

**PAPER – 4 : TAXATION**  
**SECTION A : INCOME TAX LAW**  
**Part - II**

*Question No.1 is compulsory.*

*Candidates are also required to answer any **two** questions from the remaining **three** questions.*

*Working notes should form part of the respective answers.*

*All questions relate to assessment year 2022-23, unless otherwise stated.*

**Question 1**

*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 2020-21 was ₹ 250 lakhs and in the current previous year 2021-22, it is ₹ 600 lakhs. The net profit as per the profit and loss account as on 31-03-2022 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 2021-22.*

- (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:*

<b>Date</b>	<b>PARTICULARS</b>	<b>AMOUNT</b>
01-04-2021	Opening written down value of machinery used for manufacturing purpose	4,75,000
03-07-2021	New machinery purchased during the year, payment made by an account pay cheque.	7,25,000
10-03-2022	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 03-07-2021 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 2021-22, from the agent due to settlement with commission agent.*
- (v) *₹ 25,000 paid to creditor for goods in cash.*

*The Suggested Answers for Paper 4A: Income-tax Law are based on the provisions of Income-tax Act as amended by the Finance Act, 2021 which are relevant for May, 2022 Examination. The relevant assessment year is A.Y.2022-23.*

- (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 01-05-2021 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 2021-22:317)
- (x) She received a gold coin (bullion) worth ₹55,000 (FMV) from her cousin (daughter of uncle) during the previous year 2021-22.
- (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 2022-23. (Ignore the provisions of Section 115BAC). Give brief note wherever necessary.

(14 Marks)

Answer

Computation of total income of Mrs. Nisha for A.Y. 2022-23

	Particulars	₹	₹	₹
i.	<b>Income from business or profession</b>			
	Net Profit as per profit and loss account		5,61,000	
	<b>Add: Items not credited but taxable while computing business income</b>			
	- Commission from agent on settlement [Since deduction was allowed in respect of commission in earlier year and during the P.Y. 2021-22 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
<b>Less: Items not debited but allowable while computing business income</b>		
- Job charges without deduction of tax [₹ 90,000 – 30% of ₹ 90,000] [Mrs. Nisha's turnover for the P.Y. 2020-21 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
<b>Less: Depreciation as per Income-tax Rules</b>		
Opening WDV of machinery	4,75,000	
<b>Add:</b> 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		

	<p>machinery is to be reduced from actual cost (₹ 7,25,000 – ₹ 1,45,000).</p>		
	5,80,000		
	10,55,000		
	Less: Sale proceeds	75,000	
	WDV as on 31.3.2022 before depreciation for P.Y. 2021-22	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. 2021-22, depreciation and additional depreciation will be allowed in full)		2,63,000
	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.		4,45,000 1,17,500
			<b>3,27,500</b>
II	<b>Capital Gains</b>		
	<b>Long term capital gain on sale of gold bracelet since it is held for more than 36 months</b>		
	Sales consideration	5,00,000	
	Less: Cost of acquisition (40,000 x 317/113)	1,12,212	
	Less: Cost of improvement (50,000 x 317/129)	1,22,868	
	Long- term capital gain on sale of gold bracelet		2,64,920
	<b>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</b>		

	<p><i>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).</i></p> <p><b>Less:</b> 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.</p>	75,000	
			<b>1,89,920</b>
III	<b><u>Income from Other Sources</u></b>		
	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]	<u>60,000</u>	1,15,000
	<b>Gross Total Income</b>		<b>6,32,420</b>
	<b>Less: Deduction under Chapter VI-A</b>		
	<b><u>Deduction under section 80C</u></b>		
	Stamp duty and registration fee of ₹ 1,55,000 for the purpose of transfer of house property, restricted to	1,50,000	
	<b><u>Deduction under section 80DD</u></b>		
	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
	<b>Total Income</b>		<b>3,57,420</b>

## Computation of tax liability of Mrs. Nisha for A.Y.2022-23

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]	<b>12,500</b>
	8,984
Add: Health and education cess@4%	359
<b>Tax liability</b>	<b>9,343</b>
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 31.3.2022 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 2021-22**”*

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 2021-22. 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. 2022-23

	Particulars	₹	₹	₹
i.	<b><u>Income from business or profession</u></b>			
	Net Profit as per profit and loss account		5,61,000	

<b>Add: Items not credited but taxable while computing business income</b>		
- Commission from agent on settlement [Since deduction was allowed in respect of commission in earlier year and during the P.Y. 2021-22 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
<b>Add: Disallowances not considered while computing business income</b>		
- Job charges without deduction of tax [30% of ₹ 90,000] [Mrs. Nisha's turnover for the P.Y. 2020-21 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).	<u>5,80,000</u>	
		10,55,000	
	Less: Sale proceeds	<u>75,000</u>	
	WDV as on 31.3.2022 before depreciation for P.Y. 2021-22	<u>9,80,000</u>	
	Depreciation @15% on ₹ 9,80,000	1,47,000	
	Additional Depreciation@20% on ₹ 5,80,000 (As new machinery is used in manufacturing business and put to use for more than 180 days in the P.Y.2021-22, depreciation and additional depreciation will be allowed in full)	<u>1,16,000</u>	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
			<b>4,42,500</b>
II	<b>Capital Gains</b>		
	<b>Long term capital gain on sale of gold bracelet since it is held for more than 36 months</b>	5,00,000	
	Sales consideration		
	Less: Cost of acquisition (40,000 x 317/113)	1,12,212	
	Less: Cost of improvement (50,000 x 317/129)	<u>1,22,868</u>	



	Long- term capital gain on sale of gold bracelet	2,64,920	
	<b>Note –</b> 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).		
	<b>Less:</b> 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	
			<b>1,89,920</b>
III	<b><u>Income from Other Sources</u></b>		
	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	<u>60,000</u>	
			1,15,000
	<b>Gross Total Income</b>		<b>7,47,420</b>
	<b>Less: Deduction under Chapter VI-A</b>		
	<b><u>Deduction under section 80C</u></b>		
	Stamp duty and registration fee of ₹ 1,55,000 for the purpose of transfer of house property, restricted to	1,50,000	

	<b><u>Deduction under section 80DD</u></b>		
	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
	<b>Total Income</b>		<b>4,72,420</b>

**Computation of tax payable by Mrs. Nisha for A.Y.2022-23**

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
<b>Tax Payable</b>	<b>28,193</b>
Tax Payable (rounded off)	28,190

**Question 2**

- (a) 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. 2022-23.
- (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 28<sup>th</sup> February, 2022 by sum of ₹ 4,90,000 for the sale of product R, made during the month February, 2022.
- Mr. Rai, who purchased product 'R' through the platform provided by AB Ltd. made payment of ₹ 60,000 directly to XY on 21<sup>st</sup> February, 2022.
- (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 2021-22 as under:

BILL NO.	DATE	AMOUNT ₹
1	30-04-2021	27,000
57	30-06-2021	25,000
105	30-09-2021	28,000
151	30-12-2021	32,000

(6 Marks)

(b) Mr. Harsh furnishes the following details for the year ended on 31-03-2022:

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 2014-15	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 2022-23. (4 Marks)

(c) 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 01-10-2021, HUF is partitioned and such property being divided equally. Net annual value of the property for the Previous Year 2021-22 is ₹ 1,00,000. Determine the tax implications. (4 Marks)

### Answer

(a) (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 28.2.2022 plus deemed payment of ₹ 60,000 on 21.2.2022, 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, 2022 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 30.4.2021, 30.6.2021 and 30.9.2021) made by ABC LLP to XYZ does not exceed ₹ 30,000. However, since the aggregate amount paid to XYZ during the P.Y. 2021-22 exceeds ₹ 1,00,000 (on account of the last payment of ₹ 32,000, due on 30.12.2021, 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 30.12.2021.

Hence, TDS u/s 194C = ₹ 2,240.

**(b) Computation of total income of Mr. Harsh for the A.Y.2022-23**

Particulars	₹	₹
<b>Profits and gains from business and profession</b>		
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. 2014-15 (since the eight year time period for set-off has not expired)	6,00,000	
		50,000
<b>Capital Gains</b>		
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	-
<b>Income from Other Sources</b>		
Income from betting (gross)		50,000
[No Loss can be set off against income from betting]		
Loss of ₹ 35,000 from card games can neither be set-off nor be carried forward		-
<b>Total Income</b>		<b>1,00,000</b>
<b>Losses to be carried forward to A.Y. 2023-24</b>		<b>₹</b>
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.2023-24]		3,50,000
Long-term capital loss on sale of listed shares (STT paid) [₹ 6,00,000 – ₹ 5,00,000]		1,00,000

(c)

	₹
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., 30.9.2021 (6/12 x ₹ 70,000 [Net Annual Value of ₹ 1,00,000 less	35,000

deduction under section 24(a) @30%) would be included in the total income of Mr. Sarthak.	
Since the HUF was partitioned on 1.10.2021, the income derived from such converted house property as is received by Mr. Sarthak's spouse, Juhi, on partition 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
<b>Income from house property includible in the income of Mr. Sarthak</b>	<b>52,500</b>
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 <b>not</b> a transfer for levy of capital gains tax.	

**Question 3**

(a) Mr. Lalit, a dealer in shares and securities, has entered into following transactions during the previous year 2021-22:

- (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 1<sup>st</sup> July, 2021 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 19<sup>th</sup> June, 2021 the fair market value of which was ₹ 600 each on that date. Mr. Lalit sold these shares in the course of his business on 23<sup>rd</sup> June, 2021.

Further, on 1<sup>st</sup> November, 2021, 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 1<sup>st</sup> November, 2021 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 1<sup>st</sup> March, 2022, 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. 2022-23. **(8 Marks)**

- (b) Mrs. Shruti is an Indian citizen, is currently in employment with an overseas company located in UAE. During the previous year 2021-22, 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 2017-18, 2018-19, 2019-20 and 2020-21, respectively. Her annual income for the previous year 2021-22 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 2022-23. (Support your Answer with computation) **(4 Marks)**

- (c) The assessee is found to be the owner of the gold (market value of which is ₹ 50,00,000) during the financial year ending 31-03-2022 but he recorded to have spent ₹ 10,00,000 in acquiring the same. Explain how the Assessing Officer will deal with the issue. **(2 Marks)**

### Answer

- (a) **Computation of "Income from Other Sources" of Mr. Lalit for the A.Y. 2022-23**

Particulars	₹
(i) Motor car is <u>not included</u> in the definition of "property" for the purpose of section 56(2)(x), hence, value of the same is <b>not</b> 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 <b>not</b> taxable as it represents the stock-in-trade of Mr. Lalit (since he is a dealer in shares) and not capital asset. <sup>1</sup>	-
(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
<b>Income taxable under the head "Income from other sources"</b>		<b>12,09,000</b>

**Computation of "Capital Gains" of Mr. Lalit for the A.Y.2022-23**

Particulars	₹
<b><u>Capital gains on sale of land at Jaipur</u></b>	
Sale Consideration	8,00,000
Less: Cost of acquisition [deemed to be the stamp value charged to tax under section 56(2)(x)]	<u>6,00,000</u>
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)	<u><b>2,00,000</b></u>
<b><u>Capital gains on distribution of assets on liquidation of ABC (P) Ltd.</u></b>	
<b>Full value of consideration for capital gains on distribution of assets on liquidation of ABC (P) Ltd.</b>	
FMV of assets distributed	1,50,000
Cash	<u>50,000</u>
	<u><b>2,00,000</b></u>
Less: Deemed dividend under section 2(22)(c)	<u>1,25,000</u>
<b>Full value of consideration for computing capital gains</b>	<u><b>75,000</b></u>

<sup>1</sup> 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 shares<sup>2</sup>.
- (b) Mrs. Shruti is an Indian citizen in employment in UAE. She comes on a visit to India during the P.Y.2021-22 for 157 days.

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

P.Y.	No. of days
P.Y.2017-18	200
P.Y.2018-19	100
P.Y.2019-20	76
P.Y.2020-21	45
<b>Total</b>	<b>421</b>

**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	<u>3,00,000</u>
	18,00,000
<b>Less:</b> Deduction u/s 80C (LIC premium paid by cheque in India) – Assuming other conditions are fulfilled	<u>1,50,000</u>
<b>Total income (excluding income from foreign sources)</b>	<b>16,50,000</b>
Mrs. Shruti, an Indian citizen visiting India in the P.Y.2021-22, would be a resident in India for A.Y.2022-23, if she satisfies either of the following conditions -	

<sup>2</sup> 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”.

(i)	She is in India for <b>182 days</b> or more during the P.Y.2021-22 or
(ii)	She is in India for a period of <b>120 days</b> or more during the P.Y.2021-22 and her stay in India in the <b>four</b> immediately preceding previous years is <b>365 days</b> or more. [This condition will apply to her since she comes on a visit to India during the previous year 2021-22 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.2021-22. The second condition is satisfied, since she has stayed in India for 157 days during the P.Y.2021-22 and 421 days in the four immediately preceding previous years. Since she has become resident in India for A.Y.2022-23 by satisfying this condition, by default, she would be treated as resident but not ordinarily resident.	
<b>Conclusion</b> – Mrs. Shruti's residential status for A.Y.2022-23 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).

- (c) 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 31.3.2022 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.2022-23, if the assessee offers no satisfactory explanation thereof.

Such income would be chargeable to tax @78% (@60% plus surcharge @25% and cess @4%).

#### Question 4

- (a) From the following particulars furnished by Mr. Suresh, aged 53 years, a resident Indian for the previous year ended March 31, 2022, you are requested to compute his total income and tax payable for the Assessment Year 2022-23. (Assuming he does not opt for the Section 115BAC):
- (i) He sold his vacant land on 09.12.2021 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 1<sup>st</sup> 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 2019-20. 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. **(6 Marks)**
- (b) 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 31-03-2022 are given hereunder:

PARTICULARS	AMOUNT ₹
Opening balance of the car as on 01-04-2021	3,00,000
Opening balance of machinery as on 01-04-2021	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 2022-23 and the written down value as on 01-04-2022 (WDV as on 31-03-2022 less depreciation for the P. Y. 2021-22). **(4 Marks)**

- (c) 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 twice under Section 139(5)
- (iii) Return of loss filed under Section 139(3)

**OR**

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?
- (iii) Specify the remedies available if not rectified within time allowed by the Assessing Officer? **(4 Marks)**

**Answer****(a) Computation of Total Income and Tax Payable by Mr. Suresh for A.Y. 2022-23**

Particulars	Amount (₹)	Amount (₹)
<b>Profits and gains from business or profession</b>		
Profit from SEZ undertaking		30,00,000
<b>Capital Gains</b>		
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	19,00,000	
Less: Indexed cost of acquisition [₹ 5,00,000 x 317/100]	<u>15,85,000</u>	
Cost of acquisition, being higher of		3,15,000
- Actual cost (₹ 3,40,000 + ₹ 15,000)	₹ 3,55,000	
- lower of FMV of ₹ 6,00,000 and stamp duty value of ₹ 5,00,000 as on 1.4.2001	₹ 5,00,000	
<b>Income from other sources</b>		
Income from crossword puzzles	10,000	
Interest on fixed deposit	15,000	
		25,000
<b>Gross Total Income</b>		<b>33,40,000</b>
<b>Less: Deductions under Chapter VI-A</b>		
<b>Under section 80C</b> – Tuition fees of two children		24,000
<b>Less: Deduction under section 10AA</b> (₹ 30,00,000 x 120 lakhs/300 lakhs) x 100 %, being 3rd year of operation		12,00,000
<b>Total Income</b>		<b>21,16,000</b>
<b>Computation of Tax payable on total income under the regular provisions of the Income-tax Act, 1961</b>		
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]		<u>3,49,800</u>
		<b>4,15,800</b>

Add: Health and education cess @4%		<u>16,632</u>
<b>Tax Payable under the regular provisions of the Act</b>		<b><u>4,32,432</u></b>
<b>Tax Payable under the regular provisions of the Act (rounded off)</b>		<b>4,32,430</b>

**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	<u>12,00,000</u>
Adjusted Total Income	<b><u>33,16,000</u></b>
<b>Since Adjusted Total Income exceeds ₹ 20 lakhs, the provisions of Alternate Minimum Tax (AMT) are attracted in this case</b>	
Alternate Minimum Tax@18.5%	6,13,460
Add: Health and Education cess@4%	<u>24,538</u>
<b>AMT</b>	<b><u>6,37,998</u></b>
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)	

(b) **Computation of Income from growing and curing coffee of Mr. Kabra for A.Y. 2022-23**

Particulars	Amount (₹)	Amount (₹)
<b>Income from growing and curing coffee</b>		
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)	<u>45,000</u>	
		<u>3,55,000</u>
		18,45,000
Less: Expenses of curing coffee	3,00,000	
Depreciation on machinery (15% of ₹ 15,00,000)	<u>2,25,000</u>	
		<u>5,25,000</u>
		<u>13,20,000</u>
Business Income [25% of ₹ 13,20,000]		<b>3,30,000</b>
Agricultural Income [75% of ₹ 13,20,000]		<b>9,90,000</b>

<b>Computation of Written Down Value as on 1.4.2022</b>	
Opening balance of Car as on 1.4.2021	3,00,000
Less: Depreciation@15% on ₹ 3 lakh	<u>45,000</u>
<b>WDV of car as on 1.4.2022</b>	<b><u>2,55,000</u></b>
Opening balance of machinery as on 1.4.2021	15,00,000
Less: Depreciation@15% on ₹ 15 lakh	<u>2,25,000</u>
<b>WDV of machinery as on 1.4.2022</b>	<b><u>12,75,000</u></b>

**(c) First Alternative**

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; and the second revised return replaces the earlier return filed.
- (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).

**(c) Second Alternative**

- (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.

## SECTION B: INDIRECT TAXES

1. Section B comprises of questions from 5-8. In Section B, answer question no. 5 which is compulsory and any two questions from question nos 6-8.
2. Working notes should form part of the answer.
3. All questions in Section B should be answered on the basis of position of GST law as amended by the significant notifications/ circulars issued upto 31<sup>st</sup> October, 2021.

## Question 5

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, 2021 as follows:

Sl. No.	Particulars		Amount (₹)
(i)	Outward supplies made during the month		29,00,000
	a.	Within Jharkhand ₹ 24,00,000	
	b.	Outside Jharkhand ₹ 5,00,000	
(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 01/09/2021 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.

(8 Marks)

**Answer**

**Computation of minimum net GST payable in cash by Zeon Ltd. for the month of September 2021**

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
Outward supplies made within Jharkhand	2,16,000 [24,00,000 × 9%]	2,16,000 [24,00,000 × 9%]	
Outward supplies made outside Jharkhand			90,000 [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.	2,16,000 (CGST)		
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.]		2,03,000 (SGST)	



<b>Minimum net GST payable in cash</b>	<b>Nil</b>	<b>8,000</b>	<b>Nil</b>
ITC to be carried forward next month	2,000		

**Working Note:****Computation of ITC available**

<b>Particulars</b>	<b>CGST (₹)</b>	<b>SGST (₹)</b>	<b>IGST (₹)</b>
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%]	
<b>Total ITC available</b>	<b>2,18,000</b>	<b>2,03,000</b>	<b>95,000</b>

**Question 6**

- (a) XYZ Pvt. Ltd. provided the following particulars relating to goods sold by it to ABC Pvt. Ltd.:

<b>Particulars</b>	<b>Amount (₹)</b>
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. **(6 Marks)**

(b) 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. **(2 Marks)**

(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. **(2 Marks)**

**Answer**

(a) **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 <sup>1</sup> . [Amount that supplier is liable to pay, but incurred by the recipient, is includible in the value of supply.]	2,000
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]
<b>Value of taxable supply</b>	<b>64,737</b>

- (b) (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 7

- (a) *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. (4 Marks)*

- (b) *"One consolidated e-way bill can be generated for multiple invoices". Comment on the validity of the above statement with reference to GST law. (3 Marks)*

- (c) *"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. (3 Marks)*

<sup>1</sup> 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.

**Answer**

- (a) 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.

- (b) 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.

- (c) 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 8**

- (a) *"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.*

**(5 Marks)**

- (b) *Mr. B, a registered supplier of Uttar Pradesh, is doing the trading of taxable goods. He approaches you to understand the manner of utilisation of available Input Tax Credit (ITC). With reference to provisions of payment of tax, state the manner of utilisation of ITC under GST law.*

**(5 Marks)**

OR

*State any five circumstances under which the proper officer can cancel the registration on his own under the CGST Act, 2017.*

**Answer**

- (a) 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.
  - (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.
- (b) The manner of utilisation 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.

**Answer to Alternative**

- (b) 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.

**PAPER – 4 : TAXATION**  
**SECTION A : INCOME TAX LAW**

*Question No.1 is compulsory.*

*Candidates are also required to answer any **two** questions from the remaining questions.*

*Working notes shall form part of the respective answers.*

*All questions pertaining to income-tax relate to assessment year 2021-22, unless stated otherwise in the question.*

**Question 1**

*Mr. Shivansh, a resident and ordinarily resident aged 61 years, is engaged in the business of manufacturing of motor parts. 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 31<sup>st</sup> March, 2021**

<b>Particulars</b>	<b>(₹)</b>	<b>Particulars</b>	<b>(₹)</b>
To Administrative expenses	4,30,000	By Gross Profit	58,30,000
To Salaries & wages	20,00,000	By Profit on sale of asset of scientific research	2,00,000
To Interest on loans	7,50,000	By Winning from lottery (Net of TDS @ 30%)	31,500
To Depreciation	6,17,000		
To Professional fees	2,70,000		
To Rent, rates & taxes	2,80,000		
To Travelling & conveyance	1,40,000		
To Net Profit	<u>15,74,500</u>		
<b>Total</b>	<b>60,61,500</b>	<b>Total</b>	<b>60,61,500</b>

**Explanatory information:**

- (i) Opening and closing stock of finished goods were undervalued by 10%. Opening stock of ₹ 4,50,000 and Closing stock of ₹ 5,58,000 was shown.

*The Suggested Answers for Paper 4A: Income-tax Law are based on the provisions of Income-tax Act as amended by the Finance Act, 2020 which are relevant for December, 2021 Examination. The relevant assessment year is A.Y.2021-22.*

- (ii) Salaries & wages include following items:
- (a) Contributed 20% of basic salary in National Pension Scheme referred in section 80CCD regarding salary paid to an employee Mr. Ganesh who has withdrawn basic salary of ₹ 3,00,000 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 ₹ 2,40,000 was paid to them on 1<sup>st</sup> January, 2021.
- (iii) Interest on loan includes interest paid @ 15% per annum on loan of ₹ 12,00,000 which was taken from State Bank of India on 01.05.2020 for purchase of new electric car of ₹ 15,00,000. The car is used for personal purpose.
- (iv) Depreciation allowable as per Income-tax Rules, 1962 is ₹ 4,50,000 but during the calculation of such depreciation following addition was not considered:  
Motor car purchased for ₹ 3,00,000 for supply of finished goods to dealers on 25-08-2020.
- (v) An asset was purchased for ₹ 6,00,000 on 17-11-19 for conducting scientific research and the deduction was claimed under section 35 of the Income-tax Act, 1961. This asset was sold on 05-09-2020 for a consideration of ₹ 8,00,000.

**Other information:**

A plot of Industrial land which was used by Mr. Shivansh for business purpose for last 10 years was compulsorily acquired by Central Government on 07.05.2020. The compensation of ₹ 12,00,000 was received on 27.02.2021. Such property was purchased by him on 08.08.2005 for ₹ 2,00,000. He has purchased another plot of industrial land on 21.04.2021 for ₹ 6,00,000. Government has also paid ₹ 54,000 as interest on such compensation on 28.03.2021.

Cost Inflation Indices: FY 2020-21: 301, FY 2005-06: 117

Compute the total income and tax liability of Mr. Shivansh for the assessment year 2021-22 assuming that he has not opted for the provisions of section 115BAC. Ignore Provisions relating to AMT. **(14 Marks)**

**Answer**

**Computation of total income of Mr. Shivansh for A.Y. 2021-22**

	Particulars	₹	₹	₹
I.	<b><u>Income from business or profession</u></b>			
	Net Profit		15,74,500	
	<b>Add: Items debited but not allowable/item not credited but taxable while computing business income</b>			
	- 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., ₹ 24,000 [₹ 60,000, being 20% of ₹ 3,00,000 less ₹ 36,000 being 10% of ₹ 3,60,000 (₹ 3,00,000 + 20% of ₹ 3,00,000)] has to be added back.	24,000	
- 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 [₹ 2,40,000 x 4/5].	1,92,000	
- 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, ₹ 1,65,000 [₹ 12,00,000 x 15% x 11/12] has to be added back, since the same forms part of interest on loan debited to profit and loss account.	1,65,000	
- 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 ₹ 6,00,000 (being the deduction allowed u/s 35) and ₹ 8,00,000 being the excess of sale proceeds and deduction allowed u/s 35 i.e., (₹ 8,00,000 + ₹ 6,00,000) over the capital expenditure incurred of ₹ 6,00,000	6,00,000	
- Undervaluation of stock [(₹ 5,58,000 - ₹ 4,50,000) x 10/90]	12,000	
<b>Note:</b> Alternatively, undervaluation of closing stock i.e., ₹ 62,000 can be added back and under valuation of opening stock i.e., ₹ 50,000 can be reduced from net profits.		
- Depreciation as per books of A/c	<u>6,17,000</u>	
		<u>16,10,000</u>
		31,84,500

Less: Depreciation as per Income-tax Rules	4,50,000		
Depreciation on Motor car purchased for supply of finished goods [₹ 3,00,000 x 15%]	<u>45,000</u>	<u>4,95,000</u>	
		26,89,500	
<b>Less: Items of income credited to profit and loss account but not taxable or taxable under any other head of income</b>			
- 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"]	<u>31,500</u>	<u>2,31,500</u>	
			24,58,000
<b>II. <u>Capital Gain</u></b>			
<b><u>Short-term capital gains</u></b>			
<b>Sale of asset acquired for conducting scientific research</b>			
Sales consideration	8,00,000		
Less: Cost of acquisition	<u>6,00,000</u>		
Short-term capital gain		2,00,000	
<b><u>Long-term capital gains</u></b>			
<b>Compulsory acquisition of industrial plot by the Central Government taxable as per section 45(5)</b>			
Compensation received	12,00,000		
Less: Indexed cost of acquisition [₹ 2,00,000 x 301/117]	<u>5,14,530</u>		
Long-term capital gain [since such plot is held for more than 24 months]	6,85,470		
Less: Exemption u/s 54D			
- Acquisition of industrial plot within 3 years	<u>6,00,000</u>	<u>85,470</u>	2,85,470

<b>III. Income from other sources</b>			
Winning from lottery [₹ 31,500 x 100/70]		45,000	
Interest on enhanced compensation	54,000		
Less: 50% of enhanced compensation	<u>27,000</u>		
		<u>27,000</u>	<u>72,000</u>
<b>Gross Total Income</b>			28,15,470
Less: <b>Deduction under Chapter VI-A</b>			
<b>Deduction under section 80EEB</b>			
Interest on loan taken for purchase of electric vehicle allowable as deduction to the extent of			<u>1,50,000</u>
<b>Total Income</b>			<u>26,65,470</u>

**Computation of tax liability of Mr. Shivansh for A.Y.2021-22**

Particulars	₹	₹
Tax on long-term capital gains @20% of ₹ 85,470		17,094
Tax on winning from lottery @30% of ₹ 45,000		13,500
Tax on total income (excluding LTCG and winning from lottery) of ₹ 25,35,000		
Upto ₹ 3,00,000 [since Mr. Shivansh, a senior citizen, he is eligible for higher exemption limit]	Nil	
₹ 3,00,001 – ₹ 5,00,000[@5% of ₹ 2.00 lakh]	10,000	
₹ 5,00,001 – ₹10,00,000[@20% of ₹ 5 lakh]	1,00,000	
₹ 10,00,001- ₹ 25,35,000 [@30% of ₹ 15,35,000]	<u>4,60,500</u>	
		<u>5,70,500</u>
		6,01,094
Add: Health and education cess@4%		<u>24,044</u>
<b>Tax liability</b>		<u>6,25,138</u>
<b>Tax liability (rounded off)</b>		<b>6,25,140</b>

**Question 2**

- (a) Examine the tax implications of the following transactions for the assessment year 2021-22: (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 2020-21 for rendering his services in Japan. He is an Indian citizen having status of non-resident in India for the previous year 2020-21.

- (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 2020-21.
- (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 01.04.2020 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. **(7 Marks)**
- (b) Ms. Mishika has entered into an agreement with M/s CVM Build Limited on 25.04.2017 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 05.05.2009 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 26.12.2020. On such date, Stamp duty value of shopping mall was ₹ 4,14,00,000. Subsequently on 18.03.2021, she sold her 15% share in shopping mall to Mr. Ketav in consideration of ₹ 65,00,000.

She has also purchased a house on 09.05.2020 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 01.05.2020 and disbursement was made on 01.06.2020. 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 2020-21.

Cost Inflation Indices: 2020-21: 301, 2009-10: 148

Compute total income of Ms. Mishika for the assessment year 2021-22 assuming that she has not opted for the provisions under section 115BAC. **(7 Marks)**

### Answer

- (a) (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.

(b) **Computation of total income of Ms. Mishika for the A.Y.2021-22**

Particulars	Amount (₹)	Amount (₹)
<b>Income from house property [Self-occupied]</b>		
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/-	<u>2,00,000</u> (2,00,000)	
Less: Set-off of loss against long-term capital gains	<u>2,00,000</u>	Nil
<b>Long-term capital gains on transfer of land under specified agreement</b>		
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. 2017-18 would be taxable in the		

previous year 2020-21, 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 301/148]	<u>30,50,676</u>	
Long-term capital gain	52,29,324	
<b>Less: Deduction under section 54F</b>		
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 (₹ 52,29,324 x ₹46,00,000 / ₹ 82,80,000)	<u>29,05,180</u>	
Long-term capital gains	23,24,144	
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]	<u>2,00,000</u>	21,24,144
<b>Short-term capital gains</b>		
<b>Sale of 15% share in shopping mall</b> [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%]	<u>62,10,000</u>	
Short-term capital gains		<u>2,90,000</u>
<b>Gross Total Income</b>		24,14,144
<b>Less: Deductions under Chapter VI-A</b> (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.	<u>1,50,000</u>	<u>2,80,000</u>
<b>Total Income</b>		<b><u>21,34,144</u></b>
<b>Total Income (rounded off)</b>		<b>21,34,140</b>

**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.2020-21 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 (26.12.2020), 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.2017-18 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. 2017-18 i.e., 272 can be considered for computing indexed cost of acquisition. If the CII of F.Y.2017-18 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.2017-18 has not been given in the question for the purpose of making such computation.

**Question 3**

- (a) 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 2020-21 under Income-tax Act, 1961. Assume that all payments are made to residents:

- (i) Mr. Mahesh has paid ₹ 6,00,000 on 15.10.2020 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 2019-20.
- (ii) Mr. Ramu, a salaried individual, has paid rent of ₹ 60,000 per month to Mr. Shiv Kumar from 1<sup>st</sup> July, 2020 to 31<sup>st</sup> March, 2021. Mr. Shiv Kumar has not furnished his Permanent Account Number. **(4 Marks)**
- (b) 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 Assessment year 2021-22.
- (i) Mr. Kalpit bought an overseas tour programme package for Singapore for himself and his family of ₹ 5 lakhs on 01-11-2020 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. Anu doing business of textile as a proprietor. His turnover in the business is ₹ 11 crores in the previous year 2019-20. He received payment against sale of textile goods from Mr. Ram of ₹ 75 lakhs against the sales made to him in the previous year and preceding previous years. (Assuming all the sales are domestic sales and Mr. Ram is neither liable to deduct tax on the purchase from Mr. Anu nor he deducted any tax at source). **(4 Marks)**
- (c) 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 2020-21 (10% rebate is obtained for payment before due date). Arrears of municipal tax of financial year 2019-20 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 2021-22 assuming that Mr. Ravi has not opted for the provisions under section 115BAC. **(6 Marks)**



**Answer**

- (a) (i) The arrangement between Mr. Mahesh, 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. Mahesh to the cold storage company<sup>1</sup>.

Accordingly, tax has to be deducted @ 1.5%<sup>2</sup> on ₹ 6 lakh.

$$\text{TDS u/s 194C} = 1.5\% \times ₹ 6 \text{ lakh} = ₹ 9,000$$

- (ii) Mr. Ramu, being a salaried individual, has to deduct tax at source @ 3.75%<sup>3</sup> u/s 194-IB on the annual rent paid by him from the last month's rent (rent of March, 2021), 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 3.75%. However, the same cannot exceed ₹ 60,000, being rent for March, 2021.

$$\text{TDS u/s 194-IB} = ₹ 5,40,000 \text{ (} ₹ 60,000 \times 9 \text{)} \times 20\% = ₹ 1,08,000, \text{ but restricted to } ₹ 60,000, \text{ being rent for March, 2021.}$$

- (b) (i) Tax @ 5% is required to be collected u/s 206C 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. Anu is required to collect tax @ 0.075%<sup>4</sup> u/s 206C from Mr. Ram, since his turnover in the P.Y.2019-20 exceeds ₹10 crores, and the sales receipts from Mr. Ram in the P.Y.2020-21 exceeds ₹ 50 lakhs. Tax has to be collected by Mr. Anu on ₹ 25 lakhs, being the amount exceeding ₹ 50 lakhs, at the time of receipt. Since receipt is in the P.Y.2020-21, TCS provisions are attracted even though part of the sales may relate to the preceding previous years.

$$\text{TCS} = 0.075\% \times ₹ 25 \text{ lakhs} = ₹ 1,875$$

**Note** – It is assumed that sales receipts to the tune of at least ₹ 25 lakhs were received on or after 1.10.2020, being the date when the provisions of section 206C(1H) became effective. Alternatively, it is also possible to assume that the

<sup>1</sup> Circular No. 1/2008 dated 10.1.2008

<sup>2</sup> Since the payment is on 15.10.2020, which falls in the period 14.5.2020 to 31.3.2021, the rate is 1.5% instead of 2%.

<sup>3</sup> Since tax is deductible on 31.3.2021, which falls in the period 14.5.2020 to 31.3.2021, the rate is 3.75% instead of 5%.

<sup>4</sup> Since tax is collectible on receipts between 1.10.2020 and 31.3.2021, the rate is 0.075% instead of 0.1%.

entire receipts of ₹ 75 lakhs was received before 1.10.2020. In such a case, the provisions of section 206C(IH) would not be applicable and no tax would be required to be collected.

(c) Computation of total income of Mr. Ravi for A.Y. 2021-22 under the regular provisions of the Act

Particulars	Amount (₹)	Amount (₹)
<b>Income from house property</b>		
Gross Annual Value		
- <b>Expected rent ₹ 29,80,000</b> [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.]		
- <b>Actual rent ₹ 29,40,000</b> [₹ 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]	29,40,000	
<b>Gross Annual Value</b>		
<i>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.</i>		
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	<u>4,75,000</u>	
<b>Net Annual Value</b>	24,65,000	
Less: <b>Deduction from Net Annual Value</b> 30% of Net Annual Value	<u>7,39,500</u>	17,25,500
<b>Income from Other Sources/Profits and gains from business or profession</b>		
Rent for amenities	10,00,000	
Less: Loss due to vacancy [₹ 2,40,000 x 4/12 x 1/4]	<u>20,000</u>	
	9,80,000	
<b>Less: Expenditure in respect thereof</b>		
- Lift maintenance expenses [excluding cash payment of ₹ 30,000 disallowed] = ₹ 2,40,000 – ₹ 30,000	2,10,000	

- Salary to staff [₹ 88,000 x1/4, being the proportion pertaining to amenities]	<u>22,000</u>		
		<u>2,32,000</u>	<u>7,48,000</u>
<b>Total Income</b>			<b><u>24,73,500</u></b>

**Question 4**

(a) Details of Income of Mr. R and his wife Mrs. R for the previous year 2020-21 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 2020-21 the HUF earned an income of ₹ 50,000 from such property.
- (ii) Mr. R transferred ₹ 4,00,000 to his wife Mrs. R on 01.04.2006 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 2020-21, 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 2020-21 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 17.09.2013 to Mr. R without any consideration. The Company issued 3,000 bonus shares to Mr. R in 2016. On 04.03.2021, 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 2021-22.

**(4 Marks)**

(b) Mr. X, an employee of the Central Government is posted at New Delhi. He joined the service on 1<sup>st</sup> February, 2017. Details of his income for the previous year 2020-21, 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 2020-21)

- (v) During the year 2013-14, Mr. X gifted a sum of ₹ 6,00,000 to Mrs. X. She started a business by introducing such amount as her capital. On 1<sup>st</sup> April, 2020, her total investments in business was ₹ 10,00,000. During the previous year 2020-21, she has loss from such business ₹ 1,30,000
- (vi) Mr. X deposited ₹ 70,000 in Sukanya Samridhi account on 23.01.2021. 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 2019-20.

Determine the total income of Mr. X for the assessment year 2021-22. Ignore provisions under section 115BAC. **(6 Marks)**

- (c) Mr. Kailash, a resident and ordinarily resident in India, could not file his return of Income for the assessment year 2021-22 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)?

**OR**

Mr. Sitaram is engaged in the business of trading of cement having turnover of ₹ 10 crores during the financial year 2021-21<sup>5</sup>. As a tax consultant advise him what are the particulars to be furnished under section 139(6A) along with Return of Income?

**(4 Marks)**

**Answer**

- (a) **Computation of Gross Total Income of Mr. R and Mrs. R for A.Y. 2021-22**

	Particulars	Mr. R	Mrs. R
		Amount (₹)	
I.	<b>Income from house property</b> <b>Income from property transferred to HUF without consideration</b> Since Mr. R has transferred his property to his HUF without consideration, income of ₹ 50,000 <sup>6</sup> from such property would be included in the total income of Mr. R as per section 64(2).	50,000	

<sup>5</sup> To be read as 2020-21

<sup>6</sup> Assumed as computed figure.

II.	<b>Capital Gains</b>		
	<b>Income from equity shares transferred by Mrs. R to Mr. R without consideration</b>		
	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 [ $\text{₹ } 5,20,000 \times 5,000/8,000$ ]		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 [ $\text{₹ } 5,20,000 \times 3,000/8,000$ ] <sup>7</sup>	1,95,000	
III.	<b>Income from Other Sources</b>		
	Income from commission	4,00,000	
	Interest income		3,30,000
	<b>Interest income on ₹ 4 lakh transferred by Mr. R to Mrs. R without consideration</b>		
	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.	<b>Salary income from a company in which both Mr. R and Mrs. R have substantial interest</b>		

<sup>7</sup> 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.

<p>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 <b>salary income would be includible in the hands of that spouse, whose total income, before including such salary income, is higher.</b> 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.</p>		
Salary income of Mr. R = ₹ 3,20,000 – ₹ 50,000 (standard deduction)		<b>2,70,000</b>
Salary income of Mrs. R = ₹ 2,70,000 – ₹ 50,000 (standard deduction)		<b>2,20,000</b>
<b>Gross Total Income</b>	<b>6,89,000</b>	<b>11,83,500</b>

(b)

**Computation of Total Income of Mr. X for A.Y. 2021-22**

Particulars	Amount ₹	Amount ₹
<b>Salaries</b>		
Basic Salary	3,80,000	
Dearness Allowance	1,20,000	
Employer contribution to NPS = 20% of ₹ 3,80,000	<u>76,000</u>	
	5,76,000	
Less: Standard deduction [₹ 50,000 or ₹ 5,76,000, whichever is lower]	<u>50,000</u>	5,26,000
<b>Profits and gains of business or profession</b>		
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 1.4.2020 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]	<u>(78,000)</u>	
<b>Income from other sources</b>		
All income of the minor son would be included in the income of the parent Mr. X, since his income is higher than the	70,000	

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.2021-22, would be included in the income of Mr. X as the amount of gift exceeds ₹ 50,000.		
Less: Exemption in respect of income of minor child included in Mr. X's income	<u>1,500</u>	
	68,500	
Less: Business loss of ₹ 78,000 set-off to the extent of (Balance <b>business loss of ₹ 9,500 to be carried forward</b> to the next year, since the same cannot be set-off against salary income)	68,500	
		<u>Nil</u>
Gross Total Income		5,26,000
<b>Less: Deductions under Chapter VI-A</b>		
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)	<u>26,000</u>	
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	<u>15,000</u>	
		<u>2,60,920</u>
<b>Total Income</b>		<b>2,65,080</b>

**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.2013-14. However, the date of investment in business is not given. It has been

*assumed that it was invested between 2.4.2019 to 1.4.2020 for solving the problem, in the absence of other information in the question.*

**(c) [First Alternative]**

**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, 2021.

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.

**(c) [Second Alternative]**

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.



**SECTION B: INDIRECT TAXES**

Question No. 5 is compulsory.

Candidates are also required to answer any **two** questions from the remaining **three** questions.

**All questions should be answered on the basis of position of GST law as amended upto 30<sup>th</sup> April, 2021.**

Working notes should form part of the answer.

Wherever necessary, suitable assumptions may be made by the candidates and disclosed by way of note.

**Question 5**

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 6 <sup>th</sup> 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 6 <sup>th</sup> January 2021. X & Co. paid the consideration for the goods on 20 <sup>th</sup> February along with applicable interest.	5,00,000
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	5,00,000

	quantity in February 2021 and the last lot would be delivered in April 2021.	
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 2021. **(8 Marks)**

**Answer**

**Computation of net GST liability of ABC Ltd. to be paid in cash for February 2021**

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 <sup>1</sup> (6 <sup>th</sup> February, 2021 to 20 <sup>th</sup> February, 2021) [Includible in value in terms of section 15 of the CGST Act, 2017.]	5,900 [5,90,000 × 2% × 15/30]	--	--	900
<b>Total output tax liability</b>		<b>3,00,000</b>	<b>2,50,000</b>	<b>3,00,900</b>
Less: ITC in respect of legal services paid as reverse charge is available <sup>2</sup>	1,50,000	(13,500) [1,50,000 × 9%]	(13,500) [1,50,000 × 9%]	
<b>Net output tax liability (A)</b>		<b>2,86,500</b>	<b>2,36,500</b>	<b>3,00,900</b>

<sup>1</sup> 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).

<sup>2</sup> 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.

Legal consultancy services received(B) [Tax is payable under reverse charge on legal services received by a business entity <sup>3</sup> 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%]	
<b>Total GST payable in cash [(A) + (B)]</b>		<b>3,00,000</b>	<b>2,50,000</b>	<b>3,00,900</b>

**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 6**

- (a) AB Ltd., a registered company of Chennai, Tamil Nadu has provided following services for the month of October, 2021

<b>Particulars</b>	<b>Amount (₹)</b>
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 2021 with necessary explanations. **(6 Marks)**

<sup>3</sup> 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.

- (b) 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 2021 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? **(4 Marks)**

### Answer

- (a) **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 <sup>4</sup> 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	5,80,000

<sup>4</sup>It has been assumed that security services are performed in N Higher Secondary School.

education or education up to higher secondary school or equivalent.]	
<b>Value of taxable supplies</b>	<b>8,80,000</b>

(b) 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<sup>5</sup> 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.

#### Question 7

(a) (i) An order is placed to T & Co., Sholapur on 18<sup>th</sup> August, 2021 for supply of fabrics to make garments. Company delivered the fabrics on 4<sup>th</sup> September, 2021 and after completion of the order issued the invoice on 15<sup>th</sup> September, 2021. The payment against the same was received on 30<sup>th</sup> September, 2021. 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 20<sup>th</sup> May, 2021. However, the consignment could not be sent immediately on account of a strike in the factory, and instead was sent on 20<sup>th</sup> July 2021. Invoice was received from the transporter on 20<sup>th</sup> June 2021 and payment was made on 25<sup>th</sup> August 2021.

What is the time of supply of the transporter's service?

**(5 Marks)**

(b) PQR Ltd., have filed their GSTR-3B return for the month of August, 2020 within the due date i.e. 20.09.2020. It was noticed in October, 2020 that tax dues for the month of August, 2020 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, 2020 which was filed on 20.11.2020.

<sup>5</sup>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.

- (i) Examine and compute the interest payable if any under the CGST Act, 2017.
- (ii) What would be your answer if, GSTR-3B for the month of August 2020 had been filed belatedly on 20.11.2020 as above.

**Note:** Ignore the effect of the leap year. Electronic cash ledger and credit ledger carried sufficient balance for the above shortfall. **(5 Marks)**

**Answer**

- (a) (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 4<sup>th</sup> September, 2021.

- (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) 61<sup>st</sup> day from the date of issue of invoice by supplier

Thus, in the given case, time of supply is earlier of

- (a) 25<sup>th</sup> August

or

- (b) 20<sup>th</sup> August 2021 (61<sup>st</sup> day from 20<sup>th</sup> June)

Thus, in the given case, time of supply 20<sup>th</sup> August 2021

**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 20<sup>th</sup> June, 2021.

- (b) 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 8

- (a) 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, 2021 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? **(5 Marks)**

- (b) 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. **(5 Marks)**

OR

- (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 consignor'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)**

**Answer**

- (a) (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 turnover<sup>6</sup> 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.
- (b) 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) services

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<sup>6</sup>It has been assumed that Mr. Q has started supply of goods in October 2021 itself.



**Alternative**

- (b) (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.
- (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<sup>7</sup>, is 3 days

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<sup>7</sup>It has been assumed that goods transported are not over Dimensional cargo.

**PAPER – 4 : TAXATION**  
**SECTION A : INCOME TAX LAW**  
**Part - II**

*Question No.1 is compulsory.*

*Candidates are also required to answer any **two** questions from the remaining **three** questions.*

*Working notes should form part of the respective answers.*

*All questions relate to assessment year 2021-22, unless otherwise stated.*

**Question 1**

*Mr. Ashish, 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, 2021 is as under:*

<b>Expenditure</b>	<b>₹</b>	<b>Income</b>	<b>₹</b>
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 2020-21:*

- (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. Ashish, 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.*

*The Suggested Answers for Paper 4A: Income-tax Law are based on the provisions of Income-tax Law as amended by the Finance Act, 2020 which are relevant for July, 2021 Examination. The relevant assessment year is A.Y.2021-22.*

- (ii) Amount received by Mr. Ashish as Employees' Contribution to EPF for the month of February, 2021 - ₹ 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 was expensed for the treatment of father of Mr. Ashish. 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, 2021 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, 2020 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, 2020 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 31/08/20.
  - ₹ 19,000 paid by account payee cheque on 05/09/2020 as balance cost of new furniture and
  - ₹ 11,000 paid in cash on 31/08/20 to the transporter as freight charges for the new furniture.
- (vii) Mr. Ashish purchased a car on 02/04/2019 for ₹ 3,35,000 for personal use. However, on 30/04/2020 he brought the said car for use in his profession. The fair market value of the car as on 30/04/2020 was ₹ 2,50,000.
- (viii) Mr. Ashish made a contribution of ₹ 1,00,000 in his PPF A/c on 31/01/2021.
- (ix) The Gross Professional Receipts of Mr. Ashish for P.Y. 2019-20 was ₹ 52,00,000.

Compute the total income and tax liability of Mr. Ashish for A.Y. 2021-22, assuming that he has not opted for payment of tax under section 115BAC.

Ignore provisions relating to AMT and under section 14A relating to disallowance of expenditure incurred in relation to income not includible in total income. **(14 Marks)**

## Answer

## Computation of total income of Mr. Ashish for A.Y. 2021-22

	Particulars	₹	₹	₹
I	<b><u>Income from business or profession</u></b>			
	Excess of income over expenditure		39,43,000	
	<b>Add: Items debited but not allowable while computing business income</b>			
	- 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” for the purpose of section 40A(2). Therefore, no adjustment is required for excess salary paid to Mr. Ashish’s sister-in-law]	Nil		
	- Employees’ Contribution to EPF [Sum received by the assessee from his employees as contribution to EPF is income of the employer. 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 2021 is deposited after the due date under the relevant Act, deduction would not be available]	10,000		
	- 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	80,000		

Mr. Ashish. Since the amount is debited to Income and Expenditure Account, the same has to be added back for computing business income]			
- Commission to Ms. Anjaleen without deduction of tax at source – [Mr. Ashish would be liable to deduct tax at source on commission since his gross receipts from profession exceeded ₹ 50 lakhs during F.Y.2019-20. 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.2021-22]	7,500		
- Depreciation as per books of account	90,000		
- Purchase of Furniture [not allowable, since it is a capital expenditure]	<u>48,000</u>		
		<u>2,55,500</u>	
		41,98,500	
<b>Less: Depreciation as per Income-tax Rules</b>			
- 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 31.8.2020 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. Ashish, i.e., ₹ 3,35,000]	<u>50,250</u>		
		<u>1,02,150</u>	
		40,96,350	

<b>Less: Items of income credited but not taxable or taxable under any other head of income</b>			
- Interest on Public Provident Fund [Exempt]	60,000		
- Interest on savings bank account [Taxable under the head "Income from other sources"]	20,000		
- Interest on National Savings Certificates VIII Issue (3 <sup>rd</sup> Year) [Taxable under the head "Income from other sources"]	<u>21,000</u>		
		<u>1,01,000</u>	39,95,350
<b>II Income from other sources</b>			
Interest on savings bank account		20,000	
Interest on National Savings Certificates VIII Issue (3 <sup>rd</sup> Year)		<u>21,000</u>	<u>41,000</u>
<b>Gross Total Income</b>			40,36,350
<b>Less: Deduction under Chapter VI-A</b>			
<b><u>Deduction under section 80C</u></b>			
Contribution to PPF	1,00,000		
Interest on NSC (3 <sup>rd</sup> Year) (Reinvested)	<u>21,000</u>	1,21,000	
<b><u>Deduction under section 80D</u></b>			
Medical expenses for the treatment of father [Since Mr. Ashish'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	
<b><u>Deduction under section 80TTA</u></b>			
Interest on savings bank account to the extent of ₹ 10,000		<u>10,000</u>	<u>1,81,000</u>
<b>Total income</b>			<u>38,55,350</u>

**Computation of tax liability of Mr. Ashish for A.Y.2021-22**

Particulars	₹	₹
<b>Tax on total income of ₹ 38,55,350</b>		
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]	<u>8,56,605</u>	9,69,105
Add: Health and education cess@4%		<u>38,764</u>
<b>Tax liability</b>		<u>10,07,869</u>
<b>Tax liability (rounded off)</b>		<b>10,07,870</b>

**Question 2**

- (a) Mrs. Rohini, aged 62 years, was born and brought up in New Delhi. She got married in Russia in 1996 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 31.03.2021:

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 2021-22. **(6 Marks)**

- (b) 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. 2020-21 (Amt. in ₹)
(A)	Mr. Kale, receiving pension from Central Government	Contractual payment made during April 2020 for reconstruction of his residential house in Arunachal Pradesh	52,50,000
(B)	Mr. Rahul, a wholesale trader of spices whose turn-	Contract payment for construction of office godown	50,00,000

	over was ₹ 5 crores F.Y. 2019-20	during January to March 2021 to Mr. Akhilesh, an individual	
(C)	Mr. Golu, an individual carrying garment trading business with turnover of ₹ 95 lakhs in F.Y. 2019-2020	Payment of commission to Mr. Vinay for securing a contract from a big business house in November 2020	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 2020-21. ABC & Co. has filed its tax returns for the last 3 financial years with in time.	1,20,00,000

(2 x 4 = 8 Marks)

**Answer**

- (a) 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.2020-21 and her income other than from foreign sources does not exceed ₹ 15,00,000, she is non-resident for the A.Y. 2021-22<sup>1</sup>.

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. 2021-22**

Particulars	Amt (₹)
<b>Salaries</b>	
Pension received from Russian Government [Not taxable, since it neither accrues or arises in India nor is it received in India]	Nil
<b>Income from House Property</b>	
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

<sup>1</sup> 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.



Less: Deduction u/s 24(a) @ 30%	<u>27,000</u>	63,000
<b>Capital Gains</b>		
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
<b>Gross Total Income</b>		<b>4,23,000</b>
Less: <b>Deduction under Chapter VI-A</b>		
Deduction under section 80C		63,000
- Life insurance premium <sup>2</sup> 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]		
<b>Total Income</b>		<b>3,60,000</b>
<b>Computation of Tax Liability</b>		
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%]		<u>9,000</u>
		69,000
Add: Health and Education Cess @4%		<u>2,760</u>
<b>Tax Liability</b>		<b><u>71,760</u></b>

**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.

- (b) (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 2019-20, being the financial year immediately

<sup>2</sup> It is assumed that such premium is paid for self or spouse or any child of Mrs. Rohini

preceding F.Y.2020-21 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% = ₹ 37,500

- (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.2020-21 since his turnover from his business does not exceed ₹ 1 crore during the P.Y. 2019-20.

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. 2020-21.

- (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.2020-21, 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 3

- (a) *Mr. Ramesh constructed a big house (construction completed in Previous Year 2008-09) 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 2021-22 if he does not opt to be taxed under section 115BAC. **(6 Marks)**

(b) Examine the taxability of capital gains in the following scenarios for the Assessment Year 2021-22, determine the taxable amount and rate of tax applicable:

(i) On 28<sup>th</sup> February, 2021 10,000 shares of XY Ltd., a listed company are sold by Mr. B @ 550 per share and STT was paid at the time of sale of shares. These shares were acquired by him on 5<sup>th</sup> April, 2017 @ ₹ 395 per share by paying STT at the time of purchase. On 31<sup>st</sup> January, 2018, the shares of XY Ltd. were traded on a recognized stock exchange at the Fair Market Value of ₹ 390 per Share.

(ii) Mr. A is the owner of residential house which was purchased on 1<sup>st</sup> September, 2016 for ₹ 9,00,000. He sold the said house on 4<sup>th</sup> September, 2020 for ₹ 19,00,000. Valuation as per stamp valuation authorities was ₹ 45,00,000. He invested ₹ 19,00,000 in NHAI Bonds on 21<sup>st</sup> March, 2021.

The Cost Inflation index for-

F.Y. 2016-17	264
F.Y. 2020-21	301

**(2 x 2 = 4 Marks)**

(c) Mr. Patel is a proprietor of Star Stores since 20-05-2018. 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 31-03-2021 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	<u>2,00,000</u>	Other Assets	<u>8,00,000</u>
	<b><u>20,00,000</u></b>		<b><u>20,00,000</u></b>

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 01-04-2020 on which no depreciation has been provided.
3. Furniture of ₹ 1,50,000 purchased on 05-11-2020 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. 2021-22.

(4 Marks)

Answer

(a) **Computation of Taxable Income of Mr. Ramesh for A.Y. 2021-22 under the regular provisions of the Act**

Particulars	Amount (₹)	Amount (₹)
<b>Income from house property</b>		
<u>Unit - 1 [50% of floor area - Let out]</u>		
Gross Annual Value, higher of		
- <b>Expected rent ₹ 1,14,000</b> [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 <sup>3</sup> of ₹ 3,000		
<b>Gross Annual Value</b>	1,47,000	
<i>(Alternatively, ₹ 1,50,000 can be shown as actual rent and gross annual value, and thereafter, deduct ₹ 3,000 unrealized rent therefrom)</i>		
Less: Municipal taxes [50% of ₹20,000 <sup>4</sup> ]	<u>10,000</u>	
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]	<u>30,000</u>	65,900
<u>Unit – 3 [25% of floor area – Self occupied]</u>		
Net Annual Value	-	
Less: Interest on loan [ 25% of ₹ 60,000]	<u>15,000</u>	<u>(15,000)</u>
Income from house property		50,900

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

<sup>4</sup> Assumed to have been paid during the year by Mr. Ramesh

<b>Profits and gains from business or profession</b>			
Business Income [without deducting expenditure on Unit - 2 25% floor area used for business purposes]		1,40,000	
<b>Less: Expenditure in respect of Unit -2</b>			
- Municipal taxes [25% of ₹ 20,000 <sup>5</sup> ]	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]	<u>15,000</u>		
		<u>37,750</u>	<u>1,02,250</u>
<b>Taxable Income</b>			<b><u>1,53,150</u></b>

(b)

	Particulars	Amount ₹
(i)	<b>Long-term capital gain on transfer of 10,000 shares of XY Ltd. [taxable u/s 112A @10% on amount exceeding ₹ 1,00,000]</b>	
	Full value of consideration [10,000 x ₹ 550]	55,00,000
	Less: Cost of acquisition	
	Higher of	
	Cost of acquisition [10,000 x ₹ 395]	39,50,000
	Lower of fair market value per share as on 31.1.2018 i.e., ₹ 390 per share and sale consideration i.e., ₹ 550 per share [10,000 x ₹ 390]	39,00,000
		<u>39,50,000</u>
	Long term capital gain taxable u/s 112A	<u>15,50,000</u>
	Long-term capital gain exceeding ₹ 1 lakh i.e., ₹ 14,50,000 would be taxable @10%	
(ii)	<b><u>Sale of residential house [long-term capital asset, since held for more than 24 months]</u></b>	
	Full value of consideration [stamp duty value, since it exceeds 110% of actual sale consideration]	45,00,000
	Less: Indexed cost of acquisition [₹ 9,00,000 x 301/264]	<u>10,26,136</u>
		34,73,864

<sup>5</sup> Assumed to have been paid on or before the due date u/s 139(1)

Less: Deduction under section 54EC No deduction under section 54EC would be allowed on investment of ₹ 19,00,000 in NHAI bonds, since such investment is made on 21 <sup>st</sup> March 2021 i.e., after six months from the date of transfer i.e., 4 <sup>th</sup> September, 2021	Nil
Long-term capital gain taxable u/s 112 @ 20%	<b><u>34,73,864</u></b>

(c) **Computation of capital gains on slump sale of shop**

Particulars	₹
Sale value	40,00,000
Less: Expenses on sale [professional fees & brokerage]	<u>80,000</u>
Net sale consideration	39,20,000
Less: Net worth ( <b>See Working Note below</b> )	<u>10,42,500</u>
<b>Short-term capital gain</b> [Since shop is held for not more than 36 months immediately preceding the date of transfer]	<b><u>28,77,500</u></b>
<b>Working Note:</b>	
<b>Computation of net worth of shop</b>	
Building	5,00,000
Furniture	5,00,000
Less: Deprecation on ₹1,50,000 @ 5%, being 50% of 10% since furniture is put to use for less than 180 days during the previous year	<u>7,500</u>
	4,92,500
Debtors	2,00,000
Other assets	8,00,000
Less: Deprecation on ₹ 2,00,000, being intangible asset @ 25%	<u>50,000</u>
	<u>7,50,000</u>
<b>Total assets</b>	<b>19,42,500</b>
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	<u>1,50,000</u>
	<u>9,00,000</u>
<b>Net worth</b>	<b><u>10,42,500</u></b>

**Question 4**

- (a) 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 2021-22 assuming that they have not opted to be taxed under section 115BAC. (5 Marks)

- (b) Mr. X a resident individual submits the following information, relevant to the previous year ending March 31, 2021:

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 2021-22 and the losses to be carried forward assuming that he does not opt to be taxed under section 115BAC.

(5 Marks)

- (c) 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.

(4 Marks)

OR

In the following cases relating to P.Y.2020-21, 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.2021-22 in each of the following independent situations:

- (i) 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. (1½ Marks)
- (ii) 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. (1½ Marks)
- (iii) Sudhakar has incurred an expenditure of ₹ 1,20,000 towards consumption of electricity, the entire payment of which was made through banking channels.

(1 Mark)

Answer

- (a) Computation of Total Income of Mr. Dharmesh and Mrs. Anandi for A.Y. 2021-22

Particulars	Mr. Dharmesh	Mrs. Anandi
	Amount (₹)	
Salary income (computed)		9,60,000
Income from garment trading business	17,50,000	
<b>Total Income before including income of minor children</b>	17,50,000	9,60,000
<b><u>Income of minor son "A"</u></b>		
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]		
<b><u>Income of minor son "B"</u></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]		
<b>Less:</b> Exemption under section 10(32) 1,500		3,500
<b><u>Income of minor daughter "C"</u></b>		
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] Hence, clubbing provisions will not apply in this case/no adjustment is required.		Nil
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
<b>Gross Total Income/ Total Income</b>	<b>17,53,500</b>	<b>9,60,000</b>

**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.*

(b) **Computation of Gross Total Income of Mr. X for A.Y. 2021-22**

Particulars	Amount	Amount
<b>Salaries</b>		
Income from salary (computed)	2,22,000	
<b>Less:</b> 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
<b>Income from house property</b>		
- House in Delhi	22,000	
- House in Chennai	(2,60,000)	
- House in Mumbai (self-occupied)	(20,000)	
	(2,58,000)	
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.2022-23.		
<b>Profits and gains from business or profession</b>		
Profits from Speculative business – 2	46,000	
<b>Less:</b> 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.	(46,000)	
Hence, the balance loss of ₹ 28,000 from speculative business has to be carried forward to A.Y.2022-23.		-
Profits from textile business	18,000	
<b>Less:</b> 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.2022-23, since the same cannot be set-off against salary income.		
<b>Capital Gains</b>		
Long term capital gain from sale of property	15,400	

<p><b>Less:</b> 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).</p>	(15,400)	-
<p>Balance short term capital loss of ₹ 600 has to be carry forward to A.Y.2022-23</p>		
<p><b>Income from Other Sources</b></p>		
<p>Income from betting [No loss is allowed to be set off against such income]</p>	34,000	
<p>Income from card games [No loss is allowed to be set off against such income]</p>	46,000	
<p>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.2022-23]</p>	<u>Nil</u>	
<p><b>Gross Total Income</b></p>		<u>80,000</u> <b><u>1,02,000</u></b>

**(c) [First Alternative]**

As per section 139(3), an assessee is required to file a return of loss within the due date specified u/s 139(1) for filing return of income.

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.

**(c) [Second Alternative]**

- (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. 2021-22 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. 2021-22 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.2020-21 towards consumption of electricity, he has to file his return of income for A.Y. 2021-22 on or before the due date under section 139(1).

**SECTION B: INDIRECT TAXES**

Question No. 5 is compulsory.

Candidates are also required to answer any **two** questions from the remaining **three** questions.

**All questions should be answered on the basis of position of position of GST law as amended by significant notifications/circulars issued upto 31<sup>st</sup> October, 2020.**

Working notes should form part of the answer.

Wherever necessary, suitable assumptions may be made by the candidates and disclosed by way of note.

**Question 5**

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, 2020 of quantity of more than 50 units will entitle them for 10% discount.

Inter-State supply made during the month of October 2020 is ₹ 50,00,000

Details of Intra-State supply:

<b>Particulars</b>	<b>Amount (₹)</b>
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 :

<b>Particulars</b>	<b>Amount (₹)</b>
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, 2020.

(8 Marks)

Answer

**Computation of net GST payable in cash by X Electronics for October 2020**

Particulars	Amount (₹)	CGST (₹)	SGST (₹)	IGST (₹)
i. 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.] <sup>1</sup>	45,00,000 [₹ 50,00,000 x 90%]	4,05,000	4,05,000	

<sup>1</sup> 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 2020 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 2020 itself.

II.	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)	
<b>Net GST liability payable in cash</b>			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 blocked <sup>2</sup> .]	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.

<sup>2</sup> It has been assumed that depreciation has not been claimed on tax component.

**Question 6**

(a) A Ltd. procured the following goods in the month of December, 2020.

<b>Inward Supplies</b>	<b>GST (₹)</b>
(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
(5) Confectionery items for consumption of employees working in the factory	3,250
(6) 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 2020 by giving necessary explanations. Assume that all the other conditions necessary for availing ITC have been fulfilled. **(6 Marks)**

(b) Explain the composite supply and mixed supply. If a trader launches a package sales 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. **(4 Marks)**

**Answer**

(a) **Computation of amount of ITC available for the month of December 2020**

<b>S. No.</b>	<b>Particulars</b>	<b>GST (₹)</b>
(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 been assumed that cost of construction of additional floor has been capitalized.]	Nil
(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 blocked <sup>3</sup> .]	11,000

<sup>3</sup> 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
	<b>Total eligible ITC</b>	<b>28,900</b>

- (b) 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 7**

(a) P Ltd, a registered person provided following information for the month of October, 2020:

<b>Particulars</b>	<b>Amount (₹)</b>
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. **(5 Marks)**

(b) XYZ Pvt. Ltd. manufactures beauty soap with the brand name 'Forever beauty'. XYZ Pvt. Ltd. has organized a concert to promote its brand. Ms. Mahima, its brand ambassador, who is a leading film actress, has given a classical dance performance in the said concert.

The proceeds of the concert is ₹ 1,25,000.

- (i) Explain with relevant provisions of GST, whether Ms. Mahima will be required to pay any GST.
- (ii) What will be the answer if the proceeds of the concert is donated to a charitable organization? **(5 Marks)**

**Answer**

(a) 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 cess.
- (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, 2020**

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	<u>Nil</u>
<b>Aggregate turnover</b>	<b><u>32,40,000</u></b>

- (b) (i) Services by an artist by way of a performance in classical art forms of, *inter alia*, dance, 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. Mahima is the brand ambassador of 'Forever Beauty' soap manufactured by XYZ Pvt. Ltd., the services rendered by her by way of a classical dance performance in the concert organized by XYZ Pvt. Ltd. to promote its brand will not be eligible for the above-mentioned exemption and thus, be liable to GST.
- (ii) Even if the proceeds of the concert will be donated to a charitable organization, she will be liable to GST.

**Question 8**

- (a) Explain who is required to furnish final return, time limit for filing of final return and late fee for delay in filing final return. **(5 Marks)**
- (b) 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 footwears. 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. (5 Marks)*

OR

*Who can be registered as Goods and Service Tax Practitioners under Section 48 of the CGST Act? (5 Marks)*

**Answer**

- (a) 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.

- (b) 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.

#### **Alternative**

- (b) 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  $\geq$  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.*

**PAPER – 4 : TAXATION**  
**SECTION A : INCOME TAX LAW**

*Question No.1 is compulsory.*

*Candidates are also required to answer any **two** questions from the remaining **three** questions.*

*Working notes shall form part of the respective answers.*

*All questions pertaining to income-tax relate to assessment year 2020-21, unless stated otherwise in the question.*

**Question 1**

*Mr. Krishna (aged 65 years), a furniture manufacturer, reported a profit of ₹ 5,64,44,700 for the previous year 2019-20 after debiting/crediting the following items:*

**Debits:**

- 1. ₹ 20,000 paid to a Gurudwara registered u/s 80G of the Income-tax Act, in cash where no cheques are accepted.*
- 2. ₹ 48,000 contributed to a university approved and notified u/s 35(1)(ii) to be used for scientific research.*
- 3. Interest paid ₹ 1,67,000 on loan taken for purchase of E-vehicle on 15-05-2019 from a bank. The E-vehicle was purchased for the personal use of his wife.*
- 4. His firm has purchased timber under a forest lease of ₹ 20,00,000 for the purpose of business.*

**Credits:**

- 1. Income of ₹ 4,00,000 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.*
- 2. He received ₹ 3,00,000 from a debtor which was written off as bad in the year 2015-16. Amount due from the debtor (which was written off as bad) was ₹ 5,00,000, out of which tax officer had only allowed ₹ 3,00,000 as deduction in computing the total income for assessment year 2016-17.*
- 3. He sold some furniture to his brother for ₹ 7,00,000. The fair market value of such furniture was ₹ 9,00,000.*

*The Suggested Answers for Paper 4A: Income-tax Law are based on the provisions of income-tax law as amended by the Finance Act, 2019 and Finance (No.2) Act, 2019, which are relevant for January, 2021. The relevant assessment year is A.Y.2020-21.*

**Other information :**

1. Depreciation in books of accounts is computed by applying the rates prescribed under the Income tax laws.
2. Mr. Krishna purchased a new car of ₹ 12,00,000 on 1st September, 2019 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. Krishna had sold a house on 30th March, 2017 and deposited the long term capital gains of ₹ 25,00,000 in capital gain account scheme by the due date of filing return of income for that year. On 1st March, 2020, he sold another house property in which he resided for ₹ 1 crore. He earned a long term capital gain of ₹ 50,00,000 on sale of this property. On 25th March, 2020, he withdrew money out of his capital gain account and invested ₹ 1 crore on construction of one house.
4. Mr. Krishna also made the following payments during the previous year 2019-20
  - Lump-sum premium of ₹ 30,000 paid on 30th March, 2020 for the medical policy taken for self and spouse. The policy shall be effective for five years i.e. from 30th March, 2020 to 29th March, 2025.
  - ₹ 8,000 paid in cash for preventive health check-up of self and spouse.

Compute the total income and tax payable by Mr. Krishna for the assessment year 2020-21.

(14 Marks)

**Answer****Computation of total income of Mr. Krishna for A.Y. 2020-21**

	Particulars	₹	₹	₹
I	<b>Income from business or profession</b>			
	Net profit as per profit and loss account		5,64,44,700	
	<b>Add: Items of expenditure debited but not allowable while computing business income</b>			
	1. 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]	20,000		
	2. 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]	1,67,000	
3. Sale of furniture 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 ₹ 2 lakh]	-	1,87,000
		5,66,31,700
<b>Less: Items of income credited but not taxable or taxable under any other head of income</b>		
4. Royalty on patent [Not taxable as business income since Mr. Krishna 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]	4,00,000	
5. Bad debt recovered [Actual bad debt is ₹ 2 lakhs i.e., ₹ 5 lakhs less ₹ 3 lakh, being the amount of bad debt recovered. Bad debt written off is ₹ 3 lakhs. Bad debt recovered to the extent of ₹ 1 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, ₹ 2 lakhs has to be reduced]	2,00,000	6,00,000
		5,60,31,700
<b>Less: Allowable expenditure</b>		
6. Contribution to a university approved and notified u/s 35(1)(ii) for scientific research [Eligible for deduction @150%. Since, 100% of the expenditure is already debited to profit and loss account, balance 50% is allowed from business income]		24,000



	7. Depreciation on car [₹ 12 lakh x 30%, since car is purchased between 23.8.2019 and 31.3.2020 and put to use for more than 180 days in the P.Y.2019-20]		<u>3,60,000</u>	5,56,47,700
<b>II</b>	<b>Capital Gain</b>			
	Long term capital gain on sale of house property		50,00,000	
	Less: Exemption under section 54 [Since whole amount of long term capital gain is invested in construction of house within the stipulated time limit.]		<u>50,00,000</u>	-
	[Capital gain of ₹ 25 lakhs in capital gain account scheme is not taxable in P.Y. 2019-20, since the same is withdrawn and invested in construction of house within the stipulated time limit. The remaining amount of ₹75 lakhs invested in construction of house is eligible for exemption u/s 54, subject to a maximum of ₹50 lakhs being long-term capital gain on sale of house property during the P.Y.2019-20]			
<b>III</b>	<b>Income from Other Sources</b>			
	Royalty on patent [Taxable as "income from other sources", since he is engaged in business of manufacturing furniture]			<u>4,00,000</u>
	<b>Gross Total Income</b>			<b>5,60,47,700</b>
	Less: <b>Deduction under Chapter VI-A</b>			
	<b>Deduction under section 80D</b>			
	- Mediciam premium for self and spouse [In case of lump sum premium for medical policy, deduction is allowed for equally for each relevant previous years. [₹ 30,000/6 years, being relevant previous years in which the insurance is in force]	5,000		
	- Preventive health check up of self and spouse [Preventive health check up paid in cash allowed to the extent of ₹ 5,000]	<u>5,000</u>	10,000	

<p><b>Deduction under section 80EEB</b> [Since the loan is sanctioned by Bank during the P.Y. 2019-20, interest on loan taken for purchase of e-vehicle is allowed to the extent of ₹ 1,50,000]</p> <p><b>Deduction under section 80G</b> [Donation of ₹ 20,000 to Gurudwara not allowable as deduction since amount exceeding ₹ 2,000 paid in cash]</p> <p><b>Deduction under section 80RRB</b> [Deduction in respect of royalty on patent registered under the Patent Act subject to a maximum of ₹ 3 lakh]</p>	1,50,000	-	
	3,00,000	<u>4,60,000</u>	
<b>Total income</b>		<u><b>5,55,87,700</b></u>	

**Computation of tax liability of Mr. Krishna for A.Y.2020-21**

Particulars	₹	₹
<b>Tax on total income of ₹ 5,55,87,700</b>		
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- ₹ 5,55,87,700 [@30% of ₹ 5,54,87,700]	<u>1,63,76,310</u>	1,64,86,310
Add: Surcharge @ 37%, since total income exceeds ₹ 5,00,00,000		<u>60,99,935</u>
		2,25,86,245
Add: Health and education cess@4%		<u>9,03,450</u>
<b>Total tax liability</b>		<b>2,34,89,695</b>
Less: TCS u/s 206C(1) @ 2.5% on ₹ 20 lakh i.e., timber	50,000	
TCS u/s 206C(1F)@1% of ₹ 12 lakh i.e., sale of motor car where consideration exceeds ₹ 10 lakh	12,000	
TDS u/s 194-IA@1% of ₹ 1 crore i.e., sale of immovable property where consideration is ₹ 50 lakh or more	<u>1,00,000</u>	<u>1,62,000</u>
<b>Tax payable</b>		<b>2,33,27,695</b>
<b>Tax payable (rounded off)</b>		<b>2,33,27,700</b>

**Question 2**

- (a) 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 1.5.2019, Mr. Brijesh 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 31.01.2020.
- (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 28.02.2020.
- (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 2019-20. M/s AG Pvt. Ltd. is not liable for tax audit during previous years 2018-19 and 2019-20.
- (iv) Mr. Prabhakar is due to receive ₹ 6 lakh on 31.3.2020 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. **(8 Marks)**
- (b) Mr. Xavier, an Indian resident individual, set up an unit in Special Economic Zone (SEZ) in the financial year 2015-16 for production of Mobile Phones. The unit fulfills all the conditions of section 10AA of the Income-tax Act, 1961.

During the financial year 2018-19, 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 1<sup>st</sup> April, 2019 and the expenditure of ₹ 63 lakhs was capitalized in the books on that date.

Further details relevant for the financial year 2019-20 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 2020-21. **(6 Marks)**

**Answer**

- (a) (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% = ₹ 6,075<sup>1</sup>

- (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. 2018-19 and 2019-20.

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 31.3.2020 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

- (b) **Computation of total income and tax liability of Mr. Xavier for A.Y. 2020-21 (under the regular provisions of the Act)**

Particulars	₹	₹
<b>Profits and gains of business or profession</b>		
<b>Profit from unit in SEZ</b>	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 5 <sup>th</sup> year of manufacturing]		

<sup>1</sup> 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.

Business income of SEZ unit chargeable to tax		20,00,000
<b>Profit from operation of warehousing facility</b>	1,10,00,000	
<i>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] [₹ 93 lakhs – ₹ 13 lakhs]</i>	80,00,000	
Business income of warehousing facility chargeable to tax		30,00,000
<b>Total Income</b>		<b>50,00,000</b>
<b>Computation of tax liability</b>		
Tax on ₹ 50,00,000		13,12,500
<i>Add: Health and Education cess@4%</i>		52,500
<b>Total tax liability</b>		<b>13,65,000</b>

**Computation of adjusted total income and AMT of Mr. Xavier for A.Y. 2020-21**

Particulars	₹	₹
Total Income (as computed above)		50,00,000
<i>Add: Deduction under section 10AA</i>		30,00,000
		80,00,000
<i>Add: Deduction under section 35AD</i>	80,00,000	
<i>Less: Depreciation u/s 32 [On building@10% of ₹ 80 lakhs<sup>2</sup>]</i>	8,00,000	72,00,000
<b>Adjusted Total Income</b>		<b>1,52,00,000</b>
Alternate Minimum Tax@18.5%		28,12,000
<i>Add: Surcharge@15% (since adjusted total income &gt; ₹ 1 crore)</i>		4,21,800
		<b>32,33,800</b>
<i>Add: Health and Education cess@4%</i>		1,29,352
Total tax liability		33,63,152
<b>Tax Liability (Rounded off)</b>		<b>33,63,150</b>

<sup>2</sup> Assuming the capital expenditure of ₹80 lakhs is 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
	<b>19,98,150</b>

**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 capitalised in the books on 1.4.2019 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 capitalised in the books on 1.4.2019.

However, alternative answers have been worked out below considering ₹ 63 lakhs (being the figure as printed in the question paper) as the amount capitalised in the books on 1.4.2019. In Alternative 1, it has been assumed that the amount of ₹ 63 lakhs capitalised on 1.4.2019 does not include cost of land. In Alternative 2, it has been assumed that the amount of ₹ 63 lakhs capitalised on 1.4.2019 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. 2020-21 (under the regular provisions of the Act)**

Particulars	₹	₹
<b>Profits and gains of business or profession</b>		
<b>Profit from unit in SEZ</b>	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 5 <sup>th</sup> year of manufacturing]		
Business income of SEZ unit chargeable to tax		20,00,000
<b>Profit from operation of warehousing facility<sup>3</sup></b>	1,10,00,000	

<sup>3</sup> 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 1.4.2019 less cost of land (i.e., ₹ 93 lakhs – ₹ 63 lakhs = ₹ 30 lakhs – ₹ 13 lakhs (cost of land) = ₹ 17 lakhs)

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. 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
<b>Total Income</b>		<b>67,00,000</b>
<b>Computation of tax liability</b>		
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
<b>Total tax liability</b>		<b>20,84,940</b>

**Computation of adjusted total income and AMT of Mr. Xavier for A.Y. 2020-21**

Particulars	₹	₹
<b>Total Income (as computed above)</b>		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 <sup>4</sup> ]	6,30,000	56,70,000
<b>Adjusted Total Income</b>		<b>1,53,70,000</b>
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
<b>Total tax liability</b>		<b>34,00,767</b>
<b>Tax Liability (Rounded off)</b>		<b>34,00,770</b>

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 ₹ 34,00,770.

<sup>4</sup> Assuming the capital expenditure of ₹ 63 lakhs is 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
	<b>13,15,830</b>

**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. 2020-21 (under the regular provisions of the Act)**

Particulars	₹	₹
<b>Profits and gains of business or profession</b>		
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 5 <sup>th</sup> year of manufacturing]		
Business income of SEZ unit chargeable to tax		20,00,000
<b>Profit from operation of warehousing facility<sup>5</sup></b>	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
<b>Total Income</b>		<b>80,00,000</b>
<b>Computation of tax liability</b>		
Tax on ₹ 80,00,000		22,12,500
Add: Surcharge @10%		2,21,250
		<b>24,33,750</b>

<sup>5</sup>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 ₹ 30 lakhs, being the amount of capital expenditure not capitalized as on 1.4.2019 (₹ 93 lakhs – ₹ 63 lakhs).



Add: Health and Education cess@4%		97,350
<b>Total tax liability</b>		<b>25,31,100</b>

**Computation of adjusted total income and AMT of Mr. Xavier for A.Y. 2020-21**

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 <sup>6</sup> ]	5,00,000	45,00,000
<b>Adjusted Total Income</b>		<b>1,55,00,000</b>
Alternate Minimum Tax@18.5%		28,67,500
Add: Surcharge@15% (since adjusted total income > ₹ 1 crore)		4,30,125
		<b>32,97,625</b>
Add: Health and Education cess@4%		1,31,905
<b>Total tax liability</b>		<b>34,29,530</b>

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
	<b>8,98,430</b>

**Question 3**

- (a) Rajesh was employed in Axis Ltd., Mumbai. He received a salary of ₹ 45,000 p.m. from 1.04.2019 to 20.09.2019. He resigned and left for Dubai for the first time on 28.09.2019 and got monthly salary of rupee equivalent of ₹ 90,000 from 1.10.2019 to 31.03.2020. His salary for October to December was credited in his Mumbai bank account directly and the salary for January to March 2020 was credited in his Dubai bank account.

<sup>6</sup> Assuming the capital expenditure of ₹ 50 lakhs is incurred entirely on building

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 2020-21. **(7 Marks)**

(b) Mr. Hari aged 57 years is a resident of India. He provides you the following details of his incomes pertaining to F.Y. 2019-20.

- 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 2020-21.

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? **(4 Marks)**

(c) 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. **(3 Marks)**

### Answer

(a) 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.

During the previous year 2019-20, 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. 2020-21.

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 2020, 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. 2020-21

Particulars	Amount (₹)
<b>Salary</b>	
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
<b>Gross Salary</b>	5,25,000
Less: Standard deduction u/s 16(ia)	50,000
<b>Net Salary</b>	4,75,000
<b>Income from Other Sources</b>	
Interest on fixed deposits	10,500
Interest on Savings account	7,500
<b>Gross Total Income</b>	<b>4,93,000</b>
Less: <b>Deduction under Chapter VI-A</b>	
- Deduction under section 80C LIC premium for self and spouse [LIC premium for mother is not allowed for deduction]	25,000
- Deduction under section 80TTA [Interest on savings account with Mumbai bank]	7,500
<b>Total Income</b>	<b>4,60,500</b>

**Working Notes –**

1. 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.
  2. 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.
- (b) 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.

## Computation of total income of Mr. Hari for A.Y. 2020-21

Particulars	₹
<b>Income from other sources</b>	
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
<b>Gross Total Income</b>	<b>48,000</b>
Less: Deduction u/s 80TTA (Interest on saving bank account)	8,000
<b>Total Income</b>	<b>40,000</b>

Since the total income of Mr. Hari for A.Y.2020-21, 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.2020-21.

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. 2019-20, he has to mandatorily file his return of income for A.Y. 2020-21 on or before the due date under section 139(1).

- (c) 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 –
- the non-resident has a residence or place of business or business connection in India; or
  - 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 4**

- (a) During the previous year 2019-20, following transactions took place in respect of Mr. Raghav who is 56 years old.

- (i) 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

- (ii) Mr. Raghav had a house in Delhi. During financial year 2010-11, 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 2019-20 from such house property is ₹ 5,50,000.

- (iii) Mr. Raghav receives following income from M/s M Pvt. Ltd. during P.Y. 2019-20:

- 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 31.3.2020 is as under -

	Equity shares	Preference shares
Mr. Raghav	Nil	Nil
Mrs. Raghav	2%	25%
Mr. Jai Kishan (brother of Mrs. Raghav)	98%	75%

- (iv) 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.
- (v) 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 2019-20 is ₹ 13,00,000.
- (vi) Other income of Mr. Raghav includes
- Interest from saving bank account of ₹ 2,00,000

- 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 2020-21. **(8 Marks)**

- (b) 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. 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.
- (iii) 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.

**(3 x 2 = 6 Marks)**

**Answer**

- (a) **Computation of Total Income of Mr. Raghav for A.Y. 2020-21**

Particulars	Amount (₹)	Amount (₹)
<b>Salary</b> [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.]		Nil
<b>Income from house property</b>		
<b>House 1 [Self-occupied]</b>		
Net annual value	-	
Less: Interest on loan [upto ₹2,00,000]	2,00,000	(2,00,000)

<b>House 2 [Let out]</b>		
Gross annual value <sup>7</sup> [₹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	<u>5,00,000</u>	4,000
<b>House in Delhi</b> [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. Vamika's]		
Gross Annual Value <sup>8</sup>	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	<u>-</u>	<u>3,85,000</u>
		1,89,000
<b>Profits and gains from business or profession</b>		
Share of profit from firm [Exempt u/s 10(2A)]	-	
Exempt income cannot be clubbed		
<b>Income from other sources</b>		
Dividend on preference shares exceeding ₹ 10,00,000 taxable 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]	3,00,000	
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)]	<u>75,000</u>	<u>13,25,000</u>

<sup>7</sup> Rent receivable has been taken as the gross annual value in the absence of other information

<sup>8</sup> Rent receivable has been taken as the gross annual value in the absence of other information

<b>Gross Total Income</b>		<b>15,14,000</b>
<b>Less: Deduction under Chapter VI-A</b>		
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]	<u>10,000</u>	1,60,000
<b>Total Income</b>		<b>13,54,000</b>

- (b) (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) 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.
- (iii) 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 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.



**PAPER – 4 : TAXATION**  
**SECTION B: INDIRECT TAXES**

Question No. 5 is compulsory.

Candidates are also required to answer any **two** questions from the remaining **three** questions.

**All questions should be answered on the basis of position of GST law as amended upto 30<sup>th</sup> April, 2020.**

Working notes should form part of the answer.

Wherever necessary, suitable assumptions may be made by the candidates and disclosed by way of note.

**Question 5**

Star Ltd., a registered supplier in Karnataka has provided the following details for supply of one machine:

	<b>Particulars</b>	<b>Amount in (₹)</b>
(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, 2020, 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, 2020.

(8 Marks)

**Answer**

**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.]	<u>5,000</u>
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.]	<u>1,600</u>
<b>Value of taxable supply</b>	<b>93,400</b>

**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	

**Working Note:****Computation of total ITC available**

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
Opening balance of ITC	18,000	4,000	26,000
<b>Add: Inputs purchased during the month</b>	<b>10,800</b>	<b>10,800</b>	
	[₹ 1,20,000 × 9%]	[₹ 1,20,000 × 9%]	
Total ITC available	28,800	14,800	26,000

**Question 6**

- (a) Green Agro Services, a registered person provides the following information relating to its activities during the month of February, 2020:

Gross Receipts from	(₹)
Services relating to rearing of sheep	6,00,000
Services by way of artificial insemination of horses	4,00,000
Processing of sugarcane into jaggery	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, 2020.

**(6 Marks)**

- (b) 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.

**(4 Marks)**

GST rate is 18%. All transactions are intra-State.

There is no opening ITC and all conditions for ITC are fulfilled.

**Answer****(a) Computation of value of taxable supplies**

Particulars	Amount (₹)
Services relating to rearing of sheeps [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 jaggery [Not exempt, since processes which alter the essential characteristics of agricultural produce are not exempt and processing of sugarcane into jaggery 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.]	Nil
<b>Value of taxable supplies</b>	<b>19,50,000</b>

**(b) Computation of total GST payable by Satya Sai Residents Welfare Association**

Particulars	Value (₹)	GST @ 18% (₹)
<b>Maintenance charges received</b> [₹ 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 upto ₹ 7,500. Otherwise, entire amount is taxable.]	<b>2,40,000</b>	
Total GST payable [It has been logically presumed that maintenance charges are exclusive of GST.]		<b>43,200</b>

**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 7

- (a) 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.

**(4 Marks)**

- (b) Agni Ltd. a registered supplier wishes to transport cargo by road between two cities situated at a distance of 368 kilometres. 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.

**(3 Marks)**

- (c) 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. **(3 Marks)**

### Answer

- (a) 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.

- (b) 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 upto 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 upto 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

- (c) 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<sup>1</sup>.

**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 8

- (a) 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. **(5 Marks)**

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<sup>1</sup> It has been most logically assumed that Mr. Prithvi has not filed the annual return till the due date for the same. Further, it has also been assumed that he has not filed the annual returns for both the financial years, FY 2017-18 and FY 2018-19.

- (b) *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 ?*

**(5 Marks)**

OR

*Explain the circumstances under which proper officer can cancel the registration on his own of a registered person under CGST Act, 2017.*

**(5 Marks)**

**Answer**

- (a) 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.

- (b) 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.

**Answer to Alternative**

- (b) 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, wilful misstatement or suppression of facts.

*[Note: Any 5 points out of the above 8 points may be mentioned]*



**PAPER – 4 : TAXATION**  
**SECTION A : INCOME TAX LAW**

*Question No.1 is compulsory.*

*Candidates are also required to answer any **two** questions from the remaining **three** questions.*

*Working notes shall form part of the respective answers.*

*All questions pertaining to income-tax relate to assessment year 2020-21, unless stated otherwise in the question.*

**Question 1**

*From the following particulars furnished by Mr. Ganesh, aged 58 years, a resident Indian for the previous year ended 31.03.2020, 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 2020-21.*

- (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, 2020 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 10.11.2019 for ₹ 10 lakhs. The stamp duty value of land at the time of transfer was ₹ 14 lakhs. The FMV of the land as on 1<sup>st</sup> 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 2019-20 and 2001-02 are 289 and 100 respectively.*

*The Suggested Answers for Paper 4A: Income-tax Law are based on the provisions of income-tax law as amended by the Finance Act, 2019 and Finance (No.2) Act, 2019. The relevant assessment year is A.Y.2020-21.*

(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. **(14 Marks)**

**Answer**

**Computation of total income of Mr. Ganesh for A.Y. 2020-21**

	Particulars	₹	₹	₹
<b>I</b>	<b>Income from house property</b>			
	<b>Let out portion [First floor]<sup>1</sup></b>			
	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. 2019-20 pertaining to let out portion [₹ 60,000/2]		<u>30,000</u>	
	<b>Net Annual Value (NAV)</b>		1,98,000	
	Less: Deduction u/s 24			
	(a) 30% of ₹ 1,98,000		<u>59,400</u>	
			1,38,600	
	<b>Self-occupied portion [Ground Floor]</b>			
	Annual Value		Nil	
	[No deduction is allowable in respect of municipal taxes paid]		<u>          </u>	1,38,600
<b>II</b>	<b>Profits and gains of business or profession</b>			
	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 86 <sup>2</sup> )		<u>47,000</u>	25,47,000

<sup>1</sup> It is assumed that the ground floor and first floor are of equal area

<sup>2</sup> 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.

<b>III</b>	<b>Capital Gains</b>		
	<b>Long-term capital gains on sale of land (since held for more than 24 months)</b>		
	Full Value of Consideration [Higher of stamp duty value of ₹ 14 lakhs and Actual consideration of ₹ 10 lakhs, since stamp duty value exceeds actual consideration by more than 5%]	14,00,000	
	Less: Indexed Cost of acquisition [₹ 4,00,000 x 289/100]	<u>11,56,000</u>	2,44,000
	Cost of acquisition		
	<b>Higher of -</b>		
	- Actual cost ₹ 1.80 lakhs + ₹ 0.10 lakhs = ₹ 1.90 lakhs and		
	- Fair Market Value (FMV) as on 1.4.2001 = ₹ 4 lakhs		
<b>IV</b>	<b>Income from Other Sources</b>		
	Royalty from artistic book	2,88,000	
	Less: Expenses incurred for earning royalty	<u>40,000</u>	
		2,48,000	
	Interest on savings bank deposits	<u>40,000</u>	
			<u>2,88,000</u>
	<b>Gross Total Income</b>		<b>32,17,600</b>
	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 3 <sup>rd</sup> 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: <b>Deduction under Chapter VI-A</b>		
	<b>Deduction under section 80C</b>		
	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	

<sup>3</sup> Insurance premium paid on life insurance policy of father <b>not</b> allowable, even though father is dependent on Mr. Ganesh  <b>Deduction under section 80QQB</b> Royalty [ $\text{₹ } 2,88,000 \times 15/18 = \text{₹ } 2,40,000$ , 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]  <b>Deduction under section 80TTA</b> Interest on savings bank account, restricted to ₹ 10,000	-	67,000	
		1,90,000	
		10,000	
		<u>2,67,000</u>	
<b>Total income</b>			<b><u>12,00,600</u></b>

**Computation of tax liability of Mr. Ganesh for A.Y.2020-21  
under the normal provisions of the Act**

Particulars	₹	₹
<b>Tax on total income of ₹ 12,00,600</b>		
Tax on LTCG of ₹ 2,44,000@20%		48,800
<b>Tax on remaining total income of 9,56,600</b>		
Upto ₹ 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]	<u>91,320</u>	<u>1,03,820</u>
		1,52,620
Add: Health and education cess@4%		<u>6,105</u>
<b>Total tax liability</b>		<u>1,58,725</u>
Tax liability (rounded off)		<b>1,58,730</b>

<sup>3</sup> 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.2020-21  
under the special provisions of the Act**

Particulars	₹
<b>Computation of adjusted total income</b>	
Total income as per the normal provisions of the Act	12,00,600
<b>Add: Deduction u/s 10AA</b>	17,50,000
<b>Deduction u/s 80QQB</b>	1,90,000
	<b>31,40,600</b>
AMT@18.5%	5,81,011
Add: HEC@4%	<u>23,240</u>
<b>AMT liability</b>	<b><u>6,04,251</u></b>
<b>AMT liability (rounded off)</b>	<b>6,04,250</b>
<i>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.</i>	

**Question 2**

- (a) Mr. Mukesh born on 1.4.1960 furnished his original return for Assessment Year 2020-21 on 30.07.2020. 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. Analyse 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 2020-21. **(9 Marks)**

(b) 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 2019-20 under the Income-tax Act, 1961. Assume that all payments are made to residents :

- (i) Sanjay, a resident Indian individual, not deriving any income from business or profession makes payments of ₹ 12 lakh in January, 2020, ₹ 20 lakh in February, 2020 and ₹ 20 lakh in March, 2020 to Mohan, a contractor for reconstruction of his residential house.
- (ii) ABC Ltd. makes the payment of ₹ 1,50,000 to Ramlal, an individual transporter who owned 6 goods carriages throughout the previous year. He does not furnish his PAN.
- (iii) Smt. Sarita paid ₹ 5,000 on 17th April, 2019 to Smt. Deepa from the deposits in National Savings Scheme account. (5 Marks)

### Answer

(a) Computation of total income of Mr. Mukesh for A.Y.2020-21 [As per the original return filed by him]

	Particulars	₹	₹
(i)	<b>Salaries (Computed)</b>		7,30,000
(ii)	<b><u>Income from Other Sources</u></b>		
	Interest on savings bank account	12,700	
	Interest on fixed deposits	<u>43,000</u>	<u>55,700</u>
			7,85,700
	<b>Less: Deductions under Chapter VI-A</b>		
(i)	Deduction u/s 80C	1,50,000	
(ii)	Deduction u/s 80D	25,000	
(iii)	Deduction u/s 80TTA	<u>10,000</u>	<u>1,85,000</u>
	<b>Total Income</b>		<b>6,00,700</b>

### Computation of tax liability of Mr. Mukesh for A.Y.2020-21 (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%	<u>1,306</u>
Tax payable on total income	<u>33,946</u>
Tax payable on total income (rounded off)	33,950
Less: Tax deducted at source u/s 192	<u>33,950</u>
<b>Tax Payable</b>	<b>Nil</b>

**Need for filing revised return - Analysis**

Since Mr. Mukesh's birthday falls on 1.4.2020, he would be treated as having completed 60 years of age in the P.Y.2019-20, 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.2019-20 itself while computing his tax liability. Also, he would be entitled to deduction in respect of medical insurance premium paid to insure the health of his mother and medical expenses incurred on his father who is not covered under any Mediclaim 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 31.3.2021 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 -

**Computation of Total Income of Mr. Mukesh for the A.Y. 2020-21  
[As per the Revised Return]**

	Particulars	₹	₹
(i)	<b>Salaries (Computed)</b>		7,30,000
(ii)	<b><u>Income from Other Sources</u></b>		
	Interest on savings bank account	12,700	
	Interest on fixed deposits	<u>43,000</u>	
			<u>55,700</u>
	<b>Gross Total Income</b>		<b>7,85,700</b>
	<b>Less: Deductions under Chapter VI-A</b>		
(i)	<b>Deduction u/s 80C</b>	1,50,000	
(ii)	<b>Deduction u/s 80D</b>		
	Medical insurance premium for self and spouse	38,000	
	Preventive health check-up for self (allowable even if paid in cash)	<u>1,500</u>	
	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		
		<u>61,500</u>		
	Restricted to maximum of ₹ 50,000 for parents		<u>50,000</u>	89,500
(iii)	<b>Deduction u/s 80TTB</b>			
	Interest on savings bank account		12,700	
	Interest on fixed deposits		<u>43,000</u>	
			55,700	
	Restricted to maximum of ₹ 50,000			<u>50,000</u>
				2,89,500
	<b>Total Income</b>			<b>4,96,200</b>

**Computation of tax liability of Mr. Mukesh for A.Y.2020-21  
[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	<u>9,810</u>
Tax payable on total income	Nil
Less: Tax deducted at source u/s 192	<u>33,950</u>
<b>Refund due</b>	<b><u>33,950</u></b>

Therefore, Mr. Mukesh has to file a revised return showing the above revised computation of total income and tax liability on or before 31.3.2021 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.



**(b) TDS implications****(i) On payments made to contractor**

Tax is deductible @5% under section 194M, since payments to Mr. Mohan, a contractor, for reconstruction of his residential house exceeds ₹ 50 lakhs in aggregate during the F.Y.2019-20<sup>4</sup>.

Amount of tax to be deducted = 5% of ₹ 52 lakhs = ₹ 2,60,000

**(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 Ramlal has not furnished his PAN to ABC 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 = ₹ 1,50,000 x 20% = ₹ 30,000

**(iii) Payments in respect of deposits under NSS**

Tax is deductible at source @10% under section 194EE, on such payment, since the same exceeds ₹ 2,500.

Amount of tax to be deducted = ₹ 5,000 x 10% = ₹ 500

**Question 3**

(a) Ms. Pooja a resident individual provides the following information of her income/losses for the year ended on 31st March, 2020:

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

<sup>4</sup> Since Sanjay does not derive income from business or profession, TDS u/s 194C is not attracted in his case. In any case, the contractor is engaged for reconstruction of residential house, hence, the amount paid to him is exclusively for personal purposes of Mr. Sanjay. Consequently, section 194C would not be attracted.

	(b) Unabsorbed depreciation of earlier year	2,25,000
	(c) Brought forward loss of textile business of the A.Y. 2018-19	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 2019-20, 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. **(8 Marks)**

(b) Determine the Gross total income of Shri Ram Kumar and Smt. Ram Kumar for the assessment year 2020-21 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 1<sup>st</sup> 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 Rohit (son of Shri Ram Kumar) in the year 2018. Master Rohit (aged 13 years) received ₹ 15,000 as income from this property on 20th February, 2020. **(6 Marks)**

**Answer****(a) Computation of gross total income of Ms. Pooja for the A.Y.2020-21**

Particulars	₹	₹
<b>Salary Income (computed)</b>	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	<u>2,00,000</u>	20,000
<b>Income from House Property</b>		
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	<u>3,16,000</u>	
Loss from house property	(2,11,000)	
Less: Loss eligible for set-off against salary income restricted to	<u>2,00,000</u>	
Loss to be carried forward to A.Y. 2021-22 for set-off against income from house property, if any, in that year.	<u>(11,000)</u>	
<b>Profits and gains of business or profession</b>		
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.2021-22]	-	
Income from textile business	3,00,000	
Less: Current year depreciation	<u>60,000</u>	
	2,40,000	
Less: Brought forward loss of textile business	<u>90,000</u>	
	1,50,000	
Less: Unabsorbed depreciation (₹ 2,25,000) set-off to the extent of	<u>1,50,000</u>	Nil
<b>Capital Gains</b>		
Long-term capital gains on sale of debentures	75,000	
Less: Set-off of Long-term capital loss on sale of equity shares (STT not paid)	<u>75,000</u>	

	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]	<u>25,000</u>	
	1,25,000	
Less: Set-off of balance unabsorbed depreciation [₹ 2,25,000 – ₹ 1,50,000 s/o against business income]	<u>75,000</u>	
Long-term capital gains on sale of listed equity shares <sup>5</sup>		50,000
<b>Income from Other Sources</b>		
Dividend from units of UTI [Exempt]		Nil
<b>Gross Total Income</b>		<u>70,000</u>

Losses to be carried forward to A.Y.2021-22		₹
(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

(b) **Computation of Gross Total Income of Shri Ram Kumar and Smt. Ram Kumar for A.Y. 2020-21**

Particulars	Shri Ram Kumar		Smt. Ram Kumar	
	₹	₹	₹	₹
Salary	1,80,000		2,40,000	
Less: Standard deduction	<u>50,000</u>	1,30,000	<u>50,000</u>	1,90,000
<b>Income from house property</b>				
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	<u>13,500</u>	31,500	<u>18,900</u>	44,100
<b>Note</b> – Clubbing provisions are not attracted since the transfer to spouse is for adequate consideration. Therefore, the rent for the 5 months				

<sup>5</sup> No tax is payable u/s 112A in respect of LTCG of ₹ 50,000, since the same is less than ₹ 1,00,000

upto the date of transfer is taxable in the hands of Ram Kumar and thereafter, in the hands of his wife.				
<b>Profits and gains of business or profession</b>				
Share of profit from firm [ <b>Exempt under section 10(2A)</b> ]	-		-	
Interest from firm (assumed that the same is fully deductible in the hands of the firm)	<u>36,000</u>	36,000	<u>64,000</u>	64,000
<b>Income from other sources</b>				
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 ( <b>See Note 1 below</b> )	-		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) ( <b>See Note 1 below</b> )	<u>3,545</u>	3,545	<u>35,455</u>	65,455
<b>Total income (before including minor's income)</b>		<b>2,01,045</b>		<b>3,63,555</b>
Income of minor son Rohit to be				



- (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. **(5 Marks)**
- (b) 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 31.01.2019 he converted 1000 shares as his stock in trade. The shares was 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 07.07.2019 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 2020-21. **(5 Marks)**
- (c) Briefly explain the provisions relating to tax deduction at source on cash withdrawal under section 194N of the Income-tax Act, 1961.

**OR**

Ms. Julie received following amounts during the previous year 2019-20.

- (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 oil enhanced compensation of ₹ 5,00,000. Out of this interest, ₹ 1,50,000 relates to the previous year 2016-17, ₹ 1,90,000 relates to previous year 2017-18 and ₹ 1,60,000 relates to previous year 2018-19. 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 2020-21. **(4 Marks)**

**Answer**

- (a) (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 is **not taxable** in India in the hands of Mr. Thomas.
- (4) ₹ 10 lakhs is 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.

(b) **Computation of total income of Mr. Govind for the A.Y.2020-21**

Particulars		₹	₹
<b>I</b>	<b>Profits and gains of business and profession</b>		
	Full value of consideration [1000 shares x ₹ 2,400 per share]	24,00,000	
	<b>Less:</b> FMV on the date of conversion (₹ 2,100 x 1000 shares) [See Note below]	<u>21,00,000</u>	
			3,00,000
<b>II</b>	<b>Capital Gains</b>		
	<b>In respect of 800 shares held as capital asset up-to the date of sale</b>		
	Full value of consideration [800 shares x ₹ 2,400 per share]	19,20,000	
	<b>Less:</b> Cost of acquisition [800 shares x ₹ 2,000] (See Working Note below)	<u>16,00,000</u>	
			3,20,000
	<b>In respect of 1,000 shares converted into stock in trade on 31.1.2019</b> (Capital gains is taxable in the P.Y.2019-20, 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	
	<b>Less:</b> Cost of acquisition [1000 shares x ₹ 2,000] (See Working Note below)	<u>20,00,000</u>	<u>1,00,000</u>
	<b>Total Income</b>		<u>7,20,000</u>
	<b>Working Note - Cost of acquisition (per share)</b>		
	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 31.1.2019, 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 31.1.2019.

Alternatively, highest price can also be considered as the FMV as on 31.1.2019. 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.2020-21

	Particulars	₹	₹
<b>I</b>	<b>Profits and gains of business and profession</b>		
	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]	<u>22,00,000</u>	2,00,000
<b>II</b>	<b>Capital Gains</b>		
	<b>In respect of 800 shares held as capital asset upto the date of sale</b>		
	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)	<u>16,00,000</u>	3,20,000



Full value of consideration [800 shares x ₹ 2,400 per share]	19,20,000	
Less: Indexed cost of acquisition [800 shares x ₹ 900 x 289/100] (See Working Notes 1 and 2 below)	<u>20,80,800</u>	
	(1,60,800)	
<b>In respect of 1,000 shares converted into stock in trade on 31.1.2019</b> (Capital gains is taxable in the P.Y.2019-20, 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 ₹ 900 x 280/100] (See Working Notes 1 and 2 below)	<u>25,20,000</u>	
	(4,20,000)	
<b>Long-term capital loss to be carried forward = (1,60,800) + (4,20,000) =</b>	<b>(5,80,800)</b>	<hr/>
<b>Total Income</b>		<u>3,00,000</u>
<b>Working Note –</b>		
<b>1. Cost of acquisition (per share)</b>		
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.2019-20 i.e., 289 has to be considered to calculate indexed cost of acquisition. In case of 1000 shares converted into stock in trade on 31.1.2019, the CII of the year of conversion, i.e., F.Y.2018-19 i.e., 280 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 31.1.2019, 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 31.1.2019.

Alternatively, highest price can also be considered as the FMV as on 31.1.2019. In such case, the total income of Mr. Govind would be computed in the following manner:

**Alternate Answer**

Particulars		₹	₹
<b>I</b>	<b>Profits and gains of business and profession</b>		
	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]	<u>22,00,000</u>	
			2,00,000
<b>II</b>	<b>Capital Gains</b>		
	<b>In respect of 800 shares held as capital asset up-to the date of sale</b>		
	Full value of consideration [800 shares x ₹ 2,400 per share]	19,20,000	
	Less: Indexed cost of acquisition [800 shares x ₹ 900 x 289/100] (See Working Notes 1 and 2 below)	<u>20,80,800</u>	
		(1,60,800)	
	<b>In respect of 1,000 shares converted into stock in trade on 31.1.2019</b> (Capital gains is taxable in the P.Y.2019-20, when the stock in trade is sold)		
	Full value of consideration [1000 shares x ₹ 2,200, being FMV on the date of conversion]	22,00,000	
	Less: Cost of acquisition [1000 shares x ₹ 900 x 280/100] (See Working Notes 1 and 2 below)	<u>25,20,000</u>	
		<u>(3,20,000)</u>	
	<b>Long-term capital loss to be carried forward = (1,60,800) + (3,20,000) =</b>	<u>(4,80,800)</u>	
	<b>Total Income</b>		<u>2,00,000</u>

<b>Working Note –</b>			
<b>1. Cost of acquisition (per share)</b>			
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.2019-20 i.e., 289 has to be considered to calculate indexed cost of acquisition. In case of 1000 shares converted into stock in trade on 31.1.2019, the CII of the year of conversion, i.e., F.Y.2018-19 i.e., 280 has to be considered to compute the indexed cost of acquisition.		

**(c) (First Alternative)**

- (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.
- (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.

**(c) [Second Alternative]**

- (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.2020-21. 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).
- (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.2020-21.

**SECTION B: INDIRECT TAXES**

Question No. 5 is compulsory.

Candidates are also required to answer any **two** questions from the remaining **three** questions.

**All questions should be answered on the basis of position of GST law as amended by significant notifications/circulars issued upto 30<sup>th</sup> April, 2020.**

Working notes should form part of the answer.

Wherever necessary, suitable assumptions may be made by the candidates and disclosed by way of note.

**Question 5**

KNK Ltd., a registered supplier of Mumbai is a manufacturer of heavy machines. Its outward supplies (exclusive of GST) for the month of January, 2020 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, 2020 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 2020, hence corresponding input tax credit (ITC) is not reflecting in GSTR-2A of KNK Ltd. in January, 2020.

Compute the following:

- (i) Amount of eligible input tax credit (ITC) available for the month of January, 2020.
- (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.

**(8 Marks)**

**Answer**

- (i) **Computation of amount of eligible ITC available for the month of January, 2020**

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
	<b>Total eligible ITC</b>	<b>1,10,000</b>	<b>1,10,000</b>

**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.



3. 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.
4. 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, 2020**

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		<u>(1,10,000)</u>	<u>(1,10,000)</u>	
<b>Minimum net GST payable in cash</b>		<b>25,000</b>	<b>25,000</b>	<b>15,30,000</b>

**Question 6**

- (a) 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. **(6 Marks)**

(b) 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 Dilip & Company, a sole proprietary firm (other than specified person) which is not registered under GST or any other Law. **(2 Marks)**

(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. **(2 Marks)**

### Answer

(a) **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
	<b>Value of taxable supply</b>	<b>10,60,000</b>

### 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.

4. 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.
- (b) (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 7

- (a) 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 2018-19 was ₹ 50 lakh. The company expects the sales to grow by 10% in the current year 2019-20.

However, effective 01.01.2020, 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 31.12.2019 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. (4 Marks)*

- (b) *"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. (3 Marks)*

- (c) *"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. (3 Marks)*

### **Answer**

- (a) 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 31.12.2019, it was not required to be registered till that day; though voluntary registration was allowed.

The position, however, will change from 01.01.2020 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 31.12.2019 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 01.01.2020.

- (b) 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 upto 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.
- (c) 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 upto ₹ 2,50,000 for each rate of tax separately for each State.

**Question 8**

- (a) *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?* **(5 Marks)**

OR

- (b) *Explain the order of discharge of tax and other dues as per the provisions of section 49(8) of the CGST Act, 2017.* **(5 Marks)**

- (c) *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.*

**(5 Marks)****Answer**

- (a) 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.

**(b) Alternative to Q. 8(a)**

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.
- (c) 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.

**PAPER – 4 : TAXATION**  
**SECTION A: INCOME TAX LAW**

*Question No.1 is compulsory.*

*Candidates are also required to answer any **two** questions from the remaining questions.*

*Working notes shall form part of the respective answers.*

*All questions pertaining to income-tax relate to assessment year 2019-20, unless stated otherwise in the question.*

**Question 1**

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

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

*The Suggested Answers for Paper 4A: Income-tax Law are based on the provisions of Income-tax Law as amended by the Finance Act, 2018, which is relevant for November, 2019 Examination. The relevant assessment year is A.Y.2019-20.*

**Explanatory Information:**

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

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

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

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

(iii) **Other information:**

- (a) Conveyance expenses include a sum of ₹ 12,000 incurred for conveyance from house to True Care Hospitals (P) Ltd. and vice versa in relation to her employment.
- (b) Power & fuel expenses include a sum of ₹ 6,000 incurred for generator fuel for providing power back-up to the tenant.
- (c) Administrative expenses include a sum of ₹ 10,000 paid as Municipal Taxes for her house.
- (d) Clinic equipments' details are:  
Opening W.D.V. of clinic equipments as on 01-04-2018 was ₹ 1,00,000 and fresh purchase made on 28-08-2018 is ₹ 25,000 which was paid in cash.
- (e) She also paid tuition fee of ₹ 40,000 for her grand-daughter, which has been debited to her Capital A/c.
- (f) She availed a loan of ₹ 8,00,000 from bank for higher education of her son. She repaid principal of ₹ 50,000 and interest of ₹ 26,000 during P.Y. 2018-19.

You are required to compute her total income and net tax liability for the Assessment Year 2019-20. **(14 Marks)**



## Answer

## Computation of total income and tax liability of Mrs. Mitul for A.Y. 2019-20

	Particulars	₹	₹	₹
I	<b>Income from Salaries:</b>			
	Basic Pay (₹ 13,000 x 12)		1,56,000	
	Transport Allowance (₹ 2,000 x 12) [Fully taxable]		24,000	
	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] <sup>1</sup>		<u>Nil</u>	
	Gross Salary		1,80,000	
	Less: Standard deduction u/s 16 [Actual salary or ₹40,000, whichever is less]		<u>40,000</u>	
				1,40,000
II	<b>Income from House Property</b>			
	Let out portion [First floor] <sup>2</sup>			
	Gross Annual Value [Rent received is taken as GAV = ₹ 10,000 p.m. x 6 months]		60,000	
	Less: Municipal taxes paid by her in the P.Y.2018-19 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		<u>5,000</u>	
	Net Annual Value (NAV)		55,000	
	Less: Deduction u/s 24			
	(a) 30% of ₹ 55,000	16,500		
	(b) Interest on housing loan [(₹ 60,000 (+) ₹ 40,000)/2]	<u>50,000</u>	<u>66,500</u>	
			(11,500)	
	Self-occupied portion [Ground Floor]			
	Annual Value	Nil		
	Less: Deduction u/s 24			

<sup>1</sup> As per clause (i) of proviso to section 17(2)

<sup>2</sup> It is assumed that the ground floor and first floor are of equal area

	Interest on housing loan for reconstruction ₹ 50,000[(₹ 60,000 + ₹ 40,000)/2] restricted to	<u>30,000</u>	<u>(30,000)</u>	
				<u>(41,500)</u>
				98,500
<b>III</b>	<b>Profits and gains of business or profession</b>			
	Net profit as per Income and Expenditure account		8,59,000	
	Less: Items of income to be treated separately under the respective head of income			
	(i) Salary received from True Care Hospitals (P) Ltd.	1,80,000		
	(ii) Rent from house property	78,000		
	(iii) Dividend from foreign companies	<u>10,000</u>		
			<u>2,68,000</u>	
			5,91,000	
	Less: Allowable expenditure			
	• Depreciation on Clinic equipments			
	On Opening WDV ₹ 1,00,000@15%	15,000		
	On additions during the year ₹ 25,000, no depreciation is allowable, since payment was made in cash and hence, it will not form part of actual cost.	Nil		
	• Additional deduction of 50% for amount paid to scientific research association (Since weighted deduction of 150% is available in respect of such payment)	<u>12,500</u>		
			<u>27,500</u>	
			5,63,500	
	Add: Items of expenditure not allowable while computing business income			
	(i) Interest on housing loan for reconstruction of residential house	1,00,000		
	(ii) Interest on education loan for son	26,000		
	(i) Conveyance expenses in relation to her employment with True Care Hospitals debited to Income and Expenditure A/c, not allowed	12,000		
	(ii) Power and fuel expenses incurred for	6,000		

	providing power back up to tenant not deductible			
	(iii) Municipal tax paid relating to residential house included in administrative expenses, not deductible	<u>10,000</u>	<u>1,54,000</u>	7,17,500
	<i>As per section 44ADA, Mrs. Mitul can opt to claim 50% of gross receipts (₹ 6 lakhs, being 50% of ₹ 12 lakhs) or, as the case may be, a sum higher than the aforesaid sum claimed to have been earned by her. In this case, since Mrs. Mitul has maintained books of account, she can claim the higher sum actually earned ₹ 7,17,500 as her income from profession. This solution has been worked out by considering the higher sum actually earned by her i.e., ₹ 7,17,500 as her income from profession.<sup>3</sup></i>			
<b>IV</b>	<b>Income from Other Sources</b>			
	Power back up charges from tenant (₹ 3,000 p.m. x 6 months)	18,000		
	Less: Actual expenditure incurred for providing power back up	<u>6,000</u>		
			12,000	
	Dividend from foreign companies [not exempt u/s 10(34)]		<u>10,000</u>	<u>22,000</u>
	Gross Total Income			8,38,000
	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]		<u>26,000</u>	<u>26,000</u>
	<b>Total income</b>			<b><u>8,12,000</u></b>

<sup>3</sup> Alternatively, if ₹ 6 lakhs, being 50% of ₹ 12 lakh, is considered as her professional income, her total income and tax liability would be ₹ 6,94,500 and ₹ 50,860, respectively.

## Computation of tax liability of Mrs. Mitul for A.Y.2019-20

Particulars	₹	₹
Tax on total income of ₹ 8,12,000		
Upto ₹ 3,00,000	Nil	
₹ 3,00,001 – ₹ 5,00,000[@5% of ₹ 2 lakh]	10,000	
₹ 5,00,000 – ₹ 8,12,000[@20% of ₹ 3,12,000]	<u>62,400</u>	
		72,400
Add: Health and education cess @4%		<u>2,896</u>
Total tax liability		<u>75,296</u>
Tax liability (rounded off)		75,300

**Note:** Loss from house property can also be set-off against business income. In such a case, salary income would be ₹ 1,40,000 and business income would be ₹ 6,76,000 (i.e., ₹ 7,17,500- ₹ 41,500). Gross total income, total income and tax liability would remain the same.

If professional income is computed based on presumptive provisions under section 44ADA, her business income would be ₹ 5,58,500 (i.e., ₹ 6,00,000 – ₹ 41,500) and salary income would be ₹ 1,40,000. Gross total income, total income and tax liability would remain the same.

**Question 2**

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

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

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

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

Profit from business in Thailand ₹ 2,75,000

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

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

Compute the total income of Mr. Jagdish for Assessment Year 2019-20 chargeable to income tax in India. **(7 Marks)**

- (b) Examine & explain the TDS implications in the following cases along with reasons thereof, assuming that the deductees are residents and having a PAN which they have duly furnished to the respective deductors.
- (i) Mr. Tandon received a sum of ₹ 1,75,000 as pre-mature withdrawal from Employees Provident Fund Scheme before continuous service of 5 years on account of termination of employment due to ill-health.
  - (ii) A sum of ₹ 42,000 has been credited as interest on recurring deposit by a banking company to the account of Mr. Hasan (aged 63 years).
  - (iii) Ms. Kaul won a lucky draw prize of ₹ 21,000. The lucky draw was organized by M/s. Maximus Retail Ltd. for its customer.
  - (iv) Finance Bank Ltd. sanctioned and disbursed a loan of ₹ 10 crores to Borrower Ltd. on 31-3-2019. Borrower Ltd. paid a sum of ₹ 1,00,000 as service fee to Finance Bank Ltd. for processing the loan application.
  - (v) Mr. Ashok, working in a private company, is on deputation for 3 months (from December, 2018 to February, 2019) at Hyderabad where he pays a monthly house rent of ₹ 52,000 for those three months, totalling to ₹ 1,56,000. Rent is paid by him on the first day of the relevant month. **(7 Marks)**

#### Answer

- (a) 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.2018-19, he would be a non-resident for that year.

#### Computation of Total Income of Mr. Jagdish, a non-resident, for the A.Y. 2019-20

	Particulars	₹	₹
(i)	<b><u>Income from house property</u></b> <u>Income from house property at Bangkok</u> [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		NIL

	received in India. Hence, it is not taxable in India, since he is a non-resident]		
	<u>Income from house property in Pune (taxable in India since it accrues and arises in India)</u>		
	Gross Annual Value of Pune flat <sup>4</sup> (₹ 27,500 x 12)	3,30,000	
	Less: Municipal taxes (Deduction is not allowable, since no amount has been paid during the previous year 2018-19)	<u>Nil</u>	
	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)	<u>84,000</u>	
		<u>1,83,000</u>	
		1,47,000	
	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.2018-19)	96,000	
	Less: Deduction@30%	<u>28,800</u>	<u>67,200</u>
			2,14,200
(ii)	<b><u>Profits and gains of business or profession</u></b>		
	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)	<b><u>Income from Other Sources</u></b>		
	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]	<u>5,00,000</u>	5,22,500
	<b>Total Income</b>		<b>7,36,700</b>

**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

<sup>4</sup> 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.

**(b) 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.2018-19, 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 2018 to February 2019) from the rent of ₹ 52,000 payable on 1<sup>st</sup> February, 2019, since the monthly rent exceeds ₹ 50,000.

**Question 3**

- (a) Mr. Prakash is in the business of operating goods vehicles. As on 1<sup>st</sup> April, 2018, he had the following vehicles :

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

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

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

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

(4 Marks)

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

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

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

On 31-01-2018, the shares of A Ltd. were traded on a recognized stock exchange as under :

Highest price - ₹ 300 per share

Average price - ₹ 290 per share

Lowest price - ₹ 280 per share

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

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

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

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

Cost Inflation Index for various financial years are as under :

2001-02 - 100

2016-17 - 264

2017-18 - 272

2018-19 - 280



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

**(6 Marks)**

(c) MLX Investments (P) Ltd. was incorporated during P.Y. 2016-17 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 01-08-2018. The FMV of such share as on 01-08-2018 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 01-08-2018?

**(4 Marks)**

**Answer**

(a) Since Mr. Prakash does not own more than 10 vehicles at any time during the previous year 2018-19, 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)]
<b>Heavy goods vehicle</b>				
Vehicle B (13,000 kgs) held throughout the year	12	1,000	13 (13,000/1,000)	1,56,000
Vehicle E (15,000 kgs) purchased on 15.5.2018	11	1,000	15 (15,000/1,000)	1,65,000
<b>Goods vehicles other than heavy goods vehicle</b>		<b>Rate per month</b>		

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 30.4.2018	12	7,500	-	90,000
<b>Total</b>				<b>5,91,000</b>

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. Prakash.

**(b) Computation of amount chargeable to tax under the head “Capital Gains” in the hands of Mr. Rajan**

	Particulars	₹
(i)	<b><u>Sale of 10,000 shares of A Ltd. on 5.4.2018 @ 650 per share</u></b>	
	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 31.01.2018); 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)	<b><u>Sale of 1,000 units of B Mutual Fund<sup>5</sup> on 20.4.2018 @ ₹ 50 per unit</u></b>	
	Sale consideration (1,000 x ₹ 50)	50,000
	Less: Cost of acquisition - Higher of -	<u>50,000</u>
	- Actual cost (1,000 x ₹ 10)	10,000
	- Lower of:	50,000

<sup>5</sup> Assuming that the units are not listed on the stock exchange as on 31.1.2018.

	<ul style="list-style-type: none"> <li>• ₹ 55,000 (₹ 55 x 1,000), FMV, being Net Asset Value as on 31.1.2018; and</li> <li>• ₹ 50,000, being full value of consideration on transfer</li> </ul>	
	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)	<b><u>Sale of 100 shares of C Ltd. on 25.4.2018 @ 200 per share</u></b>	
	Sale consideration (100 x ₹ 200)	20,000
	Less: Indexed Cost of acquisition [100 x ₹ 50 (being FMV on 1.4.2001) x 280/100]	<u>14,000</u>
	Long-term capital gain under section 112 [Since shares are unlisted and held for more than 24 months]	<u>6,000</u>

**Computation of tax on such capital gains for A.Y. 2019-20**

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 A Ltd.	3,40,000
Tax under section 112 @ 20% on long-term capital gains of ₹ 6,000 arising on sale of unlisted shares of C Ltd.	<u>1,200</u>
<b>Total tax payable</b>	<b><u>3,41,200</u></b>

- (c) 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 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)(viib).
- (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.

**Question 4**

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

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

Compute total taxable income of Mr. Mahadev & Mrs. Dariya for the Assessment Year 2019-20. **(5 Marks)**

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

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

You are required to determine the Gross total income of Mr. Rishi for Assessment Year 2019-20. **(5 Marks)**

- (c) What are the clarifications given by CBDT with respect to section 206C(1F) relating to following issues :
- Whether TCS on sale of motor vehicle is applicable only to luxury car?
  - Whether TCS is applicable on each sale or aggregate value of sale of motor vehicle, exceeding ₹ 10 lakhs ?
  - Whether TCS is applicable in case of an individual?
  - Whether TCS on sale of motor vehicle is at retail level also or only by manufacturer to distributor or dealer ? **(4 Marks)**

**OR**

Elaborate the conditions, non-fulfilment of which would render a return of income filed by an assessee not maintaining regular books of accounts, defective. **(4 Marks)**

**Answer**

**(a) Computation of Taxable income of Mr. Mahadev for A.Y. 2019-20**

Particulars	₹
Professional income (bhajan singer)	5,65,000
Income of minor son – Golu	
- 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 Golu from reality show on TV would not be included in the income of either parent.	Nil
- Cash gift received by Golu from friend of Mr. Mahadev on winning the show The cash gift received by his minor son Golu (not on account of her skill) from his friends would not be taxable, since its value does not exceed ₹ 50,000.	Nil
<b>Income of minor married daughter – Gudia</b>	
Interest income on deposit with Ramu & Jay Pvt. Ltd.	40,000
Less: Exempt under section 10(32)	<u>1,500</u>
(Income of minor daughter would be included in the hands of Mr. Mahadev, since his income, before including minor daughter's income, is higher than his wife's income).	38,500
<b>Taxable Income</b>	<b>6,03,500</b>

**Computation of Taxable income of Mrs. Dariya for A.Y. 2019-20**

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. Dariya 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
<b>Taxable Income</b>	<b>3,80,000</b>

**(b) Computation of gross total income of Mr. Rishi for the A.Y.2019-20**

Particulars	₹	₹
<b>Salary Income (computed)</b>	3,60,000	
Less: Set-off of loss from house property ₹ 2,20,000, restricted to	<u>2,00,000</u>	
		1,60,000
<b>Income from House Property</b>		
Income from Property X	1,20,000	
Less: Loss from Property Y [inter-source set-off is permitted under section 70(1)]	<u>3,40,000</u>	
Loss from house property	2,20,000	
Less: Loss eligible for set-off against salary income as per section 71(3A), restricted to	<u>2,00,000</u>	
Loss to be carried forward to A.Y. 2020-21 as per section 71B, for set-off against income from house property, if any, in that year.	<u>(20,000)</u>	
<b>Profits and gains of business or profession</b>		
Income from business P	2,30,000	
Less: Loss from business Q (inter-source set-off is permitted)	<u>12,000</u>	
		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)]	<u>25,000</u>	

Loss to be carried forward to A.Y. 2020-21 for set-off against speculative business income of that year by virtue of section 73(2).	<u>(10,000)</u>	
<b>Income from Other Sources</b>		
Income from card games	16,000	
Interest on securities	<u>5,000</u>	21,000
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. 2020-21 for set-off against income, if any, from owning and maintaining race horses in that year by virtue of section 74A(3)]	(7,000)	
<b>Gross Total Income</b>		<b>3,99,000</b>

**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.

**(c) (First Alternative)**

- (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.

**(c) (Second Alternative)**

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 profitof 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.*



**PAPER – 4 : TAXATION**  
**SECTION B: INDIRECT TAXES**

Question No. 5 is compulsory.

Candidates are also required to answer any **two** questions from the remaining **three** questions.

**All questions should be answered on the basis of position of GST law as amended by significant notifications/circulars issued upto 30<sup>th</sup> April, 2019.**

Working notes should form part of the answer.

Wherever necessary, suitable assumptions may be made by the candidates and disclosed by way of note.

**Question 5**

M/s. Grey, a registered taxable person under regular scheme provides following information in respect of supplies made by it during the month of April, 2019:

	(All amount in rupees)
(i) Inter-state supply of goods	1,00,000
(ii) Intra-state supply of 500 packets of detergent @ ₹ 400 each alongwith a plastic bucket worth ₹ 100 each with each packet, being a mixed supply. (Rate of GST on detergent is 18% and on plastic bucket is 28%)	
(iii) Supply of online educational journals to M/s. Pinnacle, a private coaching centre providing tuitions to students of Class X-XII, being intra-state supply.	50,000

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

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

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

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

Following additional information is provided :

- (a) Rate of GST in respect of all inward and outward supplies except item (ii) above is 18%. i.e. CGST and SGST @ 9% and IGST @ 18%.
- (b) All figures mentioned above are exclusive of taxes.
- (c) All the conditions for availing the ITC have been fulfilled except specifically given and M/s. Grey is not eligible for any threshold exemption.

Compute the minimum net GST payable in cash by M/s. Grey for the month of April, 2019.

(8 Marks)

**Answer**

**Computation of minimum net GST payable in cash by M/s. Grey  
for the month of April, 2019**

Particulars	Value (₹)	CGST (₹)	SGST (₹)	IGST (₹)
<b>Total tax liability</b>				
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%)	
<b>Total tax liability (A)</b>		<b>32,500</b>	<b>32,500</b>	<b>18,000</b>
<b>Input tax credit (ITC)</b>				
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	
<b>Total ITC (B)</b>		<b>9,500</b>	<b>9,500</b>	<b>49,000</b>
<b>Minimum net GST payable in cash</b>				
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	
<b>Minimum net GST payable in cash</b>		<b>Nil</b>	<b>15,000</b>	<b>Nil</b>

**Notes:-**

- 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%).
- Supply of online educational journal is exempt only when the same is provided to an educational institution which provides a qualification recognised by law. Since, the private coaching centre does not provide any recognised qualification, the supply of online educational journals to the same will be taxable.
- 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.
- 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 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 [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 6**

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

<b>Particulars</b>	<b>Amount (₹ in lakh)</b>
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)	70.00

on loans & advances).	
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.	

(6 Marks)

- (b) 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 5-9-2018. It made the balance payment of ₹ 1,50,000 on 12-12-2018. You are required to determine the time of supply, if Mr. Ganatra raised the invoice on :

(i) 6-10-2018, or

(ii) 17-12-2018

(4 Marks)

**Answer**

- (a) **Computation of aggregate turnover of Mr. Zafar for FY 2018-19 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]	<u>5</u>
<b>Aggregate turnover for determining eligibility for composition scheme</b>	<b>95</b>

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 2019-20 since his aggregate turnover does not exceed ₹ 1.5 crore in FY 2018-19.

- (b) 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) 61<sup>st</sup> day from the date of issue of invoice by the supplier
- (i) If the invoice is issued on 06.10.2018, time of supply is as under:
- For the payment of ₹ 50,000: 05.09.2018 [earlier of date of payment and 61<sup>st</sup> day from date of issue of invoice]
  - For the payment of ₹ 1,50,000: 06.12.2018 [earlier of date of payment and 61<sup>st</sup> day from date of issue of invoice]
- (ii) If the invoice is issued on 17.12.2018, time of supply is as under:
- For the payment of ₹ 50,000: 05.09.2018 [earlier of date of payment and 61<sup>st</sup> day from date of issue of invoice]
  - For the payment of ₹ 1,50,000: 12.12.2018 [earlier of date of payment and 61<sup>st</sup> day from date of issue of invoice]

#### Question 7

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

Will your answer be different if Mr. Lepcha is located in Meghalaya ? **(5 Marks)**

- (b) Mr. Shah, a consignor is required to move goods from Ahmedabad (Gujarat) to Nadiad (Gujarat). He appoints Mehta Transporter for movement of goods. Mehta Transporter

*moves the goods from Ahmedabad (Gujarat) to Kheda (Gujarat). For completing the movement of goods from Kheda (Gujarat) to Nadiad (Gujarat), Mehta Transporter now hands over the goods to Parikh Transporter.*

*Explain the procedure regarding e-way bill to be followed by consignor and transporter as per provisions of GST law and rules made thereunder. (5 Marks)*

**Answer**

- (a) (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.

- (b) 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 authorisation.

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 Kheda, 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 Kheda, 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 updation 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 8

- (a) Explain in brief the conditions to be fulfilled by a registered person under GST law for availing the option to pay concessional tax @ 3% (effective rate 6%) under GST as per the provisions of notification number 2/2019 CT(R) dated 7-3-2019 as amended, with effect from 1<sup>st</sup> April, 2019. **(5 Marks)**
- (b) Discuss the provisions of Section 39(9) of the CGST Act, 2017, relating to rectification of errors/omissions in GST returns already filed and also state its exceptions. State the time limit for making such rectification. **(5 Marks)**

OR

- (c) (i) Explain the consequences, if the taxable person under GST law files the GST return under Section 39(1) of the CGST Act, 2017, but does not make payment of self-assessment tax. **(2 Marks)**
- (ii) State the items which are to be debited to electronic liability register of the taxable person under the CGST Act, 2017 and rules thereunder. **(3 Marks)**

#### Answer

- (a) 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.*

- (b) 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
- (c) (i) 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<sup>1</sup>.

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.

- (ii) The items to be debited to electronic liability register of the taxable person are as under:-
  - (a) all amounts payable towards tax, interest, late fee and any other amount as per return filed;

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<sup>1</sup> Currently GST portal does not allow filing of returns without payment of tax.



- (b) 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;
- (c) the amount of tax and interest as a result of mismatch.
- (d) any interest amount that may accrue from time to time.

*Note: Any three points may be mentioned out of the above mentioned four points.*

**PAPER – 4 : TAXATION**  
**SECTION A : INCOME TAX LAW**  
**Part - II**

*Question No.1 is compulsory.*

*Candidates are also required to answer any **two** questions from the remaining **three** questions.*

*Working notes should form part of the respective answers.*

*All questions relate to assessment year 2019-20, unless otherwise stated.*

**Question 1**

*From the following particulars of Shri Jagdish (aged 59 years) for the Assessment Year 2019-20, you are required to find out his taxable income and net tax liability :*

- (i) Basic Salary @ ₹51,000 per month, Dearness allowance @ ₹10,000 per month (Part of salary for retirement benefits), House rent allowance ₹4,000 per month and rent paid for house in Mumbai is ₹7,000 per month.*
- (ii) He owns a commercial building at New Delhi, which is let out on 1/7/2018 at a monthly rent of ₹46,000. He paid municipal taxes of ₹27,000 and ₹25,000 for the financial year 2017-18 and 2018-19 on 31-3-2019 and 20-4-2019, respectively.*
- (iii) He deals in shares. During financial year 2018-19, he earned ₹1,70,000 from his share business and paid ₹30,000 as securities transaction tax.*
- (iv) He purchased 4000 unlisted shares of Shyam Limited on 16-1-2008 for ₹80,000. Company declared bonus in the ratio of 1:1 on 1st February, 2008. Shri Jagdish sold 3000 Bonus Shares on 28/12/2018 for ₹2,00,000 to his friend Mr. Mehl through unrecognized stock exchange. (Cost Inflation Index: 2007-08: 129, 2018-19: 280)*
- (v) He received dividend of ₹13,00,000 as dividend income from listed domestic company (on which dividend distribution tax is paid) Interest from saving bank account deposits with IDBI Bank ₹15,000 and lottery winnings (Net of TDS@30%) is ₹21,000.*

*He paid the following amount out of his taxable income:*

- (a) Deposits in Public Provident Fund ₹2,00,000.*
- (b) Medical insurance premium paid for health of his wife ₹19,000 and for health of dependent son ₹12,000 through cheque.*

**(14 Marks)**

*The Suggested Answers for Paper 4A: Income-tax law are based on the provisions of income-tax law as amended by the Finance Act, 2018. The relevant assessment year is A.Y.2019-20.*

## Answer

## Computation of Taxable Income of Mr. Jagdish for the A.Y.2019-20

Particulars	₹	₹
<b>Salaries</b>		
Basic Salary = ₹ 51,000 x 12	6,12,000	
Dearness Allowance (DA) = ₹ 10,000 x 12	1,20,000	
House Rent Allowance (HRA) = ₹ 4,000 x 12	₹ 48,000	
Less: Least of the following exempt u/s 10(13A)	<u>₹ 10,800</u>	
		37,200
(i) HRA actually received = ₹ 4,000 x 12 = ₹ 48,000		
(ii) Rent paid (-) 10% of salary [₹ 84,000 (i.e., ₹ 7,000 x 12) (-) ₹ 73,200 (10% of salary i.e., 10% of ₹ 7,32,000 (Basic Salary + DA))] = ₹ 10,800		
(iii) 50% of salary [50% of ₹ 7,32,000 (Basic Salary + DA)] = ₹ 3,66,000		
<b>Gross Salary</b>	7,69,200	
Less: Standard deduction u/s 16(ia)	<u>40,000</u>	
		7,29,200
<b>Income from house property</b>		
Gross Annual Value [₹ 46,000 x 9] <sup>1</sup>	4,14,000	
Less: Municipal tax paid during the P.Y. 2018-19	<u>27,000</u>	
Net Annual Value	3,87,000	
Less: Deduction u/s 24 [30% of Net Annual Value]	<u>1,16,100</u>	
		2,70,900
<b>Profits and gains of business or profession</b>		
Profits from share business	1,70,000	
Less: Securities transaction tax paid deductible u/s 36(1)(xv)	<u>30,000</u>	
		1,40,000

<sup>1</sup> In the absence of information relating to fair rent, the GAV in the above solution has been worked out on the assumption that the actual rent for 9 months exceeds the fair rent for the whole year. In the alternative, it is possible to assume that the fair rent is equal to actual rent. In such a case, GAV would be ₹ 5,52,000 i.e., ₹ 46,000 x 12, being fair rent for the whole year. The income from house property would be ₹ 3,67,500. The gross total income and total income would, accordingly, change to ₹ 17,81,700 and ₹ 15,96,700 respectively. The tax payable would be ₹ 2,10,970.

Particulars	₹	₹
<b>Capital Gains</b>		
Full value of consideration	2,00,000	
Less: Cost of acquisition of bonus shares allotted on or after 1.4.2001	<u>Nil</u>	
<b>Long-term capital gains</b> (since bonus shares are held for a period of more than 24 months)		2,00,000
<b>Income from Other Sources</b>		
Dividend received from domestic company	13,00,000	
Less: Exempt under section 10(34)	<u>10,00,000</u>	
Dividend in excess of ₹ 10 lakh chargeable to tax u/s 115BBDA@10%	3,00,000	
Interest from saving bank account deposits with IDBI Bank	15,000	
Lottery winnings [21,000 x 100/70]	<u>30,000</u>	
		<u>3,45,000</u>
<b>Gross Total Income</b>		<b>16,85,100</b>
<b>Less: Deduction under Chapter VI-A</b>		
<b>Section 80C</b>		
Deposits in PPF ₹ 2,00,000		
Restricted to ₹ 1,50,000, being the maximum allowable deduction	1,50,000	
<b>Section 80D</b>		
Medical insurance premium for wife and dependent son ₹ 31,000, restricted to	25,000	
<b>Section 80TTA</b>		
Interest on saving bank account deposit	<u>10,000</u>	<u>1,85,000</u>
<b>Total Income</b>		<b><u>15,00,100</u></b>

**Computation of tax liability of Mr. Jagdish for A.Y. 2019-20**

Particulars	₹	₹
<b>Tax on total income of ₹ 15,00,100</b>		
Tax on long-term capital gains of ₹ 2,00,000@20% u/s 112	40,000	
Tax on lottery income of ₹ 30,000 @30% u/s 115BB	9,000	
Tax on dividend income of ₹ 3,00,000@10% u/s 115BBDA	30,000	

Tax on other income of ₹ 9,70,100 [₹ 15,00,100 – ₹ 2,00,000, capital gains – ₹ 30,000, lottery income – ₹ 3,00,000, dividend income]		
Upto ₹ 2,50,000	Nil	
₹ 2,50,001 – ₹ 5,00,000 [i.e., ₹ 2,50,000@5%]	12,500	
₹ 5,00,001 – ₹ 9,70,100 [i.e., ₹ 4,70,100@20%]	<u>94,020</u>	1,85,520
Add: Health and education cess@4%		<u>7,421</u>
<b>Tax liability</b>		1,92,941
Less: Tax deducted at source <sup>2</sup>		
TDS on lottery income		<u>9,000</u>
<b>Tax Payable</b>		<b><u>1,83,941</u></b>
Tax Payable (rounded off)		1,83,940

**Question 2**

(a) The following are the incomes of Shri Subhash Chandra, a citizen of India, for the previous year 2018-19 :

- (i) Income from business in India ₹ 2,00,000. The business is controlled from London and ₹ 60,000 were remitted to London.
- (ii) Profits from business earned in Japan ₹ 70,000 of which ₹ 20,000 were received in India. This business is controlled from India.
- (iii) Untaxed income of ₹ 1,30,000 for the year 2016-17 of a business in England which was brought in India on 3<sup>rd</sup> March, 2019.
- (iv) Royalty of ₹ 4,00,000 received from Shri Ramesh, a resident, for technical service provided to run a business outside India.
- (v) Agricultural income of ₹ 90,000 in Bhutan.
- (vi) Income of ₹ 73,000 from house property in Dubai, which was deposited in bank at Dubai.

Compute Gross Total Income of Shri Subhash Chandra for the A.Y. 2019-20, if he is -

- (1) A Resident and Ordinarily Resident; and
- (2) A Resident but Not Ordinarily Resident

**(7 Marks)**

<sup>2</sup> It is presumed that commercial building is let out to an individual/HUF whose turnover does not exceed limit specified in section 44AB during the immediately preceding F.Y. Hence, TDS u/s 194-I is not attracted. Also, TDS u/s 194-IB is not attracted since monthly rent does not exceed ₹ 50,000.

- (b) Examine the TDS implications in the following cases along-with reasons thereof:
- (i) Ms. Varsha received a sum of ₹ 95,000 on 31<sup>st</sup> December 2018 towards maturity proceeds of LIC taken on 1<sup>st</sup> October 2013 for which sum assured was ₹ 80,000. and annual premium was ₹ 10,000.
  - (ii) Mr. Deepak transferred a residential house property to Mr. Karan for ₹ 45 lacs. The stamp duty value of such property is ₹ 55 lacs.
  - (iii) XYZ Private Limited pays the following amounts to Mr. Narayan during previous year 2018-19 :
    - (1) ₹ 22,000 towards fee for professional services
    - (2) ₹ 18,000 towards royalty.
  - (iv) Payment of ₹ 1,75,000 made to Mr. Vaibhav for purchase of calendar according to specifications of M/s. ABC Limited. However, no material was supplied for such calendar by ABC Limited to Mr. Vaibhav.
  - (v) Talent Private Limited pays ₹ 12,000 to Ms. Sudha, its director, towards sitting fee which is not taxable u/s 192.
  - (vi) Radha Limited is engaged for Shyam Limited only in the business of operation of call centre. On 18-03-2019, the total amount credited by Shyam Limited in the ledger account of Radha Limited is ₹ 70,000 regarding service charges of call centre. The amount is paid through cheque on 28/03/2019 by Shyam Limited. **(7 Marks)**

**Answer**

- (a) Computation of Gross Total Income of Shri Subhash Chandra for the A.Y. 2019-20

	Particulars	Resident and Ordinarily Resident [ROR] (₹)	Resident but Not Ordinarily Resident [RNOR] (₹)
(i)	<b><u>Income from business in India, controlled from London</u></b> [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)	<b><u>Profits earned from business in Japan</u></b> [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 business in Japan is controlled from India]	70,000	70,000

(iii)	<b>Untaxed income for the year 2016-17 of a business in England which was brought in India during the P.Y. 2018-19</b> [Not taxable either in the hands of ROR or RNOR, since such income is not related to the P.Y. 2018-19.]	Nil	Nil
(iv)	<b>Royalty received from a resident for technical service provided to run a business outside India</b> [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)	<b>Agricultural Income in Bhutan<sup>3</sup></b> [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)	<b>Income from house property in Dubai, which was deposited in a bank at Dubai</b> 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% <u>21,900</u> [See Note below for alternative treatment]	51,100	Nil
<b>Gross Total Income</b>		<b>8,11,100</b>	<b>2,70,000</b>

**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 Subhash Chandra is a ROR.

<sup>3</sup> 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 Subhash Chandra, if he were a ROR, would be ₹ 8,33,000.

**(b) TDS implications**

- (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 ₹ 95,000 would not be exempt u/s 10(10D) in the hands of Ms. Varsha. However, tax deduction provisions u/s 194-DA are not attracted since the maturity proceeds are less than ₹ 1 lakh.
- (ii) **On payment of sale consideration for purchase of residential house property** - Since the sale consideration of house property is less than ₹ 50 lakhs, Mr. Karan 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 ₹ 50 lakhs.
- (iii) **On payment of fee for professional services and royalty** – Under section 194J, the threshold limit of ₹ 30,000 is specified separately for, *inter alia*, fees for professional services and royalty. Therefore, XYZ Private Limited is not required to deduct tax at source under section 194J either on fee of ₹ 22,000 for professional services or on royalty of ₹ 18,000 paid to Mr. Narayan, since the payment under each category does not exceed the independent threshold ₹ 30,000 specified thereunder.
- (iv) **On payment for purchase of calendar 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.  
Therefore, M/s ABC Limited is not required to deduct tax at source in respect of payment of ₹ 1,75,000 to Mr. Vaibhav, for purchase of calendar according to its specifications, since it did not supply the material for such calendar. Hence, the contract is a contract for ‘sale’ and not a works contract.
- (v) **On payment of sitting fees to the director** - Talent Private Limited is required to deduct tax at source @10% on sitting fees of ₹ 12,000 paid to its director, since the threshold limit of ₹ 30,000 u/s 194J is not applicable in respect of fees paid to a director of a company.
- (vi) **On payment of call centre service charges** - Since Radha Limited is engaged only in the business of operation of call centre, Shyam Limited is required deduct tax at source @2% on the amount of ₹ 70,000 u/s 194J on 18.3.2019 i.e., at the time of credit of call centre service charges to the account of Radha Limited, since the said date is earlier than the payment date i.e., 28.3.2019.



**Question 3**

- (a) 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 turn provided to him as rent free accommodation. Following details (annual) are furnished in respect of two house properties for the Financial Year 2018-19.

	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 Star Private Limited	Let-out to Ms. Puja

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

During the previous year 2018-19, 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 2019-20. All workings should form part of your answer. **(8 Marks)**

- (b) Mr. Roy owned a residential house in Noida. It was acquired on 09.09.2009 for ₹ 30,00,000. He sold it for ₹ 1,57,00,000 on 07.01.2016.

Mr. Roy utilized the sale proceeds of the above property to acquire a residential house in Panchkula for ₹ 2,05,00,000 on 20.07.2016. The said house property was sold on 31.10.2018 and he purchased another residential house in Delhi for ₹ 2,57,00,000 on 02.03.2019. The property at Panchkula was sold for ₹ 3,25,00,000.

Calculate capital gains chargeable to tax for the assessment year 2016-17 and 2019-20. All workings should form part of your answer: Cost inflation index for various financial years are as under:

2009-10	-	148
2015-16	-	254
2016-17	-	264
2018-19	-	280

**(6 Marks)**

## Answer

## (a) Computation of taxable income of Mr. Madhvan for A.Y. 2019-20

Particulars	₹	₹	₹
<b>Salaries</b>			
Basic Salary = ₹ 30,000 x 12		3,60,000	
Rent free accommodation [Lower of lease rental paid or payable by the employer (or) 15% of salary i.e., lower of ₹ 65,000 or ₹ 54,000, being 15% of ₹ 3,60,000]		54,000	
<b>Gross Salary</b>		4,14,000	
Less: Standard deduction u/s 16(ia) [Actual salary or ₹ 40,000, whichever is less]		<u>40,000</u>	
<b>Net Salary</b>			3,74,000
<b>Income from house property</b>	<b>House 1</b>	<b>House 2</b>	
Municipal value (A)	74,000	1,90,000	
Fair rent (B)	75,000	1,95,000	
Higher of (A) and (B) = (C)	<b>75,000</b>	<b>1,95,000</b>	
Actual rent received	65,000	2,85,000	
Gross Annual Value [Higher of (C) and Actual rent]	<b>75,000</b>	<b>2,85,000</b>	
Less: Municipal tax paid	<u>18,000</u>	<u>70,000</u>	
Net Annual Value (NAV)	57,000	2,15,000	
Less: <b>Deductions u/s 24</b>			
30% of NAV	17,100	64,500	
Interest on loan	<u>Nil</u>	<u>17,000</u>	
	<u>39,900</u>	<u>1,33,500</u>	
<b>Income from house property</b> [₹ 39,900 + ₹ 1,33,500]			1,73,400
<b>Income from Other Sources</b>			
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 <b>not</b> a capital asset]			<u>Nil</u>
<b>Total Income</b>			<b>5,47,400</b>
<b>Note</b> - Expenditure on repairs, insurance premium on building and ground rent are not allowable under the head "Income from house property."			

## (b) Computation of capital gains chargeable to tax for A.Y. 2016-17

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 254/148]	<u>51,48,649</u>
Long-term capital gain	1,05,51,351
<b>Less: Exemption under section 54</b>	
Purchase of new residential house property at Panchkula for ₹ 2,05,00,000 on 20.7.2016 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	<u>1,05,51,351</u>
<b>Taxable long term capital gain</b>	<u><b>Nil</b></u>

## Computation of capital gains chargeable to tax for A.Y. 2019-20

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 20.7.2016, in this case) is transferred within 3 years of its purchase (i.e., on 31.10.2018, 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., ₹ 1,05,51,351,) 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] [₹ 99,48,649 (₹ 2,05,00,000 – ₹ 1,05,51,351) x 280/264]	<u>1,05,51,597</u>
<b>Long-term capital gain</b> [Since the residential house is held for more than 24 months]	<b>2,19,48,403</b>
<b>Less: Exemption under section 54</b>	
Purchase of new residential house property in Delhi for ₹ 2,57,00,000 on 2.3.2019 i.e., within two years from 31.10.2018, 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	<u>2,19,48,403</u>
<b>Taxable long term capital gain</b>	<u><b>Nil</b></u>

**Question 4**

- (a) Ms. Geeta, a resident individual, provides the following details of her income/losses for the year ended 31.03.2019:

	<b>Particulars</b>	<b>Amount (₹)</b>
(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 2019-20 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. (10 Marks)

- (b) 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. (4 Marks)

OR

- (i) What is the fee for default in furnishing return of income u/s 234F? (2 Marks)  
 (ii) To whom the provisions of section 139AA relating to quoting of Aadhar Number do not apply? (2 Marks)

Answer

- (a) Computation of total income of Ms. Geeta for the A.Y.2019-20

Particulars	₹	₹	₹
<b>Income from salary (computed)</b>			41,20,000
<b>Income from house property</b>			
<b>(i) House property at Delhi (Let out)</b>			
Rent received (taken as Annual Value in the absence of information relating to Fair Rent and Municipal Value)	5,00,000		
<b>Less: Deduction u/s 24</b>			
(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]	<u>75,000</u>		
	<u>9,75,000</u>		
		(4,75,000)	
<b>(ii) House property at Jaipur (Let out)</b>			
Rent received (taken as Annual Value in the absence of information relating to Fair Rent and Municipal Value)	3,20,000		
<b>Less: Deduction u/s 24</b>			
30% of Annual Value = 30% of ₹ 3,20,000	<u>96,000</u>		
			2,24,000

<b>(iii) House property at Mumbai (Self-occupied)</b>			
Annual value of self-occupied property	Nil		
<b>Less: Deduction u/s 24(b)</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	<u>(30,000)</u>	
<b>Loss from house property [(i) + (ii) + (iii)]</b>		<b><u>(2,81,000)</u></b>	
As per section 71(3A), loss from house property to be set-off against salary income to the extent of			<u>(2,00,000)</u>
			<b>39,20,000</b>
<b>Profits and gains of business or profession</b>			
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		<u>50,000</u>	
		2,80,000	
Set-off of loss from textile business to the extent of		<u>(2,80,000)</u>	Nil
<b>Note</b> – 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.			
<b>Capital Gains</b>			
Long-term capital gains on sale of equity shares computed in accordance with section 112A		8,95,000	
<b>Less:</b> Set-off of brought forward short-term capital loss as per section 74 <sup>4</sup>			
B/f Short-term capital loss on sale of gold	2,75,000		
B/f Short-term capital loss u/s 111A	<u>25,000</u>		
		<u>3,00,000</u>	
		5,95,000	
<b>Less:</b> Set-off of balance loss of textile business <sup>5</sup> [₹ 7,50,000 – ₹ 2,80,000 – ₹ 73000]		<u>(3,97,000)</u>	1,98,000

<sup>4</sup> 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.

<sup>5</sup> Permitted as per section 71(2)

Particulars	₹	₹
<b>Income from Other Sources</b>		
Interest on fixed deposit	73,000	
Less: Set off balance loss of textile business to the extent of	<u>(73,000)</u>	
	Nil	
Lottery income (assumed as Gross Income)	<u>75,000</u>	<u>75,000</u>
<b>Gross Total Income</b>		<b>41,93,000</b>
Less: <b>Deduction under Chapter VI-A</b>		
<b>Under section 80C</b>		
<b>Life insurance premium paid</b>		
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	
<b>Repayment of housing loan</b>		
₹ 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	
		<u>65,000</u>
<b>Total Income</b>		<b>41,28,000</b>

**Loss to be carried forward to A.Y.2020-21:**

Particulars	₹
<b>Loss from house property</b> (₹ 2,81,000 - ₹ 2,00,000)	81,000
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.	

**(b) [First Alternative]**

<b>Persons who are mandatorily required to apply for PAN as per section 139A(1)</b>	
(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, karta, 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.

**(b) [Second Alternative]****(i) Fee for default in furnishing return of income u/s 234F**

Where a person, who is required to furnish a return of income under section 139, fails to do so within the prescribed time limit under section 139(1), he shall pay, by way of fee, a sum of –

Fee	Circumstances
₹ 5,000	If the return is furnished on or before the 31 <sup>st</sup> December of the assessment year;
₹ 10,000	In any other case
<b>Note</b> - However, if the total income of the person does not exceed ₹ 5 lakhs, the fees payable shall not exceed ₹ 1,000	

**(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.



**PAPER – 4 : TAXATION**  
**SECTION B: INDIRECT TAXES**

Question No. 5 is compulsory.

Candidates are also required to answer any **three** questions from the remaining **four** questions.

**All questions should be answered on the basis of position of GST law as amended upto 31<sup>st</sup> October, 2018.**

Working notes should form part of the answer.

Wherever necessary, suitable assumptions may be made by the candidates and disclosed by way of note.

**Question 5**

Mr. Himanshu, 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 2018:

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
IGST	₹ 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:**

- (i) Rate of CGST, SGST and IGST to be 9%, 9% and 18% respectively.

- (ii) Both inward and outward supplies given above are exclusive of taxes, wherever applicable.
- (iii) 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. Himanshu for the month of September, 2018. **(8 Marks)**

**Answer**

**Computation of net GST payable in cash of Mr. Himanshu for September, 2018**

Particulars	Value (₹)	CGST (₹)	SGST (₹)	IGST (₹)
<b>Total tax liability</b>				
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
<b>Total tax liability (A)</b>		<b>2,25,000</b>	<b>2,25,000</b>	<b>90,000</b>
<b>Input Tax Credit (ITC)</b>				
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]	-	-	-	-
<b>Total ITC (B)</b>		<b>2,21,000</b>	<b>1,86,000</b>	<b>1,04,000</b>
<b>Net GST liability = (A)-(B)</b>		<b>4,000</b>	<b>39,000</b>	<b>(14,000)</b>
Less: Set off from IGST credit [Note-5]		4,000	10,000	
<b>Net GST payable in cash</b>		<b>Nil</b>	<b>29,000</b>	<b>Nil</b>

**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.

3. 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.
4. 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 6**

- (a) *M/s. Apna Bank Limited, a Scheduled Commercial Bank has furnished the following details for the month of August, 2018:*

Particulars	Amount ₹ in Crores (Excluding GST)
<i>Extended Housing Loan to its customers</i>	100
<i>Processing fees collected from its customers on sanction of loan</i>	20
<i>Commission collected from its customers on bank guarantee</i>	30
<i>Interest income on credit card issued by the bank</i>	40
<i>Interest received on housing loan extended by the bank</i>	25
<i>Minimum balance charges collected from current account and saving account holder</i>	01

*Compute the value of taxable supply. Give reasons with suitable assumptions. (6 Marks)*

- (b) *Decide with reason whether the following independent services are exempt under CGST Act, 2017:*
- (i) *Gokul 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. Vikalp, 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. (4 Marks)*

**Answer**

- (a) **Computation of value of taxable supply of M/s. Apna Bank Limited for the month of August, 2018**

Particulars	Amount in crores (₹)
Housing loan extended to customers	Nil

[Since money does not constitute goods, extending housing loan is not a supply.]	
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 not exempt.]	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.]	01
<b>Value of taxable supply</b>	<b>91</b>

- (b) (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 Gokul 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. Vikalp 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 7**

(a) 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 CGST Act, 2017:

(i) Sakthi Enterprises, Kolkata entered into a contract with Suraj Enterprises, Surat for supply of goods on 31<sup>st</sup> October, 2018. The goods were removed from the factory at Kolkata on 11<sup>th</sup> October, 2018. As per the agreement, the goods were to be delivered by 31<sup>st</sup> October, 2018. Suraj Enterprises has received the goods on 14<sup>th</sup> October, 2018.

(ii) Trust and Fun Ltd, an event management company, has provided its services for an event at Kapoor Film Agencies, Mumbai on 5<sup>th</sup> June, 2018. Payment for the event was made on 19<sup>th</sup> June, 2018. **(4 Marks)**

(b) 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. **(2 Marks)**

(c) 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 2017-18 is of ₹ 12 lakhs on his own account and ₹ 9 lakhs on behalf of principal. Both turnovers are Intra-State supply. **(4 Marks)**

**Answer**

(a) (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, 11<sup>th</sup> October 2018 (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 5<sup>th</sup> June 2018 (date of supply of service), i.e. on or before, 5<sup>th</sup> July 2018.

- (b) The cash available in any minor head of a major head cannot be utilised for any other minor head of the same major head.

Therefore, in the given case, amount of ₹ 10,000 available under minor head 'tax' of major head 'SGST' cannot be utilised for payment of liability of ₹2,000 under minor head 'interest' of the same major head.

- (c) (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 8

- (a) Enumerate the persons who are not eligible to opt for Composition Scheme under section 10(2) of the CGST Act, 2017. **(5 Marks)**

**Answer either 8(b) or 8(c) but not both**

- (b) List out the situations in which a Credit note/Debit note may be issued under the CGST Act, 2017. **(5 Marks)**

- (c) 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. **(5 Marks)**

#### Answer

- (a) A registered person shall not be eligible to opt for composition scheme if:-  
 (i) he is engaged in supply of services other than supplies referred to in clause (b) of paragraph 6 of Schedule II.

- (ii) he is engaged in supply of goods not leviable to tax
- (iii) he is engaged in inter-State outward supplies of goods
- (iv) he is engaged in supply of goods through an electronic commerce operator
- (v) he is a manufacturer of notified goods, namely, manufacturer of ice cream, pan masala and tobacco.

**(b) 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

**(c) (i) 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.**

**(ii) No, a casual taxable person cannot opt for the composition scheme.**

**(iii) 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.

**(iv) 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.

**(v) 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.

**PAPER – 4 : TAXATION**  
**SECTION A: INCOME TAX LAW**

*Question No.1 is compulsory.*

*Candidates are also required to answer any **five** questions from the remaining **six** questions.*

*Working notes shall form part of the respective answers.*

*All questions pertaining to income-tax relate to Assessment Year 2018-19, unless stated otherwise in the question.*

**Question 1**

*Miss Sakshitha, a resident individual, aged 32 years, furnishes the following particulars relating to the year ended 31-3-2018:*

- (a) *Analysis of her bank account in her ledger reveals the under-mentioned data:*
- |                                                                                                                                                                                                                                          |          |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|
| (i) Winnings from a TV Game show (Net)                                                                                                                                                                                                   | 70,000   |
| (ii) Gift received from mother's father                                                                                                                                                                                                  | 80,000   |
| (iii) Gift received from Ramya, her close friend                                                                                                                                                                                         | 60,000   |
| (iv) Interest on capital received from Vidyut & Co., a partnership firm in which she is a partner (@15% p.a.)                                                                                                                            | 3,00,000 |
| (v) Rent received for a vacant plot of land                                                                                                                                                                                              | 2,00,000 |
| (vi) Amount received from Sharks Pvt. Ltd., for a house at Salem 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, 2017. | 1,50,000 |
| (vii) Amount received under Keyman Insurance Policy                                                                                                                                                                                      | 2,20,000 |
| (viii) Amount forfeited by a buyer of her vacant plot, since the buyer could not finalize the deal as per agreement.                                                                                                                     | 3,10,000 |
- (b) *Donation given in cash to a charitable trust registered u/s 12AA* 12,000
- (c) *She owns agricultural lands at Colombo, Sri Lanka. She has derived agricultural income therefrom* 1,80,000
- (d) (i) *Public Provident Fund paid in the name of her minor daughter* 75,000  
(ii) *Interest credited in the said PPF account during the year* 8,900
- (e) *Share of profits received from Vidyut & Co.,* 1,90,000

*The Suggested Answers for Paper 4A: Income-tax law are based on the provisions of income-tax law as amended by the Finance Act, 2017. The relevant assessment year is A.Y.2018-19.*



You are required to compute the total income of the assessee and the tax payable for the assessment year 2018-19.

Computation should be made under proper heads of income.

(10 Marks)

Answer

**Computation of total income of Miss Sakshitha for A.Y. 2018-19**

Particulars	₹	₹
<b>Income from house property</b>		
Arrears of rent [Taxable, even if Ms. Sakshitha is no longer the owner of house property]	1,50,000	
Less: 30% of arrears of rent	<u>45,000</u>	1,05,000
<b>Profits and gains of business or profession</b>		
Interest on capital @12%, being the maximum allowable interest [₹3,00,000/15% x 12%] assuming interest@12% is authorized by the partnership deed and has been allowed as deduction while computing the income of the firm	2,40,000	
Share of profit from Vidyut & Co., a firm [Exempt]	-	
Amount received under Keyman Insurance Policy	<u>2,20,000</u>	4,60,000
<b>Income from other sources</b>		
Winning from a TV Game show (Gross) [₹70,000 x 100/(100-30)]	1,00,000	
Gift received from non-relatives exceeding ₹ 50,000 in aggregate		
- Gift received from mother's father, since mother's father does not fall within the definition of relative	80,000	
- Gift received from Ramya, her close friend	<u>60,000</u>	1,40,000
Rent received for a vacant plot of land	2,00,000	
Amount forfeited on cancellation of agreement for transfer of vacant plot	3,10,000	
Agricultural income from agricultural land at Colombo, Sri Lanka [not exempt, since such income is derived from land outside India]	1,80,000	
Interest credited in PPF account [Exempt]	-	<u>9,30,000</u>
<b>Gross Total Income</b>		<b>14,95,000</b>
<b>Less: Deductions under Chapter VI-A</b>		
<b>Section 80C</b>		
PPF subscription in the name of minor daughter	75,000	

<b>Section 80G</b>		
Donation of ₹ 12,000 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	-	<u>75,000</u>
<b>Total Income</b>		<b><u>14,20,000</u></b>

**Computation of tax liability of Miss Sakshitha for A.Y. 2018-19**

Particulars	₹	₹
Tax on winnings of ₹1,00,000 from TV game show @30%		30,000
Tax on balance income of ₹13,20,000		
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 - ₹ 13,20,000@30%	<u>96,000</u>	<u>2,08,500</u>
		2,38,500
Add: Education cess@2%		4,770
Secondary and higher education cess@1%		<u>2,385</u>
<b>Tax liability</b>		<b><u>2,45,655</u></b>
Less: TDS		<u>30,000</u>
<b>Tax payable</b>		<b><u>2,15,655</u></b>
<b>Tax payable (rounded off)</b>		<b><u>2,15,660</u></b>

**Note** – Gift of ₹ 80,000 received from mother's father has been brought to tax under section 56(2)(x) on the basis of the view that maternal grandparents are not "lineal ascendants" and hence, do not fall within the definition of 'relative' given there under. However, there is an alternate view that maternal grandparents are lineal ascendants and hence, fall under the definition of relative under section 56(2). If this view is considered, gift of ₹ 80,000 from mother's father would not be taxable. In such case, the total income would be Rs. 13,40,000 and tax payable would be Rs. 1,90,940.

**Question 2**

(a) Following incomes are derived by Mr. Krishna Kumar during the year ended 31-3-2018 :

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.

**(6 Marks)**

(b) 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. **(2 Marks)**

(c) 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. **(2 Marks)**

### Answer

#### (a) 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 exempt and not lands outside India.	Not taxable, since the income has accrued and arisen outside India and assuming that the same is also received 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.

(b) 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.

- (c) 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.

### Question 3

- (a) Mrs. Disha Khanna, a resident of India, owns a house property at Bhiwani 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 ₹ 75,000 per month for the period April 2017 to December 2017.

Thereafter, the tenant vacated the property and Mrs. Disha Khanna used the house for self-occupation. Rent for the months of November and December 2017 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 ₹ 35,000 during the year for amount borrowed towards repairs of the house property.

You are required to compute her income from "House Property" for the A.Y. 2018-19.

**(7 Marks)**

- (b) 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. 2018-19. **(3 Marks)**

### Answer

- (a) **Computation of income from house property of Mrs. Disha Khanna for the A.Y.2018-19**

Particulars	Amount in ₹	
<b>Computation of Gross Annual Value</b>		
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 = ₹ 75,000 × 9 [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]	6,75,000	
GAV is the higher of Expected Rent for the whole year and Actual rent received/receivable for the let-out period	7,20,000	
<b>Gross Annual Value (GAV)</b>		<b>7,20,000</b>
Less: Municipal taxes (paid by the owner during the previous year) = 12% of ₹ 7,50,000		90,000
<b>Net Annual Value (NAV)</b>		<b>6,30,000</b>
<b>Less: Deductions under section 24</b>		
(a) 30% of NAV = 30% of ₹ 6,30,000	1,89,000	
(b) Interest on amount borrowed for repairs (Fully allowable as deduction, since it pertains to let-out property)		
	<u>35,000</u>	2,24,000
<b>Income from house property</b>		<b>4,06,000</b>

**(b) 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	

**Question 4**

- (a) Mr. Subramani sold a house plot to Mrs. Vimala for ₹ 45 lakhs on 12-5-2017. 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, viz, Mr. Subramani & Mrs. Vimala.

Mrs. Vimala has sold this plot to Ms. Padmaja on 21-3-2018 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 parties viz Mr. Subramani, Mrs. Vimala & Ms. Padmaja are related to each other; the transactions are between outsiders. **(6 Marks)**

- (b) 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 21-09-2017, 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%	<u>1,68,000</u>
Total price of car	<u>15,36,000</u>

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. 2018-19, 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 2019-20 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. **(4 Marks)**

### Answer

(a)

<b>(i)</b>	<b><u>Tax consequences in the hands of Mr. Subramani</u></b>
	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. Accordingly, in this case, capital gains would be computed in the hands of Mr. Subramani, for A.Y.2018-19, 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. <b>Note</b> – If it is assumed that Mr. Subramani is a property dealer, the income would be taxable as his business income under section 43CA
<b>(ii)</b>	<b><u>Tax consequences in the hands of Mrs. Vimala</u></b>
	In case immovable property is received for inadequate consideration, the

<p>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.</p> <p>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.2018-19.</p> <p>At the time of subsequent sale of property by Mrs. Vimala to Mrs. Padmaja (on 21.3.2018), short-term capital gains would arise in the hands of Mrs. Vimala in A.Y.2018-19, since the property is held by her for less than 24 months.</p>	
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) <sup>1</sup> )	<u>53 lakh</u>
<b>Short-term capital gains</b>	<b><u>2 lakh</u></b>

(b)

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.2017-18 = 15% x ₹15,36,000 x 75% =	1,72,800
Written Down Value as on 1.4.2018 = ₹15,36,000 – ₹1,72,800 = ₹13,63,200	
Depreciation for P.Y.2018-19 = 15% x ₹13,63,200 x 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,

<sup>1</sup> As per section 49(4), in case where capital gains arises 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.2017-18, 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.2017-18 = 15% x ₹ 12,00,000 x 75% =	1,35,000
Written Down Value as on 1.4.2018 = ₹ 12,00,000 – ₹ 1,35,000 = ₹ 10,65,000	
Depreciation for P.Y.2018-19 = 15% x ₹ 10,65,000 x 75% =	1,19,813

#### Question 5

(a) Mr. Janakaraj, employed as General Manager in Rajus Refractories Pvt. Ltd., furnishes you the under mentioned information for the year ended 31-03-2018 :

(i) Basic salary upto 30-11-2017 ₹ 70,000 p.m.

Basic salary from 01-12-2017 ₹ 80,000 p.m.

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

(ii) Dearness allowance @ 50% of basic salary (not forming part of salary for retirement benefits).

(iii) Bonus equal to one month salary. This was paid in November, 2017 on basic salary plus dearness allowance applicable for that month.

(iv) Contribution of employer to recognized provident fund account of the employee @ 18% of basic salary, employee also contributing an equivalent amount.

(v) Profession tax paid ₹ 6,000 of which ₹ 3,000 was paid by the employer.

(vi) Facility of laptop was provided to Janakaraj for both official and personal use. Cost of laptop ₹ 65,000 and was purchased by the company on 11-10-2017

(vii) Leave travel concession given to Janakaraj, his wife and three children (one daughter aged 6 and twin sons aged 4). Cost of air tickets (economy class)



reimbursed by the employer ₹ 20,000 for adults and lumpsum of ₹ 25,000 for three children. Janakaraj is eligible for availing exemption this year to the extent it is permissible under the Income-tax Act, 1961.

Compute the taxable salary of Mr. Janakaraj. **(6 Marks)**

- (b) 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 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.
- (ii) During the previous year 2017-18, Mrs. Aishwarya, resident, received a sum of ₹ 8,50,000 as dividend from Indian companies and ₹ 4,00,000 as dividend from Indian equity oriented mutual fund units. **(2 + 2 = 4 Marks)**

**Answer**

**(a) Computation of taxable salary of Mr. Janakaraj for the A.Y. 2018-19**

Particulars	₹	₹
Basic Salary [(₹ 70,000 x 8) + (₹ 80,000 x 4)]		8,80,000
Dearness allowance [50% of basic salary]		4,40,000
Bonus [₹ 70,000 + 50% of ₹ 70,000]		1,05,000
Employer's contribution to recognized provident fund in excess of 12% of salary [(18%-12%) x ₹ 8,80,000 = 6% of ₹ 8,80,000=		52,800
[Salary includes only basic salary, since dearness allowance, in this case, does not form part of salary for retirement benefits]		
Leave travel concession	45,000	
Less: Exempt	<u>45,000</u>	
[Mr. Janakaraj can avail exemption on the entire amount of ₹45,000 reimbursed by the employer towards leave travel concession since the leave travel concession was availed for himself, 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 birth which take place after the first child.]		-
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]		3,000

Facility of laptop [Facility of laptop is an exempt perquisite, whether used for official or personal purpose or both]	-
<b>Gross Salary</b>	<b>14,80,800</b>
Less: Deduction under section 16	
Professional tax paid	6,000
<b>Taxable Salary</b>	<b>14,74,800</b>

(b)

	Chargeability	Amount liable to tax (₹)	Reason
(i)	<b>Partly taxable</b>	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.
(ii)	<b>Not Taxable</b>	-	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, ₹ 8,50,000, being the dividend from Indian companies and ₹ 4,00,000, being the dividend from Indian equity oriented mutual fund units is not taxable in the hands of Mrs. Aishwarya.

**Question 6**

Answer any **two** of the following three sub-parts.

(a) Mr. Rakesh Gupta has derived the following income/loss, as computed below, for the previous year 2017-18:

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	90,000
Loss from card games	3,40,000

You are required to compute the total income of the assessee for the assessment year 2018-19, showing clearly the manner of set-off and the items eligible for carry forward. The return of income has been filed on 30-7-2018. **(5 Marks)**

(b) 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 31-3-2018:

(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. **(5 Marks)**

(c) Mr. Rajat Saini, aged 32 years, furnishes the following details of his total income for the A.Y. 2018-19 :

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. **(5 Marks)**

### Answer

(a) Computation of total income of Mr. Rakesh Gupta for the A.Y.2018-19

Particulars	₹	₹
<b>Profits and gains of business or profession</b>		
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
<b>Income from other sources</b>		
Winnings from lotteries	1,50,000	
Winnings from bettings [See Note below]	90,000	2,40,000
<b>Gross Total Income</b>		<b>9,65,000</b>
Less: Deduction under Chapter VI-A		Nil
<b>Total income</b>		<b>9,65,000</b>

**Losses to be carried forward to A.Y.2019-20:**

Particulars	₹
<b>Loss from house property</b> (₹ 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. 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 <sup>2</sup> .	50,000
<b>Loss from specified business covered by section 35AD</b> 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
<b>Loss from card games</b> Loss from card games can neither be set off against any other income, nor can it be carried forward.	

**Note** – It has been assumed that the amount of ₹ 90,000 given in the question represents gross winnings from bettings. Accordingly, the total income has been computed. However, in case ₹ 90,000 considered as net amount and grossed up the same, the gross winnings from bettings would be ₹ 1,28,571 [₹ 90,000 x 100/70]. The total income would be ₹ 10,03,570 (rounded off).

**(b) (i) 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.

<sup>2</sup> It can be carried forward for a maximum of eight assessment years i.e., upto A.Y.2026-27, in this case.

(ii) **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, 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 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).

(iii) **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 upto ₹ 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.

(c) **Computation of tax liability of Mr. Rajat Saini for the A.Y. 2018-19**

Particulars	₹	₹
Income from Salaries		27,88,000
Income from house property (computed)		15,80,000
Interest income from FDR's		<u>7,22,000</u>
<b>Total Income</b>		<b><u>50,90,000</u></b>
<b>Tax Liability</b>		
<b>(A) Tax payable including surcharge on total income of ₹ 50,90,000</b>		

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 – ₹ 50,90,000 @30%	<u>12,27,000</u>	
	<b>13,39,500</b>	
Add: Surcharge @ 10%, since total income exceeds ₹ 50 lakhs but does not exceed ₹ 1 crore.	<u>1,33,950</u>	14,73,450
<b>(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)</b>		<u>13,12,500</u>
(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%		<u>42,075</u>
<b>Tax Liability</b>		<b>14,44,575</b>
<b>Tax Liability (Rounded off)</b>		<b>14,44,580</b>

**Question 7**

- (a) Mrs. Vibha 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 31-3-2018, 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 12-3-2010, and  
(ii) When the SEZ unit had been set up on 12-8-2015. **(6 Marks)**
- (b) 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 assessee as per section 139(1) of the Income-tax Act 1961? **(4 Marks)**

**Answer****(a) Computation of deduction under section 10AA**

<b>(i)</b>	<p><b><u>If Unit in SEZ was set up on 12-03-2010:</u></b></p> <p>Since A.Y. 2018-19 is the 9<sup>th</sup> assessment year from A.Y. 2010-11, relevant to the previous year 2009-10, 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.</p> $= \text{Profits of Unit in SEZ} \times \frac{\text{Export turnover of Unit in SEZ}}{\text{Total turnover of Unit in SEZ}} \times 50\%$ $= 220 \text{ lakhs} \times \frac{1000 \text{ lakhs}}{1100 \text{ lakhs}} \times 50\% = ₹ 100 \text{ lakhs}$
<b>(ii)</b>	<p><b><u>If Unit in SEZ was set up on 12-08-2015:</u></b></p> <p>Since A.Y.2018-19 is the 3rd assessment year from A.Y. 2016-17, relevant to the previous year 2015-16, 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.</p> $= \text{Profits of Unit in SEZ} \times \frac{\text{Export turnover of Unit in SEZ}}{\text{Total turnover of Unit in SEZ}} \times 100\%$ $= 220 \text{ lakhs} \times \frac{1000 \text{ lakhs}}{1100 \text{ lakhs}} \times 100\% = ₹ 200 \text{ lakhs}$
<p>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.</p>	

**Note:**

*As per section 10AA, in computing the total income of Mrs. Vibha 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.*

- (b) 'Due date' for filing of return of income as per section 139(1):
- (i) 30th September of the assessment year, where the assessee, other than an assessee 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) 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 30<sup>th</sup> November of the assessment year.*



**SECTION B: INDIRECT TAXES**

Question No. 8 is compulsory.

Attempt any **three** questions from the rest.

Working notes should form part of the respective answers.

**Question 8**

- (a) Mr. Thiraj, a registered supplier of service in Bangalore (Karnataka State) has provided the following information for the month of February 2018:

	<b>Particulars</b>	<b>Amount in ₹</b>
(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 Loveall 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, 2018.

Rate of CGST, SGST and IGST are 9%, 9% and 18% respectively.

All the amounts given above are exclusive of taxes.

**(6 Marks)**

- (b) 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 2018:

	<b>Particulars</b>	<b>GST Paid (₹)</b>
(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

The Suggested Answers for Paper 4B: Indirect Taxes are based on the position of GST law as amended by the significant notifications/circulars issued till 30th April, 2018.

Determine the amount of ITC available to M/s. CANWIN Ltd. for the month of January 2018 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. **(4 Marks)**

**Answer****(a) Computation of net GST liability by Mr. Thiraj for the month of February, 2018**

S.No.	Particulars	Value of supply (₹)	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
<b>Output supply</b>					
(i)	Intra-State taxable supply of services	5,20,000	46,800	46,800	
(iv)	Services towards conduct of exams in Loveall University, Pune [Note-1]	16,000			Exempt
<b>Inward supply</b>					
(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	<u>2,700</u>	<u>2,700</u>	
Total tax liability			51,300	51,300	
Less: Cash paid towards tax payable under reverse charge [A] [Note-4]			<u>(4,500)</u>	<u>(4,500)</u>	
Output tax payable against which ITC can be set off			46,800	46,800	
Less: ITC of tax paid on legal fees and rent			<u>(4,500)</u>	<u>(4,500)</u>	
Output tax payable after set off of ITC [B]			42,300	42,300	
<b>Net GST liability [A] + [B]</b>			<b>46,800</b>	<b>46,800</b>	

**Notes:-**

- Since Loveall University provides education recognized by law<sup>1</sup>, 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.

<sup>1</sup> It has been logically assumed that the education provided by the Loveall University is recognised by **Indian** law.

2. In case of legal services provided by an advocate to any business entity GST is payable under reverse charge by the recipient of service<sup>2</sup>.
3. 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
4. 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.

**(b) Computation of input tax credit (ITC) available with CANWIN Ltd. for the month of January 2018**

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
<b>Total ITC</b>	<b>1,95,000</b>

**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 9**

- (a) 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 2018:

	Particulars	Amount in ₹
(i)	List price of goods supplied intra-state (exclusive of items given below from ii to v)	3,30,000

<sup>2</sup> It has been logically assumed that the turnover of Mr. Thiraj exceeded ₹20 lakhs in the preceding financial year.

(ii)	Swachh Bharat cess 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 **(5 Marks)**

- (b) Explain the meaning of supply as per provisions of Section 7(1) of Central Goods and Service Tax Act, 2017. **(5 Marks)**

**Answer**

- (a) **Computation of value of taxable supply and gross GST liability of Ms. Achintya for the month of March, 2018**

Particulars	₹
List price of the goods	3,30,000
Add: Swachh Bharat Cess (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)
<b>Value of taxable supply</b>	<b>3,45,000</b>
CGST @ 9%	31,050
SGST @ 9%	31,050
<b>Gross GST liability</b>	<b>62,100</b>

**Notes:-**

As per section 15 of CGST Act, 2017,

- Any taxes, duties and cesses levied under any law other than CGST, SGST is includible in the value.
- Packing expenses being incidental expenses, are includible in the value.
- 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” mentioned 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.

**(b) 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) import of services for a consideration whether or not in the course or furtherance of business;
- (c) the activities specified in Schedule I, made or agreed to be made without a consideration; and
- (d) the activities to be treated as supply of goods or supply of services as referred to in Schedule II.

**Question 10**

(a) From the following information, compute the Net GST payable for the month of March, 2018:-

	<b>Output GST</b>	<b>Amount in ₹ Opening ITC as Per credit ledger</b>
CGST	2,000	Nil
SGST	15,000	1,000
IGST	24,000	37,000

**(4 Marks)**

(b) 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 Ernakulam, for a Limited Co.
- (ii) Keyan Enterprises, an event organizer, provided services to Breathing Wall Ltd. by way of organizing business exhibition at Pragati Maidan in New Delhi as part of Make in India initiative.

**(3 Marks)**

- (c) 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) Mr. Raghu provided sponsorship services to WE-WIN Cricket Academy, an LLP.
- (ii) 'Safe Trans', a Goods Transport Agency, transported goods of Kapil & Co., a partnership firm which is not registered under GST. **(3 Marks)**

**Answer****(a) Computation of net GST payable for the month of March, 2018**

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
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	
<b>Net GST payable</b>	<b>Nil</b>	<b>3,000</b>	<b>Nil</b>

**Note:** Input tax credit of IGST has been used to pay IGST, CGST and SGST in that order.

- (b) (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 organiser 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.
- (c) (i) In case of services provided by any person by way of sponsorship to any body corporate or partnership firm / 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, WE-WIN 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, Kapil & Co. is liable to pay GST under reverse charge.

**Question 11**

- (a) Determine with brief reasons, whether the following statements are True or False:

- (i) 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.
- (ii) 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. **(3 Marks)**
- (b) Mr. Lakhan provides Continuous Supply of Services (CSS) to M/s. TNB Limited. He furnishes the following further information:
- |                                                  |            |
|--------------------------------------------------|------------|
| (i) Date of commencement of providing CSS -      | 01-10-2017 |
| (ii) Date of completion of providing CSS -       | 31-01-2018 |
| (iii) Date of receipt of payment by Mr. Lakhan - | 30-03-2018 |
- 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. TNB Limited has to make payment on 25-03-2018 as per the contract between them **(5 Marks)**
- (c) A tax payer can file GSTR-1 under CGST Act, 2017, only after the end of the current tax period. State exceptions to this. **(2 Marks)**

**Answer**

- (a) (i) **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.

- (ii) **The said statement is False.**

Amount available under one major head cannot be utilised for discharging the liability under any other major head.

- (b) (i) 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 30.03.2018 (date of receipt of payment by Mr. Lakhan).
- (ii) 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 31.01.2018 (date of completion of service).

(iii) Where the due date of payment is ascertainable from the contract, the invoice should be issued on or before the due date of payment.

If M/s. TNB Limited has to make payment on 25.03.2018 as per the contract between them, the invoice should be issued on or before 25.03.2018.

- (c) A taxpayer can file GSTR-1 under CGST Act, 2017, only after the end of the current tax period. However, following are the exceptions to this rule:
- (i) Casual taxpayers, after the closure of their business
  - (ii) Cancellation of GSTIN of a normal taxpayer.

### Question 12

Answer any two parts out of (a), (b) and (c):

- (a) State the persons who are not liable for registration as per provisions of Section 23 of Central Goods and Service Tax Act, 2017. **(5 Marks)**
- (b) 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 advise 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?
  - (iv) Will he be able to extend the validity of his registration? If yes, what will be the period of extension? **(5 Marks)**
- (c) (i) List any four Central levies, which are subsumed in GST. **(2 Marks)**
- (ii) 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. **(3 Marks)**

### Answer

- (a) As per provisions of Section 23 of CGST Act, 2017, the persons who are not liable for registration are as under–
- (a) Person engaged exclusively in supplying goods/services/both that are wholly exempt from tax.
  - (b) Person engaged exclusively in supplying goods/services/both that are not liable to tax.
  - (c) Agriculturist to the extent of supply of produce out of cultivation of land.
  - (d) Persons only engaged in making supplies of taxable goods or services or both liable to reverse charge.



- (e) 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).
- (f) 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.
- (g) 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.
- (h) 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.
- (i) 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).

[Note Any 5 points may be mentioned]

- (b) (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.
- (c) (i) 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 cesses in so far as they relate to supply of goods & services

*Note: Any of the four points may be mentioned*

- (ii) 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.

**PAPER – 4 : TAXATION**  
**SECTION A : INCOME TAX LAW**

*Question No.1 is compulsory.*

*Candidates are also required to answer any **five** questions from the remaining **six** questions.*

*Working notes shall form part of the respective answers.*

*All questions pertaining to income-tax relate to assessment year 2018-19, unless stated otherwise in the question.*

**Question 1**

*Mr. Hari, aged 55 years, a resident individual and practicing Chartered Accountant, furnishes you the receipts and payments account for the financial year 2017-18.*

**Receipts and Payments Account**

<b>Receipts</b>	<b>₹</b>	<b>Payments</b>	<b>₹</b>
Opening Balance (01-04-2017)		Staff salary, bonus and stipend to articled clerks	20,50,000
Cash & Bank	20,000	Other general and administrative expenses	12,00,000
Fee from professional service	39,60,000	Office rent	48,000
Motor car loan from SBI @10% interest per annum	2,00,000	Life Insurance Premium	23,000
		Motor car (Acquired in January 2018 by way of online payment)	4,00,000
		Books bought (annual publication by credit card)	22,000
		Computer acquired on 1-11-2017 for professional use	25,000
		Domestic drawings	2,50,000
		Motor car maintenance	12,000
		Public Provident Fund subscription	1,40,000
		Closing balances (31-03-2018)	
		Cash & Bank	<u>10,000</u>
	<b>41,80,000</b>		<b>41,80,000</b>

*The Suggested Answers for Paper 4A: Income-tax law are based on the provisions of income-tax law as amended by the Finance Act, 2017. The relevant assessment year is A.Y.2018-19.*

**Other information:**

- (i) Motor car was put to use for both official and personal purposes. 1/4th of the motor car is for personal purpose. No interest on car loan was paid during the year.
- (ii) Mr. Hari purchased a flat in Jaipur for ₹ 15,00,000 in July 2012 cost of which was partly financed by a loan from State Bank of India of ₹ 10,00,000@10% interest, his own-savings ₹ 1,00,000 and a deposit from Bank of Baroda for ₹ 4,00,000. The flat was given to Bank of Baroda on lease for 10 years @ ₹ 40,000 per month. The following particulars are relevant:
- (a) Municipal taxes paid by Mr. Hari ₹ 4,200 per annum
- (b) House insurance ₹ 1,000
- (iii) He earned ₹ 1,00,000 in share speculation business and lost ₹ 1,50,000 in commodity speculation business.
- (iv) Mr. Hari received a gift of ₹ 15,000 each from four of his family friends.
- (v) He contributed ₹ 1,11,000 to Prime Minister's Draught Relief Fund by way of bank draft.
- (vi) He donated to a registered political party ₹ 3,00,000 by way of cheque.

Compute the total income of Mr. Hari and the tax payable for the Assessment year 2018-19.

(10 Marks)

**Answer****Computation of total income and tax liability of Mr. Hari for A.Y. 2018-19**

Particulars	₹	₹	₹
<b>Income from house property</b>			
Gross annual value <sup>1</sup> (₹ 40,000 x 12)		4,80,000	
Less: Municipal taxes paid by Mr. Hari		<u>4,200</u>	
Net annual value		4,75,800	
Less: Deductions under section 24			
(a) 30% of Net Annual Value		1,42,740	
(b) Interest on house borrowing <sup>2</sup> (₹ 10,00,000 x 10%)		<u>1,00,000</u>	
			2,33,060

<sup>1</sup> Rent receivable has been taken as the gross annual value in the absence of other information

<sup>2</sup> Assuming the entire amount of loan is still outstanding

<b>Profits and gains of business or profession</b>			
<b>Income from profession</b>			
Fees from professional services		39,60,000	
Less: Expenses allowable as deduction			
- Staff salary, bonus and stipend	20,50,000		
- Other general and administrative expenses	12,00,000		
- Office rent	48,000		
- Motor car maintenance (₹ 12,000 x 3/4)	9,000		
- Car loan interest – not allowable (since the same has not been paid during the year)	—		
<b>[Refer Note 1]</b>		<u>33,07,000</u>	
			6,53,000
Less: Depreciation u/s 32			
- Motor car ₹ 4,00,000 x 15% x 50% x ¾, being put to use for less than 180 days	22,500		
- Books being annual publications [₹22,000 x 40%] <b>[Refer Note 2]</b>	8,800		
- Computer @40% of ₹25,000 x 50%, since the same is put to use for less than 180 days, assuming that payment was made through A/c payee cheque/bank draft or ECS through bank account <b>[Refer Note 3]</b>	<u>5,000</u>		
		<u>36,300</u>	
			6,16,700
For the P.Y. 2017-18, the gross receipts of Mr. Hari is ₹ 39,60,000. Since, it does not exceed ₹ 50,00,000, he is eligible to opt for presumptive tax scheme under section 44ADA			
In such case, his professional income would be ₹ 19,80,000, being 50% of ₹ 39,60,000			
It is more beneficial for Mr. Hari to declare profit of ₹ 6,16,700 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			

<b>Income from share speculation business</b>	1,00,000		
<i>Less: Loss from commodity speculation business set off against income from share speculation business. Balance loss of ₹ 50,000 from commodity speculation business to be carried forward to A.Y. 2019-20</i>	<u>1,00,000</u>	<u>Nil</u>	6,16,700
<b>Income from other sources</b>			
Cash Gift of ₹ 60,000 i.e., ₹ 15,000 x 4, received from his four friends is taxable u/s 56(2)(x), since the same exceeds ₹ 50,000			<u>60,000</u>
<b>Gross Total Income</b>			<b>9,09,760</b>
<b>Less: Deductions under Chapter VI-A</b>			
<b>Section 80C</b>			
Life insurance premium	23,000		
PPF subscription	<u>1,40,000</u>		
	1,63,000		
Restricted to ₹ 1,50,000		1,50,000	
<b>Section 80G</b>			
Contribution to Prime Minister's Drought Relief Fund (50% of ₹ 1,11,000) by way of bank draft		55,500	
<b>Section 80GGC</b>			
Donation to registered political party made by way of cheque		<u>3,00,000</u>	
			<u>5,05,500</u>
<b>Total Income</b>			<b><u>4,04,260</u></b>
<b>Tax liability</b>			
Tax @5% on ₹ 1,54,260 [₹ 4,04,260 - ₹ 2,50,000, being basic exemption limit]			7,713
Add: Education cess@2%			154
Secondary and higher education cess@1%			<u>77</u>
<b>Tax liability</b>			<b><u>7,944</u></b>
<b>Tax liability (Rounded off)</b>			<b>7,940</b>

**Notes:**

- (1) It is assumed that the same has also not been paid on or before the due date under section 139(1), hence disallowance under section 43B is attracted, if he is following mercantile basis of accounting. If it is assumed that the payment has been made on or before due date under section 139(1), disallowance under this section would not be

attracted and the same [i.e., ₹ 2,00,000 x 10% x 3/12 x 3/4 i.e., ₹ 3,750] would be allowed as deduction. If it is assumed that he is following cash basis of accounting, it would, in any case, not be allowed

- (2) As per second proviso to section 43(1), in computing actual cost, the expenditure for acquisition of asset, for which payment is made to a person in a day exceeds ₹ 10,000 has to be ignored, if such payment is made otherwise than by way of A/c payee cheque/ bank draft or ECS. In this case, the books are purchased and payment of ₹ 22,000 is made by credit card. In the above solution, depreciation has been allowed on the assumption that payment has not been made to the same person on the same day. Alternatively, assuming that payment has been made to the same person on the same day, it is possible to take a view that depreciation would not be admissible on such sum based on the plain reading of the section and strict interpretation thereof that such payment has to be made only by way of account payee cheque or bank draft or ECS for the purpose of inclusion of such sum in actual cost. In such a case, the business income would be ₹ 6,25,500, the gross total income would be ₹ 9,18,560, the total income would be ₹ 4,13,060, and the tax liability (rounded off) would be ₹ 8,400.
- (3) Since the question is silent regarding the mode of payment for purchase of computers , depreciation is allowed on computers assuming that payment is made by way of A/c payee cheque/ bank draft or ECS through bank account. However, if it is assumed that payments for purchase of computers is made otherwise than by way of A/c payee cheque/ bank draft or ECS through bank account, no depreciation would be admissible on computers. The total income and tax liability (rounded off) would be ₹ 4,09,260 and ₹ 8,200, respectively.

### Question 2

Star Enterprises has transferred its unit R to A Ltd. by way of Slump Sale on January 23, 2018. The summarised Balance Sheet of Star Enterprises as on that date is given below:

<b>Liabilities</b>	<b>Amount (₹ In lacs)</b>	<b>Assets</b>	<b>Amount (₹ In lacs)</b>
<b><u>Own Capital</u></b>	1,750	<b><u>Fixed Assets:</u></b>	
<b><u>Accumulated P &amp; L balance</u></b>	670	Unit P	200
<b><u>Liabilities:</u></b>		Unit Q	150
Unit P	90	Unit R	600
Unit Q	160	<b><u>Other Assets:</u></b>	
Unit R	140	Unit P	570
		Unit Q	850
		Unit R	440
<b>Total</b>	<b><u>2,810</u></b>	<b>Total</b>	<b><u>2,810</u></b>

Using the further information below, compute the Capital Gains arising from slump sale of Unit R for Assessment year 2018-19 from slump sale of Unit R for Assessment year 2018-19.

- (i) Slump sale consideration on, transfer of Unit R was ₹ 930 lacs.
- (ii) Fixed Assets of Unit R includes land which was purchased at ₹ 110 lacs in the year 2008 and was revalued at ₹ 140 lacs.
- (iii) Other fixed assets are reflected at ₹ 460 lacs, (i.e., ₹ 600 lacs less value of land) which represents written down value of those assets as per books. The written down value of these assets is ₹ 430 lacs.
- (iv) Unit R was set up by Star Enterprises in Oct, 2006.

**Note:** Cost Inflation Indices for the financial year 2006-07 and financial year 2017-18 are 122 and 272, respectively. **(10 Marks)**

**Answer**

**Computation of capital gain on slump sale of Unit R for A.Y. 2018-19**

Particulars	₹
Full value of consideration	9,30,00,000
Less: Deemed cost of acquisition (Net worth is deemed to be the cost of acquisition) [ <b>Refer Working Note below</b> ]	<u>8,40,00,000</u>
<b>Long-term capital gain</b> [Since the Unit is held for more than 36 months]	<b><u>90,00,000</u></b>

**Working Note: Net worth of Unit-R**

Particulars	₹
Cost of Land (Revaluation not to be considered)	1,10,00,000
WDV of other depreciable fixed assets as per the Income-tax Act, 1961	4,30,00,000
Other Assets (book value)	<u>4,40,00,000</u>
	9,80,00,000
Less: Liabilities	<u>1,40,00,000</u>
<b>Net worth</b>	<b><u>8,40,00,000</u></b>

**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 R 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 3

Compute the Gross Total Income in the hands of an individual, if he is

- (a) a resident and ordinary resident; and
- (b) a non-resident for the A. Y. 2018-19.

S. No.	Particulars	Amount (₹)
(i)	Interest from German Derivatives Bonds (1/3 received in India)	21,000
(ii)	Income from agriculture land situated in Malaysia, remitted to India	51,000
(iii)	Income earned from business in Dubai controlled from India (₹ 20,000 received in India)	75,000
(iv)	Profit from business in Mumbai, controlled from Australia	1,75,000
(v)	Interest received from Mr. Ashok (NRI) on loan provided to him for business in India	35,000
(vi)	Dividend from Brown Ltd., an Indian Company, u/s 115-O of Income-tax Act, 1961	30,000
(vii)	Profit from business in Canada controlled from Mumbai (60% of profits deposited in a bank in Canada and 40% remitted to India).	60,000
(viii)	Amount received from an NRI for the use of know-how for his business in Singapore	8,00,000
(ix)	Dividend received from foreign company in India.	25,000
(x)	Past years untaxed foreign income brought to India.	50,000

(10 Marks)

## Answer

## Computation of Gross Total Income for the A.Y. 2018-19

	Particulars	Resident and ordinarily resident ₹	Non-resident ₹
(i)	Interest from German Derivative Bonds (1/3 <sup>rd</sup> received in India) <b>[Refer Note at the end]</b>	21,000	7,000
(ii)	Income from agriculture land situated in Malaysia, remitted to India <b>[Refer Note at the end]</b> [Taxable only in the hands of resident and ordinarily resident, since agriculture income arises from land situated outside India]	51,000	-
(iii)	Income earned from business in Dubai, controlled from India (₹20,000 received in India) <b>[Refer Note at the end]</b>	75,000	20,000
(iv)	Profit from business in Mumbai, controlled from Australia [Since the income accrues or arises in India, the same is taxable in the hands of the resident and non-resident]	1,75,000	1,75,000
(v)	Interest received from Mr. Ashok (NRI) on loan provided to him for business in India [Since interest is payable by non-resident for the loan used for business in India, such income is deemed to accrue or arise in India u/s 9(1)(v). Consequently, such income is taxable in the hands of both the resident and non-resident]	35,000	35,000
(vi)	Dividend from Brown Ltd., an Indian Co. under section 115-O of the Income-tax Act, 1961 [Exempt u/s 10(34), in the hands of both resident and ordinarily resident and non-resident, since the dividend does not exceed ₹10,00,000]	-	-
(vii)	Profit from business in Canada controlled from Mumbai (60% of profits deposited in a bank in Canada and 40% remitted to India) <b>[Refer Note at the end]</b>	60,000	-

(viii)	Amount received from an NRI for the use of know-how for his business in Singapore [Since the amount is received for the use know-how for his business outside India, the same is not deemed to accrue or arise in India as per section 9(1)(vii). Accordingly, such income is not taxable in case of the non-resident, assuming that the amount is received outside India]	8,00,000	-
(ix)	Dividend received from foreign company in India [Taxable both in the hands of resident and ordinarily resident and non-resident, since the income is received in India and no exemption is available in respect of dividend from foreign company]	25,000	25,000
(x)	Past years untaxed foreign income brought to India [Not taxable, since it does not represent income of the P.Y. 2017-18]	-	-
<b>Gross Total Income</b>		<b>12,42,000</b>	<b>2,62,000</b>

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

- (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 German derivative bonds, income from agriculture land in Malaysia, income earned from business in Dubai and profit from business in Canada would be fully taxable in the hands of the resident and ordinarily resident, even though such income accrues or arises outside India, since global income is taxable in case of a resident and ordinarily resident. However, in case of a non-resident, such income would be taxable only to the extent it is received in India. Subsequent remittance to India, would however, not attract taxability of such income in India in the hands of the non-resident.

#### Question 4

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 atleast 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 2018-19.

(10 Marks)

#### Answer

Since Mr. Honey stays in India for atleast 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. 2018-19

Particulars	₹	₹
<b>Basic Salary</b>		
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)	<u>3,00,000</u>	6,00,000
<b>Children Education and Hostel Allowance</b>		
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]	<u>Nil</u>	36,000
<b>Perquisites:</b>		
<b>Value of rent-free accommodation in USA</b>		95,400
<b>Lower of:</b>		
- 15% of ₹ 6,36,000 (Basic Salary + Children Education and Hostel Allowance)	95,400	
- Rent paid by employer = ₹ 15,000 x 12	1,80,000	
<b>Value of guest house in India</b>		-
[not taxable, since it is provided for stay when he visits India wholly for official purposes]		

<b>Lunch facility provided by employer</b> [Taxable perquisite, since the value exceeds ₹ 50 per meal] [See Note 1 below]		48,000
<b>Motor car provided by employer</b> [₹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 litres, 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 expenditure <sup>3</sup> [₹ 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	<u>40,000</u>	<u>70,000</u>
<b>Education expenditure of elder son in India met by employer</b> [Fully taxable perquisite]		12,000
<b>Life insurance premium paid by the employer</b> – any sum payable by the employer to effect an assurance on the life of the employee is a taxable perquisite		10,000
<b>Accident insurance premium paid by employer</b> – exempt perquisite, since such policy is taken by the employer in business interest so as to indemnify the company from payment of compensation.		-
<b>Gross Salary</b>		<b>8,85,800</b>
Less: Deductions under section 16		Nil
<b>Taxable Salary</b>		<b>8,85,800</b>

**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.

<sup>3</sup> 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	₹
<b>Motor car provided by employer [₹5,400 + ₹40,000]</b>	
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 litres,	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	<u>40,000</u>
	<b><u>45,400</u></b>

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

#### Question 5

- (a) 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 1-6-2017.
- (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.

**(3 Marks)**

- (b) 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 2018-19.

**(7 Marks)**

#### Answer

- (a) (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.

**(b) Computation of tax liability of Ms. Avani for the A.Y. 2018-19**

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.a 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]	<u>1,57,500</u>
	1,05,000
Add: Education cess@2%	2,100
Secondary & higher education cess@1%	<u>1,050</u>
<b>Total Tax liability</b>	<b>1,08,150</b>

**Question 6**

- (a) Mr. Madhav made a gift of ₹ 2,50,000 to his handicapped son, Master Tapan who was aged 12 years as on 31<sup>st</sup> March 2016, which he deposited in a fixed deposit account in a Nationalised bank at 10% interest p.a. 'compounded' annually. The balance in this

account as on 1<sup>st</sup> April, 2017 was ₹ 2,75,000 and the bank credited a sum of ₹ 27,500 as interest on 31<sup>st</sup> March, 2018.

Madhav's father gifted equity shares worth ₹ 50,000 of an Indian company to Master Manan, another son of Mr. Madhav (Date of birth 10<sup>th</sup> April, 2010) in July 2010 which were purchased by him on 8<sup>th</sup> December, 2004 for ₹ 80,000. Manan received a dividend of ₹ 5,000 on these shares in October 2017. He sold these shares on 1<sup>st</sup> November, 2017 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

Mr. Madhav has a taxable income of ₹ 3,50,000 from his profession during the financial year 2017-18.

Compute his Gross Total Income for the A.Y. 2018-19. **(5 Marks)**

- (b) Briefly mention the provisions of Income-tax Act, 1961 with regard to quoting Aadhar Number under section 139AA of the Act. **(5 Marks)**

#### OR

- (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. 2018-19:

- Mr. A makes cash payment to a hotel Radisson Blu, Ahmedabad of ₹ 50,000 against the bill raised by the hotel.
- 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.
- Payment to Mutual Funds of ₹ 70,000 for purchase of its units.

Your answers must be supported with reasons. **(3 Marks)**

- (2) Briefly mention the concept of self-assessment tax u/s 140A of the Income-tax Act, 1961 and its components. **(2 Marks)**

#### Answer

- (a) **Computation of Gross Total Income of Mr. Madhav for the A.Y. 2018-19**

Particulars	₹	₹	₹
Income from profession			3,50,000



<b>Income of minor son Manan</b>			
<b>Capital gains</b>			
Full value of consideration	5,00,000		
Less: Indexed Cost of Acquisition [₹ 80,000 x 272/167]	<u>1,30,299</u>	3,69,701	
<b>Income from Other Sources</b>			
Dividend of ₹ 80,000 on equity shares [Exempt u/s 10(34)]	-		
Interest on company deposit [₹ 3,00,000 x 15% x 5/12]	<u>18,750</u>	<u>18,750</u>	
		3,88,451	
Less: Exemption u/s 10(32) in respect of income of minor child		<u>1,500</u>	
			<u>3,86,951</u>
<b>Gross Total Income</b>			<b><u>7,36,951</u></b>

**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 ₹ 27,500 arising to handicapped son, Master Tapan, would not be clubbed with the income of Mr. Madhav
- (2) 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.
- (3) 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. 2018-19

Particulars	₹	₹	₹
Income from profession			3,50,000
<b>Income of minor son Manan</b>			
<b>Capital gains</b>			
Full value of consideration	5,00,000		
Less: Indexed Cost of Acquisition [₹ 80,000 x 272/113]	<u>1,92,566</u>	3,07,434	
<b>Income from Other Sources</b>			
Dividend on equity shares [Exempt u/s 10(34)]	-		
Interest on company deposit [₹ 3,00,000 x 15% x 5/12]	<u>18,750</u>	<u>18,750</u>	
		3,26,184	
Less: Exemption u/s 10(32) in respect of income of minor child		<u>1,500</u>	
			<u>3,24,684</u>
<b>Gross Total Income</b>			<b><u>6,74,684</u></b>

## (b) [First Alternative]

**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 1<sup>st</sup> July, 2017:

- in the application form for allotment of Permanent Account Number (PAN)
- 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:

- residing in the States of Assam, Jammu & Kashmir and Meghalaya;
- a non-resident as per Income-tax Act, 1961;
- of the age of 80 years or more at any time during the previous year;
- 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.

**(b) [Second Alternative]**

**(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 7**

- (a) *Indicate the three situations where the return of income has to be compulsorily filed u/s 139(1) of the Income-tax Act, 1961. (3 x 2 = 6 Marks)*
- (b) *Briefly explain the purpose for which the words "PROVISO" and "EXPLANATION" are incorporated under various sections of the Income-tax Act, 1961. (2 + 2 = 4 Marks)*

**Answer****(a) 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 exceeds the basic exemption limit.

- (b) 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.

**SECTION B: INDIRECT TAXES**

Question No. 8 is compulsory.

Candidates are also required to answer any **three** questions from the remaining **four** questions.

**All questions should be answered on the basis of position of GST law as amended upto 31<sup>st</sup> October, 2017.**

Working notes should form part of the answer.

Wherever necessary, suitable assumptions may be made by the candidates and disclosed by way of note.

**Question 8**

- (a) Mr. Ajay, a registered supplier of goods, pays GST under regular scheme and provides the following information for the month of August 2017:

<b>Particulars</b>	<b>(₹)</b>
(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 2017:

<b>Nature</b>	<b>ITC Amount in (₹)</b>
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. Ajay for the month of August 2017. **(6 Marks)**

- (b) 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 2017 :

	<b>Particulars</b>	<b>GST paid (₹)</b>
(i)	Purchase of cabs used for the transportation of its employees	3,30,000
(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, 2017 by giving necessary explanations for treatment of various items. All the conditions necessary for availing the input tax credit have been fulfilled. **(4 Marks)**

**Answer**

**(a) Computation of net GST payable by Mr. Ajay for the month of August, 2017**

**Working of GST payable on Outward supplies**

S.No.	Particulars	(₹)	GST (₹)
(i)	Intra-State taxable supply of goods		
	CGST @ 9% on ₹ 2,00,000	18,000	
	SGST @ 9% on ₹ 2,00,000	<u>18,000</u>	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	
<b>Total ITC</b>	<b>65,000</b>	<b>75,000</b>	<b>25,000</b>

**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
<b>Net GST payable</b>	<b>Nil</b>	<b>Nil</b>	<b>51,000</b>

**Note:** ITC of IGST, CGST & SGST have been used to pay IGST in that order.

## (b) Computation of input tax credit (ITC) available with Fun Pharma Private Limited for the month of September, 2017

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
<b>Total ITC</b>	<b>2,25,000</b>

**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 9**

- (a) 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, 2017.

Particulars	Amount in (₹)
List price of goods supplied inter-state	12,40,000
<b>Items already adjusted in the price given in (i) above:</b>	
(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

<b>Items not adjusted in the price given in (i) above:</b>	
(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. **(5 Marks)**

- (b) Explain the meaning of the term "recipient of supply of goods and/or services" under the CGST Act, 2017. **(5 Marks)**

**Answer**

- (a) **Computation of value of taxable supply made by Candy Blue Ltd. for the month of October, 2017**

Particulars	₹
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]	<u>5,000</u>
<b>Value of taxable supply</b>	<b>13,11,000</b>

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.

- (b) **Recipient of supply of goods or services or both, means —**

- (a) where a consideration is payable for the supply of goods or services or both, the person who is liable to pay that consideration;



- (b) 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
- (c) 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 10**

- (a) *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 03-10-2017*
- (ii) *Invoice was issued on 05-10-2017*
- (iii) *Payment received on 09-10-2017* **(4 Marks)**
- (b) *Examine whether GST is exempted on the following independent supply of services:*
- (i) *Teja & Co, a tour operator, provides services to a foreign tourist for tour conducted in Jammu & Kashmir and receives a sum of ₹ 3,00,000.*
- (ii) *Ms. Poorva acts as a Team Manager for Indian Sports League (ISL), a recognised sports body, for a Tennis tournament organised by Multi brand retail company and received a remuneration of ₹ 2,00,000.* **(3 Marks)**
- (c) *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?* **(3 Marks)**

**Answer**

- (a) 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:
- (i) Date of issue of invoice/last date on which the invoice is required to be issued

- (ii) Date of receipt of payment<sup>4</sup> 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 03-10-2017.

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 (03-10-2017) or date of receipt of payment (09-10-2017), whichever is earlier.

Thus, the time of supply of the goods will be 03-10-2017.

- (b) (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 Teja & Co. are in relation to a tour conducted within India, the same are not exempt from GST.
- (ii) Services provided by a team manager to a recognised sports body for participation in a sporting event are exempt from GST provided said sporting event is organised by a recognised sports body. Thus, since in the given case, the sporting event is not organised by a recognised sports body, the services provided by Ms. Poorva are not exempt from GST.
- (c) (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 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.
- 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 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, Sai Trading Company will be eligible for composition levy with other condition of not making inter-State supplies of goods being fulfilled.

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<sup>4</sup> 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 11**

- (a) 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 25<sup>th</sup> August, 2017. It applies for registration on 19<sup>th</sup> September, 2017 and is granted registration certificate on 29<sup>th</sup> September, 2017.
- (ii) What will be your answer, if in the above scenario, Madhu Ltd. submits the application for registration on 27<sup>th</sup> September, 2017 and is granted registration on 5<sup>th</sup> October, 2017? **(4 Marks)**
- (b) 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. **(3 Marks)**
- (c) List any six state levies, which are subsumed in GST. **(3 Marks)**

**Answer**

- (a) 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 25<sup>th</sup> August, 2017.
- (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 5<sup>th</sup> October, 2017.
- (b) (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.

By virtue of an amendment, a non-banking financial company has been 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.

**(c) The State levies which are subsumed in GST are as under:-**

- State surcharges and cesses 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 six points may be mentioned.*

**Question 12**

Answer any **two** out of the following **three** sub divisions:

*(a) Discuss the following in terms of provisions of CGST Act, 2017:*

*When shall the interest be payable by a registered person and what is the maximum rate of interest chargeable for the same ?* **(5 Marks)**

*(b) List the inclusions and exclusions for computing the "Aggregate Turnover" under CGST Act, 2017.* **(5 Marks)**

*(c) Who is required to furnish Final Return under CGST Act, 2017 and what is the time limit for the same? Discuss.* **(5 Marks)**

**Answer**

**(a)** 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-

(a) 18% p.a. in case of failure to pay full/part tax within the prescribed period

(b) 24% p.a. in case of undue or excess claim of input tax credit or undue or excess reduction in output tax liability.

- (b) 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) cess
- (c) Every registered person who is required to furnish a return u/s 39(1) of the CGST Act, 2017 and whose registration has been surrendered or cancelled shall file a Final Return electronically in the prescribed form through the common portal.
- 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.