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FOR CA INTERMEDIATE EXAM PREPARATION

CA Intermediate 2024 Question Paper · Paper 3 Taxation

EXAM	YEAR	TYPE	SUBJECT
CA Intermediate	2024	Question Paper	Paper 3 Taxation

DATE

May 2024

INTERMEDIATE EXAM
PAPER-3
TAXATION

09 MAY 2024

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09/05/2024 05:15 PM

Roll No. .....

Total No. of Questions – **8**

Total No. of Printed Pages – **15**

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 MCQs in Part I are to be marked on the OMR answer sheet as given on the cover page of Section A of descriptive answer book of Section-A only. Answers to questions in Part II are to be written in the same descriptive answer book. Answers to MCQs, if written inside the descriptive answer book or on Part-I question paper will not be evaluated.
6. OMR answer sheet given on the cover page 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 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 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

70 Marks

1. **Section – A** comprises questions **1-4.** In Sections–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 2024-25, unless otherwise stated. Significant notifications/circulars issued upto 31st October, 2023.
   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 question in Section – B should be answered on the basis of position of GST law as amended by Finance Act, 2023 and significant notification / circulars issued upto 31st October, 2023.

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PART – II

Section – A

1. Mr. Sahil, resident Indian aged 40 years, a Manufacturer at Chennai, gives the following Manufacturing, Trading and Profit & Loss Account for the year ended 31.03.2024. **15**

Manufacturing, Trading and Profit & Loss Account for the year ended 31.03.2024

Particulars	₹	Particulars	₹
To Opening Stock	71,000	By Sales	43,50,000
To Purchase of Raw Materials	17,20,500	By Closing Stock	2,00,000
To Manufacturing Wages & Expenses	5,80,500		
To Gross Profit	21,78,000		
Total	**45,50,000**	**Total**	**45,50,000**
To Administrative Charges	2,90,000	By Gross Profit	21,78,000
To SGST Penalty Paid (It is not compensatory nature)	7,000	By Dividend From Domestic Companies	15,000
To GST Paid	1,10,000	By Winning from Lotteries (Net of TDS) (TDS 4,500)	10,500
To General Expenses	55,000	By Profit on Sale of Shares	45,000
To Miscellaneous Expenses	1,50,500		
To Loss on Sale of Shares	20,000		
To Interest to Bank (on machinery term loan)	60,000		
To Depreciation	2,00,000		
To Net Profit	13,56,000		
Total	**22,48,500**	**Total**	**22,48,500**

Following are the further information relating to Financial Year 2023-2024 :

(i) Administrative Charges include ₹ 46,000 paid as commission to brother of Assesse. The Commission amount at the market rate is ₹ 36,000.

(ii) The assessee paid ₹ 33,000 in cash to a Transport Carrier on 26.12.2023. This amount is included in Manufacturing Expenses. (Assume that the provisions relating to TDS are not applicable on this payment.)

(iii) A Sum of ₹ 4,000 per month was paid as salary to a staff throughout the year and this has not been recorded in books of account.

(iv) Bank Term Loan Interest actually paid upto 31.03.2024 was ₹ 20,000 and the balance was paid in October 2024.

(v) Miscellaneous Expenses include ₹ 10,000 contributed to Prime Minister's Relief Fund.

(vi) Loss on Sale of Shares represents shares sold within a period of 6 months from the date of purchase.

(vii) Profit on Sale of Shares represents shares held for 2 years & Securities Transaction Tax was paid on it.

(viii) Housing Loan Principal repaid during the year was ₹ 50,000 and it relates to residential property occupied by him. Interest on Housing Loan was ₹ 2,60,000. Housing Loan was taken from Canara Bank. (Value of house property is ₹ 45 Lakhs, loan value ₹ 25 Lakhs and sanction date 31.03.2017). These amounts were not dealt with in the Profit and Loss Account given above. (Assume this housing loan is eligible for 80EE deduction).

(ix) Deprecation allowable under the act to be computed on the basis of following information:

Plant & Machinery (Depreciation Rate @ 15%)	₹
Opening WDV (as on 01.04.2023)	12,00,000
Additions During the year (Used for more than 180 Days)	2,00,000
Total Additions during the year	4,00,000
Note: Ignore Additional Depreciation u/s 32(iia)	

Compute the total income and tax liability of Mr. Sahil for the A.Y. 2024-25 if he has exercised the option of shifting out of the default tax regime provided under Section 115BAC(1A).

2. (a) Mr. Tilak aged 35 years, furnishes the following information regarding his income for the assessment year 2024-25. Compute the total income if he is : 6

(1) Resident and Ordinarily Resident.

(2) Resident but Not Ordinarily Resident

(Ignore the provisions of Section 115BAC).

a) Remuneration of ₹ 50,000 for service rendered in Malaysia, credited to his bank account in Malaysia and immediately remitted to his bank account in India.

b) Profits from a business in England controlled from Bombay ₹ 3,00,000 (out of which ₹ 25,000 is received in India).

c) Amount brought to India out of past untaxed profits earned in Singapore ₹ 1,00,000.

d) Capital gain on sale of land in India but received in Malaysia ₹ 2,00,000.

e) Income from agriculture land at Nepal of ₹ 18,000, received there and then brought to India.

f) He paid ₹ 50,000 towards principal repayment of loan taken for construction of his self-occupied house in India.

g) Interest on saving bank deposit in State Bank of India of ₹ 12,000.

(b) Examine the applicability of Tax Deduction at Sources (TDS) or Tax Collection at Source (TCS) as per the Income Act, 1961 for the assessment year 2024- 25 in the following independent situations. **4**

(i) ABC Limited paid rent of ₹ 75,000+18% GST per month to Mr. Ram for the office premises from 01.04.2023 to 31.03.2024. Mr. Ram has furnished his PAN and also filed his return of income before due date regularly.

(ii) XYZ Pvt. Ltd sells two cars to Mrs. Anju costing ₹ 4,00,000 and ₹ 12,00,000 respectively on 01.05.2023 and 25.12.2023. Mrs. Anju has furnished her PAN and filed her return of income regularly before the due date.

3. (a) (i) Mr. Ravi received an advance of ₹ 2,00,000 on 10.5.2023 from a closely held manufacturing company (private company in which the public are not substantially interested) in which he holds 22% shareholding. The company had an accumulated profit of ₹ 1,00,000 at the time of giving the advance. Compute the amount of income to be included in the hands of Mr. Ravi for the assessment year 2024-25 and also state the head under which it is to be included. **2**

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(ii) Mr. Rao furnished the following information regarding the payments made towards Scientific Research during the financial year 2023-24: 4

i) Revenue expenditure on Scientific Research incurred during the year ₹ 1,00,000.

ii) Capital Expenditure for Scientific Research ₹ 3,00,000.

iii) Contribution to Notified approved research association ₹ 1,50,000.

iv) Amount paid to H Limited an Indian company which has as its main object scientific research and approved by the prescribed authority ₹ 2,50,000.

v) Expenditure of ₹ 2,50,000 towards purchase of Land for scientific research.

vi) He also incurred revenue expenditure of ₹ 2,00,000 towards salary of research staff in the F.Y.2022-23 (before commencement of business) and certified by the prescribed authority.

Compute the deduction allowable u/s 35 for the assessment year 2024-25, assuming, that he has not opted for default tax regime u/s 115BAC.

(b) Mr. Surinder furnishes the following particulars for the previous year ending 31.03.2024. He had a Residential House, inherited from his father in December 2009, the Fair Market Value of which on 01.04.2001 is ₹13 lakhs. In the year 2013-2014, further construction and improvements costing of ₹ 10 lakhs. The House was originally purchased by his father on 01.03.2000 for ₹ 10 Lakhs. On 10.05.2023, the House was sold for ₹ 75 Lakhs. Expenditure in connection with transfer is ₹ 50,000. On 20.12.2023, he purchased a Residential House for ₹ 12 lakhs and he does not own any other house. 4

Compute the taxable Capital Gain for the assessment year 2024-25.

(Cost Inflation Index: F.Y. 2013-14 = 220, F.Y. 2023-24= 348, F.Y. 2009-10= 148 and F.Y. 2001-02 = 100)

4. (a) Mr. Joshi, resident Indian, aged about 58 years, furnished the following details of his income for the previous year 2023-24 : 6

(i) Income from House property (computed) ₹ 2,00,000.

(ii) Income from Proprietary Business ₹ 3,00,000.

(iii) Short Term Capital Gain on sale of Land ₹ 2,00,000.

(iv) Short Term Capital loss on sale of equity shares listed in recognized stock exchange (STT paid) ₹ 75,000.

(v) Interest on Bank fixed deposit ₹ 50,000 received by his son, aged 21 years, out of money gifted by Mr. Joshi in 2022.

(vi) Loss from Speculation Business ₹ 40,000.

(vii) Loss from Owning and Maintenance of Race Horses ₹ 50,000.

Following are the brought forward losses:

(a) Brought forward House property loss of assessment year 2021-22 ₹ 2,50,000.

(b) Brought forward business loss of Proprietary business from assessment year 2013-14 ₹ 50,000.

(c) Unabsorbed Depreciation relating to assessment year 2014-15 ₹ 1,00,000.

(d) Brought forward Long Term Capital Loss from assessment year 2018-19 ₹ 90,000. Return of income for that year was filed on 31.01.2019, after due date of filing the return.

Compute the total income of Mr. Joshi for the assessment year 2024-25 and show the items eligible for carry forward, assuming that he exercises the option of shifting out of the default tax regime provided under Section 115 BAC(1A).

(b) State with reason whether the following persons are required to file their return of income as per the provisions of the Income Tax Act, 1961 for the assessment year 2024-25 : 4

(i) Mr. Aneesh aged 31 years, who opted for default tax regime u/s 115 BAC(1A) had a total income of ₹ 2,90,000 for the previous year 2023-24.

(ii) Smt. Patel, aged 65 years, has a TDS credit of ₹ 55,000 during the previous year 2023-24.

(iii) The gross receipts of Mr. Ajit, aged 45 years, an architect for the previous year 2023-24 was ₹ 12,00,000, but his profit from profession was only ₹ 2,25,000 and he has no other income.

OR

(b) CBDT has vide Notification No. 37/2022 dated 21.04.2022, inserted Rule 12AB, notified which are all the person other than a company or firm who is not required to file return of income under Section 139(1) must file the return of Income. State who are required compulsorily to file return of Income.

Section – B

5. (a) Evershine Pvt. Ltd., a GST registered supplier located in Jaipur, Rajasthan is engaged in supply of taxable packaging goods and consultancy services. It provides following details of various activities undertaken during the month of September 2023: **10**

(A) Details of Outward Supplies :-

(1) Supply of goods of ₹ 18,00,000 to Vaidehi Enterprises, a registered person of Udaipur, Rajasthan. Further, received ₹ 50,000 from Vaidehi Enterprises towards freight charges (as agreed to deliver the goods at Vaidehi Enterprises' premises) which was not included in above value of supply.

(2) Supply of goods worth ₹ 35,00,000 to Calc. Exim, a registered person of Prayagraj, Uttar Pradesh. Further, the amount of ₹ 60,000 charged separately (not included above) from Calc. Exim on account of municipal taxes levied in relation to such outward supply.

(3) Supply of services to Sunshine Ltd., a registered person in Jodhpur, Rajasthan before discount worth ₹ 6,00,000. Further, discount of ₹ 30,000 which has been given at the time of supply of service and duly recorded in the invoice.

(4) It delivered the goods worth ₹ 2,00,000 to Jeevan Solutions, a registered person located at Bikaner, Rajasthan on the direction of Raghu Enterprise, a registered person of Mumbai, Maharashtra and tax invoice was issued by Evershine Pvt. Ltd. to Raghu Enterprise of Mumbai, Maharashtra.

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(B) Details of Inward Supplies :

(1) Purchased raw material goods worth ₹ 20,00,000 from PQR Ltd., a GST registered dealer, located at Kanpur, Uttar Pradesh. Goods worth ₹ 1,00,000 out of total purchases were not received during the month.

(2) Purchased machinery for manufacturing process worth ₹ 2,00,000 from MPQ Pvt. Ltd., a GST registered dealer, located at Bengaluru, Karnataka. Company has claimed depreciation under Income Tax Act 1961 on full value of the machine, including the GST component.

(3) Purchased truck worth ₹ 15,00,000 from GST registered dealer, located at Ajmer, Rajasthan for transportation of its goods. GST rate on truck is: CGST 14%, SGST 14%, IGST 28%.

(4) Purchased car (having seating capacity of 7 persons) costing to ₹ 10,00,000 excluding GST from Mihir Automobiles Pvt. Ltd., a GST registered dealer, located at Ajmer, Rajasthan for use of its director for official purpose. GST rate on car: CGST 14%, SGST 14%, IGST 28%.

(5) Purchased goods worth ₹ 5,00,000 from DEF Buildwell Pvt. Ltd., a registered person of Jaipur, Rajasthan for construction of an additional floor of factory building, of Evershine Pvt. Ltd.

Opening balance of Input tax credit as on the beginning of September 2023 – CGST ₹ 20,000, SGST ₹ 50,000 and IGST ₹ 75,000.

Rate of GST applicable on both inward and outward supply of goods & services : CGST 9%, SGST 9% and IGST @18%, except where otherwise provided.

Notes :

(i) All the figures mentioned above are exclusive of taxes.

(ii) Subject to the information given above, conditions necessary for claiming ITC were complied with.

(iii) All inward supplies are used for taxable goods only.

(iv) Brief and suitable notes should form part of your answer.

Calculate the amount of net minimum GST payable in cash by Evershine Pvt. Ltd. for the month of September 2023.

(b) Mr. Ravindra, a registered person in Bhopal, Madhya Pradesh has provided the following information regarding outward transactions made during the month of January 2024 : **5**

(1) He was appointed by recognized sports body as a chief selector of hockey team and received ₹ 5,00,000 as remuneration.

(2) Services of pure labour contract was provided for construction of independent residential unit for ₹ 1,80,000.

(3) He rented out his warehouse for warehousing of sugarcane and received rental income of ₹ 75,000.

(4) Provided services to Municipal Corporation of Bhopal for slum improvement and upgradation for ₹ 6,50,000.

(5) He has charged consideration of ₹ 1,25,000 against western music dance performance in an event.

You are required to compute the taxable value of supply on which GST is to be paid by Mr. Ravindra for the month of January 2024. All the amount stated above are exclusive of GST, wherever applicable. Suitable Notes should form part of answer.

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6. (a) As per CGST Act 2017, Vishnu Limited was not mandatorily required to get registered, however they opted for voluntary registration and applied for registration on 12th February 2024. Registration certificate has been granted by department on 24th February 2024. Vishnu Limited is not engaged in making interstate outward taxable supplies. The CGST and SGST liability for the month of February 2024 is ₹ 31,000 each. Vishnu Limited provides the following information of inputs held in stock on 23rd February 2024 : 5

Sr. No.	Particulars	Amount (₹)
1.	Capital goods procured on 5th February 2024, (Rate of CGST and SGST @ 6% each) being intra-state supply.	2,00,000
2.	Inputs contained in finished goods stock held were procured on 13th February 2023 (Rate of IGST @ 18%) being inter-state supply.	3,00,000
3.	Value of Inputs received on 10th October 2023 contained in semi-finished goods held in stock (Rate of CGST and SGST @ 6% each) being intra-state supply.	2,50,000
4.	Input procured on 1st February 2024 lying in stock of semi-finished goods (Rate of CGST and SGST @ 7.5% each) being intra-state supply.	1,50,000
5	Inputs procured on 8th February 2024 lying in stock of finished goods. (Rate of IGST @ 18%) being inter-state supply.	60,000

You are required to determine the eligible ITC available and amount of net minimum GST to be paid in cash by Vishnu Limited for the month of February 2024.

(b) Examine the following independent cases and determine the place of supply : 5

(1) Mr. Joy, an unregistered person of Kolkata, West Bengal sends a courier through Kolkata, West Bengal based Mohan Courier Agency to his sister in Mumbai, Maharashtra.

(2) Mr. Nitin, an unregistered person resides at Rewa, Madhya Pradesh books a two way air journey ticket from Prayagraj, Uttar Pradesh to Jaipur, Rajasthan on 6th September and back. He leaves Prayagraj on 11th September in a morning flight and land in Jaipur the same day. He leaves Jaipur on 15th September in a late night flight and lands in Prayagraj the next day.

(3) Rimjhim Pvt. Ltd, located at Lucknow, Uttar Pradesh, purchases a manufacturing machine from Manav Steel Industries Ltd., located at Jaipur, Rajasthan, for being installed in its factory located at Haridwar, Uttarakhand.

7. (a) GSTR 3B for the month of January 2024 has been filed by M/S Avisha Limited a registered person with in the due date prescribed by the CGST Act 2017 which is on February 20th, 2024. It came to the notice of the Co. that tax due for the month of January 2024 has been paid short by ₹ 16,000. The short fall of ₹ 16,000 has been paid through cash ledger and credit ledger at the time of filing GSTR 3B for the month of February 2024 on March 20th, 2024 in the following manner : 5

Particulars	Cash Ledger	Credit Ledger
Shortfall	₹ 12,000	₹ 4,000

Assume that electronic cash ledger and credit ledger carry sufficient balance for the above short fall.

(i) You are required to calculate the amount of interest payable if any under Section 50 of CGST Act 2017 and Rule 88 B of CGST Rules 2017.

(ii) Give the effect if GSTR3B for the month of January 2024 had been filed belatedly on March 20, 2024 and all other conditions remaining same.

Calculation should be rounded off to nearest rupee. As 2024 is leap year, give effect of same.

(b) Who is liable to deduct TCS (collection of tax at source) under Section 52 of the CGST Act 2017 ? Briefly explain the provisions relating to registration, filing of return and deposit of TCS to Government as per the provisions of Section 52 of CGST Act 2017 and Rule 12 of CGST Rules 2017. 5

8. (a) Describe the conditions to be satisfied for availing deduction of post supply discounts from the value of supply as per the provisions of Section 15(3) of the CGST Act 2017. 5

OR

(a) Examine the existence of "consideration" for donation received by charitable institutions from individual donors, without quid pro quo an important feature as defined in sec. 2 (31) of GST Act, 2017.

(b) Mohan Enterprise is a registered person having principal place of business in Gandhinagar, Gujarat. They received services of Advocate Sameer a registered person from Ahmedabad, Gujarat. Shekhar, an unregistered person provided services of labour to Mohan Enterprise. Explain the provisions relating to issue of invoice by recipient Mohan Enterprise if he is liable to pay tax under reverse charge under Section 9(3) or 9(4) of the CGST Act 2017. 5

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