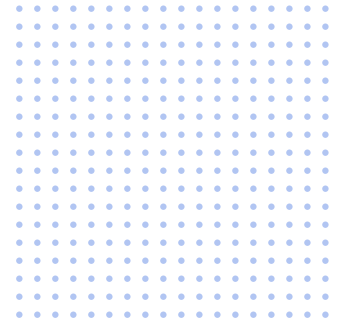




FOR CMA INTERMEDIATE EXAM PREPARATION

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

EXAM	YEAR	TYPE
CMA Intermediate	2024	Question Paper
SUBJECT	DATE	
Paper 7 Direct and Indirect Taxation	December 2024	

INTERMEDIATE EXAMINATION

December 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 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) Mr. Sunil's minor daughter earned ₹ 50,000 from her special talent. Under the Income Tax Act, 1961, This income will be clubbed with—
 (A) The income of Mr. Sunil
 (B) The income of Mrs. Sunil
 (C) Mr. Sunil or Mrs. Sunil, whoever's income is higher
 (D) It will not be clubbed
- (ii) As per the Income Tax Act, 1961, in case of loss, a partnership firm may claim deduction in respect of remuneration paid to partner to the extent of
 (A) ₹ 1,50,000/-
 (B) ₹ 1,50,000/- or actual remuneration, whichever is lower.
 (C) ₹ 1,50,000/- or 90% of book profit, whichever is lower.
 (D) Nil
- (iii) As per the Income Tax Act, 1961, income from saplings shall be considered as _____.
 (A) Agricultural income
 (B) Business income
 (C) partly agricultural income and partly business income
 (D) income from other sources
- (iv) Exemption under section 54 of the Income Tax Act, 1961 is available to
 (A) all assessees.
 (B) individuals only.
 (C) individual as well as HUF.
 (D) all assessees other than a company.

P-7(DITX)
Syllabus 2022

(2)

- (v) Mr. Nitin had bought a laptop for ₹ 50,000 on 01.04.2021 for his personal use. He started using this laptop for his business purposes only since 02.05.2023. On that date, the market value of the laptop was ₹ 40,000. What is the amount of depreciation allowable to him under the Income Tax Act, 1961 for the financial year 2023-24 assuming the rate of depreciation to be 40%.

- (A) ₹ 20,000
- (B) ₹ 16,000
- (C) ₹ 7,200
- (D) ₹ 2,880

- (vi) Mr. Raina, a resident individual, files all his income tax returns on time. He has opted for default tax regime under section 115BAC of the Income Tax Act, 1961 for the Assessment year 2024-25. During the year he withdrew the following sums in cash from his savings bank account maintained with ABC Bank (ABC Bank is not a co-operative bank):

23rd June, 2023 : ₹ 1.50 Crore

26th September, 2023: ₹ 1 Crore

Which of the following statements is correct in this respect?

- (A) There is no tax/ TDS implication in this case.
- (B) ABC Bank will need to deduct TDS at the rate of 2%.
- (C) ABC Bank will need to deduct TDS at the rate of 5%.
- (D) ABC Bank will need to deduct TDS at the rate of 1%.

- (vii) As per the GST law, renting of precincts of a religious place meant for general public owned or managed by a charitable or religious trust u/s 12AA of the Income Tax Act, 1961, shall be exempt if

- (A) Renting of rooms where per day charges are less than ₹ 1,000.
- (B) Renting of shops or other spaces for business or commerce where charges per month are less than ₹ 10,000.
- (C) Renting of premises, community halls or open area, where charges per day are less than ₹ 10,000.
- (D) All of the above

(3)

P-7(DITX)
Syllabus 2022

- (viii) A hotel owner provided accommodation in Haryana, through an Electronic Commerce Operator (ECO). The hotel owner is not liable to get registered as per the provisions of section 22(1) of the CGST Act, 2017. Who is the person liable to pay GST in this case?
- (A) Hotel Owner
 - (B) Electronic Commerce Operator (ECO)
 - (C) Customer
 - (D) Both by Hotel owner and Electronic Commerce Operator (ECO)
- (ix) The items which will be taxable both under current central excise law and new GST even after the implementation of the GST law:
- (A) Motor Spirit
 - (B) Alcoholic Liquor for Human Consumption
 - (C) Tobacco and Tobacco products
 - (D) Natural Gas
- (x) As per the GST law, tax invoice shall be prepared in _____ in case of supply of goods and in _____ in case of supply of services.
- (A) duplicate, duplicate
 - (B) duplicate, triplicate
 - (C) triplicate, duplicate
 - (D) triplicate, triplicate
- (xi) As per the Customs Act, 1962, Goods which are same in all respects, including physical quantity is known as:
- (A) Identical Goods
 - (B) Similar Goods
 - (C) Alike Goods
 - (D) None of the above
- (xii) The maximum threshold limit for eligibility under composition scheme for supplier of services under section 10(2A) of the CGST Act, 2017 is
- (A) ₹ 40 lakh
 - (B) ₹ 50 lakh
 - (C) ₹ 1 crore
 - (D) ₹ 1.50 crore

P-7(DITX)
Syllabus 2022

(4)

- (xiii) Mr. Prashant works with ABC Ltd. as a Senior Manager since 1.4.2019. On 11.05.2023, the company gave him a cash gift of ₹ 55,000 for his contribution in acquiring a new client. Which of the following statements is correct with reference to GST law?
- (A) The gift received from employer is fully exempt from GST.
 - (B) The gift received from employer is fully taxable under GST as the amount exceeds ₹ 50,000.
 - (C) The gift received from employer is exempt under GST as the amount does not exceed ₹ 1,00,000.
 - (D) The gift received from employer is fully taxable under GST as the amount exceeds ₹ 25,000.
- (xiv) As per section 2(28) of the Customs Act, 1962, "Indian customs waters" means the waters extending into the sea up to
- (A) the limit of Exclusive Economic Zone.
 - (B) 24 NM from baseline.
 - (C) 12 NM from baseline.
 - (D) 100 NM from baseline.
- (xv) Mr. Nitesh, a composition dealer under GST exceeded the specified turnover to be eligible for composition scheme on 1st December 2023. Which of the following statements is correct in this respect?
- (A) He has to intimate the tax authorities and start paying tax under the regular scheme from the first day of the next financial year, i.e., 1st April 2024.
 - (B) The permission granted to him is deemed to be withdrawn from the day his turnover crosses the specified limit and he shall be liable to pay tax under the regular scheme from that day itself, i.e., 1st December, 2023.
 - (C) He has to intimate the tax authorities and start paying tax under the regular scheme from the first day of the next month, i.e., 1st January, 2024.
 - (D) The permission granted to him is deemed to be withdrawn from the day his turnover crosses the specified limit and he shall be liable to pay tax under the regular scheme from the first day of the next financial year, i.e., 1st April, 2024.

(5)

P-7(DITX)
Syllabus 2022**Section – B****(Answer any five questions out of seven questions given.)****Each question carries 14 Marks****14×5=70**

2. (a) Briefly discuss with reference to Income Tax Act, 1961 whether the followings are capital / revenue receipts/ expenditure for the Assessment Year 2024-25:
- Mr. Ratan was employed with a start-up company. The company paid ₹ 12 lakh as salary to him out of the capital account balance.
 - Miss Sunita entered into a bond with her employer company whereby the employer company paid her salary in advance for 3 years, ₹ 30 lakh, on 30.06.2023.
 - Mr. Desai purchased a car for the purpose of his business from Mr. Dhawal, who is a car dealer.
 - Miss Shreya operates her profession from a rented office. She got this office painted and spent ₹ 1,00,000 on such painting. The paint will last for 5 years.
 - M/s ABC Ltd. entered into a purchase agreement with the builder of a factory building. On 31st October, 2023, the builder paid ₹ 10 lakh to M/s ABC Ltd. as compensation for delay in giving possession of the factory building. This compensation was decided as per the terms of the agreement between them. 7
- (b) Mr. Kaul, aged 60 years, retired from a private company on 1st February, 2024. He served as a General Manager in this company for 25 years and 6 months. He was drawing a basic salary of ₹ 95,000 p.m. since 1st January, 2022, dearness allowance of 12% of basic salary (30% forms part of the salary for retirement benefits). He received the following emoluments upon retirement:
- Gratuity: ₹ 25,00,000 (he is covered by the Payment of Gratuity Act.)
 - Leave Salary: ₹ 12,00,000
(He was entitled to 2 months leaves per year of service. He took a total of 12 months leave).
 - Commutated pension: ₹ 4,50,000
- You are required to compute his income chargeable under the head 'Salary' for the Assessment Year 2024-25 assuming he opted out of default tax regime under section 115BAC of the Income Tax Act, 1961. 7

P-7(DITX)
Syllabus 2022

(6)

3. (a) Mr. Ramesh aged 55 years, is an owner of a residential house property. The following particulars of the house for the previous year 2023-24 are as under:

Particulars	Amount (₹)
Municipal value of the property	9,00,000
Fair rent	7,50,000
Standard rent under the Rent Control Act	8,50,000

The above property was let out for ₹ 70,000 per month for the period April 2023 to January 2024.

Thereafter, the tenant vacated the property and Mr. Ramesh used the house for self-occupation. Rent for the month of January, 2024 could not be realized from the tenant. Mr. Ramesh has not instituted any legal proceedings for recovery of the unpaid rent.

Mr. Ramesh paid municipal taxes @ 10% during the year and paid interest of ₹ 35,000 during the year for amount borrowed towards repairs of the house property.

Calculate the income from 'House property' chargeable in the hands of Mr. Ramesh for the Assessment Year 2024-25. Assuming Mr. Ramesh exercise 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

- (b) M/s T and U & Co. is a partnership firm having 2 equal partners, Taresh and Umesh. The firm furnishes the following Profit and Loss Account to you relating the Financial Year 2023-24:

Particulars	Amount (₹)	Particulars	Amount(₹)
Rent paid	45,000	Gross Profit	10,50,000
Salary paid to employees	36,000	Rent received from let out property	3,60,000
General expenses	60,000		
Depreciation	42,000		
Payment to partners:			
(a) Interest to Taresh	3,00,000		
(b) Salary to Umesh	6,40,000		
Net profit	2,87,000		
	14,10,000		14,10,000

Additional Information:

1. The firm has a brought forward business loss amounting to ₹ 20,000 and unabsorbed depreciation of ₹ 40,000, both relating to Assessment Year 2023-24.

(7)

P-7(DITX)
Syllabus 2022

2. Interest is paid to Taresh at the rate of 16% p.a. The firm took a loan from Taresh. The Schedules banks in India charge interest at the rate of 20% for the similar loan. The partnership deed does not contain any clause relating to payment of interest to any partner.
3. The partnership deed authorises Umesh to receive salary as a working partner.
4. General expenses include ₹ 40,000 paid to Mr. Som on which TDS needed to be deducted but not deducted.
5. Depreciation as per the Income Tax Rules is ₹ 54,000.

You are required to compute the income under the head 'Profits and gains from business or profession' in the hands of M/s T and U & Co. for the Assessment Year 2024-25. 7

4. (a) Mrs. Parul sold her commercial plot (land) on 1st January, 2024 for ₹ 86,00,000. Value determined for the purpose of stamp duty is ₹ 80,00,000.

Such plot is acquired on 1st April, 2006 for ₹ 1,05,000. Brokerage paid on purchase and transfer of said land are ₹ 5,000 and ₹ 86,000 respectively.

On 1st March, 2024, Mrs. Parul purchased Power Finance Corporation (PFC) Limited bonds of ₹ 60,00,000.

You are required to compute income taxable under the head 'Capital Gains' for Assessment Year 2024-25 in the hands of Mrs. Parul. Assuming Mrs. Parul exercise the option of shifting out of the default tax regime provided under section 115BAC of the Income Tax Act, 1961.

Cost inflation index for the various financial years are as under:

2005-2006	: 117
2006-2007	: 122
2007-2008	: 129
2023-2024	: 348

Indicate clearly the reasons for treatment of each item. 7

- (b) Mr. Ajit, a resident Indian aged 55 years, a Cost and Management Accountant (CMA), shares the following information about his income during the financial year 2023-24:
- (i) Amount received from evaluation of answer books of professional examinations: ₹ 70,000. Expenses incurred for earning this income like cost of stationery etc. ₹ 1,200.
 - (ii) Income tax refund relating to A.Y. 2023-24 : ₹ 45,000 including interest amounting to ₹ 7,000.
 - (iii) Cash gift received from his friend on his marriage anniversary: ₹ 76,000.
 - (iv) Gift received from his son, Mr. Abhijit: ₹ 1,30,000 in cash.

P-7(DITX)
Syllabus 2022

(8)

- (v) Amount received from letting out of residential house property: ₹ 50,000 p.m.
- (vi) Dividend received (gross) from listed Indian companies: ₹ 65,000
- (vii) Interest expenses on loan taken to buy the shares on which dividend is received: ₹ 15,000

Compute the income chargeable under the head 'Income from other sources' in the hands of Mr. Ajit for the Assessment Year 2024-25 by briefly giving reasons wherever applicable, assuming he has opted for default tax regime under section 115BAC of the Income Tax Act, 1961.

7

5. (a) Mr. Sumeet, a resident individual aged 35 years, gives the following information to you relating to financial year 2023-24:

- (i) Loss from self-occupied property: ₹ 3,40,000
- (ii) Income from the business of buying and selling shares of listed companies (there were no delivery of shares involved): ₹ 4,50,000
- (iii) Loss from other speculative business: ₹ 13,10,000
- (iv) Salary income : ₹ 10,00,000 (Computed)
- (v) Short-term capital loss on sale of depreciable assets : ₹ 3,60,000
- (vi) Long term capital gain on sale of residential building: ₹ 1,30,000
- (vii) Lottery income (Gross): ₹ 55,000
- (viii) Brought forward business loss: ₹ 33,000 (this loss relates to Assessment Year 2021-22. This business was discontinued on 31.3.2022.)

You are required to compute the total income of Mr. Sumeet for the Assessment Year 2024-25 assuming he has opted for the default tax regime under section 115BAC of the Income Tax Act, 1961.

Also specify the amount of losses to be carried forward and up to which assessment year, if any.

7

- (b) Mr. Ram, a resident individual, aged 46 years, owns 2 residential house properties of which, one is used for own residential purpose and the other is let out for a monthly rent of ₹ 65,000. He bought these houses by taking housing loan from a nationalised bank. During the financial year 2023-24, he paid interest on housing loan amounting to ₹ 2,10,000 each for both the houses and total principal repayment of ₹ 2,50,000 for each house.

Mr. Ram is doing iron business by name M/s Ram Enterprises in which his income (Computed) amounts to ₹ 9,60,000.

(9)

P-7(DITX)
Syllabus 2022

You are required to calculate total taxable income and tax liability of Mr. Ram for the assessment year 2024-25 under the default tax regime under section 115BAC of the Income Tax Act, 1961 and also optional tax regime as per the Regular provisions (old regime) of the Income Tax Act, 1961.

Advise Mr. Ram whether he should pay tax under default tax regime under section 115BAC of the Income-tax Act, 1961 or Regular provisions (old regime) of the Income Tax Act, 1961 for the assessment year 2024-25. 7

6. (a) Explain the concept and features of indirect taxation. 7
- (b) Who are the members of the GST Council? State any five recommendations that can be made by the GST Council. 7
7. (a) State, with reason, the person liable to pay GST in each of following independent cases, where the supplier and recipient both are located in the taxable territory. Ignore the aggregate turnover and exemption available, if any:
- (i) Money Save Bank Ltd. located in Kolkata, appointed Ms. Sakshi as a recovery agent for collecting outstanding balance amount of loan from its customers. Ms. Sakshi provided service to Money Save Bank Ltd. for which bank paid commission of ₹ 15,000.
- Whether your answer will change in case of (i), if Ms. Sakshi provided recovery agent services to a car dealer company instead of Money Save Bank Ltd.
- (ii) Mr. Mohit has taken a loan from Dhanwan Bank Ltd. and for this he has taken a service of an individual Mr. Prakash who is a Direct Selling Agent of Dhanwan Bank Ltd. and bank paid the commission to Mr Prakash for giving a customer to the bank @ 1% of loan granted to Mr. Mohit. 7
- (b) Self & Family Life Insurance Company has collected premium from policy subscribers. It does not intimate the amount allocated for investment to subscribers of the policy at the time of supply of insurance services. The company has provided the following details in relation to its receipts for the month of May, 2024:
- (i) New policy subscribers: Premiums collected ₹ 50,00,000
- (ii) Renewal premium: Premiums collected ₹ 75,00,000
- (iii) Only Risk Cover policies: Premiums collected ₹ 30,00,000
- (iv) Single premium annuity policies: Premiums collected ₹ 95,00,000
- (v) Life micro-insurance policies as approved by the Insurance Regulatory and Development Authority, where insured amount does not exceed ₹ 2,00,000: Premiums collected ₹ 10,00,000.
- All amounts are exclusive of tax. You are required to compute the value of taxable supply of service by Self & Family Life Insurance Company in terms of rule 32(4) of the CGST Rules, 2017 by giving necessary explanations for treatment of various items. 7

P-7(DITX)
Syllabus 2022

(10)

8. (a) Shyam Ltd, is a registered manufacturer of cars. Shyam Ltd. provides the following information of GST paid on the purchases made/input services availed by it during the month of May, 2024:

S.No.	Particulars	GST paid (₹)
(i)	Routine maintenance charges of cars manufactured by Shyam Ltd.	40,500
(ii)	Capital goods (out of five items, invoice for one item was missing and GST paid on that item was ₹ 2,500)	45,000
(iii)	Inputs consisting of four equal lots, out of which three lots were received during the month of May, 2024.	65,000
(iv)	Travel benefits extended to employees on vacation under statutory obligation	7,500
(v)	Purchased machinery for manufacturing process worth ₹ 2,00,000 and claimed depreciation under the Income Tax Act, 1961 on ₹ 2,36,000.	36,000
(vi)	Repairs services for office building, cost of repairs is charged to Profit and Loss Account	48,000

Determine the amount of Input tax credit (ITC) available with Shyam Ltd. for the month of May, 2024 by giving necessary explanations for treatment of various items. All the conditions necessary for availing the input tax credit except mentioned above have been fulfilled.

7

- (b) Palak Trade Ltd. of Mumbai has imported a machine by air from UK. The details in this regard are as under:

S.No.	Particulars	Amount
(i)	Price of the Machine	UK Pound 10,000
(ii)	Air freight, loading, unloading & handling charges associated with the delivery of the imported goods to the place of importation	UK Pound 2,000
(iii)	Royalties relating to imported machine payable by buyer as a condition of sale	UK Pound 500
(iv)	Design and engineering charges paid to Consultancy firm in UK	UK Pound 300
(v)	Insurance charges paid to the place of importation	Not known

(11)

P-7(DITX)
Syllabus 2022**Other Information:**

Date of bill of entry	30-04-2024 (Rate of BCD 10%; Exchange rate as notified by CBIC ₹ 104 per UK Pound)
Date of arrival of aircraft	21-05-2024 (Rate of BCD 20%; Exchange rate as notified by CBIC ₹ 103 per UK Pound)
Social Welfare Surcharge (SWS)	10%
Integrated tax payable u/s 3(7) of the Customs Tariff Act, 1975	12%
Ignore GST compensation cess and Agriculture infrastructure and development cess	

You are required to compute the total customs duties and integrated tax payable by Palak Trade Ltd, under the Customs Act, 1962 with appropriate working notes from the above information.

Relevant legal reasoning should form part of your answer.

7

