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FOR CS EXECUTIVE EXAM PREPARATION

CS Executive 2024 Question Paper · Tax Laws and Practice

EXAM	YEAR	TYPE	SUBJECT
CS Executive	2024	Question Paper	Tax Laws and Practice

DATE

June 2024

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Roll No. .....

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

Total number of questions : 6 ***Total number of printed pages : 20***

NOTE : *1. Answer **ALL** questions.*

2. ALL the references to sections in part-I of the question paper relates to the Income-tax Act, 1961 and relevant assessment year 2024-25, unless stated otherwise.

3. ALL the references to sections in part-II of the question paper relates to the Provision of GST laws and the Customs Act, 1962.

4. Wherever necessary, suitable assumptions may be made by the candidate and stated clearly in the answer.

5. Working notes should form part of your answer.

PART–I

1. Bajrang (Age 50 years) a resident is engaged in the business of textile at Chennai. His wife Usha is employed in ABC Ltd as Accounts Officer. She furnishes you the following details for the year ended 31st March, 2024 :

Particulars	**Amount (₹)**
Basic salary - per month	1,20,000
Dearness allowance (50% eligible for retirement benefits) - per month	60,000
Lunch allowance - per month	10,000

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Medical allowance - per month	5,000
Children education allowance (₹ 2,000 per child for 2 children) - per month	4,000
Health club membership fee provided similarly to all staff by ABC Ltd. paid for whole year	20,000
House Rent Allowance - per month	30,000
Actual rent paid by her to Bajrang (husband) in Chennai - per month	40,000
Contribution to public provident fund ₹ 1 lakh in her account and ₹ 40,000 each in the name of two minor children	1,80,000
Bank FD interest	50,000
Savings bank account interest	15,000

Bajrang furnishes you the following details of income for the year ended 31st March, 2024 :

Particulars	**Amount (₹)**
Turnover from retail trade of garments (He does not maintain books of account for this business, whole of the sale money is received in cash only)	1,20,00,000
Rent from vacant site at Chennai	96,000

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Rent from house property at Chennai let out to wife Usha	4,80,000
Arrear salary received from Ex-employer	1,50,000
Gift received from relatives on the occasion of birthday	55,000
Gift of motor car from a friend outside India - cost of motor car	5,10,000
Eligible amount of brought forward business loss relating to wholesale trade of the assessment year 2022-23. This business was discontinued w.e.f. 01-04-2023.	3,00,000
Sold a vacant land (whose value for stamp duty purposes is ₹ 15 lakh) on 04-03-2024	14,00,000
The vacant land was acquired by his late father on 01-09-2010 for ₹ 2 lakh. Bajrang inherited the land on 05-06-2022 as per father's Will.	
Deposited in capital gain bond of REC Ltd. u/s 54 EC on 10-05-2024	9,00,000
Cost inflation index for F.Y. 2010-11 = 167; F.Y. 2022-23 = 331; F.Y. 2023-24 = 348	

Based on the facts of the above information, answer each of the following cases separately :

(*a*) Compute the taxable capital gain in the hands of Bajrang for the assessment year 2024-25.

(*3 marks*)

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(*b*) Compute the taxable HRA in the hands of Usha for the assessment year 2024-25, on the assumption that she has not opted the scheme of section 115 BAC.

(*2 marks*)

(*c*) Compute the total income of Bajrang for the assessment year 2024-25, on the assumption that he has not opted the scheme of section 115 BAC.

(*5 marks*)

(*d*) Compute the total income of Usha for the assessment year 2024-25, on the assumption that she has not opted the scheme of section 115 BAC.

(*5 marks*)

2. (*a*) Sanjay has a house consisting of two identical units. One unit is self-occupied and the other is let out for a monthly rent of ₹ 30,000 throughout the financial year 2023-24. Municipal tax paid during the year for the total house property amounts to ₹ 70,000 (which was paid by cash ₹ 30,000 and through online banking ₹ 40,000). The house property was constructed out of housing loan taken from SBI on 1st July, 2020 for ₹ 30 lakh @ 8% interest. The construction of property was completed on 30th March, 2022 and whole of the loan amount was still outstanding at that day. Interest on housing loan for the financial year 2023-24 was due but not paid.

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Compute Income from house property of Sanjay for the assessment year 2024-25, assuming he has not opted to pay tax under section 115 BAC.

(5 marks)

(*b*) Giriraj had purchased a residential site at Kanpur on 12th March, 2019 for ₹ 22 lakh. On 26th May, 2022, this asset was converted by him into stock-in-trade. On this date, the stamp duty valuation was ₹ 28 lakh. This asset was sold by him on 25th June, 2023 for ₹ 34 lakh to an outsider at arm's length price. The stamp duty valuation as on this date was ₹ 40 lakh. Brokerage at 2% on sales value was paid.

What are the incomes chargeable to tax for Giriraj in respect of these transactions and what will be the assessment year(s) in which they will be chargeable to tax ? The cost inflation indices for the various years are as under :

Financial Year	CII	Financial Year	CII
2018-19	280	2022-23	331
2019-20	289	2023-24	348

(*5 marks*)

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(*c*) Following details are provided for 2 (two) individuals Umesh and Suresh for the previous year 2023-24 :

Name	**Umesh**	**Suresh**
Age	50	62
Residential status	Resident	Non-resident
Cross receipt	72,00,000	60,00,000
Through Cash receipt	47,00,000	27,00,000
Through banking channel	25,00,000	33,00,000
Nature of activity	Retail Trade	Plying of 3 heavy goods carriages with capacity of 15 tonnes each
Brought forward loss	Long-term capital loss ₹ 1,00,000 relating to assessment year 2021-22.	₹ 90,000 relating to discontinued business loss of assessment year 2020-21.

Compute total income of Umesh and Suresh for the assessment year 2024-25 by applying the relevant presumptive provisions under section 44AD and 44AE, assuming none opted to pay tax under section 115 BAC.

(*5 marks*)

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3. (*a*) Laxmi (age 68) is a resident and retired pensioner of State Government. Her Income details for the financial year 2023-24 are as under :

S. No.	**Particulars**	**Amount (₹)**
(*i*)	Pension from State Government	6,80,000
(*ii*)	Family pension (her husband died 3 years ago)	1,20,000
(*iii*)	Dividend from Indian companies	90,000
(*iv*)	Interest on moneys borrowed for investment in shares of Indian companies referred in (iii) above.	35,000
(*v*)	Consultant fee for portfolio investments in shares of Indian companies, which fetched dividend income	10,000
(*vi*)	Agricultural income from land located outside India	60,000

Compute Total Income of Laxmi for the assessment year 2024-25, on the assumption that she has opted the scheme of section 115 BAC.

(*5 marks*)

(*b*) M/s WE & Co., is a proprietorship firm engaged in manufacture of an engineering product, at Chennai. On 12th January, 2023, it had purchased a new machinery for ₹ 10,00,000, which was immediately put to use.

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During the previous year 2023-24, it purchased the following assets for business purposes, from Indian sellers :

Date of purchase	**Type of asset**	**Amount (₹)**	**New or Second hand**
23rd May, 2023	Machinery	12,20,000	New
14th June, 2023	Motor car	12,80,000	New
12th January, 2024	Machinery	18,00,000	Second hand

The opening WDV of the block of plant and machinery, as on 1st April, 2023 was ₹ 32,00,000 (include the machinery purchase on 12th January, 2023).

Compute the total depreciation allowable as per the provisions of section 32 for the assessment year 2024-25. All the assets were put to use immediately after purchase. Normal rate of depreciation for all these assets may be taken as 15%. The firm has not opted the scheme of section 115 BAC.

(*5 marks*)

(*c*) Ramesh working in ABC Pvt. Ltd draws the following amount by way of salary for the previous year ended 31st March, 2024 :

(*i*) Basic salary ₹ 1,25,000 per month.

(*ii*) Commission on sales @ 2% on sale made by him, Commission amount ₹ 40,000 (per annum).

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(*iii*) Employer's contribution to Recognized Provident Fund (RPF) ₹ 3,00,000.

(*iv*) Employer's contribution to National Pension Scheme (NPS) ₹ 1,00,000.

(*v*) Employer's contribution to Superannuation Fund ₹ 2,00.000.

(*vi*) The company has given him a housing loan of ₹ 15,00,000 on 1st June, 2023 on which it charges interest @ 6% per annum. The entire loan is still outstanding.

(Assume the interest charged by SBI for same kind of home loan is 9.5% p.a.)

Compute the Income chargeable to tax under the head of Salary for the assessment year 2024-25 on the assumption that Ramesh has not opted for section 115 BAC.

(*5 marks*)

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

4. (*a*) What are the provisions for clubbing of income of a minor child under section 64(1A) of Income Tax Act, 1961 ? Mention the cases where income of minor child is taxable in the hands of minor himself.

(*5 marks*)

(*b*) Explain the provisions relating to advance payment of income-tax and its due date under Income Tax Act, 1961 .

(*5 marks*)

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(*c*) State the person by whom the Return of income to be furnished under section 139 of the Income Tax Act, 1961 has to be signed, in the case of the following persons, as per section 140 :

(*i*) When an individual is unable to verify due to ill health;

(*ii*) In case of HUF, when the karta is unable to verify;

(*iii*) Scientific research association;

(*iv*) Limited liability partnership;

(*v*) Political party.

(*5 marks*)

OR (Alternative question to Q. No. 4)

4A. (*i*) Following is the Profit and Loss account of Vinod for the year ended 31st March, 2024 :

Particulars	**Amount** (₹)	**Particulars**	**Amount** (₹)
To Administrative expenses	1,50,000	By Gross profit	11,50,000
To Income-tax	45,000	By Agricultural income	70,000
To Depreciation	60,000	By PPF interest	80,000
To Interest paid to non-resident	30,000		
To Provision for bad debts	3,10,000		
To Life insurance premium (self)	30,000		
To Net profit	6,75,000		
	13,00,000		13,00,000

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Other Information :

(1) Depreciation allowable as per section 32 is ₹ 52,000.

(2) No tax was deducted on interest paid to non-resident.

(3) Amount of ₹ 25,000 due to MSME relating to purchase of goods in December, 2023 was outstanding as on 31st March 2024. It is pending beyond the time period under MSMED Act, 2006.

Compute the Total Income of Vinod for the assessment year 2024-25, on the assumption that he has not opted for section 115 BAC.

(*5 marks*)

(*ii*) Briefly state the applicability of TDS provision and the effective rate of TDS in the following cases :

(*a*) Rent paid for business premises by a partnership firm to individual X resident in India ₹ 3,60,000.

(*b*) Call Centre charges paid by a company in Mumbai to another company located in Bengaluru ₹ 60,000.

(*c*) Carton boxes manufactured by ALT & Co, Sivakasi with logo of MN Co Ltd and amount paid ₹ 5 lakh is inclusive of materials.

(*d*) Purchase agent commission paid to Lal of Delhi ₹ 70,000 by AMC Pvt. Ltd, Goa.

(*e*) Directors sitting fees ₹ 20,000 each paid to 5 directors by Rama Pvt. Ltd, Chennai.

(*5 marks*)

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(*iii*) Mrs. Tina is an Indian citizen and holder of Indian passport. For the past 7 years, she has been living in Dubai, where there is no personal income-tax. During the previous year 2023-24, she migrated back to India on 1st Jan., 2024. In immediate four earlier years, she has stayed in India for 56 days.

During the previous year 2023-24, she has earned gross salary income of ₹ 9,00,000 in Dubai. After she returned to India her friends gave her a grand reception and presented her cash gifts of ₹ 21,00,000.

You are required to determine the residential status of Mrs. Tina and her total income for the AY 2024-25.

(*5 marks*)

PART–II

5. Majumdar Industries is a partnership firm located in Jaipur. It is presently engaged in manufacture of machinery parts. Industries has given the following information relating to input tax credit for the month of December, 2023.

Particulars	**GST Amount (₹)**
Purchase of raw material received in two equal instalments viz. the first one in December, 2023 and the second instalment in January, 2024	5,50,000
Purchase of consumables delivered directly to the job workers. Only invoice was received by the firm.	1,50,000

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Purchase of bus (seating capacity 18) for transport of employees from residence to factory and back.	8,40,000
Input tax credit in respect of general insurance for motor cars of the firm used by Chief Engineers and Supervisors for official work.	12,000
Payment made to ABC Caterers for providing breakfast and lunch to the workers as voluntary staff welfare measure.	60,000

Now it is proposing to add trade in textile goods in addition to such manufacturing activity in Kota (Rajasthan) w.e.f. 1st April, 2024. Also, it proposes to open its machinery parts rnanufacturing activity in places such as Udaipur, Jodhpur and Bikaner (all places located within the State of Rajasthan). The management wants to obtain separate GST registration for the said multiple places of business. As regards trade in textile goods, it would be on pan India basis and it has appointed you as GST consultant.

From June, 2024 Majumdar Industries is further planning to send the raw materials and semi-finished goods to job workers across Rajasthan for scaling up its production quantity of machinery parts. For the purpose of manufacture of the goods it would also send moulds and dies, jigs and other tools to the job workers for getting the product manufactured as per specifications and to achieve uniformity in production.

As a GST Consultant, you are required to give the following answers with reference to GST Law :

(*a*) Determine the eligible input tax credit available to Majumdar Industries for the month of December, 2023 by giving brief explanations for treatment of various items.

(*5 marks*)

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(*b*) State the time limit for return of semi-finished goods sent to job workers including moulds and dies given to them. When would such movement be treated as supply of goods ?

(*5 marks*)

(*c*) State the conditions to be satisfied by Majurndar Industries seeking separate registration for different places of business within the same State.

(*5 marks*)

(*d*) When should the E-way bill be generated ? Mention the salient features of e-way bills.

(*5 marks*)

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

6. (*a*) Determine the time of supply under the GST provisions in the following situations :

(*i*) X & Co., a registered supplier, rendered taxable service for ₹ 90,000 on 15-08-2023. Invoice was issued on 10-09-2023, 50% of Payment was received on 05-09-2023 and balance 50% received on 05-10-2023.

(*ii*) Lalit purchased some goods covered under reverse charge mechanism. The goods received on 15-07-2023, date of invoice is 20-06-2023 and the payment is made on 25-07-2023.

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(*iii*) Sujata engineering services received advance of ₹ 50,000 from clients on 27-12-2023 for service to be rendered on 01-04-2024.

(*iv*) PQR Ltd entered into an arrangement with 'Fashion Mart' and bought vouchers on 15-03-2024. It distributed these vouchers with denomination of ₹ 5,000 each to every employee on 20-03-2024 and the vouchers were valid till 30-04-2024 for purchase of any garment of their choice. The employees used the vouchers before the said date i.e., 30-04-2024.

(*v*) Manoj bought a voucher from Shoppers Paradise for ₹ 10,000 and gifted to Arun on 28-03-2024. The voucher was valid for purchase of any item in the shop but valid till 27-04-2024. Arun redeemed the vouchers at the nearby Shoppers Paradise on 20-04-2024.

(*5 marks*)

(*b*) State which of the following supply of service is a taxable service or exempt service for the financial year 2023-24, with reference to the provisions of CGST Act, 2017.

(*i*) ABC Pvt. Ltd sold a division engaged in manufacture of cement as a going concern to XYZ Pvt. Ltd for ₹ 50 lakh on slump sale basis.

(*ii*) Moon Pvt. Ltd paid ₹ 50,000 to Pandit for conducting Diwali pooja in the factory premises.

(*iii*) Ajay Enterprises paid ₹ 2,00,000 to Kongu Incubate for the services rendered by it. The total turnover of Kongu Incubate was ₹ 93 lakh during the financial year 2022-23 and the agreement between the parties was entered into on 01.08.2021.

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(*iv*) Mahesh & Co availed services of Rishi & Co for fumigation in its warehouse (where it has stored agricultural produce) and paid ₹ 3 lakh during the financial year 2023-24.

(*v*) Larry Ltd engaged an artist for performance in folk art theatre performance on the occasion of its founder's day celebration and paid ₹ 1.85 lakh as consideration to the artist group by name 'Megha Theatres'.

(*5 marks*)

(*c*) Determine the Value of Supply with reference to the provisions of the CGST Act, 2017 for the following independent cases :

(*i*) State Government authorized a lottery where the face value per ticket was ₹ 640. The price notified in the official gazette was ₹ 450 per ticket.

(*ii*) A money changer exchanged USD 10,000 sold by a customer @ ₹ 80 per USD. The RBI reference rate for USD was ₹ 78 for that day.

(*iii*) An air travel agency charged ₹ 60,000 as basic fare and ₹ 3,000 as other charges and fee and ₹ 2,000 by way of taxes for domestic booking.

(*iv*) X & Co supplied a mobile handset for ₹ 30,000 along with an exchange of an old handset. The price of new phone without exchange would be ₹ 35,000.

(*v*) Y Ltd supplied goods to its agent who is also acting as agent for other suppliers. The goods of like kind and quality were subsequently supplied by agent at a price of ₹ 5,000 per unit on the day of supply. Another independent supplier supplied the same goods of quality and kind at a price of ₹ 4,600 per unit.

(*5 marks*)

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(*d*) Madhav Ltd imported a machinery from USA for which the payment was made in USD. The following details are furnished :

Particulars	**Amount (USD)**
Cost of machine at the factory of the exported country	50,000
Transport charges incurred by exporter from his factory to port for shipment	3,000
Handling charges paid for loading the machine in the ship	500
Designing charges for the machine paid in USA	9,500
Buying commission paid to the agent	22,500
Air freight charges from USA to port in India	8,000
Insurance charges could not be ascertained	
RBI Exchange rate as on date of bill of entry was 1 USD = ₹ 81	
CBIC Exchange rate notified as on date of bill of entry was 1 USD = ₹ 80	

Find out the assessable value of the imported goods under the Customs Act, 1962 for Madhav Ltd.

(*5 marks*)

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OR (Alternative question to Q. No. 6)

6A. (*i*) (*a*) Abdut & Co is engaged in manufacture of plastic items supplied 10,000 units to Khan & Co. It gave usually 1% discount in respect of supplies upto 5,000 units and 2% discount for supplies above 5,000 units to 10,000 units. As a special case, it gave 4% discount to Khan & Co since the order was placed in one lot for 10,000 units. This discount was based on the agreement entered into between the parties and after completion of total supply of units. It was not shown in the invoice. Explain how the supplier and receiver i.e., Abdul & Co and Khan & Co respectively should deal with the discount with regard to supply.

(*3 marks*)

(*b*) Deepak supplied biscuits to Arnold & Co regularly. It supplied 10,000 packets @ ₹ 20 per packet in the month of June 2023. Due to financial crises Arnold & Co could not make payment to Deepak. Later, it was negotiated and the parties agreed the price @ ₹ 19 per packet. Arnold & Co make the payment accordingly on 10th September, 2023. Deepak issued a credit note on difference amount on same date. Assume the CST rate @ 18% determine the taxable value of supply of the transaction.

(*2 marks*)

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(*ii*) Lamb & Co. commenced business in retail trade of electronic goods on 5th June, 2023. It applied for registration under regular scheme on the same day. The goods are liable for CGST @ 9% and SGST @ 9%. Its turnover for the year ended 31st March, 2024 was ₹ 72 lakh. It was decided that it would opt for composition levy for the financial year 2024-25. It has input tax credit balance available in electronic credit ledger on 31st March, 2024 was ₹ 30,000 in CGST and ₹ 18,000 in SGST.

State the procedure and other requirements to be followed by Lamb & Co. for change over to composition scheme for financial year 2024-25.

(*5 marks*)

(*iii*) B Homes Ltd., was planning to construct a ten storied building complex in Pune. It obtained permission from the Corporation for the same. Another firm J Constructions was constructing a six storied building in the adjacent area. Since the ten storied structure may affect the ventilation of its flats, J Construction approached B Homes Ltd. with a proposition of giving up construction of 4 floors, for which it agreed to pay one time compensation of ₹ 75 lakh. B Homes Ltd. accepted the offer and received the compensation.

Examine whether the aforesaid compensation will attract GST liability. If yes, compute the same, assuming that the applicable SGST and CGST is 9% each. Your answer should also contain the conditions to be complied with, if any.

(*5 marks*)

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(*iv*) State with reasons, whether the following statements are true or false, under Customs Act, 1962 :

(*a*) Customs area include warehouse.

(*b*) Customs station does not include international courier terminal.

(*5 marks*)

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