

Paper 7 – Direct Taxation

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Full Marks: 100

Time allowed: 3 hours

Section-A (25 Marks)

Answer question No. 1 a, b, c & d which is compulsory.

1. a) Multiple Choice Questions:

10 x 1=10

- i. Jayant working in a college received ₹ 2,000 per month as research allowance for pursuing research. The taxable portion of allowance would be
 - A. ₹ 2,000 pm.
 - B. ₹ 'Nil'
 - C. ₹ 1,000 p.m.
 - D. ₹ 'Nil' fully exempt

- ii. As provided in section 153, assessment under section 147 shall be made within a period of _____ year from the end of the financial year in which notice under section 148 is served on the assessee.
 - A. 1 year
 - B. 2 year
 - C. 3 year
 - D. 4 year

- iii. Rate of Interest accruing to a particular employee by virtue of his employer's contribution to Recognized Provident Fund is 12.5% p.a. In such case
 - A. Total Interest accrued is taxable
 - B. Total interest accrued I exempt
 - C. Only 10% Interest is taxable
 - D. Only 3% of Interest is taxable

- iv. Deduction u/s 35AD is available in respect of expenditure on specified business, one of them is :
 - A. Setting up and operating a cold chain facility
 - B. Setting up and operating a power plant
 - C. Setting up and operating an industrial unit
 - D. All of the above

- v. Expenditure incurred towards Corporate Social Responsibility in accordance with section 135 of the Companies Act, 2013 is
 - A. Expenditure deductible at 100%
 - B. Expenditure deductible at 150%
 - C. Inadmissible expenditure
 - D. Expenditure deductible in five annual instalments

- vi. Zero Coupon Bonds can be issued by any of the following entities
 - A. Scheduled bank
 - B. Public sector company
 - C. Both (a) and (b)
 - D. None of these

- vii. Personal effect do not cover the followings
 - A. Immovable property
 - B. Drawings
 - C. Jewellery

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- D. All of the above
- viii. Maximum amount of deduction in respect of interest on deposits in case of senior citizens u/s 80TTB are-
- ₹ 50,000
 - ₹ 10,000
 - ₹ 40,000
 - ₹ 15,000
- ix. Preliminary expenses are incurred in every business. What are the expenses that qualify for deduction u/s 35AD?
- Expenses for drafting memorandum and articles of association
 - Payment of duty at the office of Registrar of Companies
 - Expenditure incurred in preparation of project report
 - All of the above
- x. Family pension received by the legal heirs of the deceased is taxable in the hands of the legal heirs as
- Income under head Salary
 - Income under head Business and Profession
 - Income under head capital gain
 - Income under head other sources

b) State whether the following statements is true or false [5x1=5]

- Where the expenses are incurred wholly and exclusively for official purposes, the value of the perquisite in respect of the credit card shall be nil.
- Any allowance or perquisite paid outside India by the Government to a citizen of India for rendering services outside India are exempt from tax.
- An employee who opts to surrender his salary to the Central Government u/s 2 of voluntary Surrender of Salaries Act, 1961, the salary so surrendered shall be taxable.
- Tax on non-monetary perquisite paid by employer is taxable.
- Income from sale of trees and grasses grown spontaneously (without any human effort), is non-agro income.

c) Fill in the blanks [5x1=5]

- Rounded off Income to the nearest multiple of _____ rupees.
- Tax rate in case of individual, where the total income does not exceed ₹ 2,50,000 _____.
- Discount on issue of Zero Coupon Bonds shall be allowed on _____ basis having regard to the period of life of such bond.
- Deduction in case of a person with severe disability [Section 80U] _____.
- An assessee who fails to pay advance tax or defers the payment of advance tax on specified date, shall be liable to pay _____ u/s 234B & 234C.

d) Match the followings [5x1=5]

	Column A		Column B
1	Form No. A	A	Not eligible for deduction under 80G.
2	Scrutiny Assessment	B	₹ 1 lakh
3	Borrowing Costs	C	Sec.143(3)
4	Threshold exemption limit for	D	Statement for Equalization Levy

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	equalization Levy		shall be furnished with the prescribed authority
5	Donation in kind	E	ICDS IX

Section-B (75 Marks)

Answer any five Questions from Question No. 2 and 8

2. a) Following is the details of income of Mr. S for the financial year 2018-19: **[4]**

Particulars	Amount (₹)
Income from property in Sri Lanka remitted by the tenant to the assessee in India through SBI	2,10,000
Profit from business in India	1,00,000
Loss from business in Sri Lanka (whose control and management of business wholly remained in India)	80,000
Dividend received from shares in foreign companies received outside India	60,000
Interest on deposits in Indian companies	1,20,000

2. b) X came India for first time on July 24, 2014. From July 24, 2014 to December 25, 2015 he was in India. Again, he came to India on August 5, 2018 for employment purpose & left India on November 25, 2018 permanently. Determine his residential status for the previous year 2018-19 assuming –

a) He is a foreign citizen b) He is an Indian citizen **[4]**

2.c) Write a short note on Income as per section 2 (24) of the Income tax Act,1961. **[4]**

2.d) Write down the conditions for availing the exemption u/s 11 of the Income Tax Act, 1961. **[3]**

3. a) S aged 45 years, gives the following particulars of his income received from LS Ltd. for the year ended 31st March. 2019:

- 1) Salary after deduction of income-tax at source and own contribution to recognized provident fund ₹ 9,00,000
- 2) Income-tax deducted at source ₹ 80,000
- 3) Own contribution to recognized provident fund ₹ 1,45,000
- 4) Employer's contribution to the provident fund ₹ 1,40,000
- 5) Interest credited to provident fund @11% per annum ₹ 2,89,000
- 6) House rent allowance (actual rent paid by S for the house in Delhi was ₹ 1,08,000) in addition to salary of ₹ 9,00,000 as given above ₹ 1,20,000

He is given free use of 1200 CC car by the employer for domestic as well as official purposes (with effect from 1st November, 2018) and all expenses including driver's salary being met by the employer.

He is also provided free services of a watchman (with effect from 1st May, 2018) and a sweeper (with effect from 1st December, 2018). Salary (₹ 2,675 per month per person) is paid by the employer.

During the year S pays professional tax ₹ 3,000

Compute total income and tax liability of S for the assessment year 2019-20. **[10]**

3. b) Calculate interest on loan allowed for assessment year 2014-15 to 2019-20 from the following information:

Loan was taken on 1/1/2010 ₹ 5,00,000 @ 12% p.a.

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Construction commenced on 1/8/2010.

Construction completed on 31/3/2015.

Repayment made as under:

On 1/4/2011	on 1/4/2014	On 1/4/2017	On 1/7/2018
₹ 1,00,000	₹ 1,00,000	₹ 1,00,000	₹ 1,00,000

[5]

4. a) Following is the Profit and Loss Account of A, a resident of India, for the year ended 31.03.2019:

Particulars	₹	Particulars	₹
To Administrative Expenses	2,75,000	By Gross Profit	7,50,000
To Interest	55,000	By Agricultural income (net):	
		from Lands in India	25,000
		from lands in Malaysia	20,000
To Life Insurance Premium:	25,000	By Interest (PPF)	31,200
Self			
—daughter in law	15,000		
		By Dividend from listed Indian companies	12,000
To Depreciation	1,50,000	By Savings Bank Interest	6,000
To Net Profit	3,24,200		
	8,44,200		8,44,200

Other information:

- (i) Depreciation allowable for the year under section 32 of the income-tax Act, 1961 amounts to ₹1,75,000.
- (ii) Administrative expenses include salary taken by Mr. Ashwin at ₹10,000 per month for 8 months.
- (iii) Interest includes payment of ₹24,000 to daughter @36% per annum when the market rate of interest is 15% per annum.

Compute the total income of A for the assessment year 2019-20.

[8]

4. b) Mr. Raunak purchased 1,000 shares of Zey (P) Ltd @ ₹ 12 per share as on 1/08/2017. As on 1/05/2018, company declared one right share for each share held @ ₹ 15 each. Mr. Raunak renounced 40% of such right in favour of Miss Rani @ ₹ 2 per share and for balance, he subscribed to the company. On 1/07/2018, Mr. Raunak and Miss Rani sold all the shares to one of their friend @ ₹ 50 each. Find capital gain of both the assessee.

[7]

5. a) From the following particulars of P for the previous year ended 31st March, 2019 compute the Income under the head —"Income from other Source":

Particulars	₹
Directors Fee from a company	10,000
Interest on the bank deposits	3,000
Income from undisclosed source	12,000
Winnings from Lotteries (Net)	33,500
Royalty on a book written by him	9,000
Lectures in Seminars	5,000
Interest on loan given to a relative	7,000
Interest on Debentures of a Company (listed in a Recognized Stock Exchange) Net of Taxes	3,588
Interest on Post Office Savings Bank Account	500
Interest on Government Securities	2,200
Interest on monthly Income Scheme of Post Office.	33,000

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He paid ₹1,000 for typing the manuscript of book written by him. [8]

5. b) Mr. Shyam (40 years) has incurred following expenses: [7]

	₹
Mediclaime Insurance premium paid for himself	12,000
Mediclaime Insurance premium paid for spouse	11,000
Mediclaime Insurance premium paid for dependent children	6,000
Mediclaime Insurance premium paid for mother (76years)	18,000
Preventive health check up expenditure for mother	8,000
Medical expenditure incurred for father (78 years)	39,000

6. a) Furnishes the following particulars of his income during the previous year 2018-2019:

Particulars	Amount (₹)
Income under the head –Salaries	1,95,000
Loss from manufacturing business	80,000
Profits from construction business	60,000
Profits from speculation business in bullion	10,000
Loss from trading in shares (He never took delivery of shares)	25,000
Loss from self-occupied house	20,000
Dividend from Indian companies	5,000
Interest on fixed deposit in bank	10,000
Long-term capital gains	10,000
Short-term capital loss	15,000
Medical insurance premium paid	10,000

You are required to compute total income of J for the relevant assessment year. [7]

6. b) During the previous year 2018-2019, D furnishes the following particulars of his incomes and losses: [8]

	Particulars	₹
(a)	Salary from ABC Ltd.	1,80,000
(b)	Dividends from Indian company	40,000
(c)	Interest on Government securities	14,000
(d)	Profits from the grocery business	60,000
(e)	Profit from speculation in shares	16,000
(f)	Loss from speculation in bullion	18,000
(g)	Short-term capital loss	12,000
(h)	Long-term capital gains	10,000
(i)	1st Prize in the West Bengal State Lottery	2,00,000
(j)	Tickets of lottery bought	30,000
(k)	Gains from card games	20,000
(l)	Loss on betting	10,000
(m)	Stake money received in respect of horses	1,00,000
(n)	Expenses on maintaining horses	1,20,000
(o)	Interest on borrowed capital in respect of self-occupied house	20,000

7. a) Discuss the provision relating to defective return u/s 139(9). [7]

7. b) Write a note on ICDS-VII Government Grants. [8]

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8. Write a short note on the following

[5x3=15]

- a. ICDS I Accounting Policies
- b. Any five transactions where quoting PAN is mandatory
- c. Best Judgment Assessment