

## Direct & Indirect Tax

October 2006

Time: 3 Hours

Marks: 100

**NB:**

1. Question No. 1 is compulsory and carries 22 marks.
2. Answer any three questions from Question Nos. 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 (a) Mr. Sham provides the following Profit and Loss account for the year ended 31-3-2005. 22

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

<b>Payments</b>	<b>Rs.</b>	<b>Receipts</b>	<b>Rs.</b>
To Salaries	1,30,000	By Gross Profit	7,67,000
To Rent	30,000	By U.T.I. Dividend	9,000
To Printing and Stationery	25,000	By Income form LIC Mutual Fund	5,000
To Advertisement Expenses	50,000	By Gift from Mother	5,000
To Entertainment Expenses	18,000	By Winning from Cross Word Puzzle	12,000
To Motor Car Expenses	30,000	By Interest on National Saving Certificates	3,000
To Personal Drawings	60,000		
To Embezzlement by an Employee	7,000		
To Staff Welfare Expenses	70,000		
To Donations	30,000		
To Depreciation	35,000		
To Income Tax	16,000		
Net Profit	3,00,000		
Total	8,01,000	Total	8,01,000

**Additional Information:**

1. Depreciation as per Income Tax Rule is Rs. 38,000.
2. Staff welfare expenses include Rs. 20,000 for his own medical treatment.
3. 50% of the rent is paid for his residential house.
4. Printing includes Rs. 5,000 paid for printing marriage cards for his daughter's marriage.
5. Donations are made to
  - (a) The National Sports Fund Rs. 10,000.
  - (b) The Indira Gandhi Memorial Trust Rs. 8,000.
  - (c) The Prime Minister's National Relief Fund Rs. 12,000.

Compute the net taxable income of Mr. Sham for Assessment year 2005-06.

Q 2. Mr. Kadam a severally handicapped person (85%) took voluntary retirement on 1st Jan., 2005 after completing 25 years of service in a Private Company. He furnishes the following information for the year ended 31st March, 16

Basic Salary	Rs.20,000 p.m.
Dearness Allowance	@ 80% of Basic Salary
Conveyance Allowance Received (Actual Conveyance Expenses Rs. 800/- p.m.)	Rs.800/- P.M.
Voluntary Retirement Compensation	Rs. 7,65,000
Profession Tax Paid	Rs.2,500/-
Gratuity Received (Fully exempt.)	Rs.1,78,600/-
Commuted Pension (1/3 rd exempt.)	Rs. 84,000/-
Uncommuted Pension.	Rs. 3,000 p.m.
Leave Encashment (Exempt. Upto 10 months)	2 Months Basic.
Reimbursement of Medical Expenses	Rs. 12,000

He was presented a gift cheque of Rs. 10,000 by his colleagues by collecting voluntary contribution.

He paid Medical Insurance Premium on 10th March, 2005 of Rs. 15,000/- by cheque.

Compute his net taxable income for year 2005-06.

Q. 3 Mr. Wadekar owns two houses in Mumbai, the particulars of which are as follows for the previous year 2004-05: 16

<b>Particulars</b>	<b>House Property I</b>	<b>House Property II</b>
Nature of occupancy	Let out	Self-Occupied

Municipal Valuation	Rs. 2,00,000	Rs. 3,00,000
Fair rent	Rs. 1,90,000	Rs. 2,70,000
Rent received	Rs. 3,50,000	Rs. NIL
Municipal taxes paid on 1/3/2005	Rs. 20,000	Rs. 30,000
Fire Insurance Premium paid	Rs. 3,000	Rs. 5,000
Collection charges	Rs. 1,000	Rs. NIL
Land revenue payable	Rs. 1,500	Rs. 2,400
Interest paid on loan taken for construction of house property	Rs. 1,60,000	Rs. 40,000
Repayment of principal amount of Loan	Rs. 50,000	Rs. 10,000
Date on which loan was taken	20/12/1999	25/1/1998

Mr. Wadekar also received the following Income during the previous year 2004-2005

- (a) Royalty on book written by him Rs. 25,000.
- (b) Dividend received from co-operative society Rs. 5,000.
- (c) Interest received on debentures from Indian Company Rs. 5,000

He contributed Rs. 11,000/- to L.I.C. Pension Fund Policy.

Compute the Net Taxable Income of Mr. Wadekar for the previous year 2004-05 relevant to assessment year 2005-06.

Q.4 (a) Miss Sanjali, an Indian citizen, furnishes the following information of her income earned during the previous year 2004-05. 8

- (i) Professional fees received in India Rs. 10,000.
- (ii) Income earned in India but received in France Rs. 15,000.
- (iii) Dividend on shares of Indian co-operative bank received in India Rs. 7,000.
- (iv) Salary earned and received in France Rs. 5,000.

You are required to find out her 'Gross Total Income' for assessment year 2005-06 if she is alternatively.

- (i) Resident and Ordinarily Resident.
- (ii) Resident But Not Ordinarily Resident and
- (iii) Non Resident.

(b) Mr. Parag purchased a residential flat on 02/05/2002 for Rs. 10,00,000. He paid on the same day the stamp duty and registration charges of Rs. 48,750 on purchase of flat. He sold the said flat on 17/03/2005 for Rs. 12,00,000. The cost Inflation Index for F.Y. 2002-03 is 447 and for F.Y. 2004-05 is 480. Compute his Capital.(8)

Gain Chargeable to tax for assessment year 2005-2006.

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

1. What is the percentage of rebate available U/s 88 if the Gross total Income of an assessee exceeds Rs. 5 lakhs?
2. Mr. Sharad Bhide paid a Medical Insurance Premium to GIC of Rs. 6,000/- in cash on 15th February, 2005. Can he claim deduction U/s 80 D?
3. Mr. Manoj Shinde is physically handicapped (45%) as certified by medical authorities. He claims a deduction of Rs. 75,000/- U/s 80U Is he correct?
4. Mr. Shrinivas Gupte purchased a residential flat on 1st January, 2002 and sold it on 30th Dec, 2004. He claims the capital Gain as Long term. Is he correct?
5. Mr. Narayan has attained the age of 65 years on 15th November, 2004. Can he claim rebate U/s 88?
6. Mr. Kartik donated clothes and grains worth Rs. 25,000 to an approved Charitable Institution on 16th March, 2005. Can he claim deduction U/s 80 G?
7. Mr. Yogesh Datey has given his commercial property on rent of Rs. 1,00,000 p.m. He claims this as a business income. Is he right?
8. An Indian Company has its entire business in London. What is the residential status of the Company?
9. Mr. Mohan, son of Mr. Yeshwant, completed age of 18 years on 31st March, 2005. He earned Rs. 20,000 as interest on fixed deposits during the previous year 2004-05. In whose hands the income will be taxed?
10. Mr. P. has debited Rs. 20,000 as sales-tax to his P & L A/c which is unpaid till the due date of filing of his Income-tax return. Can he claim this as a allowable deduction?

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

1. Person.
2. Previous Year.
3. Assessee.

(b) Explain the deductions u/s 24 available from income from House property for assessment year 2005-2006. 8

## Section â€“ II

Q.7 (a) Explain when is a Sale or Purchase of Goods said to take place outside a state as per the provisions of the Central Sales Tax Act, 1956. 10

**OR**

(a) Define and Explain the term 'Dealer' as per the provisions of the Central Sales Tax Act, 1956.

(b) State with reasons whether the following persons are dealers as per the provisions of the Central Sales Tax Act 1956:

- o (i) Company Secretary in Practice.
- o (ii) Excise Consultant.
- o (iii) Trader in Computers.

Q.8 Explain "Value Added Tax" (VAT) briefly. What are the benefits derived from VAT? 10

**OR**

Explain with reasons whether the following are 'Sales' as per the provisions of the Maharashtra Value Added Tax Act, 2002. (10)

- (a) Sale of scrap by a scrap dealer.
- (b) Mortgage of land.
- (c) Sale of liquor.
- (d) Consultancy provided by a Chartered Accountant.
- (e) Sale of second hand furniture by a dealer in furniture.

Q.9 The following information regarding the turnover of purchases and sales transactions is submitted by Mr. Hrishikesh, who started business on 1st May, 2005. Find out whether as per the provisions of the MVAT Act 2002, he is liable for registration and payment of Tax. Give reasons for your answer. (10)

Year & Month	Details of Purchases		Details of Sales		
	Within state	Outside the State	Taxfree Goods	Taxable Goods	
2005	Taxfree Goods	Taxfree Goods	Taxable Goods	Taxable Goods	
	Rs.	Rs.	Rs.	Rs.	
May	90,000	4,000	5,500	85,000	4,000
June	1,02,000	3,500	3,500	1,50,000	3,500
July	1,50,000	6,000	2,500	1,75,000	1,500
Aug.	1,10,000	2,500	4,000	1,00,000	3,000
Sept.	1,75,000	1,500	3,000	2,50,000	3,500

OR

A dealer purchases the:-

<b>Particular</b>	<b>Total Rs.</b>	<b>Input Tax Rs.</b>	<b>Net Purchases Rs.</b>
4% VAT Goods	7,80,000	30,000	7,50,000
12.5% VAT Goods	15,75,000	1,75,000	14,00,000
VAT Exempt Goods	1,50,000	NIL	1,50,000

**Additional Information:**

- (a) VAT payable on sales made during the month is Rs. 3, 27,500/-.
- (b) During December, 2005, the dealer utilized 4% VAT Goods costing Rs. 1, 50,000/- as input for manufacturing Exempted Goods.
- (c) On 1st December, 2005 there was an opening balance of Rs. 10,000/- in VAT Credit Receivable/set off Account.
- (d) The dealer has received a refund fo Rs. 2,500/- out of VAT credit Receivable Account.

Prepare a statement of Computation of Tax to be paid under the provisions of Maharashtra Value Added Tax Act 2002.