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PAPER – 3: TAXATION

SECTION A: INCOME TAX LAW

The Income-tax law, as amended by the Finance Act, 2023, including significant notifications/ circulars issued upto 29th February, 2024, is applicable for September, 2024 examination. The relevant assessment year for September, 2024 examination is A.Y.2024-25. The June, 2023 edition of the Study Material is based on the provisions of Income-tax law as amended by the Finance Act, 2023 and significant notifications/circulars issued upto 30.04.2023, and hence, the same is relevant for September, 2024 examination. The Statutory Update containing significant notifications/circulars issued between 1.5.2023 and 29.2.2024 which are relevant for September, 2024 examination is webhosted at <https://resource.cdn.icai.org/80049bos64172.pdf>



QUESTIONS

Case Scenario

Mr. Naveen, aged 40 years, is engaged in the manufacturing business. He follows mercantile system of accounting. The details pertaining to his business for the year ending on 31.3.2024 is as under –

Particulars	Amount (₹)
Capital receipts	1.20 crores
Turnover	2.80 crores
Amount received in cash [out of turnover]	8 lakhs
Amount received in cash [out of capital receipts]	2 lakhs

Amount received through account payee cheque/ NEFT and other prescribed mode on or before the specified date under section 139(1) [out of turnover]	2.50 crores
Total payment	1.60 crores
Cash payment [out of total payments]	9 lakhs
Net profit as per books of account	10.50 lakhs

An analysis of profit and loss for the year ended on 31.3.2024 revealed the following information

1. Salary includes wages of ₹ 15,000 p.m. each paid to 1 security guard, 2 housekeeping staff in cash.
2. Other administration expenses include ₹ 70,000 paid in cash (Payment in a day is less than ₹ 8,000).
3. Interest charges includes interest payable on loan to Kamal of ₹ 70,000 on which TDS has not been deducted. Loan was taken for the business purpose.

On the basis of the facts given above, choose the most appropriate answer to Q.1 to Q.5 below -

1. Is Mr. Naveen eligible to declare income on presumptive basis under the provisions of the Income-tax Act, 1961 for A.Y. 2024-25?
 - (a) No, since turnover of Mr. Naveen exceeds the threshold limit of ₹ 2 crores.
 - (b) Yes, since aggregate cash receipts during the year do not exceed 5% of total amount received.
 - (c) Yes, since amount received in cash during the year do not exceed 5% of turnover.
 - (d) No, as cash payments during the year exceed 5% of aggregate payments.
2. What would be your answer to MCQ 1, assuming for the purpose of answering this MCQ and MCQ 3 that Mr. Naveen has additionally received

- ₹ 10 lakhs by way of crossed cheque [out of turnover] during the P.Y. 2023-24?
- (a) No, since turnover of Mr. Naveen exceeds the threshold limit of ₹ 2 crore.
 - (b) No, since the aggregate cash receipts during the year exceed 5% of turnover.
 - (c) No, as cash payments during the year exceed 5% of aggregate payments.
 - (d) No, due to both (a) and (b)
3. Is Mr. Naveen required to get his books of account audited during the P.Y. 2023-24?
- (a) No, since turnover of Mr. Naveen does not exceed the threshold limit of ₹ 10 crores.
 - (b) Yes, since amount received in cash during the year exceeds 5% of turnover.
 - (c) Yes, since cash payments during the year exceed 5% of aggregate payments.
 - (d) No, since the amount received in cash during the year does not exceed 5% of total amount received.
4. What is the amount of profits and gains of business chargeable to tax in the hands of Mr. Naveen as per books of account?
- (a) ₹ 10,50,000
 - (b) ₹ 16,11,000
 - (c) ₹ 16,81,000
 - (d) ₹ 16,60,000
5. What is the amount of profits and gains of business chargeable to tax in the hands of Mr. Naveen if he does not want to get his books of account audited?
- (a) ₹ 17,40,000
 - (b) ₹ 16,96,000

(c) ₹ 22,40,000

(d) ₹ 16,80,000

6. Mrs. Sarika, an Indian citizen, is in employment with an overseas company located in UAE. She is not liable to tax in UAE. During the P.Y. 2023-24, she comes to India for 121 days. She was in India for 50 days, 100 days, 76 days and 145 days in the financial years 2019-20, 2020-21, 2021-22 and 2022-23, respectively. Her annual income for the previous year 2023-24 is as follows:

	Particulars	Amount (₹)
(i)	Salary accrued or arisen in UAE	15,00,000
(ii)	Income accrued and arisen in India	2,00,000
(iii)	Income deemed to be accrued and arisen in India	7,00,000
(iv)	Income arising and received in UAE, from a business set up in India	5,00,000
(v)	Life Insurance premium paid by cheque in India	1,00,000

Mrs. Sarika has opted out of the default tax regime under section 115BAC. From the information given above,

- (i) You are required to determine the residential status and total income of Mrs. Sarika for the A.Y. 2024-25.
 - (ii) What would be your answer if income arising and received in UAE, from a business set up in India is ₹ 10,00,000 instead of ₹ 5,00,000?
 - (iii) In continuation to point (ii), what would be your answer if Mrs. Sarika comes to India in P.Y. 2022-23 for 45 days instead of 145 days?
7. Mr. Anshul, a salaried employee in a private company, furnishes you the following information for the year ended on 31-03-2024:
- (i) Basic salary ₹ 75,000 p.m.
From 1st December 2023, basic salary increased to 85,000 p.m.
 - (ii) Dearness allowance @50% of basic salary (40% of D.A. forms part of salary for retirement benefits).
 - (iii) Entertainment allowance ₹ 10,000

- (iv) Contribution of employer to recognized provident fund account of the employee @18% of basic salary. Employees also contribute an equivalent amount.
- (v) Professional tax paid ₹ 2,200 of which ₹ 1,800 was paid by the employer.
- (vi) House rent allowance of ₹ 16,000 p.m. He paid rent of ₹ 17,000 p.m. for accommodation in Meerut.
- (vii) Conveyance allowance of ₹ 1,500 p.m. by the company towards actual reimbursement of conveyance spent on official duty.
- (viii) Loan of ₹ 2,00,000 was taken from the employer on 1.7.2023 for medical treatment of his brother for tuberculosis treatment. Interest charged on such loan is 5%. The entire loan is outstanding as on 31.3.2024. No medical insurance has been taken for his brother. SBI rate of interest on 1.4.2023 was 11%.
- (ix) Free education was provided to the sister of Mr. Anshul in a school maintained and owned by the company. The cost of such education facility is computed at ₹ 900 p.m. No amount was recovered by the company for such education facility from Anshul.
- (x) Leave travel concession given to Anshul, his wife and three children (one daughter aged 6 and twin sons aged 4). Cost of air tickets (economy class) reimbursed by the employer ₹ 20,000 for adults and lumpsum of ₹ 25,000 for three children. Anshul is eligible for availing exemption this year to the extent it is permissible under the Income-tax Act, 1961.

Compute the taxable salary of Mr. Anshul if he has shifted out of the default tax regime under section 115BAC.

8. Karan, a resident aged 50 years, furnishes the following information for the year ended on 31-03-2024:

Particulars	Amount (₹)
Salary (Gross)	2,75,000
Income from let out house property	(2,85,000)
Interest on loan paid for self-occupied house property	1,20,000

Income from sale of rubber products from rubber plants	2,00,000
Business income - Retail business	1,20,000
Business income - wholesale business	(1,00,000)
Brought forward business loss (A.Y. 2023-24)	(1,35,000)
Dividend received from ABC Ltd., an Indian company carrying on agricultural operations	13,500
Long term capital gain from sale of listed equity shares (STT paid on sale and purchase of shares)	2,00,000
Short-term capital gains on sale of shares	(1,10,000)
Lottery winnings (gross)	45,000
Contribution to provident fund and NSC	1,50,000
Income of minor son Raju from special talent	1,50,000
Interest from Bank received by Raju on deposit made out of his special talent	10,000

Compute Karan's total income under the default tax regime under section 115BAC for the A.Y. 2024-25 assuming his wife does not earn any income.

9. In each of the following independent situations, you are required to examine whether these persons are required to file their return of income or loss for A.Y.2024-25 if their total income for the P.Y. 2023-24 do not exceed the basic exemption limit:
- (i) The turnover of Mr. Ashish's business is ₹ 65 lakhs during the P.Y. 2023-24.
 - (ii) Mr. Subhash has incurred a total expenditure of ₹ 90,000 towards consumption of electricity during the P.Y. 2023-24.
 - (iii) Mr. Deepak has savings bank account in SBI and HDFC and a current account in Axis Bank with opening balance of ₹ 20 lakhs, ₹ 10 lakhs and ₹ 30 lakhs, respectively. He deposited ₹ 40 lakhs in SBI account, ₹ 25 lakhs in HDFC account and ₹ 75 lakhs in Axis account during the P.Y. 2023-24.

- (iv) Mr. Kumar, aged 50 years, has withdrawn cash of ₹ 1,20,00,000 during the P.Y. 2023-24 from his saving account in HDFC Bank. Mr. Kumar regularly filed his return of income till A.Y. 2023-24.
10. Mr. Anand, a resident Indian aged 45 years, has provided you the following information for the previous year ended on 31.03.2024
- (i) He owns an industrial undertaking established in a SEZ and which had commenced operation during the financial year 2019-20. Total turnover of the undertaking was ₹ 200 lakhs. Export turnover received in India in convertible foreign exchange on or before 30.9.2024 is ₹ 120 lakhs. This industrial undertaking fulfills all the conditions of section 10AA of the Income-tax Act, 1961. Profit from this industry is ₹ 35 lakhs.
- (ii) Mr. Anand sold equity shares of different Indian companies on 14th March, 2024:

Name	Sale value (per share)	Purchase price (per share)	Acquired on	No. of shares	FMV as on 31.1.2018
Sam Ltd.	₹ 150	₹ 120 (STT paid at acquisition)	2 nd Feb, 2024	2000	-
Jam Ltd.	₹ 100	₹ 72 (STT paid at acquisition)	16 th April, 2017	1250	50

CII – F.Y. 2017-18: 272; F.Y. 2023-24: 348

Sale proceeds were subject to brokerage of 0.1% and securities transaction tax of 0.125% on the gross consideration.

- (iii) He made payment of ₹ 90,000 on 1.9.2023 vide cheque towards medical insurance as lumpsum premium for himself and his wife till 31.8.2027. He also made cash payment of ₹ 7,500 towards preventive health checkup for himself and his wife.
- (iv) He received royalty of ₹ 2,88,000 from abroad for a book authored by him in the nature of artistic. The rate of royalty as 16% of value

of books and expenditure made for earning this royalty was ₹ 40,000. The amount remitted to India till 30th September, 2024 is ₹ 2,50,000.

- (v) He received income-tax refund of ₹15,750 (including interest ₹ 1,750) relating to the assessment year 2023-24.
- (v) He occupies ground floor of his residential building and has let out first floor for residential use for a monthly rent of ₹ 15,000. He has paid municipal taxes of ₹ 30,000 for the current financial year. Both floors are of equal size. He has taken a loan from bank of ₹ 50 lakhs for the construction of this property in 2020 and has repaid ₹ 2,05,000 (including interest ₹1,00,000) during the year 2023-24.
- (vi) Mr. Anand deposited ₹ 1,30,000 in Public Provident Fund and ₹ 80,000 in 5 years term deposit in the name of his minor son, Aman.

You are required to compute the total income and tax liability of Mr. Anand under section 115BAC as well as under normal provisions for the A.Y. 2024-25. Ignore AMT provisions.



SUGGESTED ANSWERS/HINTS

MCQ No.	Most Appropriate Answer
1.	(c)
2.	(d)
3.	(c)
4.	(b)
5.	(a)

6. (i) Mrs. Sarika is an Indian citizen and in employment in UAE. She comes on a visit to India during the P.Y.2023-24 for 121 days. Her stay in India in the four immediately preceding previous years i.e., in P.Y. 2019-20 to P.Y. 2022-23 is 371 days (50 + 100 +76 + 145 days).

Her total income, other than the income from foreign sources, during the P.Y. 2023-24 would be -

Particulars	Amount (₹)
Salary accrued or arisen in UAE (income from a foreign source, hence, to be excluded)	-
Income accrued and arisen in India	2,00,000
Income deemed to be accrued and arisen in India	7,00,000
Income arising in UAE, from a business set up in India (to be included since the business is controlled from India, even though such income accrues and is received outside India)	5,00,000
	14,00,000
<i>Less: Deduction u/s 80C (LIC premium paid by cheque in India)</i>	1,00,000
Total income (excluding income from foreign sources)	13,00,000

Mrs. Sarika, an Indian citizen, having total income other than income from foreign sources not exceeding ₹ 15 lakhs and visiting India during the P.Y 2023-24, would be a resident in India for the A.Y.2024-25, if she has stayed in India for 182 days or more during the P.Y. 2023-24.

Since she has stayed only for 121 days in India during the P.Y. 2023-24, she is a non-resident for the A.Y. 2024-25. Her total income during the P.Y. 2023-24 would be -

Particulars	Amount (₹)
Salary accrued or arisen in UAE (income from a foreign source, hence, to be excluded)	-
Income accrued and arisen in India	2,00,000
Income deemed to be accrued and arisen in India	7,00,000

Income arising in UAE, from a business set up in India (not taxable)	-
Gross Total Income	9,00,000
<i>Less:</i> Deduction u/s 80C (LIC premium paid by cheque in India)	1,00,000
Total income	8,00,000

- (ii) If Income arising and received in UAE, from a business set up in India is ₹ 10,00,000 instead of ₹ 5,00,000, her total income, other than the income from foreign sources, during the P.Y. 2023-24 would have been ₹ 18 lakhs.

In such a case, Mrs. Sarika, an Indian citizen, having total income other than income from foreign sources exceeding ₹ 15 lakhs and visiting India during the P.Y 2023-24, can be a resident in India for A.Y.2024-25, if she has been in India for 120 days or more but less than 182 days in the P.Y. 2023-24 and during the 4 years immediately preceding the P.Y. 2023-24 for a total period of 365 days or more.

Since she has stayed in India for 121 days during the P.Y. 2023-24 and her stay in India in the four immediately preceding previous years is 371 days, she would a resident in India for A.Y. 2024-25 and by default, she would be treated as resident but not ordinarily resident.

In such case, income arising and received in UAE, from a business set up in India would also form part of total income of Mrs. Sarika and her total income during the P.Y. 2023-24 would be ₹ 18 lakhs [₹ 8,00,000 (computed in (i) above) plus ₹ 10,00,000].

- (iii) If Mrs. Sarika comes to India in P.Y. 2022-23 for 45 days instead of 145 days, she would not be a resident in India for the P.Y. 2023-24 as per section 6(1) since her stay in India in the four immediately preceding previous years would be less than 365 days.

However, since she is an Indian citizen having total income (excluding income from foreign sources) of ₹ 18 lakhs, which exceeds the threshold of ₹ 15 lakhs during the previous year; and

not liable to tax in UAE, she would be a deemed resident in India for the P.Y. 2023-24 by virtue of section 6(1A).

A deemed resident is always a resident but not ordinarily resident. In such case, her total income during the P.Y. 2023-24 would be same i.e., ₹ 18 lakhs as computed in point (ii) above.

7. Computation of taxable salary of Mr. Anshul for the A.Y. 2024-25

Particulars	₹	₹
Basic Salary [(₹ 75,000 x 8) + (₹ 85,000 x 4)]		9,40,000
Dearness allowance [50% of basic salary]		4,70,000
Employer's contribution to recognized provident fund [18% x ₹ 9,40,000]	1,69,200	
Less: Exempt upto 12% of basic salary and D.A. forms part of retirement benefit [12% x ₹ 11,28,000]	1,35,360	33,840
Taxable allowances		
Entertainment allowance		10,000
Conveyance allowance [Exempt, since it is based on actual reimbursement for official purpose]		-
House rent allowance	1,92,000	
Less: Least of the following exempt under section 10(13A)	91,200	1,00,800
(i) HRA received	1,92,000	
(ii) Rent paid (-) 10% of salary [₹ 2,04,000 – 10% x ₹ 11,28,000]	91,200	
(iii) 40% of salary [40% x ₹ 11,28,000]	4,51,200	

Taxable Perquisite		
Professional tax paid by the employer [Perquisite includes any sum paid by the employer in respect of any obligation which would have been payable by the employee]		1,800
Interest on loan [Not a perquisite, since loan is for medical treatment of his brother for tuberculosis treatment]		-
Provision of education facility [₹ 900 x 12]		10,800
Leave travel concession	45,000	
Less: Exempt	45,000	-
[Mr. Anshul can avail exemption on the entire amount of ₹ 45,000 reimbursed by the employer towards leave travel concession since the leave travel concession was availed for himself, wife and three children and the journey was undertaken by economy class airfare. The restriction imposed for two children is not applicable in case of multiple birth which take place after the first child.]		
Gross Salary		15,67,240
Less: Deduction under section 16		
Professional tax paid	2,200	
Standard Deduction, lower of salary or ₹ 50,000	50,000	52,200
Taxable Salary		15,15,040

8. **Computation of total income of Mr. Karan for A.Y.2024-25**

Particulars	₹	₹
Salary		
Gross salary	2,75,000	
Less: Standard deduction under section 16(ia)	50,000	2,25,000

Income from house property		
Interest on loan paid for self occupied property [Not allowable under section 115BAC]	-	
Loss from let out house property	2,85,000	
[Loss from house property is not allowed to be set off against income under any other head while computing income under section 115BAC.]	2,85,000	
Profits and gains from business and profession		
Income from sale of rubber products from rubber plants [₹ 70,000 (35% of ₹ 2,00,000) is business income and ₹ 1,30,000 (65% of ₹ 2,00,000) is agricultural income which is exempt from tax]	70,000	
Business Income- Retail business	1,20,000	
	1,90,000	
Less: Set-off of wholesale business loss of ₹ 1,00,000	1,00,000	
	90,000	
Less: Set-off of brought forward business loss of ₹ 1,35,000 of A.Y.2023-24 allowable to the extent of ₹ 90,000 by virtue of section 72(1)	90,000	Nil
[Balance brought forward business loss of ₹45,000 (i.e., ₹ 1,35,000 – ₹ 90,000) to be carry forward to A.Y. 2025-26 for set-off against business income of that year]		
Capital Gains		
Long-term capital gain on sale of listed equity shares on which STT is paid	2,00,000	
Less: Set-off of short term capital loss of ₹ 1,10,000	1,10,000	90,000

Income from Other Sources		
Dividend from Indian companies [13,500/90 x 100]	15,000	
Lottery winnings	45,000	
Income of minor son from special talent [Not included in Karan's income since it is earned from special talent]	-	
Interest from bank received by minor son on deposit made out of his income from special talent [Includible in the income of Mr. Karan, since Mrs. Karan does not earn any income]	10,000	
<i>Less:</i> Exemption under section 10(32) [Not allowable under section 115BAC]	-	70,000
Gross Total Income		3,85,000
<i>Less:</i> Deduction under section 80C [Not allowable under section 115BAC]		-
Total Income		3,85,000

9. (i) If an individual has total sales, turnover or gross receipts, as the case may be, in the business exceeding ₹ 50 lakhs during the previous year, he would be required to file a return of income, even if his total income does not exceed the basic exemption limit.

Since Mr. Ashish's turnover from the business is ₹ 65,00,000 for the P.Y. 2023-24, he is required to file his return of income for A.Y. 2024-25 on or before the due date under section 139(1).

- (ii) If an individual has incurred aggregate amount of expenditure exceeding ₹ 1 lakh towards consumption of electricity during the previous year, he would be required to file a return of income, even if his total income does not exceed the basic exemption limit.

Since Mr. Subhash does not have total income exceeding the basic exemption limit and has incurred a total expenditure of ₹ 90,000 only in the P.Y.2023-24 towards consumption of electricity, he is not required to file his return of income for A.Y. 2024-25.

- (iii) Even though the total income of an individual does not exceed the basic exemption limit, he would be required to file his return of income if
- he has deposited an amount or aggregate of the amounts exceeding ₹ 1 crore in one or more current accounts maintained with a banking company or a co-operative bank during the previous year or
 - the deposit in one or more savings bank account of the person, in aggregate, is ₹ 50 lakhs or more during the previous year

In this case, he has deposited only ₹ 75 lakhs in current account in Axis account during the P.Y. 2023-24 but has deposited ₹ 65 lakhs in savings bank account (₹ 40 lakhs in SBI and ₹ 25 lakhs in HDFC) during the P.Y. 2023-24, hence, he is required to file a return of income for A.Y. 2024-25 on or before the due date under section 139(1).

- (iv) If an individual has aggregate TDS and TCS credit of ₹ 25,000 or more during the previous year, he would be required to file a return of income, even if his total income does not exceed the basic exemption limit.

In this case, TDS of ₹ 40,000 i.e., @2% on ₹ 20 lakhs, would have been deducted by HDFC Bank under section 194N on cash exceeding ₹ 1 crore withdrawn by Mr. Kumar during the P.Y. 2023-24. Hence, he is required to file his return of income for A.Y. 2024-25 on or before the due date under section 139(1).

10. Computation of total income and tax liability of Mr. Anand for A.Y. 2024-25 under section 115BAC

	Particulars	₹	₹	₹
I.	Income from house property Let out portion [First floor] Gross Annual Value [Rent received is taken as GAV, in the absence of other information]		1,80,000	

	Less: Municipal taxes paid by him in the P.Y. 2023-24 pertaining to let out portion [₹ 30,000/2]		15,000	
	Net Annual Value (NAV)		1,65,000	
	Less: Deduction u/s 24			
	(a) 30% of ₹ 1,65,000	49,500		
	(b) Interest on loan [₹ 1,00,000/2]	50,000	99,500	
	Self-occupied portion [Ground Floor]		65,500	
	Annual Value		Nil	
	[No deduction is allowable in respect of municipal taxes paid]			
	Net Annual Value (NAV)		Nil	
	Less: Interest on loan [Not allowable under section 115BAC]		Nil	65,500
II.	Profits and gains of business or profession			
	Income from SEZ unit			35,00,000
III.	Capital Gains			
	Short-term capital gains on sale of equity shares of Sam Ltd. (since held for not more than 12 months)			
	Full Value of Consideration [2000 x ₹ 150]	3,00,000		
	Less: Brokerage @ 0.1%	300		
	Net sale consideration	2,99,700		

	Less: Cost of acquisition [₹ 2000 x 120]	2,40,000	59,700	
	Long-term capital gains on sale of equity shares of Jam Ltd. (since held for more than 12 months)			
	Full Value of Consideration [1250 x ₹ 100]	1,25,000		
	Less: Brokerage @ 0.1%	125		
	Net sale consideration	1,24,875		
	Less: Cost of acquisition [No indexation benefit would be available]	90,000	34,875	94,575
	Higher of cost of acquisition of ₹ 90,000 (72 x 1250) and ₹ 62,500, being lower of FMV of ₹ 62,500 and full value of consideration of ₹ 1,25,000			
IV.	Income from Other Sources			
	Royalty from artistic book		2,88,000	
	Less: Expenses incurred for earning royalty		40,000	
			2,48,000	
	Interest on income-tax refund		1,750	
				2,49,750
	Gross Total Income			39,09,825
	Less: Deduction under Chapter VI-A [Not allowable under section 115BAC]			-
	Total Income			39,09,825
	Total Income (Rounded off)			39,09,830

Tax on total income of ₹ 39,09,830		
Tax on LTCG exceeding ₹ 1 lakhs @10% u/s 112A		-
Tax on STCG of ₹ 59,700 @15% u/s 111A		8,955
Tax on remaining total income of ₹ 38,15,255		
Upto ₹ 3,00,000	Nil	
₹ 3,00,001 - ₹ 6,00,000[@5% of ₹ 3 lakhs]	15,000	
₹ 6,00,001 - ₹ 9,00,000[@10% of ₹ 3 lakhs]	30,000	
₹ 9,00,001 - ₹ 12,00,000[@15% of ₹ 3 lakhs]	45,000	
₹ 12,00,001 - ₹ 15,00,000[@20% of ₹ 3 lakhs]	60,000	
₹ 15,00,001 - ₹ 38,15,255[@30% of ₹ 23,15,255]	6,94,577	8,44,577
		8,53,532
<i>Add: Health and education cess@4%</i>		34,141
Tax liability		8,87,673
Tax liability (Rounded off)		8,87,670

Computation of total income and tax liability of Mr. Anand for A.Y. 2024-25 under normal provisions of the Act

Particulars	₹	₹	₹
Gross Total Income as per section 115BAC			39,09,825
<i>Less: Interest on loan for self occupied property [₹ 1,00,000/2]</i>			50,000
Gross Total Income as per normal provisions of the Act			38,59,825

<p>Less: Deduction u/s 10AA [Since the industrial undertaking is established in SEZ, it is entitled to deduction u/s 10AA @100% of export profits, since P.Y.2023-24, being the 5th year of operations] [Profits of the SEZ x Export Turnover received in India in convertible foreign exchange on or before 30.9.2024/Total Turnover] x 100% [₹ 35 lakhs x ₹ 120 lakhs/ ₹ 200 lakhs x 100%]</p> <p>Less: Deduction under Chapter VI-A</p> <p>Deduction under section 80C</p> <p>Repayment of housing loan 1,05,000</p> <p>Public Provident Fund 1,30,000</p> <p>5 years Term deposit (not allowed as deduction in the name of minor son) -</p> <p>2,35,000</p> <p>Restricted to 1,50,000</p> <p>Deduction under section 80D</p> <p>Medical insurance premium 18,000 [90,000 x 1/5]</p> <p>Preventive health check up of ₹ 7,500, subject to maximum of ₹ 5,000 5,000</p> <p>23,000</p> <p>Deduction under section 80QQB</p> <p>Royalty [₹ 2,88,000 x 15/16 = ₹ 2,70,000, restricted to amount brought into India in convertible</p>			21,00,000

foreign exchange ₹ 2,50,000 minus ₹ 40,000 expenses already allowed as deduction while computing royalty income]			
			3,83,000
Total Income			13,76,825
Total Income (Rounded off)			13,76,830
Tax on total income of ₹ 13,76,830			
Tax on LTCG exceeding ₹ 1 lakhs @10% u/s 112A			-
Tax on STCG of ₹ 59,700 @15% u/s 111A			8,955
Tax on remaining total income of ₹ 12,82,255			
Upto ₹ 2,50,000		Nil	
₹ 2,50,001 - ₹ 5,00,000[@5% of ₹ 2,50,000]		12,500	
₹ 5,00,001 - ₹ 10,00,000[@20% of ₹ 5,00,000]		1,00,000	
₹ 10,00,001 - ₹ 12,82,255[@30% of ₹ 2,82,255]		84,677	1,97,177
			2,06,132
Add: Health and education cess@4%			8,245
Tax liability			2,14,377
Tax liability (rounded off)			2,14,380

SECTION B: GOODS AND SERVICES TAX

The provisions of the CGST Act, 2017 and the IGST Act, 2017 as amended by the Finance Act, 2023 including significant notifications and circulars issued and other legislative amendments made, which have become effective up to 29.02.2024, are applicable for September 2024 examination.

The subject matter of June, 2023 edition of the Study Material of Goods and Services Tax is based on the provisions of the CGST Act and the IGST Act as amended by the notifications and circulars issued up to 30.04.2023. The amendments made vide relevant Finance Acts, which have become effective till 30.04.2023, and significant notifications and circulars issued upto 30.04.2023 have been incorporated in the Study Material. Further, students are advised to read all the amendments made by the Finance Act, 2023 given at the end of relevant chapters for September 2024 examinations as all such amendments have become effective.

The Statutory Update containing significant notifications and circulars issued between 01.05.2023 and 29.02.2024 in GST laws as well as the amendments made by the CGST Amendment Act, 2023 and IGST Amendment Act, 2023, which are relevant for September, 2024 examination is webhosted at <https://resource.cdn.icai.org/77999bos62625.pdf>

- (1) All questions should be answered on the basis of the position of GST law as amended up to 29.02.2024.**
- (2) The GST rates for goods and services mentioned in various questions are hypothetical and may not necessarily be the actual rates leviable on those goods and services. Further, GST compensation cess should be ignored in all the questions, wherever applicable.**



QUESTIONS

Case Scenario

XYZ Private Limited is a mid-sized company, registered in Delhi, dealing in the manufacturing and distribution of electronic goods in India. The company has been operating for over a decade and has a robust supply chain network

across the Country. The Company needs to ensure compliance with various GST regulations related to return filing, registration, and payment of tax.

The company is exploring to expand its sales channel in India through distributors in each State. In view of the same, the company has undertaken following activities in the month of June.

- (a) Organized a distributor conclave in Udaipur, Rajasthan, where the distributors from Rajasthan, Gujarat and Madhya Pradesh participated in the conclave held in Rajasthan. The total cost of hotel accommodation was ₹ 25 lakh, which was paid by the Delhi office to the Hotel located in Rajasthan.
- (b) The company purchased certain gift items for distribution to the participants in the conclave. The gift items were purchased from the vendor located in Ludhiana, Punjab and were delivered to the hotel in Udaipur, Rajasthan for distribution to the participants of the conclave. The cost of such gift items was ₹ 25 lakh. However, the value of individual gift items was restricted to ₹ 75,000.
- (c) The company purchased an insurance policy for its employees travelling for the conclave and the premium for such insurance policy was ₹ 1 lakh which was paid by the company. There is no requirement under any law requiring such insurance policy.
- (d) The company took on rent, a new warehouse near its factory in Delhi for storage and dispatch of goods. The goods are being transported between the factory and new warehouse in non-motorized cart. The value of such goods transported in single trip is up to ₹ 5 lakh. Further, the rent of warehouse is ₹ 18 lakh for the initial 11 months and the same shall be revised to ₹ 21 lakh after expiry of initial 11 months.

The rate of tax applicable is 18% IGST, 9% CGST and SGST each unless otherwise specified.

On the basis of the facts given above, choose the most appropriate answer to Q.1 to Q.5 below -

1. Which of the following statements is correct under GST law in relation to the hotel accommodation service received by the Company?

- (a) The hotel shall charge CGST and SGST in the invoice issued to the Company.
 - (b) The Hotel shall charge IGST in the invoice issued to the Company
 - (c) The Hotel shall issue a bill of supply to the Company.
 - (d) The Hotel shall charge CGST and SGST to the extent the charges are related to participants of Rajasthan and IGST to the extent charges are related to the participants of Gujarat and Madhya Pradesh, on the invoice issued to the Company.
2. What shall be the place of supply in relation to the gift items purchased by XYZ Private Limited?
- (a) Rajasthan i.e. the location where the goods were received
 - (b) Delhi i.e. the principal place of business of the Company
 - (c) Punjab i.e. the location from where the goods were dispatched
 - (d) Permanent location of participants receiving the gifts
3. Which of the following statements is true in relation to the gift items and the insurance policy purchased by the Company?
- (a) The company is not eligible to avail the input tax credit in relation to both, gift items and the insurance policy.
 - (b) The company is eligible to avail the input tax credit related to gifts valuing less than ₹ 50,000.
 - (c) The company is eligible to avail the input tax credit only on insurance policy as the same is provided to employees i.e. related person of the Company.
 - (d) There is no restriction in availment of input tax credit related to gifts and insurance policy.
4. Which of the following statements is correct in relation to the issuance of e-way bill for transportation of goods between factory and warehouse in non-motorized cart?
- (a) E-way bill is required to be issued by the company for each instance of transportation of goods irrespective of the consignment value of goods.

- (b) E-way bill is not required to be issued in the given case irrespective of the consignment value of the goods.
 - (c) E-way bill is required to be issued for goods of the consignment value above ₹ 50,000
 - (d) E-way bill is required to be issued for goods of the consignment value above ₹ 1,00,000
5. Which of the following statements is most appropriate in relation to the new warehouse taken on rent by the Company?
- (a) Separate GST registration is not required mandatorily.
 - (b) Separate GST registration is required mandatorily.
 - (c) GST registration is required as a casual taxable person for the term of rent agreement.
 - (d) Separate GST registration is required once the rent is more than ₹ 20 lakh per annum.
6. Craftmodel Limited, a registered dealer in Patna (Bihar), is engaged in various types of supplies. It is not engaged in renting of cars business. The company provided the following details for the month of January, 2024.

Sl. No.	Particulars	Amount in ₹		
(i)	Outward supply of goods made during the month to various non-related persons:	As given in particulars column		
	Particulars		Market value (₹)	Transaction Value (₹)
	a. in the State of Bihar (Intra-State)		3,00,000	4,00,000
	b. to other States (Inter-State)	7,50,000	6,00,000	
(ii)	The company pledged its 5% equity shares to the merchant banker for the purpose of proposed initial public offer.			

(iii)	Stock transfer of goods worth ₹ 58,000 without consideration to its branch at Gaya (Bihar). Branch has been declared as an additional place of business in the registration certificate.	
(iv)	Intra-State inward supply of various services for use in the course or furtherance of business (30 invoices). Out of 30 invoices, details of 10 invoices amounting to ₹ 2,50,000 were not furnished by the suppliers in their GSTR-1s and resultantly, were not reflected in Craftmodel Limited's GSTR-2B.	12,00,000
(v)	Outward supply of services of milling of paddy into rice (Intra-State)	2,00,000
(vi)	Outward supply of services of giving trucks on hire to a Governmental authority (Intra-State)	1,50,000
(vii)	Amount paid to IIM Ahmedabad, Gujarat for providing 15 days' management training to 10 managers from 10 th January. The IIM provided Participation Certificates at the end of the training program.	5,00,000
(viii)	Purchased air tickets for its employees from Patna to Guwahati, Assam airport in economy class. Total fare was ₹ 1,00,000, out of which basic fare was ₹ 80,000.	

Additional Information:

- (a) All the amounts given above are exclusive of taxes, wherever applicable.
- (b) During the course of arranging and filing documents, the Accountant of Craftmodel Limited observed that an invoice for ₹ 30,000 (excluding tax) dated 2nd December, 2023 was omitted to be recorded in the books of accounts and no payment was made against the same till the end of January, 2024. This invoice was issued by Mr. Rahuketu of Patna, from whom Craftmodel Limited had taken cars on rental basis. Invoice included cost of fuel also.

- (c) Regarding pledging of shares, the face value of shares is ₹ 5,00,000. The market value of shares is ₹ 8,00,000.
- (d) Rate of GST applicable on various supplies are as follows:

Nature of supply	CGST	SGST	IGST
Car rental service	2.5%	2.5%	5%
Transportation of passengers by air	2.5%	2.5%	5%
All other inward and outward supplies	9%	9%	18%

- (e) No opening balance of input tax credit exists in the beginning of the relevant tax period.
- (f) Subject to the information given above, conditions necessary for claiming ITC were complied with.

You are required to calculate the amount of net GST liability payable in cash by Craftmodel Limited for the month of January, 2024.

7. Briefly examine the taxable value of supply in the following independent cases:
- (i) Jivan Limited, registered under GST, provided services amounting to ₹ 10,00,000 to a Governmental Authority by way of sanitation conservancy.
- (ii) Raju Transporters, a registered Goods Transport Agency (GTA) provided service of transportation of goods to Kukreja & Kukreja Co.-a unregistered partnership firm. Kukreja & Kukreja Co. paid ₹ 8,000 to Raju Transporters as consideration.
- (iii) Amardeep Hospital provided services in Neo natal Intensive Care for 2 days for which ₹ 15,000 are charged per day from Mr. Chopra for his new born son, Viraat.
8. Ranmo Limited, a registered entity under GST has demerged its operations with effect from 31st October, 2023. The registration of Ranmo Limited has been cancelled suo-motu by the Proper Officer. The order of cancellation of registration was passed on 4th November, 2023 and was served on 7th November, 2023.

Ranmo Limited wishes to apply for revocation of cancellation of registration on 4th February, 2024. The tax consultant of Ranmo Limited advised that application for revocation of cancellation or registration is time barred and hence not valid in law.

You are required to examine the technical veracity of the advice given by Tax Consultant of Ranmo Limited.

9. Mr. X, a registered person under GST has aggregate turnover in the preceding financial year amounting to ₹ 8 crore. He is desirous to know whether e-invoicing is applicable for supplies made by registered person to Government Departments or establishments/Government agencies/local authorities/PSUs which are registered solely for the purpose of deduction of tax at source as per provisions of section 51 of the CGST Act, 2017. You are required to advise Mr. X.
10. Briefly explain the manner of dealing with difference in ITC available in auto-generated statement containing the details of ITC and that availed in return prescribed in terms of rule 88D of the CGST Rules, 2017.

**SUGGESTED ANSWERS/HINTS**

MCQ No.	Most Appropriate Answer
1.	(a)
2.	(b)
3.	(a)
4.	(b)
5.	(a)

6. Computation of net GST payable in cash by Craftmodel Ltd. for the month of January, 2024

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
Outward intra-State supply of goods made in the State of Bihar. [Value of supply is the transaction value of the goods.]	36,000 [4,00,000 × 9%]	36,000 [4,00,000 × 9%]	
Outward supply of goods made to other States. [Value of supply is the transaction value of the goods.]			1,08,000 [6,00,000 × 18%]
Pledging of 5% equity shares to the merchant banker [Supply includes supply of goods and services. Shares being securities are neither goods nor services. Thus, transfer of shares which is neither goods nor services is not a supply.]			Nil
Intra-State stock transfer to Gaya Branch with no separate registration. [Stock transfer between 2 units of a legal entity under single registration is not a deemed supply under GST and hence, the same is not liable to tax under GST since branch with same GSTIN is not a distinct person.]	-	-	
Services of milling of paddy into rice. [Milling of paddy into rice cannot be considered as an	18,000 (2,00,000 × 9%)	18,000 (2,00,000 × 9%)	

intermediate production process in relation to cultivation of plants for food, fibre or other similar products or agricultural produce. Thus, it is not eligible for exemption.]			
Services of giving trucks on hire to a Governmental authority [Services by way of giving motor vehicles on hire to a Governmental authority are taxable.]	13,500 (1,50,000 x 9%)	13,500 (1,50,000 x 9%)	
Total output tax	67,500	67,500	1,08,000
Less: Input Tax Credit [Refer Working Note below] IGST credit should first be utilized towards payment of IGST.			(90,000)
ITC of CGST should be utilized for payment of CGST and IGST in that order. ITC of CGST cannot be utilized for payment of SGST	(67,500) (CGST)		(18,000) (CGST)
ITC of SGST should be utilized for payment of SGST and IGST in that order. However, ITC of SGST should be utilized for payment of IGST, only after ITC of CGST has been utilized fully. ITC of SGST cannot be utilized for payment of CGST.		(67,500) (SGST)	-
Minimum Net GST payable in cash	Nil	Nil	Nil
ITC balance to be carried forward next month	-	18,000	-

Working Note:**Computation of ITC available**

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
Intra-State inward supply of services used in the course of business. [ITC cannot be availed by a registered person in respect of invoices, the details of which have not been furnished by the supplier in GSTR-1.]	85,500 (9,50,000 x 9%)	85,500 (9,50,000 x 9%)	-
Training course organized by IIM, Gujarat. [Not exempt. Short duration programmes offered by IIMs for which participation certificate is awarded are not 'qualification recognized by law'. ITC is available in respect of supply of services which are used in the course or furtherance of his business. Further, the place of supply of services in relation to training and performance appraisal to a registered person, shall be the location of such person. Thus, place of supply is Patna (Bihar). Further, where the location of the supplier and the place of supply are in two different States, it shall be treated as inter-State supply of services.]	-	-	90,000 (5,00,000 x 18%)
Air tickets from Patna to Guwahati.			

[Transport of passengers by air terminating in an airport located in Assam is exempt from GST as said transportation is in economy class.]			
Cars taken on rental basis from Mr. Rahuketu. [Tax on renting of motor car services wherein cost of fuel is included in consideration provided by a non-body corporate to a body corporate and CGST/SGST is charged @ 2.5% each, is payable under reverse charge. Time of supply of such services is 1 st February being earlier of date of payment, or date immediately following 60 days since issue of invoice by the supplier. Since the time of supply of renting of motor car services in the given case does not fall in January, 2024, tax liability on the same does not arise in said month. Further, ITC on renting of motor car services received is blocked since the recipient - Craftmodel Ltd. is not in the same line of business]	--	--	--
Total ITC available	85,500	85,500	90,000

7. (i) Services provided to a Governmental Authority by way of *inter alia* sanitation conservancy is exempt under GST. Thus, services provided by Jivan Limited, registered under GST amounting to ₹ 10,00,000 to a Governmental Authority by way of sanitation conservancy is exempt under GST.

- (ii) Services provided by a GTA to an unregistered person, including an unregistered casual taxable person other than, *inter alia*, any partnership firm whether registered or not under any law including association of persons is exempt under GST. Thus, GTA services provided to partnership firm including AOP – whether or not registered under GST law, are liable to tax. Hence, consideration of ₹ 8,000 paid by Kukreja & Kukreja Co. is taxable under GST.
- (iii) The services provided by a clinical establishment by way of providing room [other than Intensive Care Unit (ICU)/Critical Care Unit (CCU)/Intensive Cardiac Care Unit (ICCU)/Neo natal Intensive Care Unit (NICU)] having room charges exceeding ₹ 5000 per day to a person receiving health care services is taxable under GST. Since, in the given case Amardeep Hospital provided services in Neo natal Intensive Care, so the entire amount of ₹ 30,000 charged from Mr. Chopra is exempt under GST law.
8. A registered person, whose registration is cancelled by the proper officer on his own motion, may, subject to the provisions of rule 10B of the CGST Rules, 2017, submit an application for revocation of cancellation of registration, in prescribed form, to such proper officer, within a period of 90 days from the date of the service of the order of cancellation of registration.

However, such period may, on sufficient cause being shown, and for reasons to be recorded in writing, be extended by the Commissioner or an officer authorised by him in this behalf, not below the rank of Additional Commissioner or Joint Commissioner, as the case may be, for a further period not exceeding 180 days.

Thus, in the given case, Ranmo Limited can apply for revocation of cancellation of registration within a period of 90 days from the date of the service of the order of cancellation of registration, i.e. within 90 days from 7th November, 2023.

The application submitted for revocation of cancellation of registration is valid in law as the same has been submitted within the prescribed time limits.

Thus, the advice given by Tax Consultant of Ranmo Limited is not valid in law.

9. Government Departments or establishments/ Government agencies/ local authorities/ PSUs, which are required to deduct TDS under section 51 of the CGST Act, 2017, are liable for compulsory registration in accordance with section 24(vi) of the CGST Act, 2017.

Therefore, Government Departments or establishments/ Government agencies/ local authorities/ PSUs, registered solely for the purpose of deduction of TDS, are to be treated as registered persons under the GST law as per provisions of section 2(94) of the CGST Act, 2017.

Accordingly, the registered person, whose turnover exceeds the prescribed threshold for generation of e-invoicing, is required to issue e-invoices for the supplies made to such Government Departments or establishments/ Government agencies/ local authorities/ PSUs, etc. under rule 48(4) of the CGST Rules, 2017 [*Circular No. 198/10/2023 GST dated 17.07.2023*].

10. Rule 88D of the CGST Rules, 2017 provides as follows:

Where the amount of ITC availed by a registered person in the return for a tax period(s) furnished by him in Form GSTR-3B exceeds the ITC available to such person in accordance with the auto-generated statement containing the details of ITC in Form GSTR-2B in respect of the said tax period(s), by specified amount and percentage, the said registered person shall be given an intimation in prescribed form electronically on the common portal, and a copy of such intimation shall also be sent to his e-mail address provided at the time of registration or as amended from time to time. Said intimation shall highlight the said difference and will direct him to—

- (a) pay an amount equal to the excess ITC availed in the said Form GSTR-3B, along with interest payable under section 50 of the CGST Act, 2017, through prescribed form, or
- (b) explain the reasons for the aforesaid difference in ITC on the common portal,

within a period of 7 days.

Such registered person shall, upon receipt of said intimation, either,

- (a) pay an amount equal to the excess ITC, as specified in intimation, fully or partially, along with interest payable, through prescribed form and furnish the details thereof, electronically on the common portal, or
- (b) furnish a reply, electronically on the common portal, incorporating reasons in respect of the amount of excess ITC that has still remained to be paid,
within 7 days' period.

Where any amount specified in the intimation remains to be paid within 7 days' period and where no explanation/reason is furnished by the registered person in default or where the explanation/reason furnished by such person is not found to be acceptable by the proper officer, the said amount shall be liable to be demanded in accordance with the provisions of section 73/section 74 of the CGST Act, 2017.

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