

Paper 7 – Direct Taxation (DTX)

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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. Transport allowance is exempt upto ₹ _____ p.m.
 - A. 1,000 p.m
 - B. 1,500 p.m
 - C. 2,000 p.m
 - D. 1,600 p.m
- ii. ICDS are applicable who follows the _____ system of accounting.
 - A. Cash Basis
 - B. Receipt basis
 - C. Mercantile basis
 - D. None of the above
- iii. Best judgment assessment is covered under section _____.
 - A. 145
 - B. 143(1)
 - C. 145
 - D. 144
- iv. Form _____ is used for filing return of income by assessee having business income.
 - A. Form 1
 - B. Form 4
 - C. Form 3
 - D. Form 5
- v. ICDS VII is in relation to
 - A. Revenue recognition
 - B. Construction Contract
 - C. Tangible Fixed Assets
 - D. Government grants
- vi. Income tax is a _____.
 - A. Wealth tax
 - B. Direct tax
 - C. Indirect tax
 - D. Luxury tax
- vii. Personal effect don't cover the followings
 - A. Drawing
 - B. Jewellery
 - C. Immovable property
 - D. All of the above
- viii. TDS rate on interest on securities.
 - A. 2%
 - B. 5%
 - C. 10%
 - D. 20%
- ix. TDS rate on payment to contractor as per section 194C in case of payment to other assessee than individual / or HUF.
 - A. 1%
 - B. 2%

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- C. 3%
 D. None of the above
- x. Unabsorbed depreciation can be carried forward for;
 A. 4 years
 B. 5 years
 C. 8 years
 D. Any number of year

(b) Match the following.

5 x 1 = 5

	Column A		Column B
i	Cost of Inflation Index for F.Y 17-18	A	30% of the net annual value
ii	Section 2(22)	B	Section 64(1A)
iii	Standard Deduction	C	₹ 200 p.m to ₹ 1,300.
iv	Clubbing of Income of minor child	D	Deemed Dividend
v	Amount of exemption for Disturbed area allowance	E	272

(c) State true or false with reasons:

5 x 1 = 5

- i. Accumulated business loss can be carried for unexpired period and the unabsorbed depreciation can be carried forward indefinitely.
- ii. Maximum deduction under section 80U in case of person with severe disability is ₹ 75,000.
- iii. Profit on transfer of agricultural land shall not be treated as agricultural income.
- iv. An assessee, who receives leave encashment during continuation of his service, can also claim relief u/s 89.
- v. Where the person does not possess the Aadhaar Number, the Enrolment ID of Aadhaar application form issued to him at the time of enrolment shall be quoted.

(d) Fill in the blanks

5 x 1 = 5

- i. Failure to apply for PAN or to quote PAN in prescribed documents attracts penalty of ₹ _____ u/s 272B.
- ii. Where the advance tax liability of the assessee is ₹ _____ or more, the assessee should pay such tax in the previous year itself within the due date.
- iii. Two schools of Hindu law one is Dayabhaga and _____ school of Hindu Law.
- iv. Any transaction of immovable property in which possession is allowed against part performance of the contract shall be treated as _____.
- v. Foreign company means a company which is not a _____ company

Part-II

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

2(a) The following are the particulars of income of Mr Pankaj for the previous year 2017-18. **7 Marks**

Particulars	Amount (₹)
Rent from property in Delhi received in USA	80,000
Income from business in USA controlled from USA	1,20,000
Income from business in Bangalore controlled from USA	1,80,000
Rent from a property in USA received there but subsequently remitted to India	60,000
Interest from deposit with an Indian Company received in USA	20,000
Gift received from his parents	45,000

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Profit for the year 2016-17 of a business in USA remitted to India during the previous year 2017-18.(Not taxed earlier)	75,000
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Compute his income for the assessment year 2018-19 if he is:

- i. Resident and ordinary resident in India,
- ii. Not Ordinarily resident in India
- iii. Non-resident in India

2(b) Pankaj holds a house property in Delhi which is let out for ₹ 10,000 p.m, the municipal value of which is ₹ 1,00,000 and municipal taxes were 25% of municipal valuation. Pankaj paid during the previous year municipal tax of 6 years which relate to past 5 years as well as for the current year. The other expenses of the property as under: **8 Marks**

	₹
Repairs	5,000
Insurance premium	2,000
Interest for purchase of house	11,000
Ground rent due	2,000

Compute income of Mr Pankaj from house property for the assessment year 2018-19.

3(a) Sri Pankaj is a purchase officer in a company in Kolkata. He furnished the following particulars regarding his income for previous year 2017-18. **8 Marks**

Particulars	Amount (₹)
Basic salary per month	17,000
Bonus	5,000
Dearness allowance per month	3,000
Travelling allowance. He spends ₹ 30,000 for official purposes.	45,000
Reimbursement of medical bill (treatment was done in a Government hospital in India)	25,000
He lived in a bungalow belonging to the company. Its fair rent is ₹ 15,000 per month. The company has provided on this bungalow the facility and a cook each of whom is being paid salary of ₹ 250 per month. The company paid in respect of this bungalow ₹ 5,000 for electric bill and ₹ 3,000 for water bills.	
He has been provided with 1.5 ltr. Engine capacity car for official and personal use. The maintenance and running expenses of the car (including car) are borne by the company.	
The following amounts were deposited in his provident fund account	
Own contribution	24,000
Company contribution	30,000
Interest @ 12% p.a	12,600
Rent of house recovered from Shri Pankaj	21,600

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3(b) List down the instances of non agricultural Income.

7 Marks

4(a) A owns two residential house properties. Property X was purchased by him in 1978 for ₹ 50,000 and property Y was purchased in 2002-03 for ₹ 6,70,000. Market value of property X and Y on 01.04.2001 was ₹ 4,25,000 and ₹ 5,00,000 respectively. Both the house properties was sold b him on 06.07.2017 for ₹ 18,50,000 each. Brokerage of ₹ 20,000 for each of such properties was paid by A.

The sale proceeds was invested by him in the following manner:

1. Purchase of residential properties on 05.03.2018 for 9,00,000
2. Purchase of agricultural land for ₹ 3,00,000
3. Deposit in capital gain scheme for construction of additional floor on the residential house property purchased

Date of deposit	Amount Deposited
16.5.2018	2,50,000
25.06.2018	1,00,000
31.07.2019	2,00,00

Compute capital gain for the assessment year 2018-19.

8 Marks

4(b) Amit, a business man submits the following particulars for the previous year 2017-18.

7 Marks

Particulars	Amount (₹)	Amount (₹)
Income from house property (computed)		1,30,000
Business Income (Computed)		40,000
Capital Gains (Short term)		20,000
Capital Gains (Long term)		80,000
Income from other sources		
Interest from fixed deposit with a bank (gross)	12,000	
Winning from races	3,500	15,500
Deposit in PPF		12,000

He pays ₹ 3,000 p.m as rent for his residential accommodation in Delhi. Neither he, nor his family, owns any residential accommodation. Compute his Total Income for the assessment year 2018-19.

5(a) Mr Rajat furnishes the following information relevant for the assessment year 2018-19.

10 Marks

Profit and loss Account for the year ending 31.03.2018

Particulars	Amount (₹)	Particulars	Amount (₹)
Office expenses	15,000	Gross profit	4,32,900
Sundry Expenses	10,000	Sundry receipts	10,000
Entertainment expenditure	6,000	Bad debt recovered (not allowed as deduction earlier)	5,000
Audit fees	1,000	Customs duties recovered from the Govt (allowed as deduction earlier)	10,000
Legal charges / expenses	4,000	Gift received from father	20,000
Depreciation on plant and machinery purchased during the year @15% p.a for 6 months	300	Dividend (Gross) from Unit Trust of India	4,000
Salary to staff:		Interest in FDR with Bank	2,000
Salary	58,000	Interest on Government Securities	3,000
Bonus	4,000		

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Contribution towards: Employee's Recognised Provided Fund	5,000		
Unapproved Gratuity Fund	4,000		
Sales tax paid	8,000		
Provision for sales tax	15,000		
Payment to Calcutta University for carrying on scientific research 7,200			
Copy right purchased during the year	35,000		
Net Profit	3,14,400		
	4,86,900		4,86,900

Additional information:

1. As shown in the P & L A/c ₹ 7,200 is paid to Calcutta University for the purpose of carrying on approved scientific research in natural sciences, not related to business of Mr. Rajat.
2. Provision for sales tax represents an outstanding tax liability.
3. Copyrights were purchased on 06.07.2017.
- 4.

Compute the total Income of Mr Rajat for the Assessment year 2018-19 assuming that he deposited ₹ 10,000 in a PPF Account during the previous year 2017-18.

5(b) Compute the taxable income in the following two situations

5 Marks

Particulars	Situation-I	Situation-II
	Amount (₹)	Amount (₹)
Income / Loss from manufacturing Business	1,50,000	(-)3,60,000
Income / Loss from speculation business	(-)80,000	(+)3,50,000
Loss from specified business referred to in section 35AD	(-)40,000	(+)40,000
Short term capital gain/loss	(-)1,70,000	(-)1,70,000
Agricultural income / loss	(-)40,000	(+)60,000

6(a) Compute the total income of Mr X, a lecturer of a college affiliated to Calcutta University, for the Assessment year 2018-19 on the basis of the following particulars:

8 Marks

Particulars	Amount (₹)
Salary @ ₹ 50,000 per month	6,00,000
Dearness allowance @ 50% of salary	3,00,000
Warden ship allowance @ ₹1,500 per month	18,000
Examiner ship remuneration from university	25,400
Royalty from books of artistic nature	2,73,000
Income from card games	6,400
Winning from lotteries (Gross)	20,000
Expenses on lottery tickets	10,000
Interest on saving bank deposit	67,000
Deposit in recognised provided fund	1,22,000
Life Insurance premium paid	30,000

6(b) P Co-operative Society furnishes following details of income, compute taxable income for the purpose of A.Y. 2018-19:

7 Marks

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Particulars	Amount (₹)
Income from collective disposal of labour	25,000
Income from marketing of the agricultural produce grown by its member	30,000
Income from marketing of the agricultural produce grown by outsider	3,000
Income from marketing of the agricultural produce grown by outsider	15,000
Dividend from X Ltd.	3,000
Income from processing of agricultural produce of its member with aid of power	50,000

7(a) Compute gross interest / dividend and net interest /dividend on securities and shares in the following cases:

8 Marks

Particulars	Amount (₹)
10% Bond of Industrial Development Bank of India	3,20,000
10% Debenture of ABC Ltd listed on Ahmadabad stock exchange purchased at ₹ 96 (Face Value ₹ 100)	1,34,400
Interest received from debenture issued by X Ltd. listed on Stock Exchange	29,700
Interest received from debenture issued by a Ltd. Company not listed on Stock Exchange	21,600
Dividend received from A Ltd. on 25.05.2017	2,400
Dividend declared by the company on 05.07.2017 on shares of B Ltd. @ 50% on 1,000 shares of ₹ 10 each, which were purchased at ₹ 60 per share.	
10% Dividend on preference shares of ₹ 10 each paid on 31.03.2018	2,25,000

7(b) Discuss the provision of TDS on "Rent".

7 Marks

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

(5 x 3=15 Marks)

- A. Mode of furnishing Income Tax Return.
- B. Intimation by Income Tax Department.
- C. ICDS IV on "Revenue Recognition".
- D. Self Assessment.