

**TNM**

Answers to questions are to be given only in English except in the case 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.

Answer **all** questions.

Working notes should form part of the answer.

Wherever appropriate, suitable assumptions may be made by the candidate and clearly stated in the answer.

Marks

1. (a) Mr. Janak, working as Finance Manager in Thilagam Realty Ltd., Jaipur, retired from the company on 31-10-2008 at the age of 60. The following amounts were received from the employer from 1st April, 2008 to 31st October, 2008 :

Basic Salary	Rs. 30,000 p.m.,	20
Dearness Allowance	Rs. 20,000 p.m., (40% reckoned for superannuation benefits)	
Ex-gratia (lump sum)	Rs. 15,000	

In addition to the above —

- (i) The company had taken on lease a residential house at Jaipur, paying a lease rent of Rs. 9,000 p.m. Mr. Janak, who was paying to the company Rs. 6,000 p.m. towards aforesaid rent, vacated the said premises on 31-10-2008.
- (ii) The company had also provided to Mr. Janak a cooking range and micro-wave oven owned by it. The original cost of these assets was Rs. 40,000 and the written down value as on 1-4-2008 was Rs. 22,000.

- (iii) Mr. Janak has two sons. His second son was studying in a school run by the employer-company throughout the financial year 2008-09. The cost of such education in a similar school is Rs. 1,800 p.m.
- (iv) The employer-company was contributing Rs. 7,000 p.m. to Central Government Pension Scheme.
- (v) Profession tax paid by the employer Rs. 3,000.
- (vi) Subsequent to his retirement, Mr. Janak started his own business on 15-11-2008. The results of the said business from 15-11-2008 to 31-3-2009 were :
- |  |            |
|--|------------|
| (i) Business loss (excluding current depreciation) | Rs. 90,000 |
| (ii) Current year's depreciation                   | Rs. 60,000 |
- (vii) Mr. Janak won a prize in a TV game show. He received a sum of Rs. 41,460 after deduction of tax at source to the tune of Rs. 18,540.
- (viii) Mr. Janak furnishes the under-mentioned data relating to savings, investments and out-goings :
- A. Life insurance premium, with a private insurance company Rs. 30,000 for his son and Rs. 20,000 for his married daughter.
  - B. Medical insurance premium of Rs. 12,000 for himself and Rs. 16,000 for his father (aged 82), paid by credit card. His father is however not dependent on him.

You are required to compute the total income of Mr. Janak (showing clearly the computation under various heads of income) and tax payable by him for the assessment year 2009-10.

- (b) Mrs. Rohini Ravi, a citizen of the U.S.A., is a resident and ordinarily resident in India during the financial year 2008-09. She owns a house property at Los Angeles, U.S.A., which is used as her residence. The annual value of the house is \$ 20,000. The value of one USD (\$) may be taken as Rs. 45. 10

She took ownership and possession of a flat in Chennai on 1-7-2008, which is used for self-occupation, while she is in India. The flat was used by her for 7 months only during the year ended 31-3-2009. Whilst the municipal valuation is Rs. 32,000 p.m., the fair rent is Rs. 4,20,000 p.a. She paid the following to Corporation of Chennai :

Property Tax	Rs. 16,200
Sewerage Tax	Rs. 1,800

She had taken a loan from Standard Chartered Bank for purchasing this flat. Interest on loan was as under :

	Rs.
Period prior to 1-4-2008	49,200
1-4-2008 to 30-6-2008	50,800
1-7-2008 to 31-3-2009	1,31,300

She had a house property in Bangalore, which was sold in March, 2007. In respect of this house, she received arrears of rent of Rs. 60,000 in March, 2009. This amount has not been charged to tax earlier.

Compute the income chargeable from house property of Mrs. Rohini Ravi for the assessment year 2009-10, exercising the most beneficial option available.

***EITHER***

2. (a) Miss Vivitha, a resident and ordinarily resident in India, has derived the following income from various operations (relating to plantations and estates owned by her) during the year ended 31-3-2009 :

	Rs.
(i) Income from sale of centrifuged latex processed from rubber plants grown in Darjeeling.	3,00,000

(ii) Income from sale of coffee grown and cured in Yercaud, Tamil Nadu.	1,00,000
(iii) Income from sale of coffee grown, cured, roasted and grounded, in Colombo. Sale consideration was received at Chennai.	2,50,000
(iv) Income from sale of tea grown and manufactured in Simla.	4,00,000
(v) Income from sapling and seedling grown in a nursery at Cochin. Basic operations were not carried out by her on land.	80,000

You are required to compute the business income and agricultural income of Miss Vivitha for the assessment year 2009-10.

- (b) Discuss the tax implications of income arising from revocable transfer of assets. When will the clubbing provisions not apply at present, even where there is revocable transfer of assets ? 6

**OR**

2. (a) Discuss the provisions relating to determination of residential status of Hindu undivided family, partnership firm and company. 6
- (b) Briefly enumerate the conditions to be satisfied by an undertaking engaged in export of articles/things, claiming exemption under section 10A of the Income-tax Act, 1961. 6
3. (a) State with reasons, whether the following statements are true or false, with regard to the provisions of the Income-tax Act, 1961 (*Answers without reasoning with not deserve any credit*) : 5×2 =10
- (i) Exemption is available to a Sikkemese individual, only in respect of income from any source in the State of Sikkim.
- (ii) Alienation of a residential house in a transaction of reverse mortgage under a scheme made and notified by the Central Government is treated as "transfer" for the purpose of capital gains.

- (iii) For a dealer in shares and securities, securities transaction tax paid in a recognized stock exchange is a permissible business expenditure.
- (iv) Aggregate period of stay granted by the Income-tax Appellate Tribunal can exceed 365 days, where the delay is not attributable to the assessee.
- (v) Where a person follows mercantile system accounting, an expenditure of Rs. 25,000 has been allowed on accrual basis and in a later year, in respect of the said expenditure, assessee makes the payment of Rs. 25,000 through a cheque crossed "& Co.," disallowance of Rs. 25,000 under section 40A(3) can be made in the year of payment.
- (b) Reproduce the following sentences after filling up the blanks, having regard to the provisions of the Income-tax Act, 1961 : 5×1  
=5
- (i) Notice under section 143(2) should be issued by the Income-tax Department within a period of ..... from the end of the ..... in which the return is furnished.
- (ii) For new two, three and four star hotels started in the specified area on or after 1-4-2008, tax holiday of ..... years is available under section 80ID.
- (iii) Where the total income of an artificial juridical person is Rs. 3,10,000, the income-tax payable is Rs. .... and surcharge payable is Rs. ....
- (iv) Where an employer, at his option, has paid income-tax on non-monetary perquisites of any employee, the income-tax so paid by the employer is ..... in the hands of the employee.
- (v) Where an employer has incurred a capital expenditure of Rs. 1,00,000 towards promoting family planning amongst employees, Rs. .... will be allowed as deduction in the current year and the balance in ..... succeeding years.

4. Write short notes on any **three** of the following, having regard to the provisions of the Income-tax Act, 1961 : 3×6  
=18
- (a) Infrastructure capital company [Section 2(26A)];
  - (b) Revisionary powers of Commissioner [Section 263];
  - (c) Special provisions for computing the profits and gains of retail trade business [Section 44AF];
  - (d) Transactions for which the quoting of Permanent Account Number (PAN) is mandatory.
5. (a) Fill in the blanks, having regard to the provisions of the Central Sales Tax Act, 1956 : 1×5  
=5
- (i) An application for compulsory registration under section 7(1) should be made within ..... days from the date .....
  - (ii) Transfer of goods on payment of hire charges without transfer of property ..... constitute sale.
  - (iii) Under section 8(2), the applicable rate of tax for Inter-State sale of goods not falling under section 8(1) is ..... (2%, 3%, the local State sales tax or VAT rate).
  - (iv) In case of continuing offence, the penalty leviable under section 10 may extend to Rs. .... for every day during which the offence continues.
  - (v) A branch outside the State ..... be considered as a dealer.
- (b) Write short notes on the following, with regard to the provisions of the Central Sales Tax Act, 1956 :
- (i) Amendment of registration certificate; 3
  - (ii) Powers of the Central Sales Tax Appellate Authority under section 22. 7

6. Mrs. Vasudha, a registered dealer in Chennai, furnishes the following information relating to Inter-State sales made by her during the year ended 31-3-2009 : 10

	Rs.
Sales turnover as per books	36,72,000
Above includes	
(a) Excise duty	3,20,000
(b) Freight (of this Rs. 30,000 alone is shown separately in sales invoices)	1,10,000
(c) Deposit for returnable containers	2,40,000
(d) Transfer to branch (covered by Form F)	12,15,000
(e) Packing charges	35,000

Further, in ascertaining the sales turnover above which includes CST also, the dealer has deducted the following :

1. Turnover relating to goods worth Rs. 10,000 (exclusive of tax) covered by invoice dated 2-4-2008, which were returned on 1-10-2008.
2. Goods worth Rs. 12,400 (including tax) covered by invoice dated 13-4-2008 were rejected by the customer and the dealer received back the goods on 14-10-2008.

Vasudha deals only in one type of commodity which is chargeable to VAT at 2% in Tamil Nadu.

You are required to compute the total turnover, CST and taxable turnover for the financial year 2008-09. *Treatment of each item above should be shown distinctly.*