

MOCK TEST PAPER
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. Mr. Rajesh Sharma, aged 54 years, an Indian citizen, is working as Assistant Manager in ABC India Ltd. He is getting basic salary of ₹ 58,000 per month. He used to travel frequently out of India for his office work. He left India from Delhi Airport on 5th Oct, 2019 and returned to India on 2nd Apr,2020.

For previous year 2019-20, following information are relevant;

- (a) Dearness Allowance - 10% of Basic Pay (considered for retirement purposes)
- (b) Bonus - ₹ 98,000
- (c) Medical allowance paid during P.Y. 2019-20 amounting to ₹60,000
- (d) He was also reimbursed medical bill of his mother amounting to ₹15,000.
- (e) He was also transferred a laptop by company for ₹ 15,000 on 31st Dec 2019. The laptop was acquired by company on 1st Oct,2016 for ₹ 1,00,000. Company was charging depreciation at 31.666% assuming useful life of laptop as 3 years.
- (f) He was also reimbursed salary of house servant of ₹ 4,000 per month during P.Y. 2019-20.
- (g) Professional Tax paid by employer during P.Y. 2019-20 amounting to ₹ 2,400.
- (h) 400 equity shares allotted by ABC India Ltd. during P.Y. 2019-20 at the rate of ₹ 250 per share against fair market value of share of ₹ 350 on the date of exercise of option.
- (i) Short-term capital gain on sale of shares of listed company on which STT is paid amounting to ₹ 94,000.
- (j) Mr. Rajesh was also found owner of ₹ 5 lakh worth jewellery, of which he could not provide any satisfactory explanation.

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

- (i) What is Mr. Rajesh Sharma's residential status for the A.Y. 2020-21?

- (a) Resident but can't determine resident and ordinarily resident or resident but not ordinarily resident from the given information
- (b) Non-Resident
- (c) Resident but not ordinarily resident
- (d) Resident and ordinarily resident
- (ii) What is his taxable perquisite for A.Y. 2020-21?
- (a) ₹ 55,000
- (b) ₹ 90,400
- (c) ₹ 1,05,400
- (d) ₹ 1,90,400
- (iii) What is the income chargeable under the head "Salaries" in the hands of Mr. Rajesh Sharma for A.Y. 2020-21?
- (a) ₹ 9,76,600
- (b) ₹ 9,86,600
- (c) ₹ 9,71,600
- (d) ₹ 9,61,600
- (iv) The tax liability (without considering surcharge and Health and education cess, if any) of Mr. Rajesh Sharma towards unexplained jewellery would be _____
- (a) ₹ 1,00,000
- (b) ₹ 1,50,000
- (c) ₹ 3,00,000
- (d) ₹ 2,50,000
- (v) The total tax liability of Mr. Rajesh Sharma for A.Y. 2020-21 is _____
- (a) ₹ 5,16,800
- (b) ₹ 5,18,880
- (c) ₹ 4,38,800
- (d) ₹ 4,40,880

(5 x 2 Marks)

2. Mr. Ajay Sahu, proprietor of M/s Blue Bird Enterprises having turnover of ₹ 65 lakhs and not subject to tax audit under the Income-tax Act, 1961 during P.Y. 2018-19, has received two bills for payment. The first bill is for ₹ 42,00,000 from Vijay Associates, an advocate and property dealer firm, for his daughter's hearing and ₹ 21,00,000 from same Vijay Associates for brokerage service provided in relation to purchase of one property. Both bills were raised on 21-12-2019 but payment were made in instalments. 1st Instalment of ₹ 5,00,000 as advance was payment on 15-11-2019, 2nd Instalment of ₹ 45,00,000

on 25-03-2020 and balance amount ₹ 13,00,000 on 11-05-2020. Determine the TDS liability for Mr. Ajay Sahu, if any, for A.Y. 2020-21?

- (a) ₹ 2,50,000
- (b) ₹ 3,15,000
- (c) ₹ 65,000
- (d) Nil

(2 Marks)

3. Sham Singh spends ₹ 1,00,000 on cultivation and harvesting of his agricultural produce. 50% of the production is sold for ₹1,10,000 and rest is stored for self consumption. What is the amount of the agricultural income?

- (a) ₹ 60,000
- (b) ₹ 1,10,000
- (c) ₹ 1,20,000
- (d) ₹ 1,00,000

(2 Marks)

4. Mr. Square, an Indian citizen, currently resides in Dubai. He came to India on a visit and his total stay in India during the F.Y. 2019-20 was 135 days. He has no source of Income in India. Following is his details of stay in India in the preceding previous years:

Financial Year	Days of Stay in India
2018-19	125
2017-18	106
2016-17	83
2015-16	78
2014-15	37
2013-14	40
2012-13	35

You are his tax consultant. Advise him on his residential status for the P.Y. 2019-20.

- (a) Resident but Not Ordinary Resident (RNOR)
- (b) Resident and Ordinary Resident
- (c) Non-Resident
- (d) Resident but information incomplete to know whether resident but not ordinarily resident or resident and ordinarily resident

(2 Marks)

5. Ms. Dilar who is not required to furnish return u/s 139(1) as his gross total income itself is less than basic exemption limit, has incurred expenditure of ₹ 2,00,000 for her daughter for travel to U.S.A. during P.Y. 2019-20. Is she required to file return for A.Y. 2020-21? If yes, what is the due date?

- (a) Yes; 31st July, 2020
- (b) Yes; 30th September, 2020
- (c) Yes; 31st August, 2020
- (d) No, she is not required to file return of income for A.Y. 2020-21

(2 Marks)

Division B – Descriptive Questions

Question No. 1 is compulsory

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

1. From the following information provided by Mr. Raj, aged 42 years working as a manager in XYZ Limited, for the year ended 31.3.2020, you are required to compute his total income and tax payable for the A.Y. 2020-21.

Basic salary	₹ 25,000 p.m.
DA (50% of it is meant for retirement benefits)	50% Basic Pay
Own contribution to Recognized Provident Fund (R.P.F.)	₹ 30,000
Employer's contribution to R.P.F.	20% of basic salary
Interest credited in the R.P.F account@15% p.a.,	₹ 15,000
Arrears of rent received from XYZ Limited	₹ 75,000

Received interest ₹ 10,000 from Axis Bank Savings account during the year, and interest of ₹ 12,040 (gross) from the debentures of M/s. Coal India Ltd.

He made payment through cheque ₹ 15,370 towards premium on Life insurance policies and ₹ 22,500 for Mediclaim Insurance Policy for his major dependent daughter.

He had contributed ₹ 1,196 pm towards Atal Pension Yojana and ₹ 5,000 pm towards Sukanya Samridhi account.

XYZ Limited has taken residential house of Mr. Raj as Company's guest house and later purchased from him in the year 2018 at market value for ₹ 75 lakhs. Purchase cost was only ₹ 10 lakhs in April, 2004.

During August, 2019, Mr. Raj had sold his gold chain and a diamond ring for ₹ 3,40,000 which he had purchased in April, 2004 for ₹ 1,13,000.

Donation of ₹ 11,000 to Prime Minister's National Relief Fund were given during the year by way of cheque.

(CII for 2004-05:113, 2018-19: 280, and 2019-20: 289)

(14 Marks)

2. (a) Miss Deepika, a citizen of India, got married to Mr. John of Australia and left India for the first time on 20.8.2019. She has not visited India again during the P.Y. 2019-20. She has derived the following income for the year ended 31-3-2020:

	Particulars	₹
(i)	Income from sale of centrifuged latex processed from rubber plants grown in kanyakumari.	1,50,000
(ii)	Income from sale of coffee grown and cured in Kodagu, Karnataka	2,00,000
(iii)	Income from sale of coffee grown, cured, roasted and grounded in Colombo. Sale consideration was received in Chennai.	5,00,000
(iv)	Income from sale of tea grown and manufactured in West Bengal.	12,00,000
(v)	Income from sapling and seedling grown in a nursery at Cochin. Basic operations were not carried out by her on land.	2,00,000

You are required to determine the residential status of Miss Deepika and compute the business income and agricultural income of Miss. Deepika for the Assessment Year 2020-21. **(7 Marks)**

- (b) Mr. Karan is engaged in the business of producing and selling toys. During the previous year 2019-20, his turnover was ₹ 1.75 crores. He opted for paying tax as per presumptive taxation scheme laid down in section 44AD. He has no other income during the previous year. Is he liable to pay advance tax and if so, what is the minimum amount of advance tax to be paid and the due date for payment of such advance tax assuming that whole of the turnover represents cash receipts?

(3 Marks)

- (c) Mr. Varun filed return on 30th September, 2020 related to Assessment Year 2020-21. In the month of October 2020, his tax consultant found that the interest on fixed deposit was omitted in the tax return.

(i) What is the time limit for filing a belated return?

(ii) Can Mr. Varun file a revised return?

Justify the above with the relevant provisions under section 139.

Assume that the due date for furnishing return of income was 31st July, 2020 and the assessment was not completed till the month of October 2020.

(4 Marks)

3. (a) Mr. Abhimanyu has furnished the following particulars relating to payments made and expenditure incurred towards scientific research for the year ended 31.3.2020:

Sl. No.	Particulars	₹ (in lakhs)
(i)	Payment made to AB University, an approved University	15
(ii)	Payment made to Siya College	17
(iii)	Payment made to IIT, Madras (under an approved programme for scientific research)	12
(iv)	Machinery purchased for in-house scientific research	25

Compute the deduction available under section 35 of the Income-tax Act, 1961 for A.Y. 2020-21, while computing his income under the head "Profits and gains of business or profession".

(4 Marks)

- (b) Mr. Yusuf bought a vacant land for ₹ 80 lakhs in March 2005. Registration and other expenses were 10% of the cost of land. He constructed a residential building on the said land for ₹ 100 lakhs during the financial year 2006-07.

He entered into an agreement for sale of the above said residential house with Mr. John (not a relative) in July 2019. The sale consideration was fixed at ₹ 600 lakhs and on the date of agreement, Mr. Yusuf received ₹ 20 lakhs as advance in cash. The stamp duty value on that date was ₹ 620 lakhs.

The sale deed was executed and registered on 10-2-2020 for the agreed consideration. However, the State stamp valuation authority had revised the values, hence, the value of property for stamp duty purposes was ₹ 650 lakhs. Mr. Yusuf paid 1% as brokerage on sale consideration received.

Subsequent to sale, Mr. Yusuf made following investments:

(i) Acquired a residential house at Delhi for ₹ 80 lakhs.

(ii) Acquired a residential house at London for ₹ 40 lakhs.

(iii) Subscribed to NHAI bond: ₹ 45 lakhs on 29-5-2020 and ₹ 15 lakhs on 12-7-2020.

Compute the income chargeable under the head “Capital Gains” for A.Y. 2020-21. The choice of exemption must be in the manner most beneficial to the assessee.

Cost Inflation Index:	F.Y. 2004-05	113	
	F.Y. 2006-07	122	
	F.Y. 2019-20	289	(7 Marks)

(c) From the following transactions relating to Mrs. Natasha, determine the amount chargeable to tax in her hands for the A.Y. 2020-21. Your answer should be supported by reasons:

- On 1-1-2020, being her birthday, she received a gift of ₹ 40,000 by means of cheque from her father's maternal uncle.
- On 12-2-2020, she acquired a vacant site from her friend for ₹ 1,32,000. The State stamp valuation authority fixed the value of site at ₹ 2,00,000 for stamp duty purpose.
- She bought 50 equity shares of a private company from another friend for ₹ 75,000. The fair market value of such shares on the date of purchase was ₹ 1,33,000. **(3 Marks)**

4. (a) Nishant gifted ₹ 10 lakhs to his wife, Nisha on her birthday on, 1st January, 2019. Nisha lent ₹ 5,00,000 out of the gifted amount to Krish on 1st April, 2019 for six months on which she received interest of ₹ 50,000. The said sum of ₹ 50,000 was invested in shares of a listed company on 15th October, 2019, which were sold for ₹ 75,000 on 30th December, 2019. Securities transaction tax was paid on such sale. The balance amount of gift was invested as capital by Nisha in a newly business started on 1.4.2019. She suffered loss of ₹ 15,000 in the business in Financial Year 2019-20.

In whose hands the above income and loss shall be included in Assessment Year 2020-21? Support your answer with brief reasons. **(4 Marks)**

- (b) The following are the details relating to Mr. Rajesh, a resident Indian, relating to the year ended 31.03.2020

Particulars	Amount (₹)
Short term capital gain	1,40,000
Loss from house property	2,20,000
Loss from speculative business	50,000
Loss from card games	20,000
Brought forward Long term capital loss of A.Y. 2015-16	86,000
Dividend from Shaiba Ltd.	11,00,000
Loss from tea business	96,000

Mr. Rajesh's wife, Isha is employed with Shine Ltd., at a monthly salary of ₹ 25,000, where Mr. Rajesh holds 21% of the shares of the company. Isha is not adequately qualified for the post held by her in Shine Ltd.

You are required to compute taxable income of Mr. Rajesh for the A.Y. 2020-21. Ascertain the amount of losses which can be carried forward. **(7 Marks)**

- (c) Mention the significant differences between TDS and TCS. **(3 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 30th April, 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. M/s. Shanky Consultants, a partnership firm registered in Delhi, renders following services during the year:

- (i) Security services: ₹ 2,00,00,000/ to registered business entities.
- (ii) Manpower services (Accountants): ₹ 5,00,000/-
- (iii) Auditing services: ₹ 1,00,00,000/-

Other Information:

- (i) Shanky Consultants also paid sponsorship fees of ₹ 70,000/- at seminar organized by a private NGO (a partnership firm) in Delhi.
- (ii) Shanky Consultant pays rent amounting to ₹ 6,00,000/- for a building owned by MCD.
- (iii) Assume all services are taxable at 18% and all transactions to be intra-State supplies.

Based on the above information, answer the following questions:

- I. What is the aggregate turnover of Shanky Consultants?
 - (a) ₹ 3,05,00,000/-
 - (b) ₹ 3,05,70,000/-
 - (c) ₹ 1,05,00,000/-
 - (d) ₹ 1,05,70,000/-
- II. GST liability paid under reverse charge by Shanky Consultants is?
 - (a) CGST: ₹ 60,300/-, SGST: ₹ 60,300/-
 - (b) CGST: ₹ 6,300/-, SGST: ₹ 6,300/-
 - (c) CGST: ₹ 54,000/-, SGST: ₹ 54,000/-
 - (d) None of the above

- III. State which of the following statement is true in respect of security services provided by Shanky Consultants to registered business entities:
- Shanky Consultants shall issue GST compliant tax invoice.
 - Shanky Consultants shall issue bill of supply stating "Tax to be paid by service recipient under reverse charge".
 - Shanky Consultants can issue any document in lieu of tax invoice.
 - Shanky Consultants shall issue receipt voucher every time Shanky Consultants receives payment. **(3 x 2 Marks = 6 Marks)**
2. Akash Ltd. a registered person in Punjab has purchased Air Conditioner for invoice value of ₹ 32,000 (which includes GST at 18%) from Mukesh Ltd. registered in Punjab. Akash Ltd. had capitalized Air Conditioner in his books of accounts for full value of ₹ 32,000 and taking the benefit of depreciation on the same. Keeping in view of the above situation the input tax credit which Akash Ltd. is required to take in his books of accounts will be;
- Nil
 - ₹4,881
 - ₹5,760
 - ₹2,880 **(2 Marks)**
3. Which document is required in case of movement of goods of consignment value of ₹ 1,05,000 for reasons other than supply:-
- Bill of supply
 - Receipt Voucher
 - Payment voucher
 - E-way bill **(2 Mark)**
4. Which of the following services are exempt under GST?
- testing of agricultural produce
 - supply of farm labour
 - warehousing of agricultural produce
- (i)
 - (i) and (ii)
 - (ii) and (iii)
 - (i), (ii) and (iii) **(2 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. Harihar, a supplier of goods, pays GST under regular scheme. He has made the following outward taxable supplies in a tax period:

Particulars	(₹)
Intra-State supply of goods	10,00,000
Inter-State supply of goods	8,00,000

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

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

Mr. Harihar has following ITCs with him at the beginning of the tax period:

Particulars	(₹)
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 the ITC have been fulfilled.

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

2. (a) Shri Krishna Pvt. Ltd., a registered supplier, furnishes the following information relating to goods sold by it to Shri Balram Pvt. Ltd.-

S. No.	Particulars	Amount (₹)
(i)	Price of the goods [excluding taxes and other charges mentioned at S. Nos. (iii), (v) and (vi)]	1,00,000
(ii)	Municipal tax	2,000
(iii)	Inspection charges	15,000
(iv)	Subsidy received from Shri Ram Trust [Subsidy is directly linked to the goods supplied]	50,000
(v)	Late fees for delayed payment inclusive of GST [Shri Balram Pvt. Ltd. paid the late fees. However, these charges were ultimately waived by Shri Krishna Pvt. Ltd. and the amount was refunded to Shri Balram Pvt. Ltd. during the same month]	1,000
(vi)	Weighment charges [Such charges were paid by Shri Balram Pvt. Ltd. to Radhe Pvt. Ltd. on behalf of Shri Krishna Pvt. Ltd.]	2,000

Note: Price of the goods is net of the subsidy received.

Determine the value of taxable supply made by Shri Krishna Pvt. Ltd. to Shri Balram Pvt. Ltd.

(6 Marks)

- (b) Modern Security Co. provides service of testing of electronic devices. In one case, it tested a batch of devices on 4th and 5th September but could not raise invoice till 19th November because of some dispute about the condition of the devices on return. The payment was made in December.

- What is the method to fix the time of supply of the service? **(4 Marks)**
3. (a) Examine whether the supplier is liable to get registered in the following independent cases:-
- (i) Happy Ltd. of Himachal Pradesh is exclusively engaged in intra-State supply of pan masala. It's aggregate turnover in the current financial year is ₹ 24 lakh.
 - (ii) Akki Ltd. of Assam is exclusively engaged in intra-State supply of taxable services. It's aggregate turnover in the current financial year is ₹ 25 lakh.
 - (iii) Aaru Ltd. of Assam is engaged in intra-State supply of both taxable goods and services. It's aggregate turnover in the current financial year is ₹ 30 lakh. **(6 Marks)**
- (b) Angira Ltd. is a supplier of taxable goods in Karnataka. It got registered under GST in the month of September, 20XX and wishes to pay its IGST liability for the month. Since it is making the GST payment for the first time, it is of the view that it needs to mandatorily has the online banking facility to make payment of GST; offline payment is not permitted under GST. You are required to apprise Angira Ltd. regarding the various modes of deposit in the electronic cash ledger. Further, advise it with regard to following issues:
- (a) Are manual challans allowed under GST?
 - (b) What is the validity period of the challan? **(4 Marks)**
4. (a) Explain the meaning of the term "recipient of supply of goods and/or services" under the CGST Act, 2017. **(5 Marks)**
- (b) List out the situations in which a Credit note/Debit note may be issued under the CGST Act, 2017. **(5 Marks)**