

Paper 7 Direct Tax Laws (Old Course)

1. The provision relating to limitation of interest deduction in respect of debt issued by a non-resident associated enterprise would not apply where the expenditure by way of interest or similar nature is –
 - (a) Rs.2.10 crore
 - (b) Rs.2 crore
 - (c) Rs.1.50 crore
 - (d) Rs.1 crore
2. In respect of any payment made to a person located in a Notified Jurisdictional Area (NJA), tax is deductible at higher of the rate specified in the Income-tax Act, 1961 or rates in force or –
 - (a) 10%
 - (b) 15%
 - (c) 20%
 - (d) 30%
3. Mr. A failed to comply with the provisions of section 203A for which penalty of Rs.10,000 was levied under section 272BB. Mr. A approached his consultant and asked him to file an appeal before the Commissioner of Income-tax (Appeals) against the Penalty Order. Determine the appeal fee that is required to be paid by Mr. A for filing the said appeal.
 - (a) Rs.500
 - (b) Rs.250
 - (c) Rs.1,000
 - (d) Rs.750
4. Interest paid to non-resident associated enterprise disallowed under the relevant provision of the Income-tax Act, 1961, during the A.Y. 2019-20 can be carried forward upto –
 - (a) A.Y. 2023-24
 - (b) A.Y. 2024-25
 - (c) A.Y. 2027-28
 - (d) Indefinitely
5. Fly Ltd., an Indian company, has to make secondary adjustment in A.Y. 2019-20, if the primary adjustment to transfer price, made by it *suo moto* in its return of income, is in respect of –
 - (a) A.Y. 2016-17 and the amount of primary adjustment is Rs.2 crore
 - (b) A.Y. 2018-19 and the amount of primary adjustment is Rs.1 crore
 - (c) A.Y. 2018-19 and the amount of primary adjustment is Rs.1.05 crore
 - (d) A.Y. 2019-20 and the amount of primary adjustment is Rs.1 crore
6. Mr. Akhilesh, a non-resident Indian citizen, is an enthusiastic sports person and is keen on contributing an article on a game of Hockey in a leading newspaper in India. He approaches you to enquire on taxability of such income for A.Y. 2019-20. As per the provisions of Income-tax Act, 1961, such income shall be taxable in his hands at –
 - (a) 5%
 - (b) 10%
 - (c) 20%
 - (d) Normal tax slab rates

(Note: The above rates are excluding cess and surcharge, if any)

7. Benefit of presumptive taxation under the Income-tax Act, 1961 would not be available to Akash, a non-resident, in A.Y. 2019-20, in respect of the related Indian income, if he is engaged in the business of –
 - (a) Operation of ships
 - (b) Operation of Aircraft
 - (c) Civil construction in connection with an approved turnkey project
 - (d) Plying, hiring or leasing of goods carriages
8. Salary paid by M/s AK & Co. to its partner falls within the limits prescribed under section 40(b)(v). Does AK & Co. have to deduct tax on salary paid to its partner?
 - (a) Yes; tax is deductible at source under section 192 on salary paid to its partners
 - (b) No; salary paid to partner is not subject to tax deductible at source
 - (c) Yes; tax is deductible at source under section 192 on salary paid to resident partners but under section 195 on salary paid to the non-resident partner
 - (d) Salary paid to resident partner is not subject to tax deduction at source; but tax has to be deducted under section 195 on salary paid to the non-resident partner
9. If an Indian company has entered into an advance pricing agreement (APA) in respect of its international transaction with associated enterprise for the P.Y. 2018-19. The company decides to make an application for roll back of the said APA. However, rollback provision shall not be available in respect of the said transaction for a rollback year, if –
 - (i) Such application has the effect of reducing total income declared in the return of income of the said year
 - (ii) Determination of the arm's length price of the said transaction for the said year has been the subject matter of appeal before Commissioner (Appeals) and the Commissioner (Appeals) has passed an order disposing of such appeal at any time before signing of the agreement
 - (iii) Determination of the arm's length price of the said transaction for the said year has been the subject matter of appeal before Appellate Tribunal and the Appellate Tribunal has passed an order disposing of such appeal at any time before signing of the agreement
 - (iv) Return of income for the relevant rollback year has been furnished by the company under section 139(4)

The most appropriate answer is –

- (a) (i) and (ii) above
 - (b) (i) and (iii) above
 - (c) (i), (ii) and (iv) above
 - (d) (i), (iii) and (iv) above
10. Mr. X receives the following gifts during the previous year 2018-19:
 - On occasion of marriage of X, he gets Rs.2,90,000 as gift on 02.04.2018.
 - On 20.09.2018, he gets a gift of Rs.7,00,000 from his grandmother.
 - On 30.12.2018, he gets by way of gift a commercial flat from the elder brother of his father-in-law (stamp duty value is Rs.25,00,000).
 - On 20.01.2019, he gets a wrist watch by gift from his friend B (Fair market value: Rs.1,00,000).
 - On 10.02.2019, he gets by way of gift a plot of land in Pune from a partnership firm. The partnership firm has only two partners- father of Mr. X and Mrs. X. The stamp duty value of the plot of land is Rs.19,00,000.

Compute the amount chargeable to tax in the hands of X under the head "Income from other sources" for the A.Y. 2019-20.

- (a) Rs.44,00,000
- (b) Rs.45,00,000
- (c) Rs.52,00,000
- (d) Rs.54,90,000

11. M/s Beautiful Homes, an interior decorator proprietorship concern, submitted the following details of three years immediately preceding the P.Y. 2018-19.

Previous Year	Gross Receipts	Income from Profession	Total Income
2015-16	Rs. 1,39,000	Rs. 91,000	Rs. 3,10,000
2016-17	Rs. 2,02,000	Rs. 1,35,000	Rs. 4,07,000
2017-18	Rs. 3,85,000	Rs. 2,49,000	Rs. 6,83,000

Comment upon the applicability of section 44AA and Rule 6F regarding the maintenance of books of account and documents for P. Y. 2018-19

- (a) The assessee is required to maintain books of account as per section 44AA(1) as interior decorator is a notified profession and consequentially under Rule 6F also
- (b) The assessee is not required to maintain books of account as per section 44AA(1) and hence not covered under Rule 6F
- (c) The assessee is required to maintain books of account as per section 44AA(1), but, is exempted under Rule 6F since his gross receipts do not exceed Rs.1,50,000 in P.Y. 2015-16
- (d) Rule 6F shall be applicable, even though assessee does not meet the criteria for gross receipts/income from business/total income, as the case may be, as per section 44AA

12. In order to claim relief under the tax treaty in India, a non-resident –

- (a) Should have a business presence in India
- (b) Should produce his Permanent Account Number
- (c) Should produce Tax Residency Certificate (TRC)
- (d) Should produce his income-tax return filed in the home country

13. Samraat, resident in India, has earned an income of Rs.4 lakh by way of lump sum consideration for copyright of book from a publisher in Country E, with which India does not have a DTAA. The same has been taxed at a flat rate of 5% in Country E. In India, his gross total income is Rs.7 lakhs. The double taxation relief available is

- (a) Rs.20,000
- (b) Rs.7,725
- (c) Rs.1,931
- (d) Rs.1,950

14. Mr. Ganesh is running a steel factory. The total turnover of the factory during the F.Y. 2017-18 amounted to Rs.1.95 crores and he opts for presumptive tax scheme under section 44AD. The estimated turnover for F.Y. 2018-19 is likely to exceed Rs.2 crore. On 10-04-2018, he took consultancy of a Delhi based Chartered Accountant. The consultancy fees amounted to Rs.1,84,000. Should Mr. Ganesh deduct tax from consultancy fees of Rs.1,84,000? If yes, then what shall be the amount of tax to be deducted and by when the same should be deposited with Government?

- (a) Yes; Rs.18,400 to be deposited by 07.05.2018
 - (b) Yes; Rs.18,400 to be deposited by 07.07.2018
 - (c) Yes; Rs.15,400 to be deposited by 07.05.2018
 - (d) He is not liable to deduct tax in respect of professional fees paid
15. Suppose Mr. Naveen is an employee working in a public sector. What will be the consequence of the following transaction for A.Y. 2019-20?
- He repaid a loan in cash of Rs.24,000 (including interest of Rs.5,000), which he took from his friend for higher studies.
- (a) Disallowance under section 40A(3) of Rs.24,000
 - (b) Penalty under section 271E of Rs.24,000 due to violation of section 269T
 - (c) Penalty under section 271E of Rs.19,000 due to violation of section 269T
 - (d) No disallowance or Penalty under section 271E, since the principal loan amount is less than Rs.20,000
16. XYZ Ltd. has entered into a specified domestic transaction during the previous year 2018-19. The company failed to obtain a report from a Chartered Accountant and furnish such report under section 92E on or before the due date for furnishing return of income under section 139(1). Is any penalty imposable on XYZ Ltd? If yes, what will be the quantum of penalty?
- (a) Penalty is not imposable, as report is to be furnished only in case of an assessee who has entered into an international transaction.
 - (b) Penalty of Rs.1 lakh is imposable
 - (c) Penalty @2% of the value of specified domestic transaction is imposable
 - (d) Penalty @2% of the value of transaction or Rs.1 lakh, whichever is higher, is imposable
17. Mr. Sam (aged 40 years), a US football match referee, has earned income from football tournaments in India for A.Y. 2019-20. What are the TDS provisions applicable while making payment to him?
- (a) TDS @20.8% as per section 194E
 - (b) TDS @5.2% as per section 194E
 - (c) TDS under section 195
 - (d) No tax is deductible at source
18. The Assessment Order under section 143(3) in the case of Mr. Z was passed on 31.03.2019 and the notice of demand was served on the assessee on 02.04.2019 for levy of tax and interest. Mr. Z paid the tax and interest due on 12.4.2019. An application was filed by Mr. Z under Section 270AA on 27.04.2019 before the Assessing Officer to grant immunity from imposition of penalty and the said application was rejected by the Assessing Officer vide order dated 14.05.2019. The said order was served on Mr. Z on 15.05.2019. By what date an appeal against the Assessment Order should be presented by Mr. Z before the CIT (Appeals)?
- (a) 02.05.2019
 - (b) 22.05.2019
 - (c) 21.05.2019
 - (d) 30.04.2019
19. P is a salaried employee. On 01.06.2018, he gets a gift of house property situated in Mumbai (stamp duty value Rs.80,00,000) from Q. On 02.08.2018, P gets a gift of house property in Pune (Stamp duty value Rs. 50,000) from R. On 03.09.2018, P also gets a gift of house property in Delhi from R, the stamp duty value of which is Rs.1,00,000. What will be the tax implications in the hands of P, Q and R.
- (a) Rs.81,00,000 shall be chargeable to tax in the hands of P as income from other sources and capital gains shall arise in the hands of Q and R respectively on account of transfer of capital asset.
 - (b) Rs.81,50,000 shall be chargeable to tax in the hands of P as income from other sources and capital gains shall arise in the hands of Q and R respectively on account of transfer of capital asset.

- (c) Rs.81,00,000 shall be chargeable to tax in the hands of P as income from other sources and no capital gains shall arise in the hands of Q and R respectively as gift does not constitutes "transfer".
- (d) Rs.81,50,000 shall be chargeable to tax in the hands of P as income from other sources and no capital gains shall arise in the hands of Q and R respectively as gift does not constitutes "transfer".
20. Which of the following cannot be corrected while processing the return of income for A.Y.2019-20 under section 143(1)?
- (a) any arithmetical error in the return
- (b) an incorrect claim apparent from any information in the return
- (c) disallowance of expenditure indicated in the audit report but not taken into account in computing total income in the return.
- (d) addition of income appearing in Form 26AS which has not been included in computing total income in the return

Solution

1	(d)	6	(d)	11	(c)	16	(b)
2	(d)	7	(c)	12	(c)	17	(c)
3	(b)	8	(d)	13	(d)	18	(c)
4	(c)	9	(d)	14	(a)	19	(c)
5	(c)	10	(a)	15	(c)	20	(d)