

## **Paper 7 – Direct Taxation**

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**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. Following is not a head of income:
  - A. Income from House Property
  - B. Salaries
  - C. Income from Interest on securities
  - D. None of the Above
  
- ii. Time limit for completion of assessment as per Sec. 153(1) is \_\_\_\_\_ from the end of relevant assessment year.
  - A. 1 year
  - B. 2 year
  - C. 3 year
  - D. 4 year
  
- iii. Rate of Interest accruing to a particular employee by virtue of his employer's contribution to Recognized Provident Fund is 12.5% p.a. In such case:
  - A. Total Interest accrued is taxable
  - B. Total interest accrued I exempt
  - C. Only 10% Interest is taxable
  - D. Only 3% of Interest is taxable
  
- iv. An Indian citizen leaving India during the previous year for employment purpose is said to be resident if:
  - A. He has a house in India
  - B. He is in India in the previous year for a period of 182 days or more
  - C. He is in India for a period of 60 days or more during the previous year and for 365 or more days during 4 previous years immediately preceding the relevant previous year
  - D. His parents are Indian citizen.
  
- v. Expenditure incurred towards Corporate Social Responsibility in accordance with section 135 of the Companies Act, 2013 is:
  - A. Expenditure deductible at 100%
  - B. Expenditure deductible at 150%
  - C. Inadmissible expenditure
  - D. Expenditure deductible in five annual instalments
  
- vi. Zero Coupon Bonds can be issued by any of the following entities:
  - A. Scheduled bank
  - B. Public sector company
  - C. Both (a) and (b)
  - D. None of these
  
- vii. Personal effect do not cover the followings:

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- A. Immovable property
  - B. Drawings
  - C. Jewellery
  - D. All of the above
- viii. Maximum amount of deduction in respect of interest on deposits in case of senior citizens u/s 80TTB are:
- A. ₹ 50,000
  - B. ₹ 10,000
  - C. ₹ 40,000
  - D. ₹ 15,000
- ix. Preliminary expenses are incurred in every business. What are the expenses that qualify for deduction u/s 35D?
- A. Expenses for drafting memorandum and articles of association
  - B. Payment of duty at the office of Registrar of Companies
  - C. Expenditure incurred in preparation of project report
  - D. All of the above
- x. Family pension received by the legal heirs of the deceased is taxable in the hands of the legal heirs as:
- A. Income under head Salary
  - B. Income under head Business and Profession
  - C. Income under head capital gain
  - D. Income under head other sources

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

**[5x1=5]**

- i. Where the expenses are incurred wholly and exclusively for official purposes, the value of the perquisite in respect of the credit card shall be nil.
- ii. Any allowance or perquisite paid outside India by the Government to a citizen of India for rendering services outside India are exempt from tax.
- iii. An employee who opts to surrender his salary to the Central Government u/s 2 of Voluntary Surrender of Salaries Act, 1961, the salary so surrendered shall be taxable.
- iv. Tax on non-monetary perquisite paid by employer is taxable.
- v. Income from sale of trees and grasses grown spontaneously (without any human effort), is non-agro income.

**c) Fill in the blanks**

**[5x1=5]**

- i. Rounded off Income to the nearest multiple of \_\_\_\_\_ rupees.
- ii. Tax rate in case of individual, where the total income does not exceed ₹ 2,50,000 is \_\_\_\_\_.
- iii. Discount on issue of Zero Coupon Bonds shall be allowed on \_\_\_\_\_ basis having regard to the period of life of such bond.
- iv. Depreciation on an asset purchased and kept as standby will be allowed in spite of the same has not been put to use as it has \_\_\_\_\_ (passive/active) use by the assessee during the year.
- v. An assessee who fails to pay advance tax or defers the payment of advance tax on specified date, shall be liable to pay \_\_\_\_\_ u/s 234B & 234C.

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d) Match the followings

[5x1=5]

	Column A		Column B
1	Form No. A	A	Not eligible for deduction under 80G.
2	Scrutiny Assessment	B	₹ 1 lakh
3	Borrowing Costs	C	Sec.143(3)
4	Threshold exemption limit for equalization Levy	D	Statement for Equalization Levy
5	Donation in kind	E	ICDS IX

### Section-B (75 Marks)

Answer any five Questions from Question No. 2 and 8

2. a) X came India for first time on July 24, 2016. From July 24, 2016 to December 25, 2017 he was in India. Again, he came to India on August 5, 2020 for employment purpose & left India on November 25, 2020 permanently. Determine his residential status for the previous year 2020-21 assuming –  
 A) He is a foreign citizen                      B) He is an Indian citizen                      **[7]**
2. b) Write a short note on Income as per section 2 (24) of the Income-tax Act,1961.                      **[4]**
2. c) Dr. R purchased a house property on 1-12-2018 for ₹ 10,00,000. Till 1-12-2020, the same was self-occupied as a residence. On this date, the building was brought into use for the purpose of his medical profession. What would be the depreciation allowable for the assessment year 2021-22?                      **[4]**
3. a) Calculate interest on loan allowed for assessment year 2016-17 to 2021-22 from the following information:  
 Loan was taken on 1/1/2012 ₹ 5,00,000 @ 12% p.a.  
 Construction commenced on 1/8/2012.  
 Construction completed on 31/3/2017.  
 Repayment made as under:
- |             |             |             |             |
|-------------|-------------|-------------|-------------|
| On 1/4/2011 | on 1/4/2014 | On 1/4/2017 | On 1/7/2018 |
| ₹ 1,00,000  | ₹ 1,00,000  | ₹ 1,00,000  | ₹ 1,00,000  |
- [9]**
3. b) Discuss the provision relating to defective return u/s 139(9).                      **[6]**
4. a) Mr. Raunak purchased 1,000 shares of Zey (P) Ltd @ ₹ 12 per share as on 1/08/2019. As on 1/05/2020, company declared one right share for each share held @ ₹ 15 each. Mr. Raunak renounced 40% of such right in favour of Miss Rani @ ₹ 2 per share and for balance, he subscribed to the company. On 1/07/2020, Mr. Raunak and Miss Rani sold all the shares to one of their friend @ ₹ 50 each. Find capital gain of both the assessee.                      **[12]**
4. b) What is deemed profits as per sec. 59?                      **[3]**
5. a) Mr. Shyam (40 years) has incurred following expenses:                      **[7]**

	₹
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Medicclaim Insurance premium paid for himself	12,000
Medicclaim Insurance premium paid for spouse	11,000
Medicclaim Insurance premium paid for dependent children	6,000
Medicclaim Insurance premium paid for mother (76years)	18,000
Preventive health checkup expenditure for mother	8,000
Medical expenditure incurred for father (78 years)	39,000

Compute deduction available to Mr. Shyam u/s 80D.

5. **b)** X completed his studies on 1-04-2020 and was immediately employed by X Ltd. on the following terms –  
 Basic Salary: ₹ 20,000 p.m.  
 DA: ₹ 5,000 p.m. (forming a part of retirement benefit)  
 Bonus: ₹ 50,000  
 During the year, his employer contributed ₹ 33,000 to the pension scheme being notified u/s 80CCD of the Income Tax Act, 1961. X also contributed similar amount. His income from house property is ₹ 50,000. During the year he contributed ₹ 15,000 to pension plan of LIC, to PPF ₹ 1,00,000 and paid LIC premium of ₹ 16,000 (Policy value ₹ 1,20,000). Compute his total income. **[8]**

6. Find out the amount of advance tax payable by Mr. A on specified dates under the Income tax Act, 1961 for the financial year 2020-21:

	₹
Business income	4,85,000
Long term capital gain on 31-5-2020	60,000
Winning from lotteries on 12-6-2020	50,000
Interest on loan	10,000
Other income	5,000
Investment in PPF	10,000
Tax deducted at source:	
Case 1	38,000
Case 2	15,000

**[15]**

7. **a)** Discuss the provisions relating to Tax Audit. **[8]**
7. **b)** S Ltd. transferred its machinery (WDV of the block of asset ₹ 2,00,000 as per Income-tax Act) to its 100% holding company, H Ltd. (Indian company) as on 15/05/2020 for ₹ 2,40,000. On 31/07/2020, H Ltd. converted such asset into stock in trade (Market value as on 31/07/2020 is ₹ 3,00,000) and sold on 17/08/2020 for ₹ 3,20,000. H Ltd. has no such block of machinery. Show tax treatment. **[7]**

8. Write short note on:
- a)** Faceless inquiry or assessment; **[5]**  
**b)** ICDS I: Accounting Policies **[5]**  
**c)** Best Judgment assessment **[5]**