



# CA INTERMEDIATE

## SUBJECT- TAXATION

Test Code – CIM 8725

(Date :)

(Marks - 100)

### SECTION A: INCOME TAX LAW

#### PART – I

**M.C.Q NO.1 TO 8 carries 1 mark each**

**M.C.Q NO.9 TO 13 carries 2 marks each**

1. In respect of a non-resident assessee, who is of the age of 60 years or more but less than 80 years at any time during the previous year 2020-21,-
  - (a) Basic exemption of Rs. 2,50,000 is available
  - (b) Basic exemption of Rs. 3,00,000 is available
  - (c) Basic exemption of Rs. 5,00,000 is available
  - (d) No basic exemption limit would be available
  
2. Dividend Income from Australian company received in Australia in the year 2019,brought to India during the previous year 2020-21is taxable in case of–
  - (a) resident and ordinarily resident only
  - (b) resident but not ordinarily resident
  - (c) non resident
  - (d) none of the above
  
3. The quantum of deduction available under section 10AA in respect of profits and gains derived by a SEZ unit from export of articles is –
  - (a) 100% of export profits for first 10 consecutive AYs and 50% for next 5 consecutive AYs
  - (b) 100% of export profits for first 5 consecutive AYs and 50% for next 10 consecutive AYs
  - (c) 100% of export profits for first 15 consecutive AYs
  - (d) 100% of export profits for first 5 consecutive AYs ,50% for export profits for next 5 consecutive AYs and upto 50% of export profits for next 5 consecutive AYs, as is credited to Special Economic Zone Re-investment Reserve Account
  
4. According to section 80, no loss which has not been determined in pursuance of a return filed in accordance with the provisions of section 139(3), shall be carried forward. The exceptions to this are -
  - (a) Loss from specified business under section 73A
  - (b) Loss under the head “Capital Gains” and unabsorbed depreciation carried forward under section 32(2)
  - (c) Loss from house property and unabsorbed depreciation carried forward under section 32(2)
  - (d) Loss from speculation business under section 73

5. Mr. X aged, 61 years, received dividend of Rs. 12,00,000 from a domestic company in P.Y. 2020-21. Tax chargeable under section 115BBDA is @10% on
- The entire amount of Rs. 12,00,000
  - Rs. 2,00,000
  - Nil
  - Rs. 9,00,000
6. Where an assessee has two house properties for self-occupation, the benefit of nil annual value will be available in respect of-
- Both the properties
  - The property which has been acquired/constructed first
  - Any one of the properties, at the option of the assessee
  - Any one of the properties and once option is exercised cannot be changed in subsequent years
7. Mr. A, a salaried individual, pays rent of Rs. 51,000 per month to Mr. B from June, 2020. Which of the following statement is true?
- No tax is deductible at source since Mr. A is not liable to tax audit u/s 44AB.
  - Tax is deductible at source every month @ 10% on rent paid to Mr.B.
  - Tax is deductible at source every month @ 5% on rent paid to Mr.B.
  - Tax is deductible at source @5% on annual rent from the rent paid for March 2021.
8. Under section 44AE, presumptive taxation is applicable at a particular rate provided the assessee is the owner of a maximum of certain number of goods carriages. The rate per month or part of the month relevant for A.Y.2020-21 and the maximum number specified under the section are-
- Rs. 7,500 for each goods carriage in the case of an assessee owning not more than 10 goods carriages at any time during the year
  - Rs. 7,500 for each goods carriage in the case of an assessee owning less than 10 goods carriages at any time during the year
  - Rs. 1,000 per ton of gross vehicle weight for per month or part of a month for a goods carriage for an assessee owning not more than 10 goods carriages at the end of the previous year
  - Rs. 1,000 per ton of gross vehicle weight or unladen weight, as the case may be, for per month or part of a month for a heavy goods carriage and Rs. 7,500 per month or part of a month for other goods carriages in the case of an assessee owning not more than 10 goods carriages at any time during the previous year
9. Anand is provided with furniture to the value of Rs. 70000 along with house from February , 2019. The actual hire charges paid by his employer for hire of furniture is Rs. 5000 p.a. the value of furniture to be included along with value of unfurnished house for A.Y. 2020-21 is
- Rs. 5,000
  - Rs. 7,000
  - Rs. 10,500
  - Rs. 14,000

10. In respect of loan of Rs. 40 lakhs sanctioned by SBI in April, 2019 for purchase of residential house intended for self-occupation, compute the interest deduction allowable under the provisions of the Act for A.Y.2020-21, assuming that the disbursement was made on 1<sup>st</sup> June, 2019, the rate of interest is 8% and the loan sanctioned was 80% of the stamp duty value of the property
- Rs. 2,00,000 u/s 24 and Rs. 66,667 u/s 80EEA
  - Rs. 1,50,000 u/s 80EEA and Rs. 1,16,667 u/s 24
  - Rs. 2,00,000 u/s 24 and Rs. 13,333 u/s 80EEA
  - Rs. 2,00,000 u/s 24
11. Ganesh and Rajesh are co-owners of a self-occupied property. They own 50% share each. The interest paid by each co-owner during the previous year on loan (taken for acquisition of property during the year 2004) is Rs. 2,05,000. The amount of allowable deduction in respect of each co-owner is –
- Rs.2,05,000
  - 1,02,500
  - Rs.2,00,000
  - Rs.1,00,000
12. Loss from house property of Rs. 3,10,000 of A.Y. 2019-20 is allowed to be set-off against income from house property of A.Y. 2020-21 of Rs. 5,00,000 to the extent of –
- Rs. 2,00,000
  - fully allowed i.e., Rs. 3,10,000
  - Rs. 2,50,000
  - Rs. 1,00,000
13. Mr. Z, a salaried individual, has a total income of Rs. 8 lakhs for A.Y. 2020-21. He furnishes his return of income for A.Y. 2020-21 on 28th August, 2020. He is liable to pay fee of–
- Upto Rs. 1,000 under section234F
  - Rs. 5,000 under section234F
  - Rs. 10,000 under section234F
  - Not liable to pay any fee

**PART -II**

**Question No.1 is compulsory.**

**Candidates are also required to answer any two questions from the remaining questions.**

**Working notes shall form part of the respective answers.**

**QUESTION NO. 1**

Mrs. Mitul, a resident individual, aged 63 years, is a qualified medical practitioner. She runs her own clinic. Income & Expenditure A/c of Mrs. Mitul for the year ending March 31<sup>st</sup> 2020 is as under :

Expenditure	Rs.	Income	Rs.
To Salary to Staff	1,20,000	By Consultation Fees	12,00,000
To Administrative Exp.	2,90,000	By Salary received from True Care Hospitals (P) Ltd.	1,80,000
To Conveyance Expenses	24,000	By Rental Income from House Property	78,000
To Power & Fuel	24,000	By Dividend from Foreign Companies	10,000
To Interest on Housing Loan	1,00,000		
To Interest Loan on Education for son	26,000		
To Amount paid to scientific research association approved & Notified under section 35	25,000		
To net profit	<u>8,59,000</u>		
<b>Total</b>	<b>14,68,000</b>	<b>Total</b>	<b>14,68,000</b>

**Explanatory Information:**

(i) She is working part-time with True Care Hospitals (P) Ltd. Her salary details are as under:

Basic Pay	Rs. 13,000 p.m.
Transport Allowance	Rs. 2,000 p.m.
Total	Rs. 15,000 p.m.

Further, during P.Y. 2019-20, her son had undergone a medical treatment in True Care Hospitals (P) Ltd. free of cost. The hospital would have charged a sum of Rs. 60,000 for a similar treatment to unrelated patients.

(ii) She owns a residential house. Ground floor of the house is self-occupied by her while first floor has been rented out since 01/10/2019. The reconstruction of the house was started on 01-04-2019 and was completed on 30-09-2019. The monthly rent is Rs. 10,000. The tenant also pays Rs. 3,000 p.m. as power back-up charges. She took a housing loan of Rs. 12 lakhs on 01-04-2019. Interest on housing loan for the period 01-04-2019 to 30-09-2019 was Rs. 60,000 and for the period 01-10-2019 to 31-03-2020 was Rs. 40,000. During the year, she also paid municipal taxes for the F.Y. 2018 -19 Rs. 5,000 and for F.Y. 2019-20 Rs. 5,000.

**(iii) Other information:**

- (a) Conveyance expenses include a sum of Rs. 12,000 incurred for conveyance from house to True Care Hospitals (P) Ltd. and vice versa in relation to her employment.
- (b) Power & fuel expenses include a sum of Rs. 6,000 incurred for generator fuel for providing power back-up to the tenant.
- (c) Administrative expenses include a sum of Rs. 10,000 paid as Municipal Taxes for her house.
- (d) Clinic equipments' details are:  
Opening W.D.V. of clinic equipments as on 01-04-2019 was Rs. 1,00,000 and fresh purchase made on 28-08-2019 is Rs. 25,000 which was paid in cash.
- (e) She also paid tuition fee of Rs. 40,000 for her grand-daughter, which has been debited to her Capital A/c.
- (f) She availed a loan of Rs. 8,00,000 from bank for higher education of her son. She repaid principal of Rs. 50,000 and interest of Rs. 26,000 during P.Y. 2019-20.

**You are required to compute her total income and net tax liability for the Assessment Year 2020-21.**

**(14 MARKS)**

**QUESTION NO. 2**

A. **Examine & explain the TDS implications** in the following cases along with reasons thereof, assuming that the deductees are residents and having a PAN which they have duly furnished to the respective deductors.

- (i) Mr. Tandon received a sum of Rs. 1,75,000 as pre-mature withdrawal from Employees Provident Fund Scheme before continuous service of 5 years on account of termination of employment due to ill-health.
- (ii) A sum of Rs. 42,000 has been credited as interest on recurring deposit by a banking company to the account of Mr. Hasan (aged 63 years).
- (iii) Ms. Kaul won a lucky draw prize of Rs. 21,000. The lucky draw was organized by M/s. Maximus Retail Ltd. for its customer.
- (iv) Finance Bank Ltd. sanctioned and disbursed a loan of Rs. 10 crores to Borrower Ltd. on 31-3-2020. Borrower Ltd. paid a sum of Rs. 1,00,000 as service fee to Finance Bank Ltd. for processing the loan application.
- (v) Mr. Ashok, working in a private company, is on deputation for 3 months (from December, 2019 to February, 2020) at Hyderabad where he pays a monthly house rent of Rs. 52,000 for those three months, totalling to Rs. 1,56,000. Rent is paid by him on the first day of the relevant month.

**(7 MARKS)**

B. Mr. Ramesh & Mr. Suresh are brothers and they earned the following incomes during the financial year 2019-20. Mr. Ramesh settled in Canada in the year 1996 and Mr. Suresh settled in Delhi. **Compute the total income for the A.Y. 2020-21.**

Sr. No.	Particulars	Mr. Ramesh (Rs.)	Mr. Suresh (Rs.)
1.	Interest on Canada Development Bonds (only 50% of interest received in India)	35,000	40,000

2.	Dividend from British company received in London	28,000	20,000
3.	Profits from a business in Nagpur, but managed directly from London	1,00,000	1,40,000
4.	Short term capital gain on sale of shares of an Indian company received in India	60,000	90,000
5.	Income from a business in Chennai	80,000	70,000
6.	Fees for technical services rendered in India, but received in Canada	1,00,000	----
7.	Interest on savings bank deposit in UCO Bank, Delhi	7,000	12,000
8.	Agricultural income from a land situated in Andhra Pradesh	55,000	45,000
9.	Rent received in respect of house property at Bhopal	1,00,000	60,000
10.	Life insurance premium paid	---	30,000

(7 MARKS)

**QUESTION NO. 3**

- A. Sai Ltd. has a block of assets carrying 15% rate of depreciation, whose written down value on 01.04.2019 was Rs. 40 lacs. It purchased another asset (second-hand plant and machinery) of the same block on 01.11.2019 for Rs. 14.40 lacs and put to use on the same day. Sai Ltd. was amalgamated with Shirdi Ltd. with effect from 01.01.2020.

You are required to **compute the depreciation allowable** to Sai Ltd. & Shirdi Ltd. for the previous year ended on 31.03.2020 assuming that the assets were transferred to Shirdi Ltd. at Rs. 60 lacs. Also assume that the plant and machinery were purchased by way of account payee cheque.

(4 MARKS)

- B. Mr. Rajan provides you the following details with regard to sale of certain securities by him during F.Y. 2019-20:

**a. Sold 10000 shares of A Ltd. on 05-04-2019 @ Rs. 650 per share**

A Ltd. is a listed company. These shares were acquired by Mr. Rajan on 05-04-2017 @Rs. 100 per share. STT was paid both at the time of acquisition as well as at the time of transfer of such shares which was affected through a recognized stock exchange.

On 31-01-2019, the shares of A Ltd. were traded on a recognized stock exchange as under :

Highest price - Rs. 300 per share Average price - Rs. 290 per share Lowest price - Rs. 280 per share

**b. Sold 1000 units of B Mutual Fund on 20-04-2019 @Rs. 50 per unit**

B Mutual Fund is an equity oriented fund. These units were acquired by Mr. Rajan on 15-04-2018 @ Rs. 10 per unit. STT was paid only at the time of transfer of such units. On 31-01-2019, the Net Asset Value of the units of B Mutual Fund was Rs. 55 per unit.

**c. Sold 100 shares of C Ltd. on 25-04-2019 @ Rs. 200 per share**

C Ltd. is an un-listed company. These shares were issued by the company as bonus shares on 30-09-1997. The Fair Market Value of these shares as on 01-04-2001 was Rs. 50 per share.

Cost Inflation Index for various financial years are as under :

2001-02	-	100
2016-17	-	264
2017-18	-	272
2018-19	-	280
2019-20	-	289

**Calculate the amount chargeable to tax under the head 'Capital Gains' and also calculate tax on such gains for A.Y. 2020-21** assuming that the other incomes of Mr. Rajan exceeds the maximum amount not chargeable to tax. (Ignore surcharge and cess).

**(6 MARKS)**

**C. Examine the allowability of the following:**

1. Rajan has to pay to a hospital for treatment Rs. 62,000 and spent nothing for life insurance or for maintenance of handicapped dependent.
2. Raja, a resident Indian, has spent nothing for treatment in the previous year and deposited Rs. 25, 000 with LIC for maintenance of handicapped dependant.
3. Rajan has incurred Rs. 20,000 for treatment and Rs. 25,000 was deposited with LIC for maintenance of handicapped dependant.
4. Payment of Rs. 50,000 by cheque to an electoral trust by an Indian company.

**(4 MARKS)**

**QUESTION NO. 4**

A. Mr. Mahadev, a noted bhajan singer of Rajasthan and his wife Mrs. Dariya furnish the following information relating to the Assessment Year 2020-21.

		Rs.
1	Income of Mr. Mahadev - professional bhajan singer (computed)	5,65,000
2	Salary income of Mrs. Dariya (computed)	3,80,000
3	Loan received by Mrs. Dariya from Ramu & Jay (Pvt) Ltd. (Mrs. Dariya holds 35% shares of the Co. The Co. has incurred losses since its inception 2 years back)	2,50,000
4	Income of their minor son Golu from winning singing reality show on T.V.	2,50,000
5	Cash gift received by Golu from friend of Mr. Mahadev on winning the show	21,000
6	Interest income received by minor married daughter Gudia from deposit with Ramu & Jay Pvt Ltd.	40,000

**Compute total taxable income of Mr. Mahadev & Mrs. Dariya for the Assessment Year 2020-21.**

**(5 MARKS)**

B. Mr. Soohan submits the following details of his income for the assessment year 2020-21:

Particulars	Rs.
Income from salary	3,00,000
Loss from let out house property	(-) 40,000

Income from sugar business	50,000
Loss from iron ore business b/f (discontinued in P.Y. 2014-15)	(-) 1,20,000
Short term capital loss	(-) 60,000
Long term capital gain	40,000
Dividend	5,000
Income received from lottery winning (Gross)	50,000
Winnings from card games (Gross)	6,000
Agricultural income	20,000
Short-term capital loss under section 111A	(-) 10,000
Bank interest on Fixed deposit	5,000

**Calculate gross total income and losses to be carried forward.**

**(5 MARKS)**

- C. Elaborate the conditions, non-fulfilment of which would render a return of income filed by an assessee not maintaining regular books of accounts, defective.

**(4 MARKS)**

**SECTION B: INDIRECT TAXES**

**PART – I**

**M.C.Q NO.1 TO 8 carries 1 mark each**

**M.C.Q NO.9 TO 10 carries 2 marks each**

1. Which of the following is not a supply as per section 7 of the CGST Act?
  - (a) Management consultancy services not in course or furtherance of business
  - (b) Import of service for consideration not in course or furtherance of business
  - (c) Both (a) and(b)
  - (d) None of the above
  
2. Which of the following is not included in aggregate turnover?
  - (a) Exempt supplies of goods or services or both
  - (b) Export of goods or services or both
  - (c) Inter-State supply of goods or services or both
  - (d) Value of inward supplies on which tax is paid under reverse charge
  
3. Which of the following services provided by Department of Posts are exempt from GST?
  - (a) Speed posts
  - (b) Life Insurance
  - (c) Express parcel posts
  - (d) None of the above
  
4. Discount given after the supply is deducted from the value of supply, if–
  - (a) such discount is given as per the agreement entered into at/or before the supply
  - (b) such discount is linked to the relevant invoices



- (c) proportionate input tax credit is reversed by the recipient of supply
  - (d) all of the above
5. What is the time of supply of service where services are received from an associated enterprise located outside India?
- (a) Date of entry of services in the books of account of recipient of service
  - (b) Date of payment
  - (c) Earlier of (a) &(b)
  - (d) Date of entry of services in the books of the supplier of service
6. In case of continuous supply of services, where due date of payment is ascertainable from the contract, invoice shall be issued:
- (a) Before or at the time when the supplier of service receives the payment
  - (b) on or before the due date of payment
  - (c) Either (a) or(b)
  - (d) None of the above
7. In which of the following situations, taxpayer needs to reverse the credit already taken?
- (a) If payment is not made to the supplier within 45 days from the date of invoice
  - (b) If payment is not made to the supplier within 90 days from the date of invoice
  - (c) If payment is not made to the supplier within 180 days from the date of invoice
  - (d) None of the above
8. Interest is payable on:-
- (a) Belated payment of tax
  - (b) Undue/excess claim of input tax credit
  - (c) Undue/ excess reduction in output tax liability
  - (d) All of the above
9. A supplier takes deduction of depreciation on the GST component of the cost of capital goods as per Income- tax Act, 1961. The supplier can-
- (a) avail only 50% of the said tax component as ITC
  - (b) not avail ITC on the said tax component
  - (c) avail 100% ITC of the said tax component
  - (d) avail only 25% of the said tax component as ITC
10. Mr. A has started intra-State supply of goods from Delhi. He is required to obtain registration if his aggregate turnover exceeds\_\_\_\_\_ during a financial year.
- (a) Rs. 10lakh
  - (b) Rs. 20lakh
  - (c) Rs. 30lakh
  - (d) Rs. 40lakh

**PART – II**

**Question No. 1 is compulsory.**

**Candidates are also required to answer any two questions from the remaining three questions.**

**Working notes should form part of the answer.**

**Wherever necessary, suitable assumptions may be made by the candidates and disclosed by way of note.**

**QUESTION NO.1**

M/s. Grey, a registered taxable person under regular scheme provides following information in respect of supplies made by it during the month of April, 2019:

	(All amount in rupees)
(i) Inter-state supply of goods	1,00,000
(ii) Intra-state supply of 500 packets of detergent @ Rs. 400 each alongwith a plastic bucket worth Rs. 100 each with each packet, being a mixed supply. (Rate of GST on detergent is 18% and on plastic bucket is 28%)	
(iii) Supply of online educational journals to M/s. Pinnacle, a private coaching centre providing tuitions to students of Class X-XII, being intra-state supply.	50,000

M/s. Grey has also received the following inward supplies:

(iv) Inter-state supply of goods (out of which invoice for goods worth Rs. 20,000 is missing and no other tax paying document is available)	70,000
(v) Repairing of bus with seating capacity of 20 passengers used to transport its employees from their residence, being intra-state supply.	50,000

Details of opening balances of ITC as on 1-4-2019 are as follows:

CGST	5,000
SGST	5,000
IGST	40,000

Following additional information is provided :

- (a) Rate of GST in respect of all inward and outward supplies except item (ii) above is 18%. i.e. CGST and SGST @ 9% and IGST @ 18%.
- (b) All figures mentioned above are exclusive of taxes.
- (c) All the conditions for availing the ITC have been fulfilled except specifically given and M/s. Grey is not eligible for any threshold exemption.

**Compute the minimum net GST payable in cash by M/s. Grey for the month of April, 2019.**

**(8 MARKS)**

## QUESTION NO.2

- A. State person liable to pay GST in the following independent cases provided recipient is located in the taxable territory:
- Services provided by an arbitral tribunal to any business entity.
  - Sponsorship services provided by a company to an individual.
  - Renting of immovable property service provided by the Central Government to a registered business entity.

**(6 MARKS)**

- B. Know & Grow Publishers, a registered dealer in India, paid an advance of Rs. 50,000 to Mr. Ganatra, an author, for the copyright covered under Section 13(1)(a) of the Copyright Act, 1957, of his original literary work on 5-9-2018. It made the balance payment of Rs. 1,50,000 on 12-12-2018. You are required to determine the time of supply, if Mr. Ganatra raised the invoice on :
- 6-10-2018, or
  - 17-12-2018

**(4 MARKS)**

## QUESTION NO.3

- A. Mr. Shah, a consignor is required to move goods from Ahmedabad (Gujarat) to Nadiad (Gujarat). He appoints Mehta Transporter for movement of goods. Mehta Transporter moves the goods from Ahmedabad (Gujarat) to Kheda (Gujarat). For completing the movement of goods from Kheda (Gujarat) to Nadiad (Gujarat), Mehta Transporter now hands over the goods to Parikh Transporter.

**Explain the procedure regarding e-way bill to be followed by consignor and transporter as per provisions of GST law and rules made there under.**

**(5 MARKS)**

- B. **Determine the effective date of registration in following cases:**
- The aggregate turnover of Dhampur Footwear Industries of Delhi has exceeded the applicable threshold limit of Rs. 40 lakh on 1<sup>st</sup> September. It submits the application for registration on 20<sup>th</sup> September. Registration certificate is granted to it on 25<sup>th</sup> September.
  - Mehta Teleservices is an architect in Lucknow. Its aggregate turnover exceeds Rs. 20 lakh on 25<sup>th</sup> October. It submits the application for registration on 27<sup>th</sup> November. Registration certificate is granted to it on 5<sup>th</sup> December.

**(5 MARKS)**

## QUESTION NO.4

- A. Explain in brief the conditions to be fulfilled by a registered person under GST law for availing the option to pay concessional tax @ 3% (effective rate 6%) under GST as per the provisions of notification number 2/2019 CT(R) dated 7-3-2019 as amended, with effect from 1<sup>st</sup> April, 2019.

**(5 MARKS)**

- B. (i) Explain the consequences, if the taxable person under GST law files the GST return under Section 39(1) of the CGST Act, 2017, but does not make payment of self- assessment tax.
- (ii) State the items which are to be debited to electronic liability register of the taxable person under the CGST Act, 2017 and rules there under.

**(5 MARKS)**