Test Series: October, 2018

MOCK TEST PAPER - 2

INTERMEDIATE (IPC) COURSE

PAPER – 4: TAXATION

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

SECTION – A: INCOME TAX (50 MARKS)

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

*Attempt any **four** questions from the remaining **five** questions*

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.

Your answers should be based on the provisions of Income-tax law as amended by the Finance Act, 2017. The relevant assessment year is A.Y.2018-19.

1. Dr. K.P. Singh, a resident individual aged 45 years, furnishes you the following information:

Income and Expenditure Account for the year ended 31st March 2018

Particulars	Rs.	Particulars	Rs.
To Medicines consumed	42,42,000	By Fee receipts	59,47,500
To Staff salary	11,65,000	By Rent	27,000
To Hospital consumables	47,500	By Dividend from Indian companies	9,000
To Rent paid	60,000		
To Administrative expenses	1,23,000		
To Net Income	3,46,000		
	59,83,500		59,83,500

(i) Rent paid includes rent for his residential accommodation of Rs. 40,000 (paid by cheque) at Bangalore.

(ii) Hospital equipments (eligible for depreciation @15%)

01.04.2017 Opening WDV Rs.5,00,000

07.12.2017 Acquire by A/c payee cheque (Cost) Rs.2,00,000

(iii) Medicines consumed include medicines (cost) Rs. 10,000 used for Dr. K.P. Singh's family.

(iv) Rent received relates to a property situated at Mumbai (Gross Annual Value). The municipal tax of Rs. 2,000 paid in November, 2017 has been included in the "administrative expenses".

(v) He received Rs. 5,000 per month as salary from Full Cure Hospital. This has not been included in the "fee receipts" credited to income and expenditure account.

(vi) He sold a vacant site in July, 2017 for Rs.7,50,000. It was inherited by him from his father in July, 2004.The site was acquired by his father in December, 1990 for Rs.1,50,000. Fair market value of vacant site on 01.04.2001 is Rs. 2,50,000

(Cost inflation index for F.Y 2001-02: 100; 2004-05: 113 and 2017-18:272)

You are required to compute the total income and tax payable by Dr. K.P. Singh for the Assessment Year 2018-19. **(10 Marks)**

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2. (a) For the Assessment year 2018-19, the Gross Total Income of Mr. Manas, a resident in India aged 65 years, was Rs.8,18,240 which includes long-term capital gain of Rs.2,45,000 and Short-term capital gain of Rs. 98,000. The Gross Total Income also includes interest income of Rs. 15,000 from savings bank deposits with banks. Mr. Manas has invested in PPF Rs.1,40,000 and also paid a medical insurance premium Rs. 31,000. Mr. Manas also contributed Rs. 40,000 to Public Charitable Trust eligible for deduction under section 80G by way of an account payee cheque. Compute the total income and tax thereon of Mr. Manas. **(7 Marks)**

(b) State any three instances where the income of the previous year is assessable in the previous year itself instead of the assessment year. **(3 Marks)**

3. From the following details furnished by Mrs. Heena, a finance manager of AB Ltd., Delhi, compute the gross total income for the Assessment Year 2018-19.

Particulars	Amount (Rs.)
Salary including Dearness Allowance (Dearness Allowance forms part of salary for retirement benefits)	6,50,000
Conveyance allowance of Rs.900 p.m.	10,800
Children education allowance	Rs.500 p.m. for two chlidren
Bonus	50,000
Salary of servant provided by the employer	48,000
Bills paid by the employer for gas, electricity and water provided free of cost at the residence of Mrs. Heena	82,000
Computer (cost Rs.35,000) kept by the employer in the residence of Mrs. Heena from 01.07.2017	
Contribution to recognized provident fund	15 % of salary including D.A.

Heena purchased a flat in a co-operative housing society in Rohini, Delhi for self occupation for Rs.35,00,000 in April 2014, which was financed by a loan from State Bank of India of Rs.20,00,000 @11% interest and her own savings of Rs.5,00,000 and a deposit of Rs.10,00,000 from Bank of Baroda, to whom she let out her another house in Dwarka, Delhi on lease for ten years. The rent payable by Bank of Baroda is Rs. 35,000 per month. Other relevant particulars are given below:

(i) Municipal taxes paid by Heena for her flat in Rohini are Rs. 15,000 per annum and for her house in Dwarka are Rs. 12,000 per annum.

(ii) Principal loan amount outstanding as on 01-04-2017 was Rs.18,50,000.

(iii) She also paid Rs. 7,000 towards insurance of both the houses.

(iv) Mrs. Heena's son is studying in a school run by the employer company throughout the financial year 2017-18. The education facility was provided free of cost. The cost of such education in similar school is Rs.2,500 per month.

(v) Heena also received gifts of Rs.45,000 each from her two friends during the financial year 2017-18. **(10 Marks)**

4. Mrs. Bhawna and Mrs. Prerna are sisters and they earned the following income during the Financial Year 2017-18. Mrs. Bhawna is settled in Malaysia since 1986 and visits India for a month every year. Mrs. Prerna is settled in Indore since her marriage in 1994. Compute the Gross total income of Mrs. Bhawna and Mrs. Prerna for the assessment year 2018-19:

Sl. No.	Particulars	Mrs. Bhawna (Rs.)	Mrs. Prerna (Rs.)
(i)	Income from Profession in Malaysia, (set up in India) received there	15,000	

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(ii)	Profit from business in Delhi, but managed directly from Malaysia	40,000	-
(iii)	Rent (computed) from property in Malaysia deposited in a Bank at Malaysia, later on remitted to India through approved banking channels.	1,20,000	-
(iv)	Dividend from PQR Ltd., an Indian Company	5,000	9,000
(v)	Agricultural income from land in Maharashtra	7,500	4,000
(vi)	Past foreign untaxed income brought to India	5,000	-
(vii)	Fees for technical services rendered in India received in Malaysia	25,000	-
(viii)	Income from a business in Pune (Mrs. Bhawna receives 50% of the income in India)	12,000	15,000

(10 Marks)

5. (a) Compute the total income of Mr. Prince (aged 48), a resident Indian, from the following information relating to the financial year ended 31.3.2018. Also, show the items eligible for carry forward to the A.Y. 2019-20.

Particulars	Rs.
Income from salaries	2,20,000
Loss from house property	1,90,000
Loss from toy business	2,40,000
Income from speculation business	30,000
Loss from specified business covered under section 35AD	20,000
Long-term capital gains from sale of urban land	2,50,000
Long-term capital loss from sale of listed shares in recognized stock exchange (STT paid both at the time of acquisition and sale)	1,10,000
Income from betting (Gross)	45,000

(6 Marks)

(b) Mr. Raju gifted a sum of Rs.10 lacs to his brother's minor daughter on 07-04-2017. On 16-04-2017, his brother gifted debentures worth Rs.12 lacs to the wife of Mr. Raju. Daughter of Mr. Raju's brother invested the amount in fixed deposit with Bank of India @ 9% p.a. interest and Mrs. Raju received interest of Rs. 90,000 on debentures received by her.

Examine the implications under the provisions of the Income-tax Act, 1961 **(4 Marks)**

6. (a) Specify the persons who are authorized to verify under section 140, the return of income filed under section 139 of the Income-tax Act, 1961 in the case of:

(i) Political party;

(ii) Local authority;

(iii) Association of persons, and

(iv) Limited Liability Partnership (LLP).

(4 Marks)

OR

(a) Explain the term "return of loss" under the Income-tax Act, 1961. Can any loss be carried forward even if return of loss has not been filed as required? **(4 Marks)**

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(b) Examine the applicability of TDS provisions, if any, to be deducted in the following cases:

(i) ABC Ltd. paid Rs.19,000 to one of its Directors as sitting fees on 1-01-2018.

(ii) Payment made by a firm to a sub-contractor, Mr. Y, Rs.3,00,000 with outstanding balance of Rs.1,20,000 shown in the books as on 31-03-2018.

(iii) Fee paid to Dr. Khanna by Mr. A (HUF) Rs.40,000 for surgery performed on a member of the family. **(6 Marks)**

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SECTION B - INDIRECT TAXES (50 MARKS)

QUESTIONS

Question no. 1 is compulsory. Attempt any four questions out of the remaining five questions.

(i) Working Notes should form part of the answers.

(ii) Wherever necessary, suitable assumptions may be made by the candidates, and disclosed by way of note.

(iii) All questions should be answered on the basis of the position of GST law as amended up to 30th April, 2018.

(iv) The GST rates for goods and services mentioned in various questions are hypothetical and may not necessarily be the actual rates leviable on those goods and services. Further, GST compensation cess should be ignored in all the questions, wherever applicable.

1. (a) Mr. Kanhaiya, a supplier of goods, pays GST under regular scheme. He is not eligible for any threshold exemption. He has made the following outward taxable supplies in the month of January, 2018 :-

	Rs.
Intra state supplies of goods	6,00,000
Inter state supplies of goods	2,00,000

He has also furnished following information in respect of purchases made by him from registered dealers during January, 2018 :-

	Rs.
Intra state purchase of goods	4,00,000
Inter state purchase of goods	50,000

Balance of ITC available at the beginning of the January 2018 :-

	Rs.
CGST	15,000
SGST	35,000
IGST	20;000

Note:

(i) Rate of CGST, SGST and IGST to be 9%, 9% and 18% respectively, on both inward and outward supplies.

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

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

Compute the net GST payable by Mr. Kanhaiya for the month of January, 2018. **(6 Marks)**

(b) Radiance Soap Factory, a registered supplier, is engaged in manufacturing beauty soaps – 'Glow 24x7' in Mumbai. It has provided the following information pertaining to purchases made/services availed in the month of January, 2018:

Particulars	GST paid (Rs.)
Soap making machine	50,000
Motor vehicles for transportation of inputs	70,000

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Membership of "Amaze" health and fitness centre for its employees	25,000
Inputs purchased, but stolen from the factory	40,000

You are required to compute the input tax credit (ITC) available with Radiance Soap Factory for the month of January, 2018 assuming that all the other conditions for availing ITC, wherever applicable, have been fulfilled. **(4 Marks)**

2. (a) Euphoria Ltd., Delhi, a registered supplier, is manufacturing taxable goods. It provides the following details in relation to inter-State supply of Product A made by it for the month of March, 2018.

Particulars	**Amount in (Rs.)**
List price of product A supplied inter-state (exclusive of taxes)	15,00,000
Subsidy received from Central Government for supply of product A to Government School.	2,10,000
Subsidy received from a NGO for supply of product A to an old age home	50,000
Tax levied by Municipal Authority	20,000
Packing charges	15,000
Late fee received in March, 2018 from the recipient of product A for delayed payment of invoice	6,000

The list price of the goods takes into account the two subsidies received. However, the other charges/taxes/fee are charged to the customers over and above the list price. Calculate the value of taxable supply made by M/s Euphoria Ltd. and GST payable for the month of March, 2018. Rate of IGST is 18%. **(5 Marks)**

(b) Explain the meaning of the term "recipient of supply of goods and/or services" under the CGST Act, 2017. **(5 Marks)**

3. (a) M/s. Modish and Stylish Company is a partnership firm of interior decorators and also running a readymade garment showroom. Turnover of the showroom was Rs. 80 lakh and receipts of the interior decorators service was Rs. 22 Lakh in the preceding financial year.

With reference to the provisions of the CGST Act, 2017, examine whether the firm can opt for the composition scheme?

Will your answer change, if the turnover of the showroom was Rs. 70 lakh and receipts of the interior decorators service was Rs. 22 Lakh in the preceding financial year ?

Also discuss whether it is possible for M/s. Modish and Stylish Company to opt for composition scheme only for showroom? **(6 Marks)**

(b) Food meal coupons are sold to a company on 9th August for being distributed to the employees of the said company. The coupons are valid for six months and can be used against purchase of food items. The employees use them in various stores for purchases of various edible items on different dates throughout the six months.

What is the date of supply of the coupons? **(4 Marks)**

4. (a) Under what circumstances does the need of issuance of debit note and credit note arise under section 34 of CGST Act, 2017? **(5 Marks)**

(b) Answer the following with reference to GST Laws :

(i) What is CIN? **(2 Marks)**

(ii) How does the new payment system benefit the taxpayer & the Commercial Tax Department? **(3 Marks)**

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5. (a) Determine the effective date of registration in the following instances:

(i) The aggregate turnover of Ganesh Ltd., engaged in taxable supply of services in the state of Punjab, exceeded Rs. 20 lakh on 25th August, 2017. It applies for registration on 19th September, 2017 and is granted registration certificate on 29th September, 2017.

(ii) What will be your answer, if in the above scenario, Ganesh Ltd. submits the application for registration on 27th September, 2017 and is granted registration on 5th October, 2017?

(4 Marks)

(b) Determine with reason whether the following statements are true or false:

(i) A registered person shall issue separate invoices for taxable and exempted goods when supplying both taxable as well as exempted goods to an unregistered person.

(ii) A Non-banking financial company can issue a consolidated tax invoice at the end of every month for the supply made during that month. **(4 Marks)**

(c) List any four state levies, which are subsumed in GST. **(2 Marks)**

6. (a) Explain the provision relating to filing of Annual Return under section 44 of CGST Act, 2017 and Rules there under. **(5 Marks)**

(b) Explain the concept of "related persons" as given under CGST Act? **(5 Marks)**

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