

Roll No. ....

Total No. of Questions – 7

Total No. of Printed Pages – 8

Time Allowed – 3 Hours

Maximum Marks – 100

## NSG

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.

Question No. 1 is compulsory.

Attempt any five questions from the remaining six questions.

Wherever required, suitable assumptions may be made by the candidates and stated clearly in the answer. Working notes should form part of the answer.

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1. (a) Ms. Vaishali, employed in a private sector company, furnishes following information for the year ended 31.03.2012. 5

	₹
Income from salary (computed)	3,45,000
Bank interest	15,000
Tax on non-monetary perquisite paid by employer	20,000
Amount contributed by her during the year are given below :	
Contribution to recognized provident fund	60,000
Subscription to eligible infrastructure bond	25,000
Health insurance premium – on self (paid by crossed cheque)	7,000
Medical expenditure for dependent sister with disability	20,000

Compute the total income of Ms. Vaishali for the assessment year 2012-13.

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- (b) State whether the following are chargeable to tax and the amount liable to tax. **5**
- A sum of ₹ 1,20,000 was received as gift from non-relatives by Raj on the occasion of the marriage of his son Pravin.
  - Arvind received ₹ 20,000 as his share from the income of the HUF.
  - Mr. Xavier a 'Param Vir Chakra' awardee received a pension of ₹ 2,20,000 during the financial year 2011-12.
  - Interest on enhanced compensation of ₹ 50,000 was received as per court decree in December 2011 by Mr. Yogesh. Out of the said amount a sum of ₹ 35,000 relates to preceding financial years.
  - A political party registered under section 29A of the Representation of the People Act, 1951 earned rental income of ₹ 6,00,000 by letting out premises.
- (c) Mr. Vaibhav owns five houses at Cochin. Compute the gross annual value of each house from the information given below : **5**

(₹)

	House - I	House - II	House - III	House - IV	House - V
Municipal value	1,20,000	2,40,000	1,10,000	90,000	75,000
Fair rent	1,50,000	2,40,000	1,14,000	84,000	80,000
Standard rent	1,08,000	N.A.	1,44,000	N.A.	78,000
Actual rent received / receivable	1,80,000	2,10,000	1,20,000	1,08,000	72,000

- (d) ABC & Co purchased raw material 'A' for ₹ 30,00,000 plus VAT at 12.5%. **5**  
Out of such raw material 80% was used for manufacture of taxable goods and the balance for the manufacture of exempted goods.  
Another raw material 'B' was purchased for ₹ 20,00,000 on which VAT was paid @ 1%. Out of the raw material 'B', 50% was used for manufacture of taxable goods and the balance for the manufacture of exempt goods.  
The entire taxable goods were sold for ₹ 44,00,000 plus VAT at 12.5%. There was no opening or closing inventory of taxable goods or raw materials.  
Compute the VAT liability of ABC & Co.

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2. (a) Mr. Ramesh & Mr. Suresh are brothers and they earned the following incomes during the financial year 2011-12. Mr. Ramesh settled in Canada in the year 1995 and Mr. Suresh settled in Delhi. Compute the total income for the assessment year 2012-13. 12

Sr. No.	Particulars	Mr. Ramesh	Mr. Suresh
1.	Interest on Canada Development Bond, (only 50% of interest received in India)	35,000	40,000
2	Dividend from British company received in London	28,000	20,000
3	Profit from a business in Nagpur, but managed directly from London	1,00,000	1,40,000
4	Short term capital gain on sale of shares of an Indian company received in India	60,000	90,000
5	Income from a business in Chennai	80,000	70,000
6	Fees for technical services rendered in India, but received in Canada	1,00,000	---
7	Interest on savings bank deposit in Uco Bank, Delhi	7,000	12,000
8	Agricultural income from a land situated in Andhra Pradesh	55,000	45,000
9	Rent received in respect of house property at Bhopal	1,00,000	60,000
10	Life insurance premium paid	---	30,000

- (b) (i) Can the service tax return be revised ? If so, state the relevant period before which it can be done ? 4
- (ii) Mr. Amarnath, a registered service provider did not render any taxable services during the financial year 2011-12. Whether he is required to file service tax return ? Is he liable for penalty for non-filing ? If so, how much ?

3. (a) Mr. Harish is Production Manager of XYZ Ltd. From the following details, compute the taxable income for the assessment year 2012-13. 8

Basic salary	₹ 50,000 per month
Dearness allowance	40% of basic salary
Transport allowance (for commuting between place of residence and office)	₹ 3,000 per month
Motor car running and maintenance charges fully paid by employer	₹ 60,000

The motor car is owned by the company and driven by the employee. The engine cubic capacity is above 1.60 litres. The motor car is used for both official and personal purpose by the employee.

Expenditure on accommodation in hotels while touring on official duties met by the employer	₹ 80,000
Loan from recognized provident fund (maintained by the employer)	₹ 60,000
Lunch provided by the employer during office hours. Cost to the employer	₹ 24,000
Computer (cost ₹ 35,000) kept by the employer in the residence of Mr. Harish from 1.06.2011	
Mr. Harish made the following payments :	
Medical insurance premium : Paid in cash	₹ 4,800
Paid by account payee	₹ 15,200
Crossed cheque	

- (b) Discuss the correctness or otherwise of the statement – “Income deemed to accrue or arise in India to a non-resident by way of interest, royalty and fees for technical services is to be taxed irrespective of territorial nexus”. 4
- (c) Lee Traders a registered dealer having stock of goods cost ₹ 30,000 purchased from outside the State, wishes to opt for the Composition Scheme. Advise the dealer whether it is possible? 4

State the conditions to be satisfied by a dealer before opting for composition scheme.

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4. (a) Mr. Ashok, an employee of a PSU, furnishes the following particulars for the previous year ending 31.03.2012. 8

	₹
(i) Salary income for the year	7,25,000
(ii) Salary for financial year 2009-10 received during the year	80,000
(iii) Assessed income for the financial year 2009-10	2,40,000

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 2012-13.

The rates of income tax for the assessment year 2010-11 are :

	Tax rate (%)
On first ₹ 1,60,000	Nil
On ₹ 1,60,000-₹ 3,00,000	10
On ₹ 3,00,000-₹ 5,00,000	20
Above ₹ 5,00,000	30
Education cess	3

- (b) Will a charitable trust be forfeited of tax exemption granted to it, if it holds shares in a public sector company ? Will a charitable trust having business receipt and income of ₹ 20,00,000 and ₹ 2,00,000 respectively be denied the tax exemption ? 4
- (c) Amin & Co. Ltd., is engaged in providing taxable service. For the month of October 2011, its gross receipts were ₹ 15,00,000. The break up of the receipts is given below : 4
- (i) Services rendered to associate enterprise during the month ₹ 3,00,000 and amount received during the month ₹ 1,00,000.
- (ii) Services rendered in Jammu & Kashmir ₹ 3,00,000.
- (iii) The balance amount received represents services rendered during the month and realized in full.

Compute the amount of service tax, Education Cess and Secondary & Higher Education Cess payable and the due date for payment.

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5. (a) Dr. Gurumoorthy, a resident individual at Madurai, aged 50 years is running a clinic. His Income and Expenditure Account for the year ending March 31<sup>st</sup> 2012 is as under :

Expenditure	₹	Income	₹
To Medicine consumed	8,40,000	By Consultation and Medical charges	21,00,000
To Staff salary	4,25,000	By Income-tax refund (principal ₹ 15,000, interest ₹ 1,500)	16,500
To Clinic consumables	1,55,000	By Dividend from Indian companies	27,000
To Rent paid	1,20,000	By Winning from lottery Net of TDS	35,000
To Administrative expenses	3,00,000	By Rent	54,000
To Donation (to IITI, Delhi For Research approved under section 35 (2AA))	1,00,000		
To Net Profit	2,92,500		
	<b>22,32,500</b>		<b>22,32,500</b>

- (i) Rent paid includes ₹ 36,000 paid by cheque towards rent for his residence.
- (ii) Clinic equipments are :
- |            |                 |            |
|------------|-----------------|------------|
| 01.04.2011 | Opening WDV     | ₹ 4,50,000 |
| 07.02.2012 | Acquired (cost) | ₹ 1,00,000 |
- (iii) Rent received relates to property let out at Madurai. Gross annual value ₹ 54,000. The municipal tax of ₹ 9,000, paid in January 2012 has been included in "administrative expenses".
- (iv) Dr. Gurumoorthy availed a loan of ₹ 5,50,000 from a bank for higher education of his daughter. He repaid principal of ₹ 50,000, and interest thereon ₹ 65,000 during the year 2011-12.
- (v) He paid ₹ 60,000 as tuition fee to the university for full time education of his son.

From the above, compute the total income of Dr. Gurumoorthy for the assessment year 2012-13.

- (b) What are the different rates under VAT system ?

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6. (a) Dinesh received a vacant site as gift from his friend in November 2002. The site was acquired by his friend for ₹ 3,00,000 in April 1990. Dinesh constructed a residential building during the year 2004-05 in the said site for ₹ 15,00,000. He carried out some further extension of the construction in the year 2007-08 for ₹ 5,00,000. 5

Dinesh sold the residential building for ₹ 55,00,000 in January 2012 but the State stamp valuation authority adopted ₹ 65,00,000 as value for the purpose of stamp duty.

Compute his long term capital gain, for the assessment year 2012-13 based on the above information. The cost inflation index are as follows :

Financial year	Cost inflation index
1990-91	182
2002-03	447
2004-05	480
2007-08	551
2011-12	785

- (b) A car purchased by Dr. Soman on 10.08.2009 for ₹ 5,25,000 for personal use is brought into professional use on 1.07.2011 by him, when its market value was ₹ 2,50,000. 4

Compute the actual cost of the car and the amount of depreciation for the assessment year 2012-13 assuming the rate of depreciation to be 15%.

- (c) Mr. Abhishek a senior citizen, pledged his residential house to a bank under a notified reverse mortgage scheme. He was getting loan from bank in monthly instalments. Mr. Abhishek did not repay the loan on maturity and hence gave possession of the house to the bank to discharge his loan. How will the treatment of long-term capital gain be on such reverse mortgage transaction ? 3
- (d) What is EASIEST scheme and state the benefits in the context of service tax ? 4

7. (a) Sanjay engaged in various types of activities gives the following information for the year ended 31.03.2012. 8

Loss from automobile business (Total turnover ₹ 6,00,000)	1,10,000
Profit from wholesale trade in furniture items at the prescribed percentage of turnover as per section 44AD	4,00,000
Brought forward loss relating to discontinued textile business (discontinued w.e.f. 01.06.2007)	2,00,000
Short term capital loss on sale of vacant site during the year	70,000
Profit from speculation business related to oil seeds	1,10,000
Loss from speculation business brought forward and related to cotton (brought forward from assessment year 2011-12)	50,000
Brought forward unabsorbed depreciation of trade in furniture items related to assessment year 2011-12	60,000

Note : Aggregate total business turnover of Sanjay to be assumed as below limit prescribed under section 44AB.

Compute the total income of Sanjay for the assessment year 2011-12.

- (b) Explain how contributions to political parties are deductible in the hands of corporate and non-corporate assesseees under the Income-tax law. 4
- (c) What records should be maintained under VAT system by a registered dealer ? 4

**OR**

State briefly the contents of service tax return.