

**INTERMEDIATE (IPC)
GROUP I - PAPER 4
TAXATION**

LYK2

NOV 2019

Roll No.

Total No. of Printed Pages – 12

Total No. of Questions – 10

Maximum Marks – 70

GENERAL INSTRUCTIONS TO CANDIDATES

1. The question paper comprises two parts, Part I and Part II.
2. Part I comprises Multiple Choice Questions (MCQs).
3. Part II comprises questions which require descriptive type answers.
4. Ensure that you receive the question paper relating to both the parts. If you have not received both, bring it to the notice of the invigilator.
5. Answers to Questions in Part I are to be marked on the OMR answer sheet only. Answers to questions in Part II are to be written on the descriptive type answer book. Answers to MCQs, if written in the descriptive type answer book, will not be evaluated.
6. OMR answer sheet will be in English only for all candidates, including for Hindi medium candidates.
7. The barcoded sticker provided in the attendance register, is to be affixed only on the descriptive type answer book. No barcode sticker is to be affixed on the OMR answer sheet.
8. You will be allowed to leave the examination hall only after the conclusion of the exam. If you have completed the paper before time, remain in your seat till the conclusion of the exam.
9. Duration of the examination is 3 hours. You will be required to submit (a) Part I of the question paper containing MCQs, (b) OMR answer sheet thereon and (c) the answer book in respect of descriptive type answer book to the invigilator before leaving the exam hall, after the conclusion of the exam.
10. The invigilator will give you acknowledgement on Page 2 of the admit card, upon receipt of the above-mentioned items.
11. Candidate found copying or receiving or giving any help or defying instructions of the invigilators will be expelled from the examination and will also be liable for further punitive action.

**PART – II
SECTION – A**

70 marks

1. Question paper comprises 5 questions. Answer Question No. 1 which is compulsory and any 3 out of the remaining questions.
2. Working notes should form part of the answer.
3. Answers to the 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 evaluated.
4. Answers to all questions should relate to Assessment Year 2019-20 unless otherwise stated.

SECTION – B

1. Question paper comprises 5 questions. Answer Question No. 6 which is compulsory and any 3 out of the remaining questions.
2. Working notes should form part of the answer.
3. Answers to the 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 evaluated.
4. All questions should be answered on the basis of position of GST law as amended upto 30th April, 2019.

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PART – II

Section – A

1. Ms. Kanchan, a resident individual aged 61 years, provides the following information for the financial year 2018-19 : 14

- (i) She is partner in SAR & Associates and received the following amounts from the firm :

Share of profit from the firm	₹ 31,100
Interest on capital @ 15% p.a.	₹ 2,85,000
Rent for an office	₹ 1,44,000
Salary as working partner (fully allowed in the hands of the firm)	₹ 1,20,000

- (ii) She worked as a sales manager in her friend's show-room for 2 months at a salary of ₹ 30,000 per month.

- (iii) She started her own boutique on 01-08-2018. The net profit as per Profit & Loss account for the period of initial 8 months is ₹ 3,50,000.

The following items are debited to Profit and Loss account :

Advance Income-tax paid ₹ 90,000

Personal drawings ₹ 80,000

The following items are credited to Profit and Loss Account :

• Interest on savings bank account with PNB ₹ 27,000

• Interest on savings account with post office ₹ 11,000

• Interest on Fixed Deposits with Canara Bank ₹ 25,000

- (iv) She owned a house property which was sold in June, 2018 for ₹ 80 Lakh. This property was purchased for ₹ 31.5 Lakh in January 2003. She received ₹ 90,000 by way of arrear rent in respect of the said property in March, 2019.

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(v) She made the following investments :

Life insurance premium on a policy in the name of her husband ₹ 87,000. (The policy was taken on 01-07-2012 and the sum assured being ₹ 8,00,000).

Health insurance premium on a policy covering her mother aged 83.

She is not dependant on Ms. Kanchan. Premium paid by cheque ₹ 54,000.

Cost inflation indices for different years are as under :

Financial Year :	2002-03	2003-04	2018-19
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Cost inflation index :	105	109	280
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Compute the total income and the tax liability of Ms. Kanchan for the Assessment Year 2019-20.

2. Miss Bansuri, a Chinese National, got married to Mr. Keshav of India in Beijing on 3rd February, 2018 and came to India for the first time on 14-02-2018. She left for China on 11-08-2018. She returned to India again on 20-02-2019.

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She received the following gifts from her relatives and friends during 01-04-2018 to 31-03-2019 in India :

- | | |
|---|------------|
| – From parents of husband | ₹ 71,000 |
| – From married sister of husband | ₹ 21,000 |
| – From two very close friends of her husband, | |
| ₹ 1,41,000 and ₹ 1,21,000 | ₹ 2,62,000 |

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- (a) Determine her residential status and compute the total income chargeable to tax along with the amount of tax payable on such income for the Assessment Year 2019-20.
- (b) Will your answer change if she had returned to India again on 20-01-2019 instead of 20-02-2019 ?

3. Mr. Swaraj has provided the following particulars for the year ended 31-03-2019 : 7

- (i) He retired on 31-12-2018 at the age of 58, after putting in 25 years and 9 months of service, from a private company at Delhi.
- (ii) He was paid a salary of ₹ 25,000 p.m. and house rent allowance of ₹ 6,000 p.m. He paid rent of ₹ 6,500 p.m. during his tenure of service.
- (iii) On retirement, he was paid a gratuity of ₹ 3,50,000. He was covered by the payment of Gratuity Act, 1972. He had not received any other gratuity at any point of time earlier, other than this gratuity.
- (iv) He had accumulated leave of 15 days per annum during the period of his service; this was encashed by him at the time of his retirement. A sum of ₹ 3,15,000 was received by him in this regard. Employer allowed 30 days leave per annum.
- (v) The company presented him with a gift voucher of ₹ 5,000 on his retirement. His colleagues also gifted him a mobile phone worth ₹ 50,000 from their own contribution.

You are requested to compute his income from salary for the assessment year 2019-20.

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4. (a) M/s ABC and Co., a partnership firm, started its textile business on 01-04-2018. During the previous year 2018-19, it appoints the following persons :

Date of appointment	No. of Employees	Designation	Emoluments (in ₹ per person/month)
01-04-2018	25	Accounting and office staff	22,000
01-05-2018	25	Technical staff	25,200
01-08-2018	100	Supervisors	28,000
01-09-2018	200	Helpers	22,000
Total	350		

Determine the amount of deduction available, if any, for the assessment year 2019-20, if turnover of ABC and Co. for the previous year 2018-19 is ₹ 4 crore and tax audit under section 44AB is applicable and all the employees participates in the recognised provident fund.

What would be your answer if the business of M/s ABC and Co. was of manufacture of leather products instead of textile ?

(Assume that all the requirements under the relevant section, relating to the aforesaid deduction, have been fulfilled.)

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- (b) Ms. Netra, a resident individual aged 32 years, furnishes you with the following information for the year ended on 31-03-2019 : 3

Particulars	Amount (₹)
Income from business of handloom trading	2,65,000
Long term capital gain on sale of jewellery	1,55,000
Long term capital loss on sale of shares listed in recognized stock exchange (STT paid both at the time of sale and purchase of shares)	1,25,000

Ms. Netra also has a brought forward loss of ₹ 4,500 from handloom business related to assessment year 2010-11, and a brought forward loss from house property amounting to ₹ 2,20,000 related to the assessment year 2018-19.

You are required to compute the total income of Ms. Netra for the assessment year 2019-20 and the amount of loss, if any, to be carried forward.

5. (a) Answer any **one** of the following two sub-parts :

- (i) Mr. Mani, a resident individual, sold a plot of land on 20th March, 2019. Long term capital gain on such sale amounted to ₹ 5,00,000. Since he had no other income during the previous year 2018-19, he did not pay any advance tax instalment. 4

You are required to calculate the amount of advance tax payable by Mr. Mani, if any.

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Base your answer on the relevant provisions relating to the payment of advance tax on income from capital gain and advise Mr. Mani suitably, so that the liability on late payment does not arise.

OR

(ii) 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 : **4**

(A) An insurance company paid ₹ 45,000 as insurance commission to its agent Mr. Abjijeet.

(B) Gupta and Co. (firm), engaged in wholesale business, assigned a contract for construction of its godown building to Mr. Ravi. The firm paid an aggregate of ₹ 10,00,000 to Mr. Ravi during the year.

(C) Y and Co. engaged in real estate business, conducted a lucky dip and gave a Maruti Car worth ₹ 5,00,000 to the prize winner.

(D) An advertisement company paid ₹ 5,00,000 to a cricketer, Mr. Peter from England, for working in an advertisement film.

(b) Explain with brief reasons, whether the return of income can be revised under section 139(5) of the Income-tax Act, 1961 in the following cases : **3**

(i) Defective or incomplete return filed under section-139(9).

(ii) Return already revised once under section-139(5).

(iii) Return of loss filed under section-139(3).

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Section – B

6. Alfa Institute of Management (AIM), a private college, is registered under GST in the State of Punjab.

AIM provides the following particulars for the month of April 2019 :

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Sl. No.	Particulars	Amount (₹)
i.	Tuition fee received from students pursuing management courses recognised by Punjab University, established by an Act of State Legislature	18,00,000
ii.	Tuition Fee received from Students pursuing under-graduate courses recognised by Stan University, London under Dual Degree programmes	8,50,000
iii.	Fee received from students of Competitive Exam training academy run by a Department of AIM	5,40,000
iv.	Mess fees received from Students (Mess is run by AIM on its own)	3,20,000
v.	Amount paid to Local Municipal Corporation for premises taken on rent for conducting coaching classes for Competitive Exams	50,000
vi.	Legal Services availed from Top Care & Co., a Partnership firm of advocates, for the Competitive Exam training academy (Intra-state transaction)	20,000

Note :

Rate of CGST, SGST and IGST are 9%, 9% and 18% respectively for both outward and inward supplies.

All the amounts given above are exclusive of taxes wherever applicable.

All the conditions necessary for availing the ITC have been fulfilled wherever applicable.

No opening balance of ITC under any head of tax.

From the information given above, you are required to calculate the Value of taxable Supply and net GST liability (CGST, SGST or IGST as the case may be) to be paid in cash, if any, by AIM for the month of April 2019.

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7. (a) Dina Ltd., a registered supplier from Maharashtra, is engaged in the manufacturing of Passenger auto. The company provides the following details of purchases made/services availed by it during the month of March 2019:

Sl. No.	Particulars	GST Paid ₹
i.	Purchase of Iron which is used as a raw material [Goods were received in two instalments, first one in March 2019 and the second instalment was received in April 2019]	2,50,000
ii.	Purchase of accessories which were delivered directly to the Dealers of the company. Only invoice was received by Dina Ltd.	90,000
iii.	Purchase of Bus (seating capacity 15) for the transportation of employees from their residence to company and back	1,97,000
iv.	Input tax credit on general insurance taken on a car used by Executives of the company for official purposes	5,200
v.	Payment made to M/s Tasty Caterers for providing daily breakfast & lunch to the employees of the company, as a voluntary staff welfare measure	54,700

You are required to determine the eligible Input Tax Credit available to M/s Dina Ltd. for the month of March 2019, by giving brief explanations for treatment of various items. Subject to the information given above, all the other conditions necessary for availing input tax credit have been fulfilled.

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- (b) M/s Pranav Associates, a Partnership Firm, provided recovery agent service to Newtron Credits Ltd., an NBFC and a registered supplier, on 15th January, 2019. Invoice for the same was issued on 7th February, 2019 and the payment was made on 18th April, 2019 by Newtron Credits Ltd. Bank account of company was debited on 20th April, 2019. Determine the following : 4
- (i) Person liable to pay GST
 - (ii) Time of supply of service.
8. (a) Kartik & Co., a registered supplier under GST, provides the following information regarding various tax invoices issued by it during the month of March 2019 : 5
- (i) Value of supply charged in an invoice was ₹ 2,50,000 against the actual taxable value of ₹ 2,30,000
 - (ii) Tax Charged in an Invoice was ₹ 32,000 against the actual tax liability of ₹ 68,000 due to wrong HSN code being chosen while issuing invoice
 - (iii) Value charged in an Invoice was ₹ 3,20,000 as against the actual value of ₹ 4,20,000 due to wrong quantity considered while billing.
- Kartik & Co. asks you to answer the following :
- (1) Who shall issue a Debit/Credit Note under CGST Act, 2017 ?
 - (2) Whether Debit Note or Credit Note has to be issued in each of the above circumstances and, if so, quantify the amount for which it is to be issued.
 - (3) What is the maximum time-limit available for declaring the credit note in the GST Return ?

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(b) Examine, with reason, whether registration is required under CGST Act, 2017 in the following independent cases : **4**

- (i) Aadhav Computers of Gujarat is providing Computer Maintenance Service. Aggregate Turnover of Aadhav Computers is ₹ 15 Lakhs which comprises both inter-state and intra-state supply.
- (ii) Soft Wings of West Bengal, exclusively trading in garments, supplies its taxable goods to various States in India. Aggregate Turnover of Wild Wings is ₹ 35 Lakhs.

9. (a) M/s United Electronics, a registered dealer, is supplying all types of Electronic Appliances in the State of Karnataka. Their aggregate Turnover in the Financial Year 2018-19 by way of supply of appliances was ₹ 120 Lakhs. **5**

The firm also expects to provide repair and maintenance service of such Appliances from the financial year 2019-20.

With reference to the latest amendments made in CGST Act, 2017, examine :

(i) Whether the firm can opt for the composition scheme for the financial year 2019-20, as the turnover may include supply of both goods and services ?

(ii) If yes, up to what amount, the supply of service can be provided ?

(b) Mr. Alok, a registered supplier of taxable goods, filed GSTR 3B for the month of January 2019 on 15th April, 2019. The prescribed due date to file the said GSTR 3B was 20th February, 2019. The amount of net GST payable on supplies made by him for the said month worked out to ₹ 36,500 which was paid on the same date of filing the return. **4**

Briefly explain the related provisions and compute the amount of interest payable under the CGST Act, 2017 by Mr. Alok.

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10. (a) Discuss about the exemption available to the services provided by an Old Age Home under the CGST Act, 2017. 4

OR

Documents based on which ITC is taken should contain at least certain details. What are they ?

- (b) Discuss about the late fee levied for delay in filing : 5
- (i) Final Return
 - (ii) Annual Return

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