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FOR CS EXECUTIVE EXAM PREPARATION

CS Executive 2023 Question Paper · Tax Laws and Practice

EXAM	YEAR	TYPE	SUBJECT
CS Executive	2023	Question Paper	Tax Laws and Practice

DATE

December 2023

NEW SYLLABUS

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Roll No. .....

Time allowed : 3 hours ***Maximum marks : 100***

Total number of questions : 6 ***Total number of printed pages : 16***

NOTE : (1) *Answer **ALL** Questions.*

(2) ***ALL** the references to sections in Part-I of the Question Paper relate to the Income-tax Act, 1961 and relevant Assessment Year 2023-24 unless stated otherwise.*

(3) ***ALL** the references to sections in Part-II of the Question Paper relate to the Provisions of GST Law and Customs Act, 1962.*

(4) *Wherever necessary, suitable assumptions can be made and the same be stated clearly in the answer.*

(5) *Working notes should form part of the answer.*

PART—I

1. Vijay, an Indian Citizen, was living in Delhi since l972, he left for France on 1st August, 2017 and comes back on 2nd April, 2022. On the same day he joined BGH Industries Ltd., Delhi as a Chief Mechanic. He went to China for 15 days during the year in the month of July 2022.

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He furnishes following details for the previous year 2022-23 about his salary income :

Particulars	Amount (₹)
Basic Salary	1,22,000 p.m.
Dearness allowance (eligible for retirement benefits)	60,000 p.m.
Fixed medical allowance	5,000 p.m.
House rent allowance	25,000 p.m.
Transport allowance	2,000 p.m.

Bonus	2 months basic salary + DA
Club membership fee reimbursed by employer	14,000 p.a.
Residence telephone bill paid by employer	22,000 p.a.
Contribution of employer to recognized provident fund	15% of basic salary + DA
Two children of Vijay study in the school run by the company. The cost of education in the similar school for the year would be ₹1,24,000 and the employee paid ₹ 50,000 to the school by way of fee.	

Vijay gives the following information with respect to two loans taken by him from scheduled banks for various purposes :

(*i*) A housing loan of ₹ 34,00,000/- taken on 12th March, 2022 for the purchase of a house to be used for self-residence at a cost of ₹ 44,00,000/-. The stamp duty

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value of the house was ₹ 41,00,000/- at the time of purchase. Amount of repayment of loan during P.Y. 2022-23 was :

(A) towards principal - ₹ 1,22,000/-

(B) towards interest - ₹ 3,60,000/-

This is the first and only residential house owned by Vijay.

(*ii*) A vehicle loan of ₹ 18,00,000/- taken on 29th May, 2022 for the purchase of new electric car for personal use. Amount of repayment of loan during P.Y. 2022-23 was :

(A) towards principal - ₹ 80,000/-

(B) towards interest - ₹ 1,75,000/-

Besides these loans, he has also paid a sum of ₹ 9,000 to a political party as contribution. The entire amount was paid in cash.

Based on the facts of the case scenario given above, answer each of the following three parts treated as separately :

(*a*) Determine residential status of Vijay for the assessment year 2023-24, along with detailed workings.

(*b*) Compute income from salary of Vijay for the assessment year 2023-24, on the assumption that he has opted the scheme of section 115BAC.

(*c*) With reference to loans taken and contribution to political party, compute the amount of tax benefits/deduction(s) available to Vijay under various provisions of Income-tax Act, 1961 for A.Y. 2023-24, so that he gets the maximum benefits assuming that he does not opt to pay tax under section 115BAC.

(*5 marks each*)

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2. (*a*) BAC & Co. is a partnership firm, which sets up a new industrial unit in Noida. It incurs following expenditure in connection with the new unit :

S. No.	Particulars	Amount (₹)
(*i*)	Preparation of project report	3,00,000
(*ii*)	Market survey	6,00,000
	Total	9,00,000

Following further informations are available :

S. No.	Particulars	Amount (₹)
(*i*)	Cost of Project	40,00,000
(*ii*)	Capital employed in the new unit	45,00,000

Compute the deduction admissible to the firm u/s 35D of the Income Tax Act, 1961 for the assessment year 2023-24.

(*5 marks*)

(*b*) Varun has two let out properties, the details for the previous year 2022-23 are given as under :

Particulars	House-1 (₹)	House-2 (₹)
Municipal value	3,70,000	7,20,000
Fair rent	3,90,000	6,80,000
Standard rent under the Rent Control Act	4,20,000	6,90,000

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Actual rent	6,00,000	6,00,000
Municipal tax due for the year	30,000	1,20,000
Municipal tax of past years paid during the year	37,000	1,03,500
Interest on moneys borrowed C.Y.–paid	3,50,000	2,70,000
Interest on moneys borrowed C.Y.–not paid	1,10,000	90,000

Compute income under the head 'house property' in the hands of Varun for the assessment year 2023-24, assuming none opted to pay tax under section 115BAC.

(*5 marks*)

(*c*) Geet and Jeet are two minor sons of Raghav and Riya. Business income of Raghav is ₹ 3,40,000 and Salary income (computed) of Riya is ₹ 2,50,000. Income of Geet and Jeet from stage acting is ₹ 60,000 and ₹ 70,000 respectively. Besides interest on company deposits of Geet and Jeet (deposit was made out income from acting) are ₹ 40,000 and ₹ 1,000 respectively.

Geet and Jeet have also received the following birthday gifts during the financial year 2022-23 :

On 20th August, 2022, gift received by Jeet from his grandfather of ₹ 75,000.

On 14th November, 2022, gift received by Geet of ₹ 60,000 from Riya's friend and ₹ 80,000 from Riya's sister.

Compute the total income of Raghav, Riya, Geet and Jeet for the assessment year 2023-24, assuming that Raghav, Riya, Geet and Jeet does not opt to pay tax under section 115BAC.

(*5 marks*)

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3. (*a*) Nisha, a resident individual, provides following details of her income/losses for the year ended 31.03.2023 :

S. No.	Particulars	Amount (₹)
1.	Long-term capital gain on sale of equity shares computed in accordance with section 112A	9,95,000
2.	Interest on fixed deposit (gross)	73,000
3.	Loss from sugar business	8,70,000
4.	Speculation profit	2,40,000
5.	Lottery income (Net of TDS)	75,000
6.	Loss incurred by the firm in which she is a partner	1,60,000
7.	Salary received as a partner from partnership firm. The same was allowed to firm.	60,000
8.	Brought forward short-term capital loss on sale of gold	2,30,000
9.	Brought forward loss on sale of equity shares of the nature specified u/s 111A	25,000

Compute gross total income of Nisha for the assessment year 2023-24 and the amount of loss that can be carried forward, assuming that she does not opt to pay taxes u/s 115BAC.

(*5 marks*)

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(*b*) SM Services, a partnership firm consists of 2 working partners, Sunil and Murthy with 60% and 40% share, respectively. As per the partnership deed, they are eligible for interest on capital @ 15% p.a. on their capital contribution of ₹ 18 lakh each and remuneration of ₹ 55,000 p.m. to Sunil and ₹ 45,000 p.m. to Murthy. The firm is engaged in manufacturing business. During the year ended 31st March, 2023 the net profit as per profit and loss account was ₹ 25,36,000 before considering interest on capital and remuneration to partners as well as the following items :

S. No.	Particulars	Amount (₹)
(*i*)	Current year revenue expenditure on scientific research	2,20,000
(*ii*)	Brought forward business loss of A.Y. 2018-19	32,000
(*iii*)	Brought forward business loss of A.Y. 2014-15	40,000
(*iv*)	Unabsorbed depreciation of A.Y. 2011-12	58,000
(*v*)	Unabsorbed capital expenditure on scientific research relating to P.V. 2019-20	75,000
(*vi*)	Current year capital expenditure on scientific research	4,25,000
(*vii*)	Current year depreciation under section 32	3,72,000

You are required to compute the total income of SM Services for the assessment year 2023-24 after considering the above items.

(*5 marks*)

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(*c*) Rajendra, aged 47 years, a resident individual, engaged in a retail business of Stationary products furnishes the following particulars of his income for the previous year 2022-2023 :

S. No.	Particulars	Amount (₹)
(*i*)	Income from business	15,10,000
(*ii*)	LIC premium paid for dependent father, aged 75 years.	25,000
(*iii*)	Interest received from Public Provident Fund	15,000
(*iv*)	Interest from bank on savings bank account	22,000
(*v*)	Deposit in Public Provident Fund	1,30,000

You are required to calculate his tax liability and advise him whether he should opt for alternative tax regime under section 115BAC or not for assessment yera 2023-24.

(*5 marks*)

Attempt all parts of either Q. No. 4 or Q. No. 4A

4. (*a*) Explain the term ''return of loss'' under the Income-tax Act, 1961. Can any loss be carried forward even if return of loss has not been filed as required under section 139(3) of Income-tax Act, 1961 ?

(*5 marks*)

(*b*) ''Income deemed to accrue or arise in India to a non-resident by way of interest, royalty and fees for technical services is to be taxed irrespective of territorial nexus''. Examine the correctness or otherwise of the statement with reference to the provisions of Income-tax Act, 1961.

(*5 marks*)

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(*c*) Deepak furnished his return of income for the assessment year 2023-24 on 22nd July, 2023. Due to missing information for payment of taxes in the return of income, the Assessing Officer considers it defective under section 139(9) of the Income-tax Act, 1961 :

(*i*) What are the consequences if defect is not rectified within the time allowed ?

(*ii*) Specify the remedies available if defect not rectified within time allowed by the Assessing Officer ?

(*5 marks*)

OR (Alternate question to Q. No. 4)

4A. (*i*) Examine the applicability of tax deduction at source provision, the rate and amount of TDS in the independent following cases for the assessment year 2023-24 under the Income-tax Act, 1961. Assume that all payments are made to residents :

(*a*) Payment made by a company to Shanti Lal, sub-contractor, ₹ 3,50,000 with outstanding balance of ₹ 1,50,000 shown in the books as on 31st March 2023.

(*b*) Fee paid on 1st January, 2023 to Dr. Bhanawat by Kishan (HUF) ₹ 40,000 for surgery performed on a member of the family.

(*c*) Dhanpal wishes to purchase a residential house costing ₹ 60,00,000 from Priya. The house is situated at Mumbai. Both the buyers as well as the sellers are residents in India.

(*d*) Arun has paid ₹ 5,00,000 on 12th October, 2022 to Cool 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 ₹ 4 crore during the previous year 2022-23.

(*e*) Ravi, a salaried individual, has paid rent of ₹ 65,000 per month to Rajiv from 1st August, 2022 to 31st March, 2023. Rajiv has not furnished his Permanent Account Number.

(*5 marks*)

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(*ii*) Ajay, a property dealer, entered into an agreement with Mukesh to sell a plot on 6th April, 2022 for ₹ 55 lakh. He received an advance of ₹ 12 lakh from him on the date of agreement by account payee cheque. Transfer took place on 12th September, 2022. The valuation determined by the stamp valuation authority on the date of agreement and date of transfer was ₹ 59 lakh and ₹ 63 lakh, respectively. Mukesh has sold this plot to Deepti on 24th March, 2023 for ₹ 65 lakh. The valuation as per stamp valuation authority was ₹ 64 lakh on 24th March, 2023.

Discuss the tax consequences of above, in the hands of Ajay and Mukesh. Also, compute the capital gain in the hands of Mukesh.

Note : None of the parties viz Ajay, Mukesh & Deepti are related to each other; the transactions are between outsiders.

(*5 marks*)

(*iii*) Discuss with logical reasoning whether the following are capital or revenue receipts/ expenses :

(*a*) An amount of ₹ 1,60,000 was spent by a company for sending its production manager abroad to study new methods of production.

(*b*) B & Co. received ₹ 4,00,000 as compensation from C & Co. for premature termination of contract of agency.

(*c*) Payment of ₹ 60,000 as compensation for cancellation of a contract for the purchase of machinery with a view to avoid an unnecessary expenditure.

(*d*) R Company Ltd. instead of receiving royalty year by year, received it in advance in lump sum.

(*e*) An employee director of a company was paid ₹ 3,60,000 as a lump sum consideration for not resigning from the directorship.

(*5 marks*)

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PART-II

5. MNO & Co, a Partnership firm, is engaged in the manufacturing of equipment in the State of Gujarat. The firm became liable for registration under GST on 14th July, 2022. It applied for registration on 14th August, 2022 and was granted registration certificate by department on 18th August, 2022.

MNO & Co. supplied goods to Vikram Ltd. The terms of the contract stipulated that goods are delivered to the factory of Vikram Ltd. Goods were removed from the factory of MNO & Co. on November 9, 2022 and were delivered to the factory of Vikram Ltd. on November 15, 2022. Invoice was issued on November 18, 2022 and payment was credited to MNO & Co's account on December 20, 2022. However, the entry was made in the books when the cheque was received, that is on November 19, 2022.

MNO & Co, is dealing in taxable as well as exempted items. MNO & Co. has provided following information of a consignment which is to be supplied :

S. No.	Particulars	Amount (₹)
(*i*)	Taxable value of supplies indicated on tax invoice	28,000
(*ii*)	Value of exempted supplies shown separately in tax invoice in S No. (*i*) above	13,000
(*iii*)	Value of goods to be sent to job worker on delivery challan	16,000

Note :- All amount above are excluding GST.

MNO & Co. has also exported some equipment by air. The FOB price of goods exported is US $ 60000. The shipping bill was presented electronically on 17th October, 2022 and proper officer passed order permitting clearance and loading of goods for export (Let Export

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Order) on 29th November, 2022. The rate of exchange notified by Central Board of Indirect taxes and Customs (CBIC) on 17th October, 2022 and 29th November, 2022 are 1 US $ = ₹ 78 and 1 US $ = ₹ 77 respectively. Other details are as follows :

Particulars	Date	Rate of Duty
Presentation of shipping bill	17th October, 2022	12%
Let Export Order	29th November, 2022	10%

Based on the facts of the case scenario given above, answer the following questions with reference to GST law and Custom Law :

(*a*) What will be effective date of registration and also is there any requirement to issue revised invoices ? Correct legal provision should form part of your answer.

(*5 marks*)

(*b*) With reference to transaction with Vikram Ltd., determine the Time of Supply for the purpose of payment of Tax.

(*5 marks*)

(*c*) Decide whether in respect to goods supplied to Vikram Ltd. MNO & Co. needs to mandatory generate e-way bill or not ? Assume this is the case of intra-state and rate of tax on taxable goods to be CGST and SGST @ 9% each.

(5 marks)

(*d*) You are required to determine the export duty payable under Customs law in respect to explored equipment.

(*5 marks*)

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Attempt all parts of either Q. No. 6 or Q. No. 6A

6. (*a*) Rama Private Limited, Mumbai, a registered supplier, manufactures taxable goods. It provides the following details of taxable inter-State supply made by it during the month of March 2023 :

S. No.	Particulars	Amount (₹)
(*i*)	List price of taxable goods supplied inter-State (exclusive of taxes)	20,00,000
(*ii*)	Subsidy received from the Central Government for supply of taxable goods to government School {exclusively related to supply of goods included at S.No. (*i*)}	3,50,000
(*iii*)	Tax levied by Municipal Authority	20,000
(*iv*)	Special packing at the request of customer to be charged to the customer	15,000
(*v*)	Late fee paid by the recipient of supply for delayed payment of consideration (Recipient has agreed to pay ₹ 6,000 (plus GST @ 18%) in Lump Sum and no additional is payable by him over and above such amount)	7,080

The list price of the goods is net of the subsidies received. However, the other charges/ taxes/fee are charged to the customers over and above the list price. Rama Private Limited offers 3% discount on the list price of the goods which is separately shown in the invoice for the goods.

Calculate the total value of taxable supplies made by Rama Private Limited during the month of March, 2023 and assume the rate of IGST is 18%.

(*5 marks*)

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(*b*) Yash started the business of supplying shoes in the State of Karnataka from 1st April, 2022. He makes only intra-State supplies. His turnover for April-June quarter was ₹ 20 lakh and for July-September quarter was ₹ 110 lakh. Further, one-fourth of his total turnover in each of the quarter was exempt from GST. Being eligible for composition scheme, Yash got himself registered under the composition scheme with effect from 1st July, 2022.

You are required to compute the tax payable by Yash under composition scheme assuming that he is a manufacturer.

Will your answer be different if Yash is a trader ? Give your answer supported with the relevant provisions of the CGST Act, 2017.

(*5 marks*)

(*c*) Shyam Ltd., a registered person, is engaged in the business of spices. It provides following details in relation to GST paid on inward supplies procured by it during the month of March, 2023 :

S. No.	Particulars	Amount (₹)
(1)	Raw spices purchase	
	– Raw spices used for sale to customers	80,000
	– Raw spices used for personal use of directors	20,000
(2)	Electric machinery purchased for being used in the manufacturing process	35,000
(3)	Motor vehicle used for transportation of the employee (seating capacity 8 persons)	55,000
(4)	Payment made to contractor for construction of staff quarter.	2,00,000

Determine the amount of ITC that can be availed by Shyam Ltd. for the month of March, 2023 by giving the necessary explanation for treatment of various items. Subject to the information given above, all the other conditions necessary for availing ITC have been fulfilled.

(*5 marks*)

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(*d*) Calculate FOB Value, Cost of Insurance, Cost of Freight and Assessable Value under Custom Law, where only the CIF value is given as US $ 8,000. Exchange rate notified by RBI and CBIC are ₹ 78 and ₹ 79 respectively for one US $.

(*5 marks*)

OR (Alternate questions to Q. No. 6)

6A. (*i*) (*a*) Piyush is a supplier of taxable goods in Karnataka. He got registered under GST in the month of April, 2023 and wishes to pay his IGST liability for the month. Since he is making the GST payment for the first time, he is of the view that he needs to mandatorily have the online banking facility to make payment of GST; offline payment is not permitted under GST. You are required to advise him with regard to following issues :

(*i*) Are manual challans allowed under GST ?

(*ii*) What is the validity period of the payment challan ?

(*iii*) Is cross utilization among Major and Minor heads of the electronic cash ledger permitted ?

(*3 marks*)

(*b*) What will be the late fee (CGST + SGST) for delay in filing of Annual Return under section 44 of the CGST Act, 2017 for financial year 2022-23, if delay is for 47 days and turnover of the company was ₹ 5.20 crore during the relevant financial year.

(*2 marks*)

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(*ii*) A Government Department is registered under GST. Its aggregate turnover in the preceding financial year was ₹ 22 crore. You are required to comment with the help of relevant provisions whether the said Department is required to issue e-invoices in the current financial year or not ?

(*5 marks*)

(*iii*) ABT Ltd. has business places in 4 states of India and accordingly registered with the GST authorities in each state. One of its branch located in Karnataka defaulted for payment of tax for the month of March, 2023.

Upon conclusion of adjudication proceedings, the authorities believe that they can proceed for recovery U/S 79 of the CGST Act, 2017 against any of the registration of ABT Ltd. located in 4 states although the default is made by of its branch located in Karnataka only.

Comment on the view of the authorities and also state the various methods available for recovery of the amounts payable to department.

(*5 marks*)

(*iv*) GMEGA Events, an event management company registered under CGST Act, 2017 at Mumbai, organizes a marriage function for Rakesh of Hubli (Karnataka).

Determine the place of supply as per IGST Act, 2017 in the following independent cases :

(*i*) If Rakesh is registered at Hubli (Karnataka) and function held at London.

(*ii*) If Rakesh is registered at Hubli (Karnataka) and function held at New Delhi.

(*iii*) If Rakesh is unregistered person and function held at New Delhi.

(*iv*) If Rakesh is unregistered person and function held at London.

(*5 marks*)

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