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FOR CA INTERMEDIATE EXAM PREPARATION

CA Intermediate 2024 Question Paper · Paper 3 Taxation

EXAM	YEAR	TYPE	SUBJECT
CA Intermediate	2024	Question Paper	Paper 3 Taxation

DATE

September 2024

INTERMEDIATE EXAM
PAPER-3
TAXATION

17 SEP 2024

CRD2

17/09/2024
5:35 P.M.

Roll No. .....

Total No. of Questions – **8**

Total No. of Printed Pages – **15**

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 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 descriptive answer book of Section – A only. Answers to questions in Part II are to be written in their respective descriptive answer book. Answers to MCQs, if written inside the descriptive answer book or on Part-I questions paper, 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 the descriptive answer books 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 or having / using mobile phone or smart watch 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 2024-25, unless otherwise stated. Significant notifications/circulars issued upto 29th February, 2024 shall be relevant.

   Section – B comprises questions **5-8.** In Sections – 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 questions in Section – B should be answered on the basis of position of GST Law as amended by Finance Act, 2023 and significant notifications/circulars issued upto 29th February, 2024.

CRD2 **P.T.O.**

PART – II
SECTION - A

1. Mr. Raman, a resident individual aged 62 years, is engaged in the business of manufacturing and sales of spare parts for motor bikes, as a proprietor. He prepares his accounts on mercantile basis. This business is carried out on the ground floor of a two storied commercial building owned by him, the written down value of which is ₹ 8 lakhs as on April 1, 2023. He prepares his accounts on accrual basis. The Statement of Profit and Loss for the previous year ended on March 31, 2024 shows a net profit of ₹ 9.25 lakhs (before taxation and depreciation) after debiting/crediting the following items : **15**

   (i) Travelling expenses includes ₹ 2,40,000 being expenditure incurred on a foreign tour to Taiwan for attending a business exhibition and meeting with vendors, out of which ₹ 40,000 is incurred in Indian currency and ₹ 2,00,000 in foreign currency. Mr. Raman has spent 10 days in Taiwan, out of which 4 days were utilized by him for attending marriage ceremony of a vendor's son.

   (ii) Administrative expenses include ₹ 9,525 paid towards interest on delay in deposit of GST.

   (iii) General expenses include a sum of ₹ 3,88,000 paid to a non-resident as fee for technical services without deduction of tax at source.

   (iv) Fire insurance premium of ₹ 66,000 for the entire building remained unpaid till 31st March, 2024.

   (v) Expenditure of ₹ 75,000, was paid to a scientific research association approved under Section 35. Out of ₹ 75,000, ₹ 50,000 was utilised towards the purchase of land by the research association.

(vi) He let out first floor of his commercial building to Mr. Aman on April 1, 2023 and received rent of ₹ 35,000 per month. Municipal taxes ₹ 20,000 relating to the building were paid equally by both Mr. Raman, and Mr. Aman. Rent received was credited and municipal taxes of ₹ 10,000 (relating to ground floor) was debited to the statement of Profit and loss.

(vii) He sold a piece of land for ₹ 44 lakhs on 12th April, 2023. He had acquired the land for ₹ 40 lakhs on 1st January, 2022. The gain of ₹ 4,00,000 is credited to the statement of profit and loss.

(CII for FY 2021-22 – 317; FY 2023-24 – 348)

Additional Information :

(i) Mr. Raman purchased raw material from M/s. Paul Industries, a micro enterprises, for ₹ 49,000 on March 10, 2024. However, the payment to M/s. Paul Industries was made on April 5, 2024 by cheque. No written agreement for payment existed between M/s. Paul Industries and Mr. Raman. Another supplier M/s. Kal Industries, a small enterprises, with whom also no written agreement existed for payment, was paid ₹ 1,34,000 in cash on April 5, 2024 for purchase of raw material on March 31, 2024. Both M/s. Paul Industries and M/s. Kal Industries follow mercantile system of accounting.

(ii) Mr. Raman acquired a registered trademark on July 15, 2023 for ₹ 2,00,000. Mr. Raman started using this trademark for his business from January 15, 2024. Mr. Raman omitted to enter any transaction relating to this trademark in his books of accounts.

(iii) Mr. Raman bought a car for personal use on 12th April, 2020 for ₹ 5,40,000. He started using this car for business purposes from 01.04.2023. As on that day, the market value of the car was ₹ 2,10,000. Assume the rate of depreciation to be 15%.

(iv) He incurred ₹ 2,50,000 on the purchase of a new machinery to be used in the production of spare parts for motor bikes on May 15, 2023.

(v) He has paid tuition fees of ₹ 25,000 for the education of his daughter to a college.

(vi) During the year Mr. Raman has incurred ₹ 9,500 in cash for preventive health check-up where 5,000 was for himself and ₹ 4,500 was for his parents who are super senior citizens.

(vii) Donation paid to a registered political party by way of cheque ₹ 20,000.

Compute the total income and tax payable for assessment year 2024-25 by Mr. Raman under default tax regime and optional tax regime as per normal provisions of the Act. Which option is advantageous to Mr. Raman ?

2. (a) Mr. Madan, a citizen of India and the Karta of an HUF, is employed in M/s. PCS Pvt. Ltd. He is drawing monthly salary of ₹ 65,500 in India. On June 1, 2023 he purchased one residential house property in Mumbai for ₹ 18,00,000 in his individual capacity. The market value of the property is ₹ 32,00,000 and value for the purpose of charging stamp duty is ₹ 23,00,000. On August 31st, 2023 he was transferred to the branch office of M/s. PCS Pvt. Ltd. in U.S.A. and he left India on September 1, 2023. The overseas branch paid him a salary of $ 2,500 per month in USA. He managed business of HUF from USA when he was not in India. 4

He had also gone out of India for 99 days and 201 days in previous years 2022-23 and 2021-22 respectively. He had never gone out of India prior to that.

He visited India from January 1, 2024 to January 15, 2024 for training on a project and received 15 days salary in India as per his Indian monthly salary before being transferred.

Mr. Rajeev, one of his friends, gifted him a sculpture in India on August 10, 2023. The market value is ₹ 45,100.

Determine the residential status of Mr. Madan and his HUF and compute gross total income of Mr. Madan for the assessment year 2024-25 assuming he opted out of the default tax regime. The value of one USD ($) may be taken as ₹ 70.

(b) Answer the following : 6

(i) M/s. PQR & Co., a proprietary firm of Mr. Yogesh, paid an amount of ₹ 30,500 to Mr. Amit, a resident individual aged 45 years, on June 1, 2023 towards fees for professional services. Subsequently, another payment of ₹ 60,000 was due to Mr. Amit on January 30, 2024. Tax was not deducted from both the transactions. Mr. Amit has filed his return of income for assessment year 2024-25 on May 2, 2024, taking into account professional fees from M/s. PQR & Co. and paid the taxes due on the income declared in the return of income.

What are the tax obligations in the hands of M/s. PQR & Co. on the assumption that the accounts of the firm are audited under Section 44AB of the Income-tax Act 1961?

(ii) Ms. Fastest Ltd. is an Indian car manufacturer. During the FY 2023-24, it sold cars for ₹ 150 lakhs to Ms. Race LLP, a distributor of cars where the sale price of each car was ₹ 7.5 lakhs. The turnover for the FY 2022-23 of Ms. Fastest Ltd. was ₹ 15 crores and Ms. Race LLP was ₹ 8 crores. What shall be the TCS/TDS implications on Ms. Fastest Ltd. and Ms. Race LLP ?

3. (a) The particulars given below are of Mr. Radhey's income (age 47 years) posted in a private company in Delhi, for the previous year 2023-24 : 6

(i) Basic Pay ₹ 35,000 per month till January 31, 2024, ₹ 40,000 p.m. from February 2024.

(ii) Dearness allowance 30% of basic salary (54% of DA forms part of retirement benefits)

(iii) Leave encashment for P.Y. 2023-24 – ₹ 10,000.

(iv) He received salary for the month of April 2024 in advance on 31st March 2024. Also, he received an arrear salary for the month of March 2023 on the same day.

(v) His employer gave him a rent-free accommodation (fully furnished) in Delhi from 01.04.2019. This house is owned by his employer. During the previous year 2019-20, the perquisite value of such rent-free furnished accommodation was valued at ₹ 39,000. The employer also provided him with the facility of a gardener to maintain this house. The salary of gardener paid by the employer was ₹ 1,000 p.m. The furniture and appliances provided with the house were bought by the employer at an aggregate cost of ₹ 1,50,000 on 01.01.2020. Electricity and water bills of ₹ 4,000 p.m. for the said house were paid by the employer.

Cost Inflation Index

F.Y. 2019-20 – 289, F.Y. 2020-21 – 301, F.Y. 2023-24 – 348.

(vi) The employer also spent ₹ 50,000 on a refresher course for upgrading Mr. Radhey's skills.

(vii) During the previous year his wife had been admitted in a notified hospital for treatment of her kidney disease, the hospital bills amounting to ₹ 3,50,000 were paid by the employer.

You are required to compute the taxable salary income of Mr. Radhey for the Assessment Year 2024-25 assuming that he has opted out of the default tax regime under Section 115BAC.

(b) Mr. Raj a resident individual, aged 69 years sold an urban agricultural land for ₹ 75,00,000 to Mr. Vipul on December 15, 2023 when the stamp duty valuation of agricultural land was ₹ 95 lakhs. However, the 'agreement to sell' the agricultural land was entered on July 15, 2023 and Mr. Vipul gave ₹ 4 lakhs as advance through IMPS. The stamp duty valuation at the time of agreement was ₹ 85 lakhs. Mr. Raj paid 1% of sale consideration as commission to a broker. The land was purchased by him on May 15, 2002 for ₹ 10.85 lakhs and it was being used for agricultural purposes by him since its purchase. 4

Mr. Raj purchased another agricultural land in rural area on January 1, 2024 for ₹ 40 lakhs and this land was sold by him on March 12, 2024 for ₹ 45 lakhs and he invested the entire sale proceeds in fixed deposits with a nationalized bank on the same day.

Compute capital gain for assessment year 2024-25 if Mr. Raj exercises the option of shifting out of the default tax regime provided under Section 115BAC(1A).

Cost Inflation Index for: F.Y. 2002-03 = 105; F.Y. 2023-24 = 348

4. (a) Mr. Suraj, (39 years), his wife Megha (35 years) and minor son Dev (12 years), provide the following details of their income/losses for the previous year 2023-24 : **6**

Mr. Suraj

(i) Salary received as a partner from a partnership firm – ₹ 6,15,000

He is a working partner in the firm and the salary is as per the limits prescribed under Section 40(b).

(ii) Income (loss) from house property :

Brought forward loss from House – A (let out) – ₹ 96,000

Current year loss from House – B (let out) – ₹ 2,30,000

(iii) Interest received on enhanced compensation- ₹ 2,00,000

It relates to transfer of a piece of land in the financial year 2018-19. Out of the above ₹ 35,000 relates to previous year 2023-24 and the balance relate to preceding previous year.

(iv) Gift from grandfather's younger sister by cheque – ₹ 1,25,000

(v) Dividend on listed equity shares of domestic companies (Gross) – ₹ 50,000

(vi) On 1st December 2023, Mr. Suraj received ₹ 75 lakhs as maturity proceeds from his life insurance policy which was taken on 1st May 2012. He paid ₹ 6,00,000 as annual premium and the sum assured was ₹ 65 lakhs.

Mrs. Megha

(i) Current year loss from business. (She carried on this business with funds which Mr. Suraj gifted to her) – ₹ 8,10,000.

(ii) Mrs. Megha purchased a house property from her "Stridhan" and gifted the same to her minor son, Mr. Dev on 1st April, 2023 out of love and affection. The FMV of the house on the date of transfer was ₹ 51 lakhs.

Mr. Dev

Rent received from house property received from Mrs. Megha – ₹ 35,000 p.m.

Compute total income of Mr. Suraj, Mrs. Megha and Mr. Dev for the assessment year 2024-25 assuming Mr. Suraj has decided to pay tax under default tax regime provided under Section 115BAC, whereas Mrs. Megha and Mr. Dev have opted out of the default tax regime. Briefly explain the reasons for the treatment of each item.

(b) Answer the following : 4

(i) Vegetable Ltd. filed its return of Income for the AY 2023-24, on 15th December 2023. On 2nd January 2024, the accountant of Vegetable Ltd. realised that he had forgotten to claim a genuine business expenditure amounting to ₹ 15 lakhs. He wants to file revised return to claim such expenditure as the assessment is not yet completed. Whether the action of the accountant of Vegetable Ltd. is valid ?

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(ii) Mahendra, a resident individual aged 45 years earned a salary income of ₹ 2 crores during the FY 2023-24. He also earned dividend from unlisted shares amounting to ₹ 4 Lakhs. He wants to file his return of income for the AY 2024-25 through a Tax Return Preparer. Can he do so ?

OR

(b) Rani, an Indian resident aged 34 years did not file her return of income for the AY 2021-22, 2022-23 and 2023-24. She gives the following information regarding each of the AY – **4**

AY 2021-22

(i) Tax payable on the total income of Rani – ₹ 14,50,000

(ii) TDS deducted – ₹ 5,00,000

AY 2022-23

(i) Tax payable on the total income of Rani – ₹ 5,60,000

(ii) TDS deducted – ₹ 10,00,000

AY 2023-24

(i) Tax payable on the total income of Rani – ₹ 6,30,000

(ii) TDS deducted – ₹ 2,00,000

(iii) Interest payable under section 234A, 234B and 234C – ₹ 90,000 (calculated till 31st May 2024)

(iv) Self-assessment tax paid – ₹ 1,00,000

She approaches you to file updated return under section 139(8A) on 16.5.2024. You are required to prepare a suggestion to be given to her in this respect. Your suggestion should include the financial aspect also (like payment of tax) briefly outlining the relevant provisions of the Income-tax Act.

SECTION - B

5. (a) DEF Pvt. Ltd., a registered supplier of goods and services in Pune, Maharashtra, has furnished the following details for the month of January 2024. The turnover of DEF Pvt. Ltd., was ₹ 3.2 crores in last financial year. **10**

Sr. No.	Particulars	Amount (₹)
1.	Intra state supply of taxable goods	5,00,000
2.	F Ltd. of Mumbai (unregistered) had promised to DEF Pvt. Ltd. in Oct 23 to complete contract within 3 months but they can't able to complete committed contract so DEF Pvt. Ltd. received consideration for non-performance of contract on time as decided by pre written agreement.	2,00,000
3.	DEF Pvt. Ltd. had provided service of booking of flight tickets for employee of H Enterprise (Registered in Delhi) in the economy class from Bagdora (West Bengal) to Pune Maharashtra.	20,000
4.	DEF Pvt Ltd had purchase goods worth ₹ 5,00,000 from R Ltd. (Registered in Gujarat) on 15.03.2023. Now R Ltd. issued debit note on 15.01.2024 for post delivery service to DEF Pvt. Ltd. as per part of terms of sales.	25,000
5.	DEF Pvt. had sold one of its unit in Pune as a going concern (with all goods and unexecuted orders) to H Ltd. (Registered in New Delhi)	10,00,000
6.	DEL Pvt. Ltd. had provided service to Mr. Y (Registered in Punjab) to organise business exhibition in Dubai.	5,00,000
7.	Interstate supply of service	10,00,000
8.	Amount towards receipt of intra state services	6,00,000
9.	Purchase of Confectionery items which are to be used to supply free of cost to customers in a customer meet organised by DEF Pvt Ltd.	1,00,000

Opening balance of Input Tax credit at the beginning of Jan 2024.

CGST – ₹ 25,000

SGST – ₹ 25,000

IGST – ₹ 30,000

Additional Information :

(1) Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively unless otherwise mentioned.

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

(3) All the conditions necessary for availing the ITC have been fulfilled.

From the information given above, compute the Output Tax liability and Input Tax credit available to DEF Pvt. Ltd., for the month of January 2024. Make suitable assumptions wherever required.

(b) ABC Infra, is a partnership firm registered under GST. It furnishes the following details about services provided during the month of February 2024 : **5**

	Particulars	Amount
(i)	Consideration received from neighbouring Housing Cooperative Society as ABC Infra agrees to install effluent plant for treatment of wastewater even though there is no legal requirement to do so.	5,50,000
(ii)	Consideration received from distribution of passes for cricket match organized as firm's annual event. Total 500 passes have been distributed.	2,42,500
(iii)	Services given of booking air tickets in economy class for flight between Mumbai to Manipur.	1,20,000
(iv)	Services given for construction of buildings to State Government in relation to function entrusted to Municipality under article 243W of the constitution. Construction material used of ₹ 2,79,375 is included in the given figure.	8,20,000

All supplies mentioned above are intra state supplies.

GST rates for CGST, SGST, IGST are 9%, 9%, 18% respectively.

Compute the GST payable by the ABC Infra for the month of February 2024.

6. (a) M/s. T is a registered dealer of Andhra Pradesh trading in different types of machinery and its related different types of services. Their aggregate turnover for the preceding financial year 2022-23 for sale of machinery was ₹ 1.32 Crores it was first year so they had not started for providing service related to machinery. From FY 2023-24 they are planning to provide repair and maintenance service of ₹ 6.25 Lakh for which they have to purchase some raw material of ₹ 5 Lakh from the other state (till date they are purchasing within state only). **5**

From the information given above examine whether M/s. T can opt for composition scheme under Section 10(1), 10(2A) or 10(2) of the CGST Act for FY 2023-24 ?

(b) (i) Garima having its permanent residence in Bhavnagar, Gujarat purchased car from Kiara Motors of Jaipur, Rajasthan to take the advantage of lower registration charges and road tax. Garima took the delivery of the car from Jaipur and returned with car to her residence in Bhavnagar, Gujarat. Address of Garima recorded in the invoice issued by Kiara Motors mentions only the name of the state i.e. Gujarat. **2**

Garima is an unregistered person whereas Kiara Motors is a registered person under GST. Determine the place of supply for supply made by Kiara Motors to Garima.

(ii) Aakar Advertisement Agency a registered person in Nagpur, Maharashtra, wants to display the products of its client's at most prominent places in different states. It took on rights to use the space on hoardings mounted on fixed surface attached to earth, situated in Udaipur, Rajasthan and in Gwalior, Madhya Pradesh from G.N. Enterprise registered in state of Chhattisgarh. Aakar Advertisement Agency has exclusive right to use the space and also to manage the advertisements on the hoardings. **3**

What will be the place of supply of services provided by the G.N. Enterprise to the Aakar Advertisement Agency ?

7. (a) Mohan, a registered person in Salem, Tamil Nadu, makes intra-state supply of taxable goods amounting to ₹ 13,57,000 inclusive of GST to a Public Sector Undertaking (PSU). Consideration for same received in 5 equal instalments from PSU. **5**

Tax rate applicable : CGST 9%, SGST 9%, IGST 18%

What will be your view with respect to applicability of TDS provisions as per Section 51 of CGST Act 2017 regarding above transaction ?

What is the period by which TDS is required to be deposited to the Government account ?

(b) Every registered person executing works contract shall keep separate accounts for works contract under CGST Act Rules, 2017. **5**

List the details to be maintained.

8. (a) Describe the provision related to Import of services by a registered person as prescribed in the Section 7(1)(b), 7(1)(c) and Schedule I of CGST Act 2017. **5**

(b) (i) List out category of persons who are exempted from the E-invoicing provisions. **2**

(ii) No act or proceedings of the Goods and Services Tax Council shall be invalid merely by certain reasons. What are they ? **3**

OR

(b) Commissioner has notified some specified persons to maintain additional accounts or documents as mentioned in Rule 56 of CGST Rules 2017, Agent as defined under Section 2(5) of the CGST Act 2017 is one of them. **5**

List the additional accounts or documents to be kept by agent.

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