

Test Series: March, 2012

MOCK TEST PAPER – 2

PCC: GROUP – II

PAPER – 5 : 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) Rupesh, citizen of France, is appointed by a multi-national company to its branch in New Delhi in 2007. Rupesh has never been to India before this appointment. He arrives in Bombay on 15th April, 2008 and joins the New Delhi office on 20th April, 2008. His wife and children join him in India on 20th October, 2008. The company allotted him a leased residence for the purpose of his stay. This residence is occupied by him from the beginning of October, 2008. On 10th February, 2009, he is transferred by his employer, on deputation basis, to be the regional chief of his employer's operations in South East Asia having headquarters in Hong Kong. He

leaves New Delhi on 11th February 2009 and arrives in Hong Kong on 12th February, 2009. Rupesh leaves behind his wife and children in India till 14th August, 2010, when they leave along with him for Hong Kong. Rupesh had come to India earlier on 15th June, 2010 on two months' leave. The members of the family occupied the residence till date of departure to Hong Kong. At the end of the period of deputation, Rupesh is reposted to India and joins the New Delhi office of his employer as chief of Indian operations on 30th January, 2012. In what residential status Rupesh will be assessable, for the various years, to income tax in India?

(It may be kept in mind that the provisions of the Income-tax Act, 1961 relating to determination of residential status of an individual are the same for the A.Y. 2009-10, 2010-11, 2011-12 and 2012-13) (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) Mr. X, an Indian citizen, left India on 1.5.2011 for the first time to work as an officer of a company in Australia. He has not visited India thereafter. Mr. X borrows money from his friend Mr. Y, who left India one week before Mr. X's departure, to the extent of ₹ 25 lakhs and purchases shares in A Ltd., an Indian company. Mr. Y charged interest @8% from Mr. X. Whether the interest is taxable in the hands of Mr. Y, where the same has been received in Sydney? (4 Marks)
- (c) 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:
- 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.
 - 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:

- taxable value of services
- amount of service tax payable.

Note: The aforesaid amounts are exclusive of service tax.

(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) State with reasons whether the following statements are true or false having regard to the provisions of the Income-tax Act, 1961:
- Zero Coupon Bond means a bond on which no payment and benefits are

received or receivable before maturity or redemption.

- (ii) Capital gain of ₹ 75 lakh arising from transfer of long term capital assets on 1.5.2011 will be exempt from tax if such capital gain is invested in the bonds redeemable after three years, issued by NHAI under section 54EC of the Act.

(4 Marks)

- (c) Explain briefly, how a VAT system brings certainty and ensures transparency.

(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) Mohit is a person carrying on profession as technical consultant. His gross receipts from profession are as under:

	₹
Financial year 2008-09	1,45,000
Financial year 2009-10	1,68,000
Financial year 2010-11	1,96,000

Whether he is required to maintain books of accounts for the Assessment Year 2012-13 under section 44AA of Income-tax Act, 1961?

(4 Marks)

- (c) 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)

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) P, an individual (aged 65 years), is a sitting member of the State Assembly of Uttar Pradesh. He received the following amounts from the Assembly Secretariat for the financial year 2011-12 :

(i)	Basic pay	₹ 20,000 p.m.
(ii)	Constituency allowance	₹ 9,500 p.m.
(iii)	Telephone allowance	₹ 5,000 p.m.
(iv)	Electricity allowance	₹ 5,000 p.m. [from October, 2011 onwards]

P has no other source of income chargeable to tax. You are required to compute his total income for A.Y. 2012-13. (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)

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) Compute the total income of Rashmi for the A.Y.2012-13, from the following particulars of her income for the year ended 31.3.2012:

	Particulars	₹
(a)	Profit from sugar business	75,000
(b)	Loss from textile business	25,000
(c)	Brought forward loss from business of readymade garments (discontinued in A.Y. 2009-10)	30,000
(d)	Profit from speculative business during the year	17,500
(e)	Loss from speculative business for A.Y. 2007-08 not set off till A.Y. 2011-12	11,800
(f)	Short-term loss on sale of securities and shares	10,500

(4 Marks)

- (c) 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)
7. (a) Examine the applicability of tax deduction at source in the following cases for the assessment year 2012-13 :
- Interest amounting to ₹ 55,000 paid to Corporation Bank by XYZ Ltd.
 - Paint limited paid a sum of ₹ 18,000 to Flyking parcel service and ₹ 15,00,000 to Indian Railways towards freight charges.
 - 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.
 - A State Government pays ₹ 20,000 as commission to one of its agent on sale of lottery tickets. (8 Marks)
- (b) State with reasons, whether the following statements are true or false, with regard to the provisions of the Income-tax Act, 1961:
- The Assessing Officer has the power, inter alia, to allot PAN to any person by whom no tax is payable.
 - Where the Karta of a HUF is absent from India, the return of income can be signed by any male member of the family. (4 Marks)
- (c) 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)