

MOCK TEST PAPER 1
INTERMEDIATE COURSE
PAPER – 4: TAXATION
SECTION – A: INCOME TAX LAW
SOLUTIONS

Division A – Multiple Choice Questions

MCQ No.	Sub-part	Most Appropriate Answer	MCQ No.	Most Appropriate Answer
1.	(i)	(d)	2.	(b)
	(ii)	(c)	3.	(b)
	(iii)	(d)	4.	(a)
	(iv)	(c)	5.	(c)
			6.	(b)

Division B – Descriptive Questions

1. **Computation of Total Income of Mr. Akash for the A.Y.2022-23**

Particulars	₹	₹	₹
Income from house property			
Annual value (rent received has been taken as annual value, due to absence of information relating to expected rent in the question)		7,20,000	
Less: Deduction u/s 24(a)			
30% of Annual Value		<u>2,16,000</u>	5,04,000
Profits and gains of business or profession			
Net profit as per profit and loss account		75,43,815	
Add: Expenses/Payments debited to profit and loss account but not allowed			
- Fee for late filing of income-tax return for A.Y. 2021-22 – disallowed	1,000		
- Salary paid to an accountant in cash exceeding ₹ 10,000 – disallowed under section 40A(3)	15,000		
- Interest paid to NBFC on loan which is used for personal purposes (₹ 1,20,000 x 2,00,000/10,00,000) – not allowed as per section 37	24,000		
- Interest paid to NBFC on which tax is not deducted attracts disallowance @30% of ₹ 96,000 [Since Mr. Akash's turnover for the immediately preceding previous year i.e., P.Y. 2020-21 exceeds ₹ 1 crore, he is required to deduct tax at source. Disallowance@30% of interest is attracted for non-deduction of tax at source]	28,800		
- Income-tax paid for F.Y. 2020-21	3,45,000		

- Interest paid on late payment of GST, allowed, since it is not for infraction of law but is compensatory in nature.	-		
- Advertisement expenses towards an advertisement in a souvenir published by local political party [disallowed under section 37(2B)]	<u>20,000</u>	4,33,800	
<i>Add:</i> Undervaluation of Closing stock		<u>25,000</u>	
		80,02,615	
Less: Income chargeable under other heads and income not chargeable to tax but credited to profit and loss account			
- Dividend income from Indian companies	17,20,000		
- Interest on FDs (Net of taxes) (Gross income taxable under the head "Income from other sources")	1,08,000		
- Rent received (taxable under the head "Income from house property")	7,20,000		
- Income-tax refund	<u>18,000</u>	<u>25,66,000</u>	
		54,36,615	
<i>Less:</i> Depreciation on Motor car purchased and put to use on 23.9.2021 [₹2,10,000 x 15%]		<u>31,500</u>	54,05,115
Income from Other Sources			
Dividend income		17,20,000	
Interest on fixed deposits (₹1,08,000 x 100/90)		1,20,000	
Interest on income-tax refund		<u>2,000</u>	<u>18,42,000</u>
Gross Total Income			77,51,115
Less: Deduction under Chapter VI-A			
Section 80D			
Health insurance premium of ₹45,000 paid for self, spouse and his children allowable as deduction since Mr. Akash is a senior citizen		45,000	
Section 80GGC			
Expenditure towards advertisement in a souvenir published by local political party not allowable as deduction		<u>-</u>	<u>45,000</u>
Total Income			77,06,115
Total Income (rounded off)			77,06,120

Computation of tax payable by Mr. Akash for the A.Y.2022-23

Particulars		₹
Upto ₹3,00,000	Nil	
₹ 3,00,001 – ₹ 5,00,000 [i.e., ₹2,00,000@5%]	10,000	
₹ 5,00,001 – ₹10,00,000 [i.e., ₹5,00,000@20%]	1,00,000	
₹ 10,00,001 above [i.e., 67,06,120 @30%]	<u>20,11,836</u>	
		21,21,836

Add: Surcharge @10%, since total income exceeds ₹ 50,00,000	<u>2,12,184</u>
	23,34,020
Add: Health and Education cess@4%	<u>93,361</u>
Tax Liability	24,27,381
Less: Advance tax paid	15,00,000
Tax deducted at source on interest on FDs under section 194A	12,000
Tax deducted at source on dividend income under section 194	<u>1,72,000</u>
Tax payable	<u>7,43,381</u>
Tax payable (Rounded off)	<u>7,43,380</u>

2. (a) **Computation of gross total income of Mr. Sushant for the A.Y. 2022-23**

	Particulars	Resident & ordinarily resident	Resident but not ordinarily resident	Non-Resident
		₹	₹	₹
(a)	Income earned from business in Dubai which is controlled from Delhi, out of which ₹ 65,000 is received in India	80,000	80,000	65,000
(b)	Pension for services rendered in India but received in Dubai (computed)	24,000	24,000	24,000
(c)	Dividend received in Dubai from an Oil company, a Dubai based company	15,000	-	-
(d)	Rent from property in Dubai, deposited in a bank in Dubai	49,000	-	-
(e)	Dividend from Sunset Ltd., an Indian Company	78,000	78,000	78,000
(f)	Interest on money borrowed by Mr. Dipish, a non-resident, for the purpose of investment in shares of ABC Ltd., an Indian company	55,000	-	-
(g)	Agricultural income from a land in Bhutan, received in India (Taxable)	25,000	25,000	25,000
	Gross Total Income	3,26,000	2,07,000	1,92,000

Notes:

(a) As per section 5(1), global income is taxable in case of a resident. However, as per section 5(2), in case of a non-resident, only the following incomes are chargeable to tax in India:

- (i) Income received or deemed to be received in India; and
- (ii) Income accruing or arising or deemed to accrue or arise in India.

Further, the income which accrues or arise outside India would be chargeable to tax in case of resident but not ordinarily resident in India, only if such income is derived from a business controlled in India.

Accordingly, the entire income earned from business in Dubai which is controlled from Delhi would be chargeable to tax in the hands of Mr. Sushant if he is a resident in India or resident but not ordinarily resident. However, if he is non-resident then only that part of income which is received in India would be taxable in his hands.

- (b) Agricultural income from a land in Bhutan, received in India is taxable in all cases.
- (c) Pension for services rendered in India but received in Dubai and dividend from Sunset Ltd., an Indian company would be taxable in all cases, since it has accrued or arisen in India.
- (d) Dividend from a Dubai based company, received in Dubai and interest on money borrowed by Mr. Dipish, a non-resident, for the purpose of investment in shares of ABC Ltd., an Indian company, would be taxable in the hands of Mr. Sushant, only if he is resident and ordinarily resident in India. If he is a resident but not ordinarily resident or a non-resident, the same would not be taxable in his hands in India since it has neither accrued nor arisen in India nor is it received in India.
- (e) Likewise, rental income from property in Dubai would also be taxable only if he is resident in India. It has been assumed that the rental income is the gross annual value of the property. Therefore, deduction @30% under section 24, has been provided and the net income so computed is taken into account for determining the gross total income of a resident and ordinarily resident.

	₹
Rent received (assumed as gross annual value)	70,000
Less: Deduction under section 24 (30% of ₹ 70,000)	21,000
Income from house property	49,000

- (b) (i) Mrinal & Sons has withdrawn aggregate cash of ₹1.30 crores during the previous year 2021-22. Since aggregate amount cash withdrawals exceed ₹ 1 crore, bank is required deducted tax at source @2% on the amount exceeding ₹ 1 crore i.e., ₹ 30 lakhs though he withdraws the same for buying agricultural produce from farmers, agriculturists, being raw material required for manufacture of finished products by it.

TDS = 2% of ₹30 lakhs = ₹60,000

- (ii) Tax @10% under section 193 is to be deducted on interest on 6½ Gold Bonds, 1977 and 7% Gold Bonds 1980, since the nominal value of the bonds held by Mr. Mukesh i.e., ₹ 6,00,000 exceed ₹10,000.

Interest on 6½ Gold Bonds, 1977 = ₹ 2,50,000 x 6.5% = ₹ 16,250

Interest on 7% Gold Bonds 1980 = ₹ 3,50,000 x 7% = ₹ 24,500

Tax to be deducted at source = ₹ 40,750 x 10% = ₹ 4,075

- (c) As per section 206C(1H), tax is not required to be collected under the said section if the buyer is liable to deduct tax at source under any other provision of the Act on the goods purchased by him from the seller and has deducted such tax.

As per section 194Q, the provision of section 194Q would not apply to a transaction on which tax is collectible under the provisions of section 206C, other than a transactions on which section 206C(1H) applies.

If a transaction is within the purview of both section 194Q and section 206C(1H), the tax is required to be deducted under section 194Q. The transaction would come out of the purview of section 206C(1H) after tax has been deducted by the buyer on that transaction. Once the buyer has deducted the tax on a transaction, the seller is not required to collect the tax under section 206C(1H) on the same transaction. However, if, for any reason, tax has been collected by the seller under section 206C(1H), before the buyer could deduct tax under section 194Q on the same transaction, such transaction would not be subjected to tax deduction again by the buyer.

3. (a) **Computation of income chargeable to tax under the head “Salaries” in the hands of Ms. Aashima for A.Y.2022-23**

Particulars	₹
Basic Salary [₹ 60,000 x 12]	7,20,000
Dearness allowance [₹ 24,000 x 12]	2,88,000
Bonus [₹ 21,000 x 12]	2,52,000
Perquisite of Motor car (₹2,400 × 6 months) [See Note 1]	14,400
Professional tax paid by employer [See Note 2]	2,000
Perquisite value in respect of concessional rent [See Note 3]	28,800
Gift voucher given by employer on Ms. Aashima’s birthday (entire amount is taxable since the perquisite value exceeds ₹ 5,000) [See Note 4]	8,000
Employer’s contribution to recognized provident fund in excess of 12% of salary = 15% x [(₹ 60,000 + ₹ 24,000) x 12] – 12% x {(₹ 60,000 + ₹ 9,600 (being 40% of ₹ 24,000)) x 12} = 1,51,200 – 1,00,224 [Salary = Basic Salary + Dearness allowance, to the extent it forms part of pay for retirement benefits]	50,976
Medical insurance premium of ₹ 20,000 paid by the employer to effect an insurance on the health of an employee is an exempt perquisite	-
Gross salary	13,64,176
Less: Deduction under section 16	
Standard deduction under section 16(ia)	50,000
Professional tax u/s 16(iii) [See Note 2]	<u>2,500</u>
Salary chargeable to tax	<u>13,11,676</u>

Notes:

- In case a motor car (engine cubic capacity more than 1.6 litres) owned by employer is provided to an employee without chauffeur for both official and personal purpose, where the expenses are fully met by the employer, the value of perquisite would be ₹ 2,400 p.m. The car was provided to Ms. Aashima on 1.10.2021, therefore, the perquisite value has been calculated for 6 months.
- As per section 17(2)(iv), a “perquisite” includes any sum paid by the employer in respect of any obligation which, but for such payment, would have been payable by the assessee. Therefore, professional tax of ₹ 2,000 paid by the employer is taxable as a perquisite in the hands of Ms. Aashima. As per section 16(iii), a deduction from the salary is provided on account of tax on employment i.e. professional tax paid during the year.

Therefore, in the present case, the professional tax paid by the employer on behalf of the employee ₹ 2,000 is first included in the salary and deduction of the entire professional tax of ₹ 2,500 is provided from salary.

3. Where the accommodation is taken on lease or rent by the employer, the actual amount of lease rent paid or payable by the employer or 15% of salary, whichever is lower, **in respect of the period during which the house is occupied by the employee**, as reduced by the rent recoverable from the employee, is the value of the perquisite.

Actual rent paid by the employer from 1.12.2021 to 31.3.2022 = ₹ 48,000 [₹ 12,000 x 4 months]

15% of salary = ₹ 54,360 [15% x (₹ 60,000 + ₹ 9,600 + ₹ 21,000) x 4 months]

Salary = Basic Salary + Dearness Allowance, to the extent it forms part of pay for retirement benefits + Bonus

Lower of the above is ₹ 48,000 which is to be reduced by the rent recovered from the employee.

Hence, the perquisite value of concessional rent = ₹ 48,000 – ₹ 19,200 [₹ 4,800 x 4 months] = ₹ 28,800

4. As per Rule 3(7)(iv), the value of any gift or voucher received by the employee or by member of his household on ceremonial occasions or otherwise from the employer shall be determined as the sum equal to the amount of such gift. However, the value of any gift or voucher received by the employee or by member of his household below ₹ 5,000 in aggregate during the previous year would be exempt as per the proviso to Rule 3(7)(iv).

In this case, the gift voucher of ₹ 8,000 was received by Ms. Aashima from her employer on the occasion of her birthday. Since the value of the gift voucher exceeds the limit of ₹ 5,000, the entire amount of ₹ 8,000 is liable to tax as perquisite. The above solution has been worked out accordingly.

Alternative view - An alternate view is also possible is that only the sum in excess of ₹ 5,000 is taxable in view of the language of Circular No.15/2001 dated 12.12.2001, which states that such gifts upto ₹ 5,000 in the aggregate per annum would be exempt, beyond which it would be taxed as a perquisite. As per this view, the value of perquisite would be ₹ 3,000. The salary chargeable to tax, in this case, would be ₹ 13,06,676.

- (b) The provisions of section 56(2)(viib) would be attracted, where consideration is received from a resident person by a company, other than a company in which public are substantially interested, in excess of the face value of shares i.e., where shares are issued at a premium. In such a case, the difference between the consideration received and the fair market value would be chargeable to tax under the head “**Income from Other Sources**”.
- (i) In this case, since XYZ (P) Ltd., a closely held company issued 1,00,000 shares (having face value of ₹100 each) **at par** i.e., ₹ 100 each, though issue price is greater than FMV, **no amount would be chargeable to tax** as income from other sources.
- (ii) In this case, since shares are issued at a premium, the amount by which the issue price of ₹110 each **exceeds the FMV** of ₹ 75 each would be chargeable to tax under the head “Income from other sources”. Hence, **₹35 lakh**, being ₹35 (i.e., ₹110 - ₹75) x 1,00,000 shares, would be chargeable under section 56(2)(viib).
- (iii) If shares are issued at ₹115 each and FMV of share is ₹ 125 each, **no amount would be chargeable to tax** even though the shares were issued at a premium, since shares are issued at a price which is **less than the fair market value**.
- (c) As per sixth proviso to section 139(1), every person, being an individual whose total income without giving effect to the provisions of, *inter alia*, section 54EC and Chapter VI-A exceeds the

basic exemption limit, is compulsorily required to furnish return of income on or before the due date.

Therefore, in the present case, Mr. Prince, a senior citizen is required to file return of income, since his total income of ₹ 3,90,000 before giving effect to the exemption under section 54EC and deduction of ₹ 1,50,000 under Chapter VI-A, exceeds the basic exemption limit of ₹ 3,00,000 applicable in his case.

4. (a) Deduction in respect of repayment of loan under section 80C

Section 80C is attracted where there is any payment for the purpose of purchase or construction of a residential house property, the income from which is chargeable to tax under the head 'Income from house property'. Such payment covers repayment of any amount borrowed from the National Housing Bank.

Since, Mr. Kunal has repaid loan of ₹ 2 lakhs during the A.Y. 2022-23, he is eligible for deduction under section 80C in respect of loan repayment. However, deduction under section 80C cannot exceed ₹ 1,50,000. Therefore, deduction under section 80C would be ₹1,50,000 for the A.Y. 2022-23.

Deduction in respect of interest on housing loan under section 24

As per section 24(b), interest payable on loans borrowed for the purpose of acquisition, construction, repairs, renewal or reconstruction of house property can be claimed as deduction. However, where the self-occupied property is acquired or constructed on or after 1.4.1999 and such acquisition or construction is completed within five years from the end of the financial year in which capital was borrowed, the amount of deduction would not exceed ₹ 2 lakhs.

Hence, deduction under section 24 in respect of interest on housing loan would be ₹ 2 lakhs only.

Deduction under section 80EEA

As per section 80EEA, interest payable on loan taken for the purpose of acquisition of a residential house from any financial institution qualifies for deduction, subject to a maximum of ₹ 1,50,000, provided following conditions are satisfied –

- (i) Such loan is sanctioned by the financial institution during the period 1.4.2019 to 31.3.2022
- (ii) The stamp duty value of the house does not exceed ₹ 45 lakhs and
- (iii) the assessee does not own any residential house on the date of sanction of loan.

Therefore, in this case, since Mr. Kunal satisfies all the above conditions, he is eligible for deduction under section 80EEA. Mr. Kunal has paid interest of ₹2,80,000 out of which ₹2,00,000 is eligible under section 24(b), hence, interest of ₹80,000 would qualify for deduction under section 80EEA.

(b) Computation of Total Income of Mr. Suresh for A.Y. 2022-23

Particulars	₹	₹	₹
<u>Profits and gains from business and profession</u>			
Income from profession		10,00,000	
Less: Loss from house property (can be set-off to the extent of ₹ 2,00,000, as per section 71(3A).		<u>2,00,000</u>	8,00,000
<u>Capital gains</u>			
Long term capital gains on sale of equity shares under section 112A		1,20,000	

Long term capital gain under section 112		3,00,000	
Less: Short term capital loss set off against long-term capital gain as per section 74		<u>(4,20,000)</u>	Nil
<u>Income from other sources</u>			
Income of minor son Raj			
Income from company deposit includible in the hands of Mr. Suresh as per section 64(1A)	1,60,000		
Less: Exemption in respect of income of minor child u/s 10(32)	<u>1,500</u>	1,58,500	
Income of minor daughter Rashmi			
- Income of ₹ 15,00,000 of minor daughter Rashmi (professional dancer) not includible in the hands of parent, since such income is earned on account of her special skills	Nil		
- Interest received on deposit with Canara Bank made out of amount earned on account of her special talent is includible as per section 64(1A), since interest income arises out of deposit made and not on account of her special skills	15,000		
Less: Exemption in respect of income of minor child u/s 10(32)	<u>1,500</u>	13,500	<u>1,72,000</u>
Total Income			9,72,000

Losses to be carried forward to A.Y.2023-24

Particulars	₹
Loss from house property [₹ 2.50,000 – ₹ 2,00,000]	50,000
Short term capital loss under section 111A	5,00,000
Short term capital loss (other than above) [₹ 6,00,000 – ₹ 4,20,000]	1,80,000

Note – Short-term capital loss under section 111A can be set-off against long-term capital gains under section 112 & 112A. In such a case, the losses to be carried forward to A.Y.2023-24 would be as under –

Particulars	₹
Loss from house property [₹ 2.50,000 – ₹ 2,00,000]	50,000
Short term capital loss under section 111A [₹ 5,00,000 – ₹ 4,20,000]	80,000
Short term capital loss (other than above)	6,00,000

(c) **Computation of income from house property of Mrs. Rajni for the A.Y.2022-23**

Particulars	Amount in ₹	
Computation of Gross Annual Value		
Expected Rent for the whole year = Higher of Municipal Value of ₹ 7,50,000 and Fair Rent of ₹ 6,30,000, but restricted to Standard Rent of ₹ 7,20,000	7,20,000	
Actual rent received for the let-out period = ₹ 80,000 × 8	6,40,000	

[Unrealised rent is not deductible from actual rent in this case since the defaulting tenant is in occupation of another property of the assessee, and hence, one of the conditions laid out in Rule 4 has not been fulfilled]		
GAV is the higher of Expected Rent for the whole year and Actual rent received/receivable for the let-out period	7,20,000	
Gross Annual Value (GAV)		7,20,000
Less: Municipal taxes (paid by the owner during the previous year) = 12% of ₹ 7,50,000		90,000
Net Annual Value (NAV)		6,30,000
Less: Deductions under section 24		
(a) 30% of NAV = 30% of ₹ 6,30,000	1,89,000	
(b) Interest on amount borrowed for repairs (Fully allowable as deduction, since it pertains to let-out property)	<u>50,000</u>	2,39,000
Income from house property		3,91,000

SECTION B - INDIRECT TAXES (40 MARKS)

SUGGESTED ANSWERS

Division A - Multiple Choice Questions

Question No.	Answer
1.1	(c) 8 th June
1.2	(c) 10 th December
1.3	(b) ₹ 19,000
1.4	(c) ₹ 15,000
1.5	(b) 30 th September
2	(b) Zero

Division B - Descriptive Questions

1. **Computation of GST payable on outward supplies**

S.No.	Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)	Total (₹)
(i)	Intra-State supply of goods for ₹ 10,00,000	90,000	90,000		1,80,000
(ii)	Inter-State supply of goods for ₹ 8,00,000			1,44,000	1,44,000
	Total GST payable				3,24,000
Computation of total ITC					
Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)		
Opening ITC		57,000	60,000		1,40,000
Add: ITC on Intra-State purchases of goods valuing ₹ 3,00,000		27,000	27,000		Nil
Add: ITC on Inter-State purchases of goods valuing ₹ 2,50,000		Nil	Nil		45,000
Total ITC		84,000	87,000		1,85,000

Computation of minimum GST payable from electronic cash ledger

Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)	Total (₹)
GST payable	90,000	90,000	1,44,000	3,24,000
Less: ITC [First ITC of IGST should be utilized in full - first against IGST liability and then against CGST and SGST liabilities in a manner to minimize cash outflow]	(38,000) IGST	(3,000) IGST	(1,44,000) IGST	1,85,000
	(52,000) CGST	(87,000) SGST		1,39,000
Minimum GST payable in cash	Nil	Nil	Nil	Nil
ITC balance to be carried forward next month	32,000	Nil	Nil	32,000

Note : The above computation is one of the many ways to set off the ITC of IGST (₹ 41,000-after set off against IGST liability) against CGST and SGST liability to compute minimum GST payable in cash. To illustrate, IGST of ₹ 10,000 can be set off against SGST payable and IGST of ₹ 31,000 can be set off against CGST payable. In this situation also, the net GST payable will be nil but the ITC of CGST and SGST to be carried forward will be ₹ 25,000 and ₹ 7,000 (totaling to ₹ 32,000) respectively. However, if the entire ITC of ₹ 41,000 is set off against CGST payable, then SGST of ₹ 3,000 will be payable in cash thus, increasing the cash outflow. Therefore, such a set off would not be advisable for computing the minimum GST payable.

2. (a) (i) Bollywood Dance performance by a film actor in a film is not exempt from GST even though the consideration charged is less than threshold limit of ₹ 1,50,000. The reason for the same is that the dance performance by an artist is exempt only if it is a performance in folk or classical art forms of dance. Consequently, entire consideration charged is subject to GST as follows:
- $$= ₹ 1,45,000 \times 18\% = ₹ 26,100$$
- (ii) Carnatic music performance by a classical singer to promote a brand of readymade garments is not exempt from GST even though, the consideration charged is less than threshold limit of ₹ 1,50,000 and it is a performance in classical art forms of music. The reason for the same is that the said exemption is not applicable to service provided by such artist as a brand ambassador. Consequently, entire consideration charged is subject to GST as follows:
- $$= ₹ 1,30,000 \times 18\% = ₹ 23,400$$
- (iii) Carnatic music performance by a classical singer in a music concert is not exempt from GST even though it is a performance in classical art forms of music. The reason for the same is the consideration charged for the service exceeds ₹ 1,50,000. Consequently, entire consideration charged is subject to GST as follows:
- $$= ₹ 1,55,000 \times 18\% = ₹ 27,900$$
- (iv) Kathak dance performance by a classical dancer in a cultural programme is exempt from GST as it is a performance in classical art forms of dance and consideration charged does not exceed ₹ 1,50,000 [i.e. ₹ 1,45,000].

(b) Computation of value of taxable supply made by Kashvi Ltd. to Garam Dharam Ltd.

Particulars	Amount (₹)
Price of machinery (exclusive of taxes and discounts)	5,50,000
<i>Add:</i> Amount paid by Garam Dharam Ltd. directly to the supplier for the part fitted in the machinery [Any amount that the supplier is liable to pay in relation to a supply but which has been incurred by the recipient of the supply and not included in the price actually paid or payable for the goods is includible in the value of supply in terms of section 15(2)(b) of the CGST Act, 2017.]	20,000
<i>Add:</i> Installation and testing charges [Any amount charged for anything done by the supplier in respect of the supply of goods at the time of/before delivery of goods is includible in the value of supply in terms of section 15(2)(c) of the CGST Act, 2017.]	25,000
<i>Less:</i> Discount @ 2% on the price of machinery [₹ 5,50,000 x 2%] [Since discount is given at the time of supply of machinery and recorded in the invoice, the same is deductible from the value of the supply in terms of section 15(3)(a) of the CGST Act, 2017.]	11,000
<i>Less:</i> Additional 1% discount at year end	<u>Nil</u>

[Though the additional discount is established before/at the time of supply, it is not deductible from the value of supply in terms of section 15(3)(b) of the CGST Act, 2017 as the same is not linked to any specific transaction and is adjusted by the parties at the end of the financial year.]	
Value of taxable supply	5,84,000

3. (a) A supplier of both goods and services whose aggregate turnover in a financial year exceeds ₹ 20 lakh in a State/UT [₹ 10 lakh in specified Special Category States] is liable to apply for registration within 30 days from the date of becoming liable to registration (i.e., the date of crossing the threshold limit of ₹ 20 lakh/ ₹ 10 lakh) in terms of section 22 of the CGST Act, 2017. Since Meghalaya is not a specified Special Category State, applicable threshold limit is ₹ 20 lakh.

Further, where the application is submitted within said period, the effective date of registration is the date on which the person becomes liable to registration; otherwise it is the date of grant of registration.

Every registered person who has been granted registration with effect from a date earlier than the date of issuance of registration certificate to him, may issue revised tax invoices within 1 month from the date of issuance of registration certificate in respect of taxable supplies effected during this period i.e. from the effective date of registration till the date of issuance of registration.

Since Utsav Pvt. Ltd. has made the application for registration within 30 days of becoming liable for registration, the effective date of registration becomes the date on which the company becomes liable to registration i.e. 5th September.

Thus, Utsav Pvt. Ltd. may issue revised tax invoices against the invoices already issued during the period between effective date of registration (5th September) and the date of issuance of registration certificate (6th October), within 1 month from 6th October.

Further, Utsav Pvt. Ltd may issue a consolidated revised tax invoice in respect of all taxable supplies made to unregistered dealers during such period. However, in case of inter-State supplies made to unregistered dealers, a consolidated revised tax invoice cannot be issued in respect of all the recipients located in a State, if the value of a supply exceeds ₹ 2,50,000.

- (b) Interest is payable in case of delayed payment of tax @ 18% per annum from the date following the due date of payment to the actual date of payment of tax.

Thus, the amount of interest payable by Mr. Piyush is as under:-

Period of delay = 21st February, 2021 to 15th April, 2021 = 54 days

Hence, amount of interest = ₹ 36,500 x 18% x 54/365 = ₹ 972

4. (a) A person applying for registration can take input tax credit of inputs held in stock and inputs contained in semi- finished or finished goods held in stock on the day immediately preceding the date of grant of registration. If the person was liable to take registration and he has applied for registration within thirty days from the date on which he became liable to registration, then ITC of inputs held in stock and inputs contained in semi- finished or finished goods held in stock on the day immediately preceding the date on which he became liable to pay tax can be taken.

In case of voluntary registration, ITC of such goods held in stock on the day immediately preceding the date of registration can be taken.

- (b) In terms of section 27(1) of the CGST Act, 2017 read with proviso thereto, the certificate of registration issued to a "casual taxable person" or a "non-resident taxable person" shall be valid for a period specified in the application for registration or 90 days from the effective date of registration, whichever is earlier. However, the proper officer, at the request of the said taxable person, may extend the validity of the aforesaid period of 90 days by a further period not exceeding 90 days.