

PART A (DIRECT TAX)

(60 MARKS)

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

QUESTION : 1

X (36 years) is a lecturer in a college in Bombay. He joined college on August 1, 2015 in the grade of Rs. 15,000 – 400 – 22,200. The salary becomes due and is paid on the first day of next month. He is entitled to dearness pay of Rs. 6,000 per month (which forms part of retirement benefits) and gets Rs. 500 per month as dearness allowance (which does not form part of retirement benefits). Besides, he is entitled to house rent allowance @ 15 percent (of basic pay and dearness pay) and city compensatory allowance @ Rs. 100 per month. He pays Rs. 3,000 per month as rent. During the year ending March 31, 2019, he receives Rs. 2,65,750 as income from royalty on text – books for schools. Expenditure for earning royalty income is Rs. 750.

X holds 500, 10 per cent (listed) debentures of a company of Rs. 100 each. The interest of the whole year falls due on January 31, 2019. The bank charges Rs. 225 as commission on the amount collected. X is a member of the provident fund of the college and contributes 18 per cent of his basic pay and dearness pay and the employer contributes @ 11 per cent of basic pay and dearness pay. His provident fund account is credited on July 31, 2019 with Rs. 18,700 as interest calculated @ 10 per cent per annum.

Compute the taxable income and the amount of tax liability for the assessment year 2019 – 20 assuming that provident fund is a (a) statutory provident fund, (b) recognized provident fund, or (c) unrecognized provident fund.

(14 MARKS)

QUESTION : 2

A. X is resident and ordinarily resident in India for the assessment year 2019 – 20. He gives the following information in respect of his income for the previous year 2018 – 19 :

	Rs.
1. Capital gain on sale of a house situated in Pune (sale consideration is received in Nepal)	10,00,000
2. Salary received in Sri Lanka for rendering service in Tamilnadu (salary after standard deduction being Rs. 1,60,000)	1,60,000
3. Interest received from Government of India (it is paid to him in Sri Lanka, the money is utilized by the Government outside India)	2,56,000
4. Royalty received from A Ltd. (a foreign company which is non – resident in India) outside India (royalty is paid for a manufacturing business situated outside India)	92,00,000

Find out the taxable income of X for the assessment year 2019 – 20.

(4 MARKS)

- B. Mrs. Harsha purchased a land at a cost of Rs.45 lakhs in the financial year 2007-08 and held the same as her capital asset till 31st March, 2017. She started her real estate business on 1st April, 2017 and converted the said land into stock-in-trade of her business on the said date, when the fair market value of the land was Rs.225 lakhs.

She constructed 15 flats of equal size, quality and dimension. Cost of construction of each flat is Rs.15 lakhs. Construction was completed in January, 2019. She sold 10 flats at Rs.40 lakhs per flat in 20th March, 2019. The remaining 5 flats were held in stock as on 31st March, 2019.

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

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

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

(6 MARKS)

- C. Profit and loss account of XY and Co. (a limited liability firm) for the year ending March 31, 2019 is as follows :

	Rs.		Rs.
Cost of goods sold	2,80,000	Sales	7,92,000
Other expenses	3,91,000	Net loss	2,72,000
Interest to partners	1,25,000		
Remuneration to partners	2,68,000		
	10,64,000		10,64,000

Out of other expenses debited to profit and loss account, Rs. 63,600 is not deductible to the extent of Rs. 17,100. The firm satisfies all conditions of section 184 and 40(b).

Find out (a) book profit and (b) maximum remuneration to partners which is deductible under section 40(b) for the assessment year 2019-20.

(4 MARKS)

QUESTION :3

- A. X owns a residential property in Chennai. It is let out to A Ltd. (rent being Rs. 40,000 per month). Municipal value of the property is Rs. 2,20,000 fair rent is Rs. 4,80,000. A Ltd. pays municipal tax. On April 7, 2018, rent is increased from Rs. 40,000 per month to Rs. 45,000 per month with retrospective effect from April 1, 2017. X gets Rs. 60,000 (being arrears of rent for the financial year 2017 – 18) on April 20, 2018. **Find out the net income of X for the assessment year 2019 – 20** on the assumption that his income from other source is Rs. 5,00,000.

(8 MARKS)

- B. X (44 years) is a resident individual. His taxable salary income (after standard deduction) is Rs. 9,40,000. He contributes Rs. 1,50,000 to a recognized provident fund. During the previous year 2018 – 19, he transfers the following assets –

1. On April 6, 2018, X transfers agricultural land situated in a village in Karachi (population of the village is 6,000). Sale consideration is Rs. 20,00,000 (cost of acquisition at the time of purchase in 2017 – 18 was Rs. 16,50,000).
2. On April 20, 2018, he transfers agricultural land situated in a village in Madhya Pradesh (population of the village is 4,000). Sale consideration is Rs. 26,00,000. Land was purchased in 1984 – 85 for Rs. 50,000.
3. On July 1, 2018, X transfers debentures of A Ltd. for Rs. 14,00,000. These debentures are transacted in the National Stock exchange. Cost of acquisition is Rs. 11,00,000 (date of acquisition April 1, 2017).

Find out the net income and tax liability of X for the assessment year 2019 – 20, on the assumption that he has invested Rs. 1,00,000 in the bonds of National Highways Authority of India on July 30, 2018.

(6 MARKS)

QUESTION : 4

- A.** For the assessment year 2019 – 20, X (age : 38 years), a non – resident individual, furnishes the following information :

	Rs.
Income from house property	2,18,500
Business income	1,05,000
Short – term capital gains	4,22,000
Long – term capital gains	2,02,500
Income from owning and maintaining race horses	1,15,000
Income from card games	2,16,000
	Rs.
Besides, X has the following brought forward losses / allowances :	
Brought forward business loss of the assessment year 2014 – 15	1,12,000
Unabsorbed depreciation allowance of the assessment year 2012 – 13	2,06,000
Long – term capital loss in respect of the assessment year 2017 – 18	2,47,200
Brought forward loss from the activity of owning and maintaining race horses of the assessment year 2016 – 17	1,25,000
Speculation losses of the assessment year 2015 – 16	30,000

Determine the net income and tax liability of X for the assessment year 2019 – 20.

(10 MARKS)

- B.** Mr. Sailesh, a resident individual aged 54, furnishes his income & other details for the P.Y. 2018 – 19 :
- (i) Income of Rs. 8,10,000 from wholesale cloth business, whose accounts are audited u/s 44AB.
 - (ii) Income from other sources Rs. 2,70,000.
 - (iii) Tax deducted at source Rs. 25,000.
 - (iv) 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 filling 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.**

(4 MARKS)

QUESTION NO.5 is compulsory

M.C.Q NO. 1 TO 6 carries 1 mark each

M.C.Q NO. 7 TO 12 carries 2 marks each

QUESTION NO.5

1. XYZ & Co., a partnership firm, owns a house property which is utilized by the partners for their residence. On 31.10.2018, the firm sells the property at a long-term capital gain of Rs.3,50,000. Can the firm or partners claim exemption under section 54?
 - (a) Yes, the firm can claim exemption u/s 54 as the firm has earned long term capital gains from the transfer of a residential house.
 - (b) Yes, the partners can claim exemption u/s 54 as the property was used by them for residential purpose and the said property has been indirectly transferred by the partners only in the capacity of a firm.
 - (c) Neither the firm nor the partners can claim exemption u/s 54 as the said exemption is allowed only in case of a commercial property.
 - (d) The firm cannot claim exemption u/s 54 as exemption under the said section is allowed only to an individual or HUF. Further, the partners cannot claim exemption u/s 54 as the transferor in the instant case is the firm.

2. Mr. Raj (a non-resident and aged 65 years) is a retired person, earning rental income of Rs. 40,000 per month from a property located in Delhi. 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?
 - (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 has no income chargeable under the head "Profits and gains of business or profession".
 - (d) Both (b) and (c)

3. Under the provisions of the Income-tax Act, 1961, the term "Person" would not include:
 - (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 co-operative society

4. Mr. Pulkit, aged 45 years, paid health insurance premium in lump sum of Rs.90,000 for three years on 01-05-2018. Compute the amount of deduction allowable to him for A.Y. 2019-20.
 - (a) Rs.90,000
 - (b) Rs.30,000
 - (c) Rs.25,000
 - (d) Nil

5. Mr. Ravi incurred loss of Rs.4 lakh in the P.Y.2018-19 in leather business. Against which of the following incomes earned during the same year, can he set-off such loss?
- (i) Profit of Rs.1 lakh from apparel business
 - (ii) Long-term capital gains of Rs.2 lakhs on sale of jewellery
 - (iii) Salary income of Rs.1 lakh
- Choose the correct answer.
- (a) Only (i)
 - (b) Only (ii)
 - (c) Only (iii)
 - (d) Both (i) and (ii)
6. Mr.Aarav gifted a house property valued at Rs.50 lakhs to his wife, Geetha, who in turn has gifted the same to her daughter-in-law Deepa. The house was let out at Rs.25,000 per month throughout the P.Y.2018-19. Compute income from house property for A.Y.2019-20. In whose hands is the income from house property chargeable to tax?
- (a) Rs.3,00,000 in the hands of Mr. Aarav
 - (b) Rs.2,10,000 in the hands of Mr. Aarav
 - (c) Rs.2,10,000 in the hands of Geetha
 - (d) Rs.2,10,000 in the hands of Deepa
7. Gross total income of Arpita for P.Y. 2018-19 is Rs.6,00,000. She had taken a loan of Rs.7,20,000 in the financial year 2015-16 from a bank for her husband who is pursuing MBA course from IIM, Kolkata. On 02.04.2018, she paid the first installment of loan of Rs.45,000 and interest of Rs.65,000. Compute her total income for A.Y. 2019-20.
- (a) Rs.6,00,000
 - (b) Rs.5,35,000
 - (c) Rs.4,90,000
 - (d) Rs.5,55,000
8. ABC Ltd. wants 400 customized backpacks which will be distributed by the company to its employees on the annual event. ABC Ltd. hires a local vendor for this task and ABC Ltd. informs the local vendor about its specifications for the backpacks. The local vendor procures its own raw material and supplies the required backpacks to the Company. He charges Rs.1,00,000 for the backpacks from ABC Ltd. While making payment to the vendor, at what rate ABC Ltd. is required to deduct tax at source?
- (a) 1%
 - (b) 2%
 - (c) 10%
 - (d) No tax is required to be deducted at source.

9. Mr. Devansh has agricultural income of Rs.2,30,000 and business income of Rs.2,45,000. Which of the following statements are correct?
- (a) Agricultural income has to be aggregated with business income for tax rate purposes.
 - (b) No aggregation is required since agricultural income is less than basic exemption limit.
 - (c) No aggregation is required since business income is less than basic exemption limit.
 - (d) Agricultural income is exempt under section 10(1) but the same has to be aggregated with business income, since it exceeds Rs.5,000.
10. Virat, runs a business of manufacturing of shoes in P.Y. 2016-17. During the P.Y. 2016-17 and P.Y. 2017-18, Virat had incurred business losses. For P.Y. 2018-19, he earned business profit (computed) of Rs.3 lakhs. Considering he may/may not has sufficient business income to set off his earlier losses, which of the following order of set off shall be considered:
(He does not income from any other source)
- (a) First adjustment for loss of P.Y. 2016-17, then loss for P.Y. 2017-18 and then unabsorbed depreciation, if any, income is available for adjustment.
 - (b) First adjustment for loss of P.Y. 2017-18, then loss for P.Y. 2016-17 and then unabsorbed depreciation, if any, income is available for adjustment.
 - (c) First adjustment for unabsorbed depreciation, then loss of P.Y. 2017-18 and then loss for P.Y. 2016-17, if any, income is available for adjustment
 - (d) First adjustment for unabsorbed depreciation, then loss of P.Y. 2016-17 and then loss for P.Y. 2017-18, if any, income is available for adjustment
11. Ashok took possession of property on 31st August 2018 booked by him three years back at Rs.25 lakhs, The Stamp Duty Value (SDV) of the property as on 31st August 2018 was Rs.31 lakh and on date of booking it was Rs.29 lakh. He had paid Rs.2 lakh by A/c payee cheque as down payment on date of booking. Which of the following will be considered as income, if any, and in which previous year
- (a) Rs.4 lakhs in P.Y. 2018-19
 - (b) Rs.4 lakhs in P.Y. 2015-16
 - (c) Rs.6 lakhs in P.Y. 2018-19
 - (d) No income shall be taxable, since down payment was paid by A/c cheque while booking the property
12. M/S Thakural & Sons, paid Rs.11,00,000 as remuneration to its partner. The same was in accordance with partnership deed. Partners are also entitled to interest on capital @ 11% as per partnership deed. Total interest paid during the year is Rs.1,30,000. The book profit before interest on capital and remuneration is Rs.37,00,000. The salary allowable as deduction to M/S Thakural & Sons is:
- (a) Rs.22,62,000
 - (b) Rs.11,00,000

(c) Rs.23,10,000

(d) Rs.22,32,000

PART – B (INDIRECT TAX)

(40 MARKS)

QUESTION NO.6 is compulsory and attempt any two out of remaining three questions

QUESTION : 6

On May 1, 2019, X (of Maharashtra) supplies goods / services to A Ltd. (of Odisha). Taxable value of supply is Rs. 28,30,000. On May 6, 2019, X supplies goods/ services to B Ltd. (of Mumbai). Taxable value of supply is Rs.58,00,000. GST rate is 18 per cent. X has the following balance of input tax credit available in his electronic credit ledger – IGST : Rs. 7,60,000, CGST : Rs. 3,40,000, SGST : Rs. 3,70,000. There is no other transaction for the month of May 2019. **Find out the amount of GST payable for May 2019.**

(8 MARKS)

QUESTION : 7

- A.** A Inc. is an American car manufacturing company. It has a branch in Hyderabad. X is HRD head of Hyderabad branch. For the year ending March 31, 2019, CTC of X (as per employment agreement) is as follows –

	Rs.
Salary (Rs. 3,00,000 per month)	36,00,000
Residential accommodation (cost of company : Rs. 6,00,000)	6,00,00
Employer's contribution towards provident fund	5,40,000
Conveyance facility (reimbursement up to Rs. 40,000 per month)	4,80,000
Cost to company (CTC)	52,20,000

A Inc. maintains a gym near Hyderabad office. Employees (and their family members) of the Hyderabad office can use gym facility. Cost to the company for maintaining this facility in Hyderabad is approximately Rs. 27,00,000 per year. On January 1, 2019, A Inc. gifts a new car to X (price tag : Rs. 12, 65,000 before GST). Gym facility and gift of car are not covered by CTC as well as employment agreement.

X owns a commercial flat in Hyderabad. It is given on rent to A Inc. (monthly rent being Rs. 1,00,000)

Discuss whether GST is applicable. Determine the amount of GST liability for the month of January 2019 (assume that GST rate is 28 per cent for car and 18 per cent for others) –

1. Supply of employment service to A Inc.
2. Renting of commercial flat by X to A Inc.
3. Salary paid by A Inc.
4. Residential accommodation, conveyance facility and gym facility provided by A Inc. to X.
5. Gift of car by A Inc. to X.

(6 MARKS)

- B.** List any four activities which shall be neither treated as supply of goods nor a supply of services under the GST law.

(4 MARKS)

QUESTION : 8

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

X is a senior advocate in Calcutta High Court. During December 2018, he provides legal service to A & Co. (a firm of advocates in Kerala) for a fee of Rs. 1,45,000. Turnover of A & Co. for the preceding financial year is Rs. 18 lakh.

(3 MARKS)

B. Mr. Guneet is running a consulting firm and also a readymade garment showroom in Kolkata registered in same PAN. Turnover of the showroom is Rs. 70 lakh and receipt of consultancy firm is Rs. 15 lakh in the preceding financial year. You are required to answer the following :

(1) Is Mr. Guneet eligible for composition scheme ?

(2) Is it possible for Mr. Guneet to opt for composition scheme only for showroom ?

(4 MARKS)

C. State which of the following suppliers are liable to be registered :

(a) Agent supplying goods on behalf of some other taxable person and its aggregate turnover does not exceed Rs. 20 lakh during the financial year.

(b) An agriculturist who is only engaged in supply of produce out of cultivation of land.

(3 MARKS)

QUESTION : 9

A. MBM Caretakers, a registered person, provides the services of repair and maintenance of electrical appliances. On April 1, it has entered into an annual maintenance contract with P for its Air Conditioner and Washing Machine. As per the terms of contract, maintenance services will be provided on the first day of each quarter of the relevant financial year and payment for the same will also be due on the date on which service is rendered. During the year, it provided the service on April 1, July 1, October 1, and January 1 in accordance with the terms of contract. When should MBM Caretakers issue the invoice for the services rendered ?

(5 MARKS)

B. Whether transfer of title and / or possession is necessary for a transaction to constitute supply of goods ?

(5 MARKS)

QUESTION NO.10 is compulsory

M.C.Q NO. 1 TO 8 carries 1 mark each

M.C.Q NO. 9 TO 10 carries 2 marks each

QUESTION : 10

1. The registration certificate granted to Non resident taxable person is valid for _____ days from the effective date of registration or period specified in registration application, whichever is earlier.

(a) 30

(b) 60

(c) 90

(d) 120

2. Mr. A has a tax invoice [dated 20-1-2018] of services received by him. Its input tax credit is lost if ITC is not availed on or before–

a) 20-1-2019.

b) 31-12-2018.

c) 20-1-2020.

d) due date of filing return of September, 2018 or date of filing of annual return for 2017- 18, whichever is earlier.

3. In case of supply of goods for Rs. 5,00,000, following information is provided-

1. Advance received on 1-Apr-20XX

2. Invoice issued on 15-Apr-20XX

3. Goods removed on 25-Apr-20XX

What is the time of supply of goods?

a) 1-Apr-20XX

b) 15-Apr-20XX

c) 25-Apr-20XX

d) 30-Apr-20XX

4. Which of the following is not eligible for opting composition scheme under GST?

1. M/s ABC, a firm selling garments having annual turnover of Rs. 78 lakh.

2. A startup company operating restaurant in Delhi having a annual turnover of Rs. 98 lakh.

3. A courier service company operating solely in Mumbai having annual turnover of Rs. 90 lakh.

4. A trader selling grocery items having an annual turnover of Rs. 95 lakh.

5. Within how many days an application for revocation of cancellation of registration can be made?

1. Within 7 days from the date of service of the cancellation order.

2. Within 15 days from the date of issue of the cancellation order.

3. Within 45 days from the date of issue of the cancellation order.

4. Within 30 days from the date of service of the cancellation order.

6. Which of the following statements is true under GST?

1. Grand-parents are never considered as related persons to their grandson/granddaughter

2. Grand-parents are always considered as related persons to their grandson/granddaughter

3. Grand-parents are considered as related persons to their grandson/granddaughter only if they are wholly dependent on their grandson/granddaughter

4. None of the above

7. Which of the following services are not exempt from GST?
1. Yoga camp conducted by a charitable trust registered under section 12AA of the Income-tax Act, 1961.
 2. Services provided by business correspondent to the rural branch of a bank with respect to Savings Bank Accounts
 3. Services provided by cord blood bank for preservation of stem cells.
 4. Service provided by commentator to a recognized sports body
8. The persons making inter-State supplies from Madhya Pradesh is compulsorily required to get registered under GST, _
1. if his all India based aggregate turnover exceeds Rs. 20 lakh in a financial year
 2. if his all India based aggregate turnover exceeds Rs. 10 lakh in a financial year
 3. irrespective of the amount of aggregate turnover in preceding financial year
 4. in case of making inter-State supply of taxable goods, irrespective of the amount of aggregate turnover in a financial year
9. Which of the following services received without consideration amount to supply?
1. Import of services by a person in India from his son well-settled in USA
 2. Import of services by a person in India from his brother well-settled in Germany
 3. Import of services by a person in India from his brother (wholly dependent on such person in India) in France
 4. Import of services by a person in India from his daughter (wholly dependent on such person in India) in Russia
- a) 1), 3) and 4)
 - b) 2), 3) and 4)
 - c) 2) and 3)
 - d) 1) and 2)
10. Which of the following statements are correct?
- (i) Revocation of cancellation of registration under CGST/SGST Act shall be deemed to be a revocation of cancellation of registration under SGST/CGST Act.
 - (ii) Cancellation of registration under CGST/SGST Act shall be deemed to be a cancellation of registration under SGST/CGST Act.
 - (iii) Revocation of cancellation of registration under CGST/SGST Act shall not be deemed to be a revocation of cancellation of registration under SGST/CGST Act.
 - (iv) Cancellation of registration under CGST/SGST Act shall not be deemed to be a cancellation of registration under SGST/CGST Act.
- (a) (i) and (ii)
 - (b) (i) and (iv)
 - (c) (ii) and (iii)
 - (d) (iii) and (iv)