

INTERMEDIATE EXAMINATION

June 2026

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) MM Pvt. Ltd. is engaged in manufacture of laptops and computers. Its total income for the Assessment Year 2026-27 is ₹ 7.20 crore. What is the rate of surcharge applicable on its tax liability if not opting for special rates under section 115BAA/115BAB of the Income Tax Act, 1961?
- (A) 12%  
(B) 7%  
(C) 5%  
(D) 10%
- (ii) As per the Income-tax Act, 1961, a house property located outside India and income received outside India is \_\_\_\_\_.
- (A) exempted from tax in India for all assessee.  
(B) taxable in hands of resident and ordinarily resident assessee.  
(C) taxable in hands of all assessee.  
(D) taxable in hands of non-resident assessee.
- (iii) Mr. Sumantra owns a large cricket stadium which is let out during the year for various cricket tournaments. As per the Income-tax Act, 1961, The rental income shall be taxable under the head:
- (A) Income from house property  
(B) Income from Business or profession  
(C) Income from other sources  
(D) Capital Gains

- (iv) As per the Income-tax Act, 1961, what will be the period of holding for the treatment of Bonus shares?
- (A) Date of allotment of bonus shares to date of renouncement
  - (B) Date of allotment to date of new purchase
  - (C) Date of allotment of bonus shares to date of transfer
  - (D) Date of transfer to date of resale
- (v) Mr. Vikas, a resident individual, aged 42 years is engaged in the business of trading of readymade garments. He deposited a sum of ₹16 lakhs in a fixed deposit. However, there were no entry of this deposit in his books of accounts. It came to the notice of the assessing officer and when asked, Mr. Vikas could not offer any explanation as to the source of such fixed deposit amount. At what rate such amount shall be taxable under the Income tax Act, 1961, in the hands of Mr. Vikas?
- (A) @60% (+ SC @ 37% + cess)
  - (B) @60% (+ SC @ 25% + cess)
  - (C) @30% (+ SC @ 25% + cess)
  - (D) As per slab rates
- (vi) Sharath aged 32 years has incurred ₹ 50,000 towards medical expenditure of his mother (aged 70 years ), his mother is not covered by health insurance policy and Sharath has also paid by cheque ₹ 30,000 as premium on health insurance policy to cover himself and his family, how much is the total amount eligible for deduction under section 80D of the Income Tax Act, 1961 under the old tax regime for the Assessment Year 2026-27?
- (A) ₹ 80,000
  - (B) ₹ 75,000
  - (C) ₹ 50,000
  - (D) ₹ 25,000
- (vii) Under the GST law, levy of indirect tax on goods and services may leads to
- (A) Deflation
  - (B) Inflation
  - (C) Reflection
  - (D) None of the above

- (viii) The supply of goods to SEZ unit is treated as \_\_\_\_\_ in the hands of the supplier under the GST law.
- (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) Which of the following must be included in value of supply under the GST Law?
- (A) GST charged in invoice
  - (B) Subsidy directly linked to price given by Central Government
  - (C) Subsidy directly linked to price given by non-government entity
  - (D) Discount given as per agreement before supply and recorded in invoice
- (x) Which of the following is true with regard to place of supply under the GST law for the catering services?
- (A) Location of the supplier
  - (B) Location of recipient in books of supplier in case of unregistered recipient
  - (C) Location where services are actually performed
  - (D) Location of recipient, if recipient is registered
- (xi) Under the GST law, if the recipient fails to pay to the supplier of goods or services or both, other than the supplies on which tax is payable on reverse charge basis, the amount towards the value of supply along with tax payable thereon within a period of \_\_\_\_\_ then an amount equal to Input tax Credit availed including interest to be added to outward tax liability.
- (A) 90 days from the date of time of supply
  - (B) 90 days from the date of issue of invoice by the supplier
  - (C) 180 days from the date of time of supply
  - (D) 180 days from the date of issue of invoice by the supplier

- (xii) Mr. Ram supplied goods of ₹ 1,00,000 to Mr. Raj, who returned goods of ₹ 10,000 due to inferior quality. As per the provisions of the GST law for this ₹ 10,000 Mr. Ram will later issue
- (A) Credit note
  - (B) Debit note
  - (C) Receipt voucher
  - (D) Delivery challan
- (xiii) Electronic Cash Ledger should be maintained in Form \_\_\_\_\_ Under the GST law.
- (A) GST PMT-05
  - (B) GST PMT-02
  - (C) GST PMT-01
  - (D) GST PMT-07
- (xiv) Section 14 (2) of the Customs Act, 1962 provides that the CBIC may fix for any class of imported goods or export goods, having regard to the trend of value of such or like goods by notification in the Official Gazette if it is satisfied that it is necessary to do so. It is
- (A) Tariff value
  - (B) Maximum Retail Price (MRP)
  - (C) Transaction value
  - (D) Open Market value
- (xv) Under the section 9 of the Customs Tariff Act, 1975 duty imposed to neutralize subsidy given by exporting country is called
- (A) Safeguard Duty
  - (B) Anti-dumping Duty
  - (C) Countervailing Duty
  - (D) Protective Duty

**Section-B**

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

**Each question carries 14 Marks**

**14×5=70**

2. (a) Mr. Mathew a foreign national aged 42 years came to India for the first time during the Financial Year (FY) 2021-22. His stay in India during the FY 2021-22 was 57 days; FY 2022-23 was 62 days; FY 2023-24 was 160 days; FY 2024-25 was 70 days; and FY 2025-26 was 128 days.

**Required:**

- (i) Examine the above case and discuss with reason the residential status of Mr. Mathew for the Assessment Year 2026-27.
- (ii) In case he is a person of Indian origin, discuss with reason his residential status for the Assessment Year 2026-27.
- (iii) In case he is an Indian citizen who does not pay income-tax in any other country and his taxable income in India is ₹ 22 lakhs, discuss with reason his residential status for the Assessment Year 2026-27.

Note : Correct reason for the treatment of each item should form part of your answer.

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- (b) Ms. Monica Finance Manager of ABC Ltd. furnishes you the following details for the financial year ended on 31st March 2026:

Sr. No.	Particulars	Amount (₹)
(i)	Basic salary	₹ 1,00,000 p.m
(ii)	Dearness allowance (50% of basic salary)	
(iii)	House rent allowance	₹ 30,000 p.m.
(iv)	Transport allowance	₹ 5,000 p.m.
(v)	Free refreshment in office during office hours	₹ 60,000
(vi)	Mobile phone facility	₹ 40,000
(vii)	Allowance for meeting the cost of transfer from Mumbai to Delhi	₹ 50,000
(viii)	Medical facility in the hospital maintained by the employer	₹ 45,000
(ix)	Medical expenditure outside India for self (Amount permitted by RBI is ₹ 2,00,000).	₹ 2,40,000
(x)	New pension scheme (NPS) contribution by employer	15% of basic salary
(xi)	NPS contribution – self	20% of basic salary

**Required:**

Calculate Ms. Monica's income chargeable under the head "Salary" for the Assessment Year 2026-27 assuming that she did not opt out of default tax regime under section 115BAC of the Income Tax Act, 1961.

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

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3. (a) Mr. Rohan (aged 38 years) and his brother Mr. Mohan (aged 40 years) own a flat (Flat A) as co-owners with equal share. They live in that flat together. Apart from Flat A, Mr. Rohan 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	60,000
Municipal Value	5,50,000	6,10,000
Standard rent	4,90,000	6,60,000
Fair rent	5,00,000	6,30,000
Municipal taxes paid	7,000	11,000
Municipal taxes remaining unpaid	Nil	3,000
Principal amount of loan repaid during the year	1,00,000	1,55,000
Interest paid on loan (taken to buy the flat) (Date of loan 01/04/2024)	4,60,000 (paid equally by Mr. Rohan and Mr. Mohan)	3,75,000
Cost of repairs	1,20,000	50,000

Both, Mr. Rohan and Mr. Mohan 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. Rohan and Mr. Mohan under the head "Income from House Property" for the Assessment Year 2026-27 along with correct legal provision of each item involved.

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- (b) Mr. Prabhat aged 50 years, a retail trader of Patna (Bihar) furnished his Trading and Profit and Loss account for the year ended on 31st March, 2026 as follows:

**Trading and Profit and Loss Account for the year ended 31st March, 2026**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Opening stock	95,000	By Sales	90,00,000
To Purchases	84,00,000	By Closing stock	85,000
To Gross Profit	5,90,000		
	<b>90,85,000</b>		<b>90,85,000</b>
To Salary	60,000	By Gross profit b/d	5,90,000
To Rent and rates	24,000	By Income from UTI	3,000
To Interest on loan	5,000		
To Depreciation	1,05,000		
To Printing & stationery	25,000		
To Postage & telegram	800		
To Loss on sale of shares (Short term)	9,500		
To Other general expenses	7,000		
To Net Profit	3,56,700		
	<b>5,93,000</b>		<b>5,93,000</b>

Additional information:

- Depreciation as per the Income-tax Act, 1961 is ₹ 1,20,000.
- Salary includes ₹ 12,000 paid to his brother, which is unreasonable to the extent of ₹ 2,500.
- Rent and rates includes GST liability of ₹ 2,800 paid on 7th April, 2026.
- The whole amount of printing & stationery was paid in cash by way of one-time payment to Shri Jeevan Ram.
- Other general expenses include ₹ 2,000 paid as donation to a Public Charitable Trust.
- It was found that some stocks were omitted to be included in both the opening and closing stock, the values of which were:  
Opening stock ₹ 9,000. Closing stock ₹ 18,000.

**Required:**

Calculate the income chargeable under the head “**Profits and Gains from Business or Profession**” in the hands of Mr. Prabhat for the Assessment Year 2026-27 by assuming that Mr. Prabhat exercise 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.

4. (a) Mr. Harvinder Shah a resident individual sold a residential building for ₹ 150 lakhs on 23.08.2025 and its stamp duty value on the date of sale was ₹ 170 lakhs. Earlier Mr. Harvinder Shah had entered into an agreement with a different buyer on 05.04.2025 and received advance of ₹ 5 lakhs which was forfeited as the buyer could not purchase the property. The indexed cost of acquisition of residential building was ₹ 56.40 lakhs. It was originally acquired on 10.01.2013 for ₹ 30 lakhs.

He also sold 300 listed shares of AB Ltd. @ ₹ 1700 per share on 10.03.2026. The shares were originally acquired on 25.01.2017 @ ₹ 1900 per share and the Fair Market Value (FMV) of each share as on 31.01.2018 was ₹ 2400 per share.

Mr. Harvinder Shah acquired a residential property for ₹ 80 lakhs on 05.02.2026 when its stamp duty value was ₹ 85 lakhs. He also deposited ₹ 40 lakhs in REC bonds covered in section 54EC on 26.03.2026.

Cost Inflation Index (CII) are as follows:

FY 2012-13 = 200;

FY 2016-17 = 264;

FY 2017-18 = 272;

FY 2025-26 = 376.

**Required:**

Calculate the net amount taxable under the head “**Capital Gains**” for Assessment Year 2026-27 in the hands of Mr. Harvinder Shah by assuming that he is under default tax regime specified under section 115BAC of the Income Tax Act, 1961. 7

- (b) Mr. Narottam, 38 years old self-employed Indian resident, provides the detail of following transactions/ income during the previous year 2025-26:

Sr. No.	Particulars	Amount (₹)
(i)	Rent from vacant land given for rearing of livestock	45,000
(ii)	Dividend (Gross) from Indian company.	1,00,000
(iii)	Received free gift of gold bracelet from his father-in-law (fair market value ₹ 2,00,000)	—
(iv)	Income (Gross) from winning from horse race	10,000
(v)	Received honorarium from university as guest speaker	60,000

For investment in shares of Indian company in S. No. (ii) above, a loan was taken on which interest of ₹ 30,000 was paid during the previous year. Also, he incurred collection charges of ₹ 2,000.

**Required:**

Calculate the income chargeable to tax under the head “**Income from other sources**” in the hands of Mr. Narottam for the Assessment Year 2026-27 by assuming that he is under default tax regime specified under section 115BAC of the Income Tax Act, 1961.

Correct reason for the treatment should be part of your answer. 7

5. (a) Mr. Amit a resident individual aged 45 years who has opted out of default tax regime under section 115BAC of the Income Tax Act, 1961, furnishes the following details for the financial year 2025-26:

Sr. No.	Particulars	Amount (₹)
(i)	Income from salary before standard deduction	11,75,000
(ii)	Loss from let out property	(1,40,000)
(iii)	Loss from self-occupied property – representing interest on housing loan	(80,000)
(iv)	Loss from business (before depreciation)	(2,40,000)
(v)	Eligible depreciation for the year related to point (iv)	60,000
(vi)	Long-term capital gain (STT paid shares)	4,60,000
(vii)	Short-term capital loss - Jewellery	(75,000)
(viii)	Loss from the activity of owning and maintaining race horses	(3,00,000)
(ix)	Loss from horse races	(1,20,000)
(x)	Income from Intra-day trade in shares in the recognized stock exchanges	4,10,000

**Required:**

Analyze the case and calculate the gross total income of Mr. Amit for the Assessment Year 2026-27, by showing clearly the manner of **set-off of losses and the losses eligible for carry forward.**

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- (b) Mr. Shetty (aged 51 years) has multifarious businesses presents you the following information for the year ended 31st March 2026:

Sr. No.	Particulars	Amount (₹)
(i)	Income from manufacture business before deduction under section 80JJAA.	25,00,000
(ii)	Eligible deduction under section 80JJAA related to point (i)	10,20,000
(iii)	Profit from a unit established in SEZ (eligible for section 10AA benefit @ 50%)	12,00,000
(iv)	Income by way of royalty eligible for the benefits of section 80QQB.	4,50,000

**Required:**

Calculate the **tax liability** of Mr. Shetty for the Assessment Year 2026-27 as follows:

- (i) As per the Regular provisions (old tax regime) of the Income Tax Act, 1961 and
  - (ii) As per Alternate Minimum Tax (AMT) provisions contained in section 115JC of the Income Tax Act, 1961. 7
6. (a) Demonstrate any seven differences between the Direct taxes & Indirect taxes. 7
- (b) With reference to GST, demonstrate in brief the functions of the Goods and Services Tax Network (GSTN). 7
7. (a) **Examine**, whether the suppliers are eligible for any of the composition levy scheme for the current financial year under section 10(1) or 10(2) or 10(2A) of the CGST Act, 2017, in the following independent cases:
- (i) Diwakar Sons, registered in Jaipur, Rajasthan, is engaged in manufacturing and supplying ice-cream and pan masala. Its aggregate turnover in the preceding financial year was ₹ 125 lakhs. Diwakar Sons supplies ice-cream and pan masala, manufactured by it within the State of Rajasthan only.
  - (ii) Bhaskar Trader, registered in Manipur, is engaged in providing restaurant service in Imphal, Manipur. It has a turnover of ₹ 55 lakhs in the preceding financial year. In the current financial year, it decides to shut down the restaurant service and instead will start providing computer repairing services within the State of Manipur only.
- Brief notes for the correct treatment should form part of your answer. 7
- (b) **Analyze** the following independent cases provided by a registered authorized dealer in foreign exchange to its customers and calculate the taxable value of supply under the GST Law:
- (i) On 20th April, 2025 Mr. Mack gets 11,000 Euro converted into 42,000 Dirham. On such date, RBI reference rate is 1 Euro = ₹ 86, 1 Dirham = ₹ 23.
  - (ii) USD 1,800 are purchased from Mrs. Sunita on dated 21st April, 2025 at the rate of ₹ 81.50 per USD. The Reserve Bank of India (RBI) reference rate for each USD is ₹ 83.50 for that day.
  - (iii) ₹ 1,70,000 is converted into UK Pound on dated 25th April, 2025 and the exchange rate offered is ₹ 97 per UK Pound. RBI reference rate for conversion of INR into UK Pound is not available.

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

Assume that all the amounts given above are exclusive of taxes. 7

8. (a) Vinit Ltd. is a manufacturer and supplier of goods, registered under GST in the State of Rajasthan. Vinit Ltd. provides the following information pertaining to GST paid on goods and services procured by it during the month of November, 2025:

Sr. No.	Particulars	GST paid (₹)
(i)	Purchased goods which are used for activities related to its obligation under corporate social responsibility (CSR) referred to in section 135 of the Companies Act, 2013.	1,25,000
(ii)	Goods given as free sample to prospective customers	45,300
(iii)	Cement used for making foundation and structural support to plant and machinery	48,800
(iv)	Confectionery items for consumption of employees working in the factory under statutory obligation	45,000
(v)	Purchase of computer earlier, now debit note is issued by the supplier for difference of the value due to wrong calculation	45,500
(vi)	Car purchased for making further supply of such car. Such car is destroyed in accident while being used for test drive by potential customers	25,800

You may assume that all the necessary conditions for availing the ITC have been fulfilled by Vinit Ltd.

**Required:**

Analyze the case and calculate the amount of input tax credit (ITC) available for the month of November, 2025 by giving necessary explanations for treatment of various items as per the provisions of the GST law. 7

- (b) Following particulars are furnished by Al Ltd., who has imported a machine from U.K. by air:

Sr. No.	Particulars	Amount
(i)	Cost of the machine (ex-factory)	5,000 U.K. Pounds
(ii)	Charges for carriage of machine to the airport of the exporter's country	100 U.K. Pounds
(iii)	Freight paid	1,200 U.K. Pounds
(iv)	Insurance paid	600 U.K. Pounds

**Required:**

- Calculate the Assessable Value of the machine imported with appropriate working notes under the Customs Act, 1962.
- Calculate the Assessable Value of the machine in case the actual freight and insurance cost is not available.

Ignore conversion of USD in to Indian ₹.

