TEST SERIES - 3

PAPER – 3: - TAX

NAME: _______________

TIME ALLOWED: - 3 HOURS **M. M. 100**

NOTE: - -All Questions are compulsory.

-All the references in the Par A, to the sections mentioned relates to Income Tax Act, 1961 and relevant Assessment Year is 2011-12, unless otherwise stated.

Part – A

1. State with reasons, whether the following statements are true or false: - (1 marks each)

a) Advance tax is payable in four installments in the case of corporate assesses
b) Now there is no liability to deduct tax on interest on commission.
c) Under the proviso to section 139(1), a person fulfilling any of the six expenditure/asset criteria listed therein, is required to furnish his return of income even if his total income is below the basic exemption limit.
d) As per section 139(1), filing of loss returns is compulsory only for companies and not for firms.
e) Speculation loss can be carried forward for a maximum period of four assessment years.

2. Sahasra has two houses, both of which are self-occupied. The particulars of the houses for the P.Y. 2011-12 are as under:

Particulars	**House I**	**House II**
Municipal valuation p.a.	2,00,000	3,00,000
Fair rent p.a.	1,50,000	3,50,000
Standard rent p.a.	1,80,000	3,20,000
Date of completion	31.3.2007	31.3.2006
Municipal taxes paid during the year	10%	6%
Interest on money borrowed for repair of Property during the current year -	40,000	

Compute Sahasra's income from house property for A.Y. 2011-12 and suggest which house should be opted by Sahasra to be assessed as self-occupied so that her tax liability is minimum. (8 Marks)

3. During the previous year 2011-12, Manas had the following income:

	Rs.
(i) Salary income received in India for services rendered in Sri Lanka	25,000
(ii) Income from profession in Bangalore, but received in Sri Lanka.	30,000
(iii) Property income in Nepal (out of which Rs.10,000 was remitted to India).	40,000
(iv) Profits earned from business in Mysore	22,000
(v) Profits from a business carried on in Sri Lanka but controlled from India.	50,000
(vi) Past untaxed profits remitted to India during the previous year.	35,000
(vii) Agricultural income from land in Karnataka	15,000

Compute his total income for assessment year 2011-12 if he is (i) resident and ordinarily resident, (ii) Not ordinarily resident, and (iii) Non-resident in India. (7 Marks)

4. Write Short Notes on: -

a) Tax Return Preparer
b) Schools of Hindu Law
c) Time limit for depositing the tax deducted to the credit of government
d) Gross Total Income and Total Income
e) Capital Asset (4 marks each)

5. Raman is carrying on Transportation Business. Compute his net wealth from the following details of his assets and also determine his wealth-tax liability for the assessment year 2011-12:

	Market Value (Rs.)
(i) Land in rural area (it lies within 8 kms. from a municipality having a population of more than 10,000; land was purchased in 1990; construction is permissible)	48,00,000
(ii) Land in urban area (held as stock-in-trade since 2001)	35,50,000
(iii) Motor cars	8,60,000
(iv) Aircraft for use of employees and auditors	1,25,00,000
(v) Bank balance	12,00,000
(vi) Guest house situated in rural area	10,50,000
(vii) Residential flats of identical size provided to employees near the factory (salary of employees does not exceed Rs.5,00,000 in a year)	30,00,000
(viii) Residential house given to general manager (whose annual salary is Rs.15,00,000)	25,00,000
(ix) Cash in hand as per cash book	2,00,000
(x) Two residential houses let-out on rent (value of each being Rs.22 lakh; one is let-out for 250 days during the financial year 2008-09).	

Raman has taken a loan of Rs.24,00,000 for acquiring the aircraft; Rs.5,50,000 for urban land; and Rs.4,00,000 for residential house given to general manager. (5 marks)

6. Explain the provisions of clubbing of Income. (8 marks)

7. Explain the Provisions of Sett off and carry forward of Losses. (7 marks)

Part – B

8. Answer to the following: -

a) What are the provisions of registrations of the person under the law of service tax? (4 marks)
b) Who is liable to pay service tax under the law of service tax? (4 marks)
c) "Service Tax gives a benefit to the small service providers". Explain. (4 marks)
d) Explain how valuation of services done under the laws of service tax, with the help of suitable example. (8 marks)

Part – C

9. Answer the following: -

a) What are the benefits that have been usually adopted by the state revenue ministry to promote the industrial advantage through using the tools of taxation?
a) VAT is a very new concept in India. Discuss. Explain the taxonomy of VAT.
b) Explain the process of registration and maintenance of record under the VAT guidelines.
c) Explain the different variants of VAT (5 marks each)