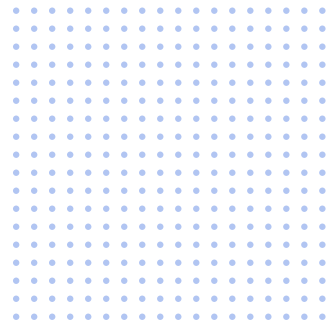




FOR CMA INTERMEDIATE EXAM PREPARATION

# CMA Intermediate 2024 Question Paper · Paper 7 Direct and Indirect Taxation

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EXAM

**CMA Intermediate**

YEAR

**2024**

TYPE

**Question Paper**

SUBJECT

**Paper 7 Direct and Indirect Taxation**

DATE

**June 2024**

**INTERMEDIATE EXAMINATION**

June 2024

**P-7(DITX)**  
**Syllabus 2022****DIRECT AND INDIRECT TAXATION**

Time Allowed: 3 hours

Full Marks: 100

*The figures in the margin on the right side indicate full marks.**Where considered necessary, suitable assumptions may be made and clearly indicated in the respective answer.**All workings should form part of the answer.***Section-A****(Compulsory)****1. Choose the correct option from the four alternatives given:****2×15=30**

- (i) Mrs Parul is engaged in the business of growing and manufacturing rubber in India. Her income from this activity for the Financial year 2023-24 is ₹ 2,50,000. As per the Income Tax Act, 1961 her agriculture will be:

- (A) ₹ 2,50,000  
(B) ₹ 1,87,500  
(C) ₹ 1,62,500  
(D) ₹ 1,50,000

- (ii) Ganesh (aged 45 years), employed in Moses Ltd., has received children education allowance of ₹ 2,000 per month. He has 3 school going children. How much of education allowance is taxable under the Income Tax Act, 1961 for the assessment year 2024-25?

- (A) ₹ 24,000  
(B) ₹ 13,200  
(C) ₹ 21,600  
(D) ₹ 20,400

- (iii) R acquired an asset for ₹ 5,22,000 which includes ₹ 72,000 as GST for which R has claimed input tax credit. The actual cost of acquisition to be included in the block of asset under The Income Tax Act, 1961 for the assessment year 2024-25 shall be:
- (A) ₹ 5,22,000
  - (B) ₹ 4,50,000
  - (C) ₹ 5,94,000
  - (D) NIL
- (iv) Mr Radhe is a working and Mr Shyam is a non-working partner of M/s Sun-Shine partnership firm. M/s Sun-Shine partnership firm is subjected to tax audit under section 44AB of the Income Tax Act, 1961 for the previous year 2023-2024. What is the due date for filing return of income for Mr Radhe and Mr Shyam for the assessment year 2024-2025?
- (A) 31st July, 2024 for both Mr Radhe and Mr Shyam
  - (B) 31st July, 2024 for Mr Radhe and 31st October, 2024 for Mr Shyam
  - (C) 31st July, 2024 for Mr Shyam and 31st October, 2024 for Mr Radhe
  - (D) 31st October, 2024 for both Mr Radhe and Mr Shyam
- (v) Amount received by the nominee at the time of closure or opting out of National Pension System (NPS) referred to in section 80CCD of the Income Tax Act, 1961 due to death of assessee is exempt upto \_\_\_\_\_ of total amount payable for the assessment year 2024-25.
- (A) 100%
  - (B) 40%
  - (C) 30%
  - (D) 25%
- (vi) Mr Jiyansh sold his capital asset on 16th July, 2023 and tax payable on long-term capital gain is ₹ 1,25,000. What will be the advance tax payable by him on 15th September, 2023?
- (A) ₹ 18,750
  - (B) ₹ 37,500
  - (C) ₹ 31,250
  - (D) ₹ 56,250

- (vii) What is the monetary limit for gifts given by the employer to employee in a financial year so that it is not treated as supply under GST law ?
- (A) ₹ 1,00,000
  - (B) ₹ 50,000
  - (C) ₹ 25,000
  - (D) NIL
- (viii) Who will levy and administer IGST ?
- (A) CBIC
  - (B) State Government
  - (C) Union Territory
  - (D) Central Government
- (ix) What is the monetary limit for generating E-way bill under the GST law?
- (A) ₹ 50,000 or more
  - (B) ₹ 1,00,000 or more
  - (C) More than ₹ 50,000
  - (D) More than ₹ 25,000
- (x) Which of the following statements is incorrect?
- (A) Power to levy GST on alcohol for human consumption remains with the state government.
  - (B) Along with GST, additional excise duty is levied by the state government on tobacco.
  - (C) For petrol and diesel, the GST council has to decide the date from which GST will be applicable.
  - (D) Crude oil and natural gas are not taxable under GST law.
- (xi) Under GST, due date of filing of GSTR-7 (Return for authorities deducting tax at source) is \_\_\_\_\_ (Assume there is no extension).
- (A) 10th day of the following month
  - (B) 13th day of the following month
  - (C) 18th day of the following month
  - (D) 20th day of the following month

## Syllabus 2022

- (xii) Mr Raja supplied a machinery to Mr Ranka on 28th July, 2023. The applicable rate of GST on that day was 12%. With effect from 1st August, 2023, the GST rate for such machinery was revised to 18%. Mr Raja issued an invoice for the sale of that machinery to Mr Ranka on 4th August, 2023. He received the payment for the same on 10th August, 2023. What will be the time of supply and applicable rate of GST in such a case?
- (A) 28th July, 2023 and at 12%  
(B) 4th August, 2023 and at 18%  
(C) 4th August, 2023 and at 12%  
(D) 10th August, 2023 and at 18%
- (xiii) A credit note is issued by \_\_\_\_\_ and it is a document accepted for GST purposes.
- (A) supplier, for increasing the tax/ taxable value  
(B) supplier, for reducing the tax/ taxable value  
(C) recipient, for increasing the tax/ taxable value  
(D) recipient, for reducing the tax/ taxable value
- (xiv) On which of the following values IGST cannot be levied under the Customs Tariff Act, 1975?
- (A) Assessable value of imported article plus Basic Customs Duty plus Social Welfare Surcharge.  
(B) Basic Customs Duty plus Anti-dumping Duty.  
(C) Basic Customs Duty plus Compensation Cess.  
(D) Assessable value plus Basic Customs Duty plus Anti-dumping Duty plus Safeguard Duty.
- (xv) Under the Customs Tariff Act, 1975, Safeguard Duty shall be ceased to have effect on the expiry of \_\_\_\_\_ (unless revoked earlier) from the date of its imposition. However, the Central Government may extend the period of levy to \_\_\_\_\_.
- (A) 5 years; 10 years  
(B) 4 years; 10 years  
(C) 3 years; 5 years  
(D) 1 year; 5 years

## SECTION – B

(Answer any five questions out of seven questions given.)

Each questions carries 14 Marks.

14×5=70

2. (a) Vijay, a software engineer born and brought up at Chennai, left for employment on 20th August, 2019 to Country X. He returned to India on 05.06.2023 and joined ABC Ltd. as CEO. He has the following incomes for the financial year 2023-24:

| S. No | Particulars                              | Amount (₹) |
|-------|------------------------------------------|------------|
| (i)   | Income from salary (computed)            | 9,00,000   |
| (ii)  | Interest on bank fixed deposits in India | 30,000     |
| (iii) | Interest on bank deposits in Country X   | 50,000     |
| (iv)  | Income from rubber estate in Sri Lanka   | 2,00,000   |
| (v)   | Income from business in Malaysia         | 4,50,000   |
| (vi)  | Royalty income from a company in Dubai   | 1,20,000   |

Assume that incomes given above have been computed with eligible deductions. Ignore section 115BAC of the Income Tax Act, 1961. Determine the residential status of Vijay for the assessment year 2024-25 and compute his total income. 7

- (b) Mrs Simran (aged 45 years) is the HR manager in Shiv Pvt. Ltd. She has given the details of her income for the previous year 2023-2024:

| S. No | Particulars                                                                                                                                                                                                                                                                                                                                              |
|-------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (i)   | Basic salary is ₹ 70,000 per month upto 31st July, 2023 and ₹ 75,000 per month from 1st August, 2023. Salary is due and paid on the last day of every month.                                                                                                                                                                                             |
| (ii)  | Dearness allowance @ 25% of basic salary (not forming part of salary for retirement benefits).                                                                                                                                                                                                                                                           |
| (iii) | Bonus equal to one month salary is paid in July, 2023 on basic salary plus dearness allowance applicable for that month.                                                                                                                                                                                                                                 |
| (iv)  | Contribution of employer to recognized provident fund account of the employee @ 15% of basic salary.                                                                                                                                                                                                                                                     |
| (v)   | Motor car owned by the employer (cubic capacity of engine exceeds 1.60 litres) provided to the employee from 1st January, 2024 which is used for both official and personal purposes. Repair and running expenses of ₹ 27,000 from 1st January, 2024 to 31st March, 2024, were fully met by the employer. The motor car was self-driven by the employee. |

| S. No | Particulars                                                                            |
|-------|----------------------------------------------------------------------------------------|
| (vi)  | ₹ 10,000 paid as Hostel expenses allowance for 2 children.                             |
| (vii) | ₹ 48,000 paid as Education facility for 2 children in a school maintained by employer. |

You are required to **calculate** the income chargeable to tax under the head salaries in the hands of Mrs Simran for the assessment year 2024-2025.

Assume Mrs Simran exercises the option of shifting out of the default tax regime provided under section 115BAC of the Income Tax Act, 1961. Indicate clearly the reasons for treatment of each item. 7

3. (a) Mr Aaradhya provided the following information in respect of his various house properties:

| Particular                | H1            | H2            | H3            |
|---------------------------|---------------|---------------|---------------|
| Used For                  | Self Occupied | Self Occupied | Self Occupied |
| Situated at               | Delhi         | Indore        | Mumbai        |
| Gross Municipal Value (₹) | 2,50,000      | 3,50,000      | 7,50,000      |
| Fair Rent (₹)             | 2,00,000      | 3,00,000      | 7,00,000      |
| Standard Rent(₹)          | 3,00,000      | 3,00,000      | 6,50,000      |
| Municipal Tax             | 15%           | 15%           | 15%           |
| Repairs (₹)               | 12,000        | 8,000         | 10,000        |
| Interest on Loan (₹)      | 70,000        | 1,50,000      | 2,50,000      |
| Loan Taken on             | 1998-99       | 1998-99       | 2019-20       |

He does not opt to be taxed under section 115BAC of the Income Tax Act, 1961. **Compute** the income from house property chargeable in the hands of Mr Aaradhya for the assessment year 2024-25. 7

- (b) Mr Aman engaged in retail trade of stationary items, reports a turnover of ₹ 2,99,00,000 for the financial year 2023-2024. Amount received in cash during the previous year 2023-2024 is ₹ 13,50,000 and balance through prescribed electronic modes on or before the due date for filing the return specified in section 139(1) of the Income Tax Act, 1961. His income from the said business as per books of account is ₹ 14,50,000 computed as per the provisions of Chapter IV-D, Profit and gains from business or profession of the Income Tax Act, 1961.

Retail trade is the only source of income for Mr Aman. Assessment year 2023-2024 was the first year for which he declared his business income in accordance with the provisions of presumptive taxation under section 44AD.

**Decide** whether Mr Aman is eligible for presumptive determination of his income chargeable to tax for the assessment year 2024-2025.

If so, determine his income from retail trade as per the applicable presumptive provisions.

**Indicate** clearly the reasons for treatment of each item.

7

4. (a) Ms. Kavita, an individual, sold an agricultural land for ₹ 40 lakh on 10.03.2024. The land is located at 3.6 kms (aerial distance) from the local limits of municipality whose population was 600000 according to the last preceding census. It was acquired by her on 30.06.2014 for ₹ 18 lakh.

She also sold a vacant land located in urban area for ₹ 75 lakh in June, 2023 and the value of land for stamp duty purposes was ₹ 80 lakh. This vacant land was obtained as gift from her father in May 2013 which was originally acquired by her father in October, 2001 for ₹ 12 lakh. The Fair Market Value (FMV) of the vacant land in May 2013 was ₹ 40 lakh.

Kavita deposited ₹ 30 lakh in section 54EC bonds on 25.03.2024.

Cost inflation index: F.Y. 2001-02 = 100; F.Y.2013-14 = 220; F.Y.2014-15 = 240, F.Y.2023-24 = 348.

Under the Income Tax Act, 1961 **compute** income from capital gains in the hands of Kavita for the assessment year 2024-25.

She does not opt to be taxed under section 115BAC of the Income Tax Act, 1961.

7

- (b) Mrs Bharti (aged 50 years), submits the information of following transaction/income during the previous year 2023-2024:

| S. No | Particulars                                                                                                                                                                                                                     | Amount (₹) |
|-------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| (i)   | Dividend received from co-operative society                                                                                                                                                                                     | 15,000     |
| (ii)  | Winning from game show 'Kaun Banega Punji-Pati' (Net of TDS)                                                                                                                                                                    | 87,500     |
| (iii) | Pension received from employer of deceased husband @ ₹ 5,000 per month                                                                                                                                                          | 60,000     |
| (iv)  | She purchased a painting for ₹ 65,000, although fair market value (FMV) was ₹ 80,000                                                                                                                                            | —          |
| (v)   | Rent received of a factory building along with plant and machinery (Mrs Bharti has spent ₹ 2,000 on repairs, ₹ 2,500 on insurance) Further, the depreciation on factory building is ₹ 5,000 and on plant & machinery is ₹ 3,500 | 95,000     |
| (vi)  | Rent received from a vacant plot of land                                                                                                                                                                                        | 80,000     |
| (vii) | Interest received on loan given to relative                                                                                                                                                                                     | 7,500      |

You are required to **compute** the income of Mrs Bharti chargeable under the head Income from other sources for the assessment year 2024-25, assuming Mrs Bharti exercise the option of shifting out of the default tax regime provided under section 115BAC.

7

5. (a) Mr Anupreet provides the following information of income/losses for the previous year 2023-24:

| S. No  | Particulars                                                   | Amount (₹) |
|--------|---------------------------------------------------------------|------------|
| (i)    | Salary income                                                 | 5,00,000   |
| (ii)   | Loss under the head house property                            | 2,20,000   |
| (iii)  | Profit from speculation business                              | 6,00,000   |
| (iv)   | Loss from non-speculation business                            | 3,00,000   |
| (v)    | Loss from other sources                                       | 3,00,000   |
| (vi)   | Loss from LTCG                                                | 1,50,000   |
| (vii)  | Profit from STCG                                              | 40,000     |
| (viii) | Carried forward loss of speculation business(P.Y. 2019-20)    | 3,50,000   |
| (ix)   | Unabsorbed depreciation of shut down business( P.Y. 2015-16 ) | 1,65,000   |

You are required to **compute** the total income of Mr Anupreet for the assessment year 2024-25 showing clearly the manner of set off and the items eligible for carried forward with reasons.

He filed his Income Tax Return on time every year. He does not opt to be taxed under section 115BAC of the Income Tax Act, 1961.

7

- (b) Mr Pawan, aged 36 years, a resident individual furnishes the following particulars of his income for the previous year 2023-2024:

| S. No | Particulars                                                                                                                          | Amount (₹) |
|-------|--------------------------------------------------------------------------------------------------------------------------------------|------------|
| (i)   | Annual value of let-out property                                                                                                     | 60,000     |
| (ii)  | Profit and gains from manufacturing business (After deducting normal depreciation of ₹ 8,000 and additional depreciation of ₹ 4,000) | 5,36,000   |
| (iii) | Interest received on fixed deposit from bank (Gross)                                                                                 | 1,00,000   |
| (iv)  | Interest received from company deposits (Gross)                                                                                      | 60,000     |
| (v)   | Saving bank account interest received by minor son of Mr Pawan                                                                       | 1,000      |

He contributed the following amounts by cheque:

| S No  | Particulars                                                        | Amount (₹) |
|-------|--------------------------------------------------------------------|------------|
| (i)   | Sukanya Samriddhi Account Scheme in the name of his minor daughter | 25,000     |
| (ii)  | Own contribution to Recognised Provident Fund                      | 30,000     |
| (iii) | Prime Minister's National Relief Fund                              | 20,000     |

You are required to calculate total taxable income and his tax liability for the assessment year 2024-2025 under the default tax regime under section 115BAC of the Income Tax Act, 1961 and optional tax regime as per the normal provisions of the Act.

**Advise** Mr Pawan whether he should pay tax under default tax regime under section 115BAC or normal provisions of the Act. 7

6. (a) State the difficulties / limitations in pre-GST regime in the context of indirect taxes, which were removed with the introduction of GST. 7

(b) Write a short note (meaning, functions and salient features ) on GST Network (GSTN). 7

7. (a) Mrs Pooja, running a fancy store and also a footwear showroom, is registered under GST in same PAN in the State of Uttarakhand. Mrs Pooja is not engaged in making any inter-State supply. Her aggregate turnover in the preceding financial year 2022-23 was ₹ 50 lakh from fancy store and ₹ 45 lakh from footwear showroom.

As per the provisions of GST law, **examine** the issue and provide the answers with supporting explanatory note to the followings:

- Is Mrs Pooja eligible to opt composition scheme in the financial year 2023-24?
- Whether it is possible for Mrs Pooja to opt composition scheme only for fancy store and normal scheme for footwear showroom?
- Rework, if Mrs Pooja is running a restaurant as well as fancy store, whether she is eligible for composition scheme, if aggregate turnover in the preceding financial year 2022-23 was ₹ 30 lakh from fancy store and ₹ 35 lakh from the restaurant service. 7

- (b) Mr Jay received an advance of ₹ 25,000 on 7th May, 2023 for supply of goods . He delivered the goods on 16th May, 2023. He raised an invoice of ₹ 75,000 on 20th June, 2023 and received the balance payment on the same day by NEFT in his bank account.

What will be the time of supply for above transaction under GST law for the purpose of payment of tax?

What will be your answer if the above information related to service instead of goods and Mr Jay would have provided services on 16th May, 2023? 7

8. (a) As per the provisions of GST law, **determine** the effective date of registration in the following independent cases:

- (i) The aggregate turnover of M/s Parwati and Company, Utensil Trader of Delhi has exceeded the applicable threshold limit of ₹ 40 lakh on 1st October, 2023. It submits the application for registration on 20th October, 2023. Registration certificate granted to it on 25th October, 2023.
- (ii) Mr Hardik is an architect in Jaipur (Rajasthan). His aggregate turnover exceeds ₹ 20 lakh on 25th September, 2023. He submitted the application for registration on 27th October, 2023. Registration certificate granted to him on 10th November, 2023.

Legal provision should form part of your answer. 7

- (b) Shyam Trade Company of Kolkata has imported one machine by Air from USA. Shyam Trade Company has given the following particulars related to this transaction:

| S. No | Particulars                                                                                                                       | Amount       |
|-------|-----------------------------------------------------------------------------------------------------------------------------------|--------------|
| (i)   | FOB value of the machine                                                                                                          | US \$ 25,000 |
| (ii)  | Air freight, loading, unloading & handling charges associated with the delivery of the imported goods to the place of importation | US \$ 3,000  |
| (iii) | Licence fee relating to imported goods, the buyer was required to pay in USA as a condition of sale                               | US \$ 500    |
| (iv)  | Design and engineering charges paid to consultancy firm in Mumbai                                                                 | ₹ 10,000     |
| (v)   | Buying commission paid in India                                                                                                   | ₹ 15,000     |
| (vi)  | Insurance charges paid to the insurer in India                                                                                    | ₹ 8,000      |
| (vii) | Demurrage charges for delay in clearing the machine from Airport paid by importer                                                 | ₹ 12,000     |

|                             |                                                                                                                   |
|-----------------------------|-------------------------------------------------------------------------------------------------------------------|
| Date of Bill of entry       | 30-07-2023<br>exchange rate as notified<br>by CBIC = ₹ 75 per US<br>\$, Rate notified by RBI<br>= ₹ 76 per US \$) |
| Date of arrival of aircraft | 10-08-2023<br>exchange rate as notified<br>by CBIC = ₹ 77 per US<br>\$, Rate notified by RBI<br>= ₹ 78 per US \$) |

You are required to **determine** the assessable value of machine imported by Shyam Trade Company under the Customs Act, 1962.

Show workings with explanations.

7