

**INTERMEDIATE EXAMINATION****SET 1****MODEL ANSWERS****SYLLABUS 2022****PAPER – 7****TERM – DECEMBER 2023****DIRECT AND INDIRECT TAXATION****Time Allowed: 3 Hours****Full Marks: 100**

The figures in the margin on the right side indicate full marks.

Where considered necessary, suitable assumptions may be made and clearly indicated in the answer.

**SECTION-A****1. Multiple Choice Questions:****[15x2=30]**

- (i) Suraj has loss under the head 'house property' ₹ 2,50,000 for the assessment year 2023-24 and income under the head 'Salaries' ₹ 4,00,000. What is his total income?
- (a) ₹1,50,000  
(b) ₹ 2,00,000  
(c) ₹ 4,00,000  
(d) ₹ 2,50,000
- (ii) Vimal has acquired a new plant and machinery for his factory for ₹ 2,00,000 on 31<sup>st</sup> December 2022. What is the amount of depreciation allowable for the assessment year 2023-24?
- (a) ₹ 35,000  
(b) ₹ 30,000  
(c) ₹ 70,000  
(d) ₹ 40,000
- (iii) Aman (age 54) has incurred ₹ 1,50,000 for the treatment of specified disease of his dependent brother (age 62) and get re-imbursment from his employer upto ₹ 80,000. What is the amount of deduction allowable u/s 80 DDB of the Income-tax Act?
- (a) ₹ 1,50,000  
(b) ₹ 70,000  
(c) ₹20,000  
(d) Nil
- (iv) Aswin leaves India for the purpose of employment on 20<sup>th</sup> September 2022. He never visited foreign country before leaving. What is his residential status for the assessment year 2023-24?
- (a) Non-Resident  
(b) Resident and Ordinarily resident  
(c) Resident but not ordinarily resident  
(d) Deemed Resident
- (v) Rohit earns monthly salary of ₹ 1,75,000. What is his tax liability if he has opted for section 115 BAC for the assessment year 2023-24?
- (a) ₹4,44,600  
(b) ₹4,60,200  
(c) ₹3,82,200  
(d) ₹ 3,66,600



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- (vi) Pallavi engaged in manufacturing of tea in India and earns a profit of ₹12,00,000. What is her agricultural income for computation of total income?
- (a) 60% of profit
  - (b) 40% of profit
  - (c) 100% of profit
  - (d) Nil
- (vii) Which of the following is not a capital asset u/s 2(14) of the Income-tax Act?
- (a) Agricultural land in Urban area
  - (b) Agricultural land in rural area
  - (c) Non-agricultural land in urban area
  - (d) Non-agricultural land in rural area
- (viii) Which of the following services are totally exempted under GST?
- (a) Services by Registered charitable institution
  - (b) Services by Government/Local authority
  - (c) Services by Goods Transport Agents
  - (d) Services by Insurance companies
- (ix) Indirect tax is considered as:
- (a) Regressive tax
  - (b) Progressive tax
  - (c) Proportional tax
  - (d) None of the above
- (x) Goods Transport Agency Services who has not paid central tax@ 6% is covered under:
- (a) Forward charge mechanism
  - (b) Reverse charge
  - (c) Negative list
  - (d) None of the above
- (xi) In case of disposal off of goods by way of free sample:
- (a) supplier can claim ITC
  - (b) Supplier cannot claim ITC
  - (c) Recipient can claim ITC
  - (d) None of the above
- (xii) What is the threshold limit in case the persons of special category states to take fresh registration in composition levy?
- (a) ₹ 75 Lakhs
  - (b) ₹ 100 Lakhs
  - (c) ₹ 150 lakhs
  - (d) None of the above



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(xiii) Vishal, a practicing CMA, purchased three laptops and ₹25,000 is paid as GST for each laptop in his firm name. Two laptops utilized in his office and another laptop is gifted to his sister. What is the amount of eligible ITC?

- (a) ₹ 25,000
- (b) ₹ 50,000
- (c) ₹ 75,000
- (d) None of the above

(xiv) For determining the assessable value for customs duty, air freight to be taken is:

- (a) 20% of FOB value
- (b) Actual freight or 20% of FOB value, whichever is lower
- (c) Actual freight or 20% of FOB value, whichever is higher
- (d) None of the above

(xv) Anti-dumping duty can be imposed to the extent of:

- (a) Margin of dumping
- (b) Margin of injury
- (c) Margin of dumping or Margin of injury, whichever is lower
- (d) None of the above

Answer:

(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)	(xi)	(xii)	(xiii)	(xiv)	(xv)
b	a	c	a	c	d	b	a	a	b	b	a	b	b	c

## SECTION-B

(Answer any five questions out of seven questions given. Each question carries 14 Marks)

2. (a) Joshi discloses his income earned during the financial year 2022-23:
- (i) Interest on German Development Bonds (1/6 received in India) ₹ 30,000
  - (ii) Income from house property in India but received in Australia ₹40,000
  - (iii) Income from agriculture in America but received in India ₹60,000
  - (iv) Income from business in Canada but controlled from India ₹ 75,000
  - (v) Income from business in Singapore but controlled from Sri Lanka ₹ 80,000

Compute his taxable income, if he is:

- (A) Resident and ordinarily resident
- (B) Resident but not ordinarily resident
- (C) Non- resident in India for the assessment year 2023-24.

[7]

- (b) Vimala employed as Technical consultant in Chahal Ltd., Cochin furnishes the following particulars relating to the financial year 2022-23:

- (i) Basic Salary ₹1,20,000 Pm
- (ii) Annual commission ₹ 6,00,000

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- (iii) Annual bonus ₹ 2,00,000  
(iv) Cash gift ₹ 1, 50, 000  
(v) Contribution to recognized provident fund @ 15% of basic salary each by both employer and employee  
(vi) Rent free accommodation provide by employer and rent paid by employer ₹ 30,000 p.m.  
Compute income from salary for the assessment year 2023-24, if she has not opted for section 115 BAC. [7]

**Answer:****(a)**

Particulars of Income	Resident and ordinarily resident (OR) (₹)	Resident but not ordinarily resident (NOR) (₹)	Non-resident (NR) (₹)
Interest on German Development Bonds (1/6)	5,000	5,000	5,000
Interest on German Development Bonds (5/6)	25,000	-	-
Income from house property in India but received in Australia	40,000	40,000	40,000
Income from agriculture in America but received in India	60,000	60,000	60,000
Income from business in Canada but controlled form India	75,000	75,000	-
Income from business in Singapore but controlled from Sri Lanka	80,000	-	-
<b>Taxable Income</b>	<b>2,85,000</b>	<b>1,80,000</b>	<b>1,05,000</b>

**(b) Computation of Income from Salary of Vimala (₹)**

Basic Pay	14,40,000
Commission	6,00,000
Bonus	2,00,000
Gift	1,50,000
RPF (14,40,000 X 3%)	43,200
Accommodation [15% of 2240000 or 30,000 X12]	3,36,000
<b>Gross Salary Income</b>	<b>27,69,200</b>
(-) Standard Deduction	50,000
<b>Taxable Income from Salary</b>	<b>27,19,200</b>

3. (a) Patil owns two house properties in Mumbai. He submits the following information relating to the financial year 2022-23.

	House I (₹)	House II (₹)
<b>Municipal Value</b>	<b>7,50,000</b>	<b>8,75,000</b>
<b>Fair rent</b>	<b>8,50,000</b>	<b>9,75,000</b>
<b>Standard rent under RCA</b>	<b>8,00,000</b>	<b>8,25,000</b>
<b>Annual rent</b>	<b>9,00,000</b>	<b>NA(Self occupied for residence)</b>

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Municipal Tax	75,000	87,500
Interest on borrowed capital	60,000	40,000

There is unrealized rent in respect of let-out house property ₹75,000. However, no steps are taken to make the defaulting tenant vacate the house. Half of the municipal tax is not yet paid. Compute income from house property for the assessment year 2023-24 if he has opted for section 115 BAC. [7]

(b) Swetha is engaged in the business of selling house hold appliance. The Profit and Loss Account for the year ended 31<sup>st</sup> March 2023 shows a net profit of ₹ 3,64,000 after debiting or Crediting the following items:

- Stationary bill was paid in cash ₹ 25,000
  - Contribution to staff welfare schemes ₹ 40,000
  - Outstanding GST ₹ 30,000
  - Embezzlement of cash by cashier ₹ 10,000
  - Payment to contractor ₹ 1,50,000 without deducting tax at sources
  - Depreciation on plant and machinery @20% ₹ 60,000 but depreciation permissible @15%
  - Refund of customs duty which is claimed as deduction during 2019-20 ₹ 15,000.
- Compute income under the head “Profits and gains from business or Profession” for the assessment year 2023-24. [7]

**Answer:**

(a) Computation of Income from House Property of Patil

(₹)

House I:	
Reasonable Expected Rent	8,00,000
Actual Rent	9,00,000
Gross Annual value	9,00,000
(-) Municipal Tax (50%)	37,500
Net Annual Value	8,62,500
(-) Standard deduction 30%	2,58,750
(-) Interest	60,000
Let out	5,43,750
House II: Self-occupied u/s 115BAC	Nil
Income from House Property	5,43,750

(b) Computation of income from Profits and gains from business or Profession

(₹)

Net Profit as per P& L A/C	3,64,000
(+) Cash Payment	25,000
(+) Welfare Schemes	40,000
(+) GST	30,000
(+) Contractor (30%) (No TDS)	45,000
(+) Depreciation $[60,000 \times \frac{5\%}{20\%}]$	15,000
Business income	5,19,000



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4. (a) Sunil owns a commercial building in Kolkata which is acquired for ₹4 lakhs during 1996-97. Its fair market value on 1<sup>st</sup> April 2001 is ₹16 lakhs. He sold it for ₹320 lakhs on 31<sup>st</sup> December 2022 when the stamp duty value was ₹360 lakhs. He paid 3% of the sale consideration as brokerage. He acquired a residential building in Delhi for ₹120 lakhs on 1<sup>st</sup> April 2023. Compute capital gain for the Assessment Year 2023-24. Cost Inflation Index: Financial year 2001-02:100, Financial year 2022-23: 331. [7]
- (b) Bose has following incomes for the year ending 31<sup>st</sup> March 2023:
- 10% ₹ 1,00,000 tax free Securities of X Ltd (Purchase before due date of interest)
  - 12% ₹ 1,50,000 less tax securities of Y Ltd (Sold before due date of interest)
  - Interest from unlisted bonds of A Ltd (net) ₹ 18,000
  - Interest from listed bonds of B Ltd (net) ₹ 13,500
  - Family pension ₹ 42,000
  - Cash gifts from friends ₹50,000
  - Bank commission @2% on interest realized.
- Compute income from other sources for the assessment year 2023-24. [7]

Answer:

- (a) Computation of Capital Gain for the Assessment Year 2023-24

(₹)

Full value of sale consideration	3,60,00,000
(-) Transfer expenses	9,60,000
Net sale consideration	3,50,40,000
(-) Indexed cost of acquisition $[1,60,000 \times \frac{331}{100}]$	52,96,000
Long Term Capital Gain	2,97,44,000
(-) Amount of exemption u/s 54F $[120,00,000 \times \frac{29744000}{35040000}]$	1,01,86,301
Taxable Long Term Capital Gain	1,95,57,699

- (b) Computation of income from other sources for the Assessment Year 2023-24

(₹)

Interest (tax free) $[1,00,000 \times 10\% \times \frac{110}{100}]$	11,000
Interest (less tax)	-
Interest (unlisted) $[18000 \times \frac{100}{90}]$	20,000
Interest (listed) $[13500 \times \frac{100}{90}]$	15,000
Family Pension	42,000
Gifts (upto ₹ 50,000)	-
	88,000
(-) Standard Deduction $[1/3 \text{ of } ₹42000 \text{ or } ₹15000]$	14,000
(-) Interest @ 2% $[₹ (10,000+18000+13500)]$	830
Income from other sources	73,170



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5. (a) Pandya submits the following particulars for the year 2022-23:

- (i) Income from let-out property in Salem ₹60,000
- (ii) Loss from let-out property in Coimbatore ₹ 2,80,000
- (iii) Profit from retail business in Chennai ₹ 3,50,000
- (iv) Loss from derivative trading in securities ₹ 60,000
- (v) Brought forward Loss from wholesale business (discontinued during 2019-20) ₹50,000
- (vi) Long term Capital gain ₹ 75,000
- (vii) short term capital loss ₹ 1,25,000.

Compute total income after set-off of losses and also mention losses eligible to carry forward. [7]

(b) Das, a resident individual, aged 62, furnished the following particulars of income for 2022-23:

- (i) Income from salary (computed): ₹ 4,00,000
- (ii) Income from house property (computed): ₹ 75,000
- (iii) Business loss: ₹ 1,50,00
- (iv) Dividend from Indian companies: ₹ 75,000
- (v) Receipts from horse races: ₹ 28,000.

He made the following payment:

- (i) Life insurance premium on own life (sum assured ₹1,00,000 taken on 01-04-2021) ₹1500 paid in cash
- (ii) Medical insurance premium on the health of spouse ₹ 30,000 paid by cheque
- (iii) Expenses on horse race ₹ 3,000

You are required to calculate his taxable income and tax payable for the assessment year 2023-24 on the assumption that he does not opt section 115BAC. [7]

Answer:

(a) Computation of total income of Pandya for the Assessment Year 2023-24

	(₹)	(₹)
Income from House Property	60,000	
(-) Loss (out of ₹2,80,000)	60,000	Nil
Income from Profits & Gains of Business & Profession (Business Income)	3,50,000	
(-) Loss (Out of ₹2,20,000)	2,00,000	
	1,50,000	
(-) b/f loss	50,000	1,00,000
Long Term Capital Gain	75,000	
(-) Short Term Capital Loss (STCL) (out of ₹ 1,25,000)	75,000	Nil
Net Total Income		1,00,000
Note: House Property loss ₹20,000, speculation loss ₹60,000 and STCL ₹50,000 are to be carry forwarded.		



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- (b) Calculation of Taxable Income and Tax Payable of Das for the assessment year 2023-24:

	(₹)
Salary	4,00,000
Income from house property	2,60,000
PGBP (Business loss)	(1,50,000)
Income from other sources:	
Winnings [ $28000 \times \frac{100}{70}$ ]	40,000
Dividend	75,000
Gross Total Income	6,25,000
(-) Sec 80C - LIC Premium [ $1,00,000 \times 10\%$ ]	10,000
(-) Sec 80D - Medical insurance premium	25,000
Total Income	5,90,000
Tax Liability	31,720

6. (a) Discuss any seven differences between direct tax and indirect tax. [7]
- (b) Enumerate any seven state taxes which are subsumed in the Goods and Services Tax. [7]

**Answer:**

- (a) Difference between Direct Taxes and Indirect Taxes:

Direct Taxes	Indirect Taxes
1. Payer of tax and sufferer of tax one and same (i.e. impact and incidence on the same person).	1. Payer of tax not sufferer of tax whereas sufferer of tax is not paying directly to the Government (i.e. impact on one head and incidence on other head).
2. Income based taxes.	2. Supply based taxes.
3. Rate of taxes are different from person to person.	3. Rate of duties are not differ from person to person.
4. Entire revenue goes to Central Government of India.	4. Revenue source to Central Government of India as well as State Governments (i.e. CGST and SGST).
5. Previous year income assessed in the assessment year.	5. There is no previous year and assessment year concept.
6. Central Board of Direct Taxes (CBDT) is an important part of Department of Revenue.	6. Central Board of Excise and Customs (CBEC) is an important part of Department of Revenue. w.e.f. 1-2-2019, The Central Board of Excise & Customs is being renamed as the Central Board of Indirect Taxes & Customs (CBIC). (i.e. CBEC renamed as CBIC).
7. Progressive in nature.	7. Regressive in nature.





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(b) State taxes which are subsumed in the Goods and Services Tax:

- (i) State VAT/ Sales Tax
- (ii) Central Sales Tax
- (iii) Purchase Tax
- (iv) Luxury Tax
- (v) Entry Tax (all forms)
- (vi) Entertainment Tax (other than those levied by local bodies)
- (vii) Tax on advertisement.

7. (a) Mr. Rao of Telangana, provides the following information for the financial year 2021-22. You are required to find out the aggregate turnover for the purpose of eligibility of composition levy scheme and determine whether he is eligible for composition levy scheme or not for the financial year 2022-23.

- (i) Value of taxable outward inter-state supplies: ₹ 30 lakhs
- (ii) Value of taxable outward intra-state supplies: ₹ 70 lakhs
- (iii) Value of exempt supplies: ₹ 25 lakhs
- (iv) Value of exempt supply of services by way of interest on loans and advances: ₹ 5 lakhs
- (v) Value of exports: ₹ 20 lakhs
- (vi) Value of inward supplies covered under reverse charge: ₹ 8 lakhs. [7]

(b) Kanna Ltd., Hyderabad, a registered supplier provides the following details of taxable inter-state supply for the month of December, 2022:

- (A) List price of supplies ₹ 10,00,000
- (B) Items adjusted in the list price:
- (i) Subsidy from Government: ₹ 1,50,000
  - (ii) Subsidy from Non-Government trade organization: ₹ 50,000
  - (ii) Discount: ₹ 10,000
- (C) Items not adjusted in the list price:
- (i) Local taxes: ₹ 30,000
  - (ii) Packing charges: ₹ 25,000
  - (ii) Interest on delayed payment: ₹ 15,000

Calculate the value of taxable supply for the month of Dec 2022. [7]

Answer:

(a) Computation of aggregate turnover of Mr. Rao for eligibility of composition levy scheme:

	(₹)
Inter- State Supply	30,00,000
Intra – State Supply	70,00,000
Exempted Supply	25,00,000
Interest	-
Exports	20,00,000
Reverse charge Basis	-
Turnover for earlier year	1.45,00,000
Since aggregate turnover does not exceed ₹150 lakhs Mr. Rao is eligible for composition levy provided he does not provide interstate supply during this year.	



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(b) Calculation of Value of Taxable Supply of Kanna Ltd. for the month of Dec 2022:

	(₹)
List Price	10,00,000
(+) Subsidy	50,000
(+) Taxes	30,000
(+) Packing	25,000
(+) Interest	15,000
Value of Taxable Supply	11,20,000

8. (a) Compute net GST payable for the month of March 2023:

	Output GST (₹)	Opening ITC (₹)
CGST	2,000	Nil
SGST	15,000	1,000
IGST	24,000	37,000

[7]

(b) From the particulars given below, find out the assessable value and also calculate total customs duty:

- (i) Cost of imported machine: US \$ 20,000
- (ii) Expenses up to the place of exportation: US \$ 2,000
- (iii) Buying commission: US\$ 200
- (iv) Designing charges in India: ₹ 1,50,000
- (v) Materials supplied by the buyer free of cost: ₹ 2,00,000
- (vi) CBIC had notified exchange rate of one US \$ is equal to ₹78 (Inter-bank rate is ₹ 79)
- (vii) Basic customs Duty @10%, social welfare surcharge @10% and IGST @ 18%. [7]

**Answer:**

(a) Computation of Net GST Payable for the month of March 2023:

	IGST (₹)	CGST (₹)	SGST (₹)
Opening	37,000	-	1,000
(-) output tax	24,000	2,000	15,000
Balance	13,000	(2,000)	(14,000)
(-) ITC (IGST)	13,000	2,000	11,000
GST Payable	Nil	Nil	3,000

(b) Computation of assessable value and total customs duty payable:

	US\$
Cost Price	20,000.00
Expenses	2,000.00
Foreign Currency	22,000.00

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	(₹)
Indian Currency (22000 × 78)	17,16,000.00
(+) Materials	2,00,000.00
	19,16,000.00
(+) Freight @ 20%	3,83,200.00
(+) Insurance @ 1.125%	21,555.00
Assessable Value (CIF)	23,20,755.00
BCD @ 10%	2,32,075.50
SWS @ 10%	23,207.55
IGST @ 18%	4,63,686.85
Total Duty (Rounded off)	7,18,970.00