

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

PDK2

JUL 2021

Roll No.

Total No. of Printed Pages – 15

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 barcoded sticker provided in the attendance register, is to be affixed only on the descriptive type answer book. No barcode 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 2021-22 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 31st October, 2020.

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PART – II

SECTION – A

1. Mr. Arun is working as a Senior Manager in ABCD Bank, a listed commercial bank, in Delhi since January 2005. He gives the following details of his income for the previous year 2020-21 :

House rent allowance ₹ 15,000 p.m.

Basic Salary ₹ 20,000 p.m.

Dearness Allowance ₹ 5,000 p.m.

(50% forms part of retirement benefits)

Bank paid ₹ 5,000 p.a. as premium on personal accident insurance policy taken for Mr. Arun. The bank also allotted 2000 sweat equity shares to Mr. Arun in May 2020 at the rate of ₹ 1,300 per share. The fair market value of the share was ₹ 1,500 on the date of exercise of option by Mr. Arun. He sold all the shares for ₹ 2,100 on 31-3-21 on registered stock exchange. Assume securities transaction tax has been paid.

He transferred ₹ 50,000 p.m. as rent, to the bank account of his mother, Mrs. Nirmal, who owned the house (municipal valuation ₹ 2 lakh) in which he stayed at Delhi. He also owns a house property at Kanpur, whose municipal valuation is ₹ 2,60,000 p.a. The fair rent is ₹ 2,20,000 p.a. and the standard rent fixed by the Rent Control Act is ₹ 2,40,000 p.a. The property was let out for a rent of ₹ 22,000 p.m. throughout the previous year. He also paid municipal taxes at the rate of 10% of the municipal valuation of the house at Kanpur during the previous year.

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He has a son Aditya, aged 12 years having PAN, who is earning interest of ₹ 50,000 p.a. on a fixed deposit created by his late grandfather (Mr. Arun's father) in his name. Gross interest credited by the bank during the year amounted to ₹ 43,750.

He received the following gifts from his friends and relatives during the P.Y. 20-21 :

- (1) Gold chain from friend worth ₹ 70,000
- (2) LED TV set from colleagues on completing 15 years in Bank amounting to ₹ 1,00,000
- (3) ₹ 51,000 in cash from married sister of wife.

Compute Mr. Arun's total income and the gross tax liability for the A.Y. 21-22 in a manner most beneficial to him.

2. (a) Mr. Pratap earned following incomes during the F.Y. 2020-21. He settled in Singapore in the year 1996. 5

- (1) Interest on Singapore Development Bonds (only 50% of interest received in India) ₹ 35,000.
- (2) Dividend from German Company received in Germany ₹ 28,000.
- (3) Profits from a business in Kanpur, which is managed directly from Singapore ₹ 1,00,000.
- (4) Short term capital gain on sale of shares of an Indian company received in India ₹ 60,000.
- (5) Income from Business in Mumbai ₹ 80,000
- (6) Fees for technical services rendered in India, but received in Singapore ₹ 1,00,000.
- (7) Agricultural Income from land situated in Punjab ₹ 55,000
- (8) Rent received from house property at Lucknow ₹ 1,00,000.

Compute his total income for the A.Y. 2021-22.

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- (b) Compute the tax liability for the Assessment Year 2021-22, (in a manner most beneficial to the assessee) of Mr. Satya, a resident individual aged 42 years, where his total income is ₹ 4,90,000 and the income comprises of long term capital gains on sale of plot of ₹ 1,00,000 and short term capital gains on sale of listed equity shares (STT paid) of ₹ 2,90,000. Ignore the concessional provisions under section 115BAC. 2

3. (a) M/s. MN & Co., a partnership firm, is engaged in the business of plying and hiring goods vehicles. It owns following vehicles as on 1st April, 2020 : 5

Gross vehicle weight (in kgs.) Number of vehicles

7000 2

9000 2

12000 3

15000 2

It purchased a vehicle weighing 15000 kg on 6th June, 2020 which was put to use only on 10th July, 2020. Net profits of the firm [After claiming partners remuneration of ₹ 1,50,000 and within the limits prescribed under section 40(b)] from the above business, as per books of accounts amounted to ₹ 6,50,000. The firm has declared its income for the Assessment Year 2021-22 in accordance with the provisions of presumptive income under section 44AE.

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- (i) Compute the income of the firm if it opts for the provisions of section 44AE for the Assessment Year 2021-22.
- (ii) If the firm wants to claim its income as per books of accounts for the Assessment Year 2021-22, what are its obligations under the Income Tax Act, 1961 ?
- (iii) What is the due date for filing its return of income under both the options ?

- (b) During the previous year 2020-21, Mr. B's HUF comprising of Mr. B, Mrs. B, his minor son and his major daughter, sold listed equity shares thrown by Mr. B, in the common stock of the family. The said shares were equally divided among the members of the family and subsequently sold, earning an aggregate LTCG of ₹ 3,00,000. Compute the amount of income to be included in the hands of Mr. B. Mr. B is the sole earning member in the family. What would your answer be if the said shares were inherited by the HUF of Mr. B ? 2

4. (a) Mr. Brajesh is a partner in a partnership firm named XYZ & Associates. He provides the details regarding his income and losses for the F.Y. 2020-21 and brought forward losses as follows : 5
- (i) Salary from XYZ & Associates ₹ 3,75,000 which was claimed by the firm in its return and allowed as deduction.
 - (ii) Long term capital gain on sale of his house ₹ 2,50,000.
 - (iii) Long term capital loss on sale of shares listed in National Stock Exchange. STT has been paid on the transactions of purchase and sales ₹ 1,50,000.

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- (iv) Business loss brought forward from A.Y. 2020-21 ₹ 6,25,000.
- (v) Dividend received from listed equity shares of Domestic companies ₹ 27,500.
- (vi) Gift received from father's friend ₹ 51,000 in cash.
- (vii) Loss from speculative business brought forward from Assessment Year 2018-19, ₹ 2,50,000.
- (viii) Life Insurance Premium paid (10% of the capital sum assured) ₹ 1,00,000.

Compute the total income of Mr. Brajesh for the Assessment Year 2021-22 and show the items eligible for carry forward. (Ignore the provisions of section 115BAC)

- (b) (i) Mr. Mani holding 20% of the equity share capital in XY Ltd., a manufacturing company in which public is substantially interested, took a loan of ₹ 4,50,000 from it on 10th May, 2020. The accumulated profits of the company on that date amounted to ₹ 4,00,000. 2

Examine the taxability of the above transaction in the hands of Mr. Mani.

- (ii) ABC Ltd., a domestic company brought back its 1000 equity shares listed on a recognized stock exchange. Examine the taxability of the above transaction in the hands of the company and the shareholders.

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5. (a) Examine the applicability of TDS provisions, the rate and amount of tax deduction in the following cases for the financial year 2020-21 : 4

(i) A payment of ₹ 1,00,000 made to Mr. Jack Smith, a New Zealand cricketer, non-resident in India, on 20th December 2020 by a sports magazine for contribution of an sports article.

(ii) A payment of ₹ 3,20,000 made to Mrs. Vidyawati, an Indian resident, on 15th January 2021, by a TV channel for winning from a crossword puzzle.

- (b) Briefly explain the provisions of section 139A of the Income Tax Act, 1961 with regard to the persons who are required to apply for Permanent Account Number. 3

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Mr. X, a resident individual carrying on trading business has a turnover of ₹ 1.25 crores during the previous year 2019-20. He made a payment of ₹ 50,000 to Mr. Y, a contractor on 1st May, 2020 for some contract work without deducting tax at source.

What are the circumstances under which Mrs. X will not be deemed to be an assessee-in-default u/s 201 for not deducting tax at source ?

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SECTION - B

6. M/s. Kaira Air Ltd. located in Anand, Gujarat is engaged in manufacturing of Air Coolers and Air Purifiers. They supply goods all over India and their aggregate turnover during F.Y. 2019-20 was ₹ 125 lakhs. They provide the details of various activities undertaken during the month of September 2020 are as follows :

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S. No.	Particulars	Amount (₹)
(i)	Outward supplies made during the month : (a) Within Gujarat 11,00,000 (b) Outside Gujarat <u>3,00,000</u>	14,00,000
(ii)	On 5 th September 2020, the company had issued 10 numbers of exchange vouchers @ 1,000 each of which can be exchanged/redeemed against purchase of Air cooler worth ₹ 10,000 each at any of the company's outlets in the State of Gujarat. Out of the above, 7 vouchers were encashed during the month of September 2020 & rest 3 encashed during the month of October 2020.	
(iii)	Purchase of materials within Gujarat which includes materials worth ₹ 3,00,000 purchased from M/s. Kalpana Industries registered as a Composition Dealer.	8,00,000

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(iv)	In respect of few invoices worth ₹ 1,00,000 raised during the month of June 2020, the stipulated condition was to pay the dues within 1 month from the dates of raising of invoices, otherwise interest @ 24% was payable on supplies made against such invoices. The buyers failed to pay the dues within the stipulated time and made the payment together with interest of ₹ 11,200 during the month of September 2020.	
(v)	Bought air tickets from Ahmedabad to Guwahati Airport, Assam for its marketing executives. The total fare of the tickets was ₹ 60,000 out of which ₹ 55,000 is the basic fare. Applicable GST Rate is 5% on basic fare for air tickets.	
(vi)	Send 10 managers for 15 days training course organized by IIM Ahmedabad, Gujarat on 5 th September 2020. The IIM provides Participation Certificates at the end of the course.	50,000

The Rates of GST applicable on various supplies are as follows :

Nature of Supply	CGST	SGST	IGST
Goods	6%	6%	12%
Services other than item of S. No. (v)	9%	9%	18%
Composition Supplies	2.5%	2.5%	—

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Opening balances of input tax credit as on 1st September, 2020 were as follows :

CGST (₹)	SGST (₹)	IGST (₹)
4,000	10,000	5,000

All the figures mentioned above other than S. No. (iv) are exclusive of taxes.

Both Inward & Outward supplies within the State of Gujarat are Intra State supplies and outside Gujarat supplies are Inter State Supplies.

Calculate the amount of tax payable in cash by M/s. Kaira Air Ltd. for the month of September 2020. Brief and suitable notes should form part of your answer.

7. (a) SRI Petrol Pump is a licensed petrol pump of M/s. IOC Corporation and engaged in the sale of (a) petrol (b) HSD & (c) Mobil.

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During the month of October 2020, total sales of M/s. SRI Petrol Pump is as follows :

Item	Sale Value (₹)
Petrol	7,00,000
Diesel	15,00,000
Mobil	3,00,000

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Details of Purchases of M/s. SRI Petrol Pump during October

2020 are as follows :

Item	Purchase Value
Petrol	5,00,000
Diesel	16,00,000
Mobil	2,00,000

[All the figures above are exclusive of GST and rate of GST is 9% CGST and 9% SGST on applicable items.]

Other Information :

- (i) Every month M/s. IOC Corporation charges license fees from SRI Petrol Pump for grant of license and the same is charged based on total quantity of sale of all the products. During the month of October 2020, the amount of License fees charged by IOC Corporation was ₹ 1,00,000 plus CGST & SGST @ 9% each.
- (ii) Administrative Expenses incurred by SRI Petrol Pump was ₹ 50,000 on which CGST & SGST @ 6% each were paid.

You are required to calculate the amount of taxable supply under GST, available input tax credit and net liability of SRI Petrol Pump for the month of October 2020. Kindly provide appropriate reason wherever necessary.

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- (b) M/s. Chand is a manufacturer of Paper products having factory at Pune, Maharashtra. M/s. Kela and M/s. Bela of Mumbai, Maharashtra are appointed as agents to sell the products on behalf of M/s. Chand with the conditions that both of them guarantee the realization of payment from buyers. 4

Both M/s. Kela and M/s. Bela provide short-term borrowing facilities to buyers for timely payment of dues against supplies made to them and for this they charge interest from the ultimate buyer. While M/s. Kela raises invoices in the name of M/s. Chand and M/s. Bela raises invoices in its own name.

In light of provisions contained in Para 3 of Schedule I of CGST Act, kindly explain treatment of interest charged by M/s. Kela and M/s. Bela in above mentioned cases.

8. (a) M/s. MNI Ltd. provides following details for the month of March 2021 : 5
- (1) While filling GST return of March 2021 on 20-04-21 (within the prescribed due date), they come to know about one bill of January 2021 consisting tax amount of ₹ 50,000 was not considered while filling return for the month of January 2021 (Return was filed on 20-02-2021, within the prescribed due date).
 - (2) M/s. MNI Ltd. has paid the above shortfall of ₹ 50,000 of January 2021, through GSTR-3B for the month of March 2021 (payment through cash ledger ₹ 30,000 and payment through credit ledger ₹ 20,000).

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MNI Ltd. got a notice regarding interest payment u/s 50 of the CGST Act, 2017. MNI Ltd. is in assumption that they paid self-assessed tax and both returns are also filed timely so they are not liable for payment for interest. They seek your opinion regarding whether,

- (i) They are liable to pay interest u/s 50 of the CGST Act,.
- (ii) If they had filed return of January 2021 on 20-04-21 (Self assessed tax also paid on 20-04-2021 of ₹ 50,000 (payment through cash ledger ₹ 30,000 and payment through credit ledger ₹ 20,000) then also they are liable for interest u/s 50 of the CGST Act.

(b) Answer the following individual independent cases with reference to the provisions of registration under the CGST Act, 2017 and the rules made thereunder : 4

- (i) Govardhan is an agriculturist engaged in supply of produce out of cultivation of land. He utilizes services of Manu who is a commission agent as per the Agricultural Produce Marketing Committee Act. Turnover of Manu is above the threshold limit prescribed. Manu wants to know whether he is liable to get registered under GST Act or not.
- (ii) Anubhav is dealing in supply of taxable goods and services in the state of Gujarat. His turnover from intra-state supply of taxable goods is ₹ 16 lakhs and inter-state supply of taxable services is ₹ 22 lakhs. He is of the opinion that his aggregate turnover is within the limit so he is not required to get registered. Advise him.

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9. (a) M/s. Zen Pvt. Ltd. is a dealer in goods having registered office at Noida, Uttar Pradesh and shops are located at Noida, Uttar Pradesh and Chennai, Tamil Nadu. 5

A detail of various supplies both inward and outward undertaken by them during June 2020 quarter are given in the table below :

All the values given in the table are inclusive of applicable GST (CGST/SGST/UTGST/IGST), wherever applicable.

Applicable IGST Rate is 5% and CGST & SGST @ 2.5% each, on inward & RCM supplies as well.

S. No.	Particulars	Amount (₹)
(i)	Export of goods to China from Noida	20,00,000
(ii)	Goods supplied to SEZ located at Delhi from Noida	15,00,000
(iii)	Supply of goods directly to customer from location of job worker at Lucknow (U.P.) after completion of job work. (Intra state)	2,00,000
(iv)	Sales from Chennai Shop (Inter State)	11,00,000
(v)	Local States at Noida (Intra State)	25,00,000
(vi)	Services of transport availed from M/s. ABC Transport (Inter State)	3,00,000
(vii)	Commission paid to Mr. Nagar, Sales Executive which is not part of the terms of employment. (Intra State)	50,000

Calculate the aggregate turnover of M/s. Zen Pvt. Ltd. for June 2020 quarter. Brief and suitable notes should form part of your answer.

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- (b) M/s. S Corporation has made default in furnishing returns. It has not filed returns from the month of June 2020. The proper officer cancelled its registration with effect from 1st January 2021 by an order dated 1st January 2021. It applied for revocation of cancellation of registration and the order for revocation of cancellation of registration was passed on 1st March 2021. What are the provisions regarding filing returns before making such an application of revocation of cancellation of registration for the given case ? 4
10. (a) List down the activities/transactions specified under schedule III of the GST Act as non-supplies or 'Negative List'. 4
- (b) (i) To whom mandatory E-invoicing is applicable ? 1
- (ii) Which entities are exempt from mandatory requirement of E-invoicing ? 2
- (iii) What are the advantages of E-Invoicing ? 2

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- (i) Under what circumstances, a registered person is required to issue a "Bill of Supply" ? 1
- (ii) What are the documents required to be carried by a person-in-charge of a conveyance ? 2
- (iii) What are the circumstances under which "Debit Notes" needs to be issued by a taxable person ? 2

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