

Roll No.

Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 6

Total number of printed pages : 12

NOTE : 1. Answer **ALL** Questions.

2. **All** the references to sections in Part-I of the Question Paper relate to the Income Tax Act, 1961 and relevant Assessment Year **2018-19**, unless stated otherwise.
3. Working notes should form part of the answer.
4. Wherever necessary, suitable assumption can be made and the same be stated clearly in the answer.

PART—I

1. (a) State which of the following is a taxable allowance and the quantum of allowance liable to tax in the hands of salaried employees :
 - (i) Tiffin allowance given by a company to employees at ₹ 1,000 per month.
 - (ii) Non-practice allowance ₹ 5,000 per month given by State Government to doctors employed in State Government Service.
 - (iii) Transport allowance given by a company (home to office and back) ₹ 2,000 per month.
 - (iv) Leave travel allowance ₹ 10,000 (fixed) given every year to employees above certain grade.

(4 marks)
- (b) State how the following incomes will be chargeable to tax and if taxable, also the head of income :
 - (i) Mr. Balu, employed in a private company, let out a vacant land to X & Co. LLP for a monthly rent of ₹ 30,000.

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- (ii) A professor in an engineering college, earning income by way of examinership fee for valuation of answer-books.
- (iii) Salary received by a Member of Parliament.
- (iv) Salary received by a person as working partner in a partnership firm.

(4 marks)

- (c) XYZ Pvt. Ltd. furnishes the following information relating to its two business units, one located in Special Economic Zone (SEZ) and other located in Domestic Tariff Area (DTA) for the year ended 31-3-2018 :

Particulars	(₹ in lakh)
Total turnover of Unit A located in SEZ	400
Profit of the business of Unit A	120
Export turnover of Unit A	200
Total turnover of Unit B located DTA	800
Profit of the business of Unit B	80

You are required to compute the deduction available under section 10AA to XYZ Pvt. Ltd. for the Assessment Year 2018-19 by taking that Unit-A in SEZ was set-up in the previous year 2015-16 and separate books of accounts are being maintained for both the units by the company. Give brief reasons for your answer in the context of provisions of the Act.

(4 marks)

- (d) Mr. Ramseshan, General Manager of Gee Co. Ltd., retired on 31st October, 2017, after rendering service for 29 years and 8 months. His monthly salary break up are :

- (i) Basic salary ₹ 52,000;

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- (ii) DA 50% of basic salary (eligible for retirement benefits);
- (iii) HRA ₹ 20,000;
- (iv) City Compensatory Allowance ₹ 5,000.

He received ₹ 15 lakh from the employer by way of gratuity. He is governed by the Payment of Gratuity Act, 1972. Determine the amount of gratuity chargeable to tax.

(4 marks)

- (e) Give answer as per provisions contained under the Income-tax Act, 1961 in respect of each of the following questions for the assessment year as 2018-19 :

[Only the end answer is needed, no working is required]

- (i) WDV as on 1st April, 2017 of the block of asset of Plant and Machinery depreciated @ 15% was of ₹ 6,00,000. Out of this block, one machine was sold for ₹ 2,00,000 on 1st July, 2017 and a new machine costing of ₹ 9,00,000 was added on 1st September, 2017 but put to use only from 1st November, 2017. What will be the amount of normal depreciation which can be claimed against such block of Plant and Machinery ?
- (ii) DAF Pvt. Ltd. fulfilling all the conditions specified in section 35AD of the Income-tax Act, 1961 has incurred capital expenditure of ₹ 50 lakh on purchase of land, ₹ 100 lakh (₹ 90 lakh by cheque and ₹ 10 lakh in cash) on construction of building and ₹ 30 lakh on plant & machinery during the previous year for setting up and operating a warehousing facility for storage of sugar. The warehouse become operational on 1st March, 2018. How much amount of deduction can the company claim for such capital expenditure as per section 35AD ?

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- (iii) Mr. Anirudh, a resident individual, has computed for the previous year 2017-18, his business loss at ₹ 80,000, short-term capital gain on sale of gold of ₹ 60,000 long-term capital gain on sale of house of ₹ 3,00,000. State the amount of total income which shall be subject to tax in relevant assessment year.
- (iv) State the amounts subject to tax out of the following gifts received during the previous year 2017-18 by Mr. Girish :
- (a) Wrist watch of ₹ 70,000 given by a non-resident friend.
- (b) Cash of ₹ 51,000 given by elder brother.

(4 marks)

Attempt all parts of either Q. No. 2 or Q. No. 2A

2. (a) Distinguish between exemptions, deductions and rebate under the Income-tax Act, 1961.
(3 marks)
- (b) Suresh Raina (age 38), a resident individual, has total income computed at ₹ 50,86,000. He wants to know his income-tax liability for the assessment year 2018-19. Compute his net tax liability after providing marginal relief, if any.
(3 marks)
- (c) State with brief reasons whether the following losses sustained during the year while carrying a business be allowable while computing the income under the head “*Profits and gains of business or profession*” :
- (i) Robbery or dacoity and loss of money in a bank branch;
- (ii) Embezzlement of cash by the cashier;
- (iii) Loss due to non-recovery of advance given for supplies.

(3 marks)

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- (d) Vinod Kapoor gifted ₹ 8,00,000 to his wife Sunita Kapoor on 15th May, 2017. The amount of gift of ₹ 8,00,000 was invested by his wife in debentures of a company on 1st June, 2017 earning interest @ 12% p.a. Will the income of interest from the debentures purchased by Mrs. Sunita Kapoor from gifted money be clubbed with the income of Vinod Kapoor ?

(3 marks)

- (e) State the time limit for carry forward and set off of loss in the following cases :

- (i) Loss from speculation business;
(ii) Loss under the head "Capital gains";
(iii) Loss under the head 'Income from other sources'.

(3 marks)

OR (Alternate question to Q. No. 2)

- 2A. (i) Mohan is sales manager of Khan Co Ltd., at Mumbai. He furnishes you the following details for the year ended 31st March, 2018 :

Basic salary up to 31st August, 2017 ₹ 50,000 per month.

Basic salary from 1st September, 2017 ₹ 70,000 per month.

Dearness allowance 50% of basic salary (It is fully eligible for retirement benefits)

Transport allowance ₹ 2000 per month

Tax on employment ₹ 7,000 (₹ 3,000 paid by employer)

Motor car with engine cubic capacity more than 1.6 litres was given by the employer.

The car is self driven by Mr. Mohan. Running and maintenance expenses of car incurred by the employer ₹ 53,500. The car is used both for personal and official use.

Recognised provident fund contribution of the employer at 15% of basic salary.

Recognised provident fund contribution of employee ₹ 10,000 per month.

Donation to Prime Minister's Relief fund paid by cheque ₹ 20,000.

Compute the total income of Mohan for the assessment year 2018-19.

(8 marks)

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- (ii) Ms. Padmaja, aged 42, a resident individual, sold her residential house for ₹ 55 lakh to Robert on 1st July, 2017. The value of land for stamp duty purposes was ₹ 65 lakh. The land was acquired on 30th April, 1970 for ₹ 1,50,000. The fair market value of the land on 1st April, 1981 was ₹ 2,50,000 and on 1st April, 2001 was ₹ 10,00,000.

She paid brokerage to Ashwin @ 2% of the sale consideration. No tax was deducted at source. She acquired a residential house at Erode, Tamil Nadu in December, 2017 for ₹ 25,00,000 and subscribed to capital gain bonds issued by Rural Electrification Corporation on 10th Oct., 2017 for ₹ 9,50,000 and in bonds of National Highways Authority of India on 20th Feb., 2018 for ₹ 8,00,000.

Ms. Padmaja paid ₹ 20,000 by credit card for health insurance policy on her life in March, 2018. The property was let out for monthly rent of ₹ 30,000 till 31st June, 2017.

Cost inflation index : FY 2017-18 = 272.

Compute the total income of Ms. Padmaja for the Assessment Year 2018-19.

(7 marks)

3. (a) Alok is employed in BCD Co. Ltd. as Finance Manager. The employer transferred the following assets to him on 15th April, 2017 :
- (i) Computer acquired by the employer in April, 2016 for ₹ 20,000 was given to Alok for a consideration of ₹ 1,000.
- (ii) Motor car acquired by the employer for ₹ 6 lakh in July, 2014 was given to Alok for ₹ 3 lakh.

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- (iii) Furniture items acquired by the employer for ₹ 2 lakh in August, 2014 were given to Alok for ₹ 50,000.

Compute the amount of income, if any, taxable in the hands of Alok for the above transactions.

(5 marks)

- (b) PQR & Co. is a partnership firm consisting of 4 partners. The firm did a turnover of ₹ 305 lakh and derived Net Profit (as per Profit and Loss Account) of ₹ 15,20,000 before adjustment of the following :

- (i) Working partner salary to 2 partners ₹ 50,000 each, per month (as authorized by the deed of partnership).
- (ii) Capital of ₹ 10 lakh each contributed by all the partners. The partnership deed authorizes the payment of interest @ 15% per annum.
- (iii) Rent payable to one partner at ₹ 10,000 per month. This is not mentioned in the partnership deed.

Compute the total income of the firm after considering all items, as per the provisions of the Income-tax Act, 1961.

(5 marks)

- (c) State the rate of tax deductible or collectible at source under the provisions of the Income-tax Act, 1961 in respect of the following transactions :

- (i) Sale of scrap by a manufacturing company for ₹ 2 lakh;
- (ii) Sale of motor car by an authorized dealer and the price of car is ₹ 8,90,000.
- (iii) Monthly rent paid by a partnership firm to a resident partner ₹ 1,90,000.
- (iv) Commission paid by a company for purchase of machine to agent X & Co. ₹ 10,000.
- (v) Interest paid by Lalwani & Co. (firm) to Ravi (a resident) ₹ 7,000.

(5 marks)

PART—II

4. (a) State the different models of GST and the model which is followed in India.
- (b) State any *four* activities which are neither treated as supply of goods, nor supply of services, under the GST law.
- (c) Determine which of the following is inter-State supply or intra-State supply, and state whether CGST / SGST / IGST will apply : (with reasons)
- (i) Supply of goods to A & Co., Surat from a unit located in SEZ in the same State, viz. Gujarat.
- (ii) Export of garments from Bengaluru to Sweden.
- (d) State the legal position under the Customs Act, 1962 in respect of the following :
- (i) Penalty for import of unaccounted goods;
- (ii) Time limit for filing application for refund of import duty;
- (iii) Criminal liability by way of maximum imprisonment for offences;
- (iv) Akin principle.
- (e) Explain in brief, how the imports and/or exports will be taxed under the GST law and whether any set off will be available as Import Tax Credit (ITC) of the IGST paid on such imports and/or exports.

(4 marks each)

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5. (a) State with brief reasons whether the following are to be treated as supply of goods/ services, as per GST law :
- (i) Transfer of business as a going concern.
 - (ii) Renting of immovable property.
 - (iii) Permitting use of intellectual property right.
- (b) Subsequent to the grant of registration under the GST law, can the proper Officer conduct physical verification of the place of business ?
- (c) Explain the concept of “zero rated supply” and refund claim therefor, under IGST.
- (d) Explain the meaning, with distinctive features as per the CGST Act, 2017, relating to Composite Supply and Mixed Supply.
- (e) Nisha Enterprises had made supplies of ₹ 9,00,000 to D.K. Enterprises on which a tax of ₹ 90,000 was levied by Municipal Authorities. The CGST and SGST chargeable on the supply @ 5% was of ₹ 45,000. Packing charges of ₹ 25,000 are not being included in the price of supply value of ₹ 9,00,000.

Nisha Enterprises received a subsidy of ₹ 60,000 from an NGO on the sale of such goods and the price mentioned above of ₹ 9,00,000 is after taking into account the subsidy so received. A discount of 1% is also offered by Nisha Enterprises as being mentioned on the invoice.

Determine the value of supply as per the provision of the CGST Act, 2017.

(3 marks each)

Attempt all parts of either Q. No. 6 or Q. No. 6A

6. (a) Ram & Shyam LLP, engaged in the business of manufacturing of domestic use electrical items, provides the following details relating to the amount of GST paid on various items and asks you to suggest whether any Input Tax Credit under the CGST Act, 2017 be available against such items to them :

Particulars of Items	GST paid (₹)
Electrical Transformers utilized in the manufacturing process of electrical items.	3,00,000
Mini Trucks used for transporting the materials/goods in the Factory.	1,00,000
Food and pastries for consumption given to workers during working within the factory.	22,500
	<i>(3 marks)</i>

- (b) Examine the following independent cases of supply of goods and services, and state in each of the cases, when should a tax invoice be issued by the person making supplies, as per the provisions of the CGST Act, 2017 :

- (i) Meenakshi Enterprises, Kolkata makes a supply of goods to Dhirani Enterprises, Ghaziabad. The goods were removed from the factory at Kolkata on 3rd September, 2017. Same is received by the buyer on 5th September, 2016.
- (ii) Mohan Ltd., an event management company, has provided its services for an event at Photo Film Agencies at Mumbai, on 1st Nov., 2017.
- (iii) Seema & Co. has entered into an Annual Maintenance Contract (AMC) with Vir Enterprises for one-year, effective 1st Nov., 2017 for the stabilizers installed in the factory.

(3 marks)

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- (c) State when a registration granted under the CGST Act, 2017 to a taxable person can be cancelled and what should be done by such person after cancellation of registration in the electronic cash ledger or electronic credit ledger ?
(3 marks)
- (d) Explain the meaning of the term “Pure agent” for CGST purposes.
(3 marks)
- (e) Explain the meaning as being assigned under the Customs Act, 1962 to the term “Foreign going Vessel/Aircraft”.
(3 marks)

OR (Alternate question to Q. No. 6)

- 6A.** (i) True Sai Cars Pvt. Ltd., Tamil Nadu is a dealer in cars. They import cars from abroad and sell it to customers in India. On 20th March, 2018, they have imported cars from Japan, as per following details :

Value of cars (Assessable value)	₹ 4,00,00,000
Customs duty	10%
IGST	28%
Compensation cess	20%

True Sai Cars Pvt. Ltd., are eligible to claim input tax credit (ITC). Their output IGST liability, before taking credit for ITC is ₹ 130 lakh. Compute the net liability towards customs duty and IGST.

(5 marks)

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(ii) Samodia Trading Company, a registered supplier, is liable to pay GST under forward charge mechanism. Determine the time of supply from the following information furnished by the firm Samodia Trading Company :

- (a) Goods supplied on 3rd May, 2018;
- (b) Invoice issued on 3rd May, 2018;
- (c) Payment received on 9th May, 2018;

Provisions involved are to be explained briefly.

(5 marks)

(iii) Sun Trading Company, an eligible registered dealer in goods making intra-State supplies within the State of Rajasthan has reported an aggregate turnover of ₹ 75 lakh in the preceding financial year :

- (a) Determine whether Sun Trading Company will be eligible for Composition levy.
- (b) Will your answer be different, if Sun Trading Company is making intra-State supply within the State of Jammu and Kashmir ?

(5 marks)

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