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FOR CA INTERMEDIATE EXAM PREPARATION

CA Intermediate 2022 Question Paper · Paper 4 Taxation

EXAM	YEAR	TYPE	SUBJECT
CA Intermediate	2022	Question Paper	Paper 4 Taxation

DATE

May 2022

IPCE (New Syllabus)
Paper - 4 Taxation

JVF2

MAY 2022

Roll No. ..... Sam 22/05/2022 5:25 PM.

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 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 2022-23, 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 31st October, 2021.

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PART – II

SECTION – A

1. Mrs. Nisha, a resident individual aged 54 years, is carrying on business of manufacturing of textile fabrics, as a proprietor. The turnover in the previous year 2020-21 was ₹ 250 lakhs and in the current previous year 2021-22, it is ₹ 600 lakhs. The net profit as per the profit and loss account as on 31-03-2022 is ₹ 5,61,000. She provides the following additional information those were not considered while making the profit and loss account for the previous year 2021-22. **14**

(i) Depreciation has not been debited to profit and loss account. The details of the plant & machinery employed in the business are given as under :

Date	PARTICULARS	AMOUNT
01-04-2021	Opening written down value of machinery used for manufacturing purpose.	4,75,000
03-07-2021	New machinery purchased during the year, payment made by an account payee cheque.	7,25,000
10-03-2022	Sold one of the old machine	75,000

She does not have any other fixed assets employed in the business.

(ii) Received subsidy of 20% on new machine purchased on 03-07-2021 during the previous year under technology upgradation fund Scheme from the central Government.

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(iii) She paid a job charges for the value addition on the fabrics ₹ 90,000 without deduction of tax to job worker by an account payee cheque.

(iv) Commission paid to one agent allowed as deduction in earlier assessment year amounting ₹ 50,000, has now been received back during previous year 2021-2022, from the agent due to settlement with commission agent.

(v) ₹ 25,000 paid to creditor for goods in cash.

(vi) Incurred loss of ₹ 1,17,500 from an eligible transaction carried out in respect of trading in derivatives in a recognised stock exchange.

(vii) Interest received amounting ₹ 2,00,000, duly authorised by partnership deed of M/s Ramji textiles, @ 15% p.a. on the capital employed. She is sleeping partner in the Ramji textiles.

(viii) She Received ₹ 60,000 by pre-mature withdrawals from deposit including interest ₹ 5,000, in post office time deposit, eligible for deduction under Section 80C.

(ix) She sold her gold bracelet (jewellery), used by her for personal purposes, on 01-05-2021 for ₹ 5,00,000, which was acquired for ₹ 40,000 on 01-03-2005. A diamond was embedded onto bracelet on 01-05-2007 of ₹ 50,000. (cost inflation index 2004-05:113, 2007-08:129 and 2021-22:317)

(x) She received a gold coin (bullion) worth ₹ 55,000 (FMV) from her cousin (daughter of uncle) during the previous year 2021-22.

(xi) She incurred long term loss from sale of share of the Indian company. (The STT is paid on the sale and purchase of the shares) ₹ 75,000.

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(xii) She deposited a sum of ₹ 50,000 with life insurance Corporation of India every year for the maintenance of her mother aged 70 years depended upon him and suffering from severe disability.

(xiii) She purchased the new residential house during the previous year and paid stamp duty and registration fee ₹ 1,55,000 to get transfer the property in her name.

You are required to compute the total income and tax payable by Mrs. Nisha for the assessment year 2022-23. (Ignore the provisions of Section 115BAC). Give brief note wherever necessary.

2. (a) Discuss the liability of tax deduction at source under the Income Tax Act, 1961 in respect of the following cases with reference to A.Y. 2022-23. 6

(i) XY a partnership firm is selling its product 'R' through the E Commerce Platform provided by AB Ltd. (E-commerce Operator) AB Ltd., credited in its books of account, the account of XY on 28th February, 2022 by sum of ₹ 4,90,000 for the sale of product R, made during the month February-2022.

Mr. Rai, who purchased product 'R' through the platform provided by AB Ltd. made payment of ₹ 60,000 directly to XY on 21st February-2022.

(ii) ABC Ltd is a producer of natural gas. During the year it sold natural gas worth ₹ 26,50,000 to M/s Deep Co., a partnership firm. It also incurred ₹ 1,70,000 as freight for the transportation of gas. It raised the invoice and clearly segregated the value of gas as well as the transportation charges.

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(iii) ABC LLP paid job charges to XYZ, a partnership firm for doing embroidery work on the fabric supplied by the ABC LLP during the previous year 2021-22 as under ;

BILL NO	DATE	AMOUNT ₹
1	30-04-2021	27,000
57	30-06-2021	25,000
105	30-09-2021	28,000
151	30-12-2021	32,000

(b) Mr. Harsh furnishes the following details for the year ended on 31-03-2022 : **4**

PARTICULARS	AMOUNT ₹
Salary received from partnership firm (the same was allowed to the firm)	8,50,000
Loss on sale of shares listed in stock exchange held for 18 months and the STT paid on the sale and acquisition	6,00,000
Long term capital gain on sale of land	5,00,000
Brought forward business loss of assessment year 2014-15	6,00,000
Loss of the specified business covered in Section 35AD	3,50,000
Loss from house property	2,50,000
Income from betting (gross)	50,000
Loss from card games	35,000

Compute the total income and show the item eligible for carry forward of Mr. Harsh for the assessment year 2022-23.

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(c) Mr. Sarthak is a member of HUF. It consists of himself, his wife Juhi and his major son Arjun and his minor daughter Aditi. Mr. Sarthak transferred his house property acquired through his personal income to the HUF without any consideration. 4

On 01-10-2021, HUF is partitioned and such property being divided equally. Net annual value of the property for the Previous Year 2021-22 is ₹ 1,00,000. Determine the tax implications.

3. (a) Mr. Lalit, a dealer in shares and securities, has entered into following transactions during the previous year 2021-22 : 8

(i) Received a motor car of ₹ 5,00,000 as gift from his friend Sunil on the occasion of his marriage anniversary.

(ii) Cash gift of ₹ 21,000 each from his four friends.

(iii) Land at Jaipur on 1st July, 2021 as a gift from his friend Kabra, the stamp duty value of the land is ₹ 6 lakhs as on the date. The land was acquired by Mr. Kabra in the previous year 2001-2002 for ₹ 2 lakhs.

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Mr. Lalit purchased from his friend Mr. Abhishek, who is also a dealer in shares, 1000 shares of ABC Ltd. @ ₹ 400 each on 19th June, 2021 the fair market value of which was ₹ 600 each on that date. Mr. Lalit sold these shares in the course of his business on 23rd June, 2021.

Further, on 1st November, 2021, Mr. Lalit took possession of his residential house booked by him two years back at ₹ 20 lakh. The stamp duty value of the property as on 1st November, 2021 was ₹ 32 lakh and on the date of booking was ₹ 24 lakh. He had paid ₹ 1 lakh by account payee cheque as down payment on the date of booking.

He received a shop (building) of the fair market value ₹ 1,50,000 and cash ₹ 50,000 in distribution from the ABC (P) ltd at the time of liquidation process of the company in proportion of his share capital. The balance in general reserve of the company attributable to his share capital is ₹ 1,25,000.

On 1st March, 2022, he sold the plot of land at Jaipur for ₹ 8 lakh.

The value of the cost inflation index is 100 and 317 for the previous year 2001-2002 and 2021-22 respectively.

Compute the income of Mr. Lalit chargeable under the head "Income from other sources" and "Capital Gains" for A.Y. 2022-23.

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(b) Mrs. Shruti is an Indian citizen, is currently in employment with an overseas company located in UAE. During the previous year 2021-22, she comes to India for 157 days. She is in India for 200 days, 100 days, 76 days and 45 days in the financial years 2017-18, 2018-19, 2019-20 and 2020-21 respectively. Her annual income for the previous year 2021-22 is as follows : 4

Particulars	Amount (₹)
Income from salary earned and received in UAE	2,00,000
Income earned and received from a house property situated in UAE	5,00,000
Income deemed to be accrued and arise in India	5,00,000
Income from retail business (accrued and received outside India, controlled from India)	10,00,000
Income accrued and arise in India	3,00,000
Life insurance premium paid by cheque in India	1,50,000

Determine the residential status of Mrs. Shruti for the assessment year 2022-23. (Support your Answer with computation)

(c) The assesse is found to be the owner of the gold (market value of which is ₹ 50,00,000) during the financial year ending 31-03-2022 but he recorded to have spent ₹ 10,00,000 in acquiring the same. Explain how the assessing officer will deal with the issue. 2

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4. (a) From the following particulars furnished by Mr. Suresh, aged 53 years, a resident Indian for the previous year ended March 31, 2022, you are requested to compute his total income and tax Payable for the Assessment Year 2022-23. (Assuming he do not opt for the Section 115BAC) : 6

(i) He sold his vacant land on 09.12.2021 for ₹ 15 lakhs. The Stamp Duty Value (SDV) of land at the time of transfer was ₹ 19 lakhs. The fair market value of the land as on 1st April, 2001 was ₹ 6 lakhs (SDV is ₹ 5,00,000). This land was acquired by him on 05.08.1996 for ₹ 3.40 lakhs. He had incurred registration expenses of ₹ 15,000 at that time. The cost of inflation index for the year 2021-22 and 2001-02 are 317 and 100 respectively.

(ii) He owns an industrial undertaking established in a Special Economic Zone (SEZ) and which had commenced operation during the financial year 2019-20. Total turnover of the undertaking was ₹ 300 lakhs, which includes ₹ 120 lakhs from export turnover. This industrial undertaking fulfils all the conditions of Section 10AA of the Income-tax Act, 1961. Profit from this industrial undertaking is ₹ 30 lakhs.

(iii) He has income of ₹ 10,000 from crossword puzzles and ₹ 15,000 gross interest from bank fixed deposit.

(iv) Tuition fees of ₹ 36,000 for his three children to a school. The fees being ₹ 12,000 p.a. per child.

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(b) Mr. Kabra is engaged in the business of growing and curing (further processing) coffee in the state of Karnataka. The whole of coffee grown in his plantation is cured. Relevant information pertaining to the year ended 31-03-2022 are given hereunder : 4

PARTICULARS	AMOUNT ₹
Opening balance of the car as on 01-04-2021	3,00,000
Opening balance of machinery as on 01-04-2021	15,00,000
Expenses incurred in growing coffee	3,10,000
Expenses of curing coffee	3,00,000
Sale value of cured coffee	22,00,000

The car is used for the agricultural operations and the machine was used for coffee curing business operations. Compute the income arising from the above activities for the assessment year 2022-23 and the written down value as on 01-04-2022. (WDV as on 31-03-2022 – depreciation for the PY 2021-22)

(c) Explain with brief reasons, whether the return of income can be revised under Section 139(5) of the Income-tax Act, 1961 in the following cases : 4

(i) Belated return filed under Section 139(4)

(ii) Return already revised twice under Section 139(5)

(iii) Return of loss filed under Section 139(3)

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Due to some inconsistent information provided in the return of income furnished under Section 139(1), the assessing officer considers it defective under Section 139(9) of the Income Tax Act,1961.

(i) How, assessing officer would deal with the issue ?

(ii) What are the consequences if defect is not rectified within the allowed ?

(iii) Specify the remedies available if not rectified within time allowed by the assessing officer ?

SECTION – B

5. Zeon Ltd., a GST registered supplier located in Ranchi, Jharkhand is engaged in the manufacturing of Washing Machines & Mixer Grinders. It provides you the details of various activities undertaken during the month of September, 2021 as follows : **8**

Sl. No.	Particulars	Amount (₹)
(i)	Outward supplies made during the month -	29,00,000
	a. Within the Jharkhand — ₹ 24,00,000	
	b. Outside the Jharkhand — ₹ 5,00,000	
(ii)	Purchase of raw materials from registered dealers within the Jharkhand which includes materials worth ₹ 2,00,000 purchased from Mr. Krishna, a registered person who is paying tax under composition scheme.	7,00,000

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(iii)	Bus purchased from a registered dealer in Tatanagar, Jharkhand. Bus used to ferry its 25 workers to and from factory.	12,00,000

Assume the rates of GST applicable on various supplies as follows :

Nature of supply	CGST	SGST	IGST
Composition supplies	0.5%	0.5%	–
Bus	14%	14%	28%
Raw material	6%	6%	12%
Washing Machines & Mixer Grinders	9%	9%	18%

Opening Balances of Input Tax Credit as on 01/09/2021 were as follows :

CGST (₹)	SGST (₹)	IGST(₹)
20,000	5,000	95,000

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

(ii) Both Inward & Outward supplies within the State of Jharkhand are to be considered Intra-State supplies and outside the state of Jharkhand are Inter-State supplies.

(iii) Subject to information given above, all the other conditions necessary for availing ITC have been fulfilled.

Calculate the amount of net minimum GST payable in Cash by Zeon Ltd. for the month of September, 2021.

Brief and suitable notes should form part of your answer.

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6. (a) XYZ Pvt. Ltd. provided the following particulars relating to goods sold by it to ABC Pvt. Ltd. : 6

Particulars	Amount (₹)
List price of the goods (exclusive of taxes and discount)	50,000
Tax levied by the Municipal Authority on the sale of such goods	6,000
Packing charges (not included in the list price above)	2,500
Subsidy received from a NGO, Directly linked to price (included in the list price above)	3,000
Paid to one of vendors by ABC Pvt. Ltd. in relation to the service provided by vendor to XYZ Pvt. Ltd. (not included in the list price above)	2,000

XYZ Pvt. Ltd. offers 2% turnover discount on the list price after reviewing the performance of ABC Pvt. Ltd. The discount was not known at the time of supply.

ABC Pvt. Ltd. delayed the payment and paid ₹ 5,000 (Including GST of 18%) as interest to XYZ Pvt. Ltd.

Determine the value of taxable supply made by XYZ Pvt. Ltd. under GST law.

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(b) Examine whether the following activities would amount to "supply" under GST law ?

(i) Glory Ltd. is engaged in manufacturing and selling of cosmetic products. Seva Trust, a charitable organisation approached Glory Ltd. to provide financial assistance for its charitable activities. Glory Ltd. donated a sum of ₹ 2 lakh to Seva Trust with a condition that Seva Trust will place a hoarding at the entrance of the trust premises displaying picture of products sold by Glory Ltd. 2

(ii) Mr. Swamy of Chennai is working as a manager with ABC Bank. He consulted M/s. Jacobs and company of London and took its advice for buying a residential house in Mumbai and paid them consultancy fee of 200 UK Pound for this import of service. 2

7. (a) M/s. Xing Trans of Kolkata engaged in the trading of transmitters. On 20/05/2021, M/s. Xing Trans have sent 500 units of transmitters for exhibition at Chennai on sale or return basis. Out of the said 500 units, 300 units have been sold on 28/07/2021 at the exhibition. Out of remaining 200 units, 150 units have been brought back to Kolkata on 25/11/2021 and balance 50 units have neither been sold nor brought back. 4

Explain the provisions under GST law relating to issue of invoices with exact dates on which tax invoices needs to be issued by M/s. Xing Trans.

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(b) "One consolidated e-way bill can be generated for multiple invoices" **3**

Comment on the validity of the above statement with reference to GST law.

(c) "All taxpayers are required to file GSTR-1 only after the end of the current tax period." **3**

Comment on the validity of the above statement with reference to GST law.

8. (a) "Under the GST law, taxes on taxable services supplied by the Central Government or the State Government to a business entity in India are payable by recipient of services". **5**

State the exceptions of the above stated statement.

(b) Mr. B, a registered supplier of Uttar Pradesh is doing the trading of taxable goods. He approaches you to understand the manner of utilisation of available Input Tax Credit (ITC). **5**

With reference to provisions of payment of tax, state the manner of utilisation of ITC under GST law.

OR

State any five circumstances under which the proper officer can cancel the registration on his own under the CGST Act, 2017.

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