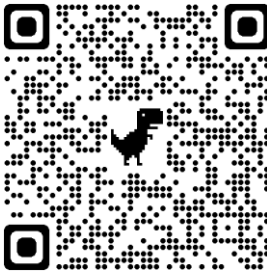

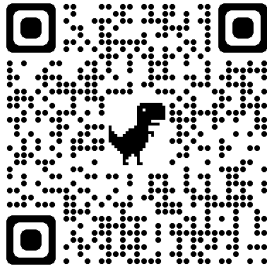



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**Paper 3 - Taxation (CA Intermediate) May24 Attempt**

**Section - A (Income Tax)**

**Question: 1**

Mr. Sahil, resident Indian aged 40 years, a Manufacturer at Chennai, gives the following Manufacturing, Trading and Profit & Loss Account for the year ended 31.03.2024.

**Manufacturing Trading and Profit & Loss Account for the year ended 31.03.2024**

Particulars	₹	Particulars	₹
To Opening Stock	71,000	By Sales	43,50,000
To Purchase of Raw Materials	17,20,500	By Closing Stock	2,00,000
To Manufacturing Wages & Expenses	5,80,500		
To Gross Profit	21,78,000		
<b>Total</b>	<b>45,50,000</b>	<b>Total</b>	<b>45,50,000</b>
To Administrative Charges	2,90,000	By Gross Profit	21,78,000
To SGST Penalty Paid (It is not compensatory nature)	7,000	By Dividend From Domestic Companies	15,000
To GST paid	1,10,000	By Winning from Lotteries (Net of TDS)	10,500
To General Expenses	55,000	(TDS 4,500)	
To Miscellaneous Expenses	1,50,500	By Profit on Sale of Shares	45,000
To Loss on Sale of Shares	20,000		
To Interest to Bank (on machinery term loan)	60,000		
To Depreciation	2,00,000		
To Net Profit	13,56,000		
<b>Total</b>	<b>22,48,500</b>	<b>Total</b>	<b>22,48,500</b>

Following are the further information relating to Financial Year 2023-2024:

(i) Administrative Charges include ₹ 46,000 paid as commission to brother of Assessee. The Commission amount at the market rate is ₹ 36,000.

(ii) The assessee paid ₹ 33,000 in Cash to a Transport Carrier on 26.12.2023. This amount is included in Manufacturing Expenses. (Assume that the provisions relating to TDS are not applicable on this payment.)



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- (iii) A Sum of ₹ 4,000 per month was paid as salary to a staff throughout the year and this has not been recorded in books of account.
- (iv) Bank Term Loan Interest actually paid upto 31.03.2024 was ₹ 20,000 and the balance was paid in October 2024.
- (v) Miscellaneous Expenses include ₹ 10,000 contributed to Prime Minister's Relief Fund.
- (vi) Loss on Sale of Shares represents shares sold within a period of 6 months from the date of purchase.
- (vii) Profit on Sale of shares represents shares held for 2 years & Securities Transaction Tax was paid on it.
- (viii) Housing Loan Principal repaid during the year was ₹ 50,000 and it relates to residential property occupied by him. Interest on Housing Loan was ₹ 2,60,000. Housing Loan was taken from Canara Bank. (Value of house property is ₹ 45 lakhs, loan Value ₹ 25 lakhs and Sanction date 31.03.2017). These amounts were not dealt with in the Profit and Loss Account given above. (Assume this housing loan is eligible for 80EE deduction).
- (ix) Depreciation allowable under the act to be computed on the basis of following information:

<b>Plant &amp; Machinery (Depreciation Rate @ 15%)</b>	<b>₹</b>
Opening WDV (as on 01.04.2023)	12,00,000
Additions During the year (Used for more than 180 Days)	2,00,000
Total Additions during the year	4,00,000
Note: Ignore Additional Depreciation u/s 32(iia)	

Compute the total income and tax liability of Mr. Sahil for the A.Y. 2024-25 if he has exercised the option of shifting out of the default tax regime provided under section 115BAC(1A).

**Solution:**

**Computation of Total Income of Mr. Sahil for the A.Y. 2024-25 under old tax regime.**

**Income under head profits and gains from business or profession (PGBP):**

	<b>₹</b>
Net profit as per P&L account	13,56,000
Add: SGST Penalty paid (Not allowed as deduction as per section 37 being penalty paid for contravention of law)	7,000
Add: Loss of sale of shares (To be taxed under head Capital Gains)	20,000



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Add: Depreciation as per books	2,00,000
Less: Dividend from domestic Co. (To be taxed under head other sources)	(15,000)
Less: Winning from lotteries (To be taxed under head other sources)	(10,500)
Less: Profit on sale of shares (To be taxed under head Capital Gains)	(45,000)
Add: Excess Commission Charges paid to relative i.e. brother disallowed under section 40A(2) [46,000-36,000]	10,000
Less: Salary paid to staff & not recorded in books of Accounts [₹4000 x 12]	(48,000)
Add: Interest on term loan taken for machinery & not paid till due date of filing of return of income disallowed u/s 43B [60,000 - 20,000]	40,000
Add: Contribution to Prime Minister's Relief fund being disallowed u/s 37 & allowed as deduction u/s 80G.	10,000
Less: Depreciation allowance [WN 1]	(2,25,000)
	<b>12,99,500</b>
Less: Set-off of losses from house property	(2,00,000)
<b>Net PGBP Income (A)</b>	<b>10,99,500</b>

### Income under head Capital Gains

Long term Capital Gain u/s. 112A

- Profit on sale of shares (STT paid)  
(period of holding is more than 12 months) 45,000

Short term Capital Loss

- Loss on sale of shares (period of holding 6 months) (20,000)

**Net LTCG u/s. 112A (B) 25,000**

### Income from house Property (Self Occupied)

Net Annual Value	Nil
Less: Interest on loan u/s 24(b) [Maximum deduction allowed is ₹2,00,000]	2,00,000
<b>Loss from house property</b>	<b>(2,00,000)</b>
Set-off of losses from PGBP	2,00,000
<b>Net income under head house property (C)</b>	<b>0</b>

### Income from Other Sources

Dividend income from domestic company	15,000
Casual Income - Winning from lotteries	15,000
<b>Total income from other sources (D)</b>	<b>30,000</b>

<b>Gross total Income (A+B+C+D)</b>		<b>11,54,500</b>
Less: Deductions under Chapter VIA		
(a) Deduction u/s 80G [Donation to Prime Minister's Relief Fund]	10,000	
(b) Deduction u/s 80EE [Interest on housing loan]	50,000	
(C) Deduction u/s 80C [Repayment of housing Loan]	50,000	1,10,000
<b>Net Total Income</b>		<b>10,44,500</b>

### Computation of Tax Liability under old tax regime

Tax on Normal Income [10,04,500 at slab rate]	1,13,850
Tax on casual Income [15,000 * 30%]	4,500
Tax on LTCG u/s 112A [25000-25000]	Nil
	1,18,350
Add: Health & Education Cess @ 4%	4,734
Tax Liability	1,23,084
Less: Tax deduction at source	4,500
<b>Tax payable</b>	<b>1,18,584</b>
<b>Rounded off u/s. 288B</b>	<b>1,18,580</b>

### Working Note: 1

Computation of Depreciation allowance	
Opening WDV as on 01.04.2023	12,00,000
Add: Purchased & Put to use for more than 180 days	2,00,000
Add: Purchased & Put to use for 180 days or less	2,00,000
	16,00,000

### Depreciation

Purchased & Put to use for more than 180 days [14,00,000 × 15%]	2,10,000
Purchased & Put to use for 180 days or Less [2,00,000 × 7.5%]	15,000
	2,25,000

### Working Note: 2

Amount paid to transporter is allowed as deduction if payment is made in cash to a single person in a single day upto ₹ 35,000 and therefore no treatment is to be made for payment of ₹ 33,000 in cash to a Transport Carrier.

**Alternate view can be taken by ICAI:** Salary payment of ₹ 48,000 not recorded in books of accounts can be taken as unexplained expenditure and in this case, it will be



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treated as income and no deduction shall be allowed. [this seems correct view, we shall wait for ICAI's suggested answer]

**Computation of Total Income of Mr. Sahil for the A.Y. 2024-25 under old tax regime.**

**Income under head profits and gains from business or profession (PGBP):**

	₹
Net profit as per P&L account	13,56,000
Add: SGST Penalty paid (Not allowed as deduction as per section 37 being penalty paid for contravention of law)	7,000
Add: Loss of sale of shares (To be taxed under head Capital Gains)	20,000
Add: Depreciation as per books	2,00,000
Less: Dividend from domestic Co. (To be taxed under head other sources)	(15,000)
Less: Winning from lotteries (To be taxed under head other sources)	(10,500)
Less: Profit on sale of shares (To be taxed under head Capital Gains)	(45,000)
Add: Excess Commission Charges paid to relative i.e. brother disallowed under section 40A(2) [46,000-36,000]	10,000
<b>Add: Salary paid to staff &amp; not recorded in books of Accounts [₹4000 × 12] treated as unexplained expenditure u/s. 69C</b>	<b>48,000</b>
Add: Interest on term loan taken for machinery & not paid till due date of filing of return of income disallowed u/s 43B [60,000 - 20,000]	40,000
Add: Contribution to Prime Minister's Relief fund being disallowed u/s 37 & allowed as deduction u/s 80G.	10,000
Less: Depreciation allowance [WN 1]	(2,25,000)
	<b>13,95,500</b>
Less: Set-off of losses from house property	(2,00,000)
<b>Net PGBP Income (A)</b>	<b>11,95,500</b>

**Income under head Capital Gains**

Long term Capital Gain u/s. 112A

- Profit on sale of shares (STT paid)  
(period of holding is more than 12 months) 45,000

Short term Capital Loss

- Loss on sale of shares (period of holding 6 months) (20,000)

**Net LTCG u/s. 112A (B) 25,000**

**Income from house Property (Self Occupied)**

Net Annual Value	Nil
Less: Interest on loan u/s 24(b) [Maximum deduction allowed is ₹2,00,000]	2,00,000
<b>Loss from house property</b>	<b>(2,00,000)</b>
Set-off of losses from PGBP	2,00,000
<b>Net income under head house property (C)</b>	<b>0</b>

**Income from Other Sources**

Dividend income from domestic company	15,000
Casual Income - Winning from lotteries	15,000
<b>Total income from other sources (D)</b>	<b>30,000</b>

**Gross total Income (A+B+C+D) 12,50,500**

Less: Deductions under Chapter VIA	
(a) Deduction u/s 80G [Donation to Prime Minister's Relief Fund]	10,000
(b) Deduction u/s 80EE [Interest on housing loan]	50,000
(C) Deduction u/s 80C [Repayment of housing Loan]	50,000
<b>Net Total Income</b>	<b>11,40,500</b>

**Computation of Tax Liability under old tax regime**

Tax on Normal Income [10,52,500 at slab rate]	1,28,250
Tax on unexplained expenditure income u/s. 69C [48,000*75%]	36,000
Tax on casual Income [15,000 * 30%]	4,500
Tax on LTCG u/s 112A [25000-25000]	Nil
	1,68,750
Add: Health & Education Cess @ 4%	6,750
<b>Tax Liability</b>	<b>1,75,500</b>
Less: Tax deduction at source	4,500
<b>Tax payable</b>	<b>1,71,000</b>

**Question: 2(a)**

Mr. Tilak aged 35 years, furnishes the following information regarding his income for the assessment year 2024-25. Compute the total income if he is:

(1) Resident and Ordinarily Resident.

(2) Resident but Not Ordinarily Resident

(Ignore the provisions of Section 115BAC).

a) Remuneration of ₹ 50,000 for service rendered in Malaysia, Credit to his bank account in Malaysia and immediately remitted to his bank account in India.

b) Profits from a business in England controlled from Bombay ₹ 3,00,000 (out of which ₹ 25,000 is received in India).

c) Amount brought to India out of past untaxed profits earned in Singapore ₹ 1,00,000.

d) Capital gain on sale of land in India but received in Malaysia ₹ 2,00,000.

e) Income from agriculture land at Nepal of ₹ 18,000, received there and then brought to India.

f) He paid ₹ 50,000 towards principal repayment of loan taken for construction of his self-occupied house in India.

g) Interest on saving bank deposit in State Bank of India of ₹ 12,000.

**Solution:**

**Computation of total Income of Mr. Tilak aged 35 years for A.Y. 2024-25**

Particulars	ROR	NOR
(a) Remuneration of ₹50,000 for services rendered in Malaysia, received there being income accrued and arised outside India [50,000 - Standard deduction of 50,000]	0	-
(b) Profits from business in England controlled from India to be included in hands of both ROR and NOR	3,00,000	3,00,000
(c) Past Untaxed Income brought to India not to be included in total income	0	0
(d) Capital Gain on sell of Land in India but received in Malaysia [Income deemed to arise in India]	2,00,000	2,00,000
(e) Income from Agriculture Land in Nepal, received there to be included in hands of ROR being income accrued outside India	18,000	0
(f) Interest on Saving bank Account in India (Income accrued in India)	12,000	12,000
<b>Gross Total Income</b>	<b>5,30,000</b>	<b>5,12,000</b>
<b>Less: Deduction u/s 80C [Repayment of loan taken for construction of self-occupied house property assuming that all conditions for higher deductions are satisfied]</b>	<b>50,000</b>	<b>50,000</b>
<b>Less: Deduction u/s 80TTA [Interest on Savings bank account]</b>	<b>10,000</b>	<b>10,000</b>
<b>Total Income</b>	<b>4,70,000</b>	<b>4,52,000</b>



**Question: 2(b)**

Examine the applicability of Tax Deducted at Sources (TDS) or Tax Collection at Source (TCS) as per the Income Act, 1961 for the assessment year 2024-25 in the following independent situations.

- (i) ABC Limited paid rent of ₹ 75,000 + 18% GST per month to Mr. Ram for the office premises from 01.04.2023 to 31.03.2024 Mr. Ram has furnished his PAN and also filed his return of income before due date regularly.
- (ii) XYZ Pvt. Ltd sells two cars to Mrs. Anju costing ₹ 4,00,000 and ₹12,00,000 respectively on 01.05.2023 and 25.12.2023. Mrs. Anju has furnished her PAN and filed her return of income regularly before the due date.

**Solution:**

(i) As per Section 194-I, the payer being any person other than Individual or HUF including those Individual or HUF whose turnover from business exceeds ₹ 100 lakhs & total receipt from profession exceeds ₹ 50 Lakhs during the preceding previous year shall deduct tax at source on payment made towards rent of building @ 10% where aggregate amount in a F.Y. exceeds ₹ 2,40,000.

Moreover, as per circular No. 23/2017 date 19.07.2017, tax shall be deducted on amount of rent excluding GST component.

In the given case, ABC Limited has paid rent of ₹ 75,000 per month to Mr. Ram for 12 months & Mr. Ram has furnished PAN & also filed his returns for earlier years.

Therefore, ABC Limited shall deduct tax at source @ 10% on 75,000 x 12 i.e. 90,000.

(ii) As per section 206C(IF), every seller of motor vehicle shall collect tax at source @ 1% where value of motor vehicle exceeds ₹ 10,00,000. Moreover, such Limit is to be seen per Vehicle & not in aggregate for all vehicles sold during the year.

In the given case, XYZ Ltd. has sold 2 Cars worth ₹ 4,00,000 & ₹ 12,00,000 to Mrs. Anju & She has filed her return of Income before due date & has also furnished her PAN.

Therefore, XYZ Pvt. Ltd. shall collect tax at source @ 1% on 12,00,000 i.e. 12,000 on sell of 2<sup>nd</sup> car only.



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**Question: 3(a)**

(i) Mr. Ravi received an advance of ₹ 2,00,000 on 10.05.2023 from a closely held manufacturing company (private company in which the public are not substantially interested) in which he holds 22% shareholding. The company had an accumulated profit of ₹ 1,00,000 at the time of giving the advance. Compute the amount of income to be included in the hands of Mr. Ravi for the assessment year 2024-25 and also state the head under which it is to be included.

(ii) Mr. Rao furnished the following information regarding the payments made towards Scientific Research during the financial year 2023-24:

- i) Revenue expenditure on Scientific Research incurred during the year ₹ 1,00,000.
- ii) Capital Expenditure for Scientific Research ₹ 3,00,000.
- iii) Contribution to Notified approved research association ₹ 1,50,000.
- iv) Amount paid to H Limited an Indian company which has as its main object scientific research and approved by the prescribed authority ₹ 2,50,000.
- v) Expenditure of ₹ 2,50,000 towards purchase of Land for scientific research.
- vi) He also incurred revenue expenditure of ₹ 2,00,000 towards salary of research staff in the F.Y. 2022-23 (before commencement of business) and certified by the prescribed authority.

Compute the deduction allowable u/s 35 for the assessment year 2024-25, assuming, that he has not opted for default tax regime u/s 115BAC.

**Solution:**

(i) As per section 2(22)(e) of the Income Tax Act, 1961, if any closely held company has given any loan or advance to an equity shareholder who is holding not less than 10% of voting power of the company, in such case, loan or advance shall be treated as deemed Dividend in the hands of shareholder but only to the extent of accumulated profits excluding capitalized profits.

In the given case, Mr. Ravi received an advance of ₹ 2,00,000 from closely held company in which he holds 22% shareholding. The Company had accumulated profit of ₹ 1,00,000. Therefore, ₹ 1,00,000 shall be included in the hands of Mr. Ravi under the head income from other sources.



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**(ii) Computation of deduction u/s. 35 for A.Y. 2024-25 in case of Mr. Rao**

Particulars	Section	Amount
Revenue expenditure on Scientific Research	35(1)(i)	1,00,000
Capital Expenditure for Scientific Research	35(1)(iv)	3,00,000
Contribution to Notified approved research association	35(1)(ii)	1,50,000
Amount paid to H Limited an Indian Company whose main object is scientific research	35(1)(iia)	2,50,000
Expenditure towards purchase of Land	35(1)(iv)	0
Revenue expenditure towards salary of research staff in the F.Y. 2022-23 before commencement of business. [certified by prescribed authority]	35(1)(i)	2,00,000
		10,00,000

**Question: 3(b)**

Mr. Surinder furnishes the following particulars for the previous year ending 31.03.2024. He had a Residential House, inherited from his father in December 2009, the Fair Market Value of which on 01.04.2001 is ₹ 13 lakhs. In the year 2013-2014, further construction and improvements costing of ₹ 10 lakhs. The House was originally purchased by his father on 01.03.2000 for ₹ 10 Lakhs. On 10.05.2023, the House was sold for ₹ 75 Lakhs. Expenditure in connection with transfer is ₹ 50,000. On 20.12.2023, he purchased a Residential House for ₹ 12 Lakhs and he does not own any other house. Compute the taxable Capital Gain for the assessment year 2024-25. (Cost Inflation Index: F.Y. 2013-14 = 220, F.Y. 2023-24 = 348, F.Y. 2009-10 = 148 and F.Y. 2001-02 = 100)

**Solution:**

**Computation of taxable capital Gain for A.Y. 2024-25 in the case of Mr. Surinder**

Full value of consideration	75,00,000
Less: Expenditure on transfer	50,000
Less: Indexed cost of Acquisition [WN # 1] [13,00,000 × 348/100]	(45,24,000)
Less: Indexed cost of improvement [ 10,00,000 × 348/220]	(15,81,818.1)
	13,44,181.82
Less: Exemption u/s. 54 towards purchase of new residential house	12,00,000
	1,44,181.82



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**Long term Capital Gain u/s 112 (rounded off)**

**1,44,182**

**Working Note: 1**

As per provision of the Income tax Act, 1961, cost of acquisition of previous owner shall be considered in case of inheritance of Property. Also, the period of holding of the previous owner shall be taken into consideration.

Also, where property is acquired before 01.04.2001 cost of acquisition shall be higher of

(a) Actual cost of acquisition or

(b) Lower of (i) Fair market value as on 01.04.2001 or (ii) Stamp duty value as on 01.04.2001

Therefore, cost of acquisition shall be higher of ₹ 10,00,000 or ₹ 13,00,000 i.e. ₹ 13,00,000.

**Question: 4(a)**

Mr. Joshi, resident Indian, aged about 58 years, furnished the following details of his income for the previous year 2023-24:

(i) Income from House property (computed) ₹ 2,00,000.

(ii) Income from Proprietary Business ₹ 3,00,000.

(iii) Short Term Capital Gain on sale of Land ₹ 2,00,000.

(iv) Short Term Capital loss on sale of equity shares listed in recognized stock exchange (STT paid) ₹ 75,000.

(v) Interest on Bank fixed deposit ₹ 50,000 received by his son, aged 21 years, out of money gifted by Mr. Joshi in 2022.

(vi) Loss from Speculation Business ₹ 40,000.

(vii) Loss from Owning and Maintenance of Race Horses ₹ 50,000.

Following are the brought forward losses:

(a) Brought forward House property loss of assessment year 2021-22 ₹ 2,50,000.

(b) Brought forward business loss of Proprietary business from assessment year 2013-14 ₹ 50,000.

(c) Unabsorbed Depreciation relating to assessment year 2014-15 ₹ 1,00,000.

(d) Brought forward Long Term Capital Loss from assessment year 2018-19 ₹ 90,000. return of income for that year was filed on 31.01.2019, after due date of filling the return.



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Compute the total income of Mr. Joshi for the assessment year 2024-25 and show the items eligible for carry forward, assuming that he exercises the option of shifting out of the default tax regime provided under section 115BAC(1A).

**Solution:**

**Computation of total Income of Mr. Joshi for A.Y. 2024-25 under old tax regime**

**Income from House property**

Income (computed)	2,00,000
Less: Brought forward house property loss for A.Y. 2021-22	2,00,000
	0
Loss to be carried forward relating to A.Y. 2021-22	50,000

**Income from PGBP**

Income from Proprietary business	3,00,000
Less: Loss from Proprietary business from A.Y. 2013-24 [Only allowed till 8 A.Y. from end of relevant A.Y.]	NA
Less: Unabsorbed depreciation	1,00,000
	2,00,000

**Income under Head Capital Gains**

Short term Capital Gain on sale of land	2,00,000
Less: Short term Capital loss on sale of listed Shares u/s 111A.	75,000
	1,25,000

<b>Total Income</b>	<b>3,25,000</b>
---------------------	-----------------

**Notes:**

1. Interest on Bank FD of ₹ 50,000 is not to be clubbed in hands of Mr. Joshi since the money gifted is to major son. Clubbing provisions are only applicable in the case of minor child & not major child.
2. Loss from speculation Business can only be set-off from Income from such Business Therefore, Loss of ₹ 40,000 shall be carried forward.
3. Loss from owning & maintaining of Race horses can only be set-off from similar income. Therefore, loss of ₹ 50,000 shall be carried forward.



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4. Brought forward long term capital loss form A.Y. 2018-19 shall not be allowed to brought forward since the return for said previous year was not filed within time allowed u/s 139(1). Therefore, loss of ₹ 90,000 shall not be allowed at all.

**Items eligible for Carry forward.**

1. Loss from House property	50,000
2. Loss from speculation business	40,000
3. Loss from owning & maintaining of race horses	50,000

**Question: 4(b)**

State with reason whether the following persons are required to file their return of income as per the provisions of the income Tax Act, 1961 for the assessment year 2024-25:

- (i) Mr. Aneesh aged 31 years who opted for default tax regime u/s 115BAC(1A) had a total income of ₹ 2,90,000 for the previous year 2023-24.
- (ii) Smt. Patel, aged 65 year, has a TDS credit of ₹ 55,000 during the previous year 2023-24.
- (iii) The gross receipts of Mr. Ajit, aged 45 years, an architect for the previous year 2023-24 was ₹ 12,00,000 but his profit from profession was only ₹ 2,25,000 and he has no other income.

**Solution:**

(i) As per provisions of sec 139(1), every person where total income before deduction under chapter VIA & Exemption u/s 54, 54B, 54D, 54EC etc. exceeds basic exemption Limit is required to file return of Income.

Mr. Aneesh has opted for default tax regime & his total Income is ₹ 2,90,000 which does not exceed limit of basic exemption, therefore, he is not required to file ITR.

(ii) As per CBDT notification number 37/2022 dated 21.04.2022, every resident senior citizen whose total TDS/ TCS credit exceeds ₹ 50,000 shall file return of Income. Therefore, Smt. Patel shall file return of Income since she has TDS credit of ₹ 55,000 during P.Y. 2023-24.

(iii) As per CBDT Notification 37/2022 dated 21.04.2022, every person where gross receipt exceeds ₹ 10,00,000 during the P.Y. shall file return of income even if total Income is below the basic exemption Limit.



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Therefore, Mr. Ajit shall file his return of income since gross receipt is ₹ 12,00,000.

OR

**Question: 4(b)**

CBDT has vide Notification No. 37/2022 dated 21.04.2022, inserted Rule 12AB, notified which are all the person other than a company or firm who is not required to file return of income under Section 139(1) must file the return of income. State who are required compulsorily to file return of income.

**Solution:**

CBDT vide notification no. 37/2022 dated 21.04.2022 inserted Rule 12AB which provides that following persons compulsorily need to file return of income:

- a) if his total sales, turnover or gross receipt, as the case may be, in the business > ₹60 lakhs during the previous year; or
- b) if his total gross receipts in profession > ₹10 lakhs during the previous year; or
- c) if the aggregate of TDS and TDS during the previous year, in this case of the person, is ₹25,000 or more; or

However, a resident senior citizen would be required to file return of income only if aggregate of TDS and TCS is ₹50,000 or more; or

- d) the deposit in one or more savings bank account, in aggregate, is ₹50 lakhs or more during the previous year.



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## Section - B (GST)

### Question: 5(a)

Evershine Pvt. Ltd, a GST registered supplier located in Jaipur Rajasthan is engaged in supply of taxable packaging goods and consultancy services. It provides following details of various activities undertaken during the month of September 2023:

#### (A) Details of Outward Supplies:-

- (1) Supply of goods of ₹ 18,00,000 to Vaidehi Enterprises, a registered person of Udaipur, Rajasthan. Further, received ₹ 50,000 from Vaidehi Enterprises towards freight charges (as agreed to deliver the goods at Vaidehi Enterprises' premises) which was not included in above value of supply.
- (2) Supply of goods worth ₹ 35,00,000 to Calc. Exim, a registered person of Prayagraj, Uttar Pradesh. Further, the amount of ₹ 60,000 charged separately (not included above) from Calc. Exim on account of municipal taxes levied in relation to such outward supply.
- (3) Supply of services to Sunshine Ltd., a registered Person in Jodhpur, Rajasthan before discount worth ₹ 6,00,000 Further, discount of ₹ 30,000 which has been given at the time of supply of service and duly recorded in the invoice.
- (4) It delivered the goods worth Rs 2,00,000 to Jeevan Solutions, a registered person located at Bikaner, Rajasthan on the direction of Raghu Enterprise, a registered person of Mumbai, Maharashtra and tax invoice was issued by Evershine Pvt. Ltd. to Raghu Enterprise of Mumbai, Maharashtra.

#### (B) Details of Inward Supplies:

- (1) Purchased raw material goods worth ₹ 20,00,000 from PQR Ltd., a GST registered dealer, located at Kanpur, Uttar Pradesh. Goods worth ₹ 1,00,000 out of total purchases were not received during the month.
- (2) Purchased machinery for manufacturing process worth ₹ 2,00,000 from MPQ Pvt. Ltd., a GST registered dealer, located at Bengaluru, Karnataka. Company has claimed depreciation under Income Tax Act 1961 on full Value of the machine, including the GST component.
- (3) Purchased truck worth ₹ 15,00,000 from GST registered dealer, located at Ajmer, Rajasthan for transportation of its goods. GST rate on truck is: CGST 14%, SGST 14%, IGST 28%.
- (4) Purchased car (having seating capacity of 7 Persons) costing to ₹ 10,00,000 excluding GST from Mihir Automobiles Pvt. Ltd., a GST registered dealer, located at Ajmer,





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Rajasthan for use of its director for official purpose. GST rate on car: CGST 14%, SGST 14%, IGST 28%.

(5) Purchased goods worth ₹ 5,00,000 from DEF Buildwell Pvt. Ltd. a registered person of Jaipur, Rajasthan for construction of an additional floor of factory building, of Evershine Pvt. Ltd.

Opening balance of Input tax credit as on the beginning of September 2023 CGST ₹ 20,000, SGST ₹ 50,000 and IGST ₹ 75,000.

Rate of GST applicable on both inward and outward supply of goods & Services. CGST 9%, SGST 9%, and IGST @ 18%, expect where otherwise provided.

Notes:

- (i) All the figures mentioned above are exclusive of taxes.
- (ii) Subject to the information given above, conditions necessary for claiming ITC were complied with.
- (iii) All inward supplies are used for taxable goods only.
- (iv) Brief and suitable notes should form part of your answer.

Calculate the amount of net minimum GST payable in cash by Evershine Pvt. Ltd. for the month of September 2023.

**Solution:**

**Computation of amount of net minimum GST payable in cash by Evershine Pvt. Ltd. for the month of September 2023.**

Particular	CGST	SGST	IGST
Output tax for Sept. 2023	2,17,800	2,17,800	6,76,800
Less: Input tax credit			
- IGST	-	-	4,17,000
- CGST	2,17,800	-	12,200
- SGST	-	2,17,800	42,200
<b>Net GST payable</b>	<b>0</b>	<b>0</b>	<b>2,05,400</b>

**Working Note: 1**

**Computation of outward tax payable:**

Particulars	Amount	CGST	SGST	IGST
Supply of goods to Vaidehi Enterprises of Udaipur Rajasthan including freight	18,50,000	1,66,500	1,66,500	
Supply of goods to Calc. Exim of Prayagraj,	35,60,000			6,40,800



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UP along with municipal tax				
Supply of services to sunshine Ltd. of Rajasthan (after discount)	5,70,000	51,300	51,300	
Supply of goods to Jeevan Solutions of Rajasthan on direction of Raghu Enterprises of Mumbai	2,00,000			36,000
		<b>2,17,800</b>	<b>2,17,800</b>	<b>6,76,800</b>

**Working Note: 2**

**Computation of input tax credit:**

Particulars	Amount	CGST	SGST	IGST
Opening ITC		20,000	50,000	75,000
Purchase of Raw material from PQR Ltd. of UP excluding goods not received	19,00,000			3,42,000
Purchase of Machinery on which depreciation is claimed on full amount including GST	2,00,000			
Purchase of truck used in business from dealer of Rajasthan	15,00,000	2,10,000	2,10,000	
Purchase of car with seating capacity of 7 persons used in business. ITC not allowed as per section 17(5)	10,00,000			
Purchase of goods for construction of floor of factory ITC not allowed	5,00,000			
		<b>2,30,000</b>	<b>2,60,000</b>	<b>4,17,000</b>

**Question: 5(b)**

Mr. Ravindra, a registered person in Bhopal, Madhya Pradesh has provided the following information regarding outward transactions made during the month of January 2024:

- (1) He was appointed by recognized sports body as a chief selector of hockey team and received ₹ 5,00,000 as remuneration.
- (2) Services of pure labour contract was provided for construction of independent residential unit for ₹ 1,80,000.
- (3) He rented out his warehouse for warehousing of sugarcane and received rental income of ₹ 75,000.



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(4) Provided services to Municipal Corporation of Bhopal for slum improvement and upgradation for ₹ 6,50,000.

(5) He has charged consideration of ₹ 1,25,000 against western music dance performance in an event.

You are required to compute the taxable value of supply on which the amount stated above are exclusive of GST, wherever applicable. Suitable Notes should form part of answer.

**Solution:**

**Computation of taxable value of supply for the month of January 2024 in case of Mr. Ravindra.**

Particulars	Amount
1. Received remuneration as a chief selector of hockey team from recognised sports body [Not exempt under GST]	5,00,000
2. Service of Pure labour contract for construction of independent residential unit [Exempt service]	
3. Renting of warehouse for storage of sugarcane [Exempt service]	
4. Services to Municipal corporation for sum improvement and upgradation [Exempt service]	
5. Western music dance performance in an event [Not exempt under GST]	1,25,000
	6,25,000

**Notes:**

1. Service provided to recognised sports body by chief selector is not exempt under GST.
2. Service of pure labour contract for construction of independent residential unit is exempt under GST.
3. Renting of warehouse for storage of agriculture produce is exempt. Sugarcane is an agriculture produce.
4. Service of sum improvement & upgradation to government authority is exempt.
5. Amount charged for western music performance is not exempt.

**Question: 6(a)**

As per CGST Act 2017, Vishnu Limited was not mandatorily required to get registered, however they opted for voluntary registration and applied for registration on 12<sup>th</sup> February 2024. Registration certificate has been granted by the department on 24<sup>th</sup>



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February 2024. Vishnu Limited is not engaged in making interstate outward taxable supplies. The CGST and SGST liability for the month of February 2024 is ₹ 31,000 each. Vishnu Limited provides the following information of inputs held in stock on 23<sup>rd</sup> February 2024:

Sr. No.	Particulars	Amount (₹)
1.	Capital goods procured on 5 <sup>th</sup> February 2024, (Rate of CGST and SGST @ 6% each) being intra-state supply.	2,00,000
2.	Inputs contained in finished goods stock held were procured on 13 <sup>th</sup> February 2023 (Rate of IGST @ 18%) being inter-state supply.	3,00,000
3.	Value of Inputs received on 10 <sup>th</sup> October 2023 contained in semi-finished goods held in stock (Rate of CGST and SGST @ 6% each) being intra-state supply.	2,50,000
4.	Input procured on 1 <sup>st</sup> February 2024 lying in stock of semi-finished goods (Rate of CGST and SGST @ 7.5% each) being intra-state supply.	1,50,000
5.	Inputs procured on 8 <sup>th</sup> February 2024 lying in stock of finished goods. (Rate of IGST @ 18%) being inter-state supply.	60,000

You are required to determine the eligible ITC available and amount of net minimum GST to be paid in cash by Vishnu Limited for the month of February 2024.

**Solution:**

**Computation of eligible ITC available for the month of February 2024.**

Particulars	CGST	SGST	IGST
Capital goods procured on 05.02.2024 (ITC on capital goods is not available in case of voluntary registration)			
Inputs contained in finished goods stock held which was procured on 13.02.2023. (ITC not available where Invoice is older than 1 years from effective date of registration which is 24.02.2024)			
Input contained in semi- finished goods held in stock procured on 10.10.2023.[2,50,000 x 6% each]	15,000	15,000	
Input procured on 01.02.2024 lying in stock of semi-finished goods. [1,50,000 x 7.5% each]	11,250	11,250	



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Inputs procured on 08.02.2024 lying in stock of finished goods [60,000 × 18%]			10,800
	<b>26,250</b>	<b>26,250</b>	<b>10,800</b>

### Computation of Net GST payable

Particulars	CGST	SGST
Output tax liability	31,000	31,000
Input tax credit:		
- IGST [in any ratio, taken as 50: 50]	54,000	54,000
- CGST	26,250	
- SGST		26,250
<b>Net credit available</b>	<b>650</b>	<b>650</b>

### Question: 6(b)

Examine the following independent cases and determine the place of supply:

- (1) Mr. Joy, an unregistered person of Kolkata, West Bengal sends a courier through Kolkata, West Bengal based Mohan Courier Agency to his sister in Mumbai, Maharashtra.
- (2) Mr. Nitin, an unregistered person resides at Rewa, Madhya Pradesh books a two way air journey ticket from Prayagraj, Uttar Pradesh to Jaipur, Rajasthan on 6<sup>th</sup> September and back. He leaves Prayagraj on 11<sup>th</sup> September in a morning flight and land in Jaipur the same day. He leaves Jaipur on 15<sup>th</sup> September in a late night flight and lands in Prayagraj the next day.
- (3) Rimjhim Pvt. Ltd, located at Lucknow, Uttar Pradesh, purchases a manufacturing machine from Manav Steel Industries Ltd., located at Jaipur, Rajasthan, for being installed in its factory located at Haridwar, Uttarakhand.

### Solution:

(i) As per section 12(8) of IGST Act, 2017 where goods are transported through courier to unregistered person in India then place of supply shall be place at which goods are handed over.

In this case the place of supply shall be Kolkata west Bengal where courier is handed over.

(2) As per section 12(9) of IGST Act, 2017, where passenger transportation service is provided to unregistered person, then place of supply shall be the location where the



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passenger embarks on the conveyance for a continuous journey. The return journey is treated as a separate journey, even if the tickets for onward and return journey are issued at the same time.

Thus, being an unregistered person, the place of supply for the outward and return journeys are the locations where the unregistered person embarks on the conveyance for the continuous journey, i.e. UP and Jaipur respectively.

(3) As per section 10(1)(d) of IGST Act, 2017, where supply of goods involves installation or assembly of goods, then place of supply shall be place of such Installation or assembly. In the given case, Manav Steel Industries Ltd. Jaipur has supplied goods which are to be installed in factory located in Haridwar, Uttarakhand. Therefore, the place of supply shall be Uttarakhand.

**Question: 7(a)**

GSTR 3B for the month of January 2024 has been filed by M/S Avisha Limited a registered person with in the due date prescribed by the CGST Act 2017 which is on February 20th, 2024. It came to the notice of the Co. that tax due for the month of January 2024 has been paid short by ₹ 16,000. The short fall of ₹ 16,000 has been paid through cash ledger and credit ledger at the time of filling GSTR 3B for the month of February 2024 on March 20th, 2024 in the following manner:

Particulars	Cash Ledger	Credit Ledger
Shortfall	₹ 12,000	₹ 4,000

Assume that electronic cash ledger and credit ledger carry sufficient balance for the above short fall.

(i) You are required to calculate the amount of interest payable if any under Section 50 of CGST Act 2017 and Rule 88 B of CGST Rules 2017.

(ii) Give the effect if GSTR3B for the month of January 2024 had been filed belatedly on March 20, 2024 and all other conditions remaining same.

Calculation should be rounded off nearest rupee. As 2024 is leap year, give effect of same.

**Solution:**

(i) Calculation of Interest payable u/s. 50 of CGST Act, 2017 & Rule 88B of CGST Rules 2017.



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Interest = Amount of shortfall  $\times$  18% p.a.  $\times$  Period starting from next day of due date of return filling till date of actual payment  
= 16,000  $\times$  18%  $\times$  29 days\*/ 366 days  
= 228 (Rounded off)

\* 21<sup>st</sup> February 2024 to 20<sup>th</sup> March 2024

(ii) Calculation of Interest u/s 50 of CGST Act, 2017

Interest = Amount paid through cash Ledger  $\times$  18% p.a.  $\times$  Period starting from next day of due date of return filling till date of actual payment  
= 12,000  $\times$  18%  $\times$  29 days/ 366 days  
= 171 (Rounded off)

**Question: 7(b)**

Who is liable to deduct TCS (collection of tax at source) under Section 52 of the CGST Act 2017? Briefly explain the provisions relating to registration, filing of return and deposit of TCS to Government as per the provisions of section 52 of CGST Act 2017 and Rule 12 of CGST Rules 2017.

**Solution:**

(i) Every Electronic Commerce Operator (ECO), not being an agent, has been mandated to collect tax at source (TCS) on the net value of taxable supplies [supplies net of returns if any] made through it by suppliers, where the ECO collects the consideration on behalf of the supplier for such supplies.

(ii) Any person required to deduct tax in accordance with the provisions of section 52 shall electronically submit a registration application in prescribed form through the common portal. The proper officer shall, after due verification, grant registration within 3 working days from the date of the application.

(iii) An electronic statement [Form GSTR 8] has to be filed by the ECO containing details of the outward supplies of goods and/ or services effected through it, including the supplies returned through it and the amount collected by it as TCS during the month within 10 days after the end of each month in which supplies are made.



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Additionally, the ECO is also mandated to file an Annual Statement [Form GSTR 9B] on or before 31st day of December following the end of the financial year.

(iv) The TCS amount collected by the ECO has to be remitted to the Government Treasury within 10 days after the end of the month in which the collection was made.

**Question: 8(a)**

Describe the conditions to be satisfied for availing deduction of post supply discounts from the value of supply as per the provisions of Section 15(3) of the CGST Act 2017.

**Solution:**

Post supply discounts, i.e. the discounts that are given after supply is made, are allowed as a deduction from the value of supply if the following two conditions are satisfied:

- (i) Discount is in terms of an agreement that existed at the time of supply and can be worked out invoice-wise; and
- (ii) Proportionate input tax credit is reversed by the recipient - The buyer would have availed input tax credit (ITC) of GST payable on the gross value specified in the invoice. Thus, when a credit note is issued to him by the supplier for the discount, the buyer will reverse the proportionate credit; consequent to which, the supplier's output tax liability will be reduced by the same amount.

OR

**Question: 8(a)**

Examine the existence of "consideration" for donation received by charitable institutions from individual donors, without quid pro quo an important feature as defined in sec. 2(31) of GST Act, 2017.

**Solution:**

Donations received by the charitable organizations are treated as consideration only if there exists, quid pro quo, i.e., there is an obligation on part of recipient of the donation or gift to do anything (supply a service).

Moreover, when the name of the donor is displayed in recipient institution's premises, in such a manner, which can be said to be an expression of gratitude and public recognition of





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donor's act of philanthropy and is not aimed at giving publicity to the donor in such manner that it would be an advertising or promotion of his business, then it can be said that there is no supply of service for the payment in the form of donation. Therefore, there is no GST liability on such a payment made.

**Question: 8(b)**

Mohan Enterprise is a registered person having principal place of business in Gandhinagar, Gujarat. They received services of Advocate Sameer a registered person from Ahmedabad, Gujarat. Shekhar, an unregistered person provided services of labour to Mohan Enterprise. Explain the provisions relating to issue of invoice by recipient Mohan Enterprise if he is liable to pay tax under reverse charge under Section 9(3) or 9(4) of the CGST Act 2017.


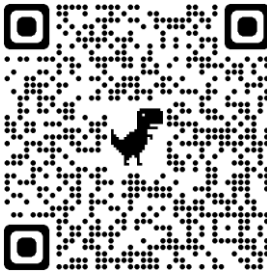
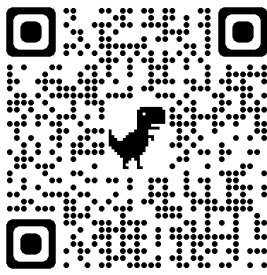


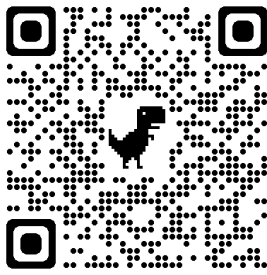
**Solution:**

As per section 31(3), a registered person who is liable to pay tax under reverse charge [under section 9(3)/9(4) of the CGST Act] shall issue an Invoice in respect of goods or services or both received by him from the supplier **who is not registered** on the date of receipt of goods or services or both.

Also, a registered person who is liable to pay tax under reverse charge [under section 9(3)/9(4) of the CGST Act] shall issue a Payment Voucher at the time of making payment to the supplier in respect of goods or services or both received by him from the supplier (whether registered or not).

In the given case, Mohan Enterprises shall issue payment voucher for the services received from Advocate Sammer, a registered person. Also, Mohan Enterprises shall issue invoice and payment voucher for the services received to Shekhar, an unregistered person.

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