B.Com (Semester – V) Examination, October 2014 Accounting Major 2 : INCOME TAX, SERVICE TAX AND GOA VALUE ADDED TAX (Paper – I)

Duration: 2 Hours Max. Marks: 80

Instructions: i) Question No. 1 is compulsory.

ii) Answer any 3 questions from the remaining questions.

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- iii) Figures to the right indicate marks allotted.
- iv) Show important working notes as fair work.
- A) 'Mr. Tony', a foreign national, visited India for the first time during the year 2009-10 and stayed for 160 days. During the subsequent years 2010-11, 2011-12, 2012-13, 2013-14 his stay in India was for 50 days, 110 days, 65 days and 82 days respectively.

Determine his residential status in India for the Assessment Year 2014-15. 5

- B) 'Mr. Saifan' is engaged in the business of carriage of goods. On April 1, 2013, he owned 10 Trucks (6 out of which are heavy goods vehicles).

 On May 10, 2013, he sold one of the heavy goods vehicles. One light goods vehicle was purchased on May 14, 2013 and was put to use from June 20, 2013. Determine his estimated income u/s 44 AE for the Assessment Year 2014-15. 5
- C) 'Mr. Michael' (not covered under payment of Gratuity Act, 1972) retired as the Accountant of Tyres India Ltd. on October 1, 2013, after rendering service for 34 years and 7 months. He received gratuity of ₹ 4,50,000. His average monthly salary for the last 10 months immediately preceding the month in which he retired was ₹ 10,800. Determine the gratuity exempt u/s 10(10) for the Assessment Year 2014-15.
- D) 'Mrs. Rubina', who is a service Tax assessee, fails to pay her Service Tax of ₹ 1,50,000 for the quarter ended September 30, 2014, without any reasonable cause. Ultimately, she makes e-payment of the tax on October 13, 2014.

Determine the amount of penalty payable by her for non-payment of Service Tax.

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2. 'Mr. Ram', a state Government employee, residing at Margoa-Goa, provides you the following details of his salary income for the Financial Year 2013-14.

a)	Basic Salary A T BOWER MAT BMO WEST OF	₹ 8,000 p.m.			
b)	Dearness Allowance (forming part of salary for computing all retirement benefits)	75% of Basic			
c)	House Rent Allowance	20% of Basic			
d)	Rent paid for residential house by the assessee	₹ 1,800 p.m.			
e)	Entertainment Allowance	₹ 2,000 p.m.			
f)	Arrears of Salary	₹ 5,000			
g)	Employer's Contribution to Recognised Provident Fund	₹ 22,460			
h)	h) Interest credited to the above Recognised Provident Fund @ 11% ₹ 9,900				
i)	Bonus equal to 2 months Basic was declared				
j).	Amount actually spend on entertainment	₹ 500 p.m.			
k)	Education Allowance (for 1 child)	₹ 600 p.m.			
1)	He was provided with a car for personal as well as official use. The perquisite value of the car	₹ 4,000			
m)	Professional Tax deducted from salary	₹ 200 p.m.			
n)	Life Insurance premium of the assessee paid by employer	₹ 800 p.m.			
0)	Income Tax deducted from salary	₹ 200 p.m.			
Co	mpute his income from 'Salaries' for the Assessment Year 201	4-15.	20		

3. 'Mr. Deeptesh', an entrepreneur, provides the following Profit and Loss Account of his proprietary business 'M/s Deep and Deep Traders', for the year ending March 31, 2014.

Particulars Particulars	S1 ₹388	Particulars	₹
To Salaries Office AND OF 19	56,000	By Gross Profit	1,58,500
To Travelling Expenses	14,000	By Government Subsidy	66,000
To General Expenses	8,000	By Export Award from	
To Insurance on Employees		Government	42,000
Health	2,250	By Dividend from Indian Co's	50,000

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	To Wealth Tax	5,750	By Profit on sale of Plant	20,000
	To Reserve for Doubtful Debts	2,000	By Sundry Business Receipts	10,000
	To Diwali Expenses	4,350	By Rent from House Property	30,000
	To Donation	4,000	By Dividend from Foreign Co's	10,000
	To Telephone Charges	5,650		
	To Advertisement	10,500		
	To Provision for Income Tax	7,000		
	To Depreciation	10,000	ovisions relating to residential statu	
	To Interest on Loan	10,000		
	To Interest on own capital	5,000		
	To Godown Rent	8,000	swer the following in relation to Inco	
	To Net profit 2	,34,000		
	athemysg leutos no vino he 3	,86,500	e della explain certain deductions t	,86,500

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Additional Information:

- a) Salary includes payment of ₹ 20,000 out of India on which no tax has been deducted at source.
- b) Travelling expenses include ₹ 2,400 spent on travelling to attend Religious festival.
- c) Diwali expenses include ₹ 2,500 spent to purchase a bicycle for his son.
- d) Advertisement includes an advertisement of ₹ 2,500 in a political Party's Brochure.
- e) Depreciation allowable as per Income Tax Rules ₹ 8,650.
- f) Half of Telephone charges are related to business.

Compute the income of 'Mr. Deeptesh' chargeable under the head 'Profits and Gains of Business/Profession' for the Assessment Year 2014-15.

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4. Ans	wer in short any four of the following in relation to Income Tax Act.	20
a)	Definition of 'Business'.	
(b)	Definition of 'Previous Year'.	
c)	Indian and Foreign Income u/s 5.	
d)	Exemption for interest on securities u/s 10(15).	
e)	Exemption in relation to Income of Minor Child u/s 10(32).	
	wer in short any four of the following in relation to Income Tax Act: Definition of 'Person'.	20
b) I	Provisions relating to residential status of a company.	
c) I	Exemption available for agricultural income u/s 10(1).	
d) I	Profits in lieu of salary u/s 17(3).	
e) [Disallowance of excessive or unreasonable payments u/s 40A(2).	
6. a) A	Answer the following in relation to Income Tax Act:	
i	i) Define 'Perquisites' u/s 17(2).	5
002,ii	Briefly explain certain deductions to be allowed only on actual payment basis u/s 43B.	5
b) A	nswer the following in relation to Service Tax:	
1999) Monthly/Quarterly Payment of Service Tax.	5
o) auou) Furnishing of Service Tax Return.	5