



RB-4972

P. G. Diploma in Tax Management Examination

April / May – 2010

Law of Direct Taxes : Paper - II

Time : 3 Hours]

[Total Marks : 70

Instructions :

(1)

नीचे दर्शाविए निशानीवाणी विगतो उत्तरवही पर अवश्य कभवी. Fillup strictly the details of signs on your answer book.		Seat No. :	
Name of the Examination :		<input type="text"/>	
P. G. DIPLOMA IN TAX MANAGEMENT		<input type="text"/>	
Name of the Subject :		<input type="text"/>	
LAW OF DIRECT TAXES - 2		<input type="text"/>	
Subject Code No. :	<input type="text"/> 4 <input type="text"/> 9 <input type="text"/> 7 <input type="text"/> 2	Section No. (1, 2,.....) :	<input type="text"/> 1&2
		Student's Signature	

(2) Use separate answer sheet for both sections.

SECTION - I

- 1 (a) Bob, the builder, is an individual. His gross receipts from his business for the year ending 31st March, 2008 is Rs. 1 crore. Whereas the gross receipts for the year ending 31st March, 2009 is Rs. 1.2 crores. During the financial year 2008-09, he makes the following payments to a resident contractor for various activities :

Contract No.	Name of the contractor	Description of contract	Amount paid or credited in the books
786	Mr. Mc. Donald	Labour Contractor	Rs. 500,000
1001	Mr. Tom	Annual Maintenance Contract	Rs. 18,000
1002	Mr. Tom	Annual Maintenance Contract	Rs. 18,500
1003	Mr. Tom	Annual Maintenance Contract	Rs. 19,000

Examine the liability to deduct tax and the amount of TDS under Section 194C (1) for the assessment year 2009-10.

- (b) DEF Ltd. took on sub-lease a building from Ms. Jaya, an individual, with effect from 1.9.2007 on a rent of Rs. 7,000 per month. It also took on hire machinery from Ms. Jaya with effect from 1.10.2008 on hire charges of Rs. 8,000 per month. DEF Ltd. entered into two separate agreements with Ms. Jaya for sub-lease of building and hiring of machinery. The rent of building and hire charges of machinery for the financial year 2008-09 were credited by DEF Ltd. to the account of Ms. Jaya in its books of account on 31st March, 2009. Examine the obligation of DEF Ltd. to deduct tax at source in respect of rent and hire charges. 5

- 2 For the assessment year 2009-10, Mr. M.S. Honi files return of income on October 31, 2009 (income declared in the return Rs. 450,000, advance tax Rs. 100,000 was paid on 31st March, 2009). The assessing officer refunds under section 143(1) the excess tax paid by Mr M.S., Honi on July 20, 2010 as follows : 10

Tax on Rs. 450,000	Rs. 45,000
Add: Education cess @ 2%	Rs. 900
Add : Secondary and higher education cess @ 1%	Rs. 450
Tax	<u>Rs. 46,350</u>
Add : Interest under Section 234 C	Rs. 5,400
Total	<u>Rs. 51,750</u>
Less : Prepaid Tax	Rs. 100,000
Refund	<u>Rs. 48,250</u>
Add : Interest under Section 244A	Rs. 3,860
Amount refunded (rounded off)	<u>Rs. 52,110</u>

The assessing officer issues notice under Section 143(2) on August 16, 2009. The assessment is completed under section 143(3) on March 26, 2011. Income assessed is Rs. 600,000. Find out the interest under Section 234 D.

OR

- 2 Write short note on Notices under Section 142(1). 10
- 3 Write short notes on any three of the following : 15
- (i) Power of income tax authorities regarding search under section 132.
 - (ii) Best judgement assessment
 - (iii) Revised return under section 139 (5)
 - (iv) Penalties for concealment of income under section 271(1) (c)
 - (v) Revision of order under section 264.

SECTION - II

- 4 Mr. Vicky Tonting, an individual furnishes the following particulars of his Assets and Liabilities as on 31.3.2009. 10

Assets :	Rs. in Lakhs
Residential house at Mumbai	35
Residential house at Mysore	26
Plot of land comprising an area of 475 square meters at Delhi	75
House at New Delhi exclusively used for carrying on his business	17
Commercial complex at Mysore	23
Motor cars used in business of running them on hire	25
Shares in Private Limited Companies	30
Cash in hand (recorded in books)	5
Gold Jewellery	15
Liabilities :	Rs. in Lakhs
Loan borrowed for purchase of land in Delhi	35
Loan borrowed for purchase of shares in Private Limited Companies	17
Loan borrowed for purchase of Gold Jewellery	7

Amount stated against assets, except cash in hand are the values determined as per section 7 of the Wealth Tax, 1957 read with Schedule III thereto.

Compute the net wealth for inclusion or exclusion of the various items.

- 5 From the Profit and Loss account of Tambuja Ltd. for the year ending March 31, 2009, the following data is taken: 10

Major Heads	Expenditure debited to profit and loss account (Rs.)	Out of which expenditure attributable for the benefit of employees (Rs)
Rent-Free house to employees	57,50,000	57,50,000
Cars (Running and Maintenance)	34,50,000	20,00,000
Cars (Depreciation @ 15% of WDV)	48,10,000	26,15,000
Travelling Expenses	90,00,000	1,000
Tea/Coffee in office	4,81,786	3,50,000
Gift	15,20,000	8,10,000
Club Expenditure	20,36,700	18,12,000
Sales promotion expenses	90,15,400	Nil
Newspaper advertisement for advertising companies product	88,12,000	Nil
Entertainment Expenditure	18,32,000	20,000
Guest house maintenance exp.	60,25,000	15,000
Health/Sports club facilities	2,15,000	1,000

Use of telephone	16,07,500	55,000
Scholarship	14,30,000	12,00,000
Festival celebrations	5,55,000	10,000
Hotel, boarding and lodging	10,15,000	25,000
Employee's welfare	10,000	10,000
Conference fees for employees	12,000	12,000
Conference fees for others	18,000	Nil

Find out fringe benefit tax liability for the assessment year 2009-10.

OR

5 Remuneration to the partners under income tax act, 1961. 10

6 (a) A, B and C Ltd. are three members of an AOP, sharing profit and losses in the ratio 2:2:1. The AOP discloses its income for the AY 2009-10 as below: 7

Particulars	Rs.
(i) Long term capital gains.....	4,00,000
(ii) Business profits	6,00,000

Determine tax liability of AOP in the following cases :

- (i) C Ltd. is an Indian company
- (ii) C Ltd. is a foreign company

(b) ABC and Associates, Profit and Loss account for the year ended 31.3.2009. 8

Particulars	Rs.	Particulars	Rs.
Purchases	15,45,000	Sales	40,00,000
Direct and indirect expenses	8,00,000	Interest on securities (tax deducted at source Rs. 5000)	45,000
Depreciation	2,00,000		
Interest to partners	2,00,000		
Salaries to partners	6,60,000		
Net profit	6,40,000		
	40,45,000		40,45,000

You are further informed :

- (i) Depreciation allowable as per Sec. 32 is Rs. 1,50,000
- (ii) Purchases include cash purchase of Rs. 1,50,000
- (iii) A,B,C share profits in the ratio of 2:1:1. C is a sleeping partner
- (iv) Interest is paid to partners @ 20% p.a. interest is authorised by partnership deed.
- (v) Salaries, authorised by partnership deed, are paid to all the partners equally.

Compute (i) Book-profit and (ii) total income of the firm.

OR

6 (a) Definition of asset as given under section 2(ea) of wealth tax act, 1957. 10

(b) What are the conditions for claiming deductions of interest to partners u/s 40(b) ? 5