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Register Number:

7185

Name of the Candidate:

**DIPLOMA EXAMINATION, 2010**

**(LAW OF TAXATION)**

**(PAPER-II)**

**120. INCOME TAX PRACTICE**

Dec]

[Time : 3 Hours

Maximum : 100 Marks

**SECTION-A**

*Answer any THREE questions  
All questions carry equal marks*

**(3×20=60)**

1. Define 'Salary' and explain how the income from salary is computed for assessment of Income –Tax.
2. Discuss the special provisions relating to assessment of firms under the Income-Tax Act.
3. Explain 'Gross Total Income'. State the deductions allowed from the Gross Total Income for the purpose of assessing Income Tax. Give suitable illustrations.
4. How is the residence of an assessee determined for income tax purposes? Explain the effect of residence on tax liability under the Income Tax Act.

**SECTION-B**

*Answer ALL questions  
All questions carry equal marks*

**(2×20=40)**

5. X is employed with AAA Pv(Ltd) on a monthly salary of Rs.30,000/- He has been provided a free residential telephone. Besides, he gets free lunch in office. Discuss whether perquisites are chargeable to tax.
6. X retires from the central government on 31<sup>st</sup> May 2009. He gets pension of Rs.5,000 per month up to 31<sup>st</sup> January, 2010. With effect from 1<sup>st</sup> February, 2010 he gets one third of his pension commuted for Rs.1 lakh. Determine the taxable amount of pension for the Assessment year 2009-10 in this case.

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