TEST SERIES - 4

PAPER – 3: - TAX

NAME: _______________

TIME ALLOWED: - 3 HOURS M. M. 100

NOTE: - -All Questions are compulsory.

-Answer to every New Question must start with fresh Page and Top margin must have heading in **BOLD** as "**Answer to Question No.---**". However the sub-parts of the question may be done in continuation.

-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. a) State with reason whether the following statements are true or false: - (2 marks each)

i. All the charitable societies, if they carry on any business activities, they shall be not be considered as charitable societies.

ii. Donations made to electoral trust are disallowed while computing the income under the head business and profession, and rebate if the allowed on the amount of donation so given from the amount of tax.

iii. The amount of limit of remuneration allowable under section 40b to the partners of professional firms and partners of other firms are different.

iv. Section 44AD is applicable on only those assessee's who maintains books and the aggregate amount of turnover of whose business does not exceed Rs. 40 Lacs.

v. Sum of Rs. 4500 will be the monthly income of the person who carries on the business of plying on goods carriage or and passenger carriage and all the other conditions of section 44AE are satisfied.

vi. Any capital asset given by any way to any company or firms shall be liable to tax under section 56. On the basis of deemed gifts.

b) Write short notes on the exemption available under section 54F. (3 marks)

2. a) M/S Vinita & company, a partnership firm, with four partners A,B,C and D having equal shares, furnishes the following details, summarized from the valid returns of income filed by it:

Assessment year	Items eligible for carry forward and set off
2009-2010	Unabsorbed business loss Rs. 120000
2010-2011	Unabsorbed business loss Rs. 190000
2010-2011	Unabsorbed Depreciation Rs. 120000
2010-2011	Unabsorbed long term capital loss a) from shares Rs. 110000 b) from building Rs. 190000

C, who was a partner during last three years, retired from the firm with effect from 1/4/2009. The summarized results of the firm for the assessment year 2011-12 are as under:

Income from house property	70000

Income from business a) speculation business b) non speculation business	220000 (50000)
Capital gains a) short term from sale of shares b) long term from the sale of building	40000 210000
Income from other sources	60000

Briefly discuss how the items brought forward from the earlier years can be set off in the hands of the firm for the assessment year 2011-12, in the manner most beneficial to the assessee. Also show the items to be carry forward. Computation of total income is not required. (5 marks)

b) Write Short note on Aggregation of Agriculture Income. (5 marks)

c) Compute the gross total income of Mr. Rajesh for the A.Y.2010-11 from the information given below –

Particulars	Rs.
Net income from house property	75,000
Income from textile business (before providing for depreciation)	2,10,000
Short term capital gains on sale of shares	70,000
Long term capital loss from sale of property (brought forward fromA.Y.2007-08)	(1,00,000)
Income from tea business(Gross)	1,60,000
Dividends from Indian companies carrying on agricultural operations	60,000
Current year depreciation	15,000
Brought forward textile business loss of A.Y.2005-06	(30,000)

(5 marks)

3. The following are the particulars of income of Mr. Ganesh, a resident individual, who is working as a general manager with ABC Pvt. Ltd at Mumbai. You are required to compute his total income and tax liability for the A.Y.2011-12.

Basic Salary Rs.25,000 p.m.
Dearness allowance Rs.12,000 p.m.
Bonus Rs.50,000 p.a.
Entertainment allowance Rs.5,000 p.m.
House rent allowance Rs.10,000 p.m.
Children education and hostel allowance Rs.2,500 p.m.
Leave travel allowance Rs.25,000 p.a.

Neither Ganesh nor his family have undertaken any journey during the year. Ganesh has three children, all of them school-going, studying at an International School in Thane. They commute by school bus to school every day.

Both Ganesh and his employer contribute 10% of salary to recognized provident fund.

Ganesh has invested Rs.60,000 in Public Provident Fund and Rs.50,000 in infrastructure bonds of ICICI. He paid mediclaim Premium of Rs.7,000 by cheque and Rs.2,000 by cash to New India Assurance Co. Ltd. Ganesh owns a house property in Chennai, his native place, which he is unable to occupy because of his employment in Mumbai. His grand parents live in that house. The municipal value of house property is Rs.2,05,000 p.a. The standard rent as per Rent Control Act is Rs.1,80,000 p.a. He pays municipal tax @5% on municipal value. Further, he has spent Rs.20,000 on repairs of the house property. He has paid during the year 2010-11, interest of Rs.60,000 on loan borrowed for purchase of the house property. The loan was taken on 31/3/2005. Ganesh lives in a rented apartment in a society in Mumbai for which he pays a rent of Rs.12,000 per month. He also pays a monthly maintenance allowance of Rs.1,500 per month to the society. Ganesh has incurred long term capital loss of Rs.4,000 on sale of units of equity oriented fund during the year. However, he has earned short term capital gain in respect of equity shares to the tune of Rs.15,000 (he has paid securities transaction tax in respect of these transactions). Further, he has earned Rs.7,500 on account of long-term capital gains on sale of jewellery.

(15 Marks)

4. a) Dr. Smt. Niranjana, a resident individual, aged 60 years is running a clinic. Her Income and Expenditure Account for the year ending March 31st, 2011 is as under: -

Expenditure	Amount (in Rs.)	Income	Amount (in Rs.)
To Medicine consumed	538400	By Consultation and Medical	
To Staff salary	380000	Charges	1885850
To Clinic consumables	110000	By Income-tax refund	5450
To Rent paid	90000	(PrincipalRs.5,000, interest Rs.450)	
To Administrative expenses	255000	By Dividend from units of UTI	10500
To Amount paid to scientific	150000	By winning from game show on	33170
research association approved under		T.V. net of TDS (TDS Rs.16,830)	
section 35	55000	By Rent	27000
Donation to Congress Party	383570		
To Net profit			
	1961970		1961970

- Rent paid includes Rs.30,000 paid by cheque towards rent for her residential house in Ahemdabad.
- Clinic equipments are:
  1. 4. 2010 Opening W.D.V. - Rs.5,00,000
  7. 12. 2010 Acquired (cost) - Rs.2,00,000
- Rent received relates to property situated at Surat. Gross Annual Value Rs.27,000. The municipal tax of Rs.2,000, paid in December, 2007, has been included in "administrative expenses".
- She received salary of Rs.7,500 p.m. from "Full Cure Hospital" which has not been included in the "consultation and medical charges". She has been provided a Car for her personal use from the hospital which is owned by the hospital, cost of the car Rs. 4,45,000. There is a driver for the car whose monthly salary of Rs. 6,000 is reimbursed by the hospital.
- Dr. Niranjana availed a loan of Rs.5,50,000 from a bank for higher education of her daughter. She repaid principal of Rs.1,00,000, and interest thereon Rs.55,000 during the year 2010-11.
- She paid Rs.1,00,000 as tuition fee (not in the nature of development fees/ donation) to the university for full time education of her daughter.
- An amount of Rs.18,000 has also been paid by cheque on 27th March, 2011 for her medical insurance premium.
- Her husband is a senior citizen and is suffering from the disability and Dr's have certified that his disability is more than 80%.

From the above, compute the total income and tax payable thereon by Dr. Smt. Niranjana for the Assessment year 2011-12. (10 Marks)

b) What's the difference between the

i) exemption under section 54GA and 54G allowed under Capital Gain.

ii) 'Inter-head adjustment' and 'Intra-head adjustment'. (3+2 = 5 marks)

Part – B

5. Answer the following: -

(a) Explain the provision relating to Provisional Assessment? (7 marks)

(b) List the documents to be submitted with the service tax return. (3 marks)
(c) Who all are liable to make e-payments of service tax. (2 marks)
(d)Who is liable to pay service tax in case of services Transport of Goods by Road. (3 marks)
(e) Briefly state the provisions of service tax in respect of the following: -

i) Liability to registration.
ii) Procedure of registration
iii) Issue of Registration Certificate.
iv) Cancellation of Registration Certificate.
v) Surrender of Registration Certificate. (1 marks each)

Part – C

10. Answer the following: -

(a) The system of VAT adopted in India is having Certain Deficiencies. What are they? How can they be eliminated? (7 marks)
(b) Who all are liable to pay VAT? Also state the advantages that have came in with the introduction of VAT System by replacing the state sales tax in India. (7 marks)
(c) “Input is generally given for the entire VAT paid on the inputs by the manufacturer’s on the intra state purchases”. Discuss. (3 marks)
(d) State with reason whether the following statements are true or false: - (1 marks each)

i- VAT is levied by the Central Government.
ii- All the consumers are liable for registration under VAT.
iii- The most widely accepted variant of VAT is Income Variant.