

Paper 7- Direct Taxation

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Full Marks: 100

Time allowed: 3 hours

All question relate to Income Tax Assessment Year 2019-20 and the provisions stated relate to the Income-tax Act, 1961, unless otherwise stated in the question.

Answer Question No. 1, which is compulsory and any five from Question No.2 to 8.

1.(a) Choose the most appropriate alternative for the following : [1x10=10]

- (i)** Scrutiny Assessment u/s 143(3) should be completed within:
(a) 12 months from the end of the relevant assessment year
(b) 12 months from the end of the relevant previous year
(c) 6 months from the end of the relevant assessment year
(d) None of the above
- (ii)** The prescribed form of application for allotment of PAN for Indian Citizen/Indian Company/Entities incorporated in India/Unincorporated entities formed in India
(a) Form 49AA
(b) Form 35
(c) Form 49A
(d) Form 36
- (iii)** In which of the following cases, loss cannot be carried forward?
(a) Loss from 'Activity of owning and maintaining race horses'
(b) Loss from specified business covered u/s 35AD
(c) Loss from speculation business
(d) Loss from business of HUF where the business of the HUF is taken over by the karta of HUF
- (iv)** An asset shall be termed as short-term capital asset if it is held for not more than 12 months before the date of transfer of :
(a) Units of UTI(whether quoted or not)
(b) Equity or preference share in a company (listed in India)
(c) Zero-coupon Bonds(whether quoted or not)
(d) All of the above
- (v)** A non-Indian company is always a resident in India, if its place of effective management in that year is :
(a) In India
(b) Outside India
(c) partly in India
(d) None of the above
- (vi)** Income from sub-letting is :
(a) Taxable under the head 'Income from House Property'
(b) Taxable under the head 'Income from Other Sources'
(c) Exempted
(d) None of the above

- (vii) In order to avail relief under presumptive taxation scheme, gross receipts in the previous year of the assessee who is engaged in profession should not exceed
- ₹ 1 crore
 - ₹ 50 lakhs
 - ₹ 2 crore
 - ₹ 25 lakhs
- (viii) Which of the following deduction is/are not allowed in case of a deemed to be let-out house?
- New construction allowance
 - Repairs
 - Vacancy allowance
 - All of the above
- (ix) The value of any gift, voucher, or token in excess of ₹ 5000 given to the employees on ceremonial occasion or otherwise by the employer during the previous year shall be
- Taxable in the hands of employees
 - Not taxable
 - Taxable in the hands of employer
 - None of the above
- (x) Deduction in respect of interest on deposits in case of senior citizens u/s 80TTB is minimum of interest on such deposits in savings account and
- ₹ 50,000
 - ₹ 10,000
 - ₹ 5000
 - ₹ 40,000

(b) Match the following (sufficient to give the corresponding item in column 3 for column 1: reproducing columns 2 and 4 are not required): **[5×1=5]**

1	2	3	4
(i)	Sec 194G	A.	Effects of changes in foreign exchange rates
(ii)	ICDS VI	B.	TDS on commission on sale of lottery tickets
(iii)	ITR 4	C.	Sec. 140
(iv)	Verification of return	D.	Sec. 139(5)
(v)	Revised return	E.	For presumptive income from business & profession

(c) Say True or False for the following question: **[5×1=5]**

- If expenditure is incurred for ensuring the regular supply of raw material, may be for period extending over several years, it is on revenue account.
- Any dividend paid by an Indian company outside India is deemed to accrue or arise in India.
- Any allowance or perquisite paid outside India by the Government to a citizen of India for rendering services outside India are exempt from tax.

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- (iv) Loss on account of owning and maintaining race horses can be carried forward upto 8 assessment years.
- (v) An employee who opts to surrender his salary to the Central Government u/s 2 of Voluntary Surrender of Salaries Act, 1961, the salary so surrendered shall be taxable.

(d) Fill in the blanks:

[5×1=5]

- (i) _____ is the illegal way to reduce tax liability by deliberately suppressing income or sale or by increasing expense, etc., which results in reduction of total income of the assessee.
- (ii) Advance tax is payable in _____ installments by a non corporate assessee.
- (iii) The quantum of deduction u/s 80U in respect of person with severe disability is _____.
- (iv) The excess of _____ paid over the regular income-tax payable of that year shall be allowed as tax credit.
- (v) Failure to apply for PAN or to quote PAN in prescribed documents attracts penalty of _____ u/s 272B.

2.(a) Sam aged 29 years, left India for first time on May 31, 2018. Determine his residential status for the previous year 2018-19 if:

- (i) He left India for employment purpose
(ii) He left India on world tour.

[5]

2.(b) Compute income from house property of Mr. Vikram from the following information:

Particulars	H1	H2	H3
Used for	Self occupied	Self occupied	Own Business
Situated at	Chennai	Bangalore	Hyderabad
Municipal Value	1,00,000	2,00,000	3,00,000
Fair Rent	3,00,000	2,00,000	2,00,000
Standard Rent	2,00,000	2,00,000	2,00,000
Municipal Tax	15%	15%	15%
Repairs	30,000	80,000	5,000
Ground Rent	10,000	Nil	5,000
Land Revenue	Nil	10,000	Nil
Interest on loan for construction	40,000	1,00,000	20,000
Loan taken during	1998-99	2000-01	1998-99

[10]

3.(a) Find out the taxable value of the perquisite for the assessment year 2019-20 in the following cases:

- (i) Star public school, Chennai, is owned and maintained by xyz Ltd., a manufacturing company. Books of accounts of the school and xyz Ltd., are maintained separately. X is an employee of xyz Ltd. The following family members of x are students in Star public school:

	Cost of education in a similar institution	Amount charged from X
A, Son of x	₹ 4,800 per month	₹ 800 per month
B, dependent brother of x	₹ 6,600 per month	₹ 1,600 per month

(ii) Mr. Mohan is general manager in ABC Ltd. He engages a domestic servant on monthly salary of ₹ 3,000. The entire salary (i.e., ₹ 36,000) is paid by ABC Ltd. to the domestic servant (or salary is paid by Mohan and ABC Ltd. reimburses the entire amount)

(iii) Mr. Rakesh is employed by a company. He has been provided a car (1200cc) owned by the employer, cost of the car is ₹ 5,10,000. The expenditure incurred by the company on maintenance of the car are:

Petrol	₹ 56,000
Driver	₹ 42,000
Maintenance	₹ 15,000

The car is used only for private purposes. A sum of ₹ 14,000 is recovered from Rakesh
[9]

3.(b) Mr. Virendar, a resident and ordinarily resident in India, has derived the following Income from various operations (relating to plantations and estates owned by him) during the year ended 31st March 2019:

Income from sale of centrifuged latex from rubber plants grown in Kerala	8,00,000
income from sale of coffee grown and cured in Karnataka	4,00,000
Income from sale of coffee grown, cured, roasted and grounded in Rwanda, Africa. Sale consideration was received at Mumbai	8,40,000
Income from sale of tea grown and manufactured in Darjeeling	6,20,000
Income from sale of trees and grasses grown spontaneously (without any human effort)	2,40,000
Receipts from TV serial shooting in farm house	2,00,000

[6]

4.(a) Raman purchased a house property on September 10, 2002 for ₹ 2,00,000. On May 10, 2012, he entered into an agreement to sell the house to Bhaskar for ₹ 6,00,000 (after receiving an advance of ₹ 30,000). On Bhaskar's failure to pay and balance within the stipulated period of 45 days, Raman forfeited the advance money. Raman died on November 10, 2015 and Mrs. Raman (as per his will) got the property.

Mrs. Raman enters into an agreement on April 6, 2017 to transfer the property to Ramesh after receiving the advance of ₹ 50,000. Ramesh could not pay the balance consideration within stipulated period of 45 days and Mrs. Raman forfeits the advance money.

Mrs. Raman ultimately sells the property to Suresh on July 15, 2018 for ₹ 42,90,000. Find out the tax consequences in the hands of Raman and Mrs. Raman for different assessment years. Also calculate net income of Mrs. Raman for the assessment year 2019-20, on the assumption that she is a businesswoman and her income from business is ₹ 20,00,000.

[9]

4.(b) Mr. Rahim (55 years) has incurred following expenses:

Particulars	₹
Mediclaime Insurance premium paid for himself	10,000
Mediclaime Insurance premium paid for spouse	10,000
Mediclaime Insurance premium paid for dependent children	5,000
Mediclaime Insurance premium paid for mother (76 years)	9,000
Mediclaime Insurance premium paid for father (82 years)	39,000
Preventive health-check up expenditure for father	6,000
Medical expenditure incurred for father	14,000

Compute deduction available to Mr. Rahim u/s 80D

[6]

5.(a) ABC Ltd. is engaged in the business of carriage of goods. On April 1, 2018, it owns 10 trucks as follows:

- 6 heavy goods vehicles (weight of each one of them is 14 ton)
- 4 Light goods vehicles (weight of each one of them is 5 ton)

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On May 6, 2018, one of the heavy goods vehicles is sold by ABC Ltd. to purchase 1 light goods vehicle on May 10, 2018. The newly purchased light goods vehicle is put to use only from June 17, 2018.

Find out the net income of ABC Ltd. for the assessment year 2019-20 taking into consideration the following data:

	₹
Freight collected	8,50,000
Less:	
Operational expenses (a bill of ₹30,000 paid in cash)	5,40,000
Depreciation as per section 32	1,50,000
Other office expenses	10,000
	<u>1,50,000</u>
Net Profit	1,50,000
Other business/non- business income	<u>5,50,000</u>
	[8]

5.(b) Aditya submits the following information relevant for the previous year ending on March 31, 2019:

	₹
Profits of business A carried on in India	2,50,000
Loss of business B carried on in India	(1,00,000)
Profits of business C carried on in Canada (income is earned And received in Canada and business is controlled from Canada)	2,50,000
Loss of business D carried on in Canada (though profits are Not received in India, business is controlled from Delhi)	(2,70,000)
Unabsorbed depreciation of business D	1,82,000
Income from property situated in India	1,58,000
Income from property situated in Canada (received in Canada)	1,10,000
Determine the net income of Aditya for the assessment year 2019-20 on the assumption that he is	
(a) Resident and ordinarily resident in India	
(b) Resident but not ordinarily resident in India	
(c) Non resident in India	[7]

6.(a) Ms. Prachi Baheti (Age 24 yrs), a resident individual of India, furnished the following details of her income during the previous year 2018-19. Compute her total income and tax payable for the Assessment year 2019-20.

- Gross salary ₹ 5,01,000 (Professional tax paid ₹ 2,000)
- Income from Business owned by her ₹ 2,00,000 and allowable expenses ₹ 1,20,000
- Received family pension ₹ 10,000 p.m. w.e.f. 1.04.2018
- Long term capital gain on sale of building ₹ 80,000
- She received her share of income from Hindu Undivided Family (HUF) as member ₹ 40,000
- She deposited to PPF ₹ 80,000 during the year
- Donation to National Defence Fund ₹ 25,000
- Repayment of house building loan taken from ICICI Bank (purchased during 2018-19) ₹ 2,50,000 (of which ₹ 50,000 is for principal repayment)
- Paid premium on Mediclaim Insurance Policy on own health by cheque ₹ 16,000

[8]

6(b) For the assessment year 2019-20, the Kolkata Co-operative society derives total Income from the following sources:

Income from processing with the aid of power	: ₹ 10,000
Income from collective disposal of labour of its members	: ₹ 15,000
Interest from another co-operative society	: ₹ 50,000
Income from house property	: ₹ 100,000
Income from other business	: ₹ 80,000

Determine its taxable income

[7]

7(a). Mr. Rajagopal (40 years) furnishes the following details for the assessment year 2019-20. Compute his tax liability.

	(₹)
Business Income of the previous year 2018-19	8,00,000
Dividend [not being deemed dividend under section 2(22)(e)] from different domestic companies (dividend tax is paid by these companies)-	
- From A Ltd.	50,00,000
- From B Ltd.	50,000
- From C Ltd.	3,50,000
Expenditure for earning above dividend income	3,60,000
Deemed dividend [under section 2(22)(e)] received from D Ltd. (dividend tax paid by D Ltd.)	5,00,000
Deduction under 80C to 80U	6,00,000

[9]

7(b). TDS on payment of compensation on acquisition of certain immovable property [sec.194LA]- Discuss

[6]

8. Short note: (any three)

[5×3=15]

- (a) Any five transactions where quoting PAN is mandatory
- (b) Time limit for filing return of income
- (c) Accounting Policies as per ICDS I
- (d) Scrutiny Assessment U/S 143(3)