

Paper 7- Direct Taxation

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Full Marks: 100

Time allowed: 3 hours

All Question relate to Income Tax Assessment year 2023-24 and the provisions stated relate to the Income-tax Act, 1961, unless otherwise stated in the Question.

Answer Question No. 1, which is compulsory and any five from Question No.2 to 8.

1. (a) Choose the most appropriate alternative for the following: [1x10=10]
- (i) For the purpose of levying tax on income other than agricultural income, Union List contained entry.
- (a) 82
 - (b) 92C
 - (c) 92D
 - (d) None of the Above
- (ii) An individual, being foreign national, came to India first time during the previous year 2022-23 on 01-03-2023 for 200 days, his residential status for the previous year 2022-23 is.
- (a) Non-resident
 - (b) Resident but not ordinarily resident in India
 - (c) Resident and ordinarily resident in India
 - (d) Resident in India
- (iii) The maximum amount of leave salary not chargeable to tax as specified by the Government in case of a non-Government employee is.
- (a) ₹ 25,00,000
 - (b) ₹ 77,760
 - (c) ₹ 2,40,000
 - (d) ₹ 3,00,000
- (iv) A payment of ₹25,000 is made to the road transport-operator on 20-02-2023 in cash, consequently, amount disallowed u/s 40A(3) is.
- (a) Nil
 - (b) ₹ 25,000
 - (c) ₹ 5,000
 - (d) None of the above
- (v) Profit on sale of rural agricultural land is
- (a) Not taxable as it is agricultural income
 - (b) Not taxable under the head 'Capital gains' but under the head 'Income from Other Sources'
 - (c) Not taxable as rural agricultural land is not considered as a capital asset
 - (d) Taxable if it is compulsorily acquired.

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- (vi) An individual purchased a painting on 01-11-2022 for ₹ 5,00,000 though fair market value of the asset is ₹5,25,000. Income taxable u/s 56(2)(x) is:
- (a) ₹ 25,000 i.e., difference between market value and actual consideration
(b) Nil as this is not gift
(c) Nil as difference between market value and actual consideration does not exceed ₹ 50,000
(d) The provision of sec. 56(2)(x) is not applicable for any transaction entered during P.Y. 2022-23.
- (vii) Tax is deducted at source on winning from lottery, the rate for such deduction in case of resident individual. deductee is:
- (a) 30.9%
(b) Maximum marginal rate of tax
(c) 30% if such winning exceeds ₹ 10,000
(d) 33.99%
- (viii) As per sec.60, income is clubbed if
- (a) Asset yielding income is transferred as revocable transfer
(b) Income is transferred without transferring asset yielding income.
(c) Asset yielding income is transferred as irrevocable transfer
(d) None of the above
- (ix) Quoting 'Permanent Account Number' (PAN) is compulsory in the following transaction –
- (a) Payment to LIP exceeding ₹ 50,000 in a financial year
(b) Sale or purchase of any immovable property valued at ₹ 4,00,000
(c) Time deposit up to ₹ 35,000 with a bank
(d) None of the above
- (X) Best Judgment assessment is covered u/s
- (a) 143(3)
(b) 143(1)
(c) 144
(d) 147

(b) Match the following:

[5×1=5]

	Column "A"		Column "B"
(i)	Securities Transaction Tax	A.	Depreciation
(ii)	Ground rent	B.	Effect of changes in foreign exchange rates
(iii)	Sec. 32	C.	Deductible as business expenditure
(iv)	ICDS VI	D.	₹ 15,000
(v)	Deduction on receipt of family pension	E.	Not deductible while computing income from property

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(c) **Say True or False for the following question:** [5×1=5]

- (i) Share of a private limited company held for 15 months before its sale is a long-term capital asset.
- (ii) It is not possible to have negative income under the head 'income from house property'
- (iii) Cash gift of ₹1,00,000 from uncle's son is not taxable.
- (iv) Leave encashment received while in service is taxable.
- (v) Income arising from the accretion of transferred property shall not be clubbed.

(d) **Fill in the blanks:** [5×1=5]

- (i) _____ is the illegal way to reduce tax liability by deliberately suppressing income or sale or by increasing expense, etc., which results in reduction of total income of the assessee.
- (ii) Advance tax is payable in _____ instalments by a non-corporate assessee.
- (iii) The quantum of deduction u/s 80U in respect of person with severe disability is _____.
- (iv) The excess of _____ paid over the regular income-tax payable of that year shall be allowed as tax credit.
- (v) The cost of acquisition of 100 bonus shares, where the original shares (100 nos.) were acquired for ₹30,000 is _____.

2. (a) Mr. X aged 19 years, left India for first time on May 31, 2022. Determine his residential status for the previous year 2022-23 if:

- (i) He left India for employment purpose
- (ii) He left India on world tour [5]

(b) R owns two houses both of which are occupied for residential purpose. The following particulars are available:

	House – I	House – II
Municipal value	4,00,000	6,00,000
Fair rent	3,00,000	7,20,000
Standard rent	3,00,000	7,50,000
Municipal tax paid	10%	12%
Interest of loan	50,000	1,00,000
Date of loan	1.4.1999	1.4.2006
Repayment of loan	75,000	95,000

Compute income from house property. [10]

3. (a) Miss Stuti has the following salary structure:

	₹
a. Basic salary	15,000 p.m.
b. Dearness Allowance (not forming part of retirement benefit)	5,000 p.m.
c. Hostel Allowance (does not have any child)	1,000 p.m.
d. Tiffin Allowance	500 p.m.
e. Transport Allowance	200 p.m.
f. Bonus	20,000 p.a.
g. Commission	15,000 p.a.
h. Free refreshment in office worth	5,000 p.a.
i. Mobile phone facility by employer	900 p.m.
j. Computer facility worth	10,000 p.a.

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She has been provided a Rent-free Accommodation (owned by employer) in Kolkata. The house was allotted to her with effect from 1/5/2022 but she could occupy the same only from 1/6/2022. Find her gross taxable salary. [9]

- (b) Mr. Virendar, a resident and ordinarily resident in India, has derived the following Income from various operations (relating to plantations and estates owned by him) during the year ended 31st March 2023:

Particulars	₹
Income from sale of centrifuged latex from rubber plants grown in Kerala	8,00,000
Income from sale of coffee grown and cured in Karnataka	4,00,000
Income from sale of coffee grown, cured, roasted and grounded in Rwanda, Africa. Sale consideration was received at Mumbai	8,40,000
Income from sale of tea grown and manufactured in Darjeeling	6,20,000
Income from sale of trees and grasses grown Spontaneously (without any human effort)	2,40,000
Receipts from TV serial shooting in farm house	2,00,000

Compute the agricultural income and business income for the assessment year 2023-24. [6]

4. (a) Mr. Siddhartha has a residential house property taxable u/s 22. Such property is acquired on 12/08/2005 for ₹2,00,000. The property is sold on 1/03/2023 for ₹25,00,000. He acquired another residential house on 31/03/2023 for ₹17,00,000 for self-occupation. On 1/03/2024, he sold such new residential house for ₹30,00,000. Compute his capital gain for the A.Y. 2023-24 and 2024-25. [9]

- (b) Mr. Ram (38 years) has incurred following expenses:

<u>Particulars</u>	<u>₹</u>
Mediclaime Insurance premium paid for himself	9,000
Mediclaime Insurance premium paid for spouse	8,000
Mediclaime Insurance premium paid for dependent children	6,000
Mediclaime Insurance premium paid for father (62 years)	18,000
Preventive health-check-up expenditure for father	6,000
Preventive health-check-up expenditure for himself (paid in cash)	4,000

Compute deduction available to Mr. Ram u/s 80D. [6]

5. (a) M/s Sidhant & Co., a sole proprietary concern is converted into a company, Sidhant Co. Ltd. with effect from November 29, 2022. The written down value of assets as on April 1, 2022 is as follows:

Items	Rate of Depreciation	WDV as on 1 April, 2022
Building	10%	₹ 3,50,000
Furniture	10%	₹ 50,000
Plant & Machinery	15%	₹ 2,00,000

Further, on 15-10-2022, M/s Sidhant & Co. purchased a plant for ₹1,00,000 (rate of depreciation 15%). After conversion, the company added another plant worth ₹50,000 (rate of depreciation 15%).

Compute the depreciation available to

- (i) M/s Sidhant & Co. and
(ii) Sidhant Co. Ltd. for the A.Y. 2023-24 [9]

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- (b) Mr. X gifted 1,000 shares of a non-domestic company worth ₹ 6,00,000 (acquired on 15/3/2022) to Mrs. X out of natural love and affection as on 15/4/2022. On 31/1/2023, Mrs. X received dividend ₹60,000 on such shares in India. On 1/2/2023, Mrs. X sold such shares for ₹10,00,000 and received consideration in India.
Show tax treatment, if on 1/2/2023, Mrs. X invested ₹10,60,000 in -
- (i) Case A - A house property from which rent accrued in the previous year 2022-23 is ₹53,000.
- (ii) Case B - A newly formed partnership firm and contributed initial capital. Interest received (taxable portion) on such contribution ₹13,250 and share of profit ₹20,000.
- (iii) Case C - A newly started proprietorship business & contributed capital, profit accrued for the year is ₹42,400 [7]
6. (a) Akhil, 35 years, has provided following details relating to his income for the previous year 2022-23:
- a. Income from business ₹15,00,000
- b. Income from saving bank interest ₹12,000
- c. Interest on PPF ₹36,000
- d. Investment in PPF ₹ 1,50,000
- You are requested to compute his tax liability and advise him whether he should opt for alternative tax regime u/s 115BAC. [8]
- (b) P, Q and R are partners in a firm sharing profits and losses in the ratio of 1:1:2, provide the following information. Find firm's net income assuming that salary and interest are not paid to partners:
- (i) Net income of the firm in assessment year 2022-23 is (-) ₹1,20,000, out of which unadjusted depreciation is ₹ 40,000.
- (ii) On 31.05.2022, R retires from the firm and the other partners carry on the same business.
- (iii) The firm's income for the Assessment Year 2023-24 before adjusting the aforesaid loss and depreciation is ₹1,20,000 [7]
7. (a) **Compute taxable income under the head Income from other sources of Mrs. X from the following data:**
- | Particulars | Amount (₹) |
|---|------------|
| Private tuition fee received | 10,000 |
| Winning from lottery | 2,000 |
| Award from KBC (a TV show) [Gross] | 3,20,000 |
| Pension from employer of deceased husband | 25,000 |
| Interest on bank deposit | 25,000 |
| Directors fee (Gross) | 5,000 |
| Letting out of vacant land | 25,000 |
| Remuneration for checking the examination copy of employer's school | 10,000 |
| Remuneration for checking the examination copy of C.A | 10,000 |
| Income tax refund | 5,000 |
| Interest on income tax refund | 100 |
| Composite rent (related expenditures are ₹5,000) | 10,000 |
| Rent on sub-letting of house property (rent paid to original owner ₹12,000) | 20,000 |
| Income tax paid | 2,000 |
| Payment made for personal expenses | 18,000 |
| Payment made to LIC as premium | 2,000 |

[10]

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- (b) TDS on payment of compensation on acquisition of certain immovable property [sec.194LA] – Discuss. [5]

8. Short note: (any three) [5×3=15]

- a) Any five transactions where quoting PAN is mandatory
- b) Time limit for filing return of income
- c) Government Grants as per ICDS VII
- d) Scrutiny Assessment U/S 143(3)