

# APPLIED DIRECT TAXATION

## OVERVIEW OF DIRECT TAX LAWS

### Objective -Type Questions :

Q1. The following assessee is charged to income-tax in the assessment year following the previous year :

- (1) A non-resident business firm which shipped goods on 1.5.08 at Visakhapatnam Port in Andhra Pradesh;
- (2) An employee left India to USA on 1.8.08 with no intention of returning;
- (3) ABC firm which discontinued its business on 1.9.2008;
- (4) An employee-assessee of a University who worked during 1.4.07 to 30.03.08.

[Ref: Q1. (a)(i), Dec '08 / Paper-7] 1

Q2. The following is capital receipt :

- (1) Dividend from investments;
- (2) Bonus shares;
- (3) Sale of technological know-how;
- (4) Compensation received for compulsory evacuation of place of business.

[Ref: Q1. (c)(ii), June '09 / Paper-7] 1

### Descriptive & Practical Questions :

Q1. Kamalesh was working as a crew member on an Indian ship plying in foreign waters. During the year ended 31.03.2008, the ship did not touch the Indian coast, except for 180 days. State the residential status for the assessment and taxability of his salary.

[Ref: Q5. (a), Dec '08 / Paper-7] 2

**INCOME FROM SALARIES****Objective -Type Questions :**

- Q1. What is the tax incidence of contribution made by an employer to the pension scheme of Central Government? [Ref: Q1. (c)(i), Dec '08 / Paper-7] 2
- Q2. What is the cost of acquisition of sweat equity shares in the hands of the employee? [Ref: Q1. (c)(ii), Dec '08 / Paper-7] 2

**Descriptive & Practical Questions :**

- Q1. Gratuity of Rs. 1,20,000 is received in August, 2007 by Mr. M, a legal heir of Mr. R aged 45 years who died on June 28, 2007. Is it taxable? [Ref: Q2. (a)(i), Dec '08 / Paper-7] 2

**INCOME FROM HOUSE PROPERTY****Objective -Type Questions :**

- Q1. In a house belonging to Janak, his cousin is living without paying any rent. Janak says that since his relative is residing there without paying any rent, there is no rental income chargeable to income-tax. Is he correct? [Ref: Q1. (c)(iii), Dec '08 / Paper-7] 2
- Q2. An assessee, after sale of house property, receiving arrears of rent \_\_\_\_\_ (is/is not) chargeable to tax; the same computed in the stipulated manner, is chargeable to tax as \_\_\_\_\_ (income from other sources/income from house property). [Ref: Q1. (b)(iv), June '09 / Paper-7] 1

**Descriptive & Practical Questions :**

- Q1. RR Ltd., engaged in manufacture of paper, has taken a building on lease, sub-leased a portion of it along with furniture and fixtures from 1.4.2006. It received rent Rs. 1,20,000 and non-refundable deposit of Rs. 10,000 for the financial year 2007-08. It also received an amount of Rs. 70,000 as arrears of rent. What are the heads of income under which the various receipts will be taxed, if found exigible to tax? [Ref: Q2. (a)(iii), Dec '08 / Paper-7] 2
- Q2. Amallesh owns a house property which is let-out for Rs. 6,500 per month. The fair rent of the property is Rs. 90,000. Municipal taxes paid during the year for each half year is Rs. 3,200. The

tenant has spent Rs. 10,000 towards repairs of the property during the year. Compute the income from house property for the assessment year 2008-09.

[Ref: Q5. (b), Dec. '08 / Paper-7] 2

Q3. How will you treat unrealized rent allowed as a deduction in the past and realized in a subsequent year when the assessee is no more the owner of the property.

[Ref: Q7. (b), Dec. '08 / Paper-7] 3

Q4. Is it possible for the net annual value of a house property to be negative? What will be tax treatment if income under the head "Income from house property" is negative?

[Ref: Q8. (e), June '09 / Paper-7] 2+2

## PROFITS AND GAINS OF BUSINESS OR PROFESSION

### Objective -Type Questions :

Q1. The following is not "plant" under section 43(3) of Income-tax Act, 1961 :

- (1) Books;
- (2) Know-how;
- (3) Road in the factory building;
- (4) Electrical fittings.

[Ref: Q1. (a)(iii), Dec '08 / Paper-7] 1

Q2. Under section 44BBB (i) of the Income-tax Act, 1961, the presumptive income is taken as \_\_\_\_\_% of the eligible receipts in the hands of eligible assessee.

[Ref: Q1. (b)(v), Dec '08 / Paper-7] 1

### Descriptive & Practical Questions :

Q1. Vasudha Plastics Ltd., engaged in manufacture of PVC pipes, purchased a machinery on 25.09.2007 for Rs. 2,00,000 and put it to use after two weeks. There is no other asset in the block. What is the WDV of the block as on 31.03.2008?

[Ref: Q2. (v), Dec '08 / Paper-7] 3

Q2. State any ten circumstances when payment exceeding Rs. 20,000 relating to an expenditure, made otherwise than by a crossed cheque or by a crossed demand draft, will not be disallowed under section 40A(3) of the Income-tax Act, 1961.

[Ref: Q5. (f), Dec '08 / Paper-7] 5

Q3. Vasudevan purchased a motor car in December, 2007, which was used by him for business purposes during rest of the year. However, the relevant transfer in the records of the Regional Transport Office was made only in April, 2008. Can the assessee claim depreciation on motor car for the assessment year 2008-09?

[Ref: Q6. (c), Dec '08 / Paper-7] 2

- Q4. What are the types of income of a political party exempt from income-tax under section 13A of the Income-tax Act, 1961? Are conditions required to be fulfilled in this regard?  
[Ref: Q6. (d), Dec '08 / Paper-7] 3
- Q5. Is commodities transaction tax a permissible business expenditure? Explain.  
[Ref: Q2. (c), June '09 / Paper-7] 4
- Q6. Write short notes on Amendment by the Finance Act, 2008 to "Charitable purpose" as defined in section 2(15) of the Income-tax Act, 1961.  
[Ref: Q7. (a), June '09 / Paper-7] 3
- Q7. Write short notes on Reverse mortgage and its income-tax implications.  
[Ref: Q7. (b), June '09 / Paper-7] 3
- Q8. Discuss whether the following payments are permissible as business expenditure :
- (i) For an existing business, on 10.05.2008, an assessee had borrowed Rs. 25 lakhs for acquiring a machinery. Interest paid Rs. 1,10,000/-. The machinery was not put to use during the year ended 31.03.2009.
  - (ii) Payment of Rs. 60,000/- was made to a Don for ensuring that the employees will not indulge in strike. The Don had threatened initiating a labour strike.  
[Ref: Q8. (c), June '09 / Paper-7] 2+2

## CAPITAL GAINS

### Objective -Type Questions :

- Q1. Short-term capital gains arising from sale of listed shares through a recognized stock exchange, for which security transaction tax has been paid, will be charged to tax at a concessional rate of 10%.  
[Ref: Q1. (a)(iv), June '09 / Paper-7] 2

### Descriptive & Practical Questions :

- Q1. State briefly the requisites of a charge income-tax of capital gains under section 45(1) of the Income-tax Act, 1961.  
[Ref: Q6. (a), Dec '08 / Paper-7] 3
- Q2. The urban lands of Mr. A were required by the State Government 10 years back and compensation of Rs. 10 lakhs was awarded by the Court in February, 2008 and the same was received in May, 2008.  
State the consequences under the Income-tax Act, 1961, showing clearly the year of taxability. What will happen if Mr. A dies and Mr. L, his legal heir receives the enhanced compensation?  
[Ref: Q3. (c), June '09 / Paper-7] 4

- Q3. Mr. Y submits the following particulars for the year ended 31.03.2009 :
- (i) On 30.04.2008, when he attained the age of 60, his friends gave him a new flat at Surat, each contributing Rs. 40,000 in cash. The cost of the flat was Rs. 6.4 lakhs.
  - (ii) Another friend sent cash gift of Rs. 75,000 for the occasion.
  - (iii) Mr. Y sold the flat on 30.01.2009 for Rs. 8.9 lakhs. The Registrar's valuation for stamp duty purposes was Rs. 9.2 lakhs. Neither the buyer, nor Mr. Y questioned this value.
  - (iv) He had purchased equity shares in X Ltd. on 05.02.2008 for Rs. 3.5 lakhs. These were sold on 15.03.2009 for Rs. 2.8 lakhs.
  - (v) He has paid life insurance premium of Rs. 90,000 for his major son who is not dependent on him.
- You are required to calculate the total income of Mr. Y for the assessment year 2009-10. Cost inflation indices are 551 for financial year 2007-08 and 582 for financial year 2008-09.  
[Ref: Q5. (a), June '09 / Paper-7] 7
- Q4. Mr. A, is engaged in retail trade and is a distribution for the products of Mr. X. In appreciation of high turnover effected by Mr. A, Mr. X presented him a new car worth Rs. 4 lakhs. Discuss the exigibility to tax of the above receipt in the hands of Mr. A. [Ref: Q5. (c), June '09 / Paper-7] 2

## INCOME FROM OTHERS SOURCES

### Objective -Type Questions :

- Q1. Cash gifts received under section 56(2)(vi) from non-relatives are not taxable upto
- (1) Rs. 1,00,000;
  - (2) Rs. 75,000;
  - (3) Rs. 50,000;
  - (4) Rs. 25,000.
- [Ref: Q1. (c)(iv), June '09 / Paper-7] 1
- Q2. Mr. A has three minor children deriving interest from bank deposits to the tune of Rs. 2,000, Rs. 1,300 and Rs. 1,600 respectively. Exemption available under section 10(32) of the Income-tax Act, 1961 is
- (1) Rs. 4,900;
  - (2) Rs. 4,300;
  - (3) Rs. 4,500;
  - (4) None of the above.
- [Ref: Q1. (c)(v), June '09 / Paper-7] 1
- Q3. Miss Femina, aged 17, is married to Mr. Masculine. Her mother alone is alive. Income by way of interest on loans, of Miss Femina will be
- (1) Assessed to tax in the hands of Mr. Masculine;

- (2) Assessed to tax in the hands of her mother;
- (3) Taxable in her own hands;
- (4) None of the above.

[Ref: Q1. (c)(vi), June '09 / Paper-7] 1

Q4. Mr. X gifts Rs. 60,000 to the HUF of which he is member; said amount will be treated as income of

- (1) Mr. X;
- (2) The HUF;
- (3) None, as it is exempt;
- (4) None of the above.

[Ref: Q1. (c)(vii), June '09 / Paper-7] 1

## CLUBBING OF INCOME

### Objective -Type Questions :

Q1. Assets held by a minor married daughter \_\_\_\_\_ (will/will not) be clubbed in the hands of the individual. [Ref: Q1. (b)(iii), Dec '08 / Paper-7] 1

### Descriptive & Practical Questions :

Q1. Mr. Daga is a trader. Particulars of his income and those of the members of his family are given below (These incomes relate to the year ended 31st March, 2008) :

	Rs.
(i) Income from Mr. Daga's business	90,000
(ii) Salary derived from an educational institution by Mrs. Daga; she is the principal of the institution	50,000
(iii) Interest on company deposits derived by Master Deep Daga (Minor son). These deposits were made in the name of Deep Daga by his father's father about 6 years ago	12,000
(iv) Receipts from sale paintings and drawings made by minor Dipali Daga (Minor Daughter of Mr. and Mrs. Daga and a noted child artiste)	60,000
(v) Income by way of lottery earning by Master Dipendar Daga (Minor son of Mr. and Mrs. Daga)	26,000

Discuss whether the above will form part of the total income of any individual, duly considering applicability of clubbing provisions in each case, and also compute the total income of Mr. Daga. [Ref: Q7. (c), Dec '08 / Paper-7] 7

Q2. Vatsan has the following incomes for the financial year 2007-08 :

	Rs.
Business Income	(-) 40,000
Short-term capital gains	16,000
Long-term capital gains	1,90,000

He deposits Rs. 10,000 in public provident fund account. You are required to find out his tax liability for the assessment year 2008-09. [Ref: Q6. (b), Dec '08 / Paper-7] 4

Q3. The following details of income of Mr. X and his wife, for the assesment year 2009-10 are made available to you :

	<b>Mr. X</b>	<b>Mrs. X</b>
	<b>Rs.</b>	<b>Rs.</b>
Income from own business/ profession	1,20,000	90,000
Income from other sources	2,10,000	1,10,000
Interest received from Z & Co.	20,000	4,10,000
Salary received from Z & Co.	96,000	84,000

Mr. X and Mrs. X are partners in Z & Co. each having 10% share in profits. Determine the total income of Mr. X and Mrs. X.

Will your answer be different, (a) If each one of them hold 8% shares in profits of Z & Co.? (b) If Mr. X and Mrs. X both possess professional qualifications.

[Ref: Q6. (a), Dec '08 / Paper-7] 11

## DEDUCTION IN COMPUTING TOTAL INCOME

### Objective -Type Questions :

- Q1. From out of his agricultural income, X has paid interest of Rs. 10,000 on education loan taken from nationalized bank last year. Deduction available under section 80E of the Income-tax Act, 1961 is Rs. \_\_\_\_\_ .  
[Ref: Q1. (v)(viii), Dec '08 / Paper-7] 1

### Descriptive & Practical Questions :

- Q1. ABC Company derived income from two separate industrial units during the year ending March 31, 2008, eligible for deduction under section 80-IB. The profit of one unit was Rs. 4,50,000 while the other unit suffered a loss of Rs. 2,50,000. What is the deduction available under section 80-IB of the Income-tax Act, 1961?  
[Ref: Q2. (a)(ii), Dec '08 / Paper-7] 2
- Q2. Thilagam has given donation of Rs. 30,000 in cash and cement bags worth Rs. 20,000 to an approved charitable institution. What is the deduction under section 80G of the Income-tax Act, 1961 available to the assessee whose gross total income is Rs. 6,00,000?  
[Ref: Q3. (a), Dec '08 / Paper-7] 3
- Q3. Write a brief note on deduction available under section 80DD of the Income-tax Act, 1961.  
[Ref: Q3. (a), June '09 / Paper-7] 6

## INCOMES WHICH DO NOT FORM PART OF TOTAL INCOME

### Objective -Type Questions :

- Q1. The following is exempt income :
- (1) Travel concession to employee;
  - (2) Remuneration received for valuation of answer scripts;
  - (3) Encashment of leave salary whilst in service;
  - (4) Perquisites in India.
- [Ref: Q1. (a)(ii), Dec. '08 / Paper-7] 1
- Q2. The following is not a venture capital undertaking for the purposes of section 10(23F), if engaged in business of :
- (1) Generation of power;
  - (2) Telecommunications;
  - (3) Providing infrastructural facility;
  - (4) Dairy farming whose shares are not listed in a recognised stock exchange.
- [Ref: Q1. (a)(iv), Dec. '08 / Paper-7] 1

## AGRICULTURAL INCOME AND AGGREGATION OF INCOMES

### Objective -Type Questions :

- Q1. State with reasons whether the following statements are true or false (No credit will be given for mere conclusions) :

Where a person does basic operations in lands and later sells the saplings grown by him in a nursery owned by him, the same will be agricultural income. If the basic operations are not done by the assessee and the saplings are sold in his nursery, the same will still be regarded as agricultural income. [Ref : Q1. (a)(iii), June '09 / Paper-7] 2

### Descriptive & Practical Questions :

- Q1. Are the profits arising from sales of agricultural lands situated in a village 10 kms. from Vishakhapatnam Corporation limits and another situated in city limits of Vishakhapatnam liable to Income-tax? [Ref : Q3. (a), Dec '08 / Paper-7] 2

- Q2. Mrs. Vasudha is running a cotton ginning factory. Raw cotton is grown in the lands owned by her and the same is used for ginning in her factory. The ginned cotton is sold subsequently for Rs. 12,00,000. The following data are also available :

	Rs.
Cost of cultivation	4,00,000
Selling price of raw cotton when sent to the ginning factory	6,00,000
Expenses of ginning factory	3,40,000

You are required to ascertain the agricultural income and business income of Mrs. Vasudha.

[Ref : Q3. (b), June '09 / Paper-7] 5

- Q3. Can income-tax return be filed through computer readable media?

[Ref : Q6. (b), June '09 / Paper-7] 4

## ASSESSMENT PROCEDURE

### Objective -Type Questions :

- Q1. Electronic furnishing of income-tax return in approved computer readable media can be furnished under sub-section \_\_\_\_\_ of section 139 of the Income-tax Act, 1961.  
[Ref: Q1. (b)(vii), Dec '08 / Paper-7] 1
- Q2. Choose the correct answers :  
(a) Where the karta is not available, the return of wealth of a HUF can be signed by  
(1) Any adult member of the family;  
(2) Any adult coparcener of the family;  
(3) The male member who is next in seniority to the karta;  
(4) None of the above. [Ref: Q1. (c)(i), June '09 / Paper-7] 1

### Descriptive & Practical Questions :

- Q1. Briefly discuss the powers of Commission (Appeals) in disposing of an appeal filed before him under section 251 of the Income-tax Act, 1961. [Ref: Q3. (d), Dec '08 / Paper-7] 5
- Q2. Distinguish between Association of persons and Body of Individuals as envisaged in the Income-tax Act, 1961. [Ref: Q8. (d), June '09 / Paper-7] 2

## ASSESSMENT OF VARIOUS ENTITIES

### Objective -Type Questions :

- Q1. Where a charitable trust is created on 01.04.2007, the application for registration u/s. 12A of the Income-tax Act, 1961 should be submitted within \_\_\_\_\_ from \_\_\_\_\_.  
[Ref: Q1. (b)(iv), Dec '08 / Paper-7]  $\frac{1}{2} + \frac{1}{2}$

### Descriptive & Practical Questions :

- Q1. A, B and C are three partners of a firm; the firm provides the following information :  
(i) Total income of the firm is (-) Rs. 1,40,000, out of which unabsorbed depreciation is Rs. 50,000. The return of income of the firm was filed in time.  
(ii) On March 31, 2007, C retires from the firm and the other partners continue the same business;

- (iii) The firm's income for the assessment year 2008-09 before adjusting the aforesaid loss and depreciation is Rs. 1,08,000;
- (iv) A, B and C share Profit and Loss in ratio of 1 : 1 : 2.  
Compute firm's total income for the assessment year 2008-09, assuming that salary and interest are not paid to any partner. [Ref: Q3. (c), Dec '08 / Paper-7] 5

Q2. The income and related particulars of Mr. Coorg, aged 56, for the year ended 31.03.2008 are given below :

- (i) Salary Rs. 24,000 per month;
- (ii) He was provided with a rent-free accommodation in Hyderabad for which rent of Rs. 6,000 per month was paid by his employer;
- (iii) His wife was sick and treatment was taken from a private hospital, for which an amount of Rs. 32,000 paid towards medical expenses by his employer in December, 2007;
- (iv) An allowance of Rs. 13,200 was paid by his employer towards his son's education;
- (v) The employer paid DA 10,000 per month (considered for retirement benefits), professional tax of Rs. 2,400 and income-tax liability of Rs. 15,000.
- (vi) He encashed earned leave to his credit to the tune of Rs. 10,000;
- (vii) Loss from speculative business Rs. 20,000;
- (viii) Loss from sale of shares in ABC Pvt. Ltd. Held for ten months Rs. 8,000;
- (ix) Profit on sale of long-term capital assets Rs. 10,000.

Compute the total Income and Tax liability of Mr. Coorg for the assessment year 2008-09. [Ref: Q4. (a), Dec. '08 / Paper-7] 10

Q3. The Hyderabad Co-operative Society has the following sources of income during the financial year 2008-09 :

Income from processing with the aid of power	Rs. 8,000
Income from collective disposal of labour of its members	Rs. 15,000
Interest from another co-operative society	Rs. 25,000
Chargeable income from house property	Rs. 60,000
Income from other business	Rs. 55,000

Find its total income, showing the computation under proper heads of income, and the tax payable, as per the provisions of the Income-tax Act, 1961.

[Ref: Q2. (a), June '09 / Paper-7] 6

Q4. M, N and O are partners in the firm Upadhyay & Co., sharing profit and losses in the ratio of 2 : 1 : 1 respectively. The summarized profit and loss account for the year ended 31.03.2009 is given below :

		Rs.		Rs.
Office salaries		5,680	Gross profit	60,570
Interest on loan from M		2,000	Rent received	6,000
Telephone, telegram, etc.		2,000	Interest on securities	4,000
Local taxes (let-out property)		1,000		
Salary to working partner N		3,000		
	M	4,000		
	N	5,000		
	O	<u>6,000</u>		
		15,000		
Collection charges of interest on securities		50		
Provision for bad debts		1,000		
Net profit to partners :				
	M	20,420		
	N	10,210		
	O	<u>10,210</u>		
		40,840		
		<u>70,570</u>		<u>70,570</u>

Compute total income of the firm for the assessment year 2009-10 and tax payable thereon.

[Ref: Q4. (b), June '09 / Paper-7] 10

## INTEREST

### Objective -Type Questions :

Q1. Mr. Suman's assessed tax for the assessment year 2008-09 is Rs. 12,000. Tax on it was Rs. 14,420. The advance tax instalments paid were Rs. 4,000 on 18.10.2007, Rs. 4,000 on 20.01.2008 and Rs. 4,000 on 10.03.2008. Are the payment of advance tax instalments paid proper? If not, is any interest  
[Ref: Q2. (a)(iv), Dec '08 / Paper-7] 2

**ADVANCE PAYMENT OF TAX****Objective -Type Questions :**

Q1. In case of assesseees other than companies, the following is advance tax rate to be payable on or before of 15th September on the current fringe benefits :

- (1) 15 per cent;
- (2) 30 per cent;
- (3) 45 per cent;
- (4) 60 per cent.

[Ref: Q1. (c)(iii), June '09 / Paper-7] 1

**Descriptive & Practical Questions :**

Q1. Is a representative assessee exempt from liability to pay advance income-tax?

[Ref: Q5. (e), Dec '08 / Paper-7] 2

**DEDUCTION AND COLLECTION OF TAX AT SOURCE****Objective -Type Questions :**

Q1. State with reasons whether the following statements are true or false (No credit will be given for mere conclusions) :

As per section 194-C of the Income-tax Act, 1961, all Association of Persons and Body of Individuals are liable to deduct tax at source from specified payments made to resident contractors.

[Ref: Q1. (a)(ii), June '09 / Paper-7] 2

**Descriptive & Practical Questions :**

Q1. Briefly sketch the responsibilities and liability of a person liable to collect tax at source under the Income-tax Act, 1961.

[Ref: Q4. (b), Dec '08 / Paper-7] 5

Q2. Discuss the consequence of non-compliance of TDS provisions of the Income-tax Act, 1961.

[Ref: Q2. (b), June '09 / Paper-7] 5

**REFUND****Objective -Type Questions :**

Q1. Fill up the blanks :

Interest on refund on Income-tax paid in excess is a \_\_\_\_\_ receipt.

[Ref: Q1. (b)(iii), June '09 / Paper-7] 1

**Descriptive & Practical Questions :**

Q1. Discuss the provisions of the Income-tax Act, 1961 with regard to interest payable by the Department on refund.

[Ref: Q4. (a), June '09 / Paper-7] 5

**MAT****Objective -Type Questions :**

Q1. State with reasons whether the following statements are true or false (No credit will be given for mere conclusions) :

For the purposes of computing minimum alternate tax (MAT) under section 115JB(2) of the Income-tax Act, 1961, the book profit need not be increased, by inter alia, the amount of deferred-tax or provision for deferred-tax debited to the profit and loss account.

[Ref: Q1. (a)(v), June '09 / Paper-7] 2

## FRINGE BENEFIT TAX

### Objective -Type Questions :

Q1. Fill up the blanks :

The amount of contribution made in excess of Rs. \_\_\_\_\_ in respect of each employee to approved superannuation fund for employees, is taken as the value of fringe benefit u/s. 115WC(1) of the Income-tax Act, 1961. [Ref: Q1. (b)(vi), June '09 / Paper-7] 1

### Descriptive & Practical Questions :

Q1. Who is an “employer” for the purposes of levy of fringe benefit-tax? Who are the persons excluded in this regard? [Ref: Q6. (e), Dec '08 / Paper-7] 3

Q2. State briefly the exemptions available under section 5 of the Wealth-tax Act, 1957. [Ref: Q5. (b), June '09 / Paper-7] 6

## WEALTH TAX

### Objective -Type Questions :

Q1. The following is not a venture capital undertaking for the purposes of section 10(23F), if engaged in business of :

- (1) Generation of power;
- (2) Telecommunications;
- (3) Providing infrastructural facility;
- (4) Dairy farming whose shares are not listed in a recognised stock exchange.

[Ref: Q1. (a)(iv), Dec. '08 / Paper-7] 1

Q2. In valuation of immovable property in Bangalore, the specified area means ..... of the aggregate area, for wealth-tax purposes.

- (1) 60 per cent;
- (2) 65 per cent;
- (3) 70 per cent;
- (4) 75 per cent.

[Ref: Q1. (a)(v), Dec. '08 / Paper-7] 1

Q3. Fill up the blanks :

Under the Wealth-tax Act, "assessment year" means the period of \_\_\_\_\_ commencing on 1st day of April every year, falling immediately after the \_\_\_\_\_.

[Ref: Q1. (b)(i), June '09 / Paper-7] 2

Q4. Fill up the blanks :

The term "net wealth" is defined in section \_\_\_\_\_ of the Wealth-tax Act.

[Ref: Q1. (b)(ii), June '09 / Paper-7] 1

Q5. It is correct to state that every member of AOP is an "assessee" for the purposes of wealth-tax?

[Ref: Q1. (c)(v), June '09 / Paper-7] 2

Q6. State with reasons whether the following statements are true or false (No credit will be given for mere conclusions) :

A political party is exempt from paying wealth-tax. [Ref: Q1. (a)(vi), June '09 / Paper-7] 2

Q7. Fill up the blanks :

As per section 2(ea)(i) the Wealth-tax Act, 1957, "asset" means, inter alia, farmhouse situate within \_\_\_\_\_ kilometres of only municipality. [Ref: Q1. (b)(i), June '09 / Paper-7] 1

### Descriptive & Practical Questions :

Q1. Under what circumstances, will urban land be not considered as an "asset" for wealth tax purposes? [Ref: Q5. (c), Dec '08 / Paper-7] 2

Q2. State the time limit under Wealth-tax Act, 1957 for completion of

(i) Regular assessment under section 16; and

(ii) Assessment or reassessment under section 17. [Ref: Q5. (d), Dec. '08 / Paper-7] 2

Q3. Ramesh furnishes the following particulars for compilation of his wealth-tax return pertaining to the assessment year 2008-09 :

	Rs.
(i) Flat purchased under instalment payment scheme in 1994 for Rs. 8,50,000 used for self occupation and market value as on 31st March, 2008	15,00,000
(ii) Gift of Jewellery made to wife from time to time amounting to Rs. 5,00,000 and market value as on 31st March, 2008	9,00,000
(iii) Cash in hand	1,25,000
(iv) Bank Balance with HDFC Bank	2,50,000
(v) Urban land transferred to minor handicapped child, market value as on 31st March, 2008	5,00,000
(vi) 2 motor cars (one is held as stock-in-trade in business and other used for personal purposes)	6,00,000 (each)

(vii) Loan against flat being instalment remaining unpaid	70,000
(viii) Wealth-tax liability outstanding	10,000

Compute the net wealth of Ramesh indicating reasons for the treatment under the provisions of the Wealth-tax Act, 1957 and the wealth-tax payable. [Ref: Q7. (a), Dec '08 / Paper-7] 5

- Q4. State briefly the exemptions available under section 5 of the Wealth-tax Act, 1957. [Ref: Q5. (b), June '09 / Paper-7] 6

## TRANSFER PRICING

### Objective -Type Questions :

- Q1. What is the binding nature of the arm's length price determined by the Transfer Pricing Officer upon a reference made to him by the Assessing Officer? [Ref: Q1. (c)(iv), June '09 / Paper-7] 2
- Q2. What are "International transactions" in the context of transfer pricing provisions? [Ref: Q2. (a)(vi), June '09 / Paper-7] 4
- Q3. State with reasons whether the following statements are true or false (No credit will be given for mere conclusions) :  
For the purposes of transfer pricing provisions, arm's length price is determined by the taxpayer in consultation with qualified accountant. [Ref: Q1. (a)(i), June '09 / Paper-7] 2

### Descriptive & Practical Questions :

- Q1. Mr. A, is engaged in retail trade and is a distributor for the products of Mr. X. In appreciation of high turnover effected by Mr. A, Mr. X presented him a new car worth Rs. 4 lakhs. Discuss the exigibility to tax of the above receipt in the hands of Mr. A. [Ref: Q5. (c), June '09 / Paper-7] 2
- Q2. Janak Ltd., is an associated enterprises of Takoya Inc., Tokyo; the latter has permanent establishment in India. This company rendered service to Janak Ltd., for which tax was deducted at source and remitted. The Arm's Length Price of Takoya Inc. was recomputed during the course of transfer pricing assessment. Janak Ltd. wants to know whether there will be a corresponding re-computation in its hands also. Advice. [Ref: Q8. (b), June '09 / Paper-7] 2