

**Paper 7- Direct Taxation**

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Full Marks : 100

Time allowed: 3 hours

Answer Question No. 1 which is compulsory and any Five from Question No. 2 to No. 7

### Part - I

1. (a) Multiple choice questions:

[10x1=10]

- (i) Maximum Deduction available under section 80C is –  
(a) ₹ 1,00,000  
(b) ₹ 40,000  
(c) ₹ 1,50,000  
(d) ₹ 75,000
- (ii) On donation to whom of the following a 0% deduction is allowable u/s 80G of the Income Tax Act?  
(a) National Defence Fund  
(b) Prime Ministers National Relief Fund  
(c) Donation given in kind  
(d) National foundation for Communal Harmony
- (iii) Equity share shall be treated as Long term capital asset if it is held by the transferor for \_\_\_\_\_  
(a) more than 12 months  
(b) more than 36 months  
(c) 12 months  
(d) 36 months
- (iv) \_\_\_\_\_ is a capital asset.  
(a) Stock in trade  
(b) Jewellery  
(c) Personal use  
(d) None of the above
- (v) If the asset is acquired during the earlier previous year and the same is put to use during the previous year for less than 180 days for the purpose of business or profession of the assessee then the eligible depreciation on such asset which can be claimed by the assessee during the previous year will be\_\_\_\_\_.  
(a) 100% of normal depreciation  
(b) 50% of normal depreciation  
(c) 60% of normal depreciation  
(d) No depreciation
- (vi) For the purpose of sec. 17(2), member of household does not include –  
(a) Spouse (whether dependent or not);  
(b) Servants

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- (c) Dependents  
(d) Assessee himself
- (vii) Which out of the following is not a case of deemed ownership of house property?
- (a) Transfer to a spouse for inadequate consideration  
(b) Transfer to a minor child for inadequate consideration  
(c) Holder of an impartible estate  
(d) Co-owner of a property
- (viii) On 10-10-2017, Mohan received shares from his friend Uttam (fair value ₹ 36,000 and not acquired through ESOP) as a gift. Further, as on 01-11-2017, he also received gold chain (fair value ₹ 10,000) without any consideration from another friend. Income u/s 56(2) taxable in hands of Mr. Mohan shall be –
- (a) Nil  
(b) ₹ 16,000  
(c) ₹ 46,000  
(d) None of these
- (ix) Where assessment has not been completed, revised return for assessment year 2018-19 can be filed upto:
- (a) 31.03.2019  
(b) 31.02.2018  
(c) 31.03.2018  
(d) 31.12.2019
- (x) The income before deduction admissible under section 80C to 80U is called \_\_\_\_.
- (a) Total income  
(b) Gross Total income  
(c) Both (a) and (b)  
(d) None of these

**(b) Fill in the blanks:**

**[5x1=5]**

- (i) The maximum amount deductible u/s 80QQB is ₹ \_\_\_\_\_.
- (ii) Winning from lottery is taxable @ \_\_\_\_\_
- (iii) Agricultural income from land located in India is exempt u/s \_\_\_\_\_
- (iv) Interest on PPF is \_\_\_\_\_
- (v) In case of HUF, the return of income has to be signed by the \_\_\_\_\_.

**(c) State whether the following statements are true or false:**

**[5x1=5]**

- (i) A belated return cannot be revised
- (ii) Reasonable expected rent cannot exceed standard rent.
- (iii) No tax is required to be deducted from professional fees, if aggregate amount of such fees credited or paid during the financial year to the payee does not exceed ₹ 30,000
- (iv) Negative income under the head 'income from house property' cannot be carried forward
- (v) Short term capital loss can be adjusted with income under any head.

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(b) Match the following:

[5x1=5]

	Column 'A'		Column 'B'
1.	Person	A	Sec. 35
2.	Heads of Income	B	Sec. 32
3.	Scientific Research	C	Sec. 33ABA
4.	Depreciation	D	Sec. 2(31)
5.	Site Restoration Fund	E	Sec. 14

### Part - II

**Answer any five from the following. Each question carries 15 marks (5x15=75)**

**2.(a)** Kanak, a Bangladeshi national discloses the following particulars of his income during the previous year 2017-18:

- (i) Income from house property in Bangladesh, remitted by tenant to him in India through State Bank of India ₹1,00,000
- (ii) Income from business in Singapore, controlled and managed from Singapore and profit received in Singapore ₹5,00,000.
- (iii) Profit from business in Bangladesh, controlled and managed from India but profit being received in Bangladesh ₹10,00,000.
- (iv) Dividends received from Bangladeshi companies outside India ₹1,35,000.
- (v) Interest received on bonds of U.K. companies outside India ₹45,000

Determine his total Income for the previous year 2017-18 in the following cases:

- (a) He is resident and ordinarily resident in India during the previous year;
- (b) He is resident but not ordinarily resident in India during the previous year. [7]

**(b)** Avik constructed a house in Kolkata on 30<sup>th</sup> September 2014. He took loan of ₹ 5,00,000 from a bank on 1<sup>st</sup> September, 2012 at an interest of 12% p.a. for the construction of the house. He refunded ₹ 2,00,000 on 1.1.2014. Compute allowable interest on loan u/s 24(b) for the assessment year 2018-19 under the Income tax Act. [8]

**3.(a)** From the following particulars, compute the total income of Mr. Hari for the A.Y. 2018-19. Mr. Hari, an employee of the Central Government retired on 30.6.2017. His salary from 1.4.2017 was ₹ 5,000 per month. On retirement, he received provident fund ₹ 80,000 and gratuity ₹ 5,10,000 and received ₹ 50,000 through encashing his 12 months earned leave. He started getting his pension @ ₹ 1,000 per month from 1.7.2017. From 1.12.2017, Mr. Hari joined Raj Ltd., Kolkata on a salary of ₹ 4,000 per month. The company provided him a rent-free accommodation (unfurnished) and a self-driven car (1.6 cc) for which all expenses are borne by the company. [8]

**(b)** Mention few instances of Agricultural Income. [7]

**4. (a)** During the previous year 2017-18, Jay exchanges his agricultural land (being acquired on 1-04-2002 for ₹ 40,000) against the agricultural land of Vijay (being acquired on 1-02-2017 for ₹ 90,000). Fair market value of such properties on the date of transfer is ₹ 3,00,000. Compute capital gain assuming that both the land is situated in urban area. [7]

**(b)** Mr. X, an Indian citizen, gives the following particulars for the P.Y. 2017-18:

Particulars	Amount ₹
Business income	4,00,000

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Income from other sources	50,000
Donation to the following funds/institutions:	
National Defence Fund	20,000
Government of India for promotion of family planning	40,000
Prime Minister's National Relief Fund	15,000
National Foundation for Communal Harmony	7,000
Approved Charitable Trust	18,000
Approved University	4,000
Donation in kind to an approved Charitable Trust	5,000

Determine the amount deductible u/s 80G for the A.Y. 2018-19.

**[8]**

**5. (a)** From the following Profit and Loss A/c and other relevant information, compute income from business of Ratanlal for the A.Y. 2018-19:

Profit and Loss A/c for the year ended 31.3.2018

	₹		₹
To Opening stock	11,000	By Sales	5,20,000
To Purchases	2,50,000	By Dividend from foreign company	4,000
To Salaries	50,000	By Bad debt recovery	
To Business expenses	7,500	(Disallowed in 2007-08)	35,000
To Income Tax	8,500	By Bank Interest	15,000
To Fine paid to Excise Dept.	12,000	By Closing stock	66,000
To Provision for bad debts	8,000		
To Depreciation	27,000		
To Donation to Puri temple	10,000		
To GST	16,000		
To Travelling expenses	5,000		
To Advertisement	15,000		
To Net profit	2,20,000		
	6,40,000		6,40,000

Additional information:

**(a)** Both opening and closing stock have been valued at 10% above cost.

**(b)** Business expenses include

**(i)** wages @₹200 p.m. to his domestic servant;

**(ii)** Life insurance premium of ₹1,600 on his own life.

**(c)** Purchases include a payment of ₹40,000 made in cash.

**(d)** Depreciation as per I.T. Rules ₹22,000.

**[10]**

**(b)** Write brief note on ICDS – II.

**[5]**

**6. (a)** Ms. Suparna Roy (Age 46 yrs), a resident individual of India, finished the following details of her income during the Previous year 2017 – 18. Compute her Total Income and tax payable for the Assessment year 2018 – 19.

- Gross salary ₹ 5,01,000 (Professional Tax paid ₹ 2,000).
- Income from Business owned by her ₹ 2,00,000 and Allowable expenses ₹ 1,20,000.
- Received family pension ₹ 10,000 p.m. w.e.f. 1.04.2017.
- Long term Capital gain on sale of building ₹ 80,000.

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- She received her share of income from Hindu Undivided Family (HUF) as member ₹ 40,000.
- She deposited to PPF ₹ 80,000 during the year.
- Donation to National Defence Fund ₹ 25,000.
- Repayment of house building loan taken from HDFC Bank (purchased during 2017 – 18) ₹ 2,50,000 (of which ₹ 50,000 is for principal repayment).

Paid premium on Mediclaim Insurance Policy on own health by cheque ₹ 16,000. **[8]**

**(b)** Write short note on "Co-ownership". **[7]**

**7. (a)** A proprietary business was started by Smt. Rani in the year 2015. As on 1.4.2016 her capital in business was ₹ 3,00,000.

Her husband gifted ₹ 2,00,000, on 10.04.2016, which amount Smt. Rani invested in her business on the same date. Smt. Rani earned profits from her proprietary business for the financial years 2016-2017, ₹ 1,50,000 and financial year 2017-2018 ₹ 3,90,000. Compute the income, to be clubbed in the hands of Rani's husband for the assessment year 2018-2019 with reasons.

**[8]**

**(b)** Write short note on Defective Return. **[7]**

**8. Write short notes on any three of the following:** **[3x5=15]**

- (i)** TDS u/s 194H
- (ii)** Due dates for payment of advance tax
- (iii)** Exemption to political party u/s 13A
- (iv)** Revocable Transfer u/s 61