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FOR CA INTERMEDIATE EXAM PREPARATION

CA Intermediate 2019 Question Paper · Paper 4 Taxation

EXAM	YEAR	TYPE	SUBJECT
CA Intermediate	2019	Question Paper	Paper 4 Taxation

DATE

November 2019

IPCE (New Syllabus)
Paper - 4 Taxation

NOV 2019

AUC2

Roll No. .....
Total No. of Questions – **8**

Total No. of Printed Pages – **16**
Maximum Marks – **70**

GENERAL INSTRUCTIONS TO CANDIDATES

1. The question paper comprises two parts, Part I and Part II.
2. Part I comprises Multiple Choice Questions (MCQs).
3. Part II comprises questions which require descriptive type answers.
4. Ensure that you receive the question paper relating to both the parts. If you have not received both, bring it to the notice of the invigilator.
5. Answers to Questions in Part I are to be marked on the OMR answer sheet only. Answers to questions in Part II are to be written on the descriptive type answer book. Answers to MCQs, if written in the descriptive type answer book, will not be evaluated.
6. OMR answer sheet will be in English only for all candidates, including for Hindi medium candidates.
7. The bar coded sticker provided in the attendance register, is to be affixed only on the descriptive type answer book. No bar code sticker is to be affixed on the OMR answer sheet.
8. You will be allowed to leave the examination hall only after the conclusion of the exam. If you have completed the paper before time, remain in your seat till the conclusion of the exam.
9. Duration of the examination is 3 hours. You will be required to submit (a) Part I of the question paper containing MCQs, (b) OMR answer sheet thereon and (c) the answer book in respect of descriptive type answer book to the invigilator before leaving the exam hall, after the conclusion of the exam.
10. The invigilator will give you acknowledgement on Page 2 of the admit card, upon receipt of the above-mentioned items.
11. Candidate found copying or receiving or giving any help or defying instructions of the invigilators will be expelled from the examination and will also be liable for further punitive action.

PART – II

70 marks

1. **Section-A** comprises questions **1-4**. In Section-A, answer Question No. **1** which is compulsory and any **2** questions from question No. **2-4**. All questions in Section-A relate to assessment year 2019-20, unless otherwise stated.
   Section-B comprises questions **5-8**. In Section-B, answer Question No. **5** which is compulsory and any **2** questions from question No. **6-8**.
2. Working notes should form part of the answer.
3. Answers to the questions are to be given only in English except in the case of candidates who have opted for Hindi Medium. If a candidate has not opted for Hindi Medium, his/her answers in Hindi will not be evaluated.
4. All questions in Section B should be answered on the basis of position of GST law as amended by significant notifications / circulars issued upto 30th April, 2019.

AUC2 **P.T.O.**

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PART – II

Section – A

1. Mrs. Mitul, a resident individual, aged 63 years, is a qualified medical practitioner. She runs her own clinic. Income & Expenditure A/c of Mrs. Mitul for the year ending March 31st 2019 is as under : **14**

Expenditure	₹	Income	₹
To Salary to Staff	1,20,000	By Consultation Fees	12,00,000
To Administrative Exp.	2,90,000	By Salary received from True Care Hospitals (P) Ltd.	1,80,000
To Conveyance Expenses	24,000	By Rental Income from House Property	78,000
To Power & Fuel	24,000	By Dividend from Foreign Companies	10,000
To Interest on Housing Loan	1,00,000		
To Interest on Education Loan for son	26,000		
To Amount paid to scientific research association approved & Notified under Section 35	25,000		
To net profit	8,59,000		
Total	**14,68,000**	**Total**	**14,68,000**

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Explanatory Informations :

(i) She is working part-time with True Care Hospitals (P) Ltd. Her salary details are as under :

Basic Pay	₹ 13,000 p.m.
Transport Allowance	₹ 2,000 p.m.
Total	₹ 15,000 p.m.

Further, during P.Y. 2018-19, her son had undergone a medical treatment in True Care Hospitals (P) Ltd. free of cost. The hospital would have charged a sum of ₹ 60,000 for a similar treatment to un-related patients.

(ii) She owns a residential house. Ground floor of the house is self-occupied by her while first floor has ben rented out since 01/10/2018. The reconstruction of the house was started on 01-04-2018 and was completed on 30-09-2018. The monthly rent is ₹ 10,000. The tenant also pays ₹ 3,000 p.m. as power back-up charges. She took a housing loan of ₹ 12 lakhs on 01-04-2018. Interest on housing loan for the period 01-04-2018 to 30-09-2018 was ₹ 60,000 and for the period 01-10-2018 to 31-03-2019 was ₹ 40,000. During the year, she also paid municipal taxes for the F.Y. 2017-18 ₹ 5,000 and for F.Y. 2018-19 ₹ 5,000.

(iii) **Other informations :**

(a) Conveyance expenses include a sum of ₹ 12,000 incurred for conveyance from house to True Care Hospitals (P) Ltd. and vice-versa in relation to her employment.

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(b) Power & fuel expenses include a sum of ₹ 6,000 incurred for generator fuel for providing power back-up to the tenant.

(c) Administrative expenses include a sum of ₹ 10,000 paid as Municipal Taxes for her house.

(d) Clinic equipments' details are :

Opening W.D.V. of clinic equipments as on 01-04-2018 was ₹ 1,00,000 and fresh purchase made on 28-08-2018 is ₹ 25,000 which was paid in cash.

(e) She also paid tuition fee of ₹ 40,000 for her grand-daughter, which has been debited to her Capital A/c.

(f) She availed a loan of ₹ 8,00,000 from bank for higher education of her son. She repaid principal of ₹ 50,000 and interest of ₹ 26,000 during P.Y. 2018-19.

You are required to compute her net taxable income and net tax liability for the Assessment Year 2019-20.

2. (a) Mr. Jagdish, aged 61 years, has set-up his business in Thailand and is residing in Thailand since last 20 years. He owns a house property in Bangkok, half of which is used as his residence and half is given on rent (such rent received, converted in INR is ₹ 6,00,000). The annual value of the house in Thailand is ₹ 50,00,000 i.e. converted value in INR. 7

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He purchased a flat in Pune during F.Y. 2014-15, which has been given on monthly rent of ₹ 27,500 since 01.07.2017. The annual property tax of Pune flat is ₹ 40,000 which is paid by Mr. Jagdish whenever he comes to India. Mr. Jagdish last visited India in July 2017. He has taken a loan from Union Bank of India for purchase of the Pune flat amounting to ₹ 15,00,000. The interest on such loan for the F.Y. 2018-19 was ₹ 84,000. However, interest for March 2019 quarter has not yet been paid by Mr. Jagdish.

He had a house in Jaipur which was sold in May 2014. In respect of this house he received arear of rent of ₹ 96,000 in Feb. 2019 (not taxed earlier).

He also derived some other incomes during F.Y. 2018-19 which are as follows :

Profit from business in Thailand ₹ 2,75,000

Interest on bonds of a Japanese Co. ₹ 45,000 out of which 50% was received in India.

Income from Apple Orchid in Nepal given on contract and the yearly contract fee of ₹ 5,00,000, for F.Y. 2018-19 was deposited directly by the contractor in Kathmandu branch of Union Bank of India in Mr. Jagdish's bank account maintained with Union Bank of India's Pune Branch.

Compute the total income of Mr. Jagdish for Assessment Year 2019-20 chargeable to income tax in India.

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(b) Examine & explain the TDS implications in the following cases along with reasons thereof, assuming that the deductees are residents and having a PAN which they have duly furnished to the respective deductors. 7

(i) Mr. Tandon received a sum of ₹ 1,75,000 as pre-mature withdrawal from Employees Provident Fund Scheme before continuous service of 5 years on account of termination of employment due to ill-health.

(ii) A sum of ₹ 42,000 has been credited as interest on recurring deposit by a banking company to the account of Mr. Hasan (aged 63 years).

(iii) Ms. Kaul won a lucky draw prize of ₹ 21,000. The lucky draw was organized by M/s. Maximus Retail Ltd. for its customer.

(iv) Finance Bank Ltd. sanctioned and disbursed a loan of ₹ 10 crores to Borrower Ltd. on 31-3-2019. Borrower Ltd. paid a sum of ₹ 1,00,000 as service fee to Finance Bank Ltd. for processing the loan application.

(v) Mr. Ashok, working in a private company, is on deputation for 3 months (from December, 2018 to February, 2019) at Hyderabad where he pays a monthly house rent of ₹ 52,000 for those three months, totalling to ₹ 1,56,000. Rent is paid by him on the first day of the relevant month.

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3. (a) Mr. Prakash is in the business of operating goods vehicles. As on 1st April, 2018, he had the following vehicles : 4

Vehicle	Gross Vehicle Weight (in Kgs.)	Date of Purchase	Put to use during F.Y. 2018-19
A	8500	2-4-2017	Yes
B	13000	15-5-2017	Yes
C	12000	4-8-2017	No (as under repairs)

During P.Y. 2018-19, he purchased the following vehicles :

Vehicle	Gross Vehicle Weight (in Kgs.)	Date of Purchase	Date on which put to use
D	11000	30-4-2018	10-5-2018
E	15000	15-5-2018	18-5-2018

Compute his income under Section 44 AE of the Income Tax Act, 1961 for A.Y. 2019-20.

(b) Mr. Rajan provides you the following details with regard to sale of certain securities by him during F.Y. 2018-19 : 6

(i) Sold 10000 shares of A Ltd. on 05-04-2018 @ ₹ 650 per share

A Ltd. is a listed company. These shares were acquired by Mr. Rajan on 05-04-2016 @ ₹ 100 per share. STT was paid both at the time of acquisition as well as at the time of transfer of such shares which was affected through a recognized stock exchange. On 31-01-2018, the shares of A Ltd. were traded on a recognized stock exchange as under :

Highest price - ₹ 300 per share

Average price - ₹ 290 per share

Lowest price - ₹ 280 per share

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(ii) Sold 1000 units of B Mutual Fund on 20-04-2018 @ ₹ 50 per unit

B Mutual Fund is an equity oriented fund. These units were acquired by Mr. Rajan on 15-04-2017 @ ₹ 10 per unit. STT was paid only at the time of transfer of such units. On 31-01-2018, the Net Asset Value of the units of B Mutual Fund was ₹ 55 per unit.

(iii) Sold 100 shares of C Ltd. on 25-04-2018 @ ₹ 200 per share

C Ltd. is an un-listed company. These shares were issued by the company as bonus shares on 30-09-1997. The Fair Market Value of these shares as on 01-04-2001 was ₹ 50 per share.

Cost Inflation Index for various financial year are as under :

2001-02	-	100
2016-17	-	264
2017-18	-	272
2018-19	-	280

Calculate the amount chargeable to tax under the head 'Capital Gains' and also calculate tax on such gains for A.Y. 2019-20 assuming that the other incomes of Mr. Rajan exceeds the maximum amount not chargeable to tax. (Ignore surcharge and cess).

(c) MLX Investments (P) Ltd. was incorporated during P.Y. 2016-17 having a paid up capital of ₹ 10 LAKHS. In order to increase its capital, the company further issues, 1,00,000 shares (having face value of ₹ 100 each) during the year at par as on 01-08-2018. The FMV of such share as on 01-08-2018 was ₹ 85. 4

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(i) Determine the tax implications of the above transaction in the hands of company, assuming it is the only transaction made during the year.

(ii) Will your answer change, if shares were issued at ₹ 105 each ?

(iii) What will be your answer, if shares were issued at ₹ 105 and FMV of the share was ₹ 120 as on 01-08-2018 ?

4. (a) Mr. Mahadev, a noted bhajan singer of Rajasthan and his wife Mrs. Dariya furnish the following information relating to the Assessment Year 2019-20. **5**

		₹
1	Income of Mr. Mahadev – professional bhajan singer (computed)	5,65,000
2	Salary income of Mrs. Dariya (computed)	3,80,000
3	Loan received by Mrs. Dariya from Ramu & Jay (Pvt) Ltd. (Mrs. Dariya holds 35% shares of the Co. The Co. has incurred losses since its inception 2 years back)	2,50,000
4	Income of their minor son Golu from winning singing reality show on T.V.	2,50,000
5	Cash gift received by Golu from friend of Mr. Mahadev on winning the show	21,000
6	Interest income received by minor married daughter Gudia from deposit with Ramu & Jay Pvt Ltd.	40,000

Compute total taxable income of Mr. Mahadev & Mrs. Dariya for the Assessment Year 2019-20.

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(b) Following are the details of incomes / losses of Mr. Rishi for the F.Y. 2018-19 : 5

(Figures in brackets represents losses)	₹
Taxable salary income (computed)	3,60,000
Taxable income from house property (computed)	
– from rented house property X	1,20,000
– from rented house property Y	(3,40,000)
Taxable profit from business (computed)	
– business P	2,30,000
– business Q	(12,000)
– business R (speculative business)	15,000
– business T (speculative business)	(25,000)
Taxable Income from other sources :	
– from card games	16,000
– from owning & maintenance of race horses	(7,000)
– interest on securities	5,000

You are required to determine the Gross total income of Mr. Rishi for Assessment Year 2019-20.

(c) What are the clarifications made by CBDT with respect to Section 206 C (1F) relating to following issues : 4

(i) Whether TCS on sale of motor vehicle is applicable only to luxury car ?

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(ii) Whether TCS is applicable on each sale or aggregate value of sale of motor vehicle, exceeding ₹ 10 lakhs ?

(iii) Whether TCS is applicable in case of an individual ?

(iv) Whether TCS on sale of motor vehicle is at retail level also or only by manufacturer to distributor or dealer ?

OR

Elaborate the conditions, non-fulfilment of which would render a return of income filed by an assessee not maintaining regular books of accounts, defective.

Section – B

5. 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 2019 : 8

	(All amount in rupees)
(i) Inter-state supply of goods	1,00,000
(ii) Intra-state supply of 500 packets of detergent @ ₹ 400 each alongwith a plastic bucket worth ₹ 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, a private coaching centre providing tuitions to students of Class X-XII, being intra-state supply.	50,000

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M/s. Grey has also received the following inward supplies :

(iv) Inter-state supply of goods (out of which invoice for goods worth ₹ 20,000 is missing and no other tax paying document is available)	70,000
(v) Repairing of bus with seating capacity of 20 passengers used to transport its employees from their residence, being intra-state supply.	50,000

Details of opening balances of ITC as on 1-4-2019 are as follows : (₹)

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

Following additional information is provided :

(a) Rate of GST in respect of all inward and outward supplies except item (ii) above is 18%. i.e. CGST and SGST @ 9% and IGST @ 18%.

(b) All figures mentioned above are exclusive of taxes.

(c) 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 2019.

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6. (a) Mr. Zafar of Assam, provides the following information for the preceding financial year 2018-19. You are required to find out the aggregate turnover for the purpose of eligibility of composition levy scheme and determine whether he is eligible for composition levy scheme or not, for the F.Y. 2019-20. **6**

Particulars	**Amount (₹ in lakhs)**
Value of taxable outward supplies (out of above ₹ 10 lakhs was in course of inter-state transactions).	50.00
Value of exempt supplies (which include ₹ 30 lakhs was received as a interest on loans & advances).	70.00
Value of inward supplies on which he is liable to pay tax under reverse charge	5.00
Value of exports	5.00
All the amounts are exclusive of GST.	

(b) Know & Grow Publishers, a registered dealer in India, paid an advance ₹ 50,000 to Mr. Ganatra, an author, for the copyright covered under Section 13(1) (a) of the Copyright Act, 1957, of his original literary work on 5-9-2018. It made the balance payment ₹ 1,50,000 on 12-12-2018. You are required to determine the time of supply, if Mr. Ganatra raised the invoice on : **4**

(i) 6-10-2018, or

(ii) 17-12-2018

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7. (a) Explain the registration requirements under GST law in the following independent cases : 5

(i) Mr. Ahmad of Jammu engaged in the business of supplying tobacco based Pan Masala with an aggregate turnover of ₹ 24 lacs.

(ii) Mr. Lepcha of Mizoram is engaged in the supply of papers with an aggregate turnover of ₹ 13 lacs.

Will your answer be different if Mr. Lepcha is located in Meghalaya ?

(b) Mr. Shah, a consignor is required to move goods from Ahmedabad (Gujarat) to Nadiad (Gujarat). He appoints Mehta Transporter for movement of goods. Mehta Transporter moves the goods from Ahmedabad (Gujarat) to Kheda (Gujarat). For completing the movement of goods from Kheda (Gujarat) to Nadiad (Gujarat), Mehta Transporter now hands over the goods to Parikh Transporter. 5

Explain the procedure regarding e-way bill to be followed by consignor and transporter as per provisions of GST law and rules made thereunder.

8. (a) Explain in brief the conditions to be fulfilled by a registered person under GST law for availing the option to pay concessional tax @ 3% (effective rate 6%) under GST as per the provisions of notification number 2/2019 CT(R) dt. 7-3-2019 as amended, with effect from 1st April, 2019. 5

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(b) Discuss the provisions of Section 39(9) of the CGST Act, 2017, relating to rectification of errors / omissions in GST returns already filed and also state its exceptions. State the time limit for making such rectification. 5

OR

(c) (i) Explain the consequences, if the taxable person under GST law files the GST return under Section 39(1) of the CGST Act, 2017, but does not make payment of self-assessment tax. 2

(ii) State the items which are to be debited to electronic liability register of the taxable person under the CGST Act, 2017 and rules thereunder. 3

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