

Roll No. ....

Total No. of Questions – 12

Total No. of Printed Pages – 16

Time Allowed – 3 Hours

Maximum Marks – 100

## **GBT**

Answers to questions are to be given only in English except in the case of candidates who have opted for Hindi Medium. If a candidate who has not opted for Hindi Medium,

answers in Hindi, his/her answers in Hindi will not be valued.

Answer to section **A** and **B** should be given in separate sets of answer books.

### **SECTION – A**

**Marks : 50**

**Question No.1** is compulsory

Attempt any **four** questions from the REST.

In case any candidate answers extra question(s)/sub-question(s) over and above the required number, then only the requisite number of questions first answered in the answer book shall be valued and subsequent extra question(s) answered shall be ignored.

Working Notes should form part of the respective answer.

All questions pertaining to Income Tax relate to Assessment Year 2017-18, unless stated otherwise in the question.

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1. Mr. Pandey, a resident individual, aged 45 years, is a Chartered Accountant in 10 practice. He maintains his accounts on cash basis. His Profit & Loss Account for the year ended 31<sup>st</sup> March, 2017 is as follows :

**Profit & Loss Account for the year ending March 31, 2017**

| <b>Expenditure</b>                | <b>Amount<br/>(₹)</b> | <b>Income</b>                                                                   | <b>Amount<br/>(₹)</b> |
|-----------------------------------|-----------------------|---------------------------------------------------------------------------------|-----------------------|
| Staff Salary                      | 18,25,000             | Fees earned                                                                     |                       |
| Rent of the office premises       | 6,00,000              | Audit                                                                           | 23,00,000             |
| Administrative expenses           | 5,75,000              | Taxation                                                                        | 14,50,000             |
| Stipend to Articled clerks        | 1,85,000              | Consultancy services relating to syndication of loan from financial institution | 10,00,000             |
| Meeting, seminars and conferences | 36,500                |                                                                                 | <b>47,50,000</b>      |
| Depreciation                      | 55,000                | Gifts                                                                           | 1,00,000              |
| Printing and Stationery           | 8,75,000              | Dividends from Indian companies                                                 | 12,00,000             |
| Net Profit                        | 19,13,500             | Interest on deposit Certificates issued under Gold Monetization Scheme, 2015    | 15,000                |
|                                   | <b>60,65,000</b>      |                                                                                 | <b>60,65,000</b>      |

**Other information :**

- (1) Depreciation allowable under Income-Tax Act ₹ 1,25,000.
- (2) Administrative expenses include ₹ 55,000 paid to a tax consultant in cash for assisting Mr. Pandey in one of the professional assignments.

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- (3) Gifts represent fair market value of a LED TV which was given by one of the clients for successful presentation of case in the Income Tax Appellate Tribunal.
- (4) Last month's rent of ₹ 50,000 was paid without deduction of tax at source.
- (5) Mr. Pandey had taken a loan of ₹ 32,00,000 for the purchase of a house property valuing ₹ 45,00,000 from a recognized financial institution on 1<sup>st</sup> May, 2016. He repaid ₹ 1,50,000 on 31<sup>st</sup> March, 2017 out of which ₹ 1,00,000 is towards principal payment and the balance is for interest on loan. The possession of the property will be handed over to him in October 2017.
- (6) Mr. Pandey paid medical insurance premium of his parents (senior citizens and not dependent on him) by cheque amounting to ₹ 27,000. He also paid ₹ 8,500 by cash towards preventive health checkup for himself and his spouse.

Compute the total income of Mr. Pandey and tax payable by him for Assessment Year 2017-18, assuming that Mr. Pandey does not want to opt for presumptive taxation scheme under section 44ADA.

- 2 (a) DAISY Ltd., a foreign company, incorporated in USA and engaged in the manufacturing and distribution of diamonds, set up a branch office in India in June 2016. The branch office was required to purchase uncut and unassorted diamonds from the dealers of Mumbai and export them to USA. During the Previous Year 2016-17, profit from such export amounted to ₹ 75 lakhs. 5
- Out of 20 shareholders of DAISY Ltd., 12 shareholders are non-resident in India. All the major decisions were taken through Board Meetings held at USA.
- (i) Determine the residential status of DAISY Ltd. for the Assessment Year 2017-18.
- (ii) Discuss the tax treatment of profit from export business.

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- (b) Mr. Srivastava, aged 40 years, a salaried employee of Nirja Ltd. was contributing to National Pension Scheme ₹ 50,000 every year since 2014 and was claiming deduction under section 80CCD. In December 2016, he opted out of the pension scheme and withdrew a lump sum amount of ₹ 2,00,000. 5

Is the amount so withdrawn taxable ? If yes, how much is the taxable amount ?

3. Ms. Jaya is the marketing manager in XYZ limited. She gives you the following particulars : 10

Basic Salary ₹ 65,000 p.m

Dearness Allowance ₹ 22,000 p.m. (30% is for retirement benefits)

Bonus ₹ 17,000 p.m.

Her employer has provided her with an accommodation on 1<sup>st</sup> April, 2016 at a concessional rent. The house was taken on lease by XYZ Ltd. for ₹ 12,000 p.m. Ms. Jaya occupied the house from 1<sup>st</sup> November, 2016. ₹ 4,800 p.m. is recovered from the salary of Ms. Jaya.

The employer gave her a gift voucher of ₹ 8,000 on her birthday. She contributes 18% of her salary (Basic Pay + DA) towards recognised provident fund and the company contributes the same amount.

The company pays medical insurance premium to effect insurance on the health of Ms. Jaya ₹ 18,000.

Motor car owned by the employer (cubic capacity of engine exceeds 1.6 litres) provided to Ms. Jaya from 1<sup>st</sup> November, 2016 which is used for both official and personal purposes. Repair and running expenses of ₹ 50,000 were fully met by the company. The motor car was self-driven by the employee.

Compute the income chargeable to tax under the head "Salaries" in the hands of Ms. Jaya for the Assessment Year 2017-18.

4. (a) Mr. Aditya, a resident but not ordinarily resident in India during the Assessment Year 2017-18. He owns two houses, one in Dubai and the other in Mumbai. The house in Dubai is let out there at a rent of DHS 20,000 p.m. (1 DHS = INR 18). The entire rent is received in India. He paid Property tax of DHS 2,500 and Sewerage Tax DHS 1,500 there, for the Financial Year 2016-17. The house in Mumbai is self-occupied. He had taken a loan of ₹ 25,00,000 to construct the house on 1<sup>st</sup> June, 2013 @12%. The construction was completed on 31<sup>st</sup> May, 2015 and he occupied the house on 1<sup>st</sup> June, 2015. The entire loan is outstanding as on 31<sup>st</sup> March, 2017. Property tax paid in respect of the second house is ₹ 2,400 for the Financial Year 2016-17. Compute the income chargeable under the head "Income from House property" in the hands of Mr. Aditya for the Assessment Year 2017-18. 5
- (b) Mr. Sunil entered into an agreement with Mr. Dhaval to sell his residential house located at Navi Mumbai on 16.08.2016 for ₹ 80,00,000. The sale proceeds was to be paid in the following manner; 5
- (i) 20% through account payee bank draft on the date of agreement.
  - (ii) 60% on the date of the possession of the property.
  - (iii) Balance after the completion of the registration of the title of the property.
- Mr. Dhaval was handed over the possession of the property on 15.12.2016 and the registration process was completed on 14.01.2017. He paid the sale proceeds as per the sale agreement.
- The value determined by the Stamp Duty Authority on 16.08.2016 was ₹ 90,00,000 whereas, on 14.01.2017 it was ₹ 91,50,000.
- Mr. Sunil had acquired the property on 01.04.2001 for ₹ 20,00,000. After recovering the sale proceeds from Dhaval, he purchased another residential house property for ₹ 35,00,000

Compute the income under the head "Capital Gains" for the Assessment Year 2017-18.

Cost Inflation Index for Financial Year(s)

2000-01 – 406.

2001-02 – 426.

2016-17 – 1125

5. (a) (i) Under section 208, obligation to pay advance tax arises in every case where the advance tax payable is ₹ 10,000 or more. State exception to this rule. 2
- (ii) Mr. Subramany is engaged in the business of producing and selling toys. During the previous year 2016-17 his turnover was ₹ 1.80 crores. He opted for paying tax as per presumptive taxation scheme laid down in section 44AD. He has no other income during the previous year. Is he liable to pay advance tax and if so, what is the minimum amount of advance tax to be paid and the due date for payment of such advance tax? 3
- (b) Mr. Sachin filed return on 30<sup>th</sup> September, 2017 related to Assessment Year 2017-18. In the month of October 2017, his tax consultant found that the interest on fixed deposit was omitted in the tax return. 5
- (i) What is the time limit for filing a belated return?
- (ii) Can Mr. Sachin file a revised return?

Justify the above with the relevant provisions under section 139.

Assume that the due date for furnishing return of income was 31<sup>st</sup> July, 2017 and the assessment was not completed till the month of October 2017.

6. Answer any **two** questions out of the following **three** questions :

(a) Mr. Prakash furnishes you the following details in respect of the Financial Year 2016-17.

(i) Loss from the business carried on by him as a proprietor :  
₹ 11,20,000 (\*)

(ii) Deduction u/s 80 IB : ₹ 5,50,000 (\*)

(iii) Unabsorbed Depreciation : ₹ 4,80,000 (\*)

(iv) Loss from House property : ₹ 2,50,000 (\*)

(\*) Computed as per the Income-Tax Act, 1961

The due date for filing the return for Mr. Prakash was 31<sup>st</sup> July, 2017 under section 139(1). However, he filed the return on 29.9.2017. Discuss with reference to the relevant provisions of Income-Tax Act, 1961 if the losses and deductions could be carried forward claimed by Mr. Prakash.

(b) Kamal gifted ₹ 10 lakhs to his wife, Sulochona on her birthday on, 1<sup>st</sup> January, 2016. Sulochona lent ₹ 5,00,000 out of the gifted amount to Krishna on 1<sup>st</sup> April, 2016 for six months on which she received interest of ₹ 50,000. The said sum of ₹ 50,000 was invested in shares of a listed company on 15<sup>th</sup> October, 2016, which were sold for ₹ 75,000 on 30<sup>th</sup> December, 2016. Securities transactions tax was paid on such sale. The balance amount of gift was invested as capital by Sulochona in a business. She suffered loss of ₹ 15,000 in the business in Financial Year 2016-17.

In whose hands the above income and loss shall be included in Assessment Year 2017-18 ? Support your answer with brief reasons.

(c) Ms. Jyoti purchased a house property costing ₹ 49 lakhs on 1<sup>st</sup> May, 2016. The property is used exclusively for her residential purpose. For this purpose she obtained loan from DHFL of ₹ 35 lakhs bearing interest @ 14% p.a. on 1<sup>st</sup> April, 2016. She does not own any other house.

State with brief reasons the deductions that can be claimed by Ms. Jyoti in respect of interest on loan for Assessment Year 2017-18.

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**SECTION – B**

**Marks : 50**

Question No. 7 is compulsory.

Answer any **four** questions from the rest.

In case, any candidate answers extra question(s) sub-question(s) over and above the required number, then only the requisite number of questions **first** answered in the answer book shall be valued and subsequent extra questions answered shall be ignored.

7. (a) MNO Advertising Agency has provided the following services during **6** March, 2017 :

| Particulars                                                 | Amt. in (₹) |
|-------------------------------------------------------------|-------------|
| (i) Selling of advertisement time slot on mobile            | 2,00,000    |
| (ii) Aerial Advertisement                                   | 8,00,000    |
| (iii) Advertisement on bill boards                          | 3,60,000    |
| (iv) Charges towards newspaper advertisements               | 7,00,000    |
| (v) Commission earned towards advertisement campaigns       | 6,40,000    |
| (vi) Advertisement on cover and back pages of printed books | 1,00,000    |

You are required to compute value of taxable services of MNO Advertising Agency for March, 2017, not being eligible for Small Service Provider's (SSP) exemption.

Service value tabled above is exclusive of service tax and cess and the applicable rate being 15% (inclusive of SBC & KKC).

Working notes and/or suitable assumptions should form part of your answer.

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- (b) In the month of January, 2017, Rajesh Ltd., made total purchases of 4 capital goods and inputs amounting to ₹ 46,00,000.

Following further particulars are provided in respect of purchase and sales :

| Particulars                                                                              | Amt. in (₹) |
|------------------------------------------------------------------------------------------|-------------|
| (i) Purchase from unregistered dealers                                                   | 5,00,000    |
| (ii) Inter-state purchases                                                               | 18,00,000   |
| (iii) Purchase of capital goods (only 50% of its value is eligible for VAT input credit) | 9,00,000    |
| (iv) Sales effected during the month of January, 2017 (exclusive of VAT @ 12.5%)         | 12,00,000   |
| (a) The above amounts are exclusive of VAT & CST.                                        |             |
| (b) Intra-state purchases of inputs and capital goods are taxable @ 4% VAT.              |             |
| (c) Input tax credit, on eligible capital goods, is available in 12 equal instalments.   |             |

Determine Input tax credit and VAT payable for the month of January, 2017.

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8. (a) Compute service tax liability for the following services, individually : 5

| Particulars                                                                                                                       | Amt. in (₹) |
|-----------------------------------------------------------------------------------------------------------------------------------|-------------|
| (i) Transportation of goods by vessel-from a place outside India upto Customs Station of clearance.                               | 10,00,000   |
| (ii) Speed post services provided by Delhi Post Office, where the value of each service does not exceed ₹ 5,000.                  | 3,00,000    |
| (iii) Services provided by a Senior Advocate to a business entity with a turnover of ₹ 6,00,000 in the preceding financial year.  | 2,00,000    |
| (iv) Transportation of passengers with accompanied belongings by a stage carriage (non-airconditioned).                           |             |
| (v) Services provided by a local authority, to a business entity having a turnover of ₹ 8,00,000 in the preceding financial year. |             |

Ignore Small Service Provider's exemption. The above services are exclusive of Service tax and applicable cess (15% inclusive of SBC & KKC). Working notes should form part of your answer.

- (b) Rai & Co., has effected inter-state turnover of ₹ 12,00,000 inclusive of Central Sales Tax (CST), against which buyers have issued concessional 'C' Forms, for the year 2016-17. 5

The above turnover includes the following, which are shown separately in the invoices –

|                                                     | ₹      |
|-----------------------------------------------------|--------|
| Erection expenses                                   | 80,000 |
| Excise Duty                                         | 60,000 |
| Packing charges                                     | 20,000 |
| Outward freight (charged separately in the invoice) | 60,000 |

Further particulars obtained from the records of Rai & Co., for the above transactions, include :

- (i) Cash discount of ₹ 20,000 has been shown in one of the invoices.
- (ii) Goods invoiced in October, 2016, for ₹ 75,000, were returned in March, 2017.
- (iii) Goods, invoiced and dispatched in July, 2016, valued ₹ 20,000 were rejected and received back by Rai & Co., in March, 2017.
- (iv) Local Sales Tax in the State is 10%.

Determine the taxable turnover and Central Sales Tax (CST) liability of Rai & Co., for the year 2016-17.

Working notes should form part of your answer .

- (a) Logjam Services Ltd., is an output service provider, has imported capital goods in October, 2016. As per the records available with it, the following information regarding payment of duty was forthcoming :

|                                                                                       | ₹     |
|---------------------------------------------------------------------------------------|-------|
| (i) Customs duty paid                                                                 | 8,000 |
| (ii) Countervailing duty under section 3(1) of Customs Tariff Act, 1975.              | 4,000 |
| (iii) Education Cess                                                                  | 240   |
| (iv) Secondary and Higher Education Cess                                              | 120   |
| (v) Special CVD under section 3(5) of Customs Tariff Act, 1975                        | 1,400 |
| (vi) Certification charges paid includes Service Tax @ 14%, KKC @ 0.5% and SBC @ 0.5% | 1,150 |

You are required to determine how much CENVAT credit can Logjam Services Ltd., avail.

- (b) Equipment is imported from USA, against which the following particulars are made available :

|                            |             |
|----------------------------|-------------|
| (i) CIF value of equipment | US \$ 6,000 |
| (ii) Air freight paid      | US \$ 1,400 |
| (iii) Insurance            | US \$ 400   |

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| (iv) Particulars      | Date       | Rate of<br>Duty<br>(%) | Exchange<br>Rate<br>notified by<br>CBEC<br>(per US \$) | Exchange<br>Rate<br>notified by<br>RBI<br>(per US \$) |
|-----------------------|------------|------------------------|--------------------------------------------------------|-------------------------------------------------------|
|                       |            |                        |                                                        |                                                       |
| Date of Bill of entry | 20-03-2017 | 10                     | 65                                                     | 68                                                    |
| Date of entry inwards | 28-03-2017 | 15                     | 70                                                     | 71                                                    |

(v) Additional duty leviable under section 3(1) of Customs Tariff Act, 1975 is 12.5%.

(vi) Special additional duty being 'nil'.

Determine total duty payable by the importer. Provide notes where required.

10. (a) You are required to determine the point of taxation for the following service : 5

(i) ABC & Co., a firm of Chartered Accountants, render service to M/s. ST & Sons in the month of December, 2016, which gets completed on 31<sup>st</sup> December, 2016. It is billed on 5<sup>th</sup> January, 2017; while the payment for the same is received on 2<sup>nd</sup> January, 2017.

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- (ii) Services rendered by Rajesh became taxable for the first time on 01-04-2016. Explain briefly the taxability of the following :
- Service was rendered on 25-03-2016 and invoice was issued and payment was received on 01-04-2016.
  - Payment was received on 30-03-2016 and invoice was issued on 06-04-2016. No services have been rendered so far.
- (b) Agarwal & Co. Ltd., are the manufacturers of a consumer product under the brand name of "AXE SHAMPOO", which is covered under section 4A of the Central Excise Act, 1944. Retail Sale Price (RSP) printed on the bottle is ₹ 120. Abatement as notified by the Government is 30% on the RSP. 5

Following information is furnished with respect to clearances of "AXE SHAMPOO" in the month of December, 2016 –

- Dispatches are made in cartons containing 24 bottles.
- 100 cartons were cleared to wholesalers but was invoiced for 23 bottles a carton.
- 40 cartons were cleared to retailers and 1 bottle per carton was additionally given as free.
- 2 cartons were given away as free samples without RSP being printed.

Determine the assessable value and excise duty payable on the above transactions, rate of excise duty being 12.5%.

Provide explanations where required.

11. (a) Discuss with reference to the provisions of Finance Act, 1994, whether the undermentioned transactions constitute consideration for service. 5
- (i) Fines and penalties imposed against violation of law.
  - (ii) X provides services to Y. However, Y's debtor makes payment to X on the instructions of Y.
  - (iii) Security deposit forfeited for damages caused by the service receiver in the course of receiving the service.
  - (iv) Grant given to a researcher to carry out research of his/her choice.
  - (v) Casual worker is given daily wages in the course of rendering services to the person engaging him almost continuously.
- (b) (i) What is the relevant date for determining rate of duty and tariff valuation of export of goods as per section 16 of the Customs Act, 1962. 2
- (ii) Arun & Co., of Tamil Nadu sends goods to its consignment agent, Monogram Ltd., at Mumbai, for sale of such goods in the State of Maharashtra. Commercial tax authorities are insisting Arun & Co., to pay CST in Tamil Nadu. Determine the validity of the claim so made by the tax authorities in Tamil Nadu. There is no pre-existing agreement for sale between the two. 3
12. (a) (i) PQR Ltd., is registered as an input service distributor. Company needs your advice regarding filing of returns under service tax law as input service distributor. 5
- (ii) Bring out the salient points in respect of fee leviable on late filing of service tax returns.
  - (iii) Determine the late fee payable by PQR Ltd., where the filing of service tax return has been delayed by 45 days and the liability towards service tax being ₹ 50,000.

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12. (a) Sophomore of USA intends to start business as an aggregator in India. He wants to understand his obligations under service tax law as an aggregator. He requires your advice of how he has to go about in discharging the tax liability as an aggregator, while he continues to reside in USA. 5
- (b) (i) Raghavan, a service provider, has taken CENVAT credit based on the invoice made available to him. He has received the invoice on 10-04-2016 and has made payment against the invoice on 01-11-2016. Explain the consequences of CENVAT credit that he has taken on 10-04-2016. 5
- (ii) Raghavan has received invoices but they have remained unaccounted for more than a year. He intends to take CENVAT credit while accounting for it now. Advice him on his decision.
-