

(All Batches)

DATE: 25.09.2018

MAXIMUM MARKS: 100

TIMING: 3¼Hours

TAXATION

PART-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) Mr. Y carries on his own business. An analysis of his trading and profit & loss for the year ended 31-3-2018 revealed the following information:

- (1) The net profit was Rs. 11,20,000.
- (2) The following incomes were credited in the profit and loss account:
 - (i) Dividend from UTI Rs. 22,000.
 - (ii) Interest on debentures Rs. 17,500.
 - (iii) Winnings from races Rs. 15,000.
- (3) It was found that some stocks were omitted to be included in both the opening and closing stocks, the value of which were:

Opening stock	Rs. 8,000
Closing stock	Rs. 12,000
- (4) Rs. 1,00,000 was debited in the profit and loss account, being contribution to a University approved and notified under section 35(1)(ii).
- (5) Salary includes Rs. 20,000 paid to his brother which is unreasonable to the extent of Rs. 2,500.
- (6) Advertisement expenses include 15 gift packets of dry fruits costing Rs. 1,000 per packet presented to important customers.
- (7) Total expenses on car was Rs. 78,000. The car was used both for business and personal purposes. $\frac{3}{4}$ th is for business purposes.
- (8) Miscellaneous expenses included Rs. 30,000 paid to A & Co., a goods transport operator in cash on 31-1-2018 for distribution of the company's product to the warehouses.
- (9) Depreciation debited in the books was Rs. 55,000. Depreciation allowed as per Income-tax Rules, 1962 was Rs. 50,000.
- (10) Drawings Rs. 10,000.
- (11) Investment in NSCRs. 15,000.

Compute the total income of Mr. Y for the assessment year 2018-19.

(12 Marks)

(b) Mr. X owns one residential house in Mumbai. The house is having two identical units.

First unit of the house is self-occupied by Mr. X and another unit is rented for Rs. 8,000 p.m.

The rented unit was vacant for 2 months during the year. The particulars of the house for the previous year 2017-18 are as under:

Standard rent	Rs. 1,62,000 p.a.
Municipal valuation	Rs. 1,90,000 p.a.
Fair rent	Rs. 1,85,000 p.a.
Municipal tax (Paid by Mr. X)	15% of municipal valuation
Light and water charges	Rs. 500 p.m.
Interest on borrowed capital	Rs. 1,500 p.m.
Lease money	Rs. 1,200 p.a.

Insurance charges Rs. 3,000 p.a.
 Repairs Rs. 12,000 p.a.
 Compute income from house property of Mr. X for the A.Y. 2018-19.

(8 Marks)

Question 2:

(a) 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:

- (i) Provision made on the basis of actuarial valuation for payment of gratuity Rs. 5,00,000. However, no payment on account of gratuity was made before due date of filing return.
- (ii) Purchase of oil seeds of Rs. 50,000 in cash from a farmer on a banking day.
- (iii) Tax on non-monetary perquisite provided to an employee Rs. 20,000.
- (iv) Payment of Rs. 50,000 by using credit card for fire insurance.
- (v) Salary payment of Rs. 2,00,000 outside India by a company without deduction of tax.
- (vi) Payment made in cash Rs. 30,000 to a transporter in a day for carriage of goods

(6 Marks)

(b) Examine with reasons whether the following transactions attract income-tax in India in the hands of recipients:

- (i) Salary paid by Central Government to Mr. John, a citizen of India Rs. 7,00,000 for the services rendered outside India.
- (ii) Interest on moneys borrowed from outside India Rs. 5,00,000 by a non-resident for the purpose of business within India say, at Mumbai.
- (iii) Post office savings bank interest of Rs. 12,000 received by a resident assessee, Mr. Ram.
- (iv) Royalty paid by a resident to a non-resident in respect of a business carried on outside India.

(4 Marks)

Question 3:

(a) Mr. Mittal has four minor children consisting of three daughters and one son. The annual income of all the children for the Assessment Year 2018-19 were as follows:

Particulars	Rs.
First daughter (Including Scholarship received Rs. 5,000)	10,000
Second Daughter	8,500
Third Daughter (Suffering from disability specified U/s 80U)	4,500
Son	40,000

Mr. Mittal gifted Rs. 2,00,000 to his minor son who invested the same in the business and derived income of Rs. 20,000 which is included above.

Compute the amount of Income earned by minor children to be clubbed in the hands of Mr. Mittal.

(6 Marks)

(b) State with reasons, whether the following statements are true or false, with regard to the provisions of the Income-tax Act, 1961:

- (i) The Assessing Officer has the power, inter alia, to allot PAN to any person by whom no tax is payable.
- (ii) Where the Karta of a HUF is absent from India, the return of income can be verified by any male member of the family.

(4 Marks)

Question 4:

(a) Karan's bank account shows the following deposits during the financial year 2017-18. Compute his total income for the A.Y. 2018-19, assuming that his income from house property (computed) is Rs. 62,000.

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|--|-------------|
| (i) Gift from his sister in Amsterdam | Rs.2,30,000 |
| (ii) Gift from his friend on his birthday | Rs.10,000 |
| (iii) Dividend from shares of various Indian companies | Rs.12,600 |
| (iv) Gift from his mother's friend on his engagement | Rs.25,000 |
| (v) Gift from his fiancée | Rs.75,000 |
| (vi) Interest on bank deposits (Fixed Deposit) | Rs.25,000 |

(6 Marks)

(b) Compute the amount of tax deduction at source on the following payments made by M/s. S Ltd. during the financial year 2017-18 as per the provisions of the Income-tax Act, 1961.

Sr. No.	Date	Nature of Payment
(i)	1-10-2017	Payment of Rs. 2,00,000 to Mr. "R" a transporter who owns 8 goods carriages throughout the previous year and furnishes a declaration to this effect along with his PAN.
(ii)	1-11-2017	Payment of fee for technical services of Rs. 25,000 and Royalty of Rs. 20,000 to Mr. Shyam who is having PAN.
(iii)	30-06-2017	Payment of Rs. 25,000 to M/s X Ltd. for repair of building.
(iv)	01-01-2018	Payment of Rs. 2,00,000 made to Mr. A for purchase of diaries made according to specifications of M/s S Ltd. However, no material was supplied for such diaries to Mr. A by M/s S Ltd.

(4 Marks)

Question 5:

(a) Compute the total income of Mr. Krishna for the assessment year 2018-19 from the following particulars:

Particulars	Amount (Rs.)
Income from business before adjusting the following items:	1,75,000
(a) Business loss brought forward from assessment year 2014-15	70,000
(b) Current year depreciation	40,000
(c) Unabsorbed depreciation of earlier year	1,55,000
Income from house property (Gross Annual Value)	4,32,000
Municipal taxes paid	32,000
Mr. Krishna sold a plot at Noida on 12th September, 2017 for a consideration of Rs. 6,40,000, which had been purchased by him on 20th December, 2015 at a cost of Rs. 4,10,000	
Long-term capital loss on sale of shares sold through recognized stock exchange (STT paid at acquisition and sale)	75,000
Long-term capital gain on sale of debentures	60,000
Dividend on shares held as stock in trade	22,000
Dividend from a company carrying on agricultural business	10,000

(6 Marks)

(b) State any four instances where the income of the previous year is assessable in the previous year itself instead of the assessment year.

(4 Marks)

Question: 6

Mr. Martin, a resident individual, sold his residential house property on 08-06-2017 for Rs. 70 lakhs which was purchased by him for Rs. 20,50,000 on 05-05-2006.

He paid Rs. 1 lakh as brokerage for the sale of said property. The stamp duty valuation assessed by sub registrar was Rs. 80 lakhs.

He bought another house property on 25-12-2017 for Rs. 15 lakhs.

He deposited Rs. 5 lakhs on 10-11-2017 in the capital gain bond of National Highway Authority of India (NHAI).

He deposited another Rs. 10 lakhs on 10-07-2018 in the capital gain deposit scheme with SBI for construction of additional floor of house property.

Compute income under the head "Capital Gains" for A.Y.2018-19 as per Income-tax Act, 1961 and also income-tax payable on the assumption that he has no other income chargeable totax.

Cost inflation index for Financial Year 2006-07: 122 and 2017-18: 272.

(10 Marks)

PART-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 Ltd. a manufacturing concern in Rajasthan has opted for composition scheme furnishes you with the following information for Financial Year 2017-18. It requires you to determine its composition tax liability and total tax liability. In Financial year 2016-17 total value of supplies including inward supplies taxed under reverse charge basis are Rs. 85,40,000. The break up of supplies are as follows:

	Rs.
(1) Intra State Supplies of Goods X chargeable @ 5% GST	30,00,000
(2) Intra State Supplies made which are chargeable to GST at Nil rate	18,00,000
(3) Intra state supplies which are wholly exempt under section 11 of CGST Act, 2017	2,40,000
(4) Value of inward supplies on which tax payable under RCM (GST Rate 5%)	5,00,000
(5) Intra State Supplies of Goods Y chargeable @ 18% GST	30,00,000

(10 Marks)

Question 8:

M/s.PQR Ltd. is engaged in providing service of transportation of passengers by following modes in the month of March, 2018:

- (1) Service of transportation of passengers by vessels in National Waterways : Rs. 30,00,00;
- (2) Service of transportation of passenger by Air conditioned Stage carriage : Rs. 25,00,000;
- (3) Service of transportation of passenger by non air conditioned Stage carriage : Rs. 25,00,000;
- (4) Service of transportation of passengers by contract carriage for tourism : Rs. 20,00,000
- (5) Service of transportation of passenger for Mumbai to Chennai port in a vessel and such service is not for tourism purpose : Rs. 10,00,00;
- (6) Service of transportation of passenger in Metered Cab : Rs. 35,00,000;
- (7) Service of transportation of passenger in Radio Taxis : Rs. 10,00,000
- (8) Service of transportation of passengers in Non air-conditioned contract carriages : Rs. 10,00,000;
- (9) Service of transportation of passengers in air-conditioned contract carriages :Rs. 15,00,000.

Compute the value of taxable supply if all charges are exclusive of GST.

(10 Marks)

Question 9:

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

S.No.	Date of payment by recipient of services	Date of issues of invoice by supplier of services
(i)	10-10-2017	2-08-2017
(ii)	10-10-2017	01-08-2017
(iii)	Part payment made on 30-08-2017 and balance amount paid on 1-11-2017`	29-08-2017
(iv)	Payment is entered in the books of account on 28-08-2017 and debited in recipient's bank account on 30-08-2017	01-08-2017
(v)	Payment is entered in the books of account on 30-08-2017 and debited in recipient's bank account on 26-08-2017	29-08-2017

(5 Marks)

(b) XYZ Pvt. Ltd. has provided the following particulars relating to goods sold by it to ABC Pvt. Ltd.

Particulars	Rs.
List price of the goods (exclusive of taxes and discounts)	1,25,000
Tax levied by Municipal Authority on the sale of such goods	15,000
CGST and SGST chargeable on the goods	19,200
Packing charges (not included in price above)	15,500

XYZ Pvt. Ltd. received Rs.9,500 as a subsidy from a Non profit making organisation in respect of timely supply of such goods. The price of Rs. 1,25,000 of the goods is after considering such subsidy. XYZ Ltd. offers 4% 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 XYZ Pvt. Ltd.

(5 Marks)

Question 10:

(a) Determine the amount of Input tax credit available to Posco Ltd. in respect of the following items procured by them in the month of January, 2018:

S.No.	Inward supplies	GST (Rs.)
(i)	Input used for the manufacture of the final product	72,000
(ii)	Food and Beverages procured from Sweet Caterers for being used in dealer's meet	48,000
(iii)	Goods used for providing services during warranty period	12,000
(iv)	Goods used for setting up Telecommunication Towers being immovable property	90,000
(v)	Inputs stolen from the factory store	13,200

(5 Marks)

(b) Write a Short note on Annual Return.

(5 Marks)

Question 11:

(a) Explain the categories of persons who are required to be registered under CGST Act, 2017.

(6 Marks)

(b) What are CPIN, CIN, BRN and E-FPB ?

(4 Marks)
