



INTERMEDIATE EXAMINATION

SET - 1

MODEL ANSWERS

TERM – JUNE 2025

PAPER – 7

SYLLABUS 2022

DIRECT AND INDIRECT TAXATION

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
 - (b) Date of presentation of bill of entry
 - (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

Answer:

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

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]



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- (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 to him either to take a rent-free accommodation in Kolkata of the fair rental value of ₹1,000 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]

Answer:

(a)

Calculation of income liable to be taxed in India of Ram for the A.Y. 2025-26

Particulars	Resident & Ordinarily resident ₹	Resident but not Ordinarily resident ₹	Non-resident ₹
Salary received in India from a former employer of UK	1,40,000	1,40,000	1,40,000
Income from tea business in Nepal being controlled from India	10,000	10,000	Nil
Interest on company deposit in Canada - - 1/3rd received in India	10,000	10,000	10,000
- 2/3rd received outside India	20,000	Nil	Nil
Profit from a business in Mumbai controlled from UK	1,00,000	1,00,000	1,00,000
Past Profit from a business in Tokyo remitted to India	Nil	Nil	Nil
Income from a property in India but received in USA	45,000	45,000	45,000
Income from a property in London but received in Delhi	1,50,000	1,50,000	1,50,000
Income from a property in London but received in Canada	2,50,000	Nil	Nil
Income from a business in Jambia but controlled from Turkey	10,000	Nil	Nil
Income liable to tax in India	7,35,000	4,55,000	4,45,000

- (b) Computation of Gross Taxable Salary of Mr. Bharat for the A.Y.2025-26

Particulars	Amount	When he takes HRA		When he takes RFA	
		Amount ₹	Amount ₹	Amount ₹	Amount ₹
Basic			66,000		66,000
Bonus			5,500		5,500
Dearness allowance			48,000		48,000
Medical allowance			12,000		12,000
HRA		12,000			
Less: Minimum of the following					

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a) Actual amount received	12,000				
b) 50% of salary	33,000				
c) Rent paid over 10% of salary	5,400	5,400	6,600		Nil
Rent free accommodation (being 10% of salary)			Nil		8,350
Gross Taxable Salary			1,38,100		1,39,850

Note: Salary for the purpose:

Particulars	Accommodation ₹	HRA ₹
Basic salary	66,000	66,000
Medical Allowance	12,000	-
Bonus	5,500	-
Total	83,500	66,000

Comment: The above computation indicates that if the assessee chooses rent-free accommodation, then his gross taxable salary increases by ₹1,750 (being ₹1,39,850 – ₹1,38,100), which may increase his tax bill. Hence, assessee has taken right decision.

- 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]

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- (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		
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:

- Interest on loan is paid to brother of Shri Khote for loan taken for payment of advance income tax.
- 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.
- Contribution towards unrecognised provident fund was paid within time.
- Legal expenses include ₹2,000 paid for preparation of income tax return.
- Stock is undervalued by 10%.
- Gift received was given by a supplier for achieving target sale.
- Outstanding customs duty has been paid on 31-12-2025.
- 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.
- 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.
- 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.
- General expenses includes –
 - Salary of ₹1,200 paid to domestic servant.
 - Compensation of ₹2,000 paid for retrenchment of an employee.

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- (a) (i) **If Virat and Rohit pay tax under the default tax regime under section 115BAC**

Computation of Total Income for the A.Y. 2025-26

Particulars	Virat (₹)	Rohit (₹)
Income from house property:		
(I) Self-occupied property (25% i.e., 2 units out of 8 units)		
Annual value	Nil	Nil
Less: Deduction under section 24(b)	Nil	Nil
Loss from self-occupied property	Nil	Nil
(II) Let-out property (75% i.e., 6 units out of 8 units)		
Income from house property (See Working Note-1)	1,20,600	1,20,600
Other Income	2,35,000	1,65,000
Total Income	3,55,600	2,85,600

- (ii) **If Virat and Rohit have exercised the option of shifting out of the default tax regime provided under section 115BAC(1A)**

Computation of Total Income for the A.Y. 2025-26

Particulars	Virat (₹)	Rohit (₹)
Income from house property:		
I. Self-occupied property (25%)		
Net Annual Value	Nil	Nil
Less : Deduction u/s		
24(a) Standard Deduction (30% of NAV)	Nil	Nil
24(b) Interest on loan	37,500	37,500
Interest on loan taken for construction ₹37,500 (being 25% of ₹1.5 lakh) [Allowable since they have exercised the option of shifting out of the default tax regime provided under section 115BAC(1A)]		
Loss from self-occupied property	(37,500)	(37,500)
II. Let-out property (75%) (See Working Note 1)	1,20,600	1,20,600
Income from house property	83,100	83,100
Other Income	2,35,000	1,65,000
Total Income	3,18,100	2,48,100

Working Note – 1**Computation of Income from Let-Out Part of House Property (75%)**

Particulars	(₹)	(₹)
Gross Annual Value (Higher of MV & Actual Rent)		



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(a) Municipal value ($\text{₹}10,00,000 \times 75\%$)	7,50,000	
(b) Actual rent ($\text{₹}12,000 \times 6 \times 12$) - ($\text{₹}12,000 \times 1 \times 4$)	8,16,000	8,16,000
Less: Municipal taxes ($\text{₹}2,00,000 \times 75\%$) ($\text{₹}2,00,000$ i.e., 20% of $\text{₹}10\text{L}$)		(1,50,000)
Net Annual Value (NAV)		6,66,000
Less : Deduction u/s		
24(a) Standard Deduction (30% of NAV)	1,99,800	
24(b) Interest on loan ($\text{₹}3,00,000 \times 75\%$)	2,25,000	4,24,800
Income from let-out part of house property		2,41,200
Share of each co-owner (50% each)		1,20,600

(b) **Computation of Profits and gains of business or profession of Shri Khote for the A.Y. 2025-26**

Particulars	Notes	Details	Amount
Net profit as per Profit and Loss A/c			2,58,000
Add: Expenditure disallowed but debited in P/L A/c			
Income tax paid	1	2,000	
Outstanding Customs Duty	2	25,000	
Contribution towards unrecognised provident fund	3	5,000	
Interest on loan	4	2,500	
Expenditure on extension of building shed	5	26,000	
Salary paid to domestic servant	6	1,200	
Add: Income taxable but not credited to P/L A/c			
Recovery of bad debts [$\text{₹}25,000 - (\text{₹}45,000 - \text{₹}35,000)$]	7	15,000	76,700
			3,34,700
Less: Expenditure allowed but not debited to P/L A/c			
Embezzlement by employee	8		5,000
			3,29,700
Adjustment for valuation of stock			
Add: Under valuation of closing stock	12	22,222	
Less: Under valuation of opening stock	13	13,333	8,889
Profits and gains of business or profession			3,38,589

Notes:

- Income tax is specifically disallowed u/s 40(a).
- Customs Duty paid after due date of filing of return shall not be allowed as deduction [Sec. 43B]
- Contribution to unrecognised provident fund is disallowed.
- Interest on loan taken for payment of advance tax is disallowed.
- Extension of building shed is an expenditure of capital nature, hence disallowed u/s 30.
- Any expenditure of personal nature is disallowed.
- As per sec. 41(4), where a deduction has been allowed in respect of bad debt or part of debt u/s



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36(1)(vii), then if the amount subsequently recovered on any such debt or part is greater than the difference between the debt or part of debt and the amount so allowed, the excess shall be deemed to be profits and gains of business or profession.

8. Loss by embezzlement of cash by employee is allowed as deduction in the year in which such fact was known to the assessee.
9. Legal expenditure for preparation of income tax return is allowed expenditure u/s 37(1).
10. Gift received for achieving target-sale is perquisite related to business and shall be taxable u/s 28.
11. Traveling expenditure shall be fully allowed as deduction, as trip was for 10 days out of which 8 days spent for business purpose and remaining 2 days trip shall be treated as staff welfare expenditure being allowed u/s 37(1).
12. **Under valuation of closing stock**
Actual value of closing stock (₹2,00,000/90%) = ₹2,22,222
Under valuation of closing stock is 10% of ₹2,22,222 = ₹22,222
13. **Under valuation of opening stock**
Actual value of opening stock (₹ 1,20,000/90%) = ₹1,33,333
Under valuation of opening stock is 10% of ₹1,33,333 = ₹13,333

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.
- (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/-

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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]

Answer:

(a) When capital asset is transferred prior to 23-07-2024:

Computation of Capital Gains of Rajat for the A.Y. 2025-26

Particulars	Working	Amount ₹
Sale consideration		15,00,000
Less: Expenses on transfer		Nil
Net Sale consideration		15,00,000
Less: Indexed cost of acquisition	₹ 4,00,000* × 363/100	14,52,000
Long term capital gain		48,000
Tax before surcharge and cess [₹ 48,000 × 20%]		9,600

* If an asset is acquired before 1/4/2001 then its cost of acquisition will be higher of the following:

- a) Actual cost of acquisition; or
- b) Fair market value of the asset as on 1/4/2001

When capital asset is transferred on or after 23-07-2024:

Computation of Capital Gains of Rajat for the A.Y. 2025-26

Particulars	Working	Amount ₹
Sale consideration		15,00,000
Less: Expenses on transfer		Nil
Net Sale consideration		15,00,000
Less: cost of acquisition		4,00,000
Long term capital gain		11,00,000
Tax before surcharge and cess [₹ 11,00,000 × 12.5%]		1,37,500

(b)

Computation of Income from Other Sources of Jyoti for the A.Y 2025-26

Particulars	₹
(i) Since sculptures is included in the definition of “ Property”, therefore, when sculptures is received without consideration , the same is taxable under section 56(2)(x) as the aggregate FMV of sculptures exceeds ₹50,000/-	51,000
(ii) Since car is not included in the definition of “ property”, therefore the difference of ₹3 Lakhs between FMV and purchase price of car is non-taxable under section 56(2)(x)	Nil

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(iii) Cash gifts received from friends is taxable u/s 56(2)(x), since its aggregate value exceeds ₹50,000/-(i.e ₹20,000×3)	60,000
(iv) Immovable property (office building) purchased for inadequate consideration is taxable u/s 56(2)(x). Therefore the difference of ₹3 Lakhs between SDV and purchase price of building is taxable u/s 56(2)(x)	3,00,000
(v) As per section 145B interest received during the year on enhanced compensation shall be deemed to be the Income of the year in which such interest is received irrespective of the method of accounting followed by the Assessee. Hence, the interest received by Mr Jyoti is taxable in P.Y. 2024-25 (₹1,25,000 + ₹1,65,000 + ₹1,15,000 = ₹4,05,000) Less: Deduction u/s 57 @ 50% of ₹4,05,000 (₹2,02,500)	2,02,500
Income from Other Sources	6,13,500

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]

Answer:

- (a)

Computation of Gross Total Income of Mrs. Shikha for the A.Y. 2025-26

Particulars	Details ₹	Details ₹	Amount ₹
Income from house property			
House property A	60,000		
House property B	(1,50,000)		
House property C	1,00,000	10,000	
Loss u/s 22 for the A.Y. 2024-25		(10,000)	Nil
Income from other sources			1,00,000
Gross Total Income			1,00,000

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1. Remaining unabsorbed loss relevant to the A.Y. 2024-25 ₹20,000 (i.e. ₹ 30,000 – ₹ 10,000) shall be carried forward to subsequent assessment years (maximum up to A.Y. 2032-33).
2. Loss under the head 'Income from other sources' cannot be carried forward.
3. Sec. 71 shall apply only after application of sec. 70. Hence, current year loss of house property B cannot be set off against income from other sources.

(b)**Computation of Income and Tax Liability of Mr. Akhil for A.Y. 2025-26**

Particulars	Old Tax Regime ₹	Default Tax Regime ₹
Business Income	15,00,000	15,00,000
Interest on saving bank deposit	12,000	12,000
Interest on PPF	Exempt	Exempt
Gross Total Income	15,12,000	15,12,000
Less: Deduction		
U/s 80C (PPF Contribution)	1,50,000	NA
U/s 80TTA (Interest on Saving Bank Interest)	10,000	NA
Total Income	13,52,000	15,12,000
Tax on above	2,18,100	1,43,600
Less: Rebate u/s 87A (As income exceeds ₹ 5,00,000)	NA	NA
Tax after rebate	2,18,100	1,43,600
Add: Surcharge	Nil	Nil
Tax and surcharge	2,18,100	1,43,600
Add: Health & Education cess	8,724	5,744
Tax liability (Rounded off u/s 288B)	2,26,820	1,49,340

In the instant case, tax liability under default tax regime is lower, hence it is advisable to not to opt for option available u/s 115BAC(6).

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]

Answer:**(a)**

	BASIS	Direct Tax	Indirect Tax
1.	Meaning	Direct tax is referred to as the tax, levied on person's income and wealth and is paid directly to the government	Indirect Tax is referred to as the tax, levied on a person who consumes the goods and services and is paid indirectly to the government.



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2.	Nature	Progressive in nature i.e., higher tax is levied on a person earning higher income and vice versa.	Regressive in nature i.e., all persons will bear equal wrath of tax on goods or service consumed by them irrespective of their ability
3.	Incidence and Impact	Falls on the same person.	Falls on different person.
4.	Example	Income Tax	GST, Custom Duty
5.	Burden	Cannot be shifted	Can be shifted
6.	Event	Taxable income of the assessee	Supply of goods and services
7.	Evasion	Tax evasion is possible	Tax evasion is hardly possible because it is included in the price of the goods and services.

(b) The benefits of GST can be summarized as under:

i. For business and industry

- ◆ **Easy compliance:** A robust and comprehensive IT system would be the foundation of the GST regime in India. Therefore, all tax-payer services such as registrations, returns, payments, etc. would be available to the taxpayers online, which would make compliance easy and transparent.
- ◆ **Uniformity of tax rates and structures:** GST will ensure that indirect tax rates and structures are common across the country, thereby increasing certainty and ease of doing business. In other words, GST would make doing business in the country tax neutral, irrespective of the choice of place of doing business.
- ◆ **Removal of cascading:** A system of seamless tax-credits throughout the value-chain, and across boundaries of States, would ensure that there is minimal cascading of taxes. This would reduce hidden costs of doing business.
- ◆ **Improved competitiveness:** Reduction in transaction costs of doing business would eventually lead to an improved competitiveness for the trade and industry.
- ◆ **Gain to manufacturers and exporters:** The subsuming of major Central and State taxes in GST, complete and comprehensive set-off of input goods and services and phasing out of Central Sales Tax (CST) would reduce the cost of locally manufactured goods and services. This will increase the competitiveness of Indian goods and services in the international market and give boost to Indian exports. The uniformity in tax rates and procedures across the country will also go a long way in reducing the compliance cost.

ii. For the consumer:

- ◆ **Single and transparent tax proportionate to the value of goods and services:**
Due to multiple indirect taxes being levied by the Centre and State, with incomplete or no input tax credits available at progressive stages of value addition, the cost of most goods and services in the country today are laden with many hidden taxes. Under GST, there would be



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only one tax from the manufacturer to the consumer, leading to transparency of taxes paid to the final consumer.

- ◆ **Relief in overall tax burden:** Because of efficiency gains and prevention of leakages, the overall tax burden on most commodities will come down, which will benefit consumers.

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:
- (i) Vikash is an insurance agent (registered under GST), received commission of ₹12,00,000 from Insurance Company (registered under GST).
 - (ii) 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.
 - (iii) 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]
- (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]

Answer:

- (a)
- (i) In case of services supplied by an insurance agent to any person carrying on insurance business, GST is liable to be paid under reverse charge by such person carrying on insurance business, located in the taxable territory. Therefore, in the given case, GST is payable under reverse charge by the recipient of service i.e. Insurance Company.
 - (ii) In case of services provided by a business facilitator to a banking company, GST is liable to be paid under reverse charge by such banking company, located in taxable territory. Services provided by a business facilitator to a banking company with respect to accounts in its rural area branch are exempt from GST. Thus, services provided by him in respect of urban area branch of the bank will be taxable. Therefore, in the given case, GST is payable under reverse charge by the recipient of service i.e. Banking Company.

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- (iii) In case of services supplied by a director of a company/body corporate to the said company/body corporate, GST is liable to be paid under reverse charge by such company/body corporate, located in taxable territory.

Therefore, in the given case, GST is payable under reverse charge by the recipient of service i.e. XYZ Company Ltd.

- (b) Supply of services by a music composer by way of transfer or permitting the use or enjoyment of a copyright covered u/s 13(1)(a) of the Copyright Act, 1957 relating to musical works to a music company is liable for tax under reverse charge i.e. T-Series is required to pay.

The time of supply of service, on which GST is payable under reverse charge, is earlier of the following:

- Date of payment as entered in the books of account of the recipient or date on which payment is debited from the bank account, whichever is earlier; or
- 61st day from the date of issue of invoice by the supplier.

The time of supply shall be earlier of the following dates:

Particulars	Case (i)	Case (ii)
First Payment of ₹ 5,00,000		
The date of payment	05-09-24	05-09-24
The date on which payment is debited from bank account	05-09-24	05-09-24
The date immediately following 60 days from the date of issue of invoice (06-10-2024 + 60 days + 1 day) (17-12-2024 + 60 days + 1 day)	06-12-24	16-02-25
Time of supply shall be	05-09-24	05-09-24
For Payment of ₹ 2,50,000		
The date of payment	12-12-24	12-12-24
The date on which payment is debited from bank account	12-12-24	12-12-24
The date immediately following 60 days from the date of issue of invoice (06-10-2024 + 60 days + 1 day) (17-12-2024 + 60 days + 1 day)	06-12-24	16-02-25
Time of supply shall be	06-12-24	12-12-24

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 along with 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:	

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

[7]

Answer:

(a)

Computation of available ITC:

Particulars	IGST (₹)	CGST (₹)	SGST(₹)
Opening balance	80,000	10,000	10,000
ITC on Inter-state purchase of goods (excluding missing invoice) [₹ 1,00,000 × 18%]	18,000	-	-
ITC on Repairing of bus [₹ 1,00,000 × 9%]	-	9,000	9,000
Available ITC	98,000	19,000	19,000

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Particulars	Taxable Value ₹	CGST @ 9% ₹	SGST @ 9% ₹	IGST @ 18% ₹
Inter-State supply of goods	2,00,000	-	-	-
Intra-state mixed supply	4,00,000	56,000	56,000	-
Intra-State supply of services	1,00,000	9,000	9,000	-
Total		65,000	65,000	36,000

Computation of GST payable in cash:

Particulars	CGST @ 9% ₹	SGST @ 9% ₹	IGST @ 18% ₹
Total GST payable	65,000	65,000	36,000
Less : ITC-IGST	(31,000)	(31,000)	(36,000)
Less : ITC-CGST / SGST	(19,000)	(19,000)	-
GST payable in cash	15,000	15,000	-

Note: Balance credit of IGST may be first utilized in the discharging CGST of ₹46,000. In that case, SGST of ₹30,000 would be payable.

(b) Computation of assessable value and customs duty

Particulars	Amount ₹
FOB Value	\$ 30,000
Add: Insurance @ 1.125% of FOB Value	\$ 337.50
Add: Air Freight (restricted to 20% of FOB)	\$ 6,000.00
	\$ 36,337.50
Value in INR @ ₹ 85	₹ 30,88,688
Add: Local Agent's Commission	₹ 20,000
Assessable Value for Customs	₹ 31,08,688
Basic customs duty at 10% [A]	3,10,869
Add: Social Welfare Surcharge @ 10% of custom duty [B]	31,087
Value for the purpose of levying integrated tax	34,50,644
Add: Integrated tax @ 18% [C]	6,21,116
Total duty & tax payable [A + B + C]	9,63,072