

**INTERMEDIATE EXAMINATION****SET 2****MODEL QUESTION PAPER****TERM – DECEMBER 2024****PAPER – 7****SYLLABUS 2022****DIRECT AND INDIRECT TAXATION****Time Allowed: 3 Hours****Full Marks: 100**

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

Where considered necessary, suitable assumptions may be made and clearly indicated in the answer.

SECTION-A (Compulsory)**1. Choose the correct option:****[15x2=30]**

- (i) Mr. Vijay being a Government employee has a car (1.7 ltr.) used for office as well as for personal purpose. During the year, he incurred ₹ 40,000 on maintenance and ₹ 20,000 on driver's salary. The entire cost is reimbursed by employer. Find taxable perquisite?
- (a) ₹ 60000
(b) ₹ 20400
(c) ₹ 39600
(d) ₹ 25500
- (ii) Brought forward loss from house property of ₹ 3,10,000 of A.Y. 2023-24 is allowed to be set-off against income from house property of A.Y. 2024-25 of ₹ 5,00,000 to the extent of –
- (a) ₹2, 00,000
(b) ₹3, 10,000
(c) ₹2, 50,000
(d) ₹ 1, 00,000
- (iii) R a person of Indian Origin visited India on 03.10.2023 and plans to stay here for 185 days. During 4 years prior to previous year 2023-24, he was in India for 750 days. Earlier to that he was never in India. His total income other than the foreign income during the previous year is ₹20 lakhs. For A.Y. 2024-25, the residential status of R shall be:
- (a) Resident and Ordinarily Resident in India
(b) Resident but not Ordinarily Resident in India
(c) Non-Resident
(d) Deemed Resident
- (iv) Maximum deduction u/s 80GG shall be limited to –
- (a) ₹5,000 p.m.
(b) ₹1000 p.m.
(c) ₹3000 p.m.
(d) ₹2000 p.m.
- (v) When assessment has not been completed, revised return can be filed within _____ from the end of the relevant previous year.
- (a) 6 months
(b) 12 months
(c) 2 years
(d) 9 months



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- (vi) The rate of TDS in case of listed debentures for the financial year 2023-24 is –
- (a) 20%
 - (b) 15%
 - (c) 10%
 - (d) 5%
- (vii) Alcoholic liquor for human consumption is subjected to:
- (a) State excise duty
 - (b) Central Sales Tax/Value Added Tax
 - (c) Both (a) and (b)
 - (d) GST
- (viii) Identify from following services which are covered under Reverse Charge Mechanism u/s 9(3) of CGST Act, 2017.
- (i) Legal Consultancy
 - (ii) Goods Transport Agency
 - (iii) Manpower Supply
 - (iv) Rent-a-Cab
- (a) i & ii
 - (b) i & iv
 - (c) i & iii
 - (d) All the above
- (ix) Services by way of admission to _____ is not exempt from GST
- (a) Museum
 - (b) National Park
 - (c) Tiger Reserve
 - (d) Recognised sporting event where the admission ticket cost ₹ 600 per person
- (x) The time limit to pay the value of supply with taxes to the supplier to avail the input tax credit is:
- (a) 30 Days
 - (b) 180 Days
 - (c) 90 Days
 - (d) 120 Days
- (xi) Ms. S, an unregistered person, (New Delhi) is travelling from New Delhi to Kanpur, Pradesh in a train. The train starts at New Delhi and stops at three stations before reaching Kanpur. The food items were loaded into the train at Aligarh (Uttar Pradesh) 2nd station. Ms. S buys dinner on board the train. Determine POS:
- (a) New Delhi
 - (b) Kanpur
 - (c) Aligarh
 - (d) None of the above
- (xii) Subhas & Co., a registered person, supplies taxable goods to unregistered persons. It need not issue tax invoice, if the value of supply of goods to such persons is and the recipient does not require such invoice.
- (a) 150
 - (b) 600
 - (c) 1200



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- (d) 2000
- (xiii) The time limit for filing refund claim is _____ from the relevant date
- (a) One year
 - (b) Two years
 - (c) One and half year
 - (d) Half year
- (xiv) Basic custom duty on imported goods is levied at the rates specified in the
- (a) First Schedule of the Customs Tariff Act, 1975
 - (b) Second Schedule of the Customs Tariff Act, 1975
 - (c) Customs Act
 - (d) Customs Manual
- (xv) Which of the following is a taxable event for imported goods?
- (a) Date of presentation of bill of entry
 - (b) Date of entry into Indian territorial waters
 - (c) Unloading of imported goods at the customs port
 - (d) Date on which the goods cross the customs barrier

SECTION-B

(Answer any five questions out of seven questions given. Each question carries 14 Marks)

[5x14=70]

2. (a) Joshi discloses his income earned during the financial year 2023-24:
- (i) Interest on German Development Bonds (1/6 received in India) 30,000
 - (ii) Income from house property in India but received in Australia 40,000
 - (iii) Income from agriculture in America but received in India 60,000
 - (iv) Income from business in Canada but controlled from India 75,000
 - (v) Income from business in Singapore but controlled from Sri Lanka ₹ 80,000

Calculate his taxable income, if he is:

- (A) Resident and ordinarily resident
- (B) Resident but not ordinarily resident
- (C) Non- resident in India for the assessment year 2024-25.

[7]

- (b) Following are the particulars of income of Mrs. S. Choudhury for the Previous Year 2023-24:
- 1. Basic salary @ ₹ 15,000 per month.
 - 2. Dearness Allowance @ 60% of salary.
 - 3. Medical Allowance @ 600 per month (Actual expenditure ₹ 5,000).
 - 4. House Rent Allowance received @ ₹ 6,000 per month and she pays rent of ₹7,200 per Month for her house in Durgapur.
 - 5. City compensatory allowance ₹ 1,500 per month.
 - 6. She owns a car which she is using for official purposes. Her employer reimburses her @ ₹3,000 per month.

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7. She is contributing ₹ 2,100 per month towards a recognized provident fund. The employer is also contributing the same amount. Interest credited to R.P.F @ 11% ₹ 2,200.
8. She paid ₹ 1,800 as professional tax during the year.
9. Professional tax was paid by his employer ₹ 2,400.
- Calculate income from salary of Mrs. Choudhury for the assessment year 2024-25. [7]

3. (a) Mr. Rajesh owns two house properties both of which are let out. Calculate his income from the following details:

Particulars	House I (₹)	House II (₹)
Situated at	Gaya	Mumbai
Gross Municipal value	1,00,000	2,00,000
Fair Rent	95,000	2,10,000
Standard Rent	90,000	2,00,000
Annual Rent Receivable	1,00,000	1,80,000
Unrealised rent of current year	8,000	2,000
Municipal tax	10%	1,000
Fire insurance	2,000	1,200
Repairs	Nil	2,000
Interest on loan for construction (@ 12%)	10,000	Nil

Other Information:

1. Loan taken for construction is still unpaid.
2. Municipal tax of H1 is still unpaid, while, that of H2 is half paid by tenant. [7]

- (b) Calculate the gross total income of Mr. Inder Kumar Basu on the basis of the following particulars:

Dr. Extract of Profit and Loss Account for the year ended 31.03.2024 Cr.			
Particulars	₹	Particulars	₹
Interest	1,800	Gross profit b/d	1,22,700
Repairs and Renewals	2,200	Interest on debenture of an Institution (Gross)	10,000
Insurance	4,200	Rent from House Property	36,000
Depreciation	5,600		
Compensation	10,200		
Law charges	5,100		
Labour welfare charges	3,800		
Subscriptions	5,800		
Net Profit	1,30,000		
	1,68,700		1,68,700

- (1) i. Interest includes ₹200 on loan taken for purchasing debentures of a company and ₹300 on loan taken for reconstruction of house property let out.
- ii. The expenses relating to house property let out are 40% of the repairs and renewal expenses.
- iii. Depreciation includes ₹1, 200 on house property let out.
- iv. Compensation was paid to an employee whose dismissal was in business interest.

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- v. Insurance includes 30% for fire insurance of the house property let out, 30% for workers accident insurance and the balance for life insurance.
- vi. Law charges include ₹ 2,000 relating to a petition filed against breach of contract and the balance regarding sales tax appeal.
- vii. Subscriptions include ₹2, 000 given for election purpose to political parties.

(2) The amount not debited to profit and loss account are as follows

- i. Expenses incurred on the occasion of Festival ₹800
- ii. Theft of cash from locker ₹1, 200.
- iii. Expenses for new telephone connection in the business ₹2, 000.

[7]

4. (a) Shiv has jewellery acquired on 17/07/2010 for ₹ 5,00,000. On 18/08/2013 Shiv incurred improvement expenditure on such jewellery by adding diamond to it worth ₹ 3, 00,000. On 18/08/2021, he transferred such jewellery to his friend Mona for ₹ 40, 00,000. Shiv already has a self-occupied house property in Lucknow; however on 17/03/2022 he purchased another residential house property for ₹ 30, 00,000 for the purpose of letting out. As on 5/04/2023, his friend offered him house worth ₹ 25, 00,000 (Value for Stamp duty purpose is only ₹ 14, 00,000/-) for ₹ 15, 00,000 only & Shiv purchased the same. On 7/04/2024, Shiv sold the new house acquired from his friend for ₹ 19, 00,000. Value determined for the purpose of stamp duty purposes ₹ 22, 00,000 and market value as on the date of transfer is ₹ 26, 00,000. Calculate capital gain in hands of Shiv for several years.

[7]

- (b) Calculate the taxable income under the head Income from other sources of Mrs. X from the following data:

Particulars	Amount (₹)
Pension from employer of deceased husband	21,000
Remuneration for checking the examination copy of employer's school	10,000
Remuneration for checking the examination copy of CMA	15,000
Income tax refund	5,000
Interest on income tax refund	100
Composite rent (related expenditures are ₹ 5,000)	10,000
Rent on sub-letting of house property (rent paid to original owner ₹ 12,000)	20,000

[7]

5. (a) Following are the details of incomes/losses of Mr. Raghu for the financial year 2023-24:

Source of Income	Amount (₹)
Income under the head 'Salaries'	2,60,000
Income from house property (A)	60,000
Income from house property (B)	(2,80,000)
Speculation income	20,000
Business income	(1,30,000)
Income from activity of owning and maintaining race-horses	(1,50,000)
Income from agricultural business	(1,25,000)
Short term capital gain	30,000
Long term capital gain	(1,00,000)

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Income from lottery	10,000
Income from horse races	1,70,000
Interest on securities after adjusting interest expenses and other expenses	(70,000)

Calculate the Gross Total Income of Mr. Raghu for the Assessment Year 2024-25. [7]

(b) Calculate taxable income and tax liability as per old tax regime of Sri Dev from the following information:

1. He is working with X Ltd. for a basic of ₹ 24,000 p.m. and dearness allowance ₹ 2,000 p.m. Bonus ₹ 50,000
2. He and his employer contribute to RPF @ 6% of salary.
3. His income from business & profession is ₹ 52,000
4. During the year, interest on fixed deposit ₹ 5,000
5. LIC premium paid ₹ 4,000. [7]

6. (a) Discuss the features of indirect tax. [7]

(b) Discuss, the role of the Goods and Services Tax (GST) Council in India. [7]

7. (a) Mr. Ritesh of Assam, provides the following information for the preceding financial year 2023-24. You are required to find out the aggregate turnover for the purpose of eligibility of composition levy scheme and determine, whether he is eligible for composition levy scheme or not, for the F.Y. 2024-25.

Particulars	₹ in lakh
Value of taxable outward supplies (out of above, ₹ 10 lakh was in course of inter-state)	75
Value of exempt supplies (which include ₹ 30 lakh received as interest on loans & advances)	70
Value of inward supplies on which he is liable to pay tax under reverse charge	15
Value of exports	7

All the amounts are exclusive of GST. Further, he assured that in F.Y. 2023-24, no inter-State supply will be executed by him. [7]

(b) Y Ltd., Mumbai, a registered supplier, is manufacturing Chocolates and Biscuits. It provides the following details of taxable inter-state supply made by it for the month of October, 2023.

Particulars	Amount (₹)
List price of goods supplied inter-state	12,40,000
Items already adjusted in the list price	
Subsidy from Central Government for supply of biscuits to Government School	1,50,000
Subsidy from Trade Association for supply of quality biscuits	50,000
Items not adjusted in the list price	
Tax levied by Municipal Authority	25,000
Packing Charges	20,000
Late fee paid by the recipient of supply for delayed payment of invoice	5,000

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Calculate the value of taxable supply made by Y Ltd. for the month of October, 2023.

[7]

8. (a) Calculate the input tax credit available with MS Motors Ltd., manufacturer of cars, in respect of the following services availed by it in the month of October, 2022:

Sl. No.	Particulars	Amount (₹)
1.	Accounting and Auditing Services	17,200
2.	Health insurance services for employees (Services are not provided under Government obligation)	6,200
3.	Routine maintenance of the cars manufactured by MS Motors Ltd.	28,000
4.	Repair services for office building (Cost of repairs is charged to Profit & loss Account)	28,400
5.	Hotel accommodation and conveyance facility to employees on vacation	13,360
6.	Testing services availed for car engines	19,000

[7]

- (b) From the particulars given below, Calculate the assessable value and total customs duty:

- (i) Cost of imported machine: US \$ 20,000
- (ii) Expenses up to the place of exportation: US \$ 2,000
- (iii) Buying commission: US\$ 200
- (iv) Designing charges in India: ₹ 1, 50,000
- (v) Materials supplied by the buyer free of cost: ₹ 2, 00,000
- (vi) CBIC had notified exchange rate of one US \$ is equal to ₹78 (Inter-bank rate is ₹ 79)
- (vii) Basic customs Duty @10%, social welfare surcharge @10% and IGST @ 18%.

[7]

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SECTION-A (Compulsory)**1. Choose the correct option:****[15x2=30]**

- (i) Mr. Vijay being a Government employee has a car (1.7 ltr.) used for office as well as for personal purpose. During the year, he incurred ₹ 40,000 on maintenance and ₹ 20,000 on driver's salary. The entire cost is reimbursed by employer. Find taxable perquisite?
- (a) ₹ 60000
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(c) ₹ 39600
(d) ₹ 25500
- (ii) Brought forward loss from house property of ₹ 3,10,000 of A.Y 2023-24 is allowed to be set-off against income from house property of A.Y. 2024-25 of ₹ 5,00,000 to the extent of –
- (a) ₹2, 00,000
(b) ₹3, 10,000
(c) ₹2, 50,000
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- (iii) R a person of Indian Origin visited India on 03.10.2023 and plans to stay here for 185 days. During 4 years prior to previous year 2023-24, he was in India for 750 days. Earlier to that he was never in India. His total income other than the foreign income during the previous year is ₹20 lakhs. For A.Y. 2024-25, the residential status of R shall be:
- (a) Resident and Ordinarily Resident in India
(b) Resident but not Ordinarily Resident in India
(c) Non-Resident
(d) Deemed Resident
- (iv) Maximum deduction u/s 80GG shall be limited to –
- (a) ₹5,000 p.m.
(b) ₹1000 p.m.
(c) ₹3000 p.m.
(d) ₹2000 p.m.
- (v) When assessment has not been completed, revised return can be filed within _____ from the end of the relevant previous year.
- (a) 6 months
(b) 12 months
(c) 2 years
(d) 9 months



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- (vi) The rate of TDS in case of listed debentures for the financial year 2023-24 is –
- (a) 20%
 - (b) 15%
 - (c) 10%
 - (d) 5%
- (vii) Alcoholic liquor for human consumption is subjected to:
- (a) State excise duty
 - (b) Central Sales Tax/Value Added Tax
 - (c) Both (a) and (b)
 - (d) GST
- (viii) Identify from following services which are covered under Reverse Charge Mechanism u/s 9(3) of CGST Act, 2017.
- (i) Legal Consultancy
 - (ii) Goods Transport Agency
 - (iii) Manpower Supply
 - (iv) Rent-a-Cab
- (a) i & ii
 - (b) i & iv
 - (c) i & iii
 - (d) All the above
- (ix) Services by way of admission to _____ is not exempt from GST
- (a) Museum
 - (b) National Park
 - (c) Tiger Reserve
 - (d) Recognised sporting event where the admission ticket cost ₹ 600 per person
- (x) The time limit to pay the value of supply with taxes to the supplier to avail the input tax credit is:
- (a) 30 Days
 - (b) 180 Days
 - (c) 90 Days
 - (d) 120 Days
- (xi) Ms. S, an unregistered person, (New Delhi) is travelling from New Delhi to Kanpur, Pradesh in a train. The train starts at New Delhi and stops at three stations before reaching Kanpur. The food items were loaded into the train at Aligarh (Uttar Pradesh) 2nd station. Ms. S buys dinner on board the train. Determine POS:
- (a) New Delhi
 - (b) Kanpur
 - (c) Aligarh
 - (d) None of the above
- (xii) Subhas & Co., a registered person, supplies taxable goods to unregistered persons. It need not issue tax invoice, if the value of supply of goods to such persons is and the recipient does not require such invoice.
- (a) 150
 - (b) 600

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(c) 1200

(d) 2000

(xiii) The time limit for filing refund claim is _____ from the relevant date

(a) One year

(b) Two years

(c) One and half year

(d) Half year

(xiv) Basic custom duty on imported goods is levied at the rates specified in the

(a) First Schedule of the Customs Tariff Act, 1975

(b) Second Schedule of the Customs Tariff Act, 1975

(c) Customs Act

(d) Customs Manual

(xv) Which of the following is a taxable event for imported goods?

(a) Date of presentation of bill of entry

(b) Date of entry into Indian territorial waters

(c) Unloading of imported goods at the customs port

(d) Date on which the goods cross the customs barrier

Answer:

(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)	(xi)	(xii)	(xiii)	(xiv)	(xv)
b	b	b	a	d	d	c	a	D	b	c	a	b	a	d

SECTION-B

(Answer any five questions out of seven questions given. Each question carries 14 Marks)

[5x14=70]**2. (a) Joshi discloses his income earned during the financial year 2023-24:**

(i) Interest on German Development Bonds (1/6 received in India) 30,000

(ii) Income from house property in India but received in Australia 40,000

(iii) Income from agriculture in America but received in India 60,000

(iv) Income from business in Canada but controlled from India 75,000

(v) Income from business in Singapore but controlled from Sri Lanka ₹ 80,000

Calculate his taxable income, if he is:

(A) Resident and ordinarily resident

(B) Resident but not ordinarily resident

(C) Non- resident in India for the assessment year 2024-25.

[7]

(b) Following are the particulars of income of Mrs. S. Choudhury for the Previous Year 2023-24:

1. Basic salary @ ₹ 15,000 per month.

2. Dearness Allowance @ 60% of salary.

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3. Medical Allowance @ 600 per month (Actual expenditure ₹ 5,000).
4. House Rent Allowance received @ ₹ 6,000 per month and she pays rent of ₹7,200 per Month for her house in Durgapur.
5. City compensatory allowance ₹ 1,500 per month.
6. She owns a car which she is using for official purposes. Her employer reimburses her @ ₹3,000 per month.
7. She is contributing ₹ 2,100 per month towards a recognized provident fund. The employer is also contributing the same amount. Interest credited to R.P.F @ 11% ₹ 2,200.
8. She paid ₹ 1,800 as professional tax during the year.
9. Professional tax was paid by his employer ₹ 2,400.

Calculate income from salary of Mrs. Choudhury for the assessment year 2024-25.

[7]

Answer:

(a)

Particulars of Income	Resident and ordinarily resident (OR) (₹)	Resident but not ordinarily resident (NOR) (₹)	Non-resident (NR) (₹)
Interest on German Development Bonds (1/6)	5,000	5,000	5,000
Interest on German Development Bonds (5/6)	25000	-	-
Income from house property in India but received in Australia	40,000	40,000	40,000
Income from agriculture in America but received in India	60,000	60,000	60,000
Income from business in Canada but controlled from India	75,000	75,000	-
Income from business in Singapore but controlled from Sri Lanka	80,000	-	-
Taxable Income	2,85,000	1,80,000	1,05,000

(b) Computation of Taxable Salary of Mrs. S Choudhury for the A.Y. 2024-25:

Particulars	Working	Details (₹)	Amount (₹)	Amount (₹)
Salaries				1,80,000
Basic				
Allowances				
Dearness allowance	60% of basic		1,08,000	
Medical Allowance			7,200	
City compensatory allowance			18,000	
House rent allowance		72,000		
Less : Exempted u/s 10(13A)				
Minimum of the following :				
A. Actual HRA	72,000			



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B. 40% of (Basic + DA)	1,15,200			
C. Rent paid – 10% (Basic + DA)	57,600	57,600	14,400	1,47,600
Perquisites u/s 17(2):				
Car facility			-	-
Employer's contribution to RPF		25,200		
Less : Exempted u/s 10(12)	12% of (Basic + DA)	25,200		
Interest on RPF		2200		
Less : Exempted	Up to 9%	1,800	400	400
Gross taxable salary		3,27,600		
Less : Deduction u/s:				
16(ia) Standard Deduction			50,000	
16(iii) Professional tax			1,800	51,800
Taxable Salary				2,75,800

3. (a) Mr. Rajesh owns two house properties both of which are let out. Calculate his income from the following details:

Particulars	House I (₹)	House II (₹)
Situated at	Gaya	Mumbai
Gross Municipal value	1,00,000	2,00,000
Fair Rent	95,000	2,10,000
Standard Rent	90,000	2,00,000
Annual Rent Receivable	1,00,000	1,80,000
Unrealised rent of current year	8,000	2,000
Municipal tax	10%	1,000
Fire insurance	2,000	1,200
Repairs	Nil	2,000
Interest on loan for construction (@ 12%)	10,000	Nil

Other Information:

1. Loan taken for construction is still unpaid.

2. Municipal tax of H1 is still unpaid, while, that of H2 is half paid by tenant.

[7]

- (b) Calculate the gross total income of Mr. Inder Kumar Basu on the basis of the following particulars:

Dr. Extract of Profit and Loss Account for the year ended 31.03.2024 Cr.			
Particulars	₹	Particulars	₹
Interest	1,800	Gross profit b/d	1,22,700
Repairs and Renewals	2,200	Interest on debenture of an Institution (Gross)	10,000
Insurance	4,200	Rent from House Property	36,000
Depreciation	5,600		
Compensation	10,200		
Law charges	5,100		

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Labour welfare charges	3,800		
Subscriptions	5,800		
Net Profit	1,30,000		
	1,68,700		1,68,700

- (1) i. Interest includes ₹200 on loan taken for purchasing debentures of a company and ₹300 on loan taken for reconstruction of house property let out.
ii. The expenses relating to house property let out are 40% of the repairs and renewal expenses.
iii. Depreciation includes ₹1, 200 on house property let out.
iv. Compensation was paid to an employee whose dismissal was in business interest.
v. Insurance includes 30% for fire insurance of the house property let out, 30% for workers accident insurance and the balance for life insurance.
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vii. Subscriptions include ₹2, 000 given for election purpose to political parties.
- (2) The amount not debited to profit and loss account are as follows
i. Expenses incurred on the occasion of Festival ₹800
ii. Theft of cash from locker ₹1, 200.
iii. Expenses for new telephone connection in the business ₹2, 000. [7]

Answer:**3. (a)**

Computation of income from house property of Mr. Rajesh for the A.Y. 2024-25:

Particulars	Details (₹)	Amount (₹)	Amount (₹)
H1: Let out			
Gross Annual Value#		92,000	
Less : Municipal tax		Nil	
Net Annual Value		92,000	
Less : Deduction u/s 24:			
A. Standard deduction (30% of NAV)	27,600		
B. Interest on loan	10,000	37,600	54,400
H2: Let out			
Gross Annual Value#		2,00,000	
Less : Municipal tax		500	
Net Annual Value		1,99,500	
Less : Deduction u/s 24			
A. Standard deduction (30% of NAV)	59,850		
B. Interest on loan	Nil	59,850	1,39,650
Income from House Property			1,94,050

Note: Unpaid municipal tax and municipal tax paid by tenant is not allowed.



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#. Computation of Gross Annual Value

Particulars	Details (₹)	H1	H2
Reasonable Expected Rent	Higher of GMV or FR subject to SR	90,000	2,00,000
Actual Rent Receivable – Unrealized Rent		92,000	1,78,000
Gross Annual Value	Higher of above	92,000	2,00,000

(b)

Particulars	₹	₹
Income from House Property		
Rent from house property		36,000
Less: Municipal taxes		Nil
		36,000
Less: (i) Standard deduction @30%	10,800	
(ii) Interest	300	11,100
		24,900
Profit and Gains of Business Profession:		
Net Profit as per P&L A/c		1,30,000
Add: Inadmissible expenses		
(i) Interest on loan for securities and house property (200+300)	500	
(ii) Repairs and renewals of property (40%)	880	
(iii) Depreciation on House Property	1,200	
(iv) Fire insurance premium on House Property	1,260	
(v) Life insurance premium	1,680	
(vi) Subscription to political parties	2,000	7,520
		1,37,520
Less: Income not taxable under this head		
(i) Interest on Debentures	10,000	
(ii) Rent from House Property	36,000	46,000
		91,520
Less: Expenses allowable but not debited to P&L a/c		
(i) Festival Expenses	800	
(ii) New telephone expenses	2,000	
(iii) Loss of cash due to theft	1,200	4,000
Business Income		87,520
Income from other sources		
Interest on debentures (10,000 – 200)		9,800
Computation of Gross Total Income		
(i) Income from House Property	24,900	
(ii) Profit and Gains of Business Profession	87,520	

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(iii) Income from other sources	9,800	
	1,22,220	

Note –

- Subscription ₹ 2,000 paid to political party shall be allowed as deduction u/s 80GGC.
- LIP of ₹ 1,680 (40% of ₹ 4,200) shall be allowed as deduction u/s 80C.

4. (a) Shiv has jewellery acquired on 17/07/2010 for ₹ 5,00,000. On 18/08/2013 Shiv incurred improvement expenditure on such jewellery by adding diamond to it worth ₹ 3, 00,000. On 18/08/2021, he transferred such jewellery to his friend Mona for ₹ 40, 00,000. Shiv already has a self-occupied house property in Lucknow; however on 17/03/2022 he purchased another residential house property for ₹ 30, 00,000 for the purpose of letting out. As on 5/04/2023, his friend offered him house worth ₹ 25, 00,000 (Value for Stamp duty purpose is only ₹ 14, 00,000/-) for ₹ 15, 00,000 only & Shiv purchased the same. On 7/04/2024, Shiv sold the new house acquired from his friend for ₹ 19, 00,000. Value determined for the purpose of stamp duty purposes ₹ 22, 00,000 and market value as on the date of transfer is ₹ 26, 00,000. Calculate capital gain in hands of Shiv for several years. [7]

- (b) Calculate the taxable income under the head Income from other sources of Mrs. X from the following data:

Particulars	Amount (₹)
Pension from employer of deceased husband	21,000
Remuneration for checking the examination copy of employer's school	10,000
Remuneration for checking the examination copy of CMA	15,000
Income tax refund	5,000
Interest on income tax refund	100
Composite rent (related expenditures are ₹ 5,000)	10,000
Rent on sub-letting of house property (rent paid to original owner ₹ 12,000)	20,000

[7]

Answer:

- (a) Computation of capital gain of Shiv for the A.Y. 2023-24:

Particulars	Workings	Details (₹)	Amount (₹)
Sale consideration for Jewellery			40,00,000
Less: Expenditure on transfer			Nil
Net Sale consideration			40,00,000
Less: Indexed cost of acquisition	₹ 5,00,000 × 317 / 167	9,49,102	
Less: Indexed cost of improvement	₹ 3,00,000 × 317 / 220	4,32,273	13,81,375
Long term capital gain			
Less: Exemption u/s 54F [₹30,00,000 / ₹40,00,000 × ₹ 26,18,625]			19,63,969
Taxable Long term capital gain			6,54,656

Computation of capital gain of Shiv for the A.Y. 2024-25: Since the assessee acquired another house property therefore the earlier exemption availed u/s 54F shall be revoked and shall be liable to long term capital gain. Hence taxable long-term capital gain for the A.Y.2024-25 is ₹ 19, 63,969.

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Computation of capital gain of Shiv for the A.Y. 2025-26

Particulars	Details (₹)	Amount (₹)
Sale consideration	Value determined for Stamp duty [Sec. 50C]	22,00,000
Less: Expenditure on transfer		Nil
Net sale consideration		22,00,000
Less: Cost of acquisition	15,00,000	
Less: Cost of improvement	Nil	15,00,000
Short term capital gain		7,00,000

(b) Computation of income of Mrs. X under the head Income from other source for the A.Y. 2023-24:

Particulars	Details (₹)	Amount (₹)
Pension from employer of deceased husband	21,000	
Less: Standard deduction		
1) 1/3rd of amount received (i.e. ₹ 7,000)		
2) ₹ 15,000	7,000	14,000
Remuneration for checking the examination copy of employer's school	Taxable Salary	—
Remuneration for checking the examination copy of CMA		15,000
Income tax refund	Not an income	—
Interest on income tax refund		100
Composite rent	10,000	
Less: Expenditure	5,000	5,000
Rent on sub-letting of house property	20,000	
Less: Rent paid to original owner	12,000	8,000
Income from Other Source		42,100

5. (a) Following are the details of incomes/losses of Mr. Raghu for the financial year 2023-24:

Source of Income	Amount (₹)
Income under the head 'Salaries'	2,60,000
Income from house property (A)	60,000
Income from house property (B)	(2,80,000)
Speculation income	20,000
Business income	(1,30,000)
Income from activity of owning and maintaining race-horses	(1,50,000)
Income from agricultural business	(1,25,000)
Short term capital gain	30,000
Long term capital gain	(1,00,000)

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Income from lottery	10,000
Income from horse races	1,70,000
Interest on securities after adjusting interest expenses and other expenses	(70,000)

Calculate the Gross Total Income of Mr. Raghu for the Assessment Year 2024-25.

[7]

(b) Calculate taxable income and tax liability as per old tax regime of Sri Dev from the following information:

1. He is working with X Ltd. for a basic of ₹ 24,000 p.m. and dearness allowance ₹ 2,000 p.m. Bonus ₹ 50,000
2. He and his employer contribute to RPF @ 6% of salary.
3. His income from business & profession is ₹ 52,000
4. During the year, interest on fixed deposit ₹ 5,000
5. LIC premium paid ₹ 4,000.

[7]

Answer:**(a)**

Computation of Total Income of Mr. Raghu for the A.Y. 2024-25

Particulars	Details (₹)	Amount (₹)	Amount (₹)
Salaries		2,60,000	
Income from house property			
House property A	60,000		
House Property B [# Max. limit, balance shall be carried forward]	(2,80,000)	(2,00,000) #	
Profits & gains of Business or Profession			
Speculation income	20,000		
Other business income	(1,30,000)		
Income from agricultural business [exempted u/s 10(1)]	Nil	(1,10,000)	
Capital Gains			
Short term capital gain		30,000	
Long term capital gain	(1,00,000)	Nil	
Long term capital loss cannot be set off against any income & shall be carried forward			
Income from Other Sources			
Casual income			
Income from lottery	10,000		
Income from horse races	1,70,000		1,80,000
As no loss can be set off against such income.			
Income from activity of owning and maintaining race-horses			
Loss from activity of owning and maintaining race-horses cannot be set off against any income & shall be carried forward	(1,50,000)	Nil	
Other income			



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Interest on securities		(70,000)	
Gross Total Income		(90,000)	1,80,000

(b)

Computation of Total Income of for the A.Y. 2024-25

Particulars	Details (₹)	Amount (₹)
Salaries		
Basic	2,88,000	
Bonus	50,000	
Dearness allowance	24,000	
Employer's contribution to RPF (as less than 12% of salary)	Nil	
Gross Salary	3,62,000	
Less: Standard Deduction u/s 16(ia)	50,000	3,12,000
Profits & gains of business or profession		52,000
Income from other sources		
Interest on Fixed deposit		5,000
Gross Total Income		3,69,000
Less: Deduction u/s 80C ¹		22,720
Total Income		3,46,280

Computation of Tax Liability for the A.Y. 2024-25

Income	Rate	On Amount (₹)	Tax (₹)
Up to ₹ 2,50,000			
From ₹ 2,50,001 to ₹ 3,46,280	5%	96,280	4,814
Tax liability			4,814
Less: Rebate u/s 87A			4,814
			Nil
Add: Health and Education cess			Nil
Tax and cess payable			Nil

1. Computation of deduction u/s 80C

Particulars	Amount (₹)
LIC premium paid	4,000
Employees contribution to RPF (6% of basic and DA)	18,720
Total	22,720

6. (a) Discuss the features of indirect tax.

[7]

(b) Discuss, the role of the Goods and Services Tax (GST) Council in India.

[7]

**DIRECT AND INDIRECT TAXATION****Answer:****(a) The features of indirect taxes are:**

- Tax on goods and services: Indirect tax is levied at the time of supply or manufacture or purchase or sale or import or export of goods. Further, it is also levied on supply.
- Burden: Tax, being indirect tax paid by the seller, shall be recovered by the seller from the buyer. Thus, one can say that burden of indirect tax is shifted from seller to buyer and ultimately borne by consumers of such goods or services.
- Inflationary in nature: Cost of goods and services increases due to levy of indirect tax thus indirect taxes promote inflation.
- Social welfare: It is useful tool to promote social welfare by checking the consumption of harmful goods or sin goods through higher rate of tax.
- Wider Tax Base: Majority of goods and services are liable to indirect tax with very low threshold limits, so tax base is much wider in case of indirect tax in compare to direct tax.
- Regressive in Nature: All persons (rich or poor) will bear equal wrath of tax on goods or service consumed by them irrespective of their ability. In other words, indirect tax does not create any difference between rich and poor. Poor people are also required to pay equal percentage of tax on certain goods and service of mass consumption. Thus, it may increase the disparities between rich and poor.
- No pinch: Seller (the person on which indirect tax is levied) does not perceive a direct pinch of tax as it is recovered by him from the buyer and then he is paying to the Government. On the other hand, since it is inbuilt in the price of the goods, the ultimate payer (i.e., buyer) pay it without knowing that he is paying any tax to the Government

(b) Functions of the GST Council:

1. Policy Formulation: The Council is responsible for recommending policy changes related to GST, including the rates, exemptions, and thresholds.
2. Rate Setting: It decides on the GST rates for different goods and services, which can vary between essential items and luxury goods.
3. Revenue Distribution: The Council determines how revenue from GST will be shared between the Central and State governments.
4. Resolving Disputes: It addresses disputes and concerns raised by states regarding the implementation of GST, facilitating a collaborative approach.
5. Simplification of Compliance: The Council works towards simplifying compliance procedures and ensuring ease of doing business for taxpayers.
6. Reviewing GST Framework: It periodically reviews the GST structure and makes recommendations for improvement based on evolving economic conditions.
7. Enhanced Tax Compliance: By addressing issues and providing clarity on GST-related matters, the Council fosters a conducive environment for tax compliance among businesses.
8. Economic Stability: The Council's role in ensuring a balanced approach to taxation helps maintain economic stability and promotes growth across sectors.
9. Cooperative Federalism: The Council embodies the principles of cooperative federalism, as it brings together the Central and State governments to make collective decisions regarding GST.
10. Flexibility and Adaptability: The Council's ability to recommend changes to tax rates and policies allows the GST framework to adapt to economic changes and emerging challenges.

**INTERMEDIATE EXAMINATION****SET 2****MODEL ANSWERS****TERM – DECEMBER 2024****PAPER – 7****SYLLABUS 2022****DIRECT AND INDIRECT TAXATION**

7. (a) Mr. Ritesh of Assam, provides the following information for the preceding financial year 2023-24. You are required to find out the aggregate turnover for the purpose of eligibility of composition levy scheme and determine, whether he is eligible for composition levy scheme or not, for the F.Y. 2024-25.

Particulars	₹ in lakh
Value of taxable outward supplies (out of above, ₹ 10 lakh was in course of inter-state)	75
Value of exempt supplies (which include ₹ 30 lakh received as interest on loans & advances)	70
Value of inward supplies on which he is liable to pay tax under reverse charge	15
Value of exports	7

All the amounts are exclusive of GST. Further, he assured that in F.Y. 2023-24, no inter-State supply will be executed by him. [7]

- (b) Y Ltd., Mumbai, a registered supplier, is manufacturing Chocolates and Biscuits. It provides the following details of taxable inter-state supply made by it for the month of October, 2023.

Particulars	Amount (₹)
List price of goods supplied inter-state	12,40,000
Items already adjusted in the list price	
Subsidy from Central Government for supply of biscuits to Government School	1,50,000
Subsidy from Trade Association for supply of quality biscuits	50,000
Items not adjusted in the list price	
Tax levied by Municipal Authority	25,000
Packing Charges	20,000
Late fee paid by the recipient of supply for delayed payment of invoice	5,000

Calculate the value of taxable supply made by Y Ltd. for the month of October, 2023. [7]

Answer:

- (a) Computation of aggregate turnover of Mr. Ritesh for F.Y. 2023-24 for the purpose of eligibility of composition levy scheme:

Particulars	₹ in lakh
Value of taxable outward supplies [All taxable supplies including inter-State supplies]	75
Value of exempt supplies [excluding value of supply of services by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount]	40
Value of inward supplies on which Mr. Ritesh is liable to pay tax under reverse charge	Nil
Value of exports	7
Aggregate turnover for determining eligibility for composition scheme	122

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A registered person of Assam is eligible to opt for composition levy if his aggregate turnover does not exceed ₹ 1.5 crore in the preceding financial year. Therefore, in the given case, Mr. Ritesh is eligible to opt for composition levy for F.Y. 2024-25.

(b) Computation of value of taxable supply:

Particulars	₹
List price of goods supplied inter-state	12,40,000
Subsidy from Central Government for supply of biscuits to Government School	-
Subsidy from Trade Association for supply of quality biscuits	50,000
Tax levied by Municipal Authority	25,000
Packing Charges	20,000
Late fee paid by the recipient of supply for delayed payment of Invoice	5,000
Value of taxable supply	13,40,000

8. (a) Calculate the input tax credit available with MS Motors Ltd., manufacturer of cars, in respect of the following services availed by it in the month of October, 2022:

Sl. No.	Particulars	Amount (₹)
1.	Accounting and Auditing Services	17,200
2.	Health insurance services for employees (Services are not provided under Government obligation)	6,200
3.	Routine maintenance of the cars manufactured by MS Motors Ltd.	28,000
4.	Repair services for office building (Cost of repairs is charged to Profit & loss Account)	28,400
5.	Hotel accommodation and conveyance facility to employees on vacation	13,360
6.	Testing services availed for car engines	19,000

[7]

(b) From the particulars given below, Calculate the assessable value and total customs duty:

- (i) Cost of imported machine: US \$ 20,000
- (ii) Expenses up to the place of exportation: US \$ 2,000
- (iii) Buying commission: US\$ 200
- (iv) Designing charges in India: ₹ 1, 50,000
- (v) Materials supplied by the buyer free of cost: ₹ 2, 00,000
- (vi) CBIC had notified exchange rate of one US \$ is equal to ₹78 (Inter-bank rate is ₹ 79)
- (vii) Basic customs Duty @10%, social welfare surcharge @10% and IGST @ 18%.

[7]

Answer:

(a) Computation of Input tax credit available with MS Motors Ltd.:

Sl. No.	Particulars	Amount (₹)
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1.	Accounting and Auditing Services	17,200
2.	Health insurance services for employees (Services are not provided under Government obligation)	Nil
3.	Routine maintenance of the cars manufactured by MS Motors Ltd.	28,000
4.	Repair services for office building (Cost of repairs is charged to Profit & loss Account)	28,400
5.	Hotel accommodation and conveyance facility to employees on vacation	Nil
6.	Testing services availed for car engines	19,000
Total credit available		92,600

(b) Computation of assessable value and customs duty

Particulars	US\$
Cost Price	20,000.00
Expenses	2,000.00
Foreign Currency	22,000.00
Indian Currency (22000 × 78)	₹ 17,16,000.00
(+) Materials	₹2,00,000.00
	₹19,16,000.00
(+) Freight @ 20%	₹3,83,200.00
(+) Insurance@1.125%	₹21,555.00
Assessable Value (CIF)	₹23,20,755.00
BCD @10%	₹2,32,075.50
SWS @10%	₹23,207.55
IGST@18%	₹4,63,686.85
Total Duty (Rounded off)	₹7,18,970.00