

# P7\_Practice Test Paper\_Syl12\_Dec13\_Set 2

## Paper 7 : Direct Taxation

Full Marks – 100

Time – 3 Hours

### Section A

(Question No. 1 is COMPULSORY and any FOUR from Question Nos. – 2 to 6)

1.

- Rinku left India for the first time on 28<sup>th</sup> December, 2005. During the financial year 2012-13 she came to India once on 27<sup>th</sup> September for a period of 45 days. Determine her residential status for the assessment year 2013-14.
- Determine the amount of taxable pension if Amit receives a monthly pension of ₹50,000 from the Government.
- An asset, used for scientific research purposes, purchased on 01.06.2009 at a cost of ₹8,00,000. It was sold on 31.08.2012 for ₹9,00,000 – State the tax implications.
- X Ltd. paid Excise Duty for the previous year 2012-13 on 07.10.2013. In which assessment year, will it be allowed?
- What will be the residential status of Luft Ltd. an Indian company managed from Berlin?
- Aloke took a loan of ₹25 lakhs on 31.12.2012 from Bonbon Ltd., in which he is a shareholder having substantial interest. The Company was having free reserves of ₹30 lakhs. The Assessing Officer wants to consider the amount as deemed divided. Is the contention of the Assessing Officer valid?
- During the previous year 2012-13, Nirmal earned ₹2,01,000 which includes ₹1,000 received by his son (aged 12 years) as an interest on 31.12.2012. Calculate the taxable income of Nirmal.
- State whether air conditioner, not used as stock in trade, is a capital asset.
- Who has the authority to appoint Commissioner of Income Tax (Appeals)?
- What will be the first previous year for Asha, who started her business on 19<sup>th</sup> March, 2013?
- What will be the GAV, if the reasonable lettable value a house property is ₹60,000 but the actual rent of the property is ₹4,000 per month?
- Chabi borrowed ₹20,00,000 on 01.04.2004 to repair a house used for own residence. She paid ₹2,00,000 as interest on that amount on 31.01.2013. Find out the interest deductible u/s 24 for the assessment year 2013-14
- A company wants to file its return of income for the assessment year 2013-14 manually. Can it do so? If not, then in which mode it can file its return of income?

[13×1]

2.

- Samir furnishes the following information regarding his income for the previous year 2012-13. He asks you to determine his taxable income and unabsorbed depreciation

Particulars	₹
Business Income (before depreciation)	20,00,000
Depreciation allowable as per Income Tax Act	29,00,000
Income from other sources	8,00,000

- Sri Ltd. owns two machines, Machine A and Machine B in a block. Depreciated value of the block on 1<sup>st</sup> April, 2010 is ₹3,38,000. He purchased Machine C for ₹1,00,000 on 23<sup>rd</sup> October, 2010. It transferred Machine C to Fatima for ₹1,20,000 on 31.10.2012. Fair market value of Machine C as on the date of transfer was ₹65,500. From 01.11.2012, Fatima gave Machine C on lease to Sri Ltd. at a rent of ₹2,500 per month. Find out the "actual cost" for the purpose of computing depreciation in the hands of Fatima?
- Discuss the taxability of cash gifts of ₹30,000 received by Mr. Roy during the previous year 2012-13 from each of the following:
  - by his neighbour;

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- (ii) by employer;
- (iii) by one of his patients;
- (iv) by his sister on the occasion of his daughter's marriage; and
- (v) in contemplation of death.

[4+4+5]

3.

- (a) Sunil (38 years), a resident individual, incurs the following expenditure during the previous year 2012-13:

Particulars	Actual Expenditure	Amount reimbursed by	
		Insurance Company	Employer
Medical treatment of Sunil in a Government hospital	30,000	10,000	10,000
Medical treatment of his wife, Suman in a hospital recognized by Chief Commissioner	15,000	5,000	7,000

In the above two cases, diseases are specified in the rules made by the Board.

During the previous year 2012-13, Sunil earned ₹4,50,000 as his salary income. Find out the net income of Sunil for the assessment year 2013-14.

- (b) SD Ltd., a company providing telecommunication service, obtained a telecom licence on 01.04.2010 for a period of 10 years at a cost of ₹15,00,000. It transferred the licence on 28<sup>th</sup> December, 2012 for (i) ₹8,00,000 and (ii) ₹15,70,000. Compute the amount chargeable to tax for both the situations separately.
- (c) Romit, an individual, has personal income of ₹6,00,000 for the previous year 2012-13. He is also a member of a Hindu Undivided Family, which has an income of ₹3,00,000 for the previous year 2012-13. Out of the income of the family, Romit got ₹1,00,000, as his share in the income of the family. Show the status of the income from taxability point of view.

[5+6+2]

4.

- (a) W Ltd., an Indian company, owns an industrial undertaking which started production during 2011-12. On 31<sup>st</sup> March, 2012, it has 90 workmen out of which 10 are casual workmen. On 1<sup>st</sup> June, 2012, the company appointed 20 regular workmen at a monthly wages of ₹3,000 per month per worker. Find out the amount of deduction u/s 80JJAA for the assessment year 2013-14.
- (b) State whether the following transactions can be considered as transfer:
- (i) A house transferred by way of will to stepson
  - (ii) Bonus shares given by a company to its shareholders
  - (iii) Giving the right to use the asset
  - (iv) A piece of land transferred by a holding company to its subsidiary company in which the holding company holds 90% of the total shares of the subsidiary company
  - (v) Giving away jewellery for a piece of land
  - (vi) Getting money in lieu of shop in a shopping complex
  - (vii) A building is transferred under a scheme of amalgamation

[6 + (7×1)]

5.

- (a) Abhi (35 years), a salaried employee, drawing a salary of ₹6,00,000 during the previous year 2012-13. During the year he contributes ₹60,000 towards public provident fund. The information is submitted by Abhi in respect of Loss incurred from let out house property of ₹15,000 to his employer, Aditya Ltd.

You are required to calculate amount of tax to be deducted by Aditya Ltd.

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- (b) Raju, his wife and two sons are employed independently. Raju and his wife are not senior citizens. During the previous year 2012-13, Raju paid mediclaim insurance of ₹5,000 for self, ₹4,000 for his wife, ₹3,000 each for both of his sons and ₹14,000 for each of his parents who are senior citizens. Calculate the amount of deduction allowable u/s 80D.
- (c) Neel is engaged in the manufacturing business. He incurred a loss of ₹1,50,000 during the previous year 2012-13. Is he required to file return of income? Justify your answer.
- (d) Discuss the powers of Income Tax Authorities to disclose information.
- (e) The power of rectification of assessment order is discretionary. Discuss the correctness.

**[3+3+1+4+2]**

6.

- (a) Z Ltd. (a foreign company), A (a resident individual) and B (a resident individual) are three members of an AOP sharing profit in the ratio of 5:2:3. Personal incomes of A and B are ₹20,000 and ₹10,000 respectively. However, Z Ltd. has no other personal income. Taxable income of the AOP for the assessment year 2013-14 is ₹2,00,000 which includes Long Term Capital Gains of ₹50,000. Calculate amount of tax payable by the AOP, if it applies maximum marginal rate.
- (b) Gurmit sold an agricultural land for ₹70,00,000 on 1<sup>st</sup> July, 2012, which was purchased by him on 28<sup>th</sup> March, 1998 for ₹6,90,000. On 15<sup>th</sup> July, 2012, he purchased another agricultural land for ₹5,00,000 and he deposited ₹4,00,000 in the Deposit Account on 30<sup>th</sup> July, 2012. Determine the taxable amount of Capital Gains.
- (c) R is employed by S Ltd., a garment manufacturing company, at a salary of ₹30,000 per month. Besides he has been provided the following perquisites-
- (i) Mobile telephone expenses incurred by S Ltd. ₹6,000 p.a. approximately.
  - (ii) Rent free house owned by S Ltd. in Delhi.
  - (iii) Club facility on which S Ltd. incurred ₹12,000 during the previous year 2012-13. R paid ₹500 per month for availing the club facility to S Ltd.
- Calculate his taxable income.

**[5+5+3]**

### Section B (Answer ALL the Questions)

7.

- (a) Do you consider motor boats, used in fishing business, as an asset u/s 2(ea)?
- (b) Som gifted a house property to his wife on 01.03.2012. They entered into an agreement to live apart on 05.06.2012. In whose hands the property will be assessed to Wealth Tax in A.Y. 2013-14?

**[1+1]**

8.

- (a)  
(i) Mr. Sinha has following assets and liabilities on 31.03.2013

Particulars	₹
Gold Bars	10,00,000
Share on Indian companies	15,00,000
Residential house at Agra	19,00,000
Residential house at Delhi	45,00,000
Commercial building used for own business	1,20,00,000
Jewellery	10,00,000
Boat	6,00,000
Car for personal use	8,00,000
Bank Deposits	10,00,000

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Cash in Hand	4,50,000
Loan taken to purchase Gold Bars	3,00,000
Loan taken to purchase house at Agra	9,00,000
Loan taken to purchase house at Delhi	21,00,000
Loan taken to purchase Boat	3,00,000
Loan taken to purchase Jewellery	5,00,000

Calculate the amount of wealth tax payable by him for the assessment year 2013-14.

- (ii) Jubin made a cash gift of ₹5,00,000 to his wife, Sania. Sania bought jewellery with that money. The value of such jewellery as on 31.03.2013 was ₹12,00,000. What would be the implication of this in the net wealth computation of Jubin for the assessment year 2013-14?

[6+2]

or

(b)

- (i) State the persons for whom the Wealth Tax Act is not applicable or are exempted?  
(ii) Sunrise Real Estate Limited, a widely held company, owns the following assets as on 31.03.2013 -

(A) Two office flats at Delhi purchased in the year 2008 for resale	1,25,00,000
(B) Land at Kolkata purchased in 2010 on which a residential complex consisting of 28 flats, to be sold on ownership basis, is under construction for last 15 months	3,05,00,000
(C) Shares of different companies	10,00,000
(D) Cash at construction site	5,50,000
(E) Residential flat in occupation of the company's whole-time director drawing a salary of ₹4,90,000 p.a.	15,00,000

Calculate the net wealth of Sunrise Real Estate Limited.

[3+5]

### Section C

(Answer ALL the Questions)

9.

- (a) Following is one of the method for determination of Arm's Length Price-
- (A) Net Transactional Margin Method
  - (B) Transactional Split Margin Method
  - (C) Transactional Net Margin Method
  - (D) Comparable Transactional Margin Method
- (b) Rule that define the most appropriate method is-
- (A) 10D
  - (B) 10E
  - (C) 10C
  - (D) 10F
- (c) Prescribed documents, in relation to International Transactions, shall be kept and maintained from the end of the relevant assessment year for a period of -
- (A) 7 years
  - (B) 8 years
  - (C) 9 years
  - (D) 10 years
- (d) The rules in which the Income Tax Authorities shall accept the transfer price declared by the assessee is called-
- (A) Safe Harbour Rules
  - (B) Safe and Secure Rules

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- (C) Safety Measure Rules  
(D) Safety Rules
- (e) In case of failure to file report in Form No. 3CEB before due date, penalty will be levied of-
- (A) ₹15,000  
(B) ₹25,000  
(C) ₹50,000  
(D) ₹1,00,000

[5×1]

10.

(a)

- (i) When is an uncontrolled transaction comparable to an International Transaction?  
(ii) How do you determine Arm's Length Price under Resale Price Method?  
(iii) Briefly describe the conditions that are needed to be satisfied for the applicability of the Arm's Length Price in the International Transactions.  
(iv) List the duties of an assessee in respect of International Transactions.

[4+5+3+8]

or

(b)

- (i) A Ltd., an Indian company, engaged in the business of developing and manufacturing industrial components. Its subsidiary, B Ltd., a US company supplies technical information and offers technical support to A Ltd. for developing goods, for a consideration of \$50,000 p.a. If B Ltd. normally charges \$75,000 p.a. for the same and the income of A Ltd. is ₹85,00,000 after deducting the payment made to B Ltd., calculate taxable income of A Ltd.  
(ii) What do you mean by the term "Deemed ALP"?  
(iii) Explain the computation of Arm's Length Price using Comparable Uncontrolled Price Method.  
(iv) Briefly explain the procedure for determination of Arm's Length Price by the Assessing Officer.  
(v) How is income or expenditure on International Transactions computed?  
(vi) "Every person, proposing to enter into an Advance Pricing Agreement, shall make a request for pre-filing consultation" – Discuss.

[4+1+4+4+4+3]