

## Direct & Indirect Tax

April 2006

Time: 3 Hours

Marks: 100

**NB:**

1. Question No. 1 is compulsory and carries 22 marks.
2. Attempt any three questions from Question No. 2 to Question No. 6, each carrying 16 marks.
3. Attempt Question No. 7 to Question No. 9, each carrying 10 marks.
4. Answers to both the sections should be written in the same answer-book.

### Section I

Q.1 Following is the Profit and Loss Account of Mr. Mangesh for the year ended 31st March, 2005:—

#### Profit and Loss Account for the year ended 31st March, 2005

	Rs.		Rs.
To Salaries	2,10,000	By Gross Profit	4,18,000
To Rent	20,000	By Interest on Bank F.D	8,000
To Postage	7,000	By Dividend from Indian Company.	20,000
To Stationery and Printing	27,000	By Dividend from Co-operative Bank	2,000
To Advertising	20,000	By Winning from Lottery	15,000
To Repairs to Office	22,700	To Interest on Debentures of Limited Company	5,000
Conveyance	17,000		
To Income tax	30,000		
To Expenses in Connection with Scrutiny case of Income Tax	4,000		
To Fees paid to C.A. for Income Tax	10,000		
To Miscellaneous Expenses	25,000		
To Depreciation	5,000		

To Donations	20,000	
To Net Profit	50,300	
<b>Total</b>	<b><u>4,68,000</u></b>	<b><u>4,68,000</u></b>

Additional Information:

- (1) Salaries include bonus due to employees Rs. 30,000 which was not paid before the due date of filing Income Tax Return.
- (2) Rent is paid for residential house of Mr. Mangesh.
- (3) Repairs to office include a. one time cash payment of Rs. 20,000 on 18/08/2004.
- (4) Miscellaneous expenses include purchase of shares of an Indian Company for Rs. 20,000.
- (5) Donations include donation by cash Rs. 15,000 and donation of books worth Rs. 5,000 both to an approved charitable trust.
- (6) Depreciation as per Income Tax Rules is Rs. 4,000.

Compute the net taxable income of Mr. Mangesh for Assessment Year 2005-06.

Q 2. Mr. Chandrakant Limaye is employed as a Lecturer in Modern College. He furnishes the following information for the year ending 31st March, 2005 16

(i) Gross Salary received	Rs. 30,000 p.m.
(ii) Rent free bun glow (perquisite value)	Rs. 5,000 p. a.
(iii) Leave Salary received	Rs. 15,000
(iv) Bonus received	Rs. 30,000
(v) Arrears of Salary received for (2002-03 and 2003-04) On 17th March, 2005	Rs. 1, 50,000
(vi) Profession Tax deducted from salary	Rs. 200 p.m.
(vii) Examiner ship remuneration from college	Rs. 7,500
(viii) Reimbursement of Medical bills	Rs. 4,800

- (ix) He spent Rs. 4,500/- for purchase of books for his employment.
- (x) He took a Medical Insurance Policy from GIC on 31st March, 2005 by paying a premium of Rs. 10,000/- in cash.
- (xi) He made the following donations during the year :
  - (a) Rs. 15,000 to National Cultural Fund
  - (b) Rs. 15,000 to Air force Central Welfare Fund
  - (c) Rs. 5,000 worth of books given free to poor students.

Mr. Chandrakant Limaye is a handicapped person to the extent of 60%. Compute his net taxable income for the Assessment Year 2005-06.

Q. 3 . Mr. Sandeep Patil owns two houses in Mumbai, both of which are used by him for his own residence. The particulars of these houses are as follows for the previous year ended 31/3/2005: 14

<b>Particulars</b>	<b>House Property I</b>	<b>House Property II</b>
Gross Municipal Valuation	Rs.2,25,000	Rs.3,50,000
Fair Rent	Rs.2,50,000	Rs.4,00,000
Municipal taxes "due"	Rs.25,000	Rs.35,000
"paid"	Rs.2,000	Rs.1,000
Repairs	Rs.2,000	Rs.3,000
Insurance Premium "due"	Rs.500	Rs.600
Ground rent due	Rs.150	Rs.200
Interest on funds borrowed for "due"		
Construction of house property	Rs.40,000	Rs. 40,000
Year in which loan was taken	1997	1998

He also received the following income during the previous year 2004-05:

(a) Accrued Interest on N.S.C. (VII issue)	Rs. 6,000
(b) Winning from lottery	Rs. 10,000
(c) Interest on deposits with Bank of India	Rs. 4,000
(d) Interest on P.P.F.	Rs. 5,000.

He also paid Medical Insurance Premium for self, by cheque of Rs. 3,000/-. Compute the Net Taxable Income of Mr. Sandeep Patil for the previous year 2004-05, relevant to Assessment Year 2005-06.

Q.4 a) Mr. Sanjay, an Indian Citizen went to U.S.A. for the first time for the purpose of employment on 8 10th May, 2004. He came back to India on 19th November, 2004. Find out his residential status for Assessment Year 2005-06. 8

b) Mr. Kamlesh purchased a house property for Rs. 1, 00,000 on 27th August, 1978. He made the following additions/alterations to the house property.

Cost of construction of 1st floor in Financial Year 1983-84 Rs. 3, 00,000. Cost of construction of 2nd floor in Financial Year 1990-91 Rs. 4, 00,000. Fair Market Value of the property on 01/4/1981 was Rs. 5, 00,000. He sold the property on 20th October, 2004 for Rs. 55, 00,000. He paid the brokerage of Rs. 55,000 for the sale transaction. The Cost Inflation Index for Financial Year 1981-82 is 1017, for Financial Year 1983-84 is 116, for Financial Year 1990-91 is 182 and for Financial Year 2004-05 is 480. Compute the Capital gain of Mr. Kamlesh chargeable to tax for Assessment Year 2005-06.

Q.5 Answer any eight of the following questions with reference to Assessment Year 2005-06:- **16**

1. Does clubbing of income include clubbing of losses also?
2. What is the amount of exemption available u/s. 10 when income of minor child is clubbed with the parent?
3. Mrs. Anuradha Patil who earns an 'Income from Business' attained the age of 65 years on 15th February, 2005. What is the maximum rebate she can claim?
4. Mr. Santosh Katdare has a gross salary of Rs. 96,000/- before giving any deduction u/s. 16, which is not less than 90% of his Gross Total Income. His allowable, investments for Sec. 88 are Rs. 20,000/-. He claims a rebate u/s. 88 @ 20%. Is he correct?
5. State whether remuneration received by a Member of Parliament is taxable as 'Income from Salary'?
6. Mr. Kapil Sawant purchased a flat on 1st June, 2002 for Rs. 4, 00,000/ and sold it on 1st February, 2005 for Rs. 4, 75,000/-. He claims the capital gain as 'Long Term'. Is he correct?
7. "Rebate u/s. 88 is available to a partnership firm". Is the statement correct?
8. Mr. Ameya Patwardhan has paid Medical Insurance Premium of his brother who is totally dependent on him. Can he claim deduction u/s. 80 D?
9. A partner has received interest on capital from his partnership firm and claims it as "Income from Other Sources". Is he correct?

10. Mr. Ramesh transferred his tenanted house to Mr. Rajesh and received Rs. 3, 00,000 towards transfer of tenancy rights. Is he liable for Capital Gain Tax?

Q.6 a) Define and explain the following according to the Income Tax Act, 1961. (Any two) **8**

1. Assesses.
2. Assessment Year.
3. Person.

b) Explain the various deductions u/s. 16 of the Income Tax Act, 1961 available from 'Income from Salary' for Assessment Year 2005-06. **8**

## Section II

Q.7 "Rates of Tax differ in varied Circumstances". Explain with reference to the provisions of Central Sales Tax Act, 1956. **10**

**OR**

Explain with reasons whether the following are "Business Activities" as per the provisions of the Central Sales Tax Act, 1956.

- (a) Running of a Private Engineering College.
- (b) Plantation of Teak Trees.
- (c) Motor car purchased for personal use.
- (d) Export of Ice creams.
- (e) Running of a Restaurant.

**Q.8 (For REVISED COURSE)**

Define and explain the terms 'Purchase Price' and 'Sale Price' as per the provisions of the Maharashtra Value Added Tax Act, 2002. **10** State with reasons whether the following are 'Goods' as per the provision of Maharashtra Value Added Tax Act, 2002:

- (a) Newspapers.
- (b) Mango Trees.
- (c) Equity Share of Siemens Ltd.

(d) Residential Flat used for business.

(e) Malai Kulfi.

**Q.9 (For REVISED COURSE)**

Mrs. Divya commenced her business from 1st April, 2005. From following information furnished to you by her regarding purchase and sales transactions, find out from which month she will be liable for Registration and to pay tax as per the provisions of Maharashtra Value Added Tax Act, 2002. Give reasons for your answer. **10**

Year and Month	Details of Purchases		Details of Sales	
	Taxfree Goods Rs.	Taxable Goods Rs.	Taxfree Goods Rs.	Taxable Goods Rs.
April to July 2005	45,000	9,000	60,000	8,000
August 2005	1,00,000	20,000	1,20,000	25,000
September 2005	1,50,000	40,000	1,75,000	50,000
October 2005	80,000	50,000	20,000	15,000
November 2005	20,000	10,000	50,000	20,000
December 2005	1,00,000	25,000	1,20,000	40,000

**OR**

(9) Mr. Vinu, a Registered Dealer of a Product covered under Schedule 'E' Sells Goods for Rs. 7,50,000/-.

The purchases required for the product is procured from Registered Dealers within the state as under: Material X Covered by Schedule 'C' Rs. 2,00,000.

Material Y covered by Schedule 'E' Rs. 4,00,000.

Mr. Vinu had an Opening Balance (Credit) in VAT credit receivable Account of Rs. 15,000/-Mr. Vinu had utilised material Y for manufacture of Exempted Goods. Calculate the tax payable under MVAT Act, 2002.