



INTERMEDIATE EXAMINATION
MODEL QUESTION PAPER
PAPER – 7
DIRECT AND INDIRECT TAXATION

SET - 1
TERM – JUNE 2025
SYLLABUS 2022

Time Allowed: 3 Hours

Full Marks: 100

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

SECTION – A (Compulsory)

1) Choose the correct option:

[15x2=30]

- (i) Which of the following is an agriculture income?
- (a) Dividend paid by a company out of its agriculture income
 - (b) Share of Profit of a Partner from a firm engaged in an agriculture operation
 - (c) Income from supply of water by a assessee from a tank in its agriculture land
 - (d) Interest received by a money lender in the form of agricultural produce
- (ii) Mr. Pratik, aged 48 years and a resident in India, has a total income of ₹6,50,00,000, comprising long term capital gain taxable @20% under section 112 of ₹55,00,000, short term capital gain taxable @15% under section 111A of ₹65,00,000 and other income of ₹5,30,00,000. What is the tax liability for A.Y.2025-26 under the default tax regime?
- (a) ₹2,27,48,700
 - (b) ₹2,48,68,870
 - (c) ₹2,40,15,870
 - (d) ₹2,18,68,700
- (iii) Which of the following receipt is taxable under the head ‘Income from Other Sources’?
- (a) Uncommuted pension received from ex-employer
 - (b) Rental income from house property
 - (c) Income on transfer of rural agro land
 - (d) Income from racing establishment
- (iv) While computing taxable interest on delayed compensation, a standard deduction is allowed @:
- (a) 50%
 - (b) 30%
 - (c) 15%
 - (d) Nil
- (v) When income of a minor is clubbed, assessee will get deduction u/s 10(32) of:
- (a) ₹ 1,500 per child
 - (b) Income clubbed subject to maximum of ₹ 1,500 per child
 - (c) Such deduction is not available u/s 10(32) but u/s 10(33)
 - (d) ₹ 2,000 per child



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- (vi) TDS is not required to be deducted u/s 194A if the amount of interest on loan does not exceed:
- (a) ₹ 5,000
 - (b) ₹ 2,500
 - (c) ₹ 7,500
 - (d) ₹ 20,000
- (vii) When did GST come into effect in India?
- (a) 1st July 2016
 - (b) 1st April 2016
 - (c) 1st June 2017
 - (d) 1st July 2017
- (viii) Who is empowered to make law for matters contained in List I of Schedule VII of the Constitution of India?
- (a) State Government
 - (b) Central Government
 - (c) Both Central and State Government
 - (d) None of the above
- (ix) Person who is liable to be registered u/s 22 or 24 shall apply for registration in every such State or Union Territory in which he is so liable within:
- (a) 30 days from the date on which he becomes liable to registration
 - (b) 15 days from the date on which he becomes liable to registration
 - (c) 7 days from the date on which he becomes liable to registration
 - (d) None of the above
- (x) Which of the following activities or transactions shall be treated neither as supply of goods nor a supply of services?
- (a) Sale of land and building
 - (b) Lease of land
 - (c) Rent of building
 - (d) All of the above
- (xi) For which of the following goods, the manufacturer is not allowed to opt for composition scheme:
- (a) Pan masala
 - (b) Ice cream
 - (c) Topical and manufactured tobacco substitutes
 - (d) All of the above
- (xii) Under which article of the Constitution of India, GST council has been constituted?
- (a) 246
 - (b) 246A
 - (c) 279A
 - (d) 265

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- (xiii) Which of the following is a taxable event for imported goods?
- (a) Date on which the goods cross the customs barrier Next 5 Years
 - (b) Date of presentation of bill of entry Next 8 Years
 - (c) Date of entry into Indian territorial waters
 - (d) Unloading of imported goods at the customs port
- (xiv) For the purpose of computing IGST on imported goods, one of the following shall not be included in the value for computation:
- (a) GST Compensation Cess
 - (b) Social Welfare Surcharge
 - (c) Anti-dumping duty
 - (d) None of the above
- (xv) Where the transport charges are not available, for ascertaining the assessable value for customs duty, the percentage of FOB value to be taken is:
- (a) 10%
 - (b) 20%
 - (c) 25%
 - (d) None of the above

SECTION – B

Answer any 5 questions out of 7 questions given. Each question carries 14 marks. [5 x 14 = 70]

- 2) (a) Ram provides the following details of income, calculate the income which is liable to be taxed in India for the A.Y. 2025-26 assuming that –
- (i) He is an ordinarily resident
 - (ii) He is not an ordinarily resident
 - (iii) He is a non-resident.

Particulars	Amount (₹)
Salary received in India from a former employer of UK	1,40,000
Income from tea business in Nepal being controlled from India	10,000
Interest on company deposit in Canada (1/3rd received in India)	30,000
Profit from a business in Mumbai controlled from UK	1,00,000
Profit for the year 2022-23 from a business in Tokyo remitted to India	2,00,000
Income from a property in India but received in USA	45,000
Income from a property in London but received in Delhi	1,50,000
Income from a property in London but received in Canada	2,50,000
Income from a business in Jambia but controlled from Turkey	10,000

[7]

- (b) Mr. Bharat of Siliguri is offered an employment by Vimal & Co. Ltd., Kolkata on a basic salary of ₹5,500 p.m. Other allowances are dearness allowance (not forming part of salary for retirement benefits) ₹4,000 p.m., medical allowance ₹1,000 p.m. and bonus being 1 month's basic salary. The company gives an option

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to him either to take a rent-free accommodation in Kolkata of the fair rental value of ₹1000 p.m. or to accept a cash house rent allowance of ₹1,000 p.m. He decides to accept house rent allowance and takes a house in Kolkata at a monthly rent of ₹1,000. He has opted for old regime. Discuss with reason whether he has made a wise choice from tax advantage view. [7]

- 3) (a) Two brothers Virat and Rohit are co-owners of a house property with equal share. The property was constructed during the financial year 2016-2017. The property consists of eight identical units and is situated at Kerala.

During the financial year 2024-25, each co-owner occupied one unit for residence and the balance of six units were let out at a rent of ₹12,000 per month per unit. The municipal value of the house property is ₹10,00,000 and the municipal taxes are 20% of municipal value, which were paid during the year. The other expenses were as follows:

	₹
(i) Repairs	40,000
(ii) Insurance premium (paid)	15,000
(iii) Interest payable on loan taken for construction of house	3,00,000

One of the let out units remained vacant for four months during the year.

Virat could not occupy his unit for six months as he was transferred to Kolkata. He does not own any other house.

The other income of Mr. Virat and Rohit are ₹2,35,000 and ₹1,65,000, respectively, for the financial year 2024-25.

Compute the income under the head 'Income from House Property' and the total income of two brothers for the A.Y. 2025-26 if they pay tax under the default tax regime under section 115BAC.

Also, compute of income under this head, if they both exercised the option of shifting out of the default tax regime provided under section 115BAC(1A). [7]

- (b) From the following particulars of Shri Khote for the year ending 31st March, 2025, calculate his taxable income from business for the assessment year 2025-26:

Particulars	(₹)	Particulars	(₹)
To Opening Stock	1,20,000	By Sales	2,14,20,000
To Purchases	2,10,00,000	By Profit on sale of import licence	5,000
To Salaries	25,000	By Gift received	24,000
To Legal Expenses	10,000	By Closing Stock	2,00,000
To Bad Debts	5,000		
To Rent	50,000		
To Interest on loan	2,500		
To Depreciation	15,000		
To Income tax paid	2,000		

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To Outstanding Customs Duty	25,000		
To Advertisement	2,000		
To Legal expenses	12,000		
To Contribution towards URPF	5,000		
To General expenses	17,500		
To Traveling expenses	1,00,000		
To Net Profit	2,58,000		
	2,16,49,000		2,16,49,000

In computing the income, the following facts are to be taken into consideration:

1. Interest on loan is paid to brother of Shri Khote for loan taken for payment of advance income tax.
2. During the previous year 2020-21, assessee had claimed ₹45,000 as bad debt out of which only ₹35,000 was allowed. During the previous year, he recovers ₹25,000.
3. Contribution towards unrecognised provident fund was paid within time.
4. Legal expenses include ₹2,000 paid for preparation of income tax return.
5. Stock is undervalued by 10%.
6. Gift received was given by a supplier for achieving target sale.
7. Outstanding customs duty has been paid on 31-12-2025.
8. During the previous year, he comes to know that his former employee had embezzled cash of ₹5,000 on 31-3-2024, which was not accounted for.
9. Traveling expenses include ₹50,000 being cost of trip to Singapore by an employee for 10 days. However, only 8 days of trip is useful to business and 2 days has been allowed as holiday to employee.
10. Rent includes expenditure on extension of shed on rented building ₹26,000. However, such extension was completed on 1-5-2025 with total cost of ₹50,000.
11. General expenses includes –
 - ◆ Salary of ₹1,200 paid to domestic servant.
 - ◆ Compensation of ₹2,000 paid for retrenchment of an employee. [7]

4. (a) On 23rd June, 2024, Rajat sold gold, the sale consideration of which was ₹15,00,000. He had acquired this gold on 20th August, 2000 for ₹ 4,00,000. Fair market value of that gold on 1st April, 2001 was ₹ 3,60,000. Compute the amount of capital gain chargeable to tax for the assessment year 2025-26. Also compute if such asset was transferred by him on 23-12-2024. [7]

(b) Mr. Jyoti received the following gifts/amounts during F.Y. 2024-25:

- (i) Gift of Sculptures worth ₹51,000/- on his birthday from his friend
- (ii) Received a car from his cousin on payment of ₹3,00,000/-. FMV of which was ₹3,60,000/-
- (iii) Received cash gift of ₹20,000/- each from three of his friends A, B and C on 24.09.2024
- (iv) Acquired an office building on 12.12.2024 from his friend Raj for a consideration of ₹12 lakhs, stamp value of which is ₹ 15 lakhs.



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- (v) In respect of Land of Mr. Jyoti acquired by Government in the year 2015, he received the following amount on 15.12.2024 as interest on enhanced compensation on the order of the court-

Relating to Previous Years	₹
2021-22	1,25,000/-
2022-23	1,65,000/-
2023-24	1,15,000/-

You are required to compute the income of Mr. Jyoti chargeable under the head “Income from other Sources” for A.Y. 2025-26, assuming that he has no other income. [7]

5. (a) Compute Gross total income of Mrs. Shikha from following details for the A.Y. 2025-26

	₹	
Income from house property A	60,000	
Income from house property B	(1,50,000)	
Income from house property C	1,00,000	
Income from other sources	1,00,000	
Losses u/s 22 for the A.Y. 2024-25	(30,000)	
Losses u/s 56 for the A.Y. 2024-25	(45,000)	[7]

- (b) Akhil, 35 years, has provided following details relating to his income for the previous year 2024-25:
- Income from business ₹ 15,00,000
 - Income from saving bank interest ₹ 12,000
 - Interest on PPF ₹ 36,000
 - Investment in PPF ₹ 1,50,000

You are requested to compute his tax liability and advise him whether he should opt for the old tax regime by exercising option given u/s 115BAC(6). [7]

6. (a) Discuss the Differences between Direct Tax & Indirect Tax. [7]

- (b) Discuss the key benefits of the Goods and Services Tax (GST) to (i) business and industry sector; and (ii) for the consumer. [7]

7. (a) Examine with brief reasons, which person is liable to pay GST in the following independent cases, where the supplier and recipient both are located in the taxable territory. Ignore the aggregate turnover & exemption available:

- Vikash is an insurance agent (registered under GST), received commission of ₹12,00,000 from Insurance Company (registered under GST).
- Mukesh is a business facilitator (registered under GST), received commission ₹1,95,000 for the services provided to the urban branch of a Nationalised Bank with respect to savings bank accounts.
- Gukesh (registered under GST) is an independent director of XYZ Company Ltd., has received sitting fees amounting to ₹1,00,000 from XYZ Company Ltd. for attending the Board meetings. [7]

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- (b) T-Series, Music Company & a registered dealer in India, paid an advance of ₹ 5,00,000 to Mr. Vikash, a music composer, for the copyright covered u/s 13(1)(a) of the Copyright Act, 1957, of his original musical work on 5-9-2024 (through RTGS). It made the balance payment of ₹ 2,50,000 on 12-12-2024 (through RTGS). You are required to determine the time of supply, if Mr. Vikash raised the invoice on: (i) 6-10-2024; or (ii) 17-12-2024 [7]

8. (a) M/s. VMA, a registered taxable person under regular scheme provides following information in respect of supplies made by it during the month of April, 2024 :

Particulars	₹
Inter-state supply of goods	2,00,000
Intra-state supply of 1000 packets of detergent @ ₹ 400 each alongwith a plastic bucket worth ₹ 100 each with each packet, being a mixed supply. (Rate of GST on detergent is 18% and on plastic bucket is 28%)	
Supply of online educational journals to M/s XYZ, a private coaching centre providing tuitions to students of Class X-XII, being intra-state supply	1,00,000
M/s. VMA has also received the following inward supplies:	
Inter-state supply of goods (out of which invoice for goods worth ₹ 40,000 is missing and no other tax paying document is available)	1,40,000
Repairing of bus with seating capacity of 20 passengers used to transport its employees from their residence, being intra-state supply	1,00,000
Details of opening balances of ITC as on 1-4-2024 are as follows:	
CGST	10,000
SGST	10,000
IGST	80,000

Following additional information is provided:

- Rate of GST in respect of all inward and outward supplies except item (ii) above is 18%. i.e. CGST and SGST @ 9% and IGST @ 18%.
- All figures mentioned above are exclusive of taxes.
- All the conditions for availing the ITC have been fulfilled except specifically given and M/s. VMA is not eligible for any threshold exemption.

Compute the minimum net GST payable in cash by M/s. VMA for the month of April, 2024. [7]

- (b) Compute the Assessable Value of a machine imported from Germany by RLI Ltd., under Customs Act, 1962. Also determine the duty liability of RLI Ltd.

Particulars	USD\$
FOB Value	30,000
Air Freight Paid	7,250
Insurance Cost	Not Known
Designing Charges incurred in India	₹ 15,000



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Indian Agent's Commission	₹ 20,000
Transport Charges from port to factory in India	₹ 15,000
Rate of duty	10%
IGST	18%
Rate of exchange notified by CBEC	₹ 85 per USD

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