TEST SERIES - 1

PAPER – 3: - TAX

NAME: _______________

TIME ALLOWED: - 3 HOURS M. M. 100

NOTE: - -All Questions are compulsory.

-All the references in the Par A, to the sections mentioned relates to Income Tax Act, 1961 and relevant Assessment Year is 2011-12, unless otherwise stated.

Part – A

1. How will be the period of holding be determined in case of following assets: -

a) Shares of company which has gone under liquidation
b) Shares of company which has undergone amalgamation.
c) Bonus shares.
d) Transfer of securities by depository.
e) Flat in a co-operative society. (1 marks each)

2. State with reason whether the following statements are true or false: -

a) 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.
b) No TDS is required to be deducted if payment of contract in a installment is Rs. 25,000.
c) If sum of Rs. 30000 is paid in cash by transporter, then the same shall be disallowed u/s 40A(3).
d) Mr. X, Karta of HUF, claims that the HUF is non-resident as the business of HUF is transacted from UK and all the policy decisions are taken there.
e) Only individuals and HUFs can be resident, but not ordinarily resident in India; firms can be either a resident or non-resident. (1 marks each)

3. Mr. Narendra, who retired from the services of Hotel Samode Ltd., on 31.1.2011 after putting on service for 5 years, received the following amounts from the employer for the year ending on 31.3.2011:

 Salary @ Rs. 16,000 p.m. comprising of basic salary of Rs. 10,000, Dearness allowance of Rs. 3,000, City compensatory allowance of Rs. 2,000 and Night duty allowance of Rs. 1,000.

 Pension @ 30% of basic salary from 1.2.2011.

 Leave salary of Rs. 75,000 for 225 days of leave accumulated during 5 years @ 45 days leave in each year.

 Gratuity of Rs. 50,000.

Compute the total income of Mr. Narendra for the assessment year 2011-12. (6 marks)

4. Miss Charlie, an American national, got married to Mr. Radhey of India in USA on 2.3.10 and came to India for the first time on 16.3.10. She remained in India up till 19.9.10 and left for USA on 20.9.10. She returned to India again on 27.3.11. While in India, she had purchased a show room in Mumbai on 22.4.10, which was leased out to a company on a rent of Rs.25,000 p.m. from 1.5.10. She had taken loan from a bank for purchase of this show room on which bank had charged interest of Rs.97,500 upto 31.3.11. She had received the following gifts from her relatives and friends during 1.4.10 to 30.6.10 :

- From parents of husband Rs.51,000
- From married sister of husband Rs.11,000
- From two very close friends of her husband, Rs.1,51,000 and Rs.21,000 Rs.1,72,000

Determine her residential status and compute the total income chargeable to tax alongwith the amount of tax payable on such income for the Asst. Year 2011-12. (14 marks)

5. Mrs. Indu, a resident individual, owns a house in U.S.A. She receives rent @ $ 2,000 per month. She paid municipal taxes of $ 1,500 during the financial year 2010-11. 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 20.6.2008. 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.
Compute total income from house property of Mrs. Indu. (7 marks)

6. Discuss the types of Returns and the time limit and period within which each can be filled. (5 marks)

7. Write short notes on the following: -

a) Deemed Assets under Wealth Tax
b) Assessee under the Income Tax
c) Share of Profit For The Partnership Firm
d) Deduction under Section 80E
e) Revocable Transfer (3 marks each)

8. A and sons is a Partnership firm in which there are two partners viz. X(HUF) and Y(HUF), represented by the Kartas Mr. X and Mr. Y. Mr. X is actively involved in the day to day business activities of the firm and is being paid the remuneration of Rs. 6,000 monthly but Mr. Y is not actively involved then too he is also paid the remuneration of Rs. 2,000 per month. The capital of the Partners as on 1.4.2011 was Rs. 5,00,000 and Rs. 7,00,00 respectively. The profits of the firm were Rs. 9,80,040 before any interest and remuneration. Calculate the income of the all the persons. (8 marks)

Part – B

9. Answer the following: - (4 marks each)

(a) What do you mean by Provisional Assessment? And when is this resorted to? Can Department do the provisional assessment suo-motu.
(b) Can a late return filed under the service tax be revised? If so with in how many days the same can be done? Explain
(c) How will be the liability to pay service tax be casted upon the service provider when it maintains the books on mercantile basis?
(d)Can single Challan be used for payment of service tax where multiple services are provided by the service provider?
(e) Is late filling of return condonable offence? Is there any relief available to the assessee, if so then at whose option.

Part – C

10. Answer the following: - (4 Marks Each)

(a)Which method is most widely used and accepted method of computation of VAT and Why?
(b) List and discuss the cases where no input tax credit is available to the purchaser under VAT.
(c) Explain the Deficiencies in the VAT Schema adopted in India.
(d)Small service providers have been given a benefit under the white paper to reduce the impact of cost of carrying on vat system. Discuss.
(e) “VAT cast’s upon certain responsibilities on the dealers registered under it.” Explain