

**INTERMEDIATE (IPC)  
GROUP I - PAPER 4  
TAXATION**

**HLY2**

**JAN 2021**

Roll No. ....

Total No. of Printed Pages – 12

Total No. of Questions – 10

Maximum Marks – 70

**GENERAL INSTRUCTIONS TO CANDIDATES**

1. The question paper comprises two parts, Part I and Part II.
2. Part I comprises Multiple Choice Questions (MCQs).
3. Part II comprises questions which require descriptive type answers.
4. Ensure that you receive the question paper relating to both the parts. If you have not received both, bring it to the notice of the invigilator.
5. Answers to Questions in Part I are to be marked on the OMR answer sheet only. Answers to questions in Part II are to be written on the descriptive type answer book. Answers to MCQs, if written in the descriptive type answer book, will not be evaluated.
6. OMR answer sheet will be in English only for all candidates, including for Hindi medium candidates.
7. The bar coded sticker provided in the attendance register, is to be affixed only on the descriptive type answer book. No bar code sticker is to be affixed on the OMR answer sheet.
8. You will be allowed to leave the examination hall only after the conclusion of the exam. If you have completed the paper before time, remain in your seat till the conclusion of the exam.
9. Duration of the examination is 3 hours. You will be required to submit (a) Part I of the question paper containing MCQs, (b) OMR answer sheet thereon and (c) the answer book in respect of descriptive type answer book to the invigilator before leaving the exam hall, after the conclusion of the exam.
10. The invigilator will give you acknowledgement on Page 2 of the admit card, upon receipt of the above-mentioned items.
11. Candidate found copying or receiving or giving any help or defying instructions of the invigilators will be expelled from the examination and will also be liable for further punitive action.

**PART – II  
SECTION – A**

**70 marks**

1. Question paper comprises 5 questions. Answer Question No. 1 which is compulsory and any 3 out of the remaining questions.
2. Working notes should form part of the answer.
3. Answers to the questions are to be given only in English except in the case of candidates who have opted for Hindi Medium. If a candidate has not opted for Hindi Medium, his/her answers in Hindi will not be evaluated.
4. Answers to all questions should relate to Assessment Year 2020-21 unless otherwise stated.

**SECTION – B**

1. Question paper comprises 5 questions. Answer Question No. 6 which is compulsory and any 3 out of the remaining questions.
2. Working notes should form part of the answer.
3. Answers to the questions are to be given only in English except in the case of candidates who have opted for Hindi Medium. If a candidate has not opted for Hindi Medium, his/her answers in Hindi will not be evaluated.
4. All questions should be answered on the basis of position of GST law as amended upto 30<sup>th</sup> April, 2020.

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**PART – II**

**SECTION – A**

1. Given below is the details provided to you by Mr. Rayan, a resident individual aged 54 years, engaged in the manufacture of specified article, in respect of his income earned during the year 2019-20: 14
- (i) Net profit from business ₹ 75,21,000 (as per profit and loss account)
  - (ii) On 1.4.2019, Mr. Rayan took Plant and machinery on hire purchase and put that to use on the same day. Cost of the asset was ₹ 12,00,000 which was to be payable in 24 equal monthly instalment of ₹ 50,000 each. Date of payment of first instalment was 31.7.2019. It is decided between the parties that, out of the monthly payment of instalments, Rayan will pay ₹ 45,000 through account payee cheque and balance ₹ 5,000 in cash. The instalments are paid on the last day of each month.
  - (iii) During the year Mr. Rayan purchased one more plant and machinery for ₹ 55 lakhs for which he took loan from a scheduled bank. (Date of loan 1.4.2019 and rate of interest 11% p.a.). The asset was acquired on 1.5.2019 and put to use on 1.9.2019. Interest amount is debited to P/L A/c.
  - (iv) On 1.4.2019, the production manager working in the factory of Mr. Rayan took voluntary retirement from the services. Mr. Rayan paid him ₹ 9,00,000 as compensation for his services under the Voluntary Retirement Scheme. This amount has been debited to the profit and loss account under salary head.
  - (v) As per the agreement between Rayan and Mr. Das (Chief Executive Officer), apart from salary, Mr. Das will also be eligible for a share of profit @ 5% of net profit as per books of accounts. He was paid salary of ₹ 14,25,000 and bonus of ₹ 3,76,050 during the year, which is debited to the profit and loss account under the salary head.
  - (vi) WDV (as per Income Tax Act) of different assets as on 1.4.2019 :
    - Plant and machinery ₹ 9,00,000
    - Factory Building ₹ 5,45,000
    - Depreciation debited to profit and loss account ₹ 17,50,000

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- (vii) He received ₹ 14,850 as Income Tax Refund out of which ₹ 4,850 is interest on refund. The entire amount is credited to profit and loss account.
- (viii) He paid ₹ 50,000 as life insurance premium taken on the life of his father who is dependent on him. The sum assured is ₹ 80,00,000 and the policy was taken on 1.4.2015.
- (ix) He also paid ₹ 45,000 as life insurance premium taken on the life of his married daughter who is not dependent on him. The sum assured is ₹ 5,00,000 and the policy was taken on 1.4.2015.
- (x) On 1.10.2019 he withdrew ₹ 2 crores in cash from two current accounts maintained by him with SGT Bank of India. There are no other withdrawals during the year.

You are required to compute the total income of Mr. Rayan and also the tax payable by him for the AY 2020-21.

2. (a) Discuss the taxability of the following items in the hands of different persons briefly explaining the applicable provisions of the Income Tax Act. 4
- (i) Mr. Jayesh, a non-resident is having a plot of land in Jodhpur. He sells this plot to another non-resident outside India. The consideration is received outside India in foreign currency.
  - (ii) Mr. Arpit is having a house property in India. The property is let out by him to a foreign company. The rent agreement is entered outside India. Monthly rent is also received outside India.
  - (iii) Govt. of Rajasthan has borrowed money from ABC Express Bank, a foreign bank. The interest payable to ABC Express Bank is remitted outside India.
  - (iv) Mr. Bhavesh, a citizen of India, is appointed by Reliable Industries Ltd. in their Dubai Branch. Mr. Bhavesh is a non-resident and receives salary outside India.

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(b) Mr. Gupta and his wife Mrs. Gupta are partners in a partnership firm 3 holding 25% share each. During the FY 2019-20 the firm paid ₹ 2,50,000 to each of them as remuneration. Apart from this, they provide you the following information in respect of FY 2019-20:

- (i) Salary received by Mr. Gupta from his employer ₹ 12,50,000.
- (ii) Interest on fixed deposit earned by Mrs. Gupta ₹ 14,00,000. (The fixed deposit was opened by using her "Stridhan")
- (iii) Income of their three minor children Neeta, Meeta and Seeta was ₹ 15,000; ₹ 10,000 and ₹ 2,000 respectively.

You are required to compute the gross total income of Mr. and Mrs. Gupta as per the provisions of Income Tax Act for the AY 2020-21.

3. (a) Mr. Tarun, a resident individual, furnishes the following particulars of 4 his income and other details for the previous year 2019-20 :

	₹
Income from Salary (Computed)	25,00,000
Business loss before providing current year depreciation (Business discontinued on 31.5.2019)	1,20,000
Current year depreciation	80,000
Interest from Fixed Deposit	12,14,000
Interest on Loan in respect of self-occupied property	2,15,000
Income from specified business (Not eligible for deduction under section 35AD)	20,000

Brought forward losses (Pertaining to AY 2019-20)

Unabsorbed depreciation	58,000
Loss from specified business (eligible for deduction under section 35AD)	24,000

You are required to compute his total income for the AY 2020-21 in such a way that his tax liability is minimised.

- (b) Briefly explain the provisions of section 234F of the Income Tax Act, 1961 with regard to default in furnishing return of Income. 3
4. (a) M/s. Bhandari & Batra, a partnership firm consisting of two partners, reports a net profit of ₹ 7,00,000 before deduction of the following items : 4
- Salary of ₹ 20,000 each per month payable to two working partners of the firm (as authorized by the deed of partnership)
  - Depreciation on plant and machinery under section 32 ₹ 1,50,000
  - Interest on capital 15% per annum (as per the deed of partnership).
- The amount of capital eligible for interest is ₹ 5,00,000
- Carry forward loss of P.Y. 2018-19 - ₹ 50,000
- Compute (for AY – 2020-21) :
- (i) Book-profit of the firm under section 40(b) of the Income-tax Act, 1961.
  - (ii) Amount of salary that can be paid to working partners as per section 40(b).



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- (b) Compute the tax liability of Ms. Payal for A.Y. 2020-21, a female resident aged 40 years where in her total income is ₹ 5,00,50,000 assuming that there is no income in the nature of capital gains. **3**

5. (a) Briefly discuss the provisions of tax deducted at source under the Income Tax Act in respect of the following payments: **4**

- (i) Mr. Raju (a resident individual aged 54 years) has maintained two fixed deposits in two different branches of BFG Bank of India (working on core banking solution). During the year 2019-20, the bank paid ₹ 32,000 and 17,000 as interest on these fixed deposits
- (ii) Mr. Avinash, pays ₹ 55,00,000 during FY 2019-20 to Mr. Harsh supply of labour for carrying out the construction work of his factory. During the PY 2018-19, Mr. Avinash was not liable for tax audit under section 44AB.

**OR**

Compute the quantum of depreciation available u/s 32 of the Income tax Act, 1961 in respect of the following items of Plant and Machinery purchased by Gupta Textile Ltd., which has set up a manufacturing unit in Notified Backward Area of Andhra Pradesh to manufacture textile fabrics during the year 2019-20. Also compute the WDV of the block of assets as at the year end. **4**

Particulars	Amount (₹ in Crore)
New Machinery installed on 01-05-2019	84
<b>Items Purchased After 30<sup>th</sup> November, 2019 :</b>	
Lorries for transporting goods to sales depots	3
Fork-lift-trucks, used inside factory	4
New imported machinery	12

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The new imported machinery arrived at Chennai port on 30-03-2020 and was installed on 03-04-2020. All others items were installed and put to use during the year ended 31-03-2020.

- (b) (1) Prabhu Dayal Prem Narain, HUF purchased a house property in the year 1945 for ₹ 30,000. On 30.09.2019, the HUF was totally partitioned and the aforesaid house property was given to Mr. Prem Narain, a member of the family. Fair Market value of the house as on 30.09.2019 was ₹ 18,00,000. FMV of the house as on 1.4.2001 was ₹ 2,00,000. What will be the tax implications in the hands of Mr. Prem Narain and the HUF ? 3
- (2) One equity share of a company listed on recognised stock exchange is acquired on 01.01.2017 at ₹ 100. Its fair market value is ₹ 200 on 31.01.2018 and it is sold on 01.04.2019 at ₹ 150. Assuming all conditions required by section 112A are fulfilled, compute the amount of capital gain/loss on sale of this share u/s 112 A.

### **SECTION – B**

6. Girish Trading Private Limited, a body corporate registered in the State of West Bengal, pays GST under the regular scheme. It is not eligible for any threshold exemption. The Company has provided the following information regarding its outward taxable supplies for the month of May 2020 : 8

Intra-State supply of Goods : ₹ 50,00,000

Inter-State supply of Goods : ₹ 22,00,000

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Following are the details of inward taxable supplies received during the month of May 2020 :

Intra-State purchase of goods from Registered Supplier : ₹ 6,10,000

Inter-State purchase of goods from Registered Supplier : ₹ 16,00,000

**Additional Information:**

- (i) The Company has no brought forward ITC credit for the month of May 2020
- (ii) Girish Trading Private Limited had additionally collected ₹ 1,000 as penalty for delay in payment by one of his customers (Not included in value of outward supplies mentioned above)
- (iii) The Company has paid ₹ 12,000 (Intra-State supply) as rent for hiring of a motor vehicle for the business use by one of its directors for the month of March 2020 (Not included in value of inward supplies mentioned above). Invoice for the same dated 7<sup>th</sup> April 2020 was received in the month of April 2020.
- (iv) The Company had placed an order for receiving goods (Intra-State supply) worth ₹ 1,10,000 latest by 30<sup>th</sup> May 2020. However, due to vehicle breakdown, the goods were delivered only on 1<sup>st</sup> June, 2020. Invoice was received on 31<sup>st</sup> May, 2020 (Included in value of inward supplies mentioned above).

**Note :**

- (1) Applicable Rate of CGST, SGST and IGST is 9%, 9% and 18% respectively.
- (2) Amount of Inward and Outward supplies stated above are exclusive of taxes.

Compute the net GST liability (CGST, SGST, IGST) of Girish Trading Private Limited for the month of May 2020.

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7. (a) M/s P, a registered supplier of Rajasthan, she has received the following amounts in respect of the activities undertaken by her during the month of April, 2020.

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S.No.	Particulars	Amount (in ₹)
1	Amount received for warehousing of jaggery.	50,000
2	Commission received as business facilitator for the services provided to the urban branch of a nationalized bank with respect to savings bank accounts	20,000
3	Amount Received for services by way of labour contracts for repairing a single residential unit otherwise than as a part of residential complex	10,000
4	Amount received for acting as brand ambassador for corporate client	75,000
5	Amount received for service provided to the Indian Olympic Association as team manager of national team.	80,000

All the transactions stated above are Intra-State transactions and all amounts are exclusive of GST.

You are required to compute gross value of taxable supply on which GST is to be paid by M/s P for the month of April, 2020 by giving necessary explanations for treatment of various items.

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- (b) Vansh Traders, a registered supplier, is providing restaurant services in Manipur. It has turnover of ₹ 55 lakhs in the preceding financial year 2019-20. It has started providing intra-State event management services in the current financial year 2020-21 and discontinued rendering restaurant services.

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- (i) With reference to the provisions of the CGST Act, 2017, examine whether Vansh Traders can opt for the composition scheme under section 10 of the CGST Act, 2017 in the current financial year ?
- (ii) Is Vansh Traders eligible to avail benefit of concessional payment of tax under Notification No. 2/2019 CT (R) dated 07-03-2019 ?

8. (a) Happy Trader, a sole proprietorship firm, started a business of dealing in supply of both exempted as well as taxable goods in Assam.

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Happy Trader has furnished the following details relating to the sales made for the month of April, 2020. All amounts are exclusive of GST.

Particulars	Amount (₹)
Intra-State sale of goods chargeable with GST @ 12%	15,00,000
Intra-State sale of non-taxable goods	5,00,000
Intra-State sale of alcoholic liquor for human consumption	2,00,000
Intra-State sale of Tobacco	3,00,000

With reference to the above and provisions of CGST Act, 2017,

- (i) Compute the aggregate turnover.
- (ii) Examine whether Happy Trader is liable to be registered under the Act, with reasons for the same.
- (iii) What is the threshold limit for taking registration in this case ?

- (b) Yash & Co. a manufacturer and supplier of plastic goods, registered under GST in the state of Maharashtra. Yash & Co. sold plastic goods to a retail seller in Punjab, at a value of ₹ 43,000 (excluding GST leviable @ 18%). Now, it wants to send the consignment of such plastic goods to the retail seller in Punjab. 4

You are required to examine and advise Yash & Co., whether e-way bill is mandatorily required to be generated in respect of such movement of goods under GST laws ?

9. (a) Laxmi Traders a supplier of electric goods, registered under GST in the state of Karnataka. Laxmi Traders receives 200 invoices for inward supply of goods and services, involving GST of ₹ 8,00,000, from various suppliers during the month of November, 2019. 5

Compute the input tax credit (ITC) that can be claimed by Laxmi Traders in his GSTR-3B for the month of November 2019 to be filed by 20<sup>th</sup> December, 2019 in the following independent situations assuming that GST of ₹ 8,00,000 is otherwise eligible for input tax credit :

**Situation 1<sup>st</sup> :** Out of 200 invoices, 160 invoices involving GST of ₹ 7,00,000 have been uploaded by the suppliers in their respective GSTR-1 filed on the prescribed due date thereof.

**Situation 2<sup>nd</sup> :** Out of 200 invoices, 140 invoices involving GST of ₹ 5,00,000 have been uploaded by the suppliers in their respective GSTR-1 filed on the prescribed due date thereof.

(b) Answer the following individual independent cases with reference to the provisions of filing of various returns under the CGST Act, 2017 and the rules made thereunder :

(i) While preparing the annual return for the FY 2019-20 in the month of September 2020€, Mr. Rahul realized that while filing his GSTR-3B for the month of March 2020, he has erroneously mentioned taxable turnover as ₹ 10,51,000 instead of ₹ 15,10,000. He now wants to know whether the error can be rectified. State your views on the same, with reasons. 2

(ii) Mr. Vivek, whose aggregate turnover for the FY 2018-19 is ₹ 1.5 crore has forgotten to file his annual return under Sec. 44(1) of the CGST Act, 2017 before the due date for the said year. He wants to know whether he would be subject to any penal consequences under the provisions of CGST Act, 2017. State your views on the same with reasons. 2

10. (a) Explain the statutory provisions for cancellation or suspension of registration under sub-section 2 of section 29 of the CGST Act, 2017 : 5

**OR**

Explain the following terms regarding e-way bill under the relevant CGST Rules :

(i) Consolidated e-way bill in case of road transport. 3

(ii) Acceptance/rejection of e-way bill 2

(b) (i) Explain with reasons whether transfer of title and / or possession is necessary for a transaction to constitute supply of goods under the laws of GST. 2

(ii) Explain the provisions relating to the transactions where tax invoice is not required to be issued under the CGST Act, 2017. 2