

Paper 7- Direct Taxation

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Full Marks: 100

Time allowed: 3 hours

All Question relate to Income Tax Assessment year 2021-22 and the provisions stated relate to the Income-tax Act, 1961, unless otherwise stated in the Question.

PART – I

Answer Question Number 1. All parts of this question are compulsory.

- 1.(a) Choose the most appropriate alternative for the following: [1×10=10]
- (i) What is the time limit by which Scrutiny Assessment u/s 143(3) should be completed?
 - (a) 9 months from the end of the relevant assessment year
 - (b) 12 months from the end of the relevant previous year
 - (c) 6 months from the end of the relevant assessment year
 - (d) None of the above
 - (ii) The prescribed form of application for allotment of PAN for Indian Citizen is _____
 - (a) Form 49AA
 - (b) Form 35
 - (c) Form 49A
 - (d) Form 36
 - (iii) In which of the following cases, carry forward of loss cannot be done?
 - (a) Loss from “Activity of owning and maintaining race horses”
 - (b) Loss from specified business covered u/s 35AD
 - (c) Loss from speculation business
 - (d) Loss from business of HUF where the business of the HUF is taken over by the karta of HUF
 - (iv) Which of the following Asset shall be termed as short-term capital asset if it is held for not more than 12 months before the date of transfer of:
 - (a) Units of UTI (whether quoted or not)
 - (b) Equity or preference share in a company (listed in India)
 - (c) Zero-coupon Bonds (whether quoted or not)
 - (d) All of the above
 - (v) An non-Indian company is always a resident in India, if its place of effective management in that year is:
 - (a) Outside India
 - (b) partly in India
 - (c) In India
 - (d) None of the above
 - (vi) What is the taxability of Income from sub-letting ?
 - (a) Taxable under the head “Income from House Property”
 - (b) Taxable under the head “Income from Other Sources”

(c) Exempted

(d) None of the above

(vii) In case of presumptive taxation scheme, gross receipts in the previous year of the assessee who is engaged in profession should not exceed ₹ _____ to avail relief.

(a) 1 crore

(b) 50 lakhs

(c) 2 crore

(d) 25 lakhs

(viii) Which deduction is/are not allowed in case of a deemed to be let-out house?

(a) New construction allowance

(b) Repairs

(c) Vacancy allowance

(d) All of the above

(ix) During the previous year the value of any gift, voucher, or token in excess of ₹5000 given to the employees on ceremonial occasion or otherwise by the employer shall be :

(a) Taxable in the hands of employees

(b) Not taxable

(c) Taxable in the hands of employer

(d) None of the above

(x) Deduction in respect of interest on deposits in case of senior citizens u/s 80TTB is minimum of interest on such deposits is _____

(a) ₹ 50,000

(b) ₹ 10,000

(c) ₹ 5,000

(d) ₹ 40,000

(b) Match the following (sufficient to give the corresponding item in column 3 for column1: reproducing columns 2 and 4 are not required): [5×1=5]

1	2	3	4
(i)	ICDS IX	A.	Effects of changes in foreign exchange rates
(ii)	ICDS VI	B.	Borrowing costs
(iii)	ITR 4	C.	Sec. 140
(iv)	Verification of return	D.	Sec. 139(5)
(v)	Revised return	E.	For presumptive income from business & profession

(c) Say True or False for the following question:

[5×1=5]

(i) It is on revenue account, If expenditure is incurred for ensuring the regular supply of raw material, may be for period extending over several years.

(ii) IF any dividend paid by an Indian company outside India it is deemed to accrue or arise in India.

(iii) For rendering services outside India, any allowance or perquisite paid outside India by the Government to a citizen of India, are exempt from tax.

- (iv) Any loss arising on account of owning and maintaining race horses can be carried forward upto 8 assessment years.
- (v) As per sec. 2 of Voluntary Surrender of Salaries Act, 1961 an employee who opts to surrender his salary to the Central Government, the salary so surrendered shall
- (d) Fill in the blanks: [5×1=5]
- (i) Tax evasion is the illegal way to reduce _____ liability by deliberately suppressing income or sale or by increasing expense, etc., which results in reduction of total income of the assessee.
- (ii) Failure to apply for PAN or to quote PAN in prescribed documents attracts penalty of _____ u/s 272B.
- (iii) Advance tax is payable in _____ installments by a non-corporate assessee.
- (iv) The excess of Alternate Minimum Tax paid over the regular income-tax payable of that year shall be _____.
- (v) The quantum of deduction u/s 80U in respect of person with severe disability is _____.

PART – II

Answer any five questions from question numbers 2 to 8. Each question carries 15 marks

(5×15=75)

2. (a) Mr. A is an Indian citizen & a member of the crew of a Sydney bound Indian ship engaged in carriage of passengers in international traffic departing from Mumbai Port on 6th June, 2021. From the following details for PY 2021- 22, determine the residential status of Mr. A for AY 2022-23, assuming that his stay in India in the last 4 previous years (preceding PY 2021-22) is 400 days: [5]

Particulars	Date
Date entered into the Continuous Discharge Certificate in respect of joining the ship by Mr. A	6th June 2021
Date entered into the Continuous Discharge Certificate in respect of signing off the ship by Mr. A	9th Dec 2021

2. (b) Compute income under the head 'Income from house property' of Mr. A from the following information:

Particulars	H1	H2	H3	H4
Used for	Self occupied	Self occupied	Self occupied	Own Business
Situated at	Mumbai	Abu	Kolkata	Hyderabad
Gross Municipal Value (₹)	3,00,000	2,00,000	7,00,000	3,00,000
Fair Rent (₹)	2,00,000	2,00,000	6,00,000	1,20,000
Standard Rent (₹)	3,00,000	2,40,000	7,00,000	2,00,000
Municipal Tax (₹)	15%	15%	15%	15%
Repairs (₹)	13,000	4,000	8,000	8,000
Ground Rent (₹)	20,000	Nil	Nil	6,000
Land Revenue (₹)	Nil	10,000	Nil	Nil
Interest on Loan (₹)	40,000	1,00,000	2,10,000	20,000
Loan taken on	1998-99	1998-99	2018-19	2000

[10]

3. (a) Find out the taxable value of the perquisite for the assessment year 2022-23 in the following cases:

- (i) XYZ Ltd. a manufacturing company, owns and maintains S public school, Chennai. Books of accounts of the school and XYZ Ltd., are maintained separately. X is an employee of XYZ Ltd. The following family members of X are students in S public school:

	Cost of education in a similar institution	Amount charged from X
A, Son of X	₹ 4,800 per month	₹ 800 per month
B, dependent brother of X	₹ 6,600 per month	₹ 1,600 per month

- (ii) Mr. M, general manager of ABC Ltd, engages a domestic servant on monthly salary of ₹ 3,000. The entire salary (i.e., ₹ 36,000) is paid by ABC Ltd. to the domestic servant (or salary is paid by Mr. M and ABC Ltd. reimburses the entire amount).

- (iii) Mr. R who is an employee of a company has been provided a car (1200cc) owned by the employer, Cost of the car is ₹ 5,10,000. The expenditure incurred by the company on maintenance of the car are: Petrol ₹ 56,000

Driver ₹ 42,000

Maintenance ₹ 15,000

The car is used only for private purposes. A sum of ₹ 14,000 is recovered from Mr. R. [9]

3. (b) Mr. V, a resident and ordinarily resident in India, owns an estate. He has derived the following income from various operations, relating to plantations and estates owned by him during the year ended 31st March 2022:

Particulars	Amount(₹)
Income from sale of centrifuged latex from rubber plants grown in Tamilnadu	8,00,000
Income from sale of coffee grown and cured in Karnataka	4,00,000
Income from sale of coffee grown, cured, roasted and grounded in Rwanda, Africa. Sale consideration was received at Mumbai	8,40,000
Income from sale of tea grown and manufactured in Darjeeling	6,20,000
Income from sale of trees and grasses grown spontaneously(without any human effort)	2,40,000
Receipts from TV serial shooting in farm house	2,00,000

- 4.(a) A house property is purchased by R on September 10,2005 for ₹ 2,00,000. On May 10, 2013, he entered into an agreement to sell the house to B for ₹ 6,00,000 (after receiving an advance of ₹ 30,000). On B's failure to pay and balance within the stipulated period of 45 days, R forfeited the advance money. As per the will, Mrs. R got the property after the death of R on November 10, 2018.

Mrs. R enters into an agreement on April 6, 2020 to transfer the property to M after receiving the advance of ₹ 50,000. M could not pay the balance consideration within stipulated period of 45 days and Mrs. R forfeits the advance money.

Mrs. R ultimately sells the property to S on July 15, 2021 for ₹ 42,90,000. Find out the tax consequences in the hands of R and Mrs. R for different assessment years. Also calculate net income of Mrs. R for the assessment year 2022-23, on the assumption that she is a businesswoman and her income from business is ₹ 20,00,000. [9]

4. (b) Complete the deduction available to Mr. Y (55 years), who has incurred following expenses:

Particulars	₹
Mediclaime Insurance premium paid for himself	10,000
Mediclaime Insurance premium paid for spouse	10,000
Mediclaime Insurance premium paid for dependent children	5,000
Mediclaime Insurance premium paid for mother (76 years)	9,000
Mediclaime Insurance premium paid for father (82 years)	39,000
Preventive health-check up expenditure for father	6,000
Medical expenditure incurred for father	14,000

Compute deduction available to Mr. Y u/s 80D [6]

5. (a) Mr. S is engaged in the business of plying goods carriages. On 1st April, 2021, he owns 10 trucks (out of which 6 are heavy good vehicles of (unladen weight of each is 20 ton)). On 2/5/2021, he sold one of the heavy goods vehicles & purchased a light goods vehicle on 6th May, 2021. This new vehicle could however be put to use only on 15-6-2021. Compute the total income of Mr. S for the A.Y. 2022-23, taking note of the following data: [8]

Particulars	Amount (₹)	Amount (₹)
Freight Charges collected		8,70,000
Less: Operational expenses	6,25,000	
Depreciation as per Sec. 32	1,85,000	
Other Office expenses	15,000	8,25,000
Net Profit		45,000
Other business and non-business income		70,000

- 5.(b) The following information is submitted by Mr. A for the previous year ending on March 31, 2022:

	(₹)
Profits of business A carried on in India	2,50,000
Loss of business B carried on in India	(1,00,000)
Profits of business C carried on in Canada (income is earned and received in Canada and business is controlled from Canada)	2,50,000
Loss of business D carried on in Canada (though profits are not received in India, business is controlled from Delhi)	(2,70,000)
Unabsorbed depreciation of business D	1,82,000
Income from property situated in India	1,58,000
Income from property situated in Canada (received in Canada)	1,10,000

Determine the net income of Mr. A for the assessment year 2022-23 in the following cases, if he is:

- (a) Resident and ordinarily resident in India
 (b) Resident but not ordinarily resident in India
 (c) Non-resident in India

[7]

- 6.(a) The following details of income of Ms. PB (age 24), a resident of India is furnished for the previous year 2021 – 2022.
- 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. 1.04.2021
 - Long term capital gain on sale of building ₹ 80,000
 - 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 Relief Fund ₹ 25,000
- Repayment of house building loan taken from ICICI Bank (purchased during 2021-22) ₹ 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]

6. (b) Complete the total income and tax payable by Ms. PB for the Assessment Year 2022 – 23. The Kolkata Co-operative society derives total income from the following sources, for the Assessment Year 2022 – 23:

- Income from processing with the aid of power : ₹ 10,000
- Income from collective disposal of labour of its members : ₹ 15,000
- Interest from another co-operative society : ₹ 50,000
- Income from house property : ₹ 100,000
- Income from other business : ₹ 80,000
- Determine its taxable income

[7]

7.(a) Shri Mr. A follows cash basis of accounting and has furnished the Receipts & Payment A/c of previous year 2021-22 for computing his income: [9]

Particulars	Receipts (₹)	Payments (₹)
Interest on listed debenture of A Ltd.	16,200	
Letting of building & machinery @ ₹ 15,000 p.m. under a composite lease	1,50,000	
Collection charges		1,000
Repairs		5,000
Capital repairs		16,000
Interest paid outside India without deducting tax on loan taken for construction of building		8,000
Gift from father	6,000	
Ground rent received (related to financial year 2020-21)	600	

The following additional information are also provided –

Allowable depreciation on Building and Machinery – ₹ 4,000

Fire Insurance on Building and Machinery (not paid) -- ₹1,000

(b) TDS on payment of compensation on acquisition of certain immovable property [sec.194LA] - Discuss [6]

8. Short note: (any three) [5×3=15]

- (a) Scope of ICDS VI: Effects of Changes In Foreign Exchange Rates
- (b) Time limit for filing return of income
- (c) Any five transactions where quoting PAN is mandatory
- (d) Scrutiny Assessment U/S 143(3)