

Test Series: March, 2012

MOCK TEST PAPER – 2

IPCC: GROUP – I

PAPER – 4 : TAXATION

Question 1 is compulsory.

*Answer any **five** questions from the remaining **six** questions.*

Time Allowed – 3 Hours

Maximum Marks – 100

1. (a) Sita and Geeta are sisters, born and brought up at Delhi. Sita got married in 1981 and settled in Australia since 1981. Geeta got married and settled at Delhi. Both of them are below 60 years. The following are the details of their income for the previous year ended 31.3.2012:

S.No.	Particulars	Sita (₹)	Geeta (₹)
1.	Pension received from State Government	-	10,000
2.	Pension received from Australian Government	20,000	--
3.	Long-term capital gain on sale of land at Delhi	1,00,000	50,000
4.	Short-term capital gain on sale of shares of Indian listed companies in respect of which STT was paid	20,000	2,00,000
5.	LIC premium paid for own life	--	10,000
6.	Premium paid to Australian Life Insurance Corporation at Australia	10,000	--
7.	Mediclin insurance premium paid by cheque for her dependent mother	--	5,000
8.	Tax saving bond purchased in March, 2012	30,000	20,000
9.	Rent received in respect of house property at Delhi	60,000	30,000

You are required to compute the taxable income of Mrs. Sita and Mrs. Geeta for the Assessment Year 2012-13 and tax thereon. (10 Marks)

- (b) Mr. Abhi, a consulting engineer provides the following particulars in respect of various services rendered by him during the quarter ending December 2011:

S. No.	Particulars	₹
(i)	Professional advice to one of his friend	8,000
(ii)	Consultancy services in computer hardware engineering	20,000
(iii)	Technical assistance in computer software engineering	15,000

(iv)	Advice in relation to mechanical engineering	7,000
(v)	Professional advice to his friend free of charge	

₹5,000 has been paid by him at the time of service as cess payable under section 3 of the Research and Development Cess Act, 1986 in respect of the above-mentioned services. Compute the service tax payable by Mr. Abhi for the quarter ending December, 2011. Service tax has been charged separately by Mr. Abhi and is not included in any of the receipts mentioned above. Mr. Abhi is not entitled to the benefit of small service provider available under *Notification No. 6/2005 ST dated 01.03.2005*.

Will your answer be different if the above services are rendered by SA Ltd., a consulting engineering company? (5 Marks)

- (c) The particulars regarding sale, purchase etc. of Shiv Corporations for the fourth quarter of the year 2011 -12 are as under:

Particulars	₹
Purchases of raw material within the State (tax rate 12.5%)	60,00,000
Purchases of raw material within the State (VAT paid @ 4%, however, invoice does not show the amount of tax separately)	10,00,000
High seas purchases (import duty paid @ 10%)	25,00,000
Taxable sale within the State (tax rate 4%)	1,00,00,000
Exempted sale within the State (raw material worth ₹20,00,000 is used for producing such goods, VAT paid on such inputs @ 12.5%)	10,00,000
Sale in the course of Inter-State trade or commerce (tax rate 2%)	10,00,000

Compute the amount of Value Added Tax (VAT) payable by M/s Shiv Corporations for the relevant quarter. There is no opening and closing stock of goods. How can he utilize the balance of input tax credit available, if any? (5 Marks)

2. (a) Mr. Vivek is the General Manager of ABC Ltd, New Delhi. From the following particulars for the year ended 31.03.2012, compute the relief available to him under section 89 of the Income-tax Act, 1961, in terms of tax payable for assessment year 2012-13:

Particulars	₹
i. Salary income for the year	5,60,000
ii. Amount deposited in Public Provident Fund during the year	35,000
iii. Salary for Financial Year 2005-06 received during the year	40,000
iv. Assessed Income for the Financial Year 2005-06	1,40,000

The rates of Income-tax for the assessment year 2006-07 are:

Particulars	Tax Rate (%)
On first ₹ 1,00,000	Nil
On ₹1,00,000 – ₹ 1,50,000	10
On ₹1,50,000 – ₹ 2,50,000	20
Above ₹ 2,50,000	30
Education cess	2

(8 Marks)

- (b) State briefly whether the services provided by a person having a place of business in the State of Jammu and Kashmir providing services in any other place in India are taxable under the Finance Act, 1994 as amended? (4 Marks)
- (c) Enumerate the tax rates under VAT. (4 Marks)
3. (a) Manoj owns a residential house in Jaipur whose municipal valuation is ₹ 2,40,000 p.a. The fair rent is ₹ 3,00,000 and the standard rent is ₹ 3,60,000. During the previous year 2011-12, 2/3rd portion of the house was self-occupied and 1/3rd portion was let out for residential purposes at a rent of ₹ 7,500 p.m. He paid municipal taxes @ 12.5% of municipal value during the year. He had paid interest of ₹ 1,20,000 for loan of ₹ 32,00,000 which was borrowed by him during the year 2006 for acquiring the property. Compute the income from house property chargeable in the hands of Manoj for the A.Y. 2012-13. (8 Marks)
- (b) C.J. Professionals, a partnership firm, gives the following particulars relating to the services provided to various clients by them for the half-year ended as on 30.09.11:
- (i) Total bills raised for ₹ 7,65,000 out of which bill for ₹ 65,000 was raised on an approved International Organisation and payments of bills for ₹ 1,00,000 were not received till 30.09.11.
- (ii) Amount of ₹ 1,50,000 was received as an advance from XYZ Ltd. on 25.09.11 to whom the services were to be provided in October, 11.
- You are required to work out the:
- (a) taxable value of services
- (b) amount of service tax payable.
- Note: The aforesaid amounts are exclusive of service tax. (4 Marks)
- (c) Discuss exercising of option for composition scheme under VAT. (4 Marks)
4. (a) M/s Sanjivani & Co., a sole proprietary concern engaged in the manufacturing of pharmaceutical products, commenced its business on 1.4.2011. The following expenses were incurred in respect of activities connected with scientific research:

Year ended	Item	Amount (₹)
31.03.2009	Land	7,50,000
(Incurred after 1.4.2008)	Building	22,80,000
31.03.2010	Plant and machinery	5,00,000
31.03.2010	Raw materials	2,50,000
31.03.2011	Raw materials	1,90,000
31.03.2012	Raw materials and salaries	1,80,000

Since the result of the research was unsuccessful, the company sold its plant and machinery on 1.03.2012 for ₹ 8,00,000.

You are required to discuss the implications of the above for the assessment year 2012-13 along with brief computation of admissible deduction under section 35 assuming that necessary conditions have been fulfilled. (8 Marks)

- (b) Does a service provider have an option to pay service tax at a rate different from the general rate applicable on gross value of taxable services, in the case of purchase or sale of foreign currency? (4 Marks)
- (c) Consumption variant is convenient from the point of administrative expediency. Is the proposition true? If yes, briefly explain any other benefits that consumption variant might accrue. (4 Marks)
5. (a) Compute the taxable capital gain of Mr. Pankaj from the following data furnished by him for the previous year ending 31.3.2012.
- (a) Unlisted Equity Shares of XYZ Ltd., 20,000 in number were sold on 28.7.2011, at ₹ 175 for each share.
- (b) The above shares of 20,000 were acquired by Pankaj in the following manner:
- (i) Received as gift from his father on 5.4.1979 (10,000 shares) the market price on 1.4.81 ₹ 25 per share.
- (ii) Bonus shares received from XYZ Ltd. on 17.3.1986 (5,000 shares).
- (iii) Purchased on 31.12.1993 at the price of ₹ 75 per share (5,000 shares).
- (c) Purchased one residential house at ₹ 25 lakhs, on 5.6.2012 from the sale proceeds of shares.
- (d) Pankaj is already owning a residential house, even before the purchase of above house.
- (Cost Inflation Index – F.Y. 1993-94: 244; F.Y. 2011-2012 : 785) (8 Marks)

- (b) Lucky Associates Private Limited provided scientific and technical consultancy services of the value of ₹100 lakh in the financial year 2010-11 and of ₹ 50 lakh in financial year 2009-10. For the month of April, 2011, their value of taxable services is ₹ 2,00,000. What is the due date for payment of service tax? (4 Marks)
- (c) Compute the total value of purchases eligible for input tax credit from the following particulars:-

Particulars	₹
Inputs purchased from a registered dealer who opts for composition scheme under the provisions of the VAT Act	25,000
Inputs purchased for being used in the execution of a works contract	1,00,000
Raw material purchased from unregistered dealers	60,000
High seas purchases of inputs	1,50,000
Goods purchased for sale to other parts of India in the course of inter-State trade or commerce	50,000

(4 Marks)

6. (a) Smt. Jaya started a proprietary business as on 1.4.2010 with her capital of ₹ 2,50,000. Her husband gifted ₹ 2,00,000 on 04.5.2010, which was invested by Smt. Jaya on the same date. Smt. Jaya earned following profits from her proprietary business :

₹

Financial year 2010-2011 2,00,000

Financial year 2011-2012 3,90,000.

You are required to compute the income, to be clubbed in the hands of Jaya's husband for the A.Y. 2012-2013 with reasons. (8 Marks)

- (b) An assessee who has collected service tax from a client is unable to perform the service. Briefly explain the situations in which and the conditions subject to which he can adjust the service tax relating to above, against his forthcoming service tax liability. (4 Marks)
- (c) Explain briefly, how a VAT system brings certainty and ensures transparency. (4 Marks)
7. (a) Examine the applicability of tax deduction at source in the following cases for the assessment year 2012-13 :
- (i) Interest amounting to ₹ 55,000 paid to Corporation Bank by XYZ Ltd.

- (ii) Paint limited paid a sum of ₹ 18,000 to Flyking parcel service and ₹ 15,00,000 to Indian Railways towards freight charges.
- (iii) A company operating a television channel makes payment of ₹ 2.5 lacs to a former cricketer for making running commentary of a one-day cricket match.
- (iv) A State Government pays ₹ 20,000 as commission to one of its agent on sale of lottery tickets. (8 Marks)
- (b) Durga Consultants Ltd. paid service tax of ₹9.6 lakh in cash in the financial year 2010-11. For the half year ended September 30, 2011, it did not file its return electronically. You are required to examine whether, in the instant case, Durga Consultants Ltd. is required to file its return electronically. (4 Marks)
- (c) Distinguish between compulsory registration and voluntary registration. (4 Marks)