

### Paper 4A Direct Tax (New Course)

1. During the A.Y. 2018-19, Mr. A has a loss of Rs.8 lakhs under the head “Income from house property” which could not be set off from any other head of income as per the provisions of section 71. The due date for filing return of income u/s 139(1) in case of Mr. A has already expired and Mr. A forgot to file his return of income within the said due date. However, Mr. A filed his belated return of income for A.Y. 2018-19. Now, while filing return of income for A.Y. 2019-20, Mr. A wishes to set off the said loss during P.Y. 2018-19. Determine whether Mr. A can claim the said set off?
  - (a) No, Mr. A cannot claim set off of loss of Rs.8 lakhs during A.Y. 2019-20 as he failed to file his return of income u/s 139(1) for A.Y. 2018-19.
  - (b) Yes, Mr. A can claim set off of loss of Rs.2 lakhs, out of Rs.8 lakhs, from its income from house property during A.Y. 2019-20, if any, and the balance has to be carried forward to A.Y.2020-21.
  - (c) Yes, Mr. A can claim set off of loss of Rs.2 lakhs, out of Rs.8 lakhs, from its income from any head during A.Y. 2019-20 and the balance, if any, has to be carried forward to A.Y.2020-21.
  - (d) Yes, Mr. A can claim set off of loss of Rs.8 lakhs during A.Y. 2019-20 from its income from house property, if any, and the balance has to be carried forward to A.Y.2020-21.
  
2. Mr. P has a house property in Delhi whose Municipal value is Rs.1,00,000 and the Fair Rental Value is Rs.1,20,000. The standard rent is fixed at Rs.1,08,000. It was self-occupied by Mr. P from 01.04.2018 to 31.07.2018. With effect from 01.08.2018, it was let out at Rs. 10,000 per month. Compute the net annual value of the house property for A.Y. 2019-20 if the municipal taxes paid by him during the year were Rs. 20,000.
  - (a) Rs.1,00,000
  - (b) Rs. 88,000
  - (c) Rs. 60,000
  - (d) Rs.1,08,000
  
3. An assessee purchases furniture worth Rs. 80,000 on 05.09.2018 and makes the payment of Rs. 45,000 by account payee cheque and Rs. 20,000 in cash on the same date. The balance of Rs. 15,000 is paid by the assessee by bearer cheque on 06.09.2018 when the furniture is delivered in his office. Compute the amount of actual cost of furniture to the assessee.
  - (a) Rs. 45,000
  - (b) Rs. 80,000
  - (c) Rs. 60,000
  - (d) Rs. 65,000
  
4. Maya had bought 3,000 STT paid listed shares of a company on 25.02.2018 at Rs.300 per share. The company announces and allots bonus shares in the ratio of 3:1 on 01.07.2018. After the allotment of bonus shares, the shares were sold by Maya on 10.03.2019 at Rs.400 per share and STT was paid on it. Compute the amount of capital gain/loss in her hands for A.Y. 2019-20.

CII – F.Y. 2017-18: 272; F.Y. 2018-19:280

- (a) Long term capital gain of Rs.7,00,000.
  - (b) Long term capital gain on sale of original shares of Rs.3,00,000. Short term capital gain on sale of bonus shares of Rs.4,00,000.
  - (c) Long term capital of Rs.6,73,529.
  - (d) Long term capital gain on sale of original shares of Rs.2,73,529. Short term capital gain on sale of bonus shares of Rs.4,00,000.
5. XYZ & Co., a partnership firm, owns a house property which is utilized by the partners for their residence. On 31.10.2018, the firm sells the property at a long-term capital gain of Rs.3,50,000. Can the firm or partners claim exemption under section 54?
- (a) Yes, the firm can claim exemption u/s 54 as the firm has earned long term capital gains from the transfer of a residential house.
  - (b) Yes, the partners can claim exemption u/s 54 as the property was used by them for residential purpose and the said property has been indirectly transferred by the partners only in the capacity of a firm.
  - (c) Neither the firm nor the partners can claim deduction u/s 54 as the said deduction is allowed only in case of a commercial property.
  - (d) The firm cannot claim deduction u/s 54 as deduction under the said section is allowed only to an individual or HUF. Further, the partners cannot claim deduction u/s 54 as the transferor in the instant case is the firm.
6. X Ltd. credits a sum of Rs.45,000 as commission to Y Ltd., an Indian company on 25.06.2018 without deducting tax at source. Y Ltd. paid its entire tax liability on its income by way of advance payment of tax during P.Y. 2018-19 and filed its return of income for A.Y. 2019-20 on 15.07.2019. X Ltd. also has a certificate in Form No. 26A from a chartered accountant. Compute the amount of deduction that shall be allowed to X Ltd. in respect of the commission credited to Y Ltd. assuming that X Ltd. follows mercantile system of accounting.
- (a) Rs. 45,000
  - (b) Nil
  - (c) Rs. 13,500
  - (d) Rs. 31,500
7. On 20.10.2018, Pihu (minor child) gets a gift of Rs.20,00,000 from her father's friend. On the same day, the amount is deposited in Pihu's bank account. On the said deposit, interest of Rs.13,000 was earned during the P.Y. 2018-19. In whose hands the income of Pihu shall be taxable? Also, compute the amount of income that shall be taxable.
- (a) Income of Rs.20,11,500 shall be taxable in the hands of Pihu's father.
  - (b) Income of Rs.20,13,000 shall be taxable in the hands of Pihu's father.
  - (c) Income of Rs.20,11,500 shall be taxable in the hands of Pihu's father or mother, whose income before this clubbing is higher.
  - (d) Income of Rs.20,13,000 shall be taxable in the hands of Pihu's father or mother, whose income before this clubbing is higher.
8. A Ltd. is 100% holding company of B Ltd. A Ltd. transfers a capital asset (acquired in 2002 for

Rs. 50,000) on 16.06.2018 for Rs.3,70,000 to B Ltd. B Ltd. is an Indian company, while A Ltd. is a foreign company. The capital asset is transferred as stock-in-trade to B Ltd. Determine whether any capital gains shall be chargeable to tax in the instant case?

- (a) Any transfer between a holding company and 100% subsidiary company is not treated as a transfer at all. Hence, no capital gains tax liability shall arise.
  - (b) Any transfer between a holding company and 100% subsidiary company is not treated as a transfer if the transferee company is an Indian company. Hence, no capital gains tax liability shall arise.
  - (c) A transfer between a holding company and 100% subsidiary company is treated as a “transfer” as there is no specific exclusion in this regard. Hence, capital gains tax liability shall arise.
  - (d) Any transfer between a holding company and 100% subsidiary company is not treated as a transfer if the transferee company is an Indian company. However, this rule is not applicable if the capital asset is transferred as stock-in-trade. Hence, capital gains tax liability shall arise.
9. Mr. Raj (a non-resident and aged 65 years) is a retired person, earning rental income of Rs. 40,000 per month from a property located in Delhi. He is residing in Canada. Apart from rental income, he does not have any other source of income. Is he liable to pay advance tax in India?
- (a) Yes, he is liable to pay advance tax in India as he is a non-resident and his tax liability in India exceeds Rs. 10,000.
  - (b) No, he is not liable to pay advance tax in India as his tax liability in India is less than Rs. 10,000.
  - (c) No, he is not liable to pay advance tax in India as he has no income chargeable under the head “Profits and gains of business or profession”.
  - (d) Both (b) and (c)
10. Mr. Vaibhav sold his old residential house in April, 2017 for Rs.28,00,000. Long-term capital gain arising on transfer of old house amounted to Rs.8,40,000. In December, 2017 he purchased another residential house worth Rs.5,00,000. The new house was however, sold in April, 2018 for Rs.14,00,000 (stamp duty value of the new house was Rs.12,00,000). What will be amount of taxable capital gains in the hands of Mr. Vaibhav for the A.Y. 2018-19 and 2019-20?
- (a) Long term capital gain of Rs.3,40,000 in A.Y. 2018-19 and short-term capital gain of Rs.14,00,000 in A.Y. 2019-20
  - (b) Long term capital gain of Rs.3,40,000 in A.Y. 2018-19 and long term capital gain of Rs.5,00,000 and short-term capital gain of Rs.14,00,000 in A.Y. 2019-20
  - (c) Long term capital gain of Rs.3,40,000 in A.Y. 2018-19 and long term capital gain of Rs.5,00,000 and short-term capital gain of Rs.9,00,000 in A.Y. 2019-20
  - (d) Long term capital gain of Rs.3,40,000 in A.Y. 2018-19 and long term capital gain of Rs.5,00,000 and short-term capital gain of Rs.7,00,000 in A.Y. 2019-20
11. Which of the following persons is/are liable to pay advance tax as per the provisions of Income-tax Act, 1961?

- I. A resident individual aged 62 years having only income from capital gains of Rs.20,00,000 (estimated) during P.Y. 2018-19.
- II. A resident individual aged 58 years having only income from other sources of Rs.2,00,000 (estimated) during P.Y. 2018-19.
- III. A private company having estimated total income of Rs.1,00,000 during P.Y. 2018-19.
- IV. A partnership firm which has estimated its total income to be Nil for P.Y. 2018-19.
- V. A HUF having estimated total income of Rs.6,00,000 during P.Y. 2018-19.

- (a) I, III, V
- (b) I, II, III, IV, V
- (c) III, V
- (d) III, IV, V

12. Mr. Sujal and his brother jointly own a bungalow. They had taken a housing loan to purchase the bungalow. The loan is sanctioned in the name of Mr. Sujal and his brother in the year 2015. Interest on housing loan for the P.Y. 2018-19 amounted to Rs.5,00,000 which is paid by Mr. Sujal (Rs.2,50,000) and his brother (Rs.2,50,000). The bungalow is used by them for their residence. In this case, what will be the amount of deduction available under section 24(b) to Mr. Sujal and his brother?

- (a) Rs.30,000 each
- (b) Rs.2,00,000 each
- (c) Rs.2,50,000 each
- (d) Rs.5,00,000 each

13. Sumit acquired a building for Rs.15 lakh in June, 2016 in addition to the cost of Rs.3 lakh in respect of the land on which the building is situated. It was used for personal purposes until he commenced business in June, 2018 and since then it was used for business purposes. The amount of depreciation eligible in his case for the A.Y. 2019-20 would be:

- (a) Rs.1,50,000
- (b) Rs.1,45,800
- (c) Rs.,180,000
- (d) Rs.1,21,500

14. M/s Unnati Group, a proprietorship firm following cash system of accounting incurred the following expenditure during the P.Y. 2018-19:

- Customs duty of A.Y. 2019-20: Rs.75,000 paid on 15.5.2019
- Income tax paid for A.Y. 2018-19: Rs.84,000 paid on 16.6.2018

Calculate the amount of expenditure allowable to Unnati Group while computing its business income for A.Y. 2019-20.

- (a) Rs.1,59,000
- (b) Rs.75,000
- (c) Nil
- (d) Rs.84,000

15. ABC a partnership firm was dissolved on 1-5-2018. A machine acquired on 1-5-2016 for Rs.3,50,000 was distributed amongst the partners on dissolution for Rs.3,00,000. The value of machinery as per books of account and Fair Market Value on 1-5-2018 was Rs.2,50,000 and Rs.4,00,000, respectively. What will be the full value of consideration of this machine?
- (a) Rs.3,00,000
  - (b) Rs.4,00,000
  - (c) Rs.3,50,000
  - (d) Rs.2,50,000
16. Mr. Kapoor is a partner in Sai baba Enterprises. The turnover of the firm for the financial year 2018-19 amounted to Rs.1,96,00,000. The firm has declared income @8% on presumptive basis under section 44AD of the Act. Apart from remuneration, interest and share of profit from the firm of Rs.30 lakh, Mr. Kapoor is not having any other source of income. What will be the due date of filing of return of income by the partnership firm and by Mr. Kapoor for the P.Y. 2018-19?
- (a) Due date of filing return of income by the partnership firm shall be 30.09.2019 and due date of filing return of income by Mr. Kapoor shall be 30.09.2019.
  - (b) Due date of filing return of income by the partnership firm shall be 30.09.2019 and due date of filing return of income by Mr. Kapoor shall be 31.07.2019.
  - (c) Due date of filing return of income by the partnership firm shall be 31.07.2019 and due date of filing return of income by Mr. Kapoor shall be 31.07.2019.
  - (d) Due date of filing return of income by the partnership firm shall be 31.07.2019 and due date of filing return of income by Mr. Kapoor shall be 30.09.2019.
17. Iskon Pvt. Ltd., a foreign company and non-resident in India for A.Y. 2019-20, engaged in the business of trading of tube-lights outside India. The principal officer of the company has approached you to enlighten him regarding the provisions of the Income-tax Act, 1961 pertaining to the person who is required to verify the return of income in case of Iskon Pvt. Ltd. Advise him.
- I. The return of income in case of Iskon Pvt. Ltd. can be verified by the managing director.
  - II. The return of income in case of Iskon Pvt. Ltd. can be verified by any director.
  - III. The return of income in case of Iskon Pvt. Ltd. may be verified by a person who holds a valid power of attorney from such company to do so.
- (a) I or II or III
  - (b) Only I
  - (c) I or II depending upon the availability of the managing director
  - (d) Only III
18. In which of the following transactions, quoting of PAN is mandatory by the person entering into the said transaction?
- I. Opening a Basic savings bank deposit account with a bank.
  - II. Applying to a bank for issue of a credit card.
  - III. Payment of Rs.40,000 to mutual fund for purchase of its units.
  - IV. Cash deposit with a post office of Rs.1,00,000 during a day.
  - V. A fixed deposit of Rs.30,000 with a NBFC registered with RBI.

VI. Sale of shares of an unlisted company for an amount of Rs.60,000.

- (a) II, IV
- (b) II, III, IV
- (c) I, II, III, V, VI
- (d) II, IV, VI

**Solution**

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