INTERMEDIATE EXAMINATION

December 2025

P–7(DITX)
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.
All workings should form part of the answer.

Section-A

(Compulsory)

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

(i) Out of the following which one is not a capital receipt under the Income Tax Act, 1961?

(A) Bonus Shares

(B) Sale of know-how

(C) Dividend on investment

(D) Compensation received for vacating business place

(ii) With reference to the Income Tax Act, 1961, Assessment Year refers to

(A) the year in which income is earned.

(B) any period of 12 months.

(C) the year immediately following the year in which income is earned.

(D) All of the above

(iii) As per the provisions of the Income Tax Act, 1961, if a domestic servant is engaged by the employer and salary is paid by him, the perquisite is _____.

(A) taxable to the extent of ₹ 120 per person in the hands of all employees

(B) taxable in the hands of all employees

(C) taxable in the hands of specified employees only

(D) not taxable in the hands of both specified and non specified employees.

(iv) Exemption (from the Capital Gain) under Section 54F of the Income Tax Act, 1961, shall not be allowed if the assessee, on the date of transfer, owns _____.

(A) a House which is self-occupied.

(B) a Residential House which is let out.

(C) any Residential House.

(D) more than one Residential House.

(v) 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 _____.

(A) Company

(B) Firm

(C) HUF

(D) Individual

(vi) Deduction (under old regime) under Section 80G of the Income Tax Act, 1961 in respect of donation to certain funds is available to _____.

(A) only resident individuals

(B) all assessees

(C) only individuals and HUFs (resident or non-resident)

(D) only Indian citizens

(vii) Which among the following is not the difference between direct and indirect taxes?

(A) Burden of tax can be shifted in indirect tax whereas in direct tax it cannot be shifted.

(B) Direct tax is progressive in nature whereas indirect taxes are regressive in nature.

(C) In direct tax, tax evasion is possible whereas tax evasion is not possible in indirect tax.

(D) Direct taxes are imposed by the Central Government whereas indirect taxes are solely imposed by the State Governments.

(viii) As per the GST law, services by an old age home run by Central Government, State Government or entity u/s 12AA of the Income Tax Act, 1961 to residents for consideration up to _____ is exempt, provided that consideration charged is inclusive of charges for boarding, lodging and maintenance.

(A) ₹ 20,000 per month per member

(B) ₹ 25,000 per month per member

(C) ₹ 20,000 per annum per member

(D) ₹ 25,000 per annum per member

(ix) Rule 30 of the CGST Rules, 2017 inter alia provides that value of supply of goods or services or both based on cost shall be _____% of cost of production or manufacture or the cost of acquisition of such goods or the cost of provision of such services.

(A) 10

(B) 90

(C) 100

(D) 110

(x) Under the GST law, Place of Supply of any service when it is provided on board a rail shall be_____.

(A) where the passenger embarks on the rail for continuous journey

(B) the first scheduled point of departure of the rail for the journey

(C) the point where the passenger takes the service

(D) the last scheduled point of arrival of the rail after the journey

(xi) Input Tax Credit (ITC) shall not be available if the same is not reflected in _____ of the registered person.

(A) Form GSTR 3B

(B) Form GSTR 1A

(C) Form GSTR 1

(D) Form GSTR 2B

(xii) Where the application for grant of registration has been approved under Rule 9 of the CGST Rules, 2017, Certificate of registration is issued in Form _____.

(A) GST REG-01

(B) GST REG-02

(C) GST REG-06

(D) GST REG-10

(xiii) A person opting to pay tax under composition scheme under the GST law needs to file Form CMP-08 _____ and CMP-04 _____.

(A) Monthly; Annually

(B) Quarterly; Monthly

(C) Annually; Monthly

(D) Quarterly; Annually

(xiv) With reference to Customs Act, 1962, what is the limit of Exclusive Economic Zone of India (EEZI) from the baseline?

(A) 24 nautical miles

(B) 100 nautical miles

(C) 200 nautical miles

(D) 12 nautical miles

(xv) As per Section 8B of the Customs Tariff Act, 1975, the total period of levy of safeguard duty is restricted to _____ years.

(A) 5

(B) 6

(C) 7

(D) 10

Section-B

(Answer any five questions out of seven questions given.)

Each question carries 14 Marks. 14×5=70

2. (a) Mr. Naresh, aged 35 years, gives the following information to you regarding his incomes:

(i) Rental income (computed) received in a bank account in Germany in respect of a house property situated in Germany : ₹ 2,40,000

(ii) Income from a business in India controlled from Germany received in India : ₹ 5,00,000

(iii) Agricultural income from a land situated in Sri Lanka received in Sri Lanka : ₹ 6,00,000

(iv) Interest from savings bank account in Germany : ₹15,000

(v) Royalty received from BHI Ltd., an Indian company for a product design to be used in Italy received in Germany bank account : ₹ 25,00,000

(vi) Capital gains on the sale of shares listed in a recognised stock exchange in India : ₹ 5,40,000

Required :

Compute the gross total income of Mr. Naresh for the Assessment Year 2025-26, assuming he is :

(I) a resident and ordinarily resident,

(II) a non-resident. 7

(b) Mr. Suresh, a resident individual aged 54 years, is employed as a General Manager with BNHU Ltd., an Indian company. He gives the following information to you regarding the Financial Year 2024-25:

(i) Basic Salary—
From 01/04/2024–31/12/2024 : ₹ 70,000 p.m.
From 01/01/2025–31/03/2025 : ₹ 85,000 p.m.

(ii) Dearness Allowance: 50% of the basic salary not forming part of retirement benefits

(iii) Bonus is equal to one month's basic salary paid in the month of November 2024

(iv) Employer's Contribution to Recognised Provident Fund: 19% of basic salary. Mr. Suresh also contributed the same amount.

(v) Profession tax paid : ₹ 10,000, out of which ₹ 5,000 was paid by the employer on behalf of Mr. Suresh.

(vi) Facility of laptop provided by the employer for both official and personal use. The cost of the laptop was ₹ 1,00,000 and it was purchased on 01/04/2022 by the company.

(vii) Leave travel concession : ₹ 80,000 for himself, his wife and 3 children aged 3, 7 and 12 years

Required :

Analyze Mr. Suresh's income chargeable under the head **'Salary'** for the Assessment Year 2025-26 assuming he did not opted out of default tax regime under Section 115BAC of the Income Tax Act, 1961. 7

3. (a) Mrs. Sejal (aged 52 years) is an owner of a residential house property. The particulars of the house for the previous year 2024-25 are as under:—

Particulars	**Amount** (₹)
Municipal value of the property	1,80,000
Fair rent	2,36,000
Standard rent under the Rent Control Act	2,20,000
Rent received	22,500 per month

Municipal taxes @ 10% of municipal value was paid by Mrs. Sejal during the year.

The construction of the house began in August, 2017 and was completed on 31st August, 2020. Mrs. Sejal took a loan of ₹ 5,00,000 on 1st September, 2017 for the construction of said property. Mrs. Sejal paid interest on loan @ 15% per annum and every month such interest was paid. The entire loan is outstanding as on 31st March, 2025.

Required :

Analyze the **Income from house property** chargeable in the hands of Mrs. Sejal for the Assessment Year 2025-26.

Assuming Mrs. Sejal exercises the option of 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. Ratan, a resident individual aged 40 years, is engaged in the business of hiring and plying goods vehicle. He gives the following details of his vehicle fleet :

Opening stock of vehicles as on 01/04/2024 as under:		
Vehicle No.	**Gross weight (in kg)**	**Date of Sale**
1	8,500	—
2	13,000	—
3	15,000	24/04/2024
4	10,000	—
He bought the following vehicles during the Financial Year 2024-25:		
Vehicle No.	**Gross weight (in kg)**	**Date of purchase and put to use**
5	7,500	01/05/2024
6	8,500	01/06/2024

During the Financial Year 2024-25, he received ₹ 45 lakhs from the hiring and plying of these vehicles.

Since he did not maintain proper books of account so he want to opt presumptive Income scheme under Section 44AE of the Income Tax Act, 1961.

Required :

Assess Mr. Ratan's income chargable to tax under the head "**Profit and Gains from Business or Profession**" for the Assessment Year 2025-26 by briefly explaining the relevant provisions of the Act.

Assume: Mr. Ratan did not opt out from default tax regime under Section 115BAC of the Income Tax Act, 1961. 7

4. (a) Mr. Kumar, a 56 years old resident, sold a residential house property on 01-11-2024 for ₹ 28,00,000. He paid brokerage @ 1% for sale. Value determined for the purpose of stamp duty was ₹ 28,50,000. The house property was acquired on 20-03-2001 for ₹ 3,35,000.

Fair market value of the house property as on 01-04-2001 was ₹ 3,25,000. He had constructed a new floor on it at cost of ₹ 2,50,000 on 01-05-2015.

He purchased a new residential house property on 01-09-2024 for ₹ 35,00,000 and commission of ₹ 50,000 was paid to broker.

On 01-03-2025 his diamond ring costing ₹ 1,00,000 purchased on 31-10-24 was stolen and on 30-03-2025 Insurance claim of ₹ 75,000 was received for this.

You are required to **compute** income taxable under the head **'Capital Gains'** for Assessment Year 2025-26 of Mr. Kumar assuming he opted for old tax regime.

Cost Inflation Index for the various Financial Years are as under:

2001-02 : 100

2015-16 : 254

2024-25 : 363

Note: No need to give detailed reason (explanations) for your answer. 7

(b) Mr. Manoj, aged 45 years, submits the information of following transaction/income related to the previous year 2024-25:

S. No.	Particulars	Amount (₹)
(i)	Director sitting fees from MNQ Ltd.	84,000
(ii)	Received gold coins from a family friend on the occasion of marriage anniversary on 1st January, 2025. The market value of the gold coins on the said date was ₹ 1,25,000.	—
(iii)	Interest on debentures of a company listed in a Recognized Stock Exchange (Net of TDS).	14,400
(iv)	Interest on Post Office Saving Bank Account (single account)	3,000
(v)	Interest received on loan given to relative	6,200
(vi)	Rent received from sub-letting a leasehold house property	1,80,000
(vii)	Lease rent paid for sub-let leasehold house property at point no. (vi)	1,20,000
(viii)	Mr. Manoj purchased a piece of land from his friend on 1st August, 2024 for a consideration of ₹ 3,90,000, stamp duty value of such land is ₹ 7,50,000.	—

You are required to **Analyze** the income chargeable to tax under the head **"Income from other sources"** for the Assessment Year 2025-26 in the hands of Mr. Manoj.

Assuming Mr. Manoj exercises the option of shifting out of the default tax regime provided under Section 115BAC of the Income Tax Act, 1961.

Indicate clearly the reasons for treatment of each item. 7

5. (a) Mr. Rijwan, a resident individual, aged 56 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): ₹ 6,00,000

(ii) Loss from footwear business: ₹ 1,80,000

(iii) Income from speculative business: ₹ 1,20,000

(iv) Income from owning & maintaining horse races: ₹ 1,00,000

(v) Winning from card games: ₹ 25,000

(vi) Loss from betting: ₹ 20,000

(vii) Income from house property: ₹ 1,15,000

He has brought forward loss from house property ₹ 1,30,000 related to A.Y. 2018-2019 for which belated income tax return was filed.

Required :

(i) **Compute** the Gross Total Income of Mr. Rijwan for the Assessment Year 2025-26 assuming he has opted for default tax regime provided under Section 115BAC of the Income Tax Act, 1961.

(ii) **List** out the losses to be carried forward to further assessment years specifying the Assessment Year upto which such losses can be carried forward. 7

(b) Mrs. Kajal, a resident individual aged 45 years, an employee in a private company furnishes the following particulars of her income for the previous year 2024-25:

S. No.	Particulars	Amount (₹)
(i)	Income from salary before standard deduction	9,20,000
(ii)	Interest from Government securities	5,000

She made the following payments:

(I) Deposited ₹ 2,00,000 in her Public Provident Fund (PPF) account by cheque.

(II) Medical insurance premium on own health ₹ 20,000 and on the health of spouse ₹ 10,000 paid by cheque.

(III) Donation towards Prime Minister's Drought Relief Fund ₹ 10,000 paid by cheque.

You are required to calculate total taxable income and tax liability of Mrs. Kajal for the Assessment Year 2025-26 under the 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.

Required :

Advise Mrs. Kajal whether she should pay tax under default tax regime under Section 115BAC of the Income Tax Act, 1961 or Regular provisions (old regime) of the Income Tax Act, 1961.

Note: No need to give detailed reason (explanations) for your answer. 7

6. (a) **Discuss**, in brief, the concept and features of Indirect Taxes. 7

(b) **List the** five Centre and five State taxes that were subsumed in the GST regime and also list any four taxes that were not subsumed in the GST regime. 7

7. (a) Mr. Jitesh registered under GST law in the State of Rajasthan provided the details of his turnover to you for the year ended on 31.03.2025:

(i) Value of taxable outward supplies – Intra-state:— ₹ 55,00,000

(ii) Value of taxable outward supplies – Inter-state:— ₹ 16,00,000

(iii) Value of exempt outward supplies :— ₹ 74,00,000

(iv) Amount received as interest on loans and advances (not included in any of the above-mentioned points):— ₹ 2,00,000

(v) Value of inward supplies on which tax is payable by him under reverse charge mechanism (RCM) :— ₹ 8,00,000

(vi) Value of exports (not included in any of the above-mentioned points): — ₹ 6,50,000

All the amounts are exclusive of GST.

You are required to **Analyze** the aggregate turnover of Mr. Jitesh for the purpose of opting for **Composition scheme** under GST law and advise him whether he is eligible to opt for the scheme or not by explaining relevant provisions in brief. 7

(b) Radhe Shyam & Sons, a registered dealer, furnishes the following information relating to goods sold by it to Ganesh Ltd. in the course of intra-State:

S. No.	Particulars	Amount (₹)
(i)	List price of the goods (exclusive of GST and discounts)	8,50,000
(ii)	Subsidy received from Central Government, directly linked to price	85,000
(iii)	Subsidy received from an NGO (non-profit making organisation), directly linked to price	40,000
(iv)	Late fees for delayed payment (Though Ganesh Ltd. made late payment but these charges are waived by Radhe Shyam & Sons)	8,000
(v)	Amount incurred by Ganesh Ltd. for post-delivery inspection. (charges incurred post receipt of goods by Ganesh Ltd.)	9,000
(vi)	Weightiest charges paid to Kartik Ltd. by Ganesh Ltd. on behalf of Radhe Shyam & Sons	20,000
(vii)	Discount of 2% on list price (₹ 8,50,000) of goods was provided and recorded in the invoice.	—

With reference to GST law, you are required to **Analyze** the value of supply made by Radhe Shyam & Sons.

Items given in point no.(iv) to (vii) are not considered while arriving at the list price of the goods given in point no.(i), but point no. (ii) and (iii) deducted.

Brief notes for treatment given for each item should form part of your answer. 7

8. (a) With reference to Quarterly Return Monthly Payment (QRMP) Scheme under GST law, briefly **discuss** the followings:

(i) Eligibility of QRMP Scheme

(A) In case of New Registration

(B) In case of Others

(ii) Is the QRMP Scheme available GSTIN wise or PAN wise? 7

(b) With **reference to Customs Valuation Rules, state** the provision related to followings in case of import of a machine by air from USA:

(i) Freight charges up to airport of importation

(ii) Insurance charges

(iii) Transshipment charges from one airport of India to another airport

(iv) Applicable rate of exchange for conversion purpose

(v) Applicable rate of Basic Customs Duty (BCD) 7