

Roll No.....

Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 8

Total number of printed pages : 9

NOTE : All references to sections mentioned in Part-A of the Question Paper relate to the Income-tax Act, 1961 and the relevant Assessment Year 2008-09 unless stated otherwise.

PART—A

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

1. (a) Choose the most appropriate answer from the given options in respect of the following :
 - (i) Which of the following is not an example of capital receipt —
 - (a) Money received on issue of shares
 - (b) Money received on sale of land
 - (c) Money received on sale of goods
 - (d) None of the above.
 - (ii) Maximum qualifying limit for deduction under section 80C is —
 - (a) Rs.50,000
 - (b) Rs.1,00,000
 - (c) Rs.1,10,000
 - (d) Rs.1,50,000.
 - (iii) In certain cases, income of other person is included in the income of assessee. It is called —
 - (a) Clubbing of income
 - (b) Increase in income
 - (c) Addition to income
 - (d) Set-off of income.
 - (iv) Remuneration for rendering services on a foreign ship is exempt in the case of —
 - (a) A resident
 - (b) A non-resident who is not a citizen of India
 - (c) Not ordinarily resident
 - (d) A citizen of India.

- (v) Which of the following is not an asset under section 2(ea) of the Wealth-tax Act, 1957 —
- Motor car
 - Boats and aircrafts
 - Guest house
 - Cash at bank.
- (vi) Any rent or revenue derived from land may be treated as agricultural income if —
- It is derived from land
 - The land is situated in India
 - The land is used for agricultural purpose
 - All the above conditions are satisfied.
- (vii) Which of the following is covered under section 80D of the Income-tax Act, 1961 —
- Repayment of loan taken for higher education
 - Medical treatment of handicapped dependent
 - Medical insurance premium
 - Reimbursement of medical expenses.
- (viii) The incidence of taxation depends on the —
- Residential status of the assessee
 - Accommodation of the assessee
 - Citizenship of the assessee
 - Marital status of the assessee.

(1 mark each)

- (b) Mrs. Vidya received the following amounts during the financial year 2007-08 :

	Rs.
Gross salary	6,00,000
Family pension @ Rs.1,500 p.m.	18,000
Income of a minor child	6,000
Accumulated balance in provident fund of her husband after his death	1,00,000
Gratuity received after the death of her husband	80,000

Calculate taxable income of Mrs. Vidya for the assessment year 2008-09.

(4 marks)

- (c) What is meant by 'pay-as-you-earn' scheme ?

(3 marks)

2. (a) Re-write the following sentences after filling-up the blank spaces with appropriate word(s)/figure(s) :

- (i) Profit and gains arising from the transfer of a capital asset are taxable as _____.
- (ii) Income accrued and received outside India is taxable in case of a _____.
- (iii) If an asset is put to use for less than 180 days in the previous year, the depreciation is charged at _____ of normal rate.
- (iv) Salary received by a Member of Parliament is taxable under the head _____.
- (v) Unabsorbed part of the loss from house property can be carried forward and set-off within the subsequent _____ years.
- (vi) Remuneration earned by a member of HUF for the services rendered by him is _____ income of the member.
- (vii) One house or part of house belonging to an individual is _____ under the Wealth-tax Act, 1957.

(1 mark each)

- (b) State, with reasons in brief, whether the following statements are correct or incorrect :

- (i) Sandeep, a trader, purchases standing crops and sells it after harvesting. His income will be treated as agricultural income.
- (ii) Suresh receives Rs.10 lakh from statutory provident fund on his retirement. This amount is taxable under the head income from salary.
- (iii) Sarita paid Rs.30,000 as interest @ 30% per annum on loan taken for the construction of a house. No deduction shall be allowed for payment of interest, as in the opinion of Assessing Officer, the rate of interest is very high.
- (iv) Ashok Exports Ltd. realised surplus of Rs.1,00,000 consequent to change in exchange rate of currency. This surplus is a revenue receipt.

(2 marks each)

3. (a) Attempt the following :

- (i) "Income-tax is a tax on income and not a tax on every item of money received." Explain this statement with reference to capital and revenue receipts.
- (ii) "Expenditure on scientific research is allowed as deduction even if contribution is made to other institutions for scientific research." Explain the statement.
- (iii) A person receives money from an insurer on account of damage to a capital asset resulting from accidental fire. Whether such money shall be taxable as capital gains ? Explain.

(3 marks each)

(b) Distinguish between **any two** of the following :

- (i) 'House rent allowance' and 'rent free house'.
- (ii) 'Cost of acquisition' and 'cost of improvement'.
- (iii) 'Fair rent' and 'annual rent'.

(3 marks each)

4. (a) Ram, who is 28 years of age, is a businessman in Delhi. On the basis of the following profit and loss account for the financial year 2007-08, compute his taxable income :

	Rs.		Rs.
Opening stock	20,700	Sales	15,00,000
Purchases	10,00,000	Closing stock	25,200
Household expenses	10,000		
Income-tax for the financial year 2007-08	30,000		
Interest on capital	8,400		
Depreciation on furniture	12,000		
Reserve for bad debts	1,200		
Salaries and wages	60,000		
Rent and rates	25,000		
Net profit	3,57,900		
	<u>15,25,200</u>		<u>15,25,200</u>

Other relevant particulars are as follows :

- (i) Opening stock and closing stock have consistently been valued at 10% below cost price.
- (ii) Household expenses include a contribution of Rs.1,500 towards public provident fund.
- (iii) Amount of depreciation on furniture as per income-tax provisions is Rs.10,000.

(6 marks)

(b) Write short notes on **any three** of the following :

- (i) The activities of a co-operative society which are eligible for deduction under section 80P.
- (ii) Essential conditions for claiming exemption under section 11 in the case of a charitable trust.
- (iii) Liability to pay fringe benefit tax.
- (iv) Banking cash transaction tax.

(3 marks each)

5. (a) Gulshan submits the following information relevant for the financial year 2007-08 :

	<i>Profit</i> (Rs.)	<i>Loss</i> (Rs.)
Salary income	8,00,000	—
Income from house property :		
House-A	25,000	—
House-B	—	30,000
Profits and gains of business or profession :		
Business-A	12,000	—
Business-B	—	20,000
Business-C (<i>Speculative</i>)	22,000	—
Business-D (<i>Speculative</i>)	—	35,000
Capital gains :		
Short term capital gains	10,000	—
Short term capital loss	—	30,000
Long-term capital gains on sale of building	16,000	—
Income from other sources :		
Loss on maintenance of race horses	—	15,000

Determine the net income of Gulshan for the assessment year 2008-09.

(7 marks)

- (b) Suresh is the owner of a house. The actual rent of this house is Rs.9,000 per month and municipal valuation of this house is Rs.7,500 per month. Other informations about the house are —

- Municipal taxes are Rs.10,000 out of which the tenant has paid Rs.6,000.
- Suresh has accepted a deposit of Rs.1,00,000 from the tenant on which Suresh has paid interest @ 6% per annum.
- The tenant is also liable for meeting the expenses on repairs of the house.
- The tenant has paid Rs.25,000 as premium for the house. The premium is non-refundable. The lease period of the house is 5 years.

Assuming that the house is built on free-hold land, determine the value of the house under the provisions of the Wealth-tax Act, 1957 for the assessment year 2008-09.

(8 marks)

6. (a) Nikhil, Gagan and Suman are partners in a firm with equal shares. The profit and loss account for the year ending 31st March, 2008 shows a net profit of Rs.42,300 after debiting the following items :
- (i) Salary of Rs.24,000 each to Nikhil and Gagan.
 - (ii) Bonus to Suman Rs.18,000.
 - (iii) Commission of Rs.9,000, Rs.10,000 and Rs.15,000 to Nikhil, Gagan and Suman respectively.
 - (iv) Interest on capital @ 15% amounting to Rs.4,500, Rs.6,000 and Rs.15,000 paid to Nikhil, Gagan and Suman respectively.

Assuming that all partners are working partners and the firm fulfils the conditions of section 184, compute the total income of the firm and taxable income of the partners in the firm.

(8 marks)

- (b) Indicate the amount of deduction available to an assessee from his gross total income under section 80GG in respect of rent paid. Point out the circumstances when the deduction will be denied.

(7 marks)

PART—B

7. Attempt **any four** of the following :

- (a) What do you mean by 'taxable services' in the context of service tax ? How is the value of taxable services determined ?

(5 marks)

- (b) Explain the procedure of registration for paying service tax.

(5 marks)

- (c) Under certain circumstances, the service receivers are liable to pay service tax. Indicate such cases.

(5 marks)

- (d) Choose the most appropriate answer from the given options in respect of the following :

- (i) Tax on service is —

- (a) a direct tax
- (b) an indirect tax
- (c) multipoint tax
- (d) None of the above.

- (ii) Appeal to Customs, Excise and Service Tax Appellate Tribunal can be filed within —
(a) One month
(b) Two months
(c) Three months
(d) Four months.
- (iii) Service tax is administered by the Department of —
(a) Central Sales Tax
(b) Central Excise
(c) Revenue
(d) Customs.
- (iv) Service tax collected by mistake is required to be deposited under section 73A of the Finance Act, 1994 to the —
(a) Central Government
(b) Account of the person who paid such tax
(c) National Defence Fund
(d) Chief Minister's Relief Fund.
- (v) Service tax is applicable in the case of —
(a) All Company Secretaries
(b) Company Secretaries in Practice
(c) Company Secretaries below the age of 65 years
(d) All services rendered by a Practising Company Secretary other than representation services before any statutory authority.
- (1 mark each)*
- (e) Re-write the following sentences after filling-up the blank spaces with appropriate word(s)/figure(s) :
- (i) The Superintendent of Central Excise is bound to grant certificate of registration for service tax within _____ days of the receipt of application.
- (ii) Taxable services provided to any person by the Reserve Bank of India is _____ from service tax.
- (iii) Under section 77 of the Finance Act, 1994, a maximum penalty of Rs. _____ is payable for late filing of service tax return.
- (iv) The threshold limit for service tax exemption applicable in the case of small service providers has been increased to _____.
- (v) When there is no consideration received for services rendered freely, the service tax _____ apply.

(1 mark each)

- (f) State, with reasons in brief, whether the following statements are correct or incorrect :
- (i) Service tax is to be paid to the credit of Central Government by the 5th of the month immediately following the calendar month in which the payments are received.
 - (ii) In case the taxable services are provided from more than one premises/offices, the assessee can opt for registration of only one premises.
 - (iii) The facility for e-filing of returns is not applicable to service tax.
 - (iv) There is no system of getting advance ruling in respect of service tax matters.
 - (v) The CENVAT credit rules do not extend its scope to service tax paid in respect of input services.

(1 mark each)

PART—C

8. Attempt **any four** of the following :

- (a) What are the different modes of computation of value added tax (VAT) and what are the advantages of adoption of tax credit method ?
(5 marks)
- (b) “In the old sales tax structure, there were problems of double taxation of commodities and multiplicity of taxes, resulting in a cascading burden.” In the light of this statement, explain how VAT is an improvement over the old sales tax structure.
(5 marks)
- (c) Dinesh purchases raw material from Ram and Shyam for manufacturing goods. Dinesh sells goods to wholesaler Mohan. Mohan sells goods to Trilok, a retailer, who sells goods to consumers. Calculate the amount of VAT collected by the government from the following particulars based on the fact that Shyam charges VAT @ 4% and other sellers charge VAT @ 12.5% :

Price without VAT
(Rs.)

Raw material supplied :	
Ram to Dinesh	5,000
Shyam to Dinesh	8,000
Manufactured goods sold :	
Dinesh to Mohan	18,000
Mohan to Trilok	25,000
Trilok to consumers	30,000

(5 marks)

- (d) "Input tax credit is generally given for the entire VAT paid within the State on purchases of taxable goods meant for resale or manufacture of taxable goods". In the light of this statement, enumerate the cases of purchases of goods in respect of which tax credit is not available.
(5 marks)
- (e) Write a brief note on rates of VAT.
(5 marks)
- (f) State, with reasons in brief, whether the following statements are correct or incorrect :
- (i) Zero rating transaction is the same as an exempt transaction.
 - (ii) VAT helps in checking tax evasion and in achieving neutrality.
 - (iii) The departmental audit also helps to check tax evasion.
 - (iv) Introduction of VAT has increased the professional development opportunities for the Company Secretaries.
 - (v) As a result of introduction of VAT, the central sales tax will be phased out in due course.
- (1 mark each)

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