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CA PCC - Tax - June 2009 - Question Paper

Total No. of Questions—8]

[Total No. of Printed Pages—7

Time Allowed—3 Hours

Maximum Marks—100

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Answers to questions are to be given only in English except in the case of candidates who have opted for Hindi medium. If a candidate who has not opted for Hindi medium, answers in Hindi, his answers in Hindi will not be valued.

Answer **all** questions.

Wherever required, suitable assumptions may be made by the candidate and stated clearly in the answer.

Working notes should form part of the answer.

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1. Answer any **five** out of the following six sub-divisions, with reference to the provisions of the Income-tax Act, 1961 for the assesment year 2009-2010 : 5×2
=10

- (a) Whether the income derived from saplings or seedlings grown in a nursery is taxable under the Income-tax Act, 1961 ? *Non-Taxable as it is exempt income*
- (b) When will tax not required to be deducted at source on interest payable to a resident on any bond or security issued by a company though the aggregate amount of interest exceeds Rs. 2,500, the basic exemption limit under section 193 of the Act ?
- (c) When does a charitable trust require filing audit report alongwith return of income ?

State with reason, whether the following statements are True or False :

- (d) A notice under section 143(2) of the Act for scrutiny/regular assessment shall not be issued on an assessee after the expiry of six months from the end of the financial year in which the return is furnished.

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- (e) Mr. X, Karta of HUF claims that the HUF is non-resident as the business of HUF is transacted from UK and all the policy decisions are taken there.
- (f) Mr. P, a shareholder of a closely held company, holding 16% shares, received advances from that company which is to be deemed as dividend from an Indian Company, hence exempted under section 10(34) of the Income-tax Act, 1961. *Sec. 2(22)*
2. Mr. X is a resident individual. His Profit and Loss account for the year ending 31st March, 2009 is given below :

To	Amount Rs.	By	Amount Rs.
General charges ✓	35,650	Gross Profit	5,25,860 ✓
Insurance ✓	3,500	Commission	6,800 ✓
Safety salary ✓	1,12,560	Rent received	37,500
Donation to political party	1,000	Interest on debentures	
Fringe benefit tax	2,400	(Net amount Rs. 22,450	
Depreciation ✓	1,25,656	plus TDS Rs. 2,550)	25,000
Administrative expenses ✓	42,500	Agricultural income	45,000
Advance Tax	17,000	Short-term Profit on sale	
Net Profit	3,44,894	on investment ✓	29,000
		Dividend from	
		Indian Company <i>exempt</i>	16,000
	6,85,160		6,85,160

- (i) Depreciation has been calculated as per the Income Tax Rules at Rs. 75,000. (-)
- (ii) He has deposited Rs. 35,000 in a notified scheme under Post Office Time Deposit Rules, 1981 for five year time. *80%* ✓

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- (iii) He had bought 200 shares of AB Co. Ltd. on 5.12.2007 @ Rs. 75 each. 150 shares of PQ Co. Ltd. on 3.8.2008 @ Rs. 112 each and 150 shares of AB Co. Ltd. on 05.09.2008 @ Rs. 60 each. He sold all the shares of AB Co. Ltd. on 15.12.2008 @ Rs. 98 each and sold the shares of PQ Co. Ltd. on 10.3.2009 @ Rs. 102 each. All shares were sold in National Stock Exchange through a registered broker.
- (iv) One of his life insurance policy was matured on 14.6.2008. The sum assured was Rs. 1,00,000 and amount received on maturity was Rs. 1,62,850. x
- (v) Donation to the political party represented the contribution made to a political party registered under section 29A of the Representation of the People Act, 1951.
- (vi) Income tax department refunds Rs. 42,580 (including interest of Rs. 1,470) which was directly credited in his personal savings account.
- (vii) He incurred expenditure of Rs. 40,000 on treatment of his dependent father who was suffering from specified disease as defined in rule 11DD of Income Tax Rules, 1962. The payment of medical expenses was made by cheque and an amount of Rs. 7,500 was reimbursed to him by an insurance company.
- (viii) Bad debt of a business which was discontinued in earlier years, recovered during the year Rs. 15,000. ✓

Compute total Income and Tax payable thereon by Mr. X for the assessment year 2009-2010.

3. (a) Mr. Ashok Kumar, an employee of a PSU furnishes the following particulars for the previous year ending 31.3.2009 :

	Rs.
(i) Salary Income for the year	5,25,000
(ii) Salary for Financial Year 2006-07 received during the year	40,000
(iii) Assessed Income for the Financial Year 2006-07	1,40,000

You are requested by the assessee to compute relief under section 89 of the Income-tax Act, 1961, in terms of tax payable for assessment year 2009-10.

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The rates of Income-tax for the assessment year 2007-08 are :

	Tax Rate (%)
On first Rs. 1,00,000	Nil
On Rs. 1,00,000 – Rs. 1,50,000	10
On Rs. 1,50,000 – Rs. 2,50,000	20
Above Rs. 2,50,000	30
Education cess	2

- (b) Mr. Kumar is the owner of a residential house which was purchased in September, 1992 for Rs. 50,00,000. He sold the said house on 5th August, 2008 for Rs. 24,00,000. Valuation as per stamp valuation authority of the said plot of land was Rs. 35,00,000. He invested Rs. 8,00,000 in NHAI Bonds on 12th January, 2009. He purchased a residential house on 8th September, 2008 for Rs. 12,00,000. He gives other particulars as follows: 8

Interest on Bank Deposit	Rs. 32,000
Investment in public provident fund	Rs. 12,000

You are requested to calculate the taxable income for the assessment year 2009-2010 and the tax liability, if any.

Cost inflation index for F.Y. 1992-93 and 2008-09 are 223 and 582 respectively.

4. (a) (i) Mr. Abhik, an individual made payment of health insurance premium to GIC in an approved scheme. Premium paid on his health Rs. 10,000 and his spouse Rs. 15,000 during the year 2008-09. He also paid health insurance premium of Rs. 25,000 on his father's health who is a senior citizen and not dependent on him. The payments have not been made by cash. Compute the amount of deduction under chapter VI-A of the Act, available to Mr. Abhik from his total income for the assessment year 2009-10. 3
- (ii) Mr. Abhik's father, who is a senior citizen had pledged his residential house to a bank under a notified reverse mortgage scheme. He was getting loan from bank in monthly instalments. Mr. Abhik's father did not repay the loan on maturity and given possession of the house to the bank to discharge his loan. How will the treatment of long-term capital gain be made on such reverse mortgage transaction? 3

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- (b) Ms. Geeta is a resident individual, provides the following details of her income/losses for the year ended 31.3.2009 : 8

- (i) Salary received as a partner from a partnership firm Rs. 7,50,000. .
- (ii) Loss on sale of shares listed in BSE Rs. 3,00,000. Shares were held for 15 months and STT paid on sale. ETCL (over) .
- (iii) Long-term capital gain on sale of land Rs. 5,00,000. ETCL .
- (iv) Rs. 51,000 received in cash from friends in party. casual .
- (v) Rs. 55,000 received towards dividend on listed equity shares of domestic companies. Exempt .
- (vi) Brought forward business loss of assessment year 2007-08 Rs. 12,50,000. The return for assessment year 2008-09 was filed in time.

Compute gross total income of Ms. Geeta for the assessment year 2009-10 and ascertain the amount of loss that can be carried forward.

5. Answer any **four** of the following five sub-divisions with regard to the provisions of the Income-tax Act, 1961 : 4×4 =16

- (a) Explain "Previous year" for undisclosed sources of Income.
- (b) Define the meaning of "Infrastructure Capital Fund" as per section 2(26B) of the Income-tax Act, 1961.
- (c) Explain the meaning of expression "advancement of any other object of general public utility" in the context of "Charitable Purpose" defined under section 2(15) of the Act.
- (d) What is the meaning of 'Incorrect claim' apparent from any information in the return of Income which needs prima face adjustment under section 143(1) of the Act ?
- (e) Enlist the installments of advance tax and due dates thereon in case of companies.

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6. Answer any **five** of the following :

5×2=10

- (a) Mr. X, a service provider who pays service tax regularly, was of the opinion that a particular service was not liable for service tax. He, therefore, did not charge service tax in his bill. He received the bill amount without service tax. How will service tax liability of Mr. X be determined in such case ?
- (b) Whether service tax return can be furnished after the due date ?
- (c) How can the excess payment of service tax be adjusted ?
- (d) Discuss the accountability of an "input service distributor" who may not be liable to pay service tax.
- (e) Discuss the word "Transparency" in the context of VAT system.
- (f) When does a small service provider require to register under the Service Tax Act, but not liable to collect and pay Service Tax ?
7. (a) Compute the VAT amount payable by Mr. A who purchases goods from a manufacturer on payment of Rs. 2,25,000 (including VAT) and earn 10% profit on sale to retailers ? VAT rate on purchase and sale is 12.5%. 3
- (b) An unregistered "Service provider" provides following details in respect of taxable services provided during the Financial Year 2008-09 : 3

Date	Particulars	Amount
30.6.2008	Advance received from a customer	1,00,000
30.9.2008	Part payment received against a bill of Rs. 9,50,000 raised on a customer	5,00,000
31.12.2008	Money received against taxable services provided during December, 08	3,00,000
31.1.2009	Taxable services rendered during January, 09	1,00,000
31.3.2009	Taxable services provided during March, 09	2,00,000

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The service tax provider complies with the provisions of registration and collection of service tax as per service tax laws. He gets registered during the year. He received the money against the bills raised during the months January and March 2009. Compute the service tax liability of service provider for the year 2008-09 considering the rate of service tax @ 12.36%.

8. Answer any **three** of the following :

3×3=9

- ☒ (a) How the value of taxable services determined when the consideration against taxable services is received in other than monetary terms ?
- (b) What are the sources of Service Tax Law ?
- ☒ (c) How can an auditor play role to ensure that the tax payers discharge their tax liability properly under the VAT system ?
- ☒ (d) Discuss the 'Subtraction method' for computation of VAT.

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