

SOLUTION TO MCQs of MTP 2 DEC 21 EXAM
RELEASED BY ICAI

INCOME TAX

1. (i) Ans. (b)

Hint: Interest is allowed on due basis incase of house property and Interest paid during the construction is in progress is not allowed u/s 24. Hence interest of 25 lakh is allowed to be deducted.

1. (ii) Ans. (c)

Calculation of deduction allowed under chapter VIA

Section 80C - Repayment of Housing Loan limited to 1,50,000	1,50,000
Section 80D – Health Insurance	20,000
Section 80E – Interest paid on loan for higher education	50,000
Section 80EEB – Interest paid on loan for Electric Vehicle limited to 1,50,000	1,50,000
Total Deduction	3,70,000

1. (iii) Ans. (a)

Hint: Notional interest on interest free deposit is not chargeable to tax

1. (iv) Ans. (b)

Hint: As per section 27, Mr. Akash shall be treated as deemed owner and income shall be taxable under the income of Mr. Akash

Calculation of Income under the head house property

GAV (5,000 X 7)	35,000
Less: Municipal Taxes	Nil
NAV	35,000
Less: Deduction u/s 24 (a) @ 30% of NAV	(10,500)
Less: Deduction u/s 24 (B)	Nil
Income under the head house property	24,500

2. Ans. (c)

Calculation of Tax Liability under normal provisions

LTCG 112A	1,80,000
Normal income	2,75,000
Total Income	4,55,000

Tax at slab rate on normal income of 2,75,000	Nil
Tax on LTCG u/s 112A (1,80,000-1,00,000-25,000) = 55000 @ 10%	5,500

Add: HEC @ 4%	220
Tax Liability	5,720
Note: Rebate u/s 87A is not allowed from LTCG112A	

3. Ans. (d)**Calculation of Interest allowed to the firm as expense**

Interest on partner capital allowed @ 12% (3,00,000 x 12%)	36,000
Interest on loan allowed @ 15% (50,000 x 15%)	7,500
Total Interest allowed	43,500

4. Ans. (d)

As per Section 192A, the person responsible for making payment of recognized provident fund to any person shall deduct tax at source if the amount to be paid is taxable and tax shall be deducted at source @ 10% provided the amount paid or payable during a particular year is 50,000 or more. In the given case Mr. Prakash is not completed continuous service of 5 years at XYZ Ltd. Hence withdrawal from Provident fund is taxable and TDS shall be deducted @ 10% on 55,000 = 5,500

6. Ans. (a)

As per section 145B, interest received for payment of compensation from the Government or other similar agency in connection with compulsory acquisition of land or building shall be taxable in the year in which it has been received and it will be taxable **under the head other sources** however, as per section 57 deduction shall be allowed @ 50% of such interest. Hence taxable amount shall be 5,00,000 – 50% of 5,00,000 = 2,50,000.

GST**1.3 Ans. (c)**

Hint: Input tax credit allowed

Capital Goods	4,50,000
Input services	1,75,000
Total	6,25,000
CGST @ 9%	56,250
SGST @ 9%	56,250

1.5 Ans. (c)

Hint: As per section 10(2A), Tax shall be payable @ 3% CGST and 3% SGST

Turnover	6,00,000
CGST @ 3%	18,000
SGST @ 3%	18,000

2 Ans. (c)**Calculation of Turnover**

Intra State Outward Supply	8,00,000
Inter State Outward Supply	5,00,000
Exports	10,00,000
Total	23,00,000

Note: Payment made for availing GTA services is an input service and shall not form part of Turnover.