

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. Interest credited to recognized provident fund is exempt up to _____ of the accumulated balance.
 - A. 9.5%
 - B. 8.75%
 - C. 8.85%
 - D. 9.00%

- ii. An individual, being foreign national, came to India for first time during the previous year 2020-21 on 01-01-2021 for 200 days, his residential status for the previous year 2020-21 is:
 - A. Non-resident
 - B. Resident but not ordinarily resident in India
 - C. Resident and ordinarily resident in India
 - D. Resident in India

- iii. Which of the following is not taxable under head 'salaries'?
 - A. Remuneration paid to the lecturer of a college for setting a question paper by a university.
 - B. Salary received by a member of the parliament.
 - C. Commission received by an employee director of a company.
 - D. Both (a) and (b) above.

- iv. Caution money forfeited by the assessee is:
 - A. Taxable in the year of forfeiture under the head "Income from other sources"
 - B. Exempt fully
 - C. Taxable in the year of forfeiture under the head "capital gain"
 - D. Considered as casual income and liable to tax @30%

- v. The prescribed form of application for allotment of PAN for Indian Citizen/Indian Company/Entities incorporated in India/Unincorporated entities formed in India, is:
 - A. Form 49AA
 - B. Form 35
 - C. Form 36
 - D. Form 49A

- vi. Which of the following asset shall be termed as short-term capital asset if it is held for not more than 12 months before the date of transfer?
 - A. Units of UTI(whether quoted or not)
 - B. Equity or preference share in a company (listed in India)
 - C. Zero-coupon Bonds (whether quoted or not)

- D. All of the above.
- vii. Following form number is to be used for filing the return of income by an individual having business income.
- A. Form No.1
 - B. Form No.2
 - C. Form No.5
 - D. Form No.3
- viii. Which of the following can be corrected while processing the return of income under section 143(1)?
- A. any arithmetical error in the return
 - B. any mistake in the return of income
 - C. any error in the return of income
 - D. any claim by the taxpayer which is against law
- ix. Income Computation and Disclosure Standard V relating to ____ .
- A. tangible fixed assets
 - B. Intangible assets
 - C. Borrowing cost
 - D. None of the above
- x. Pelf Finstock Ltd. filed its return of Income Tax for A.Y. 2021-22 on 30th March, 2022. The notice for making scrutiny assessment under section 143(3) can be served on the assessee upto –
- A. 31st December 2022
 - B. 30th September 2022
 - C. 31st March 2022
 - D. 30th September 2023

b) State whether the following statements is true or false

[5x1=5]

- i. A return of income filed without payment of self-assessment tax is a defective return.
- ii. Loss in speculation as well as non-speculation business can be carried forward to a maximum of four consecutive assessment years immediately succeeding the assessment year for which loss was first computed.
- iii. Reasonable expected rent cannot exceed standard rent.
- iv. Notice under section 156 is given for deferment of tax.
- v. Under section 270A, the assessee will be held liable for penalty. The rate of penalty shall be fifty per cent of the tax payable on under-reported income.

c) Fill in the blanks

[5x1=5]

- i. Interest on refund on Income-tax paid in excess is a _____ receipt.
- ii. Salary paid to a working partner of a firm is chargeable to income-tax in the hands of such partner under the head _____
- iii. Any sum paid on account of income tax is _____ (deductible/not deductible) while computing from other sources.
- iv. Computation of capital gains in case of slump sale is covered u/s _____.

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- v. Amount received towards permission for putting up hording at the top of the building is taxable under the head _____.

d) Match the followings

[5x1=5]

	Column A		Column B
1	Non speculation business loss	A	Income of co-operative societies
2	Section 80P	B	Effects of changes in foreign exchange rates
3	ICDS VI	C	8 years
4	Section 288B	D	Self-assessment
5	Section 140A	E	Rounding off tax

Section-B (75 Marks)

Answer any five Questions from Question No. 2 and 8

- 2. a)** Mr. Sid, a British national, joined XYZ Co. Ltd. as an engineer in India on 1st May, 2010. On 31st December, 2011, he went to Sri Lanka on deputation. On 1st April, 2016, he came back to India and left for Sri Lanka again on 31st May, 2016. He returned to India and joined his original post on 1st July, 2020. Determine his residential status for the A.Y. 2021-22. **[12]**

- 2. b)** Distinguish between tax planning, tax avoidance and tax evasion. **[3]**

- 3. a)** X Ltd. grows sugarcane to manufacture sugar. Details for the previous year 2020-21 are as follows:

Particulars	₹ in lacs
Cost of cultivation of sugarcane (5,000 tons)	10
Sugarcane sold in market (1,000 tons)	3
Sugarcane used for sugar manufacturing (4,000 tons)	-
Cost of conversion	5
Sugar produced & sold in market	25

Compute income of X Ltd. **[7]**

- 3. b)** He received leave encashment equivalent to 18 months' Basic salary ₹ 1,26,000. His employer allows him 1½ months leave for every completed year of service. During his tenure, he availed of 12 months leave. At the time of retirement, he also gets D.A. ₹ 3,000. His last increment of ₹ 1,000 in basic was on 1/4/2020. Find taxable leave encashment. **[8]**

- 4. a)** Compute total income of Sri Bajaj of Delhi from the following **[8]**

Particulars	Amount
Profits & gains of business or profession	80,000
Income from house property (let-out and situated at Kolkata)	40,000
Income from other sources	10,000

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Rent paid for office	8,000
Rent paid for residential house	40,000

4. b) Write any seven expenditures that are disallowed u/s 40(a) in computing the income chargeable under the head "profits & gains of business or profession. [7]
5. A and Mrs. B, being members of an AOP with equal share, furnishes the following details, compute tax liability of AOP. [15]

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

Particulars	Amount (₹)	Particulars	Amount (₹)
Bonus to employee	50,000	Gross Profit	6,96,000
Bonus to A	10,000	Interest on drawings:	
Bonus to Mrs. B	5,000	A	16,000
Other Expenses	40,000	Mrs. B	8,000
Salary to -			
A	44,000		
Mrs. B	88,000		
Interest on Capital @ 15%:			
A	15,000		
Mrs. B	20,000		
Depreciation	30,000		
Donation to National Relief Fund	10,000		
Net Profit	4,08,000		
	7,20,000		7,20,000

Additional information:

- Depreciation for the year u/s 32 ₹ 20,000.
- Other expenses include expenditure of ₹ 5,400, which is disallowed u/s 40A(2).
- Other personal income of A & Mrs. B.

	A	Mrs. B
Dividend received	₹ 5,000	₹ 20,000
Interest on loan	₹ 45,000	₹ 22,000

6. a) Mr. Sukhvinder is engaged in the business of plying goods carriages. On 1st April, 2020, he owns 10 trucks (out of which 6 are heavy good vehicles of (unladen weight of each is 20 ton)). On 2/5/2020, he sold one of the heavy goods vehicles & purchased a light goods vehicle on 6th May, 2020. This new vehicle could however be put to use only on 15-6-2020. Compute the total income of Mr. Sukhvinder for the A.Y. 2021-22, taking note of the following data: [8]

Particulars	Amount (₹)	Amount (₹)
Freight Charges collected		8,70,000
Less: Operational expenses	6,25,000	
Depreciation as per Sec.32	1,85,000	
Other office expenses	15,000	8,25,000
Net Profit		45,000
Other business and non-business income		70,000

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6. **b)** Write the provisions related to the Revocable Transfer u/s 61. **[7]**
7. **a)** State the fees for default in furnishing return of income. **[5]**
7. **b)** Sunder died on 31st July 2020 while being in Central Government service. In terms of rules governing his service, his widow Mrs. Sunder is paid a family pension of ₹ 10,000 p.m. and dearness allowance of 40% thereof. State whether the amount of family pension is assessable in her hands, and if so, under what head of income. Can she claim any relief/deduction on such receipt? Compute taxable income for the assessment year 2021-22 and tax thereon. **[5]**
7. **c)** Mr. & Mrs. X have three children and two of them are not studying. Both Mr. & Mrs. X are working in A Ltd. And getting children education allowance ₹ 500 per month and hostel allowance ₹ 1,000 per month. Compute taxable children education allowance and hostel allowance. **[5]**
8. Write short note on:
- a)** Quoting of Aadhar Number; **[5]**
- b)** ICDS III: Construction Contracts **[5]**
- c)** Tax deduction and collection account number [Sec. 203A] **[5]**