised return' and 'defective return' of income.
- (iii) 'Voluntary donation' and 'corpus' received by a registered charitable trust.
- (iv) 'Summary assessment' and 'self assessment'.

(3 marks each)

5. (a) Mohit invested ₹1,00,000 on the purchase of gold ornaments on 4<sup>th</sup> January, 1989. He holds the gold ornaments as investments. On 12<sup>th</sup> January, 2011, he started a business of dealing in jewellery and converted his holding into his stock-in-trade. The market

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value of the gold ornaments as on the date of conversion was ₹5,00,000 and therefore, Mohit credited his capital account by ₹5,00,000 and debited his stock account by ₹5,00,000. The gold ornaments are now reflected in the business of Mohit as stock-in-trade. These gold ornaments were sold in the previous year 2013-14 for a sum of ₹6,00,000. Cost inflation index for the years 1988-89 : 161; 2010-11 : 711 and 2013-14 : 939.

You are required to —

- (i) Compute the capital gains and business income.  
(ii) What would be the answer, if the gold ornaments are held by the assessee till 31<sup>st</sup> March, 2014 ?

(6 marks)

- (b) Under what circumstances is the assessing officer empowered to re-open the assessment made by him ? Give example.

(4 marks)

- (c) What is the method of calculating tax on dividend, royalty and fee for technical services earned by non-residents under the Income-tax Act, 1961 ? Explain in brief.

(5 marks)

6. (a) Smt. Rakhi provides the following information regarding assets and liabilities owned by her as on 31<sup>st</sup> March, 2014 :

	<i>Market value</i> (₹)
Residential house ( <i>self-occupied</i> )	50,00,000
Loan taken for purchase of self-occupied house	10,00,000
Motor car for business use	10,00,000
Land in urban area	35,00,000
Loan taken to purchase above land	5,00,000
Cash in hand	1,25,000
Cash at bank	2,00,000
Land in rural area (within 5 kms. from Delhi)	5,00,000
Jewellery	14,80,000
Farm house situated outside 30 kms. from local limits of Municipality	40,00,000

Compute net wealth and wealth-tax of Smt. Rakhi for the assessment year 2014-15. Also give important working notes.

(6 marks)

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- (b) Write short notes on the following. Attempt *any three* :
- (i) Belated return of income
  - (ii) Share of profit from partnership firm
  - (iii) Additional depreciation
  - (iv) Alternate minimum tax (AMT).

(3 marks each)

**PART — B**7. Attempt *any four* of the following :

- (a) State, with reasons in brief, whether the following statements are true or false :
- (i) The Central Excise Officer is empowered to impose penalty under service tax.
  - (ii) Postal services for registered post are liable to service tax.
  - (iii) A firm, having office in Jammu, provides services to another firm in Patna. These services are not liable to service tax.
  - (iv) Free after-sales service is also liable to service tax.
  - (v) Service tax return can be revised within 120 days from the date of its filing.

(1 mark each)

- (b) What is 'negative list of services' ? Which services by the government or a local authority are not included in the negative list of services ?

(5 marks)

- (c) Ravi, Rajan & Co. is a partnership firm. It is engaged in the business of recruitment and supply of labourers. The firm had rendered taxable services to the tune of ₹45 lakh in the financial year 2012-13. It furnishes the following information pertaining to the half-year ended on 30<sup>th</sup> September, 2013 :

	₹
Amount collected from companies for pre-recruitment screening	3,00,000
Amount collected from companies for recruitment of	
— Permanent staff	2,50,000
— Temporary staff	7,50,000
Advances received from prospective employers for conducting campus interview in colleges	1,50,000

Wherever applicable, service tax has been charged separately and received from clients.

Compute the value of taxable services rendered and the service tax payable by the assessee for the relevant half-year.

(5 marks)

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- (d) Prakash has started providing taxable service with effect from 5<sup>th</sup> April, 2013. During the financial year 2013-14, the following bills are raised by him :

	₹
12 <sup>th</sup> April, 2013	3,50,000
13 <sup>th</sup> August, 2013	4,50,000
28 <sup>th</sup> October, 2013	1,25,000
10 <sup>th</sup> November, 2013	1,00,000
1 <sup>st</sup> February, 2014	75,000
29 <sup>th</sup> March, 2014	1,00,000

When is he required to get registration under service tax and charge service tax ?  
What will be the amount of service tax ?

(5 marks)

- (e) "Abatement in service tax is a major relief to certain kind of services which are chargeable to service tax." Explain this statement with relevant provisions of the law.

(5 marks)

### PART — C

8. Attempt *any four* of the following :

- (a) State, with reasons in brief, whether the following statements are true or false :
- (i) Under addition method of VAT computation, the tax rate is applied to the difference between the value of output and cost of input.
  - (ii) VAT rate is 1% for inputs used for manufacturing of declared goods, capital goods and other essential items.
  - (iii) Central sales tax paid on inter-State purchases is eligible for being set-off against VAT payable in the State.
  - (iv) Export sales are zero-rated.
  - (v) Input tax to the extent of 2% will be allowed as credit if goods are sent inter-State.

(1 mark each)

- (b) Manufacturer X sold a product to Y of Delhi at the rate of ₹1,800 per unit. He has charged CST at the rate of 2% on the said product and paid ₹60 as freight. Y sold the said product to Z of Delhi at the rate of ₹2,200 per unit and charged VAT at the rate of 12.5%. Z of Delhi sold goods to a consumer at the rate of ₹3,000 per unit and charged VAT at the rate of 12.5%.

Compute VAT liability of Y and Z.

(5 marks)

- (c) Enlist any six purchases eligible for availing input tax credit under VAT.

(5 marks)

- (d) (i) Discuss the rules regarding 'compulsory registration' under VAT.

(2 marks)

- (ii) Manish furnishes the following information :

	$\text{₹}$
Opening stock of finished goods and raw material	Nil
Purchase of raw material within State (excluding VAT @ 5%)	9,00,000
Purchase of raw material inter-State (including CST @ 2%)	2,55,000
Manufacturing expenses	3,50,000
Sales (excluding VAT @ 5%)	20,00,000
Closing stock of finished goods and raw material	2,50,000

Compute his VAT liability.

(3 marks)

- (e) What do you mean by 'exempt sale' and how is it different from zero rating sale under VAT ?

(5 marks)