

**T.Y.B.Com Examination, October 2011**  
**Direct & Indirect Tax**  
**Revised Course**  
**(3 Hours)**

[Total Marks: 100

**Section I**

1. Mr. Milind, Proprietor of M & Co. furnishes you the following information for the year ending 31-03-2011: (16)

**Profit & Loss Account for the year ended 31<sup>st</sup> March, 2011**

Debit	₹	Credit	₹
To Salaries	2,20,000	By Gross Profit	6,29,000
To Rent	60,000	By Interest Accrued on N.S.C.	6,000
To Printing & Stationery	15,000	By Gift From Father	51,000
To Advertisement Expenses	5,000	By Income From Mutual Fund	12,000
To Motor Car Expenses	80,000	By Winning from Lottery	1,00,000
To Embezzlement by Employee	11,000		
To Staff Welfare Expenses	30,000		
To Purchase of N.S.C.	50,000		
To Depreciation	25,000		
To Net Profit	2,90,000		
	7,98,000		7,98,000

**Additional Information:-**

- (a) Depreciation as per Income Tax Rules ₹ 28,000/-.  
 (b) Staff welfare expenses includes ₹ 10,000/- for medical treatment of an employee.  
 (c) Rent is paid for his residential house.  
 (d) Advertisement expenses are incurred for an advertisement in the souvenir of a political party.

**You are required to compute his taxable income for assessment year 2011-12.**

2. (a) Rewrite the following sentences by selecting the correct option:- (06)
- (a) Total income of a person is determined on the basis of –
- Citizenship
  - Residential Status
  - Material Status
- (b) Uncommuted Pension received by a Government employee is –
- Exempt
  - Taxable
  - Partly Taxable
- (c) Salary received by Manager of Agricultural Farm is –
- Fully exempt
  - Fully taxable
  - Partly taxable
- (d) Salary received by a partner from partnership firm is –
- Fully exempt
  - Fully taxable
  - Partly taxable

- (e) Mr. Gurdeep has let out his ownership flat to Mr. Pradip. The municipal taxes due on 31-03-2011 were paid by Mr. Datta, a friend of Mr. Gurdeep on 28-03-2011. Mr. Gurdeep can –
- Claim the municipal taxes as the deducted from Gross Annual Value.
  - Not claim the municipal taxes as the deduction from Gross Annual Value.
  - Claim 50% of the municipal taxes from Gross Annual Value.
- (f) Mr. Shivaprasad pays tuition fees of ₹ 10,000 for M.Com Part I for his wife. The amount deductible under section 80C shall be –
- ₹ 10,000
  - ₹ 5,000
  - Nil

(b) Match the following Columns and rewrite the sentences:

Column "A"	Column "B"
<ul style="list-style-type: none"> <li>• Remittance in India</li> <li>• Value of Rent Free Accommodation</li> <li>• Net Annual Value</li> <li>• Unrealized rent received during the year</li> <li>• Bad debts written off earlier recovered during the year</li> <li>• Agricultural land situated in Indonesia</li> </ul>	<ul style="list-style-type: none"> <li>- Treated as income of the year</li> <li>- Not treated as income of the year</li> <li>- Standard deduction allowed</li> <li>- Standard deduction not allowed</li> <li>- Taxable perquisite</li> <li>- Tax free perquisite</li> <li>- Not taxable</li> <li>- Not taxable for non-resident</li> <li>- Gross Annual Value less Municipal Tax</li> <li>- Gross Annual Value less Municipal Tax paid by owner</li> <li>- Capital Asset</li> <li>- Not a Capital Asset</li> </ul>

3. Mr. Anshuman Bansode works with the Government of Maharashtra. He gives you following information for the year ended 31<sup>st</sup> March, 2011. (12)

Particulars	Amount [₹]
Basic Salary (Gross)	3,00,000 per annum
Dearness Allowance	1,45,500 per annum
House Rent Allowance (Exempt u/s 10 ₹ 30,000)	60,000 per annum
Entertainment Allowance (amount spent on Entertainment ₹ 12,000)	12,000 per annum
Conveyance Allowance (Amount spent on official conveyance ₹ 28,000)	48,000 per annum
Arrears of Salary (Not taxed earlier)	2,00,000
Profession Tax Deducted from Salary	2,500
Employee Provident Fund Contribution from Salary	30,000

**Other Information:-**

- (a) He received ₹ 2,00,000 from LIC of India as maturity value of life insurance policy taken on his life.
- (b) He had taken a loan from State bank of India for higher education of his father pursuing an Engineering degree course of Delhi University. During the year he had paid ₹ 50,000 as principal and ₹ 70,000 as interest.

**Compute his taxable income for Assessment Year 2011-12.**

4. Mrs. Alka Avhad is a physically disabled person (85% disability). She gives you the following information for the previous year 2010-11. (12)

Particulars	House No. 1 (Self-Occupied) [₹]	House No. 2 (Let Out) [₹]
Municipal Valuation (per month)	20,000	30,000
Rent Received (per month) (House No. 2 was vacant for two months)	Nil	32,000
<b>Municipal Taxes:</b>		
Paid by Owner	26,000	Nil
Paid by Tenant	Nil	30,000
<b>Other Expenses</b>		
For Repairs	12,500	Nil
<b>Details of Borrowed Capital</b> (Both Loan taken after 1-4-2006)		
Interest Paid During the Year	1,60,000	1,44,000
Principal Repaid	20,000	36,000

**Other Information:-**

She received ₹ 48,000 family pension during the year.

She received bank fixed deposit Interest of ₹ 2,27,000 during the year.

Compute her taxable income for the Assessment Year 2011-12.

5. (a) Shri Praveen Kumat came to India from Australia for the first time on 11-10-2010. He returned to Australia after staying upto 10-6-2011. Determine his residential status for the Assessment Year 2011-12. (06)
- (b) Mr. Shantibushan owns a house property which he acquired in April 1976 for ₹ 2,50,000. (06)  
The Cos of improvement incurred for this property in August 1996 was ₹ 2,80,000.  
He sold this property in October, 2010 for the ₹ 74,00,000.  
He acquired a new house property during January 2011 for ₹ 20,00,000/-  
Compute the taxable capital gains for the Assessment Year 2011-12 on the assumption that the fair market value of the property as on 1-4-81 was ₹ 7,00,000.  
The cost inflation index for financial year 1981-82 is 100 for financial year 1996-1997 is 305 and financial year 2010-11 is 711.

**Section II**

6. State with reasons whether the following activities would form a part of Taxable service or not: - (10)
- (a) Service of Home tuitions provided at the premises of the service recipient.  
(b) Commission agent working for a sale of 'soyabean'.  
(c) Art galleries for exhibition.  
(d) A chartered accountant providing service of Internal Audit for Reserve Bank of India.  
(e) Service provided by 'Millennium Club' to their members by making the premises available on payments of fees.

**OR**

6. Choose the correct option and Rewrite the statement: (10)
- (a) Commercial training service became taxable w.e.f.-  
(a) 1-7-2003 (c) 1-7-1997  
(b) 1-6-2007

- (b) M/s Dhobe and Associates chartered accountant have billed their clients for ₹ 60,000 plus service tax of ₹6,180 on 1-9-2011 but received the payment for the same on 1-12-2011, the Service Tax payment is due on –  
 (a) 5-1-2010 (c) 5-10-2011  
 (b) 5-12-2011
- (c) Services tax is not applicable –  
 (a) Union Territories (c) Kashmir  
 (b) Jammu and Kashmir
- (d) In case of Business Auxiliary service of distribution of Mutual Fund by a Mutual Fund distributor or an agent. Service Tax is payable by –  
 (a) The Mutual fund or Asset Management Company  
 (b) The Investor, who has invested in Mutual Fund  
 (c) The Mutual fund distributor or agent
- (e) If the service provider fails to furnish the ST 3 return within the due date and files it after 45 days, the penalty will be –  
 (a) ₹ 500  
 (b) ₹ 1,000  
 (c) ₹ 1,000 plus ₹ 100 for every day from 31<sup>st</sup> day, upto a maximum of ₹ 20,000.
- (f) Rent received for a shop is ₹ 18,00,000 and the Property Tax paid on the shop is ₹ 1,80,000, the total Service tax payable (including Education Cess) would be –  
 1. ₹ 1,80,000 (c) ₹ 1,85,400  
 2. ₹ 1,66,860
- (g) The rate of service tax for the year 2010-11 is  
 (a) 12.36% (c) 10.3%  
 (b) 4.12%
- (h) The Registration Certificate under service tax is in  
 (a) Form ST 1 (c) Form ST 2  
 (b) Form ST 3
- (i) Interest and penalty amounts paid to service tax department  
 (a) Can be utilised for payment of service tax on output service  
 (b) Can be utilised for payment of education cess on output services  
 (c) Cannot be taken as CENVAT credit.
- (j) Service Tax is not payable if the aggregate value of taxable service does not exceed  
 (a) ₹ 8,00,000 (c) ₹ 6,800,000  
 (b) ₹ 10,00,000

7. Miss Krupali Deosthalee had rented out the following properties. Compute the Service Tax payable by her. (10)

Particulars	₹
Rent from a Residential complex (Property tax paid ₹ 50,000)	2,50,000
Rent from an Industrial Estate (including ₹ 5,00,000 for generator)	40,00,000
Rent from vacant land used for parking purposes	75,000
Rent of a shop in a complex (Commercial) (Property tax paid ₹ 15,000)	1,50,000
Rent for office from Reserve Bank of India	2,00,000
Rent from a Hostel for Boys	1,50,000
Rent from a Residential cum Commercial complex in Srinager	3,00,000

OR

7. M/s RDX provide various services to its clients and have received a total amount of ₹ 60 lakhs for such services as under :- (10)
- |                                                                                               |            |
|-----------------------------------------------------------------------------------------------|------------|
| (a) Commission on sale of goods belonging to clients                                          | ₹ 10 lakhs |
| (b) Rent from industrial estate (Charge for facility – generator – taxable)                   | ₹ 12 lakhs |
| (c) Commission from Reserve Bank of India for sale of property to them                        | ₹ 5 lakhs  |
| (d) Commission on sale of Tickets for IPL, organised by BCCI                                  | ₹ 10 lakhs |
| (e) Commission on purchase and sale of 'Rice'                                                 | ₹ 2 lakhs  |
| (f) Commission from M/s Jorka Jhatka Ltd. for the realisation of payment made on their behalf | ₹ 5 lakhs  |
| (g) Commission on canvassing advertisements for publishing                                    | ₹ 6 lakhs  |
| (h) Promoting of services provided by a goods transport agency.                               | ₹ 10 lakhs |
- Compute the Service Tax payable by them.

8. State with reasons whether the following are 'Dealers' under the Maharashtra Value Added Tax Act, 2002 :- Give Reasons: (10)
- Free gift provided by a book seller.
  - Pledge of goods.
  - Replacement of a 'Compressor' during warranty period.
  - Supply of fertilizers under levy under Government orders.
  - Gift given to wife on Wedding Anniversary.

**OR**

8. Choose correct option and rewrite the statement: - (10)
- M/s Pradeep & Co. Nanded, purchased goods for ₹ 16,320 (inclusive of CST ₹ 320) from M/s Shilpi & Co. Panjali. He sold these goods to Dinesh & Co. Prabhani for ₹ 24,750 (inclusive of VAT @ 12.5%) the VAT payable is
    - ₹ 320
    - ₹ 2,430
    - ₹ 2,750
  - VAT at 1% is under –
    - Schedule A
    - Schedule B
    - Schedule C
  - M/s Ramdas & Co. purchased goods for ₹ 72,000 and sold them for ₹ 90,000 (both excluding tax). The goods being classified under Schedule 'B', the net VAT payable will be –
    - ₹ 1,800
    - ₹ 180
    - ₹ 900
  - Schedule 'A' goods include –
    - Gold, Silver, Precious metals
    - All declared goods
    - Basic Goods such as Agricultural Tools, Books, Vegetables, etc.
  - Under a composition scheme under section 42, rate of 8% is applicable to –
    - Works contract other than construction contracts
    - Construction Contracts
    - Mandap Keeper
  - 'Goods' as defined under MVAT Act, 2002, include –
    - Immovable Property
    - Growing Corps
    - News Paper

(g) A retailer has opted for composition scheme, his sales are ₹ 10,00,000 and purchases from unregistered dealers ₹ 1,00,000 and purchases from registered dealers are ₹ 4,00,000, the Composition Tax payable is –

- ₹ 48,000
- ₹ 42,000
- ₹ 72,000

(h) A product is sold @ ₹ 250 per unit. The Octroi is ₹ 10 per unit and the excises duty ₹ 20 per unit. The packing charges were ₹ 10 per unit. The sale price liable for VAT is –

- ₹ 290
- ₹ 270
- ₹ 280

(i) A rate of VAT depends upon –

- The goods
- The person
- The turnover

(j) An auctioneer is liable to pay tax when he crosses the turnover limits even if–

- The principal is not registered dealer
- The principal is not disclosed
- Both the above

9. M/s Manjrekar Associates commenced their business on 7<sup>th</sup> March, 2011. From the following particulars regarding purchases and sales transactions, find out the date from which they will be liable for Registration and to pay tax as per the provisions of Maharashtra Value Added Tax Act, 2002. **Give Reasons:-** (10)

Month	Purchases			Sales	
	Out of state	Within State		Taxable (₹)	Tax Free (₹)
	Taxable (₹)	Taxable (₹)	Tax Free (₹)		
07-03-2011	12,000	4,000	15,000	2,000	25,000
12-03-2011	10,000	2,000	12,000	1,000	24,000
19-03-2011	6,000	3,000	18,000	3,000	21,000
24-03-2011	13,000	6,000	27,000	2,000	21,500
02-04-2011	10,000	6,000	23,000	3,000	28,000
08-04-2011	4,000	8,000	25,000	8,000	42,000
18-04-2011	9,000	12,000	31,000	16,000	56,000
22-04-2011	12,000	14,000	43,000	10,000	41,000

**OR**

9. M/s Aigaonar & Co. requests you to compute their tax liability under MVAT Act, 2002 for the month of January, 2011 from the following information:

Particulars	Amount [₹]
Sale (excluding VAT) Schedule E goods	3,50,000
Sale of Schedule A goods	45,000
Sale of Schedule C goods	50,000
Sale out of Maharashtra (Net)	2,00,000
Labour charges received	1,50,000
Purchase of Schedule A goods	2,50,000
Labour Charges paid	75,000
Purchase of goods from Rajasthan @ 2% CST	1,00,000
Purchase of goods from Schedule E (Net)	1,00,000
Set off b/f	12,500