CS EXECUTIVE
TAX PAPER
JUNE 2015
SUGGESTED ANSWERS
by
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1

1. Sahil works in a technology company. On 1st January, 2013, he took a loan of ₹2,40,000 from his company for the education of his daughter. During the year 2014-15, he paid an interest of ₹26,000 towards the said loan and repaid principal component of ₹10,000. The deduction that he can claim under section 80E would be —
   (A) Nil
   (B) ₹24,000
   (C) ₹46,000
   (D) ₹10,000.

Ans. Option (A)

What does Income Tax Law say?

Deduction u/s 80E is allowed if loan is taken from financial institution or approved charitable institution.

2. Under the Income-tax Act, 1961, which of the following can claim deduction for any sum contributed during the previous year to a political party or electoral trust —
   (A) Local authority
   (B) Individual
   (C) Artificial juridical person
   (D) None of the above.

Ans. Option (B)

Please refer section 80GGC

3. Under the Income-tax Act,1961, interest on capital received by a partner from a partnership firm is chargeable under the head —
   (A) Profits and gains of business or profession
   (B) Income from other sources
   (C) Capital gains
   (D) None of the above.

Ans. Option (A)

Please refer section 28(v)

4. Zen Ltd. made a payment of ₹11,00,000 to Amar, a resident transport contractor who has intimated his PAN details. The tax to be deducted at source under section 194C will be —
   (A) ₹10,000
   (B) ₹200
   (C) Nil
   (D) ₹11,000.

Ans. Option (C)

What does Income Tax Law say?

No deduction shall be made from any sum credited or paid or likely to be credited or paid during the previous year to the account of a contractor during the course of business of plying, hiring or leasing goods carriages, on furnishing of his Permanent Account Number, to the person paying or crediting such sum…section 194C

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2

5. 'Income' under section 2(24) includes —
   (i) The profits and gains of a banking business carried on by a co-operative society with its members.
   (ii) Any advance money forfeited in the course of negotiations for transfer of capital asset.

   Choose the correct option with reference to the above statements —
   (A) Both (i) and (ii)
   (B) Only (i)
   (C) Only (ii)
   (D) Neither (i) nor (ii).

Ans. Option (A)

Please refer section 2(24)(viia) & (xvii)

6. Interest payable under section 234C is computed at —
   (A) Compound interest @ 1% per month
   (B) Simple interest @ 1% per annum
   (C) Compound interest @ 1% per annum
   (D) Simple interest @ 1% per month.

Ans. Option (D)

7. Deduction in respect of donations to National Defence Fund is allowed under section —
   (A) 80G
   (B) 80CCG
   (C) 80C
   (D) None of the above.

Ans. Option (A)

8. Interest for default in payment of installment(s) of advance tax is levied under section —
   (A) 234A
   (B) 234B
   (C) 234C
   (D) 234D.

P.T.O.

Ans. Option (C)

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9. Raman purchased a residential house property in Ahmedabad on loan for which he paid an interest of ₹50,000 during the previous year. He is working in Delhi and getting an HRA of ₹4,000 per month. He can claim exemption/deduction for —
   (A) Only HRA
   (B) Only interest paid
   (C) Either interest paid or HRA but not both
   (D) Both HRA and interest paid.

Ans. Option (D)

There is no such restriction.

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10. The Income-tax Act, 1961 empowers the Central Government to enter into double taxation avoidance agreements with other countries under section —
   (A) 87
   (B) 88
   (C) 90
   (D) None of the above.

Ans. Option (C)

11. Maximum penalty leviable for concealment of wealth under Wealth-tax Act, 1957 is —
   (A) 100% of tax avoided
   (B) 300% of tax avoided
   (C) 500% of tax avoided
   (D) None of the above.

Ans. Option (C)

Please refer section 18(1)(iii) of Wealth Tax Act

12. Rahul has purchased an aircraft for ₹120 lakh. He has taken loan of ₹20 lakh to purchase the same. He does not own any other asset. The wealth-tax on the above asset will be —
   (A) ₹70,000
   (B) ₹90,000
   (C) ₹1,00,000
   (D) None of the above.

Ans. Option (A)

Value of aircraft	1,20,00,000
Less: loan	20,00,000
Net wealth	1,00,00,000
Basic exemption limit	30,00,000
Taxable amount	70,00,000
Tax @ 1%	70,000

4

13. Lalit, a resident individual of 81 years works as a consultant. If his taxable income is ₹5,20,000, the tax payable by him would be —
(A) ₹22,660
(B) Nil
(C) ₹2,060
(D) ₹12,460.

Ans. Option ?

Upto 5L income is exempt & balance 20,000 is taxable @ 20% = 4,000. Rebate u/s 87A is not applicable. 4,000 shall be increased by 3% (EC& SHEC) tax payable should be 4,120

I don't find any option here.

14. An Indian repatriate came to India on 1st October, 2014. Out of the balance in his non-resident external account (NREA) of ₹20 lakh, he purchased a car for ₹15 lakh. What would be tax treatment under the Wealth-tax Act, 1957 —
(A) Both car and balance in NREA will be exempt
(B) Both car and balance in NREA will be taxable
(C) Only car will be taxable
(D) Car will be exempt but balance in NREA will be taxable.

Ans. Option (A)

Section 5(v) of Wealth Tax Act says...

Exempted Assets

- Moneys and the value of assets brought by him into India; and
- The value of the asset acquired by him out of such moneys within one year immediately preceding the date of his return and/or at any time thereafter.

Note: Moneys standing to the credit of such person in a Non-resident (External) Account in any bank in India on the date of his return to India, shall be deemed to be moneys brought by him into India on that date. [Explanation 2 to section 5(v)].

15. Wealth-tax return is to be filed in —
(A) Form BA
(B) Form BB
(C) Form AB
(D) Form AA.

Ans. Option (B)

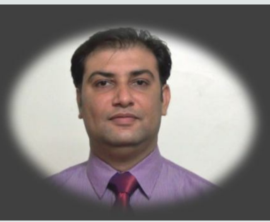
*Wealth Tax Rule 3…. in respect of the assessment year 2014-15 and any other subsequent assessment year in the case of individuals, Hindu undivided families and companies be in **Form BB** and shall be verified in the manner specified therein.*

Till AY 2013-14 it was Form BA

16. According to Wealth-tax Rules, 1957, the notice of demand for recovery of wealth-tax shall be in —
(A) Form C
(B) Form BB
(C) Form A
(D) Form B.

Ans. Option (A)

Refer section 30 & Rule 4 under wealth tax



5

17. Sarath has received a sum of ₹3,40,000 as interest on enhanced compensation for compulsory acquisition of land by State Government in May, 2014. Of this, only ₹12,000 pertains to the current year and the rest pertains to earlier years. The amount chargeable to tax for the assessment year 2015-16 would be —
(A) ₹12,000
(B) ₹6,000
(C) ₹3,40,000
(D) ₹1,70,000.

Ans. Option (D)

Such interest is taxable on receipts basis & 50% is allowed as deduction

Refer section 56(2)(viii), 57(vi) & 145A

18. Which of the following double taxation avoidance agreement (DTAA) emphasises on residence principle —
(A) UN Model
(B) US Model
(C) OECD Model
(D) Andean Model.

Ans. Option (C)

The DTAA is based on four basic models of DTAA and they are – OECD Model Tax Convention (emphasis is on residence principle), UN Model (combination of residence and source principle but the emphasis is on source principle), US Model (it's the Model to be followed for entering into DTAAs with the U.S. and its peculiar to the US) and the Andean Model (model adopted by member States namely Bolivia, Chile, Ecuador, Columbia, Peru and Venezuela)

19. Under section 208, it is obligatory for an assessee to pay advance tax where the tax payable is —
(A) ₹10,000 or more
(B) ₹20,000 or more
(C) ₹5,000 or more
(D) ₹8,000 or more.

Ans. Option (A)

20. Which of the following cannot claim deduction for the loan taken to purchase a house property —
(A) Karta, in respect of property purchased by HUF
(B) An individual, in respect of property purchased by him
(C) Partner, in respect of property purchased by the firm
(D) Spouse of an individual, in respect of property purchased jointly by the individual and his/her spouse.

Ans. Option ?

Oppps...there seems a problem in question. Whether examiner asking about principal loan amount which is covered u/s 80C or interest on loan which is covered u/s 24.

Still, Karta & partner can not take deduction in given situation.

& same problem can also be covered under wealth tax….Question is not clear

21. Rohit owns a house property in Delhi which he wants to give on rent. He seeks your help to determine the reasonable expected rent when monthly municipal value is ₹20,000, fair rent ₹25,000 and standard rent ₹22,000. The reasonable expected rent will be computed with reference to following amount per month —
(A) ₹22,000
(B) ₹20,000
(C) ₹25,000
(D) None of the above.

Ans. Option (A)

ER = MV or FRV, whichever is higher but it can not exceed SR

22. Under the Income-tax Act,1961, dividend derived from the shares held as stock-in-trade are taxable under the head —
(A) Income from other sources
(B) Income from profits and gains of business or profession
(C) Capital gains
(D) Either capital gains or income from profits and gains of business or profession.

Ans. Option (A)

23. Under the Income-tax Act,1961, 'notional profit' from speculative business is —
(A) Taxable under the head 'income from profits and gains of business and profession'
(B) Taxable under the head 'income from other sources'
(C) Taxable either as income from other sources or as income from profits and gains of business and profession
(D) Not taxable.

Ans. Option (A)

24. A person carrying specified profession will have to maintain books of account prescribed by Rule 6F of the Income-tax Rules, 1962, if gross receipts are more than ₹1,50,000 for —
(A) All preceding 5 years
(B) Any of the preceding 5 years
(C) All preceding 3 years
(D) Any of the preceding 3 years.

Ans. Option (C)

If gross receipts of the specified profession exceed Rs.1,50,000 in all the 3 years preceding the previous year then prescribed books are required to be maintained.

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7

25. If a block of assets ceases to exist on the last day of the previous year, depreciation admissible for the block of assets will be —
(A) Nil
(B) 50% of the value of the block of assets on the first day of the previous year
(C) The total value of the block of assets on the first day of the previous year
(D) 50% of the value of the block of assets on the last day of the previous year.

Ans. Option (A)

No deprecation if block cease to exist at any time during previous year. In such cases, short term capital gain/loss is calculated u/s 50 but there can not be any deprecation.

26. Under section 40A(3) which of the following payment for an expenditure incurred would not be admissible as deduction from business income —
(A) ₹15,000 paid in cash to a transporter
(B) ₹15,000 paid in cash to a dealer in the morning and ₹10,000 paid in cash to the same dealer in the evening
(C) ₹40,000 sent through NEFT to the bank account of the dealer for goods purchased
(D) ₹19,000 paid through bearer cheque to the dealer for goods purchased.

Ans. Option (B)

Where the assessee incurs any expenditure in respect of which a payment or aggregate of payments made to a person in a day, otherwise than by an account payee cheque drawn on a bank or account payee bank draft, exceeds **Rs.20,000**, no deduction shall be allowed in respect of such expenditure ***[Section 40A(3)].***
Also refer Rule 6DD.

27. If an individual, having a sales turnover of ₹60 lakh files his return of income for the assessment year 2015-16 after the due date, showing unabsorbed business loss of ₹23,000 and unabsorbed depreciation of ₹45,000, he can carry forward to the subsequent assessment years —
(A) Both unabsorbed business loss of ₹23,000 and unabsorbed depreciation of ₹45,000
(B) Only unabsorbed business loss of ₹23,000
(C) Only unabsorbed depreciation of ₹45,000
(D) Neither unabsorbed business loss of ₹23,000 nor unabsorbed depreciation of ₹45,000.

Ans. Option (C)

- Rs.60 lakh has no role in this question.
- Section 80 read with section 139(3)….PGBP loss can be c/f only income tax return is filed with due date. However, this restriction does not apply on deprecation.

8

6:

28. Sameer sold goods worth ₹50,000 at credit on 1st April, 2011. However, he has written off ₹10,000 of it as bad debts and claimed deduction for the same during the year 2013-14. On 4th April, 2014, the defaulting debtor made payment of ₹45,000. The taxable amount of bad debts recovered for the year 2014-15 would be —
(A) ₹5,000
(B) ₹50,000
(C) ₹45,000
(D) ₹10,000.

Ans. Option (A)

Out of Rs.50,000, Rs.10,000 was allowed as bad debts. When Rs.45,000 is recovered, 40,000 shall be considered as payment received from debtors & Rs.5,000 shall be considered recovery towards bad debts...refer section 41(4)

29. Under the Income-tax Act,1961, which of the following outlays incurred by Sun Ltd. during the previous year ended 31st March, 2015 will not be admissible as deduction while computing its business income —
(A) Contribution to a political party in cash
(B) Interest on loan taken for payment of income-tax
(C) Capital expenditure on advertisement
(D) All of the above.

Ans. Option (D)

30. Which of the following business commenced during August, 2014 will not be eligible for deduction under section 35AD —
(A) Setting-up and operating a cold chain facility
(B) A production unit of fertilizer in India
(C) Operating of a 1 star hotel in a village
(D) Building a hospital of 200 beds.

Ans. Option (C)

Deduction u/s 35AD is available for hotel of 2 star or more

31. Provisions of section 115JC are not at all applicable to —
(A) LLPs
(B) Companies
(C) Partnership firms
(D) Individuals.

Ans. Option (B)

Section 115JC is AMT….for companies section 115JB MAT is applicable

32. Paresh, a software engineer at ABC Ltd. left India on 10th August, 2014 for the treatment of his wife. For income-tax purpose, his residential status for the assessment year 2015-16 will be —
(A) Resident
(B) Non-resident
(C) Not ordinarily resident
(D) Cannot be determined from the given information.

Ans. Option (D)

Question is not providing complete information to determine residential status of Paresh.

33. A non-professional firm M/s Bright has book profits of ₹9,36,000. The admissible remuneration to working partners for income-tax purpose shall be —
(A) ₹6,51,600
(B) ₹6,81,600
(C) ₹2,70,000
(D) None of the above.

Ans. Option (A)

First 3L @ 90% = 2,70,000

Balance 6,36,000 @ 60% = 3,81,600

Total = 6,51,600

34. MAT credit in respect of excess taxes paid under section 115JB can be carried forward for —
(A) 7 Assessment years
(B) 10 Financial years
(C) 10 Assessment years
(D) 7 Financial years.

Ans. Option (C)

MAT credit shall not be allowed to be c/f beyond the tenth assessment year immediately succeeding the assessment year in which tax credit becomes allowable...section 115JAA

35. Provisions of section 44AD for computation of presumptive income are not applicable to —
(A) Limited liability partnership
(B) Partnership firm
(C) Resident Hindu Undivided Family
(D) Resident individual.

Ans. Option (A)

For section 44AD eligible assessee means…
an individual, Hindu undivided family or a partnership firm, who is a resident, but not a limited liability partnership firm

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324

36. A partnership firm whose sales turnover is ₹90 lakh has derived income from an industrial undertaking entitled to deduction under section 80-IB. The due date for filing the return of income for the assessment year 2015-16 will be —
(A) 31st July, 2015
(B) 30th September, 2015
(C) 31st October, 2015
(D) None of the above.

Ans. Option (B)

To claim deduction u/s 80-IB audit is must & every person whore accounts are required to be audited, due date is 30th September of AY.

Please refer section 80IA & 139(1)

37. An individual having income from proprietary business is required to file the return of income in —
(A) ITR-2
(B) ITR-3
(C) ITR-3A
(D) ITR-4.

Ans. Option (D)

38. Which of the following additional incomes will not be treated as agricultural income under the Income-tax Act,1961 —
(A) Additional income from selling ginned cotton as compared to unginned cotton
(B) Additional income from selling dried-up coffee as compared to raw coffee
(C) Additional income from selling cured tobacco as compared to green tobacco leaves
(D) Additional income from selling dried-up tea leaves as compared to raw tea leaves.

Ans. Option (A)

Please refer ICSI study module chapter 3 on agriculture income

39. In terms of section 2(42A), listed securities are treated as long-term capital asset, if they are held for a period of more than —
(A) 12 Months
(B) 36 Months
(C) 24 Months
(D) 48 Months.

P.T.O.

Ans. Option (A)

Amendment was made by Finace(2) Act, 2014 in relation to unlisted securities & mutual funds (for which more than 36 months are applicable now). Listed securities are LTCA after 12 months.

40. Yash owns a house built on land area of 420 sq. meters. The value of the house is ₹35,00,000. Under the Wealth-tax Act, 1957, assuming that it is an 'asset' as per section 2(ea), the house would be —
(A) Exempt under section 5 (1)(i)
(B) Exempt under section 5 (1)(iii)
(C) Exempt under section 5 (1)(iv)
(D) Exempt under section 5(vi).

Ans. Option (D)

41. Vaibhav, deriving business income, owns a car whose WDV as on 1st April, 2013 was ₹3,00,000. This is the only asset in the block of assets with rate of 15%. It is estimated that one-third of the total usage of the car is for personal use in both years. The WDV of the block of assets as on 31st March, 2015 would be —
(A) ₹2,16,750
(B) ₹2,43,000
(C) ₹2,55,000
(D) None of the above.

Ans. Option (B)

WDV on 1.4.13		3,00,000
Depreciation allowed @ 15%	45,000	
Less: disallowed u/s 38(2) 1/3	15,000	30,000
WDV on 1.4.14		2,70,000
Depreciation allowed @ 15%	40,500	
Less: disallowed u/s 38(2) 1/3	13,500	27,000
WDV on 31.3.15 after dep		2,43,000

Note: Where any building, machinery, plant or furniture is not exclusively used for the purposes of the business or profession, then the deduction under section 32 shall be restricted to a fair proportionate part thereof which the Assessing Officer may determine having regard to the use of such building, machinery, plant or furniture for the purposes of business or profession [section 38(2)].

42. For claiming exemption under section 54G, an assessee has to invest the resultant capital gains within a specified period. Which of the following is not eligible for such investment —
(A) Furniture
(B) Land
(C) Building
(D) Plant or machinery.

Ans. Option (A)

Us 54G exemption is allowed if such capital gain is invested for the specified purpose

Specified Purpose includes the following:

1. for purchase of new machinery or plant for the purpose of business of the Industrial Undertaking in such other area,
2. acquisition of building or land or construction of building for tax payer's business in such other area
3. expenses on shifting of the old undertaking and its establishment to the other area, or iv. incurring of expenditure on such other purposes as specified by the Central Government for this purpose.

43. Long-term capital gains on zero coupon bonds are chargeable to tax —
(A) @ 20% computed after indexation of such bonds
(B) @ 10% computed without indexation of such bonds
(C) Higher of (A) or (B)
(D) Lower of (A) or (B).

Ans. Option (B)

In case of listed shares & debentures tax rate is 20% after indexation or 10% without indexation, whichever is lower. However, in case of Bonds & debenture, indexation is not allowed. So tax rate is 10% without indexation

44. Section 50C makes special provision for determining the full value of consideration in cases of transfer of —
(A) Plant and machinery
(B) Land or building
(C) All movable property other than plant & machinery and computers
(D) Computers.

Ans. Option (B)

Section 50C(1) reads as "*Where the consideration received or accruing as a result of the transfer by an assessee of a capital asset, being land or building or both……*"

45. Which of the following income will be taxable as income from other sources —
(A) Purchase of house from husband for inadequate consideration
(B) Purchase of painting from registered dealer at invoice value less than fair market value
(C) Cash gift from a non-resident friend on marriage anniversary
(D) All of the above.

Ans. Option (C)

A is not taxable at all

B can be taxable with assumption

C is taxable for sure

So option C is best possible option here

46. Hemant holds 100 shares of Gold Ltd., a domestic company. He has been paid dividend of ₹10,000 during the year 2014-15. Dividend distribution tax payable under section 115-O will be —
(A) ₹1,765, payable by Gold Ltd.
(B) ₹1,765, payable by Hemant
(C) ₹1,545, payable by Gold Ltd.
(D) ₹1,000, payable by Hemant.

Ans. Option (A)

From AY 2015-16, CDT is 15% of dividend paid + CDT. So, if we have to calculate CDT it will be calculated as follows

CDT = Dividend paid * (15/85)

Here, CDT shall be 10000*(15/85) = 1765

Surcharge, EC & SHEC are also applicable but in given options these are ignored...so options A & B can be considered here.

Further, CDT is payable by company & dividend is exempt in the hands of shareholder….so final answer is option A.

47. During the year 2014-15, Basu won ₹4,00,000 from a motor car rally out of which he deposited ₹1,50,000 in his PPF account. He does not have any other income. Net tax payable by Basu for assessment year 2015-16 will be —
(A) ₹1,23,600
(B) ₹15,450
(C) Nil
(D) None of the above.

Ans. Option (C)

Winnings from motor car rally are a return for skill & endurance. It is taxable as business income….Supreme Court

Total income = 4L - 1.5L = 2.5L

Tax = Nil

48. Loss from the activity of owning and maintaining race horses could be set-off —
(A) Against income under any of the five heads of income
(B) Only against income under the head 'income from other sources'
(C) Only against income under the head 'profits and gains of business or profession'
(D) Only against income from same activity.

Ans. Option (D)

Loss from activity of owning and maintaining race horses can be set off with income from same activity only...refer section 74A(3)

49. An HUF, not subject to tax audit in the earlier year, paying fees of ₹35,000 to a Practising Company Secretary shall —
(A) Not deduct TDS
(B) Deduct TDS @ 10%
(C) Deduct TDS @ 20%
(D) Deduct TDS @ 10.3%.

Ans. Option (A)

Section 194J...Individuals & HUF payer will deduct tax only if their sales or gross receipts of last financial year had exceed limit specified for tax audit

50. John, engaged in fertiliser trade, received rent by sub-letting a building. This will be taxable under the head —
(A) Income from house property
(B) Income from capital gains
(C) Income from profits and gains of business and profession
(D) Income from other sources.

Ans. Option (D)

Subletting of house not covered under HP. Rent by sub-letting can taxable as PGBP or IFOS.
As John is running fertilizer business, rent from sub-letting is taxable under the head IFOS.

51. Under section 115E, the tax rate applicable for long-term capital gains referred to therein, for a resident as envisaged by section 115C, is —
(A) 5%
(B) 10%
(C) 15%
(D) 20%.

Ans. Option (B)

Section 115C to 115I is applicable to Non Resident Indians. An Individual can also take benefit of such section even after becoming resident. Here LTCG is taxable @ 10%

52. The time-limit for revision by Commissioner of Income-tax (CIT) under section 264 is —
(A) 3 Months
(B) 6 Months
(C) One year
(D) Two years.

Ans. Option (C)

53. As per transfer pricing provisions, an advance pricing agreement (APA) is valid for —
(A) Such period as specified in the APA, but not exceeding 3 consecutive years
(B) Such period as specified in the APA, but not exceeding 5 consecutive years
(C) 2 Years
(D) None of the above.

Ans. Option (B)

Section 92CC….The agreement shall be valid for a maximum period of five consecutive previous years.

54. Under the Wealth-tax Act, 1957, clubbing provisions relating to wealth-tax are contained in —
(A) Section 3
(B) Section 4
(C) Section 5
(D) Section 6.

Ans. Option (B)

55. Rules for valuation of assets under the Wealth-tax Act, 1957 are stated in —
(A) Schedule II to the Act
(B) Schedule III to the Act
(C) Wealth-tax Rules
(D) None of the above.

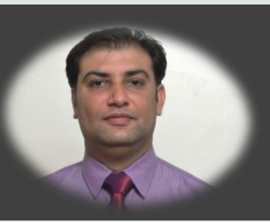
Ans. Option (B)

Schedule III is a part of Wealth Tax Act itself.

56. In order to be entitled to concessional rate of tax for dividend received from a foreign company, the Indian company should have the following minimum shareholding in such foreign company —
(A) 10%
(B) 25%
(C) 26%
(D) 51%.

Ans. Option (C)

Please refer section 115BBD for detail.



15

57. Which of the following assessee is not liable to pay advance tax under section 207 during the financial year 2014 - 15 —

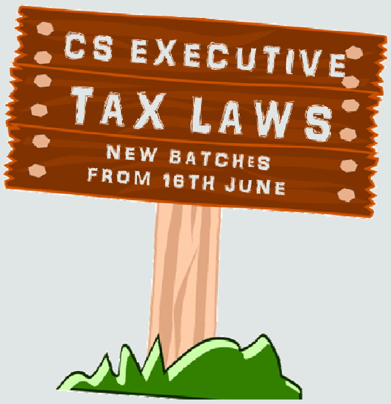
(A) A senior citizen having income chargeable under the head 'profits and gains of business or profession'

(B) A senior citizen not having income chargeable under the head 'profits and gains of business or profession'

(C) A super senior citizen having income chargeable under the head 'profits and gains of business or profession'

(D) A resident individual not being senior citizen having income chargeable under the head 'profits and gains of business or profession'.

Ans. Option (B)



58. The total income of Atul, a resident individual, is ₹2,65,000. The rebate allowable under section 87A would be —

(A) ₹2,000

(B) Nil

(C) ₹1,500

(D) ₹1,545.

Ans. Option (C)

Rebate u/s 87A = Income tax without EC & SHEC or Rs.2,000 whichever is less

59. Under the Income-tax Act, 1961, LLP is chargeable to tax @ —

(A) 30% plus cess and SHEC or AMT @ 18.5% plus cess and SHEC

(B) 30% plus cess and SHEC or AMT @ 18.5%

(C) 30% plus cess and SHEC or MAT @ 18.5% plus cess and SHEC

(D) 30% plus cess and SHEC or MAT @ 18.5%.

/2015/TLP

Ans. Option (A)

On LLP AMT is applicable & not MAT. Further, special rate of 18.5% replaces 30% only. So EC & SHEC are applicable on 30% as well as on 18.5%

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60. The year in which the income is earned is known as —
    (A) Previous year
    (B) Financial year
    (C) Both (A) and (B)
    (D) None of the above.

Ans. Option (A)

61. For the previous year 2014 - 15, taxable income of A Ltd., a domestic company is ₹10,86,920. Its tax liability would be —
    (A) ₹2,47,822
    (B) ₹4,47,811
    (C) ₹3,32,770
    (D) ₹3,35,860.

Ans. Option (D)

Whole income is taxable @ 30% as increased by EC & SHEC

62. Which of the following is not a requisite for charging income-tax on capital gains —
    (A) The transfer must have been effected in the relevant assessment year
    (B) There must be a gain arising on transfer of capital asset
    (C) Capital gains should not be exempt under section 54
    (D) Capital gains should not be exempt under section 54EC.

Ans. Option (A)

Any profits or gains arising from the transfer of a capital asset, effected in the previous year shall be chargeable to income tax under the head 'capital gains'.

However, in following cases capital gain may not be taxable during the year of transfer:

- Conversion of capital asset into stock-in-trade [Section 45(2)].
- Insurance claim received due to damage or destruction of a capital asset due to certain calamities [Section 45(1A)].
- Compensation received on account of compulsory acquisition under any law [Section 45(5)].

63. In order to enjoy exemption under section 54EC, the resultant long-term capital gains should be invested in specified bonds within a period of ________ from the date of transfer.
    (A) 36 Months
    (B) 4 Months
    (C) 6 Months
    (D) 12 Months.

Ans. Option (C)

Section 54EC reads as follows…"Where the capital gain arises from the transfer of a long-term capital asset (original asset) and the assessee has, at any time within a period of six months after the date of such transfer, invested the whole or any part of capital gains in the long-term specified asset……"

64. Which of the following is not correct about the approved superannuation fund —
(A) Employees' contribution qualifies for deduction under section 80C
(B) Any amount contributed by the employer is exempt from tax
(C) Interest on accumulated balance is exempt from income-tax
(D) Under some circumstances, payments from the fund are chargeable to income-tax.

Ans. Option (B)

Employer's contribution superannuation fund is taxable in the hands of employee in excess of Rs.1,00,000

65. Ashraf is an employee of Moon Public School. His daughter, Zara, is studying in the said school at a concessional fees of ₹600 per month (Actual fee : ₹4,000 per month). The amount taxable in the hands of Ashraf will be —
(A) ₹48,000
(B) ₹7,200
(C) Nil
(D) ₹40,800.

Ans. Option (D)

Educational facility to the children of the employee in an educational institute owned/maintained by the employer if cost of such education or value of such benefit does not exceed Rs.1,000/- per month per child.
P&H (HC) says...no exemption if value exceeds Rs.1,000 where as ITAT (Delhi) says...exemption of Rs.1,000 is allowed even if value exceeds Rs.1,000.

Here, HC decision is followed & 4,000 pm is fully taxable (deduction is allowed for amount paid by Ashraf of Rs.600 pm)...taxable value of perk is 48,000 - 7,200 = 40,800

Note: if u follow ITAT decision, taxable amount shall be 28,800 for which no option is given

66. Ashok took an interest-free loan of ₹15,000 from B Ltd. (the employer). Assuming that the market rate of interest on similar loan is 10%, the taxable value of the perquisite in the hands of Ashok will be —
(A) ₹150
(B) ₹1,500
(C) Nil
(D) None of the above.

Ans. Option (C)

Interest saving is not taxable if loan amount does not exceed Rs.20,000

67. During the previous year 2014-15, Barun received a watch worth ₹20,000 from his employer. The taxable value of the watch will be —
(A) ₹15,000
(B) ₹20,000
(C) Nil
(D) None of the above.

Ans. Option (A)

Gifts in kind received from employer are taxable as salary.
Exemption limit on gift in kind is Rs.5,000
CBDT says….value in excess of Rs.5,000 is taxable….So out of Rs.20,000, Rs.5,000 is exempt

324

68. Shyam transferred 2,000 shares of X Ltd. to Ms. Babita without any consideration. Later, Shyam and Ms. Babita got married to each other. The dividend income from the shares transferred would be —
(A) Taxable in the hands of Shyam both before and after marriage
(B) Taxable in the hands of Shyam before marriage but not after marriage
(C) Taxable in the hands of Shyam after marriage but not before marriage
(D) Never taxable in the hands of Shyam.

Ans. Option (D)

Clubbing is applicable if relation of husband & wife exist at the time of transfer of asset as well as at the time of accrual of income. As gift was made before marriage, clubbing is not possible.

Any income from such shares shall only be taxable in the hands of Babita only (moreover, dividend is exempt).

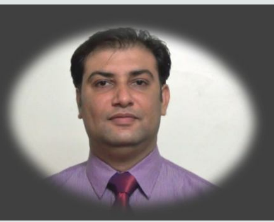
69. Arjun has a salary income of ₹4,60,000. He also received an interest of ₹18,000 on his fixed deposit (after deducting TDS @ 10%) and ₹2,000 on his savings account with SBI. He deposited ₹50,000 in PPF account. The net income-tax liability of Arjun for the assessment year 2015-16 is —
(A) ₹16,480
(B) ₹15,330
(C) ₹16,270
(D) None of the above.

Ans. Option (A)

Salary	4,60,000
FD interest income [Gross Interest = 18000*100/90]	20,000
Saving a/c interest	2,000
GTI	4,82,000
Less: deduction u/s 80C	50,000
Less: deduction 80TTA	2,000
Total income	4,30,000
Tax	18,000
Less: rebate 87A	2,000
Net	16,000
EC & SHEC @ 3%	480
Tax payable	16,480

70. Deduction under section 80CCG is available to an eligible resident individual whose gross total income does not exceed —
(A) ₹10,00,000
(B) ₹12,00,000
(C) ₹5,00,000
(D) No such limit.

Ans. Option (B)



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71. Rounding-off of service tax should be done to the nearest —
(A) Rupee
(B) Ten rupees
(C) Hundred rupees
(D) Fifty rupees.

Ans. Option (A)

72. The Superintendent of central excise is bound to grant a certificate of service tax registration within —
(A) 3 Days from the date of receipt of the application
(B) 7 Days from the date of receipt of the application
(C) 10 Days from the date of receipt of the application
(D) One month from the date of receipt of the application.

Ans. Option (B)

73. A small scale service provider shall make an application for service tax registration when the aggregate value of taxable services provided in a financial year exceeds —
(A) Seven lakh rupees
(B) Eight lakh rupees
(C) Nine lakh rupees
(D) Ten lakh rupees.

Ans. Option (C)

Service tax exemption limit is Rs.10,00,000. However, for making an application for registration, limit is Rs.9,00,000
[CBEC notification]

74. Which of the following service is not notified as continuous supply of service —
(A) Telecommunication service
(B) Commercial or industrial construction service
(C) Construction of residential complex
(D) Aircraft carrier service.

Ans. Option (D)

POT rule 3 deals with this situation & Notification issued by CG in this behalf

75. If Prem has paid ₹15 lakh as service tax in the year 2013-14, the due date for the payment of service tax for the quarter ended 31st March, 2015 will be —

(A) 31st March, 2015

(B) 5th April, 2015

(C) 6th April, 2015

(D) None of the above.

Ans. Option (A)

For month / quarter ending 31st March, due date for the payment of service tax is 31st March

76. Access Ltd. was required to pay service tax by 5th October, 2014, but made the payment on 1st April, 2015. The company paid service tax of ₹32 lakh in the financial year 2013-14. Interest on delayed payment would be calculated @ —

(A) 18% per annum

(B) 15% per annum

(C) 24% per annum

(D) Any rate not below 10% and not exceeding 16% per annum.

Ans. Option (A)

Section 75...Every person, liable to pay the tax, who fails to credit the tax to the account of the Central Government within the period prescribed, shall pay simple interest at such rate not below ten per cent and not exceeding thirty-six per cent per annum, as is for the time being fixed by the Central Government *(current rate is 18%)* for the period by which such crediting of the tax or any part thereof is delayed.

Provided that in the case of a service provider, whose value of taxable services provided in a financial year does not exceed sixty lakh rupees during any of the financial years covered by the notice or during the last preceding financial year, as the case may be, such rate of interest, shall be reduced by three per cent per annum.

Here, exemption of 3% is not available...rate is 18%

77. There was a delay of 22 days in the filing of service tax return by a partnership firm. The penalty or late fee payable for such delayed filing is —

(A) ₹500

(B) ₹20 per day

(C) ₹1,000

(D) ₹2,000.

Ans. Option (C)

Period of Delay from prescribed date for furnished returns	Amount of Penalty
15 days	**Rs.500**
Beyond 15 Days and within 30 Days	**Rs.1,000**
Beyond 30 days	**Rs.1000** + **Rs.100** for every day from 31st Day, Or **Rs.20,000** whichever is **Lower**

78. There was a delay of 10 days in payment of service tax of ₹5 lakh by Vijay, an assessee. The penalty payable for delayed payment is —
(A) ₹1,613
(B) ₹1,000
(C) ₹3,226
(D) None of the above.

Ans. Option (A)

Section 76

Penalty shall be higher of followings

(a) Rs.100 per day for 10 days = 1,000

(b) 1% per month on 5,00,000 for 10 days = 1,613

Assuming month = 31 days

79. Any person who is liable to pay service tax or required to take registration, fails to take registration shall be liable to pay a penalty which may extend to —
(A) ₹1,00,000
(B) ₹50,000
(C) ₹20,000
(D) ₹10,000.

Ans. Option (D)

Section 77(1)(a)

Any person who is liable to pay service tax or required to take registration, fails to take registration in accordance with the provisions of section 69 or rules made under this Chapter shall be liable to a penalty which may extend to ten thousand rupees.

80. An application for service tax registration should be submitted in —
(A) Form ST-1
(B) Form ST-2
(C) Form ST-3
(D) Form ST-4.

Ans. Option (A)

81. The application for registration shall be made within a period of ________ of commencement of business/service by an input service provider —
(A) 20 Days
(B) 30 Days
(C) 90 Days
(D) None of the above.

Ans. Option (B)

82. The gross amount charged by a service provider on 12th February, 2015 for rendering taxable service is ₹1,57,304. The value of taxable services would be —
    (A) ₹1,57,304
    (B) ₹1,57,000
    (C) ₹1,40,000
    (D) None of the above.

Ans. Option (A)

Section 67(1)...in a case where the provision of service is for a consideration in money, value of services shall be the gross amount charged by the service provider for such service provided or to be provided by him.

83. India follows which approach for levying service tax at present —
    (A) Selective approach
    (B) Comprehensive approach
    (C) Hybrid approach
    (D) As per the directions of Central Board of Excise & Customs (CBEC)

Ans. Option (B)

In 2012 CG have adopted comprehensive approach making all service taxable except those covered under negative list & mega exemption list.

84. Which of the following is not eligible for input tax credit —
    (A) Purchases made in the course of inter-State trade
    (B) Purchases for zero rated intra-State sales
    (C) Purchases for intra-State trade
    (D) Purchases for execution of intra-State works contract.

Ans. Option (A)

On inter state trade...CST is payable which is not allowed as input tax credit

85. Under _____ method of VAT levy in India, the rate of tax is applied to the difference between the value of output and the cost of input —
    (A) Invoice
    (B) Addition
    (C) Subtraction
    (D) Tax credit.

Ans. Option (C)

Subtraction Method

Step 1: Compute the value added at each stage of the sale of goods. "Value Added" is taken as the difference between sales (i.e.; value of output) and purchases (i.e.: cost of input)

Step 2: Apply the rate of tax on the amount calculated in Step 1.

86. Under VAT levy, in respect of local purchases of business inputs, a dealer pays —

(A) Output tax

(B) Input tax

(C) Last point tax

(D) First point tax.

Ans. Option (B)

Input tax is paid on purchase while output tax is charged on sale & balance is called vat payable to govt.

87. Which of the following is true with regard to conducting VAT audit —

(A) Only Practising Company Secretaries can do VAT audit

(B) Only non-Practising Company Secretaries can do VAT audit

(C) Practising Company Secretaries can also do VAT audit

(D) Non-Practising Company Secretaries can also do VAT audit.

Ans. Option (C)

The Company Secretaries in Practice have been recognized to conduct VAT Audit by some states.

88. VAT is —

(A) First point tax

(B) Last point tax

(C) Single point tax

(D) Multi-point tax.

1

Ans. Option (D)

VAT is a multipoint tax.

89. Which of the following is not a rate of VAT as per the White Paper on VAT —

(A) 0%

(B) 4%

(C) 10%

(D) 20%.

1

Ans. Option (C)

90. Which of the following is a method of computation of VAT —
(A) Gross product method
(B) Income method
(C) Consumption method
(D) Tax credit method.

Ans. Option (D)

First 3 are different variants under VAT. Tax credit method is also known as invoice method of calculating VAT.

91. VAT was first introduced at international level in —
(A) India
(B) USA
(C) France
(D) UK.

Ans. Option (C)

VAT was first introduced in the year 1954 in France.

92. Ms. Vivitha, a registered dealer in Tamil Nadu, bought 10 units of raw material-A from another registered dealer in the same State for a sum of ₹73,500 inclusive of 5% VAT. She sold the same to a consumer in Tamil Nadu at a profit of 30% on selling price. Net VAT liability payable to the State Government is —
(A) ₹1,000
(B) ₹2,050
(C) ₹4,550
(D) None of the above.

Ans. Option (D)

Purchase excluding VAT	70,000
Add: profit 30% on sale	30,000
Sale price	1,00,000
Output VAT @ 5%	5,000
Input VAT	3,500
VAT payable	1,500

93. The correctness of self-assessment under VAT is checked through a system of —
(A) Departmental audit
(B) Internal audit
(C) Secretarial audit
(D) Statutory audit.

Ans. Option (A)

Correctness of self-assessment is checked through a system of Departmental Audit.

25

: 15

94. Declared Services are —
(A) Chargeable to service tax
(B) Not chargeable to service tax
(C) Exempt from service tax
(D) Mentioned under negative list of services.

Ans. Option (A)

Definition of service includes "declared services"...hence chargeable to service tax.

95. Negative list of services is contained in the Finance Act, 1994 under —
(A) Section 66B
(B) Section 66C
(C) Section 66D
(D) None of the above.

Ans. Option (C)

96. The main rule of the Place of Provision of Services Rules, 2012 is —
(A) Rule 4
(B) Rule 2
(C) Rule 3
(D) Rule 14.

Ans. Option (C)

Rule 2 is for definition, Rule 3 is general rule of POP, later are applicable in specific situations.

97. Services by the Reserve Bank of India are not chargeable to service tax because —
(A) They are covered in negative list
(B) They are covered in mega exemption notification
(C) Definition of 'service' excludes the same
(D) None of the above.

Ans. Option (A)

Services *by* RBI covered by negative list entry (b).

324

98. Services rendered to World Health Organisation (WHO) are not chargeable to service tax because —

(A) They are covered in negative list

(B) They are covered in mega exemption notification

(C) Definition of 'service' excludes the same

(D) None of the above.

Ans. Option (B)

Service to specified international organisation are covered under mega exemption list

99. For certain services under service tax, a specified percentage of discount allowed is known as —

(A) Rebate

(B) Abatement

(C) Exemption

(D) Deduction.

Ans. Option (B)

Under service tax it is called abatement.

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100. Which of the following services provided to an individual is not covered under mega exemption notification —

(A) Legal services provided by an individual as an advocate

(B) Services provided by an individual as a Company Secretary in practice

(C) Legal services provided by a partnership firm of advocates

(D) Services provided by an Arbitral Tribunal.

Ans. Option (B)

Services provided by a CS in practice are covered under service tax

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