

M.Com. (Part - II)
-: Accountancy Group :-
Direct & Indirect Taxes
(Paper-V)
{April – 2016}

QP Code : 24500

(3 Hours)

[Total Marks : 100

- N.B. :** (1) Questions No.1 and Questions No. 2 from Section I are compulsory.
(2) Answer any one question from Questions No. 3 and Question No. 4 from Section - I.
(3) Answer all questions from Section - II.
(4) Figure to the right indicates full marks.
(5) Working notes from part of answer.
(6) Use of simple calculator is permitted.

Section - I

1. Mr. Z is a practicing Chartered Accountant furnishes the following particulars of his Receipts and Payments Account for the year ending 31-3-2015. 20

Receipt and Payment Account for the year ended 31-3-2015.

| Receipts | ₹ | Payments | ₹ |
|-------------------|----------|--------------------------|----------|
| Balance b/d | 17,500 | Office Salaries | 15,000 |
| Professional Fees | 2,40,000 | Office Rent | 5,000 |
| House Rent | 22,500 | Telephone Expenses | 2,000 |
| | | Printing & Stationary | 3,000 |
| | | Motor Car Expenses | 8,000 |
| | | Sundry Expenses | 5,000 |
| | | Furniture | |
| | | (Purchased on 1/6/14) | 50,000 |
| | | Income Tax | 3,000 |
| | | Interest | 20,000 |
| | | <u>Expenses relating</u> | |
| | | <u>to the Property</u> | |
| | | Municipal tax | 5,000 |
| | | Repairs | 2,000 |
| | | Balance c/d | 1,62,000 |
| | 2,80,000 | | 2,80,000 |

Compute the taxable income for Assesment Year 2015-16 after taking into account the following information.

- i) Mr. Z stays in his house property which is partly let out [50%] and partly self occupied. The annual value of which is ₹ 20,000. The following are expenses in respect of the let out part.
- | | |
|-------------|---------|
| Insurance | ₹ 1,500 |
| Ground Rent | ₹ 500 |

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- ii) Only three-fourth of the motor car expenses relate to the profession.
- iii) Sundry expenses include ₹ 1,000 amount given to an employee as advance written off as irrecoverable and ₹ 1,500 as insurance premium on his health.
- iv) Depreciation on Furniture is 10% p.a. as per Income Tax Law and allowable depreciation on Motor Car is ₹ 4,000.
- v) Interest is paid on loan taken for his son's education in USA for post graduation specialisation.

2. (a) State followings as True or False.

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- (1) Indian companies are always Resident in India.
- (2) Advance salary is taxable in the year of receipt.
- (3) Family pension is Income from Other Sources.
- (4) Gross Annual Value is always more than Net Annual Value of house property.
- (5) Cost of improvement of goodwill is always taken as NIL.
- (6) Deduction under section 80C is available on "Payment" basis and not on "Accrual basis."
- (7) Indexation benefit is not available in the case of transfer of Bonds.
- (8) Loss arising from negligence or dishonesty of an employee is allowed as Business Loss/Expenses for calculating Business Income.
- (9) Rental income of a vacant plot of land is always taxable under the head "Income from House Property."
- (10) An assessee is always a "Person." However, a "Person" may or may not be an assessee.

(b) Match the columns :-

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| | |
|---|--|
| <ul style="list-style-type: none">• Mumbai University• Entertainment allowance deduction• Jewellery• Pre-acquisition interest on house property• Bonus to employees | <ul style="list-style-type: none">• Only to Government employees• An Artificial Juridical person• Deductible in five equal instalments• Deductible as expenditure when paid for Business Income• Capital asset |
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3. Compute Mr. Suraj's taxable income for the Assessment Year 2015-16. 15

| | (₹) |
|--|--------------|
| (1) Basic Salary | 8,000 p.m. |
| (2) Dearness Allowances | 10% of Basic |
| (3) Commission on sales turnover | 16,000 |
| (4) Bonus | 55,000 |
| (5) Leave salary encashed | 15,000 |
| (6) Arrears of salary (not taxed in earlier years) | 75,000 |
| (7) Professional tax paid ₹ 5,000 of which ₹ 2,000 was paid by the employer. | |

He has following investments as on 1/4/2014 :

- (1) Fixed Deposits with SBI ₹ 10,00,000. Rate of interest is 8%p.a.
- (2) Deposits with companies ₹ 5,00,000. Rate of interest is 7% p.a.

In addition to above he has received the following.

- (1) Royalty for writing the books ₹ 3,00,000 (Gross) .
- (2) Honorarium received from a college is ₹ 45,000 .
- (3) Family pension of ₹ 52,000 on the death of his wife from her employer.

4. Write short notes (Any three). 15

- (1) Short Term Capital Gain.
- (2) Advance tax payments.
- (3) Computation of income and tax of a partnership firm.
- (4) Exclusion from Total Income under Section 10.
- (5) Previous Year and Assessment Year.

Section - II

5. M/s BK Ltd., a courier agency is registered service provider. From the following details calculate service tax liability of the agency. Service tax rate is 12.36% 10

- (1) Received ₹ 4,80,000 (excluding service tax) for courier delivery services.
- (2) Received ₹ 5,00,000 as a co-loader for sending goods to Pune.
- (3) Dispatched medicines to WHO. Delivery charges charged ₹ 1,50,000.
- (4) Received ₹ 2,50,000 for value of services to an Indian bank.

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6. Determine the following as True or False (as per Service Tax Law). 10
- (1) Money for the purpose of valuation of taxable service includes cheques only.
 - (2) Point of Taxation shall be the time when the invoice for the service provided or agreed to be provided as issued.
 - (3) The rate of service tax shall be the rate in force at the time when the taxable service has been provided or agreed to be provided.
 - (4) A person seeking registration for service tax should file an application in form ST-2.
 - (5) Every person who has provided a taxable service of value exceeding ₹ 9,00,000 in the financial year is required to register with the Service Tax Office, if not registered earlier.
 - (6) Failure to obtain registration would not attract penalty.
 - (7) Service Tax Return is required to be filed twice in a financial year.
 - (8) If there is delay of 15 days in filing the return, the penalty is ₹ 15,000.
 - (9) The nature of records to be maintained and the form in which the records are to be maintained are left at the judgement of the assessee.
 - (10) Service recipient where liable to pay tax, has to calculate tax liability on the basis of the cost of providing the service.

7. Mr. KK, an architect is registered and liable for payment of service tax. He gives the following information to calculate his service tax liability. 10

| | ₹ (Excluding Service Tax) |
|---|---------------------------|
| 1. Fees from a company at Japan, work done at Mumbai | 5,00,000 |
| 2. Fees from a client at UK, work done at UK and amount received in foreign currency. | 10,00,000 |
| 3. Fees from the Government | 5,00,000 |
| 4. Fees from RBI | 2,00,000 |

He has paid the following during the same period.

- (1) Telephone bills ₹ 12,036 (including service tax).
- (2) Courier charges for delivery services ₹ 52,000 (including service tax).

The service tax rate is 12.36%.

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8. Rakesh & Co., a registered dealer request you to compute the liability of tax under MVAT Act, 2002 from the following information. 10

| Month | Sales with in the State (₹) | | | | Set-off (₹) |
|------------|-----------------------------|------------|------------|------------|-------------|
| | Schedule A | Schedule B | Schedule D | Schedule E | |
| Jan. 2016 | 12,00,000 | 15,00,000 | 18,00,000 | 21,00,000 | 50,000 |
| Feb.2016 | 15,00,000 | 20,00,000 | 25,00,000 | 25,00,000 | 25,000 |
| March 2016 | 20,00,000 | 18,00,000 | 22,00,000 | 30,00,000 | 30,000 |

Rate of Tax :

| | | |
|------------|---|-------|
| Schedule A | = | NIL |
| Schedule B | = | 1% |
| Schedule D | = | 20% |
| Schedule E | = | 12.5% |

9. State whether followings are True or False as per MVAT Act , 2002. 10
- (1) VAT is a single point tax.
 - (2) A chartered accountant is not a dealer under MVAT Act, 2002.
 - (3) Sale price under MVAT Act, 2002 shall include tax paid or payable to a seller in respect of such sale.
 - (4) All services are subject to MVAT Act, 2002.
 - (5) Dealer registered based on limits of turnover is liable to pay tax on sales after date of registration.
 - (6) VAT paid on purchase of capital asset is never eligible for full set off.
 - (7) Central Sales Tax paid on inter-state purchase is eligiable for set-off under MVAT Act, 2002.
 - (8) A person who voluntarily desires to get registered has to deposit an amount of ₹5,00,000.
 - (9) If a dealer files an incorrect return, the penalty may be equal to ₹ 50,000.
 - (10) The turnover of sales for calculating registration liability includes export sales (out of India).