

Paper 7 – Direct Taxation

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Time Allowed: 3 Hours

Full Marks: 100

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

Section-A

1.

(a) Choose the most appropriate alternative

10x1=10 Marks

- (i). TDS U/s 193 in respect of interest on securities if payee does not furnish PAN is:
- (a) Rate in force
 - (b) Rate as per Act
 - (c) Nil
 - (d) None of above
- (ii). Income of public charitable trust registered u/s 12A is:
- (a) Exempt
 - (b) Taxable at MMR
 - (c) Taxable at slab rates
 - (d) None of above
- (iii). The exemption limit for equalization levy is
- (a) ₹ 5 lakhs
 - (b) ₹ 3 lakhs
 - (c) ₹ 1 lakhs
 - (d) None of above
- (iv). The number of Income computation and Disclose Standards issued so far are:
- (a) 32
 - (b) 24
 - (c) 10
 - (d) None of above
- (v). Expenditure in respect of winnings from card games is:
- (a) Deductible
 - (b) Not deductible
 - (c) Deductible if conditions are satisfied
 - (d) None of above
- (vi). Tax payable by a non-resident individual, if he has long term capital gain of ₹ 2,60,000 but has no other income is :
- (a) ₹ 1000 plus cess
 - (b) ₹ 26,000 plus cess
 - (c) ₹ 52,000 plus cess
 - (d) None of above
- (vii). Stake money on owning and maintaining race horses is ₹ 70,000 and expenses incurred is ₹ 20,000. Its taxable income is:
- (a) ₹70,000
 - (b) ₹ 50,000
 - (c) Nil
 - (d) None of above
- (viii). Rent after deducting municipal taxes is ₹ 2,00,000, the amount of taxable income from house property is:
- (a) ₹ 2,00,000
 - (b) ₹ 1,40,000

- (c) ₹ 2,60,000
(d) None of above
- (ix). Contribution to approved research (not scientific) institution in case of a business man is:
(a) 100% of such amount
(b) 125% of such amount
(c) 175% of such amount
(d) None of above
- (x). Unlisted equity shares are said to be short term capital asset if they are held for period upto:
(a) 12 months
(b) 24 months
(c) 36 months
(d) None of above

(b) Match the following

5x1= 5 Marks

- | | |
|--------------------------------------|-------------------------------|
| (i). Appeal | (a) Deduction u/s 36(i) (iii) |
| (ii). Non-resident shipping business | (b) Deduction u/s 80C |
| (iii). Interest on borrowed capital | (c) Twelve months |
| (iv). Repayment of housing loan | (d) Assessing officer |
| (v). Assessment year | (e) 7.5% of gross receipts |
| | (f) Tax tribunal |

(c) State true or false with reasons:

5x1= 5 Marks

- (i). Deduction u/s 80C is allowed from long term capital gain u/s 112.
(ii). Rebate u/s 87A is not available to a resident individual, aged 80.
(iii). If a karta is resident in India, his HUF will also become resident in India.
(iv). TDS for winning from lotteries is mandatory irrespective of the amount of winning.
(v). A firm not having business income can claim exemption from payment of advance tax u/s 207.

(d) Fill in the blanks:

5x1= 5 Marks

- (i). Surcharge is payable @ _____ by individuals, if the total income exceeds ₹ one crore.
(ii). Payment from National Pension System Trust on closure of account is exempt upto ____.
(iii). Capital expenditure for promoting family planning amongst employees is ____ (allowed/not allowed) deduction in case of corporate assessee.
(iv). Recovery of unrealized rent is taxable in the year of receipt after allowing ____.
(v). Belated return should be submitted before the ____ or before the completion of assessment, whichever is earlier.

Section-B

(Answer any five questions out of seven questions)

2.

(a) Mr. Sinha, Indian citizen, working as a crew member of a foreign going ship leaving India, submits the following information about his voyage during the year 2016-17:

- (i). Date entered into the continuous discharge certificate in respect of joining the ship is 31.7.2016.
(ii). Date entered into the continuous discharge certificate in respect of signing off the ship is 31.1.2017.

Is he resident for the assessment year 2017-18?

6 Marks

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(b) Mr. Virat commenced construction of house on 1.10.2013 and raised a loan of ₹ 15 lakhs @ 10.50% from a nationalized bank. He further raised ₹ 5 lakhs @ 12% from his friend on 1.10.2016 and completed the construction on 31.12.2016.

Compute the amount of interest allowable as deduction u/s 24(b) of the ITA, 1961 if:

(A) The house is self occupied for residence.

(B) The house is let out for business.

Is there any deduction available towards repayment of principal amount of loan under ITA, 1961?

9 Marks

3.

(a) Mr. Tarun retires from Central Government services on 30th November 2016. His salary up to 30th Nov 2016 ₹ 20,000 pm. On his retirement. He received ₹ 3,00,000 as gratuity, ₹ 2,50,000 from provident fund and ₹ 2,00,000 towards encashment of leave. His monthly pension is fixed at ₹ 10,000.

He joined a private company in Mumbai on 1st February 2017 at a salary of ₹ 15,000 pm. He was provided with a rent-free accommodation and a motor car (800 cubic capacity) for which all expenses are borne by the company. During the year he paid life insurance premium of ₹ 5,000 in the name of his married daughter and he earned accrued interest on NSC XI ₹ 8,000. Compute his total income.

9 Marks

(b) Mrs. Kala, a resident submits the following information:

(i). Cash gift from mother-in-law ₹ 55,000.

(ii). Gift of jewellery at the time of marriage ₹ 52,000.

(iii). Gift of land (Stamp Duty Value ₹ 50,000) from a friend.

(iv). Gift of building (Stamp Duty Value ₹ 60,000) from husband's friend.

(v). Gift of shares (FMV ₹ 50,000) from a neighbour.

(vi). Gift of paintings (FMV ₹ 10,000) from a stranger.

(vii). Gift of wrist watch (FMV ₹ 12,000) from a tenant.

(viii). Gift of jewellery from another friend who could not attend marriage due to personal reasons ₹ 20,000.

Compute her income from gifts chargeable to tax under Income Tax Act, 1961.

6 Marks

4.

(a) Mrs. Rani, owns the following capital assets:

(i) a house at Chennai (FMV on 1.4.1981 is ₹ 80,000)

(ii) an urban agricultural land at Amaravathi.

House at Chennai is purchased for ₹ 60,000 in 1978. He spent ₹ 10,000 in 1980 towards alteration of the house. Agricultural land is purchased for ₹ 20,000 in 1990. During the year 2014-15 both the assets are acquired by the central government for which ₹ 7 lakhs and 5 lakhs was awarded as compensation respectively and received during 2015-16. An additional compensation of ₹ 2 lakhs was received on 1-10-2016 as a result of a suit and had to incur legal expense ₹ 10,000. No suit is filed in respect of agricultural land. Compute capital gain for different assessment years. CII 2014-15:1024, 2015-16:1081, 2016-17:1125.

10 Marks

(b) R, who was born on 4.1.1957 submits the following information, Please compute the Total Income and tax liability of R for assessment year 2017-18.

Particulars	Amount (₹)
Rent from house (per month)	25,000
Municipal taxes paid during the previous year	20,000
Long-term capital gains on sale of gold	90,000
Interest on fixed deposits in bank (gross)	84,150
Term deposit in a schedule bank for six years	20,000

5 Marks

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5.

(a) Mr. Raja, a practicing Cost and Management Accountant reports gross receipts of ₹ 48 lakhs for the financial year 2016-17. His income from the said profession as per books of account is computed at ₹ 18 lakhs. He has no other income.

- (i) Is he eligible to opt for presumptive determination of his income chargeable to tax for the assessment year 2017-18?
- (ii) If so, determine his income from profession as per applicable provision.
- (iii) In case he does not opt for presumptive taxation, what are his obligations under the Act?
- (iv) What is the due date for filing his return of income under both the options? **6 Marks**

(b) Mrs. jaya, a non-resident provides the following particulars of her income/loss for the year 2016-17:

- (i) Salary earned in India ₹ 50,000.
- (ii) Income from house property received in India ₹ 20,000.
- (iii) Loss from business in Newyork ₹ 40,000.
- (iv) Long term capital gain on sale of urban land in Paris ₹ 10,000
- (v) Short term capital loss on sale of shares in India ₹ 40,000.
- (vi) Short term capital gain on sale of rural land in India ₹ 30,000.
- (vii) Loss on maintenance of race horses in India ₹ 20,000.
- (viii) Winnings from horse races in India ₹ 10,000.

Compute her total income for the AY 2017-18 on the assumption she contributed ₹ 80,000 to public provident fund. **9 Marks**

6.

(a) Mr. Verma, engaged in shipping business, provides the following information for the year 2016-2017:

- (i) Gross receipts from shipping business ₹ 14 lakhs.
- (ii) Total payments relating to his business ₹ 6 lakhs.
- (iii) Personal expenses ₹ 0.5 lakhs.
- (iv) Brought forward loss ₹ 2 lakhs.
- (v) Contribution to public provident fund ₹ 1 lakhs

Calculate the tax liability if he is:

- (A) Resident (b) Non-resident

6 Marks

(b) The profit and loss account of ABC & Co. a partnership firm for the year ended 31.3.2017:

	₹		₹
Expenses	1,60,000		
Depreciation	54,000	Gross profit	5,60,000
Remuneration to partner	3,00,000	Interest on securities	26,000
Interest to partners	90,000	Net loss	24,000
Donations	<u>6,000</u>		
	<u>6,10,000</u>		<u>6,10,000</u>

Other information:

- (i) Out of the expenses, ₹ 52,000 is not deductible.
- (ii) Depreciation as per IT rules is ₹ 60,000.
- (iii) Interest paid to partners is at 16% equally.
- (iv) The firm has three partners A, B and C. Where B is a non-working partner.
- (v) Out of remuneration, 25% is paid to B and the balance is paid equally to other partners.

Find out total income and tax liability of the firm.

9 Marks

7.

Raj Industries Ltd. furnishes you the following information for the year ended 31st March 2017. Compute the book profit u/s 115JB for the A.Y 17-18. **8 Marks**

Particulars	Amount (₹)
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Net Profit as per Statement of Profit and Loss	16,00,000
Provision for warranties to customers Statement of Profit and Loss	2,00,000
Wealth tax paid debited to Statement of Profit and Loss	30,000
Agricultural income credited to Statement of Profit and Loss	1,00,000
Deferred tax credited to Statement of Profit and Loss account	4,00,000
Brought forward depreciation	2,50,000
Business loss	3,00,000

7(b) Computation of Advance Tax where the calculation is made by the Assessee himself as per section 209.

7 Marks

8. Answer any three questions

3x5=15 Marks

- a) Mention any five transactions where quoting of PAN is compulsory under the rule 114B.
- b) Who are the Appellate authorities under Income-tax Act, 1961?
- c) "ICDS is mandatory in case of all assesses", Comment.
- d) What are the advantages and dis-advantages of e-commerce transactions?