

**Total No. of Questions : 7**  
**Time Allowed : 3 Hours**

**Total No. of Pages: 5**  
**Maximum Marks : 100**

**Question 1**

State with reasons whether the following statements are true or false having regard to the provisions of the Income-tax Act, 1961 for the Assessment Year 2009-10:

- (a) The accounts of the trust for the previous year should be audited if the total income exceeds Rs.1,00,000.
- (b) Gift received on the occasion of marriage from non-relatives is chargeable to tax under the head "Income from other sources".
- (c) In case the parents are non residents, the income of the minor child who is resident in India, should be clubbed with the income of the non resident parents.
- (d) The provisions of section 79 are applicable only in case of carry forward of losses.
- (e) Short-term capital gains on transfer of equity shares or units of equity oriented fund, on which securities transaction tax has been paid, would be taxed at a concessional rate of 10%.

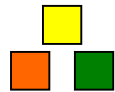
*(5X2=10 Marks)*

**Question 2**

Mr. X is a resident individual. His Profit and Loss account for the year ending 31st March, 2009 is given below:

<b>To</b>	<b>Amount By</b>	<b>Amount</b>
General charges	35,650	Gross Profit 5,25,860
Insurance	3,550	Commission 6,800
Staff Salary	1,12,560	Rent received 37,500
Donation to political party	1,000	Interest on Deb (Net amount Rs.22,450 plus TDS Rs. 2,550) 25,000
Fringe benefit tax	2,400	Agricultural income 45,000
Depreciation	1,25,656	STCG on sale of investment 29,000
Administrative expenses	42,500	Dividend from Indian Company 16,000
Advance tax	17,000	
Net Profit	3,44,844	
<b>Total</b>	<b>6,85,160 Total</b>	<b>6,85,160</b>

- (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.
- (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 policies was matured on 14.6.2008. The sum assured was Rs. 1,00,000 and amount received on maturity was Rs. 1,62,850.



(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 -10. **(10 marks)**

**Question 3 (A)** Examine the taxability of the following:

(i) PQ, a film director, is awarded a cash prize of Rs.1 lakh under the scheme of State award for films instituted by the Central Government. PQ claims this to be exempt from tax as a casual receipt.

(ii) Ram, Shyam and Mohan are three medical doctors who have formed a partnership to establish and run a nursing home. The profits of the nursing home for the year amounted to Rs.25,00,000, which is claimed by the partners as exempt under the Income-tax Act.

(iii) Ravi is the coparcener of a Hindu Undivided Family consisting of himself, his father and two elder brothers. The assets of the family have not yet been partitioned. Out of the rental income of the family, Ravi's father sends Ravi Rs.20,000 to enable him to maintain his family. Besides, the above receipt, Ravi has received a salary of Rs.2,60,000 from his employer.

**(6 Marks)**

**(B)** 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

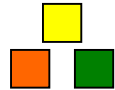
You are requested by the assessee to compute relief under section 89 of the Income –tax Act, 1961, in terms of tax payable for assessment year 2009-10. The rates of Income-tax for the assessment year 2007-08 are:

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

**(4 Marks)**

**Question 4**

**(A)** Rajan is a Sales-tax Officer at Jaipur. He owns two residential houses. The first is in Delhi and was constructed on 31-12-1991. This has been let out on a rent of Rs. 5,000 p.m. to a company for its office. The second house is in Jaipur which was constructed on 1-3-2008 and



has been occupied by him for his own residence since then. He took a loan of Rs. 95,000 on 1-8-2006 @ 9% per annum interest for the purpose of construction of this house. The entire loan is still outstanding.

Other relevant particulars in respect of these houses are given below

	<b>Ist house Rs.</b>	<b>2nd house Rs.</b>
Municipal valuation	30,000	20,000
Municipal tax	10% of Municipal Value	8% of Municipal value
Expenses on repairs	5,000	8,000
Fire insurance premium	500	--
Ground rent	225	230
Land revenue	1,500	850
Interest on loan	--	8,550

The ground rent of the Delhi house and the municipal tax and land revenue of the Jaipur house are unpaid. Rajan was transferred to Mumbai on 1-12-2008 where he resides in a house at a monthly rent of Rs. 6,000 and his house at Jaipur was let out on the same day on a rent of Rs.4,000 per month.

Compute the "Income from house-property" in respect of Rajan for the assessment year 2009-10.

**(6 Marks)**

**(B)**Ramesh owns the following commercial vehicles:

- (i)3 light commercial vehicles – One for 8 months and 11 days, one for 11 months and 2 days and one for 7 months and 29 days.
- (ii)2 heavy goods vehicles – One for 9 months and 5 days and the other for 4 months.
- (iii)1 medium goods vehicle – One for 3 months and 15 days.

(a)Compute the income from business if Ramesh opts for the scheme under section 44AE. You are also required to compute his tax liability for the assessment year 2009-10, if he deposits Rs.15,000 in PPF Account during the previous year.

(b)What will be the income if the trucks were not used for business for one month during the year due to strike?

**(4 Marks)**

**Question 5** Answer the following:

(a)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.

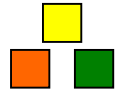
(b) Mr. Raja, citizen of India, who resides in Jaipur, went to Canada for employment purposes on 15-8-2008 and came back to India on 10-11-2009. He has never been out of India in the past.

- (i)Determine residential status of Mr. Raja for the assessment year 2009 -10.
- (ii)Will your answer be different if he had gone on a leisure trip?

**(5X2=10 Marks)**

**Question 6.**Answer the following:

(a)How can an auditor play role to ensure that the tax payers discharge their tax liability properly under the VAT system?



- (b) Enumerate the tax rates under VAT.  
 (c) Briefly explain, the three variants of VAT. Which of these methods is most widely used and why?

d) Compute the total value of purchases eligible for input tax credit from the following particulars:-

Particulars	Rs.
Inputs purchased from a registered dealer who opts for composition scheme under the provisions of the VAT Act	10,000
Inputs purchased for being used in the execution of a works contract	1,00,000
Raw material purchased from unregistered dealers	70,000
High seas purchases of inputs	1,00,000
Goods purchased for sale to other parts of India in the course of inter-State trade or commerce	20,000

(e) There is a minimum possibility of revenue leakage under VAT system.

*(5 x 5 = 25 Marks)*

**Question 7.** Answer the following:

(a) Suyogya Consultancy Services (SCS) is engaged in providing management consultancy services during the financial year 2009-10. Examine, whether SCS shall be liable to pay the late fee for delay in furnishing the return for the half-yearly period ending September 30, 2009 in the following cases :-

(i) It files its return of service tax on October 26, 2009.

(ii) It files its return on November 15, 2009.

(b) Explain the procedure for claiming the exemption of service tax paid on the services provided in relation to the authorized operations in a Special Economic Zone, and received by a developer or units of a Special Economic Zone.

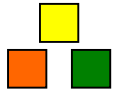
(c) Mr. X, a service provider who pays service tax regularly, was of the opinion that a particular service was not liable for service tax. He, therefore, did not charge service tax in his bill. He received the bill amount without service tax. How will service tax liability of Mr. X be determined in such case?

(d) When does a small service provider require to register under the Finance Act, 1994, but not liable to collect and pay service tax?

(e) An unregistered "service provider" provides following details in respect of taxable services provided during the financial year 2008-09:

Date	Particulars	Amount (Rs.)
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 rendered during March, 09	2,00,000

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 month of January and March 2009. Compute the service tax liability of service provider for the year 2008 -09 considering service tax @ 12.36%.



*(5X5 =25 Marks)*