

MOCK TEST PAPER 1
INTERMEDIATE COURSE
PAPER – 4: TAXATION

Time Allowed – 3 Hours

Maximum Marks – 100

SECTION – A: INCOME TAX LAW (60 MARKS)

Working Notes should form part of the answer. Wherever necessary, suitable assumptions may be made by the candidates and disclosed by way of a note. However, in answers to Questions in Division A, working notes are not required.

The relevant assessment year is A.Y.2023-24.

Division A – Multiple Choice Questions

Write the most appropriate answer to each of the following multiple choice questions by choosing one of the four options given. All questions are compulsory.

1. Mr. Ramesh, an Indian resident, purchased a residential house property at Gwalior on 28.05.1999 for ₹ 28.5 lakhs. The fair market value and the stamp duty value of such house property as on 1.4.2001 was ₹ 33.5 lakhs and ₹ 32.4 lakhs, respectively. On 05.02.2012, Mr. Ramesh entered into an agreement with Mr. Raju for sale of such property for ₹ 74 lakhs and received an amount of ₹ 3.9 lakhs as advance. However, as Mr. Raju did not pay the balance amount, Mr. Ramesh forfeited the advance.

On 15.04.2022, Mr. Ramesh sold the house property for ₹ 2.10 crores, when the stamp duty value of the property was ₹ 2.33 crores. Further, he purchased two residential house properties at Delhi and Mumbai for ₹ 54 lakhs each on 28.08.2022.

On 28.02.2023, Mr. Ramesh signed agreement to sale the house property at Mumbai to his friend's son, Mr. Vishal, for ₹ 58 lakhs, from whom ₹ 19,000 was received in cash on 15.01.2023 as advance for signing the agreement to sale. Sale deed was registered on 30.03.2023 on receipt of the balance amount through account payee cheque from Mr. Vishal. The stamp duty value of house property at Mumbai on 28.02.2023 and 30.03.2023 was ₹ 61 lakhs and ₹ 64 lakhs, respectively.

Cost inflation index –

P.Y. 2022-23: 331; P.Y. 2011-12: 184; P.Y. 2001-02: 100

Based on the above information, choose the most appropriate option of the following Multiple Choice Questions (MCQs):-

- (i) What shall be the indexed cost of acquisition of residential house property at Gwalior for computation of capital gains in the hands of Mr. Ramesh?
- (a) ₹ 1,10,88,500
(b) ₹ 1,07,24,400
(c) ₹ 94,33,500
(d) ₹ 97,97,600
- (ii) The amount of capital gains taxable for A.Y. 2023-24 in the hands of Mr. Ramesh for sale of residential house property at Gwalior is -
- (a) ₹ 30,66,500
(b) ₹ 84,66,500

- (c) ₹ 27,02,400
 (d) ₹ 18,80,500
- (iii) The amount of capital gains taxable for A.Y. 2023-24 in the hands of Mr. Ramesh for sale of residential house property at Mumbai is -
 (a) ₹ 7 lakhs
 (b) ₹ 10 lakhs
 (c) ₹ 61 lakhs
 (d) ₹ 64 lakhs
- (iv) The amount taxable under section 56(2)(x) in the hands of Mr. Vishal, if any, is -
 (a) ₹ 3 lakhs
 (b) Nil
 (c) ₹ 6 lakhs
 (d) ₹ 5.50 lakhs
- (v) What shall be the amount of TDS available with Mr. Ramesh with respect to sale of house property at Gwalior assuming the tax was fully deducted by the buyer at the time of payment?
 (a) ₹ 2,33,000
 (b) ₹ 2,31,000
 (c) ₹ 2,10,000
 (d) ₹ 23,300

(5 x 2 = 10 Marks)

2. Mr. Malik (aged 35 years) submits the following particulars for the purpose of computing his total income:

Particulars	₹
Income from salary (computed)	4,00,000
Loss from let-out house property	(-) 2,20,000
Brought forward loss from let-out house property for the A.Y. 2022-23	(-) 2,30,000
Business loss	(-) 1,00,000
Bank interest (FD) received	80,000

Compute the total income of Mr. Malik for the A.Y. 2023-24 and the amount of loss that can be carried forward for the subsequent assessment year?

- (a) Total income ₹ 2,00,000 and loss from house property of ₹ 2,50,000 and business loss of ₹ 20,000 to be carried forward to subsequent assessment year.
 (b) Total income ₹ 1,60,000 and loss from house property of ₹ 2,30,000 to be carried forward to subsequent assessment year.
 (c) Total income ₹ 1,80,000 and loss from house property of ₹ 2,30,000 and business loss of ₹ 20,000 to be carried forward to subsequent assessment year.
 (d) Total income is Nil and loss from house property of ₹ 70,000 to be carried forward to subsequent assessment year.

(2 Marks)

3. Mr. Ramesh, Mr. Mahesh and Mr. Suresh, jointly owned a flat in Mathura, which was let out to Dr. Rajesh from 01.04.2022. The annual rent paid by Dr. Rajesh for the flat was ₹ 5,40,000, credited equally to each of their account. Mr. Rajesh approached his tax consultant to seek clarity in relation to deduction of tax on payment of the rent. He informed his consultant that he occupied such flat for his personal accommodation and his receipts from his profession during the previous year 2021-22 was ₹ 58 lakhs. As tax consultant, choose the correct answer –
- No tax at source is required to be deducted since the rental payments are towards flat occupied for personal purpose
 - Tax is required to be deducted at source since the rent payment exceeds ₹ 2,40,000 and Dr. Rajesh is an individual having gross receipts from profession exceeding ₹ 50 lakh in the preceding financial year.
 - No tax is required to be deducted at source since the rent credited to each co-owner is less than ₹ 2,40,000
 - No tax is required to be deducted at source since Dr. Rajesh's gross receipts during the preceding financial year were less than ₹ 1 crore **(2 Marks)**
4. Mr. Ashish is an Indian citizen and a member of the crew of an America bound Indian ship engaged in carriage of freight in international traffic departing from Chennai on 25th April, 2022. From the following details for the P.Y. 2022-23, what would be the residential status of Mr. Ashish for A.Y. 2023-24, assuming that his stay in India in the last 4 previous years preceding P.Y. 2022-23 is 365 days and last seven previous years preceding P.Y. 2022-23 is 730 days?
- Date entered in the Continuous Discharge Certificate in respect of joining the ship by Mr. Ashish: 25th April, 2022
 - Date entered in the Continuous Discharge Certificate in respect of signing off the ship by Mr. Ashish: 24th October, 2022
- Mr. Ashish has been filing his income tax return in India as a resident for the preceding 2 previous years.
- Resident and ordinarily resident
 - Resident but not-ordinarily resident
 - Non-resident
 - Deemed resident but not-ordinarily resident **(2 Marks)**
5. Mrs. Asha, aged 60 years and a non-resident in India, has a total income of ₹ 3,20,00,000, comprising long term capital gain taxable under section 112 of ₹ 57,00,000, long term capital gain taxable under section 112A of ₹ 65,00,000 and other income of ₹ 1,98,00,000. What would be her tax liability for A.Y. 2023-24. Assume that she has not opted for the provisions of section 115BAC.
- ₹ 90,08,870
 - ₹ 90,20,830
 - ₹ 90,05,880
 - ₹ 97,92,250 **(2 Marks)**

Division B – Descriptive Questions

Question No. 1 is compulsory

Attempt any **two** questions from the remaining **three** questions

1. Mr. Rohit, working as Finance Manager in ABC Ltd., Kanpur, retired from the company on 31.10.2022 at the age of 60. The following amounts were received from the employer from 1st April, 2022 to 31st October, 2022:

Basic Salary	₹ 30,000 p.m.
Dearness Allowance	₹ 20,000 p.m. (40% reckoned for superannuation benefits)
Ex-gratia (lump sum)	₹ 65,000

In addition to the above –

- (i) The company had taken on lease a residential house at Kanpur, paying a lease rent of ₹ 9,000 p.m. Mr. Rohit, who was paying to the company ₹ 6,000 p.m. towards aforesaid rent, vacated the said premises on 31.10.2022.
- (ii) The company had also provided to Mr. Rohit a cooking range and micro-wave oven owned by it. The original cost of these assets was ₹ 40,000 and the written down value as on 1.4.2022 was ₹ 22,000.
- (iii) Mr. Rohit has two sons. His second son was studying in a school run by the employer-company throughout the financial year 2022-23. The education facility was provided free of cost. The cost of such education in a similar school is ₹ 1,800 p.m.
- (iv) The employer-company was contributing ₹ 7,000 p.m. to Central Government Pension Scheme. Mr. Rohit contributed an equal amount.
- (v) Professional tax paid by the employer ₹ 2,400.
- (vi) Subsequent to his retirement, Mr. Rohit started his own business on 15-11-2022. The results of the said business from 15.11.2022 to 31.3.2023 were:
- | | |
|---|----------|
| A. Business loss (excluding current depreciation) | ₹ 90,000 |
| B. Current year's depreciation | ₹ 60,000 |
- (vii) Mr. Rohit won a prize in a TV game show. He received a sum of ₹ 2,10,000 after deduction of tax at source to the tune of ₹ 90,000.
- (viii) Mr. Rohit furnishes the under-mentioned data relating to savings, investments and out-goings:
- | |
|--|
| A. Life insurance premium, with a private insurance company ₹ 30,000 for his son and ₹ 20,000 for his married daughter. |
| B. Medical insurance premium of ₹ 22,000 for himself and ₹ 26,000 for his mother (aged 82), paid by credit card. His mother is however not dependent on him. |

You are required to compute the total income of Mr. Rohit (showing clearly the computation under various heads of income) and tax payable by him for the assessment year 2023-24. Assume Mr. Rohit does not opt for the provisions of under section 115BAC. **(14 Marks)**

2. (a) The following are the incomes of Suresh, a citizen of India, for the previous year 2022-23:
- (i) Income from business in India ₹ 2,00,000. The business is controlled from London and ₹ 60,000 were remitted to London.

- (ii) Profits from business earned in Japan ₹ 70,000 of which ₹ 20,000 were received in India. This business is controlled from India.
- (iii) Untaxed income of ₹ 1,30,000 for the year 2021-22 of a business in England which was brought in India on 3rd March, 2023.
- (iv) Royalty of ₹ 4,00,000 received from Shri Ramesh, a resident, for technical service provided to run a business outside India.
- (v) Agricultural income of ₹ 90,000 in Bhutan and received there.
- (vi) Rent of ₹ 73,000 from house property in Dubai, which was deposited in bank at Dubai.

Compute Gross Total Income of Suresh for the A.Y. 2023-24, if he is -

- (1) A Resident and ordinarily resident; and
- (2) A Resident but not ordinarily resident **(6 Marks)**

(b) Examine & explain the TDS implications in the following cases along with reasons thereof, assuming that the deductees are residents and having a PAN which they have duly furnished to the respective deductors.

- (i) Mr. Kunal received a sum of ₹ 10,20,000 on 28.02.2023 as pre-mature withdrawal from Employees Provident Fund Scheme before continuous service of 5 years on account of termination of employment due to ill-health.
- (ii) Indian Bank sanctioned and disbursed a loan of ₹ 12 crores to B Ltd. on 31-12-2022. B Ltd. paid a sum of ₹ 1,20,000 as service fee to Indian Bank for processing the loan application.
- (iii) Mr. Agam, working in a private company, is on deputation for 5 months (from October, 2022 to February, 2023) at Mumbai where he pays a monthly house rent of ₹ 32,000 for those five months, totalling to ₹ 1,60,000. Rent is paid by him on the first day of the relevant month.
- (iv) Ms. Sarla received a sum of ₹ 92,000 on 30th September 2022 towards maturity proceeds of LIC taken on 1st October 2016 for which sum assured was ₹ 80,000 and annual premium was ₹ 10,000. **(8 Marks)**

3. (a) Mr. Mishra is a finance manager in XYZ (P) Limited. He gets a salary of ₹ 30,000 per month. He owns two houses, one of which has been let out to his employer and which is in turn provided to him as rent free accommodation. Following details (annual) are furnished in respect of two house properties for the Financial Year 2022-23.

	House 1	House 2
Fair rent	75,000	1,95,000
Actual rent	65,000	2,85,000
Municipal Valuation	74,000	1,90,000
Municipal taxes paid	18,000	70,000
Repairs	15,000	35,000
Insurance premium on building	12,000	17,000
Ground rent	7,000	9,000
Nature of occupation	Let-out to XYZ (P) Limited	Let-out to Ms. Asha

₹ 17,000 were paid as interest on loan taken by mortgaging House 1 for construction of House 2.

During the previous year 2022-23, Mr. Mishra purchased a rural agricultural land for ₹ 2,50,000. Stamp valuation of such property is ₹ 3,00,000.

Determine the taxable income of Mr. Mishra for the A.Y. 2023-24 assuming that he does opt for the provisions of section 115BAC. All workings should form part of your answer. **(7 Marks)**

- (b) Mr. Riyaan owned a residential house in Noida. It was acquired on 09.09.2013 for ₹ 30,00,000. He sold it for ₹ 1,57,00,000 on 07.01.2020.

Mr. Riyaan utilized the sale proceeds of the above property to acquire a residential house in Panchkula for ₹ 2,05,00,000 on 20.07.2020. The said house property was sold on 31.10.2022 and he purchased another residential house in Delhi for ₹ 2,57,00,000 on 02.03.2023. The property at Panchkula was sold for ₹ 3,25,00,000.

Calculate capital gains chargeable to tax for the assessment year 2020-21 and 2023-24. All workings should form part of your answer: Cost inflation index for various financial years are as under:

2013-14 - 220

2019-20 - 289

2020-21 - 301

2022-23 - 331

(7 Marks)

4. (a) Mr. Manoj, a bhajan singer of Rajasthan and his wife Mrs. Daya furnish the following information relating to the A.Y. 2023-24.

		₹
1	Income of Mr. Manoj - Professional bhajan singer (computed)	5,65,000
2	Salary income of Mrs. Daya (Computed)	3,80,000
3	Loan received by Mrs. Daya from Ramu & Jay (P) Ltd. (Mrs. Daya holds 35% shares of the Co. The Co. has incurred losses since its inception 2 years back)	2,50,000
4	Income of their minor son Ganesh from winning singing reality show on T.V.	2,50,000
5	Cash gift received by Ganesh from friend of Mr. Manoj on winning the show	21,000
6	Interest income received by minor married daughter Gudia from deposit with Ramu & Jay Pvt Ltd.	40,000

Compute total taxable income of Mr. Manoj & Mrs. Daya for the A.Y. 2023-24 if they opt for the provisions of section 115BAC. **(5 Marks)**

- (b) Following are the details of incomes/losses of Mr. Rishi for the F.Y. 2022-23:

(Figures in brackets represents losses)	₹
Taxable salary income (computed)	3,60,000
Taxable income from house property (computed)	
- from rented house property X	1,20,000
- from rented house property Y	(3,40,000)

Taxable profit from business (computed)	
- business P	2,30,000
- business Q	(12,000)
- business R (speculative business)	15,000
- business T (speculative business)	(25,000)
Taxable Income from other sources :	
- from card games	16,000
- from owning & maintenance of race horses	(7,000)
- interest on securities	5,000

You are required to determine the Gross total income of Mr. Rishi for A.Y. 2023-24. **(5 Marks)**

- (c) Briefly mention the provisions of Income-tax Act, 1961 with regard to quoting Aadhar Number under section 139AA of the Act. **(4 Marks)**

SECTION B - INDIRECT TAXES (40 MARKS)

QUESTIONS

- (i) Working Notes should form part of the answers. However, in answers to Questions in Division A, working notes are not required.
- (ii) Wherever necessary, suitable assumptions may be made by the candidates, and disclosed by way of notes.
- (iii) All questions should be answered on the basis of position of the GST law as amended by the Finance Act, 2022, including significant notifications and circulars issued, up to 30th April 2023.

Division A - Multiple Choice Questions (MCQs)

Write the most appropriate answer to each of the following multiple-choice questions by choosing one of the four options given. All questions are compulsory.

Total Marks: 12 Marks

Ms. Chanchala, is a doctor, registered person under GST as a monthly return filer, having in-patient facility in her hospital.

She availed interior decoration services from her spouse without any consideration being paid. She also availed IT related services from her sister-in-law without any consideration. Both services were for the purpose of her profession.

Ms. Chanchala provided treatment of various diseases in her hospital and apart from that she also provided the following services in her hospital-

- (a) Plastic surgery to enhance the beauty of the face
- (b) Ambulance service for transportation of patients
- (c) Renting of space to run medical store in hospital premises

She is also a consultant in other hospitals and received ₹ 40,00,000 as consultancy fee from the other hospitals.

Further, she also provides canteen facility and received ₹ 55,000 from in-patients, ₹ 35,000 from patients who are not admitted and ₹ 25,000 from visitors for the same facility.

She filed GSTR-3B for the month of June with some errors. She filed the Annual return for the said financial year on 31st October of the next financial year, whereas due date for the said Annual return is 31st December of the next financial year.

Proper Officer of the department had cancelled the registration certificate of Ms. Chanchala suo-motu on 31st July. Order of cancellation was served on 5th August. However, she applied for revocation of the same and got her registration restored back.

All the amounts given above are exclusive of taxes, wherever applicable. All the supplies referred above are intra-State unless specified otherwise.

From the information given above, choose the most appropriate answer for the following questions-

1 Which of the following is a correct statement as per the provisions of CGST Act, 2017?

- (i) Service availed from her Spouse is a deemed supply
- (ii) Service availed from her Sister-in-Law is a deemed supply
- (iii) Service availed from her Spouse is not a deemed supply
- (iv) Service availed from her Sister-in-Law is not a deemed supply
- (a) (i) and (iv)

- (b) (iii) and (iv)
 - (c) (ii) and (iii)
 - (d) (i) and (ii)
- 2 Compute the taxable value of supply of canteen service provided by Ms. Chanchala?
- (a) ₹ 25,000
 - (b) ₹ 35,000
 - (c) ₹ 60,000
 - (d) ₹ 80,000
- 3 By which date Ms. Chanchala should have applied for revocation of cancellation of registration certificate, in case no extension is granted?
- (a) 5th August
 - (b) 20th August
 - (c) 30th August
 - (d) 4th September
- 4 Maximum time permissible for rectification of error committed in monthly return of June is _____
- (a) 30th November of the next year
 - (b) 20th October of the next year
 - (c) 31st October of the next year
 - (d) 31st December of the next year
- 5 Determine which of the following services provided by Ms. Chanchala and her hospital is exempt from GST?
- (i) Plastic surgery to enhance the beauty of the face
 - (ii) Ambulance service for transportation of patients
 - (iii) Renting of space to run medical store in hospital premises
 - (iv) Consultancy service by Ms. Chanchala in other hospitals
- (a) (i), (ii) & (iv)
 - (b) (i), (ii)
 - (c) (ii) & (iv)
 - (d) (i) & (iii)
- (5 x 2 Marks = 10 Marks)**
6. An exempt supply includes-
- (i) Supply of goods or services or both which attracts Nil rate of tax
 - (ii) Non-taxable supply
 - (iii) Supply of goods or services or both which are wholly exempt from tax under section 11 of the CGST Act or under section 6 of IGST Act
- (a) (i)
 - (b) (i) and (ii)

(c) (ii) and (iii)

(d) (i), (ii) and (iii)

(1 Mark)

7. _____ provides that no tax shall be levied or collected except by authority of law.

(a) Article 269

(b) Article 245

(c) Article 265

(d) Article 246

(1 Marks)

Division B - Descriptive Questions

Question No. 1 is compulsory.

Attempt any two questions out of remaining three questions.

Total Marks: 28 Marks

1. XT Pvt. Ltd., a supplier of goods, pays GST under regular scheme. It has made the following outward taxable supplies in a tax period:

Particulars	Amount (₹)
Intra-State supply of goods	8,00,000
Inter-State supply of goods	3,00,000

It has also furnished the following information in respect of purchases made by it in that tax period:

Particulars	Amount (₹)
Intra-State purchases of goods	2,00,000
Inter-State purchases of goods	50,000

The company has following opening balance of ITCs for the tax period:

Particulars	Amount (₹)
CGST	57,000
SGST	Nil
IGST	70,000

Note:

(i) Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively.

(ii) Both inward and outward supplies are exclusive of taxes, wherever applicable.

(iii) All the conditions necessary for availing the ITC have been fulfilled.

Compute the minimum GST, payable in cash, by XT Pvt. Ltd. for the tax period. Make suitable assumptions as required. (8 Marks)

2. (a) Shri Krishna Pvt. Ltd., a registered supplier, furnishes the following information relating to goods sold by it to Shri Balram Pvt. Ltd.-

S. No.	Particulars	Amount (₹)
(i)	Price of the goods [excluding taxes and other charges mentioned at S. Nos. (iii), (v) and (vi)]	1,00,000
(ii)	Municipal tax	2,000

(iii)	Inspection charges	15,000
(iv)	Subsidy received from Shri Ram Trust [Subsidy is directly linked to the goods supplied]	50,000
(v)	Late fees for delayed payment inclusive of GST [Shri Balram Pvt. Ltd. paid the late fees. However, these charges were ultimately waived by Shri Krishna Pvt. Ltd. and the amount was refunded to Shri Balram Pvt. Ltd. during the same month]	1,000
(vi)	Weighment charges [Such charges were paid by Shri Balram Pvt. Ltd. to Radhe Pvt. Ltd. on behalf of Shri Krishna Pvt. Ltd.]	2,000

Note: Price of the goods is net of the subsidy received.

Determine the value of taxable supply made by Shri Krishna Pvt. Ltd. to Shri Balram Pvt. Ltd.

(6 Marks)

- (b) Determine whether the suppliers in the following cases are eligible for composition levy, under section 10(1) & 10(2) of the CGST Act, 2017, provided their turnover in preceding year does not exceed ₹ 1.5 crore:
- (i) Mohan Enterprises is engaged only in trading of pan masala in Rajasthan and is registered in the same State.
- (ii) Sugam Manufacturers has registered offices in Punjab and Haryana and sells goods manufactured by it in the neighbouring States. **(4 Marks)**
3. (a) Udai Singh, a registered supplier, has received advance payment with respect to services to be supplied to Sujamal. His accountant asked him to issue the receipt voucher with respect to such services to be supplied. However, he is apprehensive as to what would happen in case a receipt voucher is issued, but subsequently no services are supplied. You are required to advise Udai Singh regarding the same. **(6 Marks)**
- (b) Mr. X, a registered person has caused movement of goods of consignment value exceeding ₹ 50,000 in relation to a supply and thus, generated e-way bill. However, after generation of e-way bill, he found a mistake in the e-way bill and wants to edit it. You are required to advise Mr. X whether he can do so with the help of relevant provisions? **(4 Marks)**
4. (a) GST is payable on advance received for supply of goods and services taxable under forward charge.
Do you agree with the statement? Support your answer with legal provisions. **(5 Marks)**
- (b) If a return has been filed, how can it be revised if some changes are required to be made? **(5 Marks)**

MOCK TEST PAPER 1
INTERMEDIATE COURSE
PAPER – 4: TAXATION
SECTION – A: INCOME TAX LAW
SOLUTIONS

Division A – Multiple Choice Questions

MCQ No.	Sub-part	Most Appropriate Answer	MCQ No.	Most Appropriate Answer
1.	(i)	(c)	2.	(a)
	(ii)	(a)	3.	(c)
	(iii)	(d)	4.	(a)
	(iv)	(c)	5.	(a)
	(v)	(a)		

Division B – Descriptive Questions

1. **Computation of total income of Mr. Rohit for A.Y. 2023-24**

Particulars	₹	₹
Basic salary (₹ 30,000 x 7)	2,10,000	
Dearness Allowance (₹ 20,000 x 7)	1,40,000	
Ex-gratia	65,000	
Employers' contribution to Central Government Pension Scheme (₹ 7,000 x 7)	49,000	
Professional tax paid by employer	2,400	
Concessional accommodation (See Notes 1 & 2)	7,650	
Value of furniture (See Note 3)	2,333	
Value of concessional educational facility (₹ 1,800 x 7) (See Note 4)	<u>12,600</u>	
Gross salary	4,88,983	
Less: Standard deduction under section 16(ia) 50,000		
Professional tax under section 16(iii) <u>2,400</u>	<u>52,400</u>	
Net salary		4,36,583
Income from other sources		
Winnings from TV Game Show (₹ 2,10,000 + ₹ 90,000)		<u>3,00,000</u>
Gross Total Income		7,36,583
Less: Deductions under Chapter VI-A		
Deduction under section 80C		
Life insurance premium (₹ 30,000 + ₹ 20,000)	50,000	
Deduction under section 80CCD(1) (See Notes 5)		
Employee's contribution to pension scheme [to be restricted to 10% of salary i.e. 10% of ₹ 2,66,000 (₹ 30,000 + ₹ 8,000) x 7]	<u>26,600</u>	
Total deduction under section 80C & 80CCD(1)	76,600	

Additional employee's contribution to pension scheme [49,000 – 26,600] [Section 80CCD(1B)]	22,400	
Employer's Contribution to pension scheme (to be restricted to 10% of salary) [Section 80CCD(2)]	26,600	
Deduction under section 80D (See Note 6)		
Medical insurance premium (₹ 22,000 + ₹ 26,000)	<u>48,000</u>	<u>1,73,600</u>
Total Income (See Notes 7 & 8)		<u>5,62,983</u>
Total income (rounded off)		<u>5,62,980</u>

Computation of tax payable by Mr. Rohit for the A.Y. 2023-24

Particulars	₹
Tax @ 30% on winnings of ₹ 3,00,000 from game show	90,000
Tax on balance income of ₹ 2,62,980 (The basic exemption limit of ₹ 3,00,000 is applicable since Mr. Rohit is of the age of 60 years during the P.Y. 2022-23)	<u>Nil</u>
	90,000
Add: Health and Education cess @ 4%	<u>3,600</u>
Total Tax Liability	93,600
Less: TDS	<u>90,000</u>
Net Tax Payable	<u>3,600</u>

Notes:

- (1) For computation of perquisite value of concessional accommodation, 40% of dearness allowance (i.e. ₹ 8,000) should be taken into consideration as forming part of salary, since the question clearly mentions that only 40% is to be reckoned for superannuation benefits. Therefore, salary for the purpose of perquisite valuation would be ₹ 3,31,000 [i.e., (₹ 30,000 + ₹ 8,000) x 7 + 65,000].
- (2) In a case where the accommodation is taken on lease or rent by the employer and provided to the employee, the value of perquisite would be lower of the actual amount of lease rental paid or payable by the employer [i.e. ₹ 63,000, being 9,000 x 7] and 15% of salary [i.e., ₹ 49,650, being 15% of ₹ 3,31,000]. This value (i.e. ₹ 49,650) would be reduced by the rent paid by the employee (i.e., ₹ 42,000, being 6,000 x 7).
The value of concessional accommodation is ₹ 7,650 [i.e. ₹ 49,650 – ₹ 42,000].
- (3) The value of furniture owned by employer and provided to the employee is 10% p.a. of actual cost which amounts to ₹ 2,333 [i.e. 10% of 40,000 x 7/12].
Therefore, the value of furnished accommodation will be ₹ 9,983 (₹ 7,650 + ₹ 2,333) provided to the employee.
It is also possible to consider the cooking range and micro-wave oven provided by employer to the employee as a perquisite on account of use of movable assets of the employer by the employee. Even it is so assumed, there would be no change in the answer since in such a case also, the perquisite value is 10% p.a. of actual cost.
- (4) In determining the value of perquisite resulting from the provision of free or concessional educational facilities, from a plain reading of the proviso to Rule 3(5), it is apparent that if the cost of education per child exceeds ₹ 1,000 per month, the entire cost will be taken as the value of the perquisite. Accordingly, the full amount of ₹ 1,800 per month is taxable as perquisite. In such a case, the value of the perquisite would be ₹ 12,600 (i.e. ₹ 1,800 x 7).

Note – An alternate view possible is that only the sum in excess of ₹ 1,000 per month is taxable. In such a case, the value of perquisite would be ₹ 5,600. The gross salary in that case shall be ₹ 4,81,983 and net salary would be ₹ 4,29,583. The total income and tax liability shall accordingly vary.

- (5) The entire employer's contribution to Central Government Pension scheme should be included in salary and deduction under section 80CCD(2) should be restricted to 10% of salary. The employer's contribution to pension scheme would be outside the overall limit of ₹ 1,50,000 stipulated under section 80CCE. Also, the deduction under section 80CCD(1) for the employee's contribution to the pension scheme is restricted to 10% of salary. Salary means basic salary and dearness allowance, if provided in the terms of employment for retirement benefits. The balance ₹ 22,400 (₹49,000 – 26,600) can be claimed as deduction under section 80CCD(1B).
- (6) The deduction for medical insurance premium of ₹ 26,000 paid for mother is allowable in full under section 80D, as the maximum limit is ₹ 50,000, since his mother is a senior citizen. Therefore, the total deduction under section 80D would be ₹ 22,000 (for self) + ₹ 26,000 (for mother) = ₹ 48,000.
- (7) Winnings from TV game show is chargeable at a flat rate of 30% under section 115BB. No loss can be set-off against such income. Therefore, business loss cannot be set-off against such income.
- (8) As per section 71(2A), business loss cannot be set-off against salary income. Section 71(2A) provides that where the net result of the computation under the head "Profits and gains of business or profession" is a loss and the assessee has income chargeable under the head "Salaries", the assessee shall not be entitled to have such loss set-off against such income. Even depreciation cannot be set-off against salary income. Therefore, both business loss and current depreciation cannot be set-off against salary income.
- (9) Deduction under section 80GG has not been provided in respect of rent paid by Mr. Rohit to his employer. Such deduction can be provided, if it is assumed that all conditions mentioned in section 80GG are satisfied.

2. (a) **Computation of Gross Total Income of Suresh for the A.Y. 2023-24**

	Particulars	Resident and Ordinarily Resident [ROR] (₹)	Resident but Not Ordinarily Resident [RNOR] (₹)
(i)	<u>Income from business in India, controlled from London</u> [Taxable both in the hands ROR and RNOR, since income accrues/arises from business in India, irrespective of the fact that business is controlled from London]	2,00,000	2,00,000
(ii)	<u>Profits earned from business in Japan</u> [Profits from business in Japan is taxable in the hands of ROR, since global income is taxable in the hands of ROR. Moreover, entire profit of ₹ 70,000 would be taxable in the hands of RNOR, even if only ₹ 20,000 is received in India, since the business in Japan is controlled from India]	70,000	70,000

(iii)	<u>Untaxed income for the year 2021-22 of a business in England which was brought in India during the P.Y. 2022-23</u> [Not taxable either in the hands of ROR or RNOR, since such income is not related to the P.Y. 2022-23.]		Nil	Nil
(iv)	<u>Royalty received from a resident for technical service provided to run a business outside India</u> [Taxable in the hands of ROR, since global income is taxable in the hands of ROR. Not taxable in the hands RNOR, since royalty income is not deemed to accrue or arise in India as such income is paid by a resident for technical services used to run a business outside India.]		4,00,000	Nil
(v)	<u>Agricultural Income in Bhutan</u> [Since agricultural income accrues/arises outside India, it is taxable only in the hands of ROR. No exemption is available in respect of agricultural income earned outside India]		90,000	Nil
(vi)	<u>Rent from house property in Dubai, which was deposited in a bank at Dubai</u> Since income accrues/arises outside India and is also received outside India, it is taxable only in the hands of ROR	73,000		
	Less: Deduction u/s 24@30%	<u>21,900</u>	51,100	Nil
Gross Total Income			8,11,100	2,70,000

(b) TDS implications

(i) On pre-mature withdrawal from EPF

No tax is deductible under section 192A even though the employee, Mr. Kunal, has not completed 5 years of continuous service, since termination of employment is on account of his ill-health. Hence, Rule 8 of Part A of the Fourth Schedule is applicable in this case.

(ii) On payment of service fee to bank

Even though service fee is included in the definition of "interest" under section 2(28A), no tax is deductible at source under section 194A, since the service fee is paid to a banking company, i.e., Indian Bank.

(iii) On payment of rent by a salaried individual

Mr. Agam, a salaried individual, is not liable to deduct tax at source @5% under section 194-IB on ₹ 1,60,000 (being rent for 5 months from October 2022 to February 2023) from the rent of ₹ 32,000 payable on 1st day of every month, since the monthly rent does not exceed ₹ 50,000.

(iv) On payment of LIC maturity proceeds

The annual premium exceeds 10% of sum assured in respect of a policy taken after 31.3.2012, and consequently, the maturity proceeds of ₹ 92,000 would not be exempt u/s 10(10D) in the hands of Ms. Sarla. However, tax deduction provisions u/s 194-DA are not attracted since the maturity proceeds are less than ₹ 1 lakh.

3. (a) **Computation of taxable income of Mr. Mishra for A.Y. 2023-24**

Particulars	₹	₹	₹
Salaries			
Basic Salary = ₹ 30,000 x 12		3,60,000	
Rent free accommodation		54,000	
[Lower of lease rental paid or payable by the employer (or) 15% of salary i.e., lower of ₹ 65,000 or ₹ 54,000, being 15% of ₹ 3,60,000]			
Gross Salary		4,14,000	
Less: Standard deduction u/s 16(ia)			
[Actual salary or ₹ 50,000, whichever is less]		<u>50,000</u>	
Net Salary			3,64,000
Income from house property			
	House 1	House 2	
Municipal value (A)	74,000	1,90,000	
Fair rent (B)	75,000	1,95,000	
Higher of (A) and (B) = (C)	75,000	1,95,000	
Actual rent received	65,000	2,85,000	
Gross Annual Value	75,000	2,85,000	
[Higher of (C) and Actual rent]			
Less: Municipal tax paid	<u>18,000</u>	<u>70,000</u>	
Net Annual Value (NAV)	57,000	2,15,000	
Less: Deductions u/s 24			
30% of NAV	17,100	64,500	
Interest on loan	<u>Nil</u>	<u>17,000</u>	
	<u>39,900</u>	<u>1,33,500</u>	
Income from house property			1,73,400
[₹ 39,900 + ₹ 1,33,500]			
Income from Other Sources			
Purchase of rural agricultural land for a consideration less than stamp duty value [Not taxable under section 56(2)(x), since rural agricultural land is not a capital asset]			<u>Nil</u>
Total Income			<u>5,37,400</u>
Note - Expenditure on repairs, insurance premium on building and ground rent are not allowable under the head "Income from house property."			

(b) **Computation of capital gains chargeable to tax for A.Y. 2020-21**

Particulars	₹
Full value of consideration received on sale of residential house in Noida	1,57,00,000
Less: Indexed cost of acquisition [₹ 30,00,000 x 289/220]	<u>39,40,909</u>
Long-term capital gain	1,17,59,090
Less: Exemption under section 54	
Purchase of new residential house property at Panchkula for ₹ 2,05,00,000 on 20.7.2020 i.e., within two years from the date of transfer of residential house in Noida; exemption restricted to long term capital gain, since cost of new house exceeds long-term capital gain	<u>1,17,59,090</u>
Taxable long term capital gain	Nil

Computation of capital gains chargeable to tax for A.Y. 2023-24

Particulars	₹
Full value of consideration received on sale of residential house at Panchkula	3,25,00,000
Less: Indexed cost of acquisition	
[As per section 54, if the new residential house purchased (i.e., on 20.7.2020, in this case) is transferred within 3 years of its purchase (i.e., on 31.10.2022, in this case), and the cost of acquisition of the new house (i.e., ₹ 2,05,00,000) is higher than the long-term capital gain (i.e., ₹ 1,17,59,090,) then, the cost of acquisition of such new residential house shall be reduced by long term capital gain exempted earlier, while computing capital gains on sale of the new residential house] [₹ 87,40,910 (₹ 2,05,00,000 – ₹ 1,17,59,090) x 331/301]	<u>96,12,097</u>
Long-term capital gain [Since the residential house is held for more than 24 months]	2,28,87,903
Less: Exemption under section 54	
Purchase of new residential house property in Delhi for ₹ 2,57,00,000 on 2.3.2023 i.e., within two years from 31.10.2022, being the date of transfer of residential house at Panchkula; exemption restricted to long term capital gain, since cost of new house exceeds long-term capital gains	<u>2,28,87,903</u>
Taxable long term capital gain	Nil

4. (a) **Computation of Taxable income of Mr. Manoj for A.Y. 2023-24**

Particulars	₹
Professional income (bhajan singer)	5,65,000
Income of minor son – Ganesh	
- Income from winning singing reality show on T.V.	Nil
Income derived by a minor child from any activity involving application of his/her skill, talent, specialized knowledge and experience is not to be included in the hands of parent. Hence, ₹ 2,50,000 earned by minor son Ganesh from reality show on TV would not be included in the income of either parent.	

- Cash gift received by Ganesh from friend of Mr. Manoj on winning the show The cash gift received by his minor son Ganesh (not on account of her skill) from his friends would not be taxable, since its value does not exceed ₹ 50,000.	Nil
Income of minor married daughter – Gudia	
Interest income on deposit with Ramu & Jay Pvt. Ltd.	40,000
Less: Exempt under section 10(32) [Since Mr. Manoj has opted for the provisions of section 115BAC, exemption u/s 10(32) would not be available]	-
(Income of minor daughter would be included in the hands of Mr. Manoj, since his income, before including minor daughter's income, is higher than his wife's income).	
Taxable Income	6,05,000

Computation of Taxable income of Mrs. Daya for A.Y. 2023-24

Particulars	₹
Salary income (computed)	3,80,000
Loan received from Ramu & Jay (Pvt.) Ltd. [Such loan amount would not be considered as deemed dividend under section 2(22)(e), even though Mrs. Daya has substantial interest (holding 20% shares or more) in the Ramu & Jay (Pvt.) Ltd., a closely held company, since the company does not have any accumulated profits on account of losses incurred in last 2 years from inception]	Nil
Taxable Income	3,80,000

(b) **Computation of gross total income of Mr. Rishi for the A.Y.2023-24**

Particulars	₹	₹
Salary Income (computed)	3,60,000	
Less: Set-off of loss from house property ₹ 2,20,000, restricted to	<u>2,00,000</u>	
		1,60,000
Income from House Property		
Income from Property X	1,20,000	
Less: Loss from Property Y [inter-source set-off is permitted under section 70(1)]	<u>3,40,000</u>	
Loss from house property	2,20,000	
Less: Loss eligible for set-off against salary income as per section 71(3A), restricted to	<u>2,00,000</u>	
Loss to be carried forward to A.Y. 2024-25 as per section 71B, for set-off against income from house property, if any, in that year.	<u>(20,000)</u>	
Profits and gains of business or profession		
Income from business P	2,30,000	
Less: Loss from business Q (inter-source set-off is permitted)	<u>12,000</u>	
		2,18,000
Income from speculation business R	15,000	

Less: Loss from speculation business T [can be set-off only against income from speculation business as per section 73(1)]	<u>25,000</u>	
Loss to be carried forward to A.Y. 2024-25 for set-off against speculative business income of that year by virtue of section 73(2).	(10,000)	
Income from Other Sources		
Income from card games	16,000	
Interest on securities	<u>5,000</u>	21,000
Loss from owning & maintaining race horses	(7,000)	
[Not allowed to be set-off against any other income under this head or under any other head. Thus, such loss has to be carried forward to A.Y. 2024-25 for set-off against income, if any, from owning and maintaining race horses in that year by virtue of section 74A(3)]		
Gross Total Income		3,99,000

Note: Loss from house property of ₹ 2 lakh can also be set-off against business income instead of salary income. In such a case, salary income would be ₹ 3,60,000 and business income would be ₹ 18,000. Gross total income would remain the same.

Any other permutation for set-off of house property (other than income from card games), including partial set-off against one head and the remaining against another, is also possible.

(c) Provisions of Income-tax Act, 1961 relating to quoting of Aadhar Number under section 139AA

Every person who is eligible to obtain Aadhar Number is required to mandatorily quote Aadhar Number, on or after 1st July, 2017:

- (a) in the application form for allotment of Permanent Account Number (PAN)
- (b) in the return of income

The provisions of section 139AA relating to quoting of Aadhar Number would, however, not apply to an individual who does not possess the Aadhar number or Enrolment ID and is:

- (i) residing in the States of Assam, Jammu & Kashmir and Meghalaya;
- (ii) a non-resident as per Income-tax Act, 1961;
- (iii) of the age of 80 years or more at any time during the previous year;
- (iv) not a citizen of India.

If a person does not have Aadhar Number, he is required to quote Enrolment ID of Aadhar application form issued to him at the time of enrolment in the application form for allotment of PAN or in the return of income furnished by him.

Every person who has been allotted PAN as on 1st July, 2017, and who is eligible to obtain Aadhar Number, shall intimate his Aadhar Number to prescribed authority on or before 31.3.2022.

SECTION B - INDIRECT TAXES (40 MARKS)

SUGGESTED ANSWERS

Division A - Multiple Choice Questions

Question No.	Answer
1	(a) (i) and (iv)
2	(c) ₹ 60,000
3	(d) 4 th September
4	(a) 30 th November of the next year
5	(c) (ii) & (iv)
6	(d) (i), (ii) and (iii)
7	(c) Article 265

Division B - Descriptive Questions

1. Computation of GST payable on outward supplies

S. No.	Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)	Total (₹)
(i)	Intra-State supply of goods for ₹ 8,00,000	72,000	72,000		1,44,000
(ii)	Inter-State supply of goods for ₹ 3,00,000			54,000	<u>54,000</u>
	Total GST payable				1,98,000

Computation of Total ITC

Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
Opening ITC	57,000	Nil	70,000
Add: ITC on Intra-State purchases of goods valuing ₹ 2,00,000	18,000	18,000	Nil
Add: ITC on Inter-State purchases of goods valuing ₹ 50,000	<u>Nil</u>	<u>Nil</u>	<u>9,000</u>
Total ITC	75,000	18,000	79,000

Computation of minimum GST payable from electronic cash ledger

Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)	Total (₹)
GST payable	72,000	72,000	54,000	1,98,000
Less: ITC [First ITC of IGST should be utilized in full - first against IGST liability and then against CGST and SGST liabilities in a manner to minimize cash outflow]	(Nil) IGST	(25,000) IGST	(54,000) IGST	79,000
ITC of CGST and SGST set off against CGST and SGST respectively	(72,000) <u>CGST</u>	(18,000) <u>SGST</u>		<u>90,000</u>
Minimum GST payable in cash	Nil	29,000	Nil	29,000

Note : Since sufficient balance of ITC of CGST is available for paying CGST liability and cross utilization of ITC of CGST and SGST is not allowed, ITC of IGST has been used to pay SGST (after paying IGST liability) to minimize cash outflow.

2. (a) **Computation of value of taxable supply made by Shri Krishna Pvt. Ltd. to Shri Balram Pvt. Ltd.**

Particulars	Amount (₹)
Price of the goods	1,00,000
Municipal tax [Includible in the value as per section 15(2)(a) of the CGST Act, 2017]	2,000
Inspection charges [Any amount charged for anything done by the supplier in respect of the supply of goods at the time of/before delivery of goods is includible in the value as per section 15(2)(c) of the CGST Act, 2017]	15,000
Subsidy received from Shri Ram Trust [Since the subsidy is received from a non-Government body and directly linked to the supply, the same is includible in the value in terms of section 15(2)(e) of the CGST Act, 2017]	50,000
Late fees for delayed payment [Not includible since the same is waived off]	Nil
Weighment charges paid to Radhe Pvt. Ltd. on behalf of Shri Krishna Pvt. Ltd. [Any amount that the supplier is liable to pay in relation to the supply but has been incurred by the recipient and not included in the price actually paid or payable for the goods, is includible in the value of supply in terms of section 15(2)(b) of the CGST Act, 2017]	<u>2,000</u>
Value of taxable supply	1,69,000

- (b) (i) A supplier engaged in the manufacture of goods as notified under section 10(2)(e) of the CGST Act, 2017, during the preceding FY is not eligible for composition scheme under section 10(1) and 10(2). Ice cream and other edible ice, whether or not containing cocoa, Pan masala, Tobacco and manufactured tobacco substitutes, aerated waters, fly ash bricks, fly ash aggregate, fly ash blocks, bricks of fossil meals or similar siliceous earths, building bricks, earthen or roofing tiles are notified under this category. However, in the given case, since Mohan Enterprises is engaged in trading of pan masala and not manufacture and his turnover does not exceed ₹ 1.5 crore, he is eligible for composition scheme subject to fulfilment of specified conditions.
- (ii) Since supplier of inter-State outward supplies of goods or services is not eligible for composition levy, Sugam Manufacturers is not eligible for composition levy.

3. (a) Udai Singh is required to issue a receipt voucher at the time of receipt of advance payment with respect to services to be supplied to Sujamal. A receipt voucher is a document evidencing receipt of advance money towards a supply of goods and/or services or both. A registered person, on receipt of advance payment with respect to any supply of goods or services or both, shall issue a receipt voucher or any other document, evidencing receipt of such payment.

Where, on receipt of advance payment with respect to any supply of goods or services or both the registered person issues a receipt voucher, but subsequently no supply is made and no tax invoice is issued in pursuance thereof, the said registered person may issue to the person who had made the payment, a refund voucher against such payment. Therefore, in case subsequently no services

are supplied by Udai Singh, and no tax invoice is issued in pursuance thereof, Udai Singh may issue a refund voucher against such payment to Sujamal.

- (b) If there is a mistake, incorrect or wrong entry in the e-way bill, then it cannot be edited or corrected. Only option is cancellation of e-way bill within 24 hours of generation and generate a new one with correct details.

Thus, in view of the above-mentioned provisions, Mr. X cannot edit the e-way bill. However, he can cancel the e-way bill within 24 hours of generation and generate a new one with correct details.

4. (a) The statement is not correct. While GST is payable on advance received for supply of services taxable under forward charge, the same is not payable in case of advance received for supply of goods taxable under forward charge.

As per section 13 of the CGST Act, 2017, the time of supply of services taxable under forward charge is –

- Date of issue of invoice or date of receipt of payment, whichever is earlier, if the same is issued within 30 days from the date of supply of service;

OR

- Date of provision of service or date of receipt of payment, whichever is earlier, if the invoice is not issued within 30 days from the date of supply of service.

Thus, in case of services, if the supplier receives any payment before the provision of service or before the issuance of invoice for such service, the time of supply gets fixed at that point in time and the liability to pay tax on such payment arises. However, the tax can be paid by the due date prescribed with reference to such time of supply.

As regards time of supply of goods taxable under forward charge is concerned, *Notification No. 66/2017 CT dated 15.11.2017* provides that a registered person (excluding composition supplier) should pay GST on the outward supply of goods at the time of supply as specified in section 12(2)(a) of the CGST Act, 2017, i.e. date of issue of invoice or the last date on which invoice ought to have been issued in terms of section 31 of the CGST Act, 2017. Therefore, in case of goods, tax is not payable on receipt of advance payment.

- (b) In GST since the returns are built from details of individual transactions, there is no requirement for having a revised return. Any need to revise a return may arise due to the need to change a set of invoices or debit/ credit notes. Instead of revising the return already submitted, the system allows amendment in the details of those individual details of those transactions (invoices or debit/credit notes) that are required to be amended. They can be amended in any of the future GSTR- 1 in the tables specifically provided for the purposes of amending previously declared details.

As per section 39(9) of the CGST Act, 2017, omission or incorrect particulars discovered in the returns filed u/s 39 of the CGST Act, 2017 can be rectified in the return to be filed for the month during which such omission or incorrect particulars are noticed. Any tax payable as a result of such error or omission will be required to be paid along with interest. The rectification of errors/omissions is carried out by entering appropriate particulars in “Amendment Tables” contained in GSTR-1. However, no such rectification of any omission or incorrect particulars is allowed after the due date for furnishing of return for the month of September or second quarter (in case of quarterly filers) following the end of the financial year to which such details pertain, or the actual date of furnishing of relevant annual return, whichever is earlier.