



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 (Compulsory)

1. Choose the correct alternative:

[15 × 2 = 30]

- (i) Dividend received from a company engaged in agricultural operation is \_\_\_\_\_ :
- Agricultural Income
  - Business Income
  - Partly agricultural income and partly business income
  - Income from other sources
- (ii) The quantum of Rebate u/s 87A applicable to a resident individual, is the lower of 100% of tax liability or ₹ \_\_\_\_\_.
- 10,000
  - 7,500
  - 12,500
  - 15,000
- (iii) Indexed cost of any improvement is an amount, which bears to the \_\_\_\_\_ in the same proportion as Cost Inflation Index for the year in which the asset is transferred bears to the Cost Inflation Index for the year in which the improvement to the asset took place.
- cost of acquisition
  - cost of improvement
  - sale consideration
  - expenses on transfer
- (iv) Deduction u/s \_\_\_\_\_ of the Income-tax Act is applicable to an individual in respect of repayment of loan for higher education.
- 80DD
  - 80DDB
  - 80E
  - 80EE



DIRECT AND INDIRECT TAXATION

- (v) As per sec. 193 of the Income-tax Act, any person responsible for payment of interest on securities (other than interest on Government securities and certain specified securities) to any resident person, the rate of TDS will be applicable @ \_\_\_\_\_%.
- 10% (with surcharge, health and education cess)
  - 10% (no surcharge, health and education cess)
  - 20% (with surcharge, health and education cess)
  - 20% (no surcharge, health and education cess)
- (vi) In case of loss, a partnership firm may claim deduction in respect of remuneration to partner to the extent of:
- ₹ 1,50,000/-
  - ₹ 1,50,000/- or actual remuneration, whichever is lower
  - ₹ 1,50,000/- or 90% of book profit, whichever is lower
  - Nil
- (vii) Mr. A has three minor children deriving interest from bank deposits to the tune of ₹ 2,000, ₹ 1,300, ₹ 1,600 respectively. Exemption available under section 10(32) of the Income Tax is –
- ₹ 4,900
  - ₹ 4,300
  - ₹ 4,500
  - ₹ 5,000
- (viii) If an assessee fails to file return within the time limit allowed u/s 139(1) or within the time allowed under a notice issued u/s 142(1), he can file a belated return, on or before \_\_\_\_\_ of the relevant assessment year or before the completion of assessment (u/s 144), whichever is earlier.
- 30<sup>th</sup> November
  - 31<sup>st</sup> March
  - 31<sup>st</sup> December
  - 31<sup>st</sup> October
- (ix) \_\_\_\_\_ is combination of more than one individual supplies of goods or services or any combination thereof made in conjunction with each other for a single price, which can ordinarily be supplied separately.
- Composite supply
  - Principal supply
  - Mixed supply
  - None of the above.



DIRECT AND INDIRECT TAXATION

- (x) Zero-rated supply is meant for export or supply of goods or services or both for authorized operations to Special Economic Zone developer or a \_\_\_\_\_.
- Special Economic Zone unit
  - EOU
  - STP
  - All of the above.
- (xi) Indirect taxes are \_\_\_\_\_ in nature.
- Progressive
  - Regressive
  - Partly progressive and partly regressive
  - None of the above.
- (xii) The first 2 digits of the GSTIN is the \_\_\_\_\_.
- checksum number
  - PAN of the legal entity
  - entity code
  - State code.
- (xiii) Which of the following activities or transactions shall be treated neither as supply of goods nor a supply of services?
- Sale of land and building
  - Lease of land
  - Rent of building
  - All of the above
- (xiv) \_\_\_\_\_ means property abandoned at sea without hope of recovering.
- Wreck
  - Jetsam
  - Flotsam
  - Derelict
- (xv) The purpose of \_\_\_\_\_ is to rectify the trade distortive effect of dumping and re-establish fair trade.
- anti-dumping duty
  - safeguard duty
  - social welfare surcharge
  - protective duty



## DIRECT AND INDIRECT TAXATION

## Section - B

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

2. (a) Discuss the taxability of the following income:
- A is employed in an agricultural farm and entrusted with tilling of land, his remuneration being 50% of the net profits earned by the farm.
  - C receives a dividend of ₹ 12,000 from a company whose entire income is derived from agricultural operations only.
  - F receives ₹ 600 on account of interest on loan on the mortgage of land which is used for agricultural purposes.
  - G earns an income of ₹ 1,200 from lease of land for grazing of cattle required for agricultural operations.
  - Income from sale of trees of forest which are of spontaneous growth and in relation to which forestry operations alone are performed or Income from sale of wild grass of spontaneous growth.
  - Income from poultry farming
  - Income of ₹ 50,000 from agricultural land, the land is situated in Bangladesh.

[7]

- (b) Following are the particulars of income of Mrs. S. Choudhury for the Previous Year 2022-23:

- Basic salary @ ₹ 15,000 per month.
- Dearness Allowance @ 60% of salary.
- Medical Allowance @ 600 per month (Actual expenditure ₹ 5,000).
- House Rent Allowance received @ ₹ 6,000 per month and she pays rent of ₹7,200 per month for her house in Durgapur.
- City compensatory allowance ₹ 1,500 per month.
- She owns a car which she is using for official purposes. Her employer reimburses her @ ₹ 3,000 per month.
- She is contributing ₹ 2,100 per month towards a recognized provident fund. The employer is also contributing the same amount. Interest credited to R.P.F @ 11% ₹ 2,200.
- She paid ₹ 1,800 as professional tax during the year.

Compute income from salary of Mrs. Choudhury for the assessment year 2023-24.

[7]



## DIRECT AND INDIRECT TAXATION

3. (a) Mr. Rajesh owns two house properties both of which are let out. Compute his income from the following details: (Amount in ₹)

Particulars	H1	H2
Situated at	Gaya	Mumbai
Gross Municipal value	1,00,000	2,00,000
Fair rent	95,000	2,10,000
Standard rent	90,000	2,00,000
Actual rent receivable	1,00,000	1,80,000
Unrealised rent of current year	8,000	2,000
Municipal tax	10%	1,000
Fire insurance	2,000	1,200
Repairs	Nil	2,000
Interest on loan for construction (@ 12%)	10,000	Nil

Other Information:

1. Loan taken for construction is still unpaid.
  2. Municipal tax of H1 is still unpaid, while, that of H2 is half paid by tenant. [7]
- (b) M/s Sidhant & Co., a sole proprietary concern is converted into a company, Sidhant Co. Ltd. with effect from November 29, 2022. The written down value of assets as on April 1, 2022 is as follows:

Items	Rate of Depreciation	WDV as on 1 April, 2022
Building	10%	₹ 3,50,000
Furniture	10%	₹ 50,000
Plant & Machinery	15%	₹ 2,00,000

Further, on 15-10-2022, M/s Sidhant & Co. purchased a plant for ₹ 1,00,000 (rate of depreciation 15%). After conversion, the company added another plant worth ₹50,000 (rate of depreciation 15%). Examine the amount of depreciation available to (i) M/s Sidhant & Co. and (ii) Sidhant Co. Ltd. for the A.Y. 2023-24. [7]

4. (a) Lucky has a house property acquired on 18/08/2009 for ₹ 6,00,000. He used the house for his own residential purpose. On 18/08/2012 he incurred capital expenditure on re-construction of house ₹ 3,00,000. On 15/05/2022, he brought office goods (inflammable) worth ₹ 1,00,000 at home to be delivered to a party



## DIRECT AND INDIRECT TAXATION

staying near to his home. At the night of that day accidental fire took place and damaged the whole house property, furniture worth ₹ 5,00,000 and business stock.

Insurance claim received on 18/08/2022 –

1. for the house ₹ 1,00,000 in cash & a new house allotted to him (fair market value of which is ₹ 44,00,000 on 18/08/2022);
2. for house-hold furniture ₹ 2,00,000; and
3. for stock ₹ 80,000.

Analyse –

- Tax-treatment under the head Capital gains.
- How shall your answer differ if such compensation is received by the assessee on 15/04/2023. [7]

- (b) Compute taxable income under the head Income from other sources of Mrs. X from the following data:

Particulars	Amount (₹)
Private tuition fee received	10,000
Winning from lottery	2,000
Award from KBC (a TV show) [Gross]	3,20,000
Pension from employer of deceased husband	25,000
Interest on bank deposit	25,000
Directors fee (Gross)	5,000
Letting out of vacant land	25,000
Remuneration for checking the examination copy of employer's school	10,000
Remuneration for checking the examination copy of CMA	10,000
Income tax refund	5,000
Interest on income tax refund	100
Composite rent (related expenditures are ₹ 5,000)	10,000
Rent on sub-letting of house property (rent paid to original owner ₹ 12,000)	20,000
Income tax paid	2,000
Payment made for personal expenses	18,000
Payment made to LIC as premium	2,000

[7]



## DIRECT AND INDIRECT TAXATION

5. (a) P, Q and R are partners in a firm sharing profits and losses in the ratio of 1:1:2, provide the following information. Find firm's net income assuming that salary and interest are not paid to partners:
- Net income of the firm in assessment year 2022-23 is (-) ₹1,20,000, out of which unadjusted depreciation is ₹40,000.
  - On 31.05.2022, R retires from the firm and the other partners carry on the same business.
  - The firm's income for the Assessment Year 2023-24 before adjusting the aforesaid loss and depreciation is ₹1,20,000.

[7]

- (b) Mr. Todi is a member of HUF. It consists of Mr. Todi, Mrs. Todi, Mr. Todi's major son (Mr. A) & Mr. Todi's minor son (B).

On 1/4/2021, Mr. Todi transferred his house property acquired through his personal income to the HUF without any consideration.

On 1/7/2022, HUF is partitioned and such property being divided equally.

Net annual value of the property for the P.Y. 2021-22 is ₹80,000 & that for the P.Y. 2022-23 is ₹ 1,00,000. Examine the tax treatment for both the years. [7]

6. (a) Analyse the basic reasons to impose taxation and also state the features of Indirect Taxes. [7]
- (b) Apply and state the constitutional provisions in relation to levy and collection of goods and services tax in the course of inter-state trade or commerce. Discuss whether the following supplies will constitute composite or mixed supply:
- goods are packed and transported with insurance
  - Food supplied to the in-patients as advised by the doctor/ nutritionist. [7]

7. (a) Ram & Co. being a trader of cell phones registered under GST in the State of Tamil Nadu and furnished the following information relating to preceding financial year:

Particulars	Value (₹ in lakhs)
Intra-State supply of taxable goods	120
Intra-State supply of exempted goods	10
Intra-State Supply of taxable services	5
Intra-State supply of exempted services	3
Interest earned on deposits/loans/advances	15.50



## DIRECT AND INDIRECT TAXATION

Examine whether Ram & Co. is eligible for composition scheme in the current financial year? [7]

- (b) Following are the particulars, relating to one of the machine sold by S Ltd. to A Ltd. in the month of February 2023 at list price of ₹ 8,50,000. (exclusive of taxes and discount) Further, following additional amounts have been charged from ACD Ltd:

Sl. No.	Particulars	₹
(i)	Municipal taxes chargeable on the machine	55,000
(ii)	Outward freight charges (Contract was to deliver machine at A Ltd.'s factory i.e. F.O.R. contract)	75,000

Additional information:

- S Ltd. normally gives an interest-free credit period of 30 days for payment, after that it charges interest @ 1% p.m. or part thereof on list price. A Ltd. paid for the supply after 45 days, but S Ltd. waived the interest payable.
- S Ltd. received ₹ 50,000 as subsidy, from one non-government organization (NGO) on sale of such machine. This subsidy was not linked to the price of machine and also not considered in list price of ₹ 8,50,000.
- A Ltd. deducted discount of ₹ 15,000 at the time of final payment, which was not as per agreement.
- S Ltd. collected ₹ 8,500 as TCS (tax collected at source) under the provisions of the Income Tax Act, 1961.

Compute the value of taxable supply as per the provision of GST laws, considering that the price is the sole consideration for the supply and both parties are unrelated to each other. [7]

8. (a) Compute the input tax credit available with MS Motors Ltd., manufacturer of cars, in respect of the following services availed by it in the month of October, 2022:

Sl. No.	Particulars	Amount
1.	Accounting and Auditing Services	17,200
2.	Health insurance services for employees (Services are not provided under Government obligation)	6,200
3.	Routine maintenance of the cars manufactured by MS Motors Ltd.	28,000





## DIRECT AND INDIRECT TAXATION

4.	Repair services for office building (Cost of repairs is charged to Profit & loss Account)	28,400
5.	Hotel accommodation and conveyance facility to employees on vacation	13,360
6.	Testing services availed for car engines	19,000

[7]

(b) XYZ Industries Ltd., has imported certain equipment from Japan at an FOB cost of 4,00,000 Yen (Japanese). The other expenses incurred by M/s. XYZ Industries in this connection are as follows:

- Freight from Japan to Indian Port 40,000 Yen
- Insurance paid to Insurer in India ₹ 20,000
- Designing charges paid to Consultancy firm in Japan 60,000 Yen
- M/s. XYZ Industries had expended ₹ 2,00,000 in India for certain development activities with respect to the imported equipment
- XYZ Industries had incurred road transport cost from Mumbai port to their factory in MP ₹ 1,30,000
- The CBIC had notified exchange rate of 1 Yen = ₹ 0.69. The interbank rate was 1 Yen = ₹ 0.70
- M/s XYZ Industries had effected payment to the Bank based on exchange rate 1 Yen = ₹ 0.71
- The commission payable to the agent in India was 5% of FOB cost of the equipment in Indian Rupees.

Compute the assessable value.

[7]