

Roll No.....

Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 8

Total number of printed pages : 8

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 2014-15 unless stated otherwise.

PART – A

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

1. (a) Write the most appropriate answer from the given options in respect of the following having regard to the provisions of the relevant direct tax laws :
 - (i) Total income of a person is determined on the basis of his —
 - (a) Residential status in India
 - (b) Citizenship in India
 - (c) Both (a) and (b) above
 - (d) None of the above.
 - (ii) Income accruing from agriculture in a foreign country is taxable in the case of an assessee who is —
 - (a) Resident
 - (b) Not ordinarily resident
 - (c) Non-resident
 - (d) None of the above.
 - (iii) The maximum amount of entertainment allowance deductible under section 16(ii) in respect of non-government employee is —
 - (a) ₹5,000
 - (b) ₹9,000
 - (c) ₹10,000
 - (d) None of the above.
 - (iv) The employer provides a cash gift/gift cheque of ₹3,000 to Ramesh. Besides, he gets a wrist watch of ₹18,000 as Diwali gift from the employer. The taxable amount of gifts in the hands of Ramesh is —
 - (a) ₹21,000
 - (b) ₹18,000
 - (c) ₹16,000
 - (d) ₹13,000

(v) Which of the following income is not an example of income chargeable under the head 'income from other sources' —

- (a) Director's fees
- (b) Insurance commission
- (c) Gratuity paid to an employee
- (d) Family pension received by family member of a deceased employee.

(1 mark each)

(b) A and B are working partners in a partnership firm. They have contributed ₹5,00,000 each as capital and ₹2,00,000 each as loan. Partnership deed allows payment of interest on loan as well as on capital @16% per annum and remuneration ₹5,00,000 to each working partner.

If profit of the firm after paying interest but before deducting remuneration of partners is ₹8,80,000, determine the total income of the firm.

(5 marks)

(c) Re-write the following sentences after filling-in the blank spaces with appropriate word(s)/figure(s) :

- (i) The due date for e-filing of return of income if the assessee is a charitable trust and the charitable trust does not wish to avail exemption under sections 11 and 12, is _____ of the assessment year.
- (ii) Deduction of tax at source will be made only in cases where the income by way of winnings from horse races to be paid to a person exceeds ₹_____.
- (iii) The net wealth computed under the provisions of the Wealth-tax Act, 1957 shall be rounded off to the nearest multiple of ₹_____.
- (iv) An assessee _____ benefit of section 54EC (i.e., no tax on long-term capital gains if invested in specified bonds) with respect to depreciable asset.
- (v) The time-limit for rectification of mistakes under section 154 is _____ from the end of the financial year in which the order was passed.

(1 mark each)

: 3 :

2. (a) Tarun, aged 48 years, has following income for the previous year 2013-14. You are required to ascertain his taxable income and tax liability for assessment year 2014-15 :

	₹
Income from salary	2,40,000
Profit from business	1,20,000
Actual rent of house property	1,80,000
Municipal tax paid (10% of municipal value)	20,000
Agriculture income	1,20,000
Long-term capital gains on sale of plot	15,000
Winnings from lotteries (<i>gross</i>)	5,00,000
LIC premium paid	20,000
Contribution to PPF (Public Provident Fund)	50,000
Interest on fixed deposit in a bank (<i>gross</i>)	30,000

(5 marks)

- (b) State, with reasons in brief, whether the following statements are true or false :
- Every person is liable to pay wealth tax.
 - Tax return preparers are employees of Income-tax Department.
 - Income of previous year is always taxable in the immediately following financial year.
 - Gifts on the occasion of marriage, birthday, marriage anniversary, *etc.* are not chargeable to tax in all the cases.
 - There is no difference between short-term and long-term capital gains so far as taxability is concerned.

(2 marks each)

3. (a) Kapil owns a house at Pune. From the following particulars, compute the total income under the head 'income from house property' for the assessment year 2014-15 :

	₹
Municipal valuation	5,00,000
Fair rent	5,60,000
Actual rent (₹25,000 per month)	3,00,000
Standard rent	5,20,000
Municipal taxes paid (half of it was borne by the tenant)	25,000
Expenses on repairs	15,000
Fire insurance premium paid	12,000
Ground rent	16,000

He had borrowed a sum of ₹20,00,000 @10% per annum from LIC Housing Ltd. on 1st August, 2009 and the construction of the house was completed on 1st January, 2013. Total loan is still unpaid.

(5 marks)

- (b) After serving for 29 years and 7 months in Sonam Ltd., Karim retired on 30th September, 2013. He is covered by the Payment of Gratuity Act, 1972. The company has paid him a gratuity of ₹6,68,800. At the time of retirement, he was getting basic salary of ₹15,800, dearness allowance ₹4,260 and house rent allowance ₹1,800 per month.

Determine the amount of gratuity exempt under section 10(10). Also show your workings.

(5 marks)

- (c) (i) How losses under the head 'income from house property' can be set-off ?
Can such losses be carried forward ?

(3 marks)

- (ii) Under what circumstances, the Commissioner of Income-tax can revise the orders passed by any authority subordinate to him ?

(2 marks)

4. (a) Subodh, aged 41 years, gives the following particulars of his income received from Nalanda Ltd. for the year ended 31st March, 2014 :

₹

Salary after deduction of income-tax at source and own contribution to recognised provident fund	9,00,000
Income-tax deducted at source	80,000
Own contribution to recognised provident fund	1,45,000
Employer's contribution to the provident fund	1,40,000
Interest credited to provident fund @11% per annum	2,89,000
House rent allowance (actual rent paid by Subodh for the house in Delhi was ₹1,08,000) in addition to salary of ₹9,00,000 as given above.	1,20,000

He is given free use of 1200 CC car by the employer for domestic as well as official purposes (with effect from 1st November, 2012) and all expenses including driver's salary being met by the employer. He is also provided free services of a watchman (with effect from 1st May, 2013) and a sweeper (with effect from 1st December, 2012). Salary (₹2,675 per month per person) is paid by the employer.

Subodh pays life insurance premium of ₹4,000 on his own life (sum assured ₹1,00,000). His income from other sources is ₹2,40,000.

Compute total income and tax liability of Subodh for the assessment year 2014-15.

(6 marks)

: 5 :

(b) Distinguish between the following. Attempt **any three** :

- (i) 'Normal depreciation' and 'additional depreciation'.
- (ii) 'Assets under wealth tax' and 'deemed assets under wealth tax'.
- (iii) 'Short-term capital gains' and 'long-term capital gains'.
- (iv) 'Gross total income' and 'total income'.
- (v) 'Statutory provident fund' and 'recognised provident fund'.

(3 marks each)

5. (a) Karan is an Indian citizen and resident in India. His assets and liabilities as on 31st March, 2014 are as follows :

- (i) Self-occupied residential house in foreign country ₹90,00,000. For its construction, he borrowed ₹20,00,000 in the foreign country which is due on 31st March, 2014.
- (ii) He has national savings certificates VIII issue ₹1,00,000.
- (iii) Another self-occupied house (residential) in Chennai (India) ₹60,00,000.
- (iv) He has jewellery worth ₹60,00,000 out of which ornaments worth ₹18,00,000 are meant for daily use by his wife.
- (v) He has motor car for his personal use valued ₹5,30,000.
- (vi) In February, 2013 he has transferred his house to his married daughter without consideration. The value of the house as on 31st March, 2014 is ₹38,00,000.
- (vii) The house given to daughter was purchased in 2010 for which a loan of ₹12,00,000 was taken. Out of this loan ₹7,00,000 is outstanding.

Compute the net wealth and wealth-tax payable.

(7 marks)

(b) Write notes on the following. Attempt **any two** :

- (i) Pay as you earn scheme
- (ii) Deduction in respect of interest on loan taken for higher education
- (iii) Taxability of pension received by the widow of a deceased employee.

(4 marks each)

6. (a) What is the scheme of partial integration of non-agricultural income with agricultural income ?

(5 marks)

(b) Raman gifts a house property to his married minor son. Discuss the taxability of the same under wealth-tax and income-tax. What will be your answer if instead of house property jewellery is gifted.

(5 marks)

: 6 :

- (c) The tax payable for the assessment year 2014-15 by Raghu is ₹2,35,600. He has deposited the following amount as advance tax :

<i>Date of deposit</i>	<i>Amount deposited</i> (₹)
14 th September, 2013	20,000
15 th December, 2013	50,000
15 th March, 2014	30,000

Compute the interest payable under section 234C, if any.

(5 marks)

PART – B

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

- (i) Re-write the following sentences after filling-in the blank spaces with appropriate word(s)/figure(s) :
- Service tax is rounded off to the nearest multiple of _____ .
 - The application for registration shall be made within a period of _____ of commencement of business by a service provider.
 - Return of service tax is required to be filed by every assessee in Form No. _____.
 - Due date for e-payment of service tax in the case of individual assessee is _____ immediately following the quarter in the financial year except in case of last quarter.
 - Service tax, being an indirect tax, is being administered by _____.
- (1 mark each)
- (ii) State, with reasons in brief, whether the following statements are true or false in context of service tax :
- Service tax returns have to be electronically filed by all service tax assesseees on mandatory basis.
 - Service tax return need not be filed where no taxable services were rendered in the relevant half-year.
 - Service tax is payable on issue of invoice or receipt of payment whichever is earlier.
 - There are provisions of TDS in respect of service tax.
 - Service tax is applicable to the whole of India except the State of Jammu and Kashmir.

(1 mark each)

: 7 :

- (iii) Deep Ltd. is engaged in providing taxable service. Ascertain the amount of service tax payable by it for the month of September, 2013 from the following information :

	₹
Supply of farm labour for agricultural purpose	1,00,000
Market value of services provided free of cost	62,000
Advance received in September, 2013 from clients for which no service has been rendered till date	91,000
Amount received for the taxable services rendered in June, 2013 (bills for the same were issued on 25 th June, 2013)	1,08,000
Bill raised for the service rendered in the month of September, 2013 against which no amount is received so far	75,000

The above amounts are exclusive of service tax. Deep Ltd. is not eligible for small service provider's exemption in the financial year 2013-14.

(5 marks)

- (iv) Explain in brief the provisions relating to the procedure of registration under the service tax.

(5 marks)

- (v) What are the various provisions relating to payment of service tax ?

(5 marks)

PART – C

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

- (i) Determine the VAT liability using invoice method of computation from the following data :

Purchase price of goods acquired from local market (including VAT)	₹52,00,000
VAT rate on input	4%
Transportation, insurance, warehousing and handling cost incurred by him	₹20,000
Goods sold at a profit margin	14%
VAT rate on sales	12.5%

(5 marks)

- (ii) What are the conditions to be fulfilled by the dealer accepting the composition scheme under the value added tax (VAT) ?
(5 marks)
- (iii) State, with reasons in brief, whether the following statements are true or false :
(a) VAT is a multi-point tax.
(b) VAT system is followed by all States in India.
(c) Registration of dealer is mandatory under VAT.
(d) The rate of VAT for precious and semi-precious metals is 4%.
(e) As a result of introduction of VAT, the central sales tax will be phased out.
(1 mark each)
- (iv) "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." Explain.
(5 marks)
- (v) Distinguish between 'zero rating' and 'exempted transaction'.
(5 marks)