

Paper 7- Direct Taxation

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Full Marks : 100

Time allowed: 3 hours

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

Part - I

1. (a) Multiple choice questions:

[10x1=10]

- (i) Maximum Deduction available under section 80U is –
(a) ₹ 25,000
(b) ₹ 40,000
(c) ₹ 1,25,000
(d) ₹ 75,000
- (ii) On donation to whom of the following a 50% deduction is allowable u/s 80G of the Income Tax Act?
(a) National Defence Fund
(b) Prime Ministers National Relief Fund
(c) Rajiv Gandhi Foundation
(d) National foundation for Communal Harmony
- (iii) A Zero Coupon Bond shall be treated as Long term capital asset if it is held by the transferor for _____
(a) more than 12 months
(b) more than 36 months
(c) 12 months
(d) 36 months
- (iv) _____ is not a capital asset.
(a) Jewellery
(b) Personal car
(c) Sculptures
(d) Paintings
- (v) If the asset is acquired during the previous year and the same is put to use for less than _____ days for the purpose of business or profession of the assessee during that year then the eligible depreciation on such asset which can be claimed by the assessee during the previous year will be_____.
(a) 180; 50% of normal depreciation
(b) 180; 100% of normal depreciation
(c) 182; 50% of normal depreciation
(d) 182; 100% of normal depreciation
- (vi) For the purpose of sec. 17(2), member of household includes –
(a) Spouse (whether dependent or not);
(b) Servants

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- (c) Dependents
(d) All of these
- (vii) Which out of the following is not a case of deemed ownership of house property?
- (a) Transfer to a spouse for inadequate consideration
(b) Transfer to a minor child for inadequate consideration
(c) Holder of an impartible estate
(d) Co-owner of a property
- (viii) On 10-10-2017, Mohan received shares from his friend Uttam (fair value ₹ 36,000 and not acquired through ESOP) as a gift. Further, as on 01-11-2017, he also received gold chain (fair value ₹ 30,000) without any consideration from another friend. Income u/s 56(2) taxable in hands of Mr. Mohan shall be –
- (a) ₹ 66,000
(b) ₹ 16,000
(c) Nil
(d) None of these
- (ix) Where assessment has not been completed, belated income tax return for assessment year 2018-19 can be filed upto
- (a) 31.03.2019
(b) 31.02.2018
(c) 31.03.2018
(d) 31.12.2019
- (x) The balance of income after deduction admissible under section 80C to 80U is called _____.
- (a) Taxable income
(b) Total income
(c) Both (a) and (b)
(d) None of these

(b) Fill in the blanks:

[5x1=5]

- (i) The maximum amount deductible u/s 80U is ₹ _____.
- (ii) Expenses on purchase of lottery ticket is _____ deductible
- (iii) Agricultural activities may be divided into two parts viz. _____ and subsequent activities
- (iv) 40% of income from Tea operation shall be _____ under the head profits of Business and Profession.
- (v) In case of company, the return of income has to be signed by the _____.

(c) State whether the following statements are true or false:

[5x1=5]

- (i) A return of income filed without payment of self-assessment tax is not a defective return.
- (ii) Reasonable expected rent can exceed standard rent.
- (iii) No tax is required to be deducted from winning from race-horse, if such winning does not exceed ₹ 10,000
- (iv) Negative income under the head 'income from house property' can be adjusted with income from speculation business subject to restriction of ₹ 2,00,000

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(v) Short term capital loss can be adjusted with any income under the head Capital Gains.

(b) Match the following:

[5x1=5]

	Column 'A'		Column 'B'
1.	Sale of urban agricultural land	A	Exempted Income
2.	Dividend	B	Capital Gains
3.	Agricultural income from land situated in India	C	Income from Other Sources
4.	Payment of Premium for Life Insurance Policy	D	Long term capital gain
5.	Long term capital loss	E	Eligible for deduction

Part - II

Answer any five from the following. Each question carries 15 marks (5x15=75)

2.(a) Mr. X, a foreign citizen, came in India for the first time on July 24, 2013. From July 24, 2013 to December 25, 2014 he was in India. Again, he came to India on August 5, 2017 for employment purpose and left India on November 25, 2017 permanently. Determine his residential status for the assessment year 2018-19. During the year 2017-18, Mr. X earned income from a property in London but received in Paris. Is the income taxable in India for the A.Y. 2018-19? [7]

(b) Sri Surajit Chakraborty is the owner of a house in Kolkata, which he used for his own residential purpose. During the previous year 2017-18, he occupied the house upto 31st July, 2017. He then let out the house to a tenant @ ₹ 3,000 p.m. from 1st August, 2017 when he was transferred by his employer to Mumbai. His expenses relating to the house during the previous year were: municipal tax ₹ 3,000, annual charges ₹ 6,000 and interest on loan taken for construction of the house ₹ 15,000. Compute income from house property of Sri Chakraborty for A.Y.2018-19. [8]

3.(a) Sri Swapan, an employee of XYZ (P) Ltd. retired from the company on 30th November, 2017. At the time of his retirement, he received ₹ 1,50,000, as leave salary from his employer.

From the following information, calculate the taxable amount of leave encashment of Sri Swapan for the assessment year 2018-19.

- | | |
|---|---|
| a. Salary at the time of retirement (per month) | ₹ 9,000 |
| b. Period of service | 20 years 10 months |
| c. Leave availed of while in service | 14 months |
| d. Unavailed leave at the time of retirement | 16 months |
| e. Average salary for the last 10 months till Nov. 2016 | ₹ 8,800 |
| f. Leave entitlement as per service rule | 1½ months for every completed year of service |

[8]

(b) List down any 10 instances of exempted income.

[7]

4.(a) Mrs. Biswas purchased a house on 03.07.79 for ₹80,000 (Fir market value on 01.04.2001 ₹5,20,000). She constructed another floor on 08.07.2007 at a cost of ₹3,15,000. She sold the house on 08.11.2017 for ₹25,00,000. She paid brokerage @ 2%. She purchased a one room flat for ₹6,50,000 on 08.01.2018.

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Compute taxable capital gain of Mrs. Biswas for the A.Y. 2018-19.

[7]

(b) Mr. Kumar, a singer, has furnished the following information to compute Total Income:

Particulars	Amount ₹
Salary income	50,000
Income from singing profession	1,50,000
Interest on NSC	10,000
Bank interest on saving account	15,000
LIC premium paid	10,000
Invested in ELSS	30,000
Repaid loan borrowed from his friend for purchase of house property	10,000
Repaid loan borrowed from State Bank for purchasing house	25,000
Contributed in Statutory provident fund	10,000

[8]

5. (a) Mr. Albert has given you the following P/L account for the year ended 31/3/2018

Particulars	Amount ₹	Particulars	Amount ₹
To Opening stock	40,000	By Sales	3,00,000
To Purchases	3,50,000	By Closing stock	50,000
To Know how purchased on 1/4/2017	8,000	By Net loss	2,08,000
To Preliminary expenditure	10,000		
To Provision for bad debt	8,000		
To Provision for income tax	7,000		
To Income tax of earlier year	8,000		
To GST	6,000		
To Excise duty	5,000		
To Rent paid to proprietor for use of commercial office	10,000		
To Salaries	40,000		
To Depreciation	20,000		
To Municipal tax paid for own property	10,000		
To Interest on capital paid to proprietor	5,000		
To Rent of furniture	4,000		
To Donation of goods	5,000		
To Children tuition fee	2,000		
To Rent for house-hold	20,000		
	5,58,000		5,58,000

Additional information

1. Assessee overvalued the opening stock by 10%.

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2. Depreciation on tangible assets allowed for income tax purpose ₹ 12,000
 3. GST paid till filing of return is ₹ 4,000
 4. Excise duty paid for last year not included in above P/L ₹ 3,000.
- Compute income from business for the A.Y.2018-19. [10]

(b) Write brief note on ICDS – I. [5]

6. **(a)** Smt. A. Sen (age 36 years), a resident individual of India, furnished the following details of her income during the Previous year 2017-18 Compute her Total Income and tax Payable for the Assessment year 2018-19:

Particulars	Amount (₹)
Business Income	2,50,000
Income from winning from lottery (net) TDS @ 30%	70,000
Salary income	8,00,000
Long term Capital gain on transfer of building	1,00,00
Life insurance premium paid (policy taken 1.1.2018 and sum assured ₹ 5,00,000)	80,000
Investment in NSC	50,000
Payment of Tuition fees	30,000
Medical Insurance Premium paid for himself	10,000
Medical Insurance Premium paid for her father (Age 65 years) (not dependent)	19,000
She incurred expenditure for medical treatment of her dependent brother suffering from cerebral palsy (severe)	25,000
Donation to a recognized political party	20,000

[8]

(b) Write short note on "Profit in lieu of Salary". [7]

7. **(a)** A Ghosh submits the following particulars of his incomes and losses for the A.Y. 2018-19:

Income from house property	₹12,800
Income from textile business	₹35,700
Loss from stationery business	₹10,000
Speculation loss	₹2,000
Long term capital gains	₹25,000
Short term capital gains	₹10,000
Income from the activity of owning and maintaining race horses	₹13,000
Winning from lottery	₹12,000
The losses of A Ghosh brought forward from the assessment year 2017-18 are as follows:	
Loss from house property	₹8,000
Loss from stationery business	₹7,000
Loss under the head capital gains	₹4,300
Loss from the activity of owning and maintaining race horses	₹14,700
All the above losses were first computed in the assessment year 2017-18. Compute his total income for the A.Y. 2018-19.	

[8]

(b) Write short note on Revised Return. [7]

8. Write short notes on any three of the following: [3x5=15]

- (a)** Audit u/s 142(2A);
- (b)** Rectification u/s 154;
- (c)** Unrealised Rent;
- (d)** Revocable Transfer u/s 61.