

MOCK TEST PAPER - 1
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 Question in Division A, working notes are not required.

The relevant assessment year is A.Y.2020-21.

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. Ananya Gupta, a citizen of India, lives with her family in New York since the year 2000. She visited India from 23rd March, 2019 to 28th September, 2019 to take care of her ailing mother. In the last four years, she has been visiting India for 100 days every year to be with her mother. She owns an apartment at New York, which is used as her residence. The expected rent of the house is \$ 32,000 p.a. The value of one USD (\$) may be taken as Rs.75. Municipal taxes paid in New York in January, 2020 is \$ 2,000.

She took ownership and possession of her house in New Delhi on 25th March, 2019, for self-occupation, while she is in India. The municipal valuation is 4,20,000 p.a. and the fair rent is Rs. 4,50,000 p.a. She paid property tax of Rs. 22,000 to Delhi Municipal Corporation. She had taken a loan of Rs.16 lakhs@10% p.a. from IDBI Bank on 1st April, 2016 for constructing this house. No amount has been paid towards principal repayment so far. The house is vacant for the rest of the year i.e., from October 2019 to March 2020.

She had a house property in Mumbai, which was sold on 28th March, 2019. In respect of this house, she received arrears of rent of Rs. 3,00,000 on 4th February, 2020. This amount has not been charged to tax earlier.

Based on the above information, choose the most appropriate option of the following Multiple Choice Questions (MCQs) for A.Y. 2020-21:-

- (i) What would be the residential status of Ananya Gupta for A.Y.2020-21?
- (a) Resident and ordinarily resident
 - (b) Resident but not ordinarily resident
 - (c) Resident; Not possible to determine whether she is ordinarily resident or not since number of days of stay in the last seven years is not given in the question
 - (d) Non-resident
- (ii) Ms. Ananya Gupta can claim benefit of “Nil” Annual Value under section 23(2) in respect of -
- (a) Her Delhi house
 - (b) Her New York house, since it is more beneficial; her Delhi house will be deemed to be let out and expected rent would be the annual value.
 - (c) Her Delhi house alone; her New York house will be deemed to be let out and expected rent

would be the annual value.

- (d) Both her Delhi house and New York house, since benefit of Nil Annual value u/s 23(2) is available in respect of two house properties.
- (iii) What is the income chargeable under the head "Income from house property" of Ananya Gupta for A.Y.2020-21?
- (a) Rs.15,85,000
- (b) Rs.3,09,600
- (c) Rs.1,00,000
- (d) Rs.10,000
- (iv) Assuming that, for the purpose of this MCQ alone, Ananya Gupta has let out her flat in New York during the six months (April to September) when she is in India, for a sum of \$ 6,000 p.m. Such rent was received in a bank account in New York and then remitted to India through approved banking channels. What would be the income from house property chargeable to tax in her hands in India for A.Y.2020-21?
- (a) Rs.10,000
- (b) Rs.17,85,000
- (c) Rs.17,95,000
- (d) Rs.18,85,000

(4 x 2 Marks)

2. Mr. Ram acquired a house property at Chennai from Mr. Satyam, a resident, for a consideration of Rs.85 lakhs, on 23.8.2019. On the same day, Mr. Ram made two separate transactions, thereby acquiring an urban plot in Gwalior from Mr. Vipun for a sum of Rs.50 lakhs and rural agricultural land from Mr. Danish for a consideration of Rs.75 lakhs. Which of the following statements are correct?
- (a) No tax deduction at source is required in respect of any of the three payments.
- (b) TDS@1% is attracted on all the three payments.
- (c) TDS@1% on Rs.85 lakhs and Rs.50 lakhs are attracted. No TDS on payment of Rs.75 lakhs for acquisition of rural agricultural land
- (d) TDS@1% on Rs.85 lakhs is attracted. No TDS on payments of Rs.50 lakhs and Rs.75 lakhs.

(2 Marks)

3. Mr. Ramesh, a citizen of India, is employed in the Indian embassy in the Australia. He is a non-resident for A.Y. 2020-21. He received salary and allowances in the Australia from the Government of India for the year ended 31.03.2020 for services rendered by him in the Australia. In addition, he was allowed perquisites by the Government. Which of the following statements are correct?
- (a) Salary, allowances and perquisites received outside India are not taxable in the hands of Mr. Ramesh, since he is non-resident.
- (b) Salary, allowances and perquisites received outside India by Mr. Ramesh are taxable in India since they are deemed to accrue or arise in India.
- (c) Salary received by Mr. Ramesh is taxable in India but allowances and perquisites are exempt.
- (d) Salary received by Mr. Ramesh is exempt in India but allowances and perquisites are taxable.

(2 Marks)

4. Mrs. Shivani, wife of Mr. Anurag, is a partner in a firm. Her capital contribution of Rs.5 lakhs to the firm as on 1.4.2019 included Rs.3.5 lakhs contributed out of gift received from Anurag. On 10.4.2019, she further invested Rs.2 lakh out of gift received from Anurag. The firm paid interest on capital of Rs.50,000 and share of profit of Rs.60,000 during the F.Y.2019-20. The entire interest has been allowed as deduction in the hands of the firm. Which of the following statements is correct?
- Share of profit is exempt but interest on capital is taxable in the hands of Mrs. Shivani.
 - Share of profit is exempt but interest of Rs.39,286 is includible in the income of Mr. Anurag and interest of Rs. 10,714 is includible in the income of Mrs. Shivani.
 - Share of profit is exempt but interest of Rs.35,000 is includible in the income of Mr. Anurag and interest of Rs.15,000 is includible in the income of Mrs. Shivani.
 - Share of profit to the extent of Rs.42,000 and interest on capital to the extent of Rs.35,000 is includible in the hands of Mr. Anurag. **(2 Marks)**
5. Mr. Raj, an Indian citizen and a Government employee, left India for the first time on 25.03.2019 on account of his transfer to High Commission in Singapore. During P.Y. 2019-20, he visited India only for ten days on occasion of his sister's marriage. During F.Y. 2019-20, his income composition includes salary, foreign allowances, rent from property in Singapore and interest earned from fixed deposits maintained with SBI. His taxable income for P.Y. 2019-20 will include:
- All of them, since Mr. Raj is a resident in India, hence his global income will be taxable
 - Only interest earned from fixed deposits maintained in India
 - No income shall be taxable since Mr. Raj is a non-resident in India for P.Y. 2019-20
 - Salary and interest income of fixed deposits with SBI **(2 Marks)**
6. Mr. A has two bank accounts maintained with ICICI Bank and HDFC Bank. From 01.09.2019 till 31.03.2020, Mr. A withdrew the following amounts as cash from both the said accounts;
- HDFC Bank: Rs.50 Lakh
ICICI Bank: Rs.120 Lakh
- Compute the amount of tax to be deducted at source u/s 194N by HDFC Bank and ICICI Bank, respectively, while making payment in cash to Mr. A.
- Rs.1,00,000 and Rs.2,40,000
 - Nil and Rs.40,000
 - Nil and Rs.2,40,000
 - Rs.50,000 and Rs.1,20,000 **(1 Mark)**
7. XYZ LLP falls under which category of person?
- Firm
 - Company
 - Association of persons
 - Artificial judicial person **(1 Mark)**

Division B – Descriptive Questions

Question No. 1 is compulsory

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

1. From the following information furnished by Mr. Raj, aged 50 years, a resident individual and practicing Chartered Accountant, you are required to compute his total and tax liability for the A.Y. 2020-21.

Receipts and payments account for F.Y. 2019-20

Receipts	Rs.	Payments	Rs.
Opening Balance (01.04.2019) Cash & Bank	50,000	Staff salary, bonus and stipend to article clerks	25,13,500
Fee from professional service	51,36,000	Other general and administrative expenses	13,00,000
Motor car loan from BOB @10% interest per annum	1,00,000	Office rent	45,000
Interest on Saving bank account maintained with SBI	15,000	Life Insurance Premium	25,000
		Motor Car (Acquired in January, 2020 by way of account payee cheque)	8,00,000
		Books (annual publication bought by way of account payee draft in May 2019)	20,000
		Computer acquired on 1.12.2019 for professional use by way of crossed cheque	30,000
		Drawings	2,75,000
		Motor car maintenance	15,000
		Public Provident Fund subscription	1,40,000
		Closing balance (31.03.2020) Cash & Bank	1,37,500
	53,01,000		53,01,000

Other Information:

- (i) Motor car was put to use for both official and personal purposes. 1/3rd of the motor car is for personal purpose. No interest on car loan was paid during the year.
- (ii) Mr. Raj purchased a flat in Gwalior for Rs. 20,00,000 in July, 2015 cost of which was partly financed by a loan from State Bank of India of Rs.15,00,000 @10% interest, his own savings Rs.1,00,000 and a deposit from Bank of Baroda for Rs. 4,00,000. The flat was given to SBI on lease for 10 years @ Rs.42,000 per month. The following particulars are relevant:
 - (a) Municipal taxes paid by Mr. Raj Rs.5,500 per annum
 - (b) House Insurance Rs.2,000

The loan is still unpaid till 31.3.2020.

- (iii) He earned Rs.1,00,000 in share speculation business and lost Rs.1,50,000 in commodity speculation business.
 - (iv) Mr. Raj received a gift of Rs. 30,000 each from four of his family friends.
 - (v) He contributed Rs. 1,10,000 to Prime Minister's Draught Relief Fund by way of bank draft.
 - (vi) He donated to a registered political party Rs.3,00,000 by way of cheque. **(14 Marks)**
2. (i) Simran, a Chartered Accountant, is presently working in a firm in India. She has received an offer for the post of Chief Financial Officer from a company at New York. As per the offer letter, she should join the company at any time between 1st September, 2019 and 31st October, 2019. She approaches you for your advice on the following issues to mitigate her tax liability in India:
- (a) Date by which she should leave India to join the company;
 - (b) Direct credit of part of her salary to her bank account in Delhi maintained jointly with her mother to meet requirement of her family.
 - (c) Period for which she should stay in India when she comes on leave. **(7 Marks)**
- (ii) Examine and compute the liability for deduction of tax at source, if any, in the cases stated hereunder, for the financial year ended 31st March, 2020
- (a) State Bank of India pays Rs.50,000 per month as rent to the Central Government for a building in which one of its branches is situated.
 - (b) Karan, a part time director of ABC Pvt. Ltd. was paid an amount of Rs. 1,75,000 as fees which was actually in the nature of commission on sales for the period 1.6.2019 to 30.9.2019.
 - (c) Fee paid on 1.11.2019 to Dr. Kashyap by Varun (HUF) Rs. 5,00,000 for surgery performed on a member of his family.
 - (d) Payment of Rs. 1,50,000 made to John Cena, an American wrestler, by an Indian newspaper agency on 1.8.2019 for contribution of articles in relation to the spot of wrestling.
- (1½ + 1½ + 2 + 2 Marks)**
3. (i) Mr. Neeraj, aged 45 years, working in Ashiyana Pvt. Ltd. provides the following details pertaining to the financial year 2019-20:

Particulars	Rs.
Basic salary	7,20,000
Dearness allowance (40% of basic pay) (50% of D.A. forms part of retirement benefits)	-
Commission	50,000
Entertainment allowance	7,500
Medical expenses reimbursed by the employer	10,000
Profession tax (of this, 50% paid by employer)	3,000
Health insurance premium paid by employer	9,000
Gift voucher given by employer on his birthday	15,000
Life insurance premium of Neeraj paid by employer	40,000

Laptop provided for use at home. Actual cost of Laptop to employer [Children of the assessee are also using the Laptop at home]	45,000
Employer company owns a motor car, which was provided to the assessee, both for official and personal use. All repair and maintenance expenses are fully reimbursed by the employer. No driver was provided. (Engine cubic capacity less than 1.6 litres).	
Annual credit card fees paid by employer [Credit card is not exclusively used for official purposes]	5,000

You are required to compute the income chargeable under the head Salaries in the hands of Mr. Neeraj for the assessment year 2020-21 **(7 Marks)**

- (ii) Mr. Ramesh sold a house plot to Mrs. Vikas for Rs. 45 lakhs on 10-9-2019. The valuation determined by the stamp valuation authority was Rs. 53 lakhs.

Mr. Vikas has sold this plot to Ms. Babli on 21-3-2020 for Rs. 55 lakhs.

The valuation as per stamp valuation authority was Rs. 54 lakhs on 21-3-2020.

Discuss the tax consequences of above, in the hands of each one of them, viz, Mr. Ramesh, Mr. Vikas & compute the capital gain in the hands of Mr. Vikas.

Note: None of the parties viz Mr. Ramesh, Mr. Vikas & Ms. Babli are related to each other; the transactions are between outsiders. **(7 Marks)**

4. (i) Mr. Mustafa submits the following information for the previous year 2019-20:

		(Amount in Rs.)
(i)	Income from salary	6,50,000
(ii)	Income from House-I	55,000
(iii)	Loss from House-II (self-occupied property)	1,25,000
(iv)	Loss from House-III	190,000
(v)	Loss from leather business	68,000
(vi)	Profit from cloth business	1,70,000
(vii)	Short term capital loss in equity oriented funds on which STT was paid	35,000
(viii)	Income from crossword puzzles	12,000
(ix)	Dividend from foreign company	8,500
(x)	Loss on owning and maintenance of race horses	7,500
(xi)	Income from owning and maintenance of race bulls	9,000

Compute the gross total income and losses to be carried forward of Mr. Mustafa for assessment year 2020-21. Mr. Mustafa has filed his return of income on 25.07.2020. **(6 Marks)**

- (ii) Mr. Vijay gifted a sum of Rs. 4 lakhs to his brother's wife on 19-6-2019. On 21-7-2019, his brother gifted a sum of Rs. 3 lakhs to Mr. Vijay's wife. The gifted amounts were invested as fixed deposits in banks by Mrs. Vijay and wife of Mr. Vijay's brother on 01-8-2019 at 9% interest. Examine the consequences of the above under the provisions of the Income-tax Act, 1961 in the hands of Mr. Vijay and his brother. **(4 Marks)**

- (iii) Briefly mention the provisions of Income-tax Act, 1961 with regard to quoting Aadhar Number under section 139AA of the Act. **(4 Marks)**

SECTION B - INDIRECT TAXES (40 MARKS)
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, 2019.*
- (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. Riya is a multi-faceted business personality. She is registered under GST from April, 20XX.

She supplied a package consisting of stapler, calculator and charger at a single price of Rs. 300/-. Rate of GST for stapler, calculator and charger is 5%, 12% and 18% respectively.

She wants to opt for composition levy.

She received following payments during the month of May, 20XX:

- earned Rs. 160,000 by performing in western music in a cultural event at a Resort
- earned Rs. 50,000 by providing services by way of renting of residential dwelling for use as boutique.
- received Rs. 70,000 by way of rent for letting of agro machinery

Ms. Riya made a supply during June, 20XX, details of which are as follows:-

- Basic price of the product – Rs. 45,000
- Tax collected at source under Income-tax Act, 1961 – Rs. 2,500
- She received a subsidy of Rs. 3,500 from Green Foundation Pvt. Ltd for usage of green energy and the subsidy was linked to saving energy

Ms. Riya provides the following information regarding receipt of inward supply during July, 20XX:

- received invoice for goods having GST Component of Rs. 30,000. Goods were to be delivered in 5 lots, out of which three lots were received in the current month.
- purchased a car having GST component of Rs. 1,50,000 for the usage in a driving school owned by her
- availed health insurance service for her employees on her own and paid GST of Rs. 7,000 thereon

Transactions referred above are intra-State only. Conditions necessary for claiming input tax credit (ITC) have been fulfilled subject to the information given above.

From the information given above, choose the most appropriate answer for the following questions:-

- (i) What would be the nature of supply and the applicable rate of GST for the supply of package made by Ms. Riya (when not registered under composition scheme) :-
- (a) composite Supply & applicable rate 12%
 - (b) mixed Supply & applicable rate 18%
 - (c) composite Supply & applicable rate 18%
 - (d) mixed Supply & applicable rate 12%
- (ii) Ms. Riya can opt for composition scheme if she does not undertake the supply of
- (i) Aerated water
 - (ii) Tobbaco
 - (iii) Pan masala
 - (iv) Milk
- (a) i & ii
- (b) iii & iv
- (c) i, ii & iii
- (d) ii, iii & iv
- (iii) Out of payments received by Ms. Riya in month of May 20XX, exempt Supply amounts to_____
- (a) Rs. 50,000
 - (b) Rs. 70,000
 - (c) Rs. 1,20,000
 - (d) Rs. 1,60,000
- (iv) In respect of supply made by Ms. Riya, the value of supply under section 15 of CGST Act, 2017 is
- (a) Rs. 45,000
 - (b) Rs. 47,500
 - (c) Rs. 48,500
 - (d) Rs. 51,000
- (v) Eligible amount of input tax credit that can be claimed by Ms. Riya in the month of July 20XX is,
- (a) Rs. 30,000
 - (b) Rs. 37,000
 - (c) Rs. 1,50,000
 - (d) Rs. 1,57,000

(5 x 2 Marks=10 Marks)

2. Alcoholic liquor for human consumption is subjected to

- (a) State excise duty
- (b) Central Sales Tax/Value Added Tax

(c) Both (a) and (b)

(d) GST

(1 Mark)

3. Taxes subsumed in GST are

(a) Service tax

(b) Luxury tax

(c) VAT

(d) All of the Above

(1 Mark)

Division B - Descriptive Questions

Question No. 1 is compulsory.

Attempt any two questions out of remaining three questions.

Total Marks: 28 Marks

1. Mr. Charlie, a registered supplier of goods at Bhatinda who pays GST under regular scheme, has made the following transactions (exclusive of tax) during April 20XX:

Source	Purchases (Rs.)	Sales (Rs.)	Tax Rate
Rajasthan	5,00,000	10,00,000	18%
Punjab	2,50,000	8,00,000	9% each for SGST & CGST
Total	7,50,000	18,00,000	

He has complied with all the conditions for availing the input tax credit (ITC) and has the following ITC credit on 01-04-20XX:

Source	CGST (Rs.)	SGST (Rs.)	IGST (Rs.)
Taxes	50,000	30,000	1,00,000

Compute the minimum net CGST, SGST and IGST payable by Mr. Charlie during April 20XX in cash?

(8 Marks)

2. (a) Kaashi Ltd. supplies machinery to Alisha Ltd. (Dealer in same State), provides following particulars regarding the same. Determine the value of taxable supply of machinery.

S.No.	Particulars	Amount (Rs.)
(i)	Price of Machinery (exclusive of taxes and discounts)	5,50,000
(ii)	One part is directly fitted in machinery at place of Alisha Ltd. (amount paid by Alisha Ltd. directly to supplier, as per contract this amount should be paid by Kaashi Ltd. and not included in price)	20,000
(iii)	Installation and testing charges for machinery, not included in price	25,000
(iv)	Discount @ 2% on machinery price (recorded in the invoice)	
(v)	Kaashi Ltd. provides additional 1% discount at year end, based on additional purchase of other machinery (discount is not linked to the relevant invoice and proportionate ITC has not been reversed by Alisha Ltd.)	

(4 Marks)

- (b) (i) "Richmondkidz" is a Play School located in Delhi. Richmond Kids has outsourced the catering services for supply of food and drink in the canteen of Play School to Ashoka Caterers, Delhi for a consideration of Rs. 8,00,000 per annum. Examine whether supply of food and drink/catering services from Ashoka Caterers to "Richmond kidz" is exempt from GST:
- (ii) Balaji Hospital, a clinical establishment located in Tirupati, is specialised in cardiac treatment. The hospital has its own canteen – Healthy Foods. The canteen serves the food and drink to the in-patients as advised by the doctors/nutritionists of the hospital. Apart from this, other patients (who are not admitted) or attendants or visitors of the in-patients also take food and drink from the canteen. Examine whether supply of food and drink/catering services to the in-patients and other patients (who are not admitted) or attendants or visitors of the in-patients is exempt from GST: **(6 Marks)**
3. (a) Determine the effective date of registration in following cases:
- (i) Apsara Teleservices is an architect in Lucknow. Its aggregate turnover exceeds Rs. 20 lakh on 25th October. It submits the application for registration on 27th November. Registration certificate is granted to it on 5th December.
- (ii) The aggregate turnover of Prink Footwear Industries of Delhi has exceeded the applicable threshold limit of Rs. 40 lakh on 1st September. It submits the application for registration on 20th September. Registration certificate is granted to it on 25th September. **(6 Marks)**
- (b) Mr. Aman, a registered supplier of taxable goods, filed GSTR 3B for the month of January, 20XX on 15th April, 20XX. The prescribed due date to file the said GSTR 3B was 20th February, 20XX. The amount of net GST payable on supplies made by him for the said month worked out to be Rs. 36,500 which was paid on the same date of filing the return. Briefly explain the related provisions and compute the amount of interest payable under the CGST Act, 2017 by Mr. Aman. **(4 Marks)**
4. (a) Explain the services provided by way of tolerating non-performance of a contract and its chargeability under the provisions of the CGST Act, 2017. **(5 Marks)**
- (b) If a return has been filed, how can it be revised if some changes are required to be made? **(5 Marks)**