



INTERMEDIATE EXAMINATION
PRACTICE TEST PAPER
PAPER – 7
DIRECT AND INDIRECT TAXATION

TERM – JUNE 2026
SYLLABUS 2022

Time Allowed: 3 Hours

Full Marks: 100

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

SECTION – A (Compulsory)

1. Choose the correct option:

[15 x 2 = 30]

- (i) Mrs. D, a resident individual, has a total income of ₹4,95,000. This includes ₹1,00,000 as long-term capital gains taxable under Section 112A. Her total tax liability is : Tax on normal income: ₹8,000, Tax on LTCG under Section 112A: ₹10,000. What rebate amount under Section 87A can she claim?
- ₹18,000
 - ₹12,500
 - ₹8,000
 - Nil
- (ii) If the total income of a person is ₹ 4,67,888.34, it shall be rounded off to:
- ₹ 4,67,888/-
 - ₹ 4,67,890/-
 - ₹ 4,67,880/-
 - None of the Above
- (iii) Deduction u/s 24(a) is not available when:
- Net annual value is zero
 - Net annual value is positive
 - Net annual value is zero or negative
 - None of the above
- (iv) Capital gain on slump sale is:
- Always short-term capital gain
 - Always long-term capital gain
 - Depends on the period of holding of the capital asset being the undertaking transferred
 - Not taxable
- (v) The preliminary expenses that can be amortized under the Income Tax Act, 1961 has to be restricted to _____ of the cost of project.
- 3%
 - 5%
 - 8%
 - 20%



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- (vi) 80GGA available for donations made to
- a. Charitable Institutions
 - b. Educational Institutions
 - c. Research Associations
 - d. Religion organizations
- (vii) According to the administrative hierarchy, which body is responsible for the levy and collection of Central Indirect Taxes?
- a. CBDT
 - b. Finance Commission
 - c. CBIC
 - d. Village Panchayats
- (viii) Mr. A transfers his business assets (on which he had NOT availed Input Tax Credit) to his friend Mr. B without consideration. This transaction is:
- a. A Supply of Goods.
 - b. A Deemed Supply under Schedule I.
 - c. A Mixed Supply.
 - d. Not a Supply.
- (ix) A State Government authorises a lottery with the following details:
- Face value per ticket = ₹1000
 - Notified price in Official Gazette = ₹600
- As per the provisions of the CGST Act, 2017, the deemed value of supply of the lottery shall be:
- a. ₹714.29
 - b. ₹428.57
 - c. ₹1000
 - d. ₹600
- (x) A hotel in Goa provides accommodation to a guest from Delhi. The POS is:
- a. Delhi
 - b. Goa
 - c. Maharashtra (Nearest Hub)
 - d. Union Territory
- (xi) ITC is not available for goods lost, stolen, destroyed, or written off. This restriction is provided under:
- a. Section 16(2)
 - b. Section 17(5)(h)
 - c. Section 19
 - d. Rule 42



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- (xii) Which of the following numbers is granted to a person who is not liable to obtain registration but is required to make a payment (e.g., penalty) under the Act?
- Temporary Reference Number (TRN)
 - Unique Identity Number (UIN)
 - Temporary Identification Number
 - GSTIN
- (xiii) A registered person required to deduct tax at source (TDS) under Section 51 must file which return and by when?
- GSTR-7 by the 10th of the next month.
 - GSTR-8 by the 10th of the next month.
 - GSTR-3B by the 20th of the next month
 - GSTR-6 by the 13th of the next month.
- (xiv) In the First Schedule to the Customs Tariff Act, 1975, the 8-digit code is specifically referred to as:
- Heading
 - Sub-heading
 - Tariff Item
 - Chapter Note
- (xv) What is the formula for the 'Margin of Dumping' used to calculate Anti-Dumping Duty?
- Export Price minus Normal Value
 - Normal Value minus Export Price
 - Landed Value minus Export Price
 - Normal Value minus Cost of Production

Section – B

(Answer any five questions out of seven questions given. Each question carries 14 Marks)

[5 x 14 = 70]

2. (a) Ram provides the following details of income, calculate the income which is liable to be taxed in India for the A.Y. 2026-27 assuming that –

(a) He is an ordinarily resident (b) He is not an ordinarily resident (c) He is a non-resident.

Particulars	(₹)
Salary received in India from a former employer of UK	1,40,000
Income from tea business in Nepal being controlled from India	10,000
Interest on company deposit in Canada (1/3rd received in India)	30,000
Profit from a business in Mumbai controlled from UK	1,00,000
Profit for the year 2023-24 from a business in Tokyo remitted to India	2,00,000
Income from a property in India but received in USA	45,000

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Income from a property in London but received in Delhi	1,50,000
Income from a property in London but received in Canada	2,50,000
Income from a business in Jambia but controlled from Turkey	10,000

[7]

(b) Miss Stuti has the following salary structure:

	₹
a) Basic salary	15,000 p.m.
b) Dearness Allowance	5,000 p.m. (not forming part of retirement benefit)
c) Hostel Allowance	1,000 p.m. (does not have any child)
d) Tiffin Allowance	500 p.m.
e) Transport Allowance	200 p.m.
f) Bonus	20,000 p.a.
g) Commission	15,000 p.a.
h) Free refreshment in office worth	5,000 p.a.
i) Mobile phone facility by employer	900 p.m.
j) Computer facility worth	10,000 p.a.

She has been provided a Rent-free Accommodation (owned by employer) in Kolkata. The house was allotted to her with effect from 1/5/2025 but she could occupy the same only from 1/6/2025. Calculate her gross taxable salary. [7]

3. (a) Mr Aaradhya provided the following information in respect of his various house properties:

Particular	H1	H2	H3
Used For	Self Occupied	Self Occupied	Self Occupied
Situated at	Delhi	Indore	Mumbai
Gross Municipal Value (₹)	2,50,000	3,50,000	7,50,000
Fair Rent (₹)	2,00,000	3,00,000	7,00,000
Standard Rent(₹)	3,00,000	3,00,000	6,50,000
Municipal Tax	15%	15%	15%
Repairs	12,000	8,000	10,000
Interest on Loan (₹)	70,000	1,50,000	2,50,000
Loan Taken on	2000-2001	2000-2001	2021-22

He does not opt to be taxed under section 115BAC of the Income Tax Act, 1961. Prepare a statement to determine the income from house property chargeable in the hands of Mr Aaradhya for the assessment year 2026-27. [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 01/04/2025 as under:		
Vehicle No.	Gross weight (in kg)	Date of Sale

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1	8,500	-
2	13,000	-
3	15,000	24/04/2025
4	10,000	-
He bought the following vehicles during the Financial Year 2025-26:		
Vehicle No	Gross weight (in kg)	Date of purchase and put to use
5	7,500	01/05/2025
6	8.500	01/06/2025

During the Financial Year 2025-26, he received ₹ 45 lakhs from the hiring and plying of these vehicles. Since he did not maintain proper books of account so he wants to opt presumptive Income scheme under Section 44AE of the Income Tax Act, 1961.

Required :

Analyse the situation and calculate Mr. Ratan's income chargeable to tax under the head "Profit and Gains from Business or Profession" for the Assessment Year 2026-27 by briefly discussing 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) Raj Ltd. has an industrial undertaking operating in an urban area. During the year 2025-26, it sold its two machineries for ₹2,00,000 and ₹3,80,000 in course of shifting its industrial undertaking from urban area to rural area. The written down value of the block (consists of 4 machineries) as on 1/04/2025 was ₹3,50,000. The company incurred ₹20,000 expenses on other purposes as specified in a scheme framed by the Central Government for the purposes of this section. Calculate its taxable capital gain, if the company acquired new machinery for industrial purpose for ₹ 50,000 as on –

Case A) 28/03/2026;

Case B) 12/04/2026 [7]

- (b) Mr. Ajit, a resident Indian aged 55 years, a Cost and Management Accountant (CMA), shares the following information about his income during the financial year 2025-26:

- Amount received from evaluation of answer books of professional examinations: ₹70,000. Expenses incurred for earning this income like cost of stationery etc. ₹ 1,200.
- Income tax refund relating to A.Y. 2025-26 : ₹45,000 including interest amounting to ₹7,000.
- Cash gift received from his friend on his marriage anniversary: ₹ 76,000.
- Gift received from his son, Mr. Abhijit: ₹1,30,000 in cash.
- Amount received from letting out of residential house property: ₹ 50,000 p.m.
- Dividend received (gross) from listed Indian companies: ₹65,000
- Interest expenses on loan taken to buy the shares on which dividend is received: ₹ 15,000

Calculate the income chargeable under the head 'Income from other sources' in the hands of Mr. Ajit for the Assessment Year 2026-27 by briefly giving reasons wherever applicable, assuming he has opted for default tax regime under section 115BAC of the Income Tax Act, 1961. [7]



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5. (a) Mr Anupreet provides the following information of income/losses for the previous year 2025-26:

S. No	Particulars	Amount (₹)
(i)	Salary income	5,00,000
(ii)	Loss under the head house property	2,20,000
(iii)	Profit from speculation business	6,00,000
(iv)	Loss from non-speculation business	3,00,000
(v)	Loss from other sources	3,00,000
(vi)	Loss from LTCG	1,50,000
(vii)	Profit from STCG	40,000
(viii)	Carried forward loss of speculation business(P.Y. 2021-22)	3,50,000
(ix)	Unabsorbed depreciation of shut down business (P.Y. 2017-18)	1,65,000

You are required to calculate the total income of Mr Anupreet for the assessment year 2026-27 showing clearly the manner of set off and the items eligible for carried forward with reasons.

He filed his Income Tax Return on time every year. He does not opt to be taxed under section 115BAC of the Income Tax Act, 1961. [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 2025-26:

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 2026-27 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 :

Compare and discuss whether Mrs. Kajal 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]



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6. (a) Discuss the difficulties/limitations in the pre-GST regime in the context of indirect taxes, which were removed with the introduction of GST. [7]

(b) Prepare a list of the five Centre and five State taxes that were subsumed in the GST regime and also prepare a list of any four taxes that were not subsumed in the GST regime. [7]

7. (a) M/s. Bharat & Sons, a partnership firm based in Lucknow, Uttar Pradesh, is a registered trader of electronic goods. Their aggregate turnover for F.Y. 2024-25 was ₹ 1.20 Crores. For the F.Y. 2025-26, they provide the following details of their outward supplies:

- i. Intra-state supplies of taxable goods: ₹ 80,00,000
- ii. Intra-state supplies of goods through an E-commerce Operator (ECO): ₹ 15,00,000
- iii. Intra-state supplies of exempt goods: ₹ 5,00,000
- iv. Interest received on bank deposits: ₹ 2,00,000

Additionally, they made an inward supply (purchase) of ₹ 2,00,000 from an unregistered person on which GST is payable under Reverse Charge Mechanism (RCM) at 18%.

Required:

1. Discuss the eligibility of M/s. Bharat & Sons for the Composition Scheme for F.Y. 2025-26.
2. Calculate the total GST liability for F.Y. 2025-26, assuming they opted for the scheme.

[7]

(b) M/s. PQR Heavy Engineering (Mumbai) supplied a machine to ABC Ltd. (Pune) on 10-Jan-2026.

- List Price of Machine: ₹ 15,00,000 (Exclusive of taxes and discounts).
- Additional Charges:
 1. Municipal Tax levied on the machine: ₹ 25,000.
 2. Packing Charges (Special crate): ₹ 12,000.
 3. Design & Engineering Charges (Pre-delivery): ₹ 40,000.
 4. TCS collected under Income Tax Act: ₹ 15,000.
 5. GST charged on the invoice: ₹ 2,70,000.

Calculate the Value of Taxable Supply.

[7]

8. (a) Examine the provisions relating to the issue of Registration Certificate under Rule 10 of the CGST Rules, 2017. [7]

(b) Shyam Trade Company of Kolkata has imported one machine by Air from USA. Shyam Trade Company has given the following particulars related to this transaction:

S. No	Particulars	Amount
(i)	FOB value of the machine	US \$ 25,000
(ii)	Air freight, loading, unloading & handling charges associated with the delivery of the imported goods to the place of importation	US \$ 3,000
(iii)	Licence fee relating to imported goods, the buyer was required to pay in USA as a condition of sale	US \$ 500
(iv)	Design and engineering charges paid to consultancy firm	₹ 10,000

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	in Mumbai	
(v)	Buying commission paid in India	15,000
(vi)	Insurance charges paid to the insurer in India	₹ 8,000
(vii)	Demurrage charges for delay in clearing the machine from Airport paid by importer	₹ 12,000
Date of Bill of entry		30-07-2025 exchange rate as notified by CBIC =75 per US \$, Rate notified by RBI =76 per US \$)
Date of arrival of aircraft		10-08-2025 exchange rate as notified by CBIC = ₹ 77 per US \$, Rate notified by RBI =78 per US \$)

You are required to calculate the assessable value of machine imported by Shyam Trade Company under the Customs Act, 1962. Show workings with explanations. [7]