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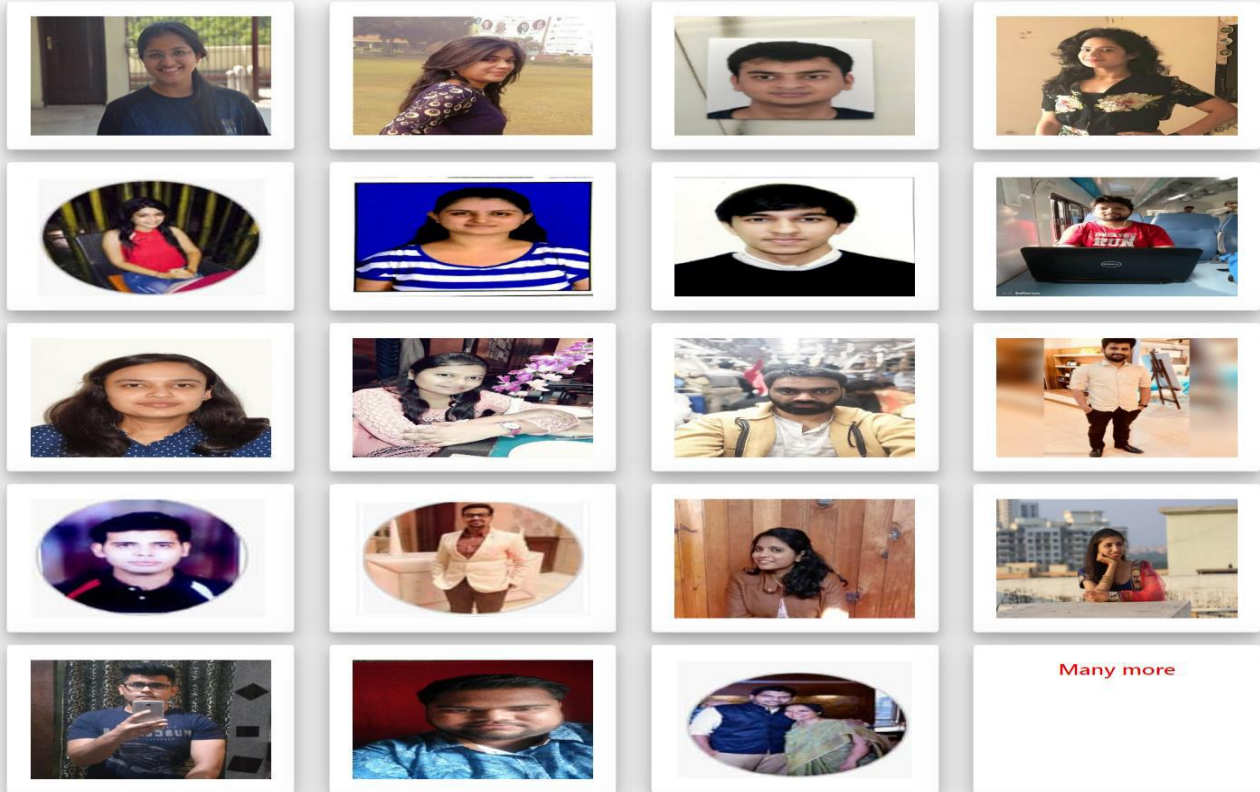
Inter - Taxation

50 Important Questions

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For this test series 3:48 PM

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Grp 1 cleared 14:20

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Ur efforts helped I want ur marksheet and pic To be displayed on website 14:20

paper , expecting exemption this Great work catseries. Some ions were exactly same 18:25

Gud, focus on law paper 11

Jay I have only attempted your 's and it's very helpful. Thanks. 18:27

INTER TAXATION

50 IMPORTANT QUESTIONS

Q-1: Mr. X earns the following incomes during the financial year 2021-22.

		Rs.
(1)	Profits from a business in Japan, controlled from India, half of the profits received in India	60,000
(2)	Income from agriculture in Nepal, brought to India	10,000
(3)	Income u/h house property in Bombay, received in UK	1,70,000
(4)	Income u/h house property in USA, received there but subsequently remitted to India	2,20,000
(5)	Income u/h house property in USA, received there (Rs. 50,000 remitted in India)	1,00,000
(6)	Salary received in India for services rendered in USA	60,000
(7)	Income from profession in Paris, which was set up in India, received in Paris	90,000
(8)	Interest from deposit with an Indian company, received in Japan	19,000
(9)	Income from profession in Bombay received in Paris	39,000
(10)	Profits of business in Iran, deposited in a bank there, business controlled from India (out of Rs. 4,80,000, Rs. 1,00,000 is remitted in India)	4,80,000
(11)	Interest on German development bonds, half of which is received in India	12,000
(12)	Income under the head house property in Canada, one-fifth is received in India	50,000

(Presume all the above incomes are computed income i.e. all the exemptions and deductions have already been allowed)

Determine the gross total income of Mr. X if he is

- (i) resident and ordinarily resident,
- (ii) resident but not ordinarily resident,
- (iii) non-resident in India during the financial year 2021-22.

Ans:-

	ROR	NOR	NR
(1) Income accruing/arising outside India from a business controlled in India, half of the income received in India	60,000	60,000	30,000
(2) Income accruing/arising outside India and received outside India	10,000	----	----
(3) Income accruing/arising in India	1,70,000	1,70,000	1,70,000
(4) Income accruing/arising outside India and received outside India	2,20,000	----	----
(5) Income accruing/arising outside India and received outside India	1,00,000	----	----
(6) Income received in India	60,000	60,000	60,000
(7) Income accruing/arising and received outside India, but profession set up in India	90,000	90,000	----
(8) Income accruing/arising in India	19,000	19,000	19,000
(9) Income accruing/arising in India	39,000	39,000	39,000
(10) Income accruing/arising outside India and received outside India, but business controlled from India	4,80,000	4,80,000	----
(11) Income accruing/arising outside India, half	12,000	6,000	6,000

received outside India and half in India			
(12) Income accruing/arising outside India, 4/5th received outside India and 1/5th in India	50,000	10,000	10,000
Gross Total Income	13,10,000	9,34,000	3,34,000

Q-2: Mrs. X (aged 58 years) has income and losses as given below:

(i) Income from growing and manufacturing of Rubber Rs.3,00,000

(ii) Income from growing and curing coffee Rs.2,00,000

(iii) Income under the head Salary Rs.2,40,000

(iv) Loss under the head House Property Rs.1,00,000

(v) Income from short term capital gains Rs.40,000

(vi) Income from long term capital gains Rs.50,000

(vii) Casual income Rs.60,000

Compute her total income and tax liability for the assessment year 2022-23.

Ans:-

	Agricultural Income	Business Income
Income from growing and manufacturing of Rubber {Rule 7A}		
Agricultural income 65% and business income 35%	1,95,000	1,05,000
Income from Coffee grown and cured {Rule 7B}		
Agricultural income 75% and business income 25%	1,50,000	50,000

Total	3,45,000	1,55,000
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Option I

House property loss can be set off from normal income

	Rs.
Income under the head Salary	2,40,000
Loss under the head House Property	(1,00,000)
Income under the head salary after adjusting house property loss	1,40,000
Income under the head Business/Profession	1,55,000
Income under the head Capital Gains	
Short term capital gains	40,000
Long term capital gains	50,000
Income under the head Other Sources (Casual Income)	60,000
Gross Total Income	4,45,000
Less: Deductions u/s 80C to 80U	Nil
Total Income	4,45,000
Agricultural income	3,45,000
Computation of Tax Liability	
Tax on casual income Rs.60,000 @ 30% u/s 115BB	18,000
Tax on Long term capital gain Rs.50,000 @ 20% u/s 112	10,000
Normal income Rs.3,35,000	
Tax on (3,35,000 + 3,45,000) at slab rate	48,500
Tax on (2,50,000 + 3,45,000) at slab rate	(31,500)
Tax on normal income (48,500 – 31,500)	17,000
Tax before Rebate u/s 87A	45,000
Less: Rebate u/s 87A	(12,500)
Tax before health & education cess	32,500
Add: HEC @ 4%	1,300

Tax Liability	33,800
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Option II

House property loss can be set off from LTCG

	Rs.
Income under the head Capital Gains (LTCG)	50,000
Loss under the head House Property	50,000
Income under the head Capital Gains (LTCG) after adjusting house property loss	Nil
Income under the head Capital Gains (STCG)	40,000
Income under the head Salary	2,40,000
Loss under the head House Property	50,000
Income under the head salary after adjusting house property loss	1,90,000
Income under the head Business/Profession	1,55,000
Income under the head Other Sources (Casual income)	60,000
Gross Total Income	4,45,000
Less: Deduction u/s 80C to 80U	Nil
Total Income	4,45,000
Agricultural Income	3,45,000
Computation of Tax Liability	
Tax on casual income Rs.60,000 @ 30% u/s 115BB	18,000
Normal income Rs.3,85,000	
Tax on (3,85,000 + 3,45,000) at slab rate	58,500
Tax on (2,50,000 + 3,45,000) at slab rate	(31,500)
Tax on normal income (58,500 – 31,500)	27,000
Tax before Rebate u/s 87A	45,000
Less: Rebate u/s 87A	(12,500)
Tax before health & education cess	32,500
Add: HEC @ 4%	1,300

Tax Liability	33,800
---------------	--------

Tax liability is same in both the options. Therefore, house property loss can be set off either from income of normal business or from income of long term capital gain.

Q-3: Discuss with brief reasons, whether rent received for letting out agricultural land for a movie shooting and amounts received from sale of seedlings in a nursery adjacent to the agricultural lands owned by an assessee can be regarded as agricultural income, as per the provisions of the provisions of the Income tax Act, 1961.

Ans:- Rent received from letting out agricultural land for a movie shooting: As per section 2(1A) Agricultural income means, any rent or revenue derived from land which is situated in India and is used for agricultural purposes.

In the present case, rent is being derived from letting out of agricultural land for a movie shoot, which is not an agricultural purpose. Hence, Rent received from letting out agricultural land for a movie shooting is not Agricultural income

Amount received from sale of seedlings in a nursery: As per Section 2(1A), Income derived from sapling or seedling grown in nursery is deemed to be agricultural Income.

Therefore, Amount received from sale of seedlings in a nursery adjacent to the agricultural lands is Agricultural income.

Q-4: Mrs. X is employed in ABC Ltd. and her salary is Rs.6,00,000, but it is increased to Rs.6,60,000 in previous year 2021-22 w.e.f. previous year 2020-21. Compute Tax Liability and relief under section 89.

Tax Rate of Previous Year 2020-21 for resident woman

If total income upto Rs.2,50,000	Nil
On Next 2,50,000	5%
On Next 5,00,000	20%
On Balance amount	30%

Health & education cess @ 4%, rebate u/s 87A will be allowed up to Rs. 12,500 if total income of the person is up to Rs. 5,00,000.

Standard deduction u/s 16(ia) was Rs. 50,000 in year 2020-21.

Ans:- Step 1. Previous Year 2021-22

	Rs.
Salary	6,60,000
Add: Arrears for previous year 2020-21	60,000
Gross Salary	7,20,000
Less: Standard deduction u/s 16(ia)	(50,000)
Income under the head Salary	6,70,000
Tax before health & education cess	46,500
Add: HEC @ 4%	1,860
Tax Liability	48,360

Step 2. Previous Year 2021-22

Salary	6,60,000
Gross Salary	6,60,000

Less: Standard deduction u/s 16(ia)	(50,000)
Income under the head Salary	6,10,000
Tax before health & education cess	34,500
Add: HEC @ 4%	1,380
Tax Liability	35,880

Step 3.

Difference between Step 1 and Step 2	12,480
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Step 4. Previous Year 2020–21

Salary	6,00,000
Add: Arrears	60,000
Gross Salary	6,60,000
Less: Standard deduction u/s 16(ia)	(50,000)
Income under the head Salary	6,10,000
Tax before health & education cess	34,500
Add: HEC @ 4%	1,380

Q-5: (a) 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 Rs. 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.

(b) Mr. Srivastava, aged 40 years, a salaried employee of Nirja Ltd. was contributing to National Pension Scheme Rs.50,000 every year since 2018 and was claiming deduction under section

80CCD. In December 2021, he opted out of the pension scheme and withdrew a lump sum amount of Rs.2,00,000. Is the amount so withdrawn taxable? If yes, how much is the taxable amount?

Ans:- (a) Partly taxable

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., Rs.8,400 per month being, 70% of Rs.12,000) or Rs.10,000 per month, whichever is less.

Hence, 1,00,800 (i.e., Rs.8,400 x 12) is exempt. Balance Rs.43,200 (Rs.1,44,000 – Rs.1,00,800) is taxable in the hands of Mr. Ram.

(b) As per section 80CCD, If an assessee has received any amount from the accumulated balance under National Pension Scheme, the amount so received is taxable but w.e.f. assessment year 18-19 some exemption has been granted u/s 10(12A) and is as given below:

Any payment from the National Pension System Trust to an employee on closure of his account or on his opting out of the pension scheme referred to in section 80CCD shall be exempt **to the extent of 60% of the** total amount payable to him at the time of such closure or his opting out of the scheme.

Further as per section 80CCD, Lumpsum amount received by the nominee on the death of the assessee shall be fully exempt from Income Tax.

Gross Value	2,00,000
Less: Exempt u/s 10(12A) (60% x 2,00,000)	(1,20,000)
Taxable Value	80,000

Q-6: Mr. X has let out one house property @ Rs.70000 per month and there is unrealised Rent of 2 months and there is vacancy of 3 month. Fair rent Rs.60,000 per month, municipal valuation Rs.55,000 per month and standard rent Rs.80,000 per month. Municipal tax paid Rs.62,000. Interest on loan for construction of the house property is Rs.75,000. The assessee has unrealised Rent of Rs.2,00,000 in P.Y. 2018-19 and he has recovered Rs.1,50,000 in P.Y. 2021-22 and interest of Rs.18,000 and he has incurred Rs.11,000 as legal expense.

Compute his tax liability for assessment year 2022-23.

Ans:- Income under the head House Property

	Rs.
Gross annual value	7,20,000.00
Less: Municipal taxes paid	(62,000.00)
Net Annual Value	6,58,000.00
Less: 30% of NAV u/s 24(a)	(1,97,400.00)
Less: Interest on capital borrowed u/s 24(b)	(75,000.00)
	3,85,600.00
Unrealised rent recovered of 2018-19 section 25A (1,50,000 – 45,000)	1,05,000.00
Income under the head House Property	4,90,600.00
Income from other sources	18,000.00
Gross Total Income	5,08,600.00
Less: Deduction u/s 80C to 80U	Nil
Total Income	5,08,600.00

Computation of Tax Liability

Tax on Rs.5,08,600 at slab rate	14,220.00
Add: HEC @ 4%	568.80
Tax Liability	14,788.80
Rounded off u/s 288B	14,790.00

Working Note:

	Rs.
(a) Fair rent (60,000 x 12)	7,20,000
(b) Municipal valuation (55,000 x 12)	6,60,000
(c) Higher of (a) or (b)	7,20,000
(d) Standard Rent (80,000 x 12)	9,60,000
(e) Expected Rent {Lower of (c) or (d)}	7,20,000
(f) Rent Received (70,000 x 7)	4,90,000
If there was no vacancy , then Rent Receivable shall be 70,000 x 10 = 7,00,000, which is lower than the expected rent , hence the GAV shall be 7,20,000	

Q-7: State the conditions to be satisfied for claiming deduction under section 37(1) of the Act.

Ans:- As per section 37(1), if any expenditure is neither allowed nor disallowed specifically under any particular section, such expenditure is allowed to be debited if it is related to business or profession and is revenue in nature. If it is capital expenditure, depreciation is allowed. Personal expenditure is never allowed. Illegal expense is not allowed. Any fine or penalty for an offence is not allowed.

Various expenditure which may be allowed under section 37(1) are as given below:

1. Expenditure in connection with advertisement e.g. ABC Ltd. has incurred Rs.20,000 on printing of diaries and calendars, the expenditure is allowed. Similarly if expenditure has been incurred on advertisement in newspaper/magazine/ radio / TV / Internet etc., it will be allowed. If the expenditure incurred is capital nature, depreciation is allowed.
2. Expenditure on travelling including the expenses of boarding and lodging in connection with business/profession.

3. Salary paid to the employees.
 4. Expenditure in connection with entertainment/amusement of the employees or the customers.
 5. Expenditure in connection with opening ceremony (Mahurat) of the business/profession. E.g. ABC Ltd. has incurred Rs.50,000 in connection with 'shamiana' and refreshments on occasion of opening ceremony.
 6. Expenditure on the occasion of various festivals like Diwali etc. for employees or customers.
 7. Incentives given to the articled assistant by a Chartered Accountant.
 8. Interest on late payment of GST.
 9. Expenditure in connection with legal proceedings.
 10. Professional tax paid by a person carrying on business or profession.
 11. Expenditure on the filing of return of income, filing of appeal or audit fee etc. is allowed.
 12. Any other expenditure which is revenue in nature and it is related to business or profession.
- Any expenditure incurred by an assessee on the activities relating to corporate social responsibility referred to in section 135 of the Companies Act, 2013 shall not be deemed to be an expenditure incurred by the assessee for the purposes of the business or profession.**

Q-8: ABC Ltd. presents the following information to you pertaining to the year ending March 31st, 2022:

1. Having regard to the vast purchase of a particular chemical by the company, the supplier of the chemical presents a car worth Rs. 2,50,000, which is used for business purposes by the company.
2. Expenditure towards acquisition of technical know-how paid to a foreign company in a lump sum Rs.6 lakhs by account payee cheque.
3. The company has paid income–tax of Rs. 60,000 being the tax in respect to non–monetary perquisites of an employee.
4. The company wanted to start a new plant for manufacturing of a new product. Y Ltd., paid to the company Rs. 10 lakh in order not to start the same and not to compete with it.
5. The company has paid Rs. 20 lakh to four employees at the time of their voluntary retirement, in accordance with the approved scheme of voluntary retirement.
6. The company has borrowed Rs. 15 lakh for acquiring a machinery. Interest paid is Rs.90,000. The machinery is not put to use during the year.
7. Payment of Rs. 40,000 is made to a Don for ensuring that the employees will not indulge in strike.
8. The company has incurred expenditure of Rs. 34,000 in respect of exempt income. This forms part of administrative expenses.

You are requested to briefly state with reasons as to how the above are to be dealt with in computing the total income of the company for the assessment year 2022-23. The total income need not be computed.

Ans:- 1. As per section 28, Any gift received in connection with business/profession shall be considered to be income under the head business/ profession hence Rs. 2,50,000 being value of the motor car shall be considered to be income under the head business/profession. Since car is being used for the purpose of business, depreciation shall be allowed as per section 32.

2. As per section 32, depreciation shall be allowed even for intangible assets, hence Rs. 6 lakh qualifies for depreciation @ 25%.
3. As per section 40(a), while calculating income of the employer, the tax paid by the employer on nonmonetary perquisites to employees is not deductible.
4. As per section 28, any sum received for not carrying out any activity in relation to any business is chargeable to tax as business income. Thus, Rs. 10 lakh is taxable as business income being non-competite fee.
5. Section 35DDA provides that where an assessee incurs any expenditure in any previous year by way of payment of any sum to an employee at the time of his voluntary retirement under any scheme of voluntary retirement, one fifth of the amount so paid shall be deducted in computing the profits and gains of the business for that previous year, and the balance shall be deducted in equal instalments for each of the four immediately succeeding previous years. In view of the aforesaid provisions, Rs. 4 lakh shall be allowable as deduction in the assessment year 2021-22.
6. As per section 43(1), all expenses upto the date of putting the asset to use shall be capitalized i.e. it will be added to the actual cost but in the given case asset has not been put to use till the end of the year hence neither the amount can be debited to profit and loss account nor depreciation is allowed.
7. As per section 37(1), in order to claim deduction the expenditure should not have been incurred for any purpose, which is an offence or is prohibited by any law. Since the payment of Rs.40,000 to Don is unlawful, it is not allowable as deduction.
8. As per section 14A, no deduction shall be made in respect of expenditure incurred by the assessee in relation to income which does not form part of the total income. Rs.34,000 is, therefore, not allowable as deduction.

Q-9: Star Enterprises has transferred its unit R to A Ltd. by way of Slump Sale on January 23, 2022. The summarized Balance Sheet of Star Enterprises as on that date is given below:

Liabilities	Amount (Rs. in Lacs)	Assets	Amount (Rs. in Lacs)
Own Capital	1,1750	Fixed Assets:	
Accumulated P & L balance	670	Unit P	200
Liabilities :		Unit Q	150
Unit P	90	Unit R	600
Unit Q	160	Other Assets:	
Unit R	140	Unit P	570
		Unit Q	850
		Unit R	440
TOTAL	2,810	TOTAL	2,810

Using the further information below, compute the Capital Gains arising from slump of unit R for Assessment year 2022-23.

(i) Slump sale consideration on transfer of Unit R was Rs.930 lacs.

(ii) Fixed Assets of Unit R includes land which was purchased at Rs.110 lacs in the year 2008 and was revalued at Rs.140 lacs.

(iii) Other fixed assets are reflected at Rs.460 lacs. (i.e. Rs.600 lacs less value of land) which represents written down value of those assets as per books. The written down value of these asset is Rs.430 lacs.

(iv) Unit R was set up by Star Enterprises in Oct, 2006.

NOTE: Cost of Inflation Indices for the financial year 2006-07 and financial year 2021-22 are 122 and 317 respectively.

Ans:- Computation of capital gains on slump sale of Unit R for A.Y. 2022-23

Particulars	Rs.
Full Value of consideration	930,00,000
Less: Deemed cost of acquisition (Net worth is deemed to be the cost of acquisition) [Refer Working Note below]	(840,00,000)
Long term capital gain [Since the Unit is held for more than 36 months]	90,00,000

Note: Computation of net worth of Unit R of Star Enterprises

Particulars	Rs.
Cost of Land (Revaluation not to be considered)	110,00,000
WDV of other depreciable fixed assets as per the Income-tax Act, 1961	430,00,000
Other assets (book value)	440,00,000
Total assets	980,00,000
Less:	
Liabilities	(140,00,000)
Net worth	840,00,000

Note:

(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.

Q-10: Mr. X transfers land and building on 02.01.2022 and furnishes the following informations.

Particulars	Rs.
(i) Net consideration received	30,00,000
(ii) Value adopted by Stamp Valuation Authority	34,00,000
(iii) Value ascertained by Valuation Officer on reference by the Assessing Officer	35,00,000
(iv) This land was acquired by Mr. X on 01.04.2001. Fair Market value of the land as on 01.04.2001 was	1,10,000
(v) A Residential building was constructed on land by Mr. X at cost of Rs.3,20,000 (construction completed on 01.12.2002 during financial year 2002-03.)	
Short term capital loss incurred on sale of shares during financial year 2014-15 b/f of Rs.50,000	

Mr. X seeks your advice to the amount to be invested in NHAI bonds so as to be exempt from capital gain tax under Income Tax Act.

Cost inflation index of FY 2001-2002 = 100

Cost inflation index of FY 2002-2003 = 105

Cost inflation index of FY 2021-2022 = 317

Ans:- Computation of Long term Capital Gain for A.Y. 2022-23

Sale consideration	Rs. 30,00,000
Valuation made by registration authority for stamp duty	Rs. 34,00,000
Valuation made by the valuation officer on a reference	Rs. 35,00,000

Applying the provisions of section 50C to the present case, Rs. 34,00,000, being, the value adopted by the registration authority for stamp duty, shall be taken as the sale consideration for the purpose of charge of capital gain.

Sale consideration as per section 50C of the Act	34,00,000.00
Less: Indexed cost of acquisition = $1,10,000 / 100 \times 317$	(3,48,700.00)
Indexed cost of improvement = $3,20,000 / 105 \times 317$	(9,66,095.24)
Long term capital gain	20,85,204.76
Less: Short term capital loss 2014-15	(50,000.00)
Long term capital gains	20,35,204.76

Since there is general exemption of Rs.2,50,000, assessee should invest in the bonds of NHAI
 $Rs.20,35,204.76 - 2,50,000 = 17,85,204.76$

Q-11: Mr. X has submitted information given below.

- i) Income from owning and maintaining of race horse Rs.2,00,000.
- ii) Income from owning and maintaining of race camels Rs.1,00,000.
- iii) He had winning of Rs.1,60,000 from horse race on 01.12.2021 and winning from camel race Rs.1,80,000 on 07.12.2021.
- iv) He purchased lottery tickets of Rs.10,000 on 01.02.2022 and had winning of Rs.2,00,000 on 12.02.2022.

v) He has received Royalty of book of literary nature @ 50% of print price of Rs. 600 and total copies sold are 2,000

vi) He has paid advance tax as given below:

Upto 15.06.2021 Rs. 20,000

Upto 15.09.2021 Rs. 35,000

Upto 15.12.2021 Rs. 80,000

Upto 15.03.2022 Rs. 1,30,000

Balance was paid on 10.06.2022

Compute tax liability for the A.Y 2022-23 and interest under section 234A, 234B and 234C.

Ans:- Computation of Total Income for the A.Y 2022-23

Income under head Other Source	Rs.
Income from owning and maintaining race horse	2,00,000
Income from Royalty	6,00,000
Income from winning horse race (casual income)	1,60,000
Income from winning camel race (casual income)	1,80,000
Income from lottery income (casual income)	2,00,000
Income under head Other Sources	13,40,000
Income under head Business/Profession	
Income from owning and maintaining race camel	1,00,000
Gross Total Income	14,40,000
Less: Deduction u/s 80QQB (WN 1)	(1,80,000)
Total Income	12,60,000
Computation of Tax Liability	
Tax on Rs.7,20,000 at slab rate	56,500

Tax on casual income i.e. Rs.5,40,000 @ 30%	1,62,000
Tax before health & education cess	2,18,500
Add: HEC @ 4%	8,740
Tax Liability	2,27,240
Tax Liability excluding amount of casual income	
Tax on Rs. 7,20,000 at slab rate	56,500
Add: HEC @ 4%	2,260
Total	58,760
Tax Liability including amount of casual income upto 15.12.2021	
Tax on Rs. 7,20,000 at slab rate	56,500
Tax on casual income i.e. Rs. 3,40,000 @ 30%	1,02,000
Tax before health & education cess	1,58,500
Add: HEC @ 4%	6,340
Total	1,64,840

Interest u/s 234A	Nil
Interest u/s 234B	
$2,27,240 - 1,30,000 = 97,240 = 97,200 \times 1\% \times 3$	2,916

Interest u/s 234C

Date	Advance tax paid	Amount payable	Shortfall
upto 15.06.2021	20,000	8,814 (58,760 x 15%)	NIL
Interest = NIL			
upto 15.09.2021	35,000	26,442 (58,760 x 45%)	NIL
Interest = NIL			
upto 15.12.2021	80,000	1,23,360 (1,64,840 x 75%)	43,630
Rounded off 119A = 43,600			

Interest = $43,600 \times 1\% \times 3 = 1,308$			
upto 15.03.2022	1,30,000	2,27,240	97,240
Rounded off 119A = 97,200			
Interest = $97,200 \times 1\% \times 1 = 972$			

Interest u/s 234C	2,280
Total Interest Payable	5,196
Rounded off u/s 288B	5,200

Working Notes:

1. Maximum deduction allowed u/s 80QCB

15% of print price i.e. $Rs. 600 \times 15\% \times 2,000 = Rs.1,80,000$.

Q-12: Discuss the taxability or otherwise in the hands of the recipients, as per the provisions of the Income-tax Act, 1961:

(i) ABC Private Limited, a closely held company, issued 10,000 share at Rs.130 per share. (The face value of the share is Rs.100 per share and the fair market value of the share is Rs.120 per share).

(ii) Mr. A received an advance of Rs.50,000 on 01.09.2021 against the sale of his house. However, due to non-payment of instalment in time, the contract has cancelled and the amount of Rs.50,000 was forfeited.

Ans:- (i) Taxable: As per section 56(2)(viib), If any closely held company receives any consideration for issue of shares that exceeds the face value of shares then the aggregate

consideration received as exceeds the fair market value of shares is considered as income under the other sources. In the given case, ABC Private Ltd. issued shares at a price which exceeds the face value of shares. So the taxable amount shall be Rs.1,00,000 (10,000 shares x (Rs.130-Rs.120))

(ii) Taxable: If any person has entered into an agreement to sell any capital asset and some advance money was received but the buyer refused to purchase the capital asset and advance money was forfeited, in such cases the amount so forfeited shall be considered to be income under the head Other Sources. In the given case, Mr. A forfeited Rs.50,000 against sale of his house shall be considered as income under the head other sources.

Q-13: During the previous year 2021-22 the following transactions occurred in respect of Mr. X.

(a) Mr. X had a fixed deposit of Rs. 5,00,000 in Bank of India. He instructed the bank to credit the interest on the deposit @ 9% from 01.04.2021 to 31.03.2022 to the savings bank account of Mr. B, son of his brother, to help him in his education.

(b) Mr. X holds 75% share in a partnership firm. Mrs. X received a commission of Rs.25,000 from the firm for promoting the sales of the firm. Mrs. X possesses no technical or professional qualification.

(c) Mr. X gifted a flat to Mrs. X on April 1, 2021. During the previous year the flat had income under the head House Property Rs.52,000 to Mrs. X.

(d) Mr. X gifted Rs.2,00,000 to his minor son who invested the same in a business and he got a share income of Rs. 20,000 from the investment.

(e) Mr. X's minor son derived an income of Rs.20,000 through a business activity involving application of his skill and talent.

During the year Mr. X got a monthly pension of Rs.10,000. He had no other income. Mrs. X received salary of Rs. 20,000 per month from a part time job.

Discuss the tax implications of each transaction and compute the total income of Mr. X, Mrs. X and their minor child.

Ans:- (a) As per Section 60 of the Income Tax Act, if any person has transferred any income without transferring the asset in such case clubbing provision shall be applicable.

In the given case, Mr. X transferred interest on fixed deposit to Mr. B (son of his brother) without transferring the fixed deposit, such income shall be clubbed in the hands of Mr. X as per section 60.

Amount to be clubbed = Rs.5,00,000 x 9% = Rs.45,000

(b) As per Section 64(1) of the Income Tax Act, if any person is getting salary, commission etc. from a concern in which his or her spouse has substantial interest and further salary etc. is received without any professional or technical qualification, in such case, salary etc. so received shall be clubbed in the income of the spouse having substantial interest.

In the given case Mr. X is having substantial interest in the partnership firm and Mrs. X received a commission of Rs.25,000 from the firm for promoting the sales of the firm without any technical or professional qualification. So the commission shall be clubbed in the hands of Mr. X

(c) As per section 27, An individual who transfers otherwise than for adequate consideration any house property to his or her spouse, not being a transfer in connection with an agreement to live apart shall be deemed to be the owner of the house property so transferred.

In the given case Mr. X transfers flat to Mrs. X without adequate consideration on April 1, 2021.

So Mr. X shall be deemed to be the owner of the house property and income Rs.52,000 shall be considered as income of Mr. X.

(d) As per section 64(1A), if any income accrues or arises to a minor child, such income shall be clubbed in the income of mother or father whosoever has higher income before taking in to consideration the income to be clubbed. So in the given case, income of Rs. 20,000 shall be clubbed in the income of mother or father whosoever has higher income before taking in to consideration the income to be clubbed. Amount to be clubbed = 20,000 – 1500 = Rs.18,500

(e) As per section 64(1A), if any minor child has income from manual labour or through activity involving application of his skill, talent or specialized knowledge and experience, such income shall not be clubbed but if such income has been invested further, any new income shall be clubbed in the income of mother or father.

In the given case clubbing provision is not applicable as Mr. X's minor son derived an income of Rs.20,000 through a business activity involving application of his skill and talent.

Computation of Total Income of Mr. X

Income under the head Salary	Rs.
Pension (10,000 x 12)	1,20,000.00
Less: Standard Deduction u/s 16(ia)	(50,000.00)
Income under the head Salary	70,000.00
Income under the head House property	
(Since asset is transferred to wife hence deeming provision shall apply)	
Income under the head house property	52,000.00
Income under the head other sources	
Commission given to Mrs. X (Since Mr. X is having substantial interest in firm)	25,000.00
Interest on Fixed deposit transferred to Mr. B	45,000.00
Income from investment made by Minor son	18,500.00
Income under the head other sources	88,500.00
Gross Total Income	2,10,500.00
Less: Deduction u/s 80C to 80U	Nil

Total Income	2,10,500.00
Computation of Total Income of Mrs. X	
Gross Salary	2,40,000.00
Less: Standard Deduction u/s 16(ia)	(50,000.00)
Income under the head salary	1,90,000.00
Gross Total Income	1,90,000.00
Less: Deduction u/s 80C to 80U	Nil
Total Income	1,90,000.00
Computation of Total Income of Minor Child	
Income from Business	20,000.00
Gross Total Income	20,000.00
Less: Deduction u/s 80C to 80U	Nil
Total Income	20,000.00

Q-14: Mr. X (age 67 years) gifted a building owned by him to his son's wife Mrs. X on 01.10.2020. The building fetched a rental income of Rs.10,000 per month throughout the year. Municipal tax for the first half-year of Rs.5,000 was paid in June 2021 and the municipal tax for the second half-year was not paid till 30.09.2022.

Incomes of Mr. X and Mrs. X other than income from house property are given below:

Name	Business income	Capital gain	Other sources
Mr. X	Rs.1,00,000	Rs.50,000 (long-term)	Rs.1,50,000
Mrs. X	Rs.(75,000)	Rs.2,00,000 (short-term)	Rs.50,000

Note: Capital gain does not relate to gain from shares and securities.

Compute the total income of Mr. X and Mrs. X taking into account income from property given above and also compute their income-tax liability for the assessment year 2022-23.

Ans:- Computation of total income and income tax liability of Mr. X

	Rs.
Income under the head Business Profession	1,00,000.00
Income under the head Capital gains	
LTCG	50,000.00
Income under the head House property (Since asset is transferred to son's wife hence clubbing shall be done)	
Gross Annual Value	1,20,000.00
Less: Municipal Taxes	(5,000.00)
Net Annual Value	1,15,000.00
Less: 30% of NAV u/s 24(a)	(34,500.00)
Less: Interest on capital borrowed u/s 24(b)	Nil
Income under the head house property	80,500.00
Income under the head other sources	1,50,000.00
Gross Total Income	3,80,500.00
Less: Deduction u/s 80C to 80U	Nil
Total Income	3,80,500.00

Computation of Tax Liability

Tax on Rs.3,30,500 at slab rate	1,525.00
Tax on capital gains @ 20%	10,000.00
Less: Rebate u/s 87A	(11,525.00)
Tax Liability	Nil

Computation of total income and tax liability of Mrs. X

Income from house property	Nil
Loss from business profession	(75,000.00)
Income under the head Other Sources	50,000.00
Income under the head Capital Gains (STCG)	2,00,000.00
Gross Total Income	1,75,000.00
Less: Deduction u/s 80C to 80U	Nil
Total Income	1,75,000.00
Tax Liability	Nil

Q-15: Following are the details of incomes/ losses of Mr. Rishi for the F.Y. 2021-22:

(Figures in brackets represents losses)	Rs.
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 2022-23.

Ans:- Computation of Gross Total Income for the A.Y. 2022-23

Income under the head Salary	
Taxable salary income (computed)	3,60,000
Less: Loss from property X	(2,00,000)
Income under the head salary	1,60,000
Income under the head House property	
Income from Property X	1,20,000
Less: Loss from property Y	(1,20,000)
Income under the head house property	Nil
Income under the head business profession	
Income from Business P	2,30,000
Less: Loss from Business Q	(12,000)
Income from normal business	2,18,000
Income from Business R (speculative)	15,000
Less: Loss from Business Q (speculative)	(15,000)
Income from speculative business	Nil
Income under the head business profession	2,18,000
Income under the head other sources	
Interest income	5,000
Income from card games	16,000
Income under the head other sources	21,000
Gross total income	
Income under the head salary	1,60,000
Income under the head business profession	2,18,000
Income under the head other sources	21,000
Gross total income	3,99,000
Losses to be carried forward	
House property	20,000

Speculative business loss	10,000
Loss from owning and maintain of race horses	7,000

Notes:

1. Loss from house property can be adjusted from other head income maximum upto 2,00,000 and balance can be carried forward. (Section 71)
2. Speculative loss can be adjusted only from speculative income and balance can be carried forward. (section 73)
3. Loss from owning and maintain race horses can be adjusted only from such income and not allowed from other income. (section 74A)
4. In the above solution HP loss is adjusted from salary income. Student can adjust such loss from business income also.

Q-16: The following are the details relating to Mr. Rajesh, a resident Indian, relating to the year ended 31.03.2022

Particulars	Amount (Rs.)
Short term capital gain	1,40,000
Loss from house property	2,20,000
Loss from speculative business	50,000
Loss from card games	20,000
Brought forward Long term capital loss of A.Y. 2017-18	86,000
Dividend from Shaiba Ltd.	11,00,000
Loss from tea business	96,000

Mr. Rajesh's wife, Isha is employed with Shine Ltd., at a monthly salary of Rs. 25,000, where Mr. Rajesh holds 21% of the shares of the company. Isha is not adequately qualified for the post held by her in Shine Ltd.

You are required to compute taxable income of Mr. Rajesh for the A.Y. 2022-23. Ascertain the amount of losses which can be carried forward.

Ans:- Computation of Taxable Income of Mr. Rajesh for the A.Y. 2022-23

Particulars	Rs.	Rs.
Salaries		
Isha's salary (Rs. 25,000 x 12) [See Note 1]	3,00,000	
Less: Standard deduction under section 16(ia) upto Rs.50,000	(50,000)	
	2,50,000	
Less: Loss from house property set off against salary income as per section 71(3A) [See Note 2]	(2,00,000)	50,000
Capital Gains		
Short term capital gain	1,40,000	
Less: Loss from tea business (Rs. 96,000 x 40%) [See Note 3 & 4]	(38,400)	1,01,600
Income from Other Sources		
Dividend income		11,00,000
Taxable Income		12,51,600

The following losses can be carried forward for subsequent assessment years:

(i) Loss from house property to be carried forward and set-off against income from house property	Rs. 20,000
(ii) Long-term capital loss of A.Y. 2017-18 can be carried forward and set-off against long-term capital gains	Rs. 86,000

(iii) Loss from speculative business to be carried forward and set-off against income from speculative business	Rs. 50,000
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Notes:

(1) As per section 64(1)(ii), all the income which arises directly or indirectly, to the spouse of any individual by way of salary, commission, fees or any other form of remuneration from a concern in which such individual has a substantial interest shall be included in the total income of such individual. However, where spouse possesses technical or professional qualification and the income is solely attributable to the application of such knowledge and experience, clubbing provisions will not apply. Since, Mrs. Isha is not adequately qualified for the post and Mr. Rajesh has substantial interest in Shine Ltd by holding 21% of the shares of the Shine Ltd., the salary income of Mrs. Isha to be included in Mr. Rajesh's income.

(2) As per section 71(3A), loss from house property can be set off against any other head of income to the extent of Rs. 2,00,000 only.

(3) 60% of the losses from tea business is treated as agricultural income and therefore exempt. Loss from an exempt source cannot be set off against profits from a taxable source.

(4) As per section 71(2A), business loss cannot be set off against salary income. Hence, 40% of the losses from tea business i.e., Rs. 38,400 set off against short term capital gains.

(5) Loss from Card games can neither be set off against any other income, nor can it be carried forward.

(6) Loss of Rs.50,000 from speculative business can be set-off only against the income from the speculative business. Hence, such loss has to be carried forward.

As per section 74(1), brought forward Long-term capital loss can be set-off only against long-term capital gain. Such loss can be carried forward for eight assessment years immediately succeeding the assessment year for which the loss was first computed. Since, 8 assessment

years has not expired, such loss can be carried forward to A.Y. 2023-24 for set-off against long-term capital gains.

Q-17: Mr. X is a Practicing Chartered Accountant and he started his practice from 01.04.2021 and he has income from profession Rs.8,00,000.

He has LTCG of Rs.3,00,000, STCG 111A of Rs.1,00,000, casual income Rs.2,00,000.

Investment and donations are as given below:-

- NSC Rs.10,000.
- Medi-claim premium (by cheque) of Rs.15,000.
- Prime Minister's National Relief Fund Rs.10,000. (Paid by cheque)
- Rajiv Gandhi Foundation Rs.8,000. (Paid by cheque)
- Donation to Birla Temple (Notified u/s 80G) Rs.1,60,000. (Paid by cheque)
- Charitable institution (Notified u/s 80G) Rs.40,000. (Paid by cheque)
- Social organization (Notified u/s 80G) Rs.20,000. (Paid by cheque)
- Municipal Corporation of Delhi (notified under section 80G) Rs.10,000. (Paid by cheque)

Compute income tax liability for A.Y. 2022-23.

Ans:-

	Rs.
Income under the head business / profession	8,00,000.00

Income under the head Other Sources	
Casual income	2,00,000.00
Income under the head other sources	2,00,000.00
Income under the head Capital Gain	
Long term capital gain	3,00,000.00
Short term capital gain 111A	1,00,000.00
Income under the head capital gain	4,00,000.00
Gross Total Income	14,00,000.00
Less: Deductions	
Deduction u/s 80C for NSC	(10,000.00)
Deduction u/s 80D for Mediclaim policy	(15,000.00)
Deduction u/s 80G	
Prime Minister National Relief Fund	(10,000.00)
Rajiv Gandhi Foundation (50% of Rs. 8,000)	(4,000.00)
Donations	(48,750.00)
Total Income	13,12,250.00

Computation of Tax Liability

Tax on casual income Rs.2,00,000 @ 30% u/s 115BB	60,000.00
Tax on LTCG Rs.3,00,000 @ 20%	60,000.00
Tax on STCG 111A Rs.1,00,000 @ 15%	15,000.00
Tax on normal income Rs.7,12,250 at slab rate	54,950.00
Tax before health & education cess	1,89,950.00
Add: HEC @ 4%	7,598.00
Tax Liability	1,97,548.00
Rounded off u/s 288B	1,97,550.00

Working Note:

AGTI = GTI – LTCG – STCG u/s 111A – Deduction u/s 80C to 80U (except 80G)

= 14,00,000 – 3,00,000 – 1,00,000 – 25,000

= 9,75,000

Qualifying amount = 10% of AGTI or donation whichever is less

= 97,500 or 2,30,000 whichever is less

= 97,500

50% of qualifying amount = 48,750

Q-18: Rudra Ltd. has one unit at Special Economic Zone (SEZ) and other unit at Domestic Tariff Area (DTA), the company provides the following details for the previous year 2021-22.

Particulars	Rudra Ltd. (Rs.)	Unit in DTA (Rs.)
Total Sales	6,00,00,000	2,00,00,000
Export Sales	4,60,00,000	1,60,00,000
Net Profit	80,00,000	20,00,000

Calculate the eligible deduction under section 10AA of the Income-tax Act, 1961, for the Assessment Year 2022-23, in the following situations:

(i) If both the units were set up and start manufacturing from 22.05.2015.

(ii) If both the units were set up and start manufacturing from 14.05.2019.

Ans:- (i) 50% of the profit derived from export of articles or things or services is eligible for deduction under section 10AA, F.Y.2021-22 falls in the next five year period commencing from the year of manufacture or production of articles or things or provision of services by the Unit

in SEZ. As per section 10AA, the profit derived from export of articles or things or services shall be

$$= \text{Profit of the business of Unit in SEZ} \times \frac{\text{Export Turnover of Unit in SEZ}}{\text{Total Turnover of Unit in SEZ}}$$

$$= 50\% \text{ of Rs. 60 lakhs} \times \frac{300 \text{ Lakhs}}{400 \text{ Lakhs}}$$

$$= 50\% \times \text{Rs.45 lakhs}$$

$$= \text{Rs.22.5 lakhs}$$

(ii) 100% of the profit derived from export of articles or things or services is eligible for deduction under section 10AA, F.Y.2021-22 falls in the first five year period commencing from the year of manufacture or production of articles or things or provision of services by the Unit in SEZ. As per section 10AA, the profit derived from export of articles or things or services shall be

$$= \text{Profit of the business of Unit in SEZ} \times \frac{\text{Export Turnover of Unit in SEZ}}{\text{Total Turnover of Unit in SEZ}}$$

$$= 100\% \text{ of Rs.60 lakhs} \times \frac{300 \text{ Lakhs}}{400 \text{ Lakhs}}$$

$$= 100\% \times \text{Rs.45 lakhs}$$

$$= \text{Rs.45 lakhs}$$

Q-19: Mrs. X has income as given below:

	Rs.
Income under the head Salary	3,00,000
Income under the head House Property	1,00,000

Short Term Capital Gain	50,000
Short Term Capital Gain111A	2,00,000
Long Term Capital Gain	1,50,000
Casual Income	70,000
Deduction u/s 80C to 80U	1,10,000
Agricultural Income	5,00,000

Compute her Tax Liability for the A.Y.2022-23

Ans:-

Computation of Total Income	Rs.
Income under the head Salary	3,00,000
Income under the head House Property	1,00,000
Income under the head Capital Gains	
Short Term Capital Gain	50,000
Short Term Capital Gain111A	2,00,000
Long Term Capital Gain	1,50,000
Income under the head Capital Gains	4,00,000
Casual Income	70,000
Gross Total Income	8,70,000
Less: Deduction u/s 80C to 80U	(1,10,000)
Total Income	7,60,000
Agricultural Income	5,00,000

Computation of Tax Liability

Tax on casual income Rs.70,000 @ 30% u/s 115BB	21,000
Tax on long term capital gain Rs.1,50,000 @ 20% u/s 112	30,000
Tax on short term capital gain Rs.2,00,000 @ 15% u/s 111A	30,000
Normal income Rs.3,40,000	

Step 1. Tax on (3,40,000 + 5,00,000)	80,500
Step 2. Tax on (Rs.2,50,000 + 5,00,000) at slab rates	(62,500)
Step 3. Deduct Tax at Step 2 from Tax at Step 1	18,000
Tax before health & education cess	99,000
Add: HEC @ 4%	3,960
Tax Liability	1,02,960

Q-20: Mr. Rajat Saini, aged 32 years, furnishes the following details of his total income for the A.Y. 2022-23:

Income under the head Salary	27,88,000
Income under the head House Property	15,80,000
Income under the head Other sources	7,22,000

He has not claimed any deduction under chapter VIA. You are required to compute tax liability of Mr. Rajat Saini as per the provisions of Income Tax Act, 1961.

Ans:-

Computation of Total Income	Rs.
Income under the head Salary	27,88,000
Income under the head House Property	15,80,000
Income under the head Other sources	7,22,000
Gross Total Income	50,90,000
Less: Deduction u/s 80C to 80U	Nil
Total Income	50,90,000

Computation of Tax Liability

Total Income	50,90,000
Tax on Rs.50,90,000 at slab rate	13,39,500
Add: Surcharge @ 10%	1,33,950
Tax before marginal relief	14,73,450
Less: Marginal Relief	(70,950)
Tax after marginal relief	14,02,500
Add: HEC @ 4%	56,100
Tax Liability	14,58,600

Working Note:

Tax + surcharge on income of Rs.50,90,000	14,73,450
Tax on income of Rs.50,00,000	(13,12,500)
Increase in tax	1,60,950
Increase in income	90,000
Marginal Relief (1,60,950 – 90,000)	70,950

Q-21: Mrs. X has income under the head house property Rs.18,00,000 and she has received gift of Rs.3,00,000 in cash from her husband's sister and Rs.1,00,000 from her sister's husband and Rs.1,20,000 from sister of her mother in law. She has agricultural income of Rs.4,00,000. She has paid advance tax as given below:

Upto 15th June 2021	Rs. 15,000
Upto 15th Sept 2021	Rs. 45,000
Upto 15th Dec 2021	Rs. 75,000
Upto 15th March 2022	Rs.1,00,000

Balance amount of tax was paid on 10th Dec 2022 and return of income filed on the same date and due date for filing return of income is 31.07.2022.

Compute her tax liability for the Assessment Year 2022-23 and also interest under section 234A, 234B and 234C.

Ans:-

Computation of Total Income	Rs.
Income under the head House Property	18,00,000
Income under the head Other Sources	
Gift received from sister of her mother in law	1,20,000
Gross Total Income	19,20,000
Less: Deduction u/s 80C to 80U	Nil
Total Income	19,20,000
Agricultural Income	4,00,000

Computation of Tax Liability

Step 1. Tax on (19,20,000 + 4,00,000) at slab rates	5,08,500
Step 2. Tax on (Rs.2,50,000 + 4,00,000) at slab rates	(42,500)
Step 3. Deduct Tax at Step 2 from Tax at Step 1	4,66,000
Add: HEC @ 4%	18,640
Tax Liability	4,84,640

Interest u/s 234C

	Amount payable Rs.	Amount actually paid Rs.	Shortfall Rs.
Upto 15.06 2021 (4,84,640 x 15%)	72,696	15,000	57,696
Rounded off under rule 119A = 57,600			
Interest u/s 234C = 57,600 x 1% x 3 month = 1,728			

Upto 15.09 2021 (4,84,640 x 45%)	2,18,088	45,000	1,73,088
Rounded off under rule 119A = 1,73,000			
Interest u/s 234C = 1,73,000 x 1% x 3 month = 5,190			
Upto 15.12.2021 (4,84,640 x 75%)	3,63,480	75,000	2,88,480
Rounded off under rule 119A = 2,88,400			
Interest u/s 234C = 2,88,400 x 1% x 3 month = 8,652			
Upto 15.03.2022 (4,84,640 x 100%)	4,84,640	1,00,000	3,84,640
Interest u/s 234C = 3,84,600 x 1% x 1 month = 3,846			

Interest liability under section 234C	Rs.19,416
Interest under section 234B (01-04-2022 to 10-12-2022)	
3,84,600 x 1% x 9	Rs. 34,614
Interest under section 234A (01-08-2022 to 10-12-2022)	
3,84,600 x 1% x 5	Rs. 19,230

Q-22: Elaborate the conditions, non-fulfilment of which would render a return of income filed by an assessee not maintaining regular books of accounts, defective.

Ans:- As per section 139(9) a return shall be considered to be defective if all of columns have not been filled in properly or the required document has not been enclosed with the return. 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. 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.

Where regular books of accounts is not maintained by the assessee, return shall be accompanied by the followings:

(i) amount of turnover or gross receipts

(ii) gross profit

(iii) expenses

(iv) net profit

(v) the amount of total sundry debtors, creditors, stock and cash balance at the end of the previous year.

Non fulfilment of above details return shall be treated as defective.

Q-23: Mr. Hari aged 57 years is a resident of India. He provides you the following details of his incomes pertaining to F.Y. 2021-22.

- Interest on Non-Resident (External) Account maintained with State Bank of India as per RBI stipulations	Rs. 3,55,000
- Interest on savings bank account maintained with State Bank of India	Rs. 8,000
- Interest on Fixed Deposits with Punjab National Bank	Rs. 40,000

He seeks your advice on his liability to file return of income as per Income-tax Act, 1961 for the Assessment Year 2022-23.

What will be your answer, if he has incurred Rs. 4 lakhs on travel expenses of his newly married son and daughter in law's honeymoon in Canada?

Ans:- 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., Rs. 2,50,000.

Computation of total income of Mr. Hari for A.Y. 2022-23

Particulars	Rs.
Income from other sources	
Interest earned from Non-resident (External) Account Rs. 3,55,000 [Exempt u/s 10(4)(ii), since he is maintaining the said account as per RBI stipulations]	NIL
Interest on savings bank account	8,000
Interest on fixed deposit with Punjab National Bank	40,000
Gross Total Income	48,000
Less: Deduction u/s 80TTA (Interest on saving bank account)	(8,000)
Total Income	40,000

Since the total income of Mr. Hari for A.Y.2022-23, before giving effect, inter alia, to the deductions under Chapter VI-A, is less than the basic exemption limit of Rs. 2,50,000, he is not required to file return of income for A.Y.2022-23.

However, if he has incurred expenditure exceeding Rs. 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 Rs. 4 lakhs on foreign travel of his newly married son and daughter in law in the F.Y. 2021-22, he has to mandatorily file his return of income for A.Y. 2022-23 on or before the due date under section 139(1).

Q-24: Write a note on submission of returns through Tax Return Preparers.

Ans:- Scheme for submission of returns through Tax Return Preparers Section 139B

In order to help the persons having low income or tax liability, department has started scheme of Tax Return Preparer who will file return for such persons. For this purpose department shall select and appoint TRPs. The tax return preparer shall hold a graduation degree from a recognised Indian university or other specified qualifications but such persons should not be a Chartered Accountant or other specified persons.

A person may approach a TRP for filing the return of income but any person who is required to get his accounts audited shall not be allowed to file the return through the Tax Return Preparer.

Similarly any non-resident shall not be allowed to file return through Tax Return Preparer.

The department shall pay a commission of 3% of the tax paid on the income declared in the return or **Rs.1,000 whichever is less**. A TRP shall be entitled for a minimum payment of Rs.250 and if commission paid is less than Rs.250, he can receive the difference amount from the assessee whose return is being filed.

e.g. A TRP has deposited tax of Rs.60,000 on the basis of return filed by it, in this case commission payable shall be $60,000 \times 3\% = 1,800$ but maximum Rs.1,000. If tax paid is Rs.20,000, commission payable shall be $20,000 \times 3\% = 600$. If tax paid is Rs.5,000, commission payable shall be $Rs.5,000 \times 3\% = 150$ and TRP shall allowed to charge Rs.100 from the assessee.

Q-25: Mr. Harihar, a supplier of goods, pays GST under regular scheme. He has made the following outward taxable supplies in a tax period:

Particulars	Rs.
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Intra-State supply of goods	10,00,000
Inter-State supply of goods	8,00,000

He has also furnished the following information in respect of purchases made by him in that tax period:

Particulars	Rs.
Intra-State Purchase of goods	3,00,000
Inter-State Purchase of goods	2,50,000

Mr. Harihar has following ITCs with him at the beginning of the tax period:

Particulars	Rs.
CGST	57,000
SGST	60,000
IGST	1,40,000

Notes:

- (i) Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively.
- (ii) Both inward and outward supplies are exclusive of taxes, wherever applicable.
- (iii) All the conditions necessary for availing the ITC have been fulfilled.

Compute the minimum GST payable in cash, by Mr. Harihar for the tax period and the ITC to be carried forward to the next month. Make suitable assumptions as required.

Ans:- Computation of GST payable on outward supplies

S.NO	Particulars	CGST @ 9% (Rs.)	SGST@ 9% (Rs.)	IGST@ 18% (Rs.)	Total (Rs.)
(i)	Intra-State supply of goods for Rs. 10,00,000	90,000	90,000		1,80,000

(ii)	Inter-State supply of goods for Rs. 8,00,000			1,44,000	1,44,000
Total GST Payable					3,24,000

Computation of total ITC

Particulars	CGST @ 9% (Rs.)	SGST@ 9% (Rs.)	IGST@ 18% (Rs.)
Opening ITC	57,000	60,000	1,40,000
Add: ITC on Intra-State purchases of goods valuing Rs.3,00,000	27,000	27,000	Nil
Add: ITC on Inter-State purchases of goods valuing Rs.2,50,000	Nil	Nil	45,000
Total ITC	84,000	87,000	1,85,000

Computation of minimum GST payable from cash ledger

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

Notes: The above computation is one of the many ways to set off the ITC of IGST

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

Q-26: ABC Limited is a manufacturing concern and the company has submitted the particulars as given below:-

Purchased raw material, R1: Rs.2,00,000 (+) CGST @10% (+) SGST @10%

Purchased raw material, R2: Rs.3,00,000 (+) IGST @ 20%

The company purchased plant and machinery for Rs.10 Lakhs and paid CGST @10% plus SGST @ 10%.

Life of the plant and machinery is 5 years and depreciation is allowed @ 20% on SLM.

The company has taken certain services in connection with manufacturing of goods and has paid Rs.3,00,000 plus CGST @10% plus SGST @ 10%. Other processing expenditure incurred by the company is Rs.5,00,000 and profit is Rs.8,00,000. Final product was sold by the company and output CGST @10% plus SGST @ 10%. Company is registered under GST ACT. Compute Net Tax Payable.

Ans:-

	Rs.
Raw material –R1	
Purchase price	2,00,000.00
Add: CGST @ 10%	20,000.00
Add: SGST @ 10%	20,000.00
	2,40,000.00
Raw material –R2	
Purchase price	3,00,000.00
Add: IGST @ 20%	60,000.00
	3,60,000.00
Capital goods	
Purchase price	10,00,000.00
Add: CGST @10%	1,00,000.00
Add: SGST @10%	1,00,000.00
	12,00,000.00
Services	3,00,000.00
Add: CGST @10%	30,000.00
Add: SGST @10%	30,000.00
	3,60,000.00

Cost of final product

Raw material –R1	2,00,000.00
Raw material –R2	3,00,000.00
Depreciation on Capital goods (10,00,000 @ 20%)	2,00,000.00
Services	3,00,000.00
Other processing charges	5,00,000.00
Profit	8,00,000.00
Transaction Value	23,00,000.00

Add: CGST @10%	2,30,000.00
Add: SGST @10%	2,30,000.00
	27,60,000.00

Computation of Net Tax Payable

	CGST Rs.
Output Tax	2,30,000
Less:	
ITC Raw Material 2 - IGST	(60,000)
ITC Raw material – R1 – CGST	(20,000)
ITC Plant and machinery – CGST	(1,00,000)
ITC Tax on Input Services – CGST	(30,000)
Net tax payable	20,000

Computation of Net Tax Payable

	SGST Rs.
Output Tax	2,30,000
Less:	
ITC Raw material – R1 – SGST	(20,000)
ITC Plant and machinery – SGST	(1,00,000)
ITC Services – SGST	(30,000)
Net tax payable	80,000

Assessee has the option to adjust ITC of IGST either from output CGST or from output SGST

Q-27: Prithvi Associates is engaged in supply of taxable goods. It enquires from its tax advisor as to whether any activity can be treated as supply even if made without consideration in accordance with the provisions of the CGST Act. Enumerate such activities, if any.

Ans:- Section 7 stipulates that the supply should be for a consideration and should be in the course or furtherance of business. However, Schedule I of the CGST Act enumerates the cases where an activity is treated as supply, even if the same is without consideration. These are as follows:

(i) Permanent transfer or disposal of business assets where input tax credit has been availed on such assets.

(ii) Supply of goods or services or both between related persons or between distinct persons as specified in section 25, when made in the course or furtherance of business.

However, gifts not exceeding fifty thousand rupees in value in a financial year by an employer to an employee shall not be treated as supply of goods or services or both.

(iii) Supply of goods —

(a) by a principal to his agent where the agent undertakes to supply such goods on behalf of the principal; or

(b) by an agent to his principal where the agent undertakes to receive such goods on behalf of the principal.

(iv) Import of services by a person from a related person or from any of his other establishments outside India, in the course or furtherance of business.

Q-28: PTL Pvt. Ltd. is a retail store of merchandise located in 25 States/UTs in the country. For the purpose of clearance of stock of merchandise and to attract consumers, PTL Pvt. Ltd. launched scheme of “Buy One Get One Free” for the same type of merchandise, for instance, one shirt to be given free with purchase of one shirt. Determine how the taxability of the goods supplied under “Buy One Get One Free” scheme is determined.

Ans:- As per section 7(1)(a), the goods or services which are supplied free of cost (without any consideration) are not treated as “supply” except in case of activities mentioned in Schedule I of the CGST Act. Under “Buy One Get One Free” scheme, it may appear at first glance that in case of offers like “Buy One, Get One Free”, one item is being “supplied free of cost” without any consideration. However, it is not an individual supply of free goods, but a case of two or more individual supplies where a single price is being charged for the entire supply. It can at best be treated as supplying two goods for the price of one. Taxability of such supply will be dependent upon as to whether the supply is a composite supply or a mixed supply and the rate of tax shall be determined accordingly.

Q-29: The due date for payment of tax by a person paying tax under section 10 of the CGST Act, 2017, i.e. a composition supplier is aligned with the due date of return to be filed by the said person. Discuss the correctness or otherwise of the statement.

Ans:- The statement is not correct. Every registered person paying tax under section 10, i.e. a composition supplier, is required to file a return annually in Form GSTR-4. Form GSTR-4 for a financial year should be furnished by 30th April of the succeeding financial year. However, a composition supplier is required to pay his tax on a quarterly basis. A quarterly statement for payment of self-assessed tax in GST CMP-08 is required to be furnished by 18th day of the month succeeding such quarter. Therefore, while the return is to be furnished annually, payment of tax needs to be made on a quarterly basis, by a composition supplier.

Q-30: Mr. Ajay has a registered repair centre where electronic goods are repaired/serviced. His repair centre is located in State of Rajasthan and he is not engaged in making any inter-State supply of services. His aggregate turnover in the preceding financial year (FY) is Rs. 45 lakh.

With reference to the provisions of the CGST Act, 2017, examine whether Mr. Ajay can opt for the composition scheme under section 10(1) & 10(2) of the CGST Act, 2017 in the current financial year? Or whether he is eligible to avail benefit of composition scheme under section 10(2A)? Considering the option of payment of tax available to Mr. Ajay, compute the amount of tax payable by him assuming that his aggregate turnover in the current financial year is Rs. 35 lakh.

Will your answer be different if Mr. Ajay procures few items required for providing repair services from neighbouring State of Madhya Pradesh?

Ans:- Section 10(1) provides that a registered person, whose aggregate turnover in the preceding financial year did not exceed Rs. 1.5 crore, may opt to pay, in lieu of the tax payable by him, an amount calculated at the specified rates. However, as per proviso to section 10(1), person who opts to pay tax under composition scheme may supply services other than restaurant services, of value not exceeding 10% of the turnover in a State or Union territory in the preceding financial year or Rs. 5 lakh, whichever is higher.

In the given case, since Mr. Ajay is an exclusive supplier of services other than restaurant services [viz. repair services], he is not eligible for composition scheme under section 10(1) & 10(2).

However, section 10(2A) provides an option to a registered person (subject to certain conditions) whose aggregate turnover in the preceding financial year is upto Rs. 50 lakh and who is not eligible to pay tax under composition scheme under section 10(1) & 10(2), to pay tax

@ 3% [Effective rate 6% (CGST+ SGST/UTGST)] of the turnover of supplies of goods and services in the State or Union territory.

Thus, in view of the above-mentioned provisions, Mr. Ajay is eligible to avail the composition scheme under section 10(2A) as his aggregate turnover in the preceding FY does not exceed Rs. 50 lakh and he is not eligible to opt for the composition scheme under section 10(1) & 10(2).

Thus, the amount of tax payable by him as per the composition scheme under section 10(2A) is Rs. 2,10,000 [6% of Rs. 35 lakh].

A registered person cannot opt for composition scheme under section 10(2A), if, inter alia, he is engaged in making any inter-State outward supplies. However, there is no restriction on inter-State procurement of goods. Hence, answer will remain the same even if Mr. Ajay procures few items from neighboring State of Madhya Pradesh.

Q-31: Discuss whether GST is payable in respect of transportation services provided by Raghav Goods Transport Agency in each of the following independent cases:

Customer	Nature of services provided	Amount charged
A	Transportation of milk	Rs. 20,000
B	Transportation of books on a consignment transported in a single goods carriage	Rs. 3,000
C	Transportation of chairs for a single consignee in the goods carriage	Rs. 600

Ans:-

Customer	Nature of services Provided	Amount Charged	Taxability
A	Transportation of Milk	Rs.20,000	Exempt. Transportation of milk

			by goods transport agency is exempt.
B	Transportation of books on a consignment transported in a single goods carriage	Rs.3,000	GST is payable. Exemption is available for transportation of goods only where the consideration for transportation of goods on a consignment transported in a single goods carriage does not exceed Rs.1,500
C	Transportation of chairs for a single consignee in the goods carriage	Rs.600	Exempt. Transportation of goods where consideration for transportation of all goods for a single consignee does not exceed Rs.750/- is exempt.

Q-32: Multi services Private Ltd., registered in Punjab, is engaged in supplying a variety of services. Its turnover was Rs.35 lakh in the preceding financial year. It has provided the following information for the month of April:

Particulars	Amount
Fee for the coaching provided to students for competitive exams. The coaching centre is run by Multi services Private Ltd. in Punjab (Intra-State transaction)	6,24,000
Receipts for services provided in relation to conduct of examination in Pureit University, Delhi (providing education recognized by Indian law), being an inter-State transaction	19,200

Amount received for transportation of students and faculty from their residence to Lotus Public School - a higher secondary school – and back (Intra-State transaction)	24,000
Amount received for providing the security and housekeeping services in Dhaani Public School – a pre-school (Intra-State transaction)	36,000

Note: Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively. All the amounts given above are exclusive of taxes.

Compute the total GST liability of Multi services Private Ltd. for the month of April

Ans:- Computation of net GST liability of Multi services Private Ltd. for the month of April:

Particulars	Value	CGST @9%	SGST @9%	IGST @18%
Fee for the coaching provided to students for competitive exams [Note-1]	6,24,000	56,160	56,160	-
Services towards conduct of examination in Pureit University, Delhi [Note-2]	19,200	-	-	-
Services of transportation of students and faculty from their residence to Lotus Public School and back [Note-3]	24,000	-	-	-
Security and housekeeping services in Dhaani Public School [Note-4]	36,000	-	-	-
Total GST Liability		56,160	56,160	-

Notes:-

1. Coaching centre run by Mutiservices Private Ltd. is not an educational institution since competitive exam coaching does not lead to grant of a qualification recognized by law. Therefore, fee received for coaching provided at such coaching centre is taxable.

2. Since Pureit University provides qualification recognized by law, it is an educational institution and services provided to an educational institution, in relation to conduct of examination by such institution are exempt from GST.

3. Since Lotus Public School provides education up to higher secondary school, it is an educational institution and services of transportation of students, faculty and staff provided to an educational institution are exempt.

4. Since Dhaani Public School provides pre-school education, it is an educational institution. Security and housekeeping services provided within the premises of an educational institution are exempt.

Q-33: Mr. X is a supplier of services registered in GST and has submitted the information as given below:

1. Rendered services on 01.05.2021 and issued bill on 10.06.2021 for Rs. 6 lakhs and payment was received on 10.12.2021

2. Rendered services on 07.06.2021 and issued bill on 30.06.2021 for Rs. 15 lakhs and payment was received on 07.03.2022.

3. Rendered services on 12.07.2021 and issued bill on 31.08.2021 for Rs. 30 lakhs and payment was received on 07.01.2022.

4. Rendered services on 22.11.2021 and issued bill on 28.12.2021 for Rs. 60 lakhs and payment was received on 18.11.2021.

All the above amounts are exclusive of GST and Rate of CGST is 9% and SGST is 9%.

Determine TOS in each case and also compute the GST Payable for each month and also last date upto which GST should be paid.

Ans:- 1. First bill issued after 30 days of rendering of service hence TOS is 01/05/2021 and GST should be paid upto 20th June 2021.

2. Second bill issued within 30 days of rendering of service hence TOS is 30/06/2021 and GST should be paid upto 20th July 2021.

3. Third bill issued after 30 days of rendering of service hence TOS is 12/07/2021 and GST should be paid upto 20th August 2021.

4. Fourth bill issued after 30 days of rendering of service but payment has been received prior to rendering of service hence TOS is 18/11/2021 and GST should be paid upto 20th December 2021.

Tax Liability for the Month of May	Rs.
First Bill (TOS 01/05/2021)	6,00,000.00
Add: CGST @ 9%	54,000.00
Add: SGST @ 9%	54,000.00
GST should be paid upto 20th June 2021	7,08,000.00
Tax Liability for the Month of June	Rs.
Second Bill (TOS 30/06/2021)	15,00,000.00
Add: CGST @ 9%	1,35,000.00
Add: SGST @ 9%	1,35,000.00
GST should be paid upto 20th July 2021.	17,70,000.00
Tax Liability for the Month of July	Rs.
Third Bill (TOS 12/07/2021)	30,00,000.00
Add: CGST @ 9%	2,70,000.00

Add: SGST @ 9%	2,70,000.00
GST should be paid upto 20th August 2021	35,40,000.00
Tax Liability for the Month of November	Rs.
Fourth Bill (TOS 18/11/2021)	60,00,000.00
Add: CGST @ 9%	5,40,000.00
Add: SGST @ 9%	5,40,000.00
GST should be paid upto 20th December 2021	70,80,000.00

Q-34: You are required to determine the Time of supply for the following service:

ABC & Co., a firm of Chartered Accountants, renders service to M/s. ST & Sons in the month of December, 2021, which gets completed on 31st December, 2021. It is billed on 5th January, 2022, while the payment for the same is received on 2nd January, 2022.

Ans:- As per section 13, Time of supply of services shall be the date of invoice or payment whichever is earlier but if the invoice is not issued within 30 days of supply of service, TOS shall be the date of supply of service or payment whichever is earlier. In the given case, Invoice is issued within 30 days but payment is received before the date of invoice hence TOS shall be the date of receiving payment i.e. 2nd January 2022.

Q-35: M/s. Flow Pro, a registered supplier, sold a machine to BP Ltd. It provides the following information in this regard: -

S. No.	Particulars	Amount (Rs.)
(i)	Price of the machine [excluding taxes and other charges]	25,000

	mentioned at S. Nos. (ii) and (iii)]	
(ii)	Third party inspection charges [Such charges were payable by M/s Flow Pro but the same have been directly paid by BP Ltd. to the inspection agency. These charges were not recorded in the invoice issued by M/s Flow Pro.]	5,000
(iii)	Freight charges for delivery of the machine [M/s Flow Pro has agreed to deliver the goods at BP Ltd.'s premises]	2,000
(iv)	Subsidy received from the State Government on sale of machine under Skill Development Programme [Subsidy is directly linked to the price]	5,000
(v)	Discount of 2% is offered to BP Ltd. on the price mentioned at S. No. (i) above and recorded in the invoice	

Note: Price of the machine is net of the subsidy received.

Determine the value of taxable supply made by M/s Flow Pro to BP Ltd.

Ans:- Computation of value of taxable supply made by M/s. Flow Pro to BP Ltd.

Particulars	Amount (Rs.)
Price of the machine [Since the subsidy is received from the State Government, the same is not includible in the value of supply in terms of section 15(2)(e)]	25,000
Third party inspection charges [Any amount that the supplier is liable to pay in relation to the supply but has been incurred by the recipient and not included in the price actually paid or payable for the goods, is includible in the value of supply in terms of section 15(2)(b)]	5,000
Freight charges for delivery of the machine	2,000

[Since arranging freight is the liability of supplier, it is a case of composite supply and thus, freight charges are added in the value of principal supply.]	
Total	32,000
Less: Discount @ 2% on Rs. 25,000 being price charged to BP Ltd. [Discount given before or at the time of supply if duly recorded in the invoice is deductible from the value of supply in terms of section 15(3)(a)]	500
Value of taxable supply	31,500

Q-36: Red Pepper Ltd., Delhi, a registered supplier, is manufacturing taxable goods. It provides the following details of taxable inter-State supply made by it during the month of March.

S.No.	Particulars	Amount (Rs.)
(i)	List price of taxable goods supplied inter-state (exclusive of taxes)	15,00,000
(ii)	Subsidy received from the Central Government for supply of taxable goods to Government School (exclusively related to supply of goods included at S. No. 1)	2,10,000
(iii)	Subsidy received from an NGO for supply of taxable goods to an old age home (exclusively related to supply of goods included at S. No. 1)	50,000
(iv)	Tax levied by Municipal Authority	20,000
(v)	Packing charges	15,000
(vi)	Late fee paid by the recipient of supply for delayed payment of consideration (Recipient has agreed to pay Rs. 6,000 in lump sum and no additional amount is payable by him)	6,000

The list price of the goods is net of the two subsidies received. However, the other charges/taxes/fee is charged to the customers over and above the list price.

Calculate the total value of taxable supplies made by Red Pepper Ltd. during the month of March. Rate of IGST is 18%.

Ans:- Computation of total value of taxable supplies made by Red Pepper Ltd. during the month of March

Particulars	Amount (Rs.)
List price of the goods	15,00,000
Subsidy amounting to Rs. 2,10,000 received from the Central Government [Since the subsidy is received from the Government, the same is not includible in the value in terms of section 15(2)(e)]	NIL
Subsidy received from NGO [Since the subsidy is received from a non-Government body and directly linked to the supply, the same is includible in the value in terms of section 15(2)(e)]	50,000
Tax levied by the Municipal Authority [Includible in the value as per section 15(2)(a)]	20,000
Packing charges [Being incidental expenses, the same are includible in the value as per section 15(2)(c)]	15,000
Late fees paid by recipient of supply for delayed payment [Includible in the value as per section 15(2)(d) - As the amount of interest received is a lump sum amount, the same has to be taken as inclusive of GST] [Rs. 6,000 x 100/118] rounded off	5,085
Total value of taxable supplies	15,90,085

Q-37: Babla & Bros. is exclusively engaged in making exempt supply of goods and is thus, not registered under GST. On 1st October, the exemption available on its goods gets withdrawn. On that day, the turnover of Babla & Bros. was Rs.50 lakh. Examine the eligibility of Babla & Bros. for availing ITC, if any.

Ans:- Since the exemption available on goods being supplied by Babla & Bros. is withdrawn, it becomes liable to registration as its turnover has crossed the threshold limit (for registration) on the day when the exemption is withdrawn. Assuming that Babla & Bros. applies for registration within 30 days of 1st October and it obtains such registration, it will be entitled to take credit of input tax in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock on the day immediately preceding the date from which it becomes liable to pay tax, i.e. 30th September [Section 18(1)(a) of the CGST Act, 2017]. Input tax paid on capital goods will not be available as input tax credit in this case.

Q-38: Anant Pvt. Ltd., a supplier of goods, pays GST under regular scheme. It has made the following outward taxable supplies in a tax period:

Particulars	Amount (Rs.)
Intra-State supply of goods	8,00,000
Inter-State supply of goods	3,00,000

It has also furnished the following information in respect of purchases made by it in that tax period:

Particulars	Amount (Rs.)
Intra-State purchases of goods	2,00,000
Inter-State purchases of goods	50,000

The company has following ITCs with it at the beginning of the tax period:

Particulars	Amount (Rs.)
CGST	57,000
SGST	Nil
IGST	70,000

Note:

(i) Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively.

(ii) Both inward and outward supplies are exclusive of taxes, wherever applicable.

(iii) All the conditions necessary for availing the ITC have been fulfilled.

Compute the minimum GST, payable in cash, by Anant Pvt. Ltd. for the tax period. Make suitable assumptions as required.

Ans:-

Computation of GST payable on outward supplies

S.No.	Particulars	CGST @ 9% (Rs.)	SGST @ 9% (Rs.)	IGST @ 18% (Rs.)	Total (Rs.)
(i)	Intra-State supply of goods for Rs. 8,00,000	72,000	72,000		1,44,000
(ii)	Inter-State supply of goods for Rs. 3,00,000			54,000	54,000
	Total GST payable				1,98,000

Computation of total ITC

Particulars	CGST @ 9% (Rs.)	SGST @ 9% (Rs.)	IGST @ 18% (Rs.)
Opening ITC	57,000	Nil	70,000
Add: ITC on Intra-State purchases of goods valuing Rs.	18,000	18,000	Nil

2,00,000			
Add: ITC on Inter-State purchases of goods valuing Rs. 50,000	Nil	Nil	9,000
Total ITC	75,000	18,000	79,000

Computation of minimum GST payable from electronic cash ledger

Particulars	CGST @ 9% (Rs.)	SGST @ 9% (Rs.)	IGST @ 18% (Rs.)	Total (Rs.)
GST payable	72,000	72,000	54,000	1,98,000
Less: ITC [First ITC of IGST should be utilized in full - first against IGST liability and then against CGST and SGST liabilities in a manner to minimize cash outflow]	(Nil) IGST	(25,000) IGST	(54,000) IGST	79,000
	(72,000) CGST	(18,000) SGST		90,000
Minimum GST payable in cash	Nil	29,000	Nil	29,000

Note: Since sufficient balance of ITC of CGST is available for paying CGST liability and cross utilization of ITC of CGST and SGST is not allowed, ITC of IGST has been used to pay SGST (after paying IGST liability) to minimize cash outflow

Q-39: Paritosh & Co., a supplier of goods, pays GST under regular scheme. It has made the following outward taxable supplies in a tax period:

Particulars	Amount (Rs.)
Intra-State supply of goods	10,00,000
Inter-State supply of goods	8,00,000

It has also furnished the following information in respect of purchases made by it in that tax period:

Particulars	Amount (Rs.)
Intra-State purchases of goods	3,00,000
Inter-State purchases of goods	2,50,000

Paritosh & Co. has following ITCs with it at the beginning of the tax period:

Particulars	Amount (Rs.)
CGST	57,000
SGST	60,000
IGST	1,40,000

Note:

- (i) Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively.
- (ii) Both inward and outward supplies are exclusive of taxes, wherever applicable.
- (iii) All the conditions necessary for availing ITC have been fulfilled.

Compute the minimum GST, payable in cash, by Paritosh & Co. for the tax period and the ITC to be carried forward to the next month. Make suitable assumptions as required.

Ans:- Computation of GST payable on outward supplies

S.No.	Particulars	CGST @ 9% (Rs.)	SGST @ 9% (Rs.)	IGST @ 18% (Rs.)	Total (Rs.)
(i)	Intra-State supply of goods for Rs.10,00,000	90,000	90,000	-	1,80,000
(ii)	Inter-State supply of goods for Rs.8,00,000			1,44,000	1,44,000
	Total GST payable				3,24,000

Computation of total ITC

Particulars	CGST @ 9% (Rs.)	SGST @ 9% (Rs.)	IGST @ 18% (Rs.)
Opening ITC	57,000	60,000	1,40,000
Add: ITC on Intra-State purchases of goods valuing Rs.3,00,000	27,000	27,000	Nil
Add: ITC on Inter-State purchases of goods valuing Rs.2,50,000	Nil	Nil	45,000
Total ITC	84,000	87,000	1,85,000

Computation of minimum GST payable from electronic cash ledger

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

Note: The above computation is one of the many ways to set off the ITC of IGST (Rs. 41,000- after set off against IGST liability) against CGST and SGST liability to compute minimum GST payable in cash. To illustrate, IGST of Rs. 10,000 can be set off against SGST payable and IGST of

Rs. 31,000 can be set off against CGST payable. In this situation also, the net GST payable will be nil but the ITC of CGST and SGST to be carried forward will be Rs. 25,000 and Rs. 7,000 (totaling to Rs. 32,000) respectively. However, if the entire ITC of Rs. 41,000 is set off against CGST payable, then SGST of Rs. 3,000 will be payable in cash thus, increasing the cash outflow. Therefore, such a set off would not be advisable for computing the minimum GST payable.

Q-40: 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 Rs. 24 lacs.

(ii) Mr. Lepcha of Mizoram is engaged in the supply of papers with an aggregate turnover of Rs. 13 lacs. Will your answer be different if Mr. Lepcha is located in Meghalaya?

Ans:- As per section 22, every supplier of goods shall be liable to be registered in the State / Union Territory, if his aggregate turnover in a financial year exceeds the specified limit which is given below:

Limit for person supplying within the State/UT.

SL.No	Name of State/UT	Limit for person supplying only goods
01	Mizoram	10,00,000
02	Meghalaya	20,00,000
03	Jammu	40,00,000

SL. No	Name of State/UT	Limit for person supplying Specified goods i.e. ice cream and other edible ice, pan masala, Tobacco etc.
01	Jammu	20,00,000

(i) As per the above limits Mr. Ahmad of Jammu is engaged in the supply of tobacco based pan masala with an aggregate turnover exceeding Rs.20,00,000, hence he liable to registration.

(ii) As per the above limits Mr. Lepcha of Mizoram is engaged in the supply of paper with an aggregate turnover exceeding Rs.10,00,000, hence he liable to registration.

Yes answer will change if Mr. Lepcha is located in Meghalaya limit of 20,00,000 shall be applicable and aggregate turnover is less than 20,00,000 hence he is not liable for registration.

Q-41: Explain the circumstances under which proper officer can cancel the registration on his own of a registered person under CGST Act, 2017.

Ans:- 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:-

(a) does not conduct any business from the declared place of business; or

(b) issues invoice or bill without supply of goods or services or both in violation of the provisions of the Act, or the rules made thereunder; or

(c) violates the provisions of section 171 of the Act or the rules made thereunder.

(d) violates the provision of rule 10A. As per rule 10A, after a certificate of registration in **FORM GST REG-06** has been made available on the common portal and a Goods and Services Tax Identification Number has been assigned, the registered person, shall as soon as may be, but not later than forty five days from the date of grant of registration or the date on which the return required under section 39 is due to be furnished, whichever is earlier, furnish information with respect to details of bank account, or any other information, as may be required on the common portal in order to comply with any other provision.

(e) avails input tax credit in violation of the provisions of section 16 of the Act

(f) furnishes the details of outward supplies in **FORM GSTR-1** under section 37 for one or more tax periods which is in excess of the outward supplies declared by him in his valid return under section 39 (GSTR 3B) for the said tax periods;

Q-42: 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	- 01-10-2021
(ii)	Date of completion of Providing CSS	- 31-01-2022
(iii)	Date of receipt of payment by Mr. Lakhan	- 30-03-2022

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 25-03-2022 as per the contract between them.

Ans:- Invoice in case of Continuous supply of Services

As per section 31 (5) Subject to the provisions of clause (d) of sub-section (3), in case of continuous supply of services—

- (i) where the due date of payment is ascertainable from the contract, the invoice shall be issued on or before the due date of payment.
- (ii) where the payment is linked to the completion of an event, the invoice shall be issued on or before the date of completion of that event.

(iii) 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.

In the given case

(i) Since the date of payment is not ascertainable from the contract, invoice shall be issued before or at the time when the supplier of service receives the payment i.e. on or before 30-03-2022.

(ii) Since the date of payment is linked to the completion of service, invoice shall be issued on or before the date of completion of service i.e. on or before 31-01-2022.

(iii) Since the date of payment is ascertainable from the contract, invoice shall be issued on or before the due date of payment. i.e. on or before 25-03-2022.

Q-43: Royal Fashions, a registered supplier of designer outfits in Delhi, decides to exhibit its products in a Fashion Show being organised at Hotel Park Royal, Delhi on 4th January. For the occasion, it gets the service by way of makeover of its models from Aura Beauty Services Ltd., Ashok Vihar, for which a consideration is Rs. 5,00,000 (excluding GST) has been charged. Aura Beauty Services Ltd. issued a duly signed tax invoice on 10th February showing the lumpsum amount of Rs. 5,90,000 inclusive of CGST and SGST @ 9% each for the services provided. Answer the following questions:

- (i) Examine whether the tax invoice has been issued within the time limit prescribed under law.
- (ii) Tax consultant of Royal Fashions objected to the invoice raised suggesting that the amount of tax charged in respect of the taxable supply should be shown separately in the invoice raised by Aura Beauty Services Ltd. However, Aura Beauty Services Ltd. contended that there is no mandatory requirement of showing tax component separately in the invoice. You are required to examine the validity of the objection raised by tax consultant of Royal Fashions.

Ans:- (i) As per section 31 read with the CGST Rules, in case of taxable supply of services, invoices should be issued before or after the provision of service, but within a period of 30 days [45 days in case of insurer/banking company or financial institutions including NBFCs] from the date of supply of service.

In view of said provisions, in the present case, the tax invoice should have been issued in the prescribed time limit of 30 days from the date of supply of service i.e. upto 3rd February. However, the invoice has been issued on 10th February.

(ii) Section 31 read with the CGST Rules, inter alia, provides that tax invoice in addition to other mandatory details shall also contain the amount of tax charged in respect of taxable goods or services (central tax, State tax, integrated tax, Union territory tax or cess). Further, where any supply is made for a consideration, every person who is liable to pay tax for such supply shall prominently indicate in all documents relating to assessment, tax invoice and other like documents, the amount of tax which shall form part of the price at which such supply is made.

The objection raised by the tax consultant of Royal Fashions suggesting that the amount of tax charged in respect of the taxable supply of makeover services should be shown separately in the invoice raised by Aura Beauty Services Ltd., is valid in law.

Q-44: 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.

Ans:- 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 200 km and one additional day for every 200 km or part thereof thereafter.

Thus, validity period in given case:

= 1 day + 1 days

= 2 days

Q-45: Sahil is a supplier of taxable goods in Karnataka. He got registered under GST in the month of September, 2021 and wishes to pay his IGST liability for the month. Since he's making the GST payment for the first time, he is of the view that he needs to mandatorily have the online banking facility to make payment of GST; offline payment is not permitted under GST. You are required to apprise Sahil regarding the various modes of deposit in the electronic cash ledger. Further, advise him with regard to following issues:

(a) Are manual challans allowed under GST?

(b) What is the validity period of the challan?

(c) Is cross utilization among Major and Minor heads of the electronic cash ledger permitted?

Ans:- Section 49(1) of CGST Act, 2017 read with rule 87 of CGST Rules, 2017 provides that the deposit in electronic cash ledger can be made through any of the following modes, namely:-

- (i) Internet Banking through authorised banks;
- (ii) Credit card or Debit card through the authorised bank;
- (iii) National Electronic Fund Transfer or Real Time Gross Settlement from any bank; or
- (iv) Over the Counter payment through authorised banks.

Thus, offline mode is also permitted under GST.

(a) Manual or physical Challans are not allowed under the GST regime. It is mandatory to generate Challans online on the GST Portal.

(b) E-challan is valid for a period of 15 days.

(c) Amount entered under any Minor head (Tax, Interest, Penalty, etc.) and Major Head (CGST, IGST, SGST/UTGST) of the Electronic Cash Ledger can be utilized and Cross-utilization among Major and Minor heads is possible.

Q-46: How do the new payment system benefit the taxpayer & the Commercial Tax Department?

Ans:- These are the benefits of the new system for the taxpayer and the Commercial Tax Department.

1. No more queues and waiting for making payments as payments can be made online 24 x 7.
2. Instant online receipts for payments made online.
3. Tax consultants can make payment on behalf of the clients.
4. Single challan form to be created online, replacing the three or four copy challan.

5. Revenue will come earlier into the Government Treasury as compared to the old system.
6. Greater Transparency.
7. Online Payments made after 8 pm will credited to the taxpayers account on the same day.

Q-47: Mr. Gauri Shiva, a registered person in Punjab, supplies goods taxable @ 12% [CGST @ 6%, SGST @ 6% & IGST @ 12%] in the States of Punjab and Haryana. He has furnished the following details in relation to independent supplies made by him in the quarter ending June, 2021:-

Supply	Recipient	Nature of supply	Value (Rs.)
1	Mr. A, a registered person	Inter-State	2,20,000
2	Mr. B, a registered person	Inter-State	2,55,000
3	Mr. C, an unregistered person	Intra-State	1,80,000
4	Mr. D, an unregistered person	Intra-State	2,60,000
5	Mr. M, an unregistered person	Inter-State	3,00,000
6	Mr. N, an unregistered person	Inter-State	50,000
7	Mr. O, an unregistered person	Inter-State	2,50,000
8	Mr. P, an unregistered person	Inter-State	2,80,000
9	Mr. Q, a registered person	Intra-State	1,50,000
10	Mr. R, a registered person	Intra-State	4,10,000

The aggregate annual turnover of Mr. Gauri Shiva in the preceding financial year was Rs. 1.20 crore. With reference to rule 59 of the CGST Rules, 2017, discuss the manner in which the details of above supplies are required to be furnished in GSTR-1.

Ans:- Rule 59 of the CGST Rules, 2017, inter alia, stipulates that the details of outward supplies of goods and/or services furnished in form GSTR-1 shall include the—

(a) invoice wise details of all –

(i) inter-State and intra-State supplies made to the registered persons; and

(ii) inter-State supplies with invoice value more than two and a half lakh rupees made to the unregistered persons;

(b) consolidated details of all –

(i) intra-State supplies made to unregistered persons for each rate of tax; and

(ii) State wise inter-State supplies with invoice value upto two and a half lakh rupees made to unregistered persons for each rate of tax;

Thus, in view of the above-mentioned provisions, Mr. Gauri Shiva should furnish the details of outward supplies of goods made by him during the quarter ending June 2021 in the following manner: -

Supply	Recipient	Nature of supply	Value (Rs.)	Manner of furnishing details
1	Mr. A, a registered person	Inter-State	2,20,000	Invoice-wise details
2	Mr. B, a registered person	Inter-State	2,55,000	Invoice-wise details
3	Mr. C, an unregistered person	Intra-State	1,80,000	Consolidated details of supplies 3 and 4
4	Mr. D, an unregistered person	Intra-State	2,60,000	
5	Mr. M, an unregistered person	Inter-State	3,00,000	Invoice-wise details
6	Mr. N, an unregistered person	Inter-State	50,000	Consolidated details of supplies 6 and 7
7	Mr. O, an unregistered person	Inter-State	2,50,000	
8	Mr. P, an unregistered person	Inter-State	2,80,000	Invoice-wise details
9	Mr. Q, a registered person	Intra-State	1,50,000	Invoice-wise details
10	Mr. R, a registered person	Intra-State	4,10,000	Invoice-wise details

Q-48: Explain Statement and return by composition dealer.

Ans:- (1) Every registered person paying tax under section 10 shall-

(i) furnish a statement, every quarter or, as the case may be, part thereof, containing the details of payment of self-assessed tax in **FORM GST CMP-08**, till the 18th day of the month succeeding such quarter; and

(ii) furnish a return for every financial year or, as the case may be, part thereof in **FORM GSTR-4**, till the thirtieth day of April following the end of such financial year, electronically through the common portal.

(2) Every such registered person shall discharge his liability towards tax or interest by debiting the electronic cash ledger.

(4) A registered person who has opted to pay tax under section 10 from the beginning of a financial year shall, where required, furnish the details of outward and inward supplies and return under rules 59, 60 and 61 relating to the period during which the person was liable to furnish such details and returns till the due date of furnishing the return for the month of September of the succeeding financial year or furnishing of annual return of the preceding financial year, whichever is earlier.

Explanation.—For the purposes of this sub-rule, it is hereby declared that the person shall not be eligible to avail input tax credit on receipt of invoices or debit notes from the supplier for the period prior to his opting for the composition scheme.

(5) A registered person opting to withdraw from the composition scheme at his own motion or where option is withdrawn at the instance of the proper officer shall, where required, furnish [a statement in **FORM GST CMP-08** for the period for which he has paid tax under the composition scheme till the 18th day of the month succeeding the quarter in which the date of withdrawal falls and furnish a return in **FORM GSTR-4** for the said period till the thirtieth day of April following the end of the financial year during which such withdrawal falls.

Q-49: Quicktax, a GST return filing service provider, has asked its clients to provide the scanned copies of the tax invoices issued to B2B customers for uploading on the GST portal and filing the return. Whether the process followed by Quicktax is correct?

Ans:- No, the process followed by Quicktax is not correct.

The registered persons supplying goods or services to B2B customers are required to upload the invoice wise details of supplies made during the tax period. However, there is no requirement to upload the scanned copies of the invoices issued to the customers on the GST portal at the time of filing returns. Only information required as per GST returns is to be captured in the return filing utility and the same is to be uploaded on the GST portal and not the scanned copies of the actual invoices.

Q 50: State in brief the applicability of tax deduction at source provisions, the rate and amount of tax deduction in the following cases for the financial year 2021-2022 under the Income -tax Act, 1961. Assume that all payments are made to residents:

(i) Sanjay, a resident individual, not deriving any income from business or profession makes payment of Rs. 12 lakhs in January, 2022, Rs. 20 lakh in February, 2022 and Rs.20 lakh in March, 2022 to Mohan, a contractor for reconstruction of his residential house.

(ii) ABC Ltd. makes the payment of Rs. 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 Rs. 5,000 on 17th April,2021 to Smt. Deepa from the deposits in National savings Scheme account.

Ans:- (i) Yes, under section 194M since the aggregate of payments (i.e., Rs. 52 lakhs) exceeds Rs. 50 lakhs and his turnover is below Rs. 100 lakhs in the P.Y.2020-21. Hence, TDS provisions

under section 194C are not attracted in respect of payments made in the P.Y.2021-22 and section 194M gets attracted as the aggregate payments exceeds 50 lakhs, hence he is liable to deduct TDS @ 5% on 52,00,000 = 2,60,000.

(ii) As per section 194C, No tax shall be deducted at source in case of payment to a contractor in connection with transportation of goods where such contractor do not own more than 10 goods carriages at any time during the year and also submitted a declaration in this regard and has also furnished permanent account number. But in the given case transporter has not furnished his PAN hence ABC limited can deduct TDS u/s 194C.

As transporter has not furnished his PAN then section 206AA shall also be applicable and TDS shall be deducted @ 20% on 1,50,000 = 30,000.

(iii) As per section 194EE, the person responsible for paying to any person any amount from deposits under National saving scheme shall, at the time of payment thereof, deduct income-tax thereon at the rate of 10% provided amount is exceeding 2,500 in a financial year. In the given case amount exceeds 2,500 hence TDS shall be deducted @ 10% on 5,000 = 500.

