

**M.Com [ Part – II ]**  
**-: Accountancy Group :-**  
**Direct & Indirect Taxes**  
**(Paper- V) (DEC- 2017)**

Q.P. Code :06688

[Time: 3 Hours]

[ Total Marks : 100

- N.B:**
1. Question No.1 and Question No.2 from Section-I are compulsory.
  2. Answer **any one** question from Question No.3 and Question No.4 from Section – I.
  3. Answer **all** questions from Section-II.
  4. **Figures** to the **right** indicates **full marks**.
  5. **Working notes** from **part of answer**.
  6. Use of **simple calculator** is **permitted**.

**SECTION – I**

1. Mr. A, proprietor of A & Co. provides you the following information for the Previous Year ended 31<sup>st</sup> March 2016. **20**

**Profit and Loss Account for the year ended 31<sup>st</sup> March 2016**

Particulars	₹	Particulars	₹
To Salaries	3,75,000	By Gross profit b/d	15,70,000
To Printing expenses	75,000	By Interest on public company	
To Advertisement	35,000	Deposits (Gross)	30,000
To Fire Insurance Premium	10,000	By Winning from Lotteries (Gross)	1,00,000
To Depreciation	82,000	By Gift from a friend	51,000
To Advance Income Tax (self)	20,000		
To Office Rent	1,45,000		
To Motor car expenses	80,000		
To Life Insurance Premium (self)	15,000		
To Donation	50,000		
To Miscellaneous expenses	25,000		
To Interest on Business Loan (Gross)	81,000		
To Net Profit	7,58,000		
	<b>17,51,000</b>		<b>17,51,000</b>

**Other Information:-**

1. Salaries include bonus payable to employees under the Payment of Bonus Act ₹ 75,000 which was not paid before the due date of filing Income Tax Return.
2. Miscellaneous Expenses include purchase of new furniture on 1<sup>st</sup> March 2016 of ₹ 20,000 on which no depreciation is yet recorded.
3. Depreciation allowable as per Income Tax Rules on old fixed assets is ₹ 50,000. Similarly depreciation at the rate of 10% shall be provided on new fixed assets purchased during the year.
4. Office Rent includes ₹ 18,000 paid for medical insurance premium for himself.
5. Total amount of TDS from income for the year is ₹ 8,200.  
 Compute Income Tax liability for the Assessment Year 2016-17.

TURN OVER

2. A) Answer the following in one sentence.

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- 1) Explain the term "Previous Year".
- 2) Mention the basic conditions under Section – 6 (1) applicable to individual to become resident in India.
- 3) What is Capital Gain?
- 4) What is Gross Total Income?
- 5) What are the income tax rates applicable to a partnership firm?
- 6) What are the deductions under Section – 24 for calculating income from house property?
- 7) What is the amount for standard deduction on family pension for an Individual?

2. B) Match the columns.

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A	B
1) Agricultural income	1) Not less than 15% of advance tax liability
2) Dividend on shares in case of a dealer in shares	2) Not less than 30% of advance tax liability
3) Rental incomes of a trader	3) Fully exempt
4) Salary by partner from his partnership firm	4) Always from resident in India
5) First installment of advance tax liability of a company	5) Income from other sources
6) First installment of advance tax liability of non-corporate assesseees	6) Business income
7) Foreign income	7) Income from house property
8) An Indian company	8) Taxable in the hands of the Resident & Ordinarily Resident in India.

**Q.3** Mr. XT is a physically handicapped (up to 45%) owns two house properties. Following are the details regarding these houses for the year ended 31-3-2016. 15

**A) House property I – self occupied**

1. Annual value ₹ 5,00,000.
2. Municipal tax paid ₹ 80,000.
3. Loan from SBI Bank of ₹ 15,00,000 for acquiring the house property in year 2010.
4. Interest paid on above loan ₹ 1,30,000 for the year.

**B) House II – Let out**

1. Fair Rent ₹ 8,00,000.
2. Actual Rent received ₹ 99,000 per month.
3. Municipal taxes paid ₹ 1,10,000.
4. Collection charges paid per month ₹ 1,000.
5. Interest paid on loan for construction of house property ₹ 40,000 for the current year.

**C) His other income was as follows:**

1. Interest on Public Provident Fund ₹ 12,000.
2. Dividend from Pvt. Ltd. ₹ 35,000.

Compute the net taxable income of Mr. XT for the Assessment Year 2016-17.

## 4. Write short notes (Any three).

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- 1) Previous Year and Assessment Year
- 2) Long term capital gain
- 3) Deduction from Gross Total Income
- 4) Scope of Income
- 5) Taxability of pension

## SECTION – II

## 5. M/S ADT Agency, an advertising agency provides the following services during the month of July, 2016 :

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	₹ (excluding service tax)
1) Sales of space for advertisement in newspaper.	4,80,000
2) Advertisement through banners at public places	2,58,000
3) Sale of time for advertisement to be broadcast on TV	1,85,000
4) Sale of space for advertisement in a telephone directory	35,000
5) Aerial bill boards	90,000
6) Canvassing advertisement for publishing on a commission basis	1,48,000
7) Sale of time for advertisement to be broadcast on the radio	2,18,000

Point of taxation falls during the month of July, 2016. Compute the service tax liability. Ignore small service providers' exemption.

## 6. State whether given statements are True or False (as per service tax).

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1. Service provided to Reserve Bank of India are not in the Negative list.
2. Contract for re construction of a building is a works contract.
3. Service tax is levied at the basic rate of 14%.
4. In case of supply of manpower for security service, receiver is liable to pay service tax.
5. one registration certificate is to be taken over if the person provides more than one service from the same premises for which registration is sought.
6. Point of taxation means the point in time when a service shall be charged to have been provided.
7. Renting of land and building for entertainment is taxable.
8. Future contracts for goods is covered in the negative list.
9. 'Right to use' would neither to be a transfer of little in goods nor a deemed sale of goods.
10. An assessee under the service tax may submit a revised return.

## 7. Complete Service Tax liability of a courier agency from following (all sums exclusive of taxes).

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1) Angadia service	₹ 3,00,000
2) Courier of documents to RBI	₹ 1,00,000
3) Courier of documents to pvt Ltd. Co.	₹ 2,00,000
4) Speed post services	₹ 1,00,000
5) Express cargo services	₹ 2,05,000
6) Door to door transaction of goods	₹ 5,00,000
7) Distribution of mutual funds, bonds and passport applications	₹ 3,00,000

Ignore threshold exemption and abatement.

8. Mr. MRK, a trader, commenced his business on 6<sup>th</sup> January, 2017. From the following particulars of their purchase and sale transactions, you are required to find out from which date he will be liable for registration as per MVAT Act, 2002. **10**

Date	Purchases				Sales	
	Outside State		Within State		Taxable (₹)	Tax Free (₹)
	Taxable (₹)	Tax Free (₹)	Taxable (₹)	Tax Free (₹)		
06/01/2017	10,000	6,000	6,000	2,000	8,000	10,000
07/01/2017	12,000	1,000	14,000	12,000	2,000	30,000
10/01/2017	7,000	2,000	15,000	2,000	5,000	30,000
27/01/2017	11,000	12,000	5,000	6,000	8,000	12,000
31/01/2017	8,000	5,000	4,000	3,000	2,000	25,000
05/02/2017	15,000	12,000	2,000	12,000	1,000	30,000

9. Determine the following as True or False [As per MVAT Act, 2002]. **10**
- 1) VAT does not apply to importer.
  - 2) A Tax Invoice is to be issued by a registered dealer.
  - 3) Dealer as defined under MVAT Act, 2002 does not include insurance companies.
  - 4) Sale of motor car is sale.
  - 5) Custom duty is not included in sales price.
  - 6) VAT is a single point tax.
  - 7) All services are subject to VAT.
  - 8) Composition schemes are simple schemes providing simple procedures of tax for the benefit of small traders.
  - 9) Set off means reduction of Tax on purchases from Tax on sales.
  - 10) Sale in the course of inter-state trade is not taxable vide Section – 8 of MVAT Act, 2002.

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