

MOCK TEST PAPER 1
INTERMEDIATE (IPC) COURSE
PAPER – 4: TAXATION

Time Allowed – 3 Hours

Maximum Marks – 100

SECTION – A: INCOME TAX (50 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. Kashyap, a manufacturer, has disclosed a net profit of ₹40 lakhs for the year ended 31st March, 2021. He claimed depreciation of ₹ 12,20,000 in his books of account. Expenditure in profit and loss account includes interest paid to Mr. Raj, a resident, without deduction of tax at source ₹ 1,50,000. Such tax was, however, deducted on 15.4.2021 and remitted on 17.5.2021.

Mr. Kashyap is engaged in in-house scientific research and development. He incurred expenditure of ₹ 1,50,000 on purchase of research equipments and ₹ 1,00,000 as remuneration paid to scientists. The said sums are also debited in the profit and loss account.

Mr. Kashyap purchased a new plant and machinery for ₹ 45,00,000 on 2nd August, 2020 and put the same to use on 1st November, 2020. For this purpose, he borrowed ₹ 25,00,000 on 1st August, 2020 and paid interest@10% p.a. which is debited in profit and loss account. Mr. Kashyap also purchased a motor car for ₹ 8,00,000 on 2nd October, 2019, which was put to use on the same date. Written down value of block of plant and machinery (15%) as on 1st April, 2020 is ₹ 95,00,000.

Based on the above information, choose the **most appropriate answer** to the following Multiple Choice Questions -

- (i) What would be the depreciation allowable u/s 32 in respect of block of plant and machinery (15%) and motor car for A.Y.2021-22? Assume that motor car is the only asset in the block.
- (a) ₹ 22,23,438 and ₹1,68,000, respectively
- (b) ₹ 17,67,188 and ₹1,02,000, respectively
- (c) ₹ 22,12,500 and ₹1,02,000, respectively
- (d) ₹ 22,23,438 and ₹2,40,000, respectively **(2 Marks)**
- (ii) What is the amount of disallowance, if any, attracted for non-deduction of tax at source on interest paid to Mr. Raj during the P.Y.2020-21?
- (a) Nil, since the tax was deducted and deposited on or before the due date of filing of return of income
- (b) ₹ 30,000
- (c) ₹ 45,000

- (d) ₹ 1,50,000 **(2 Marks)**
- (iii) What would be the income under the head "Profits and gains of business and profession" of Mr. Kashyap for A.Y.2021-22 under the normal provisions of the Act?
- (a) ₹ 29,36,062
(b) ₹ 28,73,562
(c) ₹ 28,01,562
(d) ₹ 33,95,812 **(2 Marks)**
- (iv) What would be the income chargeable under the head "Profits and gains of business and profession" of Mr. Kashyap for A.Y.2021-22, if he opts for section 115BAC?
- (a) ₹ 29,50,500
(b) ₹ 32,00,500
(c) ₹ 33,92,312
(d) ₹ 36,42,312 **(2 Marks)**
- (v) What would be the tax liability of Mr. Kashyap for A.Y. 2021-22 in a manner most beneficial to him?
- (a) ₹ 7,25,560
(b) ₹ 7,21,050
(c) ₹ 7,01,550
(d) ₹ 6,47,560 **(2 Marks)**
2. Mr. Ashutosh, aged 65 years and a resident in India, has a total income of ₹ 3,20,00,000, comprising long term capital gain taxable under section 112 of ₹ 57,00,000, long term capital gain taxable under section 112A of ₹ 65,00,000 and other income of ₹ 1,98,00,000. What would be his tax liability for A.Y. 2021-22. Assume that Mr. Ashutosh has not opted for the provisions of section 115BAC.
- (a) ₹ 90,05,880
(b) ₹ 97,25,690
(c) ₹ 97,34,400
(d) ₹ 97,22,440 **(2 Marks)**
3. While deciding liability of an individual to deduct tax on payment of fees for professional services, which of the following is immaterial -
- (a) Amount paid to professional
(b) Turnover of financial year immediately preceding financial year in which payment made
(c) Turnover of financial year in which payment is made
(d) Amount of fees for professional services **(1 Mark)**
4. Mr. Ashutosh purchased his first dream home in Bangalore on 16.8.2020. He applied for home loan of ₹ 40 lakhs from IDFC bank on 15.7.2020, the same was sanctioned by bank on 20.7.2020. The stamp duty value of the said house was ₹ 44 lakhs. The interest due on the said home loan is ₹ 3,75,000 for the financial year 2020-21. Due to liquidity issues, Mr. Ashutosh could only pay ₹ 3,26,000. Compute

the total interest deduction Mr. Ashutosh can claim for the A.Y. 2021-22, assuming Mr. Ashutosh doesn't opt for the tax rates under the new scheme.

- (a) ₹ 3,26,000
- (b) ₹ 2,00,000
- (c) ₹ 3,75,000
- (d) ₹ 3,50,000

(2 Marks)

Division B – Descriptive Questions

Question No. 1 is compulsory

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

1. Mr. Rakesh, aged 45 years, a resident Indian has provided you the following information for the previous year ended 31.03.2021
 - (i) He received royalty of ₹ 2,88,000 from abroad for a book authored by him in the nature of artistic. The rate of royalty as 18% of value of books and expenditure made for earning this royalty was ₹ 40,000. The amount remitted to India till 30th September, 2021 is ₹ 2,30,000.
 - (ii) He owns an industrial undertaking established in a SEZ and which had commenced operation during the financial year 2018-19. Total turnover of the undertaking was ₹ 200 lakhs, which includes ₹140 lakhs from export turnover. This industrial undertaking fulfills all the conditions of section 10AA of the Income-tax Act, 1961. Profit from this industry is ₹ 25 lakhs.
 - (iii) He also sold his vacant land on 10.11.2020 for ₹13 lakhs. The stamp duty value of land at the time of transfer was ₹ 17 lakhs. The FMV of the land as on 1st April, 2001 was ₹ 5 lakhs. This land was acquired by him on 05.08.1995 for ₹ 1.75 lakhs. He had incurred registration expenses of ₹ 20,000 at that time. The cost of inflation index for the year 2020-21 and 2001-02 are 301 and 100 respectively.
 - (iv) Received ₹ 40,000 as interest on saving bank deposits.
 - (v) He occupies ground floor of his residential building and has let out first floor for residential use at an annual rent of ₹ 2,28,000. He has paid municipal taxes of ₹ 60,000 for the current financial year. Both floor are of equal size.
 - (vi) He paid insurance premium of ₹ 39,000 on life insurance policy of son, who is not dependent on him and ₹ 48,000 on life insurance policy of his dependent father.
 - (vii) He paid tuition fees of ₹ 42,000 for his three children to a school. The fees being ₹ 14,000 p.a. per child.

You are required to compute the total income and tax liability of Mr. Rakesh under normal provisions as well as under section 115BAC for the A.Y. 2021-22. Ignore AMT provisions. (14 Marks)

2. Mrs. Jasmin, an Australian citizen, got married to Mr. Kapil of India in Australia on 2.01.2020 and came to India for the first time on 18.03.2020. She left for Australia on 10.8.2020. She returned to India again on 23.02.2021.

On 01.04.2020, she had purchased a Flat in Mumbai, which was let out to Mr. Sunil on a rent of ₹ 28,000 p.m. from 1.5.2020. She had taken loan from an Indian bank for purchase of this flat on which bank had charged interest of ₹ 2,15,500 upto 31.03.2021.

While in India, during the previous year 2020-21, she had received a gold chain from her in-laws worth

₹1,50,000, a car worth ₹ 6,25,000 from married sister of her husband and ₹ 1,72,000 from very close friends of her husband.

Determine her residential status and compute her gross total income chargeable to tax for the Assessment Year 2021-22 **(7 Marks)**

3. You are required to compute the income from salary of Mr. Raja from the following particulars for the year ended 31-03-2021:

- (i) He retired on 31-12-2020 at the age of 60, after putting in 25 years and 9 months of service, from a private company at Delhi.
- (ii) He was paid a salary of ₹ 25,000 p.m. and house rent allowance of ₹6,000 p.m. He paid rent of ₹ 6,500 p.m., during his tenure of service.
- (iii) On retirement, he was paid a gratuity of ₹ 3,50,000. He was covered by the payment of Gratuity Act, 1972. He had not received any other gratuity at any point of time earlier, other than this gratuity.
- (iv) He had accumulated leave of 15 days per annum during the period of his service; this was encashed by him at the time of his retirement. A sum of ₹ 3,15,000 was received by him in this regard. Employer allowed 30 days leave per annum.
- (v) He is receiving ₹5,000 as pension. On 1.2.2021, he commuted 60% of his pension and received ₹ 3,00,000 as commuted pension.
- (vi) The company presented him with a gift voucher of ₹ 5,000 on his retirement. His colleagues also gifted him a mobile phone worth ₹ 50,000 from their own contribution. **(7 Marks)**

4. Compute total income of Mr. Mayank for the A.Y.2021-22 from the following information furnished by him for the financial year 2020-21.

Particulars	₹
Salary income (computed)	4,70,000
Loss from self-occupied house property	2,00,000
Loss from let out house property	60,000
Loss from speculation business-X	80,000
Profit from speculation business-Y	40,000
Income from trading and manufacturing business @ 8%	3,50,000
Interest on PPF deposit	95,000
Long term capital gain on sale of Vacant site (Computed)	2,10,000
Short term capital loss on sale of Jewellery	1,50,000
Brought forward loss of business of assessment year 2015-16	5,50,000
Donation to a charitable trust recognized under section 12AA and approved under section 80G paid by cheque	1,10,000
Enhanced compensation received from government for compulsory acquisition of land (held for a period of 5 years) in the year 2006	3,00,000

(7 Marks)

5. (a) State in brief the applicability of tax deduction at source provisions, the rate and amount of tax deduction in the following cases for the financial year 2020-21 under the Income-tax Act, 1961. Assume that all payments are made to residents:
- (i) Vikas, an Indian resident and salaried individual, makes payments of ₹ 15 lakh in January, 2021, ₹ 30 lakh in February, 2021 and ₹ 15 lakh in March, 2021 to Naveen, a contractor for reconstruction of his residential house.
 - (ii) ABC Ltd. makes the payment of ₹ 2,50,000 to Gaurav, an individual transporter who owned 6 goods carriages throughout the previous year. He does not furnish his PAN. **(4 Marks)**
- (b) Examine with reasons, whether the following statements are true or false, with regard to the provisions of the Income-tax Act, 1961:
- (i) The Assessing Officer has the power, *inter alia*, to allot PAN to any person by whom no tax is payable.
 - (ii) Where the Karta of a HUF is absent from India, the return of income can be verified by any male member of the family. **(3 Marks)**

SECTION B - INDIRECT TAXES (50 MARKS) OLD 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, 2021.
- (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: 15 Marks

Each MCQ under Question No. 1 carries 2 Marks each

1. Ms. Adisha, a Doctor having in-patient facility in her hospital is a registered person under GST.

She availed interior decoration services from her spouse without any consideration being paid. She also availed IT related services from her sister-in-law without any consideration. Both services were for the purpose of her profession.

Ms. Adisha provided treatment of various diseases in her hospital and apart from that she also provided the following services in her hospital-

- (a) Plastic surgery to enhance the beauty of the face
- (b) Ambulance service for transportation of patients
- (c) Renting of space to run medical store in hospital premises

She is also a consultant in other hospitals and received ₹ 40,00,000 as consultancy fee from the other hospitals.

Further, she also provides canteen facility and received ₹ 55,000 from in-patients, ₹ 35,000 from patients who are not admitted and ₹ 25,000 from visitors for the same facility.

She filed GSTR-3B for the month of June with some errors. She filed the Annual return for the said financial year on 31st October of the next year, whereas due date for the said Annual return is 31st December of the next year.

Proper Officer of the department cancelled the registration certificate of Ms. Adisha suo-motu on 31st July. Order of cancellation was served on 5th August. However, she applied for revocation of the same and got her registration certificate revoked.

All the amounts given above are exclusive of taxes, wherever applicable. All the supply referred above is intra-State unless specified otherwise.

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

- 1.1 Which of the following is a correct statement as per the provisions of CGST Act, 2017?

- (i) Service availed from her Spouse is a deemed supply
- (ii) Service availed from her Sister-in-Law is a deemed supply
- (iii) Service availed from her Spouse is not a deemed supply
- (iv) Service availed from her Sister-in-Law is not a deemed supply
- (a) (i) and (iv)
- (b) (iii) and (iv)
- (c) (ii) and (iii)
- (d) (i) and (ii)

1.2 Compute the taxable value of supply of canteen service provided by Ms. Adisha?

- (a) ₹ 25,000
- (b) ₹ 35,000
- (c) ₹ 60,000
- (d) ₹ 80,000

1.3 Ms. Adisha should have applied for revocation of cancellation of registration certificate by

- (a) 5th August
- (b) 20th August
- (c) 30th August
- (d) 4th September

1.4 Maximum time permissible for rectification of error committed in monthly return of June is

- (a) 20th July
- (b) 20th October of the next year
- (c) 31st October of the next year
- (d) 31st December of the next year

1.5 Determine which of the following services provided by Ms. Adisha and her hospital is exempt from GST?

- (i) Plastic surgery to enhance the beauty of the face
- (ii) Ambulance service for transportation of patients
- (iii) Renting of space to run medical store in hospital premises
- (iv) Consultancy service by Ms. Chanchala in other hospitals
- (a) (i), (ii) & (iv)
- (b) (i), (ii)
- (c) (ii) & (iv)
- (d) (i) & (iii)

(5 x 2 Marks = 10 Marks)

2. Which of the following statements is true under GST law?

- (a) Grand-parents are never considered as related persons to their grand-son/grand-daughter
- (b) Grand-parents are always considered as related persons to their grand-son/grand-daughter

- (c) Grand-parents are considered as related persons to their grand-son/grand-daughter only if they are wholly dependent on their grand-son/grand-daughter
- (d) Grand-parents are considered as related persons to their grand-son/grand-daughter only if they are not dependent on their grand-son/grand-daughter **(1 Mark)**
3. Discount given after the supply has been effected is deducted from the value of taxable supply, if –
- (i) such discount is given as per the agreement entered into at/or before the supply
- (ii) such discount is linked to the relevant invoices
- (iii) proportionate input tax credit is reversed by the recipient of supply
- (a) (i)
- (b) (i) and (ii)
- (c) (ii) and (iii)
- (d) (i), (ii) and (iii) **(2 Marks)**
4. Mr. X, a casual taxable person, is not involved in making taxable supplies of notified handicraft goods. Which of the following statements is true for Mr. X - a casual taxable person?
- (a) Mr. X is not required to take registration under GST under any circumstances.
- (b) Mr. X is required to get registration under GST if the aggregate turnover in a financial year exceeds ₹ 20 lakh.
- (c) Mr. X is required to get registration under GST if the aggregate turnover in a financial year exceeds ₹ 40 lakh.
- (d) Mr. X has to compulsorily get registered under GST irrespective of the threshold limit. **(2 Marks)**

Division B - Descriptive Questions

Question No. 1 is compulsory.

Attempt any three questions out of remaining four questions.

Total Marks: 35 Marks

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

Particulars	Amount (₹)
Intra-State supply of goods	8,00,000
Inter-State supply of goods	3,00,000

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

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

The company has following ITCs with it at the beginning of the tax period:

Particulars	Amount (₹)
CGST	57,000
SGST	Nil
IGST	70,000

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 Anant Pvt. Ltd. for the tax period. Make suitable assumptions as required **(8 Marks)**

2. (a) M/s. Flow Pro, a registered supplier, sold a machine to BP Ltd. It provides the following information in this regard: -

S. No.	Particulars	Amount (₹)
(i)	Price of the machine [excluding taxes and other charges mentioned at S. Nos. (ii) and (iii)]	25,000
(ii)	Third party inspection charges [Such charges were payable by M/s Flow Pro but the same have been directly paid by BP Ltd. to the inspection agency. These charges were not recorded in the invoice issued by M/s Flow Pro.]	5,000
(iii)	Freight charges for delivery of the machine [M/s Flow Pro has agreed to deliver the goods at BP Ltd.'s premises]	2,000
(iv)	Subsidy received from the State Government on sale of machine under Skill Development Programme [Subsidy is directly linked to the price]	5,000
(v)	Discount of 2% is offered to BP Ltd. on the price mentioned at S. No. (i) above and recorded in the invoice	

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

Determine the value of taxable supply made by M/s Flow Pro to BP Ltd. **(6 Marks)**

- (b) A person availing composition scheme, under sub-sections (1) & (2) of section 10, in Haryana during a financial year crosses the turnover of ₹ 1.5 crore in the month of December. Will he be allowed to pay tax under composition scheme for the remainder of the year, i.e. till 31st March? Please advise. **(3 Marks)**
3. (a) State which of the following suppliers are liable to be registered:
- (i) Agent supplying taxable goods on behalf of some other taxable person and its aggregate turnover does not exceed the applicable threshold limit during the financial year.
 - (ii) An agriculturist who is only engaged in supply of produce out of cultivation of land and its aggregate turnover exceeds the applicable threshold limit during the financial year.
- (6 Marks)**
- (b) M/s ABC & Co., have defaulted in filing the return under Section 39 of CGST Act, 2017 i.e. GSTR-3B for the month of March, 2021 within the specified due date. Reason for such delay is attributable to delay in closure of Books for March 2021, which have been finalised during May 2021. The GST Common portal prompted for payment of late fees payable under Section 47 of CGST Act, 2017 for a sum of ₹ 2,000 under CGST and SGST each. Accountant, of M/s ABC & Co., sought your confirmation for payment of such late fees through the balance available in Electronic Credit Ledger for the late fees. Give your guidance in this regard. **(3 Marks)**

4. (a) M/s Pranav Associates, a partnership firm, provided recovery agent services to Newtron Credits Ltd., a non-banking financial company and a registered supplier, on 15th January. Invoice for the same was issued on 7th February and the payment was made on 18th April by Newtron Credits Ltd. Bank account of the company was debited on 20th April.

Determine the following:

(i) Person liable to pay GST

(ii) Time of supply of service

(4 Marks)

- (b) Kartik & Co., a registered supplier under GST, provides the following information regarding various tax invoices issued by it during the month of March:

(i) Value of supply charged in invoice no. 1 was ₹ 2,50,000 against the actual taxable value of ₹ 2,30,000.

(ii) Tax charged in invoice no. 4 was ₹ 32,000 against the actual tax liability of ₹ 68,000 due to wrong HSN code being chosen while issuing invoice.

(iii) Value charged in invoice no. 8 was ₹ 3,20,000 as against the actual value of ₹ 4,20,000 due to wrong quantity considered while billing.

Kartik & Co. asks you to answer the following:

(1) Who shall issue a debit/credit note under CGST Act?

(2) Whether debit note or credit note has to be issued in each of the above circumstances?

(3) What is the maximum time-limit available for declaring the credit note in the GST Return?

(5 Marks)

5. (a) Write a short note on various Lists provided under Seventh Schedule to the Constitution of India.

(4 Marks)

- (b) Discuss the eligibility for QRMP scheme under GST?

(5 Marks)