

**(GI-1, GI-2, GI-3, GI-4, VI-1 & SI-1)****DATE: 08.08.2019****MAXIMUM MARKS: 100****TIMING: 3¼ Hours****TAXATION****SECTION - A****Q. No. 1 is compulsory.****Answer 1: Choose any one of the following correct answer-**

1. Answer (a)
2. Answer (b)
3. Answer (a)
4. Answer (a)
5. Answer (c)
6. Answer (c)
7. Answer (d)
8. Answer (c)
9. Answer (d)
10. Answer (a)
11. Answer (c)
12. Answer (c)
13. Answer (d)
14. Answer (a)
15. Answer (b)
16. Answer (a)
17. Answer (b)
18. Answer (a)
19. Answer (a)
20. Answer (b)
21. Answer (d)
22. Answer (a)
23. Answer (a)
24. Answer (b)
25. Answer (c)
26. Answer (c)
27. Answer (a)
28. Answer (a)
29. Answer (b)
30. Answer (c)

**(1 Mark for Each Valid Answer)=  
(Total 30 Marks)**

**SECTION-B**

**Candidates are required to answer all the questions in this section.**

**Wherever necessary suitable assumptions should be made by the candidates. Working notes should form part of the answer.**

**Answer 2:**

Particulars	Business Income	Agricultural Income	
	(Rs.)	(Rs.)	(Rs.)
<b><u>Sale of Sugar</u></b>			
<b><u>Business income</u></b>			
Sale Proceeds of sugar	25,00,000		
<b>Less:</b> Market value of sugar (70%)	22,00,000		
<b>Less:</b> Manufacturing exp.	1,50,000		
	<b><u>1,50,000</u></b> } {1 M}		
<b><u>Agricultural income</u></b>			
Market value of sugar (70%)		22,00,000	
<b>Less:</b> Cost of cultivation		<u>14,00,000</u>	8,00,000 } {1 M}
<b><u>Sale of sugarcane</u></b>			
<b><u>Agricultural Income</u></b>			
Sale proceeds of sugarcane (30%)		10,00,000	
<b>Less:</b> Cost of cultivation		<u>5,00,000</u>	5,00,000
			<b>13,00,000</b> } {1 M}

**Answer 3:**

Mr. Dey is a resident in A.Y. 2018-19 and A.Y. 2019-20 since he has stayed in India for a period of 365 days (more than 182 days) during the P.Y. 2017-18 and P.Y. 2018-19, respectively. } {1 M}

As per section 6(6), a person will be "Not ordinarily Resident" in India in any previous year, if such person:

- (a) has been a non-resident in 9 out of 10 previous years preceding the relevant previous year; or } {1 M}
- (b) has during the 7 previous years immediately preceding the relevant previous year been in India for 729 days or less.

If he does not satisfy either of these conditions, he would be a resident and ordinarily resident.

In the instant case, applying the above, the status of Mr. Dey for the previous year 2017-18 (A.Y. 2018-19) will be "Resident but not ordinarily resident". } {1 M}

For the previous year 2018-19 (A.Y. 2019-20) his status would continue to be Resident but not ordinarily resident since he was non-resident in 9 out of 10 previous years immediately preceding the previous year and also had stayed for less than 729 days in 7 previous years immediately preceding the previous year. } {1 M}

Therefore, his status for

A.Y. 2018-19 – "Resident but not ordinarily resident"

A.Y. 2019-20 – "Resident but not ordinarily resident"

**Answer 4:**

**Computation of tax liability of Mr. A for the A.Y. 2019-20**

(A)	Tax payable including surcharge on total income of Rs. 1,01,00,000		
	Rs. 2,50,000 – Rs. 5,00,000 @ 5%	Rs. 12,500	
	Rs. 5,00,000 – Rs. 10,00,000 @ 20%	Rs. 1,00,000	
	Rs. 10,00,000 – Rs. 1,01,00,000@30%	Rs. <u>27,30,000</u>	
	Total	Rs. 28,42,500	
	Add: Surcharge @ 15%	Rs. <u>4,26,375</u>	Rs. 32,68,875}{1 M}
(B)	Tax Payable on total income of Rs. 1 crore [(Rs. 12,500 plus Rs. 1,00,000 plus Rs. 27,00,000) plus surcharge@10%]		Rs. <u>30,93,750</u> }{1 M}
(C)	Excess tax payable (A)-(B)		Rs. 1,75,125}{1 M}
(D)	Marginal Relief (Rs. 1,75,125 – Rs. 1,00,000, being the amount of income in excess of Rs. 1,00,00,000)		<u>Rs. 75,125</u> }{1 M}
(E)	Tax payable (A) - (D) [Excluding cess]		<u>Rs. 31,93,750</u> }{1 M}

**Answer 5:**

**Computation of salary of Mr. Goyal for the A.Y. 2019-20**

Particulars	Rs.	Rs.
Basic Salary		40,000 }{1/2 M}
Dearness Allowance		15,000 }{1/2 M}
Commission		10,000 }{1/2 M}
Entertainment Allowance received		4,000 }{1/2 M}
Employee’s contribution to RPF <b>[Note]</b>		-
Medical expenses reimbursed		25,000 }{1/2 M}
Professional tax paid by the employer		1,000 }{1/2 M}
<b>Gross Salary</b>		<b>95,000</b>
Less: Deductions under section 16		
under section 16(ia) - Standard deduction of upto Rs. 40,000		40,000 }{1/2 M}
under section 16(ii) - Entertainment allowance being lower of :		
(a) Allowance received	4,000	
(b) One fifth of basic salary [1/5 × Rs. 40,000]	8,000	
(c) Statutory amount	5,000	4,000 }{1/2 M}
under section 16(iii) - Professional tax paid		2,000 }{1/2 M}
<b>Income from Salary</b>		<b>49,000</b>

**Note:** Employee’s contribution to RPF is not taxable. It is eligible for deduction u/s 80C. }{1/2 M}

**Answer 6:**

**Computation of depreciation allowable to Mr. Gopi for A.Y. 2019-20**

Particulars	Rs.	Rs.
<b>Block 1 Plant and Machinery (15% rate)</b>		
WDV as on 1.4.2018	12,00,000	
Depreciation@15%		1,80,000 }{1 M}
<b>Block 2 Building (10% rate)</b>		
WDV as on 1.4.2018	25,00,000	
Depreciation@10%		2,50,000 }{1 M}
<b>Total depreciation for the year</b>		<b>4,30,000</b>
Proportionate depreciation allowable to Mr. Gopi for 91 days (i.e., from 1.4.2018 to 30.6.2018) [i.e., 91/365 x Rs. 4,30,000]		1,07,205 }{1 M}

**Computation of depreciation allowable to Gopi Pipes (P) Ltd. for A.Y.2019-20**

Particulars	Rs.	
(i) Depreciation on building and plant and machinery Proportionately for 274 days (i.e. from 1.7.2018 to 31.3.2019) (274/365 x Rs. 4,30,000)	3,22,795	{1 M}
(ii) Depreciation@ 50% of 15% on Rs. 10 lakh, being the value of plant and machinery purchased after conversion, which was put to use for less than 180 days during the P.Y. 2018-19	75,000	{1 M}
<b>Depreciation allowable to Gopi Pipes (P) Ltd.</b>	<b>3,97,795</b>	

**Note:** In the case of conversion of sole proprietary concern into a company, the depreciation should be first calculated for the whole year as if no succession had taken place. Thereafter, the depreciation should be apportioned between the sole proprietary concern and the company in the ratio of the number of days for which the assets were used by them. It is assumed that in this case, the conditions specified in section 47(xiv) are satisfied. {1 M}

**Answer 7:**

**Computation of long term capital gain of Mr. Dinesh for the A.Y. 2019-20**

Particulars	Rs.	Rs.	
Full value of consideration (Note 1)		65,00,000	{1 M}
Less: Indexed cost of acquisition-land (Rs. 7,00,000 X 280/117) (Note 2 & 3)	16,75,214		{1 M}
Indexed Cost of acquisition-building (Rs. 15,00,000 X 280/ 167) (Note 3)	25,14,970		{1 M}
Indexed Cost of improvement-building(Rs. 5,00,000 X 280/200)	{1 M}{ 7,00,000	48,90,184	
<b>Long-term capital gain</b>		<b>16,09,816</b>	

**Notes:**

- As per section 50C, where the consideration received or accruing as a result of transfer of a capital asset, being land or building or both, is less than the value adopted by the Stamp Valuation Authority, such value adopted by the Stamp Valuation Authority shall be deemed to be the full value of the consideration received or accruing as a result of such transfer. Accordingly, full value of consideration will be Rs. 65 lakhs in this case since the stamp duty value exceeds 105% of the sales consideration. {1 M}
- Since Dinesh has acquired the asset by way of gift, therefore, as per section 49(1), cost of the asset to Dinesh shall be deemed to be cost for which the previous owner acquired the asset i.e., Rs. 3,00,000, in this case. {1/2 M}
- Indexation benefit is available since both land and building are long-term capital assets. However, as per the definition of indexed cost of acquisition under clause (iii) of Explanation below section 48, indexation benefit for land will be available only from the previous year in which Mr. Dinesh first held the land i.e., P.Y. 2005-06. {1/2 M}

**Alternative view:** In the case of CIT v. Manjula J. Shah 16 Taxmann 42 (Bom.), the Bombay High court held that indexation cost of acquisition in case of gifted asset can be computed with reference to the year in which the previous owner first held the asset.

As per this view, the indexation cost of acquisition of land would be Rs. 18,66,667 and long term capital gain would be Rs. 14,18,363.

**Answer 8:**

Allowability of the expenses incurred by Mr. Manav, a wholesale dealer in commodities, while computing profits and gains from business or profession.

- (i) **Construction of school building in compliance with CSR activities**  
 Under section 37(1), only expenditure not being in the nature of capital expenditure or personal expense and not covered under sections 30 to 36, and incurred wholly and exclusively for the purposes of the business is allowed as a deduction while computing business income.  
 However, any expenditure incurred by an assessee on the activities relating to corporate social responsibility referred to in section 135 of the Companies Act, 2013 shall not be deemed to have been incurred for the purpose of business and hence, shall not be allowed as deduction under section 37. }{1 M}  
 Accordingly, the amount of Rs. 5,60,000 incurred by Mr. Manav, towards construction of school building in compliance with CSR activities shall **not** be allowed as deduction under section 37. }{1 M}
- (ii) **Purchase of building for setting up and operating a warehousing facility for storage of food grains**  
 Mr. Manav, would be eligible for investment-linked tax deduction under section 35AD @100% in respect of amount of Rs. 4,50,000 invested in purchase of building for setting up and operating a warehousing facility for storage of food grains which commences operation on or after 1st April, 2009 (P.Y.2018- 19, in this case). }{1 M}  
 Therefore, the deduction under section 35AD while computing business income of such specified business would be Rs. 4,50,000. }{1 M}
- (iii) **Interest on loan paid to Mr. X (a resident) Rs. 50,000 on which tax has not been deducted**  
 As per section 194A, Mr. Manav, being an individual is required to deduct tax at source on the amount of interest on loan paid to Mr. X, since his turnover during the previous year 2017-18 exceeds the monetary limit of Rs. 100 lacs. }{1 M}  
 Therefore, Rs. 15,000, being 30% of Rs. 50,000, would be disallowed under section 40(a)(ia) while computing the business income of Mr. Manav for non- deduction of tax at source under section 194A on interest of Rs. 50,000 paid by it to Mr. X. }{1 M}  
 The balance Rs. 35,000 would be allowed as deduction under section 36(1)(iii), assuming that the amount was borrowed for the purposes of business.
- (iv) **Commodities transaction tax of Rs. 20,000 paid on sale of bullion**  
 Commodities transaction tax paid in respect of taxable commodities transactions entered into in the course of business during the previous year is allowable as deduction, provided the income arising from such taxable commodities transactions is included in the income computed under the head "Profits and gains of business or profession". }{1 M}  
 Taking that income from this commodities transaction is included while computing the business income of Mr. Manav, the commodity transaction tax of Rs. 20,000 paid is allowable as deduction under section 36(1)(xvi). }{1 M}

**Answer 9:**

**Computation of Gross Total Income of Mr. Batra for the A.Y. 2019-20**

Particulars	Rs.	Rs.
<b>Salaries</b>	1,00,000	
Less: Current year loss from house property	(40,000)	60,000
<b>Profit and gains of business or profession</b>		
Income from textile business	50,000	
Less: Loss from textile business brought forward from A.Y. 2011-12	60,000	
Balance business loss of A.Y. 2011-12[See Note 1]	(10,000)	NIL
<b>Income from the activity of owning and maintaining race horses</b>	15,000	

Less: Loss from activity of owning and maintaining race horses brought forward from A.Y. 2016-17	25,000		}{1 M}
Loss to be carried forward to A.Y. 2020-21 [See Note 2]	(10,000)	NIL	
<b>Capital Gain</b>			}{1 M}
Short term capital gain		1,40,000	
Long term capital gain on sale of land	30,000		
Less: Long term capital loss on sale of unlisted shares	1,00,000		
Loss to be carried forward to A.Y. 2020-21 [See Note 3]	(70,000)	NIL	
<b>Gross Total Income</b>		<b>2,00,000</b>	
<b>Losses to be carried forward to A.Y. 2020-21</b>			
	<b>Particulars</b>	<b>Rs.</b>	
	Current year loss from speculative business [See Note-4]	60,000	}{1 M}
	Current year long term capital loss on sale of unlisted shares	70,000	
	Loss from activity of owning and maintaining of race horse pertaining to A.Y.2016-17	10,000	

**Notes:-**

- (1) As per section 72(3), business loss can be carried forward for a maximum of eight assessment years immediately succeeding the assessment year for which the loss was first computed. Since the eight year period for carry forward of business loss of A.Y. 2011-12 expired in the A.Y. 2019-20, the balance unabsorbed business loss of Rs. 10,000 cannot be carried forward to A.Y. 2020-21. } {1 M}
- (2) As per section 74A(3), the loss incurred on maintenance of race horses cannot be set-off against income from any source other than the activity of owning and maintaining race horses. Such loss can be carried forward for a maximum period of 4 assessment years. } {1 M}
- (3) Long-term capital loss on sale of unlisted shares can be set-off against long-term capital gain on sale of land. The balance loss of Rs. 70,000 cannot be set-off against short term capital gain or against any other head of income. The same has to be carried forward for set-off against long-term capital gain of the subsequent assessment year. Such long-term capital loss can be carried forward for a maximum of eight assessment years. } {1 M}
- (4) Loss from speculation business cannot be set-off against any income other than profit and gains of another speculation business. Such loss can, however, be carried forward for a maximum of four years as per section 73(4) to be set-off against income from speculation business. } {1 M}

**SECTION-C**

**Candidates are required to answer all questions in this section.  
Wherever necessary suitable assumptions should be made by the candidates.  
Working notes should form part of the answer.**

**Answer 10:**

A registered person with an aggregate turnover in a preceding financial year up to Rs. 1 crore is eligible for composition levy in Delhi. } {1 M}

Since the aggregate turnover of Mohan Enterprises does not exceed Rs. 1 crore, it is eligible for composition levy in the current year. } {1 M}

However, all registered persons having the same Permanent Account Number (PAN) have to opt for composition scheme. If one such registered person opts for normal scheme, others become ineligible for composition scheme. Thus, Mohan Enterprises either have to opt for composition levy for both the verticals or under normal levy for both the verticals. } {1 M}

(As per amendment now limit for composition levy is Rs. 1.5 crore of aggregate turnover in preceding previous year).

**Answer 11:**

- (a) Supply of services } {1 M}
- (b) Supply of goods } {1 M}
- (c) Supply of services } {1 M}
- (d) Supply of goods } {1 M}

**Answer 12:**

Particular	Gross amount charged (Rs.)
Fees charged for yoga camp conducted by a charitable trust registered under section 12AA of the Income-tax Act, 1961 [Note 1]	{1/2 M} Nil
Amount charged by business correspondent for the services provided to the rural branch of a bank with respect to Savings Bank Accounts [Note 2]	{1/2 M} Nil
Amount charged for service provided by commentator to a recognized sports body [Note 3]	{1/2 M} Nil
<b>Service provided by commentator to a recognized sports body [Note 4]</b>	<b>{1/2 M} 5,20,000</b>

- Services by an entity registered under section 12AA of the Income-tax Act, 1961 by way of charitable activities are exempt from GST. The activities relating to advancement of yoga are included in the definition of charitable activities. So, such activities are exempt from GST. } {1/2 M}
- Services by business facilitator or a business correspondent to a banking company with respect to accounts in its rural area branch have been exempted from GST. } {1/2 M}
- Services provided by cord blood banks by way of preservation of stem cells or any other service in relation to such preservation are exempt from GST. } {1/2 M}
- Services provided to a recognized sports body only by an individual as a player, referee, umpire, coach or team manager for participation in a sporting event organized by a recognized sports body are exempt from GST. Thus, services provided by commentators are liable to GST. } {1/2 M}

**Answer 13:**

**Computation of GST payable by Mr. X on outward supplies**

S. No.	Particulars	(Rs.)	GST (Rs.)
(i)	Intra-State supply of goods		
	CGST @ 9% on Rs. 8,00,000	72,000	
	SGST @ 9% on Rs. 8,00,000	72,000	1,44,000 } {1 M}
(ii)	Inter-State supply of goods		
	IGST @ 18% on Rs. 3,00,000		54,000 } {1 M}
	<b>Total GST payable</b>		<b>1,98,000</b>

**Computation of total ITC**

Particulars	CGST @ 9% (Rs.)	SGST @ 9% (Rs.)	IGST @ 9% (Rs.)
Opening ITC	30,000	30,000	70,000
Add: ITC on Intra-State purchases of goods valuing Rs. 3,00,000	27,000	27,000	Nil } {1 M}
Add: ITC on Inter-State purchases of goods valuing Rs. 50,000	Nil	Nil	9,000
<b>Total ITC</b>	<b>57,000</b>	<b>57,000</b>	<b>79,000</b>

(AS per New Amendment)

**Computation of GST payable from cash ledger**

Particulars	CGST @ 9% (Rs.)	SGST @ 9% (Rs.)	IGST @ 18% (Rs.)
GST payable	72,000	72,000	54,000
Less: ITC	CGST-(57,000)	IGST - (25,000)	IGST - (54,000)
		SGST - (47,000)	
<b>Net GST payable</b>	{1 M}{ <b>15,000</b>	{1 M}{ <b>Nil</b>	{1 M}{ <b>Nil</b>

Balance of ITC available  
 CGST            SGST            IGST  
 Nil                10,000           Nil

\* **Alternative Answer**  
 ITC of IGST of Rs. 25,000 can be utilized for payment of CGST also in that case answer will be is payment of SGST Rs. 15,000 and Balance of ITC available  
 CGST            SGST            IGST  
 10,000           Nil                Nil

**Answer 14:**

S. No.	Date of payment by recipient for supply of services	Date of issue of invoice by supplier of services	Date immediately following 60 days from invoice	Time of supply of goods [Earlier of(1)& (3)]	
	(1)	(2)	(3)		
(i)	August 10	June 29	August 29	August 10	{1 M}
(ii)	August 10	June 1	August 1	August 1	{1 M}
(iii)	Part payment made on June 30 and balance amount paid on September 1	June 29	August 29	June 30 for part payment and August 29 for balance amount	{1 M} {1 M}
(iv)	Payment is entered in the books of account on June 28 and debited in recipient’s bank account on June 30	June 1	August 1	June 28 (i.e. when payment is entered by in the book of account of the recipient )	{1 M}
(v)	Payment is entered in the books of account on June 30 and debited in recipient’s bank account on June 26	June 29	August 29	June 26 (i.e. when payment is debited in the recipient’s bank account)	{1 M}

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