

MOCK TEST PAPER 2
INTERMEDIATE (NEW) COURSE
PAPER – 4: TAXATION

Time Allowed – 3 Hours

Maximum Marks – 100

SECTION – A: INCOME TAX LAW (60 MARKS)

Working Notes should form part of the answer. Wherever necessary, suitable assumptions may be made by the candidates and disclosed by way of a note. However, in answers to Questions in Division A, working notes are not required.

The relevant assessment year is A.Y.2021-22.

Division A – Multiple Choice Questions

Write the most appropriate answer to each of the following multiple choice questions by choosing one of the four options given. All questions are compulsory.

1. Mr. Alishaan is engaged in the business of clothes trading since 2015. His minor daughter's marriage is fixed in December, 2020. He planned destination wedding in Udaipur for his minor daughter. For the wedding, he withdrew Rs. 40,00,000 cash in the month of August, 2020 and Rs. 65,00,000 cash in the month of September, 2020 from Aapka Paisa Bank.

He booked 30 rooms for 5 days for the accommodation of his relatives in Raho Hotel and paid Rs. 40,000 in cash as advance and balance by account payee cheque. He took the catering services of Daana Caterers, a sole proprietor, for the wedding for which he paid Rs. 10,20,000 on 15.10.2020. For her wedding, he gifted his daughter a house property, purchased from RK Builders on 10.10.2020 by account payee cheque for Rs. 15,00,000. The stamp duty value of the property on 10.10.2020 is Rs. 16,00,000 and on the date of transfer to minor daughter is Rs. 20,00,000.

Mr. Alishaan paid Rs. 45,000 in cash and balance in cheque to travel agent for the return ticket of some of his relatives to US. He has not filed his return of income from P.Y. 2017-18. His daughter let out the house property received from him at a monthly rent of Rs. 40,000 from 01.11.2020.

Based on the above information, choose the most appropriate option of the following Multiple Choice Questions (MCQs):-

- (i) The amount of tax to be deducted by Aapka Paisa Bank on cash withdrawals by Mr. Alishaan is -
- (a) Rs. 10,000
 - (b) Rs. 25,000
 - (c) Rs. 1,70,000
 - (d) Rs. 1,85,000
- (2 Marks)**
- (ii) The amount of tax to be deducted by Mr. Alishaan on payment made to Daana Caterers is -
- (a) Rs. 1,200
 - (b) Rs. 900
 - (c) Rs. 150
 - (d) Nil
- (2 Marks)**
- (iii) For which of the following transactions, Mr. Alishaan is required to quote his PAN?
- (a) Purchase of immovable property from RK Builders
 - (b) Payment to Raho Hotel

- (c) Payment to Travel agent
- (d) All of the above **(1 Mark)**
- (iv) What shall be the amount taxable and in whose hands with respect to purchase of immovable property by Mr. Alishaan from RK Builders and gift of the same to his daughter?
- (a) Rs. 1,00,000 in the hands of Mr. Alishaan, Rs. 1,00,000 in the hands of RK builders and Rs. 20,00,000 in the hands of minor daughter
- (b) Nothing is taxable in the hands of Mr. Alishaan, RK Builders and minor daughter
- (c) Rs. 1,00,000 in the hands of Mr. Alishaan, Rs. 1,00,000 in the hands of RK builders and nothing is taxable in the hands of minor daughter
- (d) Nothing is taxable in the hands of Mr. Alishaan and RK Builders but Rs. 20,00,000 is taxable in the hands of minor daughter **(2 Marks)**
- (v) What shall be the amount taxable under "Income from House property" with respect to let out of house property by daughter of Mr. Alishaan and in whose hands it will taxable?
- (a) Rs. 1,40,000 taxable in the hands of daughter of Mr. Alishaan
- (b) Rs. 1,40,000 taxable in the hands of husband of daughter of Mr. Alishaan
- (c) Rs. 1,38,500 taxable in the hands of Mr. Alishaan
- (d) Rs. 1,40,000 taxable in the hands of Mr. Alishaan **(2 Marks)**
2. Pankaj gifted an amount of Rs 3,00,000 to his wife, Pinky and Rs. 2,00,000 to his daughter, Rinky aged 20 years, on 1st April 2017. Both Pinky and Rinky invested the amounts on the same date in Government of India 11% Taxable Bonds. The interest accrues yearly and is reinvested in the same bonds. Determine what will be the amount taxable in hands on Pinky for A.Y. 2021-22?
- (a) Rs. 4,473
- (b) Rs. 12,132
- (c) Rs. 33,000
- (d) Nil **(2 Marks)**
3. Mr. Mango, an Indian citizen, lives in New York, USA since the last 10 years. He has a penthouse in Mumbai, given on rent @2,00,000 per month. During the year 2020-21, he came to India for 152 days in aggregate. His total stay in India in the immediately preceding 4 previous years is 366 days. You are, being the tax consultant of Mr. Mango, advise him about his residential status for the A.Y. 2021-22.
- (a) Non Resident
- (b) Resident but not ordinary resident
- (c) Resident and ordinary resident
- (d) Deemed resident **(2 Marks)**
4. Mr. C aged 35 years is a working partner in M/s BCD, a partnership firm, with equal profit sharing ratio. During the P.Y. 2020-21, the firm has paid remuneration to Mr. B, Mr. C and Mr. D, being the working partners of the firm, of Rs. 2,00,000 each. The firm has paid interest on capital of Rs. 1,20,000 in toto to all the three partners and the same is within the prescribed limit of 12%. The firm had a loss of Rs. 1,12,000 after debiting remuneration and interest on capital.

Note – Remuneration and interest on capital is authorized by the partnership deed

You, being the CA of Mr. C, are in the process of computing his total income. What would be his taxable remuneration from the firm?

- (a) Rs. 2,00,000
- (b) Rs. 1,51,600
- (c) Rs. 1,27,600
- (d) Rs. 1,50,000

(2 Marks)

5. Lister Internationals Inc., a non resident, engaged in business of selling "Good Z" appoints Mr. Risky as an agent in India for selling such product. Mr. Risky works as an agent for several other persons also including non residents aiding them in selling their products. The appointment of Mr. Risky will -

- (a) lead to business connection in India as he is not independent agent
- (b) lead to business connection in India as he is an independent agent
- (c) not lead to business connection in India as he is not independent agent
- (d) not lead to business connection in India as he is an independent agent

(1 Mark)

6. Mr. Krishna, a resident Indian aged 61 years, maintains a saving account with a co-operative land development bank and he earns Rs. 20,000 as interest on saving account for the Financial Year 2020-21. Mr. Krishna also maintains a fixed deposit and recurring deposit account with Mani Finance (A Non-Banking Finance Company) and earns Rs. 25,000 and 10,000 as interest on fixed deposit and recurring deposit, respectively. What would be the deduction allowable to Mr. Krishna under Chapter VI-A if he does not opt for the section 115BAC for the A.Y. 2021-22?

- (a) Rs. 55,000
- (b) Rs. 10,000
- (c) Rs. 20,000
- (d) Rs. 50,000

(2 Marks)

Division B – Descriptive Questions

Question No. 1 is compulsory

*Attempt any **two** questions from the remaining **three** questions*

1. You are required to compute the total income and tax payable by Mr. Josh, aged 48 years, from the following information provided by him for the Assessment Year 2021-22. Mr. Josh does not want to opt for section 115BAC for the A.Y. 2021-22:
- (i) Basic Salary @ Rs. 51,000 per month, Dearness allowance @ Rs. 10,000 per month (Part of salary for retirement benefits), House rent allowance Rs. 4,000 per month and rent paid for house in Chennai is Rs. 7,000 per month.
 - (ii) He owns a commercial building at Mumbai, which is let out on 1.7.2020 at a monthly rent of Rs. 46,000 to ABC Ltd. He paid municipal taxes of Rs. 27,000 and Rs. 25,000 for the financial year 2019-20 and 2020-21 on 31-3-2021 and 20-4-2021, respectively. Fair rent of the building is Rs. 33,000 p.m.
 - (iii) He purchased 4000 unlisted shares of Maharaja Limited on 25-2-2008 for Rs. 80,000. Company declared bonus in the ratio of 1:1 on 15th March, 2008. Mr. Josh sold 3000 bonus shares on 15.01.2021 for Rs. 2,00,000 to his friend Mr. Mehul through unrecognized stock exchange. (Cost Inflation Index: 2007-08: 129, 2020-21: 301)
 - (iv) In April, 2020, he received dividend of Rs. 9,00,000 from ABC Ltd., an Indian company. The dividend is declared by the company in P.Y. 2019-20, and the company has paid dividend distribution tax on the same.

- (v) Interest from saving bank account with SBI Bank Rs. 15,000 and lottery winnings (Net of TDS@30%) is Rs. 21,000.

He paid the following amounts during the P.Y. 2020-21:

- (a) Deposits in Public Provident Fund Rs. 1,50,000.
(b) Medical insurance premium paid for health of his wife Rs. 19,000 and for health of dependent son Rs. 12,000 through cheque. **(14 Marks)**

2. (a) Miss Bhanushali, an American National, got married to Mr. Vikas of India in New York on 3rd February, 2020 and came to India for the first time on 14-02-2020. She left for New York on 11-08-2020. She returned to India again on 20-02-2021.

She received the following gifts from her relatives and friends during 01-04-2020 to 31-03-2021 in India:

- | | |
|--|--------------|
| - From parents of husband | Rs. 71,000 |
| - From married sister of husband | Rs. 21,000 |
| - From two very close friends of her husband Rs. 1,41,000 and Rs. 1,21,000 | Rs. 2,62,000 |

- (i) Determine her residential status and compute the total income chargeable to tax for the Assessment Year 2021-22.

- (ii) Will the residential status change if she had returned to India again on 20-01-2021 instead of 20-02-2021? **(7 Marks)**

- (b) 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) Ms. Sarla received a sum of Rs. 92,000 on 30th September 2020 towards maturity proceeds of LIC taken on 1st October 2014 for which sum assured was Rs. 80,000 and annual premium was Rs. 10,000.

- (ii) Mr. Rohit transferred a residential house property to Mr. Arun for Rs. 45 lacs. The stamp duty value of such property is Rs. 55 lacs.

- (iii) Akash (P) Limited pays the following amounts to Mr. Santosh during previous year 2020-21:

- (1) Rs. 22,000 towards fee for professional services
(2) Rs. 18,000 towards royalty.

- (iv) Payment of Rs. 1,75,000 made to Mr. Ankit for purchase of bag according to specifications of M/s. Packaging Limited. However, no material was supplied for such bag by Packaging Limited or its associates to Mr. Ankit.

- (v) ABC Private Limited pays Rs. 12,000 to Ms. Deepika, its director, on 1.5.2020 towards sitting fee which is not taxable u/s 192.

- (vi) Rashi Limited is engaged by Jigar Limited for the sole purpose of business of operation of call centre. On 18-03-2021, the total amount credited by Jigar Limited in the ledger account of Rashi Limited is Rs. 70,000 regarding service charges of call centre. The amount is paid through cheque on 28-03-2021 by Jigar Limited.

- (vii) Ms. Mohit won a lucky draw prize of Rs. 21,000. The lucky draw was organized by M/s. Maximus Retail Ltd. for its customer. **(7 Marks)**

3. (a) M/s. Moksh Enterprises, a sole proprietorship owns four machines, put in use for business in March, 2019. The depreciation on these machines is charged @ 15%. The written down value of these machines as on 1st April, 2020 was Rs. 7,70,000. Two of the old machines were sold on 15th July, 2020 for Rs. 10,00,000. A second hand plant was bought for Rs. 6,10,000 on 30th December, 2020. You are required to:
- Determine the claim of depreciation for Assessment Year 2021-22.
 - Compute the capital gains liable to tax for Assessment Year 2021-22.
 - If Moksh Enterprises had sold the two machines in July, 2020 for Rs. 15,00,000, explain, will there be any difference in your above workings? **(4 Marks)**
- (b) Mr. Yogesh is in the business of operating goods vehicles. As on 1st April, 2020, he had the following vehicles:

Vehicle	Gross Vehicle Weight (in Kgs.)	Date of Purchase	Put to use during F.Y. 2020-21?
A	9000	2-6-2019	Yes
B	15000	15-5-2019	Yes
C	12000	4-8-2019	No (as under repairs)

During P.Y. 2020-21, he purchased the following vehicles:

Vehicle	Gross Vehicle Weight (in Kgs.)	Date of Purchase	Date on which put to use
D	11500	20-4-2020	10-5-2020
E	14000	15-5-2020	18-5-2020

Compute his income under section 44AE of the Income-tax Act, 1961 for A.Y. 2021-22. **(3 Marks)**

- (c) Calculate the amount chargeable to tax under the head 'Capital Gains' and also calculate tax on such gains for A.Y. 2021-22 from the following details provided by Mr. Naveen with respect to sale of certain securities during F.Y. 2020-21, assuming that the other incomes of Mr. Naveen exceeds the maximum amount not chargeable to tax. (Ignore surcharge and cess):
- Sold 10,000 shares of Y Ltd. on 05-04-2020 @ Rs. 650 per share**
 Y Ltd. is a listed company. These shares were acquired by Mr. Naveen on 05-04-2016 @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 31-01-2018, the shares of Y 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
 - Sold 1,000 units of AB Mutual Fund on 20-05-2020 @Rs. 50 per unit**
 AB Mutual Fund is an equity oriented fund. These units were acquired by Mr. Naveen on 10-03-2017 @ Rs. 10 per unit. STT was paid only at the time of transfer of such units. On 31-01-2018, the Net Asset Value of the units of AB Mutual Fund was Rs. 55 per unit. The units of AB Mutual Fund were not listed on the stock exchange as on 31.1.2018.
 - Sold 100 shares of C Ltd. on 27-09-2020 @ Rs. 200 per share**
 C Ltd. is an unlisted 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
2020-21	- 301

(7 Marks)

4. (a) Compute the total income of Mr. Praveen (aged 48), a resident Indian, from the following information relating to the financial year ended 31.3.2021. Also, show the items eligible for carry forward.

Particulars	Rs.
Income from salaries	2,20,000
Loss from house property	2,50,000
Loss from toy business	1,30,000
Income from speculation business	40,000
Loss from specified business covered by section 35AD	20,000
Long-term capital gains from sale of urban land	2,50,000
Long-term capital loss from sale of listed shares in recognized stock exchange (STT paid at the time of acquisition and sale of shares)	1,10,000
Loss from card games	32,000
Income from betting (Gross)	45,000
Life Insurance Premium paid (10% of the capital sum assured)	50,000

(7 Marks)

- (b) Deepak is retired Government Officer, aged 65 years, resides in Hyderabad, derived following income:

	Rs.
Pension	6,60,000
Interest from bank on fixed deposits (Gross)	55,000

Compute the total income of Mr. Deepak for the assessment year 2021-22 from the following particulars:

- Life insurance premium paid by cheque Rs. 22,500 for insurance of his life. The insurance policy was taken on 08-09-2015 and the sum assured is Rs. 2,00,000.
- Premium of Rs. 26,000 paid by cheque for health insurance of self and his wife.
- Paid interest of Rs. 6,500 on loan taken from bank for MBA course pursued by his daughter.
- A sum of Rs. 15,000 donated in cash to an institution approved for the purpose of section 80G for promoting family planning.

(3 Marks)

- (c) (i) What is the fee for default in furnishing return of income u/s 234F?
(ii) To whom the provisions of section 139AA relating to quoting of Aadhar Number do not apply?

(4 Marks)

SECTION B - INDIRECT TAXES (40 MARKS) NEW COURSE

QUESTIONS

- (i) Working Notes should form part of the answers. However, in answers to Question in Division A, working notes are not required.
- (ii) Wherever necessary, suitable assumptions may be made by the candidates, and disclosed by way of note.
- (iii) All questions should be answered on the basis of the position of GST law as amended up to 31st October, 2020.
- (iv) The GST rates for goods and services mentioned in various questions are hypothetical and may not necessarily be the actual rates leviable on those goods and services. Further, GST compensation cess should be ignored in all the questions, wherever applicable.

Division A - Multiple Choice Questions (MCQs)

Write the most appropriate answer to each of the following multiple choice questions by choosing one of the four options given. All questions are compulsory.

Total Marks: 12 Marks

Each MCQ under Question No. 1 carries 2 Marks each

1. Ms. Anjali is engaged in supply of services. She is registered under GST and has opted to pay tax under composition scheme for service provider under section 10(2A) of the CGST Act. The turnover for the quarter ending June was Rs. 12,00,000.

During July, she crossed the aggregate turnover of Rs. 50 lakh and opted out of composition scheme. She also started trading of goods in July.

She supplied an order to Breathe Well LLP on ex-factory basis, the details of which are as follows-

- i. Basic price of the product – Rs. 53,000
 - ii. Outward freight – Rs. 12,000
 - iii. Packing Charges – Rs. 5,000
 - iv. Discount given on receiving payment – Rs. 2,000
- (not included in invoice)

For supplies, provided to Breathe Well LLP, she received half of the amount as advance on 22nd July. The goods were dispatched from her factory on 25th July and delivered on 28th July. She raised the invoice on 30th July and the balance payment was also received on the same date.

Ms. Anjali received 25 invoices from various suppliers involving GST of Rs. 1,50,000 for the month of July. While filing GSTR-3B for the said month on 20th August, she found that only 20 invoices involving GST of Rs. 1,00,000 were uploaded by the suppliers.

Ms. Anjali supplied goods to the following persons-

Sl. No.	Recipient	Value of Supply
1	Mr. Pawan - an unregistered person	Rs. 150
2	Mr. Umesh, a registered person	Rs. 110
3	Rains Trust, an unregistered entity	Rs. 250

None of the above persons requires a tax invoice.

All the amounts given above are exclusive of taxes, wherever applicable. All the supply referred above is intra-State unless specified otherwise. Conditions applicable for availment of ITC are fulfilled subject to the information given above.

Based on the information provided above, choose the most appropriate answer for the following questions 1.1 to 1.5-

1.1 Compute the tax liability for the quarter ending June under CGST and SGST?

- (a) Rs. 30,000 each
- (b) Rs. 12,000 each
- (c) Rs. 6,000 each
- (d) Rs. 36,000 each

1.2 Compute the value of Supply made by Ms. Anjali to Breathe Wall LLP?

- (a) Rs. 56,000
- (b) Rs. 58,000
- (c) Rs. 68,000
- (d) Rs. 75,000

1.3 Determine the amount of ITC that can be claimed by Ms. Anjali for the month of July?

- (a) Rs. 1,00,000
- (b) Rs. 1,10,000
- (c) Rs. 1,20,000
- (d) Rs. 1,50,000

1.4 Determine the time of supply made to Breathe Wall LLP?

- (a) 22nd July
- (b) 25th July
- (c) 28th July
- (d) 30th July

1.5 Ms. Anjali need not issue invoice to which of the following persons?

- (a) Mr. Pawan
- (b) Mr. Pawan and Umesh
- (c) Mr. Pawan and Rains Trust
- (d) Need not issue invoice to all the three persons

(5 x 2 Marks = 10 Marks)

2. An exempt supply includes-

- (i) Supply of goods or services or both which attracts Nil rate of tax
- (ii) Non-taxable supply
- (iii) Supply of goods or services or both which are wholly exempt from tax under section 11 of the CGST Act or under section 6 of IGST Act

- (a) (i)
- (b) (i) and (ii)
- (c) (ii) and (iii)
- (d) (i), (ii) and (iii)

(2 Marks)

Division B - Descriptive Questions**Question No. 1 is compulsory.****Attempt any two questions out of remaining three questions.****Total Marks: 28 Marks**

1. Hari & Co., a supplier of goods, pays GST under regular scheme. It has made the following outward taxable supplies in a tax period:

Particulars	Amount (Rs.)
Intra-State supply of goods	10,00,000
Inter-State supply of goods	8,00,000

It has also furnished the following information in respect of purchases made by it in that tax period:

Particulars	Amount (Rs.)
Intra-State purchases of goods	3,00,000
Inter-State purchases of goods	2,50,000

Hari & Co. has following ITCs with it at the beginning of the tax period:

Particulars	Amount (Rs.)
CGST	57,000
SGST	60,000
IGST	1,40,000

Note:

- (i) Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively.
- (ii) Both inward and outward supplies are exclusive of taxes, wherever applicable.
- (iii) All the conditions necessary for availing ITC have been fulfilled.

Compute the minimum GST, payable in cash, by Hari & Co. for the tax period and the ITC to be carried forward to the next month. Make suitable assumptions as required. **(8 Marks)**

2. (a) Kavya Ltd., a registered supplier, has supplied machinery to Ayesha Ltd. (a supplier registered in the same State). It provides following particulars regarding the same:

S. No.	Particulars	Amount (Rs.)
(i)	Price of machinery (exclusive of taxes and discounts)	5,50,000
(ii)	Part fitted in the machinery at the premises of Ayesha Ltd. [Amount has been paid by Ayesha Ltd. directly to the supplier. However, it was Kavya Ltd.'s liability to pay the said amount. The said amount has not been recorded in the invoice issued by Kavya Ltd.]	20,000
(iii)	Installation and testing charges for machinery, not included in price	25,000
(iv)	Discount @ 2% on price of the machinery mentioned at S. No. (i) above (recorded in the invoice)	
(v)	Kavya Ltd. provides additional discount @ 1% at year end, based on additional purchase of other machinery for which adjustment is made at the end of the financial year without any change in individual transactions.	

Determine the value of taxable supply made by Kavya Ltd. to Ayesha Ltd.

(6 Marks)

- (b) Kashi Enterprises, an event organizer, provided services to Brisk n Frisk Ltd. by way of organizing business exhibition in New Delhi as part of Make in India initiative. Kashi Enterprises claims that it is not required to pay GST as the services provided by way of organizing business exhibition are exempt from GST. Examine the technical veracity of the claim of Kashi Enterprises, in the given case. **(4 Marks)**
3. (a) Examine whether the supplier is liable to get registered in the following independent cases:-
- (i) Aadi of Assam is exclusively engaged in intra-State supply of taxable services. His aggregate turnover in the current financial year is Rs. 25 lakh.
 - (ii) Atri of Assam is engaged in intra-State supply of both taxable goods and services. His aggregate turnover in the current financial year is Rs. 30 lakh. **(6 Marks)**
- (b) SBS Ltd., has availed input tax credit for Rs. 54,000/- IGST during February, 2020 on a particular purchase. Accounting records for the above purchase, indicate that IGST paid to the supplier is Rs. 45,000/- as per the bill received. GSTR-1 uploaded by the supplier for the above supply indicates Rs. 45,000/- as tax paid. Examine as per GST provisions, what value shall be updated in the ledgers maintained on behalf of SBS Ltd., on the common portal **(4 Marks)**
4. (a) GST is a simplified tax structure. Justify the statement. **(5 Marks)**
- (b) Brief explain when is it not mandatory to furnish the details of conveyance in Part-B of the e-way bill? **(5 Marks)**