

## **Paper 7 – Direct Taxation**

**Paper 7- Direct Taxation**

**Full Marks: 100**

**Time allowed: 3 hours**

**Section-A (25 Marks)**

**Answer question No. 1 a,b,c & d which is compulsory.**

**1. a) Multiple Choice Questions: [10 x1=10]**

- i) Exempted tax slab rate for resident and super senior citizen of the age of 80 years or more is
  - a) ₹ 2,50,000
  - b) ₹ 3,00,000
  - c) ₹ 5,00,000
  - d) None of the above
  
- ii) Time limit for completion of scrutiny assessment u/s 143(3) should be completed within
  - a) 12 months from the end of the relevant assessment year
  - b) 12 months from the end of the relevant previous year
  - c) 6 months from the end of the relevant assessment year
  - d) None of the above
  
- iii) A Hindu Undivided Family is said to be resident in India if
  - a) The family has a house in India where some of its members reside
  - b) The member of such HUF is in India during the previous year
  - c) Control and management of its affairs wholly or partly situated in India
  - d) The Karta has been resident in India in at list 9 out of 10 previous years preceding the relevant previous year
  
- iv) The maximum amount of leave salary not chargeable to tax as specified by the Government in case of a non-government employee at the time of termination of service:
  - a) ₹ 75,600
  - b) ₹ 77,760
  - c) ₹ 2,40,000
  - d) ₹ 3,00,000
  
- v) Deduction available under section 24(a) is \_\_\_\_\_ of NAV.
  - a) 10%
  - b) 20%
  - c) 30%
  - d) 40%
  
- vi) In case of Indian company, the preliminary expenses that can be amortized under the Income Tax Act, 1961 has to be restricted to \_\_\_\_\_ of the cost of project or capital employed whichever is higher.
  - a) 3%
  - b) 5%
  - c) 8%
  - d) 20%
  
- vii) Marriage gift from a non-relative is \_\_\_\_\_.
  - a) Exempted from tax
  - b) Not exempted from tax
  - c) 50% Taxable

## Postal Test Paper\_P7\_Intermediate\_Syllabus 2016\_Set 1

- d) None of these
- viii) Deduction of tax at source on payment to non-resident sportsman is @.
- 5% + surcharge + health & education cess
  - 20% + surcharge + health & education cess
  - 30% + surcharge + health & education cess
  - 40% + surcharge + health & education cess
- ix) Advance tax is required to be paid by all assessee only if estimated advance tax liability is
- ₹ 5,000 or more
  - ₹ 10,000 or more
  - More than zero
  - ₹ 50,000 or more
- x) Income Computation and Disclosure Scheme (ICDS) comes into effect from the assessment year
- 2015-16
  - 2014-15
  - 2016-17
  - 2017-18

**b) State whether the following statements is true or false:**

**[5x1=5]**

- Best judgment assessment is covered u/s 143(3)
- Winning from lottery is taxable at the rate of 22%.
- Gratuity received at the time of termination of service by government employee is fully exempted from tax u/s 10(10)(i).
- Zero-coupons bonds shall be treated as 'short-term capital asset' if held for more than 12 months but not more than 36 months.
- Deduction under chapter VI-A in relation to resident individual who is handicapped is covered under section 80U.

**c) Fill in the blanks**

**[5x1=5]**

- In the case of slump sale of any undertaking indexation benefit is (allowed/not allowed) for the purpose of computation of capital gain.
- ICDS are required to be followed by all assessees (other than an individual or a HUF who is not required to get his accounts of the previous year audited u/s 44AB), following the \_\_\_\_\_ system of accounting.
- The maximum punishment for false statement in respect of Equalization Levy is \_\_\_\_\_.
- Loss from activity of owning and maintaining horse race can be carried forward for \_\_\_\_\_.
- Failure to apply for PAN or to quote PAN in prescribed document attracts penalty of \_\_\_\_\_ u/s 272B.

**d) Match the followings:**

**[5x1=5]**

	Column-A		Column-B
1	Long term Capital Assets	A	Section 32
2	Limit of maximum deduction under section 80C.	B	Section 64(1A)
3	Audit limit for Business Assessee	C	Section 54 EC
4	Computation of Depreciation	D	₹150000

## Postal Test Paper\_P7\_Intermediate\_Syllabus 2016\_Set 1

5	Income of a Minor child	E	₹100 lakh of rupees
---	-------------------------	---	---------------------

### Section-B (75 Marks)

**Answer any five Questions from Question No. 2 and 8**

**2. a)** Andy, a British national, comes to India for the first time during 2016-17. During the financial years 2016-17, 2017-18, 2018-19, 2019-20 and 2020-21, he was in India for 55 days, 60 days, 80 days, 160 days and 70 days respectively. Determine his residential status for the assessment year 2021-22. [5]

**2. b)** Give any five instances of agricultural income. [5]

**2. c)** Mr. Laloo Singh, received education allowance of ₹ 80 p.m. for his 1st child, ₹ 90 p.m. for his 2nd child and ₹ 120 p.m. for his 3rd child. He also received hostel allowance of ₹ 1,000 p.m. None of his children are studying. Find taxable Children Education Allowance and Hostel allowance. [5]

**3.** Uttar and Dakshin, partners of PP Traders, furnishes the following details –

#### Profit and loss account for the year ended 31-3-2021

Particulars	Amount	Particulars	
Bonus paid to employee	50,000	Gross Profit	10,00,000
Interest on loan taken from	45,000	Interest on drawings	
Other Expenses	40,000	Uttar	2,000
Salary to Partners		Dakshin	3,000
Uttar	2,44,000		
Dakshin	4,88,000		
Interest on capital @ 15%			
Uttar	4,500		
Dakshin	6,000		
Depreciation	40,000		
Net Profit	87,500		
	<b>10,05,000</b>		<b>10,05,000</b>

#### Additional information:

1. Depreciation for the year allowed u/s 32 is ₹ 30,000.
2. During the last year, firm has incurred loss of ₹ 8,50,000 (which includes unabsorbed depreciation of ₹ 50,000).
3. Interest on loan taken from bank is yet to be paid. Compute total income of firm.

[15]

**4.a)** X Ltd. is shifting its undertaking from Jaipur to Napasar (other than urban area). In this regard it sold its 4 machineries and 2 sets of furniture during the previous year 2020-21 as under:

Machinery	Depreciation Rate	Book Value (₹)	Sold for (₹)	Furniture	Depreciation Rate	Book Value (₹)	Sold for (₹)
A	15%	2,00,000	3,00,000	X	10%	1,00,000	2,00,000
B	15%	3,00,000	8,00,000	Z	10%	60,000	90,000
C	15%	5,00,000	6,00,000				

## Postal Test Paper\_P7\_Intermediate\_Syllabus 2016\_Set 1

D	30%	6,00,000	5,00,000				
---	-----	----------	----------	--	--	--	--

WDV of the block of asset as under –

Name of the Block	Block consist of	WDV as on 1/04/2020
Machinery 15%	A, B & C	11,00,000
Machinery 30%	D	9,00,000
Furniture 10%	X & Z	1,50,000

X Ltd. is seeking whether the transaction shall be taxable as slump sale or not and compute capital gain. On 7/04/2021, assessee further purchased machineries worth ₹ 3,70,000 and land of ₹ 1,00,000 for the purpose of new industrial undertaking. Compute capital gain. **[10]**

**4. b)** List down at least ten transactions where quoting of PAN is mandatory. **[5]**

**5. a)** From the following particulars of Shri Khote for the year ending 31st March, 2021, find out his taxable income from business for the assessment year 2021-22:

Particulars	(₹)	Particulars	(₹)
To Opening stock	1,20,000	By sales	2,14,20,000
To Purchases	2,10,00,000	By Profit on sale of import	5,000
To Salaries	25,000	By Gift received	24,000
To Legal Expenses	10,000	By Closing Stock	2,00,000
To Bad debts	5,000		
To Rent	50,000		
To Interest on loan	2,500		
To Depreciation	15,000		
To Income tax paid	2,000		
To Outstanding	25,000		
To Advertisement	2,000		
To Legal expenses	12,000		
To Contribution	5,000		
To General expenses	17,500		
To Travelling	1,00,000		
To Net Profit	2,58,000		
	2,16,49,000		2,16,49,000

In computing the income, the following facts are to be taken into consideration:

1. Interest on loan is paid to brother of Shri Khote for loan taken for payment of advance income tax.
2. During the previous year 2016-17, assessee had claimed ₹ 45,000 as bad debt out of which only ₹ 35,000 was allowed. During the previous year, he recovers ₹ 25,000.
3. Contribution towards unrecognized provident fund was paid within time.
4. Legal expenses include ₹ 2,000 paid for preparation of income tax return.
5. Stock is undervalued by 10%.
6. Gift received was given by a supplier for achieving target sale.
7. Outstanding customs duty has been paid on 31-12-2021.
8. During the previous year, he comes to know that his former employee had embezzled cash of ₹ 5,000 on 31-3-2020, which was not accounted for.
9. Traveling expenses include ₹ 50,000 being cost of trip to Singapore by an employee for 10 days. However, only 8 days of trip is useful to business and 2 days has been allowed as holiday to employee.

## Postal Test Paper\_P7\_Intermediate\_Syllabus 2016\_Set 1

10. Rent includes expenditure on extension of shed on rented building ₹ 26,000. However, such extension was completed on 1-5-2021 with total cost of ₹ 50,000.
11. General expenses include -
- Salary of ₹ 1,200 paid to domestic servant.
  - Compensation of ₹ 2,000 paid for retrenchment of an employee. Compute his business income for A.Y 2021-22. [15]

6. a) Discuss the provisions contained u/s 140. [5]

6. b) P Co-operative Society furnishes following details of income, compute taxable income for the purpose of A.Y. 2021-22:

Income from collective disposal of labour	₹ 25,000
Income from marketing of the agricultural produce grown by its member	₹ 30,000
Income from marketing of the agricultural produce grown by outsider	₹ 3,000
Dividend from another co-operative society	₹ 15,000
Dividend from X Ltd.	₹ 3,000
Income from processing of agricultural produce of its member with aid of power	₹ 50,000

[10]

7. Compute income under the head 'Income from house property' of Sri from the following information:

Particulars	H1	H2	H3	H4
Used for	Self occupied	Self occupied	Self occupied	Own Business
Situated at	Mumbai	Abu	Kolkata	Hyderabad
Gross Municipal Value	3,00,000	2,00,000	7,00,000	3,00,000
Fair Rent	2,00,000	2,00,000	6,00,000	1,20,000
Standard Rent	3,00,000	2,40,000	7,00,000	2,00,000
Municipal Tax	15%	15%	15%	15%
Repairs	13,000	4,000	8,000	8,000
Ground Rent	20,000	Nil	Nil	6,000
Land Revenue	Nil	10,000	Nil	Nil
Interest on Loan	40,000	1,00,000	2,10,000	20,000
Loan taken on	1998-99	1998-99	2017-18	1999-00

[15]

8. Write short note on:

- a) time limit for filing return of income. [5]
- b) ICDS VII Government Grants. [5]
- c) Scrutiny Assessment u/s 143(3). [5]