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| **Roll No………** |  |
| **Total No. of Questions — 7]** | **[Total No. of Printed Pages — 11** |
| **Time Allowed : 3 Hours** | **Maximum Marks : 100** |

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| Answers to questions are to be given only in English except in the cases of candidates who have opted for Hindi medium. If a candidate who has not opted for Hindi medium, answers in Hindi, his answers in Hindi will not be valued. |
| Q.No. 1 is compulsory. |
| Attempt any **five** questions from the remaining **six** questions. |
| Working notes should form part of the answer. |
| Wherever necessary suitable assumptions may be made by the candidates. |
| Marks |

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| 1. | (a) | Mr. Soohan submits the following details of his income for the assessment year 2010–11.

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| Income from salary | 3,00,000.00 |
| Loss from let out house property | 40,000.00 |
| Income from sugar business | 50,000.00 |
| Loss from iron ore business b/f(discontinued in 2003–04) | 1,20,000.00 |
| Short term capital loss | 60,000.00 |
| Long term capital gain | 40,000.00 |
| Dividend | 5,000.00 |
| Income received from lottery winning (Gross) | 50,000.00 |
| Winning in card games | 6,000.00 |
| Agricultural income | 20,000.00 |
| Long term capital gain from shares (STT paid) | 10,000.00 |
| Short term capital loss under section 111 | 10,000.00 |
| Bank interest | 5,000.00 |

Calculate gross total income and losses to be carried forward. | 5 | (0) |
|   | (b) | Mr. A is a proprietor of Akash Enterprises having 2 units. He transferred on 1.4.2009 his unit 1 by way of slump sale for a total consideration of Rs.25 Lacs. The expenses incurred for this transfer were Rs.28,000/-. His Balance Sheet as on 31.3.2009 is as under:

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| --- | --- | --- | --- | --- | --- |
| **Liabilities** | **TotalRs.** | **Assets** | **Unit 1Rs.** | **Unit 2Rs.** | **TotalRs.** |
| Own Capital Revaluation Reserve (for building of unit 1)Bank loan (70% for unit 1)Trade creditors (25% for unit 1) | 15,00,000 3,00,000 2,00,000 1,50,000 | Building Machinery Debtors Other assets | 12,00,000 3,00,000 1,00,000 1,50,000 | 2,00,000 1,00,000 40,000 60,000 | 14,00,000 4,00,000 1,40,000 2,10,000 |
| Total | 21,50,000 | Total | 17,50,000 | 4,00,000 | 21,50,000 |

Other information:

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| (i) | Revaluation reserve is created by revising upward the value of the building of unit 1. |
| (ii) | No individual value of any asset is considered in the transfer deed. |
| (iii) | Other assets of unit 1 include patents acquired on 1.7.2007 for Rs.50,000/- on which no depreciation has been charged. |

Compute the capital gain for the assessment year 2010–11. | 5 | (0) |
|   | (c) | Smart & Express Co., is providing taxable information technology software services. The firm furnishes the following information relating to the services rendered, bills raised, amount received pertaining to this service, for the financial year ended on 31st March, 2010 as under:

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|  |  | **Rs.** |
| (i) | Amount received being 10% of the assignment fees on 31st March, 2010 for the upgradation and enhancement of software services to be rendered during the financial year 2010–11. | 6,00,000 |
| (ii) | Services provided to UNICEF, an International Organisation in Gandhinagar, for analysis, design and programming of latest information technology software. | 5,00,000 |
| (iii) | Services billed to clients (In one of the bill amounting to Rs.3,00,000 [service tax](http://www.futureaccountant.com/exam-question-previous-papers/2009-ipcc_taxation-november-2010/p23b/) was not charged due to conflicting nature and in another bill the firm failed to recover the service tax from the client, which was charged separately, due to insolvency of the client, the bill details are as under:

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|  | **Rs.** |
| Being the charges for right to use IT software Service tax @ 10% Education cess @ 2% Secondary & Higher education cess @ 1% | 8,00,000 80,000 1,600 800 8,82,400 |

 | 3,00,000 |
| (iv) | Amount received for services rendered during current financial year (excluding payment for 2 bills in item (iii) above for which payment received during current financial year) | 1,04,78,500 |

Service tax and education cess have been charged separately in all the bills except wherever mentioned when it is not so charged separately.Compute the value of total services and service tax payable thereon for the year ended 31–3–2010, assigning reason in brief to the treatment of all items. | 5 | (0) |
|   | (d) | Mr.Rajesh is a registered dealer and gives the following information. You are required to compute the net tax liability and total sales value under Value Added Tax:Rajesh sells his products to dealers in his State and in other States.The profit margin is 15% of cost of production and [VAT rate](http://www.futureaccountant.com/exam-question-previous-papers/2009-ipcc_taxation-november-2010/p23b/) is 12.5% of sales.

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| (i) | Intra State purchases of raw material Rs.2,50,000/- (excluding VAT @ 4%). |
| (ii) | Purchases of raw material from an unregistered dealer Rs.80,000/- (including VAT @ 12.5%) |
| (iii) | High seas purchases of raw material are Rs.1,85,000/- (excluding custom duty @ 10% of Rs.18,500) |
| (iv) | Purchases of raw materials from other States(excluding CST @ 2%) Rs.50,000/- |
| (v) | Transportation charges, wages and other manufacturing expenses excluding tax Rs.1,45,000/- |
| (vi) | Interest paid on bank loan Rs.70,00/- |

 | 5 | (0) |
| 2. | (a) | (i) | Which income of Sikkimese individual is exempted from tax under section 10(26AAA)? | 4 | (0) |
|   |   | (ii) | How will you calculate the period of holding in case of the following assets?

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| (1) | Sahres held in a company in liquidation |
| (2) | Bonus shares |
| (3) | Flat in a co–operative society |
| (4) | Transfer of a security by a depository (i.e., demat account) |

 | 4 | (0) |
|   | (b) | How can an assessee adjust the excess payment of service tax against his liability of service tax for subsequent periods? What is the basic condition for it? | 4 | (0) |
|   | (c) | What record should be maintained under VAT system by a registered dealer? | 4 | (0) |
| 3. | (a) | Dr.Shuba is medical practitioner. Her age is 64 as on 1 Jan 2010. The receipts and payments account of 2009–10 of her is as under:

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| --- | --- | --- | --- |
| ToBalance B/f: Receipts from sale of Medicine Consultation fee Visiting fee Lecturers Family pension Saving bank interest Loan from bank Share from HUF Agriculture income Income from lottery (net after deduction of TDS @ 30%) | 10,000 2,50,000 50,000 2,00,000 5,000 2,80,000 1,000 3,00,000 50,000 1,00,000 35,000 | ByPurchase of commercial vehicle before 30 Sep. 2009.Drawing Deposit in bank for 5 years Surgical instrument purchased before 30 Sep. 2009Instalment of loan paid (including interest Rs.22,333)Medical insurance premium Instalment of housing loan (Principal component Rs.48,000)[Advance tax](http://www.futureaccountant.com/exam-question-previous-papers/2009-ipcc_taxation-november-2010/p23b/) paid Purchase of medicine Payment for medical journal Vehicle expenses Balance C/f: | 4,00,000 2,50,000 1,50,000 50,000 1,21,000 32,000 1,08,000 20,000 47,000 5,000 50,000 48,000 |
| Total | 12,81,000 | Total | 12,81,000 |

Other relevant information is as under:

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| (i) | She resides in her own house which was constructed in 1998 with a loan from LIC Housing of Rs.10,00,000 out of which, 6,00,000 was still due. She got it refinanced from SBI on 01.04.09 at the rate of 10%. One fourth portion of the house is used for clinic purposes. |
| (ii) | She invested in term deposit Rs.1,50,000 in Bank of Baroda on 01.07.9 for a period of 5 years in the name of her minor daughter at 9% interest p.a. |
| (iii) | She purchased a commercial vehicle on 1 July 2009 at Rs.4,00,000. A loan of Rs.3,00,000 was taken to buy the van at 8% interest. One fourth use of vehicle is estimated to be personal. |
| (iv) | She paid medical insurance premium for herself of Rs.16,000 and for mother Rs.16,000. Her mother is dependent on her. |
| (v) | She got her share from HUF’s income of Rs.50,000. |

 | 8 | (0) |
|   | (b) | Write a note in brief on provisional payment of service tax. | 4 | (0) |
|   | (c) | State the Variants of VAT. Present them in schematic diagram and explain each on briefly. | 4 | (0) |
| 4. | (a) | (i) | Explain the consequences of not deducting tax and paying to Govt. account under section 201 of the Income [Tax Act](http://www.futureaccountant.com/exam-question-previous-papers/2009-ipcc_taxation-november-2010/p23b/), 1961. | 4 | (0) |
|   |   | (ii) | Can a political party claim exemption of its income under Section 13A of the Income tax Act, 1961? | 4 | (0) |
|   | (b) | How will a taxable service be valued when the consideration thereof is not wholly or partly in terms of money? | 4 | (0) |
|   | (c) | State with reason in brief whether the following statements are correct or incorrect with reference to the provision of Value Added Tax. | 2x2=4 |   |
|   |   | (i) | It is permitted to issue ‘invoice’ inclusive of VAT i.e. aggregate of sales price & VAT. |   | (0) |
|   |   | (ii) | A registered dealer is compulsorily required to get its books of accounts audited under VAT Laws of different states irrespective of limit of turnover. |   | (0) |
| 5. | (a) | From the following details find out the salary chargeable to tax for the assessment year 2010–11.Mr.X is a regular employee of Rama & Co. in Gurgaon. He was appointed on 01.01.09 in the scale of 20000–1000–30000. He is paid 10% D.A. & Bonus equivalent to one month pay. He contributes 15% of his pay and D.A. towards his recognized provident fund and the company contributes the same amount.He is provided free housing facility which has been taken on rent by the company at Rs.10,000 per month. He is also provided with following facilities:

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| (i) | Facility of laptop costing Rs.50,000. |
| (ii) | Company reimbursed the medical treatment bill of his brother of Rs.25,000, who is dependent on him. |
| (iii) | The monthly salary of RS.1,000 of a house keeper is reimbursed by the company. |
| (iv) | A gift voucher of Rs.10,000 on the occasion of his marriage anniversary. |
| (v) | Conveyance allowance of Rs.1,000 per month is given by the company towards actual reimbursement. |
| (vi) | He is provided personal accident policy for which premium of Rs.5,000 is paid by the company. |
| (vii) | He is getting telephone allowance @ RS.500 per month. |
| (viii) | Company pays medical insurance premium of his family of Rs.10,000. |

 | 8 | (0) |
|   | (b) | What do you mean by e–filing of returns? Is there any facility of e–filing of service tax returns? If yes, then which of the services are eligible for this facility? | 4 | (0) |
|   | (c) | What are the conditions to be fulfilled by the dealer accepting the composition scheme under the Value Added Tax? | 4 | (0) |
| 6. | (a) | Sai Ltd. has a block of assets carrying 15% rate of depreciation, whose written down value on 01.04.209 was Rs.40 lacs. It purchased another asset of the same block on 01.11.2009 for Rs.14.40 lacs and put to use on the same day. Sai Ltd. was amalgamated with Shirdi Ltd. with effect from 01.01.2010.You are required to compute the depreciation allowable to Sai Ltd. & Shirdi Ltd. for the previous year ended on 31.03.2010 assuming the assets transferred to Shirdi Ltd. at Rs.60 lacs. | 8 | (0) |
|   | (b) | State with reasons in brief whether the following statements are correct or incorrect with reference to the provisions of Service Tax. | 2x2=4 |   |
|   |   | (i) | The scope of taxable service shall include any service provided or to be provided to business entity, by any other business entity, in relation to advice, consultancy or assistance in any branch of law including service provided by way of appearance before any court, tribunal or authority. |   | (0) |
|   |   | (ii) | Service tax provisions are not applicable in Jammu and Kashmir because State Government concurrence was not obtained in respect of Finance Act, 1944. |   | (0) |
|   | (c) | Mention the purchases which are not eligible for input tax credit (any eight items) under Value Added Tax. | 4 | (0) |
| 7. | (a) | Answer any **two**sub–parts of the question. | 2x4=8 |   |
|   |   | (i) | Mr.Shah, an Accounts Manager, has retired from JK Ltd. on 15.1.2010 after rendering services for 30 years 7 months. His salary is Rs.25,000/- p.m. upto 30.9.2009 and RS.27,000/- thereafter. He also gets Rs.2,000/-p.m. as dearness allowance (55% of it is a part of salary for computing retirement benefits). He is not covered by the Payment of Gratuity Act, 1972. He has received Rs.8 Lacs as gratuity from the employer company. |   | (0) |
|   |   | (ii) | State under which heads the following incomes are taxable:

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| (i) | Rental income in case of dealer in property. |
| (ii) | Dividend on shares in case of a dealer in shares. |
| (iii) | Salary by a partner from his partnership firm. |
| (iv) | Rental income of machinery. |
| (v) | Winnings from lotteries by a person having the same as business activity. |
| (vi) | Salaries payable to a Member of Parliament. |
| (vii) | Receipts without consideration |
| (viii) | In case of retirement, interest on employee’s contribution if provident fund is unrecognized. |

 |   | (0) |
|   |   | (iii) | Explain briefly the applicability of Section 22 for chargeability of income tax for:

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| (i) | House property situated in foreign country and. |
| (ii) | House property with disputed ownership. |

 |   | (0) |
|   | (b) | Shashwat Hotels Pvt. Ltd has given the following information for F.Y. 2009–10. You are required to compute the taxable services under Service Tax Act and the tax thereon for FY 2009–10 without assigning any reason for the treatment.

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| (i) | Reception room and vehicle parking space were let out for a film shooting for 3 months. The charges received for this Rs.5 Lacs. |
| (ii) | The conference hall was let out to a Gujarati Samaj Trust for a week for a music competition for Rs.50,000/- |
| (iii) | The hotel was booked by a customer for 3 days for a marriage function. The room booking charges were received in advance (excluding service tax) in the same year of Rs.50,000/-. The electricity charges separately billed RS.20,000/-, hire charges including catering charges for 3 days billed of Rs.3,25,000/- after deducting the advance. |
| (iv) | During the year, the conference hall was let out to MNO Ltd. The charges received were as under:Hall rent Rs.4 Lacs, computer & projector systems charges Rs.25,000/-, electricity charges Rs.30,000/-. Hall rent includes charges for snacks and cold drinks Rs.50,000/-. |
| (v) | The hotel garden was let out to a political party for 2 days for a meeting. The charges received Rs.25,000/-. |

The hotel charges 10% service charges which are later distributes as tips to employees.The above charges are excluding service tax. All the charges have been received in FY 2009–10.The hotel has already been registered under Service Tax Act in F.Y. 2008–09. | 4 | (0) |
|   | (c) | Compute the VAT amount payable by Mr.Shyam, who purchased goods from a manufacture on payment of Rs.4,16,000 (including VAT) and earned 20% profit on purchase price. VAT rate on both purchases and sales is 4%. | 4 | (0) |