DIRECT AND INDIRECT TAXATION

Time Allowed: 3 hours | Full Marks: 100

The figures in the margin on the right side indicate full marks.

All sections are compulsory. Each section contains instructions regarding the number of questions to be answered within the section.

Wherever necessary, candidates may make appropriate assumption(s) and state the same clearly in the respective answer.

All working notes must form part of the relevant answer.

Section-A

Answer Question No. 1 *which is compulsory.*

1. Choose the correct option from the four alternatives given: **2×15=30**

(i) For Assessment Year 2025-26, as per the Income Tax Act, 1961, liability to deduct tax at source u/s 193 in case on interest on securities arises at the time of

(A) accrual of interest.

(B) payment of interest.

(C) credit of interest to the account of the payee/interest payable account or payment thereof, whichever is earlier.

(D) None of the above

(ii) For Assessment Year 2025-26, deduction u/s 80JJAA of the Income Tax Act, 1961, in respect of employment of new workers shall be allowed to

(A) any assessee to whom Section 44AB applies.

(B) all assessee.

(C) an Indian company.

(D) None of the above

(iii) PRT Ltd., a domestic Indian company, bought back its 10,000 shares from 10 shareholders on 15th November, 2024 . The original issue price was ₹ 110 per share and the buy-back price is ₹ 300 per share. What is the tax treatment of this transaction under the Income Tax Act, 1961?

(A) PRT Ltd. needs to pay additional income tax on such buy-back.

(B) It will be treated as capital gains in the hands of the shareholder.

(C) It will be treated as deemed dividend and taxable under income from other sources in the hands of the shareholder.

(D) It will be treated as dividend and PRT Ltd. needs to pay dividend distribution tax on the same.

(iv) Nakul won ₹ 6,000 as a lottery prize on 12.04.2024. What is the amount of TDS on such winning under the Income Tax Act, 1961?

(A) Nil

(B) ₹ 600

(C) ₹ 1,800

(D) ₹ 1,200

(v) Who from the followings will be considered as a specified employee of ABC Pvt. Ltd. as defined u/s 17(2)(iii) of the Income Tax Act, 1961 for the assessment year 2025-2026?

(A) Mr. D, a part time director employee but resigned on 02-05-2024

(B) Mr. E, who holds 15% of its equity shares and his wife holds 6% of its equity shares

(C) Mr. F, who joined it on 01-02-2025 and his taxable monetary salary for the year from ABC Pvt. Ltd. is ₹ 50,000 p.m.

(D) None of the above

(vi) For the previous year 2024-2025, standard deduction from family pension under default new tax regime and under old tax regime is ₹ ________ and ₹ ________ respectively.

(A) ₹ 15,000 and ₹ 25,000

(B) ₹ 15,000 and ₹ 15,000

(C) ₹ 25,000 and ₹ 25,000

(D) ₹ 25,000 and ₹ 15,000

(vii) Which of the following is not a supply under the CGST Act, 2017?

(A) Importation of accounting services (for business purposes) free of cost from a dependent father residing in USA.

(B) A machinery disposed-off free of cost on which input tax credit has been availed.

(C) Goods supplied free of cost by X & Sons to its agent for further supply to customer at ₹ 5,000 for which invoice will be issued by the agent in his own name.

(D) An expensive watch of ₹ 50,000 gifted to an employee. No other gifts provided to such employee during the entire financial year.

(viii) As per the GST law, if the goods are received in instalments, then Input Tax Credit (ITC) ________.

(A) can be taken proportionately on receipt of each instalment.

(B) can be taken 100% on receipt of first instalment.

(C) can be taken only on receipt of last instalment.

(D) can be taken 50% on receipt of first instalment and balance 50% on receipt of last instalment.

(ix) As per the provisions of GST law, what will be the place of supply when food (supplier is registered in Pune) is taken on board at Mumbai for an aircraft departing from Pune to Chennai via Mumbai and Kolkata?

(A) Pune

(B) Mumbai

(C) Chennai

(D) Kolkata

(x) M/s X Ltd., an Indian importer, imported certain goods from China in a set of multiple articles, viz. product G, product H and product I. Product G is liable for 5% customs duty, product H is liable for 8% customs duty whereas product I is liable for 20% customs duty. How will the set of the products be taxable upon import under the Customs Act, 1962 when no separate valuation is available?

(A) At the rates specified for individual products

(B) At the rate of 20% being the highest rate

(C) At the rate of 5% being the lowest rate

(D) At the rate of 11% being the average rate

(xi) Every registered person who is required to furnish a return u/s 39(1) of the CGST Act, 2017 and whose registration has been cancelled shall furnish a Final return within ________.

(A) 3 months of the date of cancellation.

(B) 3 months of the date of order of cancellation.

(C) 3 months of the date of cancellation or the date of order of cancellation whichever is earlier.

(D) 3 months of the date of cancellation or the date of order of cancellation whichever is later.

(xii) If a composition dealer wants to withdraw voluntarily from composition scheme then he shall file Form:

(A) CMP-01

(B) CMP-02

(C) CMP-03

(D) CMP-04

(xiii) Mr. Tushar, an air travel agent, who wants to discharge his tax liability at special rates as per rule 32(3) of CGST Rules, 2017. How his value of service of booking of tickets for air travel be determined?

(A) 5% of basic fare on both domestic and international air travel

(B) 10% of basic fare on both domestic and international air travel

(C) 5% of basic fare on domestic air travel and 10% of basic fare on international air travel

(D) 10% of basic fare on domestic air travel and 5% of basic fare on international air travel

(xiv) The last date for declaring the details of credit note issued on 27.03.2025 for a supply made on 12.12.2024 is

(A) 31.12.2025 being actual date of filing annual return for F.Y. 2024-25.

(B) 30.04.2025 being actual date of the filing return of the month in which such credit note has been issued.

(C) 11.04.2025 being due date of the filing return of the month in which such credit note has been issued.

(D) 30.11.2025.

(xv) As per the Customs Valuation (Determination of price of imported goods) Rules, 1988, the term "similar goods" means imported goods

(A) which although not alike in all respects, have like characteristics and like component materials which enable them to perform the same functions.

(B) which were produced by the same person who produced the goods being valued.

(C) which were produced in the country in which the goods being valued were produced.

(D) All of the above

Section-B

Answer *any five* questions out of seven questions given below.

Each questions carries 14 marks. **14×5=70**

2. (a) Ms. Meena, a British citizen of Indian origin, came to India on 01.10.2024 and left India on 31.03.2025. She was also in India from 03.09.2019 to 15.02.2023. She provided the following details of her income for the Assessment Year 2025-26:

Sl. No.	Particulars	Amount (₹)
(i)	Salary received in India (Computed)	8,00,000
(ii)	Income of preceding previous year from a property in London received in London and remitted to India in current year	38,500
(iii)	Income from house property in London received in India	4,23,500
(iv)	Profit from a business in Nepal controlled from India which is received in Nepal	3,25,000
(v)	Income from property in USA received in London	2,50,000
(vi)	Income from a house property in India received in London	3,00,000
(vii)	Income on company deposit in London (1/3rd received in India)	60,000

Incomes given above are computed after considering eligible deductions.

You are required to determine residential status of Ms. Meena for the Assessment Year 2025-26 with proper reason and compute her total income which is taxable in India.

(Ignore section 115BAC of the Income Tax Act 1961.) 7

(b) Mr. Padam, a resident individual aged 35 years is employed with M/s Nath Ltd., an Indian company based in Chennai as Senior Finance Manager since 1st April 2024. The details of his emoluments are as follows:

(i) Basic Salary: ₹ 75,000 p.m.

(ii) Dearness allowance: 15% of basic salary (50% forms part of the salary for retirement purposes)

(iii) House rent allowance: ₹ 15,000 p.m. (He pays ₹ 10,000 p.m. as rent)

(iv) Gift of wrist-watch on his birthday: value of watch is ₹ 3,500

(v) Annuity: ₹ 5,000 p.m.

You are required to compute Mr. Padam's income chargeable under the head **"Salary"** for the Assessment Year 2025-26 assuming he opted out of new default tax regime under section 115BAC of the Income Tax Act, 1961. 7

3. (a) Mr. Sonu, a resident individual aged 34 years, gives the following information to you relating to his house properties (he owns 2 identical house properties):

Property A – Let out (Since 01.04.2023)

(i) Municipal Annual Value : ₹ 6,00,000

(ii) Fair rent : ₹ 3,50,000

(iii) Standard Rent under the Rent Control Act : ₹ 8,00,000

(iv) Actual rent : ₹ 55,000 p.m.

(v) Unrealised rent : 2 months

(vi) Interest on loan taken for the purchase of this property : ₹ 2,50,000

Property B – Self Occupied

(i) Municipal Annual Value : ₹ 6,00,000

(ii) Fair rent : ₹ 3,50,000

(iii) Standard Rent under the Rent Control Act : ₹ 8,00,000

(iv) Actual rent : Nil

(v) Interest on loan taken for the purchase of this property : ₹ 2,50,000

Calculate the income from "**House property**" chargeable in the hands of Mr. Sonu for the Assessment Year 2025-26. Assuming Mr. Sonu opted the new default tax regime provided under section 115BAC of the Income Tax Act, 1961.

Indicate clearly the reasons for treatment of each item. 7

(b) Mr. Aayush aged 50 years, a retail trader of Patna (Bihar), furnished his profit and loss account for the year ended on 31st March, 2025 as follows:

Particulars	Amount (₹)	Particulars	Amount (₹)
To Rent and rates	2,52,700	By Gross profit	8,20,000
To Salary to staff	72,000	By Dividend from domestic companies	15,000
To Interest paid	60,000	By Agriculture Income (net)	1,85,000
To Administrative charges	68,000	By winning from lotteries net of TDS (TDS ₹ 4,500)	10,500
To General expenses	20,200		
To Depreciation	1,12,500		
To Net profit	4,45,100		
	10,30,500		**10,30,500**

Following additional information is furnished:

(i) Rent and rates include GST liability of ₹ 5,600 paid on 5th April, 2025.

(ii) Salary includes ₹ 12,000 paid as commission to brother of Mr. Aayush. The commission amount at the market rate is ₹ 10,000.

(iii) Administrative charges include ₹ 30,000 towards medical expenditure for employees due to fire accident in business premises.

(iv) General expenses include ₹ 1,500, being penalty paid to GST Department for non-compliance of GST provisions and also include ₹ 2,500, being donation paid to a public charitable trust.

(v) The depreciation provided in the Profit and Loss Account ₹ 1,12,500 was based on the following information:

The opening written down value of plant and machinery as on 01/04/2024 is ₹ 4,35,000.

A new plant falling under the same block of depreciation i.e. @ 15%, was bought on 1st July, 2024 for ₹ 85,000. One old plant was sold on 10th October, 2024 for ₹ 52,500.

You are required to calculate the income chargeable to tax under the head **"Profits and gains from business or profession"** in the hands of Mr. Aayush for the Assessment Year 2025-26.

Assuming Mr. Aayush exercises the option of shifting out of the new default tax regime provided under section 115BAC of the Income Tax Act, 1961, **indicate** clearly the reasons for treatment of each item. 7

4. (a) Mr. Devendra, a resident Indian aged 55 years, held 10,000 shares of Pulse Ltd., an Indian listed company since 1st February, 2021, bought for ₹ 1,500 per share. On 1st May, 2024, the company announced right shares issue in the ratio of 1:1 for ₹ 1,200 per share. On this date, the market price of its share was ₹ 1,900 per share. Mr. Devendra sold 5,000 right entitlements to Mr. Prakash Singh for ₹ 500 per right entitlement on 12th May, 2024. Mr. Devendra himself exercised his right for the remaining shares on 31st May, 2024. On the date of exercising this option, the market price of the shares was ₹ 2,000 per share.

On 12th December, 2024, Mr. Devendra sold all the 15,000 shares for ₹ 2,500 per share. He invested ₹ 4,00,00,000 in the acquisition of a new residential house on 24th January, 2025, by utilising the sale proceeds from the sale of shares as well as the right entitlement. Mr. Devendra does not own any other residential house on the date of purchase of this house.

You are required to compute income taxable under the head **"Capital Gains"** for Assessment Year 2025-26 in the hands of Mr. Devendra assuming he opted for new default tax regime under section 115BAC of the Income Tax Act, 1961.

Short-Term and Long-Term Capital gain should be **calculated** separately.

Cost Inflation Index (CII) for the various financial years are as under:

Financial Year 2020-21 : 301

Financial Year 2024-25 : 363 7

(b) Mr. Sharad, a resident individual, aged 51 years provides the details of following transaction/income related to the previous year 2024-25.

Sl. No.	Particulars	Amount (₹)
(i)	Interest earned on Central government securities	50,000
(ii)	Token money received for sale of house property, (it was forfeited as negotiations cancelled)	1,00,000
(iii)	Dividend from Co-operative society (Gross)	15,000
(iv)	Lumpsum amount withdrawn from unrecognized provident fund whose breakup is as below: Accumulated Employer's contribution = ₹ 85,000 Accumulated Employee's contribution = ₹ 80,000 Accumulated interest on employer's contribution = ₹ 25,000 Accumulated interest on employee's contribution = ₹ 20,000	2,10,000
(v)	Lottery income received (Net)	35,000
(vi)	Purchased from Mr.Sonu (his friend) jewellery for ₹ 50,000 (Fair market value ₹ 85,000) and a diamond for ₹ 20,000 (Fair market value ₹ 36,000)	70,000

He has taken loan for investment in shares of Co-operative society from which dividend income is earned. On this loan an interest of ₹ 2,500 was paid during the previous year.

Compute the income of Mr. Sharad chargeable under the head **"Income from other sources"** for the Assessment Year 2025-26 assuming that he exercised the option of shifting out of the new default tax regime provided under section 115BAC of the Income Tax Act, 1961.

Reason for the treatment of each item should form part of your answer. 7

5. (a) Mr. Sadanand, a resident individual, aged 54 years, gives you the following particulars about his income for the previous year 2024-25:

(i) Income from salary (Computed as per the relevant provisions of the Act) : ₹ 8,00,000

(ii) Net annual value of house property : ₹ 1,70,000

(iii) Income from textile business : ₹ 4,50,000 (Before providing ₹ 65,000 for depreciation as per the Income Tax Rules)

(iv) Income from speculative business : ₹ 2,60,000

(v) Long-term capital gain on sale of building : ₹ 3,00,000

(vi) Loss on maintenance of race-horses : ₹ 56,000

(vii) Loss on gambling : ₹ 1,20,000

He has the following losses brought forwarded :

(i) Unabsorbed depreciation (relating to A.Y. 2015-16) : ₹ 10,000

(ii) Loss from speculative business (relating to A.Y. 2021-22) : ₹ 24,000

(iii) Short-term capital loss (relating to A.Y. 2024-25) : ₹ 7,500

Compute the Gross Total Income of Mr. Sadanand for the Assessment Year 2025-26 assuming he has opted for new default tax regime provided under section 115BAC of the Income Tax Act, 1961.

Also list out the losses to be carried forward to further Assessment Years specifying the Assessment Year up to which such losses can be carried forward. 7

(b) Mr. Rajesh, a resident individual, aged 45 years, furnishes the following particulars of his income for the previous year 2024-25:

Sl. No.	Particulars	Amount (₹)
(i)	Income from garments business as per Profit & Loss Account	10,80,000
(ii)	Short-term capital gain on transfer of shares on which STT is paid as on 1st December, 2024.	1,40,000
(iii)	In the year 2023-24, he had gifted ₹ 1,00,000 to his son who was aged 10 years. In the same year the gifted amount was deposited in PQR Company Pvt. Ltd. The company was paying Interest @ 12% per annum.	12,000

He made the following payments by cheque:

(i) Life insurance premium paid for his life: ₹ 24,000 (10% of sum assured).

(ii) Contribution towards Prime Minister National Relief Fund : ₹ 50,000.

You are required to calculate total taxable income and tax liability of Mr. Rajesh for the Assessment Year 2025-26 under the new default tax regime under section 115BAC of the Income Tax Act, 1961 and optional tax regime as per the Regular provisions (old regime) of the Income Tax Act, 1961.

Also Advise Mr. Rajesh which scheme is beneficial for him. 7

6. (a) "Direct taxes & Indirect taxes are different from each other."

In the context of the above statement, **discuss any seven** differences between Direct taxes & Indirect taxes. 7

(b) **List out any seven** points on which the Goods and Service Tax Council (GST Council) can make recommendation to the Union and the States, as per the Constitution (101st) Amendment Act, 2017. 7

7. (a) **Examine,** with brief reason, which person is liable to pay GST in the following independent cases related to the month of November, 2024, where the supplier and recipient both are located in the taxable territory. Ignore the aggregate turnover and exemption available:

(i) Raman, a casual taxable person, received services in respect of transportation of taxable goods by road from Dhara Transport, an unregistered Goods Transport Agency (GTA), for which he paid ₹ 55,000.

(ii) Ministry of Railways, registered under GST has given shop on rent to Mr. Sanjay, registered under GST for a monthly rent of ₹ 25,000.

(iii) Abhay Traders, a proprietorship firm registered under GST, hired a security guard from ABC Private Limited for ₹ 20,000 per month.

Note : All the amounts given are exclusive of any tax. 7

(b) Sambhav Shoppy, registered under GST in the State of Punjab, enters into a contract for supply of televisions worth ₹ 5,00,000 with Prayas Trader on 10th October, 2024. On 15th October, 2024, such goods are removed from the godown of Sambhav Shoppy for delivery to Prayas Trader . Invoice issued on dated 16th October, 2024.

As per the terms of the contract the payment against such supply to be made within one month from the date of invoice, beyond which a late fee of ₹ 5,000 will have to be paid by Prayas Trader.

Prayas Trader makes the payment of ₹ 5,00,000 along with the late fee on 30th November, 2024.

Determine the time of supply for the purpose of payment of tax in respect of the entire amount, as per the provisions of GST law. Brief notes for treatment given for each item should form part of your answer. 7

8. (a) **List out the details** required to be given in GSTR -1/1A [under Rule 59(4)/4(A) of the CGST Rules, 2017] and details to be given in Invoice Furnishing Facility (IFF). 7

(b) Binni Ltd., an importer, has imported a car by ship from Germany at FOB cost of EURO 14,000.

Other details are as follows:

(i) Freight from port in Germany to Indian port : EURO 800

(ii) Insurance was paid to insurer in India ₹ 7,000

(iii) Design and development charges paid to a consultancy firm in Germany : EURO 1,500

(iv) Demurrage charges to port authority : EURO 900

(v) Development work done on the car in India : ₹ 45,000

(vi) Cost of transporting the car from the port to the office of Binni Ltd. : ₹ 12,000

(vii) Commission (Not buying commission) paid to the agent of German exporter in India : 5% of FOB value

(viii) Rate of exchange by RBI : 1 EURO = ₹ 100

(ix) Rate of exchange by CBIC : 1 EURO = ₹ 120

(x) Exchange Rate on which importer made the payment :1 EURO = ₹ 125

Determine the assessable value (in ₹) under The Customs Act, 1962 by explaining the relevant legal provision. 7