



# CA INTERMEDIATE NOV'19

## SUBJECT- TAXATION

Test Code – PIN 5077

(Date :)

(Marks - 100)

### SECTION –A

(60 MARKS)

Question No. 1 is compulsory

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

#### QUESTION : 1

For the assessment year 2019 – 20, X (age : 61 years), a resident individual, furnishes the following information :

|  | Rs.      |
|--|----------|
| Basic pay  | 1,20,000 |
| Project allowance  | 1,29,400 |
| Education allowance (Rs. 200 per month for two sons and Rs. 150 per month for a daughter)                      | 6,600    |
| Hostel expenditure allowance (Rs. 650 per month for one child)   | 7,800    |
| Transport allowance (for journey between office and residence)   | 19,200   |
| Free car (1150cc) facility for X for official and private purposes, cost to the employer – company             | 27,000   |
| Free meals in office (300 working days)  | 12,700   |
| Employer's contribution towards unrecognized provident fund  | 3,000    |
| Share of profit from :   |          |
| • a firm   | 36,000   |
| • an association of persons  | 34,000   |
| • a Hindu undivided family   | 18,000   |
| Income from betting  | 2,400    |
| Interest from Indian Overseas Bank (fixed deposit interest : Rs. 14,000, savings bank interest : Rs. 48,000) : |          |
| Income from business   | 4,81,600 |
| <b>PAYMENTS AND INVESTMENTS</b>  |          |
| Contribution towards unrecognized provident fund   | 6,700    |
| Payment of premium on mediclaim insurance policy on X's father who is resident in India                        | 30,500   |
| Payment of premium on own mediclaim policy   | 36,000   |
| Investment in National Savings Certificates VIII issue   | 1,05,000 |
| Donation to an approved public charitable institution  | 3,000    |

**Determine the net income of X for the assessment year 2019 – 20.**

(14 MARKS)

**QUESTION : 2**

A. X (HUF) whose karta is X since 1970, owns the following three business –

| Name of business | From where business is controlled          | Income earned & received in India | Income earned & received outside India | Income earned in India but received outside India | Income earned outside India but received in India | Total income of the assessment year 2019 – 20 |
|------------------|--|-----------------------------------|--|---|---|---|
|                  |  | Rs.                               | Rs.                                    | Rs.   | Rs.   | Rs.   |
| A                | India                                      | 10,000                            | 7,000                                  | 20,000  | 9,000   | 46,000  |
| B                | Nepal                                      | 20,000                            | 80,000                                 | 6,000   | 10,000  | 1,16,000                                      |
| C                | Partly from India and partly from Hongkong | 5,000                             | 8,000                                  | 12,000  | 13,000  | 38,000  |
|                  | Total                                      | 35,000                            | 95,000                                 | 38,000  | 32,000  | 2,00,000                                      |

X comes to India only for 60 days each year. No other income is derived by X (HUF). Personal income of X which is chargeable to tax in India for the assessment year 2019 – 20 is Rs. 70,000. **Find out the income of X (HUF) for the assessment year 2019 – 20.**

**(4 MARKS)**

B. Examine whether the following are chargeable to tax, and if so, compute the amount liable to tax:

- (i) Arvind received Rs. 20,000 as his share from the income of the HUF.
- (ii) Mr. Xavier, a 'Param Vir Chakra' awardee, who was formerly in the service of the Central Government, received a pension of Rs. 2,20,000 during the financial year 2018-19.
- (iii) Agricultural income of Rs. 1,27,000 earned by a resident of India from a land situated in Malaysia.
- (iv) Rent of Rs. 72,000 received for letting out agricultural land for a movie shooting.

**(6 MARKS)**

C. Examine, with reasons, the allowability of the following expenses under the Income- tax Act, 1961 while computing income from business or profession for the Assessment Year 2019-20:

- (i) Provision made on the basis of actuarial valuation for payment of gratuity Rs. 5,00,000. However, no payment on account of gratuity was made before due date of filing return.
- (ii) Purchase of oil seeds of Rs. 50,000 in cash from a farmer on a banking day.

**(4 MARKS)**

**QUESTION : 3**

A. X (age : 63 years) owns two houses. Relevant details are given below –

|                                    | House I   | House II   |
|------------------------------------|---|--|
| Let out                            | April 1, 2018 to June 30, 2018 (rent being Rs. 6,000 per month) | July 1, 2018 to March 31, 2019 (rent being Rs. 13,000 per month) |
| Self – occupied                    | July 1, 2018 to March 31, 2019                                  | April 1, 2018 to June 30, 2018                                   |
|                                    | <b>Rs.</b>  | <b>Rs.</b>   |
| Municipal valuation per annum (MV) | 60,000  | 1,00,000   |
| Fair rent per annum (FR)           | 70,000  | 95,000   |
| Standard rent per annum (SR)       | 66,000  | 1,10,000   |
| Rent of let out period             | 18,000  | 1,17,000   |
| Interest on borrowed capital       | 2,000   | 40,000   |
| Municipal tax paid                 | 10,000  | 17,000   |

Assuming that income of X from business is Rs. 12,80,000 (he does not have any other income) and he deposits Rs. 1,50,000 in public provident fund, **find out his net income and tax liability for the assessment year 2019 – 20.**

**(8 MARKS)**

B. X (30 years) transferred jewellery on July 10, 2016 (sale consideration : Rs. 40,00,000, indexed cost of acquisition : Rs. 10,00,000 and long – term capital gain after deducting transfer expenses : Rs. 29,90,000). He purchased a residential house property on June 1, 2017 for Rs. 45,00,000 in Ranchi and availed of full exemption in the assessment year 2017 – 18 under section 54F.

On September 17, 2018, X transfers Ranchi property for Rs. 44,00,000 (stamp duty value Rs. 46,30,000). Income of X from other sources of the previous year 2018 – 19 is Rs. 40,000. **Find out the net income and tax liability of X for the assessment year 2019 – 20.** X has never gone out of India.

**(6 MARKS)**

**QUESTION : 4**

A. X, a resident individual submits the following information for the assessment year 2019 – 20 :

|  |              |
|--|--------------|
| BUSINESS A   | Rs.          |
| Loss of the previous year 2018 – 19  | (-) 1,20,000 |
| Brought forward loss of the previous year 2017 – 18                                  | (-) 1,45,000 |
| BUSINESS B   |              |
| Profit of previous year 2018 – 19  | 1,35,000     |
| BUSINESS C (previous year ends on March 31, business discontinued on April 10, 2018) |              |
| Profit of the period April 1, 2018 to April 10, 2018                                 | NIL          |
| Brought forward loss of previous year 2017 – 18                                      | (-) 1,16,000 |
| BUSINESS D (previous year ends on March 31, business discontinued on March 31, 2018) |              |
| Brought forward loss of previous year 2017 – 18                                      | (-) 1,04,000 |
| OTHER INCOME   |              |
| Interest on debentures held as stock – in – trade                                    | 1,48,000     |
| Interest on bonds held as investments  | 1,60,000     |

|  |              |
|--|--------------|
| Long – term capital loss on sale of shares                       | (-) 1,46,400 |
| Income from house property                                       | 1,17,000     |
| Dividend from a foreign company (shares are held as investment ) | 1,80,000     |

**Determine the net income** of X for the assessment year 2019 – 20. Also calculate the amount of loss which can be carried forward for being set off to the next assessment year.

**(10 MARKS)**

- B.** Briefly discuss the provisions relating to payment of advance tax on income arising from capital gains and casual income.

**(4 MARKS)**

**Question No. 5 is compulsory**

**QUESTION : 5**

1. Mr. Anay (aged 25) has agricultural income of Rs. 2,10,000 and business income of Rs. 2,35,000. Which of the following statement is correct? **(1 M)**
  - a. Agricultural income always has to be aggregated with business income for rate purposes
  - b. No aggregation is required since business income which constitutes his total income, is less than basic exemption limit
  - c. No aggregation is required since agricultural 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
2. In respect of loss from house property, which of the following statements are correct? **(1 M)**
  - a. While computing income from any house property, the maximum interest deduction allowable under section 24 is Rs. 2 lakhs
  - b. Loss from house property relating to a particular year can be set-off against income under any other head during that year only to the extent of Rs. 2 lakhs
  - c. The loss in excess of Rs. 2 lakh, which is not set-off during the year, can be carried forward for set-off against any head of income in the succeeding year(s)
  - d. All the above
3. Mr. Rajan incurred loss of Rs. 5.3 lakh in the P.Y.2018-19 in toy business. Against which of the following income earned during the same year, can he set-off such loss? **(1 M)**
  - a. profit of Rs. 2 lakh from wholesale cloth business
  - b. speculative business income of Rs.80,000
  - c. long-term capital gains of Rs. 1.20 lakhs on sale of land
  - d. All of the above

4. A member of parliament is entitled to salary, constituency allowance and daily allowance when the Parliament is in session. Which of the following statements are correct? **(1 M)**
- His entire income is taxable under the head "Salaries".
  - Only his salary component is taxable under the head "Salaries". Constituency allowance and daily allowance are exempt.
  - Only his salary component is taxable under the head "Income from other sources". Constituency allowance and daily allowance are exempt.
  - His salary component and constituency allowance is taxable under the head "Income from other sources". Daily allowance is exempt.
5. XYZ a partnership firm was dissolved on 30-6-2018. A machine acquired on 1-5-2016 for Rs.2,50,000 was distributed amongst the partners on dissolution for Rs.2,25,000. The value of machinery as per books of account and Fair Market Value on 30-6-2018 was Rs.2,00,000 and Rs.3,50,000, respectively. What will be the full value of consideration of this machine? **(1 M)**
- Rs.2,25,000
  - Rs.3,50,000
  - Rs.2,50,000
  - Rs.2,00,000
6. 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. **(1 M)**
- Rs.25,00,000
  - Rs.44,00,000
  - Rs.45,00,000
  - Rs.52,00,000
7. X is an employee of Z Ltd who receives Rs.1,25,000 as gratuity (he is covered under the Payment of Gratuity Act, 1972). He retires on 31.01.2019 after service of 29 years and 8 months. At the time of retirement, X drew monthly salary of Rs.5,200 and monthly bonus of Rs.2,000. Compute the amount of gratuity exempt from tax in the instant case u/s 10(10) of the Income-tax Act, 1961. **(2 M)**

- (a) Rs.90,000
- (b) Rs.1,25,000
- (c) Rs.78,000
- (d) Rs.87,000

8. Which of the following persons are compulsorily required to get their accounts audited u/s 44AB of the Income-tax Act, 1961? **(2 M)**

- (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)

9. 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) **(2 M)**

- (a) 29-05-2018
- (b) 30-05-2018
- (c) 31-05-2018
- (d) 28-09-2018

10. M/s ABC & Co., a firm carrying on business, furnishes the following particulars for the P.Y. 2018-19. **(2 M)**

| <u>Particulars</u>   | <u>Rs.</u> |
|--|------------|
| Book profits (before setting of unabsorbed depreciation and brought forward business loss) | 2,50,000   |
| Unabsorbed depreciation of P.Y.2012-13   | 1,20,000   |
| Brought forward business loss of P.Y.2017-18   | 2,00,000   |

Compute the amount of remuneration allowable under section 40(b) from the book profit.

(a) Rs. 2,25,000

(b) Rs.1,80,000

(c) Rs.1,50,000

(d) Rs.1,17,000

11. Mr. William, an Indian citizen and a Government employee, left India for the first time on 28.02.2018 on account of his transfer to High Commission in United Kingdom. During P.Y. 2018 -19, he visited India only for a week on occasion of his brother marriage. During F.Y. 2018-19, his income composition includes salary, foreign allowances, rent from property in Singapore and interest earned from fixed deposits maintained with SBI. His taxable income for P.Y. 2018-19 will include:

**(2 M)**

- (a) All of them, since Mr. William is a resident in India, hence his global income will be taxable
- (b) Only interest earned from fixed deposits maintained in India
- (c) No income shall be taxable since Mr. William is a non-resident in India for P.Y. 2018-19
- (d)** Salary and interest income of fixed deposits with SBI

12. Provision of rent free accommodation and motor car owned by Alpha Ltd. to its employee Mr. Anurag, where motor car is allowed to be used by Mr. Anurag both for official and personal purposes, is a - **(2 M)**

- a. perquisite taxable in case of all employees
- b. perquisite taxable only in case of specified employees
- c. perquisite of rent free accommodation is taxable in case of all employees whereas perquisite of motor car is taxable only in case of specified employees
- d. perquisite of rent free accommodation is taxable only in case of specified employees whereas perquisite of motor car is taxable in case of all employees

**SECTION –B**

**(40 MARKS)**

Question No. 6 is compulsory

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

**QUESTION : 6**

On August 20, 2018 X Ltd. (of Chennai) supplies goods/services to Y Ltd. (of Vellore). Taxable value of supply is Rs. 26,80,000. On August 26, 2018, X Ltd. supplies goods/ services to Z Ltd. (of Bengaluru). Taxable value of supply is Rs. 5,00,000. GST rate is 18 per cent, X Ltd. has the following balance in his electronic credit ledger –

- IGST – Rs. 92,000

- CGST – Rs. 5,000

- SGST – Rs. 9,00,000

On August 21, 2018, X Ltd. purchase Honda City (seating capacity as per RC : 5 persons) from a dealer in Chennai for its officers / auditors. The car will be used by these persons only for performing official duties. GST paid for purchasing the car (which is not included in the above figures) is as follows – CGST Rs. 1,68,000, SGST Rs. 1,68,000. There is no other transaction for the month of August 2018. Find out **GST on supply of goods** to Y Ltd./ Z Ltd. and **prepare a statement for availment of input tax credit**.

(8 MARKS)

**QUESTION : 7**

A. 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 Stage 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

**(6 MARKS)**

- B.** AKJ Foods Pvt. Ltd. gets an order for supply of processed food from a customer. The customer wants the consignment tested for gluten or specified chemical residues. AKJ Foods Pvt. Ltd. does the testing and charges a testing fee for the same from the customer. AKJ Foods Pvt. Ltd. argues that such testing fees should not form part of the consideration for the sale as it is a separate activity.

Is his argument correct in the light of section 15?

**(4 MARKS)**

**QUESTION : 8**

- A.** Discuss whether the following services are chargeable to GST –

- 1. A charitable trust (registered under section 12AA of the Income – tax Act) provides services pertaining to preservation of wildlife.
- 2. “Jashn – e – Qawwali – Nizami Brothers live in Concert” is organized by XY Club, Faridabad at Kamani Auditorium on January 10, 2019.

Admission fees charged for this purpose is Rs. 10,000 per person.

- 3. A trade union charges Rs. 100 per month as fees from its members.

**(3 MARKS)**

- B.** Who is eligible person to opt for Composition Scheme under section 10 of CGST Act, 2017 ?

**(3 MARKS)**

- C.** “Registration once granted, cannot be amended”, discuss ?

**(4 MARKS)**

**QUESTION : 9**

- A.** When tax invoice should be issued in the case given below –

On October 16, 2018, C Ltd. gives a building construction contract to A Ltd. (contractor). A Ltd. will construct the building by using its own material and labour. The construction would be completed as per plan and design supplied by C Ltd. Agreed consideration for this work is Rs. 1.5 crore + GST. The payment schedule is as follows –

Installment 1 – 20 per cent is payable within 5 days from signing of agreement.

Installment 2 – 25 per cent is payable on casting of first floor slab.

Installment 3 – 35 per cent is payable on casting of second floor slab.

Installment 4 – 10 per cent is payable on completion of flooring, stone work, wooden work and fixing of electrical fittings.

Installment 5 – 10 per cent is payable on completion of building.

Casting of first floor and second floor slabs is completed on November 2, 2018 and December 8, 2018, respectively. Flooring, stone work, etc. are completed on April 8, 2019. Construction of building is completed on June 9, 2019.

**(5 MARKS)**

- B.** If a return has been filed, how can it be revised if some changes are required to be made ? **(5 MARKS)**

Question No. **10** is compulsory

**QUESTION : 10**

1. Services by way of warehousing of \_\_\_\_\_ is exempt from GST. **(1 M)**
  - a. processed tea
  - b. jaggery
  - c. processed coffee
  - d. rice
2. Which of the following services are exempt from GST? **(1 M)**
  - (a) Services by an artist by way of a performance in folk or classical art forms of painting/sculpture making etc. with consideration therefor not exceeding Rs. 1.5 lakh.
  - (b) Services by an artist by way of a performance in modern art forms of music/ dance/ theatre with consideration therefor not exceeding Rs. 1.5 lakh.
  - (c) Services by an artist by way of a performance in folk or classical art forms of music/ dance/theatre with consideration therefor exceeding Rs. 1.5 lakh.
  - (d) Services by an artist by way of a performance in folk or classical art forms of music/ dance / theatre with consideration therefor not exceeding Rs. 1.5 lakh.
3. Registration certificate granted to casual taxable person or non-resident taxable person will be valid for: **(1 M)**
  - (a) Period specified in the registration application
  - (b) 90 days from the effective date of registration
  - (c) Earlier of (a) or (b)
  - (d) Later of (a) or (b)
4. Invoice shall be prepared in (i) \_\_\_\_\_ in case of taxable supply of goods and in (ii) \_\_\_\_\_ in case of taxable supply of services. **(1 M)**
  - (a) (i) Triplicate, (ii) Duplicate
  - (b) (i) Duplicate, (ii) Triplicate
  - (c) (i) Duplicate, (ii) Duplicate
  - (d) None of the above
5. 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- **(1 M)**

- (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
6. The time of supply of service in case of reverse charge mechanism is **(1 M)**  
(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? **(1 M)**  
(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: **(1 M)**  
(a) Milk  
(b) Salt  
(c) Defence equipments  
(d) All of the above
9. 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. **(2 M)**  
(a) Rs. 8,00,000/-  
(b) Rs. 23,80,000/-  
(c) Rs. 23,00,000/-  
(d) Rs. 18,00,000/-
10. Mr. Rahu having a turnover of 25 lakh in previous financial year. The information regarding date of payment, invoice etc. is as follows- **(2 M)**  
1. Invoice issued by Mr. Ketu on 15-Apr-20XX  
2. Payment received by Mr. Ketu on 5-May-20XX  
3. Date of payment entered in books of accounts of Rahu:

1-May-20XX What is time of supply of goods?

- (a) 1-May-20XX
- (b) 5-May-20XX
- (c) 14-Jun-20XX
- (d) 15-Apr-20XX