

## Direct & Indirect Tax

**March 2007**

Time: 3 Hours

Marks: 100

**NB:**

1. Question No. 1 is compulsory carrying 18 marks. Attempt any 3 Questions carrying 14 Marks each from Question Nos. 2 to 6 from Section I .
2. Attempt Question No. 7 & Question No. 8 carrying 10 marks each from Section II.
3. All the sections should be written in the same answer book.

### Section I

Q.1 From the following Income and Expenditure Account of Dr. Kamble compute his total taxable income for Assessment year 2006-07. 18

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#### Income and Expenditures Account for the year ended 31-3-2006

<b>Expenditure</b>	<b>Rs.</b>	<b>Income</b>	<b>Rs.</b>
To Staff Salaries	1,20,000	By Consulting Fees	4,00,000
To Dispensary Expenses	67,500	By Visit Fees	1,00,000
To Dispensary Rent	60,000	By Gifts from Patients	40,000
To Purchase of Medicines	45,000	By Sale of Medicines at the Dispensary	80,000
To Income Tax	35,000	By Rent from House Property	1,20,000
To Professional Fees to Doctors	22,000		
To Car Expenses (for Profession)	36,400		
To Membership Fees	2,000		
To Municipal Tax for Rented House	12,000		
To Interest on Housing Loan for Rented House	18,000		
To Printing Charges	4,000		
To Depreciation	48,000		
To Charity	1,500		
To Surplus for the Year	2,68,600		
<b>Total</b>	<b>7,40,000</b>	<b>Total</b>	<b>7,40,000</b>

**Additional Information:**

1. Gifts from patients include Rs. 1,000 from his father in personal capacity.
2. Depreciation as per Income Tax Rules Rs. 45,000.
3. He paid medical insurance premiums of Rs. 8,000 by cheque.
4. He purchased National Savings Certificates of Rs. 30,000 and paid Life Insurance Premium of Rs. 60,000.
5. He paid Rs. 20,000 to Nationalised Bank towards Principle of Housing Loan.

Q 2. Mr. Chintan Chitale a severely physically disabled person (85%) is employed with Pidilite Industries. He furnishes you the following information for the year ended 31st March, 2006. 14

- (a) Basic Salary Rs. 30,000 p.m.
  - (b) Dearness Allowance @ 20% of Basic Salary.
  - (c) Profession Tax deducted at Rs. 200 p.m.
  - (d) Bonus Rs. 30,000.
  - (e) House Rent Allowance (fully taxable) Rs. 800 P.M.
  - (f) Perquisite value of Gas, Water and Electricity Rs. 2,500.
  - (g) Arrears of Salary received as per revised pay scale. Net arrears Rs. 50,000, Tax deducted at source on arrears of salary Rs. 15,000.
  - (h) He owned a residential house which was used for his own residence. Fair rent Rs. 50,000 and Municipal valuation of the house was Rs. 60,000.  
He spent the following amounts during the year:
    - (i) Municipal taxes paid Rs. 6,000.
    - (ii) Insurance of Property Rs. 2,000.
    - (iii) Interest on Housing Loan from ICICI Bank Rs. 40,000 (Loan taken in August 2004).
    - (iv) He paid Rs. 4,000 by cheque to GIC for Medical Insurance for his health.
- Compute the total income of Mr. Chintan Chitale for the Assessment Year 2006-07.

Q. 3 Ms. Netra who is totally blind, has let out her house property situated at Navi Mumbai for Residential purpose. The details of the said property for the year ended 31st March 2006 are as follows: 14

- (a) Rent Received Rs. 1,20,000.
- (b) Municipal Valuation Rs. 1,00,000.
- (c) Fair Rent Rs. 1,50,000.
- (d) Municipal Taxes paid by Tenant Rs. 10,000.
- (e) Interest on Loan taken from ICICI Bank for construction of house property Rs. 35,000. Loan was taken in April 1997.

Following are the details of other income earned by her during the year.

- (i) Interest accrued on NSC, Rs. 20,000.
- (ii) Interest accrued on Public Provident Fund account Rs. 5,000.
- (iii) Dividend from M/s. Raymond Ltd. Rs. 10,000.
- (iv) Interest Accrued on private loans to friend and relatives Rs. 60,000.

Compute the Net Taxable Income of Ms. Netra for Financial Year 2005-06, relevant to Assessment Year 2006-07.

Q.4 (a) Mr. Abhijeet, an Indian Citizen, furnishes the following particulars of income earned during the previous year relevant to assessment year 2006-07. 6

(a) Professional Fees received in India	Rs. 22,000
(b) Income earned in India but received in Paris	Rs. 24,000
(c) Dividend on shares of Indian Companies	Rs. 10,000
(d) Salary earned and received in France	Rs. 28,000
(e) Income from Agriculture in Nepal	Rs. 30,000
(f) Income from Business in UK controlled from India	Rs. 32,000

Compute his Income for Assessment Year 2006-07 assuming the residential status as:

- (a) Resident and Ordinarily Resident in India.
- (b) Non Resident in India.

(b) Mr. Kanade purchased a House property for Rs. 1,25,000 on 16th August, 1971. He made the following addition to the House Property. Cost of Construction of 1st Floor in Financial Year 1985-86 Rs. 2,25,000. (6)

The Fair Market value of the property on 1-4-81 was Rs. 3,50,000. He sold the property on 15th September, 2005 for Rs. 35 lakhs. He paid the Brokerage of Rs. 25,000 for the sale transactions. The cost inflation index for Financial Year 1981-82 is 100, for Financial Year 1985-86 is 133 and for Financial Year 2005-06 is 497.

Compute the Capital Gain of Mr. Kanade chargeable to tax for Assessment Year 2006-07.

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 any Four deductions allowable from the Income under the Head Profits and Gains of Business under the Income Tax Act, 1961. (8)

Q. 6 Answer any seven of the following questions briefly with reference to Assessment Year 2006-07: 14

(a) Mr. Ajinkya donated articles worth Rs. 20,000 to flood affected areas. Can he claim this as a deduction u/s 80G?

- (b) Vinayak received Rs. 15,000 as a birthday gift from his father. Vinayak claims Rs. 15,000 is not taxable in his hands. Is he right?
- (c) Manoj working as a manager of an agricultural estate received Rs. 1,20,000 as salary and claims it as his agricultural income. Is he right?
- (d) Mr. Purohit, lecturer in Adarsh College Mumbai, received Rs. 8,000 as examinership fees from University of Mumbai. He claims it as income from other sources. Is he right?
- (e) Ajay has two house properties. Both are self occupied. He claims that annual value of both houses shall be NIL. Is he right?
- (f) Varun paid interest on loan of Rs. 1,30,000 before commencement of production in his business. He claims this as a revenue expenditure. Is he right?
- (g) Mrs. Savitribai received a family pension of Rs. 60,000 during 2005-06. She claims a standard deduction to the extent of 1/3rd of such pension. Is she right?
- (h) Shri Kamble pays Rs. 1,25,000 as premium on his Life Insurance Policy. What is the maximum amount of deduction available u/s 80C?
- (i) M/s. Sanglikar Pvt. Ltd. paid to M/s. Kokane & Co. Chartered Accountants sum of Rs. 30,000 as retainership fees during the previous year ending 31st March 2006 without deducting any tax at source. Are they right?

## Section â€“ II

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

**OR**

Explain with reasons, whether the following are 'sale' as per the provisions of the Central Sales Tax Act, 1956.

- (a) Pledge of Goods.  
(b) Sale of Washing Machines on Hire Purchase System.  
(c) Sale of Medicines by a Doctor.  
(d) Catering Services in a Marriage Function.  
(e) Transfer of Goods from 'Factory' to the Branch.

Q. 8 Mr. Lele commenced his Business on 1st February, 2006. 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 for your answer. The details of his sales and purchases are as under: 10

Month	Purchases		Sales	
	Taxable Rs.	Tax Free Rs.	Taxable Rs.	Tax Free Rs.
February 2006	8,000	50,000	4,000	95,000

March 2006	3,000	32,000	5,000	45,000
April 2006	4,000	2,10,000	1,000	3,05,000
May 2006	5,000	1,75,000	6,000	1,90,000
June 2006	2,000	2,00,000	2,000	2,10,000
July 2006	4,000	2,50,000	5,000	2,75,000
August 2006	4,000	1,70,000	4,000	1,90,000
September 2006	6,000	1,80,000	8,000	2,20,000

## OR

Calculate the Set Off and Tax Payable under MVAT Act 2002 from the following details of August 2006 of M/s. Ragnekar Associates.

<b>Particular</b>	<b>Total Rs.</b>
Local purchases from Registered Dealers	12,00,000
Purchases from Unregistered Dealers	2,00,000
Sales Price of Goods	20,00,000
Inter State Stock Transfer	4,00,000

The ratio of Stock Transfer to total sales 20%. M/s. Ragnekar Associates had an Opening Balance (Credit) in VAT Credit Receivable Account of Rs. 12,500.