

B. Com Examination March 2008
Direct and Indirect Tax March 2008
(REVISED COURSE)

Time : - 3 Hours

Marks: 100

NB:

Regular College Students enrolled during the academic year 2006-07 and thereafter shall attempt only Section I and II carrying total 80 marks. Duration of the paper is 2 1/2 Hours for such candidates. (Section III should not be attempted by such students.)

All I.D.E. Students and college students enrolled during the academic year 2005-06 or earlier shall attempt Section I, II and III carrying total 100 marks. Duration of the paper is 3 hours for such candidates.

Question No.1 is compulsory carrying 18 marks. Attempt any three questions carrying 14 marks each from question Nos. 2 to 6 from Section I.

Attempt question No. 7 and Question No. 8 carrying 10 marks each from Section II.

Attempt Question No. 9 and Question No. 10 carrying 10 marks each from Section III.

All the sections should be written in the same answer book.

Section I

Q.1 From the following Profit and Loss Account of Mr. Shaswat Hegde, a senior citizen, compute his total Taxable Income for the Assessment Year 2007-08. 18

Profit and Loss Account for the year ended 31st March 2007

Expenses Rs. Income Rs.

To Salaries 76,000 By Gross Profit b/d 3,32,000

To Fire Insurance Premium 11,000 By Intrest on Deposits

To Staff Welfare expenses 18,000 with State Bank of India

To Postage and Telegram 3,000 (Gross Interest Rs. 20,000) 18,000

To Interest on proprietors capital 4,000 By Amount received on

To Travelling expenses 37,000 Maturity of LIC policy 50,000

To Miscellaneous expenses 21,000

To Repairs and Maintenance 7,000

To Donation 5,000

To Advertisement expenses 20,000

To Reserve for doubtful debts 5,000

To Depreciation 10,000

To Sales Tax paid 4,000

To Advance Income Tax 3,000

To Income Tax paid for P.Y. 2005-06 1,000

To Net Profit 1,75,000

4,00,000 4,00,000

Additional Information:

Depreciation as per Income Tax Rules is Hs. 15,000/-

Mr. Shaswat paid for self, medical Insurance Premium of Rs. 16,000/- by cheque.

Advertisement expenses include Rs. 15,000/- spent on advertising in a magazine published by a

political party.

Repairs and maintenance include personal expenses of Rs. 2,000/

Donation is made to National Illness Assistance fund of Rs. 5,000/

Q 2. Shri Gangadhar Josh] took voluntary retirement on 1st October 2006. He has completed 28 years of service in Tech-India Ltd. He furnishes the following information for the year ended 31st March 2007. 14

Basic Salary Rs. 40,000/- per month

Dearness allowance @ 60% of Basic salary.

Entertainment allowance received Rs. 2,000/- per month.

Conveyance allowance received Rs. 1,500/- per month.

(Exempt u/s 10 @ Rs. 800/- per month)

Voluntary retirement compensation Rs. 8,50,000/

(Exempt u/s 10(10C) Rs. 5,00,000).

Leave encashment (fully exempt) 3 months basic.

Gratuity received (fully exempt) Rs. 2,34,000/-.

Professional Tax paid Rs. 2,500/-.

Commmuted pension (1/3rd exempt) Rs. 96,000/-.

Uncommuted pension Rs. 10,000/- per month.

He paid Rs. 15,000/- towards LIC premium.

He donated Rs. 20,000/- to Prime Ministers National Relief Fund.

He donated clothes worth Rs. 20,000/- to an orphanage.

Compute his Net Taxable Income for the Assessment Year 2007-08.

Q. 3 Mrs. Gayatri Soman owns two houses in Mumbai. The particulars of her Income from properties for the year ended 31st March 2007 is as follows 14

(A) Particulars House Property House Property

I II

1. Nature of occupancy Self occupied Let out

2. Fair rent Rs. 4,00,000 Rs. 6,00,000

3. Municipal valuation Rs. 4,20,000 Rs. 6,10,000

4. Rent received NIL Rs. 6,50,000

5. Municipal taxes paid on 15/03/2007 Rs. 30,000 Rs. 40,000

6. Fire Insurance premium paid Rs. 8,000 Rs. 10,000

7. Rent collection charges ---- Rs. 8,000

8. Land Revenue payable Rs. 2,000 Rs. 3,000

9. Interest paid on loan taken for construction of house property Rs. 1,60,000 Rs. 1,50,000

10. Date on which loan taken 26-11-2005 22-10-2004

11. Repayment of principal amount of loan Rs. 30,000 NIL.

(B) Mrs. Gayatri Soman also received the following other income : Dividend from Mafatlal Industries Rs. 10,000

Interest on fixed deposits with Bank of India Rs. 20,000/-

(C) Mrs. Gayatri paid Medical Insurance premium of Rs. 18,000 for self by cheque. Compute her Net Taxable Income for the Assessment Year 2007-08.

Q.4 (a) Shri Ram Gopal Desai, a citizen of USA has been staying in India since 1984. He leaves India on 16th July 2006 on a visit to USA and returns on 4th January 2007. Determine his residential status for the previous year 2006-07. 8

(b) Shri Vinod Gokhale purchased a residential house on 1st August 1978 for Rs. 2,00,000. The fair market value of the house on 1-4-1981 was Rs. 3,00,000. He incurred Rs. 1,00,000 towards cost of

improvement during the previous year 1983-84. He sold the House on 31st December 2006 for Rs. 20,00,000. He paid brokerage of Rs. 50,000. The cost Inflation Index for Financial Year 1981-82 is 100 for Financial Year 1983-84 is 116 and for the Financial Year 2006-07 is 519. Compute the Income from capital gains of Shri Vinod Gokhale for the Assessment Year 2007-08. 6

Q.5 (a) Define and explain the following as per Income Tax Act 1961 (any two) 6

(i) Assessee

(ii) Person

(iii) Previous year

(b) Enumerate and explain in brief the deductions available under section 24 of the Income Tax Act 1961, in computing Income from House Property. 8

Q. 6 Answer any seven of the following questions with reference to Assessment Year 2007-08 14

i. Miss Smita received a gift of Rs. 21,000/- from her father at the time of her marriage. She claims that Rs. 21,000/- is not taxable in her hands. Is her claim correct ?

ii. Mr. Satish received Dividend of Rs. 5,000/- from XYZ Ltd., an Indian company. Can he claim this dividend income as exempt u/s 10(34) ?

iii. The minor daughter of Mr. Bharat earns interest of Rs. 5,000/- on fixed deposits which is clubbed with the income of Mr. Bharat. Is this clubbing of income correct ?

iv. Mr. Pradeep earns Rs. 1,50,000/- during the previous year 2006-07 as interest on Public Provident Fund (PPF) account maintained with State Bank of India. Whether Tax needs to be deducted at source by State Bank of India ?

v. Mrs. Shobha purchased a house property on 1st June 2004 and sold it on 1st April 2007. She treats this property as long term capital asset. Is her claim correct ?

vi. Mr. Avinash who earns taxable salary from ABC Ltd., requests the employer not to deduct tax from his salary and offers to pay tax on his own. Is it correct for the employer not to deduct tax ?

vii. Mr. Amrish paid Life Insurance Premium of Rs. 10,000/- on behalf of his wife who is dependent on him. He claims deduction u/s 80 C. Is he right in claiming the deduction ?

viii. Mrs. Kamla made a fixed deposit of Rs. 3,00,000/- in her husband's name on which earned interest of Rs. 25,000/-. He offers the same as his income in his income Tax returns. Whether it is correct ?

ix. Mr. Joshi has invested Rs. 1,50,000/- in N.S.C. VIII issue during the previous year 2006-07. How much deduction can he claim u/s 80C ?

Section "II

Q. 7 Define and explain the term 'Business' as per the provisions of the Central Sales Tax Act, 1956. 10

OR

Q. 7 Explain with reasons whether the following are 'Business Activities' or not as per the provisions of the Central Sales Tax Act, 1956.

(i) Purchase of an office premise by a Business Organisation

(ii) Sale of Machines by a Machinery Manufacturer at a loss.

(iii) Jewellery and precious stones purchased as gifts to their clients, by a Business Organisation.

(iv) Running of a Cyber Cafe.

(v) Planting of saplings for beautification around the office.

Q. 8 Mr. Gadgil Commenced his Business as a Manufacturer on 1st February 2007. From the following particulars regarding purchases and Sales transactions, Find out from which month he will be liable for Registration and to pay Tax as per the provisions of MVAT Act 2002. Give Reasons. 10

Month Details of Purchases Details of Sales

Out of State With in State

Taxable Taxable Tax Free Taxable Tax Free

Rs. Rs. Rs. Rs. Rs.

February 2007 8,000 28,000 16,000 40,000 20,000
 March 2007 1,000 20,000 15,000 23,000 16,000
 April 2007 5,000 8,000 28,000 18,000 24,000
 May 2007 4,000 20,000 18,000 26,000 18,000
 June 2007 3,000 15,000 24,000 20,000 16,000
 July 2007 6,000 12,000 26,000 24,000 28,000
 August 2007 8,000 16,000 14,000 12,000 16,000

OR

Q. 8 M/s Raje and Co., a Registered dealer under MVAT Act 2002, requests you to compute liability under MVAT Act 2002. for the month of March 2008 from the following information.

Sales Rs. Sales Returns Rs.

Schedule 'A' Goods 1,00,000 Schedule 'A' Goods 20,000

Schedule 'B' Goods 50,000 Schedule 'E' Goods 20,000

Schedule 'E' Goods 2,20,000

Sale out of Maharashtra 1,50,000

Labour charges Received 75,000

5,95,000 40,000

Purchases Rs. Purchase Returns Rs.

Schedule 'A' Goods 50,000 Schedule 'E' Goods 30,000

Schedule 'E' Goods 3,50,000

4,00,000 30,000

(i) There was an Opening Balance (Credit) in VAT credit Receivable Account of Rs. 12,000/ (ii) Rates of VAT for schedule A, B, and E Goods are NIL, 1% and 12.5% respectively.

Q. 9 Mr. Sushil Godbole has earned the following Income during the previous year ended 31st March 2007. 10

Particulars Amount (Rs.)

- (1) Interest from an Indian company received in London 1,000
- (2) Pension from Former Employer in India received in USA 4,000
- (3) Profit earned from a Business in Paris which is controlled in India (half of the profits being received in India) 20,000
- (4) Income from Agriculture in Bhutan and remitted to India 5,000
- (5) Income from property in England received there 4,000
- (6) Past untaxed Foreign Income brought to India 10,000
- (7) Dividend from a Foreign Company Received in Thailand 5,000
- (8) Professional fees received in India 7,000

Compute his total Income for the Assessment Year 2007-08 assuming (i) He is resident and Ordinarily resident

(ii) He is Non-Resident.

Q. 10 Define and Explain the term 'Sale' under the provisions of Maharashtra Value Added Tax Act 2002. 10

OR

Explain with reasons whether the following transactions can be considered as 'Sale' under the provisions of the Maharashtra Value Added Tax Act, 2002.

- (a) Sale of washing machines on Hire Purchase System
- (b) Hypothecation of Goods
- (c) Transfer of Goods from Head office to Branch

- (d) Gift of Jewellery to a friend
- (e) Sale of Scrap.