

Direct & Indirect Taxes

April 2009

Section I

(1) Mr. Kulkarni gives you the following information for the year ended 31st March 2008.

Profit and Loss Account for the year ended 31/3/2008.

(18)

Expenses	Rs.	Income	Rs.
To Salaries to Staff	2,00,000	By Gross Profit	10,00,000
To Salary to Mr.Kulkarni	60,000	By Winnings from horse racing	1,00,000
To General Expenses	1,50,000	By Dividend from Co-operative Bank	20,000
To Conveyance	70,000	By Interest on P.P.F.Account	40,000
To Rent of premises	1,00,000	By Old Debt recovered	38,000
To Fire Insurance Premium	27,000		
To Reserve for Doubtful Debts	20,000		
To Income Tax	15,000		
To Contribution to P.P.F.	50,000		
To depreciation	70,000		
To Net Profit	4,36,000		
Total	11,98,000	Total	11,98,000

Other information:

- (1) Depreciation allowable under Income Tax Rules is Rs. 60,000
- (2) General Expenses include Rs. 10,000 for gifts to staff and Rs. 20,000 for donation to Rajiv Gandhi Foundation.
- (3) Old debts in respect of which recovery is made were not allowed as deduction in past, though they were written off in books.

Compute his total taxable income for Assessment Year 2008 – 09.

(2) Mr. Dinesh Karnik (Senior Citizen), a severely handicapped person (89%) took voluntary retirement on 1st January, 2008 after completing 20 year of service in a Private Company. He furnishes the following information for the year ended 31st March. 2008. (14)

- (a) Basic Salary Rs. 25,000 p.m.
- (b) Dearness Allowance @ 50% of Basic Salary
- (c) House Rent Allowance received Rs. 1000 p.m. (Exempt Rs. 4,000)
- (d) Voluntary retirement compensation received Rs. 8,00,000 (Exempt Rs. 5,00,000).
- (e) Gratuity Received (fully exempt) Rs. 2,00,000
- (f) Commuted Pension (1/3rd Exempt) Rs. 90,000
- (g) Uncommuted Pension Rs. 5,000 p.m.
- (h) Leave Encashment 2 months Basic (Exempt upto 10 months)
- (i) Professional Tax paid Rs. 2,500
- (j) He had given a loan of Rs. 2,00,000 to his friend. During the previous year 2007 – 08 he received Rs. 15,000 as interest on loan.
- (k) He paid Medical insurance Premium on 1st February 2008 of Rs. 22,000 by Cheque.

Compute the Net Taxable Income of Mr. Dinesh Karnik for AY 2008-09.

(3) Mr. Ganesh Shinde furnishes the following information of his Income and investments for the previous year 2007-08. (14)

(a) Information regarding his house property.

Particulars	House I (Letout) (Rs)	House II (SOP) (Rs)
Fair rent	90,000	60,000
Gross Municipal Valuation	80,000	50,000
Rent Received	1,00,000	-
Municipal Taxes		
(a) Paid by the Tenant	5,000	-
(b) Paid by the owner	10,000	10,000
Interest (due but not paid) on capital borrowed for Construction of House Property	20,000	20,000

(b) Other Information:

- 1) He received interest from Debentures in Tata Steel Ltd. Rs. 25,000.
- 2) He received Dividend from UTI Rs. 5,000.
- 3) He paid premium of Rs. 25,000 towards approved pension plan of LIC of India.
- 4) He donated Rs. 7,500 to Mumbai Municipal Corporation for promoting family planning.

Compute the Net Taxable Income of Mr. Ganesh Shinde for the Assessment Year 2008-09

(4) (a) Mr. Nitin Dhopat who is an Indian citizen and a professional cricketer, touched South Africa, Australia, U.K. West Indies and Zimbabwe on various dates. The details of departure from and arrival in India are as under: (8)

Country	Date of Departure	Date of Arrival
South Africa (for the first time)	01/03/2006	25/03/2005
Australia	15/04/2007	01/05/2007
UK	05/05/2007	11/07/2007
West Indies	31/08/2007	14/09/2007
Zimbabwe	01/01/2008	23/03/2008

Determine his residential status for the Assessment year 2008-09. Give your working and explanation.

(b) Mr. Vinod Kambli purchased a residential house on 01/06/1997 for Rs. 1,00,000. He incurred expenses of Rs.50,000 towards cost of improvement on 04/07/1983. The fair market value of the house on 01/04/1981 was Rs. 1,50,000. He sold the house on 10/10.2007 for Rs 10 lakhs. The cost inflation index for financial Years 1981-82 is 100. For Financial year 1983-84 is 116 and for financial year 2007-08 is 551. You are required to compute his capital gain for the Assessment year 2008-09. (6)

(5) (a) Define and explain the following as per Income Tax-Act 1961 (any two): (6)

(1) Previous year, (2) Company (3) Assessee.

(b) Enumerate Eight items of Expenses which are expressly disallowed while computing Income from Profits and Gains of Business/Profession. (8)

- (6) Answer any seven of the following with reference to Assessment Year 2008-09 giving reasons in brief wherever necessary. **(7x2)**
- (a) Mr. Karan donates utensils worth Rs. 10,000 to an approved charitable institution. What is the amount of deduction he can claim from his Gross Total Income? **(2)**
- (b) Shri Mohan has debited Rs. 50,000 to the Profit and Loss account towards Sales tax which is unpaid till the due date of filing Income Tax return. Can he claim this amount as an allowable business Expenditure?
- (c) What is the amount of exemption available u/s 10 of the Income Tax Act. 1961 when the income of a minor child is clubbed with the Parent's Income?
- (d) Miss . Anita received dividend of Rs. 20,000 from Shamrao Vithal Co. Bank. She claims it as an exempt income is her claim correct?
- (e) Miss. Jyoti purchased equity shares worth Rs. 50,000 on 05/01/2007 and sold them for Rs. 1,00,000 on 25/03/2008. She claims the gain as short term capital gain. Is she right ?
- (f) During the previous year 2007-08 Mr. pawar has to pay Rs.5 lakhs as salary to Mr. Athawale. Should he deduct tax at source while making the payment?
- (g) Mr.sachin retired from a Government organisation. He received monthly pension of Rs. 15,000 during the previous year 2007-08. He claims pension as exempt being received from a Government Organisation. Is his claim correct?
- (h) Mr. Jog has earned Rs. 10,000 from a lottery ticket and claims Rs. 500 as a deduction for purchase of lottery tickets. Can e avail this deduction?
- (i) Mr. Sonu an ordinarily resident Indian earned Rs. 50,000 in USA and claims that this Income is not Taxable in India. Is his claim right ?

Section - II

- (7) M/s Thatte & Co. commenced business on 19th March, 2007. From the following particulars regarding purchases and sales transactions, find out from which date they will be liable for Registration and to pay tax as per the provisions of MVAT Act, 2002. Give reasons. **(10)**

Date	Purchases			Sales	
	Out of state	Within State		Taxable (Rs)	Tax Free (Rs)
	Taxable (Rs)	Taxable (Rs)	Tax Free (Rs)		
19/03/2007	7,000	12,000	16,000	7,000	15,000
24/03/2007	8,000	6,000	12,000	10,000	12,000
28/03/2007	4,000	5,000	10,000	18,000	22,000
31/03/2007	5,000	8,000	18,000	12,000	2,000
03/04/2007	16,000	8,000	20,000	9,000	20,000
04/04/2007	5,000	4,000	12,000	500	28,000
10/04/2007	4,000	8,000	14,000	12,500	32,000
12/04/2007	5,000	20,000	10,000	16,000	25,000
15/04/2007	10,000	18,000	10,000	22,000	15,000

Particulars	Rs.
Sales (Inclusive of tax)	
Schedule 'C' Goods @ 4%	4,16,000
Schedule 'E' Goods @ 12.5%	28,12,500
	32,28,500
Purchases (Inclusive of tax)	
Schedule 'C' Goods @ 4%	6,24,000
Schedule 'E' Goods @ 12.5%	16,87,500
Schedule 'B' Goods @ 1%	5,05,000
	28,16,500

M/s. Bansode and Co. is a dealer in chemicals. From the following information find out its Tax Liability for the month of Sept., 2007 as per the provisions of MVAT Act. 2002.