

Paper 7 – Applied Direct Taxation

Time Allowed: 3 hours

Full Marks: 100

All the questions relate to the assessment year 2014-15, unless stated otherwise.

Working notes should form part of the answers.

Answer **Question No. 1** which is compulsory and **any five** from the rest

Question No 1.

(a) Choose the most appropriate alternative:

- (i) Tax will be collected at source on sale of any coin or any other article weighing ten grams or less if payment in excess of -
(A) ₹2,00,000 received in cash
(B) ₹1,00,000 received in cash
(C) ₹3,00,000 received in cash
(D) ₹2,50,000 received in cash
- (ii) Deduction for donation to the National Children's Fund has been raised from —
(A) 50% to 100%;
(B) 100% to 150%;
(C) Nil to 50%;
(D) 25% to 50%
- (iii) Any specified income arising, from any international sporting event held in India, to the person or persons notified by the Central Government in the Official Gazette, shall be exempt if such international sporting event —
(A) is approved by the international body regulating the international sporting event;
(B) has participation by more than two countries;
(C) is notified by more than two countries;
(D) Any one of the above
- (iv) Allowances which are fully taxable is —
(A) Education Allowance;
(B) House Rent Allowance;
(C) Medical Allowance;
(D) Transport Allowance
- (v) Amount of exemption available under Voluntarily Retirement Scheme is –
(A) Compensation received or ₹3,00,000, whichever is less;
(B) Compensation received or ₹5,00,000, whichever is less;
(C) Upto ₹3,00,000;
(D) Upto ₹5,00,000
- (vi) Besides the normal depreciation, additional depreciation shall be allowed —
(A) @10%;
(B) @15%;

- (C) @20%;
(D) @25%
- (vii)** Maximum amount of deduction available under House property for loan borrowed for repairs or renewal is:
(A) ₹1,50,000;
(B) 1/3 of the interest amount;
(C) ₹30,000;
(D) ₹2,00,000
- (viii)** Where annual value of one self-occupied house is nil, the assessee will not be entitled to claim:
(A) Standard deduction u/s 24(a);
(B) Interest on Loan u/s 24(b);
(C) Municipality tax paid by owner;
(D) None of the above
- (ix)** Brought forward long-term capital loss can be carried forward for :
(A) 4 assessment years;
(B) 6 assessment years;
(C) indefinitely;
(D) 8 assessment years
- (x)** Wealth tax is payable on amount by which 'net wealth' exceeds by ₹30,00,000 at the rate of —
(A) 10%;
(B) 5%;
(C) 2%;
(D) 1%
- (xi)** The deduction under section 80C is allowed to —
(A) An Individual;
(B) A Hindu Undivided Family;
(C) An Individual or a Hindu Undivided Family;
(D) Any assessee
- (xii)** The provisions of AMT shall apply to a person who has claimed any deduction under —
(A) Under section 80-IA to 80RRB other than section 80P;
(B) Section 10AA;
(C) Under section 80-IA to 80RRB other than section 80P or Section 10AA;
(D) All the above case
- (xiii)** The due date of return filing in case of partner of a partnership firm whose accounts is audited under section 44AB of the Income Tax Act, 1961 is:
(A) 30th June;
(B) 31st July;
(C) 30th September;
(D) 30th November

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(b) Fill up the blanks:

- (i) Any payment due to or received by an employee, under a keyman Insurance Policy including the sum allocated by way of bonus on such policy, will be regarded as _____.
- (ii) An assessee who is in the business of generation or generation and distribution of power shall be eligible for _____.
- (iii) Any transfer of a capital asset by a company to its _____ provided the _____ is an Indian company is exempted under section 47(iv).
- (iv) The conversion of _____ into stock-in-trade is treated as a 'transfer' within the meaning of section 2(47).
- (v) When preference shares are converted into equity shares, it will be regarded as _____.
- (vi) Any property being shares of a closely held company received without consideration or for inadequate consideration by the firm or a closely held company if aggregate value of the amount of such gift or inadequate consideration exceeds _____.
- (vii) Deduction u/s 80E is allowed for _____ years starting from the assessment year in which the assessee starts paying the _____, or until the interest thereon is paid by the assessee in full whichever is earlier.
- (viii) Belated return can be filed at any time before the expiry of _____ from the end of the relevant assessment year or before the completion of the assessment, _____.
- (ix) 60% of Advance Tax should be paid by a Non-corporate assessee on or before _____.

[12 × 1]

Question 2.

- (a)** Calculation of Income Tax in the case of an employee below the age of sixty years having a handicapped dependent (With valid PAN furnished to employer). For A.Y. 2014-2015

S. No.	Particulars	Rupees
1	Gross Salary	3,20,000
2	Amount spent on treatment of a dependant, being person with disability (but not severe disability)	7000
3	Amount paid to LIC with regard to annuity for the maintenance of a dependant, being person with disability(but not severe disability)	50,000
4	GPF Contribution	25,000
5	LIP Paid	10,000

- (b)** Mr. Y submits the following particulars of his income for the assessment year 2014-2015

	(₹)
Income (other than income from business & profession)	4,00,000
Dividend from Indian Company	1,000
Interest on Bank Deposit	2,000
Life Insurance Premium paid	6,000
Donation to Jawahar Lal Nehru Memorial Fund	15,000
Donation to Prime Minister's National Relief Fund	16,000
Donation to a Public Charitable Institution	24,000
Donation to a University for statistical research approved U/s 35(1)(iii)	5,000

Determine the net income and tax liability for the assessment year 2014-2015.

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- (c) Mr. X, a person of Indian origin came to India on a visit in the previous year 2013-14. He stayed in India for 130 days. From financial years 2009-2010 to 2012-13 his total stay in India was for 400 days. Determine the residential status of Mr. X for the assessment year 2014-15.

[5+8+2=15]

Question 3.

- (a) Tax liability of M/s. XYZ Ltd. for A.Y. 2014-2015 is estimated at Rs. 80,000. Determine the amount of instalment of advance-tax payable and date of payment.

- (b) Assessment year 2014-15

	(₹)
- Salary per month (exclusive of benefits & perquisites)	30,000
- Dearness allowance (2/5 forming part of retirement benefits)	3,000
- Actual House rent allowance received from employer per month	3,000
- Actual rent paid by the employee per month in respect of residential Accommodation at Delhi	5,000
- Commission @1% of annual turnover of ₹40,00,000	40,000

- (c) Mr. Y requires to compute total taxable income in the Assessment Year 2014-15. He had received various incomes which come under the head "Income from other sources". Calculate taxable income of Mr. Y:-

- (i) Interest on NSC VII ₹2,000
 - (ii) Family Pension ₹65,000 p.a.
 - (iii) Rent received from machinery on hire ₹4,000 p.m., he spent ₹5,000 p.a for repairs and ₹2,000 p.a for insurance against risk of damage.
 - (iv) Dividend received by Indian Company ₹3,000
 - (v) Interest on Kisan Vikas Patra ₹1,500
 - (vi) Winning from Lotteries ₹1,20,000.
- (d) A is a owner of land in Noida. Such land was being used for agricultural purpose from last 3 years. On 2.4.2003 his land was acquired by Central Government. The assessee had received compensation of ₹5 crore in respect of land on 1.7.2004. Whether A would be liable to pay tax or not on compensation or capital gain received by him?

[4+4+5+2=15]

Question 4.

- (a) Mr. X, an employee retired from service on 30.9.2013 after completing 42 years of service. He received ₹3,10,000 as gratuity. His average monthly salary in the last 10 months was ₹13,000. He is not covered by the Payment of Gratuity Act, 1972. His present salary being ₹15,000 per month. Dearness allowance received is ₹3,000 per month. Calculate total Income of assessee for A.Y. 2014-2015.
- (b) Mr. Y. retires from ABC Ltd. on 30th June, 2013. He gets pension of ₹ 800 per month upto 31st January, 2014. With effect from 1st February, 2014 he gets 80% of the pension commuted for ₹80,000. Calculate the taxable pension of Mr. Y. if-

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- (a) he does not receive gratuity
(b) he receives ₹3,000 as gratuity at the time of retirement.
- (c) A partnership firm, having four partners has a business income of ₹5,00,000 before paying salary @ ₹6,000 p.m. to each of its partners. Calculate tax on firm for A.Y. 2014-2015.
- (d) X, resident, pays ₹60,000 on medical treatment of his mother who is 67 years old. He received ₹20,000 from insurance company, ₹10,000 from employer. Determine the amount of deduction available u/s 80DDB. **[4+5+4+2=15]**

Question 5.

- (a) A Ltd., a domestic company and engaged in the business of trading in shares and has manufacturing plant of rubber in Gujarat. The assessee have following income for the assessment year 2012-13 and 2013-2014.

a) Trading Business of shares	₹3,70,000
b) Manufacturing Business	₹8,50,000
c) Book profit after deducting securities transaction tax	₹1,00,20,000

- (b) Rajesh owns a residential house, who takes loan of ₹6,00,000 @ 12% p.a. for construction of his house on 1st Oct., 2006. Construction of the house was completed on 22nd Feb., 2013. If date of repayment of loan is (i) 26th May, 2010 and (ii) 3rd April, 2012.

- (a) Actual rent received by the owner is ₹4,50,000;
(b) Municipal value ₹3,20,000;
(c) Fair rental value ₹4,00,000;
(d) Standard rent ₹3,80,000.

The owner paid municipal taxes of ₹40,000 for the previous year. Find out the Income from house property for the assessment year 2014-2015.

- (c) Where a trust incurs a debt for the purposes of the trust, whether the repayment of the debt would amount to an application of the income for the purposes of the trust? **[7+6+2=15]**

Question 6.

- (a) Mr. X has sold his building for ₹32,00,000 on 15th Jan'2014. He had purchased the plot in 1980 at a total consideration of ₹2,00,000 and constructed the building in F.Y. 1985-86, 1986-87 and 1992-93 and invested ₹ 2,00,000, ₹2,50,000 and ₹2,00,000 during the respective financial years. Fair market value of the plot as on 1-4-81 was ₹2,50,000. The brokerage @ 2% was paid by Mr. X for effecting the sale of building. Compute capital gain.

- (b) Calculate the Gross Taxable income of Mr. Pranav Gupta for the A.Y. 2014-2015 after adjusting following Profits Losses given under different heads of Income are as follows:-

	(₹)
(a) Income from Salary	4,20,000
(b) Income from house property-	
House I	48,000
House II	(-)22,000

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House III (Self occupied)	(-)50,000
(c) Profit and gains of from business & Profession-	
Manufacturing business	72,000
Trading Business	(-) 32,000
Business X (speculative)	95,000
Business Y (speculative)	(-)1,40,000
(d) Long-term Capital Gains from the transfer of house	1,20,000
Short term Capital Loss from the transfer of shares	(-) 65000
(e) Income from other Sources-	
Winning from lotteries	37,500
Loss from Card Games	(-)30,000
Interest received	28,000
(c) Compute the tax liability of an Individual for the assessment year 2014-15 from the following data:	(₹)
Net agricultural income	1,20,000
Total non-agricultural income	1,60,000

[5+8+2=15]

Question 7.

(a) Mr. A. completed construction of house property at Delhi in 1982, the aggregate area of the plot is 600 sq. mtrs., while the built-up area of the house is 200 sq. mtrs. The total cost of the house (including cost of land) is ₹11,00,000. The fair rental value of the house is ₹7,500 per month, but the house is let out at a rent of ₹ 8,000 per month and he has accepted security deposit of ₹1,00,000. Mr. A pays municipal taxes ₹10,000, ground rent ₹1,000, insurance premia for coverage of risk of damage to house ₹2,000 and collection charges ₹500 during the previous year ended on 31.3.2014. Expenses on repairs are borne by tenant. Compute the value of the house property as on 31.3.2014 being the valuation date of Mr. A for A.Y. 2014-2015 assuming the house is built on (a) freehold land, or (b) leasehold land (unexpired period of lease of the land being 55 years) or (c) lease hold land (unexpired period of lease of the land being 30 years).

(b) Mrs. Sudha, an individual, submits the following particulars of her assets and liabilities on 31st March, 2014.

	(₹)
Self occupied residential house	7,80,000
Motor car for personal use	3,10,000
Urban land (situated in area within the jurisdiction of municipality)	8,00,000
Equity shares in an Indian Joint stock company	2,50,000
Units in Unit Trust of India	1,50,000
Jewellery	1,30,000
Deposits under National Deposit Scheme	60,000
Cash in hand	70,000

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Deposits made in a finance company	2,00,000
Borrowing for the purchase of residential house	5,00,000
Loan taken to purchase equity shares	1,00,000

[8+7=15]

Question 8.

(a) The gross total income of Rohit for the assessment year 2014-15 is ₹6,20,000 which includes long-term capital gain ₹80,000 short term capital gain referred to in section 115A ₹70,000 and interest on saving bank deposit ₹12,000. Compute the tax payable by Rohit assuming deposited ₹1,20,000 in PPF and paid premium for health insurance by cheque amounting to ₹15,000.

(b) Zamir Ltd. an Indian company has received the following dividend from its subsidiary companies:

(i) ₹10,00,000 on 5.8.2013 from S Ltd. a subsidiary company in India.

(ii) ₹20,00,000 on 9.7.2013 from T Ltd., a specified company in Germany in which Zamir Ltd. holds 60% shares.

Zamir Ltd. wishes to declared dividend of ₹1 crore to its shareholders.

Determine the amount of dividend distribution tax payable by Zamir Ltd.

Also determine the tax payable on dividend received from T Ltd. assuming the total income of Zamir Ltd. including the above dividend is ₹80,00,000.

What shall be your answer if Zamir Ltd. holds 36% shares in T Ltd.

(c) A house is let out for 7 month @₹1,500 P.M. and for 3 months @₹2,000 P.M. It remains vacant for the balance 2 months. Calculate the annual rent under wealth tax Act, 1957.

[5+8+2=15]