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FOR CA INTERMEDIATE EXAM PREPARATION

CA Intermediate 2023 Question Paper · Paper 4 Taxation

EXAM	YEAR	TYPE	SUBJECT	DATE
CA Intermediate	2023	Question Paper	Paper 4 Taxation	May 2023

MAY 2023

IPCE (New Syllabus)
Paper - 4 Taxation

LWX2

Roll No. ..... 10/05/2023 5:09 PM

Total No. of Printed Pages – **15**

Total No. of Questions – **8**

Maximum Marks – **70**

GENERAL INSTRUCTIONS TO CANDIDATES

1. The question paper comprises two parts, Part I and Part II.
2. Part I comprises Multiple Choice Questions (MCQs).
3. Part II comprises questions which require descriptive type answers.
4. Ensure that you receive the question paper relating to both the parts. If you have not received both, bring it to the notice of the invigilator.
5. Answers to MCQs in Part I are to be marked on the OMR answer sheet as given on the cover page of Section A of descriptive answer book only. Answers to questions in Part II are to be written in the same descriptive answer book. Answers to MCQs, if written inside the descriptive answer book, will not be evaluated.
6. OMR answer sheet given on the cover page of descriptive answer book will be in English only for all candidates, including for Hindi medium candidates.
7. **The bar coded sticker provided in the attendance register, is to be affixed only on the descriptive answer book.**
8. You will be allowed to leave the examination hall only after the conclusion of the exam. If you have completed the paper before time, remain in your seat till the conclusion of the exam.
9. Duration of the examination is 3 hours. You will be required to submit (a) Part I of the question paper containing MCQs, and (b) the answer book in respect of descriptive answer book with OMR cover page to the invigilator before leaving the exam hall, after the conclusion of the exam.
10. The invigilator will give you acknowledgement on Page 2 of the admit card, upon receipt of the above-mentioned items.
11. Candidate found copying or receiving or giving any help or defying instructions of the invigilators will be expelled from the examination and will also be liable for further punitive action.

PART – II

70 Marks

1. **Section – A** comprises questions **1 – 4**. In Section – A, answer question No. **1** which is compulsory and any **2** questions from question Nos. **2 – 4**. All questions in Section – A relate to Assessment Year 2023-24, unless otherwise stated.
   Section – B comprises questions **5 – 8**. In Section – B, answer question No. **5** which is compulsory and any **2** questions from question Nos. **6 – 8**.
2. Working notes should form part of the answer.
3. Answers to the questions are to be given only in English except in the case of candidates who have opted for Hindi Medium. If a candidate has not opted for Hindi Medium, his/her answers in Hindi will not be evaluated.
4. All question in Section – B should be answered on the basis of position of GST Law as amended by Finance Act 2022 and significant notification / circulars issued upto 31th October, 2022.

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PART – II

Section – A

1. Mr. Bhasin, a resident individual, aged 52 years, provides management consultancy services to various corporate and non-corporate clients. His Income & Expenditure A/c for the year ended 31st March, 2023 is as under : **14**

Expenditure	Amount (₹)	Income	Amount (₹)
To Employees' Remuneration	15,00,000	By Gross Receipts from Profession (last year ₹ 75,00,000) (No TDS was deducted from any of the receipts)	60,60,000
To Office & Administrative Expenses	5,00,000	By Interest on Savings Bank Account	25,000
To Rates and Taxes	15,000	By Winnings from Lottery *(Net of cost of lottery tickets of ₹ 500/-)*	99,500
To Interest Expenses	80,000	By Rent Received	2,40,000
To Office Rent	2,40,000		
To Insurance Premium	72,000		
To Professional Fees	2,00,000		
To Depreciation on Computers	1,20,000		
To Excess of Income over Expenditure	36,97,500		
	64,24,500		**64,24,500**

The following details relates to F.Y.2022-23:

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(i) Employees' Remuneration includes a sum of ₹ 3,00,000 paid to his wife, Mrs. Beena who is working as a manager in his office. She does not have any technical or professional qualification or experience required for the job. The payment of salary was as per market rates in comparison to similar work profile.

(ii) Mr. Bhasin owns a big house with 2 independent units. Unit – 1 (with 50% floor area) has been let out for residential purposes at a monthly rent of ₹ 20,000 for the entire year. Unit -2 (with the balance 50% of the floor area) is used by Mr. Bhasin as his residence-cum-office. Other particulars of the house are:

Municipal Valuation – ₹ 3,60,000 p.a.

Fair Rent – ₹ 4,20,000 p.a.

Standard Rent under Rent Control Act – ₹ 4,00,000 p.a.

(iii) Rates and Taxes include a sum of ₹ 10,000 paid as municipal taxes of the house.

(iv) Interest expenses represent interest on capital borrowed from a nationalised bank for the construction of the house. The construction was completed in F.Y.2010-11. Neither the loan nor the interest was paid till the due date of filing the return of income.

(v) Based on the actual rent received for Unit-1, Mr. Bhasin has debited ₹ 2,40,000 as notional rent for Unit-2 which is used for his profession.

(vi) The expenses on insurance premium of ₹ 72,000 represents lump-sum health insurance premium paid by Mr. Bhasin for 3 years effective from 1st July, 2022 to 30th June, 2025 for himself, his spouse and two dependent children. The said insurance premium was paid through account payee cheque.

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(vii) The expenses on professional fees paid includes a sum of ₹ 1,00,000 paid to a Mr. Raunak, an Indian resident on which no tax was deducted at source.

(viii) There was only one block containing computers which came into existence only on 2nd April, 2022 when new laptops (for ₹ 1,60,000), printers and scanners (for ₹ 40,000) were purchased. He charged depreciation @ 60% on the entire cost of ₹ 2,00,000 and debited the amount to Income & Expenditure A/c.

(ix) Mr. Bhasin has also taken a loan of ₹ 5,00,000 from a nationalised bank for higher education of his son. During F.Y.2022-23, he repaid principal of ₹ 75,000 along with interest of ₹ 40,000. This amount is not reflected in Income and Expenditure Account.

You are required to compute the total income under proper heads of income of Mr. Bhasin for A.Y.2023-24 under regular provisions of Income-tax Act 1961, assuming that he has not opted to pay tax under Section 115BAC. Also calculate the total tax payable by him.

2. (a) (i) Mr. Jai Chand (an Indian citizen) left India for employment in country X on 5th June, 2014. He regularly visited India and stayed for 60 days in every previous year since then. However, in the financial year 2022-23, he did not come to India at all. He owns a commercial building in Delhi which is let out. He has also set up a retail store in India which is controlled by his brother from India. He provides the following information to you regarding his income for the financial year 2022-23 : 3

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Income from commercial building in Delhi - ₹ 12,00,000 (computed as per the provisions of the Act).

Income from the retail store - ₹ 4,50,000 (computed as per the provisions of the Act)

Country X does not tax any individual on their income as there is no personal income-tax regime there.

Determine the residential status of Mr. Jai Chand for the Assessment year 2023-24.

Will your answer change if he is a citizen of Country X ?

(ii) Mr. Prashant (aged 35 years) is an Australian citizen who is settled in Australia and visits India for 125 days in every financial year since past 11 years. During the FY 2022-23, he visited India for a total period of 200 days. The purpose of his visit was to meet his family members who are settled in India and also for managing his business in Sri Lanka through his office in Chennai, India. 4

During the P.Y.2022-23, he has the following incomes:

(A) Income from business in Australia controlled from Australia – ₹ 20,00,000

(B) Income from business in Sri Lanka controlled from Chennai – ₹ 16,00,000

(C) Short-term capital gains on sale of shares of an Indian company received in Australia - ₹ 50,000. The shares were sold online from Australia.

(D) Income from agricultural land in Australia, received there and then brought to India – ₹ 2,00,000

Find out the residential status of Mr. Prashant and compute his total income for Assessment Year 2023-24.

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(b) Answer the following : 7

(i) Miss Tara, a resident individual aged 32 years, is a social media influencer. She makes videos reviewing various electronic items and posts those video on social media. On 1st December 2022, XYZ Ltd., an Indian company manufacturer of electronic cars gave her a brand new car having fair market value of ₹ 6 lakhs to promote on her social media page. She used that car for 7 months for her personal purposes, recorded a video reviewing the car and then returned the car to the company. You are required to discuss the applicable provisions in the Income-tax Act regarding the deduction of tax at source in respect of such transaction.

(ii) Ms. Aruna is a Chief Executive Officer of a multi-national company. She hires Mr. Suresh for supply of her housing staff (like gardener, chefs and drivers etc.) and makes the following payments to him: ₹ 25,00,000/- on 10th August, 2022 and ₹ 30,00,000 on 22nd November, 2022. Determine of amount of tax to be deducted/ collected at source, if any.

Would your answer be different if Ms. Aruna is business woman and her books are not audited in immediately preceding financial year and payment to Mr. Suresh is for business purposes.

(iii) By virtue of an agreement with Nationalized Bank, Ms ABC Pvt Ltd., a company engaged in catering business received ₹ 60,000 p.m. towards supply of food, water, snacks, etc. during office hours to the employees of the bank. Discuss the TDS implication of this transaction/agreement.

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3. (a) Mr. Bhagat, an individual aged 50 years, set up a unit in Special Economic Zone (SEZ) in F.Y.2017-18 for the production of computers. The unit fulfils all the conditions of Section 10AA of the Income-tax Act, 1961. During F.Y. 2021-22, he set up a hospital in a district of Maharashtra with 110 beds for patients. It fulfils all the conditions of Section 35AD. Capital expenditure in respect of the said hospital amounted to ₹ 65 lakhs (comprising of cost of land ₹ 15 lakhs and the balance was the cost of construction of building). The hospital became operational with effect from 1st April, 2022 and the expenditure of ₹ 65 lakhs was capitalized in the books of accounts on that date. 7

Relevant details for F.Y.2022-23 are as follows:

Particulars	Amount (₹ in lakhs)
Profit of unit located in SEZ	36
Export sales of SEZ unit	75
Domestic sales of SEZ unit	25
Profit from operation of hospital facility (before considering deduction under Section 35AD)	90

Compute the income-tax (including AMT under Section 115JC and AMT credit, if any, under Section 115JEE) payable by Mr. Bhagat for A.Y.2023-24 under regular provisions of the Income-tax Act i.e. ignoring the provisions of Section 115BAC. Ignore marginal relief, if any.

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(b) Mr. Rohan retired from M/s. QRST Ltd. a private sector company, on 31st March, 2023 after completing 28 years and 3 months of service. He received the following sums/gifts on his retirement: 7

(i) Gratuity of ₹ 7,50,000. He was covered under the Payment of Gratuity Act, 1972.

(ii) Leave encashment of ₹ 3,25,000 for 210 days leave balance in his account. He was credited with 30 days leave for each completed year of service.

(iii) Crockery set worth ₹ 4,500 from his employer at the farewell party which was organised by the HR department a day before his retirement.

He drew a basic salary of ₹ 25,000 per month alongwith 50% of basic salary as dearness allowance *(not forming part of retirement benefits)* for the period from 1st April, 2022 to 31st March, 2023.

Further, during the year, his employer provided him a motor car of 1800 cc which was used by him and his family solely for personal purposes. The cost of fuel and repairs were met by Mr. Rohan himself. The car was purchased by the employer on 1st April, 2021 at a cost of ₹ 8,00,000. Salary of driver amounting to ₹ 10,000 per month was met by the employer only. Upon retirement, he gave the car back to the employer.

You are required to compute the taxable salary of Mr. Rohan for A.Y.2023-24 assuming that he neither claims any relief under Section 89 nor does he opt to pay tax under Section 115BAC.

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4. (a) Mr. Chaman who is 50 years old and his wife Mrs. Chaman who is 48 years old furnish the following information:- (all the amount of incomes/gains/losses are computed as per the provisions of Income-tax Act) 6

(i) Mr. Chaman's salary income - ₹ 11,00,000

(ii) Mrs. Chaman's income from Kathak performances – ₹ 2,50,000. She is a professional Kathak dancer and pursue dancing as her profession.

(iii) Mrs. Chaman earned long-term capital gains of ₹ 5,50,000 from sale of shares.

(iv) Mrs. Chaman gifted ₹ 2,00,000 to Mr. Chaman out of her Stridhan on 1.4.2023. Mr. Chaman invested the entire amount in stock market but suffered a short-term capital loss of ₹ 5,10,000

(v) Miss Naina, their minor daughter, earned ₹ 3,56,000 by performing in various quiz competitions held online during the year 2022-23. She kept that amount in savings bank account and earned interest of ₹ 15,000 during the year 2022-23.

(vi) Master Neelabh, their minor son earned ₹ 35,000 from fixed deposit which was made out of the cash he received on his birthday from his friends and family. Neelabh suffers from disability as mentioned under Section 80U. The medical certificate shows a disability of upto 75%.

Compute the total income in the hands of Mr. and Mrs. Chaman and their minor children for the Assessment Year 2023-24. Ignore Section 115BAC pertaining to alternative tax regime.

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(b) Mr. Ray, a resident individual, aged 37 years, gives the following information with respect to various loans taken by him from scheduled banks for various purposes - 4

(i) A housing loan of ₹ 36,00,000/- taken on 15th March, 2022 for the purchase of a house to be used for self-residence at a cost of ₹ 47,00,000/-. The stamp duty value of the house was ₹ 42,00,000/- at the time of purchase. Amount of re-payment of loan during P.Y.2022-23 was :

(A) towards principal – ₹ 1,25,000/-

(B) towards interest - ₹ 3,65,000/-

This is the first and only residential house owned by Mr. Ray.

(ii) A vehicle loan of ₹ 16,00,000/- taken on 31st October, 2021 for the purchase of electric vehicle for personal use. Amount of re-payment of loan during P.Y.2022-23 was:

(A) towards principal – ₹ 75,000/-

(B) towards interest - ₹ 1,90,000/-

Besides these loans, he has also paid a sum of ₹ 15,000 to a political party as contribution. The entire amount was paid in cash.

You are required to compute the amount of deduction(s) available to Mr. Ray under various provisions of Income-tax Act for A.Y.2023-24 so that he gets the maximum benefits assuming that he does not opt to pay tax Under Section 115BAC.

(c) What is the time limit within which an updated return can be filed ? Also enumerate the circumstances in which updated return cannot be furnished. 4

OR

A person other than a company or a firm who is otherwise not required to furnish the return of income, needs to furnish return of income provided they fulfil certain conditions prescribed. *Enumerate.*

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Section – B

5. Jino Enterprises, a partnership firm is a regular taxable person registered in Guwahati, Assam and is engaged in supply of Air conditioners and its accessories as well as air conditioned repairing services. Details of their various activities for the month of October 2022 are as follows: 8

(i) Intra State supply of Air conditioner to customers in Assam freight is separately charged in invoices for delivery of goods at customer's doorstep.

	₹
Value of goods	4,00,000
Value of Freight charges charged separately in above invoices.	1,00,000

(ii) Intra state supply of repairing services wherein apart from charging service charges, cost of parts/ spares provided to customers is also charged and consideration for the same is separately mentioned in the invoices.

	₹
Value of services component of invoices	3,00,000
Value of parts/spares component in invoices	50,000

(iii) In order to enhance their sales and to clear the stock of old models of air-conditioner, Jino Enterprises made combo offers to customers wherein, if a customer purchases an Air-conditioner along with a stabilizer, the same is offered at a combo price of ₹ 20,000/- as against the original price of ₹ 30,000/- (Air-conditioner ₹ 22,000 & stabilizer ₹ 8,000) if these are purchased separately. During October 22, Jino Enterprises had made inter- state supply of 10 numbers of such combo products.

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(iv) Purchased business class air tickets for intra state travel from Guwahati Airport, Assam to Dibrugarh Airport, Assam for its executive employees relating to business of the concern. Basic Air fare was ₹ 40,000/- and airlines charges GST @ 2.5% CGST, SGST each on basic freight, in case the same is applicable.

Additional Information :

(a) All the figures mentioned above are exclusive of taxes.

(b) In respect of few of the invoices relating to F.Y. 2021-2022, involving ITC of CGST ₹ 20,000/- SGST of ₹ 20,000/- & IGST ₹ 80,000/- was not taken earlier. Jino Enterprises now want to avail credit in respect of such invoices in the current month.

(c) The Rates of GST applicable on various supplies are as follows :

Nature of Supply	CGST	SGST	IGST
Air-Conditioner, Parts and accessories (Except Stabilizers)	6%	6%	12%
Services	9%	9%	18%
Stabilizers	9%	9%	18%
Freight	6%	6%	12%

Calculate the amount of minimum CGST, SGST & IGST tax payable in cash by Jino Enterprises for the month of October 2022.

Note : Working Notes (legal provisions) should form part of your answer.

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(a) Mr. Jayesh, a registered supplier of Mumbai, received the following amounts in respect of the various activities undertaken by him during the month of October, 2022. 6

S.No.	Particulars	Amount (₹)
(i)	Commission received as a recovery agent from a Non-Banking Finance Company (NBFC)	80,000
(ii)	Actionable claim received from normal business debtors	10,50,000
(iii)	Amount received from ABC Ltd. for performance of classical dance in one program.	1,74,500
(iv)	Business assets (old computers) given to a friend free of cost, the market value of all the computers was ₹ 51,000, No input tax credit has been availed on such computers when used for business.	No amount Charged
(v)	Consideration received for one month rent from a registered individual person for renting of residential dwelling for use as residence.	15,200

Details of Input Services: -

S.No.	Particulars	Amount (₹)
	Paid to an unregistered Goods Transport agency for various consignments of transportation of goods by road. (Each individual consignment in a single carriage was of less than ₹ 1,450.)	15,100

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Notes :

(i) All the amount stated above in both the tables are exclusive of GST, wherever applicable.

(ii) Aggregate turnover of Mr. Jayesh in previous year was ₹ 42,00,000.

You are required to Compute Gross value of supplies, on which GST to be paid by Mr. Jayesh for the month of October, 2022.

(b) Mr. Shyam Das was admitted to Suraksha Hospital in Mumbai for 2 days in relation to diagnosis of removal of stones from his kidney. For the said services, Surkasha hospital charged following from Mr.Das : **4**

(i) Room rent ₹ 7000/- per day for 2 days.

(ii) Operation theatre charges ₹ 5000/-

(iii) Doctors Consultation Charges ₹ 8000/-

(iv) Other services ₹ 4000/-

In each of the above scenario explain whether Suraksha Hospital should levy GST or not in line with the relevant provisions of the GST laws.

7. (a) Mr. Manik provides the following information regarding his tax & other liabilities under GST Act as per Electronic Liability Register: **5**

Sr. No.	Particulars	Amt. (₹)
1.	Tax due for the month of May	25,000
2.	Interest due for the month of May	2,000
3.	Penalty due for the month of May	3,000
4.	Tax due for the month of June	35,000
5.	Liability arising out of demand notice U/s 73	48,000

Mr. Manik wants to clear his liability of demand notice U/s 73 first.

Discuss the provisions of order of discharge of GST liability U/s 49(8) of CGST Act & advice to Mr. Manik.

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(b) (i) Mr. Sumit is a registered dealer in the state of Punjab. In the month of May he decides to apply for QRMP scheme. As he wants to switch to QRMP scheme he had not filed his returns for the months of May and June. 3

Please guide to Mr. Sumit regarding the following:

(A) Conditions and restrictions of QRMP scheme.

(B) Manner of exercising option of QRMP scheme.

(ii) When goods are transferred by principal to job worker, there is no need to issue e-way bill. 2

Comment on the validity of the above statement with reference to GST Laws.

8. (a) (i) Who are not eligible to opt for composition scheme for goods under GST Laws ? 5

(ii) GTA services provided to an unregistered person (including unregistered casual taxable person) are exempt from GST by virtue of Entry 21 A of GST Laws. Discuss the validity of above statement.

OR

List any 5 (Five) activities/transactions specified under Schedule III of the CGST Act, 2017 which shall be neither treated as supply of goods nor as supply of services. Detailed explanations is not required. 5

(b) "Rule 86A of the CGST Rules, 2017 provides that in certain specified circumstances, Commissioner on the basis of reasonable belief may not allow debit of an amount equivalent to such credit in electronic credit ledger." 5

State the grounds (as guided by CBIC) on which the reasons for such belief must be based on.

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