



**POSTAL TEST PAPER**

**INTERMEDIATE**

**SYLLABUS 2022**

**PAPER - 7**

**DIRECT AND INDIRECT TAXATION**

**Time Allowed: 3 Hours**

**Full Marks: 100**

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

**SECTION - A : (Direct Taxation)**

(Answer Question No. 1 and any three from Question No. 2, 3, 4 and 5.)

**1. (A) Choose the most appropriate alternative for the following:**

**[6x1=6]**

- (i) An individual is said to be resident in India if –
- He has a house in India
  - He is in India in the previous year for a period of 182 days or more
  - He is in India for a period of 30 days or more during the previous year and for 365 or more days during 4 previous years immediately preceding the relevant previous year
  - His parents are Indian citizen
- (ii) Cost of acquisition of self-generated asset is nil, the exception is:
- Goodwill
  - Route permit
  - Bonus shares acquired before 01-04-2001
  - Loom hours
- (iii) Expenditure on promotion of family planning is an allowance as deduction u/s. 36(1)(ix) of the Income Tax Act, 1961 in case of:
- Individual
  - Firm
  - HUF
  - Company
- (iv) Deduction u/s. 80JJA is available if the assessee:
- Is engaged in scientific research
  - Sets up an industrial unit in a backward area
  - Is engaged in agriculture business
  - Is engaged in the business of collecting and processing biodegradable waste.
- (v) On salary, tax is required to be deducted at the time of:
- Payment or crediting the employee, whichever is earlier
  - Crediting the employee
  - Payment
  - Retirement of employee
- (vi) Net Annual Value of a self-occupied property treated as such is:
- Fair Rent
  - Nil
  - Reasonable Expected Rent as reduced by municipal tax paid during the previous year.
  - None of the Above.



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#### (B) State True or False:

[1×4=4]

- (i) Zero-coupons bonds shall be treated as 'short-term capital asset' if held for more than 12 months but not more than 36 months.
- (ii) For adjusting brought forward business loss with current year business income, one of the conditions is that such business must be continued during the current year.
- (iii) Prize given to Suresh by the Government of Madhya Pradesh on account of higher crop yield is an agricultural income.
- (iv) A return of income filed without payment of self-assessment tax is a defective return.

#### (C) Fill in the blanks:

[1×4=4]

- (i) Salary foregone is \_\_\_\_\_ (taxable/ not taxable) in computing the income from salaries in the hands of the concerned employee.
- (ii) Interest payable to a partner by a firm shall not exceed \_\_\_\_\_ (18% /12%) per annum.
- (iii) The maximum amount deductible u/s 80TTA in respect of interest on savings bank account is ₹ \_\_\_\_\_.
- (iv) Unabsorbed loss under the head 'Capital gains' shall be carried forward for a period of \_\_\_\_\_ assessment years immediately following the assessment year in which such loss was incurred.

- 2.(a) Mr. Ajnabi has a house property in Cochin. The house property has two equal dimension residential units. Unit 1 is self-occupied throughout the year and unit 2 is let out for 9 months for ₹ 10,000 p.m. and for remaining 3 months it was self-occupied. Compute his taxable income from the following details:

Municipal value ₹ 2,00,000, Fair Rent ₹ 1,60,000, Standard rent ₹ 3,00,000, Municipal tax 10% (60% paid by assessee), Interest on loan ₹ 40,000, Expenditure on repairs ₹ 20,000. [6]

- (b) State the conditions for including agricultural income in the total income of the assessee and also state the steps to be considered to calculate tax liability if the assessee has agricultural as well as non-agricultural income. [3+3=6]

- 3.(a) Balu is the Karta of a HUF, whose members derive income as given below:

Particulars	₹
Income from Balu's own business	50,000
Mrs. Balu a dermatologist (taxable salary)	80,000
Minor son Deepak (earning interest on fixed deposits with ABC Ltd., which were gifted to him)	15,000
Minor daughter Priya gave a dance performance and received remuneration	1,00,000
Deepak got winnings from lottery (gross)	2,00,000

Explain how the above will be taxed.

[6]

- (b) Sri Bhagawan, has been provided with the following servants by his employer:



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Servant	Appointed	Salary of Servant (₹)
Watchman	Employer	2,000
Cook	Employee's wife	3,000
Maid servant	Employer	1,000
Sweeper	Employee	500
Gardener	Employer	1,000

Sri Bhagawan has also been provided a rent-free accommodation, which is owned by the employer. Find taxable value of servant facility if - Case A) He is a specified employee. Case B) He is a non-specified employee. [6]

4.(a) Mr. Ram (38 years) has incurred following expenses:

Particulars	₹
Mediclaim Insurance premium paid for himself	9,000
Mediclaim Insurance premium paid for spouse	8,000
Mediclaim Insurance premium paid for dependent children	6,000
Mediclaim Insurance premium paid for father (62 years)	18,000
Preventive health-check up expenditure for father	6,000
Preventive health-check up expenditure for himself (paid in cash)	4,000

Compute deduction available to Mr. Ram u/s 80D. [7]

(b) What do you mean by Assessee as per sec. 2(7) of the Income-tax Act? [5]

5. Uttar and Dakshin, partners of PP Traders, furnishes the following details –

Profit and loss account for the year ended 31-3-2023

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

**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. [12]



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**SECTION – B: (Indirect Taxation)**

(Answer Question No. 6 and any three from Question No. 7, 8, 9 and 10)

- 6. (A) Choose the most appropriate alternative for the following: [6x1=6]**
- (i) Tax invoice shall be prepared in \_\_\_\_\_ in case of supply of goods and in \_\_\_\_\_ in case of supply of services.
    - a. Duplicate, Duplicate
    - b. Duplicate, Triplicate
    - c. Triplicate, Duplicate
    - d. Triplicate, Triplicate
  
  - (ii) Where the insurance amount is not available, for ascertaining the assessable value for customs duty, the percentage of FOB value to be taken is:
    - a. 1
    - b. 1.125
    - c. 1.5
    - d. None of the above
  
  - (iii) Indirect tax is:
    - a. Regressive in nature
    - b. Progressive in nature
    - c. Suppressive in nature
    - d. None of these
  
  - (iv) Buying commission shall be included in the assessable value. Is this statement correct?
    - a. No
    - b. Yes
    - c. Yes, if buying commission is paid in foreign currency
    - d. None of the above.
  
  - (v) Gifts not exceeding ..... in value in a financial year by an employer to an employee shall not be treated as supply of goods or services or both.
    - a. ₹ 50,000
    - b. ₹ 25,000
    - c. ₹ 30,000
    - d. None of the above
  
  - (vi) For which of the following goods, the manufacturer is not allowed to opt for composition scheme:
    - a. Pan masala
    - b. Ice cream
    - c. Topical and manufactured tobacco substitutes
    - d. All of the above

**(B) State True or False: [1×4=4]**



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- (i) Entry No. 83 of the List I to the Schedule VII of the Constitution empowers the Union Government to legislate and collect duties on imports and exports.
- (ii) The value of a supply of goods or services or both shall be the transaction value.
- (iii) GST is an example of direct tax.
- (iv) Union Finance Minister is the chairperson of the GST Council.

**(C) Fill in the blanks: [1×4=4]**

- (i) Goods being derelict, wreck, jetsam and flotsam brought or coming into India shall be dealt with as if they were \_\_\_\_\_ into India.
- (ii) \_\_\_\_\_ is known as cascading effect of tax.
- (iii) In case where a person is paying tax Over the Counter through authorised banks, the maximum limit is \_\_\_\_\_ per challan per tax period.
- (iv) Monthly GSTR 3B shall be filed within \_\_\_\_\_ month by a registered person whose turnover exceeds ₹ 5 crore.

7.(a) RG Pvt. Ltd. provides the following particulars relating to goods sold by it to GK Pvt. Ltd.:

Particulars	Amount in (₹)
List price of the goods (exclusive of taxes and discounts)	10,00,000
Tax levied by Municipal Authority in the sale of such goods	1,00,000
CGST and SGST chargeable on the goods	2,00,880
Packing charges (not included in price above)	20,000

RG Pvt. Ltd. received ₹ 40,000 as a subsidy from a NGO on sale of such goods. The price of ₹ 10,00,000 of the goods is after considering such subsidy. RG Ltd. offers 2% discount on the list price of the goods which is recorded in the invoice for the goods.

Determine the value of the taxable supply made by RG Pvt. Ltd. [7]

(b) Write a short note on zero rated supply as per sec. 16 of the IGST Act. [5]

8. What do you mean by GST Network (GSTN)? State the salient features and functions of the GSTN. [2+5+5=12]

9.(a) Compute the Assessable Value of a machine imported from Germany by RLI Ltd., under Customs Act, 1962. Also determine the duty liability of RLI Ltd. [5+4=9]

Particulars	Amount
FOB Value	USD 30,000
Air Freight Paid	USD 7,250
Insurance Cost	Not Known
Designing Charges incurred in India	₹ 15,000
Indian Agent's Commission	₹ 20,000
Transport Charges from port to factory in India	₹ 15,000
Rate of duty	10%
IGST	18%
Rate of exchange notified by CBIC	₹ 65 per USD



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- (b) What is Invoice Reference Number in the context of e-way bill? [3]
- 10.(a) Mention the category of persons who are not liable for registration. [9]  
(b) What are composite supply and mixed supply under GST? Give example. [3]