

(7)

DAK

Marks

6. (A) Nandita, an individual resident retired employee of the Prasar Bharati aged 60 years, is a well-known dramatist deriving income of ₹ 1,10,000 from theatrical works played abroad. Tax of ₹ 11,000 was deducted in the country where the plays were performed. India does not have any Double Tax Avoidance Agreement under section 90 of the Income-tax Act with that country. Her income in India amounted to ₹ 5,10,000. In view of tax planning, she has deposited ₹ 70,000 in Public Provident Fund and paid contribution to approved Pension Fund of LIC ₹ 32,000, along with subscription to notified long-term infrastructure bonds ₹ 25,000. She also contributed ₹ 18,000 to Central Government Health Scheme during the previous year and gave payment of medical insurance premium of ₹ 21,000 to insure the health of his father, a non-resident aged 76 years, who is not dependent on her. Compute tax liability of Nandita for the Assessment year 2011-12. 8

- (B) Is it valid in law to rectify an assessment order under section 154 due to subsequent change of law on retrospective basis ? Also state, whether a Supreme Court judgement would warrant a rectification under section 154 in respect of an order passed earlier by the Assessing Officer ? 4

- (C) Maya Bank credited ₹ 73,50,000 towards interest due on time deposits in a separate account for macro-monitoring only by using Core-branch Banking Solutions (CBS) software. No tax was deducted at source in respect of interest on deposits so credited even where the interest payable in respect of some deposits exceeded the limit of ₹ 10,000. 4

The Assessing Officer disallowed the entire interest expenditure where the interest due on time deposits credited exceeded the limit of ₹ 10,000 and also levied penalty under section 271C.

Decide the correctness of action of the Assessing Officer.

DAK

P.T.O.