



● CA Intermediate

Paper 3

Taxation



Chapter-wise compilation
of RTP, MTP and PYP

May'24



Modified as per new scheme



Amended as per May'24

11

Attempts
Compilation



CA Finalist

(Once you print this write your name in this blank to give you the much-needed motivation. Remember what you see is what you achieve!)

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GETTING THE MOST FROM THIS BOOK

A QUICK GUIDE

1 INITIAL READING

After your initial reading of a particular chapter in your study material, go through the questions in our 3, 5, and 11 attempt's compilations, focusing on the chapter you've just covered. Make note of challenging questions for later reference.

2 FIRST REVISION

During your first revision, revisit the marked questions. If you still can't answer them, highlight them in red and review the related concepts to improve your understanding. This process helps you to grasp the key concepts and address your weak points

3 KEEP GOING WITH THE REVISIONS

Repeat the reading and revision process as often as possible before your exams. Each iteration will enhance your confidence and knowledge.

4 EXAMINERS COMMENTS

Pay attention to the examiner's comments in our compilations, as they highlight common mistakes. Learning from these errors will help you avoid them in your exams



Frequently Asked Questions

1. Why RTP's, MTP's and PYP's?

RTP's, MTP's, and PYP's are extremely important to ensure that you reproduce ICAI language. These questions train you to understand what is important and what is expected of you. At least 41% of questions* are asked from previous RTP's, MTP's and PYP's.

2. What is included?

In this compiler, all questions from the last 3, 5 or 11 attempts depending on the one you have selected will be available. There will be references to the marks and the attempt from which they were asked. Identical or similar questions have been removed and references for both attempts are mentioned.

3. What is the benefit of Chapter-wise?

We have categorized each and every question from all Old RTPs, MTP's, and PYP's into chapters. This means that you don't have to wait until you've completed your entire syllabus to tackle an RTP, MTP, or past paper. You can start solving these questions to check your conceptual clarity right after finishing a particular chapter.

4. What does amended for the latest attempt mean?

When we reviewed all the questions from the past 11 attempts of RTP, MTP, and PYP'S, we didn't just segregate them Chapterwise; we also updated them to reflect the latest provisions. All the answers provided in the compilation are applicable for the May 2024 examination. So, there's no need to stress about outdated or incorrect information.

5. How are Old RTP's, MTP's & PYP's beneficial for me?

All old RTPs, MTPs, and PYPs have been organized according to the new syllabus issued by ICAI. This means that if a specific chapter from the old scheme is not included in the new scheme, it has been omitted. If a particular chapter in the new scheme is based on concepts from two or more chapters in the old scheme, it has been adapted to align with how the chapter should be in the new scheme. If a chapter is only partially included in the new scheme, the questions related to those specific concepts are only included in the corresponding chapter of the new scheme. A comprehensive reconciliation of the chapters between the new scheme and the old scheme is provided on the following page.

6. What if a new attempt is added post my purchase?

If you have purchased materials for the May 2024 attempt, you will receive a file with the questions segregated Chapterwise specifically for that attempt.

7. What does N/A mean?

It could mean any of the following:

1. No questions from that chapter have been included in the selected attempts.
2. The chapter is newly introduced, and as a result, no questions have been previously asked in RTP's, MTP's, or PYP's.

*This is on an average based on the last 11 attempts

Taxation

Reconciliation of chapters of the new scheme (May'24) with old course

New Chapter No.	Chapter Name as per NEW Syllabus	Comparison with chapters of Old Scheme
SECTION A: Income Tax Law		
1	Basic Concepts	Same
2	Residence and Scope of Total Income	Same
3	Heads of Income	
3.1	Salaries	Same
3.2	Income from House Property	Same
3.3	Profits and Gains of Business or Profession	Same
3.4	Capital Gains	Same
3.5	Income from Other Sources	Same
4	Income of Other Persons included in Assessee's Total Income	Same
5	Aggregation of Income, Set-Off and Carry Forward of Losses	Same
6	Deductions from Gross Total Income	Same
7	Advance Tax, Tax Deduction at Source and Tax Collection at Source	Same
8	Provisions for filing Return of Income and Self-Assessment	Same
9	Income Tax Liability – Computation and Optimisation	Same
SECTION B: Goods & Service Tax		
1	GST in India – An Introduction	Same
2	Supply under GST	Same
3	Charge of GST	Same
4	Place of Supply *	Not a part of CA inter syllabus in the old scheme
5	Exemptions from GST	Same
6	Time of Supply	Same
7	Value of Supply	Same
8	Input Tax Credit	Same
9	Registration	Same
10	Tax Invoice; Credit and Debit Notes	Same
11	Accounts and Records**	Not a part of CA inter syllabus in the old scheme
12	E-Way Bill **	Not a part of CA inter syllabus in the old scheme
13	Payment of Tax	Same

14	Tax Deduction at Source and Collection of Tax at Source ***	Not a part of CA inter syllabus in the old scheme
15	Returns	Same

* This chapters were earlier a part of CA Final Paper 8: Indirect Tax in chapter 5

** These chapters were earlier a part of CA Final Paper 8: Indirect Tax in chapter 11

*** This chapters were earlier a part of CA Final Paper 8: Indirect Tax in chapter 12 (second part)

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This includes:

21 MTPs: March'18, April'18, Aug'18, Oct'18, May'19, April'19, Oct'19, May'20, Oct'20, March'21, April'21, Oct '21, Nov '21, March '22, April '22, Sep '22, Oct '22, March '23, April '23, Sep '23 & Oct '23

11 PYPs: May'18, Nov'18, May'19, Nov'19, Nov'20, Jan'21, July '21, Dec '21, May'22, Nov '22, May '23

12 RTPs: May'18, Nov'18, May'19, Nov'19, May'20, Nov'20, May'21, Nov '21, May '22, Nov '22, May '23, Nov '23

Chapter 1 Basic Concepts

Question 1

Explain the difference between Circulars and Notifications in the context to the Income-tax Act, 1961. (MTP 3 Marks, Aug'18)

Answer 1

Difference between Circulars and notifications

Circulars	Notifications
Circulars are issued by CBDT.	Notifications are issued by the Central Government. The CBDT is also empowered to issue notifications.
Circulars are issued with certain specific problems and to clarify doubt regarding the scope and meaning of certain provisions of the Act.	Central Government issues notifications to affect the provisions of the Act and CBDT issues notifications to make and amend Income-tax Rules.
The department is bound by the circulars. While such circulars are not binding on the assesses, they can take advantage of beneficial circulars.	Notifications are binding in nature. Both department and assesses are bound by the notifications.

Question 2

Compute the tax liability of Ms. Kajal for A.Y. 2024-25, a female resident aged 40 years, where her total income is ₹2,00,50,000 comprising of business income. Ms. Kajal opts for the provisions of section 115BAC. (MTP 3 Marks April 22)

Answer 2

Computation of tax liability of Ms. Kajal under section 115BAC for the A.Y.2024-25

		₹	₹
(A)	Tax payable including surcharge on total income of ₹ 2,00,50,000		
	Up to ₹ 2,50,000	Nil	
	₹ 3,00,000 – ₹ 6,00,000 [₹ 3,00,000 @ 5%] 15,000	15,000	
	₹ 6,00,001 – ₹ 9,00,000 [₹ 3,00,000 @ 10%] 30,000	30,000	
	₹ 9,00,001 – ₹ 12,00,000 [₹3,00,000 @ 15%] 45,000	45,000	
	₹ 12,00,001 – ₹ 15,00,000 [₹3,00,000 @ 20%] 60,000	60,000	
	Above ₹ 15,00,000 @30%	55,65,000	
	Add: Surcharge @ 25% (since total income exceeds ₹ 2 crore but does not exceed ₹ 5 crore)	57,15,000	
		14,28,750	71,43,750
(B)	Tax payable on total income of ₹ 2 crore [(₹ 15,000 plus ₹ 30,000 plus ₹ 45,000 plus ₹ 60,000 plus ₹ 62,500 plus ₹ 55,50,000) plus surcharge @15%]		65,55,000
(C)	Excess tax payable (A)-(B)		5,88,750
(D)	Marginal Relief (₹ 5,88,750 – ₹ 50,000, being the amount of income in excess of ₹ 2,00,00,000)		5,38,750
(E)	Tax payable before cess (A – D)		66,05,000
	Add: Health and education cess @4%		2,64,200
	Tax payable		68,69,200

Computation of tax liability of Ms. Kajal for the A.Y.2024-25

		₹	₹
(A)	Tax payable including surcharge on total income of ₹ 2,00,50,000		
	Upto ₹ 2,50,000 ₹ 3,00,000 Nil	Nil	
	₹ ₹ 3,00,000 – ₹ 6,00,000 [₹ 3,00,000 @ 5%] 15,000	15,000	
	₹ 6,00,001 – ₹ 9,00,000 [₹ 3,00,000 @ 10%] 30,000	30,000	
	₹ 9,00,001 – ₹ 12,00,000 [₹ 3,00,000 @ 15%] 45,000	45,000	
	₹ 12,00,001 – ₹ 15,00,000 [₹ 3,00,000 @ 20%] 60,000	60,000	
	Above ₹ 15,00,000 @30%	55,65,000	
	Add: Surcharge @ 25% (since total income exceeds ₹ 2 crore but does not exceed ₹ 5 crore)	57,15,000	
		14,28,750	71,43,750
(B)	Tax payable on total income of ₹ 2 crore [(₹ 15,000 plus ₹ 30,000 plus ₹ 45,000 plus ₹ 60,000 plus ₹ 62,500 plus ₹ 55,50,000) plus surcharge @15%]		65,55,000
(C)	Total income less ₹ 2 crore		50,000
(D)	Tax payable on total income of ₹ 2 crore plus excess of total income over ₹ 2 crore (B + C)		66,05,000
(E)	Tax payable: Lower of A and D		66,05,000
	Add: Health and education cess @4%		2,64,200
	Tax payable		68,69,200
(F)	Marginal Relief (A -D)		5,38,750

Question 3

Examine with brief reasons whether the following statements are true or false with reference to the provisions of the Income-tax Act, 1961:

- Mr. Qureshi, a shareholder of a closely held company, holding 15% shares, received advances from that company which is to be deemed as dividend from an Indian Company, hence exempted under section 10(34).
- Rent of Rs. 72,000 received by Mr. X for letting out agricultural land for a movie shooting is an agricultural income and hence exempt under section 10(1). (MTP 4 Marks, Oct'18)

Answer 3

- False:** As per section 10(34), only income by way of dividend referred to in section 115 -O shall be exempt in the hands of shareholders. Dividend distribution tax under section 115 -O is not leviable on deemed dividend under section 2(22) (e) and hence, such deemed dividend is not exempt under section 10(34), in the hands of Mr. Qureshi.

As per amendment dividend u/s 2(22)(a)/(b)/(c)/(d)/(e) from an Indian Company will now be taxable normal rates in the hands of the Shareholder Assesses. Interest Income incurred to earn such income will be allowed as a deduction but only upto 20% of such income. No deduction of commission/remuneration paid to any other person. DDT has been abolished.

- False:** Agricultural income means, inter alia, any rent or revenue derived from land which is situated in India and is used for agricultural purposes. In the present case, rent is being derived from letting out of agricultural land for a movie shoot, which is not an agricultural purpose. In effect, the land is not being put to use for agricultural purposes. Therefore, Rs. 72,000, being rent received by Mr. X from letting out of agricultural land for movie shooting, is not exempt under section 10(1). The same is chargeable to tax

under the head “Income from other sources

Question 4 (Includes concepts of Residence & Scope of Total Income)

Miss Deepika, a citizen of India, got married to Mr. John of Australia and left India for the first time on 20.8.2023. She has not visited India again during the P.Y. 2023-24. She has derived the following income for the year ended 31-3-2024:

	Particulars	Rs.
(i)	Income from sale of centrifuged latex processed from rubber plants grown in Kanyakumari.	1,50,000
(ii)	Income from sale of coffee grown and cured in Kodagu, Karnataka	2,00,000
(iii)	Income from sale of coffee grown, cured, roasted and grounded in Colombo. Sale consideration was received in Chennai.	5,00,000
(iv)	Income from sale of tea grown and manufactured in West Bengal.	12,00,000
(v)	Income from sapling and seedling grown in a nursery at Cochin. Basic operations were not carried out by her on land.	2,00,000

You are required to determine the residential status of Miss Deepika and compute the business income and agricultural income of Miss. Deepika for the Assessment Year 2024-25. (MTP 7 Marks, Oct’20)

Answer 4

Miss Deepika is said to be resident if she satisfies any one of the following basic conditions:

- (i) Has been in India during the previous year for a total period of 182 days or more
(or)
- (ii) Has been in India during the 4 years immediately preceding the previous year for a total period of 365 days or more and has been in India for at least 60 days during the previous year.

Miss Deepak’s stay in India during the P.Y.2023-24 is 142 days [30+31+30+31+20] which is less than 182 days. However, her stay in India during the P.Y.2023-24 exceeds 60 days. Since, she left India for the first time, her stay in India during the four previous years prior to P.Y.2023-24 would be more than 365 days. Hence, she is a resident for P.Y.2023-24.

Further, Miss Deepika would be “Resident and ordinarily resident” in India in during the previous year 2023-24, since her stay in India in the last seven previous years prior to P.Y.2023-24 is more than 730 days and she must be resident in the preceding ten years.

Computation of business income and agricultural income of Miss Deepika for A.Y. 2024-25

Particulars		Income	Business Income ₹	Agricultural Income ₹
(i)	Income from sale of centrifuged latex processed from rubber plants grown in Kanyakumari (Apportioned between business and agricultural income in the ratio of 35:65 as per Rule 7A of Income-tax Rules, 1962)	1,50,000	52,500	97,500
(ii)	Income from sale of coffee grown and cured in Kodagu, Karnataka (Apportioned between business and agricultural income in the ratio of 25:75, as per Rule 7B (1) of the Income-tax Rules, 1962)	2,00,000	50,000	1,50,000
(iii)	Income from sale of coffee grown, cured, roasted and grounded in Colombo and received in Chennai [See Note 1 below]	5,00,000	5,00,000	-
(iv)	Income from sale of tea grown and manufactured in West Bengal (Apportioned between business and agricultural income in the ratio of 40:60 as per Rule 8 of the Income-tax Rules, 1962)	12,00,000	4,80,000	7,20,000



(v)	Income from sapling and seedling grown in a nursery at Cochin. Basic operations were not carried out on land [See Note 2 below]	2,00,000	-	2,00,000
		22,50,000	10,82,500	11,67,500

Notes:

- (1) Since MS Deepika is resident and ordinarily resident in India for A.Y. 2024-25, her global income is taxable in India. Entire income from sale of coffee grown, cured, roasted and grounded in Colombo is taxable as business income since such income is earned from sale of coffee grown, cured, roasted and grounded outside India i.e., in Colombo.
- (2) As per Explanation 3 to section 2(1A), income derived from sapling or seedlings grown in a nursery would be deemed to be agricultural income, whether or not the basic operations were carried out on land. Hence, income of Rs.2,00,000 from sapling and seedling grown in a nursery at Cochin is agricultural income.

Question 5

For the Assessment year 2024-25, the Gross Total Income of Mr. Manas, a resident in India aged 65 years, was Rs.8,18,240 which includes long-term capital gain of Rs.2,45,000 and Short-term capital gain of Rs. 98,000. The Gross Total Income also includes interest income of Rs. 15,000 from savings bank deposits with banks. Mr. Manas has invested in PPF Rs.1,40,000 and also paid a medical insurance premium Rs. 31,000. Mr. Manas also contributed Rs. 40,000 to Public Charitable Trust eligible for deduction under section 80G by way of an account payee cheque. Compute the total income and tax thereon of Mr. Manas. (MTP 7 Marks, Oct'18)

Answer 5

Computation of total income and tax payable by Mr. Manas for the A.Y. 2024-25

Particulars	Rs.	Rs.
Gross total income including long term capital gain		8,18,240
Less: Long term capital gain		2,45,000
		5,73,240
Less: Deductions under Chapter VI-A:		
Under section 80C in respect of PPF deposit	1,40,000	
Under section 80D (it is assumed that premium of Rs.31,000 is paid by otherwise than by cash. The deduction would be restricted to Rs.30,000 <i>(as per amendment Rs. 50,000 is the limit for senior citizen.)</i> , since Mr. Manas is a senior citizen)	30,000 31,000	
Under section 80G (See Notes 1 & 2 below)	19,662	
Under section 80TTA (See Note 3 below)	10,000	2,00,662
Total income (excluding long term capital gains)		3,72,578
Total income (including long term capital gains)		6,17,578
Total income (rounded off)		6,17,580
Tax on total income (including long-term capital gains of Rs.2,45,000)		
LTCG Rs.2,45,000 x 20%		49,000
Balance total income Rs.3,72,580		3,629
		52,629
Add: EC & HSEC @ 4% (as per amendment)		1,580 2105
Total tax liability		54,734
Total tax liability (rounded off)		54,730

Notes:

1. Computation of deduction under section 80G:

Particulars	Rs.
Gross total income (excluding long term capital gains)	5,73,240
Less: Deduction under section 80C, 80D & 80TTA	1,80,000

	3,93,240
10% of the above	39,324
Contribution made	40,000
Lower of the two eligible for deduction under section 80G	39,324
Deduction under section 80G – 50% of Rs.39,324	19,662

- Deduction under section 80G is allowed only if amount is paid by any mode other than cash, in case of amount exceeding Rs. 2,000. Therefore, the contribution made to public charitable trust is eligible for deduction since it is made by way of an account payee cheque.
- Deduction of up to Rs. 10,000 under section 80TTA is allowed, inter alia, to an individual assessee if gross total income includes interest income from deposits in a saving account with bank.

Question 6

Examine with reasons whether the following receipts are taxable or not under the provisions of Income-tax Act, 1961.

- Mr. Akash received a sum of ₹ 3,00,000 as compensation from “Sahayata Foundation” towards the loss of property on account of Flood Disaster at Chennai.
- Rent of ₹ 60,000 received for letting out agricultural land for a movie shooting.
- Dividend of ₹ 17 lakhs received by Mr. Yatin during P.Y. 2023-24 from A Ltd., a domestic company.
- Agricultural income of ₹ 1,30,000 of Mr. Sunil from a land situated in Canada. (RTP May '18)

Answer 6
Taxability of receipts under the provisions of Income-tax Act, 1961

	Taxable/Not taxable	Reason
(a)	Taxable	As per section 10(10BC), any amount received or receivable by an individual as compensation, on account of any disaster, from the Central Government, State Government or a local authority is exempt from tax, to the extent the individual has not been allowed deduction under any other provision of Income-tax Act, 1961 on account of any loss or damage caused by such disaster. However, in this case, since Mr., Akash has received a compensation of ₹ 3,00,000 from Sahayata Foundation, and not from the Central Government or State Government or local authority, no exemption will be available under section 10(10BC) and the same is chargeable to tax.
(b)	Taxable	Agricultural income is exempt from income-tax as per section 10(1). Agriculture income means, inter alia, any rent or revenue derived from land which is situated in India and is used for agricultural purposes. In this case, rent is being derived from letting out of agricultural land for a movie shoot, which is not an agricultural purpose. In effect, the land is not being put to use for agricultural purposes. Therefore, ₹ 60,000, being rent received from letting out agricultural land for movie shooting, is not exempt under section 10(1) and the same is chargeable to tax.
(c)	Partly taxable (Taxable)	Dividend received from a domestic company is subject to dividend distribution tax in the hands of domestic company under section 115-O. Dividend income received from an Indian company, which is subject to dividend distribution tax, is exempt under section 10(34). However, dividend in excess of ₹ 10 lakhs received, inter alia, by an individual is chargeable to tax under section 115BBDA and not exempt under section 10(34). Therefore, in this case, dividend received up to ₹ 10 lakh is exempt in the hands of Mr. Yatin under section 10(34). ₹ 7 lakh, being dividend in excess of ₹ 10 lakh, is taxable in his hands @10% as per section 115BBDA.

		<i>As per amendment dividend u/s 2(22)(a)/(b)/(c)/(d)/(e) from an Indian Company will now be taxable normal rates in the hands of the Shareholder Assesses. Interest Income incurred to earn such income will be allowed as a deduction but only up to 20% of such income. No deduction of commission/remuneration paid to any other person. DDT has been abolished.</i>
(d)	Taxable	Agricultural income from a land situated in any foreign country is not exempt under section 10(1) and hence, is chargeable to tax. Therefore, in this case, agricultural income of ₹ 1,30,000 of Mr. Sunil from land situated in Canada is taxable.

Question 7

Mr. Charan grows paddy and uses the same for the purpose of manufacturing of rice in his own Rice Mill. He furnished the following details for the financial year 2023-24:

- Cost of cultivation of 40% of paddy produce is ₹ 9,00,000 which is sold for ₹ 18,50,000.
- Cost of cultivation of balance 60% of paddy is ₹ 14,40,000 and the market value of such paddy is ₹ 28,60,000.
- Incurred ₹ 3,60,000 in the manufacturing process of rice on the balance (60%) paddy.

The rice was sold for ₹ 38,00,000.

Compute the Business income and Agricultural Income of Mr. Charan for A.Y. 2024-25. (RTP Nov '18)

Answer 7

Computation of Business Income and Agriculture Income of Mr. Charan for A.Y. 2024-25

Particulars	Business Income		Agricultural Income	
	₹		₹	₹
Sale of Rice				
Business income				
Sale Proceeds of Rice	38,00,000			
Less: Market Value of paddy (60%)	28,60,000			
Less: Manufacturing expenses	3,60,000			
Agricultural Income	5,80,000			
Market value of paddy (60%)			28,60,000	
Less: Cost of cultivation			14,40,000	14,20,000
Sale of Paddy				
Agricultural Income				
Sale proceeds of paddy produce (40%)			18,50,000	
Less: Cost of cultivation			9,00,000	9,50,000
				23,70,000

Question 8

Mr. Rana, a resident and ordinarily resident aged 42 years, manufactures rubber from the latex processed from rubber plants grown in Kerala. Thereafter, he sold the rubber for ₹ 47 lakhs. The cost of growing rubber plants was ₹ 25 lakhs and the cost of manufacturing rubber was ₹ 7 lakhs. He has no other income during the previous year 2023-24. Compute his tax liability for the Assessment Year 2024-25. (RTP May '19)

Answer 8

In cases where the assessee himself grows rubber plants and manufactures rubber processed from latex obtained from rubber plants in India, then, as per Rule 7A, 35% of profit on sale of rubber is taxable as business income under the head "Profits and gains from business or profession", and the balance 65% is agricultural income, which is exempt from tax.

Profits from manufacture and sale of rubber processed from latex = ₹ 47 lakhs – ₹ 25 lakhs – ₹ 7 lakhs = ₹ 15 lakhs

Agricultural Income = 65% of ₹ 15 lakhs = ₹ 9.75 lakhs

Business Income = 35% of ₹ 15 lakhs = ₹ 5.25 lakhs.

The tax liability of Mr. Rana has to be computed applying the concept of partial integration, since his total income comprises of both agricultural income and non-agricultural income and his agricultural income exceeds ₹ 5,000 p.a and his non-agricultural income exceeds the basic exemption limit i.e., ₹ 2,50,000 (applicable, in his case).

Accordingly, his tax liability would be computed in the following manner:

Computation of tax liability of Mr. Rana for the A.Y. 2024-25

Particulars	₹
Tax on total income of ₹ 15,00,000, being agricultural income and non-agricultural income	2,62,500
Less: Tax on agricultural income and basic exemption limit i.e., ₹ 12,25,000 [₹ 9,75,000 plus ₹ 2,50,000]	1,80,000
	82,500
Add: Health and Education cess@4%	3,300
Total Tax liability	85,800

Question 9

Explain with brief reasons, whether the following income can be regarded as agricultural income, as per the provisions of the Income-tax Act, 1961:

- (i) Rent received for letting out agricultural land for a movie shooting.
- (ii) Income from sale of seedlings in a nursery adjacent to the agricultural lands owned by an assessee. (RTP Nov '20)

Answer 9

- i) Rent received for letting out agricultural land for a movie shooting:

As per section 2(1A), "agricultural income" means, inter alia,

- any rent or revenue derived from land
- which is situated in India and is used for agricultural purposes.

In the present case, rent is being derived from letting out of agricultural land for a movie shoot, which is not an agricultural purpose and hence, it does not constitute agricultural income.

- ii) Income from sale of seedlings in a nursery:

As per Explanation 3 to section 2(1A), income derived from saplings or seedlings grown in a nursery is deemed to be agricultural income, whether or not the basic operations were carried out on land.

Therefore, the amount received from sale of seedlings in a nursery adjacent to the agricultural lands owned by the assessee constitutes agricultural income.

Question 10

Briefly explain the purpose for which the words "PROVISO" and "EXPLANATION" are incorporated under various sections of the Income-tax Act, 1961. (PYP 4 Marks, May'18)

Answer 10

Proviso: The Proviso to a section is incorporated to specify the exception(s) to the provision contained in the respective section i.e., the proviso spells out the cases where the provision contained in the respective section would not apply or where the provision contained in the respective section would apply with certain modification.

Explanation: An Explanation is incorporated in a section to provide a clarification relating to the provision contained in that section. Generally, an Explanation is clarificatory in nature.

Question 11

Mr. Rajat Saini, aged 32 years, furnishes the following details of his total income for the A.Y. 2024-25:

Income from Salaries	27,88,000
Income from House Property (Computed)	15,80,000
Interest Income from FDR's	7,22,000

He has not claimed any deduction under Chapter VI-A. You are required to compute tax liability of Mr. Rajat Saini as per the provisions of Income-tax Act, 1961. Assume that he has not opted for 115BAC. (PYP 5 Marks, Nov'18, PYP May '20)

Answer 11
Computation of tax liability of Mr. Rajat Saini for the A.Y. 2024-25

Particulars	₹	₹
Income from Salaries		27,88,000
Income from house property (computed)		15,80,000
Interest income from FDR's		7,22,000
Total Income		50,90,000
Tax Liability		
(A) Tax payable including surcharge on total income of ₹ 50,90,000		
Upton ₹ 2,50,000	Nil	
₹ 2,50,001 – ₹ 5,00,000 @ 5%	12,500	
₹ 5,00,001 – ₹ 10,00,000 @ 20%	1,00,000	
₹ 10,00,001 – ₹ 50,90,000 @30%	12,27,000	
	13,39,500	
Add: Surcharge @ 10%, since total income exceeds ₹ 50 lakhs but does not exceed ₹ 1 crore.	1,33,950	14,73,450
(B) Tax Payable on total income of ₹ 50 lakhs (₹ 12,500 plus ₹ 1,00,000 plus ₹ 12,00,000, being 30% of ₹ 40,00,000)		13,12,500
(C) Excess tax payable (A)-(B)		1,60,950
(D) Marginal Relief (₹ 1,60,950 – ₹ 90,000, being the amount of income in excess of ₹ 50,00,000)		70,950
Tax payable (A)-(D) [₹ 14,73,450 – ₹ 70,950]		14,02,500
Add: Education cess@1% and SHEC@2%		42,075
Add: EC & SHEC @ 4%		56,100
Tax Liability		14,58,600
Tax Liability (Rounded off)		14,58,600

EXAMINERS' COMMENTS ON THE PERFORMANCE OF EXAMINEES:

Many examinees were not clear with the concept of marginal relief and hence were not able to compute the tax liability correctly applying the said concept.

Question 12

Mr. X a resident, aged 56 years, till recently was a successful businessman filing his return of incomes regularly and promptly ever since he obtained PAN card. During the COVID- Pandemic period his business suffered severely and he incurred huge losses. He was not able to continue his business and finally on 1st January, 2024 he decided to wind-up his business which he also promptly intimated to the jurisdictional Assessing Officer about the closure of his business.

The Assessing Officer sent him a notice to tax income of A.Y. 2024-25 during the A.Y. 2023-24 itself. Does the Assessing Officer have the power to do so? Are there any exceptions to the general rule "Income of the previous year is assessed in the assessment year following the previous year"? (PYP 4 Marks Nov '22)

Answer 12

Yes, he has the power to do so.

Since the business of Mr. X is discontinued on 1st January, 2024, the income of the period from 1.4.2023 to 1.1.2024 may, at the discretion of the Assessing Officer, be charged to tax in A.Y.2024-25 itself.

Following are the other exceptions to the general rule "Income of the previous year is assessed in the assessment year following the previous year" i.e., the income of the previous year is assessed in the previous year itself.

- (i) Shipping business of non-resident
- (ii) Persons leaving India with no present intention of returning
- (iii) AOP/BOI/Artificial Juridical Person formed for a particular event or purpose and likely to be dissolved
- (iv) Persons likely to transfer property to avoid tax.

Question 13

The assessee is found to be the owner of the gold (market value of which is ₹ 50,00,000) during the financial year ending 31-03-2024 but he recorded to have spent ₹ 10,00,000 in acquiring the same. Explain how the Assessing Officer will deal with the issue. (PYP 2 Marks May'22)

Answer 13

As per section 69B, if the assessee is found to be the owner of gold (market value of which is ₹ 50 lakhs) during the financial year ending 31.3.2024 but he has recorded to have spent only ₹ 10 lakhs in acquiring it, the Assessing Officer can add the difference of the market value of such gold and ₹ 10 lakhs i.e., ₹ 40 lakhs as the income of the assessee for A.Y.2024-25, if the assessee offers no satisfactory explanation thereof. Such income would be chargeable to tax @78% (@60% plus surcharge @25% and cess @4%).

Question 14

Examine with reasons whether the following statements are correct/incorrect with regard to the provisions of Income-tax Act, 1961:

Cash credit of ₹ 1,50,000 were traced in the books of accounts of Mr. Yogesh for which no explanation about its source was provided. Such income is taxable @30% under section 115BB in the hands of Yogesh. (RTP Nov '23)

Answer 14

The statement is incorrect.

Unexplained cash credit is taxable @60% plus surcharge @25% plus cess @4% under section 115BBE.

Question 15

Discuss the taxability of the following transactions giving reasons, in the light of relevant provisions, for your conclusion. Attempt any two out of the following three parts:

- (i) Mr. Rajpal took a land on rent from Ms. Shilpa on monthly rent of ₹ 10,000. He sub-lets the land to Mr. Manish for a monthly rent of ₹ 11,500. Manish uses the land for grazing of cattle required for agricultural activities. Mr. Rajpal wants to claim deduction of ₹ 10,000 (being rent paid by him to Ms. Shilpa) from the rental income received by it from Mr. Manish.

- (ii) Mr. Netram grows paddy on land. He then employs mechanical operations on grain to make it fit for sale in the market, like removing hay and chaff from the grain, filtering the grain and finally packing the rice in gunny bags. He claims that entire income earned by him from sale of rice is agricultural income not liable to income- tax since paddy as grown on land is not fit for sale in its original form (PYP 4 Marks, Jan'21)

Answer 15

- (i) The rent or revenue derived from land situated in India and used for agricultural purposes would be agricultural income under section 2(1A) (a). Therefore, rent received from sub-letting of the land used for grazing of cattle required for agriculture activities is agricultural income. The rent can either be received by the owner of the land or by the original tenant from the sub-tenant. Accordingly, rent received by Mr. Rajpal from Mr. Manish for using land for grazing of cattle required for agricultural activities is agricultural income exempt u/s 10(1). As per section 14A, no deduction is allowable in respect of exempt income.
- (ii) The income from the process ordinarily employed to render the produce fit to be taken to the market would be agricultural income under section 2(1A) (b)(ii). The process of making the rice ready from paddy for the market may involve manual I operations or mechanical operations, both of which constitute processes ordinarily employed to make the product fit for the market. Accordingly, the entire income earned by Mr. Netram from sale of rice is agricultural income.

Question 16

Mr. Avani, a resident aged 25 years, manufactures tea leaves from the Tea plants grown by him in India. These are then sold in the India market for ₹ 40 lakhs. The cost of growing tea plants was ₹ 15 lakhs and the cost of manufacturing tea leaves was ₹ 10 lakhs. Compute her tax liability for the Assessment Year 2024-25. (PYP 7 Marks, May'18)

Answer 16
Computation of tax liability of Ms. Avani for the A.Y. 2024-25

In cases where the assessee himself grows tea leaves and manufactures tea in India, then, as per Rule 8 of 40% of profit on sale of tea is taxable as business income under the head "Profits and gains from business or profession", and the balance 60% is agricultural income, which is exempt from tax.

Profits from manufacture and sale of tea = ₹ 40 lakhs – ₹ 15 lakhs – ₹ 10 lakhs = ₹ 15 lakhs

Agricultural Income = 60% of ₹ 15 lakhs = ₹ 9 lakhs Business Income = 40% of ₹ 15 lakhs = ₹ 6 lakhs.

The tax liability of Ms. Avani has to be computed applying the concept of partial integration, since her total income comprises of both agricultural income and non-agricultural income and her agricultural income exceeds ₹ 5,000 p.an and her non-agricultural income exceeds the basic exemption limit i.e., ₹ 2,50,000 (applicable, in her case).

Accordingly, her tax liability would be computed in the following manner:

Particulars	₹
Tax on total income of ₹ 15,00,000, being agricultural income and non-agricultural income	2,62,500
Less: Tax on agricultural income and basic exemption limit i.e., ₹11,50,000 [₹ 9,00,000 plus ₹ 2,50,000]	1,57,500
	1,05,000
Add: Education cess@2%	2,100
Secondary & higher education cess@1%	1,050
Add: EC & SHEC @ 4% (as per amendment)	4,200
Total Tax liability	1,09,200

Question 17

Mr. Kabra is engaged in the business of growing and curing (further processing) coffee in the state of Karnataka. The whole of coffee grown in his plantation is cured. Relevant information pertaining to the year ended 31-03-2024 are given hereunder:

PARTICULARS	AMOUNT ₹
Opening balance of the car as on 01-04-2023	3,00,000
Opening balance of machinery as on 01-04-2023	15,00,000
Expenses incurred in growing coffee	3,10,000
Expenses of curing coffee	3,00,000
Sale value of cured coffee	22,00,000

The car is used for the agricultural operations and the machine was used for coffee curing business operations. Compute the income arising from the above activities for the assessment year 2024-25 and the written down value as on 01-04-2024 (WDV as on 31-03-2024 less depreciation for the P.Y. 2023-24). (PYP 4 Marks May'22)

Answer 17
Computation of Income from growing and curing coffee of Mr. Kabra for A.Y. 2024-25

Particulars	Amount (₹)	Amount (₹)
Income from growing and curing coffee		
Sale value of cured coffee		22,00,000
Less: Expenses incurred in growing coffee	3,10,000	
Depreciation on Car (15% of ₹ 3,00,000)	45,000	3,55,000
Less: Expenses of curing coffee	3,00,000	18,45,000
Depreciation on machinery (15% of ₹ 15,00,000)	2,25,000	5,25,000
		13,20,000
Business Income [25% of ₹ 13,20,000]		3,30,000
Agricultural Income [75% of ₹ 13,20,000]		9,90,000
Computation of Written Down Value as on 1.4.2024		
Opening balance of Car as on 1.4.2023	3,00,000	
Less: Depreciation@15% on ₹ 3 lakh	45,000	
WDV of car as on 1.4.2024	2,55,000	
Opening balance of machinery as on 1.4.2023	15,00,000	
Less: Depreciation@15% on ₹ 15 lakh	2,25,000	
WDV of machinery as on 1.4.2024	12,75,000	

Question 18

Mr. Jay is having total income of ₹ 6,90,000 during the P.Y. 2023-24 consisting of Income from business of ₹ 40,000, lottery winnings (gross) ₹ 5,60,000, income by way of salary (computed) ₹ 1,20,000 and loss from house property ₹ 30,000. Compute his tax liability and advance tax obligations for A.Y. 2024-25. (MTP 4 Marks, Oct'21)

Answer 18
Computation of tax liability and advance tax obligations of Mr. Jay for A.Y. 2024-25

Particulars	₹	₹
Income from salary (computed)	1,20,000	
Less: Set-off loss from house property	(30,000)	90,000
Income from house property	30,000	

Less: Set-off against salary income	(30,000)	-
Income from business		40,000
Lottery winning		5,60,000
Total Income		6,90,000
Tax liability		
Tax @30% on lottery income		1,68,000
Tax on other income of ₹ 1,30,000 (Nil, since it does not exceed the basic exemption limit of ₹ 2,50,000)		-
		1,68,000
Add: Health and education cess@4%		6,720
Total tax liability		1,74,720
Less: TDS on lottery income under section 194B		1,68,000
Net tax payable		6,720
Since tax payable for the P.Y. 2023-24 is less than ₹ 10,000, Mr. Jay is not liable to pay advance tax.		

MULTIPLE CHOICE QUESTIONS (MCQS)

1. XYZ LLP falls under which category of person?

- (a) Firm
- (b) Company
- (c) Association of persons
- (d) Artificial judicial person

(MTP 1 Mark, May'20)

Ans :(c)

2. Under the provisions of the Income-tax Act, 1961, the term "Person" would not include:

- (a) A body corporate incorporated in a country outside India
- (b) A Limited Liability Partnership (LLP)
- (c) Indian branch of a foreign company
- (d) A local authority

(MTP 1 Mark, April'19)

Ans :(c)

3. (Also includes concepts of Income Which Do Not Form a Part of Total Income)

Mr. Devansh has agricultural income of Rs.2,30,000 and business income of Rs.2,45,000. Which of the following statements are correct?

- (a) Agricultural income has to be aggregated with business income for tax rate purposes.
- (b) No aggregation is required since agricultural income is less than basic exemption limit.
- (c) No aggregation is required since business income is less than basic exemption limit.
- (d) Agricultural income is exempt under section 10(1) but the same has to be aggregated with business income, since it exceeds Rs. 5,000.

(MTP 1 Mark, March'19)

Ans: (c)

4. Miss Nish (68 years) is a resident individual. For the Assessment Year 2024-25, she has following income: Long-term capital gain on transfer of equity shares Rs.1,80,000 (Securities Transaction Tax has been paid on acquisition and transfer of the said shares) Other income Rs.2,75,000. Calculate the tax liability of Miss Nish for Assessment Year 2024-25. Assume that she has not opted for 115BAC.



- (a) Nil
- (b) Rs. 5670
- (c) Rs. 5,720
- (d) Rs. 8,320 (MTP 2 Marks, Nov'21)

Ans: (c)

5. Mr. Ashutosh, aged 65 years and a resident in India, has a total income of ₹ 3,20,00,000, comprising long term capital gain taxable under section 112 of ₹ 57,00,000, long term capital gains taxable under section 112A of ₹ 65,00,000 and other income of ₹ 1,98,00,000. What would be his tax liability for A.Y. 2024-25. Assume that Mr. Ashutosh has not opted for the provisions of section 115BAC.

- (a) ₹ 90,05,880
- (b) ₹ 97,25,690
- (c) ₹ 97,34,400
- (d) ₹ 97,22,440 (MTP 2 Marks, Oct'21)

Ans: (d)

6. During the P.Y.2023-24, Mr. Rohan has ₹ 80 lakhs of short-term capital gains taxable u/s 111A, ₹ 70 lakhs of long-term capital gains taxable u/s 112A and business income of ₹ 2.90 crores. Which of the following statements is correct?

- (a) Surcharge@25% is leviable on income-tax computed on total income of ₹ 4.40 crores
- (b) Surcharge@15% is leviable on income-tax computed on total income of ₹ 4.40 crore
- (c) Surcharge@15% is leviable in respect of income-tax computed on capital gains of ₹ 1.50 crore; in respect of business income of ₹ 2.90 crores, surcharge is leviable@25% on income-tax
- (d) Surcharge@15% is leviable in respect of income-tax computed on capital gains of ₹ 1.50 crore; in respect of business income of ₹ 2.90 crores, surcharge is leviable@37% on income-tax (MTP 2 Marks Sep'22)

Ans: (c)

7. Mr. Ashish's total income comprises of long-term capital gains on sale of land ₹ 5 lakhs; short-term capital gains on sale of STT paid listed equity shares ₹ 2 lakhs; income from lottery ₹ 1 lakh and savings bank interest ₹ 30,000. He invests ₹ 1.50 lakhs in PPF. His tax liability for A.Y.2024-25, assuming that he is a resident Indian of the age of 40 years and does not opt for the provisions of section 115BAC, is –

- (a) ₹ 1,64,800
- (b) ₹ 1,66,400
- (c) ₹ 1,14,400
- (d) ₹ 1,13,300 (MTP 2 Marks Oct'22)

Ans: (c)

8. The Gupta HUF in Maharashtra comprises of Mr. Harsh Gupta, his wife Mrs. Nidhi Gupta, his son Mr. Deepak Gupta, his daughter-in-law Mrs. Deepti Gupta, his daughter Miss Preeti Gupta. Which of the members of the HUF are eligible for coparcenary rights?

- (a) Only Mr. Harsh Gupta and Mr. Deepak Gupta
- (b) Only Mr. Harsh Gupta, Mr. Deepak Gupta and Miss Preeti Gupta
- (c) Only Mr. Harsh Gupta, Mr. Deepak Gupta, Mrs. Nidhi Gupta and Mrs. Deepti Gupta
- (d) All the members are co-parceners (MTP 1 Mark March '23)

Ans: (b)

9. Sham Singh spends ₹ 1,00,000 on cultivation and harvesting of his agricultural produce. 50% of the production is sold for ₹1,10,000 and rest is stored for self-consumption. What is the amount of the agricultural income?



- (a) Rs. 60,000
 - (b) Rs. 1,10,000
 - (c) Rs.1,20,000
 - (d) Rs. 1,00,000
- (MTP 2 Marks, Oct'20)**

Ans: (a)

10. Which of the following incomes are exempt incomes as per the provisions of Income-tax Act, 1961?
- (i) Allowance paid by Government to a citizen of India for rendering services outside India
 - (ii) Death-cum-retirement gratuity received by a government employee
 - (iii) Any sum received under a life insurance policy taken on 01.05.2023, if the premium payable for any of the years exceeds 10% of the actual capital sum assured.
 - (iv) Any payment from National Pension System Trust to an employee on account of closure of his NPS account.
- (a) (i), (ii), (iii), (iv)
 - (b) (i) & (ii)
 - (c) (i), (ii) & (iv)
 - (d) (ii) & (iv)
- (MTP 1 Mark, Oct'19)**

Ans: (b)

11. Which of the following statements is/are true in respect of taxability of agricultural income under the Income-tax Act, 1961?
- (i) Any income derived from saplings or seedlings grown in a nursery is agricultural income exempt from tax u/s 10(1).
 - (ii) 60% of dividend received from shares held in a tea company is agricultural income exempt from tax u/s 10(1).
 - (iii) While computing income tax liability of an Assesses aged 50 years, agricultural income is required to be added to total income only if net agricultural income for the P.Y. exceeds Rs. 5,000 and the total income (including net agricultural income) exceeds Rs.2,50,000.
 - (iv) While computing income tax liability of an Assesses aged 50 years, agricultural income is required to be added to total income only if net agricultural income for the P.Y. exceeds Rs. 5,000 and the total income (excluding net agricultural income) exceeds Rs.2,50,000.

Choose from the following options:

- (a) (i) and (iii)
 - (b) (ii) and (iii)
 - (c) (i) and (iv)
 - (d) (i), (ii) and (iv)
- (MTP 2 Marks, Oct'19)**

Ans: (c)

12. Income derived from farm building situated in the immediate vicinity of an agricultural land (not assessed to land revenue) would be treated as agricultural income if such land is situated in –
- (a) an area at a distance of 3 kms from the local limits of a municipality and has a population of 80,000 as per last census
 - (b) an area within 1.5 kms from the local limits of a municipality and has a population of 12,000 as per last census
 - (c) an area within 2 kms from the local limits of a municipality and has a population of 11,00,000 as per last census
 - (d) an area within 8 kms from the local limits of a municipality and has a population of 10,50,000 as per last census
- (MTP 1 Mark March '23)**

Ans: (a)

13. Mr. Ajay is a recently qualified doctor. He joined a reputed hospital in Delhi on 01.01.2024. He earned total income of ₹ 3,40,000 till 31.03.2024. His employer advised him to claim rebate u/s 87A while filing



return of income for A.Y. 2024-25. Assume that he does not opt for 115BAC. He approached his father to enquire regarding what is rebate u/s 87A of the Act. His father told him:

- (i) An individual who is resident in India and whose total income does not exceed ₹ 3,50,000 is entitled to claim rebate under section 87A.
- (ii) An individual who is resident in India and whose total income does not exceed ₹ 5,00,000 is entitled to claim rebate under section 87A.
- (iii) Maximum rebate allowable under section 87A is ₹ 5,000.
- (iv) Rebate under section 87A is available in the form of exemption from total income.
- (v) Maximum rebate allowable under section 87A is ₹ 2,500.
- (vi) Rebate under section 87A is available in the form of deduction from tax liability.

As a tax expert, do you agree with the explanation given by Mr. Ajay's father? Choose the correct option from the following:

- (a) (ii), (iii), (vi)
- (b) (i), (v), (vi)
- (c) (ii), (iii), (iv)
- (d) (i), (iv), (v)
- (e) (ii) (v)(vi) (RTP May'19)

Ans: (As per amendment the answer is (e) as the Rebate is now available an individual who is resident in India and whose total income does not exceed ₹ 5,00,000 and Maximum rebate allowable under section 87A is ₹ 12,500)

14. During the P.Y.2023-24, Mr. Ranjit has short-term capital gains of ₹ 95 lakhs taxable under section 111A, long-term capital gains of ₹ 110 lakhs taxable under section 112A and business income of ₹ 90 lakhs. Which of the following statements is correct?

- (a) Surcharge@25% is leviable on income-tax computed on total income of ₹ 2.95 crore, since total income exceeds ₹ 2 crore.
- (b) Surcharge@15% is leviable on income-tax computed on total income of ₹ 2.95 crore.
- (c) Surcharge@15% is leviable in respect of income-tax computed on capital gains of ₹ 2.05 crore; in respect of business income, surcharge is leviable@25% on income- tax, since total income exceeds ₹ 2 crore.
- (d) Surcharge@15% is leviable in respect of income-tax computed on capital gains of ₹ 2.05 crore; surcharge@10% is leviable on income-tax computed on business income, since the same exceeds ₹ 50 lakhs but is less than ₹ 1 crore. (RTP Nov '19)

Ans: (b)

15. Mr. Ajay is found to be the owner of two gold chains of 50 gms each (market value of which is ₹ 1,45,000 each) during the financial year ending 31.3.2024 but he could offer satisfactory explanation for ₹ 50,000 spent on acquiring these gold chains. As per section 115BBE, Mr. Ajay would be liable to pay tax of –

- (a) ₹ 1,87,200
- (b) ₹ 2,26,200
- (c) ₹ 1,49,760
- (d) ₹ 1,80,960 (RTP May '20)

Ans: (a)

16. Mr. Rishabh, aged 65 years and a resident in India, has a total income of ₹ 4,50,00,000, comprising long term capital gain taxable under section 112 of ₹ 85,00,000, long term capital gain taxable under section 112A of ₹ 75,00,000 and other income of ₹ 2,90,00,000. What would be his tax liability for A.Y. 2024-25.



Assume that Mr. Rishabh has opted for the provisions of section 115BAC. (RTP May '23, MTP 2 Marks Sep '23)

- (a) ` 1,41,40,750
- (b) ` 1,38,86,990
- (c) ` 1,38,84,390
- (d) ` 1,39,81,240

Ans: (b) *(As per amendment in the tax structure as per 115BAC the answer will be none of them it is Rs 1,38,50,200)*

17. Mr. Anay (aged 25) has an agricultural income of ₹ 2,10,000 and business income of ₹ 2,35,000. Which of the following statement is correct?

- (a) Agricultural income always has to be aggregated with business income for rate purposes
- (b) No aggregation is required since business income which constitutes his total income, is less than basic exemption limit
- (c) No aggregation is required since agricultural income is less than basic exemption limit
- (d) Agricultural income is exempt under section 10(1) but the same has to be aggregated with business income, since it exceeds ₹ 5,000. (RTP May '19)

Ans: (b)

18. Mr. A has taken two ULIPs. ULIP "X" is issued on 1.1.2023 and ULIP "Y" on 1.5.2023. The sum assured of ULIP "X" and ULIP "Y" is ₹ 30 lakhs and ₹ 40 lakhs, respectively. The annual premium paid by Mr. A during the P.Y. 2023-24 is ₹ 3 lakhs and ₹ 4 lakhs, respectively. What would be the taxability of the consideration received by Mr. A on maturity of both the ULIPs?

- (a) Consideration received on the maturity of ULIP "X" would be exempt u/s 10(10D) while the profits and gains from receipt of consideration on the maturity of ULIP "Y" would be taxable.
- (b) Consideration received on the maturity of ULIP "Y" would be exempt u/s 10(10D) while the profits and gains from receipt of consideration on the maturity of ULIP "X" would be taxable.
- (c) Consideration received on the maturity of both ULIP "X" and ULIP "Y" would be exempt u/s 10(10D)
- (d) The profits and gains from receipt of consideration on the maturity of both ULIP "X" and ULIP "Y" would be taxable. (RTP May '22)

Ans: (a)

Chapter 2

Residence & Scope of Total Income

Question 1 illustration

Mr. Anand is an Indian citizen and a member of the crew of a Singapore bound Indian ship engaged in carriage of passengers in international traffic departing from Chennai port on 6th June, 2023. From the following details for the P.Y. 2023-24, determine the residential status of Mr. Anand for A.Y. 2024- 25, assuming that his stay in India in the last 4 previous years (preceding P.Y. 2023-24) is 400 days: (Old & New SM) (Same concept different figures RTP Nov'20)

Particulars	Date
Date entered into the Continuous Discharge Certificate in respect of joining the ship by Mr. Anand	6 th June, 2023
Date entered into the Continuous Discharge Certificate in respect of signing off the ship by Mr. Anand	9 th December, 2023

Answer 1

In this case, since Mr. Anand is an Indian citizen and leaving India during P.Y. 2023-24 as a member of the crew of the Indian ship, he would be resident in India if he stayed in India for 182 days or more.

The voyage is undertaken by an Indian ship engaged in the carriage of passengers in international traffic, originating from a port in India (i.e., the Chennai port) and having its destination at a port outside India (i.e., the Singapore port). Hence, the voyage is an eligible voyage for the purposes of section 6(1).

Therefore, the period beginning from 6th June, 2023 and ending on 9th December, 2023, being the dates entered into the Continuous Discharge Certificate in respect of joining the ship and signing off from the ship by Mr. Anand, an Indian citizen who is a member of the crew of the ship, has to be excluded for computing the period of his stay in India. Accordingly, 187 days [25+31+31+30+31+30+9] have to be excluded from the period of his stay in India. Consequently, Mr. Anand's period of stay in India during the P.Y. 2023- 24 would be 179 days [i.e., 365 days – 187 days]. Since his period of stay in India during the P.Y. 2023-24 is less than 182 days, he is a non-resident for A.Y. 2024-25.

Question 2

Mr. Thomas, a citizen of Japan, comes to India for the first time during the P.Y. 2019-20. During the financial years 2019-20, 2020-21, 2021-22, 2022-23 and 2023-24, he was in India for 50 days, 65 days, 95 days, 150 days and 75 days, respectively. Determine his residential status for the A.Y. 2024-25. Examine the tax implications in the hands of Mr. Thomas for the Assessment Year 2024-25 of the following transactions entered by him.

- (1) Interest received from Mr. Michel, a non-resident outside India (The borrowed fund is used by Mr. Michel for investing in Indian company's debt fund for earning interest).
- (2) He is also engaged in the business of running news agency and earned income of Rs. 5 lakhs from collection of news and views in India for transmission outside India.

He entered into an agreement with ABC & Co., a partnership firm for transfer of technical documents and design and for providing services relating thereto, to set up a Steel manufacturing plant, in India. He charged Rs. 15 lakhs for these services from ABC & Co.

(MTP 7 Marks, Nov'21)

Answer 2

Under section 6(1), an individual is said to be resident in India in any previous year, if he satisfies any one of the following conditions:

- (i) He has been in India during the previous year for a total period of 182 days or more, or
- (ii) He has been in India during the 4 years immediately preceding the previous year for a total period of 365 days or more and has been in India for at least 60 days in the previous year.

If an individual satisfies any one of the conditions mentioned above, he is a resident. If both the above

conditions are not satisfied, the individual is a non-resident. During the previous year 2023-24, Mr. Thomas was in India for 75 days and during the 4 years preceding the previous year 2023-24, he was in India for 360 days (i.e. 50+ 65+ 95+ 150 days).

The total stay of the Mr. Thomas during the previous year in India was less than 182 days and during the four years preceding this year was for 360 days. Therefore, due to non-fulfillment of any of the two conditions for a resident, he would be treated as non-resident for the Assessment Year 2024-25.

- (1) Not taxable, since interest payable by a non-resident to another non-resident would be deemed to accrue or arise in India only if the borrowed fund is used for the purposes of business or profession carried on by him in India. In this case, it is used for investing in Indian company's debt fund for earning interest and not for the purposes of business or profession. Hence, it is not taxable in India.
- (2) No income shall be deemed to accrue or arise to Mr. Thomas through or from activities which are confined to the collection of news and views in India for transmission outside India. Hence, Rs. 10 lakhs are not taxable in India in the hands of Mr. Thomas.
- (3) Rs. 10 lakhs are deemed to accrue or arise in India to Mr. Thomas, a non-resident, since it represents royalty/fees for technical services paid for services utilized in India, in this case, for setting up a Steel manufacturing plant in India. Hence, the same would be taxable in India in the hands of Mr. Thomas.

Question 3

Miss Bhanushali, an American National, got married to Mr. Vikas of India in New York on 3rd February, 2023 and came to India for the first time on 14-02-2023. She left for New York on 11-08-2023. She returned to India again on 20-02-2024.

She received the following gifts from her relatives and friends during 01 -04-2023 to 31-03-2024 in India:

- From parents of husband Rs. 71,000
- From married sister of husband Rs. 21,000
- From two very close friends of her husband Rs. 1,41,000 and Rs. 1,21,000 Rs. 2,62,000

- (i) Determine her residential status and compute the total income chargeable to tax for the Assessment Year 2024-25.
- (ii) Will the residential status change if she had returned to India again on 20-01-2024 instead of 20-02-2024? (MTP 7 Marks, April'21)

Answer 3

Determination of residential status and computation of total income of Miss Bhanushali (if she returned to India on 20.2.2024)

Particulars		Rs.
Under section 6(1), an individual is said to be resident in India in any previous year, if he/she satisfies any one of the following conditions:		
(I) He/she has been in India during the previous year for a total period of 182 days or more, or		
(ii) He/she has been in India during the 4 years immediately preceding the previous year for a total period of 365 days or more and has been in India for at least 60 days in the previous year.		
If an individual satisfies any one of the conditions mentioned above, he/she is a resident. If both the above conditions are not satisfied, the individual is a non-resident.		
Therefore, the residential status of Miss Bhanushali, an American National, for A.Y.2024-25 has to be determined on the basis of her stay in India during the previous year relevant to A.Y. 2024-25 i.e. P.Y.2023-24 and in the preceding four assessment years.		
Her stay in India during the previous year 2023-24 and in the preceding four years are as under:		
P.Y. 2023-24		
01.04.2023 to 11.08.2024	133 days	
20.02.2024 to 31.03.2025	40 days	

Total	173 days	
Four preceding previous years		
P.Y.2022-23 [14.2.2023 to 31.3.2024]	47 days	
P.Y.2021-22	Nil	
P.Y.2020-21	Nil	
P.Y.2019-20	Nil	
Total	47 days	
The total stay of Miss Bhanushali during the previous year in India was less than 182 days and during the four years preceding this year was for 47 days. Therefore, due to non-fulfillment of any of the two conditions for a resident, she would be treated as non-resident for the Assessment Year 2024-25. Computation of total income of Miss Bhanushali for the A.Y. 2024-25.		
Income from other sources		
Gifts received from non-relatives is chargeable to tax as per section 56(2) (x) if the aggregate value of such gifts exceeds Rs. 50,000.		
- Rs. 71,000 received from parents of husband would be exempt, since parents of husband fall within the definition of 'relatives' and gifts from a relative are not chargeable to tax.		Nil
- Rs. 21,000 received from married sister-in-law is exempt, since sister of husband falls within the definition of relative and gifts from a relative are not chargeable to tax.		Nil
- Gift received from two friends of her husband Rs. 1,41,000 and Rs. 1,21,000 aggregating to Rs. 2,62,000 is taxable under section 56(2)(x) since the aggregate of Rs. 2,62,000 exceeds Rs. 50,000.		2,62,000
Total Income		2,62,000

Determination of residential status of Miss Bhanushali (if she returned to India on 20.1.2024)

Yes, the Answer would change, if she had returned to India again on 20.1.2024 instead of 20.2.2024.

In such case, her stay in India during the previous year 2023-24 would be:

01.04.2023 to	11.08.2023	133 days
20.01.2024 to	31.03.2024	71 days
Total		204 days

Since she satisfies the condition of stay in India for more than 182 days during the previous year 2023-24, she would become resident in India. She would be a resident but not ordinarily resident in India for A.Y. 2024-25, since her stay in India in the preceding seven years is less than 730 days (it is only 47 days)¹.

Question 4

Determine the residential status and total income of Mr. Raghu for the assessment year 2024-25 from the information given below.

Mr. Raghu (age 62 years), an American citizen, is employed with a multinational company in Gurugram. Mr. Raghu holds a senior level position as researcher in the company, since 2012. To share his knowledge and finding in research, company gave him an opportunity to travel to other group companies outside India while continuing to be based at the Gurugram office.

The details of his travel outside India for the financial year 2023-24 are as under:

Country	Period of stay
USA	25 August, 2023 to 10 November, 2023
UK	20 November, 2023 to 23 December, 2023
Germany	10 January, 2024 to 24 March, 2024

During the last four years preceding the previous year 2023-24, he was present in India for 380 days.

During the last seven previous years preceding the previous year 2023-24, he was present in India for 700

days. During the P.Y. 2023-24, he earned the following incomes:

- (1) Salary Rs. 15,80,000. The entire salary is paid by the Indian company in his Indian bank account.
- (2) Dividend amounting to Rs. 48,000 received from Treat Ltd., a Singapore based company, which was transferred to his bank account in Singapore.
- (3) Interest on fixed deposit with Punjab National Bank (Delhi) amounting to Rs. 10,500 was credited to his saving account. (MTP 7 Marks, March'21)

Answer 4

Determination of residential status

Mr. Raghu would be a resident in India in P.Y. 2023-24, if he satisfies any one of the following conditions:

- (i) He has been in India during the previous year for a total period of 182 days or more, or
- (ii) He has been in India during the 4 years immediately preceding the previous year for a total period of 365 days or more and has been in India for at least 60 days in the previous year.

If he satisfies any one of the conditions mentioned above, he is a resident. If both the above conditions are not satisfied, he would be a non-resident.

During the P.Y. 2023-24 Mr. Raghu stayed in India for 179 days i.e., 365 days – 186 days [78 days + 34 days + 74 days] and 380 days i.e., more than 365 days during the 4 preceding previous years. He satisfies the second basic condition for being a resident. Hence, he is a resident in India for A.Y.2024-25.

- (a) A person would be “Not ordinarily Resident” in India in any previous year, if such person, inter alia,
- (b) has been a non-resident in 9 out of 10 previous years preceding the relevant previous year; or
- (c) has during the 7 previous years immediately preceding the relevant previous year been in India for 729 days or less.

For the previous year 2023-24, Mr. Raghu would be “Resident but not ordinarily resident” since he stayed for less than 729 days during the 7 previous years immediately preceding P.Y. 2023-24.

Computation of total income of Mr. Raghu for A.Y.2024-25

Particulars			Amount (Rs.)
(1)	Salary from Indian company received in a bank account in India	15,00,000	
	Less: Standard deduction u/s 16(IA)	50,000	14,50,000
(2)	Dividend of Rs. 48,000 received from Singapore based company transferred to his bank account in Singapore is not taxable in the hands of the resident but not ordinarily resident since the income has neither accrued or arisen in India nor has it been received in India.		Nil
(3)	Interest on fixed deposit with PNB credited to his savings bank account is taxable in the hands of Mr. Raghu as Income from other sources, since it has accrued and arisen in India and is also received in India.		10,500
Gross Total Income			14,60,500
Less: Deduction u/s 80TTB			10,500
Total Income			14,50,000

Question 5

Simran, a Chartered Accountant, is presently working in a firm in India. She has received an offer for the post of Chief Financial Officer from a company at New York. As per the offer letter, she should join the company at any time between 1st September, 2023 and 31st October, 2023. She approaches you of your advice on the following issues to mitigate her tax liability in India:

- (a) Date by which she should leave India to join the company;
- (b) Direct credit of part of her salary to her bank account in Delhi maintained jointly with her mother to meet requirement of her family.
- (c) Period for which she should stay in India when she comes on leave. (MTP 7 Marks, May'20)

Answer 5

The following category of individuals will be treated as resident in India only if the period of their stay in India during the relevant previous year is 182 days or more: -

- Indian citizens, who leave India in any previous year, inter alia, for purposes of employment outside

- India, or
- Indian citizen or person of Indian origin engaged outside India, inter alia, in an employment, who comes on a visit to India in any previous year.
- (a) Since Simran is leaving India for the purpose of employment outside India, she will be treated as resident only if the period of her stay during the previous year amounts to 182 days or more. Therefore, Simran should leave India on or before 28th September, 2023, in which case, her stay in India during the previous year would be less than 182 days and she would become non-resident for the purpose of taxability in India. In such a case, only the income which accrues or arises in India or which is deemed to accrue or arise in India or received or deemed to be received in India shall be taxable. The income earned by her in New York would not be chargeable to tax in India for A.Y. 2024-25, if she leaves India on or before 28th September, 2023.
 - (b) If any part of Simian's salary will be credited directly to her bank account in Delhi then, that part of her salary would be considered as income received in India during the previous year under section 5 and would be chargeable to tax under Income-tax Act, 1961, even if she is a non-resident. Therefore, Simran should receive her entire salary in New York and then remit the required amount to her bank account in Delhi in which case, the salary earned by her in New York would not be subject to tax in India.
 - (c) In case Simran visits India after taking up employment outside India, she would be covered in the second exception provided above and she will be treated as resident only if the period of her stay during the relevant previous year amounts to 182 days or more. Therefore, when Simran comes India on leave, she should stay in India for less than 182 days during the relevant previous year so that her status remains as a non-resident for the relevant previous year. Moreover, she should not visit India again during the current previous year i.e. P.Y. 2023-24.

Question 6

1. Explain with reasons whether the following transactions attract income-tax in India in the hands of recipients:
 - (i) Salary paid to Mr. Dinesh, a citizen of India Rs.20,00,000 by the Central Government for the services rendered in London.
 - (ii) Royalty paid to Raja, a non-resident by Ms. Mute, a resident for a business carried on in Sri Lanka.
2. Ms. Anjali, a non-resident, residing in London since 1995, came back to India on 19-02-2022 for permanent settlement in India. Explain the residential status of Ms. Anjali for the Assessment Year 2024-25 in accordance with the various provisions of Income-tax Act, 1961. (MTP 7 Marks, March'19)

Answer 6
i. Taxability of certain receipts under the Income-tax Act, 1961

Sl. No.	Taxable/ Not Taxable	Amount liable to tax (Rs.)	Reason
1	2	3	4
(i)	Taxable	20,00,000	Salaries payable by the Government to a citizen of India for service rendered outside India shall be deemed to accrue or arise in India as per section 9(1)(iii). Mr. Dinesh is a citizen of India. Therefore, salary paid by the Central Government to him for services rendered in London would be deemed to accrue or arise in India in his hands.
(ii)	Not Taxable	-	Royalty paid by a resident to a non-resident in respect of a business carried on outside India would not be taxable in the hands of the non-resident, as the same would not be deemed to accrue or arise in India as per the exception mentioned in section 9(1)(vi)(b). Therefore, royalty paid by Mute, a resident, to Raja, a non-resident, for a business carried on in Sri Lanka would not be deemed to accrue or arise in India. Note - It is assumed that the royalty was not received in India.

ii. Determination of residential status of Ms. Anjali for the A.Y. 2024-25

Ms. Anjali is a resident since she has stayed in India for 365 days during the P.Y.2023-24. Therefore, she satisfies the condition of stay in India for a period of 182 days or more in the relevant previous year as per the requirement under section 6(1).
As per section 6(6), an individual is said to be “not ordinarily resident” in India in any previous year, if he has:
(a) been a non-resident in India in nine out of ten previous years preceding the relevant previous year; or
(b) during the seven previous years immediately preceding the relevant previous year, been in India for a period of, or periods amount in all to, 729 days or less.
Ms. Anjali must, therefore, satisfy either of the conditions to qualify as a not-ordinarily resident.
Ms. Anjali was a non-resident in India up to A.Y.2022-23.
She was resident in India only for P.Y. 2022-23 (A.Y.2023-24) out of the ten previous years preceding P.Y. 2023-24 (A.Y.2024-25). This implies that she has been a non- resident in India in nine out of ten previous years preceding P.Y. 2023-24 (A.Y. 2024-25). Further, she was in India only for a period of 406 days [i.e., 10 days in February, 2022 + 31 days in March 2022 + 365 days during the P.Y.2022-23] in the seven previous years preceding P.Y. 2023-24 (A.Y. 2024-25).
Therefore, since Ms. Anjali satisfies both the conditions for “not-ordinarily resident”, her residential status for A.Y.2024-25 would be “Resident but not ordinarily resident”.

Question 7

Compute the total income of Mr. Rajesh, aged 45 years, an Indian citizen for A.Y. 2024-25. On 22.09.2023, he left India for the first time to work as an officer of a company in Canada. He earns the following income during the previous year 2023-24:

Sr. No.	Particulars	(Rs.)
1.	Interest on Canada Development Bonds (only 50% of interest received in India)	40,000
2.	Dividend from Canadian company received in Canada	20,000
3.	Short term capital gain on sale of shares of an Indian company received in India	90,000
4.	Interest on savings bank deposit in UCO Bank, Delhi	12,000
5.	Income from Profession in Canada (set up in India), out of which Rs.10,000 is received in India	15,000
6.	Agricultural income from a land situated in Gujarat	45,000
7.	Rent received in Canada in respect of house property at Canada	60,000

(MTP 7 Marks, April'19)

Answer 7

Under section 6(1), an individual is said to be resident in India in any previous year if he satisfies any one of the following conditions -

- He has been in India during the previous year for a total period of 182 days or more, or
- He has been in India during the 4 years immediately preceding the previous year for a total period of 365 days or more and has been in India for at least 60 days in the previous year.

In the case of Indian citizens leaving India for employment, the period of stay during the previous year must be 182 days instead of 60 days given in (ii) above.

(As per amendment in case of Indian citizen or person of Indian origin, having total income more than Rs. 15,00,000 (other than income from foreign source) then the second basic condition is applicable and instead of 60 days in the previous year, 120 days are considered)

During the previous year 2023-24, Mr. Rajesh, an Indian citizen, was in India for 175 days only (i.e.,

30+31+30+31+31+22 days). Thereafter, he left India for employment purposes. Since he does not satisfy the minimum criteria of 182 days, he is a non-resident for the A.Y. 2024-25.

Computation of total income of Mr. Rajesh for the A.Y. 2024-25

S. No.	Particulars	Non-Resident (Rs.)
1.	Interest on Canada Development Bond (See Note 1)	20,000
2.	Dividend from Canadian Company received in Canada (See Note 2)	-
3.	Short term capital gain on sale of shares of an Indian company received in India	90,000
4.	Interest on savings bank deposit in UCO Bank, Delhi	12,000
5.	Income from profession in Canada (set up in India) out of which Rs.10,000 is received in India (See Note 1)	10,000
6.	Agricultural income from a land in Gujarat (See Note 3)	-
7.	Income from house property at Canada (See Note 4)	-
	Gross Total income	1,32,000
	Less: Deduction under Chapter VI-A Section 80TTA (See Note 5)	10,000
	Total Income	1,22,000

Notes:

- (1) 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.
 Therefore, only that part of interest income and income from profession which is received in India would be taxable in his hands.
- (2) Dividend received in Canada from a Canadian based company would not be taxable in the hands of Mr. Rajesh since it has neither accrued nor arisen in India nor is it received in India.
- (3) Agricultural income from a land situated in India is exempt under section 10(1) in the case of both non-residents and residents.
- (4) Rental income from property in Canada would not be taxable, since it is neither accrued or arisen in India nor it is received in India.
- (5) In case of an individual other than senior citizen, interest upto Rs.10,000 from savings account with, inter alia, a bank is allowable as deduction under section 80TTA, irrespective of the residential status.

Question 8

Mrs. Bhawna and Mrs. Prerna are sisters and they earned the following income during the Financial Year 2023-24. Mrs. Bhawna is settled in Malaysia since 1992 and visits India for a month every year. Mrs. Prerna is settled in Indore since her marriage in 2000. Compute the Gross total income of Mrs. Bhawna and Mrs. Prerna for the assessment year 2024-25:

Sl. No.	Particulars	Mrs. Bhawna (Rs.)	Mrs. Prerna (Rs.)
(i)	Income from Profession in Malaysia, (set up in India) received there	15,000	
(ii)	Profit from business in Delhi, but managed directly from Malaysia	40,000	-
(iii)	Rent (computed) from property in Malaysia deposited in a Bank at Malaysia, later on remitted to India through approved banking channels.	1,20,000	-
(iv)	Dividend from PQR Ltd., an Indian Company	5,000	9,000
(v)	Agricultural income from land in Maharashtra	7,500	4,000

(vi)	Past foreign untaxed income brought to India	5,000	-
(vii)	Fees for technical services rendered in India received in Malaysia	25,000	-
(viii)	Income from a business in Pune (Mrs. Bhawna receives 50% of the income in India)	12,000	15,000

(MTP 10 Marks, Oct'18)

Answer 8

The residential status of Mrs. Bhawna and Mrs. Purna has to be determined on the basis of the number of days of their stay in India. Since Mrs. Bhawna is settled in Malaysia since 1992, she would be a non-resident for A.Y. 2024-25. Her visit to India for a month every year would not change her residential status. However, Mrs. Purna would be resident and ordinarily resident for A.Y. 2024-25, since she is settled in India permanently since 2000. Based on their residential status, the gross total income of Mrs. Bhawna and Mrs. Purna would be determined as follows:

Computation of Gross Total Income of Mrs. Bhawna & Mrs. Purna for the A.Y. 2024-25

S. No.	Particulars	Mrs. Bhawna (Non-Resident) (Rs.)	Mrs. Purna (Resident)(Rs.)
(i)	Income from profession in Malaysia (set up in India) received there (See Note below)	-	-
(ii)	Profit from business in Delhi, but managed directly from Malaysia (See Note below)	40,000	-
(iii)	Rent (computed) from property in Malaysia deposited in a Bank at Malaysia, later on remitted to India through approved banking channels (See Note below)	-	-
(iv)	Dividend from PQR Ltd. an Indian Company [Exempt under section 10(34), both in the hands of non-resident and resident] <i>As per amendment dividend u/s 2(22)(a)/(b)/(c)/(d)/(e) from an Indian Company will now be taxable normal rates in the hands of the Shareholder Assessee. Interest Income incurred to earn such income will be allowed as a deduction but only upto 20% of such income. No deduction of commission/remuneration paid to any other person. DDT has been abolished.</i>	5,000	9,000
(v)	Agricultural income from land in Maharashtra [Exempt under section 10(1), both in the hands of non-resident and resident].	-	-
(vi)	Past foreign untaxed income brought to India [Not taxable, since it does not represent income of the P.Y.2023-24].	-	-
(vii)	Fees for technical services rendered in India, but received in Malaysia (See Note below)	25,000	-
(viii)	Income from a business in Pune (Mrs. Bhawna receives 50% of the income in India) (See Note below)	12,000	15,000
Gross Total income		82,000	24,000

Note:

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

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

Therefore, income from profession in Malaysia and rent from property in Malaysia received in Malaysia by Mrs. Bhawna, a non-resident, would not be taxable in India, since both the accrual and receipt are outside India.

However, profit from business in Delhi would be taxable in India in the hands of Mrs. Bhawna, even though it is managed directly from Malaysia.

Further, by virtue of section 9(1)(vii), fees for technical services rendered in India would also be taxable in the hands of Mrs. Bhawna, since it is deemed to accrue or arise in India.

The entire income from a business in Pune is taxable in the hands of both Mrs. Bhawna and Mrs. Prerna due to their accrual/deemed accrual in India, even though a part of income from business in Pune is received by Mrs. Bhawna outside India.

Question 9

Miss Kaira, an American national, got married to Mr. Ramesh of India in USA on 1.03.2023 and came to India for the first time on 20.03.2023. She left for USA on 20.9.2023. She returned to India again on 27.03.2024. She has earned the following income during the financial year 2023-24.

Sr. No.	Particulars	Amount (Rs.)
1.	Dividend from American company, received in America	20,000
2.	Profits from a profession in Delhi, but managed directly from America	50,000
3.	Long term capital gain on sale of shares of an Indian company, received in India	60,000
4.	Interest on savings bank deposit in SBI, Delhi	17,000
5.	Agricultural income from a land situated in Tamilnadu	55,000
6.	Rent (computed) from property in America deposit in a Bank there, later on remitted to India	1,00,000
7.	Cash gift received from a friend on her birthday on 16.8.2020	51,000
8.	Past foreign untaxed income brought to India	70,000

Determiner her residential status and compute the total income chargeable to tax for the Assessment Year 2024-25. (MTP 10 Marks, Aug'18)

Answer 9

Under section 6(1), an individual is said to be resident in India in any previous year, if he satisfies any one of the following conditions:

- (i) He has been in India during the previous year for a total period of 182 days or more, or
- (ii) He has been in India during the 4 years immediately preceding the previous year for a total period of 365 days or more and has been in India for at least 60 days in the previous year.

If an individual satisfies any one of the conditions mentioned above, he is a resident. If both the above conditions are not satisfied, the individual is a non-resident.

Therefore, the residential status of Miss Kaira, an American National, for A.Y.2024-25 has to be determined on the basis of her stay in India during the previous year relevant to A.Y. 2024-25 i.e. P.Y.2023-24 and in the preceding four assessment years.

Her stay in India during the previous year 2023-24 and in the preceding four years are as under:

P.Y. 2023-24

01.04.2023 to 20.09.2023	-	173 days
27.03.2024 to 31.03.2024	-	5 days
Total		178 days

Four preceding previous years

P.Y.2022-23 [1.4.2022 to 31.3.2023]	-	12 days
P.Y.2021-22 [1.4.2021 to 31.3.2022]	-	Nil
P.Y.2020-21 [1.4.2020 to 31.3.2021]	-	Nil
P.Y.2019-20 [1.4.2019- to 31.3.2020]	-	Nil
Total		12 days

The total stay of the assessee during the previous year in India was less than 182 days and during the four years preceding this year was for 12 days. Therefore, due to non-fulfillment of any of the two conditions for a resident, she would be treated as non-resident for the Assessment Year 2024-25.

Computation of total income of Mrs. Kaira for the A.Y. 2024-25

S. No.	Particulars	(Non-Resident) (Rs.)
1.	Dividend from American company, received in America (Note 1)	-
2.	Profit from profession in Delhi, but managed directly from America (Note 2)	50,000
3.	Long-term capital gain on sale of shares of an Indian company (Note 2)	60,000
4.	Interest on savings account with SBI (Note 2)	17,000
5.	Agricultural income from land in Tamilnadu [Exempt under section 10(1)]	-
6.	Rent (computed) from property in America deposited in a Bank at America, later on remitted to India (Note 1)	-
7.	Cash gift received from a friend on Mrs. Kaira birthday on 16.8.2023 Note: As per section 56(2)(x), cash gifts received from a non-relative would be taxable, if the amount exceeds Rs. 50,000 in aggregate during the previous year.	51,000
8.	Past foreign untaxed income brought to India [Not taxable, since it does not represent income of the P.Y.2023-24].	-
Total Income		1,78,000

Notes:

- (1) As per section 5(1), global income is taxable, in case of a resident. However, as per section 5(2), only the following incomes are chargeable to tax, in case of a non-resident:
- Income received or deemed to be received in India; and
 - Income accruing or arising or deemed to accrue or arise in India.

Therefore, dividend from American company received in America, rent from property in America by Mrs. Kaira, a non-resident, would not be taxable in India, since both the accrual and receipt are outside India.

- (2) Profits from profession in Delhi, long term capital gains and interest on saving account with SBI are taxable in the hands of Mrs. Kaira, since such incomes are deemed to accrue or arise in India during the P.Y. 2023-24.

Question 10

Mr. Kunal is an Indian citizen and a member of the crew of a Thailand bound Indian ship engaged in carriage of passengers in international traffic departing from Port Blair on 10th July, 2023. His stay in India in the last 4 previous years (preceding P.Y. 2023-24) is 375 days and last seven previous years (preceding P.Y.2017-18) is 729 days:

Particulars	Date
Date entered into the Continuous Discharge Certificate in respect of joining the ship by Mr. Kunal	10 th July, 2023
Date entered into the Continuous Discharge Certificate in respect of signing off the ship by Mr. Kunal	21 st January, 2024

He earned following income during the previous year 2023-24
 Dividend from Thailand Company received in Thailand ₹ 30,000
 Short term capital gains on sale of shares of an Indian company ₹ 25,000
 Interest on savings account with Post office ₹ 13,000
 Past foreign untaxed income brought to India during the previous year ₹ 5,000
 Cash gift received from non-relative ₹ 20,000
 Income from agricultural land in Nepal received there and then brought to India ₹ 18,000
 Interest received from a non-resident on moneys borrowed for the purpose of business in Delhi ₹ 1,50,000.
 From the above details for the P.Y. 2023-24, compute the total income of Mr. Kunal for A.Y. 2024-25. (MTP 10 Marks, March '18)

Answer 10

In this case, the voyage is undertaken by an Indian ship engaged in the carriage of passengers in international traffic, originating from a port in India (i.e., the Port Blair) and having its destination at a port outside India (i.e., the Thailand port). Hence, the voyage is an eligible voyage for the purposes of section 6(1).

Therefore, the period beginning from 10th July, 2023 and ending on 21st January, 2024, being the dates entered into the Continuous Discharge Certificate in respect of joining the ship and signing off from the ship by Mr. Kunal, an Indian citizen who is a member of the crew of the ship, has to be excluded for computing the period of his stay in India. Accordingly, 196 days [22+31+30+31+30+31+21] have to be excluded from the period of his stay in India. Consequently, Mr. Kunal's period of stay in India during the P.Y. 2023-24 would be 169 days [i.e., 365 days – 196 days]. Since his period of stay in India during the P.Y. 2023-24 is less than 182 days, he is a non-resident for A.Y. 2024-25.

Based on the residential status, the total income of Mr. Kunal would be determined as follows

Computation of total income of Mr. Kunal for the A.Y. 2024-25

S. No.	Particulars	(₹)
(i)	Dividend from Thailand Company received in Thailand (Note 2)	-
(ii)	Short term capital gain on sale of shares of an Indian company	25,000
(iii)	Interest on savings account with Post office (Note 3)	9,500
(iv)	Past foreign untaxed income brought to India during the previous year [Not taxable, since it does not represent income of the P.Y.2023-24]	-
(v)	Gift received from non-relative [As per section 56(2)(x), cash gifts received from a non-relative would be taxable, if the amount exceeds ₹ 50,000 in aggregate during the previous year]	-
(vi)	Income from agricultural land in Nepal received there and then brought to India (Note 2)	-
(vii)	Interest received from a non-resident on moneys borrowed for the purpose of business in Delhi (Note 4)	1,50,000
Gross Total income		1,84,500
Less: Deductions under Chapter VIA		
Section 80TTA		9,500
(In case of an individual, interest upto ₹ 10,000 from savings account with, inter alia, a post office is allowable as deduction under section 80TTA)		
Total Income		1,75,000

Notes:

- (1) Since the residential status of Mr. Kunal is "non-resident" for A.Y. 2024-25 consequent to his number of days of stay in P.Y. 2023-24 being less than 182 days, his period of stay in the earlier previous years become

irrelevant.

- (2) As per section 5(2), only the following incomes are chargeable to tax in India, in case of a non-resident:
- Income received or deemed to be received in India; and
 - Income accruing or arising or deemed to accrue or arise in India.

Therefore, dividend from Thailand Company received in Thailand and Income from agricultural land in Nepal received there and then brought to India by Mr. Kunal, a non-resident, would not be taxable in India, since both the accrual and receipt are outside India.

- (3) The interest on Post Office Savings Bank Account, would be exempt under section 10(15) (i), only to the extent of ₹ 3,500 in case of an individual account.
- (4) As per section 9(1)(v)(c), interest payable by a non-resident on moneys borrowed and used for the purposes of business carried on by such person in India shall be deemed to accrue or arise in India in the hands of the recipient.

Question 11

Mr. Sushant furnished the following particulars of his income for the year ended 31.3.2024.

	Particulars	₹
(a)	Income earned from business in Dubai which is controlled from Delhi (₹ 65,000 is received in India)	80,000
(b)	Pension for services rendered in India but received in Dubai (computed)	24,000
(c)	Dividend from an Oil Company, a Dubai based company, received in Dubai	15,000
(d)	Rent from property in Dubai, deposited in a bank in Dubai and later on, remitted to India through approved banking channels	70,000
(e)	Dividend from Sunset Ltd., an Indian company, received in Dubai	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	25,000

Compute his gross total income for the assessment year 2024-25, if he is:

- Resident and ordinarily resident;
- Resident but not ordinarily resident;
- Non-resident (MTP 7 Marks March 22)

Answer 11

Computation of gross total income of Mr. Sushant for the A.Y. 2024-25

	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

Question 12

Mr. Krishna (aged 58 years), a citizen of India, serving in the Ministry of Finance in India, was transferred to Indian Embassy in UK on 15th March 2023. His income during the financial year 2023-24 is given hereunder:

Particulars	₹
Rent from a house situated at UK, received in UK. Thereafter, remitted to Indian bank account.	5,25,000
Interest on Post office savings bank account in India	4,500



Salary from Government of India	9,25,000
Foreign Allowances from Government of India	8,00,000

Mr. Krishna did not come to India during the financial year 2023-24. Compute his total income for the Assessment year 2024-25. Assume he does not opt for section 115BAC. (MTP 4 Marks April 22, RTP Nov '19 & Nov '18)

Answer 12

Mr. Krishna is a non-resident for the A.Y.2024-25, since he was not present in India at any time during the previous year 2023-24 [Section 6(1)].

As per section 5(2), a non-resident is chargeable to tax in India only in respect of following incomes:

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

Computation of Total Income of Mr. Krishna for A.Y. 2024-25

Particulars	₹
Salaries	
Salary from Government of India (Income chargeable under the head 'Salaries' payable by the Government to a citizen of India for services rendered outside India is deemed to accrue or arise in India under section 9(1)(iii). Hence, such income is taxable in the hands of Mr. Krishna, a citizen of India, even though he is a non-resident and rendering services outside India)	9,25,000
Foreign Allowance from Government of India [Any allowances or perquisites paid or allowed as such outside India by the Government to a citizen of India for rendering service outside India is exempt under section 10(7)].	Nil
Gross Salary	9,25,000
Less: Standard Deduction under section 16(ia) of ₹ 50,000, being lower of gross salary or ₹ 50,000	50,000
	8,75,000
Income from House Property	
Rent from a house situated at UK, received in UK (Income from property situated outside India would not be taxable in India in the hands of a non-resident, since it neither accrues or arises in India nor is it deemed to accrue or arise in India nor is it received in India)	Nil
Income from Other Sources	
Interest on Post office savings bank account – exempt upto ₹ 3,500	1,000
Gross Total Income	8,76,000
Less: Deduction under section 80TTA	1,000
Total Income	8,75,000

Question 13

Mr. Manek, a person of Indian origin and citizen of USA, got married to Ms. Anjali, an Indian citizen residing in USA, on 24th January, 2023 and came to India on 25-03-2023. He left for Country X on 10th July, 2023. He returned to India again on 24-02-2024 with his wife to spend some time with his parents-in law for 30 days and thereafter returned to USA. He stayed in India for 400 days during the 4 years preceding the previous year 2023-24.

He received the following gifts from his relatives and friends of her wife during 01 -04-2023 to 31-03-2024 in India:

- From wife's parents ₹ 1,51,000
- From wife's sister ₹ 21,000



- From very close friends of his wife

₹ 16,00,000

Determine his residential status and compute the total income chargeable to tax along with the amount of tax liability on such income for the Assessment Year 2024-25. (MTP 6 Marks Sep'22) (Same concepts different figures RTP May'21)

Answer 13

Under section 6(1), an individual, being a person of Indian origin and who comes on a visit to India and he is having total income other than income from foreign sources exceeding ₹ 15 lakhs during the previous year, such individual is said to be resident in India, if he stays in India during the previous year for 120 days or more and for 365 days or more during the 4 years immediately preceding the relevant previous year. As per section 6(6), such individual whose stay in India is for 120 days or more but less than 182 days in the P.Y. 2023-24 would be resident but not ordinarily resident.

Mr. Manek is a person of Indian origin who has come on a visit to India during the previous year. Since his total income other than income from foreign sources exceeds ₹ 15,00,000, he would be a resident in India if he stays in India during the previous year for 120 days or more and for 365 days or more during the 4 years immediately preceding the relevant previous year.

His stay in India during the previous year 2023-24 is as under:

P.Y. 2023-24		
01.04.2023 to	10.07.2023	101 days
24.02.2024 to	25.03.2024	30 days
Total		131 days

Since he stays in India is for 131 days during the P.Y. 2023-24 and for 400 days during the 4 years immediately preceding the P.Y. 2023-24, he is resident but not ordinarily resident in India for the P.Y. 2023-24.

In such case, his total income and tax liability would be computed in the following manner:

Computation of total income and tax liability of Mr. Manek for the A.Y. 2024-25

Particulars	₹
Income from other sources	
Cash gifts received from non-relatives is chargeable to tax as per section 56(2)(x) if the aggregate value of such gifts exceeds ₹ 50,000.	
- ₹ 1,51,000 received from parents of wife would be exempt, since wife's parents fall within the definition of 'relatives' and gifts from a relative are not chargeable to tax.	Nil
- ₹ 21,000 received from married sister-in-law is exempt, since sister of wife falls within the definition of relative and gifts from a relative are not chargeable to tax.	Nil
- Gift received from close friends of his wife of ₹ 16,00,000 is taxable under section 56(2)(x) since the amount of cash gifts exceeds ₹ 50,000.	16,00,000
Total Income	16,00,000
Tax on total income of ₹ 16,00,000	1,80,000
Upto ₹ 2,50,000 ₹ 3,00,000 Nil	
₹ 3,00,000 – ₹ 6,00,000 [₹ 3,00,000 @ 5%] 15,000	
₹ 6,00,001 – ₹ 9,00,000 [₹ 3,00,000 @ 10%] 30,000	
₹ 9,00,001 – ₹ 12,00,000 [₹ 3,00,000 @ 15%] 45,000	
₹ 12,00,001 – ₹ 15,00,000 [₹ 3,00,000 @ 20%] 60,000	
Above ₹ 15,00,000 @30%	
Add: Health and Education cess@4%	7,200
Tax liability	1,87,200

Note – Since his tax liability as per normal provisions is ₹ 3,04,200 [₹ 2,92,500 (₹ 1,12,500 plus 30% on ₹ 6,00,000 income exceeding ₹ 10,00,000) plus ₹ 11,700, being health and education cess @4%], which is



higher than the tax liability computed as per concessional tax rates available under section 115BAC, it is beneficial for him to opt for section 115BAC.

Question 14

Determine the residential status of Mrs. Rose and compute her gross total income chargeable to tax for the A.Y. 2024-25 from the following information gathered from her documents:

Mrs. Rose is an Australian, got married to Mr. Ram of India in Australia on 2.01.2023 and came to India for the first time on 18.02.2023. She left for Australia on 15.9.2023. She returned to India again on 23.03.2024.

On 01.04.2023, she had purchased a Flat in Delhi, which was let out to Mr. Sahil on a rent of ₹ 25,000 p.m. from 1.5.2023. She had taken loan from an Indian bank for purchase of this flat on which bank had charged interest of ₹ 1,85,500 up to 31.03.2024.

While in India, during the previous year 2023-24, she had received a gold chain from her in-laws worth ₹ 1,50,000. (MTP 6 Marks March '23, MTP 7 Marks Oct'21, MTP 7 Marks Oct'19)

Answer 14

Under section 6(1), an individual is said to be resident in India in any previous year, if he satisfies any one of the following conditions:

- (i) He has been in India during the previous year for a total period of 182 days or more, or
- (ii) He has been in India during the 4 years immediately preceding the previous year for a total period of 365 days or more and has been in India for at least 60 days in the previous year.

If an individual satisfies any one of the conditions mentioned above, he is a resident. If both the above conditions are not satisfied, the individual is a non-resident.

Therefore, the residential status of Mrs. Rose, an Australian, for A.Y.2024-25 has to be determined on the basis of her stay in India during the previous year relevant to A.Y. 2024-25 i.e. P.Y.2023-24 and in the preceding four previous years.

Her stay in India during the previous year 2023-24 and in the preceding four years are as under:

P.Y. 2023-24

01.04.2023 to 15.09.2023	-	168 days
23.03.2024 to 31.03.2024	-	9 days
Total		177 days

Four preceding previous years

P.Y.2022-23 [1.4.2022 to 31.3.2023]	-	42 days
P.Y.2021-22 [1.4.2021 to 31.3.2022]	-	Nil
P.Y.2020-21 [1.4.2020 to 31.3.2021]	-	Nil
P.Y.2019-20 [1.4.2019 to 31.3.2020]	-	Nil
Total		42 days

The total stay of Mrs. Rose during the previous year in India was less than 182 days and during the four years preceding this year was for 42 days. Therefore, due to non-fulfillment of any of the two conditions for a resident, she would be treated as non-resident for the Assessment Year 2024-25.

Computation of gross total income of Mrs. Rose for the A.Y. 2024-25

Particulars		₹	₹
Income from house property			
Flat located in Delhi let-out from 01.05.2023 to 31.03.2024 @ ₹ 25,000/- p.m. Gross Annual Value [₹ 25,000 x 11] ²		2,75,000	
Less: Municipal taxes		Nil	
Net Annual Value (NAV)		2,75,000	
Less: Deduction under section 24			
30% of NAV	82,500		
Interest on loan [fully allowable as deduction, since property is let-out]	1,85,500	2,68,000	7,000
Income from Other Sources			
Gold chain worth ₹ 1,50,000 received from parents of husband would be exempt, since parents of husband fall within the definition of relatives and gifts from a relative are not chargeable to tax.			Nil
Gross Total income			7,000

² Actual rent received has been taken as the gross annual the value in absence of other information (i.e. Municipal value, fair rental value and standard rent) in the question.

Question 15

Mr. Sarthak, an individual and Indian citizen living in Dubai, since year 2006 and never came to India for a single day since then, earned the following incomes during previous year 2023-24:

	Particulars	Amount (in ₹)
(i)	Income accrued and arisen in Dubai but he is not liable to tax in Dubai	20,00,000
(ii)	Income accrued and arisen in India	5,00,000
(iii)	Income deemed to accrue and arise in India	8,00,000
(iv)	Income arising in Dubai from a profession set up in India	10,00,000

- I. Determine the residential status of Mr. Sarthak and taxable income for the previous year 2023-24 (assuming no other income arise during the previous year).
- II. What would be your answer if income arising in Dubai from a profession set up in India is ₹ 2 lakhs instead of ₹ 10 lakhs?
- III. What would be your answer, if Mr. Sarthak is not an Indian citizen but his parents were born in India? (MTP 6 Marks April '23, PYP 6 Marks Nov '22)

Answer 15

- I. Mr. Sarthak is an Indian citizen living in Dubai since 2005 who never came to India for a single day since then, he would not be a resident in India for the P.Y. 2023-24 on the basis of number of days of his stay in India as per section 6(1).

However, since he is an Indian citizen

- having total income (excluding income from foreign sources) of ₹ 23 lakhs, which exceeds the threshold of ₹ 15 lakhs during the previous year; and
- not liable to tax in Dubai, he would be deemed resident in India for the P.Y. 2023-24 by virtue of section 6(1A). A deemed resident is always a resident but not ordinarily resident in India (RNOR).

Computation of Total Income for A.Y.2024-25

	Particulars	₹
(i)	Income accrued and arisen in Dubai (not taxable in case of an RNOR)	-
(ii)	Income accrued and arisen in India (taxable)	5,00,000
(iii)	Income deemed to accrue or arise in India (taxable)	8,00,000
(iv)	Income arising in Dubai from a profession set up in India would be taxable in case of RNOR	10,00,000
	Total income	23,00,000

- II. If income arising in Dubai from a profession set up in India is ₹ 2 lakhs instead of ₹ 10 lakhs, his total income (excluding income from foreign sources) would be only ₹ 15 lakhs. Since the same does not exceed the threshold limit of ₹ 15 lakhs, he would not be deemed resident.

Accordingly, he would be non-resident in India for the P.Y. 2023-24 and hence, his total income would be only ₹ 13 lakhs (aggregate of (ii) and (iii) above i.e., ₹ 5 lakhs + ₹ 8 lakhs).

- III. If Mr. Sarthak is not an Indian citizen and his parents were born in India, he would be person of Indian origin. In such case, the provisions relating to deemed resident would not apply to him.

Accordingly, he would be non-resident in India during the P.Y. 2023-24 and his total income would be ₹ 13 lakhs.

Question 16

Mr. Kavın, a non-resident, entered into the following transactions during the financial year 2023-24:

- Received ₹ 20 lakhs from a non-resident for use of patent for a business in India.
- Received foreign currency equivalent to ₹ 15 lakhs from a non-resident Indian for use of know-how for a business in Sri Lanka and this amount was received in Korea.
- Received ₹ 7 lakhs from RR Ltd., an Indian company as fees for providing technical services in India.
- Received ₹ 5 lakhs from R & Co., Mumbai, resident in India, for conducting the feasibility study for a new project in Nepal and the payment was made in Nepal.
- Received ₹ 8 lakhs towards interest on moneys borrowed by a non-resident for the purpose of business within India. Amount was received in Korea.

Examine briefly whether the above receipts are chargeable to tax in India. (RTP May'18)

Answer 16
Taxability of certain receipts in the hands of Mr. Kavın, a non-resident, for A.Y. 2024-25

	Taxability	Reason
(a)	Taxable	Amount of ₹ 20 lakhs received from a non-resident is deemed to accrue or arise in India by virtue of section 9(1)(vi)(c), since the patent was used for a business in India. Therefore, the amount is chargeable to tax in India.
(b)	Not Taxable	Foreign currency equivalent to ₹ 15 lakhs received in Korea from a non-resident for use of know-how for a business in Sri Lanka is not deemed to accrue or arise in India as per section 9(1)(vi)(c), since it is in respect of a business carried on outside India. Also, the amount was received outside India. Therefore, the same is not chargeable to tax in India.
(c)	Taxable	Amount of ₹ 7 lakhs received from RR Ltd., an Indian Company, is deemed to accrue or arise in India by virtue of section 9(1)(vii)(b), since it is for providing technical services in India. Therefore, the same is chargeable to tax in India.
(d)	Not Taxable	Amount of ₹ 5 lakhs received in Nepal from R & Co., a resident, for conducting feasibility study for the new project in Nepal is not deemed to accrue or arise in India as per section 9(1)(vii)(b), since such study was done for a project outside India. The amount was also received outside India. Therefore, the same is not chargeable to tax in India.

(e)	Taxable	Amount of ₹ 8 lakhs received in Korea towards interest on moneys borrowed by a non-resident for the purpose of business within India is deemed to accrue or arise in India by virtue of section 9(v)(c), since money borrowed was used for the purpose of business in India. Therefore, the same is chargeable to tax in India.
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Question 17

Determine the residential status of Ms. Nicole Kidman, an Australian actress, for the A.Y. 2024-25, from the following information about her stay in India contained in her passport.

F.Y.	From	To	F.Y.	From	To
2023-24	May 3rd	August 12th	2018-19	May 3rd	August 12th
2022-23	July 23rd	August 11h	2017-18	May 3rd	August 12th
2021-22	February 9th	March 26th	2016-17	May 3rd	August 12th
2020-21	September 8th	March 26th	2015-16	May 3rd	August 12th
2019-20	May 17th	September 30th	-	-	-

(RTP May 19)

Answer 17

The residential status of Ms. Nicole Kidman, a foreign national, would be determined in the following manner -

Previous Year	2023-2024	2022-2023	2021-2022	2020-2021	2019-2020	2018-2019	2017-2018	2016-2017	2015-2016
No. of days of stay in India	102	20	46	201	137	102	102	102	102

Ms. Nicole Kidman is said to be resident if she satisfies any one of the following basic conditions:

- (i) Has been in India during the previous year for a total period of 182 days or more
(or)
- (ii) Has been in India during the 4 years immediately preceding the previous year for a total period of 365 days or more and has been in India for at least 60 days during the previous year. Ms. Nicole Kidman's stay in India during the P.Y.2023-24 is less than 182 days. However, her stay in India during the P.Y.2023-24 is 102 days, which exceeds 60 days; and her stay in India during the four previous years prior to P.Y.2023-24 is 404 days [20 + 46 + 201 + 137], which exceeds 365 days. Hence, she is a resident for P.Y.2023-24.

Further, Ms. Nicole Kidman would be "Resident but not ordinarily resident" in India in during the previous year 2023-24, if she:

- (a) has been a non-resident in 9 out of 10 previous years preceding the relevant previous year; or
- (b) has during the 7 previous years immediately preceding the relevant previous year been in India for less than 730 days. If she does not satisfy both of these conditions, she would be a resident and ordinarily resident.

In the present case, her stay in India in the last seven previous years prior to P.Y.2023- 24 is 710 days [20+46 +201+137 +102 +102 +102], which is less than 730 days. Therefore, she is resident but not ordinarily resident for the P.Y.2023-24 even if she is resident in the two assessment years i.e., A.Y.2021-22 and A.Y.2020-21 as per the information given in the question.

Question 18

From the following particulars of income furnished by Mr. Ashutosh, aged 65 years, pertaining to year ended 31.03.2024, compute the total income for the A.Y. 2024-25, if he is

(a) Resident and ordinarily resident

(b) Non-resident (RTP May '22, PYP 10 Marks May '18)

	Particulars	Amount (₹)
(i)	Capital gain on sale of land in Jaipur to Mr. Ramesh, a non- resident, outside India. The consideration is also received outside India in foreign currency	1,50,000
(ii)	Rent from property in Delhi, let out to a branch of a foreign company. The rent agreement is entered outside India. Monthly rent is also received outside India	1,20,000
(iii)	Agricultural income from a land situated in Nepal, received in Nepal	55,000
(iv)	Interest on savings bank deposit in UCO Bank, Delhi	18,000
(v)	Income earned from business in London which is controlled from Delhi (₹ 35,000 is received in India)	60,000
(vi)	Gift received from his daughter on his birthday	55,000
(vii)	Past foreign taxed income brought to India	37,000
(viii)	Fees for technical services rendered to Shine, Ltd., a foreign company, for business outside India and received also outside India	12,000

Answer 18

Computation of total income of Mr. Ashutosh for the A.Y. 2024-25

Particulars	Resident and ordinarily resident (₹)	Non-resident (₹)
Capital gain on sale of land in Jaipur to Mr. Ramesh, a non-resident, outside India and received outside India	1,50,000	1,50,000
Rent from property in Delhi, received outside India [₹ 1,20,000 – 30% of ₹ 1,20,000 under section 24(a)]	84,000	84,000
Agricultural income from a land situated in Nepal, received in Nepal	55,000	-
Interest on savings bank deposit in UCO Bank, Delhi	18,000	18,000
Income earned from business in London which is controlled from Delhi	60,000	35,000
Gift received from daughter (Not taxable, since daughter is a relative)	-	-
Past foreign taxed income brought to India (Not taxable)	-	-
Fees for technical services rendered to Shine, Ltd., a foreign company, for business outside India and received also outside India	12,000	-
Gross Total Income	3,79,000	2,87,000
Less: Deduction under section 80TTB/80TTA		
[Interest on savings bank account subject to a maximum of ₹ 50,000/₹ 10,000]	18,000	10,000
Total Income	3,61,000	2,77,000

Notes –

- In case of a resident and ordinarily resident, global income is taxable as per section 5(1). However, as per section 5(2), in case of a non-resident, only the following incomes are chargeable to tax:
 - Income received or deemed to be received in India; and

(ii) Income accruing or arising or deemed to accrue or arise in India.

Therefore, agricultural income from a land situated in Nepal, income earned from business in London which is controlled from Delhi, received outside India and fees for technical services from a non-resident for business outside India is not taxable in case of non-resident.

2. In case of a senior citizen, being a resident aged 60 years or more, interest upto ₹ 50,000 from saving account with, inter alia, a bank is allowable as deduction under section 80TTB while in case of a non-resident, interest upto ₹ 10,000 from saving account with, inter alia, a bank is allowable as deduction under section 80TTA.

Question 19

Mr. Rajesh Sharma (aged 62 years), an Indian citizen, travelled frequently out of India for his business trip as well as for his outings. He left India from Delhi airport on 29th May 2023 as stamped in the passport and returned on 27th April 2024. He has been in India for less than 365 days during the 4 years immediately preceding the previous year. Determine his residential status and his total income for the assessment year 2024-25 from the following information:

- (1) Short term capital gain on the sale of shares of Tilt India Ltd., a listed Indian company, amounting to ₹ 58,000. The sale proceeds were credited to his bank account in Singapore.
- (2) Dividend amounting to ₹ 48,000 received from Treat Ltd., a Singapore based company, which was transferred to his bank account in Singapore. He had borrowed money from Mr. Abhay, a non-resident Indian, for the above-mentioned investment on 2nd April, 2023. Interest on the borrowed money for the previous year 2023-24 amounted to ₹ 5,800.
- (3) Interest on fixed deposit with Punjab National Bank, Delhi amounting to ₹ 9,500 was credited to his saving bank account. (RTP May '20)

Answer 19

Determination of residential status

An individual is said to be resident in India in any previous year, if he satisfies any one of the following conditions:

- (i) He has been in India during the previous year for a total period of 182 days or more, or
- (ii) He has been in India during the 4 years immediately preceding the previous year for a total period of 365 days or more and has been in India for at least 60 days in the previous year.

If the individual satisfies any one of the conditions mentioned above, he is a resident. If both the above conditions are not satisfied, the individual is a non-resident. Mr. Rajesh Sharma, an Indian citizen, has not satisfied either of the basic conditions for being a resident, since he was in India for only 59 days during the previous year 2023-24. Hence, he is non-resident in India for A.Y.2024-25.

Computation of total income of Mr. Rajesh Sharma for A.Y.2024-25

Particulars		Amount (₹)
(1)	Short-term capital gain on sale of shares of an Indian listed company is chargeable to tax in the hands of Mr. Rajesh Sharma, since it has accrued and arisen in India even though the sale proceeds were credited to bank account in Singapore.	58,000
(2)	Dividend of ₹ 48,000 received from Singapore based company transferred to his bank account in Singapore is not taxable in the hands of the non-resident since the income has neither accrued or arisen in India nor has it been received in India. Since dividend is not taxable in India, interest paid for investment is not allowable as deduction.	Nil
(3)	Interest on fixed deposit with Punjab National Bank, Delhi credited to his savings bank account is taxable in the hands of Mr. Rajesh Sharma as Income from other sources, since it has accrued and arisen in India and is also received in India. He would not be eligible for deduction under section 80TTB, since he is a non-resident.	9,500

Total Income	67,500
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Question 20

Mr. Dhanush, an Indian citizen aged 35 years, worked in ABC Ltd. in Mumbai. He got a job offer from XYZ Inc., USA on 01.06.2022. He left India for the first time on 31.07.2022 and joined XYZ Inc. on 08.08.2022. During the P.Y. 2023-24, Mr. Dhanush visited India from 25.05.2023 to 22.09.2023. He has received the following income for the previous year 2023-24 –

Particulars	₹
Salary from XYZ Inc., USA received in USA	7,00,000
Dividend from Indian companies	5,50,000
Agricultural income from land situated in Punjab	55,000
Rent received/receivable from house property in Lucknow	4,00,000
Profits from a profession in USA, which was set up in India, received there	6,00,000

Determine the residential status of Mr. Dhanush and compute his total income for the A.Y. 2024-25 (RTP Nov'22)

Answer 20

As per section 6(1), an Indian citizen or a person of Indian origin who, being outside India, comes on a visit to India would be resident in India if he or she stays in India for a period of 182 days or more during the relevant previous year in case such person has total income, other than the income from foreign sources, not exceeding ₹ 15 lakhs. However, if such person has total income, other than the income from foreign sources, exceeding ₹ 15 lakhs, he would also be a resident if he has been in India for at least 120 days during the relevant previous year and has been in India during the 4 years immediately preceding the previous year for a total period of 365 days or more. In such a case, he would be resident but not ordinarily resident in India.

Income from foreign sources means income which accrues or arises outside India (except income derived from a business controlled in or a profession set up in India) and which is not deemed to accrue or arise in India.

In this case, total income, other than the income from foreign sources, of Mr. Dhanush for P.Y. 2023-24 would be

Particulars	Amount (₹)
Salary from XYZ Inc., USA received in USA (Not included in total income, since it is income from foreign source)	-
Dividend from Indian companies (Included in total income, since deemed to accrue or arise in India)	5,50,000
Agricultural income from land situated in Punjab [Exempt u/s 10(1)]	-
Rent received/receivable from house property in Lucknow (Included in total income, since deemed to accrue or arise in India)	4,00,000
Less: 30% of ₹ 4 lakhs	1,20,000
Profits from a profession in USA, which was set up in India, received there	6,00,000
Total income, other than the income from foreign sources	14,30,000

Since, Mr. Dhanush is an Indian citizen who comes on a visit to India only for 121 days in the P.Y. 2023-24 and his total income, other than income from foreign sources does not exceed ₹ 15 lakhs, he would be non-resident for the A.Y. 2024-25.

A non-resident is chargeable to tax in respect of income received or deemed to receive in India and income which accrues or arises or is deemed to accrue or arise to him in India. Accordingly, his total income would be as follow –

Particulars		Amount (₹)
Salary from XYZ Inc., USA received in USA (Not taxable, since it neither accrues or arises in India nor is it received in India)		-
Dividend from Indian companies (Taxable, since deemed to accrue or arise in India)		5,50,000
Agricultural income from land situated in Punjab [Exempt u/s 10(1)]		-
Rent received/receivable from house property in Lucknow (Taxable, since it is deemed to accrue or arise in India)	4,00,000	
Less: 30% of ₹ 4 lakhs	1,20,000	2,80,000
Profits from a profession in USA, which was set up in India, received there		-
Gross Total Income/ Total income		8,30,000

Question 21

Mrs. Roma, an Indian Citizen, is a government employee working for the Indian Government. She submits the following information for the previous year ending 31.03.2024:

		₹
1	Salary income received in Malaysia for services rendered there	2,00,000
2	Profit from business carried on in Orissa	80,000
3	Loss from business carried on in Baroda	(20,000)
4	Profit from business carried on in Paris (income is earned and received in Sydney and business is controlled from Paris)	42,000
5	Loss from business carried on in Canada (though profits are not received in India, business is controlled from Dehradun)	(46,000)
6	Unabsorbed depreciation of business in Canada	16,000
7	Profit from Indonesia business (controlled form Delhi) and 60% of profit deposited in a bank in Indonesia and 40% received in India	70,000
8	Rent from house property situated in Canada and received in Canada	1,92,000

Determine the gross total income of Roma for the A.Y. 2024-25 ignoring the provisions of section 115BAC on the assumption that she is:

- (1) Resident but not ordinarily resident in India
- (2) Non-resident in India. (RTP May '23)

Answer 21
Computation of gross total Income of Mrs. Roma for the A.Y. 2024-25

Particulars of income		Resident but not ordinarily Resident (₹)	Non-Resident (₹)
1	Salary income received in Malaysia for services rendered there (Note 1)	2,00,000	2,00,000
	Less: Standard deduction under section 16(ia)	50,000	50,000
		1,50,000	1,50,000
2	Profit from business carried on in Orissa [Since it accrues or	80,000	80,000

	arises in India]		
3	Loss from business carried on in Baroda [Since it accrues or arises in India]	(20,000)	(20,000)
4	Profit from business carried on in Paris (income is earned and received in Sydney and business is controlled from Paris) [Since it accrues or arises outside India]	Nil	Nil
5	Loss from business carried on in Canada (business is controlled from Dehradun)	(46,000)	Nil
6	Unabsorbed depreciation of business in Canada	(16,000)	Nil
7	Profit from Indonesia business (business is controlled from Delhi)	70,000	28,000
8	Rent from property situated in Canada and received in Canada	Nil	Nil
Gross Total Income		2,18,000	2,38,000

Note 1 - Income from “Salaries” payable by the Government to a citizen of India for services rendered outside India is deemed to accrue or arise in India as per section 9(1)(iii). Standard deduction under section 16(ia) is allowable, irrespective of residential status.

Note 2 – In case of a non-resident, only income received or deemed to be received in India and income accruing or arising or deemed to accrue or arise in India is chargeable to tax. However, in case of a resident but not ordinarily resident, income derived from a business controlled in or profession set up in India is also taxable even though it accrues or arises outside India.

Therefore, income referred to in S. No. 1, 2 and 3 are taxable in the hands of Mrs. Roma in both cases if she is a resident but not ordinarily resident or if she is a non-resident.

Loss from business carried on in Canada, unabsorbed depreciation of business in Canada and Profit from Indonesia business would be fully chargeable to tax in India if she is a resident but not ordinarily resident as it derived from a business controlled in India. However, Profit from Indonesia business is taxable in case of non-resident to the extent of such profits received in India.

Question 22

Miss Asha is an Indian citizen. She is a lawyer by profession. She started her consultancy profession in India in 2020 with the name “New way associates”. In May 2022, she got married to Mr. Ram, an American citizen. Mr. Ram came to India for the first time on 1st May 2021 when he joined an MNC in India. He got a promotion and was transferred to Dubai. He left for Dubai on 1st October, 2022. Mrs. Asha accompanied him to Dubai. She started providing consultancy there. Both of them came to India for 3 months from June to August in 2023 to spend time with Asha’s family. Following incomes were earned by Mr. Ram and Mrs. Asha during the P.Y. 2023-24.

Income of Mr. Ram		₹
1	Salary from company in Dubai (not liable to tax in Dubai)	13,00,000
2	Long term capital gain on sale of shares of an Indian company	2,50,000
3	Income from house property in Delhi (computed)	4,60,000
4	Dividend from shares of an Indian company	65,000

Income of Mrs. Asha		₹
1	Profit from consultancy profession in Dubai which was set up in India (not liable to tax in Dubai)	12,00,000
2	Profit from consultancy profession in India	3,00,000
3	Long term capital gain on sale of shares of British company,	60,000



	credited to her Dubai bank account	
4	Short term capital loss on sale of listed shares of an Indian company	(42,000)

Determine the residential status of Mr. Ram and Mrs. Asha and their total income for the A.Y. 2024-25 ignoring the provisions of section 115BAC. (RTP Nov '23)

Answer 22

Determination of residential status of Mr. Ram

Mr. Ram is an American citizen who comes on a visit to India during the P.Y. 2023-24 for 3 months. He has been in India from 1st May 2021 to 1st October 2022. Since Mr. Ram has been in India for a period of more than 60 days (i.e., 92 days) during the P.Y. 2023-24 and for a period of more than 365 days (i.e., 519 days) during the 4 immediately preceding previous years, he satisfies one of the basic conditions and he is a resident for the A.Y. 2024-25.

Since his period of stay in India during the preceding 7 previous years is less than 730 days (i.e., 519 days), he is a resident but not-ordinarily resident in India during the A.Y. 2024-25.

Since Mr. Ram is a resident but not-ordinarily resident, income which accrues or arises in India, deemed to accrue or arises in India, received in India, deemed to be received in India and income derived from business controlled in or a profession set up in India is chargeable to tax in India in his hands.

Computation of total Income of Mr. Ram for the A.Y. 2024-25

Particulars of income		(₹)
1	Salary from company in Dubai [Not taxable, since it accrues and arises outside India]	-
2	Long term capital gain on sale of shares of an Indian company [Taxable, since it accrues and arises in India]	2,50,000
3	Income from house property in Delhi [Taxable, since it accrues and arises in India]	4,60,000
4	Dividend from shares of an Indian company [Taxable, since it accrues and arises in India]	65,000
		7,75,000

Determination of residential status of Mrs. Asha

Mrs. Asha is an Indian citizen who comes on a visit to India during the P.Y. 2023 -24 for 3 months i.e., 92 days. Since she does not satisfy any of the basic conditions of staying in India for 182 days or 120 days during the P.Y. 2023-24, she is not a resident in India as per section 6(1).

Mrs. Asha would be a deemed resident under section 6(1A) if her total income other than the income from foreign sources exceeds ₹ 15 lakhs during the P.Y. 2023-24 as she is an Indian citizen and is not liable to tax in Dubai.

Computation of total Income other than the income from foreign sources of Mrs. Asha

Particulars of income		(₹)
1	Profit from consultancy profession in Dubai which was set up in India [Includible]	12,00,000
2	Profit from consultancy profession in India [Includible]	3,00,000
3	Long term capital gain on sale of shares of British company [Not includible, since it is a foreign source income]	-
4	Short term capital loss on sale of listed shares of an Indian company [It accrues and arises in India. However, short term capital loss is not allowed to be set off from business or profession income, hence, not includible]	-
		15,00,000



Since, total income other than the income from foreign sources of Mrs. Asha does not exceed ₹ 15 lakhs, she would not be a deemed resident. Hence, Mrs. Asha is a non- resident during the A.Y. 2024-25.

Since Mrs. Asha is a non-resident, income which accrues or arises in India, deemed to accrue or arises in India, received in India and deemed to be received in India is chargeable to tax in India in her hands.

Particulars of income		(₹)
1	Profit from consultancy profession in Dubai which was set up in India [Not taxable]	-
2	Profit from consultancy profession in India [Taxable, since it accrues and arises in India]	3,00,000
3	Long term capital gain on sale of shares of British company [Not taxable, since it accrues and arises outside India]	-
4	Short term capital loss on sale of listed shares of an Indian company [Since, it accrues and arises in India, it is allowed to be carry forward to A.Y. 2025-26]	-
		3,00,000

Question 23

Mrs. Rohini, aged 62 years, was born and brought up in New Delhi. She got married in Russia in 1999 and settled there since then. Since her marriage, she visits India for 60 days each year during her summer break. The following are the details of her income for the previous year ended 31.03.2024:

S. No.	Particulars	Amount (in ₹)
1.	Pension received from Russian Government	65,000
2.	Long-term capital gain on sale of land at New Delhi (computed)	3,00,000
3.	Short-term capital gain on sale of shares of Indian listed companies in respect of which STT was paid both at the time of acquisition as well as at the time of sale (computed)	60,000
4.	Premium paid to Russian Life Insurance Corporation at Russia	75,000
5.	Rent received (equivalent to Annual Value) in respect of house property in New Delhi	90,000

You are required to ascertain the residential status of Mrs. Rohini and compute her total income and tax liability in India for Assessment Year 2024-25 as per normal provisions. (PYP 6 Marks, July'21)

Answer 23

An Indian citizen or a person of Indian origin who, being outside India, comes on a visit to India (and whose total income, other than from foreign sources, does not exceed ₹ 15,00,000) would be resident in India only if he or she stays in India for a period of 182 days or more during the previous year.

Since Mrs. Rohini is a person of Indian origin who comes on a visit to India only for 60 days in the P.Y.2023-24 and her income other than from foreign sources does not exceed ₹ 15,00,000, she is non-resident for the A.Y. 2024-25. A non-resident is chargeable to tax in respect of income received or deemed to be received in India and income which accrues or arises or is deemed to accrue or arise to her in India. Accordingly, her total income and tax liability would be determined in the following manner:

Computation of total income and tax liability of Mrs. Rohini for A.Y. 2024-25

Particulars		Amt (₹)
Salaries		
Pension received from Russian Government [Not taxable, since it neither accrues or arises in India nor is it received in India]		Nil
Income from House Property		
Annual Value [Rental Income from house property in New Delhi is taxable, since it is deemed to accrue or arise in India, as it accrues or arises from a property situated in India]	90,000	
Less: Deduction u/s 24(a) @ 30%	27,000	63,000
Capital Gains		

Long-term capital gains on sale of land at New Delhi [Taxable, since it is deemed to accrue or arise in India as it is arising from transfer of land situated in India]		3,00,000
Short-term capital gains on sale of shares of Indian listed companies in respect of which STT was paid [Taxable, since it is deemed to accrue or arise in India, as such income arises on transfer of shares of Indian listed companies]		60,000
Gross Total Income		4,23,000
Less: Deduction under Chapter VI-A		
Deduction under section 80C - Life insurance premium ² of ₹ 75,000 [Premium paid to Russian Life Insurance Corporation allowable as deduction. However, the same has to be restricted to gross total income excluding LTCG and STCG, as Chapter VI-A deductions are not allowable against such income chargeable to tax u/s 112 and 111A, respectively]		63,000
Total Income		3,60,000
Computation of Tax Liability		
Long-term capital gains taxable @20% u/s 112 [3,00,000 x 20%]		60,000
Short-term capital gains taxable @15% u/s 111A [60,000 x 15%]		9,000
		69,000
Add: Health and Education Cass @4%		2,760
Tax Liability		71,760

¹ Even if her total income exceeds ₹ 15 lakh, still, she would be non-resident since the minimum period of stay required in the current year for being a resident is 120 days.

Note - The benefit of adjustment of unexhausted basic exemption limit against long-term capital gains taxable u/s 112 and short-term capital gains taxable u/s 111A is not available in case of non-resident. Further, rebate u/s 87A is not allowable to a non-resident, even if his income does not exceed ₹ 5 lakh.

EXAMINERS' COMMENTS ON THE PERFORMANCE OF EXAMINEES:

Some of the examinees failed to restrict deduction of ₹ 75,000 under section 80C to ₹ 63,000, being total income excluding LTCG u/s 112 and STCG u/s 111A. Consequently, tax liability was also wrongly computed.

Question 24

Income deemed to accrue or arise in India to a non-resident by way of interest, royalty and fee for technical services is to be taxed in India irrespective of territorial nexus. Examine the correctness or otherwise of the given statement. (PYP 3 Marks Jan'21)

Answer 24

Income by way of interest, royalty or fees for technical services which is deemed to accrue or arise in India by virtue of clauses (v), (vi) and (vii) of section 9(1) shall be included in the total income of the non-resident, whether or not –

- (i) the non-resident has a residence or place of business or business connection in India; or
- (ii) the non-resident has rendered services in India.

In effect, the income by way of fees for technical services, interest or royalty, from services utilized in India would be deemed to accrue or arise in India in case of a non-resident and be included in his total income, whether or not such services were rendered in India.

Therefore, the given statement that income deemed to accrue or arise in India to a non-resident by way of interest, royalty and fees for technical services is to be taxed irrespective of territorial nexus, is correct.

Question 25

Mr. Thomas, a non-resident and citizen of Japan entered into following transactions during the previous year ended 31.03.2024. Examine the tax implications in the hands of Mr. Thomas for the Assessment Year 2024-25 as per Income-tax Act, 1961. (Give brief reasoning)

- (1) Interest received from Mr. Marshal, a non-resident outside India (The borrowed fund is used by Mr. Marshal for investing in Indian company's debt fund for earning interest).
- (2) Received ₹ 10 lakhs in Japan from a business enterprise in India for granting license for computer software (not hardware specific).
- (3) He is also engaged in the business of running news agency and earned income of ₹ 10 lakhs from collection of news and views in India for transmission outside India.
- (4) He entered into an agreement with SKK & Co., a partnership firm for transfer of technical documents and design and for providing services relating thereto, to set up a Denim Jeans manufacturing plant, in Surat (India). He charged ₹ 10 lakhs for these services from SKK & Co. (PYP 5 Marks, Nov'20)

Answer 25

1. Not taxable, since interest payable by a non-resident to another non-resident would be deemed to accrue or arise in India only if the borrowed fund is used for the purposes of business or profession carried on by him in India. In this case, it is used for investing in Indian company's debt fund for earning interest and not for the purposes of business or profession. Hence, it is not taxable in India.
2. Royalty includes, inter alia, consideration for grant of license for computer software. Hence, the amount of ₹ 10 lakhs payable by a resident (business enterprise in India) for grant of license for computer software would be royalty which is deemed to accrue or arise in India in the hands of Mr. Thomas, a non-resident, since it is for the purpose of business in India. Hence, the royalty is taxable in India.
3. No income shall be deemed to accrue or arise to Mr. Thomas through or from activities which are confined to the collection of news and views in India for transmission outside India. Hence, ₹ 10 lakhs are not taxable in India in the hands of Mr. Thomas.
4. ₹ 10 lakhs are deemed to accrue or arise in India to Mr. Thomas, a non-resident, since it represents royalty/fees for technical services paid for services utilized in India, in this case, for setting up a Denim Jeans manufacturing plant in Surat. Hence, the same would be taxable in India in the hands of Mr. Thomas.

Question 26

Following incomes are derived by Mr. Krishna Kumar during the year ended 31-3-2024:

Pension received from the US Government 3,20,000

Agricultural income from lands in Malaysia 2,70,000

Rent received from let out property in Colombo, Sri Lanka 4,20,000

Discuss the taxability of the above items where the assessee is (i) Resident, (ii) Non-resident. (PYP 6 Marks, Nov'18)

Answer 26
Taxability of items in the hands of Mr. Krishna Kumar

	Item of income	Amount ₹	If Mr. Krishna Kumar is resident	If Mr. Krishna Kumar is non-resident
(i)	Pension received from the US Government	3,20,000	Taxable, since global income is taxable in case of a resident.	Not taxable, since the income has accrued and arisen outside India and assuming that the same is also received outside India.
(ii)	Agricultural income from lands in Malaysia	2,70,000	Taxable, since global income is taxable in case of a resident. Only agricultural income from lands in India is	Not taxable, since the income has accrued and arisen outside India and assuming that the same is also received outside India.

			exempt and not lands outside India.	
(iii)	Rent received from let-out property in Colombo, Sri Lanka	4,20,000	Taxable, since global income is taxable in case of a resident. 30% deduction from net annual value is allowed.	Not taxable, since the income has accrued and arisen outside India and assuming that the same is also received outside India.

EXAMINERS' COMMENTS ON THE PERFORMANCE OF EXAMINEES:

Many examinees could not substantiate their answers with proper reasoning while discussing the taxability of certain items where the assessee is a resident or non-resident.

Question 27 (Also includes concepts of Chp 8- Computation of Total Income & Tax Payable)

Rajesh was employed in Axis Ltd., Mumbai. He received a salary of ₹ 45,000 p.m. from 1.04.2023 to 20.09.2023. He resigned and left for Dubai for the first time on 28.09.2023 and got monthly salary of rupee equivalent of ₹ 90,000 from 1.10.2023 to 31.03.2024. His salary for October to December was credited in his Mumbai bank account directly and the salary for January to March 2024 was credited in his Dubai bank account.

The cost of his air tickets to Dubai costing ₹ 1,50,000 was funded by her sister staying in London. The cost of his initial stay at Dubai costing ₹ 40,000 was funded by one of his friends staying in Delhi. He further received interest of ₹ 10,500 on his fixed deposits and ₹ 7,500 on his savings a/c with his Mumbai bank. He also paid LIC Premiums of ₹ 15,000 for self, ₹ 10,000 for spouse and ₹ 25,000 for dependent mother aged 71 years. Compute taxable income of Mr. Rajesh for the Assessment Year 2024-25. (PYP 7 Marks, Jan'21)

Answer 27

In case of an Indian citizens leaving India for employment during the relevant previous year, the period of their stay during that previous year for being treated as a resident of India must be 182 days or more.

(As per amendment in case of Indian citizen or person of Indian origin, having total income more than Rs. 15,00,000 (other than income from foreign source) then the second basic condition is applicable and instead of 60 days in the previous year, 120 days are considered)

During the previous year 2023-24, Mr. Rajesh, an Indian citizen, was in India for 181 days only (i.e., 30+31+30+31+31+28 days). Thereafter, he left India for employment purposes.

Since he does not satisfy the minimum criteria of 182 days, he is a non-resident for the A.Y. 2024-25. A non-resident is chargeable to tax in respect of income received or deemed to be received in India and income which accrues or arises or is deemed to accrue or arise to him in India. Hence, salary for January to March 2024, which was credited in his Dubai bank account for services rendered in Dubai, would not be taxable in the hands of Mr. Rajesh.

Computation of taxable income of Mr. Rajesh for A.Y. 2024-25

Particulars		Amount (₹)
Salary		
Salary from 1.4.2019 to 20.9.2019 [45,000 x 5 + 45,000 x 20/30]	2,55,000	
Salary from 1.10.2019 to 31.12.2019 [90,000 x 3]	2,70,000	
Gross Salary		5,25,000
Less: Standard deduction u/s 16(IA)		50,000
Net Salary		4,75,000
Income from Other Sources		



Interest on fixed deposits	10,500	
Interest on Savings account	7,500	18,000
Gross Total Income		4,93,000
Less: Deduction under Chapter VI-A		
- Deduction under section 80C		25,000
LIC premium for self and spouse [LIC premium for mother is not allowed for deduction]		
- Deduction under section 80TTA		7,500
[Interest on savings account with Mumbai bank]		
Total Income		4,60,500

Working Notes –

- Cost of his air tickets to Dubai costing ₹ 1,50,000 funded by his sister is not taxable under section 56(2)(x) in the hands of Mr. Rajesh, since “sister” is a relative.
- Cost of initial stay at Dubai costing ₹ 40,000 funded by his friend is also not taxable under section 56(2)(x), since the amount does not exceed ₹50,000.

Question 28

The following are the incomes of Shri Subhash Chandra, a citizen of India, for the previous year 2023-24:

- Income from business in India ₹ 2,00,000. The business is controlled from London and ₹ 60,000 were remitted to London.
- Profits from business earned in Japan ₹ 70,000 of which ₹ 20,000 were received in India. This business is controlled from India.
- Untaxed income of ₹ 1,30,000 for the year 2021-22 of a business in England which was brought in India on 3rd March, 2024.
- Royalty of ₹ 4,00,000 received from Shri Ramesh, a resident, for technical service provided to run a business outside India.
- Agricultural income of ₹ 90,000 in Bhutan.
- Income of ₹ 73,000 from house property in Dubai, which was deposited in bank at Dubai.

Compute Gross Total Income of Shri Sub hash Chandra for the A.Y. 2024-25, if he is -

- A Resident and Ordinarily Resident; and
- A Resident but Not Ordinarily Resident (PYP 7 Marks, May'19, MTP 6 Marks Sep '23)

Answer 28

Computation of Gross Total Income of Shri Subhash Chandra for the A.Y. 2024-25

	Particulars		Resident and Ordinarily Resident [ROR] (₹)	Resident but Not Ordinarily Resident [RNOR] (₹)
(i)	Income from business in India, controlled from London [Taxable both in the hands ROR and RNOR, since income accrues/arises from business in India, irrespective of the fact that business is controlled from London]		2,00,000	2,00,000
(ii)	Profits earned from business in Japan [Profits from business in Japan is taxable in the hands of ROR, since global income is taxable in the hands of ROR. Moreover, entire profit of ₹ 70,000 would be taxable in the hands of RNOR, even if only ₹ 20,000 is received in India, since the		70,000	70,000

	business in Japan is controlled from India]			
(iii)	Untaxed income for the year 2021-22 of a business in England which was brought in India during the P.Y. 2023-24 [Not taxable either in the hands of ROR or RNOR, since such income is not related to the P.Y. 2023-24.]		Nil	Nil
(iv)	Royalty received from a resident for technical service provided to run a business outside India [Taxable in the hands of ROR, since global income is taxable in the hands of ROR. Not taxable in the hands RNOR, since royalty income is not deemed to accrue or arise in India as such income is paid by a resident for technical services used to run a business outside India.]		4,00,000	Nil
(v)	Agricultural Income in Bhutan ³ [Since agricultural income accrues/arises outside India, it is taxable only in the hands of ROR. No exemption is available in respect of agricultural income earned outside India]		90,000	Nil
(vi)	Income from house property in Dubai, which was deposited in a bank at Dubai			
	Since income accrues/arises outside India and is also received outside India, it is taxable only in the hands of ROR	73,000		
	Less: Deduction u/s 24@30%	21,900	51,100	Nil
	[See Note below for alternative treatment]			
Gross Total Income			8,11,100	2,70,000

Note – In the above solution, income of ₹ 73,000 from house property in Dubai is presumed to be the rent received, since the said amount is stated to be the amount deposited in bank. Accordingly, deduction@30% of the said amount has been provided to compute the “Income from house property”, where Shri Sub hash Chandra is a ROR.

³ Presumed that the same was received in Bhutan However, since the words “Income from house property” appears to indicate that the same is the income computed under that head of income, it is possible to consider the said amount of ₹ 73,000 as income computed under the head “Income from house property” after providing deduction@30% under section 24(a). In such a case, the gross total income of Shri Sub hash Chandra, if he were a ROR, would be ₹ 8,33,000.

Question 29

Examine the tax implications of the following transactions for the assessment year 2024-25: (Give brief reason)

- (i) **Government of India has appointed Mr. Rahul as an ambassador in Japan. He received salary of ₹ 7,50,000 and allowances of ₹ 2,40,000 during the previous year 2023-24 for rendering his services in Japan. He is an Indian citizen having status of non-resident in India for the previous year 2023-24.**
- (ii) **Ms. Juhi, a non-resident in India is engaged in operations which are confined to purchase of goods in India for the purpose of export. She has earned ₹ 2,50,000 during the previous year 2023-24.**
- (iii) **Mr. Naveen, a non-resident in India, has earned ₹ 3,00,000 as royalty for a patent right made available to Mr. Rakesh who is also a non-resident. Mr. Rakesh has utilized patent rights for development of a product in India and 50% royalty is received in India and 50% outside India.**
- (iv) **Mr. James, a NRI, borrowed ₹ 10,00,000 on 01.04.2023 from Mr. Akash who is also a non-resident and invested such money in the shares of an Indian Company. Mr. Akash has received interest @ 12% per annum. (PYP 7 Marks Dec '21, MTP 8 Marks Oct '23) (Same concept different figures MTP 7 Marks Oct'22)**

Answer 29

- (i) As per section 9(1)(iii), salaries (including, inter alia, allowances) payable by the Government to a citizen of India for services rendered outside India shall be deemed to accrue or arise in India. Thus, salary received from Government by Mr. Rahul, being a non-resident of ₹ 7,50,000 for rendering services in Japan would be taxable in his hands, after allowing standard deduction of ₹ 50,000. However, any allowance or perquisites paid or allowed outside India by the Government to a citizen of India for rendering services outside India will be fully exempt u/s 10(7). Hence, ₹ 2,40,000, being the allowance would be exempt.
- (ii) In the case of a non-resident, no income shall be deemed to accrue or arise in India to him through or from operations which are confined to the purchase of goods in India for the purpose of export. Thus, income of ₹ 2,50,000 arising in the hands of Ms. Juhi would not be taxable in her hands in India, since her operations are confined to purchase of goods in India for the purpose of export.
- (iii) Royalty payable by a non-resident would be deemed to accrue or arise in India in the hands of the recipient only when such royalty is payable in respect of any right, property or information used for the purposes of a business or profession carried on by such non-resident in India or earning any income from any source in India. In the present case, since Mr. Rakesh, a non-resident, paid the royalty of ₹ 3,00,000 for a patent right used for development of a product in India, the same would be taxable in India in the hands of the recipient, Mr. Naveen, a non-resident, irrespective of the fact that only 50% of the royalty is received in India.
- (iv) Interest payable by a non-resident on the money borrowed for any purpose other than a business or profession in India, would not be deemed to accrue or arise in India. In the present case, since Mr. James, a non-resident borrowed the money for investment in shares of an Indian company, the interest on such borrowing of ₹ 1,20,000 (₹ 10,00,000 x 12%) payable to Mr. Akash, a non-resident would not be deemed to accrue or arise to him in India. Hence, the same would not be taxable in India in the hands of Mr. Akash.

EXAMINERS' COMMENTS ON THE PERFORMANCE OF EXAMINEES:

- (i) Many examinees were not aware that perquisites or allowances paid outside India by the Government of India to an Indian citizen for rendering services outside India are exempt by virtue of section 10(7).
- (ii) Examinees could not arrive at correct conclusion that income from operations which are confined to purchase of goods in India for the purpose of export is not deemed to accrue or arise in India and hence not taxable in the hands of Ms. Juhi.
- (iv) Many examinees could not correctly conclude that interest payable by a non-resident on money borrowed for any purpose other than business or profession in India would not be taxable in India.

Question 30

Discuss the taxability of the following transactions giving reasons, in the light of relevant provisions, for your conclusion. Mr. Pratham, a non-resident in India, received a sum of ₹ 1,14,000 from Mr. Rakesh, a resident and ordinarily resident in India. The amount was paid to Pratham on account of transfer of right to use the manufacturing process developed by Pratham. The manufacturing process was developed by Mr. Pratham in Singapore and Mr. Rakesh uses such process for his business carried on by him in Dubai (PYP 2 Marks, Jan 21)

Answer 30

Consideration for transfer of right to use the manufacturing process falls within the definition of royalty. Income by way royalty payable by Mr. Rakesh, a resident and ordinarily resident, is not deemed to accrue or arise in India in the hands of Mr. Pratham as per section 9(1)(vi)(b), since royalty is payable in respect of right used for the purposes of a business carried on by Mr. Rakesh outside India i.e., in Dubai.

Question 31

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 Inarched purchased a flat in Pune during F.Y. 2019-20, which has been given on monthly rent of ₹ 27,500 since 01.07.2022. 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 2022. 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. 2023-24 was ₹ 84,000. However, interest for March 2024 quarter has not yet been paid by Mr. Jagdish. He had a house in Jaipur which was sold in May 2019. In respect of this house he received arrears of rent of ₹ 96,000 in Feb. 2024 (not taxed earlier). He also derived some other incomes during F.Y. 2023-24 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. 2023-24 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 2024-25 chargeable to income tax in India. (PYP 7 Marks, Nov'19)

Answer 31

Stay in India for a minimum period of 182 days in the relevant previous year or, in the alternative, 60 days in the relevant previous year and 365 days in the four immediately preceding previous years is required to qualify as a resident. In this case, since Mr. Jagdish has not visited India at any time during the P.Y. 2023 - 24, he would be a non-resident for that year.

Computation of Total Income of Mr. Jagdish, a non-resident, for the A.Y. 2024-25

	Particulars		₹	₹
(i)	Income from house property			NIL
	Income from house property at Bangkok [Income from house property at Bangkok neither accrues or arises in India, nor is it deemed to accrue or arise in India; and it is also not stated to be received in India. Hence, it is not taxable in India, since he is a non-resident]			
	Income from house property in Pune (taxable in India since it accrues and arises in India)			
	Gross Annual Value of Pune flat4 (₹ 27,500 x 12)		3,30,000	
	Less: Municipal taxes (Deduction is not allowable, since no amount has been paid during the previous year 2023-24)		Nil	
	Net Annual Value (NAV)		3,30,000	
	Less: Deductions u/s 24			
	(a) 30% of NAV	99,000		
	(b) Interest due on housing loan (allowable even if not paid)	84,000	1,83,000	
	Arrears of rent received in respect of Jaipur house (taxable u/s 25A, even if he is not the owner of the house property in the P.Y. 2023-24)	96,000	1,47,000	
	Less: Deduction@30%	28,800	67,200	2,14,200
(ii)	Profits and gains of business or profession			
	Profit from business in Thailand (not taxable in the hands of a non-resident, since it neither accrues or arises in India nor is it deemed to accrue or arise in India; and it is also not stated to be received in India)			Nil

(iii)	Income from Other Sources			
	Interest on bonds of a Japanese company [Only ₹ 22,500, being 50% of ₹ 45,000 is taxable in India, since it is stated to be received in India]		22,500	
	Income from Apple Orchid in Nepal [Contract fee directly credited to bank account in India is taxable in India, since it is received in India]		5,00,000	5,22,500
Total Income				7,36,700

Note: Contract fee for Apple Orchid has been stated to have been deposited directly by the contractor in the Kathmandu branch of UBI in Mr. Jagdish's bank account maintained with UBI's Pune Branch. Since the deposit is stated to have been made by 4 Rent received is taken as the gross annual value in the absence of information related to expected rent the contractor directly in UBI's Pune branch, the income is received in India and hence, would be taxable in the hands of Mr. Jagdish. The above solution has been worked out accordingly. However, due to the use of the word "in the Kathmandu branch", a view is taken that such receipt is actually received in Kathmandu and subsequently it is remitted to Indian branch, the amount of ₹ 5 lakh would not be taxable in India and hence, the total income would be ₹ 2,36,700.

EXAMINERS' COMMENTS ON THE PERFORMANCE OF EXAMINEES:

Most of the examinees failed to substantiate their answers with proper reasons, especially in respect of income from house property at Bangkok and profit from business in Thailand.

Question 32

Mrs. Shruti is an Indian citizen, is currently in employment with an overseas company located in UAE. During the previous year 2023-24, she comes to India for 157 days. She is in India for 200 days, 100 days, 76 days and 45 days in the financial years 2019-20, 2020-21, 2021-22, 2022-23 respectively. Her annual income for the previous year 2023-24 is as follows:

Particulars	Amount (₹)
Income from salary earned and received in UAE	2,00,000
Income earned and received from a house property situated in UAE	5,00,000
Income deemed to be accrued and arise in India	5,00,000
Income from retail business (accrued and received outside India, controlled from India)	10,00,000
Income accrued and arise in India	3,00,000
Life insurance premium paid by cheque in India	1,50,000

Determine the residential status of Mrs. Shruti for the assessment year 2024-25. (Support your Answer with computation) (PYP 4 Marks May'22)

Answer 32

Mrs. Shruti is an Indian citizen in employment in UAE. She comes on a visit to India during the P.Y. 2023-24 for 157 days.

Her stay in India in the four immediately preceding previous years is as follows :

P.Y.	No. of days
P.Y. 2019-20	200
P.Y. 2020-21	100
P.Y. 2021-22	76
P.Y. 2022-23	45
Total	421

Computation of Total Income of Mrs. Shruti (excluding income from foreign sources)

Particulars	₹
Income from salary earned and received in UAE (income from a foreign source, hence, to be excluded)	-
Income earned and received from a house property situated in UAE (income from a foreign source, hence, to be excluded)	-
Income deemed to accrue or arise in India	5,00,000
Income from retail business (to be included since the business is controlled from India, even though such income accrues and is received outside India)	10,00,000
Income accrued and arising in India	3,00,000
	18,00,000
Less: Deduction u/s 80C (LIC premium paid by cheque in India) – Assuming other conditions are fulfilled	1,50,000
Total income (excluding income from foreign sources)	16,50,000
Mrs. Shruti, an Indian citizen visiting India in the P.Y.2023-24, would be a resident in India for A.Y.2024-25, if she satisfies either of the following conditions -	

(i)	She is in India for 182 days or more during the P.Y.2023-24 or
(ii)	She is in India for a period of 120 days or more during the P.Y.2023-24 and her stay in India in the four immediately preceding previous years is 365 days or more. [This condition will apply to her since she comes on a visit to India during the previous year 2023-24 and her total income (excluding income from foreign sources) is ₹ 16.50 lakhs, which exceeds the threshold of ₹ 15 lakhs]
This first condition is not satisfied since she is in India only for 157 days during the P.Y.2023-24. The second condition is satisfied, since she has stayed in India for 157 days during the P.Y.2023-24 and 421 days in the four immediately preceding previous years. Since she has become resident in India for A.Y.2024-25 by satisfying this condition, by default, she would be treated as resident but not ordinarily resident.	
Conclusion – Mrs. Shruti’s residential status for A.Y.2024-25 is resident but not ordinarily resident.	

Note – The provisions of section 6(1A) deeming an Indian citizen to be a resident but not ordinarily resident, irrespective of the period of her stay in India in the relevant previous year, if she is not liable to tax in any other country would not apply to Shruti, since she is a resident as per the provisions of section 6(1).

Question 33

Mr. Jai Chand (an Indian citizen) left India for employment in country X on 5th June, 2015 He regularly visited India and stayed for 60 days in every previous year since then. However, in the financial year 2023-24, he did not come to India at all. He owns a commercial building in Delhi which is let out. He has also set a retail store in India which is controlled by his brother from India. He provides the following information to you regarding his income for the financial year 2023-24:

Income from commercial building in Delhi - ₹ 12,00,000 (computed as per the provisions of the Act).

Income from the retail store - ₹ 4,50,000 (computed as per the provisions of the Act)

Country X does not tax any individual on their income as there is no personal income-tax regime there.

Determine the residential status of Mr. Jai Chand for the Assessment year 2024-25.

Will your answer change if he is a citizen of Country X? (PYP 3 Marks May '23)

Answer 33

Determination of residential status of Mr. Jai Chand for A.Y. 2024-25

Since Mr. Jai Chand, an Indian citizen employed in Country X, did not come to India at all during the P.Y. 2023-24, he would not be a resident for A.Y.2024-25 as per section 6(1).

However, since he is an Indian citizen

- having total income (excluding income from foreign sources) of ₹ 16,50,000 [₹ 12,00,000, being income from commercial building in India + ₹ 4,50,000, being Income from retail store in India], which exceeds the threshold of ₹ 15 lakhs during the previous year; and
- not liable to tax in Country X, he would be deemed resident in India for the P.Y. 2023-24.

A deemed resident is always a resident but not ordinarily resident in India (RNOR).

Yes, in case Mr. Jai Chand is a citizen of Country X, he would be non-resident in India for the P.Y. 2023-24, since the provisions of deemed resident are applicable only to an Indian citizen.

Question 34

Mr. Prashant (aged 35 years) is an Australian citizen who is settled in Australia and visits India for 125 days in every financial year since past 11 years. During the F.Y. 2023-24, he visited India for a total period of 200 days. The purpose of his visit was to meet his family members who are settled in India and also for managing his family members who are settled in India and also for managing his business in Sri Lanka through his office in Chennai, India.

During the P.Y. 2023-24, he has the following incomes:

- (A) Income from business in Australia controlled form Australia - ₹ 20,00,000
- (B) Income from business in Sri Lanka controlled form Chennai - ₹ 16,00,000
- (C) Short-term capital gains on sale of shares of an Indian company received in Australia - ₹ 50,000. The shares were sold online from Australia.
- (D) Income from agricultural land in Australia, received there and then brought to India - ₹ 2,00,000

Find out the residential status of Mr. Prashant and compute his total income for Assessment Year 2024-25. (PYP 4 Marks May '23)

Answer 34

Determination of Residential Status of Mr. Prashant¹

Mr. Prashant is an Australian citizen who comes on a visit to India for 125 days in every financial year since the past 11 years. During the P.Y. 2022-23, he visited India for 200 days. Since he stayed in India for 182 days or more during the P.Y. 2023-24, he would be resident in India for the A.Y. 2024-25.

An individual is said to be "Resident and ordinarily resident [ROR]" in India in any previous year, if he satisfies both the following conditions:

- He is a resident in at least 2 out of 10 previous years preceding the relevant previous year; and
- His stay in India in the last 7 years preceding the relevant previous year is 730 days or more [Refer Note 1 below for alternate presentation]

First condition

Residential status for P.Y.2022-23 (A.Y.2023-24) – Resident, since he has stayed in India for ≥ 60 days (125 days) in the said P.Y. and ≥ 365 days (500 days, being 125 days x 4) in the four immediately preceding PYs.

Residential status for P.Y.2021-22 (A.Y.2022-23) – Resident, since he has stayed in India for ≥ 60 days (125 days) in the said P.Y. and ≥ 365 days (500 days, being 125 days x 4) in the four immediately preceding PYs.

Therefore, he satisfies the first condition of being resident in India in at least 2 out of 10 previous years preceding the relevant P.Y.³

Second condition

Stay in India in 7 immediately preceding PYs = 7 x 125 days = 875 days > 730 days

Since both the conditions are satisfied, he is Resident and Ordinarily Resident (ROR).

In case of ROR, global income would be taxable in India. Accordingly, his total income for A.Y. 2024-25 would as follows:

Computation of Total Income of Mr. Prashant for A.Y.2024-25

	Particulars	₹
(i)	Income from business in Australia	20,00,000
(ii)	Income from business in Sri Lanka	16,00,000
(iii)	Short-term capital gains on sale of shares of an Indian company	50,000
(iv)	Income from agricultural land in Australia [would not be exempt, since it is not from an agricultural land in India]	2,00,000
	Total income	38,50,000

Notes - (1) Alternative manner of determination of whether Mr. Prashant is ROR/ RNOR – “An individual is said to be “Resident but not ordinarily resident [RNOR]” in India in any previous year, if he satisfies any one of the following conditions:

- He is a non-resident in at least 9 out of 10 previous years preceding the relevant previous year; or
- His stay in India in the last 7 years preceding the relevant previous year is 729 days or less.
- Mr. Prashant does not satisfy either of the above conditions on account of being resident in more than 1 year out of 10 years and stay in India for 875 days in the 7 years preceding the P.Y.2023-24. Hence, he is a Resident and Ordinarily Resident in the P.Y.2023-24.
- (2) In the absence of information relating to whether Mr. Prashant is a person of Indian origin, the above solution has been worked out assuming that Mr. Prashant is not a person of Indian origin.
- However, alternate assumption that Mr. Prashant is a person of Indian origin is also possible since the purpose of his visit was to meet his family members who are settled in India. Accordingly, if it is assumed that he is a person of Indian origin, then, for determining whether he is resident in P.Y.2021-22 and P.Y.2022-23, information relating to his total income (excluding income from foreign sources) for the said P.Y.s is required for ascertaining whether the condition of 120 days in the relevant P.Y. + 365 days in the 4 immediately preceding P.Ys would be attracted in his case. This information is not given in the question. Accordingly, assumptions would have to be made relating to the applicability of this condition.
- It may be noted that the condition of 120 days in the P.Y. + 365 days in the four immediately preceding PYs for a PIO whose total income (other than income from foreign sources) exceed ₹ 15 lakhs for determination of residential status came into effect only from A.Y.2022-23. Therefore, in the previous years prior to that, he would be non-resident irrespective of his total income since the number of days of his stay < 182 days each year.
- In case if it is assumed that his total income (other than income from foreign sources) for the P.Y.2021-22 and P.Y.2022-23 > ₹ 15 lakhs, he would be ROR since he would be resident in 2 out of 10 years immediately preceding the current P.Y. and he stayed for 730 days or more in 7 previous years immediately preceding current P.Y.. In such case, his total income would be same as determined in the above solution.
- In case if it assumed that he is a PIO whose total income (other than income from foreign sources) for the P.Y.2021-22 and P.Y.2022-23 ≤ ₹ 15 lakhs, he would be non-resident for P.Y.2021-22 and P.Y.2022-23,



since his stay in India is for less than 182 days in those years. In such a case, for P.Y.2023-24, he would be RNOR, since he would be non-resident in all the 10 years immediately preceding the current P.Y.

- In such case, the computation of total income for A.Y.2024-25 would be as follows –
- Computation of Total Income of Mr. Prashant for A.Y.2024-25

	Particulars	₹
(i)	Income from business in Australia controlled from Australia (not taxable in case of RNOR, since it accrues and arises outside India)	-
(ii)	Income from business in Sri Lanka (taxable since it is controlled from India)	16,00,000
(iii)	Short-term capital gains on sale of shares of an Indian company (taxable, irrespective of residential status)	50,000
(iv)	Income from agricultural land in Australia [would not be taxable in case of RNOR since it accrues and arises outside India]	-
Total Income		16,50,000



VIVITSU

MULTIPLE CHOICE QUESTIONS (MCQS)

1. **Determine residential status of Sandarac (HUF) which carries out its transactions in Malaysia. Its affairs are partly controlled from India. The Karta of HUF, Mr. Sandarac who is from Chennai visits India on 01.06.2023 and leaves to Malaysia on 10.02.2024. He has not visited India for the past 11 years.**
 - (a) Non-resident
 - (b) Resident but not ordinarily resident
 - (c) Deemed resident
 - (d) Resident and ordinarily resident **(MTP 2 Marks, Nov'21)**

Ans: (b)

2. **Mr. Mango, an Indian citizen, lives in New York, USA since the last 10 years. He has a penthouse in Mumbai, given on rent @2,00,000 per month. During the year 2023-24, he came to India for 152 days in aggregate. His total stay in India in the immediately preceding 4 previous years is 366 days. You are, being the tax consultant of Mr. Mango, advise him about his residential status for the A.Y. 2024-25.**
 - (a) Non-Resident
 - (b) Resident but not ordinary resident
 - (c) Resident and ordinary resident
 - (d) Deemed resident **(MTP 2 Marks, April'21)**

Ans: (b)

3. **Lister Internationals Inc., a non-resident, engaged in business of selling "Good Z" appoints Mr. Risky as an agent in India for selling such product. Mr. Risky works as an agent for several other persons also including nonresidents aiding them in selling their products. The appointment of Mr. Risky will -**
 - (a) lead to business connection in India as he is not independent agent



- (b) lead to business connection in India as he is an independent agent
- (c) not lead to business connection in India as he is not independent agent
- (d) not lead to business connection in India as he is an independent agent **(MTP 1 Mark, April'21)**

Ans: (d)

4. Mr. Harry, an Indian citizen, is a marketing consultant who provides consultancy to various countries around the globe. Due to his profession, he is required to travel across various countries throughout the year. His marketing project does not last for more than 40 days and therefore his stay in any country including India usually never exceeds 40 days during a year. His income is Rs. 80 lakhs across the globe which is not liable to tax in any country. During the P.Y. 2023-24, an Indian company provides him a marketing project in India. His stay in India for the project is expected to be only 25 days and his income from that project would be Rs. 30 lakhs. Being a highly qualified professional, he consults you about the tax regime on his income and his residential status in India.

- (a) He shall be treated as resident but not ordinarily resident and shall be liable to pay tax on Rs. 30 lakhs.
- (b) He shall be treated as resident and ordinarily resident and shall be liable to pay tax on Rs. 80 lakhs.
- (c) He shall be treated as non-resident and shall not be liable to any tax.
- (d) He shall be treated as resident but not ordinarily resident and shall be liable to pay tax on his entire income of Rs. 80 lakhs earned across the globe. **(MTP 2 Marks, March'21)**

Ans: (a)

5. Mr. Square, an Indian citizen, currently resides in Dubai. He came to India on a visit and his total stay in India during the F.Y. 2023-24 was 135 days. He has no source of Income in India. Following is his details of stay in India in the preceding previous years:

Financial Year	Days of Stay in India
2022-23	125
2021-22	106
2020-21	83
2019-20	78
2018-19	37
2017-18	40
2016-17	35

You are his tax consultant. Advise him on his residential status for the P.Y. 2023-24.

- (a) Resident but Not Ordinary Resident (RNOR)
- (b) Resident and Ordinary Resident
- (c) Non-Resident
- (d) Resident but information incomplete to know whether resident but not ordinarily resident or resident and ordinarily resident **(MTP 2 Marks, Oct'20)**

Ans: (c)

6. Mr. Raj, an Indian citizen and a Government employee, left India for the first time on 25.03.2023 on account of his transfer to High Commission in Singapore. During P.Y. 2023-24, he visited India only for ten days on occasion of his sister's marriage. During F.Y. 2023-24, his income composition includes salary, foreign allowances, rent from property in Singapore and interest earned from fixed deposits maintained with SBI. His taxable income for P.Y. 2023-24 will include:

- (a) All of them, since Mr. Raj is a resident in India, hence his global income will be taxable
- (b) Only interest earned from fixed deposits maintained in India
- (c) No income shall be taxable since Mr. Raj is a non-resident in India for P.Y. 2019-20
- (d) Salary and interest income of fixed deposits with SBI **(MTP 2 Marks, May'20, Apr'19)**

Ans: (d)

7. Mr. Vikesh, a US citizen, came to India for an assignment from 11.01.2020 to 09.10.2020 and went back to his home country on completion of the same. He thereafter, visited India on 05.07.2022 again for an assignment, which ended on 26.05.2023. What is the latest date by which Mr. Vikesh should depart from India after completing the assignment so as to qualify as non-resident for P.Y. 2023-24? (Assume that he shall not be visiting India again during the year)
- (a) 29-05-2023
 (b) 30-05-2023
 (c) 29-09-2023
 (d) 28-09-2023
- (MTP 2 Marks, Oct'19, Mar 19)

Ans: (a)

8. On 31.08.2023, Mr. Kashyap moved to Japan for employment. His family accompanied him, owing to long term nature of employment. Mrs. Kashyap is also planning to start a fashion boutique in Japan soon, once she gets settled. Both Mr. & Mrs. Kashyap are Indian citizens and have been working in India for more than a decade now. Comment on their residential status for A.Y. 2024-25, assuming they did not visit India after August 2023
- (a) Mr. & Mrs. Kashyap will qualify to be non-resident
 (b) Mr. Kashyap will qualify to be non-resident and Mrs. Kashyap will be resident but not ordinarily resident
 (c) Mr. Kashyap will qualify to be non-resident and Mrs. Kashyap will be resident and ordinarily resident
- (MTP April'19, 1 Marks)

Ans: (c)

9. Mr. Sushant is a person of Indian origin, residing in Canada. During P.Y. 2023-24, he visited India on several occasions and his period of stay, in total, amounted to 129 days during P.Y. 2023-24 and his period of stay in India during P.Y.2019-20, P.Y. 2020-21, P.Y. 2021-22 and P.Y. 2022-23 was 135 days, 115 days, 95 days and 125 days, respectively. He earned the following incomes during the P.Y. 2023-24:

Source of Income	Amount (₹)
Income received or deemed to be received in India	2,50,000
Income accruing or arising or which is deemed to accrue or arise in India	3,75,000
Income accruing or arising and received outside India from business controlled from India	5,50,000
Income accruing or arising and received outside India from business controlled outside India	6,50,000

What is the residential status of Mr. Sushant for A.Y. 2024-25 and his income liable to tax in India during A.Y. 2024-25

- (a) Non-Resident; ₹6,25,000 is liable to tax in India
 (b) Resident and ordinary resident; ₹18,25,000 is liable to tax in India
 (c) Resident but not ordinarily resident; ₹ 11,75,000 is liable to tax in India
 (d) Non-Resident; ₹11,75,000 is liable to tax in India (MTP 2 Marks April 22)

Ans: (a)

10. Which of the following incomes is not deemed to accrue or arise in India under section 9(1)(i) of the Income-tax Act, 1961?



- (a) Income from any business connection in India
- (b) Income through or from any property in India
- (c) Income arising from transfer of a capital asset situated in India
- (d) Income relating to operations which are confined to purchase of goods in India for the purpose of export **(MTP 1 Mark, April'19)**

Ans: (d)

11. Which of the following statements is true for companies in the context of the Income-tax Act, 1961?

- (a) Residential status of a company has an impact on the tax rate of company
- (b) Tax Rate of a company depends upon the place of incorporation
- (c) Residential status of a company helps to classify the company as domestic company and foreign company
- (d) Residential status of company helps classification of closely held company and widely held company. **(MTP 1 Mark, March'19)**

Ans: (b)

12. Mr. Ramesh, a citizen of India, is employed in the Indian embassy in the Australia. He is a non-resident for A.Y. 2024-25. He received salary and allowances in the Australia from the Government of India for the year ended 31.03.2024 for services rendered by him in the Australia. In addition, he was allowed perquisites by the Government. Which of the following statements are correct?

- (a) Salary, allowances and perquisites received outside India are not taxable in the hands of Mr. Ramesh, since he is non-resident.
- (b) Salary, allowances and perquisites received outside India by Mr. Ramesh are taxable in India since they are deemed to accrue or arise in India.
- (c) Salary received by Mr. Ramesh is taxable in India but allowances and perquisites are exempt.
- (d) Salary received by Mr. Ramesh is exempt in India but allowances and perquisites are taxable. **(MTP 2 Marks, May'20)**

Ans: (c)

13. Who among the following will qualify as non-resident for the previous year 2023-24?

- Mr. Bob, an Italian dancer, came on visit to India to explore Indian dance on 15.09.2023 and left on 25.12.2023. For past four years, he visited India for dance competition and stayed in India for 120 days each year.
- Mr. Samrat born and settled in USA, visits India each year for 100 days to meet his parents and grandparents, born in India in 1946, living in Delhi. His Indian income is ₹ 15,20,000.
- Mr. Joseph, an American scientist, left India to his home country for fixed employment there. He stayed in India for study and research in medicines from 01.01.2019 till 01.07.2023.

Choose the correct answer

- (a) Mr. Bob and Mr. Joseph
- (b) Mr. Samrat
- (c) Mr. Bob, Mr. Samrat and Mr. Joseph
- (d) None of the three **(MTP 2 Marks Oct'22)**

Ans: (b)

14. Mr. Sumit is an Indian citizen and a member of the crew of an America bound Indian ship engaged in carriage of freight in international traffic departing from Kochi on 25th April, 2023. From the following details for the P.Y. 2023-24, determine the residential status of Mr. Sumit for A.Y. 2024-25, assuming that his stay in India in the last 4 previous years preceding P.Y. 2023-24 is 365 days and last seven previous years preceding



P.Y. 2023-24 is 730 days:

Date entered in the Continuous Discharge Certificate in respect of joining the ship by Mr. Sumit: 25th April, 2023 Date entered in the Continuous Discharge Certificate in respect of signing off the ship by Mr. Sumit: 24th October, 2023

Mr. Sumit has been filing his income tax return in India as a Resident for previous 2 years. What is his residential status for A.Y. 2024-25:

- (a) Resident and ordinarily resident
- (b) Resident but not-ordinarily resident
- (c) Non-resident
- (d) Non-resident till 24.10.2023 and resident till 31.03.2023 (RTP May'19, MTP 2 Marks Sep '23)

Ans: (a)

15. (Includes concepts of Basic Concepts)

Aashish earns the following income during the P.Y. 2023-24:

- Interest on U.K. Development Bonds (1/4th being received in India): ₹4,00,000
- Capital gain on sale of a building in India but received in Holland: ₹ 6,00,000

If Aashish is a resident but not ordinarily resident in India, then what will be amount of income chargeable to tax in India for A.Y. 2024-25?

- (a) ₹ 7,00,000
- (b) ₹ 10,00,000
- (c) ₹ 6,00,000
- (d) ₹ 1,00,000 (RTP May'19)

Ans: (a)

16. Mr. Suhaan (aged 35 years), a non-resident earned dividend income of ₹ 12,50,000 from an Indian Company which is credited directly to its bank account in France and ₹ 15,000 as interest in Saving A/c from State Bank of India during the previous year 2023-24. Assuming that he has no other income, what will be amount of income chargeable to tax in his hands in India for A.Y. 2024-25?

- (a) ₹ 2,55,000
- (b) ₹ 2,65,000
- (c) ₹ 15,000
- (d) ₹ 5,000 (RTP May '20)

Ans: (d)

17. Mr. Nishant, a resident but not ordinarily resident for the previous year 2022-23 and resident and ordinarily resident for the previous year 2023-24 has received rent from property in Canada amounting to ₹ 1,00,000 during the P.Y.2022-23. He has deposited the same in a bank in Canada. During the financial year 2023-24, he remitted this amount to India through approved banking channels. Is such rent taxable in India, and if so, how much and in which year?

- (a) Yes; ₹ 70,000 was taxable in India during the previous year 2022-23.



- (b) Yes; ₹ 1,00,000 was taxable in India during the previous year 2022-23.
- (c) Yes; ₹ 70,000 was taxable in India during the previous year 2023-24.
- (d) No; such rent is not taxable in India either during the previous year 2022-23 or during the previous year 2023-24. (RTP Nov '20)

Ans: (d)

18. Mr. Tejas, an Indian Citizen, left India permanently with his wife and two children, for extending his retail trade business of toys in Canada in the year 2018. From Canada, he is managing his retail business of toys in India. For the purpose his Indian business, he visits India every year from 1st September to 31st January. His business income is ₹ 23.50 lakhs and ₹ 18 lakhs from retail trade business in Canada and in India, respectively for the F.Y. 2023-24. He has no other income during the P.Y. 2023-24. Determine his residential status and income taxable in his hands for the A.Y. 2024-25.
- (a) Resident and ordinarily resident in India and income of ₹ 18 lakhs and ₹ 23.50 lakhs would be taxable.
 - (b) Non-Resident and ₹ 18 lakhs from Indian retail trade business would only be taxable.
 - (c) Resident but not ordinarily Resident and ₹ 18 lakhs from Indian retail trade business would only be taxable.
 - (d) Deemed resident and ₹ 18 lakhs from Indian retail trade business would only be taxable. (RTP May '21 , MTP 2 Marks Oct '23)

Ans: (c)

19. Mr. Rajesh, aged 53 years, and his wife, Mrs. Sowmya, aged 50 years, are citizens of Country X. They are living in Country X since birth. They are not liable to tax in Country X. Both of them have keen interest in Indian Culture. Mr. Rajesh's parents and grandparents were born in Country X. Mrs. Sowmya visits India along with Mr. Rajesh for four months every year to be with her parents, who were born in Delhi and have always lived in Delhi. During their stay in India, they organize Cultural Programme in Delhi-NCR. Income of Mr. Rajesh and Mrs. Sowmya from the Indian sources for the P.Y. 2023-24 is ₹ 18 lakhs and ₹ 16 lakhs, respectively. What is the residential status of Mr. Rajesh and Mrs. Sowmya for A.Y.2024-25?
- (a) Both are resident and ordinarily resident in India
 - (b) Both are non-resident in India
 - (c) Mr. Rajesh is resident but not ordinarily resident in India and Mrs. Sowmya is non- resident
 - (d) Mrs. Sowmya is resident but not ordinarily resident in India and Mr. Rajesh is non- resident (RTP May '22)

Ans: (d)



Chapter 3.1 Salaries

Question 1

Mr. Balaji, employed as Production Manager in Beta Ltd., furnishes you the following information for the year ended 31.03.2024:

- (i) Basic salary upto 31.10.2023 Rs. 50,000 p.m.
Basic salary from 01.11.2023 Rs. 60,000 p.m.

Note: Salary is due and paid on the last day of every month.

- (ii) Dearness allowance @ 40% of basic salary.
(iii) Bonus equal to one month salary. Paid in October 2023 on basic salary plus dearness allowance applicable for that month.
(iv) Contribution of employer to recognized provident fund account of the employee @16% of basic salary.
(v) Professional tax paid Rs. 2,500 of which Rs. 2,000 was paid by the employer.
(vi) Facility of laptop and computer was provided to Balaji for both official and personal use. Cost of laptop Rs. 45,000 and computer Rs. 35,000 were acquired by the company on 01.12.2023.
(vii) Motor car owned by the employer (cubic capacity of engine exceeds 1.60 litres) provided to the employee from 01.11.2023 meant for both official and personal use. Repair and running expenses of Rs. 45,000 from 01.11.2023 to 31.03.2024, were fully met by the employer. The motor car was self-driven by the employee.
(viii) Leave travel concession given to employee, his wife and three children (one daughter aged 7 and twin sons aged 3). Cost of air tickets (economy class)
- (i) reimbursed by the employer Rs. 30,000 for adults and Rs. 45,000 for three children. Balaji is eligible for availing exemption this year to the extent it is permissible in law. Compute the salary income chargeable to tax in the hands of Mr. Balaji for the assessment year 2024-25 assuming he has not opted for the provisions of section 115BAC. (New SM) (Same concept different figures & fewer adjustments MTP 7 Marks Oct'19, PYP 6 Marks, Nov '18)

Answer 1

Computation of Taxable Salary of Mr. Balaji for A.Y. 2024-25

Particulars	Rs.
Basic salary [(₹50,000 × 7) + (₹60,000 × 5)]	6,50,000
Dearness Allowance (40% of basic salary)	2,60,000
Bonus (₹50,000 + 40% of Rs.50,000) (See Note 1)	70,000
Employers contribution to recognised provident fund in excess of 12% of salary = 4% of Rs.6,50,000 (See Note 2)	26,000
Professional tax paid by employer	2,000
Perquisite of Motor Car (₹2,400 for 5 months) (See Note 4)	12,000
Gross Salary	10,20,000
Less: Deduction under section 16	
Standard deduction u/s 16(ia)	Rs.50,000
Professional tax u/s 16(iii) (See Note 6)	Rs.2,500
Taxable Salary	9,67,500

Notes:

- Since bonus was paid in the month of October, the basic salary of Rs.50,000 for the month of October is considered for its calculation.
- It is assumed that dearness allowance does not form part of salary for computing retirement benefits.



3. As per Rule 3(7)(vii), facility of use of laptop and computer is a tax free perquisite, whether used for official or personal purpose or both.
4. As per the provisions of Rule 3(2), in case a motor car (engine cubic capacity exceeding 1.60 liters) owned by the employer is provided to the employee without chauffeur for personal as well as office use, the value of perquisite shall be Rs. 2,400 per month. The car was provided to the employee from 01.11.2023, therefore the perquisite value has been calculated for 5 months.
5. Mr. Balaji can avail exemption under section 10(5) on the entire amount of Rs. 75,000 reimbursed by the employer towards Leave Travel Concession since the same was availed for himself, his wife and three children and the journey was undertaken by economy class airfare. The restriction imposed for two children is not applicable in case of multiple births which take place after the first child. It is assumed that the Leave Travel Concession was availed for journey within India.

He is eligible to claim benefit of exemption u/s 10(5) since he has exercised the option of shifting out of the default tax regime provided under section 115BAC(1A).

6. 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 Rs. 2,000 paid by the employer is taxable as a perquisite in the hands of Mr. Balaji. 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 Rs. 2,000 is first included in the salary and deduction of the entire professional tax of Rs. 2,500 is provided from salary.

Question 2

You are required to compute the income from salary of Mr. Raja under default tax regime from the following particulars for the year ended 31-03-2024:

- (i) He retired on 31-12-2023 at the age of 60, after putting in 25 years and 9 months of service, from a private company at Delhi.
- (ii) He was paid a salary of ₹ 25,000 p.m. and house rent allowance of ₹ 6,000 p.m. He paid rent of ₹ 6,500 p.m., during his tenure of service.
- (iii) On retirement, he was paid a gratuity of ₹ 3,50,000. He was covered by the payment of Gratuity Act, 1972. He had not received any other gratuity at any point of time earlier, other than this gratuity.
- (iv) He had accumulated leave of 15 days per annum during the period of his service; this was encashed by him at the time of his retirement. A sum of ₹ 3,15,000 was received by him in this regard. Employer allowed 30 days leave per annum.
- (v) He is receiving ₹ 5,000 as pension. On 1.2.2024, he commuted 60% of his pension and received ₹ 3,00,000 as commuted pension.
- (vi) The company presented him with a gift voucher of ₹ 5,000 on his retirement. His colleagues also gifted him a mobile phone worth ₹ 50,000 from their own contribution. (New SM, MTP 7 Marks Oct'21)



Answer 2

Computation of income under the head “Salaries” of Mr. Raja for the A.Y.2024-25 under default tax regime

Particulars	₹	₹
Basic Salary = ₹ 25,000 x 9 months		2,25,000
House Rent Allowance = ₹ 6,000 x 9 months [Fully taxable under default tax regime]		54,000
Gratuity	3,50,000	
Less: Least of the following exempt under section 10(10)(ii)	3,50,000	Nil
(i) Actual Gratuity received ₹ 3,50,000		
(ii) 15 days salary for every year of completed service [15/26 x ₹ 25,000 x 26] = ₹ 3,75,000		
(iii) Notified limit = ₹ 20,00,000		
Leave encashment	3,15,000	
Less: Least of the following exempt under section 10(10AA)	2,50,000	65,000
(i) ₹ 25,00,000		
(ii) Leave salary actually received ₹ 3,15,000		
(iii) ₹ 2,50,000, being 10 months’ salary x ₹ 25,000		
(iv) Cash equivalent of leave standing at the credit of the employee based on the average salary of last 10 months’ (max. 30 days per year of service) for every year of actual service rendered for the employer from whose service he has retired $375/30 \times ₹ 25,000 = ₹ 3,12,500$ [Leave Due = Leave allowed – Leave taken] = 750 (30 days per year x 25 years) – 375 days (15 days x 25) = 375 days]		
Uncommuted Pension received [₹ 5,000 x 1) + (₹ 5,000 x 2 x 40%)		9,000
Commuted Pension received	3,00,000	
Less: Exempt under section 10(10A)		
$1/3 \times ₹ 3,00,000/60\% \times 100\%$	1,66,667	1,33,333
Gift Voucher [As per Rule 3(7)(iv), the value of any gift or voucher or token in lieu of gift received by the employee or by member of his household not exceeding ₹ 5,000 in aggregate during the previous year is exempt]		Nil
Mobile Phone received as gift from colleagues (Neither taxable under the head “Salaries” nor “Income from other sources”, since taxability provisions under section 56(2)(x) are not attracted in respect of mobile phone received from colleagues, as mobile phone is not included in the definition of “property” thereunder)		Nil
Gross Salary		4,86,333
Less: Standard deduction u/s 16 [Actual salary or ₹ 50,000, whichever is less] [Allowable under default tax regime]		50,000
Net Salary		4,36,333

Question 3

Ms. Akansha, a salaried employee, furnishes the following details for the financial year 2023-24:

Particulars	₹
Basic salary	6,20,000
Dearness allowance	4,20,000
Commission	75,000
Entertainment allowance	9,000
Medical expenses reimbursed by the employer	18,000
Profession tax (of this, 50% paid by employer)	4,000
Health insurance premium paid by employer	8,000
Gift voucher given by employer on her birthday	10,000
Life insurance premium of Akansha paid by employer	26,000
Laptop provided for use at home. Actual cost of Laptop to employer Children of the assessee are also using the Laptop at home]	45,000
Employer company owns a Maruti Suzuki Swift car, which was provided to the assessee, both for official and personal use. Driver was also provided. (Engine cubic capacity more than 1.6 litres). All expenses are met by the employer	
Annual credit card fees paid by employer [Credit card is not exclusively used for official purposes; details of usage are not available]	7,000

You are required to compute the income chargeable under the head Salaries for the assessment year 2024-25 if she pays tax under default tax regime. (New SM, MTP 6 Marks Sep'22, RTP Nov '20)

Answer 3

Computation of income chargeable under the head "Salaries" of Ms. Akansha for A.Y.2024-25 under default tax regime

Particulars	₹
Basic Salary	6,20,000
Dearness allowance	4,20,000
Commission	75,000
Entertainment allowance	9,000
Medical expenses reimbursed by the employer is fully taxable	18,000
Professional tax paid by the employer is a taxable perquisite as per section 17(2)(iv), since it is an obligation of the employee which is paid by the employer	2,000
Health insurance premium of ₹ 8,000 paid by the employer is an exempt perquisite [Clause (iii) of proviso to section 17(2)]	Nil
Gift voucher given by employer on Ms. Akansha birthday (entire amount is taxable since the perquisite value exceeds ₹ 5,000) as per Rule 3(7)(iv)	10,000
Life insurance premium of Ms. Akansha paid by employer is a taxable perquisite as per section 17(2)(v)	26,000
Laptop provided for use at home is an exempt perquisite as per Rule 3(7)(vii)	Nil
Provision of motor car with driver (engine cubic capacity more than 1.6 litres) owned by employer to employee, the perquisite value would be ₹ 39,600 [₹ (2,400+ 900) ×12] as per Rule 3(2)	39,600

Annual credit card fees paid by employer is a taxable perquisite as per Rule 3(7)(v) since the credit card is not exclusively used for official purposes and details of usage are not available	7,000
Gross Salary	12,26,600
Less: Deductions under section 16	
- Standard Deduction as per section 16(ia)	50,000
- Entertainment allowance (deduction not allowable since Ms. Akansha is not a Government employee)	Nil
- Professional tax paid allowable as deduction as per section 16(iii)	4000
Income chargeable under the head "Salaries"	11,72,600

Note: 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 ₹ 10,000 was received by Ms. Akansha 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 ₹ 10,000 is liable to tax as perquisite. The above solution has been worked out accordingly.

An alternate view 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 ₹ 5,000. Accordingly, the gross salary and net salary would be ₹ 12,21,600 and ₹ 11,71,600, respectively.

Question 4

Mr. Kashyap, aged 38 years, is entitled to a salary of ₹ 40,000 per month. He is given an option by his employer either to take house rent allowance or a rent free accommodation which is owned by the company. The HRA amount payable was ₹ 8,000 per month. The rent for the hired accommodation was ₹ 6,500 per month at New Delhi. Advise Mr. Kashyap whether it would be beneficial for him to avail HRA or Rent Free Accommodation. Give your advice on the basis of "Net Take Home Cash benefits". Assume Mr. Kashyap does not opt for the provisions of section 115BAC. (MTP 7 Marks, Nov'21)

Answer 4

Computation of tax liability of Kashyap under both the options

Particulars	Option I – HRA (₹)	Option II – RFA (₹)
Basic Salary (₹ 40,000 x 12 Months)	4,80,000	4,80,000
Perquisite value of rent-free accommodation (15% of ₹ 4,80,000) <i>(As per amendment it is 10% of salary in cities having population > 40 lakhs as per 2011 census)</i>	N.A.	72,000 48,000
House rent Allowance (₹ 8,000 x 12 Months) ₹ 96,000		
Less: Exempt u/s 10(13A) – least of the following -		
- 50% of Basic Salary ₹ 2,40,000		
- Actual HRA received ₹ 96,000		
- Rent paid less 10% of salary ₹ 30,000	66,000	



₹30,000		
Gross Salary	5,46,000	5,28,000
Less: Standard deduction u/s 16(IA)	50,000	50,000
Net Salary	4,96,000	4,78,000
Less: Deduction under Chapter VI-A	-	-
Total Income	4,96,000	4,78,000
Tax on total income	12,300	11,400
Less: Rebate under section 87A - Lower of ₹ 12,500 or income-tax of ₹ 12,300, since total income does not exceed ₹ 5,00,000	12,300	11,400
	Nil	Nil
Add: Health and Education cess@4%	Nil	Nil
Total tax payable	Nil	Nil
Tax Payable (Rounded off)	Nil	Nil

Cash Flow Statement

Particulars	Option I – HRA	Option II – RFA
Inflow: Salary	5,76,000	4,80,000
Less: Outflow: Rent paid	(78,000)	-
Tax on total income	Nil	Nil
Net Inflow	4,98,000	4,80,000

Since the net cash inflow under Option I (HRA) is higher than in Option II (RFA), it is beneficial for Mr. Kashyap to avail Option I, i.e., House Rent Allowance

Question 5

Mr. Neural, aged 45 years, working in Ashiyana Pvt. Ltd. provides the following details pertaining to the financial year 2023-24:

Particulars	₹
Basic salary	7,20,000
Dearness allowance (40% of basic pay) (50% of D.A. forms part of retirement benefits)	-
Commission	50,000
Entertainment allowance	7,500
Medical expenses reimbursed by the employer	10,000
Profession tax (of this, 50% paid by employer)	3,000
Health insurance premium paid by employer	9,000
Gift voucher given by employer on his birthday	15,000
Life insurance premium of Neeraj paid by employer	40,000
Laptop provided for use at home. Actual cost of Laptop to employer [Children of the assessee are also using the Laptop at home]	45,000
Employer company owns a motor car, which was provided to the assessee, both for official and personal use. All repair and maintenance expenses are fully reimbursed by the employer. No driver was provided. (Engine cubic capacity less than 1.6 litres).	



Annual credit card fees paid by employer [Credit card is not exclusively used for official purposes]	5,000
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You are required to compute the income chargeable under the head Salaries in the hands of Mr. Neeraj for the assessment year 2024-25. (MTP 7 Marks, May'20, RTP Nov '18)

Answer 5

Computation of income chargeable under the head “Salaries” of Mr. Neeraj for A.Y.2024-25

Particulars	₹
Basic Salary	7,20,000
Dearness allowance	2,88,000
Commission	50,000
Entertainment allowance	7,500
Medical expenses reimbursed by the employer	10,000
Professional tax paid by the employer is a taxable perquisite as per section 17(2)(iv), since it is an obligation of the employee which is paid by the employer	1,500
Health insurance premium of ₹9,000 paid by the employer is an exempt perquisite [Clause (iii) of proviso to section 17(2)]	Nil
Gift voucher given by employer on Mr. Neeraj’s birthday (entire amount is taxable since the perquisite value exceeds ₹5,000) as per Rule 3(7)(iv) [See Note below]	15,000
Life insurance premium of Mr. Neeraj paid by employer is a taxable perquisite as per section 17(2)(v)	40,000
Laptop provided for use at home is an exempt perquisite as per Rule 3(7)(vii)	Nil
Provision of motor car (engine cubic capacity less than 1.6 litres) owned by employer to employee for both official and personal purposes –perquisite value would be ₹21,600 [₹1,800 ×12] as per Rule 3(2)	21,600
Annual credit card fees paid by employer is a taxable perquisite as per Rule 3(7)(v) since the credit card is not exclusively used for official purposes.	5,000
Gross Salary	11,58,600
Less: Deductions under section 16	
Standard deduction u/s 16(ia)	50,000
Entertainment allowance (deduction under section 16(ii) not allowable since Mr. Neeraj is not a Government employee)	Nil
Professional tax paid allowable as deduction as per section 16(iii)	3,000
Income chargeable under the head “Salaries”	11,05,600

Note: 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 ₹ 15,000 was received by Mr. Neeraj from his employer on the occasion of his birthday.

Since the value of the gift voucher exceeds the limit of ₹ 5,000, the entire amount of ₹ 15,000 is liable to tax as perquisite.

An alternate view 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 up to ₹ 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 ₹ 10,000.



In such case, the gross salary and net salary would be, ₹ 11,53,600 and ₹11,00,600, respectively.

Question 6

Mr. Thomas is an executive at M/s. A Ltd., Chennai from 01-04-2023. His salary and other particulars are as given here under:

Basic Salary ₹ 20,000 p.m.

Dearness Allowance ₹ 15,000 p.m. (100% forming part of retirement benefits)

House Rent Allowance ₹ 20,000 p.m.

Rent paid by Mr. Thomas is ₹ 25,000 p.m.

Telephone bills paid by A Ltd. for the telephone installed at his Residence ₹ 24,000 p.a.

Motor car running and maintenance charges of ₹ 30,600 fully paid by employer. (The motor car is owned and driven by Mr. Thomas. The engine cubic capacity is below 1.60 liters. The motor car is used for both official and personal purpose by the employee)

Annual premium paid by A Ltd. towards a personal accident policy on his life ₹ 5,000.

He was retrenched by his previous employer M/s B Ltd. after continuous service of 20 year. He received a compensation of ₹ 15 Lakhs. His Basic Salary and Dearness Allowance at the time of retrenchment was ₹ 25,000 p.m. and ₹ 18,000 p.m. respectively.

Compute the amount taxable under the head salary for the Assessment Year 2024-25. Assume that he has not opted for 115BAC. (MTP 10 Marks, Aug'18)

Answer 6

Computation of Income taxable under the head "Salaries" for the A.Y. 2024-25

Particulars	₹	₹	₹
Basic Salary (₹ 20,000 x 12)			2,40,000
Dearness Allowance (₹ 15,000 x 12)			1,80,000
House Rent Allowance Received		2,40,000	
Less: Exempt under section 10(13A)		2,10,000	30,000
Least of the following would be exempt			
House Rent Allowance Received	2,40,000		
Rent paid (-) 10% of salary [(₹ 25,000 x 12) – 10% x 4,20,000]	2,58,000		
50% of salary, since place of residence is Chennai (50% x 4,20,000)	2,10,000		
Telephone bills paid by A Ltd. for the telephone installed at his Residence [Telephone provided at the residence of the employee and payment of bill by the employer is a tax free perquisite]			-
Annual premium paid by A. Ltd. for towards personal accident policy on his life			-
Motor car owned and driven by employee, running and maintenance charges borne by the employer [₹ 30,600 - ₹ 21,600 (i.e., ₹ 1,800 x 12)]			9,000
Retrenchment compensation received		15,00,000	
Less: Exempt under section 10(10B)		4,96,154	10,03,846



Least of the following would be exempt			
Compensation actually received	15,00,000		
Monetary Limit	5,00,000		
Amount calculated as per section 25F of Industrial Disputes Act {15/26 x [(25,000 + 18,000) x 3]/3 x 20}	4,96,154		
Salary income chargeable to tax			14,62,846
Less- Standard Deduction (Actual salary or Rs 50,000 whichever is lower) (As per amendment)			50,000
Net Salary Income			14,12,846

Question 7

Mrs. Anjali is a Finance Manager of Anand Construction Ltd. in Mumbai, furnishes the following particulars for the financial year 2023-24:

- (i) She was appointed on 01-03-2023 in the scale of ₹ 20,000 - ₹ 2,500 - ₹ 35,000.
- (ii) She is paid dearness allowance (which forms part of salary for retirement benefits) @30% of basic pay and bonus equivalent to two month's basic pay as at the end of the year.
- (iii) She receives ₹ 2,000 per month as transport allowance (for commuting between place of residence and office) and ₹ 4,000 each as hostel allowance for three children.
- (iv) She contributes 15% of his salary (basic pay plus dearness allowance) towards recognized provident fund and the Company contributes the same amount.
- (v) Lunch provided by the company during office hours Cost to the employer ₹ 10,000
- (vi) Rent free unfurnished accommodation provided by the company for which the company pays ₹ 60,000 per annum.
- (vii) The Company reimbursed the medical treatment bill of ₹ 35,000 of her son, who is dependent on her.
- (viii) A gift voucher of ₹ 6,000 was given on the occasion of her marriage anniversary. It is given by the company to all employees above certain grade.
- (ix) Facility of laptop and computer was provided to Mrs. Anjali for both official and personal use. Cost of laptop ₹ 45,000 and computer ₹ 35,000 were acquired by the company on 01.12.2022.
- (x) Professional tax paid by the company ₹ 2,000 Compute the amount of salary chargeable to tax in the hands of Mrs Anjali for A.Y. 2024-25. Assume that she has not opted for 115BAC. (MTP 10 Marks, March'18)

Answer 7

Computation of taxable salary of Mrs. Anjali for A.Y. 2024-25

Particulars		₹
Basic pay [(₹20,000×11) + (₹22,500×1)] = ₹2,20,000 + ₹22,500		2,42,500
Dearness allowance [30% of basic pay]		72,750
Bonus [₹22,500 × 2]		45,000
Employer's contribution to Recognized Provident Fund in excess of 12% (15% - 12% = 3% of ₹3,15,250)		9,458
Taxable allowances		
Transport allowance (₹2,000 x 12)	24,000	
Less: Exemption under section 10(14) read with Rule 2BB) @ ₹1,600 p.m. (As per amendment no transport allowance allowed)	19,200	4,800
Hostel allowance (₹ 4,000 x 3)	12,000	
Less: Exemption under section 10(14) read with Rule 2BB) @ ₹300 p.m.	7,200	



per child maximum for two children		4,800
Taxable perquisites		
Rent-free accommodation [See Note 1 below]		55,478
		58,358
		38,905
Medical reimbursement (₹35,000 - ₹15,000) [See Note 2 below] <i>(As per amendment no ₹15,000 deduction withdrawn)</i>		20,000
		35,000
Gift voucher [See Note 3 below]		6,000
Value of free lunch facility [See Note 4 below]		-
Professional tax paid by the company [See Note 6 below]		2,000
Gross Salary		4,80,413
Less- Standard Deduction (Actual salary or Rs 50,000 whichever is lower) (As per amendment)		50,000
Less: Professional tax paid by the company [Section 16(iii)]		2,000
Salary chargeable to tax		4,28,213

Notes:

- Where the accommodation is taken on lease or rent by the employer, the value of rent -free accommodation provided to employee would be actual amount of lease rental paid or payable by the employer or ~~15%~~ **10%** of salary, whichever is lower.

(As per amendment it is 10% of salary in cities having population > 40 lakhs as per 2011 census)

For the purposes of valuation of rent-free house, salary includes:

(i)	Basic salary	2,42,500
(ii)	Dearness allowance	72,750
(iii)	Bonus	45,000
(iv)	Transport allowance	4,800 (24,000)
(v)	Hostel allowance	4,800
Total		3,89,050

15% of salary = ₹3,89,050 × 10/100 = **₹ 38,905** Value of rent-free house will be

- Actual amount of lease rental paid by employer (i.e. ₹ 60,000) or
- 10% of salary (i.e., ₹ 38,905), whichever is lower.

Therefore, the perquisite value is ₹ 38,905.

- Any sum paid by the employer in respect of any expenditure actually incurred by the employee on his medical treatment or treatment of any member of his family is exempt to the extent of ₹ 15,000. Therefore, in this case, the balance of ₹ 20,000 (i.e., ₹ 35,000 – ₹ 15,000) is a taxable perquisite.

As per amendment the ₹ 15,000 allowance is withdrawn. Hence full ₹ 35,000 will be added.

- The value of any gift or voucher or token in lieu of gift received by the employee or by member of his household is below ₹ 5,000 in aggregate during the previous year is exempt. In this case, the gift voucher was received on the occasion of marriage anniversary and the sum exceeds the limit of ₹ 5,000. Therefore, entire amount of ₹ 6,000 is liable to tax as perquisite.

Alternative View: An alternate view possible is that only the sum in excess of ₹ 5,000 is taxable in view of the language of Circular No. 15/2001 dated 12.12.2011 that such gifts up to ₹ 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 ₹1,000.

- Free lunch provided by the employer during office hours is not a perquisite, assuming that the value does not exceed ₹50 per meal.
- As per Rule 3(7)(vii), facility of use of laptop and computer is an exempt perquisite, whether used for official or personal purpose or both.



6. Professional tax paid by employer on behalf of employee is a taxable perquisite, hence, included in gross salary as a perquisite.

Question 8

Mr. Samaksh is a Marketing Manager in Smile Ltd. From the following information, you are required to compute his income chargeable under the head Salary for assessment year 2024-25.

- (i) Basic salary is ₹ 70,000 per month.
- (ii) Dearness allowance @ 40% of basic salary
- (iii) He is provided health insurance scheme approved by IRDA for which ₹ 20,000 incurred by Smile Ltd.
- (iv) Received ₹ 10,000 as gift voucher on the occasion of his marriage anniversary from Smile Ltd.
- (v) Smile Ltd. allotted 800 sweat equity shares in August 2023. The shares were allotted at ₹ 450 per share and the fair market value on the date of exercising the option by Mr. Samaksh was ₹ 700 per share.
- (vi) He was provided with furniture during September 2019. The furniture is used at his residence for personal purpose. The actual cost of the furniture was ₹ 1,10,000. On 31st March, 2024, the company offered the furniture to him at free of cost. No amount was recovered from him towards the furniture till date.
- (vii) Received ₹ 10,000 towards entertainment allowance.
- (viii) Housing Loan@ 4.5% p.a. provided by Smile Ltd., amount outstanding as on 01.04.2023 is ₹ 15 Lakhs. ₹ 50,000 is paid by Mr. Samaksh every quarter towards principal starting from June 2023. The lending rate of SBI for similar loan as on 01.04.2023 was 8%.
- (ix) Facility of laptop costing ₹ 50,000 (MTP Mar'21,7 Marks)

Answer 8

Computation of income under the head “Salaries” of Mr. Samaksh for the A.Y.2024-25

Particulars	₹	₹
Basic Salary [₹ 70,000 x 12 months]		8,40,000
Dearness allowance [40% of ₹ 8,40,000]		3,36,000
Entertainment allowance		10,000
Interest on housing loan given at concessional rate, would be perquisite, since the amount of loan exceeds ₹ 20,000, For computation, the lending rate of SBI on 1.4.2023 @8% has to be considered. Thus, perquisite value would be determined @ 3.5% (8% - 4.5%) [See Working Note]		49,291
Health insurance premium paid by the employer [tax free perquisite]		Nil
Gift voucher on the occasion of his marriage anniversary [As per Rule 3(7)(iv), the value of any gift or voucher or token in lieu of gift received by the employee or by member of his household exceeding ₹ 5,000 in aggregate during the previous year is fully taxable] (See note below)		10,000
Allotment of sweat equity shares		
Fair market value of 800 sweat equity shares @ ₹ 700 each	5,60,000	
Less: Amount recovered @ ₹ 450 each	3,60,000	2,00,000
Use of furniture by employee 10% p.a. of the actual cost of ₹ 1,10,000		11,000
Use of Laptop		
Facility of use of laptop is not a taxable perquisite		Nil
Transfer of asset to employee Value of furniture transferred to Mr. Samaksh	1,10,000	
Less: Normal wear and tear @10% for each completed year of usage on SLM basis [1,10,000 x 10% x 4 years (from September 2019 to September 2023)]	44,000	66,000

Gross Salary		15,22,291
Less: Standard deduction u/s 16 [Actual salary or ₹ 50,000, whichever is less]		50,000
Net Salary		14,72,291

Working Note:
Computation of perquisite value of loan given at concessional rate

For computation, the lending rate of SBI on 1.4.2023 @8% has to be considered. Thus, perquisite value would be determined @ 3.5% (8% - 4.5%)

Month	Maximum outstanding balance as on last date of month (₹)	Perquisite value at 3.5% for the month (₹)
April, 2023	15,00,000	4,375
May, 2023	15,00,000	4,375
June, 2023	14,50,000	4,229
July, 2023	14,50,000	4,229
August, 2023	14,50,000	4,229
September, 2023	14,00,000	4,083
October, 2023	14,00,000	4,083
November, 2023	14,00,000	4,083
December, 2023	13,50,000	3,937.50
January, 2024	13,50,000	3,937.50
February, 2024	13,50,000	3,937.50
March, 2024	13,00,000	3,792
Total value of this perquisite		49,290.50

Note: An alternate view possible is that only the sum in excess of ₹ 5,000 is taxable. In such a case, the value of perquisite would be ₹ 5,000 and gross salary and net salary would be ₹ 15,17,291 and ₹ 14,67,291, respectively.

Question 9

Ms. Aashima is a Finance manager in ABC limited. She has given the details of her income for the P.Y. 2023-24. You are required to compute the income chargeable to tax under the head "Salaries" in the hands of Ms. Aashima from the details given below:

Basic Salary ₹ 60,000 p.m.

Dearness Allowance ₹ 24,000 p.m. (40% of which forms part of retirement benefits)

Bonus ₹ 21,000 p.m.

Motor car owned by the employer (cubic capacity of engine exceeds 1.6 liters) provided to Ms. Aashima from 1st October, 2023 which is used for both official and personal purposes. Repair and running expenses of ₹ 60,000 were fully met by the company. The motor car was self-driven by the employee.

Professional tax paid ₹ 2,500 out of which ₹ 2,000 was paid by the employer. Her employer has provided her with an accommodation on 1st April 2023 at a concessional rent. The house was taken on lease by ABC Ltd. for ₹ 12,000 p.m. Ms. Aashima occupied the house from 1st December, 2023, ₹ 4,800 p.m. is recovered from the salary of Ms. Aashima. The employer gave her a gift voucher of ₹ 8,000 on her birthday. Ms. Aashima contributes 15% of her salary (Basic Pay plus DA) towards recognized provident fund and the company contributes the same amount. The company pays medical insurance premium to effect insurance on the health of Ms. Aashima ₹ 20,000. Assume that she does not opt for 115BAC. (MTP 7 Marks March 22)

Answer 9
Computation of income chargeable to tax under the head “Salaries” in the hands of Ms. Aashima for A.Y.2024-25

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]		17,040
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		13,52,416
Less: Deduction under section 16		
Standard deduction under section 16(ia)	50,000	
Professional tax u/s 16(iii) [See Note 2]	2,500	52,500
Salary chargeable to tax		12,99,916

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 1.10.2023, 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.
- 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% (10%) 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 1.12.2023 to 31.3.2024 = ₹ 48,000 [₹ 12,000 x 4 months] 10% of salary = ₹ 36,240 [10% 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~~ ₹ 36,240 which is to be reduced by the rent recovered from the employee. Hence, the perquisite value of concessional rent = ~~₹ 48,000~~ ₹ 36,240 – ₹ 19,200 [₹ 4,800 x 4 months] = ₹ 17,040
(As per amendment it is actual amount of lease rental paid or payable by the employer or 10% of salary whichever is lower as reduced by rent paid by the employee)
- 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.

Question 10

Ms. Aarohi is the HR manager in Shipra limited. She gives you the following particulars:

Basic Salary	₹ 70,000 p.m.
Dearness Allowance	₹ 24,000 p.m. (30% of which forms part of retirement benefits)
Bonus	₹ 21,000 p.m.

Her employer has provided her with an accommodation on 1st April 2023 at a concessional rent. The house was taken on lease by Shipra Ltd. for ₹ 12,000 p.m. Ms. Aarohi occupied the house from 1st November 2023, ₹ 4,800 p.m. is recovered from the salary of Ms. Aarohi. The employer gave her a gift voucher of ₹ 10,000 on her birthday. She contributes 18% of her salary (Basic Pay plus DA) towards recognized provident fund and the company contributes the same amount.

The company pays medical insurance premium to effect insurance on the health of Ms. Aarohi ₹ 20,000.

Motor car owned by the employer (cubic capacity of engine exceeds 1.6 liters) provided to Ms. Aarohi from 1st November 2023 which is used for both official and personal purposes. Repair and running expenses of ₹ 70,000 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. Aarohi for the Assessment Year 2024-25. (RTP May '19)

Answer 10

Computation of income chargeable to tax under the head "Salaries" in the hands of Ms. Aarohi for A.Y.2024-25

Particulars	₹
Basic Salary [₹ 70,000 x 12]	8,40,000
Dearness allowance [₹ 24,000 x 12]	2,88,000
Bonus [₹ 21,000 x 12]	2,52,000
Perquisite value in respect of concessional rent [See Working Note below]	25,100
Gift voucher given by employer on Ms. Aarohi's birthday (entire amount is taxable since the perquisite value exceeds ₹5,000) [See Note for Alternative view]	10,000
Employer's contribution to recognized provident fund in excess of 12% of salary	91,872
= 18% x [(₹ 70,000 + ₹ 24,000) x 12] – 12% x {[₹ 70,000 + ₹ 7,200 (being 30% of ₹ 24,000)] x 12} = 2,03,040 – 1,11,168 [Salary = Basic Salary + Dearness allowance, to the extent it forms part of pay for retirement benefits]	
Medical insurance premium of ₹ 20,000 paid by the employer to effect an insurance on the health of an employee is an exempt perquisite	-
Provision of motor car (engine cubic capacity more than 1.6 litres) owned by employer to an employee without chauffeur for both official and personal purpose, where the expenses are fully met by the employer - the perquisite value would be ₹2,400/- p.m. [₹2,400 x 5 months]	



	12,000
Gross salary	15,18,972
Less: Standard deduction under section 16(ia)	40,000
(As per amendment Rs. 50,000)	50,000
Salary chargeable to tax	14,89,872
	14,68,972

Working Note:

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%~~ **10%** 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 1.11.2023 to 31.3.2024 = ₹ 60,000 [₹ 12,000 x 5 months]

~~15%~~ **10%** of salary = ₹ **49,100** [10% x (₹ 70,000 + ₹ 7,200 + ₹ 21,000) x 5 months]

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

Lower of the above is ~~₹ 60,000~~ ₹ **49,100** which is to be reduced by the rent recovered from the employee.

Hence, the perquisite value of concessional rent = ₹ **49,100** – ₹24,000 [₹ 4,800 x 5 months] = ₹ **25,100**

(As per amendment it is actual amount of lease rental paid or payable by the employer or 10% of salary whichever is lower as reduced by rent paid by the employee)

Note: 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 ₹ 10,000 was received by Ms. Aarohi 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 ₹ 10,000 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 ₹ 5,000. The salary chargeable to tax, in this case, would be ₹ 14,84,872.

Question 11

Ms. Suhaani, a resident individual, aged 33 years, is an assistant manager of Daily Needs Ltd. She is getting a salary of ₹ 48,000 per month. During the previous year 2023-24, she received the following amounts from her employer.

- (i) Dearness allowance (10% of basic pay which forms part of salary for retirement benefits).
- (ii) Bonus for the previous year 2022-23 amounting to ₹ 52,000 was received on 30th November, 2023.
- (iii) Fixed Medical allowance of ₹ 48,000 for meeting medical expenditure.
- (iv) She was also reimbursed the medical bill of her father dependent on her amounting to ₹ 4,900.
- (v) Ms. Suhaani was provided;



2021 at ₹ 35,000.

- a domestic servant at a monthly salary of ₹ 5,000 which was reimbursed by her employer.
- (vi) Daily Needs Ltd. allotted 700 equity shares in the month of October 2023 @ ₹ 170 per share against the fair market value of ₹ 280 per share on the date of exercise of option by Ms. Suhaani. The fair market value was computed in accordance with the method prescribed under the Act.
- (vii) Professional tax ₹ 2,200 (out of which ₹ 1,400 was paid by the employer).

Compute the Income under the head “Salaries” of Ms. Suhaani for the assessment year 2024-25. (RTP May '20)

Answer 11

Computation of Income under the head “Salaries” in the hands of Ms. Suhaani for the A.Y. 2024-25

Particulars	₹
Basic Salary [₹ 48,000 x 12]	5,76,000
Dearness allowance [10% of basic salary]	57,600
Bonus [Taxable in the P.Y. 2023-24, since it is taxable on receipt basis]	52,000
Fixed Medical Allowance [Taxable]	48,000
Reimbursement of Medical expenditure incurred for her father [Fully taxable from A.Y. 2024-25, even though father is included in the meaning of “family” on account of standard deduction being introduced in lieu of reimbursement of medical expenditure].	4,900
Facility of laptop [Facility of laptop is an exempt perquisite, whether used for official or personal purpose or both]	Nil
Reimbursement of salary of domestic servant [₹ 5,000 x 12] [Fully taxable, since perquisite includes any sum paid by the employer in respect of any obligation which would have been payable by the employee]	60,000
Value of equity shares allotted [700 equity shares x ₹ 110 (₹ 280, being the fair market value – ₹ 170, being the amount recovered)]	77,000
Professional tax paid by the employer [Perquisite includes any sum paid by the employer in respect of any obligation which would have been payable by the employee]	1,400
Gross Salary	8,76,900
Less: Deduction under section 16	
Professional tax paid	2,200
Standard Deduction (Lower of ₹ 40,000 or amount of salary)	40,000
(As per amendment Rs. 50,000)	50,000
Taxable Salary	8,34,700
	8,24,700

Question 12

Mr. Sunil is the CEO of Sheetal Textiles Ltd. His basic salary is ₹ 6,00,000 p.m. He is paid 8% as D.A. He contributes 10% of his pay and D.A. towards his recognized provident fund and the company contributes the same amount. The accumulated balance in recognized provident fund as on 1.4.2022, 31.3.2023 and 31.3.2024 is ₹ 50,35,000, ₹ 71,46,700 and ₹ 94,57,700, respectively. Compute the perquisite value chargeable to tax in the hands of Mr. Sunil u/s 17(2)(vii) and 17(2)(viii) for the A.Y. 2023-24 and A.Y. 2024-25. (RTP May '22)

Answer 12

Computation of perquisite value taxable u/s 17(2)(vii) and 17(2)(viii) for A.Y. 2023-24

1. Perquisite value taxable u/s 17(2)(vii) = ₹ 7,77,600, being employer’s contribution to recognized provident fund during the P.Y. 2022-23 – ₹ 7,50,000 = ₹ 27,600

2. Perquisite value taxable u/s 17(2)(viia) = Annual accretion on perquisite taxable u/s 17(2)(vii)
- $$= (PC/2)*R + (PC1 + TP1)*R$$
- $$= (27,600/2) \times 0.0914 + 0$$
- $$= ₹ 1,261$$

PC	Sheetal Textile Ltd.'s contribution in excess of ₹ 7.5 lakh to recognized provident fund during P.Y. 2022-23 = ₹ 27,600
PC1	Nil
TP1	Nil
R	$I/F_{avg} = 5,56,500/60,90,850 = 0.0914$
I	RPF balance as on 31.3.2024 – employee's and employer's contribution during the year – RPF balance as on 1.4.2023 = ₹ 5,56,500 (₹ 71,46,700 – ₹ 7,77,600 – ₹ 7,77,600 – ₹ 50,35,000)
Favg	Balance to the credit of recognized provident fund as on 1 st April, 2022 + Balance to the credit of recognized provident fund as on 31 st March, 2023)/2 = (₹ 50,35,000 + ₹ 71,46,700)/2 = ₹ 60,90,850

Computation of perquisite value taxable u/s 17(2)(vii) and 17(2)(viia) for A.Y. 2024-25

1. Perquisite value taxable u/s 17(2)(vii) = ₹ 7,77,600, being employer's contribution to recognized provident fund during the P.Y. 2023-24 – ₹ 7,50,000 = ₹ 27,600
2. Perquisite value taxable u/s 17(2)(viia) = Annual accretion on perquisite taxable u/s 17(2)(vii)
- $$= (PC/2)*R + (PC1 + TP1)*R$$
- $$= (27,600/2) \times 0.0910 + (27,600 + 1,261) \times 0.0910$$
- $$= ₹ 1,256 + ₹ 2,626$$
- $$= ₹ 3,882$$

PC	Sheetal Textile Ltd.'s contribution in excess of ₹ 7.5 lakh to recognized provident fund during P.Y. 2022-23 = ₹ 27,600
PC1	Amount of employer's contribution in excess of ₹ 7,50,000 to RPF in P.Y. 2022-23 = ₹ 27,600
TP1	Taxable perquisite under section 17(2)(viia) for the P.Y. 2022-23 = ₹ 1,261
R	$I/F_{avg} = 7,55,800/83,02,200 = 0.0910$
I	RPF balance as on 31.3.2024 – employee's and employer's contribution during the year – RPF balance as on 1.4.2023 = ₹ 7,55,800 (₹ 94,57,700 – ₹ 7,77,600 – ₹ 7,77,600 – ₹ 71,46,700)
Favg	Balance to the credit of recognized provident fund as on 1 st April, 2023 + Balance to the credit of recognized provident fund as on 31 st March, 2024)/2 = (₹ 71,46,700 + ₹ 94,57,700)/2 = ₹ 83,02,200

Note – Since the employee's contribution to RPF exceeds ₹ 2,50,000 in the P.Y.2023-24, interest on ₹ 5,27,600 (i.e., ₹ 7,77,600 – ₹ 2,50,000) will also be chargeable to tax.

Question 13

Examine with brief reasons, whether the following are chargeable to income-tax and the amount liable to tax with reference to the provisions of the Income-tax Act, 1961:

Allowance received by an employee Mr. Ram working in a transport system at ₹ 12,000 p.m. which has been granted to meet his personal expenditure while on duty. He is not in receipt of any daily allowance from his employer. (PYP 2 Marks, Nov'18)

Answer 13

	Chargeability	Amount liable to tax	Reason



		(₹)	
(1)	Partly taxable	43,200	Any allowance granted to an employee working in a transport system to meet his personal expenditure during his duty is exempt provided he is not in receipt of any daily allowance. The exemption is 70% of such allowance (i.e., ₹ 8,400 per month being, 70% of ₹ 12,000) or ₹ 10,000 per month, whichever is less. Hence, 1,00,800 (i.e., ₹ 8,400 x 12) is exempt. Balance ₹ 43,200 (₹ 1,44,000 – ₹1,00,800) is taxable in the hands of Mr. Ram.

EXAMINERS' COMMENTS ON THE PERFORMANCE OF EXAMINEES:

Most of the examinees were not aware of the exemption provision in respect of the transport allowance in case of employees working in transport system. Therefore, their answers to sub-part (i) were incorrect

Question 14

Mr. Honey is working with a domestic company having a production unit in the U.S.A. for last 15 years. He has been regularly visiting India for export promotion of company's product. He has been staying in India for at least 184 days every year.

He submits the following information:

Salary received outside India (For 6 months) ₹ 50,000 P.M Salary received in India (For 6 months) ₹ 50,000 P.M.

He has been given rent free accommodation in U.S.A. for which company pays ₹ 15,000 per month as rent, but when he comes to India, he stays in the guest house of the company. During this period, he is given free lunch facility.

During the previous year, company incurred an expenditure of ₹ 48,000 on this facility.

He has been provided a car of 2000 cc capacity in U.S.A. which is used by him for both office and private purposes. The actual cost of the car is ₹ 8,00,000. But when he is in India, the car is used by him and the members of his family only for personal purpose. The monthly expenditure of car is ₹ 5,000. His elder son is studying in India for which his employer spends ₹ 12,000 per year whereas his younger son is studying in U.S.A. and stays in a hostel for which Mr. Honey gets ₹ 3,000 per month as combined allowance.

The company has taken an accident insurance policy and a life insurance policy. During the previous year, the company paid premium of ₹ 5,000 and ₹ 10,000, respectively. Compute Mr. Honey's taxable income from salary for the Assessment Year 2024-25. Assume that he does not opt for 115BAC. (PYP 10 Marks, May'18)

Answer 14

Since Mr. Honey stays in India for at least 184 days every year, he is resident and ordinarily resident in India, every year. Therefore, his global income would be taxable in India. The salary received by him in India and outside India would be taxable in India as per the provisions of the Income-tax Act, 1961.

Computation of total income from salary of Mr. Honey for the A.Y. 2024-25

Particulars	₹	₹
Basic Salary		
Salary received outside India for 6 months (₹ 50,000 x 6)	3,00,000	
Salary received in India for 6 months (₹ 50,000 x 6)	3,00,000	6,00,000
Children Education and Hostel Allowance		
Amount received from employer (₹ 3,000 x 12)	36,000	
[No exemption is available in respect of allowance received for any education or hostel facility of children outside India]	Nil	36,000
Perquisites:		



Value of rent-free accommodation in USA			63,600
Lower of:			
- 15% 10% of ₹ 6,36,000 (Basic Salary + Children Education and Hostel Allowance) <i>(As per amendment it is actual amount of lease rental paid or payable by the employer or 10% of salary whichever is lower as reduced by rent paid by the employee)</i>		63,600	
- Rent paid by employer = ₹ 15,000 x 12		1,80,000	
Value of guest house in India			-
[not taxable, since it is provided for stay when he visits India wholly for official purposes]			
Lunch facility provided by employer [Taxable perquisite, since the value exceeds ₹ 50 per meal] [See Note 1 below]			48,000
Motor car provided by employer [₹14,400 + ₹ 70,000] [See Note 2 below]			84,400
Used for both official and personal purposes for 6 months when he is in US. Hence, the perquisite value is ₹14,400 [₹ 2,400 x 6], since cubic capacity exceeds 1.6 liters, assuming that expenses are fully met by employer		14,400	
Used for personal purposes by his family members for 6 months when he is in India			
Actual running and maintenance expenditure₃ [₹ 5,000 x 6]	30,000		
Normal wear and tear [10% of actual cost of motor car for 6 months] = ₹ 8,00,000 x 10% x 6/12	40,000	70,000	
Education expenditure of elder son in India met by employer [Fully taxable perquisite]			12,000
Life insurance premium paid by the employer – any sum payable by the employer to effect an assurance on the life of the employee is a taxable perquisite			10,000
Accident insurance premium paid by employer – exempt perquisite, since such policy is taken by the employer in business interest so as to indemnify the company from payment of compensation.			-
Gross Salary			8,85,800
Less: Deductions under section 16			Nil
Standard deduction (lower of actual salary or Rs. 50,000) (as per amendment)			(50,000)
Taxable Salary			8,35,800

Notes:

- (1) Lunch facility provided to Mr. Honey is a taxable perquisite as per Rule 3(7)(iii). The benefit under the proviso to this Rule would be available only if the value does not exceed ₹ 50 per meal. In this case since the value far exceeds ₹ 50 per meal, the benefit under the proviso to Rule 3(7)(iii) is not available. The above solution has been worked out accordingly. However, in page 17 of the CBDT Circular No. 29/2017 dated 5.12.2017, the method of valuation of perquisite of free lunch facility has been explained. As per the said circular, a fixed sum of ₹ 50 per meal has to be reduced to arrive at the value of perquisite of free food provided by the employer. If the beneficial view given in the circular is considered for answering this question, an assumption as to the number of working days per month has to be made and thereafter, calculation for 6 months has to be made to arrive at the value of taxable and exempt perquisite of provision of lunch facility.
3 It is assumed that the same is fully met by the employer

(2) In the above solution, the perquisite value of motor car provided by employer has been worked out

assuming that the employer fully meets the running and maintenance expenses. However, if expenses of running and maintenance of motor car are fully met by Mr. Honey himself, then, the value of perquisite of motor car would be as follows:

Particulars	₹
Motor car provided by employer [₹5,400 + ₹40,000]	
Used for both official and personal purposes for 6 months when he is in US. Hence, the perquisite value is ₹900 p.m., since cubic capacity exceeds 1.6 liters,	5,400
Used for personal purposes by his family members for 6 months when he is in India	
Normal wear and tear [10% of actual cost of motor car for 6 months] = ₹ 8,00,000 x 10% x 6/12	40,000
	45,400

In this case, the taxable salary would be ₹8,46,800.

Question 15

Mr. B is a sales manager in PQR Ltd. During F.Y. 2023-24 he has received the following towards his salary and allowances/perquisites;

- Basic pay ₹ 85,000 per month up to December 2023 and thereafter an increase of ₹ 2,000 per month.
- Dearness allowance 40% of basic pay forming part of retirement benefits.
- Bonus 1-month basic pay based on the salary drawn during January month every year.
- He contributes 14% of his basic pay & DA towards his recognized provident fund and his employer company contributes the same amount.
- Travelling allowance of ₹ 5,000 per month towards on duty tours.
- Research and training allowance ₹ 3,000 per month.
- Children education allowance of ₹ 600 per month, per child for his 2 sons and 1 daughter.
- Accommodation owned by PQR Ltd. was provided to him in Hyderabad for the whole year and furniture of ₹ 2,00,000 was provided from 1st October, 2023.
- Reimbursement of medical expenses on his treatment in private hospital ₹ 15,000, medical allowance ₹ 1,500 per month. Company has paid premium on medical policy purchased on his health ₹ 12,500.

You are required to:

- Compute the income chargeable to tax under the head "Income from Salary", assuming that he does not opt for the provisions under section 115BAC.
- What will be the income under the head "Salaries", if he opts for the provisions under section 115BAC? (PYP 8 Marks Nov '22)

Answer 15

- Computation of income chargeable to tax under the head "Salaries" for A.Y.2024-25, if Mr. B does not opt for the provisions of section 115BAC

Particulars	₹	₹
Basic Pay [₹ 85,000 x 9 + ₹ 87,000 x 3]		10,26,000
Dearness Allowance [₹ 10,26,000 x 40%]		4,10,400
Bonus		87,000
Travelling allowance [Exempt, since provided towards duty tours ¹]		-
Research and training allowance [₹ 3,000 x 12]		36,000
Medical allowance [₹ 1500 x 12]		18,000
Children Education allowance [₹ 600 x 12 x 3]	21,600	
Less: Exempt [₹100 x 12 x 2]	2,400	19,200
Salary (for the purpose of valuation of Rent-free accommodation)		15,96,600
Value of Rent-free accommodation [15% 10% of ₹	1,59,660	

15,96,600]		
<i>(As per amendment it is 10% of salary in cities having population > 40 lakhs as per 2011 census)</i>		
Add: Value of furniture [₹ 2,00,000 × 10% p.a. for 6 months]	10,000	1,69,660
Reimbursement of medical expenses [taxable, since amount is reimbursed for treatment in private hospital]		15,000
Health insurance premium paid by PQR Ltd. [Exempt]		-
Employers' contribution to RPF in excess of 12% of salary = 2% of ₹ 14,36,400 (₹ 10,26,000 + ₹ 4,10,400)		28,728
Gross Salary		18,09,988
Less: Deductions under section 16		
Standard deduction		50,000
Income chargeable under the head "Salaries"		17,59,988

II. Computation of income chargeable to tax under the head "Salaries" for A.Y.2024-25, if Mr. B opts for the provisions of section 115BAC

Income chargeable under the head "Salaries"		17,59,988
Add: Exemption in respect of children education allowance [Not allowable as per section 115BAC]		2400
Add: Standard deduction [Not allowable as per section 115BAC]		50,000
<i>(As per amendment standard deduction is allowable as per section 115BAC)</i>		
		17,62,388
Less: Value of rent-free accommodation (As per regular provisions)		1,69,660
		15,92,728
Add: Value of Rent-free accommodation [15% 10% of ₹ 15,99,000 (₹ 15,96,600 (as calculated above) + ₹ 2,400)]	1,59,900	
<i>(As per amendment it is 10% of salary in cities having population > 40 lakhs as per 2011 census)</i>		
Add: Value of furniture [₹ 2,00,000 × 10% p.a. for 6 months]	10,000	1,69,900
Income chargeable under the head "Salaries"		17,62,628

¹ It is assumed that he has fully expended the amount

Question 16

Mr. Rohan retired from M/s. QRST Ltd. a private sector company, on 31st March, 2024 after completing 28 years and 3 months of service. He received the following sums/gifts on his retirement:

- (i) Gratuity of ₹ 7,50,000. He was covered under the Payment of Gratuity Act, 1972.
- (ii) Leave encashment of ₹ 3,25,000 for 210 days leave balance in his account. He was credited with 30 days leave for each completed year of service.
- (iii) Crochery set worth ₹ 4,500 from his employer at the farewell party which was organized by the HR department a day before his retirement.

He drew a basic salary of ₹ 25,000 per month along with 50% of basic salary as dearness allowance (not forming part of retirement benefits) for the period from 1st April, 2023 to 31st March, 2024.

Further, during the year, his employer provided him a motor car of 1800 cc which was used by him and his family solely for personal purposes. The cost of fuel and repairs were met by Mr. Rohan himself. The car was purchased by the employer on 1st April, 2022 at a cost of ₹ 8,00,000. Salary of driver amounting to ₹ 10,000 per month was met by the employer only. Upon retirement, he gave the car back to the employer. You are required to compute the taxable salary of Mr. Rohan for A.Y.2024-25 assuming that



he neither claims any relief under section 89 nor does he opt to pay tax under section 115BAC. (PYP 7 Marks May '23)

Answer 16

Computation of taxable salary of Mr. Rohan for A.Y. 2024-25

Particulars		₹
Basic Salary ₹ 25,000 x 12		3,00,000
Dearness Allowance (50% of basic salary)		1,50,000
Gratuity [₹ 7,50,000 – ₹ 6,05,769]		1,44,231
Less: Exempt under section 10(10) - Least of the following:	₹	
(i) Notified limit	20,00,000	
(ii) Actual gratuity received	7,50,000	
(iii) $15/26 \times \text{last drawn salary} \times \text{no. of completed years of services or part in excess of 6 months}$ [$15/26 \times 37,500^4 \times 28$]	6,05,769	
Leave encashment [₹ 3,25,000 – ₹ 1,75,000]		1,50,000
Less: Exempt under section 10(10AA) - Least of the following:		
(iv) Notified limit	3,00,000	
(v) Actual leave salary received	3,25,000	
(vi) 10 months x ₹ 25,000	2,50,000	
(vii) Cash equivalent of leave to his credit [₹ 25,000 x 210/30]	1,75,000	
Crockery set [not a perquisite, since value of gift does not exceed ₹ 5,000]		-
Perquisite value of car [Driver's salary met by employer ₹ 1,20,000 (i.e., ₹ 10,000 x 12) + ₹ 80,000 (10% of ₹ 8,00,000), being normal wear and tear on car]		
Gross Salary		2,00,000
		9,44,231
Less: Standard deduction u/s 16(ia)		50,000
Taxable Salary		8,94,231

Question 17

Mr. Raj Kumar (aged 65 years) is retired from a Public Sector Undertaking. He resides in Delhi. He provides you the following particulars of his income and certain payments/investments for the previous year 2023-24:

- Pension income of ₹ 8,50,000
- Interest from fixed deposits with SBI of ₹ 3,35,000 (Gross)
- Life insurance premium paid by cheque ₹ 27,500 for insurance of his life. The insurance policy was taken on 10-07-2017 and the sum assured is ₹ 2,40,000.
- Premium of ₹ 37,500 paid by cheque for health insurance of self and his wife, who is also a senior citizen.
- ₹ 3,000 paid in cash for his health check-up and ₹ 4,500 paid through cheque for preventive health check-up of his father aged 90 years.

- Paid interest of ₹ 8,500 on loan taken from bank for MBA course pursued by his son.
- A sum of ₹ 1,20,000 donated by cheque to an institution approved for the purpose of section 80G for promoting family planning.
- ₹ 10,000 contributed towards PM CARES Fund by cheque.

Compute the total income of Mr. Raj Kumar for the assessment year 2024-25, assuming he does not opt for section 115BAC. (MTP 6 Marks Sep'22) (Same concept different figures RTP Nov'21)

Answer 17

Computation of total income of Mr. Raj Kumar for A.Y.2024-25

Particulars	₹	₹	₹
Income under the head "Salaries"			
Pension	8,50,000		
Less: Standard deduction u/s 16(ia) Lower of ₹ 50,000 or actual salary/pension	50,000		8,00,000
Income from Other Sources			
Interest from bank on fixed deposit (Gross)			3,35,000
Gross Total Income			11,35,000
Less: Deduction under Chapter VI-A			
Deduction under section 80C			
LIC premium of ₹ 27,500 (restricted to 10% of ₹ 2,40,000, being the sum assured, as the policy is taken after 31.3.2012)		24,000	
Deduction under section 80D			
Premium for health insurance for self and his wife paid by cheque, allowed upto ₹ 50,000 since Mr. Raj Kumar is a senior citizen	37,500		
Preventive health check-up for self, ₹ 3,000, and for his father, ₹ 4,500, restricted to ₹ 5,000 (deduction allowed even if the same is paid in cash)	5,000		
		42,500	
Deduction under section 80E			
Interest on loan taken from bank for MBA course pursued by his son Deduction under section 80G		8,500	
Donation to PM CARES Fund – 100% allowable		10,000	
Donation to an approved institution for promoting family planning – 100% allowable subject to qualifying limit of ₹ 1,01,000 i.e., 10% of ₹ 10,10,000 being the adjusted total income		1,01,000	
Deduction under section 80TTB			
Interest on fixed deposit with bank allowable as deduction upto ₹ 50,000, since Mr. Raj Kumar is a senior citizen		50,000	
			2,36,000
Total Income			8,99,000



MULTIPLE CHOICE QUESTIONS (MCQS)

1. A member of parliament is entitled to salary, constituency allowance and daily allowance when the Parliament is in session. Which of the following statements are correct?
- (a) His entire income is taxable under the head "Salaries".
 - (b) Only his salary component is taxable under the head "Salaries". Constituency allowance and daily allowance are exempt.
 - (c) Only his salary component is taxable under the head "Income from other sources". Constituency allowance and daily allowance are exempt.
 - (d) His salary component and constituency allowance is taxable under the head "Income from other sources". Daily allowance is exempt. (MTP 1 Mark, April'19)

Ans : (c)

2. Provision of rent free accommodation and motor car owned by Alpha Ltd. to its employee Mr. Anurag, where motor car is allowed to be used by Mr. Anurag both for official and personal purposes, is a -
- (a) perquisite taxable in case of all employees
 - (b) perquisite taxable only in case of specified employees
 - (c) perquisite of rent free accommodation is taxable in case of all employees whereas perquisite of motor car is taxable only in case of specified employees
 - (d) perquisite of rent free accommodation is taxable only in case of specified employees whereas perquisite of motor car is taxable in case of all employees (MTP 2 Marks, April'19)

Ans: (c)

3. X is an employee of Z Ltd who receives ₹1,25,000 as gratuity (he is covered under the Payment of Gratuity Act, 1972). He retires on 31.01.2024 after service of 29 years and 8 months. At the time of retirement, X drew monthly salary of ₹ 5,200 and monthly bonus of ₹ 2,000. Compute the amount of gratuity exempt from tax in the instant case u/s 10(10) of the Income-tax Act, 1961.
- (a) ₹ 90,000
 - (b) ₹1,25,000
 - (c) ₹ 78,000
 - (d) ₹ 87,000 (MTP 2 Marks, March'19)

Ans: (a)

4. Mr. Jagat is an employee in accounts department of Bharat Ltd., a cellular company operating in the regions of eastern India. It is engaged in manufacturing of cellular devices. During F.Y. 2023-24, following transactions were undertaken by Mr. Jagat:
- (i) He attended a seminar on "Perquisite Valuation". Seminar fees of ₹ 12,500 was paid by Bharat Ltd.
 - (ii) Tuition fees of Mr. Himanshu (son of Mr. Jagat) paid to private coaching classes (not having any tie-up with Bharat Ltd.) was reimbursed by Bharat Ltd. Amount of fees was ₹ 25,000.
 - (iii) Ms. Sapna (daughter of Mr. Jagat) studies in DPS Public School (owned and maintained by Bharat Ltd.). Tuition fees paid for Ms. Sapna was ₹ 750 per month by Mr. Jagat. Cost of education in similar institution is ₹ 5,250 per month.

What shall be the amount which is chargeable to tax under the head "Salaries" in hands of Mr. Jagat for

A.Y. 2024-25?



- (a) ₹25,000
- (b) ₹37,500
- (c) ₹66,500
- (d) ₹79,000 (MTP 2Marks April '23, RTP May'20)

Ans: (d)

5. Miss Riya has started working in a reputed company. This is her first job. She earned total income of ₹ 8 Lakhs in P.Y. 2023-24. While filing her return of income she had a doubt with respect to deduction of transport allowance. Her father advised her that she cannot claim deduction of transport allowance while her friend told that maximum deduction of ₹1600 p.m. in respect of the said allowance can be claimed. According to you, what is the correct treatment for the same?

- (a) Transport allowance upto a maximum ₹1600 per month can be claimed.
- (b) Transport allowance upto a maximum ₹800 per month can be claimed.
- (c) No separate deduction for transport allowance is allowed. However, a standard deduction of ₹ 40,000 is allowed to salaried assesseees.
- (d) Deduction of transport allowance is allowed without any monetary limit.(RTP May '19)

Ans: (c) *(As per amendment standard deduction of Rs.50,000)*

6. Mr. Karan completed his MBA in April 2023 and joined XYZ Ltd from 01.05.2023. His basic salary is ₹ 2,25,000 p.m. He is paid 12% of basic salary as D.A forming part of retirement benefits. He contributed 11% of his pay and D.A. towards recognized provident fund and the company contributes the same amount. Accumulated interest on provident fund as on 31.3.2024 is ₹ 49,325. What would be the income chargeable to tax under the head "Salaries" of Mr. Karan for the A.Y. 2024-25 if he does not opt for section 115BAC?

- (a) ₹ 27,26,442
- (b) ₹ 27,30,884
- (c) ₹ 27,22,000
- (d) ₹ 27,71,325 (RTP Nov'22)

Ans :(a)

Chapter 3.2

Income from House Property

Question 1

Mr. Ramesh and Mr. Suresh constructed their houses on a piece of land purchased by them at Mumbai. The built up area of each house was 1,500 sq. ft. ground floor and an equal area in the first floor. Ramesh started construction on 1-04-2022 and completed on 1-04-2023. Suresh started the construction on 1-04-2022 and completed the construction on 30-06-2023. Ramesh occupied the entire house on 01-04-2023. Suresh occupied the ground floor on 01-07-2023 and let out the first floor for a rent of ₹ 15,000 per month. However, the tenant vacated the house on 31-12-2023 and Suresh occupied the entire house during the period 01-01-2024 to 31-03-2024.

Following are the other information.

(i)	Fair rental value of each unit (ground floor /first floor)	₹1,00,000 per annum
(ii)	Municipal value of each unit (ground floor / first floor)	₹ 72,000 per annum
(iii)	Municipal taxes paid by	Ramesh – ₹ 8,000
		Suresh – ₹ 8,000
(iv)	Repair and maintenance charges paid by	Ramesh – ₹ 28,000
		Suresh – ₹ 30,000

Ramesh has availed a housing loan of ₹ 20 lakhs @ 12% p.a. on 01-04-2022. Suresh has availed a housing loan of ₹ 12 lakhs @ 10% p.a. on 01-07-2022. No repayment was made by either of them till 31-03-2024. Compute income from house property for Ramesh and Suresh for the previous year 2023-24 (A.Y. 2024-25). (MTP 7 Marks April '23 , March'21, Apr'19)

Answer 1

Computation of income from house property of Mr. Ramesh for A.Y. 2024-25

Particulars	₹	₹
Annual value is nil (since house is self-occupied)		Nil
Less: Deduction under section 24(b)		
Interest paid on borrowed capital ₹ 20,00,000 @ 12%	2,40,000	
Pre-construction interest ₹ 2,40,000/5	48,000	
As per second proviso to section 24(b), interest deduction restricted to	2,88,000	2,00,000
Loss under the head "Income from house property" of Mr. Ramesh		(2,00,000)

Computation of income from house property of Mr. Suresh for A.Y. 2024-25

Particulars	Ground floor (Self occupied)	First floor
Gross annual value (See Note below)	Nil	90,000
Less: Municipal taxes (for first floor)		4,000
Net annual value(A)	Nil	86,000
Less: Deduction under section 24		
(a) 30% of net annual value		25,800
(b) interest on borrowed capital		
Current year interest		
₹ 12,00,000 x 10% = ₹ 1,20,000	60,000	60,000



Pre-construction interest		
₹ 12,00,000 x 10% x 9/12 = ₹ 90,000		
₹ 90,000 allowed in 5 equal installments	9,000	9,000
₹ 90000/5 = ₹ 18,000 per annum		
Total deduction under section 24(b)	69,000	94,800
Income from house property (A)-(B)	(69,000)	(8,800)
Loss under the head "Income from house property" of Mr. Suresh (both ground floor and first floor)	(77,800)	

Note: Computation of Gross Annual Value (GAV) of first floor of Suresh's house

If a single unit of property (in this case the first floor of Suresh's house) is let out for some months and self-occupied for the other months, then the Expected Rent of the property shall be taken into account for determining the annual value. The Expected Rent shall be compared with the actual rent and whichever is higher shall be adopted as the annual value. In this case, the actual rent shall be the rent for the period for which the property was let out during the previous year.

The Expected Rent is the higher of fair rent and municipal value. This should be considered for 9 months since the construction of property was completed only on 30.6.2023.

Expected rent = ₹ 75,000 being higher of -

Fair rent = $1,00,000 \times 9/12 = ₹ 75,000$ Municipal value = $72,000 \times 9/12 = ₹ 54,000$

Actual rent = ₹ 90,000 (₹ 15,000 p.m. for 6 months from July to December, 2023)

Gross Annual Value = ₹ 90,000 (being higher of Expected Rent of ₹ 75,000 and actual rent of ₹ 90,000)

Question 2

You are required to compute the income from "House Property" for the A.Y. 2024-25 of Mrs. Rajni from her house property at Panchkula in Haryana. The Municipal value of the property is ₹ 7,50,000, Fair Rent of the property is ₹ 6,30,000 and Standard Rent is ₹ 7,20,000 per annum. The property was let out for ₹ 80,000 per month for the period April 2023 to November 2023.

Thereafter, the tenant vacated the property and Mrs. Rajni used the house for self-occupation. Rent for the months of October and November 2023.

could not be realized from the tenant. The tenancy was bonafide but the defaulting tenant was in occupation of another property of the assessee, paying rent regularly.

She paid municipal taxes @ 12% during the year and paid interest of ₹ 50,000 during the year for amount borrowed towards repairs of the house property. (MTP 4 Marks March '22, RTP Nov '19)(Same concept different figures PYP 7 Marks Nov'18)

Answer 2

Computation of income from house property of Mrs. Rajni for the A.Y.2024-25

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 x 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)		2,39,000
Income from house property		50,000	3,91,000

EXAMINERS' COMMENTS ON THE PERFORMANCE OF EXAMINEES:

Many examinees failed to arrive at Gross Annual Value by considering the higher of expected rent for the whole year and actual rent for let out period, resulting in wrong computation of income from house property.

Question 3

Mr. Sailesh constructed a house in P.Y. 2017-18 with 3 independent units. During the P.Y. 2023-24, Unit - 1 (50% of floor area) is let out for residential purpose at monthly rent of ₹ 20,000. Rent of January 2024 could not be collected from the tenant and a notice to vacate the unit was given to the tenant. No other property of Mr. Sailesh is occupied by the tenant. Unit - 1 remains vacant for February and March 2024 when it is not put to any use. Unit - 2 (25% of the floor area) is used by Mr. Sailesh for the purpose of his business, while Unit - 3 (the remaining 25%) is utilized for the purpose of his residence. Other particulars of the house are as follows:

Municipal valuation - ₹ 2,88,000 Fair rent - ₹ 2,98,000

Standard rent under the Rent Control Act - ₹ 2,78,000 Municipal taxes - ₹ 30,000 paid by Mr. Sailesh Repairs - ₹ 7,000

Interest on capital borrowed for the construction of the property - ₹ 90,000, Ground rent - ₹ 6,000 and Fire insurance premium paid - ₹ 60,000.

Income of Sailesh from the business is ₹ 2,40,000 (without debiting house rent and other incidental expenditure).

Determine the taxable income of Mr. Sailesh for the assessment year 2024-25 if he opts to be taxed under section 115BAC. (MTP 7 Marks April 22)

Answer 3

Computation of taxable income of Mr. Sailesh for A.Y. 2024-25

Particulars	Amount	Amount
Income from house property		
Unit - 1 [50% of floor area - Let out]		
Gross Annual Value, higher of		
- Expected rent ₹ 1,39,000 [Higher of Municipal Value of ₹ 1,44,000 p.a. and Fair Rent of ₹ 1,49,000 p.a., but restricted to Standard Rent of ₹ 1,39,000 p.a.]		
- Actual rent ₹ 1,80,000 i.e., [₹ 20,000 x 10] less unrealized rent of January, 2022 ₹ 20,000		

Gross Annual Value		1,80,000	
Less: Municipal taxes [50% of ₹30,000]		15,000	
Net Annual Value		1,65,000	
Less: Deductions from Net Annual Value			
(a) 30% of Net Annual Value		49,500	
(b) Interest on loan [50% of ₹ 90,000]		45,000	70,500
Unit – 3 [25% of floor area – Self occupied]			
Net Annual Value		-	
Less: Interest on loan [Not allowed as Mr. Sailesh is opting for section 115BAC.]		-	-
Income from house property			70,500
Profits and gains from business or profession			
Business Income [without deducting expenditure of Unit - 2 25% floor area used for business purposes]		2,40,000	
Less: Expenditure in respect of Unit -2			
- Municipal taxes [25% of ₹ 30,000]	7,500		
- Repairs [25% of ₹ 7,000]	1,750		
- Interest on loan [25% of ₹ 90,000]	22,500		
- Ground rent [25% of ₹ 6,000]	1,500		
- Fire Insurance premium [25% of ₹ 60,000]	15,000	48,250	1,91,750
Taxable Income			2,62,250

Note: Alternatively, if as per income-tax returns, unrealised rent is deducted from GAV, then GAV would be ₹ 2,00,000, being higher of unexpected rent of ₹ 1,39,000 and actual rent of ₹ 2,00,000. Thereafter, unrealised rent of ₹ 20,000 and municipal taxes of ₹ 15,000 would be deducted from GAV of ₹ 2,00,000 to arrive at the NAV of ₹ 1,65,000

Question 4

Mr. Varun is a resident but not ordinarily resident in India during the Assessment Year 2024-25. He furnishes the following information regarding his income/expenditure pertaining to his house properties for the previous year 2023-24:

- He owns two houses, one in Australia and the other in Delhi.
- The house in Australia is let out there at a rent of SGD 3,000 p.m. The entire rent is received in India. He paid Property tax of SGD 1000 and Sewerage Tax SGD 500 there. (1SGD=INR 55)
- The house in Delhi is self-occupied. He had taken a loan of ₹ 20,00,000 to construct the house on 1st June, 2019 @12%. The construction was completed on 31st May, 2022 and he occupied the house on 1st June, 2022.

The entire loan is outstanding as on 31st March, 2024. Property tax paid in respect of the second house is ₹ 2,500.

Compute the income chargeable under the head "Income from House property" in the hands of Mr. Varun for the Assessment Year 2024-25. (MTP 4 Marks Sep'22, RTP May 20)

Answer 4

Computation of income from house property of Mr. Varun for A.Y. 2024-25

Particulars	₹	₹
1. Income from let-out property in Australia [See Note 1 below]		19,80,000



assuming that the entire amount of loan is outstanding on the last day of the current previous year.(RTP Nov '18)

Answer 5

Computation of income under the head “House Property” of Mr. Ranjan for A.Y.2024-25

Particulars	₹	₹
2Gross Annual Value (₹ 45,000 x 12)		5,40,000
Less: Municipal taxes (See Working Note 1)		18,000
Net Annual Value (NAV)		5,22,000
Less: Deductions under section 24		
(i) 30% of NAV	1,56,600	
(ii) Interest on housing loan (See Working Note 2)	2,24,400	
		3,81,000
Income chargeable under the head “House Property”		1,41,000

Working Notes:

(1)	Municipal taxes deductible from Gross Annual Value	
	As per proviso to section 23(1), municipal taxes actually paid by the owner during the previous year is allowed to be deducted from Gross Annual Value. Accordingly, only ₹ 18,000 paid on 25.05.2023 is allowed to be deducted from Gross Annual Value, while computing income from house property of the previous year 2023-24	
(2)	Interest on housing loan allowable as deduction under section 24	
	As per section 24(b), interest for the current year (₹ 22,00,000 x 9%)	₹ 1,98,000
	Pre-construction interest For the period 01.08.2021 to 31.03.2022 (₹ 22,00,000 x 9% x 8/12) = ₹ 1,32,000 ₹ 1,32,000 allowed in 5 equal installments (₹ 1,32,000/5) from P.Y. 2022-23 to P.Y. 2026-27	₹ 26,400
		₹ 2,24,400
3.	Deduction under section 24(b), in respect of interest on housing loan for let out property, fully allowed without any limit.	

² In the absence of information related to municipal value, fair rent and standard rent, the rent receivable has been taken as the Gross Annual Value

³ The municipal tax of ₹ 18,000 paid on 15.4.2022 would be allowed as deduction while computing income from house property of the previous year 2022-23.

Question 6

Shraddha has two flats in Mumbai, both of which are self-occupied. The particulars of these are given below:

Particulars	(Value in ₹)	
	Flat at Goregaon	Flat at Navi Mumbai
Municipal Valuation per annum	1,40,000	1,35,000
Fair Rent per annum	1,60,000	1,80,000
Standard rent per annum	1,40,000	1,90,000
Date of completion of construction	1-02-2012	24-08-2006
Municipal taxes payable during the year (paid for Flat at Navi Mumbai only)	10%	12%



Interest on money borrowed for repair of property during current year	-	72,000
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Compute Shraddha's income from house property for the Assessment Year 2024-25. Also, suggest which flat should be opted by Shraddha to be assessed as self-occupied so that her tax liability is minimum. (RTP May '19)

Answer 6

In this case, Shraddha has more than one house property for self-occupation. As per section 23(4), Shraddha can avail the benefit of self-occupation (i.e., benefit of "Nil" Annual Value) only in respect of one (**two**) of the house properties;

(As per amendment If Assessee has more than one property for own residential purpose then upto 2 houses can be treated as self occupied property and any other houses are deemed to be let out.)

As per amendment-

Particulars	Amount in ₹
<i>Flat at Goregaon (Self-occupied) [Annual value is Nil]</i>	<i>Nil</i>
<i>Flat at Navi (Self-occupied) [Annual value is Nil]</i>	<i>Nil</i>
<i>Income from house property</i>	<i>Nil</i>

Question 7

Ms. Pihu has three houses, all of which are self-occupied. The particulars of these houses are given below:

Particulars	(Value in ₹)		
	House – I	House – II	House-III
Municipal Valuation per annum	1,30,000	1,20,000	1,20,000
Fair Rent per annum	1,10,000	1,85,000	1,45,000
Standard rent per annum	1,00,000	1,90,000	1,30,000
Date of completion	30-01-2005	31-07-2008	31.5.2011
Municipal taxes payable during the year (paid for House II & III only)	12%	9%	10%
Interest on money borrowed for repair of property during current year	-	75,000	-

You are required to compute Pihu's income from house property for the Assessment Year 2024-25 and suggest which houses should be opted by Pihu to be assessed as self-occupied so that her tax liability is minimum. (RTP Nov '20)

Answer 7

In this case, Pihu has more than two house properties for self-occupation. As per section 23(4), Pihu can avail the benefit of self-occupation (i.e., benefit of "Nil" Annual Value) only in respect of any two of the house properties, at her option. The other house property would be treated as "deemed let-out" property, in respect of which the Expected rent would be the gross annual value. Pihu should, therefore, consider the most beneficial option while deciding which house properties should be treated by her as self-occupied.

OPTION 1 [House I & II – Self-occupied and House III- Deemed to be let out]

If House I and II are opted to be self-occupied, Pihu's income from house property for A.Y.2024-25 would be

Particulars	Amount in ₹
House I (Self-occupied) [Annual value is Nil]	Nil
House II (Self-occupied) [Annual value is Nil, but interest deduction would be available, subject to a maximum of ₹ 30,000. In case of money borrowed for repair of self-occupied property, the interest deduction would be restricted to ₹30,000, irrespective of the date of borrowal].	(30,000)



House III (Deemed to be let-out) [See Working Note below]	82,600
Income from house property	52,600

OPTION 2 [House I & III – Self-occupied and House II- Deemed to be let out]

If House I and III are opted to be self-occupied, Pihu’s income from house property for A.Y.2024-25 would be –

Particulars	Amount in ₹
House I (Self-occupied) [Annual value is Nil]	Nil
House II (Deemed to be let-out) [See Working Note below]	46,940
House III (Self-occupied) [Annual value is Nil]	Nil
Income from house property	46,940

OPTION 3 [House I – Deemed to be let out and House II & III – Self-occupied]

If House II and III are opted to be self-occupied, Pihu’s income from house property for A.Y.2024-25 would be –
 Since Option 3 is more beneficial, Pihu should opt to treat House – II & III as Self- occupied and House I as Deemed to be let out, in which case, her income from house property would be ₹ 40,000 for the A.Y. 2024-25.–

Particulars	Amount in ₹
House I (Deemed to be let-out) [See Working Note below]	70,000
House II (Self-occupied) [Annual value is Nil, but interest deduction would be available, subject to a maximum of ₹ 30,000. In case of money borrowed for repair of self-occupied property, the interest deduction would be restricted to ₹30,000, irrespective of the date of borrowal].	(30,000)
House III (Self-occupied) [Annual value is Nil]	Nil
Income from house property	40,000

Working Note:

Computation of income from House I, II and House III assuming that all are deemed to be let out

Particulars	Amount in Rupees		
	House I	House II	House III
Gross Annual Value (GAV) Expected rent is the GAV of house property Expected rent= Higher of Municipal Value and Fair Rent but restricted to Standard Rent	1,00,000	1,85,000	1,30,000
Less: Municipal taxes (paid by the owner during the previous year)	Nil	10,800	12,000
Net Annual Value (NAV)	1,00,000	1,74,200	1,18,000
Less: Deductions under section 24			
(a) 30% of NAV	30,000	52,260	35,400
(b) Interest on borrowed capital (allowed in full in case of deemed let out property)	-	75,000	-
Income from deemed to be let-out house property	70,000	46,940	82,600

Question 8

Mr. Roxx, a citizen of the Country Y, is a resident but not ordinarily resident in India during the financial year 2023-24. He owns two house properties in Country Y, one is used as his residence. Another house property is rented for a monthly rent of \$ 18,000. Fair rent of the house property is \$ 20,000. The value of one CYD (\$) may be taken as ₹ 78.

He took ownership and possession of a flat in Delhi on 1.10.2023, which is used for self-occupation, while he is in India. The flat was used by him for 3 months at the time when he visited India during the previous year 2023-24. The municipal valuation is ₹ 4,58,000 p.a. and the fair rent is ₹ 3,60,000 p.a. He paid property tax of ₹ 13,800 and ₹ 2,800 as Sewerage tax to Municipal Corporation of Delhi.

He had taken a loan of ₹ 18,00,000 @9.5% from HDFC Bank on 1st August, 2022 for purchasing this flat. No amount is repaid by him till 31.03.2024.

He also had a house property in Bangalore which is let out on a monthly rent of ₹ 40,000. The fair rent of which is ₹ 4,58,000 p.a. and Municipal value of ₹ 3,58,000 p.a. and Standard Rent of ₹ 4,20,000 p.a. He had taken a loan of ₹ 25,00,000 @ 10% from one of his friends, residing in Country Y for this house. Municipal tax of ₹ 5,400 is paid by him in respect of this house during the previous year 2023-24. Compute the income chargeable from house property of Mr. Roxx for the assessment year 2024-25. (RTP May '21, MTP 6 Marks Oct '23)

Answer 8

Since Mr. Roxx, is a resident but not ordinarily resident in India, only the income in respect of properties situated in India would be taxable in his hands. Thus, the rental income which accrues or arises in Country Y from the let-out property and annual value of self-occupied property would not be taxable in his hands. However, income arising from properties in India are taxable in the hands of Mr. Roxx. Accordingly, the income from house property of Mr. Roxx for A.Y.2024-25 will be calculated as under:

Particulars		₹	₹
1.	Self-occupied house at Delhi		
	Annual value		Nil
	Less: Deduction under section 24	Nil	
	Interest on borrowed capital (See Note below)		2,00,000
	Chargeable income from this house property		(2,00,000)
2.	Let out house property at Bangalore		
	Expected rent, being higher of ₹ 3,58,000 municipal value and fair rent of ₹ 4,58,000 but restricted to Standard rent of ₹ 4,20,000	4,20,000	
	Actual rent [40,000 x 12]	4,80,000	
	Gross Annual Value, being higher of expected rent and actual rent		4,80,000
	Less: Municipal taxes		5,400
	Net Annual Value		4,74,600
	Less: Deduction under section 24		
	- 30% of net annual value [30% x 4,74,600]	1,42,380	
	- Interest on borrowed capital (actual allowable as deduction without any ceiling limit)	2,50,000	3,92,380
			82,220
	Loss under the head "Income from house property" (₹ 2,00,000 - ₹ 82,220)		(1,17,780)

Note: Interest on borrowed capital

Particulars	₹
Interest for the current year [18,00,000 x 9.5%]	1,71,000
Add: 1/5th of pre-construction interest (₹ 2,85,000 x 1/5)	57,000



1.8.2021 to 31.03.2022– (₹ 18,00,000 x 9.5% x 8/12)	1,14,000	
1.4.2022 to 31.03.2023 – (₹ 18,00,000 x 9.5%)	1,71,000	
		2,28,000
Interest deduction allowable under section 24, restricted to		2,00,000

Question 9

Mr. Roy owns a house in Kolkata. During the previous year 2023-24, 3/4th portion of the house was self-occupied and 1/4th portion was let out for residential purposes at a rent of ₹ 12,000 p.m. The tenant vacated the property on 28th February, 2024. The property was vacant during March, 2024. Rent for the months of January 2024 and February 2024 could not be realized in spite of the owner's efforts. All the conditions prescribed under Rule 4 are satisfied.

Municipal value of the property is ₹ 4,50,000 p.a., fair rent is ₹ 4,70,000 p.a. and standard rent is ₹ 5,00,000. He paid municipal taxes @10% of municipal value during the year. A loan of ₹ 30,00,000 was taken by him during the year 2014 for acquiring the property. Interest on loan paid during the previous year 2023-24 was ₹ 1,51,000. Compute Roy's income from house property for the A.Y. 2024-25. (RTP Nov'22)

Answer 9

There are two units of the house. Unit I with 3/4th area is used by Mr. Roy for self- occupation throughout the year and no benefit is derived from that unit, hence, it will be treated as self-occupied and its annual value will be nil. Unit 2 with 1/4th area is let -out during the previous year and its annual value has to be determined as per section 23(1).

Computation of Income from house property of Mr. Roy for the A.Y. 2024-25

Particulars		₹
Unit I (3/4th area – self-occupied)		
Annual Value		Nil
Less: Deduction under section 24(b) 3/4th of ₹ 1,51,000		1,13,250
Income from Unit I (self-occupied)		(1,13,250)
Unit II (1/4th area – let out)		
Computation of GAV		
Step 1 – Computation of Expected Rent (ER)		
ER = Higher of municipal value (MV) and fair rent (FR), but restricted to standard rent (SR).	1,17,500	
However, in this case, standard rent of ₹ 1,25,000 (1/4th of ₹ 5,00,000) is more than the higher of MV of ₹ 1,12,500 (1/4th of ₹ 4,50,000) and FR of ₹ 1,17,500 (1/4th of ₹ 4,70,000). Hence the higher of MV and FR is the ER. In this case, it is the fair rent.		
Step 2 – Computation of actual rent received/ receivable ₹ 12,000 × 9 = 1,08,000 [The property was let-out for 11 months. However, rent for 2 months i.e., January and February, 2024 could not be realized. Actual rent should not include any amount of rent which is not capable of being realized. Therefore, actual rent has been computed for 9 months]	1,08,000	
Step 3 – Computation of GAV		
The actual rent of ₹ 1,08,000 is lower than expected rent of ₹ 1,17,500 owing to vacancy, since had the property not been vacant in March 2022, the actual rent would have been ₹ 1,20,000 (i.e. ₹ 1,08,000 + ₹ 12,000), which is higher than the ER of ₹ 1,17,500. Therefore, actual rent is the GAV.	1,08,000	
Gross Annual Value (GAV)		



Less: Municipal taxes paid by the owner during the previous year relating to let-out portion		1,08,000
1/4th of (10% of ₹ 4,50,000) = ₹ 45,000/4 = ₹ 11,250	29,025	11,250
Net Annual Value (NAV)		96,750
Less: Deductions under section 24		
(a) 30% of NAV = 30% of ₹ 96,750		
(b) Interest paid on borrowed capital (relating to let out portion) [1/4th of ₹ 1,51,000]	37,750	66,775
Income from Unit II (let-out)		29,975
Loss under the head "Income from house property" (-1,13,250 + 29,975)		-83,275

Note – Alternatively, as per income-tax returns, unrealized rent can be deducted from GAV. In such a case, GAV would be ₹ 1,32,000, being higher of expected rent of ₹ 1,17,500 and actual rent of ₹ 1,32,000. Thereafter, unrealized rent of ₹ 24,000 and municipal taxes of ₹ 11,250 would be deducted from GAV of ₹ 1,32,000 to arrive at the NAV of ₹ 96,750.

Question 10

Mr. Ramesh constructed a big house (construction completed in Previous Year 2011-12) with 3 independent units. Unit - 1 (50% of floor area) is let out for residential purpose at monthly rent of ₹ 15,000. A sum of ₹ 3,000 could not be collected from the tenant and a notice to vacate the unit was given to the tenant. No other property of Mr. Ramesh is occupied by the tenant. Unit - 1 remains vacant for 2 months when it is not put to any use. Unit - 2 (25% of the floor area) is used by Mr. Ramesh for the purpose of his business, while Unit - 3 (the remaining 25%) is utilized for the purpose of his residence. Other particulars of the house are as follows:

Municipal valuation - ₹ 1,88,000 Fair rent - ₹ 2,48,000

Standard rent under the Rent Control Act - ₹ 2,28,000

Municipal taxes - ₹ 20,000 Repairs - ₹ 5,000

Interest on capital borrowed for the construction of the property - ₹ 60,000, ground rent ₹ 6,000 and fire insurance premium paid - ₹ 60,000.

Income of Ramesh from the business is ₹ 1,40,000 (without debiting house rent and other incidental expenditure).

Determine the taxable income of Mr. Ramesh for the assessment year 2024-25 if he does not opt to be taxed under section 115BAC. (PYP 6 Marks, July'21)

Answer 10

Computation of Taxable Income of Mr. Ramesh for A.Y. 2024-25 under the regular provisions of the Act

Particulars	Amount (₹)	Amount (₹)
Income from house property		
Unit - 1 [50% of floor area - Let out]		
Gross Annual Value, higher of - Expected rent ₹ 1,14,000 [Higher of Municipal Value of ₹ 94,000 p.a. and Fair Rent of ₹ 1,24,000 p.a., but restricted to Standard Rent of ₹ 1,14,000 p.a.] - Actual rent ₹ 1,47,000 [₹ 15,000 x 10] less unrealized rent of ₹ 3,000		
Gross Annual Value (Alternatively, ₹ 1,50,000 can be shown as actual rent and gross annual value, and thereafter, deduct ₹ 3,000 unrealized rent therefrom)	1,47,000	
Less: Municipal taxes [50% of ₹20,000]	10,000	



Net annual value		1,37,000	
Less: Deductions from Net Annual Value			
(a) 30% of Net Annual Value		41,100	
(b) Interest on loan [50% of ₹ 60,000]		30,000	
Unit – 3 [25% of floor area – Self occupied]			
Net Annual Value		-	65,900
Less: Interest on loan [25% of ₹ 60,000]		15,000	(15,000)
Income from house property			50,900
Profits and gains from business or profession			
Business Income [without deducting expenditure on Unit - 2 25% floor area used for business purposes]		1,40,000	
Less: Expenditure in respect of Unit -2			
- Municipal taxes [25% of ₹ 20,0005]	5,000		
- Repairs [25% of ₹ 5,000]	1,250		
- Interest on loan [25% of ₹ 60,000]	15,000		
- Ground rent [25% of ₹ 6,000]	1,500		
- Fire Insurance premium [25% of ₹ 60,000]	15,000	37,750	
			1,02,250
Taxable Income			1,53,150

3 Since the conditions laid down under Rule 4 of Income-tax Rules, 1962, are satisfied

4 Assumed to have been paid during the year by Mr. Ramesh

EXAMINERS' COMMENTS ON THE PERFORMANCE OF EXAMINEES:

The computation of business income in respect of Unit -2 used for business purpose was wrongly made by many examinees. The treatment of expenses incurred in respect of this unit was wrongly done.

Question 11

Mr. Madhvan is a finance manager in Star Private Limited. He gets a salary of ₹ 30,000 per month. He owns two houses, one of which has been let out to his employer and which is in tum provided to him as rent free accommodation. Following details (annual) are furnished in respect of two house properties for the Financial Year 2023-24.

	House 1	House 2
Fair rent	75,000	1,95,000
Actual rent	65,000	2,85,000
Municipal Valuation	74,000	1,90,000
Municipal taxes paid	18,000	70,000
Repairs	15,000	35,000
Insurance premium on building	12,000	17,000
Ground rent	7,000	9,000
Nature of occupation	Let-out to	Let-out to
	Star Private Limited	Ms. Puja

₹ 17,000 were paid as interest on loan taken by mortgaging House 1 for construction of House 2.

During the previous year 2023-24, Mr. Madhvan purchased a rural agricultural land for ₹ 2,50,000. Stamp valuation of such property is ₹ 3,00,000.

Determine the taxable income of Mr. Madhvan for the assessment year 2024-25. All workings should form part of your answer. (PYP 8 Marks, May'19, MTP 7 Marks Sep '23)



Answer 11

Computation of taxable income of Mr. Madhvan for A.Y. 2024-25



EXAMINERS' COMMENTS ON THE PERFORMANCE OF EXAMINEES:

Some examinees have wrongly considered House 1 let out to employer as self-occupied property. Also, some examinees have computed tax liability which is not the requirement of the question.

Particulars		₹	₹
Salaries			



Basic Salary = ₹ 30,000 x 12		3,60,000	
Rent free accommodation		36,000	
[Lower of lease rental paid or payable by the employer (or) 15% 10% of salary i.e., lower of ₹ 65,000 or ₹ 54,000 ₹ 36,000 , being 10% of ₹ 3,60,000] (As per amendment it is actual amount of lease rental paid or payable by the employer or 10% of salary whichever is lower as reduced by rent paid by the employee)			
Gross Salary		3,96,000	
Less: Standard deduction u/s 16(IA) [Actual salary or ₹ 40,000 (As per amendment Rs. 50,000) , whichever is less]		40,000 50,000	
Net Salary	House 1		3,74,000 3,46,000
Income from house property		House 2	
Municipal value (A)	74,000	1,90,000	
Fair rent (B)	75,000	1,95,000	
Higher of (A) and (B) = (C)	75,000	1,95,000	
Actual rent received	65,000	2,85,000	
Gross Annual Value [Higher of (C) and Actual rent]	75,000	2,85,000	
Less: Municipal tax paid	18,000	70,000	
Net Annual Value (NAV)	57,000	2,15,000	
Less: Deductions u/s 24 30% of NAV	17,100	64,500	
Interest on loan	Nil	17,000	
Income from house property [₹ 39,900 + ₹ 1,33,500]	39,900	1,33,500	1,73,400
Income from Other Sources			
Purchase of rural agricultural land for a consideration less than stamp duty value [Not taxable under section 56(2)(x), since rural agricultural land is not a capital asset]			Nil
Total Income			5,19,400
Note - Expenditure on repairs, insurance premium on building and ground rent are not allowable under the head "Income from house property."			

Question 12

Mr. Akash owns a residential house property whose Municipal Value, Fair Rent and Standard Rent are ₹ 1,60,000, ₹ 1,70,000 and ₹ 1,90,000, respectively. The house has two independent units. Unit I (25% of floor area) is utilized for the purpose of his profession and Unit II (75% of floor area) is let out for residential purposes at a monthly rent of ₹ 8,500. Municipal taxes @8% of the Municipal Value were paid during the year by Mr. Akash. He made the following payments in respect of the house property during the previous year 2022-23:

Light and Water charges ₹ 2,000, Repairs ₹ 1,45,000, Interest on loan taken for the repair of property ₹



36,000. Mr. Akash has taken a loan of ₹ 5,00,000 in July, 2016 for the construction of the above house property. Construction was completed on 30th June, 2019. He paid interest on loan @12% per annum and every month such interest was paid. No repayment of loan has been made so far.

Income of Mr. Akash from his profession amounted to ₹ 8,00,000 during the year (without debiting house rent and other incidental expenditure including admissible depreciation of ₹ 8,000 on the portion of house used for profession).

Determine the Gross total income of Mr. Akash for the A.Y. 2024-25 ignoring the provisions of section 115BAC. (RTP May '23)

Answer 12

Computation of Gross total income of Mr. Akash for the A.Y. 2024-25

Particulars			₹	₹
I	Income from House Property			
	Unit-II (75% of floor area)			
	Gross Annual Value			
	(a) Actual rent received (₹ 8,500 x 12)	₹ 1,02,000		
	(b) Expected rent	₹ 1,27,500		
	[Higher of municipal value (i.e. ₹ 1,60,000) and fair rent (i.e. ₹ 1,70,000) but restricted to standard rent (i.e. ₹ 1,90,000) ₹ 1,70,000 x 75%]			
	Higher of (a) or (b) is GAV		1,27,500	
	Less: Municipal taxes (₹ 1,60,000 x 8% x 75%)		9,600	
	NAV		1,17,900	
	Less: Deductions u/s 24			
	(a) 30% of NAV	₹ 35,370		
	(b) Interest on loan (See note)	₹ 96,750	1,32,120	
II	Profits & Gains of business & profession			(14,220)
	Income from Profession		8,00,000	
	Less: Light & Water Charges (25% of ₹ 2,000)	₹ 500		
	Municipal taxes (25% of ₹ 12,800)	₹ 3,200		
	Repairs (25% of ₹ 1,45,000)	₹ 36,250		
	Interest on loan taken for repair (25% of ₹ 36,000)	₹ 9,000		
	Interest on loan taken for construction of house property (25% of ₹ 60,000)	₹ 15,000		
	Depreciation	₹ 8,000	71,950	7,28,050
	Gross Total Income			7,13,830

Note:

Computation of Interest on loan

	₹
Interest for the year (₹ 5,00,000 x 12%)	60,000
Pre-construction period Interest- 12% of ₹ 5,00,000 for 33 months = ₹ 1,65,000	
To be allowed in 5 equal instalments from the year of completion (₹ 1,65,000 x 1/5)	33,000
Interest on loan taken for repair (no restriction for let out property)	36,000



Total Interest deduction u/s 24(b)	1,29,000
Total Interest deduction u/s 24(b) for let out property (75% x ₹ 1,29,000)	96,750

MULTIPLE CHOICE QUESTIONS (MCQS)

1. Mr. Ashutosh purchased his first dream home in Bangalore on 16.8.2023. He applied for home loan of ₹ 40 lakhs from IDFC bank on 15.7.2023, the same was sanctioned by bank on 20.7.2023. The stamp duty value of the said house was ₹ 44 lakhs. The interest due on the said home loan is ₹ 3,75,000 for the financial year 2023-24. Due to liquidity issues, Mr. Ashutosh could only pay ₹ 3,26,000. Compute the total interest deduction Mr. Ashutosh can claim for the A.Y. 2024-25, assuming Mr. Ashutosh doesn't opt for the tax rates under the new scheme.

- (a) ₹ 3,26,000
 - (b) ₹ 2,00,000
 - (c) ₹ 3,75,000
 - (d) ₹ 3,50,000
- (MTP 2 Marks, Oct'21)

Ans: (d)

2. Ms. Sheetal and her brother jointly own a bungalow. They had taken a housing loan to purchase the bungalow. The loan is sanctioned in the name of Ms. Sheetal and her brother in the year 2020. Interest on housing loan for the P.Y. 2023-24 amounted to ₹4,50,000 which is paid by Ms. Sheetal (₹2,25,000) and her brother (₹2,25,000). The bungalow is used by them for their residence. In this case, what will be the amount of deduction available under section 24(b) to Ms. Sheetal and her brother?

- (a) ₹ 30,000 each
 - (b) ₹2,00,000 each
 - (c) ₹2,25,000 each
 - (d) ₹4,50,000 each
- (MTP 1 Mark, April'19)

Ans: (b)

3. Mr. Akash is constructing a residential house property in Patna for self-occupation. He has taken a loan of ₹ 40 lakhs from SBI on 30.3.2023 for this purpose. He pays interest of ₹ 2.50 lakhs during the P.Y.2023-24. He repays ₹ 1.50 lakhs towards principal on 31.3.2024. The construction is completed in May, 2023. The stamp duty value of the house is ₹ 46 lakhs. This is the only house property of Mr. Akash. For A.Y. 2024-25-

- (a) Mr. Akash is entitled for deduction of ₹ 2 lakhs under section 24 and ₹ 1.50 lakhs under section 80C
 - (b) Mr. Akash is entitled for deduction of ₹ 2 lakhs under section 24, ₹ 50,000 under section 80EEA and ₹ 1.50 lakhs under section 80C
 - (c) Mr. Akash is neither entitled for deduction under section 24 nor under section 80C. He is, however, entitled for deduction of ₹ 1.50 lakhs under section 80EEA
 - (d) Mr. Akash is not entitled for deduction under section 24, section 80C and section 80EEA
- (MTP 2 Marks Oct'22)

Ans: (d)

4. In respect of loss from house property, which of the following statements are correct?

- (a) While computing income from any house property, the maximum interest deduction allowable under section 24 is ₹ 2 lakhs
- (b) Loss from house property relating to a particular year can be set-off against income under any other head during that year only to the extent of ₹ 2 lakhs



- (c) The loss in excess of ₹ 2 lakh, which is not set-off during the year, can be carried forward for set-off against any head of income in the succeeding year(s)
- (d) All the above **(RTP May '19)**

Ans: (b)

5. Mr. Raghav has three houses for self-occupation. What would be the tax treatment for A.Y.2024-25 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. **(RTP Nov '19)**

Ans: (b)

6. Mr. Virat has a house property in Chennai which he let out to Mr. Sumit. For acquisition of this house, Mr. Virat has taken a loan of ₹ 30,00,000 @10% p.a. on 1-4-2017. He has further taken a loan of ₹ 5 lakhs @12% p.a. on 1.7.2023 towards repairs of the house. He has not repaid any amount of loan so far. The amount of interest deduction u/s 24(b) to Mr. Virat for A.Y. 2024-25 if he opted for the provisions of section 115BAC is – (RTP May '23)

- (a) ₹ 2,00,000
- (b) ₹ 2,30,000
- (c) ₹ 3,45,000
- (d) ₹ 3,60,000

Ans: (c)



Chapter 3.3 Profits & Gains from Business Profession

Question 1: illustration

Mr. X commenced the business of operating goods vehicles on 1.4.2023. He purchased the following vehicles during the P.Y.2023-24. Compute his income under section 44AE for A.Y.2024-25.

	Gross Vehicle Weight(in kilograms)	Number	Date of purchase
(1)	7,000	2	10.04.2021
(2)	6,500	1	15.03.2022
(3)	10,000	3	16.07.2021
(4)	11,000	1	02.01.2022
(5)	15,000	2	29.08.2021
(6)	15,000	1	23.02.2022

Would your Answer change if the goods vehicles purchased in April, 2023 were put to use only in July, 2023? (Old & New SM)(Same concept different figures RTP May'19)

Answer 1

Since Mr. X does not own more than 10 vehicles at any time during the previous year 2023-24, he is eligible to opt for presumptive taxation scheme under section 44AE. Rs. 1,000 per ton of gross vehicle weight or unladen weight per month or part of the month for each heavy goods vehicle and Rs. 7,500 per month or part of month for each goods carriage other than heavy goods vehicle, owned by him would be deemed as his profits and gains from such goods carriage. Heavy goods vehicle means any goods carriage, the gross vehicle weight of which exceeds 12,000 kg.

(1)	(2)	(3)	(4)
Number of Vehicles	Date of purchase	No. of months for which vehicle is owned	No. of months × No. of vehicles [(1) × (3)]
For Heavy goods vehicle			
2	29.08.2023	8	16
1	23.02.2024	2	2
			18
For goods vehicle other than heavy goods vehicle			
2	10.4.2023	12	24
1	15.3.2024	1	1
3	16.7.2023	9	27
1	02.1.2024	3	3
			55

The presumptive income of Mr. X under section 44AE for A.Y.2024-25 would be -Rs. 6,82,500, i.e., 55 × Rs. 7,500, being for other than heavy goods vehicle + 18 × Rs. 1,000 × 15 ton being for heavy goods vehicle.

The Answer would remain the same even if the two vehicles purchased in April, 2023 were put to use only in July, 2023, since the presumptive income has to be calculated per month or part of the month for which the vehicle is owned by Mr. X.

Question 2 (Includes concepts of Capital Gains)

M/s. Moksh Enterprises, a sole proprietorship owns four machines, put in use for business in March, 2022. The depreciation on these machines is charged @ 15%. The written down value of these machines as on 1st April, 2023 was ₹ 7,70,000. Two of the old machines were sold on 15th July, 2023 for ₹ 10,00,000. A second hand plant was bought for ₹ 6,10,000 on 30th December, 2023. You are required to:

- (i) Determine the claim of depreciation for Assessment Year 2024-25.
- (ii) Compute the capital gains liable to tax for Assessment Year 2024-25.
- (iii) If Moksh Enterprises had sold the two machines in July, 2023 for ₹ 15,00,000, explain, will there be any difference in your above workings? (MTP 4 Marks, April'21 & Oct '23)

Answer 2
i. Computation of depreciation for A.Y.2024-25

Particulars	₹
W.D.V. of the block as on 1.4.2023	7,70,000
Add: Purchase of second hand plant during the year [in December, 2023]	6,10,000
	13,80,000
Less: Sale consideration of old machinery during the year [in July, 2023]	10,00,000
W.D.V of the block as on 31.03.2024	3,80,000
Depreciation @ 15% but restricted to 50% thereon. ₹ 3,80,000 X 7.5%	28,500
[Since the value of the block as on 31.3.2024 represents part of actual cost of second hand plant purchased in December, 2023, which has been put to use for less than 180 days, depreciation is restricted to 50% of the prescribed percentage of 15% i.e. depreciation is restricted to 7½%.	
Therefore, the depreciation allowable for the year is ₹ 28,500 being 7½% of ₹ 3,80,000]	

- ii. In the given case, no capital gains would arise, since the block of asset continues to exist, and some of the assets are sold for a price which is lesser than the written down value of the block as increased by the actual cost of asset purchased during the year.
- iii. If the two machines are sold in July, 2023 for ₹ 15,00,000, then short term capital gains would arise, since the sale consideration is more than the aggregate of the written down value of the block at the beginning of the year and the additions made during the year.

Particulars	₹	₹
Sale consideration		15,00,000
Less: W.D.V. of the machines as on 1.4.2023	7,70,000	
Purchase of second plant during the year	6,10,000	
		13,80,000
Short term capital gains		1,20,000

Question 3

Mr. Yogesh is in the business of operating goods vehicles. As on 1st April, 2023, he had the following vehicles:

Vehicle	Gross Vehicle Weight (in Kgs.)	Date of Purchase	Put to use during F.Y. 2023-24?
A	9000	2-6-2022	Yes
B	15000	15-5-2022	Yes
C	12000	4-8-2022	No (as under repairs)

During P.Y. 2023-24, he purchased the following vehicles:

Vehicle	Gross Vehicle Weight (in Kgs.)	Date of Purchase	Date on which put to use
D	11500	20-4-2023	10-5-2023
E	14000	15-5-2023	18-5-2023

Compute his income under section 44AE of the Income-tax Act, 1961 for A.Y. 2024-25. (MTP 3 Marks April'21, PYP 4 Marks Nov 19)

Answer 3

Since Mr. Yogesh does not own more than 10 vehicles at any time during the previous year 2023 -24, he is eligible to opt for presumptive taxation scheme under section 44AE. As per section 44AE, ₹ 1,000 per ton of gross vehicle weight or unladen weight, as the case may be, per month or part of the month for each heavy goods vehicle and ₹ 7,500 per month or part of month for each goods carriage other than heavy goods vehicle, owned by him would be deemed as his profits and gains from such goods carriage.

Heavy goods vehicle means any goods carriage, the gross vehicle weight of which exceeds 12,000 kg.

Calculation of presumptive income as per section 44AE

Type of carriage	No. of months the vehicle is owned by Mr. Prakash	Rate per ton per month	Ton	Amount ₹
(1)	(2)	(3)	(4)	(5) [(2) x (3) x (4)]
Heavy goods vehicle				
Vehicle B (15,000 kgs) held throughout the year	12	₹ 1,000	15 (15,000/1,000)	1,80,000
Vehicle E (14,000 kgs) purchased on 15.5.2020	11	₹ 1,000	14 (14,000/1,000)	1,54,000
Goods vehicles other than heavy goods vehicle		Rate per month		
Vehicle A held throughout the year	12	₹ 7,500	-	90,000
Vehicle C held throughout the year	12	₹ 7,500	-	90,000
Vehicle D purchased on 20.4.2023	12	₹ 7,500	-	90,000
Total				6,04,000

The “put to use” date of the vehicle is not relevant for the purpose of computation of presumptive income under section 44AE, since the presumptive income has to be calculated per month or part of the month for which the vehicle is owned by Mr. Yogesh.

EXAMINERS' COMMENTS ON THE PERFORMANCE OF EXAMINEES:

Most of the examinees were not aware that for computing presumptive income under section 44AE the “date of owning” the vehicle is relevant and not the date of “put to use”. Hence, their computation of presumptive income was wrong.

Question 4

Mr. Abhimanyu has furnished the following particulars relating to payments made and expenditure incurred towards scientific research for the year ended 31.3.2024:

Sl. No.	Particulars	₹ (in lakhs)
(I)	Payment made to AB University, an approved University	15



(ii)	Payment made to Soya College	17
(iii)	Payment made to IIT, Madras (under an approved programme for scientific research)	12
(iv)	Machinery purchased for in-house scientific research	25

Compute the deduction available under section 35 of the Income-tax Act, 1961 for A.Y. 2024-25, while computing his income under the head “Profits and gains of business or profession”. (MTP 4 Marks, Oct’20, RTP May 18)

Answer 4

Computation of deduction allowable under section 35

Particulars	Amount (₹ in lakhs)	Section	% of weighted deduction	Amount of deduction (₹ in lakhs)
Payment for scientific research				
AB University, an approved University	15	35(1)(ii)	150% (100%)	22.5 15
Soya College [See Note 1]	17	-	NIL	NIL
IIT Madras (under an approved programme for scientific research)	12	35(2AA)	150% (100%)	18 12
In-house research [See Note 2]				
Capital expenditure – Purchase of Machinery	25	35(1)(iv) row 35(2)	100%	25
Deduction allowable under section 35				65.50 52

Notes: -

- 1.Payment to Soya College:** Since the Question clearly mentions that AB University (mentioned in item (I)) is approved research institutions, it is logical to conclude that Siya College mentioned in item (ii) is not an approved research institution. Therefore, payment to Siya College would not qualify for deduction under section 35.
- 2.Deduction for in-house research and development:** Only company assesses are entitled to weighted deduction @150% under section 35(2AB) in respect of expenditure on scientific research on in-house research and development facility. However, in this case, the assessee is an individual. Therefore, he would be entitled to deduction@100% of the capital expenditure incurred under section 35(1)(iv) read with section 35(2), assuming that such expenditure is laid out or expended on scientific research related to his business.
(As per amendment sec 352AA & sec 35(1)(ii) the deduction limit is reduced from 150% to 100%)

Question 5

Mr. Satinder is engaged in the business of plying goods carriages. On 1 set April, 2023, he owns 10 trucks (out of which 5 are heavy goods vehicles, the gross vehicle weight of such goods vehicle is 17,000 kg each). On 5th May, 2023, he sold one of the heavy goods vehicles and purchased a light goods vehicle on 8th May, 2023. This new vehicle could however be put to use only on 15th July, 2023. Compute the total income of Mr. Satinder for the assessment year 2024-25, taking note of the following data:

Particulars	₹	₹
Freight charges collected		12,50,500
Less : Operational expenses	5,25,500	
Depreciation as per section 32	1,85,000	
Other office expenses	17,000	7,27,500
Net Profit		5,23,000



Other business and non- business income	70,000
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(MTP 5 Marks, March'19)

Answer 5

Section 44AE would apply in the case of Mr. Satinder since he is engaged in the business of plying goods carriages and owns not more than ten goods carriages at any time during the previous year. Section 44AE provides for computation of business income of such assesses on a presumptive basis. The income shall be deemed to be ₹ 1,000 per ton of gross vehicle weight or unladen weight, as the case may be, per month or part of the month for each heavy goods vehicle and ₹ 7,500 per month or part of month for each goods carriage other than heavy goods vehicle, owned by the assessee in the previous year or such higher sum as declared by the assessee in his return of income. Mr. Santander's business income calculated applying the provisions of section 44AE is ₹13,82,500 [See Notes (1) & (2) below] and his total income would be ₹14,52,500. However, as per section 44AE (7), Mr. Satinder may claim lower profits and gains if he keeps and maintains proper books of account as per section 44AA and gets the same audited and furnishes a report of such audit as required under section 44AB. If he does so, then his income for tax purposes from goods carriages would be ₹5,23,000 instead of ₹13,82,500 and his total income would be ₹5,93,000.

Notes:

1. Computation of total income of Mr. Satinder for A.Y. 2024-25

Particulars	Presumptive income ₹	Where books are maintained ₹
Income from business of plying goods carriages [See Note (2) Below]	13,82,500	5,23,000
Other business and non-business income	70,000	70,000
Total Income	14,52,500	5,93,000

2. Calculation of presumptive income as per section 44AE

Type of carriage	No. of months	Rate per ton per month/per month	Ton	Amount ₹
(1)	(2)		(3)	(1) x (2) x (3) = (4)
Heavy goods vehicle				
1 goods carriage up to 5th May	2	1,000	17 (17,000/ 1,000)	34,000
4 goods carriage held throughout the year	12	1,000	17 (17,000/ 1,000)	8,16,000
Goods vehicle other than heavy goods vehicle				
1 goods carriage from 8th May	11	7,500	-	82,500
5 goods carriage held throughout the year	12	7,500	-	4,50,000
Total				13,82,500

Question 6

Kapil & Sons, a partnership firm consisting of two working partners, reports a net profit of ₹ 6,00,000 before deduction of the following items:

- (1) Salary of ₹ 20,000 each per month payable to two working partners of the firm (as authorized by the deed of partnership).
- (2) Depreciation on plant and machinery purchased on 15.7.2013 by a bearer cheque in single payment for ₹ 1,50,000.
- (3) Interest on capital at 18% per annum (as per the deed of partnership). The amount of capital eligible for interest ₹ 5,00,000.

You are required to compute:

- (i) Book-profit of the firm under section 40(b) of the Income-tax Act, 1961.
- (ii) Allowable working partner salary for the assessment year 2024-25 as per section 40(b). (MTP 5 Marks, March'18, Old & New SM)

Answer 6

- (i) As per Explanation 3 to section 40(b), "book profit" shall mean the net profit as per the profit and loss account for the relevant previous year computed in the manner laid down in Chapter IV-D as increased by the aggregate amount of the remuneration paid or payable to the partners of the firm if the same has been already deducted while computing the net profit. In the present case, the net profit given is before deduction of depreciation on plant and machinery, interest on capital of partners and salary to the working partner Therefore, the book profit shall be as follows:

Computation of Book Profit of the firm under section 40(b)

Particulars	₹	₹
Net Profit (before deduction of depreciation, salary and interest)		6,00,000
Less: Depreciation under section 32 (See note below)	NIL	
Interest @ 12% p.a. [being the maximum allowable as per section 40(b)] (5,00,000 × 12%)	60,000	60,000
Book Profit		5,40,000

Note: As per second proviso to section 43(1), the expenditure for acquisition of asset, in respect of which payment to a person in a day exceeds ₹ 10,000 has to be ignored for computing actual cost, if such payment is made otherwise than by way of A/c payee cheque/ bank draft or ECS. Accordingly, depreciation on plant and machinery purchased on 15.7.2013 is not allowable since the payment is made otherwise than by A/c payee cheque/ A/c payee draft/ ECS to a person in a day.

- (ii) Salary actually paid to working partners = ₹ 20,000 × 2 × 12 = ₹ 4,80,000.

As per the provisions of section 40(b)(v), the salary paid to the working partners is allowed subject to the following limits -

On the first ₹ 3,00,000 of book profit or in case of loss	₹ 1,50,000 or 90% of book profit, whichever is more
On the balance of book profit	60% of the balance book profit

Therefore, the maximum allowable working partners' salary for the A.Y. 2024-25 in this case would be:

Particulars	₹
On the first ₹3,00,000 of book profit [(₹1,50,000 or 90% of ₹ 3,00,000) whichever is more]	2,70,000
On the balance of book profit [60% of (₹ 5,40,000 - ₹ 3,00,000)]	1,44,000
Maximum allowable partners' salary	4,14,000

Hence, allowable working partners' salary for the A.Y. 2018-19 as per the provisions of section 40(b)(v) is ₹ 4,14,000.

Question 7

Mr. Chauhan is having a trading business and his Trading and Profit & Loss Account for the financial year 2024-25 is as under:

Particulars	Amount (₹)	Particulars	Amount (₹)
To Opening stock	1,50,000	By Sales	2,70,00,000
To Purchase	2,49,00,000	By Closing stock	1,00,000
To Gross profit	20,50,000		



Total	2,71,00,000	Total	2,71,00,000
Salary to employees (Including Contribution to PF)	5,00,000	By Gross Profit b/d	20,50,000
Donation to Prime Minister Relief Fund	1,00,000		
Provision for bad debts	50,000		
Bonus to employees	50,000		
Interest on bank loan	50,000		
Family planning expenditure incurred on employees	20,000		
Depreciation	30,000		
Income-tax	1,00,000		
To Net profit	11,50,000		
Total	20,50,000	Total	20,50,000

Other information:

- (i) He incurred expenditure on furniture & fixtures of ₹ 35,000, which is paid in cash on 25.7.2023 to M/s Décor World.
- (ii) Depreciation allowable ₹ 40,000 [excluding depreciation on furniture & fixtures refer in (i) above] as per Income-tax Rules, 1962.
- (iii) No deduction of tax at source on payment of interest on bank loan has been made.
- (iv) Out of salary, ₹ 25,000 pertains to his contributions to recognized provident fund which was deposited after the due date of filing return of income. Further, employees contribution of ₹ 25,000 was also deposited after the due date of filing return of income.

Compute business income of Mr. Chauhan for the Assessment Year 2024-25.(RTP Nov '18)

Answer 7

Computation of Business Income of Mr. Chauhan for the A.Y. 2024-25

Particulars	₹	₹
Net profit as per Profit and Loss Account		11,50,000
Add: Expenses not deductible		
Donation to Prime Minister Relief Fund (Refer Note 1)	1,00,000	
Provision for bad debts (Refer Note 2)	50,000	
Family planning expenditure incurred on employees (Refer Note 3)	20,000	
Depreciation as per Profit and Loss Account	30,000	
Income-tax (Refer Note 4)	1,00,000	
Employer's contribution to recognized provident fund (Refer Note 5)	25,000	3,25,000
Less: Expense allowed		14,75,000
Depreciation as per Income-tax Rules, 1962 (Refer Note 6)		40,000
Add: Employee's contribution included in income as per Section 2(24)(x) (Refer Note 7)		14,35,000
		25,000
Business Income		14,60,000

Notes:-

- (1) Donation to Prime Minister Relief Fund is not allowed as deduction from the business income, since it is not incurred wholly and exclusively for business. It is allowed as deduction under section 80G from the gross total

income.

- (2) Provisions for bad debts is allowable as deduction under section 36(1)(vii) (subject to the limits specified therein) only in case of banks, public financial institutions, State Financial Corporation and State Industrial Investment Corporation. Therefore, it is not allowable as deduction in the case of Mr. Chauhan.
- (3) Expenditure on family planning is allowed as deduction under section 36(1)(ix) only to a company assessee. Therefore, such expenditure is not allowable as deduction in the hands of Mr. Chauhan.
- (4) Income-tax paid is not allowable as deduction as per the provisions of section 40(a)(ii).
- (5) Since Mr. Chauhan's contribution (Employer's Contribution) to recognized provident fund is deposited after the due date of filing return of income, the same is disallowed as per provisions of section 43B, in computing business income of A.Y. 2024-25.
- (6) As per second proviso to section 43(1), the expenditure for acquisition of asset, in respect of which payment to a person in a day exceeds ₹ 10,000 has to be ignored for computing actual cost, if such payment is made otherwise than by way of A/c payee cheque/ bank draft or ECS. Accordingly, depreciation on furniture & fixtures would not be allowed, since payment exceeding ₹ 10,000 (₹ 35,000 in this case) is made in cash. Therefore, no adjustment is required to be made in the amount of depreciation computed as per Income-tax Rules, 1962, since such amount does not include depreciation on furniture & fixtures.
- (7) Employee's contribution is includible in the income of the employer by virtue of Section 2(24)(x). The deduction for the same is not provided for as it was deposited after the due date under the Provident Fund Act.
- (8) TDS provisions under section 194A are not attracted in respect of payment of interest on bank loan. Therefore, disallowance under section 40(a)(ia) is not attracted in this case.

Question 8

Mr. Chirag, set up a manufacturing unit of Baking Soda in notified backward area of the State of Andhra Pradesh on 18th May, 2023. The following machineries (falling under 15% block) purchased by him during the previous year 2023-24.

		Amount (₹ lakhs)
(i)	Machinery X, Machinery Y and Machinery Z from Sahaj Limited on credit (installed and usage started on 18th July, 2023, 25th July 2023 and 1st August 2023, respectively). Payment is made on 15th April 2024 to Sahaj Limited by net banking.	58
(ii)	Machinery L from Swayam Limited (installed on 8th August, 2023). The Invoice was paid through a cash payment on the same day.	35
(iii)	Machinery M (a second-hand machine) from Sunshine Limited on 18th December, 2023 (The payment for the purchase invoice was made through NEFT on 5th January, 2024)	15

Compute the depreciation allowance under section 32 of the Income-tax Act, 1961 for the assessment year 2024-25. (RTP May '20)

Answer 8

Computation of depreciation under section 32 for A.Y. 2024-25

Particulars	₹	₹
Machinery X, Machinery Y and Machinery Z acquired from Sahaj Ltd. (Since payment is made to Sahaj Ltd by way of use of ECS and the machineries were put to use for more than 180 days during the previous year, depreciation is allowable @15%)		58,00,000

Machinery L acquired from Swayam Ltd. in cash and		NIL
installed on 8.8.2023 [Since payment of ₹ 35 lakhs is made otherwise than by account payee cheque/bank draft or use of ECS, the said amount will not be included in actual cost and hence, depreciation not allowable]		15,00,000
Second hand Machinery M from Sunshine Ltd on 18.12.2023 assuming it is installed and put to use in P.Y. 2023-24. [Since payment is made to Sunshine Ltd by way of use of ECS]		
Actual Cost		73,00,000
Depreciation for P.Y.2023-24		
Depreciation@15% on Machineries X, Y and Z on ₹ 58 lakhs	8,70,000	
Depreciation@7.5% (50% of 15%) on ₹ 15 lakhs for Machinery M since it is put to use for less than 180 days	1,12,500	
	9,82,500	
Additional Depreciation@35% on ₹ 58 lakhs, since the machinery is acquired and installed for a manufacturing unit set up in a notified backward area in the state of Andhra Pradesh	20,30,000	
Additional depreciation is not allowable on second hand machinery	-	
Depreciation under section 32 for A.Y. 2024-25	30,12,500	

Question 9

Examine with reasons whether the following statements are correct/incorrect with regard to the provisions of Income-tax Act, 1961:

M/s XY & Co., a partnership firm, is engaged in the business of operating goods vehicles and computes its income on presumptive basis under section 44AE. Since the income is computed under section 44AE, no further deduction of any kind is allowable from the income so computed. (RTP Nov '23)

Answer 9

The statement is incorrect.

If the income is computed under presumptive taxation under section 44AE, deduction allowable under section 30 to 38 shall be deemed to have been given full effect to and no further deduction shall be allowed. However, in case of firm, salary and interest paid to partners is deductible subject to the conditions and limits prescribed in section 40(b).

Question 10

Mr. Rangamannar resides 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 21-09-2023, for the purpose of his business as per following details:

Cost of car (excluding GST)	12,00,000
Add: Delhi GST at 14%	1,68,000
Add: Central GST at 14%	1,68,000
Total price of car	15,36,000

He estimates the usage of the car for personal purposes will be 25%. He is advised 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. 2024-25, if this is the only asset in the block. Rate of depreciation may be taken at 15% If this car were to be used in the subsequent Assessment Year 2025-26 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. (PYP 4 Marks, Nov'18, RTP Nov '19)
Answer 10

Particulars	₹
Since the car was put to use for more than 180 days in the P.Y.2017-18, full depreciation@15% is allowable on the actual cost of ₹15,36,000, which is the total price (inclusive of GST). However, the depreciation actually allowed would be restricted to 75%, since 25% of usage is estimated for personal use, on which depreciation is not allowable.	
Depreciation for P.Y.2023-24 = $15\% \times ₹15,36,000 \times 75\% =$	1,72,800
Written Down Value as on 1.4.2024 = $₹15,36,000 - ₹1,72,800 =$ ₹13,63,200	
Depreciation for P.Y.2024-25 = $15\% \times ₹13,63,200 \times 75\% =$	1,53,360

Note - As per section 17(5) of the CGST Act, 2017/Delhi GST Act, 2017, input tax credit would not be available in respect of motor vehicles except if they are used for making taxable supply of such vehicles or for transportation of goods or passengers or for imparting training on driving, flying navigating such vehicles. In this case, the question mentions that the car is the only asset in the block. In the absence of any information in the question to the contrary, it is logical to assume that the car is not used for making the above taxable supplies. Accordingly, input tax credit would not be available and hence, 1 As per section 49(4), in case where capital gains arise from subsequent sale of property, which was subject to tax under section 56(2)(x), the value taken into account for the purpose of section 56(2)(x) would be deemed to be the cost of acquisition.

GST would form part of actual cost of car. The above solution has been worked out accordingly. However, input tax credit would be available if it is assumed that the car is used in making the above taxable supplies or in transportation of goods, the answer would be as follows –

Alternative Answer

Particulars	₹
Since the car was put to use for more than 180 days in the P.Y.2023-24, full depreciation@15% is allowable on the actual cost of ₹ 12 lakh (exclusive of GST of ₹ 3,36,000), assuming that input tax credit is available in respect of GST.	
Further, the depreciation actually allowed would be restricted to 75%, since 25% of usage is estimated for personal use, on which depreciation is not allowable.	
Depreciation for P.Y.2023-24 = $15\% \times ₹ 12,00,000 \times 75\% =$	1,35,000
Written Down Value as on 1.4.2014 = $₹ 12,00,000 - ₹ 1,35,000 =$ ₹ 10,65,000	
Depreciation for P.Y.2024-25 = $15\% \times ₹ 10,65,000 \times 75\% =$	1,19,813

EXAMINERS' COMMENTS ON THE PERFORMANCE OF EXAMINEES:

Many examinees have not considered the amount of depreciation not allowable on account of usage of car for personal purposes while arriving at the written down value at the beginning of the previous year (i.e., as on 1.4.2018) as well as while computing depreciation allowable as deduction during the previous year 2018-19.

Question 11

Mr. Anmol (aged 67 years), a manufacturer, reported a profit of ₹ 3,95,11,290 for the previous year 2023-24 after debiting/crediting the following items:

Debits:

(a) ₹ 15,000 paid to a Gurudwara registered u/s 80G of the Income-tax Act, in cash where no cheques are accepted.

(b) ₹ 35,50,000 contributed to an university approved and notified u/s 35(1)(ii) to be used for scientific research.



(c) Interest paid ₹ 1,75,000 on loan taken for purchase of E-vehicle on 15-07-2023 from a bank. The E-vehicle was purchased for the personal use of his wife.

(d) He has purchased timber under a forest lease of ₹ 25,00,000 for the purpose of business.

Credits:

- (i) Income of ₹ 3,50,000 from royalty on patent registered under the Patent Act received from different resident clients. No TDS was needed to be deducted by any of the clients.
- (ii) He received ₹ 3,00,000 from a debtor which was written off as bad in the year 2019-20. Amount due from the debtor (which was written off as bad) was ₹ 4,00,000, out of which tax officer had only allowed ₹ 2,50,000 as deduction in computing the total income for assessment year 2020-21.
- (iii) He sold some goods to his brother for ₹ 6,00,000. The fair market value of such goods was ₹ 9,00,000.

Other information:

1. Depreciation in books of accounts is computed by applying the rates prescribed under the Income tax laws.
2. Mr. Anmol purchased a new car of ₹ 14,00,000 on 1st August, 2023 and the same was put to use in the business on the same day. No depreciation for the same has been taken on car in the books of account.
3. Mr. Anmol had sold a house on 25th March, 2023 and deposited the long term capital gains of ₹ 20,00,000 in capital gain account scheme by the due date of filing return of income for that year. On 11th March, 2024, he sold another house property in which he resided for ₹ 1 crore. He earned a long term capital gain of ₹ 55,00,000 on sale of this property. On 25th March, 2024, he withdrew money out of his capital gain account and invested ₹ 1 crore on construction of one house.
4. Mr. Anmol also made the following payments during the previous year 2023-24
 - Lump-sum premium of ₹ 1,20,000 paid on 30th March, 2024 for the medical policy taken for self and spouse. The policy shall be effective for five years i.e. from 30 th March, 2024 to 29th March, 2029.
 - ₹ 8,000 paid in cash for preventive health check-up of self and spouse.

Compute the total income and tax payable by Mr. Anmol for the assessment year 2024-25 assuming he does not opt for section 115BAC. (MTP 14 Marks Oct'22) (Same concept different figures PYP 14 Marks Jan'21)

Answer 11

Computation of total income of Mr. Anmol for A.Y. 2024-25

	Particulars	₹	₹	₹
	Income from business or profession			
I	Net profit as per profit and loss account		3,95,11,290	
	Add: Items of expenditure debited but not allowable while computing business income			
	(a) Donation to Gurudwara in cash [not allowable as deduction since it is not incurred wholly and exclusively for business purpose. Since the amount is already debited, the same has to be added back while computing business income]	15,000		
	(b) Contribution to an university approved and notified u/s 35(1)(ii) for scientific research [Eligible for deduction @100%. Since, 100% of the expenditure is already debited to profit and loss account, no adjustment is required]	-		
	(c) Interest on loan taken for purchase of e-vehicle [Interest on loan for purchase of e-vehicle for personal purpose is not allowed as deduction from business income since the same is not incurred wholly and exclusively for business purpose. Since it is already debited, the same has to be added back while computing business income]	1,75,000		

(iii) Sale of goods to brother at less than FMV [The provisions of section 40A(2) are not applicable in case of sale transaction, even if the same is to a related party. Therefore, no adjustment is necessary in respect of difference of ₹ 3 lakh]	-	1,90,000	
		3,97,01,290	
Less: Items of income credited but not taxable or taxable under any other head of income			
(i) Royalty on patent [Not taxable as business income since Mr. Anmol is engaged in manufacturing business. Since the amount is already credited to profit and loss account, the same has to be reduced while computing business income]	3,50,000		
(ii) Bad debt recovered [Actual bad debt is ₹ 1 lakhs i.e., ₹ 4 lakhs less ₹ 3 lakh, being the amount of bad debt recovered. Bad debt written off is ₹ 2.50 lakhs. Bad debt recovered to the extent of ₹ 1.50 lakh being excess of bad debt recovered over actual bad debt would be deemed to be business income. Since the entire ₹ 3 lakhs is credited to the profit and loss account, ₹ 1.50 lakhs has to be reduced]	1,50,000	5,00,000	
		3,92,01,290	
Less: Allowable expenditure			
7. Depreciation on car [₹ 14 lakh x 15%, since car is put to use for more than 180 days in the P.Y.2021-22]		2,10,000	
			3,89,91,290
II Capital Gain			
Long term capital gain on sale of house property		55,00,000	
Less: Exemption under section 54 [Since whole amount of long term capital gain is invested in construction of house within the stipulated time limit.] [Capital gain of ₹ 20 lakhs in capital gain account scheme is not taxable in P.Y. 2023-24, since the same is withdrawn and invested in construction of house within the stipulated time limit. The remaining amount of ₹ 80 lakhs invested in construction of house is eligible for exemption u/s 54, subject to a maximum of ₹55 lakhs being long- term capital gain on sale of house property during the P.Y.2023-24]		55,00,000	
III Income from Other Sources			
Royalty on patent [Taxable as “income from other sources”, since he is engaged in business of manufacturing]			
Gross Total Income			3,93,41,290
Less: Deduction under Chapter VI-A			
Deduction under section 80D - Mediclaim premium for self and spouse [In case of lump sum premium for medical policy, deduction is allowed for equally for each relevant previous years. [₹ 1,20,000/6 years, being relevant previous years in which the insurance is in force]	20,000		
- Preventive health check up of self and spouse [Preventive health check up paid in cash allowed to the extent of ₹ 5,000]	5,000	25,000	
Deduction under section 80EEB [Since the loan is sanctioned by Bank during the P.Y. 2023-24, interest on loan taken for		1,50,000	



	purchase of e-vehicle is allowed to the extent of ₹ 1,50,000]			
	Deduction under section 80G [Donation of ₹ 15,000 to Gurudwara not allowable as deduction since amount exceeding ₹ 2,000 paid in cash]			-
	Deduction under section 80RRB [Deduction in respect of royalty on patent registered under the Patent Act subject to a maximum of ₹ 3 lakh]		3,00,000	4,75,000
	Total income			3,88,66,290

Computation of tax payable by Mr. Anmol for A.Y.2024-25

Particulars	₹	₹
Tax on total income of ₹ 3,88,66,290		
Upto ₹3,00,000	Nil	
₹3,00,001 – ₹ 5,00,000 [@5% of ₹2 lakh]	10,000	
₹5,00,001 – ₹10,00,000 [@20% of ₹5,00,000]	1,00,000	
₹10,00,001- ₹ 3,88,66,290 [@30% of ₹ 3,78,66,290]	1,13,59,887	1,14,69,887
Add: Surcharge @ 25%, since total income exceeds ₹ 2,00,00,000 but does not exceed ₹ 5,00,00,000		28,67,472
		1,43,37,359
Add: Health and education cess@4%		5,73,494
Total tax liability		1,49,10,853
Less: TCS u/s 206C(1) @ 2.5% on ₹ 25 lakh i.e., timber	62,500	
TCS u/s 206C(1F)@1% of ₹14 lakh i.e., sale of motor car where consideration exceeds ₹10 lakh	14,000	
TDS u/s 194-IA@1% of ₹1 crore i.e., sale of immovable property where consideration is ₹ 50 lakh or more	1,00,000	1,76,500
Tax payable		1,47,34,353
Tax payable (rounded off)		1,47,34,350

Question 12

Mr. Samar, a resident individual, aged 43 years, provides professional services in the field of interior decoration. His Income & Expenditure A/c for the year ended 31st March, 2024 is as under:

Expenditure	₹	Income	₹
To Employees' Remuneration & Benefits	13,66,000	By Consultancy Charges	58,80,000
To Office & Administrative Exp.	3,14,000	By Interest on Public Provident Fund (PPF) Account	60,000
To General Expenses	75,000	By Interest on Savings Bank Account	20,000
To Electricity Expenses	65,000	By Interest on National Savings Certificates VIII Issue (for 3rd year)	21,000
To Medical Expenses	80,000		
To Purchase of Furniture	48,000		
To Depreciation	90,000		



To Excess of income over exp.	39,43,000		
	59,81,000		59,81,000

The following other information relates to financial year 2023-24:

- (i) The expenses on Employees' Remuneration & Benefits includes:
 - (a) Family Planning expenditure of ₹ 20,000 incurred for the employees which was revenue in nature. The same was paid through account payee cheque.
 - (b) Payment of salary of ₹ 25,000 per month to sister-in-law of Mr. Samar, who was in-charge of the Accounts & Receivables department. However, in comparison to similar work profile, the reasonable salary at market rates is ₹ 20,000 per month.
- (ii) Amount received by Mr. Samar as Employees' Contribution to EPF for the month of February, 2024 - ₹ 10,000 was deposited after the due date under the relevant Act relating to EPF.
- (iii) Medical Expenses of ₹ 80,000 as appearing in the Income & Expenditure A/c was expensed for the treatment of father of Mr. Samar. His father was 72 years old and was not covered by any health insurance policy. The said payment of ₹ 80,000 was made through account payee cheque.
- (iv) General expenses as appearing in the Income & Expenditure A/c, includes a sum of ₹ 25,000 paid to Ms. Anjaleen on 5th January, 2024 as commission for securing work from new clients. This payment was made to her without deduction of tax at source.
- (v) Written down value of the depreciable assets as on 1st April, 2023 were as follows:
Professional Books ₹ 90,000
Computers ₹ 35,000
- (vi) The new Furniture as appearing in the Income & Expenditure A/c was purchased on 31st August, 2023 and was put to use on the same day. The payment was made as under:
 - ₹ 18,000 paid in cash at the time of purchase of new furniture on 31.08.2023.
 - ₹ 19,000 paid by account payee cheque on 05.09.2023 as balance cost of new furniture and
 - ₹ 11,000 paid in cash on 31.08.2023 to the transporter as freight charges for the new furniture.
- (vii) Mr. Samar purchased a car on 02.04.2022 for ₹ 3,35,000 for personal use. However, on 30.04.2023 he brought the said car for use in his profession. The fair market value of the car as on 30.04.2023 was ₹ 2,50,000.
- (viii) Mr. Samar made a contribution of ₹ 1,00,000 in his PPF A/c on 31.01.2024.
- (ix) The Gross Professional Receipts of Mr. Samar for P.Y. 2022-23 was ₹ 52,00,000.

Compute the total income and tax liability of Mr. Samar for A.Y. 2024-25, assuming that he has not opted for payment of tax under section 115BAC.

Ignore provisions under section 14A relating to disallowance of expenditure incurred in relation to income not includible in total income. (MTP 14 Marks March '23) (Same concept different figures PYP 14 Marks July'21)

Answer 12

Computation of total income of Mr. Samar for A.Y. 2024-25

	Particulars	₹	₹	₹
	Income from business or profession		39,43,000	

Excess of income over expenditure			
Add: Items debited but not allowable while computing business income			
- Family planning expenditure incurred for employees [not allowable as deduction since expenditure on family planning for employees is allowed only to a company assessee / not allowed in case of individuals. Since the amount is debited to Income and Expenditure Account, the same has to be added back for computing business income]	20,000		
- Salary payment to sister-in-law in excess of market rate [Any expenditure incurred for which payment is made to a relative, to the extent it is considered unreasonable is disallowed. However, sister-in-law is not included in the definition of “relative” ¹ for the purpose of section 40A(2). Therefore, no adjustment is required for excess salary paid to Mr. Samar’s sister-in-law]	Nil		
- Medical expenses for the treatment of father [Not allowed as deduction since it is a personal expenditure / not an expenditure incurred for the purpose of business of Mr. Samar. Since the amount is debited to Income and Expenditure	80,000		
Account, the same has to be added back for computing business income]			
- Commission to Ms. Anjaleen without deduction of tax at source [Mr. Samar would be liable to deduct tax at source on commission since his gross receipts from profession exceeded ₹ 50 lakhs during F.Y.2022-23. Since commission has been paid without deduction of tax at source, hence 30% of ₹ 25,000, being commission paid without deducting tax at source, would be disallowed under section 40(a)(ia) while computing the business income of A.Y.2024-25]	7,500		
- Depreciation as per books of account	90,000	2,45,500	
- Purchase of Furniture [not allowable, since it is a capital expenditure]	48,000		
		41,88,500	



	Add: Employees' Contribution to EPF [Sum received by the assessee from his employees as contribution to EPF is income of the employer. Since the amount is not credited to Income and Expenditure Account, the same has to be added for computing business income. Deduction in respect of such sum is allowed only if such amount is credited to the employee's account on or before due date under the relevant Act. Since, the employees contribution to EPF for February 2024 is deposited after the due date under the relevant Act, no deduction would be available]		10,000	
	Less: Depreciation as per Income-tax Rules		41,98,500	
	- On Professional Books [₹ 90,000 x 40%]	36,000		
	- On Computers [₹ 35,000 x 40%]	14,000		
	- On Furniture [₹ 19,000 x 10%, since it has been put to use for more than 180 days during the year] [Any expenditure for acquisition of any asset in respect of which payment or aggregate of payment made to a person, otherwise than by an A/c payee cheque/ bank draft or use of ECS or through prescribed electronic mode, exceeds ₹ 10,000 in a day, such expenditure would not form part of actual cost of such asset. Hence, ₹ 18,000 and ₹ 11,000 paid on 31.8.2023 in cash would not be included in the actual cost of furniture]	1,900		
	- On Car [₹ 3,35,000 x 15%] [Actual cost of car would be the purchase price of the car to Mr. Samar, i.e., ₹ 3,35,000]	50,250	1,02,150	
			40,96,350	
II	Less: Items of income credited but not taxable or taxable under any other head of income			
	- Interest on Public Provident Fund [Exempt]	60,000		
	- Interest on savings bank account [Taxable under the head "Income from other sources"]	20,000	1,01,000	
	- Interest on National Savings Certificates VIII Issue (3rd Year) [Taxable under the head "Income from other sources"]	21,000		
	Income from Other Sources	1,00,000		39,95,350
	Interest on savings bank account		20,000	
	Interest on National Savings Certificates VIII Issue (3rd Year)		21,000	41,000
	Gross Total Income			40,36,350

Less: Deduction under Chapter VI-A Deduction under section 80C			
Contribution to PPF Interest on NSC (3rd Year) (Reinvested)		1,21,000	
Deduction under section 80D Medical expenses for the treatment of father [Since Mr. Samar's father is a senior citizen and not covered by any health insurance policy, payment for medical expenditure by a mode other than cash would be allowed as deduction to the extent of ₹ 50,000]		50,000	
Deduction under section 80TTA Interest on savings bank account to the extent of ₹ 10,000		10,000	1,81,000
Total Income			38,55,350

Computation of tax liability of Mr. Samar for A.Y.2024-25

Particulars	₹	₹
Tax on total income of ₹ 38,55,350		
Upto ₹ 2,50,000		Nil
₹ 2,50,001 – ₹ 5,00,000[@5% of ₹ 2.50 lakh]	12,500	
₹ 5,00,001 – ₹ 10,00,000[@20% of ₹ 5 lakh]	1,00,000	
₹ 10,00,001- ₹ 38,55,350 [@30% of ₹ 28,55,350]	8,56,605	
		9,69,105
Add: Health and education cess@4%		38,764
Tax liability		10,07,869
Tax liability (rounded off)		10,07,870

¹ As per section 2(41)

EXAMINERS' COMMENTS ON THE PERFORMANCE OF EXAMINEES:

The following common errors were noticed:

- Family planning expenses were wrongly allowed as deduction while computing business income of Mr. Ashish, being an individual though the same is allowable only to company assesses.
 - Disallowance u/s 40A(2) wrongly made in respect of salary paid to sister-in-law, without considering that she is not a relative for this purpose.
 - 30% disallowance of expenditure for non-deduction of tax at source from commission payment was not made.
 - Exemption not provided for interest on PPF.
- Consequently, total income and tax liability were also not correctly computed.

Question 13

You are required to compute the total income and tax liability of Mr. Anoop, a resident individual aged 55 years, for the Assessment Year 2024-25 from the following information shown in his Profit and Loss Account for the year ended 31st March 2024:

- (i) The net profit was ₹ 8,40,000.
- (ii) Depreciation debited in the books of account was ₹ 1,05,000.

- (iii) The following incomes were credited in the Profit & Loss Account :
- Interest on notified government securities ₹ 32,000
 - Dividend from a foreign company ₹ 28,000.
 - Gold chain worth ₹ 78,000 received as gift from his mother.
- (iv) Interest on loan amounting to ₹ 82,000 was paid in respect of capital of ₹ 8,20,000 borrowed for the purchase of new plant & machinery which has been put to use on 12th April, 2023.
- (v) General expenses included:
- An expenditure of ₹ 18,500 which was paid by a bearer cheque.
 - Compensation of ₹ 4,500 paid to an employee while terminating his services in business unit.

Additional Information:

- Depreciation allowable as per Income-tax Act, 1961 was ₹ 1,16,000 [without considering depreciation on new plant & machinery referred to in (iv) above].
- He contributed the following amounts by cheque:
 - ₹ 48,000 in Sukanya Samridhi Scheme in the name of his minor daughter Anya.
 - ₹ 23,000 to the Clean Ganga Fund set up by the Central Government.
 - ₹ 28,000 towards premium for health insurance and ₹ 2,500 on account of preventive health check up for self and his wife.
 - ₹ 35,000 on account of medical expenses of his father aged 82 years (no insurance scheme had been availed on the health of his father). (RTP Nov 18)

Answer 13
Computation of total income of Mr. Anoop for the Assessment Year 2024-25

Particulars	₹	₹	₹
Profits and gains from business or profession			
Net profit as per profit and loss account		8,40,000	
Less: Income credited to profit and loss account but not taxable under this head Interest on notified government securities	32,000		
Dividend from foreign company	28,000		
Gift of gold chain received from his mother	78,000	1,38,000	
Add: Depreciation debited in the books of account		7,02,000	
		1,05,000	
		8,07,000	
Add: Expenses debited to profit and loss account but not allowable as deduction		1,00,500	
Interest on capital borrowed for purchase of plant & machinery [As per the proviso to section 36(1)(iii), the interest on loan borrowed for purchase of new asset which is not put to use upto 31.3.2014 not allowable as deduction. The said amount has to be added to the cost of the asset. Since the amount has been debited to profit and loss account, it has to be added back].	82,000		
Expenditure in excess of ₹ 10,000 paid by bearer cheque			



to be disallowed as per section 40A(3)	18,500		
Compensation paid to an employee on termination of his services in the business unit is allowable on the grounds of commercial expediency. Hence, no disallowance is attracted	-		
Less: Depreciation allowable under the Income-tax Act, 1961		9,07,500	7,91,500
[Depreciation on new plant & machinery would not be allowed, since it was not put to use during the previous year 2023-24]		1,16,000	
Income from Other Sources			
Interest on notified Government Securities, exempt under section 10(15)		-	
Dividend from foreign company [(not exempt under section 10(34))]		28,000	
Gift of gold chain received from his mother is not taxable, since mother is a relative [clause (I) of proviso to section 56(2)(x)]		-	28,000
Gross Total Income			8,19,500
Less: Deductions under Chapter VI-A			1,31,000
Under section 80C Deposit in Sukanya Samridhi Scheme		48,000	
Under section 80D			
Medical insurance premium			
Self and wife ₹ 28,000 + ₹ 2,500 preventive health check up, subject to a maximum of	25,000		
Medical expenses of father, being a very senior citizen, ₹ 35,000, since there is no insurance policy in his name, restricted to ₹ 30,000 as per amendment the limit is increased to ₹ 50,000	35,000	60,000	
Under section 80G			
Donation to Clean Ganga Fund (qualifies for 100% deduction)		23,000	
Total Income			6,88,500
Tax on total income @ 5% on ₹ 2,50,000 (₹ 5,00,000 less ₹ 2,50,000, being the basic exemption limit) plus @ 20% on ₹ 1,88,500 (in excess of ₹ 5,00,000)			50,200
Add: Education cess @ 2%			1024
Add: Secondary and higher education cess @ 1%			512
Add: EC & SHEC @ 4%			2008
Tax Payable			52,208
Tax Payable (rounded off)			52,200

4 No depreciation is allowable on such amount since the asset was not put to use during the P.Y. 2023-24.

Question 14

Mr. Manohar, a resident individual, age 53 years provides consultancy services in the field of Taxation. His
Prakshal Shah | 8779794646

Income and Expenditure account for the year ended 31st March, 2024 is as follows:

Income and Expenditure account for the year ending 31st March, 2024

Expenditure	Amount (₹)	Income	Amount (₹)
To Salary	4,00,000	By Consulting fees	58,00,000
To Motor car expenses	88,000	By Share of Profit from HUF	55,000
To Depreciation	87,500	By Interest on bank fixed deposits	25,000
To Medical expenses	70,000	By Interest on income tax refund	26,000
To Purchase of computer	90,000		
To Bonus	25,000		
To General expenses	1,05,000		
To Office & administrative	1,15,000		
To Excess of income over Expenditure	49,25,500		
	59,06,000		59,06,000

The following other information relates to the financial year 2023-24:

- (1) Salary includes a payment of ₹ 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 ₹ 18,000 per month.
- (2) Written down value of the assets as on 1st April, 2023 are as follows:
 Motor Car (25% used for personal use) ₹ 3,50,000
 Furniture and Fittings ₹ 80,000
- (3) Medical expenses includes:
 - Family planning expenditure ₹ 15,000 incurred for the employees which was revenue in nature.
 - Medical expenses for his father ₹ 55,000. (Father's age is 65 years and he is not covered under any medical insurance policy). ₹ 2,500 incurred in cash and remaining by credit card.
- (4) The computer was purchased on 5th June, 2023 on credit. The total invoice was paid in the following manner:
 - ₹ 18,000 paid in cash as down payment on the date of purchase.
 - Remaining amount was paid through account payee cheque on 10th August, 2023.
- (5) Bonus was paid on 30th September, 2023.
- (6) General expenses include commission payment of ₹ 42,000 to Mr. Mahesh for the promotion of business on 17th September, 2023 without deduction of tax at source.
- (7) He also received gold coins from a family friend on the occasion of marriage anniversary on 15th November, 2023. The market value of the coins on the said date was ₹ 85,000.

The consultancy fees for the previous year 2022-23 was ₹ 52,50,300.

Compute the total income and the tax liability of Mr. Manohar for the assessment year 2024-25. (RTP Nov '19)

Answer 14

Computation of Total Income of Mr. Manohar for the A.Y.2024-25

Particulars	₹	₹
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Profit and gains from business or profession		
Net income as per Income and Expenditure Account		49,25,500
Add: Expenses debited but not allowable		
- Excess salary of ₹ 4,000 per month to sister-in-law [not disallowed since sister-in-law does not fall within the definition of 'relative' under section 2(41)]	-	
- Motor car expenses attributable to personal use not allowable (₹ 88,000 x 25%)	22,000	
- Depreciation as per books of account	87,500	
- Medical expenses of ₹ 15,000 for family planning expenditure for the employees [disallowed, since such expenditure is allowable to company assessee only]	15,000	
- Medical expenditure of ₹ 55,000 incurred for his father, not allowable, since it is personal in nature]	55,000	
- Purchase of computer (not allowable since it is capital in nature)	90,000	
- Bonus (allowed since it is paid on the due date of filing of return of income i.e., on 30.9.2023)	-	
[For the P.Y.2022-23 the gross receipts i.e., fees of Mr. Manohar from consultancy services is ₹ 58 lakhs (exceeding ₹ 50 lakhs), he has to get his books of account audited under section 44AB, in which case, his due date for filing return of income would be 30.9.2023 (as per amendment 31st Oct from AY 22-23)		
- Commission paid without deduction of tax at source [Mr. Manohar would be liable to deduct tax at source under section 194-H on commission paid during the P.Y.2023-24, since his gross receipts from profession during the P.Y.2022-23 exceeded the monetary limit specified in section 44AB i.e., ₹ 50 lakhs. Thus, 30% disallowance would be attracted since he has not deducted tax at source on the commission]	12,600	2,82,100
Less: Income credited but not taxable or taxable under any other head		52,07,600
- Share of profit from HUF (Exempt)	55,000	
- Interest on bank fixed deposit	25,000	
- Interest on income-tax refund	26,000	
		1,06,000
		51,01,600
Less: Depreciation allowable under the Income-tax Act, 1961 [See Working Note]		76,175
- Income from Other Sources		50,25,425
- Interest on bank fixed deposits	25,000	
- Interest on income-tax refund	26,000	
- Value of gold coins received from a family friend on the occasion of marriage anniversary (taxable under section 56(2)(x), as the fair market value of such coins exceeds - ₹ 50,000)	85,000	1,36,000
Gross Total Income		51,61,425
Less: Deduction under Chapter VI-A		



Section 80D Medical expenses for father (Deduction allowable to the extent of ₹ 50,000 since father, aged 65 years, is a senior citizen and is not covered under any medical insurance policy)		50,000
Total Income		51,11,425
Total Income (Rounded off)		51,11,430

Computation of tax liability of Mr. Manohar for A.Y. 2023-24

Particulars	₹	₹
Tax on total income of ₹ 51,11,430		
Upto ₹ 2,50,000	Nil	
₹ 2,50,001 – ₹ 5,00,000 @5%	12,500	
₹ 5,00,001 – ₹ 10,00,000 @20%	1,00,000	
Above ₹ 10,00,001 i.e., 41,11,430 @30%	12,33,429	13,45,929
Add: Surcharge @10% [Since his total income exceed ₹ 50,00,000]		1,34,593
Less: Marginal Relief:		14,80,522
Excess tax payable [14,80,522 - 13,12,500, being the amount of tax payable on total income of ₹ 50 lakhs]	1,68,022	
Amount of income in excess of ₹ 50,00,000	1,11,430	56,592
		14,23,930
Add: Health & Education cess@4%		56,957
Tax liability		14,80,887
Tax liability (rounded off)		14,80,890

Working note:

Computation of depreciation allowable as per Income-tax Act, 1961

Particulars	₹
On Motor Car	
₹ 3,50,000 x 15% x 75%	39,375
On Furniture and fittings	
₹ 80,000 x 10%	8,000
On Computer	
₹ 72,000 x 40% [Actual cost of the computer is ₹ 72,000 (i.e., ₹ 90,000 – ₹ 18,000). ₹ 18,000 paid otherwise than by way of account payee cheque/bank draft or use of ECS is not includible in actual cost.]	28,800
	76,175

Question 35

Mr. Kamal, having business of manufacturing of consumer items and other products, gives the following Trading and Profit & Loss Account for the year ended 31.03.2024:

Trading and Profit & Loss Account

Particulars	₹	Particulars	₹
Opening Stock	5,62,500	Sales	2,33,25,000



Purchases	1,88,62,500	Closing Stock	6,75,000
Freight & Cartage	1,89,000		
Gross profit	43,86,000		
	2,40,00,000		2,40,00,000
Bonus to staff	71,250	Gross profit	43,86,000
Rent of premises	80,250	Income-tax refund	30,000
Advertisement	7,500	Warehousing charges	22,50,000
Bad Debts	1,12,500		
Interest on loans	2,51,250		
Depreciation	1,07,250		
Goods and Services tax demand paid	1,62,525		
Miscellaneous expenses	7,88,475		
Net profit of the year	50,85,000		
	66,66,000		66,66,000

Following are the further information relating to the financial year 2023 -24:

- (i) Income-tax refund includes amount of ₹ 4,570 of interest allowed thereon.
- (ii) Bonus to staff includes an amount of ₹ 7,500 relating to P.Y. 2022-23, paid in the month of December 2023.
- (iii) Advertisement expenses include an amount of ₹ 2,500 paid for advertisement published in the souvenir issued by a political party. The payment is made by way of an account payee cheque.
- (iv) Miscellaneous expenses include:
 - (a) amount of ₹ 15,000 paid towards penalty for non-fulfillment of delivery conditions of a contract of sale for the reasons beyond control,
 - (b) amount of ₹ 1,00,000 paid to Political Party by cheque.
- (v) Goods and Services Tax demand paid includes an amount of ₹ 5,300 charged as penalty for delayed filing of returns and ₹ 12,750 towards interest for delay in deposit of tax.
- (vi) Mr. Kamal had purchased a warehouse building of ₹ 20 lakhs in rural area for the purpose of storage of agricultural produce. This was made available for use from 15.07.2023 and the income from this activity is credited in the Profit and Loss account under the head "Warehousing charges".
- (vii) Depreciation under the Income-tax Act, 1961 works out at ₹ 65,000.
- (x) Interest on loans includes an amount of ₹ 80,000 paid to Mr. X, a resident, on which tax was not deducted.

Compute the total income and tax liability of Mr. Kamal for the A.Y. 2024-25 in a most beneficial manner. (RTP Nov'22)

Answer 35

Computation of total income of Mr. Kamal for the A.Y.2024-25

Particulars		₹
Net profit as per profit and loss account		50,85,000
Less:	Income-tax refund credited in the profit and loss account, out of which interest on such refund is only taxable, which is to be considered separately under the head "Income from other sources"	30,000



Add:	Expenses either not allowable or to be considered separately but charged in the profit & loss account		50,55,000
	- Advertisement in the souvenir of political party not allowable as per section 37(2B) (See Note 2)		2,500
	- Payment made to political party by cheque (See Note 4)		1,00,000
	- Penalty levied by the Goods and Services tax department for delayed filing of returns not allowable as being paid for infraction of law (See Note 5)		5,300
	- Depreciation as per books		1,07,250
	- 30% of interest paid on loan paid to Mr. X, a resident, without deduction of tax at source not allowable as per section 40(a)(ia)		24,000
			52,94,050
Less:	Depreciation allowable as per Income-tax Act, 1961		65,000
Less:	Income from specified business (warehousing charges) credited to profit and loss account, to be considered separately		52,29,050
			22,50,000
	Income from business (other than specified business)		29,79,050
	Computation of income/ loss from specified business		
	Income from specified business	₹ 22,50,000	
	Less: Deduction under section 35AD @ 100% of ₹ 20 lakhs (See Note 6)	₹ 20,00,000	
	Income from specified business		2,50,000
	Profits and gains from business or profession		32,29,050
	Income from Other Sources		
	Interest on income-tax refund		4,570
	Gross Total Income		32,33,620
Less:	Deduction under section 80GGC		
	Contribution to Political Party (See Note 4)		1,00,000
Total Income			31,33,620

Notes –

- (1) Bonus for the previous year 2022-23 paid after the due date for filing return for that year would have been disallowed under section 43B for the P.Y.2022 -23. However, when the same has been paid in December 2023, it should be allowed as deduction in the P.Y.2023-24 (A.Y.2024-25). Since it is already included in the figure of bonus to staff debited to profit and loss account of this year, no further adjustment is required.
- (2) The amount of ₹ 2,500 paid for advertisement in the souvenir issued by a political party attracts disallowance under section 37(2B).
- (3) The penalty of ₹ 15,000 paid for non-fulfilment of delivery conditions of a contract for reasons beyond control is not for the breach of law but was paid for breach of contractual obligations and therefore, is an allowable expense.
- (4) Payment to political party qualifies for deduction under section 80GGC since the payment is made by way of a cheque. However, since the amount has been debited to profit and loss account, the same has to be added back for computing business income.
- (5) The interest of ₹ 12,750 paid on the delayed deposit of goods and services tax is for breach of contract and hence, is allowable as deduction. However, penalty of ₹ 5,300 for delay in filing of returns is not allowable since it is for breach of law.

- (6) Deduction @ 100% of the capital expenditure is available under section 35AD in respect of specified business of setting up and operating a warehouse facility for storage of agricultural produce which commences operation on or after 1.04.2009.

Computation of tax liability of Mr. Kamal for A.Y. 2024-25 under the regular provisions of the Act

Particulars	₹	₹
Tax on total income of ₹ 31,33,620		
Upto ₹ 2,50,000	Nil	
₹ 2,50,001 – ₹ 5,00,000 [@5% of ₹ 2.50 lakh]	12,500	
₹ 5,00,001 – ₹ 10,00,000 [@20% of ₹ 5,00,000]	1,00,000	
₹ 10,00,001- ₹ 31,33,620 [@30% of ₹ 21,33,620]	6,40,086	7,52,586
Add: Health and education cess@4%		30,103
Total tax liability		7,82,689
Total tax liability (rounded off)		7,82,690

Computation of adjusted total income and AMT of Mr. Kamal for A.Y. 2024-25

Particulars	₹	₹
Total Income (computed above as per regular provisions of income tax)		31,33,620
Add: Deduction under section 35AD	20,00,000	
Less: Depreciation under section 32 on building [₹ 20 lakhs x 10%]	(2,00,000)	18,00,000
Adjusted Total Income		49,33,620
Alternative Minimum Tax@18.5%		9,12,720
Add: Health and education cess@4%		36,509
Total tax liability		9,49,229
Total tax liability (rounded off)		9,49,230

Since the regular income-tax payable is less than the alternate minimum tax payable, the adjusted total income shall be deemed to be the total income and tax is leviable @18.5% thereof plus cess@4%. Therefore, liability as per section 115JC is ₹ 9,49,230.

Computation of total income of Mr. Kamal as per section 115BAC for A.Y. 2024-25

Particulars	₹	₹
Gross Total Income as per regular provisions of the Income-tax Act		32,33,620
Add: Deduction under section 35AD	20,00,000	
Less: Depreciation on building [₹ 20 lakhs x 10%]	(2,00,000)	18,00,000
Gross Total Income/Total Income as per section 115BAC		50,33,620
[No deduction under Chapter VI-A allowable]		

Computation of tax liability as per section 115BAC

Particulars	₹	₹
Tax on total income of ₹ 50,33,620		
Upto ₹ 2,50,000 ₹ 3,00,000 Nil	Nil	
₹ ₹ 3,00,000 – ₹ 6,00,000 [₹ 3,00,000 @ 5%]	15,000	
₹ 6,00,001 – ₹ 9,00,000 [₹ 3,00,000 @ 10%]	30,000	
₹ 9,00,001 – ₹ 12,00,000 [₹3,00,000 @ 15%]	45,000	
₹ 12,00,001 – ₹ 15,00,000 [₹3,00,000 @ 20%]	60,000	
Above ₹ 15,00,000 @30%	10,60,086	12,10,086

Add: Surcharge @10% [Since, the total income exceeds ₹ 50 lakhs but does not exceed ₹ 1 crore]		1,21,008
		13,31,094
Less: Marginal relief (See computation below)		97,474
		12,33,620
Add: Health and education cess@4%		49,345
Total tax liability		12,82,965
Total tax liability (Rounded off)		12,82,970

Computation of marginal relief

Particulars		₹
(A)	Tax payable including surcharge on total income of ₹ 50,33,620 as per section 115BAC	13,31,094
(B)	Tax payable on total income of ₹ 50 lakhs as per section 115BAC	12,00,000
(C)	Excess tax payable (A-B)	1,31,094
(D)	Marginal relief (₹ 1,31,094 – ₹ 33,620, being the amount of income in excess of ₹ 50 lakhs)	97,474

Notes:

- (1) Deduction under section 35AD is not allowable as per section 115BAC(2). However, normal depreciation u/s 32 is allowable.
- (2) An individual exercising option u/s 115BAC is not liable to alternate minimum tax u/s 115JC. Since the tax liability of Mr. Kamal under section 115JC is lower than the tax liability as computed u/s 115BAC, it would be beneficial for him not to opt for section 115BAC for A.Y. 2024-25. Moreover, benefit of alternate minimum tax credit is also available to the extent of tax paid in excess of regular tax.

AMT credit to be carried forward under section 115JEE

Particulars		₹
	Tax liability under section 115JC	9,49,230
	Less: Tax liability under the regular provisions of the Income-tax Act, 1961	7,82,690
		1,66,540

Question 36

AB Light LLP consists of 2 working partners, Mr. Anand and Mr. Bheem with 60% and 40% share, respectively. As per the partnership deed, they are eligible for interest on capital @15% p.a. on their capital contribution of ₹ 15 lakhs each and remuneration of ₹ 50,000 p.m. to Anand and ₹ 40,000 p.m. to Bheem. The firm is engaged in manufacturing business. During the year ended 31.3.2024, the net profit as per profit and loss account was ₹ 25,86,000 before considering interest on capital and remuneration to partners as well as the following items:

		₹
(i)	Current year revenue expenditure on scientific research	2,40,000
(ii)	Unabsorbed capital expenditure on scientific research relating to P.Y. 2020-21	85,000
(iii)	Brought forward business loss of A.Y. 2015-16	40,000
(iv)	Unabsorbed depreciation of A.Y. 2012-13	52,000
(v)	Current year depreciation under section 32	4,70,000



(vi)	Brought forward business loss of A.Y. 2019-20	49,000
(vii)	Current year capital expenditure on scientific research	3,45,000

You are required to compute the total income of AB Light LLP for A.Y. 2024-25 after considering the above items. Also, determine the amount of remuneration taxable in the hands of Mr. Anand and Mr. Bheem. (RTP Nov '23)

Answer 36

Computation of total income of AB Light LLP for the A.Y. 2024-25

Particulars		Amount (₹)
Net profit as per profit and loss account before interest on capital and remuneration to partners and other items		25,86,000
Less: Expenditure allowable from business income		
- Interest @ 12% p.a. [being the maximum allowable as per section 40(b)] (₹ 15,00,000 × 12% × 2)	3,60,000	
- Current year revenue expenditure on scientific research under section 35(1)(i)	2,40,000	6,00,000
- Current year depreciation under section 32(1)	4,70,000	19,86,000
- Current year capital expenditure on scientific research under section 35(1)(iv)	3,45,000	
- Unabsorbed depreciation of A.Y. 2012-13 under section 32(2)	52,000	
- Unabsorbed capital expenditure on scientific research relating to P.Y. 2020-21 under section 35(4)	85,000	9,52,000
Book Profit		10,34,000
Less: Partners' remuneration allowable under section 40(b)		
(i) As per limit prescribed in section 40(b)		
On first ₹ 3,00,000 90%	2,70,000	
On the balance ₹ 7,34,000 60%	4,40,400	
(ii) Remuneration actually paid or payable [₹ 50,000 × 12 + ₹ 40,000 × 12]	7,10,400	
	10,80,000	
(i) or (ii) whichever is less, is deductible		7,10,400
Profit from manufacturing business		3,23,600
Less: Brought forward business loss of A.Y. 2015-16 [Not allowed to set off since 8 years have been already expired]		-
Less: Brought forward business loss of A.Y. 2019-20	49,000	49,000
Profits and gains of business or profession		2,74,600

Remuneration taxable in the hands of Mr. Anand as business income = ₹ 7,10,400 × 6,00,000/10,80,000 = ₹ 3,94,667

Remuneration taxable in the hands of Mr. Bheem as business income = ₹ 7,10,400 × 4,80,000/10,80,000 = ₹ 3,15,733

Question 37

Dr. Rohan, 82 years old resident surgeon, having his Nursing Home in Mumbai, gives the following



particulars for the year ended on 31.03.2024.

Receipts	₹	Payments	₹
Opening Balance b/d	1,25,000	Salary to Staff	3,50,000
Fees from visits to other hospitals (net)	5,85,000	Taxes & Insurance	26,000
Fees for March, 2023 received in April, 2023		Entertainment Expenses	1,10,000
IPD 40,000	85,000	Purchase of Television	48,000
OPD 45,000			
Dividend from shares (net)	18,900	Gift to daughter-in law	60,000
Fees received during the year	10,25,000	Interest on loan for repairs to property	65,000
Gifts received from relatives of patients	45,000	Personal medical expenses	70,000
Honorarium for painting services in Jai Hind Art School (net)	22,500	Deposits in PPF A/c	55,000
Income-tax Refund (Including interest ₹ 1,500)	12,100	Nursing Home expenses	3,75,000
		Prof. fees paid for consulting services	1,20,000
		Purchase of furniture at home	1,35,000
		Personal Expenses	3,00,000
		Balance c/f	2,04,500
	19,18,500		19,18,500

Other Information:

- I. He keeps his books of accounts on cash basis and has not opted for the provisions of section 44ADA.
- II. Salary includes ₹ 60,000 paid to his sister who is a qualified nurse paid in cash.
- III. Entertainment expenses include ₹ 25,000 for dinner to doctors in a five star hotel.
- IV. Interest on loan for repairs to property includes ₹ 40,000 for his residential property.
- V. His daughter in law earned income of ₹ 10,000 from the amount received as gift.
- VI. Fixed Assets values as on 01.04.2023 are as under :
Nursing Home Equipment's ₹ 2,20,000, Medical Books (incl. annual publications ₹ 10,000) ₹ 35,000, Laptop ₹ 40,000.
- VII. Television purchased for nursing home purpose on 21.09.2023 is put to use on 03.10.2023.
- VIII. He has donated ₹ 10,000 towards PM CARES Fund on 15.08.2023.

You are required to

- I. Compute the total income and tax payable by him for AY 2024 -25 as per the regular provisions of the Income-tax Act, 1961. Assume that he has not opted for section 115BAC.
- II. What will be his total income and tax payable, if he opts for the provisions of section 44ADA? Will it be more beneficial for him to adopt 44ADA? (PYP 14 Marks Nov '22)

Answer 37

- I. Computation of total income and tax payable by Dr. Rohan for A.Y. 2024-25 as per the regular provisions of the Act



	Particulars	₹	₹	₹
I	Income from house property			
	Annual value [Assuming residential property self occupied]		Nil	
	Less: Deduction under section 24(b)			
	Interest on loan for repairs to property, ₹ 40,000, restricted to		30,000	
	Loss from self-occupied property			30,000
	[can be set-off against Profits and gains of business or profession or Income from other sources]			
	Profits and gains from business and profession			
	Gross Receipts			
	Fees from visits to other hospitals [5,85,000/90%]	6,50,000		
	Fees for March 2023 received in April 2023 [Fees for March 2023 is chargeable to tax during P.Y. 2023-24, since Dr. Rohan is following cash system of accounting] [40,000 + 45,000]	85,000		
	Fees received during the year	10,25,000		
	Gifts received from relatives of patients [taxable as business income]	45,000	18,05,000	
	Less: Permissible deductions			
	Salary to staff [Salary paid to his sister who is a qualified nurse in cash disallowed under section 40A(3), since such cash payment exceeds ₹ 10,000] [₹ 3,50,000 – ₹ 60,000]	2,90,000		
	Taxes and insurance	26,000		
	Entertainment expenses, including dinner to doctors [Assuming that the entire sum was incurred wholly and exclusively for business purpose]	1,10,000		
	Interest on loan for repair to property [to the extent relating to business] = ₹ 65,000 – ₹ 40,000, relating to residential property	25,000		
	Nursing home expenses	3,75,000		
	Professional fees paid for consulting services	1,20,000	9,46,000	
			8,59,000	
	Less: Depreciation under section 32 Nursing home equipment's [2,20,000 x 15%]	33,000		
	Note – Nursing home equipment would be eligible for depreciation @15%, being the general rate for plant and machinery. The main solution has, accordingly, been worked out applying 15%. However, if such equipment are in the nature of life saving medical equipment, they would be eligible for higher			

	depreciation @40%. If 40% rate is applied, depreciation would be ₹ 88,000			
	Medical books [35,000 x 40%]	14,000		
	Laptop [40,000 x 40%]	16,000		
	Television [48,000 x 15%, since the television is put to use for 180 days during the P.Y. 2023-24] Note - Television would be eligible for depreciation @15%. However, television connected to laptop or other medical equipment and used by Doctor may be classified as plant and machinery eligible for depreciation @40%. If 40% rate is applied, depreciation for TV would be ₹ 19,200. Also, it is possible to take a view that Television is furniture and fixtures qualifying for depreciation@10%. If 10% rate is applied, depreciation for TV would be ₹ 4,800.	7,200	70,200	7,88,800
	Income from Other Sources			
	Dividend from shares [18,900/90%]		21,000	
	Honorarium for painting services in Jai Hind Art School [22,500/90%]		25,000	
	Honorarium (Alternative without TDS) - ₹ 22,500			
	Note – In the question, it is mentioned that Dr. Rohan has received Honorarium for painting services in Jai Hind Art School (Net) of ₹ 22,500. Since the threshold limit for deducting tax at source under section 194J is ₹ 30,000, there is no requirement to deduct tax at source on such income. Accordingly, question can be answered without grossing up the amount of honorarium of ₹ 22,500.			
	Interest on income-tax refund		1,500	
	Income earned from gift to daughter in law [Income earned by daughter in law from asset gifted without consideration to her by Dr. Rohan is includible in the hands of Dr. Rohan]		10,000	57,500
	Gross Total Income			8,16,300
	Less: Deduction under Chapter VI-A			
	Deduction under section 80C			
	Deposits in PPF		55,000	
	Deduction under section 80D Medical expenses to the extent of ₹ 50,000 since Dr. Rohan is a senior citizen (assuming he has not taken		50,000	

	any medical insurance policy)			
	Deduction under section 80G Donation towards PM CARES Fund		10,000	1,15,000
	Total Income			7,01,300
	Tax Payable			
	Upto ₹ 5,00,000 [since Dr. Rohan is aged 80 years or above]		Nil	
	₹ 5,00,001 to ₹ 7,01,300 [₹ 2,01,300@20%]		40,260	
				40,260
	Add: HEC@4%			1,610
	Tax liability			41,870
	Less: TDS on fees from visits to other hospitals		65,000	
	TDS on dividend from shares		2,100	
	TDS on honorarium for painting services in Jai Hind art School		2,500	69,600
	Tax Refundable			27,730

II. Computation of total income and tax payable by Dr. Rohan for A.Y. 2024-25 if he opts for section 44ADA

	Particulars	₹	₹
I	Income from house property		
	Loss from self occupied property		(30,000)
II	Income from business or profession		
	Income from profession [18,05,000 x 50%] [No other expenditure or depreciation is allowed]		9,02,500
III	Income from Other Sources		57,500
	Gross Total Income		9,30,000
	Less: Deduction under Chapter VI-A		1,15,000
	Total Income		8,15,000
	Tax Payable		
	Upto ₹ 5,00,000		Nil
	₹ 5,00,001 to ₹ 8,15,000 [3,15,000@20%]		63,000
			63,000
	Less: HEC@4%		2,520
	Tax liability		65,520
	Less: TDS		69,600
	Tax Refundable		4,080
	Since tax refundable in case Dr. Rohan opts for the provisions of section 44ADA is lower than the regular provisions of the Act, it would be beneficial for him not to opt for section 44ADA and get his books of account audited and declare income under the regular provisions.		

Question 38

Ms. Soha (aged 35 years), a resident individual, is a dealer of scooters. During the previous year 2023-

24, total turnover of her business was Rs. 110 lakhs (out of which Rs. 25 lakhs were received by way of account payee cheques and balance in cash). Ms. Soha does not opt to pay tax as per the provisions of section 115BAC. What would be your advice to Ms. Soha relating to the provisions of advance tax with its due date along with the amount payable, assuming that she wishes to make maximum tax savings. (MTP 3 Marks, Nov'21) (Same concept different figures RTP Nov'21)

Answer 38

Computation of advance tax of Ms. Soha under Presumptive Income scheme as per section 44AD

The total turnover of Ms. Soha, a dealer of scooter, is ₹ 110 lakhs. Since her total turnover from such business is less than Rs. 200 lakhs and she does not wish to get his books of account audited, she can opt for presumptive tax scheme under section 44AD.

Profits and gains from business computed under section 44AD:

Particulars	Rs.
6% of Rs. 25 lakhs, being turnover effected through account payee cheque	1,50,000
8% of Rs. 85 lakhs, being cash turnover	6,80,000
	8,30,000

An eligible assessee opting for computation of profits and gains of business on presumptive basis under section 44AD in respect of eligible business is required to pay advance tax of the whole amount on or before 15th March of the financial year.

Computation of tax liability of Ms. Soha as per normal provisions of Income-tax Act, 1961

Particulars	Amount in Rs.	
Total Income	8,30,000	
Tax on 8,30,000		
Upton Rs. 2,50,000	Nil	
₹ 2,50,001 – Rs. 5,00,000@5%	12,500	
₹ 5,00,001 – Rs. 8,30,000@20%	66,000	78,500
Add: Health and Education cess@4%		3,140
Tax liability		81,640

Accordingly, she is required to pay advance tax of Rs. 81,640 on or before 15th March of the financial year. However, any amount by way of advance tax on or before 31st March of the financial year shall also be treated as advance tax paid during the financial year ending on that day for all the purposes of the Act.

MULTIPLE CHOICE QUESTIONS (MCQS)

1. K is a working partner in a firm on behalf of his HUF and the HUF has contributed ₹3,00,000 as its capital contribution. Apart from this, K has given a loan of ₹ 50,000 to the firm in his individual capacity. The firm pays interest as per market rate of 15% per annum on capital as well as loan. Compute the amount of interest that shall be allowed to the firm while calculating its business income assuming that the interest is authorized by the partnership deed.
 - (a) ₹ 42,000
 - (b) ₹ 51,000
 - (c) ₹ 52,500
 - (d) ₹ 43,500

(MTP 2 Marks, Nov'21)

Ans : (d)

2. Mr. C aged 35 years is a working partner in M/s BCD, a partnership firm, with equal profit sharing ratio. During the P.Y. 2023-24, the firm has paid remuneration to Mr. B, Mr. C and Mr. D, being the working



partners of the firm, of ₹ 2,00,000 each. The firm has paid interest on capital of ₹ 1,20,000 in total to all the three partners and the same is within the prescribed limit of 12%. The firm had a loss of ₹ 1,12,000 after debiting remuneration and interest on capital.

Note – Remuneration and interest on capital is authorized by the partnership deed

You, being the CA of Mr. C, are in the process of computing his total income. What would be his taxable remuneration from the firm?

- (a) ₹ 2,00,000
- (b) ₹ 1,51,600
- (c) ₹ 1,27,600
- (d) ₹ 1,50,000 (MTP 2 Marks, April'21)

Ans: (c)

3. Mrs. Shavian, wife of Mr. Anurag, is a partner in a firm. Her capital contribution of ₹5 lakhs to the firm as on 1.4.2023 included ₹3.5 lakhs contributed out of gift received from Anurag. On 10.4.2023, she further invested ₹2 lakhs out of gift received from Anurag. The firm paid interest on capital of ₹ 50,000 and share of profit of ₹ 60,000 during the F.Y.2023-24. The entire interest has been allowed as deduction in the hands of the firm. Which of the following statements is correct?

- (a) Share of profit is exempt but interest on capital is taxable in the hands of M^{rs} Shavian.
- (b) Share of profit is exempt but interest of ₹ 39,286 is includible in the income of Mr. Anurag and interest of ₹ 10,714 is includible in the income of M^{rs} Shivani.
- (c) Share of profit is exempt but interest of ₹ 35,000 is includible in the income of Mr. Anurag and interest of ₹ 15,000 is includible in the income of M^{rs} Shivani.
- (d) Share of profit to the extent of ₹ 42,000 and interest on capital to the extent of ₹ 35,000 is includible in the hands of Mr. Anurag. (MTP 2 Marks, May'20)

Ans : (c)

4. Match the following to their respective rate of depreciation -(MTP 1 Mark, Oct'19)

L.	Pollution control equipment	1.	10%
M.	Commercial building	2.	40%
N.	Oil Wells	3.	100%
		4.	15%

Select the correct Answer from the options given below:

	L.	M.	N.
(a)	2	1	4
(b)	4	2	1
(c)	2	4	1
(d)	3	1	4

Ans :(a)

5. Mr. Kunal is a doctor by profession engaged in his medical practice from last 15 years His gross receipts from the profession in FY 2021-22, 2022-23, 2023-24 were ₹2,00,000, ₹16,00,000 and ₹18,50,000 respectively. Further, Kunal follows cash system of accounting. Determine which of the following books of accounts and documents are required to be kept and maintained by Kunal.

- (i) Cash Book
- (ii) Journal
- (iii) Inventory of the stock of drugs, medicines, etc.
- (iv) A daily case register



- (a) (i) and (ii)
- (b) (i), (ii), (iii) & (iv)
- (c) (i), (iii) & (iv)
- (d) None of the above (MTP 1Mark, Oct'19)

Ans : (c)

6. Mr. Shahid, a wholesale supplier of dyes, provides you with the details of the following cash payments he made throughout the year –
- 12.06.2013: loan repayment of ₹ 27,000 taken for business purpose from his friend Kunal. The repayment also includes interest of ₹ 5,000.
 - 19.08.2013: Portable dye machinery purchased for ₹ 15,000. The payment was made in cash in three weekly instalments.
 - 26.01.2014: Payment of ₹ 10,000 made to electrician due to unforeseen electric circuit at shop
 - 28.02.2014: Purchases made from unregistered dealer for ₹ 13,500
- What will be disallowance under 40A (3), if any, if Mr. Shahid opts to declare his income as per the provisions of section 44AD?

- (a) ₹ 18,500
- (b) ₹ 28,500
- (c) ₹ 13,500
- (d) NIL (MTP 2 Marks, Oct'19)

Ans : (d)

7. M/s ABC & Co., a firm carrying on business, furnishes the following particulars for the P.Y. 2023-24.

Particulars	₹
Book profits (before setting of unabsorbed depreciation and brought forward business loss)	2,50,000
Unabsorbed depreciation of P.Y.2017-18	1,20,000
Brought forward business loss of P.Y.2022-23	2,00,000

Compute the amount of remuneration allowable under section 40(b) from the book profit.

- (a) ₹ 2,25,000
- (b) ₹1,80,000
- (c) ₹1,50,000
- (d) ₹1,17,000 (MTP 2 Marks, April'19)

Ans : (b)

8. Which of the following persons are compulsorily required to get their accounts audited u/s 44AB of the Income-tax Act, 1961?
- (i) An assessee, who has not opted for presumptive taxation and his turnover during the P.Y. is ₹2 crores.
 - (ii) A professional whose gross receipts during the previous year amounts to ₹50 lakhs, who declares his profits and gains from profession u/s 44ADA.
 - (iii) An assessee having turnover of ₹1.5 crore, who declares his profits and gains from business u/s 44AD.
 - (iv) A lawyer having gross receipts of ₹40 lakhs during the P.Y. who claims his profits and gains from the legal profession to be 40% of the gross receipts.
 - (v) An individual who opts out of the presumptive taxation scheme u/s 44AD during the P.Y., however, his total income for the said year is ₹2,00,000.

- (a) (i), (iv)
- (b) (i), (iv), (v)
- (c) (i), (ii), (iv)
- (d) (iv), (v) (MTP 2 Marks, March'19)

Ans : (a)

9. Mrs. Bhawna, wife of Mr. Sonu, is a partner in a firm. Her capital contribution of ₹ 10 lakhs to the firm as on



31.3.2023 included ₹ 6 lakhs contributed out of gift received from Sonu. On 1.4.2023, she further invested ₹ 2 lakh out of gift received from Sonu. The firm paid interest on capital of ₹ 1,20,000 and share of profit of ₹ 1,00,000 during the F.Y.2023-24. The entire interest has been allowed as deduction in the hands of the firm. Which of the following statements is correct?

- (a) Share of profit is exempt but interest on capital is taxable in the hands of M₹ Bhawna
- (b) Share of profit is exempt but interest of ₹ 80,000 is includible in the income of Mr. Sonu and interest of ₹ 40,000 is includible in the income of M₹ Bhawna
- (c) Share of profit is exempt but interest of ₹ 72,000 is includible in the income of Mr. Sonu and interest of ₹ 48,000 is includible in the income of M₹ Bhawna
- (d) Share of profit to the extent of Rs 60,000 and interest on capital to the extent of ₹ 72,000 is includible in the hands of Mr. Sonu (MTP 2 Marks March 22)

Ans : (b)

10. Mr. Raja, a proprietor, commenced operation of the business of a new three star hotel in Mumbai on 1.7.2023. He had made a total investment of ₹ 7.58 crores till 30.6.2023. Out of total investment of ₹ 7.58 crores, ₹ 1.58 crores was used for purchase of land in P.Y.2022-23. ₹ 4.70 crores was used for constructing Hotel and balance of ₹ 1.30 used for purchasing the furniture in P.Y. 2023-24. He wants to avail the benefit of deduction under section 35AD as he satisfied with all the conditions prescribed u/s 35AD. His profit and gains from the business for P.Y. 2023-24 is ₹ 50 lakhs before claiming deduction u/s 35AD. He wants to file his income-tax return on 12.12.2023. How much deduction Mr. Raja can claim for A.Y. 2024-25 and the losses which he can carry forward to A.Y. 2025-26?

- (a) He can claim the deduction of ₹ 7.58 crores from his business income but he would not be able to carry forward the business loss of ₹ 7.08 crores
- (b) He can claim the deduction of ₹ 6.00 crores from his business income and can carry forward the business loss of ₹ 5.50
- (c) He can claim the deduction of ₹ 6.00 crores from his business income but cannot carry forward the business loss of ₹ 5.50
- (d) He can claim the deduction of ₹7.58 crores from his business income and can carry forward the business loss of ₹ 7.08 crores (MTP 2 Marks April 22)

Ans: (c)

11. M/s ABC, an eligible assessee, following mercantile system of accounting, carrying on eligible business under section 44AD provides the following details:

- ◆ Total turnover for the financial year 2023-24 is ₹ 130 lakh
- ◆ Out of the above:
 - ₹ 25 lakh received by A/c payee cheque during the financial year 2023-24;
 - ₹ 50 lakh received by cash during the financial year 2023-24;
 - ₹ 25 lakh received by A/c payee bank draft before the due date of filing of return;
 - ₹ 30 lakh not received till due date of filing of return.

What shall be the amount of deemed profits of M/s ABC under section 44AD(1) for A.Y. 2024-25?

- (a) ₹10.4 lakh
- (b) ₹7.0 lakh
- (c) ₹5.5 lakh



(d) ₹9.4 lakh (MTP 2 Marks April '23, RTP May'19)

Ans: (d)

12. Mr. A engaged in the retail trading of toys, had acquired a motor vehicle - A for ₹ 4 lakhs on 20.08.2021, put to use on 04.10.2022 and another motor vehicle - B for ₹ 3 lakhs on 19.02.2022, put to use on 03.09.2022. On 01.04.2022, Mr. A took a vehicle loan of ₹ 5 lakhs at 10% p.a. and acquired the motor vehicle - C for ₹ 5 lakhs on 31.05.2022, put to use on 30.06.2022. On 30.07.2023 the same vehicle - C was sold for ₹ 5.50 lakhs and reacquired it back on 28.08.2023 for ₹ 6 lakhs. Assuming the above mentioned assets are the only assets in the block of assets for Mr. A, what would be its total depreciation claim under section 32 for P.Y. 2023-24? (RTP May '23)

- (a) ₹ 1,66,594
- (b) ₹ 1,62,094
- (c) ₹ 1,37,438
- (d) ₹ 1,60,500

Ans: (c)



Chapter 3.4 Capital Gains

Question 1

Mrs. Yuvika bought a vacant land for ₹ 80 lakhs in May 2005. Registration and other expenses were 10% of the cost of land. She constructed a residential building on the said land for ₹ 100 lakhs during the financial year 2007-08.

She entered into an agreement for sale of the above said residential house with Mr. Johar (not a relative) in April 2015. The sale consideration was fixed at ₹ 700 lakhs and on 23-4-2015, Mrs. Yuvika received ₹ 20 lakhs as advance in cash by executing an agreement. However, due to failure on part of Mr. Johar, the said negotiation could not materialise and hence, the said amount of advance was forfeited by Mrs. Yuvika.

Mrs. Yuvika, again entered into an agreement on 01.08.2023 for sale of this house at ₹ 810 lakhs. She received ₹ 80 lakhs as advance by RTGS. The stamp duty value on the date of agreement was ₹ 890 lakhs. The sale deed was executed and registered on 14-1-2024 for the agreed consideration. However, the State stamp valuation authority had revised the values, hence, the value of property for stamp duty purposes was ₹ 900 lakhs. Mrs. Yuvika paid 1% as brokerage on sale consideration received.

Subsequent to sale, Mrs. Yuvika made following acquisition/investments:

- (i) Acquired two residential houses at Delhi and Chandigarh for ₹ 130 lakhs and ₹ 50 lakhs, respectively, on 31.1.2024 and 15.5.2024
- (ii) Acquired a residential house at UK for ₹ 180 lakhs on 23.3.2024.
- (iii) Subscribed to NHA capital gains bond (approved under section 54EC) for ₹ 50 lakhs on 29-3-2024 and for ₹ 40 lakhs on 12-5-2024.

Compute the income chargeable under the head 'Capital Gains' of Mrs. Yuvika for A.Y.2024-25. The choice of exemption must be in the manner most beneficial to the assessee.

Cost Inflation Index: F.Y. 2005-06 – 117; F.Y. 2007-08 – 129; F.Y. 2023-24 - 348. (New SM) (Same concept different figures RTP May'20)

Answer 1

Computation of income chargeable under the head "Capital Gains" of Mrs. Yuvika for A.Y.2024-25

Particulars	Rs.(in lakhs)	Rs.(in lakhs)
Capital Gains on sale of residential building		
Actual sale consideration Rs.810 lakhs		
Value adopted by Stamp Valuation Authority Rs.890 lakhs		
[Where the actual sale consideration is less than the value adopted by the Stamp Valuation Authority for the purpose of charging stamp duty, and such stamp duty value exceeds 110% of the actual sale consideration, then, the value adopted by the Stamp Valuation Authority shall be taken to be the full value of consideration as per section 50C.		
However, where the date of agreement is different from the date of registration, stamp duty value on the date of agreement can be considered provided the whole or part of the consideration is received by way of account payee cheque/bank draft or by way of ECS through bank account or through prescribed electronic modes on or before the date of agreement.		

In this case, since advance of Rs. 80 lakh is received by RTGS, i.e., one of the prescribed modes, stamp duty value on the date of agreement can be adopted as the full value of consideration. However, in the present case since stamp duty value on the date of agreement does not exceed 110% of the actual consideration, actual sale consideration would be taken as the full value of consideration)		
Gross Sale consideration (actual consideration, since stamp duty value on the date of agreement does not exceed 110% of the actual consideration)		810.00
Less: Brokerage @1% of sale consideration (1% of Rs.810 lakhs)		8.10
Net Sale consideration		801.90
Less: Indexed cost of acquisition		
- Cost of vacant land, Rs. 80 lakhs, plus registration and other expenses i.e., Rs. 8 lakhs, being 10% of cost of land [₹ 88 lakhs × 348/117]	261.74	
- Construction cost of residential building (₹100 lakhs × 348/129)	269.77	531.51
Long-term capital gains		270.39
Since the residential house property was held by Mrs. Yuvika for more than 24 months immediately preceding the date of its transfer, the resultant gain is a long-term capital gain]		
Less: Exemption under section 54		130.00
Where long-term capital gains exceed Rs. 2 crore, the capital gain arising on transfer of a long-term residential property shall not be chargeable to tax to the extent such capital gain is invested in the purchase of one residential house property in India, one year before or two years after the date of transfer of original asset. Therefore, in the present case, the exemption would be available only in respect of the one residential house acquired in India and not in respect of the residential house in UK. It would be more beneficial for her to claim the cost of acquisition of residential house at Delhi, i.e., Rs. 130 lakhs as exemption.		
Less: Exemption under section 54EC		50.00
Amount invested in capital gains bonds of NHA within six months after the date of transfer (i.e., on or before 13.7.2022), of long-term capital asset, being land or building or both, would qualify for exemption, to the maximum extent of Rs. 50 lakhs, whether such investment is made in the current financial year or subsequent financial year. Therefore, in the present case, exemption can be availed only to the extent of Rs. 50 lakh out of Rs. 90 lakhs, even if the both the investments are made on or before 13.7.2022 (i.e., within six months after the date of transfer).		
Long term capital gains chargeable to tax		90.39

Note: Advance of ₹ 20 lakhs received from Mr. Johar, would have been chargeable to tax under the head "Income from other sources", in the A.Y. 2016-17, as per section 56(2)(ix), since the same was forfeited on or after 01.4.2014 as a result of failure of negotiation. Hence, the same should not be deducted while computing indexed cost of acquisition.

Question 2

Mr. Gyaanchand purchased 1200 shares of "A" limited at ₹ ₹130 per share on 26.02.1979. "A" limited issued him 600 bonus shares on 20.02.2005. The fair market value of these shares at Mumbai Stock Exchange as on 1.04.2001 was ₹900 per share and ₹2,000 per share as on 31.01.2018. On 07.07.2023 Mr. Gyaanchand sold all 1800 shares @ ₹ 2,400 per share at Mumbai Stock Exchange and securities transaction tax was paid. Compute capital gain chargeable to tax in the hands of Mr. Gyaanchand for the A.Y.2024-25. (MTP 4 Marks, Oct'21)

Answer 2
Computation of capital gain of Mr. Gyaanchand for the A.Y.2024-25

Particulars	₹	₹
Capital Gains		
In respect of 600 shares (bonus shares)		
Full value of consideration [600 shares x ₹2,400 per share]	14,40,000	
Less: Cost of acquisition [600 shares x ₹2,000]	12,00,000	2,40,000
Higher of (i) and (ii), below		
(i) Nil, being cost of acquisition		
(ii) ₹2,000 per share, being the lower of FMV as on 31.1.2018 - ₹2,000 per share		
Sale consideration – ₹2,400 per share		
In respect of 1,200 original shares		
Full value of consideration [1,200 shares x ₹2,400]	28,80,000	
Less: Cost of acquisition [1,200 shares x ₹2,000]	24,00,000	4,80,000
Higher of (i) and (ii), below		
(i) ₹900, being original cost of acquisition (₹ 130) or FMV as on 1.4.2001 (₹900), at the option of the assessee		
(ii) ₹2,000 per share, being the lower of		
FMV as on 31.1.2018 - ₹2,000 per share		
Sale consideration – ₹2,400 per share		
Long term capital gain		7,20,000

Question 3

Aggarwal & Sons, HUF purchased a house property in the year 1950 for ₹50,000. On 31.10.2023, the HUF was totally partitioned and the aforesaid house property was given to Mr. Subhash Aggarwal, a member of the family. Fair Market value of the house as on 31.10.2023 was ₹21,00,000. FMV of the house as on 1.4.2001 was ₹3,50,000. What will be the tax implications in the hands of Mr. Subhash Aggarwal and the HUF? (MTP 3 Marks, Oct'21)

Answer 3
Tax implications in the hands of HUF

As per section 47, any distribution of capital assets on the total or partial partition of a HUF would not be regarded as transfer for the purpose of capital gains tax.

In this case, Aggarwal & Sons, HUF transferred the asset to Mr. Subhash Aggarwal, a member of HUF on total partition of the HUF. Hence, the transaction would not be regarded as transfer.

Tax implications in the hands of Mr. Subhash Aggarwal

If an immovable property is received by any person without consideration, the stamp duty value of such property would be taxed as the income of the recipient under section 56(2)(x), if it exceeds ₹50,000. However, it would not be taxable as income if the transfer is by way of a transfer, inter alia, on total or partial partition of a HUF.

In the give case, since Mr. Subhash Aggarwal received the house property on total partition of the HUF, it would not be taxable in his hand.

**Question 4**

Mr. Raj is carrying on business of manufacture and sale of art-silk cloth. He purchased machinery worth ₹ 4 lacs on 1.5.2020 and insured it with United India Assurance Ltd against fire, flood, earthquake etc., The written down value of the asset as on 01.04.2023 was ₹ 1,87,850. The insurance policy contained a reinstatement clause requiring the insurance company to pay the value of the machinery, as on the date of fire etc., in case of destruction of loss. A fire broke out in August, 2023 causing extensive damage to the machinery of the assessee rendering them totally useless. The assessee company received a sum of ₹ 4 lacs from the insurance company on 15th March, 2024. Examine the issues arising on account on the transactions and their tax treatment. (Cost inflation index for financial year 2020-21 & 2023-24 are 301 and 348 respectively) (MTP 4 Marks, Nov'21)

Answer 4

As per section 45(1A), where any person receives any money or other assets under an insurance from an insurer on account of damage to or destruction of capital asset as a result of, inter alia, accidental fire then, any profits and gains arising from the receipt of such money or other assets, shall be chargeable to income tax under the head "Capital Gains" and shall be deemed to be the income of such person of the previous year in which such money or asset was received.

For the purpose of section 48, the money received or the market value of the asset shall be deemed to be the full value of the consideration accruing as a result of the transfer of such capital asset. Since the asset was destroyed and the money from the insurance company was received in the previous year, there will be a liability to compute capital gains in respect of the insurance moneys received by the assessee.

Under section 45(1A) any profits and gains arising from receipt of insurance moneys is chargeable under the head "Capital gains". For the purpose of section 48, the moneys received shall be deemed to be the full value of the consideration accruing or arising. Under section 50 the capital gains in respect of depreciable assets had to be computed in the following manner (assuming it was the only asset in the block).

The computation of capital gain and tax implication is given below:

Full value of the consideration	₹ 4,00,000
Less: Written down value as on April 1st, 2023	₹ 1,87,850
Short term capital gains	₹ 2,12,150

Question 5 (Includes concepts from Income from Other Sources)

Mrs. Neha transferred 100 shares of ABC (P) Ltd. to M/s. XYZ Co. (P) Ltd. on 10.9.2023 for ₹ 3,00,000 when the market price was ₹ 5,00,000. The indexed cost of acquisition of shares for Mrs. Neha was computed at ₹ 4,30,000. The transfer was not subjected to securities transaction tax. Determine the income chargeable to tax in the hands of Mrs. Neha and M/s. XYZ Co. (P) Ltd. because of the above said transaction. (MTP 2 Marks, Nov'21)

Answer 5

Any movable property received for inadequate consideration by any person is chargeable to tax under section 56(2)(x), if the difference between aggregate Fair Market Value of the property and consideration exceeds ₹ 50,000.

Thus, share received by M/s XYZ (P) Ltd. from Mrs. Neha for inadequate consideration is chargeable to tax under section 56(2)(x) to the extent of ₹ 2,00,000.

As per section 50CA, since, the consideration is less than the fair market value of unquoted shares of ABC (P) Ltd., fair market value of shares of the company would be deemed to be the full value of consideration. It is presumed that the shares of ABC (P) Ltd are unquoted shares.

The full value of consideration (₹ 5,00,000) less the indexed cost of acquisition (₹ 4,30,000) would result in a long term capital gains of ₹ 70,000 in the hands of Mrs. Neha.

Question 6

Calculate the amount chargeable to tax under the head 'Capital Gains' and also calculate tax on such gains for A.Y. 2024-25 from the following details provided by Mr. Naveen with respect to sale of certain securities during F.Y. 2023-24, assuming that the other incomes of Mr. Naveen exceed the maximum amount not chargeable to tax. (Ignore surcharge and cess):



- (i) Sold 10,000 shares of Y Ltd. on 05-04-2023 @ ₹ 650 per share. Y Ltd. is a listed company. These shares were acquired by Mr. Naveen 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 Y 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
- (ii) Sold 1,000 units of AB Mutual Fund on 20-05-2023 @ ₹ 50 per unit. AB Mutual Fund is an equity oriented fund. These units were acquired by Mr. Naveen on 10-03-2017 @ ₹ 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 AB Mutual Fund was ₹ 55 per unit. The units of AB Mutual Fund were not listed on the stock exchange as on 31.1.2018.
- (iii) Sold 100 shares of C Ltd. on 27-09-2023 @ ₹ 200 per share. C Ltd. is an unlisted 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 years are as under (MTP 7 Marks, April'21, PYP 6 Marks Nov 19)

2001-02	100
2016-17	264
2017-18	272
2020-21	301
2023-24	348

Answer 6

Computation of amount chargeable to tax under the head "Capital Gains" in the hands of Mr. Naveen

	Particulars	₹
(i)	Sale of 10,000 shares of Y Ltd. on 5.4.2023 @ 650 per share	
	Sales consideration (10,000 x ₹ 650)	65,00,000
	Less: Cost of acquisition	₹ 30,00,000
	Higher of:	
	- Actual cost (10,000 x ₹ 100)	10,00,000
	- Lower of: 30,00,000	
	• ₹ 30,00,000 (₹ 300 x 10,000), being fair market value as on 31.1.2018 (Highest price of the shares traded on 31.1.2018); and	
	• ₹ 65,00,000, being full value of consideration on transfer	
	Long-term capital gain under section 112A [Since shares held for more than 12 months and STT is paid both at the time of purchase and sale. Benefit of indexation is, however, not available on LTCG taxable u/s 112A].	35,00,000
(ii)	Sale of 1,000 units of AB Mutual Fund on 20.5.2023 @ ₹ 50 per unit	
	Sale consideration (1,000 x ₹ 50)	50,000
	Less: Cost of acquisition - Higher of -	50,000
	- Actual cost (1,000 x ₹ 10)	10,000
	- Lower of: 50,000	
	• ₹ 55,000 (₹ 55 x 1,000), FMV, being Net Asset Value as on 31.1.2018; and	
	• ₹ 50,000, being full value of consideration on transfer	
	Long-term capital gain under section 112A [Since shares are held for more than 12 months and STT is paid at the time of sale]	Nil
(iii)	Sale of 100 shares of C Ltd. on 27.9.2023 @ 200 per share	
	Sale consideration (100 x ₹ 200)	20,000
	Less: Indexed Cost of acquisition [100 x ₹ 50 (being FMV on 1.4.2001) x 348/100]	17,400



Long-term capital gain under section 112 [Since shares are unlisted and held for more than 24 months]	<u>2,600</u>
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Computation of tax on such capital gains for A.Y. 2024-25

Particulars	₹
Tax under section 112A @ 10% on long-term capital gains of ₹ 34,00,000 [LTCG of ₹ 35,00,000 (-) ₹ 1,00,000] arising on sale of shares of Y Ltd.	3,40,000
Tax under section 112 @ 20% on long-term capital gains of ₹ 2,600 arising on sale of unlisted shares of C Ltd.	520
Total tax payable	3,40,520

EXAMINERS' COMMENTS ON THE PERFORMANCE OF EXAMINEES:

This question requires computation of "Capital Gains" on transfer of listed shares of A Ltd., units of B Mutual Fund and unlisted shares of C Ltd. However, many examinees could not correctly compute the cost of acquisition of 10,000 listed shares of A Ltd.

Question 7

Mr. Yusuf bought a vacant land for ₹ 80 lakhs in March 2009. Registration and other expenses were 10% of the cost of land. He constructed a residential building on the said land for ₹ 100 lakhs during the financial year 2010-11.

He entered into an agreement for sale of the above said residential house with Mr. John (not a relative) in July 2023. The sale consideration was fixed at ₹ 600 lakhs and on the date of agreement, Mr. Yusuf received ₹ 20 lakhs as advance in cash. The stamp duty value on that date was ₹ 620 lakhs.

The sale deed was executed and registered on 10-2-2024 for the agreed consideration. However, the State stamp valuation authority had revised the values, hence, the value of property for stamp duty purposes was ₹ 650 lakhs. Mr. Yusuf paid 1% as brokerage on sale consideration received.

Subsequent to sale, Mr. Yusuf made following investments:

- (i) Acquired a residential house at Delhi for ₹ 80 lakhs.
- (ii) Acquired a residential house at London for ₹ 40 lakhs.
- (iii) Subscribed to NHAI bond: ₹ 45 lakhs on 29-5-2024 and ₹ 15 lakhs on 12-7-2024.

Compute the income chargeable under the head "Capital Gains" for A.Y. 2024-25. The choice of exemption must be in the manner most beneficial to the assessee. (MTP Oct 20, 7 Marks, RTP May 18)

Cost Inflation Index:	F.Y. 2008-09	137
	F.Y. 2010-11	167
	F.Y. 2023-24	348

Answer 7

Computation of income chargeable under the head "Capital Gains" for A.Y.2024-25

Particulars	₹ (in lakhs)	₹ (in lakhs)
Capital Gains on sale of residential building		
Actual sale consideration ₹ 600 lakhs		
Value adopted by Stamp Valuation Authority ₹ 650 lakhs		
Gross Sale consideration		650.00
[Where the actual sale consideration is less than the value adopted by the Stamp Valuation Authority for the purpose of charging stamp duty, and such stamp duty value exceeds 105% (110%) of the actual sale consideration, then, the value adopted		600.00



by the Stamp Valuation Authority shall be taken to be the full value of consideration as per section 50C. (As per amendment in section 50C if SDV is not more than 110% of the consideration, then Consideration shall be treated as Full Value of Consideration) In a case where the date of agreement is different from the date of registration, stamp duty value on the date of agreement can be considered provided the whole or part of the consideration is paid by way of account payee cheque/bank draft or by way of ECS through bank account or through any other prescribed electronics mode on or before the date of agreement.		
In this case, since advance of ₹20 lakh is received in cash on the date of agreement, stamp duty value on the date of registration has to be considered. Since stamp duty value on the date of registration exceeds 105% (110%) of the actual consideration, such stamp duty value on the date of registration would be taken as full value of consideration]		
Less: Brokerage@1% of sale consideration (1% of ₹ ₹600 lakhs)		<u>6.00</u>
Net Sale consideration		644.00 594
Less: Indexed cost of acquisition - Cost of vacant land, ₹ Rs 80 lakhs, plus registration and other expenses i.e., ₹ Rs 8 lakhs, being 10% of cost of land [₹ 88 lakhs × 348/137]	223.53	
- Construction cost of residential building (₹Rs 100 lakhs x 348/167)	<u>208.38</u>	<u>431.91</u>
Long-term capital gains before exemption		182.05 162.09
Less: Exemption under section 54		80.00
Since the amount of capital gain does not exceed ₹ Rs 2 crore, the capital gain arising on transfer of a long-term residential property shall not be chargeable to tax to the extent such capital gain is invested in the purchase of two residential house property in India one year before or two years after the date of transfer of original asset, at the option of the assessee. However, in the present case, the exemption would be available only in respect of the residential house acquired at Delhi and not in respect of the residential house in London since the residential house property should be purchased or constructed in India		
Less: Exemption under section 54EC Amount deposited in capital gains bonds of NHAI within six months from the date of transfer (i.e., on or before 09.08.2020) would qualify for exemption, to the maximum extent of ₹50 lakhs. Therefore, in the present case, exemption can be availed only to the extent of ₹50 lakh out of ₹ 60 lakhs, even if the both the investments are made on or before 09.08.2024 (i.e., within six months from the date of transfer).		50.00
Long term capital gains chargeable to tax		52.05 32.09

Note: Since the residential house property was held by Mr. Yusuf for more than 24 months immediately preceding the date of its transfer, the resultant gain is a long-term capital gain

Question 8 (Includes concepts of Income from Other Sources)

Mr. Ramesh sold a house plot to Mrs Vikas for ₹ 45 lakhs on 10-9-2023. The valuation determined by the stamp valuation authority was ₹ 53 lakhs. Mr. Vikas has sold this plot to Ms. Bali on 21-3-2024 for ₹ 55 lakhs. The valuation as per stamp valuation authority was ₹ 54 lakhs on 21-3-2024.

Discuss the tax consequences of above, in the hands of each one of them, visa, Mr. Ramesh, Mr. Vikas & compute the capital gain in the hands of Mr. Vikas.

Note: None of the party's visa Mr. Ramesh, Mr. Vikas & Ms. Bali are related to each other; the transactions are between outside ₹ (MTP 7 Marks, May'20)

Answer 8

I	Tax consequences in the hands of Mr. Ramesh	
	As per section 50C, the stamp duty value of immovable property, being land or building or both, would be deemed to be the full value of consideration arising on transfer of such property, if the same is higher than actual consideration. However, where the stamp duty value does not exceed 105% (110%) of the sale consideration received or accruing as a result of transfer, the consideration so received or accruing shall be deemed to be the full value of the consideration. Accordingly, in this case, capital gains would be computed in the hands of Mr. Ramesh, for A.Y.2024-25, taking the stamp duty value of ₹ 53 lakh of house plot as the full value of consideration arising on transfer of such house plot, since the same exceeds 105% (110%) of the actual consideration of ₹ 45 lakhs. Note – If it is assumed that Mr. Ramesh is a property dealer, the income would be taxable as his business income under section 43CA (As per amendment in section 50C if SDV is not more than 110% of the consideration, then Consideration shall be treated as Full Value of Consideration)	
II	Tax consequences in the hands of Mr. Vikas	
	In case, immovable property is received for inadequate consideration, the difference between the stamp duty value and actual consideration would be taxable under section 56(2)(x) in the hands of the recipient, if such difference exceeds the higher of ₹ 50,000 or 5% of actual sales consideration. Therefore, in this case, ₹ 8 lakhs (₹ 53 lakhs – ₹ 45 lakh) would be taxable in the hands of Mr. Vikas under the head “Income from Other Sources” in A.Y.2024-25 since the difference exceeds ₹2,25,000, being the higher of ₹50,000 and 5% of consideration. At the time of subsequent sale of property by Mr. Vikas to Ms. Bali (on 21.3.2024), short-term capital gains would arise in the hands of Mr. Vikas in A.Y.2024-25, since the property is held by him for less than 24 months.	
	Particulars	₹
	Full value of consideration (Since actual consideration of ₹55 lakhs is higher than stamp duty value of ₹54 lakh)	55 lakh
	Less: Cost of acquisition (Value taken into account for the purpose of section 56(2)(x)2	53 lakh
	Short-term capital gains	2 lakh

Question 9

Mr. Sarthe entered into an agreement with Mr. Jaikumar to sell his residential house located at Kanpur on 16.08.2023 for ₹ 80,00,000.

The sale proceeds were to be paid in the following manner:

- (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. Jaikumar was handed over the possession of the property on 15.12.2023 and the registration process was completed on 14.01.2024. He paid the sale proceeds as per the sale agreement. The value determined by the Stamp Duty Authority on 16.08.2023 was ₹ 90,00,000 whereas on 14.01.2024 it was ₹ 91,50,000.



Mr. Sarthe had acquired the property on 01.04.2001 for ₹ 20,00,000. After recovering the sale proceeds from Jaikumar, he purchased another residential house property for ₹ 20,00,000 on 24.3.2024. Compute the income under the head "Capital Gains" for the Assessment Year 2024-25. Cost Inflation Index for Financial Year(s)

2001-02- 100; 2023-24 - 348 (MTP 7 Marks, Oct'19)

Answer 9

Computation of income chargeable under the head "Capital Gains" for A.Y. 2024-25

Particulars	₹
Capital Gains on sale of residential house	
Actual sale consideration ₹ 80 lakhs	
Value adopted by Stamp Valuation Authority ₹ 90 lakhs	
Full value of sale consideration [Higher of the above]	90,00,000
[As per section 50C, where the actual sale consideration declared by the assessee on the date is less than the value adopted by the Stamp Valuation Authority for the purpose of charging stamp duty, and such stamp duty value exceeds 105% (110%) of the actual sale consideration then, the value adopted by the Stamp Valuation Authority shall be taken to be the full value of consideration. In a case where the date of agreement is different from the date of registration, stamp duty value on the date of agreement can be considered provided the whole or part of the consideration is paid by way of account payee cheque/bank draft or by way of ECS through bank account on or before the date of agreement. In this case, since 20% of ₹ 80 lakhs is paid through account payee bank draft on the date of agreement, stamp duty value on the date of agreement can be adopted as the full value of consideration]	
Less: Indexed cost of acquisition of residential house	
[₹ 20 lakhs x 348/100]	69,60,000
Long-term capital gains [Since the residential house property was held by Mr. Sarthe for more than 24 months immediately preceding the date of its transfer]	20,40,000
Less: Exemption u/s 54	20,00,000
The capital gain arising on transfer of a long-term residential property shall not be chargeable to tax to the extent such capital gain is invested in the purchase of one residential house property in India within one year before or two years after the date of transfer of original asset.	
Long term capital gains chargeable to tax	40,000

(As per amendment in section 50C if SDV is not more than 110% of the consideration, then Consideration shall be treated as Full Value of Consideration)

Question 10

On 29.12.2023, Mr. Gaurav (a bank employee) received ₹7,00,000 towards interest on enhanced compensation from State Government in respect of compulsory acquisition of his land effected during the financial year 2019-20.

Out of this interest, ₹2,00,000 relates to the financial year 2020-21; ₹3,45,000 to the financial year 2021-22; and ₹1,55,000 to the financial year 2022-23.

How much of interest on enhanced compensation would be chargeable to tax for the assessment year 2024-25? (MTP 2 Marks, March'19)

Answer 10

Section 145B provides that interest received by the assessee on enhanced compensation shall be deemed to be the income of the assessee of the year in which it is received, irrespective of the method of accounting followed by the assessee and irrespective of the financial year to which it relates.

Section 56(2)(viii) states that such income shall be taxable as „Income from other sources“.

50% of such income shall be allowed as deduction by virtue of section 57(iv) and no other deduction shall

be permissible from such Income.

Computation of interest on enhanced compensation taxable as “Income from other sources” for the A.Y 2024-25:

Particulars	₹
Interest on enhanced compensation taxable under section 56(2)(viii)	7,00,000
Less: Deduction under section 57(iv) (50% x ₹7,00,000)	3,50,000
Taxable interest on enhanced compensation	3,50,000

Question 11

Mr. Shiva purchased a house property on February 15, 1979 for ₹ 3,24,000. In addition, he has also paid stamp duty value @10% on the stamp duty value of ₹ 3,50,000.

In April, 2009, Mr. Shiva entered into an agreement with Mr. Mohan for sale of such property for ₹ 14,35,000 and received an amount of ₹ 1,11,000 as advance. However, the sale consideration did not materialize and Mr. Shiva forfeited the advance. In May 2016, he again entered into an agreement for sale of said house for ₹ 20,25,000 to Ms. Deepshikha and received ₹ 1,51,000 as advance. However, as Ms. Deepshikha did not pay the balance amount, Mr. Shiva forfeited the advance. In August, 2015, Mr. Shiva constructed the first floor by incurring a cost of ₹ 3,90,000.

On November 15, 2023, Mr. Shiva entered into an agreement with Mr. Manish for sale of such house for ₹ 30,50,000 and received an amount of ₹ 1,50,000 as advance through an account payee cheque. Mr. Manish paid the balance entire sum and Mr. Shiva transferred the house to Mr. Manish on February 20, 2024. Mr. Shiva has paid the brokerage @1% of sale consideration to the broker.

On April 1, 2001, fair market value of the house property was ₹ 11,85,000 and Stamp duty value was ₹ 10,70,000. Further, the Valuation as per Stamp duty Authority of such house on 15th November, 2023 was ₹ 39,00,000 and on 20th February, 2024 was ₹ 41,00,000.

Compute the capital gains in the hands of Mr. Shiva for A.Y.2023 -24. CII for F.Y. 2001-02: 100; F.Y. 2008-09: 137; F.Y. 2016-17: 264; F.Y. 2022-23: 331 (MTP 7 Marks March '23 & Aug '18, Old SM)

Answer 11

Computation of Capital gains in the hands of Mr. Shiva for A.Y. 2024-25

Particulars	Amount (₹)	Amount (₹)
Actual sale consideration	30,50,000	
Valuation as per Stamp duty Authority on the date of agreement	39,00,000	
(Where the actual sale consideration is less than the value adopted by the Stamp Valuation Authority for the purpose of charging stamp duty, and such stamp duty value exceeds 110% of the actual sale consideration then, the value adopted by the Stamp Valuation Authority shall be taken to be the full value of consideration as per section 50C. However, where the date of agreement is different from the date of registration, stamp duty value on the date of agreement can be considered, provided the whole or part of the consideration is received by way of account payee cheque/bank draft or by way of ECS through bank account or such other electronic mode as		

may be prescribed on or before the date of agreement. In the present case, since part of the payment is made by account payee cheque on the date of agreement, the stamp duty value on the date of agreement would be considered as full value of consideration)		
Deemed Full value of consideration [Since stamp duty value on the date of agreement exceeds 110% of the actual consideration, stamp duty value would be deemed as Full Value of Consideration]		39,00,000
Less: Expenses on transfer (Brokerage @1% of ₹ 30,50,000)		30,500
Net sale consideration		38,69,500
Less: Indexed cost of acquisition (Note 1)	33,37,320	
Less: Indexed cost of improvement (Note 2)	5,14,091	38,51,411
Long term capital gain		18,089

Notes:
(1) Computation of indexed cost of acquisition

Particulars	Amount (₹)	Amount (₹)
Cost of acquisition,		10,70,000
Being the higher of		
(i) lower of Fair market value i.e., ₹ 11,85,000 and Stamp duty value i.e., ₹ 10,70,000, on April 1, 2001	10,70,000	
(ii) Actual cost of acquisition (₹ 3,24,000 + ₹ 35,000, being stamp duty @10% of ₹ 3,50,000	3,59,000	
Less: Advance money taken from Mr. Mohan and forfeited		1,11,000
Cost of acquisition for indexation		9,59,000
Indexed cost of acquisition (₹ 9,59,000 x 348/100)		33,37,320

(2) Computation of indexed cost of improvement

Particulars	Amount (₹)
Cost of construction of first floor in August, 2016	3,90,000
Indexed cost of improvement (₹ 3,90,000 x 348/264)	5,14,091

Where advance money has been received by the assessee, and retained by him, as a result of failure of the negotiations, section 51 will apply. The advance retained by the assessee will go to reduce the cost of acquisition. Indexation is to be done on the cost of acquisition so arrived at after reducing the advance money forfeited [i.e. ₹ 10,70,000 - ₹ 1,11,000 (being the advance money forfeited during the P.Y.2009-10) = ₹ 9,59,000]. However, where the advance money is forfeited during the previous year 2015-16 or thereafter, the amount forfeited would be taxable under the head "Income from Other Sources" and such amount will not be deducted from the cost of acquisition of such asset while calculating capital gains. Hence, ₹ 1,51,000, being the advance received from Ms. Deepshikha and retained by him, would have been taxable under the head "Income from other sources" in the hands of Mr. Shiva in A.Y.2017-18.

Question 12

Mr. Ramesh, a builder, entered into an agreement on 1.4.2021 with Mr. Vikas to transfer 4 th Floor in Tower A of a new project for ₹ 1,50,00,000. He received ₹ 25 lakhs as advance in cash on 1.4.2021. Transfer is by way of first time allotment. The stamp duty value of such floor on that date was ₹ 1,70,00,000. The sale deed was executed and registered on 15.6.2021 for the agreed consideration. However, the stamp



duty value on that date was ₹ 1,75,00,000. Discuss the tax consequences of above, in the hands of Mr. Ramesh and Mr. Vikas. (MTP 7 Marks April 22)
(AY have not been changed so as to satisfy all conditions of sec 43CA)

Answer 12

I	Tax consequences in the hands of Mr. Ramesh
	<p>As per section 43CA, where the consideration received or accruing is less than the stamp duty value of an asset (other than capital asset), being land or building or both and such stamp duty value exceeds 110% of the consideration received or accruing, then the stamp duty value shall be deemed to be the full value of the consideration.</p> <p>However, where the date of agreement is different from the date of registration, stamp duty value on the date of agreement can be considered provided whole or part of the considered is received by way of account payee cheque/ bank draft/ ECS or through any other prescribed modes on or before the date of agreement.</p> <p>Further, in case of transfer of an asset, being a residential unit, if the stamp duty value of the residential unit does not exceed 120% of the consideration received or accruing, then, such consideration shall be deemed to be the full value of consideration for the purpose of computing profits and gains from transfer of such asset, subject to the satisfaction of following conditions –</p> <p>(i) The transfer of residential unit takes place during the period between 12.11.2020 and 30.6.2021</p> <p>(ii) Such transfer is by way of first time allotment of the residential unit to any person</p> <p>(iii) The consideration received or accruing as a result of such transfer \leq ₹ 2 crores Accordingly, in this case, since ₹ 25 lakhs is received by cash on the date of agreement, stamp duty value on the date of registration is to be considered. Since such stamp duty value (₹ 1.75 crores) does not exceed 120% of the consideration received (₹ 1.50 crores), business income would be computed in the hands of Mr. Ramesh, for A.Y.2022-23, taking sale consideration of ₹ 1,50,00,000 as the full value of consideration arising on transfer.</p>
II	Tax consequences in the hands of Mr. Vikas
	<p>In case, immovable property is received for inadequate consideration, the difference between the stamp duty value and actual consideration would be taxable under section 56(2)(x) in the hands of the recipient, if such difference exceeds the higher of ₹ 50,000 or 10% of actual sales consideration. However, in case the property is a residential unit and conditions of section 43CA are satisfied, the difference would be taxable if such difference exceeds the higher of ₹ 50,000 or 20% of actual sales consideration.</p> <p>In this case, no income would be taxable in the hands of Mr. Vikas under the head “Income from Other Sources” in A.Y.2022-23 since the difference of ₹25,00,000 does not exceed ₹30,00,000, being the higher of ₹50,000 and 20% of consideration.</p>

Question 13

(i) **Examine the taxability of capital gains in the following scenarios for the Assessment Year 2024-25, determine the taxable amount and rate of tax applicable:**

On 20th December, 2023 5,000 shares of AB Ltd., a listed company are sold by Mr. Kumar @ 500 per share and STT was paid at the time of sale of shares. These shares were acquired by him on 5th June, 2017 @ ₹ 425 per share by paying STT at the time of purchase. On 31st January, 2018, the shares of AB Ltd. were traded on a recognized stock exchange at the Fair Market Value of ₹ 450 per share. (MTP 2Marks Sep'22)

(ii) **Mr. Satish is the owner of a residential house which was purchased on 1st July, 2017 for ₹ 10,50,000. He sold the said house on 14th October, 2023 for ₹ 25,00,000. Valuation as per stamp valuation authorities was ₹ 45,00,000. He invested ₹ 15,00,000 in RECL Bonds on 20th March, 2024.**



F.Y.	2017-18	272
F.Y.	2023-24	348

(MTP 2 Marks Sep'22, PYP 4 Marks July 21)

Answer 13

(i)	Long-term capital gain on transfer of 5,000 shares of AB Ltd. [taxable u/s 112A @10% on amount exceeding ₹ 1,00,000]	
	Full value of consideration [5,000 x ₹ 500]	25,00,000
	Less: Cost of acquisition	
	Higher of	
	Cost of acquisition [5,000 x ₹ 425]	21,25,000
	Lower of fair market value per share as on 31.1.2018	22,50,000
	i.e., ₹ 450 per share and sale consideration i.e., ₹ 500 per share [5,000 x ₹ 450]	22,50,000
	Long term capital gain taxable u/s 112A	2,50,000
	Long-term capital gain exceeding ₹ 1 lakh i.e., ₹ 1,50,000 would be taxable @10%	
(ii)	Sale of residential house [long-term capital asset, since held for more than 24 months]	
	Full value of consideration [stamp duty value, since it exceeds 110% of actual sale consideration]	45,00,000
	Less: Indexed cost of acquisition [₹ 10,50,000 x 348/272]	13,43,382
		31,56,618
	Less: Deduction under section 54EC	15,00,000
	Since ₹ 15,00,000 is invested in RECL bonds on 20th March 2024 i.e., before six months from the date of transfer	
	Long-term capital gain taxable u/s 112 @ 20%	16,56,618

Question 14

Mr. Suresh entered into an agreement with Mr. Mukesh to sell his residential house located at New Delhi on 25.05.2023 for ₹ 80,00,000. Mr. Mukesh was handed over the possession of the property on 15.12.2023 and the registration process was completed on 14.02.2024.

Mr. Mukesh had paid the sale proceeds in the following manner;

- 25% through account payee bank draft on the date of agreement.
- 50% on the date of the possession of the property.
- Balance after the completion of the registration of the title of the property.

The value determined by the Stamp Duty Authority on 25.05.2023 was ₹ 92,00,000 whereas on 14.02.2024 it was ₹ 94,50,000.

Mr. Suresh had acquired the property on 01.04.2003 for ₹ 21,00,000. After recovering the sale proceeds from Mukesh, he purchased another residential house property in Kanpur for ₹ 22,00,000.

Cost Inflation Index for Financial Year(s)

2003-04	109
2023-24	348

Compute the capital gain arising in the hands of Mr. Suresh for the Assessment Year 2022-23. (MTP 6 Marks Oct'22, Old SM) (Same concept different figures RTP Nov'18, MTP7 Marks, Oct'19)

Answer 14

Computation of Capital Gain of Mr. Suresh for A.Y. 2024-25

Particulars	₹
Capital Gains on sale of residential house	



Actual sale consideration	₹ 80 lakhs	
Value adopted by Stamp Valuation Authority	₹ 92 lakhs	
[As per section 50C, where the actual sale consideration is less than the value adopted by the Stamp Valuation Authority for the purpose of charging stamp duty and such stamp duty value exceeds 110% of the actual sale consideration, then, the value adopted by the Stamp Valuation Authority shall be taken to be the full value of consideration. In a case where the date of agreement is different from the date of registration, stamp duty value on the date of agreement can be considered provided the whole or part of the consideration is paid by way of account payee cheque/bank draft or by way of ECS through bank account or through such other electronic mode as may be prescribed, on or before the date of agreement. In this case, since 25% of ₹ 80 lakhs is paid through account payee bank draft on the date of agreement, stamp duty value on the date of agreement can be adopted as the full value of consideration]		
Full value of consideration [Stamp duty value on the date of agreement, since it exceeds 110% of the actual sale consideration]		92,00,000
Less: Indexed cost of acquisition of residential house		
[₹ 21 lakhs x 348/109]		67,04,587
Long-term capital gains [Since the residential house property was held by Mr. Suresh for more than 24 months immediately preceding the date of its transfer]		24,95,413
Less: Exemption under section 54		22,00,000
The capital gain arising on transfer of a long-term residential property shall not be chargeable to tax to the extent such capital gain is invested in the purchase of residential house property in India within one year before or two years after the date of transfer of original asset.		
Long-term capital gains chargeable to tax		2,95,413

Question 15

Mr. Ramesh entered into an agreement with Mr. Vikas to sell a plot on 5.4.2023 for ₹ 45 lakhs. He received an advance of ₹ 15 lakhs from him on the date of agreement by account payee cheque. Transfer took place on 10-9-2023. The valuation determined by the stamp valuation authority on the date of agreement and transfer was ₹ 49 lakhs and ₹ 53 lakhs, respectively.

Mr. Vikas has sold this plot to Ms. Babli on 21-3-2024 for ₹ 55 lakhs.

The valuation as per stamp valuation authority was ₹ 54 lakhs on 21-3-2024.

Discuss the tax consequences of above, in the hands of Mr. Ramesh and Mr. Vikas. Also, compute the capital gain in the hands of Mr. Vikas.

Note: None of the parties viz Mr. Ramesh, Mr. Vikas & Ms. Babli are related to each other; the transactions are between outsiders. (MTP 7 Marks April '23, RTP Nov 22)

Answer 15

I.	Tax consequences in the hands of Mr. Ramesh
	As per section 50C, where the actual sale consideration is less than the value adopted by the Stamp Valuation Authority for the purpose of charging stamp duty, and such stamp duty value exceeds 110% of the actual sale consideration, then, the value adopted by the Stamp Valuation Authority shall be taken to be the full value of consideration. In a case where the date of agreement is different from the date of registration, stamp duty value on the date of agreement can be considered provided the whole or part of the consideration is received by way of account payee cheque/bank draft or by way of ECS through bank account or through such other electronic mode as may be prescribed, on or before the

	<p>date of agreement.</p> <p>In this case, since ₹ 15 lakhs is received through account payee cheque on the date of agreement, stamp duty value on the date of agreement would be considered for determining the full value of consideration.</p> <p>Accordingly, in this case, capital gains would be computed in the hands of Mr. Ramesh, for A.Y.2024-25, taking the actual consideration of ₹ 45 lakh of plot as the full value of consideration arising on transfer of such plot, since the stamp duty value on the date of agreement does not exceed 110% of the actual consideration.</p> <p>Note – If it is assumed that Mr. Ramesh is a property dealer, the income would be taxable as his business income under section 43CA</p>								
II.	Tax consequences in the hands of Mr. Vikas								
	<p>In case, immovable property is received for inadequate consideration, the difference between the stamp duty value and actual consideration would be taxable under section 56(2)(x) in the hands of the recipient, if such difference exceeds the higher of ₹ 50,000 or 10% of actual sales consideration.</p> <p>In a case where the date of agreement is different from the date of registration, stamp duty value on the date of agreement can be considered provided the whole or part of the consideration is paid by way of account payee cheque/bank draft or by way of ECS through bank account or through such other electronic mode as may be prescribed, on or before the date of agreement.</p> <p>In this case, since ₹ 15 lakhs is paid through account payee cheque on the date of agreement, stamp duty value on the date of agreement would be considered.</p> <p>Therefore, nothing would be taxable in the hands of Mr. Vikas under the head “Income from Other Sources” in A.Y.2024-25 since the difference between stamp duty value on the date of agreement and actual consideration does not exceed ₹ 4,50,000, being the higher of ₹ 50,000 and 10% of consideration.</p> <p>At the time of subsequent sale of property by Mr. Vikas to Ms. Babli (on 21.3.2024), short-term capital gains would arise in the hands of Mr. Vikas in A.Y.2024-25, since the property is held by him for less than 24 months.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Particulars</th> <th style="text-align: center;">₹</th> </tr> </thead> <tbody> <tr> <td>Full value of consideration (Since actual consideration of ₹ 55 lakh is higher than stamp duty value of ₹ 54 lakh)</td> <td style="text-align: right;">55 lakh</td> </tr> <tr> <td>Less: Cost of acquisition</td> <td style="text-align: right;">45 lakh</td> </tr> <tr> <td>Short-term capital gains</td> <td style="text-align: right;">10 lakh</td> </tr> </tbody> </table>	Particulars	₹	Full value of consideration (Since actual consideration of ₹ 55 lakh is higher than stamp duty value of ₹ 54 lakh)	55 lakh	Less: Cost of acquisition	45 lakh	Short-term capital gains	10 lakh
Particulars	₹								
Full value of consideration (Since actual consideration of ₹ 55 lakh is higher than stamp duty value of ₹ 54 lakh)	55 lakh								
Less: Cost of acquisition	45 lakh								
Short-term capital gains	10 lakh								

Question 16

Mr. Riyaan owned a residential house in Noida. It was acquired on 09.09.2014 for ₹ 30,00,000. He sold it for ₹ 1,57,00,000 on 07.01.2021.

Mr. Riyaan utilized the sale proceeds of the above property to acquire a residential house in Panchkula for ₹ 2,05,00,000 on 20.07.2021. The said house property was sold on 31.10.2023 and he purchased another residential house in Delhi for ₹ 2,57,00,000 on 02.03.2024. The property at Panchkula was sold for ₹ 3,25,00,000.

Calculate capital gains chargeable to tax for the assessment year 2021-22 and 2024-25. All workings should form part of your answer: Cost inflation index for various financial years are as under: (MTP 7 Marks Sep '23, PYP 6 Marks May '19)

2014-15	-	240
2020-21	-	301



2021-22

317

2023-24

-

348

Answer 16

Computation of capital gains chargeable to tax for A.Y. 2021-22

Particulars	₹
Full value of consideration received on sale of residential house in Noida	1,57,00,000
Less: Indexed cost of acquisition [₹ 30,00,000 x 301/240]	37,62,500
Long-term capital gain	1,19,37,500
Less: Exemption under section 54	
Purchase of new residential house property at Panchkula for ₹ 2,05,00,000 on 20.7.2021 i.e., within two years from the date of transfer of residential house in Noida; exemption restricted to long term capital gain, since cost of new house exceeds long-term capital gain	1,19,37,500
Taxable long term capital gain	Nil

Computation of capital gains chargeable to tax for A.Y. 2024-25

Particulars	₹
Full value of consideration received on sale of residential house at Panchkula	3,25,00,000
Less: Indexed cost of acquisition [As per section 54, if the new residential house purchased (i.e., on 20.7.2021, in this case) is transferred within 3 years of its purchase (i.e., on 31.10.2023, in this case), and the cost of acquisition of the new house (i.e., ₹ 2,05,00,000) is higher than the long-term capital gain (i.e., ₹ 1,19,37,500,) then, the cost of acquisition of such new residential house shall be reduced by long term capital gain exempted earlier, while computing capital gains on sale of the new residential house] [₹ 85,62,500 (₹ 2,05,00,000 – ₹ 1,19,37,500) x 348/317]	93,99,842
Long-term capital gain [Since the residential house is held for more than 24 months]	2,31,00,158
Less: Exemption under section 54	
Purchase of new residential house property in Delhi for ₹ 2,57,00,000 on 2.3.2024 i.e., within two years from 31.10.2023, being the date of transfer of residential house at Panchkula; exemption restricted to long term capital gain, since cost of new house exceeds long-term capital gains	2,31,00,158
Taxable long term capital gain	Nil

Question 17

Mr. Kalyan has a residential house property which was acquired on 12-08-2005 for ₹ 2,00,000. The property is sold for ₹ 22,00,000 in December 2023. The sub-registrar refused to register the documents for the said value, as according to him, stamp duty value based on State Government guidelines was ₹ 28,00,000. Mr. Kalyan preferred an appeal to the revenue divisional officer who fixed the value of the house ₹ 25,00,000. He acquired another residential house on 31 -03-2024 for ₹ 17,00;000 for self-occupation. On 01-03-2025, he sold such new residential house for ₹ 30,00,000.



Compute his capital gain for the A.Y. 2024-25 and 2025-26. (Cost Inflation Index: 2001-02; 2005- 06 and 2023-24 are, 100; 117 and 348) (MTP 4 Marks Oct '23)

Answer 17

Computation of capital gain in the hands of Mr. Kalyan for A.Y. 2024-25

Particulars	₹
Full value of consideration	25,00,000
[As per section 50C, in case the actual sale consideration (i.e., ₹ 22 lakhs, in this case) is less than the stamp duty value (i.e., ₹ 28 lakhs, in this case) assessed by the stamp valuation authority (Sub-registrar, in this case), the stamp duty value shall be deemed as the full value of consideration if it exceeds 110% of the sale consideration. However, if assessee has preferred an appeal to the Valuation Officer (i.e., revenue divisional officer, in this case) and the Valuation Officer has fixed the value of the house (i.e., ₹ 25 lakh, in this case) less than stamp duty value (i.e., ₹ 28 lakh, in this case), such value determined by the Valuation Officer shall be deemed as the full value of consideration.]	
Less: Indexed cost of acquisition [₹ 2,00,000 x 348/117]	5,94,872
Long-term capital gain [Since the residential house is held for more than 24 months]	19,05,128
Less: Exemption under section 54	
Purchase of new residential house property on 31.3.2024 (i.e., within two years from the date of transfer of residential house)	17,00,000
Taxable long term capital gain	2,05,128

Computation of capital gains in the hands of Mr. Kalyan for A.Y. 2025-26

Particulars	₹
Full value of consideration	30,00,000
Less: Cost of acquisition [As per section 54, if the new residential house purchased (i.e., on 31.3.2024, in this case) is transferred within 3 years of its purchase (i.e., on 1.3.2025, in this case), and the cost of acquisition of the new house (i.e., ₹ 17 lakhs, in this case) is lower than the long-term capital gain (i.e., ₹ 19,34,188, in this case), the cost of acquisition of such new residential house shall be taken as Nil, while computing capital gains on sale of the new residential house]	Nil
Short term capital gain [Since the residential house is held for a period less than 24 months]	30,00,000

Question 18

Mr. Pratap, a proprietor has transferred his unit RS to Mr. Raj by way of Slump Sale on December 7, 2023. The summarised Balance Sheet of Mr. Pratap as on that date is given below:

Liabilities	Amount (₹ In lacs)	Assets	Amount (₹ In lacs)
Own Capital	1,850	Fixed Assets:	
Accumulated P & L balance	870	Unit PT	250
Liabilities:		Unit QL	170
Unit PT	190	Unit RS	950
Unit QL	260	Other Assets:	
Unit RS	340	Unit PT	790
		Unit QL	860



		Unit RS	490
Total	3,510	Total	3,510

Other information:

- (i) Slump sale consideration on transfer of Unit RS was ₹ 1540 lacs.
- (ii) Fixed Assets of Unit RS includes land which was purchased at ₹ 90 lacs in the year 2013 and was revalued at ₹ 180 lacs.
- (iii) Other fixed assets are reflected at ₹ 770 lacs, (i.e., ₹ 950 lacs less value of land) which represents written down value of those assets as per books. The written down value of these assets is ₹ 630 lacs as per Income-tax Act, 1961.
- (iv) Unit RS was set up by Mr. Pratap in December, 2011.
Compute the Capital Gains arising in the hands of Mr. Pratap from slump sale of Unit RS for Assessment year 2019-20. Note: Cost Inflation Indices for the financial year 2011-12 and financial year 2023-24 are 184 and 348, respectively. (RTP May '19, PYP 10 Marks, May 18)

Answer 18

Computation of capital gain on slump sale of Unit RS for A.Y. 2024 -25

Particulars	₹
Full value of consideration (As per amendment The fair market value of capital asset would be higher of: FMV1- being the fair market value of capital assets transferred by way of slump sale & FMV2- being the fair market value of the consideration (monetary or non-monetary) received or accruing as a result of transfer by way of slump sale)	15,40,00,000
Less: Deemed cost of acquisition (Net worth is deemed to be the cost of acquisition) [Refer Working Note below]	8,70,00,000
Long-term capital gain [Since the Unit is held for more than 36 months]	6,70,00,000

Working Note: Net worth of Unit-RS

Particulars	₹
Cost of Land (Revaluation not to be considered)	90,00,000
WDV of other depreciable fixed assets as per the Income-tax Act, 1961	6,30,00,000
Other Assets (book value)	4,90,00,000
	12,10,00,000
Less: Liabilities	3,40,00,000
Net worth	8,70,00,000

Notes:

- (1) In case of slump sale, net worth of the undertaking transferred shall be deemed to be the cost of acquisition and cost of improvement as per section 50B.
- (2) "Net worth" of the undertaking shall be the aggregate value of total assets of the undertaking or division as reduced by the value of liabilities of such undertaking or division as appearing in the books of accounts.
However, any change in the value of assets on account of revaluation shall not be considered for this purpose.
- (3) For calculating aggregate value of total assets of the undertaking or division in case of slump sale in case of depreciable assets, the written down value of block of assets determined in accordance with the provisions contained in section 43(6) of Income-tax Act, 1961 is to be considered and for all other assets, book value is to be considered.
- (4) Since Unit RS is held by the assessee for more than 36 months, the capital gain arising from slump sale is a

long-term capital gain.

- (5) Indexation benefit is not available in case of slump sale

Question 19

Mr. Aditya is a proprietor of Star Stores having 2 units. On 1.4.2023, he has transferred Unit 2, which he started in 2004-05, by way of slump sale for a total consideration of ₹ 18 lakhs. The professional fees & brokerage paid for this transfer are ₹ 78,000. His Balance Sheet as on 31-03-2023 is as under:

Liabilities	₹	Assets	Unit 1 ₹	Unit 2 ₹	Total
Own Capital	20,50,000	Land	12,75,000	7,50,000	20,25,000
Revaluation reserve	2,50,000	Furniture	2,00,000	5,00,000	7,00,000
Bank Loan (70% for Unit 1)	8,50,000	Debtors	2,00,000	3,50,000	5,50,000
Trade Creditors (20% for Unit 2)	4,50,000	Patents	-	7,25,000	7,25,000
Unsecured Loan (30% for Unit 2)	4,00,000				
	40,00,000		16,75,000	23,25,000	40,00,000

Other Information:

- Land of Unit 2 was purchased at ₹ 5,00,000 in the year 2004 and revalued at ₹ 7,50,000 as on 31.3.2023.
- No individual value of any asset is considered in the transfer deed.
- Patents were acquired on 01-12-2021 on which no depreciation has been provided.
- Furniture of Unit 2 of ₹ 5,00,000 were purchased on 01-12-2022 on which no depreciation has been provided.
- Fair market value of capital asset transferred by way of slump sale of Unit 2 is ₹ 18,10,000.

Compute the capital gain for A.Y. 2024-25. (RTP May '22)

Answer 19

As per section 50B, any profits and gains arising from the slump sale effected in the previous year shall be chargeable to income-tax as capital gains arising from the transfer of capital assets and shall be deemed to be the income of the previous year in which the transfer took place.

If the assessee owned and held the undertaking transferred under slump sale for more than 36 months before slump sale, the capital gain shall be deemed to be long-term capital gain. Indexation benefit is not available in case of slump sale as per section 50B(2).

Computation of capital gain on slump sale of Unit 2

Particulars	₹
Full value of consideration for slump sale of Unit 2 [Fair market value of capital asset transferred by way of slump sale (i.e., ₹ 18,10,000) or fair market value of the consideration received (value of the monetary consideration received i.e., ₹ 18,00,000) whichever is higher]	18,10,000
Less: Expenses on sale [professional fees & brokerage]	78,000
Net full value of consideration	17,32,000
Less: Cost of acquisition, being the net worth of Unit 2 (Note 1)	13,35,781
Long term capital gains arising on slump sale	3,96,219
(The capital gains is long-term as the Unit 2 is held for more than 36 months)	

Notes
1. Computation of net worth of Unit 2

Particulars	₹
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(1) Book value of non-depreciable assets		
(i) Land (Revaluation not to be considered)		5,00,000
(ii) Debtors		3,50,000
(2) Written down value of depreciable assets 43(6)	under section	
(i) Furniture (See Note 2)		4,75,000
(ii) Patents (See Note 3)		4,75,781
Aggregate value of total assets		18,00,781
Less: Current liabilities of Unit 2		
Bank Loan [₹ 8,50,000 x 30%]	2,55,000	
Trade Creditors [₹ 4,50,000 x 20%]	90,000	
Unsecured Loan [₹ 4,00,000 x 30%]	1,20,000	4,65,000
Net worth of unit 2		13,35,781

2. Written down value of furniture as on 1.4.2023

Value of patents	₹
Cost as on 1.12.2022	5,00,000
Less: Depreciation @ 10% x 50% for Financial Year 2022-23	25,000
WDV as on 1.4.2023	4,75,000

3. Written down value of patents as on 1.4.2023

Value of patents	₹
Cost as on 1.12.2021	7,25,000
Less: Depreciation @ 25% x 50% for Financial Year 2021-22	90,625
WDV as on 1.4.2022	6,34,375
Less: Depreciation @ 25% for Financial Year 2022-23	1,58,594
WDV as on 1.4.2023	4,75,781

Question 20

Determine the capital gains/loss and tax liability in the following scenarios for the A.Y. 2024-25 assuming the assessee does not have any other source of income:

- (i) On 12th December, 2023, 1,200 shares of X Ltd., a listed company are sold by Mr. Vishal, a non-resident, @ ₹ 1,550 per share and STT was paid at the time of sale of shares. These shares were acquired by him on 25th May, 2017 @ ₹ 425 per share by paying STT at the time of purchase. The price at which these shares were traded in National Stock Exchange on 31st January, 2018 is as follows –

Particulars	Amount in ₹
Highest Trading Price	680
Average Trading Price	610
Lowest Trading Price	540

- (ii) Mr. Kabir, a resident aged 45 years, is the owner of residential house which was purchased on 1st August, 2021 for ₹ 19,00,000. He sold the said house on 25th September, 2023 for ₹ 24,50,000. Valuation as per stamp valuation authorities was ₹ 25,50,000 as on the date of sale. CII – 2021-22: 317; 2023-24: 348 (RTP Nov '23)

Answer 20

Particulars	Amount ₹
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(i)	Long-term capital gain on transfer of 1,200 shares of X Ltd. [Taxable u/s 112A @10% on amount exceeding ₹ 1,00,000]		
	Full value of consideration [1,200 x ₹ 1,550]		18,60,000
	Less: Cost of acquisition		8,16,000
	Higher of		
	(i) Cost of acquisition [1,200 x ₹ 425]	5,10,000	
	(ii) Lower of fair market value of such shares as on 31.1.2018 and sale consideration [1,200 x 680]	8,16,000	
	Fair market value of listed equity shares as on 31.1.2018 [Highest price quoted on the recognized stock exchange i.e., ₹ 680 per share		
	sale consideration ₹ 1,550 per share		
	Long term capital gain taxable u/s 112A/ Total Income		10,44,000
	(ii)	Tax on long-term capital gain exceeding ₹ 1 lakh i.e., ₹ 9,44,000 @10%	
Add: Health and Education Cess@4%			3,776
Tax liability			98,176
Tax liability (Rounded off)			98,180
Since Mr. Vishal is a non-resident, benefit of unexhausted basic exemption limit would not be available to him.			
Sale of residential house [Long-term capital asset, since held for more than 24 months]			
Full value of consideration [Actual consideration, since stamp duty value does not exceeds 110% of actual sale consideration]			24,50,000
Less: Indexed cost of acquisition [₹ 19,00,000 x 348/317]			20,85,804
Long term capital gain/ Total Income			3,60,631
Total Income (Rounded off)			3,64,196
Long-term capital gain taxable u/s 112 @20% on ₹ 64,196 [₹ 3,64,196 – ₹ 3,00,000, being unexhausted basic exemption limit] (As per amendment in the new scheme the basic limit is increased to ₹ 3,00,000)			12,839
Less: Rebate under section 87A [Since the total income does not exceed ₹ 5 lakhs]			12,500
			339
Add: Health and Education Cess@4%		385	
Tax liability		14	
Tax liability (Rounded off)		400	

Question 21

Mr. Patel is a proprietor of Star Stores since 20-05-2021. He has transferred his shop by way of slump sale for a total consideration of ₹ 40 Lakh. The professional fees & brokerage paid for this sale are ₹ 80,000. His Balance Sheet as on 31-03-2024 is as under



Liabilities	₹	Assets	₹
Own Capital	10,50,000	Building	5,00,000
Bank Loan	5,00,000	Furniture	5,00,000
Trade Creditors	2,50,000	Debtors	2,00,000
Unsecured Loan	2,00,000	Other Assets	8,00,000
	20,00,000		20,00,000

Other Information:

1. No individual value of any asset is considered in the transfer deed.
2. Other assets include trademarks valuing ₹ 2,00,000 as on 01-04-2023 on which no depreciation has been provided.
3. Furniture of ₹ 1,50,000 purchased on 05-11-2023 on which no depreciation has been provided.
4. Unsecured loan includes ₹ 50,000 as advance received from his wife, which she has agreed to waive off. Compute the capital gain for A.Y. 2024-25. (PYP 4 Marks, July'21)

Answer 21

Computation of capital gains on slump sale of shop

Particulars		₹
*Sale value		40,00,000
Less: Expenses on sale [professional fees & brokerage]		80,000
Net sale consideration		39,20,000
Less: Net worth (See Working Note below)		10,42,500
Short-term capital gain [Since shop is held for not more than 36 months immediately preceding the date of transfer]		28,77,500
Working Note:		
Computation of net worth of shop		
Building		5,00,000
Furniture	5,00,000	
Less: Depreciation on ₹1,50,000 @ 5%, being 50% of 10% since furniture is put to use for less than 180 days during the previous year	7,500	4,92,500
Debtors		2,00,000
Other assets	8,00,000	
Less: Depreciation on ₹ 2,00,000, being intangible asset @ 25%	50,000	7,50,000
Total assets		19,42,500
Less: Bank loan	5,00,000	
Trade creditors	2,50,000	
Unsecured loan ₹ 2,00,000 less ₹ 50,000, being the amount waived off by his wife	1,50,000	9,00,000
Net worth		10,42,500

***(As per amendment The fair market value of capital asset would be higher of:**

FMV1- being the fair market value of capital assets transferred by way of slump sale& FMV2- being the fair market value of the consideration (monetary or non-monetary) received or accruing as a result of transfer by way of slump sale)

Question 22

Mr. Govind purchased 600 shares of "Y" limited at ₹ 130 per share on 26.02.1979. "Y" limited issued him, 1,200 bonus shares on 20.02.1984. The fair market value of these share at Mumbai Stock Exchange as on 1.04.2001 was ₹ 900 per share and ₹ 2,000 per share as on 31.01.2018. On 31.01.2022 he converted 1000 shares as his stock in trade. The shares were traded at Mumbai Stock Exchange on that date at a high of

₹ 2,200 per share and closed for the day at ₹ 2,100 per share. On 07.07.2023 Mr. Govind sold all 1800 shares @₹ 2,400 per share at Mumbai Stock Exchange and securities transaction tax was paid. Compute total income of Mr. Govind for the assessment-year 2024-25. (PYP 5 Marks, Nov'20)

Answer 22

Computation of total income of Mr. Govind for the A.Y.2024-25

	Particulars	₹	₹
I	Profits and gains of business and profession		
	Full value of consideration [1000 shares x ₹ 2,400 per share]	24,00,000	
	Less: FMV on the date of conversion (₹ 2,100 x 1000 shares) [See Note below]	21,00,000	3,00,000
II	Capital Gains		
	In respect of 800 shares held as capital asset up- to the date of sale		
	Full value of consideration [800 shares x ₹ 2,400 per share]	19,20,000	
	Less: Cost of acquisition [800 shares x ₹ 2,000] (See Working Note below)	16,00,000	3,20,000
	In respect of 1,000 shares converted into stock in trade on 31.1.2023 (Capital gains is taxable in the P.Y.2023-24, when the stock in trade is sold)		
	Full value of consideration [1000 shares x ₹ 2,100, being FMV on the date of conversion]	21,00,000	
	Less: Cost of acquisition [1000 shares x ₹ 2,000] (See Working Note below)	20,00,000	1,00,000
	Total Income		7,20,000
	Working Note - Cost of acquisition (per share)		
	Higher of (i) and (ii), below	2,000	
(i)	₹ 900 per share, being		
	In case of shares purchased - Original cost of acquisition (₹ 130) or FMV as on 1.4.2001 (₹ 900), at the option of the assessee		
	In case of bonus shares - FMV as on 1.4.2001 (Nil or ₹ 900, at the option of the assessee)		
(ii)	₹ 2,000 per share, being the lower of		
	FMV as on 31.1.2018 - ₹ 2,000 per share		
	Sale consideration – ₹ 2,400 per share		

Note – Explanation to section 55(2) (ac) defines “fair market value” as the highest price of capital asset quoted on the stock exchange only for the purpose of the said clause (ac) i.e., to arrive at the FMV as on 31.1.2018 for computing cost of acquisition of shares.

However, the question states two prices on 31.1.2023, being the date of conversion of capital asset into stock in trade for which we have to consider the definition of “fair market value” as per section 2(22B). As per this definition, FMV refers to the price that the capital asset would ordinarily fetch on sale in the open market on the relevant date.

In the question, two prices are given on the relevant date i.e., the date of conversion of capital asset into stock in trade, namely, the highest price and the closing price. The above solution is given considering the closing price as the FMV as on 31.1.2023. Alternatively, highest price can also be considered as the FMV as on 31.1.2023. In such case, the total income of Mr. Govind would be computed in the following manner:

Alternate Answer
Computation of total income of Mr. Govind for the A.Y.2024-25

	Particulars	₹	₹
I	Profits and gains of business and profession		
	Full value of consideration [1000 shares x ₹ 2,400 per share]	24,00,000	
	Less: FMV on the date of conversion (₹ 2,200 x 1000 shares) [See Note above]	22,00,000	2,00,000
II	Capital Gains		
	In respect of 800 shares held as capital asset up to the date of sale		
	Full value of consideration [800 shares x ₹ 2,400 per share]	19,20,000	
	Less: Cost of acquisition [800 shares x ₹ 2,000] (See Working Note below)	16,00,000	3,20,000
	In respect of 1,000 shares converted into stock in trade on 31.1.2023 (Capital gains is taxable in the P.Y.2023-24, when the stock in trade is sold)		2,00,000
	Full value of consideration [1000 shares x ₹ 2,200, being FMV on the date of conversion] [See Note above]	22,00,000	
	Less: Cost of acquisition [1000 shares x ₹ 2,000] (See Working Note below)	20,00,000	
	Total Income		7,20,000
	Working Note - Cost of acquisition (per share)		
	Higher of (I) and (ii), below	2,000	
(I)	₹ 900 per share, being		
	In case of shares purchased - Original cost of acquisition (₹ 130) or FMV as on 1.4.2001 (₹ 900), at the option of the assessee		
	In case of bonus shares - FMV as on 1.4.2001 (Nil or ₹ 900, at the option of the assessee)		
(ii)	₹2,000 per share, being the lower of		
	FMV as on 31.1.2018 - ₹ 2,000 per share		
	Sale consideration – ₹ 2,400 per share		

Note - It is possible to take a view that since no STT was paid on the date of conversion of capital asset, being listed shares into stock in trade, capital gains have to be computed u/s 112 and not 112A. If this view is taken, the total income of Mr. Govind would, accordingly, be computed in the following manner:

Computation of total income of Mr. Govind for the A.Y.2024-25

	Particulars	₹	₹
I	Profits and gains of business and profession		
	Full value of consideration [1000 shares x ₹ 2,400 per share]	24,00,000	
	Less: FMV on the date of conversion (₹ 2,100 x 1000 shares) [See Note below]	21,00,000	3,00,000
II	Capital Gains		
	In respect of 800 shares held as capital asset up- to the date of sale		
	Full value of consideration [800 shares x ₹ 2,400 per share]	19,20,000	
	Less: Indexed cost of acquisition [800 shares x ₹ 900 x 348/100] (See Working Notes 1 and 2 below)	25,05,600	
	In respect of 1,000 shares converted into stock in trade on 31.1.2023 (Capital gains is taxable in the P.Y.2023-24, when	(5,85,600)	



	the stock in trade is sold)		
	Full value of consideration [1000 shares x ₹ 2,100, being FMV on the date of conversion]	21,00,000	
	Less: Cost of acquisition [1000 shares x ₹ 900 x 331/100] (See Working Notes 1 and 2 below)]	29,79,000	
		(8,79,000)	
	Long-term capital loss to be carried forward = (5,85,600) + (8,79,000) =	(14,64,600)	
	Total Income		3,00,000
	Working Note –		
	1. Cost of acquisition (per share)		
	Higher of (i) and (ii), below i.e., ₹ 900 per share		
(i)	₹ 900 per share, being the FMV as on 1.4.2001		
(ii)	In case of shares purchased - Original cost of acquisition (₹ 130)		
	In case of bonus shares – Nil		
2.	In case of 800 shares sold during the year, the CII of F.Y.2023-24 i.e., 348 has to be considered to calculate indexed cost of acquisition. In case of 1000 shares converted into stock in trade on 31.1.2023, the CII of the year of conversion, i.e., F.Y.2022-23 i.e., 331 has to be considered to compute the indexed cost of acquisition.		

Note – Explanation to section 55(2) (ac) defines “fair market value” as the highest price of capital asset quoted on the stock exchange only for the purpose of the said clause (ac) i.e., to arrive at the FMV as on 31.1.2018 for computing cost of acquisition of shares.

However, the question states two prices on 31.1.2023, being the date of conversion of capital asset into stock in trade for which we have to consider the definition of “fair r market value” as per section 2(22B). As per this definition, FMV refers to the price that. The capital asset would ordinarily fetch on sale in the open market on the relevant date. In the question, two prices are given on the relevant date i.e., the date of conversion of capital asset into stock in trade, namely, the highest price and the closing price. The above solution is given considering the closing price as the FMV as on 31.1.2023. Alternatively, highest price can also be considered as the FMV as on 31.1.2023. In such case, the total income of Mr. Govind would be computed in the following manner:

Alternate Answer

	Particulars	₹	₹
I	Profits and gains of business and profession		
	Full value of consideration [1000 shares x ₹ 2,400 per share]	24,00,000	
	Less: FMV on the date of conversion (₹ 2,200 x 1000 shares) [See Note above]	22,00,000	2,00,000
II	Capital Gains		
	In respect of 800 shares held as capital asset up- to the date of sale		
	Full value of consideration [800 shares x ₹ 2,400 per share]	19,20,000	
	Less: Indexed cost of acquisition [800 shares x ₹ 900 x 348/100] (See Working Notes 1 and 2 below)	25,05,600	

	In respect of 1,000 shares converted into stock in trade on 31.1.2019 (Capital gains is taxable in the P.Y.2019-20, when the stock in trade is sold)	(5,85,600)	
	Full value of consideration [1000 shares x ₹ 2,200, being FMV on the date of conversion]	21,00,000	
	Less: Cost of acquisition [1000 shares x ₹ 900 x 331/100] (See Working Notes 1 and 2 below)]	29,79,000	
		(8,79,000)	
	Long-term capital loss to be carried forward = (5,85,600) + (8,79,000) =	(14,64,600)	
	Total Income		2,00,000
Working Note –			
1. Cost of acquisition (per share)			
Higher of (I) and (ii), below i.e., ₹ 900 per share			
(I)	₹ 900 per share, being the FMV as on 1.4.2001		
(ii)	In case of shares purchased - Original cost of acquisition (₹130)		
	In case of bonus shares – Nil		
2.	In case of 800 shares sold during the year, the CII of F.Y.2023-24 i.e., 348 has to be considered to calculate indexed cost of acquisition. In case of 1000 shares converted into stock in trade on 31.1.2023, the CII of the year of conversion, i.e., F.Y.2022-23 i.e., 331 has to be considered to compute the indexed cost of acquisition.		

Question 23 (Also includes concepts from Chp 4.5-Income from Other Sources)

Mr. Subramani sold a house plot to Mrs. Vimala for ₹ 45 lakhs on 12-5-2023. The valuation determined by the stamp valuation authority was ₹ 53 lakhs. Discuss the tax consequences of above, in the hands of each one of them, visa, Mr. Subramani & Mrs. Vimala. Mrs. Vimala has sold this plot to Ms. Padmaja on 21-3-2024 for ₹ 55 lakhs. The valuation as per stamp valuation authority remains the same at ₹ 53 lakhs. Compute the capital gains arising on sale of the house plot by Mrs. Vimala.

Note: None of the party's visa Mr. Subramani, Mrs. Vimala & Ms. Padmaja are related to each other; the transactions are between outsiders.(PYP 6 Marks, Nov'18)

Answer 23

(I)	Tax consequences in the hands of Mr. Subramani
	As per section 50C, the stamp duty value of immovable property, being land or building or both, would be deemed to be the full value of consideration arising on transfer of such property, if the same is higher than actual consideration.
	(As per amendment in section 50C if SDV is not more than 110% of the consideration, then Consideration shall be treated as Full Value of Consideration)
	Accordingly, in this case, capital gains would be computed in the hands of Mr. Subramani, for A.Y.2024-25, taking the stamp duty value of ₹ 53 lakh of house plot as the full value of consideration arising on transfer of such house plot, since the same is higher than the actual consideration of ₹ 45 lakh.
	Note – If it is assumed that Mr. Subramani is a property dealer, the income would be taxable as his business income under section 43CA difference between the stamp duty value and actual consideration would be taxable under section 56(2)(x) in the hands of the

recipient, if such difference exceeds ₹ 50,000. Therefore, in this case, ₹ 8 lakh (₹ 53 lakh – ₹ 45 lakh) would be taxable in the hands of Mrs. Vimala under the head “Income from Other Sources” in A.Y.2024-25. At the time of subsequent sale of property by Mrs. Vimala to Mrs. Padmaja (on 21.3.2024), short-term capital gains would arise in the hands of Mrs. Vimala in A.Y.2024-25, since the property is held by her for less than 24 months.	
Particulars	
Full value of consideration (Since actual consideration of ₹ 55 lakh is higher than stamp duty value of ₹ 53 lakh)	55 lakh
Less: Cost of acquisition (Value taken into account for the purpose of section 56(2)(x) 1	53 lakh
Short-term capital gains	2 lakh

EXAMINERS’ COMMENTS ON THE PERFORMANCE OF EXAMINEES:

Most of the examinees could not explain the tax consequences under section 50C in the hands of Mr. Subramani, the seller and under section 56(2)(x) in the hands of Mrs. Vimala, the buyer where the immovable property is acquired for inadequate consideration i.e., where the stamp duty value is different from the actual consideration.

Question 24

Ms. Mishika has entered into an agreement with M/s CVM Build Limited on 25.04.2020 in which she agrees to allow such Company to develop a shopping mall on land owned by her in New Delhi. She purchased such land on 05.05.2012 for ₹ 15,00,000. In consideration, M/s CVM Build Limited will provide 20% share in shopping mall to Mishika. The certificate of completion of shopping mall was issued by authority as on 26.12.2023. On such date, Stamp duty value of shopping mall was ₹ 4,14,00,000. Subsequently on 18.03.2024, she sold her 15% share in shopping mall to Mr. Ketav in consideration of ₹ 65,00,000.

She has also purchased a house on 09.05.2023 in consideration of ₹ 46,00,000 and occupied for own residence. Punjab National Bank has sanctioned a loan of ₹ 35,50,000 (80% of stamp value) at the interest rate of 12% per annum on 01.05.2023 and disbursement was made on 01.06.2023. She does not own any other residential house on the date of sanction of loan. Principal amount of ₹ 1,30,000 was paid during the financial year 2023-24.

Cost Inflation Indices: 2023-24: 348, 2012-13: 200

Compute total income of Ms. Mishika for the assessment year 2024 -25 assuming that she has not opted for the provisions under section 115BAC. (PYP 7 Marks Dec ‘21)

Answer 24

Computation of total income of Ms. Mishika for the A.Y.2024 -25

Particulars	Amount (₹)	Amount (₹)
Income from house property [Self-occupied]		Nil
Net Annual Value	Nil	
Less: Interest on housing loan of ₹ 3,55,000 [₹ 35,50,000 x 12% x 10/12 months] restricted to ₹ 2,00,000/-	2,00,000	
	(2,00,000)	
Less: Set-off of loss against long-term capital gains	2,00,000	

Long-term capital gains on transfer of land under specified agreement Since Ms. Mishika transferred her share in the project after issue of completion certificate, capital gains on transfer of land handed over to developer under specified agreement in the P.Y. 2020-21 would be taxable in the previous year 2023-24, being the year in which certificate of completion is issued as per section 45(5A). Accordingly, capital gain arising in respect of land would be- Full value of consideration, being 20% share in shopping mall [Stamp duty value on the date of issue of completion certificate (₹ 4,14,00,000 x 20%)]		82,80,000
Less: Indexed of cost of acquisition [₹ 15,00,000 x 348/200]	26,10,000	
Long-term capital gain		56,70,000
Less: Deduction under section 54F		
Deduction in respect of amount invested for purchase of a residential house acquired within one year prior to date of transfer would be allowable proportionately, since amount invested is less than the net consideration. Accordingly, deduction would be ₹ 29,05,180 (₹ 56,70,000 x ₹46,00,000 / ₹ 82,80,000)	31,50,000	
Long-term capital gains		25,20,000
Less: Set-off of loss from house property [It is beneficial to set-off loss from house property against long-term capital gains, since in case of Ms. Mishika total income comprises of LTCG taxable@20% and STCG taxable at normal slab rates; and she can claim deduction of ₹ 2,80,000 under Chapter VI-A against STCG of ₹ 2,90,000. Moreover, the remaining STCG would also not be taxable since it would be below the basic exemption limit]	2,00,000	
		23,20,000
Short-term capital gains Sale of 15% share in shopping mall [short-term capital asset, since held for not more than 24 months]		
Net Sales consideration		65,00,000
Less: Cost of acquisition, being the full value of consideration taxable on transfer of land [₹ 4,14,00,000 x 15%]	62,10,000	
Short-term capital gains		2,90,000
Gross Total Income		26,10,000
Less: Deductions under Chapter VI-A (allowable against short-term capital gains of ₹ 2,90,000)		
Deduction under section 80C – repayment of principal amount of housing loan	1,30,000	
Deduction under section 80EEA – Ms. Mishika would be eligible for deduction of interest on housing loan (₹ 3,55,000 - ₹ 2,00,000 = ₹ 1,55,000) to the extent of ₹ 1,50,000, since stamp duty value of the house does not exceed ₹ 45,00,000 [being ₹ 44,37,500 (₹ 35,50,000 x 100/80)] and she does not own any other residential house on the date of sanction of loan.	1,50,000	2,80,000
Total Income		23,30,000
Total Income (rounded off)		23,30,000

Note -

As per section 45(5A), any capital gains arising from the transfer of a capital asset, being land or building

or both, under a specified agreement, is chargeable to income-tax as income of the previous year in which the certificate of completion is issued by the competent authority. In the above solution, the CII of F.Y.2023-24 has been considered on the basis of parity, since, as per section 45(5A), it is the stamp duty value of the developed property (shopping mall, in this case) on the date of issue of certificate of completion (26.12.2023), which is deemed as the full value of consideration for transfer of land handed over to the developer.

Alternate view -

The definition of transfer, inter alia, includes any arrangement or transaction where any rights are handed over in execution of part performance of contract, even though the legal title has not been transferred. Hence, in case of 'specified agreement(s)', 'transfer' takes place at the time when the owner of the immovable property hands over the same to the developer i.e., in F.Y.2020-21 in this case.

As per the plain reading of definition of 'indexed cost of acquisition', the CII of the year in which the asset (land, in this case) is transferred has to be considered. Accordingly, as per this interpretation, CII of F.Y. 2020-21 i.e., 301 can be considered for computing indexed cost of acquisition. If the CII of F.Y.2020-21 is considered on the basis of this line of reasoning, the figures of long-term capital gains and total income would accordingly change. However, the CII of F.Y.2020-21 has not been given in the question for the purpose of making such computation.

EXAMINERS' COMMENTS ON THE PERFORMANCE OF EXAMINEES:

Examinees failed to provide for deduction under section 54F while computing taxable long-term capital gains, set-off of loss from house property against long-term capital gains and deduction under section 80EEA while computing total income of Ms. Mishika.

Question 25

Mr. Sarthak is a member of HUF. It consists of himself, his wife Juhi and his major son Arjun and his minor daughter Aditi. Mr. Sarthak transferred his house property acquired through his personal income to the HUF without any consideration. On 01-10-2023, HUF is partitioned and such property being divided equally. Net annual value of the property for the Previous Year 2023-24 is ₹ 1,00,000. Determine the tax implications. (PYP 4 Marks May'22)

Answer 25

	₹
Since Mr. Sarthak, who is a member of the HUF, transfers the house property acquired by him out of his personal income to the HUF without any consideration, the income from such property would continue to be included in his total income upto the date of partition. Accordingly, income from such property for six months upto the date of partition i.e., 30.9.2023 (6/12 x ₹ 70,000 [Net Annual Value of ₹ 1,00,000 less deduction under section 24(a) @30%]) would be included in the total income of Mr. Sarthak.	35,000
Since the HUF was partitioned on 1.10.2023, the income derived from such converted house property as is received by Mr. Sarthak's spouse, Juhi, on attrition will be deemed to arise to Mr. Sarthak from house property transferred indirectly by him to her and consequently, such income would also be included in the total income of Mr. Sarthak. Accordingly, Mr. Sarthak's share (25%) and Juhi's share (25%) would be included in the total income of Mr. Sarthak.	
Sarthak's Share [25% of ₹ 35,000 (₹ 70,000 x 6/12)]	8,750
Juhi's Share [25% of ₹ 35,000] included in the total income of Sarthak	8,750
Income from house property includible in the income of Mr. Sarthak	52,500



25% share of Sarthak's minor daughter, Aditi, i.e., ₹ 8,750, being 25% of ₹ 35,000, would be included in the total income of Mr. Sarthak or Juhi, whosoever's total income, before including Aditi's income, is higher. Such parent shall be entitled to an exemption of ₹ 1,500 under section 10(32).
25% share of Sarthak's major son, Arjun, i.e., ₹ 8,750, being 25% of ₹ 35,000, would be included in Arjun's total income.
Distribution of house property on partition of HUF is not a transfer for levy of capital gains tax.

Question 26

Mrs. Harsha purchased a land at a cost of Rs.45 lakhs in the financial year 2012-13 and held the same as her capital asset till 31st March, 2022. She started her real estate business on 1st April, 2022 and converted the said land into stock-in-trade of her business on the said date, when the fair market value of the land was Rs.225 lakhs.

She constructed 15 flats of equal size, quality and dimension. Cost of construction of each flat is Rs.15 lakhs. Construction was completed in January, 2024. She sold 10 flats at Rs.40 lakhs per flat in 20th March, 2024. The remaining 5 flats were held in stock as on 31st March, 2024.

She invested Rs.50 lakhs in bonds issued by National Highways Authority of India on 31 st March, 2024 and another Rs.50 lakhs in bonds of Rural Electrification Corporation Ltd. in April, 2024.

Compute the amount of chargeable capital gain and business income in the hands of Mrs. Harsha arising from the above transactions for Assessment Year 2024-25 indicating clearly the reasons for treatment for each item. [Cost Inflation Index: FY 2012-13: 200; FY 2022-23: 331; FY 2023-24: 348]. (MTP 7 Marks, March'19)

Answer 26

Computation of capital gains and business income of Harsha for A.Y. 2024-25

Particulars	Rs.
Capital Gains	
Fair market value of land on the date of conversion deemed as the full value of consideration for the purposes of section 45(2)	2,25,00,000
Less: Indexed cost of acquisition [Rs.45,00,000 × 331/200]	74,47,500
	1,50,52,500
Proportionate capital gains arising during A.Y.2019-20 [Rs. 1,50,52,500× 2/3]	1,00,35,000
Less: Exemption under section 54EC	50,00,000
Capital gains chargeable to tax for A.Y.2024-25	50,35,000
Business Income	
Sale price of flats [10 × Rs.40 lakhs]	4,00,00,000
Less: Cost of flats	
Fair market value of land on the date of conversion [Rs.225 lacs × 2/3]	1,50,00,000
Cost of construction of flats [10 × Rs.15 lakhs]	1,50,00,000
Business income chargeable to tax for A.Y.2024-25	1,00,00,000

Notes:

- (1) The conversion of a capital asset into stock-in-trade is treated as a transfer under section 2(47). It would be treated as a transfer in the year in which the capital asset is converted into stock-in-trade.
- (2) However, as per section 45(2), the capital gains arising from the transfer by way of conversion of capital assets into stock-in-trade will be chargeable to tax only in the year in which the stock-in-trade is sold.
- (3) The indexation benefit for computing indexed cost of acquisition would, however, be available only up to the year of conversion of capital asset into stock-in-trade and not up to the year of sale of stock-in-trade.
- (4) For the purpose of computing capital gains in such cases, the fair market value of the capital asset on the date on which it was converted into stock-in-trade shall be deemed to be the full value of consideration received or accruing as a result of the transfer of the capital asset.
In this case, since only 2/3rd of the stock-in-trade (10 flats out of 15 flats) is sold in the P.Y.2023-24, only proportionate capital gains (i.e., 2/3rd) would be chargeable to tax in the A.Y.2024-25.
- (5) On sale of such stock-in-trade, business income would arise. The business income chargeable to tax would



be the difference between the price at which the stock-in-trade is sold and the fair market value on the date of conversion of the capital asset into stock -in- trade.

- (6) In case of conversion of capital asset into stock-in-trade and subsequent sale of stock-in-trade, the period of 6 months is to be reckoned from the date of sale of stock-in-trade for the purpose of exemption under section 54EC [CBDT Circular No.791 dated 2.6.2000]. In this case, since the investment in bonds of NHAI has been made within 6 months of sale of flats, the same qualifies for exemption under section 54EC. With respect to long-term capital gains arising on land or building or both in any financial year, the maximum deduction under section 54EC would be Rs.50 lakhs, whether the investment in bonds of NHAI or RECL are made in the same financial year or next financial year or partly in the same financial year and partly in the next financial year.

Therefore, even though investment of Rs.50 lakhs has been made in bonds of NHAI during the P.Y.2023-24 and investment of Rs.50 lakhs has been made in bonds of RECL during the P.Y.2024-25, both within the stipulated six-month period, the maximum deduction allowable for A.Y.2024-25, in respect of long-term capital gain arising on sale of long-term capital asset(s) during the P.Y. 2023-24, is only Rs.50 lakhs.

MULTIPLE CHOICE QUESTIONS (MCQS)

1. Neha sold her residential house for ₹85 lakhs on 11.08.2023. Value adopted by the Stamp Valuation Authority on the date of registration of the Conveyance Deed i.e., 17.08.2023 was ₹150 lakhs. Neha disputed the valuation done by the said authority before the Assessing Officer and filed an application before him to refer her case to the Valuation Officer. The Valuation Officer determined the value of the house on date of registration of Conveyance Deed at ₹160 lakhs. In light of these facts, compute the full value of consideration to be taken in case of Neha for the purpose of calculation of capital gains in her hands.
- (a) ₹85 lakh
 - (b) ₹150 lakh
 - (c) ₹160 lakh
 - (d) ₹89.25 lakh (MTP 1 Mark, Oct'19)

Ans: (b)

2. Suman is a Chartered Accountant practicing in Mumbai since September, 1994. She transfers her practice to another Chartered Accountant Smita on 19.06.2023 and charges ₹14,50,000 towards goodwill. Determine the tax implications that may arise in the hands of Neha on account of transfer of her practice to Smita.
- (a) ₹14,50,000 shall be charged to tax as capital gains
 - (b) ₹14,50,000 shall be charged to tax as income from other sources
 - (c) ₹14,50,000 shall be charged to tax as income from profession
 - (d) No tax implications shall arise (MTP 1 Mark, Oct'19)

Ans: (d)

3. XYZ a partnership firm was dissolved on 30-6-2023. A machine acquired on 1-5-2016 for ₹2,50,000 was distributed amongst the partners on dissolution for ₹2,25,000. The value of machinery as per books of account and Fair Market Value on 30-6-2023 was ₹2,00,000 and ₹3,50,000, respectively. What will be the full value of consideration of this machine?
- (a) ₹2,25,000
 - (b) ₹3,50,000
 - (c) ₹2,50,000
 - (d) ₹2,00,000 (MTP 1 Mark, April'19)

Ans: (b)



4. Mr. Vicar sold his old residential house in May, 2022 for ₹25,00,000. Long- term capital gain arising on transfer of old house amounted to ₹8,70,000. In December, 2022 he purchased another residential house worth ₹4,50,000. The new house was however, sold in May, 2023 for ₹14,00,000 (stamp duty value of the new house was ₹13,00,000). What will be amount of taxable capital gains in the hands of Mr. Vikram for the A.Y. 2023-24 and 2024-25?
- Long term capital gain of ₹4,20,000 in A.Y. 2023-24 and short-term capital gain of ₹14,00,000 in A.Y. 2024-25
 - Long term capital gain of ₹4,20,000 in A.Y. 2023-24 and long term capital gain of ₹4,50,000 and short-term capital gain of ₹14,00,000 in A.Y. 2024-25
 - Long term capital gain of ₹4,20,000 in A.Y. 2023-24 and long term capital gain of ₹4,50,000 and short-term capital gain of ₹9,50,000 in A.Y. 2024-25
 - Long term capital gain of ₹4,20,000 in A.Y. 2023-24 and long term capital gain of ₹4,50,000 and short-term capital gain of ₹8,50,000 in A.Y. 2024-25 (MTP 2 Marks, April'19)

Ans: (a)

5. Ms. Jaya acquires 5,000 equity shares on 01.01.2016 at ₹500. The Fair Market Value of the said share on 31.01.2018 is ₹250 and on 31.03.2018 is ₹600. She sells the said shares on 30.04.2018 at ₹700. Calculate the amount of long term capital gain in the hands of Ms. Jaya assuming that Securities Transaction Tax has been paid by her on acquisition and transfer of the said equity share.

CII – F.Y. 2015-16: 254; F.Y. 2018-19: 280; F.Y. 2023-24-348

- ₹10 lakhs, out of which ₹9 lakhs is taxable@10%
- ₹22.50 lakh, out of which ₹21.5 lakh is taxable@10%
- ₹7.45 lakh, out of which ₹6.45 lakh is taxable @10%
- ₹5 lakhs, out of which ₹4 lakhs is taxable@10%(MTP 2 Marks, March'19)

Ans: (a)

6. In P.Y. 2023-2024, Mr. A has transferred the following assets:

Asset transferred	Full Value of Consideration (₹)	Indexed Cost of Acquisition (₹)	Transfer Date
Residential house property	8 crores	6 crores	25.11.2023
Jewellery	3 crores	2 crores	05.01.2024

Mr. A bought a new residential house property on 01.04.2022 for ₹ 1 crore and on 28.02.2024 deposited ₹ 3 crores in a capital gains deposit account scheme. On 30.07.2024, Mr. A has withdrawn ₹ 3 crores from capital gains deposit account and acquired a residential house property worth ₹ 2.5 crore. What would be the capital gains in the hands of Mr. A for A.Y. 2024-25, if the expenses in connection with transfer of jewellery were ₹ 2,00,000?

- ₹ 80,50,000
- ₹ 81,55,705
- ₹ 98,00,000
- ₹ 48,00,000 (MTP 2 Marks March 22)

Ans : (b)

7. (Includes concepts of PGBP)

The following information is available with respect to Tina:

- Capital Asset acquired on 01.04.2001 for ₹85,200
- The capital asset was converted into stock-in-trade on 30.09.2022. On the said date, the fair market value of the said asset was ₹6,00,000.
- The stock-in-trade so converted was sold on 15.07.2023 for ₹8,50,000. Determine the tax implications in



the hands of Tina for A.Y. 2024-25.

Cost Inflation Index Financial year 2001-02: 100, 2022-23: 331, 2023-24: 348]

- (a) Only business profits of ₹2,50,000 shall be chargeable to tax in the hands of Tina in A.Y. 2019-20.
- (b) Only long term capital gain of ₹6,11,440 shall be chargeable to tax in the hands of Tina in A.Y. 2019-20.
- (c) Business profits of ₹2,50,000 and long term capital gain of ₹3,61,440 shall be chargeable to tax in the hands of Tina in A.Y. 2019-20.
- (d) Business profits of ₹2,50,000 and long term capital gain of ₹3,17,988 shall be chargeable to tax in the hands of Tina in A.Y. 2019-20. **(MTP 2 Marks, March'19)**

Ans: (d)

8. Mr. Rana is a resident of India residing in Meerut. During F.Y. 2010-11 he purchased an agricultural land situated in Bahadurpur for ₹ 10 lacs. This land is situated in an area which has aerial distance of 3 km from the local limits of Municipality of Bahadurpur. Total population of this area is 80,000 as per the last preceding census. During F.Y. 2018 -19, Mr. Rana sold this land to Mr. Jeet for ₹ 25 lacs on 29.1.2019. Mr. Rana invested ₹ 5 lakhs in bonds of NHA1 on 31.7.2019. Cost inflation index for F.Y. 2010-11 and F.Y. 2018-19 is 167 and 280 respectively. Compute the amount of capital gain taxable in the hands of Mr. Rana for A.Y. 2019-20:

- (a) ₹ 3,23,353
- (b) ₹ 8,23,353
- (c) ₹ 10,00,000
- (d) None of the above **(RTP May '20)**

Ans: (d)

9. Mr. A, aged 45 years sold an agricultural land for ₹ 52 lakhs on 04.10.2023 acquired at a cost of ₹ 49.25 lakhs on 13.09.2022 situated at 7 kms from the jurisdiction of municipality having population of 4,00,000 and also sold another agricultural land for ₹ 53 lakhs on 12.12.2023 acquired at a cost of ₹ 46 lakhs on 15.02.2022 situated at 1.5 kms from the jurisdiction of municipality having population of 12,000. What would be the amount of capital gain chargeable to tax in the hands of Mr. A for the assessment year 2024-25? Cost inflation index for F.Y. 2017-18: 272; 2018-19: 280; 2019-20:289; F.Y. 2023-24- 348.

- (a) Short-term capital gain of ₹ 9.75 lakhs
- (b) Short-term capital gain of ₹ 7 lakhs
- (c) Long-term capital gain of ₹ 4,12,500
- (d) Long-term capital gain of ₹ 5,29,196 **(RTP Nov '20, MTP 2Marks April '23)**

Ans: (b)

10. Mr. Vikas transferred 600 unlisted shares of XYZ (P) Ltd. to ABC (P) Ltd. on 15.12.2023 for ₹ 3,50,000 when the market price was ₹ 5,15,000. The indexed cost of acquisition of shares for Mr. Vikas was computed at ₹ 4,25,000. Determine the income chargeable to tax in the hands of Mr. Vikas and ABC (P) Ltd. in respect of the above transaction.

- (a) ₹ 90,000 chargeable to tax in the hands of Mr. Vikas as long-term capital gains and nothing is taxable in the hands of ABC (P) Ltd.
- (b) ₹ 75,000 chargeable to tax in the hands of Mr. Vikas as long-term capital gains and nothing is taxable in the hands of ABC (P) Ltd.
- (c) ₹ 90,000 chargeable to tax in the hands of Mr. Vikas as long-term capital gains and ₹ 1,65,000 is taxable under the head "Income from other sources" in the hands of ABC (P) Ltd.
- (d) ₹ 75,000 chargeable to tax in the hands of Mr. Vikas as long-term capital gains and ₹ 1,65,000 is taxable under the head "Income from other sources" in the hands of ABC (P) Ltd. **(RTP May '21 , MTP 2 Marks Oct '23)**

Ans: (c)

11. A building was acquired on 1.4.1995 for ₹ 20,00,000 and sold for ₹ 80,00,000 on 01.06.2023. The stamp duty value on the date of transfer was ₹ 85,00,000. The fair market value of the building on 1.4.2001 was ₹ 25,00,000. Its stamp duty value on the same date was ₹ 22,00,000. Determine the capital gains on sale of such building for the A.Y. 2024-25? Cost Inflation Index for F.Y. 2001-02: 100; F.Y. 2023-24: 348
- (a) ₹ 3,44,000
 - (b) ₹ 18,78,000
 - (c) ₹ 9,75,000
 - (d) ₹ 4,75,000 (RTP Nov '21)

Ans: (a)

12. Mr. Rana is a resident of India residing in Meerut. During F.Y. 2015-16 he purchased an agricultural land situated in Bahadurpur for ₹ 10 lacs. This land is situated in an area which has aerial distance of 3 km from the local limits of Municipality of Bahadurpur. Total population of this area is 80,000 as per the last preceding census. During F.Y. 2023-24, Mr. Rana sold this land to Mr. Jeet for ₹ 25 lacs on 29.1.2024. Mr. Rana invested ₹ 5 lakhs in bonds of NHAI on 31.7.2024. Cost inflation index for F.Y. 2015-16 and F.Y. 2023-24 is 254 and 348 respectively. Compute the amount of capital gain taxable in the hands of Mr. Rana for A.Y. 2024-25:
- (a) ₹ 3,23,353
 - (b) ₹ 8,23,353
 - (c) ₹ 10,00,000
 - (d) None of the above (RTP May '20)

Ans: (d)

13. Ashiyana Developers has completed one of its housing projects in Gurugram in January, 2023 which comprises of 10 residential units. It has transferred 9 residential units in February, 2023 and remaining one residential unit in May, 2023 to Mr. Suraj. All the units were transferred by way of first time allotment. The consideration received from Suraj for the residential unit is ₹ 50 lakhs while the stamp duty value of the unit in May, 2023 is ₹ 57 lakhs. Due to some emergency in the family, Mr. Suraj was in urgent need of funds and he sold such residential unit to Mr. Prakash in December, 2023 for ₹ 53 lakhs. The stamp duty value of the unit was ₹ 61 lakhs in December, 2023. Determine the capital gain/ income which is chargeable to tax in the hands of Mr. Suraj and Mr. Prakash from the above transactions for A.Y. 2024-25.
- (a) In the hands of Mr. Suraj – STCG of ₹ 11 lakhs; In the hands of Mr. Prakash – ₹ 8 lakhs as income under the head “Other sources”
 - (b) In the hands of Mr. Suraj – ₹ 7 lakhs as income under the head “Other sources”, STCG of ₹ 4 lakhs; In the hands of Mr. Prakash – ₹ 8 lakhs as income under the head “Other sources”
 - (c) In the hands of Mr. Suraj – STCG of ₹ 11 lakhs; In the hands of Mr. Prakash – Nil
 - (d) In the hands of Mr. Suraj – ₹ 7 lakhs as income under the head “Other sources”, STCG of ₹ 11 lakhs; In the hands of Mr. Prakash – ₹ 8 lakhs as income under the head “Other sources” (RTP May '22)

Ans: (a)

14. Mr. Arjun holding 1000 shares of X Ltd acquired on 01.07.2022 for ₹ 600 per share, sold 500 shares to Mr. Shaurya, on 01.05.2023 for ₹ 550 per share. X Ltd. declared dividend @ ₹ 65 per share on 20.07.2023, being the record date for declaration of dividend. Mr. Shaurya sold 300 equity shares at ₹ 475 per share on 28.09.2023 and the balance 200 equity shares at ₹ 450 per share on 28.10.2023. Apart from above mentioned information, Mr. Shaurya was having only long-term capital gains from sale of unlisted shares of ₹ 50,000. Assuming that Mr. Shaurya has no other income, his total



income for A.Y. 2024-25 is –

- (a) ₹ 7,500
- (b) ₹ 27,000
- (c) ₹ 50,000
- (d) ₹ 30,000(RTP Nov '20)

Ans: (b)

15. Mr. Kashyap, CEO of SHY Ltd., purchased a BMW of ₹ 1.15 crores on 23rd September, 2020 for his personal use. On 28.2.2024, he sold this car for ₹ 1 crore and incurred an expenditure of ₹ 2.74 lakhs for transferring the ownership of car. Compute the taxable capital gain/loss, if any to Mr. Kashyap for the A.Y. 2024-25. CII-2020-21: 301; 2022-23: 331; 2023-24: 348

- (a) Short term capital loss of ₹ 0.1774 crores
- (b) Long term capital loss of ₹ 0.3445 crores
- (c) Nil
- (d) Long term capital loss of ₹ 0.317 crores (RTP Nov '23)

Ans : (c)



Chapter 3.5

Income from Other Sources

Question 1

Examine the taxability or otherwise of the following independent transactions as per the provisions of section 56 of the Income-tax Act, 1961 for the Assessment year 2024-25.

- (i) Mrs. Meenakshi has received cash gifts aggregating of ₹ 2 lakhs from several friends and relatives on her birthday. Each cash gift ranges from ₹ 500 to ₹ 1,000.
- (ii) Mr. Krishna has received an immovable property, the stamp duty value of which is ₹ 10 lakhs as per a WILL executed by Mrs. Chandraben on her death.
- (iii) Mr. King has received an immovable property at Kilkanur Village from Mr. Prince as a gift. The stamp duty value of the property is ₹ 75,000
- (iv) Mrs. Vijay has gifted diamonds valued at ₹ 1 lakh to Mrs. Preethi, her sister's daughter-in-law on her birthday. (MTP 4 Marks, Aug'18)

Answer 1

S.No	Taxable	Reason
(i)	Taxable	As per Sec 56(2)(x), where any person receives, in any previous year from any person or persons, any sum the aggregate value of which exceeds ₹ 50,000, the whole of the aggregate value of such sum shall be included in the total income of such person under the head "Income from other sources". Though the gifts range from ₹ 500 to ₹ 1000, the aggregate value exceeds ₹ 50,000. Hence, ₹ 2 lakhs is taxable in her hands.
(ii)	Not taxable	Immovable property received by Mr. Krishna from the deceased Mrs. Chandraben as per a WILL is not taxable since any sum of money or any property received under a will is excluded under section 56(2)(x).
(iii)	Taxable	Where any immovable property is received by any person without consideration the stamp duty value of which exceeds ₹ 50,000, the stamp duty value shall be included in the total income of such person under the head "Income from other sources". Therefore, ₹ 75,000 being the stamp duty value of the immovable property received as gift by Mr. King is taxable in his hands.
(iv)	Taxable	The provisions of section 56(2)(x) are not attracted in respect of any sum of money or property received from a relative. However, sister's daughter in law is not a relative as per section 56(2)(x). Since, the fair market value of diamonds exceeds ₹ 50,000, the value of diamonds is taxable in the hands of sister's daughter in law.

Question 2 (Also includes concepts from Chapter 4.3-PGBP)

Mr. Akash, a property dealer, sold a building in the course of his business to his friend Varun, who is a share broker, for ₹85 lakhs on 12.12.2023, when the stamp duty value was ₹130 lakhs. The agreement was, however, entered into on 10.6.2023 when the stamp duty value was ₹120 lakhs. Mr. Akash had received a down payment of ₹15 lakhs by a crossed cheque from Varun on the date of agreement. Discuss the tax implications in the hands of Akash and Varun, assuming that Mr. Akash has purchased the building for ₹65 lakhs on 29th August, 2022. (MTP 6 Marks, Oct'18)

Answer 2
In the hands of Mr. Akash

The provisions of section 43CA would be attracted in the hands of Mr. Akash, since the building represents his stock-in-trade and he has transferred the same for a consideration less than the stamp duty value on the date of agreement.



Therefore, ₹55 lakhs, being the difference between the stamp duty value on the date of agreement (i.e., ₹120 lakh) and the purchase price (i.e., ₹65 lakh), would be chargeable as business income in the hands of Mr. Akash.

In the hands of Mr. Varun

Since Mr. Varun is a share broker, the building purchased would be a capital asset in his hands. The provisions of section 56(2)(x) would be attracted in the hands of Mr. Varun who has received immovable property, being a capital asset, for inadequate consideration. Therefore, ₹45 lakhs, being the difference between the stamp duty value of the property on the date of registration (i.e., ₹130 lakh) and the actual consideration (i.e., ₹85 lakh) would be taxable under section 56(2)(x) in the hands of Mr. Varun, since the payment is made by crossed cheque and not account payee cheque/draft or ECS.

(As per amendment where any person receives, in any previous year, from any person or persons any immovable property having stamp duty value that exceeds such consideration and if the amount of such excess is more than the higher of the following amounts, namely:- (i) the amount of fifty thousand rupees; and (ii) the amount equal to ten per cent of the consideration then the difference between the consideration and stamp duty value is chargeable to tax)

Question 3

XYZ (P) Ltd. was incorporated during P.Y. 2023-24 having a paid up capital of ₹ 25 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 1.9.2023. The FMV of such shares as on 1.9.2023 was ₹ 75.

- (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 ₹ 110 each?
- (iii) What will be your answer, if shares were issued at ₹ 110 and FMV of the shares was ₹125 as on 1.9.2023? (MTP 4 Marks March 22)

Answer 3

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.

Question 4 Examine the following transactions in the context of Income-tax Act, 1961:

- (i) Mr. Koshi transferred 300 shares of Style Pvt Ltd. to Moksh Pvt. Ltd. on 10. 9.2021 for ₹ 3,00,000 when the market price was ₹ 5,00,000. The indexed cost of acquisition of shares for Mr. Koshi was computed at ₹ 4,45,000. The transfer was not subjected to securities transaction tax.

Determine the income chargeable to tax in the hands of Mr. Koshi and Moksh Pvt. Ltd. because of the above said transaction. (MTP 2 Marks Oct'22)

(ii) Mr. Chetan is employed in a company with taxable salary income of ₹ 4,00,000. He received a cash gift of ₹



1,00,000 from Help Charitable Trust (registered under section 12AB) in March 2022 for meeting his medical expenses.

Is the cash gift so received from the trust chargeable to tax in the hands of Mr. Chetan? (MTP 2 Marks Oct'22, MTP 1 Mark Nov'21, Old & New SM)

Answer 4

- (i) Any movable property received for inadequate consideration by any person is chargeable to tax under section 56(2)(x), if the difference between aggregate Fair Market Value of the property and consideration exceeds ₹ 50,000.

Thus, share received by Moksh Pvt. Ltd. from Mr Koshi for inadequate consideration is chargeable to tax under section 56(2)(x) to the extent of ₹ 2,00,000.

As per section 50CA, since, the consideration is less than the fair market value of unquoted shares of Style Pvt. Ltd., fair market value of shares of the company would be deemed to be the full value of consideration. It is presumed that the shares of Style Pvt. Ltd are unquoted shares.

The full value of consideration (₹ 5,00,000) less the indexed cost of acquisition (₹ 4,45,000) would result in a long term capital gains of ₹ 55,000 in the hands of Mr. Koshi.

- (ii) The provisions of section 56(2)(x) would not apply to any sum of money or any property received from any trust or institution registered under section 12AB. Therefore, the cash gift of ₹ 1 lakh received from Help Charitable Trust, being a trust registered under section 12AB, for meeting medical expenses would not be chargeable to tax under section 56(2)(x) in the hands of Mr. Chetan.

Question 5

From the following transactions relating to Mrs. Sonu, determine the amount chargeable to tax in her hands for the A.Y. 2024-25. Your Answer should be supported by reasons:

- (i) Received cash gifts on the occasion of her marriage on 19-11-2023 of ₹ 2,10,000. It includes gift of ₹ 55,000 received from non-relatives.
- (ii) On 1-1-2024, being her birthday, she received a gift of ₹ 45,000 by means of cheque from her father's maternal uncle.
- (iii) On 12-2-2024, she acquired a vacant site from her friend for ₹ 1,12,000. The State stamp valuation authority fixed the value of site at ₹ 1,92,000 for stamp duty purpose.
- (iv) She bought 50 equity shares of a private company from another friend for ₹ 75,000. The fair market value of such shares on the date of purchase was ₹ 1,33,000. (May '18)(MTP 3 Marks , Oct '20)(Same concept different figures Old & New SM)

Answer 5

Computation of amount chargeable to tax in hands of Mrs. Sonu for A.Y. 2024-25

	Particulars	₹
(i)	Cash gift of ₹ 2,10,000 received on the occasion of her marriage is not taxable, since gifts received by an individual on the occasion of marriage is excluded from tax under section 56(2)(x), even if the same are from non-relatives.	Nil
(ii)	Even though father's maternal uncle does not fall within the definition of "relative" under section 56(2)(x), gift of ₹ 45,000 received from him by cheque is not chargeable to tax since the aggregate sum of money received by Mrs. Sonu without consideration from non-relatives (other than on the occasion of marriage) during the previous year 2023-24 does not exceed ₹ 50,000.	Nil
(iii)	Purchase of vacant site for inadequate consideration on 12.2.2024 would attract the provisions of section 56(2)(x). Where any immovable property is received for a consideration which is less than the stamp duty value of the property by an amount exceeding ₹ 50,000, the difference between the stamp duty value and consideration is chargeable to tax in the hands of Individual.	80,000



	<i>(As per amendment where any person receives, in any previous year, from any person or persons any immovable property having stamp duty value that exceeds such consideration and if the amount of such excess is more than the higher of the following amounts, namely:- (i) the amount of fifty thousand rupees; and (ii) the amount equal to ten per cent of the consideration then the difference between the consideration and stamp duty value is chargeable to tax)</i> Therefore, in the given case ₹ 80,000 (₹ 1,92,000 - ₹ 1,12,000) is taxable in the hands of Mrs. Sonu.	
(iv)	Since shares are included in the definition of “property” and difference between the purchase value and fair market value of shares is ₹ 58,000 (₹ 1,33,000 - ₹ 75,000) i.e. it exceeds ₹ 50,000, the difference would be taxable under section 56(2)(x).	58,000
Amount chargeable to tax		1,38,000

Question 6

- (a) Mr. Pranav has 15% shareholding in TRP(P) Ltd. (engaged in trading business of toys) and has also 50% share in Pranav & Sons, a partnership firm. The accumulated profit of TRP(P) Ltd. is ₹ 30 lakh. Pranav & Sons had taken a loan of ₹ 35 lakh from TRP(P) Ltd. Examine whether the above loan can be treated as dividend as per the provisions of the Income-tax Act, 1961.
- (b) Discuss the taxability or otherwise in the hands of the recipients, as per the provisions of the Income-tax Act, 1961:
- MNS Private Limited, a closely held company, issued 12,000 shares at ₹ 125 per share. (The face value of the share is ₹ 80 per share and the fair market value of the share is ₹ 110 per share).
 - Mr. Arun received an advance of ₹ 56,000 on 11-09-2017 against the sale of his house. However, due to non-payment of instalment in time, the contract has cancelled and the amount of ₹ 56,000 was forfeited.
 - Mr. Nitin, transferred a house property to his son Mr. Raj without consideration. The value of the house is ₹ 12 lacs as per the Registrar of stamp duty.
 - Mr. Tanmay gifted a refrigerator to his sister's daughter Tannu on her marriage. The fair market value of the refrigerator is ₹ 75,000. (RTP Nov '18)

Answer 6

Section 2(22)(e) provides that any payment by a company, not being a company in which public are substantially interested, of any sum by way of advance or loan

- to a shareholder, being a person who is the beneficial owner of shares holding not less than 10% of voting power, or
- to any concern in which such shareholder is a partner and in which he has a substantial interest (i.e., he is beneficially entitled to not less than 20% of the income of such concern) is deemed as dividend, to the extent the company possesses accumulated profits.

In the present case, the loan given by TRP(P) Ltd. to Pranav & Sons, a partnership firm would be deemed as dividend, since Mr. Pranav is the beneficial owner of 15% shareholding in TRP(P) Ltd. and also has substantial interest in Pranav & Sons (as he is beneficially entitled to 50% of the income of the firm).

However, the amount of loan would be deemed as dividend only to the extent TRP(P) Ltd. possesses accumulated profits. Therefore, out of the loan of ₹ 35 lakhs given to Pranav & Sons, only ₹ 30 lakhs, i.e., to the extent of accumulated profit of TRP(P) Ltd., would be deemed as dividend.

As per amendment dividend u/s 2(22)(a)/(b)/(c)/(d)/(e) from an Indian Company will now be taxable normal rates in the hands of the Shareholder Assessee. Interest Income incurred to earn such income will be allowed as a deduction but only upto 20% of such income. No deduction of commission/remuneration paid to any other person. DDT has been abolished.

S. No.	Taxable / Not Taxable	Reason
(i)	Taxable	Since MNS Private Limited, a closely held company, issued 12,000 shares at a premium (i.e., issue price exceeds the face value of shares), the excess of the issue price of the shares over the fair market value would be taxable under section 56(2)(viib) in its hands under the head “Income from other sources”. Therefore, ₹ 1,80,000 [12,000 × ₹ 15 (₹ 125 – ₹ 110)] shall be taxable as income in the hands of MNS Private Limited under the head “Income from other sources”.
(ii)	Taxable	Any sum of money received as an advance or otherwise in the course of negotiations for transfer of a capital asset would be chargeable to tax under the head “Income from other sources”, if such amount is forfeited and the negotiations do not result in transfer of such capital asset [Section 56(2)(ix)]. Therefore, the amount of ₹ 56,000 received as advance would be chargeable to tax in the hands of Mr. Arun under the head “Income from other sources”, since it is forfeited on account of cancellation of contract for transfer of house, being a capital asset, due to non-payment of installment in time.
(iii)	Not Taxable	As per section 56(2)(x), immovable property received without consideration by any person from his relative is not taxable. In the present case, since Mr. Nitin is the father of Mr. Raj, ₹ 12 lakhs, being the stamp duty value of house property received, without consideration, would not be chargeable to tax in the hands of Mr. Raj.
(iv)	Not Taxable	Refrigerator is not included in the definition of “property”, for the purpose of taxability under section 56(2)(x) in the hands of the recipient under the head “Income from other sources”. Further, the same has been received by Tannu on occasion of her marriage from her maternal uncle, being a relative. Hence, ₹ 75,000, being the fair market value of refrigerator received without consideration from a relative on the occasion of a her marriage is not taxable in the hands of Tannu, even though its value exceeds ₹ 50,000.

Question 7 (Also includes concepts of Chapter 4.4- Capital Gains)

Mr. Suraj sold a house to his friend Mr. Ganesh on 18th September, 2023 for a consideration of ₹42,00,000. On the date of registration stamp duty value of the said property is ₹ 45,00,000. However, on the date of agreement stamp duty value of the said property was ₹ 44,00,000. Mr. Ganesh had paid 10% of the value of the property by way of A/c payee cheque at the time of agreement. Assume value of land is 70% of the total value of the property.

What are the tax implications in the hands of Mr. Suraj and Mr. Ganesh for the assessment year 2024-25? Mr. Suraj had purchased the land on 19th February, 2013 for ₹ 9,20,000 and completed the construction of house on 18th January, 2017 for ₹ 15,50,000. Cost Inflation Index: F.Y. 2012-13 – 200; F.Y. 2016-17 – 264; F.Y. 2018-19 – 280, FY 2023-24- 348. (RTP May '19)

Answer 7

In the hands of the seller, Mr. Suraj

As per section 50C, where the consideration received or accruing as a result of transfer of land or building or both, is less than the value adopted or assessed or assessable by the stamp valuation authority, the value adopted or assessed or assessable by the stamp valuation authority shall be deemed to be the full value of consideration received or accruing as a result of transfer.

However, where the date of registration and date of agreement are not the same and part or whole of the consideration is received by way of A/c payee cheque or A/c payee bank draft or by use of ECS on or before the date of registration or on or before the date of agreement, then stamp duty value on the date of agreement may be taken to be the full value of

consideration.

Further, where the stamp duty value on the date of agreement or registration, as the case may be, does not exceed 105% (**110%**) of the amount of consideration received or receivable then the consideration so received would be deemed to be the full value of the consideration.

In the present case, since Mr. Suraj has received 10% of the consideration by way of A/c payee cheque on the date of agreement, the stamp duty value of ₹ 44,00,000 on the date of agreement would be taken for the purpose of computing full value of consideration.

Further, since the stamp duty of land and building of ₹ 44,00,000 does not exceed ₹ 44,10,000(**46,20,000**) i.e., 105% (**110%**) of ₹ 42,00,000, the consideration received i.e., ₹ 42,00,000 in respect of land and building would be deemed to be the full value of consideration.

In the given problem, land has been held for a period exceeding 24 months and building for a period less than 24 months immediately preceding the date of transfer. So land is a long-term capital asset, while building is a short-term capital asset.

Accordingly, capital gains would be determined in the following manner:

Particulars	₹
Long term capital gain on sale of land	
Consideration received or accruing as a result of transfer of land [70% of ₹ 42,00,000]	29,40,000
Less: Indexed cost of acquisition ₹ 9,20,000 x 384/200	17,66,400
Long-term capital gain (A)	11,73,600
Short-term capital loss on sale of building	
Consideration received or accruing from transfer of building [30% of ₹ 42,00,000]	12,60,000
Less: Cost of acquisition	15,50,000
Short term capital loss (B)	(2,90,000)

As per section 70(2), short-term capital loss can be set-off against long-term capital gains. Therefore, the net taxable long-term capital gains would be ₹8,83,600 (i.e., ₹ 11,73,600 – ₹ 2,90,000). The same would be taxable @ 20% under section 112, after adjusting un-exhausted basic exemption limit, if any, against such long term capital gain.

In the hands of the buyer Mr. Ganesh

As per section 56(2)(x), where any person receives from a non-relative, any immovable property for a consideration which is less than the stamp duty value on the date of agreement or date of registration as the case may be, and the difference between actual consideration and stamp duty value so considered is more than the higher of ₹ 50,000 or 5% (**10% as per amendment**) of the consideration so received, then the difference between such value and actual consideration of such property is chargeable to tax as income from other sources.

Where the date of registration and date of agreement are not the same and part or whole of the consideration is paid by way of A/c payee cheque or A/c payee bank draft or by use of ECS on or before the date of agreement, then stamp duty value on the date of agreement may be taken for the purpose of determining income taxable under the head "Income from other sources".

Since in the present case, Mr. Ganesh has paid 10% of the consideration by way of A/c payee cheque, the stamp duty value on the date of agreement has to be taken. Further, since the difference of ₹ 2,00,000 is not more than ₹ 2,10,000 being higher of ₹ 50,000 and ₹ 2,10,000 (**4,20,000**) (5% (**10%**) of ₹ 42,00,000), no income would be chargeable to tax as income from other sources in the hands of Mr. Ganesh.

(As per amendment where any person receives, in any previous year, from any person or persons any immovable property having stamp duty value that exceeds such consideration and if the amount of such excess is more than the higher of the following amounts, namely:- (i) the amount of fifty thousand rupees;

and (ii) the amount equal to ten per cent of the consideration then the difference between the consideration and stamp duty value is chargeable to tax)

Question 8 (Also a part of Chapter 4.1-Salaries)

Examine with brief reasons, whether the following are chargeable to income-tax and the amount liable to tax with reference to the provisions of the Income-tax Act, 1961:

- (i) Allowance of ₹ 18,000 p.m. received by an employee, Mr. Uttam Prakash, working in a transport system granted to meet his personal expenditure while on duty. He is not in receipt of any daily allowance from his employer.
- (ii) During the previous year 2023-24, Mrs. Aadhya, a resident in India, received a sum of ₹ 9,63,000 as dividend from Indian companies and ₹ 4,34,000 as dividend from units of equity oriented mutual fund. (RTP May '20, PYP 2 Marks Nov 18)

Answer 8

	Chargeability	Amount liable to tax (₹)	Reason
(i)	Partly taxable	96,000	Any allowance granted to an employee working in a transport system to meet his personal expenditure during his duty is exempt provided he is not in receipt of any daily allowance. The exemption is 70% of such allowance (i.e., ₹ 12,600 per month being, 70% of ₹ 18,000, in the present case) or ₹ 10,000 per month, whichever is less. Hence, ₹ 1,20,000 (i.e., ₹ 10,000 x 12) is exempt. Balance ₹ 96,000 (₹ 2,16,000 – ₹ 1,20,000) is taxable in the hands of Mr. Uttam Prakash.
(ii)	Not Taxable <i>(Taxable)</i>	- 13,97,000	As per section 10(34), dividend received upto ₹ 10 lakhs from Indian companies on which dividend distribution tax is paid by the company, is exempt in the hands of shareholder. As per section 10(35), income received from units of mutual fund is exempt. Hence, ₹ 9,63,000, being the dividend from Indian companies and ₹ 4,34,000, being the dividend from units of equity oriented mutual fund is not taxable in the hands of Mrs. Aadhya. <i>As per amendment dividend u/s 2(22)(a)/(b)/(c)/(d)/(e) from an Indian Company will now be taxable normal rates in the hands of the Shareholder Assessee. Interest Income incurred to earn such income will be allowed as a deduction but only upto 20% of such income. No deduction of commission/remuneration paid to any other person. DDT has been abolished. Income/dividend from UTI/Mutual Fund will also be taxable. Interest Income incurred to earn such income will be allowed as a deduction but only upto 20% of such income. Even TDS u/s 194 & 194K respectively for dividend from shares & mutual fund/UTI @10% if the aggregate income is over Rs. 5000 will be applicable.</i>

EXAMINERS' COMMENTS ON THE PERFORMANCE OF EXAMINEES:

Most of the examinees were not aware of the exemption provision in respect of the transport allowance in case of employees working in transport system. Therefore, their answers to sub-part (i) were incorrect

Question 9

Examine with reasons whether the following statements are correct/incorrect with regard to the provisions of Income-tax Act, 1961:

Akash, aged 17 years, received ₹ 3,50,000 as educational scholarship from M/s ABC Ltd. As a part of public welfare program, ABC Ltd. gave the above scholarship for his exceptional performance in Higher Secondary Examinations and to meet the cost of his further studies. The scholarship so received by Akash is taxable in his hands under the head “Income from other sources”. (RTP Nov ‘23)

Answer 9

The statement is incorrect.

Income of Akash, being a minor child, from his skill or talent would be taxable in his hands. However, as per section 10(16), the value of scholarship granted to meet the cost of education would be exempt from tax in the hands of the recipient irrespective of the amount or source of scholarship.

Question 10

Examine with reasons whether the following statements are correct/incorrect with regard to the provisions of Income-tax Act, 1961:

Mr. Shyam is a salaried individual. He purchased a painting and sculpture from his friends Mr. Kamal and Mr. Ashish for ₹ 45,000 and ₹ 35,000, respectively. The fair market value of painting and sculpture on the date of purchase was ₹ 80,000 and ₹ 60,000, respectively. Since the difference between fair market value and consideration of painting and sculpture does not exceed ₹ 50,000 individually, nothing would be taxable in the hands of Mr. Shyam. (RTP Nov ‘23)

Answer 10

The statement is incorrect.

In case movable property is received for inadequate consideration and the difference between aggregate fair market value of the property and such consideration exceeds ₹ 50,000, such difference would be taxed as the income of the recipient. Since the difference between aggregate fair market value of painting and sculpture (i.e., ₹ 1,40,000) and consideration (i.e., ₹ 80,000) exceeds ₹ 50,000, the difference of ₹ 60,000 would be taxable in the hands of Mr. Shyam under the head “Income from other sources”.

Question 11

Ms. Julie received following amounts during the previous year 2023-24.

- (1) Received loan of ₹ 5,00,000 from the ABC Private Limited, a closely held company engaged in textile business. She is holding 10% of the equity share capital in the said company. The accumulated profit of the company was ₹ 2,00,000 on the date of the loan.**
- (2) Received Interest on enhanced compensation of ₹ 5,00,000. Out of this interest, ₹ 1,50,000 relates to the previous year 2020-21, ₹ 1,90,000 relates to previous year 2021-22 and ₹ 1,60,000 relates to previous year 2022-23. She paid ₹ 1 lakh to her advocate for his efforts in the matter. Discuss the tax implications, if any, arising from these transactions in her hand with reference to Assessment Year 2024-25. (PYP 4 Marks, Nov’20)**

Answer 11

- (1) Any payment by way of loan by a closely held company to its shareholder holding not less than 10% of voting power is deemed as dividend, to the extent of accumulated profits of the company. Accordingly, out of ₹ 5 lakhs given by ABC Pvt. Ltd. to Ms. Julie, loan to the extent of ₹ 2 lakhs would be treated as deemed dividend for the A.Y.2024-25. Such dividend would, however, be taxable @ 30% in the hands of ABC Ltd. Consequently, it would be fully exempt in Julie’s hands under section 10(34).

As per amendment dividend u/s 2(22)(a)/(b)/(c)/(d)/(e) from an Indian Company will now be taxable normal rates in the hands of the Shareholder Assessee. Interest Income incurred to earn such income will be allowed as a deduction but only upto 20% of such income. No deduction of commission/remuneration paid to any other person. DDT has been abolished.



- (2) Interest on enhanced compensation is chargeable to tax under the head “Income from other sources” in the year of receipt, after providing for deduction of 50% of such income. Accordingly, ₹ 2,50,000 [₹ 5,00,000 – ₹ 2,50,000, being 50% of ₹ 5 lakh] would be chargeable to tax in the hands of Ms. Julie under the head “Income from Other Sources” for the A.Y.2024-25.

Question 12

MLX Investments (P) Ltd. was incorporated during P.Y. 2021-22 having a paid up capital of ₹ 10 lacs. 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 01-08-2023. The FMV of such share as on 01-08-2023 was ₹ 85.

- (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 01-08-2023? (PYP 4 Marks, Nov'19)**

Answer 12

The provisions of section 56(2) (vibe) 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 MLX Investments (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 ₹ 105 each exceeds the FMV of ₹ 85 each would be chargeable to tax under the head “Income from other sources”. Hence, ₹ 20 lakh, being ₹ 20 (i.e., ₹ 105 - ₹ 85) x 1,00,000 shares, would be chargeable under section 56(2) (vibe).
(iii) If shares are issued at ₹ 105 each and FMV of share is ₹ 120 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.

EXAMINERS' COMMENTS ON THE PERFORMANCE OF EXAMINEES:

Some of the examinees have wrongly stated that income arising on issue of shares at premium by a company other than a company in which public are substantially interested as exceeds the fair market value of such shares, would be taxable under the head “Capital gains” instead of “Income from Other Sources”.

Question 13

Discuss the taxability of the following receipts in the hands of Mr. Sanjay Kamboj under the Income-tax Act, 1961 for A.Y. 2018-19:

- (i) ₹ 51,000 received from his sister living in US on 1-6-2023.
(ii) Received a car from his friend on payment of ₹ 2,50,000, the FMV of which was ₹ 5,50,000. Provisions of taxability or non-taxability must be discussed. (PYP 3 Marks, May'18)

Answer 13

I. Not taxable

Cash gift of ₹ 51,000 received from his sister, being a relative, would not be taxable in the hands of Mr. Sanjay Kamboj under section 56(2)(x), even though the amount exceeds ₹ 50,000.

II. Not Taxable

Car is not included in the definition of “property”, for the purpose of taxability of gifts in kind, in the hands of the recipient under the head “Income from other sources”.



Hence, ₹ 5,50,000, being the fair market value of car received for inadequate consideration from his friend is not taxable under section 56(2)(x) in the hands of Mr. Sanjay Kamboj, even though the difference between the purchase price and FMV exceeds ₹ 50,000 and the gift is received from a non-relative.

Question 14

Examine whether the following are chargeable to tax and the amount liable to tax:

- (i) Interest on enhanced compensation ₹ 3,00,000 received on 31.03.2024 from Government of Tamil Nadu towards urban land acquired by it. 40% of enhanced compensation interest pertains to previous year 2022-23. (Old & New SM)
- (ii) Narayanan transferred 1000 shares of BS Ltd to AB Pvt. Ltd on 01-06-2023 for a consideration of ₹ 2,00,000 when the fair market value of the same as on transaction date was ₹ 3,00,000. The indexed cost of acquisition of shares for Narayanan was ₹ 2,75,000. The transfer was effected off market on which securities transaction tax was not paid. BS Ltd is a closely held unlisted company.
- (iii) Mr. A received ₹ 5,00,000 on 1st March 2024 from Sree Pushpaka Charitable Trust for meeting his medical expenses. The trust is registered under section 12AB of Income-tax Act. (PYP 6 Marks Nov '22)

Answer 14

- (i) Interest on enhanced compensation received on 31.03.24 from Government of Tamil Nadu (including 40% of interest on enhanced compensation relating to P.Y. 2022-23) would be deemed to be the income of P.Y. 2023-24, being the year in which it is received irrespective of the method of accounting followed by the assessee.
Interest of ₹ 3,00,000 on enhanced compensation is chargeable to tax during the P.Y. 2023-24 after providing deduction of 50% under section 57. Therefore, ₹ 1,50,000 is chargeable to tax under the head "Income from other sources".
- (ii) In the hands of Mr. Narayanan
Since the consideration of ₹ 2,00,000 is less than ₹ 3,00,000, being the fair market value of unquoted shares of BS Ltd., the fair market value of shares i.e., ₹ 3,00,000 would be deemed to be the full value of consideration.
Accordingly, ₹ 25,000 [₹ 3,00,000 – ₹ 2,75,000, being indexed cost of acquisition] would be liable to tax as long term capital gains in the hands of Mr. Narayanan.
In the hands of AB Pvt. Ltd.
Shares received by AB Pvt. Ltd. from Mr. Narayanan for inadequate consideration is chargeable to tax, since the difference exceeds ₹ 50,000. Accordingly, ₹ 1,00,000, being the difference between aggregate Fair Market Value of the shares i.e., ₹ 3,00,000 and consideration i.e., ₹ 2,00,000 would be chargeable to tax under the head "Income from other sources".
- (iii) The sum of ₹ 5,00,000 received from Sree Pushpaka Charitable Trust, without consideration, for meeting medical expenses would not be chargeable to tax in the hands of Mr. A, since the same is received from a trust registered under section 12AB.



MULTIPLE CHOICE QUESTIONS (MCQS)

1. Ms. Saline received interest on enhanced compensation of ₹ 5,00,000. Out of this interest, ₹ 1,50,000 relates to the previous year 2022-23, ₹ 1,90,000 relates to previous year 2019-20 and ₹ 1,60,000 relates to previous year 2023-24. She paid ₹ 1 lakh to her advocate for his efforts in the matter. What amount would be taxable in P.Y. 2023-24 and taxable, if any, under which head of income.
- (a) ₹ 2,50,000 under the head "income from other sources"
 - (b) ₹ 4,00,000 under the head "income from other sources"
 - (c) ₹ 1,60,000 under the head "income from other sources"
 - (d) ₹ 1,60,000 under the head "Capital gains" Division B – (MTP 2 Marks, Nov'21)

Ans: (a)

2. Pankaj gifted an amount of Rs 3,00,000 to his wife, Pinky and ₹ 2,00,000 to his daughter, Rink aged 20 years, on 1st April 2020. Both Pinky and Rink invested the amounts on the same date in Government of India 11% Taxable Bonds. The interest accrues yearly and is reinvested in the same bonds. Determine what will be the amount taxable in hands on Pinky for A.Y. 2024 -25?
- (a) ₹ 4,473
 - (b) ₹ 12,132
 - (c) ₹ 33,000
 - (d) Nil (MTP 2 Marks, April'21)

Ans (b)

3. Neeraj was working as an accountant with the company Umali Ltd. He died on 30.04.2023 and on account of his death, his wife Neha started receiving a pension of ₹ 10,000 per month i.e. 01.06.2023. Determine under which head of income, the pension received by Neha during F.Y. 2023-24 shall be taxable. Also, compute the taxable amount in her hands.
- (a) Income from other sources: ₹1,00,000
 - (b) Income from other sources: ₹ 85,000
 - (c) Income from Salary: ₹1,00,000
 - (d) Income from Salary: ₹ 85,000(MTP 1 Mark, Oct'19)

Ans: (b)

4. Mrs. Gupta, resident in India, holds many equity shares of reputed domestic companies. During the previous year 2023-24, total dividend earned by her is ₹11,00,000. She is of the belief that dividend income earned by her is tax free. She approaches you to assist her in filing her income tax return. As her tax consultant, will you advise her that any dividend income earned by her is tax free?
- (a) Yes, as dividend earned by her is fully exempt from tax u/s 10(34).
 - (b) No, as any dividend income earned by an individual is fully chargeable to tax.
 - (c) No, as dividend income earned above ₹10,00,000 is chargeable to tax in her hands.
 - (d) Yes, as dividend income above ₹10,00,000 is chargeable to tax only in the hands of the companies and not in her hands. (MTP 1 Mark, March'19)

Ans: (c)

As per amendment dividend u/s 2(22)(a)/(b)/(c)/(d)/(e) from an Indian Company will now be taxable normal rates in the hands of the Shareholder Assessee. Interest Income incurred to earn such income will be allowed as a deduction but only upto 20% of such income. No deduction of commission/remuneration paid to any other person. DDT has been abolished.

Hence the Answer is (b).



5. Mr. X receives the following gifts during the previous year 2023-24:
- On 20.09.2023, he gets a gift of ₹7,00,000 from his grandmother.
 - On 30.12.2023, he gets by way of gift a commercial flat from the elder brother of his father-in-law (stamp duty value is ₹25,00,000).
 - On 20.01.2024, he gets a wrist watch by gift from his friend B (Fair market value: ₹1,00,000).

On 10.02.2024, he gets by way of gift a plot of land in Pune from a partnership firm. The partnership firm has only two partners- father of Mr. X and MRS. X. The stamp duty value of the plot of land is ₹19,00,000. Compute the amount chargeable to tax in the hands of X under the head "Income from other sources" for the A.Y. 2024-25.

- (a) ₹25,00,000
- (b) ₹44,00,000
- (c) ₹45,00,000
- (d) ₹52,00,000 (MTP 1 Mark, March'19)

Ans: (b)

6. APM Ltd. is a pioneer company in textile industry. At the end of F.Y. 2023-24, it decided to distribute deposit certificates (without interest) to its shareholders (preference as well as equity shareholders). Total value of accumulated profits of APM Ltd. was ₹ 25 lakhs. Mr. A is an equity shareholder of APM Ltd. holding 10% of share capital. During F.Y. 2023- 24, Mr. A received deposit certificates (without interest) valuing ₹ 5,00,000 from APM Ltd.

Comment upon taxability of receipt of deposit certificates in the hands of Mr. A.

- (a) Deposit Receipts (without interest) are taxable to the extent of ₹ 2,50,000 under Income from other sources.
- (b) Deposit Receipts (without interest) are fully taxable under Income from other sources.
- (c) Deposit Receipts (without interest) are exempt since DDT is payable by the company.
- (d) Deposit Receipts (without interest) are fully taxable and shall be included in Gross total income. But such receipt shall be allowed as deduction under Chapter-VI A. (RTP May '20)

Ans: The Answer is (c). **As per amendment the Answer will be (b)**

As per amendment dividend u/s 2(22)(a)/(b)/(c)/(d)/(e) from an Indian Company will now be taxable normal rates in the hands of the Shareholder Assessee. Interest Income incurred to earn such income will be allowed as a deduction but only upto 20% of such income. No deduction of commission/remuneration paid to any other person. DDT has been abolished.

7. Mr. T, an Indian Citizen and resident of India, earned dividend income of ₹ 4,500 from an Indian company, which was declared on 1.10.2023 and paid in cash to Mr. T. What are the tax implications with respect to the dividend in the hands of Mr. T and Indian Company?
- (a) Such dividend is taxable in the hands of Mr. T and Indian company is required to deduct tax at source @7.5%.
 - (b) Such dividend is taxable in the hands of Mr. T and Indian company is required to deduct tax at source @10%.
 - (c) Such dividend is taxable in the hands of Mr. T. However, Indian company is not required to deduct tax at source since it does not exceed ₹ 5,000.
 - (d) Such dividend is exempt in the hands of Mr. T. Hence, Indian company is not required to deduct tax at source. (RTP Nov '21)

Ans: The Answer is ~~(a)~~. **(Answer will be (b))**



As per amendment Due to covid from 14th May 2020 to 31st March 2021 the TDS rates for dividend was reduced to 7.5% from 10%. Post that the TDS rate IS back to 10%. Hence post 31st March the Answer would be (b).

8. Mr. Vikas received a gold ring worth ₹ 60,000 on the occasion of his daughter's wedding from his best friend Mr. Vishnu. Mr. Vishnu also gifted a gold chain to Kavya, daughter of Mr. Vikas, worth ₹ 80,000 on the said occasion. Would such gifts be taxable in the hands of Mr. Vikas and Ms. Kavya?
- (a) Yes, the gift of gold ring and gold chain is taxable in the hands of Mr. Vikas and Ms. Kavya, respectively
 - (b) Such gifts are not taxable in the hands of Mr. Vikas nor in the hands of Ms. Kavya
 - (c) Value of gold ring is taxable in the hands of Mr. Vikas but value of gold chain is not taxable in the hands of Ms. Kavya
 - (d) Value of gold chain is taxable in the hands of Ms. Kavya but value of gold ring is not taxable in the hands of Mr. Vikas (RTP Nov '21)

Ans: The Answer is (c)



Chapter 4

Income of Other Person included in Assesses Total Income

Question 1: illustration

Mr. Vaibhav started a proprietary business on 01.04.2022 with a capital of ₹ 5,00,000. He incurred a loss of ₹ 2,00,000 during the year 2022-23. To overcome the financial position, his wife Mrs. Vaishaly, a software Engineer, gave a gift of ₹ 5,00,000 on 01.04.2023, which was immediately invested in the business by Mr. Vaibhav. He earned a profit of ₹ 4,00,000 during the year 2023-24. Compute the amount to be clubbed in the hands of Mrs. Vaishaly for the A.Y. 2024-25. If Mrs. Vaishaly gave the said amount as loan, what would be the amount to be clubbed? (Old & New SM, RTP May'23)

Answer 1

Section 64(1)(iv) of the Income-tax Act, 1961 provides for the clubbing of income in the hands of the individual, if the income earned is from the assets (other than house property) transferred directly or indirectly to the spouse of the individual, otherwise than for adequate consideration or in connection with an agreement to live apart. In this case, Mr. Vaibhav received a gift of ₹ 5,00,000 on 1.4.2023 from his wife Mrs. Vaishaly, which he invested in his business immediately. The income to be clubbed in the hands of Mrs. Vaishaly for the A.Y. 2024-25 is computed as under:

Particulars	Mr. Vaibhav's capital contribution (₹)	Capital contribution out of gift from Mrs. Vaishaly (₹)	Total (₹)
Capital as on 1.4.2022	3,00,000 (5,00,000 – 2,00,000)	5,00,000	8,00,000
Profit for P.Y.2022-23 to be apportioned on the basis of capital employed on the first day of the previous year i.e. as on 1.4.2021 (3:5)	1,50,000 $4,00,000 \times \frac{3}{8}$	2,50,000 $4,00,000 \times \frac{5}{8}$	4,00,000

Therefore, the income to be clubbed in the hands of Mrs. Vaishaly for the A.Y.2024-25 is ₹2,50,000.

In case Mrs. Vaishaly gave the said amount of ₹ 5,00,000 as a bona fide loan, then, clubbing provisions would not be attracted.

Note: The provisions of section 56(2)(x) would not be attracted in the hands of Mr. Vaibhav, since he has received a sum of money exceeding ₹ 50,000 without consideration from a relative i.e., his wife.

Question 2

A proprietary business was started by Smt. Rani in the year 2021. As on 1.4.2022 her capital in business was ₹ 3,00,000. Her husband gifted ₹ 2,00,000 on 10.4.2022 to her and such sum is invested by Smt. Rani in her business on the same date. Smt. Rani earned profits from her proprietary business for the Financial year 2022-23, ₹ 1,50,000 and Financial year 2023-24 ₹ 3,90,000. Compute the income, to be clubbed in the hands of Rani's husband for the Assessment year 2024-25 with reasons. (Old & New SM) (Same concepts different figures MTP 3 Marks Apr'19, RTP May'18)

Answer 2

Section 64(1) of the Income-tax Act, 1961 provides for the clubbing of income in the hands of the individual, if the income earned is from the assets transferred directly or indirectly to the spouse of the individual, otherwise than for adequate consideration. In this case Smt. Rani received a gift of ₹ 2,00,000 from her husband which she invested in her business. The income to be clubbed in the hands of Smt. Rani's husband for A.Y.2024-25 is computed as under:



Particulars	Smt. Rani's Capital Contribution	Capital Contribution Out of gift from husband	Total
	₹	₹	₹
Capital as at 1.4.2022	3,00,000	-	3,00,000
Investment on 10.04.2022 out of gift received from her husband		2,00,000	2,00,000
	3,00,000	2,00,000	5,00,000
Profit for F.Y. 2022-23 to be apportioned on the basis of capital employed on the first day of the previous year i.e., on 1.4.2022	1,50,000		1,50,000
Capital employed as at 1.4.2023	4,50,000	2,00,000	6,50,000
Profit for F.Y.2023-24 to be apportioned on the basis of capital employed as at 1.4.2023 (i.e., 45 : 20)	2,70,000	1,20,000	3,90,000

Therefore, the income to be clubbed in the hands of Smt. Rani's husband for A.Y.2024-25 is ₹1,20,000.

Question 3 (Includes concepts of Capital Gain)

Suresh gifted ₹10 lakhs to his wife, Shagun on her birthday on, 29th February, 2023. Shagun lent such amount to Kinjal on 1st April, 2023 for six months on which she received interest of ₹ 75,000. The said sum of ₹ 75,000 was invested in shares of a listed company on 5th October, 2023, which were sold for ₹ 90,000 on 30th March, 2024. Securities transactions tax was paid on purchase and sale of such shares. In whose hands the above income shall be included in A.Y.2024-25. Support your answer with brief reasons. (MTP 3 Marks, Oct'21, Mar'19, RTP Nov '18, Nov'19)

Answer 3

In computing the total income of any individual, there shall be included all such income as arises directly or indirectly, to the spouse of such individual from assets transferred directly or indirectly, to the spouse by such individual otherwise than for adequate consideration or in connection with an agreement to live apart.

Interest on loan: Accordingly, ₹ 75,000, being the amount of interest on loan received by Mrs Shagun, wife of Mr. Suresh, would be includible in the total income of Mr. Suresh, since such loan was given out of the sum of money received by her as gift from her husband.

Short-term capital gain: Income from the accretion of the transferred asset is not liable to be included in the hands of the transferor and, therefore, short-term capital gain of ₹ 15,000 (₹ 90,000, being the sale consideration less ₹75,000, being the cost of acquisition) arising in the hands of Mrs Shagun from sale of shares acquired by investing the interest income of ₹75,000 earned by her (from the loan given out of the sum gifted by her husband), would not be included in the hands of Mr. Suresh. Thus, such income is taxable in the hands of Mrs. Shagun.

Question 4

Nishant gifted ₹ 10 lakhs to his wife, Nisha on her birthday on, 1st January, 2023. Nisha lent ₹ 5,00,000 out of the gifted amount to Krish on 1st April, 2023 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 15th October, 2023, which were sold for ₹ 75,000 on 30th December, 2023. Securities transaction tax was paid on such sale. The balance amount of gift was invested as capital by Nisha in a newly business started on 1.4.2023. She suffered loss of ₹ 15,000 in the business in Financial Year 2023-24. In whose hands the above income and loss shall be included in Assessment Year 2024 -25? Support your answer with brief reasons. (MTP 4 Marks April '23 & Oct '20)

Answer 4**Interest on loan**

As per section 64(1)(iv), in computing the total income of any individual, there shall be included all such income as arises directly or indirectly, to the spouse of such individual from assets transferred directly or indirectly, to the spouse by such individual otherwise than for adequate consideration or in connection with an agreement to live apart.

Accordingly, ₹ 50,000, being the amount of interest on loan received by Ms. Nisha, wife of Mr. Nishant, would be includible in the total income of Mr. Nishant, since such loan was given by her out of the sum of money received by her as gift from her husband.

Loss from business

Since the capital was invested in business by Ms. Nisha on 1st April, 2023, and capital invested was entirely out of the funds gifted by her husband, the entire loss of ₹ 15,000 from the business carried on by Ms. Nisha would also be includible in the total income of Mr. Nishant.

Since income includes loss as per Explanation 2 to section 64, clubbing provisions would be attracted even if there is loss and not income.

Capital Gain on sale of shares of listed company

The short-term capital gain of ₹ 25,000 (₹ 75,000, being the sale consideration less ₹ 50,000, being the cost of acquisition) arising in the hands of Ms. Nisha from sale of shares acquired by investing the interest income of ₹ 50,000 earned by her (from the loan given out of the sum gifted to her by her husband), would not be included in the hands of Mr. Nishant.

Income from the accretion of the transferred asset is not liable to be included in the hands of the transferor and therefore such income is taxable in the hands of Ms. Nisha. Since securities transaction tax has been paid, such short-term capital gain on sale of listed shares is taxable @ 15% in the hands of Ms. Nisha.

Question 5

Mr. Vijay gifted a sum of ₹ 4 lakhs to his brother's wife on 19-6-2023. On 21-7-2023, his brother gifted a sum of ₹ 3 lakhs to Mr. Vijay's wife. The gifted amounts were invested as fixed deposits in banks by Mr Vijay and wife of Mr. Vijay's brother on 01-8-2023 at 9% interest. Examine the consequences of the above under the provisions of the Income-tax Act, 1961 in the hands of Mr. Vijay and his brother. (MTP 4 Marks, May'20)

Answer 5

In the given case, Mr. Vijay gifted a sum of ₹ 4 lakhs to his brother's wife on 19.06.2023 and simultaneously, his brother gifted a sum of ₹ 3 lakhs to Mr. Vijay's wife on 21.07.2023. The gifted amounts were invested as fixed deposits in banks by Mr. Vijay and his brother's wife. These transfer are in the nature of cross transfer Accordingly, the income from the assets transferred would be assessed in the hands of the deemed transferor because the transfer are so intimately connected to form part of a single transaction and each transfer constitutes consideration for the other by being mutual or otherwise.

If two transactions are inter-connected and are part of the same transaction in such a way that it can be said that the circuitous method was adopted as a device to evade tax, the implication of clubbing provisions would be attracted. It was so held by the Apex Court in CIT vs. Keshavji Morori (1967) 66 ITR 142.

Accordingly, the interest income arising to Mr. Vijay in the form of interest on fixed deposits would be included in the total income of Mr. Vijay and interest income arising in the hands of his brother's wife would be taxable in the hands of Mr. Vijay's brother as per section 64(1), to the extent of amount of cross transfer i.e., ₹ 3 lakhs.

This is because both Mr. Vijay and his brother are the indirect transferor of the income to their respective spouses with an intention to reduce their burden of taxation.

However, the interest income earned by his spouse on fixed deposit of ₹3 lakhs alone would be included in the hands of Mr. Vijay's brother and not the interest income on the entire fixed deposit of ₹4 lakhs, since the cross transfer is only to the extent of ₹3 lakhs.

Question 6

Mrs and Mr. Naresh Yadav have two minor children Mahi and Nonu. The following are the receipts in the hands of Mahi and Nonu during the year ended 31-3-2023:

- (i) Mahi received a gift of ₹ 85,000 from her friend's father on the occasion of her birthday.
- (ii) Nonu won a prize money of ₹3,00,000 in National Sports competition.

This was invested in debentures of a company, from which interest of ₹ 25,000 (gross) accrued during the year.

Mr. Marsh's income before considering clubbing provisions is higher than that of his wife.

Explain how these items will be considered for taxation under the provisions of the Income Tax Act, 1961. Detailed computation of income is not required. (MTP 5 Marks, Oct'19)

Answer 6

(i)	<p>Gift received from non-relative by minor daughter Mahi</p> <p>Gift of ₹ 85,000 received by minor daughter Mahi, from non-relative would be taxable, since the amount of gift exceeds ₹ 50,000. It would be included in the hands of her father, Mr. Naresh Yadav, since his income before considering clubbing provisions is higher than that of his wife. Exemption of ₹1,500 would be allowed in respect of the aggregate income of minor daughter Mahi so included in the hands of Mr. Naresh Yadav under section 10(32)</p>
(ii)	<p>Prize money of ₹ 3,00,000 in National Sports Competition/Interest on debentures received by minor son Nonu</p> <p>Income derived by a minor child from any activity involving application of his/her skill, talent, specialised knowledge and experience is not to be included in the hands of parent. Hence, the prize money of ₹ 3,00,000 won in National Sports Competition by minor son Nonu from exercise of special talent would not be included in the income of either parent. However, interest of ₹ 25,000 on debentures has to be included in the hands of her father, Mr. Naresh Yadav, even if the investment is made out of income arising from application of special talent. Exemption of ₹1,500 would be allowed in respect of the aggregate income of minor son Nonu so included in the hands of Mr. Naresh Yadav under section 10(32).</p>

Question 7

Mr. Shashank is an employee of KML (P) Ltd. drawing a monthly salary of ₹ 30,000. He provides you the following information for the previous year 2023-24:

- (i) He had a fixed deposit of ₹ 4,00,000 with State Bank of India with interest @10%. He instructed bank to credit such interest on deposit to the saving account of Mr. Ram, his sister's son, to help him in his higher education.
- (ii) He gifted a flat to Mrs. Kajal (wife of Mr. Shashank) on April 1, 2023. During the previous year 2023-24, she received a rent of ₹ 20,000 p.m. from letting out the flat.
- (iii) He gifted ₹ 10,00,000 to M^{rs} Kajal on 1st April, 2023 which Mrs Kajal invested in her business on the same day. Capital in the business before such investment was ₹ 20,00,000. She earned profits from business for the financial year 2023-24 of ₹ 9,00,000.
- (iv) His minor son Sandeep earned income from company deposit of ₹ 1,50,000.

Mr. Shashank and Mrs Kajal do not have any other income during the P.Y. 2023-24. Compute the total income of Mr. Shashank and Mrs. Kajal for A.Y. 2024-25.(MTP 6 Marks, Aug'18)

Answer 7
Computation of Total income of Mr. Shashank and Mrs Kajal for the A.Y. 2024-25

Particulars	Mr. Shashank (₹)	Mrs. Kajal (₹)
Salary income (₹ 30,000 x 12) Less standard deduction ₹ 50,000 (As per amendment)	3,10,000	
Income from house property [₹ 2,40,000 (₹ 20,000 x 12) less standard deduction of 30%] (Note 1)	1,68,000	
Income from other sources		
Interest on fixed deposit with State bank of India (₹ 4,00,000 x 10%) (Note 2)	40,000	
Profits and gains from business or profession		
Profits earned by M [₹] Kajal from her business (Note 3)	3,00,000	6,00,000
Income before including income of minor child under section 64(1A)	8,18,000	6,00,000
Income from other sources		
Minor son Sandeep - Income from company deposit (Note 4)	1,48,500	
Total income	9,66,500	6,00,000

Notes:

- (1) According to section 27(i), an individual who transfers any house property to his or her spouse otherwise than for adequate consideration or in connection with an agreement to live apart, shall be deemed to be the owner of the house property so transferred. Hence, Mr. Shashank shall be deemed to be the owner of the flat gifted to Mrs Kajal and hence, the income arising from the same shall be computed in the hands of Mr. Shashank.

Note: The provisions of section 56(2)(x) would not be attracted in the hands of M[₹] Kajal, since she has received immovable property without consideration from a relative i.e., her husband.

- (2) As per section 60, in case there is a transfer of income without transfer of asset from which such income is derived, such income shall be treated as income of the transferor. Therefore, the fixed deposit interest of ₹ 40,000 transferred by Mr. Shashank to Mr. Ram shall be included in the total income of Mr. Shashank.
- (3) Section 64(1)(iv) provides for the clubbing of income in the hands of the individual, if the income earned is from the assets transferred directly or indirectly to the spouse of the individual, otherwise than for adequate consideration or in connection with an agreement to live apart. In this case Mrs Kajal received a gift of ₹ 10,00,000 on 1.4.2023 from her husband which she invested in her business on the same day. The income to be clubbed in the hands of Mr. Shashank for the A.Y. 2024-25 is computed as under:

Particulars	M [₹] Kajal's capital contribution (₹)	Capital contribution out of gift from Mr. Shashank (₹)	Total (₹)
Capital as on 1.4.2023	20,00,000	10,00,000	30,00,000
Profit for P.Y. 2023-24 to be apportioned on the basis of capital employed on the first day of the previous year i.e. as on 1.4.2023 (2:1)	6,00,000 (9,00,000 x 2/3)	3,00,000 (9,00,000 x 1/3)	9,00,000

Therefore, the income to be clubbed in the hands of Mr. Shashank for the A.Y.2024-25 is ₹ 3,00,000.

Note: The provisions of section 56(2)(x) would not be attracted in the hands of M[₹] Kajal, since she has received a sum of money exceeding ₹ 50,000 without consideration from a relative i.e, her husband.

- (4) As per section 64(1A), the income of the minor child is to be included in the total income of the parent whose total income (excluding the income of minor child to be so clubbed) is greater. Further, as per section 10(32), income of a minor child which is includible in the income of the parent shall be exempt to the extent of ₹ 1,500 per child.

Therefore, the income of ₹ 1,50,000 received by minor son Sandeep from company deposit shall, after

providing for exemption of ₹ 1,500 under section 10(32), be included in the income of Mr. Shashank, since Mr. Shashank's income of ₹ 8,68,000 (before including the income of the minor child) is greater than Mr. Kajal's income of ₹ 6,00,000. Therefore, ₹ 1,48,500 (i.e., ₹ 1,50,000 – ₹ 1,500) shall be included in Mr. Shashank's income. It is assumed that this is the first year in which clubbing provisions are attracted.

Question 8

Mr. Raja gifted a sum of ₹ 8 lakhs to his brother's minor son on 14-5-2023. On the same date, his brother gifted debentures worth ₹ 10 lakhs to Mrs. Raja. Son of Mr. Raja's brother invested the amount in fixed deposit with SBI@ 9% p.a. interest and Mrs. Raja received interest of ₹ 81,000 on these debentures during the previous year 2023-24. Discuss the tax implications under the provisions of the Income-tax Act, 1961. (MTP 4 Marks Oct'22 & Oct '18) (Same concept different figures RTP Nov'20)

Answer 8

In the given case, Mr. Raja gifted a sum of ₹ 8 lakhs to his brother's minor son on 14.5.2023 and simultaneously, his brother gifted debentures worth ₹ 10 lakhs to Mr. Raja's wife on the same date. Mr. Raja's brother's minor son invested the gifted amount of ₹ 8 lakhs in fixed deposit with SBI.

These transfers are in the nature of cross transfers. Accordingly, the income from the assets transferred would be assessed in the hands of the deemed transferor because the transfers are so intimately connected to form part of a single transaction and each transfer constitutes consideration for the other by being mutual or otherwise.

If two transactions are inter-connected and are part of the same transaction in such a way that it can be said that the circuitous method was adopted as a device to evade tax, the implication of clubbing provisions would be attracted¹.

As per section 64(1A), all income of a minor child is includible in the hands of the parent, whose total income, before including minor's income is higher. Accordingly, the interest income arising to Mr. Raja's brother's son from fixed deposits would be included in the total income of Mr. Raja's brother, assuming that Mr. Raja's brother's total income is higher than his wife's total income, before including minor's income. Mr. Raja's brother can claim exemption of ₹ 1,500 under section 10(32).

Interest on debentures arising in the hands of Mrs. Raja would be taxable in the hands of Mr. Raja as per section 64(1)(iv).

This is because both Mr. Raja and his brother are the indirect transferors of the income to their spouse and minor son, respectively, with an intention to reduce their burden of taxation.

In the hands of Mr. Raja, interest received by his spouse on debentures of ₹ 8 lakhs alone would be included and not the entire interest income on the debentures of ₹10 lakhs, since the cross transfer is only to the extent of ₹ 8 lakhs.

Hence, only proportional interest (i.e., 8/10th of interest on debentures received) ₹ 64,800 would be includible in the hands of Mr. Raja.

The provisions of section 56(2)(x) are not attracted in respect of sum of money transferred or value of debentures transferred, since in both the cases, the transfer is from a relative.

¹ It was so held by the Apex Court in CIT vs. Keshavji Morarji (1967) 66 ITR 142.

Question 9

Mr. Om has gifted a house property valued at ₹ 50 lakhs to his wife, Mrs. Uma, who in turn has gifted the same to Mrs. Pallavi, their daughter-in-law. The house was let out at ₹ 25,000 per month throughout the year. Compute the total income of Mr. Om and Mrs. Pallavi.

Will your answer be different if the said property was gifted to his son, husband of Mrs. Pallavi? (MTP 4 Marks March '23, Old & New SM)

Answer 9

As per section 27(i), an individual who transfers otherwise than for adequate consideration any house property to his spouse, not being a transfer in connection with an agreement to live apart, shall be deemed to be the owner of the house property so transferred.

Therefore, in this case, Mr. Om would be the deemed owner of the house property transferred to his wife Mrs. Uma without consideration.

As per section 64(1)(vi), income arising to the son's wife from assets transferred, directly or indirectly, to her by an individual otherwise than for adequate consideration would be included in the total income of such individual.

Income from let-out property is ₹ 2,10,000 [i.e., ₹ 3,00,000, being the actual rent calculated at ₹ 25,000 per month less ₹ 90,000, being deduction under section 24@30% of ₹ 3,00,000]

In this case, income of ₹ 2,10,000 from let-out property arising to Mrs. Pallavi, being Mr. Om's son's wife, would be included in the income of Mr. Om, applying the provisions of section 27(i) and section 64(1)(vi). Such income would, therefore, not be taxable in the hands of Mrs. Pallavi.

In case the property was gifted to Mr. Om's son, the clubbing provisions under section 64 would not apply, since the son is not a minor child. Therefore, the income of ₹ 2,10,000 from letting out of property gifted to the son would be taxable in the hands of the son.

It may be noted that the provisions of section 56(2)(x) would not be attracted in the hands of the recipient of house property, since the receipt of property in each case was from a "relative" of such individual. Therefore, the stamp duty value of house property would not be chargeable to tax in the hands of the recipient of immovable property, even though the house property was received by her or him without consideration.

Note - The first part of the question can also be answered by applying the provisions of section 64(1)(vi) directly to include the income of ₹ 2,10,000 arising to Mrs. Pallavi in the hands of Mr. Om. [without first applying the provisions of section 27(i) to deem Mr. Om as the owner of the house property transferred to his wife Mrs. Uma without consideration], since section 64(1)(vi) speaks of clubbing of income arising to son's wife from indirect transfer of assets to her by her husband's parent, without consideration. Gift of house property by Mr. Om to Mrs. Pallavi, via Mrs. Uma, can be viewed as an indirect transfer by Mr. Om to Mrs. Pallavi.

Question 10

Mr. Manoj, a bhajan singer of Rajasthan and his wife Mrs. Daya furnish the following information relating to the A.Y. 2024-25.

1	Income of Mr. Manoj - Professional bhajan singer (computed)	5,65,000
2	Salary income of Mrs. Daya (Computed)	3,80,000
3	Loan received by Mrs. Daya from Ramu & Jay (P) Ltd. (Mrs. Daya 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 Ganesh from winning singing reality show on T.V.	2,50,000
5	Cash gift received by Ganesh from friend of Mr. Manoj 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. Manoj & Mrs. Daya for the A.Y. 2024-25 if they opt for the

provisions of section 115BAC. (MTP 5 Marks Sep '23, PYP 5 Marks Nov'19)

Answer 10

Computation of Taxable income of Mr. Manoj for A.Y. 2024-25

Particulars	₹
Professional income (bhajan singer)	5,65,000
Income of minor son – Ganesh	
- Income from winning singing reality show on T.V. Income derived by a minor child from any activity involving application of his/her skill, talent, specialized knowledge and experience is not to be included in the hands of parent. Hence, ₹ 2,50,000 earned by minor son Ganesh from reality show on TV would not be included in the income of either parent.	Nil
- Cash gift received by Ganesh from friend of Mr. Manoj on winning the show The cash gift received by his minor son Ganesh (not on account of her skill) from his friends would not be taxable, since its value does not exceed ₹ 50,000.	Nil
Income of minor married daughter – Gudia	
Interest income on deposit with Ramu & Jay Pvt. Ltd.	40,000
Less: Exempt under section 10(32) [Since Mr. Manoj has opted for the provisions of section 115BAC, exemption u/s 10(32) would not be available]	-
(Income of minor daughter would be included in the hands of Mr. Manoj, since his income, before including minor daughter's income, is higher than his wife's income).	
Taxable Income	6,05,000

Computation of Taxable income of Mrs. Daya for A.Y. 2024-25

Particulars	₹
Salary income (computed)	3,80,000
Loan received from Ramu & Jay (Pvt.) Ltd. [Such loan amount would not be considered as deemed dividend under section 2(22)(e), even though Mrs. Daya has substantial interest (holding 20% shares or more) in the Ramu & Jay (Pvt.) Ltd., a closely held company, since the company does not have any accumulated profits on account of losses incurred in last 2 years from inception]	Nil
Taxable Income	3,80,000

Question 11

Mr. Samrat and his wife, Mrs. Komal, holds 12% voting power each in ABC (P) Ltd. Mr. Samrat and Mrs. Komal are working in ABC (P) Ltd. However, Mrs. Komal is not qualified for the job. From the following information given in respect of F.Y. 2023-24, you are required to compute the gross total income of Mr. Samrat and Mrs. Komal for the A.Y. 2024-25

- (i) Dividend of ₹ 22,500 and ₹ 45,000 is received by Mr. Samrat and Mrs. Komal, respectively, from ABC (P) Ltd. Mr. Samrat has instructed the company to pay 50% of his dividend to Ms. Kajal, daughter of his deceased brother.
- (ii) Salary earned by Mr. Samrat and Mrs. Komal from ABC (P) Ltd. is ₹ 8,50,000 and ₹ 5,50,000, respectively.
- (iii) Business income earned by Mr. Samrat from his sole proprietary business is ₹ 15,60,000
- (iv) Interest on fixed deposit earned by Mrs. Komal of ₹ 9,00,000.
- (v) Their son, Akash, aged 10 years having PAN, received interest of ₹ 54,000 from bank on a fixed deposit created by his grandfather in his name.(RTP May '22)

Answer 11
Computation of Gross Total Income of Mr. Samrat and Mrs. Komal for A.Y. 2024 -25

Particulars	Mr. Samrat		Mrs. Komal	
	₹	₹	₹	₹
Salary of Samrat	8,50,000			-
Less: Standard deduction under section 16(ia)	50,000	8,00,000		-
Salary of Komal	5,50,000			-
Less: Standard deduction under section 16(ia)	50,000	5,00,000		-
[Salary earned by Mrs. Komal has to be included in the total income of Mr. Samrat, since he has substantial interest in the concern (i.e., having 24% voting power in ABC (P) Ltd., along with his wife) and Mrs. Komal does not have any professional qualification for the job.]				
Business Income		15,60,000		-
Dividend income from ABC (P) Ltd. [Taxable in the hands of Mr. Samrat as per section 60, since he transferred the income i.e., dividend without transferring the asset i.e., shares]	[22,500/ 90 x 100 x 2]	50,000	[45,000/90 x 100]	50,000
Interest on Fixed Deposit earned by Mrs. Komal		-		9,00,000
Total Income (before including minor's income)		29,10,000		9,50,000
Income of minor child to be included in Mr. Samrat's income, since his total income before including minor's income is higher than that of Mrs. Komal. [₹ 54,000 /90 x 100]	60,000			
Less: Exemption of ₹ 1,500 u/s 10(32) in respect of the income of each child so included.	1,500	58,500		
Gross Total Income		29,68,500		9,50,000

Question 12

Mrs. and Mr. Vinod Amin have two minor children M and N. The following are the receipts in the hands of M and N during the year ended 31-3-2024:

- (i) M received a gift of ₹ 70,000 from her friend's father on the occasion of her birthday.
- (ii) M won a prize money of ₹ 3,00,000 in National Quiz competition.

This was invested in debentures of a company, from which interest of ₹ 19,000 (gross) accrued during the year.

- (iii) N won prize in a lottery. The net amount received after deduction of tax at source was ₹ 1,05,000.

Mr. Vinod Amin's income before considering clubbing provisions is higher than that of his wife. Discuss how these items will be considered for taxation under the provisions of the Income-tax Act, 1961. Detailed computation of income is not required. (PYP 5 Marks, Nov'18)

Answer 12

Gift received from non-relative by minor daughter M Gift of ₹ 70,000 received by minor daughter M, from non-relative would be taxable, since the amount of gift exceeds ₹ 50,000. It would be included in the hands of her father, Mr. Vinod Amin, since his income before considering clubbing provisions is higher than that of his wife. It can be carried forward for a maximum of eight assessment years i.e., up to A.Y.2032-33, in this case.

- (i) Prize money of ₹ 3,00,000 in National Quiz Competition/Interest on debentures received by minor daughter M Income derived by a minor child from any activity involving application of his/her skill, talent, specialized knowledge and experience is not to be included in the hands of parent. Hence, the prize money of ₹ 3,00,000 won in National Quiz Competition by minor daughter M from exercise of special talent would not be included in the income of either parent.

However, interest of ₹ 19,000 on debentures has to be included in the hands of her father, Mr. Vinod Amin, even if the investment is made out of income arising from application of special talent.

Exemption of ₹1,500 would be allowed in respect of the aggregate income of minor daughter M so included in the hands of Mr. Vinod Amin under section 10(32).

- (ii) Winning from lottery by minor child N Winnings of ₹ 1,50,000 (1,05,000 x 100/70) from lotteries by minor child N is includible in the hands of his father, Mr. Vinod Amin. Mr. Vinod Amin can claim credit of tax of ₹ 45,000 deducted at source from such lottery income.

Note – As regards availability of exemption under section 10(32) in respect of lottery income of minor child N includible in the hands of his father, there are two possible views. Since exemption of up to ₹ 1,500 under section 10(32) is available in respect of any income of minor child includible in the total income of parent, one view is that such exemption would also be available in respect of lottery income of a minor child includible in the hands of parent.

The alternate view is that since as per section 58(4), no deduction is allowable in respect of any expenditure or allowance in connection with lottery income under any provision of the Income-tax Act, 1961, exemption under section 10(32) would also not be available in respect of such income of minor child includible in the hands of the parent. Further, lottery income is subject to tax at a flat rate of 30%, and hence, if any exemption is allowed in respect of such income, it would reduce the tax liability and the effective rate of tax.

EXAMINERS' COMMENTS ON THE PERFORMANCE OF EXAMINEES:

Some of the examinees have not grossed up the amount of winning from lotteries by minor child N includible in the hands of his father.

Question 13

Mr. Dharmesh who is 45 years old and his wife Mrs. Anandi who is 42 years old furnished the following information:

S. No.	Particulars	Amount (₹)
(i)	Salary income (computed) of Mrs. Anandi	9,60,000
(ii)	Income of minor son "A" who suffers from disability specified in section 80U	3,08,000
(iii)	Income of minor daughter "C" from script writing for Television Serials	1,86,000
(iv)	Income from garment trading business of Mr. Dharmesh	17,50,000
(v)	Cash gift received by minor daughter "C" on 02-10-2020 from friend of Mrs. Anandi, on winning of a story writing competition	45,000
(vi)	Income of minor son "B" form scholarship received from his school	1,00,000
(vii)	Income of minor son "B" from fixed deposit with Punjab National Bank, made out of income earned from scholarship	5,000

Compute the total income of Mr. Dharmesh and his wife Mrs. Anandi for Assessment Year 2024-25 assuming that they have not opted to be taxed under section 115BAC. (PYP 5 Marks July'21,

MTP 5 Marks Oct '23)
Answer 13
Computation of Total Income of Mr. Dharmesh and Mrs. Anandi for A.Y. 2024-25

Particulars		Mr. Dharmesh	Mrs. Anandi
		Amount (₹)	
Salary income (computed)			9,60,000
Income from garment trading business		17,50,000	
Total Income before including income of minor children		17,50,000	9,60,000
Income of minor son "A"			
Income of ₹ 3,08,000 of minor son A who suffers from disability specified in section 80U [Since minor child A is suffering from disability specified under section 80U, hence, his income would not be included in the income of the parent but would be taxable in the hands of the minor child]			
Income of minor son "B"			
Income of ₹ 1,00,000 from scholarship [Exempt u/s 10(16)]			-
Income from fixed deposit with PNB	5,000		
[Since Mr. Dharmesh's income is greater than that of Mrs. Anandi, income of minor son B from fixed deposit would be included in the hands of Mr. Dharmesh. Interest from bank deposit has to be included in Mr. Dharmesh's income, even if deposit is made out of income earned from scholarship]			
Less: Exemption under section 10(32)	1,500	3,500	
Income of minor daughter "C"			
Income of ₹ 1,86,000 from script writing for television serials [Income derived by a minor child from any activity involving application of his/her skill, talent, specialized knowledge and experience is not to be included in the hands of the parent]			Nil
Hence, clubbing provisions will not apply in this case/no adjustment is required.			
Cash gifts of ₹ 45,000 received from friend of Mrs. Anandi [Gift not exceeding ₹ 50,000 received from a non-relative is not taxable under section 56(2)(x)]			
Hence, clubbing provisions will not apply in this case / no adjustment is required.			Nil
Gross Total Income/ Total Income		17,53,500	9,60,000

Note - As per section 10(16), scholarships granted to meet the cost of education is exempt from tax. The purpose of scholarship received by minor son B is explicitly not mentioned in the question. However, scholarships given by schools are generally in the form of financial assistance for meeting the cost of education. Hence, it is logical to assume that the scholarship to B has been granted to him to meet his cost of education. Based on this assumption, the same has been treated as exempt from tax u/s 10(16). Alternate view - However, in absence of specific information, it is possible to assume that such scholarship has been granted on account of B's exceptional academic achievements i.e., involving application of his skill, talent, specialised knowledge and experience and hence would be covered under the proviso to section 64(1A) and thus should not be included in the

income of parent.

Question 14

Details of Income of Mr. R and his wife Mrs. R for the previous year 2023-24 are as under:

- (i) Mr. R transferred his self-occupied property without any consideration to the HUF of which he is a member. During the previous year 2023-24 the HUF earned an income of ₹ 50,000 from such property.
- (ii) Mr. R transferred ₹ 4,00,000 to his wife Mrs. R on 01.04.2009 without any consideration which was given as a loan by her to Mr. Girish. She earned ₹ 3,50,000 as interest during the earlier previous years which was also given as a loan to Mr. Girish. During the previous year 2023-24, she earned interest @ 11% per annum.
- (iii) Mr. R and Mrs. R both hold equity shares of 27% and 25% respectively in AMG Limited. They are also working as employees in such Company. During the financial year 2023-24 they have withdrawn a salary of ₹ 3,20,000 and 2,70,000 respectively.
- (iv) Mrs. R transferred 5,000 equity shares of RSB Ltd. on 17.09.2016 to Mr. R without any consideration. The Company issued 3,000 bonus shares to Mr. R in 2019. On 04.03.2023, Mr. R sold entire share holdings and earned ₹ 5,20,000 as capital gains.

Apart from above income, Mr. R has income from commission ₹ 4,00,000 and Mrs. R has interest income of ₹ 3,30,000. Compute Gross Total income of Mr. R and Mrs. R for the assessment year 2024 -25. (PYP 4 Marks Dec '21)

Answer 14
Computation of Gross Total Income of Mr. R and Mrs. R for A.Y. 2024-25

	Particulars	Mr. R	Mrs. R
		Amount (₹)	
I.	Income from house property		
	Income from property transferred to HUF without consideration	50,000	
	Since Mr. R has transferred his property to his HUF without consideration, income of ₹ 50,000 from such property would be included in the total income of Mr. R as per section 64(2).		
II.	Capital Gains		
	Income from equity shares transferred by Mrs. R to Mr. R without consideration		
	Capital gains arising to Mr. R from transfer of equity shares of RSB Ltd. gifted to him by Mrs. R would be included in the hands of Mrs. R [₹ 5,20,000 x 5,000/8,000]		3,25,000
	Capital gains arising to Mr. R from transfer of bonus shares issued by RSB Ltd. on the basis of holding of the said equity shares would be included in the income of Mr. R and not Mrs. R, since income derived from accretion of the transferred asset cannot be clubbed with the income of transferor of the original asset i.e., Mrs. R [₹ 5,20,000 x 3,000/8,000]	1,95,000	
III.	Income from Other Sources		
	Income from commission	4,00,000	
	Interest income		3,30,000
	Interest income on ₹ 4 lakh transferred by Mr. R to Mrs. R without consideration		



	Income of ₹ 44,000, i.e., 11% of ₹4,00,000, being the amount transferred by Mr. R to Mrs. R without any consideration and loaned by her to Mr. Girish, would be included in the income of Mr. R	44,000	
	Income of ₹ 38,500 i.e., 11% of ₹ 3,50,000, being the interest earned by Mrs. R out of amount gifted by Mr. R and thereafter, given by her as loan to Mr. Girish, would be included in the income of Mrs. R, as income derived by Mrs. R from accretion of the amount gifted by Mr. R (i.e., interest income) cannot be included in the income of Mr. R.		38,500
	Total income [before considering adjustment on account of item (iii) i.e., salary income from a company in which both Mr. R and Mrs. R have substantial interest]	6,89,000	6,93,500
IV.	Salary income from a company in which both Mr. R and Mrs. R have substantial interest		
	Since both Mr. R and Mrs. R have substantial interest in AMG Ltd. (on account of holding equity shares carrying 20% or more of voting power) and both are in receipt of income by way of salary from AMG Ltd., such salary income would be includible in the hands of that spouse, whose total income, before including such salary income, is higher. Accordingly, the salary income of both Mr. R and Mrs. R would be included in the hands of Mrs. R in this case, since her total income, before including such income, is higher than that of Mr. R.		
	Salary income of Mr. R = ₹ 3,20,000 – ₹ 50,000 (standard deduction)		2,70,000
	Salary income of Mrs. R = ₹ 2,70,000 – ₹ 50,000 (standard deduction)		2,20,000
	Gross Total Income	6,89,000	11,83,500

6 Assumed as computed figure

7 In the absence of any other information, the capital gains has been apportioned on the basis of number of original shares to number of bonus shares.

EXAMINERS' COMMENTS ON THE PERFORMANCE OF EXAMINEES:

Examinees were not aware that where both the spouses are drawing remuneration from a concern in which both have substantial interest, then such salary income would be includible in the income of the spouse, whose total income, before including such salary income, is higher. They had wrongly clubbed the income of the spouse with the income of the spouse who has higher substantial interest in the concern.

Question 15

Determine the Gross total income of Shri Ram Kumar and Smt. Ram Kumar for the assessment year 2024-25 from the following:

- (i) Salary received by Shri Ram Kumar from a company ₹ 1,80,000 per annum and Smt. Ram Kumar also doing job in a company and getting salary of ₹ 2,40,000 per annum.
- (ii) Shri Ram Kumar transferred a flat to his wife Smt. Ram Kumar on 1st September, 2019 for adequate consideration. The rent received from this let-out flat is ₹ 9,000 per month.
- (iii) Shri Ram Kumar and his wife Smt. Ram Kumar both are partners in a firm. Shri Ram Kumar received ₹ 36,000 and Smt. Ram Kumar received ₹ 64,000 as interest from the firm and also had a share of profit of ₹ 12,000 and ₹ 26,000 respectively.
- (iv) Smt. Ram Kumar transferred 10% debentures worth ₹ 3,00,000 to Shri Ram Kumar. The whole amount of ₹ 3,30,000 invested by Shri Ram Kumar in the similar investments and earned income

of ₹ 39,000.

- (v) Mother of Shri Ram Kumar transferred a property to Master Rohitha (son of Shri Ram Kumar) in the year 2018. Master Rohitha (aged 13 years) received ₹ 15,000 as income from this property on 20th February, 2024. (PYP 6 Marks, Nov'20)

Answer 15

Computation of Gross Total Income of Shri Ram Kumar and Smt. Ram Kumar for A.Y. 2024-25

Particulars	Shri Ram Kumar		Smt. Ram Kumar	
	₹	₹	₹	₹
Salary	1,80,000		2,40,000	
Less: Standard deduction	50,000	1,30,000	50,000	1,90,000
Income from house property				
Rent received (taken as annual value in the absence of other information)	45,000		63,000	
Less: Deduction u/s 24(a)@30% of Annual Value	13,500	31,500	18,900	44,100
Note – Clubbing provisions are not attracted since the transfer to spouse is for adequate consideration. Therefore, the rent for the 5 months				
5 No tax is payable u/s 112A in respect of LTCG of ₹ 50,000, since the same is less than ₹ 1,00,000				
up to the date of transfer is taxable in the hands of Ram Kumar and thereafter, in the hands of his wife.				
Profits and gains of business or profession				
Share of profit from firm [Exempt under section 10(2A)]	-		-	
Interest from firm (assumed that the same is fully deductible in the hands of the firm)	36,000	36,000	64,000	64,000
Income from other sources				
Interest on debentures (interest@10% on debentures transferred to Shri Ram Kumar without consideration to be included in the hands of the transferor-spouse, Smt. Ram Kumar) = 10% of ₹ 3 lakh (See Note 1 below)	-		30,000	
Income from investments [₹ 39,000 x 3,00,000/3,30,000] (The clubbing provisions will apply even if the form of the asset is changed. If the debentures are redeemed and invested in similar investments, income from ₹ 3 lakh invested (being the value of debentures transferred) alone will be included in the hands of the transferor-spouse, Smt. Ram Kumar. Income from accretion to such debentures (i.e., income earned by investing debenture interest of				

₹ 30,000 will not be included in the hands of Smt. Ram Kumar. The same i.e., ₹ 3,545, will be taxable in the hands of the Shri Ram Kumar himself) (See Note 1 below)	3,545	3,545	35,455	65,455
Total income (before including minor's income)		2,01,045		3,63,555
Income of minor son Rohitha to be included in Smt. Ram Kumar's income, since her total income before including minor's income is higher than that of her husband. She is eligible for exemption of ₹ 1,500 u/s 10(32) in respect of the income so included. Therefore, income to be included in her income is ₹ 13,500 (₹ 15,000 – ₹ 1,500) (See Note 2 below)			-	13,500
Total Income		2,01,045		3,77,055

Note –

- In respect of transfer of debentures by Smt. Ram Kumar to Shri Ram Kumar, it is not mentioned whether the transfer is for adequate consideration or not. Moreover, the date of transfer is also not given. The above solution is given on the assumption that transfer is for inadequate consideration. However, if it is assumed that transfer is for adequate consideration, the clubbing provisions would not be attracted. In such case, the interest on Debentures of ₹ 30,000 as well as income from investment of ₹ 39,000 will be taxable in the hands of Shri Ram Kumar.
- In respect of property transferred to Rohitha, the question simply states ₹ 15,000 as the income from property, without mentioning the nature of income (whether rental income or otherwise) or nature of property (whether house property or otherwise). Therefore, the said amount has not been treated as income from house property and deduction u/s 24(a) has not been provided in the above solution.

However, if such sum is treated as income from house property, the income to be included in Smt. Ram Kumar's income would be ₹ 9,000 [₹ 15,000 – ₹ 4,500 (30% of ₹ 15,000 allowable as deduction u/s 24(a)) – ₹ 1,500 (exemption u/s 10(32)], and the same would be included under the head "Income from house property". Consequently, her total income would be ₹ 3,72,555.

Question 16

Mr. Madhab made a gift of ₹ 2,50,000 to his handicapped son, Master Tapan who was aged 12 years as on 31st March 2023, which he deposited in a fixed deposit account in a Nationalized bank at 10% interest p.a. 'compounded' annually. The balance in this account as on 1st April, 2023 was ₹ 2,75,000 and the bank credited a sum of ₹ 27,500 as interest on 31st March, 2024. Madhav's father gifted equity shares worth ₹ 50,000 of an Indian company to Master Manan, another son of Mr. Madhab (Date of birth 10th April, 2016) in July 2016 which were purchased by him on 8th December, 2010 for ₹ 80,000. Manan received a dividend of ₹ 5,000 on these shares in October 2023. He sold these shares on 1st November, 2023 for ₹ 5,00,000 and deposited ₹ 3,00,000 in a company at 15% interest per annum.

Cost Inflation Index

Financial Year	Cost Inflation Index
2004-05	113
2010-11	167
2017-18	272
2023-24	348

Mr. Madhab has a taxable income of ₹ 3,50,000 from his profession during the financial year 2023-24. Compute his Gross Total Income for the A.Y. 2024-25. (PYP 5 Marks, May'18)

Answer 16

Computation of Gross Total Income of Mr. Madhab for the A.Y. 2024-25

Particulars	₹	₹	₹
Income from profession			3,50,000
Income of minor son Manan			
Capital gains			
Full value of consideration	5,00,000		
Less: Indexed Cost of Acquisition [₹ 80,000 x 348/167]	1,66,707	3,33,293	
Income from Other Sources			
Dividend of ₹ 80,000 on equity shares [Exempt u/s 10(34)] (taxable in the hands of shareholder as per amendment)	- 80,000		
Interest on company deposit [₹ 3,00,000 x 15% x 5/12]	18,750	98,750	
		4,32,043	
Less: Exemption u/s 10(32) in respect of income of minor child		1,500	4,30,543
Gross Total Income			7,80,543

Notes:

- As per section 64(1A), in computing the total income of an individual, all such income accruing or arising to a minor child shall be included. However, income of a minor child suffering from disability specified under section 80U would not be included in the income of the parent but would be taxable in the hands of the minor child. Therefore, in this case, interest income of ₹ 27,500 arising to handicapped son, Master Tapan, would not be clubbed with the income of Mr. Madhab
- Income of the other minor child, Master Manan, is includible in the hands of Mr. Madhav, assuming that Mr. Madhav's income is higher than that of his wife.
- In the above solution, the indexed cost of acquisition has been computed by taking into consideration the first year in which Master Manan held the asset, i.e., F.Y.2010-11, as per the definition given in clause (iii) of Explanation below section 48. However, as per the view expressed by Bombay High Court in CIT v. Manjula J. Shah 16 Taxman 42, in case the cost of acquisition of the capital asset in the hands of the assessee is taken to be cost of such asset in the hands of the previous owner, the indexation benefit would be available from the year in which the capital asset is acquired by the previous owner. If this view is considered, the indexed cost of acquisition would have to be calculated by considering the Cost Inflation Index of F.Y.2004-05. The solution based on alternate view is given as under:

Computation of gross total income of Mr. Madhav for the A.Y. 2024 -25

Particulars	₹	₹	₹
Income from profession			3,50,000
Income of minor son Manan			
Capital gains			
Full value of consideration	5,00,000		



Less: Indexed Cost of Acquisition [$\text{₹ } 80,000 \times 348/113$]	2,46,372	2,53,628	
Income from Other Sources			
Dividend on equity shares [Exempt u/s 10(34)] (taxable in the hands of shareholder as per amendment)	80,000		
Interest on company deposit [$\text{₹ } 3,00,000 \times 15\% \times 5/12$]	18,750	98,750	
		3,52,378	
Less: Exemption u/s 10(32) in respect of income of minor child		1,500	
			3,50,878
Gross Total Income			7,00,878

Question 17

From the following transactions compute the total income of Mr. Raman and his wife Savita for the Assessment year 2024-25.

- Mr. Raman had a fixed deposit of ₹ 5,00,000 in the bank. He instructed the bank to credit the interest on deposit @6% from 01-04-2023 to 31-03-2024 to the savings account of his brother's son for his education.
- Savita is a B.com graduate and working in the ABC Private Limited as an accountant with a monthly salary of ₹ 25,000. Raman holds 30% equity shares of the ABC Private Limited.
- Raman started proprietary business on 01-04-2002 with a capital of ₹ 10,00,000. He incurred a loss of ₹ 2,00,000 during the previous year 2022-23. To overcome the financial position, Savita gifted a sum of ₹ 4,00,000 to him on 01-04-2023 which was immediately invested in the business by Mr. Raman. He earned a profit of ₹ 3,00,000 during the previous year 2023-24
- Sajan, younger son of Raman, aged 17 years won in a debate competition during the annual competitions held at his school and received a cash award of ₹ 10,000 and he also earned interest of ₹ 7,000 on balance maintained in his savings bank account. (PYP 4 Marks Nov '22)

Answer 17

Computation of Total Income of Mr. Raman and Mrs. Savita for A.Y. 2024-25

Particulars	Mr. Raman	Mrs. Savita
	Amount (₹)	
(i) Interest on fixed deposits [Income would be included in the hands of Raman, since he has transferred income to his brother's son without transfer of the asset, being fixed deposit] [$\text{₹ } 5,00,000 \times 6\%$]	30,000	
(ii) Salary income [$\text{₹ } 3,00,000$ ($\text{₹ } 25,000 \times 12$) less standard deduction of ₹ 50,000]		2,50,000
[Mrs. Savita's salary would not be included in the income of Raman, who has substantial interest in the company, since she possesses the relevant professional qualifications for working as an accountant]		
(iii) Savita gifted ₹ 4,00,000 to Mr. Raman, which Mr. Raman has invested in the business. In such case, proportionate income (i.e., $1/3 \times \text{₹ } 3,00,000$) arising from such investment is to be included in the total income of Savita.	2,00,000	1,00,000
Mr. Raman's contribution in capital as on 1.4.2023 = ₹ 8,00,000 [₹		

10,00,000 – ₹ 2,00,000]		
Mrs. Savita's contribution on 1.4.2021 = ₹ 4,00,000		
₹ 3,00,000, being the profit for P.Y.2021-22 to be apportioned on the basis of capital employed on the first day of the previous year i.e., as on 1.4.2023 (8:4 or 2:1)		
Total income [before considering minor income from interest on savings account]	2,30,000	3,50,000
(iv) Cash award won in a debate by Sajan, minor son, would not be included in the hands of either parent, since such income arises from his own skills/talent.	-	-
However, interest of ₹ 7,000 on savings bank account (after providing for deduction of ₹ 1,500) is to be included in the hands of Mrs. Savita, since her income is higher than that of her husband [₹ 7,000 - ₹1,500]	-	5,500
Gross Total Income	2,30,000	3,55,500
Less: Deduction under section 80TTA (Interest on savings bank account)	-	5,500
Total Income	2,30,000	3,50,000

Question 18

Mr. Chaman who is 50 years old and his wife Mrs. Chaman who is 48 years old furnish the following information (all the amount of incomes/gains/losses are computed as per the provisions of Income-tax Act):

- (i) Mr. Chaman's salary income - ₹ 11,00,000
- (ii) Mrs. Chaman's income from Kathak performances - ₹ 2,50,000. She is a professional Kathak dancer and pursue dancing as her profession.
- (iii) Mrs. Chaman earned long-term capital gains of ₹ 5,50,000 from sale of shares.
- (iv) Mrs. Chaman gifted ₹ 2,00,000 to Mr. Chaman out of her Stridhan on 1.4.2023, Mr. Chaman invested the entire amount in stock market but suffered a short-term capital loss of ₹ 5,10,000.
- (v) Miss Naina, their minor daughter, earned ₹ 3,56,000 by performing in various quiz competitions held online during the year 2023-24. She kept that amount in savings bank account and earned interest of ₹ 15,000 during the year 2023-24.
- (vi) Master Neelabh, their minor son earned ₹ 35,000 from fixed deposit which was made out of the cash he received on his birthday from his friends and family. Neelabh suffers from disability as mentioned under section 80U. The medical certificate shows a disability of upto 75%.

Compute the total income in the hands of Mr. and Mrs. Chaman and their minor children for the Assessment Year 2024-25. Ignore section 115BAC pertaining to alternative tax regime. (PYP 6 Marks May '23)

Answer 18

Computation of total income of Mr. Chaman, Mrs. Chaman and their minor children for the A.Y.2024-25

Particulars	Mr. Chaman	Mrs. Chaman	Naina, minor daughter	Neelabh, minor son
	₹	₹	₹	₹
Income under the head "Salaries" Salaries (computed)	11,00,000			
Profits and gains from business or profession Income from Kathak performances		2,50,000		
Capital Gains Long term capital gains from sale of shares		5,50,000		

Less: Set off of short-term capital loss from long term capital gain [Short term capital loss to the extent of ₹ 2 lakhs would be included in the income of Mrs. Chaman, since the shares are purchased by Mr. Chaman from the amount of ₹ 2 lakhs gifted by Mrs. Chaman out of her Stridhan. Clubbing provisions would be attracted even if it is a loss and not income] [Refer Note 1 and 2 below]		2,00,000		
The balance short-term capital loss of ₹ 3,10,000 has to be carried forward by Mr. Chaman, since it cannot be set-off against salary income.		3,50,000		
Income [before considering income of minor son and minor daughter]	11,00,000	6,00,000		
Income of Naina, minor daughter, from performances in various quiz competitions would not be included in the hands of either parent, since			3,56,000	
such income arises from her own skills/talent. However, interest of ₹ 15,000 on saving bank account [after providing for deduction of ₹ 1,500, being exempt under section 10(32)] is to be included in the hands of Mr. Chaman, since his income is higher than that of his wife [₹ 15,000 - ₹ 1,500] ⁵	13,500			
Income of Neelabh, minor son suffering from disability u/s 80U, from fixed deposits would not be included in the income of parent but would be taxable in his hands.				35,000
Gross Total Income				
	11,13,500	6,00,000	3,56,000	35,000
Less: Deductions under Chapter VI-A				
- Under section 80TTA In respect of interest on saving bank account to the extent of	10,000			
Under section 80U				35,000
- Flat deduction of ₹ 75,000 to a person with disability. However, deduction would be restricted to gross total income				
Total Income	11,03,500	6,00,000	3,56,000	Nil

Note – (1) The question mentions that Mrs. Chaman gifted ₹ 2 lakh to Mr. Chaman out of her Stridhan on 1.4.2023 and that Mr. Chaman invested the entire amount in stock market but suffered a short-term capital loss of ₹ 5,10,000. It is not possible to invest ₹ 2 lakhs and incur short-term capital loss of ₹ 5.10 lakhs. Accordingly, in the above solution, it has been assumed that the remaining ₹ 3,10,000 is invested by Mr. Chaman and hence the same would be a short-term capital loss to be carried forward by him.

Due to the use of the words “invested the entire amount in the stock market” in the question, it is possible to take a view that the entire capital loss of ₹ 5,10,000 has to be set off against long-term capital gains of ₹ 5,50,000 in the hands of Mrs. Chaman. In which case the total income of Mrs. Chaman would be ₹ 2,90,000 instead of ₹ 6,00,000. Also, there would be no short-term capital loss in the hands of Mr. Chaman.

Question 19

On 10th April, 2018, Mr. Mayur made a gift of ₹ 4,45,000 to his handicapped son, Master Tanmay aged 10 years. He deposited such amount in a fixed deposit account in a Nationalised bank. The bank credited a sum of ₹ 42,500 as interest on fixed deposit on 31st March, 2024. Mayur's father gifted 10,000 unlisted equity shares of an Indian company to Master Tejas, another son of Mr. Mayur (Date of birth 19th June, 2016) in September 2016 which were purchased by him on 18th December, 2004 for ₹ 95,000. Tejas received a dividend of ₹ 10,000 on these shares in October 2023. He sold these shares on 1st December, 2023 for ₹ 4,80,000 and deposited ₹ 3,10,000 in a company at 14% interest per annum.

Cost Inflation Index

Financial Year	Cost Inflation Index
2004-05	113
2011-12	184
2018-19	280
2016-17	264
2023-24	384

Mr. Mayur has a taxable income of ₹ 4,50,000 from his profession during the financial year 2023-24. Compute his Gross Total Income for the A.Y. 2024-25. (RTP May '19)

Answer 19
Computation of Gross Total Income of Mr. Mayur for the A.Y. 2024-25

Particulars	₹	₹	₹
Income from profession			4,50,000
Income of minor son Tejas			
Capital gains			
Full value of consideration	4,80,000		
Less: Indexed Cost of Acquisition [₹ 95,000 x 384/264]	1,38,182	3,41,818	
Income from Other Sources			
Dividend of ₹ 10,000 on equity shares [Exempt u/s 10(34)]	-		
<i>As per amendment dividend u/s 2(22)(a)/(b)/(c)/(d)/(e) from an Indian Company will now be taxable normal rates in the hands of the Shareholder Assessee. Interest Income incurred to earn such income will be allowed as a deduction but only upto 20% of such income. No deduction of commission/remuneration paid to any other person. DDT has been abolished.</i>	10,000		
Interest on company deposit [₹ 3,10,000 x 14% x 4/12]	14,467	24,467	
		3,66,285	
Less: Exemption u/s 10(32) in respect of income of minor child		1,500	3,64,785
Gross Total Income			8,14,785

Notes:

- (1) As per section 64(1A), in computing the total income of an individual, all such income accruing or arising to a minor child shall be included. However, income of a minor child suffering from disability specified under section 80U would not be included in the income of the parent but would be taxable in the hands of the minor child. Therefore, in this case, interest income of ₹ 42,500 arising to handicapped son, Master Tanmay, would not be clubbed with the income of Mr. Mayur.

- (2) Income of the other minor child, Master Tejas, is includible in the hands of Mr. Mayur, assuming that Mr. Mayur's income is higher than that of his wife.
- (3) In the above solution, the indexed cost of acquisition has been computed by taking into consideration the first year in which Master Tejas held the asset, i.e., F.Y.2016-17, as per the definition given in clause (iii) of Explanation below section 48. However, as per the view expressed by Bombay High Court in CIT v. Manjula J. Shah 16 Taxman 42, in case the cost of acquisition of the capital asset in the hands of the assessee is taken to be cost of such asset in the hands of the previous owner, the indexation benefit would be available from the year in which the capital asset is acquired by the previous owner. If this view is considered, the indexed cost of acquisition would have to be calculated by considering the Cost Inflation Index of F.Y.2004-05. The solution based on alternate view is given as under:

Computation of gross total income of Mr. Mayur for the A.Y. 2024-25

Particulars	₹	₹	₹
Income from profession			4,50,000
Income of minor son Tejas			
Capital gains			
Full value of consideration	4,80,000		
Less: Indexed Cost of Acquisition [₹ 95,000 x 348/113]	2,92,566	1,87,434	
Income from Other Sources			
Dividend on equity shares [Exempt u/s 10(34)]	-		
<i>As per amendment dividend u/s 2(22)(a)/(b)/(c)/(d)/(e) from an Indian Company will now be taxable normal rates in the hands of the Shareholder Assessee. Interest Income incurred to earn such income will be allowed as a deduction but only upto 20% of such income. No deduction of commission/remuneration paid to any other person. DDT has been abolished)</i>	10,000		
Interest on company deposit [₹ 3,10,000 x 14% x 4/12]	14,467	24,467	
		2,11,901	
Less: Exemption u/s 10(32) in respect of income of minor child		1,500	2,10,401
Gross Total Income			6,60,401

MULTIPLE CHOICE QUESTIONS (MCQS)

1. Mr. Vishal started a proprietary business on 01.04.2022 with a capital of ₹5,00,000. He incurred a loss of ₹ 1,00,000 during the year 2022-23. To overcome the financial position, his wife Mrs Kamini, a Chartered Accountant, gave a gift of ₹ 4,00,000 on 01.04.2023, which was immediately invested in the business by Mr. Vishal. He earned a profit of ₹ 2,00,000 during the year 2023-24. What is the amount to be clubbed in the hands of M^{rs} Kamini for the Assessment Year 2024-25?
- (a) ₹ 88,888
 (b) ₹ 1,00,000
 (c) ₹ 2,00,000
 (d) Nil (MTP 1 Mark, Oct'21)

Ans: (b)

2. Mr. Raj Makes a gift of ₹ 25,000 to his wife, Mrs Rama, on 27.03.2023. M^{rs} Rama, on 2.4.2023, invests ₹ 75,000 (25,000 out of gift and 50,000 of her own) in a partnership firm as capital which is her total capital contribution in the firm. During the year ended 31.03.2024 she earns an interest of ₹ 12,000 and salary of ₹ 1,20,000 from the firm. What amount shall form part of total income of Mr. Raj for the previous



year 2023-24?

- (a) ₹ 3,000 as interest on capital from firm
- (b) ₹ 3,000 as interest on capital from firm and ₹40,000 as salary from firm
- (c) ₹ 4,000 as interest on capital from firm and ₹40,000 as salary from firm
- (d) Nil (MTP 2 Marks April 22)

Ans: (d)

3. Pankaj gifted an amount of ₹ 3,00,000 to his wife, Nikki and ₹ 2,00,000 to his daughter, Pinki aged 20 years, on 1st April 2020. Both Nikki and Pinki invested the amounts on the same date in Government of India 11% Taxable Bonds. The interest accrues yearly and is reinvested in the same bonds. Determine what will be the amount taxable in hands on Nikki for A.Y. 2024-25?

- (a) ₹ 4,473
- (b) ₹ 12,132
- (c) ₹ 33,000
- (d) Nil (MTP 2 Marks Sep'22)

Ans: (b)

4. Mrs. Archana, wife of Mr. Raj, started a business of trading in beauty products on 15.5.2023. She invested ₹ 5 lakhs in the business on 15.5.2023 out of gift received from her husband, Mr. Raj. She further invested ₹ 4 lakhs from her own savings on 15.12.2023. She earned profits of ₹ 1,50,000 from her business for the financial year 2023-24. Which of the following statements is correct?

- (a) Share of profit of ₹ 1,50,000 is includible in the hands of Mrs. Archana.
- (b) Share of profit of ₹ 66,667 is includible in the hands of Mr. Raj and share of profit of ₹ 83,333 is includible in the hands of Mrs. Archana.
- (c) Share of profit of ₹ 83,333 is includible in the hands of Mr. Raj and share of profit of ₹ 66,667 is includible in the hands of Mrs. Archana.
- (d) Share of profit of ₹ 1,50,000 is includible in the hands of Mr. Raj. (MTP 2 Marks March '23)

Ans: (d)

5. Ram owns 500, 15% debentures of Reliance Industries Ltd. of ₹ 500 each. Annual interest of ₹ 37,500 was declared on these debentures for P.Y. 2023-24. He transfers interest income to his friend Shyam, without transferring the ownership of these debentures. While filing return of income for A.Y. 2024-25, Shyam showed ₹ 37,500 as his income from debentures. As tax advisor of Shyam, do you agree with the tax treatment done by Shyam in his return of income?

- (a) Yes, since interest income was transferred to Shyam therefore, after transfer it becomes his income.
- (b) No, since Ram has not transferred debentures to Shyam, interest income on the debentures is not taxable income of Shyam.
- (c) Yes, if debentures are not transferred, interest income on debentures can be declared by anyone, Ram or Shyam, as taxable income depending upon their discretion.
- (d) No, since Shyam should have shown the income as interest income received from Mr. Ram and not as interest income earned on debentures. (RTP May '19)

Ans: The Answer is (b)



Chapter 5 Aggregation of Income, Set-off and Carry forward of losses

Question 1

Compute the total income of Mr. Praveen (aged 48), a resident Indian, from the following information relating to the financial year ended 31.3.2024. Also, show the items eligible for carry forward.

Particulars	₹
Income from salaries	2,20,000
Loss from house property	2,50,000
Loss from toy business	1,30,000
Income from speculation business	40,000
Loss from specified business covered by section 35AD	20,000
Long-term capital gains from sale of urban land	2,50,000
Long-term capital loss from sale of listed shares in recognized stock exchange (STT paid at the time of acquisition and sale of shares)	1,10,000
Loss from card games	32,000
Income from betting (Gross)	45,000
Life Insurance Premium paid (10% of the capital sum assured)	50,000

(MTP 7 Marks, April'21, Old SM, RTP May '18)

Answer 1

Computation of total income of Mr. Praveen for the A.Y.2024-25

Particulars	₹	₹
Salaries		
Income from salaries	2,20,000	
Less: Loss from house property set-off against salary as per section 71(1) & 71(3A)	2,00,000	20,000
Profits and gains of business or profession		
Income from speculation business	40,000	
Less: Loss from toy business set off	40,000	Nil
Capital gains		
Long-term capital gains from sale of urban land	2,50,000	
Less: Long term capital loss on sale of listed shares on which STT is paid can be set off as per section 74(1), since long-term capital gain arising on sale of such shares is taxable under section 112A	1,10,000	
	1,40,000	
Less: Loss from toy business set off	90,000	50,000
Income from other sources		
Income from betting		45,000
Gross total income		1,15,000
Less: Deduction under section 80C(life insurance premium paid)		20,000
Total income		95,000

Losses to be carried forward:

Particulars	₹
(1) Loss from house property (₹2,50,000 – ₹2,00,000)	50,000
(2) Loss from toy business (₹1,30,000 - ₹40,000 - ₹90,000)	Nil
(3) Loss from specified business covered by section 35AD	20,000

Notes:

- (i) As per section 71(3A), loss from house property can be set-off against any other head of income to the extent of ₹2,00,000 only.
As per section 71B, balance loss not set-off can be carried forward to the next year for set-off against income from house property of that year. It can be carried forward for a maximum of eight assessment years i.e., up to A.Y. 2032-33, in this case.
- (ii) Loss from specified business covered by section 35AD can be set-off only against profits and gains of any other specified business. Therefore, such loss cannot be set off against any other income. If loss cannot be so set-off, the same has to be carried forward to the subsequent year for set-off against profits and gains of any specified business, if any, in that year. As per section 73A (2), such loss can be carried forward indefinitely for set-off against profits of any specified business.
- (iii) Business loss cannot be set off against salary income. However, business loss of ₹ 90,000 (₹1,30,000 – ₹ 40,000 set-off against income from speculation business) can be set-off against long-term capital gains from sale of urban land. Consequently, the taxable long-term capital gains would be ₹ 50,000.
- (iv) Loss from card games can neither be set off against any other income, nor can it be carried forward.
- (v) For providing deduction under Chapter VI-A, gross total income has to be reduced by the amount of long-term capital gains and casual income. Therefore, the deduction under section 80C in respect of life insurance premium paid has to be restricted to ₹ 20,000 [i.e., Gross Total Income of ₹1,15,000 – ₹ 50,000 (LTCG) – ₹ 45,000 (Casual income)].
- (vi) Income from betting is chargeable at a flat rate of 30% under section 115BB and no expenditure or allowance can be allowed as deduction from such income, nor can any loss be set-off against such income.

Question 2

Compute the gross total income of Mr. Farhan and show the items eligible for carry forward and the assessment years up to which such losses can be carry forward from the following information furnished by him for the year ended 31-03-2024:

Particulars	Amount (₹)
Loss from speculative business MNO	12,000
Income from speculative business BPO	25,000
Loss from specified business covered under section 35AD	45,000
Income from salary (computed)	4,18,000
Loss from house property	2,20,000
Income from trading business	2,80,000
Long-term capital gain from sale of urban land	2,05,000
Long-term capital loss on sale of equity shares (STT not paid)	85,000
Long-term capital loss on sale of listed equity shares in recognized stock exchange (STT paid at the time of acquisition and sale of shares)	1,10,000
Short-term capital loss under section 111A	85,000

Following are the brought forward losses:

- (1) Brought forward loss from speculative business MNO ₹ 18,000 relating to A.Y. 2020-21.
- (2) Brought forward loss from trading business of ₹ 12,000 relating to A.Y. 2018-19. Unabsorbed depreciation ₹ 1,00,000 relating to A.Y. 2023-24

Assume Mr. Farhan has furnished his return of income on or before the due date specified under section 139(1) in all the above previous year (MTP 7 Marks, March'21)

Answer 2
Computation of Gross total income of Mr. Farhan for the A.Y.2024-25

Particulars	₹	₹
Salaries		
Income from Salary	4,18,000	
Less: Loss from house property set-off against salary	(2,00,000)	2,18,000

[As per section 71(3A), loss from house property to the extent of ₹ 2,00,000 can be set-off against any other head of income.]		
Profits and gains of business or profession		
Income from trading business	2,80,000	
Less: Brought forward loss from trading business of A.Y. 2015-16 can be set off against current year income from trading business as per section 72(1), since the eight-year time limit as specified under section 72(3), within which set-off is permitted, has not expired.	(12,000)	
Less: Unabsorbed depreciation	(1,00,000)	1,68,000
Income from speculative business BPO	25,000	
Less: Loss from speculative business MNO set-off as per section 73(1)	(12,000)	
Loss from speculative business MNO brought forward from A.Y. 2020-21 as per section 73(2), can be set off to the extent of ₹ 13,000. Balance loss will be lapsed, since four years his expired	(13,000)	-
Capital Gains		
Long term capital gain on sale of urban land	2,05,000	
Less: Long term capital loss on sale of shares (STT not paid) set-off as per section 71(3)	(85,000)	
Less: Long-term capital loss on sale of listed equity shares on which STT is paid can also be set-off as per section 71(3), since long-term capital arising on sale of such shares is taxable under section 112A	(1,10,000)	
Less: Short-term capital loss under section 111A as per section 71(2)	(10,000)	-
Gross Total Income		3,86,000

Items eligible for carried forward to A.Y.2025-26

Particulars	₹
Loss from house property As per section 71B, balance loss not set-off can be carried forward to the next year for set-off against income from house property of that year. It can be carried forward for a maximum of eight assessment years i.e., up to A.Y. 2032-33, in this case.	20,000
Loss from specified business under section 35AD Loss from specified business under section 35AD can be set-off only against profits of any other specified business. If loss cannot be so set-off, the same has to be carried forward to the subsequent year for set off against income from specified business, if any, in that year. As per section 73A(2), such loss can be carried forward indefinitely for set-off against profits of any specified business .	45,000
Short-term capital loss under section 111A Short-term capital loss under section 111A can be set-off against long term or short term capital gains. If it cannot be so set-off, it has to be carried forward to the next year for set-off against capital gains, if any, in that year. It can be carried forward for a maximum of eight assessment years, i.e., up to A.Y.2032-33, in this case, as specified under section 74(1).	75,000

Question 3

The following are the details relating to Mr. Rajesh, a resident Indian, relating to the year ended 31.03.2024

Particulars	Amount (₹Rs)
Short term capital gain	1,40,000
Loss from house property	2,20,000
Loss from speculative business	50,000
Loss from card games	20,000
Brought forward Long term capital loss of A.Y. 2019-20	86,000
Dividend from Shaba Ltd.	11,00,000
Loss from tea business	96,000

Mr. Rajesh's wife, Isha is employed with Shine Ltd., at a monthly salary of ₹25,000, where Mr. Rajesh holds 21% of the shares of the company. Isha is not adequately qualified for the post held by her in Shine Ltd. You are required to compute taxable income of Mr. Rajesh for the A.Y. 2024-25. Ascertain the amount of losses which can be carried forward. (MTP 7 Marks, Oct'20, MTP 7 Marks Mar'18)

Answer 3
Computation of Taxable Income of Mr. Rajesh for the A.Y. 2024-25

Particulars	₹	₹
Salaries		
Isha's salary (₹25,000 x 12) [See Note 1]	3,00,000	
Less: Standard deduction under section 16(IA) up to ₹50,000	50,000	
	2,50,000	
Less: Loss from house property set off against salary income as per section 71(3A) [See Note 2]	2,00,000	50,000
Capital Gains		
Short term capital gain	1,40,000	
Less: Loss from tea business (₹ 96,000 x 40%) [See Note 3 & 4]	38,400	1,01,600
Income from Other Sources		
Dividend income [See Note 5]		11,00,000
Taxable Income		12,51,600

The following losses can be carried forward for subsequent assessment years:

(i) Loss from house property to be carried forward and set-off against income from house property	₹20,000
(ii) Long-term capital loss of A.Y. 2019-20 can be carried forward and set-off against long-term capital gains	₹86,000
(iii) Loss from speculative business to be carried forward and set-off against income from speculative business	₹50,000

Notes:

- As per section 64(1)(ii), all the income which arises directly or indirectly, to the spouse of any individual by way of salary, commission, fees or any other form of remuneration from a concern in which such individual has a substantial interest shall be included in the total income of such individual. However, where spouse possesses technical or professional qualification and the income is solely attributable to the application of such knowledge and experience, clubbing provisions will not apply. Since, Mrs Isha is not adequately qualified for the post and Mr. Rajesh has substantial interest in Shine Ltd by holding 21% of the shares of the Shine Ltd., the salary income of Mrs Isha to be included in Mr. Rajesh's income.
- As per section 71(3A), loss from house property can be set off against any other head of income to the extent of ₹2,00,000 only.

Prakshal \$Bh 60% of 4000 losses from tea business is treated as agricultural income and therefore exempt. Loss from an

exempt source cannot be set off against profits from a taxable source.

- (4) As per section 71(2A), business loss cannot be set off against salary income. Hence, 40% of the losses from tea business i.e., ₹ 38,400 set off against short term capital gains.
- (5) Set off of losses is not permissible against such income.
As per amendment dividend u/s 2(22)(a)/(b)/(c)/(d)/(e) from an Indian Company will now be taxable normal rates in the hands of the Shareholder Assessee. Interest Income incurred to earn such income will be allowed as a deduction but only upto 20% of such income. No deduction of commission/remuneration paid to any other person. DDT has been abolished.
- (6) Loss from Card games can neither be set off against any other income, nor can it be carried forward.
- (7) Loss of ₹50,000 from speculative business can be set-off only against the income from the speculative business. Hence, such loss has to be carried forward.
- (8) As per section 74(1), brought forward Long-term capital loss can be set-off only against long-term capital gain. Such loss can be carried forward for eight assessment years immediately succeeding the assessment year for which the loss was first computed. Since, 8 assessment years has not expired, such loss can be carried forward to A.Y. 2025-26 for set-off against long-term capital gains.

Question 4

Mr. Mustafa submits the following information for the previous year 2023-24:

		(Amount in ₹)
(i)	Income from salary	6,50,000
(ii)	Income from House-I	55,000
(iii)	Loss from House-II (self-occupied property)	1,25,000
(iv)	Loss from House-III	190,000
(v)	Loss from leather business	68,000
(vi)	Profit from cloth business	1,70,000
(vii)	Short term capital loss in equity oriented funds on which STT was paid	35,000
(viii)	Income from crossword puzzles	12,000
(ix)	Dividend from foreign company	8,500
(x)	Loss on owning and maintenance of race horses	7,500
(xi)	Income from owning and maintenance of race bulls	9,000

Compute the gross total income and losses to be carried forward of Mr. Mustafa for assessment year 2024-25. Mr. Mustafa has filed his return of income on 25.07.2024. (MTP 6 Marks, May'20)

Answer 4

Gross Total Income of Mr. Mustafa for A.Y. 2024-25

Particulars	₹	₹
Salaries		
Income from salary	6,50,000	
Less: Loss from house property of ₹2,60,000, restricted to	2,00,000	
		4,50,000
Income from house property		
Income from House I	55,000	
Less: Loss from House II (self-occupied) 1,25,000		
Loss from House III 1,90,000	3,15,000	
	(2,60,000)	
Set-off of loss from house property against salary income, restricted to	2,00,000	
Loss to be carried forward to A.Y. 2025-26	(60,000)	
Profits and gains of business or profession		
Profit from cloth business	1,70,000	



Less: Loss from leather business	68,000	
		1,02,000
Capital Gains		
Short term capital loss in equity-oriented funds on which STT is paid ₹35,000 to be carried forward to A.Y. 2025-26 since such loss can be set-off only against capital gains and not against income under any other head	-	
Income from other sources		
Income from owning and maintenance of race bulls	9,000	
Loss of ₹7,500 from the activity of owning and maintenance of race horses cannot be set-off against any source other than income from the activity of owning and maintaining race horses. Hence, such loss has to be carried forward to A.Y. 2025-26.	Nil	
Income from crossword puzzles	12,000	
Dividend from foreign company	8,500	
		29,500
Gross Total Income		5,81,500

Losses to be carried forward to A.Y.2025-26:

Particulars	₹
Loss from house property	60,000
[to be carried forward for set-off against income from house property]	
Short-term capital loss in equity oriented funds on which STT was paid	35,000
[to be carried forward for set-off against capital gains, long-term or short-term]	
Loss from owning and maintaining race horses	7,500
[to be carried forward for set-off against income from the activity of owning and maintaining race horses]	

Note: Loss from house property can also be set-off to the extent of ₹ 1,02,000 from profits and gains from business or profession and balance i.e., ₹ 98,000 against Income under the head “Salaries”.

Question 5

Mr. Satish Sharma has derived the following income/loss, as computed below, for the previous year 2023-24:

Particulars	₹
Loss from let out house property	2,50,000
Loss from non-speculation business	3,20,000
Income from speculation business	12,45,000
Loss from specified business covered u/s 35AD	4,10,000
Winnings from lotteries (Gross)	1,50,000
Winnings from bettings (Gross)	90,000
Loss from card games	3,40,000

You are required to compute the total income of the assessee for the assessment year 2024-25, showing clearly the manner of set-off and the items eligible for carry forward. The return of income has been filed on 30-7-2024. (MTP 5 Marks, Oct'19, PYP 5 Marks Nov '18)

Answer 5

Computation of total income of Mr. Satish Sharma for the A.Y.2024-25

Particulars	₹	₹
Profits and gains of business or profession		
Income from speculation business	12,45,000	
Less: Set-off of loss from non-speculation business	3,20,000	
	9,25,000	
Less: Set-off of loss from house property, restricted to	2,00,000	7,25,000



Income from other sources		
Winnings from lotteries	1,50,000	
Winnings from bettings	90,000	2,40,000
Gross Total Income		9,65,000
Less: Deduction under Chapter VI-A		Nil
Total income		9,65,000

Losses to be carried forward to A.Y.2025-26:

Particulars	₹
Loss from house property (₹ 2,50,000 - ₹ 2,00,000) As per section 71(3A), loss from house property can be set-off against any other head of income to the extent of ₹ 2,00,000 only. Balance loss not set-off can be carried forward to the next year for set-off against income from house property of that year.	50,000
Loss from specified business covered by section 35AD Loss from specified business under section 35AD can be set-off only against profits of any other specified business. As per section 73A (2), if loss cannot be so set-off, the same has to be carried forward to the subsequent year for set off against income from specified business, if any, in that year. Since the return has been filed before the due date, such loss can be carried forward.	4,10,000
Loss from card games Loss from card games can neither be set off against any other income, nor can it be carried forward.	

EXAMINERS' COMMENTS ON THE PERFORMANCE OF EXAMINEES:

Some examinees were not aware that the loss from card games can neither be set-off against any other income nor it can be carried forward. Further, some of the examinees have not specified the items eligible for carry forward in their answer.

Question 6

Compute the total income of Mr. Pratap (aged 48), a resident Indian, from the following information relating to the financial year ended 31.3.2024. Also, show the items eligible for carry forward.

Particulars	₹
Income from salaries	2,20,000
Loss from house property	2,50,000
Loss from toy business	1,30,000
Income from speculation business	40,000
Loss from specified business covered by section 35AD	20,000
Long-term capital gains from sale of urban land	2,50,000
Long-term capital loss from sale of listed shares in recognized stock exchange (STT paid at the time of acquisition and sale of shares)	1,10,000
Loss from card games	32,000
Income from betting (Gross)	45,000
Life Insurance Premium paid (10% of the capital sum assured)	50,000

(MTP 7 Marks, April '19 & Oct '18)

Answer 6

Computation of total income of Mr. Pratap for the A.Y.2024-25

Particulars	₹	₹
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Salaries		
Income from salaries	2,20,000	
Less: Loss from house property set-off against salary as per section 71(1) & 71(3A)	2,00,000	20,000
Profits and gains of business or profession		
Income from speculation business	40,000	
Less: Loss from toy business set off	40,000	Nil
Capital gains		
Long-term capital gains from sale of urban land	2,50,000	
Less: Long term capital loss on sale of listed shares on which STT is paid can be set off as per section 74(1), since long-term capital gain arising on sale of such shares is taxable under section 112A	1,10,000	
Less: Loss from toy business set off	90,000	50,000
Income from other sources		
Income from betting		45,000
Gross total income		1,15,000
Less: Deduction under section 80C(life insurance premium paid)		20,000
Total income		95,000

Losses to be carried forward:

Particulars	₹
(1) Loss from House property (₹2,50,000 – ₹2,00,000)	50,000
(2) Loss from toy business(₹1,30,000 - ₹40,000 - ₹90,000)	Nil
(3) Loss from specified business covered by section 35AD	20,000

Notes:

- As per section 71(3A), loss from house property can be set-off against any other head of income to the extent of ₹2,00,000 only.
As per section 71B, balance loss not set-off can be carried forward to the next year for set-off against income from house property of that year. It can be carried forward for a maximum of eight assessment years i.e., up to A.Y. 2032-33, in this case.
- Loss from specified business covered by section 35AD can be set-off only against profits and gains of any other specified business. Therefore, such loss cannot be set off against any other income. If loss cannot be so set-off, the same has to be carried forward to the subsequent year for set-off against profits and gains of any specified business, if any, in that year. As per section 73A (2), such loss can be carried forward indefinitely for set-off against profits of any specified business.
- Business loss cannot be set off against salary income. However, business loss of ₹ 90,000 (₹1,30,000 – ₹ 40,000 set-off against income from speculation business) can be set-off against long-term capital gains from sale of urban land. Consequently, the taxable long-term capital gains would be ₹ 50,000.
- Loss from card games can neither be set off against any other income, nor can it be carried forward.
- For providing deduction under Chapter VI-A, gross total income has to be reduced by the amount of long-term capital gains and casual income. Therefore, the deduction under section 80C in respect of life insurance premium paid has to be restricted to ₹ 20,000 [i.e., Gross Total Income of ₹1,15,000 – ₹ 50,000 (LTCG) – ₹ 45,000 (Casual income)].
- Income from betting is chargeable at a flat rate of 30% under section 115BB and no expenditure or allowance can be allowed as deduction from such income, nor can any loss be set-off against such income.

Question 7

Mr. Suresh is Lawyer by profession and his income from profession for the year 2023-24 is ₹ 10,00,000. From the information given by him, you are required to compute his total income for A.Y.



2024-25 and the losses to be carried forward assuming that he files his income tax returns every year before due date.

Particulars	₹
Income of minor son Raj from company deposit	1,60,000
Income of minor daughter Rashmi (professional dancer) from her dance performances	15,00,000
Interest from Canara bank received by Rashmi on deposit made out of income earned from her dance performances	15,000
Loss from house property (computed)	2,50,000
Short term capital loss	6,00,000
Long-term capital gain from equity shares under section 112A	1,20,000
Long term capital gain under section 112	3,00,000
Short term capital loss under section 111A	5,00,000

Assume that Mr. Suresh does not opt for the provisions of section 115BAC and his income before considering clubbing provisions is higher than that of his wife. (MTP 6 Marks March 22)

Answer 7

Computation of Total Income of Mr. Suresh for A.Y. 2024-25

Particulars	₹	₹	₹
Profits and gains from business and profession			
Income from profession		10,00,000	8,00,000
Less: Loss from house property (can be set-off to the extent of ₹ 2,00,000, as per section 71(3A).		2,00,000	
Capital gains			
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		(4,20,000)	Nil
Income from other sources			
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)	1,500	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),	15,000		
since interest income arises out of deposit made and not on account of her special skills	Nil		
Less: Exemption in respect of income of minor child u/s 10(32)	1,500	13,500	1,72,000
Total Income			9,72,000

Losses to be carried forward to A.Y.2025-26

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.2025-26 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

Question 8

Compute the total income of Mr. Veer for the assessment year 2024-25 under proper heads from the following information furnished by him for the financial year 2022-23:

Particulars	₹
Income from let out house property (computed)	3,50,000
Interest paid on housing loan for self-occupied property	2,00,000
Income from Textile business	5,75,000
Brought forward business loss of Assessment Year 2020-21	1,05,000
Short-term capital loss	70,000
Brought forward long-term loss from Assessment Year 2022-23	90,000
Long-term capital gain on sale of house	75,000
Interest on enhanced compensation from Government for acquisition of land in 2019	5,00,000
Dividend from ABC Ltd., Andhra Pradesh	15,000
Deposit made on 15.02.2024 in his Public Provident fund account	75,000
Loss from owning and maintaining race horse of Assessment Year 2023-24	20,000
Loss from Gambling	8,000

Also state the loss that can be carried forward to A.Y. 2025-26. Mr. Veer filed the return of income for assessment year 2020-21 after the expiry of due date for filing the return. (MTP 7 Marks, Nov'21)

Answer 8
Computation of total income of Mr. Veer for A.Y.2024-25

Particulars	₹	₹
Income from house property		
Income from let out house property	3,50,000	
Less: Set-off of loss from self-occupied house property by virtue of section 70(1) [Whole of interest i.e., ₹ 2,00,000 allowable as deduction, since it is within the permissible limit applicable to self-occupied property; The said amount represents loss from self-occupied property]	(2,00,000)	1,50,000
Profits and gains of business or profession		
Income from textile business	5,75,000	
[As per section 80, brought forward business loss of ₹ 1,05,000 of assessment year 2020-21 cannot be set-off, since return of income for that year was filed after the expiry of due date specified under section 139(1)]	Nil	5,75,000
Capital Gains		
Long-term capital gains on sale of house	75,000	

Less: Short-term capital loss can be set-off against long-term capital gains [section 70(2)]	70,000	
	5,000	
Less: Brought forward long- term capital loss of ₹ 90,000 from A.Y. 2022-23, set-off to the extent of ₹ 5,000	5,000	Nil
Income from Other Sources		
Interest on enhanced compensation from Government	5,00,000	
Less: Deduction @50%	2,50,000	
	2,50,000	
Dividend from ABC Ltd.	15,000	2,65,000
Gross Total Income		9,90,000
Less: Deduction under section 80C – Deposit in PPF		75,000
Total Income		9,15,000
Losses to be carried forward to A.Y.2022-23		
Long-term capital loss of A.Y. 2022-23 (₹ 90,000 – ₹ 5,000) to be set-off against long-term capital gains, if any, in that year	85,000	
Loss from owning and maintaining racehorse of the A.Y. 2023-24 to be set-off against income, if any, from owning and maintaining race horses in that year.	20,000	
Loss from gambling (it can neither be set-off against any income during the previous year nor can it be carried forward for set-off against any income in the subsequent assessment years).		

Question 9

Mr. Gaurav, a resident individual, furnishes the following particulars of his income and other details for the previous year 2023-24:

	₹
Income from Salary (computed)	22,00,000
Business loss before providing current year depreciation (Business discontinued on 31.5.2023)	1,00,000
Current year depreciation	50,000
Interest from Fixed Deposit	10,15,000
Interest on loan in respect of self-occupied property	2,35,000
Income from specified business (Not eligible for deduction under section 35AD)	20,000

Brought forward losses (Pertaining to A.Y. 2023-24)

Unabsorbed depreciation	45,000
Loss from specified business (eligible for deduction under section 35AD)	20,000

You are required to compute his gross total income for the A.Y. 2024-25 in such a way that his tax liability is minimised. (MTP 4 Marks Sep'22)

Answer 9

Computation of gross total income of Mr. Gaurav for A.Y.2024-25

Particulars	₹	₹
Income from Salary (Computed)	22,00,000	
Less: Loss from self-occupied house property (on account of interest deduction upto ₹ 2,00,000) [Loss from house property can be set-off against salary income as per section 71(1)]	2,00,000	20,00,000
Profits and gains from business and profession		

Income from specified business [not eligible for deduction u/s 35AD]	20,000	
Less: Set-off of brought forward loss from specified business [eligible for deduction u/s 35AD] allowable as per section 73A	(20,000)	Nil
[Brought forward loss from specified business eligible for deduction u/s 35AD can be set-off against income from any specified business, whether or not the same is eligible for deduction u/s 35AD]		
Income from Other Sources		
Interest from fixed deposit	10,15,000	
Less: Current year business loss set-off [Inter-head set-off is permissible by virtue of section 71(1). Hence, current year business loss can be set-off against interest income from fixed deposit]	1,00,000	
	9,15,000	
Less: Current year depreciation	50,000	
	8,65,000	
Less: Unabsorbed depreciation under section 32(2)	45,000	
[Can be set-off against any head of income other than Salaries]		8,20,000
Gross Total Income		28,20,000

Question 10

Compute total income of Mr. Mihir for the assessment year 2024-25 from the following information furnished by him for the financial year 2023-24.

Particulars	₹
Salary income (computed)	4,70,000
Loss from self-occupied house property	2,00,000
Loss from let out house property	80,000
Loss from speculation business-X	90,000
Profit from speculation business-Y	80,000
Income from trading and manufacturing business @ 8%	5,50,000
Interest on PPF deposit	95,000
Long term capital gain on sale of Vacant site (Computed)	1,10,000
Short term capital loss on sale of Jewellery	1,90,000
Investment in tax saver deposit on 31-03-2024	50,000
Brought forward loss of business of assessment year 2020-21	7,50,000
Donation to a charitable trust recognized under section 12AB and approved under section 80G paid by cheque	1,10,000
Enhanced compensation received from government for compulsory acquisition of land (held for a period of 5 years) in the year 2014	4,00,000

(MTP 7 Marks Oct'22) (Same concepts different figures MTP 7 Marks Oct'21)

Answer 10
Computation of total income of Mr. Mihir for A.Y.2024-25

Particulars	₹	₹
Salaries		4,70,000
Profits and gains from business or profession		
Profit from speculation business Y	80,000	
Less: Loss of ₹90,000 from speculation business X set-off against profit from speculation business Y to the extent of such profit	(80,000)	

Loss of ₹ 10,000 from speculation business X to be carried forward to A.Y. 2025-26 for set-off against profits from speculation business.		
Income from trading and manufacturing business @8%	5,50,000	
Less: Brought forward business loss of A.Y. 2020-21 set-off since a period of eight assessment years has not expired. Balance loss of ₹ 2,00,000 to be carried forward to A.Y. 2025-26	(5,50,000)	Nil
Capital Gains		
Enhanced compensation received from government for compulsory acquisition [Taxable in P.Y. 2023-24 since enhanced compensation is taxable on receipt basis]	4,00,000	
Long term capital gain on sale of vacant site	1,10,000	
Less: Short term capital loss on sale of jewellery	(1,90,000)	
Less: Loss from house property can be set-off to the extent of ₹ 2,00,000 as per section 71(3A) [since long-term capital gains would be chargeable to tax @20%, it would be beneficial to set-off the loss from house property against LTCG]. Balance loss of 80,000 to be carried forward to A.Y. 2025-26.	3,20,000	
	(2,00,000)	1,20,000
Income from Other Sources		
Interest on PPF deposit	95,000	
Less: Exempt under section 10(11)	(95,000)	Nil
Gross Total Income		5,90,000
Less: Deduction under Chapter VI-A		
Deduction under section 80C		
Investment in tax saver deposit on 31.3.2024	50,000	
Deduction under section 80G		
Donation to recognized and approved charitable trust [Donation of ₹ 1,10,000 to be first restricted to ₹ 42,000, being 10% of adjusted total income of ₹ 4,20,000 i.e., [₹ 5,90,000 – ₹ 1,20,000 – ₹ 50,000]. Thereafter, deduction would be computed at 50% of ₹ 42,000.	21,000	71,000
Total Income		5,19,000

Question 11

Ms. Aarti, a resident individual, provides the following information of her income/losses for the year ended on 31st March, 2024:

S. No.	Particulars	(₹)
1.	Income from salary (Computed)	8,20,000
2.	Income from house property (let out) (Net Annual Value)	1,20,000
3.	Share of profit from firm in which she is partner	48,000
4.	Loss from specified business covered under section 35AD	67,000
5.	Income from textile business before adjusting the following items:	3,30,000
	(a) Current year depreciation	53,000
	(b) Unabsorbed depreciation of earlier year	1,85,000
	(c) Brought forward loss of textile business of the A.Y. 2021-22	1,90,000
6.	Long-term capital gain on sale of debentures (unlisted)	1,50,000
7.	Long-term capital loss on sale of equity shares (STT not paid)	1,50,000



8.	Long-term capital gain on sale of equity shares listed in recognized stock exchange (STT paid at the time of acquisition and sale)	2,50,000
9.	Dividend from units of UTI	1,15,000
10.	Repayment towards housing loan taken from a scheduled bank. Out of this ₹ 3,28,000 was towards payment of interest and rest towards principal.	4,85,000

Compute the Gross Total Income of Ms. Aarti and ascertain the amount of loss that can be carried forward. Ms. Aarti has always filed her return within the due date specified under section 139(1) of the Income-tax Act, 1961. She does not want to opt for 115BAC. (MTP 7 Marks April '23, RTP Nov'21)

Answer 11

Computation of gross total income of Ms. Aarti for the A.Y.2024-25

Particulars		₹	₹
Salary Income (computed)		8,20,000	
Less: As per section 71(3A), loss from house property of ₹ 2,44,000 can be set-off, to the extent of		2,00,000	6,20,000
Income from House Property			
Net Annual Value of House Property		1,20,000	
Less: Deduction u/s 24			
(a) 30% of NAV	36,000		
(b) Interest on housing loan	3,28,000	3,64,000	
Loss from house property		(2,44,000)	
Less: Loss eligible for set-off against salary income restricted to		2,00,000	
Loss to be carried forward to A.Y. 2025-26 for set-off against income from house property, if any, in that year.		(44,000)	
Profits and gains of business or profession			
Share of profit from firm [Exempt u/s 10(2A)]			-
Loss from specified business u/s 35AD ₹ 67,000 [can be set-off only against income from any specified business. Hence, it has to be carried forward to A.Y.2025-26]			-
Income from textile business		3,30,000	
Less: Current year depreciation		53,000	
		2,77,000	
Less: Brought forward loss of textile business		1,90,000	
Less: Set-off of unabsorbed depreciation to the extent of ₹ 87,000 against business income		87,000	Nil
Capital Gains			
Long-term capital gains on sale of listed equity shares (STT paid)		2,50,000	
Less: Balance unabsorbed depreciation of ₹ 98,000 set-off		98,000	
Long-term capital gains on sale of listed equity shares [Tax		1,52,000	1,52,000

is payable u/s 112A @10% on the amount exceeding ₹ 1,00,000]			
Long-term capital gains on sale of debentures		1,50,000	
Less: Set-off of long-term capital loss on sale of equity shares (STT not paid) [Since long-term capital gain on sale of unlisted debentures are taxable @20% and long-term term capital gain on sale of listed shares in excess of ₹ 1,00,000 taxable @10%, it is beneficial to set-off long-term loss against LTCG on sale of debentures]		1,50,000	Nil
Income from Other Sources			
Dividend from units of UTI [Taxable in the hands of the unitholders]			1,15,000
Gross Total Income			8,87,000

Losses to be carried forward to A.Y.2025-26	₹
Losses from specified business [can be carried forward indefinitely for set-off against income from any specified business]	67,000
Loss from house property [can be carried forward upto 8 successive assessment years for set-off against income from house property]	44,000

Question 12

From following information furnished for the year ended 31-03-2018, compute the total income of Mr. Arihant for A.Y. 2024-25 and show the items eligible for carry forward and upto which assessment year:

Particulars	Amount (₹)
Long-term capital gain from sale of urban land	2,30,000
Long-term capital loss on sale of shares (STT not paid)	85,000
Long-term capital loss on sale of listed shares in recognized stock exchange (STT paid both at the time of acquisition and sale)	1,02,000
Loss from speculative business X	25,000
Income from speculative business Y	15,000
Loss from specified business covered under section 35AD	40,000
Income from salary	3,50,000
Loss from house property	2,20,000
Income from trading business	75,000

Following are details of unabsorbed depreciation and the brought forward losses:

- (1) Unabsorbed depreciation of ₹ 11,000 pertaining to A.Y 2023-24.
- (2) Losses from owning and maintaining of race horses pertaining to A.Y. 2023-24 ₹ 5,000.
- (3) Brought forward loss from trading business ₹ 8,000 relating to A.Y.2020-21.(RTP Nov '18 & May '19, Old SM)

Answer 12
Computation of total income of Mr. Arihant for the A.Y. 2024-25

Particulars	₹	₹
Salaries		
Income from Salary	3,50,000	
Less: Loss from house property set-off against salary income as per section		



71(3A), restricted to	2,00,000	1,50,000
Profits and gains of business or profession		
Income from trading business	75,000	
Less: Brought forward loss from trading business of A.Y. 2020-21 can be set off against current year income from trading business, as per section 72(1), since the eight-year time limit as specified under section 72(3), within which set-off is permitted has not expired.	8,000	
	67,000	
Less: Unabsorbed depreciation	11,000	56,000
Income from speculative business Y	15,000	
Less: Loss from speculative business X to be set-off as per section 73(1)	15,000	
Loss from speculative business X to be carried forward to A.Y.2025-26 as per section 73(2)	10,000	
Capital Gains		
Long term capital gain on sale of urban land	2,30,000	
Less: Long term capital loss on sale of shares (STT not paid) set-off as per section 70(3)]	85,000	1,45,000
Long-term capital loss of ₹ 1,02,000 on sale of listed shares on which STT is paid both at the time of acquisition and sale cannot be set-off against long-term capital gain on sale of urban land since loss from an exempt source cannot be set-off against profit from a taxable source.		
Total Income		3,51,000

Items eligible for carried forward to A.Y.2025-26

Particulars	₹
Loss from House Property As per section 71(3A), Loss from house property can be set-off against any other head of income to the extent of ₹ 2,00,000 only.	20,000
As per section 71B, balance loss not set-off can be carried forward to the next year for set-off against income from house property of that year. It can be carried forward for a maximum of eight assessment years i.e., upto A.Y. 2032-33, in this case.	
Loss from speculative business X Loss from speculative business can be set-off only against profits from any other speculation business. As per section 73(2), balance loss not set-off can be carried forward to the next year for set-off against speculative business income of that year. Such loss can be carried forward for a maximum of four assessment years i.e., upto A.Y. 2028-29, in this case, as specified under section 73(4).	10,000
Loss from specified business under section 35AD Loss from specified business under section 35AD can be set-off only against profits of any other specified business. If loss cannot be so set-off, the same has to be carried forward to the subsequent year for set off against income from specified business, if any, in that year. As per section 73A(2), such loss can be carried forward indefinitely for set-off against profits of any specified business .	40,000
Loss from the activity of owning and maintaining race horses Loss from the activity of owning and maintaining race horses (current year or brought forward)	5,000

forward) can be set-off only against income from the activity of owning and maintaining race horses. If it cannot be so set-off, it has to be carried forward to the next year for set-off against income from the activity of owning and maintaining race horses, if any, in that year. It can be carried forward for a maximum of four assessment years, i.e., upto A.Y.2027-28, in this case as specified under section 74A(3).

Question 13 (Includes concepts of Income of Other persons included in Assessee's Total Income)

Mr. Raghav is a chartered accountant and his income from profession for the year 2023-24 is ₹ 15,00,000. He provides you with the following information for the year 2023-24.

Particulars	₹
Income of minor son Rahul from company deposit	1,75,000
Income of minor daughter Riya (professional dancer) from her dance performances	20,00,000
Interest from Canara bank received by Riya on fixed deposit made in 2015 out of income earned from her dance performances	20,000
Gift received by Riya from friends of Mr. Raghav on winning National award	45,000
Loss from house property (computed)	2,50,000
Short term capital loss	6,00,000
Long term capital gain under section 112	4,00,000
Short term capital loss under section 111A	10,00,000

Mr. Raghav income before considering clubbing provisions is higher than that of his wife. Compute the Total Income of Mr. Raghav for Assessment Year 2024-25 and the losses to be carried forward assuming that he files his income tax returns every year before due date. (RTP May '20)

Answer 13
Computation of Total Income of Mr. Raghav for A.Y. 2024-25

Particulars	₹	₹	₹
Profits and gains from business and profession			
Income from chartered accountancy profession		15,00,000	
Less: Loss from house property (can be set-off to the extent of ₹ 2,00,000, as per section 71(3A).		2,00,000	13,00,000
Capital gains			
Long term capital gain under section 112		4,00,000	
Less: Short term capital loss set off against long-term capital gain as per section 74		(4,00,000)	Nil
Income from other sources			
Income of minor son Rahul			
Income from company deposit includible in the hands of Mr. Raghav as per section 64(1A)	1,75,000		
Less: Exemption in respect of income of minor child u/s 10(32)	1,500	1,73,500	
Income of minor daughter Riya			
- Income of ₹ 20,00,000 of minor daughter Riya (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	20,000		

as per section 64(1A), since interest income arises out of deposit made and not on account of her special skills			
- Gift of ₹ 45,000 received by her from friends of Mr. Raghav is not taxable under section 56(2)(x), since the aggregate amount from non-relatives does not exceed ₹ 50,000	Nil		
- Less: Exemption in respect of income of minor child u/s 10(32)	1,500	18,500	1,92,000
Total Income			14,92,000

Losses to be carried forward to A.Y.2025-26

Particulars	₹
Loss from house property [₹ 2.50,000 – ₹ 2,00,000]	50,000
Short term capital loss under section 111A	10,00,000
Short term capital loss (other than above) [₹ 6,00,000 – ₹ 4,00,000]	2,00,000

Note – Short-term capital loss under section 111A can also be set-off against long-term capital gains under section 112. In such a case, the losses to be carried forward to A.Y.2025-26 would be as under –

Particulars	₹
Loss from house property [₹ 2.50,000 – ₹ 2,00,000]	50,000
Short term capital loss under section 111A [₹ 10,00,000 – ₹ 4,00,000]	6,00,000
Short term capital loss (other than above)	6,00,000

Question 14

Mr. Krishan, residing in Indore, provides the following information for the financial year 2023-24:

Particulars	₹
Income from textile business	4,60,000
Income from speculation business	25,000
Loss from gambling	12,000
Loss on maintenance of race horse	15,000
Current year depreciation of textile business not adjusted in the income given above.	5,000
Unabsorbed depreciation of assessment year 2022-23	10,000
Speculation business loss of assessment year 2023-24	30,000

Compute the Gross Total Income of Mr. Krishan for the Assessment year 2024-25 and also state the losses eligible for carry forward and period up to which such losses can be carried forward.(RTP Nov '20, Old SM)

Answer 14

Computation of Gross Total Income of Mr. Krishan for A.Y. 2024-25

Particulars	₹	₹
Profits and gains of business or profession		
Income from Textile business	4,60,000	
Less: Current year depreciation allowable under section 32(1)	5,000	
	4,55,000	
Less: Unabsorbed depreciation brought forward from A.Y.2022-23 as per section 32(2)	10,000	4,45,000

Income from speculation business		
Current year income from speculation business	25,000	
Less: Speculation business loss for A.Y. 2023-24 set-off as per the provisions of section 73(2)	30,000	
Speculation business loss to be carried forward	(5,000)	Nil
Gross Total Income		4,45,000

Losses eligible for carry forward to A.Y.2021-22

	Particulars	₹
(1)	Loss from speculation business to be carried forward as per section 73 Loss from speculation business can be set off only against income from another speculation business. The remaining loss from speculation business can be carried forward for a maximum of four assessment years immediately succeeding the assessment year for which the loss was first computed. Thus, such loss can be carried forward upto A.Y.2027-28	5,000
(2)	Loss on maintenance of race horses to be carried forward as per section 74A(3) Loss on maintenance of race horses can be set-off only against income from the activity of owning and maintaining race horses. Such loss can be carried forward for a maximum of four assessment years immediately succeeding the assessment year for which the loss was first computed. Thus, such loss can be carried forward upto A.Y. 2028-29	15,000
(3)	Loss from gambling can neither be set-off nor be carried forward.	

Question 15 (Includes concepts of Deductions & Computation of Total Income)

Mr. Prakash furnishes the following information for the financial year 2023-24.

Particulars	₹
Loss from speculation business-X	85,000
Profit from speculation business-Y	45,000
Interest on borrowings in respect of self-occupied house property	3,18,000
Income from let out house property	1,20,000
Presumptive Income from trading and manufacturing business under section 44AD	1,00,000
Salary from XYZ (P) Ltd.	5,25,000
Interest on PPF deposit	65,000
Long term capital gain on sale of Vacant site	1,25,000
Short term capital loss on sale of Jewellery	65,000
Investment in tax saver deposit on 31-03-24	60,000
Brought forward loss of business of assessment year 2018-19	1,00,000
Donation to a charitable trust recognized under section 12AA and approved under section 80G (payment made via credit card)	60,000

Compute total income of Mr. Prakash for the assessment year 2024-25 also show the loss, eligible to be carried forward. Assume that he does not opt for section 115BAC. (RTP May '21) (Same concept different figures fewer adjustments MTP 7 Marks Mar'23)

Answer 15
Computation of total income of Mr. Prakash for A.Y.2024-25

Particulars	₹	₹
Salary from XYZ (P) Ltd.	5,25,000	
Less: Standard Deduction u/s 16(ia)	50,000	
Less: Loss from house property of ₹ 20,000 [₹ 80,000 - ₹ 60,000, being the loss set-off against long-term capital gains]	4,75,000	
	20,000	4,55,000
Income from house property		
Income from let out house property	1,20,000	
Less: Loss from self-occupied house property to the extent of ₹ 2 lakhs, allowable as deduction u/s 24(b) in respect of interest on borrowings	2,00,000	
	(80,000)	
Less: Amount set-off against other heads of income	(80,000)	
Profits and gains from business or profession		
Profit from speculation business Y	45,000	
Less: Loss of ₹ 85,000 from speculation business X set-off against profit from speculation business Y to the extent of such profit	(45,000)	Nil
Presumptive Income from trading and manufacturing business	1,00,000	
Less: Brought forward business loss of A.Y. 2018-19 set-off since the period of eight assessment years has not expired	(1,00,000)	Nil
Capital Gains		
Long term capital gain on sale of vacant site	1,25,000	
Less: Short term capital loss on sale of jewellery	65,000	
Less: Loss from house property to be set-off to the extent of LTCG	60,000	
(It is more beneficial for Mr. Prakash to first set-off the loss from house property against the long-term capital gains, since it is taxable @20%)	60,000	Nil
Income from Other Sources		
Interest on PPF deposit	65,000	
Less: Exempt	65,000	Nil
Gross Total Income		4,55,000
Less: Deduction under Chapter VI-A		
Deduction under section 80C		
Investment in tax saver deposit on 31.3.2024	60,000	
Deduction under section 80G		
Donation to recognized and approved charitable trust [Donation of ₹ 60,000 to be first restricted to ₹ 39,500, being 10% of adjusted total income of ₹ 3,95,000 (₹ 4,55,000 – ₹ 60,000). Thereafter, deduction would be computed at 50% of ₹ 39,500.	19,750	79,750
Total Income		3,75,250
Losses to be carried forward to A.Y.2024-25		
Particulars		₹

Loss from speculation business X (₹ 85,000 - ₹ 45,000)	40,000
Loss from speculation business can be set-off only against profits of any other speculation business. If loss cannot be so set-off, the same has to be carried forward to the subsequent year for set off against income from speculation business, if any, in that year.	

Question 16

Compute total income of Mr. Mathur for the assessment year 2024-25 from the following information furnished by him for the financial year 2023-24.

Particulars	₹
Salary income (computed)	4,70,000
Loss from self-occupied house property	2,00,000
Loss from let out house property	60,000
Loss from speculation business-X	80,000
Profit from speculation business-Y	40,000
Income from trading and manufacturing business @ 8%	3,50,000
Interest on PPF deposit	95,000
Long term capital gain on sale of Vacant site (Computed)	2,10,000
Short term capital loss on sale of Jewellery	1,50,000
Investment in tax saver deposit on 31-03-2024	60,000
Brought forward loss of business of assessment year 2018-19	5,50,000
Donation to a charitable trust recognized under section 12AA and approved under section 80G paid by cheque	1,10,000
Enhanced compensation received from government for compulsory acquisition of land (held for a period of 5 years) in the year 2010	3,00,000

(RTP Nov '19)

Answer 16
Computation of total income of Mr. Mathur for A.Y.2024-25

Particulars	₹	₹
Salaries		4,70,000
Profits and gains from business or profession		
Profit from speculation business Y	40,000	
Less: Loss of ₹ 80,000 from speculation business X set-off against profit from speculation business Y to the extent of such profit	(40,000)	
Loss of ₹ 40,000 from speculation business X to be carried forward to A.Y. 2025-26 for set-off against profits from speculation business.		
Income from trading and manufacturing business @8%	3,50,000	
Less: Brought forward business loss of A.Y. 2018-19 set- off since a period of eight assessment years has not expired. Balance loss of ₹ 2,00,000 to be carried forward to A.Y. 2025-26	(3,50,000)	Nil
Capital Gains		
Enhanced compensation received from government for compulsory acquisition [Taxable in P.Y. 2023-24 since enhanced compensation is taxable on cost basis]	3,00,000	



Long term capital gain on sale of vacant site	2,10,000	
Less: Short term capital loss on sale of jewellery	(1,50,000)	
	3,60,000	
Less: Loss from house property can be set-off to the extent of ₹ 2,00,000 as per section 71(3A) [since long-term capital gains would be chargeable to tax @20%, it would be beneficial to set-off the loss from house property against LTCG]. Balance loss of ₹ 60,000 to be carried forward to A.Y. 2025-26.	(2,00,000)	1,60,000
Income from Other Sources		
Interest on PPF deposit	95,000	
Less: Exempt under section 10(11)	(95,000)	Nil
Gross Total Income		6,30,000
Less: Deduction under Chapter VI-A		
Deduction under section 80C		
Investment in tax saver deposit on 31.3.2024	60,000	
Deduction under section 80G		
Donation to recognized and approved charitable trust [Donation of ₹ 1,10,000 to be first restricted to ₹ 41,000, being 10% of adjusted total income of ₹ 4,10,000 i.e., [₹ 6,30,000 – ₹ 1,60,000 – ₹ 60,000]. Thereafter, deduction would be computed at 50% of ₹ 41,000.	20,500	80,500
Total Income		5,49,500

Question 17

Mr. Kabir, a resident individual aged 45 years, furnishes the following particulars of his income and other details for the previous year 2023-24:

Particulars	Amount (₹)
Income from tea business	5,00,000
Losses from sugar business	4,00,000
Dividend from Indian company carrying on agricultural operations (gross)	1,00,000
Agricultural income	55,000
Salary received as a partner from a partnership firm. The same was allowed to the firm.	4,50,000
Net annual value of house property	4,20,000
Loss from gambling	1,00,000
Short term capital gains on sale of land	75,000
Loss on sale of shares listed in BSE. Shares were held for 15 months and STT paid on sale and acquisition	3,00,000
Life insurance premium paid (10% of the capital sum assured)	80,000
Bank interest on Fixed deposit (gross)	55,000
Interest on saving bank account	13,000

The other details of brought forward losses pertaining to A.Y. 2023-24 are as follow:

Particulars	Amount (₹)
Brought forward business loss from sugar business	1,00,000
Brought forward short term capital loss	45,000



Brought forward loss from house property	3,00,000
Brought forward loss from maintenance of race horses	60,000

Compute the total income of Mr. Kabir for the Assessment Year 2024-25 and the amount of loss, if any, that can be carried forward, if he does not opt for section 115BAC. (RTP Nov'22)

Answer 17

Computation of total income of Mr. Kabir for A.Y. 2024-25

Particulars	Amount (₹)	Amount (₹)
Income from house property		
Net annual value	4,20,000	
Less: Deduction under section 24 (30% of ₹ 4,20,000)	1,26,000	
	2,94,000	
Less: Brought forward loss of ₹ 3 lakhs from house property set off to the extent of ₹ 2,94,000	2,94,000	-
Profit and gains from business or profession		
Income from tea business (40% is business income)	2,00,000	
Salary received as partner from a partnership firm is taxable under the head "Profits and gains from business or profession"	4,50,000	
	6,50,000	
Less: Losses from sugar business	4,00,000	
	2,50,000	
Less: Brought forward business loss from sugar business	1,00,000	1,50,000
Capital Gains		
Short term capital gains on sale of land	75,000	
Less: Brought forward short term capital loss	45,000	30,000
Income from Other Sources		
Dividend from Indian company	1,00,000	
Agricultural income (exempt)	-	
Bank interest on Fixed deposit	55,000	
Interest on saving bank account	13,000	1,68,000
Gross Total Income		3,48,000
Less: Deduction under section 80C (life insurance premium paid)	80,000	
Less: Interest on saving bank account under section 80TTA, to the extent of	10,000	90,000
Total Income		2,58,000

Losses to be carried forward to A.Y. 2025-26

Particulars	Amount (₹)
Loss from house property of A.Y. 2023-24	6,000
Loss from maintenance of race horses of A.Y. 2023-24	60,000
Long term capital loss on sale of STT paid listed shares	3,00,000

Notes –

- 60% of the income from tea business is treated as agricultural income and therefore, exempt from tax.
- Agricultural income is exempt under section 10(1).

3. Loss from gambling can neither be set off against any other income, nor can be carried forward.
4. Long term capital loss on sale of shares on which STT is paid at the time of acquisition and sale can be set off against long term capital gain only. Since there is no long term capital gains in A.Y. 2024-25, it has to be carried forward for set-off against long term capital gains, if any, during A.Y. 2025-26.
5. As per section 74A(3), loss from maintenance of race horses (current year or brought forward) can be set-off only against income from the activity of owning and maintaining race horses. Since there is no income from the activity of owning and maintaining race horses in A.Y. 2022-23, it has to be set off against the income from the activity of owning and maintaining race horses, if any, in A.Y. 2025 -26.

Question 18

Mr. Ram, a resident Individual aged 65 years, submits the following details of his income for the assessment year 2024-25:

Particulars	₹
Loss from speculative business A	30,000
Income from speculative business B	1,50,000
Loss from specified business covered under section 35AD	20,000
Income from Salary (computed)	2,00,000
Loss from let out house property	1,90,000
Loss from cloth business	80,000
Long-term capital gain from sale of urban land	3,00,000
Long-term capital loss on sale of shares (STT not paid)	1,00,000
Long-term capital loss on sale of listed shares in recognized stock exchange (STT paid at the time of acquisition and sale of shares)	1,50,000
Income from betting (Gross)	80,000
Loss from gambling	8,000
Interest on saving bank deposits	12,000
Interest on fixed deposits with banks	40,000

Compute the total income of Mr. Ram and show the items eligible for carry forward, assuming that he does not opt for the provisions of section 115BAC. (RTP May '23)

Answer 18
Computation of total income of Mr. Ram for the A.Y. 2024-25

Particulars	Amount (₹)	Amount (₹)
Salaries		
Income from Salary	2,00,000	
Less: Loss from house property set-off against salary	1,90,000	
Profits and gains from business or profession		10,000
Income from speculative business B	1,50,000	
Less: Loss of ₹ 30,000 from speculative business A	30,000	
Less: Loss from cloth business [Loss from non- speculative business can be set off against profits from speculative business]	80,000	
Capital Gains		40,000
Long-term capital gain from sale of urban land	3,00,000	
Less: Long-term capital loss on sale of shares (STT not paid)	1,00,000	

Less: Long-term capital loss on sale of listed shares in recognizes stock exchange (STT paid at the time of acquisition and sale of shares)	1,50,000	
		50,000
Income from Other Sources		1,32,000
Income from betting	80,000	
Interest on savings bank deposits	12,000	
Interest on fixed deposits with banks	40,000	
Gross Total Income		2,32,000
Less: Deduction under section 80TTB (Maximum being ₹ 50,000, since Mr. Ram is a senior citizen)		50,000
Total Income		1,82,000

Notes:

- (i) Loss from specified business covered under section 35AD can be set off only against profits and gains of any other specified business. Therefore, such loss cannot be set off against any other income. The unabsorbed loss of ₹ 20,000 has to be carried forward for set-off against profits and gains of any specified business in the following year.
- (ii) Loss from gambling can neither be set off against any other income, nor can be carried forward.

Question 19

Mr. Rajesh, a resident individual, furnished the following information in respect of income and loss earned by him for the F.Y. 2023-24

Particulars	Amount (₹)
Income from Salary	3,40,000
Long term capital loss on sale of shares of Reliance Ltd. STT has been paid both at the time of acquisition and sale	(1,15,000)
Loss from let out property in Delhi	(75,000)
Interest on self-acquired property in Mumbai	(50,000)
Winnings from lottery tickets	40,000
Cost of acquisition of lottery tickets	10,000
Profit and gains from manufacturing business (after deducting normal depreciation of ₹ 10,000 and additional depreciation of ₹ 4,000)	96,000
Long term capital gains on sale of house property	1,40,000

The other details of brought forward losses and unabsorbed depreciation pertaining to A.Y. 2023-24 are as follow:

Brought forward business loss from manufacturing business	(35,000)
Unabsorbed normal depreciation	(10,000)
Brought forward loss from the activity of owning and maintaining the race horses	(50,000)

Compute the Gross total income of Mr. Rajesh for the Assessment Year 2024-25 and the amount of loss, if any, that can be carried forward if he wants to opt for the provisions of section 115BAC for the first time. (RTP May '22)

Answer 19
Computation of gross total income of Mr. Rajesh for A.Y. 2024-25

Particulars	Amount (₹)	Amount (₹)
Income from Salary	3,40,000	
Less: Loss under the head "Income from house property" [Loss from house property is not allowed to be set off with any other head of income since Mr.		



Rajesh is opting for section 115BAC]	-	3,40,000
Income from house property		
Self-occupied property [Interest u/s 24(b) is not allowed in case of self-occupied property since Mr. Rajesh is opting for section 115BAC]	-	
Loss from let out property [Carried forward to A.Y. 2025-26]	(75,000)	-
Profit and gains from business or profession		
Profit and gains from manufacturing business	96,000	
Add: Additional depreciation not allowable in case of section 115BAC	4,000	
	1,00,000	
Less: Brought forward loss from manufacturing business	35,000	
Less: Unabsorbed normal depreciation	10,000	55,000
Capital Gains		
Long term capital gains on sale of house property	1,40,000	
Less: long term capital loss on sale of shares on which STT is paid can also be set-off as per section 74(1), since long-term capital gain arising on sale of such shares is taxable under section 112A	(1,15,000)	25,000
Income from Other Sources		
Winnings from lottery tickets		40,000
Gross Total Income		4,60,000

Losses to be carried forward to A.Y. 2025-26

Particulars	Amount (₹)
Loss from let out property in Delhi	75,000
Loss from the activity of owning and maintaining the race horses	50,000

Notes -

- As per section 74A(3), loss from the activity of owning and maintaining the race horses cannot be set-off against income from any source other than the activity of owning and maintaining race horse.
- As per section 58, no expenditure is allowed from the lottery winnings.

Question 20

Following are the details of incomes/losses of Mr. Rishi for the F.Y. 2013-14:

(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 2024-25. (PYP 5 Marks, Nov'19, MTP 5 Marks, Sep '23)

Answer 20

Computation of gross total income of Mr. Rishi for the A.Y.2024-25

Particulars	₹	₹
Salary Income (computed)	3,60,000	
Less: Set-off of loss from house property ₹ 2,20,000, restricted to	2,00,000	1,60,000
Income from House Property		
Income from Property X	1,20,000	
Less: Loss from Property Y [inter-source set-off is permitted under section 70(1)]	3,40,000	
Loss from house property	2,20,000	
Less: Loss eligible for set-off against salary income as per section 71(3A), restricted to	2,00,000	
Loss to be carried forward to A.Y. 2025-26 as per section 71B, for set-off against income from house property, if any, in that year.	(20,000)	
Profits and gains of business or profession		
Income from business P	2,30,000	
Less: Loss from business Q (inter-source set-off is permitted)	12,000	2,18,000
Income from speculation business R	15,000	
Less: Loss from speculation business T [can be set-off only against income from speculation business as per section 73(1)]	25,000	
Loss to be carried forward to A.Y. 2025-26 for set-off against speculative business income of that year by virtue of section 73(2).	(10,000)	
Income from Other Sources		21,00
Income from card games	16,000	
Interest on securities	5,000	
Loss from owning & maintaining race horses [Not allowed to be set-off against any other income under this head or under any other head. Thus, such loss has to be carried forward to A.Y. 2025-26 for set-off against income, if any, from owning and maintaining race horses in that year by virtue of section 74A(3)]	(7,000)	
Gross Total Income		3,99,000

Note: Loss from house property of ₹ 2 lakh can also be set-off against business income instead of salary income. In such a case, salary income would be ₹ 3,60,000 and business income would be ₹ 18,000. Gross total income would remain the same. Any other permutation for set-off of house property (other than income from card games), including partial set-off against one head and the remaining against another, is also possible.

Question 21

Mr. X a resident individual submits the following information, relevant to the previous year ending March 31, 2024:

S. No.	Particulars	Amount (₹)
(i)	Income from Salary (Computed)	2,22,000
(ii)	Income from House Property	
	- House in Delhi	22,000
	- House in Chennai	(-) 2,60,000
	- House in Mumbai (self-occupied)	(-) 20,000
(iii)	Profit and gains from business or profession	
	- Textile business	18,000
	- Cosmetics business	(-) 22,000
	- Speculative business- 1	(-) 74,000
	- Speculative business-2	46,000
(iv)	Capital gains	
	Short term capital loss from sale of property	(-) 16,000
	Long term capital gains from sale of property	15,400
(v)	Income from other sources (Computed)	
	- Income from betting	34,000
	- Income from card games	46,000
	- Loss on maintenance of race horses	(-)14,600

Determine the gross total income of Mr. X for the assessment year 2024-25 and the losses to be carried forward assuming that he does not opt to be taxed under section 115BAC (PYP 5 Marks, July'21, MTP 5 Marks Oct '23)

Answer 21

(a) Computation of Gross Total Income of Mr. X for A.Y. 2024-25

Particulars	Amount	Amount
Salaries		
Income from salary (computed)	2,22,000	
Less: Set-off of loss from house property of ₹ 2,58,000 to the extent of ₹ 2 lakhs by virtue of section 71(3A)	2,00,000	22,000
Income from house property		
- House in Delhi	22,000	
- House in Chennai	(2,60,000)	
- House in Mumbai (self-occupied)	(20,000)	
Loss upto ₹ 2 lakhs can be set off against income from salary. Balance loss of ₹ 58,000 from house property has to be carried forward to A.Y.2025-26.	(2,58,000)	
Profits and gains from business or profession		
Profits from Speculative business – 2	46,000	

Less: Loss of ₹ 74,000 from speculation business - 1 set off to the extent of profits of ₹ 46,000 as per section 73(1) from another speculation business. Loss from speculation business cannot be set-off against any income other than profit and gains of another speculation business. Hence, the balance loss of ₹ 28,000 from speculative business has to be carried forward to A.Y.2025-26.	(46,000)	-
Profits from textile business	18,000	
Less: Loss from cosmetic business of ₹ 22,000 set off against profits from textile business to the extent of ₹ 18,000 as per section 70(1).	(18,000)	-
Balance loss of ₹ 4,000 from cosmetic business has to be carried forward to A.Y.2025-26, since the same cannot be set-off against salary income.	15,400	
Capital Gains		
Long term capital gain from sale of property		
Less: Short-term capital loss can be set-off against both short-term capital gains and long-term capital gains. Short term capital loss of ₹ 16,000 set off against long- term capital gains to the extent of ₹ 15,400 as per section 74(1).	(15,400)	-
Balance short term capital loss of ₹ 600 has to be carry forward to A.Y.2025-26		
Income from Other Sources		
Income from betting [No loss is allowed to be set off against such income]	34,000	
Income from card games [No loss is allowed to be set off against such income]	46,000	
Loss on activity of owning and maintenance of race horses [Loss incurred on activity of owning and maintenance of race horses cannot be set-off against income from any source other than the activity of owning and maintaining race horses. Hence, such loss of ₹ 14,600 has to be carried forward to A.Y.2025-26]	Nil	
Gross Total Income		80,000
		1,02,000

Question 22

Ms. Pooja a resident individual provides the following information of her income/losses for the year ended on 31st March, 2024:

S. No.	Particulars	(₹)
1.	Income from salary (Computed)	2,20,000
2.	Income from House Property (let out) (Net Annual Value)	1,50,000
3.	Share of loss from firm in which she is partner	10,000
4.	Loss from specified business covered under section 35AD	20,000
5.	Income from textile business before adjusting the following items:	3,00,000
	(a) Current year depreciation	60,000



	(b) Unabsorbed depreciation of earlier year	2,25,000
	(c) Brought forward loss of textile business of the A.Y. 2022-23	90,000
6.	Long-term capital gain on sale of debentures	75,000
7.	Long-term capital loss on sale of equity shares (STT not paid)	1,00,000
8.	Long-term capital gain on sale of equity shares listed in recognized stock exchange (STT paid at the time of acquisition and sale)	1,50,000
9.	Dividend from units of UTI	5,000

During the previous year 2023-24, Ms. Pooja has repaid ₹ 5,25,000 towards housing loan from a scheduled bank. Out of this ₹ 3,16,000 was towards payment of interest and rest towards principal.

Compute the gross total income of Ms. Pooja and ascertain the amount of loss that can be carried forward. Ms. Pooja has always filed her return within the due date specified under section 139(1) of the Income-tax Act, 1961. (PYP 8 Marks, Nov'20)

Answer 22

Computation of gross total income of Ms. Pooja for the A.Y.2024-25

Particulars		₹	₹
Salary Income (computed)		2,20,000	
Less: As per section 71(3A), loss from house property of ₹ 2,11,000 can be set-off, to the extent of		2,00,000	20,000
Income from House Property			
Net Annual Value of House Property		1,50,000	
Less: Deduction u/s 24			
(a) 30% of NAV	45,000		
(b) Interest on housing loan	3,16,000	3,61,000	
Loss from house property		(2,11,000)	
Less: Loss eligible for set-off against salary income restricted to		2,00,000	
Loss to be carried forward to A.Y. 2025-26 for set-off against income from house property, if any, in that year.		(11,000)	
Profits and gains of business or profession			
Share of loss from firm [loss from exempt source cannot be set-off against profit from taxable source. Hence such loss can neither be set-off nor be carried forward]		-	
Loss from specified business u/s 35AD ₹ 20,000 [Can be set-off only against income from any specified business. Hence, it has to be carried forward to A.Y.2025-26]		-	
Income from textile business		3,00,000	
Less: Current year depreciation		60,000	
		2,40,000	
Less: Brought forward loss of textile business		90,000	
		1,50,000	
Less: Unabsorbed depreciation (₹ 2,25,000) set-off to the extent of		1,50,000	Nil
Capital Gains			
Long-term capital gains on sale of debentures		75,000	
Long-term capital loss on sale of equity shares (STT not			



paid)		75,000	
		Nil	
Long-term capital gains on sale of listed equity shares (STT paid)		1,50,000	
Less: Set-off of balance long-term capital loss on sale of equity shares (STT not paid) [₹ 1,00,000 – ₹ 75,000]		25,000	
		1,25,000	
Less: Set-off of balance unabsorbed depreciation [₹ 2,25,000 – ₹ 1,50,000 s/o against business income]		75,000	
Long-term capital gains on sale of listed equity shares ⁵			50,000
Income from Other Sources			
Dividend from units of UTI [Exempt] (<i>taxable as per amendment</i>)			5,000
Gross Total Income			75,000
Losses to be carried forward to A.Y.2025-26		₹	
(i)	Losses from specified business [can be carried forward indefinitely for set-off against income from any specified business]	20,000	
(ii)	Loss from house property [can be carried forward upto 8 successive assessment years for set-off against income from house property]	11,000	

Question 23

Ms. Geeta, a resident individual, provides the following details of her income/losses for the year ended 31.03.2014:

	Particulars	Amount (₹)
(i)	Income from salary (computed)	41,20,000
(ii)	Rent received from house property situated in Delhi	5,00,000
(iii)	Interest on loan taken for purchase of above property. Loan was taken from a friend	7,50,000
(iv)	Rent received from house property situated in Jaipur	3,20,000
(v)	Interest on loan taken for house property in Mumbai, which is self-occupied. Loan was taken from PNB on 01.01.1999 for purchase of this property.	1,57,000
(vi)	Interest on loan taken for repair of house properties situated in Mumbai and Delhi. Loan was taken on 01.04.17 and was utilized in 50:50 ratio for house properties situated in Mumbai and Delhi, respectively.	1,50,000
(vii)	Long-term capital gains on sale of equity shares computed in accordance with section 112A	8,95,000
(viii)	Interest on fixed deposit	73,000
(ix)	Loss from textile business	7,50,000
(x)	Speculation profit	2,30,000
(xi)	Lottery income	75,000
(xii)	Loss incurred by the firm in which she is a partner	1,60,000
(xiii)	Salary received as a partner from partnership firm. The same was allowed to firm	50,000
(xiv)	Brought forward short-term capital loss on sale of gold	2,75,000



(xv)	Brought forward loss on sale of equity shares of the nature specified u/s 111A	25,000
(xvi)	Life insurance premium paid for her son who is 30 years of age and is working in USA	15,000

Compute total income of Ms. Geeta for the assessment year 2024-25 and the amount of loss that can be carried forward. For the above solution, you may assume principal repayment of loan as under:

- (1) Loan taken for purchase of house property in Delhi - ₹ 2,50,000
- (2) Loan taken for purchase of house property in Mumbai - ₹ 50,000
- (3) Loan taken for repair of house properties in Delhi and Mumbai- ₹75,000

Working notes should form part of your answer. Wherever necessary, suitable assumptions may be made by the candidates and disclosed by way of note. (PYP 10 Marks, May'19)

Answer 23

Computation of total income of Ms. Geeta for the A.Y.2024-25

Particulars		₹	₹	₹
Income from salary (computed)				41,20,000
Income from house property				
(i) House property at Delhi (Let out)				
Rent received (taken as Annual Value in the absence of information relating to Fair Rent and Municipal Value)		5,00,000		
Less: Deduction u/s 24				
(a) 30% of Annual Value [30% of ₹ 5 lakh]	1,50,000			
(b) Interest on loan				
for purchase of property	7,50,000			
for repairs of property [₹ 1,50,000/2]	75,000			
		9,75,000	(4,75,000)	
(ii) House property at Jaipur (Let out)				
Rent received (taken as Annual Value in the absence of information relating to Fair Rent and Municipal Value)		3,20,000		
Less: Deduction u/s 24				
30% of Annual Value = 30% of ₹ 3,20,000		96,000		
			2,24,000	
(iii) House property at Mumbai (Self-occupied)				
Annual value of self-occupied property		Nil		
Less: Deduction u/s 24(b)				
Interest on loan for purchase and repairs (to be restricted to ₹ 30,000, since loan for purchase was taken prior to 1.4.1999)		30,000	(30,000)	
Loss from house property [(i) + (ii) + (iii)]			(2,81,000)	
As per section 71(3A), loss from house property to be set-off against salary income to the extent of				(2,00,000)



				39,20,000
Profits and gains of business or profession Speculation profit (assumed as business income)			2,30,000	
Salary received as partner of firm is taxable in her hands since the entire salary was allowed as deduction in the hands of the firm			50,000	
			2,80,000	
Set-off of loss from textile business to the extent of			(2,80,000)	Nil
Note – Share of loss of ₹ 1,60,000 incurred by the firm in which she is partner cannot be set-off against salary received as partner of firm or any other income, since loss from an exempt source cannot be set-off against profit from a taxable source.				
Capital Gains				
Long-term capital gains on sale of equity shares computed in accordance with section 112A			8,95,000	
Less: Set-off of brought forward short-term capital loss as per section 744				
B/f Short-term capital loss on sale of gold		2,75,000		
B/f Short-term capital loss u/s 111A		25,000	3,00,000	
			5,95,000	
Less: Set-off of balance loss of textile business ⁵ [₹ 7,50,000 – ₹ 2,80,000 – ₹ 73000]			(3,97,000)	1,98,000

4 As per section 74, B/f short-term capital loss can be set-off against long-term capital gain taxable u/s 112A. It is assumed that the eight year period for set-off of losses has not expired. 5 Permitted as per section 71(2)

Particulars	₹	₹
Income from Other Sources		
Interest on fixed deposit	73,000	
Less: Set off balance loss of textile business to the extent of	(73,000)	
	Nil	
Lottery income (assumed as Gross Income)	75,000	75,000
Gross Total Income		41,93,000
Less: Deduction under Chapter VI-A		
Under section 80C		
Life insurance premium paid		
Life insurance premium paid to insure the life of her son allowable as deduction even if he is major, resides abroad and is not dependent on her	15,000	
Repayment of housing loan		
₹ 2,50,000, for house property in Delhi, not allowable since loan is taken from a friend	Nil	
₹ 50,000 for house property in Mumbai, allowable since loan is taken from a bank for purchase of property	50,000	
₹ 75,000, for house properties in Mumbai and Delhi, not allowable since loan is taken for repairs of properties	Nil	
		65,000



Total Income		41,28,000
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Loss to be carried forward to A.Y.2025-26:

Particulars	₹
Loss from house property (₹ 2,81,000 - ₹ 2,00,000) As per section 71(3A), loss from house property can be set-off against any other head of income to the extent of ₹ 2,00,000 only. As per section 71B, balance loss not set-off can be carried forward to the next year for set-off against income from house property of that year. Such loss can be carried forward for a maximum of eight assessment years.	81,000

EXAMINERS' COMMENTS ON THE PERFORMANCE OF EXAMINEES:

Some examinees have failed to set-off the balance loss of textile business (arrived at after inter-source set-off from other business income) against income from other sources and/or capital gains. Some examinees have wrongly allowed deduction 80C in respect of loan taken for repairs of house properties.

Question 24

Mr. Harsh furnishes the following details for the year ended on 31-03-2024:

PARTICULARS	AMOUNT (₹)
Salary received from partnership firm (the same was allowed to the firm)	8,50,000
Loss on sale of shares listed in stock exchange held for 18 months and the STT paid on the sale and acquisition	6,00,000
Long term capital gain on sale of land	5,00,000
Brought forward business loss of assessment year 2016-17	6,00,000
Loss of the specified business covered in Section 35AD	3,50,000
Loss from house property	2,50,000
Income from betting (gross)	50,000
Loss from card games	35,000

Compute the total income and show the item eligible for carry forward of Mr. Harsh for the assessment year 2024-25. (PYP 4 Marks May'22)

Answer 24

Computation of total income of Mr. Harsh for the A.Y.2024-25

Particulars	₹	₹
Profits and gains from business and profession		
Salary received from partnership firm (would be fully taxable in the hands of Mr. Harsh as business income, since the same was allowed to the firm as deduction)	8,50,000	
Less: Loss from house property ₹ 2,50,000 (can be set-off against income from any other head only to the extent of ₹ 2 lakh)	2,00,000	
	6,50,000	
Less: Set-off of brought forward business loss of A.Y. 2016-17 (since the eight year time period for set-off has not expired)	6,00,000	

Capital Gains		50,000
Long-term capital gain on sale of land	5,00,000	
Less: Set-off of long-term capital losses (since held for 18 months i.e., more than 12 months) on sale of STT paid listed shares [Such set-off is permissible since it is a loss from a source of income taxable u/s 112A]	5,00,000	-
Income from Other Sources		
Income from betting (gross) [No Loss can be set off against income from betting]		50,000
Loss of ₹ 35,000 from card games can neither be set-off nor be carried forward		-
Total Income		1,00,000
Losses to be carried forward to A.Y. 2025-26		₹
Loss from house property (₹ 2,50,000 – ₹ 2,00,000)		50,000
Loss from specified business covered u/s 35AD [Entire loss is to be carried forward, since there is no income from any specified business for A.Y.2022-23. Such loss has to be carried forward for set-off against income from any specified business in A.Y.2025-26]		3,50,000
Long-term capital loss on sale of listed shares (STT paid) [₹ 6,00,000 – ₹ 5,00,000]		1,00,000

Question 25

Compute the gross total income of Mr. Prakhar for A.Y. 2024-25 and the losses to be carried forward, from the information given below:

(i) Income from House Property (computed)	₹ 3,60,000
(ii) Short term capital loss on shares of a company	₹ (-) 18,700
(iii) Long term capital gain on sale of agricultural land	₹ 6,000
(iv) Income from rubber business (plants grown by Mr. Prakhar)	₹ 80,000
(v) Loss from garment business b/f discontinued in F.Y. 2019-20	₹ (-) 70,000
(vi) Loss from betting	₹ (-) 5,500
(vii) Income from lotteries (net)	₹ 5,460

(PYP 4 Marks Nov '22)

Answer 25
Computation of gross total income of Mr. Prakhar for the A.Y.2024 -25

Particulars	₹	₹
Income from house property (computed)		3,60,000
Profits and gains from business and profession		
Income from rubber business [35% of income from manufacture of rubber is business income [80,000 x 35%] and the balance 65% would be agricultural income	28,000	
Less: Brought forward loss of ₹ 70,000 from garment business set-off to the extent of ₹ 28,000, set-off is permissible even if the business is discontinued	28,000	Nil

Capital Gains		-
Long-term capital gain on sale of agricultural land (Exempt, assuming that the same is rural agricultural land)		
Income from Other Sources		7,800
Income from lotteries (₹ 5,460 x 100/70)		
[Note – Tax @30% has to be deducted on winnings from lotteries u/s 194B only if the amount of payment exceeds ₹ 10,000. However, in the question, winnings from lotteries is only ₹ 5,460 and the word “net” is given in the bracket. Since, the word “net” is written in the bracket in question, main solution is given based on the view that tax has been deducted on income from lotteries @30% and accordingly, the lottery income is grossed up. However, since no tax is deductible u/s 194B where lottery income does not exceed ₹ 10,000, the question can be answered without grossing up the lottery income of ₹ 5,460. In such a case, gross total income would be ₹ 3,65,460]		
Gross Total Income		3,67,800
Losses to be carried forward to A.Y.2025-26		₹
Loss from garment business pertaining to P.Y. 2019-20 (₹ 70,000 – ₹ 28,000)		42,000
Short term capital loss on shares of a company of A.Y. 2024-25		18,700
Loss of ₹ 5,500 from betting can neither be set-off nor be carried forward.		-

Note – In the question, long term capital gain on sale of agricultural land is given as ₹ 6,000. However, it is not mentioned as to whether the same is rural agricultural land or urban agricultural land. The main solution given above is based on the assumption that it is rural agricultural land. An alternate solution has been given below based on the assumption that it is urban agricultural land -

ALTERNATE SOLUTION

Computation of gross total income of Mr. Prakhar for the A.Y.2024 -25

Particulars	₹	₹
Income from house property (computed)		3,60,000
Profits and gains from business and profession		
Income from rubber business [35% of income from manufacture of rubber is business income [80,000 x 35%] and the balance 65% would be agricultural income	28,000	
Less: Brought forward loss of ₹ 70,000 from garment business set-off to the extent of ₹ 28,000, set-off is permissible even if the business is discontinued	28,000	Nil
Capital Gains		
Long-term capital gain on sale of agricultural land, assuming that the same is urban agricultural land.	6,000	
Less: Set-off of Short-term capital loss of ₹ 18,700 against long-term capital gains to the extent of ₹ 6,000 by virtue of section 74(1)	6,000	Nil
Income from Other Sources		
Income from lotteries (₹ 5,460 x 100/70)		7,800
[Note – Tax @30% has to be deducted on winnings from lotteries u/s 194B only if the amount of payment exceeds ₹ 10,000. However, in the		

question, winnings from lotteries is only ₹ 5,460 and the word “net” is given in the bracket. Since, the word “net” is written in the bracket in question, main solution is given based on the view that tax has been deducted on income from lotteries @30% and accordingly, the lottery income is grossed up. However, since no tax is deductible u/s 194B where lottery income does not exceed ₹ 10,000, the question can be answered without grossing up the lottery income of ₹ 5,460. In such a case, gross total income would be ₹ 3,65,460]		
Gross Total Income		3,67,800
Losses to be carried forward to A.Y. 2025-26		₹
Loss from garment business pertaining to P.Y. 2021-22 (₹ 70,000 – ₹ 28,000)		42,000
Short term capital loss on shares of a company of A.Y. 2024-25 (₹ 18,700 – ₹ 6,000)		12,700
Loss of ₹ 5,500 from betting can neither be set-off nor be carried forward.		-

Question 11

Compute the total income of Mr. Sahil for the assessment year 2024-25 from the following particulars:

Particulars		Amount (Rs.)
Income from business before adjusting the following items:		2,50,000
(a)	Business loss brought forward from assessment year 2020-21	85,000
(b)	Current year depreciation	30,000
(c)	Unabsorbed depreciation of earlier year	2,00,000
Income from house property (Gross Annual Value)		5,10,000
Municipal taxes paid		50,000
Mr. Sahil sold a plot at Noida on 12th September, 2023 for a consideration of Rs.7,90,000, which had been purchased by him on 20th December,2021 at a cost of Rs.6,10,000		
Long-term capital loss on sale of shares sold through recognized stock exchange (STT paid at acquisition and sale)		90,000
Long-term capital gain on sale of debentures		1,35,000
Dividend on shares held as stock in trade		25,000
Dividend from a company carrying on agricultural business		15,000

(MTP 7 Marks, March'19)

Answer 11

Computation of total income of Mr. Sahil for the A.Y. 2024-25

	Particulars	Rs.	Rs.
I.	Income from house property		
	Gross Annual Value	5,10,000	
	Less: Municipal taxes paid	50,000	
	Net Annual Value (NAV)	4,60,000	
	Less: Deductions under section 24		
	30% of NAV	1,38,000	
	Interest on housing loan	-	3,22,000
II	Income from business		
		2,50,000	
	Less : Current year depreciation under section 32(1)	30,000	
	Less: Set-off of brought forward business loss of A.Y. 2020-21 under section 72	2,20,000	
		85,000	

		1,35,000	
	Less: Unabsorbed depreciation set-off [See Note 3]	1,35,000	Nil
III.	Capital gains		
	Long-term capital gain on sale of debentures	1,35,000	
	: Long-term capital loss on sale of shares (STT is paid at acquisition and sale) [See Note 1]	90,000	
		45,000	
	Less: Unabsorbed depreciation set-off [See Note 3]	45,000	Nil
	Short term capital gain on sale of land [See Note 2]	1,80,000	
	Less: Unabsorbed depreciation set-off [See Note 3]	20,000	1,60,000
IV.	Income from other sources		
	Dividend on shares (whether held as stock-in-trade or from a company carrying on agricultural operations) — exempt under section 10(34) (As per amendment it is taxable)		Nil 40,000
	Total income		5,12,000

Notes:

- Long-term capital loss on sale of listed equity shares through a recognized stock exchange on which STT is paid at the time of acquisition and sale of such shares can be set-off against long-term capital gains on sale of debentures applying the provisions of section 70(3).
- Since land is held for a period of less than 24 months, the gain of Rs.1,80,000 arising from sale of such land is a short-term capital gain.
- Brought forward unabsorbed depreciation can be adjusted against any head of income. However, it is more beneficial to set-off unabsorbed depreciation first against long-term capital gains, since it is taxable at a higher rate of 20% (the other income of the assessee falling in the 5% slab rate). Therefore, unabsorbed depreciation is first set-off against long-term capital gains to the extent of Rs.45,000. The remaining unabsorbed depreciation is adjusted against business income to the extent of Rs.1,35,000 and the balance of Rs.20,000 is adjusted against short-term capital gains.

In the alternative, the balance of Rs.20,000 may also be set-off against income from house property, in which case, the net income from house property would be Rs.3,02,000 and short-term capital gains would be Rs.1,80,000. The gross total income and total income would, however, remain unchanged.

MULTIPLE CHOICE QUESTIONS (MCQS)

- X Ltd. files its return of loss for the A.Y. 2024-25 on 01.12.2024. The following data is taken from return submitted by the company:

Business Loss for P.Y. 2023-24 (before depreciation)	₹1,70,000
Depreciation	₹30,000
Short term capital loss	₹45,000
Long term capital gain	₹10,000
Income from other sources	₹23,000
Unabsorbed depreciation pertaining to A.Y. 2022-23 and A.Y. 2023-24 which has been determined in pursuance of return filed	₹75,000

Compute the amount of loss that can be carried forward by X Ltd.

- ₹1,05,000
- ₹ 30,000
- ₹2,87,000
- Nil (MTP 2Marks, Oct'19)

Ans : (a)

operations on 19.10.2023 and 30.09.2023, respectively. The cloth business loss upto 19.10.2023 for P.Y. 2023-24 was ₹ 8,000 and speculative business loss upto 30.09.2023 for P.Y. 2023-24 was ₹ 40,000. Out of total bad debts of ₹ 1,00,000 that were claimed by Mr. Kumar in respect of a particular debtor of cloth business, ₹ 60,000 was allowed by the Assessing Officer in P.Y. 2022-23. On 29.01.2024, Mr. Kumar received a sum of ₹ 68,000 from the debtor in full and final settlement. How much amount would be taxable in the hands of Mr. Kumar for A.Y. 2024-25?

- (a) ₹ 28,000
- (b) ₹ 20,000
- (c) ₹ 60,000
- (d) ₹ 68,000 (MTP 2 Marks March 22)

Ans : (b)

3. Mr. Ravi incurred loss of ₹ 4 lakh in the P.Y.2023-24 in leather business. Against which of the following incomes earned during the same year, can he set-off such loss?

- (i) Profit of ₹ 1 lakh from apparel business
- (ii) Long-term capital gains of ₹ 2 lakhs on sale of jewellery
- (iii) Salary income of ₹ 1 lakh

Choose the correct answer:

- (a) First from (ii) and thereafter from (i); the remaining loss has to be carried forward.
- (b) First from (i) and thereafter from (ii) and (iii)
- (c) First from (i) and thereafter from (iii); the remaining loss has to be carried forward First from (i) and thereafter from (ii); the remaining loss has to be carried forward (MTP 2 Marks April '23)

Ans: (d)

4. During the A.Y. 2024-25, Mr. Kabir has a loss of ₹ 6 lakhs under the head "Income from house property", loss of ₹ 5 lakhs from business of profession and income of ₹ 3 lakhs from long term capital gains. He filed his return of income for the A.Y. 2024-25 on 31.12.2024. Determine the total income of Mr. Kabir for A.Y. 2024-25 and the amount of loss which can be carried forward in a manner most beneficial to him?

- (a) Total income Nil; loss of ₹ 4,00,000 from house property and loss of ₹ 4,00,000 from business or profession
- (b) Total income ₹ 1,00,000; loss of ₹ 4,00,000 from house property.
- (c) Total income Nil; No loss is allowed to be carried forward.
- (d) Total income Nil; loss of ₹ 6,00,000 from house property. (MTP 2 Marks, March'21)

Ans: (d)

5. During the A.Y.2023-24, Mr. A has a loss of ₹ 8 lakhs under the head "Income from house property" which could not be set off against any other head of income as per the provisions of section 71. The due date for filing return of income u/s 139(1) in case of Mr. A has already expired and Mr. A forgot to file his return of income within the said due date. However, Mr. A filed his belated return of income for A.Y.2023-24. Now, while filing return of income for A.Y.2024-25, Mr. A wishes to set off the said loss against income from house property for the P.Y. 2023-24. Determine whether Mr. A can claim the said set off.

- (a) No, Mr. A cannot claim set off of loss of ₹ 8 lakhs during A.Y. 2024-25 as he failed to file his return of income u/s 139(1) for A.Y. 2023-24.
- (b) Yes, Mr. A can claim set off of loss of ₹ 2 lakhs, out of ₹ 8 lakhs, from his income from house property during A.Y. 2024-25, if any, and the balance has to be carried forward to A.Y.2025 -26.
- (c) Yes, Mr. A can claim set off of loss of ₹ 2 lakhs, out of ₹ 8 lakhs, from his income from any head

during A.Y. 2024-25 and the balance has to be carried forward to A.Y.2025 -26.

- (d) Yes, Mr. A can claim set off of loss of ₹ 8 lakhs during A.Y. 2024-25 from his income from house property, if any, and the balance has to be carried forward to A.Y.2025 -26. **(MTP MTP 2 Marks, Oct '23)**

Ans: (d)

6. Mr. Rajan incurred loss of ₹ 5.3 lakh in the P.Y.2023-24 in toy business. Against which of the following income earned during the same year, can he set-off such loss?

- (a) profit of ₹ 2 lakh from wholesale cloth business
- (b) speculative business income of ₹ 80,000
- (c) long-term capital gains of ₹ 1.20 lakhs on sale of land
- (d) All of the above **(RTP May '19)**

Ans: The Answer is (d)

(Includes concepts of Computation of Gross Total Income & Tax payable)

7. The details of income/loss of Mr. Kumar for A.Y. 2024-25 are as follows:

Particulars	Amt. (in ₹)
Income from Salary (Computed)	5,20,000
Loss from self-occupied house property	95,000
Loss from let-out house property	2,25,000
Loss from specified business u/s 35AD	2,80,000
Loss from medical business	1,20,000
Long term capital gain	1,60,000
Income from other sources	80,000

Compute gross total income of Mr. Kumar for A.Y. 2024-25:

- (a) ₹ 4,40,000
- (b) ₹ 3,20,000
- (c) ₹ 1,60,000
- (d) ₹ 4,80,000 **(RTP May '20)**

Ans : The Answer is (a)

8. Mr. Arpan (aged 35 years) submits the following particulars for the purpose of computing his total income:

Particulars	₹
Income from salary (computed)	4,00,000
Loss from let-out house property	(-) 2,20,000
Brought forward loss from let-out house property for the A.Y. 2020-21	(-)2,30,000
Business loss	(-)1,00,000
Bank interest (FD) received	80,000

Compute the total income of Mr. Arpan for the A.Y.2024-25 and the amount of loss that can be carried

forward for the subsequent assessment year?



- (a) Total income ₹ 2,00,000 and loss from house property of ₹ 2,50,000 and business loss of ₹ 20,000 to be carried forward to subsequent assessment year.
- (b) Total income ₹ 80,000 and loss from house property of ₹ 2,30,000 to be carried forward to subsequent assessment year.
- (c) Total income ₹ 1,80,000 and loss from house property of ₹ 2,30,000 and business loss of ₹ 20,000 to be carried forward to subsequent assessment year.
- (d) Total income is Nil and loss from house property of ₹ 70,000 to be carried forward to subsequent assessment year. **(RTP May '21, MTP 2 Marks, Sep '23)**

Ans : The Answer is (a)



VIVITSU
STRIVING TOWARDS KNOWLEDGE



Chapter 6 Deductions from Gross Total Income

Question 1

The Gross Total Income of Mr. Bharadwaj, a resident, for the year ended 31-03-2024 is ₹ 15 lakhs. Examine the allowability of the deduction to Mr. Bharadwaj from the following information.

- (i) He has contributed ₹ 2 lakh towards Clean Ganga Fund set up by the Central Government
- (ii) He has incurred medical expenditure of ₹ 50,000 towards surgery for his grandmother who is 85 years of age. (No Premium is paid to keep in force an insurance on her health). (MTP 3 Marks, Aug'18)

Answer 1

Allowable deduction to Mr. Bhardwaj from Gross Total Income

- (i) **Contribution towards Clean Ganga Fund set up by the Central Government:** Whole of the contribution i.e., ₹ 2 lakhs towards Clean Ganga Fund, set up by the Central Government, is allowable as deduction under section 80G to Mr. Bharadwaj, since he is a resident of India.
- (ii) **Medical Expenditure of ₹ 50,000 towards surgery of his grandmother:** Deduction is allowable under section 80D, in respect of medical expenditure incurred by an assessee for himself or any member of the family or parents, if any of such person(s) is of the age of 80 years or more and no payment has been made to keep in force an insurance on the health of such person(s).

In the present case, no deduction is allowable to Mr. Bharadwaj, since he incurred medical expenditure towards surgery of his grandmother, who does not fall within the definition of "family" under section 80D. Apart from family, deduction is only allowable in respect of premium paid for parents, and not grandparents.

Question 2 (Includes concepts of Income from House Property)

In August 2021, Mr. Kunal, a first-time home buyer, borrowed a sum of ₹ 40 lakhs from the National Housing Bank for acquisition of a residential house for self-occupation. The stamp duty value of the house is ₹ 43 lakhs. The loan was sanctioned on 17.6.2023. The loan amount was disbursed directly to the builder by the bank. The repayments made towards principal and interest during the P.Y. 2023-24 was ₹ 2 lakhs and ₹ 2.80 lakhs, respectively.

In the light of the above facts, determine the deduction, if any, available to Mr. Kunal during the A.Y. 2024-25 in respect of the repayment of loan and interest. (MTP 4 Marks March 22)

Answer 2

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. 2024-25, 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. 2024-25.

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.
- (iv) The individual should not be eligible to claim deduction u/s 80EE

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.

(This deduction is only available if individual exercises the option to shift out of the default tax regime)

Question 3

Compute the deduction available to Mr. Dhyanchand under Chapter VI-A for A.Y.2024-25. Mr. Dhyanchand, aged 65 years, is working with ABC Ltd. His income comprises of salary of ₹ 18,50,000 and interest on fixed deposits of ₹ 75,000. He submits the following particulars of investments and payments made by him during the previous year 2023-24:

- Deposit of ₹ 1,50,000 in public provident fund
- Payment of life insurance premium of ₹ 62,000 on the policy taken on 01.4.2017 to insure his life (Sum assured – ₹ 4,00,000).
- Deposit of ₹ 45,000 in a five year term deposit with bank.
- Contributed ₹ 2,10,000, being 15% of his salary (basic salary plus dearness allowance, which forms part of retirement benefits) to the NPS of the Central Government. A matching contribution was made by ABC Ltd.
- On 1.4.2023, mediclaim premium of ₹ 1,08,000 and ₹ 80,000 paid as lumpsum to insure his and his wife (aged 58 years) health, respectively for four years
- Incurred ₹ 46,000 towards medical expenditure of his father, aged 85 years, not dependent on him. No insurance policy taken for his father.
- He spent ₹ 6,000 for the preventive health-check up of his wife.
- He has incurred an expenditure of ₹ 90,000 for the medical treatment of his mother, being a person with severe disability. (MTP 7 Marks, Mar 21, RTP May '19)

Answer 3

Deduction available to Mr. Dhyanchand under Chapter VI-A for A.Y.2024-25

Section	Particulars	₹	₹
80C	Deposit in public provident fund	1,50,000	
	Life insurance premium paid ₹ 62,000 (deduction restricted to ₹ 40,000, being 10% of ₹ 4,00,000, which is the sum assured, since the policy was taken on or after 01.04.2012)	40,000	
	Five year term deposit with bank	45,000	
		2,35,000	
	Restricted to		1,50,000

80CCD(1)	Contribution to NPS of the Central Government, ₹ 1,60,000 [₹ 2,10,000 – ₹ 50,000, being deduction under section 80CCD(1B)], restricted to 10% of salary [₹ 2,10,000 x 10/15] [See Note 1]		
			1,40,000
			2,90,000
80CCE	Aggregate deduction under section 80C and 80CCD(1), ₹ 2,90,000, but restricted to		1,50,000
80CCD(1B)	₹ 50,000 would be eligible for deduction in respect of contribution to NPS of the Central Government		50,000
80CCD(2)	Employer contribution to NPS, restricted to 10% of salary [See Note 2]		1,40,000
80D	(i) (a) Medical insurance premium for self and his wife, deduction would be equal to ₹ 47,000 (₹ 27,000 + ₹ 20,000), being 1/4 th of lumpsum premium, since policies would be in force for four previous years	47,000	
	(b) Preventive health check up ₹ 6,000 for wife restricted to ₹ 3,000 (₹ 50,000 - ₹ 47,000, since maximum allowable deduction is ₹ 50,000 in case assessee or one of the family member is senior citizen)		
			<u>3,000</u>
			50,000
	(ii) Medical Expenditure for his father would be fully allowed as deduction, since no insurance policy is taken on his name		
			46,000
	Total of (i) and (ii)		96,000
80DD	Deduction of ₹ 1,25,000 in respect of expenditure on medical treatment of his mother, being a person with severe disability would be allowed irrespective of the fact that amount of expenditure incurred is ₹ 90,000		1,25,000
80TTB	Interest on fixed deposits with bank of ₹ 75,000, deduction restricted to		50,000
	Deduction under Chapter VI-A		6,11,000

Notes:

- (1) The deduction under section 80CCD(1B) would not be subject to overall limit of ₹ 1.50 lakh under section 80CCE. Therefore, it is more beneficial for Mr. Dhyanchand to claim deduction under section 80CCD(1B) first in respect of contribution to NPS. Thereafter, the remaining amount of ₹ 1,60,000 can be claimed as deduction under section 80CCD(1), subject to a maximum limit of 10% of salary i.e. ₹ 1,40,000.
- (2) The entire employer's contribution to notified pension scheme has to be first included under the head "Salaries" while computing gross total income and thereafter, deduction under section 80CCD(2) would be allowed, subject to a maximum of 10% of salary. Deduction under section 80CCD(2) is also not subject to the overall limit of ₹ 1,50,000 under section 80CCE.

Question 4

Mr. Rajkumar, a proprietor has set up a unit in Special Economic Zone (SEZ) and other unit at Domestic Tariff Area (DTA). He provides the following details for the previous year 2023-24.

Particulars	Rajkumar Proprietorship (₹)	Unit in DTA (₹)
Total Sales	7,50,00,000	3,00,00,000



Export Sales	4,50,00,000	1,50,00,000
Net Profit	90,00,000	15,00,000

Compute the quantum of eligible deduction under section 10AA of the Income-tax Act, 1961, for the Assessment Year 2024-25, in the following situations:

- (i) If both the units were set up and start manufacturing from 20-07-2015.
- (ii) If both the units were set up and start manufacturing from 04-10-2020. (MTP 5 Marks, March'18, Old SM)

Answer 4

Computation of deduction under section 10AA of the Income-tax Act, 1961

As per section 10AA, in computing the total income of Mr. Rajkumar from his unit located in a Special Economic Zone (SEZ), which begins to manufacture or produce articles or things or provide any services during the previous year relevant to the assessment year commencing on or after 01.04.2006 but before 1st April 2021, there shall be allowed a deduction of 100% of the profit and gains derived from export of such articles or things or from services for a period of first five consecutive assessment years beginning with the assessment year relevant to the previous year in which the undertaking begins to manufacture or produce such articles or things or provide services, as the case may be, and 50% of such profits for further five assessment years subject to fulfillment of other conditions specified in section 10AA.

Computation of eligible deduction under section 10AA [See Working Note below]:

- (i) **If unit in SEZ was set up and began manufacturing from 20-07-2015:**

Since A.Y. 2024-25 is the 9th assessment year from A.Y. 2016-17, relevant to the previous year 2015-16, in which the SEZ unit began manufacturing of articles or things, he shall be eligible for deduction of 50% of the profits derived from export of such articles or things, assuming all the other conditions specified in section 10AA are fulfilled.

$$= \text{Profits of Unit in SEZ} \times \frac{\text{Export turnover of Unit in SEZ}}{\text{Total turnover of Unit in SEZ}} \times 50\%$$

$$= 75 \text{ lakhs} \times \frac{300 \text{ lakhs}}{450 \text{ lakh}} \times 50\% = \text{₹Rs}25 \text{ lakhs}$$

- (ii) **If Unit in SEZ was set up and began manufacturing from 04-10-2020:**

Since A.Y.2024-25 is the 4th assessment year from A.Y. 2021-22, relevant to the previous year 2020-21, in which the SEZ unit began manufacturing of articles or things, he shall be eligible for deduction of 100% of the profits derived from export of such articles or things, assuming all the other conditions specified in section 10AA are fulfilled.

$$= \text{Profits of Unit in SEZ} \times \frac{\text{Export turnover of Unit in SEZ}}{\text{Total turnover of Unit in SEZ}}$$

$$= 75 \text{ lakhs} \times \frac{300 \text{ lakhs}}{450 \text{ lakh}} \times 100\% = \text{Rs}50 \text{ lakhs}$$

The unit set up in Domestic Tariff Area is not eligible for the benefit of deduction under section 10AA in respect of its export profits, in both the situations.

Working Note:

Computation of total sales, export sales and net profit of unit in SEZ

Particulars	Rajkumar Proprietorship (₹Rs)	Unit in DTA (₹Rs)	Unit in SEZ (Rs.)
Total Sales	7,50,00,000	3,00,00,000	4,50,00,000
Export Sales	4,50,00,000	1,50,00,000	3,00,00,000

Net Profit	90,00,000	15,00,000	75,00,000
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Question 5

Mr. Raju furnishes the following particulars for the previous year 2023-24 in respect of an industrial undertaking established in "Special Economic Zone" in March 2016. It began manufacturing in April 2016.

Particulars	(₹)
Total sales	1,70,00,000
Export sales [proceeds received in India]	90,00,000
Domestic sales	80,00,000
Profit from the above undertaking	40,00,000

Export Sales of F.Y. of 2023-24 include freight and insurance of ₹ 10 lakhs for delivery of goods outside India. Compute the amount of deduction available to Mr. Raju under section 10AA for A.Y. 2024-25. (MTP 4 Marks (Oct'22, RTP Nov '19 & Nov '21))

Answer 5
Computation of deduction under section 10AA for A.Y. 2024-25

Since year A.Y. 2024-25 is the 8th assessment year 2017-18 relevant to the previous year 2016-17, in which the SEZ unit began manufacturing of articles or things, it shall be eligible for deduction of 50% of the profit derived from export of such articles or things, assuming all the other conditions specified in section 10AA are fulfilled

$$\begin{aligned}
 &= \text{Profits of Unit in SEZ} \times \frac{\text{Export turnover of Unit in SEZ}}{\text{Total turnover of Unit in SEZ}} \times 50\% \\
 &= 40,00,000 \times \frac{80,00,000}{1,60,00,000} \times 50\% = ₹ 10,00,000
 \end{aligned}$$

Working Note:

	₹
Export Turnover	
Sale proceeds received in India	90,00,000
Less: Freight and insurance for delivery of goods outside India to be excluded from export turnover	10,00,000
	80,00,000
Total turnover	1,70,00,000
Less: Freight and insurance not includible [Since freight and insurance has been excluded from export turnover, the same has to be excluded from total turnover also].	10,00,000
	1,60,00,000

Question 6

Mr. Anay manufactures toys in a factory located in Noida. His profit from the manufacture of toys for Assessment year 2024-25 is ₹ 1.85 crore and total turnover is ₹ 18.70 crore.

On 1st April 2023, there were 100 employees engaged in his factory. Due to increase in demand of his products, he employed 140 additional employees during the previous year 2023-24 comprises of:

- 15 casual employees employed on 15th April 2023 till 31st January 2024 on monthly emolument of ₹ 22,000 per month
- 40 regular employees employed on 1st May, 2023 on monthly emolument of ₹ 22,000 per month
- 25 contractual employees employed on 1st July 2023 for 2 years on monthly emolument of ₹ 15,000 per month
- 35 regular employees employed on 1st August, 2023 on monthly emolument of ₹ 30,000 per month

- (e) **25 regular employees employed on 1st October, 2023 on monthly emolument of ₹ 22,000 per month**

Compute the deduction under Section 80JJAA, if available to Mr. Anay for Assessment year 2024-25, assuming that monthly emoluments were paid by use of ECS. The regular and contractual employees participate in the recognised provident fund while casual employees do not.

Would your answer be different if Mr. Anay is engaged in the manufacture of apparel? Examine.

[Note - Ignore the amount of deduction available under section 80JJAA to Mr. Anay, for the employees employed in preceding previous years, while computing the deduction under 80JJAA for the assessment year 2024-25] (RTP Nov '18)

Answer 6

Computation of deduction under section 80JJAA
Mr. Anay is eligible for deduction under section 80JJAA since he is subject to tax audit under section 44AB for A.Y.2018-19, as his total turnover from business exceeds ₹ 1 crore and he has employed "additional employees" during the P.Y.2017 -18.
Additional employee cost = [₹ 22,000 × 40 new regular employees × 11 months] + [₹ 15,000 per month × 9 months × 25 new contractual employees] = ₹ 96,80,000 + ₹ 33,75,000 = ₹ 1,30,55,000
Deduction under section 80JJAA = 30% of ₹ 1,30,55,000 = ₹ 39,16,500.

Working Note: Number of Additional employees employed during the P.Y.2023 -24

Particulars		No. of additional employees	
Total number of additional employees employed during the year			140
Less:	Casual workmen employed on 15th April 2023, who do not participate in the recognised provident fund	15	
	Regular employees employed on 1st August 2023, since their total monthly emoluments exceed ₹ 25,000	35	
	Regular employees employed on 1st October 2023, for a period of less than 240 days during the P.Y.2023-24	25	75
	Total number of additional employees employed during the P.Y.2023-24		65

Yes, the answer would be different, if Mr. Anay is engaged in the business of manufacture of apparel. Since the number of days of employment in a year has been relaxed from 240 days to 150 days in case of apparel industry, wages paid to regular employees employed on 1.10.2023 would also qualify for deduction under section 80JJAA for A.Y. 2024-25.

Additional employee cost = ₹ 1,30,55,000 + ₹ 33,00,000 (₹ 22,000 × 6 × 25)
= ₹ 1,63,55,000

Deduction under section 80JJAA = 30% of ₹ 1,63,55,000 = ₹ 49,06,500

Question 7

Mr. Arihant, a resident individual aged 40 years, has Gross Total Income of ₹ 7,50,000 comprising of income from Salary and income from house property for the assessment year 2024-25. He provides the following information:

Paid ₹ 70,000 towards premium for life insurance policy of his handicapped son (section 80U disability). Sum assured ₹ 4,00,000; and date of issue of policy 1-8-2017.

Deposited ₹ 90,000 in tax saver deposit in the name of his major son in Punjab National Bank of India.

Paid ₹ 78,000 towards medical insurance for the term of 3 years as a lumpsum payment for himself and his spouse. Also, incurred ₹ 54,000 on medical expenditure of his father, a resident aged 68 years. No

medical insurance policy is taken in the name of his father. His father earned ₹ 4,50,000 interest from fixed deposit.

Contributed ₹ 25,000 to The Clean Ganga Fund, set up by the Central Government. Compute the Total Income and deduction under Chapter VI-A for the Assessment year 2024-25.(RTP May '20)

Answer 7

Computation of Total Income of Mr. Arihant for A.Y. 2024-25

Particulars	₹	₹	₹
Gross Total Income	60,000		7,50,000
Less: Deduction under Chapter VI-A			
Under section 80C			
- Life insurance premium of ₹ 70,000 (restricted to ₹ 60,000 i.e., 15% of ₹ 4,00,000, being the sum assured, since the policy has been taken on or after 01.04.2013, in respect of his handicapped son suffering from disability u/s 80U)	Nil		1,60,000
- Tax saver deposit of ₹ 90,000 in the name of his major son does not qualify for deduction under section 80C, since such deposit has to be made in the name of the assessee himself to qualify for deduction u/s 80C		60,000	
Under section 80D			
- Medical insurance premium for self and his wife, pertaining to the previous year 2023-24 is ₹ 26,000, being 1/3rd of ₹ 78,000, the lumpsum premium, since the policy would be in force for three previous years. The said deduction would be restricted to	25,000		
- Deduction in respect of medical expenditure of ₹ 54,000 for his father, being a senior citizen would be allowable, since no insurance policy is taken in his name, to the extent of	50,000	75,000	
Under section 80G			
- Contribution by a resident towards the Clean Ganga Fund, set up by the Central Government would be eligible for 100% deduction without any qualifying limit.		25,000	
Total Income			5,90,000

Question 8 (Also includes concepts from Chapter 4.2 Income from House Property)

In August 2022, Mr. Kailash, a first-time home buyer, borrowed a sum of ₹ 35 lakhs from the National Housing Bank for construction of a residential house for ₹ 48 lakhs. The loan was sanctioned on 12.5.2022. The loan amount was disbursed directly to the flat promoter by the bank. The construction was completed in May, 2024 and repayments towards principal and interest commenced immediately after disbursement of loan. In the light of the above facts, examine:

- (i) Whether Mr. Kailash can claim deduction under section 24 in respect of interest for the A.Y. 2024-25?
- (ii) Whether deduction under Section 80C and 80EE can be claimed by him for the A.Y. 2024-25?(RTP May '18)

Answer 8

- (i) 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. Interest payable on borrowed capital for the period prior to the previous year in which the property has been acquired or constructed, can



be claimed as deduction over a period of 5 years in equal annual installments commencing from the year of acquisition or completion of construction. It is stated that the construction is completed only in May, 2024. Hence, deduction under section 24 in respect of interest on housing loan cannot be claimed in the assessment year 2024-25.

(ii) Deduction under section 80C cannot be claimed

Clause (xviii) of 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.

However, deduction is prima facie eligible only if the income from such property is chargeable to tax under the head "Income from House Property". During the assessment year 2024-25, there is no such income chargeable under this head. Hence, deduction under section 80C cannot be claimed for A.Y. 2024-25.

Deduction under section 80EE can be claimed

As per section 80EE, 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 ₹ 50,000, provided following conditions are satisfied –

- (i) Such loan is sanctioned during the P.Y. 2016-17
- (ii) The value of the house does not exceed ₹ 50 lakhs
- (iii) The amount of loan sanctioned does not exceed ₹ 35 lakhs and
- (iv) the assessee does not own any residential house on the date of sanction of loan

Section 80EE does not pose any restriction regarding the chargeability of the income from such property under the head "Income from House Property. Therefore, in this case, since Mr. Kailash does not satisfy the first condition stipulated under section 80EE, interest on such loan would not qualify for deduction under section 80EE, subject to a maximum of ₹ 50,000.

Question 9

Mr. Jain, a resident individual, aged 40 years, suffers from severe disability as certified by medical authority. He gives the following information for the previous year 2023-24 -

- (i) He has paid life insurance premium by cheque ₹ 27,000 to insure his life. The insurance policy was taken on 27.8.2018 and the sum assured is ₹ 2,20,000.
- (ii) He had written a literary book for Rochak Publication. A lump sum amount of royalty income earned in the previous year 2022-23 amounted to ₹ 9,00,000. Expenses incurred for writing the book amounted to ₹ 40,000.
- (iii) His friends gifted a statue of Goddess Saraswati to his daughter Ms. Diya (aged 14 years) on the successful completion of her secondary school. Fair market value of the statue is ₹ 65,000.
- (iv) He received a gold chain worth ₹ 68,000 from his in-laws on the occasion of his marriage anniversary
- (v) He had deposited ₹ 70,000 in fixed deposit with SBI in the name of his minor son in September 2023. Interest earned on such deposit ₹ 5,500.
- (vi) He donated ₹ 5,000 in cash to a NGO (the NGO was registered under section 80G of the Income-tax Act, 1961).
- (vii) He had taken a loan of ₹ 38,00,000 for the purchase of a house property valuing ₹ 45,00,000 for self-occupation from a financial institution on 1st May 2021. He repaid ₹ 1,80,000 during the P.Y. 2023-24 out of which ₹ 1,05,000 is towards principal payment and the balance is for interest on loan.

Compute the total income of Mr. Jain for the A.Y. 2024-25 if he does not opt for the provisions of section

115BAC. (RTP Nov '23)
Answer 9
Computation of total income of Mr. Jain for the A.Y.2024-25

Particulars	₹	₹
Income from house property		(75,000)
NAV	Nil	
Less: Interest on loan	75,000	
Income from Other Sources		(75,000)
Royalty	9,00,000	
Less: Expenses incurred for writing book	40,000	8,60,000
Value of statue of Goddess Saraswati	65,000	
[The fair market value of the statue (sculpture) received by his minor daughter as gift (not on account of her skill) from his friends would be taxable, since its value exceeds ₹ 50,000. It would be included in the hands of Mr. Jain, assuming his income before considering clubbing provisions is higher than his wife].	1,500	
Less: Exemption under section 10(32)		63,500
Value of Gold Chain [The Fair market value of ₹ 68,000 of gold chain received on occasion of his marriage anniversary would be exempt, since it is received from a relative.]		-
Interest on fixed deposit in the name of his son [It would be included in the hands of Mr. Jain, assuming his income before considering clubbing provisions is higher than his wife]	5,500	
Less: Exemption under section 10(32)	1,500	4,000
Gross Total Income		8,52,500
Less: Deduction under Chapter VI-A		
Deduction under section 80C		
Life insurance premium [Since Mr. Jain suffers from severe disability, premium upto 15% of the sum assured ₹ 2,20,000 would be allowed, as the policy is taken after 31.3.2012]	27,000	
Repayment of principal amount for housing loan	1,05,000	1,32,000
Deduction under section 80G		
Donation to an NGO registered under section 80G [Not allowable since the donation is made in cash of a sum exceeding ₹ 2,000]		-
Deduction under section 80QQB		
Royalty income of a resident from literary book		3,00,000
Deduction under section 80U [Since Mr. Jain suffers from severe disability]		1,25,000
Total income		2,95,500

Question 10

Mr. Ray, a resident individual, aged 37 years gives the following information with respect to various loans taken by him from scheduled banks for various purposes-

(i) A housing loan of ₹ 36,00,000/- taken on 15th March, 2023 for the purchase of a house to be used for self-residence at a cost of ₹ 47,00,000/-. The stamp duty value of the house was ₹ 42,00,000/- at the time of purchase. Amount of re-payment of loan during P.Y.2023-24 was:

(A) towards principal - ₹ 1,25,000/-

(B) towards interest - ₹ 3,65,000/-

This is the first and only residential house owned by Mr. Ray.

(ii) A vehicle loan of ₹ 16,00,000/- taken on 31st October, 2021 for the purchase of electric vehicle for personal use. Amount of re-payment of loan during P.Y.2023-24 was:

(A) towards principal - ₹ 75,000/-

(B) towards interest - ₹ 1,90,000/-

Besides these loans, he has also paid a sum of ₹ 15,000 to a political party as contribution. The entire amount was paid in cash.

You are required to compute the amount of deduction(s) available to Mr. Ray under various provisions of Income-tax Act for A.Y.2024-25 so that he gets the maximum benefits assuming that he does not opt to pay tax under section 115BAC. (PYP 4 Marks May '23)

Answer 10
Computation of amount of deductions available to Mr. Ray for A.Y. 2024-25

		Amount (₹)	
(i)	Deduction allowable while computing income under the head "Income from house property" Deduction under section 24(b) for interest on loan of ₹ 3,65,000 in respect of self-occupied property restricted to		2,00,000
(ii)	Deduction under Chapter VI-A from Gross Total Income Deduction under section 80C For repayment of loan of ₹ 1,25,000 to bank	1,25,000	
	Deduction under section 80EEA Since stamp duty value does not exceed ₹ 45 lakhs and Mr. Ray does not own any residential house, he is eligible for deduction of upto ₹ 1,50,000 in respect of such interest on loan since loan is sanctioned between 1.4.2019 and 31.3.2022. ₹ 3,65,000 – ₹ 2,00,000 [claimed as deduction u/s 24(b)] = ₹ 1,65,000 restricted to ₹ 1,50,000, being the maximum permissible deduction	1,50,000	
	Deduction under section 80EEB Deduction for interest on loan for purchase of electric vehicle of ₹ 1,90,000 restricted to ₹ 1,50,000, being the maximum permissible deduction, since loan is sanctioned between 1.4.2019 and 31.3.2023. No deduction in respect of principal repayment of loan for purchase of electric vehicle is allowable	1,50,000	
	Deduction under section 80GGC	Nil	

Contribution of ₹ 15,000 to political party not allowable since the sum is paid in cash Deduction under Chapter VI-A from Gross Total Income		4,25,000
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Question 11

Mr. Xavier, an Indian resident individual, set up a unit in Special Economic Zone (SEZ) in the financial year 2018-19 for production of Mobile Phones. The unit fulfills all the conditions of section 10AA of the Income-tax Act, 1961. During the financial year 2022-23, he has also set up a warehousing facility in a district of Tamil Nadu for storage of agricultural produce. It fulfills all the conditions of section 35AD. Capital expenditure in respect of warehouse amounted to ₹ 93 lakhs (including cost of land ₹ 13 lakhs). The warehouse became operational with effect from 1st April, 2023 and the expenditure of ₹ 63 lakhs was capitalized in the books on that date.

Further details relevant for the financial year 2023-24 are as follows:

Particulars	₹
Profit from operation of warehousing facility before claiming deduction under section 35AD	1,10,00,000
Net Profit of SEZ (Mobile Phone) Unit	50,00,000
Export sales of SEZ (Mobile Phone) Unit	90,00,000
Domestic Sales of SEZ (Mobile Phone) Unit	60,00,000

Compute income tax (including AMT under 115JC) payable by Mr. Xavier for Assessment Year 2024-25. (PYP 6 Marks, Jan'21)

Answer 11

Computation of total income and tax liability of Mr. Xavier for A.Y. 2024-25 (under the regular provisions of the Act)

Particulars	₹	₹
Profits and gains of business or profession		
Profit from unit in SEZ	50,00,000	
Less: Deduction under section 10AA	30,00,000	
[50,00,000 x 90,00,000/1,50,00,000 x 100%, since it is 5th year of manufacturing]		
Business income of SEZ unit chargeable to tax		20,00,000
Profit from operation of warehousing facility	1,10,00,000	
Less: Deduction u/s 35AD [Deduction@100% in respect of the expenditure incurred prior to the commencement of its operations and capitalized in the books of account on 1.4.2023. Deduction is not available on expenditure incurred on acquisition of land] [₹ 93 lakhs – ₹ 13 lakhs]	80,00,000	
Business income of warehousing facility chargeable to tax		30,00,000
Total Income		50,00,000
Computation of tax liability		
Tax on ₹ 50,00,000		13,12,500
Add: Health and Education cess@4%		52,500
Total tax liability		13,65,000

Computation of adjusted total income and AMT of Mr. Xavier for A.Y. 2024-25

Particulars	₹	₹
Total Income (as computed above)		50,00,000
Add: Deduction under section 10AA		30,00,000
		80,00,000
Add: Deduction under section 35AD	80,00,000	
Less: Depreciation u/s 32 [On building@10% of ₹ 80 lakhs ²]	8,00,000	72,00,000
Adjusted Total Income		1,52,00,000
Alternate Minimum Tax@18.5%		28,12,000
Add: Surcharge@15% (since adjusted total income > ₹ 1 crore)		4,21,800
		32,33,800
Add: Health and Education cess@4%		1,29,352
Total tax liability		33,63,152
Tax Liability (Rounded off)		33,63,150

² Assuming the capital expenditure of ₹ 80 lakhs are incurred entirely on building Since the regular income-tax payable is less than the alternate minimum tax payable, the adjusted total income shall be deemed to be the total income and tax is leviable @18.5% thereof plus surcharge@15% and cess@4%. Therefore, the tax liability is ₹ 33,63,150.

AMT Credit to be carried forward under section 115JEE

	₹
Tax liability under section 115JC	33,63,150
Less: Tax liability under the regular provisions of the Income-tax Act, 1961	13,65,000
	19,98,150

Note: In the third para of the question, there is a difference between the figure of capital expenditure incurred in respect of warehouse i.e., ₹ 93 lakhs (including cost of land ₹ 13 lakhs) and the figure of capital expenditure capitalized in the books on 1.4.2023 i.e., ₹ 63 lakhs. It appears to be a typographical error, due to which the main solution has been worked out considering ₹ 93 lakhs as the amount capitalized in the books on 1.4.2023.

However, alternative answers have been worked out below considering ₹ 63 lakhs (being the figure as printed in the question paper) as the amount capitalized in the books on 1.4.2023. In Alternative 1, it has been assumed that the amount of ₹63 lakhs capitalized on 1.4.2023 does not include cost of land. In Alternative 2, it has been assumed that the amount of ₹ 63 lakhs capitalized on 1.4.2023 includes cost of land.

Alternative 1 (The amount of ₹ 63 lakhs capitalized on 1.4.2019 does not include cost of land)

Computation of total income and tax liability of Mr. Xavier for A.Y. 2024-25 (under the regular provisions of the Act)

Particulars	₹	₹
Profits and gains of business or profession		
Profit from unit in SEZ	50,00,000	
Less: Deduction u/s 10AA	30,00,000	
[50,00,000 x 90,00,000/1,50,00,000 x 100%, since it is 5th year of manufacturing]		
Business income of SEZ unit chargeable to tax		20,00,000
Profit from operation of warehousing facility ³	1,10,00,000	

Less: Deduction u/s 35AD [Deduction@100% in respect of the expenditure incurred prior to the commencement of its operations and capitalized in the books of account on 1.4.2023. It is assumed that the capitalized expenditure of ₹ 63 lakhs does not include cost of land]	63,00,000	
Business income of warehousing facility chargeable to tax		47,00,000
Total Income		67,00,000
Computation of tax liability		
Tax on ₹ 67,00,000		18,22,500
Add: Surcharge @10%		1,82,250
		20,04,750
Add: Health and Education cess@4%		80,190
Total tax liability		20,84,940

³ Since the question mentions ₹ 1,10,00,000 as the profit from operation of warehousing facility before claiming deduction u/s 35AD, it is assumed that said figure of profit is after providing depreciation u/s 32 on ₹ 17 lakhs, being the amount of capital expenditure not capitalized as on 1.4.2023 less cost of land (i.e., ₹ 93 lakhs – ₹ 63 lakhs = ₹ 30 lakhs – ₹ 13 lakhs (cost of land) = ₹ 17 lakhs)

Computation of adjusted total income and AMT of Mr. Xavier for A.Y. 2024-25

Particulars	₹	₹
Total Income (as computed above)		67,00,000
Add: Deduction under section 10AA		30,00,000
		97,00,000
Add: Deduction under section 35AD	63,00,000	
Less: Depreciation u/s 32 [On building @10% of ₹63 lakhs ⁴]	6,30,000	56,70,000
Adjusted Total Income		1,53,70,000
Alternate Minimum Tax@18.5%		28,43,450
Add: Surcharge@15% (since adjusted total income > ₹ 1 crore)		4,26,518
		32,69,968
Add: Health and Education cess@4%		1,30,799
Total tax liability		34,00,767
Tax Liability (Rounded off)		34,00,770

Since the regular income-tax payable is less than the alternate minimum tax payable, the adjusted total income shall be deemed to be the total income and tax is payable @18.5% thereof plus surcharge@15% and cess@4%. Therefore, the tax liability is ₹ 34,00,770.

⁴ Assuming the capital expenditure of ₹ 63 lakhs are incurred entirely on building

AMT Credit to be carried forward under section 115JEE

	₹
Tax liability under section 115JC	34,00,770
Less: Tax liability under the regular provisions of the Income-tax Act, 1961	20,84,940
	13,15,830

Alternative 2 (The amount of ₹63 lakh capitalized includes cost of land)

Computation of total income and tax liability of Mr. Xavier for A.Y. 2024-25 (under the regular provisions of the Act)

Particulars	₹	₹
Profits and gains of business or profession		
Profit from unit in SEZ	50,00,000	
Less: Deduction u/s 10AA	30,00,000	
[50,00,000 x 90,00,000/1,50,00,000 x 100%, since it is 5th year of manufacturing]		
Business income of SEZ unit chargeable to tax		20,00,000
Profit from operation of warehousing facility ⁵	1,10,00,000	
Less: Deduction u/s 35AD [Deduction@100% in respect of the expenditure incurred prior to the commencement of its operations, and capitalized in the books of account on 1.4.2019. Deduction is not available on expenditure incurred on acquisition of land. It is assumed that the capitalized expenditure includes ₹ 13 lakhs of land] [₹ 63 lakhs – ₹ 13 lakhs]	50,00,000	
Business income of warehousing facility chargeable to tax		60,00,000
Total Income		80,00,000
Computation of tax liability		
Tax on ₹ 80,00,000		22,12,500
Add: Surcharge @10%		2,21,250
		24,33,750
Add: Health and Education cess@4%		97,350
Total tax liability		25,31,100

⁵Since the question mentions ₹ 1,10,00,000 as the profit from operation of warehousing facility before claiming deduction u/s 35AD, it is assumed that said figure of profit is after providing depreciation u/s 32 on ₹ 30 lakhs, being the amount of capital expenditure not capitalized as on 1.4.2023 (₹ 93 lakhs – ₹ 63 lakhs).

Computation of adjusted total income and AMT of Mr. Xavier for A.Y. 2024-25

Particulars	₹	₹
Total Income (as computed above)		80,00,000
Add: Deduction under section 10AA		30,00,000
		1,10,00,000
Add: Deduction under section 35AD	50,00,000	
Less: Depreciation u/s 32 [On building @10% of ₹ 50 lakhs ⁶]	5,00,000	45,00,000
Adjusted Total Income		1,55,00,000
Alternate Minimum Tax@18.5%		28,67,500
Add: Surcharge@15% (since adjusted total income > ₹ 1 crore)		4,30,125
		32,97,625
Add: Health and Education cess@4%		1,31,905
Total tax liability		34,29,530

Since the regular income-tax payable is less than the alternate minimum tax payable, the adjusted total income shall be deemed to be the total income and tax is leviable @18.5% thereof plus surcharge@15% and cess@4%. Therefore, the tax liability is ₹ 34,29,530.

AMT Credit to be carried forward under section 115JEE

	₹
Tax liability under section 115JC	34,29,530
Less: Tax liability under the regular provisions of the Income-tax Act, 1961	25,31,100
	8,98,430

Question 12

Mrs. Vishal Gupta, a resident individual, is running a SEZ unit, as well as a unit in Domestic Tariff Area (DTA). She furnishes the following details relating to the year ended 31-3-2024, pertaining to these two units

	DTA Unit (₹ in lakhs)	SEZ Unit (₹ in lakhs)
Export turnover	100	1000
Total turnover	400	1100
Net profit	50	220

Compute the deduction available u/s 10AA:

- (i) When the SEZ unit had been set up on 12-3-2015, and
- (ii) When the SEZ unit had been set up on 12-8-2019. (PYP 6 Marks, Nov'18)

Answer 12

Computation of deduction under section 10AA

- (i) If Unit in SEZ was set up on 12-03-2016:

Since A.Y. 2024-25 is the 9th assessment year from A.Y. 2015-16, relevant to the previous year 2014-15, in which the SEZ unit was set up, it shall be eligible for deduction of 50% of the profits derived from export, assuming all the other conditions specified in section 10AA are fulfilled.

$$\text{Profits of Unit in SEZ} \times \frac{\text{Export turnover of Unit in SEZ}}{\text{Total turnover of Unit in SEZ}} \times 50\%$$

$$220 \text{ lakhs} \times \frac{1000 \text{ lakhs}}{1100 \text{ lakhs}} \times 50\% = 100 \text{ lakhs}$$

- (ii) If Unit in SEZ was set up on 12-08-2019:

Since A.Y. 2024-25 is the 5th assessment year from A.Y. 2020-21, relevant to the previous year 2018-19, in which the SEZ unit was set up, it shall be eligible for deduction of 100% of the profits derived from export, assuming all the other conditions specified in section 10AA are fulfilled.

$$\text{Profits of Unit in SEZ} \times \frac{\text{Export turnover of Unit in SEZ}}{\text{Total turnover of Unit in SEZ}} \times 100\%$$

$$220 \text{ lakhs} \times \frac{1000 \text{ lakhs}}{1100 \text{ lakhs}} \times 100\% = 200 \text{ lakhs}$$

The unit set up in Domestic Tariff Area is not eligible for the benefit of deduction under section 10AA in respect of its export profits, in both the situations.

Note-

As per section 10AA, in computing the total income of Mrs. Vishal Gupta from her unit located in a Special Economic Zone (SEZ), which begins to manufacture or produce articles or things or provide any

services during the previous year relevant to the assessment year commencing on or after 1.4.2006 but before 1.4.2021, a deduction of 100% of the profit and gains derived from export of such articles or things or from services is allowable for a period of five consecutive assessment years beginning with the assessment year relevant to the previous year in which the Unit begins to manufacture or produce such articles or things or provide services, as the case may be, and 50% of such profits for further five assessment years subject to fulfillment of other conditions specified in section 10AA. In this case, it is assumed that the manufacturing or production commenced from the year in which the SEZ was set up.

Question 13

For the A.Y. 2024-25, the Gross Total Income of Mr. Raja, a resident in India, was ₹ 8,00,000 which includes long-term capital gain of ₹ 2,50,000 and Short-term capital gain of ₹ 50,000. The Gross Total Income also includes interest income of ₹ 15,000 from savings bank deposits with banks. Mr. Raja has invested in PPF ₹ 1,40,000 and also paid a medical insurance premium ₹ 35,000 for self. Mr. Raja also contributed ₹ 50,000 to Public Charitable Trust eligible for deduction under section 80G by way of an account payee cheque. Compute the total income and tax thereon of Mr. Raja, who is 65 years old as on 31.3.2024. (RTP May '18)

Answer 13
Computation of total income and tax payable by Mr. Raja for the A.Y. 2024-25

Particulars	₹	₹
Gross total income including long term capital gain		8,00,000
Less: Long term capital gain		2,50,000
		5,50,000
Less: Deductions under Chapter VI-A:		
Under section 80C in respect of PPF deposit	1,40,000	
is paid by otherwise than by cash. The deduction would be restricted to ₹ 30,000 (50,000 as per amendment), since Mr. Raja is a resident senior citizen)	30,000 35,000	
Under section 80G (See Notes 1 & 2 below)	18,500 18,250	
Under section 80TTA (See Note 3 below)	10,000	2,03,250
Total income (excluding long term capital gains)		3,46,750
Total income (including long term capital gains)		5,96,750
Tax on total income (including long-term capital gains of ₹ 2,50,000)		
LTCG ₹ 2,50,000 x 20%		50,000
Balance total income ₹ 3,46,750: Tax @5% on ₹ 46,750		2,338
(₹ 3,46,750 – ₹ 3,00,000, being the basic exemption limit for senior citizen)		52,338
Add: Education cess @2% and Secondary and higher education cess @1%		1,577
Add: EC & SHEC @ 4%		2094
Total tax liability		54,432
Total tax liability (rounded off)		54,430

Notes:
1. Computation of deduction under section 80G:

Particulars	₹
Gross total income (excluding long term capital gains)	5,50,000
Less: Deduction under section 80C, 80D & 80TTA	1,85,000
	3,65,000

10% of the above	36,500
Contribution made to Public Charitable Trust	50,000
Lower of the two eligible for deduction under section 80G	36,500
Deduction under section 80G – 50% of ₹ 37,000	18,250

***Because of amendment in 80D limit to Rs.50,000 to senior citizens**

2. Deduction under section 80G is allowed only if amount is paid by any mode other than cash, in case of amount exceeding ₹ 2,000. Therefore, the contribution made to public charitable trust is eligible for deduction since it is made by way of an account payee cheque.
3. Deduction of upto ₹ 10,000 under section 80TTA is allowed, inter alia, to an individual assessee if gross total income includes interest income from deposits in a saving account with bank. Since Gross Total Income of Mr. Raja includes interest income of ₹ 15,000 on savings bank deposit, he is eligible for deduction of ₹ 10,000 under section 80TTA.

MULTIPLE CHOICE QUESTIONS (MCQS)

1. Which of the following statements is/are correct in respect of deduction allowed to an assessee in respect of certain donations for scientific research or rural development u/s 80GGA?
 - (i) Deduction is not allowed to an assessee having income from business.
 - (ii) The maximum amount of deduction allowed is ₹ 10,000.
 - (iii) 100% deduction is allowed if amount in excess of ~~₹ 10,000~~ **Rs 2,000** donated is paid by any mode other than cash.
 - (iv) Deduction is not allowed to an assessee having income from salaries.
 - (v) Any sum paid to a University to be used for scientific research is allowed if such University is approved u/s 35(1)(ii).
 - (vi) Any sum paid to a notified Urban Development Fund is allowed.
 - a) (i), (iii), (iv), (v), (vi)
 - b) (ii), (iii), (v)
 - c) (i), (ii)
 - d) (i), (iii), (v) **(MTP 2Marks, Oct'19)**

Ans: (d)

2. Mr. Arjun, a businessman, whose total income (after allowing deduction under chapter VI-A except under section 80GG) for AY 2024-25 is ₹5,50,000. He does not own any house property and is staying in a rented accommodation in Patna for a monthly rent of ₹ 8,000. Deduction allowance under section 80GG for A.Y. 2024-25 is:
 - a) ₹ 41,000
 - b) ₹1,37,500
 - c) ₹ 60,000
 - d) ₹ 96,000 **(MTP 2 Marks, April'19)**

Ans; (a)

3. The basic salary of Mr. Raj is ₹ 1,15,000 p.m. He is entitled to dearness allowance, which is 30% of basic salary which forms part of pay for retirement benefits. Mr. Raj and his employer, XYZ Ltd., both contribute 20% of basic salary to the pension scheme referred to in section 80CCD. What is the amount of deduction available to Mr. Raj under section 80CCD for A.Y. 2024 -25?



- a) ₹ 4,08,800
- b) ₹ 5,05,400
- c) ₹ 3,79,400
- d) ₹ 3,58,800 (MTP 2 Marks March 22)

Ans: (c)

4. Mr. Krishna, a resident Indian aged 61 years, maintains a saving account with a co-operative land development bank and he earns ₹ 20,000 as interest on saving account for the Financial Year 2023-24. Mr. Krishna also maintains a fixed deposit and recurring deposit account with Mani Finance (A Non-Banking Finance Company) and earns ₹ 25,000 and 10,000 as interest on fixed deposit and recurring deposit, respectively. What would be the deduction allowable to Mr. Krishna under Chapter VI-A if he does not opt for the section 115BAC for the A.Y. 2024 -25?

- (a) ₹ 55,000
- (b) ₹ 10,000
- (c) ₹ 20,000
- (d) ₹ 50,000 (MTP 2 Marks, April'21)

Ans : (c)

5. Mr. Krishna is a philanthropic person. During the P.Y. 2023-24, out of his total receipts, he gave away ₹8,00,000 in cash to Prime Minister's National Relief Fund and was left with only ₹2,00,000 which is just enough money to meet his personal requirements. On these facts, Mr. Krishna is of the view that as ₹2,00,000 is below the maximum amount not chargeable to tax, no income of his is chargeable to tax during the previous year. He approaches you to file his income tax return showing ₹2,00,000 as his gross total income. Do you agree with the view of Mr. Krishna? Also, compute the amount of his total income.

- (a) Yes, as income actually left in Mr. Krishna's hands is ₹2,00,000 only. His total income shall be ₹2,00,000.
- (b) No, as what is done after income is earned by Mr. Krishna will not give him any tax exemption. His total income shall be ₹10,00,000.
- (c) His gross total income and total income are ₹10 lakhs, since this is a case of application of income and donation made in cash will not qualify for deduction under section 80G.
- (d) Yes, as ₹8,00,000 is exempt from tax, the gross total income as well as total income of Mr. Krishna shall be ₹2,00,000 only. (MTP 2 Marks, March'19)

Ans: (c)

6. Rudra Ltd. has two units, one unit at Special Economic Zone (SEZ) and other unit at Domestic Tariff Area (DTA). The unit in SEZ was set up and started manufacturing from 22.5.2018 and unit in DTA from 10.7.2019. Total turnover of Rudra Ltd. and Unit in DTA is ₹ 7,50,00,000 and 2,75,00,000, respectively. Export sales of unit in SEZ and DTA is ₹ 3,25,00,000 and ₹ 1,50,00,000, respectively and net profit of Unit in SEZ and DTA is ₹ 60,00,000 and ₹ 40,00,000, respectively. Rudra Ltd. would be eligible for deduction under section 10AA for -

- (a) ₹ 41,05,263
- (b) ₹ 20,52,632
- (c) ₹ 26,00,000
- (d) ₹ 13,00,000 (MTP 2 Marks Sep'22)

Ans: (a)



7. Mr. Arpit, an employee of MNO Ltd. has contributed ₹ 1,61,280 towards NPS and similar amount is contributed by his employer. His basic salary is ₹ 80,000 p.m. and dearness allowance is 40% of basic salary which forms part of retirement benefits. He also paid ₹ 55,000 towards LIC premium for himself and his wife and medical insurance premium of ₹ 35,000 by crossed cheque for his mother, being a senior citizen during the previous year 2023-24. How much deduction is available under Chapter VI-A while computing total income of Mr. Arpit for the A.Y. 2024-25?
- (a) ₹ 3,46,280
 - (b) ₹ 3,69,400
 - (c) ₹ 3,19,400
 - (d) ₹ 3,96,280 (RTP Nov '21)

Ans: The Answer is (b)

8. Mr. Raj, aged 65 years, is a salaried person. He has taken a LIP on his major son's name on 01.11.2014. The sum assured of LIP is ₹ 16,00,000 and the premium payable is ₹ 1,70,000. He has also taken a medical policy of ₹ 10,00,000 for self and his wife on 01.11.2021. The medical policy is valid for 5 years. He has paid one time premium of ₹ 1,80,000. What is the total deduction available to Mr. Raj for A.Y. 2024-25?
- (a) ₹ 1,86,000
 - (b) ₹ 1,96,000
 - (c) ₹ 1,90,000
 - (d) ₹ 1,80,000 (RTP Nov'22)

Ans:(d)

9. XYZ Ltd. has two units, one unit at Special Economic Zone (SEZ) and other unit at Domestic Tariff Area (DTA). The unit in SEZ was set up and started manufacturing from 12.3.2017 and unit in DTA from 15.6.2019. Total turnover of XYZ Ltd. and Unit in DTA is ₹ 8,50,00,000 and 3,25,00,000, respectively. Export sales of unit in SEZ and DTA is ₹ 2,50,00,000 and ₹ 1,25,00,000, respectively and net profit of Unit in SEZ and DTA is ₹ 80,00,000 and ₹ 45,00,000, respectively. XYZ Ltd. would be eligible for deduction under section 10AA for -
- (a) ₹ 38,09,524
 - (b) ₹ 19,04,762
 - (c) ₹ 23,52,941
 - (d) ₹ 11,76,471 (RTP May '20)

Ans: (b)



Chapter 7

Advance Tax, Tax Deducted at Source & Introduction to Tax Collection at Source

Question 1

Compute the amount of TDS on the following payments made:

- (i) Payment of royalty of Rs. 20,000 & fee for technical services of Rs. 24,000 to Mr. A, who is having PAN, were made during the Previous Year 2023-24 by M/s. Zen Ltd.
- (ii) Kiara Ltd., paid Rs. 18,000 to one of its directors as sitting fees on 02.02.2024.
- (iii) Rs. 2,35,000 paid to Mr. Summit, a resident Individual on 26.12.2023 by State of Tamil Nadu on Compulsory Acquisition of his urban land. (MTP 3 Marks, Nov'21)

Answer 1

(i) Royalty & Fee for technical services

Tax is not required to be deducted at source under section 194J on payment of royalty of Rs. 20,000 and fee for technical services of Rs. 24,000 to Mr. A, since the limit of Rs. 30,000 for non-deduction of tax at source is applicable for royalty and fees for technical services, separately.

(ii) Director's sitting fees

Kiara Ltd. is required deduct tax at source @10% under section 194J, on the amount of sitting fees of Rs. 18,000 paid to a director, since the threshold limit of Rs. 30,000 is not applicable in respect of sum paid to a director.

Therefore, tax to be deducted at source = Rs. 18,000 @7.5% (10%) = ~~Rs. 1,350~~ Rs. 1800

(Only during 14th May,2020 to 31st March 2021 the TDS rate was reduced to 7.5% from 10% for covid-reasons)

(iii) Compensation on compulsory acquisition of urban land

As per section 194LA, no tax is required to be deducted at source on the amount of Rs. 2,35,000 paid to Mr. Summit by State Government on compulsory acquisition of his urban land, since amount does not exceed Rs. 2,50,000.

Question 2

Examine & explain the TDS implications in the following cases along with reasons thereof, assuming that the deducted are residents and having a PAN which they have duly furnished to the respective detectors.

- (i) Ms. Sarla received a sum of Rs. 92,000 on 30th September 2023 towards maturity proceeds of LIC taken on 1st October 2014 for which sum assured was Rs. 80,000 and annual premium was Rs. 10,000.
- (ii) Mr. Rohit transferred a residential house property to Mr. Arun for Rs. 45 lacs. The stamp duty value of such property is Rs. 55 lacs.
- (iii) Akash (P) Limited pays the following amounts to Mr. Santosh during previous year 2023-24:
 - (1) Rs. 22,000 towards fee for professional services
 - (2) Rs. 18,000 towards royalty.
- (iv) Payment of Rs. 1,75,000 made to Mr. Ankit for purchase of bag according to specifications of M/s. Packaging Limited. However, no material was supplied for such bag by Packaging Limited or its associates to Mr. Ankit.
- (v) ABC Private Limited pays Rs. 12,000 to Ms. Deepika, its director, on 1.5.2023 towards sitting fee which is not taxable u/s 192.
- (vi) Rashi Limited is engaged by Jigar Limited for the sole purpose of business of operation of call center. On 18-03-2024, the total amount credited by Jigar Limited in the ledger account of Rashi Limited is Rs. 70,000 regarding service charges of call center. The amount is paid through cheque on 28-03-2024 by Jigar Limited.
- (vii) Ms. Mohit won a lucky draw prize of Rs. 21,000. The lucky draw was organized by M/s. Maximus Retail Ltd. for its customer. (MTP 7 Marks, April'21, PYP 7 Marks, May '19)

Answer 2

- (i) **On payment of LIC maturity proceeds** - The annual premium exceeds 10% of sum assured in respect of a policy taken after 31.3.2012, and consequently, the maturity proceeds of Rs. 95,000 would not be exempt u/s

10(10D) in the hands of Ms. Sarla. However, tax deduction provisions u/s 194-DA are not attracted since the maturity proceeds are less than Rs. 1 lakh.

- (ii) **On payment of sale consideration for purchase of residential house property - Since the sale consideration of house property is less than Rs. 50 lakhs, Mr. Arun is not required to deduct tax at source u/s 194-IA, irrespective of the fact that the stamp duty value is more than the sale consideration as well as the threshold limit of Rs. 50 lakhs. *As per amendment tax is to be deducted at source if consideration or SDV is Rs 50,00,000 or more since SDV is Rs 55,00,000 TDS u/s 194-IA will be applicable @ 1% of consideration or SDV whichever is higher. TDS of Rs 55,000 will be cut.***
- (iii) **On payment of fee for professional services and royalty –** Under section 194J, the threshold limit of Rs. 30,000 is specified separately for, inter alia, fees for professional services and royalty. Therefore, Akash (P) Limited is not required to deduct tax at source under section 194J either on fee of Rs. 22,000 for professional services or on royalty of Rs. 18,000 paid to Mr. Santosh, since the payment under each category does not exceed the independent threshold Rs. 30,000 specified thereunder.
- (iv) **On payment for purchase of bag according to specifications -** As per section 194C, the definition of “work” does not include the manufacturing or supply of product according to the specification by customer in case the material is purchased from a person other than the customer or its associate, being a person related to the customer in such manner as defined u/s 40A(2)(b).
Therefore, M/s Packaging Limited is not required to deduct tax at source in respect of payment of Rs. 1,75,000 to Mr. Ankit, for purchase of bag according to its specifications, since it did not supply the material for such bag and nor was the material supplied by any of its associates. Hence, the contract is a contract for ‘sale’ and not a works contract.
- (v) **On payment of sitting fees to the director -** ABC Private Limited is required to deduct tax at source @10% on sitting fees of Rs. 12,000 paid to its director, since the threshold limit of Rs. 30,000 u/s 194J is not applicable in respect of fees paid to a director.
- (vi) **On payment of call center service charges-** Since Rashi Limited is engaged only in the business of operation of call center, Jigar Limited is required deduct tax at source@2% on the amount of Rs. 70,000 u/s 194J on 18.3.2024 i.e., at the time of credit of call center service charges to the account of Rashi Limited, since the said date is earlier than the payment date i.e., 28.3.2024.
- (vii) **On payment of prize winnings of Rs. 21,000**
Tax is deductible @ 30% under section 194B by M/s. Maximus Retail Ltd., from the prize money of Rs. 21,000 payables to the customer, since the winnings exceed Rs. 10,000.

EXAMINERS' COMMENTS ON THE PERFORMANCE OF EXAMINEES:

The question requires the examinees to examine the TDS implications in cases (i) to (vi) given thereunder. Examinees were not aware that TDS u/s 194DA would not be attracted if maturity proceeds received from LIC were less than Rs.1 lakh. They were also not aware that TDS u/s 194-IA would not be attracted where sale consideration of house property is less than Rs.50 lakhs, even though stamp duty value is higher than Rs.50 lakhs.

Question 3

Determine the advance tax payable by Mr. Deepak with their due dates for the assessment year 2024-25.

	Amount (Rs.)
Total estimated tax payable	5,50,000
TDS (deductible but not deducted)	70,000
TCS (collected)	20,000

(MTP 3 Marks, March'21, RTP Nov '19)

Answer 3

Computation of Advance Tax Payable for the A.Y 2024-25

Particulars	Rs.
Tax Payable	5,50,000



Less: TDS (deductible but not deducted), cannot be reduced for computing advance tax liability	Nil
Less: TCS	20,000
Net Tax Payable	5,30,000

Due dates for payment of advance tax

Due date of installment	Amount payable
On or before 15th June, 2023	Rs. 79,500 [15% of Rs. 5,30,000]
On or before 15th September, 2023	Rs. 1,59,000 [Rs. 2,38,500 (45% of Rs. 5,30,000) less Rs. 79,500, (amount paid in earlier installment)]
On or before 15th December, 2023	Rs. 1,59,000 [Rs. 3,97,500 (75% of Rs. 5,30,000) Less Rs. 2,38,500 (amount paid in earlier installment or installments)]
On or before 15th March, 2024	Rs. 1,32,500, [Rs. 5,30,000 (whole amount of advance tax liability less Rs. 3,97,500 (amount paid in earlier installment or installments)]

Question 4

Mr. Karan is engaged in the business of producing and selling toys. During the previous year 2023- 24, his turnover was ₹ 1.75 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 assuming that whole of the turnover represents cash receipts? (MTP 3 Marks, Oct'20)

Answer 4

Computation of advance tax liability in the hands of Mr. Karan opting for presumptive taxation scheme under section 44AD

Particulars		₹
As per section 211(1)(b), an eligible assessee, opting for computation of profits or gains of business on presumptive basis in respect of an eligible business referred to in section 44AD, shall be required to pay advance tax of the whole amount on or before 15th March of the financial year. Thus, Mr. Karan is required to pay advance tax for F.Y.2023-24 on or before 15 th March, 2024. However, any amount paid by way of advance tax on or before 31 st March shall also be treated as advance tax paid during that financial year on or before 15 th March.		
The advance tax liability is computed as follows –		
Total Income being 8% of ₹1,75,00,000, since Mr. Karan is an eligible assessee opting for presumptive taxation scheme under section 44AD (Total income comprises of only income under the head “Profits and gains of business or profession”, since Mr. Karan is not having any other income during the previous year)		14,00,000
Tax liability		
Upton ₹ 2,50,000		Nil
₹ 2,50,001 to ₹ 5,00,000@5%		12,500
₹ 5,00,001 to ₹ 10,00,000@20%		1,00,000
Above ₹ 10,00,000@30%		1,20,000
Add: Health and Education cess @4%		9,300



Total Tax Payable		2,41,800
Accordingly, Mr. Karan is required pay ₹ 2,41,800 as minimum amount of advance tax by 31st March 2024.		

Question 5

Mention the significant differences between TDS and TCS. (MTP 3 Marks, Oct'20) (RTP May '18)

Answer 5

Significant Differences between TDS and TCS

	TDS	TCS
(1)	TDS is tax deduction at source	TCS is tax collection at source.
(2)	Person responsible for paying is required to deduct tax at source at the prescribed rate.	Seller of certain goods or provider of services is responsible for collecting tax at source at the prescribed rate from the buyer. Person who grants license or lease (in respect of any parking lot, toll plaza, mine or quarry) is responsible for collecting tax at source at the prescribed rate from the licensee or lessee, as the case may be.
(3)	Generally, tax is required to be deducted at the time of credit to the account of the payee or at the time of payment, whichever is earlier. However, in case of payment of salary, payment in respect of life insurance policy etc., tax is required to be deducted at the time of payment.	Generally, tax is required to be collected at source at the time of debiting of the amount payable by the buyer of certain goods to the account of the buyer or at the time of receipt of such amount from the said buyer, whichever is earlier. However, in case of sale of motor vehicle of the value exceeding ₹ 10 lakhs, tax collection at source is required at the time of receipt of sale consideration.

Question 6

Examine and compute the liability for deduction of tax at source, if any, in the cases stated hereunder, for the financial year ended 31st March, 2024

- State Bank of India pays Rs.50,000 per month as rent to the Central Government for a building in which one of its branches is situated.**
- Karan, a part time director of ABC Pvt. Ltd. was paid an amount of Rs. 1,75,000 as fees which was actually in the nature of commission on sales for the period 1.6.2023 to 30.9.2034.**
- Fee paid on 1.11.2023 to Dr. Kashyap by Varun (HUF) Rs. 5,00,000 for surgery performed on a member of his family.**
- Payment of Rs. 1,50,000 made to John Cena, an American wrestler, by an Indian newspaper agency on 1.8.2023 for contribution of articles in relation to the spot of wrestling. (MTP 7 Marks, May'20)**

Answer 6

- Section 194-I, which governs the deduction of tax at source on payment of rent, exceeding Rs.2,40,000 p.a., is applicable to all persons except individuals and HUFs, whose turnover/gross receipts do not exceed the monetary limits specified under 44AB(a)/(b). Section 196, however, provides exemption in respect of payments made to Government from application of the provisions of tax deduction at source. Therefore, no tax is required to be deducted at source by State Bank of India from rental payments to the Government.
- Section 194J provides for deduction of tax at source @10% on any remuneration or fees or commission, by whatever name called, paid to a director, which is not in the nature of salary in respect of which tax is deductible at source under section 192.
Hence, tax is to be deducted at source under section 194J @10% by ABC Pvt. Ltd. on the commission of Rs.1,75,000 paid to Karan, a part-time director. The tax deductible under section 194J would be Rs.



17,500, being 10% of Rs.1,75,000.

- c. As per the provisions of section 194J, a Hindu Undivided Family is required to deduct tax at source on fees paid for professional services only if the total sales, gross receipts or turnover from the business or profession exceed Rs. 1 crore or Rs. 50 lakhs, as the case may be, in the financial year preceding the current financial year and such payment made for professional services is not exclusively for the personal purpose of any member of Hindu Undivided Family.

Section 194M, provides for deduction of tax at source by a HUF (which is not required to deduct tax at source under section 194J) in respect of fees for professional service if such sum or aggregate of such sum exceeds Rs. 50 lakhs during the financial year.

In the given case, the fees for professional service to Dr. Kashyap is paid on 1.11.2023 for personal purpose, therefore, section 194M would have been applicable if the payment or aggregate of payments exceeded Rs. 50 lakhs in the P.Y.2023-24. However, since the payment does not exceed Rs. 50 lakhs in this case, there is no liability to deduct tax at source under section 194M.

- d. Section 194E provides that the person responsible for paying of any amount to a non-resident sportsman who is not a citizen of India for contribution of articles relating to any game or sport in India in a newspaper has to deduct tax at source @20%. Further, since, John Cena, an American wrestler, is a non-resident, Health and education ches @4% on TDS should also be added.
Therefore, tax to be deducted = Rs. 1,50,0000 x 20.80% = Rs. 31,200.

Question 7

Examine the applicability of tax deduction at source provisions, the rate and amount of tax deduction in the following cases for the financial year 2023-24:

- (i) Rs. 2,00,000 paid to Mr. Aarav, a resident individual, on 18-05-2023 by the State of Bihar on compulsory acquisition of his urban land.
- (ii) Payment of Rs. 2,00,000 to Mr. Rakesh a transporter who owns 8 goods carriages throughout the previous year. He does not furnish his PAN. (MTP 4 Marks, Oct'19)

Answer 7

- (i) As per section 194LA, any person responsible for payment to a resident, any sum in the nature of compensation or consideration on account of compulsory acquisition under any law, of any immovable property, is required to deduct tax at source @ 10%, if such payment or the aggregate amount of such payments to the resident during the financial year exceeds Rs. 2,50,000.
In the given case, there is no liability to deduct tax at source as the payment made to Mr. Aarav does not exceed Rs. 2,50,000
- (ii) As per section 194C, no tax is required to be deducted at source on payment to transporter if the following conditions are satisfied:
- (1) He owns ten or less goods carriages at any time during the previous year.
 - (2) He is engaged in the business of plying, hiring or leasing goods carriages;
 - (3) He furnishes a declaration to this effect along with his PAN.
- In the present case, since Mr. Rakesh has not furnished his PAN, tax is required to be deducted at source @ 20% under section 206AA on Rs. 2,00,000, since the same exceeds the threshold limit of Rs. 1,00,000.

Tax deducted at source = Rs. 40,000 (Rs. 2,00,000 x 20%)

Question 8

Examine the applicability of tax deduction at source provisions, the rate and amount of tax deduction in the following cases for the financial year 2023-24:

- (i) On 1.6.2023, Mr. Gyaneshwar made three nine month fixed deposits of ₹ 1 lakh each carrying interest@9% with Laxmi Nagar Branch, Mayur Vihar Branch and Rohini Branch of ABC Bank, a bank which has adopted CBS. The fixed deposits mature on 28.2.2024.
- (ii) Sky TV, a television channel, made payment of ₹ 70 lakhs to a production house ABC Ltd. for production of programme for telecasting as per the specifications given by the channel. The copyright of the programme is also transferred to Sky T V. (MTP 4 Marks, April'19)

Answer 8

(i) ABC Bank has to deduct tax at source @ 10% under section 194A, since the aggregate interest on fixed deposit with the three branches of the bank is Rs. 20,250 [$1,00,000 \times 3 \times 9\% \times 9/12$], which exceeds the threshold limit of ₹ 10,000. Since ABC Bank has adopted CBS, the aggregate interest credited/paid by all branches has to be considered. Since the aggregate interest of Rs. 20,250 exceeds the threshold limit of Rs. 10,000, tax has to be deducted @ 10% under section 194A.

Tax to be deducted = Rs. 20,250 x 10% = **Rs. 2,025**

(As per amendment w.e.f 1.4.2019 the threshold limit is Rs. 40,000 if paid by a Bank. In case of Bank opting for CBS, the Limit of Rs. 40,000 will not be per branch but per bank). Hence the revised Answer would be that TDS will not be applicable.)

(ii) In this case, since the programme is produced by the production house ABC Ltd. as per the specifications given by Sky TV, a television channel, and the copyright is also transferred to the television channel, the same falls within the scope of definition of the term 'work' under section 194C. Therefore, the payment of ₹ 70 lakhs made by Sky TV to the production house ABC Ltd. would be subject to tax deduction at source under section 194C. Under section 194C, tax is deductible at the time of credit or payment, whichever is earlier @ 2% if the payment is made to a person other than an individual or HUF. Therefore, tax to be deducted = Rs. 70 lakhs x 2% = **Rs. 1,40,000**

Question 9

Examine the applicability of tax deduction at source provisions, the rate and amount of tax deduction in the following cases for the financial year 2023-24:

- (1) Payment of ₹ 27,000 made to Jacques Kallis, a South African cricketer, by an Indian newspaper agency on 02-07-2023 for contribution of articles in relation to the sport of cricket.
- (2) Payment made by a company to Mr. Ram, sub-contractor, ₹ 3,00,000 with outstanding balance of ₹ 1,20,000 shown in the books as on 31-03-2024.
- (3) Winning from horse race ₹ 1,50,000 paid to Mr. Shyam, an Indian resident.
- (4) ₹ 2,00,000 paid to Mr. A, a resident individual, on 22-02-2024 by the State of Uttar Pradesh on compulsory acquisition of his urban land. (MTP 4 Marks, March'19, Old SM)

Answer 9

- (1) Section 194E provides that the person responsible for payment of any amount to a non-resident sportsman who is not a citizen of India for contribution of articles relating to any game or sport in India in a newspaper has to deduct tax at source @ 20%. Further, since Jacques Kallis, a South African cricketer, is a non-resident, health and education cess @ 4% on TDS should also be added.

Therefore, tax to be deducted = ₹ 27,000 x 20.80% = **₹ 5,616**.

- (2) Provisions of tax deduction at source under section 194C are attracted in respect of payment by a company to a sub-contractor. Under section 194C, tax is deductible at the time of credit or payment, whichever is earlier @ 1% in case the payment is made to an individual. Since the aggregate amount credited or paid during the year is ₹ 4,20,000, tax is deductible @ 1% on ₹ 4,20,000.

Tax to be deducted = ₹ 4,20,000 x 1% = **₹ 4,200**

- (3) Under section 194BB, tax is to be deducted at source, if the winnings from horse races exceed ₹ 10,000. The rate of deduction of tax at source is 30%.

Hence, tax to be deducted = ₹ 1,50,000 x 30% = **₹ 45,000**.

- (4) As per section 194LA, any person responsible for payment to a resident, any sum in the nature of compensation or consideration on account of compulsory acquisition under any law, of any immovable property, is required to deduct tax at source, if such payment or the aggregate amount of such payments to the resident during the financial year exceeds ₹ 2,50,000. In the given case, there is no liability to deduct tax at source as the payment made to Mr. A does not exceed ₹ 2,50,000.



Question 10

Examine the applicability of TDS provisions, if any, to be deducted in the following cases:

- (i) ABC Ltd. paid Rs. 19,000 to one of its Directors as sitting fees on 1-01-2024.
- (ii) Payment made by a firm to a sub-contractor, Mr. Y, Rs.3,00,000 with outstanding balance of Rs.1,20,000 shown in the books as on 31-03-2024.
- (iii) Fee paid to Dr. Khanna by Mr. A (HUF) Rs. 40,000 for surgery performed on a member of the family. (MTP 6 Marks, Oct'18)

Answer 10

- (i) Section 194J provides for deduction of tax at source @10% from any sum paid by way of any remuneration or fees or commission, by whatever name called, to a resident director, which is not in the nature of salary on which tax is deductible under section 192. The threshold limit of Rs. 30,000 up to which the provisions of tax deduction at source are not attracted in respect of every other payment covered under section 194J is, however, not applicable in respect of sum paid to a director.
Therefore, tax@10% has to be deducted at source under section 194J in respect of the sum of Rs. 19,000 paid by ABC Ltd. to its director.
- (ii) Provisions of tax deduction at source under section 194C are attracted in respect of payment by a firm to a sub-contractor. Under section 194C, tax is deductible at the time of credit or payment, whichever is earlier @ 1% if the payment is made to an individual
The aggregate amount credited during the year is Rs.4,20,000. Tax is deductible @ 1% on Rs. 4,20,000.
- (iii) As per the provisions of section 194J, a Hindu Undivided Family is required to deduct tax at source on fees paid for professional services only if it is subject to tax audit under section 44AB in the financial year preceding the current financial year.
However, if such payment made for professional services is exclusively for the personal purpose of any member of Hindu Undivided Family, then, the liability to deduct tax at source is not attracted.
Therefore, in the given case, even if Mr. A (HUF) is liable to tax audit in the immediately preceding financial year, the liability to deduct tax at source is not attracted in this case since, the fees for professional service to Dr. Khanna is paid for a personal purpose i.e. the surgery of a member of the family.

Question 11

Examine the applicability of TDS provisions, if any, to be deducted in the following cases:

- (i) Payment of fee for professional services of Rs. 20,000 and royalty of Rs. 27,000 to Ms. Kajal, who is having PAN. (MTP 2 Marks, Aug'18)
- (ii) Payment of Rs. 1,05,000 made to Mr. Ram for purchase of calendars made according to specifications of M/s XYZ Ltd. However, no material was supplied for such calendars to Mr. Ram by M/s XYZ Ltd. (MTP 2 Marks, Aug'18)
- (iii) Rent paid for plant and machinery Rs. 1,70,000 by a partnership firm having sales turnover of Rs. 49,00,000 and net loss of Rs. 15,000. (MTP 1 Mark, Aug'18)

Answer 11

- i. As per section 194J, liability to deduct tax is attracted only in case the payment made as fees for professional services and royalty, individually, exceeds Rs. 30,000 during the financial year. In the given case, since, the individual payments for fee of professional services i.e. Rs. 20,000 and royalty Rs. 27,000 is less than Rs. 30,000 each, there is no liability to deduct tax at source. It is assumed that no other payment towards fees for professional services and royalty were made during the year to Ms. Kajal.
- ii. According to section 194C, the definition of "work" does not include the manufacturing or supply of product according to the specification by customer in case the material is purchased from a person other than the customer.
Therefore, there is no liability to deduct tax at source in respect of payment of Rs. 1,05,000 to Mr. Ram, since the contract is a contract for 'sale'.
- iii. As per section 194-I, tax is to be deducted @ 2% on payment of rent for plant and machinery, only if the payment exceeds ~~Rs. 1,80,000~~ **Rs. 2,40,000** during the financial year. Since rent of Rs. 1,70,000 paid by a partnership firm does not exceed ~~Rs. 1,80,000~~ **Rs. 2,40,000**, tax is not deductible

Question 12

Examine the applicability of tax deduction at source provisions, the rates and amount of tax deduction in the following cases for the A.Y. 2024-25

- (i) Ramesh gave a building on sub-lease to Mac Ltd. with effect from 1st July, 2023 on a rent of ₹ 15,000 per month. The company also took on the hire machinery from Ramesh with effect from 1st November, 2023 on hire charges of ₹ 10,000 per month. The rent of building and hire charges of machinery for the year ended 2023-24 were credited by the company to the account of Ramesh in its books of account on 31-3-2018.
- (ii) ₹ 2,45,000 paid to Mr. X on 1-2-2024 by Karnataka State Government on compulsory acquisition of his urban land. (MTP 4 Marks, March'18)

Answer 12**I. TDS on rent for building and machinery:**

Tax is deductible on rent under section 194-I, if the aggregate amount of rental income paid or credited to a person exceeds ₹ 1,80,000 **Rs. 2,40,000**. Rent includes payment for use of, inter alia, building and machinery. The aggregate payment made by Mac Ltd. to Ramesh towards rent in P.Y. 2023-24 is ₹ 1,85,000 (i.e., ₹ 1,35,000 for building and ₹ 50,000 for machinery). Hence, Mac Ltd. ~~has to deduct tax @10% on rent paid for building and tax @2% on rent paid for machinery. Tax to be deducted = ₹ 14,500 (i.e., ₹ 1,35,000 × 10% = ₹ 13,500 + ₹ 50,000 × 2% = ₹ 1,000)~~ **does not have to deduct TDS.**

II. TDS on compensation for compulsory acquisition:

Tax is deductible at source @10% under section 194LA, where payment is made to a resident as compensation or enhanced compensation on compulsory acquisition of any immovable property (other than agricultural land). However, no tax deduction is required if the aggregate payments in a year does not exceed ₹ 2,50,000. Therefore, no tax is required to be deducted at source on payment of ₹ 2,45,000 to Mr. X, since the aggregate payment does not exceed ₹ 2,50,000.

Question 13

Explain the concept of TCS. Also, list the persons specifically excluded from the definition of buyer, consequent to which tax collection at source under section 206C (1) is not required on sale of timber and other forest produce to such persons. (MTP 6 Marks, March'18)

Answer 13

TCS is tax collection at source. Seller of certain goods is responsible for collecting tax at source at the prescribed rate from the buyer. Moreover, person who grants license or lease (in respect of any parking lot, toll plaza, mine or quarry) is also responsible for collecting tax at source at the prescribed rate from the licensee or lessee, as the case may be.

Generally, tax is required to be collected at source at the time of debiting of the amount payable by the buyer of certain goods to the account of the buyer or at the time of receipt of such amount from the said buyer, whichever is earlier.

However, in case of sale of motor vehicle of the value exceeding ₹ 10 lakhs, tax collection at source is required at the time of receipt of sale consideration.

Buyer is a person who obtains in any sale, by way of auction, tender, or any other mode, goods including timber and other forest produce but does not include –

- (A) A public sector company, the Central Government, a State Government, and an embassy, a high commission, legation, commission, consulate and the trade representation, of a foreign State and a club, or
- (B) A buyer in the retail sale of such goods purchased by him for personal consumption.

Question 14

Examine TDS implications in case of following transactions, briefly explaining provisions involved assuming that all the payees are residents; state the rate and amount to be deducted, in case TDS is required to be deducted



- (i) Mrinal & Sons, a LLP withdrew from its bank account ₹ 40 lakhs by cash on 1.5.2023, ₹ 35 lakhs on 7.9.2023 and ₹ 55 lakhs on 28.2.2024. The purpose of withdrawal from bank was for buying agricultural produce, from farmers/ agriculturist, being raw material required for manufacture of finished products by it. Mrinal & Sons regularly files its return of income before the due date.
- (ii) Mr. Mukesh, aged 75 years, holds 6½ Gold Bonds, 1977 of ₹ 2,50,000 and 7% Gold Bonds of ₹ 3,50,000. He received interest on these bonds on 31.1.2024. (MTP 4 Marks March 22)

Answer 14

- (i) Mrinal & Sons has withdrawn aggregate cash of ₹1.30 crores during the previous year 2023-24. 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.

$$\text{TDS} = 2\% \text{ of } ₹30 \text{ lakhs} = ₹60,000$$

- (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.

$$\text{Interest on } 6\frac{1}{2} \text{ Gold Bonds, 1977} = ₹ 2,50,000 \times 6.5\% = ₹ 16,250$$

$$\text{Interest on } 7\% \text{ Gold Bonds 1980} = ₹ 3,50,000 \times 7\% = ₹ 24,500$$

$$\text{Tax to be deducted at source} = ₹ 40,750 \times 10\% = ₹ 4,075$$

Question 15

Briefly discuss the clarification issued by the CBDT on the cross application of TDS under section 194-Q and TCS under section 206C(1H). (MTP 3 Marks March 22)

Answer 15

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.

Question 16

Briefly discuss the provisions of tax deducted at source under the Income-tax Act in respect of the following payments:

- (i) Mr. Kamlesh (a resident individual aged 65 years) has maintained two fixed deposits in two different branches of ABC Bank of India (working on core banking solution). During the year 2023-24, the bank paid ₹ 32,000 and ₹ 17,000 as interest on these fixed deposits.
- (ii) Mr. Avinash, a pensioner, pays ₹ 55,00,000 during F.Y. 2023-24 to Mr. Raju, for contract payment for reconstruction of his residential house. (MTP 4 Marks April 22)

Answer 16

- (i) ABC Bank is not required to deduct tax at source under section 194A, since the aggregate interest on



fixed deposit with the two branches of the bank ₹ 49,000 does not exceed the threshold limit of ₹ 50,000, applicable in case of senior citizen. Since ABC Bank has adopted core banking solution (CBS), the aggregate interest paid by both branches has to be considered.

- (ii) TDS provisions under section 194C are not attracted in this case, since Mr. Avinash is a pensioner. However, Mr. Avinash has to deduct tax at source @5% u/s 194M, since the payment to contractor, Mr. Raju, exceeds ₹ 50 lakhs.

Question 17

Briefly discuss the provisions of tax deducted at source and compute the amount of TDS under the Income-tax Act in respect of the following payments:

(i) ₹ 51,000 paid to Mr. A, a resident individual as interest income on compensation awarded by Motor Accidents Claims Tribunal by a transport company.

(ii) Ms. Asha deposited ₹ 35,00,000 @10% p.a. on 1.7.2021 with ABC Co-operative bank limited.

(iii) Mr. Naresh won ₹ 15,00,000 in Kon Banega Crorepati

Mr. Avinash deposited ₹ 2,00,000 @11% p.a. on 1.5.2021 for half year with Hike Investment LLP. (MTP 8 Marks Sep'22)

Answer 17

- (i) Tax has to be deducted at source by the transport company @10% under section 194A on payment of ₹ 51,000 made to Mr. A, a resident individual, as interest income on compensation awarded by Motor Accidents Claims Tribunal by a transport company, since the interest paid exceeds the specified threshold of ₹ 50,000.

Tax to be deducted = ₹ 51,000 x 10% = ₹ 5,100

- (ii) Tax has to be deducted at source by the ABC Co-operative Bank @10% under section 194A on interest of ₹ 2,62,500 [₹ 35,00,000 x 10% p.a. x 9/12] on deposits made by Ms. Asha, since the same exceeds the specified threshold of ₹ 40,000.

Tax to be deducted = ₹ 2,62,500 x 10% = ₹ 26,250

- (iii) Tax has to be deducted @30% under section 194B on payment of ₹ 15,00,000 made to Mr. Naresh for winnings in Kon Banega Crorepati.

Tax to be deducted = ₹ 15,00,000 x 30% = ₹ 4,50,000

- (iv) Tax has to be deducted at source by Hike Investment LLP @10% under section 194A on interest of ₹ 11,000 [₹ 2,00,000 x 11% x 6/12] on deposits made by Mr. Avinash, since the same exceeds the specified threshold of ₹ 5,000.

Tax to be deducted = ₹ 11,000 x 10% = ₹ 1,100

Question 18

State in brief the applicability of tax deduction at source provisions, the rate and amount of tax deduction in the following cases for the financial year 2021-22 under the Income-tax Act, 1961. Assume that all payments are made to residents:

- (i) Sahil, a resident Indian individual, not deriving any income from business or profession makes payments of ₹ 10 lakh in January, 2024, ₹ 25 lakh in February, 2024 and ₹ 25 lakh in March, 2024 to Madan, a contractor for reconstruction of his residential house.

- (ii) XYZ Ltd. makes the payment of ₹ 2,00,000 to Ramesh, an individual transporter who owned 6 goods carriages throughout the previous year. He does not furnish his PAN. (MTP 4 Marks Oct '21 & Oct'22, PYP 5 Marks, Nov '20)

Answer 18

TDS implications:

- (i) **On payments made to contractor**

Tax is deductible @5% under section 194M, since payments to Mr. Madan, a contractor, for reconstruction of his residential house exceeds ₹ 50 lakhs in aggregate during the F.Y.2023-24.

Amount of tax to be deducted = 5% of ₹ 60 lakhs = ₹ 3,00,000

(ii) Payment to transporter who has not furnished PAN

Under section 194C, no tax is deductible in respect of payments to a transporter, who owns ten or less goods carriages at any time during the year and furnishes a declaration to that effect along with his PAN to the person paying or crediting such sum.

However, in this case, this exemption from TDS would not be available, since Ramesh has not furnished his PAN to XYZ Ltd. As per section 206AA, due to non-furnishing of PAN, tax would be deductible at a higher rate of 20% and not @1% provided under section 194C.

Amount of tax to be deducted = ₹ 2,00,000 x 20% = ₹ 40,000

Question 19

An amount of ₹ 50,000 was paid to Mr. Rakesh on 1.9.2022 towards fees for professional services without deduction of tax at source. Subsequently, another payment of ₹ 60,000 was due to Mr. Rakesh on 31.1.2023, from which tax@10% (amounting to ₹ 11,000) on the entire amount of ₹ 1,10,000 was deducted. However, this tax of ₹ 11,000 was deposited only on 22.7.2023. Compute the interest chargeable under section 201(1A). (MTP 3 Marks Oct 22)

Answer 19

Interest under section 201(1A) would be computed as follows –

Particulars	₹
1% on tax deductible but not deducted i.e., 1% on ₹ 5,000 for 5 months	250
1½% on tax deducted but not deposited i.e. 1½% on ₹ 11,000 for 6 months ²	990
	1,240

² As per TRACES, interest is computed for 7 months

Question 20

State in brief the applicability of provisions of tax deduction at source, the rate and amount of tax deduction in the following cases for the financial year 2023-24 under Income-tax Act, 1961. Assume that all payments are made to residents:

- (i) Mr. Amar has paid ₹ 6,00,000 on 15.10.2023 to M/s Fresh Cold Storage Pvt. Ltd. for preservation of fruits and vegetables. He is engaged in the wholesale business of fruits & vegetable in India having turnover of ₹ 3 crores during the previous year 2023-24.
- (ii) Mr. Ramu, a salaried individual, has paid rent of ₹ 60,000 per month to Mr. Shiv Kumar from 1st July, 2023 to 31st March, 2024. Mr. Shiv Kumar has not furnished his Permanent Account Number. (MTP 4 Marks March '23, PYP 4 Marks Dec '21)

Answer 20

TDS implications

- (i) The arrangement between Mr. Amar, the customer, and M/s. Fresh Cold Storage Pvt. Ltd., the cold storage owner, is basically contractual in nature and main object of the cold storage is to preserve perishable goods by mechanical process and storage of such goods is only incidental. Hence, the provisions of section 194C will be applicable to the amount of ₹ 6 lakh paid by Mr. Amar to the cold storage company³.

Accordingly, tax has to be deducted@2% on ₹ 6 lakh.

TDS u/s 194C = 2% x ₹ 6 lakh = ₹ 12,000

- (ii) Mr. Ramu, being a salaried individual, has to deduct tax at source @ 5% u/s 194-IB on the annual rent paid by him from the last month's rent (rent of March, 2023), since the rent paid by him exceeds ₹ 50,000 p.m.



Since his landlord Mr. Shiv Kumar has not furnished his PAN to Mr. Ramu, tax has to be deducted @ 20% instead of 5%. However, the same cannot exceed ₹ 60,000, being rent for March, 2023.

TDS u/s 194-IB = ₹ 5,40,000 (₹ 60,000 x 9) x 20% = ₹ 1,08,000, but restricted to ₹ 60,000, being rent for March, 2023.

Question 21

Examine the following transactions with reference to applicability of the provision of tax collected at source and the rate and amount of the TCS for the A.Y. 2024-25.

- (i) Mr. Kalpit bought an overseas tour programme package for Singapore for himself and his family of ₹ 5 lakhs on 01-11-2023 from an agent who is engaged in organising foreign tours in course of his business. He made the payment by an account payee cheque and provided the permanent account number to the seller. Assuming Kalpit is not liable to deduct tax at source under any other provisions of the Act.
- (ii) Mr. Anuj doing business of textile as a proprietor. His turnover in the business is ₹ 11 crores in the previous year 2022-23. He received payment against sale of textile goods from Mr. Ram of ₹ 75 lakhs against the sales made to him in the previous year 2023-24. Mr. Ram's turnover for the P.Y. 2022-23 was ₹ 5 crores. (Assuming all the sales are domestic sales). (MTP 4 Marks March '23, PYP 4 Marks Dec '21)

Answer 21

TCS implications

- (i) *As per amendment Where amount is for purchase of any overseas tour package rate of TCS upto 30.9.2023 was 5% of such amount with no threshold limit but after 1.10.2023 it is 5% upto Rs. 7 Lakhs and 20% thereafter.-M24*

Tax @ 5% is required to be collected u/s 206C(1G) by the seller of an overseas tour programme package from Mr. Kalpit, being the buyer of an overseas tour package, even if payment is made by account payee cheque.

Accordingly, tax has to be collected @ 5% on ₹ 5 lakh

$$\text{TCS} = 5\% \times ₹ 5 \text{ lakh} = ₹ 25,000$$

- (ii) Mr. Anuj is required to collect tax @ 0.1% u/s 206C(1H) from Mr. Ram, since his turnover in the P.Y. 2022-23 exceeds ₹ 10 crores, and the sales receipts from Mr. Ram in the P.Y. 2023-24 exceeds ₹ 50 lakhs. Tax has to be collected by Mr. Anuj on ₹ 25 lakhs, being the amount exceeding ₹ 50 lakhs, at the time of receipt.

$$\text{TCS} = 0.1\% \times ₹ 25 \text{ lakhs} = ₹ 2,500$$

Question 22

Examine the applicability and the amount of TDS to be deducted in the following cases for F.Y. 2023-24:

- (i) S and Co. Ltd. paid ₹ 25,000 to one of its Directors as sitting fees on 02-02-2024.
- (ii) ₹ 2,20,000 paid to Mr. Mohan, a resident individual, on 28-02-2024 by the State of Haryana on compulsory acquisition of his urban land.
- (iii) Mr. Purushotham, a resident Indian, dealing in hardware goods has a turnover of ₹ 12 crores in the previous year 2022-23. He purchased goods from Mr. Agarwal, a resident seller, regularly in the course of his business. The aggregate purchase made during the previous year 2023-24 on various dates is ₹ 80 lakhs which are as under:

10-06-2023	₹ 25,00,000
20-08-2023	₹ 27,00,000
12-10-2023	₹ 28,00,000

He credited Mr. Agarwal's account in the books of accounts on the same date and made the payment on the 28-02-2024 ₹ 80 lakh. Mr. Agarwal's turnover for the financial year 2022-23 is ₹ 20 crores.

M/s ABC & Sons, a resident HUF is selling bags and wallets manufactured by them through E-commerce platform provided by PQ Ltd. Mr. A buys bag for ₹ 6,00,000 from PQ Ltd. online and directly made the payment to ABC & Sons on 1st October, 2023. (MTP 8 Marks April '23, PYP 6 Marks Nov'22)

Answer 22
TDS implications

- (i) Tax @10% has to be deducted by S and Co. Ltd. under section 194J on directors sitting fees of ₹ 25,000. The threshold limit of ₹ 30,000 is not applicable in respect of sum paid to a director.

The amount of tax to be deducted at source = ₹ 25,000 x 10% = ₹ 2,500

- (ii) There is no liability to deduct tax at source under section 194LA, since the payment to Mr. Mohan, a resident, by State of Haryana on compulsory acquisition of his urban land does not exceed ₹ 2,50,000.
- (iii) Since Mr. Purushotham's turnover for F.Y.2022-23 exceeds ₹ 10 crores, and value of goods purchased from Mr. Agarwal, a resident seller, exceeds ₹ 50 lakhs in the P.Y.2023-24, he is liable to deduct tax@0.1% on ₹ 30 lakhs (being the sum exceeding ₹ 50 lakhs), at the time of credit or payment, whichever is earlier.

On 10.6.23= Nil (No tax is to be deducted u/s 194Q on the purchases made on 10.6.2022 since the purchases made till that date has not exceeded the threshold of ₹ 50 lakhs)

On 20.8.2023 = 0.1% of ₹ 2 lakhs (₹ 27 lakhs - ₹ 25 lakhs, being balance unexhausted limit) = ₹ 200

On 12.10.2024 = 0.1% of ₹ 28 lakhs = ₹ 2,800.

- (iv) The E commerce operator, PQ Ltd. is required to deduct tax at the rate of 1% of the gross sale amount. The sale amount exceeds ₹ 5,00,000, hence section 194-O is applicable to the e-commerce participant i.e., M/s ABC & Sons, HUF, on the sales facilitated by PQ Ltd. Therefore, TDS of ₹ 6,000 (1% of 6,00,000) shall be deducted by PQ Ltd. on 1 st October, 2023. Direct payment by Mr. A shall be deemed to be payment made by PQ Ltd. to the HUF.

Question 23

Mr. Sachal, a resident individual aged 54, furnishes his income & other details for the P.Y. 2023-24:

- (i) **Income of ₹ 8,10,000 from wholesale cloth business, whose accounts are audited u/s 44AB.**
- (ii) **Income from other sources ₹ 2,70,000.**
- (iii) **Tax deducted at source ₹ 25,000.**
- (iv) **Advance tax paid ₹ 1,03,000 during the P.Y. 2023-24.**

Return of income filed on 11-12-2024. Calculate the interest payable under section 234B of the income-tax Act, 1961. Assume that the return of income would be processed on the same day of filing of return. What are the consequences for delay in furnishing return of income under the Income-tax Act, 1961? Examine, making the required computations in this case. (RTP May '18)

Answer 23
Computation of interest payable under section 234B by Mr. Sachal

Particulars	₹
Tax on total income of ₹ 10,80,000 [Business income of ₹ 8,10,000 +	1,36,500
Income from other sources of ₹ 2,70,000]	
Add: Education cess and SHEC@3% (4% as per amendment)	5,460
Tax on total income	1,41,960
Less: Tax deducted at source	25,000
Assessed Tax	1,16,960
90% of assessed tax	1,05,264
Advance tax paid	1,03,000
Interest under section 234B is leviable since advance tax of ₹ 1,03,000	

paid is less than ₹ 1,05,264, being 90% of assessed tax	
Number of months from 1st April, 2024 to 11th December, 2024, being the date of processing of return	9
Interest under section 234B@1% per month or part of a month for 9 months on ₹ 13,900 [i.e., difference between assessed tax of	1,251
₹ 1,16,960 and advance tax of ₹ 1,03,000 paid, being ₹ 13,960 which is rounded off to ₹ 13,900 under Rule 119A of Income-tax Rules, 1962]	

Consequences for delay in filing return of income on or before the due date Interest under section 234A and fee under section 234F would be attracted for filing return of income beyond the due date specified under section 139(1).

Interest under section 234A

Since Mr. Sachal's accounts are audited under section 44AB, the due date for filing of return for A.Y. 2024-25, in his case, is 31.10.2024. Mr. Sachal has filed his return on 11.12.2024 i.e., interest under section 234A will be payable for 2 months (from 1.11.2024 to 11.12.2024) @ 1% per month or part of month on the amount of tax payable on the total income, as reduced by TDS and advance tax paid i.e., ₹ 13,960 rounded off to ₹ 13,900 under Rule 119A of Income-tax Rules, 1962

Interest u/s 234A = ₹ 13,900 x 1% x 2 = ₹ 278

Fee for late filing of return under section 234F

Since Mr. Sachal has furnished his return of income after the due date but before 31.12.2024 and his total income exceeds ₹ 5 lakhs, a fee of ₹ 5,000 will be payable by him.

Question 24

Shurya Bank Ltd., a banking company to which the Banking Regulations Act, 1949 applies, has paid interest of ₹ 7,000 to Mr. Bhuwan, a resident Indian, from its Lucknow branch and ₹ 8,000 from Kanpur branch. If the bank has not adopted core banking solutions, is tax required to be deducted at source from such interest payments made on 31 -3-2024? Examine the provisions of the Income-tax Act, 1961 in this regard. Will your Answer be different if the bank has adopted core banking solutions?(RTP Nov '18)

Answer 24

Tax is deductible @10% under section 194A in respect of interest credited or paid by a banking company, if the same exceeds ~~₹ 10,000~~ **₹ 40,000**.

This threshold is with reference to interest credited or paid by a branch of the bank, where the bank has not adopted core banking solutions.

On the other hand, if the bank has adopted core banking solutions, then, the threshold of ~~₹ 10,000~~ **₹ 40,000** would apply in respect of the aggregate interest credited or paid by all the branches of the bank.

Therefore, if Shurya Bank Ltd. has not adopted core banking solutions, it need not deduct tax on interest of ₹ 7,000 and ₹ 8,000 paid by its Lucknow Branch and Kanpur Branch, respectively, to Mr. Bhuwan, since the interest paid by each branch does not exceed ₹ 10,000.

However, if Shurya Bank Ltd. has adopted core banking solutions, it **does not have** to deduct tax at source @10% on ₹ 15,000 (₹ 7,000 + ₹ 8,000) under section 194A, since the aggregate interest paid by its Lucknow and Kanpur branches **does not** exceed ~~₹ 10,000~~ **₹ 40,000**.

(As per amendment w.e.f 1.4.2019 the threshold limit is Rs. 40,000 if paid by a Bank. In case of Bank opting for CBS, the Limit of Rs. 40,000 will not be per branch but per bank). Hence the revised Answer would be that TDS will not be applicable.)

Question 25

When and at what rate, a seller is required to collect tax source on sale of motor vehicle. Also, discuss whether tax is required to be collected at source on sale of motor vehicle by manufacturers to dealers. (RTP Nov '18)

Answer 25

As per section 206(1F), every person, being a seller, who receives any amount as consideration for sale of a

motor vehicle of the value exceeding ₹ 10 lakhs, shall collect tax from the buyer@1% of the sale consideration.

In case of sale of a motor vehicle, tax shall be collected at the time of receipt of such amount

The CBDT has, vide Circular No. 22/2016 dated 8.6.2016 and Circular No.23/2016 dated 24.6.2016, clarified that tax is required to be collected at source on all transactions of retail sales and accordingly, it will not apply on sale of motor vehicles by manufacturers to dealers/distributors.

Question 26

Mr. Shikhar, aged 52 years, provides you the following information and requests you to determine his advance tax liability with due dates for the financial year 2023-24.

Estimated tax liability for the financial year 2023-24	₹ 85,000
Tax deducted at source for this year	₹ 15,000

- (i) **Would your Answer change if Mr. Shikhar is eligible for and has opted for presumptive tax provisions under section 44AD and his tax liability is entirely on account of such income (ignore TDS)?**
- (ii) **What would be your Answer if, instead of section 44AD, he is eligible for and has opted for presumptive tax provisions under section 44AE? (RTP Nov '18) (Same concept different figures MTP 4 Marks, March'19, RTP May '18)**

Answer 26
Determination of Advance Tax Liability of Mr. Shikhar

Particulars		₹
Estimated tax liability for the financial year 2023-24		85,000
Less: Tax deducted at source		15,000
Tax payable		70,000
Due Date of installment	Amount payable	₹
On or before 15th June, 2023	Not less than 15% of advance tax liability	10,500
On or before 15th September, 2023	Not less than 45% of advance tax liability less amount paid in earlier installment	21,000 (₹ 31,500, being 45% of ₹ 70,000 - ₹ 10,500)
On or before 15th December, 2023	Not less than 75% of advance tax liability less amount paid in earlier installment(s)	21,000 (52,500, being 60% of ₹ 70,000 - ₹ 31,500)
On or before 15th March, 2024	Whole of the advance tax liability less amount paid in earlier installment(s)	17,500 (70,000, being 100% of ₹ 70,000 - ₹ 52,500)

In case he is eligible for presumptive tax provisions under section 44AD and his entire tax liability is on account of such income, he can pay his entire advance tax liability in one installment on or before 15.3.2024, without attracting interest under section 243C.

This benefit would, however, not be available if he is eligible for and has opted for presumptive tax provisions under section 44AE, in which case he has to pay his advance tax in four installments as indicated above, failing which interest under section 234C would be attracted.

Question 27

Mr. Narayan is engaged in the retail business of groceries. During the previous year 2023-24 his turnover was ₹ 1.65 crores. Out of this, receipt of ₹ 1.30 crore represents online transactions and ₹ 35 lakhs cash transactions. 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? Assume 115BAC is not opted. (RTP May '19)

Answer 27

Computation of advance tax liability in the hands of Mr. Narayan opting for presumptive taxation scheme under section 44AD

Particulars		₹
As per section 211, an eligible assessee, opting for computation of profits or gains of business on presumptive basis in respect of an eligible business referred to in section 44AD, shall be required to pay advance tax of the whole amount in one instalment on or before 15th March of the financial year. Thus, Mr. Narayan is required to pay advance tax by 15th of March 2024. However, any amount paid by way of advance tax on or before 31st March shall also be treated as advance tax paid during that financial year on or before 15th March.		
The advance tax liability is computed as follows –		
Business Income		
8% of ₹ 35,00,000	2,80,000	
6% of ₹ 1,30,00,000	7,80,000	10,60,000
In respect of the amount of turnover received by account payee cheque/bank draft or use of ECS through a bank account, the assessee can declare 6% (instead of 8%) of such turnover as presumptive income under section 44AD.		
Since Mr. Narayan does not have any other income during the previous year 2018-19, business income would be the total income.		
Tax liability		
Upto ₹2,50,000	Nil	
₹2,50,001 to ₹5,00,000 @5%	12,500	
₹5,00,001 to ₹10,00,000 @20%	1,00,000	
Above ₹10,00,001 @30%		1,30,500
Add: Health and Education cess @ 4%		5,220
Total Tax Payable		1,35,720
Mr. Narayan is required pay ₹ 1,35,720 as minimum amount of advance tax by 15th March 2024.		

Question 28

Mr. Chandra Prakash, a resident individual aged 54, is planning to pay self-assessment tax and furnish his return of income on 15.12.2024. He furnishes the following details of his income, the amount of tax deducted at source and advance tax paid for the previous year 2023-24 as under:

- (i) Retail Toy business, whose turnover is ₹ 185 lakhs [received ₹ 90 lakhs by Account payee cheque, ₹ 50 lakhs through ECS and balance in cash]. He opts for presumptive taxation scheme under section 44AD.
- (ii) Income from other sources ₹ 3,05,000.
- (iii) Tax deducted at source ₹ 55,000.
- (iv) Advance tax paid ₹ 1,45,000 on 14-3-2024.
- (v) Calculate the interest payable under section 234B of the income-tax Act, 1961. (RTP May '20)

Answer 28

Computation of interest payable under section 234B by Mr. Chandra Prakash

Particulars	₹
Tax on total income of ₹ 15,05,000 [Business income of ₹ 12,00,000 (See Note below) + Income from other sources of ₹ 3,05,000]	2,64,000
Add: Health and Education cess @4%	10,560



Tax on total income	2,74,560
Less: Tax deducted at source	55,000
Assessed Tax	2,19,560
90% of assessed tax	1,97,604
Advance tax paid on 14-3-2024	1,45,000
Interest under section 234B is leviable since advance tax of ₹1,45,000 paid is less than ₹1,97,604, being 90% of assessed tax	
Number of months from 1st April, 2024 to 15th December, 2024, being the date of payment of self-assessment tax	9
Interest under section 234B@1% per month or part of a month for 9 months on ₹ 74,500 [i.e., difference between assessed tax of ₹ 2,19,560 and advance tax of ₹1,45,000 paid being ₹ 74,560 which is rounded off to ₹ 74,5004]	6,705
Interest under section 234B rounded off	6,710
Note: The presumptive income computed under section 44AD would be ₹ 12 lakhs, being 8% of ₹ 45 lakhs and 6% of ₹ 140 lakhs.	

4 Rounded off under Rule 119A of Income-tax Rules, 1962

Question 29

(a) 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.

- (i) Mr. Kunal received a sum of ₹ 10,20,000 on 28.02.2024 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) Indian Bank sanctioned and disbursed a loan of ₹ 12 crores to B Ltd. on 31-12-2023. B Ltd. paid a sum of ₹ 1,20,000 as service fee to Indian Bank for processing the loan application.
- (iii) Mr. Agam, working in a private company, is on deputation for 5 months (from October, 2023 to February, 2024) at Mumbai where he pays a monthly house rent of ₹ 32,000 for those five months, totalling to ₹ 1,60,000. Rent is paid by him on the first day of the relevant month.

(b) Mr. Subhash engaged in the business of trading of electrical appliances. His turnover for F.Y. 2022-23 and F.Y. 2023-24 was ₹ 12 crore and 9.5 crore, respectively. During the previous year, XYZ Ltd. placed order for purchase of electric appliances for ₹ 55 lakhs on 01.08.2023. He again placed order for ₹ 35 lakhs on 01.11.2023. Mr. Subhash delivered both the orders within 15 days of receipt of orders. Discuss, whether Mr. Subhash is required to collect tax at source, on the consideration received from XYZ Ltd.

(RTP May '21, MTP 8 Marks Sep '23)

Answer 29

(a) TDS implications

(i) On pre-mature withdrawal from EPF

No tax is deductible under section 192A even though the employee, Mr. Kunal, has not completed 5 years of continuous service, since termination of employment is on account of his ill-health. Hence, Rule 8 of Part A of the Fourth Schedule is applicable in this case.

(ii) On payment of service fee to bank

Even though service fee is included in the definition of "interest" under section 2(28A), no tax is deductible at source under section 194A, since the service fee is paid to a banking company, i.e., Indian

Bank.

(iii) On payment of rent by a salaried individual

Mr. Agam, a salaried individual, is not liable to deduct tax at source @5% under section 194-IB on ₹ 1,60,000 (being rent for 5 months from October 2023 to February 2024) from the rent of ₹ 32,000 payable on 1st day of every month, since the monthly rent does not exceed ₹ 50,000.

- (b) As per section 206(1H), tax is required to be collected at source @0.1% (@0.075%, if payment is received during the period between 14.5.2020 to 31.3.2021) on the sale consideration exceeding ₹ 50 lakhs at the time of receipt of consideration. Tax is required to be collected at source by a seller, being a person whose total turnover from the business exceeds ₹ 10 crore during the financial year immediately preceding the financial year in which sale of goods is carried out. Since, section 206C(1H) is applicable w.e.f. 1st October, 2023, tax is not required to be collected at source on any sale consideration received before 1st October, 2023, even though such amount exceeds the threshold limit of ₹ 50 lakhs. Section 206C(1H), would apply on sale consideration (including advance received for sale) received on or after 1st October, 2023. Since the threshold of ₹ 50 lakhs is with respect to the previous year, calculation of receipt of sale consideration for triggering TCS under section 206C(1H) shall be computed from 1st April, 2023. Hence, in the present case, since Mr. Subhash has sold electric appliance for sale consideration or in aggregate of such consideration, exceeding ₹ 50 lakhs, TCS is required to be collected at source @0.1%, on amount of ₹ 35 lakhs, being the amount of consideration received after 01.10.2020.

Question 30

State Government of Madhya Pradesh grants a lease of coal mine to ABC Co. Ltd., an Indian company, on 1.10.2021 and charged ₹ 8 crores for the lease. ABC Co. Ltd. sold coal for ₹ 2 crores to Mahapower Ltd., another Indian company, during the previous year 2023-24. Mahapower Ltd. furnishes a declaration to ABC Co. Ltd. that the coal is to be utilized for the purpose of generation of power. The turnover of ABC Co. Ltd. and Mahapower Ltd. for the F.Y. 2023-24 amounted to ₹ 11 crores and ₹ 12 crores, respectively. What is the amount of tax required to be deducted or collected at source in respect of the above transactions, if any? (RTP Nov'22)

Answer 30

Section 206C(1C) provides for collection of tax @2% by every person who grants a lease in any mine or a quarry to another person for the use of such mine or quarry for the purposes of business. Accordingly, State Government of Madhya Pradesh is required to collect tax at source of ₹ 16,00,000, being 2% on ₹ 8 crores, being the charges for lease of coal mine.

Under section 206C (1), seller of certain goods, inter alia, coal is required to collect tax from the buyers @1%. However, no collection would be made under section 206C(1), in case of a resident buyer, if such buyer furnishes to the person responsible for collecting tax, a declaration to the effect that goods are to be utilized for the purpose of generation of power.

In the present case, ABC Co. Ltd. is not required to collect tax at source u/s 206C(1) in respect of coal sold to Mahapower Ltd. since Mahapower Ltd. has furnished a declaration to ABC Co. Ltd. that the coal is to be utilized for the purpose of generation of power.

As per section 206C(1H), tax is to be collected in respect of sale of goods other than the goods which have been covered under section 206C(1). In case of goods which are covered under section 206C(1) but exempted under section 206C(1A), tax will not be collectible under either section 206C(1) or section 206C(1H).

Section 194Q requires any person, being a buyer who is responsible for paying any sum to resident for purchase of any goods of the value exceeding ₹ 50 lakhs in any previous year, to deduct tax @0.1% of such sum exceeding ₹ 50 lakhs. The provisions of section 194Q do not apply in respect to those transactions where tax is collectible under section 206C [except under section 206C(1H)]. Buyer means a person whose turnover from the business carried on by him exceeds ₹ 10 crores during the financial year preceding the financial year in which goods are purchased.

In this case, since Mahapower Ltd.'s turnover for P.Y. 2023-24 exceeds ₹ 10 crores, it is a buyer as per section 194Q. Since, tax is not required to be collected on sale of coal to Mahapower Ltd., the provisions of section 194Q would apply and Mahapower Ltd. is required to deduct tax of ₹ 15,000 under section 194Q, being 0.1% of ₹ 1.5 crores, being the sum exceeding ₹ 50 lakhs.

Question 31

Examine whether TDS provisions would be attracted in the following cases, and if so, under which section. Also specify the rate of TDS and amount required to be deducted at source as applicable in each case. Assume that all payments are made to residents.

S. No.	Particulars of the payer	Nature of payment	Aggregate of payments made in the F.Y. 2023-24 (Amt. in ₹)
(A)	Mr. Kale, receiving pension from Central Government	Contractual payment made during April 2023 for reconstruction of his residential house in Arunachal Pradesh	52,50,000
(B)	Mr. Rahul, a wholesale trader of spices whose turnover was ₹ 5 crores F.Y. 2022-23	Contract payment for construction of office go down during January to March 2024 to Mr. Achilles, an individual	50,00,000
(C)	Mr. Golu, an individual carrying garment trading business with turnover of ₹95 lakhs in F.Y. 2022-2023	Payment of commission to Mr. Vinay for securing a contract from a big business house in November 2023	1,20,000
(D)	XYZ Urban Co-operative bank	Payment by way of cash withdrawal, by ABC & Co. a partnership firm, amounting ₹ 1.2 crores during Financial Year 2023-24. ABC & Co. has filed its tax returns for the last 3 financial years with in time.	1,20,00,000

(PYP 8 Marks, July'21)

Answer 31

- (i) Mr. Kale, being a pensioner, would not be liable to deduct tax at source under section 194C. However, he has to deduct tax at source @ 5% u/s 194M, since the aggregate amount of payment to the contractor for his personal purposes i.e., for reconstruction of his residential house in Arunachal Pradesh, exceeds the threshold limit of ₹ 50,00,000. Therefore, TDS u/s 194M would be = ₹ 52,50,000 x 5% = ₹ 2,62,500.
- (ii) Mr. Rahul is required to deduct tax at source u/s 194C, since his turnover from business in the financial year 2022-23, being the financial year immediately preceding F.Y.2023-24 in which such sum is paid, exceeds ₹ 1 crore. Tax is to be deducted at source at the rate 1% as the payment is made to an Individual. ~~However, since payment is made during the period 14.05.2020 and 31.3.2021, tax is to be deducted at the reduced rate of 0.75%. Therefore, TDS u/s 194C would be = ₹ 50,00,000 x 0.75% = ₹ 37,50,000~~ **1% = ₹ 50,000**
- (iii) Tax is required to be deducted u/s 194H, if the payer is an individual whose turnover from business carried on by him in the financial year immediately preceding the financial year in which commission is paid, exceeds ₹ 1 crore. However, where TDS u/s 194H is not applicable, tax is required to be deducted u/s 194M where payment of commission during the relevant previous year exceeds ₹ 50 lakhs



In the present case, Mr. Golu is not required to deduct tax at source u/s 194H on the commission paid to Mr. Vinay in the P.Y.2022 -23 since his turnover from his business does not exceed ₹ 1 crore during the P.Y. 2022-23. Further, Mr. Golu is also not required to deduct tax at source u/s 194M on the said commission paid to Mr. Vinay since the commission paid does not exceed ₹ 50 lakhs during the P.Y. 2023-24.

- (iv) A co-operative bank which is responsible for paying any sum, being the amount or aggregate of amounts, as the case may be, in cash exceeding ₹ 1 crore during the previous year, to any person from an account maintained by such person with it, has to deduct an amount equal to 2% of such sum, as income-tax at the time of payment. Accordingly, since XYZ Urban Co-operative is responsible for paying a sum exceeding ₹ 1 crore (₹ 1.2 crore, in this case) in cash to ABC & Co., a partnership firm, during the F.Y.2023-24, the bank is required deduct tax at source @ 2% of such sum. Therefore, TDS u/s 194N would be = ₹ 20,00,000 x 2% = ₹ 40,000.

Question 32

Examine TDS/TCS implications in case of following transactions, briefly explaining provisions involved assuming that all the payees are residents; state the rate and amount to be deducted, in case TDS/TCS is required to be deducted/collected.

- (i) On 1.5.2023, Mr. Brines made three fixed deposits of nine months each of ₹ 3 lakh each, carrying interest @ 9% with Mumbai Branch, Delhi Branch and Chandigarh Branch of CBZ Bank, a bank which had adopted CBS. These Fixed Deposits mature on 31.01.2024.
- (ii) Mr. Marwah, aged 80 years, holds 6½% Gold Bonds, 1977 of ₹ 2,00,000 and 7% Gold Bonds 1980 of ₹ 3,00,000. He received yearly interest on these bonds on 28.02.2024.
- (iii) M/s AG Pvt. Ltd. took a loan of ₹ 50,00,000 from Mr. Haridas. It credited interest of ₹ 79,000 payable to Mr. Haridas during the previous year 2023-24. M/s AG Pvt. Ltd. is not liable for tax audit during previous years 2021-22 and 2022-23.
- (iv) Mr. Prabhakar is due to receive ₹ 6 lakh on 31.3.2024 towards maturity proceeds of LIC policy taken on 1.4.2016, for which the sum assured is ₹ 5 lakhs and the annual premium is ₹ 1,40,000. (PYP 8 Marks, Jan'21)

Answer 32

- (i) CBZ Bank has to deduct tax at source @10% under section 194A, since the aggregate interest on fixed deposit with the three branches of the bank is ₹ 60,750 [3,00,000 x 9% x 3 x 9/12], which exceeds the threshold limit of ₹ 40,000. Since CBZ Bank has adopted core banking solution (CBS), the aggregate interest credited/paid by all branches has to be considered. Tax to be deducted at source = ₹ 60,750 x 10% = ₹ 6,075¹
- (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. Marwah i.e., ₹ 5,00,000 exceed ₹ 10,000. Interest on 6½ Gold Bonds, 1977 = ₹ 2,00,000 x 6.5% = ₹ 13,000 Interest on 7% Gold Bonds 1980 = ₹ 3,00,000 x 7% = ₹ 21,000 Tax to be deducted at source = ₹ 34,000 x 10% = ₹ 3,400
- (iii) M/s AG Pvt. Ltd. has to deduct tax at source @10% under section 194A, since the interest on loan payable is ₹ 79,000 which exceeds the threshold limit of ₹ 5,000. M/s AG Pvt. Ltd., being a company, has to deduct tax at source irrespective of the fact that it is not liable to tax audit during P.Y. 2021-22 and 2022-23. Tax to be deducted at source = ₹ 79,000 x 10% = ₹ 7,900
- (iv) Since the annual premium exceeds 10% of sum assured in respect of a policy taken after 31.3.2012, the maturity proceeds of ₹ 6 lakhs due on 31.3.2024 are not exempt under section 10(10D) in the hands of Mr. Prabhakar. Therefore, tax is required to be deducted @5% under section 194DA on the amount of income comprised therein i.e., on ₹ 40,000 [₹ 6,00,000, being maturity proceeds - ₹ 5,60,000, being the amount of insurance premium paid. Tax to be deducted at source = ₹ 40,000 x 5% = ₹ 2,000

¹ Alternatively, in the absence of information about p.a., the amount of interest can also be worked out as ₹ 81,000 [3,00,000 x 9% x 3] and the tax to be deducted thereon would be ₹ 81,000 x 10% = ₹ 8,100.

Question 33



Briefly explain the provisions relating to tax deduction at source on cash withdrawal under section 194N of the Income-tax Act, 1961. (PYP 4 Marks, Nov'20)

Answer 33

(1) Section 194N, inserted with effect from 1.9.2019, requires that every person, being

- a banking company
- a co-operative society engaged in carrying on the business of banking or
- a post office

who is responsible for paying any sum or aggregate of sums in cash exceeding ₹ 1 crore during the previous year to any person from one or more accounts maintained by such recipient-person with it, to deduct tax at source @2% of sum exceeding ₹1 crore. **Where recipient is a co-operative society limit of 3 crores is applicable for cash withdrawals.**

(2) This deduction is to be made at the time of payment of such sum.

(3) Liability to deduct tax at source under section 194N shall not be applicable to any payment made to –

- the Government
- any banking company or co-operative society engaged in carrying on the business of banking or a post-office
- any business correspondent of a banking company or co-operative society engaged in carrying on the business of banking
- any white label ATM operator of a banking company or co-operative society engaged in carrying on the business of banking
- such other person or class of persons notified by the Central Government in consultation with the RBI.

Question 34

Examine & explain the TDS implications in the following cases along with reasons thereof, assuming that the deducted are residents and having a PAN which they have duly furnished to the respective detectors.

- (i) Mr. Tendon 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. Kabul 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 31-3-2024. 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, 2023 to February, 2024) at Hyderabad where he pays a monthly house rent of ₹ 52,000 for those three months, totaling to ₹ 1,56,000. Rent is paid by him on the first day of the relevant month. (PYP 7 Marks, Nov 19)

Answer 34

TDS implications

(i) On pre-mature withdrawal from EPF

No tax is deductible under section 192A even though the employee, Mr. Tandon, has not completed 5 years of continuous service, since termination of employment is on account of his ill-health. Hence,

Rule 8 of Part A of the Fourth Schedule is applicable in this case.

- (ii) On credit of interest on recurring deposit by a banking company
Since the interest on recurring deposit credited to the account of Mr. Hasan, a senior citizen, does not exceed ₹ 50,000 in the P.Y.2023-24, no tax is deductible at source under section 194A.
- (iii) On payment of prize winnings of ₹ 21,000
Tax is deductible @ 30% under section 194B by M/s. Maximus Retail Ltd., from the prize money of ₹ 21,000 payable to the customer, since the winnings exceed ₹ 10,000.
- (iv) On payment of service fee to bank
Even though service fee is included in the definition of “interest” as defined under section 2(28A), no tax is deductible at source under section 194A, since the service fee are paid to a banking company, i.e., Finance Bank Ltd.
- (v) On payment of rent exceeding ₹ 50,000 by a salaried individual
Mr. Ashok, a salaried individual, is liable to deduct tax at source @5% under section 194-IB on ₹ 1,56,000 (being rent for 3 months from December 2023 to February 2024) from the rent of ₹ 52,000 payable on 1st February, 2024, since the monthly rent exceeds ₹ 50,000.

Question 35

What are the clarifications given by CBDT with respect to section 206C(1F) relating to following issues:

- (i) Whether TCS on sale of motor vehicle is applicable only to luxury car?
- (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? (PYP 4 Marks, Nov'19)

Answer 35

- (i) No, as per section 206C(1F), the seller shall collect tax @ 1% from the purchaser on sale of any motor vehicle of the value exceeding ₹ 10 lakhs.
- (ii) Tax is to be collected at source @ 1% on sale consideration of a motor vehicle exceeding ₹ 10 lakhs. It is applicable to each sale and not to aggregate value of sale made during the year.
- (iii) The term “seller” includes inter alia, an individual who is liable to audit as per the provisions of section 44AB during the financial year immediately preceding the financial year in which the motor vehicle is sold. Thus, an individual shall be liable for collection of tax at source on sale of motor vehicle by him.
- (iv) TCS on sale of motor vehicle is applicable on all transactions of retail sales only. Accordingly, it will not apply on sale of motor vehicles by manufacturers to dealers/distributors.

Question 36

Rahil & Co., a partnership firm is having a car dealership show-room. They have purchased cars for ₹ 2 crores from XYZ Ltd., car manufacturers, the cost of each car being more than ₹ 12 lakhs. They sell the cars to individual buyers at a price yielding 10% margin on cost. State whether there will be any obligation to collect tax in the above two situations. (PYP 2 Marks, Nov'18)

Answer 36

Every person, being a seller, who receives any amount as consideration for sale of a motor vehicle of the value exceeding ₹ 10 lakhs, is required to collect tax at source @1% of the sale consideration from the buyer. TCS provisions will, however, not apply on sale of motor vehicles by manufacturers to dealers/distributors. Hence, XYZ Ltd., the manufacturer-seller need not collect tax at source on sale of cars to the dealer, Rahil & Co., even if the value of each car exceeds ₹10 lakhs. However, TCS provisions would be attracted when Rahil & Co., sells cars to individual buyers, since the value of each car exceeds ₹10 lakhs. Rahil & Co. has to collect tax@1% of the consideration on sale of each car to an individual buyer.

(As per amendment From AY 2022-23 Section 194Q applies to any buyer who is responsible for paying any sum to any resident seller for purchase of any goods of the value or aggregate of value exceeding ₹ 50 lakhs in any previous year. The buyer, at the time of credit of such sum to the account of the seller or at the time of payment, whichever is earlier, is required to deduct an amount equal to 0.1% of such sum exceeding ₹ 50 lakhs as income tax. Hence this section would become applicable to Rahil & Co if T/O was more than 10 crores and if the AY was 22-23.)

Question 40

Mr. Dhanapal wishes to purchase a residential house costing ₹ 60 lakhs from Ms. Saipriya. The house is situated at Chennai. He also wants to purchase agricultural lands in a rural area for ₹ 65 lakhs. He wants to know whether there will be any obligation to deduct tax at source in these two situations. Both the buyer as well as the sellers are residents in India. Advise Mr. Dhanapal suitably. (PYP 2 Marks, Nov'18)

Answer 40

Since the sale consideration of residential house exceeds ₹ 50 lakh, Mr. Dhanapal is required to deduct tax at source @1% of sale consideration of ₹ 60 lakh under section 194-IA.

TDS provisions under section 194-IA are not attracted in respect of transfer of rural agricultural land, even if the consideration exceeds ₹ 50 lakh.

Question 41

Discuss the liability of tax deduction at source under the Income-tax Act, 1961 in respect of the following cases with reference to A.Y. 2024-25.

- (i) XY a partnership firm is selling its product 'R' through the E-commerce Platform provided by AB Ltd. (E-commerce Operator). AB Ltd., credited in its books of account, the account of XY on 28th February, 2024 by sum of ₹ 4,90,000 for the sale of product R, made during the month February, 2024. Mr. Rai, who purchased product 'R' through the platform provided by AB Ltd. made payment of ₹ 60,000 directly to XY on 21st February, 2024.
- (ii) ABC Ltd is a producer of natural gas. During the year it sold natural gas worth ₹ 26,50,000 to M/s Deep Co., a partnership firm. It also incurred ₹ 1,70,000 as freight for the transportation of gas. It raised the invoice and clearly segregated the value of gas as well as the transportation charges.
- (iii) ABC LLP paid job charges to XYZ, a partnership firm for doing embroidery work on the fabric supplied by the ABC LLP during the previous year 2023-24 as under

BILL NO.	DATE	AMOUNT ₹
1	30-04-2023	27,000
57	30-06-2023	25,000
105	30-09-2023	28,000
151	30-12-2023	32,000

(PYP 6 Marks, May'22, MTP 6 Marks Oct '23)

Answer 41

- (i) AB Ltd, an e-commerce operator is required to deduct tax @1% under section 194-O on ₹ 5,50,000 (i.e., ₹ 4,90,000 credited on 28.2.2023 plus deemed payment of ₹ 60,000 on 21.2.2024, being payment directly made by Mr. Rai to the e-commerce participant XY), being the gross amount of sale of product 'R' of XY, an e-commerce participant, since such sale is effected in February, 2024 is facilitated by AB Ltd. through its e-commerce platform.
Hence, TDS u/s 194O = 1% on ₹ 5,50,000 = ₹ 5,500
- (ii) Since ABC Ltd., being the producer of the natural gas, sells as well as transports the gas to M/s. Deep Co., the purchaser, till the point of delivery, where the ownership of gas is simultaneously transferred to M/s.



Deep Co, the manner of raising the invoice (whether the transportation charges are embedded in the cost of gas or shown separately) does not alter the basic nature of such contract which remains essentially a 'contract for sale' and not a 'works contract' as envisaged in section 194C.

Therefore, in such circumstances, the TDS provisions would not be attracted on ₹1,70,000, being the component of gas transportation charges paid by M/s. Deep Co. to ABC Ltd.

Alternate Answer:

The above solution is based on Circular No. 9/2012 dated 17.10.2012, wherein it has been clarified that in case the Owner/Seller of the gas sells as well as transports the gas to the purchaser till the point of delivery, where the ownership of gas to the purchaser is simultaneously transferred, the manner of raising the sale bill, does not alter the basic nature of such contract which remains essentially a 'contract for sale' and not a 'works contract' as envisaged in section 194C of the Act.

Since, the Question is silent on the timing of the transfer of ownership of the gas to the purchaser, an assumption that the ownership of the gas to the purchaser is transferred before its transportation is possible. In such a case, the transportation of gas after transfer of ownership may be considered as a separate contract for transportation of gas i.e. 'works contract' u/s 194C, and hence TDS @ 2% has to be deducted by M/s. Deep Co. on ₹ 1,70,000/- i.e. ₹ 3,400/-.

- (iii) In this case, the individual contract payments (through the bills dated 30.4.2023, 30.6.2023 and 30.9.2023) made by ABC LLP to XYZ does not exceed ₹ 30,000. However, since the aggregate amount paid to XYZ during the P.Y. 2023-24 exceeds ₹ 1,00,000 (on account of the last payment of ₹ 32,000, due on 30.12.2023, taking the total from ₹ 80,000 to ₹ 1,12,000), the TDS provisions under section 194C would get attracted on the entire sum of ₹ 1,12,000. Tax has to be deducted @ 2% (since payment is to a firm, XYZ) on the entire amount of ₹ 1,12,000, from the last payment of ₹ 32,000 on 30.12.2023.

Hence, TDS u/s 194C = ₹ 2,240.

Question 42

Examine the applicability and the amount of TDS to be deducted in the following cases for F.Y. 2023-24:

- (i) S and Co. Ltd. paid ₹ 25,000 to one of its Directors as sitting fees on 02-02-2024.
- (ii) ₹ 2,20,000 paid to Mr. Mohan, a resident individual, on 28 -02-2024 by the State of Haryana on compulsory acquisition of his urban land.
- (iii) Mr. Purushotham, a resident Indian, dealing in hardware goods has a turnover of ₹ 12 crores in the previous year 2022-23. He purchased goods from Mr. Agarwal a resident seller, regularly in the course of his business. The aggregate purchase made during the previous year 2023-24 on various dates is ₹ 80 lakhs which are as under:

10-06-2023	₹ 25,00,000
20-08-2023	₹ 27,00,000
12-10-2023	₹ 28,00,000

He credited Mr. Agarwal's account in the books of accounts on the same date and made the payment on the 28-02-2022 ₹ 80 lakh. Mr. Agarwal's turnover for the financial year 2023-24 is ₹ 20 crores. (PYP 6 Marks Nov '22)

Answer 42

- I. Tax @10% has to be deducted by S and Co. Ltd. under section 194J on directors sitting fees of ₹ 25,000. The threshold limit of ₹ 30,000 is not applicable in respect of sum paid to a director.

The amount of tax to be deducted at source = ₹ 25,000 x 10% = ₹ 2,500

- II. There is no liability to deduct tax at source under section 194LA, since the payment to Mr. Mohan,

a resident, by State of Haryana on compulsory acquisition of his urban land does not exceed ₹ 2,50,000.

- III. Since Mr. Purushotham's turnover for F.Y.2022-23 exceeds ₹ 10 crores, and value of goods purchased from Mr. Agarwal, a resident seller, exceeds ₹ 50 lakhs in the P.Y.2023-24, he is liable to deduct tax@0.1% on ₹ 30 lakhs (being the sum exceeding ₹ 50 lakhs), at the time of credit or payment, whichever is earlier.

On 10.6.23= Nil (No tax is to be deducted u/s 194Q on the purchases made on 10.6.2021 since the purchases made till that date has not exceeded the threshold of ₹ 50 lakhs and TDS provisions u/s 194Q was effective from 1.7.2021)

On 20.8.2023 = 0.1% of ₹ 2 lakhs (amount exceeding ₹ 50 lakhs) = ₹ 200

On 12.10.2023 = 0.1% of ₹ 28 lakhs = ₹ 2,800.

Question 43

Ms. Priya, aged 61 years, has total income of ₹ 7,50,000, including income from profession, for A.Y. 2024-25, and has paid advance tax of ₹ 10,000 on 13.12.2023. She has filed her return of income on 15.06.2023.

Calculate the self-assessment tax payable and the interest thereon u/s 234A, 234B and 234C, if any, by Ms. Priya. (PYP 4 Marks Nov '22)

Answer 43

Self assessment tax payable [It is assumed Ms. Priya is not opting for section 115BAC] [See Note and Alternative thereto]				
Tax on ₹ 7,50,000				Rs.
Upto ₹ 3,00,000				Nil
₹ 3,00,001 – ₹ 5,00,000 @5%				10,000
₹ 5,00,001 – ₹ 7,50,000 @20%				50,000
				60,000
Add: Health and education cess @4%				2,400
				62,400
Less: Advance tax				10,000
Tax payable				52,400
Add: Interest under section 234A [Interest under section 234A would not be attracted, since Ms. Priya has furnished her return of income on 15.06.2023 which is before the due date of filing return of income]				-
Add: Interest under section 234B would be levied on ₹ 52,400 at 1% for 3 months i.e., From April to June. The interest under section 234B amount to ₹ 1,572				1,572
Add: Interest under section 234C				2,747
Date of Instalment	Specified % of estimated tax	Amount due and unpaid (rounded off to nearest ₹ 100, ignoring fraction)	Period	Interest @ 1%
15th June 2023	15%	9,300 [15% of ₹ 62,400]	3 months	279
15th September 2023	45%	28,000 [45% of ₹ 62,400]	3 months	840



15th December 2023	75%	36,800 [(75% of ₹ 62,400) – ₹ 10,000]	3 months	1104	
15th March 2024	100%	52,400	1 month	524	
Total interest under section 234C				2,747	
Self assessment tax payable and interest thereon					56,719
Self assessment tax payable and interest thereon (rounded off)					56,720

Note - The question does not mention that Ms. Priya has opted for section 115BAC, in which case the total income given therein would be as per the regular provisions of the Act. The main solution has been worked out accordingly as per the regular provisions of the Act.

Since there is no mention of Chapter VI-A or other deductions claimed by her, it is possible to assume that she has not claimed any such deduction, in which case, it would be beneficial for her to opt for section 115BAC. Based on the assumption that she has opted for section 115BAC and the total income given in the question reflects the computation accordingly, the alternative answer would be as follows:

Self assessment tax payable [It is assumed Ms. Priya is not opting for section 115BAC] [See Note and Alternative thereto]					
Tax on ₹ 7,50,000					Rs.
Upto ₹ 2,50,000 Rs 3,00,000 (not eligible for higher basic exemption limit)					Nil
₹ 3,00,001 – ₹ 6,00,000 @5%					12,500 15,000
₹ 6,00,001 – ₹ 7,50,000 @10%					25,000 15,000
					30,000
Add: Health and education cess @4%					1,200
					31,200
Less: Advance tax					10,000
Tax payable					21,200
Add: Interest under section 234A [Interest under section 234A would not be attracted, since Ms. Priya has furnished her return of income on 15.06.2023 which is before the due date of filing return of income]					-
Add: Interest under section 234B would be levied on ₹ 21,200 at 1% for 3 months i.e., From April to June. The interest under section 234B amount to ₹ 636					870 636
Add: Interest under section 234C					1,175
Date of Instalment	Specified % of estimated tax	Amount due and unpaid (rounded off to nearest ₹ 100, ignoring fraction)	Period	Interest @ 1%	
15th June 2023	15%	4,680 [15% of ₹ 31,200]	3 months	140	
15th September 2023	45%	14,040 [45% of ₹ 31,200]	3 months	421	
15th December 2023	75%	13,400[(75% of ₹ 31,200) – ₹10,000]	3 months	402	
15th March 2024	100%	21,200	1 month	212	



Total interest under section 234C	1,175	
Self assessment tax payable and interest thereon		23,011
Self assessment tax payable and interest thereon (rounded off)		23,010

Question 44

Answer the following:

- (A) Miss Tara, resident individual aged 32 years, is a social media influencer. She makes videos reviewing various electronic items and posts those videos on social media. On 1st December 2023, XYZ Ltd., an Indian company manufacturer of electronic cars gave her a brand new car having fair market value of ₹ 6 lakhs to promote on her social media page. She used that car for 7 months for her personal purposes, recorded a video reviewing the car and then returned the car to the company. You are required to discuss the applicable provisions in the Income-tax Act regarding the deduction of tax at source in respect of such transaction.
- (B) Ms. Aruna is a Chief Executive Officer of a multi-national company. She hires Mr. Suresh for supply of her housing staff (like gardener, chefs and drivers etc.) and makes the following payments to him: ₹ 25,00,000/- on 10th August, 2023 and ₹ 30,00,000 on 22nd November, 2023. Determine the amount of tax to be deducted/ collected at source, if any.
- Would your answer be different, if Ms. Aruna is a business woman and her books are not audited in immediately preceding financial year and payment to Mr. Suresh is for business purposes.
- (C) By virtue of an agreement with Nationalized Bank, M/s ABC Pvt Ltd., a company engaged in catering business received ₹ 60,000 p.m. towards supply of food, water, snacks, etc. during office hours to the employees of the bank. Discuss the TDS implication of this transaction/agreement. (PYP 7 Marks May '23)

Answer 44

- (i) Under section 194R, the person who is responsible for providing to a resident, any benefit or perquisite whether convertible into money or not, arising from business or the exercise of a profession by such resident, has to first ensure deduction of tax@10% of the value of such benefit or perquisite, if the same exceeds ₹ 20,000.
- However, in case of benefit or perquisite being a product like car, mobile etc. if the product is returned to the manufacturing company after using for the purpose of rendering service, then it will not be treated as a benefit/perquisite for the purposes of section 194R.
- Accordingly, in the present case, since Miss Tara has returned the car to XYZ Ltd., TDS provisions under section 194R would not apply.
- (ii) The provisions of section 194C would not apply in the hands of Ms. Aruna since the amount paid to Mr. Suresh is for supply of her housing staff. Hence, it is used exclusively for her personal purposes.
- In this case, tax is required to be deducted at source from such amount under section 194M @5%, since the aggregate payment made to Mr. Suresh for the said contract exceeds ₹50 lakhs during the P.Y.2023-24.
- Accordingly, ₹ 2,75,000, being 5% of ₹ 55,00,000 [₹25,00,000 + ₹ 30,00,000], is required to be deducted at source.
- In case Ms. Aruna made payment to Mr. Suresh for business purposes and she is not required to get her books of account audited [assuming her turnover from such business does not exceed ₹ 1 crore in P.Y. 2022-23], she is not required to deduct tax at source under section 194C. In such case also, she is required to deducted tax at source of ₹ 2,75,000 under section 194M.



Note – In the question, it is mentioned that Ms. Aruna is a business woman and her books are not audited in immediately preceding financial year. However, whether the provisions of section 194C would be attracted are dependent on whether the turnover of business carried on by her during the financial year immediately preceding the financial year in which the sum credited or paid exceeds ₹ 1 crore. In the absence of this information, it is possible that audit may not be required in her case due to the following reasons-

- her turnover exceeds ₹ 1 crore but does not exceed ₹ 10 crores and receipts and payments in cash does not exceed 5% of such receipts or payments, respectively.
- her turnover exceeds ₹ 1 crore but does not exceed ₹ 2 crore and she is declaring profits under the presumptive provisions of section 44AD.

Accordingly, following alternate answer is also possible based on the assumption that turnover of Ms. Aruna's business exceeds ₹ 1 crore.

Alternative answer - In case Ms. Aruna made payment to Mr. Suresh for business purposes during the P.Y. 2022-23, she would be required to deduct tax at source @1% under section 194C amounting to ₹ 55,000 (since payment is made to Mr. Suresh, an individual) of ₹ 55,00,000.

- (iii) According to section 194C, the definition of "work" include catering. In the present case, nationalised bank is required to deduct tax source @2% on ₹ 7,20,000 [₹ 60,000 x 12] paid to ABC Pvt. Ltd. for providing catering services to the bank, since amount of ₹ 60,000 paid every month exceeds the threshold of ₹ 30,000.

Therefore, nationalised bank is required to deduct tax at source of ₹ 1,200 per month amounting to ₹ 14,400 for the year.

MULTIPLE CHOICE QUESTIONS (MCQS)

1. **While deciding liability of an individual to deduct tax on payment of fees for professional services, which of the following is immaterial -**

- (a) Amount paid to professional
- (b) Turnover of financial year immediately preceding financial year in which payment made
- (c) Turnover of financial year in which payment is made
- (d) Amount of fees for professional services **(MTP 1 Marks, Oct'21)**

Ans: (c)

2. **Mr. Prakash is employed with XYZ Ltd. from 05.11.2019. He resigned on 31.03.2024 and also withdrew a sum of Rs. 55,000, being the accumulated balance of employer's contribution in his EPF Account, on the same date. The tax would be deducted -**

- (a) Rs. 500 u/s 192
- (b) Rs. 5,500 u/s 192
- (c) Rs. 4,125 u/s 192A
- (d) Rs. 5,500 u/s 192A **(MTP 2 Marks, Nov'21)**

Ans: (d)

3. **TPR & Co., a partnership firm selling its product X through the digital facility provided by MKY Limited (an E-commerce operator). MKY Limited has credited in its books of account, the account of TPR & Co. on 31st January, 2024 by sum of Rs. 4,80,000 for the sale of product X made during the month of January 2024. Out of Rs. 4,80,000, it made payment for Rs. 4,00,300 on 3rd February, 2024. Further, Mr. Pawn, who purchased the product X through the facility provided by MKY Limited, has made the payment of sum of Rs. 40,000 directly to TPR & Co. on 15th January, 2024. Which statement is correct regarding requirement of deduction**

of tax at source by MKY Limited?

- (a) No tax is required to be deducted at source.
- (b) MKY Limited is required to deduct tax at source Rs. 4,800 under section 194C.
- (c) MKY Limited is required to deduct tax at source Rs. 3,900 under section 194O.
- (d) MKY Limited is required to deduct tax at source Rs. 5,200 under section 194O. **(MTP 2 Marks, March'21)**

Ans: (c)

4. Mr. Ajay Sadhu, proprietor of M/s Blue Bird Enterprises having turnover of ₹ 65 lakhs and not subject to tax audit under the Income-tax Act, 1961 during P.Y. 2022-23, has received two bills for payment. The first bill is for ₹ 42,00,000 from Vijay Associates, an advocate and property dealer firm, for his daughter's hearing and ₹ 21,00,000 from same Vijay Associates for brokerage service provided in relation to purchase of one property. Both bills were raised on 21-12-2023 but payment were made in instalments. 1st Instalment of ₹ 5,00,000 as advance was payment on 15 11-2023, 2nd Instalment of ₹ 45,00,000 on 25-03-2024 and balance amount ₹ 13,00,000 on 11-05-2024. Determine the TDS liability for Mr. Ajay Sadhu, if any, for A.Y. 2024-25?

- (a) ₹ 2,50,000
- (b) ₹ 3,15,000
- (c) ₹ 65,000
- (d) Nil

(MTP 2 Marks, Oct'20)

Ans: (b)

5. Mr. Ram acquired a house property at Chennai from Mr. Satyam, a resident, for a consideration of Rs.85 lakhs, on 23.8.2023. On the same day, Mr. Ram made two separate transactions, thereby acquiring an urban plot in Gwalior from Mr. VI pun for a sum of Rs.50 lakhs and rural agricultural land from Mr. Danish for a consideration of Rs.75 lakhs. Which of the following statements are correct?

- (a) No tax deduction at source is required in respect of any of the three payments.
- (b) TDS@1% is attracted on all the three payments.
- (c) TDS@1% on Rs.85 lakhs and Rs.50 lakhs are attracted. No TDS on payment of Rs.75 lakhs for acquisition of rural agricultural land
- (d) TDS@1% on Rs.85 lakhs is attracted. No TDS on payments of Rs.50 lakhs and Rs.75 lakhs.

(MTP 2 Marks, May'20)

Ans: (c)

6. Mr. A has two bank accounts maintained with ICICI Bank and HDFC Bank. From 01.09.2023 till 31.03.2024, Mr. A withdrew the following amounts as cash from both the said accounts; HDFC Bank: Rs.50 Lakh ICICI Bank: Rs.120 Lakh

Compute the amount of tax to be deducted at source u/s 194N by HDFC Bank and ICICI Bank, respectively, while making payment in cash to Mr. A.

- (a) Rs.1,00,000 and Rs.2,40,000
- (b) Nil and Rs. 40,000
- (c) Nil and Rs.2,40,000
- (d) Rs. 50,000 and Rs.1,20,000 **(MTP 1 Mark, May'20)**

Ans: (b)

7. Which of the following details/evidences are required to be furnished by an employee to his/her employer in respect of deduction of interest under the head "Income from house property", when the employer is estimating the total income of the employee for the purpose of tax deduction at source u/s 192?

- (i) Amount of Interest payable or paid
- (ii) Rate of interest payable or paid

- (iii) Name of the lender
- (iv) Address of the lender
- (v) PAN of the lender
- (vi) TAN of the lender

- (a) (I), (iii), (v)
- (b) (I), (iii), (iv), (v)
- (c) (ii), (iv), (v), (vi)
- (d) (I), (ii)

(MTP 2 Marks, Oct'19)

Ans: (b)

8. Mr. Jai, a resident Indian aged 60 years, won ₹ 9 lakhs and Mr. Veeru, resident Indian aged 55 years, won ₹ 8 lakhs from lotteries. Tax deductible at source under section 194B was duly deducted. Assuming that this is the only source of income of Mr. Jai and Mr. Veeru for A.Y.2024 -25, are Mr. Jai and Mr. Veeru liable to pay advance tax for that year? (MTP 2 Marks March 22)

- (a) No, Mr. Jai and Mr. Veeru are not liable to pay advance tax
- (b) Yes, Mr. Jai and Mr. Veeru are liable to pay advance tax
- (c) Mr. Jai is liable to pay advance tax but Mr. Veeru is not liable to pay advance tax
- (d) Mr. Veeru is liable to pay advance tax but Mr. Jai is not liable to pay advance tax

Ans: (a)

9. Mr. Kumar made the following cash withdrawals during the P.Y.2023-24 -

Date	Amount	From
1.6.2023	₹ 70 lakhs	Canara Bank
1.7.2023	₹ 45 lakhs	HDFC
1.8.2023	₹ 50 lakhs	Canara Bank
1.9.2023	₹ 15 lakhs	HDFC
1.10.2023	₹ 60 lakhs	Repco Bank (Co-operative Bank)
1.11.2023	₹ 10 lakhs	SBI
1.12.2023	₹ 10 lakhs	Repco Bank
2.1.2024	₹ 15 lakhs	HDFC
10.1.2024	₹ 15 lakhs	HDFC
20.1.2024	₹ 20 lakhs	Repco Bank
1.2.2024	₹ 15 lakhs	Repco Bank
10.2.2024	₹ 75 lakhs	SBI
20.2.2024	₹ 15 lakhs	HDFC
1.3.2024	₹ 15 lakhs	SBI

Which of the above banks are required to deduct tax at source on cash withdrawals made by Mr. Kumar in the P.Y.2023-24 if he regularly files his return of income?

- (a) Canara Bank & HDFC
- (b) HDFC, SBI & Repco
- (c) HDFC, Repco & Canara Bank
- (d) HDFC & Repco

(MTP 2 Marks April 22)

Ans: (c)



10. Mr. Harish is an interior decorator declaring profits under 44ADA in the P.Y.2023-24 and the earlier previous years. Mr. Harish has to pay brokerage of ₹ 15 lakhs to Mr. Patel, a broker, to buy a residential house, and ₹ 50 lakhs to Mr. Suresh, a contractor for reconstruction of the residential house. Are TDS provisions attracted in the hands of Mr. Harish in respect of the above transactions?

- (a) No; TDS provisions are not attracted in the hands of Mr. Harish in respect of payments to Mr. Patel and Mr. Suresh
- (b) Yes; Mr. Harish has to deduct tax from payment to Mr. Patel and Mr. Suresh
- (c) Mr. Harish does not have to deduct tax on payment to Mr. Patel but has to deduct tax from payment to Mr. Suresh
- (d) Mr. Harish does not have to deduct tax on payment to Mr. Suresh but has to deduct tax from payment to Mr. Patel

(MTP 2 Marks) (Oct'22)

Ans: (a)

11. An amount of ₹ 60,000 was paid to Mr. Samar on 1.7.2023 towards fees for professional services without deduction of tax at source. Subsequently, another payment of ₹ 75,000 was due to Mr. Samar on 28.02.2024, from which tax @10% (amounting to ₹ 13,500) on the entire amount of ₹ 1,35,000 was deducted and the net amount was paid on the same day to Mr. Samar. However, this tax of ₹ 13,500 was deposited only on 22.6.2024. The interest chargeable under section 201(1A) would be:

- (a) ₹ 480
- (b) ₹ 1,290
- (c) ₹ 1,260
- (d) ₹ 810 (MTP 2 Marks March '23)

Ans: (b)

12. Mr. Vyas, aged 80, is a retired government employee. On 1st April 2023, he received the maturity amount of his LIC policy amounting to Rs. 3,50,000. This policy was taken by Mr. Vyas on 1st April 2013 on which the sum assured was Rs. 3,00,000 and the annual premium was Rs. 40,000. His other income comprised of pension amounting to Rs. 85,000. Mr. Vyas furnishes a declaration in Form 15H for non-deduction of tax at source to the insurance company stating that his net tax liability for the year is NIL.

Choose the correct statement from below:

- (a) The declaration made by Mr. Vyas is wrong and the insurance company has to deduct tax of Rs. 3,500 under section 194DA.
- (b) The claim by Vyas is right and insurance company is not required to deduct tax at source.
- (c) The insurance company has to deduct tax under section 194DA since declaration in Form 15H cannot be made for tax deduction under section 194DA.
- (d) The declaration made by Mr. Vyas is wrong and the insurance company has to deduct tax of Rs. 1,000 under section 194DA.

(MTP 2 Marks, March'21)

Ans: (b)

13. A, a resident individual, is engaged in the business of money lending. For the purpose of lending money to various persons, A borrows money from other persons. As a part of his business, A took a loan from B of an amount of Rs.10 lacs. B is a non-resident. On the said loan, A paid an amount of Rs.1 lac as interest during the P.Y. 2023-24 to B in India. A did not deduct tax at source while crediting/paying the interest amount to



B. A is of the view that the amount of Rs.1 lac shall be allowed to him as a deduction under the Income-tax Act, 1961. Whether A's view is correct?

- (a) Correct, interest expenses incurred for business are allowed as deduction u/s 36(1)(iii).
- (b) Incorrect, as tax at source has not been deducted by A on the interest amount, full amount of interest of Rs.1 lac shall be disallowed in A.Y. 2024-25.
- (c) Incorrect, as tax at source has not been deducted by A on the interest amount, amount of interest of Rs. 30,000 shall be disallowed in A.Y. 2024-25.
- (d) Correct, interest expenses incurred for business are allowed as deduction u/s 37(1). **(MTP 1 Mark, March'19)**

Ans: (b)

14. Mr. Kabir (a non-resident and aged 70 years) is a retired person, earning rental income of Rs. 45,000 per month from a property located in Mumbai. He is residing in Canada. Apart from rental income, he does not have any other source of income. Is he liable to pay advance tax in India?

- (a) Yes, he is liable to pay advance tax in India as he is a non-resident and his tax liability in India exceeds Rs. 10,000.
- (b) No, he is not liable to pay advance tax in India as his tax liability in India is less than Rs. 10,000.
- (c) No, he is not liable to pay advance tax in India as he is a senior citizen and has no income chargeable
- (d) under the head "Profits and gains of business or profession".
- (e) Both (b) and (c) **(MTP 2 Marks, April'19)**

Ans: (b)

15. Mr. P is a professional who is responsible for paying a sum of ₹ 2,00,000 as rent for use of building to Mr. Harshit for the month of February, 2024. The gross receipts of Mr. P are as under:

From 01.04.2022 to 31.03.2023: ₹ 55,00,000

From 01.04.2023 to 28.02.2024: ₹ 45,00,000

Find out whether Mr. P is responsible for deducting any tax at source from the rent of ₹ 2,00,000 payable to Mr. Harshit.

- (a) Tax at source is required to be deducted u/s 194-I at the rate of 10%.
- (b) Tax at source is required to be deducted u/s 194-IB at the rate of 5%.
- (c) Tax at source is required to be deducted u/s 194-IB at the rate of 10%.
- (d) No tax is required to be deducted at source. **(RTP May '19)**

Ans: (a)

16. Mr. Jha, an employee of FX Ltd, attained 60 years of age on 15.05.2023. He is resident in India during F.Y. 2023-24 and earned salary income of ₹5 lacs (computed). During the year, he earned ₹ 7 lacs from winning of lotteries. Compute his advance tax liability for A.Y. 2024-25:

- (a) ₹ 2,20,000 + Cess ₹ 8,800 = ₹2,28,800, being the tax payable on total income of ₹12 lacs
- (b) ₹ 2,10,000 + Cess ₹ 8,400 = ₹2,18,400, being the tax payable on lottery income of ₹7 lacs



- (c) ₹ 10,000 + Cess ₹400 = ₹ 20,400, being the tax payable on salary income, since tax would have been deducted at source from lottery income.
- (d) Nil (RTP May '20)

Ans: (d)

17. An amount of ₹ 40,000 was paid to Mr. X on 1.7.2023 towards fees for professional services without deduction of tax at source. Subsequently, another payment of ₹ 50,000 was due to Mr. X on 28.2.2024, from which tax@10% (amounting to ₹ 9,000) on the entire amount of ₹ 90,000 was deducted. However, this tax of ₹ 9,000 was deposited only on 22.6.2020. The interest chargeable under section 201(1A) would be:

- (a) ₹ 1,080
(b) ₹ 860
(c) ₹ 1,620
(d) ₹ 840 (RTP Nov '20)

Ans: (b)

18. Mr. Nihar maintains a Savings A/c and a Current A/c in Mera Bank Ltd. The details of withdrawals on various dates during the previous year 2019 -20 are as follows:

Date of Cash withdrawal	Saving Account	Current account
05.04.2023	15,00,000	-
10.05.2023	-	22,00,000
25.06.2023	20,00,000	-
17.07.2023	-	5,00,000
28.10.2023	35,00,000	-
10.11.2023	-	38,00,000
12.12.2023	25,00,000	-

Is Mera Bank Limited required to deduct tax at source on the withdrawals made by Mr. Nihar during the previous year 2023-24? If yes, what would the amount of tax deducted at source?

- (a) No, TDS is not required to be deducted as the aggregate cash withdrawal on or after 1.9.2019 does not exceed ₹ 1 crore
- (b) No, TDS is not required to be deducted as the cash withdrawal does not exceed ₹ 1 crore neither in saving account nor in current account
- (c) TDS of ₹ 60,000 is required to be deducted.
- (d) TDS of ₹ 1,20,000 is required to be deducted. (RTP Nov '20)

Ans: (d)

19. Dr. Sargun, maintained two bank A/c's, one current A/c with Canara Bank for her profession and a Saving Bank A/c with State Bank of India. The following are the details of her withdrawals from these A/c during the previous year 2023-24:

Date of withdrawals	Canara Bank	State Bank of India
25.04.2023	25,00,000	
27.04.2023		15,50,000



31.08.2023	29,00,000	
01.09.2023	14,20,000	
05.09.2023		14,00,000
07.10.2023	18,21,000	
11.12.2023	26,23,000	
12.02.2024	7,56,000	
25.03.2024		16,13,000

She furnished her return of income for the A.Y. 2023-24 and A.Y. 2022-23 on or before the time limit prescribed u/s 139(1). However, for the A.Y. 2021-22 and A.Y. 2020-21, she has furnished her return of income belatedly.

Is any tax deductible at source u/s 194N on the withdrawals made by Dr. Sargun from Canara Bank and SBI Bank? If yes, at what rate and what amount?

- (a) TDS is deductible at source on ₹ 33,79,000 @ 5% by Canara Bank and no tax is deductible by SBI.
- (b) TDS is deductible at source on ₹ 20,20,000 @ 5% by Canara Bank and no tax is deductible by SBI.
- (c) TDS is deductible at source on ₹ 20,20,000 @ 2% by Canara Bank and no tax is deductible by SBI.
- (d) TDS is deductible at source on ₹ 75,00,000 @ 5% and on ₹ 20,20,000 @ 2% by Canara Bank and tax is deductible at source @5% on ₹25,63,000 by SBI. (RTP May '21)

Ans: (c)

20. Mrs. Kajal, the General Manager of M/s Gold Ltd. was paid a salary ₹ 4,50,000 per month. The above salary includes non-monetary perquisite of ₹ 50,000 per month. As per the terms of employment, tax on non-monetary perquisite is to be borne by M/s Gold Ltd. Mrs. Kajal's contribution towards PPF is ₹ 1,50,000. What would be the amount of tax to be deducted by M/s Gold Ltd. from the salary of Mrs. Kajal if she intimated M/s Gold Ltd. to opt for provisions of section 115BAC for A.Y. 2024-25?

- (a) ₹ 13,80,427
- (b) ₹ 15,52,980
- (c) ₹ 12,54,936
- (d) ₹ 13,88,970 (RTP Nov'22)

Ans: (a)

21. XYZ Ltd. is engaged in the manufacture of mobile phones with a brand name "JUST SAY". There are five dealers in Delhi and Mumbai to sell "JUST SAY" mobile phones. A Ltd., a dealer in Delhi, receives two mobile phones and X Ltd., a dealer in Mumbai, receives one mobile phone from XYZ Ltd. in January, 2024 on achieving the sales target in the third quarter of 2023-24. The manufacturing cost of each such mobile phone is ₹ 15,000 while the MRP is ₹ 25,000. The price charged from the customers for such mobile phone is after providing 22% discount on MRP. Is XYZ Ltd. liable to deduct tax at source before giving mobile phones to A Ltd. and X Ltd.? And if yes, how much?

- (a) Yes; ₹ 3,900 from A Ltd. and No TDS from X Ltd.
- (b) Yes; ₹ 3,000 from A Ltd. and No TDS from X Ltd.
- (c) Yes; ₹ 5,000 from A Ltd. and ₹ 2,500 from X Ltd.



(d) Yes; ₹ 3,900 from A Ltd. and ₹ 1,950 from X Ltd. (RTP Nov '23)

Ans: (a)

22. Mr. Ramesh, Mr. Mahesh and Mr. Suresh jointly owned a flat in Mathura, which was let out to Dr. Rajesh from 01.04.2023. The annual rent paid by Dr. Rajesh for the flat was ₹ 5,40,000, credited equally to each of their account. Mr. Rajesh approached his tax consultant to seek clarity in relation to deduction of tax on payment of the rent. He informed his consultant that he occupied such flat for his personal accommodation and his receipts from his profession during the previous year 2022-23 was ₹ 58 lakhs. As tax consultant, choose the correct answer –

- (a) No tax at source is required to be deducted since the rental payments are towards flat occupied for personal purpose
- (b) Tax is required to be deducted at source since the rent payment exceeds ₹ 2,40,000 and Dr. Rajesh is an individual having gross receipts from profession exceeding ₹ 50 lakh in the preceding financial year.
- (c) No tax is required to be deducted at source since the rent credited to each co-owner is less than ₹ 2,40,000
- (d) No tax is required to be deducted at source since Dr. Rajesh's gross receipts during the preceding financial year were less than ₹ 1 crore (MTP 2 Marks, Sep '23)

Ans : The Answer is (c)





Chapter 8 Provisions for Filing Return of Income and Self-Assessment

Question 1

Explain with brief reasons whether the return of income can be revised under section 139(5) of the Income-tax Act, 1961 in the following cases:

- (i) Belated return filed under section 139(4).
- (ii) Return already revised once under section 139(5).
- (iii) Return of loss filed under section 139(3).

(Old & New SM) (MTP 3 Marks, March'18, PYP 4 Marks May '22)

Answer 1

Any person who has furnished a return under section 139(1) or 139(4) can file a revised return at any time before three months prior to the end of the relevant assessment year or before the completion of assessment, whichever is earlier, if he discovers any omission or any wrong statement in the return filed earlier. Accordingly,

- (i) A belated return filed under section 139(4) can be revised.
- (ii) A return revised earlier can be revised again as the first revised return replaces the original return. Therefore, if the assessee discovers any omission or wrong statement in such a revised return, he can furnish a second revised return within the prescribed time i.e. at any time before three months prior to the end of the relevant assessment year or before the completion of assessment, whichever is earlier. It implies that a return of income can be revised more than once within the prescribed time.
- (iii) A return of loss filed under section 139(3) is deemed to be return filed under section 139(1), and therefore, can be revised under section 139(5).

Question 2

i. What is the fee for default in furnishing return of income u/s 234F?

ii. To whom the provisions of section 139AA relating to quoting of Aadhar Number do not apply? (MTP 4 Marks, April'21, PYP 2 Marks, May '19)

Answer 2

- (i) **Fee for default in furnishing return of income u/s 234F**
(As per amendment if return is filed after due date and the total income is under Rs 5,00,000 then late filing fee will be Rs. 1000 and if total income exceeds Rs. 5,00,000 the late filing fee will be Rs. 5,000.)
- (ii) **Persons to whom provisions of section 139AA relating to quoting of Aadhar Number does not apply**
The provisions of section 139AA relating to quoting of Aadhar Number would not apply to an individual who does not possess the Aadhar number or Enrolment ID and is:
 - (i) residing in the States of Assam, Jammu & Kashmir and Meghalaya;
 - (ii) a non-resident as per Income-tax Act, 1961;
 - (iii) of the age of 80 years or more at any time during the previous year;
 - (iv) not a citizen of India.

Question 3

Mr. Praveen, due to inadvertent reasons, failed to file his income-tax return for the assessment year 2024-25 on or before the due date of filing such return of income.

- (i) Can he file the above return after due date of filing return of income? If yes, which is the last date for filing the above return?
- (ii) What are the consequences of non-filing the return within the due date under section 139(1)? (MTP 4 Marks, March'21, RTP Nov '21 & Nov '19)

Answer 3

If any person fails to furnish a return within the time allowed to him under section 139(1), he may furnish the belated return for any previous year at any time -



- (i) before **three months prior** to the end of the relevant assessment year; or
- (ii) before the completion of the assessment, whichever is earlier. **(As per amendment before 31st December of the relevant Assessment Year)**

The last date for filing return of income for A.Y.2024-25, therefore, is ~~31st March 2025~~ **31st December, 2024**. Thereafter, Mr. Praveen cannot furnish a belated return after this date.

Consequences for non-filing return of Income within the due date under section 139(1)

Carry forward and set-off of certain losses: Business loss, speculation business loss, loss from specified business under section 35AD, loss under the head "Capital Gains"; and loss from the activity of owning and maintaining race horses, would not be allowed to be carried forward for set-off against income of subsequent years, where a return of income is not furnished within the time allowed under section 139(1).

Interest under section 234A: Interest under section 234A@1% per month or part of the month for the period commencing from the date immediately following the due date under section 139(1)

till the date of furnishing of return of income is payable, where the return of income is furnished after the due date.

Fee under section 234F: ~~Fee of Rs. 5,000 would be payable under section 234F, if the return of income is not filed on or before the due date specified in section 139(1) but filed on or before 31st December of the assessment year and Rs. 10,000 would be the fee payable under section 234F where the return is furnished after 31st December of the assessment year. However, such fee cannot exceed Rs. 1,000, if the total income does not exceed Rs. 5,00,000.~~

(As per amendment If return is filed after due date and the total income is under Rs 5,00,000 then late filing fee will be Rs. 1000 and if total income exceeds Rs. 5,00,000 the late filing fee will be Rs. 5,000.)

Question 4

Mr. Varun filed return on 30th September, 2024 related to Assessment Year 2024-25. In the month of October 2024, his tax consultant found that the interest on fixed deposit was omitted in the tax return.

- (i) What is the time limit for filing a belated return?
- (ii) Can Mr. Varun 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 31st July, 2024 and the assessment was not completed till the month of October 2024. (MTP 4 Marks, Oct'20)

Answer 4

- (i) As per section 139(4), a belated return for any previous year may be furnished at any time -
 - (a) Before **three months prior to** the end of the relevant assessment year; or
 - (b) before the completion of the assessment, whichever is earlier.

For assessment year 2024-25, the belated return has to be furnished before ~~31st March 2025~~ **31st December 2024** or before completion of assessment, whichever is earlier.

(As per amendment from AY 2021-22 onwards a belated/revised return can be filed by 31st December of the relevant assessment year)

- (ii) As per section 139(5), if any person, having furnished a return within the due date or a belated return, discovers any omission or any wrong statement therein, he may furnish a revised return at any time -
 - a. Before **three months prior to** the end of the relevant assessment year or
 - b. before the completion of assessment, whichever is earlier.

Since Mr. Varun has filed his return after 31.7.2024, being the due date under section 139(1) in his case, but before ~~31.3.2025~~ **31.12.2024**/completion of assessment, the said return is a belated return under section 139(4).

Thus, in the present case, Mr. Varun can file a revised return, since he has found an omission in the belated return filed by him for A.Y.2024-25 and assessment is yet to be completed and assessment year has not elapsed as of October, 2024.

Question 5

Briefly mention the provisions of Income-tax Act, 1961 with regard to quoting Aadhar Number under section 139AA of the Act. (PYP 5 Marks, May'18) (MTP 4 Marks, May'20, Oct'19 & Aug '18, MTP 4 Marks Sep '23)

Answer 5

Provisions of Income-tax Act, 1961 relating to quoting of Aadhar Number under section 139AA

Every person who is eligible to obtain Aadhar Number is required to mandatorily quote Aadhar Number, on or after 1st July, 2017:

- (a) in the application form for allotment of Permanent Account Number (PAN)
- (b) in the return of income

The provisions of section 139AA relating to quoting of Aadhar Number would, however, not apply to an individual who does not possess the Aadhar number or Enrolment ID and is:

- (i) residing in the States of Assam, Jammu & Kashmir and Meghalaya;
- (ii) a non-resident as per Income-tax Act, 1961;
- (iii) of the age of 80 years or more at any time during the previous year;
- (iv) not a citizen of India.

If a person does not have Aadhar Number, he is required to quote Enrolment ID of Aadhar application form issued to him at the time of enrolment in the application form for allotment of PAN or in the return of income furnished by him. Every person who has been allotted PAN as on 1st July, 2017, and who is eligible to obtain Aadhar Number, shall intimate his Aadhar Number to prescribed authority on or before a date as may be notified by the Central Government.

(As per amendment if a person fails to intimate the Aadhar Number, PAN allotted to such person should be made inoperative after the notified date.)

Question 6 (Includes concepts of Advance Tax, TDS & TCS)

Mr. Salish, a resident individual aged 54, furnishes his income & other details for the P.Y. 2023-24:

- (i) Income of Rs.8,10,000 from wholesale cloth business, whose accounts are audited u/s 44AB.
- (ii) Income from other sources Rs.2,70,000.
- (iii) Tax deducted at source Rs. 25,000.
- (iv) Advance tax paid Rs.1,03,000 during the P.Y. 2023-24.

Return of income filed on 11-12-2024. Calculate the interest payable under section 234B of the Income-tax Act, 1961. Assume that the return of income would be processed on the same day of filing of return. What are the consequences for delay in furnishing return of income under the Income-tax Act, 1961? Examine, making the required computations in this case. Assume that 115BAC is not opted. (MTP 5 Marks, April'19)

Answer 6
Computation of interest payable under section 234B by Mr. Salish

Particulars	Rs.
Tax on total income of Rs.10,80,000 [Business income of Rs.8,10,000 + Income from other sources of Rs.2,70,000]	1,36,500
Add: Health and education cess@4%	5,460
Tax on total income	1,41,960
Less: Tax deducted at source	25,000
Assessed Tax	1,16,960
90% of assessed tax	1,05,264
Advance tax paid	1,03,000
Interest under section 234B is leviable since advance tax of Rs.1,03,000 paid is less than Rs.1,05,264, being 90% of assessed tax	
Number of months from 1 st April, 2024 to 11 th December, 2024, being the date of processing of return	9
Interest under section 234B@1% per month or part of a month for 9 months on Rs.13,900 [i.e., difference between assessed tax of Rs.1,16,960 and advance tax of Rs.1,03,000 paid, being Rs.13,960 which is rounded off to Rs.13,900 under Rule 119A of Income-tax Rules, 1962]	1,251

Consequences for delay in filing return of income on or before the due date

Interest under section 234A and fee under section 234F would be attracted for filing return of income beyond the due date specified under section 139(1).

Interest under section 234A

Since Mr. Salish's accounts are audited under section 44AB, the due date for filing of return for A.Y. 2024-25, in his case, is ~~30.09.2024~~ **31.10.2024**. Mr. Salish has filed his return on 11.12.2024 i.e., interest under section 234A will be payable for ~~3~~ **2** months (from 1.11.2024 to 11.12.2024) @ 1% per month or part of month on the amount of tax payable on the total income, as reduced by TDS and advance tax paid i.e., Rs. 13,960 rounded off to Rs. 13,900 under Rule 119A of Income-tax Rules, 1962 Interest u/s 234A = Rs. 13,900 x 1% x 2 = ~~Rs.417~~ **Rs 278**

Fee for late filing of return under section 234F

Since Mr. Sailesh has furnished his return of income after the due date but before 31.12.2019 and his total income exceeds Rs.5 lakhs, a fee of Rs. 5,000 will be payable by him.

(As per amendment If return is filed after due date and the total income is under Rs 5,00,000 then late filing fee will be Rs. 1000 and if total income exceeds Rs. 5,00,000 the late filing fee will be Rs. 5,000.)

Since Mr. Sailesh has furnished his return of income after the due and his total income exceeds Rs.5 lakhs, a fee of Rs. 5,000 will be payable by him.

Question 7

Who are the persons authorized to verify return of income in the case of following persons:

- (i) Local authority
- (ii) Firm, having no managing partner (MTP 2 Marks, April'19)

Answer 7

Return of income to be verified by whom

	Person	Return of income to be verified by
(i)	Local authority	The principal officer
(ii)	Firm, having no managing partner	Any partner of the firm, not being a minor

Question 8

Examine with reasons, whether the following statements are true or false, with regard to the provisions of the Income-tax Act, 1961:

- (i) The Assessing Officer has the power, inter alia, to allot PAN to any person by whom no tax is payable.
- (ii) Where the Karta of a HUF is absent from India, the return of income can be verified by any male member of the family. (MTP 3 Marks, March'19, Oct'21, Old SM)

Answer 8

- i. **True:** Section 139A (2) provides that the Assessing Officer may, having regard to the nature of transactions as may be prescribed, also allot a PAN to any other person, whether any tax is payable by him or not, in the manner and in accordance with the procedure as may be prescribed.
- ii. **False:** Section 140(b) provides that where the Karta of a HUF is absent from India, the return of income can be verified by any other adult member of the family; such member can be a male or female member.

Question 9

Specify the persons who are authorized to verify under section 140, the return of income filed under section 139 of the Income-tax Act, 1961 in the case of:

- (i) Political party;
 - (ii) Local authority;
 - (iii) Association of persons, and
 - (iv) Limited Liability Partnership (LLP).
- (MTP 4 Marks, Oct'18)

Answer 9

The following persons (mentioned in Column III below) are authorised as per section 140, to verify the return of income filed under section 139:

I	II	III
(i)	Political party	Chief Executive Officer of such party (whether known as secretary or by any other designation).
(ii)	Local authority	Principal Officer thereof.
(iii)	Association of Persons	Any member of the association or the principal officer thereof.
(iv)	LLP	Designated partner, or Any partner,
		- where the designated partner is not able to verify the return for any unavoidable reason;
		- where there is no designated partner or any other person prescribed for this purpose can verify the return. (as per amendment)

Question 10

Explain the term “return of loss” under the Income-tax Act, 1961. Can any loss be carried forward even if return of loss has not been filed as required? (MTP 4 Marks, Oct’18, Old SM)

Answer 10

A return of loss is a return which shows certain losses. Section 80 provides that the losses specified therein cannot be carried forward, unless such losses are determined in pursuance of return filed under the provisions of section 139(3).

Section 139(3) states that to carry forward the losses specified therein, the return should be filed within the time specified in section 139(1).

Following losses are covered by section 139(3):

- business loss to be carried forward under section 72(1),
- speculation business loss to be carried forward under section 73(2),
- loss from specified business to be carried forward under section 73A (2).
- loss under the head “Capital Gains” to be carried forward under section 74(1); and
- loss incurred in the activity of owning and maintaining race horses to be carried forward under section 74A (3)

However, loss from house property to be carried forward under section 71B and unabsorbed depreciation can be carried forward even if return of loss has not been filed as required under section 139(3).

A return of loss has to be filed by the Assessee in his own interest and the non-receipt of a notice from the AO requiring him to file the return cannot be a valid excuse under any circumstances for the non-filing of such return.

Question 11

Pertaining to the following transactions, what is the minimum amount above which quoting Permanent Account Number is mandatory?

- (i) Opening a demat account with a depository
- (ii) Purchase of bank draft from a banking company
- (iii) Payment for purchase of any foreign currency at any one time.
- (iv) Payment to a company for acquiring debentures issued by it.
- (v) Payment as life insurance premium to an insurer (MTP 5 Marks, Aug’18)

Answer 11

Monetary limit for mandatory quoting of PAN

	Transaction	Amount above which quoting of PAN is mandatory
(i)	Opening a demat account with a depository.	All such transactions (There is no minimum amount)
(ii)	Purchase of bank draft from a banking company	Payment in cash of an amount exceeding Rs. 50,000 during any one day
(iii)	Payment for purchase of any foreign currency at any one time	Payment in cash of an amount exceeding Rs. 50,000
(iv)	Payment to a company for acquiring debentures issued by it	Amount exceeding Rs. 50,000.
(v)	Payment as life insurance premium to an insurer	Amount aggregating to more than Rs. 50,000 in a financial year

Question 12

Mr. Prince, a senior citizen, has reported a Total Income ₹ 1,90,000. He has claimed exemption of ₹ 50,000 under section 54EC in respect of long term capital gain on sale of house property and deductions under Chapter VI-A amounting to ₹ 1,50,000 for the previous year 2023-24. Is he liable to file his return of income under section 139(1) for the Assessment year 2024-25? If so why? (MTP 3 Marks March 22, RTP May '19)

Answer 12

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.

Question 13

What are the consequences of failure to intimate Aadhar Number. Is there any fee for such default?(MTP 4 Marks April 22)

Answer 13

If a person, who has been allotted PAN as on 1.7.2017 and is required to intimate his Aadhar number under section 139AA(2), has failed to intimate the same on or before 31.3.2022, the PAN of such person would become inoperative immediately after 31.3.2022 **and he would be liable to for payment of fee in accordance with 234H read with rule 114(5A) i.e. Rs 1000** for the purpose of furnishing, intimating or quoting under the Income-tax Act, 1961.

Where a person, whose PAN has become inoperative, is required to furnish, intimate or quote his PAN under the Act, it shall be deemed that he has not furnished, intimated or quoted the PAN, as the case may be, in accordance with the provisions of the Act and he would be liable for all the consequences under the Act for not furnishing, intimating or quoting the PAN.

~~Where a person, who is required to intimate his Aadhar Number under section 139AA(2), fails to do so on or before the notified date i.e., 31.3.2022, he shall be liable to pay such fee, as may be prescribed, at the time of making intimation under section 139AA(2) after 31.3.2022.~~

~~However, such fee shall not exceed ₹ 1,000.~~

Question 14

Mr. Rakesh has submitted his income-tax return containing certain losses/deductions in respect of the P.Y. 2023-24 on 22.10.2024. The due date for filing the return for Mr. Rajesh was 31st July, 2024 under section 139(1). You are required to examine with reference to the relevant provisions of Income-tax Act,

1961 whether the following losses/deductions can be carried forward/claimed in subsequent years by Mr. Rakesh.

- (i) **Loss from the business carried on by him as a proprietor: ₹ 10,80,000 (computed)**
- (ii) **Unabsorbed Depreciation: ₹ 2,00,000 (computed)**
- (iii) **Loss from House property: ₹ 2,50,000 (computed) (MTP 3 Marks April 22, RTP May '20)**

Answer 14

Mr. Rakesh has furnished his return of income for A.Y.2024-25 on 22.10.2024, i.e., after the due date specified under section 139(1) i.e., 31st July 2024. Hence, the return is a belated return under section 139(4). As per section 80 read with section 139(3), specified losses, which have not been determined in pursuance of a return of loss filed within the time specified in section 139(1), cannot be carried forward to the subsequent year for set-off against income of that year. The specified losses include, inter alia, business loss but does not include loss from house property and unabsorbed depreciation.

Accordingly, business loss of ₹ 10,80,000 of Mr. Rakesh for A.Y. 2024-25, not determined in pursuance of a return of loss, filed within the time specified in section 139(1), cannot be carried forward to A.Y.2025-26.

However, the loss of ₹ 2,50,000 from house property and unabsorbed depreciation of ₹ 2,00,000 pertaining to A.Y.2024-25, can be carried forward to A.Y.2025-26 for set-off, even though Mr. Rakesh has filed the return of loss for A.Y.2024-25 belatedly.

Question 15

Mr. Naksh has undertaken certain transactions during the F.Y.2023-24, which are listed below. You are required to identify the transactions in respect of which quoting of PAN is mandatory in the related documents –

S.No.	Transaction
1.	Payment of life insurance premium of Rs. 40,000 in the F.Y.2020-21 by account payee cheque to LIC for insuring life of self and spouse
2.	Payment of Rs. 1,10,000 to RBI for acquiring its bonds
3.	Applied for issue of credit card to SBI
4.	Payment of Rs. 1,00,000 by account payee cheque to travel agent for travel to Singapore for 3 days to visit

(MTP 4 Marks, Nov'21, Old SM)

Answer 15

	Transaction	Is quoting of PAN mandatory in related documents?
1.	Payment of life insurance premium of Rs. 40,000 in the F.Y.2023-24 by account payee cheque to LIC for insuring life of self and spouse	No, since the amount paid does not exceed Rs. 50,000 in the F.Y.2023-24.
2.	Payment of Rs. 1,10,000 to RBI for acquiring its bonds	Yes, since the amount paid exceeds Rs. 50,000
3.	Applied to SBI for issue of credit card.	Yes, quoting of PAN is mandatory on making an application to a banking company for issue of credit card.
4.	Payment of Rs. 1,00,000 by account payee cheque to travel agent for travel to Dubai for 3 days to visit	No, since the amount was paid by account payee cheque, quoting of PAN is not mandatory even though the payment exceeds Rs. 50,000

Question 16

Enumerate the cases where a return of loss has to be filed on or before the due date specified u/s 139(1) for carry forward of the losses. Also enumerate the cases where losses can be carried forward even though the return of loss has not been filed on or before the due date. (MTP 4 Marks Sep'22, PYP 4 Marks Jul'21)

Answer 16

As per section 139(3), an assessee is required to file a return of loss within the due date specified u/s 139(1). As per section 80, certain losses which have not been determined in pursuance of a return filed under section 139(3) on or before the due date specified under section 139(1) cannot be carried forward and set-off. Thus, the assessee has to file a return of loss under section 139(3) within the time allowed u/s 139(1) in order to carry forward and set off of following losses:

- loss under the head "Capital Gains",
- loss from activity of owning and maintaining race horses.
- business loss,
- speculation business loss and
- loss from specified business.

However, following can be carried forward for set-off even if the return of loss has not been filed before the due date:

- Loss under the head "Income from house property" and
- Unabsorbed depreciation.

Question 17

State any three conditions when a person is required to furnish Income-tax return in the prescribed form & manner on or before the due date even if such person (other than a company or a firm) is not otherwise required to furnish a return u/s 139(1). (MTP 3 Marks Oct'22)

Answer 17

Conditions when a person is required to furnish return of income on or before the due date even if he is otherwise not required to furnish return under section 139(1)

Any person, other than a company or a firm, who is not required to furnish a return under section 139(1), is required to file income-tax return in the prescribed form and manner on or before the due date if, during the previous year, such person

- (i) has deposited an amount or aggregate of the amounts exceeding ₹ 1 crore in one or more current accounts maintained with a banking company or a co-operative bank; or
- (ii) has incurred expenditure of an amount or aggregate of the amounts exceeding ₹ 2 lakh for himself or any other person for travel to a foreign country; or
- (i) has incurred expenditure of an amount or aggregate of the amounts exceeding ₹ 1 lakh towards consumption of electricity; or
- (ii) fulfils such other prescribed conditions.

Rule 12AA provides that a person, other than a company or a firm, who is not required to furnish a return under section 139(1), and who fulfils any of the following conditions during the previous year has to file their return of income on or before the due date in the prescribed form and manner -

- (a) if his total sales, turnover or gross receipts, as the case may be, in the business > ₹ 60 lakhs during the previous year; or
- (b) if his total gross receipts in profession > ₹ 10 lakhs during the previous year; or
- (c) if the aggregate of TDS and TCS during the previous year, in the case of the person, is ₹ 25,000 or more; or

However, a resident individual who is of the age of 60 years or more, at any time during the relevant previous year would be required to file return of income only, if the aggregate of TDS and TCS during the previous year, in his case, is ₹ 50,000 or more.



- (d) the deposit in one or more savings bank account of the person, in aggregate, is ₹ 50 lakhs or more during the previous year.

Question 18

Mr. Ram furnished his return of income for the A.Y. 2024 -25 on 20.07.2024. Due to missing information for payment of taxes in the return of income, the Assessing Officer considers it defective under section 139(9) of the Income-tax Act, 1961.

- (i) **What are the consequences if defect is not rectified within the time allowed?**
- (ii) **Specify the remedies available if not rectified within time allowed by the Assessing Officer? (MTP 3 Marks March '23)**

Answer 18

- i. If the defect is not rectified within the period of 15 days or such further extended period, then, the return would be treated as an invalid return. The consequential effect would be the same as if the assessee had failed to furnish the return.
- ii. The Assessing Officer has the power to condone the delay and treat the return as a valid return, if the assessee has rectified the return after the expiry of 15 days or the further extended period, but before the assessment is made.

Question 19

Mr. X would like to furnish his updated return for the A.Y. 2024-25. In case he furnished his updated return of income, he would be liable to pay ₹ 2,50,000 towards tax and ₹ 35,000 towards interest after adjusting tax and interest paid at the time filing earlier return. You are required to examine whether Mr. X can furnish updated return

- (i) **as on 31.3.2026**
- (ii) **as on 28.2.2027**
- (iii) **as on 31.5.2027**

If yes, compute the amount of additional income-tax payable by Mr. X at the time of filing his updated return. (MTP 3 Marks April '23)

Answer 19

Mr. X may furnish an updated return of his income for A.Y. 2024-25 at any time within 24 months from the end of the relevant assessment year i.e., 31.3.2027.'

Accordingly, Mr. X can furnish updated return for A.Y. 2024-25 as on 31.3.2026 and on 28.2.2027. However, he cannot furnish such return as on 31.5.2027, since such date falls after 31.3.2027.

Mr. X would be liable to pay additional income-tax

- @25% of tax and interest payable, if updated return is furnished after the expiry of the time limit available under section 139(4) or 139(5) i.e., 31st December 2024 and before the expiry of 12 months from end of relevant assessment year i.e., 31.3.2025
- @50% of tax and interest payable, if updated return is furnished after the expiry of 12 months from end of relevant assessment year i.e., 31.3.2025 and before the expiry of 24 months from end of relevant assessment year i.e., 31.3.2027.

Accordingly, Mr. X is liable to pay additional income-tax in case he furnished his updated return as on

- (i) 31.3.2026 - ₹ 71,250 [25% of 2,85,000, being tax of ₹ 2,50,000 plus interest of ₹ 35,000]



- (ii) 28.2.2027 of ₹ 1,42,500 [50% of 2,85,000, being tax of ₹ 2,50,000 plus interest of ₹ 35,000]

Question 20

Ms. Geetha submits her return of income on 29-09-2024 for A.Y 2024-25 consisting of income under the head “Salaries”, “Income from house property” and bank interest. On 01- 02-2025, she realized that she had not claimed deduction under section 80D in respect of medical insurance premium of ₹ 15,000 paid for her mother. She wants to revise her return of income. Can she do so? Examine. Would your answer be different if she discovered this omission on 02-04-2025?(RTP May '18)

Answer 20

Since Ms. Geetha has income only under the heads “Salaries”, “Income from house property” and “Income from other sources”, she does not fall under the category of a person whose accounts are required to be audited under the Income-tax Act, 1961. Therefore, the due date of filing return for A.Y.2024-25 under section 139(1), in her case, is 31st July, 2024. Since Ms. Geetha had submitted her return only on 29.9.2024, the said return is a belated return under section 139(4).

As per section 139(5), a return furnished under section 139(1) or a belated return u/s 139(4) can be revised, if she discovers any omission or wrong statement therein. Thus, a belated return under section 139(4) can also be revised. Therefore, Ms. Geetha **cannot revise the return of income filed by her under section 139(4) in February 2025, to claim deduction under section 80D, since the time limit for filing a revised return is upto 31st December, 2024.** ~~ican revise the return of income filed by her under section 139(4) in February 2019, to claim deduction under section 80D, since the time limit for filing a revised return is upto the end of the relevant assessment year, which is 31.03.2019.~~

However, she cannot revise return had she discovered this omission only on 02-04-2025, since it is beyond 31.12.2024.

Question 21

Mr. Atharv filed his return of income on 30th September, 2024 related to Assessment Year 2024-25. In the month of October 2024, his tax consultant found that the interest on fixed deposit was omitted in the tax return. Can Mr. Atharv file a revised return?

Assume that the due date for furnishing return of income in his case, was 31st July, 2024 and the assessment was not completed till the month of October 2024.(RTP Nov '18)

Answer 21

As per section 139(5), if any person, having furnished a return under section 139(1), within the due date or a belated return under section 139(4), discovers any omission or any wrong statement therein, he may furnish a revised return at any time –

- before **three months prior to** the end of the relevant assessment year or
- before the completion of assessment, whichever is earlier.

For assessment year 2024-25, the belated return has to be furnished before 31st Decemeber 2024 or before completion of assessment, whichever is earlier.

Since Mr. Atharv has filed his return after 31.7.2024, being the due date of filing return of income under section 139(1) in his case, but before **31.12.2024** (completion of assessment), the said return is a belated return. Thus, in the present case, Mr. Atharv can file a revised return, since he has found an omission in the belated return filed by him for A.Y.2024-25 and assessment is yet to be completed and **31.12.2024**, being the end of A.Y.2024-25 has not elapsed.

Question 22

Mrs. Shivani is a US Citizen. She got married to Mr. Sriram, an Indian citizen and resident of India, in the year 2015. Since then, she has been staying in India. She has a Bank account in US. She sold a residential house in US and earned a long term capit al gain of ₹ 2 lakhs. She invested the whole sales consideration

in Capital Gain bonds under section 54EC so that no long term capital gain is taxable. She does not have any source of income in India during the P.Y. 2021-22. Is she required to furnish her return of income? If yes, can she furnish a belated return? (RTP May '22)

Answer 22

An individual whose total income without giving effect to, inter alia, section 54EC exceeds the maximum amount not chargeable to tax i.e., ₹ 2,50,000, is required to file a return of income on or before the due date under section 139(1) i.e., 31st July, 2024.

Every person, being a resident other than not ordinarily resident in India, would be required to file a return of income or loss for the previous year, even if his total income does not exceed the basic exemption limit, if such person, at any time during the previous year, inter alia, holds any asset located outside India or has a signing authority in any account located outside India.

In this case, Mrs. Shivani is a resident and ordinarily resident in India for A.Y. 2024-25 since she has been staying in India since the year 2015. Total income of Mrs. Shivani without giving effect to, inter alia, section 54EC is ₹ 2 lakhs, which is below the basic exemption limit. However, since she has a bank account in US, she has to furnish her return of income for A.Y. 2024-25 on or before 31.07.2024.

Yes, she can furnish a belated return under section 139(4), if she has not furnished her return on or before 31.7.2024, at any time before the –

- (i) three months prior to the end of the relevant assessment year i.e., 31.12.2024; or
- (ii) completion of the assessment whichever is earlier.

Question 23

Mr. Vikas, a resident in India aged 80 years, is having a house property in Mumbai. He has let out the house property to ABC Ltd. for a rent of ₹ 50,000 per month from 1.4.2023. He does not have any other source of income. Is Mr. Vikas required to file his return of income for A.Y. 2024-25. If yes, why? (RTP Nov'22)

Answer 23

An individual whose total income exceeds the maximum amount not chargeable to tax i.e., ₹ 5,00,000 in this case since Mr. Vikas is of 80 years, is required to file a return of income on or before the due date under section 139(1) i.e., 31st July, 2024.

Clause (iv) of seventh proviso to section 139(1) provides that a person (other than a company or a firm) who is not required to furnish a return u/s 139(1) has to furnish return on or before the due date if the person fulfills such other conditions as may be prescribed.

Accordingly, vide Notification no. 3/2022 dated 21.4.2022, the CBDT inserted Rule 12AB which prescribes, inter alia, that in case of resident individual who is aged 60 years or more at any time during the relevant P.Y. is required to file his return of income if the aggregate of tax deducted at source and tax collected at source, in his case, during the P.Y. is ₹ 50,000 or more.

In this case, Mr. Vikas's total income would comprise of only income from house property from let out of house property in Mumbai. His total income would be ₹ 4,20,000 [₹ 6,00,000 – 30% under section 24(a)], which is below the basic exemption limit of ₹ 5,00,000.

ABC Ltd. is required to deduct tax at source u/s 194-I @10% of ₹ 6,00,000. Tax deductible would be ₹ 60,000. Since tax deducted at source in case of Mr. Vikas is more than ₹ 50,000, he has to furnish his return of income for A.Y. 2024-25 on or before 31.07.2024, even though his total income is below the basic exemption limit of ₹ 5,00,000.

Note – It is assumed that Mr. Vikas has neither made an application to the Assessing Officer u/s 197 nor furnished declaration to ABC Ltd. u/s 197A for non-deduction of tax. In case, he has obtained the certificate u/s 197 or furnished declaration to ABC Ltd. u/s 197A, no tax would have been deducted by ABC Ltd. on rental income. Consequently, Mr. Vikas would not be required to file his return of income.

Question 24

Mr. Aakash has undertaken certain transactions during the F.Y.2023 -24, which are listed below. You are required to identify the transactions in respect of which quoting of PAN is mandatory in the related documents –(RTP May '23)

S.No.	Transaction
1.	Opening a current account with HDFC Bank
2.	Sale of shares of ABC (P) Ltd. for ₹ 1,50,000
3.	Purchase of two wheeler motor vehicle of ₹ 1 lakh
4.	Purchase of a professional laptop of ₹ 3 lakhs

Answer 24

	Transaction	Is quoting of PAN mandatory in related documents?
1.	Opening a current account with HDFC Bank	Yes, quoting of PAN is mandatory on opening of a current account by a person with bank.
2.	Sale of shares of ABC (P) Ltd. for ₹ 1,50,000	Yes, since the amount for sale of unlisted shares exceeds ₹ 1,00,000
3.	Purchase of two wheeler motor vehicle of ₹ 1 lakh	Since the purchase is of two wheeler motor vehicle, quoting of PAN is not mandatory
4.	Purchase of a professional laptop of ₹ 3 lakhs	Yes, since the amount paid exceeds ₹ 2,00,000

Question 25

Who is authorized to verify the return of income of the following assessees?

- HUF whose Karta is absent from India
- Company where the company is being wound up
- Local authority
- Individual who is mentally incapacitated from attending to his affairs (RTP Nov '23)

Answer 25
Person authorized to verify return of income

S.No.	Assessee	Authorised Persons
(a)	HUF whose karta is absent from India	Any other adult member of the HUF
(b)	Company where the company is being wound up	Liquidator
(c)	Local authority	The principal officer
(d)	Individual who is mentally incapacitated from attending to his affairs	His guardian or any other person competent to act on his behalf

Question 26

In the following cases relating to P.Y.2023-24, the total income of the assessee or the total income of any other person in respect of which he/she is assessable under Income-tax Act does not exceed the basic exemption limit. You are required to state with reasons, whether the assessee is still required to file the return of income or loss for A.Y.2024-25 in each of the following independent situations:

- Manish & Sons (HUF) sold a residential house on which there arose a long term capital gain of ₹ 12 lakhs which was invested in Capital Gain Bonds u/s 54EC so that no long term capital gain was taxable. (PYP 1½ Marks, July'21)
- Mrs. Archana was born in Germany and married in India. Her residential status under section 6(6)

of the Income-tax Act, 1961 is 'resident and ordinarily resident'. She owns a car in Germany which she uses for her personal purposes during her visit to her parents' place in that country. (PYP 1½ Marks, July'21)

- (iii) Sudhakar has incurred an expenditure of ₹ 1,20,000 towards consumption of electricity, the entire payment of which was made through banking channels. (PYP 1 Mark, July'21)

Answer 26

- (i) A HUF whose total income without giving effect to, inter alia, section 54EC, exceeds the basic exemption limit of ₹ 2,50,000, is required to file a return of its income on or before the due date under section 139(1). In this case, since the total income without giving effect to exemption under section 54EC is ₹ 12 lakhs, exceeds the basic exemption limit, the HUF is required to file its return of income for A.Y. 2024-25 on or before the due date under section 139(1).
- (ii) Every person, being a resident other than not ordinarily resident in India would be required to file a return of income or loss for the previous year on or before the due date, even if his or her total income does not exceed the basic exemption limit, if such person, at any time during the previous year, inter alia, holds any asset located outside India. In this case, though Mrs. Archana owns a car in Germany, the same does not fall within the ambit of "capital asset" as it is a personal effect. Hence, Mrs. Archana is not required to file her return of income for A.Y. 2024-25 on account of owning a car for personal purposes in Germany.

Note – "Asset" for the purpose of the fourth proviso to section 139(1) has not been specifically defined in the said section or elsewhere in the Act. Schedule FA of the income-tax return forms, however, requires details of foreign assets for the purpose of filing of return of income under this provision. The foreign assets listed in the said Schedule does not include car. It, however, includes "any other capital assets outside India". Car used for personal purposes is not a capital asset as it is a "personal effect". Hence, it is not included in the meaning of "asset" for the purpose of the fourth proviso to section 139(1). The above answer is based on the view taken regarding the ambit of the term "asset", based on the list of assets detailed in the relevant schedule of the income-tax return forms.

Alternative view - On the plain reading of the fourth proviso to section 139(1) and the general meaning attributable to the word "asset", it is possible to take a view that Mrs. Archana is required to file her return of income as she owns an asset, i.e., a car in Germany. Accordingly, due credit may also be given to the candidates who have answered on this basis.

- (iii) If an individual has incurred expenditure exceeding ₹ 1 lakh towards consumption of electricity during the previous year, he would be required to file a return of income, even if his total income does not exceed the basic exemption limit. Since Mr. Sudhakar has incurred expenditure of ₹ 1,20,000 in the P.Y.2023-24 towards consumption of electricity, he has to file his return of income for A.Y. 2024-25 on or before the due date under section 139(1).

Question 27

Mr. Hari aged 57 years is a resident of India. He provides you the following details of his incomes pertaining to F.Y. 2023-24.

- Interest on Non-Resident (External) Account maintained with State Bank of India as per RBI stipulations - ₹ 3,55,000
- Interest on savings bank account maintained with State Bank of India - ₹ 8,000
- Interest on Fixed Deposits with Punjab National Bank - ₹ 40,000

He seeks your advice on his liability to file return of income as per Income-tax Act, 1961 for the Assessment Year 2024-25.

What will be your answer, if he has incurred ₹ 4 lakhs on travel expenses of his newly married son and daughter in law's honeymoon in Canada? (PYP 4 Marks, Jan'21)

Answer 27

- (a) An individual is required to furnish a return of income under section 139(1) if his total income, before giving effect to the deductions under Chapter VI-A or exemption under section

54/54B/54D/54EC or 54F, exceeds the maximum amount not chargeable to tax i.e., ₹ 2,50,000.

(b) Computation of total income of Mr. Hari for A.Y. 2024-25

Particulars	₹
Income from other sources	
Interest earned from Non-resident (External) Account ₹ 3,55,000 [Exempt u/s 10(4)(ii), since he is maintaining the said account as per RBI stipulations]	NIL
Interest on savings bank account	8,000
Interest on fixed deposit with Punjab National Bank	40,000
Gross Total Income	48000
Less: Deduction u/s 80TTA (Interest on saving bank account)	8,000
Total Income	40,000

Since the total income of Mr. Hari for A.Y.2024-25, before giving effect, inter alia, to the deductions under Chapter VI-A, is less than the basic exemption limit of ₹ 2,50,000, he is not required to file return of income for A.Y.2024-25.

However, if he has incurred expenditure exceeding ₹ 2 lakhs for himself or any other person for travel to a foreign country, he would be required to file a return of income, even if his total income does not exceed the basic exemption limit. Since he has incurred expenditure of ₹ 4 lakhs on foreign travel of his newly married son and daughter in law in the F.Y. 2023-24, he has to mandatorily file his return of income for A.Y. 2024 -25 on or before the due date under section 139(1).

Question 28

Elaborate the conditions, non-fulfilment of which would render a return of income filed by an assessed not maintaining regular books of accounts, defective. (PYP 4 Marks, Nov'19)

Answer 28

Where regular books of account are not maintained by the assessee, the return should be accompanied by

- (i) a statement indicating -
 - (1) the amount of turnover or gross receipts,
 - (2) gross profit,
 - (3) expenses; and
 - (4) net profit of the business or profession;
- (ii) the basis on which such amounts mentioned in (i) above have been computed,
- (iii) the amounts of total sundry debtors, sundry creditors, stock-in-trade and cash balance as at the end of the previous year.

Note: The above answer is based on the provisions of section 139(9) of the Income-tax Act, 1961. However, since returns are now required to be e-filed, many of the details need to be incorporated as part of the relevant return form itself.

Question 29

Discuss the provisions of section 139A (1) which provides the persons who are compulsorily required to apply for allotment of Permanent Account Number (PAN) with the Assessing Officer. (PYP 4 Marks. May'19)

Answer 29

Persons who are mandatorily required to apply for PAN as per section 139A(1)	
(i)	Every person whose total income or the total income of any other person in respect of which he is assessable under the Income-tax Act, 1961 during any previous year exceeds the basic exemption limit
(ii)	Every person carrying on business or profession whose total sales, turnover or gross receipts are or is likely to exceed ₹ 5 lakh in any previous year

(iii)	Every person, being a resident, other than an individual, which enters into a financial transaction of an amount aggregating to ₹ 2,50,000 or more in a financial year
(iv)	Every person who is the managing director, director, partner, trustee, author, founder, karat, chief executive officer, principal officer or office bearer of the person referred to in (iii) above or any person competent to act on behalf of the person referred to in (iii) above.

Question 30

Explain the quantum of late fees under section 234F for delay in furnishing return of income within the prescribed time limit under section 139(1) for A.Y. 2024-25. (PYP 3 Marks, Nov'18)

Answer 30

Quantum of late fee for delay in furnishing return of Income Late fee under section 234F is attracted where a person, who is required to furnish a return of income under section 139, fails to do so within the time limit prescribed under section 139(1).

Quantum of Late Fee	Circumstances
₹ 5,000	If the return is furnished on or before the 31st December of the assessment year;
₹ 10,000	In any other case
However, if the total income of the person does not exceed ₹ 5 lakhs, the fee payable shall not exceed ₹ 1,000	

(As per amendment If return is filed after due date and the total income is under Rs 5,00,000 then late filing fee will be Rs. 1000 and if total income exceeds Rs. 5,00,000 the late filing fee will be Rs. 5,000.)

Question 31

Every person is required to file a return of income on or before due date in the prescribed form and manner as per section 139(1). What is the meaning of due date of filing Income-tax Returns for different categories of assesses as per section 139(1) of the Income-tax Act 1961? (PYP 4 Mark, Nov'18)

Answer 31

Due date' for filing of return of income as per section 139(1):

- (i) 30th September *(As per amendment 31st October)* of the assessment year, where the assessee, other than an assessed referred to in (ii) below, is -
 - (a) a company,
 - (b) a person (other than a company) whose accounts are required to be audited under the Income-tax Act, 1961 or any other law in force; or
 - (c) a working partner of a firm whose accounts are required to be audited under the Income-tax Act, 1961 or any other law for the time being in force.
- (ii) 30th November of the assessment year in case of an assessee including partners of a firm being such assessee who is required to furnish report referred to in section 92E. (As per amendment)
- (iii) 31st July of the assessment year, in the case of any other assessee.

Note: In the case of an assessee who is required to furnish a report referred to in section 92E, the due date for filing return of income is 30th November of the assessment year.

Question 32

(1) State whether quoting of PAN in the following transactions is mandatory or not, as per the provisions of Income-tax Act, 1961 for A.Y. 2024-25:

- (i) Mr. A makes cash payment to a hotel Radisson Blu, Ahmedabad of ₹ 50,000 against the bill raised by the hotel.
- (ii) Mr. Abhishek, in a single transaction, makes contract of ₹1,20,000 for sale/purchase of securities (other than shares) as defined in section 2(h) of the Securities Contracts (Regulation) Act, 1956.
- (iii) Payment to Mutual Funds of ₹ 70,000 for purchase of its units.



Your answers must be supported with reasons. (PYP 3 Marks, May'18)

- (2) Briefly mention the concept of self-assessment tax u/s 140A of the Income-tax Act, 1961 and its components. (PYP 2 Marks, May'18)**

Answer 32

- (1)** Requirement of quoting PAN in respect of certain transactions [Rule 114B of Income-tax Rules, 1962]
- (i) PAN not required to be quoted: Mr. A is not required to quote his PAN while making payment ₹ 50,000 in cash to a hotel Radisson Blu, Ahmedabad, since such payment does not exceed ₹ 50,000.
 - (ii) PAN is mandatorily required to be quoted: Mr. Abhishek is required to quote his PAN while making contract of ₹ 1,20,000 for sale/purchase of securities (other than shares) as defined in section 2(h) of the Securities Contracts (Regulation) Act, 1956, since amount of the transaction exceeds ₹ 1,00,000.
 - (iii) PAN is required to be quoted: PAN has to be mandatorily quoted while making payment of ₹ 70,000 to Mutual Funds for purchase of its units, since such payment exceeds ₹ 50,000.
- (2)** Concept of self-assessment tax under section 140A
Where any tax is payable on the basis of any return required to be furnished under, inter alia, section 139, after taking into account -
- (i) the amount of tax, already paid, under any provision of the Income-tax Act, 1961
 - (ii) the tax deducted or collected at source the assessee shall be liable to pay such tax together with interest and fees payable under any provision of this Act for any delay in furnishing the return or any default or delay in payment of advance tax before furnishing the return.

The return shall be accompanied by the proof of payment of such tax, interest and fee. Where the amount paid by the assessee under section 140A (1) falls short of the aggregate of the tax, interest and fees as aforesaid, the amount so paid shall first be adjusted towards the fees payable and thereafter, towards interest and the balance shall be adjusted towards the tax payable.

Question 33

Indicate the three situations where the return of income has to be compulsorily filed u/s 139(1) of the Income-tax Act, 1961. (PYP 6 Marks, May'18)

Answer 33

Situations where Return of Income has to be compulsorily filed under section 139(1)

- (i) Companies and firms (whether having profit or loss or nil income);
- (ii) a person, being a resident other than not ordinarily resident, who holds, as beneficial owner or otherwise, any asset (including any financial interest in any entity) located outside India or has signing authority in any account located outside India, or is a beneficiary of any asset (including any financial interest in any entity) whether or not having income chargeable to tax;
- (iii) Individuals, HUFs, AOPs or BOIs and artificial juridical persons whose total income before giving effect to the provisions of section 10(38) and Chapter VI-A deductions and **sections 54, 54B, 54D, 54EC or 54F (inserted as per amendment)** exceeds the basic exemption limit.

Question 34

Mr. Kailash, a resident and ordinarily resident in India, could not file his return of Income for the assessment year 2024-25 before due date prescribed under section 139(1). Advise Mr. Kailash as a tax consultant.

What are the consequences for non-filing of return of Income within the due date under section 139(1)? (PYP 4 Marks Dec '21)(MTP 4 Marks Oct '23)

Answer 34

Consequences for non-filing return of income within the due date under section 139(1) **Interest under section 234A**

Interest under section 234A@1% per month or part of the month for the period commencing from the date immediately following the due date under section 139(1) till the date of furnishing of return of income is payable, where the return of income is furnished after the due date.

However, no interest u/s 234A shall be charged on self-assessment tax paid by the assessee on or before the due date of filing of return.

Fee under section 234F

Late fee of

- ₹ 5,000 would be payable under section 234F, if the return of income is not filed before the due date specified in section 139(1) and
- ₹ 10,000 would be the fee payable under section 234F where the return is furnished after 31st December, 2024.

However, such fee cannot exceed ₹ 1,000, if the total income does not exceed ₹ 5,00,000.

Carry forward and set-off of certain losses not permissible

Following losses would not be allowed to be carried forward, where a return of income is not furnished within the time allowed under section 139(1):

- business loss, speculation business loss, loss from specified business,
- loss under the head "Capital Gains"; and
- loss from the activity of owning and maintaining race horses.

Question 35

Mr. Sitaram is engaged in the business of trading of cement having turnover of ₹ 10 crores during the financial year 2023-24. As a tax consultant advise him what are the particulars to be furnished under section 139(6A) along with Return of Income? (PYP 4 Marks Dec '21)

Answer 35

Since Mr. Sitaram's turnover from business of trading of cement is ₹ 10 crores which exceeds ₹ 1 crore, being the threshold limit for tax audit under section 44AB, he is subjected to tax audit.

Accordingly, Mr. Sitaram, is required to furnish the following particulars along with his return of income -

- (i) the report of audit referred to in section 44AB.
- (ii) the particulars of the location and style of the principal place where he carries on the business or profession and all the branches thereof.

Question 36

Due to some inconsistent information provided in the return of income furnished under Section 139(1), the Assessing Officer considers it defective under Section 139(9) of the Income-tax Act, 1961.

- (i) **How, the Assessing Officer would deal with the issue?**
- (ii) **What are the consequences if defect is not rectified within the time allowed?**

Specify the remedies available if not rectified within time allowed by the Assessing Officer? (PYP 4 Marks May'22)

Answer 36

- (i) Where the Assessing Officer considers that the return of income furnished by the assessee is defective,
 - he may intimate the defect to the assessee and

- give him an opportunity to rectify the defect within a period of 15 days from the date of such intimation.

The Assessing Officer has the discretion to extend the time period beyond 15 days, on an application made by the assessee.

- (ii) If the defect is not rectified within the period of 15 days or such further extended period, then, the return would be treated as an invalid return. The consequential effect would be the same as if the assessee had failed to furnish the return.
- (iii) The Assessing Officer has the power to condone the delay and treat the return as a valid return, if the assessee has rectified the return after the expiry of 15 days or the further extended period, but before the assessment is made.

Question 37

Mr. A employed with B Pvt. Ltd. residing in Chennai, filed his return of Income on 30 th July. He has no other income other than salary. He however has failed to link his Aadhar with PAN as on return filing date.

- (i) **What is the last date for linking Aadhar with PAN?**
- (ii) **What is the consequence for him if he has linked the Aadhar with PAN on 31 st August 2022?**
- (iii) **Are there any exceptions provided under section 139AA from quoting of Aadhar number? (PYP 4 Marks Nov '22)**

Answer 37

Every person who has been allotted PAN as on 1st July, 2017, and who is eligible to obtain Aadhar Number, has to intimate his Aadhar Number to prescribed authority on or before 31st March, 2022.

Since, Mr. A fails to link his Aadhar number with PAN on or before 31.3.2022, consequently, at the time of linking his Aadhaar number with PAN on 31.8.2022, he would be liable to pay fee of ₹ 1,000 as per section 234H.

Yes, the following are the exceptions -

An individual who does not possess the Aadhar number or Enrolment ID and is:

- (i) residing in Assam, Jammu & Kashmir and Meghalaya;
- (ii) a non-resident as per Income-tax Act, 1961;
- (iii) of the age of 80 years or more at any time during the previous year;
- (iv) not a citizen of India

Question 38

What is the time limit within which an updated return can be filed? Also enumerate the circumstances in which updated return cannot be furnished. (PYP 4 Marks May'23)

Answer 38

Any person may furnish an updated return of his income or the income of any other person in respect of which he is assessable, for the previous year relevant to the assessment year at any time within 24 months from the end of the relevant assessment year.

Circumstances in which updated return cannot be furnished

No updated return can be furnished by any person for the relevant assessment year, where

- (a) an updated return has been furnished by him for the relevant assessment year
- (b) any proceeding for assessment or reassessment or recomputation or revision of income is pending or has been completed for the relevant assessment year in his case;
- (c) he is such person or belongs to such class of persons, as may be notified by the CBDT.
- (d) an updated return is a loss return



- (e) the updated return has the effect of decreasing the total tax liability determined on the basis of return furnished under section 139(1)/(4)/(5) / original or revised return
- (f) the updated return results in refund or increases the refund due on the basis of return furnished under section 139(1)/(4)/(5) / original or revised return.

Note – Any three of the above circumstances can be mentioned.

Question 39

A person other than a company or a firm who is otherwise not required to furnish the return of income, needs to furnish return of income provided they fulfil certain conditions prescribed. Enumerate. (PYP 4 Marks May'23)

Answer 39

A person, other than a company or a firm, who is not required to furnish a return under section 139(1), has to furnish their return of income on or before the due date if they fulfil any of the following conditions -

- (i) if his total sales, turnover or gross receipts, as the case may be, in the business > ₹ 60 lakhs during the previous year; or
- (ii) if his total gross receipts in profession > ₹ 10 lakhs during the previous year; or
- (iii) if the aggregate of TDS and TCS during the previous year, in the case of the person, is ₹ 25,000 or more; or

However, a resident individual who is of the age of 60 years or more, at any time during the relevant previous year would be required to file return of income only, if the aggregate of TDS and TCS during the previous year, in his case, is ₹ 50,000 or more.

- (iv) the deposit in one or more savings bank account of the person, in aggregate, is ₹ 50 lakhs or more during the previous year.

Question 40

Examine with reasons, whether quoting of PAN in the following transactions is mandatory or not, as per the provisions of Income-tax Act, 1961 for A.Y. 2024-25:

- (i) **Mr. Nihau makes cash payment to a hotel Ginger, Rishikesh of Rs. 50,000 against the bill raised by the hotel.**
- (ii) **Mr. Suresh, in a single transaction, makes contract of Rs.1,85,000 for sale/purchase of securities (other than shares) as defined in section 2(h) of the Securities Contracts (Regulation) Act, 1956.**
- (iii) **Payment to Mutual Funds of Rs. 57,000 for purchase of its units. (MTP 3 Marks, Oct'19)**

Answer 40

Requirement of quoting PAN in respect of certain transactions [Rule 114B of Income-tax Rules, 1962]

- (i) **PAN not required to be quoted:** Mr. Nihar is not required to quote his PAN while making payment Rs. 50,000 in cash to a hotel Ginger, Rishikesh, since such payment does not exceed Rs. 50,000.
- (ii) **PAN is mandatorily required to be quoted:** Mr. Suresh is required to quote his PAN while making contract of Rs. 1,85,000 for sale/purchase of securities (other than shares) as defined in section 2(h) of the Securities Contracts (Regulation) Act, 1956, since amount of the transaction exceeds Rs. 1,00,000.
- (iii) **PAN is required to be quoted:** PAN has to be mandatorily quoted while making payment of Rs. 57,000 to Mutual Funds for purchase of its units, since such payment exceeds Rs. 50,000.



MULTIPLE CHOICE QUESTIONS (MCQS)

1. **Mr. Kumar, aged 62 years' resident and ordinarily resident, is a retired employee with a monthly pension of ₹ 15,000. He has no other source of income. He has a house property in Bhatinda and his only son is living in London and has a house over there. He met with an accident and died and thereby leaving the house at London in the name of his father, Mr. Kumar. Mr. Kumar seeks your advice, as to whether he is required to file his income-tax return u/s 139?**
- (a) Yes, he is mandatorily required to file his income-tax return as he is a resident and ordinarily resident in India and has asset located outside India
 - (b) No, he is not required to file return of income as his income is below basic exemption limit
 - (c) Yes, he is required to file his return of income as his income exceeds basic exemption limit
 - (d) No, he is not required to file his return of income as he is a senior citizen and retired employee
- (MTP 2 Marks, Oct'21)**

Ans :(a)

2. **Ms. Dilar who is not required to furnish return u/s 139(1) as his gross total income itself is less than basic exemption limit, has incurred expenditure of ₹ 2,00,000 for her daughter for travel to U.S.A. during P.Y. 2023-24. Is she required to file return for A.Y. 2020-21? If yes, what is the due date?**
- (a) Yes; 31st July, 2024
 - (b) Yes; 30th September, 2024
 - (c) Yes; 31st August, 2024
 - (d) No, she is not required to file return of income for A.Y. 2024-25
- (MTP 2 Marks, Oct'20)**

Ans: (d)

3. **Which of the following is not a consequence of late filing of return?**
- (a) Levy of interest under section 234A
 - (b) Loss (other than loss under the head "Income from house property") cannot be carried forward
 - (c) No deduction under Chapter VI-A under the heading „B" – Deduction in respect of certain payments
 - (d) All of the above
- (MTP 1 Mark, March'19)**

Ans : (c)

4. **Mr. Laxman, born on 1.4.1962, has a gross total income of ₹ 2,85,000 for A.Y.2024-25 comprising of his salary income. He does not claim any deduction under Chapter VI-A. He pays electricity bills of ₹ 10,000 per month. He made a visit to Canada along with his wife for a month in January, 2024 for which he incurred to and fro flight charges of ₹ 1.20 lakhs. The remaining expenditure for his visa, stay and sightseeing amounting to ₹ 70,000 was met by his son residing in Canada. Is Mr. Laxman required to file return of income for A.Y.2024-25, and if so, why?**
- (a) No, Laxman is not required to file his return of income Yes, Laxman is required to file his return of income, since his gross total income/total income
 - (b) exceeds the basic exemption limit
 - (c) Yes, Laxman is required to file his return of income since he pays electricity bills of ₹ 10,000 per month, which exceeds the prescribed annual threshold
 - (d) Yes, Laxman is required to file his return of income since he has incurred foreign travel expenditure exceeding ₹ 1 lakh
- (MTP 2 Marks Sep'22)**

Ans: (c)

5. **Mr. Dinesh, a resident in India, has gross total income of ₹ 2,30,000 comprising of interest on saving A/c and rental income during the previous year 2023-24. He incurred expenditure of ₹ 2,00,000 for his son for**



a study tour to Europe. Whether he is required to file return of income for the assessment year 2024-25? If yes, what is the due date?

- (a) Yes, 31st July of A.Y
- (b) Yes, 30th September of A.Y
- (c) Yes, 31st October of A.Y
- (d) No, he is not required to file return of income **(RTP Nov '20)**

Ans: (d)

6. Arun's gross total income of P.Y. 2023-24 is ₹ 2,45,000. He deposits ₹ 45,000 in PPF. He pays electricity bills aggregating to ₹ 1.20 lakhs in the P.Y.2023-24. Which of the statements is correct?

- (a) Arun is not required to file his return of income u/s 139(1) for P.Y. 2023-24, 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. 2023-24, since his electricity bills do not exceed ₹ 2,00,000 for the P.Y.2023-24.
- (c) Arun is not required to file his return of income u/s 139(1) for P.Y. 2023-24, since neither his total income before giving effect to deduction under section 80C exceeds the basic exemption limit nor his electricity bills exceed ₹ 2 lakh for the P.Y.2023-24.
- (d) Arun is required to file his return of income u/s 139(1) for P.Y. 2023-24, since his electricity bills exceed ₹1 lakh for the P.Y.2023-24.**(RTP Nov '19)**

Ans: (d)

7. Mr. Pawan is engaged in the business of roasting and grinding coffee beans. During F.Y. 2023-24, his total income is ₹ 4.5 lacs. Mr. Pawan filed its return of income for A.Y. 2024-25 on 3rd March, 2025. Compute fee payable for default in furnishing in return of income for PQ & Associates for A.Y. 2024-25:

- (a) ₹ 5,000
- (b) Not exceeding ₹ 1,000
- (c) ₹ 10,000
- (d) No fees payable as total income is below ₹ 5,00,000 **(RTP May 20)**

Ans: (b)

8. Mr. Sunil has filed his return of loss for A.Y. 2024-25 on 31.7.2024 and received a total refund of ₹ 44,500. On 15.9.2024, he would like to furnish his updated return of income for additional income. In case he furnished his updated return of income for additional income, he would be liable to pay ₹ 57,000 towards tax and ₹ 6,700 towards interest for additional income to be reported in updated return. Compute the additional income-tax payable by Mr. Sunil at the time of filing his updated return. **(RTP Nov '23)**

- (a) ₹ 27,050
- (b) ₹ 15,925
- (c) ₹ 14,250
- (d) ₹ 31,850

Ans : (a)

Chapter 9

Computation of Total Income & Tax Payable

Question 1

Mr. Rakesh, aged 45 years, a resident Indian has provided you the following information for the previous year ended 31.03.2024

- (i) He received royalty of ₹ 2,88,000 from abroad for a book authored by him in the nature of artistic. The rate of royalty as 18% of value of books and expenditure made for earning this royalty was ₹ 40,000. The amount remitted to India till 30th September, 2023 is ₹ 2,30,000.
- (ii) He owns an industrial undertaking established in a SEZ and which had commenced operation during the financial year 2023-24. Total turnover of the undertaking was ₹ 200 lakhs, which includes ₹140 lakhs from export turnover. This industrial undertaking fulfills all the conditions of section 10AA of the Income-tax Act, 1961. Profit from this industry is ₹ 25 lakhs.
- (iii) He also sold his vacant land on 10.11.2023 for ₹13 lakhs. The stamp duty value of land at the time of transfer was ₹ 19.35 lakhs. The FMV of the land as on 1st April, 2001 was ₹ 5 lakhs. This land was acquired by him on 05.08.1995 for ₹ 1.75 lakhs. He had incurred registration expenses of ₹ 20,000 at that time. The cost of inflation index for the year **2023-24** and 2001-02 are **348** and 100 respectively.
- (iv) Received ₹ 40,000 as interest on saving bank deposits.
- (v) He occupies ground floor of his residential building and has let out first floor for residential use at an annual rent of ₹ 2,28,000. He has paid municipal taxes of ₹ 60,000 for the current financial year. Both floor are of equal size.
- (vi) He paid insurance premium of ₹ 39,000 on life insurance policy of son, who is not dependent on him and ₹ 48,000 on life insurance policy of his dependent father.
- (vii) He paid tuition fees of ₹ 42,000 for his three children to a school. The fees being ₹ 14,000 p.a. per child.

You are required to compute the total income and tax liability of Mr. Rakesh under normal provisions as well as under section 115BAC for the A.Y. 2024-25. Ignore AMT provisions.
(The stamp duty value of land has been changed from Rs 17 lakhs to Rs. 19.35 Lakhs to keep the essence of the question)

(MTP 14 Marks, Oct'21) (Similar concept different figures and more adjustments PYP Nov'20 ,14 Marks)

Answer 1

Computation of total income of Mr. Rakesh for A.Y. 2024-25

	Particulars	₹	₹	₹
I	Income from house property			
	Let out portion [First floor]			
	Gross Annual Value [Rent received is taken as GAV, in the absence of other information]		2,28,000	
	Less: Municipal taxes paid by him in the P.Y. 2023-24 pertaining to let out portion [₹ 60,000/2]		30,000	
	Net Annual Value (NAV)		1,98,000	
	Less: Deduction u/s 24			
	(a) 30% of ₹ 1,98,000		59,400	
			1,38,600	
	Self-occupied portion [Ground Floor]			
	Annual Value		Nil	
	[No deduction is allowable in respect of municipal taxes paid]			1,38,600
II	Profits and gains of business or profession			
	Income from SEZ unit			25,00,000
III	Capital Gains			
	Long-term capital gains on sale of land (since held for more than 24 months)			
	Full Value of Consideration [Higher of stamp duty value of		19,35,000	

	₹ 19.35 lakhs and Actual consideration of ₹ 13 lakhs, since stamp duty value exceeds actual consideration by more than 10%]			
	Less: Indexed Cost of acquisition [₹ 5,00,000 x 301 348/100]		17,40,000	1,95,000
	Cost of acquisition			
	Higher of -			
	- Actual cost ₹ 1.75 lakhs + ₹ 0.20 lakhs = ₹ 1.95 lakhs and			
	- Fair Market Value (FMV) as on 1.4.2001 = ₹ 5 lakhs			
IV	Income from Other Sources			
	Royalty from artistic book		2,88,000	
	Less: Expenses incurred for earning royalty		40,000	
			2,48,000	
	Interest on savings bank deposits		40,000	
				2,88,000
	Gross Total Income			31,21,600
	Less: Deduction u/s 10AA [Since the industrial undertaking is established in SEZ, it is entitled to deduction u/s 10AA @100% of export profits, since P.Y.2023-24, being the 3rd year of operations]			17,50,000
	[Profits of the SEZ x Export Turnover/Total Turnover] x 100%			
	[₹ 25 lakhs x ₹ 140 lakhs/ ₹ 200 lakhs x 100%]			
	Less: Deduction under Chapter VI-A			
	Deduction under section 80C			
	Tuition fee paid for maximum of two children is allowable (₹ 14,000 x 2)	28,000		
	Insurance premium paid on life insurance policy of son allowable, even though not dependent on Mr. Rakesh	39,000		
	Insurance premium paid on life insurance policy of father not allowable, even though father is dependent on Mr. Rakesh	-	67,000	
	Deduction under section 80QQB		1,90,000	
	Royalty [₹ 2,88,000 x 15/18 = ₹ 2,40,000, restricted to amount brought into India in convertible foreign exchange ₹ 2,30,000 minus ₹ 40,000 expenses already allowed as deduction while computing royalty income]			
	Deduction under section 80TTA		10,000	
	Interest on savings bank account, restricted to ₹ 10,000			
				2,67,000
				11,04,600

Computation of tax liability of Mr. Rakesh for A.Y.2024-25 under the normal provisions of the Act

Particulars	₹	₹
Tax on total income of ₹ 11,04,600		
Tax on LTCG of ₹ 1,95,000 @20%		39,000
Tax on remaining total income of 9,09,600		

Upto ₹ 2,50,000	Nil	
₹ 2,50,001 – ₹ 5,00,000[@5% of ₹ 2.50 lakh]	12,500	
₹ 5,00,001 – ₹ 9,09,600[@20% of ₹ 4,09,600]	81,920	94,420
		1,33,420
Add: Health and education cess@4%		5,337
Total tax liability		1,38,757
Tax liability (rounded off)		1,38,760

Computation of tax liability of Mr. Rakesh as per section 115BAC for A.Y.2024-25

Particulars	₹
Gross total Income as per regular provisions of the Act	31,21,600
Less: Deduction u/s 10AA/ Deduction under Chapter VI-A [No deduction under section 10AA or under Chapter VI-A is allowed]	-
Total Income as per section 115BAC	31,21,600
Tax on total income of ₹ 31,21,600	
Tax on LTCG of ₹ 1,95,000@20%	39,000
Tax on remaining total income of 29,26,600	
Upto ₹ 2,50,000 ₹ 3,00,000 Nil	
₹ 3,00,000 – ₹ 6,00,000 [₹ 3,00,000 @ 5%] 15,000	
₹ 6,00,001 – ₹ 9,00,000 [₹ 3,00,000 @ 10%] 30,000	
₹ 9,00,001 – ₹ 12,00,000 [₹3,00,000 @ 15%] 45,000	
₹ 12,00,001 – ₹ 15,00,000 [₹3,00,000 @ 20%] 60,000	
Above ₹ 15,00,000 @30% = 4,27,980	5,77,980
	6,16,980
Add: Health and education cess@4%	24,679
Total tax liability	6,41,659
Tax liability (rounded off)	6,41,660
Since tax liability as per section 115BAC is higher than the tax liability under normal provisions of the Act, it is beneficial for Mr. Rakesh not to exercise option under section 115BAC.	

Question 2

From the following information provided by Mr. Suresh, aged 43 years and a wholesale dealer, for the A.Y. 2024-25, you are required to compute the tax payable by him.

Trading and Profit and Loss Account of Mr. Suresh

Particulars	Amount in Rs.	Particulars	Amount in Rs.
To Opening Stock	24,21,000	By Sales	2,62,50,100
To Purchases	2,06,00,500	By Closing stock	52,00,100
To Direct expenses	4,12,040		
To Freight inward	2,65,000		
To Gross Profit c/d	77,51,660		
	3,14,50,200		3,14,50,200
To Salaries and wages	17,15,000	By Gross Profit b/d	77,51,660
To General expenses	3,65,000	By dividend from Indian companies (gross)	17,20,000
To Rates and taxes	2,40,000	By Interest received on FDs (Net of tax) [FD made on 1.8.2023]	1,11,000
To Interest paid on late filing of GST	3,845	By Rent received	7,20,000



To Income-tax paid for FY 2022-23	3,45,000	By Income-tax Refund	19,000
To Interest paid to NBFC	1,15,000		
To Depreciation	1,82,000		
To Net Profit	73,55,815		
	1,03,21,660		1,03,21,660

The following additional information is provided by him:

- Closing stock of previous year 2023-24 was undervalued by Rs. 55,000.
- Rates and taxes include Rs. 1,000 paid towards late filing of his Income-tax return for Assessment Year 2023-24 under section 234F of Income-tax Act.
- Salaries include Rs. 30,000 paid on single day by way of cash to his accountant.
- Interest paid on loan of Rs. 10,00,000 taken from a Non-Banking Finance company. Out of the loan, amount of Rs. 2 lakhs was used for personal purpose and the balance was used for business purpose. No TDS was deducted while paying the interest on loan.
- An amount of Rs. 35,000 was paid by cheque during the year towards health insurance policy covering himself, his spouse and his children.
- General expenses include Advertisement expense of Rs. 25,000 paid by cheque towards an advertisement in a souvenir published by local political party.
- Income-tax refund includes Rs. 2,500 towards interest.
- Depreciation charged is as per Income-tax Rules is Rs. 2,20,000
- Advance Tax paid during the year is Rs. 9 lakhs.
- TDS has been deducted on interest received on FD.
- Turnover for the year ending 31.03.2023 was Rs. 2.58 crores.(MTP 14 Marks,Nov'21) (Same concepts different figures MTP 14 Marks Mar'22)

Answer 2

Computation of Total Income of Mr. Suresh for the A.Y.2024-25

Particulars	Rs.	Rs.	Rs.
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		2,16,000	5,04,000
Profits and gains of business or profession			
Net profit as per profit and loss account		73,55,815	
Add: Expenses/Payments debited to profit and loss account but not allowed			
- Depreciation as per books of account	1,82,000		
Fee for late filing of income-tax return for A.Y. 2023- 24 – disallowed	1,000		
Salary paid to an accountant in cash exceeding Rs. 10,000 – disallowed under section 40A(3)	30,000		
- Interest paid to NBFC on loan which is used for personal purposes (Rs. 1,15,000 x 2,00,000/ 10,00,000) – not allowed as per section 37	23,000		
- Interest paid to NBFC on which tax is not deducted attracts disallowance @30% of Rs. 92,000 under section 40(a)(ia) [Since Mr. Suresh's turnover for the immediately preceding previous year i.e., P.Y. 2022-23 exceeds Rs. 1 crore, he is required to deduct tax at source. Disallowance@30% of interest is attracted for non-deduction of tax at source]	27,600		



- Income-tax paid for F.Y. 2022-23	3,45,000		
- Interest paid on late filing of GST, allowed, since it is not for infraction of law but is compensatory in nature.	Nil		
- Advertisement expenses towards an advertisement in a souvenir published by local political party [under section 37(2B)]	25,000	6,33,600	
Add: Undervaluation of Closing stock		55,000	
		80,44,415	
Less: Income chargeable under other heads and income not chargeable to tax but credited to profit and loss account			
- Dividend from Indian companies (taxable under the head "Income from other sources")	17,20,000		
- Interest on FDs (Net of taxes) (Gross income taxable under the head "Income from other sources")	1,11,000		
- Rent received (taxable under the head "Income from house property")	7,20,000		
- Income-tax refund	19,000	25,70,000	
		54,74,415	
Less: Depreciation as per Income-tax Rules		2,20,000	52,54,415
Income from Other Sources			
Dividend from Indian companies		17,20,000	
Interest on fixed deposits (Rs. 1,11,000 x 100/92.5, since tax was deducted at source @7.5%)		1,20,000	
Interest on income-tax refund		2,500	18,42,500
Gross Total Income			76,00,915
Less: Deduction under Chapter VI-A			
Section 80D			
Health insurance premium paid for self, spouse and his children allowable as deduction to the extent Rs. 25000		25,000	
Section 80GGC			
Expenditure towards advertisement in a souvenir published by local political party not allowable as deduction		Nil	25,000
Total Income			75,75,915
Total Income (Rounded Off)			75,75,920

Computation of tax payable by Mr. Suresh for the A.Y.2024-25

Particulars		Rs.
Upto Rs. 2,50,000		Nil
Rs. 2,50,001 – Rs. 5,00,000 [i.e., Rs. 2,50,000@5%]	12,500	
Rs. 5,00,001 – Rs.10,00,000 [i.e., Rs. 5,00,000@20%]	1,00,000	20,85,276
Rs. 10,00,001 above [i.e., Rs. 65,75,920 @30%]	19,72,776	
		20,85,276
Add: Surcharge @10%, since total income exceeds Rs. 50,00,000		2,08,528
		22,93,804
Add: Health and Education cess@4%		91,752
Tax Liability		23,85,556
Less: Advance tax		9,00,000

Tax deducted at source on interest on FDs under section 194A		9,000
Tax payable		14,76,556
Tax payable (rounded off)		14,76,560

Computation of tax liability of Mr. Suresh as per section 115BAC for A.Y.2024-25

Particulars	Rs.
Gross total Income as per regular provisions of the Act	76,00,915
Less: Deduction u/s 10AA/ Deduction under Chapter VI-A [No deduction under section 10AA or under Chapter VI-A is allowed]	-
Total Income as per section 115BAC	76,00,915
Total Income as per section 115BAC (rounded off)	76,00,920
Tax on total income of 76,00,920	19,80,276
Upto ₹ 2,50,000 ₹ 3,00,000 Nil	
₹ ₹ 3,00,000 – ₹ 6,00,000 [₹ 3,00,000 @ 5%] 15,000	
₹ 6,00,001 – ₹ 9,00,000 [₹ 3,00,000 @ 10%] 30,000	
₹ 9,00,001 – ₹ 12,00,000 [₹3,00,000 @ 15%] 45,000	
₹ 12,00,001 – ₹ 15,00,000 [₹3,00,000 @ 20%] 60,000	
Above ₹ 15,00,000 @30% (61,00,920 @ 30%) 18,30,276	
	19,80,276
Add: Surcharge @10%, since total income exceeds Rs. 50,00,000	1,98,028
	21,78,304
Add: Health and education cess@4%	87,132
Total tax liability	22,65,436
Less: Advance tax	9,00,000
Tax deducted at source on interest on FDs under section 194A	9,000
Tax payable	13,56,436
Tax payable (rounded off)	13,56,440
Since tax liability as per section 115BAC is lower than the tax liability under normal provisions of the Act, it is beneficial for Mr. Suresh to exercise option under section 115BAC. He has to exercise this option on or before the due date of furnishing the return of income. Further, he is having income from business or profession during the P.Y.2020-21, if he opts for section 115BAC for this previous year, the said provisions would apply for subsequent assessment years as well.	

Question 3

You are required to compute the total income and tax payable by Mr. Josh, aged 48 years, from the following information provided by him for the Assessment Year 2024-25. Mr. Josh does not want to opt for section 115BAC for the A.Y. 2024-25:

- (i) Basic Salary @ Rs. 51,000 per month, Dearness allowance @ Rs. 10,000 per month (Part of salary for retirement benefits), House rent allowance Rs. 4,000 per month and rent paid for house in Chennai is Rs. 7,000 per month.
- (ii) He owns a commercial building at Mumbai, which is let out on 1.7.2022 at a monthly rent of Rs. 46,000 to ABC Ltd. He paid municipal taxes of Rs. 27,000 and Rs. 25,000 for the financial year 2022-23 and 2023-24 on 31-3-2024 and 20-4-2024, respectively. Fair rent of the building is Rs. 33,000 p.m.
- (iii) He purchased 4000 unlisted shares of Maharaja Limited on 25-2-2008 for Rs. 80,000. Company declared bonus in the ratio of 1:1 on 15th March, 2008. Mr. Josh sold 3000 bonus shares on 15.01.2021 for Rs. 2,00,000 to his friend Mr. Mehul through unrecognized stock exchange. (Cost Inflation Index: 2007-08: 129, 2023-24: 348)
- (iv) In April, 2023, he received dividend of Rs. 9,00,000 from ABC Ltd., an Indian company. The dividend is declared by the company in P.Y. 2022-23 and the company has paid dividend distribution tax on the same.
- (v) Interest from saving bank account with SBI Bank Rs. 15,000 and lottery winnings (Net of TDS@30%) is Rs. 21,000.

He paid the following amounts during the P.Y. 2023-24:

- (a) Deposits in Public Provident Fund Rs. 1,50,000.
 (b) Medical insurance premium paid for health of his wife Rs. 19,000 and for health of dependent son Rs. 12,000 through cheque. (MTP 14 Marks, April'21, PYP 14 Marks May '19)

Answer 3

Computation of total income of Mr. Josh for the A.Y.2024-25

Particulars	Rs.	Rs.
Salaries		
Basic Salary = Rs. 51,000 x 12	6,12,000	
Dearness Allowance (DA) = Rs. 10,000 x 12	1,20,000	
House Rent Allowance (HRA) = Rs. 4,000 x 12	Rs. 48,000	
Less: Least of the following exempt u/s 10(13A)	Rs. 10,800	37,200
(i) HRA actually received = Rs. 4,000 x 12 = Rs. 48,000		
(ii) Rent paid (-) 10% of salary [Rs. 84,000 (i.e., Rs. 7,000 x 12) (-) Rs. 73,200 (10% of salary i.e., 10% of Rs. 7,32,000 (Basic Salary + DA))] = Rs. 10,800		
(iii) 50% of salary [50% of Rs. 7,32,000 (Basic Salary + DA)] = Rs. 3,66,000		
Gross Salary	7,69,200	
Less: Standard deduction u/s 16(ia)	50,000	
		7,19,200
Income from house property		
Gross Annual Value [Rs. 46,000 x 9, being the higher of actual rent received and fair rent]	4,14,000	
Less: Municipal tax paid during the P.Y. 2023-24	27,000	
Net Annual Value	3,87,000	
Less: Deduction u/s 24 [30% of Net Annual Value]	1,16,100	
		2,70,900
Capital Gains		
Full value of consideration	2,00,000	
Less: Cost of acquisition of bonus shares allotted on or after 1.4.2001	Nil	
Long-term capital gains (since bonus shares are held for a period of more than 24 months)		2,00,000
Income from Other Sources		
Dividend received from ABC Ltd., an Indian company	9,00,000	
Less: Exempt under section 10(34), since dividend distribution tax has been paid on such dividend	9,00,000	
(as per amendment dividend is taxable in the hands of shareholder)		Nil
Interest from saving bank account with SBI Bank	15,000	
Lottery winnings [21,000 x 100/70]	30,000	
		9,45,000
Gross Total Income		21,35,100
Less: Deduction under Chapter VI-A		
Section 80C		
Deposits in PPF	1,50,000	
Section 80D		
Medical insurance premium for wife and dependent son Rs. 31,000, restricted to Rs 25,000	25,000	
Section 80TTA		
Interest on saving bank account with SBI	10,000	

		1,85,000
Total Income		19,50,100

Computation of tax liability of Mr. Josh for A.Y. 2024-25

Particulars	Rs.	Rs.
Tax on total income of Rs. 19,50,100		
Tax on long-term capital gains of Rs. 2,00,000@20% u/s 112	40,000	
Tax on lottery income of Rs. 30,000 @30% u/s 115BB	9,000	
Tax on other income of Rs. 17,20,100 [Rs. 10,50,100 – Rs. 2,00,000, capital gains – Rs. 30,000, lottery income]		
Upto Rs. 2,50,000	Nil	
Rs. 2,50,001 – Rs. 5,00,000 [i.e., Rs. 2,50,000@5%]	12,500	
Rs. 5,00,001 – Rs. 10,00,000 [i.e., Rs. 5,00,100@20%]	1,00,000	
Rs. 10,00,001 –Rs.17,20,100 [i.e., Rs. 7,20,100@30%]	2,16,030	
		3,77,530
Add: Health and education cess@4%		15,101
Tax liability		3,92,631
Less: Tax deducted at source		
TDS on lottery income	9,000	
TDS on rent u/s 194I [Rs. 4,14,000 x 10%]	41,400	
TDS on Dividend (Rs. 9,00,000*10%)	90,000	1,40,400
Tax Payable		2,52,231
Tax Payable (rounded off)		2,52,230

Question 4

Deepak is retired Government Officer, aged 65 years, resides in Hyderabad, derived following income:

	Rs.
Pension	6,60,000
Interest from bank on fixed deposits (Gross)	55,000

Compute the total income of Mr. Deepak for the assessment year 2024-25 from the following particulars:

- Life insurance premium paid by cheque Rs. 22,500 for insurance of his life. The insurance policy was taken on 08-09-2018 and the sum assured is Rs. 2,00,000.
- Premium of Rs. 26,000 paid by cheque for health insurance of self and his wife.
- Paid interest of Rs. 6,500 on loan taken from bank for MBA course pursued by his daughter.
- A sum of Rs. 15,000 donated in cash to an institution approved for the purpose of section 80G for promoting family planning. (MTP 3 Marks, April'21)

Answer 4
Computation of total income of Mr. Deepak for A.Y.2024-25

Particulars	Rs.	Rs.
Income under the head "Salaries"		
Pension	6,60,000	
Less: Standard deduction u/s 16(ia)		
Lower of Rs. 50,000 or actual salary/pension	50,000	6,10,000
Income from Other Sources		
Interest from bank on fixed deposit (Gross)		55,000
Gross Total Income		6,65,000

Less: Deduction under Chapter VI-A		
Deduction under section 80C		
LIC premium of Rs. 22,500 (restricted to 10% of Rs. 2,00,000, being the sum assured, as the policy is taken after 31.3.2012)	20,000	
Deduction under section 80D		
Premium for health insurance for self and his wife paid by cheque, allowed upto Rs. 50,000 since Mr. Deepak is a senior citizen	26,000	
Deduction under section 80E		
Interest on loan taken from bank for MBA course pursued by his daughter	6,500	
Deduction under section 80G		
Donation to an approved institution for promoting family planning not allowed since the amount exceeding Rs. 2,000 is paid in cash	Nil	
Deduction under section 80TTB		
Interest on fixed deposit with bank allowable as deduction upto Rs. 50,000, since Mr. Deepak is a senior citizen	50,000	1,02,500
Total Income		5,62,500

Question 5

You are required to compute the total income and tax liability of Mr. Alok, aged 58 years, a resident individual. Mr. Alok is an advocate and furnishes you the receipts and payments account for the financial year 2023-24.

Receipts and Payments Account

Receipts	Rs.	Payments	Rs.
Opening Balance		Staff salary and bonus to clerks	17,50,000
(01-04-2023)			
Cash & Bank	80,000	Other general and administrative expenses	22,00,000
Fee from legal services	49,60,000	Office rent	1,48,000
Motor car loan from SBI @12% p.a. interest	5,00,000	Life Insurance Premium (Sum Assured Rs. 5,00,000)	49,000
Sale receipts of 5,800 listed equity shares (sold on 31st March 2024)	5,95,000	Motor car (Acquired in January 2024 by way of NEFT)	9,50,000
		Books bought by way of A/c payee cheque in the month of May, June and September 2023 (annual publications)	80,000
		Computer acquired on 1-11-2023 for professional use (payment made by A/c payee cheque)	52,000
		Domestic drawings	6,23,000
		Motor car maintenance	72,000
		Public Provident Fund subscription	1,50,000
		Closing balances (31-03-2024)	
		Cash & Bank	61,000
	61,35,000		61,35,000

Other information:

- (i) Listed equity shares on which STT was paid were acquired in August 2016 for Rs. 1,21,800. The fair market value of such shares as on 31st January 2018 and on 1st April 2018 was Rs. 75 per share and Rs. 85 per share, respectively.
- (ii) Motor car was put to use for both official and personal purposes. 1/3rd of the motor car is for personal purpose. No interest on car loan was paid during the previous year 2023-24.
- (iii) Mr. Alok purchased a flat in Kanpur for Rs. 35,00,000 in July 2016 cost of which was partly financed by a loan from Punjab National Housing Finance Limited of Rs. 25,00,000, his own-savings Rs. 1,00,000 and a deposit from Repco Bank for Rs. 9,00,000. The flat was given to Repco Bank on lease for 10 years @ Rs. 35,000 per month. The following particulars are relevant:
- (a) Municipal taxes paid by Mr. Alok Rs. 8,200 per annum
- (b) House insurance Rs. 11,000
- As per interest certificate issued by Punjab National Housing Finance Limited for the financial year 2023-24, he paid Rs. 1,80,000 towards principal and Rs. 2,01,500 as interest.
- (iv) He earned Rs. 1,20,000 in share speculation business and lost Rs. 1,80,000 in commodity speculation business.
- (v) Mr. Alok received a gift of Rs. 21,000 each from four of his family friends.
- (vi) He contributed Rs. 1,21,000 to PM Cares Fund by way of bank draft.
- (vii) He donated to a registered political party Rs. 3,50,000 by way of cheque.
- (viii) He follows cash system of accounting.
- (ix) Cost Inflation Index : F.Y. 2016-17 – 264; F.Y. 2018-19 – 280; F.Y. 2023-24 – 348
- Assume Mr. Alok is not willing to opt for the provisions of section 115BAC. (MTP 14 Marks, March'21, RTP May'19) (Same concepts different figures fewer adjustments MTP 14 Marks May'20, PYP 10 Marks May'18)

Answer 5
Computation of total income and tax liability of Mr. Alok for A.Y. 2024-25

Particulars	Rs.	Rs.	Rs.
Income from house property			
Gross annual value ¹ (Rs. 35,000 x 12)		4,20,000	
Less: Municipal taxes paid by Mr. Alok		8,200	
Net annual value		4,11,800	
Less: Deductions under section 24			
(a) 30% of Net Annual Value		1,23,540	
(b) Interest on house borrowing (allowed in full in case of let out property)		2,01,500	
			86,760
Profits and gains of business or profession			
Income from profession			
Fees from legal services		49,60,000	
Less: Expenses allowable as deduction			
- Staff salary and bonus	17,50,000		
- Other general and administrative expenses	22,00,000		
- Office rent	1,48,000		
- Motor car maintenance (Rs. 72,000 x 2/3)	48,000		
- Car loan interest – not allowable, since Mr. Alok follows cash system of accounting and no interest is paid during the previous year)		41,46,000	
		-	
			8,14,000
Less: Depreciation u/s 32			
- Motor car Rs. 9,50,000 x 15% x 50% x 2/3, being put to use	47,500		



for less than 180 days			
- Books being annual publications [Rs. 80,000 x 40%]	32,000		
Computer @40% of Rs. 52,000 x 50%, since the same is put to use for less than 180 days	10,400	89,900	
		7,24,100	
For the P.Y. 2023-24, the gross receipts of Mr. Alok is Rs. 49,60,000. Since, it does not exceed Rs. 50,00,000, he is eligible to opt for presumptive tax scheme under section 44ADA. In such case, his professional income would be Rs. 24,80,000, being 50% of Rs. 49,60,000. It is more beneficial for Mr. Alok to declare profit of Rs. 7,24,100 as per books of accounts which is lower than the profits computed on presumptive basis under section 44ADA. However, for declaring lower profits, he has to maintain books of account under section 44AA and get the same audited under section 44AB			
Income from share speculation business	1,20,000		
Less: Loss from commodity speculation business set off against income from share speculation business. Balance loss of Rs. 60,000 from commodity speculation business to be carried forward to A.Y. 2025-26	1,20,000	Nil	7,24,100
Capital Gains Long-term capital gains on sale of 5800 listed shares Sale consideration		5,95,000	
Less: Cost of acquisition is higher of		4,35,000	
- Cost of acquisition	1,21,800		
- Lower of Rs. 4,35,000 (Rs. 75 x 5800), being fair market value as on 31.1.2018 and Rs. 5,95,000, being full value of consideration on transfer	4,35,000		1,60,000
Income from other sources Cash Gift of Rs. 84,000 i.e., Rs. 21,000 x 4, received from his four friends is taxable u/s 56(2)(x), since aggregate amount of cash gifts exceeds Rs. 50,000			84,000
Gross Total Income			10,54,860
Less: Deductions under Chapter VI-A Section 80C			
Life insurance premium	49,000		
Repayment of housing loan	1,80,000		
PPF subscription	1,50,000		
	3,79,000		
Restricted to Rs. 1,50,000		1,50,000	
Section 80G			
Contribution to PM Cares Fund (100% of Rs. 1,21,000) by way of bank draft		1,21,000	
Section 80GGC			
Donation to registered political party made by way of cheque		3,50,000	
			6,21,000
Total Income			4,33,860
Tax liability			
Tax @10% under section 112A on long-term capital gains exceeding Rs. 1,00,000 i.e., Rs. 60,000			6,000



Tax @5% on Rs. 23,860 [Rs. 2,73,860 (total income excluding LTCG u/s 112A) - Rs. 2,50,000, being basic exemption limit			1,193
			7,193
Less: Rebate u/s 87A [Since the total income does not exceed Rs. 5 lakhs. Rebate u/s 87A is not available on tax on LTCG taxable u/s 112A]			1,193
			6,000
Add: Health and Education cess@4%			240
Tax liability			6,240

Question 6

From the following information provided by Mr. Raj, aged 42 years working as a manager in XYZ Limited, for the year ended 31.3.2024, you are required to compute his total income and tax payable for the A.Y. 2024-25.

Basic salary ₹ 25,000 p.m.
 DA (50% of it is meant for retirement benefits) 50% Basic Pay
 Own contribution to Recognized Provident Fund (R.P.F.) ₹ 30,000
 Employer's contribution to R.P.F. 20% of basic salary
 Interest credited in the R.P.F account@15% p.a., ₹ 15,000
 Arrears of rent received from XYZ Limited ₹ 75,000
 Received interest ₹ 10,000 from Axis Bank Savings account during the year, and interest of ₹ 12,040 (gross) from the debentures of M/s. Coal India Ltd.
 He made payment through cheque ₹ 15,370 towards premium on Life insurance policies and ₹ 22,500 for Mediclaim Insurance Policy for his major dependent daughter.
 He had contributed ₹ 1,196 pm towards Atal Pension Yojana and ₹ 5,000 pm towards Sukanya Sarnridhi account.
 XYZ Limited has taken residential house of Mr. Raj as Company's guest house and later purchased from him in the year 2020 at market value for ₹ 75 lakhs. Purchase cost was only ₹ 10 lakhs in April, 2008.
 During August, 2023, Mr. Raj had sold his gold chain and a diamond ring for ₹ 3,99,000 which he had purchased in April, 2008 for ₹ 1,13,000.
 Donation of ₹ 11,000 to Prime Minister's National Relief Fund were given during the year by way of cheque. (CII for 2008-09:113, 2019-20: 289, 2023-24: 348)(MTP 14 Marks, Oct'20)

(The full value of consideration of diamond ring has been changed from Rs 3,40,000 lakhs to Rs. 3,99,000 Lakhs to keep the essence of the question)

Answer 6

Computation of Total Income and tax payable by Mr. Raj for the A.Y.2024-25

Particulars		₹	₹
Income from Salaries			
Basic Salary (₹ 25,000 x 12)			3,00,000
Dearness Allowance (₹ 3,00,000 x 50%)			1,50,000
Employer's contribution to recognized provident fund:			
Actual contribution [20% of ₹ 3,00,000]		60,000	
Less: Exempt [12% of ₹ 3,75,000 (basic salary + 50% of dearness allowance, which forms part of retirement benefits)]		45,000	15,000
Interest credited in recognized provident fund account@15% p.a.		15,000	
Less: Exempt up to 9.5% p.a.		9,500	5,500
Income from house property			4,70,500
Arrears of rent [Taxable under section 25A, even if Mr. Raj is no longer the owner of house property]		75,000	
Less: 30% of arrears of rent		22,500	52,500

Capital gain on sale of guest house: As the sale was made in the year 2020, the capital gain does not relate to assessment year 2024-25.			Nil
Capital Gain on jewellery [Long term, since the capital assets are held for more than 36 months]			
Full value of consideration		3,99,000	
Less: Indexed cost of acquisition [₹ 1,13,000 x 348/113]		3,48,000	51,000
Income from Other Sources			
Interest from savings bank account		10,000	
Interest on debentures		12,040	22,040
Gross total Income			5,96,040
Less: Deductions under Chapter VI-A			
Section 80C			
Own contribution to RPF	30,000		
LIC premium [It is assumed that premium does not exceed 10%/20% of sum assured, as the case may be]	15,370		
Deposit in Sukanya Samridhi Scheme [₹ 5,000 x 12]	60,000	1,05,370	
Section 80CCD(1B)			
Contribution to Atal Pension Yojana, a notified pension scheme		14,352	
Section 80D - Mediclaim Insurance for major dependent daughter		22,500	
Section 80G – Donation to PM National Relief Fund [100%]		11,000	
Section 80TTA – Interest on savings bank account (allowed in full upto ₹ 10,000)		10,000	1,63,222
Total Income			4,32,818
Total Income (rounded off)			4,32,820
Tax Liability			
Tax on Long-term Capital Gains @20% of ₹ 51,000		10,200	
Tax on balance income of ₹ 3,81,820		6,591	16,791
Less: Rebate under section 87A would be lower of ₹12,500 or tax liability, since the total income does not exceed ₹ 5,00,000			12,500
			4,291
Add: Health and Education cess @4%			172
Tax liability			4,463
Less: TDS on interest on debenture			1,204
Tax payable			3,259
Tax payable (Rounded off)			3,260

Question 7

Dr. Saxena (56 years), a resident individual furnished the following information for the previous year 2023-24.

Income and Expenditure A/c

To	Rs.	By	Rs.
Salary to staff	3,78,000	Consultation fees	51,85,000
Cost of medicine	36,35,000	Cost of medicines recovered	7,85,000
Rent	66,000	Stock of medicine	25,000
Administrative cost	11,98,000	Interest on Post Office MIS	86,400
Advance tax	1,40,000	Interest on Time Deposit with bank (Net of TDS)	27,000
Membership fees	5,000	Rent received	20,000
Depreciation on apparatus	42,500	Winning from lotteries (Net of TDS)	7,000
Net profit	6,70,900		

	61,35,400		61,35,400
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Other Information

(i) Depreciation as per Income-tax Rules, 1962 to be computed as follows:

WDV as on 1.4.2013	Rs.3,00,000
Rate of depreciation	@ 15%

(ii) Cost of administration includes Rs. 3,000 paid for municipal tax for the house let out to a tenant.

- (i) Cost of lottery tickets amounting to Rs. 350 has not been debited to Income and Expenditure account.
- (ii) He received salary of Rs. 1,50,000 and commission of Rs. 50,000 from a nursing home in which Dr. (Mrs.) Saxena is also an equal partner. No TDS was deducted.
- (iii) He received fees of Rs. 50,000 from University of Chennai as lecturer.
- (iv) Received pension of Rs. 84,000 against Life insurance cum pension plan from LIC
- (v) He paid lump sum payment of Rs. 1,05,000 by cheque as Mediclaim insurance premium for 3 years term for self and his wife medical treatment.
- (vi) He paid LIC premium of Rs. 80,000 for his own life against a policy taken on 01.12.2017. Sum assured is Rs. 10,00,000
- (vii) He has deposited Rs. 1,20,000 in PPF
- (viii) He purchased 300 shares in C Ltd. on 12.1.2017 at a cost of Rs.2,500 per share. The Fair Market Value (FMV) of the share as on 31.1.2018 is Rs.1,800. He sold all the shares of C Ltd. on 15.7.2023 for Rs.3,200. You are required to compute the total income and tax payable thereon by Dr. Saxena for the assessment year 2024-25. Assumed that he does not opt for 115BAC. (MTP 14 Marks, Oct'19)

Answer 7
Computation of total Income and tax payable by Dr. Saxena for the A.Y. 2019 -20

Particulars	Rs.	Rs.
Income from House Property (Note 1)		11,900
Profits and gains of business or profession (Note 2)		8,71,000
Income from other sources (Note 3)		2,60,400
Long-term capital gain under section 112A [The cost of acquisition of equity shares of C Ltd. would be Rs. 2,500, being higher of actual cost i.e., Rs. 2,500 and Rs. 1,800 (being the lower of FMV of Rs. 1,800 as on 31.1.2018 and actual sale consideration of Rs. 3,200). Accordingly, the long-term capital gains would be Rs. 2,10,000 i.e., [(Rs. 3,200 – Rs. 2,500) x 300].		2,10,000
Gross Total income		13,53,300
Less: Deductions under Chapter VIA		
(i) Deduction under section 80C		
Investment in PPF	1,20,000	
Life insurance premium paid [Fully allowable since it does not exceed 10% of sum assured]	80,000	
	2,00,000	
Deduction restricted to	1,50,000	
(ii) Deduction under section 80D		
Medical insurance premium for self and his wife, pertaining to the previous year 2023-24 is Rs. 35,000, being 1/3rd of Rs. 1,05,000, the lumpsum premium, since the policy would be in force for three previous years. The said deduction would be restricted to	25,000	1,75,000
Total income		11,78,300
Components of Total Income		
Special income :		
Long-term capital gains under section 112A		2,10,000
Winning from lotteries (chargeable at special rate @ 30% under section		10,000



115BB)		
Normal income		9,58,300
Computation of Tax		11,78,300
Tax on long-term capital gains under section 112A @10% in excess of Rs. 1,00,000		11,000
Tax on winnings from lotteries @ 30%		3,000
Tax on normal income (Rs. 9,58,300)		
Upto Rs. 2,50,000		NIL
Rs. 2,50,001-Rs. 5,00,000 @ 5%	12,500	
Rs. 4,58,300 (Rs. 5,00,001 – Rs. 9,58,300) @ 20%	91,660	1,04,160
Income tax payable		1,18,160
Add: Health & Education cess @4%		4,726
Total Tax Payable		1,22,886
Less: Tax deducted at source		
From Interest	3,000	
From lottery income	3,000	6,000
		1,16,886
Less : Advance tax paid		1,40,000
Net Tax Refundable		(23,114)
Net Tax Refundable (rounded off)		(23,110)

Notes:

1. Computation of Income from House Property

Particulars	Rs.
Gross Annual Value – Rent received (treated as fair rent)	20,000
Less : Municipal taxes paid	3,000
Net Annual Value (NAV)	17,000
Less : Statutory deduction under section 24 @ 30% of NAV	5,100
Income from House Property	11,900

2. Computation of Profits and gains of business or profession

Particulars	Rs.	Rs.
Net Profit as per Income & Expenditure Account		6,70,900
Add : Depreciation charged	42,500	
Municipal Taxes paid	3,000	
Advance Tax (See Note-4)	1,40,000	1,85,500
Less: Rent received	20,000	8,56,400
Interest on Post Office MIS	86,400	
Interest on Term Deposit with bank (Net of TDS)	27,000	
Winning from lotteries (Net of TDS)	7,000	
Depreciation as per Income-tax Act, 1961	45,000	1,85,400
Salary from Nursing Home as partner	1,50,000	6,71,000
Commission from Nursing home as partner	50,000	2,00,000
Income from business		8,71,000

3. Computation of Income from Other Sources

Particulars	Rs.
Interest Post Office MIS	86,400
Interest on Term Deposit with Bank (Gross)	30,000
Winning from lotteries (Gross) (See Note 7)	10,000
Fees from University of Chennai	50,000
Pension from LIC	84,000

Income from Other Sources	2,60,400
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Advance Tax is not allowable as deduction.

1. Depreciation of Apparatus :

	Rs.
WDV as on 1.4.2023	3,00,000
Depreciation @15%	45,000
WDV as on 01.4.2024	2,55,000

- Any salary, bonus, commission or remuneration by whatever name called due to or received by a partner of a firm from the firm shall not be treated as salary but it shall be treated as income from business or profession for the purposes of section 28.
- As per section 58(4), no expenditure can be allowed against winnings from lotteries. Therefore, amount spent on lottery tickets being Rs. 350, cannot be allowed as deduction from income from winnings of lotteries.
- Pension from LIC is taxable as Income from other sources.

Question 8

Mr. Ashwin, a resident individual aged 61, furnishes the following information pertaining to the year ended 31.3.2024:

- He is a working partner in ASC & Co. He has received the following amounts from the firm:
 Interest on capital at 15% : Rs.3,00,000
 Salary as working partner (at 1% of firm's sales) (allowed fully to the firm) : Rs.90,000
- He is engaged in a business of manufacturing. The Profit and Loss account pertaining to this proprietary business (summarised form) is as under:

Particulars	Rs.	Particulars	Rs.
To Salaries	1,20,000	By Gross profit	12,45,500
To Bonus	48,000	By Interest on Bank FD	49,500
To Car expenses	50,000	(Net of TDS)	
To Machinery repairs	2,34,000	By Agricultural income	60,000
To Advance tax	70,000	By Pension from LIC	
To Depreciation on:		Jeevan Dhara	24,000
- Car	3,00,000		
- Machinery	1,25,000		
To Net profit	4,32,000		
	13,79,000		13,79,000

Details of assets:

Particulars	Rs.
Opening WDV of assets are as under: Car	3,00,000
Machinery (Used during the year for 179 days)	6,50,000
Additions to machinery:	
Purchased on 15.9.2023 by cash in single payment	2,00,000
Purchased on 12.12.2023 by account payee cheque	3,00,000
Second hand machinery purchased on 30.4.2023 by bearer cheque in single payment	1,25,000

(All assets added during the year were put to use immediately after purchase) One-fifth of the car expenses are towards estimated personal use of the assessee. Salary includes Rs. 15,000 paid by way of a single cash payment to manager.

- In February, 2021, he had sold a house at Mumbai. Arrears of rent relating to this house amounting to Rs.75,000 was received in March, 2024.

(iv) Details of his Savings and Investments are as under:

Particulars	Rs.
Life insurance premium for policy in the name of his major son employed in a multinational company, at a salary of Rs.10 lakhs p.a. (Sum assured Rs.2,00,000) (Policy taken on 1.07.2013)	30,000
Contribution to PPF	70,000
Medical Insurance premium for his mother aged 79, who is not dependent on him	52,000

You are required to compute the total income and tax liability of Mr. Ashwin for the assessment year 2024-25. (MTP 14 Marks, April'19, RTP May '18)

Answer 8

Computation of total income of Mr. Ashwin for the A.Y. 2024-25

Particulars		Rs.	Rs.
Income from house property			
Arrears of rent received in respect of the Bangalore house taxable under section 25A [Note 1]		75,000	
Less: Deduction @ 30%		22,500	52,500
Profits and gains of business or profession			
(a) Own business [Note 3]			6,32,500
(b) Income from partnership firm [Note 2]			
Interest on capital		2,40,000	
[As per section 28(v), chargeable in the hands of the partner only to the extent allowable as deduction in the firm's hand i.e. @12%]			
Salary of working partner (Since the same has been fully allowed as deduction in the hands of the firm)		90,000	3,30,000
Income from other sources			
(a) LIC Jeevan Dhara pension		24,000	
(b) Interest from bank FD (gross)		55,000	79,000
Gross Total Income			10,94,000
Less: Deductions under Chapter VIA			
Section 80C			
Life insurance premium for policy in the name of major son qualifies for deduction even though he is not dependent on the assessee. However, the same has to be restricted to 10% of sum assured i.e. 10% of Rs.2,00,000.	20,000		
Contribution to PPF	70,000	90,000	
Section 80D			
Mediclaime premium for mother, a senior citizen (qualifies for deduction, even though the mother is not dependent on the assessee, subject to a maximum of Rs.50,000)	52,000	50,000	
Section 80TTB			
Interest on bank FD (subject to a maximum of Rs.50,000)	55,000	50,000	1,90,000
Total Income			9,04,000

Computation of tax liability of Mr. Ashwin for the A.Y. 2024-25

Particulars	Rs.
Tax on Agricultural income plus non-agricultural income i.e., Rs.9,64,000	1,02,800
Less: Tax on agricultural income plus basic exemption limit i.e., Rs.3,60,000	3,000
	99,800

Add: Health and education cess @4%	3,992
Tax liability	1,03,792
Less: TDS	5,000
Less: Advance Tax	70,000
Tax Payable	28,792
Tax Payable (rounded off)	28,790

Notes:

- As per section 25A, any arrears of rent received will be chargeable to tax, after deducting a sum equal to 30% of such arrears, as income from house property in the year of receipt, whether or not the assessee is the owner of the house property.
- The income by way of interest on capital and salary of Mr. Ashwin from the firm, ASC & Co., in which he is a working partner, to the extent allowed as deduction in the hands of the firm under section 40(b), has to be included in the business income of the partner as per section 28(v). Accordingly, Rs.3,30,000 [i.e., Rs.90,000 (salary) + Rs.2,40,000 (interest@12%)] should be included in his business income.
- Computation of income from own business

Particulars	Rs.	Rs.
Net profit as per profit and loss account		4,32,000
Less: Items credited to profit and loss account not treated as business income		
Interest on bank FD (Net of TDS)	49,500	
Agricultural income	60,000	
Pension from LIC Jeevan Dhara	24,000	1,33,500
		2,98,500
Add: Items debited to profit and loss account to be disallowed/considered separately		
Advance tax	70,000	
Depreciation:		
- Car	3,00,000	
- Machinery	1,25,000	
Car expenses disallowed for personal use (Rs.50,000 x 1/5)	10,000	
Salary to manager disallowed under section 40A(3) since it is paid in cash and the same exceeds Rs.10,000	15,000	5,20,000
		8,18,500
Less: Depreciation (See Working Note below)		1,86,000
Income from business		6,32,500

Working Note:
Computation of depreciation allowable under the income-tax Act, 1961

Particulars	Rs.	Rs.
On Car:		
Depreciation @15% on Rs.3,00,000	45,000	
Less: 1/5th for personal use	9,000	
Depreciation on Car allowable as deduction		36,000
On Machinery:		
Opening WDV 6,50,000		
Additions during the year (used for more than 180 days)		
- New Machinery purchased on 15.9.23 2,00,000		
- Second hand machinery purchased on 30.4.23 1,25,000		
Additions during the year (used for less than 180 days) 3,00,000		
Normal Depreciation		
Depreciation @15% on Rs.6,50,000	97,500	
[As per second proviso to section 43(1), the expenditure for acquisition		

of asset, in respect of which payment to a person in a day exceeds Rs.10,000 has to be ignored for computing actual cost, if such payment is made otherwise than by way of A/c payee cheque/ bank draft or ECS. Accordingly, depreciation on second hand machinery purchased on 30.4.2023 and on new machinery purchased on 15.9.2023 is not allowable since the payment is made otherwise than by A/c payee cheque/A/c payee draft/ ECS to a person in a day]		
Depreciation @ 7.5% on Rs.3,00,000	22,500	
Total normal depreciation on machinery (A)	1,20,000	
Where an asset acquired during the year is put to use for less than 180 days, 50% of the rate of depreciation is allowable. This restriction does not apply to assets acquired in an earlier year.		
Additional depreciation (B)		
New machinery		
Used for less than 180 days = 10% of Rs.3,00,000	30,000	
Total permissible depreciation on machinery (A) + (B)		1,50,000
Depreciation allowable under section 32		1,86,000

Question 9

Mr. Satish, aged 47 years, is serving in a public limited company as General Manager (Finance). His total emoluments for the year ended 31st March, 2024 are as follows:

Basic Salary Rs.5,40,000

HRA (Computed) Rs.1,80,000

Transport allowance Rs.22,000

Apart from the above, his employer has sold the following assets to him on 1 st January, 2024:

- (i) Laptop for Rs.20,000 (Acquired in September, 2022 for Rs.1,20,000)
- (ii) Car 1800 cc for Rs.3,20,000 (purchased in April, 2021 for Rs.8,50,000)

He also owns a residential house, let out for a monthly rent of Rs.15,000. The fair rental value of the property for the let out period is Rs.1,50,000. The house was self-occupied by him from 1st January, 2024 to 31st March, 2024. He has taken a loan from bank of Rs.20 lacs for the construction of the property, and has repaid Rs.1,05,000 (including interest Rs.40,000) during the year.

- (iii) Mr. Satish sold equity shares of different Indian companies on 14 th March, 2024:

Name	Sale value (per share)	Purchase price (per share)	Acquired on	No. of shares
A Ltd.	Rs.150	Rs.120 (STT paid at acquisition)	2nd Feb, 2023	200
B Ltd.	Rs.82	Rs.62	16th April, 2023	125

CII – F.Y. 2018-19: 280; F.Y. 2017-18: 272; F.Y. 2023-24- 348

Sale proceeds were subject to brokerage of 0.1% and securities transaction tax of 0.125% on the gross consideration. He received income-tax refund of Rs.5,750 (including interest Rs.750) relating to the assessment year 2023-24.

- (iv) Mr. Satish made payment of Rs.80,000 vide cheque no. 245315 towards medical insurance as lumpsum premium for himself and his wife for 4 years. He also made cash payment of Rs.8,000 towards preventive health checkup for himself and his wife.
- (v) Mr. Satish deposited Rs.1,30,000 in Public Provident Fund and Rs.80,000 in 5 years term deposit in the name of his minor son, Aryan.

Compute the total income and tax liability of Mr. Satish for the Assessment Year 2024-25. Assume that he has not opted for 115BAC. (MTP 14 Marks, March'19)

Answer 9
Computation of total income of Mr. Satish for the A.Y. 2024-25

Particulars		Rs.
Income from salaries [Working Note (1)]		9,66,000
Income from house property [Working Note (2)]		1,00,000
Capital gain [(Working Note 3)]		
Long-term capital gains		5,970
Short-term capital gains		2,490
Income from other sources: Interest on income-tax refund		750
Gross Total Income		10,75,210
Less: Deduction under Chapter VIA		
Deduction under section 80C		
- Public Provident Fund	1,30,000	
5 years Term deposit (not allowed as deduction in the name of minor son)	-	
- Repayment of housing loan (principal)	65,000	
Restricted to	1,95,000	1,50,000
Deduction under section 80D [Working Note (4)]		25,000
Total Income		9,00,210

Computation of tax payable by Mr. Satish for the A.Y. 2019 -20

Particulars	Rs.
Tax on LTCG of Rs.5,970 [Exempt u/s 112A]	-
Tax on STCG of Rs.2,490 u/s 111A @15%	374
Tax on balance income of Rs.8,91,750	90,850
	91,224
Add: Health and Education cess@4%	3,649
Total tax payable	94,873
Tax liability (Rounded off)	94,870

Working Notes:
(1) Income from salaries

Particulars	Rs.	Rs.
Basic Salary		5,40,000
HRA (computed)		1,80,000
Transport allowance		22,000
Perquisites (relating to sale of movable assets by employer)		
Laptop		
Cost [September, 2022]	1,20,000	
Less: Depreciation at 50% for one completed year	60,000	
WDV [September, 2023]	60,000	
Less: Amount paid to the employer	20,000	
Perquisite value of laptop (A)	40,000	
Car		
Cost [April, 2021]	8,50,000	
Less: Depreciation for the 1st year (April,22 to March,23) @ 20% of WDV	1,70,000	
WDV [April, 2022]	6,80,000	
Less: Depreciation for the 2nd year (April,23 to March,24) @ 20% of WDV	1,36,000	
WDV [April, 2023]	5,44,000	
Less: Amount paid to the employer	3,20,000	
Perquisite value of car (B)	2,24,000	
Perquisite value (A) + (B)		2,64,000

Gross Salary		10,06,000
Less: Standard Deduction under section 16(ia) (as per amendment Rs. 50,000)		40,000 50,000
Income chargeable under the head "Salaries"		9,56,000

(2) Income from house property

Section 23(2) provides that the annual value of a self-occupied house shall be taken as Nil. However, section 23(3) provides that the benefit of self-occupation would not be available if the house is actually let during the whole or part of the previous year. This implies that the benefit of taking the annual value as „Nil“ would be available only if the house is self-occupied for the whole year.

In this case, therefore, the benefit of taking annual value as „Nil“ is not available since the house is self-occupied only for 3 months. In such a case, the gross annual value has to be computed as per section 23(1). Accordingly, the fair rent for the whole year should be compared with the actual rent for the let-out period and whichever is higher shall be adopted as the Gross Annual Value.

Particulars	Rs.	Rs.
Gross Annual Value (higher of fair rent for the whole year and actual rent for the let-out period)		2,00,000
Fair rent for the whole year = Rs.1,50,000 × 12/9	2,00,000	
Actual rent received = Rs.15,000 × 9	1,35,000	
Less: Municipal taxes		Nil
Net Annual Value (NAV)		2,00,000
Less: Deductions under section 24		
30% of NAV	60,000	
Interest on loan [See Note below]	40,000	1,00,000
Income from house property		1,00,000

Note: It is presumed that the interest of Rs.40,000 paid on housing loan represents the interest actually due for the year.

(3) Income chargeable as "Capital Gains"

Section 112A exempts long-term capital gain on sale of equity shares of a company upto Rs.1 lakh, if securities transaction tax is paid both at the time of sale and acquisition of such shares. Such long-term capital gain in excess of Rs.1 lakh is taxable @10%. Since Mr. Satish has held shares of A Ltd. for more than 12 months and securities transaction tax has been paid on such sale and at the time of acquisition of shares, the gains arising from sale of such shares is a long-term capital gain and the same would be taxable under section 112A. As per section 48, the benefit of indexation would not be applicable on such equity shares. The long term capital gain arising from sale of shares of A Ltd.

Particulars	Rs.
Sale consideration (Rs.150 x 200)	30,000
Less: Brokerage @ 0.1%	30
Net sale consideration	29,970
Less: Cost of acquisition (Rs.120 x 200)	24,000
long-term capital gains	5,970

Since, the long term capital gain do not exceed Rs.1 lakh, the same would be exempt under section 112A. Shares in B Ltd. are held for less than 12 months and hence the capital gains arising on sale of such shares is a short-term capital gain chargeable to tax @15% as per section 111A, since the transaction is subject to securities transaction tax. It may be noted, however, that securities transaction tax is not a deductible expenditure.

Short-term capital gains arising from sale of shares of B Ltd.

Particulars	Rs.
Sale consideration (Rs. 82 X 125)	10,250
Less: Brokerage @ 0.1%	10
Net sale consideration	10,240



Less: Cost of acquisition (Rs. 62 x 125)	7,750
Short-term capital gains	2,490

(4) Deduction under section 80D

As per section 80D, in a case where mediclaim premium is paid in lumpsum for more than one year by an individual, to effect or keep in force an insurance on his health or health of his spouse, then, the deduction allowable under this section for each of the relevant previous year would be equal to the appropriate fraction of such lump sum payment. Hence, deduction under section 80D would be Rs.20,000 i.e, Rs.80,000 x ¼ in respect of mediclaim and Rs.8,000 for preventive health check up, subject to maximum of Rs.5,000. Thus, overall deduction under section 80D would be Rs.25,000.

Question 10

Dr. K.P Singh, a resident individual aged 45 years, furnishes you the following information:

Income and Expenditure Account for the year ended 31st March 2024

Particulars	Rs.	Particulars	Rs.
To Medicines consumed	42,42,000	By Fee receipts	59,47,500
To Staff salary	11,65,000	By Rent	27,000
To Hospital consumables	47,500	By Dividend from Indian companies	9,000
To Rent paid	60,000		
To Administrative expenses	1,23,000		
To Net Income	3,46,000		
	59,83,500		59,83,500

- (i) Rent paid includes rent for his residential accommodation of Rs. 40,000 (paid by cheque) at Bangalore.
- (ii) Hospital equipments (eligible for depreciation @15%) 01.04.2023 Opening WDV Rs.5,00,000
07.12.2023 Acquire by A/c payee cheque (Cost) Rs.2,00,000
- (iii) Medicines consumed include medicines (cost) Rs. 10,000 used for Dr. K.P. Singh's family.
- (iv) Rent received – relates to a property situated at Mumbai (Gross Annual Value). The municipal tax of Rs. 2,000 paid in November, 2023 has been included in the “administrative expenses”.
- (v) He received Rs. 5,000 per month as salary from Full Cure Hospital. This has not been included in the “fee receipts” credited to income and expenditure account.
- (vi) He sold a vacant site in July, 2023 for **Rs.9,18,142**. It was inherited by him from his father in July, 2004. The site was acquired by his father in December, 1990 for Rs.1,50,000. Fair market value of vacant site on 01.04.2001 is Rs. 2,50,000

(Cost inflation index for F.Y 2001-02: 100; 2004-05: 113, 2017-18:272, 2023-24: 348)

You are required to compute the total income and tax payable by Dr. K.P. Singh for the Assessment Year 2024-25. Assumed that sec 115BAC is not opted. (MTP 10 Marks, Oct'18)

(The consideration has been changed from Rs 7,50,000 to Rs.9,18,142 to keep the essence of the question)

Answer 10

Computation of total income of Dr. K.P. Singh for the previous year ended 31.03.2024

Particulars	Rs.	Rs.
Income from Salaries		
Salary received @ Rs.5,000 per month	60,000	
Less: Standard deduction of lower of salary or Rs. 50,000 (as per amendment)	(50,000)	10,000
Income from house property		
Gross Annual Value (Rent is taken as GAV in the absence of any other information)	27,000	
Less: Municipal tax	2,000	
Net Annual Value	25,000	
Less: Deduction under section 24 @30%	7,500	17,500
Income from business or profession		

Net income as per Income & Expenditure Account	3,46,000	
Add: Rent paid for residence	40,000	
Medicines consumed – personal use	10,000	
Municipal tax relating to let out property included in administrative expenses – disallowed	2,000	
	3,98,000	
Less: Depreciation (Note 2)	90,000	
Rent credited to income & expenditure account	27,000	
Dividend from Indian companies	9,000	2,72,000
Capital Gains (Long term capital gains since held form more than 24 months)		
Sale consideration	9,18,142	
Less: Indexed cost acquisition (Rs.2,50,000 x 348/113) (Note 3)	7,69,912	
		1,48,230
Income from other sources		
Dividend from Indian companies (as per amendment it is taxable in the hands of shareholder)	9,000	
Less: Exempt under section 10(34)	9,000	9,000
Gross Total income		4,56,730
Less: Deduction under Chapter VIA		
Under section 80GG, rent paid would be allowable as a deduction to the extent of the least of the following		
(i) 25% of total income = 25% of Rs3,08,500 (See Note 1)	77,125	
(ii) Excess of rent paid over 10% of total income (Rs.40,000 – Rs.30,850)	9,150	
(iii) Rs.5,000 per month	60,000	
Least of the above		9,150
Total Income		4,47,580

Computation of tax liability of Dr. K.P. Singh for the Assessment Year 2024-25

Particulars	Rs.
Tax on long term capital gains 20% of Rs.1,48,230	29,646
Tax on other income of Rs.2,99,350 [Rs. 4,47,580 – Rs. 1,48,230]	2,468
	32,114
Add: EC & HSEC @ 4% (as per amendment)	1285
Tax liability	33,399
Rebate u/s 87A (as per amendment maximum upto 12500 is exempt)	(12,500)
Tax liability	20,899

Notes:

- Deduction under section 80GG is to be made from Gross Total Income. Gross Total Income as defined under section 80B(5) means the total income computed in accordance with the provisions of this Act, before making any deduction under Chapter VI-A. Under section 112(2), Long term capital gains have to be reduced from Gross Total Income and Chapter VI -A deductions should be allowed as if the Gross Total income so reduced were the Gross Total Income of the assessee. Therefore, in this case, for the purpose of allowing deduction u/s 80GG, Gross Total Income = **Rs.4,56,730 – Rs.1,48,230 = Rs.3,08,500**
- Depreciation on plant & machinery

	Rs.
On opening WDV of Rs.5,00,000 @15%	75,000
On equipment acquired Rs.2,00,000 @7.5% (50% thereon, since acquired in December, 2023)	15,000
	90,000

3. Since the property was acquired by Dr. K.P. Singh through inheritance, the cost of acquisition to him would be the cost of acquisition to the previous owner. As per section 55(2)(b), Cost of acquisition to the previous owner would be the higher of cost of acquisition to the previous owner i.e., Rs.1,50,000 or Fair Market Value of the capital asset on 01.04.2001 i.e., Rs. 2,50,000. However, indexation will be from the year in which the assessee (i.e., Dr. K.P. Singh in this case) first held the asset i.e. F.Y. 2004-05.

Alternative view: In the case of CIT v. Manjula J. Shah 16 Taxman 42 (Bom.), the Bombay High Court held that the indexed cost of acquisition in case of gifted asset can be computed with reference to the year in which the previous owner first held the asset.

As per this view, this indexed cost of acquisition of the vacant site would be Rs.6,80,000.

Question 11

From the following details furnished by Mrs. Heena, a finance manager of AB Ltd., Delhi, compute the gross total income for the Assessment Year 2024-25.

Particulars	Amount (Rs.)
Salary including Dearness Allowance (Dearness Allowance forms part of salary for retirement benefits)	6,50,000
Conveyance allowance of Rs.900 p.m.	10,800
Children education allowance	Rs.500 p.m. for two children
Bonus	50,000
Salary of servant provided by the employer	48,000
Bills paid by the employer for gas, electricity and water provided free of cost at the residence of Mrs. Heena	82,000
Computer (cost Rs.35,000) kept by the employer in the residence of Mrs. Heena from 01.07.2023	
Contribution to recognized provident fund	15 % of salary including D.A.

Heena purchased a flat in a co-operative housing society in Rohini, Delhi for self occupation for Rs.35,00,000 in April 2020, which was financed by a loan from State Bank of India of Rs.20,00,000 @11% interest and her own savings of Rs.5,00,000 and a deposit of Rs.10,00,000 from Bank of Baroda, to whom she let out her another house in Dwarka, Delhi on lease for ten years. The rent payable by Bank of Baroda is Rs. 35,000 per month. Other relevant particulars are given below:

- Municipal taxes paid by Heena for her flat in Rohini are Rs. 15,000 per annum and for her house in Dwarka are Rs. 12,000 per annum.
- Principal loan amount outstanding as on 01-04-2023 was Rs.18,50,000.
- She also paid Rs. 7,000 towards insurance of both the houses.
- Mrs. Heena's son is studying in a school run by the employer company throughout the financial year 2023-24. The education facility was provided free of cost. The cost of such education in similar school is Rs.2,500 per month.
- Heena also received gifts of Rs.45,000 each from her two friends during the financial year 2023-24.(MTP 10 Marks,Oct'18)

Answer 11

Computation of Gross Total Income of Mrs. Heena for the A.Y. 2024-25

Particulars	Rs.	Rs.
Salaries		
Salary including dearness allowance		6,50,000
Bonus		50,000
Employer's contribution to recognized provident fund in excess of 12% of salary (i.e., 3% of Rs.6,50,000)		19,500
Conveyance allowance (Fully exempt under section 10(14)(i) read with Rule 2BB(1)(c), assuming that it is granted to meet the expenditure actually incurred on conveyance in performance of duties of an office or employment of profit).		Nil

Children education allowance (Rs.500 x 12)		6,000	
Less: Exempt under section 10(14) (Rs.100 x 2 x 12)		2,400	3,600
Value of perquisites:			
(i)	Salary of servant [Rule 3(3)]	48,000	
(ii)	Free gas, electricity and water [Rule 3(4)]	82,000	
(iii)	Cost of free education provided by employer (Rs. 2,500 x 12) is fully taxable, since the cost of education exceeds Rs.1,000 per month [Rule 3(5)].	30,000	
(iv)	Computer provided in the residence of employee by the employer-not chargeable to tax [Rule3(7)(vii)]	Nil	1,60,000
			8,83,100
Less: Standard Deduction upto Rs. 50,000 (as per amendment)			50,000
Income chargeable under the head "Salaries"			8,33,100
Income from house property			
Let-out property (At Dwarka)			
Gross Annual Value (GAV) (Lease rental is taken as GAV in the absence of other information) (Rs.35,000 x 12)		4,20,000	
Less: Municipal taxes paid		12,000	
Net Annual Value (NAV)		4,08,000	
Less: Deduction under section 24(a): 30% of NAV* (A)		1,22,400	
(A)		2,85,600	
Self-occupied property (At Rohini)			
Net Annual Value (NAV) [Since the property is self-occupied]		Nil	
Less: Deduction under section 24(b)		(2,00,000)	
Interest on loan from State Bank of India @11% of Rs.18,50,000 = Rs.2,03,500 restricted to			
(B)		(2,00,000)	
Income from house property [A - B]			85,600
Income from Other Sources			
Gift received from two friends [taxable under section 56(2)(x)] since the aggregate amount received during the year exceeds Rs.50,000 (Rs.45,000 x 2)			90,000
Gross Total Income			10,08,700

* No separate deduction is allowable in respect of insurance.

Question 12

Dr. Kumar is running a clinic in Delhi. His Income and Expenditure account for the financial year ended 31-03-2024 is given below:

Expenditure	Amount	Income	Amount
	(Rs.)		(Rs.)
To Staff salary	4,30,000	By Fee receipts	12,63,600
To Consumables	14,750	By Dividend from an Indian Company	15,000
To Medicine consumed	3,69,800	By Winning from lotteries (Net of TDS)	28,000
To Depreciation	91,000	By Income-tax refund	2,750
To Administrative expenses	1,51,000	By Honorarium for lectures at seminars	24,000

To Rent of clinic	20,000		
To Donation to Prime Minister's National Children's Fund Children's Fund	5,000		
To Excess of income over expenditure	2,51,800		
Total	13,33,350	Total	13,33,350

Other Information:

- (1) Depreciation in respect of all assets has been computed at Rs. 50,000 as per Income-tax Rules, 1962
- (2) Medicines consumed include cost of medicine for self and family of Rs. 25,000 and for treating poor patients of Rs. 24,000 from whom he did not charge any fee either
- (3) Salary includes Rs. 15,000 paid in cash to a computer specialist who computerized his patient's data in October, 2013.
- (4) Donation to Prime Minister's National Children's Fund has been made by way of a crossed cheque.
- (5) He has paid a sum of Rs. 25,000 for Life Insurance Policy (Sum assured Rs. 2,00,000) of himself, which was taken on 1-07-2012.
- (6) He has sold a land in August, 2013 for Rs. 12,00,000, the stamp duty value of which was Rs. 17,04,000 on that date. The land was acquired by him in May, 2001 for Rs. 4,00,000.
- (7) He has paid Rs. 4,000 for purchase of lottery tickets, which has not been debited to Income and Expenditure account.
- (8) He also contributed Rs. 1,20,000 towards Public Provident Fund.
- (9) Dr. Kumar also paid interest of Rs. 10,000 on loan taken for higher education of his daughter.

You are required to compute the total income and tax payable by Dr. Kumar for the Assessment Year 2024-25. Cost Inflation Index: F.Y. 2001-2002 - 100, F.Y. 2017-18 - 272, FY 2023-24- 348. Assume that 115BAC is not opted.

(The stamp duty value of land has been changed from Rs 14 lakhs to Rs. 17.04 Lakhs to keep the essence of the question)

(MTP 10 Marks, Aug'18)

Answer 12
Computation of Total income of Dr. Kumar for the Assessment Year 2024-25

Particulars	Rs.
Profits and gains of business or profession (Working Note 1)	2,68,050
Capital Gains (Working Note 2)	3,12,000
Income from other sources (Working Note 3)	79,000
Gross Total Income	6,59,050
Less: Deduction under Chapter VI-A (Working Note 4)	1,55,000
Total Income	5,04,050

Computation of tax liability of Dr. Kumar for the Assessment Year 2024-25

Particulars	Rs.
Tax on winnings from lotteries [Rs. 40,000 @ 30%]	12,000
Tax on long term capital gains 20% of Rs. 2,14,050 , being Rs. 3,12,000 - unexhausted basic exemption limit of Rs. 97,950 [i.e., Rs. 2,50,000 - (Rs. 2,68,050 + Rs. 39,000 - Rs. 1,55,000)] (As Tax on Balance Income)	42,810
	54,810
Add: Education cess@2% and secondary and higher education cess@1% Add: EC & HSEC @ 4% (as per amendment)	1,554 2,193
Total tax liability	57,003
Less: Tax deducted at source	12,000
Net tax liability	45,003
Net tax liability (rounded off)	45,000

Working Notes:
1. Computation of income under the head “Profits and gains of business or profession”

Particulars	Rs.	Rs.
Net income as per Income and Expenditure Account		,800
Add: Expenditure debited to Income and Expenditure Account but to be disallowed		
Depreciation (Rs. 91,000 – Rs. 50,000)	41,000	
Medicine consumed for self and family (disallowed under section 37, being expenditure of personal nature) Medicine consumed for treating poor patients from whom fees was not charged is an allowable expense, since the same is incurred in the course of carrying on medical profession.	25,000	
	-	
Cash payment of salary disallowed under section 40A(3), since the same is in excess of Rs. 10,000	15,000	
Donation to Prime Minister’s National Children’s Fund (not allowable as deduction while computing income from profession)	5,000	86,000
Less: Income credited to Income and Expenditure Account but not chargeable to income-tax or not chargeable under this head		3,37,800
Dividend from Indian company	15,000	
Winning from lotteries (taxable under the head “Income from other sources”)	28,000	
Income-tax refund (Not taxable)	2,750	
Honorarium for giving lectures at seminars (taxable under the head “Income from other sources”)	24,000	69,750
Income from profession		2,68,050

2. Computation of income under the head “Capital Gains”

Particulars	Rs.	Rs.
Sale consideration	12,00,000	
Valuation as per Stamp Valuation Authority	17,04,000	
(Value to be taken is the higher of the actual sale consideration or valuation adopted for stamp duty purpose as per section 50C)		
(As per amendment in section 50C if SDV is not more than 110% of the consideration, then Consideration shall be treated as Full Value of Consideration)		
Full value of consideration		17,04,000
Less: Indexed cost of acquisition (Rs. 4,00,000 x 348/100)		13,92,000
Long term Capital gains (Since Land was held from more than 24 months)		3,12,000

3. Computation of income under the head “Income from Other Sources”

Particulars	Rs.	Rs.
Dividend from Indian company [Exempt u/s 10(34)] (taxable in hands of shareholder as per amendment)		15,000
Honorarium for giving lectures at seminars		24,000
Winning from lotteries (Net)	28,000	
Add: TDS @30% (Rs. 28,000 x 30/70)	12,000	40,000
Income from other sources		79,000

Note: As per section 58(4), no expense or deduction is allowable in respect of winning from lotteries.

4. Computation of deduction under Chapter VI-A

Section	Particulars	Rs.
80C	Life Insurance Premium [Rs. 25,000 restricted to 10% of Rs. 2,00,000 (i.e. sum assured) since the policy is issued on or after 1.4.2012]	20,000
	Contribution to Public Provident Fund	1,20,000

		1,40,000
80E	Interest on loan taken for higher education of daughter	10,000
80G	Donation to Prime Minister's National Children's Fund [100% deduction allowable, since it is made by a mode other than cash]	5,000
Total deduction under Chapter VI-A		1,55,000

Question 13

From the following information of Ms. Kareena, born on 16th August, 1975, an Indian resident, you are required to compute total income and tax payable by Ms. Kareena for the Assessment Year 2024-25.

Particulars	Rs.
Long-term capital gains on sale of house	1,50,000
Short-term capital gains on sale of shares in B Pvt. Ltd.	50,000
Loss from house property	3,50,000
Interest from saving account in post office	15,000
Prize winning from a T.V. show (Gross)	20,000
Business income	5,50,000
Net agricultural income	1,10,000
LIC premium for self and husband	70,000
Tuition fees to University for full time education of her daughter	50,000

(MTP 7 Marks, Aug'18)

Answer 13
Computation of total income of Ms. Kareena for the A.Y.2024-25

Particulars	Rs.	Rs.
Profits and gains from business or profession		
Business income	5,50,000	
Less: Loss from house property of Rs. 3,50,000 to be restricted to Rs. 2,00,000 by virtue of section 71(3A) [Note 2]	2,00,000	3,50,000
Capital Gains		
Long term capital gains on sale of house	1,50,000	
Short term capital gains on sale of shares in B Pvt. Ltd	50,000	2,00,000
Income from other sources		31,500
Interest from saving account in post office	15,000	
Less: Exempt under section 10(15) to the extent of Rs. 3,500	3,500	
	11,500	
Prize winnings from a T.V. show	20,000	
Gross Total Income		5,81,500
Less: Deduction under Chapter VI-A		
Deduction under section 80C		
Life insurance premium for self and husband	70,000	
Tuition fees to University for full time education	50,000	
Deduction under section 80TTA – Interest on saving account in post office	1,20,000	
	10,000	1,30,000
Total Income		4,51,500

Computation of tax payable by Ms. Kareena for the A.Y.2024-25

Particulars	Rs.	Rs.
Step 1		43,075
Agricultural income and Non-agricultural income (Rs. 1,10,000 + Rs. 4,51,500)	5,61,500	
Tax on the above income		
(i) Tax on long-term capital gain of Rs. 1,50,000 @ 20%	30,000	



(ii)	Tax on winnings of Rs. 20,000 from a T.V. show @ 30%	6,000	
(iii)	Tax on balance income of Rs. 3,91,500	7,075	
	Total tax on Rs. 5,61,500		43,075
	Step 2	3,60,000	
	Basic exemption limit to agricultural income (Rs. 2,50,000 + Rs. 1,10,000)		
	35B Tax on Rs. 3,60,000		5,500
	Step 3		
	Tax on non-agricultural income (Tax under step 1 – Tax under step 2) (Rs. 43,075 – Rs. 5,500)		37,575
	Add: Education cess @ 2%		751
	Add: Secondary and higher education cess @ 1%		376
	Add: EC & HSEC @ 4% (as per amendment)		1503
	Tax payable by Ms. Kareena		39,078
	Tax payable (Rounded off)		39,070

Notes:

- Short-term capital gains on sale of shares in B Pvt. Ltd. is taxable at normal rates.
- The balance loss of Rs. 1,50,000 from house property to be carried forward to next assessment year for set-off against income from house property of that year.

Question 14

Mr. Rajan, aged 54 years, engaged in a business as sole proprietor. He is resident and ordinarily resident for the previous year 2023-24. The Profit & Loss A/c for the year ending 31-03-2024 is given below:

Particulars	₹	Particulars	₹
Salary	36,000	Gross Profit	5,60,900
Fire Insurance	28,500	Interest on Debentures	6,750
Income-tax	30,000	Cash Gift	51,000
Sundry Expenses	56,000		
Advertisement	36,000		
Household expenses	50,000		
Depreciation	29,800		
Contribution to IIT Mumbai for an approved scientific research programme	1,00,000		
Municipal Taxes paid for house property	36,000		
Investment in NSC	10,000		
Printing & Stationery	12,000		
Interest	24,000		
Rent paid	60,000		
Net Profit	1,10,350		
	6,18,650		6,18,650

Mr. Rajan also furnishes the following additional information:

- Cash gift was received on the occasion of his son's marriage from his maternal uncle.
- Interest on debentures is net of taxes. Debentures are listed on recognised stock exchange.
- He owns a house property in Nagpur. 50% of the property is used by him for his own business and 50% let out for residential purpose.
- Rent received from 50% let out portion during the year was ₹ 1,50,000.
- Fire insurance includes ₹ 15,000 paid for house property owned by him.
- Depreciation is computed as per the Income-tax Rules, 1962.
- He has sold a vacant land in July, 2023 for ₹ 1,50,000. The State Stamp Value of the site was ₹ 2,80,000.

The land was acquired in August 2021 for ₹ 1,10,000 from his friend.

- (viii) Rent paid includes ₹ 50,000 paid towards rent for his residence in Nagpur and ₹ 10,000 for hiring a Maruti Van for business purpose.
- (ix) Municipal tax includes ₹ 10,000 paid as tenant.
- (x) Paid premium on life insurance policy taken for his handicapped daughter ₹ 50,000 (suffering from disability mentioned in section 80U). The policy was taken on 01-04-2016 and the minimum sum assured is ₹ 3,00,000.
- (xi) Interest shown in the Profit & Loss A/c, paid on loan borrowed for his own business purposes. It includes ₹ 10,000 payable to a non-resident on which tax has not been deducted.
- Compute the total income of Mr. Rajan for the Assessment Year 2024-25. (MTP 10 Marks, March'18)

Answer 14

Computation of total income of Mr. Rajan for A.Y. 2024-25

Particulars	Working Note Nos.	₹
Income from house property	I.	95,900
Profit and gains of business or profession	II.	2,23,100
Long term capital gains	III.	1,70,000
Income from other sources	IV.	7,500
Gross Total Income		4,56,500
Less: Deduction under Chapter VI-A	V.	55,000
Total Income		4,01,500

Working Notes:

I. Computation of income under the head "Income from House Property"

Particulars	₹
Let-out portion – 50%	
Gross Annual Value (Rent received has been taken as the Gross Annual Value in the absence of other information relating to Municipal Value, Fair Rent and Standard Rent)	1, 50,000
Less: Municipal taxes paid in respect of let out portion [50% of ₹ 26,000 (₹ 36,000 - ₹ 10,000, being municipal taxes paid as tenant)]	13,000
Net Annual Value (NAV)	1,37,000
Less: Deduction under section 24@30% of NAV	41,100
Income from House Property	95,900

II. Computation of income under the head "Profits and gains of business or profession"

Particulars	₹	₹
Net profit as per Profit and Loss account		1,10,350
Add: Expenses debited to profit and loss account but not allowable or to be considered separately		
(i) Fire Insurance [50% of ₹ 15,000, disallowed since relating to let-out portions of house property owned by him]	7,500	
(ii) Income-tax [disallowed as per section 40(a)(ii)]	30,000	
(iii) Household expenses [Personal expenses are disallowed by virtue of section 37]	50,000	
(iv) Contribution to IIT, Mumbai for approved scientific research programme to be considered separately	1,00,000	
(v) Municipal Taxes paid as tenant [Personal expenses are disallowed by virtue of section 37]	10,000	
(v) Municipal Taxes paid in respect of let-out portions [50% of ₹ 26,000 (₹ 36,000 - ₹ 10,000, being municipal taxes paid as a tenant) disallowed,		

since incurred for personal purposes]	13,000	
(vi) Investment in NSC (Deduction allowed under section 80C)	10,000	
(vii) Interest payable to a non-resident, as tax has not been deducted at source [Section 40(a)(i)]	10,000	
(viii) Rent paid for his residence [Personal expenses not allowed as deduction as per section 37]	50,000	
		2,80,500
Less: Weighted deduction@150% for contribution to IIT, Mumbai for scientific research programme approved under section 35(2AA) [₹ 1,00,000 × 150%] Deduction reduced to 100% as per amendment		3,90,850
		1,50,000
		1,00,000
		2,90,850
Less: Income credited to Profit & Loss Account but not taxable under this head:		
(i) Cash gifts	51,000	
(ii) Interest on debentures	6,750	57,750
Profits and gains from business and profession		2,33,100

III. Computation of income under the head "Capital Gains"

Particulars	₹	₹
Capital gains		
Actual Sale consideration	1,50,000	
Value adopted by Stamp Valuation Authority	2,80,000	
Gross Sale consideration		2,80,000
[In case the actual sale consideration declared by the assessee is less than the value adopted by the Stamp Valuation Authority for the purpose of charging stamp duty, then, the value adopted by the Stamp Valuation Authority shall be taken to be the full value of consideration as per section 50C] (As per amendment in section 50C if SDV is not more than 110% of the consideration, then Consideration shall be treated as Full Value of Consideration)		
Less: Cost of acquisition		1,10,000
Short term capital gain [Since vacant land is held by Mr. Rajan for not more than 24 months]		1,70,000

IV. Computation of income under the head "Income from other sources"

Particulars	₹
Cash gift received on the occasion of his son's marriage from his maternal uncle would not be taxable, since maternal uncle fall within the definition of relative.	Nil
Interest on debentures (gross) [₹ 6,750 × 100/90] (The rate of TDS under section 194A is 10%)	7,500
Income chargeable under this head	7,500

V. Computation of deduction under Chapter VI-A

Particulars	₹	₹
Deduction under section 80C		
Investment in NSC	10,000	
LIC Premium paid ₹ 50,000 [deduction restricted to 15% of ₹ 3,00,000, being the capital sum assured, since the policy was taken after 31.3.2013 to insure the life of his disabled daughter]	45,000	55,000
Deduction under section 80GG		
[Since Mr. Rajan is staying in a rented premise in Nagpur itself, he would		



not be eligible for deduction under section 80GG as he owns a house in Nagpur which he has let out. Deduction under Chapter VI-A		NIL 55,000
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Question 15

Mrs. Sushma, born on 1st April, 1958 furnishes the following information for the year ended 31-03-2024:

Particulars	₹
Long-term capital gains on sale of shares in XYZ Pvt. Ltd.	2,00,000
Short-term capital gains on sale of house property	30,000
Dividend income from ABC Ltd, an Indian company	11,50,000
Business Income	3,20,000
Salary	2,40,000
Lottery winning (Gross)	2,20,000
Net agricultural income	60,000
Mrs. Sushma has paid the following:	
LIC premium of self	40,000
LIC premium of husband	20,000
Deposit in Tax Saver Deposit with PNB Bank in the name of major son	25,000

Compute the tax payable by Mrs. Sushma for the Assessment Year 2024-25. (MTP 6 Marks, March'18)

Answer 15

Computation of tax payable by Mrs. Sushma for the A.Y.2024-25

Particulars	₹	₹
Step 1		
Agricultural income and Non-agricultural income (₹ 60,000 + ₹ 20,50,000) [For computation of non-agricultural income, see Working Note below]	21,10,000	
Tax on the above income		
(i) Tax on long-term capital gain of ₹ 2,00,000 @ 20%	40,000	
(ii) Tax on dividend of ₹ 1,50,000 @ 10% <i>(taxable as per normal slab rates as per amendments)</i>	15,000	
(ii) Tax on winning from lotteries ₹ 2,20,000 @ 30%	66,000	
(iv) Tax on remaining income of ₹ 16,90,000 (₹ 16,30,000 + ₹ 60,000) at normal slab rate i.e., 1,12,500 plus 6,90,000 @ 30%	3,19,500	4,23,000
Total tax on ₹ 11,60,000		4,23,000
Step 2		
Basic exemption limit to agricultural income (₹ 3,00,000 + ₹ 60,000)	3,60,000	
Tax on ₹ 3,60,000		3,000
Step 3		
Tax on non-agricultural income (Tax under step 1 – Tax under step 2) (₹ 1,49,000 – ₹ 3,000)		4,20,000
Add: Education cess @ 2%		2,920
Add: Secondary and higher education cess @ 1%		1,460
Add: EC & HSEC @ 4%		16,800
Tax payable by Mrs. Sushma		1,50,380

Working Note:

Computation of total income of Mrs. Sushma for the A.Y. 2024-25

Particulars	₹	₹
Business income		3,20,000

Salary (Less standard deduction of Rs 50,000 as per amendment) (2,40,000-50,000)		1,90,000
Dividend income [See Note 2]		11,50,000
Long term capital gains on sale of shares in XYZ Pvt. Ltd.		2,00,000
Short term capital gains on sale of house property		30,000
Lottery winning (Gross)		2,20,000
Gross Total Income		21,10,000
Less: Deduction under section 80C		
Life insurance premium of self	40,000	
Life insurance premium of husband	20,000	60,000
Total Income		20,50,000

Notes:

- Mrs. Sushma born on 1st April, 1958, turns 66 years of age on 31.03.2024. Therefore, she is a senior citizen for the P.Y. 2023-24 and is entitled to the higher basic exemption limit of ₹ 3,00,000.
- ~~Dividend received from ABC Ltd, an Indian Company, upto ₹ 10,00,000 is exempt under section 10(34). ₹ 1,50,000, being dividend received in excess of ₹ 10,00,000 would be taxable @10% as per section 115BDDA. No deduction is allowable in respect of any expenditure or allowance against such income.~~
As per amendment dividend is fully taxable at normal slab rates
- Short-term capital gains on sale of house property are taxable at normal rates.
- Tax saver deposit in the name of major son does not qualify for deduction under section 80C.

Question 16

You are required to compute the total income and tax liability of Mr. Neeraj for the A.Y. 2024-25 from the following information given by him for the year ended 31.3.2024. Mr. Neeraj, aged 61 years, a resident individual, engaged in a wholesale business of stationary products. He is also a partner in BAC & Co., a partnership firm.

Sl. No.	Particulars	₹	₹
(i)	Interest on capital received from BAC & Co., at 14% [in accordance with the partnership deed]		1,40,000
(ii)	Share of profit from the firm		44,000
(iii)	Salary as working partner (fully allowed in the hands of the firm)		1,00,000
(iv)	Interest from bank on fixed deposit (Net of TDS)		49,500
(v)	Interest on saving bank account		13,300
(vi)	Income-tax refund received relating to assessment year 2023-24 including interest of ₹ 1,400		34,500
(vii)	Net profit from wholesale business		6,60,000
	Amounts debited include the following:		
	- Depreciation as per books	34,000	
	- Motor car expenses	40,000	
	- Municipal taxes for the shop (For two half years; payment for one half year made on 12.7.2023 and for the other on 31.12.2023)	7,000	
	- Salary to manager by way of a single cash payment	22,000	
(viii)	The WDV of the assets (as on 1.4.2023) used in above wholesale business is as under:		
	- Computers	2,40,000	
	- Computer printer	1,50,000	
(ix)	Motor car acquired on 31.12.2023 (20% used for personal use)	6,80,000	



(x)	He owned a house property in Mumbai which was sold in January, 2018. He received arrears of rent in respect of the said property in October, 2023.		1,35,000
(x)	LIP paid for independent son	60,000	
(xi)	PPF of his wife	70,000	
(xii)	Health insurance premium paid by way of A/c payee cheque for self	35,000	
(xiii)	Contribution toward Prime Minister National Relief Fund	50,000	

**Assume Mr. Neeraj does not want to opt for the provisions of section 115BAC. (MTP 14 Marks April 22)
(Same concept different figures RTP Nov'20)**

Answer 16

Computation of total income of Mr. Neeraj for the A.Y.2024-25

Particulars		₹	₹
Income from house property			
Arrears of rent (taxable under section 25A even if Mr. Neeraj is not the owner of the house property in the P.Y.2023-24)		1,35,000	
Less: Deduction@30%		40,500	94,500
Profits and gains of business or profession			
Income from wholesale business			
Net profit as per books		6,60,000	
Add: Amount debited to P & L A/c, not allowable as deduction			
- Depreciation as per books		34,000	
- Disallowance of municipal taxes paid for the second half-year under section 43B, since the same was paid after the due date of filing of return of income (₹ 7,000/2)		3,500	
- Disallowance under section 40A(3) in respect of salary paid in cash since the same exceeds ₹ 10,000		22,000	
- 20% of car expenses for personal use		8,000	
		7,27,500	
Less: Depreciation allowable (Note 1)		1,96,800	
Income from firm		5,30,700	
Share of profit from the firm is exempt under section 10(2A)		-	
Interest on capital from partnership firm (Note 2)	1,20,000		
Salary as working partner fully taxable	1,00,000	2,20,000	7,50,700
Income from other sources			69,700
Interest on bank fixed deposit (Gross) [₹49,500 x 100/90]		55,000	
Interest on saving bank account		13,300	
Interest on income-tax refund		1,400	
Gross total income			9,14,900
Less: Deduction under Chapter VIA (Note 3)			2,65,000
Total Income			6,49,900

Computation of tax liability of Mr. Neeraj for the A.Y.2024-25

Particulars	₹
Upto ₹ 3,00,000	Nil
₹ 3,00,001 – ₹ 5,00,000 [i.e., ₹ 2,00,000@5%]	10,000
₹ 5,00,001 – ₹ 6,49,900 [i.e., ₹ 1,49,900@20%]	29,980
	39,980
Add: Health and Education cess@4%	1,599
Tax Liability	41,579
Tax payable (Rounded off)	41,580

Notes:

(1) Depreciation allowable under the Income-tax Rules, 1962

		Opening WDV/ Actual cost	Rate		Depreciation
Block 1	Computers	2,40,000	40%		96,000
	Computer printer	1,50,000	40%		60,000
Block 2	Motor Car	6,80,000	15%	51,000 [50% of 15% is allowable, since it is put to use for less than 180 days]	40,800
	Less: 20% disallowance for personal use			10,200	1,96,800

(2) Only to the extent the interest is allowed as deduction in the hands of the firm, the same is includible as business income in the hands of the partner. Since interest is paid in accordance with partnership deed, maximum interest allowable as deduction in the hands of the firm is 12% p.a. Therefore, interest @12% p.a. amounting to ₹ 1,20,000 would be treated as the business income of Mr. Neeraj.

(3) Deduction under Chapter VI-A

Particulars	₹	₹
Under section 80C		
LIP for independent son	60,000	
PPF paid in wife's name	70,000	
	1,30,000	
Since the maximum deduction under section 80C is ₹ 1,50,000, the entire sum of ₹ 1,30,000 would be allowed as deduction		1,30,000
Under section 80D		
Health insurance premium taken for himself is fully allowable as deduction, since he is a senior citizen		35,000
Under section 80G		
Contribution towards PM National Relief Fund eligible for 100% deduction without any qualifying limit		50,000
Under section 80TTB		
Interest on deposits in case of senior citizen, restricted to		50,000
Total deduction		2,65,000

Question 17

Mr. Sonu, aged 30 years, submits the information of following transaction/income during the P.Y. 2023-24

- (i) Mr. Sonu owns two house properties in Delhi. The details in respect of these properties are as under

	House 1 Self-occupied	House 2 Let-out
Rent received per month	Not applicable	₹ 50,000
Municipal taxes paid	₹ 7,500	Nil
Interest on loan (taken for purchase of property)	₹ 2,50,000	₹ 3,00,000
Principal repayment of loan (taken from HDFC bank)	₹ 2,00,000	₹ 3,00,000

- (ii) Mr. Sonu had another house in Delhi. During financial year 2017-18, he had transferred the said house to Ms. Varsha, daughter of his brother without any consideration. House would go back to Mr. Sonu after the life time of Ms. Varsha. The transfer was made with a condition that 15% of rental income from such house shall be paid to Mrs. Sonu. Rent received by Ms. Varsha during the previous year 2023-24 from such house property is ₹ 6,50,000.
- (iii) Mr. and Mrs. Sonu forms a partnership firm with equal share in profits. Mr. Sonu transferred a fixed deposit of ₹ 50 lakhs to such firm. Firm had no income or expense other than the interest of ₹ 6,00,000 received from such fixed deposit. Firm distributed the entire surplus to Mr. and Mrs. Sonu at the end of the year.
- (iv) Mr. Sonu holds preference shares in M/s A Pvt. Ltd. He instructed the company to pay dividends to Ms. Chandni, daughter of his servant. The transfer is irrevocable for the life time of Chandni. Dividend received by Ms. Chandni during the previous year 2023-24 is ₹ 10,00,000.
- (v) Mr. Sonu has a short term capital loss of ₹ 16,000 from sale of property and long term capital gain of ₹ 15,000 from sale of property.
- (vi) Other income of Mr. Sonu includes
- Interest from saving bank account of ₹ 2,00,000
 - Cash gift of ₹ 75,000 received from daughter of his sister on his birthday.
 - Income from betting of ₹ 34,000
 - Income from card games of ₹ 46,000
 - Loss on maintenance of race horses of ₹14,600

Compute the total income of Mr. Sonu for the Assessment Year 2024-25 and the losses to be carried forward assuming that he does not opt to be taxed under section 115BAC . (MTP 10 Marks April 22)

Answer 17

Computation of Total Income of Mr. Sonu for A.Y. 2024-25

Particulars	Amount (₹)	Amount (₹)
Income from house property		
House ¹ [Self-occupied]		
Net annual value	-	
Less: Interest on loan [upto ₹2,00,000]	2,00,000	(2,00,000)
House 2 [Let out]		
Gross annual value ¹ [₹50,000 x 12]	6,00,000	
Less: Municipal taxes	-	
Net annual value	6,00,000	
Less: Deductions from Net Annual Value		
(a) 30% of Net Annual Value	1,80,000	
(b) Interest on loan	3,00,000	1,20,000



House in Delhi [Since Mr. Sonu receives direct or indirect benefit from income arising to his brother's daughter, Ms. Varsha, from the transfer of house to her without consideration, such income is to be included in the total income of Mr. Sonu as per proviso to section 62(1), even though the transfer may not be revocable during lifetime of Ms. Varsha]		
Gross Annual Value ²	6,50,000	
Less: Municipal taxes	-	
Net Annual Value	6,50,000	
Less: Deductions from Net Annual Value		
(a) 30% of Net Annual Value	1,95,000	
(b) Interest on loan	-	4,55,000
Profits and gains from business or profession		3,75,000
Share of profit from firm [Exempt u/s 10(2A)] Exempt income cannot be clubbed	-	
Capital Gains		
Long term capital gain from sale of property	15,000	
Less: Short-term capital loss can be set-off against both short- term capital gains and long-term capital gains ³ . Short term capital loss of ₹ 16,000 set off against long-term capital gains to the extent of ₹15,000 ⁴ . Balance short term capital loss of ₹ 1,000 to be carry forward to A.Y.2025-26	15,000	-
Income from other sources		
Dividend on preference shares [Taxable in the hands of Mr. Sonu as per section 60, since he transferred the income, i.e., dividend, without transferring the asset, i.e., preference shares]	10,00,000	
Interest from saving bank account	2,00,000	
Cash gift [Taxable as per section 56(2)(x), since sum of money exceeding ₹ 50,000 is received from his niece, who is not a relative]	75,000	
Income from betting [No loss is allowed to be set off against such income]	34,000	
Income from card games [No loss is allowed to be set off against such income]	46,000	13,55,000
Gross Total Income		17,30,000
Less: Deduction under Chapter VI-A		
Deduction under section 80C [Principal repayment of loan ₹ 5 lakh, restricted to ₹1,50,000]	1,50,000	
Deduction under section 80TTA [Interest from savings bank account]	10,000	1,60,000
Total Income		15,70,000

Losses to be carried forward to A.Y. 2025-26

Particulars	Amount (₹)
Short term capital loss [₹ 16,000 – ₹ 15,000]	1,000
Loss on maintenance of race horses [Loss incurred on maintenance of race horses cannot be set-off against income from any source other than the activity of owning and maintaining race horses. Hence, such loss has to be carried forward to A.Y.2025-26]	14,600

1 Rent receivable has been taken as the gross annual value in the absence of other information

2 Rent receivable has been taken as the gross annual value in the absence of other information

3 as per section 74(1) 4 as per section 74(1)

Question 18

Mr. Vikas holds shares carrying 33% voting power in Kaya Ltd. Mrs. Rinky is working as accountant in Kaya Ltd. getting income from salary (computed) of Rs. 4,60,000 without any qualification in accountancy. Mr. Vikas also receives Rs. 35,000 as interest on securities. Mrs. Rinky owns a house property which she has let out. Rent received from tenants is Rs. 6,000 p.m. Compute the gross total income of Mr. Vikas and Mrs. Rinky for the A.Y. 2024-25. (MTP Nov 21 4 Marks)

Answer 18

Since Mrs. Rinky is not professionally qualified for the job, the clubbing provisions shall be applicable.

Computation of Gross total income of Mr. Vikas

Particulars	Rs.
Income from Salary of Mrs. Rinky (Computed)	4,60,000
Income from other sources	
- Interest on securities	35,000
	4,95,000

Computation of gross total income of Mrs. Rinky

Particulars	Rs.	Rs.
Income from Salary [clubbed in the hands of Mr. Vikas]		Nil
Income from house property		
Gross Annual Value [Rs. 6,000 × 12]	72,000	
Less: Municipal taxes paid	-	
Net Annual Value (NAV)	72,000	
Less: Deductions under section 24		
- 30% of NAV i.e., 30% of Rs. 72,000	21,600	
- Interest on loan	-	50,400
Gross total income		50,400

Question 19

Mr. Sonu, General Manager of Akon Ltd., Delhi, furnishes the following particulars for the financial year 2023-24:

- (i) Salary ₹ 46,000 per month
- (ii) Value of medical facility in a hospital maintained by the company ₹ 7,000
- (iii) Rent free accommodation owned by the company
- (iv) Housing loan of ₹ 6,00,000 given on 01.04.2019 at the interest rate of 6% p.a. (No repayment made during the year). The rate of interest charged by State Bank of India (SBI) as on 01.04.2023 in respect of housing loan is 10%.
- (v) Gifts in kind made by the company on the occasion of wedding anniversary of Mr. Sonu ₹ 4,750.
- (vi) A four seater dining table was provided to Mr. Sonu at his residence. This was purchased by the company on 1.5.2020 for ₹ 60,000 and sold to Mr. Sonu on 1.8.2023 for ₹ 30,000.
- (vii) Personal purchases through credit card provided by the company amounting to ₹ 10,000 was paid by the company. No part of the amount was recovered from Mr. Sonu.
- (viii) A Maruti Suzuki car which was purchased by the company on 16.7.2021 for ₹ 2,50,000 was sold to Mr. Sonu on 14.7.2023 for ₹ 80,000.

Other income received by the assessee during the previous year 2023-24:

	Particulars	₹
(a)	Interest on Fixed Deposits with a company	5,000
(b)	Income from specified mutual fund	3,000
(c)	Interest on bank fixed deposits of a minor married daughter	3,000

(i)	Contribution to LIC towards premium under section 80CCC	₹ 1,00,000
	Deposit in PPF Account made during the year 2023-24	₹ 40,000

Compute the taxable income of Mr. Sonu for the Assessment year 2024-25 assuming he is not opting for section 115BAC. (MTP 7 Marks March '23 & April '19)

Answer 19

Computation of taxable income of Mr. Sonu for the A.Y. 2024-25

	Particulars	₹	₹
(a)	Income from Salaries (See Working Note below)		6,85,200
(b)	Income from Other Sources		
	(i) Interest on fixed deposit with a company	5,000	
	(ii) Income from specified mutual fund	3,000	
	(iii) Interest on Fixed Deposit received by minor daughter (₹ 3,000 - ₹ 1500)	1,500	9,500
	Gross total income		6,94,700
	Less: Deductions under Chapter VI-A		
	Section 80C – PPF	40,000	
	Section 80CCC	1,00,000	1,40,000
	Total Income		5,54,700

Working Note:
Computation of salary income of Mr. Sonu for the A.Y. 2024-25

Particulars	₹
Salary [₹ 46,000 x 12]	5,52,000
Medical facility [in the hospital maintained by the company is exempt]	—
Rent free accommodation	
15% 10% of salary is taxable (i.e. ₹ 5,52,000 × 10% as per Rule 3(1)) <i>(As per amendment it is 10% of salary in cities having population > 40 lakhs as per 2011 census)</i>	55,200
Valuation of perquisite of interest on loan	
[Rule 3(7)(i)] – Perquisite value would be 10% as reduced by actual rate of interest charged i.e. [10% - 6% = 4% x ₹ 6,00,000]	24,000
Gift given on the occasion of wedding anniversary ₹ 4,750 is exempt, since its value is less than ₹ 5,000	-
Use of dining table for 4 months	
[₹ 60,000 x 10 /100 x 4 /12]	2,000
Perquisite on sale of dining table	
Cost	60,000

Less: Depreciation on straight line method @ 10% for 3 years	18,000	
Written Down Value	42,000	
Less: Amount paid by the assessee	30,000	12,000
Purchase through credit card – not being a privilege but covered by section 17(2)(iv)		10,000
Perquisite on sale of car		
Original cost of car	2,50,000	
Less: Depreciation from 16.7.2020 to 15.7.2021 @ 20%	50,000	
	2,00,000	
Less: Depreciation from 16.7.2021 to 15.7.2022 @ 20%	40,000	
Value as on 14.07.2023- being the date of sale to employee	1,60,000	
Less: Amount received from the assessee on 14.07.2023	80,000	80,000
Gross Salary		7,35,200
Less: Standard deduction under section 16(ia)		50,000
Taxable Salary		6,85,200

Note: Under Rule 3(7)(viii), while calculating the perquisite value of benefit to the employee arising from the transfer of any movable asset, the normal wear and tear is to be calculated in respect of each completed year during which the asset was put to use by the employer. In the given case the third year of use of car is completed on 15.7.2023 whereas the car was sold to the employee on 14.7.2023. The solution worked out above provides for wear and tear for only two years.

Question 20

Mr. Kamal, a resident and ordinarily resident aged 58 years, is engaged in the business of manufacturing of steel. He is subject to tax audit under section 44AB of Income-tax Act, 1961. He has provided following information:

Profit & Loss account for the year ended 31st March, 2024

Particulars	(₹)	Particulars	(₹)
To Administrative expenses	6,45,000	By Gross Profit	88,45,000
To Salaries & wages	30,00,000	By Profit on sale of asset of scientific research	2,00,000
To Interest on loans	11,25,000	By Winning from lottery (Net of TDS @ 30%)	47,250
To Depreciation	9,25,500		
To Professional fees	4,05,000		
To Rent, rates & taxes	4,20,000		
To Travelling & conveyance	2,10,000		
To Net Profit	23,61,750		
Total	90,92,250	Total	90,92,250

Explanatory information:

- (i) Opening and closing stock of finished goods were undervalued by 10%. Opening stock of ₹ 3,30,000 and Closing stock of ₹ 4,38,000 was shown.
- (ii) Salaries & wages include following items:
 - (a) Contributed 20% of basic salary in National Pension Scheme referred in section 80CCD for an employee Mr. Ganesh who has withdrawn basic salary of ₹ 4,00,000 and Dearness allowance is 40% of basic salary.

50% of Dearness allowance forms part of the salary.

- (b) Some of the employees opted for retirement under the voluntary retirement scheme; a sum of ₹ 3,50,000 was paid to them on 1st January, 2024.
- (iii) Interest on loan includes interest paid @ 15% per annum on loan of ₹ 18,00,000 which was taken from State Bank of India on 01.07.2023 for purchase of new electric car of ₹ 20,00,000. The car is used for personal purpose.
- (iv) Depreciation allowable as per Income-tax Rules, 1962 is ₹ 5,50,000 but during the calculation of such depreciation following addition was not considered:
- Motor car purchased for ₹ 3,50,000 for supply of finished goods to dealers on 25-09-2023.
- (v) An asset was purchased for ₹ 7,00,000 on 17-11-2022 for conducting scientific research and the deduction was claimed under section 35 of the Income-tax Act, 1961. This asset was sold on 05-10-2023 for a consideration of ₹ 9,00,000.

Other information:

A plot of Industrial land which was used by Mr. Kamal for business purpose for last 10 years was compulsorily acquired by Central Government on 07.10.2023. The compensation of ₹ 15,63,525 was received on 27.01.2022. Such property was purchased by him on 08.10.2006 for ₹ 2,50,000. He has purchased another plot of industrial land on 15.04.2024 for ₹ 7,00,000. Government has also paid ₹ 1,05,000 as interest on such compensation on 28.02.2024. Cost Inflation Indices: FY 2021-22: 317, FY 2006-07: 122, FY 2023-24-384

Compute the total income and tax liability of Mr. Kamal for the assessment year 2024-25 assuming that he has not opted for the provisions of section 115BAC. (MTP 14 Mark Sep'22) (Same concept different chapters PYP 14 Marks Dec'21)

(The value of consideration has been changed from Rs 15,00,000 to Rs. 15,63,525 to keep the essence of the question)

Answer 20

Computation of total income of Mr. Kamal for A.Y. 2024-25

	Particulars	₹	₹	₹
I.	Income from business or profession			
	Net Profit		23,61,750	
	Add: Items debited but not allowable/item not credited but taxable while computing business income			
	- Employer's contribution to NPS in excess of 10% of salary - Employer's contribution to the extent of 10% of salary i.e., basic salary plus dearness allowance forming part of salary would be allowed as deduction. Thus, excess contribution i.e., ₹ 32,000 [₹ 80,000, being 20% of ₹ 4,00,000 less ₹ 48,000 being 10% of ₹ 4,80,000 (₹ 4,00,000 + 20% of ₹ 4,00,000)] has to be added back.	32,000		
	- VRS expenditure - 1/5th of expenditure on voluntary retirement scheme is allowable over a period of five years u/s 35DDA. Since whole amount of expenditure is debited to Profit and Loss A/c, 4/5th has to be added back [₹ 3,50,000 x 4/5].	2,80,000		



- Interest on loan taken for purchase of electric car used for personal purpose not allowable as deduction while computing business income as being expense of personal nature. Thus, ₹ 2,02,500 [₹ 18,00,000 x 15% x 9/12] has to be added back, since the same forms part of interest on loan debited to profit and loss account.	2,02,500		
- Sale proceeds of asset acquired for conducting scientific research taxable as business income under section 41(3) in the year of sale to the extent of lower of ₹ 7,00,000 (being the deduction allowed u/s 35) and ₹ 9,00,000 being the excess of sale proceeds and deduction allowed u/s 35 i.e., (₹ 9,00,000 + ₹ 7,00,000) over the capital expenditure incurred of ₹ 7,00,00	7,00,000		
- Undervaluation of stock [(₹ 4,38,000 - ₹ 3,30,000) x 10/90] Note: Alternatively, undervaluation of closing stock i.e., ₹ 48,667 can be added back and under valuation of opening stock i.e., ₹ 36,667 can be reduced from net profits.	12,000		
- Depreciation as per books of A/c	9,25,500		
		21,52,000	
		45,13,750	
Less: Depreciation as per Income-tax Rules	5,50,000		
Depreciation on Motor car purchased for supply of finished goods [₹ 3,50,000 x 15%]	52,500		
		6,02,500	
		39,11,250	
Less: Items of income credited to profit and loss account but not taxable or taxable under any other head of income			
- Profit on sale of asset of scientific research [Taxable under the head "Capital Gains"]	2,00,000		
- Winning from lottery [Taxable under the head "Income from other sources"]	47,250		
		2,47,250	
			36,64,000
II. Capital Gain			
Short-term capital gains			
Sale of asset acquired for conducting scientific research			
Sales consideration	9,00,000		
Less: Cost of acquisition	7,00,000		
Short-term capital gain		2,00,000	
Long-term capital gains			
Compulsory acquisition of industrial plot by the Central Government taxable as per section 45(5)			
Compensation received	15,63,525		
Less: Indexed cost of acquisition [₹ 2,50,000 x 348/122]	7,13,115		
Long-term capital gain [since such plot is held for more than 24 months] Less: Exemption u/s 54D	8,50,410		

	- Acquisition of industrial plot within 3 years			
	Acquisition of industrial plot within 3 years	7,00,000		
			1,50,410	3,50,410
III.	Income from other sources			
	Winning from lottery [₹ 47,250 x 100/70]		67,500	
	Interest on enhanced compensation	1,05,000		
	Less: 50% of enhanced compensation	52,500		
	Gross Total Income		52,500	1,20,000
	Less: Deduction under Chapter VI-A			41,34,410
	Deduction under section 80EEB			
	Interest on loan taken for purchase of electric vehicle allowable as deduction to the extent of			1,50,000
	Total Income			39,84,410

Computation of tax liability of Mr. Kamal for A.Y.2024-25

Particulars	₹	₹
Tax on long-term capital gains @20% of ₹ 1,50,410		30,082
Tax on winning from lottery @30% of ₹ 67,500		20,250
Tax on total income (excluding LTCG and winning from lottery) of ₹ 37,66,500		
Upto ₹ 2,50,000	Nil	
₹ 2,50,001 – ₹ 5,00,000[@5% of ₹ 2.50 lakh]	12,500	
₹ 5,00,001 – ₹10,00,000[@20% of ₹ 5 lakh]	1,00,000	
₹ 10,00,001- ₹ 37,66,500 [@30% of ₹ 27,66,500]	8,29,950	
		9,42,450
		9,92,782
Add: Health and education cess@4%		39,711
Tax liability		10,32,493
Tax liability (rounded off)		10,32,490

Question 21

Mr. Rishabh, a resident individual, aged 54 years, is engaged in the business of manufacturing clothes. He earned profit of ₹ 82,45,000 as per profit and loss account after debiting and crediting the following items:

- (i) Depreciation ₹ 15,40,000
- (ii) Short term capital gains on transfer of listed equity shares in a company on which STT is paid ₹ 10,00,000
- (iii) He received income-tax refund of ₹ 15,550 which includes interest on refund of ₹ 4,550.
- (iv) Dividend income from Indian companies ₹ 15,00,000

Additional information –

- (i) Mr. Rishabh installed new plant and machinery for ₹ 65 lakhs on 1.10.2023 which was put to use on 1.1.2024. Depreciation (including additional depreciation) on this amount of ₹ 65 lakhs is included in the depreciation debited to profit and loss account which has been computed as per

Income-tax Rules.

- (ii) Mr. Rishabh took a loan from SBI of ₹ 50 lakhs on 15.9.2023 @10.5% p.a. to purchase such plant and machinery. Total interest upto 31.3.2024 has been paid on 31.3.2024 and the same has been debited to profit and loss account. Interest is charged by the bank on monthly basis.
- (iii) Advance tax paid during the year is ₹ 17,50,000
- (iv) Rishabh purchased goods for ₹ 40 lakhs from Mr. Ram, his brother. The market value of the goods is ₹ 35 lakhs.
- (v) He paid ₹ 40,000 as life insurance premium taken on the life of his married daughter who is not dependent on him. The sum assured is ₹ 5,00,000 and the policy was taken on 1.4.2017.
- (vi) He paid ₹ 45,000 by cheque towards health insurance policy covering himself, his spouse and his children.
- (vii) On 1.7.2023, Mr. Rishabh withdrew ₹ 1.5 crores in cash from three current accounts maintained by him with HSBC. There are no other withdrawals during the year. He regularly files his return of income.

You are required to compute the total income and tax payable by Mr. Rishabh for the A.Y. 2024 -25, in the manner so that he can make maximum tax savings. (MTP 14 Marks April '23, RTP May'22)

Answer 21

Computation of total income of Mr. Rishabh for A.Y. 2024-25 under the regular provisions of the Act

Particulars		₹	₹	₹
I	Income from business or profession			
	Net profit as per profit and loss account		82,45,000	
	Add: Items of expenditure not allowable while computing business income			
	(i) Interest on loan taken for purchase of plant & machinery [Interest from the date on which capital was borrowed till the date on which asset was first put to use, not allowable as deduction under section 36(1)(iii). Accordingly, interest of ₹ 1,53,125 [₹ 50,00,000 x 10.5% x 3.5/12] has to be added back, since the same is debited to the profit and loss account]	1,53,125		
	(ii) Purchase of goods at a price higher than the fair market value [The difference between the purchase price (₹ 40 lakhs) and the fair market value (₹ 35 lakhs) has to be added back as per section 40A(2) since the purchase is from a related party, i.e., his brother and at a price higher than the fair market value]	5,00,000	6,53,125	
	Less: Items of income to be treated separately under the respective head of income		88,98,125	
	(i) Income-tax refund including interest on refund of ₹ 4,550	15,550		
(ii) Dividend from Indian companies	15,00,000			
(ii) Short term capital gains on transfer of listed equity shares	10,00,000	25,15,550		
			63,82,575	

	Less: Depreciation on interest on loan capitalised to plant and machinery			
	₹ 1,53,125, being the amount of interest on loan taken for purchase of plant and machinery from the date on which capital was borrowed till the date on which asset was first put to use, shall be capitalized Normal depreciation @15% x 50% on such interest	11,484		
	Additional depreciation @20% x 50% on such interest [Since plant & machinery was put to use for less than 180 days in P.Y. 2023-24, it is eligible for 50% of the rate of depreciation]	15,313	26,797	
				63,55,778
II	Capital Gains			
	Short term capital gains on transfer of listed equity shares			10,00,000
III	Income from Other Sources			
	Interest on income-tax refund		4,550	
	Dividend from Indian companies		15,00,000	15,04,550
	Gross Total Income			88,60,328
	Less: Deductions under Chapter VI-A		40,000	
	- Deduction under section 80C			
	Life insurance premium for married daughter [Allowable as deduction though she is not dependent, since child of an individual whether dependent or not			
	falls within the meaning of term "Person". Accordingly, whole of the amount of ₹ 40,000 is allowable as it does not exceed 10% of the ₹ 5,00,000, being the sum assured]			65,000
	- Deduction under section 80D		25,000	
	Health insurance premium for self, spouse and children [Allowable as deduction, since it is paid otherwise than by way of cash. However, it is to be restricted to ₹ 25,000			
	Total Income			87,95,328
	Total Income (Rounded off)			87,95,330

Computation of tax payable by Mr. Rishabh for A.Y. 2024-25 under the regular provisions of the Act

Particulars	₹	₹
Tax on total income of ₹ 87,95,330		
Tax on short term capital gains on transfer of listed equity shares @15% u/s 111A [₹ 10,00,000 x 15%]		1,50,000
Tax on other Income of ₹ 77,95,330		
Upto ₹ 2,50,000		Nil
₹ 2,50,001 – ₹ 5,00,000 [@5% of ₹ 2.50 lakh]	12,500	
₹ 5,00,001 – ₹ 10,00,000 [@20% of ₹ 5,00,000]	1,00,000	21,51,099

₹ 10,00,001- ₹ 77,95,330 [@30% of ₹ 67,95,330]	20,38,599	
Add: Surcharge @10%, since total income exceeds ₹ 50,00,000 but does not exceed ₹ 1 crore		23,01,099
		2,30,110
		25,31,209
Add: Health and education cess@4%		1,01,248
Total tax liability		26,32,457
Less: TDS u/s 194N @ 2% on ₹ 50 lakhs, being the cash withdrawals exceeding ₹ 1 crore	1,00,000	
Less: Advance tax paid	17,50,000	18,50,000
Tax payable		7,82,457
Tax payable (rounded off)		7,82,460

Computation of total income of Mr. Rishabh as per section 115BAC for A.Y. 2024-25

Particulars	₹	₹
Gross Total Income as per regular provisions of the Income-tax Act		88,60,328
Add: Additional depreciation on plant and machinery		
- On interest which is capitalised	15,313	
- On cost of plant and machinery [₹ 65 lakhs x 20% x 50%]	6,50,000	6,65,313
Gross Total Income/ Total Income as per section 115BAC		95,25,641
[No deduction under section 10AA or under Chapter VI-A allowable except u/s 80JJAA]		
Total Income as per section 115BAC (rounded off)		95,25,640

Computation of tax liability as per section 115BAC

Particulars	₹	₹
Tax on total income of ₹ 95,25,640		
Tax on STCG of ₹ 10,00,000@15% u/s 111A		1,50,000
Tax on remaining total income of ₹ 85,25,640		
Upto ₹ 2,50,000 ₹ 3,00,000		Nil
₹ ₹ 3,00,000 – ₹ 6,00,000 [₹ 3,00,000 @ 5%] 15,000	15,000	
₹ 6,00,001 – ₹ 9,00,000 [₹ 3,00,000 @ 10%] 30,000	30,000	
₹ 9,00,001 – ₹ 12,00,000 [₹3,00,000 @ 15%] 45,000	45,000	
₹ 12,00,001 – ₹ 15,00,000 [₹3,00,000 @ 20%] 60,000	60,000	
Above ₹ 15,00,000 @30% [[₹70,25,640@30%]	21,07,692	
		22,57,692
Add: Surcharge @10%, since total income exceeds ₹ 50,00,000 but does not exceed ₹ 1 crore		2,25,769
		24,83,461
Add: Health and education cess@4%		99,338
Total tax liability		25,82,799
Less: TDS u/s 194N @ 2% on ₹ 50 lakhs, being the cash withdrawals exceeding ₹ 1 crore	1,00,000	
Less: Advance tax paid	17,50,000	18,50,000



Tax payable		7,32,799
Tax payable (rounded off)		7,32,800

Since tax payable as per section 115BAC is higher than the tax payable as per normal provisions of the Income-tax Act, 1961, it is beneficial for Mr. Rishabh not to exercise option under section 115BAC. In such case, the tax payable by him would be ₹ 7,82,460 as per the regular provisions of the Act.

Since tax payable as per section 115BAC is lower than the tax payable as per normal provisions of the Income-tax Act, 1961, it is beneficial for Mr. Rishabh to exercise option under section 115BAC. In such case, the tax payable by him would be ₹ 732,800 as per the regular provisions of the Act.

Question 22

Mr. Rohit, working as Finance Manager in ABC Ltd., Kanpur, retired from the company on 31.10.2023 at the age of 60. The following amounts were received from the employer from 1st April, 2023 to 31st October, 2023:

Basic Salary	₹ 30,000 p.m.
Dearness Allowance	₹ 20,000 p.m. (40% reckoned for superannuation benefits)
Ex-gratia (lump sum)	₹ 65,000

In addition to the above –

- (i) The company had taken on lease a residential house at Kanpur, paying a lease rent of ₹ 9,000 p.m. Mr. Rohit, who was paying to the company ₹ 6,000 p.m. towards aforesaid rent, vacated the said premises on 31.10.2023.
- (ii) The company had also provided to Mr. Rohit a cooking range and micro-wave oven owned by it. The original cost of these assets was ₹ 40,000 and the written down value as on 1.4.2023 was ₹ 22,000.
- (iii) Mr. Rohit has two sons. His second son was studying in a school run by the employer-company throughout the financial year 2023-24. The education facility was provided free of cost. The cost of such education in a similar school is ₹ 1,800 p.m.
- (iv) The employer-company was contributing ₹ 7,000 p.m. to Central Government Pension Scheme. Mr. Rohit contributed an equal amount.
- (v) Professional tax paid by the employer ₹ 2,400.
- (vi) Subsequent to his retirement, Mr. Rohit started his own business on 15-11-2023. The results of the said business from 15.11.2023 to 31.3.2024 were:

A. Business loss (excluding current depreciation)	₹ 90,000
B. Current year's depreciation	₹ 60,000
- (vii) Mr. Rohit won a prize in a TV game show. He received a sum of ₹ 2,10,000 after deduction of tax at source to the tune of ₹ 90,000.
- (viii) Mr. Rohit furnishes the under-mentioned data relating to savings, investments and out-goings:
 - A. Life insurance premium, with a private insurance company ₹ 30,000 for his son and ₹ 20,000 for his married daughter.
 - B. Medical insurance premium of ₹ 22,000 for himself and ₹ 26,000 for his mother (aged 82), paid by credit card. His mother is however not dependent on him.

You are required to compute the total income of Mr. Rohit (showing clearly the computation



under various heads of income) and tax payable by him for the assessment year 2024-25. Assume Mr. Rohit does not opt for the provisions of under section 115BAC. (MTP 14 Marks Sep '23)

Answer 22

Computation of total income of Mr. Rohit for A.Y. 2024-25

Particulars		₹	₹
Basic salary (₹ 30,000 x 7)		2,10,000	
Dearness Allowance (₹ 20,000 x 7)		1,40,000	
Ex-gratia		65,000	
Employers' contribution to Central Government Pension Scheme (₹ 7,000 x 7)		49,000	
Professional tax paid by employer		2,400	
Concessional accommodation (See Notes 1 & 2)		7,650 NIL	
Value of furniture (See Note 3)		2,333	
Value of concessional educational facility (₹ 1,800 x 7) (See Note 4)		12,600	
Gross salary		4,88,983	
Less: Standard deduction under section 16(ia)	50,000		
Professional tax under section 16(iii)	2,400	52,400	
Net salary			4,28,933
Income from other sources			
Winnings from TV Game Show (₹ 2,10,000 + ₹ 90,000)			3,00,000
Gross Total Income			7,36,583
Less: Deductions under Chapter VI-A			
Deduction under section 80C			
Life insurance premium (₹ 30,000 + ₹ 20,000)		50,000	
Deduction under section 80CCD(1) (See Notes 5)			
Employee's contribution to pension scheme [to be restricted to 10% of salary i.e. 10% of ₹ 2,66,000 (₹ 30,000 + ₹ 8,000) x 7]		26,600	
Total deduction under section 80C & 80CCD(1)		76,600	
Additional employee's contribution to pension scheme [49,000 – 26,600] [Section 80CCD(1B)]		22,400	1,73,600
Employer's Contribution to pension scheme (to be restricted to 10% of salary) [Section 80CCD(2)]		26,600	
Deduction under section 80D (See Note 6)			
Medical insurance premium (₹ 22,000 + ₹ 26,000)		48,000	
Total Income (See Notes 7 & 8)			5,55,333
Total income (rounded off)			5,55,330

Computation of tax payable by Mr. Rohit for the A.Y. 2023-24

Particulars	₹
Tax @ 30% on winnings of ₹ 3,00,000 from game show	90,000
Tax on balance income of ₹ 2,55,333 (The basic exemption limit of ₹ 3,00,000 is applicable since Mr. Rohit is of the age of 60 years during the P.Y. 2024-25)	Nil
	90,000

Add: Health and Education cess @ 4%	3,600
Total Tax Liability	93,600
Less: TDS	90,000
Net Tax Payable	3,600

Notes:

- (1) For computation of perquisite value of concessional accommodation, 40% of dearness allowance (i.e. ₹ 8,000) should be taken into consideration as forming part of salary, since the question clearly mentions that only 40% is to be reckoned for superannuation benefits. Therefore, salary for the purpose of perquisite valuation would be ₹ 3,31,000 [i.e., (₹ 30,000 + ₹ 8,000) x 7 + 65,000].
- (2) In a case where the accommodation is taken on lease or rent by the employer and provided to the employee, the value of perquisite would be lower of the actual amount of lease rental paid or payable by the employer [i.e. ₹ 63,000, being 9,000 x 7] and ~~15%~~ **10%** of salary [i.e., ₹ 49,650, being ~~15%~~ **10%** of ₹ 3,31,000]. This value (i.e. ~~₹ 49,650~~ ₹ 33,100) would be reduced by the rent paid by the employee (i.e., ₹ 42,000, being 6,000 x 7).

The value of concessional accommodation is ~~₹ 7,650~~ **NIL** [i.e. ₹ 33,100 – ₹ 42,000].

(As per amendment it is actual amount of lease rental paid or payable by the employer or 10% of salary whichever is lower as reduced by rent paid by the employee)

- (3) The value of furniture owned by employer and provided to the employee is 10% p.a. of actual cost which amounts to ₹ 2,333 [i.e. 10% of 40,000 x 7/12].

Therefore, the value of furnished accommodation will be ₹ 9,983 (₹ 7,650 + ₹ 2,333) provided to the employee.

It is also possible to consider the cooking range and micro-wave oven provided by employer to the employee as a perquisite on account of use of movable assets of the employer by the employee. Even it is so assumed, there would be no change in the answer since in such a case also, the perquisite value is 10% p.a. of actual cost.

- (4) In determining the value of perquisite resulting from the provision of free or concessional educational facilities, from a plain reading of the proviso to Rule 3(5), it is apparent that if the cost of education per child exceeds ₹ 1,000 per month, the entire cost will be taken as the value of the perquisite. Accordingly, the full amount of ₹ 1,800 per month is taxable as perquisite. In such a case, the value of the perquisite would be ₹ 12,600 (i.e. ₹ 1,800 × 7).

Note – An alternate view possible is that only the sum in excess of ₹ 1,000 per month is taxable. In such a case, the value of perquisite would be ₹ 5,600. The gross salary in that case shall be ₹ 4,81,983 and net salary would be ₹ 4,29,583. The total income and tax liability shall accordingly vary.

- (5) The entire employer's contribution to Central Government Pension scheme should be included in salary and deduction under section 80CCD(2) should be restricted to 10% of salary. The employer's contribution to pension scheme would be outside the overall limit of ₹ 1,50,000 stipulated under section 80CCE. Also, the deduction under section 80CCD(1) for the employee's contribution to the pension scheme is restricted to 10% of salary. Salary means basic salary and dearness allowance, if provided in the terms of employment for retirement benefits. The balance ₹ 22,400 (₹49,000 – 26,600) can be claimed as deduction under section 80CCD(1B).
- (6) The deduction for medical insurance premium of ₹ 26,000 paid for mother is allowable in full under section 80D, as the maximum limit is ₹ 50,000, since his mother is a senior citizen. Therefore, the total deduction under section 80D would be ₹ 22,000 (for self) + ₹ 26,000 (for mother) = ₹ 48,000.
- (7) Winnings from TV game show is chargeable at a flat rate of 30% under section 115BB. No loss can be set-off against such income. Therefore, business loss cannot be set-off against such income.
- (8) As per section 71(2A), business loss cannot be set-off against salary income. Section 71(2A) provides that where the net result of the computation under the head "Profits and gains of business or

profession” is a loss and the assessee has income chargeable under the head “Salaries”, the assessee shall not be entitled to have such loss set-off against such income. Even depreciation cannot be set-off against salary income. Therefore, both business loss and current depreciation cannot be set-off against salary income.

- (9) Deduction under section 80GG has not been provided in respect of rent paid by Mr. Rohit to his employer. Such deduction can be provided, if it is assumed that all conditions mentioned in section 80GG are satisfied.

Question 23

You are required to compute the total income of the Ms. Radhika, a resident individual, aged 37 years and the tax payable for the assessment year 2024-25. She furnishes the following particulars relating to the year ended 31-3-2024:

(i)	Winnings from a TV Game show (Net)	77,000
(ii)	Gift received from Father's brother	85,000
(iii)	Gift received from Archita, her close friend	80,000
(iv)	Interest on capital received from TVA & Co., a partnership firm in which she is a partner (@15% p.a.)	4,50,000
(v)	Rent received for a vacant plot of land (Net)	3,03,300
(vi)	Amount received from Lime Pvt. Ltd., for a house at Delhi for which she had been in negotiation for enhanced rent three years back. This has not been taxed in any earlier year. The house was, however, sold off in March, 2024.	2,85,000
(vii)	Amount received under Keyman Insurance Policy	4,35,000
(viii)	Amount forfeited by her for the vacant plot, since the buyer could not finalize the deal as per agreement.	3,10,000
(ix)	Donation given in cash to a charitable trust registered u/s 12AA	22,000
(x)	She owns agricultural lands at Dhaka, Bangladesh. She has derived agricultural income therefrom	5,20,000
(xi)	Public Provident Fund paid in the name of her minor daughter	1,25,000
(xii)	Interest credited in the said PPF account during the year	50,900
(xiii)	Share of profits received from TVA & Co., a partnership firm	1,50,000

Computation should be made under proper heads of income. Assumed that 115BAC is not opted. (RTP May '20) (Same concepts different figures PYP 10 Marks Nov'18)

Answer 23
Computation of total income of Ms. Radhika for A.Y. 2024-25

Particulars	₹	₹
Income from house property		
Arrears of rent [Taxable, even if Ms. Radhika is no longer the owner of house property]	2,85,000	
Less: 30% of arrears of rent	85,500	1,99,500
Profits and gains of business or profession		
Interest on capital @12%, being the maximum allowable interest [₹ 4,50,000/15% x 12%] assuming interest@12% is authorized by the partnership deed and has been allowed as deduction while computing the income of the firm	3,60,000	
Share of profit from TVA & Co., a firm [Exempt]	-	

Amount received under Keyman Insurance Policy	4,35,000	7,95,000
Income from other sources		
Winning from a TV Game show (Gross) [₹ 77,000 x 100/(100-30)]	1,10,000	
Gift received from father's brother would be exempt, since father's brother falls within the definition of relative	-	
Gift received from her close friend would be taxable, since it exceeds ₹ 50,000	80,000	
Rent received for a vacant plot of land [₹ 3,03,300/90 x 100]	3,37,000	
Amount forfeited on cancellation of agreement for transfer of vacant plot	3,10,000	
Agricultural income from agricultural land at Dhaka, Bangladesh [not exempt, since such income is derived from land outside India]	5,20,000	
Interest credited in PPF account [Exempt]	-	13,57,000
Gross Total Income		23,51,500
Less: Deductions under Chapter VI-A		
Section 80C		
PPF subscription in the name of minor daughter	1,25,000	
Section 80G		
Donation of ₹ 22,000 to a charitable trust registered u/s 12AA is not allowable as deduction since the same is made in cash in excess of ₹ 2,000	-	1,25,000
Total Income		22,26,500

Computation of tax liability of Ms. Radhika for A.Y. 2024-25

Particulars		₹	₹
Tax on winnings of ₹ 1,10,000 from TV game show @30%			33,000
Tax on balance income of ₹ 21,16,500			
Upto ₹ 2,50,000		Nil	
₹ 2,50,001 – ₹ 5,00,000@5%		12,500	
₹ 5,00,001 - ₹ 10,00,000@20%		1,00,000	
₹ 10,00,001 - ₹ 21,16,500@30%		3,34,950	4,47,450
			4,80,450
Add: Health and Education cess@4%			19,218
Tax liability			4,99,668
Less: TDS			
Under section 194-I	33,700		
Under section 194B	33,000		66,700
Tax payable			4,32,968
Tax payable (rounded off)			4,32,970

Question 24

Mr. Dheeraj, aged 48 years, a resident Indian has furnished the following particulars for the year ended 31.03.2024:

- (i) He occupies ground floor of his residential building and has let out first floor for residential use at an annual rent of ₹ 3,34,000. He has paid municipal taxes of ₹ 30,000 for the current financial year. Both these floors

are of equal size.

- (ii) As per interest certificate from ICICI bank, he paid ₹ 1,80,000 as interest and ₹ 95,000 towards principal repayment of housing loan borrowed for the above residential building in the year 2017.
- (iii) He owns an industrial undertaking established in a SEZ and which had commenced operation during the financial year 2021-22. Total turnover of the undertaking was ₹ 400 lakhs, which includes ₹ 120 lakhs from export turnover. This industrial undertaking fulfills all the conditions of section 10AA of the Income-tax Act, 1961. Profit from this industry is ₹ 45 lakhs.
- (iv) He employed 20 new employees for the said industrial undertaking during the previous year 2023-24. Out of 20 employees, 12 were employed on 1st May 2023 on monthly emoluments of ₹ 18,000 and remaining were employed on 1st August 2023 on monthly emoluments of ₹ 12,000. All these employees participate in recognised provident fund and they are paid their emoluments directly to their bank accounts.
- (v) He earned ₹ 30,000 and ₹ 45,000 as interest on saving bank deposits and fixed deposits respectively.
- (vi) He also sold his vacant land on 01.12.2023 for ₹ 13 lakhs. The stamp duty value of land at the time of transfer was ₹ 14 lakhs. The FMV of the land as on 1st April, 2001 was ₹ 4.8 lakhs and Stamp duty value on the said date was ₹ 4 lakhs. This land was acquired by him on 15.9.1997 for ₹ 2.80 lakhs. He had incurred registration expenses of ₹ 12,000 at that time. The cost of inflation index for the financial year 2023-24 and 2001-02 are 348 and 100 respectively.
- (vii) He paid insurance premium of ₹ 49,000 towards life insurance policy of his son, who is not dependent on him.

You are requested to compute his total income and tax liability of Mr. Dheeraj for the Assessment Year 2024-25, in the manner so that he can make maximum tax savings. .(RTP Nov '21)(MTP 14 Marks Oct '23)
(The full value of consideration of land has been changed from Rs 14 lakhs to Rs. 14.88 Lakhs & the stamp duty value has been changed from 14 lakhs to 15 lakhs to keep the essence of the question)

Answer 24

Computation of total income of Mr. Dheeraj for A.Y. 2024-25

	Particulars	₹	₹	₹
I	Income from house property			
	Let out portion [First floor]			
	Gross Annual Value [Rent received is taken as GAV, in the absence of other information]		3,34,000	
	Less: Municipal taxes paid by him in the P.Y. 2023-24 pertaining to let out portion [₹ 30,000/2]		15,000	
	Net Annual Value (NAV)		3,19,000	
	Less: Deduction u/s 24			
	(a) 30% of ₹ 3,19,000	95,700		
	(b) Interest on housing loan [₹ 1,80,000/2]	90,000	1,85,700	
	Self-occupied portion [Ground Floor]		1,33,300	
	Annual Value		Nil	
	[No deduction is allowable in respect of municipal taxes paid]			
	Less: Interest on housing loan		90,000	
	Income from house property [₹ 1,33,300 – ₹ 90,000]		(90,000)	43,300
II	Profits and gains of business or profession			
	Income from SEZ unit			45,00,000

III	Capital Gains			
	Long-term capital gains on sale of land (since held for more than 24 months)			
	Full Value of Consideration [Actual consideration of ₹ 14,88,000, since stamp duty value of ₹ 15 lakhs does not exceed actual consideration by more than 10%]		14,88,000	
	Less: Indexed Cost of acquisition [₹ 4,00,000 x 348/100]		13,92,000	96,000
	Cost of acquisition			
	Higher of -			
	- Actual cost ₹ 2.80 lakhs + ₹ 0.12 lakhs = ₹ 2.92 lakhs and			
	- Fair Market Value (FMV) as on 1.4.2001 = ₹ 4.8 lakhs but cannot exceed stamp duty value of ₹ 4 lakhs.			
IV	Income from Other Sources			
	Interest on savings bank deposits		30,000	
	Interest on fixed deposits		45,000	75,000
	Gross Total Income			47,14,300
	Less: Deduction u/s 10AA [Since the industrial undertaking is established in SEZ, it is entitled to deduction u/s 10AA@100% of export profits, since P.Y.2023-24 being the 3rd year of operations]			13,50,000
	[Profits of the SEZ x Export Turnover/Total Turnover] x 100%			
	[₹ 45 lakhs x ₹ 120 lakhs/ ₹ 400 lakhs x 100%]			
	Less: Deduction under Chapter VI-A			
	Deduction under section 80C			
	Repayment of principal amount of housing loan	95,000		
	Insurance premium paid on life insurance policy of son allowable, even though not dependent on Mr. Dheeraj	49,000	1,44,000	
	Deduction under section 80JJAA		9,43,200	
	30% of the employee cost of the new employees employed during the P.Y. 2023-24 allowable as deduction [30% of ₹ 31,44,000 [₹ 23,76,000 (12 x 18,000 x 11) + ₹ 7,68,000 (8 x 12,000 x 8)]			
	Deduction under section 80TTA Interest on savings bank account, restricted to ₹ 10,000		10,000	10,97,200
	Total income			22,67,100

Computation of tax liability of Mr. Dheeraj for A.Y.2024-25 under the normal provisions of the Act

Particulars	₹	₹
Tax on total income of ₹ 22,67,100		
Tax on LTCG of ₹ 96,000@20%		19,200
Tax on remaining total income of 21,71,100		



Upto ₹ 2,50,000	Nil	
₹ 2,50,001 – ₹ 5,00,000[@5% of ₹ 2.50 lakh]	12,500	
₹ 5,00,001 – ₹ 10,00,000[@20% of ₹ 5,00,000]	1,00,000	
₹ 10,00,001 – ₹ 21,71,100[@30% of ₹ 11,71,700]	3,51,330	4,63,830
		4,83,030
Add: Health and education cess@4%		19,321
Total tax liability		5,02,351
Tax liability (rounded off)		5,02,350

Computation of tax liability of Mr. Dheeraj for A.Y.2024-25 under the special provisions of the Act (Alternate Minimum Tax)

Particulars	₹
Computation of adjusted total income	
Total income as per the normal provisions of the Act	22,67,100
Add: Deduction u/s 10AA	13,50,000
Deduction u/s 80JJAA	9,43,200
	45,60,300
AMT@18.5%	8,43,656
Add: HEC@4%	33,746
AMT liability	8,77,402
AMT liability (rounded off)	8,77,400

Since the regular income tax payable is less than the AMT, the adjusted total income of ₹ 45,60,300 would be deemed to be the total income and tax would be payable @18.5% plus HEC@4%. The total tax liability would be ₹ 8,77,400. In this case, AMT credit of ₹ 3,75,050 (₹ 8,77,400 – ₹ 5,02,350) can be carried forward.

Mr. Dheeraj also can opt to pay tax as per the provisions of section 115BAC if tax liability thereunder is lower. In such case, the AMT provisions would not apply on him. The computation of total income and tax liability as per the provisions of section 115BAC would be as follows:

Computation of total income of Mr. Dheeraj as per section 115BAC for A.Y. 2024 -25

Particulars	₹	₹
Gross Total Income as per regular provisions of the Income-tax Act		47,14,300
Add: Interest on borrowing in respect of self-occupied house property not allowable as deduction as per section 115BAC		90,000
Gross Total Income as per section 115BAC		48,04,300
Less: Deduction under section 80JJAA		
30% of the employee cost of the new employees employed during the P.Y. 2020-21 allowable as deduction [30% of ₹ 31,44,000 [₹ 23,76,000 (12 x 18,000 x 11) + ₹ 7,68,000 (8 x 12,000 x 8)]	9,43,200	
No deduction under section 10AA or under Chapter VI-A allowable except u/s 80JJAA		9,43,200
Total income		38,61,100

Computation of tax liability as per section 115BAC

Particulars	₹	₹
Tax on total income of ₹ 38,61,100		

Tax on LTCG of ₹ 96,000@20%		19,200
Tax on remaining total income of ₹ 37,65,100		
Upto ₹ 2,50,000 ₹ 3,00,000 Nil	Nil	
₹ ₹ 3,00,000 – ₹ 6,00,000 [₹ 3,00,000 @ 5%]	15,000	
₹ 6,00,001 – ₹ 9,00,000 [₹ 3,00,000 @ 10%]	30,000	
₹ 9,00,001 – ₹ 12,00,000 [₹3,00,000 @ 15%]	45,000	
₹ 12,00,001 – ₹ 15,00,000 [₹3,00,000 @ 20%] 60,000	60,000	
Above ₹ 15,00,000 @30%	6,79,530	8,29,530
		8,48,730
Add: Health and education cess@4%		33,949
Total tax liability		8,82,679
Tax liability (rounded off)		8,82,680

Since tax liability as per section 115BAC is higher than the tax liability of ₹ 8,77,400 being higher of AMT liability and tax liability computed as per normal provisions of the Income- tax Act, 1961, it is beneficial for Mr. Dheeraj not to exercise option under section 115BAC. In such case, his tax liability, therefore, would be ₹ 8,77,400. Moreover, Mr. Dheeraj would also be eligible to claim carry forward of AMT credit of ₹ 3,75,050.

Question 33

Compute total income and tax liability thereon of Mr. Raghav for the A.Y. 2024-25 from the following details:

Mr. Raghav (aged, 61 years) working in a private company from last 10 years. His salary details for the financial year 2023-24 are:

(i) Basic Salary	1,70,000 p.m.
(ii) Dearness Allowance (forms part of retirement benefits)	80,000 p.m.
(iii) Commission	32,000 p.m.
(iv) Transport Allowance	5,000 p.m.
(v) Medical Reimbursement	40,000

Mr. Raghav resigned from the services on 30th November, 2023 after completing 10 years and 5 months of service. He was paid gratuity of ₹ 25 lakhs on his retirement. He is not covered under the Payment of Gratuity Act, 1972. He started business of hiring of goods vehicle, purchased 4 small goods vehicle on 10th December, 2023 and 4 heavy vehicles having gross weight of 20 MTs each on 1st January, 2024. He did not maintain books of accounts for the business of hiring of goods vehicle. Mr. Shivpal, his very close friend gifted him ₹ 2 lakhs to purchase the vehicles.

He was holding 30% equity shares in TSP (P) Ltd., an Indian company. The paid up share capital of company as on 31st March, 2023 was ₹ 20 lakh divided into 2 lakh shares of ₹ 10 each which were issued at a premium of ₹ 30 each. Company allotted shares to shareholders on 1st October, 2016.

He sold all these shares on 30th April, 2023 for ₹ 60 per share. Equity shares of TSP (P) Ltd. are listed on National Stock Exchange and Mr. Raghav has paid STT both at the time of acquisition and transfer of such shares. FMV on 31.1.2018 was ₹ 50 per share.

On 12.2.2024, interest of fixed deposits of ₹ 90,000 credited to his SBI Bank. On 30.4.2023, ₹ 5,500 and on 30.12.2023, ₹ 8,500 credited to interest on saving bank A/c with SBI Bank.

He deposited ₹ 1,10,000 in PPF A/c. He paid insurance premium of ₹ 20,000 on his life policy during the financial year 2023-24. The policy was taken in April 2014 and sum assured was ₹ 3,00,000. He also made

payment of ₹ 25,000 towards L.I.C. pension fund and premium of ₹ 40,000 towards mediclaim policy for self and ₹ 20,000 for his wife. All the payment he made by A/c payee cheque.

There was no change in salary of Mr. Raghav from last two years. He does not opt to pay tax as per section 115BAC. (RTP May 21)

(Interest on FD has been changed from Rs. 92,500 to Rs. 90,000 to keep the essence of the question)

Cost inflation Index is:

Financial Year	Cost Inflation Index
2013-14	220
2020-21	301
2023-24	348

Answer 33

Computation of Total Income of Mr. Raghav for the A.Y.2024-25

Particulars		₹	₹
Salaries			
Basic Salary = 1,70,000 x 8		13,60,000	
Dearness Allowance = 80,000 x 8		6,40,000	
Commission = 32,000 x 8		2,56,000	
Transport Allowance = 5,000 x 8		40,000	
Medical reimbursement [Fully taxable]		40,000	
Gratuity – Amount received	25,00,000		
Less: Least of the following exempt u/s 10(10)			
(i) Actual Gratuity received ₹ 25,00,000			
(ii) ½ month's salary for every year of completed service [½ x 2,50,000 (Basic salary plus DA) + x 10] = ₹ 12,50,000			
(iii) Notified limit of ₹ 20,00,000			
Least of the above is exempt	12,50,000	12,50,000	
Gross Salary		35,86,000	
Less: Standard deduction u/s 16(ia) [Actual salary or ₹ 50,000, whichever is less]		50,000	
Net Salary			35,36,000
Profits and gains of business or profession			
Income from business of hiring goods vehicle			
Other than heavy goods vehicles = 4 x (₹ 7,500 p.m.) x (4 months)		1,20,000	
Heavy goods vehicles = 4 x (20 MTs x ₹ 1,000 per MT) x (3 months)		2,40,000	
Capital Gains			3,60,000
On transfer of 60,000 shares (2,00,000 x 30%)			
Sales consideration [60,000 x ₹ 60 per share]		36,00,000	
Less: Cost of acquisition, higher of –		30,00,000	
- Actual cost [60,000 x ₹ 40 per share]	24,00,000		
Lower of FMV on 31.1.2018 [60,000 x 50]	30,00,000		
Actual sales consideration [60,000 x 60]	36,00,000		
Long-term capital gains u/s 112A (since shares are held for a			6,00,000



period of more than 12 months before transfer)			
Income from Other Sources			
Gift from friend taxable u/s 56(2)(x) since the same exceeds ₹ 50,000. It is fully taxable		2,00,000	
Interest on Saving A/c with SBI Bank		14,000	
Interest on Fixed deposits with SBI Bank		1,00,000	
[Since interest is credited after deduction of at source @ 10% as the amount of interest exceeds ₹ 50,000, amount included in the total income need to be grossed up (₹ 90,000 x 100/90)] (The same has been amended to 10%)			
		3,14,000	
Gross Total Income			48,10,000
Less: Deduction under Chapter VI-A			
Section 80C			
Deposits in PPF A/c		1,10,000	
Life Insurance premium [fully deductible, since, in respect of a policy taken before 1.4.2012, the actual premium paid (₹ 20,000) or 20% of the sum assured (₹ 3,00,000 x 20% = ₹ 60,000), whichever is lower, has to be deducted]		20,000	
		1,30,000	
Section 80CCC			
Payment to LIC Pension Fund		25,000	
		1,55,000	
Restricted to ₹ 1,50,000, being the maximum allowable deduction			1,50,000
Section 80D			
Medical insurance premium for self and spouse ₹ 60,000, allowable to the extent of ₹ 50,000, since Mr. Raghav is a senior citizen		50,000	
Section 80TTB			
Deduction in respect of interest on fixed deposits and saving bank allowable as deduction under section 80TTB, since Mr. Raghav is a senior citizen, to the extent of ₹ 50,000			50,000
Total Income			45,60,000

Computation of tax liability of Mr. Raghav for A.Y. 2024-25

Particulars	₹	₹
Tax on total income of ₹ 45,60,000		
Tax on long-term capital gains of ₹ 6,00,000 arising from transfer of listed shares @10% under section 112A after deducting ₹ 1 lakh.		50,000
Tax on other income of ₹ 39,60,000 [₹ 45,60,000 – ₹ 6,00,000 capital gains]		
Upto ₹ 3,00,000	Nil	
₹ 3,00,001 – ₹ 5,00,000 [i.e., ₹ 3,00,000@5%]	10,000	
₹ 5,00,001 – ₹ 10,00,000 [i.e., ₹ 5,00,000@20%]	1,00,000	

₹ 10,00,001 – ₹ 39,60,000 [i.e., ₹ 29,60,000@30%]	8,88,000	9,98,000
		10,48,000
Add: Health and Education cess@4%		41,920
Tax liability		10,89,920

Question 34

Mr. Suresh has a sole proprietary manufacturing unit. On 1st April, 2023, he owns Plant A and Plant B (rate of depreciation 15%). Depreciated value of the block on 1st April, 2023 is ₹ 10,00,000. Plant B is transferred on 15th October, 2023 for ₹ 19,00,000. Expenditure on transfer of Plant B is ₹ 20,000. Plant C (rate of depreciation 15%) is purchased on 10th March, 2024 for ₹ 22,00,000. However, Plant C is put to use on 2nd September, 2024 Business income of Mr. Suresh before claiming any depreciation is ₹ 11,00,000.

On 1st March, 2024, Mr. Suresh transfers 900 equity shares in A Ltd. (unlisted) for ₹ 23,50,000. Mr. Suresh does not own any residential house property. These shares were purchased on 2nd April, 2015 for ₹ 2,00,000. To avail of the benefit of exemption under different sections, he made the following investments on 1st May, 2024.

- (i) A residential house property at Kolkata: ₹ 19,00,000 (out of which stamp duty expenditure is ₹ 30,000).
- (ii) NHAI bonds: ₹ 3,00,000.

Find out the gross total income of Mr. Suresh for the A.Y. 2024-25. CII – F.Y. 2023-24: 348; F.Y. 2022-23: 331; F.Y. 2015-16:254 (RTP May '23)

Answer 34
Computation of gross total income of Mr. Suresh for the A.Y. 2024-25

Particulars	Amount (₹)	Amount (₹)
Profits and gains of business or profession		
Business income before depreciation		11,00,000
Depreciated value of the block on April 1, 2023	10,00,000	
Add: "Actual cost" of Plant C acquired on March 10, 2024	22,00,000	
Less: Sale Consideration of Plant B	19,00,000	
Written down value on March 31, 2024	13,00,000	
Normal depreciation (not available as Plant C is not put to use during the P.Y. 2023-24)	Nil	
Additional depreciation (not available as Plant C is not put to use during the P.Y. 2023-24)	Nil	
Capital Gains		
Long term capital gain on transfer of unlisted equity shares [Since shares were held for more than 24 months]		
Sale consideration	23,50,000	
Less: Indexed Cost of Acquisition [2,00,000 x 348/254]	2,74,016	
Less: Exemption under section 54EC	Nil	20,75,984
[Deduction under section 54EC is allowable only in respect of long term capital gain on transfer of land and building]		
Exemption under section 54F	16,78,455	16,89,278



[20,89,370 x 19,00,000/23,50,000]		
		3,97,529
Gross Total Income		14,97,529

Question 35

Mr. Kamal, a resident individual aged 48 years, is working at a senior management position in a private bank since past 20 years. During the previous year 2023-24, he received the following emoluments from the employer:

- Basic Salary ₹ 3,50,000 per month.
- Client entertainment reimbursement of ₹ 20,000 per month out of which he submitted bills for ₹ 2,00,000 for the relevant year.
- Leave travel allowance of ₹ 4,00,000 per annum. He took a trip to Goa with his spouse and two children in December 2023, for which plane boarding tickets of ₹ 1,00,000 and hotel bookings of ₹ 3,00,000 were submitted to the employer.
- Performance bonus amounting to 20% of annual basic salary.
- He is eligible to take a staff housing loan upto ₹ 20,00,000 at a concessional rate of 2.5% p.a. He availed a housing loan of ₹ 15,00,000 out of the same on 1st June 2023. No repayment of loan has been made during the F.Y. 2023-24. The lending rate of SBI as on 1.4.2023 for housing loan may be taken as 8% p.a.
- The Bank also allotted 1,500 sweat equity shares to Mr. Kamal in May 2023 at the rate of ₹ 1,300 per share. The Fair market value of the share was ₹ 1,500 per share on the date of exercise of option by Mr. Kamal. He sold all the shares for ₹ 2,100 per share on 31.03.2024 on recognised stock exchange. Assume Securities transaction tax has been paid.

The following transactions were made by Mr. Kamal during the previous year 2023-24:

- He earned rental income of ₹ 35,000 per month from a 3 BHK residential flat situated at Delhi. He purchased the said flat for ₹ 45 Lakhs in June, 2022 using the housing loan availed from the employer and his own savings. It was let out from July, 2023. Municipal taxes of ₹ 12,000 for F.Y. 2023-24 was paid by Mr. Kamal.
- He invested ₹ 30,00,000 in RBI Floating Rate Savings Bonds on 1st September 2023 earning an interest of 7% p.a. Interest is credited half yearly on 1st January and 1st July every year. (Assume receipt basis for taxation)
- He also paid LIC premium of ₹ 15,000 for self, ₹ 20,000 for wife and ₹ 30,000 for dependent father, aged 75 years. Medical insurance premium paid on the health of dependent brother and major dependent son amounted to ₹ 5,000 (paid by cheque) and ₹ 10,000 (paid in cash), respectively.
- In December 2023, he earned dividend income of ₹ 5,00,000 (gross) on shares of the bank held by him.

You are required to compute his total income and tax liability for the assessment year 2024-25, clearly showing all workings. (Ignore section 115BAC provisions) (RTP May '23)

Answer 35

Computation of total income of Mr. Kamal for the A.Y. 2024-25

Particulars		Amount (₹)	Amount (₹)
I	Income from salaries		
	Basic Salary [₹ 3,50,000 x 12]	42,00,000	

	Client entertainment reimbursement [₹ 2,40,000 - ₹ 2,00,000]	40,000	
	Leave Travel Allowance [₹ 4,00,000 - ₹ 1,00,000]	3,00,000	
	[Note 1]		
	Performance Bonus (20% of Basic Salary)	8,40,000	
	Interest on Housing loan [₹ 15,00,000 x (8% - 2.5%) x 10/12]	68,750	
	Sweat Equity allotted by the employer (₹ 1,500 - ₹ 1,300) x 1,500	3,00,000	
	Gross Salary	57,48,750	
	Less: Standard deduction	50,000	
	Taxable Salary		56,98,750
II	Income from house property	3,15,000	
	Gross Annual Value under section 23(1) [Rent received for 9 months has been taken as the Gross Annual Value in the absence of other information relating to Municipal Value, Fair Rent and Standard Rent] [₹ 35,000 x 9]		
	Less: Municipal taxes paid [Paid by Mr. Kamal]	12,000	
	Net Annual Value (NAV)	3,03,000	
	Less: Deduction u/s 24		
	(a) @30% of NAV	90,900	
	(b) Interest on borrowed capital [15,00,000 x 2.5% x 10/12]	31,250	
			1,80,850
III	Capital gains		9,00,000
	STCG on sale of sweat equity shares [1,500 X (₹ 2,100 - ₹ 1,500)]		
IV	Income from other sources		
	Dividend Income	5,00,000	
	Interest on RBI bonds [₹ 30,00,000 X 7% X 4/12]	70,000	5,70,000
	Gross total Income		73,49,600
	Less: Deduction under Chapter VI-A	35,000	
	Deduction u/s 80C for LIC premium paid for self and wife [Note 2]		
	Deduction u/s 80 D [Note 3]	Nil	35,000
	Total Income		73,14,600

Computation of tax liability of Mr. Kamal for the A.Y. 2024-25

Particulars	Amount (₹)	Amount (₹)
Tax on STCG u/s 111A @15% on ₹ 9,00,000		1,35,000
Tax on other income of ₹ 64,14,600		
Upto ₹ 2,50,000	Nil	
₹ 2,50,001 - ₹ 5,00,000 @5%	12,500	
₹ 5,00,001 - ₹ 10,00,000 @20%	1,00,000	
₹ 10,00,001 - ₹ 64,14,600 @30%	16,24,380	17,36,880
		18,71,880

Add: Surcharge@10% since total income exceeds ₹ 50 lakhs but does not exceed ₹ 1 crore		1,87,188
		20,59,068
Add: Health and Education cess @ 4%		82,363
Tax Liability		21,41,431
Tax Liability (Rounded off)		21,41,430

Notes:

- (1) Hotel Bookings and lodgings are not covered under leave travel facility. Hence, only ₹ 1,00,000 of cost of tickets would be exempt under section 10(5).
- (2) Premium for life insurance policy of father is not allowed as deduction under section 80C.
- (3) Medical insurance premium on the health of brother is not allowable since brother does not come within the meaning of family u/s 80D. In case of son, premium is paid in cash, hence, the same is not allowed.

Question 36

Mrs. Kashish, a resident individual, aged 62 years, is a qualified medical practitioner. She runs her own clinic. Income & Expenditure A/c of Mrs. Kashish for the year ending 31.3.2024 is as under:

Expenditure	₹	Income	₹
To Salary to Staff	7,20,000	By Consultation Fees	74,28,000
To Administrative Exp.	11,64,000	By Salary received from True Care Hospitals (P) Ltd.	10,80,000
To Rent of clinic	5,76,000	By Rental Income from House Property	2,40,000
To Conveyance Expenses	1,44,000	By Dividend from Foreign Companies (gross)	60,000
To Power & Fuel	1,44,000		
To Interest on Housing Loan	2,20,000		
To Interest on Education Loan for son	1,56,000		
To Amount paid to scientific research association approved & Notified under section 35	1,50,000		
To net profit	55,34,000		
Total	88,08,000	Total	88,08,000

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

Basic Pay	₹ 85,000 p.m.
Transport Allowance	₹ 5,000 p.m.
Total	₹ 90,000 p.m.

Further, during P.Y. 2023-24, her son had undergone a medical treatment in True Care Hospitals (P) Ltd. free of cost. The hospital would have charged a sum of ₹ 1,60,000 for a similar treatment to unrelated patients.

- (ii) She owns a residential house. The reconstruction of the house was started on 01-04-2023 and was completed on 30-09-2023. After reconstruction, ground floor of the house is self-occupied by her while first floor has been rented out since 1.10.2023. Both the floors are of equal area. The monthly rent is ₹ 40,000. The tenant also pays ₹ 3,000 p.m. as power back-up charges. She took a housing loan of ₹ 25 lakhs for reconstruction on 01-04-2023. Interest on housing loan for the period 01-04-2023 to 30-09-2023 was ₹ 1,20,000 and for the period 01-10-2023 to 31-03-2024 was ₹ 1,00,000. During the year, she also paid municipal taxes for the F.Y. 2022-23 ₹ 5,000 and for F.Y. 2023-24 ₹ 5,000.
- (iii) Other information:
- Conveyance expenses include a sum of ₹ 48,000 incurred for conveyance from house to True Care Hospitals (P) Ltd. and vice versa in relation to her employment.
 - Power & fuel expenses include a sum of ₹ 10,000 incurred for generator fuel for providing power back-up to the tenant.
 - Administrative expenses include a sum of ₹ 10,000 paid as Municipal Taxes for her house.
 - Clinic equipments' details are:
Opening W.D.V. of clinic equipments as on 01-04-2023 was ₹ 5,00,000 and fresh purchase made on 28-08-2023 is ₹ 75,000 which was paid in cash.
 - She also paid tuition fee of ₹ 40,000 for her grand-daughter, which has been debited to her Capital A/c.
 - She availed a loan of ₹ 25,00,000 from bank for higher education of her son. She repaid principal of ₹ 3,00,000 and interest of ₹ 1,56,000 during P.Y. 2023-24.

You are required to compute the total income and tax liability of Mrs. Kashish for the A.Y. 2024-25 assuming she is not opting for the provisions of section 115BAC. (RTP Nov '23)(Same concept different figures PYP 14 Marks Nov'19)

Answer 36

Computation of total income and tax liability of Mrs. Kashish for A.Y. 2024-25

	Particulars	₹	₹	₹
I	Income from Salaries:			
	Basic Pay (₹ 85,000 x 12)		10,20,000	
	Transport Allowance (₹ 5,000 x 12) [Fully taxable]		60,000	
	Cost of treatment for son in True Care Hospitals (P) Ltd. [Exempt, since value of medical treatment provided to an employee's family member in any hospital maintained by the employer is excluded from the definition of perquisite]		Nil	
	Gross Salary		10,80,000	
	Less: Standard deduction u/s 16 [Actual salary or ₹ 50,000, whichever is less]		50,000	
				10,30,000
II	Income from House Property			
	Let out portion [First floor]			



	Gross Annual Value [Rent received is taken as GAV = ₹ 40,000 p.m. x 6 months]		2,40,000	
	Less: Municipal taxes paid by her in the P.Y.2023-24 pertaining to let out portion [(₹ 5,000 + ₹ 5,000)/2], allowable since it is paid during the year, even if it relates to earlier years		5,000	
	Net Annual Value (NAV)		2,35,000	
	Less: Deduction u/s 24			
	(a) 30% of ₹ 2,35,000	70,500		
	(b) Interest on housing loan [(₹ 1,20,000 (+)₹ 1,00,000)/2]	1,10,000	1,80,500	
			54,500	
	Self-occupied portion [Ground Floor]			
	Annual Value	Nil		
	Less: Deduction u/s 24			
	Interest on housing loan for reconstruction			
	₹ 1,10,000 [(₹ 1,20,000 + ₹ 1,00,000)/2] restricted to	30,000	(30,000)	
				24,500
III	Profits and gains of business or profession			
	Net profit as per Income and Expenditure account		55,34,000	
	Less: Items of income to be treated separately under the respective head of income			
	(i) Salary received from True Care Hospitals (P) Ltd.	10,80,000		
	(ii) Rent from house property	2,40,000		
	(iii) Dividend from foreign companies (gross)	60,000		
			13,80,000	
			41,54,000	
	Less: Allowable expenditure			
	• Depreciation on Clinic equipments			
	On Opening WDV ₹ 5,00,000 @15%	75,000		
	On additions during the year ₹ 75,000, no depreciation is allowable, since payment was made in cash and hence, it will not form part of actual cost.	Nil	75,000	
			40,79,000	
	Add: Items of expenditure not allowable while computing business income			
	(i) Interest on housing loan for reconstruction of residential house	2,20,000		
	(ii) Interest on education loan for son	1,56,000		

	(iii) Conveyance expenses in relation to her employment with True Care Hospitals debited to Income and Expenditure A/c, not allowed	48,000		
	(iv) Power and fuel expenses incurred for providing power back up to tenant not deductible	10,000		
	(v) Municipal tax paid relating to residential house included in administrative expenses, not deductible	10,000	4,44,000	45,23,000
	Income from Other Sources			
	Power back up charges from tenant (₹ 3,000 p.m. x 6 months)	18,000		
	Less: Actual expenditure incurred for providing power back up	10,000	8,000	
IV	Dividend from foreign companies		60,000	68,000
	Gross Total Income			56,45,500
	Less: Deduction under Chapter VI-A			
	Deduction under section 80C – Tuition fee paid for grand child is not allowable		Nil	
	Deduction under section 80E - Interest on loan taken for higher education of her son is deductible [principal repayment is not deductible]		1,56,000	1,56,000
	Total income			54,89,500

Computation of tax liability of Mrs. Kashish for A.Y.2024-25

Particulars	₹	₹
Tax on total income of ₹ 54,89,500		
Upto ₹ 3,00,000	Nil	
₹ 3,00,001 – ₹ 5,00,000 [@5% of ₹ 2 lakhs]	10,000	
₹ 5,00,000 – ₹ 10,00,000 [@20% of ₹ 5 lakhs]	1,00,000	
₹ 10,00,000 – ₹ 54,89,500 [@30% of ₹ 44,89,500]	13,46,850	
		14,56,850
Add: Surcharge @10% [Since the total income > ₹ 50 lakhs but ≤ ₹ 1 crore]		1,45,685
		16,02,535
Add: Health and education cess @4%		64,101
Tax liability		16,66,636
Tax liability (rounded off)		16,66,640

Question 37

- (a) During the previous year 2023-24, following transactions took place in respect of Mr. Raghav who is 56 years old.
- (b) Mr. Raghav owns two house properties in Mumbai. The details in respect of these properties are as under -

	House 1 Self-occupied	House 2 Let-out
Rent received per month	Not applicable	₹ 60,000
Municipal taxes paid	₹ 7,500	Nil

Interest on loan (taken for purchase of property)	₹ 3,50,000	₹ 5,00,000
Principal repayment of loan (taken from HDFC bank)	₹ 2,00,000	₹ 3,00,000

- (c) Mr. Raghav had a house in Delhi. During financial year 2013-14, he had transferred the house to Ms. Vamika, daughter of his sister without any consideration. House would go back to Mr. Raghav after the life time of Ms. Vamika. The transfer was made with a condition that 10% of rental income from such house shall be paid to Mrs. Raghav. Rent received by Ms. Vamika during the previous year 2023-24 from such house property is ₹ 5,50,000.
- (d) Mr. Raghav receives following income from M/s M Pvt. Ltd. during P.Y. 2023-24:
- Interest on Debentures of ₹ 7,50,000; and
 - Salary of ₹ 3,75,000. He does not possess the adequate professional qualification commensurate with the salary received by him.

Shareholding of M/s M Pvt. Ltd. as on 31.3.2024 is as under -

Equity shares	Preference shares	
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Mr. Raghav	Nil	Nil
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Mrs. Raghav	2%	25%
-------------	----	-----

Mr. Jai Kashan

(brother of Mrs. Raghav)	98%	75%
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- (e) Mr. and Mrs. Raghav forms a partnership firm with equal share in profits. Mr. Raghav transferred a fixed deposit of ₹ 1 crore to such firm. Firm had no income or expense other than the interest of ₹ 9,00,000 received from such fixed deposit. Firm distributed the entire surplus to Mr. and Mrs. Raghav at the end of the year.
- (f) Mr. Raghav holds preference shares in M/s K Pvt. Ltd. He instructed the company to pay dividends to Ms. Geetanshi, daughter of his servant. The transfer is irrevocable for the life time of Geetanshi. Dividend received by Ms. Geetanshi during the previous year 2023-24 is ₹ 13,00,000.
- (g) Other income of Mr. Raghav includes
- (h) Interest from saving bank account of ₹ 2,00,000
- (i) Cash gift of ₹ 75,000 received from daughter of his sister on his birthday.

Compute the total income of Mr. Raghav for the Assessment Year 2024-25. (PYP 8 Marks, Jan'21)

Answer 37

Computation of Total Income of Mr. Raghav for A.Y. 2024-25

Particulars	Amount (₹)	Amount (₹)
Salary		Nil
[Since Mrs. Raghav along with her brother holds shares carrying 100% voting power in M/s M Pvt. Ltd., they have a substantial interest in the company. Since Mr. Raghav is working in the same company without any professional qualifications commensurate with his salary, the salary of ₹ 3,75,000 received by him would be included in the hands of Mrs. Raghav.]		
Income from house property		
House 1 [Self-occupied]		
Net annual value	-	
Less: Interest on loan [up to ₹2,00,000]	2,00,000	(2,00,000)
House 2 [Let out]		
Gross annual value ⁷ [₹60,000 x 12]	7,20,000	
Less: Municipal taxes	-	

Net annual value	7,20,000	
Less: Deductions from Net Annual Value		
(a) 30% of Net Annual Value	2,16,000	
(b) Interest on loan	5,00,000	4,000
House in Delhi [Since Mr. Raghav receives direct or indirect benefit from income arising to his sister's daughter, Ms. Vamika, from the transfer of house to her without consideration, such income is to be included in the total income of Mr. Raghav as per proviso to section 62(1), even though the transfer may not be revocable during lifetime of Ms. Vamica's]		
Gross Annual Value	5,50,000	
Less: Municipal taxes	-	
Net Annual Value	5,50,000	
Less: Deductions from Net Annual Value		
(a) 30% of Net Annual Value	1,65,000	
(b) Interest on loan	-	3,85,000
		1,89,000
Profits and gains from business or profession		
Share of profit from firm [Exempt u/s 10(2A)]		-
Exempt income cannot be clubbed		
Income from other sources		
Dividend on preference shares exceeding ₹ 10,00,000 taxable	3,00,000	
	13,00,000	
under section 115BBDA [Taxable in the hands of Mr. Raghav as per section 60, since he transferred the income, i.e., dividend, without transferring the asset, i.e., preference shares]		
(As per amendment dividend is fully taxable in the hands of the shareholder)		
Interest on debentures	7,50,000	
Interest from saving bank account	2,00,000	
Cash gift [Taxable, since sum of money exceeding ₹ 50,000 is received from his niece, who is not a relative as per section 56(2)]	75,000	23,25,000
Gross Total Income		25,14,000
Less: Deduction under Chapter VI-A		
Deduction under section 80C [Principal repayment of loan ₹ 5 lakh, restricted to ₹ 1,50,000]	1,50,000	
Deduction under section 80TTA [Interest from savings bank account]	10,000	1,60,000
Total Income		23,54,000

7 Rent receivable has been taken as the gross annual value in the absence of other information

8 Rent receivable has been taken as the gross annual value in the absence of other information

Question 38

From the following particulars furnished by Mr. Ganesh, aged 58 years, a resident Indian for the previous year ended 31.03.2024, you are requested to compute his total income and tax liability under normal as

well as special provisions (AMT), if any, applicable to him for the Assessment Year 2024-25.

- (i) He occupies ground floor of his residential building and has let out first floor for residential use at an annual rent of ₹ 2,28,000. He has paid municipal taxes of ₹ 60,000 for the current financial year.
- (ii) He owns an industrial undertaking established in a SEZ and which had commenced operation during the financial year 2017-18. Total turnover of the undertaking was ₹ 200 lakhs, which includes ₹ 140 lakhs from export turnover. This industrial undertaking fulfills all the conditions of section 10AA of the Income-tax Act, 1961. Profit from this industry is ₹ 25 lakhs.
- (iii) He received royalty of ₹ 2,88,000 from abroad for a book authored by him on the nature of artistic. The rate of royalty as 18% of value of books and expenditure made for earning this royalty was ₹ 40,000. The amount remitted to India till 30th September, 2023 is ₹ 2,30,000.
- (iv) Received, 40,000 as interest on saving bank deposits.
- (v) Received ₹ 47,000 as share of profit from an AOP where all the members are individual and which had paid the tax by normal rates of income tax.
- (vi) He also sold his vacant land on 10.11.2023 for ₹ 10 lakhs. The stamp duty value of land at the time of transfer was ₹ 17.80 lakhs. The FMV of the land as on 1st April, 2001 was ₹ 4 lakhs. This land was acquired by him on 05.08.1995 for ₹ 1.80 lakhs. He had incurred registration expenses of ₹ 10,000 at that time. The cost of inflation index for the year 2023-24 and 2001-02 are 384 and 100 respectively.
- (vii) He paid the following amounts, out of his taxable income:
 - (a) Insurance premium of ₹ 39,000 paid on life insurance policy of son, who is not dependent on him.
 - (b) Insurance premium of ₹ 48,000 on policy of his dependent father,
 - (c) Tuition fees of ₹ 42,000 for his three children to a school. The fees being ₹ 14,000 p.a. per child. Assume that 115BAC is not opted. (PYP 14 Marks, Nov'20)(Same concept fewer adjustments different figures MTP 14 Marks Oct'21)

(The stamp duty value of land has been changed from Rs 14 lakhs to Rs. 17.80 Lakhs to keep the essence of the question)

Answer 38

Computation of total income of Mr. Ganesh for A.Y. 2024-25

	Particulars	₹	₹	₹
I	Income from house property			
	Let out portion [First floor]1			
	Gross Annual Value [Rent received is taken as GAV, in the absence of other information]		2,28,000	
	Less: Municipal taxes paid by him in the P.Y. 2023-24 pertaining to let out portion [₹ 60,000/2]		30,000	
	Net Annual Value (NAV)		1,98,000	
	Less: Deduction u/s 24			
	(a) 30% of ₹ 1,98,000		59,400	
	Self-occupied portion [Ground Floor]		1,38,600	
	Annual Value		Nil	
	[No deduction is allowable in respect of municipal taxes paid]		-	1,38,600
II	Profits and gains of business or profession			
	Income from SEZ unit		25,00,000	
	Share income from AOP (since AOP has paid tax at normal rates, share income from AOP will be included in computation of total income of a member as per section 862)		47,000	25,47,000
III	Capital Gains			
	Long-term capital gains on sale of land (since held for more than 24 months)			

	Full Value of Consideration [Higher of stamp duty value of ₹ 17.80 lakhs and Actual consideration of ₹ 10 lakhs, since stamp duty value exceeds actual consideration by more than 5% (10% as per amendment)]	17,80,000		
	Less: Indexed Cost of acquisition [₹ 4,00,000 x 384/100]	15,36,000	2,44,000	
	Cost of acquisition			
	Higher of -			
	- Actual cost ₹ 1.80 lakhs + ₹ 0.10 lakhs = ₹ 1.90 lakhs and			
	- Fair Market Value (FMV) as on 1.4.2001 = ₹ 4 lakhs			
IV	Income from Other Sources			
	Royalty from artistic book		2,88,000	
	Less: Expenses incurred for earning royalty		40,000	
			2,48,000	
	Interest on savings bank deposits		40,000	
				2,88,000
	Gross Total Income			32,17,600
	Less: Deduction u/s 10AA [Since the industrial undertaking is established in SEZ, it is entitled to deduction u/s 10AA@100% of export profits, since P.Y.2019-20 being the 3rd year of operations]			17,50,000
	[Profits of the SEZ x Export Turnover/Total Turnover] x 100%			
	[₹ 25 lakhs x ₹ 140 lakhs/ ₹ 200 lakhs x 100%]			
	Less: Deduction under Chapter VI-A			
	Deduction under section 80C			
	Tuition fee paid for maximum of two children is allowable (₹ 14,000 x 2)	28,000		
	Insurance premium paid on life insurance policy of son allowable, even though not dependent on Mr. Ganesh	39,000		
	Insurance premium paid on life insurance policy of father not allowable, even though father is dependent on Mr. Ganesh		67,000	
	Deduction under section 80QQB		1,90,000	
	Royalty [₹ 2,88,000 x 15/18 = ₹ 2,40,000, restricted to amount brought into India in convertible foreign exchange ₹ 2,30,000 minus 40,000 expenses already allowed as deduction while computing royalty income]			
	Deduction under section 80TTA		10,000	
	Interest on savings bank account, restricted to ₹ 10,000			2,67,000
	Total income			12,00,600

1 It is assumed that the ground floor and first floor are of equal area

2 Since the total income of Mr. Ganesh, who is a member of the AOP, exceeds the basic exemption limit, the AOP should be taxable at maximum marginal rate and not at normal rates, in which case share income of a member would be exempt. This adjustment as well as rebate u/s 110 read with 86 is not within the scope of syllabus of this paper and hence, the same has not been considered in the given solution.

Computation of tax liability of Mr. Ganesh for A.Y.2024-25 under the normal provisions of the Act

Particulars	₹	₹
Tax on total income of ₹ 12,00,600		
Tax on LTCG of ₹ 2,44,000@20%		48,800

Tax on remaining total income of 9,56,600		
Upton ₹ 2,50,000	Nil	
₹ 2,50,001 – ₹ 5,00,000[@5% of ₹ 2.50 lakh]	12,500	
₹ 5,00,001 – ₹ 9,56,600[@20% of ₹ 4,56,600]	91,320	1,03,820
		1,52,620
Add: Health and education cess@4%		6,105
Total tax liability		1,58,725
Tax liability (rounded off)		1,58,730

³ Deduction u/s 80C has been worked out assuming that insurance premium of Rs. 48,000 paid on policy of dependent father as given in point (vii)(b) is LIC premium, which is not allowable as deduction. However, if it is assumed that the insurance premium is in respect of health insurance, the whole amount of Rs. 48,000 is allowable as deduction u/s 80D.

Computation of tax liability of Mr. Ganesh for A.Y.2024-25 under the special provisions of the Act

Particulars	₹
Computation of adjusted total income	
Total income as per the normal provisions of the Act	12,00,600
Add: Deduction u/s 10AA	17,50,000
Deduction u/s 80QQB	1,90,000
	31,40,600
AMT@18.5%	5,81,011
Add: HEC@4%	23,240
AMT liability	6,04,251
AMT liability (rounded off)	6,04,250
Since the regular income tax payable is less than the AMT, the adjusted total income of ₹ 31,40,600 would be deemed to be the total income and tax would be payable @18.5% plus HEC@4%. The total tax liability would be ₹ 6,04,250.	

Question 39

Mrs. Nisha, a resident individual aged 54 years, is carrying on business of manufacturing of textile fabrics, as a proprietor. The turnover in the previous year 2022-23 was 250 lakhs and in the current previous year 2023-24, it is ₹ 600 lakhs. The net profit as per the profit and loss account as on 31-03-2024 is ₹ 5,61,000. She provides the following additional information those were not considered while making the profit and loss account for the previous year 2023 -24.

- (i) Depreciation has not been debited to profit and loss account. The details of the plant & machinery employed in the business are given as under:

Date	PARTICULARS	AMOUNT
01-04-2023	Opening written down value of machinery used for manufacturing purpose	4,75,000
03-07-2023	New machinery purchased during the year, payment made by an account pay cheque.	7,25,000
10-03-2024	Sold one of the old machine	75,000

She does not have any other fixed assets employed in the business.

- (ii) Received subsidy of 20% on new machine purchased on 03-07-2023 during the previous year under

technology upgradation fund Scheme from the Central Government.

- (iii) She paid a job charges for the value addition on the fabrics ₹ 90,000 without deduction of tax to job worker by an account payee cheque.
- (iv) Commission paid to one agent allowed as deduction in earlier assessment year amounting ₹ 50,000, has now been received back during previous year 2023-24, from the agent due to settlement with commission agent.
- (v) ₹ 25,000 paid to creditor for goods in cash.
- (vi) Incurred loss of ₹ 1,17,500 from an eligible transaction carried out in respect of trading in derivatives in a recognised stock exchange.
- (vii) Interest received amounting ₹ 2,00,000, duly authorised by partnership deed of M/s Ramji textiles @ 15% p.a. on the capital employed. She is sleeping partner in the Ramji textiles.
- (viii) She Received ₹ 60,000 by pre-mature withdrawals from deposit including interest ₹ 5,000, in post office time deposit, eligible for deduction under Section 80C.
- (ix) She sold her gold bracelet (jewellery), used by her for personal purposes, on 01-05-2023 for ₹ 5,00,000, which was acquired for ₹ 40,000 on 01-03-2005. A diamond was embedded onto bracelet on 01-05-2007 of ₹ 50,000. (cost inflation index 2004-05:113, 2007-08:129 and 2023-24:384)
- (x) She received a gold coin (bullion) worth ₹ 55,000 (FMV) from her cousin (daughter of uncle) during the previous year 2023-24.
- (xi) She incurred long term loss from sale of share of the Indian company. (The STT is paid on the sale and purchase of the shares) ₹ 75,000.
- (xii) She deposited a sum of ₹ 50,000 with life insurance Corporation of India every year for the maintenance of her mother aged 70 years depended upon him and suffering from severe disability.
- (xiii) She purchased the new residential house during the previous year and paid stamp duty and registration fee ₹ 1,55,000 to get transfer the property in her name.

You are required to compute the total income and tax payable by Mrs. Nisha for the assessment year 2024-25. (Ignore the provisions of Section 115BAC). Give brief note wherever necessary.(PYP 14 Marks May'22)

(The sale value of bracelet has been changed from Rs 5,00,000 to Rs. 5,22,990 to keep the essence of the question)

Answer 39

Computation of total income of Mrs. Nisha for A.Y. 2024-25

	Particulars		₹	₹	₹
I.	Income from business or profession				
	Net Profit as per profit and loss account			5,61,000	
	Add: Items not credited but taxable while computing business income				
	- Commission from agent on settlement [Since deduction was allowed in respect of commission in earlier year and during the P.Y. 2023-24 Mrs. Nisha received back such amount due to settlement, the same would be deemed as her income]		50,000		



- Interest on capital from partnership firm [₹2,00,000/15% x 12%] [Since interest on capital from M/s Ramji textiles is authorized by partnership deed, interest@12% p.a. would be allowed as deduction in the hands of firm under section 40(b). Consequently, interest @ 12% p.a. would be the business income of Mrs. Nisha under section 28. For allowability of interest in the hands of the firm, there is no requirement that the partner should be a working partner]		1,60,000		
			2,10,000	
			7,71,000	
Less: Items not debited but allowable while computing business income				
- Job charges without deduction of tax [₹ 90,000 – 30% of ₹ 90,000] [Mrs. Nisha's turnover for the P.Y. 2022-23 exceeds ₹ 1 crore, hence, she is liable to deduct tax at source u/s 194C on Job charges of ₹ 90,000. Since Mrs. Nisha has not deducted tax at source on ₹ 90,000, 30% would be disallowed under section 40(a)(ia). Remaining job charges paid would be allowable as deduction while computing business income		63,000		
- Payment to creditor in cash [Payment to creditor in cash is not allowable as business expenditure, since such amount exceeds ₹ 10,000 and paid in cash by virtue of section 40A(3)]		-		
		63,000		
			7,08,000	
Less: Depreciation as per Income-tax Rules				
Opening WDV of machinery	4,75,000			
Add: Purchase of machinery for ₹ 7,25,000 during the P.Y. 2023-24 by A/c payee cheque. Subsidy of ₹ 1,45,000, being 20% of cost, received from Central Government on new machinery is to be reduced from actual cost(₹7,25,000 – ₹ 1,45,000).	5,80,000			
	10,55,000			
Less: Sale proceeds	75,000			
WDV as on 31.3.2024 before depreciation for P.Y. 2023-24	9,80,000			
depreciation @ 15% on 9,80,000		1,47,000		
Additional Depreciation@20% on ₹ 5,80,000		1,16,000		



	(As new machinery is used in manufacturing business and put to use for more than 180 days in the P.Y. 2023-24, depreciation and additional depreciation will be allowed in full)			2,63,000	
				4,45,000	
	Less: Loss from eligible transaction carried out in respect of trading in derivatives in a recognized stock exchange is not a speculative business and hence, the same is allowed to be set off from textile business income as per section 70.			1,17,500	
					3,27,500
II	Capital Gains				
	Long term capital gain on sale of gold bracelet since it is held for more than 36 months		5,22,990		
	Sales consideration				
	Less: Cost of acquisition (40,000 x 348/113)		1,23,186		
	Less: Cost of improvement (50,000 x 348/129)		1,34,884		
	Long- term capital gain on sale of gold bracelet			2,64,920	
	Note – In the additional information (xiii), it is mentioned that Mrs. Nisha has purchased a new residential house during the previous year. In such a case, she would be eligible for exemption u/s 54F in respect of amount invested in purchase of new residential house from long term capital gain on sale of gold bracelet. However, the cost of new residential house is not provided in the Question but only stamp duty and registration fee is given which would also be the part of cost of house. In such case exemption u/s 54F would be ₹ 2,64,920 x 1,55,000/5,00,000 = ₹ 82,125. Accordingly, long term capital gain would be ₹ 1,07,795 (instead of ₹ 1,89,920). In such a case, Rebate u/s 87A would be ₹ 5,060 (instead of ₹ 12,500) and tax liability of Mrs. Nisha would be Nil (instead of ₹ 9,340).				
	Less: Long term capital loss from sale of STT paid shares of an Indian company allowed to be set off from long term capital gain on sale of gold bracelet as per section 70.			75,000	
					1,89,920
iii	Income from Other Sources				
	Fair market value of gold coin received from cousin [Taxable u/s 56(2)(x), since cousin is not a relative and the fair market value exceeds ₹ 50,000]			55,000	

	Pre-mature withdrawal from post office time deposit [Amount including interest received on pre-mature withdrawal from post office time deposit, in respect of which deduction u/s 80C was claimed, would be deemed to be the income of Mrs. Nisha]			60,000	1,15,000
	Gross Total Income				6,32,420
	Less: Deduction under Chapter VI-A				
	Deduction under section 80C				
	Stamp duty and registration fee of ₹ 1,55,000 for the purpose of transfer of house property, restricted to			1,50,000	
	Deduction under section 80DD				
	Sum deposited with LIC for the maintenance of her dependent mother and suffering from severe disability [Eligible for higher deduction ₹1,25,000 in case of severe disability irrespective of amount deposited with LIC]			1,25,000	
					2,75,000
	Total Income				3,57,420

Computation of tax liability of Mrs. Nisha for A.Y.2024-25

Particulars	₹
Tax on long-term capital gains @20% on ₹ 1,07,420 [₹ 1,89,920 – ₹ 82,500, being unexhausted basic exemption limit (₹ 2,50,000 – ₹1,67,500)]	21,484
Tax on other income of ₹ 1,67,500 [₹ 3,57,420 – ₹ 1,89,920, being LTCG], being lower than the basic exemption limit	Nil
	21,484
Less: Rebate u/s 87A [Tax payable or ₹12,500, whichever is less]	12,500
	8,984
Add: Health and education cess@4%	359
Tax liability	9,343
Tax liability (rounded off)	9,340

Note - The last two lines in the first para of the Question reads as follows–

“The net profit as per the profit and loss account as on 31.3.2024 is ₹ 5,61,000. She provides the following additional information those were not considered while making the profit and loss account for the previous year 2023-24”

Items (i) to (xiii) are listed thereunder.

On a plain reading of the above sentences, it appears that none of the expenditures/receipts in

(i) to (xiii) were considered while making the profit and loss account. The above solution has been prepared accordingly.

Alternatively, it is possible to interpret the last sentence (**bold underlined above**) to mean that as far as items (iii) and (v) are concerned, wherein disallowance of expenditure is attracted u/s 40(a)(ia) and 40A(3), respectively, such disallowances (and not the expenditure itself) were not considered while making the profit and loss account of the previous year 2023-24. If so interpreted, then, for item (iii), instead of reducing ₹ 63,000, ₹ 27,000 has to be added back. Likewise for item (v), ₹ 25,000 has to be added back. In such a case, profits and gains from business and profession, Gross Total Income, Total Income and Tax Payable would change accordingly. An alternate solution based on this interpretation has been worked out as follows:

Alternate solution

Computation of total income of Mrs. Nisha for A.Y. 2024-25

	Particulars		₹	₹	₹
I.	Income from business or profession			5,61,000	
	Net Profit as per profit and loss account				
	Add: Items not credited but taxable while computing business income				
	- Commission from agent on settlement [Since deduction was allowed in respect of commission in earlier year and during the P.Y. 2023-24 Mrs. Nisha received back such amount due to settlement, the same would be deemed as her income]		50,000		
	- Interest on capital from partnership firm [₹ 2,00,000/15% x 12%] [Since interest on capital from M/s Ramji textiles is authorized by partnership deed, interest@12% p.a. would be allowed as deduction in the hands of firm under section 40(b). Consequently, interest @ 12% p.a. would be the business income of Mrs. Nisha under section 28. For allowability of interest in the hands of the firm, there is no requirement that the partner should be a working partner]		1,60,000		
				2,10,000	
				7,71,000	
	Add: Disallowances not considered while computing business income				
	- Job charges without deduction of tax [30% of ₹ 90,000] [Mrs. Nisha's turnover for the P.Y. 2022-23 exceeds ₹ 1 crore, hence, she is liable to deduct tax at source u/s 194C on Job charges of ₹ 90,000. Since Mrs. Nisha has not deducted tax at source on ₹ 90,000, 30% would be disallowed under section 40(a)(ia).		27,000		



	- Payment to creditor in cash [Payment to creditor in cash is not allowable as business expenditure, since such amount exceeds ₹ 10,000 and paid in cash as per section 40A(3)]		25,000		
				52,000	
				8,23,000	
	Less: Depreciation as per Income-tax Rules				
	Opening WDV of machinery	4,75,000			
	Add: Purchase of machinery for ₹ 7,25,000 during the P.Y. 2021-22 by A/c payee cheque. Subsidy of ₹ 1,45,000, being 20% of cost, received from Central Government on new machinery is to be reduced from actual cost (₹ 7,25,000 – ₹ 1,45,000).	5,80,000			
		10,55,000			
	Less: Sale proceeds	75,000			
	WDV as on 31.3.2024 before depreciation for P.Y. 2023-24	10,55,000			
	Less: Sale proceeds	75,000			
	WDV as on 31.3.2024 before depreciation for P.Y. 2023-24	9,80,000			
	Depreciation @15% on ₹ 9,80,000		1,47,000		
	Additional Depreciation@20% on ₹ 5,80,000		1,16,000		
	(As new machinery is used in manufacturing business and put to use for more than 180 days in the P.Y.2023-24, depreciation and additional depreciation will be allowed in full)			2,63,000	
				5,60,000	
	Less: Loss from eligible transaction carried out in respect of trading in derivatives in a recognized stock exchange is not a speculative business and hence, the same is allowed to be set off from textile business income as per section 70.			1,17,500	
					4,42,500
II	Capital Gains				
	Long term capital gain on sale of gold bracelet since it is held for more than 36 months Sales consideration		5,22,990		
			1,12,212		
	Less: Cost of acquisition (40,000 x 348/113)		1,23,186		



	Less: Cost of improvement (50,000 x 348/129)		1,34,884		
	Long- term capital gain on sale of gold bracelet			2,64,920	
	Note – In the additional information (xiii), it is mentioned that Mrs. Nisha has purchased a new residential house during the previous year. In such a case, she would be eligible for exemption u/s 54F in respect of amount invested in purchase of new residential house from long term capital gain on sale of gold bracelet. However, the cost of new residential house is not provided in the Question but only stamp duty and registration fee is given which would also be the part of cost of house. In such case, exemption u/s 54F would be ₹2,64,920 x 1,55,000/5,00,000 = ₹ 82,125. Accordingly, long term capital gain would be ₹1,07,795 (instead of ₹ 1,89,920). In such a case, Rebate u/s 87A would remain as ₹12,500 and tax liability of Mrs. Nisha would be ₹ 11,111, before rounding off (instead of ₹ 28,193).				
	Less: Long term capital loss from sale of STT paid shares of an Indian company allowed to be set off from long term capital gain on sale of gold bracelet as per section 70			75,000	
					1,89,920
III	Income from Other Sources				
	Fair market value of gold coin received from cousin [Taxable u/s 56(2)(x), since cousin is not a relative and the fair market value exceeds ₹ 50,000]			55,000	
	Pre-mature withdrawal from post office time deposit [Amount including interest received on pre- mature withdrawn from post office time deposit, in respect of which deduction u/s 80C was claimed, would be deemed to be the income of Mrs. Nisha			60,000	1,15,000
	Gross Total Income				7,47,420
	Less: Deduction under Chapter VI-A				
	Deduction under section 80C				
	Stamp duty and registration fee of ₹ 1,55,000 for the purpose of transfer of house property, restricted to			1,50,000	
	Deduction under section 80DD				
	Sum deposited with LIC for the maintenance of her dependent mother and suffering from severe disability [Eligible for higher deduction ₹1,25,000 in			1,25,000	2,75,000



	case of severe disability irrespective of amount deposited with LIC]				
	Total Income				4,72,420

Computation of tax payable by Mrs. Nisha for A.Y.2024-25

Particulars	₹
Tax on long-term capital gains @20% on ₹1,89,920	37,984
Tax on other income of ₹ 2,82,500 [₹ 4,72,420 – ₹ 1,89,920, being LTCG] – 5% of ₹ 32,500 (₹ 2,82,500 – basic exemption limit ₹ 2,50,000)	1,625
	39,609
Less: Rebate u/s 87A [Tax payable or ₹ 12,500, whichever is less]	12,500
	27,109
Add: Health and education cess@4%	1,084
Tax Payable	28,193
Tax Payable (rounded off)	28,190

Question 40

Mr. Lalit, a dealer in shares and securities, has entered into following transactions during the previous year 2023-24:

- (i) Received a motor car of ₹ 5,00,000 as gift from his friend Sunil on the occasion of his marriage anniversary.
- (ii) Cash gift of ₹ 21,000 each from his four friends.
- (iii) Land at Jaipur on 1st July,2023 as a gift from his friend Kabra, the stamp duty value of the land is ₹ 6 lakhs as on the date. The land was acquired by Mr. Kabra in the previous year 2001-02 for ₹ 2 lakhs.

Mr. Lalit purchased from his friend Mr. Abhishek, who is also a dealer in shares, 1000 shares of ABC Ltd. @400 each on 19th June,2023 the fair market value of which was ₹ 600 each on that date. Mr. Lalit sold these shares in the course of his business on 23rd June,2023. Further, on 1st November, 2023, Mr. Lalit took possession of his residential house booked by him two years back at ₹ 20 lakh. The stamp duty value of the property as on 1st November, 2023 was ₹ 32 lakh and on the date of booking was ₹ 24 lakh. He had paid ₹ 1 lakh by account payee cheque as down payment on the date of booking.

He received a shop (building) of the fair market value ₹ 1,50,000 and cash ₹ 50,000 in distribution from the ABC (P) Ltd at the time of liquidation process of the company in proportion of his share capital. The balance in general reserve of the company attributable to his share capital is ₹ 1,25,000.

On 1st March,2024, he sold the plot of land at Jaipur for ₹ 8 lakh. The value of the cost inflation index is 100 and 317 for the previous year 2001 -02 and 2021-22 respectively.

Compute the income of Mr. Lalit chargeable under the head "Income from other sources" and "Capital Gains" for A.Y. 2024-25.(PYP 8 Marks May'22)

Answer 40

Computation of "Income from Other Sources" of Mr. Lalit for the A.Y. 2024-25

Particulars	₹
(i) Motor car is not included in the definition of "property" for the purpose of section 56(2)(x), hence, value of the same is not taxable, even though it is received without any consideration.	-
(ii) Cash gift is taxable under section 56(2)(x) [since the aggregate of ₹ 84,000 (₹ 21,000 x 4) exceeds ₹ 50,000]	84,000

(iii)	Stamp value of plot of land at Jaipur, received without consideration, is taxable under section 56(2)(x), since the same exceeds ₹ 50,000	6,00,000
(iv)	Difference of ₹ 2 lakh [1000 shares x ₹ 200] in the value of shares of ABC Ltd. purchased from Mr. Abhishek, a dealer in shares, is not taxable as it represents the stock-in-trade of Mr. Lalit (since he is a dealer in shares) and not capital asset. ¹	-
(v)	Difference between the stamp duty value of ₹ 24 lakh on the date of booking (since advance was paid by account payee cheque on that date) and the actual consideration of ₹ 20 lakh paid is taxable under section 56(2)(x) since the difference exceeds ₹ 2,00,000, being the higher of ₹ 50,000 and 10% of consideration	4,00,000
(vi)	Distribution of assets by ABC (P) Ltd. on liquidation attributable to the accumulated profits (general reserve) of the company is taxable as dividend under section 2(22)(c).	1,25,000
Income taxable under the head "Income from other sources"		12,09,000

Computation of "Capital Gains" of Mr. Lalit for the A.Y.2024-25

Particulars	₹
Capital gains on sale of land at Jaipur	
Sale Consideration	8,00,000
Less: Cost of acquisition [deemed to be the stamp value charged to tax under section 56(2)(x)]	6,00,000
Short-term capital gains (since held for a period of not more than 24 months. Period of holding of previous owner, Mr. Kabra, not to be considered)	2,00,000
Capital gains on distribution of assets on liquidation of ABC (P) Ltd.	
Full value of consideration for capital gains on distribution of assets on liquidation of ABC (P) Ltd.	
FMV of assets distributed	1,50,000
Cash	50,000
	2,00,000
Less: Deemed dividend under section 2(22)(c)	1,25,000
Full value of consideration for computing capital gains	75,000

¹ Since Mr. Lalit is a dealer in shares and it has been mentioned that the shares were subsequently sold in the course of his business, such shares represent the stock-in-trade of Mr. Lalit.

Note -

- (i) As cost of acquisition of shares in ABC(P) Ltd. is not given in the question, capital gains on distribution of assets on liquidation of ABC(P) Ltd. in the hands of Mr. Lalit has not been computed.
- (ii) As per section 56(1)(i), dividend income is chargeable under the head "Income from Other Sources". Hence, deemed dividend u/s 2(22)(c) would be taxable under the head "Income from Other Sources" in the hands of Mr. Lalit, who is a dealer in shares².

² Alternatively, as per the tutorials given on the website of the Income-tax department, if shares are held for trading purposes, then the dividend income would be taxable under the head "Profits and gains of business or profession".

Question 41

From the following particulars furnished by Mr. Suresh, aged 53 years, a resident Indian for the previous year ended March 31, 2024, you are requested to compute his total income and tax payable for the Assessment Year 2024-25. (Assuming he does not opt for the Section 115BAC):

- (i) He sold his vacant land on 09.12.2023 for ₹ 15 lakhs. The Stamp Duty Value (SDV) of land at the time of transfer was ₹ 19 lakhs. The fair market value of the land as on 1st April, 2001 was ₹ 6 lakhs (SDV is ₹ 5,00,000). This land was acquired by him on 05.08.1996 for ₹ 3.40 lakhs. He had incurred registration expenses of ₹ 15,000 at that time. The cost of inflation index for the year 2021-22 and 2001-02 are 317 and 100, respectively.
- (ii) He owns an industrial undertaking established in a Special Economic Zone (SEZ) and which had commenced operation during the financial year 2021-22. Total turnover of the undertaking was ₹ 300 lakhs, which includes ₹ 120 lakhs from export turnover. This industrial undertaking fulfils all the conditions of Section 10AA of the Income-tax Act, 1961. Profit from this industrial undertaking is ₹ 30 lakhs.
- (iii) He has income of ₹ 10,000 from crossword puzzles and ₹ 15,000 gross interest from bank fixed deposit.
- (iv) Tuition fees of ₹ 36,000 for his three children to a school. The fees being ₹ 12,000 p.a. per child. (PYP 6 Marks May'22)

(The stamp duty value of land has been changed from Rs 19 lakhs to Rs. 20.55 Lakhs to keep the essence of the question)

Answer 41

Computation of Total Income and Tax Payable by Mr. Suresh for A.Y. 2024 -25

Particulars		Amount (₹)	Amount (₹)
Profits and gains from business or profession			
Profit from SEZ undertaking			30,00,000
Capital Gains			
Long term capital gain on sale of vacant land [since land held for a period of more than 24 months, it is long-term capital asset]			
As per section 50C, Full value of consideration would be stamp duty value since it exceeds 110% of actual sale consideration		20,55,000	
Less: Indexed cost of acquisition [₹ 5,00,000 x 348/100]		17,40,000	
Cost of acquisition, being higher of - Actual cost (₹ 3,40,000 + ₹ 15,000) – lower of FMV of ₹ 6,00,000 and stamp duty value of ₹ 5,00,000 as on 1.4.2001	₹ 3,55,000 ₹ 5,00,000		3,15,000
Income from other sources			
Income from crossword puzzles		10,000	
Interest on fixed deposit		15,000	
			25,000
Gross Total Income			33,40,000
Less: Deductions under Chapter VI-A			
Under section 80C – Tuition fees of two children			24,000
Less: Deduction under section 10AA (₹ 30,00,000 x 120 lakhs/300 lakhs) x 100 %, being 3rd year of operation			12,00,000
Total Income			21,16,000
Computation of Tax payable on total income under the regular provisions of the Income-tax Act, 1961			



Tax on LTCG @ 20% of ₹ 3,15,000			63,000
Tax on income from crossword puzzles @30% of ₹ 10,000			3,000
Tax on remaining amount of ₹ 17,91,000 [₹ 2,37,300 (30% of ₹ 7,91,000) + ₹ 1,12,500]			3,49,800
			4,15,800
Add: Health and education cess @4%			16,632
Tax Payable under the regular provisions of the Act			4,32,432
Tax Payable under the regular provisions of the Act (rounded off)			4,32,430

Computation of Adjusted Total Income and Alternate Minimum Tax (AMT) payable

Particulars	Amount (₹)
Total Income computed under the regular provisions of the Act	21,16,000
Add: Deduction u/s 10AA	12,00,000
Adjusted Total Income	33,16,000
Since Adjusted Total Income exceeds ₹ 20 lakhs, the provisions of Alternate Minimum Tax (AMT) are attracted in this case	
Alternate Minimum Tax@18.5%	6,13,460
Add: Health and Education cess@4%	24,538
AMT	6,37,998
AMT (rounded off)	6,38,000
Since the regular income-tax payable is less than the AMT payable, the adjusted total income of ₹ 33,16,000 shall be deemed as the total income and tax is leviable@18.5% thereof plus cess@4%. Therefore, his tax liability would be ₹ 6,38,000.	
However, he would be entitled to AMT credit of ₹ 2,05,570 (₹ 6,38,000 – ₹4,32,430)	

Question 42

Mr. Muktesh born on 14.1964 furnished his original return for Assessment Year 2024-25 on 30.07.2024. He has shown salary income of ₹ 7.30 lakhs (computed) and interest from his savings bank of ₹ 12,700 and from his fixed deposits of ₹ 43,000. He also claimed deduction under section 80C of ₹ 1.50 lakhs. He had claimed deduction u/s 80D of ₹ 25,000. He also claimed deduction u/s 80TTA of ₹ 10,000. His employer had deducted TDS of ₹ 33,950 from his salary, which he adjusted fully against tax payable. He paid health insurance premium of ₹ 38,000 by account payee cheque for self and wife. He paid ₹ 1,500 in cash for his health check-up and ₹ 4,000 by cheque for preventive health check-up of his parents. He also paid medical insurance premium of ₹ 33,000 during the year to insure the health of his mother, aged 80 years, staying with his younger brother. He further incurred medical expenditure of ₹ 25,000 on his father, aged 81 years, who is staying with him. His father is not covered under any Mediclaim policy. He seeks your advice about possibility of revising his return and if possible file his revised return. Analyze the above narrated facts as per applicable provisions of the Income-tax Act, 1961. Does he need to revise his return and for what reasons? Please advise him suitably and if needed, re-compute his income and tax payable or refund due for the Assessment Year 2024-25. (PYP 9 Marks, Nov'20)

Answer 42

Computation of total income of Mr. Muktesh for A.Y.2024-25 [As per the original return filed by him]

Particulars	₹	₹
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(i)	Salaries (Computed)		7,30,000
(ii)	Income from Other Sources		
	Interest on savings bank account	12,700	
	Interest on fixed deposits	43,000	55,700
			7,85,700
Less: Deductions under Chapter VI-A			
(i)	Deduction u/s 80C	1,50,000	
(ii)	Deduction u/s 80D	25,000	
(iii)	Deduction u/s 80TTA	10,000	1,85,000
Total Income			6,00,700

Computation of tax liability of Mr. Muktesh for A.Y.2024-25 (As per original return)

	₹
Tax on total income [20% of ₹ 1,00,700 (i.e., ₹ 6,00,700 – ₹ 5,00,000) + ₹ 12,500]	32,640
Add: HEC@4%	1,306
Tax payable on total income	33,946
Tax payable on total income (rounded off)	33,950
Less: Tax deducted at source u/s 192	33,950
Tax Payable	Nil

Need for filing revised return – Analysis Computation of Total Income of Mr. Muktesh for the A.Y. 2024-25 [As per the Revised Return]

Since Mr. Muktesh's birthday falls on 1.4.2023, he would be treated as having completed 60 years of age in the P.Y.2023-24, and hence, he would be eligible for the benefit of higher deduction u/s 80D, higher deduction of up-to ₹ 50,000 u/s 80TTB (instead of ₹ 10,000 u/s 80TTA) while computing his total income as well as for higher basic exemption limit of ₹ 3,00,000 in the P.Y.2023-24 itself while computing his tax liability. Also, he would be entitled to deduction in respect of medical insurance premium paid to ensure the health of his mother and medical expenses incurred on his father who is not covered under any Medclaim policy. Accordingly, having discovered such omissions in the original return, he has to file his revised return of income u/s 139(5) on or before ~~31.3.2025~~ **31.12.2024 (As per amendment from AY 2024-25 onwards a belated/revised return can be filed by 31st December of the relevant assessment year)**

to avail these benefits which he has not availed while filing his original return of income. The computation of total income and tax liability (refund due) as per the revised return are worked out hereunder –

	Particulars			₹	₹
(i)	Salaries (Computed)				7,30,000
(ii)	Income from Other Sources				
	Interest on savings bank account			12,700	
	Interest on fixed deposits			43,000	55,700
	Gross Total Income				7,85,700
Less: Deductions under Chapter VI-A					
(i)	Deduction u/s 80C			1,50,000	
(ii)	Deduction u/s 80D				

	Medical insurance premium for self and spouse		38,000		
	Preventive health check-up for self (allowable even if paid in cash)		1,500		
	Fully allowed as it is within the overall limit of ₹ 50,000 for family		39,500		
	Medical insurance premium for mother	33,000			
	Medical expenditure for father not covered under any policy	25,000			
	Preventive health check-up for parents (₹ 4,000, restricted to ₹ 3,500, being ₹ 5,000 – ₹ 1,500 claimed for self and spouse)	3,500			
		61,500			
	Restricted to maximum of ₹ 50,000 for parents		50,000	89,500	
(iii)	Deduction u/s 80TTB				
	Interest on savings bank account		12,700		
	Interest on fixed deposits		43,000		
			55,700		
	Restricted to maximum of ₹ 50,000			50,000	
					2,89,500
	Total Income				4,96,200

Computation of tax liability of Mr. Muktesh for A.Y.2024-25 [As per the Revised Return]

	₹
Tax on total income [5% of ₹1,96,200 (i.e., ₹4,96,200 – ₹ 3,00,000 basic exemption limit)]	9,810
Less: Rebate u/s 87A (Since his total income does not exceed ₹ 5 lakh) – ₹ 12,500 or tax on total income, whichever is lower	9,810
Tax payable on total income	Nil
Less: Tax deducted at source u/s 192	33,950
Refund due	33,950

Therefore, Mr. Muktesh has to file a revised return showing the above revised computation of total income and tax liability on or before ~~31.3.2025~~ **31.12.2024 (As per amendment from AY 2021-22 it is 31st December of the relevant AY)** to claim the enhanced deductions which he had not claimed in the original return and get refund of the entire income-tax of ₹ 33,950 deducted at source by his employer.

Question 43

Mr. X, an employee of the Central Government is posted at New Delhi. He joined the service on 1st February, 2020. Details of his income for the previous year 2023-24, are as follows:

- (i) **Basic salary : ₹ 3,80,000**
- (ii) **Dearness allowance : ₹ 1,20,000 (40% forms part of pay for retirement benefits)**
- (iii) **Both Mr. X and Government contribute 20% of basic salary to the pension scheme referred to in section 80CCD.**
- (iv) **Gift received by X's minor son on his birthday from friend: ₹ 70,000. (No other gift is received by him during the previous year 2023-24)**

- (v) During the year 2016-17, Mr. X gifted a sum of ₹ 6,00,000 to Mrs. X. She started a business by introducing such amount as her capital. On 1st April, 2023, her total investments in business was ₹ 10,00,000. During the previous year 2023-24, she has loss from such business ₹ 1,30,000
- (vi) Mr. X deposited ₹ 70,000 in Sukanya Samridhi account on 23.01.2024. He also contributed ₹ 40,000 in an approved annuity plan of LIC to claim deduction u/s 80CCC.
- (vii) He has taken an educational loan for his major son who is pursuing MBA course from Gujarat University. He has paid ₹ 15,000 as interest on such loan which includes ₹ 5,000 for the financial year 2023-24.

Determine the total income of Mr. X for the assessment year 2024-25. Ignore provisions under section 115BAC. (PYP 6 Marks Dec '21)

Answer 43

Computation of Total Income of Mr. X for A.Y. 2024-25

Particulars	Amount ₹	Amount ₹
Salaries		
Basic Salary	3,80,000	
Dearness Allowance	1,20,000	
Employer contribution to NPS = 20% of ₹ 3,80,000	76,000	
	5,76,000	
Less: Standard deduction	50,000	
[₹ 50,000 or ₹ 5,76,000, whichever is lower]		
		5,26,000
Profits and gains of business or profession		
Where the amount gifted by Mr. X (₹ 6 lakh, in this case) is invested by Mrs. X in a business as her capital, proportionate share of profit or loss, as the case may be, computed by taking into account the value of the investment as on 1.4.2023 to the total investment in the business (₹ 10 lakh) would be included in the income of Mr. X [loss of ₹ 1,30,000 x 6/10]	(78,000)	
Income from other sources		
All income of the minor son would be included in the income of the parent Mr. X, since his income is higher than the income of Mrs. X (loss of ₹ 52,000, based on the information given in the question). Accordingly, ₹ 70,000, being amount of gift received by minor son during the P.Y.2023-24, would be included in the income of Mr. X as the amount of gift exceeds ₹ 50,000.	70,000	
Less: Exemption in respect of income of minor child included in Mr. X's income	1,500	
	68,500	
Less: Business loss of ₹ 78,000 set-off to the extent of	68,500	
(Balance business loss of ₹ 9,500 to be carried forward to the next year, since the same cannot be set-off against salary income)		
		Nil
Gross Total Income		5,26,000
Less: Deductions under Chapter VI-A		
Under section 80C – deposit in Sukanya Samridhi Account	70,000	
Under section 80CCC – Contribution to LIC Annuity Plan	40,000	
Under section 80CCD(1) – Employee contribution to NPS (₹ 76,000 – ₹ 50,000 deduction claimed u/s 80CCD(1B)), since it is lower than ₹ 42,800,		

being 10% of salary (₹ 3,80,000 + ₹ 48,000)	26,000	
Allowable in full, since less than ₹1,50,000, being the maximum permissible deduction u/s 80C, 80CCC & 80CCD(1)	1,36,000	
Under section 80CCD(1B) – Employee contribution to NPS	50,000	
Under section 80CCD(2) – Employer contribution to NPS restricted to 14% of basic salary + DA forming part of pay, since employer is Central Government = 14% x (₹ 3,80,000 + ₹ 48,000)	59,920	
Under section 80E – Interest paid on loan taken for higher education	15,000	2,60,920
Total Income		2,65,080

Notes - The following assumptions have been made while solving the question –

- (i) Loan is taken from a financial institution or approved charitable institution, and hence, interest paid on such loan qualifies for deduction under section 80E.
- (ii) The question mentions that gift of ₹ 6 lakhs is given by Mr. X to Mrs. X during the P.Y.2016-17. However, the date of investment in business is not given. It has been assumed that it was invested between 2.4.2022 to 1.4.2023 for solving the problem, in the absence of other information in the question.

EXAMINERS' COMMENTS ON THE PERFORMANCE OF EXAMINEES:

Many examinees could not correctly compute the amount of deduction under section 80CCD(1), 80CCD(1B) and 80CCD(2) in respect of contribution towards NPS in case of Central Government employee.

Question 44

Mr. Bhasin, a resident individual, aged 52 years, provides management consultancy services to various corporate and non-corporate clients. His Income & Expenditure A/c for the year ended 31st March, 2024 is as under:

	Expenditure	Amount (₹)		Income	Amount (₹)
To	Employees' Remuneration	15,00,000	By	Gross Receipts from Profession (last year ₹ 75,00,000) (No TDS was deducted from any of the receipts)	60,60,000
To	Office & Administrative Expenses	5,00,000	By	Interest on Savings Bank Account	25,000
To	Rates and Taxes	15,000	By	Winnings from Lottery (Net of cost of lottery tickets of ₹ 500)	99,500
To	Interest Expenses	80,000	By	Rent Received	2,40,000
To	Office Rent	2,40,000			
To	Insurance Premium	72,000			
To	Professional Fees	2,00,000			



To	Depreciation on Computers	1,20,000			
To	Excess of Income over Expenditure	36,97,500			
		64,24,500			64,24,500

The following details relates to F.Y. 2023-24:

- (i) Employees' Remuneration includes a sum of ₹ 3,00,000 paid to his wife, Mrs. Beena who is working as a manager in his office. She does not have any technical or professional qualification or experience required for the job. The payment of salary was as per market rates in comparison to similar work profile.
- (ii) Mr. Bhasin owns a big house with 2 independent units. Unit - 1 (with 50% floor area) has been let out for residential purposes at a monthly rent of ₹ 20,000 for the entire year. Unit - 2 (with the balance 50% of the floor area) is used by Mr. Bhasin as his residence cum-office. Other particulars of the house are:
 Municipal Valuation - ₹ 3,60,000 p.a.
 Fair Rent - ₹ 4,20,000 p.a.
 Standard Rent under Rent Control Act - ₹ 4,00,000 p.a.
- (iii) Rates and taxes include a sum of ₹ 10,000 paid as municipal taxes of the house.
- (iv) Interest expenses represent interest on capital borrowed from a nationalised bank for the construction of the house. The construction was completed in F.Y.2010-11. Neither the loan nor the interest was paid till the due date of filing the return of income.
- (v) Based on the actual rent received for Unit-1, Mr. Bhasin has debited ₹ 2,40,000 as notional rent for Unit-2 which is used for his profession.
- (vi) The expense on insurance premium of ₹ 72,000 represents lump-sum health insurance premium paid by Mr. Bhasin for 3 years effective from 1st July, 2023 to 30th June, 2026 for himself, his spouse and two dependent children. The said insurance premium was paid through account payee cheque.
- (vii) The expenses on professional fees paid includes a sum of ₹ 1,00,000 paid to Mr. Raunak, an Indian resident on which no tax was deducted at source.
- (viii) There was only one block containing computers which came into existence only on 2nd April, 2023 when new laptops (for ₹ 1,60,000), printers and scanners (for ₹ 40,000) were purchased. He charged depreciation @ 60% in the entire cost of ₹ 2,00,000 and debited the amount to Income & Expenditure A/c.
- (ix) Mr. Bhasin has also taken a loan of ₹ 5,00,000 from a nationalised bank for higher education of his son. During F.Y.2023-24, he repaid principal of ₹ 75,000 along with interest of ₹ 40,000. This amount is not reflected in Income and Expenditure Account.

You are required to compute the total income under proper heads of income of Mr. Bhasin for A.Y. 2024-25 under regular provisions of Income-tax Act 1961, assuming that he has not opted to pay tax under section 115BAC. Also calculate the total tax payable by him. (PYP 14 Marks May '23)

Answer 44

Computation of total income and tax payable by Mr. Bhasin for A.Y. 2024-25

	Particulars	₹	₹	₹
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I	Income from Salaries Salary of Mrs. Beena [Remuneration paid by Mr. Bhasin to his wife Mrs. Beena who is employed as a manager in his office would be included in his hands, since Mrs. Beena does not have any technical or professional qualification or experience required for the job]		3,00,000	
	Less: Standard deduction u/s 16(ia)		50,000	2,50,000
II	Income from house property Let out portion (Unit 1 – 50% area) Gross Annual Value [Higher of expected rent of ₹ 2,00,000 and actual rent of ₹ 2,40,000 (₹ 20,000 x 12)] [Expected rent is higher of municipal value of ₹ 1,80,000 (3,60,000 x 50%) and fair rent of ₹ 2,10,000 (₹ 4,20,000 x 50%), restricted to standard rent of ₹ 2,00,000 (₹ 4,00,000 x 50%)]	2,40,000		
	Less: Municipal taxes paid for let out portion (₹ 10,000 x 50%)	5,000		
	Net Annual Value (NAV)	2,35,000		
	Less: Deduction under section 24			
	(a) 30% of NAV	70,500		
	(b) Interest on capital borrowed for construction of house relating to let out portion (80,000 x 50%) (allowed on accrual basis)	40,000		
	Income from let out portion		1,24,500	
	Self-occupied (Unit 2 – 25%) [Since Unit 2 representing 50% of the floor area is used for residence as well as business purpose, it is assumed that it is equally used for residence and business purpose]			
	Gross Annual Value	Nil		
	Less: Municipal taxes [not allowed for self occupied property]	Nil		
	Net Annual Value	Nil		
	Less: Deduction under section 24(b) Interest on loan for construction of house, ₹ 80,000 x 50% x 1/2 (allowable on accrual basis)	20,000		
	Loss from self-occupied portion		(20,000)	
	[Loss from self-occupied portion can be set off against income from let out portion]			1,04,500
III	Profits and gains from business and profession			
	Excess of income over expenditure		36,97,500	
	Add: Expenses debited to Income & Expenditure A/c but not allowable as deduction			

	Remuneration paid to his wife Mrs. Beena [As per section 40A(2) remuneration paid to Mrs. Beena is allowed, since it is as per market rates]	-		
	Municipal taxes attributable to let out and selfoccupied portions not allowable [₹ 10,000 x 75%]	7,500		
	Interest on capital borrowed for construction of house attributable to let out and selfoccupied portion not allowable [₹ 80,000 x 75%]	60,000		
	Interest on capital borrowed from bank for construction of house attributable to business portion i.e., 25% of ₹ 80,000 [not allowable, since it is not paid on or before due date of filing return of income by virtue of section 43B]	20,000		
	Notional rent for Unit 2 used for business or profession [not allowable under section 30, since Mr. Bhasin himself is the owner of the property]	2,40,000		
	Insurance premium [Personal expenditure not allowable]	72,000		
	Professional fees to Mr. Raunak without 30,000 deducting TDS [₹ 1,00,000 x 30%] [Mr. Bhasin is required to deduct TDS on professional fees payment to Mr. Raunak since his gross receipts from profession exceeds ₹ 50 lakhs during the P.Y. 2022-23. 30% of the sum paid to Mr. Raunak, resident without deducting tax to be disallowed in P.Y. 2023-24]	30,000		
	Depreciation as per books	1,20,000	5,49,500	
			42,47,000	
	Less: Income credited to Income & Expenditure A/c but not taxable as business income Interest on savings bank account [taxable under the head "Income from other sources"]	25,000		
	Winnings from lottery [taxable under the head "Income from other sources"]	99,500		
	Rent received [taxable under the head "Income from house property"]	2,40,000	3,64,500 38,82,500	
	Less: Depreciation allowable [2,00,000 (₹1,60,000, being new laptops + ₹ 40,000, being printers) x 40%, i.e., 64,000+16,000 as it was put to use for more than 180 days in the P.Y. 2023-24. Printers and scanners for ₹ 40,000 are eligible for higher depreciation of 40%]		80,000	38,02,500
IV	Income from Other Sources Interest on savings bank account		25,000	
	Winnings from Lottery [No expenditure or allowance is allowed from lottery income]		1,00,000 ¹	
				1,25,000
	Gross Total Income			42,82,000

Less: Deduction under Chapter VI-A Deduction under section 80D Medical insurance premium [₹ 72,000 x 1/4, being the previous years in which insurance would be in force] [allowable for self, spouse and dependent children]		18,000	
Deduction under section 80E Interest on loan taken from a nationalised bank for higher education of son		40,000	
Deduction under section 80TTA			
Interest on saving bank account to the extent of		10,000	68,000
Total Income			42,14,000
Tax Payable On lottery income [30% of ₹ 1,00,000]		30,000	
On other income of ₹ 41,14,000 Upto ₹ 2,50,000	Nil		
₹ 2,50,000 @5% [₹ 2,50,000 – ₹ 5,00,000]	12,500		
₹ 5,00,000 @20% [₹ 5,00,000 – ₹ 10,00,000]	1,00,000		
₹ 31,14,000 @30% [₹ 10,00,000 – ₹ 41,14,000]	9,34,200		
		10,46,700	
			10,76,700
Less: HEC@4%			43,068
Tax liability			11,19,768
Less: TDS on lottery winnings @30% u/s 194B			30,000
Tax payable			10,89,768
Tax payable (rounded off)			10,89,770

Question 45

Mr. Bhagat, an individual aged 50 years, set up a unit in Special Economic Zone (SEZ) in F.Y.2018-19 for the production of computers. The unit fulfils all the conditions of section 10AA of the Income-tax Act, 1961. During F.Y. 2022-23, he set up a hospital in a district of Maharashtra with 110 beds for patients. It fulfils all the conditions of section 35AD. Capital expenditure in respect of the said hospital amounted to ₹ 65 lakhs (comprising of cost of land ₹ 15 lakhs and the balance was the cost of construction of building). The hospital became operational with effect from 1st April, 2023 and the expenditure of ₹ 65 lakhs was capitalized in the books of accounts on that date Relevant details for F.Y. 2023-24 are as follows:

Particulars	Amount (₹ in lakhs)
Profit of unit located in SEZ	36
Export sales of SEZ unit	75
Domestic sales of SEZ unit	25



Profit form operation of hospital facility (before considering deduction under Section 35AD)	90
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Compute the income-tax (including AMT under section 115JC and AMT credit, if any, under section 115JEE) payable by Mr. Bhagat for A.Y. 2024-25 under regular provisions of the Income-tax Act i.e. ignoring the provisions of section 115BAC. Ignore marginal relief, if any. (PYP 7 Marks May '23) (Same concept different figures Old & New SM)

Answer 45

Computation of total income and tax payable of Mr. Bhagat for A.Y.2024-25 (under the regular provisions of the Income-tax Act, 1961)

Particulars	₹	₹
Profits and gains of business or profession		
Profit from unit in SEZ		36,00,000
Profit from operation of hospital	90,00,000	
Less: Deduction u/s 35AD In this case, since the capital expenditure of ₹ 50 lakhs (i.e., ₹ 65 lakhs – ₹ 10 lakhs, being expenditure on acquisition of land) has been incurred in the F.Y.2021-22 and capitalized in the books of account on 1.4.2023, being the date when the hospital became operational, the said amount would be eligible for deduction under section 35AD.	50,00,000	
Business income from hospital chargeable to tax		40,00,000
Gross Total Income		76,00,000
Less: Deduction u/s 10AA		13,50,000
Profit of SEZ unit x Export turnover of SEZ unit ----- x 50% Total turnover of SEZ unit = ₹ 36,00,000 x $\frac{75,00,000}{1,00,00,000}$ × 50% = ₹ 27,00,000 x 50% = ₹ 13,50,000 Deduction would be 50% of eligible profits, since P.Y.2022-23 is the 6 th year of operation		
Total Income		62,50,000
Computation of tax payable (under the regular provisions of the Act)	₹	
Tax on ₹ 62,50,000 [₹ 1,12,500 plus 30% of ₹ 52,50,000]	16,87,500	
Add: Surcharge @10%, since total income exceeds ₹ 50 lakhs but does not exceed ₹ 1 crore	1,68,750	
	18,56,250	
Add: Health and Education cess@4%	74,250	
Total tax payable	19,30,500	

Computation of adjusted total income of Mr. Bhagat for levy of Alternate Minimum Tax

		₹
Total Income (computed above as per regular provisions of income tax)		62,50,000

Add: Deduction under section 10AA		13,50,000
		76,00,000
Add: Deduction under section 35AD	50,00,000	
Less: Depreciation under section 32 On building @10% of ₹ 50 lakhs	5,00,000	45,00,000
Adjusted Total Income		1,21,00,000
Alternate Minimum Tax@18.5%		22,38,500
Add: Surcharge@15% (since adjusted total income > ₹ 1 crore but does not exceed ₹ 2 crores)		3,35,775
		25,74,275
Add: Health and education cess@4%		1,02,971
		26,77,246
Tax liability u/s 115JC (rounded off)		26,77,250
Since the regular income-tax payable is less than the alternate minimum tax payable, the adjusted total income shall be deemed to be the total income and tax is leviable @18.5% thereof plus surcharge@15% and cess@4%. Therefore, tax payable as per section 115JC is ₹ 26,77,250. AMT Credit to be carried forward under section 115JEE Tax liability under section 115JC	26,77,250	
Less: Tax liability under the regular provisions of the Income-tax Act, 1961	19,30,500	
	7,46,750	

Question 46

Mr. Ravi, a resident and ordinarily resident in India, owns a let out house property having different flats in Kanpur which has municipal value of ₹ 27,00,000 and standard rent of ₹ 29,80,000. Market rent of similar property is ₹ 30,00,000. Annual rent was ₹ 40,00,000 which includes ₹ 10,00,000 pertaining to different amenities provided in the building. One flat in the property (annual rent is ₹ 2,40,000) remains vacant for 4 months during the previous year. He has incurred following expenses in respect of aforesaid property:

Municipal taxes of ₹ 4,00,000 for the financial year 2023-24 (10% rebate is obtained for payment before due date). Arrears of municipal tax of financial year 2012-23 paid during the year of ₹ 1,40,000 which includes interest on arrears of ₹ 25,000.

Lift maintenance expenses of ₹ 2,40,000 which includes a payment of ₹ 30,000 which is made in cash.

Salary of ₹ 88,000 paid to staff for collecting house rent and other charges.

Compute the total income of Mr. Ravi for the assessment year 2024-25 assuming that Mr. Ravi has not opted for the provisions under section 115BAC. (PYP 6 Marks Dec '21)

Answer 46

Computation of total income of Mr. Ravi for A.Y. 2024-25 under the regular provisions of the Act

Particulars		Amount (₹)	Amount (₹)
Income from house property			

Gross Annual Value Expected rent ₹ 29,80,000 [Higher of Municipal Value of ₹ 27,00,000 p.a. and Fair Rent of ₹ 30,00,000 p.a., but restricted to Standard Rent of ₹ 29,80,000 p.a.] Actual rent ₹ 29,40,000 [₹ 30,00,000, being annual rent for house property less rent of ₹ 60,000 (₹ 2,40,000 x 4/12 x 3/4) due to vacancy]			
Gross Annual Value		29,40,000	
In this case, the actual rent is lower than the expected rent due to vacancy. Otherwise, the actual rent of ₹ 30,00,000 would have been higher than the expected rent. In such a case, the actual rent would be the gross annual value, even if it is lower than the expected rent. Less: Municipal taxes actually paid during the year: [₹ 4,00,000 – rebate of ₹ 40,000] = ₹ 3,60,000 [₹ 1,40,000 arrears – ₹ 25,000 interest] = ₹ 1,15,000		4,75,000	
Net Annual Value		24,65,000	
Less: Deduction from Net Annual Value			
30% of Net Annual Value		7,39,500	
Income from Other Sources/Profits and gains from business or profession			17,25,500
Rent for amenities		10,00,000	
Less: Loss due to vacancy [₹ 2,40,000 x 4/12 x ¼]		20,000	
Less: Expenditure in respect thereof		9,80,000	
- Lift maintenance expenses [excluding cash payment of ₹ 30,000 disallowed] = ₹ 2,40,000 – ₹ 30,000	2,10,000		
- Salary to staff [₹ 88,000 x 1/4, being the proportion pertaining to amenities]	22,000	2,32,000	7,48,000
Total Income			24,73,500

EXAMINERS' COMMENTS ON THE PERFORMANCE OF EXAMINEES:

Many examinees had wrongly computed the amount of gross annual value without considering loss due to vacancy. Interest on arrears of municipal taxes were also wrongly deducted while computing net annual value. Moreover, amount of 10% rebate for payment of municipal taxes before due date was also not deducted to arrive at the net amount of municipal taxes allowable as deduction.

MULTIPLE CHOICE QUESTIONS (MCQS)

- Mr. C, aged 35 years, is a working partner in M/s BCD, a partnership firm, with equal profit sharing ratio. During the P.Y. 2023-24, the firm has paid remuneration to Mr. B, Mr. C and Mr. D, being the working partners of the firm, of ₹ 2,00,000 each. The firm has paid interest on capital of ₹ 1,20,000 in toto to all the three partners and the same is within the prescribed limit of 12%. The firm had a loss of ₹ 1,12,000 after debiting remuneration and interest on capital.

Note – Remuneration and interest on capital is authorized by the partnership deed

You, being the CA of Mr. C, are in the process of computing his total income. What would be his taxable remuneration from the firm?

- (a) ₹ 2,00,000



- (b) ₹ 1,51,600
- (c) ₹ 1,27,600
- (d) ₹ 1,50,000 (MTP 2 Marks March '23)

Ans: (c)

2. Mr. Hari is 65 years old residing in Agra. During F.Y. 2018-19, he purchased a house property in Kamla Nagar for ₹ 25 lacs. This house property was self-occupied by him till F.Y. 2020-21. In F.Y. 2021-22, he shifted to Delhi and the house property in Kamla Nagar was let out to Mr. Kishore. His income from house property was ₹ 5 lacs per annum (computed). During F.Y. 2023-24, Mr. Hari earned long-term capital gain of ₹ 2.50 lacs, casual income of ₹ 10 lacs, agricultural income of ₹ 3 lacs and profits from business of ₹ 4 lacs. During the same year, he transferred house property situated in Kamla Nagar to Mrs. Neelam (his son's wife) without any consideration. Subsequently, income from house property was received by Mrs. Neelam for F.Y. 2023-24. Compute gross total income of Mr. Hari for A.Y. 2024-25:
- (a) ₹ 16.50 lacs
 - (b) ₹ 21.50 lacs
 - (c) ₹ 19.50 lacs
 - (d) ₹ 24.50 lacs (RTP May '20)

Ans: (b)

3. Ms. Rimjhim (aged 32 years), an interior decorator, has professional receipts of ₹ 25,60,000 for the previous year 2023-24. She also earned ₹ 1,25,000 as dividend and ₹ 4,65,000 as interest income on fixed deposits. She incurred expenses of ₹ 13,00,000 for her profession and ₹ 30,000 as interest on loan for making investment in shares on which she received dividend. What would be her total income for the A.Y. 2024-25, assuming that she wishes to make maximum tax savings without getting her books of account audited?
- (a) ₹ 18,45,000
 - (b) ₹ 18,70,000
 - (c) ₹ 18,40,000
 - (d) ₹ 18,25,000 (RTP May '21 , MTP 2 Marks Oct '23)

Ans: (a)

Chapter 10

Case Scenarios- Direct Tax Laws

Case scenario (MTP Oct'21)

Mr. Kashyap, a manufacturer, has disclosed a net profit of ₹40 lakhs for the year ended 31st March, 2024. He claimed depreciation of ₹ 12,20,000 in his books of account. Expenditure in profit and loss account includes interest paid to Mr. Raj, a resident, without deduction of tax at source ₹ 1,50,000. Such tax was, however, deducted on 15.4.2024 and remitted on 17.5.2024.

Mr. Kashyap is engaged in in-house scientific research and development. He incurred expenditure of ₹ 1,50,000 on purchase of research equipment's and ₹ 1,00,000 as remuneration paid to scientists. The said sums are also debited in the profit and loss account.

Mr. Kashyap purchased a new plant and machinery for ₹ 45,00,000 on 2nd August, 2023 and put the same to use on 1st November, 2023. For this purpose, he borrowed ₹ 25,00,000 on 1st August, 2023 and paid interest@10% p.a. which is debited in profit and loss account. Mr. Kashyap also purchased a motor car for ₹ 8,00,000 on 2nd October, 2022, which was put to use on the same date. Written down value of block of plant and machinery (15%) as on 1st April, 2023 is ₹ 95,00,000.

Based on the above information, choose the most appropriate Answer to the following Multiple Choice Questions

Question 1

What would be the depreciation allowable u/s 32 in respect of block of plant and machinery (15%) and motor car for A.Y.2024-25? Assume that motor car is the only asset in the block.

- (a) ₹ 22,23,438 and ₹ 1,68,000, respectively
- (b) ₹ 17,67,188 and ₹ 1,02,000, respectively
- (c) ₹ 22,12,500 and ₹ 1,02,000, respectively
- (d) ₹ 22,23,438 and ₹ 2,40,000, respectively (2 Marks, Oct'21) (Profits & Gains from Business Profession)

Answer 1 (a)

Question 2

What is the amount of disallowance, if any, attracted for non-deduction of tax at source on interest paid to Mr. Raj during the P.Y.2023-24?

- (a) Nil, since the tax was deducted and deposited on or before the due date of filing of return of income
- (b) ₹ 30,000
- (c) ₹ 45,000
- (d) ₹ 1,50,000 (2 Marks, Oct'21) (Advance Tax, Tax Deducted at Source & Introduction to Tax Collection at Source)

Answer 2 (c)

Question 3

What would be the income under the head "Profits and gains of business and profession" of Mr. Kashyap for A.Y.2024-25 under the normal provisions of the Act?

- (a) ₹ 29,36,062
- (b) ₹ 28,73,562
- (c) ₹ 28,01,562
- (d) ₹ 33,95,812 (2 Marks, Oct'21) (Profits & Gains from Business Profession)

Answer 3 (a)

Question 4

What would be the income chargeable under the head "Profits and gains of business and profession" of Mr. Kashyap for A.Y.2024-25, if he opts for section 115BAC?

- (a) ₹ 29,50,500



- (b) ₹ 32,00,500
- (c) ₹ 33,92,312
- (d) ₹ 36,42,312(2 Marks, Oct'21) (Profits & Gains from Business Profession)

Answer 4 (c)

Question 5

What would be the tax liability of Mr. Kashyap for A.Y. 2024-25 in a manner most beneficial to him?

- (a) ₹ 7,25,560
- (b) ₹ 7,21,050
- (c) ₹ 7,01,550
- (d) ₹ 6,47,560(2 Marks, Oct'21) (Basic Concepts)

Answer 5 (b)

Case scenario (MTP Nov'21)

Mr. Akashi had bought a residential house worth Rs. 2.5 crores at South Extension, Delhi in 2021 and let out the house on rent to Mr. Riya. The property was funded through loan from PNB. The interest due for F.Y.2023-24 to PNB is Rs. 25 lakhs, out of which he paid only Rs. 20 lakhs during the year. Mr. Akash then took a loan of Rs. 1.5 crores from SBI on 1.7.2023 for construction of first floor in that house for self-occupation. The construction is in progress as on 31.3.2024. Mr. Akash started repaying EMIs due to SBI. During the P.Y. 2023-24, he repaid principal amount of Rs. 25 lakhs and Rs. 5 lakhs to PNB and SBI, respectively. He also paid interest of Rs. 8 lakhs to SBI out of Rs. 10 lakhs, being interest due for the period from 1.7.2023 to 31.3.2024.

Mr. Akash owns another house in Haryana. He transferred that house to his minor daughter Miss Sia on her birthday as her birthday gift. Miss Sia gave the said house to the local Panchayat from September, 2023 at a rent of Rs. 5,000 per month. Mrs. Akashi's total income for A.Y.2024-25 is higher than that of Mr. Akash. This is the first year when Miss Sia has any source of income.

Mr. Akash bought electric vehicle worth Rs. 50 lakhs on loan from BSM Bank which it sanctioned on 1.4.2023. BSM Bank charged interest of Rs. 7 lakhs on electric vehicle for the P.Y.2023-24. Mr. Akash has also taken loan from ABC Bank for his daughter's higher education. He paid Rs. 50,000 as interest to ABC Bank. He also paid Mediclaim of Rs. 20,000 to New India Assurance Scheme for insuring his health. Mrs. Akash owns a shop of 200 square feet area in Gurgaon. She rented it to Mr. Vishal from October, 2020 at Rs. 60,000 per month, who gave her an interest-free deposit of Rs. 1,50,000. From the information given above, choose the most appropriate Answer to the following Questions –

Question 1

What is the amount of interest allowable as deduction u/s 24 to Mr. Akash for A.Y.2024-25?

- (a) Rs. 2 lakhs
- (b) Rs. 25 lakhs
- (c) Rs. 28 lakhs
- (d) Rs. 35 lakhs (2 Marks, Nov'21) (Income from House Property)

Answer 1 (b)

Question 2

What is the amount of deduction permissible to Mr. Akash under Chapter VI-A of Income-tax Act, 1961 for A.Y. 2024-25?

- (a) Rs. 1,70,000
- (b) Rs. 2,20,000
- (c) Rs. 3,70,000
- (d) Rs. 9,20,000(2 Marks, Nov'21) (Deductions from Gross Total Income)

Answer 2 (c)

Question 3

Is notional interest on interest free deposit received in respect of shop let out on rent chargeable to income-tax? If so, under which head of income would the same be taxable?

- (a) No, it is not chargeable to tax
- (b) Yes, it is chargeable to tax as profits and gains from business, since a commercial property has been let out.
- (c) Yes, it is chargeable to tax as “Income from Other Sources”, being the residuary head of income.
- (d) Yes, it is chargeable to tax as “Income from house property”, since section 22 does not distinguish between a residential house property and commercial house property. (2 Marks, Nov’21) (Income from House Property)

Answer 3 (a)**Question 4**

In whose hands would Sai’s rental income from house property at Haryana be taxable and how much income would be taxable?

- (a) In Sia’s hands; Rs.24,500
- (b) In Mr. Akash’s hands; Rs.24,500
- (c) In Mrs. Akash’s hands; Rs.23,000
- (d) It would change every year depending on the parent whose income is higher in that year. (2 Marks, Nov’21) (Income of Other Person included in Assessee's Total Income)

Answer 4 (b)**Case scenario (MTP Apr’21)**

Mr. Alisha an is engaged in the business of clothes trading since 2018. His minor daughter’s marriage is fixed in December, 2023. He planned destination wedding in Udaipur for his minor daughter. For the wedding, he withdrew Rs. 40,00,000 cash in the month of August, 2023 and Rs. 65,00,000 cash in the month of September, 2023 from Aapka Paisa Bank.

He booked 30 rooms for 5 days for the accommodation of his relatives in Raho Hotel and paid Rs. 40,000 in cash as advance and balance by account payee cheque. He took the catering services of Daana Caterers, a sole proprietor, for the wedding for which he paid Rs. 10,20,000 on 15.10.2023. For her wedding, he gifted his daughter a house property, purchased from RK Builders on 10.10.2023 by account payee cheque for Rs. 15,00,000. The stamp duty value of the property on 10.10.2023 is Rs. 16,00,000 and on the date of transfer to minor daughter is Rs. 20,00,000.

Mr. Alishaan paid Rs. 45,000 in cash and balance in cheque to travel agent for the return ticket of some of his relatives to US. He has not filed his return of income from P.Y. 2020-21. His daughter let out the house property received from him at a monthly rent of Rs. 40,000 from 01.11.2023.

Based on the above information, choose the most appropriate option of the following Multiple Choice Questions (MCQs):-

Question 1

The amount of tax to be deducted by Aapka Paisa Bank on cash withdrawals by Mr. Alishaan is –

- (a) Rs. 10,000
- (b) Rs. 25,000
- (c) Rs. 1,70,000
- (d) Rs. 1,85,000(2 Marks, April’21)(Advance Tax, Tax Deducted at Source & Introduction to Tax Collection at Source)

Answer 1 (d)**Question 2**

The amount of tax to be deducted by Mr. Alishaan on payment made to Daana Caterers is

- (a) Rs. 1,200



- (b) Rs. 900
- (c) Rs. 150
- (d) Nil **(2 Marks, April'21)**)(**Advance Tax, Tax Deducted at Source & Introduction to Tax Collection at Source**)

Answer 2 (d)

Question 3

For which of the following transactions, Mr. Alishaan is required to quote his PAN?

- (a) Purchase of immovable property from RK Builders
- (b) Payment to Raho Hotel
- (c) Payment to Travel agent
- (d) All of the above **(1 Mark, April'21)**)(**Advance Tax, Tax Deducted at Source & Introduction to Tax Collection at Source**)

Answer 3 (a)

Question 4

What shall be the amount taxable and in whose hands with respect to purchase of immovable property by Mr. Alishaan from RK Builders and gift of the same to his daughter?

- (a) Rs. 1,00,000 in the hands of Mr. Alishaan, Rs. 1,00,000 in the hands of RK builders and Rs. 20,00,000 in the hands of minor daughter
- (b) Nothing is taxable in the hands of Mr. Alishaan, RK Builders and minor daughter
- (c) Rs. 1,00,000 in the hands of Mr. Alishaan, Rs. 1,00,000 in the hands of RK builders and nothing is taxable in the hands of minor daughter
- (d) Nothing is taxable in the hands of Mr. Alishaan and RK Builders but Rs. 20,00,000 is taxable in the hands of minor daughter **(2 Marks, April'21)**)(**Advance Tax, Tax Deducted at Source & Introduction to Tax Collection at Source**)

Answer 4 (b)

Question 5

What shall be the amount taxable under "Income from House property" with respect to let out of house property by daughter of Mr. Alishaan and in whose hands it will taxable?

- (a) Rs. 1,40,000 taxable in the hands of daughter of Mr. Alishaan
- (b) Rs. 1,40,000 taxable in the hands of husband of daughter of Mr. Alishaan
- (c) Rs. 1,38,500 taxable in the hands of Mr. Alishaan
- (d) Rs. 1,40,000 taxable in the hands of Mr. Alishaan **(2 Marks, April'21)**)(**Income of Other Person included in Assesse's Total Income**)

Answer 5 (c)

Case scenario (MTP Mar'21 & Sep '23)

Mr. Ram, an Indian resident, purchased a residential house property at Gwalior on 28.05.1999 for Rs. 28.5 lakhs. The fair market value and the stamp duty value of such house property as on 1.4.2001 was Rs. 33.5 lakhs and Rs. 32.4 lakhs, respectively. On 05.02.2015, Mr. Ram entered into an agreement with Mr. Biomes for sale of such property for Rs. 74 lakhs and received an amount of Rs. 3.9 lakhs as advance. However, as Mr. Biomes did not pay the balance amount, Mr. Ram forfeited the advance.

On 15.04.2023, Mr. Ram sold the house property for Rs. 2.10 crores, when the stamp duty value of the property was Rs. 2.33 crores. Further, he purchased two residential house properties at Delhi and Mumbai for Rs. 54 lakhs each on 28.08.2023.

On 28.02.2024, Mr. Ram decided to sell the house property at Mumbai to his nephew, Mr. Vaishnava, for Rs. 58 lakhs, from whom Rs. 19,000 was received in cash on 15.01.2024 as advance for signing the agreement to sale. Sale deed was registered on 30.03.2021 on receipt of the balance amount through account payee cheque from Mr. Vaishnava. The stamp duty value of house property at Mumbai on 28.02.2024 and 30.03.2024 was Rs. 61 lakhs and Rs. 64 lakhs, respectively.

Cost inflation index –



P.Y. 2023-24: 348; P.Y. 2020-21: 301; P.Y. 2011-12: 184; P.Y. 2001-02: 100

Based on the above information, choose the most appropriate option of the following Multiple-Choice Questions (MCQs): -

Question 1

What shall be the indexed cost of acquisition of residential house property at Gwalior for computation of capital gains in the hands of Mr. Ram?

- (a) Rs. 1,00,83,500
- (b) Rs. 97,52,400
- (c) Rs. 85,78,500
- (d) Rs. 89,09,600 (2 Marks, March'21) (Capital Gains)

Answer 1 (c) *As per change in year to FY 23-24 the answer will be Rs 99,18,000 as per revised cost of inflation index*

Question 2

The amount of capital gains taxable for A.Y. 2024-25 in the hands of Mr. Ram for sale of residential house property at Gwalior is -

- (a) Rs. 39,21,500
- (b) Rs. 93,21,500
- (c) Rs. 35,90,400
- (d) Rs. 24,16,500 (2 Marks, March'21) (Capital Gains)

Answer 2 (a) *As per change in year to FY 23-24 the answer will be Rs 25,82,000 as per revised cost of inflation index*

Question 3

The amount of capital gains taxable for A.Y. 2024-25 in the hands of Mr. Ram for sale of residential house property at Mumbai is -

- (a) Rs. 3 lakhs
- (b) Rs. 6 lakhs
- (c) Rs. 61 lakhs
- (d) Rs. 64 lakhs (2 Marks, March'21) (Capital Gains)

Answer 3 (d)

Question 4

The amount taxable under section 56(2)(x) in the hands of Mr. Vaishnava, if any, is -

- (a) Rs. 3 lakhs
- (b) Nil
- (c) Rs. 6 lakhs
- (d) Rs. 5.50 lakhs (2 Marks, March'21) (Income from Other Sources)

Answer 4 (c)

Question 5

What shall be the total tax credit available with Mr. Ram with respect to sale of two house properties during P.Y. 2023-24 assuming the tax was fully deducted by both the buyers at the time of payment?

- (a) Rs. 2,01,000
- (b) Rs. 2,53,500
- (c) Rs. 2,68,000
- (d) Rs. 2,81,000 (2 Marks, March'21) (Capital Gains)

Answer 5 (b)

Case scenario (MTP Oct'20)

Mr. Rajesh Sharma, aged 54 years, an Indian citizen, is working as Assistant Manager in ABC India Ltd. He is getting basic salary of ₹ 58,000 per month. He used to travel frequently out of India for his office work. He left India from Delhi Airport on 5th Oct, 2023 and returned to India on 2nd Apr, 2024.

For previous year 2023-24, following information are relevant;

- (a) Dearness Allowance - 10% of Basic Pay (considered for retirement purposes)
- (b) Bonus - ₹ 98,000
- (c) Medical allowance paid during P.Y. 2023-24 amounting to ₹60,000
- (d) He was also reimbursed medical bill of his mother amounting to ₹15,000.
- (e) He was also transferred a laptop by company for ₹ 15,000 on 31st Dec 2023. The laptop was acquired by company on 1st Oct,2020 for ₹ 1,00,000. Company was charging depreciation at 31.666% assuming useful life of laptop as 3 years.
- (f) He was also reimbursed salary of house servant of ₹ 4,000 per month during P.Y. 2023-24.
- (g) Professional Tax paid by employer during P.Y. 2023-24 amounting to ₹ 2,400.
- (h) 400 equity shares allotted by ABC India Ltd. during P.Y. 2023 -24 at the rate of ₹ 250 per share against fair market value of share of ₹ 350 on the date of exercise of option.
- (i) Short-term capital gain on sale of shares of listed company on which STT is paid amounting to ₹ 94,000.
- (j) Mr. Rajesh was also found owner of ₹ 5 lakh worth jeweler, of which he could not provide any satisfactory explanation.

Based on the above information, choose the most appropriate option of the following Multiple Choice Questions (MCQs) for A.Y. 2024-25: -

Question 1

What is Mr. Rajesh Sharma's residential status for the A.Y. 2024 -25?

- (a) Resident but can't determine resident and ordinarily resident or resident but not ordinarily resident from the given information
- (b) Non-Resident
- (c) Resident but not ordinarily resident
- (d) Resident and ordinarily resident (2 Marks, Oct'20) (Residence & Scope of Total Income)

Answer 1 (a)

Question 2

What is his taxable perquisite for A.Y. 2024-25?

- (a) ₹ 55,000
- (b) ₹ 90,400
- (c) ₹ 1,05,400
- (d) ₹ 1,90,400 (2 Marks, Oct'20) (Salaries)

Answer 2 (c)

Question 3

What is the income chargeable under the head "Salaries" in the hands of Mr. Rajesh Sharma for A.Y. 2024-25?

- (a) ₹ 9,76,600
- (b) ₹ 9,86,600
- (c) ₹ 9,71,600
- (d) ₹ 9,61,600 (2 Marks, Oct'20) (Salaries)

Answer 3 (a)

Question 4

The tax liability (without considering surcharge and Health and education cess, if any) of Mr. Rajesh Sharma towards unexplained jeweler would be _____

- (a) ₹ 1,00,000
- (b) ₹ 1,50,000
- (c) ₹ 3,00,000



- (d) ₹ 2,50,000(2 Marks, Oct'20) (Computation of Total Income & Tax Payable)

Answer 4 (c)

Question 5

The total tax liability of Mr. Rajesh Sharma for A.Y. 2024-25 is _____

- (a) ₹ 5,16,800
- (b) ₹ 5,18,880
- (c) ₹ 4,38,800
- (d) ₹ 4,40,880(2 Marks, Oct'20) (Computation of Total Income & Tax Payable)

Answer 5

- (a)

Case scenario (MTP May'20)

Ananya Gupta, a citizen of India, lives with her family in New York since the year 2004. She visited India from 23rd March, 2023 to 28th September, 2023 to take care of her ailing mother. In the last four years, she has been visiting India for 100 days every year to be with her mother. She owns an apartment at New York, which is used as her residence. The expected rent of the house is \$ 32,000 p.a. The value of one USD (\$) may be taken as Rs.75. Municipal taxes paid in New York in January, 2024 is \$ 2,000.

She took ownership and possession of her house in New Delhi on 25th March, 2023, for self-occupation, while she is in India. The municipal valuation is 4,20,000 p.a. and the fair rent is Rs. 4,50,000 p.a. She paid property tax of Rs. 22,000 to Delhi Municipal Corporation. She had taken a loan of Rs.16 lakhs@10% p.a. from IDBI Bank on 1st April, 2020 for constructing this house. No amount has been paid towards principal repayment so far. The house is vacant for the rest of the year i.e., from October 2023 to March 2023.

She had a house property in Mumbai, which was sold on 28th March, 2023. In respect of this house, she received arrears of rent of Rs. 3,00,000 on 4th February, 2024. This amount has not been charged to tax earlier.

Based on the above information, choose the most appropriate option of the following Multiple Choice Questions (MCQs) for A.Y. 2024-25: -

Question 1

- (i) What would be the residential status of Ananya Gupta for A.Y.2024-25?
 - (a) Resident and ordinarily resident
 - (b) Resident but not ordinarily resident
 - (c) Resident; Not possible to determine whether she is ordinarily resident or not since number of days of stay in the last seven years is not given in the Question
 - (d) Non-resident (2 Marks, May'20) (Residence & Scope of Total Income)

Answer 1 (d)

Question 2

Ms. Ananya Gupta can claim benefit of "Nil" Annual Value under section 23(2) in respect of -

- (a) Her Delhi house
- (b) Her New York house, since it is more beneficial; her Delhi house will be deemed to be let out and expected rent would be the annual value.
- (c) Her Delhi house alone; her New York house will be deemed to be let out and expected rent would be the annual value.
- (d) Both her Delhi house and New York house, since benefit of Nil Annual value u/s 23(2) is available in respect of two house properties.

(2 Marks, May'20) (Income from House Property)

Answer 2

(a)

Question 3

What is the income chargeable under the head “Income from house property” of Ananya Gupta for A.Y.2024-25?

- (a) Rs.15,85,000
- (b) Rs.3,09,600
- (c) Rs.1,00,000
- (d) Rs. 10,000(2 Marks, May’20) (Income from House Property)

Answer 3 (d)
Question 4

Assuming that, for the purpose of this MCQ alone, Ananya Gupta has let out her flat in New York during the six months (April to September) when she is in India, for a sum of \$ 6,000 p.m. Such rent was received in a bank account in New York and then remitted to India through approved banking channels. What would be the income from house property chargeable to tax in her hands in India for A.Y.2024-25?

- (a) Rs. 10,000
- (b) Rs.17,85,000
- (c) Rs.17,95,000
- (d) Rs.18,85,000 (2 Marks, May’20) (Income from House Property)

Answer 4 (a)
Case scenario (MTP March ’22)

Anjali is a research scholar pursuing her PhD. She is unmarried and her parents are living in Ahmedabad, Gujarat. Her parental grandparents and other family relatives are staying in South Africa. She was in India with her parents till May 2019. After then, she went to London for further education. In October 2022, she returned to India. On 28th March 2023, she travelled out of India to Johannesburg, in South Africa, for her research project and Khadi business exhibitions. She returned on 1st October 2023 to participate in the 152nd Birth Anniversary Celebrations of Mahatma Gandhi. In this connection, she attended numerous events held all over India, while also holding exhibitions for her textile business in ‘Khadi - the fabric that breathes, the livery of freedom’ - as showcased by Mahatma Gandhi. She won accolades and awards, gifts and donations in the course of showcasing her work. You have been provided with the following data in respect of her receipts and income for the F.Y. 2023-24

S. No.	Details	Amount (₹)
1.	Scholarship for pursuing her research work	4,80,000
2.	Gross receipts from exhibitions held in South Africa in collaboration with the leading Fashion House	10,00,000
3.	Gross receipts from exhibitions held in India	12,00,000
4.	Gross receipts from sale of Honey in the exhibitions in India	1,05,000
5.	Gross receipts from sale of Handmade Khadi designer fashion accessories and other Khadi stationery products	2,25,000
6.	Gift from father’s sister whom she visited in Johannesburg, South Africa	51,000
7.	Cash gifts received from friends in ‘Gandhi Gujarat Seva Samaj’ with whom she stayed while in Johannesburg, South Africa.	27,000
8.	Received share of income from the HUF	22,000
9.	Cost of material for exhibitions held in South Africa and India - ₹ 12,00,000; Cost of Handmade Khadi designer fashion accessories and other Khadi stationery products - ₹ 1,00,000; Other eligible Business expenses - ₹ 4,00,000; Cost of Honey purchased for sale in the exhibitions in India – ₹ 55,000.	



10.	Mr. Patel of South Africa gave her a cheque of ₹5,00,000 favouring 'Gandhi Smarak Trust' as donation to the Trust. She was requested to hand over the cheque to the Trust's office at Ahmedabad.
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Notes:

Anjali does not manufacture any of the Khadi products. She sourced all the Khadi materials, accessories, products and honey from suppliers of such items.

All financial transactions are carried out in account payee cheques and TDS has been deducted, wherever applicable. Her paternal grandfather is the Karta of the family HUF. Her paternal grandfather comes on visit in India for 6 months every year since 2016. The HUF is managed outside India and all decisions regarding the HUF are made outside India.

Anjali does not want to opt for the provisions of section 115BAC.

From the information given above, choose the most appropriate Answer to the following Questions – (4 x 2 Marks March 22)

(i) What is the residential status of Anjali for the A.Y. 2024-25?

- (a) Non-resident
- (b) Resident but not ordinarily resident
- (c) Deemed resident
- (d) Resident and ordinarily resident (Chapter 2 Residence & Scope of Total Income)

Answer (i) : (d)

(ii) What is the residential status of HUF for the A.Y. 2024-25?

- (a) Resident and ordinarily resident
- (b) Resident but not ordinarily resident
- (c) Non-resident
- (d) Deemed resident(Chapter 2 Residence & Scope of Total Income)

Answer (ii) : (c)

(iii) Determine the taxability of gift received by Anjali from her father's sister and from her friends in 'Gandhi Gujarat Seva Samaj' for the A.Y. 2024-25?

- (a) ₹ 51,000 will be exempt as it is a gift received from a relative. ₹ 27,000 received as cash gifts from her friends would not be taxable as all her friends are non-residents.
- (b) ₹ 51,000 will be taxed as "Income from other sources" as father's sister is not a relative. ₹ 27,000 received as cash gifts from friends will also be taxable as the total gifts from non- relatives during the A.Y. 2022-23 exceeds ₹ 50,000.
- (c) ₹ 51,000 will be exempt as it is a gift received from a relative. ₹ 27,000 received as cash gifts from friends will be taxed as amount is paid in cash and is received from non-residents.
- (d) ₹ 51,000 will be exempt as it is a gift received from a relative. ₹ 27,000 received as cash gifts from friends will not be taxable as the total gifts received from non-relatives during the A.Y. 2022-23 does not exceed ₹ 50,000.

(Chapter 4.5 Income from Other Sources)

Answer (iii) : (d)

(iv) What would be the total income of Ms. Anjali for A.Y. 2024-25 if she wishes to maximize tax savings?

- (a) ₹ 12,55,000
- (b) ₹ 8,02,000

(c) ₹ 1,51,800

(d) ₹ 7,75,000 (Chapter 8 Computation of Total Income & Tax Payable)

Answer (iv) : (c)

Case scenario (MTP April '22)

Mr. Suresh born on 1.4.1964 furnished his return of income for Assessment Year 2024-25 on 25.07.2024. He has opted for the provisions of section 115BAC. He had shown the following income in his original return of income -

- Salary of ₹ 10.50 lakhs from ABC (P) Ltd
- Interest from savings bank account of ₹ 15,700
- Interest from fixed deposits with SBI of ₹ 50,000.

During the P.Y. 2023-24, he paid interest on loan ₹ 2,50,000 for purchase of self-occupied property. He contributed ₹1,50,000 towards the PPF. He paid health insurance premium of ₹ 40,000 by account payee cheque for self and wife. He paid ₹ 2,200 in cash for his health check-up and ₹ 4,000 by cheque for preventive health check-up of his parents. He also paid medical insurance premium of ₹ 29,000 during the year to insure the health of his mother, aged 80 years. He further incurred medical expenditure of ₹ 18,000 on his father, aged 81 years, who is staying with him. His father is not covered under any mediclaim policy. He met one of his friends, CA. Nakul on 31.1.2025. While discussing with his friend, his friend told him that the concessional tax rate under section 115BAC is not beneficial to him. He advised him to revise his return of income and not to opt for section 115BAC. However, Mr. Suresh's son, who is employed in the accounts department of XYZ (P) Ltd., is of the view that once option to pay tax as per section 115BAC is selected in original return, it cannot be changed in revised return. From the information given above, choose the most appropriate **Answer** to the following **Questions** – (5 x 2 marks April 22)

- (i) What is the tax payable by Mr. Suresh for A.Y. 2024-25 as per original return of income filed by Mr. Suresh?
- (a) ₹ 97,070
 - (b) ₹ 1,02,070
 - (c) ₹ 96,030
 - (d) ₹ 1,01,030 (Chapter 8 Computation of Total Income & Tax Payable)

Answer (i) :- (b)

As per amendment – The slab rates under 115BAC have changed. Standard deduction of Rs 50,000 allowed against salary under 115 BAC so revised answer is Rs. 72,650

- (ii) What is the total deduction under Chapter VI-A allowable to Mr. Suresh if he does not opt for the provisions of section 115BAC?
- (a) ₹ 2,34,800
 - (b) ₹ 2,35,000
 - (c) ₹ 2,92,000
 - (d) ₹ 2,92,200 (Chapter 7 Deductions from Gross Total Income)

Answer (ii) : (c)

- (iii) What is total income of Mr. Suresh under the normal provisions of the Act for A.Y. 2024-25?

(a) ₹ 5,23,700

- (b) ₹ 5,73,700
- (c) ₹ 6,75,700
- (d) ₹ 6,80,700 **(Chapter 8 Computation of Total Income & Tax Payable)**

Answer (iii) : (b)

(iv) Compute the tax liability of Mr. Suresh for A.Y. 2024-25 if he does not opt for the provisions of section 115BAC.

- (a) ₹ 25,730
- (b) ₹ 50,590
- (c) ₹ 17,930
- (d) ₹ 49,550 **(Chapter 1 Basic Concepts)**

Answer (iv) : (a)

(v) Can Mr. Suresh file his revise return of income for A.Y. 2022-23 and declare income under the regular provisions of the Act?

- (a) Yes, Mr. Suresh can revise his return of income and declare income under the regular provisions of the Act
- (b) No, though he can file a revised return of income, option under section 115BAC once opted in original return of income cannot be changed in revised return of income
- (c) No, Mr. Suresh cannot revise his return of income for A.Y. 2022-23
- (d) No, he cannot do so since he is a salaried employee. He would have made a declaration to opt for section 115BAC to his employer, which cannot be changed subsequently at the time of filing of return of income **(Chapter 10 Provisions for Filing Return of Income and Self-Assessment)**

Answer (v) : (c)

Case scenario (MTP Sep'22)

Question 1

Mrs. Shalini is a retired Government employee. She was born on 01.04.1944 in India. She is residing in Delhi. She stayed with her elder son Mr. Nakul from 1st May, 2023 to 15th October, 2023, who is residing in Australia. She stayed in India for 361 days during the 4 previous years preceding the previous year 2023-24. During the previous year 2023-24, pension of ₹ 7,15,461 is credited in her account with State Bank of India, Uttam Nagar Branch, Delhi after deducting tax at source of ₹ 14,565. She received interest of ₹ 4,352 on her saving A/c with SBI during the previous year 2023-24. She also received interest of ₹ 67,500 on Fixed Deposits with Canara Bank in the month of April, 2023.

She has purchased two life insurance policies for her son Mr. Yuvaan and married daughter Mrs. Kajal, the details of which are as follows:

Person insured	Policy purchased on	Date of payment of premium	Sum Assured	Premium paid
Mr. Yuvaan (50 years old)	15.10.2020	23.10.2023	₹ 9,84,655	₹ 1,00,388
Mrs. Kajal (45 years old)	20.09.2020	25.09.2023	₹ 2,00,000	₹ 17,000

She has taken a medical insurance for herself for which she paid an amount of ₹ 35,000 towards health insurance premium by A/c payee cheque. She incurred ₹ 7,500 towards preventive health check-up of herself and her husband in cash. She also incurred medical expenditure of ₹ 25,000 in cash in the month of January 2024 for her husband. In the month of March 2024, she incurred medical expenditure of ₹ 10,500 for herself, which is paid by account payee cheque. She has given a wristwatch of ₹ 10,000 on her husband's 85th birthday. Her husband is resident in India for the P.Y. 2023-24. Mrs. Shalini does not opt to pay tax

under section 115BAC.

Based on the facts of the case scenario given above, choose the most appropriate answer to the following questions:

Chapter 7: Deductions from Gross Total Income

(i) What would be the amount of deduction under Chapter VI-A available to Mrs. Shalini for the A.Y. 2024-25?

- (a) ₹ 2,05,466
- (b) ₹ 2,08,466
- (c) ₹ 2,07,388
- (d) ₹ 2,18,466 (Sep'22)

Answer(i): (a)

Chapter 8: Computation of Total Income & Tax Payable

(ii) What would be the Gross total income of Mrs. Shalini for the assessment year 2024-25?

- (a) ₹ 7,87,313
- (b) ₹ 8,04,878
- (c) ₹ 7,59,378
- (d) ₹ 8,09,378 (Sep'22)

Answer(ii): (c)

Chapter 1: Basic Concepts

(iii) What is the amount of net tax payable/(refundable) of Mrs. Shalini for the A.Y. 2024-25?

- (a) (₹ 10,850)
- (b) (₹ 1,790)
- (c) (₹ 1,080)
- (d) (₹ 450) (Sep'22)

Answer(iii): (a)

Chapter 1: Basic Concepts

(iv) What would be the total income of Mrs. Shalini for the assessment year 2024-25, if she opts to pay tax under section 115BAC?

- (a) ₹ 7,51,880
- (b) ₹ 8,01,880
- (c) ₹ 7,87,310
- (d) ₹ 8,09,380 (Sep'22)

Answer (iv): (a)

Chapter 1: Basic Concepts

(v) What is the amount of net tax payable/(refundable) of Mrs. Shalini for the A.Y. 2024-25, if she opts to pay tax under section 115BAC?

- (a) ₹ 22,760
- (b) ₹ 13,200
- (c) ₹ 26,200
- (d) ₹ 25,030 (Sep'22) (5 x 2 = 10 Marks)

Answer (v): (d)

Case scenario (MTP Oct'22)**Question 1**

Write the most appropriate answer to each of the following multiple choice questions by choosing one of the four options given. All questions are compulsory. (5 x 2 = 10 Marks) (Oct 22)

Mr. Raj, aged 45 years, commenced operations of the business of a new three-star hotel in Mumbai, Maharashtra on 1.4.2023. He incurred capital expenditure of ₹ 90 lakh on land in March, 2023 exclusively for the above business, and capitalized the same in his books of account as on 1st April, 2023. Further, during the P.Y. 2023-24, he incurred capital expenditure of ₹ 2.50 crore (out of which ₹ 1 crore was for acquisition of land and ₹ 1.50 crore was for acquisition of building) exclusively for the above business. The payments in respect of the above expenditure were made by account payee cheque. The profits from the business of running this hotel (before claiming deduction under section 35AD) for the A.Y.2024-25 is ₹ 75 lakh. Mr. Raj is not opting for section 115BAC.

Mr. Viraj, brother of Mr. Raj, has commenced the business of manufacture of apparel on 1.10.2023. He employed 220 new employees during the P.Y.2023-24, the details of whom are as follows –

	No. of employees	Date of employment	Regular/ Casual	Total monthly emoluments per employee (₹)
(i)	40	1.10.2021	Regular	24,000
(ii)	80	1.10.2021	Regular	24,500
(iii)	50	1.11.2021	Casual	25,500
(iv)	30	1.11.2021	Regular	25,000
(v)	20	1.12.2021	Casual	24,000

All regular employees participate in Recognized Provident Fund and their emoluments are paid by account payee cheque. The profits and gains derived from manufacture of apparel that year is ₹ 80 lakhs and his total turnover is ₹ 11 crores. Based on the facts of the case scenario given above, choose the most appropriate answer to the following questions:

Chapter 4.3: Profits & Gains from Business Profession

- (i) Assuming that Mr. Raj has fulfilled all the conditions specified for claim of deduction under section 35AD and has not claimed any deduction under Chapter VI-A under the heading "C. – Deductions in respect of certain incomes", what would be the quantum of deduction under section 35AD, which he is eligible to claim as deduction for A.Y.2024-25?
- (a) ₹ 340 lakh
 - (b) ₹ 250 lakh
 - (c) ₹ 190 lakh
 - (d) ₹ 150 lakh (Oct'22)

Answer: (d)

Chapter 4.3: Profits & Gains from Business Profession

- (ii) Assuming that Mr. Raj also has another existing business of running a four-star hotel in Ahmedabad, which commenced operations twenty years back, the profits from which are ₹ 130 lakh for the A.Y.2024-25, what would be its income chargeable/loss under the head "Profits and gains of business or profession" for the A.Y.2024-25?
- (a) ₹ 130 lakh
 - (b) ₹ 55 lakh

- (c) ₹ 20 lakh
- (d) ₹ 15 lakh (Oct '22)

Answer: (b)

Chapter 4.3: Profits & Gains from Business Profession

- (iii) If, out of the amount of ₹ 1 crore paid for acquisition of land in the P.Y.2023-24, ₹ 50 lakh was paid by way of cash, what would be the answer to questions (i) and (ii) above?
- (a) ₹ 150 lakh; ₹ 55 lakh, respectively
 - (b) ₹ 100 lakh; ₹ 105 lakh, respectively
 - (c) ₹ 290 lakh; (₹ 85 lakh), respectively
 - (d) ₹ 140 lakh; ₹ 65 lakh, respectively(Oct'22)

Answer: (a)

Chapter 1: Basic Concepts

- (iv) Considering the assumption given in question (ii) above, what would be the tax payable (rounded off) by Mr. Raj for A.Y.2023-24?
- (a) ₹ 16,73,100
 - (b) ₹ 42,03,940
 - (c) ₹ 2,73,000
 - (d) ₹ 15,21,000(S Oct '22)

Answer: (b)

Chapter 7: Deductions from Gross Total Income

- (v) Would Mr. Viraj be eligible for deduction under section 80JJAA in the A.Y.2024 -25? If so, what is the quantum of deduction?
- (a) No, he would not be eligible for deduction u/s 80JJAA since the employees have not been employed for 240 days in the P.Y.2023-24. He can, however, claim deduction thereunder in the P.Y.2023-24
 - (b) Yes; ₹ 63,81,000
 - (c) Yes; ₹ 58,68,000
 - (d) Yes; ₹ 52,56,000 (5 x 2 = 10 Marks) (Oct'22)

Answer: (b)

Case scenario (MTP March '23, RTP Nov'21)

Question 1

Mr. Kamal, an Indian citizen, aged 61 years, has set-up his business in Canada and is residing in Canada since 2011. He owns a house property in Canada, half of which is used by him for his residence and half is given on rent (converted into INR is ₹ 12,00,000 p.a.).

He purchased a flat in Delhi on 13.10.2021 for ₹ 42,00,000. The stamp duty value of the flat was ₹ 35,00,000. He has taken a loan from Canara Bank in India of ₹ 34,00,000 for purchase of this flat. The interest on such loan for the F.Y. 2023-24 was ₹ 3,14,000 and principal repayment was ₹ 80,000. Mr. Kamal has given this flat on monthly rent of ₹ 32,500 since April, 2023. The annual property tax of Delhi flat is ₹ 40,000 which is paid by Mr. Kamal, whenever he comes to India to meet his parents. Mr. Kamal visited India for 124 days during the previous year 2023-24. Before that he visited India in total for 366 days during the period 1.4.2019 to 31.3.2023.



He had a house in Ranchi which was sold in May 2020. In respect of this house, he received arrears of rent of ₹ 2,96,000 in February 2024 (not taxed earlier).

He also derived some other incomes during the F.Y. 2023-24 which are as follows:

- (i) Profit from business in Canada ₹ 2,75,000
- (ii) Interest on bonds of a Canadian Co. ₹ 6,20,000 out of which 50% was received in India.
- (iii) Income from Apple Orchid in Nepal given on contract and the yearly contract fee of ₹ 5,00,000 for F.Y. 2023-24, was received by Kamal in Nepal.

Mr. Kamal has sold 10,000 listed shares @ ₹ 480 per share of A Ltd., an Indian company, on 15.9.2023, which he acquired on 05-04-2018 @ ₹ 100 per share. STT was paid both at the time of acquisition as well as at the time of transfer of such shares.

On 31-01-2019, 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

Based on the facts of the case scenario given above, choose the most appropriate answer to the following questions:- (5 x 2 = 10 Marks)

- (i) What would be the residential status of Mr. Kamal for the A.Y. 2024-25?
 - (a) Resident and ordinarily resident in India
 - (b) Resident but not ordinarily resident in India
 - (c) Non-resident
 - (d) Deemed resident (Chapter Residence & Scope of Total Income)

Answer (i) (b)

- (ii) What would be the amount of income taxable under the head "Income from house property" in the hands of Mr. Kamal for the A.Y. 2024-25?
 - (a) ₹ 2,52,200
 - (b) ₹ 1,38,200
 - (c) ₹ 9,78,200
 - (d) ₹ 10,92,200 (Chapter Income from House Property)

Answer (ii) (b)

- (iii) What amount of capital gain would arise in the hands of Mr. Kamal on transfer of shares of A Ltd?
 - (a) ₹ 18,00,000
 - (b) ₹ 19,00,000
 - (c) ₹ 20,00,000
 - (d) ₹ 38,00,000 (Chapter Capital Gains)

Answer (iii) (a)

- (iv) What would be the total income of Mr. Kamal for the A.Y. 2024-25, if he does not opt to pay tax u/s 115BAC?



- (a) ₹ 22,82,200
- (b) ₹ 22,68,200
- (c) ₹ 22,48,200
- (d) ₹ 21,68,200 (Chapter Computation of Total Income & Tax Payable)

Answer (iv) (d)

- (v) What would be the tax liability (computed in the manner so as to minimise his tax liability) of Mr. Kamal for the A.Y. 2024-25?
 - (a) ₹ 1,82,950
 - (b) ₹ 1,87,110
 - (c) ₹ 1,80,350
 - (d) ₹ 1,84,510 (Chapter Computation of Total Income & Tax Payable)

Answer (v) (c)

Case scenario (MTP April '23)

Question 1

Mr. Rajan, aged 62 years, an Indian citizen, resides in Delhi. His wife Sheetal and daughter Riya also reside with him. Riya, aged 16 years, is studying in 12th Standard in DAV school at New Delhi. Mr. Rajan left for employment to the United States of America on 15th September, 2023 but his family did not accompany him. He returned to India on 25th March 2024. Mr. Rajan had gone outside India for the first time in his life. During April, 2023 to September, 2023, he worked with a multinational company in Delhi. He earned salary of ₹ 14,00,000 from his job in India. He paid Tuition Fee of ₹ 1,80,000 for Riya's education in DAV school. Apart from that, Mr. Rajan also earned professional income of ₹ 60,00,000 (Gross Receipts – ₹ 90 lakhs) from India. During the year, he also earned interest from his Indian savings bank account to the tune of ₹ 12,000 and interest from fixed deposits with nationalized banks of ₹ 45,000. Mr. Rajan also earned a salary income equivalent to ₹ 6,00,000 from USA for his job, on which no tax is paid or payable in USA, which was deposited in his bank account in USA and later on remitted to India.

Mr. Rajan decides not to opt to pay tax under section 115BAC.

Based on the facts of the case scenario given above, choose the most appropriate answer to the following questions:-

- (i) What is the residential status of Mr. Rajan for the previous year 2023-24?
 - (a) Resident and ordinarily in India
 - (b) Resident but not ordinarily resident in India
 - (c) Non-resident in India
 - (d) Deemed resident but not ordinarily resident in India (Chapter Residence & Scope of Total Income)

Answer (d)

- (ii) What would be the income chargeable to tax under the head "Salaries" in the hands of Mr. Rajan in India for F.Y. 2023-24?
 - (a) ₹ 20,00,000
 - (b) ₹ 19,50,000
 - (c) ₹ 13,50,000

(d) ₹ 19,60,000 (chapter Salaries)

Answer (c)

(iii) **How much deduction is available under Chapter VI-A from the Gross Total Income of Mr. Rajan?**

(a) ₹ 2,30,000

(b) ₹ 1,95,000

(c) ₹ 1,60,000

(d) ₹ 2,00,000 (chapter Deductions from Gross Total Income)

Answer (d)

(iv) **What shall be the tax liability of Mr. Rajan for the A.Y. 2024-25?**

(a) ₹ 22,69,810

(b) ₹ 22,58,940

(c) ₹ 22,56,080

(d) ₹ 22,72,670 (Chapter Computation of Total Income & Tax Payable)

Answer (c)

(v) **What would be the due date for filing income-tax return of Mr. Rajan for the P.Y. 2023-24?**

(a) 31st July, 2024

(b) 31st October, 2024

(c) 30th November, 2024

(d) 31st March, 2025 (Chapter Provisions for Filing Return of Income and Self Assessment)
(5 x 2 = 10 Marks)

Answer (b)

Case Scenario (RTP Nov '19)

Mr. Sarthak (age 37 years) a share broker, sold a building to his friend Anay, who is a dealer in automobile spare parts, for ₹ 120 lakh on 10.11.2023, when the stamp duty value was ₹ 150 lakh. The agreement was, however, entered into on 1.9.2023 when the stamp duty value was ₹ 140 lakh. Mr. Sarthak had received a down payment of ₹ 15 lakh by a crossed cheque from Anay on the date of agreement. Mr. Sarthak purchased the building for ₹ 95 lakh on 10.5.2021. Further, Mr. Sarthak also sold an agricultural land (situated in a village which has a population of 5,800) for ₹ 60 lakhs to Mr. Vivek on 01.03.2024, which he acquired on 15.06.2018 for ₹ 45 lakhs. Stamp duty value of agricultural land as on 1.3.2024 is ₹ 75 lakhs CII for F.Y. 2014-15: 240; F.Y. 2017-18: 272; F.Y. 2019-20: 289; F.Y. 2021-22: 317; F.Y. 2023-24: 348.

In the light of the above facts, you are required to Answer the following:

(i) **Is there any requirement to deduct tax at source on consideration paid or payable on transfer of building**



and agricultural land?

- (a) No; no tax is required to be deducted at source on transfer of any capital asset
- (b) Yes; Mr. Anay is required to deduct tax at source under section 194-IA.
- (c) Yes; Mr. Vivek is required to deduct tax at source under section 194-IA.
- (d) Yes; Mr. Sarthak is required to deduct tax at source under section 194-IA. **(Chapter 9 Advance Tax, Tax Deducted at Source & Introduction to Tax Collection at Source)**

Answer (i) The Answer is (b)

(ii) In respect of transfer of building, capital gains chargeable to tax in the hands of Mr. Sarthak would be -

- (a) long-term capital gains of ₹ 49,06,250
- (b) long-term capital gains of ₹ 39,06,250
- (c) short-term capital gains of ₹ 45,00,000
- (d) short-term capital gains of ₹ 55,00,000 **(Chapter 4.4 Capital Gains)**

Answer (ii) The Answer is (a) As per change in year to FY 23-24 the answer will be Rs 45,70,978 as per revised cost of inflation index

(iii) Assuming that Mr. Sarthak has other income exceeding basic exemption limit, the tax payable (excluding surcharge and health and education cess) on transfer of building and agricultural land, would be -

- (a) ₹ 7,81,250
- (b) ₹ 13,97,500
- (c) ₹ 9,81,250
- (d) ₹ 10,97,500 **(Chapter 4.4 Capital Gains)**

Answer (iii) The Answer is (c) As per change in year to FY 23-24 the answer will be Rs 9,14,196 as per revised cost of inflation index

(iv) In respect of purchase of building from Mr. Sarthak, income chargeable to tax in the hands of Mr. Anay would be -

- (a) ₹ 20 lakh
- (b) ₹ 30 lakhs
- (c) ₹ 15 lakhs
- (d) Nil **(Chapter 4.5 Income from Other Sources)**

Answer (iv) The Answer is (b)

Case Scenario (RTP Nov '19)



Mr. Hardik (age 45 years) is appointed as senior executive officer in Sky India Limited, Mumbai on 01.02.2023 in the scale of ₹ 35,000-3500-65,000. He is paid dearness allowance @40% of salary forming part of retirement benefits.

He is given rent free unfurnished accommodation on 01.5.2023 which he occupied only from 01.10.2023. The company pays lease rent of ₹ 5,000 p.m.

He has been provided a car of 2000 cc capacity which is used by him for private purposes only. The actual cost of the car is ₹ 8,00,000. The monthly expenditure of car is ₹ 5,000, which is fully met by the employer.

He pays lumpsum premium of ₹ 1,50,000 towards health insurance for self and his wife for 48 months on 01.10.2023 by account payee cheque. He also contributes ₹ 1,50,000 towards PPF.

In the light of above facts, you are required to Answer the following:

- (i) Value of rent-free accommodation chargeable to tax in the hands of Mr. Hardik, would be -
- (a) ₹ 44,835
 - (b) ₹ 44,100
 - (c) ₹ 45,570
 - (d) ₹ 30,000 (Chapter 4.1Salaries)

Answer (i) The Answer is (d)

- (ii) Mr. Hardik would be eligible for deduction in respect of health insurance premium paid during the previous year 2023-24, for -
- (a) ₹ 30,000
 - (b) ₹ 18,750
 - (c) ₹ 25,000
 - (d) ₹ 37,500 (Chapter 7 Deductions)

Answer (ii) The Answer is (c)

- (iii) Perquisite value of car chargeable to tax in the hands of Mr. Hardik would be -
- (a) ₹ 28,800
 - (b) ₹ 21,600
 - (c) ₹ 60,000
 - (d) ₹ 1,40,000 (Chapter 4.1Salaries)

Answer (iii) The Answer is (d)

Case Scenario (RTP Nov '20)

Mr. A (aged 52 years), is a CEO of XYZ Enterprise Limited. During the previous year 2023-24, he earned salary of ₹ 1,65,00,000 and long-term capital gain on sale of listed equity shares amounting to ₹ 1,06,500. He earned interest of ₹ 4,82,778 on saving account.

Further, he has provided the following other information for filing his return of income:



He does not receive house rent allowance from his employer. Mr. A took a loan from State Bank of India on 27th October 2017 for repairing his house (self-occupied) at Delhi and

paid interest on such borrowings of ₹ 80,000 and ₹ 1,50,000 towards principal amount during the previous year 2023-24.

Mr. A has made the following payments towards medical insurance premium for health policies taken for his family members:

Medical premium for his brother: ₹ 13,500 (by cheque) Medical premium for his parents: ₹ 17,670 (by cheque) Medical premium for self and his wife: ₹ 21,000 (by cheque).

He also incurred ₹ 6,400 towards preventive health check-up of his wife in cash. He deposited ₹ 1,00,000 towards PPF. He also deposited ₹ 50,000 and 2,50,000 towards Tier I and Tier II NPS A/c, respectively.

He has paid ₹ 5,30,000 as advance tax. His employer has deducted tax at source of ₹ 51,89,000. He is of the opinion the balance amount of tax, if any he will pay on 27 July 2024 (i.e. before the due date for filing of return of income).

From the details given above, choose the most appropriate option to the questions given below:

- (i) Compute the amount of deduction available to Mr. A under Chapter VI-A for the assessment year 2024-25:
- (a) ₹ 2,04,070
 - (b) ₹ 2,42,670
 - (c) ₹ 2,52,670
 - (d) ₹ 2,02,670 (Chapter 7 Deductions from Gross Total Income)

Answer (i) The Answer is (d)

- (ii) Assuming Mr. A pays rent of ₹ 65,000 per month for his rented house at Mumbai to Mr. C, a resident individual, is Mr. A liable to deduct TDS on such rent. If so, what would be the rate and amount of TDS?
- (a) Yes, Mr. A is liable to deduct TDS @5% amounting to ₹ 3,250 every month i.e., at the time of payment of such rent
 - (b) Yes, Mr. A is liable to deduct TDS @10% amounting to ₹ 6,500 every month i.e., at the time of payment of such rent
 - (c) Yes, Mr. A is liable to deduct TDS @5% amounting to ₹ 39,000 in the month of March 2020
 - (d) No, Mr. A is not liable to deduct TDS, since he is not required to get his books of accounts audited under section 44AB (Chapter 9 Advance Tax, Tax Deducted at Source & Introduction to Tax Collection at Source)

Answer (ii) The Answer is (c)

- (iii) What would be the amount of net tax payable for the assessment year 2024-25 in the hands of Mr. A?
- (a) Tax payable of ₹ 78,230
 - (b) Tax payable of ₹ 60,290
 - (c) Tax payable of ₹ 49,530
 - (d) Tax payable of ₹ 67,470 (Chapter 8 Computation of Total Income & Tax Payable)

Answer (iii) The Answer is (c)

(iv) Compute the amount of interest chargeable under section 234B on account of short payment of advance tax:

- (a) ₹ 1,980
- (b) Nil
- (c) ₹ 3,130
- (d) ₹ 2,410 (Chapter 9 Advance Tax, Tax Deducted at Source & Introduction to Tax Collection at Source)

Answer (iv) The Answer is (b)

Case Scenario (RTP Nov '20)

Ms. Chanchal, aged 45, provides the following data of her gross receipts for the financial year 2022-23 and 2023-24. She is engaged in agency business along with providing services as tarot card reader.

F.Y.	Receipts from business (₹)	Receipts from profession (₹)	Total Gross Receipts (₹)
2022-23	78,00,000	43,00,000	1,21,00,000
2023-24	85,00,000	47,00,000	1,32,00,000

During the F.Y. 2023-24, she paid an amount of ₹ 1,20,000 to a contractor for polishing her old furniture. She has taken services from renowned interior designers for her self-occupied residential house property for which she paid ₹ 2,50,000.

Further, on 28.05.2023 she sold one commercial property for ₹ 50,00,000. The value adopted for stamp duty was ₹ 52,00,000. It was purchased for ₹ 40,00,000 on 28.04.2021.

(Cost Inflation Index for F.Y. 2019-20: 289, F.Y. 2017-18: 272, F.Y. 2021-22:317, F.Y. 2023-24:348).

The brought forward long-term capital loss from unlisted shares of F.Y. 2018-19 is ₹ 7,80,000.

During the year, Ms. Chanchal incurred a loss of ₹ 70,00,000 while trading in the agricultural commodity derivatives (no CTT paid). From the details given above, choose the most appropriate option to the questions given below:

- (i) Is Ms. Chanchal liable to tax audit under the Income-tax Act, 1961 for the P.Y. 2023-24?
- (a) Yes, as the total gross receipts exceeds ₹ 1,00,00,000
 - (b) No, as the gross receipts from business or profession are below the specified threshold limits.
 - (c) Yes, as the gross receipts from business exceed ₹ 50,00,000
 - (d) Yes, as the gross receipts from profession exceed ₹ 25,00,000 (Chapter 4.3 Profits & Gains from Business Profession)

Answer (i) The Answer is (b)

- (ii) What is the total amount of tax to be deducted by Ms. Chanchal for P.Y. 2023-24?

- (a) ₹ 1,200
- (b) ₹ 26,200
- (b) Nil
- (c) ₹ 27,400 (Chapter 9 Advance Tax, Tax Deducted at Source & Introduction to Tax Collection at Source)

Answer (ii) The Answer is (c)

(iii) What is the amount and nature of Capital gain chargeable to tax in the hands of Ms. Chanchal?

- (a) ₹ 10,00,000 and Short-term capital gain.
- (b) ₹ 12,00,000 and Short-term capital gain.
- (c) ₹ 7,50,000 and Long-term capital gain.
- (d) ₹ 9,50,000 and Long-term capital gain. (chapter 4.4 Capital Gains)

Answer (iii) The Answer is (c) As per change in year to FY 23-24 the answer will be Rs 6,08,833 as per revised cost of inflation index

(iv) What is the amount of losses which can be carried forward to A.Y. 2024-25, assuming that business income is ₹ 45,00,000 and income from profession is ₹ 25,00,000 for the P.Y. 2023-24?

- (a) ₹ 7,80,000 under section 74
- (b) ₹ 70,00,000 under section 73
- (c) ₹ 30,000 under section 74
- (d) ₹ 30,000 under section 74 and ₹ 70,00,000 under section 73 (chapter 6 Aggregation of Income, Set-off and Carry forward of losses)

Answer (iv) The Answer is (c)

Case Scenario (RTP May '21 & MTP Oct '23)

Mr. Sarthak, aged 38 years, working in Nobita Pvt. Limited as Senior Manager- Finance. His yearly pay slip for the financial year 2023-24 is as follows:

Earnings	Total	Deduction	Total
Basic Pay	6,34,068	Employee's contribution to Provident Fund	1,14,132
Dearness allowance	1,26,814	Profession tax	2,400
HRA	3,17,040	Income-tax	2,32,830
Transport Allowance	19,200	Net Pay	13,03,848
Personal Allowance	5,09,088		
Children Education Allowance for two children	12,000		
Medical Allowance	15,000		
Bonus	20,000		
Total Earnings	16,53,210		16,53,210

- (i) His employer also contributes equivalent amount of contribution towards provident fund.
- (ii) Dearness allowance forms part of retirement benefits.
- (iii) He has intimated to his company that he would opt for 115BAC for the A.Y. 2024-25. Consequently, he has not submitted any investment proof to company.
- (iv) He has paid ₹ 55,212 towards mediclaim premium for his parents (aged above 65 years) by account payee

cheque.

- (v) He has purchased a house of ₹ 28,00,000 and taken a loan of ₹ 21,00,000 from HDFC. He is paying EMI of ₹ 22,835. Possession of house received on 01/04/2023. He himself is occupying this house. Total principal and interest paid for full year is ₹ 55,037 and ₹ 2,18,983 respectively as per interest certificate received from bank for F.Y. 2023-24.
- (vi) He has 3 children, studying in Sandalwood International School. The following are the components of school fees paid for the Academic Session 2023-24:

School Fees Component	Child 1	Child 2	Child 3	Total
Tuition fees	30,000	37,000	40,000	1,07,000
Admission fees	20,000	-	-	20,000
Books, stationery and uniform	8,000	12,000	15,000	35,000
Infrastructure Fund	25,000	30,000	35,000	90,000
Commute cost	8,000	8,000	8,000	24,000
Activity Fees	6,000	7,000	8,000	21,000
Total Fees	97,000	94,000	1,06,000	2,97,000

- (vii) He has invested ₹ 5000 in HDFC ULIP and taken a LIC policy for his wife for ₹ 10,000.
- (viii) He has invested ₹ 12,500 and ₹ 25,000 towards NPS Tier I A/c and Tier II A/c, respectively.
- (ix) He has also donated ₹ 50,000 in PM Cares fund created for relief from COVID-19 pandemic in India.
- (x) He has invested ₹ 40,000 in listed equity shares of Shaktimaan Power Solution Limited on 01/03/2023 at ₹ 200 per share and sells 100 shares at ₹ 350 per share on 01/11/2023. STT is paid both at the time of sale and purchase of these shares.

Based on the above facts, choose the most appropriate Answer to Q. Nos. 1 to 5:

1. What would be the amount of income chargeable to tax under the head "Salaries" in the hands of Mr. Sarthak for the A.Y. 2024-25?
- (a) ₹ 16,53,210
(b) ₹ 16,21,236
(c) ₹ 16,76,036
(d) ₹ 16,71,236 (Chapter 4.1 Salaries)
- Answer (1) The Answer is (c)**
2. Whether the tax deducted at source by Nobita Pvt Ltd. on the salary paid to Mr. Sarthak based on the intimation submitted by him, is correct?
- (a) Yes, the amount of ₹ 2,32,830 deducted as tax at source is correct.
(b) No, the correct amount of tax to be deducted at source is ₹ 2,49,920.
(c) No, the correct amount of tax to be deducted at source is ₹ 2,42,800.
(d) No, the correct amount of tax to be deducted at source is ₹ 2,41,300.(Chapter 9 Advance Tax, Tax Deducted at Source & Introduction to Tax Collection at Source)

Answer (2) The Answer is (b)

3. What would be the total income (without rounding off) of Mr. Ram for the A.Y. 2024-25, assume that he does not opt for section 115BAC?
- (a) ₹ 11,73,736
 - (b) ₹ 11,76,699
 - (c) ₹ 11,61,699
 - (d) ₹ 11,58,736 (Chapter 8 Computation of Total Income & Tax Payable)

Answer (3) The Answer is (a)

4. What would be tax liability of Mr. Sarthak for the A.Y. 2024-25, if he does not opt for section 115BAC?
- (a) ₹ 1,66,530
 - (b) ₹ 1,68,870
 - (c) ₹ 1,71,210
 - (d) ₹ 1,67,450 (Chapter 1 Basic Concepts)

Answer (4) The Answer is (b)

5. Assuming for the purpose of Answering this Question only that no contribution is made by Mr. Sarthak and his employer towards provident fund, what amount of deduction is available to Mr. Sarthak under Chapter VI-A for the previous year 2023-24, if he does not opt for section 115BAC?
- (a) ₹ 2,62,500
 - (b) ₹ 2,59,537
 - (c) ₹ 2,50,000
 - (d) ₹ 2,04,500 (chapter 7 Deductions from Gross Total Income)

Answer (5) The Answer is (b)

Case Scenario (RTP May'22)

Mr. Subhash is a retailer of car spare parts. He started his business in May, 2022. His turnover for the P.Y. 2022-23 was ₹ 10.50 crores. He generally purchases goods from Car accessories & Co. only. Car accessories & Co. manufacturers and sells spare parts directly to the customers as well as through an e-commerce platform – CarParts.com. Car accessories & Co.'s turnover from the business for the P.Y. 2022-23 was ₹ 15 crores.

The relevant information of purchases made by Mr. Subhash in P.Y. 2023-24 is given hereunder:

Date of credit to account of Car accessories & Co.	Date of Payment to Car accessories & Co.	Value of spare parts without GST (₹)	GST @18%	Total value of spare parts/ payment
15.05.2023	02.06.2023	40,00,000	7,20,000	47,20,000
18.06.2023	30.06.2023	15,00,000	2,70,000	17,70,000
28.08.2023	17.08.2023	21,50,000	3,87,000	25,37,000
14.02.2024	28.02.2024	10,50,000	1,89,000	12,39,000

In addition to the above, Mr. Subhash also purchased spare parts of Car accessories & Co. for ₹ 12,00,000 inclusive of GST@18% through CarParts.com on 31.12.2023. The payment was made directly to Car



accessories & Co. on 15.1.2024. PAN is duly furnished by Mr. Subhash, Car accessories & Co. and CarParts.com. The GST portion is indicated separately in the invoice of Car accessories & Co. but it is not shown separately when the goods are purchased through CarParts.com. Based on the above facts, choose the most appropriate Answer to Q. NO. 1 to 5 –

1. Is Mr. Subhash required to deduct tax at source in respect of the purchase transactions made directly with Car accessories & Co. If yes, when and what is the amount of tax to be deducted? (Chapter 9 Advance Tax, Tax Deducted at Source & Introduction to Tax Collection at Source)
- (a) Yes; ₹ 2,150 on 17.08.2023 and ₹ 1,050 on 14.02.2024
 - (b) Yes; ₹ 2,537 on 17.08.2023 and ₹ 1,050 on 14.02.2024
 - (c) Yes; ₹ 500 on 18.06.2023, ₹ 2,150 on 17.08.2023 and ₹ 1,050 on 14.02.2024
 - (d) No, Mr. Subhash is not liable to deduct tax at source.

Answer (1) The Answer is (b)

2. Is Car accessories & Co. required to collect tax at source in respect of the sale transactions with Mr. Subhash. If yes, when and what is the amount of tax to be collected? (Chapter 9 Advance Tax, Tax Deducted at Source & Introduction to Tax Collection at Source)
- (a) Yes; ₹ 500 on 30.06.2023, ₹ 2,150 on 17.08.2024 and ₹ 1,050 on 28.02.2024
 - (b) Yes; ₹ 1,490 on 30.06.2023, ₹ 2,537 on 17.08.2023 and ₹ 1,239 on 28.02.2024
 - (c) Yes; ₹ 1,490 on 30.06.2023
 - (d) No, Car accessories & Co. is not liable to collect tax at source.

Answer (2) The Answer is (c)

3. Assume that Mr. Subhash has started the retail business of car spare parts in May, 2023. In such case, would the Answer of MCQ 1 and 2 be different? If yes, what would be the Answer of MCQ 1 and 2? (Chapter 9 Advance Tax, Tax Deducted at Source & Introduction to Tax Collection at Source)
- (a) No, the Answer of MCQ 1 and 2 would be the same
 - (b) Yes, the Answer of MCQ 1 would change to (d) but the Answer of MCQ 2 would be the same
 - (c) Yes, the Answer of MCQ 1 would change to (d) and the Answer of MCQ 2 would change to (b)
 - (d) Yes, the Answer of MCQ 1 would change to (d) and the Answer of MCQ 2 would change to (a)

Answer (3) The Answer is (c)

4. Are the provisions of tax deduction/ collection at source attracted in respect of the transactions with CarParts.com? If yes, who has to deduct/ collect at source and at what rate? (Chapter 9 Advance Tax, Tax Deducted at Source & Introduction to Tax Collection at Source)
- (a) Mr. Subhash is required to deduct tax at source on ₹ 12 lakhs @0.1%.
 - (b) Car accessories & Co. is required to collect tax at source on ₹ 12 lakhs @0.1%.
 - (c) CarParts.com is required to deduct tax at source on ₹ 12 lakhs @0.1%.
 - (d) CarParts.com is required to deduct tax at source on ₹ 12 lakhs @1%.

Answer (4) The Answer is (d)

5. If Mr. Subhash has not furnished his PAN to Car accessories & Co. but has furnished his Aadhar number, what would be the rate of TCS for the purpose of MCQ 2. (Chapter 9 Advance Tax, Tax Deducted at Source

& Introduction to Tax Collection at Source)

- (a) 5%
- (b) 1%
- (c) 0.1%
- (d) Car accessories & Co. is not liable to collect tax at source.

Answer (5) The Answer is (c)

Case Scenario (RTP Nov'22)

High Tech Ltd., a real estate development company, entered into an agreement with Mr. Sakshar, a resident individual on 25.6.2019 as per which Mr. Sakshar agrees to transfer a plot of land measuring 12 acres in New Delhi to High Tech Ltd. Mr. Sakshar purchased such land on 14.7.2017 for ₹ 80,50,000.

High Tech Ltd. has planned to develop a high-rise society of 250 flats on such land. In consideration, High Tech Ltd. paid a part consideration of ₹ 1 crore to Mr. Sakshar on the date of agreement and would provide 3 flats in the society to him as final settlement.

The certificate of completion of society was issued by the authority as on 10.8.2021. On such date, stamp duty value of each flat in the society was ₹ 2,51,00,000. Subsequently on 31.8.2021, Mr. Sakshar sold 2 flats in the society to Mr. Kevin for a consideration of ₹ 2,70,00,000 each while the stamp duty value of each flat on such date was ₹ 2,98,00,000. During the P.Y. 2021-22, Mr. Kevin has earned salary income of ₹ 30,50,000. Out of the proceeds received on sale of land, Mr. Sakshar has purchased a house on 08.09.2021 for a consideration of ₹ 47,00,000 and occupied for own residence. Mr. Sakshar has taken a loan of ₹ 35,00,000 (80% of stamp duty value) from SBI for purchase of such house which was sanctioned and disbursed at the interest rate of 12% p.a. on 01.07.2021. He does not own any other residential house on the date of sanction of loan. Mr. Kevin and Mr. Sakshar do not opt for section 115BAC. Cost Inflation Index: 2021-22: 317; 2019-20: 289; 2017-18: 272

Based on the above facts, choose the most appropriate **Answer** to Q. NO. 1 to 5 –

Chapter 9

1. What would be the tax, if any, required to be deducted by High Tech Ltd. in respect of agreement entered into with Mr. Sakshar?
 - (a) ₹ 10,00,000
 - (b) ₹ 85,30,000
 - (c) ₹ 8,53,000
 - (d) ₹ 1,00,000 (Nov'22)

Answer 1:(a)

Chapter 4.4: Capital Gains

2. What **would** be the capital gain in the hands of Mr. Sakshar in respect of the agreement entered into with High Tech Ltd. and in which year it would be taxable?
 - (a) ₹ 7,59,18,199 in P.Y. 2021-22
 - (b) ₹ 7,20,46,875 in P.Y. 2021-22
 - (c) ₹ 7,72,50,000 in P.Y. 2021-22
 - (d) ₹ 7,67,46,875 in P.Y. 2019-20(Nov'22)

Answer 2:(c)

Chapter 4.4: Capital Gains

3. **Determine** the capital gain/loss in the hands of Mr. Sakshar in respect of sale of 2 flats to Mr. Kevin during the P.Y. 2021-22.

- (a) ₹ 28,66,666
- (b) ₹ 38,00,000
- (c) ₹ 94,00,000
- (d) ₹ 27,33,334(Nov'22)

Answer 3:(d)

Chapter 8: Computation of Total Income & Tax Payable

4. What would be the total income of Mr. Kevin for the P.Y. 2021-22?

- (a) ₹ 30,50,000
- (b) ₹ 86,50,000
- (c) ₹ 86,00,000
- (d) ₹ 30,00,000(Nov'22)

Answer 4:(c)

Chapter 8: Computation of Total Income & Tax Payable

5. What would be the total income (rounded off) of Mr. Sakshar for the P.Y. 2021-22?

- (a) ₹ 7,46,30,210
- (b) ₹ 7,96,68,330
- (c) ₹ 8,50,03,200
- (d) ₹ 7,35,65,210(Nov'22)

Answer 5:(b)

Case Scenario (RTP May '23)

Kishore & Sons is a dealer of coal. Its turnover for the F.Y. 2022-23 was ` 12 crores. The State Government of Hyderabad granted a lease of coal mine to Kishore & Sons on 1.5.2023 and charged ` 11 crores for the lease. Kishore & Sons sold coal of ` 95 lakhs to M/s BAC Co. during the P.Y. 2023-24. M/s XYZ Ltd. purchased coal of ` 55 lakhs from Kishore & Sons for trading purpose in July 2023. Turnover of M/s XYZ Ltd. during the P.Y. 2022-23 was ` 12 crores. PAN is duly furnished by the buyer and seller to each other. Details of sale to and payments from M/s BAC Co. by Kishore & Sons are as follows:

S. No.	Date of sale	Date of receipt/ Payment	Amount (₹)
1	29.05.2023	10.05.2023	35,00,000
2	30.06.2023	10.07.2023	25,00,000
3	25.11.2023	25.10.2023	8,00,000
4	20.01.2023	22.01.2024	15,00,000
5	01.03.2023	15.02.2024	12,00,000

Turnover of M/s BAC Co. during the P.Y. 2022-23 was ` 11 crores. The above amounts were credited to Kishore & Sons account in the books of M/s BAC Co. on the date of sale. M/s BAC Co. furnishes a declaration to Kishore & Sons that coal is to be utilised for generation of power.

Based on the above facts, choose the most appropriate answer to Q. No. 1 to 5 –



1. **Who is required to deduct/ collect tax at source in respect of lease of coal mine by the State Government of Hyderabad to Kishore & Sons and at what rate?**
- (a) State Government of Hyderabad is liable to collect tax at source @ 2% on ` 11 crores
 - (b) State Government of Hyderabad is liable to collect tax at source @0.1% on ` 10.50 crores, being the amount exceeding ` 50 lakhs
 - (c) Kishore & Sons is liable to deduct tax at source @0.1% on ` 10.50 crores, being the amount exceeding ` 50 lakhs
 - (d) Neither State Government of Hyderabad is liable to collect tax at source nor Kishore & Sons is liable to deduct tax at source

Answer: (a) State Government of Hyderabad is liable to collect tax at source @ 2% on ` 11 crores

2. **Is Kishore & Sons required to collect tax at source in respect of the sale transactions with M/s BAC Co. If yes, when and what is the amount of tax to be collected?**
- (a) Yes; ` 1,000 on 30.6.2023, ` 800 on 25.10.2023, ` 1,500 on 20.1.2024 and ` 1,200 on 15.2.2024
 - (b) Yes; ` 35,000 on 10.5.2023, ` 25,000 on 30.6.2023, ` 8,000 on 25.10.2023, ` 15,000 on 20.1.2024 and ` 12,000 on 15.2.2024
 - (c) Yes; ` 1,000 on 10.7.2023, ` 800 on 25.10.2023, ` 1,500 on 22.1.2024 and ` 1,200 on 15.2.2024
 - (d) No, Kishore & Sons is not liable to collect tax at source

Answer:(d) No, Kishore & Sons is not liable to collect tax at source

3. **Is Kishore & Sons required to collect tax at source in respect of the sale transaction with M/s XYZ Ltd. If yes, what is the amount of tax to be collected?**
- (a) Yes; ` 55,000
 - (b) Yes; ` 5,500
 - (c) Yes; ` 500
 - (d) No, Kishore & Sons is not liable to collect tax at source

Answer:(a) Yes; ` 55,000

4. **Is M/s BAC Co. required to deduct tax at source in respect of the purchase transactions with Kishore & Sons. If yes, when and what is the amount of tax to be deducted?**
- (a) Yes; ` 1,000 on 30.6.2023, ` 800 on 25.10.2023, ` 1,500 on 20.1.2024 and ` 1,200 on 15.2.2024
 - (b) Yes; ` 3,500 on 10.5.2023, ` 2,500 on 30.6.2023, ` 800 on 25.10.2023, ` 1,500 on 20.1.2024 and ` 1,200 on 15.2.2024
 - (c) Yes; ` 1,000 on 10.7.2023, ` 800 on 25.10.2023, ` 1,500 on 22.1.2024 and ` 1,200 on 15.2.2024
 - (d) No, M/s BAC Co. is not liable to deduct tax at source

Answer:(a) Yes; ` 1,000 on 30.6.2023, ` 800 on 25.10.2023, ` 1,500 on 20.1.2024 and ` 1,200 on 15.2.2024

5. **Assume for the purpose of this MCQ, M/s BAC Co.'s turnover for the F.Y. 2023-24 was ` 9 crore, who will be required to deduct/ collect tax at source in respect of transactions between Kishore & Sons and M/s BAC Co. and at what rate?**
- (a) Kishore & Sons is liable to collect tax at source @1% of ` 95 lakhs
 - (b) Kishore & Sons is liable to collect tax at source @0.1% of ` 45 lakhs, being the sum exceeding ` 50 lakhs



- (c) M/s BAC Co. is liable to deduct tax at source @0.1% of ` 45 lakhs, being the sum exceeding ` 50 lakhs
- (d) Neither Kishore & Sons is liable to collect tax at source nor M/s BAC Co. is liable to deduct tax at source

Answer:(d) Neither Kishore & Sons is liable to collect tax at source nor M/s BAC Co. is liable to deduct tax at source

Case Scenario (RTP Nov '23)

Mr. Shaan, a resident aged 42 years, is employed in an MNC in Gurugram since 2013. He submitted his resignation on 31st July, 2023 for starting his own business and gave a notice period of one month to the employer. He received the following emoluments from his employer for the period from 1st April, 2023 to 31st August, 2023:

Basic pay	₹ 45,000 p.m.
Dearness Allowance (Forming part of retirement benefits)	10% of Basic pay
Medical allowance	₹ 5,000 p.m.
Entertainment allowance	₹ 2,500 p.m.
Commission	₹ 10,000 p.m.
Employee's contribution to RPF	₹ 7,500 p.m.
Employer's contributed the same amount to the RPF	
Interest accrued in the RPF@13%	₹ 14,300

In October, 2023, he started the business of manufacturing of footwear under the brand name "COMFORT". He withdrew the entire amount from his RPF account in September, 2023 to invest in his business. He has employed 75 regular employees on 1.11.2023 at a salary of ₹ 23,000 p.m. and they participate in recognized provident fund. For the P.Y. 2023-24, the profits and gains derived from such business is ₹ 51 lakhs (computed) and the turnover is ₹ 7 crores. Mr. Shaan received 12% of the sales in cash.

On 1st December, 2023, he has purchased a house property for ₹ 90 lakhs for self-occupation by taking a loan of ₹ 45 lakhs@10% p.a. on the same day. He has paid stamp duty of ₹ 6,25,000 on purchase of such house property. Mr. Shaan does not want to opt for the provisions of section 115BAC.

Based on the above facts, choose the most appropriate answer to Q. No. 1 to 5 –

Chapter 4.1 Salaries

1. What is the amount of salary chargeable under the head "Salaries" to Mr. Shaan for A.Y. 2024-25?
 - (a) ₹ 2,85,000
 - (b) ₹ 2,99,300
 - (c) ₹ 2,96,650
 - (d) ₹ 2,84,150

Answer: (c)

Chapter 7 Deductions from Gross Total Income

2. What is the amount of deduction available to Mr. Shaan under Chapter VI-A for A.Y. 2024-25?
 - (a) ₹ 1,50,000



- (b) ₹ 25,87,500
- (c) ₹ 26,25,000
- (d) ₹ 27,37,500

Answer: (d)

3. What is the total income of Mr. Shaan for A.Y. 2024-25?

- (a) ₹ 25,09,150
- (b) ₹ 24,59,150
- (c) ₹ 24,61,800
- (d) ₹ 25,59,150

Answer: (a)

4. Compute the tax liability of Mr. Shaan for A.Y. 2024-25.

- (a) ₹ 5,87,860
- (b) ₹ 10,78,660
- (c) ₹ 10,62,520
- (d) ₹ 5,72,250

Answer: (c)

5. Compute the tax liability of Mr. Shaan for A.Y. 2024-25 if he opts for the provisions of section 115BAC. Assume that the figure of profits and gains from business or profession remains the same under section 115BAC also.

- (a) ₹ 15,68,990
- (b) ₹ 5,56,650
- (c) ₹ 5,72,250
- (d) ₹ 6,19,060

Answer: (d)



Chapter 1 GST in India- An Introduction

Question 1

Write a short note on various Lists provided under Seventh Schedule to the Constitution of India. (MTP 5 Marks, Oct'21, Old SM)

Answer 1

Seventh Schedule to Article 246 of the Constitution contains three lists which enumerate the matters under which the Union and the State Governments have the authority to make laws.

- (i) List -I (UNION LIST): It contains the matters in respect of which the Parliament (Central Government) has the exclusive right to make laws.
- (ii) List -II (STATE LIST): It contains the matters in respect of which the State Government has the exclusive right to make laws.
- (iii) List -III (CONCURRENT LIST): It contains the matters in respect of which both the Central & State Governments have power to make laws.

Question 2

GST is a simplified tax structure. Justify the statement. (MTP 4 Marks Nov'21, MTP 5 Marks April'21, Old SM)

Answer 2

GST is a simplified tax structure. The statement is justified. Simpler tax regime with fewer exemptions along with reduction in multiplicity of taxes under GST has led to simplification and uniformity in tax structure. The uniformity in laws, procedures and tax rates across the country makes doing business easier. Common system of classification of goods and services across the country ensures certainty in tax administration across India.

Question 3

List any four state levies, which are subsumed in GST. (MTP 2 Marks, Oct'18, PYP 3 Marks May '18)

Answer 3

The State levies which are subsumed in GST are as under: -

- State surcharges and cases in so far as they relate to supply of goods & services
- Entertainment Tax (except those levied by local bodies)
- Tax on lottery, betting and gambling
- Entry Tax (All Forms) & Purchase Tax
- VAT/ Sales tax
- Luxury Tax
- Taxes on advertisements

Note: Any of the four points may be mentioned.

Question 4

Discuss any two functions of GSTN. (MTP 2 Marks Aug'18)

Answer 4

The functions of the GSTN include:

- facilitating registration;
- forwarding the returns to Central and State authorities;
- computation and settlement of IGST;
- matching of tax payment details with banking network;
- providing various MIS reports to the Central and the State Governments based on the taxpayer return information;
- providing analysis of taxpayers' profile; and running the matching engine for matching, reversal and reclaim of input tax credit.

(Note: Any two points may be mentioned)

Question 5

Discuss any two significant benefits of GST. (MTP 2 Marks March'18)

Answer 5

GST is a win-win situation for the entire country. It brings benefits to all the stakeholders of industry, Government and the consumer. It will lower the cost of goods and services, give a boost to the economy and make the products and services globally competitive.

The significant benefits of GST are discussed hereunder:

- **Creation of unified national market:** GST aims to make India a common market with common tax rates and procedures and remove the economic barriers thus paving the way for an integrated economy at the national level.
 - **Mitigation of ill effects of cascading:** By subsuming most of the Central and State taxes into a single tax and by allowing a set-off of prior-stage taxes for the transactions across the entire value chain, it would mitigate the ill effects of cascading, improve competitiveness and improve liquidity of the businesses.
 - **Elimination of multiple taxes and double taxation:** GST has subsumed majority of existing indirect tax levies both at Central and State level into one tax i.e., GST which is levied uniformly on goods and services. This will make doing business easier and will also tackle the highly-disputed issues relating to double taxation of a transaction as both goods and services.
 - **Boos to 'Make in India' initiative:** GST will give a major boost to the 'Make in India' initiative of the Government of India by making goods and services produced in India competitive in the national as well as international market.
 - **Buoyancy to the Government Revenue:** GST is expected to bring buoyancy to the Government Revenue by widening the tax base and improving the taxpayer compliance.
- (Note: Any two points may be mentioned)

Question 6

Briefly explain the leviability of GST or otherwise on petroleum crude, diesel, petrol, Aviation Turbine Fuel (ATF) and natural gas. (MTP 5 Marks March'21, Old SM)

Answer 6

Petroleum crude, diesel, petrol, ATF and natural gas are presently not leviable to GST. GST will be levied on these products from a date to be notified on the recommendations of the GST Council. Till such date, central excise duty continues to be levied on manufacture/production of petroleum crude, diesel, petrol, ATF and natural gas and inter-State/intra-State sale of the same is subject to CST/ VAT respectively.

Question 7

List any four Central levies, which are subsumed in GST. (PYP 2 Marks, Nov'18)

Answer 7

The Central levies which are subsumed in GST are as under: -

- (a) Central Excise Duty & Additional Excise Duties
- (b) Service tax
- (c) Excise duty under Medicinal & Toilet Preparation Act
- (d) CVD
- (e) Special CVD
- (f) Central Sales Tax
- (g) Central surcharges and cases in so far as they relate to supply of goods & services

Note: Any of the four points may be mentioned



MULTIPLE CHOICE QUESTIONS (MCQS)

1. Alcoholic liquor for human consumption is subjected to

- a) State excise duty
- b) Central Sales Tax/Value Added Tax
- c) Both (a) and (b)
- d) GST **(MTP Oct'19, MTP Mar'19, MTP May'21 1 Mark)**

Ans: (c)

2. Which of the following statements is true under GST?

- a) Grand-parents are never considered as related persons to their grandson/granddaughter
- b) Grand-parents are always considered as related persons to their grandson/granddaughter
- c) Grand-parents are considered as related persons to their grandson/granddaughter only if they are wholly dependent on their grandson/granddaughter
- d) None of the above **(MTP 1 Mark, April'19)**

Ans: (c)

3. Taxes subsumed in GST are

- a) Service tax
- b) Luxury tax
- c) VAT
- d) All of the Above **(MTP 1 Mark, March'19, May'20)**

Ans: (d)

4. provides that no tax shall be levied or collected except by authority of law.

- a) Article 269
- b) Article 245
- c) Article 265
- d) Article 246 **(MTP 1 Mark, Sep'23)**

Ans: (C)

5. Various taxes have been subsumed in GST to make one nation one tax one market for consumers. Out of the following, determine which taxes have been subsumed in GST.

- (i) Basic customs duty levied under Customs Act, 1962
- (ii) Taxes on lotteries
- (iii) Environment tax

- a) (ii)
- b) (ii) and (iii)
- c) (iii)
- d) (i), (ii) and (iii) **(RTP May'21)**



Ans: (a)

6. Goods as per section 2(52) of the CGST Act, 2017 includes:

- (i) Actionable claims**
- (ii) Growing crops attached to the land agreed to be severed before supply.**
- (iii) Money**
- (iv) Securities**

a) (i) and (iii)

b) (iii) and (iv)

c) (i) and (ii)

d) (ii) and (iii) **(RTP May'21)**

Ans: (c)



VIVITSU
STRIVING TOWARDS KNOWLEDGE



Chapter 2 Supply under GST

Question 1

Examine whether the activity of import of service in the following independent cases would amount to supply under section 7:

- (i) Miss Shriniti Kaushik received interior decoration services for her residence located at Bandra, Mumbai from Mr. Racheal of Sydney (Australia). The amount paid for the said service is 5,000 Australian dollar.
- (ii) Miss Shriniti Kaushik received interior decoration services for her residence located at Bandra, Mumbai from her brother, Mr. Varun residing in Sydney (Australia) [wholly dependent on Miss Shriniti]. Further, Miss Shriniti did not pay any consideration for the said service.
- (iii) Will your answer change if in the above case, if Miss Shriniti has taken interior decoration services with regard to her business premises and not her residence? (Old & New SM, RTP Nov'18)

Answer 1

- i. Supply, under section 7, inter alia,
 - includes import of services for a consideration
 - even if it is not in the course or furtherance of business.

Thus, although the import of service for consideration by Miss. Shriniti Kaushik is not in course or furtherance of business [as the interior decoration services have been availed in respect of residence], it would amount to supply.

- ii. Schedule I, inter alia, stipulates that import of services by a taxable person from a **related person** located outside India, without consideration is treated as supply if it is provided in the course or furtherance of business. Explanation to section 15, inter alia, provides that persons shall be deemed to be "**related persons**" if they are **members of the same family**. Further, as per section 2(49), family means, —
 - (i) the spouse and children of the person, and
 - (ii) the parents, grand-parents, brothers and sisters of the person **Uif they are wholly or mainly dependent on the said person**.

In the given case, Miss Shriniti Kaushik has received interior decoration services from her brother. In view of section 2(49)(ii) above, Miss Shriniti and her brother shall be considered to be related as Miss Shriniti's brother is wholly dependent on her. However, Miss Shriniti has taken interior decoration services for her residence and not in course or furtherance of business. Consequently, services provided by Miss Shriniti's brother to her would not be treated as supply under section 7 read with Schedule I.

- iii. In the above case, if Miss Shriniti has taken interior decoration services with regard to her business premises, services provided by Miss Shriniti's brother to her would be treated as supply under section 7 read with Schedule I.

Question 3

Explain the meaning of the term "recipient of supply of goods and/or services" under the CGST Act, 2017. (MTP 5 Marks, Oct'20 & Oct'18, PYP 5 Marks May '18)

Answer 3

Recipient of supply of goods or services or both, means —

- (i) where a consideration is payable for the supply of goods or services or both, the person who is liable

- to pay that consideration;
- (ii) where no consideration is payable for the supply of goods, the person to whom the goods are delivered or made available, or to whom possession or use of the goods is given or made available; and
 - (iii) where no consideration is payable for the supply of a service, the person to whom the service is rendered, and
 - (i) any reference to a person to whom a supply is made shall be construed as a reference to the recipient of the supply, and
 - (ii) shall include an agent acting as such on behalf of the recipient in relation to the goods or services or both supplied.

Question 4

Raman is an architect in Chennai. His brother who is settled in London is a well-known lawyer. Raman has taken legal advice from him free of cost with regard to his family dispute. Examine whether the said activity would amount to supply under section 7 read with Schedule I of the CGST Act. Would your Answer be different if in the above case, Raman has taken advice in respect of his business unit in Chennai? (MTP 6 Marks, Oct'19)

Answer 4

Schedule I of CGST Act, inter alia, stipulates that import of services by a taxable person from a related person located outside India, without consideration is treated as supply if it is provided in the course or furtherance of business. Explanation to section 15, inter alia, provides that persons shall be deemed to be “related persons” if they are members of the same family. Further, as per section 2(49) of the CGST Act, 2017, family means, —

- (i) the spouse and children of the person, and
- (ii) the parents, grand-parents, brothers and sisters of the person if they are wholly or mainly dependent on the said person.

In the given case, Raman has received free of cost legal services from his brother. However, in view of section 2(49) (ii) above, Raman and his brother cannot be considered to be related as Raman’s brother is a well-known lawyer and is not wholly/mainly dependent on Raman. Further, Raman has taken legal advice from him in personal matter and not in course or furtherance of business. Consequently, services provided by Raman’s brother to him would not be treated as supply under section 7 read with Schedule I of the CGST Act.

In the above case, if Raman has taken advice with regard to his business unit, services provided by Raman’s brother to him would still not be treated as supply under section 7 of the CGST Act read with Schedule I as although the same are provided in course or furtherance of business, such services have not been received from a related person.

Question 5

State whether the following supplies would be treated as supply of goods or supply of services as per Schedule II of CGST Act:

- (i) **Renting of immovable property**
- (ii) **Transfer of right in goods without transfer of title in goods.**
- (iii) **Works contract services**
- (iv) **Temporary transfer of permitting use or enjoyment of any intellectual property right**
- (v) **Transfer of title in goods under an agreement which stipulates that property shall pass at a future date. (MTP 5 Marks, April'19)**

Answer 5

Renting of immovable property would be treated as supply of services in terms of Schedule- II of CGST Act, 2017.

- (i) As per Schedule-II of CGST Act, 2017, transfer of right in goods without transfer of title in goods would be treated as supply of services.
- (ii) As per Schedule-II of CGST Act, 2017, works contract services would be treated as supply of services.
- (iii) As per Schedule-II of CGST Act, 2017, temporary transfer of permitting use or enjoyment of any



intellectual property right would be treated as supply of services.

- (iv) As per Schedule-II of CGST Act, 2017, transfer of title in goods under an agreement which stipulates that property shall pass at a future date would be treated as supply of goods.

Question 6

Whether transfer of title and/or possession is necessary for a transaction to constitute supply of goods? (MTP 5 Marks, March'19, Old & New SM)

Answer 6

Title as well as possession both have to be transferred for a transaction to be considered as a supply of goods. In case title is not transferred, the transaction would be treated as supply of service in terms of Schedule II(1)(b) of the CGST Act. In some cases, possession may be transferred immediately but title may be transferred at a future date like in case of sale on approval basis or hire purchase arrangement. Such transactions will also be termed as supply of goods.

Question 7

Discuss the term 'composite supply' and its taxability under GST law. (MTP 5 Marks, March'18)

Answer 7

Composite supply means a supply made by a taxable person to a recipient and:

- comprises two or more taxable supplies of goods or services or both, or any combination thereof.
- are naturally bundled and supplied in conjunction with each other, in the ordinary course of business
- one of which is a principal supply [Section 2(30) of the CGST Act].

A composite supply comprising of two or more supplies, one of which is a principal supply, shall be treated as a supply of such principal supply [Section 8 of the CGST Act, 2017].

Question 8

Explain the term 'aggregate turnover'. (MTP 4 Marks, March'18)

Answer 8

Aggregate turnover includes the aggregate value of:

- (i) all taxable supplies,
- (ii) all exempt supplies,
- (iii) exports of goods and/or services and
- (iv) all inter-State supplies of persons having the same PAN.

The above is computed on all India basis. Further, the aggregate turnover excludes central tax, State tax, Union territory tax, integrated tax and cess. Moreover, the value of inward supplies on which tax is payable under reverse charge is not taken into account for calculation of 'aggregate turnover' [Section 2(6) of CGST Act].

Question 9

The goods supplied on hire purchase basis will be treated as supply of services. Examine the validity of the statement. (MTP 2 Marks March '23, Old & New SM)

Answer 9

The statement is not correct. Supply of goods on hire purchase shall be treated as supply of goods as there is transfer of title, albeit at a future date.

Question 10

Sahab Sales, an air-conditioner dealer in Janakpuri, Delhi, needs 4 air-conditioners for his newly constructed house in Safdarjung Enclave. Therefore, he transfers 4 air-conditioners [on which ITC has already been availed by it] from its stock, for the said purpose. Examine whether the said activity amounts to supply



under section 7 of the CGST Act, 2017.

Further, a Janakpuri resident, Aakash, approached Sahab Sales. He sold an air-conditioner to Sahab Sales for ₹ 5,000. Aakash had bought the said air-conditioner six months before, for his residence. Does sale of the air conditioner by Aakash to Sahab Sales amount to supply under section 7 of the CGST Act, 2017?(RTP May '18)

Answer 10

Section 7 of the CGST Act, 2017 stipulates that in order to qualify as supply:

- (a) Supply should be of goods and/or services.
- (b) Supply should be made for a consideration.
- (c) Supply should be made in the course or furtherance of business.

Further, Schedule I of the CGST Act, 2017 illustrates the activities to be treated as supply even if made without consideration. One such activity is permanent transfer or disposal of business assets where input tax credit has been availed on such assets, i.e. said activity is to be treated as supply even if made without consideration. In view of said provisions, permanent transfer of air conditioners by Sahab Sales from its stock for personal use at its residence, though without consideration, would amount to supply.

However, sale of air-conditioner by Aakash to Sahab Sales will not qualify as supply under section 7 of the CGST Act, 2017 as although it is made for a consideration, but its not in the course or furtherance of business.

Question 11

Mr. Priyam, director of Sun Moon Company Private Limited, provided service to the company for remuneration of ₹ 1,25,000. Briefly answer whether GST is applicable in the below mentioned independent cases? If yes, who is liable to pay GST?

- (i) Mr. Priyam is an independent director of Sun Moon Company Private Limited and not an employee of the company.
- (ii) Mr. Priyam is an executive director, i.e. an employee of Sun Moon Company Private Limited. Out of total remuneration amounting to ₹ 1,25,000, ₹ 60,000 has been declared as salaries in the books of Sun Moon Company Private Limited and subjected to TDS under section 192 of the Income-Tax Act (IT Act). However, ₹ 65,000 has been declared separately other than salaries in the Sun Moon Company Private Limited's accounts and subjected to TDS under section 194J of the IT Act as professional services.(RTP May '21)

Answer 11

- (I) As per Para I of Schedule III of the CGST Act, services by an employee to the employer in the course of or in relation to his employment are non-supplies, i.e. they are neither supply of goods nor supply of services. Services provided by the independent directors who are not employees of the said company to such company, in lieu of remuneration as the consideration for the said services, are clearly outside the scope of Schedule III of the CGST Act and are therefore taxable. Further, such remuneration paid to the directors is taxable in hands of the company, on reverse charge basis. Thus, GST is applicable in this case and Sun Moon Company Private Limited is liable to pay GST.
- (II) The part of director's remuneration which is declared as salaries in the books of a company and subjected to TDS under section 192 of the Income-tax Act (IT Act), is not taxable being consideration for services by an employee to the employer in the course of or in relation to his employment in terms of Schedule III.

Further, the part of employee director's remuneration which is declared separately other than salaries in the company's accounts and subjected to TDS under section 194J of the IT Act as fees for professional or technical services are treated as consideration for providing services which are outside

the scope of Schedule III and is therefore, taxable. The recipient of the said services i.e. the company, is liable to discharge the applicable GST on it on reverse charge basis.

In lieu of the above provisions, ₹ 60,000 declared as salaries in the books of Sun Moon Company Private

Limited and subjected to TDS under section 192 of the Income-Tax Act (IT Act), is not taxable being consideration for services by an employee to the employer in the course of or in relation to his employment in terms of Schedule III.

Further, ₹ 65,000 declared separately other than salaries in the Sun Moon Company Private Limited's accounts and subjected to TDS under section 194J of the IT Act as professional services is treated as consideration for providing services which is outside the scope of Schedule III and is therefore, taxable. The recipient of the said services i.e. the Sun Moon Company Private Limited, is liable to discharge the applicable GST on it on reverse charge basis.

Question 12

Explain the composite supply and mixed supply. If a trader launches a package sale for marriage containing double bed, refrigerator, washing machine, wooden wardrobe at a single rate. He is issuing invoice showing value of each goods separately. Whether this is case of mixed supply or composite supply. Explain. (PYP 4 Marks, July'21)

Answer 12

Composite supply comprises of two or more taxable supplies of goods or services or both, or any combination thereof, which are naturally bundled and supplied in conjunction with each other in the ordinary course of business, one of which is a principal supply.

Mixed supply means two or more individual supplies of goods or services, or any combination thereof, made in conjunction with each other by a taxable person for a single price

where such supply does not constitute a composite supply.

Items such as double bed, refrigerator, washing machine and wooden wardrobe are not naturally bundled and also the invoice for the supply shows separate values for each item i.e., the package is not supplied for a single price.

Therefore, supply of such items as a package will neither constitute a composite supply nor a mixed supply. Thus, the various items of the package will be treated as being supplied individually.

Note: The question specifies that the various items are supplied at a 'single rate'. The "single rate" expression is construed as single rate of tax in the above answer. Further, the "single rate" may also be construed as single price as given in the below mentioned answer.

Items such as double bed, refrigerator, washing machine and wooden wardrobe are not naturally bundled. Therefore, supply of such items as a package will not constitute composite supply. Further, a single price has been charged for the package.

Consequently, supply of such items as a package will be treated as mixed supply.

Question 13

With reference to provisions of the CGST Act, 2017 discuss in brief, when "Importation of services" is to be considered as supply and when it is not to be considered as supply.

(PYP 5 Marks, Nov'20)

Answer 13

Importation of services for a consideration whether or not in the course or furtherance of business is to be considered as supply.

Importation of services by a person without consideration is deemed as supply provided the following two conditions are satisfied: -

- (a) such import is from related person or from his establishments located outside India, and
- (b) such import is in the course or furtherance of business.

In case any or both of the above two conditions is/are not satisfied, the import of services without consideration shall not be deemed as supply.

Question 14

Explain the meaning of supply as per provisions of Section 7(1) of Central Goods and Service Tax Act, 2017. (PYP 5 Marks Nov'18)



Answer 26

As per section 7(1) of CGST Act, 2017, the term supply includes –

- (a) all forms of supply of goods or services or both such as sale, transfer, barter, exchange, license, rental, lease or disposal made or agreed to be made for a consideration by a person, in the course or furtherance of business;
- (b) **As Per amendment: the activities or transactions, by a person, other than an individual, to its members or constituents or vice-versa, for cash, deferred payment or other valuable consideration.**
- (c) import of services for a consideration whether or not in the course or furtherance of business;
- (d) the activities specified in Schedule I, made or agreed to be made without a consideration; and
- (e) the activities to be treated as supply of goods or supply of services as referred to in Schedule II.

Question 27

Examine whether the following activities would amount to "supply" under GST law?

- (i) **Glory Ltd. is engaged in manufacturing and selling of cosmetic products. Seva Trust, a charitable organisation, approached Glory Ltd. to provide financial assistance for its charitable activities. Glory Ltd. donated a sum of ₹ 2 lakh to Seva Trust with a condition that Seva Trust will place a hoarding at the entrance of the trust premises displaying picture of products sold by Glory Ltd.**
- (ii) **Mr. Swamy of Chennai is working as a manager with ABC Bank. He consulted M/s. Jacobs and Company of London and took its advice for buying a residential house in Mumbai and paid them consultancy fee of 200 UK Pound for this import of service. (PYP 4 Marks May'22)**

Answer 27

- (i) An activity qualifies as supply under GST only if it is for a consideration and is in course/furtherance of business. Donations received by the charitable organizations are treated as consideration only when there's an obligation on part of the recipient of the donation to do anything.
Since in the given case, the display of products sold by the donor – Glory Ltd. - in charitable organization's premises aims at advertising/promotion of its business, it is supply for consideration in course/furtherance of business and thus, qualifies as supply under GST law.
- (ii) Supply includes importation of services, for a consideration whether or not in the course/furtherance of business. Thus, in the given case, the import of services by Mr. Swamy amounts to supply although it is not in course/furtherance of business

Question 28

List any 5 (Five) activities/transactions specified under Schedule III of the CGST Act, 2017 which shall be neither treated as supply of goods nor as supply of services. Detailed explanations is not required. (PYP 5 Marks May '23, RTP Nov '18)

Answer 28

Activities or transactions which shall be treated neither as a supply of goods nor a supply of services are as under:-

- (1) Services by an employee to the employer in the course of or in relation to his employment.
- (2) Services by any court or Tribunal established under any law for the time being in force.
- (3) Functions performed by the Members of Parliament, Members of State Legislature, Members of Panchayats, Members of Municipalities and Members of other local authorities.
- (4) Duties performed by any person who holds any post in pursuance of the provisions of the Constitution in that capacity.
- (5) Duties performed by any person as a Chairperson or a Member or a Director in a body established by the Central Government or a State Government or local authority and who is not deemed as an employee before the commencement of this clause.



- (6) Services of funeral, burial, crematorium or mortuary including transportation of the deceased.
- (7) Sale of land and, subject to paragraph 5(b) of Schedule II, sale of building. (i.e. in case, where entire consideration for sale of building received after issuance of completion certificate or after its first occupation, whichever is earlier).
- (8) Actionable claims, other than ~~lottery, betting and gambling~~. **Specified actionable claims.**
Specified actionable claims means actionable claim involved in or by way of betting, casinos, gambling, horse racing, lottery and online money gaming.
- (9) Supply of goods from a place in the non-taxable territory to another place in the non-taxable territory without such goods entering into India (OR) Merchant Trading / High-sea Sales
- (10) Supply of warehoused goods to any person before clearance for home consumption.
- (11) Supply of goods by the consignee to any other person, by endorsement of documents of title to the goods, after the goods have been dispatched from the port of origin located outside India but before clearance for home consumption.

MULTIPLE CHOICE QUESTIONS (MCQS)

1. Which of the following is not a supply of services?

- (a) Renting of Commercial Office Complex
- (b) Payment of Non-Compete Fee by an ex-employee to his previous employer
- (c) Repairing of Mobile Phone
- (d) Permanent transfer of business assets on which ITC is availed (MTP 1Marks, Oct'19)

Ans: (d)

2. Which of the following services received without consideration amount to supply?

- (1) Import of services by a person in India from his son well-settled in USA
 - (2) Import of services by a person in India from his brother well-settled in Germany
 - (3) Import of services by a person in India from his brother (wholly dependent on such person in India) in France
 - (4) Import of services by a person in India from his daughter (wholly dependent on such person in India) in Russia
- (a) 1), 3) and 4)
 - (b) 2), 3) and 4)
 - (c) 2) and 3)
 - (d) 1) and 2) (MTP 2 Marks, March'19)

Ans : (a)

3. Determine which of the following independent transactions even if made without consideration in terms of Schedule I of the CGST Act, 2017, will be deemed as supply?

- (i) AB & Associates transfers stock of goods from its Mumbai branch to Kolkata depot for sale of such goods at the depot.
- (ii) Mr. Raghuvver, a dealer of air-conditioners permanently transfers the motor vehicle free of cost. ITC on said motor vehicle was blocked and therefore, was not availed.
- (iii) Mrs. Riddhi, an employee of Sun Ltd., received gift from her employer on the occasion of Diwali worth ₹ 21,000.

- (a) (i)
- (b) (ii)



- (c) (iii)
- (d) Both (i) and (ii) (MTP 2 Marks March '23)

Ans: (a)

4. M.H. Husain, a famous painter, Delhi, sends his latest art work to Indian Classic gallery, Delhi, for exhibition. However, no consideration has flown from Indian Classic gallery to M. H. Husain when the art work is sent to the gallery for exhibition. M. H. Husain is in dilemma whether GST is payable on said transfer of art work. What would be your advice on the same?

- (a) GST is payable as the same amounts to taxable supply of goods.
- (b) GST is payable as the same amounts to taxable supply of services.
- (c) GST is not payable as the same is an exempt supply.
- (d) GST is not payable as the same does not amount to supply at all. (RTP May '19)

Ans: (d)

5. ABC Ltd. is a registered pharmaceutical company. The company invented one drug for instant cure of cancer. They supplied free samples of this medicine to various doctors. What will be the tax treatment of these free samples under GST?

- (a) ABC Ltd. is liable to pay tax on supply of free samples and eligible to claim input tax credit.
- (b) ABC Ltd. is not liable to pay tax on supply of free samples but eligible to claim input tax credit.
- (c) ABC Ltd. is neither liable to pay tax on supply of free samples nor eligible to claim input tax credit.
- (d) ABC Ltd. is liable to pay tax on supply of free samples but not eligible to claim input tax credit.

(RTP Nov '19)

Ans: (c)

6. Which of the following is not covered under Schedule III of CGST Act, 2017?

- (a) Director's monthly salary under employment agreement
- (b) Sitting fees to independent directors for attending AGMs
- (c) Payment to employee for providing broking services to the employer for purchase of commercial property. Such services do not form part of the employment contract entered into by the employer with the employee.
- (d) Both (b) and (c). (RTP Nov '19)

Ans: (d)

7. Mr. Arun, a registered supplier, is engaged in selling sweets. The sweets are sold in boxes and the cost of each sweet box is ₹ 500/-. In order to increase his turnover, he purchased certain juice cans @ ₹ 20/- each and added juice can with every sweet box as a gift. A sweet box along with free juice can is sold at ₹500/- each.

Which of the statements is correct?

- (a) He is liable to pay tax on ₹520/- and eligible to claim input tax credit on purchase of juice cans
- (b) He is liable to pay tax on ₹500/- and not eligible to claim input tax credit on purchase of juice cans
- (c) He is liable to pay tax on ₹500/- and also eligible to claim input tax credit on purchase of juice cans
- (d) Either (a) or (b) (RTP May '20)

Ans: (c)

8. Which is not considered as supply under GST Law?



- i. Date of completion certificate - 31/01/20XX
- ii. Date of agreement with buyer - 01/02/20XX
- iii. Consideration received - 05/02/20XX (RTP May '20)

- (a) Stock transferred from one establishment in Delhi to another establishment in Gurgaon, Haryana registered under same PAN.
- (b) CA Ram supplies accounting services to CA Radha in lieu of taxation services received from CA Radha.
- (c) A Health club supplies lunch to its members at its annual meeting against a nominal charge.
- (d) Mr. A sells a flat to Mr. B

Ans: (d)

9. Which of the following activity shall be treated neither as a supply of goods nor a supply of services?

- (i) Permanent transfer of business assets where input tax credit has been availed on such assets
- (ii) temporary transfer of intellectual property right
- (iii) transportation of deceased
- (iv) services by an employee to the employer in the course of employment

- (a) (i) & (iii)
- (b) (ii) & (iv)
- (c) (i) & (ii)
- (d) (iii) & (iv)

(RTP May '20)

Ans: (d)

10. Sahil, a resident of Delhi, is having a residential property in Vasant Vihar, Delhi which has been given on rent to a family for ₹ 50 lakh per annum. Determine whether Sahil is liable to pay GST on such rent.

- (a) Yes, as services by way of renting is taxable supply under GST.
- (b) No, service by way of renting of residential property is exempt.
- (c) No, service by way of renting of residential property does not constitute supply.
- (d) Sahil, being individual, is not liable to pay GST. (RTP May '21)

Ans: (b)

As per amendment renting of residential dwelling to a registered person is taxable under RCM.

11. Determine which of the following independent cases will be deemed as supply even if made without consideration in terms of Schedule I of the CGST Act, 2017?

- (i) AB & Associates transfers stock of goods from its Mumbai branch to Kolkata depot for sale of such goods at the depot.
- (ii) Mr. Raghuvver, a dealer of air-conditioners permanently transfers the motor vehicle free of cost. ITC on said motor vehicle is blocked.
- (iii) Mrs. Riddhi, an employee of Sun Ltd., received gift from her employer on the occasion of Diwali worth ₹ 21,000.



- (a) (i)
- (b) (ii)
- (c) (iii)
- (d) Both (i) and (ii) **(RTP Nov '21)**

Ans: (a)



VIVITSU
STRIVING TOWARDS KNOWLEDGE



Chapter 3 Charge of GST

Question 1

A person availing composition scheme, under sub-sections (1) & (2) of section 10, in Haryana during a financial year crosses the turnover of ₹ 1.5 crore in the month of December. Will he be allowed to pay tax under composition scheme for the remainder of the year, i.e. till 31st March? Please advise. (MTP 4 Marks, Oct'21, Old & New SM)

Answer 1

No. The option to pay tax under composition scheme lapses from the day on which the aggregate turnover of the person availing composition scheme for goods during the financial year exceeds the specified limit (₹ 1.5 crore). Once he crosses the threshold, he is required to file an intimation for withdrawal from the scheme in prescribed form within 7 days of the occurrence of such event.

Every person who has furnished such an intimation, may electronically furnish at the common portal, a statement in prescribed form containing details of the stock of inputs and inputs contained in semi-finished or finished goods held in stock by him on the date on which the option is withdrawn, within a period of 30 days from the date from which the option is withdrawn.

Question 2

Subramanian Enterprises has two registered places of business in Delhi. Its aggregate turnover for the preceding year for both the places of business was ₹ 120 lakh. It wishes to pay tax under composition levy, under section 10(1) & 10(2), for one of the places of business in the current year while under normal levy for other. You are required to advise Subramanian Enterprises whether he can do so? (MTP 4 Marks, Nov'21, Old & New SM)

Answer 2

A registered person with an aggregate turnover in a preceding financial year up to ₹ 1.5 crore is eligible for composition levy, under section 10(1) & 10(2), in Delhi. Since the aggregate turnover of Subramanian Enterprises does not exceed ₹ 1.5 crore, it is eligible for composition levy in the current year. However, all registered persons having the same Permanent Account Number (PAN) have to opt for composition scheme. If one such registered person opts for normal scheme, others become ineligible for composition scheme. Thus, Subramanian Enterprises either have to opt for composition levy for both the places of business or under normal levy for both the places of business.

Question 3

Mr. Guneet is running a consulting firm and also a readymade garment showroom in Kolkata registered in same PAN. Turnover of the showroom is Rs. 70 lakh and receipt of consultancy firm is Rs. 15 lakhs in the preceding financial year. You are required to Answer the following:

- (1) **Is Mr. Guneet eligible for composition scheme?**
- (2) **Is it possible for Mr. Guneet to opt for composition scheme only for showroom? (MTP 4 Marks, April'19)**

Answer 3

A registered person, whose aggregate turnover in the preceding financial year did not exceed Rs. 1 crore (**As per amendment- the limit has been changed to Rs. 1.5 crore**) in a State/UT [Rs. 75 lakhs in case of Special Category States except Jammu and Kashmir and Uttarakhand], may opt for composition scheme. However, he shall not be eligible to opt for composition scheme if, inter alia, he is engaged in the supply of services other than restaurant services.

- (1) In the given case, since Mr. Guneet is engaged in the supply of consultancy service, he is not eligible to opt for composition scheme irrespective of its turnover in the preceding financial year.
- (2) No, it is not possible for Mr. Guneet to opt for composition scheme only for showroom as all the registrations under the same PAN have to opt for composition scheme and since the supply of consultancy service is ineligible for composition scheme, supply of readymade garments too becomes ineligible for composition scheme.



Question 4

M/s. Modish and Stylish Company is a partnership firm of interior decorators and also running a readymade garment showroom. Turnover of the showroom was Rs. 80 lakh and receipts of the interior decorator's service was Rs. 22 Lakh in the preceding financial year.

With reference to the provisions of the CGST Act, 2017, examine whether the firm can opt for the composition scheme?

Will your Answer change, if the turnover of the showroom was Rs. 70 lakh and receipts of the interior decorator's service was Rs. 22 Lakh in the preceding financial year?

Also discuss whether it is possible for M/s. Modish and Stylish Company to opt for composition scheme only for showroom? (MTP 6 Marks, Oct'18)

Answer 4

A registered person, whose aggregate turnover in the preceding financial year did not exceed Rs. 1 crore **(As per amendment- the limit has been changed to Rs. 1.5 crore)** [Rs. 75 lakhs in case of special category States except Jammu and Kashmir and Uttarakhand], may opt for composition scheme vide section 10 of CGST Act, 2017.

However, he shall not be eligible to opt for composition scheme if, inter alia, he is engaged in the supply of services other than restaurant services.

In the given case, since M/s Modish and Stylish Company is engaged in supply of interior decorator's service, it is not eligible to opt for composition scheme irrespective of its turnover in the preceding financial year.

Therefore, the Answer will remain the same i.e., the company will not be eligible to opt for composition scheme even with the change in the turnovers as given in the second case.

Further, where more than one registered persons are having the same Permanent Account Number, the registered person shall not be eligible to opt for composition scheme unless all such registered persons opt to pay tax under composition scheme.

Therefore, the Answer will not change in the third case also as all the registrations under the same PAN are required to opt for composition scheme and since the supply of interior decorator service is ineligible for composition scheme, supply of readymade garments too becomes ineligible for composition scheme.

Question 5

Decide which person is liable to pay GST in the following independent cases, where the recipient is located in the taxable territory. Ignore the Aggregate Turnover and Exemption available.

- (i) Miss Shinu Ambani provided sponsorship services to Indian Love Cricket Academy, a Limited Liability Partnership.
- (ii) "Fast move", a Goods Transport Agency, transported goods of Amba & Co., a partnership firm which is not registered under GST. (MTP 4 Marks, March'19, PYP 3 Marks, Nov '18)

Answer 5

- i. In case of services provided by any person by way of sponsorship to anybody corporate or partnership firm / limited liability partnership (LLP), GST is liable to be paid under reverse charge by such body corporate or partnership firm / LLP located in the taxable territory. Therefore, in the given case, Indian Love Cricket Academy is liable to pay GST under reverse charge.
- ii. In case of services provided by Goods Transport Agency (GTA) in respect of transportation of goods by road to, inter alia, any partnership firm whether registered or not under any law; GST is liable to be paid by such partnership firm. Therefore, in the given case, Amba & Co. is liable to pay GST under reverse charge.

Question 6

Swaminathan started the business of supplying shoes in the State of Kerala from 1st April. He makes only intra-State supplies. His turnover for April - June quarter was ₹ 20 lakh and for July - September quarter was ₹ 100 lakh. Further, one-fourth of his total turnover in each of the quarters was exempt from GST. Being eligible for composition scheme, Swaminathan got himself registered under the composition scheme with effect from 1st July.



You are required to compute the tax payable by Swaminathan under composition scheme assuming that he is a manufacturer. Will your answer be different if Swaminathan is trader. (MTP 6 Marks Sep'22)

Answer 6

A registered person opting for composition levy for goods pays tax at the rates mentioned below during the current FY, in lieu of the tax payable by him under regular scheme:

Manufacturers, other than manufacturers of notified goods	1% (½% CGST+ ½% SGST/UTGST) of the turnover in the State/ Union territory
Trader	1% (½% CGST+ ½% SGST/UTGST) of turnover of taxable supplies of goods & services in the State/ Union territory

Turnover prior to obtaining registration will not be considered for determining the turnover in a State/Union Territory.

Tax payable by Swaminathan under composition scheme is as follows:

$$\text{CGST} = ₹ 100 \text{ lakh} \times 0.5\% = ₹ 50,000$$

$$\text{SGST} = ₹ 100 \text{ lakh} \times 0.5\% = ₹ 50,000$$

In case where Swaminathan is a trader, tax payable by him under composition scheme will be as follows:

$$\text{CGST} = ₹ 75 \text{ lakh (as 25\% of turnover is exempt)} \times 0.5\% = ₹ 37,500$$

$$\text{SGST} = ₹ 75 \text{ lakh (as 25\% of turnover is exempt)} \times 0.5\% = ₹ 37,500$$

Question 7

Examine given cases and determine the persons liable to pay tax in each of the following independent cases:

- (i) Dharam Shastri, an independent director of Universe Pvt. Ltd., has received sitting fee amounting to ₹ 1 lakh from Universe Pvt. Ltd. for attending the Board meetings.
- (ii) Chandan Associates provided sponsorship services to Virat Cricket Academy, an LLP.
- (iii) Legal Fees is received by Gaba, an advocate, from M/s. Naveen Consultants having turnover of ₹ 50 lakh in preceding financial year. (MTP 6 Marks Oct'22)

Answer 7

- (i) GST on supply of services by director of a company to the said company located in the taxable territory is payable on reverse charge basis.

Therefore, in the given case, person liable to pay GST is the recipient of services, i.e., Universe Pvt. Ltd.

As per amendment it is clarified that services supplied by the director of the company in his personal capacity such as service supplied by renting of immovable property are not taxable under RCM.

- (ii) In case of services provided by any person by way of sponsorship to any body corporate or partnership firm, GST is liable to be paid under reverse charge by such body corporate or partnership firm located in the taxable territory.

Further, for the reverse charge purposes, Limited Liability Partnership formed and registered under the provisions of the Limited Liability Partnership Act, 2008 is also be considered as a partnership firm. Therefore, in the given case, Virat Cricket Academy is liable to pay GST under reverse charge.

- (iii) GST on legal services supplied by an advocate [Mr. Gaba] to any business entity [M/s Naveen Consultants] located in the taxable territory is payable on reverse charge basis.

Therefore, in the given case, person liable to pay GST is the recipient of services, i.e., M/s. Naveen Consultants.

Question 8

M/s United Electronics, a registered dealer, is supplying all types of electronic appliances in the State of Karnataka. Its aggregate turnover in the preceding financial year by way of supply of appliances is ₹ 120 lakh.

The firm also expects to provide repair and maintenance service of such appliances from the current financial year.

With reference to the provisions of the CGST Act, 2017, examine:

- (i) Whether the firm can opt for the composition scheme, under section 10(1) and 10(2), for the current financial year, as the turnover may include supply of both goods and services?
- (ii) If yes, up to what amount, the services can be supplied?(MTP 6 Marks March '23, Old & New SM)

Answer 8

- (i) The registered person, whose aggregate turnover in the preceding financial year does not exceed ₹ 1.5 crore, may opt to pay tax under composition levy, under section 10(1) and 10(2).

The scheme can be availed by an intra-State supplier of goods and supplier of restaurant service.

However, the composition scheme permits supply of marginal services (other than restaurant services) for a specified value along with the supply of goods and restaurant service, as the case may be.

Thus, M/s United Electronics can opt for composition scheme for the current financial year as its aggregate turnover is less than ₹ 1.5 crore in the preceding financial year and it is not engaged in inter-State outward supplies.

- (ii) The registered person opting for composition scheme, under section 10(1) and 10(2), can also supply services (other than restaurant services) for a value up to 10% of the turnover in the preceding year or ₹ 5 lakh, whichever is higher, in the current financial year.

Thus, M/s United Electronics can supply repair and maintenance services up to a value of ₹ 12 lakh [10% of ₹ 120 lakh or ₹ 5 lakh, whichever is higher] in the current financial year

Question 9

B Enterprises started its business activities in the month of January, in the State of Karnataka. It provides the following information:

Sr. No.	Particulars	Amount (₹)
1.	Value of intra-State outward taxable supply of goods	7,00,000
2.	Value of inter-State outward taxable supply of services	6,00,000
3.	Value of intra-State outward supply on which tax is payable under reverse charge mechanism.	1,00,000
4.	Value of intra-State outward supply of exempted good from its other place of business in the State of Manipur (under same PAN)	5,00,000

From the information given above, you are required to calculate the aggregate turnover of B Enterprises with necessary explanations and also, specify with reason whether it is liable to get registered under CGST Act or not. (MTP 6 Marks April '23)

Answer 9

Computation of aggregate turnover of B Enterprises, Karnataka, for January

Particulars	(₹)
Intra-State outward taxable supply of goods [Aggregate turnover includes value of all taxable supplies.]	7,00,000
Inter-State outward taxable supply of services [Aggregate turnover includes value of inter-State supplies.]	6,00,000



Intra-State outward supply on which tax is payable under reverse charge mechanism [Aggregate turnover includes value of all taxable supplies whether taxable under reverse charge or forward charge.]	1,00,000
Intra-State outward supply of exempted goods from Manipur [Aggregate turnover includes value of exempt supplies made in all the States under the same PAN]	5,00,000
Aggregate turnover	19,00,000
Persons making any inter-State taxable supply of goods are required to obtain compulsory registration, but in case of inter-State supply of taxable services, threshold limit of ₹ 20 lakh is available. Such threshold limit gets reduced to ₹ 10 lakh in case of specified Special Category State provided taxable supply is being made therefrom. Since B Enterprises is making exempt supplies from Manipur - a specified Special Category State, the applicable threshold limit of registration for B Enterprises is ₹ 20 lakh. Thus, it is not liable to be registered as its aggregate turnover does not exceed the threshold limit.	

Question 10

Determine whether the suppliers in the following cases are eligible for composition levy, under section 10(1) & 10(2) of the CGST Act, 2017, provided their turnover in preceding year does not exceed ` 1.5 crore:

- (i) Mohan Enterprises is engaged only in trading of pan masala in Rajasthan and is registered in the same State.
- (ii) Sugam Manufacturers has registered offices in Punjab and Haryana and sells goods manufactured by it in the neighbouring States. (MTP 4 Marks Sep '23, Old & New SM)

Answer 10

- (i) A supplier engaged in the manufacture of goods as notified under section 10(2)(e) of the CGST Act, 2017, during the preceding FY is not eligible for composition scheme under section 10(1) and 10(2). Ice cream and other edible ice, whether or not containing cocoa, Pan masala, Tobacco and manufactured tobacco substitutes, aerated waters, fly ash bricks, fly ash aggregate, fly ash blocks, bricks of fossil meals or similar siliceous earths, building bricks, earthen or roofing tiles are notified under this category. However, in the given case, since Mohan Enterprises is engaged in trading of pan masala and not manufacture and his turnover does not exceed ` 1.5 crore, he is eligible for composition scheme subject to fulfilment of specified conditions.
- (ii) Since supplier of inter-State outward supplies of goods or services is not eligible for composition levy, Sugam Manufacturers is not eligible for composition levy.

Question 11

M/s. Handsome and Likemi Company, a partnership firm at Mumbai is running a mobile phone showroom. Along with mobile phone showroom, it is also engaged in providing health and fitness services. Turnover of the mobile phone showroom was ₹ 78 lakh and receipts of the health and fitness service was ₹ 26 lakh in the preceding financial year.

- (i) With reference to the provisions of the CGST Act, 2017, examine whether the firm can opt for the composition scheme,
- (ii) Will your Answer change, if the turnover of the mobile phone showroom was ₹ 74 lakh and receipts of the health and fitness service was ₹ 18 lakh in the preceding financial year?
- (iii) If M/s. Handsome and Likemi Company obtain separate registration for their mobile phone showroom &

for health fitness centre, can it opt for composition scheme only for mobile phone showroom? (RTP Nov '18)

Answer 11

A registered person, whose aggregate turnover in the preceding financial year did not exceed ₹ 1 crore (**As per amendment- the limit has been changed to Rs. 1.5 crore**) [₹ 75 lakh in case of special category States except Jammu and Kashmir and Uttarakhand], may opt for composition scheme vide section 10 of CGST Act, 2017.

However, he shall not be eligible to opt for composition scheme if, inter alia, he is engaged in the supply of services other than restaurant services. (**As per amendment**)

- (i) In the given case, since M/s Handsome and Likemi Company is engaged in supply of health and fitness service, it is not eligible to opt for composition scheme irrespective of its turnover in the preceding financial year.
- (ii) The Answer will remain the same i.e., M/s. Handsome & Likemi Company will not be eligible to opt for composition scheme even with the change in the turnovers.
- (iii) Where more than one registered persons are having the same Permanent Account Number, the registered person shall not be eligible to opt for composition scheme unless all such registered persons opt to pay tax under composition scheme.

Therefore, M/s. Handsome and Likemi Company will not be able to opt for composition scheme only for mobile phone showroom as all the registrations under the same PAN have to opt for composition scheme and since the supply of health and fitness service is ineligible for composition scheme, supply of mobile phones too becomes ineligible for composition scheme.

Question 12

Mr. Vicky Frankyn, an unregistered famous author, received ₹ 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. (RTP Nov '19)

Answer 12

Yes, the view of Mr. Vicky Frankyn is correct. GST is payable under reverse charge in case of supply of services by an author by way of transfer/permitting the use or enjoyment of a copyright covered under section 13(1)(a) of the Copyright Act, 1957 relating to original literary work to a publisher located in the taxable territory in terms of reverse charge Notification No. 13/2017 CT(R) dated 28.06.2017. Therefore, in the given case, person liable to pay tax is the publisher – SBP.

However, since SBP has completely refused to deposit the tax on the given transaction, Mr. Vicky Frankyn has an option to pay tax under forward charge on the same. For the purpose, he needs to fulfill the following conditions: (**As per amendment the Answer is the same but a separate line item has been added in the exemption list**)

- (i) since he is unregistered, he has to first take registration under the CGST Act, 2017
- (ii) he needs to file a declaration, in the prescribed form, that he exercises the option to pay CGST on the said service under forward charge in accordance with section 9(1) of the CGST Act and to comply with all the provisions as they apply to a person liable for paying the tax in relation to the supply of any goods and/or services and that he shall not withdraw the said option within a period of 1 year from the date of exercising such option;
- (iii) he has to make a declaration on the invoice, which he would issue to SBP, in prescribed form.

Question 13

(a) Chanchal started providing beauty and grooming services and inaugurated “Care & Care Beauty Centre” in Janak Puri, Delhi on 01st April, 20XX. She opted to pay tax under Notification No. 2/2019 CT (R) dated 07.03.2019 in the said financial year.

The aggregate turnover of Care & Care Beauty Centre for the quarter ending 30th June, 20XX was ₹ 20 lakh. Further, for the half year ending 30th September, 20XX, the turnover reached ₹ 50 lakh. Care & Care Beauty Centre recorded a rapid growth and the turnover reached ₹ 70 lakh by the end of October, 20XX. Determine the total tax liability of Care & Care Beauty Centre by the end of October, 20XX.

(b) Care & Care Beauty Centre wishes to opt for composition scheme from the next financial year. You are required to advise it whether it can do so?

Note: Rate of GST applicable on such services is 18%. (RTP Nov ‘19)

Answer 13

(a) Notification No. 2/2019 CT (R) dated 07.03.2019 provides an option to a registered person to pay CGST @ 3% [Effective rate 6% (CGST+ SGST/ UTGST)] on first supplies of goods and/or services upto an aggregate turnover of ₹ 50 lakh made on/after 1st April in any financial year, subject to specified conditions.

It is clarified in the notification that first supplies of goods or services or both shall, for the purposes of determining eligibility of a person to pay tax under this notification, include the supplies from 1st April of a FY to the date from which he becomes liable for registration under the said Act, but for the purpose of determination of tax payable under this notification, shall not include the supplies from the first day of April of a financial year to the date from which he becomes liable for registration under the Act.

Thus, Care & Care Beauty Centre is eligible to pay tax under this notification upto the turnover of ₹ 50 lakh.

The total tax payable by it is as under:-

Period	Tax Rate	Turnover (₹)	Tax liability (₹)
I Quarter	Since turnover did not exceed ₹ 20 lakh, it was not required to obtain registration. Hence, no tax was required to be paid	20 Lakh	Nil
II Quarter	Effective rate is 6% (CGST+ SGST/ UTGST) under Notification No. 2/2019 CT (R)	30 Lakh [(50-20) lakh]	1,80,000
For the month of October, 20XX	Normal rate of GST of 18% is to be applied	20 lakh [(70-50) lakh]	3,60,000
Total tax payable			5,40,000

(b) No, Care & Care Beauty Centre cannot opt for composition scheme from the next financial year. Fundamentally, the composition scheme can be availed in respect of goods and only one service namely, restaurant service. As regards services other than restaurant services are concerned, only marginal supply of the such services for a specified value along with the supply of goods and/or restaurant service, as the case may be, is permitted under section 10(1) of CGST Act, 2017. Therefore, a person engaged exclusively in supply of services other than restaurant services is not eligible to opt for composition scheme.

Question 14

Mr. Ajay has a registered repair centre where electronic goods are repaired/serviced. His repair centre is located in State of Rajasthan and he is not engaged in making any inter-State supply of services. His aggregate turnover in the preceding financial year (FY) is ₹ 45 lakh.

With reference to the provisions of the CGST Act, 2017, examine whether Mr. Ajay can opt for the composition scheme in the current financial year (FY)? Is he eligible to avail benefit of concessional payment of tax under Notification No. 2/2019 CT (R) dated 07.03.2019? Considering the option of payment of tax available to Mr. Ajay, compute the amount of tax payable by him assuming that his aggregate

turnover in the current financial year is ₹ 35 lakh.

Will your Answer be different if Mr. Ajay procures few items required for providing repair services from neighbouring State of Madhya Pradesh? (RTP May '20)

Answer 14

Section 10 of the CGST Act, 2017 provides that a registered person, whose aggregate turnover in the preceding financial year did not exceed ₹ 1.5 crore (₹ 75 lakh in Special Category States except Assam, Himachal Pradesh and Jammu and Kashmir), may opt to pay, in lieu of the tax payable by him, an amount calculated at the specified rates. However, if, inter alia, such registered person is engaged in the supply of services other than restaurant services, he shall not be eligible to opt for composition levy.

In the given case, since Mr. Ajay is a supplier of repair services, he is not eligible for composition scheme even though his aggregate turnover in the preceding FY does not exceed ₹ 1.5 crore. Therefore, he has to discharge his tax liability under regular provisions at the applicable rates. However, with effect from 01.04.2019, Notification No. 2/2019 CT (R) dated 07.03.2019 has provided an option to a registered person whose aggregate turnover in the preceding financial year is upto ₹ 50 lakh and who is not eligible to pay tax under composition scheme, to pay tax @ 3% [Effective rate 6% (CGST+ SGST/UTGST)] on first supplies of goods and/or services upto an aggregate turnover of ₹ 50 lakh made on/after 1st April in any FY, subject to specified conditions.

Thus, in view of the above-mentioned provisions, Mr. Ajay is eligible to avail the benefit of concessional payment of tax under Notification No. 2/2019 CT (R) dated 07.03.2019 as his aggregate turnover in the preceding FY does not exceed ₹ 50 lakh and he is not eligible to opt for the composition scheme. Thus, the amount of tax payable by him under Notification No. 2/2019 CT (R) dated 07.03.2019 is ₹ 2,10,000 [6% of ₹ 35 lakh]. A registered person cannot opt for Notification No. 2/2019 CT (R) dated 07.03.2019, if inter alia, he is engaged in making any inter-State outward supplies. However, there is no restriction on inter-State procurement of goods. Hence, Answer will remain the same even if Mr. Ajay procures few items from neighbouring State of Madhya Pradesh.

Question 15

“Wedding Bells”, a wedding photographer, has commenced providing pre-wedding shoot services in Jaipur from the beginning of current financial year 2023-2024. It has provided the following details of turnover for the various quarters till December, 2023 :-

S. No.	Quarter	Amount (₹ in lakh)
1	April,2023-June,2023	20
2	July,2023-September,2023	30
3	October,2023-December,2023	40

You may assume the applicable tax rate as 18%. Wedding Bells wishes to pay tax at a lower rate and opts for the composition scheme. You are required to advise whether it can do so and calculate the amount of tax payable for each quarter?(RTP May '21)

Answer 15

Section 10(2A) of the CGST Act, 2017 provides the turnover limit of ₹ 50 lakh in the preceding financial year for becoming eligible for composition levy for services. Wedding Bells has started the supply of services in the current financial year (FY), thus, it's aggregate turnover in the preceding FY is Nil. Consequently, in the current FY, Wedding Bells is eligible for composition scheme for services. A registered person opting for composition levy for services shall pay tax @ 3% [Effective rate 6% (CGST+ SGST/UTGST)] of the turnover of supplies of goods and services in the State.

Further, Wedding Bells becomes eligible for the registration when the aggregate turnover exceeds ₹ 20 lakh (the threshold limit of obtaining registration). While registering under GST, Wedding Bells can opt for composition scheme for services.

The option of a registered person to avail composition scheme for services shall lapse with effect from the day on which his aggregate turnover during a financial year exceeds the threshold limit of ₹ 50 lakh.

However, for the purposes of determining the tax payable under composition scheme, the expression

“turnover in State” shall not include the value of supplies from the first day of April of a FY up to the date when such person becomes liable for registration under this Act.

Thus, for determining the turnover of the State for payment of tax under composition scheme for services, turnover of April,2020 – June,2020 quarter [₹ 20 lakh] shall be excluded. On next ₹ 30 lakh [turnover of July,2023 – September, 2023 quarter], it shall pay tax @ 6% [3% CGST and 3% SGST].

For the purposes of computing aggregate turnover of a registered person for determining his eligibility to pay tax under this section, aggregate turnover includes value of supplies from the 1st April of a FY up to the date of his becoming liable for registration.

Thus, while computing aggregate turnover for determining Wedding Bells’s eligibility to pay tax under composition scheme, value of supplies from the first day of April of a financial year up to the date when it becomes liable for registration under this Act (i.e. turnover of April,2023 – June,2023 quarter), are included.

By the end of July, 2023 – September, 2023 quarter, the aggregate turnover reaches ₹ 50 lakh. Consequently, the option to avail composition scheme for services shall lapse by the end of July, 2023 – September, 2023 quarter and thereafter, it is required to pay tax at the normal rate of 18%.

Considering the above provisions, the tax payable for each quarter is as under:-

S. No.	Quarter	GST rate [CGST + SGST]	Turnover (₹ in lakh)	GST payable (₹ in lakh)
1	April, 2023 – June, 2023	-	20	-
2	July, 2023 – September, 2023	6%	30	1.8
3	October, 2023 – December, 2023	18%	40	7.2

Question 16

P Ltd, a registered person provided following information for the month of October, 2023:

Particulars	Amount (₹)
Intra-State outward supply	8,00,000
Inter-State exempt outward supply	4,00,000
Turnover of exported goods	20,00,000
Payment of IGST	1,20,000
Payment of CGST and SGST	45,000 each
Payment of custom duty on export	40,000
Payment made for availing GTA services	3,00,000

GST is payable on Reverse Charge for GTA services. Explain the meaning of aggregate turnover u/s 2(6) of the CGST Act and compute the aggregate turnover of P Ltd. for the month of October, 2020. All amounts are exclusive of GST. (PYP 5 Marks, July’21)

Answer 16

The term aggregate turnover means the aggregate value of:

- (i) all taxable supplies
- (ii) exempt supplies,
- (iii) exports of goods or services or both and
- (iv) inter-State supplies of persons having the same Permanent Account Number, to be computed on all India basis but excluding
 - (i) central tax, State tax, Union territory tax, integrated tax and cases.
 - (ii) the value of inward supplies on which tax is payable by a person on reverse charge basis

Computation of aggregate turnover of P Ltd. for the month of October, 2023

Particulars	Amount (₹)
In terms of the definition of the aggregate turnover given above, the aggregate turnover of P Ltd. has been computed as follows:	
Intra-State outward supply	8,00,000
Inter-State exempt outward supply	4,00,000
Turnover of exported goods	20,00,000
Payment of IGST	Nil
Payment of CGST and SGST	Nil
Payment of customs duty on export	40,000
Payment made under reverse charge for availing GTA services	Nil
Aggregate turnover	32,40,000

Question 17

Mr. Anurag, a famous Author is engaged in supply of services by the way of transfer or permitting the use or enjoyment of a copyright covered under clause (a) of sub-section (1) of section 13 of the Copyright Act, 1957 relating to original literary works to a publisher. Explain in brief the conditions under which an Author can choose to pay tax under forward charge. (PYP 5 Marks, Jan'21)

Answer 17

Mr. Anurag, an author, can choose to pay tax under forward charge provided he fulfills the following conditions: -

- (i) He has taken registration under the GST law.
- (ii) He has filed a declaration, in the prescribed form, that he exercises the option to pay tax on the said service under forward charge and, to comply with all the provisions of the GST law as they apply to a person liable for paying the tax in relation to the supply of any goods and/or services and that he shall not withdraw the said option within a period of 1 year from the date of exercising such option.
- (iii) He makes a declaration on the invoice issued by him in prescribed form to the publisher.

Question 18

In the following independent cases, decide, who is liable to pay GST, if any.

You may assume that recipient is located in the taxable territory. Ignore the aggregate turnover and exemption available.

- (i) 'Veer Transport', a registered Goods Transport Agency (GTA) paying IGST @ 12%, transported goods by road of Dili & Company, a sole proprietary firm (other than specified person) which is not registered under GST or any other Law. (PYP 2 Marks, Nov'20)
- (ii) Mr. Kamal Jain, an unregistered famous author, received ` 20 lakh of consideration from PQR Publications Ltd. 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. (PYP 2 Marks, Nov'20)

Answer 18

- (i) In case of a GTA service, where GST is payable @ 5% and recipient is one of the specified recipients, tax is payable by the recipient of service under reverse charge. However, where GST is payable @ 12%, tax is payable under forward charge by the supplier of service. Therefore, in the given case, tax is payable under forward charge by "Veer Transport", a registered GTA. Note in the given case, since the recipient of service is other than specified recipient, i.e., unregistered sole proprietorship firm, GTA service is exempt from GST. However, in the above answer,

the said exemption has been ignored since the question specifically requires the students to ignore the exemptions, if any, available.

- (ii) Supply of services by an author by way of transfer of a copyright covered under section 13(1)(a) of the Copyright Act, 1957 relating to original literary works to a publisher located in the taxable territory is taxable under reverse charge mechanism. Thus, in the given case, the recipient of service, i.e. PQR Publications Ltd. is liable to pay GST. The tax can be paid by the author under forward charge if the author is a registered person. Since in the given case, the author is an unregistered person, the said option is not available to him.

Question 19

Mr. Zafar of Assam, provides the following information for the preceding financial year 2022-23. 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. 2023-24.

Particulars	Amount (` in lakh)
Value of taxable outward supplies (out of above, ` 10 lakh was in course of inter-state transactions).	50.00
Value of exempt supplies (which include ` 30 lakh received as 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.	

(PYP 6 Marks, Nov'19)

Answer 19

Computation of aggregate turnover of Mr. Zafar for FY 2022-23 for the purpose of eligibility of composition levy scheme

Particulars	Amount in lakh (`)
Value of taxable outward supplies [Value of all taxable supplies including inter-State supplies are includible in aggregate turnover]	50
Value of exempt supplies [Value of exempt supplies is includible in aggregate turnover. However, value of supply of exempt services by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount, though exempt, is not includible in aggregate turnover for determining eligibility for composition scheme]	40
Value of inward supplies on which Mr. Zafar is liable to pay tax under reverse charge [Excludible from aggregate turnover]	Nil
Value of exports [Includible in aggregate turnover]	5
Aggregate turnover for determining eligibility for composition scheme	95

A registered person of Assam is eligible to opt for composition levy if his aggregate turnover does not exceed ` 1.5 crore in the preceding financial year provided he is not engaged in inter-State outward supplies of goods. Therefore, in the given case, assuming that he is not engaged in making any inter-State outward supply of goods in FY 2019-20, Mr. Zafar is eligible to opt for composition levy for FY



Question 20

Enumerate the persons who are not eligible to opt for Composition Scheme under section 10(2) of the CGST Act, 2017. (PYP 5 Marks, May'19)

Answer 20

A registered person shall not be eligible to opt for composition scheme if: - he is engaged in supply of services other than supplies referred to in clause (b) of paragraph 6 of Schedule II

- (i) he is engaged in supply of goods or services not leviable to tax
- (ii) he is engaged in inter-State outward supplies of goods or services
- (iii) he is engaged in supply of goods or services through an electronic commerce operator
- (iv) he is a manufacturer of notified goods, namely, manufacturer of ice cream, pan masala and tobacco.
- (v) He is a casual taxable person or a non-resident taxable person

Question 21

M/s Sai Trading Company, an eligible registered dealer in goods making intra -state supplies within the state of Andhra Pradesh, has reported an aggregate turnover of ` 78 Lakhs in the preceding financial year.

- (i) Determine whether Sai Trading Company will be eligible for composition levy, as on 31-10-2017.
- (ii) Will your answer be different, if in the above scenario, M/s Sai Trading Company is making intra state supply within the state of Jammu and Kashmir? (PYP 3 Marks, May'18)

Answer 21

- (i) Section 10 of CGST Act, 2017 provides that a registered person, whose aggregate turnover in the preceding financial year did not exceed `1 crore (*As per amendment- the limit has been changed to Rs. 1.5 crore*) may opt for composition scheme. The turnover limit is ` 75 lakh in case of Special Category States. However, for Jammu and Kashmir and Uttarakhand, the turnover limit is ` 1 crore only (*As per amendment- the limit has been changed to Rs. 1.5 crore*). In the given case, the applicable turnover limit for composition scheme will be ` 1 crore as Andhra Pradesh is not a Special Category State. Further, since the aggregate turnover of the registered person in the given case does not exceed ` 1 crore (*As per amendment- the limit has been changed to Rs. 1.5 crore*) and it satisfies other conditions of composition scheme namely, not making inter-State supplies of goods, it is eligible for composition levy.
- (ii) Since the turnover limit for determining the eligibility for composition scheme in the State of Jammu and Kashmir is also ` 1 crore (*As per amendment- the limit has been changed to Rs. 1.5 crore*), Sai Trading Company will be eligible for composition levy with other condition of not making inter-State supplies of goods being fulfilled.

Question 22

List the inclusions and exclusions for computing the "Aggregate Turnover" under CGST Act, 2017. (PYP 5 Marks, May'18)

Answer 22

Aggregate turnover includes the aggregate value of all:

- (i) taxable supplies,
- (ii) exempt supplies,
- (iii) exports of goods and/or services and
- (iv) inter-State supplies of persons having the same PAN., to be computed on all India basis

Aggregate turnover excludes: -

- (i) value of inward supplies on which tax is payable by a person on reverse charge basis,
- (ii) central tax, State tax, Union territory tax, integrated tax and
- (iii) cases

Question 23

Answer the following, after reading the below given paragraph:

- (i) Briefly discuss the relevant provision
- (ii) decide the correct conclusion and
- (iii) determine the validity of the given advice (Correct/Incorrect)

Raju is engaged in the manufacture of 'Fly ash Bricks' in the State of Kerala. He started his activity in the month of April 2022 and deals only in intra-State. His tax consultant advised him to register under composition levy under GST as Raju's turnover is expected to be below ₹ 1 crore for the said financial year. (PYP 2 Marks Nov'22)

Answer 23

A registered person whose aggregate turnover in the preceding financial year did not exceed ₹ 1.5 crore in a State/UT may opt for composition scheme subject to fulfilment of specified conditions.

One of these conditions is that he must not be engaged in the manufacture of notified goods including fly ash bricks.

Therefore, in the given case, since Raju is engaged in manufacture of fly ash bricks, he cannot opt for composition levy even though his aggregate turnover in the preceding financial year is nil. Thus, the advice given by his tax consultant is not correct.

Question 24

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) dated 7-3-2019 as amended, with effect from 1st April, 2019. (PYP 5 Marks, Nov'19)

Answer 24

The registered person desirous of availing the option to pay concessional tax @ 3% (effective rate 6%) under Notification No. 2/2019 CT (R) dated 7-3-2019 should -

- (i) Not be engaged in making any supply which is not leviable to tax.
- (ii) Not be engaged in making any inter-state outward supply of goods and/or services.
- (iii) Neither be a casual taxable person nor a non-resident taxable person.
- (iv) Not be engaged in making any supply through an electronic commerce operator who is required to collect tax at source.
- (v) Not be engaged in making supplies of notified goods.
- (vi) Neither collect any tax from the recipient nor be entitled to any input tax credit.
- (vii) Issue a bill of supply instead of tax invoice.
- (viii) Not have the aggregate turnover in the preceding financial year exceeding ` 50 lakh
- (ix) Not be eligible for composition scheme.

Note: any five conditions may be mentioned out of the above mentioned nine conditions.

Question 25

Nesamani started his business activities in the month of February 2024 in the State of Orissa. He provided the following details:

Particulars	Amount in ₹
(i) Outward supply of petrol (Intra State)	4,00,000
(ii) Transfer of exempt goods to his branch in Rajasthan (Inter- State)	2,00,000
(iii) Outward supply of taxable goods by his branch in Uttar Pradesh (Intra State)	5,00,000
(iv) Outward supply of services on which tax is payable under RCM by the recipient of services (Intra-State)	6,00,000



(v) Inward supply of services on which tax is payable under RCM (Intra- State)	2,00,000
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From the information given above, compute the aggregate turnover of Nesamani and also decide whether he is required to get registration under GST. Assume that the amounts given above are exclusive of taxes. (PYP 5 Marks Nov '22)

Answer 25

Particulars	Amount (₹)
Computation of aggregate turnover of Nesamani	
Outward supply of petrol [Supply of petrol being a non-taxable supply is an exempt supply. Value of exempt supply is includible in aggregate turnover.]	4,00,000
Inter-State stock transfer of exempt goods [Supply of taxable/exempt goods between distinct persons is includible.]	2,00,000
Outward supply of taxable goods from Uttar Pradesh branch [Value of outward supplies under same PAN are includible.]	5,00,000
Outward supply of services taxable under reverse charge [Includible in aggregate turnover.]	6,00,000
Inward supply of services taxable under reverse charge [Excludible from the aggregate turnover.]	--
Aggregate turnover	17,00,000

For a supplier engaged in supply of goods and services from the States of Orissa and Uttar Pradesh, the threshold limit of aggregate turnover to obtain registration is ₹ 20 lakh. However, a person required to pay tax under reverse charge has to obtain registration compulsorily irrespective of the quantum of turnover.

Since in the given case, Nesamani is required to pay tax under reverse charge, it is liable to obtain registration compulsorily irrespective of his quantum of turnover.

Question 26

- (i) Who are not eligible to opt for composition scheme for goods under GST Laws?
- (ii) GTA services provided to an unregistered person (including unregistered casual taxable person) are exempt from GST by virtue of Entry 21 A of GST Laws. Discuss the validity of above statement. (PYP 5 Marks May '23)

Answer 26

The registered person who is not eligible for composition scheme for goods under GST law are as under:

- (i) Supplier engaged in making any supply of goods or services which are not leviable to tax.
- (ii) Supplier engaged in making any inter-State outward supplies of goods or services.
- (iii) Person supplying any goods or services through an electronic commerce operator who is required to collect tax at source (under section 52).
- (iv) Manufacturer of ice cream, panmasala, tobacco, aerated waters, fly ash bricks; fly ash aggregate, fly ash blocks, bricks of fossil meals or similar siliceous earths, building bricks, earthen or roofing tiles.
- (v) Supplier who is either a casual taxable person or a non-resident taxable person



- (vi) Supplier of services exceeding an amount which is higher of 10% of the turnover in a State/U.T. in the preceding financial year or ₹ 5 lakh.

The said statement is invalid.

Services provided by a GTA to an unregistered person, including an unregistered casual taxable person are exempt except when provided to a:

- (a) factory
- (b) society
- (c) co-operative society
- (d) body corporate
- (e) partnership firm
- (f) registered casual taxable person

MULTIPLE CHOICE QUESTIONS (MCQS)

1. Which of the following is not eligible for opting composition scheme under GST?

- (a) M/s ABC, a firm selling garments having annual turnover of Rs. 78 lakhs.
- (b) A startup company operating restaurant in Delhi having an annual turnover of Rs. 98 lakhs.
- (c) A courier service company operating solely in Mumbai having annual turnover of Rs. 90 lakhs.
- (d) A trader selling grocery items having an annual turnover of Rs. 95 lakhs. **(MTP 1Marks, Oct'19)**

Ans: (c)

2. Which of the following persons is not eligible for composition scheme even though their aggregate turnover does not exceed Rs 1 crore in preceding FY, in Uttar Pradesh?

- (a) A person supplying restaurant services
- (b) A person supplying restaurant services and earning bank interest
- (c) A person supplying restaurant services and warehousing of rice
- (d) A person supplying restaurant services and warehousing of processed tea **(MTP 1Marks, Oct'19)**

Ans : (d)

3. Can a registered person opting for composition scheme collect GST on his outward supplies?

- (a) Yes, in all cases
- (b) Yes, only on such goods as may be notified by the Central Government
- (c) Yes, only on such services as may be notified by the Central Government
- (d) No **(MTP 1Marks, Oct'19)**

Ans: (d)

4. Which of the following services does not fall under reverse charge provisions as contained under section 9(3) of the CGST Act?

- (a) Services supplied by arbitral tribunal to business entity
- (b) Sponsorship provided to any partnership firm
- (c) Sponsorship provided to anybody corporate
- (d) None of the above **(MTP 1 Mark, April'19 & March'19)**

Ans: (d)

5. Rama Ltd. has provided following information for the month of September:

(i) Intra-State outward supply Rs. 8,00,000/-

(ii) Inter-State exempt outward supply Rs. 5,00,000/-

(iii) Turnover of exported goods Rs. 10,00,000/-

(iv) Payment made for availing GTA services Rs. 80,000/- Calculate the aggregate turnover of Rama Ltd.



- (a) Rs. 8,00,000/-
- (b) Rs. 23,80,000/-
- (c) Rs. 23,00,000/-
- (d) Rs. 18,00,000/- (MTP 2 Marks, March'19)

Ans : (c)

6. Which of the following persons is not eligible for composition scheme even though their aggregate turnover does not exceed Rs? 1 crore in preceding FY, in Uttar Pradesh?

- (a) A person supplying restaurant services
- (b) A person supplying restaurant services and earning bank interest
- (c) A person supplying restaurant services and warehousing of rice
- (d) A person supplying restaurant services and warehousing of processed tea.

(MTP 1 Marks, March'19)

Ans: (d)

7. GST is payable by recipient of services in the following cases: -

- (i) Services provided by way of sponsorship to ABC Ltd.
- (ii) Services supplied by a director of Galaxy Ltd. to Mr. Krishna.
- (iii) Services by Department of Posts by way of speed post to MNO Ltd.
- (iv) Services supplied by a recovering agent to SNSP Bank

- (a) (I) & (iii)
- (b) (I) & (iv)
- (c) (ii) & (iii)
- (d) (ii) & (iv)

(MTP 2 Marks, Oct'19)

Ans : (b)

As per amendment Services by Department of Posts by way of speed post has been removed from exemptions and will now have GST applicable on RCM basis by the recipient of services)

Hence as per this amendment the answer can be (a) as well. Hence the GST is payable by recipient of services for (i), (iii) & (iv).

8. Rama Ltd. has provided following information for the month of September:

Intra-State outward supply ₹ 8,00,000
Inter-State exempt outward supply ₹5,00,000
Turnover of exported goods ₹ 10,00,000
Payment made for availing GTA services ₹ 80,000

Calculate the aggregate turnover of Rama Ltd.

- (a) 8,00,000
- (b) ₹ 23,80,000
- (c) ₹ 23,00,000
- (d) ₹ 18,00,000 (MTP 2 Marks, Nov'21)

Ans: (c)

9. Which of the following services are notified under section 9(3) of CGST Act, 2017 or section 5(3) of IGST Act, 2017 the tax on which shall be paid on reverse charge basis by the recipient of such supply:

- (i) Supply of security services provided by a person other than a body corporate to a composition taxpayer
- (ii) Services supplied by an insurance agent to insurance company located in taxable territory
- (iii) Supply of services by way of renting of hotel accommodation through e-commerce operator.
- (iv) Supply of notified categories of goods or services or both by a supplier, who is not registered, to specified class of registered persons.

Choose from the following options:



- (a) (i) & (ii)
- (b) Only (ii)
- (c) (i), (ii), (iii)
- (d) (i) & (iv) (RTP May '20)

Ans: (b)

10. C & Co., a registered supplier in Delhi, opted for composition levy under sub-sections (1) and (2) of section 10 of the CGST Act, 2017. It sold goods in the fourth quarter of a financial year for ₹ 15,00,000 (exclusive of GST). The applicable GST rate on these goods is 12%. C & Co. purchased goods from Ramesh & Co., registered in Delhi, for ₹ 9,55,000 on which Ramesh & Co. had charged CGST of ₹ 57,300 and SGST of ₹ 57,300. C & Co. had also purchased goods from E & Co., registered in Haryana, for ₹ 2,46,000 on which E & Co. had charged IGST of ₹ 29,520. GST liability of C & Co. for the fourth quarter of the financial year is-

- (a) CGST ₹ 7,500 & SGST ₹ 7,500
- (b) CGST ₹ 3,180 & SGST ₹ 32,700
- (c) CGST ₹ 32,700 & SGST ₹ 3,180
- (d) Nil (RTP Nov '20)

Ans: (a)

11. XX, registered in Delhi, purchased books from PC Traders, registered in Uttar Pradesh. Books are exempt from GST. XX arranged the transport of these books from a goods transport agency (GTA) which charged a freight of ₹ 9,000 for the same. GST is payable @ 5% on such GTA services. Which of the following statement is correct in the given context:

- (a) GST of ₹ 450 is payable by XX on reverse charge basis.
- (b) Supply of goods and supply of GTA service is a composite supply wherein supply of goods is the principal supply and since principal supply is an exempt supply, no tax is payable on freight.
- (c) Since exempt goods are being transported, service provided by GTA for transporting the same is also exempt.
- (d) GST of ₹ 450 is payable by the GTA. (RTP Nov '20)

Ans: (a)

12. Mr. Dev Anand is engaged in providing services of facilitating sale and purchase of securities to various clients. He is also engaged in trading of securities. His turnover details are as follows:

Trading of securities	₹ 40,00,000/-
Brokerage on account of facilitating transactions in securities	₹ 30,00,000/-

You are required to ascertain aggregate turnover of Mr. Dev Anand under GST:

- (a) ₹ 30,00,000/-
- (b) ₹ 40,00,000/-
- (c) ₹ 70,00,000/-
- (d) ₹ NIL. (RTP May '20)

Ans: (a)



Chapter 4 Place of Supply

Question 1

Answer the following questions in the light of the place of supply provisions contained in the IGST Act, 2017:

- (1) Quick deal Enterprises (Ahmednagar, Gujarat) opens a new branch office at Hissar, Haryana. It purchases a building for office from Ruhani Builders (Hissar) along with pre-installed office furniture and fixtures. Determine place of supply of the pre-installed office furniture and fixtures. (MTP 2 Marks April '18)
- (2) Supra Events, an event management company at New Delhi, organizes an award function for Chirag Diamond Merchants of Varanasi (registered in U.P.), at Mumbai. Determine place of supply of the service supplied by Supra Events. Will your answer be different, if the award function is organized at Mauritius instead of Mumbai? (MTP 3 Marks April '18)

Answer 1

- (1) Section 10(1)(c) of the IGST Act stipulates that if the supply does not involve movement of goods, the place of supply is the location of goods at the time of delivery to the recipient. Since there is no movement of office furniture and fixtures in the given case, the place of supply of such goods is their location at the time of delivery to the recipient (Quick deal Enterprises) i.e., Hissar, Haryana.
- (2) Section 12(7) of the IGST Act stipulates that the place of supply of services provided by way of organisation of a cultural, artistic, sporting, scientific, educational or entertainment event including supply of services in relation to a conference, fair, exhibition, celebration or similar events is the location of recipient in a case where such service is provided to a registered person. In the given case, since the recipient (Chirag Diamond Merchants) is a registered person, the place of supply is the location of the recipient, i.e., Varanasi, U.P.

Further, the place of supply will not change even if the award function is organized at Mauritius instead of Mumbai as the location of recipient remains unchanged. Thus, in that case also, the place of supply is the location of the recipient, i.e., Varanasi, U.P.

Question 2

Determine the place of supply for the following independent cases under the IGST Act, 2017:

- (i) Mega Events, an event management company at Kolkata, organises two award functions for Shagun Jewellers of Chennai (Registered in Chennai) at New Delhi and at Singapore.
- (ii) Crown Planners (Bengaluru) is hired by Dr. Banta (unregistered person based in Kochi) to plan and organise his son's wedding at Mumbai.

Will your answer be different if the wedding is to take place at Malaysia? (MTP 5 Marks Aug '18, Old SM)

Answer 2

- (i) When service by way of organization of an event is provided to a registered person, place of supply is the location of recipient in terms of section 12(7)(a)(i) of IGST Act, 2017. Since, in the given case, the award functions at New Delhi and Singapore are organized for Shagun Jewellers (registered in Chennai), place of supply in both the cases is the location of Shagun Jewellers i.e., Chennai.
- (ii) As per section 12(7)(a)(ii) of IGST Act, 2017, when service by way of organization of an event is provided to an unregistered person, the place of supply is the location where the event is actually held and if the event is held outside India, the place of supply is the location of recipient. Since, in the given case, the service recipient [Dr. Banta] is unregistered and event is held in India, place of supply is the location where the event is actually held i.e., Mumbai.

However, if the wedding is to take place outside India [Malaysia], the place of supply is the location of

Question 3

The place of supply in relation to immovable property is the location of immovable property. Suppose a road is constructed from Delhi to Mumbai covering multiple states. What will be the place of supply of construction services? (MTP 5 Marks Oct '19)

Answer 3

Where the immovable property is located in more than one State, the supply of service is treated as made in each of the States in proportion to the value for services separately collected or determined, in terms of the contract or agreement entered into in this regard or, in the absence of such contract or agreement, on such other reasonable basis as may be prescribed in this behalf [Explanation to section 12(3) for domestic supplies].

In the absence of a contract or agreement between the supplier and recipient of services in this regard, the proportionate value of services supplied in different States/Union territories (where the immovable property is located) is computed on the basis of the area of the immovable property lying in each State/ Union territories [Rule 4 of the IGST Rules].

Question 4

Mr. Sheru, an unregistered person and a resident of Pune, Maharashtra hires the services of Class Ltd. an event management company registered in Delhi, for organising the new product launch in Bengaluru, Karnataka.

- (i) Determine the place of supply of services provided by Class Ltd.**
- (ii) What would be your answer if the product launch takes place in Bangkok?**
- (iii) What would be your answer if Mr. Sheru is a registered person and product launch takes place in-
 - (a) Bengaluru**
 - (b) Bangkok? (MTP 5 Marks March '21, Oct'18, Oct'21, Old SM, PYP 5 Marks May '18)****

Answer 4

- (i) As per section 12(7)(a)(ii) of the IGST Act, 2017 when service by way of organization of an event is provided to an unregistered person, the place of supply is the location where the event is actually held and if the event is held outside India, the place of supply is the location of recipient.

Since, in the given case, the service recipient [Mr. Sheru] is unregistered and event is held in India, place of supply is the location where the event is actually held, i.e. Bengaluru, Karnataka. The location of the supplier and the location of the recipient is irrelevant in this case.

- (ii) However, if product launch takes place outside India [Bangkok], the place of supply will be the location of recipient, i.e. Pune, Maharashtra.
- (iii) When service by way of organization of an event is provided to a registered person, place of supply is the location of recipient vide section 12(7)(a)(i) of the IGST Act, 2017.

Therefore, if Mr. Sheru is a registered person, then in both the cases, i.e. either when product launch takes place in Bengaluru or Bangkok, the place of supply will be the location of recipient, i.e. Pune, Maharashtra.

Question 5 (Includes concepts of Supply under GST)

Asha Enterprises, supplier of sewing machines, is located in Kota (Rajasthan) and registered for purpose of GST in the said State. It receives an order from Deep Traders, located in Jalandhar (Punjab) and registered for the purpose of GST in the said State. The order is for the supply of 100 sewing machines with an instruction to ship the sewing machines to Jyoti Sons, located in Patiala (Punjab) and registered in the said

State for purpose of GST. Jyoti Sons is a customer of Deep Traders. Sewing machines are being shipped in a lorry by Asha Enterprises.

Briefly explain the following:

- (a) the place of supply;**
- (b) the nature of supply:- whether inter-State or intra-State and**
- (c) whether CGST/SGST or IGST would be applicable in this case. (MTP 5 Marks Nov 21, 4 Marks Mar'22, Old SM)**

Answer 5

The supply between Asha Enterprises (Kota, Rajasthan) and Deep Traders (Jalandhar, Punjab) is a bill to ship to supply where the goods are delivered by the supplier [Asha Enterprises] to a recipient [Jyoti Sons (Patiala, Punjab)] on the direction of a third person [Deep Traders].

In case of such supply, it is deemed that the said third person has received the goods and the place of supply of such goods is the principal place of business of such person [Section 10(1)(b)

of the IGST Act, 2017]. Thus, the place of supply between Asha Enterprises (Rajasthan) and Deep Traders (Punjab) will be Jalandhar, Punjab.

Since the location of supplier and the place of supply are in two different States, the supply is an inter-State supply in terms of section 7, liable to IGST.

This situation involves another supply between Deep Traders (Jalandhar, Punjab) and Jyoti Sons (Patiala, Punjab). In this case, since the supply involves movement of goods, place of supply will be the location of the goods at the time at which the movement of goods terminates for delivery to the recipient, i.e. Patiala, Punjab [Section 10(1)(a) of the IGST Act, 2017].

Since the location of supplier and the place of supply are in the same State, the supply is an intra-State supply in terms of section 8, liable to CGST and SGST.

Question 6

Mr. Rajat Chawla, an interior decorator provides professional services to Mr. Aman Malhotra in relation to two of his immovable properties. Determine the place of supply in the transactions below as per provisions of GST law in the following independent situations:

Case	Location of Mr. Rajat Chawla	Location of Mr. Aman Malhotra	Property situated at
I	Delhi	Maharashtra	New York (USA)
II	Delhi	New York	Pihus (France)

Explain the relevant provisions of law to support your conclusions. (MTP 4 Marks April 22, PYP 5 Marks May '18)

Answer 6

Case I

As per section 12(3) of the IGST Act, 2017, where both the service provider and the service recipient are located in India, the place of supply of services directly in relation to an immovable property, including services provided by interior decorators is the location of the immovable property. However, if the immovable property is located outside India, the place of supply is the location of the recipient. Since in the given case, both the service provider (Mr. Rajat Chawla) and the service recipient (Mr. Aman Malhotra) are located in India and the immovable property is located outside India (New York), the place of supply will be the location of recipient, i.e. Maharashtra.

Case II

As per section 13(4) of the IGST Act, 2017, where either the service provider or the service recipient is located outside India, the place of supply of services directly in relation to an immovable property including

services of interior decorators is the location of the immovable property. Since in the given case, service provider (Mr. Rajat Chawla) is located in India and service recipient (Mr. Aman Malhotra) is located outside India (New York), the place of supply will be the location of immovable property, i.e. Pihus (France).

Question 7

Dhun Pvt. Ltd. owned by Jairaj - a famous classical singer - wishes to organise a 'Jairaj Music Concert' in Gurugram (Haryana). Dhun Pvt. Ltd. (registered in Ludhiana, Punjab) enters into a contract with an event management company, Dhanraj (P) Ltd. (registered in Delhi) for organising the said music concert at an agreed consideration of ₹ 10,00,000.

Dhanraj (P) Ltd. books the lawns of Hotel Dumdum, Gurugram (registered in Haryana) for holding the music concert, for a lump sum consideration of ₹ 4,00,000. Dhun Pvt. Ltd. fixes the entry fee to the music concert at ₹ 5,000.

You are required to determine the place of supply in respect of the supply(ies) involved in the given scenario. (MTP 5 Marks Sep 22)

Answer 7

In the given situation, three supplies are involved:

- (i) Services provided by Dhun Pvt. Ltd. to audiences by way of admission to music concert.
- (ii) Services provided by Dhanraj (P) Ltd. to Dhun Pvt. Ltd. by way of organising the music concert.
- (iii) Services provided by Hotel Dumdum to Dhanraj (P) Ltd. by way of accommodation in the Hotel lawns for organising the music concert.

The place of supply in respect of each of the above supplies is determined as under:

- (i) As per the provisions of section 12(6), the place of supply of services provided by way of admission to, *inter alia*, a cultural event shall be the place where the event is actually held.

Therefore, the place of supply of services supplied by Dhun Pvt. Ltd. (Ludhiana, Punjab) to audiences by way of admission to the music concert is the location of the Hotel Dumdum, i.e. Gurugram, Haryana.

- (ii) Section 12(7)(a)(i) stipulates that the place of supply of services provided by way of organization of, *inter alia*, a cultural event to a registered person is the location of such person.

Therefore, the place of supply of services supplied by Dhanraj (P) Ltd. (Delhi) to Dhun Pvt. Ltd. (Ludhiana, Punjab) by way of organising the music concert is the location of the registered person, i.e. Ludhiana (Punjab).

- (iii) As per the provisions of section 12(3)(c) of the IGST Act, 2017, the place of supply of services, by way of accommodation in any immovable property for organizing, *inter alia*, any cultural function shall be the location at which the immovable property is located.

Therefore, the place of supply of services supplied by Hotel Dumdum(Gurugram, Haryana) to Dhanraj (P) Ltd. (Delhi) by way of accommodation in Hotel lawns for organising the music concert shall be the location of the Hotel Dumdum, i.e. Gurugram, Haryana.

Question 8

Raman Row, a registered supplier under GST in Mumbai, Maharashtra is directed by Nero Enterprises, Kolkata, West Bengal to deliver goods valued at ₹ 12,00,000 to Fabricana of Aurangabad in Maharashtra. Raman Row makes out an invoice at 9% tax rate under CGST and SGST respectively (scheduled rate) and delivers it locally in Maharashtra.

Discuss and comment on the above levy of tax and determine the tax liability of goods in the above

circumstances. (MTP 5 Marks Oct '20)

Answer 8

The supply between Raman Row (Mumbai, Maharashtra) and Nero Enterprises (Kolkata, West Bengal) is a bill to ship to supply where the goods are delivered by the supplier [Raman Row] to a recipient [Fabricana (Aurangabad, Maharashtra)] or any other person on the direction of a third person [Nero Enterprises]. In such a case, it is deemed that the said third person has received the goods and the place of supply of such goods is the principal place of business of such person [Section 10(1)(b) of IGST Act, 2017].

Accordingly, the place of supply between Raman Row (Mumbai, Maharashtra) and Nero Enterprises (Kolkata, West Bengal) will be Kolkata and thus, it will be an inter-State supply liable to IGST. Hence, Raman Row should charge 18% IGST on ` 12,00,000, which comes out to ` 2,16,000.

This situation involves another supply between Nero Enterprises (Kolkata, West Bengal) and Fabricana (Aurangabad, Maharashtra). The place of supply in this case will be the location of the goods at the time when the movement of goods terminates for delivery to the recipient i.e., Aurangabad, Maharashtra in terms of section 10(1)(a) of IGST Act, 2017. Thus, being an inter-State supply, the same will also be chargeable to IGST.

Question 9

- (i) Parth of Pune, Maharashtra enters into an agreement to sell goods to Bakul of Bareilly, Uttar Pradesh. While the goods were being packed in Pune godown of Parth, Bakul got an order from Shreyas of Shimoga, Karnataka for the said goods. Bakul agreed to supply the said goods to Shreyas and asked Parth to deliver the goods to Shreyas at Shimoga. You are required to determine the place of supply(ies) in the above situation.
- (ii) Damani Industries has recruited Super Events Pvt. Ltd., an event management company of Gujarat, for organising the grand party for the launch of its new product at Bangalore. Damani Industries is registered in Mumbai. Determine the place of supply of the services provided by Super Events Pvt. Ltd. to Damani Industries. Will your answer be different if the product launch party is organised at Dubai? (RTP Nov '18, Old SM)

Answer 9

- (i) The supply between Parth (Pune) and Bakul (Bareilly) is a **bill to ship to supply** where the goods are delivered by the supplier [Parth] to a recipient [Shreyas (Shimoga)] or any other person on the direction of a third person [Bakul]. The place of supply in case of bill to ship to supply of goods is determined in terms of section 10(1)(b) of IGST Act, 2017.

As per section 10(1)(b) of IGST Act, 2017, where the goods are delivered by the supplier to a recipient or any other person on the direction of a third person, whether acting as an agent or otherwise, before or during movement of goods, either by way of transfer of documents of title to the goods or otherwise, it shall be deemed that the said third person has received the goods and the place of supply of such goods shall be the principal place of business of such person.

Thus, in the given case, it is deemed that the Bakul has received the goods and the place of supply of such goods is the principal place of business of Bakul. Accordingly, the place of supply between Parth (Pune) and Bakul (Bareilly) will be Bareilly, Uttar Pradesh.

This situation involves another supply between Bakul (Bareilly) and Shreyas (Shimoga). The place of supply in this case will be determined in terms of section 10(1)(a) of IGST Act, 2017.

Section 10(1)(a) of IGST Act, 2017 stipulates that where the supply involves movement of goods, whether by the supplier or the recipient or by any other person, the place of supply of such goods shall be the location of the goods at the time at which the movement of goods terminates for delivery to the recipient.

of goods terminates for delivery to the recipient (Shreyas) i.e., Shimoga, Karnataka.

- (ii) Section 12(7)(a)(i) of IGST Act, 2017 stipulates that when service by way of organization of an event is provided to a registered person, place of supply is the location of recipient.

Since, in the given case, the product launch party at Bangalore is organized for Damani Industries (registered in Mumbai), place of supply is the location of Damani Industries i.e., Mumbai.

In case the product launch party is organized at Dubai, the answer will remain the same, i.e. the place of supply is the location of Damani Industries – Mumbai.

Question 10 (Includes concepts of Exemption from GST)

Musicera Pvt. Ltd., owned by Nitish Daani - a famous classical singer - wishes to organise a 'Nitish Daani Music Concert' in Gurugram (Haryana). Musicera Pvt. Ltd. (registered in Ludhiana, Punjab) enters into a contract with an event management company, Supriya (P) Ltd. (registered in Delhi) for organising the said music concert at an agreed consideration of ` 10,00,000. Supriya (P) Ltd. books the lawns of Hotel Dumdum, Gurugram (registered in Haryana) for holding the music concert, for a lump sum consideration of ` 4,00,000. Musicera Pvt. Ltd. fixes the entry fee to the music concert at ` 5,000. 400 tickets for 'Nitish Daani Music Concert' are sold.

You are required to determine the CGST and SGST or IGST liability, as the case may be, in respect of the supplie(s) involved in the given scenario.

Will your answer be different if the price per ticket is fixed at ` 450?

Note: Rate of CGST and SGST is 9% each and IGST is 18%. All the amounts given above are exclusive of taxes, wherever applicable. (RTP May '19, Old SM)

Answer 10

In the given situation, three supplies are involved:

- (i) Services provided by Musicera Pvt. Ltd. to audiences by way of admission to music concert.
- (ii) Services provided by Supriya (P) Ltd. to Musicera Pvt. Ltd. by way of organising the music concert.
- (iii) Services provided by Hotel Dumdum to Supriya (P) Ltd. by way of accommodation in the Hotel lawns for organising the music concert.

The CGST and SGST or IGST liability in respect of each of the above supplies is determined as under:

- (i) As per the provisions of section 12(6) of the IGST Act, 2017, the place of supply of services provided by way of admission to, *inter alia*, a cultural event shall be the place where the event is actually held.

Therefore, the place of supply of services supplied by Musicera Pvt. Ltd. to audiences by way of admission to the music concert is the location of the Hotel Dumdum, i.e. Gurugram, Haryana.

Since the location of the supplier (Ludhiana, Punjab) and the place of supply (Gurugram, Haryana) are in different States, IGST will be leviable. Therefore, IGST leviable will be computed as follows:

Consideration for supply (400 tickets @ ` 5,000 per ticket) = ` 20,00,000
IGST @ 18% on value of supply = ` 20,00,000 x 18% = ` 3,60,000.

- (ii) Section 12(7)(a)(i) of IGST Act, 2017 stipulates that the place of supply of services provided by way of organization of, *inter alia*, a cultural event to a registered person is the location of such person.

Therefore, the place of supply of services supplied by Supriya (P) Ltd. to Musicera Pvt. Ltd. (Ludhiana, Punjab) by way of organising the music concert is the location of the recipient, i.e. Ludhiana (Punjab).

Since the location of the supplier (Delhi) and the place of supply (Ludhiana, Punjab) are in different States, IGST will be leviable. Therefore, IGST leviable will be computed as follows:

Consideration for supply = ` 10,00,000

IGST @ 18% on value of supply = ` 10,00,000 x 18% = ` 1,80,000

- (iii) As per the provisions of section 12(3)(c) of the IGST Act, 2017, the place of supply of services, by way of accommodation in any immovable property for organizing, *inter alia*, any cultural function shall be the location at which the immovable property is located.

Therefore, the place of supply of services supplied by Hotel Dumdum (Gurugram, Haryana) to Supriya (P) Ltd. by way of accommodation in Hotel lawns for organising the music concert shall be the location of the Hotel Dumdum, i.e. Gurugram, Haryana.

Since the location of the supplier (Gurugram, Haryana) and the place of supply (Gurugram, Haryana) are in the same State, CGST and SGST will be leviable. Therefore, CGST and SGST leviable will be computed as follows:

Consideration for supply = ₹ 4,00,000

CGST @ 9% on value of supply = ₹ 4,00,000 x 9% = ₹ 36,000
 SGST @ 9% on value of supply = ₹ 4,00,000 x 9% = ₹ 36,000

If the price for the entry ticket is fixed at ₹ 450, answer will change in respect of supply of service provided by way of admission to music concert, as mentioned in point (i) above. There will be no IGST liability if the consideration for the ticket is ₹ 450 as the inter-State services by way of right to admission to, *inter alia*, musical performance are exempt from IGST vide Notification No. 9/2017 IT (R) dated 28.06.2017, if the consideration for right to admission to the event is not more than ₹ 500 per person. However, there will be no change in the answer in respect of supplies mentioned in point (ii) and (iii) above.

Question 11

- (i) Mr. Z, a supplier registered in Hyderabad (Telangana), procures goods from China and directly supplies the same to a customer in US. With reference to the provisions of GST law, examine whether the said activity of supply of goods by Mr. Z to customer in US is taxable under GST. If yes, determine the place of supply of the same.
- (ii) Priyank of Pune, Maharashtra enters into an agreement to sell goods to Bisht of Bareilly, Uttar Pradesh. While the goods were being packed in Pune godown of Priyank, Bisht got an order from Sahil of Shimoga, Karnataka for the said goods. Bisht agreed to supply the said goods to Sahil and asked Priyank to deliver the goods to Sahil at Shimoga.

You are required to determine the place of supply(ies) in the above situation. (Old SM, RTP Nov '19)

Answer 11

- (i) Schedule III to the CGST Act specifies transactions/ activities which shall be neither treated as supply of goods nor supply of services. A new activity has been added in the said Schedule III vide the CGST (Amendment) Act, 2018 namely, supply of goods from a place in the non-taxable territory to another place in the non-taxable territory without such goods entering into India. Thus, it seeks to exclude from the tax net such transactions which involve movement of goods, caused by a registered person, from one non-taxable territory to another non-taxable territory.

Therefore, in view of the above-mentioned provisions, the said activity is not a supply. Hence, it is not leviable to GST since "supply" is the taxable event for chargeability of GST. Therefore, since the transaction is not leviable to GST, the question of place of supply does not arise in the given case.

- (ii) The supply between Priyank (Pune) and Bisht (Bareilly) is a **bill to ship to supply** where the goods are delivered by the supplier [Priyank] to a recipient [Sahil (Shimoga)] or any other person on the direction of a third person [Bisht]. The place of supply in case of domestic bill to ship to supply of goods is determined in terms of section 10(1)(b) of IGST Act, 2017.

As per section 10(1)(b) of IGST Act, 2017, where the goods are delivered by the supplier to a recipient or any other person on the direction of a third person, whether acting as an agent or otherwise, before or during movement of goods, either by way of transfer of documents of title to the goods or otherwise,

it shall be deemed that the said third person has received the goods and the place of supply of such goods shall be the principal place of business of such person.

Thus, in the given case, it is deemed that the Bisht has received the goods and the place of supply of such goods is the principal place of business of Bisht. Accordingly, the place of supply between Priyank (Pune) and Bisht (Bareilly) will be Bareilly, Uttar Pradesh.

This situation involves another supply between Bisht (Bareilly) and Sahil (Shimoga). The place of supply in this case will be determined in terms of section 10(1)(a) of IGST Act, 2017.

Section 10(1)(a) of IGST Act, 2017 stipulates that where the supply involves movement of goods, whether by the supplier or the recipient or by any other person, the place of supply of such goods shall be the location of the goods at the time at which the movement of goods terminates for delivery to the recipient.

Thus, the place of supply in second case is the location of the goods at the time when the movement of goods terminates for delivery to the recipient (Sahil), i.e. Shimoga, Karnataka.

Question 12

Determine the place of supply in the following independent cases:-

- (i) Mr. Sahukaar (New Delhi) boards the New Delhi-Kota train at New Delhi. Mr. Sahukaar sells the goods taken on board by him (at New Delhi), in the train, at Jaipur during the journey.**
- (ii) Vidhyut Pvt. Ltd. imports electric food processors from China for its Kitchen Store in Noida, Uttar Pradesh. Vidhyut Pvt. Ltd. is registered in Uttar Pradesh.**
- (iii) Mr. Aatmaram, a manager in a Bank, is transferred from Bareilly, Uttar Pradesh to Bhopal, Madhya Pradesh. Mr. Aatmaram's family is stationed in Kanpur, Uttar Pradesh. He hires Gokul Carriers of Lucknow, Uttar Pradesh (registered in Uttar Pradesh), to transport his household goods from Kanpur to Bhopal.**
- (iv) Bholunath, a resident of New Delhi, opens his saving account in New Delhi branch of Best Bank after undergoing the KYC process. He goes to Amritsar for some official work and withdraws money from Best Bank's ATM in Amritsar thereby crossing his limit of free ATM withdrawals.**

(RTP May '21, May'22)

Answer 12

- (i) Section 10(1)(e) of the IGST Act, 2017 lays down that place of supply of goods supplied on board a conveyance like aircraft, train, vessel, or a motor vehicle, is the location where such goods have been taken on board. Thus, in the given case, the place of supply of the goods sold by Mr. Sahukaar is the location at which the goods are taken on board, i.e. New Delhi and not Jaipur where they have been sold.
- (ii) As per section 11(a) of the IGST Act 2017, if the goods have been imported in India, the place of supply of goods is the place where the importer is located. Thus, in the present case, the place of supply of the goods imported by Vidhyut Pvt. Ltd. is Noida, Uttar Pradesh.
- (iii) As per section 12(8) of the IGST Act, 2017, the place of supply of services by way of transportation of goods, including by mail or courier provided to an unregistered person, is the location at which such goods are handed over for their transportation.

Since in the given case, the recipient – Aatmaram – is an unregistered person, the place of supply is the location where goods are handed to Gokul Carriers over for their transportation, i.e. Kanpur.

- (iv) As per section 12(12) of the IGST Act, 2017, the place of supply of banking and other financial services, including stock broking services to any person is the location of the recipient of services in

the records of the supplier of services. Thus, in the given case, the place of supply is the location of the recipient of services in the records of the supplier bank, i.e. New Delhi.

Question 13

Dobriyal Technocrats Ltd., registered in Gurgaon, Haryana, is engaged in manufacturing heavy steel machinery. It enters into an agreement with Mindsharp Associates, registered in Delhi, for imparting motivational training to the top management of Dobriyal Technocrats Ltd. in a 5-day residential motivational training programme at an agreed consideration of ` 20,00,000.

Mindsharp Associates books the conference hall alongwith the rooms of Hotel Chumchum, Neemrana (registered in Rajasthan) for the training programme, for a lump sum consideration of ` 12,00,000. You are required to determine the place of supply in respect of the supply(ies) involved in the given scenario. (RTP Nov '21)

Answer 13

In the given situation, two supplies are involved:

- (i) Services provided by Mindsharp Associates to Dobriyal Technocrats Ltd. by way of providing motivational training to its top management.
- (ii) Services provided by Hotel Chumchum to Mindsharp Associates by way of accommodation in said hotel for organizing the training programme.

The place of supply in respect of each of the above supplies is determined as under:

- (i) As per the provisions of section 12(5)(a) of the IGST Act, 2017, the place of supply of services provided in relation to training and performance appraisal to a registered person, shall be the location of such person. Therefore, the place of supply of services supplied by Mindsharp Associates to the registered recipient - Dobriyal Technocrats Ltd. by way of providing motivational training to its top management is the location of Dobriyal Technocrats Ltd., i.e. Gurgaon, Haryana.
- (ii) As per the provisions of section 12(3)(c) of the IGST Act, 2017, the place of supply of services, by way of accommodation in any immovable property for organizing, *inter alia*, any official/ business function including services provided in relation to such function at such property, shall be the location at which the immovable property is located. Therefore, the place of supply of services supplied by Hotel Chumchum to Mindsharp Associates by way of accommodation of conference hall alongwith the rooms of Hotel Chumchum for the training programme shall be the location of the Hotel Chumchum, i.e. Neemrana, Rajasthan.

Question 14

PQ, a statutory body, deals with the all the advertisement and publicity of the Government. It has issued a release order to 'Moon Plus' channel (registered in State 'A') for telecasting an advertisement relating to one of the schemes of the Government in the month of September 20XX. The advertisement will be telecasted in the States of 'A', 'B', 'C', 'D' and 'E'. The total value of the service contract entered into between 'Moon Plus' and 'PQ' is ` 10,00,000 (exclusive of GST).

You are required to determine the place of supply of the services in the instant case as also the value of supply attributable to the States of 'A', 'B', 'C', 'D' and 'E'.

Further, compute the GST liability [CGST & SGST or IGST, as the case may be] of 'Moon Plus' as also advise it as to whether it should issue one invoice for the entire contract value or separate State-wise invoices.

The other relevant information is given hereunder: (RTP May '20)

MAY, 2020 Table

States	Viewership figures of 'Moon Plus' channel in the last week of June 20XX as provided by the Broadcast Audience Research Council
A	50,000
B + C	1,00,000
D + E	50,000

Table 2

States	Population as per latest census (in crores)
A	50
B	180
C	20
D	100
E	25

The applicable rate of tax is as under:

CGST	SGST	IGST
9%	9%	18%

Answer 14

As per section 12(14) of the IGST Act, 2017, the place of supply of advertisement services to the Central Government, a State Government, a statutory body or a local authority meant for the States or Union territories identified in the contract or agreement is taken as being in each of such States or Union territories (where the advertisement is broadcasted/ run /played/disseminated).

Therefore, in the given case, the place of supply of advertisement service is in the States of 'A', 'B', 'C', 'D' and 'E'.

The value of the supply of such advertisement services specific to each State/Union territory is in proportion to the amount attributable to the services provided by way of dissemination in the respective States/Union territories determined in terms of the contract or agreement entered into in this regard.

In the absence of such a contract or agreement between the supplier and recipient of services, the proportionate value of advertisement services attributable to different States/Union territories (where the advertisement is broadcasted/run/played/ disseminated) is computed in accordance with rule 3 of the IGST Rules, 2017.

As per rule 3(f) of the IGST Rules, 2017, in the case of advertisement on television channels, the amount attributable to the value of advertisement service disseminated in a State shall be calculated on the basis of the viewership of such channel in such State, which in turn, shall be calculated in the following manner, namely: -

- (i) the channel viewership figures for that channel for a State or Union territory shall be taken from the figures published in this regard by the Broadcast Audience Research Council;
- (ii) the figures published for the last week of a given quarter shall be used for calculating viewership for the succeeding quarter;
- (iii) where such channel viewership figures relate to a region comprising of more than one State or Union territory, the viewership figures for a State or Union territory of that region, shall be calculated by applying the ratio of the populations of that State or Union territory, as determined in the latest Census, to such viewership figures;
- (iv) the ratio of the viewership figures for each State or Union territory as so calculated, when applied to the amount payable for that service, shall represent the portion of the value attributable to the

dissemination in that State or Union territory.

Therefore, value of supply attributable to 'A', 'B', 'C', 'D' and 'E', will be computed as under:

States	Viewership figures of 'Moon Plus' channel as provided by the Broadcast Audience Research Council in the last week of June 20XX	Viewership ratio of 'Moon Plus' channel in the States 'A', ('B' + 'C') and ('D' + 'E')	Proportionate value of advertisement services for States 'A', ('B' + 'C') and ('D' + 'E')
A	50,000	50,000: 1,00,000: 50,000 = 1:2:1	$\frac{10,00,000}{4} \times \frac{1}{4} =$ $\frac{10,00,000}{2} = 5,00,000$
B + C	1,00,000		$\frac{10,00,000}{4} \times \frac{2}{4} =$ $\frac{10,00,000}{2} = 5,00,000$
D + E	50,000		$\frac{10,00,000}{4} \times \frac{1}{4} =$ $\frac{10,00,000}{2} = 5,00,000$

States	Population as per latest census (in crores)	Population ratio in the States 'B' & 'C' and 'D' & 'E'	Proportionate value of advertisement services in the States 'A', 'B', 'C', 'D' & 'E'
A	50	B:C = 180:20 = 9:1	$\frac{2,50,000}{10} \times \frac{9}{10} =$ $\frac{2,50,000}{10} \times \frac{9}{10} = 2,25,000$
B	180		$\frac{2,50,000}{10} \times \frac{1}{10} =$ $\frac{2,50,000}{10} \times \frac{1}{10} = 25,000$
C	20	D:E = 100:25 = 4:1	$\frac{2,50,000}{5} \times \frac{4}{5} =$ $\frac{2,50,000}{5} \times \frac{4}{5} = 40,000$
D	100		$\frac{2,50,000}{5} \times \frac{1}{5} =$ $\frac{2,50,000}{5} \times \frac{1}{5} = 50,000$
E	25		$\frac{2,50,000}{5} \times \frac{1}{5} =$ $\frac{2,50,000}{5} \times \frac{1}{5} = 50,000$

Since, there are five different places of supply in the given case, 'Moon Plus' channel will have to issue five separate invoices for each of the States namely, 'A', 'B', 'C', 'D' & 'E' indicating the value pertaining to that State. The GST liability of 'Moon Plus' channel will, therefore, be worked out as under:

Computation of GST liability of 'Moon Plus'

States	Proportionate value of advertisement services (₹)	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
A	2,50,000	22,500	22,500	
B	4,50,000			81,000
C	50,000			9,000
D	2,00,000			36,000
E	50,000			9,000

Only in case of supply of services in State 'A', the location of supplier (State 'A') and the place of supply are in the same State, hence the same is an intra-State supply in terms of section 8(1) of the IGST Act, 2017 and is thus, liable to CGST and SGST. In all the remaining cases of supply of services, the location of the supplier (State 'A') and the places of supply (States 'B', 'C', 'D' & 'E') are in two different States, hence the same are inter-State supplies liable to IGST [Section 7(1)(a) of the IGST Act, 2017 read with section 5(1) of that Act].

Question 15

Pathan Vohra of Pune, Maharashtra enters into an agreement to sell goods to Sukumar Enterprises of Bareilly, Uttar Pradesh. While the goods were being packed in Pune godown of Pathan Vohra, Sukumar got an order from Sindhu Pvt. Ltd. of Shimoga, Karnataka for the said goods. Sukumar Enterprises agreed



to supply the said goods to Sindhu Pvt. Ltd. and asked Pathan Vohra to deliver the goods to Sindhu Pvt. Ltd. at Shimoga.

You are required to determine the place of supply(ies) in the above situation. (RTP Nov 23)

Answer 15

The supply between Pathan Vohra (Pune) and Sukumar Enterprises (Bareilly) is a bill to ship to supply where the goods are delivered by the supplier [Pathan Vohra] to a recipient [Sindhu Pvt. Ltd. (Shimoga)] or any other person on the direction of a third person [Sukumar Enterprises]. The place of supply in case of domestic bill to ship to supply of goods is determined in terms of section 10(1)(b) of the IGST Act, 2017.

As per section 10(1)(b) of the IGST Act, 2017, where the goods are delivered by the supplier to a recipient or any other person on the direction of a third person, whether acting as an agent or otherwise, before or during movement of goods, either by way of transfer of documents of title to the goods or otherwise, it shall be deemed that the said third person has received the goods and the place of supply of such goods shall be the principal place of business of such person.

Thus, in the given case, it is deemed that the Sukumar Enterprises has received the goods and the place of supply of such goods is the principal place of business of Sukumar Enterprises. Accordingly, the place of supply between Pathan Vohra (Pune) and Sukumar Enterprises (Bareilly) will be Bareilly, Uttar Pradesh.

This situation involves another supply between Sukumar Enterprises (Bareilly) and Sindhu Pvt. Ltd. (Shimoga). The place of supply in this case will be determined in terms of section 10(1)(a) of the IGST Act, 2017.

Section 10(1)(a) stipulates that where the supply involves movement of goods, whether by the supplier or the recipient or by any other person, the place of supply of such goods shall be the location of the goods at the time at which the movement of goods terminates for delivery to the recipient.

Thus, the place of supply in second case is the location of the goods at the time when the movement of goods terminates for delivery to the recipient (Sindhu Pvt. Ltd.), i.e. Shimoga, Karnataka.

Question 16

Determine place of supply along with reasons in the following cases:

- (i) Mr. X, an architect (Kolkata), provides interior decorator services to Mr. Y of New York (USA) in relation to his immovable property located in New Delhi.**
- (ii) Mr. A (a Chartered Accountant registered in Kolkata) supplies services to his client in Bhubaneswar (registered in Bhubaneswar, Odisha).**
- (iii) ABC Ltd. of Patna imported certain goods from XYZ Inc. of USA. The goods were imported through vessel and delivery of goods was taken at Kolkata, whereafter the movement terminates and the goods are stored.**
- (iv) Mr. X, registered in Guwahati, has availed land-line services from BSNL. The telephone is installed in residential premises in Kolkata and the billing address is office of Mr. X in Guwahati.**
- (v) Mr. X, residing in Chennai, is travelling with an Indian Airline aircraft and is provided with movie-on-demand service for ₹100 as on-board entertainment during Delhi-Chennai leg of a Bangkok-Delhi-Chennai flight.**
- (vi) Mr. X of Kolkata purchased online tickets for Aquatica water park in Mumbai.**
- (vii) Mr. Z, an unregistered person of Kolkata, sends a courier from New Delhi to his friend in Chennai, Tamil Nadu while he was on trip to New Delhi.**
- (viii) Mr. X, a registered person in Ranchi, Jharkhand, buys shares from a broker in Patna on NSE, Mumbai. Determine the place of supply of brokerage service.**
- (ix) XYZ Ltd., New Delhi entered into contract with an Indian airline for the supply of biscuit packets for**

further supply by airline to the passengers in Kolkata-Guwahati route. The biscuits were loaded on board in Lucknow. (PYP 9 Marks Jan 21, MTP 9 Marks Mar'23)

Answer 16

- (i) New Delhi. In a case where location of the supplier or location of recipient of service is outside India, the place of supply of services supplied directly in relation to an immovable property including that of interior decorators is the place where the immovable property is located.
- (ii) Bhubaneswar, Odisha. The place of supply of services, except the specified services made to a registered person, is the location of such person.
- (iii) Patna. The place of supply of goods imported into India is the location of the importer.
- (iv) Kolkata. The place of supply of services by way of fixed telecommunication line is the location where the telecommunication line is installed for receipt of services.
- (v) Bangkok. The place of supply of services on board an aircraft is the location of the first scheduled point of departure of that aircraft or flight for the journey
- (vi) Mumbai. The place of supply of services provided by way of admission to an amusement park is the place where the park is located.
- (vii) New Delhi. The place of supply of services by way of transportation of goods by courier to a person other than a registered person is the location at which such goods are handed over for their transportation.
- (viii) Ranchi, (Jharkhand). The place of supply of stock broking services to any person shall be the location of the recipient of services on the records of the supplier of services.²
- (ix) Where the supply involves movement of goods, the place of supply of such goods is the location of the goods at the time at which the movement of goods terminates for delivery to the recipient. Therefore, the place of supply of biscuit packets sold by XYZ Ltd. to Indian Airlines is Lucknow³.

Further, where the goods are supplied on board an aircraft, the place of supply shall be the location at which such goods are taken on board. Thus, the place of supply of biscuit packets sold by Indian Airlines to the passengers in Kolkata-Guwahati route is Lucknow.

Question 17

Determine the place of supply in respect of the following independent instances under the provisions of IGST Act, 2017:

- (i) **Miss Poorva, an interior design consultant, having office at Chennai (Tamil Nadu), provided professional services to Mr. Nihil who resides in Dubai, for his two immovable properties under single contract, one property is outside India at Singapore and another at Surat (Gujarat).**
- (ii) **United Traders, having a registered place of business at Bengaluru (Karnataka), imported instruments used in COVID treatment from London (UK) through Vizag (Andhra Pradesh) Port.**

Note: Your answer should also include relevant provisions of law. (PYP 4 Marks Dec '21)

Answer 17

- I. In a case where location of supplier or recipient of service is outside India, the place of supply of services of interior decorators provided directly in relation to an immovable property is the location of immovable property. Further, where such services are supplied at more than one location, including a location in the taxable territory, the place of supply of said services is the location of immovable property in the taxable territory. In view of the above provisions, place of supply of Miss. Poorva's (interior design consultant located in India) services provided to Mr. Nihil (recipient located outside India in Dubai) in respect of immovable properties, located in Surat (Gujarat) and in Singapore, is the location in taxable territory, i.e. Surat (Gujarat).

- II. The place of supply of goods imported into India is the location of the importer. Thus, in the given case, place of supply of instruments imported by United Traders is Bengaluru (Karnataka).

EXAMINERS' COMMENTS ON THE PERFORMANCE OF EXAMINEES:

Few examinees lacked clarity on provisions pertaining to place of supply in respect of imports.

Question 18

Determine the place of supply for the following independent cases:

- I. **Festival Event, an event management company at Mumbai, organises two business promotion events for Prabhu Enterprises (registered in Ahmedabad, Gujarat) at New Delhi and in Malaysia.**
- II. **Global Planners (Jodhpur, Rajasthan) is hired by Mr. John (unregistered person based in Kochi, Kerala) to plan and organize his son's wedding at Mumbai, Maharashtra. Will your answer be different if the wedding is to take place in Singapore? (PYP 5 Marks Nov 22)**

Answer 18

- i. When service of organization of event is provided to a registered person, the place of supply is location of recipient, whether event is held in India or outside India.

Thus, in the given case, place of supply of:

- event held at New Delhi is Ahmedabad, Gujarat, and
- event held at Malaysia is Ahmedabad, Gujarat.

- ii. When service of organization of event is provided to an unregistered person, the place of supply is location where the event is held when event is held in India and place of supply is location of recipient where event is held outside India.

Thus, in the given case, place of supply:

- if wedding takes place at Maharashtra is Mumbai, Maharashtra, and
- if wedding takes place at Singapore is Kochi, Kerala

MULTIPLE CHOICE QUESTIONS (MCQS)

1. **M/s. Buildwell Engineering Consultants, located and registered in Gurugram, Haryana provided consultancy services to M/s. Taj India Ltd., (located and registered in Mumbai, Maharashtra) for its hotel to be constructed on land situated in Dubai.**

Determine the place of supply of consultancy services provided by M/s. Buildwell Engineering Consultants to M/s. Taj India Ltd.:

- (a) Gurugram, Haryana
 - (b) Mumbai, Maharashtra
 - (c) Dubai
 - (d) None of the above
- (MTP 2 Marks March '19)**

Ans: (b)

2. **Mr. Salman Khan, a resident of Mumbai, has booked a Videocon D2H connection at his other home in Delhi. His friend Shah Rukh Khan, is resident of Kerala, paid the charges for Salman's D2H connection in Delhi at the time of actual installation. Mr. Shah Rukh Khan went to Kolkatta after making the payment. Both Salman Khan and Shah Rukh Khan are not registered in GST.**



Determine the place of supply of D2H service provided by Videocon to Mr. Salman Khan:

- (a) Mumbai
- (b) Kerala
- (c) Delhi
- (d) Kolkatta (MTP 2 Marks April '19)

Ans: (c)

3. **Aflatoon Spares (P) Ltd., located and registered in Haryana, supplied spare parts (FOB basis) to Mr. Laxmi Khurana, an unregistered person, located in Rajasthan. Mr. Laxmi Khurana booked the courier himself with Black Dart Courier (P) Ltd., registered in Delhi for delivery in Rajasthan. Black Dart Courier (P) Ltd. picked up the goods from Haryana and delivered the courier in Rajasthan while passing through the State of Uttar Pradesh.**

Determine the place of supply of service provided by Black Dart Courier (P) Ltd. to Mr. Laxmi Khurana:

- (a) Haryana
- (b) Delhi
- (c) Rajasthan
- (d) Uttar Pradesh (MTP 1 Mark Oct '19)

Ans: (a)

4. **M/s Fair Engineering Consultants, located and registered under GST in Gurugram, Haryana, provided architectural services to Mahal India Ltd., located and registered under GST in Mumbai, Maharashtra, for its hotel to be constructed on land situated in Dubai. Determine the place of supply of architectural services provided by M/s Fair Engineering Consultants to Mahal India Ltd.:**

- (a) Gurugram, Haryana
- (b) Mumbai, Maharashtra
- (c) Dubai
- (d) Either Maharashtra or Dubai, at the option of the recipient (MTP 1 Mark March 22)

Ans : (b)

5. **Lucky Singh, a resident of Noida, U.P., went to Himachal Pradesh for a family vacation via Delhi-Chandigarh-Himachal Pradesh in his own car. After entering Chandigarh, his car broke down due to some technical issue. He called 'ONROADS' - an emergency roadside car assistance company (registered under GST in Delhi) to repair the car. The car was repaired by the staff of 'ONROADS'. The value of supply amounted to ` 50,000 (being labour charges ` 40,000 and spares ` 10,000). The bill was supposed to be generated online though the server, but due to some technical issue, it was not so generated.**

Determine the place of supply in the given case.

- (a) Delhi
- (b) Chandigarh
- (c) Noida, U.P
- (d) Himachal Pradesh (RTP May '20)

Ans: (a)

Chapter 5

Exemptions of GST

Question 1

- (i) “Richmondkidz” is a Play School located in Delhi. Richmond Kids has outsourced the catering services for supply of food and drink in the canteen of Play School to Ashoka Caterers, Delhi for a consideration of Rs. 8,00,000 per annum. Examine whether supply of food and drink/catering services from Ashoka Caterers to “Richmond kidz” is exempt from GST:
- (ii) Balaji Hospital, a clinical establishment located in Tirupati, is specialised in cardiac treatment. The hospital has its own canteen – Healthy Foods. The canteen serves the food and drink to the in-patients as advised by the doctors/nutritionists of the hospital. Apart from this, other patients (who are not admitted) or attendants or visitors of the in-patients also take food and drink from the canteen. Examine whether supply of food and drink/catering services to the in- patients and other patients (who are not admitted) or attendants or visitors of the in-patients is exempt from GST: (MTP 6 Marks, May’20, RTP May ’19)

Answer 1

- i. Services provided to an educational institution providing services by way of pre-school education and education up to higher secondary school or equivalent, by way of catering is exempt from GST vide exemption notification under GST. Thus, in the given case, services provided by Ashoka Caterers to Richmond Kidz are exempt from GST.
- ii. Services by way of health care services provided by a clinical establishment, an authorised medical practitioner or para-medics are exempt from GST vide exemption Notification under GST. In this regard, CBIC has clarified that food supplied by the hospital canteen to the in- patients as advised by the doctor/nutritionists is a part of composite supply of healthcare services and is not separately taxable. Thus, it is exempt from GST. However, other supplies of food by a hospital to patients (not admitted) or their attendants or visitors are taxable. In view of the same, GST is exempt on the food supplied by Healthy Foods to the inpatients as advised by doctors/nutritionists while other supplies of food by it to patients (not admitted) or attendants/visitors of the in-patients is taxable.

Question 2

Examine whether GST is exempted on the following independent supply of services:

- (i) Relax & Co, a tour operator, provides services to a foreign tourist for tour conducted in Kerala and receives a sum of Rs. 1,50,000.
- (ii) Ms. Sneha acts as a Coach for Indian Sports League (ISL), a recognised sports body, for a Tennis tournament organised by Superb retail company and received a remuneration of Rs. 4,00,000. (MTP 6 Marks, Aug’18, PYP 3 Marks, May ’18)

Answer 2

- i. Services provided by a tour operator to a foreign tourist are exempt from GST provided such services are in relation to a tour conducted wholly outside India. Thus, since in the given case, services provided by Relax & Co. are in relation to a tour conducted within India, the same are not exempt from GST.
- ii. Services provided by a coach to a recognized sports body for participation in a sporting event are exempt from GST provided said sporting event is organised by a recognized sports body. Thus, since in the given case, the sporting event is not organised by a recognized sports body, the services provided by Ms. Sneha are not exempt from GST.

Question 3

Ayushman Medical Centre, a clinical establishment, offers the following services:

S.No.	Particulars	₹*
(i)	Reiki healing treatments. Such therapy is not a recognized system of medicine in terms of section 2(h) of Clinical Establishments Act, 2010.	10,00,000
(ii)	Plastic surgeries. [One such surgery was conducted to repair cleft lip of a new born baby. Consideration of ₹ 1,00,000 was charged for the same.]	20,00,000

(iii)	Air ambulance services to transport critically ill patients from distant locations to Ayushman Medical Centre.	1,00,000
(iv)	Alternative medical treatments by way of Ayurveda. Such therapy is not a recognized system of medicine in terms of section 2(h) of Clinical Establishments Act, 2010	2,50,000

*excluding GST

Ayushman Medical Centre also operates a cord blood bank which provides services in relation to preservation of stem cells. You are required to compute the value of supply and GST liability [CGST & SGST or IGST] of Ayushman Medical Centre, if any, in the light of relevant GST provisions.

Note – All the services provided by Ayushman Medical Centre are intra-State supplies. Assume the rates of CGST, SGST and IGST to be 9%, 9% and 18% respectively. (MTP 6 Marks, March'18)

Answer 3

Health care services provided by, inter alia, a clinical establishment in India are exempt from GST vide Notification No. 12/2017 CT (R) dated 28.06.2017. The definition of 'health care services' stipulates that such services must be provided in any recognized system of medicines.

As per section 2(h) of Clinical Establishments Act, 2010, recognised system of medicine means allopathy, yoga, naturopathy, Ayurveda, homeopathy, siddha and umami system of medicines or any other system of medicines as may be recognised by the Central Government. Accordingly, value of supply and GST liability of Ayushman Medical Centre will be computed as follows:

S. No.	Particulars	₹
(i)	Reiki healing treatments [Not a recognized system of medicines]	10,00,000
(ii)	Plastic surgeries [₹ 20,00,000 - ₹ 1,00,000] ['Health care services' specifically excludes, inter alia, cosmetic or plastic surgery except when undertaken to restore/reconstruct anatomy/functions of body affected due to congenital defects, developmental abnormalities, injury or trauma]	19,00,000
(iii)	Air ambulance services to transport critically ill patients from distant locations to the Medical Centre ['Health care services' specifically includes services by way of transportation of the patient to and from a clinical establishment]	Nil
(iv)	Alternative medical treatments by way of Ayurveda [Being a recognized system of medicines]	Nil
	Value of supply	29,00,000
	CGST @ 9%	2,61,000
	SGST @ 9%	2,61,000

Note: Services provided by cord blood banks by way of preservation of stem cells or any other service in relation to such preservation are exempt from GST. Therefore, services provided in relation to preservation of stem cells by the cord blood bank operated by Ayushman Medical Centre will be exempt from GST.

As per amendment, notification dated 18.07.2022 Services provided by the cord blood banks by way of preservation of stem cells or any other service in relation to such preservation is removed from the exemption list and is now taxable

Question 4

Kesar Maharaj, a registered supplier, gave a classical dance performance in an auditorium. The consideration charged for the said performance is ₹ 1,48,500. Is Kesar Maharaj liable to pay GST on the consideration received for the said performance if such performance is not for promotion of any product/services? If yes, determine his GST liability (CGST and SGST or IGST, as the case may be). Will your Answer be different if:?

(i) Kesar Maharaj is a brand ambassador of a food product and aforesaid performance is for the promotion of such food product?

- (ii) the dance performance given by Kesar Maharaj is not a classical dance performance, but a contemporary Bollywood style dance performance?
- (iii) consideration charged by Kesar Maharaj for the classical dance performance is ₹ 1,60,000?

Notes:

1. Services provided by Kesar Maharaj are intra-State supplies.
2. Wherever applicable, GST has been charged separately.
3. Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively. (MTP 6 Marks, March'18)

Answer 4

Notification No. 12/2017 CT (R) dated 28.06.2017 exempts services by an artist by way of a performance in folk or classical art forms of (i) music, or (ii) dance, or (iii) theatre, if the consideration charged for such performance is not more than ₹ 1,50,000. However, exemption will not apply to service provided by such artist as a brand ambassador.

In view of the aforesaid provisions, services provided by Kesar Maharaj are exempt from GST as consideration for the classical dance performance has not exceeded ₹ 1,50,000. Therefore, his GST liability is nil.

- (i) If Kesar Maharaj is a brand ambassador of a food product and aforesaid performance is for the promotion of such food product, he will be liable to pay GST as aforesaid exemption is not applicable to service provided by an artist as a brand ambassador. His CGST and SGST liability would, therefore, be ₹ 13,365 ($₹ 1,48,500 \times 9\%$) and ₹ 13,365 ($₹ 1,48,500 \times 9\%$) respectively.
- (ii) If Kesar Maharaj gives a contemporary Bollywood style dance performance, such performance will not be eligible for aforesaid exemption. The reason for the same is that although the consideration charged does not exceed ₹ 1,50,000, said performance is not in folk or classical art forms of dance. Hence, GST would be payable on the same. His CGST and SGST liability would, therefore, be ₹ 13,365 ($₹ 1,48,500 \times 9\%$) and ₹ 13,365 ($₹ 1,48,500 \times 9\%$) respectively.
- (iii) If the consideration charged for the classical dance performance by Kesar Maharaj is ₹ 1,60,000, he will be liable to pay GST on the same as although the performance is by way of classical art form of dance, consideration charged for such performance has exceeded ₹ 1,50,000. His CGST and SGST liability would, therefore, be ₹ 14,400 ($₹ 1,60,000 \times 9\%$) and ₹ 14,400 ($₹ 1,60,000 \times 9\%$) respectively

Question 5

Kashi Enterprises, an event organizer, provided services to Brisk N Frisk Ltd. by way of organizing business exhibition in New Delhi as part of Make in India initiative. Kashi Enterprises claims that it is not required to pay GST as the services provided by way of organizing business exhibition are exempt from GST. Examine the technical veracity of the claim of Kashi Enterprises, in the given case. (MTP 4 Marks, April'21)

Answer 5

No, the claim made by Kashi Enterprises that it is not required to pay GST is not correct. Services provided by an organizer to any person in respect of a business exhibition are exempt from GST only when such business exhibition is held outside India. However, since in the given case, the exhibition is being organized in India, the services of organization of event by Kashi Enterprises will not be exempt from GST.

Question 6

Determine the GST payable, if any, in each of the following independent cases, assuming that the rate of GST is 18% and that the service providers are registered under GST:

- (i) Bollywood dance performance by a film actor in a film and consideration charged is ₹ 1,45,000.
- (ii) Carnatic music performance by a classical singer to promote a brand of readymade garments and consideration charged is ₹ 1,30,000.
- (iii) Carnatic music performance by a classical singer in a music concert and consideration charged is ₹ 1,55,000.
- (iv) Kathak dance performance by a classical dancer in a cultural programme and consideration charged is ₹ 1,45,000. (MTP 4 Marks March 22, Old & New SM)

Answer 6

- (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].

Question 7

Explain the services provided by way of tolerating non-performance of a contract and its chargeability under the provisions of the CGST Act, 2017. (MTP 5 Marks, May'20)

Answer 7

Non-performance of a contract is the failure to fulfill the obligations under a contract. It is generally one of the conditions stipulated in any contract for supply of goods/services.

The agreement entered into between the parties stipulates that both the service provider and service recipient abide by the terms and conditions of the contract. In case any of the parties breach the contract for any reason including non-performance of the contract, then such person is liable to pay damages in the form of fines or penalty to the other party.

Tolerating non-performance of a contract in lieu of damages or fines is a supply in terms of section 7 of the CGST Act, 2017 as it is made for a consideration by a person in the course or furtherance of business.

Further, tolerating non-performance of a contract is treated as a supply of service in terms of section 7 read with Schedule II of CGST Act, 2017.

However, in case of supplies to Government, non-performance of contract by the supplier of service for which consideration in the form of fines or liquidated damages is payable is exempt from GST.

Question 8

Sungrow Pvt. Ltd. (a registered taxable person) having the gross receipt of Rs. 50 lakh in the previous financial year provides the following information relating to their services for the month of July, 2023.

Sr. No.	Particulars	Amount (Rs.)
(1)	Running a boarding school	2,40,000
(2)	Fees from prospective employer for campus interview	1,70,000
(3)	Education services for obtaining the qualification recognised by law of foreign country	3,10,000
(4)	Renting of furnished flats for temporary stay to different persons (Rent per day is less than Rs. 1,000 per flat)	1,20,000

(5)	Conducting Modular Employable Skill Course, approved by National Council of Vocational Training	1,40,000
(6)	Conducting private tuitions amount	3,00,000
(7)	Running martial arts academy for young children	55,000
(8)	Conducting career counselling session	1,65,000

Compute the value of taxable supply and the amount of GST payable. The above receipts don't include the GST amount. Rate of GST is 18%. (MTP 8 Marks, April'19)

Answer 8

Computation of value of taxable supply and amount of GST payable

S.No.	Particulars	Rs.
(1)	Running a boarding school [Services provided by an educational institution to its students, faculty and staff are exempt.]	Nil
(2)	Fees from prospective employer for campus interview [Not exempt.]	1,70,000
(3)	Education services for obtaining the qualification recognised by law of foreign country [An institution providing education services for obtaining qualification recognized by a foreign country does not qualify as educational institution. Thus, said services are not exempt.]	3,10,000
(4)	Renting of furnished flats for temporary stay of different persons [Services by a hotel, inn, guest house, club or campsite, by whatever name called, for residential or lodging purposes, having Value of Supply of a unit of accommodation below Rs. 1,000 per day or equivalent are exempt] <i>As per amendment, notification dated 18.07.2022 Services by a hotel, inn, guest house, club or campsite, by whatever name called, for residential or lodging purposes, having value of supply of a unit of accommodation below or equal to ₹ 1,000 per day or equivalent is removed from the exemption list and is now taxable.</i>	Nil 1,20,000
(5)	Conducting Modular Employable Skill Course [An institution providing Modular Employable Skill Course qualifies as educational institution. Services provided by an educational institution to its students, faculty and staff are exempt.]	Nil
(6)	Conducting private tuitions [Not exempt.]	3,00,000
(7)	Running martial arts academy for young children [Not exempt under GST laws]	55,000
(8)	Conducting career counselling session [Not exempt under GST laws]	1,65,000
	Value of taxable supply	11,20,000
	GST payable @ 18%	2,01,600

Question 9

Determine taxable value of supply under GST law with respect to each of the following independent services provided by the registered persons:

Particulars	Gross amount charged (Rs.)
Amount charged for loading, unloading, packing and warehousing of potato chips	25,000
Fees charged for yoga camp conducted by a charitable trust registered under section 12AA of the Income-tax Act, 1961	50,000

Amount charged by business correspondent for the services provided to the rural branch of a bank with respect to Savings Bank Accounts	1,00,000
Amount charged by cord blood bank for preservation of stem cells	5,00,000
Amount charged for service provided by commentator to a recognized sports body	6,00,000
Amount charged for service provided by way of right to admission to circus where consideration for the same is Rs. 750 per person.	12,000

(MTP 6 Marks, March'19)

Answer 9

Computation of value of taxable supply

Particulars	(Rs.)
Amount charged for loading, unloading, packing and warehousing of potato chips [Note-1]	25,000
Fees charged for yoga camp conducted by a charitable trust registered under section 12AA of the Income-tax Act, 1961 [Note-2]	Nil
Amount charged by business correspondent for the services provided to the rural branch of a bank with respect to Savings Bank Accounts [Note-3]	Nil
Amount charged by cord blood bank for preservation of stem cells [Note-4]	Nil 5,00,000
Service provided by commentator to a recognized sports body [Note-5]	6,00,000
Amount charged for service provided by way of right to admission to circus where consideration for the same is Rs. 750 per person. [Note-6]	12,000

Notes:

- Services by way of loading, unloading, packing, storage or warehousing of agricultural produce are exempt from GST. Further, potato chips are manufactured through processes which alter the essential characteristic of agricultural produce, thus is not covered under definition of agricultural produce.
- Services by an entity registered under section 12AA of the Income-tax Act, 1961 by way of charitable activities are exempt from GST. The activities relating to advancement of yoga are included in the definition of charitable activities. So, such activities are exempt from GST.
- Services by business facilitator or a business correspondent to a banking company with respect to accounts in its rural area branch have been exempted from GST.
- ~~Services provided by cord blood banks by way of preservation of stem cells or any other service in relation to such preservation are exempt from GST.~~
As per amendment, notification dated 18.07.2022 Services provided by the cord blood banks by way of preservation of stem cells or any other service in relation to such preservation is removed from the exemption list and is now taxable.
- Services provided to a recognized sports body only by an individual as a player, referee, umpire, coach or team manager for participation in a sporting event organized by a recognized sports body are exempt from GST. Thus, services provided by commentators are liable to GST.
- Services provided by way of right to admission to circus where consideration for the same is upto Rs. 500 per person are exempt from GST. Since in the present case, the consideration is more than Rs. 500 per person, so the same is liable to GST.

Question 10

Determine taxable value of supply under GST law with respect to each of the following independent services provided by the registered persons:

Particulars	Gross amount charged (Rs.)
Fees charged for yoga camp conducted by a charitable trust registered under	50,000

section 12AA of the Income-tax Act, 1961	
Amount charged by business correspondent from banking company for the services provided to the rural branch of a bank with respect to Savings Bank Accounts	1,00,000
Amount charged by cord blood bank for preservation of stem cells	5,00,000
Amount charged for service provided by commentator to a recognized sports body	5,20,000

(MTP 4 Marks, Oct 19, Old SM)

Answer 10

Computation of value of taxable supply

Particulars	(Rs.)
Fees charged for yoga camp conducted by a charitable trust registered under section 12AA of the Income-tax Act, 1961 [Note-1]	Nil
Amount charged by business correspondent for the services provided to the rural branch of a bank with respect to Savings Bank Accounts [Note-2]	Nil
Amount charged by cord blood bank for preservation of stem cells [Note-3]	Nil 5,00,000
Service provided by commentator to a recognized sports body [Note-4]	5,20,000

Notes:

- Services by an entity registered under section 12AA of the Income-tax Act, 1961 by way of charitable activities are exempt from GST. The activities relating to advancement of yoga are included in the definition of charitable activities. So, such activities are exempt from GST.
- Services by business facilitator or a business correspondent to a banking company with respect to accounts in its rural area branch have been exempted from GST.
- ~~Services provided by cord blood banks by way of preservation of stem cells or any other service in relation to such preservation are exempt from GST.~~
As per amendment, notification dated 18.07.2022 Services provided by the cord blood banks by way of preservation of stem cells or any other service in relation to such preservation is removed from the exemption list and is now taxable.
- Services provided to a recognized sports body only by an individual as a player, referee, umpire, coach or team manager for participation in a sporting event organized by a recognized sports body are exempt from GST. Thus, services provided by commentators are liable to GST.

Question 11

State with reasons, whether GST is payable in the following independent cases:-

- Services provided to recognized sports body as selector of national team. (Sep'22)**
- Services provided by way of transportation of passengers in metered cab, through an electronic commerce operator. (MTP 4 Marks Sep'22)**

Answer 11

- Services provided to a recognized sports body by an individual as a player, referee, umpire, coach or team manager for participation in a sporting event organized by a recognized sports body are exempt from GST vide Notification No. 12/2017 CT(R) dated 28.06.2017. Thus, GST is payable in case of services provided to a recognized sports body as selector of national team.
- Service of transportation of passengers, with or without accompanied belongings, inter alia, by metered cabs are specifically exempt from GST vide Notification No. 12/2017 CT(R) dated 28.06.2017. However, where such services are supplied through an electronic commerce operator, said services are not exempt. Thus, GST is payable in the given case.

Question 12

Determine the GST payable @ 18% with respect to each of the following independent services provided by the registered persons:

Particulars	Gross amount charged (₹)
Fees charged for 'Swasthya Yoga Camp' conducted by Chandra Prakash Charitable Trust, registered under section 12AB of the Income-tax Act, 1961	98,000
Amount charged by business correspondent from Wealthy Banking Company for the services provided to the rural branch of a bank with respect to Savings Bank Accounts	1,00,000
Amount charged by cord blood bank for preservation of stem cells	5,00,000
Amount charged for service provided by selectors to a recognized sports body	5,20,000

(MTP 4 Marks Oct'22)

Answer 12
Computation of GST payable

Particulars	Amount (₹)	GST payable @ 18% (₹)
Fees charged for 'Swasthya Yoga Camp' conducted by Chandra Prakash Charitable Trust, registered under section 12AB of the Income-tax Act, 1961 [Note-1]	Nil	Nil
Amount charged by business correspondent from Wealthy Banking Company for the services provided to the rural branch of a bank with respect to Savings Bank Accounts [Note-2]	Nil	Nil
Amount charged by cord blood bank for preservation of stem cells [Note-3]	5,00,000	90,000
Service provided by selectors to a recognized sports body [Note-4]	5,20,000	93,600

Notes:

- Services by an entity registered under section 12AB of the Income-tax Act, 1961 by way of charitable activities are exempt from GST. The activities relating to advancement of yoga are included in the definition of charitable activities. So, such activities are exempt from GST.
- Services by business facilitator or a business correspondent to a banking company with respect to accounts in its rural area branch have been exempted from GST.
- Services provided by cord blood banks by way of preservation of stem cells/any other service in relation to such preservation are exempt from GST.

As per amendment, notification dated 18.07.2022 Services provided by the cord blood banks by way of preservation of stem cells or any other service in relation to such preservation is removed from the exemption list and is now taxable

- Services provided to a recognized sports body only by an individual as a player, referee, umpire, coach or team manager for participation in a sporting event organized by a recognized sports body are exempt from GST. Thus, services provided by selectors are liable to GST.

Question 13

State with reasons, whether GST is payable in the following independent cases:-

- Food supplied by the canteen run by a hospital to the in-patients as advised by the doctors.
- An RWA in a housing society, registered under GST, collects the maintenance charges of ₹ 6,500 per month per member. (MTP 4 Marks March '23, Old & New SM)

Answer 13

- (i) Services by way of health care services by a clinical establishment, an authorised medical practitioner or para-medics are exempt from GST. Food supplied to the in-patients by a canteen run by the hospital, as advised by the doctor/nutritionists, is a part of composite supply of healthcare and not separately taxable. Thus, said services are exempt from GST.
- (ii) Supply of service by a RWA (unincorporated body or a non-profit entity registered under any law) to its own members by way of reimbursement of charges or share of contribution up to an amount of ₹ 7500 per month per member for providing services and goods for the common use of its members in a housing society/a residential complex are exempt from GST. Hence, in the given case, services provided by the RWA are exempt from GST since the maintenance charges collected per month per member do not exceed ₹ 7500.

Question 14

Miss. P, a registered supplier of Rajasthan, has received the following amounts in respect of the activities undertaken by her during the month of April:

S. No.	Particulars	Amount (in ₹)
1	Amount received for warehousing of sugarcane	50,000
2	Commission received as business facilitator for the services provided to the urban branch of a nationalized bank with respect to savings bank accounts	20,000
3	Amount received for services by way of labour contracts for repairing a single residential unit otherwise than as a part of residential complex	10,000

All the transactions stated above are inter-State transactions and all amounts are exclusive of GST.

You are required to compute total GST payable by Miss. P for the month of April assuming the rate of GST to be 18%. (MTP 4 Marks April '23)

Answer 14

Computation of value of taxable supply on which GST is to be paid by Miss. P

Particulars	IGST* (₹)
Amount received for warehousing of sugarcane [Warehousing of agricultural produce is exempt from GST.]	Nil
Commission received as business facilitator [Services provided by a business facilitator to a banking company with respect to accounts only in its rural area branch are exempt from GST. In the given case since services are being provided to urban branch of the bank, they are taxable. However, the tax payable thereon is to be paid by the recipient of services i.e. banking company, under reverse charge. Hence, Miss P will not be liable to pay GST on commission received for said services.]	Nil
Amount received for services by way of labour contracts [Services by way of pure labour contracts of construction, erection, commissioning, or installation of original works pertaining to a single residential unit otherwise than as a part of a residential complex are exempt from GST. Since such services are being provided for repairing the residential unit, they are not eligible for exemption.]	1,800 [10,000 X 18%]
Total IGST payable	1,800

*Note: IGST is payable on inter-State supply.

Question 15

Services provided by an entity registered under section 12AB of the Income-tax Act, 1961 are exempt from GST if such services are provided by way of charitable activities. Elaborate the term 'charitable activities'. (MTP 5 Marks & Oct '23)

Answer 15

The term 'charitable activities' mean activities relating to-

- (i) public health by way of-
 - (A) care or counseling of
 - (I) terminally ill persons or persons with severe physical or mental disability;
 - (II) persons afflicted with HIV or AIDS;
 - (III) persons addicted to a dependence-forming substance such as narcotics drugs or alcohol;
or
 - (B) public awareness of preventive health, family planning or prevention of HIV infection;
- (ii) advancement of religion, spirituality or yoga;
- (iii) advancement of educational programmes/skill development relating to,-
 - (A) abandoned, orphaned or homeless children;
 - (B) physically or mentally abused and traumatized persons;
 - (C) prisoners; or
 - (D) persons over the age of 65 years residing in a rural area;
- (iv) preservation of environment including watershed, forests & wildlife.

Question 16

Examine whether GST is payable in the following independent supply of services:

- (i) **Indiana Engineering College, a recognised educational institution, has conducted an entrance test examination for various courses run by it and charged entrance fees from the applicants.**
- (ii) **Ramfal Lalaji, an agriculturist, has stored sugarcane in a warehouse. He has taken fumigation services in the said warehouse from Gupta Pest Control Co. for which he paid the consideration of ₹ 6,000. (RTP Nov '18, Old & New SM)**

Answer 16

- (i) Services provided by an educational institution by way of conduct of entrance examination against consideration in the form of entrance fee are exempt from GST vide Notification No. 12/2017 CT (R) dated 28.06.2017 as amended.

Since in the given case, services provided by Indiana Engineering College, an educational institution are by way of conduct of entrance examination against entrance fee, the same is exempt and thus, GST is not payable in this case.

- (ii) ~~Services by way of fumigation in a warehouse of agricultural produce are exempt from GST vide Notification No. 12/2017 CT (R) dated 28.06.2017 as amended.~~ In the present case, since Gupta Pest Control Co. provides services by way of fumigation in the warehouse of sugarcane [being an agricultural produce], said services are **are not exempt** and **GST is not payable on the same**.

As per amendment dated 18.07.2022 Services by way of fumigation in a warehouse of agricultural produce is removed from the exemption list and is now taxable.

Question 17

The temple of ancestral deity of Mr. Aman goel and his family is located at Beri, Haryana. The temple is run by a charitable organisation registered under section 12AA of the Income Tax Act, 1961. The family has got unshakeable faith in their ancestral deity. Mr. Aman is a big entrepreneur having flourishing business of tiles in Gurugram. Upon the birth of their first child, he donated ₹ 10 lakh to the said temple for construction of a sitting hall in the temple. On the main door of the sitting hall, a name plate was placed stating “Donated by Mr. Aman Goel upon birth of his first child”.

You are required to examine the leviability of GST on the donation received from Mr. Aman Goel?. (RTP Nov '19)

Answer 17

It has been clarified vide Circular No. 116/35/2019 GST dated 11.10.2019 that when the name of the donor is displayed in the religious institution premises, by placing a name plate or similar such acknowledgement, which can be said to be an expression of gratitude and public recognition of donor's act of philanthropy and is not aimed at giving publicity to the donor in such manner that it would be an advertising or promotion of his business, then it can be said that there is no supply of service for a consideration (in the form of donation). There is no obligation (quid pro quo) on part of recipient of the donation or gift to do anything (supply a service). Therefore, there is no GST liability on such consideration.

In the given case, there is no reference or mention of any business activity of the donor which otherwise would have got advertised. Thus, since the gift or donation is made to a charitable organization, the payment has the character of gift or donation and the purpose is philanthropic (i.e., it leads to no commercial gain) and not advertisement, hence GST is not leviable.

Question 18

- (a) 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 ₹ 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 ₹ 1,000?
- (b) M/s Damodar Ltd. provides services by way of storage of seasonal fruits and vegetables in Bhatinda, Punjab. The monthly rental for a godown is ₹ 15,000. Examine whether GST is payable by M/s Damodar Ltd. (RTP Nov '19)

Answer 18

- (a) Services by a hotel, inn, guest house, club or campsite, by whatever name called, for residential or lodging purposes, ~~having value of supply of a unit of accommodation below or equal to ₹ 1,000 per day or equivalent have been exempted from GST vide an exemption notification.~~

As per amendment, notification dated 18.07.2022 Services by a hotel, inn, guest house, club or campsite, by whatever name called, for residential or lodging purposes, having value of supply of a unit of accommodation below or equal to ₹ 1,000 per day or equivalent is removed from the exemption list and is now taxable.

Thus, in view of the above-mentioned provisions, GST is ~~not~~ payable by Holiday Guest House on the booking done by Mr. X as ~~the charges for a unit of accommodation per day is less than ₹ 1,000.~~

~~The Answer will remain the same even if the charges of a single deluxe room per day is ₹ 1,000 as the exemption is also available in the case where value of supply of a unit of accommodation per day is ₹ 1,000/ i.e., such services are taxable only where value of supply of a unit of accommodation per day exceeds ₹ 1,000/-. Thus, no GST is payable by Holiday Guest House on the booking done by Mr. X even if the charges of a single deluxe room per day is ₹ 1,000.~~

- (b) Services by way of storage/ warehousing of cereals, pulses, fruits, nuts and vegetables, spices, copra, sugarcane, jaggery, raw vegetable fibres such as cotton, flax, jute etc., indigo, unmanufactured tobacco, betel leaves, tendu leaves, coffee and tea have been exempted from GST under an exemption notification under GST.

Thus, no GST is payable on the services provided by M/s Damodar Ltd. by way of storage of seasonal fruits and vegetables in Bhatinda, Punjab.

Question 19

State with reasons, whether GST is payable in the following independent cases:-

- (i) Services provided to recognized sports body as curator of national team.
- (ii) Services provided by way of transportation of passenger in Metered Cab.
- (iii) Services by way of public conveniences such as provision of facilities of washrooms.
Services provided by a player to a franchisee which is not a recognized sports body (RTP May '20)

Answer 19

- (i) Services provided to a recognized sports body by an individual as a player, referee, umpire, coach or team manager for participation in a sporting event organized by a recognized sports body are exempt from GST vide Notification No. 12/2017 CT(R) dated 28.06.2017. Thus, GST is payable in case of services provided to a recognized sports body as curator of national team.
- (ii) Service of transportation of passengers, with or without accompanied belongings, inter alia, by metered cabs are specifically exempt from GST vide Notification No. 12/2017 CT(R) dated 28.06.2017. Thus, GST is not payable in this case.
- (iii) Services by way of public conveniences such as provision of facilities of bathroom, washrooms, lavatories, urinal or toilets are not liable to GST as it is specifically exempt as per Notification No. 12/2017 CT(R) dated 28.06.2017. Thus, GST is not payable in this case.
- (iv) Services provided by a player to a franchisee which is not a recognized sports body is taxable as it is not exempt under Notification No. 12/2017 CT(R) dated 28.06.2017. Thus, GST is payable in this case.

Question 20

Gita Services Limited, registered under GST, is engaged in providing various services to Government. The company provides the following information in respect of services provided during the month of April:

S. No.	Description of Services provided
(i)	Supply of manpower for cleanliness of roads not involving any supply of goods.
(ii)	Service provided by Fair Price Shops owned by Gita Services Limited by way of sale of sugar under Public Distribution System against consideration in the form of commission.
(iii)	Service of maintenance of street lights in a Municipal area involving replacement of defunct lights and other spares alongwith maintenance. Generally replacement of defunct lights and other spares constitutes 35% of the supply of service.
(iv)	Service of brochure distribution provided under a training programme for which 70% of the total expenditure is borne by the Government.

Comment on the taxability or otherwise of the above transactions under GST law. Also state the correct legal provisions for the same. (RTP May '22)

Answer 20

S. No.	Particulars	Taxability
(i)	Supply of manpower for cleanliness of roads not involving any supply of goods. [Pure services provided to Government are exempt.]	Exempt
(ii)	Service provided by Fair Price Shops by way of sale of sugar under Public Distribution System [Service provided by Fair Price Shops to Government by way of sale of sugar under Public Distribution System against consideration in the form	Exempt

	of commission is exempt.]	
(iii)	Service of maintenance of street lights in a Municipal area involving replacement of defunct lights and other spares constituting 35% of the supply of service. [Composite supply of goods and services to Government in which the value of supply of goods constitutes not more than 25% of the value of the said composite supply is exempt. Since, in this case value of supply of goods constitutes 35% of the supply of composite service, same is taxable.]	Taxable
(iv)	Service of brochure distribution provided under a training programme. [Services provided to the Government under any training programme for which 75% or more of the total expenditure is borne by the Government is exempt. Since in the given case, 70% of the total expenditure is borne by the Government, it is taxable.]	Taxable

Question 21

Mutiservices Private Ltd., registered in Punjab, is engaged in supplying a variety of services. Its turnover was ₹ 35 lakh in the preceding financial year. It has provided the following information for the month of April:

Particulars	Amount (₹)
Fee for the coaching provided to students for competitive exams. The coaching centre is run by Mutiservices Private Ltd. in Punjab (Intra-State transaction)	6,24,000
Receipts for services provided in relation to conduct of examination in Pureit University, Delhi (providing education recognized by Indian law), being an inter-State transaction	19,200
Amount received for transportation of students and faculty from their residence to Lotus Public School - a higher secondary school – and back (Intra-State transaction)	24,000
Amount received for providing the security and housekeeping services in Dhaani Public School – a pre-school (Intra-State transaction)	36,000

Note: Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively. All the amounts given above are exclusive of taxes. Compute the total GST liability of Mutiservices Private Ltd. for the month of April. (RTP Nov '20)

Answer 21
Computation of net GST liability of Mutiservices Private Ltd. for the month of April:

Particulars	Value of supply (₹)	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
Fee for the coaching provided to students for competitive exams [Note-1]	6,24,000	56,160	56,160	
Services towards conduct of examination in Pureit University, Delhi [Note-2]	19,200			-
Services of transportation of students and faculty from their residence to Lotus Public School and back [Note-3]	24,000			-
Security and housekeeping services in Dhaani Public School [Note-4]	36,000	-	-	
Total GST liability		56,160	56,160	

Notes:-

1. Coaching centre run by Mutiservices Private Ltd. is not an educational institution since competitive exam coaching does not lead to grant of a qualification recognized by law. Therefore, fee received for coaching provided at such coaching centre is taxable.
2. Since Pureit University provides qualification recognized by law, it is an educational institution and services provided to an educational institution, in relation to conduct of examination by such institution are exempt from GST.
3. Since Lotus Public School provides education up to higher secondary school, it is an educational institution and services of transportation of students, faculty and staff provided to an educational institution are exempt.
4. Since Dhaani Public School provides pre-school education, it is an educational institution. Security and housekeeping services provided within the premises of an educational institution are exempt.

Question 22

Determine whether GST is payable in each of the following independent transactions:

- (i) **Dhruv Developers sold a plot of land in Greater Noida after levelling, laying down of drainage lines, water lines and electricity lines.**
- (ii) **Deccan Shipping Pvt. Ltd., registered under GST in Andaman and Nicobar islands, provided the passenger transportation services to the local residents in the ferries owned by it from Neil Island to Havelock Island. (RTP May '23)**

Answer 22

- (i) GST is not payable by Dhruv Developers on sale of plot of land. Circular No. 177/09/2022 GST dated 03.08.2022 clarifies applicability of GST on sale of land after levelling, laying down of drainage lines etc. As per Para 5 of Schedule III of the CGST Act, 2017, 'sale of land' is neither a supply of goods nor a supply of services. Therefore, the sale of land does not attract GST. Land may be sold either as it is or after some development such as levelling, laying down of drainage lines, water lines, electricity lines, etc. It is clarified that sale of such developed land is also sale of land and is covered by Para 5 of Schedule III and accordingly, does not attract GST.
- (ii) Transportation of passenger services provided by the private operator - Deccan Shipping Pvt. Ltd. - are exempt from GST. Circular No. 177/09/2022 GST dated 03.08.2022 clarifies the applicability of GST on private ferry tickets. Transportation of passengers by public transport, other than predominantly for tourism purpose, in a vessel between places located in India is exempt from GST vide Notification No. 12/2017 CT (R) dated 28.06.2017. It is clarified that this exemption would apply to tickets purchased for transportation from one point to another irrespective of whether the ferry is owned or operated by a private sector enterprise or by a PSU/Government.

It is further clarified that, the expression 'public transport' used in the said exemption notification only means that the transport should be open to public. It can be privately or publicly owned. Only exclusion is on transportation which is predominantly for tourism, such as services which may combine with transportation, sightseeing, food and beverages, music, accommodation such as in shikara, cruise etc.

Question 23

Examine the implications of GST on payment of honorarium to the Guest Anchors. (RTP Nov '23)

Answer 23

Circular No. 177/09/2022 GST dated 03.08.2022 clarifies the applicability of GST on honorarium paid to Guest Anchors. Sansad TV and other TV channels invite guest anchors to participate in their shows and pay remuneration to them in the form of honorarium.

It is clarified that supply of all goods & services are taxable unless exempt or declared as 'neither a supply of goods nor a supply of service'. Services provided by the guest anchors in lieu of honorarium attract GST liability.

However, guest anchors whose aggregate turnover in a financial year does not exceed ₹ 20 lakh (₹ 10 lakh in case of specified Special Category States) shall not be liable to take registration and pay GST.

Question 24

With reference to the provisions of GST law, briefly Answer the following questions:-

- (a) Income is received by Maharashtra Government from renting of immovable property to Ganpati Morya Pvt. Ltd., registered in Maharashtra (Turnover of the company was ₹ 18 lakh in the preceding financial year). Is GST payable in the present case? If yes, who is liable to pay the same?
- (b) Mr. Vivek Goyal, director of A2Z Pvt. Ltd. Company has received sitting fee amounting to ₹ 1 lakh from A2Z Pvt. Ltd for attending the Board meetings. (RTP Nov '18)

Answer 24

- (a) Notification No. 12/2017 CT (R) dated 28.06.2017 has inter alia exempted the services provided by the State Government to a business entity with an aggregate turnover of up to ₹ 20 lakh (₹ 10 lakh in case of a Special Category States) in the preceding FY. However, the same shall not apply to services by way of renting of immovable property.

In the given case, services by way of renting of immovable property is provided by Maharashtra Government to Ganpati Morya Pvt. Ltd, registered in Maharashtra. Therefore, the above exemption will not apply in this case even though the turnover of the company was less than ₹ 20 lakh in the preceding financial year. Thus, GST is payable in the given case.

Notification No. 13/2017 CT (R) dated 28.06.2017 as amended inter alia provides that reverse charge is applicable in case of services supplied by the State Government by way of renting of immovable property to a person registered under the Central Goods and Services Tax Act, 2017. Thus, GST is payable by Ganpati Morya Pvt. Ltd., being a registered person in the present case.

- (b) Notification No. 13/2017 CT (R) dated 28.06.2017 inter alia provides that GST on supply of services by the director of a company to the said company located in the taxable territory is payable on a reverse charge basis. *(As per amendment GST on reverse charge is to be paid by services supplied by director of a company or body corporate to said company or body corporate. Person liable to pay tax: Company or body corporate.)* Therefore, in the given case, person liable to pay GST is the recipient of services, i.e., A2Z Pvt. Ltd. Company. *(Note even after the amendment the conclusion stays the same)*

Question 25

State the person liable to pay GST in the following independent services provided:

- (i) Siddhi Builders, registered in Haryana, rented out 20 residential units owned by it in Sanskriti Society to Rudra Technologies, an IT based firm registered in the State of Haryana, for accommodation of its employees.
- (ii) M/s. Purohit Consultants, a partnership firm registered in Delhi as a regular tax payer, paid sponsorship fees of ` 70,000 at a seminar organized by a private NGO (a partnership firm) in Delhi. (RTP May '23)

Answer 25

- (i) Services provided by way of renting of residential dwelling for use as residence is exempt from GST. However, where the residential dwelling is rented to a registered person, said exemption is not available. Further, tax on service provided by way of renting of residential dwelling to a registered person is payable by the recipient under reverse charge.

As per amendment Nov 23- it is not taxable if the registered person is a proprietor of a proprietorship concern and rents the residential dwelling in his own personal capacity for use as his own residence

and such renting is on his own account and not that of the proprietary concern.

Therefore, in the given case, Rudra Technologies is liable to pay GST on the residential dwellings taken on rent by it from Siddhi Builders, under reverse charge mechanism.

- (ii) In case of services provided by any person by way of sponsorship to any body corporate or partnership firm, GST is liable to be paid under reverse charge by such body corporate or partnership firm located in the taxable territory.

Since in the given case, sponsorship services are being provided by the private NGO to a partnership firm – M/s. Purohit Consultants, GST is payable by Purohit Consultants on said services under reverse charge.

Question 26

Decide with reason whether the following independent services are exempt under CGST Act, 2017:

- (i) **Gould Residents' Welfare Association received ` 9,000 per month as contribution from each member for sourcing of goods and services from third persons for common use of its members.**
- (ii) **Mr. Vial, a performing artist, has received ` 1,58,000 from performance of classical dance and ` 90,000 from acting in TV Serial during the month of June 2018. (PYP 4 Marks, May'19)**

Answer 26

- (i) Service by an unincorporated body or a registered non-profit entity, to its own members by way of share of contribution up to an amount of ` 7,500 per month per member for sourcing of goods/services from a third person for the common use of its members in a housing society or residential complex, is exempt. In the given case, monthly contribution per month per member received by Gould Residents' Welfare Association exceeds ` 7,500. Therefore, exemption will be available up to ` 7,500 and GST would be payable on the amount in excess of ` 7,500 (viz. ` 1,500 in this case).
- (ii) Services by an artist by way of a performance in folk or classical art forms of music, dance, or theatre, if the consideration charged for such performance is not more than ` 1,50,000 are exempt from GST. In the given case, since the consideration received by the performing artist - Mr. Vial for performance of classical dance is more than ` 1,50,000, said services are not exempt. Further, consideration received for acting in TV serial is also not exempt since said performance is not in folk/classical art forms of theatre.

Question 27

Decide with reason whether the following independent services are exempt under CGST Act, 2017:

- (i) **M/s Fast Trans, a goods transport agency, transported relief materials meant for victims of Kerala floods being a natural disaster, by road from Delhi to Ernakulum, for a Limited Co. (Old & New SM)**
- (ii) **Keyan Enterprises, an event organizer, provided services to Breathing Wall Ltd. by way of organizing business exhibition at Pragmatic Maiden in New Delhi as part of Make in India initiative. (PYP 3 Marks, Nov'18)**

Answer 27

- (i) Services provided by a goods transport agency, by way of transport in a goods carriage of, inter alia, relief materials meant for victims of inter alia natural or man-made disasters are exempt from GST. Therefore, services provided by M/s Fast Trans will be exempt from GST.
- (ii) Services provided by an organizer to any person in respect of a business exhibition held outside India is exempt from GST. Since in the given case, the exhibition is organized in India, the services of organization of event by Keyan Enterprises will not be exempt from GST.

Question 28

Green Agro Services, a registered person provides the following information relating to its activities during the month of February:

Gross Receipts from	(`)
Services relating to rearing of sheep's	6,00,000
Services by way of artificial insemination of horses	4,00,000
Processing of sugarcane into jiggery	8,00,000

Milling of paddy into rice	7,50,000
Services by way of fumigation in a warehouse of agricultural produce	1,80,000

All the above receipts are exclusive of GST.

Compute the value of taxable supplies under GST laws for the month of February. (PYP 6 Marks, Jan'21)

Answer 28

Computation of value of taxable supplies

Particulars	Amount (₹)
Services relating to rearing of sheep's [Exempt since services relating to rearing of all life forms of animals, except horses, for food etc. are exempt.]	Nil
Services by way of artificial insemination of horses [Not exempt since services of artificial insemination are exempt only of livestock other than horses.]	4,00,000
Processing of sugarcane into jiggery [Not exempt, since processes which alter the essential characteristics of agricultural produce are not exempt and processing of sugarcane into jiggery changes the essential characteristics of sugarcane.]	8,00,000
Milling of paddy into rice [Not exempt, since this process, being carried out after cultivation is over, is not an intermediate production process in relation to cultivation of plants and it also changes the essential characteristics of paddy.]	7,50,000
Services by way of fumigation in a warehouse of agricultural produce [Specifically exempt from GST.] <i>(As per amendment in the notification dated 18.07.2022 Services by way of fumigation in a warehouse of agricultural produce is removed from the exemption list and is now taxable)</i>	Nil 1,80,000
Value of taxable supplies	21,30,000

Question 29

AB Ltd., a registered company of Chennai, Tamil Nadu has provided following services for the month of October.

Particulars	Amount (₹)
Services of transportation of students, faculty and staff from home to college and back to Commerce College, (a private college) providing degree courses in BBA, MBA, B.Com., M.Com.	2,50,000
Online monthly magazine containing question bank and latest updates in law to students of PQR Law College offering degree courses in LLB and LLM	1,00,000
Housekeeping services to T Coaching Institute	50,000
Security services to N Higher Secondary School	3,25,000
Services of providing breakfast, lunch and dinner to students of ABC Medical College offering degree courses recognized by law in medical field	5,80,000

All the above amounts are exclusive of GST.

Compute the taxable supplies of AB Ltd. for the month of October with necessary explanations. (PYP 6

Marks Dec '21)

Answer 29

Computation of value of taxable supplies of AB Ltd.

Particulars	Amount (₹)
Services of transportation of students, faculty and staff to Commerce College [Not exempt, since transportation services provided to an educational institution are exempt only if such institution provides pre-school education or education up to higher secondary school or equivalent.]	2,50,000
Online monthly magazine to students of PQR Law College [Services of supply of online educational journals provided to an educational institution providing qualification recognized by law are exempt.]	Nil
Housekeeping services to T Coaching Institute [Not exempt]	50,000
Security services ⁴ to N Higher Secondary School [Security services provided to an educational institution providing education up to higher secondary school are exempt.]	Nil
Services of providing breakfast, lunch and dinner to students of ABC Medical College [Not exempt, since catering services provided to an educational institution are exempt only if such institution provides pre-school education or education up to higher secondary school or equivalent.]	5,80,000
Value of taxable supplies	8,80,000

⁴It has been assumed that security services are performed in N Higher Secondary School.

Question 30 (Includes concepts of Chp 15.2- Value of Supply & Chp 16- ITC)

Satya Sai Residents Welfare Association, a registered person under GST has 30 members each paying ₹ 8,000 as maintenance charges per month for sourcing of goods and services from third persons for common use of its members.

The Association purchased a water pump for ₹ 59,000 (inclusive of GST of ₹ 9,000) and availed input services for ₹ 23,600 (inclusive of GST of ₹ 3,600) for common use of its members during February 2020. Compute the total GST payable, if any, by Satya Sai Residents Welfare Association, for February 2020.

GST rate is 18%. All transactions are intra-State.

There is no opening ITC and all conditions for ITC are fulfilled. (PYP 4 Marks, Jan'21)

Answer 30

Computation of total GST payable by Satya Sai Residents Welfare Association

Particulars	Value (₹)	GST @ 18% (₹)
Maintenance charges received [₹ 8,000 × 30 members] [Services by RWA to its members for sourcing of goods or services from a third person for the common use of its members in a housing society are exempt provided the share of contribution per month per member is up to ₹ 7,500. Otherwise, entire amount is taxable.]	2,40,000	
Total GST payable [It has been logically presumed that maintenance charges are exclusive of GST.]		43,200

Note:

Residents Welfare Association is entitled to take ITC of GST paid by them on capital goods, goods and input services, used by it for making supplies to its members and use such ITC for discharge of GST liability on such supplies where the amount charged for such supplies is more than ₹ 7,500 per month per member. Thus, Satya Sai Residents Welfare Association can avail ITC of GST paid on water pump purchased (₹ 9,000) and input services availed (₹ 3,600). Net GST payable in that case will come out ₹ 30,600.

Question 31

Mr. Shyam Das was admitted to Suraksha Hospital in Mumbai for 2 days in relation to diagnosis of removal of stones from his kidney. For the said services, Suraksha hospital charged following from Mr. Das:

- (i) Room rent ₹ 7,000 per day for 2 days.
- (ii) Operation theatre charges ₹ 5,000
- (iii) Doctors Consultation Charges ₹ 8,000
- (iv) Other services ₹ 4,000

In each of the above scenario explain whether Suraksha Hospital should levy GST or not in line with the relevant provisions of the GST laws. (PYP 4 Marks May '23)

Answer 31

Health care services by a clinical establishment are exempt from GST.

However, services provided by a clinical establishment by way of providing room having room charges exceeding ₹ 5,000 per day to a person receiving health care services are not exempt.

In view of the same, only the room rent of ₹ 14,000 (₹ 7,000 per day × 2 days) is liable to GST.

Other than room rent, all other nature of services provided by Suraksha Hospital are exempt from GST.

Question 32

"Under the GST law, taxes on taxable services supplied by the Central Government or the State Government to a business entity in India are payable by recipient of services".

State the exceptions of the above statement. (PYP 5 Marks May'22)

Answer 32

Tax on following services supplied by the Central Government or State Government to a business entity in India is payable by the supplier of services:

- (1) services of renting of immovable property provided to an unregistered business entity.
- (2) services by the Department of Posts by way of speed post, express parcel post, life insurance, and agency services provided to a person other than Central Government, State Government or Union territory or local authority.

Services by the Department of Posts by way of speed post, express parcel post, life insurance, and agency services provided to a person other than the Central Government, State Government, Union territory; is removed from the exemption list and is now taxable for the recipient of service.

- (3) services in relation to an aircraft or a vessel, inside or outside the precincts of a port or an airport.
- (4) services of transport of goods or passengers.

Question 33

RXL Pvt. Ltd. manufactures a beauty soap with the brand name 'Forever Young'. RXL Pvt. Ltd. has organized a concert to promote its brand. Ms. Ahana Kapoor, its brand ambassador, who is a leading film actress, has given a classical dance performance in the said concert as a part of her services as a brand ambassador of



the company. The proceeds of the concert worth ` 1,20,000 will be donated to a charitable organization by Ms. Ahana.

Examine whether Ms. Ahana Kapoor will be required to pay any GST for classical dance performance given in the said concert. (Old & New SM, PYP 5 Marks July'21)

Answer 33

Services by an artist by way of a performance in folk or classical art forms of (i) music, or (ii) dance, or (iii) theatre are exempt from GST, if the consideration charged for such performance is not more than ` 1,50,000. However, such exemption is not available in respect of service provided by such artist as a brand ambassador.

Since Ms. Ahana Kapoor is the brand ambassador of 'Forever Young' soap manufactured by RXL Pvt. Ltd., the services rendered by her by way of a classical dance performance in the concert organized by RXL Pvt. Ltd. to promote its brand will not be eligible for the above-mentioned exemption and thus, be liable to GST. The fact that the proceeds of the concert will be donated to a charitable organization will not have any bearing on the eligibility or otherwise to the above-mentioned exemption.

MULTIPLE CHOICE QUESTIONS (MCQS)

1. An exempt supply includes-

- (i) Supply of goods or services or both which attracts Nil rate of tax
 - (ii) Non-taxable supply
 - (iii) Supply of goods or services or both which are wholly exempt from tax under section 11 of the CGST Act or under section 6 of IGST Act
- (a) (I)
 - (b) (I) and (ii)
 - (c) (ii) and (iii)
 - (d) (I), (ii) and (iii) (MTP 2 Marks, April'21, Oct'19, Sep'23)

Ans: (d)

2. Which of the following services are exempt under GST?

- (i) testing of agricultural produce
 - (ii) supply of farm labour
 - (iii) warehousing of agricultural produce
- (a) (i)
 - (b) (i) and (ii)
 - (c) (ii) and (iii)
 - (d) (i), (ii) and (iii) (MTP 2 Marks, Oct 20)

Ans: (d)

3. Which of the following services is exempt under health care services provided by clinical establishments?

- (a) Chemist shop in the hospital selling medicines to public at large
- (b) Food supplied from an outsourced canteen to in-patients as per diet prescribed by the hospital dietitian
- (c) Advertisement services provided by the hospital to a pharmaceutical company for their asthma pump by displaying it prominently in the hospital building
- (d) All of the above (MTP 1 Mark, Oct'19)

Ans: (b)

4. Services by way of warehousing of.....is exempt from GST.

- (i) processed tea
 - (ii) jaggery
 - (iii) processed coffee
 - (iv) rice
- a) (I) & (ii)
 - b) (iii)
 - c) (iv)
 - d) all of the above **(MTP 1 Mark, April'19)**

Ans: (c)

5. Which of the following services are exempt from GST?

- (a) Services by an artist by way of a performance in folk or classical art forms of painting/sculpture making etc. with consideration therefor not exceeding Rs. 1.5 lakh.
 - (b) Services by an artist by way of a performance in modern art forms of music/ dance/ theatre with consideration therefor not exceeding Rs. 1.5 lakh.
 - (c) Services by an artist by way of a performance in folk or classical art forms of music/ dance/theatre with consideration therefor exceeding Rs. 1.5 lakh.
 - (d) Services by an artist by way of a performance in folk or classical art forms of music/ dance / theatre with consideration therefor not exceeding Rs. 1.5 lakh.
- (MTP 1Mark, April'19)**

Ans: (c)

6. Services by way of admission to are exempt from GST.

- (a) Museum
- (b) National park
- (c) Tiger reserve
- (d) All of the above) **(MTP 1Marks, March'19)**

Ans : (d)

7. Transport of ----- by rail are exempt from GST:

- (a) Milk
- (b) Salt
- (c) Defense equipment's
- (d) All of the above **(MTP 1Marks, March'19)**

Ans: (d)

8. Which of the following services is exempt from GST?

- (a) Bollywood dance performance by a film actor in a film and consideration charged is ₹ 1,45,000.
- (b) Carnatic music performance by a classical singer to promote a brand of readymade garments and consideration charged is ₹ 1,30,000.
- (c) Carnatic music performance by a classical singer in a music concert and consideration charged is ₹ 1,55,000.
- (d) Kathak dance performance by a classical dancer in a cultural programme and consideration charged is ₹ 1,45,000. **(RTP May '19)**

Ans: (d)



9. Kala Niketan School is an educational institution providing pre-school education and education up to higher secondary school. Which of the following services are exempt if provided to Kala Niketan School?

- (i) Transportation of students, faculty and staff
- (ii) Catering services
- (iii) Cleaning services performed in such educational institution

- (a) (i)
- (b) (i) and (iii)
- (c) (ii) and (iii)
- (d) (i), (ii) and (iii) **(RTP Nov '19)**

Ans: (d)

10. Which of the following service is not exempt under GST?

- (a) Loading and unloading of paddy
- (b) Loading and unloading of sugarcane
- (c) Loading and unloading of tea bags
- (d) Loading and unloading of potato. **(RTP Nov '19)**

Ans: (c)



VIVITSU
STRIVING TOWARDS KNOWLEDGE

Chapter 6 Time of Supply

Question 1

Mansh & Vansh Trading Company, a registered supplier, is liable to pay GST under forward charge. It has furnished the following information:

- (i) Goods were supplied on 3rd October
- (ii) Invoice was issued on 5th October
- (iii) Payment received on 9th October

Determine the time of supply of goods for the purpose of payment of tax. (Old & New SM, PYP 4 Marks May'18)

Answer 1

As per Notification No. 66/2017 CT dated 15.11.2017, a registered person (excluding composition supplier) has to pay GST on the outward supply of goods at the time of supply as specified in section 12(2)(a), i.e. date of issue of invoice or the last date on which invoice ought to have been issued in terms of section 31.

Further, a registered person is required to issue a tax invoice before or at the time of removal of goods for supply to the recipient. Thus, in the given case, the invoice for supply of goods should have been issued on or before the removal of goods i.e., on 3rd October.

However, since the invoice has not been issued within the prescribed time, the time of supply for the purpose of payment of tax will be the last date on which the invoice is required to be issued i.e., 3rd October.

Question 2

Modern Security Co. provides service of testing of electronic devices. In one case, it tested a batch of devices on 4th and 5th September but could not raise invoice till 19th November because of some dispute about the condition of the devices on return. The payment was made in December. What is the method to fix the time of supply of the service? (MTP 4 Marks, Oct'20, Old & New SM)

Answer 2

The time of supply of services, if the invoice is not issued in time, is the date of payment or the date of provision of service, whichever is earlier [Section 13(2)(b)]. In this case, the service is provided on 5th September but not invoiced within the prescribed time limit. Therefore, 5th September, the date of provision of service, being earlier than the date of payment, will be the time of supply.

Question 3

Discuss the provisions relating to time of supply of goods that are taxable under reverse charge? (MTP 5 Marks, Oct'19)

Answer 3

The time of supply of goods on which GST is payable on reverse charge basis under sub-sections (3) and (4) of section 9 of CGST Act is determined in terms of section 12(3)(a), (b) and (c), as follows: The time of supply for such goods will be the earliest of the following dates:

- Date on which the goods are received, or
- Date on which payment is recorded in the books of account of the recipient, or the date on which the same is debited in his bank account, whichever is earlier, or
- Date immediately following 30 days from the date of issue of invoice (or document by some other name in lieu of invoice) by the supplier.

If it is not possible to determine the time of supply by using these parameters, then the time of supply will be the date of entry of goods in the books of account of the recipient of supply.

Question 4

Mr. Mayank provides Continuous Supply of Services (CSS) to M/s. Omega Limited. He furnishes the following further information:

- (i) Date of commencement of Providing CSS 01-10-20XX
- (ii) Date of completion of Providing CSS 31-01-20XY
- (iii) Date of receipt of payment by Mr. Mayank 30-03-20XY

Determine the time of issue of invoice as per provisions of CGST Act, 2017, in the following circumstances:

- (i) If no due date for payment is agreed upon by both under the contract of CSS.
- (ii) If payment is linked to the completion of service.
- (iii) If M/s. Omega Limited has to make payment on 25-03-20XY as per the contract between them.
(MTP 3 Marks, March'19, PYP 5 Marks Nov '18)

Answer 4

Where the due date of payment is not ascertainable from the contract, the invoice shall be issued before or at the time when the supplier of service receives the payment.

Thus, in the given case, the invoice should be issued on or before 30.03.20XY (date of receipt of payment by Mr. Mayank).

- (i) If payment is linked to the completion of an event, the invoice should be issued on or before the date of completion of that event. Since in the given case payment is linked to the completion of service, invoice should be issued on or before 31.01.20XY (date of completion of service).
- (ii) Where the due date of payment is ascertainable from the contract, the invoice should be issued on or before the due date of payment.
- (iii) If M/s. Omega Limited has to make payment on 25.03.20XY as per the contract between them, the invoice should be issued on or before 25.03.20XY.

Question 5

Food meal coupons are sold to a company on 9th August for being distributed to the employees of the said company. The coupons are valid for six months and can be used against purchase of food items. The employees use them in various stores for purchases of various edible items on different dates throughout the six months. What is the date of supply of the coupons? (MTP 4 Marks, Oct'18, Old & New SM)

Answer 5

Section 12(4) of CGST Act, 2017 provides that in case of supply of vouchers by a supplier, the time of supply shall be the date of issue of invoice, if the supply is identifiable at that point; or the date of redemption of vouchers, in all other cases.

As the coupons can be used for a variety of food items, which are taxed at different rates, the supply cannot be identified at the time of purchase of the coupons. Therefore, the time of supply of the coupons is the date of their redemption in terms of section 12(4) of CGST Act.

Question 6

Gupta & Sons, a registered supplier, paying tax under normal scheme is a wholesale supplier of ready-made garments located in Bandra, Mumbai. On 5th September, 20XX, Mohan, owner of Charming Boutique located in Dadar, Mumbai, approached Gupta & Sons for supply of a consignment of customized dresses for ladies and kids.

Gupta & Sons gets the consignment ready by 2nd December, 20XX and informs Mohan about the same. The invoice for the consignment was issued the next day, 3rd December, 20XX.

Due to some reasons, Mohini could not collect the consignment immediately. So, she collects the consignment from the premises of Gupta & Sons on 18th December, 20XX and hands over the cheque for payment on the same date. The said payment is entered in the accounts on 20th December, 20XX and amount is credited in the bank account on 21st December, 20XX.

You are required to determine the time of supply of the readymade garments supplied by Gupta & Sons to Mohini elaborating the relevant provisions under the GST law. (MTP 4 Marks, Aug'18)

Answer 6

As per Notification No. 66/2017 CT dated 15.11.2017, a registered person (excluding composition supplier) has to pay GST on the outward supply of goods at the time of supply as specified in section 12(2)(a) of CGST Act, 2017 i.e., date of issue of invoice or the last date on which invoice ought to have been issued in terms of section 31.

Therefore, the time of supply of goods is 3rd December which is the date on which the invoice for the consignment was issued.

Question 7

Mehra Sons, a registered supplier, is a wholesale supplier of ready-made garments located in Bandra, Mumbai. On 5th September, 20XX, Subhadra, owner of Aura Boutique located in Dadar, Mumbai, approached Mehra Sons for supply of a consignment of customized dresses for ladies and kids.

Mehra Sons gets the consignment ready by 2nd December, 20XX and informs Subhadra about the same. The invoice for the consignment was issued the next day, 3rd December, 20XX.

Due to some reasons, Subhadra could not collect the consignment immediately. So, she collects the consignment from the premises of Mehra Sons on 18th December, 20XX and hands over the cheque for payment on the same date. The said payment is entered in the accounts on 20th December, 20XX and amount is credited in the bank account on 21st December, 20XX.

You are required to determine the time of supply of the readymade garments supplied by Mehra Sons to Subhadra elaborating the relevant provisions under the GST law. (MTP 4 Marks, March'18)

Answer 7

Time of supply of goods is the earlier of the following two dates:

- Date of issue of invoice/last date on which the invoice is required to be issued
- Date of receipt of payment.

Further, date of receipt of payment is earlier of date of recording the payment in books of account and date of crediting of payment in bank account [Section 12(2) of the CGST Act, 2017].

In the given case,

Date of invoice: 3rd December, 20XX

Date of recording payment in books of account: 20th December, 20XX
Date of crediting in the bank account: 21st December, 20XX

Therefore, the date of receipt of payment will be 20th December, 20XX (earlier of two dates namely, date of recording the payment in books of account and date of crediting of payment in bank account). However, since the invoice date is earlier than date of payment, the time of supply will be 3rd December, 20XX.

Question 8 : (Also a part of Chapter 13- Charge of GST)

M/s Shubhank Associates, a partnership firm, provided recovery agent services to Neelkanth Credits Ltd., a non-banking financial company and a registered supplier, on 15 th January. Invoice for the same was issued on 7th February and the payment was made on 18th April by Neelkanth Credits Ltd. Bank account of the company was debited on 20th April.

Determine the following:

- Person liable to pay GST**
- Time of supply of service (MTP 4 Marks, March'21)**

Answer 8

(i) Tax on services supplied by a recovery agent to, inter alia, a non- banking financial company (NBFC) is payable under reverse charge by such non-banking financial company. Therefore, in the given case, person liable to pay GST is the NBFC - Neelkanth Credits Ltd.

(ii) As per section 13(3) of the CGST Act, the time of supply of service on which GST is payable under reverse charge is earlier of the following: -

- Date of payment as entered in the books of account of the recipient (18 th April) or the date on which the payment is debited in his bank account (20 th April), whichever is earlier;
- Date immediately following 60 days since issue of invoice by the supplier, i.e. 9 th April. Thus, time of supply of service is 9th April.

Question 9

GST is payable on advance received for supply of goods and services taxable under forward charge.

Do you agree with the statement? Support your answer with legal provisions. (MTP 5 Marks Sep '23, Old & New SM)

Answer 9

The statement is not correct. While GST is payable on advance received for supply of services taxable under forward charge, the same is not payable in case of advance received for supply of goods taxable under forward charge.

As per section 13 of the CGST Act, 2017, the time of supply of services taxable under forward charge is –

- Date of issue of invoice or date of receipt of payment, whichever is earlier, if the same is issued within 30 days from the date of supply of service;

OR

- Date of provision of service or date of receipt of payment, whichever is earlier, if the invoice is not issued within 30 days from the date of supply of service.

Thus, in case of services, if the supplier receives any payment before the provision of service or before the issuance of invoice for such service, the time of supply gets fixed at that point in time and the liability to pay tax on such payment arises. However, the tax can be paid by the due date prescribed with reference to such time of supply.

As regards time of supply of goods taxable under forward charge is concerned, Notification No. 66/2017 CT dated 15.11.2017 provides that a registered person (excluding composition supplier) should pay GST on the outward supply of goods at the time of supply as specified in section 12(2)(a) of the CGST Act, 2017, i.e. date of issue of invoice or the last date on which invoice ought to have been issued in terms of section 31 of the CGST Act, 2017. Therefore, in case of goods, tax is not payable on receipt of advance payment.

Question 10 (Includes concepts of Chapter 3 Charge of GST & Chapter 19- Payment of Tax)

Royal Sweet Co., Delhi, a registered supplier, has furnished the details of the following few transactions which took place in November, 20XX:

S. No.	Date	Particulars	Date of invoice	Amount (₹)
(i)	11.11.20XX	Payment made to an advocate in Delhi	07.07.20XX	1,25,000
(ii)	20.11.20XX	Paid sitting fee to Director from Haryana for meeting held in Delhi on 15.10.20XX [Inter-State supply]	15.10.20XX	75,000

Assume the rates of taxes to be as under:-

Particulars	Rate
CGST	9%
SGST	9%
IGST	18%

You are required to compute GST [CGST & SGST/IGST, as the case may be] payable for the month of November, 20XX along with time of supply of the aforementioned activities. (RTP May '18)

Answer 10
Computation of GST payable for the month of November, 20XX

S. No.	Particulars	Time of supply of services	CGST (₹)	SGST (₹)	IGST (₹)	Interest (₹)
(i)	Services from an advocate in Delhi	06.09.20XX [Note-1 & 3]	11,250	11,250	-	244 [Note-4]
(ii)	Director's Sitting fee	20.11.20XX [Note-2 & 3]	-	-	13,500	

Notes:-

- Services supplied by an individual advocate to any business entity located in the taxable territory is a notified service on which tax is payable on reverse charge basis by the recipient of services.
- Services supplied by a director of a company to the said company is a notified service on which tax is payable on reverse charge basis by the recipient of services.
- As per section 13 of the CGST Act, 2017, the time of supply of services in case of reverse charge is earliest of the following:-
 - Date of payment as entered in the books of account of the recipient or the date on which the payment is debited to his bank account, whichever is earlier, or
 - Date immediately following 60 days since the date of issue of invoice.

Provisions of time of supply as provided under section 13 of the CGST Act are also applicable for inter-State supply vide section 20 of the IGST Act.

In view of the aforesaid provisions, the time of supply and due date for payment of tax in the given cases would be determined as under:

- Time of supply of the services is the date immediately following 60 days since the date of issue of invoice, i.e. 06.09.20XX. The due date for payment of tax is 20.10.20XX with return of September, 20XX.
 - Time of supply of service is 20.11.20XX and due date for payment of tax is 20.12.20XX with return of December, 20XX.
- The due date for payment of tax in case (i) is 20.10.20XX with return of September, 20XX. However, the payment of tax is actually made on 11.11.20XX. Thus, payment of tax is delayed by 22 days.

In case of delayed payment of tax, interest @ 18% per annum is payable for the period for which the tax remains unpaid starting from the day succeeding the day on which such tax was due to be paid [Section 50 of the CGST Act, 2017 read with Notification No. 13/2017 CT dated 28.06.2017]. In view of the same, in the given case, interest payable would be as follows:

Amount of interest payable = ₹ 22,500 × 18% × 22/365 = ₹ 244 (rounded off)

Question 11

Explain the meaning of the term "date of receipt of payment" as per section 13 of the CGST Act, 2017. (RTP Nov '18)

Answer 11

"Date of receipt of payment" in terms of section 13 of CGST Act, 2017 refers to the

- date on which the payment is recorded in the books of account of the entity (supplier of service) that receives the payment, or
- the date on which the payment is credited to the entity's bank account, whichever is earlier.

Question 12

Mahak Sons is a registered supplier of electronic items and pays GST under regular scheme. On 15th July 20XX, Mahak Sons received an order from Sunder Trader for supply of a consignment of electronic items. Mahak Sons gets the consignment ready by 20th July 20XX. The invoice for the consignment was issued the next day, 21st July 20XX. Sunder Trader could not collect the consignment immediately. Sunder Trader collects the consignment from the premises of Mahak Sons on 30th July 20XX and hands over the cheque towards payment on the same date. The said payment is entered in the books of accounts of Mahak Sons on 31st July, 20XX and amount is credited in their bank account on 1st August 20XX.

You are required to determine the time of supply of the electronic items for the purpose of payment of tax. (RTP May '20)

Answer 12

As per section 12(2) of the CGST Act, 2017, the time of supply in respect of goods shall be the earlier of the following two dates:-

- (a) Date of issue of invoice/last date on which the invoice is required to be issued as per section 31 of the CGST Act, 2017
- (b) Date of receipt of payment

Further, as per Notification No. 66/2017 CT dated 15.11.2017, a registered person (excluding composition supplier) has to pay GST on the outward supply of goods at the time of supply as specified in section 12(2)(a) i.e., date of issue of invoice or the last date on which invoice ought to have been issued in terms of section 31. As per section 31(1), the invoice needs to be issued either before or at the time of removal (where supply involves movements of goods) of goods/delivery of goods/ making goods available to the recipient.

In this case, the invoice is issued before the removal of the goods and is thus, within the time limit prescribed under section 31(1). Therefore, time of supply for the purpose of payment of tax is the date of issue of invoice, which is 21st July, 20XX.

Question 13 (Includes concepts of Time of Supply)

Royal Fashions, a registered supplier of designer outfits in Delhi, decides to exhibit its products in a Fashion Show being organised at Hotel Park Royal, Delhi on 4th January, 20XX. For the occasion, it gets the makeover of its models done by Aura Beauty Services Ltd., Ashok Vihar, for which a consideration is ₹ 5,00,000 (excluding GST) has been charged. Aura Beauty Services Ltd. issued a duly signed tax invoice on 10th February, 20XX showing the lumpsum amount of ₹ 5,90,000 inclusive of CGST and SGST @ 9% each. Royal Fashions made the payment the very next day. Answer the following questions:

Examine whether the tax invoice has been issued within the time limit prescribed under law?

Tax consultant of Royal Fashions objected to the invoice raised suggesting that the amount of tax charged in respect of the taxable supply should be shown separately in the invoice raised by Aura Beauty Services Ltd. However, Aura Beauty Services Ltd. contended that there is no mandatory requirement of showing tax component separately in the invoice. You are required to examine the validity of the objection raised by tax consultant of Royal Fashions?(RTP May '18)

Answer 13

As per section 31 of the CGST Act, 2017 read with the CGST Rules, 2017, in case of taxable supply of services, invoices should be issued before or after the provision of service, but within a period of 30 days [45 days in case of insurer/ banking company or financial institutions including NBFCs] from the date of supply of service. In view of said provisions, in the present case, the tax invoice should have been issued in the prescribed time limit of 30 days from the date of supply of service i.e. upto 03.02.20XX. However, the invoice has been issued on 10.02.20XX.

In such a case, the time of supply as per section 13 of the CGST Act, 2017 would be 04.01.20XX i.e. earliest of the following:

Date of provision of service (04.01.20XX)

Date of receipt of payment (11.02.20XX)

Section 31 of the CGST Act, 2017 read with the CGST Rules, 2017, inter alia, provides that tax invoice shall contain the following particulars-



Total value of supply of goods or services or both;

Rate of tax (central tax, State tax, integrated tax, Union territory tax or cess);

Amount of tax charged in respect of taxable goods or services (central tax, State tax, integrated tax, Union territory tax or cess);

The objection raised by the tax consultant of Royal Fashions suggesting that the amount of tax charged in respect of the taxable supply should be shown separately in the invoice raised by Aura Beauty Services Ltd., is valid in law. In the present case, the tax amount has not been shown separately in the invoice.

Question 14

Know & Grow Publishers, a registered dealer in India, paid an advance of ₹ 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 5-9-2023. It made the balance payment of ₹ 1,50,000 on 12-12-2023. You are required to determine the time of supply, if Mr. Ganatra raised the invoice on:

- (I) 6-10-2023, or
- (II) 17-12-2023 (PYP 4 Mark, Nov'19)

Answer 14

GST on supply of services by an author by way of transfer or permitting the use or enjoyment of a copyright covered under section 13(1)(a) of the Copyright Act, 1957 relating to original literary works to a publisher is payable under reverse charge by such publisher, i.e. Know & Grow Publishers.

The time of supply of service, on which GST is payable under reverse charge, is earlier of the following:

- (a) Date of payment as entered in the books of account of the recipient or date on which payment is debited from the bank account, whichever is earlier
or
- (b) 61st day from the date of issue of invoice by the supplier
 - (i) If the invoice is issued on 06.10.2023, time of supply is as under:
 - For the payment of ₹ 50,000: 05.09.2023 [earlier of date of payment and 61st day from date of issue of invoice]
 - For the payment of ₹ 1,50,000: 06.12.2023 [earlier of date of payment and 61st day from date of issue of invoice]
 - (ii) If the invoice is issued on 17.12.2023, time of supply is as under:
 - For the payment of ₹ 50,000: 05.09.2023 [earlier of date of payment and 61st day from date of issue of invoice]
 - For the payment of ₹ 1,50,000: 12.12.20123[earlier of date of payment and 61st day from date of issue of invoice]

Question 15

Examine the following independent cases of supply of goods and services and determine the time of issue of invoice under each of the cases as per the provisions of Cystic, 2023:

- (i) Sakha Enterprises, Kolkata entered into a contract with Suraj Enterprises, Surat for supply of goods on 31st October, 2023. The goods were removed from the factory at Kolkata on 11th October, 2023. As per the agreement, the goods were to be delivered by 31st October, 2023. Suraj Enterprises has received the goods on 14th October, 2023.
- (ii) Trust and Fun Ltd, an event management company, has provided its services for an event at Kapoor Film Agencies, Mumbai on 5th June, 2023. Payment for the event was made on 19th June, 2023. (PYP 4 Marks, May'19)

Answer 15

- (i) A registered person supplying taxable goods shall issue a tax invoice, before or at the time of removal of goods for supply to the recipient, where the supply involves movement of goods. Therefore, in the given case, invoice has to be issued on or before, 11th October 2023 (the time of removal of goods).
- (ii) A registered person [other than an insurer/banking company/financial institution, including an NBFC] supplying taxable services shall issue a tax invoice before or after the provision of service, but within a



period of 30 days from the date of supply of service. Thus, in the given case, invoice has to be issued within 30 days of 5th June 2023 (date of supply of service), i.e. on or before, 5th July 2023.

Question 16

M/s Mansh & Vansh Trading Company, a registered supplier, is liable to pay GST under forward charge. Determine the time of supply from the following information furnished by it:

- (i) Goods were supplied on 03-10-2023**
- (ii) Invoice was issued on 05-10-2023**
- (iii) Payment received on 09-10-2023**
(PYP 4 Marks, May'18)

Answer 16

As per section 12 of CGST Act, 2017, the time of supply of goods, tax on which is payable under forward charge, is the earlier of the following two dates:

- a. Date of issue of invoice/last date on which the invoice is required to be issued
- b. Date of receipt of payment⁴ i.e., the date on which the payment is recorded in the books of account of the supplier or date on which the payment is credited to the supplier's bank account, whichever is earlier

Further, a registered person is required to issue a tax invoice before or at the time of removal of goods for supply to the recipient. Thus, in the given case, the invoice for supply of goods should have been issued on or before the removal of goods i.e., on 03-10-2023..

However, since the invoice has not been issued within the prescribed time, the time of supply will be the last date on which the invoice is required to be issued (03 -10-2023) or date of receipt of payment (09-10-2023), whichever is earlier. Thus, the time of supply of the goods will be 03-10-2023.

⁴ *It has been assumed that the aggregate turnover of Mansh and Vansh Trading Company in the preceding financial year is more than ` 1.5 crore.*

Question 17

- (i) An order is placed to T & Co., Sholapur on 18th August, 2023 for supply of fabrics to make garments. Company delivered the fabrics on 4th September, 2023 and after completion of the order issued the invoice on 15th September, 2023. The payment against the same was received on 30th September, 2023. Determine the time of supply for the purpose of payment under CGST Act, 2017 with your explanations.**
- (ii) HM Industries Ltd. engaged the services of a transporter for road transport of a consignment on 20th May, 2023. However, the consignment could not be sent immediately on account of a strike in the factory, and instead was sent on 20th July 2023. Invoice was received from the transporter on 20th June 2023 and payment was made on 25th August 2023.**
What is the time of supply of the transporter's service? (PYP 5 Marks Dec '21)

Answer 17

- (i)** The time of supply of goods (where movement of goods involve) (fabric) for the purpose of payment of tax is the date of issue of invoice or the last date when the invoice ought to have been issued. Further, a registered person is required to issue a tax invoice before or at the time of delivery of goods or making available thereof to the recipient. Thus, in the given case, time of supply is 4th September, 2023.
- (ii)** Alternative 1: Assuming that services of transportation of goods by road have been provided by a GTA which has not paid GST @ 12%; i.e. GST is payable @ 5%.



Tax on supply of transportation of goods by road services provided by a Goods Transport Agency (GTA) to a body corporate is payable under reverse charge by such body corporate.

Time of supply of services taxable under reverse charge is earliest of:-

- (a) date of making payment, or
- (b) 61st day from the date of issue of invoice by supplier Thus, in the given case, time of supply is earlier of
- (a) 25th August or
- (b) 20th August 2023 (61st day from 20th June)

Thus, in the given case, time of supply 20th August 2023

Alternative 2: Assuming that services of transportation of goods by road have been provided by a GTA which has paid GST @ 12%. Thus, GST is payable under forward charge.

The time of supply of services in case where the invoice is issued within 30 days of provision of service is the earlier of date of invoice or date of receipt of payment.

Thus, in the given case, time of supply is 20th June, 2023

MULTIPLE CHOICE QUESTIONS (MCQS)

1. **Ms. Pearl is a classical singer. She wants to organize a classical singing function, so she booked an auditorium on 10th August for a total amount of ₹ 20,000. She paid ₹ 5,000 as advance on that day. The classical singing function was organized on 10th October. The auditorium owner issued invoice to Ms. Pearl on 25th November amounting to ₹ 20,000. Pearl made balance payment of ₹ 15,000 on 30th November. Determine the time of supply in this case.**
 - (a) Time of supply is 25th November for ₹ 20,000.
 - (b) Time of supply is 25th November for ₹ 5,000 & 30th November for ₹ 15,000.
 - (c) Time of supply is 10th August for ₹ 5,000 & 10th October for ₹ 15,000.
 - (d) Time of supply is 10th October for ₹ 20,000. (MTP 2 Marks March '23)

Ans: (c)

2. **Mr. Rahu is receiving legal services from a lawyer Mr. Ketu. The information regarding date of payment, invoice etc. is as follows-**

Invoice issued by Mr. Ketu on 15-Apr-20XX

Payment received by Mr. Ketu on 5-May-20XX

Date of payment entered in books of accounts of Rahu: 1-May-20XX What is time of supply of goods?

- (a) 1-May-20XX
- (b) 5-May-20XX
- (c) 14-Jun-20XX
- (d) 15-Apr-20XX (MTP 2 Marks, April'19)

Ans: (d)

3. **Where the goods being sent or taken on approval for sale or return are removed before the supply takes place, the invoice shall be issued:**
 - (a) before/at the time of supply.
 - (b) 6 months from the date of removal.
 - (c) Earlier of (a) or (b).



- (d) Later of (a) or (b). **(MTP 1 Mark, April'19)**

Ans: (a)

4. The time of supply of service in case of reverse charge mechanism is

- (a) Date on which payment is made to the supplier
- (b) Date immediately following 60 days from the date of issue of invoice
- (c) Date of invoice
- (d) Earlier of (a) and (b) **(MTP 1Marks, March'19)**

Ans: (d)

5. M/s. Ramchandra Associates has received some taxable services from Mohan Dalal (P) Ltd. on 12.01.20XX by making a cash payment of ₹ 5,00,000 on same day. The payment was entered in the books of account of M/s. Ramchandra Associates on 16.01.20XX and in the books of account of Mohan Dalal (P) Ltd. on 20.01.20XX. The invoice was issued by Mohan Dalal (P) Ltd. on 18.01.20XX. Determine the time of supply in the given case.

- (a) 12.01.20XX
- (b) 16.01.20XX
- (c) 18.01.20XX
- (d) 20.01.20XX **(RTP May '19)**

Ans: (c)

6. Mr. Avishkar is a painter registered under GST in Delhi. He sends his artwork for exhibition in Mumbai. At what point of time, supply is considered to have been made under GST?

- (a) When painting is completed.
- (b) When painting is sent for exhibition in Mumbai.
- (c) When painting is displayed at the exhibition in Mumbai.
- (d) When painting is purchased by one of the visitors in the exhibition. **(RTP Nov '19)**

Ans: (d)

7. Ms. Pearl is a classical singer. She wants to organize a classical singing function, so she booked an auditorium on 10th August for a total amount of ₹ 20,000. She paid ₹ 5,000 as advance on that day. The classical singing function was organized on 10th October. The auditorium owner issued invoice to Ms. Pearl on 25 th November amounting to ₹ 20,000. Pearl made balance payment of ₹ 15,000/- on 30th November. Determine the time of supply in this case.

- (a) Time of supply is 25th November for ₹ 20,000.
- (b) Time of supply is 25th November for ₹ 5,000 & 30th November for ₹ 15,000.
- (c) Time of supply is 10th August for ₹ 5,000 & 10th October for ₹ 15,000.
- (d) Time of supply is 10th October for ₹ 20,000. **(RTP Nov '21)**

Ans: (c)

Chapter 7 Value of Supply

Question 1

M/s. Flow Pro, a registered supplier, sold a machine to BP Ltd. It provides the following information in this regard: -

S. No.	Particulars	Amount (₹)
(i)	Price of the machine [excluding taxes and other charges mentioned at S. Nos. (ii) and (iii)]	25,000
(ii)	Third party inspection charges [Such charges were payable by M/s Flow Pro but the same have been directly paid by BP Ltd. to the inspection agency. [These charges were not recorded in the invoice issued by M/s Flow Pro.]	5,000
(iii)	Freight charges for delivery of the machine [M/s Flow Pro has agreed to deliver the goods at BP Ltd.'s premises]	2,000
(iv)	Subsidy received from the State Government on sale of machine under Skill Development Programme [Subsidy is directly linked to the price]	5,000
(v)	Discount of 2% is offered to BP Ltd. on the price mentioned at S. No. (i) above and recorded in the invoice	

Note: Price of the machine is net of the subsidy received.

Determine the value of taxable supply made by M/s Flow Pro to BP Ltd. (MTP 6 Marks, Oct'21, Old & New SM) (Same concept different figures RTP May'20)

Answer 1

Computation of value of taxable supply made by M/s. Flow Pro to BP Ltd.

Particulars	Amount (₹)
Price of the machine [Since the subsidy is received from the State Government, the same is not includible in the value of supply in terms of section 15(2)(e)]	25,000
Third party inspection charges [Any amount that the supplier is liable to pay in relation to the supply but has been incurred by the recipient 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)]	5,000
Freight charges for delivery of the machine [Since arranging freight is the liability of supplier, it is a case of composite supply and thus, freight charges are added in the value of principal supply.]	2,000
Total	32,000
Less: Discount @ 2% on ₹ 25,000 being price charged to BP Ltd. [Discount given before or at the time of supply if duly recorded in the invoice is deductible from the value of supply in terms of section 15(3)(a)]	500
Value of taxable supply	31,500

Question 2

Shri Krishna Pvt. Ltd., a registered supplier, furnishes the following information relating to goods sold by it to Shri Balram Pvt. Ltd.-

S. No.	Particulars	Amount (₹)
(i)	Price of the goods [excluding taxes and other charges mentioned at S. Nos. (iii), (v) and (vi)]	1,00,000
(ii)	Municipal tax	2,000
(iii)	Inspection charges	15,000
(iv)	Subsidy received from Shri Ram Trust [Subsidy is directly linked to the goods supplied]	50,000

(v)	Late fees for delayed payment inclusive of GST [Shri Balram Pvt. Ltd. paid the late fees. However, these charges were ultimately waived by Shri Krishna Pvt. Ltd. and the amount was refunded to Shri Balram Pvt. Ltd. during the same month]	1,000
(vi)	Weighment charges [Such charges were paid by Shri Balram Pvt. Ltd. to Radhe Pvt. Ltd. on behalf of Shri Krishna Pvt. Ltd.]	2,000

Note: Price of the goods is net of the subsidy received.

Determine the value of taxable supply made by Shri Krishna Pvt. Ltd. to Shri Balram Pvt. Ltd.
(MTP 6 Marks, Nov'21, Oct'20 & Sep '23, Old & New SM)

Answer 2

Computation of value of taxable supply made by Shri Krishna Pvt. Ltd. to Shri Balram Pvt. Ltd.

Particulars	Amount (₹)
Price of the goods	1,00,000
Municipal tax [Includible in the value as per section 15(2)(a)]	2,000
Inspection 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 as per section 15(2)(c)]	15,000
Subsidy received from Shri Ram Trust [Since the subsidy is received from a non-Government body and directly linked to the supply, the same is includible in the value in terms of section 15(2)(e)]	50,000
Late fees for delayed payment [Not includible since the same is waived off]	Nil
Weighment charges paid to Radhe Pvt. Ltd. on behalf of Shri Krishna Pvt. Ltd. [Any amount that the supplier is liable to pay in relation to the supply but has been incurred by the recipient 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)]	2,000
Value of taxable supply	1,69,000

Question 3

Kavya Ltd., a registered supplier, has supplied machinery to Ayesha Ltd. (a supplier registered in the same State). It provides following particulars regarding the same:

S. No.	Particulars	Amount (Rs.)
(i)	Price of machinery (exclusive of taxes and discounts)	5,50,000
(ii)	Part fitted in the machinery at the premises of Ayesha Ltd. [Amount has been paid by Ayesha Ltd. directly to the supplier. However, it was Kavya Ltd.'s liability to pay the said amount. The said amount has not been recorded in the invoice issued by Kavya Ltd.]	20,000
(iii)	Installation and testing charges for machinery, not included in price	25,000
(iv)	Discount @ 2% on price of the machinery mentioned at S. No. (i) above (recorded in the invoice)	
(v)	Kavya Ltd. provides additional discount @ 1% at year end, based on additional purchase of other machinery for which adjustment is made at the end of the financial year without any change in individual transactions.	

Determine the value of taxable supply made by Kavya Ltd. to Ayesha Ltd. (MTP 6 Marks, April'21, Mar'22,

MTP 4 Marks May 20, Old & New SM)
Answer 3
Computation of value of taxable supply made by Kavya Ltd. to Ayesha Ltd.

Particulars	Amount (Rs.)
Price of machinery (exclusive of taxes and discounts)	5,50,000
Amount paid by Ayesha 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
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
Less: Discount @ 2% on the price of machinery [Rs.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
Less: Additional 1% discount at year end [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.]	Nil
Value of taxable supply	5,84,000

Question 4

A manufacturer of machinery supplied a special machine to Modern Furnishers. Following details are provided in relation to amounts charged:

S. No.	Particulars	Rs.
(i)	Price of machinery excluding taxes (before cash discount)	5,00,000
	Additional charges not included above:-	
(ii)	Freight	13,000
(iii)	Packing charges	10,000
(iv)	Charges for designing the machine	17,000

Other information furnished is -

- Cash discount @ 2% on price of machinery has been allowed to the customer at the time of supply and also recorded in invoice.
- GST rate – 18%.

Calculate value of supply of the special machine.(MTP 5 Marks,Aug'18)

Answer 4
Computation of value of special machine

Particulars	Rs.
Price of machinery	5,00,000
Add: Freight [Note 1]	13,000
Packing charges [Note 2]	10,000
Designing charges [Note 3]	17,000
Total	5,40,000
Less: 2% cash discount on price of machinery [Rs. 5,00,000 x 2%] [Note 4]	10,000
Value of taxable supply	5,30,000

Notes:

- (1) Supply of machinery (goods) with supply of ancillary services like freight is a composite supply, the principle supply of which is the supply of machinery. Thus, value of such ancillary supply is includible in the value of composite supply.
- (2) All incidental expenses including packing charged by the supplier to the recipient of a supply are includible in the value of supply in terms of section 15(2)(c) of CGST Act, 2017.
- (3) Designing charges are includible in the value of supply as any amount charged for anything done by the supplier in respect of the supply of goods at the time of, or before delivery of goods is so includible in terms of section 15(2)(c) of CGST Act, 2017.
- (4) Cash discount was given at the time of supply and also recorded in invoice, so the same is not to be included while computing value of supply in terms of section 15(3)(a) of CGST Act, 2017.

Question 5

Quantum Plast Private Limited, Delhi supplies plastic granulation machine to Capscom Ltd., Delhi. It furnishes the following details in respect of such supply:

Particulars	₹
List price of the machine (exclusive of taxes and discounts)	1,00,000
Corrugated Boxes used for packing the machine (not included in price above)	1,000
Subsidy received from Delhi Government on sale of such machine (considered in price above)	5,000
Discount @ 2% is offered on list price of the machine (recorded in the invoice for the machine)	

Determine the value of taxable supply made by Quantum Plast Private Limited. (MTP 5 Marks, March'18)

Answer 5
Computation of value of taxable supply

Particulars	₹
List price of the goods (exclusive of taxes and discounts)	1,00,000
Add: Corrugated Boxes used for packing the machine [Includible in the value as per section 15(2)(c)]	1,000
Add: Subsidy received from Delhi Government on sale of such machine [Subsidy received from State Government is not included the value in terms of section 15(2)(e)]	-
Total	1,01,000
Less: Discount @ 2% on ₹ 1,00,000 [Since discount is known at the time of supply, it is deductible from the value in terms of section 15(3)(a)]	2,000
Value of taxable supply	99,000

Question 6

- (a) M/s. Paisa Saver Bank Limited, a scheduled commercial bank, has furnished the following details for the month of September:

Particulars	Amount [₹ in lakh] excluding GST)
Extended housing loan to its customers	130
Processing fees collected from its customers on sanction of loan	20
Commission collected from its customers on bank guarantee	30
Interest income on credit card issued by the bank	40
Interest received on housing loan extended by the bank	35
Minimum balance charges collected from current account and saving account holder	03

Compute the value of taxable supply. (MTP 6 Marks April 22, PYP 6 Marks ,May '19)

Answer 6

(a) Computation of value of taxable supply of M/s. Paisa Saver Bank Limited for the month of September:

Particulars	Amount in lakh (₹)
Housing loan extended to customers [Since money does not constitute goods, extending housing loan is not a supply.]	Nil
Processing fee collected on sanction of loan [Interest does not include processing fee on sanction of the loan. Hence, the same is taxable.]	20
Commission collected on bank guarantee [Any commission collected over and above interest on loan, advance or deposit are not exempt.]	30
Interest income on credit card issued by the bank [Services by way of extending loans in so far as the consideration is represented by way of interest are exempt from tax. However, interest involved in credit card services is specifically excluded from this exemption entry.]	40
Interest received on housing loan [Services by way of extending loans in so far as the consideration is represented by way of interest are exempt from tax.]	Nil
Minimum balance charges collected from current account and saving account holder [Any charges collected over and above interest on loan, advance or deposit are not exempt.]	03
Value of taxable supply	93

Question 7

Blue Stone Ltd., Delhi, a registered supplier, is manufacturing taxable goods. It provides the following details of taxable inter-State supply made by it during the month of March.

S. No.	Particulars	Amount (₹)
(i)	List price of taxable goods supplied inter-state (exclusive of taxes)	12,00,000
(ii)	Subsidy received from the Central Government for supply of taxable goods to Government School (exclusively related to supply of goods included at S. No. 1)	1,75,000
(iii)	Subsidy received from an NGO for supply of taxable goods to an old age home (exclusively related to supply of goods included at S. No. 1)	50,000
(iv)	Tax levied by Municipal Authority	20,000
(v)	Packing charges	15,000
(vi)	Late fee paid by the recipient of supply for delayed payment of consideration (Recipient has agreed to pay ₹ 6,000 in lump sum and no additional amount is payable by him)	6,000

The list price of the goods is net of the two subsidies received. However, the other charges/taxes/fee are charged to the customers over and above the list price. Calculate the total value of taxable supplies made by Blue Stone Ltd. during the month of March. Rate of IGST is 18%. (MTP 4 Marks April 22, Old & New SM, MTP 6 Marks Oct '23) (Same concept different figures MTP 6 Marks Mar'21, MTP 5 Marks Oct'18, RTP Nov'18)

Answer 7
Computation of total value of taxable supplies made by Blue Stone Ltd. during the month of March

Particulars	Amount (₹)
List price of the goods	12,00,000
Subsidy amounting to ₹ 1,75,000 received from the Central Government [Since the subsidy is received from the Government, the same is not includible in the value in terms of section 15(2)(e) of the CGST Act]	NIL
Subsidy received from NGO [Since the subsidy is received from a non-Government body and directly linked to the supply, the same is includible in the value in terms of section 15(2)(e) of the CGST Act]	50,000
Tax levied by the Municipal Authority [Includible in the value as per section 15(2)(a) of the CGST Act]	20,000
Packing charges [Being incidental expenses, the same are includible in the value as per section 15(2)(c) of the CGST Act]	15,000
Late fees paid by recipient of supply for delayed payment [Includible in the value as per section 15(2)(d) of the CGST Act - As the amount of interest received is a lump sum amount, the same has to be taken as inclusive of GST] [₹ 6,000 x 100/118] rounded off	5,085
Total value of taxable supplies	12,90,085

Question 8 (Includes concepts of Exemption from GST)

Alfa Institute of Management (AIM), a private college, is registered under GST in the State of Punjab. AIM provides the following particulars for the month of April :

Sl. No.	Particulars	Amount (₹)
i.	Tuition fee received from students pursuing management courses recognised by Punjab University, established by an Act of State Legislature	18,00,000
ii.	Tuition fee received from students pursuing under- graduate courses recognised by Stan University, London under Dual Degree programmes	8,50,000
iii.	Fee received from students of competitive exam training academy run by a Department of AIM	5,40,000
iv.	Mess fees received from students pursuing qualification recognized by Indian law (Mess is run by AIM on its own)	3,20,000
v.	Amount paid to Local Municipal Corporation for premises taken on rent for conducting coaching classes for competitive exams	50,000
vi.	Legal services availed from Top Care & Co., a Partnership firm of advocates, for the competitive exam training academy (Intra-state transaction)	20,000

Note:

The aggregate turnover of AIM in the preceding financial year exceeds ₹ 20 lakh. Rate of CGST, SGST and IGST are 9%, 9% and 18% respectively for both outward and inward supplies. All the amounts given above are exclusive of taxes, wherever applicable. All the conditions necessary for availing the ITC have been fulfilled, wherever applicable. There is no opening balance of ITC under any head of tax. From the information given above, you are required to calculate the Value of taxable supply and minimum GST liability (CGST, SGST or IGST as the case may be) to be paid in cash, if any, by AIM for the month of April. (MTP 8 Marks April 22)

Answer 8
Computation of value of taxable supply and net GST liability to be paid in cash by AIM for April

Particulars	Amount (₹)	
Tuition fee received from students pursuing recognized management courses [Note-1]	Nil	
Tuition fee received from students pursuing under-graduate courses recognized by Foreign University [Note-2]	8,50,000	
Fee received from students of Competitive Exam Training Academy [Note-3]	5,40,000	
Mess fees received from students [Note-4]	Nil	
Total value of taxable supply	13,90,000	
Particulars	CGST (₹)	SGST (₹)
GST liability under forward charge @ 9% [Note-5]	1,25,100	1,25,100
Services on which tax is payable under reverse charge:		
Rent paid to Local Municipal Corporation [Note-6]	4,500	4,500
Legal services received from Top Care & Co., a partnership firm of advocates [Note-7]	1,800	1,800
GST liability under reverse charge payable in cash [A] [Note-8]	6,300	6,300
Output tax payable against which ITC can be set off	1,25,100	1,25,100
Less: ITC of renting immovable property and legal services	6,300	6,300
Output tax payable after set off of ITC [B]	1,18,800	1,18,800
Net GST liability payable in cash [A] + [B]	1,25,100	1,25,100

Notes:-

- Services provided by an educational institution to its students are exempt. Further, educational institution means inter alia an institution providing services by way of education as a part of a curriculum for obtaining a qualification recognised by an Indian law. Therefore, tuition fee received by Punjab University, being an educational institution, is exempt, since it provides qualification recognised by Indian law.
- Tuition fee received by Stan University is taxable since Stan University is not an educational institution as qualification provided by it is not recognised by Indian law.
- Fee received from students of competitive exam training academy is taxable as Department of AIM is not an educational institution since competitive exam training does not lead to grant of a recognized qualification.
- Catering services provided by educational institutions to its students are exempt.
- Since all the services provided are intra-State, CGST and SGST @ 9% is charged
- GST is payable under reverse charge in case of renting of immovable property services supplied by a local authority to a registered person.
- GST is payable under reverse charge in case of legal services supplied by a firm of advocates to a business entity.

The amount available in the electronic credit ledger may be used for making payment towards output tax. However, tax payable under reverse charge is not an output tax. Therefore, tax payable under reverse charge cannot be set off against the input tax credit and thus, will have to be paid in cash.

Question 9

Prithviraj Pvt. Ltd., a registered supplier, is engaged in manufacturing heavy steel fabrication machine. The details pertaining to pricing of each such machine is as follows:

S. No.	Particulars	Amount (₹)
(i)	Price of the machine (exclusive of taxes and discounts)	5,50,000

(ii)	Part fitted in the machine at the premises of the recipient	20,000
	[Amount has been paid by recipient directly to the supplier. However, it was Prithviraj Pvt. Ltd.'s liability to pay the said amount.]	
(iii)	Installation and testing charges at the premises of the recipient	25,000
(iv)	Subsidy received from Shri Ram Trust [Subsidy is directly linked to the price of the machine]	50,000

Items given in points (ii) to (iv) have not been considered while arriving at price of the machine given in point (i) above. The contract includes installation and testing of machine at the recipient's premises. Prithviraj Pvt. Ltd. has made supply of 10 such machines in the month of July. It also provided the following details pertaining to the purchases made/services availed during said month:

Sr. No	Particulars	Amount (₹)
(1)	Raw material (to be received in September)	10,00,000
(2)	Membership of a club availed for employees working in the factory	6,00,000
(3)	Trucks used for transport of raw material	3,50,000
(4)	Capital goods (out of 3 items, invoice for 2 items is missing and GST paid on those two items is ₹ 18,000)	7,00,000

Compute the net GST payable in cash by Prithviraj Pvt. Ltd. for the given month assuming that all the inward and outward supplies are intra-State supplies. Assume the rates of taxes to be as under:

Particulars	Rates of tax
Central tax (CGST)	9%
State Tax (SGST)	9%
Integrated tax (IGST)	18%

Make suitable assumptions, wherever necessary. All the conditions necessary for availing the ITC have been fulfilled. Opening balance of the input tax credit for the relevant period is Nil. (MTP 8 Marks Sep'22)

Answer 9

Computation of net GST payable by Prithviraj Pvt. Ltd. for the month of July

Particulars	CGST (₹)	SGST (₹)
GST payable on outward supplies (Refer Working note – 1)	5,80,500	5,80,500
Less: ITC (Refer Working note – 2) [ITC of CGST is utilised for payment of CGST and ITC of SGST is utilised for payment of SGST.]	76,500	76,500
Net GST payable in cash	5,04,000	5,04,000

Working note – 1

Computation of GST payable on outward supply made by Prithviraj Pvt. Ltd. for the month of July

Particulars	Amount (₹)
Price of machine (exclusive of taxes and discounts)	5,50,000
Amount paid by the recipient directly to the supplier (Prithviraj Pvt. Ltd.) for the part fitted in the machine [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.]	20,000
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	25,000

supply.]	
Subsidy received from Shri Ram Trust [Since the subsidy is received from a non-Government body and directly linked to the price, the same is includible in the value of supply.]	50,000
Value of taxable supply of 1 machine	6,45,000
Value of taxable supply of 10 machines [₹ 6,45,000 × 10]	64,50,000

GST payable on outward supplies	
CGST @ 9%	5,80,500
SGST @ 9%	5,80,500
[Since all the outward supplies are intra-State supplies, CGST and SGST are payable on the same.]	

Working note – 2
Computation of ITC available with Prithviraj Pvt. Ltd. for the month of July

Particulars	CGST (₹)	SGST (₹)
Raw Material [ITC not available as raw material is not received in July]	Nil	Nil
Membership of a club availed for employees working in the factory [Blocked credit]	Nil	Nil
Trucks used for transport of raw material [ITC of GST paid on motor vehicles used for transportation of goods is allowed]	31,500	31,500
Capital goods [ITC of GST paid on items for which invoice is missing is not available. So, ITC of ₹ 18,000 is not available] [₹ 63,000 - ₹ 18,000]	45,000	45,000
Total ITC available	76,500	76,500

Note - Since all the inward supplies are intra-State supplies, CGST @ 9% and SGST @ 9% are payable on the same.

Question 10

Sreshth Pvt. Ltd., a registered supplier of goods and services in Kolkata, has furnished the following information for the month of February:

S. No.	Particulars	Amount (₹)
(i)	Intra-State supply of taxable goods	4,00,000
(ii)	Purchase of goods destroyed due to fire before being put into the production process (It is an intra-State transaction)	5,50,000
(iii)	Services provided to a foreign diplomatic mission located in India (It is an intra-State transaction)	1,00,000
(iv)	Intra-State purchase of food items for being served to the customers, free of cost. (It is an intra-State transaction)	1,75,000
(v)	Goods transport services received from a GTA. GST is payable @ 5% (It is an inter-State transaction)	2,00,000
(vi)	Inter-State services provided to Dhruv Ltd. in respect of a business exhibition held in Delhi	10,000



(vii)	Inter-State security services provided to Torrent Higher Secondary School (unregistered under GST) for their annual day function organised in Katyani Auditorium outside the School campus	15,000
(vii)	Inputs to be received in 3 lots, out of which 2nd lot was received during the month	40,000

The company has following balances of ITC with it at the beginning of the tax period:

Particulars	Amount (₹)
CGST	57,000
SGST	Nil
IGST	50,000

Note:

- Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively unless otherwise mentioned.
- Both inward and outward supplies are exclusive of taxes, wherever applicable.
- All the conditions necessary for availing the ITC have been fulfilled.
- The turnover of Sreshth Pvt. Ltd. was ₹ 2.5 crore in the previous financial year.

Compute the minimum GST, payable in cash, by Sreshth Pvt. Ltd. for the month of February. Make suitable assumptions as required. (MTP 8 Marks Oct 22, RTP Nov '22)

Answer 10

Computation of GST payable on outward supplies

S. No.	Particulars	CGST (₹)	SGST (₹)	IGST (₹)	Total (₹)
GST payable under forward charge					
(i)	Intra-State supply of goods [Note-1]	36,000	36,000	Nil	72,000
(ii)	Services provided to a foreign diplomatic mission located in India [Note-2]	9,000	9,000	Nil	18,000
(iii)	Services provided to Dhruv Ltd. in respect of a business exhibition held in Delhi [Note-3]	Nil	Nil	1,800	1,800
(iv)	Inter-State security services provided to Torrent higher secondary school for their annual day function to be held in Katyani Auditorium. [Note-4]	Nil	Nil	2,700	2,700
Total GST payable under forward charge		45,000	45,000	4,500	94,500
GST payable under reverse charge					
	GTA services availed [As per Notification No. 13/2017 CT(R) dated 28.06.2017, GST is payable by the recipient on reverse charge basis on the receipt of services of transportation of goods by road from a goods transport agency (GTA), provided GST is not payable @ 12% and services have been received by the specified recipient. Since in the given case, services have been received from a GTA where GST is payable @ 5% and recipient is one of the specified recipients,	Nil	Nil	10,000	10,000

reverse charge provisions will be applicable.]				
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Notes

- Intra-State supply of goods is leviable to CGST and SGST.
- Services by a foreign diplomatic mission located in India are exempt vide Notification No. 12/2017 CT(R) dated 28.06.2017. However, no exemption is available with respect to the services provided to a foreign diplomatic mission located in India.
- Services by an organiser to any person in respect of a business exhibition are exempt vide Notification No. 12/2017 CT(R) dated 28.06.2017, only if such business exhibition is held outside India. Thus, in the given case, said service is taxable.
- Security services provided to Torrent higher secondary School for Annual Day function organised outside the school campus will be taxable as only the security services performed within the premises of the higher secondary school are exempt vide Notification No. 12/2017 CT(R) dated 28.06.2017.

Computation of total ITC available

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
Opening ITC	57,000	Nil	50,000
Add: Purchase of goods destroyed due to fire before being put into the production process [ITC is blocked on lost goods, stolen goods, destroyed goods and goods that are written off]	Nil	Nil	Nil
Add: Purchase of food items for being served to the customers, free of cost [Blocked credit]	Nil	Nil	Nil
Add: Goods transport services received from GTA [ITC is available for the services received from GTA since it is used in course or furtherance of business.]	Nil	Nil	10,000
Add: Inputs to be received in 3 lots, out of which 2nd lot was received during the month [In case of goods received in lots, ITC can be taken only upon receipt of the last lot]	Nil	Nil	Nil
Total ITC	57,000	Nil	60,000

Computation of minimum GST payable from electronic cash ledger

Particulars	CGST (₹)	SGST (₹)	IGST (₹)	Total (₹)
GST payable under forward charge	45,000	45,000	4,500	94,500
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]	(10,500) IGST (3)	(45,000) IGST (2)	4,500 IGST (1)	60,000
	4,500) CGST			34,500
GST payable under reverse charge on GTA services [Payable in cash since tax payable under reverse charge, being not an output tax, cannot be set off against ITC and thus, will have to be paid in cash]			10,000	
Minimum GST payable in cash	Nil	Nil	10,000	Nil

Note: Since sufficient balance of ITC of CGST is available for paying CGST liability and cross utilization of ITC of CGST and SGST is not allowed, ITC of IGST has first been used to pay SGST (after paying IGST liability) and then

CGST to minimize cash outflow.

Question 11

Guru Enterprises (Delhi), a registered taxpayer, made a taxable supply to Y Ltd. (Delhi). The details of the said supply are as follows:

Particulars	Amount (₹)
Price of the goods (excluding any tax or discounts)	10,00,000
Tax levied by the Municipal Authority	10,000
Subsidy received from Jiva Enterprises Pvt Ltd. (The price above is after consideration of such subsidy amount)	1,00,000
Amount incurred by Y Ltd. for post delivery inspection. (Charges incurred post receipt of goods by Y Ltd.)	5,000

In respect of above supply, Guru Enterprises had procured some raw material from X Ltd., for which it owed ₹ 25,000. The said amount was directly paid by Y Ltd. to X Ltd. and was not included in the price of goods of ₹10,00,000 mentioned above.

The payment of consideration for above supply was delayed by Y Ltd. Hence, an interest amount of ₹ 20,000 (in lumpsum) was also charged by Guru Enterprises.

The applicable tax rates are - CGST - 6%, SGST - 6% and IGST - 12%. You are required to determine the taxable value as well as the applicable tax liability for the said supply transaction. (MTP 6 Marks April '23)

Answer 11
Computation of taxable value and tax liability

Particulars	Amount (₹)
Price of goods (exclusive of tax and discounts)	10,00,000
Add: Tax levied by Municipal Authority [Tax other than GST, if charged separately, are includible in the value.]	10,000
Add: Subsidy received from Jiva Enterprises Pvt. Ltd. [Subsidy provided by non-Government bodies and which is directly linked to the price is includible.]	1,00,000
Add: Post-delivery inspection charges [Anything done by the supplier in respect of the supply of goods after the delivery of goods is not includible in value.]	-
Add: Amount directly paid by Y Ltd. to X Ltd. [Liability of the supplier, in relation to the supply being valued, if discharged by the recipient of supply and not included in the price, is includible in the value.]	25,000
Add: Interest [Interest for delayed payment of consideration is includible in the value. Since interest is received in lumpsum, amount is inclusive of GST [₹ 20,000 x 100/112] (rounded off).]	17,857
Value of taxable supply	11,52,857
CGST @ 6%	69,171
SGST @ 6%	69,171

Question 12

Kamal Book Depot, a wholesaler of stationery items, registered in Mumbai, has received order for supply of stationery items worth ₹ 2,00,000/- on 12th November, 20XX from another local registered dealer, Mr. Mehta, Mumbai. Kamal Book Depot charged the following additional expenses from Mr. Mehta:-

	Particulars	Amount (₹)
(i)	Packing charges	5,000
(ii)	Freight & Cartage	2,000
(iii)	Transit insurance	1,500
(iv)	Extra designing charges	6,000
(v)	Taxes by Municipal Authority	500

The goods were delivered to Mr. Mehta on 14th November, 20XX. Since Mr. Mehta was satisfied with the quality of the goods, he made the payment of goods the same day and simultaneously placed another order on Kamal Book Depot of stationery items amounting to ₹ 10,00,000 to be delivered in the month of December, 20XX**. On receipt of second order, Kamal Book Depot allowed a discount of ₹ 20,000 on the first order placed by Mr. Mehta.

Compute the GST liability of Kamal Book Depot for the month of November, 20XX assuming the rates of GST on the goods supplied as under:

CGST 9%

SGST 9%

Would your Answer be different if expenses (i) to (v) given in above table are already included in the price of ₹ 2,00,000?

Note:-

- (i) All the amounts given above are exclusive of GST.
- (ii) Kamal Book Depot and Mr. Mehta are not related persons and price is the sole consideration of the supply.

**Payment and invoice for the second order will also be made in the month of December, 20XX only. (RTP May '19)

Answer 12
Computation of value of taxable supply and tax liability

	Particulars	Amount (₹)
	Price of the goods [Note-1]	2,00,000
(i)	Packing charges [Note-2]	5,000
(ii)	Freight & Cartage [Note-3]	2,000
(iii)	Transit Insurance [Note-3]	1,500
(iv)	Extra Designing charges [Note-4]	6,000
(v)	Taxes by Municipal Authority [Note-5]	500
	Value of taxable supply	2,15,000
	CGST @ 9%	19,350
	SGST @ 9%	19,350

Notes:-

1. As per section 15(1) of the CGST Act, 2017, the value of a supply is the transaction value i.e. the price actually paid or payable for the said supply.
2. All incidental expenses including packing charged by the supplier to the recipient are includible in the value of

supply in terms of section 15(2) of the CGST Act, 2017.

3. The given supply is a composite supply involving supply of goods (stationery items) and services (transit insurance and freight) where the principal supply is the supply of goods.

As per section 8(a) of the CGST Act, 2017, a composite supply is treated as a supply of the principal supply involved therein and charged to tax accordingly.

4. Any amount charged for anything done by the supplier in respect of the supply of goods or services or both at the time of, or before delivery of goods or supply of services; is includible in the value of supply vide section 15(2) of the CGST Act, 2017. Thus, extra designing charges are to be included in the value of supply.
5. The taxes by Municipal Authorities are includible in the value of supply in terms of section 15(2) of the CGST Act, 2017.
6. In the given case, Mr. Mehta is allowed a discount of ₹ 20,000 on the goods supplied to him in the month of November, 20XX. Since the said goods have already been delivered by Kamal Book Depot, this discount will be a post-supply discount.

Further, value of supply shall not include any discount which is given after the supply has been effected, if—

- (i) such discount is established in terms of an agreement entered into at or before the time of such supply and specifically linked to relevant invoices; and
- (ii) input tax credit as is attributable to the discount on the basis of document issued by the supplier has been reversed by the recipient of the supply [Section 15(3) of the CGST Act, 2017].

However, in the given case, post-supply discount given to Mr. Mehta will not be allowed as a deduction from the value of supply since the discount policy was not known before the time of such supply although the discount can be specifically linked to relevant invoice (invoice pertaining to stationery items supplied to Mr. Mehta in November, 20XX).

In case the expenses (i) to (v) given in above table are already included in the price of ₹ 2,00,000: Since these expenses are includible in the value of supply by virtue of the reasons mentioned in explanatory notes above, no further addition will be required. Resultantly, the value of taxable supply will be ₹ 2,00,000 and CGST and SGST will be ₹ 18,000 and ₹ 18,000 respectively.

Question 13

Namo Shankar Ltd., a registered supplier in Mumbai (Maharashtra), has supplied goods to Narad Traders and Nandi Motors Ltd. located in Ahmedabad (Gujarat) and Pune (Maharashtra) respectively. Namoshankar Ltd. has furnished the following details for the current month:

S. No.	Particulars	Narad Traders (₹)	Nandi Motors Ltd. (₹)
(i)	Price of the goods (excluding GST)	10,000	30,000
(ii)	Packing charges	500	
(iii)	Commission	500	
(iv)	Weighment charges		2,000
(v)	Discount for prompt payment (recorded in the invoice)		1,000

Items given in points (ii) to (v) have not been considered while arriving at price of the goods given in point (i) above.

Compute the GST liability [CGST & SGST or IGST, as the case may be] of Namoshankar Ltd. for the given month. Assume the rates of taxes to be as under:

PARTICULARS	Rate of tax
Central tax (CGST)	9%

State Tax (SGST)	9%
Integrated tax (IGST)	18%

Make suitable assumptions, wherever necessary.

Note: The supply made to Narad Traders is an inter-State supply.(RTP Nov '21 & May '18)

Answer 13

Computation of GST liability

S. No.	Particulars	Narad Traders (₹)	Nandi Motors Ltd. (₹)
(i)	Price of goods	10,000	30,000
(ii)	Add: Packing charges (Note-1)	500	
(iii)	Add: Commission (Note-1)	500	
(iv)	Add: Weighment charges (Note-1)	-	2,000
(v)	Less: Discount for prompt payment (Note-2)	-	1,000
	Value of taxable supply	11,000	31,000
	IGST payable @ 18% (Note-3)	1,980	
	CGST payable @ 9% (Note-4)		2,790
	SGST payable @ 9% (Note-4)		2,790

Notes:

- Incidental expenses, including commission and packing, charged by supplier to recipient of supply is includible in the value of supply. Weighment charges are also incidental expenses, hence includible in the value of supply [Section 15 of the CGST Act, 2017].
- Since discount is known at the time of supply, it is deductible from the value in terms of section 15 of the CGST Act, 2017.
- Since supply made to Narad Traders is an inter-State supply, IGST is payable in terms of section 5 of the IGST Act, 2017.S
- Since supply made to Nandi Motors Ltd. is an intra-State supply, CGST & SGST is payable on the same.

Question 14

Mr. Prithviraj, registered under GST, is engaged in supplying services (as discussed in the table below) in Maharashtra. He has furnished the following information with respect to the services provided/ received by him, during the month of February:

S. No.	Particulars	Amount (₹)
(i)	Carnatic music performance given by Mr. Prithviraj to promote a brand of readymade garments (Intra-State transaction)	1,40,000
(ii)	Outdoor catering services availed for a marketing event organised for his prospective customers (Intra-State transaction)	50,000
(iii)	Services of transportation of students provided to Subhaskar College providing education as part of a curriculum for obtaining a recognised qualification (Intra-State transaction)	1,00,000
(iv)	Legal services availed for official purpose from an advocate located in Gujarat (Inter-State transaction)	1,75,000

(v)	Services provided to Wealth Bank as a business correspondent with respect to accounts in a branch of the bank located in urban area (Intra-State transaction)	2,00,000
(vi)	Recovery agent's services provided to a car dealer (Intra-State transaction)	15,000
(vii)	General insurance taken on a car (seating capacity 5) used for official purposes (Intra-State transaction)	40,000

Note:

- (i) Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively.
- (ii) All inward and outward supplies are exclusive of taxes, wherever applicable.
- (iii) All the conditions necessary for availing the ITC have been fulfilled.
- (iv) The turnover of Mr. Prithviraj was ` 2.5 crore in the previous financial year. Compute the net GST payable in cash, by Mr. Prithviraj for the month of February. (RTP May '23)

Answer 14

Computation of GST payable

Particulars	Value of supply (`)	CGST @ 9% (`)	SGST @ 9% (`)	IGST @ 18% (`)
GST payable under forward charge				
Carnatic music performance given to promote a brand of readymade garments [Carnatic music performance by Mr. Prithviraj is not exempt from GST even though the consideration charged does not exceed ` 1,50,000 since said performance has been made by him as a brand ambassador.]	1,40,000	12,600	12,600	Nil
Services of transportation of students provided to Subhaskar College [Services of transportation of students provided to an educational institution other than an institution providing pre- school education or education up to higher secondary school, are not exempt.]	1,00,000	9,000	9,000	Nil
Services provided to Wealth Bank as a business correspondent [Services provided by a business correspondent to a banking company are not exempt when such services are provided with respect to accounts in its urban area branch.]	2,00,000	18,000	18,000	Nil
Services provided as a recovery agent [Tax is payable under forward charge since recovery agent's services are being provided to a person other than banking company/financial institution/ non-banking financial company.]	15,000	1,350	1,350	Nil
Total GST payable under forward charge (A)		40,950	40,950	Nil
GST payable under reverse charge				
Legal services availed from an advocate	1,75,000	Nil	Nil	31,500

[Legal services received by a business entity with aggregate turnover in the preceding financial year exceeding threshold limit for registration (₹ 20 lakh) are not exempt and tax on the same is payable under reverse charge.]				
Total GST payable under reverse charge (B)		Nil	Nil	31,500
Total GST payable [(A)+(B)]		40,950	40,950	31,500

Computation of total ITC available

Particulars	Value of supply (₹)	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
Outdoor catering services availed [ITC on outdoor catering services is blocked except when such services are (i) used by the taxpayer who is in the same line of business or (ii) provided by the employer to its employees under a statutory obligation.]	50,000	Nil	Nil	Nil
Legal services availed [ITC is available as said services are used in course or furtherance of business.]	1,75,000	Nil	Nil	31,500
General insurance taken on a car (seating capacity 5) used for official purposes [ITC on motor vehicles for transportation of persons with seating capacity ≤ 13 persons (including the driver) is blocked except when the same are used for (i) making further taxable supply of such motor vehicles (ii) making taxable supply of transportation of passengers (iii) making taxable supply of imparting training on driving such motor vehicles. Further, ITC is not allowed on services of general insurance relating to such ineligible motor vehicles.]	40,000	Nil	Nil	Nil
Total ITC available		Nil	Nil	31,500

Computation of net GST payable in cash

Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
GST payable under forward charge	40,950	40,950	Nil
Less: ITC of IGST1	(15,750)	(15,750)	-
	25,200	25,200	Nil
Add: GST payable under reverse charge in cash [Tax payable under reverse charge, being not an output tax, cannot be set off against ITC and thus, will have to be paid in cash.]	Nil	Nil	31,500
Net GST payable in cash	25,200	25,200	31,500

Note: CGST and SGST is payable on the intra-State transaction and IGST is payable on the inter-State transactions.

¹ ITC of IGST can be utilised towards payment of CGST and SGST in any proportion and in any order. Therefore, there can be multiple ways of setting off of IGST credit against CGST and SGST liability and accordingly, in the given case, amount of net GST payable in cash under the heads of CGST and SGST will vary. However, total amount of net GST payable in cash will be ₹ 81,900 in each case.

Question 15

Chill Ltd., Delhi, a registered supplier, manufacturing machineries has made a taxable supply of machinery during the month of March. It furnished the following details for each such machinery supplied: -

S. No.	Particulars	Amount (₹)
(i)	List price of machinery (exclusive of taxes)	10,00,000
(ii)	Subsidy received from the Central Government for supply of machinery to Government School (exclusively related to supply of machinery included at S. No. 1)	2,10,000
(iii)	Subsidy received from an NGO for supply of machinery to an old age home (exclusively related to supply of goods included at S. No. 1)	2,00,000
(iv)	Tax levied by Municipal Authority	2,50,000
(v)	Packing charges	1,25,000

Additional information:-

The list price of the machinery is after considering the two subsidies received. However, the other charges/taxes/fee are charged to the customers over and above the list price.

Further, the company has provided the following information pertaining to purchases made/services availed by it in respect of supply of said machinery during the month of March:

S. No	Particulars	GST (₹)
(1)	Raw material (to be received in the month of April)	8,50,000
(2)	Membership of a club availed for employees working in the factory (not obligatory to be provided under any law)	4,00,000
(3)	Inputs to be received in 6 lots, out of which 1st lot was received during the month	3,50,000
(4)	Trucks used for transport of raw material	1,50,000
(5)	Capital goods (out of 3 items, invoice for 2 items is missing and GST paid on those items is ₹ 2,82,000)	3,50,000

Note:

- (i) Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively.
- (ii) All inward and outward supplies are exclusive of taxes, wherever applicable.
- (iii) All the conditions necessary for availing the ITC have been fulfilled, subject to the information given above.
- (iv) All inward and outward supplies are inter-State supplies.

Compute the net GST payable in cash, by Chill Ltd. for the month of March. (RTP Nov '23)

Answer 15
Computation of net GST payable in cash

Particulars	Value of supply (₹)	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
Supply of machinery [Refer Working Note]	15,75,000			2,83,500
Less: ITC available				2,18,000
Net GST payable in cash				65,500

Note: IGST is payable on the inter-State transactions.

Computation of total value of taxable supply made by Chill Ltd. during the month of March

Particulars	Amount (₹)
List price of the machinery	10,00,000
Subsidy amounting to ₹ 2,10,000 received from the Central Government [Since the subsidy is received from the Government, the same is not includible in the value in terms of section 15(2)(e) of the CGST Act, 2017]	Nil
Subsidy received from NGO [Since the subsidy is received from a non-Government body and directly linked to the supply, the same is includible in the value in terms of section 15(2)(e) of the CGST Act, 2017]	2,00,000
Tax levied by the Municipal Authority [Includible in the value as per section 15(2)(a) of the CGST Act, 2017]	2,50,000
Packing charges [Being incidental expenses, the same are includible in the value as per section 15(2)(c) of the CGST Act, 2017]	1,25,000
Total value of taxable supplies	15,75,000

Computation of ITC that can be availed by Chill Ltd. for the month of March

Particulars	ITC (₹)
Raw Material [ITC not available as raw material is not received in March]	Nil
Membership of a club availed for employees working in the factory (not obligatory to be provided under any law) [ITC is blocked in terms of section 17(5) of the CGST Act, 2017]	Nil
Inputs to be received in 6 lots, out of which 1st lot was received during the month [In case of goods received in lots, ITC can be taken only upon receipt of the last lot]	Nil
Trucks used for transport of raw material [ITC of GST paid on motor vehicles used for transportation of goods is allowed unconditionally]	1,50,000

Capital goods [ITC can be availed only on the basis of a valid document (invoice). Thus, GST paid on items for which invoice is missing, i.e. ₹ 2,82,000, is not available.]	68,000
Total ITC	2,18,000

Question 16

Following are the particulars, relating to one of the machine sold by SQM Ltd. to ACD Ltd. in the month of February 2020 at list price of ` 9,50,000. (exclusive of taxes and discount) Further, following additional amounts have been charged from ACD Ltd:

S. No.	Particulars	Amount (₹)
(i)	Municipal taxes chargeable on the machine	45,000
(ii)	Outward freight charges (Contract was to deliver machine at ACD Ltd.'s factory i.e. F.O.R. contract)	65,000

Additional information:

- (i) SQM Ltd. normally gives an interest-free credit period of 30 days for payment, after that it charges interest @ 1% p.m. or part thereof on list price.

ACD Ltd. paid for the supply after 45 days, but SQM Ltd. waived the interest payable.

- (ii) SQM Ltd. received ` 50,000 as subsidy, from one non-government organization (NGO) on sale of such machine. This subsidy was not linked to the price of machine and also not considered in list price of ` 9,50,000.
- (iii) ACD Ltd. deducted discount of ` 15,000 at the time of final payment, which was not as per agreement.
- (iv) SQM Ltd. collected ` 9,500 as TCS (tax collected at source) under the provisions of the Income Tax Act, 1961.

Compute the value of taxable supply as per the provision of GST laws, considering that the price is the sole consideration for the supply and both parties are unrelated to each other.

Note: Correct legal provision should form part of your answer. (PYP 6 Marks, Nov'20)

Answer 16
Computation of value of taxable supply

S. No.	Particulars	Amount (₹)
	List price (exclusive of taxes and discount)	9,50,000
(i)	Municipal taxes [Note-1]	45,000
(ii)	Outward freight charges [Note-2]	65,000
	Value of taxable supply	10,60,000

Notes:

- Tax other than GST, if charged separately, are includible in the value in terms of section 15.
- Since contract is to deliver machine at buyer's factory, it is a composite supply wherein the freight charges will be added to the value of principal supply of machine.
- Value of supply includes interest charged for delayed payment. However, since the interest on delayed payment has been waived off, the same has not been added to the value.
- Subsidy provided by non-Government bodies is includible in the value in terms of section 15 provided the same is directly linked to the price. Since subsidy received from NGO is not directly linked to the price of the machine, the same has not been added to the value.

5. Since the discount was not known or agreed to at the time of supply of goods to the buyers, such discount cannot be reduced from the price, in terms of section 15.
6. TCS is not includible in the value of supply as it is an interim levy not having the character of tax.

Question 17

Ms. Achintya, a registered supplier in Kochi (Kerala State) has provided the following details in respect of her supplies made Intra-State for the month of March:

	Particulars	Amount in `
(i)	List price of goods supplied intra-state (exclusive of items given below from ii to v)	3,30,000
(ii)	Swachh Bharat cases levied on sale of the goods	12,500
(iii)	Packing expenses charged separately in the invoice	10,800
(iv)	Discount of 1% on list price of goods was provided (recorded in the invoice of goods)	
(v)	Subsidy received from State Govt. for encouraging women entrepreneurs	5,000

Compute the value of taxable supply and the gross GST liability of Ms. Achintya for the month of March 2018 assuming rate of CGST to be 9% and SGST to be 9%. All the amounts given above are exclusive of GST (PYP 5 Marks, Nov'18)

Answer 17

Computation of value of taxable supply and gross GST liability of Ms. Achintya for the month of March

Particulars	`
List price of the goods	3,30,000
Add: Swachh Bharat Cass (SBC) levied on sale of goods [Note-1]	12,500
Add: Packing expenses [Note-2]	10,800
Less: Subsidy received from State Government [Note-3]	(5,000)
Less: Discount @ 1% on list price [Note-4]	(3,300)
Value of taxable supply	3,45,000
CGST @ 9%	31,050
SGST @ 9%	31,050
Gross GST liability	62,100

Notes: -

As per section 15 of CGST Act, 2017,

1. Any taxes, duties and cases levied under any law other than CGST, SGST is includible in the value.
2. Packing expenses being incidental expenses, are includible in the value.
3. Since subsidy is received from State Government, the same is not includible in the value. It has been assumed that such subsidies are directly linked to the price of the goods. Further, since the same has not been adjusted in the list price, the same is to be excluded from the list price.
4. Since discount is known at the time of supply, it is deductible from the value.

Note:

- (i) In the above answer, the term "exclusive" mention need in the question has been taken to be as "not adjusted in the list price", i.e. the list price given in the question is before adjusting the amount of discount and subsidy. However, it is also possible to take a view that the list price "excludes" amount of discount and subsidy. Therefore, the same need not be deducted again from the list price to arrive at the taxable value.

(ii) Read SBC as other taxes.

Question 18

Candy Blue Ltd., Mumbai, a registered supplier, is manufacturing Chocolates and Biscuits. It provides the following details of taxable inter-state supply made by it for the month of October.

Particulars	Amount in (₹)
List price of goods supplied inter-state	12,40,000
Items already adjusted in the price given in (I) above:	
(1) Subsidy from Central Government for supply of biscuits to Government School.	1,20,000
(2) Subsidy from Trade Association for supply of quality biscuits.	30,000
Items not adjusted in the price given in (I) above:	
(3) Tax levied by Municipal Authority	24,000
(4) Packing Charges	12,000
(5) Late fee paid by the recipient of supply for delayed payment of invoice	5,000

Calculate the value of taxable supply made by M/s Candy Blue Ltd. for the month of October, 2017. (PYP 5 Marks, May'18)

Answer 18

Computation of value of taxable supply made by Candy Blue Ltd. for the month of October

Particulars	Amount
List Price of the goods	12,40,000
Add: Subsidy amounting to ₹ 1,20,000 received from Central Government [Since subsidy is received from Government, the same is not includible in the value in terms of section 15 of the CGST Act, 2017.]	NIL
Subsidy received from Trade Association [Since subsidy is received from a non-Government body, the same is includible in the value in terms of section 15 of the CGST Act, 2017.]	30,000
Tax levied by the Municipal Authority [Includible in the value as per section 15 of the CGST Act, 2017]	24,000
Packing charges [Being incidental expenses, the same are includible in the value as per section 15 of the CGST Act, 2017]	12,000
Late fees paid by recipient of supply for delayed payment [Includible in the value as per section 15 of the CGST Act, 2017]	5,000
Value of taxable supply	13,11,000

Note:

In the above solution, list price of the goods and late fee for delayed payment of invoice have been assumed to be exclusive of taxes.

Question 19 (Includes concepts of Chp 19- Payment of Tax & Chp 16- ITC)

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:

	(All amount in rupees)
(I) Inter-state supply of goods	1,00,000



(ii) Intra-state supply of 500 packets of detergent @ ₹ 400 each along with 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

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:

- 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%.
- 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. (RTP 8 Marks, Nov'19)

Answer 19

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

Particulars	Value (₹)	CGST (₹)	SGST (₹)	IGST (₹)
Total tax liability				
Inter-State supply of goods	1,00,000			18,000
Intra-State supply of 500 packets of detergents along with a plastic bucket [Note-1]	2,00,000 (500 x 400)	28,000 (2,00,000 x 14%)	28,000 (2,00,000 x 14%)	
Supply of online educational journal to private coaching centre [Note-2]	50,000	4,500 (50,000 x 9%)	4,500 (50,000 x 9%)	
Total tax liability (A)		32,500	32,500	18,000
Input tax credit (ITC)				
Brought forward ITC		5,000	5,000	40,000
Inter-State purchase of goods [Note-3]	50,000			9,000
Repairing of bus with seating capacity of 20 passengers [Note-4]	50,000	4,500	4,500	

Total ITC (B)		9,500	9,500	49,000
Minimum net GST payable in cash				
Total tax liability		32,500	32,500	18,000
Less: Set off of IGST liability from IGST credit				(18,000)
Set off IGST credit against CGST and SGST liability in any order and in any proportion		(23,000)	(8,000)	
Set off of CGST and SGST credit against CGST and SGST liability respectively		(9,500) CGST	(9,500) SGST	
Minimum net GST payable in cash		Nil	15,000	Nil

Notes: -

1. Supply of detergent and bucket together with a single price of ₹ 400 is a mixed supply. Being a mixed supply comprising of two supplies, it shall be treated as supply of that particular supply that attracts highest rate of tax (28%).
2. Supply of online educational journal is exempt only when the same is provided to an educational institution which provides a qualification recognized by law. Since, the private coaching centre does not provide any recognized qualification, the supply of online educational journals to the same will be taxable.
3. ITC can be taken only on the basis of a valid tax paying document. Thus, ITC will not be available on goods for which the invoice is missing.
4. ITC on motor vehicles for transportation of persons with seating capacity > 13 persons (including the driver) used for any purpose is allowed. Further, ITC is allowed on repair and maintenance services relating to motor vehicles, ITC on which is allowed.

Note:

Under the amended position of law, the IGST credit, after being set off against IGST liability, can be utilized against CGST and SGST liability in any order and in any proportion. Thus, there cannot be one answer for the minimum net CGST and SGST payable in cash [i.e. GST liability] as the amount of CGST and SGST liabilities are the same as also the amount of ITC for CGST and SGST is also the same.

Question 20 (Includes concepts of Chp 16- ITC, Chp 12- Supply under GST & Chp 13- Charge of Supply)

ABC Ltd., a registered supplier in Surat, Gujarat has calculated output net GST liability after adjusting ITC in the books for the month of February 2021:

CGST: ₹ 3,00,000 SGST : ₹ 2,50,000 IGST : ₹ 3,00,000

During the above month, the following additional information is provided by ABC Ltd.:

S. No.	Particulars	Amount (excluding GST) ₹
1	The company had given on hire 5 trucks to one of the transporters of Vadodara (a goods transport agency) for transporting goods for 10 days. The hiring charges for the trucks were ₹ 7,500 per truck per day	3,75,000
2	The company sold goods to X & Co. of Delhi on 6th January 2021 with a condition that interest @ 2% per month will be charged on invoice value if X & Co. failed to make payment within 30 days of the delivery of the goods. Goods were delivered and also the invoice was issued on 6th January 2021. X & Co. paid the	5,00,000

	consideration for the goods on 20th February along with applicable interest.	
3	The company sought legal consultancy services for its business from A & Advocates, a partnership firm of advocates situated at Bhuj, Gujarat.	1,50,000
4	The company ordered 3,000 packets of tools which are to be delivered by the supplier of Delhi via 3 lots of 1,000 packets monthly. The supplier raised the invoice for full quantity in February 2021 and the last lot would be delivered in April 2021.	5,00,000
5	The company supplied 10,000 packets of tools to one of its customer at ` 10/- per packet in Gujarat in January 2021. Afterwards, the company re-values it at ` 9 per packet in February 2021 and the company issued credit note to the customer for ` 1 per packet.	

The rate of GST is 9% CGST, 9% SGST and 18% IGST.

You are required to compute the actual net liability of GST to be paid in cash along with working notes for the month of February. (PYP 8 Marks Dec '21)

Answer 20

Computation of net GST liability of ABC Ltd. to be paid in cash for February

Particulars	Value (₹)	CGST (₹)	SGST (₹)	IGST (₹)
Net output GST liability as given		3,00,000	2,50,000	3,00,000
Add: Trucks given on hire to GTA [Services by way of giving a means of transportation of goods on hire to a goods transport agency are exempt.]	3,75,000	--	--	--
Add: Interest on delayed payment of 15 days ¹ (6th February, 2021 to 20th February, 2021) [Includible in value in terms of section 15 of the CGST Act, 2017.]	5,900 [5,90,000 × 2% × 15/30]	--	--	900
Total output tax liability		3,00,000	2,50,000	3,00,900
Less: ITC in respect of legal services paid as reverse charge is available ²	1,50,000	(13,500) [1,50,000 × 9%]	(13,500) [1,50,000 × 9%]	
Net output tax liability (A)		2,86,500	2,36,500	3,00,900
Legal consultancy services received(B) [Tax is payable under reverse charge on legal services received by a business entity ³ from a partnership firm of advocates. Further, tax payable under reverse charge, being not an output tax, cannot be set off against ITC and thus, will have to be paid in cash.]	1,50,000	13,500 [1,50,000 × 9%]	13,500 [1,50,000 × 9%]	

Total GST payable in cash [(A) + (B)]		3,00,000	2,50,000	3,00,900
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¹ Interest on delayed payment collected is assumed to be inclusive of GST. Further, the invoice value has been taken as inclusive of GST for computing said penal interest. However, it is also possible to assume the interest to be exclusive of GST and to compute the same by taking the values as exclusive of GST (i.e. ₹ 5,00,000).

² The reversal provisions under rule 42 of the CGST Rules, 2017 have not been given effect to in the above answer on account of specific exclusion of the same via Study guidelines applicable for November, 2021 examination.

³ It has been most logically assumed that the aggregate turnover of ABC Ltd. in the preceding FY was above the threshold limit for registration under GST law.

Notes:

- (1) ITC on goods received in lots is available on receipt of last lot. Hence, ITC on tools received will not be available in February 2021.
- (2) Since discount given by ABC Ltd. on the packets of tools was not known at the time of supply, it shall not be excluded from its value of supply.

Question 21

XYZ Pvt. Ltd. provided the following particulars relating to goods sold by it to ABC Pvt. Ltd.:

Particulars	Amount (₹)
List price of the goods (exclusive of taxes and discount)	50,000
Tax levied by the Municipal Authority on the sale of such goods	6,000
Packing charges (not included in the list price above)	2,500
Subsidy received from a NGO, directly linked to price (included in the list price above)	3,000
Paid to one of the vendors by ABC Pvt. in relation to the service provided by the vendor to XYZ Pvt. Ltd. (not included in the list price above)	2,000

XYZ Pvt. Ltd. offers 2% turnover discount on the list price after reviewing the performance of ABC Pvt. Ltd. The discount was not known at the time of supply.

ABC Pvt. Ltd. delayed the payment and paid ₹ 5,000 (including GST of 18%) as interest to XYZ Pvt. Ltd. Determine the value of taxable supply made by XYZ Pvt. Ltd. under GST law. (PYP 6 Marks May'22)

Answer 21

Computation of value of taxable supply made by XYZ Pvt. Ltd.

Particulars	Amount (₹)
List price of the goods (exclusive of taxes and discounts)	50,000
Tax levied by Municipal Authority on the sale of such goods [Taxes other than GST, if charged separately, are includible in the value of supply.]	6,000
Packing charges [Being incidental expenses, same are includible in the value of supply.]	2,500
Subsidy received from NGO [Since subsidy is received from a non-Government body and directly linked to the price, the same is includible in the value of supply.]	Nil
Payment made by ABC Pvt. Ltd. in relation to service provided by vendor to XYZ Pvt Ltd ¹ .	2,000

[Amount that supplier is liable to pay, but incurred by the recipient, is includible in the value of supply.]	
Turnover discount [Since discount is not known at the time of supply, it is not deductible from the value of supply.]	-
Interest for delayed payment (rounded off) [Includible in the value of supply]	4,237 [5,000 × 100/118]
Value of taxable supply	64,737

¹ It has been most logically assumed that service provided by the vendor to XYZ Pvt. Ltd. is in relation to supply of goods by XYZ Pvt. Ltd. to ABC Pvt. Ltd.

Question 22 (Includes concepts of ITC)

Ajay Limited, a registered dealer in Patna (Bihar), is engaged in various types of supplies. The company provided the following details for the month of January:

Sl. No.	Particulars	Amount in ₹			
(i)	Outward supply of goods made during the month to various non-related persons:	As given in particulars column			
			Particulars	Market value	Transaction Value (₹)
		a.	in the State of Bihar (Intra-State)	3,00,000	4,00,000
		b.	to other States (Inter-State)	2,00,000	1,00,000
(ii)	Services provided to the State Government of Karnataka for conducting a computer training programme for its employees. Total expenditure incurred for the said programme was ₹ 90,000, of which ₹ 63,000 was borne by the State Govt. (Inter-State transaction)	5,00,000			
(iii)	Stock transfer without consideration to its branch at Gaya (Bihar). Branch has separate GSTN for convenience of accounting and billing. Value under section 15 - ₹ 20,000 (Intra -State)	Nil			
(iv)	Intra - State inward supply of various services for use in the course or furtherance of business (30 invoices)	6,50,000			

Additional Information:

- All the amounts given above are exclusive of taxes.
- During the course of arranging and filing documents, the accountant of Ajay Limited observed that an invoice for ₹ 30,000 (excluding tax) dated 02.12.2021 was omitted to be recorded in the books of accounts and no payment was made against the same till the end of January 2022. This invoice was issued by Mr. Mukesh of Patna, from whom Ajay Limited had taken cars on rental basis. Invoice included cost of fuel also. (Intra -State transaction).
- Rate of GST applicable on various supplies are as follows:

Nature of supply	CGST	SGST	IGST
Car rental service	2.5%	2.5%	5%



All other inward and outward supplies	9%	9%	18%
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- (d) No opening balance of input tax credit exists in the beginning of the month.
- (e) Out of the 30 invoices of inward supply received, 6 invoices with taxable value amounting to ₹ 1,50,000 were e-invoices in which Invoice Reference Number (IRN) was not mentioned. However, all the invoices were duly reflected in GSTR 2B for the month of January 2022, since the suppliers had filed their GSTR-1.
- (f) Subject to the information given above, conditions necessary for claiming ITC were complied with.

You are required to calculate the amount of net GST liability payable in cash by Ajay Limited for the month of January 2022. Brief notes for treatment given for each item should form part of your answer. (PYP 8 Marks Nov '22)

Answer 22

Computation of net GST payable in cash by Ajay Ltd. for the month of January

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
Outward intra-State supply of goods made in the State of Bihar [Value of supply is the transaction value of the goods.]	36,000 [4,00,000 × 9%]	36,000 [4,00,000 × 9%]	
Outward supply of goods made to other States [Value of supply is the transaction value of the goods.]			18,000 [1,00,000 × 18%]
Inter-State services provided to State Government of Karnataka for conducting a computer training programme [Not exempt since the State Government has borne less than 75% of total expenditure of the training programme.]			90,000 [5,00,000 × 18%]
Intra-State stock transfer to Gaya Branch with separate registration [Supply of goods between distinct persons in course or furtherance of business qualifies as supply even if made without consideration.]	1,800 [20,000 × 9%]	1,800 [20,000 × 9%]	
Total output tax	37,800	37,800	1,08,000
Less: Input Tax Credit [Refer Working Note below] [CGST credit should be utilized for payment of CGST and IGST in that order. Similarly, SGST credit should be utilized for payment of SGST and IGST in that order. ITC of CGST cannot be utilized for payment of SGST and vice versa.]	(37,800) (CGST)		(7,200) (CGST)
		(37,800) (SGST)	(7,200) (SGST)
Net GST payable in cash	Nil	Nil	93,600

Working Note:
Computation of ITC available

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
Intra-State inward supply of services [₹ 6,50,000 – ₹1,50,000] [ITC cannot be claimed on the e-invoices without IRN since an e-invoice without IRN is not treated as valid document for claiming ITC.]	45,000 [5,00,000 × 9%]	45,000 [5,00,000 × 9%]	--
Cars taken on rental basis from Mr. Mukesh [Tax on renting of motor car services wherein cost of fuel is included in consideration provided by a non-body corporate to a body corporate and invoice is issued charging CGST/SGST @ 2.5% is payable under reverse charge. Time of supply of such services is 1st February being earlier of date of payment, or date immediately following 60 days since issue of invoice by the supplier. Since the time of supply of renting of motor car services in the given case does not fall in January, tax liability on the same does not arise in said month. Further, ITC on renting of motor car services received is blocked since the recipient - Ajay Ltd. is not in the same line of business ¹ .]	--	--	--
Total ITC available	45,000	45,000	--

¹ It has been most logically assumed that Ajay Ltd. is not engaged in renting of cars business.

Question 23 (Includes concepts of ITC & Exemption from GST)

Jino Enterprises, a partnership firm is a regular taxable person registered in Guwahati, Assam and is engaged in supply of Air conditioners and its accessories as well as air conditioned repairing services. Details of their various activities for the month of October 2023 are as follows:

- (i) Intra State supply of Air conditioner to customers in Assam. Freight is separately charged in invoices for delivery of goods at customer's doorstep.

Value of goods	4,00,000
Value of freight charges charged separately in above invoices.	1,00,000

- (ii) Intra State supply of repairing services wherein apart from charging service charges, cost of parts/spares provided to customers is also charged and consideration for the same is separately mentioned in the invoices.

Value of services component of invoices	3,00,000
Value of parts / spares component in invoices	50,000

- (iii) In order to enhance their sales and to clear the stock of old models of air-conditioner, Jino Enterprises made combo offers to customers wherein, if a customer purchases an Air-conditioner along with a stabilizer, the same is offered at a combo price of ₹ 20,000 as against the original price

of ₹ 30,000 (Air-conditioner ₹ 22,000 & stabilizer ₹ 8,000) if these are purchased separately. During October, 2023, Jino Enterprises had made inter-State supply of 10 numbers of such combo products.

- (iv) Purchased business class air tickets for intra State travel from Guwahati Airport, Assam to Dibrugarh Airport, Assam for its executive employees relating to business of the concern. Basic air fare was ₹ 40,000 and airlines charges GST @ 2.5% CGST, SGST each on basic freight, in case the same is applicable.

Additional Information:

- (a) All the figures mentioned above are exclusive of taxes.
 (b) In respect of few of the invoices relating to F.Y. 2022-2023, involving ITC of CGST ₹ 20,000, SGST of ₹ 20,000, IGST ₹ 80,000 was not taken earlier. Jino Enterprises now want to avail credit in respect of such invoices in the current month.
 (c) The rates of GST applicable on various supplies are as follows:

Nature of Supply	CGST	SGST	IGST
Air-Conditioner, Parts and accessories (Except Stabilizers)	6%	6%	12%
Services	9%	9%	18%
Stabilizers	9%	9%	18%
Freight	6%	6%	12%

Calculate the amount of minimum CGST, SGST & IGST tax payable in cash by Jino Enterprises for the month of October, 2023.

Note: Working Notes (legal provisions) should form part of your answer. (PYP 8 Marks May '23)

Answer 23

Computation of minimum CGST, SGST and IGST payable in cash by Jino Enterprises for the month of October, 2023

Particulars	Value (₹)	CGST (%)	SGST (%)	IGST (%)
Intra-State supply of air-conditioners [Since goods are agreed to be delivered at customer's doorsteps, supply of air-conditioners along with transportation thereof is a composite supply which is treated as the supply of the principal supply (viz. airconditioners). Accordingly, rate of principal supply, i.e. air-conditioners will be charged.]	5,00,000 [4,00,000 + 1,00,000]	30,000 [5,00,000 × 6%]	30,000 [5,00,000 × 6%]	
Intra-State supply of repairing services ¹ [Since parts/ spares and repair services are not naturally bundled, they are taxable separately at the applicable rates.]	3,00,000	27,000 [3,00,000 × 9%]	27,000 [3,00,000 × 9%]	
Intra-State supply of parts / spares	50,000	3,000 [50,000 × 6%]	3,000 [50,000 × 6%]	

Inter-State supply of 10 combos of airconditioners and stabilizers [Since supplies are not naturally bundled and a single price is being charged, it is a mixed supply. It is treated as supply of that particular supply which attracts highest tax rate(i.e., stabilizers).]	2,00,000 [20,000 × 10]			36,000 [2,00,000 × 18%]
Total output tax		60,000	60,000	36,000
Less: Input Tax Credit [Refer Working Note below] [IGST credit is first utilized for payment of IGST liability. Remaining IGST credit has been utilised for payment of CGST and SGST in such proportion to keep the liability at its minimum. After exhausting IGST credit, CGST and SGST credits have been utilized. CGST credit is utilized for payment of CGST and SGST credit is utilised for the payment of SGST. ITC of CGST cannot be utilized for payment of SGST and vice versa.]		(22,000) (IGST)	(22,000) (IGST)	(36,000) (IGST)
		(21,000) (CGST)	(21,000) (SGST)	
Minimum net GST payable in cash		17,000	17,000	Nil

Working Note: Computation of ITC available

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
Purchase of business class air tickets for travel from Assam [Not exempt, since air travel embarking from Assam is not being undertaken in economy class. Further, ITC is available since service is used in the course/furtherance of business.]	1,000 [40,000 × 2.5%]	1,000 [40,000 × 2.5%]	
Invoices relating to FY 2022-23 ² [ITC in respect of any invoice can be taken upto 30th November following the end of FY to which such invoice relates or furnishing of the relevant annual return, whichever is earlier.]	20,000	20,000	80,000
Total ITC available			

¹ Based on the view taken in Circular No. 47/21/2018 GST dated 08.06.2018. However, it is also possible to consider the supply of repairing services along with parts/spares as a composite supply.

² It has been most logically assumed that the annual return for the FY 2022-23 has not yet been furnished.

Question 24

Mr. Jayesh, a registered supplier of Mumbai, received the following amounts in respect of the various activities undertaken by him during the month of October.

S. No	Particulars	Amount (₹)
(i)	Commission received as a recovery agent from a Non-Banking Finance Company (NBFC)	80,000

(ii)	Actionable claim received from normal business debtors	10,50,000
(iii)	Amount received from ABC Ltd. for performance of classical dance in one program.	1,74,500
(iv)	Business assets (old computers) given to a friend free of cost, the market value of all the computers was ` 51,000. No input tax credit has been availed on such computers when used for business.	No amount Charged
(v)	Consideration received for one month rent from a registered individual person for renting of residential dwelling for use as residence.	15,200

Details of Input services:

S. No.	Particulars	Amount (`)
	Paid to an unregistered Goods Transport agency for various consignments of transportation of goods by road. (Each individual consignment in a single carriage was of less than ` 1,450.)	15,100

Notes:

- (i) All the amount stated above in both the tables are exclusive of GST, wherever applicable.
- (ii) Aggregate turnover of Mr. Jayesh in previous year was ` 42,00,000.

You are required to compute Gross value of supplies, on which GST to be paid by Mr. Jayesh for the month of October. (PYP 6 Marks May '23) (Includes concepts of ITC & Exemption from GST)

Answer 24

Computation of gross value of taxable supply on which GST is to be paid by Mr. Jayesh

Particulars	Amount (`)
Commission received as a recovery agent from Non-Banking Financial Company [Tax is payable by NBFC under reverse charge.]	-
Actionable claim received from normal business debtors [No tax is payable as actionable claims other than lottery, betting and gambling are covered under Schedule III, i.e. they are neither supply of goods nor supply of services.]	-
Amount received from ABC Ltd. for performance of classical dance [Taxable since consideration for classical dance performance exceeds ` 1,50,000.]	1,74,500
Business assets given free of cost [Not a supply as it is made without consideration and not covered in Schedule I because ITC is not availed on the same.]	-
Rent from registered individual person [Tax is payable by the registered individual person under reverse charge ³]	-
Services from unregistered GTA	15,100



[Tax on services provided by unregistered GTA is payable under reverse charge by Mr. Jayesh being a registered person.]	
Gross value of taxable supply on which GST is to be paid by Mr. Jayesh	1,89,600

³Based on the position of law as existing on 31.10.2022.

Question 25

Gagan Engineering Pvt. Ltd., registered in Haryana, is engaged in providing maintenance and repair services for heavy steel machinery. For carrying out the repair work, Gagan Engineering Pvt. Ltd. sends its container trucks equipped with items like repair equipment's, consumables, tools, parts etc. from Haryana workshop to its own repairing centers (registered under GST law) located in other States across India where the clients' machinery are being brought and are being repaired. Discuss the livability of GST on the inter-State movement of trucks from the workshop of Gagan Engineering Pvt. Ltd. in Haryana to its own repairing centers located in other States across India. (Old & New SM, MTP 4 Marks Oct '23)

Answer 25

As per section 25(4), a person who has obtained more than one registration, whether in one State or Union territory or more than one State or Union territory shall, in respect of each such registration, be treated as 'distinct persons'. Schedule I to the CGST Act specifies situations where activities are to be treated as supply even if made without consideration. Supply of goods and/or services between 'distinct persons' as specified in section 25, when made in the course or furtherance of business is one such activity included in Schedule I under para 2.

However, as per CBIC circular, the inter-State movement of various modes of conveyance including, inter alia, trucks, carrying goods or passengers or both or for repairs and maintenance, between 'distinct persons' as specified in section 25(4), not involving further supply of such conveyance, may be treated 'neither as a supply of goods nor supply of service' and therefore, will not be leviable to IGST. Applicable CGST/SGST/IGST, however, shall be leviable on repairs and maintenance done for such conveyance [Circular No. 1/1/2017 IGST dated 07.07.2017]. Thus, in the given case, inter-State movement of trucks from the workshop of Gagan Engineering Pvt. Ltd. located in Haryana to its repair centers located in other States is 'neither a supply of goods nor supply of service'.

MULTIPLE CHOICE QUESTIONS (MCQS)

1. Discount given after the supply has been effected is deducted from the value of taxable supply, if –
- (i) such discount is given as per the agreement entered into at/or before the supply
 - (ii) such discount is linked to the relevant invoices
 - (iii) proportionate input tax credit is reversed by the recipient of supply
- (a) (i)
 - (b) (i) and (ii)
 - (c) (ii) and (iii)
 - (d) (i), (ii) and (iii) (MTP 2 Marks, Oct'21, MTP 1 Mark Apr'19)

Ans: (d)

2. With reference to the provisions relating to transaction value under section 15 of the CGST Act, 2017, which of the following is not correct?
- (a) Central excise duty will not be included in transaction value for supply of tobacco.
 - (b) Municipal taxes paid by tenant will be included in transaction value for supply of renting service.
 - (c) Entertainment tax included in movie ticket will form part of transaction value.
 - (d) Customer makes payment of freight which is payable by the supplier, directly to the service provider. However, supplier does not include this amount in the invoice. Such amount will be included in transaction value of the supplier. (RTP May '20)



Ans: (a)

3. Pradeep Traders, registered in Haryana, sold goods for ₹ 2,05,000 to Balram Pvt. Ltd. registered in Uttar Pradesh (GST is leviable @ 5% on said goods). As per the terms of sales contract, Pradeep Traders has to deliver the goods at the factory of Balram Pvt. Ltd. For this purpose, Pradeep Traders has charged freight of ₹ 2,400 from Balram Pvt. Ltd. GST is leviable @ 12% on freight. What would be the net GST liability to be paid in cash in this case assuming that the amounts given herein are exclusive of GST?
- (a) IGST-₹ 37,332
 - (b) IGST-₹ 10,370
 - (c) CGST-₹ 18,666 and SGST-₹ 18,666
 - (d) CGST-₹ 5,185 and SGST-₹ 5,185(RTP Nov '20)

Ans: (b)



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Chapter 8 Input Tax Credit

Question 1

What is the ITC entitlement of a newly registered person? (Old & New SM, MTP 5 Marks Oct'22, MTP 5 Marks Mar'22)

Answer 1

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.

Question 2

Paritosh & Co., a supplier of goods, pays GST under regular scheme. It has made the following outward taxable supplies in a tax period:

Particulars	Amount (₹)
Intra-State supply of goods	10,00,000
Inter-State supply of goods	8,00,000

It has also furnished the following information in respect of purchases made by it in that tax period:

Particulars	Amount (₹)
Intra-State purchases of goods	3,00,000
Inter-State purchases of goods	2,50,000

Paritosh & Co. has following ITCs with it at the beginning of the tax period:

Particulars	Amount (₹)
CGST	57,000
SGST	60,000
IGST	1,40,000

Note:

- (i) Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively.
- (ii) Both inward and outward supplies are exclusive of taxes, wherever applicable.
- (iii) All the conditions necessary for availing ITC have been fulfilled.

Compute the minimum GST, payable in cash, by Paritosh & Co. for the tax period and the ITC to be carried forward to the next month. Make suitable assumptions as required. (Old & New SM) (Same concept different figures MTP 8 Marks, Nov'21, Oct'20, Oct'18, Apr'21, Mar'22, RTP Nov'21,)

Answer 2

Computation of GST payable on outward supplies

S.No.	Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)	Total (Rs.)
(i)	Intra-State supply of goods for	90,000	90,000		1,80,000



	₹ 10,00,000				
(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 incash	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.

Question 3

Laxmi Pvt. Ltd., a registered supplier, is engaged in the manufacture of taxable goods. The company provides the following information pertaining to GST paid on the purchases made/input services availed by it during the month of July:

Sr. No	Particulars	GST paid
(1)	Raw Material (to be received in September, 2018)	2,50,000
(2)	Membership of a club availed for employees working in the factory	1,45,000
(3)	Inputs to be received in 5 lots, out of which 3rd lot was received during the month	80,000
(4)	Trucks used for transport of raw material	40,000
(5)	Capital goods (out of 3 items, invoice for 2 items is missing and GST paid on that	1,50,000

	item is Rs. 80,000)	
(6)	Confectionery items for consumption of employees working in the factory. These items were supplied free of cost to the employees in lieu of services rendered by them to the manufacturer in the course of employment.	75,000

Determine the amount of tax credit available with Laxmi Pvt. Ltd. for the month of July by giving the necessary explanation for treatment of various items. All the conditions necessary for availing the ITC have been fulfilled. (MTP 6 Marks, April'19) (Same concept fewer adjustments Old & New SM)

Answer 3
Computation of ITC available with Laxmi Pvt. Ltd. for the month of July

Particulars	Rs.
Raw Material [ITC not available as raw material is not received in July, 2018]	Nil
Membership of a club availed for employees working in the factory [Blocked credit in terms of section 17(5) of the CGST Act, 2017]	Nil
Inputs to be received in 5 lots, out of which 3rd lot was received during the month [In case of goods received in lots, ITC can be taken only upon receipt of the last lot]	Nil
Trucks used for transport of raw material [ITC of GST paid on motor vehicles is allowed only when used, inter alia, for transportation of goods in terms of section 17(5) of the CGST Act, 2017]	40,000
Capital goods [ITC of GST paid on items for which invoice is missing is not available. So, ITC of Rs. 80,000 is not available]	70,000
Confectionery items for consumption of employees working in the factory [ITC on food or beverages is specifically disallowed unless the same is used for making outward taxable supply of the same category or as an element of the taxable composite or mixed supply-Section 17(5)(b)(l)]	Nil
Total ITC available	1,10,000

Question 4

M/s. Comfortable (P) Ltd. is registered under GST in Chennai, Tamil Nadu. It is engaged in the manufacture of iron and steel products. It has carried out following transactions in the financial year 20XX-XY: -

- (a) Purchased 1,000 Metric Ton (MT) iron @ 1,000 per MT (excluding GST) from M/s. Hard Ltd. of Chennai. M/s. Hard Ltd. has fulfilled the order as follows:

Date	Quantity (MT)	Taxable Value
28-Feb-20XY	200	2,00,000/-
10-Mar-20XY	250	2,50,000/-
25-Mar-20XY	250	2,50,000/-
28-Mar-20XY	200	2,00,000/-

Balance order requirement has been fulfilled by Hard Ltd. on 5-Apr-20XY. However, Hard Ltd. has raised the invoice for full order at the time of dispatch of first lot, i.e. on 28-Feb-20XY. M/s. Comfortable (P) Ltd. has made the full payment on 28-Feb-20XY for the order.

- (b) Company has received IT engineering service from M/s. Dynamic InfoTech (P) Ltd. of Chennai for Rs. 11,00,000/- (excluding GST) on 28-Oct-20XX. Invoice for service rendered was issued on 5-Nov- 20XX. M/s Comfortable (P) Ltd. made part-payment of Rs. 4,13,000/- on 31-Dec-20XX. Being unhappy with service provided by M/s Dynamic InfoTech (P) Ltd., it did not make the balance payment. Deficiency in service rendered was made good by M/s Dynamic InfoTech (P) Ltd. by 15-Feb-20XY. M/s. Comfortable (P) Ltd. made payment of Rs. 2,95,000/- on 15-Feb-20XY towards full and final settlement of the dues and did not pay the balance amount.

(c) Company has made the following intra State supplies (excluding GST) for the financial year 20XX- XY: -

S.No.	Particulars	Amount (Rs.)
1.	Value of intra-State supplies made to registered persons	10,00,000
2.	Value of intra- State supplies made to unregistered persons	2,00,000

(i) Compute the GST liability (CGST, SGST or IGST, as the case may be) of M/s. Comfortable (P) Ltd. for the financial year 20XX-XY: -

(ii) Compute the amount of input tax credit to be reversed in the FY 20XX-XY and/or in the next FY 20XY-YZ, if any.

Assume the rates of GST as under:

CGST	9%
SGST	9%
last	18%

Note

(i) All the conditions necessary for availing input tax credit have been fulfilled.

(ii) Ignore interest, if any (MTP 8 Marks, March'19)

Answer 4

i. Computation of net GST payable for the financial year 20XX-XY

Particulars	Value (Rs.)	CGST (Rs.)	SGST (Rs.)
Tax liability			
Intra-State supplies made to registered persons	10,00,000	90,000	90,000
Intra State supplies made to unregistered persons	2,00,000	18,000	18,000
Total (A)		1,08,000	1,08,000
Input Tax credit			
Supply of iron in lots by M/s Hard Limited [Note-1]	10,00,000	-	-
Supply of IT engineering service [Note-2]	11,00,000	99,000	99,000
Total (B)		99,000	99,000
Net GST payable (A)-(B)		9,000	9,000

Notes: -

1. Section 16 of CGST Act, 2017 provides that where the goods against an invoice are received in lots or installments, the registered person shall be entitled to take credit upon receipt of the last lot or installment. Although 900 tonnes of iron are received in financial year 20XX-XY, the last lot of iron has been received after FY 20XX-XY only, i.e. on 5, April 20XY, thus no input tax credit is available in FY 20XX-XY.

In view of above provisions, full input tax credit in respect of transaction (a) will be claimed in financial year 20XY-20YZ i.e. on receipt of last installment.

2. Section 16 of CGST Act, 2017 inter alia provides that every registered person is entitled to take credit of input tax charged on supply of services to him which are used in the course of business on receipt of the said services.

Thus, in view of the above mentioned provisions full input tax credit of Rs. 1,98,000/- can be claimed in financial year 20XX-XY.

ii. Section 16 of CGST Act, 2017 provides that where a recipient fail to pay to the supplier of goods or services or both, other than the supplies on which tax is payable on reverse charge basis, the amount towards the value of supply along with tax payable thereon within a period of 180 days from the date of issue of invoice by the supplier, an amount equal to the input tax credit availed by the recipient shall be added to his output tax liability, along with interest thereon, in the prescribed manner. However, the recipient shall be entitled to avail of the credit of input tax on payment made by him of the amount towards the value of supply of goods or services or both along with tax payable thereon. Since the full amount of value along with tax payable thereon has not been paid by M/s Comfortable (P) Ltd. to M/s Dynamic InfoTech (P) Ltd within a period of 180 days from the date of issue of invoice, the proportionate amount of input tax credit availed needs to be reversed. However, the reversal will be done

in the financial year 20XY-YZ during when the time period of 180 days expires. Input tax credit to be reversed in financial year 20XY-YZ

Particulars	Amount (Rs.)
Total value of procurement of IT engineering service	11,00,000
Add: Total GST on the above value @ 18%[CGST + SGST]	1,98,000
Value including GST	12,98,000
Amount paid for the said service including GST [Rs. 4,13,000 + Rs. 2,95,000]	7,08,000
Amount [value along with tax payable thereon] not paid for the said service	5,90,000
ITC to be reversed [Rs. 5,90,000 x 18/118]	90,000

Question 5

Radiance Soap Factory, a registered supplier, is engaged in manufacturing beauty soaps – ‘Glow 24x7’ in Mumbai. It has provided the following information pertaining to purchases made/services availed in the month of January:

Particulars	GST paid (Rs.)
Soap making machine	50,000
Motor vehicles for transportation of inputs	70,000
Membership of “Amaze” health and fitness center for its employees	25,000
Inputs purchased, but stolen from the factory	40,000

You are required to compute the input tax credit (ITC) available with Radiance Soap Factory for the month of January, 2018 assuming that all the other conditions for availing ITC, wherever applicable, have been fulfilled. (MTP 4 Marks, Oct’18, Mar’18)

Answer 5
Computation of ITC available with Radiance Soap Factory

Particulars	Amount (Rs.)
Soap making machine [Note-1]	50,000
Motor vehicles for transportation of inputs [Note-2]	70,000
Membership of ‘Amaze’ health and fitness center for its employees [Note-3]	Nil
Inputs stolen from the factory [Note-4]	Nil
Total ITC available	1,20,000

Notes: -

- ITC in respect of goods used in course/furtherance of business is available in terms of section 16 of the CGST Act.
- ITC in respect of motor vehicles and conveyances is blocked, except when used, inter alia, for transportation of goods, in terms of section 17(5) of the CGST Act.
- ITC in respect of membership of a club, health and fitness center is blocked in terms of section 17(5) of the CGST Act.
- ITC in respect of goods stolen is blocked in terms of section 17(5) of the CGST Act.

Question 6

Shridhar Co. Ltd., a registered supplier, is engaged in the manufacture of heavy machinery. It procured the following items during the month of March.

S. No.	Items	GST paid (Rs.)
(i)	Sweets for consumption of employees working in the factory	50,000
(ii)	Saw material	1,00,000



(iii)	Trucks used for the transport of raw material	2,00,000
(iv)	Electrical transformers to be used in the manufacturing process	4,00,000

Determine the amount of input tax credit available with Shridhar Co. Ltd., for the month of March by giving necessary explanations for treatment of various items. Note: All the conditions necessary for availing the input tax credit have been fulfilled. (MTP 4 Marks, Aug'18)

Answer 6

Computation of ITC available with Shridhar Co. Ltd. for the month of March

S. No.	Items	ITC (Rs.)
(i)	Sweets for consumption of employees working in the factory [Note-1]	Nil
(ii)	Raw material [Note-2]	1,00,000
(iii)	Trucks used for the transport of raw material [Note-3]	2,00,000
(iv)	Electrical transformers [Note-4]	4,00,000
	Total ITC	7,00,000

Notes: -

- ITC on food or beverages is specifically disallowed unless the same is used for making outward taxable supply of the same category or as an element of the taxable composite or mixed Supply-Section 17(5)(b)(i).
- Being goods used in the course or furtherance of business, ITC thereon is available in terms of section 16(1).
- Though ITC on motor vehicles has been specifically disallowed under section 17(5)(a), ITC on motor vehicles used for transportation of goods is allowed under section 17(5)(a)(ii).
- Being goods used in the course or furtherance of business, ITC thereon is available in terms of section 16(1).

Question 7

What is the tax implication of supply of capital goods by a registered person who had taken ITC on such capital goods? (MTP 5 Marks April 22, Old & New SM)

Answer 7

In case of supply of capital goods or plant and machinery on which ITC has been taken, the registered person shall pay an amount equal to the ITC taken on the said capital goods or plant and machinery reduced by 5% per quarter or part thereof from the date of invoice or the tax on the transaction value of such capital goods, whichever is higher.

However, in case of refractory bricks, moulds and dies, jigs and fixtures when these are supplied as scrap, the person can pay tax on the transaction value.

Question 8

Enumerate the conditions necessary for availing ITC under GST law. (MTP 5 Marks Sep'22, MTP 5 Marks, Aug'18, Old & New SM)

Answer 8

No registered person shall be entitled to the credit of any input tax in respect of any supply of goods or services or both to him unless:

- he is in possession of tax invoice or debit note or such other tax paying documents as may be prescribed;
- he has received the goods or services or both;
- subject to section 41 of the CGST Act, the supplier has actually paid the tax charged in respect of the supply to the Government;
- he has furnished the return under section 39; and
- the details of the invoice/debit note in respect of said supply has been furnished by the supplier in the statement of outward supplies (GSTR-1) and such details have been communicated to the recipient of such

Question 9 (Includes concepts of Value of Supply)

M/s. Flow Pro, a registered supplier, is engaged in manufacturing heavy steel fabrication machine. The details pertaining to pricing of each such machine is as follows:

S. No.	Particulars	Amount (₹)
(i)	Price of the machine [excluding taxes and other charges mentioned at S. Nos. (ii) and (iii)]	25,00,000
(ii)	Third party inspection charges [Such charges were payable by M/s Flow Pro but the same have been directly paid by BP Ltd. to the inspection agency. These charges were not recorded in the invoice issued by M/s Flo Pro.]	5,00,000
(iii)	Freight charges for delivery of the machine [M/s Flow Pro has agreed to deliver the goods at BP Ltd.'s premises]	2,00,000
(iv)	Subsidy received from the State Government on sale of machine under Skill Development Programme [Subsidy is directly linked to the price]	5,00,000
(v)	Discount of 2% is offered to BP Ltd. on the price mentioned at S. No. (i) above and recorded in the invoice	

Note: Price of the machine is net of the subsidy received.

M/s. Flow Pro has supplied one such machine in the month of October. It also provided the following details pertaining to the purchases made/services availed during said month:

S. No.	Inward supplies	IGST (₹)	Remarks
(i)	Inputs 'A'	1,00,000	One invoice on which IGST payable was ₹ 10,000, is missing
(ii)	Inputs 'B'	50,000	Inputs are to be received in two lots. First lot has been received in October
(iii)	Capital goods	1,20,000	M/s. Flow Pro has capitalised the capital goods at full invoice value inclusive of GST as it will avail depreciation on the full invoice value.
(iv)	Input services	2,25,000	One invoice dated 20th January of preceding financial year on which GST payable was ₹ 50,000 was missing and has been found in October

Compute the net GST payable in cash by M/s. Flow Pro for October assuming that all the inward supplies are inter-State supplies and all outward supplies are intra-State supplies. Assume the rates of taxes to be as under:

Particulars	Rates of tax
Central tax (CGST)	9%
State Tax (SGST)	9%
Integrated tax (IGST)	18%

Make suitable assumptions, wherever necessary. All the conditions necessary for availing the ITC have

been fulfilled. Opening balance of the input tax credit for the relevant period is Nil. The annual return for the previous financial year was filed on 15th September of the current year. (MTP 8 Marks March '23)

Answer 9

Computation of net GST payable by Prithviraj Pvt. Ltd. for the month of October

Particulars	CGST (₹)	SGST (₹)
GST payable on outward supplies (Refer Working note – 1)	2,83,500	2,83,500
Less: ITC (Refer Working note – 2) [ITC of IGST can be utilised for payment of CGST and SGST in any proportion and in any order.]	1,32,500	1,32,500
Net GST payable in cash	1,51,000	1,51,000

Note: ITC of IGST can be utilised towards payment of CGST and SGST in any proportion and in any order. Therefore, there can be multiple ways of setting off of IGST credit against CGST and SGST liability and accordingly, in the given case, amount of net GST payable in cash under the heads of CGST and SGST will vary. However, total amount of net GST payable in cash will be ₹ 3,02,000 in each case

Working note – 1

Computation of GST payable on outward supply made by M/s. Flo Pro for the month of October

Particulars	Amount (₹)
Price of the machine [Since the subsidy is received from the State Government, the same is not includible in the value of supply in terms of section 15(2)(e)]	25,00,000
Third party inspection charges [Any amount that the supplier is liable to pay in relation to the supply but has been incurred by the recipient 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)]	5,00,000
Freight charges for delivery of the machine [Since arranging freight is the liability of supplier, it is a case of composite supply and thus, freight charges are added in the value of principal supply.]	2,00,000
Total	32,00,000
Less: Discount @ 2% on ₹ 25,00,000 being price charged to BP Ltd. [Discount given before or at the time of supply if duly recorded in the invoice is deductible from the value of supply in terms of section 15(3)(a)]	50,000
Value of taxable supply	31,50,000
GST payable on outward supplies	
CGST @ 9%	2,83,500
SGST @ 9%	2,83,500
[Since all the outward supplies are intra-State supplies, CGST and SGST are payable on the same.]	

Working note – 2

Computation of ITC available with M/s Flow Pro for the month of October

S. No.	Inward supplies	ITC (₹)
(i)	Inputs 'A' [ITC cannot be taken on missing invoice. The registered person should have the invoice in its possession to claim ITC.]	90,000
(ii)	Inputs 'B' [When inputs are received in lots, ITC can be availed only on receipt of last lot.]	Nil
(iii)	Capital goods [Input tax paid on capital goods cannot be availed as ITC, if depreciation has been claimed on such tax component.]	Nil
(iv)	Input services [ITC on an invoice cannot be availed after 30th November following the end of financial year to which such invoice pertains or the date of filing annual return, whichever is earlier. Since the annual return for the previous financial year has been filed on 15th September, ITC on the invoice pertaining to previous financial year cannot be availed after 15th September.]	1,75,000
	Total ITC (IGST)	2,65,000

Note - CGST @ 9% and SGST @ 9% are payable on the outward supplies since they are intra-State supplies and IGST @ 18% is payable on the inward supplies since they are inter-State supplies.

Question 10

A registered person must pay to the supplier, the value of the goods and/or services along with the tax within 180 days from the date of issue of invoice. State the exceptions to said rule. (MTP 3 Marks March '23)

Answer 10

The condition of payment of value of supply plus tax within 180 days does not apply in the following situations:

- Supplies on which tax is payable under reverse charge
- Deemed supplies without consideration
- Additions made to the value of supplies on account of supplier's liability, in relation to such supplies, being incurred by the recipient of the supply.

Question 11 (Includes concepts of Value of Supply)

M/s. ABC & Co., a chartered accountancy firm, has its office in Bengaluru and is registered under GST in the State of Karnataka. It submitted the following information for the month of April:

Sr. No.	Particulars	Amount of services provided excluding GST (₹)
1.	Statutory audit services provided (intra-State supplies)	1,20,000
2.	ITR filing services provided within Karnataka (intra-State supplies)	1,60,000
3.	Internal audit services provided to Mumbai client (inter-State supplies)	1,80,000

M/s. ABC & Co. had also incurred the following expenses in the month of April for the purpose of

providing the taxable services:

Sr. No.	Particulars	CGST (₹)	SGST (₹)
1.	Car purchased by firm for the use of senior partner of the firm for official use	42,000	42,000
2.	Office rent paid to landlord who is registered in State of Karnataka	450	450
3.	Professional fee paid to Mr. Rajesh, a practicing Chartered Accountant, for professional services availed [TDS of ₹ 20,000 is deducted under section 194J of the Income-tax Act, 1961]	18,000	18,000
4.	Computer purchased for office purpose	3,000	3,000

Out of the above 4 suppliers/service providers, landlord of office to whom rent was paid did not upload his GSTR-1 within the specified time allowed under GST resulting in the GST amount not being reflected in GSTR-2B of M/s. ABC & Co.

Compute the net GST payable in cash by M/s. ABC & Co. for the month of April.

Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively assuming that all the remaining conditions of utilisation of ITC are fulfilled. (MTP 8 Marks April '23)

Answer 11

Computation of net GST payable by ABC & Co. for the month of April

Particulars	Value of supply	CGST (₹)	SGST (₹)	IGST (₹)
Statutory audit services	1,20,000	10,800	10,800	
ITR filing services	1,60,000	14,400	14,400	
Internal audit services	1,80,000	-	-	32,400
Total output tax liability		25,200	25,200	32,400
Less: ITC [Refer Working Note] [CGST credit is set off against CGST liability and SGST credit is set off against SGST liability since CGST credit cannot be utilized towards payment of SGST liability and vice versa.]		(21,000)	(21,000)	
Net GST payable		4,200	4,200	32,400

Working Note:

Computation ITC that can be availed

Particulars	CGST (₹)	SGST (₹)
Computation of eligible ITC		
Car purchased for official use by senior partner [ITC on motor vehicles used for transportation of persons with seating capacity upto 13 persons (including driver) is blocked except when used for making specified outward supplies.]	Nil	Nil
Office rent paid to landlord [No ITC since the supplier did not upload the details of invoice in his GSTR- 1 and said details are not being reflected in GSTR-2B of recipient.]	Nil	Nil



Professional fee paid [ITC on services used in the course/furtherance of the business is allowed.]	18,000	18,000
Computer for office purpose [ITC on goods used in the course/furtherance of the business is allowed.]	3,000	3,000
Total eligible ITC which can be availed [ITC in respect of invoices furnished by the suppliers in their GSTR-1s and reflected in GSTR-2B of recipient.]	21,000	21,000

Question 12

Mr. Charlie, a registered supplier of goods at Bhatinda who pays GST under regular scheme, has made the following transactions (exclusive of tax) during April 20XX:

Source	Purchases (Rs.)	Sales (Rs.)	Tax Rate
Rajasthan	5,00,000	10,00,000	18%
Punjab	2,50,000	8,00,000	9%each for SGST& CGST
Total	7,50,000	18,00,000	

He has complied with all the conditions for availing the input tax credit (ITC) and has the following ITC credit on 01-04-20XX:

Source	CGST (Rs.)	SGST (Rs.)	IGST (Rs.)
Taxes	50,000	30,000	1,00,000

Compute the minimum net CGST, SGST and IGST payable by Mr. Charlie during April 20XX in cash? (MTP 8 Marks, May'20)

Answer 12

Computation of net CGST, SGST and IGST payable in cash by Mr. Charlie during April, 20XX

Particulars	Amount (Rs.)	CGST @ 9% (Rs.)	SGST @ 9% (Rs.)	IGST @ 18% (Rs.)
Sales made outside Bhatinda (Rajasthan) – [Being inter-State sale, the same is liable to IGST.]	10,00,000			1,80,000
Sales made in Punjab	8,00,000	72,000	72,000	
Total GST payable		72,000	72,000	1,80,000
ITC available during April 20XX for set off [Refer Working Note Below]		72,500	52,500	1,90,000
Less: Set off of IGST ITC against IGST and SGST tax liability respectively			(10,000) IGST	(1,80,000) IGST
Less: Set off of CGST ITC against CGST tax liability		(72,000) CGST		
Less: Set off of SGST ITC against SGST tax liability			(52,500) SGST	
Net tax liability payable in cash		Nil	9,500	Nil
Net ITC available		500	Nil	Nil

Working Note

ITC available during April, 20XX is computed as under:-

Particulars	Amount (Rs.)	CGST @ 9% (Rs.)	SGST @ 9% (Rs.)	IGST @ 18% (Rs.)
Opening balance of ITC		50,000	30,000	1,00,000

Purchases from Rajasthan [Being inter-State purchase, IGST would have been paid on it.]	5,00,000			90,000
Purchases from Punjab	2,50,000	22,500	22,500	
Total input tax credit		72,500	52,500	1,90,000

Note: Since sufficient balance of ITC of CGST is available for paying CGST liability and cross-utilization of ITC of CGST and SGST is not allowed, ITC of IGST has been used to pay SGST (after paying IGST liability) to minimize cash outflow.

Question 13

Mr. Bholenath, a registered supplier of goods, pays GST under regular scheme and provides the following information for the month of January, 20XX:

	Particulars	(Rs.)
(i)	Inter-state taxable supply of goods	10,00,000
(ii)	Intra state taxable supply of goods	2,00,000
(iii)	Intra state purchase of taxable goods	5,00,000

He has the following input tax credit at the beginning of January 20XX:

Nature	ITC Amount in (Rs.)
CGST	20,000
SGST	30,000
IGST	25,000

Rate of CGST, SGST and IGST are 9%, 9% and 18% respectively. Both inward and outward supplies are exclusive of taxes wherever applicable. All the conditions necessary for availing the ITC have been fulfilled. Compute the net GST payable by Mr. Bholenath for the month of January, 20XX. (MTP 6 Marks, Aug'18)

Answer 13

Computation of net GST payable by Mr. Bholenath for the month of January, 20XX Working of GST payable on Outward supplies

S.No.	Particulars	(Rs.)	GST (Rs.)
(i)	Inter-State taxable supply of goods		
	IGST @ 18% on Rs. 10,00,000		1,80,000
(ii)	Intra-State taxable supply of goods		
	CGST @ 9% on Rs. 2,00,000	18,000	
	SGST @ 9% on Rs. 2,00,000	18,000	36,000

Computation of total ITC

Particulars	CGST @ 9% (Rs.)	SGST @ 9% (Rs.)	IGST @ 18% (Rs.)
Opening ITC	20,000	30,000	25,000
Add: ITC on Intra-State purchases of taxable goods valuing Rs. 5,00,000	45,000	45,000	
Total ITC	65,000	75,000	25,000

Computation of GST payable from cash ledger

Particulars	CGST @ 9% (Rs.)	SGST @ 9% (Rs.)	IGST @ 18% (Rs.)
GST payable	18,000	18,000	1,80,000
Less: ITC	(18,000)-CGST	(18,000)-SGST	(25,000)-IGST
			(47,000)-CGST
			(57,000)-SGST
Net GST payable	Nil	Nil	51,000

Note: ITC of IGST, CGST & SGST have been used to pay IGST in that order.

Question 14

Granites Textiles Ltd. purchased a needle detecting machine on 8th July, 2022 from Makhija Engineering Works Ltd. for ₹ 10,00,000 (excluding GST) paying GST @ 18% on the same. It availed the ITC of the GST paid on the machine and started using it for manufacture of goods. The machine was sold on 22nd October, 2023 for ₹ 7,50,000 (excluding GST), as second hand machine to LT. Pvt. Ltd. The GST rate on supply of machine is 18%.

State the action which Granites Textiles Ltd. is required to take, if any, in accordance with the statutory GST provisions on the sale of the second-hand machine. (RTP May '18)

Answer 14

Section 18 of the CGST Act, 2017 read with the CGST Rules, 2017 provides that if capital goods or plant and machinery on which input tax credit has been taken are supplied outward by the registered person, he must pay an amount that is the higher of the following:

- input tax credit taken on such goods reduced by 5% per quarter of a year or part thereof from the date of issue of invoice for such goods (i.e., input tax credit pertaining to remaining useful life of the capital goods), or
- tax on transaction value.

Accordingly, the amount payable on supply of needle detecting machine shall be computed as follows:

Particulars	₹	₹
Input tax credit taken on the machine (₹ 10,00,000 × 18%)		1,80,000
Less: Input tax credit to be reversed @ 5% per quarter for the period of use of machine		
(i) For the year 2017-18 = (₹ 1,80,000 × 5%) × 3 quarters	27,000	
(ii) For the year 2018-19 = (₹ 1,80,000 × 5%) × 3 quarters	27,000	54,000
Amount required to be paid (A)		1,26,000
Duty leviable on transaction value (₹ 7,50,000 × 18%) (B)		1,35,000
Amount payable towards disposal of machine is higher of (A) and (B)		1,35,000

Question 15

Cloud Seven Private Limited, a registered supplier, is engaged in the manufacture of taxable goods. The company provides the following information pertaining to GST paid on the purchases made/input services availed by it during the month of February, 20XX :

	Particulars	GST paid (₹)
(i)	Trucks used for the transport of raw material	1,20,000
(ii)	Foods and beverages for consumption of employees working in the factory	40,000
(iii)	Inputs are to be received in five lots, out of which third lot was received during the month	80,000
(iv)	Membership of a club availed for employees working in the factory	1,50,000
(v)	Capital goods (out of five items, invoice for one item was missing and GST paid on that item was ₹ 50,000)	4,00,000
(vi)	Raw material (to be received in March, 20XX)	1,50,000

Determine the amount of input tax credit available with Cloud Seven Private Limited for the month of February, 20XX by giving necessary explanations for treatment of various items. All the conditions

necessary for availing the input tax credit have been fulfilled. (RTP Nov '18)

Answer 15

Computation of input tax credit (ITC) available with Cloud Seven Private Limited for the month of February, 20XX

Particulars	₹
Trucks used for the transport of raw material [Note-1]	1,20,000
Foods and beverages for consumption of employees working in the factory [Note-2]	Nil
Inputs are to be received in five lots, out of which third lot was received during the month [Note-3]	Nil
Membership of a club availed for employees working in the factory [Note-4]	Nil
Capital goods (out of five items, invoice for one item was missing and GST paid on that item was ₹ 50,000) [Note-5]	3,50,000
Raw material to be received in March, 20XX [Note-6]	Nil
Total ITC	4,70,000

Notes:-

- ITC on motor vehicles is disallowed in terms of section 17(5) of the CGST Act, 2017, except when they are used inter alia, for transportation of goods.
- ITC on food or beverages is specifically disallowed unless the same is used for making outward taxable supply of the same category or as an element of the taxable composite or mixed supply- [Section 17(5)].
- When inputs are received in instalments, ITC can be availed only on receipt of last instalment- [Section 16(2)].
- Membership of a club is specifically disallowed under section 17(5) of the CGST Act, 2017.
- ITC cannot be taken on missing invoice. The registered person should have the invoice in its possession to claim ITC [Section 16(2) of CGST Act, 2017] .
- Input tax credit is available only upon the receipt of goods in terms of section 16(2) of CGST Act, 2017.

Question 16

Explain the meaning of the term “input tax” under section 2(62) of CGST Act, 2017. (RTP Nov '18)

Answer 16

As per section 2(62) of CGST Act, 2017, “input tax” in relation to a registered person, means the central tax, State tax, integrated tax or Union territory tax charged on any supply of goods or services or both made to him and includes—

- the integrated goods and services tax charged on import of goods;
- the tax payable under the provisions of sub-sections (3) and (4) of section 9;
- the tax payable under the provisions of sub-section (3) and (4) of section 5 of the IGST Act;
- the tax payable under the provisions of sub-section (3) and sub-section (4) of section 9 of the respective SGST Act; or
- the tax payable under the provisions of sub-section (3) and sub-section (4) of section 7 of the UTGST Act, but does not include the tax paid under the composition levy.

Question 17

Mr. Ekaant, a supplier, a registered supplier, is engaged in manufacturing taxable goods. It provides the following details of items purchased and services availed by it from Gujarat, for the month of March, 20XX:

S. No.	Particulars	IGST (₹)

1	Motor vehicle purchased for employees to be used for personal as well as business purposes	1,50,000
2	Motor vehicle purchased for transportation of goods within the factory	2,00,000
3	Food items for consumption of employees. These items were supplied free of cost to the employees in lieu of services rendered by them to the manufacturer in the course of employment.	2,000
4	Rent-a-cab facility availed for employees to fulfill a statutory obligation in this regard. The Government has notified such service under section 17(5)(b)(iii)(A) of the CGST Act, 2017.	36,000

Calculate the amount of eligible input tax credit for the month of March, 20XX.

(RTP May '19)

Answer 17

Computation of eligible input tax credit

Particulars	Eligible ITC (₹)
Motor vehicle purchased for employees to be used for personal as well as business purposes [Note-1]	-
Motor vehicle purchased for transportation of goods within the factory [Note-1]	2,00,000
Food items for consumption of employees [Note-2]	-
Rent-a-cab facility given to employees [Note-3]	36,000
Total eligible input tax credit	2,36,000

Notes:-

As per section 17(5) of the CGST Act, 2017:

1. ITC on motor vehicles and other conveyances is blocked except when they are used—
 - (i) for making the following taxable supplies, namely :—
 - (A) further supply of such vehicles or conveyances; or
 - (B) transportation of passengers; or
 - (C) imparting training on driving, flying, navigating such vehicles or conveyances;
 - (ii) for transportation of goods.

Thus, in the given case, ITC on motor vehicle purchased for transportation of goods within the factory will only be allowed

2. ITC in respect of food and beverages is blocked unless the same is used for making outward taxable supply of the same category or as an element of the taxable composite or mixed supply. Thus, in the given case, ITC of taxes paid on food for employees is not allowed.
3. ITC on supply of rent-a cab services is not blocked where the Government notifies the services which are obligatory for an employer to provide such service to its employees. Thus, ITC is available on said service.

Question 18

Advise regarding availability of input tax credit (ITC) under the CGST Act, 2017 in the following independent cases:-

- (i) **AMT Co. Ltd. purchased a mini bus having seating capacity of 16 persons for transportation of its employees from their residence to office and back.**
- (ii) **Bangur Ceramics Ltd., a manufacturing company purchased two trucks for transportation of its finished goods from the factory to dealers located in various locations within the country.**



- (iii) **“Hans premium” dealing in luxury cars in Chankyapuri, Delhi purchased five Skoda VRS cars for sale to customers.**
- (iv) **Sun & Moon Packers Pvt. Ltd. availed outdoor catering service to run a canteen in its factory. The Factories Act, 1948 requires the company to set up a canteen in its factory. (RTP May '20)**

Answer 18

- (i) Section 17(5) of the CGST Act, 2017, inter alia, blocks input tax credit in respect of motor vehicles for transportation of persons having approved seating capacity of not more than 13 persons (including the driver), except when they are used for certain specified purposes. Since in the given case, the mini bus has a seating capacity of 16 persons, the ITC thereon will not be blocked.
- (ii) Section 17(5) of the CGST Act, 2017, inter alia, blocks input tax credit in respect of motor vehicles for transportation of persons with certain exceptions. Thus, ITC on motor vehicles for transportation of goods is allowed unconditionally.

Therefore, ITC on trucks purchased by Bangur Ceramics Ltd for transportation of its finished goods from the factory to dealers located in various locations within the country is allowed.

- (iii) Section 17(5) of the CGST Act, 2017, inter alia, blocks input tax credit in respect of motor vehicles for transportation of persons having approved seating capacity of not more than 13 persons (including the driver), except when they are used for making further supply of such motor vehicles.

Being a dealer of cars, “Hans Premium” has purchased the cars for further supply. Therefore, ITC on such cars is allowed even though seating capacity is less than 13.

- (iv) Section 17(5) of the CGST Act, 2017 inter alia, blocks input tax credit in respect of outdoor catering services. However, ITC is available on such services, when the same are provided by an employer to its employees under a statutory obligation.

Thus, in view of the above- mentioned provisions, Sun & Moon packers Pvt. Ltd. can avail ITC in respect of outdoor catering services availed by it as the same is being provided under a statutory obligation.

Question 19

- (a) **Babla & Bros. is exclusively engaged in making exempt supply of goods and is thus, not registered under GST. On 1st October, the exemption available on its goods gets withdrawn. On that day, the turnover of Babla & Bros. was ₹ 50 lakh. Examine the eligibility of Babla & Bros. for availing ITC, if any.**
- (b) **Mamta Sales trades in exempt goods and provides taxable services. It is registered under GST. On 1st October, the exemption available on its goods gets withdrawn. Analyze the scenario and determine the eligibility of Mamta Sales for availing ITC, if any, on inputs and/or capital goods used in the supply of exempt goods. (RTP Nov '20)**

Answer 19

- (a) Since the exemption available on goods being supplied by Babla & Bros. is withdrawn, it becomes liable to registration as its turnover has crossed the threshold limit (for registration) on the day when the exemption is withdrawn.

Assuming that Babla & Bros. applies for registration within 30 days of 1st October and it obtains such registration, it will be entitled to take credit of input tax in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock on the day immediately preceding the date from which it becomes liable to pay tax, i.e. 30th September [Section 18(1)(a) of the CGST Act, 2017]. Input tax paid on capital goods will not be available as input tax credit in this case.

- (b) If the exempt supply made by a registered person becomes a taxable supply, provisions of section 18(1)(d) of the CGST Act, 2017 become applicable. In the given case, since Mamta Sales is a registered person, section 18(1)(d) will be applicable.

As per section 18(1)(d), Mamta Sales will be entitled to take credit of input tax in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock relating to such exempt

supply and on capital goods exclusively used for such exempt supply on the day immediately preceding the date from which such supply becomes taxable, i.e. 30th September. Input tax credit on capital goods will be reduced by 5% per quarter or part thereof from the date of invoice.

Question 20 (Also includes concepts from Charge of GST, Exemptions from GST & Payment of Tax)

Mr. Ekaant, a supplier registered in Delhi, is engaged in the business of sale and purchase of plastic raincoats. He furnishes the following information pertaining to inward/outward supply made by him for the month of July, 20XX:

Particulars	Amount (₹ in lakh)
Value of inter-State outward supply to registered persons	30
Value of intra-State outward supply to registered persons	50
Value of intra-State outward supply to unregistered persons	15
Value of intra-State inward supply from registered persons	10
Value of inter-State inward supply from registered persons	5
Value of intra-State inward supply from unregistered persons	2

Following additional information is also provided by Mr. Ekaant:-

Particulars	Amount (₹ in lakh)
IGST credit on capital goods purchased in the month of July	1.5
CGST/ SGST credit on other inward supplies [including credit of ₹ 5,000 (CGST and SGST each) on account of membership of a club]	0.5 (CGST and SGST each)
Availed consultancy services from Mr. Sujit, lawyer located in Delhi [Intra-State services]	1

The amount of ITC brought forward in the month of July, 20XX is as under:-

CGST: ₹ 2 lakh

SGST: ₹ 2 lakh IGST: ₹ 5 lakh

Calculate the net GST liability (CGST and SGST or IGST, as the case may be) to be paid in cash for the month of July, 20XX by assuming the rates of GST as under:

CGST 9%

SGST 9%

IGST 18%

Note:

- (i) All the amounts given above are exclusive of taxes.
- (ii) All the conditions necessary for availing the ITC have been fulfilled. (RTP May '19)

Answer 20

Computation of net GST liability of Mr. Ekaant

Particulars	Value (₹)	CGST (₹)	SGST (₹)	IGST (₹)
Total tax liability				
Value of intra-State legal consultancy services i.e. inward supplies liable to reverse charge mechanism (to be paid in cash) (A) [Note-1]	1,00,000	9,000	9,000	-

Value of inter-State outward supplies (B1)	30,00,000	-	-	5,40,000
Value of intra-State outward supplies to registered as well as unregistered persons (B2) (₹ 50,00,000+ ₹ 15,00,000)	65,00,000	5,85,000	5,85,000	-
Total (B) = (B1) +(B2)		5,85,000	5,85,000	5,40,000
Input tax Credit				
Brought forward ITC		2,00,000	2,00,000	5,00,000
Value of intra-State inward supplies from registered person [Note-2]	10,00,000	90,000	90,000	
Value of inter-State inward supplies from registered person [Note-2]	5,00,000	-	-	90,000
Value of intra-State inward supplies from unregistered person [Note-3]	2,00,000	-	-	-
IGST credit of capital goods [Note- 2]				1,50,000
Credit on other inward supplies purchased in the month of July less credit on membership of a club [Note-2 & 4]		45,000	45,000	-
Credit of legal consultancy services [Note-2]		9,000	9,000	-
Total (C)		3,44,000	3,44,000	7,40,000
Net liability (B)-(C)		2,41,000	2,41,000	(2,00,000)
Less: Set off from IGST credit [Note-5]		2,00,000	-	-
Liability after set off (D)		41,000	2,41,000	Nil
Net GST liability to be paid in cash (A) + (D)		50,000	2,50,000	Nil

Notes:-

- Services supplied by an individual advocate to any business entity located in the taxable territory by way of legal services, directly or indirectly are taxable under reverse charge mechanism. Thus, tax is payable by the recipient (Mr. Ekaant) on said services to the Government. Further, as per section 49(4) of the CGST Act, 2017, amount available in the electronic credit ledger [ITC amount] may be used for making payment towards output tax. However, tax payable under reverse charge is not an output tax in terms of section 2(82) of the CGST Act, 2017. Therefore, tax payable under reverse charge cannot be set off against the input tax credit and thus, will have to be paid in cash.
- Every registered person is entitled to take credit of input tax charged on any inward supply of goods and/or services which are used or intended to be used in the course or furtherance of his business in terms of section 16 of CGST Act, 2017. Further "input tax" in relation to a registered person includes the tax payable under reverse charge mechanism in terms of section 2(62) of the CGST Act, 2017.
- Intra-State supplies received by a registered person from any unregistered supplier, are exempt from the whole of the central tax leviable thereon under section 9(4) till 30.09.2019 [Notification No.8/2017 CT (R) dated 28.06.2017]. Since no tax has been paid, so no credit is available.
- Input tax credit is not allowed in respect of membership of a club in terms of section 17(5) of CGST Act, 2017.
- Input tax credit of IGST has been used to pay IGST and CGST in that order.

Question 21 (Also includes concepts from Charge of GST, Exemptions from GST, Supply under GST & Payment of Tax)

'XY' of Kolkata is engaged in supply of various goods and services. It pays GST under regular scheme. The following information is provided by it for the month of July:

Payments	Amount (₹)	Receipts	Amount (₹)
Inter-State purchases of office stationery	1,40,000	Inter-State supply of office stationery	2,00,000
Repairing of lorry used to transport goods from warehouse to clients' location [Intra-State supply]	1,00,000	Intra-State supply of 500 combi packs containing one calculator and one diary	4,00,000
		Intra-State supply of services of business correspondent to Shubhvidhi Bank with respect to accounts in its urban area branch	1,00,000

The following additional information is provided by 'XY' in relation to the above receipts and payments:

- 10% of the inter-State supply of office stationery are made to unregistered persons.
- Each combi pack (containing a calculator and a diary) is priced at ₹ 800. The calculator and the diary are individually priced at ₹ 700 and ₹ 200 respectively.
- An invoice of ₹ 40,000 towards purchase of office stationery is missing and no other tax paying document is available in respect of such goods.
- All the figures mentioned above are exclusive of taxes, wherever applicable.
- Rates of CGST, SGST and IGST for all services, office stationery and calculator are 9%, 9% and 18% respectively. Rates of CGST, SGST and IGST for diary are 14%, 14% and 28% respectively.
- Subject to the information given above, all the necessary conditions for availing input tax credit have been fulfilled.

Details of opening balances of input tax credit as on 1st July is given hereunder:

Tax	Amount (₹)
CGST	5,000
SGST	5,000
IGST	80,000

Compute the minimum net GST [CGST, SGST or IGST, as the case may be] payable in cash by 'XY' for the month of July. (RTP Nov '20)

Answer 21

Computation of minimum net GST payable in cash by 'XY' for the month of July

Particulars	Value (₹)	CGST (₹)	SGST (₹)	IGST (₹)
Total tax liability				
Inter-State supply of stationery [Note 1]	2,00,000			36,000
Intra-State supply of 500 combi packs of calculators and diaries [Note-2]	4,00,000 (500 x 800)	56,000 (4,00,000 x 14%)	56,000 (4,00,000 x 14%)	
Intra-State supply of services of business correspondent to a Shubhvidhi Bank with respect to accounts in its urban area branch	1,00,000	9,000 (1,00,000 x 9%)	9,000 (1,00,000 x 9%)	

[Note-3]				
Total tax liability		65,000	65,000	36,000
Input tax credit (ITC)				
Brought forward ITC		5,000	5,000	80,000
Inter-State purchase of office stationery [Note-4]	1,00,000			18,000
Intra-State repairing of lorry used for transportation of goods [Note-5]	1,00,000	9,000	9,000	
Total ITC		14,000	14,000	98,000
Minimum net GST payable in cash				
Total tax liability		65,000	65,000	36,000
IGST credit being set off against IGST liability				(36,000)
IGST credit being used to pay CGST and SGST liability in any order and in any proportion		(11,000)	(51,000)	
CGST and SGST credit being used to pay CGST and SGST liability respectively		(14,000) CGST	(14,000) SGST	
Minimum net GST payable in cash		40,000	Nil	Nil

Notes:-

1. Taxable supplies made by a registered person are liable to tax irrespective of whether they are made to a registered person or to an unregistered person.
2. Supply of calculator and diary as a combi pack with a single price of ₹ 800 is a mixed supply. Being a mixed supply comprising of two supplies, it shall be treated as supply of that particular supply which attracts highest rate of tax.
3. Services provided by a business facilitator/ business correspondent to a banking company only with respect to accounts in its rural area branch are exempt and not with respect to accounts in its urban area branch .
4. ITC can be taken only on the basis of a valid tax paying document. Thus, ITC will not be available on goods for which the invoice is missing.
5. ITC on motor vehicles used for transportation of goods is allowed. Further, ITC is allowed on repair and maintenance services relating to motor vehicles, ITC on which is allowed.

Note: IGST credit, after being set off against IGST liability, can be utilised against CGST and SGST liability in any order and in any proportion. Thus, there cannot be one Answer for the minimum net CGST and SGST payable in cash as the amount of CGST and SGST liabilities are the same as also the amount of ITC for CGST and SGST is also the same.

Question 22 (Includes concepts of Time of Supply, Exemptions from GST, Charge of GST & Payment of Tax)

M/s. Shri Durga Corporation Pvt. Ltd. is a supplier of goods and services at Kolkata. It has furnished the following information for the month of February, 20XX:

	Particulars	Amount (₹)
(i)	Intra-State sale of taxable goods including ₹ 1,00,000 received as advance in January, 20XX, the invoice for the entire sale value is issued on 15th February, 20XX	4,00,000



(ii)	Goods purchased from unregistered dealer on 20th February, 20XX (Inter-State purchases are worth ₹ 30,000 and balance purchases are intra-State)	1,00,000
(iii)	Services provided by way of labour contracts for repairing a single residential unit otherwise than as a part of residential complex (It is an intra-State transaction)	1,00,000
(iv)	Goods transport services received from a GTA. GTA is paying tax @12% (It is an inter-State transaction)	2,00,000

Compute net GST liability (CGST, SGST or IGST, as the case may be) of M/s Shri Durga Corporation Pvt. Ltd. for the month of February, 20XX. Assume the rates of GST, unless otherwise specified, as under:

CGST	9%
SGST	9%
IGST	18%

Note:-

- (i) The turnover of M/s. Shri Durga Corporation Pvt. Ltd. was ₹ 2.5 crore in the previous financial year.
- (ii) All the amounts given above are exclusive of taxes.(RTP Nov '18)

Answer 22

Computation of GST liability of M/s. Shri Durga Corporation Pvt. Ltd. for the month of February, 20XX

Particulars	Value of Supply	CGST (₹)	SGST (₹)	IGST (₹)
Intra -State sale of taxable goods [Note-1]	4,00,000	36,000	36,000	
Goods purchased from unregistered dealer on 20th February, 20XX [Note-2]	Nil	Nil	Nil	
Services rendered by way of labour contracts for repairing a single residential unit otherwise than as a part of residential complex [Note-3]	1,00,000	9,000	9,000	
Goods transport services received from GTA [Note-4]	2,00,000			Nil
Total GST liability for the month of February, 20XX		45,000	45,000	Nil
Less: Input tax credit available [Note-5] (₹ 2,00,000 x 12%)		24,000		
Net GST liability for the month of February, 20XX		21,000	45,000	Nil

Notes:

1. Section 12 of CGST Act, 2017 read with Notification No. 66/2017 CT dated 15.11.2017 provides that the time of supply for all suppliers of goods (excluding composition suppliers) is the time of issue of invoice, without any turnover limit. Thus, liability to pay tax on the advance received in January, 20XX will also arise in the month of February, when the invoice for the supply is issued.
2. All intra-State and inter-State procurements made by a registered person from unregistered person have been exempted from reverse charge liability, without any upper limit for daily procurements upto 30.06.2018*1. [Notification No. 8/2017 CT (R) dated 28.06.2017 as amended and Notification No. 32/2017 IT(R) dated 13.10.2017 as amended]
3. Services by way of pure labour contracts of construction, erection, commissioning, or installation of original works pertaining to a single residential unit otherwise than as a part of a residential complex are exempt vide Notification No. 12/2017 CT(R) dated 28.06.2017. Labour contracts for repairing are thus, taxable.

⁴ As per Notification No. 13/2017 CT(R) dated 28.06.2017, GST is payable by the recipient on reverse charge



basis on the receipt of services of transportation of goods by road from a goods transport agency (GTA) provided such GTA has not paid GST @ 12%. Since in the given case, services have been received from a GTA who has paid GST @ 12%, reverse charge provisions will not be applicable.

5. Input tax credit is available for the services received from GTA. The input tax credit of IGST can be used against IGST, CGST and SGST in the respective order vide section 49(5) of CGST Act, 2017.

Question 23

- (i) Tirupati Traders, a registered supplier of goods, pays GST [CGST & SGST or IGST, as the case may be] under regular scheme. It has furnished the following particulars for a tax period:-

Particulars	₹
Value of intra-State supply of goods	12,000
Value of intra-State purchase of goods	10,000

Note:

- (i) Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively.
- (ii) Both inward and outward supplies are exclusive of taxes, wherever applicable.
- (iii) All the conditions necessary for availing the input tax credit have been fulfilled.

Compute the net GST payable by Tirupati Traders during the given tax period assuming that there is no opening balance of input tax credit (ITC). Make suitable assumptions wherever required.

- (ii) Govind, a registered supplier, is engaged in providing services in the neighbouring States from his registered office located in Mumbai. He has furnished the following details in respect of the inward and outward supplies made during a tax period:-

Particulars	(₹)
Inter-State supply of services	1,80,000
Receipt of goods and services within the State	1,00,000

Assume the rates of taxes to be as under:-

Particulars	Rate
CGST	9%
SGST	9%
IGST	18%

Note:

- (i) Both inward and outward supplies are exclusive of taxes, wherever applicable.
- (ii) All the conditions necessary for availing the input tax credit have been fulfilled.

Compute the net GST payable by Govind during the given tax period. Make suitable assumptions if required.(RTP May '18)

Answer 23

(I) Computation of net GST payable

Particulars	CGST (₹)	SGST (₹)
GST payable on intra-State supply of goods [Being an intra-State supply, CGST and SGST is payable on the same]	1,080 (₹12,000 × 9%)	1,080 (₹12,000 × 9%)
Less: Input tax credit (ITC) on intra-State purchase of goods [CGST and SGST paid on the intra-State purchases of	900 (₹10,000 × 9%)	900 (₹10,000 × 9%)

goods]		
Net GST payable	180	180

(II) Computation of net GST payable by Govind

Particulars	₹
IGST @ 18% payable on inter-State supply of services [Being an inter-State supply, IGST is payable on the same in terms of section 5 of the IGST Act, 2017]	32,400 [1,80,000 × 18%]
Less: ITC of CGST @ 9% paid on intra-State receipt of goods and services	9,000
[Cross utilisation of CGST towards IGST]	[1,00,000 × 9%]
Less: ITC of SGST @ 9% paid on intra-State receipt of goods and services [Cross utilisation of SGST towards IGST]	9,000 [1,00,000 × 9%]
Net GST payable in cash	14,400

Note:

- CGST shall first be utilised towards payment of CGST and the amount remaining, if any, be utilised towards the payment of IGST [Section 49 of the CGST Act, 2017].
- SGST shall first be utilised towards payment of SGST and the amount remaining, if any, may be utilised towards the payment of IGST [Section 49 of the CGST Act, 2017].

Question 24

Shipra Traders is a registered supplier of goods in Assam. It purchased goods valued at ₹ 10,000 from Kartik Suppliers located within the same State. Kartik Suppliers charged CGST & SGST separately in its invoice. Subsequently, Shipra Traders sold goods valuing ₹ 9,500 to Rabina Manufacturers located in Assam. 20% of the inputs purchased are still lying in stock and there was no opening stock of goods. Rate of CGST and SGST on supply and purchase of goods is 9% each. Calculate the net GST payable by Shipra Traders and input tax credit (ITC) to be carried forward, if any. (RTP May '18)

Answer 24
Computation of net GST payable by Shipra Traders

Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)
GST payable on intra-State supply of goods [Being an intra-State supply, CGST and SGST is payable on the same]	855 [9,500 × 9%]	855 [9,500 × 9%]
Less: ITC on intra-State purchase of goods [ITC of CGST and SGST paid on intra-State purchase is available in full, even if some inputs are lying in stock]	900 [10,000 × 9%]	900 [10,000 × 9%]
Net GST payable	Nil	Nil
Input tax credit carried forward in Electronic Credit Ledger	45	45

Question 25

Mr. X, a supplier of goods, pays GST under regular scheme. The amount of input tax credit (ITC) available and output tax liability under different tax heads is as under:-

Head	Output tax liability	ITC
IGST	2,000	4,000
CGST	800	2,000

SGST/ UTGST	2,500	500
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Compute the minimum GST payable in cash by Mr. X. Make suitable assumptions as required.(RTP May '20)

Answer 25

Mr. X can use the ITC to pay his output tax liability. The order of utilisation of ITC is as under:-

- (i) IGST credit should first be utilized towards payment of IGST.
- (ii) Remaining IGST credit, if any, can be utilized towards payment of CGST and SGST/UTGST in any order and in any proportion.
- (iii) Entire ITC of IGST should be fully utilized before utilizing the ITC of CGST or SGST/UTGST.
- (iv) ITC of CGST should be utilized for payment of CGST and IGST in that order.
- (v) ITC of SGST /UTGST should be utilized for payment of SGST/UTGST and IGST in that order. However, ITC of SGST/UTGST should be utilized for payment of IGST, only after ITC of CGST has been utilized fully.

CGST credit cannot be utilized for payment of SGST/UTGST and SGST/UTGST credit cannot be utilized for payment of CGST.

Computation of minimum GST payable in cash

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
GST payable	800	2,500	2,000
Less: ITC	-	(2,000)-IGST	(2,000)-IGST
	(800)-CGST	(500) – SGST	_____
Net GST payable in cash	Nil	Nil	Nil

Since sufficient balance of ITC of CGST is available for paying CGST liability and cross utilization of ITC of CGST and SGST is not allowed, it is beneficial to use ITC of IGST to pay SGST (after paying IGST liability) to minimize cash outflow.

Question 26

A Ltd. procured the following goods in the month of December.

Inward Supplies	GST (₹)
(1) Goods used in constructing an additional floor of office building	18,450
(2) Goods given as free sample to prospective customers	15,000
(3) Trucks used for transportation of inputs in the factory	11,000
(4) Inputs used in trial runs	9,850
Confectionery items for consumption of employees working in the factory	3,250
Cement used for making foundation and structural support to plant and machinery	8,050

Compute the amount of ITC available with A Ltd. for the month of December by giving necessary explanations. Assume that all the other conditions necessary for availing ITC have been fulfilled. (PYP 6 Marks, July'21)

Answer 26

Computation of amount of ITC available for the month of December

S. No.	Particulars	GST (₹)
(1)	Goods used in construction of additional floor of office building [ITC on goods received by a taxable person for construction of an immovable property on his own account is blocked even if the same is used in the course or furtherance of business. It has	Nil

	been assumed that cost of construction of additional floor has been capitalized.]	
(2)	Goods given as free samples to prospective customers [ITC on goods disposed of by way of free samples is blocked.]	Nil
(3)	Trucks used for transportation of inputs in the factory [ITC on motor vehicles used for transportation of goods is not blocked3.]	11,000

3 It has been assumed that depreciation has not been claimed on tax component.

(4)	Inputs used in trial runs [Being used in trial runs, inputs are used in the course or furtherance of business and hence ITC thereon is allowed.]	9,850
(5)	Confectionary items for consumption of employees working in the factory [ITC on food or beverages is blocked unless the same is used in same line of business or as an element of the taxable composite or mixed supply. Further, ITC on goods and/or service used for personal consumption is blocked.]	Nil
(6)	Cement used for making foundation and structural support to plant and machinery [ITC on goods used for construction of plant and machinery is not blocked. Plant and machinery includes foundation and structural supports through which the same is fixed to earth.]	8,050
	Total eligible ITC	28,900

Question 27 (Includes concepts Value of Supply)

Star Ltd., a registered supplier in Karnataka has provided the following details for supply of one machine:-

	Particulars	Amount in (₹)
(1)	List price of machine supplied [exclusive of items given below from (2) to (4)]	80,000
(2)	Tax levied by Local Authority on sale of such machine	6,000
(3)	Discount of 2% on the list price of machine was provided (recorded in the invoice of machine)	
(4)	Packing expenses for safe transportation charged separately in the invoice	4,000

Star Ltd. received ` 5,000 as subsidy from a NGO on sale of each such machine, The Price of ` 80,000 of the machine is after considering such subsidy.

During the month of February Star Ltd. supplied three machines to Intra-State customers and one machine to Inter-State customer.

Star Ltd. purchased inputs (intra-State) for ₹ 1,20,000 exclusive of GST for supplying the above four machines during the month.

The Balance of ITC at the beginning of February, 2020 was:

CGST	SGST	IGST
₹ 18,000	₹ 4,000	₹ 26,000

Note:

- (i) Rate of CGST, SGST and IGST to be 9%,9% and 18% respectively for both inward and outward supplies.
- (ii) All the amounts given above are exclusive of GST.
- (iii) All the conditions necessary for availing the ITC have been fulfilled.

Compute the minimum net GST payable in cash by Star Ltd. for the month of February. (PYP 8 Marks, Jan'21)

Answer 27

Computation of value of taxable supply

Particulars	Amount (₹)
List price of the machine	80,000
Add: Tax levied by Local Authority on the sale of machine [Tax other than GST, if charged separately, are includible in the value in terms of section 15 of the CGST Act, 2017.]	6,000
Add: Packing expenses for safe transportation [Includible in the value as per section 15 of the CGST Act, 2017.]	4,000
Add: Subsidy received from a NGO on sale of each machine [Subsidy received from a non-Government body, and which is directly linked to the price, the same is included in the value in terms of section 15 of the CGST Act, 2017.]	5,000
Total	95,000
Less: Discount @ 2% on ₹ 80,000 [Since discount is known at the time of supply and recorded in invoice, it is deductible from the value in terms of section 15 of the CGST Act, 2017.]	1,600
Value of taxable supply	93,400

Computation of minimum net GST payable in cash by Star Ltd.

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
Sale of machine [Intra-State sales = ₹ 93,400 × 3 machines = ₹ 2,80,200 Inter-State sales = ₹ 93,400 × 1 machine = ₹ 93,400]	25,218 2,80,200 ×9%]	25,218 2,80,200 ×9%]	16,812 93,400×1 8%]
Total output tax	25,218	25,218	16,812
Less: Set off of IGST against IGST and SGST [IGST credit first be utilized towards payment of IGST, remaining amount can be utilized towards CGST and SGST in any order and in any proportion]		(9,188)	(16,812)
Less: Set off of CGST against CGST and SGST against SGST [CGST credit cannot be utilized towards payment of SGST and vice versa.]	(25,218)	(14,800)	

Minimum net GST payable in cash	Nil	1,230	
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Working Note:

Computation of total ITC available

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
Opening balance of ITC	18,000	4,000	26,000
Add: Inputs purchased during the month	10,800 [₹ 1,20,000 × 9%]	10,800 [₹ 1,20,000 × 9%]	
Total ITC available	28,800	14,800	26,000

Question 28

KNK Ltd., a registered supplier of Mumbai is a manufacturer of heavy machines. Its outward supplies (exclusive of GST) for the month of January are as follows:

S. No.	Particulars	Amount (₹)
(i)	Inter-State	85,00,000
(ii)	Intra-State	15,00,000

Applicable rate of CGST, SGST and IGST on outward supply are 9%, 9% and 18% respectively. Details of GST paid on inward supplies during the month of January are as follows:

S. No.	Particulars	CGST paid (₹)	SGST paid (₹)
(i)	Raw material A (of which 70% of inputs procured were used and 30% were in stock at the end of the January, 2020)	60,000	60,000
(ii)	Raw material B (of which 90% material received in factory and remaining material completely damaged due to a road accident on the way to factory. There was no negligence on the part of the KNK Ltd.)	50,000	50,000
(iii)	Construction of pipelines laid outside the factory premises	30,000	30,000
(iv)	Insurance charges paid for trucks used for transportation of goods.	55,000	55,000

Additional Information:

- (i) There is no opening balance of any input tax credit and all the conditions necessary for availing the input tax credit (ITC) have been fulfilled.
- (ii) Details of GST paid on inward supplies are available in GSTR-2A except for item (i) i.e. Raw Material A, for which supplier has not filed its GSTR-1 for the month of January hence corresponding input tax credit (ITC) is not reflecting in GSTR-2A of KNK Ltd. in January.

Compute the following:

- (i) Amount of eligible input tax credit (ITC) available for the month of January.
- (ii) Minimum net GST payable in cash, for the month of January, 2020 after using available input tax credit.

Working notes should form part of your answer. (PYP 8 Marks, Nov'20)

Answer 28

- (i) Computation of amount of eligible ITC available for the month of January

S. No.	Particulars	CGST (₹)	SGST (₹)
(i)	Raw materials B (90%) [Note-1]	45,000	45,000
(ii)	Construction of pipelines laid outside the factory premises [Note-2]	Nil	Nil
(iii)	Insurance charges paid for trucks used for transportation of goods [Note-3]	55,000	55,000
(iv)	Raw materials A [Note-4]	Nil	Nil
(v)	Eligible ITC on invoices the details of which are available in GSTR-2A	1,00,000 (45,000 + 55,000)	1,00,000 (45,000 + 55,000)
(vi)	ITC on invoices the details of which are not available in GSTR-2A, i.e. the invoices which have not been uploaded by the suppliers in their GSTR-1 [Note-4]	10,000	10,000
	Total eligible ITC	1,10,000	1,10,000

Notes:

- ITC on goods destroyed is blocked under section 17 of the CGST Act, 2017.
- ITC on works contract services availed for construction of plant and machinery is allowed but pipelines laid outside the factory premises are excluded from the definition of plant and machinery and hence, ITC thereon is blocked.
- ITC on motor vehicles used for transportation of goods is allowed. Further, ITC is also allowed on insurance services relating to motor vehicles, ITC on which is allowed.
- Where invoice has not been uploaded by the supplier in its GSTR-1, 10% of the eligible ITC available in respect of the uploaded invoices can be claimed by the recipient, i.e. 10% of ₹ 1,00,000.

(ii) Computation of minimum net GST payable in cash for the month of January

Particulars	Value (₹)	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
Inter-State outward supplies	85,00,000			15,30,000
Intra-State outward supplies	15,00,000	1,35,000	1,35,000	
Total output tax payable		1,35,000	1,35,000	15,30,000
Less: Set off of CGST and SGST credit against CGST and SGST liability respectively		(1,10,000)	(1,10,000)	
Minimum net GST payable in cash		25,000	25,000	15,30,000

Question 29

Who can impose restrictions on utilization of input tax credit (ITC) available in the electronic credit ledger and under what circumstances can restrictions be imposed under the CGST Rules 2017? (PYP 5 Marks, Nov'20)

Answer 29

The Commissioner or an officer (not below the rank of an Assistant Commissioner) authorised by him has been empowered to impose restrictions on utilization of ITC available in the electronic credit ledger.

The restrictions can be imposed under the CGST Rules, 2017 in the following circumstances:

- (i) ITC has been availed on the basis of tax invoices/valid documents -

- issued by a non-existent supplier or by a person not conducting any business from the

- registered place of business; or
 - without receipt of goods and/or services; or
 - the tax in relation to which has not been paid to the Government.
- (ii) Registered person availing ITC has been found non-existent or not to be conducting any business from the registered place of business; or
- (iii) Registered person availing ITC is not in possession of tax invoice/valid document.

Question 30

CANWIN Ltd., a registered supplier, is engaged in the manufacture of Tanks. The company provides the following information pertaining to GST paid on the purchases made/input services availed by it during the month of January:

	Particulars	GST Paid (₹)
(i)	Purchase of Machinery where debit note is issued	1,15,000
(ii)	Input purchased was directly delivered to Mr. Joe, a job worker and a registered supplier	80,000
(iii)	Computers purchased (Depreciation was claimed on the said GST portion under the Income-Tax Act, 1961)	50,000
(iv)	Works Contract services availed for construction of Staff quarters within the company premises	4,25,000

Determine the amount of ITC available to M/s. CANWIN Ltd. for the month of January by giving brief explanations for treatment of various items. Subject to the information given above, all the conditions necessary for availing the ITC have been fulfilled. (PYP 4 Mark, Nov'18)

Answer 30

Computation of input tax credit (ITC) available with
CANWIN Ltd. for the month of January

Particulars	GST (₹)
Purchase of machinery where debit note is issued [Note-1]	1,15,000
Inputs directly delivered to a job worker supported by a valid document	80,000
Computers [Note-2]	Nil
Works contract services availed for construction of staff quarters within the company premises [Note-3]	Nil
Total ITC	1,95,000

Notes: -

1. Input tax credit on goods purchased on the basis of debit note which is a valid document is allowed.
2. Where depreciation has been claimed on the tax component of the cost of capital goods and plant and machinery under the provisions of the Income-tax Act, 1961, the input tax credit on the said tax component is not allowed.
3. Input tax credit on works contract services supplied for construction of an immovable property is specifically disallowed except where it is an input service for further supply of works contract service.

Question 31

Fun Pharma Private Limited, a registered supplier is engaged in the manufacture of taxable goods. The company provides the following information of GST paid on the purchases made/input services availed by it during the month of September:

	Particulars	GST paid (₹)
(i)	Purchase of cabs used for the transportation of its	3,30,000

	employees	
(ii)	Inputs consisting of three lots, out of which first lot was received during the month	1,25,000
(iii)	Capital Goods (out of three items, invoice for one item was missing and GST paid on that item was ` 25,000)	2,50,000
(iv)	Outdoor catering service availed on Women's day	72,000

Determine the amount of input tax credit available with M/s Fun Pharma Private Limited for the month of September by giving necessary explanations for treatment of various items. All the conditions necessary for availing the input tax credit have been fulfilled. (PYP 4 Marks, May'18)

Answer 31

Computation of input tax credit (ITC) available with Fun Pharma Private Limited for the month of September

Particulars	`
Purchase of cabs used for the transportation of its employees [Note-1]	Nil
Inputs consisting of three lots, out of which first lot was received during the month [Note-2]	Nil
Capital goods [Note-3]	2,25,000
Outdoor catering service availed on Women's day [Note-4]	Nil
Total ITC	2,25,000

Notes: -

- Section 17 of CGST Act, 2017 provides that ITC on motor vehicles can be availed, inter alia, when they are used for making the taxable supply of transportation of passengers i.e., if the taxable person is in the business of transport of passengers. In the given case, since the supplier is a manufacturer, it cannot avail credit on cabs used for transportation of its employees.
- When inputs are received in instalments, ITC can be availed only on receipt of last instalment in terms of section 16 of CGST Act, 2017.
- ITC cannot be taken on missing invoice. The registered person should have the invoice in its possession to claim ITC vide section 16 of CGST Act, 2017.
- ITC on outdoor catering is specifically disallowed unless the same is used for making outward taxable supply of the same category or as an element of the taxable composite or mixed supply in terms of section 17 of CGST Act, 2017.

Question 32 (Includes concepts of Chp 15.2- Value of Supply & Chp 19-Payment of Tax)

Mr. Hemant, a registered supplier of chemicals, pays GST under regular scheme. He is not eligible for any threshold exemption. He has made the following outward taxable supplies for the month of September:

Intra-State supply of goods	` 25,00,000
Inter-State supply of goods	` 5,00,000
He has also made the following inward supply:	
Intra-State purchase of goods from registered dealer	` 14,00,000
Intra-State purchase of goods from unregistered dealer	` 2,00,000
Inter-State purchase of goods from registered dealer	` 4,00,000
Balance of ITC at the beginning of September 2018:	
CGST	` 95,000
SGST	` 60,000
	` 50,000

Additional Information:

- He purchased a car (Intra-State supply) used for business purpose at a price of ` 6,72,000/- (including CGST of ` 36,000 & SGST of ` 36,000) on September 15, 2018. He capitalized the full value including GST in the books on the same date to claim depreciation.
- Out of Inter-State purchase from registered dealer, goods worth ` 1,00,000 were received on October 3, 2018 due to road traffic jams.

Note:

- Rate of CGST, SGST and IGST to be 9%, 9% and 18% respectively.
- Both inward and outward supplies given above are exclusive of taxes, wherever applicable.
- All the conditions necessary for availing the ITC have been fulfilled except mentioned above. Compute the net CGST, SGST and IGST payable in cash by Mr. Hemant for the month of September. (PYP 8 Marks, May'19)

Answer 32
Computation of net GST payable in cash of Mr. Himanshu for September

Particulars	Value (₹)	CGST (₹)	SGST (₹)	IGST (₹)
Total tax liability				
Intra-State outward supplies of goods	25,00,000	2,25,000	2,25,000	
Inter-State outward supplies of goods	5,00,000			90,000
Total tax liability (A)		2,25,000	2,25,000	90,000
Input Tax Credit (ITC)				
Brought forward ITC		95,000	60,000	50,000
Intra-State purchase of goods from registered dealer [Note-1]	14,00,000	1,26,000	1,26,000	
Inter-State purchase of goods from registered dealer [Note-1 and Note 4]	3,00,000	-	-	54,000
Intra-State purchase of goods from unregistered dealer [Note-2]	2,00,000	-	-	-
Purchase of car used for business purpose [Note-3]	-	-	-	-
Total ITC (B)		2,21,000	1,86,000	1,04,000
Net GST liability = (A)-(B)		4,000	39,000	(14,000)
Less: Set off from IGST credit [Note-5]		4,000	10,000	
Net GST payable in cash		Nil	29,000	Nil

Notes:

- Every registered person is entitled to take credit of input tax charged on any inward supply of goods used/intended to be used in the course/furtherance of his business.
- Intra-State supplies received by a registered person from any unregistered supplier, are exempt from the whole of the tax leviable thereon under reverse charge till 30.09.2019. Since no tax has been paid, so no credit is available.
- Input tax paid on capital goods cannot be availed as ITC if depreciation has been claimed on such tax component. Moreover, ITC on motor vehicle (car) is blocked under section 17(5) of CGST Act, 2017.
- A registered person is entitled to avail input tax in respect of any supply of goods to him only if he has actually received the said goods. Since goods worth ` 1,00,000 have not been received by Mr.

Himanshu in the month of September 2018, credit in respect of same cannot be claimed in the said month.

5. Input tax credit of IGST has been used to pay IGST, CGST and SGST in that order.

Question 33 (Includes concepts of Chp 15.2- Value of Supply & Chp 19-Payment of Tax)

Mr. Thiraj, a registered supplier of service in Bangalore (Karnataka State) has provided the following information for the month of February:

	Particulars	Amount in `
(I)	Intra-state taxable supply of service	5,20,000
(ii)	Legal fee paid to a Lawyer located within the state	20,000
(iii)	Rent paid to the State Govt. for his office building	30,000
(iv)	Received for services towards conduct of exams in Love all University, Pune (recognized by law), being an inter-state transaction	16,000

Compute the net GST liability (CGST, SGST or IGST) of Mr. Thiraj for the month of February.

Rate of CGST, SGST and IGST are 9%, 9% and 18% respectively.

All the amounts given above are exclusive of taxes. (PYP 6 Marks, Nov'18)

Answer 33

Computation of net GST liability by Mr. Thiraj for the month of February

Synod.	Particulars	Value of supply (`)	CGST @ 9% (`)	SGST @ 9% (`)	IGST @ 18% (`)
Output supply					
(I)	Intra-State taxable supply of services	5,20,000	46,800	46,800	
(iv)	Services towards conduct of exams in Love all University, Pune [Note-1]	16,000			Exempt
Inward supply					
(ii)	Legal fee paid to lawyer located within State [Note-2]	20,000	1,800	1,800	
(iii)	Rent paid to State Government for Office Building [Note-3]	30,000	2,700	2,700	
Total tax liability			51,300	51,300	
Less: Cash paid towards tax payable under reverse charge [A] [Note-4]			(4,500)	(4,500)	
Output tax payable against which ITC can be set off			46,800	46,800	
Less: ITC of tax paid on legal fees and rent			(4,500)	(4,500)	
Output tax payable after set off of ITC[B]			42,300	42,300	
Net GST liability [A] + [B]			46,800	46,800	

Notes: -

Since Love all University provides education recognized by law¹, it is an educational institution and services provided to an educational institution, by way of conduct of examination by such institution are exempt from GST.

1 It has been logically assumed that the education provided by the Love all University is recognized by Indian law.

1. In case of legal services provided by an advocate to any business entity GST is payable under reverse charge by the recipient of service².
2. In case of services supplied by, inter alia, State Government by way of renting of immovable property to a person registered under the CGST Act, GST is payable under reverse charge by the recipient of service
3. The amount available in the electronic credit ledger may be used for making payment towards output tax. However, tax payable under reverse charge is not an output tax. Therefore, tax payable under reverse charge cannot be set off against the input tax credit and thus, will have to be paid in cash.

Question 34 (Includes concepts Value of Supply)

X Electronics is a registered manufacturer of electrical appliances. It made contract with dealers, that purchase of air conditioners of capacity 1.5 ton in the month of October of quantity of more than 50 units will entitle them for 10% discount. Inter-State supply made during the month of October is ` 50,00,000 Details of Intra-State supply:

Particulars	Amount (`)
Supply of Microwave Oven	15,00,000
Supply of Refrigerators with Stabilizers being a mixed supply, rate of GST on Refrigerator is 28% (14% CGST & 14% SGST), rate of GST on Stabilizer is 18% (9% CGST & 9% SGST)	40,00,000
Supply of Air Conditioners of capacity 1.5 Ton @ ` 50,000 per Air Conditioner	50,00,000

Intra-State inward supplies are:

Particulars	Amount (`)
Raw material	20,00,000
Paid Gym membership for employees	50,000
Truck purchased for transportation of goods	30,00,000

X Electronics made supply of Air Conditioners (capacity 1.5 ton) to only one dealer named Mr. L.

Gym membership for employees is not obligatory for X Electronics under any law.

Opening Balance of ITC is as under:

CGST: ` 58,000

SGST: ` 70,000

IGST: ` 10,00,000

Note:

- (i) Rate of CGST, SGST and IGST are 9%, 9% and 18% respectively for both inward and outward supplies except where specifically provided.
- (ii) Both inward and outward supplies are exclusive of taxes.
- (iii) All the conditions for availing the ITC have been fulfilled.

Compute the Net GST payable in cash by X Electronics for the month of October.(PYP 8 Marks, July'21)

Answer 34

Computation of net GST payable in cash by X Electronics for October

Particulars	Amount (₹)	CGST (₹)	SGST (₹)	IGST (₹)
Intra-State supply				
Supply of microwave oven	15,00,000	1,35,000	1,35,000	
Supply of refrigerators with stabilizers [Being mixed supply, the supply shall be treated as a supply of that particular supply which attracts the highest rate of tax and taxed accordingly. Thus, it will be taxed @ 14% CGST and 14% SGST.]	40,00,000	5,60,000	5,60,000	
Supply of 100 (₹ 50 lakh/ ₹ 50,000) air conditioners [Since 100 air conditioners have been supplied, discount @ 10% will be available.] ¹	45,00,000 [₹ 50,00,000 x 90%]	4,05,000	4,05,000	

1 It has been presumed that there is one supply transaction for 100 ACs and thus, the discount has been given in the invoice itself. Alternatively, even if there have been multiple supply transactions for the ACs during the month and the discount has been given vide credit note, it has been presumed that the credit note has been issued in October and all other conditions prescribed in section 15(3)(b) of the CGST Act, 2017 have been complied with. Thus, the effect of the discount has been adjusted in the month of October itself.

Inter-State supply @ 18%	50,00,000			9,00,000
Total outward tax liability		11,00,000	11,00,000	9,00,000
Less: Input Tax Credit (Refer Working Note below)				
IGST credit first utilized towards payment of IGST. Remaining amount can be utilized towards CGST and SGST in any order and in any proportion		1,00,000 (IGST)		9,00,000 (IGST)
CGST credit set off against CGST liability and SGST credit set off against SGST liability as CGST credit cannot be utilized towards payment of SGST and vice versa.		5,08,000 (CGST)	5,20,000 (SGST)	
Net GST liability payable in cash		4,92,000	5,80,000	Nil

Working Note

Computation of ITC available with X Electronics

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
Opening balance of ITC	58,000	70,000	10,00,000
Intra-State inward supplies			
Raw material	20,00,000	1,80,000	1,80,000

Gym membership for employees [ITC on membership of a health and fitness centre is blocked if there is no statutory obligation for the employer to provide the same.]	50,000	Nil	Nil	
Truck purchased for transportation of goods [ITC on motor vehicles used for transportation of goods is not blocked2.]	30,00,000	2,70,000	2,70,000	
Total ITC		5,08,000	5,20,000	10,00,000

Note: In the above answer, tax payable in cash has been computed by setting off the IGST credit against CGST liability. However, since IGST credit can be set off against CGST and SGST liability in any order and in any proportion, the same can be set off against CGST and/or SGST liabilities in different other ways as well. In all such cases, net CGST and net SGST payable in cash will differ though the total amount of net GST payable (₹ 10,72,000) in cash will remain the same.

Question 35

Zeon Ltd., a GST registered supplier located in Ranchi, Jharkhand, is engaged in the manufacturing of washing machines & mixer grinders. It provides you the details of various activities undertaken during the month of September as follows:

Sl. No.	Particulars	Amount (₹)
(i)	Outward supplies made during the month	
	a. Within Jharkhand	₹ 24,00,000
	b. Outside Jharkhand	₹ 5,00,000
		29,00,000
(ii)	Purchase of raw materials from registered dealers within Jharkhand which includes materials worth ₹ 2,00,000 purchased from Mr. Krishna, a registered person who is paying tax under composition scheme.	7,00,000
(iii)	Bus purchased from a registered dealer in Tatanagar, Jharkhand. Bus used to ferry its 25 workers to and from factory.	12,00,000

Assume the rates of GST applicable on various supplies as follows:

Nature of supply	CGST	SGST	IGST
Composition supplies	0.5%	0.5%	-
Bus	14%	14%	28%
Raw material	6%	6%	12%
Washing machines & mixer grinders	9%	9%	18%

Opening balances of input tax credit as on September were as follows:

CGST (₹)	SGST (₹)	IGST (₹)
20,000	5,000	95,000

Note:

- (i) All the figures mentioned above are exclusive of taxes.
- (ii) Both inward & outward supplies within the State of Jharkhand are to be considered intra-State supplies and outside the State of Jharkhand are inter-State supplies.
- (iii) Subject to information given above, all the other conditions necessary for availing ITC have been fulfilled.

Calculate the amount of net minimum GST payable in cash by Zeon Ltd. for the month of September, 2021. Brief and suitable notes should form part of your answer. (PYP 8 Marks May'22)

Answer 35

Computation of minimum net GST payable in cash by Zeon Ltd. for the month of September

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
Outward supplies made	2,16,000	2,16,000	
within Jharkhand	[24,00,000 × 9%]	[24,00,000 × 9%]	
Outward supplies made			90,000
outside Jharkhand			[5,00,000 × 18%]
Total output tax	2,16,000	2,16,000	90,000
Less: Input Tax Credit [Refer Working Note below]	-	5,000 (IGST)	(90,000) (IGST)
[IGST credit be first utilized for payment of IGST liability. Remaining IGST credit has been utilized for payment of SGST liability since the SGST liability is to be kept at minimum. After exhausting IGST credit, CGST and SGST credit to be utilized. CGST credit to be utilized for payment of CGST and SGST credit to be utilized for the payment of SGST. ITC of CGST cannot be utilized for payment of SGST and vice versa.]	2,16,000 (CGST)	2,03,000 (SGST)	
Minimum net GST payable in cash	Nil	8,000	Nil
ITC to be carried forward next month	2,000		

Working Note:

Computation of ITC available

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
Opening balance	20,000	5,000	95,000
Purchase of raw materials from registered dealers within Jharkhand [7,00,000 – 2,00,000] [ITC on purchases of goods worth ₹ 2,00,000 on which tax has been paid under composition scheme is blocked. ITC on remaining purchases worth ₹ 5,00,000 is available, being supply of goods used/intended to be used in the course/furtherance of business.]	30,000 [5,00,000 × 6%]	30,000 [5,00,000 × 6%]	
Bus purchased from dealer in Jharkhand used to ferry 25 workers to and from factory [ITC on motor vehicles for transportation of persons with seating capacity > 13 persons (including the driver) used for any purpose is allowed.]	1,68,000 [12,00,000 × 14%]	1,68,000 [12,00,000 × 14%]	
Total ITC available	2,18,000	2,03,000	95,000

Question 36

Mr. B, a registered supplier of Uttar Pradesh, is doing the trading of taxable goods. He approaches you to understand the manner of utilization of available Input Tax Credit (ITC). With reference to the provisions of payment of tax, state the manner of utilization of ITC under GST law. (PYP 5 Marks May'22)

Answer 36

The manner of utilization of ITC under GST law is as under:

1. IGST credit should first be utilized towards payment of IGST.
2. Remaining IGST credit, if any, can be utilized towards payment of CGST and SGST/UTGST in any order and in any proportion.
3. Entire ITC of IGST should be fully utilized before utilizing the ITC of CGST or SGST/UTGST.
4. Subsequently, ITC of CGST should be utilized for payment of CGST and IGST in that order.
5. ITC of SGST /UTGST should be utilized for payment of SGST/UTGST and IGST in that order.
6. ITC of SGST/UTGST should be utilized for payment of IGST, only after ITC of CGST has been utilized fully.
7. ITC of SGST/UTGST cannot be utilized for payment of CGST and vice versa.

Question 37 (Includes concepts of Value of Supply)

Charm Limited, registered under GST in the State of Jharkhand, manufactures cosmetic products and appointed Mr. Handsome of Mumbai, who is registered under GST in the State of Maharashtra, as their Del-credere agent (DCA) to sell their products. Being a DCA, he agrees to raise invoices in his own name and also guarantees for the realization of payments from customers to Charm Limited. In order to realize the payments from customers on time, he extends short term transaction based loans to them and charges interest for the same. Mr. Handsome provides you the following details of transactions carried out during the month of March:

Sl. No.	Particulars	Amount in (₹)
	Outward supply:	
i.	Goods sold by Mr. Handsome in his DCA capacity (intra -State transaction)	2,80,000
ii.	Interest earned from the above customers for short term credit facility provided for timely payment of dues. (intra-State transaction)	20,000
iii.	Commission bill raised on Charm Limited (inter-State transaction) in respect of DCA services provided.	30,000
	Inward supply:	
iv.	Inter-State supply of goods received from Charm Limited. Being a DCA, no consideration was paid. Value under section 15 - ₹ 2,00,000	Nil
v.	Received training in marketing and distribution from Charm Limited as per DCA agreement, free of cost. Company charges ₹ 75,000 for such training when it provides the same to others.	Nil

Applicable rate of tax on both inward and outward supplies is 9% each for CGST and SGST and 18% for IGST. Amounts given above are exclusive of taxes wherever applicable. Subject to the information given above, necessary conditions are complied with for avilment of input tax credit. You are required to calculate the gross GST liability and eligible input tax credit for the month of March of Mr. Handsome. Brief notes should form part of your answer for treatment of items in Sl. No. (i) to (v). (PYP 6 Marks Nov '22)

Answer 37

Computation of gross GST liability of Mr. Handsome for the month of March

Particulars		CGST (₹)	SGST (₹)	IGST (₹)
Goods sold by Mr. Handsome in his DCA capacity	2,80,000	27,000 [3,00,000	27,000 [3,00,000	
Add: Interest earned for short term credit facility provided to above customers	20,000	× 9%]	× 9%]	
[Interest included in the value of supply of the goods sold since where DCA is an agent under Schedule - I of the CGST Act, short term credit facility provided by DCA to the buyer is subsumed in the supply of the goods by the DCA to the buyer.]				
Commission charged for DCA services [Being taxable supply of services.]				5,400 [30,000 × 18%]
Gross GST liability		27,000	27,000	5,400

Note: Since the invoice for goods sold is issued by the DCA – Mr. Handsome in his own name, he would fall under the ambit of an agent under Schedule – I of the CGST Act.

Computation of eligible ITC for the month of March

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
Inward supply of goods from Charm Limited free of cost [Supply of goods by principal – Charm Limited to the agent – Mr. Handsome qualifies as supply even though it is made without consideration.]			36,000 [2,00,000 × 18%]
Training in marketing and distribution received from Charm Limited free of cost [Since no consideration is charged for the services provided, said services do not qualify as supply. As no GST is paid on the same, ITC is not available]	--	--	--
Total ITC available	Nil	Nil	36,000

Question 38

From the following information, compute the Net GST payable for the month of March: -

	Output GST	Amount in ` Opening ITC as Per credit ledger
CGST	2,000	Nil
SGST	15,000	1,000
IGST	24,000	37,000

(PYP 4 Marks, Nov'18)

Answer 38

Computation of net GST payable for the month of March

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
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Output tax payable	2,000	15,000	24,000
Less: Opening ITC as per credit ledger	(Nil) -CGST	(1,000)-SGST	(24,000)-IGST
	(2,000)-IGST	(11,000)-IGST	
Net GST payable	Nil	3,000	Nil

Note:

Input tax credit of IGST has been used to pay IGST, CGST and SGST in that order.

Question 39 (Includes concepts of Chp 15.2- Value of Supply & Chp 16- ITC)

Mr. Ajay, a registered supplier of goods, pays GST under regular scheme and provides the following information for the month of August:

	Particulars	(₹)
(i)	Inter-state taxable supply of goods	10,00,000
(ii)	Intra state taxable supply of goods	2,00,000
(iii)	Intra state purchase of taxable goods	5,00,000

He has the following input tax credit at the beginning of August:

Nature	ITC Amount in (₹)
CGST	20,000
SGST	30,000
last	25,000

Rate of CGST, SGST and IGST are 9%, 9% and 18% respectively.

Both inward and outward supplies are exclusive of taxes wherever applicable.

All the conditions necessary for availing the ITC have been fulfilled. Compute the net GST payable by Mr. Ajay for the month of August. (PYP 6 Marks, May'18)

Answer 39

Computation of net GST payable by Mr. Ajay for the month of August Working of GST payable on Outward supplies

Synod.	Particulars	(₹)	GST (₹)
(i)	Intra-State taxable supply of goods		
	CGST @ 9% on ` 2,00,000	18,000	
	SGST @ 9% on ` 2,00,000	18,000	36,000
(ii)	Inter-State taxable supply of goods		
	IGST @ 18% on ` 10,00,000		1,80,000

Computation of total ITC

Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18%(₹)
Opening ITC	20,000	30,000	25,000
Add: ITC on Intra-State purchases of taxable goods valuing ` 5,00,000	45,000	45,000	
Total ITC	65,000	75,000	25,000

Computation of GST payable from cash ledger

Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
GST payable	18,000	18,000	1,80,000
Less: ITC	(18,000)-CGST	(18,000)-SGST	(25,000)-IGST
			(47,000)-CGST
			(57,000)-SGST
Net GST payable	Nil	Nil	51,000

Note:

ITC of IGST, CGST & SGST have been used to pay IGST in that order

MULTIPLE CHOICE QUESTIONS (MCQS)

1. Akash Ltd. a registered person in Punjab has purchased Air Conditioner for invoice value of ₹ 32,000 (which includes GST at 18%) from Mukesh Ltd. registered in Punjab. Akash Ltd. had capitalized Air Conditioner in his books of accounts for full value of ₹ 32,000 and taking the benefit of depreciation on the same. Keeping in view of the above situation the input tax credit which Akash Ltd. is required to take in his books of accounts will be;

- (a) Nil
 (b) ₹4,881
 (c) ₹5,760
 (d) ₹2,880 (MTP 2 Marks, Oct'20)

Ans: (a)

2. A supplier takes deduction of depreciation on the GST component of the cost of capital goods as per Income- tax Act, 1961. The supplier can-

- (a) avail only 50% of the said tax component as ITC
 (b) not avail ITC on the said tax component
 (c) avail 100% ITC of the said tax component
 (d) avail only 25% of the said tax component as ITC (MTP 1Marks, March'19)

Ans: (b)

3. Ganesh Traders, engaged in manufacturing of taxable as well as exempt goods, purchased a machinery worth ₹ 17,70,000 (₹ 15,00,000 plus ₹ 2,70,000 GST). It capitalized full amount including taxes in the books of accounts and claimed depreciation on it as per provisions of the Income Tax Act, 1961. Compute the amount of ITC that can be claimed by Ganesh Traders?

- (a) ₹ 2,70,000
 (b) Zero
 (c) In proportion of taxable and exempt supply
 (d) By decreasing percentage points as prescribed (MTP 2 Marks March 22)

Ans : (b)

4. Medhavi Industries, engaged in manufacturing of taxable goods, purchased cars for official use of its employees. Amount of GST paid on purchase of the cars amounted to ₹ 2,80,000. It also availed outdoor catering services for a marketing event organised for its prospective customers. Amount of GST paid on said services was ₹18,000. Compute the total amount of ITC that can be claimed by Medhavi Industries.

- (a) ₹ 2,98,000

- (b) ₹18,000



- (c) ₹2,80,000
- (d) Nil (MTP 2 Marks Sep'22)

Ans: (d)

5. ITC on is not blocked.

- (a) trucks purchased by a company for transportation of its finished goods
- (b) aircraft purchased by a manufacturing company for official use of its CEO
- (c) general insurance taken on a car used by employees of a manufacturing company for official purposes
- (d) cars purchased by a manufacturing company for official use of its employees (MTP 2 Marks Oct'22)

Ans :(a)

6. PZY Ltd. is engaged in manufacturing of motor car. The company paid following amount of GST to its suppliers against the invoices raised to it. Compute the amount of ineligible input tax credit under GST law:-

S. No.	Particulars	GST Paid (₹)
1.	General insurance taken on cars manufactured by PZY Ltd.	1,00,00,000
2.	Buses purchased for transportation of employees (Seating capacity 23)	25,00,000
3.	Life and health insurance for employees under statutory obligation	6,00,000
4.	Outdoor catering in Diwali Mela organized for employees	3,50,000

- (a) ₹ 9,50,000
- (b) ₹ 3,50,000
- (c) ₹ 1,31,00,000
- (d) ₹ 28,50,000 (MTP 2 Marks March '23, RTP Nov'21)

Ans: (b)

7. Mr. Raghu avails services of Mr. Raja, a Chartered Accountant, as under-

- (i) Audit of financial accounts of Mr. Raghu ₹ 55,000
- (ii) Tax audit and annual accounts filing of Mr. Raghu ₹ 10,000
- (iii) Income-tax return filing of Mr. Raghu 's wife (salaried-return) ₹ 5,000

All the above amounts are exclusive of taxes and the applicable rate of GST on these services is 18%.

The accountant of Mr. Raghu has booked the entire expenses of ₹ 70,000 plus GST in the books of account. Mr. Raghu is eligible to take input tax credit of -

- (a) ₹ 13,500
- (b) ₹ 11,700
- (c) ₹ 9,900
- (d) ₹ 1,800 (MTP 2 Marks April '23, RTP Nov'20)

Ans: (b)



8. TT Pvt. Ltd., registered in Rajasthan, furnished following information for the month of June:
- (i) Inter-State sale of goods for ₹ 1,25,000 to JJ Enterprises registered in Haryana
 - (ii) Inter-State purchases of goods from XYZ company, registered in Punjab, for ₹ 40,000
 - (iii) Intra-State purchases of goods from RR Traders, registered in Rajasthan, for ₹ 65,000

All the above amounts are exclusive of taxes. The applicable rates of CGST, SGST and IGST are 9%, 9% and 18% respectively on inward as well as outward supplies. There is no opening balance of ITC. GST liability payable in cash is-

- (a) CGST ₹ 1,800 & SGST ₹ 1,800
 - (b) SGST ₹ 3,600
 - (c) IGST ₹ 3,600
 - (d) CGST ₹ 3,600
- (MTP 2 Marks April '23, RTP Nov'20)

Ans: (c)

9. Calculate the amount of eligible input tax credit-

S. No.	Particulars	GST paid (₹)
1.	A Mini bus having seating capacity of 15 persons (including driver) used for running on hire	15,00,000
2.	Car having seating capacity of 8 people used for business purposes	1,00,00,000
3.	Car having seating capacity of 4 persons used for imparting training on driving such car	50,00,000
4.	Special purpose vehicle having seating capacity of 2 persons used for transportation of goods	60,00,000

- (a) ₹ 2,25,00,000/-
 - (b) ₹ 2,10,00,000/-
 - (c) ₹ 1,25,00,000/-
 - (d) ₹ 75,00,000/-
- (RTP Nov '19)

Ans: (c)

10. M/s. Comfortable (P) Ltd. is registered under GST in the State of Odisha. It is engaged in the business of manufacturing of iron and steel products. It has received IT engineering services from M/s. High-Fi Infotech (P) Ltd. for ₹ 11,00,000/- (excluding GST @ 18%) on 28-Oct-20XX. Invoice for service rendered was issued on 5-Nov-XX. M/s Comfortable (P) Ltd. made part-payment of ₹ 4,20,000/- on 30-Nov-XX. Being unhappy with service provided by M/s High-fi Infotech (P) Ltd., it did not make the balance payment. Deficiency in service rendered was made good by M/s High-Fi Infotech (P) Ltd. by 15-Feb-XY. M/s. Comfortable (P) Ltd. made payment of ₹ 3,00,000/- on 15-Feb-XY and balance payment was made on 6-June-20XY, i.e. after 180 days of issue of invoice.

Input tax credit available in respect of IT engineering services received from M/s. High-Fi Infotech (P) Ltd. in financial year 20XX-XY:

- (a) ₹ 1,98,000/-
 - (b) Nil
 - (c) ₹ 64,068/-
 - (d) ₹ 1,09,831/-
- (RTP May '20)

Ans: (a)



Chapter 9 Registration

Question 1 (Illustration)

Determine the effective date of registration under CGST Act in respect of the following cases with proper explanation:

- (i) The aggregate turnover of Varun Industries of Mumbai has exceeded ₹ 40 lakh on 1st August. Varun Industries manufactures LED TVs in Mumbai and sells them in Pune. It submits the application for registration on 20th August. Registration certificate granted on 25th August.
- (ii) Sweta InfoTech Services is the provider of internet services in Pune. Its aggregate turnover exceeds ₹ 20 lakh on 25th September. It submits the application for registration on 27th October. Registration certificate is granted on 5th November. (Old & New SM) (Same concept different figures -MTP 4 Marks Apr'19)

Answer 1

As per section 22 read with *Notification No. 10/2019 CT dated 07.03.2019*, a supplier is liable to be registered in the State/Union territory from where he makes a taxable supply of goods and/or services, if his aggregate turnover in a financial year exceeds the threshold limit. The threshold limit for a person making exclusive intra-State taxable supplies of goods is as under:-

- (a) ₹10 lakh for the States of Mizoram, Tripura, Manipur and Nagaland.
- (b) ₹ 20 lakh for the States of States of Arunachal Pradesh, Meghalaya, Puducherry, Sikkim, Telangana and Uttarakhand.
- (c) ₹ 40 lakh for rest of India. However, the higher threshold limit of ₹ 40 lakh is not available to persons engaged in making supplies of ice cream and other edible ice, whether or not containing cocoa, Pan masala and Tobacco and manufactured tobacco substitutes. The threshold limit for a person making exclusive taxable supply of services or supply of both goods and services is as under:-

- (a) ₹10 lakh for the States of Mizoram, Tripura, Manipur and Nagaland.
- (b) ₹20 lakh for the rest of India.

As per rule 10, where a person submits the application for registration within 30 days of becoming liable for registration, 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. In the light of the above provisions, in the given cases, the applicable turnover limit for registration will be ₹ 40 lakh and ₹ 20 lakh respectively in case (i) and (ii).

- (i) Since Varun Industries applied for registration within 30 days of becoming liable to registration, the effective date of registration is 1st August.
- (ii) Since Sweta InfoTech Services applied for registration after the expiry of 30 days from the date of becoming liable to registration, the effective date of registration is 5th November.

Question 2

Examine whether the supplier of goods is liable to get registered in the following independent cases:

- (i) Raghav of Assam is exclusively engaged in intra-State taxable supply of readymade garments. His turnover in the current financial year (FY) from Assam showroom is ₹ 33 lakh. He has another showroom in Tripura with a turnover of ₹ 11 lakh in the current FY.
- (ii) Pulkit of Panjim, Goa is exclusively engaged in intra-State taxable supply of shoes. His aggregate turnover in the current financial year is ₹ 22 lakh.
- (iii) Harshit of Himachal Pradesh is exclusively engaged in intra-State supply of pan masala. His aggregate turnover in the current financial year is ₹ 24 lakh. (MTP 6 Marks, Nov'21 & Oct '23, Old

& New SM)**Answer 2**

As per section 22 read with Notification No. 10/2019 CT dated 07.03.2019, a supplier is liable to be registered in the State/Union territory from where he makes a taxable supply of goods and/or services, if his aggregate turnover in a financial year exceeds the threshold limit. The threshold limit for a person making exclusive intra-State taxable supplies of goods is as under: -

- (a) ₹10 lakh for the Special Category States of Mizoram, Tripura, Manipur and Nagaland.
- (b) ₹ 20 lakh for the States, namely, States of Arunachal Pradesh, Meghalaya, Puducherry, Sikkim, Telangana and Uttarakhand.
- (c) ₹ 40 lakh for rest of India except persons engaged in making supplies of ice cream and other edible ice, whether or not containing cocoa, Pan masala and Tobacco and manufactured tobacco substitutes.

In the light of the afore-mentioned provisions, the Answer to the independent cases is as under: -

- (i) Raghav is eligible for a higher threshold limit of turnover for registration, i.e. ₹ 40 lakh as he is exclusively engaged in intra-State supply of goods. However, since Raghav is engaged in supplying readymade garments from a Special Category State i.e. Tripura, the threshold limit gets reduced to ₹ 10 lakh. Thus, Raghav is liable to get registered under GST as his turnover exceeds ₹10 lakh. Further, he is required to obtain registration in both Assam and Tripura as he is making taxable supplies from both the States.
- (ii) The applicable threshold limit for registration for Pulkit in the given case is ₹ 40 lakh as he is exclusively engaged in intra-State taxable supply of goods in Goa. Thus, he is not liable to get registered under GST as his turnover is less than the threshold limit.
- (iii) Harshit being exclusively engaged in supply of pan masala is not eligible for higher threshold limit of ₹40 lakh. The applicable threshold limit for registration in this case is ₹20 lakh. Thus, Harshit is liable to get registered under GST.

Question 3

Examine whether the supplier is liable to get registered in the following independent cases: -

- (i) **Audi of Assam is exclusively engaged in intra-State supply of taxable services. His aggregate turnover in the current financial year is Rs. 25 lakhs.**
- (ii) **Atri of Assam is engaged in intra-State supply of both taxable goods and services. His aggregate turnover in the current financial year is Rs. 30 lakhs. (MTP 6 Marks, April'21)**

Answer 3

As per section 22 of the CGST Act, 2017 read with Notification No. 10/2019 CT dated 07.03.2019, a supplier is liable to be registered in the State/Union territory from where he makes a taxable supply of goods and/or services, if his aggregate turnover in a financial year exceeds the threshold limit. The threshold limit for a person making exclusive taxable supply of services or supply of both goods and services is as under: -

- (a) Rs. 10 lakhs for the Special Category States of Mizoram, Tripura, Manipur and Nagaland.
 - (b) Rs. 20 lakhs for the rest of India.
- (i) Though Audi is dealing in Assam, he is not entitled for higher threshold limit for registration as the same is applicable only in case of exclusively supply of goods and he is exclusively engaged in providing services. Thus, the applicable threshold limit for registration in this case is Rs. 20 lakhs and hence, Audi is liable to get registered under GST.
 - (ii) Since Atri is engaged in supply of both taxable goods and services, the applicable threshold limit for registration in his case is Rs. 20 lakhs. Thus, Atri is liable to get registered under GST as his turnover is more than the threshold limit.



Question 4

Examine whether the supplier is liable to get registered in the following independent cases: -

- (i) Happy Ltd. of Himachal Pradesh is exclusively engaged in intra-State supply of pan masala. It's aggregate turnover in the current financial year is ₹ 24 lakh.
- (ii) Kaki Ltd. of Assam is exclusively engaged in intra-State supply of taxable services. It's aggregate turnover in the current financial year is ₹ 25 lakh.
- (iii) Aarau Ltd. of Assam is engaged in intra-State supply of both taxable goods and services. It's aggregate turnover in the current financial year is ₹ 30 lakh. (MTP 6 Marks, Oct'20)

Answer 4

As per section 22 of the CGST Act, 2017 read with Notification No. 10/2019 CT dated 07.03.2019, a supplier is liable to be registered in the State/Union territory from where he makes a taxable supply of goods and/or services, if his aggregate turnover in a financial year exceeds the threshold limit. The threshold limit for a person making exclusive intra-State taxable supplies of goods is as under: -

- (a) ₹10 lakh for the Special Category States of Mizoram, Tripura, Manipur and Nagaland.
- (b) ₹ 20 lakh for the States of States of Arunachal Pradesh, Meghalaya, Puducherry, Sikkim, Telangana and Uttarakhand.
- (c) ₹ 40 lakh for rest of India. However, the higher threshold limit of ₹ 40 lakh is not available to persons engaged in making supplies of ice cream and other edible ice, whether or not containing cocoa, Pan masalas and Tobacco and manufactured tobacco substitutes.

The threshold limit for a person making exclusive taxable supply of services or supply of both goods and services is as under: -

- (a) ₹ 10 lakh for the Special Category States of Mizoram, Tripura, Manipur and Nagaland.
- (b) ₹ 20 lakh for the rest of India.

In the light of the afore-mentioned provisions, the Answer to the independent cases is as under: -

- (i) Happy Ltd. being exclusively engaged in supply of pan masala is not eligible for higher threshold limit of ₹40 lakh. The applicable threshold limit for registration in this case is ₹20 lakh. Thus, Happy Ltd. is liable to get registered under GST.
- (ii) Though Kaki Ltd. is dealing in Assam, it is not entitled for higher threshold limit for registration as the same is applicable only in case of exclusive supply of goods while it is exclusively engaged in providing services. Thus, the applicable threshold limit for registration in this case is ₹ 20 lakh and hence, Kaki Ltd. is liable to get registered under GST.
- (iii) Since Aarau Ltd. is engaged in supply of both taxable goods and services, the applicable threshold limit for registration in this case is ₹ 20 lakh. Thus, Aarau Ltd. is liable to get registered under GST as its turnover is more than the threshold limit.

Question 5

What could be the liabilities (in so far as registration is concerned) on transfer of a business? (MTP 2 Marks Oct'19, Old & New SM)

Answer 5

The transferee or the successor shall be liable to be registered with effect from such transfer or succession and he will have to obtain a fresh registration with effect from the date of such transfer or succession.

Question 6

Mr. Akash Malhotra of Gujarat often participates in the jewellery exhibition at Trade Fair in Delhi, which is organised every year in the month of February. Mr. Akash Malhotra applied for registration in January. The proper officer demanded an advance deposit of tax in an amount equivalent to the estimated tax liability of Mr. Akash Malhotra. You are required to examine whether any advance tax is to be paid by Mr. Akash Malhotra at the time of obtaining registration? (MTP 4 Marks, Aug'18)

Answer 6

Yes, advance tax is to be paid by Mr. Akash Malhotra at the time of obtaining registration. Since Mr. Akash Malhotra occasionally undertakes supply of goods in the course or furtherance of business in a State where he has no fixed place of business, thus he qualifies as casual taxable person in terms of



section 2(20) of CGST Act, 2017. While a normal taxable person does not have to make any advance deposit of tax to obtain registration, a casual taxable person shall, at the time of submission of application for registration is required, in terms of section 27(2) read with proviso thereto, to make an advance deposit of tax in an amount equivalent to the estimated tax liability of such person for the period for which the registration is sought. If registration is to be extended beyond the initial period of 90 days, an advance additional amount of tax equivalent to the estimated tax liability is to be deposited for the period for which the extension beyond 90 days is being sought.

Question 7

Tirupati Box Manufacturing Co. started manufacturing corrugated boxes in Andhra Pradesh on 25.01.20XX. On 06.05.20XX, its aggregate turnover exceeded ₹ 10 lakh and on 01.11.20XX, its aggregate turnover exceeded ₹ 20 lakh. It applied for registration on 28.11.20XX and is granted

- 1. registration certificate on 05.12.20XX. Determine the effective date of registration elaborating the**
- 2. relevant provisions. (MTP 4 Marks, March'18)**

Answer 7

As per section 22 of the CGST Act, a supplier is liable to be registered in the State/ Union territory from where he makes a taxable supply of goods or services or both, if his aggregate turnover in a financial year exceeds ₹ 20 lakh [₹ 10 lakh in case of special category States except Jammu and Kashmir] **(As per amendment 40 Lakhs)**, within 30 days from the date on which it becomes so liable to registration. Where an applicant submits application for registration within 30 days from the date he becomes liable to registration, effective date of registration is the date on which he becomes liable to registration otherwise it is the date of grant of registration.

In the given case, threshold limit of registration for Tirupati Box Manufacturing Co. is ₹ 20 lakh as it is engaged in making taxable supplies from Andhra Pradesh. The aggregate turnover of Tirupati Box Manufacturing Co. exceeded ₹ 20 lakh **(As per amendment 40 Lakhs)** on 01.11.20XX. Thus, it is liable to get registered by 01.12.20XX [30 days] in the State of Andhra Pradesh. Since Tirupati Box Manufacturing Co. applied for registration on 28.11.20XX i.e. before the expiry of 30 days from the date on which it becomes so liable to registration, the effective date of registration in its case is 01.11.20XX.

Question 8 (Also includes concepts from Chp 18- Tax Invoice, Credit & Debit Note, E-way Bill)

The aggregate turnover of Priyank Services Ltd. exceeded Rs.20 lakh on 12th August. He applied for registration on 3rd September and was granted the registration certificate on 6th September. You are required to advise Priyank Services Ltd. as to what is the effective date of registration in its case. It has also sought your advice regarding period for issuance of Revised Tax Invoices. (MTP 6 Marks, April'19)

Answer 8

As per section 25 read with CGST Rules, 2017, where an applicant submits application for registration within 30 days from the date he becomes liable to registration, effective date of registration is the date on which he becomes liable to registration. Since, Priyank Services Ltd.'s turnover exceeded Rs. 20 lakh on 12th August, it became liable to registration on same day. Further, it applied for registration within 30 days of so becoming liable to registration, the effective date of registration is the date on which he becomes liable to registration, i.e. 12th August. As per section 31 read with CGST Rules, 2017, every registered person who has been granted registration with effect from a date earlier than the date of issuance of certificate of registration to him, may issue Revised Tax Invoices. Revised Tax Invoices shall be issued within 1 month from the date of issuance of certificate of registration. Revised Tax Invoices shall be issued within 1 month from the date of issuance of registration in respect of taxable supplies effected during the period starting from the effective date of registration till the date of issuance of certificate of registration. Therefore, in the given case, Priyanka Services Ltd. has to issue the Revised Tax Invoices in respect of taxable supplies effected during the period starting from the effective date of registration (12th August) till the date of issuance of certificate of registration (6th September) within 1 month from the date of issuance of certificate



of registration, i.e. on or before 6th October.

Question 9

What is the validity period of the registration certificate issued to a casual taxable person and non-resident taxable person? (MTP 5 Marks March 22)

Answer 9

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.

Question 10

Does cancellation of registration impose any tax obligations on the person whose registration is so cancelled? (MTP 5 Marks April 22, MTP 3 Marks, Aug'18, Old & New SM)

Answer 10

Yes, as per section 29(5) of the CGST Act, 2017, every registered person whose registration is cancelled shall pay an amount, by way of debit in the electronic credit ledger or electronic cash ledger, equivalent to the credit of input tax in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock or capital goods or plant and machinery on the day immediately preceding the date of such cancellation or the output tax payable on such goods, whichever is higher.

Question 11

Examine whether the supplier of goods is liable to get registered in the following independent cases:-

- (i) **Aryabhatt of Assam is exclusively engaged in intra-State taxable supply of readymade garments. His turnover in the current financial year (FY) from Assam showroom is ₹ 12 lakh. He has another showroom in Manipur with a turnover of ₹ 11 lakh in the current FY.(Sep'22)**
- (ii) **Bharat of Panjim, Goa is exclusively engaged in intra-State taxable supply of shoes. His aggregate turnover in the current financial year is ₹ 22 lakh.(Sep'22)**
- (iii) **Vikramaditya of Himachal Pradesh is exclusively engaged in intra-State supply of bricks of fossil meals. His aggregate turnover in the current financial year is ₹ 24 lakh.(MTP 6 Marks Sep'22)**

Answer 11

A supplier is liable to get registered in the State/Union territory from where he makes a taxable supply of goods and/or services, if his aggregate turnover in a financial year exceeds the threshold limit. The threshold limit for a person making exclusive intra-State taxable supplies of goods is as under:-

- (a) ₹ 10 lakh for the Special Category States of Mizoram, Tripura, Manipur and Nagaland.
- (b) ₹ 20 lakh for the States, namely, States of Arunachal Pradesh, Meghalaya, Puducherry, Sikkim, Telangana and Uttarakhand.
- (c) ₹ 40 lakh for rest of India except persons engaged in making supplies of fly ash bricks/blocks, building bricks, bricks of fossil meals, earthen/roofing tiles, ice cream and other edible ice, whether or not containing cocoa, Pan masala and Tobacco and manufactured tobacco substitutes.

In the light of the afore-mentioned provisions, the answer to the independent cases is as under:-

- (i) Aryabhatt is eligible for enhanced threshold limit of turnover for registration, i.e. ₹ 40 lakh as he is exclusively engaged in intra-State supply of goods. However, since Aryabhatt is engaged in supplying readymade garments from a specified Special Category State i.e. Manipur also, the threshold limit gets reduced to ₹ 10 lakh.

Thus, Aryabhatt is liable to get registered under GST as his turnover exceeds ₹ 10 lakh. Further, he is required to obtain registration in both Assam and Manipur as he is making taxable supplies from



- (ii) The applicable threshold limit for registration for Bharat in the given case is ₹ 40 lakh as he is exclusively engaged in intra-State taxable supply of goods in Goa. Thus, he is not liable to get registered under GST as his turnover is less than the applicable threshold limit.
- (iii) Vikramaditya being exclusively engaged in supply of bricks of fossil meals is not eligible for enhanced threshold limit of ₹ 40 lakh. The applicable threshold limit for registration in this case is ₹20 lakh. Thus, Vikramaditya is liable to get registered under GST as his aggregate turnover exceeds the threshold limit for registration.

Question 12

Determine the effective date of registration in following cases:

- (a) The aggregate turnover of Dhampur Footwear Industries of Delhi has exceeded the applicable threshold limit of ₹ 40 lakh on 1st September. It submits the application for registration on 20th September. Registration certificate is granted to it on 25 th September.
- (b) Mehta Teleservices is an architect in Lucknow. Its aggregate turnover exceeds ₹ 20 lakh on 25th October. It submits the application for registration on 27th November. Registration certificate is granted to it on 5th December. (MTP 6 Marks March '23, MTP 6 Marks May'20, MTP 4 Marks Oct'19, Old & New SM)

Answer 12

- (a) Every supplier becomes liable to registration if his turnover exceeds the applicable threshold limit [₹ 40 lakh in this case] in a financial year. Since in the given case, the turnover of Dhampur Industries exceeded ₹ 40 lakh on 1st September, it becomes liable to registration on said date. Further, since the application for registration has been submitted within 30 days from such date, the registration shall be effective from the date on which the person becomes liable to registration. Therefore, the effective date of registration is 1 st September.
- (b) Since in the given case, the turnover of Mehta Teleservices exceeds the applicable threshold limit [₹ 20 lakh] on 25th October, it becomes liable to registration on said date.

Further, since the application for registration has been submitted after 30 days from the date such person becomes liable to registration, the registration shall be effective from the date of grant of registration. Therefore, the effective date of registration is 5 th December.

Question 13 (Also includes concepts from Chp 17- Registration)

The aggregate turnover of Sangri Services Ltd., Delhi, exceeded ₹ 20 lakhs on 12th August. He applied for registration on 3rd September and was granted the registration certificate on 6 the September. You are required to advice Sangri Services Ltd. as to what is the effective date of registration in its case. It has also sought your advice regarding period for issuance of Revised Tax Invoices. (MTP 6 Marks, Oct'19)

Answer 13

As per section 25 read with CGST Rules, 2017, where an applicant submits application for registration within 30 days from the date he becomes liable to registration, effective date of registration is the date on which he becomes liable to registration. Since, Sangri Services Ltd.'s turnover exceeded ₹ 20 lakhs on 12th August, it became liable to registration on same day. Further, it applied for registration within 30 days of so becoming liable to registration, the effective date of registration is the date on which he becomes liable to registration, i.e. 12th August. As per section 31 read with CGST Rules, 2017, every registered person who has been granted registration with effect from a date earlier than the date of issuance of certificate of registration to him, may issue Revised Tax Invoices. Revised Tax Invoices shall be issued within 1 month from the date of issuance of certificate of registration. Revised Tax Invoices shall be issued within 1 month from the date of issuance of registration in respect of taxable supplies effected during the period starting from the effective date of registration till the date of issuance of certificate of registration.

Prakshal Shah T 070794066 in the given case, Sangri Services Ltd. has to issue the Revised Tax Invoices in respect of

taxable supplies effected during the period starting from the effective date of registration (12th August) till the date of issuance of certificate of registration (6th September) within 1 month from the date of issuance of certificate of registration, i.e. on or before 6th October.

Question 14

Pure Oils, Delhi has started the supply of machine oils and high speed diesel in the month of April, 20XX. The following details have been furnished by it for the said month:-

Sr. No.	Particulars	₹
(i)	Supply of machine oils in Delhi	2,00,000
(ii)	Supply of high speed diesel in Delhi	4,00,000
(iii)	Supply made through Fortis Lubricants - an agent of Pure Oils in Delhi	3,75,000
(iv)	Supply made by Pure Oils from its branch located in Punjab	1,80,000

*excluding GST

Determine whether Pure Oils is liable for registration. Will your Answer change, if Pure Oils supplies machine oils amounting to ₹ 2,50,000 from its branch located in Himachal Pradesh in addition to the above-mentioned supplies?(RTP May '18)

Answer 14

As per section 22 of the CGST Act, 2017, a supplier is liable to be registered in the State/Union territory from where he makes a taxable supply of goods or services or both, if his aggregate turnover in a financial year exceeds ₹ 20 lakh. *(As per amendment the Government may at the request of a State or recommendation of the Council enhance the aggregate turnover from 20 Lakhs to such an amount not exceeding 40 Lakhs in case of supplier who is exclusively engaged in the supply of goods subject to such conditions & limitations as may be notified)*

However, if such taxable supplies are made from any of the specified special category States, namely, States of Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura, Himachal Pradesh and Uttarakhand, he shall be liable to be registered if his aggregate turnover in a financial year exceeds ₹ 10 lakh. *(As per amendment the Government may at the request of a State or recommendation of the Council enhance the aggregate turnover from 10 Lakhs to such an amount not exceeding 20 Lakhs in case of supplier who is exclusively engaged in the supply of goods subject to such conditions & limitations as may be notified)*

As per section 2(6) of the CGST Act, 2017, aggregate turnover includes the aggregate value of:

- (i) all taxable supplies,
- (ii) all exempt supplies,
- (iii) exports of goods and/or services and
- (iv) all inter-State supplies of persons having the same PAN.

The above is computed on all India basis. Further, the aggregate turnover excludes central tax, State tax, Union territory tax, integrated tax and cess. Moreover, the value of inward supplies on which tax is payable under reverse charge is not taken into account for calculation of 'aggregate turnover'.

Further, the explanation to section 22 provides that the expression "aggregate turnover" shall include all supplies made by the taxable person, whether on his own account or made on behalf of all his principals.

Section 9 of the CGST Act, 2017 provides that CGST is not leviable on five petroleum products i.e. petroleum crude, motor spirit (petrol), high speed diesel, natural gas and aviation turbine fuel. As per section 2(47) of the CGST Act, 2017, exempt supply includes non-taxable supply. Thus, supply of high speed diesel in Delhi, being a non-taxable supply, is an exempt supply and is, therefore, includible while computing the aggregate turnover.

In the backdrop of the above-mentioned discussion, the aggregate turnover for the month of April, 20XX is computed as under:

S. No.	Particulars	Amount (in ₹)
(i)	Supply of machine oils in Delhi	2,00,000
(ii)	Add: Supply of high speed diesel in Delhi	4,00,000
(iii)	Add: Supply made through Fortis Lubricants - an agent of Pure Oils in Delhi	-
(iv)	Add: Supply made by Pure Oils from its branch located in Punjab	1,80,000
	Aggregate Turnover	7,80,000

Since the aggregate turnover does not exceed ₹ 20 lakh (**as per amendment 40 Lakh**), Pure Oils is not liable to be registered.

If Pure Oils made supply of machine oils amounting to ₹ 2,50,000 from its branch in Himachal Pradesh in addition to the above supply, ~~then threshold limit of registration will be reduced to ₹ 10 lakh as Himachal Pradesh is one of the specified Special Category States.~~ **As per amendment the limit will be 40 Lakhs as mentioned below.**

Aggregate Turnover in that case would be ₹ 7,80,000 + ₹ 2,50,000 = ₹ 10,30,000. ~~So, if Pure Oils supplies machine oils amounting to ₹ 2,50,000 from its branch in Himachal Pradesh, then it is liable to be registered.~~ **Hence It will not be liable to get registered.**

As per amendment –

As per section 22 of the CGST Act, 2017 read with Notification No. 10/2019 CT dated 07.03.2019, a supplier is liable to be registered in the State/Union territory from where he makes a taxable supply of goods and/or services, if his aggregate turnover in a financial year exceeds the threshold limit. The threshold limit for a person making exclusive intra-State taxable supplies of goods is as under:-

- (a) ₹ 10 lakh for the Special Category States of Mizoram, Tripura, Manipur and Nagaland.**
- (b) ₹ 20 lakh for the States, namely, States of Arunachal Pradesh, Meghalaya, Puducherry, Sikkim, Telangana and Uttarakhand.**
- (c) ₹ 40 lakh for rest of India except persons engaged in making supplies of ice cream and other edible ice, whether or not containing cocoa, Pan masala and Tobacco and manufactured tobacco substitutes.**

Question 15

Discuss the circumstances where registration is liable to be cancelled.(RTP Nov '18)

Answer 15

Section 29(1) of the CGST Act, 2017 provides that the proper officer may, either on his own motion or on an application filed by the registered person or by his legal heirs, in case of death of such person, cancel the registration, in such manner and within such period as may be prescribed, having regard to the circumstances where:

- (a) the business has been discontinued, transferred fully for any reason including death of the proprietor, amalgamated with other legal entity, demerged or otherwise disposed of; or
- (b) there is any change in the constitution of the business; or
- (c) the taxable person, other than the person registered under sub-section (3) of section 25, is no longer liable to be registered under section 22 or section 24

Further, section 29(2) of the CGST Act, 2017 provides that the proper officer may cancel the registration of a person from such date, including any retrospective date, as he may deem fit, where,—

- (a) a registered person has contravened such provisions of the Act or the rules made thereunder as may



be prescribed; or

- (b) a person paying tax under section 10 has not furnished ~~returns for three consecutive tax periods~~ (**As per amendment -the return for a financial year beyond 3 months from the due date of furnishing the said return**); or
- (c) any registered person, other than a person specified in clause (b), has not furnished returns for a ~~continuous period of six months~~ **such continuous tax period as may be prescribed**; or
- (d) any person who has taken voluntary registration under sub-section (3) of section 25 has not commenced business within six months from the date of registration;
or
- (e) registration has been obtained by means of fraud, wilful misstatement or suppression of facts

Further, the proper officer shall not cancel the registration without giving the person an opportunity of being heard.

- (ii) Section 49(8) of CGST Act, 2017 prescribes the chronological order in which the liability of a taxable person has to be discharged:
 - (a) self -assessed tax and other dues for the previous tax periods have to be discharged first.
 - (b) self -assessed tax and other dues for the current tax period have to be discharged next.
 - (c) Once these two steps are exhausted, thereafter any other amount payable including demand determined under section 73 or section 74 is to be discharged. In other words, the liability if any, arising out of demand notice and adjudication proceedings comes last. This sequence has to be mandatorily followed. The expression “other dues” referred above mean interest, penalty, fee or any other amount payable under the Act or the rules made thereunder.

Question 16

M/s Siya Ram is a trader of decorative items in Hauz Khas, Delhi. His aggregate turnover exceeded ₹ 20 lakh in the month of October, 20XX. He applied for registration on GST portal, but missed to submit the details of his bank account. His tax consultant advised him that prior submission of bank details is mandatory to obtain registration. Examine whether the advice of Mr. Siya Ram’s tax consultant is correct.(RTP Nov ’19)

Answer 16

The advice of Mr. Siya Ram’s consultant that prior submission of bank details is mandatory to obtain registration is no more valid in law.

A new rule 10A has been inserted in the CGST Rules, 2017 vide Notification No. 31/2019 CT dated 28.06.2019 which allows the registered person to furnish information with respect to details of bank account, or any other information, as may be required on the common portal in order to comply with any other provision, soon after obtaining certificate of registration and a GSTIN, but not later than 45 days from the date of grant of registration or the date on which the return required under section 39 is due to be furnished, whichever is earlier.

This relaxation is however not available for those who have been granted registration as TDS deductor/ TCS collector under rule 12 or who have obtained suo-motu registration under rule 16.

Question 17

Examine whether the supplier is liable to get registered in the following independent cases:-

- (i) **Raghav of Assam is exclusively engaged in intra-State taxable supply of readymade garments. His turnover in the current financial year (FY) from Assam showroom is ₹ 28 lakh. He has another showroom in Tripura with a turnover of ₹ 11 lakh in the current FY.**
- (ii) **Pulkrit of Panjim, Goa is exclusively engaged in intra-State taxable supply of shoes. His aggregate turnover in the current financial year is ₹ 22 lakh.**



- (iii) Harshit of Himachal Pradesh is exclusively engaged in intra-State supply of pan masala. His aggregate turnover in the current financial year is ₹ 24 lakh.
- (iv) Ankit of Assam is exclusively engaged in intra-State supply of taxable services. His aggregate turnover in the current financial year is ₹ 25 lakh.
- (v) Sanchit of Assam is engaged in intra-State supply of both taxable goods and services. His aggregate turnover in the current financial year is ₹ 30 lakh. (RTP May '20)

Answer 17

As per section 22 of the CGST Act, 2017 read with Notification No. 10/2019 CT dated 07.03.2019, a supplier is liable to be registered in the State/Union territory from where he makes a taxable supply of goods and/or services, if his aggregate turnover in a financial year exceeds the threshold limit. The threshold limit for a person making exclusive intra - State taxable supplies of goods is as under:-

- (a) ₹ 10 lakh for the States of Mizoram, Tripura, Manipur and Nagaland.
- (b) ₹ 20 lakh for the States of States of Arunachal Pradesh, Meghalaya, Puducherry, Sikkim, Telangana and Uttarakhand.
- (c) ₹ 40 lakh for rest of India. However, the higher threshold limit of ₹ 40 lakh is not available to persons engaged in making supplies of ice cream and other edible ice, whether or not containing cocoa, Pan masala and Tobacco and manufactured tobacco substitutes.

The threshold limit for a person making exclusive taxable supply of services or supply of both goods and services is as under:-

- (a) ₹ 10 lakh for the States of Mizoram, Tripura, Manipur and Nagaland.
- (b) ₹ 20 lakh for the rest of India.

In the light of the afore-mentioned provisions, the Answer to the independent cases is as under:-

- (i) Raghav is eligible for higher threshold limit of turnover for registration, i.e. ₹ 40 lakh as he is exclusively engaged in intra-State supply of goods. However, since Raghav is engaged in supplying readymade garments from a Special Category State i.e. Tripura, the threshold limit gets reduced to ₹ 10 lakh. Thus, Raghav is liable to get registered under GST as his turnover exceeds ₹10 lakh. Further, he is required to obtain registration in both Assam and Tripura as he is making taxable supplies from both the States.
- (ii) The applicable threshold limit for registration for Pulkit in the given case is ₹ 40 lakh as he is exclusively engaged in intra-State taxable supply of goods. Thus, he is not liable to get registered under GST as his turnover is less than the threshold limit.
- (iii) Harshit being exclusively engaged in supply of pan masala is not eligible for higher threshold limit of ₹40 lakh. The applicable threshold limit for registration in this case is ₹20 lakh. Thus, Harshit is liable to get registered under GST.
- (iv) Though Ankit is dealing in Assam, he is not entitled for higher threshold limit for registration as the same is applicable only in case of exclusive supply of goods while he is exclusively engaged in providing services. Thus, the applicable threshold limit for registration in this case is ₹ 20 lakh and hence, Ankit is liable to get registered under GST.
- (v) Since Sanchit is engaged in supply of both taxable goods and services, the applicable threshold limit for registration in his case is ₹ 20 lakh. Thus, Sanchit is liable to get registered under GST as his turnover is more than the threshold limit.

Question 18

Examine whether the liability to register compulsorily under section 24 of the CGST Act, 2017 arises in each of the independent cases mentioned below:

- (1) Heera, a supplier in Haryana, is exclusively engaged in supply of potatoes produced out of cultivation of his own land, within Haryana and also outside Haryana.



- (2) Aanya of Telangana is exclusively engaged in intra-State supply of toys. Its aggregate turnover in the current financial year is ₹ 22 lakh. (RTP Nov '21)

Answer 18

- (1) Section 24 of the CGST Act, 2017 provides that persons making any inter -State taxable supply of goods are required to obtain registration compulsorily under GST laws irrespective of the quantum of aggregate turnover. However, as per section 23 of the CGST Act, 2017, an agriculturist, to the extent of supply of produce out of cultivation of land, is not liable to registration. Heera is exclusively engaged in cultivation and supply of potatoes. Thus, he is not liable to registration irrespective of the fact that he is engaged in making inter -State supply of goods. Further, Heera will not be liable to registration, in the given case, even if his turnover exceeds the threshold limit.
- (2) As per section 22 of the CGST Act, 2017 read with Notification No. 10/2019 CT dated 07.03.2019, a supplier is liable to be registered in the State/Union territory from where he makes a taxable supply of goods and/or services, if his aggregate turnover in a financial year exceeds the threshold limit. The threshold limit for a person making exclusive intra-State taxable supplies of goods is as under:-
- (a) ₹ 10 lakh for the Special Category States of Mizoram, Tripura, Manipur and Nagaland.
 - (b) ₹ 20 lakh for the States, namely, States of Arunachal Pradesh, Meghalaya, Puducherry, Sikkim, Telangana and Uttarakhand.
 - (c) ₹ 40 lakh for rest of India except persons engaged in making supplies of ice cream and other edible ice, whether or not containing cocoa, Pan masala and Tobacco and manufactured tobacco substitutes.

Since Aanya is making taxable supplies from Telangana, she will not be eligible for higher threshold limit available in case of exclusive supply of goods. The applicable threshold limit for registration for Aanya in the given case is ₹ 20 lakh. Thus, she is liable to get registered under GST.

Question 19

Mr. X of Haryana intends to start business of supply of building material to various construction sites in Haryana. He has taken voluntary registration under GST in the month of April. However, he has not commenced the business till December due to lack of working capital. The proper officer suo-motu cancelled the registration of Mr. X. You are required to examine whether the action taken by proper officer is valid in law?

Mr. X has applied for revocation of cancellation of registration after 40 from the date of service of the order of cancellation of registration. Department contends that application for revocation of cancellation of registration can only be made within 30 days from the date of service of the order of cancellation of registration. However, Mr. X contends that the period of submission of application may be extended on sufficient grounds being shown. You are required to comment upon the validity of contentions raised by Department and Mr. X. (RTP May '22)

Answer 19

As per section 29 of the CGST Act, 2017, the proper officer may cancel the registration of a person from such date, including any retrospective date, as he may deem fit, where,-

- (a) a registered person has contravened such provisions of the Act or the rules made thereunder as may be prescribed; or
- (b) a person paying tax under composition scheme has not furnished returns for three consecutive tax periods **As per amendment -the return for a financial year beyond 3 months from the due date of furnishing the said return)** or
- (c) any registered person, other than a person specified in clause (b), has not furnished returns for a continuous period of six months **such continuous tax period as may be prescribed;** or
- (d) any person who has taken voluntary registration under sub-section (3) of section 25 has not commenced business within six months from the date of registration; or

(e) registration has been obtained by means of fraud, wilful misstatement, or suppression of facts:



Thus, in view of the above-mentioned provisions, suo-motu cancellation of registration of Mr. X by proper officer is valid in law since Mr. X, a voluntarily registered person, has not commenced his business within 6 months from the date of registration. Further, where the registration of a person is cancelled suo-motu by the proper officer, such registered person may apply for revocation of the cancellation to such proper officer, within ~~30 days~~ **90 days** from the date of service of the order of cancellation of registration

However, the said period of ~~30 days~~ **90 days** may, on sufficient cause being shown and for reasons to be recorded in writing, be extended for a period not exceeding ~~30 days~~ **180 days by the Commissioner or an officer authorised by him on his behalf not below rank of Additional/Joint Commissioner** and by further period not exceeding ~~30 days~~ by Commissioner. Thus, considering the above provisions, the contention of Department is not valid in law as extension can be sought in the prescribed time limit for revocation of cancellation of registration. The contention raised by Mr. X is valid in law as extension in time limit is allowed on sufficient cause being shown and for reasons to be recorded in writing.

(As per amendment a registered person can submit an application for revocation of cancellation of registration to such proper officer within a period of 90 days from the date of service of the order of cancellation of registration. However such a period may on sufficient cause being shown and for reasons to be recorded in writing be extended by the Commissioner or an officer authorized by him in this behalf not below the rank of Additional or Joint Commissioner as the case maybe for a further period not exceeding 180 days)

Question 20

Examine whether the supplier of goods is liable to get registered in the following independent cases:

- (i) Rudra Builders of Rohini, Delhi is exclusively engaged in intra-State taxable supply of building bricks. It's aggregate turnover in the current financial year is ₹ 23 lakh.
- (ii) Heera of Himachal Pradesh is exclusively engaged in intra-State taxable supply of footwear. His turnover in the current financial year (FY) from Himachal Pradesh showroom is ₹ 32 lakh. He has another showroom in Nagaland with a turnover of ₹ 11 lakh in the current FY. (RTP Nov'22)

Answer 20

As per section 22 of the CGST Act, 2017 read with Notification No. 10/2019 CT dated 07.03.2019, a supplier is liable to get registered in the State/Union territory from where he makes a taxable supply of goods and/or services, if his aggregate turnover in a financial year exceeds the threshold limit. The threshold limit for a person making exclusive intra-State taxable supplies of goods is as under:-

- (a) ₹ 10 lakh for the Special Category States of Mizoram, Tripura, Manipur and Nagaland.
- (b) ₹ 20 lakh for the States, namely, States of Arunachal Pradesh, Meghalaya, Puducherry, Sikkim, Telangana and Uttarakhand.
- (c) ₹ 40 lakh for rest of India except persons engaged in making supplies of fly ash bricks/blocks, building bricks, bricks of fossil meals, earthen/roofing tiles, ice cream and other edible ice, whether or not containing cocoa, Pan masala and Tobacco and manufactured tobacco substitutes.

In the light of the afore-mentioned provisions, the Answer to the independent cases is as under:

- (i) The benefit of enhanced threshold limit of registration of ₹ 40 lakh is not applicable for Rudra brothers even though it is exclusively engaged in intra-State taxable supply of goods in Delhi as it is engaged in making supplies of building bricks. Thus, the applicable threshold limit for registration for Rudra Builders in the given case is ₹ 20 lakh. Thus, it is liable to get registered under GST as its turnover is more than the threshold limit.
- (ii) Heera could have been eligible for enhanced threshold limit of turnover for registration, i.e. ₹ 40 lakh as he is exclusively engaged in intra-State supply of goods. However, since Heera is engaged in supplying footwear from a Special Category State i.e. Nagaland, the threshold limit gets reduced to ₹ 10 lakh. Thus, Heera is liable to get registered under GST as his turnover exceeds ₹10 lakh. Further, he is required to obtain registration in both Himachal Pradesh and Nagaland as he is making taxable

supplies from both the States.

Question 21

“Aadhaar authentication is not required for persons who are already registered under GST.” Examine and discuss the correctness of the statement. You are required to elaborate the relevant legal provisions.(RTP Nov’22)

Answer 21

The given statement is incorrect. Aadhaar authentication has been made mandatory for the new registrants as well as for the existing registrants. With regard to existing registrants, section 25(6A) of the CGST Act, 2017 stipulates that every registered person shall undergo authentication, or furnish proof of possession of Aadhaar number, in the prescribed form, manner and time. New rule 10B of the CGST Rules, 2017 prescribes the manner in which aadhaar authentication needs to be done by a registered person.

A registered person, who has been issued a certificate of registration under GST, shall undergo authentication of the Aadhaar number of:-

- Proprietor, in the case of proprietorship firm,
- Any partner, in the case of a partnership firm,
- Karta, in the case of a Hindu undivided family,
- Managing director or any whole-time director, in the case of a company,
- Any of the Members of the Managing Committee of an Association of persons or body of individuals or a Society, or
- Trustee in the Board of Trustees, in the case of a Trust; and of the Authorized Signatory, in order to be eligible for the following purposes:
 - ✓ for filing of application for revocation of cancellation of registration [Rule 23]
 - ✓ for filing of refund application in Form RFD-01 [Rule 89]
 - ✓ for refund of the IGST paid on goods exported out of India [Rule 96]

First proviso to section 25(6A) of the CGST Act, 2017 provides that if an Aadhaar number is not assigned to an existing registered person, such person shall be offered alternate and viable means of identification in the prescribed manner. Such manner has been prescribed by rule 10B of the CGST Rules, 2017 as follows:

If Aadhaar number has not been assigned to the person required to undergo authentication of the Aadhaar number, such person shall furnish the following identification documents, namely: –

- (a) his/ her Aadhaar Enrolment ID slip; and
- (b) (i) Bank passbook with photograph; or
 - (ii) Voter identity card issued by the Election Commission of India; or
 - (iii) Passport; or
 - (iv) Driving license issued by the Licensing Authority

However, once Aadhaar number is allotted to such person, he shall undergo the authentication of Aadhaar number within a period of 30 days of the allotment of the Aadhaar number.

The afore-said rule 10B shall not be applicable to persons notified under section 25(6D) of the CGST Act, 2017, i.e. to persons exempt from aadhaar authentication.



Question 22

Briefly enumerate the contraventions which make a registered person liable to cancellation of registration, as prescribed under rule 21 of the CGST Rules, 2017. (RTP May '23)

Answer 22

Rule 21 of the CGST Rules, 2017 prescribes the contraventions which make a registered person liable to cancellation of registration. As per said rule, the registration granted to a person is liable to be cancelled, if the said person -

- (a) does not conduct any business from the declared place of business.
- (b) issues invoice/bill without supply of goods/services in violation of the provisions of this Act, or the rules made thereunder.
- (c) violates the provisions of section 171 of the CGST Act. Section 171 contains provisions relating to anti-profiteering measure.
- (d) violates the provision of rule 10A of the CGST Rules relating to furnishing of bank account details.
- (e) avails input tax credit in violation of the provisions of section 16 of the CGST Act or the rules made thereunder.
- (f) furnishes the details of outward supplies in Form GSTR-1 under section 37 of the CGST Act for one or more tax periods which is in excess of the outward supplies declared by him in his valid return under section 39 for the said tax periods.

being a registered person required to file return under section 39(1) of the CGST Act for each month or part thereof (i.e. monthly return filer), has not furnished returns for a continuous period of 6 months.

being a registered person required to file return under proviso to section 39(1) of the CGST Act for each quarter or part thereof (i.e. quarterly return filer), has not furnished returns for a continuous period of 2 tax periods.

Question 23

Examine the following cases and explain with reasons whether the supplier of goods is liable to get registered in GST:

- (i) **Krishna of Himachal Pradesh is exclusively engaged in intra-State taxable supply of readymade suits. His turnover in the current financial year from Himachal Pradesh showroom is ` 25 lakh. He has two more showrooms one in Manipur & another in Sikkim with a turnover of ` 15 lakh and ` 18 lakh respectively in the current financial year.**
- (ii) **Ankit of Telangana is exclusively engaged in intra-State taxable supply of footwear's. His aggregate turnover in the current financial year is ` 25 lakh:**
- (iii) **Aakash of Uttar Pradesh is exclusively engaged in intra-State supply of pan masala. His aggregate turnover in the current financial year is ` 30 lakh. (PYP 5 Marks, July'21)**

Answer 23

Every person engaged in making a taxable supply is required to obtain registration if his aggregate turnover exceeds ` 20 lakh in a financial year. An enhanced threshold limit for registration of ` 40 lakh is available to persons engaged exclusively in intra-State supply of goods in specified States.

- (i) The applicable threshold limit for registration gets reduced to ` 10 lakh in case a person is engaged in making taxable supply from a Special Category State. Since Krishna is making taxable supply from Manipur – a Special Category State, the applicable threshold limit will get reduced to ` 10 lakh. Thus, it is liable to be registered under GST as its aggregate turnover exceeds the said threshold limit.
- (ii) Since Ankit is exclusively engaged in intra-State supply of goods in Telangana, which is not a specified State for enhanced threshold limit, the applicable threshold limit for registration is ` 20 lakh. Thus, Ankit is liable to be registered under GST as its aggregate turnover exceeds the said threshold limit.



- (iii) Though the enhanced threshold limit for registration of ` 40 lakh is available to Uttar Pradesh, the same will not be applicable if the person is engaged in supply of pan masala. In view of the same, the applicable threshold limit for Aakash is ` 20 lakh. Thus, it is liable to be registered under GST as its aggregate turnover exceeds the said threshold limit.

Question 24

Under the provision of section 29(1) of CGST Act, 2017 read with rule 21A of CGST Rules, 2017 related to suspension of registration if the registered person has applied for cancellation of registration, what is the period and manner of suspension of registration on? (PYP 5 Marks, Jan'21)

Answer 24

Where a registered person has applied for cancellation of registration, the registration shall be deemed to be suspended from:

- (a) the date of submission of the application or
- (b) the date from which the cancellation is sought, whichever is later, pending the completion of proceedings for cancellation of registration.

Such person shall not make any taxable supply during the period of suspension and shall not be required to furnish any return.

The expression "shall not make any taxable supply" mean that the registered person shall not issue a tax invoice and, accordingly, not charge tax on supplies made by him during the suspension period.

Question 25

Explain the circumstances under which proper officer can cancel the registration on his own of a registered person under CGST Act, 2017. (PYP 5 Marks. Jan'21)

Answer 25

The circumstances under which proper officer can cancel the registration on his own of a registered person under the CGST Act, 2017 are as under: -

- (i) A registered person has contravened any of the following prescribed provisions of the GST law:
 - (a) He does not conduct any business from the declared place of business.
 - (b) He issues invoice/bill without supply of goods/services in violation of the provisions of GST law.
 - (c) He violates the provisions of anti-profiteering.
 - (d) He violates the provisions relating to furnishing of bank details.
- (ii) A person paying tax under composition levy has not furnished returns for 3 consecutive tax periods.
- (iii) A registered person paying tax under regular scheme has not furnished returns for continuous period of 6 months.
- (iv) Voluntarily registered person has not commenced the business within 6 months from the date of registration.
- (v) Registration was obtained by means of fraud, willful misstatement or suppression of facts.

Question 26

BBD Pvt. Ltd. of Gujarat exclusively manufactures and sells product 'Z' which is exempt from GST vide notifications issued under relevant GST legislations. The company sells 'Z' only within Gujarat and is not registered under GST laws. The turnover of the company in the previous year 2022-23 was ` 50 lakh. The company expects the sales to grow by 10% in the current year 2023-24. However, effective 01.01.2024, exemption available on 'Z' was withdrawn by the Central Government and GST@ 5% was imposed thereon. The turnover of the company for the nine months ended on 31.12.2023 was ` 42 lakh. BBD Pvt. Ltd. is of the opinion that it is not required to get registered under GST for current financial year 2019-20. Examine the above scenario and advise BBD Pvt. Ltd. whether it needs to get registered under GST or not. (PYP 4 Marks, Nov'20)

Answer 26

For a supplier exclusively engaged in intra-State supply of goods, the threshold limit of turnover to obtain registration in the State of Gujarat is ` 40 lakh. However, a person exclusively engaged in the business of

supplying goods and/or services that are not liable to tax or are wholly exempt from tax is not liable to registration.

Therefore, since BBD Pvt. Ltd. was engaged exclusively in supplying exempted goods till 31.12.2023, it was not required to be registered till that day; though voluntary registration was allowed.

The position, however, will change from 01.01.2024 as the supply of goods become taxable from that day and the turnover of BBD Pvt. Ltd. is more than ` 40 lakh. Since the aggregate turnover limit of ` 40 lakh includes exempt turnover also, turnover of 'Z' till 31.12.2023 will be considered for determining the threshold limit even though the same was exempt from GST. Therefore, BBD Pvt. Ltd. needs to register within 30 days from 01.01.2024.

Question 27

Explain the registration requirements under GST law in the following independent cases:

- (i) **Mr. Ahmad of Jammu engaged in the business of supplying tobacco based Pan Masala with an aggregate turnover of ` 24 lacs.**
- (ii) **Mr. Lepta 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? (PYP 5 Marks, Nov'19)**

Answer 27

- (i) A person is eligible for enhanced threshold limit of ` 40 lakh in the State of Jammu and Kashmir if he is engaged exclusively in intra-State supply of goods.
However, the enhanced threshold limit is not applicable if the person is engaged, inter alia, in the supply of pan masala and all goods of chapter 24 i.e. Tobacco and manufactured tobacco substitutes. In that case, the normal threshold limit of ` 20 lakh will be applicable.
In view of said provisions, in the given case, Mr. Ahmad is liable to register since his aggregate turnover (` 24 lakh) exceeds the applicable threshold limit for registration of ` 20 lakh.
- (ii) The enhanced threshold limit of ` 40 lakh as applicable to a person engaged exclusively in intra-State supply of goods, is not applicable to Mizoram [a specified Special Category State]. Instead, a lower threshold limit of ` 10 lakh for registration is applicable for Mizoram.
Thus, in the given case, Mr. Lepcha of Mizoram is liable to register since his aggregate turnover (` 13 lakh) exceeds the applicable threshold limit for registration of ` 10 lakh. The enhanced threshold limit of ` 40 lakh is also specifically not applicable in the State of Meghalaya. Instead, the normal threshold limit of ` 20 lakh for registration is applicable to it. Therefore, if Mr. Lepcha is located in Meghalaya, he is not liable to register since his aggregate turnover (` 13 lakh) does not exceed the applicable threshold limit for registration of ` 20 lakh.

Question 28

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 ` 9,00,000 which consists of ` 8,00,000 as Intra-State supply and ` 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. His turnover in the financial year 2023-24 is of ` 12 lakhs on his own account and ` 9 lakhs on behalf of principal. Both turnovers are Intra -State supply. (PYP 4 Marks, May'19)**

Answer 28

- (i) Person making any inter-State taxable supply of goods is required to obtain registration compulsorily under GST laws irrespective of the quantum of aggregate turnover. Thus, in the given case Mr. Raghav is required to obtain registration compulsorily under GST laws even though his aggregate turnover does not exceed the threshold limit of ` 10 lakh [since Assam is a Special Category State] in the financial year.
- (ii) Persons who make taxable supply of goods on behalf of other taxable persons whether as an agent or otherwise are required to obtain registration compulsorily under GST laws irrespective of the quantum of aggregate turnover.



Aggregate turnover includes all supplies made by the taxable person, whether on his own account or made on behalf of all his principals.

Since Mr. S.N Gupta is also acting as an agent of Mr. Rishi of Delhi, he is required to obtain registration compulsorily under GST laws.

Question 29

Registration under the CGST Act, 2017 can be cancelled by the proper officer, if the voluntarily registered person has not commenced the business within three months from the date of registration. (PYP 1.5, Marks, Nov'18)

Answer 29

The said statement is False.

Registration under the CGST Act, 2017 can be cancelled by the proper officer, if the voluntarily registered person has not commenced the business within six months from the date of registration.

Question 30

State the persons who are not liable for registration as per provisions of Section 23 of Central Goods and Service Tax Act, 2017. (PYP 5 Marks Nov'18, MTP 5 Marks, April'19)

Answer 30

As per provisions of Section 23 of CGST Act, 2017, the persons who are not liable for registration are as under–

- (i) Person engaged exclusively in supplying goods/services/both that are wholly exempt from tax.
- (ii) Person engaged exclusively in supplying goods/services/both that are not liable to tax.
- (iii) Agriculturist to the extent of supply of produce out of cultivation of land.
- (iv) Persons only engaged in making supplies of taxable goods or services or both liable to reverse charge.
- (v) Persons making inter-State supplies of taxable services up to an aggregate turnover of ` 20 lakh (` 10 lakh in case of special category States except Jammu and Kashmir).
- (vi) Casual Taxable Persons making taxable supplies of specified handicraft goods up to an aggregate turnover of ` 20 lakh (` 10 lakh in case of special category States except Jammu and Kashmir) subject to specified conditions.
- (vii) Persons making inter-State supplies of specified handicraft goods up to an aggregate turnover of ` 20 lakh (` 10 lakh in case of special category States except Jammu and Kashmir) subject to specified conditions.
- (viii) Job workers making inter-State supply of services to a registered person up to an aggregate turnover of ` 20 lakh (` 10 lakh in case of special category States except Jammu and Kashmir) subject to specified conditions.
- (ix) Persons making supplies of services through an electronic commerce operator (other than supplies specified under section 9(5) of the CGST Act) up to an aggregate turnover of ` 20 lakh (` 10 lakh in case of special category States except Jammu and Kashmir).

Question 31

Mr. Allan, a non-resident person, wishes to provide taxable supply of goods. He has no fixed place of business or residence in India. He seeks your advice on the following aspects, relating to CGST Act, 2017:

- (i) **When shall he apply for registration?**
- (ii) **Is PAN mandatory for his registration?**
- (iii) **What is the period of validity of RC granted to him?**
Will he be able to extend the validity of his registration? If yes, what will be the period of extension? (PYP 5 Marks, Nov'18)

Answer 31

- (i) Mr. Allan, being a non-resident person, should apply for registration, irrespective of the threshold limit, at least 5 days prior to the commencement of business.
- (ii) No, PAN is not mandatory for his registration.



He has to submit a self-attested copy of his valid passport along with the application signed by his authorized signatory who is an Indian Resident having valid PAN.

However, in case of a business entity incorporated or established outside India, the application for registration shall be submitted along with its tax identification number or unique number on the basis of which the entity is identified by the Government of that country or its PAN, if available.

- (iii) Registration Certificate granted to Mr. Allan will be valid for:
 - a. Period specified in the registration application, or
 - b. 90 days from the effective date of registration whichever is earlier.
- (iv) Yes, Mr. Allan can get the validity of his registration extended. Registration can be extended further by a period not exceeding 90 days.

Question 32

Determine the effective date of registration in the following instances:

- (i) **The aggregate turnover of Madhu Ltd., engaged in taxable supply of services in the state of Punjab, exceeded ` 20 lakh on 25th August, 2023. It applies for registration on 19th September, 2023 and is granted registration certificate on 29th September, 2023.**
- (ii) **What will be your answer, if in the above scenario, Madhu Ltd. submits the application for registration on 27th September, 2023 and is granted registration on 5th October, 2023? (4 Marks, May'18, MTP 4 Marks, Oct'18)**

Answer 32

A supplier whose aggregate turnover in a financial year exceeds ` 20 lakh in a State/UT [` 10 lakh in Special Category States except Jammu and Kashmir] 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).

Where the application is submitted within the 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.

In the given case, the applicable turnover limit for registration will be ` 20 lakh as Punjab is not a Special Category State.

- (i) Since Madhu Ltd. applied for registration within 30 days of becoming liable to registration, the effective date of registration is 25th August, 2023.
- (ii) In this case, since Madhu Ltd. applies for registration after the expiry of 30 days from the date of becoming liable to registration, the effective date of registration is 5th October, 2023.

Question 33

Q Ltd. is engaged exclusively in supply of taxable goods from the following states. The particulars of intra-state supplies for the month of May are as follows:

State	Turnover (`)
Madhya Pradesh	5,00,000
Gujarat	14,00,000
Tripura	12,00,000

- (i) **Q Ltd. seeks to know whether it is liable for registration under GST. Give your explanation.**
- (ii) **Will your answer be different if Q Ltd. supplies only petrol & diesel from Tripura instead of any other taxable goods? (PYP 4 Marks Dec '21)**

Answer 33

Every person engaged in making a taxable supply is required to obtain registration if his aggregate turnover exceeds ` 20 lakh in a financial year. An enhanced threshold limit for registration of ` 40 lakh is available to persons engaged exclusively in intra-State supply of goods in specified States. However, the applicable threshold limit for registration gets reduced to ` 10 lakh in case a person is engaged in making supply from a specified Special Category State provided such supply is a taxable supply.



- (i) Since Q Ltd. is making supply of taxable goods from Tripura – a specified Special Category State, the applicable threshold limit will get reduced to ` 10 lakh.

Thus, it is liable to be registered under GST as its aggregate turnover [` 31 lakh] exceeds the said threshold limit.

- (ii) In case Q Ltd. is making supply of non-taxable goods [petrol and diesel] from Tripura, the applicable threshold limit will not be reduced to ` 10 lakh; enhanced threshold limit of ` 40 lakh will be applicable.

Thus, it is not liable to be registered under GST as its aggregate turnover [` 31 lakh] does not exceed the said threshold limit.

It has been assumed that Q Ltd. is not engaged in making supplies of ice cream and other edible ice, whether or not containing cocoa [2105 00 00], Pan masala [2106 90 20] and all goods of Chapter 24, i.e. Tobacco and manufactured tobacco substitutes

Question 34

Mr. Q, a casual taxable person of Gujarat state is a trader of taxable notified handicraft goods. It makes supplies to the states of Maharashtra, Rajasthan and Andhra Pradesh. Turnover for October is ` 18 Lakh.

- (i) Explain the provisions of registration for casual taxable person under GST. Examine whether Mr. Q is liable for registration or not?
- (ii) What will be the answer if Mr. Q makes trading in taxable notified products instead of taxable notified handicraft goods which involves 75% making on machine and 25% by hand? (PYP 5 Marks Dec '21)

Answer 34

- (i) A casual taxable person is required to obtain compulsory registration under GST irrespective of the quantum of its aggregate turnover.

However, a threshold limit of ` 20 lakh (` 10 lakh in case of specified Special Category States) is available for registration to a casual taxable person who:

- (i) is making inter-State taxable supplies of notified handicraft goods and notified hand-made goods,
- (ii) is availing the benefit of exemption from registration available to inter-State supply of above-mentioned goods upto the aggregate turnover of ` 20 lakh (` 10 lakh in case of specified Special Category States), and
- (iii) has obtained a PAN and
- (iv) has generated an e-way bill.

In the given case, since Mr. Q is engaged in supplying notified handicraft goods and its aggregate turnover⁶ does not exceed ` 20 lakh, he will not be liable to registration provided he fulfills other conditions specified herein.

- (ii) In case Mr. Q is engaged in trading of notified products which are predominantly made by machine, he will not be eligible for the exemption from registration under aforesaid provisions and needs to take compulsory (mandatory) registration.

It has been assumed that Mr. Q has started supply of goods in October 2021 itself.

Question 35

Answer the following questions with respect to casual taxable person under the CGST Act, 2017:

- (i) Who is a casual taxable person?
- (ii) Can a casual taxable person opt for the composition scheme?



- (iii) **When is the casual taxable person liable to get registered?**
- (iv) **What is the validity period of the registration certificate issued to a casual taxable person?**
- (v) **Can the validity of registration certificate issued to a casual taxable person be extended? If yes, what will be the period of extension. (PYP 5 Marks, May'19)**

Answer 35

- (ii) Casual taxable person means a person who occasionally undertakes transactions involving supply of goods and/or services in the course or furtherance of business, whether as principal, agent or in any other capacity, in a State/UT where he has no fixed place of business.
- (iii) No, a casual taxable person cannot opt for the composition scheme.
- (iv) A casual taxable person (CTP) is liable to obtain registration compulsorily under GST laws, at least 5 days prior to commencement of business.
However, threshold limit of ` 20 lakh (` 10 lakh in case of Special Category States other than Jammu & Kashmir) is available in case of CTP making taxable supplies of specified handicraft goods.
- (v) The registration certificate issued to a casual taxable person will be valid for:
 - (a) the period specified in the registration application, or
 - (b) 90 days from the effective date of registration whichever is earlier.
- (vi) Yes, the validity of registration certificate issued to a casual taxable person can be extended. It can be extended by a further period not exceeding 90 days.

Question 36

State any five circumstances under which the proper officer can cancel the registration on his own under the CGST Act, 2017. (PYP 5 Marks May'22)

Answer 36

Answer to Alternative

Circumstances under which the proper officer can cancel the registration on his own under the CGST Act, 2017:

- (i) A registered person has contravened any of the following prescribed provisions of the GST law:
 - (a) he does not conduct any business from the declared place of business.
 - (b) he issues invoice/bill without supply of goods/services in violation of the provisions of GST law.
 - (c) he violates the provisions of anti-profiteering.
 - (d) he violates the provisions relating to furnishing of bank details.
 - (e) he avails ITC in violation of the provisions of the GST law.
 - (f) furnishes the details of outward supplies in GSTR-1 for one or more tax periods which is in excess of the outward supplies declared by him in his valid return for the said tax periods.
 - (g) he violates the provision relating to restrictions on use of amount available in electronic credit ledger
- (ii) A person paying tax under composition levy has not furnished returns for 3 consecutive tax periods.
- (iii) A registered person paying tax under regular scheme has not furnished returns for continuous period of 6 months.
- (iv) Voluntarily registered person has not commenced the business within 6 months from the date of registration.
- (v) Registration was obtained by means of fraud, wilful misstatement or suppression of facts.

Question 37

Answer the following, after reading the below given paragraph:

- (i) **Briefly discuss the relevant provision**



- (ii) decide the correct conclusion and
- (iii) determine the validity of the given advice (Correct/Incorrect)

Dharun provides service as a business facilitator to Zio Bank Limited by facilitating in opening of bank accounts to villagers in its rural branches in Punjab and earned a commission of ₹ 22 lakh in the month of April, 2022. So far he is not registered under GST. Dharun's tax consultant advised him that he is liable for registration under GST as his gross receipts exceeded ₹ 20 lakh. Dharun has no other receipt/business activity other than the above. (PYP 2 Marks Nov '22)

Answer 37

Services by a business facilitator to a banking company with respect to accounts in its rural area branch is exempt from GST.

Since in the given case, Dharun is engaged exclusively in providing the exempt services, it is not liable to obtain registration even though his aggregate turnover exceeds ₹ 20 lakh.

Thus, the advice given by his tax consultant is not correct.

MULTIPLE CHOICE QUESTIONS (MCQS)

1. Which of the following statements are correct?

- (i) Revocation of cancellation of registration under CGST/SGST Act shall be deemed to be a revocation of cancellation of registration under SGST/CGST Act.
- (ii) Cancellation of registration under CGST/SGST Act shall be deemed to be a cancellation of registration under SGST/CGST Act.
- (iii) Revocation of cancellation of registration under CGST/SGST Act shall not be deemed to be a revocation of cancellation of registration under SGST/CGST Act.
- (iv) Cancellation of registration under CGST/SGST Act shall not be deemed to be a cancellation of registration under SGST/CGST Act.
 - (a) (i) and (ii)
 - (b) (i) and (iv)
 - (c) (ii) and (iii)
 - (d) (iii) and (iv)

(MTP 2Marks, Oct'19)

Ans: (a)

2. A person having ____business verticals in a State ____ obtain a separate registration for each business vertical.

- (a) Single, shall
- (b) Multiple, shall
- (c) Multiple, may
- (d) Single, may

(MTP 2 Marks, April'19)

Ans: (c)

3. Registration certificate granted to casual taxable person or non-resident taxable person will be valid for:

- (a) Period specified in the registration application
- (b) 90 days from the effective date of registration
- (c) Earlier of (a) or (b)
- (d) Later of (a) or (b)

(MTP 1 Mark, April'19)

Ans: (c)



4. **Aanya, an individual, based in Gujarat, is in employment and earning ₹ 10 lakh as salary. She is also providing consultancy services to different organizations on GST implications of business. Her turnover from the supply of such services is ₹ 12 lakh. Determine whether Aanya is liable for taking registration as per provisions of the CGST Act?**
- (a) Yes, as her aggregate turnover is more than ₹ 20 lakh.
 - (b) No, as her aggregate turnover is less than ₹ 40 lakh.
 - (c) No, as services in the course of employment does not constitute supply and therefore, aggregate turnover is less than ₹ 20 lakh.
 - (d) Yes, since she is engaged in taxable supply of services. **(MTP 2 Marks April 22)**

Ans: (c)

5. **Miss. Raksha is engaged in providing private coaching services in Noida, Uttar Pradesh and is not registered under GST till 25-Sep-20XX. Her aggregate turnover is ₹19,00,000/- on 30-Sep-20XX. She got GST registration on 30-Sep-20XX. Which of the following options are available to her?**
- (a) She can pay tax @ 18%, charge it from customer and avail full input tax credit on procurements made.
 - (b) She can pay tax @ 6% under exemption scheme for service providers but she cannot charge GST from customer and also cannot avail input tax credit.
 - (c) She is not liable for registration since her aggregate turnover is less than ₹40,00,000/-
 - (d) Either (a) or (b) **(RTP May '20)**

Ans: (d)

6. **Mr. Pappu Singh, commenced his business in Feb-20XX. He has established following units:**
- 1. **Unit A (in SEZ) and Unit B (non-SEZ) in the State of Maharashtra**
 - 2. **Unit C in Delhi**
 - 3. **Unit D and E in the State of Goa**

Mr. Pappu Singh has approached you to help him in determining the States and number of registrations he is required to take under GST (presuming the fact that he is making taxable supply from each State and his aggregate turnover exceeds the threshold limit):

- (a) Maharashtra-2: Delhi-1, Goa-Optional 1 or 2
- (b) Maharashtra-Optional 1 or 2: Delhi-1, Goa-Optional 1 or 2
- (c) Maharashtra-1: Delhi-1, Goa-1
- (d) Maharashtra-2: Delhi-1, Goa-2 **(RTP May '20)**

Ans: (a)

7. **A non-resident taxable person is required to apply for registration:**

- (a) within 30 days from the date on which he becomes liable to registration
- (b) within 60 days from the date on which he becomes liable to registration
- (c) at least 5 days prior to the commencement of business
- (d) None of the above **(RTP May '20)**

Ans: (c)



8. Prem & Sons had taken GST registration on 1st January but failed to furnish GST returns for the next 6 months. Owing to this, the proper officer cancelled its registration on 25th July and served the order for cancellation of registration on 31st July. Now, Prem & Sons wants to revoke the cancellation of registration. Prem & Sons can file an application for revocation of cancellation of registration on or before.

- (a) 30th August
- (b) 29th August
- (c) 29th September
- (d) 29th October (RTP Nov '20)

Ans: ~~(a)~~ Answer will be (d)

(As per amendment a registered person can submit an application for revocation of cancellation of registration to such proper officer within a period of 90 days from the date of service of the order of cancellation of registration. However such a period may on sufficient cause being shown and for reasons to be recorded in writing be extended by the Commissioner or an officer authorized by him in this behalf not below the rank of Additional or Joint Commissioner as the case maybe for a further period not exceeding 180 days)

9. Kalim & Associates made an application for cancellation of GST registration in the month of March due to closure of its business. Its application for cancellation of GST registration was approved on 14th September. In the given case, Kalim & Associates is:

- (a) required to file Final Return on or before 13th December
- (b) not required to file Final Return
- (c) required to file Final Return on or before 30th September
- (d) required to file Final Return on or before 14th December (RTP Nov '20)

Ans: (d)

10. Mr. Z of Himachal Pradesh starts a new business and makes following supplies in the first month-

- (i) Intra-State supply of taxable goods amounting to ₹ 17 lakh
- (ii) Supply of exempted goods amounting to ₹ 1 lakh
- (iii) Inter-State supply of taxable goods amounting to ₹ 1 lakh Whether he is required to obtain registration?
 - (a) Mr. Z is liable to obtain registration as the threshold limit of ₹ 10 lakh is crossed.
 - (b) Mr. Z is not liable to obtain registration as he makes exempted supplies.
 - (c) Mr. Z is liable to obtain registration as he makes the inter-State supply of goods.
 - (d) Mr. Z is not liable to obtain registration as the threshold limit of ₹ 20 lakh is not crossed. (RTP May '21)

Ans: (c)



Chapter 10

Tax Invoice, Credit & Debit Note

Question 1

Kartik & Co., a registered supplier under GST, provides the following information regarding various tax invoices issued by it during the month of March:

- (i) Value of supply charged in invoice no. 1 was ₹ 2,50,000 against the actual taxable value of ₹ 2,30,000.
- (ii) Tax charged in invoice no. 4 was ₹ 32,000 against the actual tax liability of ₹ 68,000 due to wrong HSN code being chosen while issuing invoice.
- (iii) Value charged in invoice no. 8 was ₹ 3,20,000 as against the actual value of ₹ 4,20,000 due to wrong quantity considered while billing.

Kartik & Co. asks you to Answer the following:

- (1) Who shall issue a debit/credit note under CGST Act?
- (2) Whether debit note or credit note has to be issued in each of the above circumstances?
- (3) What is the maximum time-limit available for declaring the credit note in the GST Return? (MTP 6 Marks, Oct'21 & April '22, Old & New SM)

Answer 1

1. The debit/credit note shall be issued by the registered person who has supplied the goods and/or services, i.e. Kartik & Co.
2. Yes, debit/credit note need to be issued in each of the circumstances as under:
 - (i) A credit note is required to be issued as the taxable value in invoice no. 1 exceeds the actual taxable value.
 - (ii) A debit note is required to be issued as the tax charged in the invoice no. 4 is less than the actual tax payable.
 - (iii) A debit note is required to be issued as the value of supply charged in the invoice no. 8 is less than the actual value.
3. The details of the credit note cannot be declared later than the return for the month of ~~September~~ **As per amendment 30th November** following the end of the financial year in which such supply was made or the date of furnishing of the relevant annual return, whichever is earlier.

Question 2

Narayan Singh, a registered supplier, has received advance payment with respect to services to be supplied to Shelly. His accountant asked him to issue the receipt voucher with respect to such services to be supplied. However, he is apprehensive as to what would happen in case a receipt voucher is issued, but subsequently no services are supplied. You are required to advise Narayan Singh regarding the same. (MTP 4 Marks, March'21 , March '23 & MTP 6 Marks Sep '23, Old & New SM)

Answer 2

Narayan Singh is required to issue a receipt voucher at the time of receipt of advance payment with respect to services to be supplied to Shelly. A receipt voucher is a document evidencing receipt of advance money towards a supply of goods and/or services or both. A registered person, on receipt of advance payment with respect to any supply of goods or services or both, shall issue a receipt voucher or any other document, evidencing receipt of such payment.

Where, on receipt of advance payment with respect to any supply of goods or services or both the registered person issues a receipt voucher, but subsequently no supply is made and no tax invoice is issued in pursuance thereof, the said registered person may issue to the person who had made the payment, a refund voucher against such payment. Therefore, in case subsequently no services are supplied by Narayan Singh, and no tax invoice is issued in pursuance thereof, Narayan Singh may issue a refund voucher against such payment to Shelly

Question 3

Angira Ltd. is a supplier of taxable goods in Karnataka. It got registered under GST in the month of September, 20XX and wishes to pay its IGST liability for the month. Since it is making the GST payment for the first time, it is of the view that it needs to mandatorily has the online banking facility to make



payment of GST; offline payment is not permitted under GST. You are required to apprise Angira Ltd. regarding the various modes of deposit in the electronic cash ledger. Further, advise it with regard to following issues:

- (a) Are manual challans allowed under GST?
- (b) What is the validity period of the challan? (MTP 4 Marks, Oct'20)

Answer 3

As per the provisions of CGST Act, 2017 read with relevant rules, the deposit in electronic cash ledger can be made through any of the following modes, namely: -

- (i) Internet Banking through authorised banks;
- (ii) Credit card or Debit card through the authorised bank;
- (iii) National Electronic Fund Transfer or Real Time Gross Settlement from any bank; or
- (iv) Over the Counter payment through authorised banks for deposits up to ten thousand rupees per challan per tax period, by cash, cheque or demand draft.

Thus, offline mode is also permitted under GST subject to specified conditions.

- (a) Manual or physical Challans are not allowed under the GST regime. It is mandatory to generate Challans online on the GST Portal.
- (b) Challan is valid for a period of 15 days.

Question 4

List out the situations in which a Credit note/Debit note may be issued under the CGST Act, 2017. (MTP 5 Marks, Oct'20, PYP 5 Marks May '19)

Answer 4

Credit note is required to be issued by the Supplier: -

- (i) If taxable value charged in the tax invoice is found to exceed the taxable value in respect of supply of goods and/or services, or
- (ii) If tax charged in the tax invoice is found to exceed the tax payable in respect of supply of goods and/or services, or
- (iii) if goods supplied are returned by the recipient, or
- (iv) if goods and/or services supplied are found to be deficient. Debit note is required to be issued by the Supplier: -
 - (i) if taxable value charged in the tax invoice is found to be less than the taxable value in respect of supply of goods and/or services or
 - (ii) if tax charged in the tax invoice is found to be less than the tax payable in respect of supply of goods and/or services.

Question 5

Under what circumstances does the need of issuance of debit note and credit note arise under section 34 of CGST Act, 2017? (MTP 5 Marks, Oct'18)

Answer 5

Debit note is required to be issued

- (i) if taxable value charged in the tax invoice is found to be less than the taxable value in respect of supply of goods and/or services or
- (ii) if tax charged in the tax invoice is found to be less than the tax payable in respect of supply of goods and/or services

Credit note is required to be issued: -

- (i) If taxable value charged in the tax invoice is found to exceed the taxable value in respect of supply of goods and/or services, or
- (ii) If tax charged in the tax invoice is found to exceed the tax payable in respect of supply of goods and/or services, or
- (iii) if goods supplied are returned by the recipient, or
- (iv) if goods and/or services supplied are found to be deficient.

Question 6

Determine with reason whether the following statements are true or false:

- (i) A registered person shall issue separate invoices for taxable and exempted goods when supplying both taxable as well as exempted goods to an unregistered person.
- (ii) A Non-banking financial company can issue a consolidated tax invoice at the end of every month for the supply made during that month. (MTP 4 Marks, Oct'18, PYP 3 Marks, May'18)

Answer 6

- (i) The given statement is false.

Where a registered person is supplying taxable as well as exempted goods or services or both to an unregistered person, a single "invoice-cum-bill of supply" may be issued for all such supplies.

- (ii) The said statement is true.

A non-banking financial company is allowed to issue a consolidated tax invoice or any other document in lieu thereof for the supply of services made during a month at the end of the month.

Question 7

Discuss the time-limit for issuance of invoice in case of taxable supply of goods. (MTP 3 Marks March'18)

Answer 7

In case of taxable supply of goods, invoice shall be issued before or at the time of—

- (a) removal of goods for supply to the recipient, where the supply involves movement of goods; or
- (b) delivery of goods or making available thereof to the recipient, in any other case.

In case of continuous supply of goods, where successive statements of accounts/ successive payments are involved, the invoice shall be issued before/at the time each such statement is issued or each such payment is received [Section 31 of the CGST Act].

Question 8

Examiner whether the following statements are true or false giving brief reasons:

- (1) It is mandatory to issue a tax invoice in case a registered person has opted for composition levy scheme.
- (2) A composition tax payer, who has not rendered any taxable supply during a quarter, is not required to file any return. (MTP 4 Marks March 18)

Answer 8

1. The given statement is false. A registered person paying tax under the provisions of section 10 [composition levy] is required to issue, instead of a tax invoice, a bill of supply containing the specified particulars in the prescribed manner [Section 31(3)(c) read with rule 49 of the CGST Rules].
2. He given statement is false. Composition tax payer is required to furnish return under section 39 for every quarter even if no supplies have been effected during such period. In other words, filing of Nil return is also mandatory

Question 9

Utsav Pvt. Ltd. of Meghalaya engaged in the supply of gifts items and repair services, provides you the following details:-

S. No.	Particulars	Date
1.	Commencement of the business of supplying goods and services	1st August
2.	Turnover exceeds ₹ 10,00,000 on	15th August
3.	Turnover exceeds ₹ 20,00,000 on	5th September
4.	Application for registration made on	28th September
5.	Registration certificate granted on	6th October

The company seeks your advice as to how it should raise revised tax invoices for supplies made. Is there any specific provision for issuance of revised tax invoices to unregistered customers? Explain. (MTP 6 Marks March 22, RTP Nov'18, Old & New SM)

Answer 9

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.

Question 10

Drapad Fabrics has opted for composition levy scheme in the current financial year. It has approached you for advice whether it is mandatory for it to issue a tax invoice. You are required to advise him regarding same. (MTP 3 Marks, March'19, Old & New SM)

Answer 10

A registered person paying tax under the provisions of section 10 [composition levy] shall issue, instead of a tax invoice, a bill of supply containing such particulars and in such manner as may be prescribed. Therefore, in the given case, Drapad Fabrics cannot issue tax invoice. Instead, it shall issue a Bill of Supply.

Question 11

Manmohan Textiles has to send cloth for dyeing to its job-worker. It wishes to know whether it needs to issue a tax invoice at the time of sending the goods to job-worker. You are required to advise it with reference to the provisions of the CGST Act. (MTP 4 Marks Sep'22, Old SM)

Answer 11

Manmohan Textiles has to issue a delivery challan and not a tax invoice at the time of sending the goods to job-worker. For the purposes of transportation of goods for job work, the consignor **may** issue a delivery challan, serially numbered, in one or multiple series, in lieu of invoice at the time of removal of goods for transportation, containing the following details, namely:-

- (i) date and number of the delivery challan;
- (ii) name, address and GSTIN of the consignor, if registered;
- (iii) name, address and GSTIN/UIN of the consignee, if registered;
- (iv) Harmonised System of Nomenclature code and description of goods;
- (v) quantity (provisional, where the exact quantity being supplied is not known);
- (vi) taxable value;

- (vii) tax rate and tax amount – central tax, State tax, integrated tax, Union territory tax or cess, where the transportation is for supply to the consignee;
- (viii) place of supply, in case of inter-State movement; and
- (ix) signature.

The delivery challan shall be prepared in triplicate, in case of supply of goods.

Question 12

Briefly discuss the following with reference to GST law:

- (i) **Revised Tax Invoice**
- (ii) **Bill of Supply (MTP 4 Mark April '23)**

Answer 12

- (i) A registered person who has been granted registration with effect from a date earlier than the date of issuance of certificate of registration to him may, issue a revised tax invoice against the invoices already issued during said period, within 1 month from the date of issuance of certificate of registration in prescribed manner.
- (ii) A registered person supplying exempted goods and/or services or paying tax under composition levy, shall issue in prescribed manner, a bill of supply instead of a tax invoice, containing prescribed particulars.

Question 13

ABC Ltd., a registered supplier has made following taxable supplies to its customer Mr. P in the quarter ending 30th June, 20XX.

Date	Bill No.	Particulars	Invoice value (including GST) [₹]
5th April, 20XX	102	Notebooks[10 in numbers]	1,200
10th May, 20XX	197	Chart Paper [4 in number]	600
20th May, 20XX	230	Crayon colors [2 packets]	500
2nd June, 20XX	254	Poster colors [5 packets]	900
22nd June, 20XX	304	Pencil box [4 sets]	700

Goods in respect of bill no. 102, 230 and 254 have been returned by Mr. P. You are required to advise ABC Ltd. whether it can issue consolidated credit note against all the three invoices? (RTP May '20, Old & New SM)

Answer 13

Where one or more tax invoices have been issued for supply of any goods and/or services and

- (a) the taxable value/tax charged in that tax invoice is found to exceed the taxable value/tax payable in respect of such supply, or
- (b) where the goods supplied are returned by the recipient, or
- (c) where goods and/or services supplied are found to be deficient, the registered person, who has supplied such goods and/or services, may issue to the recipient one or more credit notes for supplies made in a financial year containing prescribed particulars.

Thus, one (consolidated) or more credit notes can be issued in respect of multiple invoices issued in a financial year without linking the same to individual invoices.

Hence, in view of the above-mentioned provisions, M/s ABC Ltd. can issue a consolidated credit note for the goods returned in respect of all the three invoices.

Question 14

Bali Limited, a registered taxpayer, provides security services to registered persons from Mumbai office and Delhi office. The aggregate turnover of Mumbai office and Delhi office in the preceding financial year is ₹

300 crore and ₹ 250 crore respectively. For the month of November in the current financial year, Bali Limited prepares duplicate invoices and does not issue e-invoice as it is of the view that it's aggregate turnover does not cross the threshold limit to make it liable for issuing e- invoices.

Briefly explain whether the view taken by Bali Limited is correct in law? Also explain the advantages of e-invoicing, if any. (RTP May '21)

Answer 14

The view taken by Bali Limited is not correct in law.

All notified registered businesses (except specified class of persons) with an aggregate turnover (based on PAN) in the preceding financial year greater than ₹ 500 crore are required to issue e-invoices.

With effect from 01.8.2023, such limit has been reduced to ` 5 crore. Thus, e-invoicing has been made mandatory for all registered businesses with an aggregate turnover in any preceding financial year from 2017-18 onwards greater than `5 crore.

The eligibility is based on aggregate annual turnover on the common PAN. Thus, the aggregate total turnover of Bali Limited is more than ~~₹ 500 crores~~ **Rs 10 crores** (considering both the GSTINs) and is required to issue e-invoices.

Further, where e-invoicing is applicable, there is no need of issuing invoice copies in triplicate/duplicate.

E-invoice has many advantages for businesses, which have been given as under:-

- (i) Auto-reporting of invoices into GST return and auto-generation of e-way bill (wherever required). Under e-invoicing, business has to report the B2B invoice data only once in the e-invoice form and the same is reported in multiple forms (GSTR-1, e-way bill etc.). E-way bill can be auto-generated using e-invoice data. GSTR-1 can also be auto-populated with the e-invoice data. It will become part of the business process of the taxpayer.
- (ii) Accuracy/Reconciliation. Since same data is reported to tax department as well as to the buyer to prepare his inward supplies (purchase) register, transcription errors are reduced. On receipt of information through GST System, buyer can do reconciliation with his Purchase Order.
- (iii) Early payment. E-invoicing facilitates standardisation and inter-operability leading to reduction of disputes among transacting parties and thus, improving payment cycles.
- (iv) Cost reduction. E-invoicing helps in reducing processing costs and thus, leads to improvement of overall business efficiency.
- (v) Reduction of tax evasion. Since a complete trail of B2B invoices is available with the Department, it will enable the system-level matching of input tax credit and output tax thereby reducing the tax evasion.
- (vi) Elimination of fake invoices. E-invoicing eliminates the fake invoices. Claiming fictitious input tax credit (ITC) by raising fake invoices is also one of the biggest challenges currently faced by tax-authorities. The e-invoice system helps to curb the actions of unscrupulous taxpayers and reduce the number of fraud cases as the tax authorities have access to data in real-time.
- (vii) Paper Elimination. E-invoicing helps in paper elimination and thereby it is eco- friendly.

Question 15

Determine in which of the following independent cases, e-invoicing is applicable?

- (i) **Harnam & Co., dealing in interior decoration products made supplies to various registered and unregistered persons in the preceding financial year. The aggregate turnover of Harnam & Co. in the preceding financial year is ₹ 60 crore.**
- (ii) **Rich & Poor Bank, registered under GST has an aggregate turnover of ₹ 75 crore in the preceding financial year. (RTP Nov '21)**

Answer 15

All registered businesses with an aggregate turnover (based on PAN) in any preceding financial year from 2017-18 onwards greater than ~~₹ 50 crore~~ **₹ 5 Crore** are required to issue e- invoices in respect of B2B supplies (supply of goods and/or services to a registered person).

With effect from 01.8.2023, such limit has been reduced to ` 5 crore. Thus, e-invoicing has been made



mandatory for all registered businesses with an aggregate turnover in any preceding financial year from 2017-18 onwards greater than `5 crore.

Further, following entities are exempt from the mandatory requirement of e-invoicing:-

- (a) Special Economic Zone units
 - (b) Insurer or banking company or financial institution including NBFC
 - (c) GTA supplying services in relation to transportation of goods by road in a goods carriage
 - (d) Supplier of passenger transportation service
 - (e) Person supplying services by way of admission to exhibition of cinematograph films in multiplex screens
- Thus, above mentioned entities are not required to issue e-invoices even if their turnover exceeds ₹ 50 crore in the preceding financial year from 2017-18 onwards.

In view of the above mentioned provisions, the Answer to the independent cases are as under:-

- (i) The aggregate turnover of Harnam & Co. exceeds the threshold limit of aggregate turnover applicable for e-invoicing. Thus, Harnam & Co. is mandatorily required to issue e-invoices in respect of supplies made to registered persons.
- (ii) Banking company is specifically exempt from mandatory requirement of e-invoicing even if the turnover exceeds ~~₹ 50 crore~~ **Rs 5 crore** in the preceding financial year. Thus, e- invoicing is not applicable to Rich & Poor Bank.

Question 16

- (a) Fashion Queen Ltd., registered under GST and dealing in baby products has an aggregate turnover of ₹ 40 crore in the preceding financial year. The tax consultant of Fashion Queen Ltd. advised it to issue e-invoices mandatorily. However, Fashion Queen Ltd. is of the view that since it's aggregate turnover is less than the threshold limit applicable for e-invoicing, it is not required to issue e-invoices. You are required to comment upon the validity of the advice given by Tax consultant.(Nov'22)
- (b) Ministry of Communications and Information Technology, a Government Department registered under GST has an aggregate turnover of ₹ 52 crore in the preceding financial year. You are required to comment whether Ministry of Communications and Information Technology is required to issue e-invoices in the current financial year? (RTP Nov'22)

Answer 16

- (a) With effect from 01.04.2022, e-invoicing has been made mandatory for all registered businesses (except specified class of persons) with an aggregate turnover in any preceding financial year from 2017-18 onwards greater than ~~₹ 20 crore~~ **Rs 5 crore**, in respect of B2B supplies (supply of goods or services or both to a registered person) or for exports.

With effect from 01.10.2022, such limit has been reduced to ` 10 crore. Thus, e-invoicing has been made mandatory for all registered businesses with an aggregate turnover in any preceding financial year from 2017-18 onwards greater than `10 crore.

Thus, the advice given by tax consultant of Fashion Queen Ltd. for issuance of e-invoices mandatorily in the current financial year is valid in law as the aggregate turnover of Fashion Queen Ltd. has exceeded the threshold limit i.e. ~~₹ 20 crore~~ **Rs 5 crore** in the preceding financial year.

- (b) Following entities are exempt from the mandatory requirement of e-invoicing:
 - Special Economic Zone units
 - Insurer or banking company or financial institution including NBFC
 - GTA supplying services in relation to transportation of goods by road in a goods carriage
 - Supplier of passenger transportation service
 - Person supplying services by way of admission to exhibition of cinematograph films in multiplex screens

- Government Department and a local authority

Thus, above mentioned entities are not required to issue e-invoices even if their turnover exceeds ~~₹20 crore~~ **Rs 5 crore** in the preceding financial year from 2017-18 onwards.

Thus, Ministry of Communications and Information Technology, being a Government Department is not required to issue e-invoices in the current financial year even if its aggregate turnover has exceeded ~~₹20 crore~~ **Rs 5 crore**.

Question 17

- (a) **Eden Ltd., registered under GST and dealing in educational toys, has an aggregate turnover of ₹ 18 crore in the preceding financial year. The tax consultant of Eden Ltd. advised it to issue e-invoices mandatorily in the current financial year. However, Eden Ltd. is of the view that since its aggregate turnover is less than the threshold limit applicable for e-invoicing, so it is not required to issue e-invoices. You are required to comment upon the validity of the advice given by Tax consultant.**
- (b) **A Government Department is registered under GST. Its aggregate turnover in the preceding financial year is ₹ 22 crore. You are required to comment with the help of relevant provisions whether the said Department is required to issue e-invoices in the current financial year. (RTP Nov '23)**

Answer 17

- (a) E-invoicing has been made mandatory for all registered businesses (except specified class of persons) with an aggregate turnover in any preceding financial year from 2017-18 onwards greater than ~~₹10 crore~~ **Rs 5 crore** in respect of B2B supplies (supply of goods or services or both to a registered person) or for exports. Thus, the advice given by tax consultant of Eden Ltd. for issuance of e-invoices mandatorily in the current financial year is valid in law as the aggregate turnover of Eden Ltd. has exceeded the threshold limit i.e. ~~₹10 crore~~ **Rs 5 crore** in the preceding financial year.
With effect from 01.8.2023, such limit has been reduced to ` 5 crore. Thus, e-invoicing has been made mandatory for all registered businesses with an aggregate turnover in any preceding financial year from 2017-18 onwards greater than ` 5 crore

- (b) Following entities are exempt from the mandatory requirement of e-invoicing:

- Special Economic Zone units
- Insurer or banking company or financial institution including NBFC
- GTA supplying services in relation to transportation of goods by road in a goods carriage
- Supplier of passenger transportation service
- Person supplying services by way of admission to exhibition of cinematograph films in multiplex screens
- Government Department and a local authority

Further, the above taxpayers exempted from the mandatory requirement of e-invoicing are required to provide a declaration on the tax invoice stating that though their aggregate turnover exceeds the notified aggregate turnover for e-invoicing, they are not required to prepare an e-invoice.

Thus, above mentioned entities are not required to issue e-invoices even if their turnover exceeds ~~₹10 crore~~ **Rs 5 crore** in the preceding financial year from 2017-18 onwards but are required to provide a declaration as discussed above.

Thus, in the given case, the Government Department is not required to issue e-invoices in the current financial year even if its aggregate turnover has exceeded ~~₹10 crore~~ **Rs 5 crore**.

Question 18

ABC Cinemas, a registered person engaged in making supply of services by way of admission to exhibition of cinematograph films in multiplex screens was issuing consolidated tax invoice for supplies at the close of each day in terms of section 31(3)(b) of CGST Act, 2017 read with fourth proviso to rule 46 of CGST Rules, 2017.

During the month of October, 2019, the Department raised objection for this practice and asked to issue separate tax invoices for each ticket. Advise ABC Cinemas for the procedure to be followed in the light of recent notification.

(PYP 4 Marks, Jan'21)

Answer 18

The procedure to be followed by ABC Cinemas, a registered person engaged in making supply of services by way of admission to exhibition of cinematograph films in multiplex screens, is as under:

The option to issue consolidated tax invoice is not available to a supplier engaged in making supply of services by way of admission to exhibition of cinematograph films in multiplex screens. Thus, ABC Cinemas cannot issue consolidated tax invoice for supplies made by it at the close of each day. ABC Cinemas is required to issue an electronic ticket.

The said electronic ticket shall be deemed to be a tax invoice, even if such ticket does not contain the details of the recipient of service but contains the other information as prescribed to be mentioned.

Question 19

Is Dynamic Quick Response (QR) Code applicable to suppliers who issue invoice to unregistered persons? If no, list the suppliers to whom Dynamic QR Code is not applicable. (PYP 5 Marks Dec '21)

Answer 19

Dynamic QR code is applicable to invoices issued in respect of supplies made to unregistered persons by a registered supplier provided its aggregate turnover in any preceding financial year from 2017-18 onwards exceeds ` 500 crores.

However, it is not applicable to following suppliers issuing invoices to unregistered persons:-

- (i) Insurer or banking company or financial institution including NBFC
- (ii) GTA supplying services in relation to transportation of goods by road in a goods carriage
- (iii) Supplier of passenger transportation service
- (iv) Person supplying services by way of admission to exhibition of cinematograph films in multiplex screens
- (v) Supplier of online information and database access or retrieval (OIDAR) service

Question 20

- (i) What is 'e-invoicing'?
- (ii) What is the threshold limit for mandatory issuance of E-invoice for all registered businesses?
- (iii) A consignor hands over his goods for transportation on Friday to the transporter. However, assigned transporter starts the movement of goods from consigner's warehouse to its depot located at distance of 600 Km. on Monday.

When will the e-way bill be generated and for how many days it will be valid? (5 Marks Dec '21)

Answer 20

- (i) E-invoicing is reporting of business to business (B2B) invoices to GST system for certain notified category of taxpayers.
- (ii) The threshold limit for mandatory issuance of e-invoice for all registered businesses is ~~₹50 crores~~. **With effect from 01.8.2023, such limit has been reduced to ₹5 crore. Thus, e-invoicing has been made mandatory for all registered businesses with an aggregate turnover in any preceding financial year from 2017-18 onwards greater than ₹5 crore**
- (iii) E-way bill will be generated before commencement of movement of goods by transporter on Monday.

The validity period of the e-way bill is one day from relevant date upto 200 km and one additional day for every 200 km or part thereof thereafter.

Thus, validity period in the given case, is 3 days

It has been assumed that goods transported are not over Dimensional cargo

Question 21

M/s. Xing Trans of Kolkata is engaged in the trading of transmitters. On 20/05/2021, M/s. Xing Trans has sent 500 units of transmitters for exhibition at Chennai on sale or return basis. Out of the said 500 units, 300 units have been sold on 28/07/2021 at the exhibition. Out of remaining 200 units, 150 units have been brought back to Kolkata on 25/11/2021 and balance 50 units have neither been sold nor brought back.

Explain the provisions under GST law relating to issue of invoices with exact dates on which tax invoices need to be issued by M/s. Xing Trans. (PYP 4 Marks May'22)

Answer 21

Where the goods being sent for sale or return are removed before the supply takes place, the tax invoice shall be issued before or at the time of supply or 6 months from the date of removal, whichever is earlier.

In the given case, 500 units of transmitters have been sent for exhibition on sale or return basis out of which 300 units are sold before 6 months from the date of removal. Thus, tax invoice for said 300 units needs to be issued before or at the time of supply of such goods, i.e. upto 28/07/2021.

Remaining 200 (150+ 50) units have neither been sold nor brought back till the expiry of 6 months from the date of removal goods, i.e. 20/11/2021. Thus, tax invoice for said 200 units needs to be issued upto 20/11/2021.

Question 22

List any three situations that warrant issue of credit note. Briefly explain the time line to declare such credit note in the GST return. (PYP 5 Marks Nov '22)

Answer 22

Situations that warrant the issue of credit note are as follows:

- The supplier has erroneously declared a value which is more than the actual value of the goods or services provided.
- The supplier has erroneously declared a higher tax rate than what is applicable for the kind of the goods or services or both supplied.
- The quantity received by the recipient is less than what has been declared in the tax invoice.



- The quality of the goods or services or both supplied is not to the satisfaction of the recipient thereby necessitating a partial or total reimbursement on the invoice value.

The details of credit note are declared in the GST return for the month during which such credit note has been issued but not later than:

- September following the end of the financial year in which such supply was made, or
- the date of furnishing of the relevant annual return, whichever is earlier.

MULTIPLE CHOICE QUESTIONS (MCQS)

1. **Lovely & Co., a registered person, supplies taxable goods to unregistered persons. It need not issue tax invoice for the goods supplied on 16th April, if the value of the goods is and the recipient does not require such invoice.**
 - (a) ₹ 1,200
 - (b) ₹ 600
 - (c) ₹ 150
 - (d) ₹ 200

(MTP 2 Marks, March'21)(MTP 1 Mark Oct '23)

Ans: (c)

2. **Invoice shall be prepared in (i) _____ in case of taxable supply of goods and in (ii) _____ in case of taxable supply of services.**
 - (a) (i) Triplicate, (ii) Duplicate
 - (b) (i) Duplicate, (ii) Triplicate
 - (c) (i) Duplicate, (ii) Duplicate
 - (d) None of the above

(MTP 1 Mark, April'19)

Ans: (a)

3. **Kidzee Ltd., a wholesaler of toys registered in Chandigarh, is renowned in the local market for the varieties of toys and their reasonable prices. Kidzee Ltd. makes supply of 100 pieces of baby's learning laptops and chat learning phones to Nancy General Store on 25th September, 20XX by issuing a tax invoice amounting to ₹ 1,00,000. However, the said toys were returned by Nancy General Store on 30th September, 20XX. Which document Kidzee Ltd. is required to issue in such a case?**
 - (a) Debit Note
 - (b) Refund voucher
 - (c) Credit note
 - (d) Payment voucher

(RTP May '19)

Ans: (c)

4. **Which of the following statements is/are incorrect under GST law:-**
 - (i) **If the supplier has erroneously declared a value which is more than the actual value of goods or services provided, then he can issue credit note for the same.**
 - (ii) **If the supplier declared some special discount which is offered after the supply is over, then he cannot issue credit note under GST law for the discount offer.**
 - (iii) **If quantity received by the recipient is more than what has been declared in the tax invoice, then**



supplier can issue debit note for the same.

(iv) There is no time limit to declare the details of debit note in the return.

- (a) (i),(ii) and (iv)
- (b) (i) and (iv)
- (c) (iv)
- (d) (i) and (iii)**

(RTP Nov '21)

Ans: (c)

5. During the month of May, Z Ltd. sold goods to Y Ltd. for ₹ 2,55,000 and charged GST @ 18%. However, owing to some defect in the goods, Y Ltd. returned the goods by issuing debit note of ₹ 40,000 in the same month. Z Ltd. records the return of goods by issuing a credit note of ₹ 40,000 plus GST in the same month. In this situation, GST liability of Z Ltd. for the month of May will be-

- (a) ₹ 45,900
- (b) ₹ 38,700
- (c) ₹ 53,100
- (d) ₹ 40,000**

(RTP Nov '20)

Ans: (b)





Chapter 11 Accounts and Records

Question 1

Mr. Sky is engaged in the business of trading of mobiles. He is eligible for composition scheme and has opted for the same. He seeks your advice for records which are not required to be maintained by him as composition taxable person. (Old & New SM, PYP 5 Marks May '19)

Answer 1

A supplier who has opted for composition scheme is not required to maintain records relating to;

- (a) Stock of goods: Accounts of stock in respect of goods received and supplied by him, and such accounts shall contain particulars of the opening balance, receipt, supply, goods lost stolen, destroyed, written off or disposed of by way of gift or free sample and the balance of stock including raw materials, finished goods, scrap and wastage thereof.
- (b) Details of tax: Account, containing the details of tax payable (including tax payable under reverse charge), tax collected and paid, input tax, input tax credit claimed, together with a register of tax invoice, credit notes, debit notes, delivery challan issued or received during any tax period.

Thus, Mr. Sky is not required to maintain above mentioned records.

Question 2

Explain the provisions relating to period of retention of accounts as provided under section 36 of CGST Act, 2017? (MTP 5 Marks April '18)

Answer 2

Section 36 of the CGST Act explains the provisions relating to period of retention of accounts as under: -

Every registered person required to keep and maintain books of account or other records shall retain them until the expiry of 72 months from the due date of furnishing of annual return for the year pertaining to such accounts and records.

However, a registered person, who is a party to an appeal or revision or any other proceedings before any Appellate Authority or Revisional Authority or Appellate Tribunal or court, whether filed by him or by the Commissioner, or is under investigation for an offence under Chapter XIX, shall retain the books of account and other records pertaining to the subject matter of such appeal or revision or proceedings or investigation for a period of 1 year after final disposal of such appeal or revision or proceedings or investigation, or for the period specified above, whichever is later.

Question 3

Whether the transporters, who are not registered under the GST, are required to maintain any records under the provisions of CGST Act, 2017? Also explain, if any other unregistered persons who are required to maintain records under GST. (PYP 2 Marks Jan 21)

Answer 3

The transporters, who are not registered under GST, shall obtain a unique enrollment number on GST common portal and maintain records of goods transported, delivered and goods stored in transit by them along with GSTIN of the registered consignor and consignee for each of his branches. Every owner or operator of warehouse/godown/any other place used for storage of goods, even if unregistered, is also required to maintain records under GST.



Question 4

List any four records required to be maintained by an agent under the CGST Rules, 2017. (PYP 4 Marks Dec '21, Old SM)

Answer 4

Every agent shall maintain accounts depicting the-

- (a) particulars of authorisation received by him from each principal to receive or supply goods or services on behalf of such principal separately;
- (b) particulars including description, value and quantity (wherever applicable) of goods or services received on behalf of every principal;
- (c) particulars including description, value and quantity (wherever applicable) of goods or services supplied on behalf of every principal;
- (d) details of accounts furnished to every principal; and
- (e) tax paid on receipts or on supply of goods or services effected on behalf of every principal.

EXAMINERS' COMMENTS ON THE PERFORMANCE OF EXAMINEES:

Few examinees ended up writing general and vague answers rather than the answers based on legal provisions.

Question 5

Comment on the given independent situations relating to GST procedures. Your Answer should include relevant provisions of law, as may be applicable:

GoToDress is a chain of stores dealing in readymade garments through five showrooms in Delhi. It has a single GSTIN for all its showrooms in Delhi and has a principal place of business at Karol Bagh, Delhi. One of the consultants has suggested GoToDress to maintain books of accounts of all of its five showrooms at principal place of business at Karol Bagh, Delhi for better administration and control. Give your comment on the above advice according to the provisions of GST law. (PYP 2 Marks May '22)

Answer 5

The suggestion of the consultant is not correct.

Every registered person is required to keep and maintain, his books of accounts at his principal place of business.

Where more than one place of business is specified in the certificate of registration, the accounts relating to each place of business shall be kept at such places of business.



MULTIPLE CHOICE QUESTIONS (MCQS)

1. Which of the following statements are true w.r.t. accounts and records under GST laws?

- (a) All accounts and records are to be retained for 5 years.
- (b) Stock record is to be maintained by all registered dealers except the dealers registered under composition scheme.
- (c) Stock record is to be maintained by all registered dealers including composition dealers.
- (d) Monthly production records are to be maintained by all dealers except the dealers who have taken option for composition. **(MTP 1 Marks April '19)**

Ans: (b)

2. Which of the following statements are true with respect to accounts and records?

- (1) All accounts and records are to be retained for 6 years.
 - (2) Stock record is to be maintained by all registered dealers except the dealers registered under composition scheme.
 - (3) Stock record is to be maintained by all registered dealers including composition dealers.
 - (4) Monthly production records are to be maintained by all dealers except the dealers who have taken option for composition.
 - (5) Monthly production records are to be maintained by all dealers including composition dealers.
 - (6) Records are to be maintained at principal place of business.
- (a) 1, 2, 5, 6
 - (b) 1, 3, 5
 - (c) 1, 3, 4
 - (d) 1, 2, 4, 6 **(RTP May '19)**

Ans: (a)

Chapter 12

E-Way Bills

Question 1

Explain the meaning of consignment value of goods. (New SM, MTP 5 Marks Oct'23)

Answer 1

Consignment value of goods shall be the value:

- determined in accordance with the provisions of section 15,
- declared in an invoice, a bill of supply or a delivery challan, as the case may be, issued in respect of the said consignment and
- also includes the Central tax, State or Union territory tax, integrated tax and cess charged, if any, in the document and
- shall exclude the value of exempt supply of goods where the invoice is issued in respect of both exempt and taxable supply of goods.

Question 2

Brief explain when is it not mandatory to furnish the details of conveyance in Part-B of the e-way bill? (MTP 5 Marks, April'21)

Answer 2

E-way bill is valid for movement of goods by road only when the information in Part -B is furnished in terms of explanation 2 to rule 138(3) of the CGST Rules, 2017. However, details of conveyance may not be furnished in Part-B of the e-way bill where the goods are transported for a distance of up to 50 km within the State/Union territory:

- from the place of business of the consignor to the place of business of the transporter for further transportation or
- from the place of business of the transporter finally to the place of business of the consignee.

Question 3

Explain the following terms regarding e-way bill under the relevant CGST Rules:

- Consolidated e-way bill in case of road transport.**
- Acceptance/rejection of e-way bill. (MTP 6 Marks April '23)**

Answer 3

(i) Consolidated e-way bill in case of road transport

Consolidated e-way bill (EWB) is a single document containing the details of multiple e-way bills (even with different validity periods) in respect of multiple consignments of various consignors and consignees being transported in a single vehicle/ conveyance generated by the transporter to carry a single document instead of carrying separate documents for each consignment in the conveyance.

(ii) Acceptance/rejection of e-way bill

The details of the e-way bill generated shall be made available to supplier (if registered), where the information in Part A of e-way bill is furnished by recipient/transporter, or recipient (if registered), where the information in Part A of e-way bill is furnished by supplier/transporter, who shall communicate his acceptance or rejection of the consignment covered by the e-way bill.

If such person does not communicate the acceptance/rejection within 72 hours from the time of the details being made available to him on the common portal or the time of delivery of goods, whichever is earlier, it will be deemed that he has accepted the details.

Question 4

Yash & Co., a manufacturer and supplier of plastic goods, is registered under GST in the State of Maharashtra. Yash & Co. sold plastic goods to a retail seller in Punjab, at a value of ₹ 43,000 (excluding GST leviable @ 18%). Now, it wants to send the consignment of such plastic goods to the retail seller in Punjab.

You are required to examine whether e-way bill is mandatorily required to be generated in respect of such movement of goods as per the provisions of the GST law. (MTP 4 Marks April '23)

Answer 4

E-way bill is mandatorily required to be generated whenever there is a movement of goods of consignment value exceeding ₹ 50,000, inter alia, in relation to a supply.

Consignment value of goods, inter alia, includes the central tax, State/Union territory tax, integrated tax and cess charged, if any. The consignment value of goods, in the given case, will be ₹ 50,740 [₹ 43,000 + (₹ 43,000 × 18%)].

Thus, in the given case, since the movement of goods is in relation to supply of goods and the consignment value exceeds ₹ 50,000, e-way bill is mandatorily required to be generated in respect of movement of goods from Maharashtra to Punjab.

Question 5

Whether action can be taken for transportation of goods without valid documents or if goods are attempted to be removed without proper record in books? If yes, explain the related provisions under the CGST Act, 2017. (MTP 5 Marks March '18)

Answer 5

Yes, action can be taken for transportation of goods without valid documents or if goods are attempted to be removed without proper record in books. If any person transports any goods or stores any such goods while in transit without the documents prescribed under the Act (i.e. invoice and a declaration) or supplies or stores any goods that have not been recorded in the books or accounts maintained by him, then such goods shall be liable for detention along with any vehicle on which they are being transported [Section 129 of CGST Act].

Where owner comes forward: - Such goods shall be released on payment of the applicable tax and penalty equal to 100% of the tax payable on such goods or upon furnishing of security equivalent to the said amount.

In case of exempted goods, penalty is 2% of value of goods or Rs. 25,000/- whichever is less.

Where owner does not come forward: - Such goods shall be released on payment of the applicable tax and penalty equal to 50% of value of goods reduced by the tax amount paid thereon or upon furnishing of security equivalent to the said amount.

In case of exempted goods, penalty is 5% of value of goods or Rs. 25,000/- whichever is lesser.

Question 6

When is an e-way bill required to be generated? (MTP 5 Marks May '20 & April 21, PYP 5 Marks May'19)

Answer 6

As per rule 138 of the CGST Rules, 2017, whenever there is a movement of goods of consignment value exceeding Rs. 50,000:

- (i) in relation to a supply; or
- (ii) for reasons other than supply; or
- (iii) due to inward supply from an unregistered person, e-way bill needs to be generated prior to the commencement of transport of goods.

Further, in the following situations, e-way bill needs to be issued even if the value of the consignment is less than Rs. 50,000:

- (i) Where goods are sent by a principal located in one State/ Union territory to a job worker located in any other State/Union territory, the e-way bill shall be generated either by the principal or the job worker, if registered, irrespective of the value of the consignment.
- (ii) Where specified handicraft goods are transported from one State/ Union territory to another State/ Union territory by a person who has been exempted from the requirement of obtaining registration under section 24 of the CGST Act, 2017, the e-way bill shall be generated by the said person irrespective of the value of the consignment.

EXAMINERS' COMMENTS ON THE PERFORMANCE OF EXAMINEES:

Question requires the examinees to explain the records as per rule 56(2) and 56(4) of CGST Rules, 2017, which the supplier opting for composition scheme need not maintain. However, examinees ended up in writing general answers instead of being adequately substantiated by legal provisions.

Question 7

Orip Electricals Ltd., a registered supplier of air-conditioners, is required to send from Mumbai (Maharashtra), a consignment of parts of air-conditioner to be replaced under warranty at various client locations in Gujarat. The value of consignment declared in delivery challan accompanying the goods is Rs. 60,000. Orip Electricals Ltd. claims that since movement of goods to Gujarat is caused due to reasons other than supply, e-way bill is not mandatorily required to be generated in this case.

You are required to examine the technical veracity of the claim made by Orip Electricals Ltd. (MTP 4 Marks March '21 & Nov '21, Oct '22, Old SM, RTP May'19)

Answer 7

The goods to be moved to another State for replacement under warranty is not a 'supply'. However, rule 138(1) of the CGST Act, 2017, *inter alia*, stipulates that every registered person who causes movement of goods of consignment value exceeding Rs. 50,000:

- (i) in relation to a supply; or
- (ii) for reasons other than supply; or
- (iii) due to inward supply from an unregistered person, shall, generate an electronic way bill (E-way Bill) before commencement of such movement.

CBIC vide FAQs on E-way Bill has also clarified that even if the movement of goods is caused due to reasons others than supply [including replacement of goods under warranty], e-way bill is required to be issued.

Thus, in the given case, since the consignment value exceeds Rs. 50,000, e-way bill is required to be mandatorily generated. Therefore, the claim of Orip Electricals Ltd. that e-way bill is not mandatorily required to be generated as the movement of goods is caused due to reasons other than supply, is not correct.

Question 8

Sindhi Toys Manufacturers, registered in Punjab, sold electronic toys to a retail seller in Gujarat, at a value of ₹ 48,000 (excluding GST leviable @ 18%). Now, it wants to send the consignment of such toys to the retail seller in Gujarat. You are required to advise Sindhi Toys Manufacturers whether e-way bill is mandatorily required to be generated in respect of such movement of goods? (MTP 5 Marks Oct 21, RTP May'19)

Answer 8

Rule 138(1) of the CGST Rules, 2017 provides that e-way Bill is mandatorily required to be generated if the goods are moved, *inter alia*, in relation to supply and the consignment value exceeds ₹ 50,000. Further, explanation 2 to rule 138(1) stipulates that the consignment value of goods shall be the value, determined in accordance with the provisions of section 15, declared in an invoice, a bill of supply or a delivery challan, as the case may be, issued in respect of the said consignment and also includes

CGST, SGST/UTGST, IGST and cess charged, if any, in the document and shall exclude the value of exempt supply of goods where the invoice is issued in respect of both exempt and taxable supply of goods.

Accordingly, in the given case, the consignment value will be as follows:

$$= ₹ 48,000 \times 118\%$$

$$= ₹ 56,640.$$

Since the movement of goods is in relation to supply of goods and the consignment value exceeds ₹ 50,000, e-way bill is mandatorily required to be issued in the given case.

Question 9

Nature Cosmetics Ltd. has multiple wholesale outlets of cosmetic products in Mumbai, Maharashtra. It receives an order for cosmetics worth ₹ 1,20,000 (inclusive of GST leviable @ 18%) from Pankh, owner of a retail cosmetic store in Delhi. While checking the stock, it is found that order worth ₹ 55,000 can be fulfilled from the company's Dadar (Mumbai) store and remaining goods worth ₹ 65,000 can be sent from its Malad (Mumbai) store. Both the stores are instructed to issue separate invoices for the goods sent to Pankh. The goods are transported to Pankh in Delhi, in a single conveyance owned by R Transporters. You are required to advise Nature Cosmetics Ltd. with regard to issuance of e-way bill(s). (MTP 4 Marks March 22, RTP May'19) (Same concept different figures RTP May'23, Old SM)

Answer 9

Nature Cosmetics Ltd. would be required to prepare two separate e-way bills since each invoice value exceeds ₹ 50,000 and each invoice is considered as one consignment for the purpose of generating e-way bills.

The FAQs on E-way Bill issued by CBIC clarify that if multiple invoices are issued by the supplier to one recipient, that is, for movement of goods of more than one invoice of same consignor and consignee, multiple e-way bills have to be generated. In other words, for each invoice, one e-way bill has to be generated, irrespective of the fact whether same or different consignors or consignees are involved. Multiple invoices cannot be clubbed to generate one e-way bill. However, after generating all these e-way bills, one consolidated e-way bill can be prepared for transportation purpose, if goods are going in one vehicle.

Question 10

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.(RTP Nov '19)**

Answer 10

(i) The said statement is partially correct. Where an e-way bill has been generated, but goods are either not transported at all or are not transported as per the details furnished in the e-way bill, the e-way bill may be cancelled electronically on the common portal within 24 hours of generation of the e-way bill.

However, an e-way bill cannot be cancelled if it has been verified in transit in accordance with the provisions of rule 138B of the CGST Rules, 2017.

(ii) The said statement is correct. The e-way bill generated under Goods and Services Tax Rules of any State or Union territory shall be valid in every State and Union territory.

Question 11

Mr. Shambhu, a trader registered under GST in Delhi is engaged in wholesale business of toys for kids. Mr. Nandi registered under GST in Patiala, a regular return filer supplies toys in bulk to Mr. Shambhu for selling to end consumers.

Mr. Shambhu paying tax in regular scheme in Delhi, has not filed GSTR-3B for last 2 months. Mr. Nandi wants to generate e-way bill for toys amounting to ₹ 5,00,000

to be supplied to Mr. Shambhu. Also Mr. Narayan from Jammu approached Mr. Shambhu for purchasing

toys amounting to ₹ 75,000 for the purpose of return gift on his son's first birthday party. Shambhu wants to generate an e-way bill in respect of an outward supply of goods to Mr. Narayan. Examine with reference to the provisions under GST law, whether Mr. Nandi and Mr. Shambhu can generate e-way bill?(RTP May '22)

Answer 11

Rule 138E of the CGST Rules, 2017 contains provisions pertaining to blocking of e-way bill generation facility, i.e. disabling the generation of e-way bill.

A user will not be able to generate e-way bill for a GSTIN if the said GSTIN is not eligible for e-way bill generation as per rule 138E.

Rule 138E as amended vide Notification No. 15/2021 CT dated 18.05.2021 provides that blocking of GSTIN for e-way bill generation would only be for the defaulting supplier GSTIN and not for the defaulting Recipient or Transporter GSTIN.

In terms of rule 138E, a person paying tax under regular scheme who has not furnished the returns for a consecutive period of 2 tax periods is considered as a defaulting person.

Suspended GSTIN cannot generate e-way bill as supplier. However, the suspended GSTIN can get the e-way bill generated as recipient or as transporter.

In other words, e-way bill generation facility is blocked only in respect of any outward movement of goods of the registered person who is not eligible for e-way bill generation as per rule 138E. E-way bills can be generated in respect of inward supplies of said registered person.

Thus, applying the above provisions, there will be no restriction in generating e-way Bill by Mr. Nandi as Mr. Nandi who is making outward movement of goods is a regular return filer.

E-way bill generation is blocked in case of movement of goods made by Mr. Shambhu to Mr. Narayan as it's an outward movement of goods of Mr. Shambhu who has not filed GSTR-3B for past 2 months.

Question 12

Mr. Shyam Nath, a registered person has caused movement of goods of consignment value exceeding ₹ 50,000 in relation to a supply and thus, generated e-way bill. However, after generation of e-way bill, he found a mistake in the e-way bill and wants to edit it. You are required to advise Mr. Shyam Nath whether he can do so with the help of relevant provisions. (RTP Nov '23, MTP 4 Marks Sep '23, New SM)

Answer 12

If there is a mistake, incorrect or wrong entry in the e-way bill, then it cannot be edited or corrected. Only option is cancellation of e-way bill within 24 hours of generation and generate a new one with correct details.

Thus, in view of the above-mentioned provisions, Mr. Shyam Nath cannot edit the e-way bill. However, he can cancel the e-way bill within 24 hours of generation and generate a new one with correct details.

Question 13

Agni Ltd. a registered supplier wishes to transport cargo by road between two cities situated at a distance of 368 kilometers. Calculate the validity period of e-way bill under rule 138(10) of CGST Rules, 2017 for transport of the said cargo, if it is over dimensional cargo or otherwise. (PYP 3 Marks, Jan'21)

Answer 13

The validity period of e-way bill under rule 138(10) of the CGST Rules, 2017 for transport of cargo by road between two cities situated at a distance of 368 km is as under:

- (i) If it is over dimensional cargo: the validity period of the e-way bill is one day from relevant date up to 20 km and one additional day for every 20 km or part thereof thereafter.
Thus, validity period in given case:
= 1 day + 18 days
= 19 days
- (ii) If it is a cargo other than over dimensional cargo: the validity period of the e-way bill is one day from relevant date up to 100 km and one additional day for every 100 km or part thereof

thereafter.

Thus, validity period in given case:

= 1 day + 3 days

= 4 days

Question 14

"It is mandatory to furnish the details of conveyance in Part-B of E-way Bill. "Comment on the validity of the above statement with reference to provisions of E-Way Bill under CGST Rules, 2017. (PYP 3 Marks, Nov'20)

Answer 14

The given statement is partially valid.

An e-way bill is valid for movement of goods by road only when the information in Part-B – which includes details of conveyance - is furnished.

However, the details of conveyance may not be furnished in Part-B of the e-way bill where the goods are transported for a distance of up to 50 km within the State/Union territory:

- (a) from the place of business of the consignor to the place of business of the transporter for further transportation or
- (b) from the place of business of the transporter finally to the place of business of the consignee.

Question 15

Mr. Shah, a consignor is required to move goods from Ahmedabad (Gujarat) to Naiad (Gujarat). He appoints Mehta Transporter for movement of goods. Mehta Transporter moves the goods from Ahmedabad (Gujarat) to Knead (Gujarat). For completing the movement of goods from Knead (Gujarat) to Naiad (Gujarat), Mehta Transporter now hands over the goods to Parikh Transporter. Explain the procedure regarding e-way bill to be followed by consignor and transporter as per provisions of GST law and rules made thereunder. (PYP 5 Marks, Nov'19)

Answer 15

In the given scenario, only one e-way bill is required to be issued.

Part A can be filled by either Mr. Shah or recipient of goods or Mehta Transporter on the appropriate authorization. Where the goods are transferred from one conveyance to another, the consignor or the recipient, who has provided information in Part A, or the transporter shall, before such transfer and further movement of goods, update the details of conveyance in the e-way bill on the common portal in Part B.

Thus, on reaching Knead, Mr. Shah or the recipient of the goods, who has filled Part A of the e-way bill, or Mehta Transporter can, before the transfer and further movement of goods, update the details of conveyance in Part B of the e-way bill.

Further, the consignor or the recipient, who has furnished the information in Part A, or the transporter, may assign the e-way bill number to another registered or enrolled transporter for updating the information in Part B for further movement of the consignment. Thus, on reaching Knead, Mr. Shah or the recipient of the goods, or Mehta Transporter can assign the said e-way bill to Parikh Transporter who will thereafter update the details of conveyance in Part B.

However, upon updating of the details of the conveyance by Parikh transporter in Part B, Mr. Shah or recipient, as the case may be, who has furnished the information in Part A shall not be allowed to assign the e-way bill number to another transporter.

Question 16

One consolidated e-way bill can be generated for multiple invoices". Comment on the validity of the above statement with reference to GST law. (PYP 3 Marks May'22)

Answer 16

The statement is invalid.

Multiple invoices cannot be clubbed to generate one e-way bill. If multiple invoices are issued by the supplier to recipient, for movement of such goods, multiple e-way bills have to be generated.

Thus, for each invoice, one e-way bill has to be generated, irrespective of the fact whether same or different consignors or consignees are involved.

However, after generating all these e-way bills, one consolidated e-way bill can be prepared for transportation purpose, if goods are going in one vehicle.

Question 17

M/s Sakura Enterprises made an inter-State supply of taxable goods valued at ₹ 47,500 and exempt goods valued at ₹ 2,000. Rate of IGST for taxable supply was 6%. Determine, with brief reasons, whether e-way bill generation is mandatory for the above supply made by M/s Sakura Enterprises. (PYP 2 Marks Nov '22)

Answer 17

In the given case, consignment value of goods (including GST and excluding value of exempt supply) is ₹ 50,350 ($47,500 \times 106\%$).

Since there is a movement of goods of consignment value exceeding ₹ 50,000, M/s Sakura Enterprises is mandatorily required to issue e-way bill.

Question 18

When goods are transferred by principal to job worker, there is no need to issue e-way bill. Comment on the validity of the above statement with reference to GST Laws. (PYP 2 Marks May '23)

Answer 18

The said statement is not valid.

When goods are transferred by principal to job worker, e-way bill is required to be mandatorily issued:

- in case of intra-State transfer, if consignment value exceeds ₹ 50,000, and
- in case of inter-State transfer, irrespective of the value of the consignment.

Question 19

Decide with reason whether e-way bill is required to be issued under CGST Act, 2017 in the following independent cases:

- Square Ltd., registered in Andhra Pradesh, sends goods to its job worker Cube & Co. in Karnataka, which is also registered under GST. Value of the consignment was ₹ 45,000 (including GST). (2 Marks July 21)**
- Mr. Bheeshma of Telangana started doing business in notified handicraft products as a casual taxable person. He got his first order of ₹ 30,000 from Tamil Nadu which he transports. He is not registered under GST since he has a threshold limit of ₹ 20 lakh. (PYP 2 Marks July 21)**

Answer 19

- E-way bill is mandatorily required to be issued in case of inter-State transfer of goods by principal to job-worker, irrespective of the value of the consignment.

In view of the same, e-way is mandatorily required to be issued in the given case.

- E-way bill is mandatorily required to be issued in case of inter-State transfer of handicraft goods by a person exempted from obtaining registration.

In view of the same, e-way bill is mandatorily required to be issued in the present case.

Question 20

Decide with reason whether e-way bill is required to be issued under CGST Act, 2017 in the following independent cases:

SV Electricals Ltd., a registered supplier of electronic goods, is required to send from Delhi, a consignment of parts of LED TV to be replaced under warranty at various client locations in Gurugram (Haryana). The value of consignment declared in delivery challan accompanying the goods is ₹ 65,000.



SV Electricals Ltd. claims that since movement of goods to Gurugram (Haryana) is caused due to reasons other than supply, e-way bill is not mandatorily required to be generated in this case. You are required to examine the technical veracity of the claim made by SV Electricals Ltd.

Tree Ltd. registered in Kerala, sends goods to its job worker Woods & Co. in Tamil Nadu, which is also registered under GST. Value of the consignment was ₹ 37,500 (including GST). (PYP 4 Marks May '23)

Answer 20

The claim made by SV Electricals Ltd. is not correct. SV Electricals Ltd. needs to issue e-way bill.

E-way bill is mandatorily required to be issued whenever there is a movement of goods for reasons other than supply, provided the consignment value exceeds ₹ 50,000.

In case of inter-State transfer of goods by principal to job-worker, e-way bill is mandatorily required to be issued irrespective of the value of the consignment.

Thus, e-way bill is required to be issued in case of transfer of goods by Tree Ltd. registered in Kerala to Woods & Co. in Tamil Nadu.

MULTIPLE CHOICE QUESTIONS (MCQS)

1. Which document is required in case of movement of goods of consignment value of ₹ 1,05,000 for reasons other than supply: -

- (a) Bill of supply
- (b) Receipt Voucher
- (c) Payment voucher
- (d) E-way bill

(MTP 2 Mark, Oct'20)

Ans: (d)

2. ABC Ltd. generated e-way bill on 12th February at 14.00 hrs. It used over- dimensional cargo for a distance of 100 km. When the validity period of the e -way bill will expire?

- (a) Midnight of 13th-14th February
- (b) Midnight of 17th-18th February
- (c) At 14.00 hrs. of 13th February

(d) At 14.00 hrs. of 14th February (RTP Nov '21)

Ans: (b)

3. M/s Gyaan Publishing House, registered under GST in Delhi, is engaged in printing and selling of books as well as trading of stationery items. He has provided following information of a consignment which is to be supplied to Mumbai: -

(i) Taxable value of supplies indicated on tax invoice: ₹ 35,000/-

(ii) Value of exempted supplies: ₹ 8,000/-

(iii) Value of goods to be sent to job worker on delivery challan: ₹ 15,000/-

Calculate the consignment value for the purpose of generating e-way bill for inter-State supply of goods. Assume rate of tax on taxable goods to be 18%.

(a) ₹ 35,000/-

(b) ₹ 50,000/-

(c) ₹ 56,300/-

(d) ₹ 64,300/- (MTP 2 Marks March '19)

Ans : (c)

Chapter 13 Payment of Tax

Question 1(Illustration)

M/s. Daksha Enterprises has made a cash deposit of ` 10,000 under minor head 'tax' of major head 'SGST'. It has a liability of ` 2,000 for minor head "Interest" under the major head "SGST". State whether M/s. Daksha Enterprises can utilise the amount available for payment of interest. (Old & New SM, PYP 2 Marks, May'19)

Answer 1

The Registered person is allowed to transfer the amount available under any minor head of a major head to any of the minor head of the same or other major head as per Section 49(10) of the CGST Act vide Form PMT-09.

Therefore, in the given case, amount of ` 10,000 available under minor head 'tax' of major head 'SGST' can be utilised for payment of liability of ` 2,000 under minor head 'interest' of the same major head, after making a due transfer entry using Form GST PMT-09 from the minor head of 'tax' to 'interest'.

Question 2

PPC Ltd., has availed Input Tax credit for ` 54,000/- IGST during February 2021 on a particular purchase. Accounting records for the above purchase, indicate that IGST paid to the supplier is ` 45,000/- as per the bill received. GSTR1 uploaded by the supplier for the above supply indicates ` 45,000/- as tax paid. Examine as per GST provisions, what value shall be updated in the ledgers maintained on behalf of PPC Ltd., on the common portal? (Old SM, MTP 4 Marks, April'21)

Answer 2

PPC Ltd., have accounted and paid ` 45,000/- as IGST to the supplier concerned. However, avilment of input tax credit has been made for ` 54,000/-.

As per Section 49(2) of CGST Act, 2017 "The input tax credit as self-assessed in the return of a registered person shall be credited to his electronic credit ledger, in accordance with section 41, to be maintained in such manner as may be prescribed."

Accordingly, electronic credit ledger of PPC Ltd., shall be updated with a value of ` 54,000/- as per self-assessed return to be filed for February 2021, though the input tax credit shown by the supplier is only for ` 45,000/-.

Question 3

Sahil is a supplier of taxable goods in Karnataka. He got registered under GST in the month of September, 2021 and wishes to pay his IGST liability for the month. Since he is making the GST payment for the first time, he is of the view that he needs to mandatorily have the online banking facility to make payment of GST; offline payment is not permitted under GST. You are required to apprise Sahil regarding the various modes of deposit in the electronic cash ledger. Further, advise him with regard to following issues:

- Are manual challans allowed under GST?
- What is the validity period of the challan?
- Is cross utilization among Major and Minor heads of the electronic cash ledger permitted? (Old & New SM, RTP May'19)

Answer 3

As per the provisions of CGST Act, 2017 read with relevant rules, the deposit in electronic cash ledger can be made through any of the following modes, namely:-

- Internet Banking through authorised banks;
- Credit card or Debit card through the authorised bank;
- National Electronic Fund Transfer or Real Time Gross Settlement from any bank; or



challan per tax period, by cash, cheque or demand draft.

Thus, offline mode is also permitted under GST subject to specified conditions.

- Manual or physical Challans are not allowed under the GST regime. It is mandatory to generate Challans online on the GST Portal.
- Challan is valid for a period of 15 days.
- A registered person may, on the common portal, transfer any amount of tax, interest, penalty, fee or any other amount available in the electronic cash ledger under the CGST Act, 2017 to the electronic cash ledger for integrated tax, central tax, State tax or Union territory tax or cess.

Question 4

Suhasini is a registered software consultant. On account of her ill health, she could not provide any services during the month of October. However, she had to incur all the expenses relating to her office. She paid ₹ 75,000 to various vendors. The total input tax involved on the goods and services procured by her is ₹ 13,500. Out of the total bills paid by her, one bill for ₹ 15,000 relates to security services availed for security of her office, tax on which is payable under reverse charge. Input tax involved in such bill is ₹ 2,700. Suhasini is of the opinion that for the month of October, no GST is payable from electronic cash ledger as she has sufficient balance of ITC for payment of GST under reverse charge on security services. Do you think Suhasini is right? Explain with reasons assuming provisions of rule 86B are not applicable. (Old & New SM MTP 4 Marks Oct '22, RTP Nov'20)

Answer 4

The amount available in the electronic credit ledger, i.e. ITC may be used for making any payment towards output tax [Section 49(4)]. Output tax in relation to a taxable person, means the tax chargeable on taxable supply of goods or services or both made by him or by his agent but excludes tax payable by him on reverse charge basis [Section 2(82)].

Therefore, ITC cannot be used to pay the tax liability under reverse charge. The same is always required to be paid through electronic cash ledger and not electronic credit ledger. Thus, Suhasini is wrong and she will need to pay the GST of ₹ 2,700 on security service through electronic cash ledger.

Question 5

M/s ABC & Co., have defaulted in filing the return under Section 39 of CGST Act, 2017 i.e. GSTR-3B for the month of March, 2023 within the specified due date. Reason for such delay is attributable to delay in closure of Books for March 2021, which have been finalized during May 2023. The GST Common portal prompted for payment of late fees payable under Section 47 of CGST Act, 2017 for a sum of ₹ 2,000 under CGST and SGST each. Accountant, of M/s ABC & Co., sought your confirmation for payment of such late fees through the balance available in Electronic Credit Ledger for the late fees. Give your guidance in this regard (MTP 4 Marks, Oct'21, Old SM)

Answer 5

Section 49(3) of the CGST Act, 2017 provides that the amount available in the electronic cash ledger may be used for making any payment towards tax, interest, penalty, fees or any other amount payable under the provisions of this Act or the rules made there under in prescribed manner.

Further, section 49(4) provides that the amount available in the electronic credit ledger may be used for making any payment towards output tax under this Act or under the Integrated Goods and Services Tax Act in prescribed manner.

Accordingly, as per the combined reading of the above provisions, late fees shall be paid only through electronic cash ledger and not possible through electronic credit ledger. Thus, contention of the accountant of M/s ABC & Co., is not correct and the above amount shown on the common portal has to be deposited in Electronic Cash Ledger under appropriate minor head, through any of the specified modes.

Question 6

M/s Salty & Spicy Limited reduced the amount of Rs. 1,50,000 from the output tax liability in contravention of provisions of section 42(10) of the CGST Act, 2017 for the month of April 20XX, which is ineligible credit. A show cause notice was issued by the Tax Department to pay tax along with interest.

M/s Salty & Spicy Limited paid the tax and interest on 31 st July, 20XX. Calculate Interest liability (Ignore Penalty). (MTP 4 Marks, March'19)

Answer 6

A taxable person who makes an undue or excess claim of input tax credit shall pay interest @ 24% p.a. on such undue or excess claim in terms of section 50 of CGST Act, 2017. The period of interest will be from the date following the due date of payment to the actual date of payment of tax. Due date of payment is 20th May, 20XX. Period for which interest is due = 21st May, 20XX to 31st July, 20XX

=72 days

Thus, interest liability = Rs. 1,50,000 x 24% x 72/365

=Rs. 7,101 (approx.)

Question 7

When shall the interest be payable by a registered person under section 50 of the CGST Act, 2017 and what is the maximum rate of interest chargeable for the same? (MTP 4 Marks, Aug'18, PYP 5 Marks, May '18)

Answer 7

As per section 50 of the CGST Act, 2017, interest is payable in the following cases:-

- failure to pay tax, in full or in part within the prescribed period,
- undue or excess claim of input tax credit,
- undue or excess reduction in output tax liability.

The maximum rate of interest chargeable for the same is as under-

- (i) 18% p.a. in case of failure to pay full/part tax within the prescribed period
- (ii) 24% p.a. in case of undue or excess claim of input tax credit or undue or excess reduction in output tax liability.

Question 8

What is an electronic cash ledger? Enumerate the modes of making deposit in the electronic cash ledger. (MTP 3 Marks, March'18)

Answer 8

Electronic cash ledger is maintained in prescribed form for each person, liable to pay tax, interest, penalty, late fee or any other amount, on the common portal for crediting the amount deposited and debiting the payment therefrom towards tax, interest, penalty, fee or any other amount.

The deposit can be made through any of the following modes, namely: -

- i. Internet Banking through authorised banks;
- ii. Credit card or Debit card through the authorised bank;
- iii. NEFT or RTGS from any bank; or
- iv. Over the Counter payment through authorised banks for deposits up to ₹ 10,000/- per challan per tax period, by cash, cheque or demand draft [Section 49 of the CGST Act read with rule 87 of the CGST Rules].

Question 9

Mr. Piyush, a registered supplier of taxable goods, filed GSTR 3B for the month of January, 2024 on 15th April, 2024. The prescribed due date to file the said GSTR 3B was 20th February, 2024. The amount of net GST payable, in Cash i.e. Electronic Cash Ledger on supplies made by him for the said month worked out to be ₹ 36,500 which was paid on 15th April, 2024. Briefly explain the related provisions and compute the amount of interest payable under the CGST Act, 2017 by Mr. Piyush. Ignore the effect of leap year, if applicable in this case. (MTP 4 Marks March 22, May '20, Old & New SM)

Answer 9

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, 2024 to 15th April, 2024 = 54 days Hence, amount of interest = ₹ 36,500 x 18% x 54/365 = ₹ 972

Question 10

How does the new payment system benefit the taxpayer & the Commercial Tax Department? (MTP 3 Marks, Oct'18)

Answer 10

The new payment system benefits the taxpayer and the commercial tax department in the following ways: -

Benefits to Taxpayer: -

- No more queues and waiting for making payments as payments can be made online 24 X 7.
- Electronically generated challan from GSTN common portal in all modes of payment and no use of manually prepared challan. Paperless transactions.
- Instant online receipts for payments made online.
- Tax consultants can make payments on behalf of the clients.
- Single challan form to be created online, replacing the three or four copy Challan.
- Greater transparency.

Benefits to the Commercial Tax Department: -

- Revenue will come earlier into the Government Treasury as compared to the old system.
- Logical tax collection data in electronic format.
- Speedy accounting and reporting.
- Electronic reconciliation of all receipts.
- Warehousing of digital challan.
- Note – Any three points each may be mentioned for Tax payer and Commercial Tax Department.

Question 11

Sangam Ltd., obtains registration for paying taxes under section 9 of CGST Act. He asked his tax manager to pay taxes on quarterly basis. However, Sangam Ltd.'s tax manager advised the Company to pay taxes on monthly basis. You are required to examine the validity of the advice given by tax manager? (MTP 4 Marks, Aug'18)

Answer 11

The advice given by tax manager is valid in law. Payment of taxes by the normal tax payer is to be done on monthly basis by the 20th of the succeeding month. Cash payments will be first deposited in the Cash Ledger and the tax payer shall debit the ledger while making payment in the monthly returns and shall reflect the relevant debit entry number in his return. However, payment can also be debited from the Credit Ledger. Payment of taxes for the month of March shall be paid by the 20th of April. Composition tax payers will need to pay tax on quarterly basis.

Question 12

What is CIN? (MTP 2 Marks, Oct'18)

Answer 12

- (i) CIN is challan Identification Number. It is generated by the banks indicating that the payment has been realized and credited to the appropriate government account against a generated challan
- (ii) The new payment system benefits the taxpayer and the commercial tax department in the following ways:- Benefits to Taxpayer: -
 - No more queues and waiting for making payments as payments can be made online 24 X 7.
 - Electronically generated challan from GSTN common portal in all modes of payment and no use of manually prepared challan. Paperless transactions.
 - Instant online receipts for payments made online.
 - Tax consultants can make payments on behalf of the clients.
 - Single challan form to be created online, replacing the three or four copy Challan.
 - Greater transparency.

Benefits to the Commercial Tax Department:-

- Revenue will come earlier into the Government Treasury as compared to the old system.
- Logical tax collection data in electronic format.
- Speedy accounting and reporting.
- Electronic reconciliation of all receipts.
- Warehousing of digital challan.

Note – Any three points each may be mentioned for Tax payer and Commercial Tax Department.

Question 13 (Includes concepts of Returns)

Mr. A has deposited a sum of ₹ 30,000 under minor head of “Interest” column for the major head “IGST”. At the time of filing GSTR-3B for a particular tax period, he noticed that there is no sufficient amount under the minor head ‘Tax’ towards payment of ₹ 30,000. When approached with the Jurisdictional Tax officer, Mr. A was guided to deposit the tax amount under proper head of accountant claim a refund for the remittance of amount deposited under head “interest”. Examine the relevant provisions of CGST Act, 2017 towards payment of tax and compliance with the law. (MTP 4 Marks, Nov’21, Old SM)

Answer 13

Provisions of Section 49(10) of CGST Act, 2017 permit a registered person for transferring the amount deposited under any of the minor head i.e. tax, interest, penalty, fees or others to any of the heads under IGST/CGST/SGST/UTGST and make the payment of taxes there upon. Accordingly, Mr. A need not deposit the tax amount under head “tax” and claim a refund for the remittance of amount deposited under head “interest”. Rather, using the Form GST PMT 09, such amount can be transferred so-moto on the common portal from “interest” to “tax” head and tax liability be paid

As per amendment- A registered person may, on the common portal, transfer any amount of tax, interest, penalty, fee or any other amount available in the electronic cash ledger under this Act, to the electronic cash ledger for,—

(a) integrated tax, central tax, State tax, Union territory tax or cess;

(b) or integrated tax or central tax of a distinct person as specified in sub-section (4) or, as the case may be, sub-section (5) of section 25, in such form and manner and subject to such conditions and restrictions as may be prescribed and such transfer shall be deemed to be a refund from the electronic cash ledger under this Act:

Provided that no such transfer under clause (b) shall be allowed if the said registered person has any unpaid liability in his electronic liability register

Question 14

Raghav Ltd., have filed their GSTR-3B for the month of July, 2023 within the due date prescribed under Section 39 i.e. 20.08.2023. Post filing of the return, the registered person has noticed during September 2023 that tax dues for the month of July, 2023 have been short paid for ₹ 40,000. Raghav Ltd., has paid the above shortfall of ₹ 40,000, through GSTR-3B of September 2023, filed on 20.10.2023 [payment through Cash ledger - ₹ 30,000 and Credit ledger ₹ 10,000]. Examine the Interest payable under the CGST Act, 2017. What would be your Answer if, GSTR-3B for the month of July 2023 has been filed belatedly on 20.10.2023 and the self-assessed tax of ₹ 40,000/- has been paid on 20.10.2023 [payment through electronic cash ledger - ₹ 30,000 and electronic credit ledger ₹ 10,000]

Notes:

- There exists adequate balance in Electronic Cash & Credit ledger as on 31.07.2023 for the above short fall
- No other supply has been made nor tax payable for the month of July, 2023 other than ₹ 40,000/- missed out to be paid on forward charge basis

- **Ignore the effect of leap year, if applicable in this case. (MTP 6 Marks April 22, Old & New SM)**

Answer 14

Interest is payable under Section 50 of the CGST Act, 2017 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.

As per proviso to sub-section (1) of Section 50, interest is payable on the net tax liability paid in cash, only if the return to be filed for a tax period under Section 39, has been filed after the due date to furnish such return.

In the above scenario, Raghav Ltd., has defaulted in making the payment for ₹ 40,000 on self- assessment basis in the return for the month of July, 2023. Accordingly, interest is payable on the gross liability and proviso of sub-section 50(1) shall not be applicable.

Thus, the amount of interest payable by Raghav Ltd., is as under:- Period of delay = 21st August, 2023 to 20th October, 2023 = 60 days

Hence, amount of interest = ₹ 40,000 x 18% x 60/365 = ₹ 1,184

Alternatively, if Raghav Ltd., have filed the return for the month of July, 2023 on 20.10.2023, beyond the stipulated due date of 20.08.2023 and if the self-assessed tax for July, 2023 has been paid on 20.10.2023, Interest under proviso to Section 50(1) shall be payable on the tax paid through Electronic Cash Ledger only. Hence Interest is payable from 21st August 2023 till 20th October 2023 = 60 days Amount of Interest = ₹ 30,000 x 18% x 60/365 = ₹ 888

Question 15

Explain the order in which liability of taxable person has to be discharged under GST laws.(RTP Nov '18)

Answer 15

Section 49(8) of CGST Act, 2017 prescribes the chronological order in which the liability of a taxable person has to be discharged:

- self -assessed tax and other dues for the previous tax periods have to be discharged first.
- self -assessed tax and other dues for the current tax period have to be discharged next.
- Once these two steps are exhausted, thereafter any other amount payable including demand determined under section 73 or section 74 is to be discharged. In other words, the liability if any, arising out of demand notice and adjudication proceedings comes last. This sequence has to be mandatorily followed.

The expression “other dues” referred above mean interest, penalty, fee or any other amount payable under the Act or the rules made thereunder.

Question 16

Mr. Ram Narayan, a registered supplier under GST, wants to first discharge his self- assessed tax liability for the current period before settling the dues for the previous tax period. Examine briefly whether he can do so?(RTP Nov '19)

Answer 16

As per section 49(8) of the CGST Act, 2017, the liability of a taxable person has to be discharged in a chronological order as under:-

- self -assessed tax and other dues for the previous tax periods have to be discharged first;
- the self -assessed tax and other dues for the current period have to be discharged next;
- Once these two steps are exhausted, thereafter any other amount payable including demand determined under section 73 or section 74 of the CGST Act, 2017 to be discharged. In other words, the liability if any, arising out of demand notice and adjudication proceedings comes last.

This sequence has to be mandatorily followed.

Thus, in view of the above-mentioned provisions, Mr. Ram Narayan cannot discharge his self-assessed tax liability for the current period before settling the dues for the previous tax period.

Question 17

Restrictions have been imposed on the use of amount available in the electronic credit ledger vide rule 86B of the CGST Rules, 2017. Is there any exceptions to rule 86B? If yes, state the exceptions.(RTP May '22)

Answer 17

Restrictions have been imposed on the use of amount available in electronic credit ledger vide rule 86B of the CGST Rules, 2017. Yes, there are exceptions to rule 86B. The exceptions to rule 86B are as under:-

(i) Payment of Income Tax more than ₹ 1 lakh

Rule 86B may not apply in cases whereby person mentioned below have deposited sum of more than ₹ 1 lakh as income tax under the Income-tax Act, 1961 in each of the last 2 financial years for which the time limit to file return of income under section 139(1) of the said Act has expired

- ❖ The registered person or
- ❖ The karta/proprietor/the managing director of the registered person;
- ❖ Any of the two partners, whole-time directors, members of Managing Committee of Associations or Board of Trustees of the registered person, as the case may be.

(ii) Receipt of refund of input tax credit of more than ₹ 1 lakh

Rule 86B may not apply whereby registered person has received a refund amount of more than ₹ 1 lakh on account of unutilized input tax credit under the following:

- ❖ zero-rated supplies made without payment of tax
- ❖ Inverted duty structure

It is pertinent to note that refund should have been received in the preceding financial year.

(iii) Payment of total output tax liability through electronic cash ledger in excess of 1% of total output tax liability

If the registered person has paid more than 1% of total output tax liability using electronic cash ledger upto the said month in the current financial year, the restrictions as specified in Rule 86B shall not apply.

It is pertinent to note that GST liability paid under reverse charge mechanism should not be taken into account while calculating the total output liability paid through electronic cash ledger.

(iv) Specified registered person:

Rule 86B would not be applicable in case of below-mentioned registered person:

- ❖ Government Department; or
- ❖ a public sector undertaking; or
- ❖ a local authority; or
- ❖ a statutory body.

However, Commissioner or an officer authorised by him in this behalf may remove the said restriction after such verifications and such safeguards as he may deem fit.

Question 18

State the order in which every taxable person discharges his tax and other dues under GST law, as provided under section 49 of the CGST Act, 2017. (RTP May '23)

Answer 18

Section 49 of the CGST Act, 2017 stipulates that every taxable person shall discharge his tax and other dues under the GST law in the following order, namely:-

- (a) self-assessed tax, and other dues related to returns of previous tax periods;
- (b) self-assessed tax, and other dues related to the return of the current tax period;
- (c) any other amount payable under this Act or the rules made thereunder including the demand determined under section 73 or section 74.

Question 19

Explain the order of discharge of tax and other dues as per the provisions of section 49(8) of the CGST Act, 2017. (PYP 5 Marks, Nov'20)



Answer 19

The order of discharge of tax and other dues as per provisions of section 49(8) of the CGST Act, 2017 is as under: -

- (a) self-assessed tax and other dues related to returns for the previous tax periods should be discharged first.
- (b) the self-assessed tax and other dues for the current period should be discharged next.
- (c) Lastly, any other amount payable including demand determined under section 73 or section 74 should be discharged.

Question 20

State the items which are to be debited to electronic liability register of the taxable person under the CGST Act, 2017 and rules thereunder. (PYP 3 Marks, Nov'19)

Answer 20

The items to be debited to electronic liability register of the taxable person are as under:-

all amounts payable towards tax, interest, late fee and any other amount as per return filed;

1 Currently GST portal does not allow filing of returns without payment of tax.

- (a) all amounts payable towards tax, interest, penalty and any other amount determined in a proceeding by an Assessing authority or as ascertained by the taxable person;
- (b) the amount of tax and interest as a result of mismatch.
- (c) any interest amount that may accrue from time to time.

Note: Any three points may be mentioned out of the above mentioned four points.

Question 21

Electronic cash ledger balance of ₹ 5,000 under the major head of IGST can be utilized for discharging the liability of major head of CGST. (PYP 3 Marks, Nov'18)

Answer 21

The said statement is False.

Amount available under one major head cannot be utilized for discharging the liability under any other major head.

Question 22

Ms. Jimmy wants to adjust input tax credit for payment of interest, penalty and payment of tax under reverse charge. Explain whether she can do so. (PYP 3 Marks, Nov'18)

Answer 22

The input tax credit as self-assessed in the return of a registered person shall be credited to his electronic credit ledger which may be used for making any payment towards output tax. "Output tax" inter alia excludes tax payable on reverse charge basis.

Thus, Ms. Jimmy cannot adjust input tax credit for payment of interest, penalty as also for payment of tax under reverse charge.

Question 23

Pranesh has deposited a sum of ₹ 5,000 under the head of 'Fee' column of Cess and ₹4,000 was lying unutilized under the head of 'Penalty' column of IGST. Both the deposits were made wrongly instead of depositing under the head of Fee column under SGST.

In the light of the provisions of section 49(10) & 49(11) of the CGST Act, 2017, briefly explain the relevant provisions as how can Pranesh rectify these errors? (PYP 3 Marks Nov '22)

Answer 23

A registered person is allowed to make intra-head or inter-head transfer of amount, as available in electronic cash ledger, using specified form.

It can transfer any amount of tax, interest, penalty, fee or others, under one (major or minor) head to another (major or minor) head, as available in the electronic cash ledger.

Therefore, in the given case, amount of ₹ 5,000 available under minor head 'fee' of major head 'cess' and ₹ 4,000 available under minor head 'penalty' of major head 'IGST' can be transferred to minor head 'fee' of major head 'SGST' using specified form.

Question 24

Rule 86B restricts the use of Input Tax Credit (ITC) available in the Electronic Credit Ledger for discharging output tax liability. List down the exceptions to the rule 86B. (PYP 5 Marks Nov '22)

Answer 24

Rule 86B of the CGST Rules, 2017 restricts the use of ITC available in the Electronic Credit Ledger for discharging output tax liability by a registered person. Exceptions to rule 86B are as follows:

- (1) Where the said person/proprietor/karta/managing director/any of its two partners, whole-time directors, members of Managing Committee of Associations or Board of Trustees, as the case may be, have paid more than ₹ 1 lakh as income tax in each of the last 2 financial years.
- (2) Where the registered person has received a refund of more than ₹ 1 lakh in the preceding FY on account of unutilised ITC in case of
 - (i) zero rated supplies made without payment of tax or
 - (ii) inverted duty structure.
- (3) Where the registered person has discharged his liability towards output tax through the electronic cash ledger for an amount which is in excess of 1% of the total output tax liability, applied cumulatively, upto the said month in the current FY.
- (4) Where the registered person is Government Department, Public Sector Undertaking, Local authority or Statutory body. Said restriction may be removed by Commissioner/ authorised officer after required verifications and safeguards.

Question 25

Mr. Manik provides the following information regarding his tax & other liabilities under GST law as per Electronic Liability Register:

Sr. No.	Particulars	Amount (₹)
1.	Tax due for the month of May	25,000
2.	Interest due for the month of May	2,000
3.	Penalty due for the month of May	3,000
4	Tax due for the month of June	35,000
5.	Liability arising out of demand notice u/s 73	48,000

Mr. Manik wants to clear his liability of demand notice u/s 73 first.

Discuss the provision of order of discharge of GST liability u/s 49 (8) of the CGST Act & advice to Mr. Manik. (PYP 5 Marks May '23)

Answer 25

The order of discharge of GST liability under section 49(8) of the CGST Act is as under:

- (i) self-assessed tax, interest, penalty, fee or any other amount related to returns of the previous tax periods.
- (ii) self-assessed tax, interest, penalty, fee or any other amount related to returns of the current tax period.
- (iii) any other amount payable including demand determined under section 73 or section 74,

In view of the above provisions, Mr. Manik cannot clear his liability of demand notice u/s 73 first.

The order of discharge of liability of Mr. Manik will be as under:

1. Tax, interest and penalty for the month of May, ₹ 30,000

2. Tax due for the month of June, ₹ 35,000



3. Liability arising out of demand notice u/s 73, ` 48,000

Question 26

“Rule 86A of the CGST Rules, 2017 provides that in certain specified circumstances, Commissioner on the basis of reasonable belief may not allow debit of an amount equivalent to such credit in electronic credit ledger.” State the grounds (as guided by CBIC) on which the reasons for such belief must be based on. (PYP 5 Marks May ‘23)

Answer 26

The reasons for such belief must be based on one or more of the following grounds:

- (1) The credit is availed by the registered person on the invoices/debit notes issued by a supplier, who is found to be non-existent or is found not to be conducting any business from the place declared in registration.
- (2) The credit is availed by the registered person on invoices/debit notes, without actually receiving any goods and/or services.
- (3) The credit is availed by the registered person on invoices/debit notes, the tax in respect of which has not been paid to the Government.
- (4) The registered person claiming the credit is found to be non-existent or is found not to be conducting any business from the place declared in registration.
- (5) The credit is availed by the registered person without having any invoice/debit note or any other valid document for it.

MULTIPLE CHOICE QUESTIONS (MCQS)

1. **What is the due date for payment of tax for a normal taxpayer?**

- (a) Last day of the month to which payment relates
- (b) Within 10 days of the subsequent month
- (c) Within 20 days of the subsequent month
- (d) Within 15 days of the subsequent month

(MTP 1 Marks, Oct’19)

Ans: (c)

2. **Balance in electronic credit ledger can be utilized against payment of __.**

- (a) output tax
- (b) interest
- (c) penalty
- (d) late fees **(MTP 1 Marks Oct ‘23)**

Ans: (a)

Chapter 14

Tax Deduction at Source and Collection of Tax at Source

Question 1

Manihar Enterprises, registered in Delhi, is engaged in supply of various goods and services exclusively to Government departments, agencies etc. and persons notified under section 51 of the CGST Act, 2017. It has provided the information relating to the supplies made, their contract values and the payment due against each of them in the month of October, 20XX as under:

S.No.	Particulars	Total contract value (inclusive of GST) (₹)	Payment due in October, 20XX (₹)
(i)	Supply of stationery to Fisheries Department, Kolkata	2,60,000	15,000
(ii)	Supply of car rental services to Municipal Corporation of Delhi	2,95,000	20,000
(iii)	Supply of a heavy machinery to Public Sector Undertaking located in Uttarakhand	5,90,000	25,000
(iv)	Supply of taxable goods to Delhi office of National Housing Bank, a society established by Government of India under the Societies Registration Act, 1860	6,49,000	50,000
(v)	Interior decoration of Andhra Bhawan located in Delhi. Service contract is entered into with the Government of Andhra Pradesh (registered only in Andhra Pradesh).	12,39,000	12,39,000
(vi)	Supply of printed books and printed post cards to a West Delhi Post Office [Out of total contract value of ₹ 9,72,000, contract value for supply of books (exempt from GST) is ₹ 7,00,000 and for supply of printed post cards (taxable under GST) is ₹ 2,72,000.]	9,72,000	50,000 for books & 20,000 for printed post cards
(vii)	Maintenance of street lights in Municipal area of East Delhi* [The maintenance contract entered into with the Municipal Corporation of Delhi also involves replacement of defunct lights and other spares. However, the value of supply of goods is not more than 25% of the value of composite supply.] *an activity in relation to any function entrusted to a Municipality under article 243W of the Constitution	3,50,000	3,50,000

You are required to determine amount of tax, if any, to be deducted from each of the receivable given above assuming the rate of CGST, SGST and IGST as 9%, 9% and 18% respectively. Will your answer be different, if Manihar Enterprises is registered under composition scheme? (RTP May '19, Old & New SM) (Same concept fewer adjustments MTP 4 Marks April 19, MTP 4 Marks Oct'22)

Answer 1

As per section 51 of the CGST Act, 2017 read with section 20 of the IGST Act, 2017 and Notification No. 50/2018 CT 13.09.2018, with effect from 01.10.2018, following persons are required to deduct CGST @ 1% [Effective tax 2% (1% CGST + 1% SGST/UTGST)] or IGST @ 2% from the payment made/credited to the

supplier (deductee) of taxable goods or services or both, where the total value of such supply, under a contract, exceeds ₹ 2,50,000:

- (a) a department or establishment of the Central Government or State Government; or
- (b) local authority; or
- (c) Governmental agencies; or
- (d) an authority or a board or any other body, -
 - (i) set up by an Act of Parliament or a State Legislature; or
 - (ii) established by any Government, with 51% or more participation by way of equity or control, to carry out any function; or
- (e) Society established by the Central Government or the State Government or a Local Authority under the Societies Registration Act, 1860, or
- (f) Public sector undertakings.

Further, for the purpose of deduction of tax, the value of supply shall be taken as the amount excluding CGST, SGST/UTGST, IGST and GST Compensation Cess indicated in the invoice.

Since in the given case, Manihaar Enterprises is supplying goods and services exclusively to Government departments, agencies etc. and persons notified under section 51 of the CGST Act, 2017, applicability of TDS provisions on its various receivables is examined in accordance with the above-mentioned provisions as under:

S. No.	Particulars	Total contract value (₹)	Payment due (₹)	Tax to be deducted		
				CGST (₹)	SGST (₹)	IGST (₹)
(i)	Supply of stationery to Fisheries Department, Kolkata (Note-1)	2,60,000	15,000	--		
(ii)	Supply of car rental services to Municipal Corporation of Delhi (Note-2)	2,95,000	20,000	--		
(iii)	Supply of a heavy machinery to Public Sector Undertaking located in Uttarakhand (Note-3)	5,90,000	25,000			500
(iv)	Supply of taxable goods to Delhi office of National Housing Bank, a society established by Government of India under the Societies Registration Act, 1860 (Note-4)	6,49,000	50,000	500	500	
(v)	Interior decoration of Andhra Bhawan located in Delhi (Note-5)	12,39,000	12,39,000	--		
(vi)	Supply of printed books and printed post cards to a West Delhi Post Office (Note-6)	9,72,000		--		
(vii)	Maintenance of street lights in Municipal area of East Delhi (Note-7)	3,50,000	3,50,000	--		

Notes:

1. Being an inter-State supply of goods, supply of stationery to Fisheries Department, Kolkata is subject to IGST @ 18%. Therefore, total value of taxable supply [excluding IGST] under the contract is as



follows:

$$\begin{aligned} &= ₹ 2,60,000 \times 100 / 118 \\ &= ₹ 2,20,339 \text{ (rounded off)} \end{aligned}$$

Since the total value of supply under the contract does not exceed ₹ 2,50,000, tax is not required to be deducted.

2. Being an intra-State supply of services, supply of car rental services to Municipal Corporation of Delhi is subject to CGST and SGST @ 9% each. Therefore, total value of taxable supply [excluding CGST and SGST] under the contract is as follows:

$$\begin{aligned} &= ₹ 2,95,000 \times 100 / 118 \\ &= ₹ 2,50,000 \end{aligned}$$

Since the total value of supply under the contract does not exceed ₹ 2,50,000, tax is not required to be deducted.

3. Being an inter-State supply of goods, supply of heavy machinery to PSU in Uttarakhand is subject to IGST @ 18%. Therefore, total value of taxable supply [excluding IGST] under the contract is as follows:

$$\begin{aligned} &= ₹ 5,90,000 \times 100 / 118 \\ &= ₹ 5,00,000 \end{aligned}$$

Since the total value of supply under the contract exceeds ₹ 2,50,000, PSU in Uttarakhand is required to deduct tax @ 2% of ₹ 25,000, i.e. ₹ 500.

4. Being an intra-State supply of goods, supply of taxable goods to National Housing Bank, Delhi is subject to CGST and SGST @ 9% each. Therefore, total value of taxable supply [excluding CGST and SGST] under the contract is as follows:

$$\begin{aligned} &= ₹ 6,49,000 \times 100 / 118 \\ &= ₹ 5,50,000 \text{ (rounded off)} \end{aligned}$$

Since the total value of supply under the contract exceeds ₹ 2,50,000, National Housing Bank, Delhi is required to deduct tax @ 2% (1% CGST + 1% SGST) of ₹ 50,000, i.e. ₹ 1,000.

5. Proviso to section 51(1) of the CGST Act, 2017 stipulates that no tax shall be deducted if the location of the supplier and the place of supply is in a State or Union territory which is different from the State or as the case may be, Union territory of registration of the recipient.

Section 12(3) of the IGST Act, 2017, inter alia, stipulates that the place of supply of services, directly in relation to an immovable property, including services provided by interior decorators, shall be the location at which the immovable property is located or intended to be located. Accordingly, the place of supply of the interior decoration of Andhra Bhawan shall be Delhi. Since the location of the supplier (Manihar Enterprises) and the place of supply is Delhi and the State of registration of the recipient - Government of Andhra Pradesh is Andhra Pradesh, no tax is liable to be deducted in the given case.

6. If the contract is made for both taxable supply and exempted supply, tax shall be deducted if the total value of taxable supply in the contract exceeds ₹ 2,50,000. Being an intra-State supply of goods, supply of printed post cards to a West Delhi Post Office is subject to CGST and SGST @ 9% each. Therefore, total value of taxable supply [excluding CGST and SGST] under the contract is as follows:

$$\begin{aligned} &= ₹ 2,72,000 \times 100 / 118 \\ &= ₹ 2,30,509 \text{ (rounded off)} \end{aligned}$$

Since the total value of taxable supply under the contract does not exceed ₹ 2,50,000, tax is not required to be deducted.

7. Composite supply of goods and services in which the value of supply of goods constitutes not more than 25% of the value of the said composite supply provided to, inter alia, local authority by way of

any activity in relation to any function entrusted to a Municipality under article 243W of the Constitution is exempt from GST. Thus, maintenance of street lights (an activity in relation to a function entrusted to a Municipality) in Municipal area of East Delhi involving replacement of defunct lights and other spares where the value of supply of goods is not more than 25% of the value of composite supply is a service exempt from GST. Since tax is liable to be deducted from the payment made or credited to the supplier of taxable goods or services or both, no tax is required to be deducted in the given case as the supply is exempt.

The answer will remain unchanged even if Manihar Enterprises is registered under composition scheme. Tax will be deducted in all cases where it is required to be deducted under section 51 of the CGST Act, 2017 including the scenarios when the supplier is registered under composition scheme.

Question 2

Shubi Enterprises is entitled for exemption from tax under GST law. However, it collected tax from its buyers worth Rs. 50,000 in the month of August. It has not deposited the said amount collected as GST with the Government. You are required to brief to Shubi Enterprises the consequences of collecting tax, but not depositing the same with Government as provided under section 76 of the CGST Act, 2017. (MTP 5 Marks April '21)

Answer 2

It is mandatory to pay amount, collected from other person representing tax under GST law, to the Government. Every person who has collected from any other person any amount as representing the tax under GST law, and has not paid the said amount to the Government, shall forthwith pay the said amount to the Government, irrespective of whether the supplies in respect of which such amount was collected are taxable or not. For any such amount not so paid, proper officer may issue show cause notice (SCN) for recovery of such amount and penalty equivalent to amount specified in notice.

The proper officer shall, after considering the representation, if any, made by the person on whom SCN is served, determine the amount due from such person and thereupon such person shall pay the amount so determined alongwith interest at the rate specified under section 50 of the CGST Act, 2017 from the date such amount was collected by him to the date such amount is paid by him to the Government.

Question 3

Ragini Traders, a registered supplier of Jaipur, is engaged in supply of various goods and services exclusively to Government departments, agencies, local authority and persons notified under section 51 of the CGST Act, 2017.

You are required to briefly explain the provisions relating to tax deduction at source under section 51 and also determine the amount of tax, if any, to be deducted from each of the receivables given below (independent cases) assuming that the payments as per the contract values are made on 31st October. The rates of CGST, SGST and IGST may be assumed to be 6%, 6% and 12% respectively.

- (1) Supply of computer stationery to Public Sector Undertaking (PSU) located & registered in Mumbai. Total contract value is ₹ 2,72,000 (inclusive of GST)**
- (2) Supply of air conditioner to GST department located & registered in Delhi. Total contract value is ₹ 2,55,000 (exclusive of GST)**
- (3) Supply of generator renting service to Municipal Corporation of Jaipur (not exempt under GST law). Total contract value is ₹ 3,50,000 (inclusive of GST) (MTP 4 Marks March '23, Old & New SM)**

Answer 3

As per section 51 of the CGST Act, 2017, Government departments, agencies, local authority and notified persons are required to deduct tax @ 2% (1% CGST + 1% SGST/UTGST) or IGST @ 2% from payment made to the supplier of taxable goods and/ or services where the total value of such supply [excluding tax and compensation cess indicated in the invoice], under a contract, exceeds ₹ 2,50,000.

Since in the given case, Ragini Traders is supplying goods and services exclusively to Government departments, agencies, local authority and persons notified under section 51 of the CGST Act, 2017, applicability of TDS provisions on its various receivables is examined in accordance with the above-mentioned provisions as under:

S. No.	Particulars	Total contract value due to be received [excluding GST] (₹)	Tax to be deducted		
			CGST @ 1% (₹)	SGST @ 1% (₹)	IGST @ 2% (₹)
(1)	Supply of computer stationery to PSU in Mumbai [Since the total value of supply under the contract [excluding IGST (being inter-State supply)] does not exceed ₹ 2,50,000, tax is not required to be deducted.]	2,42,857 [2,72,000 × 100 / 112]	--	--	
(2)	Supply of air conditioner to GST Department in Delhi [Since the total value of supply under the contract [excluding IGST (being inter-State supply)] exceeds ₹ 2,50,000, tax is required to be deducted.]	2,55,000	--		5,100
(3)	Supply of a generator renting service to Municipal Corporation of Jaipur [Since the total value of supply under the contract [excluding CGST and SGST (being intra-State supply)] exceeds ₹ 2,50,000, tax is required to be deducted.]	3,12,500 [3,50,000× 100 / 112]	3,125	3,125	
	Total		3,125	3,125	5,100

Question 4

- (i) A Central Government Department located at Uttar Pradesh is registered with the Commercial Tax Department UP State for deducting GST. It enters into a contract with a Public Sector Undertaking (PSU), registered under GST in the State of Delhi, for supplying goods valued ₹ 3,50,000. The PSU argues that no tax is deductible on this supply by the Central Government Department as it is located outside the State of Uttar Pradesh and therefore not liable to tax under CGST and SGST as it is a local levy and IGST tax deduction is not applicable if it is located in another State, other than the State in which the Department is registered. You are required to comment on this.
- (ii) Would there be any difference, if instead of the PSU if it was an entity in the private sector? Applicable tax rate for deduction is 1% CGST, 1% SGST and 2% IGST.



- (iii) If the private sector entity undertakes works contract, for the above Department in New Delhi. What would be the position of tax deduction when the contract value is ₹ 5,00,000?
- (iv) The disbursing officer has not paid the tax deducted in the month of February 2019, amounting to ₹ 2,00,000 under CGST and ₹ 2,00,000 under SGST to the Government's account on the relevant due date, but has paid it on 14th May, 2019. Further, return for that month is also filed on that date and the certificate is also issued simultaneously. What are the consequences, on such failures, to the disbursing officer under the GST law? (PYP 4 Marks Nov '20)

Answer 4

- (i) Certain specified persons are required to deduct tax from the payment made to the supplier of taxable goods and/or services, where the total value of such supply [excluding GST] under a contract, exceeds ₹ 2,50,000.

However, the tax is not liable to be deducted at source when supply of goods and/or services has taken place between one specified person to another specified person. Since both Central Government Department and PSU are the specified persons, tax is not deductible in case of supply of goods between them.
- (ii) Central Government Department is mandatorily required to deduct IGST @ 2% since a private entity is not the specified person.
- (iii) Since, in the given case, the location of supplier and place of supply is in the same State, i.e., Delhi and location of recipient is in UP, Central Government Department is not required to deduct TDS although the total value of supply under the contract is more than ₹ 2,50,000¹⁹.
- (iv) Failure to deposit TDS with the Government and failure to furnish TDS return within the stipulated time period will result in following consequences:
 - a. Interest @ 18% p.a. on the amount of tax deducted shall be payable.
 - b. Late fee of ₹ 100 per day for the period of delay in furnishing return, or ₹ 5,000, whichever is lower, shall be payable. Equal amount of late fee will be payable under the respective State law.
 - c. Applicable penalty will also be levied.

Question 5

From the following information of independent cases, your expert advice, with appropriate reasoning, is sought on the applicability of TDS/TCS provisions of the CGST Act, 2017. You shall also quantify the amount of TDS/TCS, as the case be, if the same is applicable.

- (i) Top Fashions, a designer cloth dealer and registered in the State of West Bengal, effected supply through 'QUICK DEAL', an electronic commerce operator. Net value of taxable intra-State supplies effected for the month of October 2019 was ₹ 1,50,000.
- (ii) M/s Super Builders, a registered supplier in Tamil Nadu, was awarded a works contract by Government of Tamil Nadu amounting to ₹ 4,30,000. Of this, value of exempt supply was ₹ 1,00,000.
- (iii) Tasty Caterers, a registered supplier of Kerala, provided catering services in Kochi, Kerala to Government of Andhra Pradesh for its annual training camp held for its staff. Value of said services was ₹ 4,50,000. (PYP 4 Marks Jan 21)

Answer 5

- (i) An electronic commerce operator (ECO) is required to collect TCS - an amount @ 1% (CGST 0.5% and SGST @ 0.5%) of the net value of taxable supplies made through it by other suppliers.
$$= ₹ 1,50,000 \times 0.5\%$$
$$= ₹ 750 \text{ (CGST) \& } ₹ 750 \text{ (SGST)}$$
- (ii) A State Government is required to deduct tax from the payment made to the supplier of taxable goods



and/or services, where the total value of such supply [excluding GST] under a contract, exceeds ₹ 2,50,000. TDS to be deducted in the given intra-State supply (since place of supply and location of supplier is in Tamil Nadu) is as follows:

$$= ₹ (4,30,000 - 1,00,000) \times 1\%$$

$$= ₹ 3,300 \text{ (CGST)}$$

$$₹ 3,300 \text{ (SGST)}$$

(iii) Since, in the given case, the location of supplier and place of supply are in the same State, i.e., Kerala and location of recipient is in Andhra Pradesh,

Andhra Pradesh Government is not required to deduct TDS although the total value of supply under the contract is more than ₹ 2,50,000.

Note: In above question, it has been assumed that the value given is exclusive of GST, wherever applicable, since the rate of tax is not given in the question.

Question 6

BSA Corporation is a Public Sector Undertaking registered in Karnataka. For entertainment events in Bengaluru and at Mumbai, BSA has given contract to Mr. A, a renowned artist, registered person in Maharashtra, to perform on contemporary Bollywood songs. BSA Corporation agreed to pay ₹ 12,39,000 and ₹ 18,29,000, inclusive of GST, for Mumbai and Bengaluru events respectively. BSA Corporation seeks your advice regarding amount of TDS to be deducted assuming GST rate @ 18% (CGST @ 9%, SGST @ 9%, IGST @18%)(PYP 5 Marks Nov 22)

Answer 6

A Public Sector Undertaking is required to deduct tax @ 2% (on inter-State supplies) from payment made to the supplier of taxable services where the total value of such supply, excluding tax indicated in the invoice, under a contract, exceeds ₹ 2,50,000.

Value of supplies excluding tax are

$$₹ 10,50,000 \text{ (₹ 12,39,000} \times 100/118) \text{ and}$$

$$₹ 15,50,000 \text{ (₹ 18,39,000} \times 100/118)$$

Further, in the given case, since the location of supplier is Maharashtra and place of supply of services provided by Mr. A to BSA Corporation is the location of recipient, viz. Karnataka, said services provided at both Mumbai and Bengaluru events are inter-State supplies.

Accordingly, in the given case, BSA Corporation is required to deduct tax as follows:

$$(i) ₹ 10,50,000 \times 2\% = ₹ 21,000 \text{ (IGST)}$$

$$(ii) ₹ 15,50,000 \times 2\% = ₹ 31,000 \text{ (IGST)}$$

MULTIPLE CHOICE QUESTIONS (MCQS)

1. In which of the following supplies of goods and services made exclusively to Government departments, agencies etc., TDS is required to be deducted?
- (i) Health Department executed a contract with a local supplier to supply “medical grade oxygen” of ` 2.6 lakh (including GST @ 18%) and is making full payment.
 - (ii) Government school is making a payment of `3.5 Lakh to a supplier for supply of cooked food as mid-day meal under a scheme sponsored by Central/State Government
 - (iii) Municipal Corporation of Kolkata purchases a heavy generator from a supplier in Delhi. Now, it is making payment of `5 lakh and IGST @18% on `5 lakh for such purchase.
 - (iv) Finance Department is making a payment of `3 lakh (including GST @ 18%) to a supplier of ‘printing & stationery’.

Assume all other conditions for deduction of TDS are fulfilled.

- (a) (i), (ii) and (iii)
- (b) (ii), (iii) and (iv)
- (c) Only (i) and (ii)
- (d) Only (iii) and (iv) (2 Marks March '19, Oct'19)

Ans : (d)

2. Analyze the transactions mentioned below-

- i. Mr. Abhinay, provides architect services to Institute for Rural Development, a Government Agency for Rs. 2,80,000/- (inclusive of Rs. 30,000/- GST) under a contract in October, 2018. Mr. Abhinay, is registered under GST. Being a registered supplier, Institute for Rural Development deducted TDS of supplier.
- ii. M/s. Manmohak Apparels, is registered under GST in Madhya Pradesh. It sells leather handbags across India through e-commerce operator Pingpong. Pingpong, is also registered with Madhya Pradesh GST Authority as TCS collector and collected TCS @ 1% (0.5% CGST + 0.5% SGST) on supplies made through it. M/s. Manmohak Apparels made sales of Rs. 3,45,000/- and received sales returns of Rs. 67,700/- in the month of October, 2018. Sales are inclusive of tax. Leather handbags are taxable @ 18% GST. Pingpong, collected TCS of Rs. 2,350/- from M/s Manmohak Apparels. Which of the transactions are in compliance with section 51 or section 52 of CGST Act? (2 Marks April '19)

- (a) Only (i)
- (b) Only (ii)
- (c) Both (i) and (ii)
- (d) Neither (i) nor(ii)

Ans: (b)

3. A taxable person has made following supplies in January, 2018 – Sales within the State – Rs. 2,00,000. Exports out of India– Rs. 60,000.
- Supplies to SEZ located within the State – Rs. 40,000. He does not intend to clear goods under Letter of Undertaking (LUT) or bond. The input tax credit available to him during January, 2018 – IGST – Nil. CGST – Rs.10,000. SGST – Rs. 20,000.

There is no opening balance in his electronic cash ledger or electronic credit ledger. Tax rates are –
 SGST – 9%, CGST – 9%, IGST – 18%. How much amount is payable by him in cash?

- (a) CGST – Rs. 8,000 SGST – Nil
- (b) CGST – Rs. 11,600 SGST – Rs. 1,600
- (c) CGST – Rs. 8,000, SGST – Nil, IGST – Rs. 5,200
- (d) CGST – Rs. 8,000 SGST – Nil, IGST – Rs. 16,000 (2 Marks April '19)

Ans: (d)

4. Sachi Traders, registered in Maharashtra, purchased machinery two years back worth ` 2,00,00,000 and did not avail ITC on said machinery at the time of its purchase. After using the machinery for two years, it gave said machinery free of cost in the month of September (in the current year) to an unrelated person in Punjab. On the date of transfer, open market value of the machinery was ` 1,25,00,000 and the written down value was ` 1,53,00,530.

In the month of September, it also supplied taxable goods worth ` 50,00,000 to Hike Oil Corporation Limited in the territorial waters. The said territorial waters are located at a distance of 5 nautical miles from the baseline of the State of Maharashtra and 7 nautical miles from the baseline of the State of Kerala.

All above amounts are exclusive of GST and rates of applicable CGST, SGST and IGST in above cases are 9%, 9% and 18%.

You are required to determine the amount of net CGST and SGST and/or IGST payable in the month of September.

- (a) CGST: ` 4,50,000; SGST: ` 4,50,000; IGST: Nil
- (b) CGST: Nil; SGST: Nil; IGST: ` 9,00,000
- (c) CGST: Nil; SGST: Nil; IGST: Nil
- (d) CGST: ` 4,50,000; SGST: ` 4,50,000; IGST: ` 22,50,000 (2 Marks March 22)

Ans : (a)

5. In respect of a consignment supplied on 20th August, provisional assessment was resorted to. The assessment was finalized on 20th November and the taxpayer became liable to pay differential IGST of ` 10,000/-. The taxpayer paid this amount on 20th February next year. The number of days for which the taxpayer is liable to pay interest are-(Nov 20)

- (a) 184 days
- (b) 153 days
- (c) 92 days
- (d) 204 days

Ans: (b)

Chapter 15

Returns

Question 1

Discuss the eligibility for QRMP scheme under GST? (MTP 5 Marks, Oct'21)

Answer 1

Registered persons (other than supplier of online information and database access or retrieval services (OIDAR) located in non-taxable territory and providing such services to a non-taxable online recipient), having an aggregate turnover up to ` 5 crore in the preceding financial year, and who have opted to furnish quarterly return under QRMP scheme are eligible for QRMP scheme as the class of persons who shall furnish a return for every quarter from January, 2021 onwards, and pay the tax due every month.

Thus, the taxpayers whose aggregate turnover is up to ` 5 crore in the preceding financial year are eligible for QRMP scheme. For computing aggregate turnover, details furnished in returns for tax periods in the preceding financial year shall be taken into account.

Question 2

What are the cases where a registered person is debarred from furnishing details of outward supplies in GSTR-1/IFF? (MTP 6 Marks, Nov'21)

Answer 2

- (i) A registered person shall not be allowed to furnish the details of outward supplies in Form GSTR-1, if he has not furnished the return in Form GSTR-3B for preceding two months.
- (ii) A registered person, opting for QRMP scheme shall not be allowed to furnish the details of outward supplies in Form GSTR-1 or using IFF, if he has not furnished the return in Form GSTR-3B for preceding tax period.
- (iii) A registered person, who is restricted from using the amount available in electronic credit ledger to discharge his liability towards tax in excess of 99% of such tax liability under rule 86B of the CGST Rules, shall not be allowed to furnish the details of outward supplies in Form GSTR-1 or using IFF, if he has not furnished the return in Form GSTR-3B for preceding tax period.

Question 3

If a return has been filed, how can it be revised if some changes are required to be made? (MTP 5 Marks, May'20 , March '19, March'21, Oct'22, Sep'23, Old & New SM)

Answer 3

In GST since the returns are built from details of individual transactions, there is no requirement for having a revised return. Any need to revise a return may arise due to the need to change a set of invoices or debit/credit notes.

Instead of revising the return already submitted, the system allows amendment in the details of those individual details of those transactions (invoices or debit/credit notes) that are required to be amended. They can be amended in any of the future GSTR- 1 in the tables specifically provided for the purposes of amending previously declared details. Omission or incorrect particulars discovered in the returns filed under section 39 of the CGST Act, 2017 can be rectified in the return to be filed for the month during which such omission or incorrect particulars are noticed. Any tax payable as a result of such error or omission will be required to be paid along with interest. The rectification of errors/omissions is carried out by entering appropriate particulars in "Amendment Tables" contained in GSTR-1. However, no such rectification of any omission or incorrect particulars is allowed after the due date for furnishing of return for the month of September or second quarter (in case of quarterly filers) following the end of the financial year to which such details pertain, or the actual date of furnishing of relevant annual return, whichever is earlier.

As per amendment Provided that no such rectification of any omission or incorrect particulars shall be allowed after the 30th day of November following the end of the financial year to which such details pertain, or the actual date of furnishing of relevant annual return, whichever is earlier.



Question 4

Mr. X, a regular tax payer, did not make any taxable supply during the month of July. Is he required to file any goods and service tax return? (MTP 3 Marks, Oct'19)

Answer 4

A regular tax payer is required to furnish a return u/s 39 for every month even if no supplies have been effected during such period. In other words, filing of Nil return is also mandatory.

Therefore, Mr. X is required to file monthly return even if he did not make any taxable supply during the month of July.

Question 5

Elaborate the provisions relating to annual return contained under section 44 of the CGST Act, 2017.(MTP 5 Marks Sep'22)

Answer 5

Every registered person, other than an input service distributor, a person paying tax under section 51 or section 52, a casual taxable person and a non-resident taxable person shall furnish an annual return which may include a self-certified reconciliation statement, reconciling the value of supplies declared in the return furnished for the financial year, with the audited annual financial statement for every financial year electronically, within prescribed time, form and manner. However, the Commissioner may exempt any class of registered persons from filing annual return. Further, any department of the Central Government or a State Government or a local authority, whose books of account are subject to audit by the Comptroller and Auditor-General of India, or an auditor appointed for auditing the accounts of local authorities under any law for the time being in force, is not required to furnish annual return.

Question 6

Briefly elaborate the provisions relating to nil GSTR-3B. (MTP 5 Marks March '23)

Answer 6

Filing of GSTR-3B is mandatory for all normal and casual taxpayers, even if there is no business activity in any particular tax period. For such tax period(s), a Nil GSTR-3B is required to be filed.

A Nil GSTR-3B does not have any entry in any of its tables. For example, a Nil GSTR-3B for a tax period cannot be filed, if the taxpayer has made any outward supply (including nil-rated, exempt or non-GST supplies) or has received any supplies which are taxable under reverse charge or it intends to take ITC etc.

A Nil GSTR-3B can be filed through an SMS using the registered mobile number of the taxpayer. GSTR-3B submitted through SMS is verified by registered mobile number-based OTP facility.

A taxpayer may file Nil GSTR-3B, anytime on or after the 1st day of the subsequent month/quarter for which the return is being filed for.

Question 7

M/s Cavenon Enterprises, a registered supplier of designer wedding dresses under regular scheme, has aggregate annual turnover of ₹ 30 lakh in the preceding financial year. It is of the view that in the current financial year, it is permitted to file its monthly statement of outward supplies – GSTR-1 - on a quarterly basis while its accountant advises it to file the same on a monthly basis. You are required to advise M/s Cavenon Enterprises on the same.

During a given tax period in the current financial year, owing to an off-season, M/s Cavenon Enterprises has not made any taxable supply. Therefore, M/s Cavenon Enterprises opines that no return under GST is required to be filed for the said period. You are required to examine the technical veracity of the opinion of M/s Cavenon Enterprises. (RTP May '19)

Answer 7

Section 37 of the CGST Act, 2017 stipulates that GSTR-1 for a particular month is required to be filed on or before the 10th day of the immediately succeeding month, i.e. on a monthly basis.

However, presently, as a measure of easing the compliance requirement for small tax payers, GSTR-1 has been allowed to be filed quarterly by small tax payers with aggregate annual turnover up to ₹ 1.5 crore in the preceding financial year or the current financial year. Tax payers with annual aggregate turnover above ₹ 1.5 crore will however continue to file GSTR- 1 on a monthly basis.

In view of the same, M/s Cavenon Enterprises can file its GSTR-1 on quarterly basis as its aggregate turnover does not exceed ₹ 1.5 crore in the preceding financial year.

Further, GSTR-1 needs to be filed even if there is no business activity in a tax period. Thus, in the present case, even if no supply has been made by M/s Cavenon Enterprises, a nil return is required to be filed for the relevant tax period.

Question 8

Mr. Gauri Shiva, a registered person in Punjab, supplies goods taxable @ 12% [CGST @ 6%, SGST @ 6% & IGST @ 12%] in the States of Punjab and Haryana. He has furnished the following details in relation to independent supplies made by him in the quarter ending June, 20XX:-

Supply	Recipient	Nature of supply	Value (₹)
1	Mr. A, a registered person	Inter-State	2,20,000
2	Mr. B, a registered person	Inter-State	2,55,000
3	Mr. C, an unregistered person	Intra -State	1,80,000
4	Mr. D, an unregistered person	Intra-State	2,60,000
5	Mr. M, an unregistered person	Inter-State	3,00,000
6	Mr. N, an unregistered person	Inter-State	50,000
7	Mr. O, an unregistered person	Inter-State	2,50,000
8	Mr. P, an unregistered person	Inter-State	2,80,000
9	Mr. Q, a registered person	Intra-State	1,50,000
10	Mr. R, a registered person	Intra-State	4,10,000

The aggregate annual turnover of Mr. Gauri Shiva in the preceding financial year was ₹ 1.20 crore. With reference to rule 59 of the CGST Rules, 2017, discuss the manner in which the details of above supplies are required to be furnished in GSTR-1. (RTP Nov '19)

Answer 8

Rule 59 of the CGST Rules, 2017, inter alia, stipulates that the details of outward supplies of goods and/or services furnished in form GSTR-1 shall include the—

- (a) invoice wise details of all –
 - (i) inter-State and intra-State supplies made to the registered persons; and
 - (ii) inter-State supplies with invoice value more than two and a half lakh rupees made to the unregistered persons;
- (b) consolidated details of all –
 - (i) intra-State supplies made to unregistered persons for each rate of tax; and
 - (ii) State wise inter-State supplies with invoice value upto two and a half lakh rupees made to unregistered persons for each rate of tax;
- (c) Thus, in view of the above-mentioned provisions, Mr. Gauri Shiva should furnish the details of outward supplies of goods made by him during the quarter ending June 20XX in the following manner:-

Supply	Recipient	Nature of supply	Value (₹)	Manner of furnishing details
1	Mr. A, a registered person	Inter-State	2,20,000	Invoice-wise details
2	Mr. B, a registered person	Inter-State	2,55,000	Invoice-wise details
3	Mr. C, an unregistered person	Intra-State	1,80,000	Consolidated details of



4	Mr. D, an unregistered person	Intra-State	2,60,000	supplies 3 and 4
5	Mr. M, an unregistered person	Inter-State	3,00,000	Invoice-wise details
6	Mr. N, an unregistered person	Inter-State	50,000	Consolidated details of supplies 6 and 7
7	Mr. O, an unregistered person	Inter-State	2,50,000	
8	Mr. P, an unregistered person	Inter-State	2,80,000	Invoice-wise details
9	Mr. Q, a registered person	Intra-State	1,50,000	Invoice-wise details
10	Mr. R, a registered person	Intra-State	4,10,000	Invoice-wise details

Question 9

- (a) Miss Kashi is a registered intra-State supplier of goods in Haryana. During the months of August and September, she was out of station on a religious pilgrimage with her family for 55 days. Thus, no business transaction was made during August. Miss Kashi is of the opinion that as there is no transaction, there is no need to file monthly return [GSTR-3B] for the month of August. However, her tax consultant has advised her to file nil GSTR-3B. Whether the advice given by tax consultant is correct? Explain.
- (b) Will your Answer in (a) change, if Miss Kashi has placed an order for some purchases during August over her mobile phone, which has been received in her premises and she intends to take input tax credit on the same?
- (c) Assuming in (a) above, Miss Kashi does not have internet facility in her mobile and there is no facilitation centre notified by the Commissioner, whether no return is required to be filed in the absence of means to file return? Explain. (RTP May '21)

Answer 9

- (a) The advice given by tax consultant is correct.

Under GST law, filing of GSTR-3B is mandatory for all normal and casual taxpayers, even if there is no business activity in any particular tax period. For such tax period(s), a Nil GSTR-3B is required to be filed.

Therefore, in the given case, even though Miss Kashi was out of station on a religious pilgrimage with her family for 55 days and thus, could not do any business transaction during the month of August, she is still required to file Nil GSTR-3B for that month.

- (b) Nil GSTR-3B means that the return has nil or no entry in all its Tables. Since in the present case, Miss Kashi has received certain purchases, she cannot file Nil GSTR-3B, as the said purchases will need to be disclosed in the "Table for Eligible ITC" in GSTR-3B.

Thus, Miss Kashi is required to file monthly return, GSTR-3B for the month of August.

- (c) GSTR-3B can be submitted electronically on the common portal, either directly or through a Facilitation Centre notified by the Commissioner. Further, a Nil GSTR-3B can be filed through an SMS using the registered mobile number of the taxpayer.

Thus, Miss Kashi is required to file Nil GSTR-3B for the month of August through an SMS using her registered mobile number even though there is no internet facility in her mobile and no Facilitation Centre notified by the Commissioner.

Question 10

- (a) Mr. Ayushman, a registered person having intra-State aggregate turnover of ₹ 1.2 crores in the preceding financial year did not file GSTR-3B for the month of September, 2023 by 10th November, 2023. The amount of tax payable for the month of September, 2023 is ₹ 8 lakh. All his supplies are intra-State supplies. Is there any late fee payable for the same? If yes, what is the amount of late fee payable?
- (b) Will your Answer be different in (a), if Mr. Ayushman has intra-State aggregate turnover of ₹ 5 crores in the preceding financial year?

- (c) Will your Answer be different in (a), if total amount of tax payable in the GSTR-3B for the month of



September is Nil? (RTP May '22)

Answer 10

- (I) As per section 47 of the CGST Act, 2017 read with Notification No 19/2021 CT dated 01.06.2021, the registered persons whose aggregate turnover is \leq ₹ 1.5 crores in the preceding FY, and who fails to furnish the returns required under section 39 by the due date shall pay a late fee of ₹ 2,000 (₹ 1,000 each under CGST & SGST or ₹ 2,000 under IGST).

Thus, late fee is payable in the given case and the amount of late fee payable is ₹ 2,000 (₹ 1,000 each under CGST & SGST).

- (II) As per section 47 of the CGST Act, 2017 read with Notification No 19/2021 CT dated 01.06.2021, the registered persons whose aggregate turnover is more than ₹ 1.5 crores but less than equal to ₹ 5 crores in the preceding FY, and who fails to furnish the returns required under section 39 by the due date shall pay a late fee of ₹ 5,000 (₹ 2,500 each under CGST & SGST or ₹ 5,000 under IGST).

Thus, late fee is payable in the given case and the amount of late fee payable is ₹ 5,000 (₹ 2,500 each under CGST & SGST).

- (III) As per section 47 of the CGST Act, 2017 read with Notification No 19/2021 CT dated 01.06.2021, any registered person whose total amount of tax payable in the GSTR-3B is Nil and who fails to furnish the returns required under section 39 by the due date shall pay a late fee of ₹ 500 (₹ 250 each under CGST & SGST or ₹ 500 under IGST).

Thus, late fee is leviable even if total amount of tax payable in the GSTR-3B for the month of September is Nil. The amount of late fee would be ₹ 500 (₹ 250 each under CGST & SGST).

As per amendment Provided that no such rectification of any omission or incorrect particulars shall be allowed after the 30th day of November following the end of the financial year to which such details pertain, or the actual date of furnishing of relevant annual return, whichever is earlier.

Question 11 (Includes concepts from Charge of GST)

The due date for payment of tax by a person paying tax under section 10 of the CGST Act, 2017, i.e. a composition supplier is aligned with the due date of return to be filed by the said person. Discuss the correctness or otherwise of the statement. (RTP Nov '20)

Answer 11

The statement is not correct. Every registered person paying tax under section 10, i.e. a composition supplier, is required to file a return annually in Form GSTR-4. Form GSTR-4 for a financial year should be furnished by 30th April of the succeeding financial year. However, a composition supplier is required to pay his tax on a quarterly basis. A quarterly statement for payment of self-assessed tax in GST CMP-08 is required to be furnished by 18th day of the month succeeding such quarter.

Therefore, while the return is to be furnished annually, payment of tax needs to be made on a quarterly basis, by a composition supplier.

Question 12

Batra Ltd., a normal taxpayer, is winding up its business in Rajkot. The Tax Consultant of Batra Ltd. has suggested that Batra Ltd. will have to file either the annual return or the final return at the time of voluntary cancellation of registration in the State of Rajkot.

Do you agree with the stand taken by Tax Consultant of Batra Ltd.? Offer your comments. Ignore the aggregate turnover of Batra Ltd. (RTP Nov '23, Old & New SM)

Answer 12

No, the stand taken by Tax Consultant of Batra Ltd. is not correct.

Annual return is required to be filed by every registered person paying tax as a normal taxpayer. Final return is filed by the registered persons who have applied for cancellation of registration within three months of the date of cancellation or the date of cancellation order.



In the given case, Batra Ltd., a registered person, is winding up its business and has thus, applied for cancellation of registration. Therefore, it is required to file both annual return and final return.

Question 13

The aggregate turnover of Mr. Prithvi, a registered person for the FY 2017-18 and 2018-19 were ₹ 140 lakh and ₹ 170 lakh respectively. He has not filed the annual return (GSTR-9) under section 44(1) of CGST Act, 2017 before the due date. Discuss the penal provisions, if any, for not filing the returns before the due date. (PYP 3 Marks, Jan'21)

Answer 13

The penal provisions for not filing the annual return (GSTR-9) under section 44(1) of the CGST Act, 2017 before the due date are as under: -

- (a) ₹ 100 for every day during which such failure continues,
- or**
- (b) 0.25% of the turnover of the registered person in the State/Union Territory whichever is lower.

Note: - It may be noted that filing of GSTR-9 has been made voluntary in respect of financial years 2017-18 and 2018-19 for the registered persons whose turnover is less than ₹ 2 crores and who have not furnished the said annual return before due date. Here, the annual return is deemed to be furnished on the due date if it has not been furnished before the due date.

Question 14

"In Form GSTR-1, submission of invoice-wise details of outward supplies is mandatory for all kind of invoices issued during the tax period." Comment on the validity of the above statement with reference to GST laws. (PYP 3 Marks, Nov'20)

Answer 14

The said statement is not valid.

In respect of following outward supplies, consolidated details and not invoice-wise details are required to be uploaded in the GSTR-1:

- (a) Intra-State supplies made to unregistered persons for each rate of tax
- (b) Inter-State supplies made to unregistered persons with invoice value up to ₹ 2,50,000 for each rate of tax separately for each State.

Question 15

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. (PYP 5 Marks, Nov'19)

Answer 15

Omission or incorrect particulars discovered in the returns filed under section 39 can be rectified in the return to be filed for the month/quarter during which such omission or incorrect particulars are noticed. Any tax payable as a result of such error or omission will be required to be paid along with interest. Exception Section 39(9) of the CGST Act does not permit rectification of error/omission discovered on account of scrutiny, audit, inspection or enforcement activities by tax authorities. The time limit for making such rectification is earlier of the following dates:

- ~~(i) Due date for filing return for September month of next financial year or~~
- ~~(ii) Actual date of filing annual return~~

As per amendment Provided that no such rectification of any omission or incorrect particulars shall be allowed after the 30th day of November following the end of the financial year to which such details pertain, or the actual date of furnishing of relevant annual return, whichever is earlier.

Question 16

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. (PYP 2 Marks, Nov'19)

Answer 16

If the taxable person under GST law files the GST return under section 39(1) of the CGST Act, 2017, but does not pay the self-assessment tax, the return is not considered as a valid return. Since the input tax credit can be availed only on the basis of a valid return, the taxable person, in the given case, will not be able to claim any input tax credit.

He shall pay interest, penalty, fees or any other amount payable under the CGST Act for filing return without payment of tax.

Question 17

Explain who is required to furnish final return, time limit for filing of final return and late fee for delay in filing final return. (PYP 5 Marks, July'21, PYP 5 Marks May'18, MTP 3 Marks Aug'18)

Answer 17

Every registered person who is required to furnish a return and whose registration has been surrendered or cancelled is required to file a final return.

The final return has to be filed within 3 months of the:

- (i) date of cancellation or
- (ii) date of order of cancellation whichever is later.

Quantum of late fee for not filing the final return is as follows:

- (i) ₹ 100 for every day during which such failure continues or
- (ii) ₹ 5,000 whichever is lower.

An equal amount of late fee is payable under the respective SGST/UTGST Act as well.

Question 18

"All taxpayers are required to file GSTR-1 only after the end of the current tax period." Comment on the validity of the above statement with reference to GST law. (PYP 3 Marks May'22, PYP 2 Marks Nov'18)

Answer 18

The statement is partially valid.

A taxpayer cannot file Form GSTR-1 before the end of the current tax period. However, following are the exceptions to this rule:

- a. Casual taxpayers, after the closure of their business
- b. Cancellation of GSTIN of a normal taxpayer.

A taxpayer who has applied for cancellation of registration will be allowed to file Form GSTR-1 after confirming receipt of the application.

Question 19

List the details of outward supplies which can be furnished using Invoice Furnishing Facility (IFF). Also briefly list the cases where a registered person is debarred from furnishing details of outward supplies in GSTR-1/IFF. (PYP 5 Marks Nov '22)

Answer 19

Details of outward supplies which can be furnished using IFF are as follows:

- (a) invoice wise details of inter-State and intra-State supplies made to the registered persons;
- (b) debit and credit notes, if any, issued during the month for such invoices issued previously.

Cases where a registered person is debarred from furnishing details of outward supplies in GSTR-1/using IFF:



- (i) A registered person is not allowed to furnish Form GSTR-1, if he has not furnished the return in Form GSTR-3B for the preceding 2 months²/ for the preceding 1 month³.
- (ii) A registered person, opting for QRMP (Quarterly Return Monthly Payment) scheme is not allowed to furnish Form GSTR-1/using IFF, if he has not furnished the return in Form GSTR-3B for preceding tax period.

² Position of law till 31.12.2021

³ Position of law w.e.f. 01.01.2022

Question 20

PQR Ltd., have filed their GSTR-3B return for the month of August, 2023 within the due date i.e. 20.09.2023. It was noticed in October, 2023 that tax dues for the month of August, 2023 have been short paid by ` 10,000. The shortfall of ` 10,000 was paid through cash ledger and credit ledger amounting to ` 7,500 and ` 2,500 respectively while filing GSTR-3B of October, 2023 which was filed on 20.11.2023.

- (1) Examine and compute the interest payable if any under the CGST Act, 2017.
- (2) What would be your answer if, GSTR-3B for the month of August 2023 had been filed belatedly on 20.11.2023 as above.

Note: Ignore the effect of the leap year. Electronic cash ledger and credit ledger carried sufficient balance for the above shortfall. (PYP 5 Marks Dec'21)

Answer 20

In case of delayed payment of tax, interest is payable @ 18% per annum from the date following the due date of payment to the actual date of payment of tax.

However, interest is payable only on the short-paid tax which is paid through electronic cash ledger if return under section 39 is furnished after the due date.

- (i) In the given case, PQR Ltd. has furnished the return for August 2020 by the due date. Hence, interest is payable on the entire amount of short payment of ` 10,000, as under:
$$= ` 10,000 \times 18\% \times 61/365 = ` 300.82 \text{ or } 301 \text{ (rounded off)}$$
- (ii) If PQR Ltd. has furnished the return for August 2020 after the due date, interest is payable only on the short payment which is paid through electronic cash ledger, i.e. ` 7,500, as under:
$$= ` 7,500 \times 18\% \times 61/365 = ` 225.62 \text{ or } 226 \text{ (rounded off)}$$

Question 21

Mr. Sumit is a registered dealer in the state of Punjab. In the month of May, he decides to apply for QRMP scheme. As he wants to switch to QRMP scheme, he had not filed his returns for the months of May and June.

Please guide to Mr. Sumit regarding the following:

- (A) Conditions and restrictions of QRMP scheme.**
- (B) Manner of exercising option of QRMP scheme. (PYP 3 Marks May '23)**

Answer 21

- (A) Conditions and restrictions of QRMP scheme

Mr. Sumit has to fulfil the following conditions and restrictions for opting for QRMP scheme:

- His aggregate annual turnover (PAN based) is up to ` 5 crore in the preceding financial year.
- He has furnished the return for the preceding month, as due on the date of exercising such option.
- He is not required to exercise the option every quarter.

- (B) Manner of exercising option of QRMP scheme



Registered person – Mr. Sumit - intending to opt for QRMP scheme for any quarter should indicate his preference for furnishing of return on a quarterly basis from 1st day of the 2nd month of the preceding quarter till the last day of the 1st month of the quarter for which the option is being exercised.

Question 22

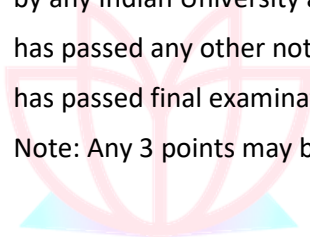
Who can be registered as Goods and Service Tax Practitioners under Section 48 of the CGST Act? (PYP 5 Marks July '21)

Answer 22

Following persons can be registered as Goods and Service Tax Practitioners:

Any person who, (i) is a citizen of India; (ii) is a person of sound mind; (iii) is not adjudicated as insolvent; (iv) has not been convicted by a competent court; and satisfies any of the following conditions, namely that he:

1. is a retired officer of Commercial Tax Department of any State Govt./CBIC who, during service under Government had worked in a post not lower than the rank of a Group-B gazetted officer for a period ≥ 2 years, or
 2. is enrolled as a Sales Tax Practitioner or Tax Return Preparer under the erstwhile indirect tax laws for a period of not less than 5 years, or
 3. acquired any of the prescribed qualifications
 4. has passed Graduate/postgraduate degree or its equivalent examination having a degree in specified disciplines, from any Indian University or a degree examination of any Foreign University recognised by any Indian University as equivalent to degree examination
 5. has passed any other notified examination
 6. has passed final examination of ICAI/ ICSI/ Institute of Cost Accountants of India
- Note: Any 3 points may be mentioned.





Chapter 16 Case Scenarios- Indirect Tax Laws

Case scenario (MTP Oct'21 & Sep '23)

Ms. Adisha, a Doctor having in-patient facility in her hospital is a registered person under GST. She availed interior decoration services from her spouse without any consideration being paid. She also availed IT related services from her sister-in-law without any consideration. Both services were for the purpose of her profession.

Ms. Adisha provided treatment of various diseases in her hospital and apart from that she also provided the following services in her hospital-

- (a) Plastic surgery to enhance the beauty of the face
- (b) Ambulance service for transportation of patients
- (c) Renting of space to run medical store in hospital premises

She is also a consultant in other hospitals and received ₹ 40,00,000 as consultancy fee from the other hospitals.

Further, she also provides canteen facility and received ₹ 55,000 from in-patients, ₹ 35,000 from patients who are not admitted and ₹ 25,000 from visitors for the same facility.

She filed GSTR-3B for the month of June with some errors. She filed the Annual return for the said financial year on 31st October of the next year, whereas due date for the said Annual return is 31 st December of the next year.

Proper Officer of the department cancelled the registration certificate of Ms. Adisha suomoto on 31st July. Order of cancellation was served on 5th August. However, she applied for revocation of the same and got her registration certificate revoked.

All the amounts given above are exclusive of taxes, wherever applicable. All the supply referred above is intra-State unless specified otherwise.

From the information given above, choose the most appropriate Answer for the following Questions –

Question 1

Which of the following is a correct statement as per the provisions of CGST Act, 2017?

- (i) Service availed from her Spouse is a deemed supply
 - (ii) Service availed from her Sister-in-Law is a deemed supply
 - (iii) Service availed from her Spouse is not a deemed supply
 - (iv) Service availed from her Sister-in-Law is not a deemed supply
- (a) (I) and (iv)
 - (b) (iii) and (iv)
 - (c) (ii) and (iii)
 - (d) (I) and (ii) (2 Marks, Oct'21) (Supply under GST)

Answer 1 (a) (I)and (iv)

Question 2

Compute the taxable value of supply of canteen service provided by Ms. Adisha? (2 Marks, Oct'21) (Value of Supply)

- (a) ₹ 25,000
- (b) ₹ 35,000
- (c) ₹ 60,000
- (d) ₹ 80,000

Answer 2 (c) ₹ 60,000

Question 3

Ms. Adisha should have applied for revocation of cancellation of registration certificate by

- (a) 5th August



- (b) 20th August
- (c) 30th August
- (d) 4th September (2 Marks, Oct'21) (Registration)

Answer 3 (d) 4th September (As per amendment the answer is 3rd November)

(As per amendment a registered person can submit an application for revocation of cancellation of registration to such proper officer within a period of 90 days from the date of service of the order of cancellation of registration. However such a period may on sufficient cause being shown and for reasons to be recorded in writing be extended by the Commissioner or an officer authorized by him in this behalf not below the rank of Additional or Joint Commissioner as the case maybe for a further period not exceeding 180 days)

Question 4

Maximum time permissible for rectification of error committed in monthly return of June is _____

- (a) 20th July
- (b) 20th October of the next year
- (c) 31st October of the next year
- (d) 31st December of the next year (2 Marks, Oct'21) (Returns)

Answer 4 (b) 20th October of the next year As per amendment 30th November of the next year

Question 5

Determine which of the following services provided by Ms. Adisha and her hospital is exempt from GST?

- (i) Plastic surgery to enhance the beauty of the face
 - (ii) Ambulance service for transportation of patients
 - (iii) Renting of space to run medical store in hospital premises
 - (iv) Consultancy service by Ms. Adisha in other hospitals
- (a) (i), (ii) & (iv)
 - (b) (i), (ii)
 - (c) (ii) & (iv)
 - (d) (i) & (iii) (2 Marks, Oct'21) (Exemptions of GST)

Answer 5 (c) (ii) & (iv)

Case scenario (MTP Nov'21) (RTP Nov '20)

Mr. Kumar started interior designing practice from the month of January. His turnover up to the month of March was ₹ 12,50,000. On 30th June, his turnover exceeded ₹ 20,00,000 & reached to ₹ 20,05,000. Mr. Kumar applied for GST registration (as regular taxpayer) on 15th July and registration was granted to him on 25th July. On 16th July, he entered into a contract for designing the flat of Mr. Sham. The service was completed on 22nd July and Mr. Kumar issued invoice on the same day for ₹ 6,00,000. On 5th July, Mr. Kumar purchased capital goods amounting to ₹ 4,50,000 and from 25th July to 31st July, he availed services amounting to ₹ 1,75,000 for the purpose of completing the service.

On 1st August, Mr. Kumar got another contract for interior designing from Mr. Ram, which he accepted on 2nd August. The service was completed on 6th August and invoice was issued on 7th August for ₹ 5,00,000. Payment was received on 29th August.

All values are excluding taxes, unless specifically mentioned. Mr. Kumar makes only intra-State outward supplies and all purchases are also intra-State. Rates of tax are CGST - 9% and SGST – 9%.

In relation to the above, Answer the following Questions:

Question 1

The effective date of registration for Mr. Kumar is-

- (a) 30th June



- (b) 15th July
- (c) 25th July
- (d) 16th July (2 Marks, Nov'21) (Registration)

Answer 1 (a) 30th June

Question 2

Mr. Kumar can issue a revised tax invoice till-

- (a) 23rd October
- (b) 8th September
- (c) 25th September
- (d) 25th August (2 Marks, Nov'21) (Tax Invoice, Credit & Debit Note, E-way Bill)

Answer 2 (d) 25th August

Question 3

Eligible input tax credit available with Mr. Kumar for the month of July is-(2 Marks, Nov'21) (Input Tax Credit)

- (a) CGST ₹ 40,500 & SGST ₹ 40,500
- (b) CGST ₹ 15,750 & SGST ₹ 15,750
- (c) CGST ₹ 56,250 & SGST ₹ 56,250
- (d) CGST ₹ 36,000 & SGST ₹ 36,000

Answer 3

(c) CGST ₹ 56,250 & SGST ₹ 56,250

Question 4

The time of supply of services provided by Mr. Kumar to Mr. Ram is-

- (a) 7th August
- (b) 1st August
- (c) 29th August
- (d) 6th August (2 Marks, Nov'21) (Time of Supply)

Answer 4

(a) 7th August

Question 5

If instead of opting for regular scheme, Mr. Kumar opts to pay tax under section 10(2A) of the CGST Act, 2017, the tax liability for the month of July will be-

- (a) CGST Nil and SGST Nil
- (b) CGST ₹ 54,000 & SGST ₹ 54,000
- (c) CGST ₹ 18,000 & SGST ₹ 18,000
- (d) CGST ₹ 78,150 & SGST ₹ 78,150 (2 Marks, Nov'21) (Payment of Tax)

Answer 5

CGST ₹ 18,000 & SGST ₹ 18,000

Case scenario (MTP April'21)

Ms. Anjali is engaged in supply of services. She is registered under GST and has opted to pay tax under composition scheme for service provider under section 10(2A) of the CGST Act. The turnover for the quarter ending June was Rs. 12,00,000. During July, she crossed the aggregate turnover of Rs. 50 lakh and opted out of composition scheme. She also started trading of goods in July.

She supplied an order to Breathe Well LLP on ex-factory basis, the details of which are as follows-

- | | | |
|-------------------------------|-------|--------|
| i. Basic price of the product | – Rs. | 53,000 |
| ii. Outward freight | – Rs. | 12,000 |

iii. Packing Charges	– Rs.	5,000
iv. Discount given on receiving payment (not included in invoice)	– Rs.	2,000

For supplies, provided to Breathe Well LLP, she received half of the amount as advance on 22nd July. The goods were dispatched from her factory on 25th July and delivered on 28th July. She raised the invoice on 30th July and the balance payment was also received on the same date.

Ms. Anjali received 25 invoices from various suppliers involving GST of Rs. 1,50,000 for the month of July. While filing GSTR-3B for the said month on 20th August, she found that only 20 invoices involving GST of Rs. 1,00,000 were uploaded by the suppliers.

Ms. Anjali supplied goods to the following persons-

Sl. No.	Recipient	Value of Supply
1	Mr. Pawan - an unregistered person	Rs. 150
2	Mr. Umesh, a registered person	Rs. 110
3	Rains Trust, an unregistered entity	Rs. 250

None of the above persons requires a tax invoice.

All the amounts given above are exclusive of taxes, wherever applicable. All the supply referred above is intra-State unless specified otherwise. Conditions applicable for availment of ITC are fulfilled subject to the information given above.

Based on the information provided above, choose the most appropriate Answer for the following Questions 1.1 to 1.5-

Question 1

Compute the tax liability for the quarter ending June under CGST and SGST?

- (a) Rs. 30,000 each
- (b) Rs. 12,000 each
- (c) Rs. 6,000 each
- (d) Rs. 36,000 each (2 Marks, April'21) (Payment of Tax)

Answer 1 (d) Rs. 36,000 each

Question 2

Compute the value of Supply made by Ms. Anjali to Breathe Wall LLP?

- (a) Rs. 56,000
- (b) Rs. 58,000
- (c) Rs. 68,000
- (d) Rs. 75,000(2 Marks, April'21)(Value of Supply)

Answer 2 (b) Rs. 58,000

Question 3

Determine the amount of ITC that can be claimed by Ms. Anjali for the month of July?(2Marks,April'21)(Input Tax Credit)

- (a) Rs. 1,00,000
- (b) Rs. 1,10,000
- (c) Rs. 1,20,000
- (d) Rs. 1,50,000

Answer (b) Rs. 1,10,000

Question 4

Determine the time of supply made to Breathe Wall LLP?

- (a) 22nd July
- (b) 25th July
- (c) 28th July



(d) 30th July (2Marks, April'21)(Time of Supply)

Answer 4 (b)25th July

Question 5

Ms. Anjali need not issue invoice to which of the following persons?

- (a) Mr. Pawan
- (b) Mr. Pawan and Umesh
- (c) Mr. Pawan and Rains Trust
- (d) Need not issue invoice to all the three persons (2Marks, April'21) (Tax Invoice, Credit & Debit Note, E-way Bill)

Answer 5 (a) Mr. Pawan

Case scenario (MTP Mar'21)

Explore Logistics, a Goods Transport Agency registered under GST provided GTA services (taxable @ 5%) to the following persons-

- (a) Sahil Traders, an unregistered Partnership firm.
- (b) Mr. Aadi, a casual taxable person, who is not registered under GST.
- (c) Small Traders co-operative society registered under Societies Registration Act. In a particular consignment, Explore Logistics transported the following-
 - (a) Defence Equipments
 - (b) Railway Equipments
 - (c) Organic Manure

Explore Logistics opted to charge GST @ 12% from October. It provided GTA Services to Mahajan Steels Pvt. Ltd. on 1st October and issued an invoice dated 5th November. Payment was received on 6th November.

It provided both inter-State and intra-State service to various registered as well as unregistered persons. Based on the information provided above, choose the most appropriate Answer for the following

Question 1

Which of the following persons are liable to pay GST on reverse charge in respect of the GT A services (taxable @ 5%) provided by Explore Logistics

- i Sahil Traders
 - ii Mr. Aadi
 - iii Small Traders Co-operative society
- (a) i & ii
 - (b) ii & iii
 - (c) i & iii
 - (d) i, ii & iii (2 Marks, March'21) (Charge of GST)

Answer 1 (c) i & iii

Question 2

Out of items transported by Explore Logistics, which of the following is/ are exempt from GST?

- i. Defence Equipments
 - ii. Railway Equipments
 - iii. Organic Manure
- (a) i
 - (b) i & ii
 - (c) i & iii
 - (d) i, ii & iii (2 Marks, March'21) (Exemptions of GST)

Answer 2 (c) i & iii



Question 3

What will be the time of supply in respect of the services provided by Explore Logistics to Mahajan Steels Pvt. Ltd.?

- (a) 6th November
- (b) 5th November
- (c) 30th November
- (b) 1st October (2 Marks, March'21) (Time of Supply)

Answer 3 (b) 1st October

Question 4

Which of the following statements is correct in respect of services provided by Explore Logistics to Mahajan Steels Pvt. Ltd.?

- (a) Mahajan Steels Pvt. Ltd. is liable to pay GST
- (b) Explore Logistics is liable to pay GST
- (c) Service provided by Explore Logistics to Mahajan Steels Pvt. Ltd. is exempt under GST
- (c) Mahajan Steels Pvt. Ltd. is liable to pay 50% GST and remaining 50% will be paid by Explore Logistics (2 Marks, March'21) (Charge of GST)

Answer 4 (b) Explore Logistics is liable to pay GST

Question 5

In respect of which of the following supplies, Explore Logistics has to provide invoice-wise details in GSTR-1?

- i. Inter-State supplies to registered person with invoice value not exceeding Rs. 2,50,000
 - ii. Inter-State supplies to unregistered person with invoice value not exceeding Rs. 2,50,000
 - iii. Inter-State supplies to unregistered person with invoice value exceeding Rs. 2,50,000
 - iv. Intra-State supplies to registered person with invoice value not exceeding Rs. 2,50,000
- (a) i & iv
 - (b) i & ii
 - (c) ii & iii
 - (d) i, iii & iv (2 Marks, March'21) (Returns)

Answer 5 (d) i, iii & iv

Case scenario (MTP Oct'20)

M/s. Shanky Consultants, a partnership firm registered in Delhi, renders following services during the year:

- (i) Security services: ₹ 2,00,00,000/ to registered business entities.
- (ii) Manpower services (Accountants): ₹ 5,00,000/-
- (iii) Auditing services: ₹ 1,00,00,000/-

Other Information:

- (i) Shanky Consultants also paid sponsorship fees of ₹ 70,000/- at seminar organized by a private NGO (a partnership firm) in Delhi.
- (ii) Shanky Consultant pays rent amounting to ₹ 6,00,000/- for a building owned by MCD.
- (iii) Assume all services are taxable at 18% and all transactions to be intra-State supplies. Based on the above information, Answer the following Questions:

Question 1

What is the aggregate turnover of Shanky Consultants?

- (a) ₹ 3,05,00,000/-
- (b) ₹ 3,05,70,000/-
- (c) ₹ 1,05,00,000/-
- (d) ₹ 1,05,70,000/-. (2Marks, Oct'20) (Charge of GST)

Answer 1 (a)**Question 2**

GST liability paid under reverse charge by Shanky Consultants is?

- (a) CGST: ₹ 60,300/-, SGST: ₹ 60,300/-
- (b) CGST: ₹ 6,300/-, SGST: ₹ 6,300/-
- (c) CGST: ₹ 54,000/-, SGST: ₹ 54,000/-
- (d) None of the above. (2Marks, Oct'20) (Charge of GST)

Answer 2 (a)**Question 3**

State which of the following statement is true in respect of security services provided by Shanky Consultants to registered business entities:

- (a) Shanky Consultants shall issue GST compliant tax invoice.
- (b) Shanky Consultants shall issue bill of supply stating "Tax to be paid by service recipient under reverse charge".
- (c) Shanky Consultants can issue any document in lieu of tax invoice.
- (d) Shanky Consultants shall issue receipt voucher every time Shanky Consultants receives payment. (2Marks, Oct'20) Tax Invoice, Credit & Debit Note, E-way Bill

Answer 3 (a)**Case scenario (MTP May'20)**

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**: -

Question 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 Marks, May'20)(Supply under GST)



Answer 1 (b)

Question 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 (2 Marks, May'20) (Charge of GST)

Answer 2 (c)

Question 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 (2 Marks, May'20) (Exemptions of GST)

Answer 3 (b)

Question 4

In respect of supply made by Ms. Riya, the value of supply under section 15 of CGST Act, 2017 is

- (a) Rs. 45,000
- (b) Rs. 47,500
- (c) Rs. 48,500
- (d) Rs. 51,000 (2 Marks, May'20) (Value of Supply)

Answer 4 (a)

Question 5

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 (2 Marks, may'20) (Input Tax Credit)

Answer 5 (c)

Case scenario (MTP March 22 & Oct '23)

M/s. Harsimran & Co., a registered supplier under GST, is dealing in supply of taxable goods in the State of Karnataka.

The firm had opted for Composition Scheme from April month of last financial year. It's turnover crossed ₹ 1.50 Crores on 9th May of current financial year and had opted for withdrawal of composition scheme on the said date.

Harsimran & Co. removed goods on 10th June for delivery to Simran & Co. on 'Sale or Return Basis'. Simran & Co. accepted the goods vide its confirmation mail dated 15th December.

The firm has paid GST for various items during the month of August. It comprised of the following -

- (a) GST paid on input services intended to be used for personal purposes – ₹ 12,000
- (b) GST paid on purchase of Motor Vehicle for business use (being a two-wheeler having engine capacity of 25CC) – ₹ 9,000
- (c) GST paid on purchase of computer – ₹ 19,000

(GST portion was included as part of cost to claim depreciation under Income-tax Act, 1961)

During May, Harsimran and Co. had reversed ITC of ₹ 10,000 for not making payment to Vendors within the time prescribed under CGST Act, 2017. This pending payment was cleared in the month of August.

Out of purchases made and ITC availed during earlier months, the following information is made available as on September:

Supplier Name	Payment is due for (Number of days)	Related ITC Component
XYZ	165	₹ 13,000
ABC	199	₹ 15,000
PQR	99	₹ 20,000

Harsimran & Co received accounting services from Ekam & Co., an associated enterprise, located in Sri Lanka. Ekam & Co. issued invoice for the service on 1st September, which was entered by Harsimran & Co. in its book on 10th October. But payment was made on 30th September. All the supply referred above is intra-State unless specified otherwise. Conditions applicable for availment of ITC are fulfilled subject to the information given above. Based on the information provided above, choose the most appropriate Answer for the following Questions [1.1 -1.5]- (2 Marks)

- 1.1 Harsimran & Co. needs to furnish a statement containing details of stock of inputs/ inputs held in semi-finished / finished goods on the withdrawal of composition scheme by _____
- (a) 9th May
 - (b) 23rd May
 - (c) 8th June
 - (d) 7th July (Chapter 13 Charge of GST)

Answer 1.1 : (c)

- 1.2 In respect of the goods sent on sale or return basis, Harsimran & Co. shall issue the invoice by _____
- (a) 10th June
 - (b) 10th September
 - (c) 10th December
 - (d) 15th December (Chapter 18 Tax Invoice, Credit & Debit Note, E-way Bill)

Answer 1.2 : (c)

- 1.3 Determine the amount of eligible input tax credit that can be availed by Harsimran & Co for the month of August?
- (a) Nil
 - (b) ₹ 19,000
 - (c) ₹ 22,000
 - (d) ₹ 50,000 (Chapter 16 Input Tax Credit)

Answer 1.3 : (b)

- 1.4 Compute the amount of ITC to be reversed for the month of September? Ignore interest liability, if any.
- (a) Nil
 - (b) ₹ 28,000
 - (c) ₹ 15,000



(d) ₹ 13,000(Chapter 16 Input Tax Credit)

Answer 1.4 : (c)

1.5 Time of supply in respect of service imported by Harsimran & Co from its Associated Enterprise is _____

- (a) 1st September
- (b) 30th September
- (c) 1st October
- (d) 10th October (Chapter 15.1 Time of Supply)

Answer 1.5 : (b)

Case scenario (MTP April 22)

Mr. Lala is engaged in supply of tiles and marbles in the State of Telangana. He is not registered under GST. He commenced his business from the month of July.

He availed godown construction services for business from his brother-in-law who was dependent on him. He also availed professional consultancy services for the purpose of business from his son who is a Company Secretary and his son is not dependent on him. Mr. Lala did not pay anything for both the services as both of them were his relative / family member respectively.

On the basis of advice of his son, Mr. Lala made the supply of tiles within his State only. His turnover reached to ₹ 7 lakh as on 31st October. However, he planned to expand his business to other States, since he has received decent orders from other States also.

During the month of December, he received a consignment of tiles from Rajasthan through Prompt Carriers, a goods transport agency based in the State of Rajasthan. Goods were dispatched by the supplier on 'to-pay' basis for freight. Freight charges were ₹ 50,000 and the said GTA pays GST @ 12%. Mr. Lala paid the invoice amount in the month of December itself. This was an inter-State transaction. During the month of January, Mr. Lala made his first inter-State supply to Tamil Nadu on 4th January. His turnover before making such supply was ₹ 15 lakh.

Value of such inter-state supply was ₹ 4,50,000, exclusive of taxes. Payment for the said inter-State supply was received on 28th February. Invoice was raised by Mr. Lala on 25th January.

All the figures given above are exclusive of taxes wherever applicable. Based on the information given above, choose the most appropriate Answer for the following Questions-

1.1 In respect of services availed by Mr. Lala, which of the following is a correct statement?

- (a) Godown construction service availed from his brother-in-law free of cost is considered as a deemed supply
- (b) Professional service availed from his son free of cost is considered as a deemed supply
- (c) Neither of the services is a deemed supply
- (d) Both services are deemed supply (Chapter 12 Supply under GST)

Answer 1.1 : (b)

1.2 Upto which limit of aggregate turnover, Mr Lala can continue to supply goods without registration within his state, if he does not procure any goods/services on which tax is payable under reverse charge mechanism?

- (a) ₹ 20 lakh
- (b) ₹ 40 lakh



- (c) ₹ 10 lakh
- (d) ₹ 150 lakh **(Chapter 17 Registration)**

Answer 1.2 : (a)

1.3 What is the tax liability for the freight charges?

- (a) ₹ 6000 of IGST under reverse charge
- (b) ₹ 6000 of IGST under forward charge
- (c) ₹3000 each under CGST and SGST under reverse charge
- (d) Nil as it is exempt **(Chapter 13 Charge of GST)**

Answer 1.3 : (d)

1.4 Which of the following statement is correct with respect to liability of Mr. Lala to register under GST?

- (a) Mr. Lala is liable to register in the month of December for receipt of GTA services.
- (b) Mr. Lala is liable to register in the month of January for effecting inter-State outward supply of goods.
- (c) Mr. Lala is liable to register only when his turnover exceeds the threshold limit irrespective of whether he is in receiving any GTA services or is effecting inter-State outward supply.
- (d) Mr. Lala is not required to register as it is his first year of business. **(Chapter 17 Registration)**

Answer 1.4 : (b)

1.5 What is the time of supply of goods made by Mr Lala during January?

- (a) 4th January
- (b) 25th January
- (c) 3rd February
- (d) 28th February **(Chapter 15.1 Time of Supply)** (10 Marks April 22)

Answer 1.5 : (a)

Case scenario (MTP Sep'22)

Purvi, registered under GST in the State of Madhya Pradesh, is engaged in supplying a bouquet of taxable goods and services. She has undertaken following activities/transactions in the month of October in the current financial year:

- (i) Donated some money to Divyaprakash Charitable Trust, Madhya Pradesh, in the memory of her late father. The Divyaprakash Charitable Trust constructed a room in the school run by it from such donation and wrote "Donated by Miss. Purvi in the memory of her father" on the door of the room so constructed.
- (ii) Organized a seminar in Indore which was sponsored by WE-WIN Cricket Academy, an LLP. Purvi received a sponsorship fee of ₹1,50,000.
- (iii) Bindusar Public School intended to distribute gift packages consisting of fountain pen, calculator and tape dispenser to its students on the occasion of Children's Day. Therefore, it entered into a contract with Purvi on 28th October for supply of 2,000 packages at a single price of ₹ 250. Rates of GST for



fountain pen, calculator and tape dispenser are 5%, 12% and 18% respectively.

(iv) Received following payments during the month of October:

- earned ₹ 160,000 by performing at a western music concert in Indore
- earned ₹ 50,000 for renting of space for use as a Textile Emporium
- received ₹ 70,000 for supply of farm labour

(v) Supplied a machinery with a basic price of ₹ 45,000 (before TCS under Income Tax Act, 1961). Tax collected at source under Income-tax Act, 1961 on said machinery is ₹ 2,500. Further, a subsidy of ₹50,000 is received from Green Foundation Pvt. Ltd for usage of green energy and the subsidy was linked to energy saved during the month.

All the amounts given above are exclusive of GST, wherever applicable.

Based on the facts of the case scenario given above, choose the most appropriate answer to Q. Nos. 1 to 5 below:-

Chapter 14: Exemptions of GST

1. Donation made by Purvi to Divyaprakash Charitable Trust is __.

- (a) exempted from GST by way of a notification
- (b) not a supply at all
- (c) liable to GST under forward charge
- (d) liable to GST under reverse charge (Sep'22)

Answer 1:(b) not a supply at all

Chapter 13: Charge of GST

2. Which of the following statements is correct with respect to the sponsorship fee received by Purvi?

- (a) Tax on sponsorship services is payable by Purvi under forward charge.
- (b) Tax on sponsorship services is payable by WE-WIN Cricket Academy under reverse charge.
- (c) Sponsorship services are exempt from GST since services provided to a sports academy are exempt.
- (d) Tax on sponsorship services is payable by Purvi under reverse charge. (Sep'22)

Answer 2:(b) Tax on sponsorship services is payable by WE-WIN Cricket Academy under reverse charge.

Chapter 12: Supply under GST

3. Determine the nature of supply and the applicable rate of GST for the packages supplied by Purvi to Bindusar Public School.

- (a) composite supply & applicable rate of GST is 12%
- (b) mixed supply & applicable rate of GST is 18%
- (c) composite supply & applicable rate of GST is 18%
- (d) mixed supply & applicable rate of GST is 12% (Sep'22)

Answer 3:(b) mixed supply & applicable rate of GST is 18%

Chapter 14: Exemptions of GST

4. Out of all the payments received by Purvi in the month of October, value of exempt supply amounts to_____.

- (a) ₹ 4,30,000
- (b) ₹ 70,000



- (c) ₹ 1,20,000
- (d) ₹ 2,20,000(Sep'22)

Answer 4:(b) ₹ 70,000

Chapter 15.2: Value of Supply

5. The value of supply of machinery supplied by Purvi is _____.

- (a) ₹ 45,000
- (b) ₹ 47,500
- (c) ₹ 48,500
- (d) ₹ 51,000(5 x 2 Marks = 10 Marks) (Sep'22)

Answer 5:(a) ₹ 45,000

Case scenario (MTP Oct '22)

Question

Sarabhai & Sarabhai Associates, a partnership firm registered under GST, is engaged in various types of business activities. It has provided the details of the following activities undertaken by it in the current financial year:

- (i) It supplies taxable goods to Dhanush Enterprises at a price of ₹ 8,00,000 in the month of April, with a credit period of 1 month for payment. Thereafter, interest @ 12% p.a. is chargeable on the consideration. The payment is received from Dhanush Enterprises after the lapse of two months from the date of supply.
- (ii) It enters into a contract for supply of 100 office chairs @ ₹ 15,000 with Ashoka Mart on 21st August. Chairs are removed from the warehouse of Sarabhai & Sarabhai Associates on 5th September along with the invoice of said date. Ashoka Mart has paid 30% of the total contract value on 21st August; balance 70% is paid after delivery of chairs on 10th September.
- (iii) In the month of October, it provides services by way of transportation of goods in a goods carriage by road to Fisheries Department of Government of India, registered under GST for the purpose of deducting tax at source and not for making any taxable supply. Sarabhai & Sarabhai Associates is a registered goods transport agency and charges ₹1,20,000 for the said services.
- (iv) It also provides services of Direct Selling Agent to an NBFC located in Mumbai in the month of December for ₹ 50,000.
- (v) It organises a business exhibition in the month of December for which it receives a sponsorship fee of ₹ 3,00,000 from Dhara Ltd.
- (vi) It provides free gifts to each of its employees valuing ₹ 50,000 at the end of each financial year.
- (vii) It avails services of Dhruv Travel Agency for organizing a free vacation for its top performing employees in the month of December. GST of ₹ 50,000 is paid on the same. In the same month, it also pays GST of ₹ 20,000 on the membership of Rudraksh Fitness Centre taken for its CEO.

All the amounts given above are exclusive of taxes, wherever applicable. All conditions for availing ITC are fulfilled subject to the information given above.

Based on the information provided above, choose the most appropriate answer for the following questions-

Chapter 15.2: Value of Supply

1. Value of supply made to Dhanush Enterprises, assuming the interest on delayed payment to be exclusive of GST,



- (a) ₹ 8,00,000
- (b) ₹ 8,08,000
- (c) ₹ 7,92,000
- (d) ₹ 8,16,000 (2 Marks) (Oct'22)

Answer 1: (b) ₹ 8,08,000

Chapter 15.1: Time of Supply

2. The time of supply of advance money of ₹ 4,50,000 received for supply of office chairs to Ashoka Mart is _____. For balance payment of ₹ 10,50,000 received, the time of supply is _____.

- (a) 21st August; 5th September
- (b) 5th September; 10th September
- (c) 21st August; 10th September
- (d) 5th September; 5th September (2 Marks) (Oct 22)

Answer 2: (d) 5th September; 5th September

Chapter 13: Charge of GST

3. Determine the value of outward supplies made by Sarabhai & Sarabhai Associates on which tax is payable under reverse charge.

- (a) ₹ 1,20,000
- (b) ₹ 50,000
- (c) ₹ 1,70,000
- (d) ₹ 3,00,000 (2 Marks) (Sep'22)

Answer 3: (d) ₹ 3,00,000

Chapter 12: Supply under GST

4. Free gifts of value of ₹ 50,000 provided by Sarabhai & Sarabhai Associates to each of its employee is:

- (a) considered as supply of goods.
- (b) considered as supply of services.
- (c) exempt from GST.
- (d) not a supply as per Schedule I of the CGST Act, 2017. (2 Marks) (Oct'22)

Answer 4: (d) not a supply as per Schedule I of the CGST Act, 2017

Chapter 16: Input Tax Credit

5. Sarabhai & Sarabhai Associates is eligible to claim input tax credit of _____ in the month of December.

- (a) ₹ 50,000
- (b) ₹ 20,000
- (c) ₹ 3,70,000
- (d) Nil (2 Marks) (Oct'22)

Answer 5: (d) Nil



Case Scenario (MTP March '23)

Question 1

Poorva Logistics, a Goods Transport Agency, is registered under GST. It did not exercise the option to itself pay GST on the services supplied by it in the preceding financial year. It provided goods transport services (taxable @ 5%) to the following persons in February of preceding financial year-

- (a) Kunal Traders, an unregistered partnership firm
- (b) Mr. Amar, who is not registered under GST
- (c) Small Traders Co-Operative Society registered under Societies Registration Act

In a particular consignment in March of preceding financial year, Poorva Logistics transported the following-

- (a) Defence Equipments
- (b) Railway Equipments
- (c) Organic Manure

Poorva Logistics exercises the option to itself pay GST on services supplied by it @ 12% from April, of the current financial year. It provided goods transport services to Bama Steels Pvt. Ltd. on 1 st April and issued an invoice dated 5th May. Payment was received on 6th May.

Based on the information provided above, choose the most appropriate answer for the following questions -

1. Which of the following persons are liable to pay GST under reverse charge in respect of the GTA services provided by Poorva Logistics in February of the preceding financial year?
 - (i) Kunal Traders
 - (ii) Mr. Amar
 - (iii) Small Traders Co-operative society
 - (a) i & ii
 - (b) ii & iii
 - (c) i & iii
 - (d) i, ii & iii (Chapter Charge of GST)

Answer (c)

2. Transportation of _____ by Poorva Logistics is exempt from GST.

- (i) Defence Equipments
- (ii) Railway Equipments
- (iii) Organic Manure
- (a) i
- (b) i & ii
- (c) i & iii
- (d) i, ii & iii (Chapter Exemptions of GST)

Answer (c)



3. What will be the time of supply in respect of the services provided by Poorva Logistics to Bama Steels Pvt. Ltd.?

- (a) 6th May
- (b) 5th May
- (c) 30th May
- (d) 1st April (Chapter Time of Supply) (3 x 2 Marks = 6 Marks March '23)

Answer 3 (d)

Case Scenario (MTP April '23)

Question 1

Ms. Riya is engaged in providing various goods and services. She got registered under GST in the month of April of the current financial year under regular scheme.

She supplied a package to Dhruv Traders consisting of stapler, calculator and charger at a single price of ₹ 300 in the month of May. Rates of GST for stapler, calculator and charger are 5%, 12% and 18% respectively.

She received following payments during the month of May:

- earned ₹ 160,000 by performing western music in a cultural event at a Resort
- earned ₹ 50,000 by providing services by way of renting of residential dwelling for use as a boutique to Supriya, an unregistered person.
- received ₹ 70,000 by way of rent for letting of agro machinery Ms. Riya made a supply during June, details of which are as follows-

- Basic price of the product before TCS under Income-tax Act, 1961– ₹ 45,000
- Tax collected at source under Income-tax Act, 1961 – ₹ 2,500
- She received a subsidy of ₹ 3,500 from Green Foundation Pvt. Ltd. for usage of green energy and the subsidy was linked to the units of energy and not aforesaid product.

Ms. Riya provides the following information regarding receipt of inward supplies during July-

- received invoice for goods having GST component of ₹ 30,000. Goods were to be delivered in 5 lots, out of which first three lots were received in the current month.
- purchased a car having GST component of ₹ 1,50,000 for imparting training on driving such motor vehicles.
- availed health insurance service for her employees and paid GST of ₹ 7,000 thereon. Health insurance service is being provided voluntarily by Ms. Riya and not mandated by any law.

All the amounts given above are exclusive of taxes, wherever applicable. Further, all the supplies referred above are intra-State supplies unless specified otherwise. Conditions necessary for claiming input tax credit (ITC) have been fulfilled subject to the information given above. The opening balance of input tax credit for the relevant tax period of Ms. Riya is Nil.

Based on the facts of the case scenario given above, choose the most appropriate answer to Q. Nos. 1 to 4 below:-



1. Supply of package made by Ms. Riya to Dhruv Traders is a _____ and is taxable under GST @ _____.
- (a) composite supply; 12%
 - (b) mixed supply; 18%
 - (c) composite supply; 18%
 - (d) mixed supply; 12% (Chapter Supply under GST)

Answer (b)

2. Out of payments received by Ms. Riya in month of May, value of exempt supply is ____.
- (a) ₹ 50,000
 - (b) ₹ 70,000
 - (c) ₹ 1,20,000
 - (d) ₹ 1,60,000 (Chapter Exemptions of GST)

Answer (b)

3. Compute the value of supply under section 15 of the CGST Act, 2017 made by Ms Riya in the month of June.
- (a) ₹ 45,000
 - (b) ₹ 47,500
 - (c) ₹ 48,500
 - (d) ₹ 51,000 (Chapter Value of Supply)

Answer (a)

4. Compute the amount of input tax credit that can be claimed by Ms. Riya in July.
- (a) ₹ 30,000
 - (b) ₹ 37,000
 - (c) ₹ 1,50,000
 - (d) ₹ 1,57,000 (Chapter Input Tax Credit) (4x2 Marks=8 Marks)

Answer (c)

Case Scenario (RTP Nov '19)

Mr. Mandeep, a registered dealer, is doing building material business in the State of Assam. He availed architect services for his business from his friend in London free of cost. He also availed designing services from his brother in London for ₹ 5 Lakhs for his personal purposes.

He availed services which are liable to tax under reverse charge for which date of invoice was 01.09.20XX, payment date as per his books of account and as per his bank account was 15.11.20XX and 18.11.20XX respectively.

His turnover for the current financial year is as follows:

Taxable supply of goods – ₹ 55 Lakhs Exempt supply of goods – ₹ 16 Lakhs



Inward supply liable to tax under reverse charge – ₹ 8 Lakh

He intends to start providing services also from the next financial year and also to avail composition scheme. He also wishes to make supplies to the Government.

Based on the information given above, choose the most appropriate Answer for the following questions:-

- I. In respect of services imported by Mr. Mandeep, which of the following is a correct statement?**
- i. Architect services for his business from his friend in London free of cost is considered as a supply
 - ii. Designing services from his brother in London for ₹ 5 Lakh for his personal purposes is considered as a supply.
 - iii. Architect services for his business from his friend in London free of cost is not considered as a supply
 - iv. Designing services from his brother in London for ₹ 5 Lakh for his personal purposes is not considered as a supply.
- (a) i & ii
(b) i & iv
(c) ii & iii
(d) iii & iv (Chapter 12 Supply under GST)

Answer (I) The Answer is (c)

- II. The time of supply of services, received by him and taxable under reverse charge, is**
- (a) 01.09.20XX
 - (b) 01.11.20XX
 - (c) 15.11.20XX
 - (d) 18.11.20XX (chapter 15.1 Time of Supply)

Answer (II) The Answer is (b)

- III. Aggregate turnover of Mr. Mandeep for the given financial year will be,**
- (a) ₹ 63 Lakhs
 - (b) ₹ 79 Lakhs
 - (c) ₹ 71 Lakhs
 - (d) ₹ 47 Lakhs (Chapter 13 Charge of GST)

Answer (III) The Answer is (c)

- IV. Mr. Mandeep will be eligible for composition scheme in the next financial year, but he can supply services only upto:**
- (a) ₹ 5.00 Lakhs
 - (b) ₹ 6.3 Lakhs
 - (c) ₹ 7.90 Lakhs
 - (d) ₹ 7.10 Lakhs (Chapter 13 Charge of GST)

Answer (IV) The Answer is (d)



- V. In case he supplies services to State Government by way of any activity in relation to any function entrusted to a Municipality under Article 243W of the Constitution, in the next financial year, which of the following will be exempt?
- Pure Services
 - Composite supply of goods and services in which value of supply of goods constitutes not more than 25% of value of said composite supply
 - Composite supply of goods and services in which value of supply of service constitutes not more than 25% of value of said composite supply
- i & iii
 - ii & iii
 - i, ii & iii
 - i & ii (Chapter 14 Exemptions of GST)

Answer (V) The Answer is (d)

Case Scenario (RTP Nov '20)

PTL Pvt. Ltd. is a retail store of merchandise located in 25 States and/or UTs in the country. For the purpose of clearance of stock of merchandise and to attract consumers, PTL Pvt. Ltd. launched scheme of "Buy One Get One Free" for the same type of merchandise, for instance, one shirt to be given free with purchase of one shirt. For saving cost, PTL Pvt. Ltd. directly purchases merchandise from the manufacturers.

In the month of May, in order to save employee cost, PTL Pvt. Ltd. purchased a tempo traveller worth ₹ 12,00,000 with seating capacity of 25 persons (including driver) for transportation of its employees. Further, for ensuring the well-being of its employees, PTL Pvt. Ltd. voluntarily obtained the health insurance cover of ₹ 2,00,000 for each employee in the same month. The premium of ₹ 1,500 per employee has been paid by the company for 100 employees.

In the month of July, Mr. Raghav, a customer of the company, filed a law suit in the Court, against the company for not supplying goods of the value of ₹ 1,00,000. PTL Pvt Ltd. engaged Mr. Ram, an advocate, to represent it in Court for an agreed consideration of ₹ 25,000. As per the terms of the contract, Mr. Ram issued an invoice on 5th July. However, consideration was not paid till February next year.

Note - All the amounts given above are excluding taxes and all transactions are intra- State transactions. Rates of tax are CGST - 9% and SGST – 9%. However, for tempo traveller, the rates of taxes are CGST - 14% and SGST – 14%.

In relation to the above, Answer the following questions:

- (i) With respect to "Buy One, Get One" offer, which of the following statements is true:
- It will not be considered as supply at all since no consideration is involved in one of the items.
 - Supply of item for which consideration is charged is a supply under section 7 of the CGST Act, 2017 while supply of the other item supplied free of cost is not a supply.
 - These are two individual supplies where a single price is charged for the entire supply. Since a single price is charged, the same will always be taxed as a mixed supply.
 - These are two individual supplies where a single price is charged for the entire supply. Their taxability will depend upon as to whether the supply is a composite supply or a mixed supply. (chapter 12 Supply under GST)

Answer (i) The Answer is (d)



(ii) Eligible input tax credit for the month of May (i) on the purchase of tempo traveller and (ii) on health insurance premium paid (assuming that all other conditions, for availing input tax credit have been complied with) is:

- (a) (i) CGST - Nil, SGST - Nil and (ii) CGST - Nil, SGST - Nil
- (b) (i) CGST - ₹ 1,68,000, SGST - ₹ 1,68,000 and (ii) CGST - Nil, SGST - Nil
- (c) (i) CGST - Nil, SGST - Nil and (ii) CGST - ₹ 18,000, SGST - ₹ 18,000
- (d) (i) CGST - ₹ 1,68,000, SGST - ₹ 1,68,000 and (ii) CGST - ₹ 18,000, SGST - ₹ 18,000 (Chapter 16 Input Tax Credit)

Answer (ii) The Answer is (b)

(iii) Which of the following statements is true in respect of the services of advocate availed by the company?

- (a) CGST-₹ 2,250 and SGST- ₹ 2,250 on advocate services are payable by PTL Pvt Ltd. ITC availed thereon is to be added to its output tax liability with interest as consideration along with tax is not paid within 180 days of the issuance of invoice.
- (b) CGST-₹ 2,250 and SGST- ₹ 2,250 on advocate services are payable by Mr. Ram. ITC availed thereon is to be added to output tax liability of PTL Pvt Ltd. with interest as consideration along with tax is not paid within 180 days of the issuance of invoice.
- (c) CGST-₹ 2,250 and SGST- ₹ 2,250 on advocate services are payable by PTL Pvt. Ltd. The condition of payment of consideration along with tax within 180 days of the issuance of invoice does not apply in the given case.
- (d) CGST-₹ 2,250 and SGST- ₹ 2,250 on advocate services are payable by Mr. Ram. The condition of payment of consideration along with tax within 180 days of the issuance of invoice does not apply in the given case. (Chapter 19 Payment of Tax)

Answer (iii) The Answer is (c)

Case Scenario (RTP May '21)

M/s Aditi & Co, a partnership firm registered under GST, is undertaking various Government projects.

The firm has let out on hire the following vehicles-

- i. A motor vehicle to carry more than 15 passengers to a State Government Electricity Department
- ii. An electric motor vehicle to carry more than 12 passengers to Local Municipal Corporation
- iii. An electric motor vehicle to carry upto 12 passengers to State Transport Undertaking

The firm provided the following additional information for the month of October:

- i. Works contract services were availed for construction of immovable property being plant and machinery, where value of GST component was ₹ 1,10,000.
- ii. GST amounting to ₹ 70,000 was paid on account of demand of the Department due to fraud in returns filed.
- iii. Goods valuing ₹ 10,00,000, (GST on the same ₹ 1,00,000) were received 180 days ago (invoice also issued on the date of receipt of supply) for which payment has been made till date to an extent of ₹ 4,00,000 towards value, ₹ 40,000 towards tax.

The firm made two independent outward supplies in which value of supply was understated in one case by ₹ 75,000 and overstated by ₹ 45,000 in the other case.

The firm received certain supply of goods from registered persons on which tax was payable under reverse charge basis.

All the amounts given above are exclusive of taxes, wherever applicable. All transactions referred to above are intra State. All the conditions for availing ITC have been fulfilled subject to the information given above.



From the information given above, choose the most appropriate Answer for Q. 1 to Q. 5 given below:-

1. In respect of vehicles let out on hire by the firm, services that are exempt from GST are

- (i) Letting on hire a motor vehicle to State Electricity Department (>15 passengers)
 - (ii) Letting on hire an electric vehicle to Local Municipality (> 12 passengers)
 - (iii) Letting on hire an electric vehicle to State Transport Undertaking (<12 passengers)
- (a) (i)
(b) (ii)
(c) (i) and (iii)
(d) (ii) and (iii) (chapter 14 Exemptions of GST)

Answer (1) The Answer is (b)

2. Determine the amount of eligible ITC to be claimed by the firm for the month of October.

- (a) ₹ 70,000
- (b) ₹ 1,10,000
- (c) ₹ 1,80,000
- (d) Nil (chapter 16 Input Tax Credit)

Answer (2) The Answer is (b)

3. Determine the amount of ITC to be added to the output tax liability.

- (a) ₹ 40,000
- (b) ₹ 60,000
- (c) ₹ 1,00,000
- (d) Nil (chapter 16 Input Tax Credit)

Answer (3) The Answer is (b)

4. Which of the following is correct in respect of document to be issued by the firm for understatement and overstatement of invoice value?

- (i) Debit note is to be issued for ₹ 75,000.
 - (ii) Credit note is to be issued for ₹ 75,000.
 - (iii) Debit note is to be issued for ₹ 45,000.
 - (iv) Credit note is to be issued for ₹ 45,000.
- (a) i & iii
(b) ii & iii
(c) i & iv
(d) ii & iv (chapter 18 Tax Invoice, Credit & Debit Note, E-way Bill)

Answer (4) The Answer is (c)



5. Which of the following statements is correct in respect of supply of goods received by the firm which are taxable under reverse charge?
- (i) Firm shall issue a payment voucher at the time of making payment to supplier.
 - (ii) Firm shall issue invoice for supply of goods.
 - (iii) Firm shall issue receipt voucher at the time of making payment to supplier.
 - (iv) Firm is not required to issue any document in respect of such supply.
- (a) i
(b) i & ii
(c) ii & iii
(a) iv (Chapter 13 Charge of GST)

Answer (5) The Answer is (a)

Case Scenario (RTP Nov '21)

MM Charitable Trust is registered under section 12AA of the Income-tax Act, 1961.

The trust conducted a three day residential yoga camp among people on the occasion of International yoga day for the advancement of yoga and charged ₹ 7,500 per person inclusive of stay and food.

The trust also conducted programmes for the advancement of education of persons aged above 65 years in metro cities. A nominal fee was charged for the same.

The trust received following donations during the month of September:-

- i. Solid Steels Pvt. Ltd. donated a RO water plant to the trust costing ₹ 75,000 and displayed its company name in the RO system installed at the premises of the trust as "Donated by Solid Steels Private Limited-trusted by all".
- ii. Mr. Prasanna, a lawyer donated chairs to the trust costing ₹ 25,000 and 'Love all' is printed on all chairs donated by him to the trust.

The following are the details of GST payment made by the firm-

- i. GST of ₹ 1,75,000 was paid for the purchase of motor vehicle for transportation of needy persons (Seating capacity including driver is 13).
- ii. GST of ₹ 2,45,000 was paid for works contract services availed from Super Builders for construction of Trust's office building.

MM Charitable Trust also owns and manages a gurudwara. It rented the community hall located in the precincts of the gurudwara for a rent of ₹ 8,500 per day for a marriage function. It also rented the commercial shop located in the precincts of the gurudwara for a rent of ₹ 10,000 per month per shop.

You can assume that the Trust is registered under GST and all the transactions are intra - State only. Conditions for availing ITC are fulfilled subject to the above- mentioned information.

Based on the information given above, choose the most appropriate Answer for the following questions [1 to 4]-

1. Which of the following activities conducted by trust is exempt from GST?
- (a) Advancement of Yoga
 - (b) Advancement of education
 - (c) Both (a) and (b)
 - (d) Neither of the activities (chapter 14 Exemptions of GST)

Answer (1) The Answer is (a)



2. Determine the value of taxable supply in respect of donations received by the Trust?

- (a) ₹ 25,000
- (b) ₹ 75,000
- (c) ₹ 1,00,000
- (d) Nil (Chapter 15.2 Value of Supply)

Answer (2) The Answer is (b)

3. Compute the amount of input tax credit that can be claimed by the Trust?

- (a) ₹ 1,75,000
- (b) ₹ 2,45,000
- (c) ₹ 4,20,000
- (d) Nil (chapter 16 Input Tax Credit)

Answer (3) The Answer is (d)

4. Which of the following statements is/are correct under GST law in respect of gurudwara managed by MM Charitable Trust?

- (a) Renting of community hall is taxable while renting of commercial shop is exempt.
- (b) Renting of community hall is exempt while renting of commercial shop is taxable.
- (c) Both renting of community hall and renting of commercial shop are taxable.
- (d) Both renting of community hall and renting of commercial shop are exempt. (chapter 14 Exemptions of GST)

Answer (4) The Answer is (b)

Case Scenario (RTP May '22)

Vidhula Impex Ltd. is engaged in supplying sports goods. The company did not opt for registration under GST. The proper officer under GST, based on enquiry, finds that the concern is liable for registration and he registers the firm on temporary basis on 15th June, 2023.

After being granted the registration certificate, the company availed the following services for the purpose of its business-

- i. Renting of motor vehicles from Blue Taxi Pvt. Ltd. where GST was charged @ 12%.
- ii. Appointed Mr. Rajesh as Technical Director for advisory role in business and the payment was made based on the contract entered. However, he was not employee of the company.

During the course of its business, the company issued an invoice to a customer and erroneously charged higher value by ₹ 34,000. Such invoice was issued on 28th February, 2024.

Further, in the month of February 2024, the company also generated an e-way bill for inter-State transport of goods. However, immediately on generation of the e-way bill, the buyer cancelled the order before it is dispatched from the factory for delivery.

In the month of March 2024, since the company was incurring heavy losses, it applied for cancellation of



GST registration on 15th March, 2024. The order for cancellation was made on 30th March, 2024 effecting cancelling the registration with effect from 15th March, 2024. From the information provided above, choose the most appropriate Answer for the following questions (1-5):

1. After the grant of temporary registration, Vidhula Impex Ltd. needs to apply for registration within from the date of grant of temporary registration, if no extension of period is to be granted for such temporary registration.
 - (a) 30 days
 - (b) 90 days
 - (c) 7 days
 - (d) 15 days (**chapter 17 Registration**)

Answer (1) The Answer is (b)

2. In case of which of the following services, the company is liable to pay tax under reverse charge?
 - (a) Renting of Motor Vehicles
 - (b) Directorship services
 - (c) Both (a) and (b)
 - (d) Neither (a) nor (b) (**chapter 13 Charge of GST**)

Answer (2) The Answer is (b)

3. Which document is required to be issued by the company in respect of the invoice issued on 28th February, 2021?
 - (a) Debit note
 - (b) Credit note
 - (c) Bill of supply
 - (d) Revised Tax invoice (**chapter 18 Tax Invoice, Credit & Debit Note, E-way Bill**)

Answer (3) The Answer is (b)

4. The Company needs to file its Final return by _____
 - (a) 30th April, 2024
 - (b) 30th August, 2024
 - (c) 15th June, 2024
 - (d) 30th June, 2024 (**chapter 20 Returns**)

Answer (4) The Answer is (d)

5. Which of the following statements is correct in respect of e-way bill generated for goods in the month of February for which order was cancelled?
 - (a) Once generated, e-way bill cannot be cancelled.
 - (b) E-way bill can be cancelled within 24 hours of generation



- (c) E-way bill can be cancelled within 48 hours of generation
- (a) E-way bill can be cancelled within 72 hours of generation (**chapter 18 Tax Invoice, Credit & Debit Note, E-way Bill**)

Answer (5) The Answer is (b)

Case Scenario (RTP Nov '22)

Chapter 15.2: Value of Supply

Question_1

M/s. Delight Brothers, a partnership firm, is engaged in restaurant business. It is registered under the composition levy scheme under section 10(1) and 10(2) of the CGST Act, 2017 for the current financial year. It's turnover in the State for the month of April was ₹ 12,00,000.

It received new orders in the month of May to run a mess facility for supplying food at:

- i. Vishwas Public School, a higher secondary school;
- ii. Knowledge Institute of Technology, an engineering college, approved by AICTE and UGC; and
- iii. Frontline Hospital

It also provided catering services to a Coral limited company for their Annual General Meeting. Service was provided on 3rd July. But invoice was not issued by the firm to the company. However, payment was received on 25th July for which bank account was credited on 28th July. The turnover of restaurant business for the current financial year is ₹ 48,00,000.

From the inception of next financial year, M/s. Delight Brothers will close down the restaurant business and will provide service of repairing of air conditioners. M/s Delight Brothers undertakes intra-State transactions only. Based on the information given above, choose the most appropriate Answer for the following questions- (Nov'22)

Chapter 15.2: Value of Supply

1. Compute the tax liability of M/s. Delight Brothers for the month of April?

- (a) CGST & SGST of ₹ 6,000 each
- (b) CGST & SGST of ₹ 12,000 each
- (c) CGST & SGST of ₹ 30,000 each
- (d) CGST & SGST of ₹ 60,000 each (Nov'22)

Answer 1:

(c) CGST & SGST of ₹ 30,000 each

Chapter 14: Exemptions of GST

2. Out of new orders received by the firm in May, which of the following services are exempt from GST?

- (i) Service provided to Vishwas Public School
 - (ii) Service provided to Knowledge Institute of Technology
 - (iii) Service provided to Frontline Hospital
- (a) (i) and (iii)
 - (b) (ii) and (iii)
 - (c) only (i)
 - (d) (i) and (ii)(Nov'22)

Answer 2

(b) only (i)



(c)

Chapter 15.1: Time of Supply

3. Time of supply of catering services provided to a Coral limited company is

- (a) 3rd July
- (b) 25th July
- (c) 28th July
- (d) 2nd August(Nov'22)

Answer 3

- (a) 3rd July

Chapter 13: Charge of GST

4. Which of the following statements is most appropriate in respect of next financial year for M/s Delight Brothers?

- (a) M/s Delight Brothers can continue to avail composition levy scheme under section 10(1) and 10(2) of the CGST Act, 2017.
- (b) M/s Delight Brothers is not eligible to avail composition levy scheme under section 10(1) and 10(2) of the CGST Act, 2017.
- (c) M/s Delight Brothers is not eligible to avail composition levy scheme under section 10(1) and 10(2) of the CGST Act, 2017, but can avail benefit of composition levy under section 10(2A) of the CGST Act, 2017.
- (d) M/s Delight Brothers can neither avail composition levy scheme under section 10(1) and 10(2) of the CGST Act, 2017 nor under section 10(2A) of the CGST Act, 2017. (Nov'22)

Answer 4

- (c) M/s Delight Brothers is not eligible to avail composition levy scheme under section 10(1) and 10(2) of the CGST Act, 2017, but can avail benefit of composition levy under section 10(2A) of the CGST Act, 2017.

Chapter 13: Charge of GST

5. Rate of GST applicable for service of repairing of air conditioners made by M/s Delight Brothers will be _____, assuming that it intends to pay the tax at the minimum rate available?

- (a) 1%
- (b) 5%
- (c) 6%
- (d) 12% (Nov'22)

Answer 5

- (c) 6%

Case Scenario (RTP May '23)

Manavtaa Trust is a charitable trust registered under section 12AB of the Income-tax Act, 1961. The trust is well known for its educational, charitable and religious activities. The trust became liable to registration under GST in the current financial year since it exceeded the threshold limit for registration and thus, got itself registered in the State of Gujarat in the month of May.

In the month of June, a multinational company, Dhruvtara Ltd., gifted 500 laptops worth ₹ 50 lakh to the trust free of cost for the charitable purposes, without any intention of seeking any business promotion from the same. Manavtaa Trust distributed these laptops for free in the same month to the needy



students for facilitating them in their higher studies.

Manavtaa Trust owns a higher secondary school – Manavtaa Higher Secondary School - in Gujarat. In the month of July, the trust availed security personnel services from 'Perfect Security Solutions', Gujarat, a proprietorship concern, for security of the school premises for a consideration of ₹ 2,00,000. It also received legal consultancy services from 'Maya & Co.' a firm of advocates for the issues relating to the said school for ₹ 1,20,000, in the same month.

Manavtaa Trust furnished the following information regarding the expenses incurred by it in the month of August; all transactions being inter-State:

- (i) Services received and used for supplying taxable outward supplies – ₹ 3,50,000.
- (ii) Catering services received for students of Manavtaa Higher Secondary School – ₹ 2,00,000.
- (iii) Buses purchased with seating capacity of 25 persons including driver – ₹ 10,50,000 (Buses were delivered in the first week of September).

Manavtaa Trust provided the following information in respect of the services provided by it during the month of August:

- (i) It runs an old age home for senior citizens. Nominal monthly charges of ₹ 15,000 for boarding, lodging and maintenance are charged from each member. Total number of members is 20.
- (ii) It rents out a community hall situated within the precincts of a temple managed by it on 15th August for a religious function in first half for ₹5,000 and for an art exhibition in second half for ₹ 6,000.
- (iii) It rents out the rooms in the precincts of said temple to the devotees for a rent of ₹ 950 per room per day. Total rent collected in August amounts to ₹ 35,000.

All the figures given above are exclusive of taxes wherever applicable. Aggregate turnover of Manavtaa Trust for the preceding financial year was ₹ 15 lakh. All the conditions necessary for availment of ITC are fulfilled subject to the information given. Manavtaa Trust intends to avail exemption from GST wherever applicable.

Based on the information given above, choose the most appropriate answer to the following questions-

Chapter Exemptions of GST

1. Which of the following activities of Manavtaa Trust does not amount to supply under the GST law?
 - (a) Free laptops distributed to the needy students
 - (b) Boarding, lodging and maintenance of the senior citizens by the old age home run by the trust
 - (c) Renting of community hall situated within the precincts of the temple managed by the trust
 - (d) Renting of rooms in the precincts of the temple managed by the trust

Answer (a) Free laptops distributed to the needy students

Chapter Charge of GST

2. Compute the value of inward supplies on which tax is payable by Manavtaa Trust under reverse charge, for the month of July.
 - (a) ₹ 2,00,000
 - (b) ₹ 3,20,000
 - (c) ₹ 1,20,000
 - (d) Nil

Answer (d) Nil

Chapter Exemptions of GST

3. Compute the value of exempt supply made by Manavtaa Trust for the month of August.

- (a) ₹ 3,00,000
- (b) Nil
- (c) ₹ 3,35,000
- (d) ₹ 35,000

Answer (c) ₹ 3,35,000

Chapter Value of Supply

4. Compute the value of taxable supply made by Manavtaa Trust for the month of August.

- (a) ₹ 3,00,000
- (b) ₹ 11,000
- (c) Nil
- (d) ₹ 35,000

Answer (b) ₹ 11,000

Chapter Input Tax Credit

5. Determine the amount of ITC that can be credited to the Electronic Credit Ledger of Manavtaa Trust, in the month of August assuming rate of GST to be 18%.

- (a) ₹ 36,000
- (b) ₹ 63,000
- (c) ₹ 1,89,000
- (d) ₹ 2,88,000

Answer (b) ₹ 63,000

Case Scenario (RTP Nov '23)

Bali Bells Ltd. (hereinafter referred as Bali Bells), a private limited company registered in Chennai, Tamil Nadu, provides the following outward supplies in the month of September:

Particulars	Amount (₹)	
	Taxable	Exempt
Intra-State outward supplies	40,00,000	15,00,000
Inter-State outward supplies	30,00,000	10,00,000

Bali Bells Ltd. sold land for ₹ 2,00,00,000 (excluding GST) in the month of September. Bali Bells purchased one heavy steel machinery in the month of September for ₹ 1,00,000 (excluding GST @ 18%). Bali Bells capitalized the value of machinery along with GST paid on the same in its books of accounts and claimed depreciation on the full value of machinery as well as on GST amount. Apart from this, Bali Bells has a tax invoice dated 25th July of last financial year with respect to an inward supply of ₹ 50,000 (excluding GST @ 18%). The company has not availed ITC on said invoice



yet.

Bali Bells distributed some free samples of goods in the month of October to its customers to promote its sales.

Bali Bells made a supply during November, details of which are as follows-

- Basic price of the product before TCS under Income Tax Act, 1961 – ₹ 45,000
- Tax collected at source under Income-tax Act, 1961 – ₹ 2,500
- It received a subsidy of ₹ 3,500 from Bharat Foundation Pvt. Ltd. for usage of green energy and the subsidy was linked to the units of energy saved and not aforesaid product.

Bali Bells has not furnished its annual return for the preceding financial year till the end of November and will furnish it in the month of December of the current financial year.

Assume that there is no other outward or inward supply transaction apart from aforesaid transactions, in the months of September, October and November. All the amounts given above are exclusive of taxes, unless otherwise specified.

Based on the facts of the case scenario given above, choose the most appropriate answer to

Q. Nos. 1 to 5 below:-

1. Determine the aggregate turnover of Bali Bells for the month of September.

- (a) ₹ 2,70,00,000
- (b) ₹ 95,00,000
- (c) ₹ 2,95,00,000
- (d) ₹ 70,00,000 (Chapter Charge of GST)

Answer (b)

2. Bali Bells wants to avail ITC on GST paid on the heavy steel machinery purchased in September. Which of the following statements is true in this regard?

- (a) ITC on the machinery cannot be availed since depreciation has been claimed on the GST paid on the machinery under Income-tax Act, 1961.
- (b) ITC on the machinery shall be allowed to the extent of 50% in the current financial year and balance 50% in the subsequent financial year.
- (c) ITC on the machinery shall be allowed in the current financial year only to the extent of the depreciation claimed on GST paid on machinery.
- (d) Full ITC of GST paid on the machinery can be availed in the current year. (Chapter Input Tax Credit)

Answer (a)

3. Whether Bali Bells can avail ITC on the free samples of goods distributed in the month of October?

- (a) Yes; ITC is available on outward supplies even if made without consideration in the course or furtherance of business.
- (b) No; ITC is not available since supply of samples is without consideration.
- (c) No; ITC on free samples is blocked under section 17(5) of the CGST Act, 2017.
- (d) No; ITC is not available since supply of free samples is not in course or furtherance of business. (Chapter Input Tax Credit)

Answer (c)



4. Bali Bells can claim ITC on inputs received in July of preceding financial year upto _____ of the current financial year.
- (a) 30th November
 - (b) 25th July
 - (c) 31st December
 - (d) 30th September (Chapter Input Tax Credit)

Answer (a)

5. Compute the value of supply under section 15 of the CGST Act, 2017 made by Bali Bells in the month of November?
- (a) ₹ 45,000
 - (b) ₹ 47,500
 - (c) ₹ 48,500
 - (d) ₹ 51,000(Chapter Value of Supply)

Answer (a)

