

(All Batches)

DATE: 02.08.2018 MAXIMUM MARKS: 100

TIMING: 3¼ Hours

Taxation**SECTION - A****Q. No. 1 is compulsory.****Candidates are also required to answer any four questions from the remaining five questions.****Wherever necessary suitable assumptions should be made by the candidates.****Working notes should form part of the answer.****Question:1**

(a) Dr. Niranjana, a resident individual, aged 60 years is running a clinic. Her Income and Expenditure Account for the year ending March 31st, 2018 is as under:

Expenditure	Rs.	Income	Rs.
To Medicine consumed	35,38,400	By Consultation and Medical charges	58,85,850
To Staff salary	13,80,000	By Income-tax refund (Principal Rs. 5,000, interest Rs. 450)	5,450
To Clinic consumables	1,10,000	By Dividend from units of UTI	10,500
To Rent paid	90,000	By Winning from game show on T.V. (net of TDS of Rs.15,000)	35,000
To Administrative expenses	2,55,000	By Rent	27,000
To Amount paid to scientific research association approved under section 35	1,50,000		
To Net profit	4,40,400		
	59,63,800		59,63,800

- (i) Rent paid includes Rs. 30,000 paid by cheque towards rent for her residential house in Surat.
- (ii) Clinic equipments are:
 1.4.2017 Opening W.D.V. - Rs. 5,00,000
 7.12.2017 Acquired (cost) by cheque - Rs.2,00,000
- (iii) Rent received relates to property situated at Surat. Gross Annual Value Rs. 27,000. The municipal tax of Rs. 2,000, paid in December, 2017, has been included in "administrative expenses".
- (iv) She received salary of Rs. 7,500 p.m. from "Full Cure Hospital" which has not been included in the "consultation and medical charges".
- (v) Dr. Niranjana availed a loan of Rs. 5,50,000 from a bank for higher education of her daughter. She repaid principal of Rs. 1,00,000, and interest thereon Rs. 55,000 during the year 2017-18.
- (vi) She paid Rs. 1,00,000 as tuition fee (not in the nature of development fees/ donation) to the university for full time education of her daughter.
- (vii) An amount of Rs. 28,000 has also been paid by cheque on 27th March, 2018 for her medical insurance premium.

From the above, compute the total income of Dr. Smt. Niranjana for the A.Y. 2018-19.

(12 Marks)

- (b) Mr. X & Mr. Y are brothers and they earned the following incomes during the financial year 2017-18. Mr. X settled in Canada in the year 1995 and Mr. Y settled in Delhi. Compute the total income for the assessment year 2018-19.

Sr. No.	Particulars	Mr. X (Rs.)	Mr. Y (Rs.)
1.	Interest on Canada Development Bonds (only 50% of interest received in India)	1,00,000	40,000
2.	Dividend from British company received in London	28,000	20,000
3.	Profit from a business in Nagpur, but managed directly from London	1,00,000	1,40,000
4.	Fees for technical services rendered in India, but received in Canada	1,00,000	-
5.	Interest on savings bank deposit in UCO Bank, Delhi	7,000	12,000
6.	Agricultural income from a land situated in Andhra Pradesh	55,000	45,000
7.	Rent received in respect of house property at Bhopal	1,00,000	60,000
8.	Life insurance premium paid -	-	30,000

(8 Marks)

Question:2

- (a) Mr. X retired from the services of M/s Y Ltd. on 31.01.2018, after completing service of 30 years and one month. He had joined the company on 1.1.1988 at the age of 30 years and received the following on his retirement:
- Gratuity Rs. 6,00,000. He was covered under the Payment of Gratuity Act, 1972.
 - As per the scheme of the company, he was offered a car which was purchased on 01.02.2015 by the company for Rs. 5,00,000. Company has recovered Rs. 2,00,000 from him for the car. Company depreciates the vehicles at the rate of 15% on Straight Line Method.
 - An amount of Rs. 3,00,000 as commutation of pension for 2/3 of his pension commutation.
 - Company presented him a gift voucher worth Rs. 6,000 on his retirement.
 - His colleagues also gifted him a Television (LCD) worth Rs. 50,000 from their own contribution.

Following are the other particulars:

- He has drawn a basic salary of Rs. 20,000 and 50% dearness allowance per month for the period from 01.04.2017 to 31.01.2018.
- Received pension of Rs. 5,000 per month for the period 01.02.2018 to 31.03.2018 after commutation of pension.

Compute his gross total income from the above for Assessment Year 2018-19.

(8 Marks)

- (b) Examine, with reasons, the allowability of the following expenses under the Income-tax Act, 1961 while computing income from business or profession for the Assessment Year 2018-19:

- Purchase of oil seeds of Rs, 50,000 in cash from a farmer on a banking day.
- Tax on non-monetary perquisite provided to an employee Rs. 20,000.

(2 Marks)

Question:3

(a) Describe average rate of tax and maximum marginal rate under section 2(10) and 2(29C) of the Income-tax Act, 1961.

(4 Marks)

(b) Examine the applicability of tax deduction at source provisions, the rate and amount of tax deduction in the following cases for the financial year 2017-18:

- (1) Payment of Rs. 27,000 made to Jacques Kallis, a South African cricketer, by an Indian newspaper agency on 02-07-2017 for contribution of articles in relation to the sport of cricket.
- (2) Payment made by a company to sub-contractor Rs. 3,00,000 with outstanding balance of Rs. 1,20,000 shown in the books as on 31-03-2018.
- (3) Winning from horse race Rs. 1,50,000.
- (4) Rs. 2,00,000 paid to Mr. A, a resident individual, on 22-02-2018 by the State of Uttar Pradesh on compulsory acquisition of his urban land.

(6 Marks)

Question:4

(a) Examine the allowability of the following:

- (i) Rajan has to pay to a hospital for treatment Rs. 62,000 and spent nothing for life insurance or for maintenance of handicapped dependant.
- (ii) Raja, a resident Indian, has spent nothing for treatment in the previous year and deposited Rs. 25,000 with LIC for maintenance of handicapped dependant.
- (iii) Rajan has incurred Rs. 20,000 for treatment and Rs. 25,000 was deposited with LIC for maintenance of handicapped dependant.
- (iv) Payment of Rs. 50,000 by cheque to an electoral trust by an Indian company.

(4 Marks)

(b) Mr. 'X' furnishes the following data for the previous year ending 31.3.2018:

- (a) Unlisted Equity Shares of AB Ltd., 10,000 in number were sold on 31.5.2017, at Rs. 500 for each share.
- (b) The above shares of 10,000 were acquired by 'X' in the following manner:
 - (i) Received as gift from his father on 1.6.2000 (5,000 shares) the fair market value on 1.4.2001 Rs. 200 per share.
 - (ii) Bonus shares received from AB Ltd. on 21.7.2008 (2,000 shares).
 - (iii) Purchased on 1.2.2011 at the price of Rs. 350 per share (3,000 shares).
- (c) Purchased one residential house at Rs. 25 lakhs, on 1.5.2018 from the sale proceeds of shares.
- (d) 'X' is already owning a residential house, even before the purchase of above house. You are required to compute the taxable capital gain. He has no other source of income chargeable to tax.

(Cost Inflation Index – F.Y. 2008-09: 137; 2010-11: 167; F.Y. 2017-18: 272)

(6 Marks)

Question:5

(a) Mr. Sohan submits the following details of his income for the assessment year 2018-19:

Particulars	Rs.
Income from salary	3,00,000.00
Loss from let out house property	(-) 40,000.00
Income from sugar business	50,000.00
Loss from iron ore business b/f (discontinued in P.Y. 2012-13)	(-) 1,20,000.00
Short term capital loss	(-) 60,000.00
Long term capital gain	40,000.00

Dividend	5,000.00
Income received from lottery winning (Gross)	50,000.00
Winnings from card games	6,000.00
Agricultural income	20,000.00
Long term capital gain from shares (STT paid at the time of both acquisition and sale)	10,000.00
Short term capital loss under section 111A	(-) 10,000.00
Bank interest	5,000.00

Calculate gross total income and losses to be carried forward.

(8 Marks)

(b) Mr. Vineet submits his return of income on 12-09-2018 for A.Y 2018-19 consisting of income under the head salaries, "Income from house property" and bank interest. On 21-01-2019, he realized that he had not claimed deduction under section 80TTA in respect of his interest income on the Savings Bank Account. He wants to revise his return of income. Can he do so? Discuss.

Would your answer be different if he discovered this omission on 21-04-2019?

(2 Marks)

Question 6:

R is the proprietor of a business. The following was the Profit & Loss Account of his business for the year ended 31.3.2018.

	Rs.		Rs.
To office salaries	1,90,000	By gross profit	4,25,000
To proprietors salary	60,000	By profit on sale of Residential house (long-term)	90,000
To general expenses	45,000	By bad debts recovered (disallowed in earlier years assessment)	24,000
To telephone expenses	8,000	By interest from Govt. Securities	14,000
To bad debts	11,500	By dividends (Gross) received from agricultural companies	6,000
To advertisements	8,400	By interest from Bank A/c	2,000
To fire insurance premium	1,500	By income from Horse Racing (Gross)	10,000
To depreciation	11,700		
To motor car expenses	8,500		
To legal charges for defending suit for alleged breach of a trending contract	4,000		
To donation to Delhi University For Social Research	10,000		
To interest on proprietor capital	15,000		
To reserve for future losses	4,000		
To income-tax paid on last assessment	7,100		
To life insurance premium	6,000		
To advance income-tax	4,000		
To net profit	<u>1,76,300</u>		
	<u>5,71,000</u>		<u>5,71,000</u>

Further information is given:

- (a) General expenses include Rs.30,000 paid as compensation to an old employee whose services were terminated as his continuance in service was considered detrimental to the profitable conduct of the business and Rs.1,000 as help to a poor university student.
- (b) A sum of Rs.5,000 being cost of a small machine has also been included in General Expenses.
- (c) The advertisement cost includes expenditure of Rs.6,000 on one wooden show window and Rs.1,800 on calendars and diaries.

- (d) One further of Motor Car expenses are for personal use of the car.
(e) The depreciation (excluding on small machine show window) is found to be in excess by Rs.2,000 compared to the amount allowable under Income-tax Rules.
(f) Reserve for future losses represents a demand for Sales-tax under dispute.
Compute R's taxable profits from business for the assessment year 2018-19.

(10 Marks)

SECTION - B

Q. No. 7 is compulsory.

Candidates are also required to answer any three questions from the remaining four questions.

Wherever necessary suitable assumptions should be made by the candidates.

Working notes should form part of the answer.

Question (7)

- (a) Mr. A, a regular taxpayer, files his GSTR-1, GSTR-2 and GSTR-3 for the month of August, 2017 by the respective due dates. Mr. A receives a communication from the GST common portal on 28th September, 2017 that ITC of Rs. 15,000 claimed by him is in excess of the tax declared by Mr. B (supplier concerned) in his valid tax return. Mr. B has filed his Annual Return for financial year 2017-18 on 10th November, 2018.

Answer the following questions:

- (i) When is Mr. B required to rectify the discrepancy? Is there any maximum time limit beyond which the discrepancy cannot be rectified?
(ii) What will happen if Mr. B does not rectify the discrepancy?

(5 Marks)

- (b) A garment factory receives a Government order for making uniforms for a commando unit. This supply is exempt from tax under a special notification. The fabric is separately procured for the supply, but thread and lining material for the collars are the ones which are used for other taxable products of the factory. The turnover of the other products of the factory and exempted uniforms in July is Rs. 4 crore and Rs. 1 crore respectively, the ITC on thread and lining material procured in July is Rs. 5000 and Rs. 15000 respectively. Calculate the eligible ITC on thread and lining material.

(5 Marks)

Question (8)

- (a) Examine whether the following activities would amount to supply under section 7 of the CGST Act:
- (i) Damodar Charitable Trust, a trust who gets the eye treatment of needy people done free of cost, donates clothes and toys to children living in slum area.
(ii) Sulekha Manufacturers have a factory in Delhi and a depot in Mumbai. Both these establishments are registered in respective States. Finished goods are sent from factory in Delhi to the Mumbai depot without consideration so that the same can be sold.
(iii) Raman is an Electronic Commerce Operator in Chennai. His brother who is settled in London is a well-known lawyer. Raman has taken legal advice from him free of cost with regard to his family dispute.
(iv) Would your answer be different if in the above case, Raman has taken advice in respect of his business unit in Chennai?

(4 Marks)

(b) What is the time period within which invoice has to be issued where the goods being sent or taken on approval for sale?

(2 Marks)

(c) ABC limited filed the return for GST under section 39(1) for the month of November on 20th, December showing self assessed tax of Rs. 2,50,000 which was not paid. Explain what are the implications for ABC limited as per relevant provisions?

(4 Marks)

Question 9

(a) Write a short note on various Lists provided under Seventh Schedule to the Constitution of India.

(2 Marks)

(b) A hotel owner provided accommodation in Haryana, through an electronic commerce operator – Cool Trips. The hotel owner is not liable to get registered as per the provisions of section 22(1) of the CGST Act.

Who is the person liable to pay GST in this case?

Would your answer be different if the Electronic Commerce Operator Cool Trips does not have a physical presence in India?

(4 Marks)

(c) State the time-period within which registration needs to be obtained in each of the following independent cases:

- (a) Casual taxable person
- (b) Person making inter-State taxable supply

(4 Marks)

Question 10

(a) Determine taxable value of supply under GST law with respect to each of the following independent services provided by the registered persons:

Particulars	Gross amount charged (Rs.)
Fees charged for yoga camp conducted by a charitable trust	50,000
Amount charged by business correspondent for the services provided to the rural branch of a bank with respect to Savings Bank Accounts	1,00,000
Amount charged by cord blood bank for preservation of stem cells	5,00,000
Amount charged for service provided by commentator to a recognized sports body	5,20,000

(5 Marks)

(b) Samriddhi Advertisers conceptualised and designed the advertising campaign for a new product launched by New Moon Pvt Ltd. for a consideration of Rs. 5,00,000. Samriddhi Advertisers owed Rs. 20,000 to one of its vendors in relation to the advertising service provided by it to New Moon Pvt Ltd. Such liability of Samriddhi Advertisers was discharged by New Moon Pvt Ltd. New Moon Pvt Ltd. delayed the payment of consideration and thus, paid Rs. 15,000 as interest. Assume the rate of GST to be 18%. Determine the value of taxable supply made by Samriddhi Advertisers.

(5 Marks)

Question :11

(a) Determine the time of supply in the following cases assuming that GST is payable under reverse charge:

S. No.	Date of receipt of goods	Date of payment by recipient of goods	Date of issue of invoice by supplier of goods
	(1)	(2)	(3)
(i)	July 1	August 10	June 29
(ii)	July 1	June 25	June 29
(iii)	July 1	Part payment made on June 30 and balance amount paid on July 20	June 29
(iv)	July 5	Payment is entered in the books of account on June 28 and debited in recipient's bank account on June 30	June 1
(v)	July 1	Payment is entered in the books of account on June 30 and debited in recipient's bank account on June 26	June 29
(vi)	August 1	August 10	June 29

(3 Marks)

- (b) Black and White Pvt. Ltd. has provided the following particulars relating to goods sold by it to Colourful Pvt. Ltd.

Particulars	Rs.
List price of the goods (exclusive of taxes and discounts)	50,000
Tax levied by Municipal Authority on the sale of such goods	5,000
CGST and SGST chargeable on the goods	10,440
Packing charge (not include in price above)	1,000

Black and White Pvt. Ltd. received ` 2000 as a subsidy from a NGO on sale of such goods. The price of ` 50,000 of the goods is after considering such subsidy. Black and

White Ltd. offers 2% discount on the list price of the goods which is recorded in the invoice for the goods.

Determine the value of taxable supply made by Black and White Pvt. Ltd.

(5 Marks)

- (c) A flying school imports an aircraft for use in its training activity, and takes ITC of the IGST paid on the import. The departmental audit raises an objection that aircrafts fall within the definition of "conveyance" in section 2(34) of the Act and that ITC is not allowed on conveyances. Offer your comments.

(2 Marks)
