Total No. of Questions-**7** | **VGIPCC** | Total No. of Printed Pages- **7**

Time Allowed - **3** Hours | Maximum Marks - **100**

TAXATION

Question No. 1 is Compulsory

Attempt any **five** from the remaining **six** questions

Wherever required, suitable assumptions may be made by the candidate and stated clearly in the answer. Working notes should form part of the answer

Question 1 (a)

Mr. Ramesh (Age 65 years), providing you the following information for the year ended 31st March 2011.

Particular	Amount
Income from Salary from ABC Limited	2,40,000
He is having house at Delhi which is used by him for his self occupation purpose, he had taken loan for acquisition of this house, and interest due for the year 2010-11 is Rs.	1,65,000
Speculation Income	1,00,000
Winning from Lottery (Gross)	5,00,000
Long Term Capital Gain on Shares (Non-Listed)	20,000
Investment in PPF	50,000

Calculate Total Income and Tax Payable? (**5** Marks)

Question 1 (b)

Mr. Happy is holding 1000 shares of ABC Ltd (Domestic Company) received from his father as gift on 15-07-2009. The shares were acquired by his father on 01-05-2008 for Rs. 15/- per share. The High Court passes the order for Liquidation of ABC Limited on 01-08-2009. Mr. Happy received the following from the Company Rs. 10/- per share and Car (FMV of the car Rs. 1,00,000/-) on 01-04-2010. The Balance Sheet of the Company as on 01-04-2010 is as under:

Liabilities	**Amount**	**Assets**	**Amount**
Share Capital (Face Value Rs. 5 Per Share)	50,000	Car	1,50,000
Reserve & Surplus	2,00,000	Cash	1,00,000
Total	**2,50,000**	**Total**	**2,50,000**

On 28-02-2011, Mr. Happy sold the car for Rs. 1,00,000/-. Mr. Happy is also having Salary income Rs. 3,60,000/-.

Calculate the Total Income in the hand of Mr. Happy for the AY 2011-12? (**5** Marks)

(Index for the year 2008-09 : 582 2009-10 : 632 2010-11 : 711)

Question 1 (c)

M/s XYZ Limited engaged in providing Cargo handling and related services. The Company furnishes you the following information relating services rendered for the half year ended on 30-09-2010:

S. No.	Particular	Amount
a)	Cargo handling services provided for freight in special container	1,00,000
b)	Cargo handling services provided in the state of Jammu & Kashmir	50,000
c)	Cargo handling services provided to Sigma Limited in relation to export of goods to USA	35,000
d)	Services provided in relation to handling of baggage	5,000
e)	Cargo handling services in respect to vegetables intended to be stored in Cold Store	25,000

Calculate Taxable Services and Service tax Payable by XYZ Limited (Assume all payment has been received by 30-09-2010).

(**5** Marks)

Question 1 (d)

Ms. Bulbul is a registered dealer provides you the following information. You are required to compute her net tax liability:

She purchases and sales goods to dealer in her state and in other state too.

S. No.	Particular	Amount
i)	Purchase of goods from outside state (Excluding CST 2%)	1,00,000
ii)	Import of goods from Thailand (Excluding custom duty on import 10%)	2,00,000
iii)	Purchases from Local Market from Composition dealer	50,000
iv)	Local Purchases (Excluding VAT 4%)	3,00,000
v)	Opening Stock	1,00,000
vi)	Closing Stock	80,000
vii)	During the period there was fire at the shop goods destroyed purchased from Local Market	10,000
viii)	Profit on Cost of goods sold	20%
viii)	Sale of goods within state 60 % balance outside state	

Applicable VAT 4% (Local Sales), CST 2% on Sale outside State (**5** Marks)

Question 2 (a)(i)

What are the conditions to be fulfilled by the Political party for claiming exemption of its income under section 13A? (**4** Marks)

Question 2 (a)(ii)

M/s ABC Consultants (HUF) had incurred during the previous year 2010-11, had spend Rs. 1,00,000/- on family planning expenses among its employees want to claim deduction under section 36 of the Income Tax Act, 1961. Comment? (**4** Marks)

Question 2 (b)

Mr. Jhunjunwala, while depositing service for quarter ended 30-06-2010, has deposited excess service tax of Rs. 50,000/- mistakenly wants your advice can he claim refund of excess service tax paid. (**4** Marks)

Question 2 (c)

What are the conditions to be fulfilled by the dealer if he wants to opt for Composition Scheme? What are its benefits? (**4** Marks)

Question 3 (a)

CA Chandni Sharma is a practicing Chartered Accountant maintaining books of account on cash basis. Her Income & Expenditure Account for the year ended 31st March 2011 are as under:

Expenditure	**Amount**	**Income**	**Amount**
To Salary to Staff	60,000	By Professional Receipts	5,00,000
To Stipend to Articles	12,000	By Consultancy Services	25,000
To Petrol Expenses	20,000	By Taxation Services	1,00,000
To Festival Expenses	11,000	By Rental Income from House	1,20,000
To Travelling Expenses	3,000	By Dividend income from Z Inc USA	20,000
To Staff Welfare	5,000	By Valuation of Answer Paper of ICAI	10,000
To Depreciation	40,000	By Interest on FDR (Net of TDS)	18,000
To Municipal Taxes (50% in respect of Property let-out Balance for her office)	8,000	By Agriculture Income	15,000
To Donation of PM National Relief Fund	5,000		
To Interest on Loan to Bank	20,000		
To Long Term Capital Loss on Listed shares (STT Paid)	7,000		
To Agriculture Expenses	5,000		
To Income over expenditure	6,12,000		
Total	**8,08,000**	**Total**	**8,08,000**

Additional Information:

i) She had paid salary to his married daughter Rs. 10,000/- (included above) out of which Rs. 3,000/- is excessive.

ii) Interest on Loan to Bank includes Rs. 5,000/- that relates to period 2009-10.
iii) She paid membership fee to ICAI Rs. 4,000/- that was debited to Drawing Account.
iv) The Municipal value and Fair Rental Value of above said House is Rs. 12,000/- Per Month and 15,000/- Per Month Respectively.
v) She had paid Mediclaim Insurance premium on 28-02-2011 for her Parents in Laws Rs. 10,000/-.

Compute Taxable Income and Tax Payable for the A.Y. 2011-12 (**8** Marks)

Question 3 (b)
Mr. Chulbul Pandey had received Rs. 5,00,000/- (excluding service tax) on 15-04-2010 wants to make advance payment of service tax. Advise him whether he can make payment of service tax in advance. (**4** Marks)

Question 3 (c)
Mr. Natvar Lal had stated business on 01-07-2010 wants to get him registered with the VAT Authority. You are required to state the provision of VAT whether he can apply for the Registration? (**4** Marks)

Question 4 (a)
Mr. Kailash Kher had made the payments for the previous year ended 31-03-2011; the details of the same are as under:

Nature of Payment	**Date of Payment**	**Amount**
Professional Charges to Mr. Satish	01-04-2010	10,000
Professional Charges to Mr. Satish	01-08-2010	20,000
Payment of Contractor (Transporter) PAN Provided by Transporter	01-11-2010	1,00,000
Professional Charges to Mr. Satish	01-12-2010	10,000

The Turnover of Mr. Kailash Kher was 50,00,000/- during the Previous Year ended 31-03-2010; need your advise whether TDS provision will apply on him. If yes, when TDS Deduction Liability will arises and the Amount of TDS and due date for payment of TDS (Assume Mr. Satish had not provided PAN to Mr. Kailash). (**4** Marks)

Question 4 (b)
What is Composite Rent and what its treatment under the Income Tax Act, 1961? (**4** Marks)

Question 4 (c)
Ms. Chanchal is a service provider; received from her client a Car against the services provided by her wants your suggestion how to compute Service tax payable? (**4** Marks)

Question 4 (d)

Do you feel that Export Oriented Undertaking is having lesser requirement of Working Capital as compare to Exporter under VAT. Explain? (**4** Marks)

Question 5 (a)

From the following data Calculate the Total Income and Tax Payable of Mr. Bhanu Prasad (Age 25 Years) for the previous year ended 31-03-2011.

He is working with a company having its office at Mumbai the details of his package are as under:

Particular	**Amount**
Basic Salary	20,000 PM
Dearness Allowance	20% of Basic
House Rent Allowance (Rent Paid 8000/- PM)	10,000 PM
Children Education Allowance	1,000 PM
Transport Allowance	1,000 PM
Bonus	One Month Basic Pay
Telephone Facility	2,000
He is entitled for a Car (used partly official partly personal) cost to company 50,000/- till 31-07-2010	
The above car has been sold to him on 01-08-2010 for Rs. 2,00,000/-. This car was purchased by the Company on 01-07-2008 for Rs. 5,00,000/- (Cubic Capacity 2000 CC) however the same was put to use on 28-07-2008.	

Other information:

i) During the year he got married with Ms. Deepali on 01-11-2010.

ii) He has also having Loss from Speculation Rs. 10,000/-

iii) He received Rs. 1,00,000/- by cheque from Ms Deepali on 15-10-2010 without consideration.

iv) He is having Short Term Capital Gain on sale of Listed shares (STT Paid) Rs. 20,000/-.

v) He had donated Cloths for Poor to an Approved Charitable Institution worth Rs. 25,000/-.

vi) He had paid premium on the life of his father Rs. 20,000/- (Capital Sum Assured Rs. 50,000/-).

vii) He had Gifted Rs. 25,000/- to Deepali on 01-12-2010, the same has been invested by her in FDR on the same date. Interest for the year ended was Rs. 800/-.

(**8** Marks)

Question 5 (b)
Mr. Lokesh Singh is a service provider during the year ended 31-03-2010 he had made payment of Service tax as under:

Particular	**Amount**
Service Tax Liability	15,00,000
Less: Utilization of CENVAT	8,00,000
Net Service Tax Paid	7,00,000

Whether E-payment of Service Tax and E-filing of Service Tax is mandatory for the Financial Year ended 31-03-2011? (**4** Marks**)**

Question 5 (c)
Mr. Tony is a manufacturer; purchase Raw Material (Waste Paper) 10000 Kgs @ Rs. 10/- per Kg. The Raw material is used to manufacture Two Products A and B. Sale of Product B is exempt from VAT. The Finished Product ratio for A and B is 3:2 respectively. The Normal loss in process of manufacturing Product A and B is 5%, however the Actual loss for the year was 8%. You are required to calculate the VAT credit available to dealer. (VAT Rate 4%) (**4** Marks**)**

Question 6 (a)
Mr. Salman Khan provides you the following information for the year ended 31st March 2011. You are required to calculate his Total Income and tax Liability.

a) He is having a House Property at Delhi, the Fair Rental Value of the House is 1,20,000/- Per Annum and Municipal Value is 15,000/- Per Month. He acquire the said property on 01-07-2010 and let out on the same date at a Rent of Rs. 20,000/- Per Month. The House was self Occupied by him from 01-01-2011.

b) He received the Jewellery from his Mother in Law on 01-08-2007 (The same is purchased by his Mother in Law on 15-01-2000 for Rs. 2,00,000/-), the same has been sold by him on 01-02-2011 for Rs. 10,00,000/-.

c) His Minor son received interest on FDR Rs. 10,000/- invested out of fund received from Grand Father.

d) During the year he had purchased Shares from son of his uncle on 10-04-2010 for Rs. 30,000/- (Fair Market Value 80,000/-).

(**8** Marks)

(Index for the year 1999-00 : 389 2000-01 : 406 2007-08 : 551 2010-11 : 711)

Question 6 (b)

State with reasons in brief whether the following statements are correct or incorrect with reference to the provisions of Service Tax.

i) The due date for payment of service tax in case of Company is 5^{th} of the next month.

ii) The service tax is not applicable if the service provider is located in the State of Jammu & Kashmir.

(**4** Marks)

Question 6 (c)

State the Purchases on which Input credit is not available under Value Added Tax Laws.

(**4** Marks)

Question 7 (a)

Answer any **two** sub-parts out of **three** sub-parts of the question. (**2 x 4=8** Marks)

i) Mr. Saharukh, an Accounts Manager, working with Zigma Limited has retired from the Company on 30-11-2010 after serving 25 years and 7 months of Service. His basic salary at the time of retirement was Rs. 20,000/- per month. The last increment was w.e.f. 01-09-2010 Rs. 5,000/-. Per month. He is also getting Dearness Allowance 40% of basic salary out of which 30% forming part for retirement benefit. He received Rs. 6,00,000/- gratuity at the time of retirement. He is not covered by the payment of Gratuity Act, 1972. Calculate his Total Income for the AY 2011-12.

ii) What is composite rent and its treatment under the Income Tax Act, 1961.

iii) Define Manufacture under the Income Tax Act, 1961.

Question 7 (b)

ABC & Associates, a Partnership Firm engaged in providing legal services provides you the following information for the year ended 31^{st} March 2011. Calculate the Service Tax Payable?

S. No.	Particular	Amount
i)	Legal services provided to A Ltd. In relation to vetting of legal document	50,000
ii)	Appearance before civil Court on behalf of B Ltd	20,000
iii)	Service Provided to Mr. Jitender in relation to legal matter	40,000
iv)	Service provided to charitable institution	15,000

(**4** Marks)

Question 7 (c)

Provisions regarding Stock Transfer under Value Added Tax Laws. (**4** Marks)