

CA (Intermediate-New Syllabus)

TAXATION



TEST PAPER 1

QUESTION PAPER

FULL SYALLBUS

MARKS- 100

DURATION- 3 Hours

INSTRUCTIONS:

1. All the questions are compulsory.
2. Properly mention Test no. on First Page and Page no. on every answer sheet.
3. In case of multiple choice questions, mention option number only.
4. Working Notes are compulsory wherever required in support of your solution.
5. Do not copy any solution from material.
6. Attempt as much as you know to fairly judge your performance.
7. Please upload your Answer Sheet Horizontally.
8. Copy once get evaluated by Evaluator cannot be re-uploaded by the student.
9. Always check correct Test No. of your subject while uploading answer sheet.
- 10 Handwriting should be clean.

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ALL QUESTIONS ARE COMPULSORY

PART A

MCQ SECTION (2 marks each)

CASE STUDY

Mr. Animesh, an Indian citizen, aged 61 years, has set-up his business in Canada and is residing in Canada since 2011. He owns a house property in Canada, half of which is used by him for his residence and half is given on rent (converted into INR is Rs. 12,00,000 p.a.).

He purchased a flat in Delhi on 13.10.2021 for Rs. 42,00,000. The stamp duty value of the flat was Rs. 35,00,000. He has taken a loan from Canara Bank in India of Rs. 34,00,000 for purchase of this flat. The interest on such loan for the F.Y. 2023-24 was Rs. 3,14,000 and principal repayment was Rs. 80,000.

Mr. Animesh has given this flat on monthly rent of Rs.32,500 since April, 2023. The annual property tax of Delhi flat is Rs. 40,000 which is paid by Mr. Animesh, whenever he comes to India to meet his parents. Mr. Animesh visited India for 124 days during the previous year 2023-24. Before that he visited India in total for 366 days during the period 1.4.2019 to 31.3.2023.

He had a house in Ranchi which was sold in May 2020. In respect of this house, he received arrears of rent of Rs. 2,96,000 in February 2024 (not taxed earlier).

He also derived some other incomes during the F.Y. 2023-24 which are as follows:

- i. Profit from business in Canada Rs. 2,75,000
- ii. Interest on bonds of a Canadian Co. Rs. 6,20,000 out of which 50% was received in India
- iii. Income from Apple Orchard in Nepal given on contract and the yearly contract fee of Rs. 5,00,000 for F.Y. 2023-24, was received by Animesh in Nepal

Mr. Animesh has sold 10,000 listed shares @ Rs. 480 per share of A Ltd., an Indian company, on 15.9.2023, which he acquired on 05-04-2017 @ Rs. 100 per share. STT was paid both at the time of acquisition as well as at the time of transfer of such shares.

On 31-01-2018, the shares of A 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

Based on the facts of the case scenario given above, choose the most appropriate answer to the following questions:-

Question 1

What is the Residential Status of Mr. Animesh for the assessment year 2024-25?

- a) Resident and ordinarily resident
- b) Resident but not ordinarily resident
- c) Non-resident
- d) Deemed resident

Question 2

What would be amount of income taxable under the head "Income from house property" in the hands of Mr. Animesh for the A.Y. 2024-25?

- a) Rs. 2,52,200
- b) Rs. 1,38,200
- c) Rs. 9,78,200
- d) Rs. 10,92,200

Question 3

What amount of capital gain would arise in the hands of Mr. Animesh on transfer of shares of A Ltd?

- a) Rs. 18,00,000
- b) Rs. 19,00,000
- c) Rs. 20,00,000
- d) Rs. 38,00,000

Question 4

What would be total income of Mr. Animesh for the A.Y. 2024-25, if he has exercised the option to shift out of the default tax regime and pays tax under normal provisions of the Act?

- a) Rs. 22,82,200
- b) Rs. 22,68,200
- c) Rs. 22,48,200
- d) Rs. 21,68,200

Question 5

What would be the tax liability (computed in the manner so as to minimise his tax liability) of Mr. Animesh for the A.Y. 2024-25?

- a) Rs. 1,82,950
- b) Rs. 1,87,110
- c) Rs. 1,80,350
- d) Rs.1,84,510

Question 6

An individual has paid life insurance premium of Rs. 25,000 during the previous year for a policy of Rs. 1,00,000 taken on 1.4.2019. If he pays tax under default tax regime under section 115BAC, he shall –

- a) not be allowed deduction u/s 80C
- b) be allowed deduction of Rs. 20,000 u/s 80C
- c) be allowed deduction of Rs. 25,000 u/s 80C
- d) be allowed deduction of Rs. 10,000 u/s 80C

Question 7

Brought forward loss from house property of Rs. 3,10,000 of A.Y. 2023-24 is allowed to be set-off against income from house property of A.Y. 2024-25 of Rs. 5,00,000 to the extent of-

- a) Rs. 2,00,000
- b) Rs. 3,10,000
- c) Rs. 2,50,000
- d) Rs. 1,00,000

Question 8

Vidya received Rs. 90,000 in May, 2023 towards recovery of unrealised rent, which was deducted from actual rent during the P.Y. 2021-22 for determining annual value. Legal expense incurred in relation to unrealized rent is Rs. 20,000. The amount taxable under section 25A for A.Y. 2024-25 would be –

- a) Rs. 70,000
- b) Rs. 63,000
- c) Rs. 90,000
- d) Rs. 49,000

Question 9

During the month of May, Z Ltd. sold goods to Y Ltd. for 2,55,000 and charged GST @ 18%. However, owing to some defect in the goods, Y Ltd. returned some of the goods by issuing debit note of 40,000 in the same month. Z Ltd. records the return of goods by issuing a credit note of 40,000 plus GST in the same month. In this situation, GST liability of Z Ltd. for the month of May will be-

- a) 45,900
- b) 38,700
- c) 53,100
- d) 40,000

Question 10

Ram, an individual, based in Gujarat, is in employment and earning 10 lakh as salary. He is also providing intra-State consultancy services to different organizations on growth and expansion of business. His turnover from the supply of such services is 12 lakh. Determine whether Ram is liable for taking registration as per provisions of the Act?

- a) Yes, as his aggregate turnover is more than 20 lakh.
- b) No, as his aggregate turnover is less than 40 lakh.
- c) No, as services in the course of employment does not constitute supply and therefore, aggregate turnover is less than 20 lakh.
- d) Yes, since he is engaged in taxable supply of services.

Question 11

Sham Ltd., located in Mumbai, is receiving legal services from a lawyer Mr. Gyan, registered under GST. The aggregate turnover of Sham Ltd. in the preceding financial year is 42 lakh. The information regarding date of payment, invoice etc. is as follows-

Invoice issued by Mr. Gyan on 15th April

Payment debited in the bank account of Sham Ltd. on 5th May

Date of payment entered in books of accounts of Sham Ltd.: 1st May What is time of supply of services?

- a) 1st May
- b) 5th May
- c) 15th June

d) 15th April

Question 12

Which of the following is a recognised system of medicine for the purpose of exemption for health care services?

- i. Allopathy
 - ii. Unani
 - iii. Siddha
- a) (i)
 - b) (ii)
 - c) (ii) and (iii)
 - d) (i), (ii) and (iii)

Question 13

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

Question 14

Which of the following shall be discharged first, while discharging liability of a taxable person.?

- a) All dues related to previous tax period
- b) All dues related to current tax period
- c) Demand raised under section 73 and 74
- d) No such condition is mandatory.

Question 15

Invoice shall be prepared in... goods and case of taxable supply of goods and in case of taxable supply of services.

- a) Triplicate, Duplicate
- b) Duplicate, Triplicate

- c) Duplicate, Duplicate
- d) Triplicate, Triplicate

PART B

PRACTICAL SECTION (70 marks)

Question 1

Mr. Y carries on his own business. An analysis of his trading and profit & loss for the year ended 31-3- 2024 revealed the following information:

1. The net profit was ₹11,20,000.
2. The following incomes were credited in the profit and loss account:
 - a) Income from UTI 22,000 (Gross)
 - b) Interest on debentures 17,500 (Gross)
 - c) Winnings from horse races € 15,000 (Gross)
3. It was found that some stocks were omitted to be included in both the opening and closing stocks, the value of which were:
Opening stock \$8,000.
Closing stock 12,000.
4. 1,00,000 was debited in the profit and loss account, being contribution to a University approved and notified under section 35(1)(ii).
5. Salary includes 20,000 paid to his brother which is unreasonable to the extent of \$2,500.
6. Advertisement expenses include 15 gift packets of dry fruits costing 1,000 per packet presented to important customers.
7. Total expenses on car was 78,000. The car was used both for business and personal purposes. 3/4th is for business purposes.
8. Miscellaneous expenses included 30,000 paid to A & Co., a goods transport operator in cash on 31-1- 2024 for distribution of the company's product to the warehouses.
9. Depreciation debited in the books was 55,000. Depreciation allowed as per Income-tax Rules, 1962 was 50,000.
10. Drawings of 10,000 debited in the books.
11. Investment in NSC 15,000 debited in the books.

Compute the total income of Mr. Y for the assessment year 2024-25 under optional tax regime as per normal provisions of the Act. **(14 marks)**

QUESTION 2

Ganesh has three houses, all of which are self-occupied. Particulars of the houses for PY 2023-24 are as under:

Particulars	House 1	House 2	House 3
Municipal valuation p.a.	Rs.300000	Rs. 360000	Rs. 330000
Fair rent p.a.	Rs. 375000	Rs. 275000	Rs. 380000
Standard rent p.a.	Rs. 350000	Rs. 370000	Rs. 375000
Date of completion/purchase	31/3/1999	31/3/2001	1/4/2014
Municipal taxes paid during the year	12%	8%	6%
Interest on loan for repair of property during current year	-	Rs. 55000	-
Interest for current year on loan taken in July	-	-	Rs. 175000

Compute Ganesh's income from house property for AY 2024-25 & suggest which houses should be opted by Ganesh to be assessed as self-occupied so that his tax liability is minimum. **(10 marks)**

QUESTION 3

Mrs. Roma, an employee of XYZ Ltd., submits the following information for AY 2024-25: Salary: Rs1,86,000; City compensatory allowance: Rs. 8,000; Bonus: Rs. 10,200; Education allowance: Rs. 4,000 (for her grandchildren); Income tax penalty paid by the employer: Rs. 2,000; Medical expenses reimbursed by the employer: Rs. 12,000; Leave travel concession: Rs. 1,000 (expenditure incurred by the employee nil); Free residential telephone: Rs. 4,000; Free refreshment during office hours: Rs. 4,000; reimbursement of electricity bill by the employer: Rs. 1,060; reimbursement of gas bills: Rs. 1,000; Professional tax paid by the employer: Rs. 300 on behalf of Mrs. Roma; Professional tax paid by Mrs. Roma: Rs. 150. Determine Total Income of Mrs. Roma for AY 2024-25. **(10 marks)**

OR

QUESTION 3 (A)

Mr. Raja is an Indian citizen & member of crew of a Singapore bound Indian ship engaged in carriage of passengers in international traffic departing from Chennai

port on 6th June 2023. Determine the residential status of Mr. Raja for AY 2024-25, assuming that his stay in India in last 4 PYS is 400 days & last 7 PYs is 750 days: Date entered into Continuous discharge certificate i.e. joining the ship by Mr. Raja 6th June 2023 Date entered into Continuous discharge certificate i.e. signing off the ship by Mr. Raja 9th Dec 2023. **(5 marks)**

QUESTION 3 (B)

Mr. X was born in 1977 in India. His parents were also born in India in 1950. However, his grandparents were born in England. Mr. X was residing in India till 16.3.2020. Thereafter, he migrated to England & took the citizenship of that country on 15.3.2021. He visits India during PY 2023-24 for 90 days. Determine residential status of Mr. X for AY 2024-25. **(5 marks)**

QUESTION 4

Examine the applicability of TDS provisions and TDS amount in the following cases:

- a) Rent paid for hire of machinery by B Ltd. to Mr. Raman 2,60,000 on 27.9.2023.
- b) Fee paid on 1.12.2023 to Dr. Srivatsan by Sundar (HUF) 35,000 for surgery performed on a member of the family.
- c) ABC and Co. Ltd. paid ₹ 19,000 to one of its Directors as sitting fees on 01-01-2023. **(4 marks)**

QUESTION 5

Mr. Rajmohan whose gross total income was 6,40,000 for the financial year 2023-24, furnishes you the following information:

- i. Repayment of loan taken from SBI for acquisition of residential house (self-occupied) - 50,000.
- ii. Five year post office time deposit - 20,000.
- iii. Donation to a recognized charitable trust 25,000 which is eligible for deduction under section 80G at the applicable rate.
- iv. Interest on loan taken for higher education of spouse paid during the year - 10,000.

Compute the total income of Mr. Rajmohan for the A.Y. 2024-25 if he has exercised the option of shifting out of the default tax regime provided under section 115BAC(1A). **(4 marks)**

QUESTION 6

Examine whether the following activities would amount to supply under section 7 read with Schedule 1:

Sulekha Manufacturers have a factory in Delhi and a depot in Mumbai. Both these establishments are registered in respective States. Finished goods are sent from factory in Delhi to the Mumbai depot without consideration so that the same can be sold from the depot.

Raman is an architect in Chennai. His brother who is settled in London is a well-known lawyer. Raman has taken legal advice from him free of cost with regard to his family dispute.

Would your answer be different if in the above case, Raman has taken advice in respect of his business unit in Chennai? **(5 marks)**

QUESTION 7

Mr. Ajay has a repair centre, registered under GST, where electronic goods are repaired/serviced. His repair centre is located in State of Rajasthan and he is not engaged in making any inter-State supply of services. His aggregate turnover in the preceding financial year (FY) is 45 lakh.

With reference to the provisions of the CGST Act, 2017, examine whether Mr. Ajay can opt for the composition scheme under section 10(1) &10(2) for the current financial year? Or whether he is eligible to avail benefit of composition scheme under section 10(2A)? Considering the option of payment of tax available to Mr. Ajay, compute the amount of total tax payable by him in the current F.Y. assuming that his aggregate turnover in the current financial year is 35 lakh.

Will your answer be different if Mr. Ajay procures few items required for providing repair services from neighbouring State of Madhya Pradesh? **(5 marks)**

QUESTION 8

What would be the place of supply of services provided by an event management company for organizing a sporting event for a Sports Federation which is held in multiple States? **(5 marks)**

QUESTION 9

RXL Pvt. Ltd. manufactures a beauty soap with the brand name 'Forever Young'. RXL Pvt. Ltd. has organized a concert to promote its brand. Ms. Ahana Kapoor, its brand ambassador, who is a leading film actress, has given a classical dance performance in the said concert as a part of her services as a brand ambassador of the company. The proceeds of the concert worth 1,20,000 will be donated to a charitable organization by Ms. Ahana.

Examine whether Ms. Ahana Kapoor will be required to pay any GST for classical dance performance given in the said concert. **(5 marks)**

OR

QUESTION 9A

Furniture Wala is a chain of retail showrooms selling both modern and classic furniture. In order to build strong customer association, the showroom provides free delivery of the furniture at the premises of the customers if the distance between the showroom and the customer's premises is upto 20 kms. Where the distance is more than 20 kms, the showroom charges a concessional freight of 10 for every additional km.

Ms. Leena Kapoor purchases a double bed, a dressing table and a centre table for 2,00,000 from Furniture Wala. Ms. Leena gets free delivery of the furniture as her residence is located at a distance of 18 km from the showroom. The showroom incurs an expenditure of 1000 for delivering the furniture at Ms. Leena's residence.

Determine the value of taxable supply made by Furniture Wala. Will your answer change if residence of Ms. Leena is 50 km away from the showroom? **(5 marks)**

QUESTION 10

Paritosh & 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

Paritosh & Co. has following opening balance of ITCs for the tax period:

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

Note:

Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively.

Both inward and outward supplies are exclusive of taxes, wherever applicable.

All the conditions necessary for availing ITC have been fulfilled.

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