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Roll No............................

Total No. of Questions—7] [Total No. of Printed Pages—7

Time Allowed—3 Hours Maximum Marks—100

FRR

Answers to questions are to be given only in English except in the case of candidates who have opted for Hindi medium. If a candidate who has not opted for Hindi medium, answers in Hindi, his answers in Hindi will not be valued.

Answer **all** questions.

Marks

1. (a) The Net Profit of "Simran Ltd." for the year ended 31.3.2009 arrived at Rs. 50 lacs after debit of the following : 13

(i) Amount of Rs. 1,50,000 contributed to Employees Welfare Trust.

(ii) Amount of Rs. 15,00,000 paid for college fee and hostel expense for the MBA course of a close relative of a director.

(iii) Amount of Rs. 3,00,000 incurred on installation of a traffic signal, so as to facilitate its employees coming to office to overcome traffic jam and save office time.

(iv) Amount of Rs. 5,00,000 on the gift articles distributed to various dealers under sales incentive scheme.

(v) Expenses of Rs. 5,00,000 incurred on the travelling of the wife of Managing Director, who accompanied him on a tour to U.K. on the invitation of Trade and Commerce Chamber, London.

(vi) Amount of Rs. 3,00,000 paid on 11.5.08 consequent upon change in currency rate due to exchange fluctuation in excess of the amount due to the suppliers of machinery.

Following further information are also provided by the company :

(a) Both the employees and employers contribution towards PF amounting to Rs. 2 lacs each for the month of March, 2009 were deposited on 1.7.2009.

Marks

(b) Provision for audit fees of Rs. 5 lacs made in the books for the year ended 31.03.2008 was paid to the auditors in September, 2008 after deducting tax u/s 194J and the tax so deducted was remitted by 7.10.2008.

(c) A contractor who carried out repairing work in the office was paid in cash on 25.9.2008 by two vouchers No. 175 of Rs. 17,000 and No. 180 of Rs. 8,000.

(d) TDS made out of payment of interest of Rs. 1 lac in February, 2009 and of Rs. 2 lacs in March, 2009 was remitted to the Government in July, 2009.

Compute the income chargeable to tax in A.Y. 2009-10 and work out the amount of tax payable on such income.

(b) The net profit as per profit and loss account of XYZ Ltd., a resident company for the year ended 31.3.2009 is Rs. 190 lacs arrived at after following adjustments : 7

(i) Depreciation on Assets	Rs.	100 lacs
(ii) Reserve for currency exchange fluctuation	Rs.	50 lacs
(iii) Provision for tax	Rs.	40 lacs
(iv) Proposed dividend	Rs.	120 lacs

Following further information are also provided by the company :

(a) Net profit includes Rs. 10 lacs received from a subsidiary company.

(b) Provision for tax includes Rs. 16 lacs of tax payable on distribution of profit and of Rs. 2 lacs of interest payable on income tax.

(c) Depreciation includes Rs. 40 lacs towards revaluation of assets.

(d) Amount of Rs. 50 lacs credited to P & L account was drawn from revaluation reserve.

(e) Balance of profit and loss account shown in balance sheet at the asset side as at 31.3.2008 was Rs. 30 lacs representing unabsorbed depreciation.

Compute the income of the company for the year ended 31.3.2009 liable to tax under MAT.

Marks

2. (a) Explain in the context of provisions of the Act, whether the income derived during the year ended on 31.03.2009 in each of the following cases shall be subject to tax in A.Y. 2009-10 : 2 each =10

(i) Income of Rs. 75,000 derived by 'Anand Nursery' from the sale of 'seedlings' grown without carrying out all the basic operations on land.

(ii) Mr. 'Gaitonde' born and brought up in the State of Sikkim had net profit of Rs. 2,25,000 from the business located in Sikkim and interest of Rs. 55,000 on the securities/bonds issued by the Government of Rajasthan.

(iii) Mr. Ravi an IAS Officer was posted to USA by the Government of India on 11.07.08 for a period of three years. He was paid salary of Rs. 3 lacs for the period 01.04.08 to 10.07.08 and of Rs. 12 lacs for the period upto 31.03.09. He left India for USA in the night of 10.07.08 and did not come even for a day uptill 31.03.09.

(iv) Chitra received gifts of Rs. 1,00,000 from her father-in-law and of Rs. 11,000 each from her 10 friends at the time of her marriage on 11.03.09.

(v) A political party duly registered under Section 29A of the Representation of the Peoples Act, 1951 received rent of Rs. 1,25,000 per month of one of its building let out to a bank from 01.06.07.

(b) Work out from the following particulars, the amount of capital gain which shall be deemed to have been applied for charitable or religious purpose arising out of sale of a capital asset utilized for the purposes of trust to the extent of 60% : 4

	Amount (Rs.)
Cost of transferred asset	2,40,000
Sale consideration	3,60,000
Cost of new asset purchased	3,00,000

Marks

3. (a) Work out the taxable income for A.Y. 09-10 of a partnership firm engaged in retail trade from the following particulars : 5

(i) Net profit of Rs. 3,65,000 arrived at after debit of interest on capital of partners of Rs. 1,80,000 and salaries to working partners of Rs. 4,80,000.

(ii) Total capital of the partners on which interest paid as debited in the profit and loss account was Rs. 10,00,000.

(b) An assessee on fulfillment of certain conditions can claim relief in respect of the income arising in those countries with which India does not have any double taxation agreement. Do you agree ? 5

(c) "The Profits and gains of an industrial undertaking established in specified areas and engaged in carrying out certain activities are enjoying tax holiday." Specify such areas and the activities. 4

4. (a) "Meghna Film Distributors" have acquired the rights of exhibition of a feature film 'Nasha' in the territory of Rajasthan from the producers under an agreement executed on 11.06.08 against a consideration of Rs. 300 lacs. It thereafter executed sub-agreement with a distributor to whom the rights of exhibition of film in some of the areas of Rajasthan were assigned against an amount of Rs. 100 lacs. The film was released for exhibition on commercial basis on 25.12.08. Collection from the exhibition of film of "Meghna Film Distributors" for 25.12.2008 to 10.01.2009 was Rs. 50 lacs and thereafter upto 31.03.2009 was Rs. 190 lacs. 6

It asks you to clarify that how these transactions will be reflected in the Income-tax return for A.Y. 09-10. Would your answer be different where the film was released for exhibition on 11.01.2009 ?

(b) State the circumstance, when national income is charged to tax instead of real income under the head income from house property. 3

(c) What meaning has been assigned to "Speculative transaction". Narrate those transactions which shall not be treated as speculative transactions under the Income-tax Act, 1961 ? 5

Marks

5\. Examine critically in the context of provisions contained in Income-tax Act, 1961 as to the correctness of the action or the treatment given in each of the following cases :

(a) An amount of Rs. 12,50,000 after approval by the board paid to a hospital in UK by XYZ Ltd. for the heart surgery of its managing director was charged under medical expenses. The A.O. while completing the assessment of the company taxed the amount so paid by the company as perquisite in the hands of its Managing Director. 3

(b) "Singhal Sons Mines" for acquiring rights for extracting minerals had taken a mine on lease basis w.e.f. 01.09.08 for a period of 15 years from Mr. Naresh against an amount of Rs. 30 lacs payable in three equal instalments on 31.08.08, 31.08.09 and 31.08.10. Amount of Rs. 10 lacs paid on 31.08.08 was charged as an expense in the mining account. 4

(c) XYZ is engaged in the business of sale of "Zinc Concentrate" in India and in U.K. markets. The company valued its closing stock on 31.03.09 on the basis of the price prevailing in "London Metallic Exchange" instead of price in the domestic market as the price in London Metallic Exchange was lesser than the Indian rate. 4

(d) M/s Soft Drinks Limited entered into an agreement for the warehousing of its products with XYZ Warehousing and deducted tax at source as per provisions of section 194C out of warehousing charges paid during the year ended on 31.03.2008. The A.O. while completing the assessment for A.Y. 08-09 of Soft Drinks Limited asked the company by treating the warehousing charges as rent as defined in section 194-I to make payment of difference amount of TDS with interest. It was submitted by the company that the recipient had already paid tax on the entire amount of warehousing charges and therefore, now the difference amount of TDS be not recovered. However, it will make the payment of due interest on the difference amount of TDS. 3

6\. (a) Net result of the business carried out by a branch of foreign company in India for the year ended 31.03.09 was a loss of Rs. 100 lacs after charge of head office expenses allocated on branch of Rs. 200 lacs. Explain with reasons the income to be declared by the branch in its return for assessment year 2009-10. 4

Marks

(b) Axel Ltd. has two industrial undertakings. Unit-I is engaged in production of television sets and Unit-II is engaged in the production of refrigerators. The company has as part of its restructuring program, decided to sell Unit-II as a going concern by way of slum sale for Rs. 260 lacs to a new company called Gamma Ltd., in which it holds 85% equity shares. The following is the extract of the balance sheet of Axel Ltd. as on 31st March, 2009 : 7

(Rs. in lacs)

	Unit-I	Unit-II
Fixed Assets	112	158
Debtors	88	67
Inventories	60	23
Liabilities	33	45

Paid-up share capital	Rs.	231 lacs
General Reserve	Rs.	160 lacs
Share Premium	Rs.	39 lacs
Revaluation Reserve	Rs.	105 lacs

The company set up Unit-II on 1st April, 2005. The written down value of the block of assets for tax purpose as on 31st March, 2009 is Rs. 150 lacs of which Rs. 60 lacs are attributable to Unit-II.

(i) Determine what would be the tax liability of Axel Ltd. on account of Slump sale;

(ii) How can the restructuring plan of Axel Ltd. be modified, without changing the amount of consideration, in order to make it more tax efficient ?

(c) Can an assessee who fulfils all the prescribed conditions having total income of Rs. 1,84,000, paid house-rent @ Rs. 4,800 p.m. in respect of the residential accommodation occupied by him at Mumbai, claim the deduction for the house-rent so paid while computing his taxable income ? 3

Marks

7. (a) Mr. Neeraj provides the following particulars and asks you to work out the amount of net wealth to be declared by him in the wealth tax return for Asst. year 2009-10 : 4

(i) Value of a Motor Car Rs. 5,00,000

(ii) Value of a Motor Cycle Rs. 50,000

(iii) A house of which ground floor is used by him for business purposes and first floor for self residence having value on 31.3.09 of Rs. 50,00,000

(iv) Jewellary worth Rs. 12 lacs purchased on 30.3.09 by his wife out of funds given by him of Rs. 5 lacs and by his son of Rs. 5 lacs

(v) Shares of various companies worth Rs. 2,00,000 purchased by him in the name of his daughter-in-law.

(b) An assessee being aggrieved from the order of WTO filed an appeal by taking for the first time a ground "that notice to complete the assessment was not served upon but he had cooperated in completion of proceedings". Are you in agreement with the view taken by the assessee ? 3

(c) "Ram" gifted a house property valued at Rs. 100 lacs to his wife on 1.4.2009 in an agreement to live apart. In whose hands the said property will be assessed to W. Tax in A.Y. 2009-10. 3