

Roll No.....

Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 8

Total number of printed pages : 7

### P A R T – A

*(Answer Question No.1 which is compulsory and any three of the rest from this part.)*

1. (a) A firm of Company Secretaries consisting of 3 partners earned a net surplus of Rs.2,08,000 during the accounting year ended 31<sup>st</sup> March, 2006 after charging interest on capitals amounting to Rs.36,000 calculated @ 18% per annum on the capitals of partners but before charging remuneration to partners. You are required to calculate the taxable income of the firm and tax thereon after allowing the maximum allowable remuneration to partners under the provisions of the Income-tax Act, 1961.

*(3 marks)*

- (b) Compute the value of perquisites in respect of rent-free furnished house, if Ashok stays in a city with a population of (i) more than 4 lakh; (ii) less than 4 lakh. Ashok is in receipt of the following amounts from his employer during the previous year ended 31<sup>st</sup> March, 2006 – Basic pay : Rs.1,80,000; Dearness allowance : 25% of basic pay; Commission : 5% of basic pay; and Bonus : Rs.8,000. His employer has paid income-tax of Rs.5,000 and professional tax of Rs.1,500 on his behalf. Besides, his employer provided refrigerator and television costing Rs.24,000 and paid Rs.500 per month towards rent of other furniture provided.

*(3 marks)*

- (c) Explain briefly the provisions relating to time limit for completion of assessment or re-assessment under section 153 of the Income-tax Act, 1961.

*(3 marks)*

- (d) Discuss in brief the special provisions for computing profits and gains of retail business under section 44AF of the Income-tax Act, 1961.

(3 marks)

- (e) Bimal is one of the founder members of a charitable trust. The trust gives a loan of Rs.10 lakh to Mrs. Bimal @ 6% per annum. State whether exemption is available to the trust under section 11 of the Income-tax Act, 1961.

(3 marks)

2. (a) A perusal of Rammohan's bank account revealed the following deposits during the financial year 2005-06 :

- (i) Gift from his friend on 8<sup>th</sup> December, 2005 on his birthday : Rs.12,000.
- (ii) Dividends from shares of various Indian companies : Rs.13,200.
- (iii) Gift from his fiancée on 5<sup>th</sup> February, 2006 : Rs.85,000.
- (iv) Gift from his mother's friend on 7<sup>th</sup> July, 2005 on his engagement : Rs.28,000.
- (v) Gift from his sister in Netherlands on 29<sup>th</sup> September, 2005 : Rs.2,20,000.
- (vi) Interest on bank deposits : Rs.30,000.

Compute his total income for the assessment year 2006-07 assuming that his income from house property (computed) is Rs.72,000.

(5 marks)

- (b) Explain in brief the meaning of the term 'assets' under section 2(ea) of the Wealth-tax Act, 1957.

(5 marks)

- (c) What do you understand by 'wilful attempt to evade tax' ? Mention the consequences of a wilful attempt to evade tax, etc., under section 276C of the Income-tax Act, 1961.

(5 marks)

3. (a) The written down value of the block of assets of Rosy Ltd. as on 1<sup>st</sup> April, 2005 was Rs.5 lakh. An asset of the same block was acquired on 11<sup>th</sup> May, 2005 for Rs.3 lakh. There was a fire on 18<sup>th</sup> September, 2005 and the assets were destroyed by fire and the assessee received a sum of Rs.11 lakh from the insurance company. Compute the capital gain assuming –

(i) All the assets were destroyed by fire; and

(ii) Part of the block of assets was destroyed by fire.

What will be the answer if assessee received Rs.6 lakh from insurance company instead of Rs.11 lakh ?

(8 marks)

- (b) Ronnie, a person with disability, submits the following information :

|                                            | Rs.      |
|--------------------------------------------|----------|
| Salary (per annum)                         | 1,80,000 |
| Rent received (per month)                  | 3,500    |
| Dividend from co-operative society         | 1,000    |
| Interest on bank deposits                  | 8,000    |
| Interest on government securities          | 1,000    |
| Winnings from lotteries ( <i>gross</i> )   | 4,000    |
| NSC (VIII Issue) purchased during the year | 10,000   |
| Deposit under PPF Scheme                   | 30,000   |

He earned a long-term capital gain of Rs.12,000 on sale of gold during the year.

Compute (i) taxable income; and (ii) tax payable by Ronnie for the assessment year 2006-07.

*(7 marks)*

4. (a) Zahir owns a house property which is situated at Pune. While annual value of the property as per the municipal records is Rs.1,20,000, rent received from the tenant is Rs.1,05,000. Municipal taxes are paid partly by Zahir Rs.3,000, and partly paid by the tenant Rs.5,250. Repair expenses, however, are borne by the tenant Rs.3,900. The tenant has deposited Rs.75,000 with Zahir as refundable security. It does not carry any interest. The difference between 'unbuilt area' and 'specified area' does not exceed 5%. Determine the value of the property on 31<sup>st</sup> March, 2006, being the valuation date for the assessment year 2006-07, on the assumption that the house is built on free-hold land. The property was acquired on 10<sup>th</sup> May, 1988 for Rs.18,75,000.

*(5 marks)*

- (b) What do you mean by 're-assessment' ? State the provisions under the Income-tax Act, 1961 relating to re-assessment.

*(5 marks)*

- (c) Who and at what stage can apply for settlement of a case ? Discuss the procedure adopted by the Settlement Commission for disposing off the application received for settlement.

*(5 marks)*

5. (a) What do you understand by 'advance payment of tax' under the Income-tax Act, 1961 ? When does liability to pay advance tax arise ? When such a tax is to be paid and how is it calculated ?

*(7 marks)*

- (b) Haryana Co-operative Society was constituted on 31<sup>st</sup> July, 1957. The society derived the following incomes during the previous year ended on 31<sup>st</sup> March, 2006 :

|                                                                          | Rs.    |
|--------------------------------------------------------------------------|--------|
| Income from letting of godowns                                           | 50,000 |
| Dividends from other co-operative societies                              | 10,000 |
| Agency business                                                          | 56,000 |
| Processing of agriculture produce of its members                         | 60,000 |
| Interest from members on delayed payment of the price of goods purchased | 10,000 |
| Income from house property                                               | 35,000 |

Compute the total income of Haryana Co-operative Society for the assessment year 2006-07. Note that the society is processing the agricultural produce without the aid of power.

(8 marks)

#### P A R T – B

(Answer ANY TWO questions from this part.)

6. (a) Discuss the concept of 'manufacture' and 'produce' for the purposes of levy of central excise duty.
- (b) State the documents which shall be attached along with the application for obtaining the grant of entry-outwards for departure of a vessel under the customs law.

(8 marks)

(6 marks)

- (c) Under what circumstances the despatch of goods from one State to another does not amount to inter-State sale for the purpose of levying of central sales tax ? Discuss.

(6 marks)

7. (a) Define 'retail sale price' with reference to the provisions of section 4A of the Central Excise Act, 1944 and explain the rules relating to valuation of excisable goods with reference to retail sale price.

(8 marks)

- (b) Briefly examine the nature and significance of the levy of following duties under the Customs Tariff Act, 1975 :

- (i) Countervailing duty; and
- (ii) Anti-dumping duty.

(3 marks each)

- (c) (i) Can the registration certificate once granted, be amended and, if so, under what circumstances ? Explain the proposition with reference to the Central Sales Tax Act, 1956.

(3 marks)

- (ii) Explain the provisions relating to *suo motu* cancellation of registration certificate under the Central Sales Tax Act, 1956.

(3 marks)

8. (a) What are the provisions regarding duty drawback allowable on re-export of goods under the Customs Act, 1962 ?

(8 marks)

- (b) Geeta Ltd. supplies raw material to a job worker Seeta Ltd. After completing the job work, the finished product of 5,000 packets are returned to Geeta Ltd.,

: 7 :

putting the retail sale price as Rs.20 on each packet. The product in the packet is covered under MRP provisions and 40% abatement is available on it. Determine the assessable value under the central excise law from the following details :

|                                                                         | <i>Rs.</i> |
|-------------------------------------------------------------------------|------------|
| Cost of raw material supplied                                           | 30,000     |
| Job worker's charges including profit                                   | 10,000     |
| Transportation charges for sending the raw material to the job worker   | 3,000      |
| Transportation charges for returning the finished packets to Geeta Ltd. | 3,000      |

(6 marks)

- (c) Briefly explain the following with reference to the provisions of the Central Sales Tax Act, 1956 :

- (i) Appropriate State;
- (ii) Business; and
- (iii) Sale.

(2 marks each)

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