

Total No. of Questions-7
Time Allowed - 3 Hours

VGPPC

Total No. of Printed Pages- 7
Maximum Marks - 100

TAXATION

Question No. 1 is Compulsory

Attempt any **five** from the remaining **six** 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

Question 1 (a)

Mr. Ramesh (Age 65 years), providing you the following information for the year ended 31st March 2011.

Particular	Amount
Income from Salary from ABC Limited	2,40,000
He is having house at Delhi which is used by him for his self occupation purpose, he had taken loan for acquisition of this house, and interest due for the year 2010-11 is Rs.	1,65,000
Speculation Income	1,00,000
Winning from Lottery (Gross)	5,00,000
Long Term Capital Gain on Shares (Non-Listed)	20,000
Investment in PPF	50,000

Calculate Total Income and Tax Payable?

(5 Marks)

Question 1 (b)

Mr. Happy is holding 1000 shares of ABC Ltd (Domestic Company) received from his father as gift on 15-07-2009. The shares were acquired by his father on 01-05-2008 for Rs. 15/- per share. The High Court passes the order for Liquidation of ABC Limited on 01-08-2009. Mr. Happy received the following from the Company Rs. 10/- per share and Car (FMV of the car Rs. 1,00,000/-) on 01-04-2010. The Balance Sheet of the Company as on 01-04-2010 is as under:

Liabilities	Amount	Assets	Amount
Share Capital (Face Value Rs. 5 Per Share)	50,000	Car	1,50,000
Reserve & Surplus	2,00,000	Cash	1,00,000
Total	2,50,000	Total	2,50,000

On 28-02-2011, Mr. Happy sold the car for Rs. 1,00,000/-. Mr. Happy is also having Salary income Rs. 3,60,000/-.

Calculate the Total Income in the hand of Mr. Happy for the AY 2011-12?

(5 Marks)

(Index for the year 2008-09 : 582 2009-10 : 632 2010-11 : 711)

Question 1 (c)

Mr. Kailash Kher had made the payments for the previous year ended 31-03-2011; the details of the same are as under:

Nature of Payment	Date of Payment	Amount
Professional Charges to Mr. Satish	01-04-2010	10,000
Professional Charges to Mr. Satish	01-08-2010	20,000
Payment of Contractor (Transporter) PAN Provided by Transporter	01-11-2010	1,00,000
Professional Charges to Mr. Satish	01-12-2010	10,000

The Turnover of Mr. Kailash Kher was 50,00,000/- during the Previous Year ended 31-03-2010; need your advise whether TDS provision will apply on him. If yes, when TDS Deduction Liability will arise and the Amount of TDS and due date for payment of TDS (Assume Mr. Satish had not provided PAN to Mr. Kailash). (5 Marks)

Question 1 (d)

M/s XYZ Limited engaged in providing Taxable services. The Company furnishes you the following information relating services rendered and payment received for the half year ended on 30-09-2010:

S. No.	Particular	Amount
a)	Services provided in the State of Jammu & Kashmir	1,00,000
b)	Service provided (Rs.20000/- received by 30-09-2010)	50,000
c)	Advance Received for service to be provided in October 2010	35,000
d)	Fair Market Value of Service Provided Free of Cost	5,000
e)	Service provided outside state of Jammu & Kashmir but payment received in State of Jammu & Kashmir	10,000

Calculate Taxable Services and Service tax Payable by XYZ Limited.

(5 Marks)

Question 2 (a)

CA Chandni Sharma is a practicing Chartered Accountant maintaining books of account on cash basis. Her Income & Expenditure Account for the year ended 31st March 2011 are as under:

Expenditure	Amount	Income	Amount
To Salary to Staff	60,000	By Professional Receipts	5,00,000
To Stipend to Articles	12,000	By Consultancy Services	25,000
To Petrol Expenses	20,000	By Taxation Services	1,00,000
To Festival Expenses	11,000	By Rental Income from House	1,20,000
To Travelling Expenses	3,000	By Dividend income from Z Inc USA	20,000
To Staff Welfare	5,000	By Valuation of Answer Paper of ICAI	10,000
To Depreciation	40,000	By Interest on FDR (Net of TDS)	18,000

To Municipal Taxes (50% in respect of Property let-out Balance for her office)	8,000	By Agriculture Income	15,000
To Donation of PM National Relief Fund	5,000		
To Interest on Loan to Bank	20,000		
To Long Term Capital Loss on Listed shares (STT Paid)	7,000		
To Agriculture Expenses	5,000		
To Income over expenditure	6,12,000		
Total	8,08,000	Total	8,08,000

Additional Information:

- She had paid salary to his married daughter Rs. 10,000/- (included above) out of which Rs. 3,000/- is excessive.
- Interest on Loan to Bank includes Rs. 5,000/- that relates to period 2009-10.
- She paid membership fee to ICAI Rs. 4,000/- that was debited to Drawing Account.
- The Municipal value and Fair Rental Value of above said House is Rs. 12,000/- Per Month and 15,000/- Per Month Respectively.
- She had paid Medclaim Insurance premium on 28-02-2011 for her Parents in Laws Rs. 10,000/-.

Compute Taxable Income and Tax Payable for the A.Y. 2011-12

(12 Marks)

Question 2 (b)

Mr. Jhunjunwala, while depositing service for quarter ended 30-06-2010, has deposited excess service tax of Rs. 50,000/- mistakenly wants your advice can he claim refund of excess service tax paid.

(4 Marks)

Question 3 (a)

From the following data Calculate the Total Income and Tax Payable of Mr. Bhanu Prasad (Age 25 Years) for the previous year ended 31-03-2011.

He is working with a company having its office at Mumbai the details of his package are as under:

Particular	Amount
Basic Salary	20,000 PM
Dearness Allowance	20% of Basic
House Rent Allowance (Rent Paid 8000/- PM)	10,000 PM
Children Education Allowance	1,000 PM
Transport Allowance	1,000 PM
Bonus	One Month Basic Pay
Telephone Facility	2,000

He is entitled for a Car (used partly official partly personal) cost to company 50,000/- till 31-07-2010
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The above car has been sold to him on 01-08-2010 for Rs. 2,00,000/-. This car was purchased by the Company on 01-07-2008 for Rs. 5,00,000/- (Cubic Capacity 2000 CC) however the same was put to use on 28-07-2008.

Other information:

- i) During the year he got married with Ms. Deepali on 01-11-2010.
- ii) He has also having Loss from Speculation Rs. 10,000/-
- iii) He received Rs. 1,00,000/- by cheque from Ms Deepali on 15-10-2010 without consideration.
- iv) He is having Short Term Capital Gain on sale of Listed shares (STT Paid) Rs. 20000/-.
- v) He had donated Cloths for Poor to an Approved Charitable Institution worth Rs. 25,000/-.
- vi) He had paid premium on the life of his father Rs. 20,000/- (Capital Sum Assured Rs. 50,000/-).
- vii) He had Gifted Rs. 25,000/- to Deepali on 01-12-2010, the same has been invested by her in FDR on the same date. Interest for the year ended was Rs. 800/-.

(8 Marks)

Question 3 (b)

What are the conditions to be fulfilled by the Political party for claiming exemption of its income under section 13A?

(4 Marks)

Question 3 (c)

Mr. Chulbul Pandey had received Rs. 5,00,000/- (excluding service tax) on 15-04-2010 wants to make advance payment of service tax. Advise him whether he can make payment of service tax in advance.

(4 Marks)

Question 4 (a)

Mr. Salman Khan provides you the following information for the year ended 31st March 2011. You are required to calculate his Total Income and tax Liability.

- a) He is having a House Property at Delhi, the Fair Rental Value of the House is 1,20,000/- Per Annum and Municipal Value is 15,000/- Per Month. He acquires the said property on 01-07-2010 and let out on the same date at a Rent of Rs. 20,000/- Per Month. The House was self Occupied by him from 01-01-2011.
- b) He received the Jewellery from his Mother in Law on 01-08-2007 (The same is purchased by his Mother in Law on 15-01-2000 for Rs. 2,00,000/-), the same has been sold by him on 01-02-2011 for Rs. 10,00,000/-.
- c) His Minor son received interest on FDR Rs. 10,000/- invested out of fund received from Grand Father.

- d) During the year he had purchased Shares from son of his uncle on 10-04-2010 for Rs. 30,000/- (Fair Market Value 80,000/-).

(8 Marks)

(Index for the year 1999-00 : 389 2000-01 : 406 2007-08 : 551 2010-11 : 711)

Question 4 (b)

M/s ABC Consultants (HUF) had incurred during the previous year 2010-11, had spend Rs. 100000/- on family planning expenses among its employees want to claim deduction under section 36 of the Income Tax Act, 1961. Comment?

(4 Marks)

Question 4 (c)

Mr. Tony is a manufacturer; purchase Raw Material (Waste Paper) 10000 Kgs @ Rs. 10/- per Kg. The Raw material is used to manufacture Two Products A and B. Sale of Product B is exempt from VAT. The Finished Product ratio for A and B is 3:2 respectively. The Normal loss in process of manufacturing Product A and B is 5%, however the Actual loss for the year was 8%. You are required to calculate the VAT credit available to dealer. (VAT Rate 4%)

(4 Marks)

Question 5 (a)

Mr. Saharukh, an Accounts Manager, working with Zigma Limited has retired from the Company on 30-11-2010 after serving 25 years and 7 months of Service. His basic salary at the time of retirement was Rs. 20,000/- per month. The last increment was w.e.f. 01-09-2010 Rs. 5,000/- per month. He is also getting Dearness Allowance 40% of basic salary out of which 30% forming part for retirement benefit. He received Rs. 6,00,000/- gratuity at the time of retirement. He is not covered by the payment of Gratuity Act, 1972. Calculate his Total Income for the AY 2011-12.

(7 Marks)

Question 5 (b)

- What is composite rent and its treatment under the Income Tax Act, 1961.
- Define Manufacture under the Income Tax Act, 1961.

(5 Marks)

Question 5 (c)

Mr. Lokesh Singh is a service provider during the year ended 31-03-2010 he had made payment of Service tax as under:

Particular	Amount
Service Tax Liability	15,00,000
Less: Utilization of CENVAT	8,00,000
Net Service Tax Paid	7,00,000

Whether E-payment of Service Tax and E-filing of Service Tax is mandatory for the Financial Year ended 31-03-2011?

(4 Marks)

Question 6 (a)(i)

ABC Inc a Foreign Company is having income of Rs. 1.01 Crore for the Previous Year 2010-11. You are required to calculate Income Tax Payable?

(4 Marks)

Question 6 (a)(ii)

A & Associates (LLP) made payment of Professional Charges to the tune of Rs. 2,00,000/- on 01-08-2010. The TDS has been deducted on 31-12-2010 and the same was deposited on 31-05-2011. Whether such expenses be disallowed u/s 40 also calculate Interest on TDS to be paid by the assessee on late payment of TDS.

(4 Marks)

Question 6 (a)(iii)

Elaborate Section 43B of the Income Tax Act, 1961.

(4 Marks)

Question 6 (b)

State with reasons in brief whether the following statements are correct or incorrect with reference to the provisions of Service Tax.

- i) The due date for payment of service tax in case of Company is 5th of the next month.
- ii) The service tax is not applicable if the service provider is located in the State of Jammu & Kashmir.

(4 Marks)

Question 7 (a)

Answer any **three** sub-parts out of **four** sub-parts of the question.

(3 x 4=12 Marks)

- i) Mr. Rajni Kant purchased shares of ABC Limited 1000 for Rs. 15/- per share on 01-06-2010, the company fix the record date (31-07-2010) for declaring dividend of Rs. 5 per share. The dividend received by Rajni on 07-08-2010. On 31-08-2010, Mr. Rajni sold shares at Rs. 9/- per share. Calculate Total Income and Losses to be Carried Forward.
- ii) State True or False, with reasons
 - (a) Alienation of a residential house in a transaction of reverse mortgage under a scheme made and notified by the Central Government is treated as "transfer" for the purpose of capital gains.
 - (b) Where an urban agricultural land owned by an individual, continuously used by him for agricultural purposes for a period of two years prior to the date of transfer, is compulsorily acquired under law and the compensation is fixed by the State Government, resultant capital gain is exempt.

- iii) Ms. Chanchal has transferred 1,000 shares of ZM Ltd., (which she acquired at a cost of Rs.10,000 in the financial year 2001-02) to Babu Lal, her brother, at a consideration of Rs.2,12,934 on 01-05-2010 privately.

During the financial year 2010-11, she has paid through e-banking Rs.15,000 towards medical premium, Rs.50,000 towards L.I.P. and Rs.25,000 towards PPF.

Assuming she has no other source of income, compute her total income and tax payable for the Assessment Year 2011-12.

Cost Inflation Index:

F.Y.2001- 02 - 426 F.Y.2010- 11 - 711

- iv) Write short notes on:

Special provision for computation of capital gains in the case of slump sale under section 50B of Income-tax Act, 1961.

Question 7 (b)

Ms. Bulbul is a registered dealer provides you the following information. You are required to compute her net tax liability:

She purchases and sales goods to dealer in her state and in other state too.

S. No.	Particular	Amount
i)	Purchase of goods from outside state (Excluding CST 2%)	100000
ii)	Import of goods from Thailand (Excluding custom duty on import 10%)	200000
iii)	Purchases from Local Market from Composition dealer	50000
iv)	Local Purchases (Excluding VAT 4%)	300000
v)	Opening Stock	100000
vi)	Closing Stock	80000
vii)	During the period there was fire at the shop goods destroyed purchased from Local Market	10000
viii)	Profit on Cost of goods sold	20%
viii)	Sale of goods within state 60 % balance outside state	

Applicable VAT 4% (Local Sales), CST 2% on Sale outside State

(4 Marks)