



CA INTERMEDIATE

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(Marks - 100)

SECTION A**(DIRECT TAX)****PART – A M.C.Qs (Compulsory)****M.C. Q No. 1 to 6 carries 1 mark each****M.C. Q No. 7 to 12 carries 2 marks each**

1. Mr. Raghav has three houses for self-occupation. What would be the tax treatment for A.Y.2020-21 in respect of income from house property?
 - (a) One house, at the option of Mr. Raghav, would be treated as self-occupied. The other two houses would be deemed to be let out.
 - (b) Two houses, at the option of Mr. Raghav, would be treated as self-occupied. The other house would be deemed to be let out.
 - (c) One house, at the option of Assessing Officer, would be treated as self-occupied. The other two houses would be deemed to be let out.
 - (d) Two houses, at the option of Assessing Officer, would be treated as self-occupied. The other house would be deemed to be let out.

2. Arun's gross total income of P.Y. 2019-20 is Rs. 2,45,000. He deposits Rs. 45,000 in PPF. He pays electricity bills aggregating to Rs. 1.20 lakhs in the P.Y.2019-20. Which of the statements is correct?
 - (a) Arun is not required to file his return of income u/s 139(1) for P.Y. 2019-20, since his total income before giving effect to deduction under section 80C does not exceed the basic exemption limit.
 - (b) Arun is not required to file his return of income u/s 139(1) for P.Y. 2019 -20, since his electricity bills do not exceed Rs. 2,00,000 for the P.Y.2019-20.
 - (c) Arun is not required to file his return of income u/s 139(1) for P.Y. 2019 -20, since neither his total income before giving effect to deduction under section 80C exceeds the basic exemption limit nor his electricity bills exceed Rs. 2 lakh for the P.Y.2019-20.
 - (d) Arun is required to file his return of income u/s 139(1) for P.Y. 2019 -20, since his electricity bills exceed Rs.1 lakh for the P.Y.2019-20.

3. Power to make Income Tax act is derived from:
 - (a) Article 246
 - (b) Article 246A
 - (c) Article 1
 - (d) none of the above

4. Mr. Suraj purchased a house property for actual consideration of Rs.49,00,000 and Rs. 1,00,000 as lifetime parking fees for the building. Which of the following statement is true?
- (a) TDS u/s 194IA is not applicable as actual consideration is less than 50,00,000
 - (b) TDS u/s 194IA is not applicable as total Consideration is Not more than 50,00,000.
 - (c) TDS u/s 194IA applicable as total consideration is exact 50,00,000.
 - (d) None of the above.
5. Interest on recognized PF is exempt upto:
- (a) 12%
 - (b) 9.5%
 - (c) 10%
 - (d) Fully Taxable
6. If the deductor is able to establish that the payee has furnished the return of income by including such income on which tax was deductible at source and has paid tax due on income declared by him in such return of income, it shall be deemed that the assessee has deducted and paid tax on such income :
- (a) on the date of payment of tax by the payee
 - (b) on the date when the tax was deductible at source
 - (c) on the date of furnishing return of income by the resident payee
 - (d) none of the above
7. Mr. Smart is a businessman having turnover in last PY 2018-19 Rs.1,50,00,000. During the year he made 2 payments: Rs. 1,00,000 as a professional fee to architect to draw a plan to renovate office premises & Rs. 60,00,000 as contract payment to contractor for renovating residential house. Which of the following statement is correct?
- (a) TDS U/s 194J on Rs.100,000 & TDS U/s 194C on Rs. 60,00,000
 - (b) TDS U/s 194M on both amount
 - (c) TDS U/s 194J on Rs.100,000 & No TDS on Rs. 60,00,000
 - (d) TDS U/s 194J on Rs.100,000 & TDS U/s 194M on Rs.60,00,000

8. Mr. Jupiter do not have any house property prior to 2019-20. In the year 2019-20 he got housing loan sanctioned from Bank of Baroda for Rs.50,00,000@10%(Disbursed on 1/4/19). The actual value of the house property is Rs.60,00,000 & Stamp duty is Rs.40,00,000. The house is self-occupied during the year. What will be eligible for deductions?
- (a) U/s 24(b) Rs.2,00,000
 - (b) U/s 24(b) Rs.200,000 & Rs.50000 U/s 80EE
 - (c) U/s 24(b) 200,000 & Rs.50000 U/s 80EEA
 - (d) U/s 24(b) 200,000 & Rs.150000 U/s 80EEA

Case Scenario

Mr. Aagam, an Indian citizen came to India for visiting forts of Rajasthan from 1.5.19 to 30.9.19 for the first time. Then he never came in India after 30.9.19 in that year. While visit in India he purchased one residential flat in Udaipur for Rs.60,00,000 from Mr. Chintan on 1.6.2019.

From 1.7.2019 he gave this house on rent to Mr. Karan for Rs.10,000 P.M. However, its decided that Mr. Karan will pay rent directly to USA bank account of Mr. Aagam. As mutually agreed, its decided that municipal tax will be paid by Mr. Karan in India amounts to Rs. 3,000 P.A.

Mr. Aagam has also taken life insurance policy in India during visit for which he pays premium of Rs. 30,000. He is also an employee in USA in a company from which he is withdrawing salary \$5000 P.M. Its directly credited to USA bank account. However, for the month of May to September on his request company has credited salary directly in Indian bank account.

The value of one USD may be taken as Rs. 70.

Based on the above information, choose the most appropriate option of the following Multiple Choice Question (MCQs 9 to 12) for A.Y. 2020-21:-

9. What will be residential status of Mr. Aagam for PY 2019-20?
- (a) Resident & ordinary resident
 - (b) Resident but not ordinary resident
 - (c) Non resident
 - (d) None of the above.
10. What will be House property Income for Mr. Aagam?
- (a) Nil (as directly credited outside India)
 - (b) Rs.60,900
 - (c) Rs.63,000
 - (d) Rs.21000

11. What will be Salary Income for Mr. Aagam?

- (a) Rs.41,50,000
- (b) Rs.17,00,000
- (c) NIL (As salary accrued outside India)
- (d) Rs.25000

12. What will be Total Income for Mr. Aagam?

- (a) Rs.17,33,000
- (b) Rs.41,80,900
- (c) Rs.42,10,900
- (d) Rs.17,63,000

PART –B (DESCRIPTIVE)

Question no.1 is compulsory and attempt any two out of remaining three questions.

Q. 1

Mr. Gaurav, a resident individual, age 61 years provides consultancy services in the field of Taxation. His Income and Expenditure account for the year ended 31st March, 2020 is as follows:

Income and Expenditure account for the year ending 31st March, 2020

Expenditure	Amount (Rs.)	Income	Amount (Rs.)
To Salary	5,00,000	By Consulting fees	70,00,000
To Motor car expenses	78,000	By Share of Profit from HUF	25,000
To Depreciation	87,500	By Interest on post office saving bank deposits	35,000
To Medical expenses	90,000	By Income tax refund (Including Interest Rs.6000)	26,000
To Purchase of computer	80,000		
To Bonus	25,000		
To General expenses	75,000		
To Office & administrative	1,15,000		
To Excess of income over Expenditure	60,35,500		
	70,86,000		70,86,000

The following other information relates to the financial year 2019-20:

- (1) Salary includes a payment of Rs. 22,000 per month to his sister-in-law who is in-charge of the marketing department. However, in comparison to similar business, the reasonable salary of a marketing supervisor is Rs.18,000 per month.
- (2) Written down value of the assets as on 1st April, 2019 are as follows:

Motor Car (25% used for personal use)	Rs. 3,50,000
Furniture and Fittings	Rs. 80,000
- (3) Medical expenses include:
 - Family planning expenditure Rs.25,000 incurred for the employees which was revenue in nature.

- Medical expenses for his father Rs.55,000. (Father's age is 81 years and he is not covered under any medical insurance policy). Rs.2,500 incurred in cash and remaining by credit card.
- (4) The computer was purchased on 5th June, 2019 on credit. The total invoice was paid in the following manner:
- Rs.18,000 paid in cash as down payment on the date of purchase.
 - Remaining amount was paid through account payee cheque on 10th August, 2019.
- (5) Bonus was paid on 30th November, 2020.
- (6) General expenses include commission payment of Rs.42,000 to Mr. Mahesh for the promotion of business on 17th September, 2019 without deduction of tax at source.
- (7) He also received gold coins from nephew on the occasion of marriage anniversary on 15th November, 2019. The market value of the coins on the said date was Rs.85,000.

The consultancy fees for the previous year 2018-19 was Rs. 62,51,000.

Compute the total income and the tax liability of Mr. Gaurav for the A.Y. 2020-21.

(14 MARKS)

Q. 2

(a) Ms. Pooja, a sales executive in JK Ltd. Basic salary is Rs.20,000 P.M. She also receives D.A. 40% of salary (60% not forming part of retirement benefit). Employer also gives commission of Rs.2000 P.M.

JK Ltd. gives an option of giving a house rent allowance of Rs.5,000 P.M. or giving bonus of Rs.50,000 instead. Ms. Pooja is paying rent of Rs.4,000 P.M. in Ahmedabad.

JK Ltd. also gives Laptop for use to Ms. Pooja for which original cost to company is Rs.60,000. She also received telephone allowance of Rs.500 P.M.

Decide which option is better for Ms. Pooja to take HRA or to take Bonus so as to minimize tax liability.(Give advice ignoring effect of rebate U/s 87A)

(8 MARKS)

(b) **Examine the TDS implications** in the following cases along-with reasons thereof:

- (i) Mr. Arjun got maturity of LIC Rs. 2,00,000 on 31.3.20. Policy was taken on 1.4.13. Sum assured was Rs. 1,50,000 and premium paid was Rs. 20,000 P.a. **(2 marks)**
- (ii) XYZ Private Limited pays the following amounts to Mr. Narayan during previous year 2019-20 :
- (1) Rs. 22,000 towards fee for professional services
 - (2) Rs. 18,000 towards royalty. **(1 mark)**
- (iii) Payment of Rs. 1,75,000 made to Mr. Vaibhav for purchase of calendar according to specifications of M/s. JK Limited. However, no material was supplied for such calendar by JK Limited to Mr. Vaibhav. **(2 marks)**
- (iv) Talent Private Limited pays Rs. 12,000 to Ms. Sudha, its director, towards sitting fee which is not taxable u/s 192. **(1 mark)**

Q. 3

- (a) Dr. Arjun runs a clinic in Delhi. As per new rule in the city, private cars can be plied in the city only on alternate days. He has purchased a car on 25-09-2019, for the purpose of his medical profession, as per following details:

Cost of car (excluding GST)	15,00,000
Add: Delhi GST at 14%	2,10,000
Add: Central GST at 14%	<u>2,10,000</u>
Total price of car	<u>19,20,000</u>

He put his car to use from 25.9.2019 itself. He estimates the usage of the car for personal purposes will be 25%. He is advised by his friends that since the car has run only on alternate days, half the depreciation, which is otherwise allowable, will be actually allowed. He has started using the car immediately after purchase.

Determine the depreciation allowable on car for the A.Y. 2020-21, if this is the only asset in the block. If this car would also be used in the subsequent Assessment Year 2021-22 on the same terms and conditions above, what will be the depreciation allowable? Assume that there is no change in the legal position under the Income-tax Act, 1961.

(3 MARKS)

- (b) 'R' a resident of India, purchased 1000 listed equity shares of Rs. 10 each at Rs. 115 per share from a broker on 5.4.2001. He paid Rs. 2,000 as brokerage. On 2.3.2003 he was given bonus shares by the company on the basis of one share for every 2 shares held. On 24.2.2019 he was given a right to acquire 1,000 right share @ Rs. 60 per share. He acquired 50% of the right shares offered and sold the balance 50% of the right for a sum of Rs. 60,000 on 3.4.2019. The right shares were allotted to him on 20.4.2019.

All the shares held by him were sold on 24.3.2020 @ Rs. 400 per share.

Compute Capital gain and tax for the assessment year 2020 – 21 assuming his income from other sources is Rs. 1,12,000 and shares had been sold through a recognized stock exchange. Assume the FMV of shares on 31.1.2018 was Rs. 350 per share.

Index number for P.Y. 2019 – 20 is 289, for P. Y. 2001-02 is 100 .

(7 MARKS)

- (c) The following are the incomes of Shri Subhash Chandra, a citizen of India, for the previous year 2019-20 :

- Income from business in India Rs. 2,00,000. The business is controlled from London and Rs. 60,000 were remitted to London.
- Royalty of Rs. 4,00,000 received from Shri Ramesh, a resident, for technical service provided to run a business outside India.
- Agricultural income of Rs. 90,000 in Bhutan.
- Income of Rs. 73,000 from house property in Dubai, which was deposited in bank at Dubai.

Compute Gross Total Income of Shri Subhash Chandra for the A.Y. 2020-21, if he is -

- A Resident and Ordinarily Resident; and
- A Resident but Not Ordinarily Resident

(4 MARKS)

(a) Compute Total Income for Mr. Vyom for P.Y.2019-20 from the following:

Particulars	Rs.
Salary received from Reliance Ltd.	300,000
Rent from house property	1,00,000
Interest on Housing loan	3,00,000
Loan taken from ABC Pvt.Ltd.in which Mr. Vyom is having 12% shareholding (Company is having reserve & surplus Rs.15,00,000)	14,00,000
Dividend from TATA Ltd.	12,00,000
Loss from non-speculative business	1,00,000

(7 Marks)

- (b) (i) What is the fee for default in furnishing return of income u/s 234F? (1.5 Marks)
- (ii) To whom the provisions of section 139AA relating to quoting of Aadhar Number do not apply? (4 Marks)
- (iii) What is treatment of recovery of unrealized rent? (1.5 Marks)

SECTION B
(INDIRECT TAX)
PART – A M.C.Qs (Compulsory)

M.C. Q No. 1 to 4 carries 2 marks each

M.C. Q No. 5 to 8 carries 1 mark each

Case Scenario

Ms. Riya is a multi-faceted business personality. She is registered under GST from April, 20XX.

She supplied a package consisting of stapler, calculator and charger at a single price of Rs. 300/. Rate of GST for stapler, calculator and charger is 5%, 12% and 18% respectively.

She wants to opt for composition levy.

She received following payments during the month of May, 20XX:

- earned Rs. 160,000 by performing in western music in a cultural event at a Resort
- earned Rs. 50,000 by providing services by way of renting of residential dwelling for use as boutique.
- received Rs. 70,000 by way of rent for letting of agro machinery

Ms. Riya made a supply during June, 20XX, details of which are as follows:-

- Basic price of the product – Rs. 45,000
- Tax collected at source under Income-tax Act, 1961 – Rs. 2,500
- She received a subsidy of Rs. 3,500 from Green Foundation Pvt. Ltd for usage of green energy and the subsidy was linked to saving energy

Ms. Riya provides the following information regarding receipt of inward supply during July, 20XX:

- received invoice for goods having GST Component of Rs. 30,000. Goods were to be delivered in 5 lots, out of which three lots were received in the current month.
- purchased a car having GST component of Rs. 1,50,000 for the usage in a driving school owned by her
- availed health insurance service for her employees on her own and paid GST of Rs. 7,000 thereon

Transactions referred above are intra-State only. Conditions necessary for claiming input tax credit (ITC) have been fulfilled subject to the information given above.

From the information given above, choose the most appropriate answer for the following questions(1 to 4) :-

1. What would be the nature of supply and the applicable rate of GST for the supply of package made by Ms. Riya (when not registered under composition scheme) :-
 - (a) composite Supply & applicable rate 12%
 - (b) mixed Supply & applicable rate 18%
 - (c) composite Supply & applicable rate 18%
 - (d) mixed Supply & applicable rate 12%
2. Ms. Riya can opt for composition scheme if she does not undertake the supply of
 - (i) Aerated water
 - (ii) Tobacco
 - (iii) Pan masala
 - (iv) Milk
 - (a) i & ii
 - (b) iii & iv
 - (c) i, ii & iii
 - (d) ii, iii & iv
3. Out of payments received by Ms. Riya in month of May 20XX, exempt Supply amounts to _____
 - (a) Rs. 50,000
 - (b) Rs. 70,000
 - (c) Rs. 1,20,000
 - (d) Rs. 1,60,000
4. Eligible amount of input tax credit that can be claimed by Ms. Riya in the month of July 20XX is,
 - (a) Rs. 30,000
 - (b) Rs. 37,000
 - (c) Rs. 1,50,000
 - (d) Rs. 1,57,000

5. Where goods are transported in other than over dimensional cargo, the e – way bill or a consolidated e – way bill generated shall be valid for.
- (a) 1 day up to 50 kms and 1 additional day for every additional 50 kms or part thereof
 - (b) 1 day up to 75 kms and 1 additional day for every additional 75 kms or part thereof
 - (c) 1 days up to 100 kms and 1 additional day for every additional 100 kms or part thereof
 - (d) 1 days up to 150 kms and 1 additional day for every additional 150 kms or part thereof
6. Which of the following statements is correct?
- (a) CPIN is a 17 digit number
 - (b) CIN is a 14 digit number
 - (c) BRN is an 8 digit number
 - (d) None of the above
7. Late fee for delay in filing annual return is
- (a) Rs. 50 for every day during which such failure continues subject to a maximum of an amount calculated @ 0.25% of his turnover in the State or Union territory
 - (b) Rs. 100 for every day during which such such failure continues subject to a maximum of an amount calculated @ 0.25% of his turnover in the State or Union territory
 - (c) Rs. 200 for every day during which such such failure continues subject to a maximum of an amount calculated @ 0.25% of his turnover in the State or Union territory
 - (d) Rs. 100 for every day during which such such failure continues subject to a maximum of an amount calculated @ 0.50% of his turnover in the State or Union territory
8. Open area in the precincts of a temple has been rented for a marriage for a day. In which of the following cases, such renting is exempt from GST?
- (a) Temple is owned by a Charitable Trust (registered under section 12AA of the Income-tax Act, 1961) and consideration charged is Rs. 9,000.
 - (b) Temple is owned by a Charitable Trust (registered under section 12AA of the Income-tax Act, 1961) and consideration charged is Rs. 11,000.
 - (c) Both (a) and (b).
 - (d) None of the above.

PART –B (DESCRIPTIVE)

Question no.1 is compulsory and attempt any two out of remaining three questions.

Q. 1

M/s. Grey, a registered taxable person under regular scheme provides following information in respect of supplies made by it during the month of April 2020 :

	(All amount in rupees)
(i) Inter – state supply of goods	1,00,000
(ii) Intra – state supply of 500 packets of detergent @ Rs. 400 each alongwith a plastic bucket worth Rs. 100 each with each packet, being a mixed supply. (Rate of GST on detergent is 18% and on plastic bucket is 28%)	
(iii) Supply of online educational journals to M/s. Pinnacle private coaching centre providing tuitions to students of Class X – XII. Being intra – state supply.	50,000
M/s. Grey has also received the following inward supplies :	
(iv) Inter – state supply of goods (out of which invoice for goods worth Rs.20,000 is missing and no other tax paying document is available)	70,000
(v) Repairing of bus with seating capacity of 20 passenger used to transport its employees from their residence, being intra – state supply.	50,000

Details of opening balance of ITC as on 1.4.2020 are as follows :

CGST	5,000
SGST	5,000
IGST	40,000

Following additional information is provided :

- Rate of CGT in respect of all inward and outward supplies except item (ii) above is 18%. i.e. CGST and SGST @ 9% and IGST @ 18%.
- All figures mentioned above are exclusive of taxes.
- All the conditions for availing the ITC have been fulfilled except specifically given and M/s. Grey is not eligible for any threshold exemption.

Compute the minimum net GST payable in cash by M/s. Grey for the month of April 2020.

(8 MARKS)

Q. 2**(a)**

Mr. Vicky Frankyn, an unregistered famous author, received Rs. 3 crore of consideration from Shiv Bhawan Publications (SBP) located in Indore for supply of services by way of temporary transfer of a copyright covered under section 13(1)(a) of the Copyright Act, 1957 relating to original literary works of his new book. He finished his work & made available the book to the publisher, but has yet not raised the invoice.

Mr. Vicky Frankyn is of the view that SBP is liable to pay tax under reverse charge on services provided by him. SBP does not concur with his view and is not ready to deposit the tax under any circumstances.

Examine whether the view of Mr. Vicky Frankyn is correct. Further, if the view of Mr. Vicky Frankyn is correct, what is the recourse available with Mr. Vicky Frankyn to comply with the requirements of GST law as SBP has completely refused to deposit the tax. **(5 MARKS)**

(b)

State with brief reason, whether following suppliers of taxable goods are required to register under the GST Law :

- (i) Mr. Raghav is engaged in wholesale cum retail trading of medicines in the State of Assam. His aggregate turnover during the financial year is Rs. 9,00,000 which consists of Rs. 8,00,000 as Intra – State supply and Rs. 1,00,000 as Inter – State Supply.
- (ii) Mr. S. N. Gupta of Rajasthan is engaged in trading of taxable goods on his own account and also acting as an agent of Mr. Rishi of Delhi where the invoice is issued in the name of SN Gupta. His turnover in the financial year 2018 – 19 is of Rs. 22 lakhs on his own account and Rs. 19 lakhs on behalf of principal. Both turnovers are Intra – State Supply.

(5 MARKS)

Q. 3

(a)

R Ltd. has paid GST on the following inputs and input services in relation to its outward supply in the month of January 2020.

S. No.	Particulars	Amount (Rs.)
1	GST paid on input R (exclusively used for taxable supplies)	50,000
2	GST paid on input S (Exclusively used for exempted supplies)	20,000
3	GST paid on input T (exclusively used for export of goods i.e. zero rates supply)	15,000
4	GST paid on input U (used for taxable, non – business and exempted supplies)	40,000
5	GST paid on input V (exclusively used for purposes other than business)	5,000
6	GST paid to Chartered Account for audit Services	12,000
7	Value of taxable supplies	50,00,000
8	Value of exempt supplies	15,00,000
9	Value of exports	10,00,000

Calculate the amount of input tax credit available to R Ltd. and the amount of input tax credit required to be reversed on account of non – business purpose and exempted supplies.

(6 MARKS)

(b)

Holiday Guest House, situated at Shimla, provides boarding & lodging services to tourists at economical cost. The charges of a single deluxe room per day are Rs. 999. Mr. X has booked one deluxe room for two days during Christmas holidays. You are required to determine whether GST is payable by Holiday Guest House on the above booking. If yes, determine the amount of GST so payable.

Will your answer change, if the charges of a single deluxe room per day charged by Holiday Guest House are Rs. 1,000?

(4 MARKS)**Q. 4****(a)**

RG Pvt. Ltd. provides the following particulars relating to goods sold by it to GK Pvt. Ltd.

Particulars	Rs.
List price of the goods (exclusive of taxes and discounts)	5,00,000
Tax levied by Municipal Authority on the sale of such goods	50,000
CGST and SGST chargeable on the goods	1,00,440
Packing charges (not included in price above)	10,000

RG Pvt. Ltd. received Rs. 20,000 as a subsidy from a NGO on sale of such goods. The price of Rs. 5,00,000 of the goods is after considering such subsidy.

RG Ltd. offers 2% discount on the list price of the goods which is recorded in the invoice for the goods.

Determine the value of taxable supply made by RG Pvt. Ltd.

(5 MARKS)**(b)**

Investigation shows that ABC & Co carried out service of cleaning and repairs of tanks in an apartment complex, for which the Apartment Owners' Association showed a payment in cash on 4th April to them against work of this description. The dates of the work are not clear from the records of ABC & Co. ABC & Co have not issued invoice or entered the payment in their books of account.

(2 Marks)**(c)**

Discuss the correctness of the following statements:-

- (i) Once generated, an e-way bill cannot be cancelled.
- (ii) E-way bill generated in one State is valid in another State.

(3 MARKS)**OR****(c)**

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

(3 MARKS)