

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.2022-23.

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. Mrs. Shalini is a retired Government employee. She was born on 01.04.1942 in India. She is residing in Delhi. She stayed with her elder son Mr. Nakul from 1st May, 2021 to 15th October, 2021, who is residing in Australia. She stayed in India for 361 days during the 4 previous years preceding the previous year 2021-22. During the previous year 2021-22, pension of ₹ 7,15,461 is credited in her account with State Bank of India, Uttam Nagar Branch, Delhi after deducting tax at source of ₹ 14,565. She received interest of ₹ 4,352 on her saving A/c with SBI during the previous year 2021-22. She also received interest of ₹ 67,500 on Fixed Deposits with Canara Bank in the month of April, 2021.

She has purchased two life insurance policies for her son Mr. Yuvaan and married daughter Mrs. Kajal, the details of which are as follows:

Person insured	Policy purchased on	Date of payment of premium	Sum Assured	Premium paid
Mr. Yuvaan (50 years old)	15.10.2020	23.10.2021	₹ 9,84,655	₹ 1,00,388
Mrs. Kajal (45 years old)	20.09.2020	25.09.2021	₹ 2,00,000	₹ 17,000

She has taken a medical insurance for herself for which she paid an amount of ₹ 35,000 towards health insurance premium by A/c payee cheque. She incurred ₹ 7,500 towards preventive health check-up of herself and her husband in cash. She also incurred medical expenditure of ₹ 25,000 in cash in the month of January 2022 for her husband. In the month of March 2022, she incurred medical expenditure of ₹ 10,500 for herself, which is paid by account payee cheque. She has given a wristwatch of ₹ 10,000 on her husband's 85th birthday. Her husband is resident in India for the P.Y. 2021-22. Mrs. Shalini does not opt to pay tax under section 115BAC.

Based on the facts of the case scenario given above, choose the most appropriate answer to the following questions:

- (i) What would be the amount of deduction under Chapter VI-A available to Mrs. Shalini for the A.Y. 2022-23?
- (a) ₹ 2,05,466
(b) ₹ 2,08,466
(c) ₹ 2,07,388
(d) ₹ 2,18,466
- (ii) What would be the Gross total income of Mrs. Shalini for the assessment year 2022-23?
- (a) ₹ 7,87,313

- (b) ₹ 8,04,878
(c) ₹ 7,59,378
(d) ₹ 8,09,378
- (iii) What is the amount of net tax payable/(refundable) of Mrs. Shalini for the A.Y. 2022-23?
(a) (₹ 10,850)
(b) (₹ 1,790)
(c) (₹ 1,080)
(d) (₹ 450)
- (iv) What would be the total income of Mrs. Shalini for the assessment year 2022-23, if she opts to pay tax under section 115BAC?
(a) ₹ 7,51,880
(b) ₹ 8,01,880
(c) ₹ 7,87,310
(d) ₹ 8,09,380
- (v) What is the amount of net tax payable/(refundable) of Mrs. Shalini for the A.Y. 2022-23, if she opts to pay tax under section 115BAC?
(a) ₹ 22,760
(b) ₹ 13,200
(c) ₹ 26,200
(d) ₹ 25,030

(5 x 2 = 10 Marks)

2. Rudra Ltd. has two units, one unit at Special Economic Zone (SEZ) and other unit at Domestic Tariff Area (DTA). The unit in SEZ was set up and started manufacturing from 22.5.2018 and unit in DTA from 10.7.2019. Total turnover of Rudra Ltd. and Unit in DTA is ₹ 7,50,00,000 and 2,75,00,000, respectively. Export sales of unit in SEZ and DTA is ₹ 3,25,00,000 and ₹ 1,50,00,000, respectively and net profit of Unit in SEZ and DTA is ₹ 60,00,000 and ₹ 40,00,000, respectively. Rudra Ltd. would be eligible for deduction under section 10AA for -
- (a) ₹ 41,05,263
(b) ₹ 20,52,632
(c) ₹ 26,00,000
(d) ₹ 13,00,000
- (2 Marks)**
3. Mr. Laxman, born on 1.4.1962, has a gross total income of ₹ 2,85,000 for A.Y.2022-23 comprising of his salary income. He does not claim any deduction under Chapter VI-A. He pays electricity bills of ₹ 10,000 per month. He made a visit to Canada along with his wife for a month in January, 2022 for which he incurred to and fro flight charges of ₹ 1.20 lakhs. The remaining expenditure for his visa, stay and sightseeing amounting to ₹ 70,000 was met by his son residing in Canada. Is Mr. Laxman required to file return of income for A.Y.2022-23, and if so, why?
- (a) No, Laxman is not required to file his return of income
(b) Yes, Laxman is required to file his return of income, since his gross total income/total income exceeds the basic exemption limit
(c) Yes, Laxman is required to file his return of income since he pays electricity bills of ₹ 10,000 per month, which exceeds the prescribed annual threshold

- (d) Yes, Laxman is required to file his return of income since he has incurred foreign travel expenditure exceeding ₹ 1 lakh **(2 Marks)**
4. During the P.Y.2021-22, Mr. Rohan has ₹ 80 lakhs of short-term capital gains taxable u/s 111A, ₹ 70 lakhs of long-term capital gains taxable u/s 112A and business income of ₹ 2.90 crores. Which of the following statements is correct?
- (a) Surcharge@25% is leviable on income-tax computed on total income of ₹ 4.40 crores
- (b) Surcharge@15% is leviable on income-tax computed on total income of ₹ 4.40 crore
- (c) Surcharge@15% is leviable in respect of income-tax computed on capital gains of ₹ 1.50 crore; in respect of business income of ₹ 2.90 crores, surcharge is leviable@25% on income-tax
- (d) Surcharge@15% is leviable in respect of income-tax computed on capital gains of ₹ 1.50 crore; in respect of business income of ₹ 2.90 crores, surcharge is leviable@37% on income-tax **(2 Marks)**
5. Pankaj gifted an amount of ₹ 3,00,000 to his wife, Nikki and ₹ 2,00,000 to his daughter, Pinki aged 20 years, on 1st April 2018. Both Nikki and Pinki invested the amounts on the same date in Government of India 11% Taxable Bonds. The interest accrues yearly and is reinvested in the same bonds. Determine what will be the amount taxable in hands on Nikki for A.Y. 2022-23?
- (a) ₹ 4,473
- (b) ₹ 12,132
- (c) ₹ 33,000
- (d) Nil **(2 Marks)**

Division B – Descriptive Questions

Question No. 1 is compulsory

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

1. Mr. Kamal, a resident and ordinarily resident aged 58 years, is engaged in the business of manufacturing of steel. He is subject to tax audit under section 44AB of Income-tax Act, 1961. He has provided following information:

Profit & Loss account for the year ended 31st March, 2022

Particulars	(₹)	Particulars	(₹)
To Administrative expenses	6,45,000	By Gross Profit	88,45,000
To Salaries & wages	30,00,000	By Profit on sale of asset of scientific research	2,00,000
To Interest on loans	11,25,000	By Winning from lottery (Net of TDS @ 30%)	47,250
To Depreciation	9,25,500		
To Professional fees	4,05,000		
To Rent, rates & taxes	4,20,000		
To Travelling & conveyance	2,10,000		
To Net Profit	<u>23,61,750</u>		
Total	90,92,250	Total	90,92,250

Explanatory information:

- (i) Opening and closing stock of finished goods were undervalued by 10%. Opening stock of ₹ 3,30,000 and Closing stock of ₹ 4,38,000 was shown.
- (ii) Salaries & wages include following items:
- (a) Contributed 20% of basic salary in National Pension Scheme referred in section 80CCD for an employee Mr. Ganesh who has withdrawn basic salary of ₹ 4,00,000 and Dearness allowance is 40% of basic salary. 50% of Dearness allowance forms part of the salary.
- (b) Some of the employees opted for retirement under the voluntary retirement scheme; a sum of ₹ 3,50,000 was paid to them on 1st January, 2022.
- (iii) Interest on loan includes interest paid @ 15% per annum on loan of ₹ 18,00,000 which was taken from State Bank of India on 01.07.2021 for purchase of new electric car of ₹ 20,00,000. The car is used for personal purpose.
- (iv) Depreciation allowable as per Income-tax Rules, 1962 is ₹ 5,50,000 but during the calculation of such depreciation following addition was not considered:
- Motor car purchased for ₹ 3,50,000 for supply of finished goods to dealers on 25-09-2021.
- (v) An asset was purchased for ₹ 7,00,000 on 17-11-2020 for conducting scientific research and the deduction was claimed under section 35 of the Income-tax Act, 1961. This asset was sold on 05-10-2021 for a consideration of ₹ 9,00,000.

Other information:

A plot of Industrial land which was used by Mr. Kamal for business purpose for last 10 years was compulsorily acquired by Central Government on 07.10.2021. The compensation of ₹ 15,00,000 was received on 27.01.2022. Such property was purchased by him on 08.10.2006 for ₹ 2,50,000. He has purchased another plot of industrial land on 15.04.2022 for ₹ 7,00,000. Government has also paid ₹ 1,05,000 as interest on such compensation on 28.02.2022.

Cost Inflation Indices: FY 2021-22: 317, FY 2006-07: 122

Compute the total income and tax liability of Mr. Kamal for the assessment year 2022-23 assuming that he has not opted for the provisions of section 115BAC. **(14 Marks)**

2. (a) Mr. Manek, a person of Indian origin and citizen of USA, got married to Ms. Anjali, an Indian citizen residing in USA, on 24th January, 2021 and came to India on 25-03-2021. He left for Country X on 10th July, 2021. He returned to India again on 24-02-2022 with his wife to spend some time with his parents-in law for 30 days and thereafter returned to USA. He stayed in India for 400 days during the 4 years preceding the previous year 2021-22.

He received the following gifts from his relatives and friends of her wife during 01-04-2021 to 31-03-2022 in India:

- From wife's parents	₹ 1,51,000
- From wife's sister	₹ 21,000
- From very close friends of his wife	₹ 16,00,000

Determine his residential status and compute the total income chargeable to tax along with the amount of tax liability on such income for the Assessment Year 2022-23. **(6 Marks)**

- (b) Briefly discuss the provisions of tax deducted at source and compute the amount of TDS under the Income-tax Act in respect of the following payments:
- ₹ 51,000 paid to Mr. A, a resident individual as interest income on compensation awarded by Motor Accidents Claims Tribunal by a transport company.
 - Ms. Asha deposited ₹ 35,00,000 @10% p.a. on 1.7.2021 with ABC Co-operative bank limited.
 - Mr. Naresh won ₹ 15,00,000 in Kon Banega Crorepati
 - Mr. Avinash deposited ₹ 2,00,000 @11% p.a. on 1.5.2021 for half year with Hike Investment LLP. **(8 Marks)**

3. (a) Mr. Varun is a resident but not ordinarily resident in India during the Assessment Year 2022-23. He furnishes the following information regarding his income/expenditure pertaining to his house properties for the previous year 2021-22:

- He owns two houses, one in Australia and the other in Delhi.
- The house in Australia is let out there at a rent of SGD 3,000 p.m. The entire rent is received in India. He paid Property tax of SGD 1000 and Sewerage Tax SGD 500 there. (1SGD=INR 55)
- The house in Delhi is self-occupied. He had taken a loan of ₹ 20,00,000 to construct the house on 1st June, 2017 @12%. The construction was completed on 31st May, 2020 and he occupied the house on 1st June, 2020.

The entire loan is outstanding as on 31st March, 2022. Property tax paid in respect of the second house is ₹ 2,500.

Compute the income chargeable under the head "Income from House property" in the hands of Mr. Varun for the Assessment Year 2022-23. **(4 Marks)**

- (b) Ms. Akansha, a salaried employee, furnishes the following details for the financial year 2021-22:

Particulars	₹
Basic salary	6,20,000
Dearness allowance	4,20,000
Commission	75,000
Entertainment allowance	9,000
Medical expenses reimbursed by the employer	18,000
Profession tax (of this, 50% paid by employer)	4,000
Health insurance premium paid by employer	8,000
Gift voucher given by employer on her birthday	10,000
Life insurance premium of Akansha paid by employer	26,000
Laptop provided for use at home. Actual cost of Laptop to employer Children of the assessee are also using the Laptop at home]	45,000
Employer company owns a Maruti Suzuki Swift car, which was provided to the assessee, both for official and personal use. Driver was also provided. (Engine cubic capacity more than 1.6 litres). All expenses are met by the employer	
Annual credit card fees paid by employer [Credit card is not exclusively used for official purposes; details of usage are not available]	7,000

You are required to compute the income chargeable under the head Salaries for the assessment year 2022-23. **(6 Marks)**

(c) Examine the taxability of capital gains in the following scenarios for the Assessment Year 2022-23, determine the taxable amount and rate of tax applicable:

- (i) On 20th December, 2021 5,000 shares of AB Ltd., a listed company are sold by Mr. Kumar @ 500 per share and STT was paid at the time of sale of shares. These shares were acquired by him on 5th June, 2017 @ ₹ 425 per share by paying STT at the time of purchase. On 31st January, 2018, the shares of AB Ltd. were traded on a recognized stock exchange at the Fair Market Value of ₹ 450 per share.
- (ii) Mr. Satish is the owner of a residential house which was purchased on 1st July, 2015 for ₹ 10,50,000. He sold the said house on 14th October, 2021 for ₹ 25,00,000. Valuation as per stamp valuation authorities was ₹ 45,00,000. He invested ₹ 15,00,000 in RECL Bonds on 20th March, 2022.

The Cost Inflation index for-

F.Y.	2015-16	254
F.Y.	2021-22	317

(2 x 2 = 4 Marks)

4. (a) Mr. Raj Kumar (aged 65 years) is retired from a Public Sector Undertaking. He resides in Delhi. He provides you the following particulars of his income and certain payments/investments for the previous year 2021-22:

- Pension income of ₹ 8,50,000
- Interest from fixed deposits with SBI of ₹ 3,35,000 (Gross)
- Life insurance premium paid by cheque ₹ 27,500 for insurance of his life. The insurance policy was taken on 10-07-2017 and the sum assured is ₹ 2,40,000.
- Premium of ₹ 37,500 paid by cheque for health insurance of self and his wife, who is also a senior citizen.
- ₹ 3,000 paid in cash for his health check-up and ₹ 4,500 paid through cheque for preventive health check-up of his father aged 90 years.
- Paid interest of ₹ 8,500 on loan taken from bank for MBA course pursued by his son.
- A sum of ₹ 1,20,000 donated by cheque to an institution approved for the purpose of section 80G for promoting family planning.
- ₹ 10,000 contributed towards PM CARES Fund by cheque.

Compute the total income of Mr. Raj Kumar for the assessment year 2022-23, assuming he does not opt for section 115BAC. **(6 Marks)**

(b) Mr. Gaurav, a resident individual, furnishes the following particulars of his income and other details for the previous year 2021-22:

	₹
Income from Salary (computed)	22,00,000
Business loss before providing current year depreciation (Business discontinued on 31.5.2021)	1,00,000
Current year depreciation	50,000
Interest from Fixed Deposit	10,15,000

Interest on loan in respect of self-occupied property	2,35,000
Income from specified business (Not eligible for deduction under section 35AD)	20,000

Brought forward losses (Pertaining to A.Y. 2021-22)

Unabsorbed depreciation	45,000
Loss from specified business (eligible for deduction under section 35AD)	20,000

You are required to compute his gross total income for the A.Y. 2022-23 in such a way that his tax liability is minimised. **(4 Marks)**

- (c) Enumerate the cases where a return of loss has to be filed on or before the due date specified u/s 139(1) for carry forward of the losses. Also enumerate the cases where losses can be carried forward even though the return of loss has not been filed on or before the due date. **(4 Marks)**

SECTION B - INDIRECT TAXES (40 MARKS)

QUESTIONS

- (i) Working Notes should form part of the answers. However, in answers to Question 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 provisions of the CGST Act, 2017 and the IGST Act, 2017 as amended by the Finance Act, 2021, including significant notifications and circulars issued, up to 30th April 2022.

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

Purvi, registered under GST in the State of Madhya Pradesh, is engaged in supplying a bouquet of taxable goods and services. She has undertaken following activities/transactions in the month of October in the current financial year:

- (i) Donated some money to Divyaprakash Charitable Trust, Madhya Pradesh, in the memory of her late father. The Divyaprakash Charitable Trust constructed a room in the school run by it from such donation and wrote "Donated by Miss. Purvi in the memory of her father" on the door of the room so constructed.
- (ii) Organized a seminar in Indore which was sponsored by WE-WIN Cricket Academy, an LLP. Purvi received a sponsorship fee of ₹1,50,000.
- (iii) Bindusar Public School intended to distribute gift packages consisting of fountain pen, calculator and tape dispenser to its students on the occasion of Children's Day. Therefore, it entered into a contract with Purvi on 28th October for supply of 2,000 packages at a single price of ₹ 250. Rates of GST for fountain pen, calculator and tape dispenser are 5%, 12% and 18% respectively.
- (iv) Received following payments during the month of October:
 - earned ₹ 160,000 by performing at a western music concert in Indore
 - earned ₹ 50,000 for renting of space for use as a Textile Emporium
 - received ₹ 70,000 for supply of farm labour
- (v) Supplied a machinery with a basic price of ₹ 45,000 (before TCS under Income Tax Act, 1961). Tax collected at source under Income-tax Act, 1961 on said machinery is ₹ 2,500. Further, a subsidy of ₹50,000 is received from Green Foundation Pvt. Ltd for usage of green energy and the subsidy was linked to energy saved during the month.

All the amounts given above are exclusive of GST, wherever applicable.

Based on the facts of the case scenario given above, choose the most appropriate answer to Q. Nos. 1 to 5 below:-

1. Donation made by Purvi to Divyaprakash Charitable Trust is _____.
 - (a) exempted from GST by way of a notification
 - (b) not a supply at all
 - (c) liable to GST under forward charge
 - (d) liable to GST under reverse charge

2. Which of the following statements is correct with respect to the sponsorship fee received by Purvi?
- Tax on sponsorship services is payable by Purvi under forward charge.
 - Tax on sponsorship services is payable by WE-WIN Cricket Academy under reverse charge.
 - Sponsorship services are exempt from GST since services provided to a sports academy are exempt.
 - Tax on sponsorship services is payable by Purvi under reverse charge.
3. Determine the nature of supply and the applicable rate of GST for the packages supplied by Purvi to Bindusar Public School.
- composite supply & applicable rate of GST is 12%
 - mixed supply & applicable rate of GST is 18%
 - composite supply & applicable rate of GST is 18%
 - mixed supply & applicable rate of GST is 12%
4. Out of all the payments received by Purvi in the month of October, value of exempt supply amounts to _____.
- ₹ 4,30,000
 - ₹ 70,000
 - ₹ 1,20,000
 - ₹ 2,20,000
5. The value of supply of machinery supplied by Purvi is_____.
- ₹ 45,000
 - ₹ 47,500
 - ₹ 48,500
 - ₹ 51,000
- (5 x 2 Marks = 10 Marks)**
6. Medhavi Industries, engaged in manufacturing of taxable goods, purchased cars for official use of its employees. Amount of GST paid on purchase of the cars amounted to ₹ 2,80,000. It also availed outdoor catering services for a marketing event organised for its prospective customers. Amount of GST paid on said services was ₹18,000. Compute the total amount of ITC that can be claimed by Medhavi Industries.
- ₹ 2,98,000
 - ₹18,000
 - ₹2,80,000
 - Nil
- (2 Marks)**

Division B - Descriptive Questions

Question No. 1 is compulsory.

Attempt any two questions out of remaining three questions.

Total Marks: 28 Marks

1. Prithviraj Pvt. Ltd., a registered supplier, is engaged in manufacturing heavy steel fabrication machine. The details pertaining to pricing of each such machine is as follows:

S. No.	Particulars	Amount (₹)
(i)	Price of the machine (exclusive of taxes and discounts)	5,50,000
(ii)	Part fitted in the machine at the premises of the recipient	20,000

	[Amount has been paid by recipient directly to the supplier. However, it was Prithviraj Pvt. Ltd.'s liability to pay the said amount.)	
(iii)	Installation and testing charges at the premises of the recipient	25,000
(iv)	Subsidy received from Shri Ram Trust [Subsidy is directly linked to the price of the machine]	50,000

Items given in points (ii) to (iv) have not been considered while arriving at price of the machine given in point (i) above. The contract includes installation and testing of machine at the recipient's premises.

Prithviraj Pvt. Ltd. has made supply of 10 such machines in the month of July. It also provided the following details pertaining to the purchases made/services availed during said month:

Sr. No	Particulars	Amount (₹)
(1)	Raw material (to be received in September)	10,00,000
(2)	Membership of a club availed for employees working in the factory	6,00,000
(3)	Trucks used for transport of raw material	3,50,000
(4)	Capital goods (out of 3 items, invoice for 2 items is missing and GST paid on those two items is ₹ 18,000)	7,00,000

Compute the net GST payable in cash by Prithviraj Pvt. Ltd. for the given month assuming that all the inward and outward supplies are intra-State supplies. Assume the rates of taxes to be as under:

Particulars	Rates of tax
Central tax (CGST)	9%
State Tax (SGST)	9%
Integrated tax (IGST)	18%

Make suitable assumptions, wherever necessary. All the conditions necessary for availing the ITC have been fulfilled. Opening balance of the input tax credit for the relevant period is Nil. **(8 Marks)**

2. (a) State with reasons, whether GST is payable in the following independent cases:-
 - (i) Services provided to recognized sports body as selector of national team.
 - (ii) Services provided by way of transportation of passengers in metered cab, through an electronic commerce operator. **(2 x 2 Marks = 4 Marks)**
- (b) Swaminathan started the business of supplying shoes in the State of Kerala from 1st April. He makes only intra-State supplies. His turnover for April - June quarter was ₹ 20 lakh and for July - September quarter was ₹ 100 lakh. Further, one-fourth of his total turnover in each of the quarters was exempt from GST. Being eligible for composition scheme, Swaminathan got himself registered under the composition scheme with effect from 1st July.
You are required to compute the tax payable by Swaminathan under composition scheme assuming that he is a manufacturer. Will your answer be different if Swaminathan is trader. **(6 Marks)**
3. (a) Examine whether the supplier of goods is liable to get registered in the following independent cases:-
 - (i) Aryabhata of Assam is exclusively engaged in intra-State taxable supply of readymade garments. His turnover in the current financial year (FY) from Assam showroom is ₹ 12 lakh. He has another showroom in Manipur with a turnover of ₹ 11 lakh in the current FY.

- (ii) Bharat of Panjim, Goa is exclusively engaged in intra-State taxable supply of shoes. His aggregate turnover in the current financial year is ₹ 22 lakh.
- (iii) Vikramaditya of Himachal Pradesh is exclusively engaged in intra-State supply of bricks of fossil meals. His aggregate turnover in the current financial year is ₹ 24 lakh.

(3 x 2 Marks = 6 Marks)

- (b) Manmohan Textiles has to send cloth for dyeing to its job-worker. It wishes to know whether it needs to issue a tax invoice at the time of sending the goods to job-worker. You are required to advise it with reference to the provisions of the CGST Act. **(4 Marks)**
4. (a) Enumerate the conditions necessary for availing ITC under GST law. **(5 Marks)**
- (b) Elaborate the provisions relating to annual return contained under section 44 of the CGST Act, 2017. **(5 Marks)**