



Paper 7- Direct Taxation

Paper-7: - Direct Taxation

Full Marks: 100

Time allowed:3 hours

All question relate to income –tax assessment Year 2018-19 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 question Question Nos.2 to 8.

1. (a) Choose the most Appropriate alternative for the following (Option to be given only in capital letters A,B,C or D ; entire answer need Not be reproduced); 1 X 10 =10
- (i) An individual, being foreign national, came to India first time during the previous year 2018-19 on 01-01-2019 for 200 days, his residential status for the previous year 2018-19 is.
- (a) Non-resident
 - (b) Resident but not ordinarily resident in India
 - (c) Resident and ordinarily resident in India
 - (d) Resident in India
- (ii) 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.
- (iii) Which of the following is not taxable under head 'Salaries'?
- (a) Remuneration paid to the lecturer of a college for setting a question paper by a university.
 - (b) Salary received by a member of the Parliament
 - (c) Commission received by an employee director of a company
 - (d) Both (a) and (b) above
- (iv) If a domestic servant is engaged by the employer and salary is paid by him, the perquisite is
- (a) Taxable in the hands of all employee
 - (b) Not taxable in the hands of both specified and non-specified employers.
 - (c) Taxable in the hands of specified employees only
 - (d) Taxable to the extent of ₹ 120 per person in the hands of all employees.
- (v) A house property located outside India is:
- (a) Taxable in hands of all assessee
 - (b) Taxable in hands of non resident assessee
 - (c) Taxable in hands of resident and ordinarily resident assessee
 - (d) Exempted from tax in India

- (vi) Which of the following is not allowed as a deduction for computation of business Income?
- Loss incurred due to theft in factory after working hours
 - Anticipated future losse
 - Loss caused by white ants
 - Loss due to accidental fire in stock-in-trade

(vii) Deduction u/s 35AD is available in respect of expenditure on specified business, one of them is:

- Setting up and operating a cold chain facility
- Setting up and operating a power plant
- Setting up and operating an industrial unit
- All of the above

(viii) U/s 54, capital gain will be allowed as exemption if the house property under transfer is held for

- Less than 12 months preceding the date of transfer
- More than 12 months preceding the date of transfer
- Less than 36 months preceding the date of transfer
- More than 24 months preceding the date of transfer

(ix) Cost of acquisition of self-generated asset is nil, the exception is:

- Goodwill
- Route permit
- Bonus shares acquired before 01-04-2001
- Loom hours

(x) Unabsorbed depreciation can be carried forward for

- Any number of years
- 8 years
- 4 years
- 7 years

(b) Match The following (Sufficient to give the corresponding item in column 3 for column 1; reproducing columns 2 and 4 are not required):

1 X5=5

1	2	3	4
(i)	Sec. 288B	(A)	Determination of Residential Status
(ii)	Sec. 6	(B)	Capital Gain
(ii)	Sec. 10	(C)	Depreciation
(iv)	Sec. 45	(D)	Rounding off of tax
(v)	Sec. 32	(E)	Exempted Income

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(c) State whether the following statements are True or False :

1 X5=5

- (i) Cash gift of ₹ 1,00,000 from uncle's son is not taxable.
- (ii) Reasonable expected rent can not exceed standard rent.
- (iii) The income of minor child will always be included in the income of his/her parents.
- (iv) No tax is required to be deducted from winning from race-horse, if such winning does not exceed ₹10,000
- (v) Telephone provided to an employee at his residence is a tax-free perquisite.

(d) Fill in the blanks:

1 X5=5

- (i) A person owns 4 goods vehicles other than heavy vehicles. His estimated annual income u/s 44AE is ₹ _____
- (ii) Advance tax is payable in _____ instalments by a non-corporate assessee.
- (iii) Total tax payable on a lottery income of ₹ 3,00,000 as per section 115BB is _____
- (iv) The monetary ceiling limit for exemption for gratuity received under the Payment of Gratuity Act, 1972 is _____
- (v) Exemption u/s. 10(32) in respect of income of minor child included in the hands of assessee under Section 64(1A) is restricted to ₹ _____ per child.

2(a) Ram provides following details of income, calculate the income which is liable to be taxed in India for the A.Y.2019-20 assuming that –

- a) He is an ordinarily resident b) He is not an ordinarily resident c) 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 (1/3 rd received in India)	30,000
Profit from a business in Mumbai controlled from UK	1,00,000
Profit for the year 2002-03 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

[8]

2(b) X Ltd. has two house properties both of which are vacant. Municipal value of 1st house property is ₹ 1,00,000 and that of 2nd is ₹ 80,000. It has computed income from house property as under:

Particulars	Details(₹)	Amount(₹)
HP1: Self occupied [Sec. 23(2)(a)]		
Net Annual Value (NAV)	Nil	
Less: Interest on loan u/s 24(b)	Nil	
Income from HP1		Nil

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HP2: Deemed to be let out [Sec. 23(4)]		
Gross Annual Value (GAV)	80,000	
Less: Municipal tax	Nil	
Net Annual Value (NAV)	80,000	
Less: Standard deduction u/s 24(a) @ 30% of NAV	24,000	56,000
Income from house property		56,000

Do you agree with the computation of income from house property of the assessee. [7]

3(a) Mr. Mugal joined Star Ltd. on 1/4/2018. Details regarding his salary are as follows:

Particulars	Amount (₹)
Basic	5,000 p.m.
Dearness Allowance	2,000 p.m. (50% considered for retirement benefit)
Education Allowance	1,000 p.m. (he has 1 son and 3 daughters)
Hostel Allowance	2,000 p.m. (none of the children is sent to hostel)
Medical Allowance	1,000 p.m. (total medical expenditure incurred ₹ 3,000)
Transport Allowance	1,800 p.m. (being used for office to residence & vice versa)
Servant Allowance	1,000 p.m.
City compensatory Allowance	2,000 p.m.
Entertainment Allowance	1,000 p.m.
Assistants Allowance	3,000 p.m. (paid to assistant ₹ 2,000 p.m.)
Professional Development Allowance	2,000 p.m. (actual expenses for the purpose ₹ 8,000 p.m.)
Bonus	24,000 p.a.
Commission	9,000 p.a.
Fees	5,000 p.a.

Compute his gross taxable salary for the assessment year 2019-20. [9]

(b) Y, an individual has a net agricultural income of an assessee is ₹ 90,86,0000 and non agricultural income is ₹ 13,65,000. Y contributes ₹ 1,40,000 towards PPF. Compute his taxable liability for the assessment year 2019-20. [6]

4(a) Sunil has a house property acquired on 7/07/1995 for ₹ 3,00,000. He incurred improvement expenditure on such property ₹ 70,000 on 16/08/2000 and ₹ 50,000 on 17/07/2010. Market value of such property as on 1/04/2001 is ₹ 4,50,000. On 16/08/2013, such property is compulsorily acquired by the Government and compensation decided at ₹ 11,50,000. 20% of the compensation received on 31/03/2019 and balance on 2/04/2019.

On further appeal, on 16/08/2019 enhanced compensation is declared by the Government ₹ 2,00,000. Expenditure incurred to get enhanced compensation is ₹ 11,000. Such compensation received on 18/08/2020. Compute income under the head Capital Gains of Sunil for the assessment year 2019-20, 2020-21 and 2021-22.

[10]

(b) Compute total income of Sri Bajaj of Delhi from the following data:

Particulars	Amount (₹)
Profits & gains of business or profession	80,000
Income from house property (let-out and situated at Kolkata)	40,000
Income from other sources	10,000
Rent paid for office	8,000
Rent paid for residential house	40,000

[5]

5(a) Uttar and Dakshin, partners of PP Traders, furnishes the following details –

Profit and loss account for the year ended 31-3-2019

Particulars	Amount(₹)	Particulars	Amount(₹)
Bonus paid to employee	50,000	Gross Profit	10,00,000
Interest on loan taken from bank	45,000	Interest on drawings	
Other Expenses	40,000	Uttar	2,000
<u>Salary to partners</u>		Dakshin	3,000
Uttar	2,44,000		
Dakshin	4,88,000		
<u>Interest on capital @ 15%</u>			
Uttar	4,500		
Dakshin	6,000		
Depreciation	40,000		
Net profit	87,500		
	10,05,000		10,05,000

Additional information

1. Depreciation for the year allowed u/s 32 is ₹ 30,000.
2. During the last year, firm has incurred loss of ₹ 8,50,000 (which includes unabsorbed depreciation of ₹ 50,000).
3. Interest on loan taken from bank is yet to be paid. Compute total income of firm.

[10]

5(b) Mr. Bhola has furnished you the following data –

Income from house property	(₹ 1,30,000)
Salaries (Net)	₹ 80,000
Income from other sources	(₹ 90,000)
Income from lotteries	₹ 3,50,000

Mr. Bhola is seeking your advice relating to set off and carry-forward.

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[5]

6(a) Ms. Suparna Roy (Age 46 yrs), a resident individual of India, finished 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 HDFC 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) Write short note on “Co-ownership”

[7]

7(a) Shri Anil follows cash basis of accounting and has furnished the Receipts & Payment A/c of previous year 2018-19 for computing his income:

Particulars	Receipts(₹)	Payments(₹)
Interest on listed debenture of A Ltd.	16,200	
Letting of building & machinery @ ₹ 15,000 p.m. under a composite lease	1,50,000	
Collection charges		1,000
Repairs		5,000
Capital repairs		16,000
Interest paid outside India without deducting tax on loan taken for construction of building		8,000
Gift from father	6,000	
Ground rent received (related to financial year 2017-18)	600	

The following additional information are also provided –

- Allowable depreciation on Building and Machinery - ₹ 4,000
- Fire Insurance on Building and Machinery (not paid) - ₹ 1,000

[8]

(b) Write short note on Revised Return.

[7]

8. Write short notes on any three of the following:

5 X 3=15

- TDS u/s 194H
- Rectification u/s 154
- Who is required to follow Income Computation and Disclosure Standards (ICDS)
- INTIMATION [SEC. 143(1)]