

J.K. SHAH[®]

**TEST
SERIES**



SUGGESTED SOLUTION

CA INTERMEDIATE

SUBJECT- TAXATION

Test Code – IMP 2403

BRANCH - () (Date :)

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SECTION – A INCOME TAX LAWS

MULTIPLE CHOICE QUESTIONS :

No.	Answer		
1	D	Deemed resident	(2 M)
2	D	Dividend from Rainbow Ltd is taxable in the hands of Mr. Narendra. Tax of Rs. 700 is required to be deducted at source.	(2 M)
3	D	Mr. Narendra is liable to deduct TDS u/s 194-IB of Rs. 12,000 in the month of March 2023. 0.1%	(2 M)
4	A	Rs. 26,27,202	(2 M)
5	D	Rs. 19,074.95	(2 M)
6	B	15,70,140	(1 M)
7	C	95,467	(1 M)
8	A	20,000	(1 M)
9	A	1,70,000	(1 M)
10	A	Before the end of that Financial Year.	(1 M)

(TOTAL = 15 MARKS)

DESCRIPTIVE ANSWERS

ANSWER : 1

Computation of Total income of Ram for the A.Y. 2024 – 25

Particulars	Rs.	Rs.
<u>Income from salaries</u>		
Basic salary (Rs. 15,000*12)		1,80,000
Dearness allowance (Rs. 15,000*12)		1,80,000
Commission on turnover (0.5% of Rs. 40,00,000)		20,000
Bonus		30,000
Gratuity		30,000
Employer's contribution to RPF		
Actual contribution (20% of Rs. 1,80,000)	36,000	
Less: Exempt	34,800	1,200
Interest credited in recognized provident fund account @ 15% p.a.	15,000	
Less: Exempt up to 9.5% p.a.	9,500	5,500
Gift of gold ring worth Rs. 4,000 on 25 th wedding anniversary by employer		-
		4,46,700
Less: Standard deduction under section 16(ia)		50,000
		3,96,700
<u>Profits and Gains of Business or Profession</u>		
Lease of 3 light goods vehicles on contract basis against fixed		2,70,000

charges of Rs. 5,500 p.m. In this case, presumptive tax provisions of section 44AE will apply i.e. Rs. 7,500 p.m. for each of the three light goods vehicle (Rs. 7,500*3*12). He cannot claim lower profits and gains since he has not maintained books of account.		
Capital Gain		
Short capital gain on sale of shares of Indian listed companies		20,000
Income from other sources		
Interest on Bank FDRs		7,000
		6,93,700
Gross total income		
Less: Deductions under chapter VI-A		
Section 80C		
Premium on life insurance policy	15,000	
Investment in NSC	30,000	
FDR of SBI for 5 years	50,000	
Employee's contribution to recognized provident fund	30,000	1,25,000
Section 80D - Mediclaim Insurance		22,500
Section 80G (see note 5)		5,500
Total income		5,40,700
Tax on STCG @15% of 20,000		3,000
Remaining (Rs. 5,40,700-20,000)		
First Rs. 2,50,000		Nil
Then Rs. 2,50,000 @ 5%		12,500
Balance Rs.20,700		4,140
Total tax on income		19,640
Add @ 4% education cess		786
Tax liability		20,426
Tax liability (Rounded off)		20,430

Notes:

1. Gratuity received during service is fully taxable.
2. Employer's contribution in the recognized provident fund is exempt up to 12% of salary i.e., 12% of (Basic salary + DA for retirement benefits + Commission based on turnover)
=12% of (Rs. 1,80,000+ (50% of Rs. 1,80,000))+ Rs. 20,000
=12% of Rs. 2,90,000 = Rs. 34,800
3. Gifts up to Rs. 5000 in the aggregate per annum would be exempted, beyond which it would be taxed as a perquisite.
4. Short- term capital gains on transfer of equity shares in respect of which securities transaction tax is paid is subject to tax @15% as per section 111A.
5. Donation to institution approved under section 80G (50% of Rs. 11,000).

(15 MARKS)

ANSWER : 2 (A)

- (a) The amount of Rs. 4,00,000 received for not resigning from the directorship is a reward received from the employer. Therefore, it is a revenue receipt.

(b) This is a capital expenditure, as any expenditure incurred by a person to free himself from a capital liability is a capital expenditure. In the given case, the payment of Rs. 1,00,000 for cancelling the order for purchase of the machinery has helped the assessee to become free from an unnecessary capital liability.

(2 MARKS)

ANSWER : 2(B)

(a) Provisions of tax deduction at source under section 194C are attracted in respect of payment by a company to a sub-contractor source under section 194C, tax is deductible at the time of credit or payment, whichever is earlier @ 1% in case of the payment is made to an individual.

Since the aggregate amount credited or paid during the year is Rs. 5,00,000 tax is deductible @ 1% on Rs. 5,00,000

Tax to be deducted = Rs. 5,00,000 @ 1% = Rs. 5,000

(b) As per the provisions of section 194J, a Hindu Undivided family / individual is not required to deduct tax at source if professional charges are paid exclusively for the personal purpose of any individual / member of Hindu individual family.

Section 194M, provides for deduction of tax at source by a HUF, which is not required to deduct tax at source under section 194J in respect of fees for professional service if such sum or aggregate of such sum exceeds Rs. 50,00,000 during the financial year. In the given case, the fees for professional service to Dr. Bhanawat is paid on 1st January, 2023 for a personal purpose, therefore, section 194J is not attracted.

Section 194M would have been attracted, if the payment or aggregate of payments exceeded Rs. 50,00,000 in the P.Y. 2022-23. However, since the payment does not exceed Rs. 50,00,000 in this case, there is no liability to deduct tax at source under section 194M also.

(c) As per section 194-IA, any person, being a transferee, responsible for paying to a resident transferor any sum by way of consideration for transfer of any immovable property (i.e. any land other than rural agricultural land) or any building or part of a building shall be liable to deduct tax at source @ 1% where the total amount of consideration for the transfer of immovable property is not less than Rs. 50 lakh.

Since the sale consideration of house property exceeds Rs. 50 lakh, Mr. Dhanpal is required to deduct tax at source u/s 194 IA. The tax to be deducted u/s 194-IA would be Rs. 60,000 being 1% of Rs. 60,00,000.

(d) Explanation to section 194C provides that catering services are covered under the expression "work" for the purpose of tax deduction at source under this section and the catering organization will have to be treated as contractor. As the payment exceeds Rs. 30,000, the nationalized bank is required to deduct tax at source at 2% on the payments made to catering organization u/s 194C.

Therefore, tax to be deducted at source = (Rs. 50,000 * 12) * 2% = 12,000

(8 MARKS)

ANSWER : 3 (A)

Computation of total income of Ms. Nisha for A.Y. 2024 – 25

Particulars	Rs.	Rs.
Profit and gains of Business or profession		
Salary received from partnership firm	50,000	
Less incurred by firm, in which she is a partner (Share of loss from a partnership firm cannot be set off against business income, since share of income of the firm is exempt u/s 10 (2A) speculation profit.	2,30,000	
	2,80,000	
Less: Loss from textile business- Rs. 8,50,000 (set off to the extent of business income of Rs. 2,80,000)	2,80,000	NIL
Balance loss (Rs. 8,50,000-Rs. 2,80,000 i.e. Rs. 5,70,000) to be set off from income from other sources to the extent of Rs. 73,000 and remaining loss from income under the head capital gains i.e. 4,97,000.		
Capital gains:		
Long –term capital gain on sale of equity shares computed as per section 112A	9,95,000	
Less: Loss from textile business (current year loss is to be given priority over set off of brought forward loss)	4,97,000	
Less: Brought forward short-term capital loss on sale of gold	2,75,000	
Less: Brought forward loss on sale of equity shares of the nature specified u/s 111A	25,000	
		1,98,000
Income from other sources		
Winning from lottery	75,000	
Interest from fixed deposit	73,000	
Less: Loss from textile business	73,000	75,000
Gross Total Income		2,73,000

(6 MARKS)

ANSWER : 3(B)

As per provisions of 43B(h)

If payment made to micro or small enterprise registered in MSME beyond due date of MSME then deduction allowed in the year of payment otherwise in the year of invoice.

Supplier Name	MSME Category	Invoice Date	Due Date	Payment Date	Purchase Amount	Allowed in which year?
Mr. Aagam	Small	01/03/24	15/03/24	17/03/24	10,00,000	2023-24
Mr. Gaurav	Micro	25/03/24	30/04/24	05/04/24	15,00,000	2023-24
Mr. RP	Medium	25/03/24	30/04/24	15/05/24	7,00,000	2023-24
Mr. Amit	Small	31/03/24	10/04/24	17/04/24	8,00,000	2024-25

(4 MARKS)

ANSWER : 4(A)

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

Particulars	Rs.	Rs.
Total sum received from the tenant		1,30,000
Less: Sum incurred towards tenant's amenities -		
Extension of water connection	3,000	
Water charges	1,500	
Lift maintenance	1,500	
Salary of gardener	1,800	
Lighting of stairs	1,200	
Maintenance of swimming pool	750	9,750
Actual Rent for Floor Area Usage		1,20,250
Less: Municipal taxes (no deduction shall be allowed for municipal taxes as the same have been paid by the tenant.)		Nil
Standard deduction u/s 24 @ 30 %		36,075
Income from house property		84,175

Working Note:

- The expenses borne by the landlord towards amenities of the tenant is included in the rent of Rs. 1,30,000, hence the same is to be excluded for calculating actual rent as the same have been included on behalf of the tenant, for his personal amenities.
- No deduction is allowed for repair and collection charges and land revenue paid by the landlord, only a standard deduction under section 24 @ 30% of the NAV shall be allowed.

(6 MARKS)

ANSWER : 4(B)

- Following are not liable to link Aadhaar with PAN
 - Non-resident of India
 - Resident of J&K, Assam, Meghalaya
 - Not an Indian Citizen
 - Very senior citizen

(1.5 MARKS)

- Calculation of tax payable by MR. A(90, Resident) under default tax regime.

Total Income	7,10,000
Basic Tax(As per 115BAC)	26,000
Upto 3L – 0	
(3L to 6L) 5%	
(6L to 7.10L) 10%	
Less: Marginal relief for rebate U/s 87A (WN 1)	(16,000)
	10,000
Add: 4% H&EC	400
Tax Payable	10,400

WN 1: Calculation of marginal relief (Comparison with threshold of 7,00,000)

Income	7,10,000	7,00,000
Tax before H&EC	26,000	0(After rebate)

Difference Of Income = Rs.10,000
 Difference of Tax= Rs.26,000
Marginal Relief = Rs. 16,000

(2.5 MARKS)

SECTION – B : INDIRECT TAXES

Division A - Multiple Choice Questions (MCQs)

No.	Answer		Marks
1(a)	B	not a supply at all	2
1(b)	B	mixed supply & applicable rate of GST is 18%	2
1(c)	B	10,000 @ 5% for freight payment	2
2	B	If Such repair is capitalized, hence ITC would be blocked	2
3	A	Rs 20 Lacs	2
4	B	Rs 50 lacs in a month excluding Exempt and Zero - Rated Supply	2
5	D	required to file Final Return on or before 14 th December	1
6	A	All dues related to previous tax period	1
7	A	Output tax	1

(15 MARKS)

DESCRIPTIVE ANSWER

ANSWER : 1

Computation of amount of eligible ITC available for the month of January, 2022

Particulars	CGST	SGST
Raw materials B (90%) [Note – 1]	4500	4500
Construction of pipelines laid outside the factory premises [Note – 2]	Nil	Nil
Insurance charges paid for trucks used for transportation of goods [Note – 3]	5500	5500
Raw materials A [Note – 4]	Nil	Nil
Eligible ITC on invoices the details of which are available in GSTR-2B	10000	10000

Notes:

1. ITC on goods destroyed is blocked under section 17 of the CGST Act, 2017.
2. ITC on works contract services availed for construction of plant and machinery is allowed but pipelines laid outside the factory premises are excluded from the definition of plant and machinery and hence, ITC thereon is blocked.
3. ITC on motor vehicles used for transportation of goods is allowed. Further, ITC is also allowed on insurance services relating to motor vehicles, ITC on which is allowed.
4. However as per the latest amendment, ITC shall be allowed only if the transaction has been filed in GSTR 1 by supplier and when it appears in GSTR 2B of recipient. Hence here ITC not available now.

Computation of minimum net GST payable in cash for the month of January, 2022

Particulars	Taxable	CGST	SGST @	IGST @
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	Value	@ 9%	9%	18%
Inter-State outward supplies	850000			153000
Intra-State outward supplies	150000	13500	13500	
Total Output tax		13500	13500	153000
Less: ITC (as above)		-10000	-10000	
Net payable in cash		3500	3500	153000

(8 MARKS)

ANSWER : 1(B)

1. As per Notification No. 66/2017 CT dated 15.11.2017, a registered person (excluding composition supplier) has to pay GST on the outward supply of goods at the time of supply as specified in section 12(2)(a), i.e. date of issue of invoice or the last date on which invoice ought to have been issued in terms of section 31. In this case since the invoice has not been issued, the time of supply for the purpose of payment of tax will be the last date on which the invoice is required to be issued. The invoice for supply of goods in the present case must be issued on or before the dispatch of goods, i.e. on 2nd August. Therefore, the time of supply for the purpose of payment of tax for the goods will be 2nd August, the date when the invoice should have been issued.
2. As per section 12(6), the time of supply with regard to an addition in value on account of interest, late fee or penalty or delayed payment of consideration is the date on which the supplier received such additional consideration. Thus, time of supply in respect of interest would be the date on which the supplier has received such additional consideration, i.e. 2nd February.

(4 MARKS)

ANSWER : 1(C)

Where the immovable property is located in more than one State, the supply of service is treated as made in each of the States in proportion to the value for services separately collected or determined, in terms of the contract or agreement entered into in this regard or, in the absence of such contract or agreement, on such other reasonable basis as may be prescribed in this behalf [Explanation to section 12(3)].

In the absence of a contract or agreement between the supplier and recipient of services in this regard, the proportionate value of services supplied in different States/Union territories (where the immovable property is located) is computed on the basis of the area of the immovable property lying in each State/ Union territories [Rule 4 of the IGST Rules].

(3 MARKS)

ANSWER : 2(A)

Computation of ITC available with XYZ Ltd. for the month of October, 2022

Particulars	Amount
Inputs 'A' [ITC cannot be taken on missing invoice. The registered person should have the invoice in its possession to claim ITC]	90000
Inputs 'B' [When inputs are received in instalments, ITC can be availed only on receipt of last instalment]	NIL
Capital goods [Input tax paid on capital goods cannot be availed as ITC, if depreciation has been claimed on such tax component]	NIL
Input services [ITC on an invoice cannot be availed after the due date of furnishing of the return for the month of September following the end of	175000

financial year to which such invoice pertains or the date of filing annual return, whichever is earlier. Since the annual return for the FY 2021-22 has been filed on 15th September, 2022 (prior to due date of filing the return for September, 2022 i.e., 30th November, 2022), ITC on the invoice pertaining to FY 2021-22 cannot be availed after 15th September, 2022.	
Total	265000

(6 MARKS)

ANSWER : 2(B)

Student may write any 4 points

- Services by an employee to the employer in the course of or in relation to his employment.
- Services by any court or Tribunal established under any law for the time being in force.
- (a) The functions performed by the Members of Parliament, Members of State Legislature, Members of Panchayats, Members of Municipalities and Members of other local authorities;

(b) The duties performed by any person who holds any post in pursuance of the provisions of the Constitution in that capacity; or

(c) The duties performed by any person as a Chairperson or a Member or a Director in a body established by the Central Government or a State Government or local authority and who is not deemed as an employee before the commencement of this clause.
- Services of funeral, burial, crematorium or mortuary including transportation of the deceased.
- Sale of land and, subject to clause (b) of paragraph 5 of Schedule II, sale of building.
- Actionable claims, other than lottery, betting and gambling.
- Supply of goods from a place in the non-taxable territory to another place in the non-taxable territory without such goods entering into India.
- (a) Supply of warehoused goods to any person before clearance for home consumption;

(b) Supply of goods by the consignee to any other person, by endorsement of documents of title to the goods, after the goods have been dispatched from the port of origin located outside India but before clearance for home consumption.

(4 MARKS)

ANSWER : 3(A)

Computation of aggregate turnover of Zen Pvt. Ltd.

Particulars	Amount (Excluding GST)
Exports of goods to China from Noida [Includible in the aggregate turnover] [NOTE 1]	20,00,000
Goods supplied to SEZ located at Delhi from Noida [NOTE 2]	15,00,000
Sales from Chennai shop (Inter-State) [Includible in the aggregate turnover. Further, IGST be excluded from the same]	10,47,619 [11,00,000 × 100/105]
Local sales at Noida (Intra-State) [Includible in the aggregate turnover. Further, CGST and SGST be excluded from the same]	23,80,952 [25,00,000 × 100/105]
Services of transport availed [NOTE 3]	NIL
Commission paid to sales executive [NOTE 3]	NIL

Total Aggregate Turnover	69,28,571
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Note 1 - It has been assumed that exports of goods have been made without payment of tax.

Note 2 - It has been assumed that supply of goods to SEZ have been made without payment of tax.

Note 3 - Inward supplies are not included in aggregate turnover.

(5 MARKS)

ANSWER : 3(B)

As per section 22 of the CGST Act, 2017 read with Notification No. 10/2019 CT dated 07.03.2019, a supplier is liable to get registered in the State/Union territory from where he makes a taxable supply of goods and/or services, if his aggregate turnover in a financial year exceeds the threshold limit.

The threshold limit for a person making exclusive intra-State taxable supplies of goods is as under:-

- (a) 10 lakh for the Special Category States of Mizoram, Tripura, Manipur and Nagaland.
- (b) 20 lakh for the States, namely, States of Arunachal Pradesh, Meghalaya, Puducherry, Sikkim, Telangana and Uttarakhand.
- (c) 40 lakh for rest of India except persons engaged in making supplies of fly ash bricks/blocks, building bricks, bricks of fossil meals, earthen/roofing tiles, ice cream and other edible ice, whether or not containing cocoa, Pan Masala and Tobacco and manufactured tobacco substitutes.

In the light of the afore-mentioned provisions, the answer to the independent cases is as under:

- (i) The benefit of enhanced threshold limit of registration of 40 lakh is not applicable for Rudra brothers even though it is exclusively engaged in intra-State taxable supply of goods in Delhi as it is engaged in making supplies of building bricks. Thus, the applicable threshold limit for registration for Rudra Builders in the given case is 20 lakh.

Thus, it is liable to get registered under GST as it's turnover is more than the threshold limit.

- (ii) Heera could have been eligible for enhanced threshold limit of turnover for registration, i.e. Rs. 40 lakh as he is exclusively engaged in intra-State supply of goods.

However, since Heera is engaged in supplying footwear from a Special Category State i.e. Nagaland, the threshold limit gets reduced to 10 lakh.

Thus, Heera is liable to get registered under GST as his turnover exceeds 10 lakh. Further, he is required to obtain registration in both Himachal Pradesh and Nagaland as he is making taxable supplies from both the States.

(3 MARKS)

ANSWER : 3(C)

All registered businesses with an aggregate turnover (based on PAN) in any preceding financial year from 2017-18 onwards greater than 5 crores are required to issue e-invoices in respect of B2B supplies (supply of goods and/or services to a registered person). Further, following entities are exempt from the mandatory requirement of e-invoicing:-

- (a) Special Economic Zone units
- (b) Insurer or banking company or financial institution including NBFC
- (c) GTA supplying services in relation to transportation of goods by road in a goods carriage
- (d) Supplier of passenger transportation service
- (e) Person supplying services by way of admission to exhibition of cinematograph films in multiplex screens
- (f) Government departments and local authorities

Thus, above mentioned entities are not required to issue e-invoices even if their turnover exceeds 5 crores in the preceding financial year from 2017-18 onwards. In view of the above-mentioned provisions, the answer to the independent cases are as under:-

- (i) The aggregate turnover of Harnam & Co. Exceeds the threshold limit of aggregate turnover applicable for e-invoicing. Thus, Harnam & Co. is mandatorily required to issue e-invoices in respect of supplies made to registered persons.
- (ii) As Speed LTD is GTA, it is exempted from e-invoice provisions even if turnover exceeds threshold limit

(2 MARKS)

ANSWER : 4(A)

- (i) Supply, under section 7 of the CGST Act, 2017, inter alia,
 - ✓ includes import of services for a consideration
 - ✓ even if it is not in the course or furtherance of business.

Thus, although the import of service for consideration by Miss. Shriniti Kaushik is not in course or furtherance of business, as the vastu consultancy service has been availed in respect of residence, it would amount to supply.

- (ii) Section 7 of the CGST Act, 2017 read with Schedule I provides that import of services by a taxable person from a related person located outside India, without consideration is treated as supply if it is provided in the course or furtherance of business.

In the given case, import of service without consideration by Miss Shriniti from her brother – Mr. Varun [brother, being member of the same family, is a related person] will not be treated as supply as it is not in course or furtherance of business.

- (iii) Section 7 of the CGST Act, 2017 read with Schedule I provides that import of services by a taxable person from a related person located outside India, without consideration is treated as supply if it is provided in the course or furtherance of business.

Thus, import of service without consideration by Miss Shriniti from her brother – Mr. Varun (brother, being member of the same family, is a related person) will be treated as supply as she receives vastu consultancy service for her business premises, i.e. in course or furtherance of business

(6 MARKS)

ANSWER : 4(B)

Computation of value of taxable supply made by Koli Ltd. to Ghisa Ltd.

Particulars	Amount
Price of machinery (exclusive of taxes and discounts)	500000 [560000/112*100]
Amount paid by Ghisa Ltd. directly to the supplier for the part fitted in the machinery [Any amount that the supplier is liable to pay in relation to a supply but which has been incurred by the recipient of the supply and not included in the price actually paid or payable for the goods is includible in the value of supply in terms of section 15(2)(b).]	20000
Installation and testing charges [Any amount charged for anything done by the supplier in respect of the supply of goods at the time of/before delivery of goods is includible in the value of supply in terms of section 15(2)(c).]	25000
Less: Additional 1% discount at year end [Though the additional discount is established before/at the time of supply, it is not deductible from the value of supply in terms of section 15(3)(b) as the same is not linked to any specific transaction and is adjusted by the parties at the end of the financial year.]	NIL
Value of Supply	545000

(4 MARKS)