Mock Test Paper - Series II: April, 2024

Date of Paper: 6 April, 2024

Time of Paper: 2 P.M. to 5 P.M.

INTERMEDIATE COURSE: GROUP - I

PAPER – 3: TAXATION

Time Allowed – 3 Hours **Maximum Marks – 100**

SECTION – A: INCOME TAX LAW (50 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.2024-25.

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. Pankaj, an Indian resident, purchased a residential house property at Kanpur on 20.08.1998 for ₹ 20.5 lakhs. The fair market value and the stamp duty value of such house property as on 1.4.2001 was ₹ 28.5 lakhs and ₹ 25 lakhs, respectively. On 05.02.2016, Mr. Pankaj entered into an agreement with Mr. Gyan for the sale of such property for ₹ 61 lakhs and received an amount of ₹ 2.5 lakhs as advance. However, as Mr. Gyan did not pay the balance amount, Mr. Pankaj forfeited the advance.

   On 10.05.2023, Mr. Pankaj sold the house property to Mr. Rohan for ₹ 1.50 crores, when the stamp duty value of the property was ₹ 2 crores. Further, he purchased two residential house properties at Delhi and Mumbai for ₹ 57 lakhs each on 28.09.2024. Mr. Pankaj has no other income during the P.Y. 2023-24.

   On 31.01.2025, Mr. Pankaj decided to sell the house property at Mumbai to his brother, Mr. Gaurav, for ₹ 58 lakhs, from whom ₹ 25,000 was received in cash on 15.01.2025 as advance for signing the agreement to sale. Sale deed was registered on 30.03.2025 on receipt of the balance amount through account payee cheque from Mr. Gaurav. The stamp duty value of house property at Mumbai on 31.01.2025 and 30.03.2025 was ₹ 61 lakhs and ₹ 64 lakhs, respectively.

   Cost inflation index –

   P.Y. 2023-24: 348; P.Y. 2015-16: 254; P.Y. 2001-02: 100

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

(i) What shall be the indexed cost of acquisition of residential house property at Kanpur for computation of capital gains in the hands of Mr. Pankaj?

(a) ₹ 78,30,000

(b) ₹ 87,00,000

(c) ₹ 90,48,000

(d) ₹ 99,18,000

(ii) The amount of capital gains taxable for A.Y. 2024-25 in the hands of Mr. Pankaj for sale of residential house property at Kanpur is -

(a) Nil

(b) (₹ 1,00,000)

(c) ₹ 63,00,000

(d) ₹ 1,13,00,000

(iii) The amount of capital gains taxable for A.Y. 2025-26 in the hands of Mr. Pankaj for sale of residential house property at Mumbai is -

(a) ₹ 8 lakhs

(b) ₹ 7 lakhs

(c) ₹ 4 lakhs

(d) ₹ 1 lakh

(iv) The amount taxable under section 56(2)(x) in the hands of Mr. Gaurav, if any, is -

(a) Nil

(b) ₹ 1 lakh

(c) ₹ 3 lakhs

(d) ₹ 6 lakhs

(v) What shall be the tax credit available with Mr. Pankaj with respect to sale of property at Kanpur during P.Y. 2023-24 assuming the tax was fully deducted by Mr. Rohan?

(a) ₹ 2,00,000

(b) ₹ 1,50,000

(c) ₹ 1,00,000

(d) ₹ 87,000

(vi) Is Mr. Pankaj required to file his return of income for A.Y. 2024-25?

(a) Yes, since his total income exceeds the basic exemption limit

(b) No, since his total income does not exceed the basic exemption limit

(c) Yes, since tax deducted in his case exceeds ₹ 25,000

(d) Yes, since his total income before exemption under section 54 exceeds the basic exemption limit **(6 x 2 = 12 Marks)**

2. Mrs. Deepika, wife of Mr. Santosh, started a business of trading in beauty products on 15.7.2023. She invested ₹ 5 lakhs in the business on 15.7.2023 out of gift received from her husband, Mr. Santosh. She invested ₹ 4 lakhs from her own savings on the same date. She earned profits of ₹ 9,00,000 from her business for the financial year 2023-24. Which of the following statements is correct?

(a) Share of profit of ₹ 9,00,000 is includible in the hands of Mrs. Deepika

(b) Share of profit of ₹ 5,00,00 is includible in the hands of Mr. Santosh and share of profit of ₹ 4,00,000 is includible in the hands of Mrs. Deepika

(c) Share of profit of ₹ 4,00,000 is includible in the hands of Mr. Santosh and share of profit of ₹ 5,00,000 is includible in the hands of Mrs. Deepika

(d) Share of profit of ₹ 9,00,000 is includible in the hands of Mr. Santosh

(2 Marks)

3. Mr. X, a resident 47 years, has salary income (computed) of ₹ 7,25,000 and agricultural income of ₹ 1,00,000 for the P.Y. 2023-24. Compute his tax liability for A.Y. 2024-25 if he is paying tax under default tax regime under section 115BAC.

(a) ₹ 26,000

(b) ₹ 33,800

(c) Nil

(d) ₹ 30,160 **(1 Mark)**

Division B – Descriptive Questions

*Question No. **1** is compulsory.*

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

1. Mr. Sunil, aged 48 years, a resident Indian has furnished the following particulars for the year ended 31.03.2024:

(i) He occupies ground floor of his residential building and has let out first floor for residential use at an annual rent of ₹ 2,95,000. He has paid municipal taxes of ₹ 25,000 for the current financial year. Both these floors are of equal size.

(ii) As per interest certificate from HDFC bank, he paid ₹ 1,50,000 as interest and ₹ 80,000 towards principal repayment of housing loan borrowed for the above residential building in the year 2018.

(iii) He owns an industrial undertaking established in a SEZ and which had commenced operation during the financial year 2019-20. Total turnover of the undertaking was ₹ 400 lakhs, which includes ₹ 150 lakhs from export turnover. Out of ₹ 150 lakhs, only ₹ 120 lakhs have been received in India in convertible foreign exchange on or before 30.9.2024. This industrial undertaking fulfills all the conditions of section 10AA of the Income-tax Act, 1961. Profit from this industry is ₹ 40 lakhs.

(iv) He employed 20 new employees for the said industrial undertaking during the previous year 2023-24. Out of 20 employees, 12 were employed on 1st May 2023 for monthly emoluments of ₹ 18,000 and remaining were employed on 1st September 2023 on monthly emoluments of ₹ 12,000. All these employees participate in recognised provident fund and they are paid their emoluments directly to their bank accounts.

(v) He earned ₹ 30,000 and ₹ 40,000 as interest on saving bank deposits and fixed deposits, respectively.

(vi) He also sold his vacant land on 01.12.2023 for ₹ 15 lakhs. The stamp duty value of land at the time of transfer was ₹ 16 lakhs. This land was acquired by him on 15.10.1998 for ₹ 2.80 lakhs. The FMV of the land as on 1st April, 2001 was ₹ 4.8 lakhs and Stamp duty value on the said date was ₹ 4 lakhs. He had incurred registration expenses of ₹ 12,000 at that time.

The cost of inflation index for the financial year 2023-24 and 2001-02 are 348 and 100, respectively.

(vii) He paid insurance premium of ₹ 40,000 towards life insurance policy of his son, who is not dependent on him.

You are requested to compute total income and tax liability of Mr. Sunil for the Assessment Year 2024-25, in the manner so that he can make maximum tax savings. **(15 Marks)**

2. (a) Mrs. Sia D'Souza is an American, got married to Mr. Kabir of India in New York on 14.02.2023 and came to India for the first time on 18.03.2023. She left for Australia on 16.08.2023. She returned to India again on 23.03.2024.

On 01.04.2023, she had purchased a Flat in Mumbai, which was let out to Mr. Sameer on a rent of ₹ 26,000 p.m. from 1.6.2023. She had taken loan from an Indian bank for purchase of this flat on which bank had charged interest of ₹ 2,05,000 upto 31.03.2024.

While in India, during the previous year 2023-24, she had received a gold chain from her in laws worth ₹ 1,50,000 and ₹ 1,65,000 from very close friends of her husband.

From the information given above, you are required to determine her the residential status and compute her total income chargeable to tax for the Assessment Year 2024-25 assuming she has shifted out of the default tax regime under section 115BAC. **(6 Marks)**

(b) Briefly discuss the provisions of tax deduction/collection at source under the Income-tax Act, 1961 and determine the amount, if any, of TDS and TCS in respect of the following payments:

(i) Mr. Harish bought an overseas tour programme package for Switzerland for himself and his family of ₹ 10 lakhs on 01-11-2023 from an agent who is engaged in organising foreign tours in course of his business. He made the payment by an account payee cheque and provided the permanent account number to the seller.

(ii) Mr. Aditya pays ₹ 55,00,000 during F.Y. 2023-24 to Mr. Naresh, for supply of labour, for carrying out the construction work of his factory. During the P.Y. 2022-23, Mr. Aditya's turnover was ₹ 95 lakhs. **(4 Marks)**

3. (a) Ms. Priyanka, General Manager of ABC Ltd., Mumbai, furnishes the following particulars for the financial year 2023-24:

(i) Salary ₹ 40,000 per month

(ii) Value of medical facility in a hospital maintained by the company ₹ 10,000

(iii) Rent free accommodation owned by the company

(iv) Housing loan of ₹ 7,00,000 given on 01.04.2023 at the interest rate of 6% p.a. (No repayment made during the year). The rate of interest charged by State Bank of India (SBI) as on 01.04.2023 in respect of housing loan is 9.5%.

(v) A dining table was provided to Ms. Priyanka at her residence. This was purchased on 1.6.2020 for ₹ 60,000 and sold to Ms. Priyanka on 1.5.2023 for ₹ 30,000.

(vi) Personal purchases through credit card provided by the company amounting to ₹ 10,000 was paid by the company. No part of the amount was recovered from Ms. Priyanka.

(vii) A Maruti Suzuki car which was purchased by the company on 16.7.2021 for ₹ 2,50,000 was sold to the assessee on 14.7.2023 for ₹ 1,60,000.

Other income received by the assessee during the previous year 2023-24:

	Particulars	₹
(a)	Interest on Fixed Deposits with a company	7,000
(b)	Income from specified mutual fund	3,000
(c)	Interest on bank fixed deposits of a minor married daughter	4,000

(viii) Deposit in PPF Account made during the year 2023-24 ₹40,000

Compute the gross total income of Ms. Priyanka for the Assessment year 2024-25 if she exercised the option to shift out of the default tax regime under section 115BAC. **(6 Marks)**

(b) M/s. Ravi & sons, a partnership firm consisting of two partners, reports a net profit of ₹ 7,50,000 before deduction of the following items:

- Salary of ₹ 25,000 each per month payable to two working partners of the firm (as authorized by the deed of partnership)
- Depreciation on plant and machinery under section 32 is ₹ 2,50,000
- Interest on capital 15% per annum (as per the deed of partnership).

  The amount of capital eligible for interest is ₹ 6,00,000 for both partners
- Carry forward loss of P.Y. 2022-23 - ₹ 50,000

Compute for A.Y. 2024-25:

(i) Book-profit of the firm under section 40(b) of the Income-tax Act, 1961.

(ii) Amount of salary that can be paid to working partners as per section 40(b). **(4 Marks)**

4. (a) The following are the details relating to Mr. Roshan, a resident Indian, relating to the year ended 31.03.2024

Particulars	Amount (₹)
Short term capital gain	1,50,000
Loss from house property [let out property]	2,50,000
Loss from speculative business	50,000
Loss from card games	20,000
Brought forward long term capital loss of A.Y. 2020-21	86,000
Dividend from ABC Ltd.	11,00,000
Loss from tea business	1,06,000

Mr. Roshan's wife, Shamita is employed with Ray Ltd., at a monthly salary of ₹ 25,000, where Mr. Roshan holds 21% of the shares of the company. Shamita is not adequately qualified for the post held by her in Ray Ltd.

You are required to compute taxable income of Mr. Roshan for the A.Y. 2024-25 if he has exercised the option to shift out of the default tax regime under section 115BAC. Ascertain the amount of losses which can be carried forward. **(6 Marks)**

(b) In the following cases relating to P.Y.2023-24, the total income of the assessee or the total income of any other person in respect of which he/she is assessable under Income-tax Act does not exceed the basic exemption limit. You are required to state with reasons, whether the assessee is still required to file the return of income or loss for A.Y.2024-25 in each of the following independent situations:

(i) Manish & Sons (HUF) sold a residential house on which there arose a long term capital gain of ₹ 12 lakhs which was invested in Capital Gain Bonds u/s 54EC so that no long term capital gain was taxable.

(ii) Samarth has incurred an expenditure of ₹ 1,20,000 towards consumption of electricity, the entire payment of which was made through banking channels. **(4 Marks)**

OR

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

SECTION B – GOODS AND SERVICES TAX (50 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 provisions of the CGST Act, 2017 and the IGST Act, 2017 as amended by the Finance Act, 2023, including significant notifications and circulars issued, up to 31st October, 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: 15 Marks

Ecotech Solutions Private Limited is engaged in manufacturing and supply of energy products and solutions across multiple States in India. The Company manufactures solar panels and also imports certain category of solar panels as per the customer orders. The company also provides installation services and annual maintenance contracts for its products.

The Company received an advance payment for a bulk order of goods in March 2024, but the delivery was completed in May 2024. The amount of advance received by the Company was ₹ 1 crore.

During the month of March 2024, the Company sold goods worth ₹ 5 crores and provided services amounting to ₹ 1 crore to its customers across India. The goods worth ₹ 1 crore sold under multiple invoices were returned by a customer due to defective quality in the month of March, 2024 which were originally sold by the Company in December, 2023. The Company issued a GST credit note against the returned goods in March, 2024.

The Company incurred an amount of ₹ 5 lakh on the repair of the returned goods to make them resalable in the market to customers other than a related party.

Further, the customers who returned the goods issued an invoice to Gujarat unit of the Company of ₹ 1 lakh for the expense related to return of goods. The goods were initially sold from the Gujarat unit of the Company but the same were returned to Maharashtra unit of the Company and subsequently moved by the Company from Maharashtra unit to Gujarat Unit i.e. the original place of supply. The Company is registered under GST in both the States i.e. Gujarat and Maharashtra.

Based on the facts of the case scenario given above, choose the most appropriate answer to Q. Nos. 1 to 6 below:-

1. At what point of time, tax will be payable in relation to the advance received by the Company of ₹ 1 crore?

   (a) The tax is payable at the time of receipt of advance.

(b) The tax is payable at the time of supply of goods.

(c) 50% of tax is payable at the time of receipt of advance.

(d) Tax is payable at the time of issuance of receipt voucher.

2. The total amount of supply during the month of March, 2024 to be reported in GSTR -1 by the Company is _____.

(a) ₹ 1 crore

(b) ₹ 5 crores

(c) ₹ 6 crores

(d) ₹ 7 crores

3. Which of the following options is correct in relation to the returned goods of value ₹ 1 crore ?

(a) Company has an option to issue single credit note against multiple invoices.

(b) Company has to mandatorily issue credit note against each invoice.

(c) The Company cannot issue credit note in any subsequent period after the supply is made.

(d) The Company can only issue a commercial credit note and GST adjustment cannot be made.

4. In case returned goods are sold by the Company to customers other than the related parties, the value of supply of such goods under GST shall be _____.

(a) equivalent to original value of supply only.

(b) equivalent to original value of supply plus the cost incurred on making the goods reusable

(c) 110% of original value of supply plus the cost incurred on making the goods reusable.

(d) transaction value subject to the conditions mentioned in Section 15(2) of the CGST Act, 2017.

5. Which of the following option(s) is correct in relation to the invoice of 1 lakh issued by the customer for the expenses relating to returned goods?

(a) The Company shall be eligible to avail full input tax credit.

(b) The Company shall not be allowed to avail input tax credit.

(c) The Company shall not be allowed to avail input tax credit in excess of 50% of the tax amount charged on such invoice.

(d) The Company shall be allowed to claim input tax credit only if it has not issued any credit note to the customer against such returned goods.

6. While moving the goods from Maharashtra unit to Gujarat unit by the Company, goods shall be accompanied by _____.

(a) Original invoice issued in December, 2023

(b) Invoice issued by the returning customer to the Gujarat unit of the Company

(c) Invoice by Maharashtra unit to the Gujarat unit of the Company

(d) Delivery challan issued by the Customer to the Company.

(6 x 2 Marks = 12 Marks)

7. Mr. Jambulal of Himachal Pradesh starts a new business and makes following supplies in the first month-

(i) Intra-State supply of taxable goods amounting to ₹ 17 lakh

(ii) Supply of exempted goods amounting to ₹ 1 lakh

(iii) Inter-State supply of taxable goods amounting to ₹ 1 lakh

Whether he is required to obtain registration?

(a) Mr. Jambulal is liable to obtain registration as the threshold limit of ₹ 10 lakh is crossed.

(b) Mr. Jambulal is not liable to obtain registration as he makes exempted supplies.

(c) Mr. Jambulal is liable to obtain registration as he makes the inter-State supply of goods.

(d) Mr. Jambulal is not liable to obtain registration as the threshold limit of ₹ 20 lakh is not crossed. **(2 Marks)**

8. Simmo Singh, a resident of Punjab, is having a residential property in Amritsar, Punjab which has been given on rent to a family for ₹ 72 lakh per annum for residence purposes. Determine whether Simmo Singh is liable to pay GST on such rent.

(a) Yes, as services by way of renting is taxable supply under GST.

(b) No, service by way of renting of residential property is exempt.

(c) No, service by way of renting of residential property does not constitute supply.

(d) Simmo Singh, being individual, is not liable to pay GST. **(1 Mark)**

Division B - Descriptive Questions

Question No. 1 is compulsory.

Attempt any two questions out of remaining three questions.

Total Marks:35 Marks

1. (a) Mr. Nandan lal, registered under GST, is engaged in supplying services (as discussed in the table below) in Hyderabad. He has furnished the following information with respect to the services provided/ received by him, during the month of February:

S. No.	Particulars	Amount (₹)
(i)	Carnatic music performance given by Mr. Nandan lal to promote a brand of readymade garments	1,40,000
(ii)	Outdoor catering services availed for a marketing event organised for his prospective customers	50,000
(iii)	Services of transportation of students provided to HSMG College providing education as part of a curriculum for obtaining a recognised qualification	1,00,000
(iv)	Legal services availed for official purpose from an advocate located in Chennai (Inter-State transaction)	1,75,000
(v)	Services provided to IFMP Bank as a business correspondent with respect to accounts in a branch of the bank located in urban area	2,00,000
(vi)	Recovery agent's services provided to a car dealer	15,000
(vii)	General insurance taken on a car (seating capacity 5) used for official purposes	40,000

Note:

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

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

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

(iv) The turnover of Mr. Nandan lal was ₹ 2.5 crore in the previous financial year.

(v) All the transactions mentioned above are intra-State unless otherwise specified.

Compute the net GST payable in cash, by Mr. Nandan lal for the month of February. **(10 Marks)**

(b) LSP Ltd., a registered supplier, sold a machine to Balwant Ltd. It provides the following information in this regard**: -**

S. No.	Particulars	Amount (₹)
(i)	Price of the machine [excluding taxes and other charges mentioned at S. Nos. (ii) and (iii)]	20,000
(ii)	Third party inspection charges	6,000

	[Such charges were payable by LSP Ltd. but the same have been directly paid by Balwant Ltd. to the inspection agency. These charges were not recorded in the invoice issued by LSP Ltd.]	
(iii)	Freight charges for delivery of the machine [LSP Ltd. has agreed to deliver the goods at Balwant Ltd.'s premises]	1,000
(iv)	Subsidy received from the State Government on sale of machine under Skill Development Programme [Subsidy is directly linked to the price]	5,000
(v)	Discount of 2% is offered to Balwant Ltd. on the price mentioned at S. No. (i) above and recorded in the invoice	

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

Determine the value of taxable supply made by LSP Ltd. to Balwant Ltd.

(5 Marks)

2. (a) State the person liable to pay GST in the following independent services provided:

(i) Sapna Builders, registered in Haryana, rented out 20 residential units owned by it in Jain Society to Anant Technologies, an IT based company registered in the State of Haryana, for accommodation of its employees.

(ii) M/s. Verma Consultants, a partnership firm registered in Delhi as a regular tax payer, paid sponsorship fees of ₹ 1,50,000 at a seminar organized by a private NGO (a partnership firm) in Delhi.

(4 Marks)

(b) "Little Smiles", a photography firm, has commenced providing photoshoot services in Delhi from the beginning of current financial year 2023-2024. It has provided the following details of turnover for the various quarters till December, 2023 :-

S. No.	Quarter	Amount (₹ in lakh)
1	April,2023-June,2023	20
2	July,2023-September,2023	30
3	October,2023-December,2023	40

You may assume the applicable tax rate as 18%. Little Smiles wishes to pay tax at a lower rate and opts for the composition scheme. You are required to advise whether it can do so and calculate the amount of tax payable for each quarter? **(6 Marks)**

3. (a) Mr. Sohan, a trader registered under GST in Delhi is engaged in wholesale business of toys for kids. Mr. Roshan registered under GST in Patiala, a regular return filer supplies toys in bulk to Mr. Sohan for selling to end consumers.

Mr. Sohan paying tax in regular scheme in Delhi, has not filed GSTR-3B for last 2 months. Mr. Roshan wants to generate e-way bill for toys amounting to ₹ 5,00,000 to be supplied to Mr. Sohan. Also Mr. Mohan from Jammu approached Mr. Sohan for purchasing toys amounting to ₹ 75,000 for the purpose of return gift on his son's first birthday party. Sohan wants to generate an e-way bill in respect of an outward supply of goods to Mr. Mohan.

Examine with reference to the provisions under GST law, whether Mr. Roshan and Mr. Sohan can generate e-way bill? **(5 Marks)**

(b) Mr. Raj of Rajasthan intends to start business of supply of building material to various construction sites in Rajasthan. He has taken voluntary registration under GST in the month of April. However, he has not commenced the business till December due to lack of working capital. The proper officer *suo-motu* cancelled the registration of Mr. Raj. You are required to examine whether the action taken by proper officer is valid in law?

Mr. Raj has applied for revocation of cancellation of registration after 40 days from the date of service of the order of cancellation of registration. Department contends that application for revocation of cancellation of registration can only be made within 30 days from the date of service of the order of cancellation of registration. You are required to comment upon the validity of contentions raised by Department. **(5 Marks)**

4. (a) Discuss briefly the place of supply of goods purchased over the counter in one State and transported to another State by the buyer. **(5 Marks)**

Or

(a) What would be the place of supply of services provided by an event management company for organizing a sporting event for a Sports Federation which is held in multiple States? **(5 Marks)**

(b) Discuss whether the amount available in the electronic credit ledger can be used for making payment of any tax under the GST Laws?

(5 Marks)