

MOCK TEST PAPER

[The purpose of this mock paper is to develop conceptual skill and writing skill of the subject amongst the student. This paper does not necessarily represent the exam pattern.]

INTERMEDIATE (NEW) COURSE**PAPER – 4: TAXATION****Time Allowed – 3 Hours****Maximum Marks – 100****PART – I: MULTIPLE CHOICE QUESTIONS****Total No. of Questions – 2****Maximum Marks: 30**

Write most appropriate answer to each of the MCQs by choosing the one of most appropriate option given. All Questions are compulsory.

SECTION - A: Income Tax Laws (18 Marks)

All questions pertaining to Income Tax, relate to A.Y 2019-20, unless stated otherwise in the question and to be answered based on the provisions of the Finance Act, 2018

1. Choose the most relevant option -

- (i) Which of the following statements are true having regard to the provisions of the Income-tax Act, 1961:
- i) For a dealer in shares and securities, securities transaction tax paid is allowed expenditure but for investor it is not deductible under capital gains.
 - (ii) It is mandatory for an assessee to claim depreciation under section 32 of the Income-tax Act, 1961.
 - (iii) The family planning expenditure which is of capital nature incurred by a partnership firm is allowable.
 - (iv) Amalgamation expenses are fully deductible expenditure.
 - (v) An assessee purchased goods on credit ₹ 1,00,000 in 2018-19 but paid by crossed cheque not marked account payee in 2019-20. The entire expenses are disallowed in the year of credit purchase.
- (a) i and iii
- (b) iii, iv and v
- (c) i and ii
- (d) All of the above
- 2**
- (ii) Opening capital on 1.4.2018 of proprietorship business of Mrs. X ₹ 10,00,000
 Amounted gifted by husband and invested in prop-concern on 1.10.2018 ₹ 2,00,000
 Profit for 2018-19 ₹ 1,20,000
 Compute amount to be clubbed in the hands of Mr. X for P.Y 2018-19.

- (a) ₹ 2,00,000
 (b) ₹ 1,20,000
 (c) ₹ 20,000
 (d) Nil **2**
- (iii)** Mr. X sold listed equity shares of X Ltd. The Full value of consideration of which ₹ 25,00,000 and the Indexed cost of acquisition of which is ₹ 10,00,000 (Cost of Acquisition ₹ 8,00,000). FMV as on 31.01.2018 ₹ 9,50,000. Compute tax liability if the shares are bought and sold through recognized Stock exchange.
 (a) ₹ 1,24,800
 (b) ₹ 1,35,200
 (c) Nil
 (d) ₹ 1,20,000 **2**
- (iv)** Resident, other than an individual, which enters into a financial transaction of an amount aggregating to ₹ 2,50,000 or more in a financial year shall required to apply for PAN –
 (a) within 30 days
 (b) within the relevant previous year
 (c) on or before the 31st day of May immediately following such financial year
 (d) none of the above **1**
- (v)** An Individual aged 80 years or more at any time during the previous year can file which of the following income tax return Paper Form - **1**
 (i) ITR 1 (SAHAJ)
 (ii) ITR 4 (SUGAM)
 (iii) ITR 6
 (iv) ITR 7
 (a) either (i) or (ii)
 (b) only (iii)
 (c) only (i)
 (d) only (ii)
- (vi)** Mr. X(HUF) has got the following cash gifts during the PY 2018-19. Compute income taxable u/s. 56(2)(x).
 i) ₹ 3,00,000 and ₹ 2,00,000 received from son and daughter in law of Karta, respectively.
 ii) ₹ 2,00,000 and ₹ 1,00,000 received from Married daughter and from son in law of Karta, respectively.

iii) ₹ 50,000 and 10,000 received from granddaughter (daughter's daughter) and grandson (son's son) of karta, respectively.

- (a) ₹ 8,60,000
- (b) ₹ 1,50,000
- (c) ₹ 2,10,000
- (d) Nil

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(vii) Mr. Raju a non-resident Indian, currently staying in Canara received the following income during the P.Y 2018-19 –

(i) Dividend income of ₹ 15,00,000 from DCS Ltd. an Indian Company, amount credited to his bank account in Canara

(ii) Interest of ₹ 25,000 from bank earned from a saving a/c maintained in India.

He has no other income in India, his income chargeable to tax in India shall be –

- (a) ₹15,000
- (b) ₹5,15,000
- (c) ₹5,25,000
- (d) Nil

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(viii) Mr. X a resident of India, aged 62 years, has earned the following income –

(i) Income from pension ₹ 5,40,000

(ii) Winning from lotteries ₹ 2,00,000

His advance tax liability for the P.Y 2018-19 shall be –

- (a) ₹ 72,800, on both pension and lotteries income
- (b) ₹62,400, only on lottery income
- (c) Nil
- (d) none of the above

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(ix) Mr. X an employee of a branded company has received the following benefit from the employer during the year. His taxable perquisites shall be –

(i) reimbursement of seminar expenses of ₹ 8,000

(ii) reimbursement of tuition fee of ₹ 1000 p.m for his elder son

(iii) Education facility provided in a School owned by the employer for his daughter. Monthly fee paid to the school ₹ 500. The cost of education of similar institution ₹ 2500 p.m.

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- (a) Nil

- (b) ₹36,000
(c) ₹ 30,000
(d) ₹ 42,000
- (x) Mr. X, holding 10% voting right in a domestic listed company has received non-transferable deposit certificate carrying nil rate of interest of ₹1,00,000. Such certificates are issued to both equity and preference shareholders of the company. The Total accumulated profit of the company is ₹ 5,00,000. Determine the amount taxable in the hands of Mr. X
- (a) Nil, since the company liable to pay dividend distribution tax
(b) ₹ 50,000 taxable in the hands of Mr. X under other sources
(c) ₹ 1,00,000 taxable in the hands of Mr. X under other sources
(d) none of the above 1
- (xi) Compute the Gross total income for the A.Y 2019-2020 –
- (i) Loss from self -occupied property ₹ 60,000
(ii) Loss from let out property ₹ 1,60,000
(iii) Loss from business on which deduction u/s. 35AD claimed ₹ 5,00,000
(iv) Income from Chemical business ₹ 10,00,000
- (a) ₹ 8,00,000
(b) ₹ 10,00,000
(c) ₹7,80,000
(d) ₹2,80,000 1
- (xii) Miss Bansal has invested in 10% redeemable debenture of Organic Pvt. Ltd., a company deriving its main source of income from business of growing and processing organic Tea. Thus, the company has 60% of income exempt as agricultural income and 40% is taxable as business income. During the P.Y. 2018-19, Bansal derived ₹ 5,000 as interest income from the above investments. Which of the following statements are correct on taxability?
- (a) Interest will be exempt from tax to the extent of 60%, since 60% exempted income.
(b) Interest will be exempt from tax to the extent of 60%, since the company has claimed 60% of income as exempt.
(c) Interest will be fully taxable
(d) Interest will be fully exempt 1

SECTION -B: Indirect Taxes (12 Marks)

All the Questions should be answered based on GST Laws as amended up to 30th April, 2019

2. Choose the most appropriate option

- (i) Mr. Chatpat, an agent of Lalji (P) Ltd. is making taxable supply of goods on behalf of Lalji (P) Ltd. Lalji (P) Ltd. is having aggregate turnover of ₹1.5 crore whereas Mr. Chatpat is having aggregate turnover of ₹18 lacs. Whether he is required to take registration?

- (a) No, because his turnover is less than ₹ 40 lakhs
 (b) He is exempt from taking registration by way of notification
 (c) He can voluntarily apply for registration
 (d) Yes, he is compulsorily required to get registered 1
- (ii) Goods are handed over by consignor to transporter on Friday evening at 17:00 hrs and the transporter starts the movement of goods on Monday evening at 17:00 hrs after generating e-way bill. When will the validity period for e-way bill end if the distance is upto 75 Km?
 (a) Monday at 24:00 hrs
 (b) Tuesday at 17:00 hrs
 (c) Saturday at 24:00 hrs
 (d) Tuesday at 24:00 hrs 1
- (iii) Ram & Shyam LLP, engaged in the business of manufacturing of domestic use electrical items, provides the following details relating to the amount of GST paid on various items and asks you determine the amount Input Tax Credit available against such items to them:

Particulars of Items	GST paid in ₹
Electrical transformers utilized in the manufacturing process of electrical items	3,00,000
Mini trucks used for transporting the materials / goods in the factory	1,00,000
Food and pastries for consumption given to workers during working within the factory as per the mandatory requirement	22,500

- (a) 4,22,500
 (b) 4,00,000
 (c) Nil
 (d) None of the above 2
- (iv) Mr. Shambhu, is engaged in supply of alcoholic liquor for human consumption and in supply of soft-drinks products. His turnover during in the preceding the year was ₹ 15 lakhs. He wants to apply for registration in the current year, and seek your advice in which category he shall apply for registration –
 (a) as regular tax payer
 (b) as a composite tax payer u/s. 10(1)
 (c) as an alternative composite tax payer under notification No. 2/2019 [Central tax (rate)]
 (d) either (a) or (b) or (c) 1
- (v) Applicable threshold limit for registration for a dealer on West Bengal who is engaged in intra state supply of under works contract –
 (a) ₹ 40 lakhs
 (b) ₹ 20 lakhs
 (c) ₹ 1.5 crores
 (d) ₹ 75 lakhs 1
- (vi) When is the final return filed in form GSTR-10?
 (a) Within 3 months of date of cancellation or cancellation order, whichever is later
 (b) Within 2 months of date of cancellation
 (c) Within 6 months of date of cancellation
 (d) Within 30 days of date of cancellation 1
- (vii) In which of the following cases, goods can be transported without issue of tax invoice?

- a) Transportation of goods for job work

- b) Supply of liquid gas where the quantity at the time of removal from the place of business of the supplier is not known
- c) Transportation of goods for reasons other than by way of supply
- d) All of the above

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(viii) Which of the following value shall be excluded for determining the transaction value of consignment for e-way bill?

- a) Value of exempt supply if the invoice has both taxable and exempt goods
- b) Delivery charges
- c) Central tax, state tax or union territory tax, integrated tax and cess
- d) Packing charges

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(ix) Which of the following activity shall be treated neither as a supply of goods nor a supply of services?

- (i) Permanent transfer of business assets where input tax credit has been availed on such assets
- (ii) temporary transfer of intellectual property right
- (iii) transportation of deceased
- (iv) services by an employee to the employer in the course of employment
 - (a) (i) & (iii)
 - (b) (ii) & (iv)
 - (c) (i) & (ii)
 - (d) (iii) & (iv)

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(x) Shri Krishna Pvt. Ltd., a registered dealer, furnishes the following information relating to goods sold by it to Shri Balaram Pvt. Ltd. in the course of Intra State.

	Particulars	Amount (₹)
(i)	Price of the goods	1,00,000
(ii)	Municipal Tax	2,000
(iii)	Inspection charges	15,000
(iv)	Subsidies received from Shri Ram Trust (As the products is going to be used by blind association)	50,000
(v)	Late fees for delayed payment. (Though Shri Balaram Pvt. Ltd. is liable for late payment but these charges are waived by Shri Krishna Pvt. Ltd.)	1,000
(vi)	Shri Balaram Pvt. Ltd. paid to Radhe Pvt. Ltd. (on behalf of Shri Krishna Pvt.Ltd) weighment charges.	2,000

According to GST Law, determine the value of taxable supply made by Shri Krishna Pvt. Ltd. Items given in Point (ii) to (vi) are not considered while arriving at the price of the goods given in point no. (i).

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- (a) ₹ 1,69,000
- (b) ₹ 1,70,000
- (c) ₹ 1,15,000
- (d) ₹ 1,65,000

PART -II**Total No. of Questions – 8****Maximum Marks -70**

Working notes should form part of the respective answers. Wherever necessary, suitable assumptions may be made by the candidates and disclosed by way of note.

Section – A: Income Tax Laws

It comprises of questions 1-4. Question 1 is compulsory and answer any 2 questions from Question No. 2 to 4. All questions related to A.Y 2019-20, unless stated otherwise

1. Ms. Rekha, a resident individual aged 50, provides the following information **14**

for the financial year 2018-19:

- (i) She is a partner in AK & Co. and received the following amounts from the firm:

Share of profit from the firm	₹ 35,000
Interest on capital @ 15% p.a.	₹ 3,00,000
Salary as working partner (fully allowed in the hands of the firm)	₹ 1,00,000

- (ii) She is running a rice mill as proprietor. The net profit as per Profit & Loss Account is ₹4,50, 000. The following items are debited to Profit & Loss account:

●Advance Income-tax paid	₹ 1,00,000
●Personal drawings	₹ 50,000

The following items are credited to Profit and Loss Account:

●Interest on savings bank account with SBI	₹ 12,000
●Interest on savings account with post office	₹ 5,000
●Dividend from listed Indian Company (DDT paid)	₹ 80,000

- (iii) She owned a house property in Mumbai which was sold in January, 2017. She received ₹ 90,000 by way of arrear rent in respect of the said property in October, 2018.

- (iii) She made the following investments:

Life insurance premium on a policy in the name of her married daughter ₹ 60, 000. (The policy was taken on 1-10-2013 and the sum assured being ₹ 5, 00, 000).

Health insurance premium on a policy covering her mother aged 75. She is not dependant on Ms. Rekha. Premium paid by cheque ₹ 35, 000.

Compute the Total Income and the tax liability of Ms. Rekha for the Assessment Year 2019-20.

2. (a) Compute the total income and tax liability of Harish for the A.Y.2019-20 from 10 the following particulars:

Particulars	₹
(1) Income from house property (computed)	3,15,000
(2) Income from textile business before adjusting the following:	1,20,000
(a) Business loss brought forward	80,000
(b) Current depreciation	40,000
(c) Unabsorbed depreciation brought forward	1,20,000
(3) Short-term capital gains on sale of land	1,25,000
(4) Long-term capital loss on sale of shares sold through a recognised stock exchange (securities transaction tax paid)	25,000
(5) Long term capital gain on sale debentures	50,000
(6) Dividend on shares held as stock-in-trade	5,000
(7) Dividend from a company carrying on agricultural operation	7,000
(8) Income from growing and manufacturing coffee (cured and roasted)	80,000

During the previous year 2018-19, Harish has donated ₹50,000 to an approved Local Authority for promotion of family planning and repaid ₹90,000 towards principal portion of housing loan.

- (b) What is the difference between sub-section and Clauses of a Section? 2
- (c) List our four exceptions to the rule that income of the previous year will be 2 assessed in a subsequent assessment year.
- 3 (a) Discuss the allowability or treatment or comment on the following situations with respect to the provisions of the Income Tax Act, 1961: 6
- interest paid on unpaid purchase price of a house property.
 - Interest certificate is must to claim deduction of maximum ₹2 lakhs in case of self-occupied house property.
 - Notional Income is charge to tax instead of actual income under house property.
 - ownership is not necessary under House Property.
 - registration of house is not necessary under House property.

- (vi) In some cases, income taxable under business or professions even if business is not in existence.
- (b) The income tax department found Jewellery valued ₹ 5 lakhs kept by Mr. Shyam which was not recorded in the books and Mr. Shyam fails to offer any explanation about the nature and source of thereof. Discuss the taxability u/s. 115BBE. 4
- (c) State the applicability of TDS provisions and TDS amount in the following cases – 4
- a) Rent paid for hire of machinery by B Ltd. to Mr. Raman ₹ 2,10,000
- b) Fee paid to Dr. Srivatsan by Sunder (HUF) ₹ 35,000 for surgery performed to a member of the family.
- 4 (a)** XYZ Limited has two units – one engaged in manufacture of computer hardware and the other involved in developing software. As a restructuring drive, the company has decided to sell its software unit as a going concern by way of slump sale for ₹ 385 lakh to a new company called S Limited, in which it holds 74% equity shares.

The balance sheet of XYZ limited as on 31st March 2019, being the date on which software unit has been transferred, is given hereunder –

Balance Sheet as on 31.03.2019

Liabilities	₹ in lakh	Assets	₹ in lakh
Paid up Share Capital	300	<u>Fixed Assets</u>	
General Reserve	150	Hardware unit	170
Share Premium	50	Software unit	200
Revaluation Reserve	120	<u>Debtors</u>	
<u>Current Liabilities</u>		Hardware unit	140
Hardware unit	40	Software unit	110
Software unit	90	<u>Inventories</u>	
		Hardware unit	95
		Software unit	<u>35</u>
	<u>750</u>		<u>750</u>

Following additional information are furnished by the management:

- (i) The Software unit is in existence since May, 2009.
- (ii) Fixed assets of software unit includes land which was purchased at ₹ 40 lakh in the year 2006 and revalued at ₹ 60 lakh as on March 31, 2019.

(iii) Fixed assets of software unit includes at ₹ 140 lakh (₹ 200 lakh minus land value ₹ 60 lakh) is written down value of depreciable assets as per books of account. However, the written down value of these assets under section 43(6) of the Income-tax Act is ₹ 90 lakh.

Ascertain the Capital Gain, which would arise from slump sale to XYZ Limited. **8**

- (b) Mr. X, aged, 50 years, provided that his taxable salary (computed) for the **6**
P.Y 2018-19 is ₹15,00,000. During the year he has received arrear of salary of ₹ 5,00,000. The details of earlier years for which arrear of salary is received is as under
P.Y 2010-11: Taxable salary (computed) ₹7,00,000.

Arrear received in P.Y 2018-19 ₹3,00,000

P.Y 2011-12: Taxable salary (computed) ₹ 8,00,000.

Arrear received in P.Y 2018-19 ₹2,00,000

Note- Taxable salary are excluding arrear of salary.

Rate of tax for resident individual below 60 years

<u>For A.Y 2011-12:</u>		<u>For A. Y 2012-13:</u>	
Upto ₹1,60,000	Nil	Upto ₹1,80,000	NIL
Next ₹3,40,000	10%	Next ₹3,20,000	10%
Next ₹ 3,00,000	20%	Next ₹3,00,000	20%
Above ₹ 8,00,000	30%	Above ₹8,00,000	30%
EC & SHEC @ 3%		EC & SHEC @ 3%	

Section -B: Indirect Taxes

It comprises of questions 5-8. Question 5 is compulsory and answer any 2 questions from Question No. 6 to 8. All questions should be answered based GST law as amended upto 30th April, 2019

5. Determine the tax liability of Mr. X, a registered dealer of West Bengal in the following case - 8

Case 1- if he is a trader

Case 2- if he is a manufacturer

Other information - His aggregate turnover in the preceding year is 110 lakhs. He opted to pay tax under composition scheme. All intra state supply made by him in the current financial year are as under -

(1) Supply of goods liable for GST @ 12%	₹ 40,00,000
(2) Supply of services liable for GST @ 18%	₹ 8,00,000
(3) Supply of services exempted u/s. 11	₹ 2,00,000
(3) Interest on Bank deposits -exempt service	₹ 5,00,000
(4) Inward supplies liable under RCM @18%	₹ 2,00,000

- 6 (a) Compute the GST liability from the following services provided by Indian Institute of Management (IIM), Kolkata for the month of March, 2019: 5

- (1) Admission fees for one year post graduate programs for Executives ₹ 50 lakhs
- (2) Development fees for the above course ₹ 20 lakhs
- (3) 6 months special skill courses for executives ₹ 30 lakhs
- (4) Fees charges from corporates for conducting Campus interview ₹ 20 lakhs. GST paid ₹ 1 lakhs to a registered event manager for organising the campus interview.

- (b) Ms. Achintya a registered supplier in Kochi (Kerala State) has provided for the following details in respect of her supplies made within Intra-State for the month of March 2019: 5

<u>Particulars</u>	<u>Amount in (₹)</u>
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- (i) List price of goods supplied intra-state (items given

below from ii to v, not adjusted)	3,30,000
(ii) Swachh Bharat cess levied on sale of the goods	12,500
(iii) Packing expenses charged separately in the invoice	10,800
(iv) Discount of 1% on list price of goods was provided (recorded in the invoice of goods)	
(v) Subsidy received from State Govt. for encouraging women entrepreneurs.	5,000

Compute the value of taxable supply and the gross GST liability of Ms. Achintya for the month of March 2019 assuming rate of CGST to be 9% and SGST to be 9%. All the amounts given above are exclusive of GST.

- 7 (a)** Mr. Lakhan provides Continuous Supply of Services (CSS) to M/s. TNB Limited. **6**
He furnishes the following further information:

- (i) Date of commencement of Providing CSS - 01-10-2018
- (ii) Date of completion of Providing CSS - 31-01-2019
- (iii) Date of receipt of payment by Mr. Lakhan - 30-03-2019

Determine the time of issue of invoice as per provisions of CGST Act, 2017, in the following circumstances:

- (i) If no due 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. TNB Limited has to make payment on 25-03-2019 as per the contract between them.

- (b)** Enumerates the persons who are not eligible to opt Notification No. 2/2019, **4**
Central tax(rate), dated 07.03.2019

- 8 (a)** M/s J & Co. Chartered Accountants a partnership firm having its registered and **6**
head office at 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 March, 2019:

<u>Particulars</u>	<u>Amount (Rs.)</u> <u>(Excluding GST)</u>
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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 Gujrat)	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 March, 2019:

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
Services availed from another Professional Firm at Mumbai amount is paid without TDS U/s 194J of Income Tax Act	20,000	1,800	1,800	Nil

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 of August, 2018 after adjusting the GST Credit. Brief reasoning should form part of your answer.

- (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: 4

Particulars	GST Paid
(1) Raw Material (To be received in September, 2018)	2,50,000
(2) Voluntary 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
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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.

Or

- (b) (i) Discuss the provisions relating to issuance of credit notes and debit notes 2
under CGST Act and rules there under.
- (ii) State whether the following supplies would be treated as supply of goods or 2
supply of services as per Schedule-II of CGST Act:
- (a) Renting of Immovable Property
 - (b) Transfer of right in goods without transfer of title in goods.
 - (c) Works Contract Services
 - (d) Temporary transfer of permitting use or enjoyment of any intellectual property

Brief Answers to Mock Test Paper
PART – I

1.

(i) Option (c)

- (i) True: STT is not allowable under capital gains but allowable under Business and Profession.
 (ii) True: According to the Explanation 5 to section 32(1), allowance of depreciation is mandatory. Therefore, depreciation has to be provided mandatorily while calculating income from business / profession whether or not the assessee has claimed the same while computing his total income.
 (iii) FALSE: The deduction for family planning expenditure which is of capital nature is allowable as 1/5th over 5 years only if the assessee is a company and not to partnership firm.
 (iv) False: Amortisation of Amalgamation expenses / Demerger expenses is allowable as 1/5th over 5 years.
 (v) False: It shall be allowed in the year of purchase but treated as deemed income of the year of payment.

(ii) Option (d)

For 2018-19: NO clubbing in the hands of Mr. X. only opening capital balance on 1st day of previous year is relevant. In the given case, as on 1/4/2018 the capital balance comprises only of that of Mrs. X. Therefore, there would be no clubbing. Income would be taxable in the hands of Mrs. X.

(iii) Option (a)

When shares are purchased and sold through recognised stock exchange

Particulars	₹	₹
Full value of consideration		2500000
Less: cost of acquisition higher of		
(a) Original cost	800000	
(b) FMV on 31/01/2018 Or Full value of consideration which is lower	950000	950000
Gross LTCG		1550000
Less: Exempted u/s 112A		100000
Taxable LTCG		1450000
Tax on Total Income @ 10% of ₹ (14,50,000 – 2,50,000)		120000 + 4%

(iv) Option c

(v) Option (a)

(vi) Option (b)

If any gift is received by the HUF from its members (relatives) then it is exempted in the hands of HUF. [Section 56(2)(x)]. Further, for the purposes of Section 56(2)(x), the term relative for HUF shall mean any member of such HUF.

Computation of income taxable u/s. 56(2)(x) of M/s. X (HUF)

Particulars	₹
i) Gift of ₹ 5,00,000 received from son and daughter in law – Exempted (relative)	NIL
ii) Gift of ₹ 2,00,000 received from Married daughter – Exempted (relative). However, gift from son in law is taxable being not a member of X (HUF).	1,00,000
iii) Gift of ₹ 50,000 received from daughter's daughter. (granddaughter) – Taxable – not relatives. However, gift from grandson (son's son) exempted being relative.	50,000
Total	1,50,000

(vii) option (a) Dividend from Indian company is fully exempt in the hands of non-resident u/s. 10(34). Interest on saving a.c is eligible for deduction of ₹ 10,000 u/s. 80TTA. Taxable income is ₹15,000.

(viii) option c [resident senior citizen having no business income not required to pay advance tax]

(ix) option B [seminar exp. -exempted, reimbursement of tuition fee fully taxable, education facility taxable since cost of similar institution exceeds ₹ 1000, after allowing deduction for amt paid by employee] -Nil +12,000 + (2500-500)x12 = 36,000

(x) option (a) [deemed dividend u/s. 2(22)(1)]

(xi) Option (a) [Chemical business (-) Hp loss max. 2,00,000 = 8,00,000, remaining loss of Hp and 35AD business to be c.f.]

(xii) Option (c), if company is engaged in agriculture operation, interest/dividend received by investors cannot be considered as agricultural income]

2.

(i) option (d)

(ii) option (d)

(iii) option (a)

(iv) option (a)

(v) option (b) [since he is supplier of service]

(vi) option (a)

(vii) option (d)

(viii) option (a)

(ix) option (d)

(x) option (a)

Brief Answers to Mock Test Paper

PART II

1. Computation of total income and tax liability of Ms.Rekha for the A.Y.2019-20

Particulars	₹	₹	₹
Income from house property			
Arrears of rent (taxable u/s. 25A in the year of receipt whether or not the assessee is the owner)		90,000	
Less: Deducting @30%		<u>27,000</u>	63,000
Profits and gains from business or profession			
Income from firm AK & Co.			
Share of profit from partnership firm is exempt u/s. 10(2A)	Nil		
Salary as a working partner (fully taxable as entire amount allowed in the hands of the firm)	1,00,000		
Interest on capital upto 12% is taxable (12% x 3,00,000/15%), assuming firm got deduction of 12%.	<u>2,40,000</u>	3,40,000	
Income from proprietary rice mill	4,50,000		
Net profit as per profit and loss account			
Add: Items not allowed but debited to P/L			
Advance income-tax paid disallowed u/s 40(a)	1,00,000		
Personal drawings disallowed u/s.37	<u>50,000</u>		
	6,00,000		
Less: Income credited but not taxable or treated separately			

Interest on savings bank A/c with SBI	12,000			
Interest on savings A/c with Post Office	5,000	97,000	5,03,000	8,43,000
Dividend from listed Indian company	80,000			
[Exempted u/s. 10(34)]				
Income from Other Sources				
Interest on savings bank A/c with SBI			12,000	
Interest on savings A/c with post office	5,000			
Less: Exempt u/s.10(15)	3,500		1,500	13,500
Gross Total Income				9,19,500
Less: Deduction under Chapter VI-A				
Under section 80C			50,000	
LIC premium paid for married daughter ₹ 60,000 but restricted to 10% of 5,00,000.				
Under section 80D			35,000	
Medical insurance premium paid for mother (senior citizen) whether or not dependent assuming resident being a senior citizen, is allowable upto ₹50,000.				
Under section 80TTA				
Interest on savings bank A/c with SBI	12,000			
Interest on savings A/c with post office	1,500			
Maximum	13,500			
Total Income			10,000	95,000
				8,24,500
Computation of tax liability for A.Y. 2019-20	₹			
Tax on normal income of ₹ 8,24,500				
Upto 2,50,000	Nil			
Next 2,50,000@5%	12,500			
Balance 3,24,500 @20%	64,900			
	77,400			
Add: Health and education Cess @ 4%	3,096			
Total tax liability	80,496			
Less: Advance income-tax paid	1,00,000			
Net amount refundable	19,504			
Rounded off	19,500			

2.(a) Computation of total income of Mr. Harish for relevant A.Y

Particulars	₹	₹	₹
Income from house property			3,15,000
Profits and gains of business or profession			
Income from textile business	1,20,000		
Income from coffee business (40% of ₹80,000)	32,000	1,52,000	
Less: (1) Current year depreciation	40,000		
(2) Brought forward business loss		1,20,000	
	80,000		32,000

Capital Gains			
Short term capital gain-land		1,25,000	
Long-term capital gain- debentures	50,000		
LTCL on sale of shares (STT) , now allowed for set off since section 10(38) is not applicable on such income.	25,000	<u>25,000</u>	1,50,000
Income from other resources			
Dividend on shares held as stock-in-trade [Exempt u/s 10(34)]	-	-	-
Dividend from agricultural company [Exempt u/s 10(34)]	-	-	-
			4,97,000
Less: Unabsorbed depreciation			1,20,000
Gross total income			3,77,000
Less:			
Deduction u/s 80C – Repayment of housing long	90,000		
Deduction u/s 80G @ 100% of ₹50,000 subject to [10% of (3,77,000 – 90,000 (80C) – 25,000(LTCG))]	<u>26,200</u>		1,16,200
Total income			2,60,800

Computation of tax liability

Particulars	₹	₹
Tax on non-agricultural income plus agricultural income i.e. ₹48,000 (i.e. 60% of ₹80,000) + ₹2,60,800 = ₹3,08,800		
Tax on LTCG of ₹25,000 @ 20%	5,000	
Tax on balance income ₹2,83,800	<u>1,690</u>	6,690
Less: Tax on agricultural income plus basic exemption limit i.e. (₹48,000 + ₹2,50,000) = ₹2,98,000		<u>2,400</u>
Tax payable		4,290
Less: Rebate u/s. 87A		<u>2,500</u>
		1,790
Add:- Health and Education Cess @4%		72
Total Tax payable		1862
Total tax payable (rounded off)		1860

2.(b)

Subsection	Clauses
<p>subsection are parts of the Section which are interrelated to each other and complete meaning of section can be understood only by reading all the parts.</p> <p>For example –</p> <p>Section 35(1): provides expenditure on scientific research for which deduction allowed.</p> <p>Section 35(2): provides for quantum of deduction allowed for capital expenditure on scientific research</p>	<p>Clauses are parts of section or sub-sections which are not related to each other and are independent. For example:</p> <p>Section 2(1): defines Advance tax</p> <p>Section 2(1A): defines Agricultural income</p> <p>Section 2(1B): defines Amalgamation</p>

2(c) write Any four

- (i) Shipping business of a non-resident [Section 172]
- (ii) Persons leaving India [Section 174]
- (iii) Transfer of property to avoid tax [Section 175]
- (iv) Assessment of AOP or BOI or artificial juridical person formed for a particular event or purpose [Section 174A]
- (v) discontinued business [Section 176]

3(a)

(i) interest paid on unpaid purchase price of a house property.	Treated as if buyer has borrowed money from the seller. Therefore, interest payable to seller on unpaid purchase price shall be allowed as deduction u/s. 24(b)
(ii) Interest certificate is must to claim deduction of maximum ₹2 lakhs in case of self-occupied house property.	The statement is correct. It is the evidence to prove that money has been borrowed from the person to whom interest is payable.
(iii) Notional Income is charge to tax instead of actual income under house property.	The statement is correct. For example- (i) Expected Rent is taken if it is higher than the actual rent, in case of let out property. (ii) Expected rent is taken, where actual rent is lower not due to vacancy. (iii) in case of more than one self-occupied property, at the option of the assessee one house is taxable based on expected rent.
(iv) ownership is not necessary under House Property.	Generally, the statement is not correct. However, in case of deemed ownership tax is payable by deemed owner and not the legal owner. Further, in case of arrear of rent and recovery of unrealised rent, income is taxable even if assessee is not the owner in the year of receipt.
(v) registration of house is not necessary under House property.	The statement is correct. Where the assessee took the possession of the property without registering the sale deed income is taxable in his hands.
(vi) In some cases, income taxable under business or professions even if business is not in existence.	The statement is correct. Refer section 41 deemed profit and section 176(3A)/(4)

3(b) Section 69B of the Income Tax Act, 1961 provides that where in the financial year the assessee has made investments or found to be the owner of any money, bullion, jewellery or valuable article not recorded in the books of account wholly or partly, and the assessee offers no explanation about the nature and source thereof the value of the investments etc. may be deemed to be the income of the Assessee for such financial year.

Further, as per section 115BBE such undisclosed incomes are taxable under the head other sources @ 60% tax rate PLUS Surcharge @25% of tax and 4% HEC without basic exemption limit. Further, no adjustment shall be allowed w.r.t any expenses, allowances or set of losses.

Accordingly, in the given case, the tax liability u/s. 115BBE shall be as under –

Tax @ 60% of ₹ 5,00,000 = 3,00,000

Add: Surcharge @ 25% = 75,000
3,75,000

Add: HEC @ 4% = 15,000
3,90,000

3(c) (a) Since the rent paid on hire of machinery exceeds ₹ 1,80,000 therefore B Ltd. is required to deduct tax @ 2% on ₹ 2,10,000 as per section 194I i.e., ₹ 4,200.

Note: In case the deductee does not furnish PAN No. to the deductor the tax shall be deducted tax at source @ 20% on ₹ 2,10,000 by virtue of section 206AA.

(b) HUF is required to deduct tax at source only when it is subjected to tax audit during the immediately preceding financial year.

However, as per section 194J where payment for professional service is made exclusively for the personal purpose of any members of HUF, then Tax shall not be deductible on such payment. Hence, in the given case provisions of TDS shall not be applicable.

4(a) First write provisions of section 50B

Computation of tax liability of XYZ Ltd. from slump sale of Software unit

Period of Holding – May 2009 to 31.3.2019 (Long term). However, indexation shall not be allowed.

Particulars	(₹ in lakh)
Full value of consideration	385
Less: Cost of acquisition (Note 1)	
being the net worth of Software Unit	<u>185</u>
Long term capital gains	<u>200</u>

Note 1: Computation of net worth of Software Unit (₹ in lakh)

(1) Book value of non-depreciable assets	
(i) Land (Revaluation not to be considered)	40
(ii) Debtors	110
(iii) Inventories	35
(2) Written down value of depreciable assets under section 43(6)	<u>90</u>
Aggregate value of total assets	275
Less: Current liabilities of software unit	<u>90</u>
Net worth of software unit	<u>185</u>

4(b) Computation of tax payable for A.Y 2019-20

	Total Income of 2019-20 on receipt basis	Total Income of 2019-20 On accrual basis
Salary Computed	15,00,000	15,00,000
Arrears of Salary	5,00,000	-
Total Income	20,00,000	15,00,000
Tax Payable	4,12,500	2,62,500
Add: Cess @ 4%	16,500	10,500
Tax Liability, including cess	4,29,000	2,73,000

Computation of tax payable for years to which arrear of salary is attributable

	Total Income of A.Y 2011-12 on receipt basis	Total Income of A.Y 2011-12 On accrual basis	Total Income of A.Y 2012-13 on receipt basis	Total Income of A.Y 2012-13 on receipt basis
Salary Computed	7,00,000	7,00,000	8,00,000	8,00,000
Arrears of Salary	3,00,000	-	2,00,000	-
Total Income	10,00,000	7,00,000	10,00,000	8,00,000
Tax Payable	1,54,000	74,000	1,52,000	92,000

Add: Cess @ 3%	4,620	2,220	4,560	2,760
Tax Liability, including cess	1,58,620	76,220	1,56,560	94,760

Additional Tax required to pay in A.Y. 2019-20 = 4,29,000 – 2,73,000	= 1,56,000
Additional Tax that would have been paid if charged to tax in respective years on arrears [(1,58,620 – 76,220) + (1,56,560 – 94,760)]	= 1,44,200
Excess Tax Payable – Relief U/s 89(1)	11,800

Tax Payable for A.Y 2020-21	4,29,000
Less: Relief U/s 89(1)	<u>11,800</u>
Tax Payable	4,17,200

5. Since his aggregate turnover in the preceding year does not exceeds 1.5 cr he can opt for the composition scheme and can also made supply of services of up to 10% of 110 lakhs i.e 11 lakhs. In the given case, the value of supply of services excluding interest on fixed deposit is ₹ 10,00,000, which is within the above limit, hence he is eligible for composition scheme.

Particulars	Trader	Manufacturer
Supply of goods	40,00,000	40,00,000
Supply of taxable services	8,00,000	8,00,000
Supply of exempted services	-	2,00,000
Interest on bank deposits	-	5,00,000
Inward supply liable for RCM- normal rate applicable. Composite rate not applicable	-	-
Aggregate Turnover	48,00,000	55,00,000
Rate of tax	1%	1%
Tax payable under composition scheme	48,000	55,000
Add: Tax payable under RCM [2,00,000 x 18%]	36,000	36,000
Total Tax liability	84,000	91,000

Note: For trader composite tax is 1% of only taxable supply of goods and services, therefore interest on FD and other exempted supplies are not considered. However, for manufactures it is 1% of the total turnover.

6 (a) Write relevant provisions of notified Exemption

(1) Admission fees for one year post graduate programs for Executives [exempt]	Nil
(2) Development fees for the above course [Exempt]	Nil
(3) 6 months special skill courses for executives – taxable	₹ 30 lakhs
(4) Fees charges from corporates for conducting Campus interview-taxable	₹ 20 lakhs.
Taxable Value	₹ 50 lakhs
GST @ 18%	₹ 9 lakhs
Less: Input Tax credit	₹ 1 lakhs
Net Payable	₹ 8 lakhs

6(b) Computation of value of taxable supply and the gross GST liability

Particulars	Amount (₹)
(i) List price of goods	3,30,000
Add: (i) Swachh Bharat cess levied on sale of the goods, being any other tax than GST	12,500
(ii) Packing expenses charged separately in the invoice, being incidental exp.	10,800

Less: i) Discount of 1% on list price of goods was provided (recorded in the invoice of goods) – 1% of 3,30,000	(3,300)
ii) Subsidy received from State Govt. for encouraging women entrepreneurs. [assuming directly linked to price of the goods]	(5,000)
Value of taxable supply	3,45,000
CGST @ 9%	₹31,050
SGST @ 9%	₹31,050
Total	₹62,100

7(a) Write relevant provisions of section 13 of the CGST Act, 2017.

- (i) Invoice should be issued on or before 30.03.2019 (i.e date of receipt of payment, since due date of payment is not ascertainable)
- (ii) Invoice should be issued on or before 31.1.2019 (date of completion of service)
- (iii) Invoice should be issued on or before 25.03.2019 (i.e due date payment, since due date of payment is ascertainable)

7(b) in the following cases, a registered person, is not eligible to opt **Notification No. 2/2019:**

- (i) whose aggregate turnover in the preceding financial year exceeds ₹50 lakh;
- (ii) who is eligible to pay tax under sub-section (1) of section 10 of the said Act;
- (iii) who is engaged in making any supply which is not leviable to tax under the said Act;
- (iv) who is engaged in making any inter-State outward supply;
- (v) who is either a casual taxable person or a non-resident taxable person;
- (vi) who is engaged in making any supply through an electronic commerce operator who is required to collect tax at source under section 52; and
- (vii) who is engaged in making supplies of goods being - (I) Ice cream and other edible ice, whether or not containing cocoa; (II) Pan masala; (III) Tobacco and manufactured tobacco substitutes,

8(a) Particulars	Value	ISGT	CGST	SGST
Professional Services including ITR filing and Income Tax Consultancy	1,00,000	-	9,000	9,000
Internal Audit of X Pvt. Ltd. at their office in Mumbai (Registered in the state of Maharashtra)	50,000	-	4,500	4,500
Statutory Audit Services provided to M/s. Tirupati Trading Pvt. Ltd. at Ahmedabad	70,000	12,600	-	-
Total Output GST		12,600	13,500	13,500
Less: Input tax Credit (note 1)				
IGST (to be fully used first)		600	-	-
CGST		-	2,250	-
SGST		-	-	2,250
Net payable		12,000	11,250	11,250

Note 1: ITC available

Particulars	Amount (₹) (Excluding GST)	CGST	SGST	IGST
(i) Services availed from Courier Agency	5,000	450	450	Nil
(ii) 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

(iii) Services availed from another
Professional Firm at Mumbai
amount is paid without TDS U/s
194J of Income Tax Act

20,000

1,8001,800Nil

2,250

2,250

600

8(b)

Particulars	₹
(1) Raw Material (To be received in September, 2018) – allowed when actually received.	NIL
(2) voluntary membership of a club availed for employees working in the factory – Credit blocked u/s. 17(5)	NIL
(3) Inputs to be received in 5 lots, out of which 3 rd lot was received during the month [Allowed only after receipt of last instalment]	NIL
(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 [no credit on missing invoice]	70,000
Total ITC available	1,10,000

Or

b(i). “Business” is defined under Section 2(17) include any trade, commerce, manufacture, profession, vocation, adventure or wager etc. whether or not undertaken for a pecuniary benefit. Business also includes any activity or transaction which is incidental or ancillary to the aforementioned listed activities. In addition, any activity undertaken by the Central Govt. or a State Govt. or any local authority in which they are engaged as public authority shall also be construed as business. From the above, it may be noted that any activity undertaken included in the definition for furtherance or promoting of a business could constitute a supply under GST law

b(ii) Refer Schedule II: (i) Supply of Services; (ii) supply of services; (iii) supply of services; (iv) supply of services;