

Roll No.....00554.....

Total No. of Questions—8]

[Total No. of Printed Pages—6

Time Allowed—3 Hours

Maximum Marks—100

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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.

Wherever required, suitable assumptions may be made by the candidate and stated clearly in the answer.

Working notes should form part of the answer.

Marks

1. State with reasons, whether the following statements are true or false having regard to the provisions of the Income-tax Act, 1961, for the assessment year 2009-10 : 5×2
=10
 - (a) As per Section 49(2A) read with Section 47(Xa) of the Income-tax Act, 1961, no capital gains on conversion of foreign currency exchangeable bonds into shares or debentures, for facilitating the issue of FCEBs by Indian companies.
 - (b) Person not deducting tax also deemed to be an assessee in default under Section 191 read with Section 201 of the Income-tax Act, 1961.
 - (c) The benefit of weighted deduction of 125% under Section 35(2AB) of the Income-tax Act, 1961 has now been extended to contribution made to a company, for scientific research approved under Section 35(1)(iia) to an assessee.
 - (d) Where the payment is made in cash by way of adjustment against the amount of any liability incurred by the payee for any goods supplied or services rendered by the assessee to such payer, in excess of Rs. 20,000 in a day, no disallowance gets attracted under Section 40A(3) of the Income-tax Act, 1961, read with Rule 6DD of the Income-tax Rules, 1962.

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- (e) An AOP having gross receipts of Rs. 50 lacs during the financial year 2007-08 is not required to deduct tax at source under Section 194C of the Income-tax Act, 1961, on payment made to contractors during the financial year 2008-09.

2. Dr. Parekh is a resident individual. His Income and Expenditure Account for the year ending 31st March, 2009 is given below : 20

To	Amount Rs.	By	Amount Rs.
Salary to staff	3,78,000	Consultation fees	11,85,000
Cost of medicine	6,35,000	Cost of medicines recovered	7,85,000
Rent	66,000	Stock of medicine	25,000
✓ Administrative cost	1,98,000	Interest on PO MIS	86,400
Advance tax	2,40,000	Interest on TD with bank	
Membership fees	5,000	(Net of TDS Rs. 3,000)	27,000
Depreciation on apparatus	42,500	Rent received	20,000
Net profit	5,70,900	Winning from lotteries	
		(Net of TDS Rs. 3,000)	7,000
			<u>21,35,400</u>
	<u>21,35,400</u>		

- (i) He has deposited Rs. 70,000 in PPF.
- (ii) He received salary of Rs. 1,50,000 and commission of Rs. 50,000 from a nursing home in which Dr. (Mrs.) Parekh also an equal partner.
- (iii) He received fees of Rs. 50,000 from University of Trinidad as lecturer.
- (iv) Received pension of Rs. 84,000 from LIC Jeevan Suraksha.
- (v) Paid Rs. 22,500 by cheque as mediclaim insurance premium for his medical treatment.
- (vi) He paid LIC premium of Rs. 80,000 for his own life.
- ✓ (vii) Cost of administration includes Rs. 3,000 paid for municipal tax for the house let out to a tenant.

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(viii) Depreciation as per Income-tax Rules to be computed as follows :

WDV as on 1.4.2008	Rs. 3,00,000
Rate of depreciation	@ 15%

(ix) Cost of lottery tickets amounting to Rs. 350 has not been debited to Income and Expenditure account.

You are required to compute the total income and tax payable thereon by Dr. Parekh for the assessment year 2009-10.

3. (a) Mrs. Indu, a resident individual, own a house in U.S.A. She receives rent @ \$ 2,000 per month. She paid municipal taxes of \$ 1,500 during the financial year 2008-09. She also owns a two storied house in Mumbai, ground floor is used for her residence and first floor is let out at a monthly rent of Rs. 10,000. Standard rent for each floor is Rs. 11,000 per month. Municipal taxes paid for the house amounts to Rs. 7,500. Mrs. Indu had constructed the house by taking a loan from a nationalised bank on 29.6.2006. She repaid the loan of Rs. 54,000 including interest of Rs. 24,000. The value of one dollar is to be taken as Rs. 45.

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Compute total income from house property of Mrs. Indu.

- (b) Mrs. Indira, a landlord, derived income from rent from letting a house property to M/s Vaibhav Corporation Ltd. of Rs. 1,00,000 per month. She charged the service tax @ 10.3% on lease rent charges. Calculate the deduction of tax at source (TDS) to be made by M/s Vaibhavi Corporation Ltd. on payment made to Mrs. Indira and narrate related formalities in relation to TDS. What are the consequences of failure to deduct or pay TDS ?

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4. (a) Determine the taxability of income of US based company Heli Ltd., in India on entering following transactions during the financial year 2008-09 :

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- (i) Rs. 5 lacs received from an Indian domestic company for providing technical know how in India.
- (ii) Rs. 6 lacs from an Indian firm for conducting the feasibility study for the new project in Finland.

- (iii) Rs. 4 lacs from a non-resident for use of patent for a business in India.
- (iv) Rs. 8 lacs from a non-resident Indian for use of know how for a business in Singapore.
- (v) Rs. 10 lacs for supply of manuals and designs for the business to be established in Singapore.

Explain the rate of tax applicable on taxable income for US based company, Heli Ltd., in India.

- (b) Mr. Pranav, a resident individual had purchased a plot of land at a cost of Rs. 75,000 in June, 1998. He constructed a house for his residence on that land at a cost of Rs. 1,25,000 in August, 2000. He sold that house in May, 2008 at Rs. 15,00,000 and purchased another residential house in June, 2008 for Rs. 8,00,000. He furnishes other income and investment as follows :

	Rs.
Net of interest on fixed deposit with a Bank	44,850
TDS made by bank	5,150
Investment in NSC VIII issue	20,000

Cost inflation index for financial year 1998-99, 2000-01 and 2008-09 are 351, 406 and 582 respectively.

You are required to compute taxable income and tax payable by Mr. Pranav for the assessment year 2009-10.

5. Answer the following :

4×4=16

- (a) Are there any restrictions on deduction allowable to the partnership firm in respect of salary and interest to its partners under Section 40(b) of the Income-tax Act, 1961 ?
- (b) Interest is chargeable under Section 234A for delay or default in furnishing return of income. Discuss briefly.

- (c) Explain the difference between tax deduction at source and tax collection at source.
- (d) Describe average rate of tax and maximum marginal rate under Section 2(10) and 2(29c) of the Income-tax Act, 1961.
6. Ms. Priyanka, a proprietress of Royal Security Agency received Rs. 1,00,000 by an account payee cheque, as advance while signing a contract from providing taxable service; she receive Rs. 5,00,000 by credit card while providing the service and another Rs. 5,00,000 by a pay order after completion of service on January 31, 2009. All three transactions took place during financial year 2008-09. She seek your advice about her liability towards value of taxable service and the service tax payable by her. 5
7. Mr. Goenka, a trader selling raw materials to a manufacturer of finished products. He imports his stock in trade as well as purchases the same from the local markets. Following transaction took place during financial year 2008-09. 5

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

	Rs.
(1) Cost of imported materials (from other State) excluding tax	1,00,000
(2) Cost of local materials including VAT	2,25,000
(3) Other expenditure includes storage, transport, interest and loading and unloading and profit earned by him	87,500

8. Answer the following : 5×3=15
- (a) Ms. Amrapali, a registered Service Provider did not render any services during the financial year 2008-09. Whether she is required to file service tax return ?
- (b) VAT would increase the working capital requirements and the interest burden. Discuss.

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- (c) Mr. Bharat is a registered Service Provider. He transfers his business to Mr. Rakesh on 31st July, 2008. Explain the requirement to be complied with by Mr. Bharat and Mr. Rakesh on such transfer under the provisions of Service tax.
- (d) Write the provisions on liability for payment of Service tax on services provided abroad.
- (e) Which Act and Rule governs the levy of Service tax in India ?

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