

Roll No.....

MAY 2010**PE- II****GROUP-II, PAPER-5,
INCOME TAX AND CENTRAL
SALES TAX**

Total No. of Questions—6]

[Total No. of Printed Pages—7

Time Allowed—3 Hours

Maximum Marks—100

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Answers to questions are to be given only in English except in the case of candidates who have opted for Hindi medium. If a candidate has not opted for Hindi medium, his answers in Hindi will not be valued.

Answer **all** questions.

Working notes should form part of the answer.

Wherever required suitable assumptions may be made by the candidate and stated clearly in the answer.

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1. (a) Mr. Sanjay, a retail trader from Delhi submits the following Trading and Profit and Loss Account for the year ended 31st March, 2010. 20

Trading and Profit and Loss Account for the year ended 31st March, 2010

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
Opening stock	10,000	Sales	15,00,000
Purchases	12,50,000	Closing stock	20,000
Gross profit	2,60,000		
	<u>15,20,000</u>		<u>15,20,000</u>
Salaries	80,000	Gross profit	2,60,000
Rent and rates	50,000	Interest received—Savings Bank	5,200
Interest on loans	25,000	Profit on sale of shares	45,000
Printing and stationery	30,000	Winnings from lottery	
Postage	15,000	(Net of TDS) (TDS 4,500)	10,500
Professional fees	40,000	Miscellaneous income	20,000
Motorcycle	40,000		
(Purchased on 31.10.09)			
Loss on sale of shares	20,000		
Miscellaneous expenses	10,000		
Net Profit	30,700		
	<u>3,40,700</u>		<u>3,40,700</u>

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The following additional information was also provided by Mr. Sanjay :

- (i) Salary includes Rs. 24,000 paid to his brother-in-law which was unreasonable to the extent of Rs. 6,000.
- (ii) The whole amount of printing and stationery was paid in cash in a single transaction.
- (iii) The details of Fixed Assets as on 1.4.2009 are as follows :

	WDV as on 1.4.2009	Rate of Depreciation
(a) Plant and machinery	3,40,000	15%
(b) Furniture and fixtures	1,00,000	10%
(iv) Purchase of Fixed Assets during the year :		
Motorcycle (31.10.2009)	40,000	15%
(v) Sale of Fixed Assets :		
Plant and Machinery	40,000	15%
Furniture & Fixtures	20,000	10%
(vi) Sales-tax for the month of March, 2010, Rs. 6,000 was paid on 30.4.2010. Due date for payment was 25.4.2010.		
(vii) Refund of Sales-tax Rs. 5,000 relating to the year 2007-08 in included under miscellaneous income.		
(viii) Miscellaneous expenses include Rs. 10,000 contributed to Prime Minister's National Relief Fund.		
(ix) Loss on sale of shares represents shares sold within a period of 6 months from the date of purchase.		
(x) Profit on sale of shares represents shares held for two years and on which security transactions tax was paid.		

You are required to compute the total income of Mr. Sanjay for the Assessment Year 2010-11. You are also required to advise Mr. Sanjay, whether he can offer his business income under Section 44AF i.e. on presumptive taxation.

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- (b) Anand, a resident individual and a Senior Citizen, purchased 25,000 shares of AB Ltd., an unlisted company @ Rs. 100 per share, on 1.4.2000. On 1.10.2001, AB Ltd. declared bonus shares @ 20% on the original holdings. On 1.4.2002, AB Ltd. issued rights shares at one share per every two shares held @ Rs. 60 per share. Anand subscribed in full, his right share entitlement. Anand sold all the shares of AB Ltd. on 30.4.2009 @ Rs. 200 per share. He paid brokerage @ 2% on sale value of shares. Anand purchased a residential flat for Rs. 20,00,000 on 1.7.2009 as he did not own any house/flat and invested Rs. 10.00 lakhs in REC Bonds (Capital gains) out of the net sale consideration of sale of shares. Anand has no other income during the previous year 2009-10. Compute the Capital Gains and the total income chargeable to tax under the Income-tax Act, 1961 and tax thereon for the previous year 2009-10. Cost inflation index for the various years are as follows :

2000-01	406
2001-02	426
2002-03	447
2009-10	632

2. (a) Mrs. Priya draws a salary of Rs. 36,000 per month. She received the following gifts during the previous year 2009-10 :

- (i) Gift of gold jewellery worth Rs. 4,00,000 on 24.9.2009 from her financee.
- (ii) Gift of Rs. 1,40,000 on 24.11.2009 from her father's brother.
- (iii) Gift of land, the value of which is Rs. 1,50,000 from her brother on 2.10.2009.
- (iv) Gift of Rs. 1,00,000 from her husband's friend on 11.11.2009 on her marriage.
- (v) Gift of Rs. 50,000 on 12.2.2010 from her brother's mother-in-law.

Compute the Gross Total Income of Mrs. Priya for the Assessment Year 2010-11 under the Income-tax Act, 1961.

- (b) Mr. Mahesh has two flats at Chennai, one occupied by him and another occupied by his parents and children, the particulars of which are provided below : 5

Particulars	(Rs.)	(Rs.)
	Flat I occupied by Mr. Mahesh	Flat II occupied by parents
(i) Municipal valuation	24,000	42,000
(ii) Fair Rent (Rent which similar property would fetch)	34,000	36,000
(iii) Standard rent	30,000	45,000
(iv) Municipal taxes paid	6,000	8,000
(v) Repairs	12,000	4,000
(vi) Insurance premium	1,500	1,800
(vii) Interest on loan		
Loan availed on 1.4.2005	12,000	—
Loan availed on 1.4.1998	—	60,000

You are required to advise Mr. Mahesh which flat can be treated as self-occupied and the other deemed to be letout in a manner beneficial to him.

- (c) Distinguish between a "Belated Return" and a "Revised Return" under the Income-tax Act, 1961. 4
3. (a) State with reasons, whether the following statements are true or false with regard to the provisions of Income-tax Act, 1961, for the Assessment Year 2010-11 : 10
- Donation paid by a company to electoral trusts shall be allowed as 100% deduction in the computation of income of the donor.
 - Tax under 194C is not required to be deducted where the aggregate payment to a person/entity during the previous year does not exceed Rs. 50,000.
 - Daily allowance received by a member of Parliament is exempt upto Rs. 2,000.

(iv) The surcharge payable in case of firm, is 10% of Income-tax.

(v) Mr. Y receives Rs. 20,000 towards principal as his contribution towards an unrecognised provident fund and Rs. 15,000 as interest thereon, at the time of his retirement. The same is exempt from tax.

(b) Fill in the blanks with reference to the provisions of Income-tax Act, 1961, for the Assessment Year 2010-11 : 5

(i) No tax at source under Section 194(I) is required to be deducted where the aggregate rent paid does not exceed Rs. during the previous year.

(ii) Short-term capital loss can be carried forward for assessment years immediately succeeding the year in which the loss was first computed.

(iii) The maximum amount of remuneration that can be paid to partners under Section 40(b), where the book profit is negative is Rs.

(iv) Sweat equity shares received by an employee is in the hands of such employee for the Assessment Year 2010-11.

(v) Surcharge at the rate of per cent is payable by a foreign company where its income during the previous year exceeds Rs. 1 crore.

4. Answer the following with reference to Income-tax Act, 1961 : 3×5=15

(a) It is compulsory to maintain accounts in the case of all assesseees ? If not, state the cases where the books of accounts are to be maintained compulsorily under the Income-tax Act, 1961.

(b) Explain briefly about payments to relatives and associates under Section 40(A) with regard to the provisions of the Income-tax Act, 1961.

(c) What are the deductions available from Gross total income of a company in respect of any contribution given to a political party ?

5. (a) What are the objects of Central Sales-tax Act, 1956 ? 5

(b) What are the concessions available under the Central Sales-tax Act, 1956 to units located in any special economic zone ? What are the conditions to be fulfilled to avail the benefit ? Discuss. 5

(c) Fill in the blanks with reference to the provisions of Central Sales-tax Act, 1956 : 5

- (i) CST on electrical energy is
- (ii) An appeal against an order demanding security can be made within days of service of order.
- (iii) On appointment, the liquidator of a company should inform about his appointment to the Sales-tax authorities within days of his appointment.
- (iv) Weighment Charges charged separately from buyer form part of Sales price.
- (v) Anil of Mumbai sends goods to Sunil of Surat for doing some job work. Sunil adds some materials of his own, completes the job and returns the same to Anil. The above transaction attract liability to Central Sales-tax.

6. (a) State with proper reasons whether the following statements are True/False with regards to provisions of Central Sales-tax Act, 1956 : 5

- (i) Sale of newspaper as a waste paper is not considered as sale of goods, hence no CST is levied.
- (ii) A pledge constitutes sale under the CST Act.
- (iii) Goods being sent from Kolkata to Darjeeling, pass through the State of Bihar. It is an inter-state trade.
- (iv) Sri Hari of Kanpur sold goods to Sri Om of Kolkata, which the latter Proposes to sell to parties outside India against orders to be received in future. Subsequently Sri Om has exported such goods to some overseas parties. Sri Om claims that the sale is sale in the course of Export.
- (v) Rahul's turnover for the year ended 31.3.2010 is Rs. 1,50,000. This includes Rs. 35,000 goods sold in February, 2010, which have been returned in April, 2010. Rahul claims that the deduction of the sale price of the goods returned shall be made in the year of return.

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- (b) From the following details, compute the Central Sales-tax payable by the dealer carrying on business in Kolkata : 5

Particulars	Rs.
Turnover for the year which includes	36,00,000
(i) Installation charges	80,000
(ii) Freight, insurance and transport charges recovered separately in the invoice	1,30,000
(iii) Trade commission for which credit note have to be issued separately	1,00,000
(iv) Excise duty	1,70,000
(v) Goods returned by dealer within six months of sale, but after the end of financial year	90,000
(vi) Central Sales-tax buyers have issued 'C' Forms for all purchases.	

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