

MOCK TEST PAPER
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.

All Questions relate to Assessment Year 2018-19, unless stated otherwise in the Question.

1. Mr. Rajan, aged 54 years, engaged in a business as sole proprietor. He is resident and ordinarily resident for the previous year 2017-18. The Profit & Loss A/c for the year ending 31-03-2018 is given below:

Particulars	₹	Particulars	₹
Salary	36,000	Gross Profit	5,60,900
Fire Insurance	28,500	Interest on Debentures	6,750
Income-tax	30,000	Cash Gift	51,000
Sundry Expenses	56,000		
Advertisement	36,000		
Household expenses	50,000		
Depreciation	29,800		
Contribution to IIT Mumbai for an approved scientific research programme	1,00,000		
Municipal Taxes paid for house property	36,000		
Investment in NSC	10,000		
Printing & Stationery	12,000		
Interest	24,000		
Rent paid	60,000		
Net Profit	<u>1,10,350</u>		
	<u>6,18,650</u>		<u>6,18,650</u>

Mr. Rajan also furnishes the following additional information:

- (i) Cash gift was received on the occasion of his son's marriage from his maternal uncle.
- (ii) Interest on debentures is net of taxes. Debentures are listed on recognised stock exchange.
- (iii) He owns a house property in Nagpur. 50% of the property is used by him for his own business and 50% let out for residential purpose.
- (iv) Rent received from 50% let out portion during the year was ₹ 1,50,000.
- (v) Fire insurance includes ₹ 15,000 paid for house property owned by him.

- (vi) Depreciation is computed as per the Income-tax Rules, 1962.
- (vii) He has sold a vacant land in July, 2017 for ₹ 1,50,000. The State Stamp Value of the site was ₹ 2,80,000. The land was acquired in August 2015 for ₹ 1,10,000 from his friend.
- (viii) Rent paid includes ₹ 50,000 paid towards rent for his residence in Nagpur and ₹ 10,000 for hiring a Maruti Van for business purpose.
- (ix) Municipal tax includes ₹ 10,000 paid as tenant.
- (x) Paid premium on life insurance policy taken for his handicapped daughter ₹ 50,000 (suffering from disability mentioned in section 80U). The policy was taken on 01-04-2016 and the minimum sum assured is ₹ 3,00,000.
- (xi) Interest shown in the Profit & Loss A/c, paid on loan borrowed for his own business purposes. It includes ₹ 10,000 payable to a non-resident on which tax has not been deducted.

Compute the total income of Mr. Rajan for the Assessment Year 2018-19.

(10 Marks)

2. (a) Mrs. Sushma, born on 1st April, 1958 furnishes the following information for the year ended 31-03-2018:

Particulars	₹
Long-term capital gains on sale of shares in XYZ Pvt. Ltd.	2,00,000
Short-term capital gains on sale of house property	30,000
Dividend income from ABC Ltd, an Indian company	11,50,000
Business Income	3,20,000
Salary	2,40,000
Lottery winning (Gross)	2,20,000
Net agricultural income	60,000
Mrs. Sushma has paid the following:	
LIC premium of self	40,000
LIC premium of husband	20,000
Deposit in Tax Saver Deposit with PNB Bank in the name of major son	25,000

Compute the tax payable by Mrs. Sushma for the Assessment Year 2018-19.

(6 Marks)

- (b) Examine the applicability of tax deduction at source provisions, the rates and amount of tax deduction in the following cases for the A.Y. 2018-19
- (i) Ramesh gave a building on sub-lease to Mac Ltd. with effect from 1st July, 2017 on a rent of ₹ 15,000 per month. The company also took on the hire machinery from Ramesh with effect from 1st November, 2017 on hire charges of ₹ 10,000 per month. The rent of building and hire charges of machinery for the year ended 2017-18 were credited by the company to the account of Ramesh in its books of account on 31-3-2018.
 - (ii) ₹ 2,45,000 paid to Mr. X on 1-2-2018 by Karnataka State Government on compulsory acquisition of his urban land.
- (4 Marks)**
3. Mr. Kunal is an Indian citizen and a member of the crew of a Thailand bound Indian ship engaged in carriage of passengers in international traffic departing from Port Blair on 10th July, 2017. His stay in India in the last 4 previous years (preceding P.Y. 2017-18) is 375 days and last seven previous years (preceding P.Y.2017-18) is 729 days:

Particulars	Date
Date entered into the Continuous Discharge Certificate in respect of joining the ship by Mr. Kunal	10 th July, 2017
Date entered into the Continuous Discharge Certificate in respect of signing off the ship by Mr. Kunal	21 st January, 2018

He earned following income during the previous year 2017-18

Dividend from Thailand Company received in Thailand	₹ 30,000
Short term capital gains on sale of shares of an Indian company	₹ 25,000
Interest on savings account with Post office	₹ 13,000
Past foreign untaxed income brought to India during the previous year	₹ 5,000
Cash gift received from non-relative	₹ 20,000
Income from agricultural land in Nepal received there and then brought to India	₹ 18,000
Interest received from a non-resident on moneys borrowed for the purpose of business in Delhi	₹ 1,50,000

From the above details for the P.Y. 2017-18, compute the total income of Mr. Kunal for A.Y. 2018-19.

(10 Marks)

4. Mrs. Anjali is a Finance Manager of Anand Construction Ltd. in Mumbai, furnishes the following particulars for the financial year 2017-18:

- She was appointed on 01-03-2017 in the scale of ₹ 20,000 - ₹ 2,500 - ₹ 35,000.
- She is paid dearness allowance (which forms part of salary for retirement benefits) @30% of basic pay and bonus equivalent to two month's basic pay as at the end of the year.
- She receives ₹ 2,000 per month as transport allowance (for commuting between place of residence and office) and ₹ 4,000 each as hostel allowance for three children.
- She contributes 15% of his salary (basic pay plus dearness allowance) towards recognized provident fund and the Company contributes the same amount.
- Lunch provided by the company during office hours
Cost to the employer ₹ 10,000
- Rent free unfurnished accommodation provided by the company for which the company pays ₹ 60,000 per annum.
- The Company reimbursed the medical treatment bill of ₹ 35,000 of her son, who is dependent on her.
- A gift voucher of ₹ 6,000 was given on the occasion of her marriage anniversary. It is given by the company to all employees above certain grade.
- Facility of laptop and computer was provided to Mrs. Anjali for both official and personal use. Cost of laptop ₹ 45,000 and computer ₹ 35,000 were acquired by the company on 01.12.2016.
- Professional tax paid by the company ₹ 2,000

Compute the amount of salary chargeable to tax in the hands of Mrs. Anjali for A.Y. 2018-19. **(10 Marks)**

5. (a) Kapil & Sons, a partnership firm consisting of two working partners, reports a net profit of ₹ 6,00,000 before deduction of the following items:
- Salary of ₹ 20,000 each per month payable to two working partners of the firm (as authorized by the deed of partnership).

- (2) Depreciation on plant and machinery purchased on 15.7.2017 by a bearer cheque in single payment for ₹ 1,50,000.
- (3) Interest on capital at 18% per annum (as per the deed of partnership). The amount of capital eligible for interest ₹ 5,00,000.

You are required to compute:

- (i) Book-profit of the firm under section 40(b) of the Income-tax Act, 1961.
- (ii) Allowable working partner salary for the assessment year 2018-19 as per section 40(b).

(5 Marks)

- (b) Mr. Rajkumar, a proprietor has set up an unit in Special Economic Zone (SEZ) and other unit at Domestic Tariff Area (DTA). He provides the following details for the previous year 2017-18.

Particulars	Rajkumar Proprietorship (₹)	Unit in DTA (₹)
Total Sales	7,50,00,000	3,00,00,000
Export Sales	4,50,00,000	1,50,00,000
Net Profit	90,00,000	15,00,000

Compute the quantum of eligible deduction under section 10AA of the Income-tax Act, 1961, for the Assessment Year 2018-19, in the following situations:

- (i) If both the units were set up and start manufacturing from 20-07-2009.
- (ii) If both the units were set up and start manufacturing from 04-10-2015.

(5 Marks)

6. (a) The following are the details relating to Mr. Raju, a resident Indian, relating to the year ended 31.03.2018:

Particulars	Amount (₹)
Short term capital gain	1,40,000
Income from salaries	2,50,000
Loss from house property	2,20,000
Loss from card games	20,000
Brought forward Long term capital loss of A.Y. 2015-16	86,000
Dividend from Malpani Ltd.	11,00,000
Loss from tea business	96,000

Mr. Raju's wife, Ishita is employed with Chander Ltd., at a monthly salary of ₹ 15,000, where Mr. Raju holds 21% of the shares of the company. Ishita is not adequately qualified for the post held by her in Chander Ltd.

You are required to compute taxable income of Mr. Raju for the A.Y. 2018-19. Ascertain the amount of losses which can be carried forward.

(7 Marks)

- (b) Examine, whether the return of income can be revised under section 139(5) of the Income-tax Act, 1961 in the following cases:

- (i) Belated return filed under section 139(4).
- (ii) Return already revised once under section 139(5).

(3 Marks)

7. (a) Explain the concept of TCS. Also, list the persons specifically excluded from the definition of buyer, consequent to which tax collection at source under section 206C(1) is not required on sale of timber and other forest produce to such persons.

(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)

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SECTION B - INDIRECT TAXES (40 MARKS)

Time Allowed – 3 Hours

Maximum Marks – 100

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 31st October, 2017.
- (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). Ayushman Medical Centre, a clinical establishment, offers the following services:

S.No.	Particulars	₹*
(i)	Reiki healing treatments. Such therapy is not a recognized system of medicine in terms of section 2(h) of Clinical Establishments Act, 2010.	10,00,000
(ii)	Plastic surgeries. [One such surgery was conducted to repair cleft lip of a new born baby. Consideration of ₹ 1,00,000 was charged for the same.]	20,00,000
(iii)	Air ambulance services to transport critically ill patients from distant locations to Ayushman Medical Centre.	1,00,000
(iv)	Alternative medical treatments by way of Ayurveda. Such therapy is not a recognized system of medicine in terms of section 2(h) of Clinical Establishments Act, 2010	2,50,000

*excluding GST

Ayushman Medical Centre also operates a cord blood bank which provides services in relation to preservation of stem cells. You are required to compute the value of supply and GST liability [CGST & SGST or IGST] of Ayushman Medical Centre, if any, in the light of relevant GST provisions.

Note – All the services provided by Ayushman Medical Centre are intra-State supplies. Assume the rates of CGST, SGST and IGST to be 9%, 9% and 18% respectively. **(6 Marks)**

- (b) Ramoplast Soap Factory, a registered supplier, is engaged in manufacturing beauty soaps – 'Forever Glow' in Mumbai. It has provided the following information pertaining to purchases made/services availed in the month of January, 20XX:

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

Membership of 'Fit and Fine' 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 Ramoplast Soap Factory for the month of January, 20XX assuming that all the other conditions for availing ITC, wherever applicable, have been fulfilled. **(4 Marks)**

2. (a) Quantum Plast Private Limited, Delhi supplies plastic granulation machine to Capscom Ltd., Delhi. It furnishes the following details in respect of such supply:

Particulars	₹
List price of the machine (exclusive of taxes and discounts)	1,00,000
Corrugated Boxes used for packing the machine (not included in price above)	1,000
Subsidy received from Delhi Government on sale of such machine (considered in price above)	5,000
Discount @ 2% is offered on list price of the machine (recorded in the invoice for the machine)	

Determine the value of taxable supply made by Quantum Plast Private Limited. **(5 Marks)**

- (b) Discuss the term 'composite supply' and its taxability under GST law. **(5 Marks)**
3. (a) Kesar Maharaj, a registered supplier, gave a classical dance performance in an auditorium. The consideration charged for the said performance is ₹ 1,48,500. Is Kesar Maharaj liable to pay GST on the consideration received for the said performance if such performance is not for promotion of any product/services? If yes, determine his GST liability (CGST and SGST or IGST, as the case may be). Will your answer be different if:
- (i) Kesar Maharaj is a brand ambassador of a food product and aforesaid performance is for the promotion of such food product?
- (ii) the dance performance given by Kesar Maharaj is not a classical dance performance, but a contemporary Bollywood style dance performance?
- (iii) consideration charged by Kesar Maharaj for the classical dance performance is ₹ 1,60,000?

Notes:

- Services provided by Kesar Maharaj are intra-State supplies.
- Wherever applicable, GST has been charged separately.
- Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively. **(6 Marks)**

- (b) Mehra Sons, a registered supplier, is a wholesale supplier of ready-made garments located in Bandra, Mumbai. On 5th September, 20XX, Subhadra, owner of Aura Boutique located in Dadar, Mumbai, approached Mehra Sons for supply of a consignment of customised dresses for ladies and kids.

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

Due to some reasons, Subhadra could not collect the consignment immediately. So, she collects the consignment from the premises of Mehra 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 Mehra Sons to Subhadra elaborating the relevant provisions under the GST law. **(4 Marks)**

4. (a) Explain the term 'aggregate turnover'. **(4 Marks)**
- (b) Discuss the time-limit for issuance of invoice in case of taxable supply of goods. **(3 Marks)**
- (c) What is an electronic cash ledger? Enumerate the modes of making deposit in the electronic cash ledger. **(3 Marks)**
5. (a) Tirupati Box Manufacturing Co. started manufacturing corrugated boxes in Andhra Pradesh on 25.01.20XX. On 06.05.20XX, its aggregate turnover exceeded ₹ 10 lakh and on 01.11.20XX, its aggregate turnover exceeded ₹ 20 lakh. It applied for registration on 28.11.20XX and is granted registration certificate on 05.12.20XX. Determine the effective date of registration elaborating the relevant provisions. **(4 Marks)**
- (b) Examine whether the following statements are true or false giving brief reasons:
- (1) It is mandatory to issue a tax invoice in case a registered person has opted for composition levy scheme.
- (2) A composition tax payer, who has not rendered any taxable supply during a quarter, is not required to file any return. **(2 × 2 = 4 Marks)**
- (c) Discuss any two significant benefits of GST. **(2 Marks)**