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FOR CA INTERMEDIATE EXAM PREPARATION

CA Intermediate 2021 Question Paper · Paper 4 Taxation

EXAM	YEAR	TYPE	SUBJECT
CA Intermediate	2021	Question Paper	Paper 4 Taxation

DATE

December 2021

IPCE (New Syllabus)
Paper - 4 Taxation

ETM2

DEC 2021

Roll No. .....

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 Questions in Part I are to be marked on the OMR answer sheet given on the Cover Page of Section A of descriptive answer book only. Answers to questions in Part II are to be written on the same descriptive type 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 Section A 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 type 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 type 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

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 2021-22, 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 questions in Section – B should be answered on the basis of position of GST law as amended by significant notification/circulars issued upto 30th April, 2021.

ETM2 **P.T.O.**

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PART – II

SECTION – A

1. Mr. Shivansh, a resident and ordinarily resident aged 61 years, is engaged in the business of manufacturing of motor parts. He is subject to tax audit under section 44AB of Income Tax Act, 1961. He has provided following information : **14**

Profit & Loss account for the year ended 31st March, 2021

Particulars	(₹)	Particulars	(₹)
To Administrative expenses	4,30,000	By Gross Profit	58,30,000
To Salaries & wages	20,00,000	By Profit on sale of asset of scientific research	2,00,000
To Interest on loans	7,50,000	By Winning from lottery (Net of TDS @ 30%)	31,500
To Depreciation	6,17,000		
To Professional fees	2,70,000		
To Rent, rates & taxes	2,80,000		
To Travelling & conveyance	1,40,000		
To Net Profit	15,74,500		
Total	**60,61,500**	**Total**	**60,61,500**

Explanatory information :

(i) Opening and closing stock of finished goods were undervalued by 10%. Opening stock of ₹ 4,50,000 and Closing stock of ₹ 5,58,000 was shown.

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(ii) Salaries & wages include following items :

(a) Contributed 20% of basic salary in National Pension Scheme referred to section 80CCD regarding salary paid to an employee Mr. Ganesh who has withdrawn basic salary of ₹ 3,00,000, and Dearness allowance is 40% of basic salary. 50% of Dearness allowance forms part of the salary.

(b) Some of the employees opted for retirement under the voluntary retirement scheme; a sum of ₹ 2,40,000 was paid to them on 1st January, 2021.

(iii) Interest on loan includes interest paid @ 15% per annum on loan of ₹ 12,00,000 which was taken from State Bank of India on 01.05.2020 for purchase of new electric car of ₹ 15,00,000. The car is used for personal purpose.

(iv) Depreciation allowable as per Income Tax Rules, 1962 is ₹ 4,50,000 but during the calculation of such depreciation following addition was not considered:

Motor car purchased for ₹ 3,00,000 for supply of finished goods to dealers on 25-08-2020.

(v) An asset was purchased for ₹ 6,00,000 on 17-11-19 for conducting scientific research and the deduction was claimed under section 35 of the Income-tax Act, 1961. This asset was sold on 05-09-2020 for a consideration of ₹ 8,00,000.

Other information :

A plot of Industrial land which was used by Mr. Shivansh for business purpose for last 10 years was compulsorily acquired by Central Government on 07.05.2020. The compensation of ₹ 12,00,000 was received on

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27.02.2021. Such property was purchased by him on 08.08.2005 for ₹ 2,00,000. He has purchased another plot of industrial land on 21.04.2021 for ₹ 6,00,000. Government has also paid ₹ 54,000 as interest on such compensation on 28.03.2021.

Cost Inflation Indices : FY 2020-21: 301, FY 2005-06: 117

Compute the total income and tax liability of Mr. Shivansh for the assessment year 2021-22 assuming that he has not opted provisions of section 115BAC. Ignore Provisions relating to AMT.

2. (a) Examine the tax implications of the following transactions for the assessment year 2021-22: (Give brief reason) 7

(i) Government of India has appointed Mr. Rahul as an ambassador in Japan. He received salary of ₹ 7,50,000 and allowances of ₹ 2,40,000 during the previous year 2020-21 for rendering his services in Japan. He is an Indian citizen having status of non-resident in India for the previous year 2020-21.

(ii) Ms. Juhi, a non-resident in India is engaged in operations which are confined to purchase of goods in India for the purpose of export. She has earned ₹ 2,50,000 during the previous year 2020-21.

(iii) Mr. Naveen, a non-resident in India, has earned ₹ 3,00,000 as royalty for a patent right made available to Mr. Rakesh who is also a non-resident. Mr. Rakesh has utilized patent rights for development of a product in India and 50% royalty is received in India and 50% outside India.

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(iv) Mr. James, a NRI, borrowed ₹ 10,00,000 on 01.04.2020 from Mr. Akash who is also non-resident and invested such money in the shares of an Indian Company. Mr. Akash has received interest @ 12% per annum.

(b) Ms. Mishika has entered into an agreement with M/s CVM Build Limited on 25.04.2017 in which she agrees to allow such Company to develop a shopping mall on land owned by her in New Delhi. She purchased such land on 05.05.2009 in ₹ 15,00,000. In consideration, M/s CVM Build Limited will provide 20% share in shopping mall to Mishika. The certificate of completion of shopping mall was issued by authority as on 26.12.2020. On such date, Stamp duty value of shopping mall was ₹ 4,14,00,000. Subsequently on 18.03.2021, she sold her 15% share in shopping mall to Mr. Ketav in consideration of ₹ 65,00,000. 7

She has also purchased a house on 09.05.2020 in consideration of ₹ 46,00,000 and occupied for own residence. Punjab National Bank has sanctioned a loan of ₹ 35,50,000 (80% of stamp value) at the interest rate of 12% per annum on 01.05.2020 and disbursement was made on 01.06.2020. She does not own any other residential house on the date of sanction of loan. Principal amount of ₹ 1,30,000 was paid during the financial year 2020-21.

Cost Inflation Indices: 2020-21: 301, 2009-10: 148

Compute total income of Ms. Mishika for the assessment year 2021-22 assuming that she has not opted provisions under section 115BAC.

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3. (a) State in brief the applicability of provisions of tax deduction at source, the rate and amount of tax deduction in the following cases for the financial year 2020-21 under Income Tax Act, 1961. Assume that all payments are made to residents : 4

(i) Mr. Mahesh has paid ₹ 6,00,000 on 15.10.2020 to M/s Fresh Cold Storage Pvt. Ltd. for preservation of fruits and vegetables. He is engaged in the wholesale business of fruits & vegetable in India having turnover of ₹ 3 Crores during the previous year 2019-20.

(ii) Mr. Ramu, a salaried individual, has paid rent of ₹ 60,000 per month to Mr. Shiv Kumar from 1st July, 2020 to 31st March, 2021. Mr. Shiv Kumar has not furnished his Permanent Account Number.

(b) Examine the following transactions with reference to applicability of the provision of tax collected at source and the rate and amount of the TCS for the Assessment year 2021-22. 4

(i) Mr. Kalpit bought an overseas tour programme package for Singapore for himself and his family of ₹ 5 lakhs on 01-11-2020 from an agent who is engaged in organising foreign tours in course of his business. He made the payment by an account payee cheque and provided the permanent account number to the seller. Assuming Kalpit is not liable to deduct tax at source under any other provisions of the Act.

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(ii) Mr. Anu doing business of textile as a proprietor. His turnover in the business is 11 crores in the previous year 2019-20. He received payment against sale of textile goods from Mr. Ram ₹ 75 lakhs against the sales made to him in the previous year and proceeding previous years. (Assuming all the sales are domestic sales and Mr. Ram is neither liable to deduct tax on the purchase from Mr. Anu nor he deducted any tax at source).

(c) Mr. Ravi, a resident and ordinarily resident in India, owns a let out house property having different flats in Kanpur which has municipal value of ₹ 27,00,000 and standard rent of ₹ 29,80,000. Market rent of similar property is ₹ 30,00,000. Annual rent was ₹ 40,00,000 which includes ₹ 10,00,000 pertaining to different amenities provided in the building. One flat in the property (annual rent is ₹ 2,40,000) remains vacant for 4 months during the previous year. He has incurred following expenses in respect of aforesaid property: **6**

Municipal taxes of ₹ 4,00,000 for the financial year 2020-21 (10% rebate is obtained for payment before due date.) Arrears of municipal tax of financial year 2019-20 paid during the year of ₹ 1,40,000 which includes interest on arrears of ₹ 25,000.

Lift maintenance expenses of ₹ 2,40,000 which includes a payment of ₹ 30,000 which made in cash.

Salary of ₹ 88,000 paid to staff for collecting house rent and other charges.

Compute the total income of Mr. Ravi for the assessment year 2021-22 assuming that Mr. Ravi has not opted provisions under section 115BAC.

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4. (a) Details of Income of Mr. R and his wife Mrs. R for the previous year 2020-21 are as under : 4

(i) Mr. R transferred his self-occupied property without any consideration to the HUF of which he is a member. During the previous year 2020-21 the HUF earned an income of ₹ 50,000 from such property.

(ii) Mr. R transferred ₹ 4,00,000 to his wife Mrs. R on 01.04.2006 without any consideration which was given as a loan by her to Mr. Girish. She earned ₹ 3,50,000 as interest during the earlier previous years which was also given as a loan to Mr. Girish. During the previous year 2020-21, she earned interest @ 11% per annuam.

(iii) Mr. R and Mrs. R both hold equity shares of 27% and 25% respectively in AMG Limited. They are also working as employees in such Company. During the financial year 2020-21 they have withdrawn a salary of ₹ 3,20,000 and 2,70,000 respectively.

(iv) Mrs. R transferred 5,000 equity shares of RSB Ltd. on 17.09.2013 to Mr. R without any consideration. The Company issued 3,000 bonus shares to Mr. R in 2016. On 04.03.2021, Mr. R sold entire share holdings and earned ₹ 5,20,000 as capital gains.

Apart from above income, Mr. R has income from commission ₹ 4,00,000 and Mrs. R has interest income of ₹ 3,30,000.

Compute Gross Total income of Mr. R and Mrs. R for the assessment year 2021-22.

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(b) Mr. X, an employee of the Central Government is posted at New Delhi. He joined the service on 1st February, 2017. Details of his income for the previous year 2020-21, are as follows : 6

(i) Basic salary : ₹ 3,80,000

(ii) Dearness allowance : ₹ 1,20,000 (40% forms part of pay for retirement benefits)

(iii) Both Mr. X and Government contribute 20% of basic salary to the pension scheme referred to in Section 80CCD.

(iv) Gift received by X's minor son on his birthday from friend : ₹ 70,000. (No other gift is received by him during the previous year 2020-21)

(v) During the year 2013-14, Mr. X gifted a sum of ₹ 6,00,000 to Mrs. X. She started a business by introducing such amount as her capital. On 1st April, 2020, her total investments in business was ₹ 10,00,000. During the previous year 2020-21, she has loss from such business ₹ 1,30,000.

(vi) Mr. X deposited ₹ 70,000 in Sukanya Samridhi account on 23.01.2021. He also contributed ₹ 40,000 in an approved annuity plan of LIC to claim deduction u/s 80CCC.

(vii) He has taken an educational loan for his major son who is pursuing MBA course from Gujarat University. He has paid ₹ 15,000 as interest on such loan which includes ₹ 5,000 for the financial year 2019-20.

Determine the total income of Mr. X for the assessment year 2021-22. Ignore provisions under section 115BAC.

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(c) Mr. Kailash, a resident and ordinarily resident in India, could not file his return of Income for the assessment year 2021-22 before due date prescribed under section 139(1). Advise Mr. Kailash as a tax consultant : 4

What are the consequences for non-filing of return of Income within the due date under section 139(1) ?

OR

Mr. Sitaram is engaged in the business of trading of cement having turnover of ₹ 10 crores during the financial year 2021-21. As a tax consultant advise him what are the particulars to be furnished under section 139(6A) along with Return of Income ?

SECTION – B

5. M/s ABC Ltd., a registered supplier in Surat, Gujarat and it has calculated output net GST liability after adjusting ITC in the books for the month of February 2021 : 8

CGST : ₹ 3,00,000

SGST : ₹ 2,50,000

IGST : ₹ 3,00,000

During the above month, the following additional information provided by M/s ABC Ltd :

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S. No.	Particulars	Amount (excluding GST) ₹
1	The company had given on hire 5 trucks to one of the transporters of Vadodara (a goods transport agency) for transporting goods for 10 days. The hiring charges for the trucks were ₹ 7,500 per truck per day	3,75,000
2	The company sold goods to X & Co. of Delhi on 6th January 2021 with a condition that interest @ 2% per month will be charged on invoice value if X & Co. failed to make payment within 30 days of the delivery of the goods. Goods were delivered and also the invoice was issued on 6th January 2021. X & Co. paid the consideration for the goods on 20th February along with applicable interest.	5,00,000
3	The company sought legal consultancy services for it's business from A & Advocates, a partnership firm of advocates situated at Bhuj, Gujarat.	1,50,000
4	The company ordered 3,000 packets of tools which are to be delivered by the supplier of Delhi via 3 lots of 1,000 packets monthly. The supplier raised the invoice for full quantity in February 2021 and the last lot would be delivered in April 2021.	5,00,000
5	The company supplied 10,000 packets of tools to one of it's customer at ₹ 10/- per packet in Gujarat in January 2021. Afterwards, the company re-values it at ₹ 9 per packet in February 2021 and the company issued credit note to the customer for ₹ 1 per packet.	

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The rate of GST is 9% CGST, 9% SGST and 18% IGST.

You are required to compute the actual net liability of GST to be paid in cash along with working notes for the month of February 2021.

6. (a) M/s AB Ltd., a registered company of Chennai, Tamil Nadu has provided following services for the month of October 2021 **6**

Particulars	Amount (₹)
Services of transportation of students, faculty and staff from home to college and back to Commerce College, (a private college) providing degree courses in BBA, MBA, B.Com., M.Com	2,50,000
Online monthly magazine containing question bank and latest updates in law to students of PQR Law College offering degree courses in LLB and LLM	1,00,000
Housekeeping services to T Coaching Institute	50,000
Security services to N Higher Secondary School	3,25,000
Services of providing breakfast, lunch and dinner to students of ABC Medical College offering degree courses recognized by law in medical field	5,80,000

All the above amounts are exclusive of GST.

Compute the taxable supplies of M/s AB Ltd. for the month of October 2021 with necessary explanations.

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(b) Q Ltd. is engaged exclusively in supply of taxable goods from the following states. The particulars of intra-state supplies for the month of May 2021 are as follows : **4**

STATE	TURNOVER (₹)
Madhya Pradesh	5,00,000
Gujarat	14,00,000
Tripura	12,00,000

(i) Q Ltd. seeks to know whether it is liable for registration under GST. Give your explanation.

(ii) Will your answer be different if Q Ltd. supplies only petrol & diesel from Tripura instead of any other taxable goods ?

7. (a) (i) An order is placed to T & Co., Sholapur on 18th August, 2021 for supply of fabrics to make garments. Company delivered the fabrics on 4th September, 2021 and after completion of the order issued the invoice on 15th September, 2021. The payment against the same was received on 30th September, 2021. Determine the Time of supply for the purpose of payment under CGST Act, 2017 with your explanations. **5**

(ii) HM Industries Ltd. engaged the services of a transporter for road transport of a consignment on 20th May 2021. However, the consignment could not be sent immediately on account of a strike in the factory, and instead was sent on 20th July 2021. Invoice was received from the transporter on 20th June 2021 and payment was made on 25th August 2021.

What is the time of supply of the transporter's service ?

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(b) M/s PQR Ltd., have filed their GSTR3B return for the month of August, 2020 within the due date i.e. 20.09.2020. It was noticed in October 2020 that tax dues for the month of August, 2020 have been short paid for by ₹ 10,000. The shortfall of ₹ 10,000 was paid through cash ledger and credit ledger amounting to ₹ 7,500 and ₹ 2,500 respectively while filing GSTR3B of October 2020 which was filed on 20.11.2020. **5**

(i) Examine and compute the Interest payable if any under the CGST Act, 2017.

(ii) What would be your answer if, GSTR-3B for the month of August 2020 had been filed belatedly on 20.11.2020 and the tax of ₹ 10,000/- has been paid on 20.11.2020 as above.

Note : Ignore the effect of the leap year. Electronic cash ledger and credit ledger carried sufficient balance for the above shortfall.

8. (a) Mr. Q, a Casual Taxable Person of Gujarat state is a trader of taxable notified handicraft goods. It makes supplies to the states of Maharashtra, Rajasthan and Andhra Pradesh. Turnover for October 2021 is ₹ 18 Lakhs. **5**

(i) Explain the provisions of registration for Casual Taxable person under GST. Examine whether Mr. Q is liable for registration or not ?

(ii) What will be the answer if Mr. Q makes trading in taxable notified products instead of taxable notified handicraft goods which involves 75% making on machine and 25% by hand ?

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(b) Is Dynamic Quick Response (QR) Code applicable to suppliers who issue invoice to unregistered persons ? If no, list the suppliers to whom Dynamic QR Code is not applicable. 5

OR

(i) What is 'e-invoicing' ?

(ii) What is the threshold limit for mandatory issuing of E-invoice for all registered businesses ?

(iii) A consignor hands over his goods for transportation on a Friday to the transporter. However, assigned transporter starts the movement of goods from consigner's warehouse to its depot located at distance of 600 Km. on Monday.

When will the e-way bill be generated and for how many days it will be valid ?

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