

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

Time Allowed – 3 Hours

Maximum Marks – 100

SECTION – A: INCOME TAX (50 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. Mrs. Gupta, resident in India, holds many equity shares of reputed domestic companies. During the previous year 2018-19, total dividend earned by her is Rs.11,00,000. She is of the belief that dividend income earned by her is tax free. She approaches you to assist her in filing her income tax return. As her tax consultant, will you advise her that any dividend income earned by her is tax free?
- (a) Yes, as dividend earned by her is fully exempt from tax u/s 10(34).
(b) No, as any dividend income earned by an individual is fully chargeable to tax.
(c) No, as dividend income earned above Rs.10,00,000 is chargeable to tax in her hands.
(d) Yes, as dividend income above Rs.10,00,000 is chargeable to tax only in the hands of the companies and not in her hands. **(1 Mark)**
- II. Mr. X receives the following gifts during the previous year 2018-19:
- On 20.09.2018, he gets a gift of Rs.7,00,000 from his grandmother.
 - On 30.12.2018, he gets by way of gift a commercial flat from the elder brother of his father-in-law (stamp duty value is Rs.25,00,000).
 - On 20.01.2019, he gets a wrist watch by gift from his friend B (Fair market value: Rs.1,00,000).
 - On 10.02.2019, he gets by way of gift a plot of land in Pune from a partnership firm. The partnership firm has only two partners- father of Mr. X and Mrs. X. The stamp duty value of the plot of land is Rs.19,00,000.
- Compute the amount chargeable to tax in the hands of X under the head "Income from other sources" for the A.Y. 2019-20.
- (a) Rs.25,00,000
(b) Rs.44,00,000
(c) Rs.45,00,000
(d) Rs.52,00,000 **(1 Mark)**
- III. Which of the following statements is true for companies in the context of the Income-tax Act, 1961?
- (a) Residential status of a company has an impact on the tax rate of company
(b) Tax Rate of a company depends upon the place of incorporation

- (c) Residential status of a company helps to classify the company as domestic company and foreign company
- (d) Residential status of company helps classification of closely held company and widely held company.

(1 Mark)

IV. Which of the following is not a consequence of late filing of return?

- (a) Levy of interest under section 234A
- (b) Loss (other than loss under the head "Income from house property") cannot be carried forward
- (c) No deduction under Chapter VI-A under the heading 'B' – Deduction in respect of certain payments
- (d) All of the above

(1 Mark)

V. Mr. Devansh has agricultural income of Rs.2,30,000 and business income of Rs.2,45,000. Which of the following statements are correct?

- (a) Agricultural income has to be aggregated with business income for tax rate purposes.
- (b) No aggregation is required since agricultural income is less than basic exemption limit.
- (c) No aggregation is required since business income is less than basic exemption limit.
- (d) Agricultural income is exempt under section 10(1) but the same has to be aggregated with business income, since it exceeds Rs.5,000.

(1 Mark)

VI. Mr. Krishna is a philanthropic person. During the P.Y. 2018-19, out of his total receipts, he gave away Rs.8,00,000 in cash to Prime Minister's National Relief Fund and was left with only Rs.2,00,000 which is just enough money to meet his personal requirements. On these facts, Mr. Krishna is of the view that as Rs.2,00,000 is below the maximum amount not chargeable to tax, no income of him is chargeable to tax during the previous year. He approaches you to file his income tax return showing Rs.2,00,000 as his gross total income. Do you agree with the view of Mr. Krishna? Also, compute the amount of his total income.

- (a) Yes, as income actually left in Mr. Krishna's hands is Rs.2,00,000 only. His total income shall be Rs.2,00,000.
- (b) No, as what is done after income is earned by Mr. Krishna will not give him any tax exemption. His total income shall be Rs.10,00,000.
- (c) His gross total income and total income are Rs.10 lakhs, since this is a case of application of income and donation made in cash will not qualify for deduction under section 80G.
- (e) Yes, as Rs.8,00,000 is exempt from tax, the gross total income as well as total income of Mr. Krishna shall be Rs.2,00,000 only.

(2 Marks)

VII. Ms. Jaya acquires 5,000 equity shares on 01.01.2016 at Rs.500. The Fair Market Value of the said share on 31.01.2018 is Rs.250 and on 31.03.2018 is Rs.600. She sells the said shares on 30.04.2018 at Rs.700. Calculate the amount of long term capital gain in the hands of Ms. Jaya assuming that Securities Transaction Tax has been paid by her on acquisition and transfer of the said equity share.

CII – F.Y. 2015-16: 254; F.Y. 2018-19: 280

- (a) Rs.10 lakh, out of which Rs.9 lakh is taxable@10%
- (b) Rs.22.50 lakh, out of which Rs.21.5 lakh is taxable@10%
- (c) Rs.7.45 lakh, out of which Rs.6.45 lakh is taxable @10%
- (d) Rs.5 lakh, out of which Rs.4 lakh is taxable@10%

(2 Marks)

VIII. Which of the following persons are compulsorily required to get their accounts audited u/s 44AB of the Income-tax Act, 1961?

- (i) An assessee, who has not opted for presumptive taxation and his turnover during the P.Y. is Rs.2 crore.
 - (ii) A professional whose gross receipts during the previous year amounts to Rs.50 lakh, who declares his profits and gains from profession u/s 44ADA.
 - (iii) An assessee having turnover of Rs.1.5 crore, who declares his profits and gains from business u/s 44AD.
 - (iv) A lawyer having gross receipts of Rs.40 lakhs during the P.Y. who claims his profits and gains from the legal profession to be 40% of the gross receipts.
 - (v) An individual who opts out of the presumptive taxation scheme u/s 44AD during the P.Y., however, his total income for the said year is Rs.2,00,000.
- (a) (i), (iv)
 - (b) (i), (iv), (v)
 - (c) (i), (ii), (iv)
 - (d) (iv), (v)

(2 Marks)

IX. The following information is available with respect to Tina:

- Capital Asset acquired on 01.04.2001 for Rs.85,200
- The capital asset was converted into stock-in-trade on 30.09.2017. On the said date, the fair market value of the said asset was Rs.6,00,000.
- The stock-in-trade so converted was sold on 15.07.2018 for Rs.8,50,000.

Determine the tax implications in the hands of Tina for A.Y. 2019-20.

Cost Inflation Index Financial year 2001-02: 100, 2017-18: 272, 2018-19: 280]

- (a) Only business profits of Rs.2,50,000 shall be chargeable to tax in the hands of Tina in A.Y. 2019-20.
- (b) Only long term capital gain of Rs.6,11,440 shall be chargeable to tax in the hands of Tina in A.Y. 2019-20.
- (c) Business profits of Rs.2,50,000 and long term capital gain of Rs.3,61,440 shall be chargeable to tax in the hands of Tina in A.Y. 2019-20.
- (d) Business profits of Rs.2,50,000 and long term capital gain of Rs.3,68,256 shall be chargeable to tax in the hands of Tina in A.Y. 2019-20.

(2 Marks)

X. Mr. Happy, 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. Happy 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) 31-05-2018
- (d) 28-09-2018

(2 Marks)

Division B – Descriptive Questions

Question No. 1 is compulsory

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

1. Mr. Satish, aged 47 years, is serving in a public limited company as General Manager (Finance). His total emoluments for the year ended 31st March, 2019 are as follows:

Basic Salary	Rs.5,40,000
HRA (Computed)	Rs.1,80,000
Transport allowance	Rs.22,000

Apart from the above, his employer has sold the following assets to him on 1st January, 2019:

- (i) Laptop for Rs.20,000 (Acquired in September, 2017 for Rs.1,20,000)
(ii) Car 1800 cc for Rs.3,20,000 (purchased in April, 2016 for Rs.8,50,000)

He also owns a residential house, let out for a monthly rent of Rs.15,000. The fair rental value of the property for the let out period is Rs.1,50,000. The house was self-occupied by him from 1st January, 2019 to 31st March, 2019. He has taken a loan from bank of Rs.20 lacs for the construction of the property, and has repaid Rs.1,05,000 (including interest Rs.40,000) during the year.

- (iii) Mr. Satish sold equity shares of different Indian companies on 14th March, 2019:

Name	Sale value (per share)	Purchase price (per share)	Acquired on	No. of shares
A Ltd.	Rs.150	Rs.120 (STT paid at acquisition)	2 nd Feb, 2018	200
B Ltd.	Rs.82	Rs.62	16 th April, 2018	125

CII – F.Y. 2018-19: 280; F.Y. 2017-18: 272

Sale proceeds were subject to brokerage of 0.1% and securities transaction tax of 0.125% on the gross consideration. He received income-tax refund of Rs.5,750 (including interest Rs.750) relating to the assessment year 2017-18.

- (iv) Mr. Satish made payment of Rs.80,000 vide cheque no. 245315 towards medical insurance as lumpsum premium for himself and his wife for 4 years. He also made cash payment of Rs.8,000 towards preventive health checkup for himself and his wife.
(v) Mr. Satish deposited Rs.1,30,000 in Public Provident Fund and Rs.80,000 in 5 years term deposit in the name of his minor son, Aryan.

Compute the total income and tax liability of Mr. Satish for the Assessment Year 2019-20. **(14 Marks)**

2. (a) Explain with reasons whether the following transactions attract income-tax in India in the hands of recipients :
- (i) Salary paid to Mr. Dinesh, a citizen of India Rs.20,00,000 by the Central Government for the services rendered in London.
- (ii) Royalty paid to Raja, a non-resident by Ms. Mukta, a resident for a business carried on in Sri Lanka. **(4 Marks)**
- (b) Ms. Anjali, a non-resident, residing in London since 1990, came back to India on 19-02-2017 for permanent settlement in India. Explain the residential status of Ms. Anjali for the Assessment Year 2019-20 in accordance with the various provisions of Income-tax Act, 1961. **(3 Marks)**
3. Mrs. Harsha purchased a land at a cost of Rs.45 lakhs in the financial year 2007-08 and held the same as her capital asset till 31st March, 2017. She started her real estate business on 1st April, 2017 and converted the said land into stock-in-trade of her business on the said date, when the fair market value of the land was Rs.225 lakhs.

She constructed 15 flats of equal size, quality and dimension. Cost of construction of each flat is Rs.15 lakhs. Construction was completed in January, 2019. She sold 10 flats at Rs.40 lakhs per flat in March, 2019. The remaining 5 flats were held in stock as on 31st March, 2019.

She invested Rs.50 lakhs in bonds issued by National Highways Authority of India on 31st March, 2019 and another Rs.50 lakhs in bonds of Rural Electrification Corporation Ltd. in April, 2019.

Compute the amount of chargeable capital gain and business income in the hands of Mrs. Harsha arising from the above transactions for Assessment Year 2019-20 indicating clearly the reasons for treatment for each item.

[Cost Inflation Index: FY 2007-08: 129; FY 2017-18: 272; FY 2018-19: 280].

(7 Marks)

4. Compute the total income of Mr. Sahil for the assessment year 2019-20 from the following particulars:

Particulars	Amount (Rs.)
Income from business before adjusting the following items:	2,50,000
(a) Business loss brought forward from assessment year 2015-16	85,000
(b) Current year depreciation	30,000
(c) Unabsorbed depreciation of earlier year	2,00,000
Income from house property (Gross Annual Value)	5,10,000
Municipal taxes paid	50,000
Mr. Sahil sold a plot at Noida on 12 th September, 2018 for a consideration of Rs.7,90,000, which had been purchased by him on 20 th December, 2016 at a cost of Rs.6,10,000	
Long-term capital loss on sale of shares sold through recognized stock exchange (STT paid at acquisition and sale)	90,000
Long-term capital gain on sale of debentures	1,35,000
Dividend on shares held as stock in trade	25,000
Dividend from a company carrying on agricultural business	15,000

(7 Marks)

5. (a) Mr. Sameer, aged 52 years, provides you the following information and requests you to determine his advance tax liability with due dates for the financial year 2018-19.

Estimated tax liability for the financial year 2018-19	Rs.80,000
Tax deducted at source for this year	Rs.12,000

Would your answer change if, Mr. Sameer is eligible for and has opted for presumptive tax provisions under section 44AD and his tax liability is entirely on account of such income (ignore TDS)?

(4 Marks)

- (b) Examine with reasons, whether the following statements are true or false, with regard to the provisions of the Income-tax Act, 1961:
- The Assessing Officer has the power, *inter alia*, to allot PAN to any person by whom no tax is payable.
 - Where the Karta of a HUF is absent from India, the return of income can be verified by any male member of the family.

(3 Marks)

SECTION B - INDIRECT TAXES (50 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 31st October, 2018.
- (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: 15 Marks

Question Nos. 1 and 2 carries 2 Marks each

1. Rama Ltd. has provided following information for the month of September:
- | | |
|---|-----------------|
| (i) Intra-State outward supply | Rs. 8,00,000/- |
| (ii) Inter-State exempt outward supply | Rs. 5,00,000/- |
| (iii) Turnover of exported goods | Rs. 10,00,000/- |
| (iv) Payment made for availing GTA services | Rs. 80,000/- |
- Calculate the aggregate turnover of Rama Ltd.
- (a) Rs. 8,00,000/-
 - (b) Rs. 23,80,000/-
 - (c) Rs. 23,00,000/-
 - (d) Rs. 18,00,000/-
2. Which of the following services received without consideration amount to supply?
- (1) Import of services by a person in India from his son well-settled in USA
 - (2) Import of services by a person in India from his brother well-settled in Germany
 - (3) Import of services by a person in India from his brother (wholly dependent on such person in India) in France
 - (4) Import of services by a person in India from his daughter (wholly dependent on such person in India) in Russia
- (a) 1), 3) and 4)
 - (b) 2), 3) and 4)
 - (c) 2) and 3)
 - (d) 1) and 2)

(2 x 2 Marks = 4 Marks)

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

3. Services by way of admission to _____ are exempt from GST.
- (a) Museum
 - (b) National park
 - (c) Tiger reserve
 - (d) All of the above
4. A supplier takes deduction of depreciation on the GST component of the cost of capital goods as per Income- tax Act, 1961. The supplier can-
- (a) avail only 50% of the said tax component as ITC
 - (b) not avail ITC on the said tax component
 - (c) avail 100% ITC of the said tax component
 - (d) avail only 25% of the said tax component as ITC
5. 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.
6. The time of supply of service in case of reverse charge mechanism is
- (a) Date on which payment is made to the supplier
 - (b) Date immediately following 60 days from the date of issue of invoice
 - (c) Date of invoice
 - (d) Earlier of (a) and (b)
7. Which of the following services does not fall under reverse charge provisions as contained under section 9(3) of the CGST Act?
- (a) Services supplied by arbitral tribunal to business entity
 - (b) Sponsorship provided to any partnership firm
 - (c) Sponsorship provided to any body corporate
 - (d) None of the above
8. Transport of _____ by rail are exempt from GST:
- (a) Milk
 - (b) Salt
 - (c) Defence equipments
 - (d) All of the above
9. 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
10. Input tax credit shall not be available in respect of:
 (a) Goods used for personal consumption
 (b) Membership of a club
 (c) Travel benefits extended to employees on vacation such as leave or home travel concession
 (d) All of the Above
11. Which of the following is not considered as 'goods' under the CGST Act, 2017?
 (a) Sale of a ten-paisa coin having sale value of Rs.100/-
 (b) Sale of shares of unlisted company
 (c) Sale of lottery tickets
 (d) All of the above
12. Mr Ram, a jeweller registered under GST in Mumbai, wants to sell his jewellery in a Trade Expo held in Delhi. Which of the following statements is false in his case?
 (a) He needs to get registration in Delhi as casual taxable person.
 (b) He needs to pay advance tax on estimated tax liability.
 (c) He needs to mandatorily have a place of business in Delhi.
 (d) He needs to file GSTR-1 and GSTR-3B for Delhi GSTIN for the month when he is registered in Delhi.
13. Which of the following is a recognised system of medicine for the purpose of exemption for health care services?
 (a) Allopathy
 (b) Unani
 (c) Siddha
 (d) All of the above

(11 x 1 Mark=11 Marks)

Division B - Descriptive Questions

Question No. 1 is compulsory.

Attempt any three questions out of remaining four questions.

Total Marks: 35 Marks

1. M/s. Comfortable (P) Ltd. is registered under GST in Chennai, Tamil Nadu. It is engaged in the manufacture of iron and steel products. It has carried out following transactions in the financial year 20XX-XY:-
- (a) Purchased 1,000 Metric Ton (MT) iron @ 1,000 per MT (excluding GST) from M/s. Hard Ltd. of Chennai. M/s. Hard Ltd. has fulfilled the order as follows:

Date	Quantity (MT)	Taxable Value
28-Feb-20XY	200	2,00,000/-
10-Mar-20XY	250	2,50,000/-

25-Mar-20XY	250	2,50,000/-
28-Mar-20XY	200	2,00,000/-

Balance order requirement has been fulfilled by Hard Ltd. on 5-Apr-20XY. However, Hard Ltd. has raised the invoice for full order at the time of dispatch of first lot, i.e. on 28-Feb-20XY. M/s. Comfortable (P) Ltd. has made the full payment on 28-Feb-20XY for the order.

- (b) Company has received IT engineering service from M/s. Dynamic Infotech (P) Ltd. of Chennai for Rs. 11,00,000/- (excluding GST) on 28-Oct-20XX. Invoice for service rendered was issued on 5-Nov-20XX. M/s Comfortable (P) Ltd. made part-payment of Rs. 4,13,000/- on 31-Dec-20XX. Being unhappy with service provided by M/s Dynamic Infotech (P) Ltd., it did not make the balance payment. Deficiency in service rendered was made good by M/s Dynamic Infotech (P) Ltd. by 15-Feb-20XY. M/s. Comfortable (P) Ltd. made payment of Rs. 2,95,000/- on 15-Feb-20XY towards full and final settlement of the dues and did not pay the balance amount.
- (c) Company has made the following intra State supplies (excluding GST) for the financial year 20XX-XY:-

S.No.	Particulars	Amount (Rs.)
1.	Value of intra-State supplies made to registered persons	10,00,000
2.	Value of intra- State supplies made to unregistered persons	2,00,000

- (i) Compute the GST liability (CGST, SGST or IGST, as the case may be) of M/s. Comfortable (P) Ltd. for the financial year 20XX-XY:-
- (ii) Compute the amount of input tax credit to be reversed in the FY 20XX-XY and/or in the next FY 20XY-YZ, if any.

Assume the rates of GST as under:

CGST	9%
SGST	9%
IGST	18%

Note

- (i) All the conditions necessary for availing input tax credit have been fulfilled.
- (ii) Ignore interest, if any **(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.)
Amount charged for loading, unloading, packing and warehousing of potato chips	25,000
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 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	6,00,000

(5 Marks)

- (b) Decide which person is liable to pay GST in the following independent cases, where the recipient is located in the taxable territory. Ignore the Aggregate Turnover and Exemption available.
- (i) Miss Shinu Ambani provided sponsorship services to Indian Love Cricket Academy, a Limited Liability Partnership.
- (ii) "Fast move", a Goods Transport Agency, transported goods of Amba & Co., a partnership firm which is not registered under GST. **(4 Marks)**
3. (a) Mr. Mayank provides Continuous Supply of Services (CSS) to M/s. Omega Limited. He furnishes the following further information:
- (i) Date of commencement of Providing CSS 01-10-20XX
- (ii) Date of completion of Providing CSS 31-01-20XY
- (iii) Date of receipt of payment by Mr. Mayank 30-03-20XY
- Determine the time of issue of invoice as per provisions of CGST Act, 2017, in the following circumstances:
- (i) If no due date for payment is agreed upon by both under the contract of CSS.
- (ii) If payment is linked to the completion of service.
- (iii) If M/s. Omega Limited has to make payment on 25-03-20XY as per the contract between them. **(3 Marks)**
- (b) Draupad Fabrics has opted for composition levy scheme in the current financial year. It has approached you for advice whether it is mandatory for it to issue a tax invoice. You are required to advise him regarding same. **(2 Marks)**
- (c) M/s Salty & Spicy Limited reduced the amount of Rs. 1,50,000 from the output tax liability in contravention of provisions of section 42(10) of the CGST Act, 2017 for the month of April 20XX, which is ineligible credit. A show cause notice was issued by the Tax Department to pay tax along with interest. M/s Salty & Spicy Limited paid the tax and interest on 31st July, 20XX. Calculate Interest liability (Ignore Penalty). **(4 Marks)**
4. (a) Vasudev 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, 20XX:

Sr. No.	Particulars	GST paid
(1)	Raw Material (To be received in September, 20XX)	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 Rs. 80,000)	1,50,000

Determine the amount of tax credit available with Vasudev Pvt. Ltd. for the month of July, 20XX by giving the necessary explanation for treatment of various items. All the conditions necessary for availing the input tax credit (ITC) have been fulfilled. **(5 Marks)**

- (b) Mr. Andrew, a non-resident person, wishes to provide taxable supply of goods. He has no fixed place of business or residence in India. He seeks your advise on the following aspects, relating to CGST Act, 2017:

- (i) When shall he apply for registration?
- (ii) Is PAN mandatory for his registration?
- (iii) What is the period of validity of RC granted to him?
- (iv) Will he be able to extend the validity of his registration? If yes, what will be the period of extension? **(4 Marks)**

5. (a) Whether transfer of title and/or possession is necessary for a transaction to constitute supply of goods? **(4 Marks)**
- (b) If a return has been filed, how can it be revised if some changes are required to be made? **(5 Marks)**