

**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 8.

### Section-A

1.

(a) Choose the most appropriate alternative

10x1=10 Marks

- (i). Dividend from a company which is engaged in agricultural activities is:
- (a) Agriculture income
  - (b) Business income
  - (c) Partly agricultural income
  - (d) None of above
- (ii). Short term capital gain not covered u/s 111A is:
- (a) Exempt
  - (b) Taxable @ 15%
  - (c) Taxable at normal rate applicable to the assessee
  - (d) None of above
- (iii). Loss from house property can be carried forward and set-off in subsequent eight assessment years:
- (a) If return of loss is filed within due date
  - (b) Even if return of loss is filed after due date
  - (c) Even if return of loss is not filed
  - (d) None of above
- (iv). The basic exemption limit in case of a non-resident firm is:
- (a) ₹ 2,50,000
  - (b) ₹ 3,00,000
  - (c) ₹ 5,00,000
  - (d) None of these
- (v). TDS u/s 194 in respect of dividend, if payee furnish PAN is:
- (a) 10%
  - (b) 20%
  - (c) 30%
  - (d) None of above
- (vi). Tax payable by a resident individual, if he has long term capital gain of ₹ 2,60,000 but has no other income is:
- (a) ₹ 1000 plus cess
  - (b) ₹ 26,000 plus cess
  - (c) ₹ 52,000 plus cess
  - (d) None of above
- (vii). Winnings from lotteries is ₹ 50,000 and expenses incurred to earn such income is ₹ 5,000. Its taxable income is
- (a) ₹ 50,000
  - (b) ₹ 45,000
  - (c) Nil
  - (d) None of above
- (viii). Net salary after deducting tax at source ₹ 10,000 is ₹ 2,50,000 the amount of taxable salary is:
- (a) ₹ 2,40,000
  - (b) ₹ 2,50,000
  - (c) ₹ 2,60,000

- (d) None of the above
- (ix). Amount of deduction in respect of donation to approved scientific research institution u/s 80GGA is:
- (a) 100% of such donation
  - (b) 200% of such donation
  - (c) 175% of such donation
  - (d) None of above
- (x). Agricultural land located in rural area is:
- (a) Capital asset
  - (b) Not a capital asset
  - (c) Exempted capital asset
  - (d) None of above

**(b) Match the following:**

**5x1=5 Marks**

- |                                |                                   |
|--------------------------------|-----------------------------------|
| (i). Winnings from lotteries   | (a) covered u/s 14A               |
| (ii). Resident foreign company | (b) central board of direct taxes |
| (iii). Cultivation expenses    | (c) taxed @ 30%                   |
| (iv). Tax administration       | (d) Sec 139 (1)                   |
| (v). Return of loss            | (e) place of effective management |
|                                | (f) Sec 139(3)                    |

**(c) State true or false with reasons:**

**5x1= 5 Marks**

- (i). A trust shall be considered as charitable trust irrespective of its quantum of commercial activities during the previous years.
- (ii). Periodical pension received by government employee is exempt u/s 10 (10A).
- (iii). Zero coupon bonds are considered to be short term capital asset if they are held upto 12 months, though they are not listed.
- (iv). Conversion of proprietary firm into a partnership firm is not considered as transfer under capital gains.
- (v). Unabsorbed depreciation is carry forward even if return is not submitted within due date.

**(d) Fill in the blanks:**

**5x1=5 Marks**

- (i). Rebate u/s 87A is allowed up to ₹ \_\_\_\_\_.
- (ii). Dividend from a domestic company is exempted up to ₹ \_\_\_\_\_ in case of a person other than an individual/HUF/Firm.
- (iii). Securities Transaction Tax is \_\_\_\_ (deductible/ not deductible) while computing capital gain.
- (iv). Interest on enhanced compensation is taxable after deduction at the rate of \_\_\_\_.
- (v). Advance tax is not required if the amount of tax payable is \_\_\_\_\_.

**Section-B**

**(Answer any five questions out of seven questions)**

**2.**

**(a)** P submits the following information:

- (i). Salary for services rendered in India ₹ 50,000.
- (ii). Income from property outside India ₹ 10,000.
- (iii). Profit of Business A carried on in India ₹ 20,000
- (iv). Loss of Business B carried on in India ₹ 50,000
- (v). Profit of business C carried on outside India but controlled from India ₹ 40,000.
- (vi). Loss of Business D carried on outside India and controlled outside India ₹ 20,000.

## MTP\_ Inter \_Syllabus 2016\_ June 2017\_Set 1

- (vii). Unabsorbed depreciation of business D ₹ 8,000.  
 (viii). Loss from betting ₹ 4,000.

Determine the net income on the assumption that P is:

- (A) Ordinary resident in India.  
 (B) Not ordinary resident in India.  
 (c) Non-resident.

**6 Marks**

- (b)** R owns two houses both of which are occupied for residential purpose. The following particulars are available:

	House – I	House – II
Municipal value	4,00,000	6,00,000
Fair rent	3,00,000	7,20,000
Standard rent	3,00,000	7,50,000
Municipal tax paid	10%	12%
Interest of loan	50,000	1,00,000
Date of loan	1.4.1998	1.4.2006
Repayment of loan	75,000	95,000

Compute income from house property.

**9 Marks**

**3.**

- (a)** S retires from a private company on 1.1.2017 after 25 years and 10 months of service. He submits the following particulars:

- (i). Salary ₹ 30,000 pm.  
 (ii). Dearness allowance ₹ 6,000 pm.  
 (iii). Leave travel concession ₹ 10,000.  
 (iv). Pension ₹ 12,000 pm.  
 (v). Gratuity ₹ 7,00,000 (he is not covered under the Payment of Gratuity Act)  
 (vi). Payment from unrecognized provident fund ₹ 4,00,000 (50% represents employer's contribution which includes interest ₹ 20,000)

You are required to compute income from salary.

**9 Marks**

- (b)** From the following particulars of Q, Compute the income under the head income from other sources.

- (i). Interest on trading securities ₹ 10,000.  
 (ii). Interest on bank deposits ₹ 12,000  
 (iii). Royalty on patents ₹ 8,000  
 (iv). Winnings form lotteries (Net) ₹ 21,000.  
 (v). Interest on debentures (Net) ₹ 13,500.  
 (vi). Interest on post office savings bank account ₹ 5,000.  
 (vii). Dividend from Q Ltd., ₹ 8,000.  
 (viii). Bank collection charges for realization of dividend ₹ 500

**6 Marks**

**4.**

- (a)** Mr. Y sold a residential building at Madurai for ₹ 80 lakhs in October 2016. The stamp duty value is ₹ 95 lakhs. Brokerage is paid @ 5% to an agent for arranging the buyer. The residential building is purchased in June 2004 for ₹ 12 lakhs. He acquired two residential flats at Chennai for ₹ 54,00,000 and at Madurai for ₹ 48,00,000 in July, 2017. Compute capital gain for the Assessment Year 2017-18. CII 2016-17: 1125, 2004 – 05: 480.

**9 Marks**

- (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:

**6 Marks**

Particulars	Amount (₹)
Salary (per month)	3,000

## MTP\_ Inter \_Syllabus 2016\_ June 2017\_Set 1

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) X Ltd., is incorporated on 5<sup>th</sup> Dec, 2015 and it commences its production on 5<sup>th</sup> June, 2016. During the previous year 2015 – 16 the following expenses are incurred by it:

- (i). Registration fees ₹ 5,000.
- (ii). Drafting and printing expenses of MOA/AOA ₹ 60,000.
- (iii). Project report by assessee ₹ 20,000.
- (iv). Feasibility report by approved concern ₹ 30,000.
- (v). Market survey by a concern which is not approved ₹ 10,000.
- (vi). Research and development expenses incurred after commencement of business ₹ 20,000.
- (vii). Cost of fixed assets as on 31.3.2016 is ₹ 15,00,000 and 31.3.2017 is ₹ 20,00,000.
- (viii). Capital employed as on 31.3.2016 is ₹ 12,00,000 and 31.3.2017 is ₹ 18,00,000.

Compute the deduction admissible u/s 35D for the relevant assessment year.

**9 Marks**

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

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 Marks**

6.

(a) Mr. X earns the following income:

- (i). Rent from agricultural land in India ₹ 50,000.
- (ii). Income from a farm house used for agricultural purposes ₹ 70,000.
- (iii). Ground rent ₹ 90,000.
- (iv). Royalty from mining lands ₹ 80,000
- (v). Income from house property ₹ 60,000
- (vi). Dividend from non-domestic company ₹ 40,000
- (vii). Loss on sale of agricultural produce ₹ 20,000.
- (viii). Loss from sub-letting of property ₹ 10,000.

Calculate tax liability of Mr. X

**9 Marks**

(b) The estimated income of an assessee from various sources during the year 2016-17 is as follows:

- (i) Business income ₹ 4,52,500.
- (ii) Loss from house property ₹ 52,500.
- (iii) Interest from government securities ₹ 20,000

Calculate advance tax and the installments payable on different dates if:

(A) Assessee is a partnership firm.

(B) Assessee is an individual, resident in India (assume that deduction u/s 80C is ₹ 10,000)

**6 Marks**

7.

**(a)** From the following data, calculate tax liability of ABC Ltd. by applying the provisions u/s 115 JB:

- (i) Net profit as per profit and loss account ₹ 20,00,000.
- (ii) Proposed dividend (including Dividend Distribution Tax) ₹ 3,00,000.
- (iii) Depreciation charged in accounts ₹ 2,50,000.
- (iv) Transfer to general reserve ₹ 4,50,000.
- (v) Provision for taxation debited to profit and loss account ₹ 1,50,000.
- (vi) Deferred tax credited to P&L Account ₹ 1,00,000.
- (vii) Agricultural income credited to P & L Account ₹ 50,000
- (viii) LTCG on sale of listed equity shares (Securities Transaction Tax paid) included in the net profit ₹ 75,000.
- (ix) Withdrawal from General Reserve ₹ 3,75,000.
- (x) Donation to registered political party in cash ₹ 2,25,000.

**10 Marks**

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

**5 Marks**

**8. Answer any three question**

**3x5= 15 Marks**

- a) What are the due dates for filling return of income under Income Tax Act, 1961?
- b) What are the different kinds of assessments?
- c) Mention any five standards of ICDS.
- d) What is equalization levy?