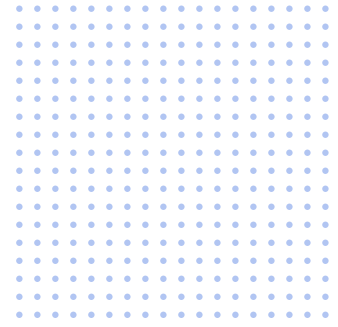




FOR CMA INTERMEDIATE EXAM PREPARATION

CMA Intermediate 2023 Question Paper · Paper 7 Direct and Indirect Taxation

EXAM

CMA Intermediate

YEAR

2023

TYPE

Question Paper

SUBJECT

Paper 7 Direct and Indirect Taxation

DATE

December 2023

INTERMEDIATE EXAMINATION

December 2023

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.***SECTION - A (COMPULSORY)****1. Multiple Choice Questions: (Choose the correct alternative). 2×15=30**

- (i) Dr. Rao is a famous physician at Chennai. His gross receipt from profession was ₹ 48,40,000 for the previous year 2022-23. He wants to admit income under the applicable presumptive provision of Income-tax Act, 1961. How much must be admitted as income on presumptive basis?

(A) ₹ 24,20,000
(B) ₹ 7,26,000
(C) ₹ 2,90,400
(D) ₹ 3,87,200

- (ii) On the occasion of his birthday Mr. Sanjay received cash gifts of ₹ 60,000 from his relatives and ₹ 1,10,000 from his friends. How much of the cash gift is liable to tax under the Income-tax Act, 1961 for A.Y. 2023-24?

(A) ₹ 1,10,000
(B) ₹ 1,20,000
(C) ₹ 1,70,000
(D) ₹ 60,000

- (iii) As per Section 194 I of The Income-tax Act, 1961 any person, other than individual or HUF is responsible to deduct tax at source on rent to a resident person if the aggregate amount of rent credited or paid during the financial year to the payee exceed ₹ _____ for A.Y. 2023-24.

(A) 50,000
(B) 1,00,000
(C) 1,20,000
(D) 2,40,000

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(2)

(iv) The aggregate amount of deduction under section 80C, 80CCC and 80CCD of the Income-tax Act, 1961 [other than deduction in respect of employer's contribution and additional deduction 80CCD(IB)] shall not exceed ₹ _____ for A.Y. 2023-24.

(A) 1,00,000

(B) 1,50,000

(C) 2,00,000

(D) No limit

(v) Madhav is a resident individual. His father is wholly dependent on him and suffering from 90% disability. Madhav has incurred an amount of ₹ 85,000 for maintaining and medical treatment of his father.

The amount of deduction u/s 80DD of the Income-tax Act, 1961, he can claim in his income-tax return for A.Y. 2023-24 is ₹ _____.

(A) 50,000

(B) 85,000

(C) 1,25,000

(D) 1,50,000

(vi) Which of the following is an agriculture income under the Income-tax Act, 1961?

(A) Dividend received from a company engaged in agricultural operation.

(B) Interest on arrears of rent receivable in respect of agricultural land.

(C) Interest received by a money lender in the form of agricultural produce.

(D) Interest on capital received by a partner from a firm engaged in agricultural operation.

(vii) Interest on capital of or loan from partner of a firm is allowed as deduction u/s 40(b) of the Income tax Act, 1961 to the firm to the extent of

(A) 18% p.a. or at the rate mentioned in partnership deed whichever is less.

(B) 12% p.a. even if it is not mentioned in partnership deed.

(C) 12% p.a. or at the rate mentioned in partnership deed whichever is less.

(D) 9% p.a. or at the rate mentioned in partnership deed whichever is less.

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- (viii) Under GST law, when the goods are dispatched (other than over dimensional cargo) to a destination which is 290 km from the place of dispatch, the e-way bill generated is valid for _____.
- (A) 1 day
(B) 2 days
(C) 14 days
(D) 15 days
- (ix) The decision in GST Council would be taken by a majority of not less than _____ of weightage votes cast.
- (A) One-third
(B) One-half
(C) Two-third
(D) Three-fourth
- (x) A & Co. (firm) was dissolved and its GST registration was cancelled on 31.08.2022. What is the time limit within which A & Co. must file a final return in form GSTR-10?
- (A) On or before 31.03.2023.
(B) On or before 31.12.2022.
(C) On or before 30.11.2022 .
(D) On or before 30.09.2022.
- (xi) Jagat & Co is a manufacturer of footwears and registered under GST law. It wants to avail QRMP Scheme.
- What is the monetary limit of aggregate turnover in the preceding financial year for availing the same?
- (A) ₹ 1.50 crore.
(B) ₹ 2 crore.
(C) ₹ 10 crore.
(D) ₹ 5 crore.

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(4)

- (xii) Under the GST law, In case of taxable supply of services by a banking company, invoice is to be issued within a period of _____.
- (A) 30 days from the date of supply of service
 - (B) 45 days from the date of supply of service
 - (C) 60 days from the date of supply of service
 - (D) 90 days from the date of supply of service.
- (xiii) Input tax credit on account of IGST available in the electronic credit ledger shall be utilized for tax payment _____.
- (A) for IGST only
 - (B) first for IGST and then for CGST and then for SGST
 - (C) first for IGST, then for CGST or SGST as per the choice of the dealer
 - (D) first for IGST and then for SGST and then for CGST
- (xiv) Laxman & Co., Hyderabad is engaged in supply of both goods and services which are liable for GST. What is threshold limit up to which it is not liable for registration under GST law?
- (A) ₹ 10 lakh
 - (B) ₹ 20 lakh
 - (C) ₹ 40 lakh
 - (D) ₹ 1.50 crore
- (xv) Under Customs, the limit of exclusive economic zone of India is _____ from the nearest point of the baseline.
- (A) 12 nautical miles
 - (B) 24 nautical miles
 - (C) 100 nautical miles
 - (D) 200 nautical miles

(5)

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(Answer any five questions out of seven questions given. Each question carries 14 Marks)

14×5=70

2. (a) Savitri (aged 48 years) has following incomes for the previous year 2022-23:

S. No.	Particulars	Amount (₹)
(i)	Rent from property let out in London (UK) credited to bank account in Singapore	3,00,000
(ii)	Salary income in Singapore credited to bank account in Chennai	7,00,000
(iii)	Bank interest in respect of fixed deposits with SBI, Chennai	1,20,000
(iv)	Dividend from Indian companies credited to bank account in India	70,000
(v)	Interest on deposits with Indian companies credited to bank account outside India	30,000
(vi)	Royalty income from United Inc. USA credited to bank account in Singapore	5,00,000

Calculate the Gross Total Income for Assessment Year 2023-24 assuming that she is

- (i) Resident and ordinarily resident;
- (ii) Resident but not ordinarily resident;
- (iii) Non-resident.

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(b) Mr. Sahil (aged 40 years) is a regular employee in X Pvt. Ltd. He has given the details of his income for the previous year 2022-23.

S. No.	Particulars	Amount (₹)
(i)	Basic salary	3,00,000
(ii)	Education allowance for 2 children	36,000
(iii)	Servant allowance	10,000
(iv)	Entertainment allowance	6,000
(v)	Medical facility for Mr. Sahil and his family members in a hospital maintained by the employer	18,000
(vi)	Free meals during the office hours (₹ 80 × 300 times)	24,000
(vii)	Gift (wrist watch) on Deepawali.	7,000
(viii)	Transport allowance (being used for office to residence & vice versa)	12,000

You are required to calculate the income chargeable to tax under the head “Salary” in the hands of Mr. Sahil for the Assessment Year 2023-24. Mr. Sahil does not opt to be taxed under section 115BAC of the Income Tax Act, 1961.

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(6)

3. (a) Mr. Gaurav owns a house property in Jaipur (Rajasthan). The fair rental value per annum is ₹ 1,50,000 and the Municipal value is ₹ 1,30,000.

The house was let out from 1st April, 2022 to 30th September, 2022 at a monthly rent of ₹ 5,000 and from 1st October, 2022 Mr. Gaurav occupies it for his residence (self). Following expenditure were incurred on property and paid during the previous year 2022-23:

- | | |
|------------------------------|----------|
| (i) Municipal tax | ₹ 13,000 |
| (ii) Land revenue | ₹ 5,000 |
| (iii) Fire insurance premium | ₹ 1,000 |

The loan for the construction of this property is taken and Interest charged by the bank ₹ 12,500 have been paid. To repay this loan, Mr. Gaurav has taken a fresh loan and interest charged on this loan is ₹ 6,500.

Mr. Gaurav does not opt to be taxed under section 115 BAC of the Income Tax Act, 1961.

Compute the income from "House Property" chargeable in the hands of Mr. Gaurav for the Assessment Year 2023-24.

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- (b) Mr. Gopal is the proprietor of a business. Following is his Profit and Loss Account for the year ended on 31.03.2023:

Particulars	Amount (₹)	Particulars	Amount (₹)
Establishment charges	5,110	Gross profit	5,00,000
Rent, rates and taxes	2,900	Interest on Govt. Securities (Gross)	5,350
Sundry expenses	7,050	Rent from property	5,400
Household expenses	1,880		
Provision for bad debts	1,200		
Loss on sale of motor car (used for private purpose)	1,800		
Salaries	3,00,000		
Insurance premium (including life insurance of ₹ 1,790)	2,880		
Interest on bank loan	1,380		
Provision for Depreciation	6,400		
Net profit	1,80,150		
	5,10,750		5,10,750

Additional information:

- (i) Bad debts written off during the year: ₹ 650

(7)

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- (ii) Admissible depreciation as per Income-tax rules: ₹1,600
- (iii) The assessee is running his business in a rented property, half of which is used by him for his own residence. Rent of ₹2,400 in respect of entire house is included in rent, rates and taxes. The balance of ₹ 500 is on account of municipal tax paid for property given on rent.

Compute the Income taxable under the head "Business and Profession" of Mr. Gopal for the assessment year 2023-24.

Mr. Gopal does not opt to be taxed under section 115 BAC of the Income Tax Act, 1961.

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4. (a) Mr. Manoj is a resident individual who retired from employment in March, 2022. He sold a residential building for ₹ 60 lakh to Zeet Ltd., Delhi on 3rd February, 2023. Mr. Manoj paid 2% commission on sale price to Mr. Pritham for fetching the buyer. The building was inherited by him as per the 'will' of his mother on 5th April, 2000. She had acquired the said building on 18th October, 1990 for ₹ 1 lakh. The Fair Market Value (FMV) of the building as on 1st April, 2001 was ₹ 5 lakh. The Stamp duty value of the building on the date of sale was ₹ 70 lakh.

Earlier, Mr. Manoj had entered into an agreement with Mr. Ram in August, 2022 for sale of the same building and forfeited advance money of ₹ 2 lakh. He purchased a residential apartment in Madurai for ₹ 30 lakh on 28th March, 2023 and subscribed to REC capital Gain bonds for ₹ 20 lakh in November, 2023.

Cost inflation index: FY 2001-02 = 100; FY 2022-23 = 331.

Compute the income under the head 'Capital Gain' for Mr. Manoj for the assessment year 2023-24.

Mr. Manoj does not opt to be taxed under section 115 BAC of the Income Tax Act, 1961.

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(8)

- (b) Ms. Sonali, submits the information of following transaction/income during the previous year 2022-23:

S. No.	Particulars	Amount (₹)
(i)	Interest on Post Office Saving Bank Account (single account)	2,500
(ii)	Winnings from lotteries (Net)	28,840
(iii)	Received a motor car as gift from her friend on the occasion of her birthday.	6,00,000
(iv)	Cash gift of ₹ 15,000 each from her four friends	60,000
(v)	Income from undisclosed source	10,000
(vi)	Rent received from sub-letting of house property (Rent paid to original owner ₹ 22,000)	30,000

You are required to compute the income of Ms. Sonali chargeable under the head "Income from other sources" for A.Y. 2023-24. Ms. Sonali does not opt to be taxed under section 115BAC of the Income Tax Act, 1961.

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5. (a) Mr. Deepak has derived the following income/loss as computed below for the previous year 2022-23:

S. No.	Particulars	Amount (₹)
(i)	Loss from agricultural business	(1,00,000)
(ii)	Loss from let out house property	(2,20,000)
(iii)	Income from speculation business	9,72,000
(iv)	Loss from non- speculation business	(2,50,000)
(v)	Income from car races (Gross)	1,80,000
(vi)	Loss from activity of owning and maintaining race-horses	(70,000)

You are required to compute the total income of Mr. Deepak for the assessment year 2023-24, showing clearly the manner of set-off and the items eligible for carry forward. He filed his income-tax return every year before the due date. He does not opt to be taxed under section 115BAC of the Income Tax Act, 1961.

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(9)

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- (b) Mrs. Jyoti, aged 46 years, a resident individual furnishes the following particulars for the previous year 2022-23:

S. No.	Particulars	Amount (₹)
(i)	Salary income (Gross)	9,50,000
(ii)	Loss from self-occupied house property	(2,40,000)
(iii)	Interest on saving bank account	12,000
(iv)	Deposit in Public Provident Fund (PPF)	1,50,000
(v)	Dividend from Indian companies	50,000
(vi)	LIC premium paid for dependent father, aged 75 years.	30,000

You are required to calculate total taxable income and tax liability for the assessment year 2023-24 and advise her whether she should opt for alternative tax regime under section 115BAC of the Income Tax Act, 1961 or not?

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6. (a) Discuss the concept and features of Indirect Taxes.

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- (b) Explain the benefits of GST to (i) Business and Industry; and (ii) for Central and State Governments.

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7. (a) Examine with brief reasons, which person is liable to pay GST in the following independent cases, where the supplier and recipient both are located in the taxable territory.

Ignore the aggregate turnover and exemption available:

- Ram is an insurance agent (registered under GST), received commission of ₹ 12,00,000 from Insurance Company (registered under GST).
- Shyam is a business facilitator (registered under GST), received commission of ₹ 1,95,000 for the services provided to the urban branch of a Nationalised Bank with respect to savings bank accounts.
- Mohan (registered under GST) is an independent director of XYZ Company Ltd, has received sitting fees amounting to ₹ 1,00,000 from XYZ Company Ltd for attending the Board meetings.

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(10)

- (b) Happy Enterprises, a registered dealer, furnishes the following information relating to machinery sold by it to Khushi Trader in the course of intra-State in the month of May, 2023:

S. No.	Particulars	Amount (₹)
(i)	List price of the machinery (exclusive of GST and discounts)	12,00,000
(ii)	Municipal taxes levied on sale of machinery	12,500
(iii)	Installation and testing charges for machinery	25,000
(iv)	Freight and insurance charges from place of removal to buyer's premises (supplier agrees to deliver the goods at the buyer's premises)	10,000
(v)	Subsidy received from one non-government organization (NGO) on sale of such machine. This subsidy was not linked to the price of machine and also not considered in list price.	20,000

Khushi Trader deducted discount of ₹ 3,000 at the time of final payment, which was not as per agreement.

Happy Enterprises normally gives an interest-free credit period of 45 days for payment, after that it charges interest @ 1% p.m. or part thereof on the list price of machinery.

Khushi Trader paid for the supply after 60 days but Happy Enterprises waived off the interest payable.

According to GST law, you are required to determine the value of taxable supply made by Happy Enterprises, considering that the price is the sole consideration for the supply and both parties are unrelated to each other.

Items given in S. No. (ii) to (v) are not considered while arriving at the list price of the machinery given in S. No. (i).

Brief notes for treatment given for each item should form part of your answer.

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(11)

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8. (a) ABC Ltd., a registered person, is engaged in the business of spices at Cochin. It provides following details in relation to GST paid on inward supplies procured by it during the month of May, 2023:

S. No.	Particulars	GST Paid (₹)
(i)	<u>Raw spices purchased</u>	
	(a) Sold to customers 4,50,000	
	(b) Used for personal use of directors <u>35,000</u>	4,85,000
(ii)	Electric machinery purchased for being used in the manufacturing process	1,23,000
(iii)	Motor Car used for transportation of the managing director for official use only.	4,50,000
(iv)	Payment made to contractor for construction of staff quarter.	7,25,000

Determine the amount of Input Tax Credit (ITC) available with ABC Ltd. for the month May, 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.

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- (b) Describe the conditions to impose Countervailing Duty on Subsidized articles under section 9 of the Customs Tariff Act, 1975 and also state the quantum of duty and duration of imposition of such duty.

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