

MOCK TEST PAPER – 1
INTERMEDIATE (NEW) COURSE
PAPER – 4: TAXATION

Time Allowed – 3 Hours

Maximum Marks – 100

SECTION – A: INCOME TAX LAW (60 MARKS)

Question No. 1 is compulsory

*Attempt any **five** questions from the remaining **six** 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. Kumar is running a clinic in Delhi. His Income and Expenditure account for the financial year ended 31-03-2018 is given below:

Expenditure	Amount (Rs.)	Income	Amount (Rs.)
To Staff salary	4,30,000	By Fee receipts	12,63,600
To Consumables	14,750	By Dividend from an Indian Company	15,000
To Medicine consumed	3,69,800	By Winning from lotteries (Net of TDS)	28,000
To Depreciation	91,000	By Income-tax refund	2,750
To Administrative expenses	1,51,000	By Honorarium for lectures at seminars	24,000
To Rent of clinic	20,000		
To Donation to Prime Minister's National Children's Fund Children's Fund	5,000		
To Excess of income over expenditure	<u>2,51,800</u>		
Total	<u>13,33,350</u>	Total	<u>13,33,350</u>

Other Information:

- (1) Depreciation in respect of all assets has been computed at Rs. 50,000 as per Income-tax Rules, 1962
- (2) Medicines consumed include cost of medicine for self and family of Rs. 25,000 and for treating poor patients of Rs. 24,000 from whom he did not charge any fee either
- (3) Salary includes Rs. 15,000 paid in cash to a computer specialist who computerized his patient's data in October, 2017.
- (4) Donation to Prime Minister's National Children's Fund has been made by way of a crossed cheque.
- (5) He has paid a sum of Rs. 25,000 for Life Insurance Policy (Sum assured Rs. 2,00,000) of himself, which was taken on 1-07-2012.

- (6) He has sold a land in August, 2017 for Rs. 12,00,000, the stamp duty value of which was Rs. 14,00,000 on that date. The land was acquired by him in May, 2001 for Rs. 4,00,000.
- (7) He has paid Rs. 4,000 for purchase of lottery tickets, which has not been debited to Income and Expenditure account.
- (8) He also contributed Rs. 1,20,000 towards Public Provident Fund.
- (9) Dr. Kumar also paid interest of Rs. 10,000 on loan taken for higher education of his daughter.
- You are required to compute the total income and tax payable by Dr. Kumar for the Assessment Year 2018-19.

Cost Inflation Index: F.Y. 2001-2002 - 100, F.Y. 2017-18 - 272 **(10 Marks)**

2. (a) Mr. Shiva purchased a house property on February 15, 1979 for Rs. 3,24,000. In addition, he has also paid stamp duty value @10% on the stamp duty value of Rs. 3,50,000.

In April, 2007, Mr. Shiva entered into an agreement with Mr. Mohan for sale of such property for Rs. 14,35,000 and received an amount of Rs. 1,11,000 as advance. However, the sale consideration did not materialize and Mr. Shiva forfeited the advance. In May 2014, He entered into an agreement for sale of said house for Rs. 20,25,000 to Ms. Deepshikha and received Rs. 1,51,000 as advance. However, as Ms. Deepshikha did not pay the balance amount, Mr. Shiva forfeited the advance. In August, 2014, Mr. Shiva constructed the first floor by incurring a cost of Rs. 3,90,000.

On November 15, 2017, Mr. Shiva entered into an agreement with Mr. Manish for sale such house for Rs. 30,50,000 and received an amount of Rs. 1,50,000 as advance through an account payee cheque. Mr. Manish paid the balance entire sum and Mr. Shiva transfer the house to Mr. Manish on February 20, 2018. Mr. Shiva has paid the brokerage @1% of sale consideration to the broker.

The fair market value of the house property on April 1, 1981 was Rs. 4,00,000. The fair market value of the house property on April 1, 2001 was Rs. 10,70,000. Valuation as per Stamp duty Authority of such house on 15 November, 2017 was Rs. 30,00,000 and on 20 February, 2018 was Rs. 32,00,000.

Compute the capital gains in the hands of Mr. Shiva for A.Y.2018-19.

CII for F.Y. 2001-02: 100; F.Y. 2007-08: 129; F.Y. 2014-15: 240; F.Y. 2017-18: 272. **(7 Marks)**

- (b) Explain the difference between Circulars and Notifications in the context to the Income-tax Act, 1961. **(3 Marks)**
3. (a) Mr. Shashank is an employee of KML (P) Ltd. drawing a monthly salary of Rs. 30,000. He provides you the following information for the previous year 2017-18:

(i) He had a fixed deposit of Rs. 4,00,000 with State Bank of India with interest @10%. He instructed bank to credit such interest on deposit to the saving account of Mr. Ram, his sister's son, to help him in his higher education.

(ii) He gifted a flat to Mrs. Kajal (wife of Mr. Shashank) on April 1, 2017. During the previous year 2017-18, she received a rent of Rs. 20,000 p.m. from letting out the flat.

(iii) He gifted Rs. 10,00,000 to Mrs. Kajal on 1st April, 2017 which Mrs. Kajal invested in her business on the same day. Capital in the business before such investment was Rs. 20,00,000. She earned profits from business for the financial year 2017-18 of Rs. 9,00,000.

(iv) His minor son Sandeep earned income from company deposit of Rs. 1,50,000.

Mr. Shashank and Mrs. Kajal do not have any other income during the P.Y. 2017-18. Compute the total income of Mr. Shashank and Mrs. Kajal for A.Y. 2018-19. **(6 Marks)**

- (b) Examine the taxability or otherwise of the following independent transactions as per the provisions of section 56 of the Income-tax Act, 1961 for the Assessment year 2018-19.
- Mrs. Meenakshi has received cash gifts aggregating of Rs. 2 lakhs from several friends and relatives on her birthday. Each cash gift ranges from Rs. 500 to Rs. 1,000.
 - Mr. Krishna has received an immovable property, the stamp duty value of which is Rs. 10 lakhs as per a WILL executed by Mrs. Chandraben on her death.
 - Mr. King has received an immovable property at Kilkanur Village from Mr. Prince as a gift. The stamp duty value of the property is Rs. 75,000
 - Mrs. Vijaya has gifted diamonds valued at Rs. 1 lakh to Mrs. Preethi, her sister's daughter-in-law on her birthday. **(4 Marks)**

4. Miss Kaira, an American national, got married to Mr. Ramesh of India in USA on 1.03.2017 and came to India for the first time on 20.03.2017. She left for USA on 20.9.2017. She returned to India again on 27.03.2018. She has earned the following income during the financial year 2017-18.

Sr. No.	Particulars	Amount (Rs.)
1.	Dividend from American company, received in America	20,000
2.	Profits from a profession in Delhi, but managed directly from America	50,000
3.	Long term capital gain on sale of shares of an Indian company, received in India	60,000
4.	Interest on savings bank deposit in SBI, Delhi	17,000
5.	Agricultural income from a land situated in Tamilnadu	55,000
6.	Rent (computed) from property in America deposit in a Bank there, later on remitted to India	1,00,000
7.	Cash gift received from a friend on her birthday on 16.8.2017	51,000
8.	Past foreign untaxed income brought to India	70,000

Determiner her residential status and compute the total income chargeable to tax for the Assessment Year 2018-19. **(10 Marks)**

5. (a) The Gross Total Income of Mr. Bharadwaj, a resident, for the year ended 31-03-2018 is Rs. 15 lakhs. Examine the allowability of the deduction to Mr. Bharadwaj from the following information.
- He has contributed Rs. 2 lakh towards Clean Ganga Fund set up by the Central Government
 - He has incurred medical expenditure of Rs. 50,000 towards surgery for his grandmother who is 85 years of age. (No Premium is paid to keep in force an insurance on her health). **(3 Marks)**

- (b) From the following information of Ms. Kareena, born on 16th August, 1975, an Indian resident, you are required to compute total income and tax payable by Ms. Kareena for the Assessment Year 2018-19.

Particulars	Rs.
Long-term capital gains on sale of house	1,50,000
Short-term capital gains on sale of shares in B Pvt. Ltd.	50,000
Loss from house property	3,50,000

Interest from saving account in post office	15,000
Prize winning from a T.V. show (Gross)	20,000
Business income	5,50,000
Net agricultural income	1,10,000
LIC premium for self and husband	70,000
Tuition fees to University for full time education of her daughter	50,000

(7 Marks)

6. Mr. Thomas is an executive at M/s. A Ltd., Chennai from 01-04-2017. His salary and other particulars are as given here under:

Basic Salary Rs. 20,000 p.m.

Dearness Allowance Rs. 15,000 p.m. (100% forming part of retirement benefits)

House Rent Allowance Rs. 20,000 p.m.

Rent paid by Mr. Thomas is Rs. 25,000 p.m.

Telephone bills paid by A Ltd. for the telephone installed at his Residence Rs. 24,000 p.a.

Motor car running and maintenance charges of Rs. 30,600 fully paid by employer. (The motor car is owned and driven by Mr. Thomas. The engine cubic capacity is below 1.60 litres. The motor car is used for both official and personal purpose by the employee)

Annual premium paid by A Ltd. towards a personal accident policy on his life Rs. 5,000.

He was retrenched by his previous employer M/s B Ltd. after continuous service of 20 years. He received a compensation of Rs. 15 Lakhs. His Basic Salary and Dearness Allowance at the time of retrenchment was Rs. 25,000 p.m. and Rs. 18,000 p.m. respectively.

Compute the amount taxable under the head salary for the Assessment Year 2018-19. **(10 Marks)**

7. (a) Pertaining to the following transactions, what is the minimum amount above which quoting Permanent Account Number is mandatory?
- Opening a demat account with a depository
 - Purchase of bank draft from a banking company
 - Payment for purchase of any foreign currency at any one time.
 - Payment to a company for acquiring debentures issued by it.
 - Payment as life insurance premium to an insurer
- (5 Marks)**

OR

- Briefly mention the provisions of the Income-tax Act with regard to the Quoting of Aadhar Number under section 139AA. **(5 Marks)**
- Examine the applicability of TDS provisions, if any, to be deducted in the following cases:
 - Payment of fee for professional services of Rs. 20,000 and royalty of Rs. 27,000 to Ms. Kajal, who is having PAN. **(2 Marks)**
 - Payment of Rs. 1,05,000 made to Mr. Ram for purchase of calendars made according to specifications of M/s XYZ Ltd. However, no material was supplied for such calendars to Mr. Ram by M/s XYZ Ltd. **(2 Marks)**
 - Rent paid for plant and machinery Rs. 1,70,000 by a partnership firm having sales turnover of Rs. 49,00,000 and net loss of Rs. 15,000. **(1 Mark)**

SECTION B - INDIRECT TAXES (40 MARKS)

QUESTIONS

Question no. 1 is compulsory. Attempt any three questions out of the remaining four 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. Bholenath, a registered supplier of goods, pays GST under regular scheme and provides the following information for the month of January, 20XX:

Particulars	(Rs.)
(i) Inter-state taxable supply of goods	10,00,000
(ii) Intra state taxable supply of goods	2,00,000
(iii) Intra state purchase of taxable goods	5,00,000

He has the following input tax credit at the beginning of January 20XX:

Nature	ITC Amount in (Rs.)
CGST	20,000
SGST	30,000
IGST	25,000

Rate of CGST, SGST and IGST are 9%, 9% and 18% respectively.

Both inward and outward supplies are exclusive of taxes wherever applicable.

All the conditions necessary for availing the ITC have been fulfilled. Compute the net GST payable by Mr. Bholenath for the month of January, 20XX. **(6 Marks)**

- (b) Shridhar Co. Ltd., a registered supplier, is engaged in the manufacture of heavy machinery. It procured the following items during the month of March.

S. No.	Items	GST paid (Rs.)
(i)	Sweets for consumption of employees working in the factory	50,000
(ii)	Raw material	1,00,000
(iii)	Trucks used for the transport of raw material	2,00,000
(iv)	Electrical transformers to be used in the manufacturing process	4,00,000

Determine the amount of input tax credit available with Shridhar Co. Ltd., for the month of March by giving necessary explanations for treatment of various items.

Note: All the conditions necessary for availing the input tax credit have been fulfilled. **(4 Marks)**

2. (a) A manufacturer of machinery supplied a special machine to Modern Furnishers. Following details are provided in relation to amounts charged:

S. No.	Particulars	Rs.
(i)	Price of machinery excluding taxes (before cash discount)	5,00,000
	Additional charges not included above:-	
(ii)	Freight	13,000
(iii)	Packing charges	10,000
(iv)	Charges for designing the machine	17,000

Other information furnished is -

(a) Cash discount @ 2% on price of machinery has been allowed to the customer at the time of supply and also recorded in invoice.

(b) GST rate – 18%.

Calculate value of supply of the special machine. **(5 Marks)**

(b) Explain the conditions necessary for obtaining input tax credit? **(5 Marks)**

3. (a) Examine whether GST is exempted on the following independent supply of services:

(i) Relax & Co, a tour operator, provides services to a foreign tourist for tour conducted in Kerala and receives a sum of Rs. 1,50,000.

(ii) Ms. Sneha acts as a Coach for Indian Sports League (ISL), a recognised sports body, for a Tennis tournament organised by Superb retail company and received a remuneration of Rs. 4,00,000.

(6 Marks)

(b) Gupta & Sons, a registered supplier, paying tax under normal scheme is a wholesale supplier of ready-made garments located in Bandra, Mumbai. On 5th September, 20XX, Mohini, owner of Charming Boutique located in Dadar, Mumbai, approached Gupta & Sons for supply of a consignment of customised dresses for ladies and kids.

Gupta & Sons gets the consignment ready by 2nd December, 20XX and informs Mohini about the same. The invoice for the consignment was issued the next day, 3rd December, 20XX.

Due to some reasons, Mohini could not collect the consignment immediately. So, she collects the consignment from the premises of Gupta & Sons on 18th December, 20XX and hands over the cheque for payment on the same date. The said payment is entered in the accounts on 20th December, 20XX and amount is credited in the bank account on 21st December, 20XX.

You are required to determine the time of supply of the readymade garments supplied by Gupta & Sons to Mohini elaborating the relevant provisions under the GST law. **(4 Marks)**

4. (a) When shall the interest be payable by a registered person under section 50 of the CGST Act, 2017 and what is the maximum rate of interest chargeable for the same? **(4 Marks)**

(b) Who is required to furnish Final Return under CGST Act, 2017 and what is the time limit for the same? Discuss. **(3 Marks)**

(c) Does cancellation of registration impose any tax obligations on the person whose registration is so cancelled? Discuss. **(3 Marks)**

5. (a) Sangam Ltd., obtains registration for paying taxes under section 9 of CGST Act. He asked his tax manager to pay taxes on quarterly basis. However, Sangam Ltd.'s tax manager advised the Company to pay taxes on monthly basis. You are required to examine the validity of the advice given by tax manager? **(4 Marks)**

- (b) Mr. Akash Malhotra of Gujarat often participates in the jewellery exhibition at Trade Fair in Delhi, which is organised every year in the month of February. Mr. Akash Malhotra applied for registration in January. The proper officer demanded an advance deposit of tax in an amount equivalent to the estimated tax liability of Mr. Akash Malhotra.

You are required to examine whether any advance tax is to be paid by Mr. Akash Malhotra at the time of obtaining registration? **(4 Marks)**

- (c) Discuss any two functions of GSTN. **(2 Marks)**