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FOR CA INTERMEDIATE EXAM PREPARATION

CA Intermediate 2023 Question Paper · Paper 4 Taxation

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

DATE

November 2023

IPCE (New Syllabus)
Paper - 4 Taxation

SBG2

NOV 2023

Roll No. ..... 08/11/2023 05:05PM.

Total No. of Questions – **8**

Total No. of Printed Pages – **12**

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 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. Significant notifications/circulars issued upto 30th April, 2023 would be relevant.
   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 questions 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 30th April, 2023.

SBG2 **P.T.O.**

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PART – II
Section – A

1. Mr. Pramod, a resident aged 55 years, is a retail trader; he furnishes the following information for A Y 2023-24 : **14**

Trading and Profit and Loss Account for the year ended on 31.03.2023 :

		₹			₹
To	Opening Stock	1,15,000	By	Sales	70,80,000
	Purchases	55,40,000		Closing Stock	2,10,000
	Transport charges	1,20,000			
	Gross Profit c/f	15,15,000			
		72,90,000			**72,90,000**
To	Salaries	3,40,000	By	Gross Profit b/f	15,15,000
	Rates and Taxes	24,000		Rent from H. Property	1,80,000
	Administrative Expenses	3,25,000		Rent from furniture	1,20,000
	Depreciation	80,000			
	Net Profit	10,46,000			
		18,15,000			**18,15,000**

(1) All the sales are by account payee cheques or through bank transfers.

(2) The opening and closing stocks have been over valued by ₹ 15,000 and ₹ 20,000 respectively.

(3) Rates and taxes include GST liability of ₹ 5,000 paid on 01.05.2023 and municipal taxes for let out property ₹ 7,000.

(4) Administrative expenses include ₹ 25,000 paid as donation to National Childrens' Fund, and a payment for laptop purchased on 15.05.2022 for ₹ 60,000 through bank transfer.

(5) Transport charges include ₹ 30,000 paid in cash on 01.09.2022.

(6) He incurred a loss of ₹ 8,000 on sale of equity shares on 10.02.2023, which were purchased on 10.06.2022.

(7) Depreciation includes ₹ 1,200 as depreciation on Trade Marks wrongly charged at 15%.

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(8) He deposited ₹ 50,000 in PPF a/c and has paid life insurance premium ₹ 60,000.

(9) He paid interest of ₹ 70,000 on loan availed in FY 2017 – 18 for higher education of his wife.

Compute the total income and the income tax payable by Mr. Pramod for AY 2023-24, if,

(i) The business profit is computed as per normal provisions and he opts for Section 115BAC.

(ii) He opts to compute business profit under presumptive taxation under Section 44AD and does not opt for Section 115 BAC

(iii) The business profit is computed as per normal provisions of Income-tax Act and he does not opt for Section 115BAC.

Which option is advantageous to Mr. Pramod ?

2. (a) State (Yes/No) whether the following transactions can be treated as income deemed to accrue or arise in India : 3

(1) Hire charges paid outside India for the use of machinery situated in India.

(2) Income of a non-resident and non-citizen of India from the shooting of cinematograph film in India.

(3) Capital gain arising through a transfer of a house property situated in India, the place of registration and the place of payment of consideration being outside India.

(4) Allowances paid by the Government to a citizen of India for the services rendered outside India.

(5) Past period foreign untaxed income brought to India during the previous year.

(6) Gift received by a non-resident on the occasion of his wedding in India.

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(b) Mr. Sanjay has following incomes during the previous year 2022-23 : 4

(1) Interest on England Development Bonds (1/3 received in India) ₹ 60,000.

(2) Interest received from a non-resident ₹ 5,000 against a loan given to him to run a business in India.

(3) Royalty received from Akhil, a resident, for technical services given to run a business outside India ₹ 20,000.

(4) Income from business in Sri Lanka ₹ 25,000 out of which ₹ 15,000 were received in India. The business is controlled from India.

Compute taxable income of Mr. Sanjay for the assessment year 2023-24 if he is a

(I) Not ordinarily resident

(II) Non resident

(c) Discuss the liability of tax deduction at source under the Income Tax Act 1961 in respect of the following cases with reference to AY 2023-24. (State applicable provision and give brief reasons for your answer, wherever applicable)

(i) XYZ, a resident partnership firm is in retail business buying fabric material regularly from ABC, a resident proprietorship firm. Details of transactions during PY 2022-23 are as given: 3

Particulars	Date of payment	Amt (₹)
Advance payment	1.4.2022	40,00,000
Payment for supplies	2.7.2022	20,00,000
Advance payment	4.8.2022	12,00,000

XYZ achieved gross turnover of ₹ 12 crore from the business during the financial year 2021-22 and the gross business turnover for financial year 2022-23 turns out to be ₹ 9 crores. Gross business turnover of ABC for the financial year 2021-22 was ₹ 6 crores.

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Will your answer be same, if the gross turnover of XYZ during the financial year 2021-22 includes ₹ 4 crore towards supply of material for charitable purposes ?

(ii) MJ, a part time director of ABZ Pvt. Ltd. was paid an amount of ₹ 2,49,000 as commission on sales (which was not in the nature of Salary) for the period 01.04.2022 to 31.03.2023. 1

(iii) Mr. Kumar, a resident senior citizen, aged 86 years, is a retired State Govt. employee. He gets pension of ₹ 72,000 p.m. He has his saving account with Bank of Baroda, a bank notified by the Central Govt. u/s 194P, has received the interest on saving account ₹ 15,000 during the P.Y. 2022-23. His pension is also credited in this account. In the same bank he has deposited ₹ 10 Lakh in a Term Deposit @ 7% simple interest on 01.07.2022. He has no other income. He has not opted Section 115BAC. Discuss requirement of filing of income tax return also. 3

3. (a) Mr. Aryan, A Resident Individual aged 58 years, sells (unlisted) shares in a private sector company on May 17, 2022 for ₹ 10,00,000. The shares were bought on 01.08.2012 for a consideration of ₹ 2,00,000. Mr Aryan paid ₹ 2,000 as brokerage on sale of shares. 4

Mr. Aryan deposited ₹ 5,00,000/- in Capital Gain Account scheme on 15.06.2023 (Before filing the return of Income for the Assessment Year 2023-24).

On April 30,2024 he withdraws ₹ 4,50,000 and purchases a residential house properly at Delhi on May 1,2024 for ₹ 4,50,000.

Cost Inflation Index (CII) – F Y 2012-13 – 200, F Y 2022-23 – 331.

Ascertain -

(i) The amount of Capital Gain chargeable to tax for the AY 2023-24.

(ii) Tax treatment (with mention of relevant assessment year) of the unutilized amount.

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(b) Ms. Neelima, a resident of Delhi, was employed by LMN Ltd. upto 15 March, 1992. At the time of leaving LMN Ltd., she was paid ₹ 3,50,000 as leave salary out of which ₹ 59,000 was exempted from tax under section 10(10AA). **6**

Thereafter, she joined CD (P) Ltd. and received ₹ 4,14,000 as leave salary at the time of retirement on December 31, 2022. In addition she received a gratuity of ₹ 12,00,000 from the employer (she is not covered by the Payment of Gratuity Act, 1972). The following information is available :

Average salary received during 11 months ending on December 31, 2022

From February 1 to July 31 (p.m.)	₹ 22,600
From August 1 to December 31 (p.m.)	₹ 22,900
Duration of service	14 years 7 months
Leave entitlement for every year of service	45 days
Leave availed while in service	90 days
Leave at her credit at the time of retirement	18 months

She received ₹ 5,20,000 from unrecognized provident fund of which she was a member (This constitutes employee's contribution ₹ 200,000; employer's contribution ₹ 2,10,000; interest on employee's contribution ₹ 60,000; interest on employer's contribution ₹ 50,000).

You are required to compute her total income for the assessment year 2023-24, clearly showing all workings. (Ignore sec 115BAC provisions).

(c) From the following calculate the taxable amount under the proper head of income for the Financial Year 2022-23 of Mr L, who is resident and 56 years old. The reasons should form part of your answer : **4**

(i) Dividend of ₹ 50,000 received in April 2022. The dividend was declared by the company- LMN Limited at its annual general meeting held in October 2021.

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(ii) Advance forfeited amounting to ₹ 1,00,000 on 01.05.2022 as the negotiation for transfer of capital asset did not result in transfer of Capital Asset.

(iii) Cash Gift received from non-relative on the occasion of marriage of Son. ₹ 51,000.

(iv) During the Financial Year 2022-23, he received ₹ 99,000 as pension from employer of deceased wife.

4. (a) Mr. Jai, a resident individual furnishes the following particulars of his income and other details for the previous year 2022-23 : 7

	₹
Income from the activity of owning and maintaining race horses	40,000
Income from crossword puzzle solving	30,000
Income from Agricultural land in Haryana	25,000
Dividend Income from domestic company (gross)	15,000
(Expenditure incurred in collecting the aforesaid dividend)	2,500
Income from cycling business	1,50,000
Loss from warehousing facility for storage of edible oils	1,00,000
Share of loss from PR associates, a firm (having 4 equal partners) in which he is a partner	23,000
The following items have been brought forward from the assessment year 2020-21:	
Brought forward loss from house property	1,00,000
Loss from the activity of owning and maintaining race horses	37,000
Loss from gambling	10,000
Unabsorbed depreciation	15,000
Speculation Loss	20,000

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Mrs. Jai (wife of Mr Jai) got a salary of ₹ 1,20,000 from PR associates during the year 2022-23. She is not qualified for the job.

Compute the gross total income of Mr Jai for the assessment year 2023-24 ignoring the provisions of section 115BAC.

(b) Mr. Suraj, an Indian citizen, gives the following details of his income and expenses during the year 2022-23 : 3

	₹
Income from profession	11,70,000
Winnings from lottery	70,000
Contribution to ULIP 1971 plan for spouse	70,000
Cheque donation to National Defence Fund	60,000
Cheque donation to Government for promoting family planning	35,000
Cheque donation to approved public charitable institute	1,20,000

Compute the deduction under section 80G allowable to him for the assessment year 2023-24.

(c) Explain the provisions of Tax Collection at source for overseas remittance by an authorized dealer. Also enumerate the rate of tax to be collected and the amount on which no tax is to be collected. 4

OR

In the context of Tax Return Preparer scheme, 2006, explain the following:

(i) Eligible Persons (1)

(ii) Educational Qualifications of Tax Return Preparer (1)

(iii) Persons not entitled to act as return preparer (2)

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Section – B

5. Miss Nitya proprietor of M/s. Honest Enterprise, a registered supplier of taxable goods and services in the state of West Bengal, pays GST under regular scheme. It is not eligible for any threshold exemption. It provided the following information for the month of December 2022 : **8**

S. NO.	PARTICULARS	AMOUNT (₹)
	OUTWARD SUPPLY:	
i.	Intra-state supply of goods to M/s. Natural & Sons	7,00,000
ii.	Intra-state transfer of goods to its branch office in the state of West Bengal. Both places are under the same GSTIN.	1,00,000
iii.	Provided inter-state supply of sponsorship service to XYZ Ltd of Chennai	80,000
iv.	Advance received for future supply of management consultancy service to Mr. Sharad (Intra-state supply)	40,000
	INWARD SUPPLY: (Intra-state)	
i.	Purchase of taxable goods from registered suppliers.	8,00,000
ii.	Availed Works Contract service for repair of office building. Amount of repair was debited in the profit & loss account.	30,000
iii.	Availed legal service from an advocate to represent the matter in the Court relating to collection of disputed proceed from customers.	50,000

Notes :

(i) Rate of CGST, SGST and IGST on all supplies are as below:

Particulars	CGST	SGST	IGST
Goods	2.5%	2.5%	5%
Supply of services	9%	9%	18%

(ii) Both inward and outward supplies given above are exclusive of taxes.

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

(iv) Working note should form part of the answer.

Compute the net minimum GST payable in cash by M/s. Honest Enterprise for the month of December 2022.

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6. (a) Mr. Dhanwan, an individual registered supplier of Ahmedabad (Gujarat), received the following amount towards rendering of the intra-state supply of various services in the month of January 2023 : 6

S.NO.	PARTICULARS	Amount (₹)
I.	Consideration received from security and housekeeping services provided to "Holy Foundation", an educational institution providing services by way of pre-school education, outside the school premises on its annual day function.	60,000
II.	Amount received as an honorarium for participation as guest anchor on "Apna TV" in relation to a debate.	2,25,000
III.	Sum received as hiring charges for provision of non-air conditioned contract carriage for transportation of employees to and from the work to M/s. Siddhi Pvt. Ltd, a registered person under the GST. Such hiring is for 3 months. Use of the contract carriage is at the disposal of the company.	1,50,000
IV.	Amount received from provision of training in recreation activities of music.	90,000
V.	Renting of residential flat to Mr. Sahil proprietor of M/s. Dayaram & Sons, a registered person under GST for the purpose of his own residence (in personal capacity)	30,000

You are required to compute the value of supply on which GST is to be paid by Mr. Dhanwan for the month of January 2023. All the amount stated above are exclusive of GST, wherever applicable. Suitable notes should form part of the answer.

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(b) Examine whether the following activities would be treated as supply under GST law ?

(i) Mr. Sonu from Chandigarh purchased a water cooler from Malhotra Bros. of Hoshiarpur for ₹ 25,000 to donate it to a temple situated in Hoshiarpur. Mr. Sonu directed Malhotra Bros. to engrave the words on the water cooler- "Donated by Mr. Sonu from Chandigarh" and dispatch the water cooler directly to the temple. 2

(ii) Wesco Ltd. a registered person in Ahmedabad (Gujarat) having head office located in Singapore, received management consultancy services free of cost from its head office . 2

7. (a) Mr. Venaram proprietor of M/s. Lalit Kirana Stores is registered as a composition dealer in the Jodhpur district of Rajasthan. He has not furnished the statement for payment of self-assessment tax in the form GST CMP-08 for two consecutive quarters. He placed an order for purchase of taxable goods worth ₹ 5,50,000 with M/s. Bob & Sons (a partnership firm), a registered dealer in the Bikaner district of Rajasthan. M/s. Bob & Sons has been regularly filing its GST returns. M/s. Bob & Sons wants to generate E-way bill with respect to intra-state supply to be made to M/s. Lalit Kirana Stores. Whether M/s. Bob & Sons is allowed to generate E-way bill as per the provisions of CGST Act, 2017 ? Answer with proper reasoning. 3

(b) Dream World Pvt. Ltd is registered under GST in the State of Haryana. During the Financial Year 2022-23 its annual aggregate turnover was ₹ 12 Crore. In the month of April 2023, it supplied goods worth ₹ 12 Lakh to Nightmare Ltd (a registered taxable person). 4

(i) You are required to ascertain whether issue of e-invoice is mandatory in respect of this transaction ?

(ii) What would be your answer if Nightmare Ltd is a SEZ (Special Economic Zone) unit ?

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(c) Mr. Atul of Chennai is a registered dealer under GST. He has an opening balance of input tax credit of ₹ 1,20,000 (IGST) lying in the electronic credit ledger relating to the month of November, 2022. During the month, a legal proceeding has been initiated under the GST law which resulted in a tax liability of ₹ 80,000 (IGST, other than RCM liability). Mr. Atul agrees with the tax liability and wants to use the balance lying in the electronic credit ledger towards payment of same. 3

He seeks your opinion with regard to the provisions of GST laws as to whether he is allowed to use the amount lying in the electronic credit ledger for making the payment of tax liability, payable as a consequence of the proceeding ?

8. (a) Briefly explain the provisions relating to reversal of input tax credit in case of non-payment of tax by the supplier and re-availment thereof ? 5

OR

Explain the procedure for revocation of cancellation of registration where the registration of a person is cancelled suo-motu by the proper officer as per the provisions of CGST Act, 2017. 5

(b) Mr. Sameer a registered person under GST, is unable to file GSTR-1, reason being showed that tax payable under GSTR-1 which has been filed in respect of last tax period exceeds the tax payable under GSTR- 3B which has been filed for the corresponding tax period. Explain the procedure to be followed by the department and Mr. Sameer for the same as per the provisions of Rule 88C of the CGST Rules 2017.

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