

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

Time Allowed – 3 Hours

Maximum Marks – 100

SECTION – A: INCOME TAX LAW (60 MARKS)

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. However, in answers to Question in Division A, working notes are not required.

Your answers should be based on the provisions of Income-tax law as amended by the Finance Act, 2018. The relevant assessment year is A.Y.2019-20.

Division A – Multiple Choice Questions

Write the most appropriate answer to each of the following multiple choice questions by choosing one of the four options given. All questions are compulsory.

- I. Neeraj was working as an accountant with the company Ujala Ltd. He died on 30.04.2018 and on account of his death, his wife Neha started receiving a pension of Rs.10,000 per month w.e.f. 01.06.2018. Determine under which head of income, the pension received by Neha during F.Y. 2018-19 shall be taxable. Also, compute the taxable amount in her hands.
- (a) Income from other sources: Rs.1,00,000
(b) Income from other sources: Rs.85,000
(c) Income from Salary: Rs.1,00,000
(d) Income from Salary: Rs.85,000 **(1 Mark)**
- II. Neha sold her residential house for Rs.85 lakh on 11.08.2018. Value adopted by the Stamp Valuation Authority on the date of registration of the Conveyance Deed i.e., 17.08.2018 was Rs.150 lakh. Neha disputed the valuation done by the said authority before the Assessing Officer and filed an application before him to refer her case to the Valuation Officer. The Valuation Officer determined the value of the house on date of registration of Conveyance Deed at Rs.160 lakh. In light of these facts, compute the full value of consideration to be taken in case of Neha for the purpose of calculation of capital gains in her hands.
- (a) Rs.85 lakh
(b) Rs.150 lakh
(c) Rs.160 lakh
(d) Rs.89.25 lakh **(1 Mark)**
- III. Which of the following incomes are exempt incomes as per the provisions of Income-tax Act, 1961?
- (i) Allowance paid by Government to a citizen of India for rendering services outside India
(ii) Death-cum-retirement gratuity received by a government employee
(iii) Any sum received under a life insurance policy taken on 01.05.2016, if the premium payable for any of the years exceeds 10% of the actual capital sum assured.

(iv) Any payment from National Pension System Trust to an employee on account of closure of his NPS account.

(a) (i), (ii), (iii), (iv)

(b) (i) & (ii)

(c) (i), (ii) & (iv)

(d) (ii) & (iv)

(1 Mark)

IV. Match the following to their respective rate of depreciation -

L.	Pollution control equipment	1.	10%
M.	Commercial building	2.	40%
N.	Oil Wells	3.	100%
		4.	15%

Select the correct answer from the options given below:

	L.	M.	N.
(a)	2	1	4
(b)	4	2	1
(c)	2	4	1
(d)	3	1	4

(1 Mark)

V. Suman is a Chartered Accountant practicing in Mumbai since September, 1994. She transfers her practice to another Chartered Accountant Smita on 19.06.2018 and charges Rs.14,50,000 towards goodwill. Determine the tax implications that may arise in the hands of Neha on account of transfer of her practice to Smita.

(a) Rs.14,50,000 shall be charged to tax as capital gains

(b) Rs.14,50,000 shall be charged to tax as income from other sources

(c) Rs.14,50,000 shall be charged to tax as income from profession

(d) No tax implications shall arise

(1 Mark)

VI. Mr. Kunal is a doctor by profession engaged in his medical practice from last 15 years. His gross receipts from the profession in FY 2015-16, 2016-17, 2017-18 were Rs.2,00,000, Rs.16,00,000 and Rs.18,50,000 respectively. Further, Kunal follows cash system of accounting. Determine which of the following books of accounts and documents are required to be kept and maintained by Kunal.

(i) Cash Book

(ii) Journal

(iii) Inventory of the stock of drugs, medicines, etc.

(iv) A daily case register

(a) (i) and (ii)

(b) (i), (ii), (iii) & (iv)

(c) (i), (iii) & (iv)

(d) None of the above

(1 Mark)

VII. Which of the following statements is/are correct in respect of deduction allowed to an assessee in respect of certain donations for scientific research or rural development u/s 80GGA?

(i) Deduction is not allowed to an assessee having income from business.

(ii) The maximum amount of deduction allowed is Rs.10,000.

(iii) 100% deduction is allowed if amount in excess of Rs.10,000 donated is paid by any mode other than cash.

(iv) Deduction is not allowed to an assessee having income from salaries.

(v) Any sum paid to a University to be used for scientific research is allowed if such University is approved u/s 35(1)(ii).

(vi) Any sum paid to a notified Urban Development Fund is allowed.

(a) (i), (iii), (iv), (v), (vi)

(b) (ii), (iii), (v)

(c) (i), (ii)

(d) (i), (iii), (v)

(2 Marks)

VIII. Mr. Vikesh, a US citizen, came to India for an assignment from 11.01.2015 to 09.10.2015 and went back to his home country on completion of the same. He thereafter, visited India on 05.07.2017 again for an assignment, which ended on 26.05.2018. What is the latest date by which Mr. Vikesh should depart from India after completing the assignment so as to qualify as non-resident for P.Y. 2018-19? (Assume that he shall not be visiting India again during the year)

(a) 29-05-2018

(b) 30-05-2018

(c) 29-09-2018

(d) 28-09-2018

(2 Marks)

IX. Mr. Shahid, a wholesale supplier of dyes, provides you with the details of the following cash payments he made throughout the year –

- 12.06.2018: loan repayment of Rs. 27,000 taken for business purpose from his friend Kunal. The repayment also includes interest of Rs.5,000.

- 19.08.2018: Portable dye machinery purchased for Rs. 15,000. The payment was made in cash in three weekly instalments.

- 26.01.2019: Payment of Rs. 10,000 made to electrician due to unforeseen electric circuit at shop

- 28.02.2019: Purchases made from unregistered dealer for Rs. 13,500

What will be disallowance under 40A(3), if any, if Mr. Shahid opts to declare his income as per the provisions of section 44AD?

(a) Rs. 18,500

- (b) Rs.28,500
- (c) Rs.13,500
- (d) NIL

(2 Marks)

X. Which of the following statements is/are true in respect of taxability of agricultural income under the Income-tax Act, 1961?

- (i) Any income derived from saplings or seedlings grown in a nursery is agricultural income exempt from tax u/s 10(1).
- (ii) 60% of dividend received from shares held in a tea company is agricultural income exempt from tax u/s 10(1).
- (iii) While computing income tax liability of an Assessee aged 50 years, agricultural income is required to be added to total income only if net agricultural income for the P.Y. exceeds Rs.5,000 and the total income (including net agricultural income) exceeds Rs.2,50,000.
- (iv) While computing income tax liability of an Assessee aged 50 years, agricultural income is required to be added to total income only if net agricultural income for the P.Y. exceeds Rs.5,000 and the total income (excluding net agricultural income) exceeds Rs.2,50,000.

Choose from the following options:

- (a) (i) and (iii)
- (b) (ii) and (iii)
- (c) (i) and (iv)
- (d) (i), (ii) and (iv)

(2 Marks)

XI. X Ltd. files its return of loss for the A.Y. 2019-20 on 01.12.2019. The following data is taken from return submitted by the company:

Business Loss for P.Y. 2018-19 (before depreciation)	Rs.1,70,000
Depreciation	Rs.30,000
Short term capital loss	Rs.45,000
Long term capital gain	Rs.10,000
Income from other sources	Rs.23,000
Unabsorbed depreciation pertaining to A.Y. 2017-18 and A.Y. 2018-19 which has been determined in pursuance of return filed	Rs.75,000

Compute the amount of loss that can be carried forward by X Ltd.

- (a) Rs.1,05,000
- (b) Rs.30,000
- (c) Rs.2,87,000
- (d) Nil

(2 Marks)

XII. Which of the following details/evidences are required to be furnished by an employee to his/her employer in respect of deduction of interest under the head "Income from house property", when the employer is estimating the total income of the employee for the purpose of tax deduction at source u/s 192?

- (i) Amount of Interest payable or paid
- (ii) Rate of interest payable or paid
- (iii) Name of the lender
- (iv) Address of the lender
- (v) PAN of the lender
- (vi) TAN of the lender
- (a) (i), (iii), (v)
- (b) (i), (iii), (iv), (v)
- (c) (ii), (iv), (v), (vi)
- (d) (i), (ii)

(2 Marks)

DIVISION B – DESCRIPTIVE QUESTIONS

Question No. 1 is compulsory

Attempt any **two** questions from the remaining **three** questions

1. Dr. Saxena (56 years), a resident individual furnished the following information for the previous year 2018-19.

Income and Expenditure A/c

To	Rs.	By	Rs.
Salary to staff	3,78,000	Consultation fees	51,85,000
Cost of medicine	36,35,000	Cost of medicines recovered	7,85,000
Rent	66,000	Stock of medicine	25,000
Administrative cost	11,98,000	Interest on Post Office MIS	86,400
Advance tax	1,40,000	Interest on Time Deposit with bank (Net of TDS)	27,000
Membership fees	5,000	Rent received	20,000
Depreciation on apparatus	42,500	Winning from lotteries (Net of TDS)	7,000
Net profit	<u>6,70,900</u>		
	<u>61,35,400</u>		<u>61,35,400</u>

Other Information

- (i) Depreciation as per Income-tax Rules, 1962 to be computed as follows:

WDV as on 1.4.2018	Rs.3,00,000
Rate of depreciation	@ 15%

- (ii) Cost of administration includes Rs. 3,000 paid for municipal tax for the house let out to a tenant.

- (iii) Cost of lottery tickets amounting to Rs. 350 has not been debited to Income and Expenditure account.
- (iv) He received salary of Rs. 1,50,000 and commission of Rs. 50,000 from a nursing home in which Dr. (Mrs.) Saxena is also an equal partner. No TDS was deducted.
- (v) He received fees of Rs. 50,000 from University of Chennai as lecturer.
- (vi) Received pension of Rs. 84,000 against Life insurance cum pension plan from LIC
- (vii) He paid lumpsum payment of Rs. 1,05,000 by cheque as mediclaim insurance premium for 3 years term for self and his wife medical treatment.
- (viii) He paid LIC premium of Rs. 80,000 for his own life against a policy taken on 01.12.2017. Sum assured is Rs. 10,00,000
- (ix) He has deposited Rs. 1,20,000 in PPF
- (x) He purchased 300 shares in C Ltd. on 12.1.2017 at a cost of Rs.2,500 per share. The Fair Market Value (FMV) of the share as on 31.1.2018 is Rs.1,800. He sold all the shares of C Ltd. on 15.7.2018 for Rs.3,200.

You are required to compute the total income and tax payable thereon by Dr. Saxena for the assessment year 2019-20. **14 Marks)**

2. (a) Determine the residential status of Mrs. Ria Bran and compute her gross total income chargeable to tax for the Assessment Year 2019-20 from the following information gathered from her documents:

Mrs. Ria Bran is an Australian, got married to Mr. Arjun of India in Australia on 2.01.2018 and came to India for the first time on 18.02.2018. She left for Australia on 15.9.2018. She returned to India again on 23.03.2019.

On 01.04.2018, she had purchased a Flat in Delhi, which was let out to Mr. Sahil on a rent of Rs. 28,000 p.m. from 1.5.2018. She had taken loan from an Indian bank for purchase of this flat on which bank had charged interest of Rs. 2,15,500 upto 31.03.2019.

While in India, during the previous year 2018-19, she had received a gold chain from her in-laws worth Rs. 1,50,000, a Car worth Rs. 7,50,000 from married sister of her husband and Rs. 1,72,000 from very close friends of her husband. **(7 Marks)**

- (b) I. Examine the applicability of tax deduction at source provisions, the rate and amount of tax deduction in the following cases for the financial year 2018-19:
- (i) Rs. 2,00,000 paid to Mr. Aarav, a resident individual, on 18-05-2018 by the State of Bihar on compulsory acquisition of his urban land.
 - (ii) Payment of Rs. 2,00,000 to Mr. Rakesh a transporter who owns 8 goods carriages throughout the previous year. He does not furnish his PAN. **(4 Marks)**
- II. Examine with reasons, whether quoting of PAN in the following transactions is mandatory or not, as per the provisions of Income-tax Act, 1961 for A.Y. 2019-20:
- (i) Mr. Nihar makes cash payment to a hotel Ginger, Rishikesh of Rs. 50,000 against the bill raised by the hotel.
 - (ii) Mr. Suresh, in a single transaction, makes contract of Rs.1,85,000 for sale/purchase of securities (other than shares) as defined in section 2(h) of the Securities Contracts (Regulation) Act, 1956.

(iii) Payment to Mutual Funds of Rs.57,000 for purchase of its units.

(3 Marks)

3. (a) Mr. Sarthak entered into an agreement with Mr. Jaikumar to sell his residential house located at Kanpur on 16.08.2018 for Rs. 80,00,000.

The sale proceeds were to be paid in the following manner:

- (i) 20% through accountpayee bank draft on the date of agreement.
- (ii) 60% on the date of the possession of the property.
- (iii) Balance after the completion of the registration of the title of the property.

Mr. Jaikumar was handed over the possession of the property on 15.12.2018 and the registration process was completed on 14.01.2019. He paid the sale proceeds as per the sale agreement.

The value determined by the Stamp Duty Authority on 16.08.2018 was Rs. 90,00,000 whereas on 14.01.2019 it was Rs. 91,50,000.

Mr. Sarthak had acquired the property on 01.04.2001 for Rs. 20,00,000. After recovering the sale proceeds from Jaikumar, he purchased another residential house property for Rs. 20,00,000 on 24.3.2019.

Compute the income under the head "Capital Gains" for the Assessment Year 2019-20.

Cost Inflation Index for Financial Year(s)

2001-02- 100; 2018-19 - 280

(7 Marks)

- (b) Mr. Shivam, employed as Finance Executive in Tej Pratap Industries Pvt. Ltd., furnishes you the following information for the year ended 31-03-2019 :

- (i) Basic salary Rs. 70,000 p.m. From 1st December 2018, basic salary increased to 80,000 p.m.

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

- (ii) Dearness allowance @ 50% of basic salary (not forming part of salary for retirement benefits).
- (iii) Bonus equal to one month salary. This was paid in November, 2018 on basic salary plus dearness allowance applicable for that month.
- (iv) Contribution of employer to recognized provident fund account of the employee @ 18% of basic salary, employee also contributing an equivalent amount.
- (v) Profession tax paid Rs.2,200 of which Rs.1,800 was paid by the employer.
- (vi) Facility of laptop was provided to Shivam for both official and personal use. Cost of laptop Rs.65,000 and was purchased by the company on 11-10-2018
- (vii) Leave travel concession given to Shivam, 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 lumpsum of Rs.25,000 for three children. Shivam is eligible for availing exemption this year to the extent it is permissible under the Income-tax Act, 1961.

Compute the taxable salary of Mr. Shivam.

(7 Marks)

4. (a) Mr. Satish Sharma has derived the following income/loss, as computed below, for the previous year 2018-19:

Particulars	Rs.
Loss from let out house property	2,50,000
Loss from non-speculation business	3,20,000
Income from speculation business	12,45,000
Loss from specified business covered u/s 35AD	4,10,000
Winnings from lotteries (Gross)	1,50,000
Winnings from bettings (Gross)	90,000
Loss from card games	3,40,000

You are required to compute the total income of the assessee for the assessment year 2019-20, showing clearly the manner of set-off and the items eligible for carry forward. The return of income has been filed on 30-7-2019. **(5 Marks)**

- (b) Mrs. and Mr. Naresh Yadav have two minor children Mahi and Nonu. The following are the receipts in the hands of Mahi and Nonu during the year ended 31-3-2019:
- (i) Mahi received a gift of Rs.85,000 from her friend's father on the occasion of her birthday.
 - (ii) Nonu won a prize money of Rs.3,00,000 in National Sports competition.
This was invested in debentures of a company, from which interest of Rs.25,000 (gross) accrued during the year.

Mr. Naresh's income before considering clubbing provisions is higher than that of his wife.

Explain how these items will be considered for taxation under the provisions of the Income Tax Act, 1961. Detailed computation of income is not required. **(5 Marks)**

- (c) Briefly mention the provisions of Income-tax Act, 1961 with regard to quoting Aadhar Number under section 139AA of the Act. **(4 Marks)**

SECTION B - INDIRECT TAXES (40 MARKS)
QUESTIONS

- (i) Working Notes should form part of the answers. However, in answers to Question in Division A, working notes are not required.
- (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, 2019.
- (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.

Division A - Multiple Choice Questions

Write the most appropriate answer to each of the following multiple choice questions by choosing one of the four options given. All questions are compulsory.

Total Marks: 12 Marks

Question Nos. 1 and 2 carries 2 Marks each

1. GST is payable by recipient of services in the following cases:-
 - (i) Services provided by way of sponsorship to ABC Ltd.
 - (ii) Services supplied by a director of Galaxy Ltd. to Mr. Krishna.
 - (iii) Services by Department of Posts by way of speed post to MNO Ltd.
 - (iv) Services supplied by a recovering agent to SNSP Bank
 - (a) (i) & (iii)
 - (b) (i) & (iv)
 - (c) (ii) & (iii)
 - (d) (ii) & (iv)
2. Which of the following statements are correct?
 - (i) Revocation of cancellation of registration under CGST/SGST Act shall be deemed to be a revocation of cancellation of registration under SGST/CGST Act.
 - (ii) Cancellation of registration under CGST/SGST Act shall be deemed to be a cancellation of registration under SGST/CGST Act.
 - (iii) Revocation of cancellation of registration under CGST/SGST Act shall not be deemed to be a revocation of cancellation of registration under SGST/CGST Act.
 - (iv) Cancellation of registration under CGST/SGST Act shall not be deemed to be a cancellation of registration under SGST/CGST Act.
 - (a) (i) and (ii)
 - (b) (i) and (iv)
 - (c) (ii) and (iii)
 - (d) (iii) and (iv)

(2 x 2 Marks = 4 Marks)

Question Nos. 3 to 13 are of 1 mark each.

3. Which of the following is not eligible for opting composition scheme under GST?
 - (a) M/s ABC, a firm selling garments having annual turnover of Rs. 78 lakh.
 - (b) A startup company operating restaurant in Delhi having a annual turnover of Rs. 98 lakh.
 - (c) A courier service company operating solely in Mumbai having annual turnover of Rs. 90 lakh.
 - (d) A trader selling grocery items having an annual turnover of Rs. 95 lakh.
4. Which of the following is not a supply of services?
 - (a) Renting of Commercial Office Complex
 - (b) Payment of Non-Compete Fee by an ex-employee to his previous employer
 - (c) Repairing of Mobile Phone
 - (d) Permanent transfer of business assets on which ITC is availed
5. Which of the following services is exempt under health care services provided by clinical establishments?
 - (a) Chemist shop in the hospital selling medicines to public at large
 - (b) Food supplied from an outsourced canteen to in-patients as per diet prescribed by the hospital dietitian
 - (c) Advertisement services provided by the hospital to a pharmaceutical company for their asthma pump by displaying it prominently in the hospital building
 - (d) All of the above
6. Alcoholic liquor for human consumption is subjected to
 - (a) State excise duty
 - (b) Central Sales Tax/Value Added Tax
 - (c) Both (a) and (b)
 - (d) GST
7. Which of the following persons is not eligible for composition scheme even though their aggregate turnover does not exceed Rs. 1 crore in preceding FY, in Uttar Pradesh?
 - (a) A person supplying restaurant services
 - (b) A person supplying restaurant services and earning bank interest
 - (c) A person supplying restaurant services and warehousing of rice
 - (d) A person supplying restaurant services and warehousing of processed tea
8. Can a registered person opting for composition scheme collect GST on his outward supplies?
 - (a) Yes, in all cases
 - (b) Yes, only on such goods as may be notified by the Central Government
 - (c) Yes, only on such services as may be notified by the Central Government
 - (d) No
9. What is the due date for payment of tax for a normal taxpayer?
 - (a) Last day of the month to which payment relates
 - (b) Within 10 days of the subsequent month
 - (c) Within 20 days of the subsequent month

- (d) Within 15 days of the subsequent month
10. An exempt supply includes-
- (a) Supply of goods or services or both which attracts Nil rate of tax
- (b) Non-taxable supply
- (c) Supply of goods or services or both which are wholly exempt from tax under section 11 of the CGST Act or under section 6 of IGST Act
- (d) All of the above (8 x 1 Mark=8 Marks)

Division B - Descriptive Questions

Question No. 1 is compulsory.

Attempt any three questions out of remaining four questions.

Total Marks: 38 Marks

1. Mr. X, a supplier of goods, pays GST under regular scheme. He has made the following outward taxable supplies in a tax period:

Particulars	(Rs.)
Intra-State supply of goods	8,00,000
Inter-State supply of goods	3,00,000

He has also furnished the following information in respect of purchases made by him in that tax period:

Particulars	(Rs.)
Intra-State purchases of goods	2,00,000
Inter-State purchases of goods	50,000

Mr. X has following ITCs with him at the beginning of the tax period:

Particulars	(Rs.)
CGST	57,000
SGST	Nil
IGST	70,000

Note:

- (i) Rate of CGST, SGST and IGST to be 9%, 9% and 18% respectively.
- (ii) Both inward and outward supplies are exclusive of taxes, wherever applicable.
- (iii) All the conditions necessary for availing the ITC have been fulfilled.

Compute the minimum GST, payable in cash, by Mr. X during the tax period. Make suitable assumptions as required. (8 Marks)

2. (a) Determine taxable value of supply under GST law with respect to each of the following independent services provided by the registered persons:

Particulars	Gross amount charged (Rs.)
Fees charged for yoga camp conducted by a charitable trust registered under section 12AA of the Income-tax Act, 1961	50,000

Amount charged by business correspondent from banking company for the services provided to the rural branch of a bank with respect to Savings Bank Accounts	1,00,000
Amount charged by cord blood bank for preservation of stem cells	5,00,000
Amount charged for service provided by commentator to a recognized sports body	5,20,000

(4 Marks)

- (b) Raman is an architect in Chennai. His brother who is settled in London is a well-known lawyer. Raman has taken legal advice from him free of cost with regard to his family dispute. Examine whether the said activity would amount to supply under section 7 read with Schedule I of the CGST Act

Would your answer be different if in the above case, Raman has taken advice in respect of his business unit in Chennai?

(6 Marks)

3. (a) Determine the effective date of registration in following cases:
- (i) The aggregate turnover of Dhampur Footwear Industries of Delhi has exceeded the applicable threshold limit of Rs. 40 lakh on 1st September. It submits the application for registration on 20th September. Registration certificate is granted to it on 25th September.
- (ii) Mehta Teleservices is an architect in Lucknow. Its aggregate turnover exceeds Rs. 20 lakh on 25th October. It submits the application for registration on 27th November. Registration certificate is granted to it on 5th December.
- (4 Marks)**
- (b) The aggregate turnover of Sangri Services Ltd., Delhi, exceeded Rs. 20 lakh on 12th August. He applied for registration on 3rd September and was granted the registration certificate on 6th September. You are required to advise Sangri Services Ltd. as to what is the effective date of registration in its case. It has also sought your advice regarding period for issuance of Revised Tax Invoices.
- (6 Marks)**
4. (a) Discuss the provisions relating to time of supply of goods that are taxable under reverse charge?
- (5 Marks)**
- (b) Mr. X, a regular tax payer, did not make any taxable supply during the month of July. Is he required to file any goods and service tax return?
- (3 Marks)**
- (c) What could be the liabilities (in so far as registration is concerned) on transfer of a business?
- (2 Marks)**