SOLUTION OF TAXATION PAPER NOV' 12 EXAM

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Classes for TAX (CA-IPCC) & IDT (CA-FINAL)

Solution to Question No 1(a):

IOS	Vacant land rent		1,12,000
House property:	240000 – 30%		1,68,000
PGBP	**8% of** 24,37,500 [Sec 44AD]		1,95,000
	Recovery of bad debts of father's business		1,50,000
Salary Income (Arrear received)			40,000
Capital Gains	**Sale Price of Bonus shares**	2,20,000	
	-Cost	Nil	
	LTCG		2,20,000
	[Assuming Sec 10(38) not available]		
Income before set off of losses			**8,85,000**
Less: B/f Business losses			**-1,97,500**
Less: B/f Depreciation			**-1,50,000**
Gross Total Income			**5,37,500**
Less Decution u/s 80G:	PMNR Fund		30,000
	Charitable Trust		15,875
	[Least of 40,000 or 10% of (537,500 – 220,000) i.e 31,750 X 50%]		
	TOTAL INCOME		**491,625**
	OR TOTAL INCOME (R/off)		**4,91,630**

COMPUTATION OF TAX PAYABLE

Tax on LTCG of Rs. 220,000 @20%	44,000
Tax on balance income of Rs. 271,630 as per slab	9,163
Total	53,163
+ Cess @3%	1,595
Total Tax (R/Off)	**54,760**

Note: Assume that relief u/s 89 on arrear of salary is not available being year of arrear is not given.

Solution to Question No 1(b):

Value of taxable services: [7,00,000 + 3,00,000 + Nil + 1,00,000 + Nil] =Rs. 11L

Service tax payable @10.3% (Figure is inclusive of service tax) =
11,00,000 / 110.30 X 10.30 = Rs. **1,02,720**

[*As the case is given for the month of Jan' 2012, so as per Rule 7 the POT shall be decided on* ***receipt basis*** *in the case of a chartered accountant.]*

Note: Service tax is not payable on service rendered as a part time lecturer.

Solution to Question No 1(c):

Output VAT:	40,24,000 / 104 X 4	=	1,54,769
Input VAT:	11,25,000 / 112.5 X 12.5	=	1,25,000
	On CG: 550,000 / 110X10 = 50,000 / 2Years	=	25,000
VAT Payable: 1,54,769 – 1,50,000		=	**4,769**

Solution to Question No 2(a):

Income of Mr B: 45,000

Income of Mrs B: 76,000 + **Minor's income** (10,000+1,95,000–1500)= 2,79,500

Note: No clubbing on Minor P's Income being income earned from talent.

Solution to Question No 2(b):

As the value of taxable services of D & Co. in 2010-11 is less than Rs. 10L so it becomes SSP in FY 2011-12 (NN 06/2005), so it claim exemption of service tax on first clearances of Rs. 10L:

Accordingly service tax payable in FY 2011-12 = Rs. 13L – Rs. 10L = 3L X 10.3% = 30,900.

Solution to Question No 3(a):

As per sec 45(2) (Chapter Capital gains), the capital gains shall be applicable when the capital asset is converted into stock in trade.

However, it shall be taxable in the year in which such asset is sold in the business.

PY 2005 - 06

Business profit on sale of 8 plots

Rs. 50L – Rs. 45L = Rs. 5L

Capital gains:

Sale consideration (FMV on the date of conversion)	45.05L	
- Indexed cost of acquisition [8L / 100 X 426]	34.08L	
LTCG	**10.92L**	
Less: Exemption u/s 54 (Investment of Rs. 45L)	**10.92L**	
Taxable LTCG		**Nil**

PY 2011 – 12

Sale consideration of property (As per Sec 50C)	85.50L
Less: Brokerage (***1% of 63.50L***)	63,500
Net consideration	84,86,500
Less: Indexed COA [45L / 497 X 785]	71,07,645
Less: Indexed COI [5L / 519 X 785]	7,56,262
TAXABLE LTCG	**6,22,593**

Solution to Question No 3(b):

(i) False
(ii) True
(iii) True
(iv) False

Solution to Question No 4(a):

Income u/h PGBP:

NP	93,950
+ Capital exp of Rs. 1,00,000	+1,00,000
+ Intt paid without TDS	+50,000
+ CST Penalty	+24,000
- Additional deduction of 100% on donation to IIT	-1,00,000
- IT Refund (Not taxable u/h PGBP, Its IOS Income)	-8,100
- Intt recd (Not taxable u/h PGBP, Its IOS Income)	-6,400
PGBP Income	**1,53,450**

Solution to Question No 4(b):

Computation of value of taxable services: 3,00,000 + 4,00,000 + 3,25,000 + 3,40,000 = **13,65,000**

Note: In the absence of any specific information, we have assumed that all the figures are exclusive of service tax.

Solution to Question No 5(a):

Professional loss		-1,05,000	
ST Capital loss	-55,000		
LT Capital Gain	+2,05,000	+1,50,000	
[Assumed not covered u/s 10(38)]			
House Property loss I	-15,000		
House Property loss II	-30,000	-45,000	NIL
Card Game Income			+55,000
Lottery Winnings			+1,00,000
Gross total income			1,55,000
Less: Deduction u/c VI-A (Not available from lottery winnings)			-----------
Total Income			**1,55,000**

NOTE: (1) Share of loss from firm has no tax treatment being an exempt source
(2) Loss from horse races has no tax treatment.
(3) Deductions u/c VI-A are not available from lottery winnings etc

(Rest r theory question can be checked from module)