

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 7.

Part-I

1.

(a) Multiple Choice Questions:

10x 1 = 10

- i. Agency area allowance is exempt upto ₹ _____ p.m.
 - A. 100
 - B. 200
 - C. 300
 - D. None of the above
- ii. Total number of Income Computation Disclosure Standards issued.
 - A. 8
 - B. 10
 - C. 12
 - D. None of the above
- iii. Donation to Delhi University can be claimed u/s ____.
 - A. 80E
 - B. 80EE
 - C. 80G
 - D. 80GG
- iv. Form for application of PAN is____.
 - A. Form 1
 - B. Form 49
 - C. Form 49A
 - D. None of the above
- v. ICDS V is in relation to
 - A. Revenue recognition
 - B. Construction Contract
 - C. Tangible Fixed Assets
 - D. None of the above
- vi. Punishment for false statement in equalization levy is _____ yrs.
 - A. 3 yrs
 - B. 5 yrs
 - C. 8 yrs
 - D. None of the above
- vii. TDS rate in respect for payment of Life Insurance Policy is _____.
 - A. 1%
 - B. 2%
 - C. 5%
 - D. None of the above
- viii. Rebate of income tax under section 87A is allowed o an individual whose total income doesn't exceed ₹ _____.
 - A. 2,50,000
 - B. 3,00,000
 - C. 5,00,000
 - D. None of the above
- ix. Threshold limit for TDS deduction for payment of accumulated balance due to an employee is
 - A. 30,000

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- B. 50,000
 C. 80,000
 D. None of the above
- x. Income of securitization trust from the activity of securitization is
 A. Taxable
 B. Partly exempt
 C. Exempt
 D. None of the above.

(b) Match the following.

5 x 1 = 5

	Column A		Column B
i	Standard deduction on unrealised rent	A	1125
ii	Deduction in respect of employment of new employees	B	Site restoration fund
iii	Belated return	C	139(4)
iv	Section 33 ABA	D	30%
v	CII for 2016-17	E	80JJA

(c) State true or false with reasons:

5 x 1 = 5

- i. Capital gain on furniture and fixture is eligible for exemption u/s 54G..
- ii. Conveyance facility provided to the High court and Supreme Court is taxable.
- iii. No deduction under section 80C to 80U is available for long term capital gain.
- iv. Interest paid on amount borrowed for meeting tax liabilities is deductible, sine the liability to pay income tax and wealth tax is personal nature.
- v. The mode of tax recovery u/s 222 includes arrest and detention of the assessee.

(d) Fill in the blanks

5 x 1 = 5

- i. The due date of filling of return of income of charitable trust shall be _____.
- ii. _____ is another method of collection of tax by the Central Government.
- iii. Penalty for failure to furnish statement u/s 172 is ₹ ____.
- iv. Rounding off total income is done to the nearest multiple of ₹ _____.
- v. Income tax rate is mentioned in _____.

Part-II

(Answer any Five Questions out of seven questions to be answered)

2(a) During the financial year 2016-17 Anil Kumar had the following income:

7 Marks

Particulars	Amount (₹)
Salary income received in India for services rendered in Hong Kong	3,90,000
Income from profession in India, but received in Germany.	3,60,000
Property income in Uganda (out of which ₹ 2,40,000 was remitted to India).	5,00,000
Profits earned from business in Bangalore.	1,50,000
Agricultural income in Kenya.	1,60,000
Profits from a business carried on at Nepal but controlled from India.	2,20,000

Compute the income of Anil Kumar for the assessment year 2017-18 if he is

- (i) resident and ordinarily resident,
- (ii) Not ordinarily resident, and
- (iii) Non-resident in India.

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2(b) Following are the particulars of house properties of Mr. Sameer for the previous year 2016-17. Compute his income from house properties.

Particulars	Amount (₹)	Amount (₹)
Construction started on	31.3.1991	10.02.1987
Construction completed on	31.3.1992	1.06.991
Annual Rental Value	30,000	12,000
Municipal valuation	25,000	12,000
Municipal Tax	2,500	12,000
Actual Repairs Expenses	2,000	2,000
Interest on money borrowed to renovate the building	1,200	—
Insurance premium	200	175
Ground rent	150	100
Vacancy period	3 months	—
Rent collection charges	1,000	600
Both the above houses were let out for residential purposes. Insurance premium of House A and Ground Rent of House B are still outstanding. Repair expenses of the house A and the municipal tax of House B were paid by the tenants.		

3(a) Compute his income under the head salary of R the assessment year 2017-18 from the following information submitted to you:

Particulars	Amount (₹)
Basic salary	20,000
D. A. (60% of which is part of retirement benefits)	10,000
Children education allowance (for two children)	200 p.m per child
Free lunch for 300 days in the office during office hours	80/meal
Reimbursement of expenses incurred on credit card provided by the employer	10,000
Gift of Titan watch	12,000
Rent free unfurnished accommodation at Delhi, the fair rent value of which is ₹ 84,000 p.a.	
Motor car of 1.8 litre with driver both for official and private purposes	
Watchman facility by the employer. Wages of watchman paid by employer ₹ 1,000 p.m	
Telephone facility at his residence. The employer has incurred expenses of ₹ 15,000 for the same.	

3(b) Compute the income of Mr Pankaj under head "Income from Other Sources" from the following information for the previous year ended 31.3.2016.

Particulars	Amount (₹)
Director fees from a company	12,000
Interest on the bank deposits	5,000
Income from undisclosed sources	15,000
Winning from lotteries	35,500
Royalty on a book written by him	8,000

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Lectures in seminar	4,800
Interest on loan given to a relative	5,000
Interest on Debentures of a company (listed in a recognised stock exchanges)	3,688
Interest on Post office saving account	550
Interest on government securities	2,500
Interest on monthly income scheme of post office	30,000
He paid ₹ 1,500 for typing the manuscript of book written by him	

4(a) From the following information submitted by R, compute his tax liability for the assessment year 2017-18:

Listed shares acquired in G Ltd. for ₹ 40,000 on 1.6.1978 (FMV as on 1.4.1981 ₹ 60,000) sold for ₹ 4,80,000 on 1.11.2016 through a recognised stock exchange.
Listed shares acquired in S Ltd. for ₹ 1,40,000 on 5.6.1986 sold for ₹ 2,00,000 on 1.12.2016 but such sale was not routed through a recognised stock exchange.
Income under the head salary ₹ 3,10,000.

4(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(a) Mr. Rajesh carries on his own business, For the year ending 31.3.2017 his Trading/Profit and Loss Account was as follows-

Particulars	Amount (₹)	Particulars	Amount (₹)
Opening stock	2,20,000	Sales	2,12,89,000
Purchases	1,86,09,000	Closing stock	2,52,000
Salaries	2,56,000	Interest on Jay Co. Ltd. Debentures	2,000
Rent	2,31,000	Dividend from UTI	2,000
Audit fee	3,30,000	Discount received	12,000
Bonus	3,000	Race winning (Gross)	12,000
Printing, Postage and stationery	4,000		
Miscellaneous expenses	4,000		
Advertisement expenses	22,000		
Drawings	12,000		
LIC premium	5,000		
Car expenses: Driver's salary 6,000 Petrol & repairs 12,000	18,000		
Property tax	4,000		
Cost of NSC (VIII series)	6,000		

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Net profit	18,45,000		
	2,15,69,000		2,15,69,000

Additional information:

1. Advertisement expenses included cost of 20 gift packs of ₹ 1,100 each presented to leading esteemed customers on occasion of Diwali
2. The car was used both for business and personal purposes. 2/3rd is for business purposes.
3. The property tax of ₹ 4,000 was in respect of his self-occupied house whose rental value is ₹ 18,000.
4. Rent paid includes ₹ 4,00,000 from which tax was deducted at source on 31-3-2017 but the same was deposited on 16-10-2017

Compute the GTI and total Income of Mr Rajesh for the Assessment year 2017-18.

5(b) From the following information please compute the total income of Mr Amit for the A.Y 17-18

Particulars	Amount (₹)
Income from HP	1,00,000
Income from Salaries	2,60,000
Business loss	3,20,000
LTCG	2,80,000
STCG	1,40,000

6(a) Compute the total income of Mr Amit who is resident Indian citizen from the following enumerated information

Particulars	Amount (₹)
Gross salary	2,50,000
Professional tax	2,000
Own contribution to RPF	10,000
Employer contribution to PF	10,000
STCH	40,000
LTCG from HP	60,000
Income on deposit with the company	49,000

6(b) ABC, LLP, furnishes you the following details pertaining to the financial year 2016 - 17:

Particulars	Amount (₹)
Net profit as per P/L Account	90,00,000
Depreciation debited in P/L Account	7,00,000
Depreciation allowable u/s 32	9,00,000
Inadmissible expenses	5,00,000
Deduction 10AA (computed)	12,00,000
Deduction 80-IA (computed)	60,00,000
Compute total income, adjusted total income u/s 115JC, and tax liability of ABC LLP for the A.Y 17-18	

7(a) 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.

Particulars	Amount (₹)
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

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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.

8. Short Notes (Answer any three questions out of four)

(5 x 3=15 Marks)

- A. Best Judgment Assessment.
- B. Fees for filling appeal.
- C. ICDS VIII on "Securities".
- D. Rectification of mistake u/s 169.