

MOCK TEST PAPER 2
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. Mr. Kabir, a resident individual aged 55, furnishes the following information pertaining to the year ended 31.3.2018:
- (i) He is a working partner in Nayasa & Co. He has received the following amounts from the firm:
- Interest on capital at 18% : Rs. 3,00,000
- Salary as working partner (at 2% of firm's sales) (allowed fully to the firm): Rs. 90,000
- (ii) He is engaged in a business of manufacturing of toys. His Profit and Loss account pertaining to this proprietary business is given below:

Particulars	Rs.	Particulars	Rs.
To Salaries	1,80,000	By Gross profit	14,52,000
To Stationery exp	72,000	By Interest on Bank FD	45,000
To Car expenses	50,000	(Net of TDS)	
To Machinery repairs	3,51,000	By LIC policy matured	1,50,000
To Advance tax	1,05,000	By Agricultural income	1,60,000
To Depreciation on:		By Pension from LIC	
- Car	3,00,000	Jeevan Dhara	24,000
- Machinery	1,25,000		
To Net profit	<u>6,48,000</u>		
	<u>18,31,000</u>		<u>18,31,000</u>

Details of assets:

Particulars	Rs.
Opening WDV of assets are as under:	
Car	3,00,000
Machinery (Used during the year for 150 days)	6,50,000
Additions to machinery:	
Purchased on 10.6.2017 by cash in single payment	2,00,000

Purchased on 15.12.2017 by account payee cheque	3,00,000
Second hand machinery purchased on 20.9.2017 by bearer cheque in single payment	1,25,000

(All assets added during the year were put to use immediately after purchase)

Two-fifth of the car expenses are towards estimated personal use of the assessee.

Salary includes Rs. 18,000 paid by way of a single cash payment to manager.

(iii) Details of his Savings and Investments are as under:

Particulars	Rs.
Life insurance premium for policy in the name of his wife (Sum assured Rs. 2,00,000) (Policy taken on 1.07.2013)	30,000
Contribution to PPF	70,000
Medical Insurance premium for his father aged 75, who is not dependent on him	32,000

You are required to compute the total income of Mr. Kabir for the assessment year 2018-19.

(10 Marks)

2. (a) The broad break-up of income details of Mrs. Rani, a non-resident, are as under:

Particulars	Rs.
Pension received from Canadian Government	20,000
Long-term capital gains on sale of land at Chennai	1,50,000
Short-term capital gains on sale of equity shares in B Ltd. in respect of which STT was paid	30,000
Rent received in respect of house property at Mumbai	60,000
Winnings from lotteries	20,000
Mrs. Rani has paid the following:	
Premium paid to Canadian Life Insurance Corporation at Canada for self	40,000
Investment in PPF	20,000

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

(6 Marks)

(b) Examine the applicability of tax deduction at source provisions, in respect of the following amounts paid by Nio Ltd during the P.Y. 2017-18. Turnover of Nio Ltd. during the P.Y. 2016-17 is Rs. 5 crores:

- Rs. 22,000 and Rs. 12,000 paid to Mr. Rohan towards professional fees and technical fees, respectively.
- Paid Rs. 28,000 on 01.12.2017 and credited Rs. 55,000 on 31.03.2018 as payable to a contractor.

(4 Marks)

3. Mr. Ram and Mrs. Shyam are brothers and they earned the following income during the Financial Year 2017-18. Mr. Ram is settled in USA since 1990 and visits India for 40 days every year. Mr. Shyam is settled in Kolkata since 1995. Compute the total income of Mr. Ram and Mr. Shyam for the Assessment Year 2018-19:

Sl. No.	Particulars	Mr. Ram Rs.	Mr. Shyam Rs.
(i)	Income from Profession in USA, (set up in India) received there	25,000	-
(ii)	Profit from business in Mumbai, but managed directly from USA	45,000	-
(iii)	Rent (computed) from property in USA deposited in a Bank at USA, later on remitted to India through approved banking channels.	90,000	-
(iv)	Dividend from a USA company received in USA	12,500	10,000
(v)	Cash gift received from a friend on Mr. Shyam's 50th birthday	-	51,000
(vi)	Past foreign untaxed income brought to India	5,000	-
(vii)	Fees for technical services rendered in India received in USA	22,500	-
(viii)	Interest on debentures in an Indian company (Mr. Ram received the same in USA)	18,500	14,000
(ix)	Short-term capital gain on sale of shares of an Indian company	15,000	25,500

(10 Marks)

4. Mr. Manish, employed as Finance Manager in Beta Ltd., furnishes you the following information for the year ended 31.03.2018:

- (i) Basic salary upto 31.10.2017 Rs. 50,000 p.m.
Basic salary from 01.11.2017 Rs. 60,000 p.m.

Note: Salary is due and paid on the last day of every month.

- (ii) Dearness allowance @ 40% of basic salary (not forming part of salary for retirement benefits).
- (iii) Bonus equal to one month salary. Paid in October 2017 on basic salary plus dearness allowance applicable for that month.
- (iv) Contribution of employee to recognized provident fund account of the employee @ 16% of basic salary. Employer contributed an equivalent amount.
- (v) Profession tax paid Rs. 3,000 of which Rs. 2,000 was paid by the employer.
- (vi) Facility of laptop and computer was provided to Manish for both official and personal use. Cost of laptop Rs. 45,000 and computer Rs. 35,000 were acquired by the company on 01.12.2017.
- (vii) Motor car owned by the employer (cubic capacity of engine exceeds 1.60 litres) provided to the employee from 01.11.2017 meant for both official and personal use. Repair and running expenses of Rs. 45,000 from 01.11.2017 to 31.03.2018, were fully met by the employer. The motor car was self-driven by the employee.
- (viii) Leave travel concession given to employee, his wife and three children (one daughter aged 6 and twin sons aged 4). Cost of air tickets (economy class) reimbursed by the employer Rs. 20,000 for adults and Rs. 30,000 for three children. Manish is eligible for availing exemption this year to the extent it is permissible in law.

Compute the amount of salary chargeable to tax in the hands of Mr. Manish for the assessment year 2018-19. **(10 Marks)**

5. (a) Kajal purchased a residential flat from her friend Anjali at Rs. 10 lacs in the city of Indore on 3rd October, 2017. The value determined by the Stamp Valuation Authority for stamp duty purpose amounted to Rs. 15 lacs. Anjali had purchased the flat on 1st January, 2016 at a cost of Rs. 3.50 lacs. Kajal sold the flat for Rs. 20 lacs on 30th March, 2018.

Determine the effect of the above transactions on the assessments of Anjali and Kajal for assessment year 2018-19, assuming that value for stamp duty purpose in case of the second sale was not more than the sale consideration. **(6 Marks)**

- (b) Examine with brief reasons whether the following are chargeable to tax and the amount liable to tax with reference to the provisions of the income-tax Act, 1961.
- (i) Allowance received by an employee working in a transport system at Rs. 10,000 p.m. to meet his personal expenditure while on duty. He is not receiving any daily allowance.
- (ii) During the previous year 2017-18, Ms. Ishita received in aggregate Rs. 12,50,000 as dividend from Indian companies. **(4 Marks)**
6. (a) Compute the total income of Mrs. Teena, a resident Indian, aged 57 years, from the following details for the year ended 31.3.2018. Also, show the items eligible for carry forward to the A.Y. 2019-20:

Particulars	Rs.
Income from salaries	1,55,000
Loss from house property	1,19,000
Loss from toys business	2,45,000
Income from speculation business	28,000
Loss from specified business covered by section 35AD	46,000
Long-term capital gains from sale of urban land	2,75,500
Long-term capital loss from sale of listed shares in recognized stock exchange (STT paid at time of acquisition and sale)	1,32,000
Loss from card games	23,000
Income from betting (Gross)	49,000
Deposit in PPF	1,00,000

(7 Marks)

- (b) Mr. Naidu is a resident individual who retired from the service on 31.03.2017 at the age of 55. Now, his only source of income is bank interest. During the year 2017-18, total interest received from fixed deposit with the bank is Rs. 1,75,000.

On 01-10-2017, he had sold 1000 equity shares of CSS Ltd. to Mr. Shah through a recognised stock exchange @200 per share which he had purchased on 01-08-2016 @100 per share. Mr. Naidu has paid the STT on both at the time of acquisition and sale of shares. Advise Mr. Naidu whether he is legally bound to file return for the A.Y. 2018-19. Ignore indexation effect while computing long term capital gains on sale of equity shares. **(3 Marks)**

7. (a) Answer **any two** questions out of the following three questions.
- (i) Explain the concept of self-assessment.
 - (ii) Specify the persons who are authorized to verify under section 140, the return of income filed under section 139 of the Income-tax Act, 1961 in case of:
 - (I) Local authority
 - (II) Association of persons
 - (III) Firm where there is no managing partner
 - (iii) Who can be a tax return preparer? **(3 x 2 = 6 Marks)**
- (b) Define the terms Assessment Year and Previous Year as per Income-tax Act, 1961. **(4 Marks)**

SECTION B - INDIRECT TAXES (40 MARKS)

QUESTIONS

Question no. 8 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.

8. (a) Shiv Shankar Ltd., a registered supplier in Mumbai (Maharashtra), has supplied goods to Narad Traders and Nandi Motors Ltd. located in Ahmedabad (Gujarat) and Pune (Maharashtra) respectively. Shiv Shankar Ltd. has furnished the following details for the current month:

S. No.	Particulars	Narad Traders (₹)	Nandi Motors Ltd. (₹)
(i)	Price of the goods (excluding GST)	10,000	30,000
(ii)	Packing charges	500	
(iii)	Commission	500	
(iv)	Weighment charges		2,000
(v)	Discount for prompt payment (recorded in the invoice)		1,000

Items given in points (ii) to (v) have not been considered while arriving at price of the goods given in point (i) above.

Compute the GST liability [CGST & SGST or IGST, as the case may be] of Shiv Shankar Ltd. for the given month. Assume the rates of taxes to be as under:

Particulars	Rate of tax
Central tax (CGST)	9%
State Tax (SGST)	9%
Integrated tax (IGST)	18%

Make suitable assumptions, wherever necessary.

Note: The supply made to Narad Traders is an inter-State supply.

(6 Marks)

- (b) Classic Textiles Ltd. purchased a needle detecting machine on 6th July, 2017 from Balaji Engineering Works Ltd. for ₹ 10,00,000 (excluding GST) paying GST @ 18% on the same. It availed the input tax credit of the GST paid on the machine and started using it for manufacture of goods. The machine was sold on 18th October, 2018 for ₹ 6,00,000 (excluding GST), as second hand machine to AB. Pvt. Ltd. The GST rate on supply of machine is 18%.

Compute the amount payable by Classic Textiles Ltd. in accordance with the statutory GST provisions on the sale of the second-hand machine.

(4 Marks)

9. (a) A manufacturer of machinery supplied a special machine to Texco Furnishers. Following details

are provided in relation to amounts charged:

S.No.	Particulars	₹
(i)	Price of machinery excluding taxes (before cash discount)	5,00,000
(ii)	Packing charges	10,000
(iii)	Extra charges for designing the machine	17,000
(iv)	Freight	13,000

Charges mentioned in (ii) to (iv) are not included in (i) above. 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)**
10. (a) Determine whether the following supplies amount to composite supplies:
- (i) A hotel provides 4 days-3 nights package wherein the facility of breakfast and dinner is provided alongwith the room accommodation.
- (ii) A toothpaste company has offered the scheme of free toothbrush alongwith the toothpaste. **(5 Marks)**
- (b) Examine whether GST is payable in the following independent cases:-
- (i) Ekta Charitable trust, registered under section 10(23C)(v) of the Income-tax Act manages a temple in Rohini, Delhi. It has given on rent a community hall, located within temple premises, to public for celebration of Teej Mela. Rent charged is ₹ 9,500. **(2 Marks)**
- (ii) Speed post services by Department of Post to Union Territory of Daman & Diu. **(2 Marks)**
- (iii) ST Ltd. has given on hire 5 trucks to Titu Transporters of Delhi (a goods transport agency) for transporting goods in Central and West Delhi. The hiring charges for the trucks are ₹ 7,500 per truck per day. **(1 Mark)**
11. (a) Explain whether the Department, through the proper officer, suo-moto proceed to register of a person? **(3 Marks)**
- (b) Explain how long will the registration certificate issued to a casual taxable person and non- resident taxable person be valid? **(3 Marks)**
- (c) Explain the provisions relating to interest on delayed payment of tax as prescribed under section 50 of CGST Act, 2017? **(4 Marks)**

OR

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

- (1) Casual taxable person
- (2) Person making inter-State taxable supply **(4 Marks)**
12. (a) Blue Moon Ltd., obtains registration for paying taxes under section 9 of CGST Act. He asked his tax manager to pay taxes on quarterly basis. However, Blue Moon Ltd.'s tax manager advised the Co. to pay taxes on monthly basis. You are required to examine the validity of the advice given by tax manager? **(4 Marks)**

- (b) Mr. Neerav Kothari of Jaipur often participates in the jewellery exhibition at Trade Fair in Delhi, which is organised every year in the month of February. Mr. Neerav Kothari 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. Neerav Kothari.

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

- (c) List the central taxes which have been subsumed in GST in India? **(2 Marks)**