

**INTERMEDIATE EXAMINATION****SET 2****MODEL QUESTION PAPER****TERM – JUNE 2026****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.

All workings should form part of the answer.

**SECTION – A (Compulsory)****1. Choose the correct option from the four alternatives given.****[15 × 2 = 30]**

- (i) As per the Income-tax Act, 1961, an individual is said to be a resident in India in the previous year (in which the February month has 29 days) if he is in India in that year for a period of \_\_\_\_.
- (A) 181 days or more  
(B) 70 days or more  
(C) 182 days or more  
(D) 183 days or more
- (ii) The charging section of Income Tax Act, 1961 is
- (A) Section 3.  
(B) Section 2.  
(C) Section 4.  
(D) Section 14.
- (iii) Mrs Payal received ₹ 30,000 as arrears of rent during the previous year 2025-26. The amount taxable under section 25A of the Income-tax Act, 1961 is:
- (A) ₹ 15,000  
(B) ₹ 21,000  
(C) ₹ 25,500  
(D) ₹ 27,000
- (iv) If House property transferred on 25/10/2025 then as per section 54 of the Income-tax Act, 1961, capital gain will be allowed as exemption if the house property under transfer is held for: -
- (A) Less than 36 months preceding the date of transfer  
(B) More than 24 months preceding the date of transfer  
(C) More than 12 months preceding the date of transfer  
(D) Less than 12 months preceding the date of transfer
- (v) As per Section 35DDA of Income tax Act, 1961, total expenditure in a voluntary retirement scheme is deductible in: -
- (A) 4 equal installments  
(B) 5 equal installments  
(C) 10 equal installments  
(D) 15 equal installments



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- (vi) In old tax regime under the Income tax Act, 1961, loss under which income head can be carried forward even if a person fails to file return within due date?
- (A) House Property
  - (B) Business Loss
  - (C) Betting Loss
  - (D) None of the above
- (vii) \_\_\_\_\_ of the total number of members of Goods and Service Tax Council would form quorum in meetings of Goods and Service Tax Council:
- (A) 2/3
  - (B) 1/3
  - (C) 3/4
  - (D) 1/2
- (viii) Under GST law, the supply of goods to SEZ unit is treated as \_\_\_\_\_ in the hands of the supplier:
- (A) Exempt Supply – Reversal of credit
  - (B) Zero Rated supply
  - (C) Non-Taxable Supply – Outside the Scope of GST
  - (D) Deemed Taxable Supply – No reversal of credit
- (ix) Under the GST law, what deductions are allowed from the transaction value?
- (A) Amount paid by customer on behalf of the supplier, subject to conditions
  - (B) Packing Charges, subject to conditions
  - (C) Freight charges incurred by the supplier for CIF terms of supply, subject to conditions
  - (D) Discounts offered to customers, subject to conditions
- (x) Date of provision of service – 10<sup>th</sup> July, Date of payment – 15<sup>th</sup> July & Date of invoice – 5<sup>th</sup> August. As per the provisions of GST law, determine Time of Supply: -
- (A) 10<sup>th</sup> July
  - (B) 15<sup>th</sup> July
  - (C) 5<sup>th</sup> August
  - (D) 1<sup>st</sup> August
- (xi) As per provisions of the GST law, whether credit on inputs should be availed based on receipt of documents or receipt of goods?
- (A) Receipt of Documents
  - (B) Receipt of good
  - (C) Either receipt of documents or receipt of goods
  - (D) Both receipt of documents and receipt of goods



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- (xii) Under GST law, a registered person need not issue a tax invoice (and issue a Consolidated invoice) if the value of supply is less than: -
- (A) ₹ 100
  - (B) ₹ 200
  - (C) ₹ 500
  - (D) ₹ 1,000
- (xiii) Under GST law, electronic Credit Ledger should be maintained in Form \_\_\_\_\_
- (A) GST PMT-05
  - (B) GST PMT-02
  - (C) GST PMT-01
  - (D) GST PMT-07
- (xiv) Basic Customs 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 Rules
  - (D) Section 12 of the Customs Act. 1962
- (xv) Under Customs Tariff Act, 1975, margin of dumping means the difference between \_\_\_\_\_ and \_\_\_\_\_.
- (A) export price and its normal value
  - (B) import price and its normal value
  - (C) export price and CIF value
  - (D) None of the above

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2. (a) Mrs Sonia, an Indian citizen, is in employment with a multinational company located in Germany. She was in India for 75 days, 86 days, 125 days and 112 days in the previous year 2021-22, 2022-23, 2023-24 and 2024-25, respectively. During the previous year 2025-26, she comes to India for 135 days.

She is not liable to tax in Germany. Her income for the previous year 2025-26 is as follows: -

Sr. No.	Particulars	Amount (₹)
(i)	Income deemed to be accrued and arisen in India	4,00,000
(ii)	Income arising and received in Germany, from a business set up in India	6,50,000
(iii)	Salary accrued and arisen in Germany	10,50,000
(iv)	Income accrued and arisen in India	3,75,000
(v)	Amount deposited in Public Provident Fund	1,50,000

Required:

Examine the residential status of Mrs Sonia for the Assessment Year 2026-27. If Mrs Sonia wants to pay tax under default tax regime under section 115BAC of the Income-tax Act, 1961.

Note: Calculation of the Total Income (after determination of residential status) is not required. [7]

- (b) During the previous year 2025-26, Mr Mohit aged 40 years, employed by XYZ Ltd. situated at Ratlam (Madhya Pradesh). He gets the following from the employer:
- Basic salary: ₹ 35,000 per month
  - Dearness allowance: 30% of basic salary (40% is considered for calculating retirement benefits like gratuity and pension)
  - Dearness pay: ₹ 2,000 per month (Nothing is considered for retirement benefits)
  - Received Commission as incentive: @ 5% of archived turnover each month (monthly turnover achieved by Mr Mohit is ₹ 1,00,000.)
  - House Rent Allowance: ₹ 15,000 per month.  
He paid rent of ₹ 17,000 per month up to 30<sup>th</sup> June, 2025 and after that he shifts in his own house but house rent allowance is received throughout the year.
  - Employer's contribution towards recognized provident fund: ₹ 5,400 per month
  - Interest credited on employer's contribution in recognized provident fund: ₹ 55,000 (Rate of interest is 11%)
  - The employer company also provides tea and light snacks to all employees during tea break. Expenditure incurred by the company is approximately ₹ 65 per day for 310 working days.

Required:

Calculate Mr Mohit's income chargeable under the head "Salary" for the Assessment Year 2026-27 under old tax regime as well as under the new tax regime under section 115BAC of the Income-tax Act, 1961.

Correct reason for each item should form part of your answer. [7]

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3. (a) Mr. Radhey (aged 35 years) and his brother Mr. Kishan (aged 33 years) own a flat (Flat A) as co-owners with equal share. They live in that flat together. Apart from flat A, Mr. Radhey owns Flat B, which is let out by him for the entire financial year 2025-26. The relevant data are as follows:

Particulars	Flat A (₹)	Flat B (₹)
Actual Rent p.m.	Nil	58,000
Municipal Value	5,00,000	6,00,000
Standard rent	4,50,000	6,50,000
Fair rent	5,00,000	6,20,000
Municipal taxes paid	5,000	10,000
Municipal taxes remaining unpaid	Nil	2,000
Principal amount of loan repaid during the year	1,00,000	1,40,000
Interest paid on loan (taken to buy the flat) (Date of loan 01/04/2024) (paid equally by Mr. Radhey and Mr. Kishan)	5,00,000	3,50,000
Cost of repairs	1,20,000	50,000

Both, Mr. Radhey and Mr. Kishan did not opt to be taxed under section 115BAC of the Income-tax Act, 1961.

Required:

Calculate the Income taxable in the hands of Mr. Radhey and Mr. Kishan under the head “Income from House Property” for the assessment year 2026-27 along with correct legal provision of each item involved.

[7]

- (b) The following particulars are provided by Mr. Kumar, aged 55 years, for the year ending 31<sup>st</sup> March 2026 from trading of products.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Opening Stock	2,20,000	By Sales	3,75,00,000
To Purchases	3,50,00,000	By Closing Stock	4,80,000
To Salaries	3,25,000		
To Rent of office building	6,12,000		
To Depreciation	1,50,000		
To Income tax paid	25,000		
To Interest	12,000		
To Legal expenses	11,300		
To Office expenses	85,000		
To Refreshment expenses	60,800		
To Travelling expenses	1,02,800		
To Net profit	13,76,100		
	3,79,80,000		3,79,80,000

Following additional information is also provided:

- (i) Interest expense is interest on loan taken from NBFC which is not paid till due date of filing return.



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- (ii) Legal expenses include ₹1,000 paid as penalty for not supplying goods on time to the client as per terms of contract.
- (iii) During the previous year received ₹3,000 against the bad debts of ₹5,500 claimed in preceding previous year.
- (iv) Purchases include purchase of ₹10,000 for which payment is made in cash.
- (v) He purchased goods worth ₹ 70,000 from M/s Sur Trading (a wholesale trader registered as a small enterprise under MSMED Act) on 01.02.2026 and ₹20,000 is still pending for payment.
- (vi) He received ₹50,000 from a debtor in cash against an outstanding bill.
- (vii) TDS@ 10% is not deducted from the rent paid for office building

Required:

Calculate the income chargeable under the head “Profits and Gains from Business or Profession” in the hands of Mr. Kumar for the AY 2026-27, assuming he had not opted for default tax regime u/s 115BAC of Income Tax Act, 1961.

Reason for the treatment should be part of your answer.

[7]

4. (a) Mr Ram Mohan is a resident individual, has purchased a house property for ₹8,00,000 on 1<sup>st</sup> September, 2004. He constructed a new floor on the same house at a cost of ₹ 3,00,000 on 1<sup>st</sup> June, 2005. He sold such house for ₹38,00,000 on 1<sup>st</sup> December, 2025 and incurred brokerage @ 1% of sale value for arranging customer.

Cost inflation index for various financial year is as under: -

2003-2004	: 109
2004-2005	: 113
2005-2006	: 117
2025-2026	: 376

Assuming Mr Ram Mohan exercise the option of shifting out of the default tax regime provided under section 115BAC of the Income-tax Act, 1961

Assume that other income of Mr Ram Mohan is more than ₹ 5,00,000

Required:

Calculate the income chargeable under the head Capital gains for the assessment year 2026-27 in the hands of Mr Ram Mohan and also calculate the tax payable on such capital gain if any, if he wants to pay minimum amount of tax possible under the Income Tax Act

Discuss in brief the relevant provision.

[7]

- (b) Mrs. Iyer, a resident individual aged 45 years, is a tax consultant. She gives you the following details of her incomes for the previous year 2026-27:
- (i) Received a cash gift of ₹55,000 from her brother on birthday.
  - (ii) Received a car from her friend on birthday. The fair market value of the car was ₹5 lakhs.
  - (iii) She held 2000 shares (purchase cost - ₹250 per share, purchase date – 01/11/2023) on an Indian company whose shares were listed on a Recognised Stock Exchange in India. On 31/01/2025, the company bought back these shares for ₹580 per share. The fair market value of these shares on that date was ₹500 per share.

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- (iv) Winning from card games - ₹58,000  
(v) Loss incurred on card games - ₹5,000  
(vi) Honorarium received from a private college for delivering guest lecture on taxation - ₹60,000  
(vii) Family pension received from the employer of her deceased husband - ₹90,000

Note: All the amounts are inclusive of TDS (if any) and also she did not opt out of default tax regime provided under section 115BAC of the Income-tax Act, 1961

Required:

Calculate her income under the head “Income from other sources” for the assessment year 2026-27 by discussing the relevant legal provisions. [7]

5. (a) Mr Manoj, a resident individual aged 45 years, furnished the following information in respect of income earned and losses incurred by him for the previous year 2025-26: -

Sr. No.	Particulars	Amount (₹)
(i)	Profit from metal business	2,06,000
(ii)	Brought forward loss from toys business which was closed in assessment year 2025-26	(68,000)
(iii)	Profit from speculative business	90,000
(iv)	Loss from speculative business of assessment year 2020-21 not set till assessment year 2025-26	(55,000)
(v)	Short term capital gain on sale of plot (land)	1,35,000
(vi)	Share of profit from firm in which he is partner	15,000
(vii)	Long term capital loss on sale of house	(90,000)
(viii)	Loss from specified business covered under section 35AD of the Income-tax Act, 1961	(85,000)

Mr Manoj files his income-tax return every year before due date. He exercise the option of shifting out of the default tax regime provided under section 115BAC of the Income-tax Act, 1961.

Required:

Calculate the gross total income of the Mr Manoj for the assessment year 2026-27, showing clearly the manner of set-off and the losses eligible for carry forward and period up to which such losses can be carried forward.

Indicate clearly the reasons for treatment of each item. [7]

- (b) Mr Sita Ram, a resident individual, aged 65 years, furnishes the following particulars of his income for the previous year 2025-26: -

- (i) He occupies ground floor of his residential building and has let out first floor for residential use at an annual rent of ₹4,84,000. He has paid municipal taxes of ₹48,000 for the current financial year.  
(ii) Interest received on bank fixed deposit: ₹1,37,000 (Gross)  
(iii) Income from royalty @ 18% on a book (artistic nature): ₹5,40,000.  
(iv) He contributed ₹10,000 to a political party by payment through cheque.  
(v) He contributed ₹5,000 to an approved superannuation fund.



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Required:

- (i) Calculate total taxable income and total tax liability of Mr Sita Ram for the assessment year 2026-27 under the default tax regime under section 115BAC and optional tax regime as per the Regular provisions (old regime) of the Income-tax Act, 1961.
- (ii) Discuss with reason which scheme is better for him for the assessment year 2026-27. [7]
6. (a) Prepare a statement showing the various Lists provided under Seventh Schedule to Article 246 of the Constitution of India and also discuss which major entries in the respective list enable the legislature to make law on the matter. [7]
- (b) In the context of Goods and Services Tax Council (Article 279A) demonstrate the following: -
- (i) Who is the member of the GST Council?
- (ii) How many members of the GST Council shall constitute the quorum at its meetings?
- (iii) How will any decision be taken by the GST Council at the meeting? What will be the weightage of votes of Central Government and State Government in the total votes cast while taking any decision at the meeting of the GST Council?
- (iv) List down the commodities on which at present GST is not levied but the date from which it will be applicable recommended by the GST Council. [7]
7. (a) (i) Vishnu Trader is dealing in intra-State trading of stationary items in the State of Uttarakhand. Its aggregate turnover in the preceding financial year by way of supply of stationary items was ₹75 lakh.
- (ii) Laxmi & Sons, a registered dealer, is dealing in intra-State trading of electrical home appliances in the State of Tamil Nadu. Its aggregate turnover in the preceding financial year by way of supply of electrical home appliances was ₹135 lakh.

In the current financial year, it has also started providing intra-State repair and maintenance services of electrical home appliances in the State of Tamil Nadu.

Required:

Examine, whether the suppliers are eligible for composition levy scheme for the current financial year, under GST law in the above independent cases.

In above point no.(ii), if your answer is yes then demonstrated up to what amount, the service can be supplied.

Brief notes for treatment given should form part of your answer. [7]

- (b) Analyze the following independent cases and calculate the taxable value of supply, provided by a registered authorized dealer in foreign exchange to its customers.
- (i) USD 2,000 are purchased from Mrs Rosey on dated 1<sup>st</sup> April, 2025 at the rate of ₹ 80.50 per USD. The Reserve Bank of India (RBI) reference rate for each USD is ₹ 82.50 for that day.
- (ii) ₹ 1,50,000 is converted into UK Pound on dated 15<sup>th</sup> April, 2025 and the exchange rate offered is ₹ 98 per UK Pound. RBI reference rate for conversion of INR into UK Pound is not available.
- (iii) On 10<sup>th</sup> April, 2025 Mr John gets 10,000 Euro converted into 40,000 Dirham. On such date, RBI reference rate is 1 Euro = ₹ 85, 1 Dirham = ₹ 22.

Brief notes for treatment given should form part of your answer. All the amounts given above are exclusive of taxes. [7]



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8. (a) As per the provisions of GST law, discuss with reason, the following questions with respect to casual taxable person:
- Who is a casual taxable person?
  - When is the casual taxable person liable to get registered?
  - What is the validity period of the registration certificate issued to a casual taxable person?
  - Can the validity of registration certificate issue to a casual taxable person be extended? If yes, what will be the period of extension?
  - Can a casual taxable person opt for the composition scheme? [7]

- (b) Prabhu Trade International Ltd of Kolkata imported a machine by air from USA. The cargo plane carrying the machine reaches Mumbai airport first and from there machine is transhipped to Kolkata airport. Prabhu Trade International Ltd has given the following particulars: -

SN	Particulars	
(i)	FOB value of machine	US \$ 20,000
(ii)	Air freight, loading, unloading & handling charges associated with the delivery of the imported goods to the place of importation	US \$ 3,000
(iii)	Actual landing charges paid at the place of importation	₹ 12,500
(iv)	Transport charges from Mumbai airport to Kolkata airport	₹10,000
(v)	Insurance charges paid to the place of importation	Not known
Date of bill of entry		02-09-2025 exchange rate as notified by CBIC = ₹92 per US \$, Rate notified by RBI = ₹ 95 per US \$)
Date of arrival of aircraft		05-09-2025 exchange rate as notified by CBIC = ₹93 per US \$, Rate notified by RBI = ₹ 94 per US \$)

Required:

Examine the above case and calculate the Assessable value of machine of Imported by Prabhu Trade International Ltd under Customs Act, 1962.

Show workings with explanations. [7]