

Question 1 is compulsory. Attempt any five from the rest.

Question 1

A) Ms. Rachna was gifted a Land by her father in December, 2006 at the occasion of her marriage. The Land was allotted to her father in November, 1995 at Cost of ₹ 6 Lakhs by DDA for Commercial Purpose. She set up a Nursery on the Land, earns Profit ₹ 2 Lakhs during the year 2017-2018 from Seedlings grown in Nursery. She sold the Nursery to her friend at ₹ 50 Lakhs in October, 2017. Her friend paid ₹ 20 Lakhs in Cash and ₹ 30 Lakhs in the form of Shares. Market Value of Land on date of Sale was ₹ 90 Lakhs and Shares ₹ 70 Lakhs. Rachna, with an intention to earn Profit, invested ₹ 20 Lakhs in Shares by purchasing Shares for ₹ 15 Lakhs from National Stock Exchange and ₹ 5 Lakhs in subscription to Equity Shares forming part of Eligible Issue of Capital by a Public Company.

She spent ₹ 60,000 on purchase of Computers, ₹ 20,000 on Net Connectivity and ₹ 2 Lakhs toward Salary and other expenses. She paid monthly Rent ₹ 2,500 for a Shop which was taken in October 2017, for trading in Shares. Depreciation Rate on Computers is 40%.

The value of Shares purchased and sold during the year are as follows:

Purchases including received from friend	- ₹ 80,00,000
Sales	- ₹ 1,00,00,000

The Market Value of Shares which remains unsold as on 31.03.2018 is ₹ 40 Lakhs. Ms. Rachna made / paid the following -

- Contribution of ₹ 20,000 to approved Pension Fund.
- ₹ 30,000 to LIC for Medical Insurance Premium of Self and Spouse.
- Repay Loan ₹ 1,00,000 and Interest ₹ 20,000 to SBI taken in February, 2018 for her son's admission in Sri Ram College of Commerce (B.COM).
- Invested ₹ 1,00,000 in Long Term Infrastructure Bonds.
- Contributed ₹ 25,000 to Research Association which has its object to undertake Scientific Research.

Rachna did not earn any Short Term Capital Gain during the year. Rachna has not celebrated her 40th Birthday yet. Compute the Total Income of Ms. Rachna and tax thereon payable by her for the Assessment Year 2018-2019. Cost Inflation Index for Financial Year 1996-1997 to be taken as 100 (being prior to 2001-02), 2007-2008 is 129 and, 2017 - 2018 is 272. (10 Marks)

B) Determine the effective date of registration in following cases

- (a) The aggregate turnover of Dhampur Industries has exceeded Rs. 20 Lakh on 1st September. It submits the application for registration on 20th September. Registration Certificate is granted to it on 25th September.
- (b) Mehta Teleservices is an internet service provider in Lucknow. Its aggregate turnover exceeds 20 Lakh on 25 October. It submits the application for registration on 27th November. Registration Certificate is granted to it on 5th December. (5 marks)

C) A philanthropic association makes a substantial donation each year to a reputed private management institution to subsidize the education of low income group students who have gained admission there. The fee for these individuals is reduced thereby, coming to 3 lakh a year for other students. What would be taxable value of the service of coaching & instruction provided by the institution. (5 marks)

Question 2

A) Difference between Capital Receipts vs Revenue Receipts. (4 marks)

B) From the following particulars furnished by Mr. X for the year ended 31.3.2018, you are requested to compute his Total Income and Tax Payable for the Assessment Year 2018 – 2019 –

- (a) X retired on 31.2.2017 at the age of 58, after putting in 25 years & 9 months of service, from a Private Company situated at Mumbai.

- (b) He was paid a Salary of ₹ 40,000 p.m. and House Rent Allowance of ₹ 10,000 p.m. He paid rent of ₹ 13,000 p.m. during his tenure of service.
- (c) On retirement, he was paid a Gratuity of ₹ 6,00,000. He was not covered by the Payment of Gratuity Act. His Average Salary in this regard may be taken as ₹ 37,500. Mr. X had not received any other gratuity at any point of time earlier, other than this gratuity.
- (d) He had accumulated leave of 15 days per annum during the period of his service, this was encashed by Mr. X at the time of his retirement. A sum of ₹ 5,15,000 was received by him in this regard. His Average Salary may be taken as ₹ 37,500.
- e) After retirement, he ventured into textile business and incurred a loss of 80,000 for the period upto 31.03.2018.
- (f) Mr. X has invested ₹ 22,500 in Recognized Provident Fund, ₹ 1,20,000 in Public Provident Fund and ₹ 37,500 in National Savings Certificates. (8 marks)

C) what are the consequences of mismatch of supplies? (4 marks)

Question 3

- A) Mr. Krishna owns a residential house in delhi. The house is having two identical units. First unit of the house is self-occupied by mr. Krishna, and another unit is rented for ₹ 12,000 p.m. The rented unit was vacant for three months during the year. The particulars of the house for the previous year 2017-2018 are –

Standard Rent	₹ 2,20,000 p.a.
Municipal Valuation	₹ 2,44,000 p.a.
Fair Rent	₹ 2,35,000 p.a.
Municipal Tax Paid by Mr. Krishna	12 % of the Municipal Valuation
Light and Water Charges	₹ 800 p.m.
Interest on Borrowed Capital	₹ 2,000 p.m.
Insurance Charges	₹ 3,500 p.m.
Painting Expenses	₹ 16,000 p.a.

Compute income from house property of mr. Krishna, for the assessment year 2018-2019. (8 marks)

- B) Explain with reasons whether the following transactions attract Income – tax in India in the hands of recipients?
- (a) Salary paid to Mr. David, a citizen of Indian ₹ 15,00,000 by the Central Government for the services rendered in Canada.
- (b) Legal Charges ₹ 7,50,000 paid to Mr. Johnson, a lawyer of London, who visited India to represent a case at the Supreme Court.
- (c) Royalty paid to Rajeev, a Non – Resident,, by Mr. Mukesh, a Resident for a business carried on in Sri Lanka.
- (d) Interest Received ₹ 1,00,000, on money borrowed from Frances, by Ms. Dyana, a Non – Resident for the business at Bangalore. (4 marks)
- C) An individual acts as a referee in a football match organized by sports authority of India. He has also acted as a referee in another charity football match organized by a local sports club, in lieu of a lump sum payment. Discuss whether he required to pay any GST? (4 marks)

Question 4

- A) Rao & Jain, a Partnership Firm consisting of two Partners, reports a Net Profit of ₹ 7,00,000 before deduction of the following items:
- Salary of ₹ 20,000 each p.m. payable to two Working Partners (as authorized by the Partnership deed).
 - Depreciation on Plant and Machinery u/s 32 (computed) ₹ 1,50,000.
 - Interest on Capital at 15% p.a. (as per the Deed of Partnership). The amount of Capital eligible for interest is ₹ 5,00,000.
- Compute: 1. Book Profit of the Firm u/s 40(b) of the Income Tax Act, 1961.
2. Allowable Working Partner Salary for the Assessment Year 2018-2019 u/s 40(b). (8 marks)

- B) Mr. Rajmohan whose Gross Total Income was ₹ 6,40,000 for the Previous Year 2017-2018 furnishes the following information:
1. Stamp Duty paid on acquisition of Residential House (Self-Occupied) ₹ 50,000.
 2. Five-Year Time Deposit in an account under Post Office Time Deposit Rules, 1981 ₹ 20,000.
 3. Donation to a recognized Charitable Trust ₹ 25,000 which is eligible for deduction u/s 80G at the applicable rate.
 4. Interest on Loan taken for Higher Education of Spouse paid during the year ₹ 10,000.
- Compute the Total Income of Mr. Rajmohan for the Assessment Year 2018-2019. (4 marks)

- C) Mention whether there is continuous supply of service or not: (4 marks)

a. A consulting firm managing the IPO process of a listed company under a contract to finish the work in 4 months	
b. Implementation of an ERP system for a company for period more than 3 months	
c. Service for which the entire consideration is paid at the beginning of the contract itself	
d. Service which is completed within 3 months, but payment is received over a period exceeding 3 months.	

Question 5

- A) Mr. C inherited from his father 8 plots of Land in 1998. His father had purchased the plots in 1985 for ₹ 5 Lakhs. The Fair Market Value of the Plots as on 01.04.2001 was ₹ 16 Lakhs. (₹ 2 Lakh for each plot)
On 1st June 2004, C started a Business of dealer in plots and converted the 8 plots as stock in trade of his business. He recorded the plots in his books and ₹ 64 Lakhs being the FMV on the date. In June 2008, C sold the 8 plots for ₹ 75 Lakhs.
In the same year, he acquired a Residential House Property for ₹ 50 Lakhs. He invested an amount of ₹ 5 Lakhs in construction of one more floor in his house in June 2009. The house was sold by him in June 2017 for ₹ 80,00,000.
The valuation adopted by the Registration Authorities for charge of Stamp Duty was ₹ 98,50,000. As per the Assessee's request, the Assessing Officer made a reference to a Valuation Officer. The value determined by the Valuation Officer was ₹ 99,20,000. Brokerage of 1% of Sale Consideration was paid by C.
The relevant Cost Inflation Indices are - FY 2001-2002 - 100, FY 2004-2005 - 113, FY 2008- 2009 - 137, FY 2009-2010 - 148, FY 2017-2018 - 272. Give the tax computation for the relevant Assessment Years. (8 marks)

- B) Mr. Barun provides you the following information and requests you to determine the Advance Tax Liability with due dates for the Financial Year 2017-2018. (4 marks)

Estimated Tax Liability for the Financial Year 2017-2018	₹ 65,000
Tax Deducted at Source for this year	₹ 5,000

- C) what are the consequence of cancellation of registration? (4 marks)

Question 6

- A) During the Previous Year 2017-2018 the following transactions occurred in respect of Mr. A:
- (a) Mr. A had a Fixed Deposit of ₹ 5,00,000 in Bank of India. He instructed the Bank to credit the Interest on Deposit at 9% from 01.04.2017 to 31.03.2018 to the Savings Bank Account of Mr. B, son of his brother, to help him in his Education.
 - (b) Mr. A holds 75% share in a Partnership Firm. Mrs. A received a Commission of ₹ 25,000 from the Firm for promoting the sales of the Firm. Mrs. A possesses no technical or professional qualification.

- (c) Mr. A gifted a Flat to Mrs. A on April 1st 2017. During the PY the Flat generated a Net Income of ₹ 52,000 to Mrs. A.
- (d) Mr. A gifted ₹ 2,00,000 to his minor son who invested the same in a Business & he got a share Income of ₹ 20,000 from the Investment.
- (e) Mr. A's minor son derived an Income of ₹ 20,000 through a Business Activity involving Application of his Skill & Talent.
- (f) During the year Mr. A got a Monthly Pension of ₹ 10,000. He had no other Income. Mrs. A received Salary of ₹ 20,000 per month from a Part Time Job.

Discuss the Tax Implications of each transaction & compute the Total Income of Mr. A, Mrs. A and their Minor Child. (8 marks)

- B) Mr. Atal, a Super Senior Citizen, has reported a Gross Total Income ₹ 5,60,000 and the deductions eligible under Chapter VI-A amounting to ₹ 70,000 for the Previous Year 2017-2018. Is he liable to file his Return of Income u/s 139(1) for the Assessment Year 2018-2019? If so why? (4 marks)
- C) Sodexo meal coupons are sold to a company on 9th August for being distributed to the employees of the said company. The coupons are valid for 6 months & can be used against purchase of food items. The employees use them in various stores for purchase of various edible items on different dates throughout the six months. What is the date of supply of coupons? (4 marks)

Question 7

- A) Compute the tax liability of X for Assessment Year 2018-2019 from the following particulars:

(a) Net House Property Income as computed under the head "Income from House Property"	₹ 3,70,000
(b) Income from business before adjusting the following	90,000
(i) Carried forward Business Loss	70,000
(ii) Current Depreciation	30,000
(iii) Carried forward Unabsorbed Depreciation	1,40,000
(c) Short Term Capital Gain - Jewellery	1,60,000
(d) Long Term Capital Loss - Shares	40,000
(e) Long Term Capital Gains - Debentures	2,00,000
(f) Dividend on Shares held as Stock in Trade	10,000
(g) Dividend from a Company carrying on Agricultural Operations	12,000
(h) Income from growing and manufacturing coffee (cured and roasted)	1,00,000

During Previous Year 2017-2018, the Assessee had donated ₹ 35,000 to an approved Local Au-thority for promotion of Family Planning and purchased NSC VIII issue for ₹ 1,00,000. (8 marks)
- B) Mr.X sold his House Property in Bangalore as well as his Rural Agricultural Land for a consideration of ₹ 60 Lakhs and ₹ 15 Lakhs, respectively to Mr.Y on 1.08.2017. He has purchased the House Property and the land in the year 2015 for ₹ 40 Lakhs and ₹ 10 Lakhs respectively. The Stamp Duty Value on the date of transfer, i.e. 01.08.2017 is ₹ 85 Lakhs and ₹ 20 Lakhs for the House Property and Rural Agricultural Land respectively. Determine the tax implications in the hands of Mr.X and Mr.Y and the TDS implications, if any, in the hands of Mr.Y assuming that both Mr.X and Mr.Y are resident Indians. (4 marks)
- C) Which categories of persons shall be required to obtain compulsory registration? (4 marks)
