

Paper 7 – Direct Taxation

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Time Allowed: 3 Hours

Full Marks: 100

Answer Question No. 1 which is compulsory and any FIVE from Question No 2 to 7.

Part-I

1.

(a) Multiple Choice Questions:

10x 1 = 10

- i. The employer contribution to superannuation fund shall be tax free perquisite upto____.
 - A. 50,000
 - B. 1,00,000
 - C. 1,50,000
 - D. 2,50,000
- ii. Time limit for acquisition or construction of self occupied house property for claiming deduction of interest is _____.
 - A. 2 yrs
 - B. 3 yrs
 - C. 4 yrs
 - D. 5 yrs
- iii. Threshold limit for eligible business u/s 44AD is;
 - A. 50 Lakh
 - B. 1 crore
 - C. Two crore
 - D. 3 crore
- iv. Threshold limit for getting accounts audit for a person carrying on profession is
 - A. 25 Lakh
 - B. 35 Lakh
 - C. 50 Lakh
 - D. None of the above
- v. Quantum of deduction as specified u/s 80EE is _____.
 - A. 5,000
 - B. 15,000
 - C. 50,000
 - D. None of the above
- vi. Threshold limit for TDS on commission or brokerage as per section 194H is_____.
 - A. 5,000
 - B. 10,000
 - C. 15,000
 - D. None of the above
- vii. Income computation and Disclosure Scheme (ICDS) is effective from which assessment year.
 - A. 2014-15
 - B. 2015-16
 - C. 2016-17
 - D. 2017-18
- viii. Form _____ is furnished with the prescribed authority for Equalization levy.
 - A. Form 1
 - B. Form I
 - C. Form II
 - D. None of the above
- ix. _____ under section 156 is given for tax demand.
 - A. Notice
 - B. Opportunity of being heard

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- C. Deferment of tax
 D. Nine of the above
- x. Underground allowance is exempt upto the ____ p.m
- A. ₹ 500
 B. ₹ 600
 C. ₹ 800
 D. ₹ 1,000

(b) Match the following.

5 x 1 = 5

	Column A		Column B
i	Section 80	A	Zero coupon bonds
ii	ICDS VI	B	Deemed Income chargeable to tax
iii	Section 80P	C	Compulsory filling of Loss return
iv	Section 59	D	The effect of changes in foreign exchange rate.
v	Section 2(48)	E	In respect of income of Co operative Societies.

(c) State true or false with reasons:

5 x 1 = 5

- i. An eligible assessee referred to in section 44AD shall pay the advance tax, to the extent of the whole amount of such advance tax during each financial year on or before the 31st March.
- ii. Conveyance facility provided to the High court and Supreme Court is taxable.
- iii. The assessee shall not be eligible for relief u/s 89 in case he has claimed exemption u/s 10 (10C). On the other had if he claims relief u/s 89, he cannot claim exemption u/s 10(10C).
- iv. Any amount paid for brokerage or commission for arrangement of the loan will be allowed as deduction.
- v. Securities transaction tax shall neither form part of the cost in case of purchase nor allowed as deduction as expenses of transfer in case of such equity shares and units.

(d) Fill in the blanks

5 x 1 = 5

- i. _____ depreciation is allowable on temporary wooden structure and tin shed as these are purely temporary erection.
- ii. Where the assessee fails to furnish statement within the time prescribed u/s 167(1) & (3), he shall be liable to pay a penalty of _____ each day during which the failure continues.
- iii. Provision of Equalization levy is levied by _____.
- iv. As per section 270A the rate of penalty for underreporting of income is _____.
- v. Income tax is a _____ on the total income of a person earned during a period of one previous year.

Part-II

(Answer any Five Questions out of seven questions to be answered)

2(a) Distinguish between Capital Expenditure and Revenue expenditure.

7 Marks

(b) R has occupied two houses for his residential purposes, particulars of which are as follows:

Particulars	Amount (₹)	Amount (₹)
Municipal valuation	2,30,000	1,70,000
Fair rent	2,90,000	2,00,000
Standard rent under Rent Control Act	2,42,000	2,30,000

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Municipal taxes paid	15%	15%
Fire insurance	2000	1000
Interest on capital borrowed for construction of house (₹ 20,00,000 is borrowed @ 12% p.a. on 15.4.2015, construction is completed on 28.3.2016 and loan is yet to be repaid)	2000	Nil

Income of R from other sources is ₹ 5,40,000. Determine the taxable income for the assessment year 2017-18 on the assumption that he contributes ₹1,20,000 towards the public provident fund. **8 Marks**

3(a) X, a Director of ABC Pvt. Ltd. Pune is offered an employment with the following two alternative packages:

8 Marks

Particulars	Amount (₹)	Amount (₹)
Basic Pay per annum	1,38,000	1,38,000
Conveyance allowance for private use	9,000	—
Motor car facility for private use of X and his family members (valued)	—	9,000
Entertainment Allowance	18,000	—
Club facility (Valued)	—	18,000
Children Education Allowance (for 2 children)	9,700	—
Free Education Facility in an institution run by the employer for Children (Valued)	—	9,700
Rent Free unfurnished house with fair rental value	30,000	30,000

Which of the two packages should X opt for on the assumption that employer and employee will contribute 20% of the basic pay towards an unrecognized provident fund. Assume the population of Pune is more than 25 Lakhs as per 2001 census.

3(b) The income of Mr Pankaj is given below please compute the Income from other sources for the A.Y 2017-18.

7 Marks

Particulars	Amount (₹)
Director's Fees	2,000
Income from agricultural land in Pakistan	5,000
Ground rent for land in Pathankot	10,000
Interest on Postal Savings Bank A/c	100
Interest on deposits with Industrial Finance Corporation of India	500
Dividend from a foreign company	700
Rent from sub-letting a house	26,250
Rent payable by Mr. Mohan for the sub-let house	12,000
Other expenses on sub-let-house	1,000
Winnings from horse-race (Gross)	12,300
Interest on Securities (gross)	4,000

4(a) A sold on 31.10.2016 an agricultural land, which he has been using for agricultural purposes for several years, for ₹ 28,00,000. He acquired that land in 1978 for ₹ 1,00,000. The market value of such land as on 1.4.1981 was ₹ 2,00,000. He purchased rural agricultural land for ₹ 3,50,000 on 25.2.2017 which was sold for ₹ 5,00,000 on 15.5.2017. Further, A sum of ₹ 5,50,000 was invested by him purchase of residential property on 25.5.2017. He owned only one house property before this date. Compute

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capital gain for assessment year 2017-18 and assessment year 2018-19.

8 Marks

4(b) X who is a person with severe disability submits you the following Information. Compute: (a) the taxable income (b) the net tax payable by X for assessment year 2017-18:

7 Marks

Particulars	Amount (₹)
Salary (per month)	3,000
Interest on Government securities	2,000
Interest on Saving Bank Deposits	69,000
Long-term capital gains	2,90,000
He deposited ₹ 10,000 in his Public Provident Fund during the previous year.	

5(a) Satish is practicing as a Chartered Accountant in Delhi. He deposits all receipts in his bank account and pays expenses by cheque. Following is the analysis of his bank account for the year ending 31.3.2017:

8 Marks

Particulars	Amount (₹)	Particulars	Amount (₹)
Balance b/f	7,250	Salaries	10,14,000
Professional Receipts	31,40,000	Rent of Chamber	6,84,500
Dividend from UTI	8,000	Audit fee	23,000
Rent from residential HP	72,000	Telephone Expenses	51,000
Share of Income in HUF	6,750	Misc. Office Expenses	55,500
		Motor car Expense	8,000
		Advance Income Tax	40,000
		Personal Expenses	45,500
		Property expenditures	
		Repairs	1,500
		Collection Chg	2,000
		Insurance	1,500
		Taxes	<u>5,000</u>
			10,000
		By Balance c/d	13,02,500
	32,34,000		32,34,000

Other Information:

1. He stays in his house the municipal value of which is ₹ 8,000. The expenses which have been included in the above account in respect of this house: Insurance premium and Municipal tax are ₹500 & ₹ 2,400.
2. Written down value of the car as on 1st April 2016 was 6 Lakh.

Compute the gross total income of satish assuming that he does not opt for presumptive income under section 44ADA.

5(b) From the following details, compute the Gross Total Income of A for the assessment year 2017-18:

7 Marks

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Particulars	Amount (₹)
Taxable income from salary	80,000
Income from house property House 'A' (let out)	(95,000)
House 'B' (self-occupied, interest on borrowed money)	(9,000)
Short-term capital gain	12,000
Loss from long-term assets	25,000
Interest on securities (Gross)	10,000

6(a) Compute the total income of Mr. X, a lecturer of a college affiliated to Madras University, for the assessment year 2017-18 on the basis of the following particulars: **10 Marks**

Particulars	Amount (₹)
Salary @ ₹50,000 per month	6,00,000
Dearness allowance @ 50% of salary	3,00,000
Warden ship allowance @ ₹ 1,500 per month	18,000
Examiner ship remuneration from University	25,400
Royalty from books of artistic nature	2,73,000
Income from card games	6,400
Winnings from lottery (Gross)	20,000
Expenses on lottery tickets	10,000
Interest on saving bank deposit	67,000
Deposit in recognised provident fund	1,22,000
Life insurance premium paid	30,000

6(b) During the financial year 2016-17 a New Delhi-based charitable organisation sold a house property for ₹ 50 lakh and earned a long-term capital gain of ₹ 20 lakhs. In the same year it bought another house property for ₹ 40 lakh. Find out the taxable capital gain. **5 Marks**

7(a) Raj Industries Ltd. furnishes you the following information for the year ended 31.03.2017. **8 Marks**

Particulars	Amount (₹)
Net Profit as per Statement of Profit and Loss	16,00,000
Provision for warranties to customers Statement of PL A/c	2,00,000
Wealth tax paid debited to Statement of PL A/c	30,000
Agricultural income credited to Statement of PL A/c	1,00,000
Deferred tax credited to Statement of PL A/c	4,00,000
The company has as per books: Brought forward depreciation of ₹ 2,50,000 and Business loss of ₹ 3,00,000	

Compute "book profit" under section 115JB for the assessment year 2017-18.

7(b) State the due date of installments of advance tax payable by all assessee other than assessee covered u/s 44AD. **7 Marks**

8. Short Notes (Answer any three questions out of four)

(5 x 3=15 Marks)

- A. Verification of return
- B. Penalty u/s 271AAB
- C. ICDS IX on "Borrowing Cost"

D. Penalty for failure to deduct or pay Equalization levy