

QUESTION NO.1 is compulsory and attempt any two out of remaining three questions.

QUESTION : 1

From the following details and information, **compute the total income** of X (date of birth : March 20, 1949), an individual, for the assessment year 2019 – 20 :

Profit and Loss account for the year ending March 31, 2019

	Rs.		Rs.
Staff salaries, bonus, etc.	6,30,000	Trading profits	22,60,000
Drawing for household expenses	4,00,000	Rent from portion let	4,80,000
Life insurance premia paid	65,000	Interest on fixed deposit with banks	70,000
Contribution to public provident fund	10,000	Income on units from Unit Trust of India	15,000
Depreciation on assets used in business	90,000	Gold coins received on Diwali 2018 from a family friend Y	46,000
Advertisement expenses	25,000		
Printing and stationery	30,000		
Interest on loan	40,000		
Net Income for the year	15,81,000		
	28,71,000		28,71,000

Additional Information :

- Interest was on a loan of Rs. 4,00,000 taken in June 2018 for purposes of buying shares of a public limited company. The company did not declare any dividends after purchase of shares by X.
- Depreciation available for income – tax purposes is Rs. 1,10,000.
- Value of gold coins given in the profit and loss account is cost of the gold coins purchased by Y in 1998. However, the fair market value of these coins on Diwali 2018 and March 31, 2019 is Rs. 1,40,000 and Rs. 1,55,000 respectively.

(14 MARKS)

QUESTION : 2

A. Mr. Sailesh, a resident individual aged 54, furnishes his income & other details for the P.Y. 2018-19:

- Income of Rs.8,10,000 from wholesale cloth business, whose accounts are audited u/s 44AB.
- Income from other sources Rs.2,70,000.
- Tax deducted at source Rs.25,000.
- Advance tax paid Rs.1,03,000 during the P.Y. 2018-19.

Return of income filed on 11-12-2019. Calculate the interest payable under section 234B of the Income-tax Act, 1961. Assume that the return of income would be processed on the same day of filing of return. What are the consequences for delay in furnishing return of income under the Income-tax Act, 1961? Examine, making the required computations in this case.

(5 MARKS)

- B. Rudra Ltd. has one unit at Special Economic Zone (SEZ) and other unit at Domestic Tariff Area (DTA). The company provides the following details for the previous year 2018-19.

Particulars	Rudra Ltd. (Rs.)	Unit in DTA (Rs.)
Total Sales	6,00,00,000	2,00,00,000
Export Sales	4,60,00,000	1,60,00,000
Net Profit	80,00,000	20,00,000

Calculate the eligible deduction under section 10AA of the Income-tax Act, 1961, for the Assessment Year 2019-20, in the following situations:

- (i) If both the units were set up and start manufacturing from 22-05-2011.
(ii) If both the units were set up and start manufacturing from 14-05-2015.

(5 MARKS)

- C. Mrs. Kasturi transferred her immovable property to ABC Co. Ltd. subject to a condition that out of the rental income, a sum of Rs. 36,000 per annum shall be utilized for the benefit of her son's wife.

Mrs. Kasturi claims that the amount of Rs. 36,000 (utilized by her son's wife) should not be included in her total income as she no longer owned the property.

Examine with reasons whether the contention of Mrs. Kasturi is valid in law.

(4 MARKS)

QUESTION : 3

- A. Mr. Venus., engaged in manufacture of pesticides, furnishes the following particulars relating to its manufacturing unit at Chennai, for the year ending 31-3-2019:

	(Rs. in lacs)
Opening WDV of Plant and Machinery	20
New machinery purchased on 1-9-2018	10
New car purchased on 1-12-2018	8
Computer purchased on 3-1-2019	4

Additional information:

- All assets were purchased by A/c payee cheque.
- All assets were put to use immediately.
- Computer has been installed in the office.
- During the year ended 31-3-2018, a new machinery had been purchased on 31-10-2017, for Rs. 10 lacs. Additional depreciation, besides normal depreciation, had been claimed thereon.
- Depreciation rate for machinery may be taken as 15%.

Compute the depreciation available to the assessee as per the provisions of the Income-tax Act, 1961 and the WDV of different blocks of assets as on 31-3-2019.

(8 MARKS)

- B.** X sells (Preference) shares in A Ltd. On November 30, 2018 for Rs. 18,00,000. Fair market value of these shares as per Bombay Stock Exchange quotation is, however, Rs. 20,00,000. These shares were purchased on June 15, 2017 for Rs. 1,55,000. On December 1, 2018, he invests Rs. 8,00,000 in bonds of National Highways Authority of India (date of redemption : May 1, 2029) for claiming exemption under section 54EC. On July 31, 2020, he deposits Rs. 5,00,000 in a bank account under section 54F for construction of a house in future. Construction of the house is completed on October, 15, 2021. Total investment of Rs. 4,50,000 is financed by withdrawing from the deposit account. Income of X from other sources is Rs. 8,00,000 and Rs. 10,20,000 for the previous years 2018 – 19 and 2021 – 22, respectively. **Determine the taxable income for the assessment years 2019 – 20 and 2022 – 23. X does not own any other house.**

(6 MARKS)

QUESTION : 4

- A.** Mrs. X (64 years) submits the following information for the previous year 2018 – 19 –
1. Business income : Rs. 11,32,000 (speculative).
 2. Short – term capital gain on transfer of gold : Rs. 6,000
 3. Long – term capital gain on transfer of silver : Rs. 10,000.
 4. Short – term capital gain on transfer of equity shares in a stock exchange : Rs. 45,000 (it is calculated after deducting securities transaction tax of Rs. 160).
 5. Short – term capital loss on transfer of painting : Rs. 17,800.
 6. Brought forward non – speculative business loss of the assessment year 2015 – 16 : Rs. 1,40,000.
 7. Brought forward short – term capital loss of Rs. 10,000 of the assessment year 2016 – 17.
 8. Brought forward loss (assessment year 2017 – 18) from the activity of owning and maintaining camel races : Rs. 6,000.
 9. Life Insurance premium on the life of her dependent mother : Rs. 10,000.

Find out the net income and tax liability of Mrs. X for the assessment year 2019 – 20. Assume that in past 10 years, she has always submitted her return of income in time (except for the assessment year 2016 – 17, when return was late by 5 days.)

(7 MARKS)

- B. A proprietary business was started by Mrs. Kapoor in the year 2016. As on 1.4.2017 her capital in business was Rs. 3,00,000. Her husband gifted Rs. 2,00,000 on 10.4.2017, which amount Mrs. Kapoor invested in her business on the same date. Mrs. Kapoor earned profits from her proprietary business for the Financial year 2017 – 18, Rs. 1,50,000 and Financial year 2018 – 19 Rs. 3,90,000. **Compute the income, to be clubbed in the hands of Mrs. Kapoor's husband for the Assessment year 2019 – 20 with reasons**

(4 MARKS)

- C. Who are the persons authorized to verify return of income in the case of following persons :
- (i) Local authority
 - (ii) Firm, having no managing partner

(3 MARKS)

QUESTION NO.5 is compulsory

QUESTION : 5

1. Under the provisions of the Income-tax Act, 1961, the term "Person" would not include:
(1 M)
 - (a) A body corporate incorporated in a country outside India
 - (b) A Limited Liability Partnership (LLP)
 - (c) Indian branch of a foreign company
 - (d) A local authority
2. Ms. Sheetal and her brother jointly own a bungalow. They had taken a housing loan to purchase the bungalow. The loan is sanctioned in the name of Ms. Sheetal and her brother in the year 2015. Interest on housing loan for the P.Y. 2018-19 amounted to Rs.4,50,000 which is paid by Ms. Sheetal (Rs.2,25,000) and her brother (Rs.2,25,000). The bungalow is used by them for their residence. In this case, what will be the amount of deduction available under section 24(b) to Ms. Sheetal and her brother?
(1 M)
 - (a) Rs.30,000 each
 - (b) Rs.2,00,000 each
 - (c) Rs.2,25,000 each
 - (d) Rs.4,50,000 each
3. On 31.08.2018, Mr. Kashyap moved to Japan for employment. His family accompanied him, owing to long term nature of employment. Mrs. Kashyap is also planning to start a fashion boutique in Japan soon, once she gets settled. Both Mr. & Mrs. Kashyap are Indian citizens and have been working in India for more than a decade now. Comment on their residential status for A.Y. 2019-20, assuming they did not visit India after August 2018 -
(1 M)

- (a) Mr. & Mrs. Kashyap will qualify to be non-resident
- (b) Mr. Kashyap will qualify to be non-resident and Mrs. Kashyap will be resident but not ordinarily resident
- (c) Mr. Kashyap will qualify to be non-resident and Mrs. Kashyap will be resident and ordinarily resident
- (d) Mr. & Mrs. Kashyap will qualify to be resident but not ordinarily resident
4. 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? **(1 M)**
- (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.
5. Which of the following is not a consequence of late filing of return? **(1 M)**
- (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
6. 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? **(1 M)**
- (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.
7. Mr. Kabir (a non-resident and aged 70 years) is a retired person, earning rental income of Rs.45,000 per month from a property located in Mumbai. He is residing in Canada. Apart from rental income, he does not have any other source of income. Is he liable to pay advance tax in India? **(2 M)**
- (a) Yes, he is liable to pay advance tax in India as he is a non-resident and his tax liability in India exceeds Rs.10,000.
- (b) No, he is not liable to pay advance tax in India as his tax liability in India is less than Rs.10,000.

- (c) No, he is not liable to pay advance tax in India as he is a senior citizen and has no income chargeable under the head "Profits and gains of business or profession".
- (d) Both (b) and (c)
8. Mr. Arjun, a businessman, whose total income (after allowing deduction under chapter VI-A except under section 80GG) for AY 2019-20 is Rs.5,50,000. He does not own any house property and is staying in a rented accommodation in Patna for a monthly rent of Rs.8,000. Deduction allowance under section 80GG for A.Y. 2019-20 is: **(2 M)**
- (a) Rs.41,000
- (b) Rs.1,37,500
- (c) Rs.60,000
- (d) Rs.96,000
9. 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. **(2 M)**
- (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.
- (d) (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.
10. 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. **(2 M)**
- 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%

11. 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]

(2 M)

- (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.
12. Ram owns 500, 15% debentures of Reliance Industries Ltd. of Rs. 500 each. Annual interest of Rs. 37,500 was declared on these debentures for P.Y. 2018-19. He transfers interest income to his friend Shyam, without transferring the ownership of these debentures. While filing return of income for A.Y. 2019-20, Shyam showed Rs. 37,500 as his income from debentures. As tax advisor of Shyam, do you agree with the tax treatment done by Shyam in his return of income? **(2 M)**

- (a) Yes, since interest income was transferred to Shyam therefore, after transfer it becomes his income.
- (b) No, since Ram has not transferred debentures to Shyam, interest income on the debentures is not taxable income of Shyam.
- (c) Yes, if debentures are not transferred, interest income on debentures can be declared by anyone, Ram or Shyam, as taxable income depending upon their discretion.
- (d) No, since Shyam should have shown the income as interest income received from Mr. Ram and not as interest income earned on debentures.

QUESTION NO.6 is compulsory and attempt any two out of 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. Sungrow Pvt. Ltd. (a registered taxable person) having the gross receipt of Rs. 50 lakh in the previous financial year provides the following information relating to their services for the month of July, 2018.

Sr. No.	Particulars	Amount (Rs.)
1.	Running a boarding school	2,40,000
2.	Fees from prospective employer for campus interview	1,70,000
3.	Education services for obtaining the qualification recognized by law of foreign country	3,10,000
4.	Renting of furnished flats for temporary stay to different persons (Rent per day is less than Rs. 1,000 per flat)	1,20,000
5.	Conducting Modular Employable Skill Course, approved by National Council of Vocational Training	1,40,000
6.	Conducting private tuitions amount	3,00,000
7.	Running material arts academy for young children	55,000
8.	Conducting career counselling session	1,65,000

Compute the value of taxable supply and the amount of GST payable. The above receipts don't include the GST amount. Rate of GST is 18%.

(6 MARKS)

- B. **Determine the time of supply** in the following cases assuming that GST is payable under reverse charge:

S. No.	Date of payment by recipient for supply of services	Date of issue of invoice by supplier of services
	(1)	(2)
(i)	August 10	June 29
(ii)	August 10	June 1
(iii)	Part payment made on June 30 and balance amount paid on September 1	June 29
(iv)	Payment is entered in the books of account on June 28 and debited in recipient's bank account on June 30	June 1
(v)	Payment is entered in the books of account on June 30 and debited in recipient's bank account on June 26	June 29

(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 yoga training service to residents of South Mumbai.
2. Passenger transport service by radio taxi.
3. Delhi edition of Hindustan Times is transported by rail from New Delhi to Kolkata.

(3 MARKS)

B. Discuss whether the Composition Scheme is possible in the cases give below –

1. X is in the business of manufacture of garments. He is registered under GST under normal provisions. His annual turnover is not more than Rs. 60 lakh. With effect from April 1, 2019, he wants to opt for Composition Scheme. He owns a flat in a commercial building and gets monthly rent of Rs. 2,50,000.
2. Y is in the business of manufacture of hand bags (made of synthetic leather). His turnover is not more than Rs. 1 crore. He sells his entire stock through Amazon, an electronic commerce operator. He is registered under normal provisions of GST. His consultant advises his to opt for Composition Scheme. Can he do so with effect from November 1, 2018 ?

(3 MARKS)

- C.** X Ltd. is in the business of maintenance of computers. It provides services to large sized companies having more than 500 computers in their offices/work place in Maharashtra. On September 20, 2018, it enters into computer maintenance contract with Z Ltd. Under this contract, X Ltd. will maintain office and factory computers of Z Ltd. during October 1, 2018 and December 15, 2018. Maintenance service for

software and hardware (along with parts) will be provided to Z Ltd. for an agreed consideration of Rs. 2 crore + applicable GST. Due date of payment is October 20, 2018 (first installment of 40 per cent). November 20, 2018 (second installment of 40 percent) and December 20, 2018 (third installment of 20 per cent.) Provision of service is completed on December 15, 2018. Payment is, however, made by Z Ltd. on March 1, 2019.

When tax invoice should be issued in this case ?

(4 MARKS)

QUESTION : 9

A. Who will verify registration application ?

(5 MARKS)

B. State whether the following supplies would be treated as supply of goods or supply of services as per Schedule II of CGST Act.

- (i) Renting of immovable property
- (ii) Transfer of right in goods without transfer of title in goods.
- (iii) Works contract services

- (iv) Temporary transfer of permitting use or enjoyment of any intellectual property right.
- (v) Transfer of title in goods under an agreement which stipulates that property shall pass at a future date.

(5 MARKS)

Question no.10 is compulsory

QUESTION : 10

1. Services by way of admission to _____ are exempt from GST.

(1 M)

- (a) Museum
- (b) National park
- (c) Tiger reserve
- (d) All of the above

2. Which of the following persons is not eligible for composition scheme even though their aggregate turnover does not exceed Rs. 1.5 crore in preceding FY, in Uttar Pradesh?

(1 M)

- (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.

3. Taxes subsumed in GST are **(1 M)**
- (a) Service tax
 - (b) Luxury tax
 - (c) VAT
 - (d) All of the Above
4. Alcoholic liquor for human consumption is subjected to **(1 M)**
- (a) State excise duty
 - (b) Central Sales Tax/Value Added Tax
 - (c) Both (a) and (b)
 - (d) GST
5. Discount given after the supply is deducted from the value of taxable supply, if – **(1 M)**
- (a) such discount is given as per the agreement entered into at/or before the supply
 - (b) such discount is linked to the relevant invoices
 - (c) proportionate input tax credit is reversed by the recipient of supply
 - (d) all of the above
6. 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
7. Where the goods being sent or taken on approval for sale or return are removed before the supply takes place, the invoice shall be issued: **(1 M)**
- (a) before/at the time of supply.
 - (b) 6 months from the date of removal.
 - (c) Earlier of (a) or (b).
 - (d) Later of (a) or (b).
8. 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
9. Rama Ltd. has provided following information for the month of September:
- | | |
|--|-----------------|
| (a) Intra-State outward supply | Rs. 8,00,000/- |
| (b) Inter-State exempt outward supply | Rs. 5,00,000/- |
| (c) Turnover of exported goods | Rs. 10,00,000/- |
| (d) 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. Which of the following services received without consideration amount to supply?

(2 M)

- (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)**