

Roll No. **INTERMEDIATE (IPC)**
GROUP 1 - PAPER 4
TAXATION

Total No. of Questions – 12

Total No. of Printed Pages – 16

Time Allowed – 3 Hours

Maximum Marks – 100

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Answers to questions are to be given only in English except in the case of candidates who have opted for Hindi Medium. If a candidate has not opted for Hindi Medium, his/her answers in Hindi will not be valued.

Answer to Section A and B should be given in separate sets of answer books.

SECTION – A

Marks : 50

Question No. 1 is compulsory.

Attempt any **four** questions from the REST.

Working notes should form part of the respective answers.

All questions pertaining to Income Tax Act, relate to **Assessment year 2018-2019**, unless stated otherwise in the question.

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1. Mr. Murari, a resident individual, age 48 years provides consultancy services in the field of accountancy. His Income and Expenditure account for the year ended 31st March, 2018 is as follows :

Income and Expenditure account for the year ending 31st March, 2018

Expenditure	Amount (₹)	Income	Amount (₹)
To Salary	3,00,000	By Consulting fees	8,00,000
To Motor car expenses	58,000	By Share of Profit from	
To Depreciation	47,500	HUF	25,000
To Medical expenses	70,000	By Interest on saving	
To Purchase of computer	80,000	bank deposits	15,000
To Bonus	10,000	By Interest on income	
To General expenses	55,000	tax refund	8,000
To Office & administrative	75,000		
To Excess of income over expenditure	1,52,500		
	8,48,000		8,48,000

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The following other information relates to the financial year 2017-2018 :

- (1) Salary includes a payment of ₹ 12,000 per month to his brother-in-law who is in-charge of the marketing department. However, in comparison to similar business, the reasonable salary of a marketing supervisor is ₹ 10,000 per month.
- (2) Interest on saving bank deposit belongs to his wife who has deposited the money out of the pocket money given to her every month.
- (3) Written down value of the assets as on 1st April, 2017 are as follows :

Motor Car (40% used for personal use)	₹ 2,00,000
Furniture and Fittings	₹ 50,000
- (4) Medical expenses includes :
 - Family planning expenditure ₹ 15,000 incurred for the employees which was revenue in nature.
 - Medical expenses for his father ₹ 35,000. (Father's age is 65 years)
- (5) The computer was purchased on 5th June, 2017 on credit. The total invoice was paid in the following manner :
 - ₹ 18,000 paid in cash as down payment on the date of purchase.
 - Remaining amount was paid through account payee cheque on 10th August, 2017.
- (6) Bonus was paid on 30th September, 2018.
- (7) General expenses include commission payment of ₹ 22,000 to Mr. Sridhar for the promotion of business on 17th September, 2017 without deduction of tax at source.
- (8) He also received gold coins from a family friend on the occasion of marriage anniversary on 5th December, 2017. The market value of the coins on the said date was ₹ 55,000.

Compute the total income and the tax liability of Mr. Murari for the assessment year 2018-2019.

2. (a) Mr. Surya, an Indian citizen, travelled frequently out of India for his business trip as well as for his outings. He left India from Mumbai airport on 15th May 2017 as stamped in the passport. He has been in India for less than 365 days during the 4 years immediately preceding the previous year and has not been in India for at least 60 days in the previous year.

Determine :

- (i) Residential status of Mr. Surya and
- (ii) Total income for the assessment year 2018-2019 from the following information :

(1) Dividend amounting to ₹ 20,000 received from Sassy Ltd., a Switzerland based company, which was transferred to his Swiss bank account. He had borrowed money from Mr. Sundarlal, a non-resident Indian, for the above mentioned investment on 2nd April, 2017. Interest on the borrowed money for the previous year 2017-2018 amounted to ₹ 2,500.

(2) Short term capital gain on the sale of shares of Trena India Ltd. a listed Indian Company amounting to ₹ 35,000. The sale proceeds were credited to his Swiss bank account.

(3) Interest on fixed deposit with State Bank of India (Mumbai) amounting to ₹ 8,000 was credited to his saving account.

- (b) Mr. Chakrobarty, a resident, aged 35 years, works as a deputy manager in Dews Limited, located in Noida since April 2010. He own two houses and uses it for self-purpose. The following information relates to the houses for the previous year 2017-2018;

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Location	House-I	House-II
	Noida	Gurgaon
	(He and his family reside)	(His parents reside)
Municipal value per annum (₹)	8,00,000	9,00,000
Fair rent (₹)	9,20,000	8,80,000
Standard rent per annum (₹)	8,40,000	9,20,000
Actual rent (per month) (₹)	—	—
Municipal taxes paid during the year	8%	10%
Date of completion of construction of properties	31 st March, 2010	25 th May, 2017

He had taken a loan of ₹ 18,00,000 for the construction of the House-II on 1st April, 2015. Interest was payable @ 10% per annum. Till date, no payment was made towards the principal amount.

Mr. Chakrobarty, seeks your professional advice to plan his tax liability. Give suggestions to Mr. Chakrobarty which house should be considered and treated as a self-occupied property so that his house property income is minimum for the assessment year 2018-2019.

3. (a) Ms. Nandini, a resident individual, aged 48 years, is an assistant manager of Dye Hard Ltd. She was appointed on 1st June, 2015 at a salary of ₹ 32,000 per month. During the previous year 2017-2018, she received the following amounts from her employer.
- Dearness allowance (10% of basic pay which forms part of salary for retirement benefits).
 - Bonus for the previous year 2016-2017 amounting to ₹ 32,000 was received on 1st October, 2017.

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- (iii) Fixed Medical allowance of ₹ 20,000 for meeting medical expenditure.
- (iv) She was also reimbursed the medical bill of her father-in-law dependent on her amounting to ₹ 3,000.
- (v) Ms. Nandini was provided;
- a laptop both for official and personal use. Laptop was acquired by the company on 1st June, 2015 at ₹ 15,000.
 - a domestic servant at a monthly salary of ₹ 1,000 which was reimbursed by her employer.
- (vi) Dye Hard Ltd. allotted 500 equity shares in the month of December 2017 @ ₹ 150 per share against the fair market value of ₹ 250 per share on the date of exercise of option by Ms. Nandini. The fair market value was computed in accordance with the method prescribed under the Act.
- (vii) Professional tax ₹ 2,500 (out of which ₹ 1,800 was paid by the employer).

Compute the total Income of Ms. Nandini for the assessment year 2018-2019. (Assume that Ms. Nandini pays tax on the receipt basis).

- (b) Mr. Sharma, a resident individual, aged 40 years, suffers from severe disability as certified by medical authority. He gives the following information for the previous year 2017-2018;
- (i) He had written a book for Himalaya Publication on "Yoga and its benefits". A lump sum amount of royalty income earned in the previous year 2017-2018 amounted to ₹ 6,00,000. Expenses incurred for writing the book amounted to ₹ 20,000.
- (ii) His friends gifted a statue of Lord Ganesh to his daughter Ms. Diya (aged 14 years) on the successful completion of her secondary school. Fair market value of the statue is ₹ 55,000.
- (iii) The following gift was received on the occasion of his son's (aged 10 years) thread ceremony;
- in-laws-gold chain worth ₹ 35,000
- (iv) He had deposited ₹ 50,000 in fixed deposit with Bank of Baroda in the name of his son in March 2016. Interest earned on such deposit ₹ 5,000.

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- (v) He donated ₹ 5,000 in cash to Swabhiman, a NGO set up for the destitute (the association was registered under section 80G of the Income Tax Act, 1961).
- (vi) He paid life insurance premium on his life ₹ 10,000 (sum assured ₹ 1,00,000)

Compute the gross total income of Mr. Sharma for the assessment year 2018-2019.

4. (a) Mr. Dheeraj, a resident individual, is a dealer of food grains. During the previous year 2017-2018, total turnover of his business was ₹ 80 lakhs. (out of which ₹ 15 lakhs was received in account payee cheques and balance in cash). He estimates similar turnover in the previous year 2018-2019. As suggested by his tax consultant, Mr. Dheeraj wants to opt for computation of profit and gains of business on presumption basis under section 44AD for the previous year 2018-2019.

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Guide Mr. Dheeraj relating to the provisions of advance tax with its due date along with the amount payable, if he opts for the above mentioned presumptive taxation.

- (b) Mr. Sharad, set up a manufacturing unit of detergent powder in notified backward area on 20th April, 2017. He purchased the following machineries (falling under 15% block) during the previous year 2017-2018.

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	Amount (₹ lakhs)
(i) Machinery A, Machinery B and Machinery C from XYZ Limited on credit (installed on 20 th June, 2017)	45
(ii) Machinery D from Suyog Limited (installed on 5 th September, 2017). The Invoice was paid through a cash payment on the same day.	25
(iii) Machinery E from Den Limited (a second hand Machine dealer) in 15 th December, 2017 (The payment for the purchase invoice was made through NEFT on 2 nd January, 2018)	5

Compute the depreciation allowance under section 32 of the Income Tax Act, 1961 for the assessment year 2018-2019.

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5. Mr. Rajeev submits the following information for the previous year 2017-2018;

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(Amount in ₹)

(i) Income from salary	6,50,000
(ii) Income from House-I	55,000
(iii) Loss from house-II (self-occupied property)	1,25,000
(iv) Loss from house-III	1,90,000
(v) Loss from leather business	68,000
(vi) Profit from cloth business	1,70,000
(vii) Business loss of chemical business acquired by inheritance	45,000
(viii) Brought forward loss of discontinued business of textile relating to financial year 2012-2013	50,000
(ix) Long term capital gain on transfer of listed equity shares on which STT was paid	75,000
(x) Short term capital loss in equity-oriented funds on which STT was paid	35,000
(xi) Income from crossword puzzles	12,000
(xii) Dividend from foreign company	8,500
(xiii) Loss on owning and maintenance of race horses	7,500
(xiv) Income from owning and maintenance of race bulls	9,000
(xv) Mr. Rajeev had taken an education loan from XYZ Bank for his niece who is dependent on him for pursuing full time MBA course on 2 nd April, 2017. During the year, interest on loan was due for ₹ 55,000. However, he paid towards principal and interest ₹ 90,000 and ₹ 30,000 respectively.	

Compute the gross total income and losses to be carried forward of Mr. Rajeev for assessment year 2018-2019.

6. Answer any two from the following three questions :

- (a) Examine the applicability of the provisions for tax deduction at source under Income Tax Act, 1961. 5
- (i) Mr. Z, a resident, is due to receive ₹ 95,000 on 01.10.2017 towards maturity proceeds of LIC policy taken on 01.10.2012 for which sum assured was ₹ 90,000 and the annual premium was ₹ 15,000.
- (ii) Mudra Ltd., an advertising Company, has retained a sum of ₹ 15 Lakhs, towards charges for procuring and canvassing advertisement, from payment of ₹ 1 crore due to Cloud TV, A television channel and remitting the balance amount of ₹ 85 Lakhs to the television channel. Would the provisions of Tax deduction at source under section 194H be attracted on the sum of ₹ 15 Lakhs retained by the advertising company ?
- (iii) Mr. X is salaried Individual pays rent of ₹ 55,000 per month to Mr. Y (does not have PAN) from June 2017. Is he required to deduct TDS ? If so, when is he required to deduct tax ? Mr. X vacated the premises on 31st December, 2017.
- (b) Mr. Subramaniam, due to inadvertent reasons failed to file his Income Tax return for assessment year 2017-2018. 5
- (i) Can he file the above return in assessment 2018-2019 ? If yes, when is the last date to file the above return ?
- (ii) What are the consequences of non-filing the return within the due date under section 139(1) ?
- (c) The following details are provided by Mr. Pinto, an individual, for the assessment year 2018-2019. 5

	Amount (₹)
Total estimated tax payable	2,00,000
TDS (estimated but not deducted)	55,000
Determine the advance tax payable with their due dates for the assessment year 2018-2019.	

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SECTION - B

Marks : 50

Question No. 7 is compulsory.

Attempt any **four** questions from the rest.

Working notes should form part of the respective answers.

All questions should be answered on the basis of position of GST law as amended upto
30th April, 2018

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7. (a) Worldwide Pvt. Ltd (a registered Taxable Person) having the Gross receipt of ₹ 50 Lakhs in the previous financial year provides the following information relating to their services for the month of July, 2018. 6

Sr. No.	Particulars	Amount (₹)
(1)	Running a boarding school	2,40,000
(2)	Fees from prospective employer for campus interview	1,70,000
(3)	Education Services for obtaining the qualification recognised by Law of Foreign Country	3,10,000
(4)	Renting of Furnished Flats for Temporary Stay to different persons (Rent per day is less than ₹ 1,000 per person)	1,20,000
(5)	Conducting Modular Employable Skill Course, Approved by National Council of Vocational Training	1,40,000
(6)	Conducting Private Tutions	3,00,000

Compute the value of Taxable Supply and the amount of GST Payable.
The above receipts doesn't include the GST Amount. Rate of GST is 18%.

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- (b) M/s J & Co. Chartered Accountants a partnership firm having its registered and head office in Mumbai and Registered under the GST Act in the State of Maharashtra only. It does not have any branches in other state. The Gross Receipts of the firm in the Financial Year 2017-18 was ₹ 60 Lakhs. Firm has submitted following information for the month of August, 2018 :

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Particulars	Amount (₹) (Excluding GST)
Professional Services Provided and Bills Raised during the month for Providing of Services of ITR Filing and Income Tax Consultancy	1,00,000
Internal Audit of X Pvt. Ltd. at their office in Mumbai (Registered in the state of Maharashtra)	50,000
Statutory Audit Services provided to M/s Tirupati Trading Pvt. Ltd. at Ahmedabad (Registered in the State of Gujarat)	70,000

Firm has also furnished following information in respect of input services availed from registered dealers for providing of output services during the month August, 2018 :

Particulars	Amount (₹) (Excluding GST)	CGST	SGST	IGST
Services availed from Courier Agency	5,000	450	450	Nil
Railway Travelling Expenses from Mumbai to Ahmedabad and Return Ticket for conducting of Audit of M/s Tirupati Trading Pvt. Ltd. for 3 Tier AC	12,000	Nil	Nil	600
Service Availed from Another Professional Firm at Mumbai amount is paid without TDS U/s 194 J of Income Tax Act	20,000	3,600	Nil	Nil

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Notes :

- (i) Rate of CGST, SGST and IGST to be 9%, 9% & 18% respectively, on outward supplies.
- (ii) All the conditions necessary for availing the ITC have been fulfilled.
- (iii) Opening Balance of available input tax credit is NIL for CGST, SGST and IGST.

Compute the Net GST Payable by M/s J & Co. for the month August, 2018 after adjusting the GST Credit. Brief reasoning should form part of your answer.

8. (a) J P Charitable institution, an entity registered under Section 12 AA of Income Tax Act, 1961 and registered in GST, has furnished you the following details with respect to the activities undertaken by it during the month of January, 2018. You are required to compute its Taxable Value of GST from the information given below, assuming the rate of GST is 18%. Brief reasoning should be part of your answer. 5

Particulars	Amount (₹) Excluding GST
Membership fees received from members	10,00,000
Amount received for advancement of educational programs relating to abandoned or orphaned or homeless children	4,00,000
Amount received for renting of commercial property owned by Trust	5,00,000
Amount received for counselling of terminally ill person	3,50,000
Fees charged for Yoga Camp conducted by Trust	2,00,000
Amount received relating to preservation of Forest & Wildlife	6,00,000

- (b) M/s XYZ & Co., a firm of Chartered Accountants, issued invoice for services rendered to Mr. A on 7th September, 2017. Determine the Time of Supply in the following independent cases :

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- (1) The provision of service was completed on 1st August, 2017.
- (2) The provisions of service was completed on 14th August, 2017.
- (3) Mr. A made the payment on 3rd August, 2017 where provisions of service was remaining to be completed.
- (4) Mr. A made the payment on 15th September, 2017 where provision of service was remaining to be completed.

9. (a) 'M/s Maheshwari Corporation Pvt. Ltd. is a supplier of goods and services at Bangalore, registered in the State of Karnataka having Turnover of ₹ 200 lakhs in the last financial year. It has furnished the following information for the month of June, 2018.

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Sr. No.	Particulars	Amount in (₹) Excluding GST
(1)	Services provided by way of Labour Contract for repairing a single residential unit otherwise than as a part of residential complex (It is an intra state transaction.)	1,30,000
(2)	Intra State Sale of Taxable Goods including ₹ 50,000 received as advance in April, 2018. The invoice for the entire sale value is issued on 15 th June, 2018	2,50,000
(3)	Goods Transport Services received from GTA, GTA is paying tax @ 12% (It is an interstate transaction.)	1,80,000
(4)	Goods Purchased from unregistered dealer on 20 th June, 2018 (Interstate purchases are worth ₹ 45,000 and balance purchases was intrastate).	80,000

Compute Net GST Liability (CGST, SGST, IGST as the case may be) of M/s Maheshwari Corporation Pvt. Ltd. for the month of June, 2018 assume the rates of GST, unless otherwise specified, as under :
CGST – 9%, SGST – 9%, IGST – 18%

- (b) Harshgeet Pvt. Ltd. a registered supplier is engaged in the manufacture of taxable goods. The company provides the following information pertaining to GST paid on the purchases made/input services availed by it during the month of July, 2018 : 5

Sr. No.	Particulars	GST Paid
(1)	Raw Material (To be received in September, 2018)	2,50,000
(2)	Membership of a club availed for employees working in the factory	1,45,000
(3)	Inputs to be received in 5 lots, out of which 3 rd lot was received during the month	80,000
(4)	Trucks used for transport of raw material	40,000
(5)	Capital Goods (out of 3 items, invoice for 2 items is missing and GST paid on that item is ₹ 80,000.	1,50,000

Determine the amount of Tax Credit available with Harshgeet Pvt. Ltd. for the month of July, 2018 by giving the necessary explanation for treatment of various items. All the conditions necessary for availing the ITC have been fulfilled.

10. (a) (i) There is a dairy farm selling milk and milk products in Delhi. 2
 The turnover of his dairy farm is as below :
 Milk (Exempted) : ₹ 19,90,000
 Butter (Taxable) : ₹ 50,000
 What is the registration liability under GST for the above mentioned person assuming he has same PAN ?
- (ii) Amit, a taxable person, is operating in Tamilnadu, Punjab and 2
 West Bengal, with the same PAN. Can he operate with a single registration in West Bengal ?

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- (b) (i) Mr. X is running a consulting firm and also a readymade garment showroom in Kolkata registered in same PAN. Turnover of the showroom is ₹ 70 lakhs and receipt of consultancy firm is ₹ 15 lakhs in the preceding financial year. You are required to answer the following : 2
- (1) Is Mr. X eligible for composition scheme ?
- (2) Is it possible for Mr. X to opt for composition scheme only for showroom ?
- (ii) Differentiate between direct and indirect Taxes (Give any two points) 2
- (c) Can a person get himself voluntarily registered though he may not be liable to pay GST ? 2

11. (a) Insight Ltd. is operating in West Bengal. The Tax liability for the month of August, 2017 is as follows : 4

SL. No.	Tax Liability	West Bengal (₹)
(1)	Output CGST Payable	24,000
(2)	Output SGST Payable	9,000
(3)	Output IGST Payable	3,000
(4)	Input CGST	7,000
(5)	Input SGST	14,000
(6)	Input IGST	12,000

Calculate Tax payable and carry forward for the month of August, 2017.

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- (b) M/s Software Limited reduced the amount of ₹ 2,00,000 from the output tax liability in contravention of provisions of section 42(10) of the CGST Act, 2017 in the month of December 2017, which is ineligible credit. A show cause notice was issued by the Tax Department to pay Tax along with interest. M/s Software Limited paid the tax and interest on 31st March, 2018. Calculate Interest liability (Ignore Penalty). 4
- (c) The Aggregate Turnover of Vikas Enterprise of Mumbai (Maharashtra) has exceeded ₹ 20 Lakhs on 25th January, 2018. It submits the application for Registration on 15th February, 2018. Registration certificate is granted on 20th February, 2018. Determine the effective date of Registration under CGST Act, 2017. 2
12. Attempt any two parts out of (a), (b) & (c).
- (a) What kinds of invoice details of outward supplies are required to be furnished in GSTR-1 for outward supplies ? 5
- (b) Discuss the provisions relating to issuance of credit notes and debit notes under CGST Act and rules there under. 5
- (c) State whether the following supplies would be treated as supply of goods or supply of services as per Schedule-II of CGST Act : 5
- Renting of Immovable Property
 - Transfer of right in goods without transfer of title in goods.
 - Works Contract Services
 - Temporary transfer of permitting use or enjoyment of any intellectual property right
 - Sale of personal car to dealer.