

National Test Series 2

Test Paper 4

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Subject:- Taxation

Marks: 100 Marks

Duration: 3 Hrs.

Part I

Multiple choice Questions.

(30 Marks)

Case Study Based MCQs

Case Study 1

Mr. A (aged 52 years), is a CEO of XYZ Enterprise Limited. During the previous year 2019-20, he earned salary of ₹ 1,65,00,000 and long-term capital gain on sale of listed equity shares amounting to ₹ 1,06,500. He earned interest of ₹ 4,82,778 on saving account.

Further, he has provided the following other information for filing his return of income:

He does not receive house rent allowance from his employer. Mr. A took a loan from State Bank of India on 27th October 2017 for repairing his house (self-occupied) at Delhi and paid interest on such borrowings of ₹ 80,000 and ₹ 1,50,000 towards principal amount during the previous year 2019-20.

Mr. A has made the following payments towards medical insurance premium for health policies taken for his family members:

Medical premium for his brother: ₹ 13,500 (by cheque)

Medical premium for his parents: ₹ 17,670 (by cheque)

Medical premium for self and his wife: ₹ 21,000 (by cheque).

He also incurred ₹ 6,400 towards preventive health check-up of his wife in cash. He deposited ₹ 1,00,000 towards PPF. He also deposited ₹ 50,000 and 2,50,000 towards Tier I and Tier II NPS A/c, respectively.

He has paid ₹ 5,30,000 as advance tax. His employer has deducted tax at source of ₹ 51,89,000. He is of the opinion the balance amount of tax, if any he will pay on 27 July 2020 (i.e. before the due date for filing of return of income).

From the details given above, choose the most appropriate option to the questions given below:

(4 x 2 Marks = 8 Marks)

1. Compute the amount of deduction available to Mr. A under Chapter VI -A for the assessment year 2020-21:
 - a) ₹ 2,04,070
 - b) ₹ 2,42,670
 - c) ₹ 2,52,670
 - d) ₹ 2,02,670
2. Assuming Mr. A pays rent of ₹ 65,000 per month for his rented house at Mumbai to Mr. C, a resident individual, is Mr. A liable to deduct TDS on such rent. If so, what would be the rate and amount of TDS?
 - a) Yes, Mr. A is liable to deduct TDS @5% amounting to ₹ 3,250 every month i.e., at the time of payment of such rent
 - b) Yes, Mr. A is liable to deduct TDS @10% amounting to ₹ 6,500 every month i.e., at the time of payment of such rent
 - c) Yes, Mr. A is liable to deduct TDS @5% amounting to ₹ 39,000 in the month of March 2020

- d) No, Mr. A is not liable to deduct TDS, since he is not required to get his books of accounts audited under section 44AB
3. What would be the amount of net tax payable for the assessment year 2020-21 in the hands of Mr. A?
- a) Tax payable of ₹ 78,230
 - b) Tax payable of ₹ 60,290
 - c) Tax payable of ₹ 49,530
 - d) Tax payable of ₹ 67,470
4. Compute the amount of interest chargeable under section 234B on account of short payment of advance tax:
- a) ₹ 1,980
 - b) Nil
 - c) ₹ 3,130
 - d) ₹ 2,410

Case Study 2

Mr. Hardik (age 45 years) is appointed as senior executive officer in Sky India Limited, Mumbai on 01.02.2019 in the scale of ₹ 35,000-3500-65,000. He is paid dearness allowance @40% of salary forming part of retirement benefits.

He is given rent free unfurnished accommodation on 01.5.2019 which he occupied only from 01.10.2019. The company pays lease rent of ₹ 5,000 p.m.

He has been provided a car of 2000 cc capacity which is used by him for private purposes only. The actual cost of the car is ₹ 8,00,000. The monthly expenditure of car is ₹ 5,000, which is fully met by the employer.

He pays lumpsum premium of ₹ 1,50,000 towards health insurance for self and his wife for 48 months on 01.10.2019 by account payee cheque. He also contributes ₹ 1,50,000 towards PPF.

In the light of above facts, you are required to answer the following:

(3 x 2 Marks = 6 Marks)

1. Value of rent-free accommodation chargeable to tax in the hands of Mr. Hardik, would be –
- a) ₹ 44,835
 - b) ₹ 44,100
 - c) ₹ 45,570
 - d) ₹ 30,000
2. Mr. Hardik would be eligible for deduction in respect of health insurance premium paid during the previous year 2019-20, for –
- a) ₹ 30,000
 - b) ₹ 18,750
 - c) ₹ 25,000
 - d) ₹ 37,500

3. Perquisite value of car chargeable to tax in the hands of Mr. Hardik would be –

- a) ₹ 28,800
- b) ₹ 21,600
- c) ₹ 60,000
- d) ₹ 1,40,000

Case study 3

Ms. Riya is a multi-faceted business personality. She is registered under GST from April, 20XX.

She supplied a package consisting of stapler, calculator and charger at a single price of Rs. 300/-. Rate of GST for stapler, calculator and charger is 5%, 12% and 18% respectively.

She wants to opt for composition levy.

She received following payments during the month of May, 20XX:

- earned Rs. 160,000 by performing in western music in a cultural event at a Resort
- earned Rs. 50,000 by providing services by way of renting of residential dwelling for use as boutique.
- received Rs. 70,000 by way of rent for letting of agro machinery

Ms. Riya made a supply during June, 20XX, details of which are as follows:-

- Basic price of the product – Rs. 45,000
- Tax collected at source under Income-tax Act, 1961 – Rs. 2,500
- She received a subsidy of Rs. 3,500 from Green Foundation Pvt. Ltd for usage of green energy and the subsidy was linked to saving energy

Ms. Riya provides the following information regarding receipt of inward supply during July, 20XX:

- received invoice for goods having GST Component of Rs. 30,000. Goods were to be delivered in 5 lots, out of which three lots were received in the current month.
- purchased a car having GST component of Rs. 1,50,000 for the usage in a driving school owned by her
- availed health insurance service for her employees on her own and paid GST of Rs. 7,000 thereon

Transactions referred above are intra-State only. Conditions necessary for claiming input tax credit (ITC) have been fulfilled subject to the information given above.

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

(5 x 2 Marks = 10 Marks)

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1. What would be the nature of supply and the applicable rate of GST for the supply of package made by Ms. Riya (when not registered under composition scheme) :-
 - a) composite Supply & applicable rate 12%
 - b) mixed Supply & applicable rate 18%
 - c) composite Supply & applicable rate 18%
 - d) mixed Supply & applicable rate 12%

2. Ms. Riya can opt for composition scheme if she does not undertake the supply of
 - i. Aerated water
 - ii. Tobacco
 - iii. Pan masala
 - iv. Milk
 - a) i & ii
 - b) iii & iv
 - c) i, ii & iii
 - d) ii, iii & iv

3. Out of payments received by Ms. Riya in month of May 20XX, exempt Supply amounts to ____
 - a) ₹ 50,000
 - b) ₹ 70,000
 - c) ₹ 1,20,000
 - d) ₹ 1,60,000

4. In respect of supply made by Ms. Riya, the value of supply under section 15 of CGST Act, 2017 is
 - a) ₹ 45,000
 - b) ₹ 47,500
 - c) ₹ 48,500
 - d) ₹ 51,000

5. Eligible amount of input tax credit that can be claimed by Ms. Riya in the month of July 20XX is,
 - a) ₹ 30,000
 - b) ₹ 37,000
 - c) ₹ 1,50,000
 - d) ₹ 1,57,000

MCQs Other than case study

(6 x 1 Marks = 6 Marks)

1. An amount of ₹ 40,000 was paid to Mr. X on 1.7.2019 towards fees for professional services without deduction of tax at source. Subsequently, another payment of ₹ 50,000 was due to Mr. X on 28.2.2020, from which tax @10% (amounting to ₹ 9,000) on the entire amount of ₹ 90,000 was deducted. However, this tax of ₹ 9,000 was deposited only on 22.6.2020. The interest chargeable under section 201(1A) would be:
 - a) ₹ 1,080
 - b) ₹ 860

- c) ₹ 1,620
- d) ₹ 840

2. Mr. Dinesh, a resident in India, has gross total income of ₹ 2,30,000 comprising of interest on saving A/c and rental income during the previous year 2019-20. He incurred expenditure of ₹ 2,00,000 for his son for a study tour to Europe. Whether he is required to file return of income for the assessment year 2020-21? If yes, what is the due date?
- a) Yes, 31st July of A.Y
 - b) Yes, 30th September of A.Y
 - c) Yes, 31st October of A.Y
 - d) No, he is not required to file return of income
3. XYZ LLP falls under which category of person?
- a) Firm
 - b) Company
 - c) Association of persons
 - d) Artificial judicial person
4. Mr. Ritvik has purchased his first house in Gwalior for self-occupation on 5.4.2019 for ₹ 45 lakhs (stamp duty value being the same) with bank loan sanctioned on 30.3.2019 and disbursed on 3.4.2019. He paid interest of ₹ 3.8 lakhs during the P.Y.2019-20. What is the tax treatment of interest paid by him?
- a) Interest of ₹2 lakhs allowable u/s 24
 - b) Interest of ₹2 lakhs allowable u/s 24 and ₹1.8 lakhs allowable u/s 80EEA
 - c) Interest of ₹2 lakhs allowable u/s 24 and ₹1.5 lakhs allowable u/s 80EEA
 - d) Interest of ₹1.5 lakhs allowable u/s 24 and ₹1.5 lakhs allowable u/s 80EEA
5. Prem & Sons had taken GST registration on 1st January but failed to furnish GST returns for the next 6 months. Owing to this, the proper officer cancelled its registration on 25th July and served the order for cancellation of registration on 31st July. Now, Prem & Sons wants to revoke the cancellation of registration. Prem & Sons can file an application for revocation of cancellation of registration on or before.
- a) 30th August
 - b) 29th August
 - c) 29th September
 - d) 29th October
6. TT Pvt. Ltd., registered in Rajasthan, furnished following information for the month of June:
- (i) Inter-State sale of goods for ₹ 1,25,000 to JJ Enterprises registered in Haryana
 - (ii) Inter-State purchases of goods from XYZ company, registered in Punjab, for ₹ 40,000
 - (iii) Intra-State purchases of goods from RR Traders, registered in Rajasthan, for ₹ 65,000

The applicable rate of GST is 18%. All the above amounts are exclusive of taxes . GST liability payable in cash is-

- a) CGST ₹ 1,800 & SGST ₹ 1,800
- b) SGST ₹ 3,600
- c) IGST ₹ 3,600
- d) CGST ₹ 3,600

Part II (70 Marks)

Section A

Question 1 is Compulsory.

Answer any two Questions from remaining three questions.

Question 1.

R is a resident individual. His profit and loss for the year ending 31.3.2020 is given below:

	₹		₹
General charges	40,400	Gross profit	11,40,000
Insurance	15,800	Commission	42,000
Staff Salary	2,80,000	Rent received from house property let	3,00,000
Donation to political party	40,000	Interest on debenture received (net)	36,000
Depreciation	1,40,950	TDS deduct at 10%	
Advance tax for financial year 2019-20	1,20,000	Agriculture income	1,80,000
Municipal tax of property let	48,000	Dividend from Indian company	20,000
Insurance premium of property let	12,000		
Net profit	10,20,850		
	17,18,000		17,18,000

1. Depreciation as per income tax rule ₹1,90,000.
2. He has deposited ₹15,000 in the Bank for fixed deposit scheme for 5 years.
3. He had bought 500 shares of XY Ltd. on 5-10-2018 at ₹90 per share, 200 shares of B Ltd. on 4-9-2019 at ₹140 per share and 300 shares of C Ltd. 5-9-2019 at ₹125 per share. All the shares were sold by him for ₹135 per share on 4-1-2020. All shares were sold through NSE through a registered broker and securities transaction tax was paid. FMV of shares as on 31.1.2019 was ₹140 per share.
4. His life insurance policy matured on 16-9-2019. The sum assured was ₹5,00,000 and the amount received on maturity ₹5,95,000.
5. Donation included in profit and loss account was made to registered political party.
6. Income-tax department refunds ₹39,600 (including interest of ₹3,900) which was directly credited to his personal account.
7. He incurred expenditure of ₹58,000 on treatment of his dependent father aged 63 years who was suffering from specified disease mentioned in rule 11DD. The payment of medical expenses was made by cheque and an amount of ₹7,500 was reimbursed to him by insurance company.
8. Bad debt of business which was discontinued in earlier year recovered during the year ₹24,000.

Compute the total income and tax payable thereon by R for the assessment year 2020-21.

(14 Marks)

Question 2.

(A) Ms. Pihu has three houses, all of which are self-occupied. The particulars of these houses are given below:

Particulars	(Value in ₹)		
	House - I	House - II	House - III
Municipal Valuation per annum	1,30,000	1,20,000	1,20,000

Fair rent per annum	1,10,000	1,85,000	1,45,000
Standard rent per annum	1,00,000	1,90,000	1,30,000
Date of completion	30-01-2005	31-07-2008	31-5-2011
Municipal taxes payable during the year (paid for house II & III only)	12%	9%	10%
Interest on money borrowed for repair of property during current year	-	75,000	-

You are required to compute Pihu's income from house property for the Assessment Year 2020-21 and suggest which houses should be opted by Pihu to be assessed as self-occupied so that her tax liability is minimum

(8 Marks)

(B) Mr. Mustafa submits the following information for the previous year 2019-20:

		(Amount in Rs.)
(i)	Income from salary	6,50,000
(ii)	Income from House - I	55,000
(iii)	Loss from House - II (self-occupied property)	1,25,000
(iv)	Loss from House - III	1,90,000
(v)	Loss from leather business	68,000
(vi)	Profit from cloth business	1,70,000
(vii)	Short term capital loss in equity oriented funds on which STT was paid	35,000
(viii)	Income from crossword puzzles	12,000
(ix)	Dividend from foreign company	8,500
(x)	Loss on owing and maintenance of race horses	7,500
(xi)	Income from owing and maintenance of race horses	9,000

Compute the gross total income and losses to be carried forward of Mr. Mustafa for assessment year 2020-21. Mr. Mustafa has filed his return of income on 25.07.2020.

(6 Marks)

Question 3.

(A) You are required to determine the residential status of Mr. Dinesh, a citizen of India, for the previous year 2019-20.

Mr. Dinesh is a member of crew of a Singapore bound Indian ship, carrying passengers in the international waters, which left Kochi port in Kerala, on 16th August, 2019.

Following details are made available to you for the previous year 2019-20:

Particulars	Date
Date entered into the Continuous Discharge Certificate in respect of joining the ship by Mr. Dinesh	16 th August, 2019
Date entered into the Continuous Discharge Certificate in respect of signing off the ship by Mr. Dinesh	21 st January, 2020

In June, 2019, he had gone out of India to Dubai on a private tour for a continuous period of 27 days.

During the last four years preceding the previous year 2019-20, he was present in India for 425 days. During the last seven previous years preceding the previous year 2019-20, he was present in India for 830 days.

(7 Marks)

(B) Examine and compute the liability for deduction of tax at source, if any, in the cases stated hereunder, for the financial year ended 31st March, 2020

- (a) State Bank of India pays Rs.50,000 per month as rent to the Central Government for a building in which one of its branches is situated.
- (b) Karan, a part time director of ABC Pvt. Ltd. was paid an amount of Rs. 1,75,000 as fees which was actually in the nature of commission on sales for the period 1.6.2019 to 30.9.2019.
- (c) Fee paid on 1.11.2019 to Dr. Kashyap by Varun (HUF) Rs. 5,00,000 for surgery performed on a member of his family.
- (d) Payment of Rs. 1,50,000 made to John Cena, an American wrestler, by an Indian newspaper agency on 1.8.2019 for contribution of articles in relation to the spot of wrestling.

(7 Marks)

Question 4.

(A) The following details are provided by Mr. Divakar, an individual, for the assessment year 2020-21.

	Amount (₹)
Total estimated tax payable	4,40,000
TDS (deductible but not deducted)	55,000

Determine the advance tax payable with their due dates for the assessment year 2020-21.

(5 Marks)

(B) Explain with brief reasons, whether the following income can be regarded as agricultural income, as per the provisions of the Income-tax Act, 1961:

- (i) Rent received for letting out agricultural land for a movie shooting.
- (ii) Income from sale of seedlings in a nursery adjacent to the agricultural lands owned by an assessee.

(4 Marks)

(C) Mr. Vijay gifted a sum of Rs. 4 lakhs to his brother's wife on 19-6-2019. On 21-7-2019, his brother gifted a sum of Rs. 3 lakhs to Mr. Vijay's wife. The gifted amounts were invested as fixed deposits in banks by Mrs. Vijay and wife of Mr. Vijay's brother on 01-8-2019 at 9% interest. Examine the consequences of the above under the provisions of the Income-tax Act, 1961 in the hands of Mr. Vijay and his brother.

(4 Marks)

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Section B

Question 5 is compulsory.

Answer any two from remaining three questions

Question 5.

Mr. Charlie, a registered supplier of goods at Bhatinda who pays GST under regular scheme, has made the following transactions (exclusive of tax) during April 20XX:

Source	Purchases (Rs.)	Sales (Rs.)	Tax Rate
Rajasthan	5,00,00	10,00,000	18%
Punjab	2,50,000	8,00,000	9% each for SGST & CGST
Total	7,50,000	18,00,000	ssss

He has complied with all the conditions for availing the input tax credit (ITC) and has the following ITC credit on 01-04-20XX:

Source	CGST (Rs.)	SGST (Rs.)	IGST (Rs.)
Taxes	50,000	30,000	1,00,000

Compute the minimum net CGST, SGST and IGST payable by Mr. Charlie during April 20XX in cash?

(8 Marks)

Question 6.

(A) Babla & Bros. is exclusively engaged in making exempt supply of goods and is thus, not registered under GST. On 1st October, the exemption available on its goods gets withdrawn. On that day, the turnover of Babla & Bros. was ₹ 50 lakh. Examine the eligibility of Babla & Bros. for availing ITC, if any.

(3 Marks)

(B) Mamta Sales trades in exempt goods and provides taxable services. It is registered under GST. On 1st October, the exemption available on its goods gets withdrawn.

Analyze the scenario and determine the eligibility of Mamta Sales for availing ITC, if any, on inputs and/or capital goods used in the supply of exempt goods.

(3 Marks)

(C) Holiday Guest House, situated at Shimla, provides boarding & lodging services to tourists at economical cost. The charges of a single deluxe room per day are ₹ 999. Mr. X has booked one deluxe room for two days during Christmas holidays. You are required to determine whether GST is payable by Holiday Guest House on the above booking. If yes, determine the amount of GST so payable.

Will your answer change, if the charges of a single deluxe room per day charged by Holiday Guest House are ₹ 1,000?

(4 Marks)

Question 7.

(A) Mr. Gauri Shiva, a registered person in Punjab, supplies goods taxable @ 12% [CGST @ 6%, SGST @ 6% & IGST @ 12%] in the States of Punjab and Haryana. He has furnished the following details in relation to independent supplies made by him in the quarter ending June, 20XX:-

Supply	Recipient	Nature of Supply	Value (₹)
1	Mr. A, a registered person	Inter-State	2,20,000
2	Mr. B, a registered person	Inter-state	2,55,000
3	Mr. C, an unregistered person	Intra-state	1,80,000
4	Mr. D, an unregistered person	Intra-state	2,60,000
5	Mr. M, an unregistered person	Inter-state	3,00,000
6	Mr. N, an unregistered person	Inter-state	50,000
7	Mr. O, an unregistered person	Inter-state	2,50,000
8	Mr. P, an unregistered person	Inter-state	2,80,000
9	Mr. Q, a registered person	Intra-state	1,50,000
10	Mr. R, a registered person	Intra-state	4,10,000

The aggregate annual turnover of Mr. Gauri Shiva in the preceding financial year was ₹ 1.20 crore. With reference to rule 59 of the CGST Rules, 2017, discuss the manner in which the details of above supplies are required to be furnished in GSTR-1.

(6 Marks)

(B) Mutiservices Private Ltd., registered in Punjab, is engaged in supplying a variety of services. Its turnover was ₹ 35 lakh in the preceding financial year. It has provided the following information for the month of April:

Particulars	Amount (₹)
Fee for the coaching provided to students for competitive exams. The coaching centre is run by Mutiservices Private Ltd. In Punjab (Intra-State transaction)	6,24,000
Receipts for services provided in relation to conduct of examination in Pureit University, Delhi (providing education recognized by Indian law), being an inter-State transaction	19,200
Amount received for transportation of students and faculty from their residence to Lotus Public School - a higher secondary school - and back (Intra-State transaction)	24,000
Amount received for providing the security and housekeeping services in Dhaani Public School - a pre-school (Intra-State transaction)	36,000

(4 Marks)

Question 8.

(A) Explain the services provided by way of tolerating non-performance of a contract and its chargeability under the provisions of the CGST Act, 2017.

(5 Marks)

(B) If a return has been filed, how can it be revised if some changes are required to be made?

(5 Marks)



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