

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) Anand is entitled to get a pension of ₹600 per month from a private company. He gets three-fifth of the pension commuted and received ₹36,000. He did not receive gratuity. The taxable portion of commuted value of pension is —
 - (a) ₹16,000
 - (b) ₹6,000
 - (c) ₹18,000
 - (d) ₹12,000.
 - (ii) Income earned and received outside India but later on remitted to India, is taxable in the case of —
 - (a) All the assesseees
 - (b) Resident and ordinarily resident in India
 - (c) Non-resident
 - (d) None of the above.
 - (iii) Which one of the following is not an 'asset' under section 2(ea) of the Wealth-tax Act, 1957 —
 - (a) Motor car
 - (b) Boat and aircraft
 - (c) Guest house
 - (d) Balance in bank account.
 - (iv) On 30th December, 2011, Raju gets by gift a commercial flat from the elder brother of his father-in-law (stamp duty value is ₹25,00,000). The amount chargeable to tax in the hands of Raju is —
 - (a) ₹25,00,000
 - (b) ₹24,50,000
 - (c) ₹20,00,000
 - (d) Nil.
 - (v) Short-term capital loss can be set-off from —
 - (a) Short-term capital gains
 - (b) Long-term capital gains
 - (c) Both short-term and long-term capital gains
 - (d) Any income of the previous year.

(1 mark each)

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

- (i) The maximum amount of deduction in respect of rent paid under section 80GG is _____.
- (ii) The maximum amount which can be paid without deduction of tax at source from winnings from lotteries is _____.
- (iii) One is required to obtain a Permanent Account Number (PAN) whose total sales turnover or gross receipts are or is likely to exceed _____ in any previous year.
- (iv) Leave encashment received while in service is _____.
- (v) Net wealth computed under the Wealth-tax Act, 1957 shall be rounded off to the multiple of _____.

(1 mark each)

(c) Sanjeev owns a house property. Following are the details about the property :

Municipal value of house : ₹72,000 per annum.

Fair rent of house : ₹66,000 per annum.

Standard rent of house : ₹60,000 per annum.

The house was let out at ₹6,000 per month but was sold on 1st January, 2012.

Find out income from house property for the assessment year 2012-13.

(5 marks)

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

- (i) Loss on account of owning and maintaining race horses can be carried forward upto 8 years.
- (ii) All incomes that accrue to a minor child will be included in the total income of parent whose total income is greater.
- (iii) Family pension is taxable as income from other sources.
- (iv) Every person is liable to pay advance tax.
- (v) When the prize is given partly in cash and partly in kind, income-tax will be deducted from cash only.

(1 mark each)

(b) Savita submits the following information regarding her salary income :

Basic salary	...	₹11,000 per month
City compensatory allowance	...	₹150 per month
Children education allowance	...	₹400 per month (for 3 children)
Reimbursement of medical expenses	...	₹25,000

: 3 :

She was entitled to house rent allowance of ₹6,000 per month from 1st April, 2011 to 31st August, 2011. However, she was paying a rent of ₹7,000 per month for a house in New Delhi. With effect from 1st September, 2011, she was provided with an accommodation by the company for which the company was paying a rent of ₹5,000 per month.

Compute her gross salary for the assessment year 2012-13.

(5 marks)

- (c) For the previous year 2011-12, gross total income of Gopal is ₹12,50,700. During the previous year he has made the following payments :

	₹
(i) Contribution to recognised provident fund	18,000
(ii) Donation to Rajiv Gandhi Foundation	50,000
(iii) Donation to Prime Minister Drought Relief Fund	30,000
(iv) Donation to Prime Minister National Relief Fund	20,000
(v) Donation to a government hospital for family planning	1,00,000
(vi) Financial assistance to poor students	50,000
(vii) Medical insurance premium	20,000

Compute total income of Gopal for the assessment year 2012-13.

(5 marks)

3. (a) Kundan sold his properties during the year 2011-12 as under :
- (i) Household TV and refrigerator, costing ₹56,000 purchased in January, 2004, sold in February, 2012 for ₹70,000.
 - (ii) A car sold on 1st December, 2011 for ₹2,00,000 which was purchased by him in January, 2009 for ₹3,00,000 and its written down value on 1st April, 2011 was ₹1,72,000. The car is used for business purposes.
 - (iii) Agricultural land was sold for ₹9,50,000 on 1st February, 2012 and its purchase price in 1982-83 was ₹1,00,000. He purchased new land for his own cultivation for ₹2,50,000 in May, 2012.
 - (iv) Gold ornaments acquired in July, 2008 for ₹2,00,000 were sold for ₹2,40,000 in June, 2011.
 - (v) Let out residential house at Indore was inherited by him in 1975. Sale price on 30th November, 2011: ₹16,00,000; fair market value on 1st April, 1981: ₹2,00,000; cost of improvement during 1989-90: ₹40,000; and expenses on transfer: ₹60,000.

Compute his total capital gains for the assessment year 2012-13.

: 4 :

Cost inflation indices :		
1981-82	...	100
1982-83	...	109
1989-90	...	172
2003-04	...	463
2008-09	...	582
2010-11	...	711
2011-12	...	785

(7 marks)

- (b) Kailash furnishes the following particulars of income and losses for the assessment year 2012-13 :

	₹
Short-term capital loss on sale of shares	3,25,200
Income from card games (<i>gross</i>)	99,800
Loss from betting	1,02,500
Income from lotteries (<i>gross</i>)	3,87,500
Expenses on lottery ticket purchased	7,500
Long-term capital gains	97,800
Long-term capital loss of assessment year 2010-11	1,12,500
Short-term capital loss of assessment year 2011-12	97,800

Set-off various losses from other income and compute gross total income. Find out the amount which can be carried forward.

(5 marks)

- (c) What is meant by 'block of assets' ? Explain.

(3 marks)

4. (a) From the following information, compute the net wealth and tax liability of Lalit for the assessment year 2012-13 who is a citizen and resident and ordinarily resident in India :

	₹
Residential house in Delhi	50,00,000
Residential house situated outside India	25,00,000
Maruti Esteem car for personal use	6,00,000
Personal jewellery in India	10,00,000
Personal jewellery outside India	5,00,000
Bank loan taken to purchase residential house in Delhi	12,50,000
Cash in hand	75,000
Bank balance	2,50,000
Farm house, which is outside 9 kms. of the municipal limits	15,00,000
Urban land on which construction is not allowed	13,00,000
Equity shares of AB Associates	3,50,000
Income-tax liability	50,000

(6 marks)

: 5 :

- (b) An HUF has estimated the following income for the financial year 2011-12 :

	₹
Rent from house property	1,80,000
Income form cloth business (<i>taxable</i>)	4,85,500
Interest from savings bank account	9,800
Dividend on shares of Reliance Industries Ltd.	6,500

Income of one of the member Kamlesh is taxable. Another member of the family Saraswati is disabled and the family spent on her medical treatment ₹20,000. A donation of ₹10,600 is also given by the family to National Children's Fund.

Determine the amount payable as advance tax on prescribed dates during the financial year 2011-12.

(5 marks)

- (c) Write short notes on *any two* of the following :

- (i) Persons exempted from wealth-tax
- (ii) Methods of accounting
- (iii) Belated return of income under section 139(4) of the Income-tax Act, 1961.

(2 marks each)

5. (a) Ashok, a resident and ordinarily resident in India, furnishes the following particulars of his income for the previous year 2011-12. Compute his gross total income for the assessment year 2012-13 :

- (i) He took a house on the rent of ₹2,500 per month and let it out again for ₹3,200 per month.
- (ii) He received from his own house, rent of ₹600 per month.
- (iii) Dividend from an Indian company ₹5,000.
- (iv) Income from cloth business ₹18,500.
- (v) Income from gambling ₹12,800.
- (vi) Agricultural income in Pakistan which was not brought in India ₹24,500.
- (vii) Income from agricultural land situated in Mandsaur (Madhya Pradesh) ₹47,500.
- (viii) Share in profit of a firm ₹6,500.
- (ix) Dividend from a co-operative society ₹3,000.
- (x) Income from unexplained sources ₹10,000.

(9 marks)

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

- (i) Scientific research expenditure
- (ii) Capital assets
- (iii) Agricultural income.

(3 marks each)

: 6 :

6. (a) X and Y are two partners (1:2) of XY Enterprise, a firm engaged in manufacturing chemicals. The profit and loss account of the firm for the year ended on 31st March, 2012 is as follows :

	₹		₹
Cost of goods sold	43,00,000	Sales	63,00,000
Salary to staff	8,89,800	Long-term capital gains	40,000
Depreciation	80,000	Other business receipts	31,000
Remuneration to Partners :			
X	3,00,000		
Y	<u>2,40,000</u>		
			5,40,000
Interest on capital to partners @18%			
X	36,000		
Y	<u>25,200</u>		
			61,200
Other expenses	3,70,000		
Net Profit	<u>1,30,000</u>		
	<u>63,71,000</u>		<u>63,71,000</u>

Other information :

- (i) The firm completed all legal formalities to get the status of a 'firm'.
- (ii) The firm has given donation of ₹80,000 to a notified public charitable trust which is included in other expenses.
- (iii) Salary and interest is paid to partners as per the partnership deed.
- (iv) Depreciation allowable under section 32 is ₹78,000.
- (v) Income and investment of X and Y are as follows :

	X (₹)	Y (₹)
Interest on company deposits	64,000	50,800
Dividend from foreign companies	7,000	11,000
Long-term capital gains	80,000	20,000
Short-term capital gains	3,000	(-)6,000
Winnings from lotteries (<i>gross</i>)	4,000	10,000
Contribution towards home loan account of the National Housing Bank	40,000	60,000

Find out the net income and tax liability of the firm and partners for the assessment year 2012-13.

(9 marks)

- (b) Distinguish between *any two* the following :

- (i) 'Firm' and 'association of persons'.
- (ii) Scope of total income of 'resident and ordinary resident' and 'non-resident'.
- (iii) Taxation of voluntary contribution received by a 'charitable trust' and 'corpus donations'.

(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) The service tax is administered and collected by _____.
- (b) Where service is received from outside India, such service shall be taxable in the hands of _____.
- (c) Service tax is not payable in the year of commencement of business if the aggregate value of taxable service does not exceed _____.
- (d) If a new taxable service has to be included in the service tax registration certificate, the service provider has to apply for amendment within _____.
- (e) According to the Finance Act, 1994 all services received and consumed on the territory of _____ are not taxable.

(1 mark each)(ii) An individual furnished following particulars relating to services rendered by him during half yearly period ended on 30th September, 2011 :

- Total bill raised for ₹9,75,000 out of which ₹1,00,000 exempted from service tax and ₹1,15,000 not paid till 30th September, 2011.
- An advance of ₹7,00,000 received from a client on 20th September, 2011 to which service to be provided after 30th September, 2011.

You are required to compute tax liability of the service provider.

(5 marks)

(iii) Discuss briefly the procedure for registration under the service tax. What is the amount of penalty for non-registration ?

(5 marks)

(iv) Name the person who is to apply for registration and pay service tax in the following cases :

- (a) Service is provided by an insurance agent.
- (b) Goods transport agency provides taxable service to a specified consignee/consignor.
- (c) Service is provided by a distributor to asset management company or mutual fund.
- (d) Service is provided by any person from a country other than India.
- (e) Sponsorship of an event.

(5 marks)

(v) State, with reasons in brief, whether the following are liable to service tax :

- (a) Services rendered to associated enterprise.
- (b) Services rendered by a sub-contractor.
- (c) Services provided to a developer of a special economic zone.
- (d) Services rendered to the Reserve Bank of India.
- (e) Services provided to a diplomatic mission for their personal use.

(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 :
- Value added tax (VAT) is a multi-point tax.
 - Input VAT credit is available on inter-State purchases.
 - Haryana was the first State to implement VAT in India.
 - Zero-rating is advantageous to the dealer compared to exempting of sale transactions.
 - Stock/consignment transfers are exempt from VAT.

(1 mark each)

- (ii) Porwal Traders have provided the following information relating to purchase and sales for the month of July, 2011 :

Purchases :

Product "A" total cost ₹1,80,000, rate of VAT 4%.

Product "B" total cost ₹2,60,500, rate of VAT 12.5%.

Sales :

Product "A" total sales ₹2,40,000, rate of VAT 4%.

Product "B" total sales ₹2,10,000, rate of VAT 12.5%.

On the basis of above information, compute eligible input tax credit and value added tax payable for the month.

(5 marks)

- (iii) What are the major deficiencies of VAT system in India ?

(5 marks)

- (iv) Ramesh, a trader sells entire raw material to a manufacturer of finished products in the same State. He buys his stock in trade from other States as well as from the local markets. Following transactions took place during the financial year 2011-12 :

	₹
Cost of materials purchased from other States including central sales tax @2%	3,06,000
Cost of local materials including VAT	6,75,000
Other expenditure includes storage, transport, interest, loading and unloading and profit earned by him	2,62,500

Calculate VAT and invoice value charged by him to the manufacturer. Assume the rate of VAT @ 12.50%.

(5 marks)

- (v) Distinguish between 'zero rating' and 'exempted transaction'.

(5 marks)