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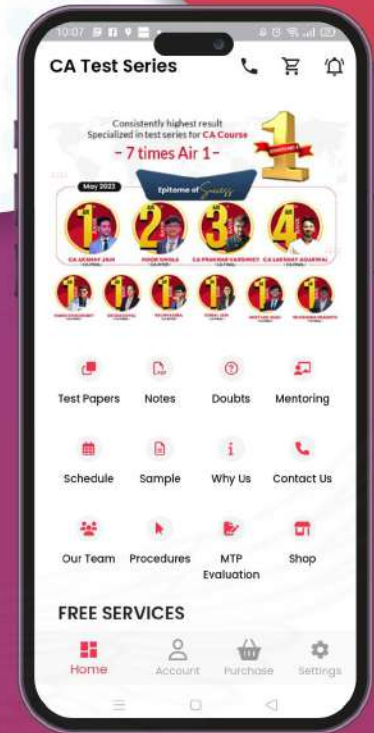
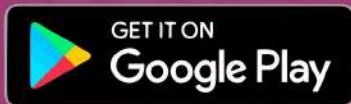


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# Taxation

## CA inter

### (Questions answer – 100)

#### Qusetion.1

Mr. Rangamannar resides in Delhi. As per new rule in the city, private cars can be plied in the city only on alternate days. He has purchased a car on 21- 09-2017, for the purpose of his business as per following details:

Cost of car (excluding GST)	12,00,000
Add: Delhi GST at 14%	1,68,000
Add: Central GST at 14%	1,68,000
Total price of car	15,36,000

He estimates the usage of the car for personal purposes will be 25%. He is advised that since the car has run only on alternate days, half the depreciation, which is otherwise allowable, will be actually allowed. He has started using the car immediately after purchase. Determine the depreciation allowable on car for the A.Y. 2018-19, if this is the only asset in the block. Rate of depreciation may be taken at 15% If this car were to be used in the subsequent Assessment Year 2019-20 on the same terms and conditions above, what will be the depreciation allowable? Assume that there is no change in the legal position under the Income-tax Act, 1961.

Answer:

Particulars	Rs.
Since the car was put to use for more than 180 days in the P.Y.2017-18, full	-

depreciation@15% is allowable on the actual cost of Rs.15,36,000, which is the total price (inclusive of GST). However, the depreciation actually allowed would be restricted to 75%, since 25% of usage is estimated for personal use, on which depreciation is not allowable.	
Depreciation for P.Y.2017-18 = 15% x Rs.15,36,000 x 75% = Written Down Value as on 1.4.2018 = Rs.15,36,000 – Rs.1,72,800 = Rs.13,63,200	1,72,800
Depreciation for P.Y.2018-19 = 15% x Rs.13,63,200 x 75% =	1,53,360

Note - As per section 17(5) of the CGST Act, 2017/Delhi GST Act, 2017, input tax credit would not be available in respect of motor vehicles except if they are used for making taxable supply of such vehicles or for transportation of goods or passengers or for imparting training on driving, flying navigating such vehicles. In this case, the question mentions that the car is the only asset in the block. In the absence of any information in the question to the contrary, it is logical to assume that the car is not used for making the above taxable supplies. Accordingly, input tax credit would not be available and hence,

1 As per section 49(4), in case where capital gains arise from subsequent sale of property, which was subject to tax under section 56(2)(x), the value taken into account for the purpose of section 56(2)(x) would be deemed to be the cost of acquisition.

GST would form part of actual cost of car. The above solution has been worked out accordingly.

**Alternative Answer** However, input tax credit would be available if it is assumed that the car is used in making the above taxable supplies or in transportation of goods, the answer would be as follows –

Particulars	Rs.
Since the car was put to use for more than	

180 days in the P.Y.2017- 18, full depreciation@15% is allowable on the actual cost of Rs. 12 lakh (exclusive of GST of Rs. 3,36,000), assuming that input tax credit is available in respect of GST.	
Further, the depreciation actually allowed would be restricted to 75%, since 25% of usage is estimated for personal use, on which depreciation is not allowable.	
Depreciation for P.Y.2017-18 = 15% x Rs. 12,00,000 x 75% =	1,35,000
Written Down Value as on 1.4.2018 = Rs. 12,00,000 – Rs. 1,35,000 = Rs. 10,65,000	
Depreciation for P.Y.2018-19 = 15% x Rs. 10,65,000 x 75% =	1,19,813

**Question:2**

Mr. Yogesh is in the business of operating goods vehicles. As on 1st April, 2020, he had the following vehicles:

Vehicle	Gross Vehicle Weight (in Kgs.)	Date of Purchase	Put to use during F.Y. 2020- 21?
A	9000	2-6-2019	Yes
B	15000	15-5-2019	Yes
C	12000	4-8-2019	No (as under repairs)

During P.Y. 2020-21, he purchased the following vehicles:

Vehicle	Gross Vehicle Weight (in Kgs.)	Date of Purchase	Date on which put to use
D	11500	20-4-2020	10-5-2020
E	14000	15-5-2020	18-5-2020

Compute his income under section 44AE of the Income-tax Act, 1961 for A.Y. 2021-22.

**Answer:**

Since Mr. Yogesh does not own more than 10 vehicles at any time during the previous year 2020- 21, he is eligible to opt for presumptive taxation scheme under section 44AE. As per section 44AE, Rs. 1,000 per ton of gross vehicle weight or unladen weight, as the case may be, per month or part of the month for each heavy goods vehicle and Rs. 7,500 per month or part of month for each goods carriage other than heavy goods vehicle, owned by him would be deemed as his profits and gains from such goods carriage.

Heavy goods vehicle means any goods carriage, the gross vehicle weight of which exceeds 12,000 kg.

Calculation of presumptive income as per section 44AE

Type of carriage	No. of months the vehicle is owned by Mr. Prakash	Rate per ton per month	Ton	Amount Rs.
(1)	(2)	(3)	(4)	(5) [(2) x (3) x (4)]
Heavy goods	12	Rs. 1,000	15 (15,000/)	1,80,000

vehicle  Vehicle B (15,000 kgs) held throughout the year			1,000)	
Vehicle E (14,000 kgs) purchased on 15.5.2020	11	Rs. 1,000	14 (14,000/1,000)	1,54,000
Goods vehicles other than heavy goods vehicle			Rate per month	
Vehicle A held throughout the year	12	Rs. 7,500	-	90,000
Vehicle C held throughout the year	12	Rs. 7,500	-	90,000
Vehicle D purchased on 20.4.2020	12	Rs. 7,500	-	90,000
Total			6,04,000	

The “put to use” date of the vehicle is not relevant for the purpose of computation of presumptive income under section 44AE, since the presumptive income has to be calculated per month or part of the month for which the vehicle is owned by Mr. Yogesh.

### Question 3

**Mr. Aditya is a proprietor of Star Stores having 2 units. On 1.4.2021, he has transferred Unit 2, which he started in 2004-05, by way of slump sale for a total consideration of Rs. 18 lakhs.**



The professional fees & brokerage paid for this transfer are Rs. 78,000. His Balance Sheet as on 31-03-2021 is as under:

Liabilities	Rs.	Assets	Unit 1 Rs.	Unit 2 Rs.	Total
Own Capital	20,50,000	Land	12,75,000	7,50,000	20,25,000
Revaluation reserve	2,50,000	Furniture	2,00,000	5,00,000	7,00,000
Bank Loan (70% for Unit 1)	8,50,000	Debtors	2,00,000	3,50,000	5,50,000
Trade Creditors (20% for Unit 2)	4,50,000	Patents	-	7,25,000	7,25,000
Unsecured Loan (30% for Unit 2)			4,00,000		
40,00,000	16,75,000		23,25,000	40,00,000	

**Other Information:**

- 1.Land of Unit 2 was purchased at Rs. 5,00,000 in the year 2004 and revalued at Rs. 7,50,000 as on 31.3.2021.
- 2.No individual value of any asset is considered in the transfer deed.
- 3.Patents were acquired on 01-12-2019 on which no depreciation has been provided.
- 4.Furniture of Unit 2 of Rs. 5,00,000 were purchased on 01-12-2020 on which no depreciation has been provided.
- 5.Fair market value of capital asset transferred by way of slump sale of Unit 2 is Rs. 18,10,000. Compute the capital gain for A.Y. 2022-23.

**Answer:**

As per section 50B, any profits and gains arising from the slump sale effected in the previous year shall be chargeable to income-tax as capital gains arising from the transfer of capital assets and shall be deemed to be the income of the previous year in which the transfer took place.

If the assessee owned and held the undertaking transferred under slump sale for more than 36 months before slump sale, the capital gain shall be deemed to be long-term capital gain. Indexation benefit is not available in case of slump sale as per section 50B(2).

Computation of capital gain on slump sale of Unit 2

Particulars	Rs.
Full value of consideration for slump sale of Unit 2 [Fair market value of capital asset transferred by way of slump sale (i.e., Rs. 18,10,000) or fair market value of the consideration received (value of the monetary consideration received i.e., Rs. 18,00,000) whichever is higher]	18,10,000
Less: Expenses on sale [professional fees & brokerage]	78,000
Net full value of consideration	17,32,000
Less: Cost of acquisition, being the net worth of Unit 2 (Note 1)	13,35,781
Long term capital gains arising on slump sale	3,96,219
(The capital gains is long-term as the Unit 2 is held for more than 36 months)	

**Notes**

**1.Computation of net worth of Unit 2**

Particulars	Rs.	Rs.
(1) Book value of non-depreciable assets		
(i) Land (Revaluation not to be considered)		5,00,000
(ii) Debtors		3,50,000

(2) Written down value of depreciable assets 43(6)	Under section	
(i) Furniture (See Note 2)		4,75,000
(ii) Patents (See Note 3)		4,75,781
Aggregate value of total assets		18,00,781
Less: Current liabilities of Unit 2		
Bank Loan [Rs. 8,50,000 x 30%]	2,55,000	
Trade Creditors [Rs. 4,50,000 x 20%]	90,000	
Unsecured Loan [Rs. 4,00,000 x 30%]	1,20,000	4,65,000
Net worth of unit 2		13,35,781

### 2. Written down value of furniture as on 1.4.2021

Value of patents	Rs.
Cost as on 1.12.2020	5,00,00 0
Less: Depreciation @ 10% x 50% for Financial Year 2020-21	25,000
WDV as on 1.4.2021	4,75,00 0

### 3. Written down value of patents as on 1.4.2021

Value of patents	Rs.
Cost as on 1.12.2019	7,25,000

Less: Depreciation @ 25% x 50% for Financial Year 2019- 20	90,625
WDV as on 1.4.2020	6,34,375
Less: Depreciation@25% for Financial Year 2020- 21	1,58,594
WDV as on 1.4.2021	4,75,781

**Question 4:**

Ms. Mishika has entered into an agreement with M/s CVM Build Limited on 25.04.2017 in which she agrees to allow such Company to develop a shopping mall on land owned by her in New Delhi. She purchased such land on 05.05.2009 for Rs. 15,00,000. In consideration, M/s CVM Build Limited will provide 20% share in shopping mall to Mishika. The certificate of completion of shopping mall was issued by authority as on 26.12.2020. On such date, Stamp duty value of shopping mall was Rs. 4,14,00,000. Subsequently on 18.03.2021, she sold her 15% share in shopping mall to Mr. Ketav in consideration of Rs. 65,00,000.

She has also purchased a house on 09.05.2020 in consideration of Rs. 46,00,000 and occupied for own residence. Punjab National Bank has sanctioned a loan of Rs. 35,50,000 (80% of stamp value) at the interest rate of 12% per annum on 01.05.2020 and disbursement was made on 01.06.2020. She does not own any other residential house on the date of sanction of loan. Principal amount of Rs. 1,30,000 was paid during the financial year 2020-21.

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

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

**Answer:**

Computation of total income of Ms. Mishika for the A.Y.2021 -22

Particulars	Amount (Rs.)	Amount (Rs.)
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Income from house property [Self-occupied]	Nil	
Net Annual Value	Nil	
Less: Interest on housing loan of Rs. 3,55,000 [Rs. 35,50,000 x 12% x 10/12 months] restricted to Rs. 2,00,000/-	2,00,000	
(2,00,000)		
Less: Set-off of loss against long-term capital gains	2,00,000	
Long-term capital gains on transfer of land under specified agreement  Since Ms. Mishika transferred her share in the project after issue of completion certificate, capital gains on transfer of land handed over to developer under specified agreement in the P.Y. 2017-18 would be taxable in the		
previous year 2020-21, being the year in which certificate of completion is issued as per section 45(5A). Accordingly, capital gain arising in respect of land would be-		
Full value of consideration, being 20% share in shopping mall [Stamp duty value on the date of issue of completion certificate (Rs. 4,14,00,000 x 20%)]		82,80,000
Less: Indexed of cost of acquisition [Rs. 15,00,000 x 301/148]		30,50,676
Long-term capital gain		52,29,324
Less: Deduction under section 54F		
Deduction in respect of amount invested for purchase of a residential house acquired within one year prior to date of transfer would be allowable proportionately, since amount invested is less than the net consideration. Accordingly, deduction would be Rs. 29,05,180 (Rs. 52,29,324 x Rs.46,00,000 / Rs. 82,80,000)		29,05,180
Long-term capital gains		23,24,144

Less: Set-off of loss from house property [It is beneficial to set-off loss from house property against long-term capital gains, since in case of Ms. Mishika total income comprises of LTCG taxable@20% and STCG taxable at normal slab rates; and she can claim deduction of Rs. 2,80,000 under Chapter VI-A against STCG of Rs. 2,90,000. Moreover, the remaining STCG would also not be taxable since it would be below the basic exemption limit]		2,00,000
		21,24,144
Short-term capital gains Sale of 15% share in shopping mall [short-term capital asset, since held for not more than 24 months]		
Net Sales consideration		65,00,000
Less: Cost of acquisition, being the full value of consideration taxable on transfer of land [Rs. 4,14,00,000 x 15%]		62,10,000
Short-term capital gains		2,90,000
Gross Total Income		24,14,144
Less: Deductions under Chapter VI-A (allowable against short-term capital gains of Rs. 2,90,000)		
Deduction under section 80C – repayment of principal amount of housing loan	1,30,000	
Deduction under section 80EEA – Ms. Mishika would be eligible for deduction of interest on housing loan (Rs. 3,55,000 - Rs. 2,00,000 = Rs. 1,55,000) to the extent of Rs. 1,50,000, since stamp duty value of the house does not exceed Rs. 45,00,000 [being Rs. 44,37,500 (Rs. 35,50,000 x 100/80)] and she does not own any other residential house	1,50,000	2,80,000

on the date of sanction of loan.		
Total Income		21,34,144
Total Income (rounded off)		21,34,140

Note -

As per section 45(5A), any capital gains arising from the transfer of a capital asset, being land or building or both, under a specified agreement, is chargeable to income-tax as income of the previous year in which the certificate of completion is issued by the competent authority. In the above solution, the CII of F.Y.2020-21 has been considered on the basis of parity, since, as per section 45(5A), it is the stamp duty value of the developed property (shopping mall, in this case) on the date of issue of certificate of completion (26.12.2020), which is deemed as the full value of consideration for transfer of land handed over to the developer.

Alternate view -

The definition of transfer, inter alia, includes any arrangement or transaction where any rights are handed over in execution of part performance of contract, even though the legal title has not been transferred. Hence, in case of 'specified agreement(s)', 'transfer' takes place at the time when the owner of the immovable property hands over the same to the developer i.e., in F.Y.2017-18 in this case.

As per the plain reading of definition of 'indexed cost of acquisition', the CII of the year in which the asset (land, in this case) is transferred has to be considered. Accordingly, as per this interpretation, CII of F.Y. 2017-18 i.e., 272 can be considered for computing indexed cost of acquisition. If the CII of F.Y.2017-18 is considered on the basis of this line of reasoning, the figures of long-term capital gains and total income would accordingly change. However, the CII of F.Y.2017-18 has not been given in the question for the purpose of making such computation.

**Question 5:**

**Mr. Ramesh entered into an agreement with Mr. Vikas to sell a plot on 5.4.2022 for Rs. 45 lakhs. He received an advance of Rs. 15 lakhs from him on the date of agreement by account payee cheque. Transfer took place on 10-9-2022. The valuation determined by the stamp**

valuation authority on the date of agreement and transfer was Rs. 49 lakhs and Rs. 53 lakhs, respectively.

Mr. Vikas has sold this plot to Ms. Babli on 21-3-2023 for Rs. 55 lakhs.

The valuation as per stamp valuation authority was Rs. 54 lakhs on 21-3-2023.

Discuss the tax consequences of above, in the hands of Mr. Ramesh and Mr. Vikas. Also, compute the capital gain in the hands of Mr. Vikas.

Note: None of the parties viz Mr. Ramesh, Mr. Vikas & Ms. Babli are related to each other; the transactions are between outsiders.

Answer:

**I. Tax consequences in the hands of Mr. Ramesh**

As per section 50C, where the actual sale consideration is less than the value adopted by the Stamp Valuation Authority for the purpose of charging stamp duty, and such stamp duty value exceeds 110% of the actual sale consideration, then, the value adopted by the Stamp Valuation Authority shall be taken to be the full value of consideration.

In a case where the date of agreement is different from the date of registration, stamp duty value on the date of agreement can be considered provided the whole or part of the consideration is received by way of account payee cheque/bank draft or by way of ECS through bank account or through such other electronic mode as may be prescribed, on or before the date of agreement.

In this case, since Rs. 15 lakhs is received through account payee cheque on the

date of agreement, stamp duty value on the date of agreement would be considered for determining the full value of consideration.

Accordingly, in this case, capital gains would be computed in the hands of Mr. Ramesh, for A.Y.2023-24, taking the actual consideration of Rs. 45 lakh of plot as the full value of consideration arising on transfer of such plot, since the stamp duty value on the date of agreement does not exceed 110% of the actual consideration.



Note – If it is assumed that Mr. Ramesh is a property dealer, the income would be taxable as his business income under section 43CA

**II. Tax consequences in the hands of Mr. Vikas**

In case, immovable property is received for inadequate consideration, the difference between the stamp duty value and actual consideration would be taxable under section 56(2)(x) in the hands of the recipient, if such difference exceeds the higher of

Rs. 50,000 or 10% of actual sales consideration.

In a case where the date of agreement is different from the date of registration, stamp duty value on the date of agreement can be considered provided the whole or part of the consideration is paid by way of account payee cheque/bank draft or by way of ECS through bank account or through such other electronic mode as may be prescribed, on or before the date of agreement.

In this case, since Rs. 15 lakhs is paid through account payee cheque on the date of agreement, stamp duty value on the date of agreement would be considered.

Therefore, nothing would be taxable in the hands of Mr. Vikas under the head “Income from Other Sources” in A.Y.2023-24 since the difference between stamp duty value on the date of agreement and actual consideration does not exceed Rs. 4,50,000, being the higher of Rs. 50,000 and 10% of consideration.

At the time of subsequent sale of property by Mr. Vikas to Ms. Babli (on 21.3.2023), short-term capital gains would arise in the hands of Mr. Vikas in A.Y.2023-24, since the property is held by him for less than 24 months.

Particular s	Rs.
Full value of consideration (Since actual consideration of Rs. 55 lakh is higher than stamp duty value of Rs. 54 lakh)	55 lakh
Less: Cost of acquisition	45 lakh

Short-term capital gains	10 lakh
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**Question 6:**

**Examine with brief reasons, whether the following are chargeable to income-tax and the amount liable to tax with reference to the provisions of the Income-tax Act, 1961:**

**Allowance of Rs. 18,000 p.m. received by an employee, Mr. Uttam Prakash, working in a transport system granted to meet his personal expenditure while on duty. He is not in receipt of any daily allowance from his employer.**

**During the previous year 2018-19, Mrs. Aadhya, a resident in India, received a sum of Rs. 9,63,000 as dividend from Indian companies and Rs. 4,34,000 as dividend from units of equity oriented mutual fund.**

**Answer:**

	Chargeability	Amount liable to tax (Rs. )	Reason
(i)	Partly taxable	96,000	Any allowance granted to an employee working in a transport system to meet his personal expenditure during his duty is exempt provided he is not in receipt of any daily allowance. The exemption is 70% of such allowance (i.e., Rs. 12,600 per month being, 70% of Rs. 18,000, in the present case) or Rs. 10,000 per month, whichever is less. Hence, Rs. 1,20,000 (i.e., Rs. 10,000 x 12) is exempt. Balance Rs. 96,000 (Rs. 2,16,000 – Rs. 1,20,000) is taxable in the hands of Mr. Uttam Prakash.
(ii)	Not Taxable (Taxable)	13,97,000	As per section 10(34), dividend received upto Rs. 10 lakhs from Indian companies on which dividend distribution tax is paid by the

			<p>company, is exempt in the hands of shareholder. As per section 10(35), income received from units of mutual fund is exempt.</p> <p>Hence, Rs. 9,63,000, being the dividend from Indian companies and Rs. 4,34,000, being the dividend from units of equity oriented mutual fund is not taxable in the hands of Mrs. Aadhya.</p> <p>As per amendment dividend u/s 2(22)(a)/(b)/(c)/(d)/(e) from an Indian Company will now be taxable normal rates in the hands of the Shareholder Assessee. Interest Income incurred to earn such income will be allowed as a deduction but only upto 20% of such income. No deduction of commission/remuneration paid to any other person. DDT has been abolished.</p> <p>Income/dividend from UTI/Mutual Fund will also be taxable. Interest Income incurred to earn such income will be allowed as a deduction but only upto 20% of such income.</p> <p>Even TDS u/s 194 &amp; 194K respectively for dividend from shares &amp; mutual fund/UTI @10% if the aggregate income is over Rs. 5000 will be applicable.</p>
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**Question 7:**

**Received cash gifts on the occasion of her marriage on 19-11-2017 of Rs. 2,10,000. It includes gift of Rs. 55,000 received from non-relatives.**

**On 1-1-2018, being her birthday, she received a gift of Rs. 45,000 by means of cheque from her father's maternal uncle.**

On 12-2-2018, she acquired a vacant site from her friend for Rs. 1,12,000. The State stamp valuation authority fixed the value of site at Rs. 1,92,000 for stamp duty purpose.

She bought 50 equity shares of a private company from another friend for Rs. 75,000. The fair market value of such shares on the date of purchase was Rs. 1,33,000.

**Answer:**

**Computation of amount chargeable to tax in hands of Mrs. Sonu for A.Y. 2018-19**

	<b>Particulars</b>	<b>Rs.</b>
(i)	Cash gift of Rs. 2,10,000 received on the occasion of her marriage is not taxable, since gifts received by an individual on the occasion of marriage is excluded from tax under section 56(2)(x), even if the same are from non-relatives.	Nil
(ii)	Even though father's maternal uncle does not fall within the definition of "relative" under section 56(2)(x), gift of Rs. 45,000 received from him by cheque is not chargeable to tax since the aggregate sum of money received by Mrs. Sonu without consideration from non-relatives (other than on the occasion of marriage) during the previous year 2017-18 does not exceed Rs. 50,000.	Nil
(iii)	Purchase of vacant site for inadequate consideration on 12.2.2018 would attract the provisions of section 56(2)(x). Where any immovable property is received for a consideration which is less than the stamp duty value of the property by an amount exceeding Rs. 50,000, the difference between the stamp duty value and consideration is chargeable to tax in the hands of Individual.  (As per amendment where any person receives, in any previous year, from any person or persons any immovable property having stamp duty value that exceeds such consideration and if the amount of such excess is more than the higher of the following amounts, namely:- (i) the amount of fifty thousand rupees; and (ii) the amount equal to ten per cent of the consideration then the difference between the	80,000

	consideration and stamp duty value is chargeable to tax) Therefore, in the given case Rs. 80,000 (Rs. 1,92,000 - Rs. 1,12,000) is taxable in the hands of Mrs. Sonu.	
(iv)	Since shares are included in the definition of “property” and difference between the purchase value and fair market value of shares is Rs. 58,000 (Rs. 1,33,000 - Rs. 75,000) i.e. it exceeds Rs. 50,000, the difference would be taxable under section 56(2)(x).	58,000
Amount chargeable to tax		1,38,00 0

**Question 8:**

Mr. Chaman who is 50 years old and his wife Mrs. Chaman who in 48 years old furnish the following information (all the amount of incomes/gains/losses are computed as per the provisions of Income-tax Act):

(i) Mr. Chaman's salary income - Rs. 11,00,000

(ii) Mrs. Chaman's income from Kathak performances - Rs. 2,50,000. She is a professional Kathak dancer and pursue dancing as her profession.

(iii) Mrs. Chaman earned long-term capital gains of Rs. 5,50,000 from sale of shares.

(iv) Mrs. Chaman gifted Rs. 2,00,000 to Mr. Chaman out of her Stridhan on 1.4.2023, Mr. Chaman invested the entire amount in stock market but suffered a short-term capital loss of Rs. 5,10,000.

(v) Miss Naina, their minor daughter, earned Rs. 3,56,000 by performing in various quiz competitions held online during the year 2022-23. She kept that amount in savings bank account and earned interest of Rs. 15,000 during the year 2022-23.

(vi) Master Neelabh, their minor son earned Rs. 35,000 from fixed deposit which was made out of the cash he received on his birthday from his friends and family. Neelabh suffers from disability as mentioned under section 80U. The medical certificate shows a disability of upto 75%.

Compute the total income in the hands of Mr. and Mrs. Chaman and their minor children for the Assessment Year 2023-24. Ignore section 115BAC pertaining to alternative tax regime.

Answer:

Computation of total income of Mr. Chaman, Mrs. Chaman and their minor children for the A.Y.2023-24.

Particulars	Mr. Chaman(Rs.)	Mrs. Chaman(Rs.)	Naina, minor daughter(Rs.)	Neelabh, minor son(Rs.)
Income under the head "Salaries" Salaries (computed)	11,00,000			
Profits and gains from business or profession Income from Kathak performances		2,50,000		
Capital Gains Long term capital gains from sale of shares		5,50,000		
Less: Set off of short-term capital loss from long term capital gain [Short term capital loss to the extent of Rs. 2 lakhs would be included in the income of Mrs. Chaman, since the shares are purchased by Mr. Chaman from the amount of Rs. 2 lakhs gifted by Mrs. Chaman out of her Stridhan.		2,00,000		

Clubbing provisions would be attracted even if it is a loss and not income] [Refer Note 1 and 2 below				
The balance short-term capital loss of Rs. 3,10,000 has to be carried forward by Mr. Chaman, since it cannot be set-off against salary income.		3,50,000		
Income [before considering income of minor son and minor daughter]	11,00,000	6,00,000		
Income of Naina, minor daughter, from performances in various quiz competitions would not be included in the hands of either parent, since			3,56,000	
income arises from her own skills/talent. However, interest of Rs. 15,000 on saving bank account [after providing for deduction of Rs. 1,500, being exempt under section 10(32)] is to be included in the hands of Mr. Chaman, since his income is higher than that of his wife [Rs. 15,000 -Rs. 1,500]5	13,500			
Income of Neelabh, minor son suffering from disability u/s 80U, from fixed deposits would				35,000

not be included in the income of parent but would be taxable in his hands.				
Gross Total Income	11,13,500	6,00,000	3,56,000	35,000
Less: Deductions under Chapter VI-A - Under section 80TTA In respect of interest on saving bank account to the extent of	10,000			
- Under section 80U				35,000
Flat deduction of Rs. 75,000 to a person with disability. However, deduction would be restricted to gross total income	11,03,500	6,00,000	3,56,000	Nil
Total Income				

Note – (1) The question mentions that Mrs. Chaman gifted Rs. 2 lakh to Mr. Chaman out of her Stridhan on 1.4.2023 and that Mr. Chaman invested the entire amount in stock market but suffered a short-term capital loss of Rs. 5,10,000. It is not possible to invest Rs. 2 lakhs and incur short-term capital loss of Rs. 5.10 lakhs. Accordingly, in the above solution, it has been assumed that the remaining Rs. 3,10,000 is invested by Mr. Chaman and hence the same would be a short-term capital loss to be carried forward by him.

Due to the use of the words “invested the entire amount in the stock market” in the question, it is possible to take a view that the entire capital loss of Rs. 5,10,000 has to be set off against long-term capital gains of Rs. 5,50,000 in the hands of Mrs. Chaman. In which case the total income of Mrs. Chaman would be Rs. 2,90,000 instead of Rs. 6,00,000. Also, there would be no short-term capital loss in the hands of Mr. Chaman.

Since the relevant assessment year for May 2023 examination is A.Y. 2023-24, accordingly, the relevant previous year is P.Y. 2022-23. The above solution has been worked out considering the date of gift as 1.4.2022.



(2) Item (iv) mentions that the gift was made by Mrs. Chaman to Mr. Chaman on 1.4.2023, which falls outside the P.Y. 2022-23. Since the date of gift has been mentioned as 1.4.2023 in the question, as per the plain reading, such short-term capital loss cannot be set-off against long-term capital gains of Rs. 5,50,000. In such a case, the total income of Mr. Chaman would be Rs. 8,00,000.

5 Assumed that this is the first year of clubbing

Question 9:

M received a gift of Rs. 70,000 from her friend's father on the occasion of her birthday.

M won a prize money of Rs. 3,00,000 in National Quiz competition.

N won prize in a lottery. The net amount received after deduction of tax at source was Rs. 1,05,000.

Mrs. and Mr. Vinod Amin have two minor children M and N. The following are the receipts in the hands of M and N during the year ended 31-3-2018:

This was invested in debentures of a company, from which interest of Rs. 19,000 (gross) accrued during the year.

Mr. Vinod Amin's income before considering clubbing provisions is higher than that of his wife. Discuss how these items will be considered for taxation under the provisions of the Income-tax Act, 1961. Detailed computation of income is not required.

**Answer:**

Gift received from non-relative by minor daughter M Gift of Rs. 70,000 received by minor daughter M, from non-relative would be taxable, since the amount of gift exceeds Rs. 50,000. It would be included in the hands of her father, Mr. Vinod Amin, since his income before considering clubbing provisions is higher than that of his wife. It can be carried forward for a maximum of eight assessment years i.e., up to A.Y.2026-27, in this case.

Prize money of Rs. 3,00,000 in National Quiz Competition/Interest on debentures received by minor daughter M Income derived by a minor child from any activity involving application of his/her skill, talent, specialized knowledge and experience is not to be included in the hands of parent. Hence, the prize money of Rs. 3,00,000 won in National Quiz Competition by minor daughter M from exercise of special talent would not be included in the income of either parent.

However, interest of Rs. 19,000 on debentures has to be included in the hands of her father, Mr. Vinod Amin, even if the investment is made out of income arising from application of special talent.

Exemption of Rs.1,500 would be allowed in respect of the aggregate income of minor daughter M so included in the hands of Mr. Vinod Amin under section 10(32).

Winning from lottery by minor child N Winnings of Rs. 1,50,000 ( $1,05,000 \times 100/70$ ) from lotteries by minor child N is includible in the hands of his father, Mr. Vinod Amin. Mr. Vinod Amin can claim credit of tax of Rs. 45,000 deducted at source from such lottery income.

Note – As regards availability of exemption under section 10(32) in respect of lottery income of minor child N includible in the hands of his father, there are two possible views. Since exemption of up to Rs. 1,500 under section 10(32) is available in respect of any income of minor child includible in the total income of parent, one view is that such exemption would also be available in respect of lottery income of a minor child includible in the hands of parent.

The alternate view is that since as per section 58(4), no deduction is allowable in respect of any expenditure or allowance in connection with lottery income under any provision of the Income-tax Act, 1961, exemption under section 10(32) would also not be available in respect of such income of minor child includible in the hands of the parent. Further, lottery income is subject to tax at a flat rate of 30%, and hence, if any exemption is allowed in respect of such income, it would reduce the tax liability and the effective rate of tax.

**Question 10:**

Mr. Shashank is an employee of KML (P) Ltd. drawing a monthly salary of Rs. 30,000. He provides you the following information for the previous year 2017-18:

He had a fixed deposit of Rs. 4,00,000 with State Bank of India with interest @10%. He instructed bank to credit such interest on deposit to the saving account of Mr. Ram, his sister's son, to help him in his higher education.

He gifted a flat to Mrs Kajal (wife of Mr. Shashank) on April 1, 2017. During the previous year 2017-18, she received a rent of Rs. 20,000 p.m. from letting out the flat.

He gifted Rs. 10,00,000 to Mrs. Kajal on 1st April, 2017 which Mrs Kajal invested in her business on the same day. Capital in the business before such investment was Rs. 20,00,000. She earned profits from business for the financial year 2017 - 18 of Rs. 9,00,000.

His minor son Sandeep earned income from company deposit of Rs. 1,50,000.

Mr. Shashank and Mrs Kajal do not have any other income during the P.Y. 2017- 18. Compute the total income of Mr. Shashank and Mrs Kajal for A.Y. 2018- 19.

Answer :

Computation of Total income of Mr. Shashank and Mrs Kajal for the A.Y. 2018 -19

Particulars.	Mr. Shashank (Rs.)	Mrs. Kajal (Rs.)
Salary income (Rs. 30,000 x 12) Less standard deduction Rs. 50,000 (As per amendment)	3,10,000	
Income from house property [Rs. 2,40,000 (Rs. 20,000 x 12) less standard deduction of 30%] (Note 1)	1,68,000	
<b>Income from other sources</b>		
Interest on fixed deposit with State bank of India (Rs. 4,00,000 x 10%) (Note 2)	40,000	
<b>Profits and gains from business or profession</b>		
Profits earned by Mrs. Kajal from her business (Note 3)	3,00,000	6,00,000

Income before including income of minor child under section 64(1A)	8,18,000	6,00,000
<b>Income from other sources</b>		
Minor son Sandeep - Income from company deposit (Note 4)	1,48,500	
<b>Total income</b>	<b>9,66,500</b>	<b>6,00,000</b>

Notes:

(1) According to section 27(i), an individual who transfers any house property to his or her spouse otherwise than for adequate consideration or in connection with an agreement to live apart, shall be deemed to be the owner of the house property so transferred. Hence, Mr. Shashank shall be deemed to be the owner of the flat gifted to Mrs Kajal and hence, the income arising from the same shall be computed in the hands of Mr. Shashank.

Note: The provisions of section 56(2)(x) would not be attracted in the hands of MRs. Kajal, since she has received immovable property without consideration from a relative i.e., her husband.

(2) As per section 60, in case there is a transfer of income without transfer of asset from which such income is derived, such income shall be treated as income of the transferor. Therefore, the fixed deposit interest of Rs. 40,000 transferred by Mr. Shashank to Mr. Ram shall be included in the total income of Mr. Shashank.

(3) Section 64(1)(iv) provides for the clubbing of income in the hands of the individual, if the income earned is from the assets transferred directly or indirectly to the spouse of the individual, otherwise than for adequate consideration or in connection with an agreement to live apart. In this case MRs. Kajal received a gift of Rs. 10,00,000 on 1.4.2017 from her husband which she invested in her business on the same day. The income to be clubbed in the hands of Mr. Shashank for the A.Y. 2018-19 is computed as under:

Particular	MRs. Kajal's capital contribution (Rs.)	Capital contribution out of gift from Mr.	Total (Rs.)
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		Shashank (Rs.)	
Capital as on 1.4.2017	20,00,000	10,00,000	30,00,000
Profit for P.Y. 2017-18 to be apportioned on the basis of capital employed on the fiRs.t day of the previous year i.e. as on 1.4.2017 (2:1)	6,00,000 (9,00,000 x 2/3)	3,00,000 (9,00,000 x 1/3)	9,00,000

Therefore, the income to be clubbed in the hands of Mr. Shashank for the A.Y.2018- 19 is Rs. 3,00,000.

Note: The provisions of section 56(2)(x) would not be attracted in the hands of MRs. Kajal, since she has received a sum of money exceeding Rs. 50,000 without consideration from a relative i.e, her husband.

(4) As per section 64(1A), the income of the minor child is to be included in the total income of the parent whose total income (excluding the income of minor child to be so clubbed) is greater. Further, as per section 10(32), income of a minor child which is includible in the income of the parent shall be exempt to the extent of Rs. 1,500 per child.

Therefore, the income of Rs. 1,50,000 received by minor son Sandeep from company deposit shall, after providing for exemption of Rs. 1,500 under section 10(32), be included in the income of Mr. Shashank, since Mr. Shashank's income of Rs. 8,68,000 (before including the income of the minor child) is greater than MRs. Kajal's income of Rs. 6,00,000. Therefore, Rs. 1,48,500 (i.e., Rs. 1,50,000 – Rs. 1,500) shall be included in Mr. Shashank's income. It is assumed that this is the fiRs.t year in which clubbing provisions are attracted.

**Question 11:**

**Mr. Om has gifted a house property valued at Rs. 50 lakhs to his wife, Mrs. Uma, who in turn has gifted the same to Mrs. Pallavi, their daughter-in-law. The house was let out at Rs. 25,000 per month throughout the year. Compute the total income of Mr. Om and Mrs. Pallavi.**

**Will your answer be different if the said property was gifted to his son, husband of Mrs. Pallavi?**

Answer:

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

Therefore, in this case, Mr. Om would be the deemed owner of the house property transferred to his wife Mrs. Uma without consideration.

As per section 64(1)(vi), income arising to the son's wife from assets transferred, directly or indirectly, to her by an individual otherwise than for adequate consideration would be included in the total income of such individual.

Income from let-out property is Rs. 2,10,000 [i.e., Rs. 3,00,000, being the actual rent calculated at Rs. 25,000 per month less Rs. 90,000, being deduction under section 24@30% of Rs. 3,00,000]

In this case, income of Rs. 2,10,000 from let-out property arising to Mrs. Pallavi, being Mr. Om's son's wife, would be included in the income of Mr. Om, applying the provisions of section 27(i) and section 64(1)(vi). Such income would, therefore, not be taxable in the hands of Mrs. Pallavi.

In case the property was gifted to Mr. Om's son, the clubbing provisions under section 64 would not apply, since the son is not a minor child. Therefore, the income of Rs. 2,10,000 from letting out of property gifted to the son would be taxable in the hands of the son.

It may be noted that the provisions of section 56(2)(x) would not be attracted in the hands of the recipient of house property, since the receipt of property in each case was from a "relative" of such individual. Therefore, the stamp duty value of house property would not be chargeable

to tax in the hands of the recipient of immovable property, even though the house property was received by her or him without consideration.

Note - The first part of the question can also be answered by applying the provisions of section 64(1)(vi) directly to include the income of Rs. 2,10,000 arising to Mrs. Pallavi in the hands of Mr. Om. [without first applying the provisions of section 27(i) to deem Mr. Om as the owner of the house property transferred to his wife Mrs. Uma without consideration], since section 64(1)(vi) speaks of clubbing of income arising to son's wife from indirect transfer of assets to her by her husband's parent, without consideration. Gift of house property by Mr. Om to Mrs. Pallavi, via Mrs. Uma, can be viewed as an indirect transfer by Mr. Om to Mrs. Pallavi.

**Question 12:**

**Mr. Samrat and his wife, Mrs. Komal, holds 12% voting power each in ABC (P) Ltd. Mr. Samrat and Mrs. Komal are working in ABC (P) Ltd. However, Mrs. Komal is not qualified for the job. From the following information given in respect of F.Y. 2021-22, you are required to compute the gross total income of Mr. Samrat and Mrs. Komal for the A.Y. 2022-23**

**(i) Dividend of Rs. 22,500 and Rs. 45,000 is received by Mr. Samrat and Mrs. Komal, respectively, from ABC (P) Ltd. Mr. Samrat has instructed the company to pay 50% of his dividend to Ms. Kajal, daughter of his deceased brother.**

**(ii) Salary earned by Mr. Samrat and Mrs. Komal from ABC (P) Ltd. is Rs. 8,50,000 and Rs. 5,50,000, respectively.**

**(iii) Business income earned by Mr. Samrat from his sole proprietary business is Rs. 15,60,000**

**(iv) Interest on fixed deposit earned by Mrs. Komal of Rs. 9,00,000.**

**(v) Their son, Akash, aged 10 years having PAN, received interest of Rs. 54,000 from bank on a fixed deposit created by his grandfather in his name.**

**Answer:**

**Computation of Gross Total Income of Mr. Samrat and Mrs. Komal for A.Y. 2022 -23**

<b>Particulars</b>	<b>Mr. Samrat</b>	<b>Mrs. Komal</b>
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	(Rs.)	(Rs.)	(Rs.)	(Rs.)
Salary of Samrat	8,50,000			-
Less: Standard deduction under section 16(ia)	50,000	8,00,000		-
Salary of Komal	5,50,000			-
Less: Standard deduction under section 16(ia)	50,000	5,00,000		-
[Salary earned by Mrs. Komal has to be included in the total income of Mr. Samrat, since he has substantial interest in the concern (i.e., having 24% voting power in ABC (P) Ltd., along with his wife) and Mrs. Komal does not have any professional qualification for the job.]				
Business Income		15,60,000		-
Dividend income from ABC (P) Ltd. [Taxable in the hands of Mr. Samrat as per section 60, since he transferred the income i.e., dividend without transferring the asset i.e., shares]	$[22,500 / 90 \times 100 \times 2]$	50,000	$[45,000 / 90 \times 100]$	50,000
Interest on Fixed Deposit earned by Mrs. Komal		-		9,00,000
Total Income (before including minor's income)		29,10,000		9,50,000
Income of minor child to be included in Mr. Samrat's income, since his total income before including minor's income is higher than that of Mrs. Komal. [Rs. 54,000 / 90 x 100]	60,000			



Less: Exemption of Rs. 1,500 u/s 10(32) in respect of the income of each child so included.	1,500	58,500		
Gross Total Income		29,68,500		9,50,000

**Question 13:**

Compute the gross total income of Mr. Prakhar for A.Y. 2022-23 and the losses to be carried forward, from the information given below:

- (i) Income from House Property (computed) Rs. 3,60,000
- (ii) Short term capital loss on shares of a company Rs. (-) 18,700
- (iii) Long term capital gain on sale of agricultural land Rs. 6,000
- (iv) Income from rubber business (plants grown by Mr. Prakhar) Rs. 80,000
- (v) Loss from garment business b/f discontinued in F.Y. 2019-20 Rs. (-) 70,000
- (vi) Loss from betting Rs. (-) 5,500
- (vii) Income from lotteries (net) Rs. 5,460

**Answer:**

**Computation of gross total income of Mr. Prakhar for the A.Y.2022 -23**

Particulars	Rs.	Rs.
Income from house property (computed)		3,60,000
Profits and gains from business and profession		
Income from rubber business [35% of income from	28,000	

manufacture of rubber is business income [80,000 x 35%] and the balance 65% would be agricultural income		
Less: Brought forward loss of Rs. 70,000 from garment business set-off to the extent of Rs. 28,000, set-off is permissible even if the business is discontinued	28,000	Nil
Capital Gains  Long-term capital gain on sale of agricultural land (Exempt, assuming that the same is rural agricultural land)		-
Income from Other Sources  Income from lotteries (Rs. 5,460 x 100/70)		7,800
[Note – Tax @30% has to be deducted on winnings from lotteries u/s 194B only if the amount of payment exceedsRs. 10,000. However, in the question, winnings from lotteries is only Rs. 5,460 and the word “net” is given in the bracket. Since, the word “net” is written in the bracket in question, main solution is given based on the view that tax has been deducted on income from lotteries @30% and accordingly, the lottery income is grossed up. However, since no tax is deductible u/s 194B where lottery income does not exceedRs. 10,000, the question can be answered without grossing up the lottery income of Rs. 5,460. In such a case, gross total income would be Rs. 3,65,460]		
Gross Total Income		3,67,800
Losses to be carried forward to A.Y.2023-24		Rs.
Loss from garment business pertaining to P.Y. 2019-20 (Rs. 70,000 – Rs. 28,000)		42,000

Short term capital loss on shares of a company of A.Y. 2022-23		18,700
Loss of Rs. 5,500 from betting can neither be set-off nor be carried forward.		-

Note – In the question, long term capital gain on sale of agricultural land is given as Rs. 6,000. However, it is not mentioned as to whether the same is rural agricultural land or urban agricultural land. The main solution given above is based on the assumption that it is rural agricultural land. An alternate solution has been given below based on the assumption that it is urban agricultural land -

**ALTERNATE SOLUTION:**

**Computation of gross total income of Mr. Prakhar for the A.Y.2022 -23**

Particulars	Rs.	Rs.
Income from house property (computed)		3,60,000
Profits and gains from business and profession		
Income from rubber business [35% of income from manufacture of rubber is business income [80,000 x 35%] and the balance 65% would be agricultural income	28,000	
Less: Brought forward loss of Rs. 70,000 from garment business set-off to the extent of Rs. 28,000, set-off is permissible even if the business is discontinued	28,000	Nil
Capital Gains		
Long-term capital gain on sale of agricultural land, assuming that the same is urban agricultural land.	6,000	

Less: Set-off of Short-term capital loss of Rs. 18,700 against long-term capital gains to the extent of Rs. 6,000 by virtue of section 74(1)	6,000	Nil
Income from Other Sources		
Income from lotteries (Rs. 5,460 x 100/70)		7,800
[Note – Tax @30% has to be deducted on winnings from lotteries u/s 194B only if the amount of payment exceeds Rs. 10,000. However, in the question, winnings from lotteries is only Rs. 5,460 and the word “net” is given in the bracket. Since, the word “net” is written in the bracket in question, main solution is given based on the view that tax has been deducted on income from lotteries @30% and accordingly, the lottery income is grossed up. However, since no tax is deductible u/s 194B where lottery income does not exceed Rs. 10,000, the question can be answered without grossing up the lottery income of Rs. 5,460. In such a case, gross total income would be Rs. 3,65,460]		
Gross Total Income		3,67,800
Losses to be carried forward to A.Y. 2023-24		Rs.
Loss from garment business pertaining to P.Y. 2019-20 (Rs. 70,000 – Rs. 28,000)		42,000
Short term capital loss on shares of a company of A.Y. 2022-23 (Rs. 18,700 – Rs. 6,000)		12,700
Loss of Rs. 5,500 from betting can neither be set-off nor be carried forward.		-

**Question 14:**

Mr. Rajesh, a resident individual, furnished the following information in respect of income and loss earned by him for the F.Y. 2021-22

Particulars	Amount (Rs.)
Income from Salary	3,40,000
Long term capital loss on sale of shares of Reliance Ltd. STT has been paid both at the time of acquisition and sale	(1,15,000)
Loss from let out property in Delhi	(75,000)
Interest on self-acquired property in Mumbai	(50,000)
Winnings from lottery tickets	40,000
Cost of acquisition of lottery tickets	10,000
Profit and gains from manufacturing business (after deducting normal depreciation of Rs. 10,000 and additional depreciation of Rs. 4,000)	96,000
Long term capital gains on sale of house property	1,40,000

The other details of brought forward losses and unabsorbed depreciation pertaining to A.Y. 2021-22 are as follow:

Brought forward business loss from manufacturing business	(35,000)
Unabsorbed normal depreciation	(10,000)
Brought forward loss from the activity of owning and maintaining the race horses	(50,000)

Compute the Gross total income of Mr. Rajesh for the Assessment Year 2022-23 and the amount of loss, if any, that can be carried forward if he wants to opt for the provisions of section 115BAC for the first time.

Answer:

**Computation of gross total income of Mr. Rajesh for A.Y. 2022-23**

Particulars	Amount (Rs.)	Amount (Rs.)
Income from Salary	3,40,000	
Less: Loss under the head "Income from house property" [Loss from house property is not allowed to be set off with any other head of income since Mr. Rajesh is opting for section 115BAC]	-	3,40,000
Income from house property		
Self-occupied property [Interest u/s 24(b) is not allowed in case of self-occupied property since Mr. Rajesh is opting for section 115BAC]		-
Loss from let out property [Carried forward to A.Y. 2023-24]	(75,000)	-
Profit and gains from business or profession		
Profit and gains from manufacturing business		96,000
Add: Additional depreciation not allowable in case of section 115BAC		4,000
1,00,000		
Less: Brought forward loss from manufacturing business		35,000
Less: Unabsorbed normal depreciation	10,000	55,000

Capital Gains		
Long term capital gains on sale of house property	1,40,000	
Less: long term capital loss on sale of shares on which STT is paid can also be set-off as per section 74(1), since long-term capital gain arising on sale of such shares is taxable under section 112A	(1,15,000)	25,000
Income from Other Sources		
Winnings from lottery tickets		40,000
Gross Total Income		4,60,000

**Losses to be carried forward to A.Y. 2023-24**

Particulars	Amount (Rs.)
Loss from let out property in Delhi	75,000
Loss from the activity of owning and maintaining the race horses	50,000

Notes -

As per section 74A(3), loss from the activity of owning and maintaining the race horses cannot be set-off against income from any source other than the activity of owning and maintaining race horse.

As per section 58, no expenditure is allowed from the lottery winnings.

**Question 15:**

**Mr. Kabir, a resident individual aged 45 years, furnishes the following particulars of his income and other details for the previous year 2021-22:**

Particulars	Amount (Rs.)
Income from tea business	5,00,000
Losses from sugar business	4,00,000
Dividend from Indian company carrying on agricultural operations (gross)	1,00,000
Agricultural income	55,000
Salary received as a partner from a partnership firm. The same was allowed to the firm.	4,50,000
Net annual value of house property	4,20,000
Loss from gambling	1,00,000
Short term capital gains on sale of land	75,000
Loss on sale of shares listed in BSE. Shares were held for 15 months and STT paid on sale and acquisition	3,00,000
Life insurance premium paid (10% of the capital sum assured)	80,000
Bank interest on Fixed deposit (gross)	55,000
Interest on saving bank account	13,000

The other details of brought forward losses pertaining to A.Y. 2021-22 are as follow:

Particulars	Amount (Rs.)
Brought forward business loss from sugar business	1,00,000
Brought forward short term capital loss	45,000
Brought forward loss from house property	3,00,000
Brought forward loss from maintenance of race horses	60,000



Compute the total income of Mr. Kabir for the Assessment Year 2022-23 and the amount of loss, if any, that can be carried forward, if he does not opt for section 115BAC.

Answer :

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

Particulars	Amount (Rs.)	Amount (Rs.)
Income from house property		
Net annual value	4,20,000	
Less: Deduction under section 24 (30% of Rs. 4,20,000)	1,26,000	
Less: Brought forward loss of Rs. 3 lakhs from house property set off to the extent of Rs. 2,94,000	2,94,000	
	2,94,000	
Profit and gains from business or profession		
Income from tea business (40% is business income)	2,00,000	
Salary received as partner from a partnership firm is taxable under the head "Profits and gains from business or profession"	4,50,000	
	6,50,000	
Less: Losses from sugar business	4,00,000	
	2,50,000	
Less: Brought forward business loss from sugar business	1,00,000	1,50,000
Capital Gains		
Short term capital gains on sale of land	75,000	
Less: Brought forward short term capital loss	45,000	30,000

Income from Other Sources		
Dividend from Indian company	1,00,000	
Agricultural income (exempt)	-	
Bank interest on Fixed deposit	55,000	
Interest on saving bank account	13,000	1,68,000
Gross Total Income		3,48,000
Less: Deduction under section 80C (life insurance premium paid)	80,000	
Less: Interest on saving bank account under section 80TTA, to the extent of	10,000	90,000
Total Income		2,58,000

**Losses to be carried forward to A.Y. 2023-24**

Particulars	Amount (Rs.)
Loss from house property of A.Y. 2021-22	6,000
Loss from maintenance of race horses of A.Y. 2021-22	60,000
Long term capital loss on sale of STT paid listed shares	3,00,000

Notes –

1. 60% of the income from tea business is treated as agricultural income and therefore, exempt from tax.
2. Agricultural income is exempt under section 10(1).
3. Loss from gambling can neither be set off against any other income, nor can be carried forward.

4. Long term capital loss on sale of shares on which STT is paid at the time of acquisition and sale can be set off against long term capital gain only. Since there is no long term capital gains in A.Y. 2022-23, it has to be carried forward for set-off against long term capital gains, if any, during A.Y. 2023-24.

5. As per section 74A(3), loss from maintenance of race horses (current year or brought forward) can be set-off only against income from the activity of owning and maintaining race horses. Since there is no income from the activity of owning and maintaining race horses in A.Y. 2022-23, it has to be set off against the income from the activity of owning and maintaining race horses, if any, in A.Y. 2023 -24.

**Question 16:**

**Mr. Raghav is a chartered accountant and his income from profession for the year 2018-19 is Rs. 15,00,000. He provides you with the following information for the year 2018-19.**

Particulars	Rs.
Income of minor son Rahul from company deposit	1,75,000
Income of minor daughter Riya (professional dancer) from her dance performances	20,00,000
Interest from Canara bank received by Riya on fixed deposit made in 2015 out of income earned from her dance performances	20,000
Gift received by Riya from friends of Mr. Raghav on winning National award	45,000
Loss from house property (computed)	2,50,000
Short term capital loss	6,00,000
Long term capital gain under section 112	4,00,000
Short term capital loss under section 111A	10,00,00

**Mr. Raghav income before considering clubbing provisions is higher than that of his wife. Compute the Total Income of Mr. Raghav for Assessment Year 2019-20 and the losses to be carried forward assuming that he files his income tax returns every year before due date.**

**Answer:**

Computation of Total Income of Mr. Raghav for A.Y. 2019-20

Particulars	Rs.	Rs.	Rs.
Profits and gains from business and profession			
Income from chartered accountancy profession		15,00,000	
Less: Loss from house property (can be set-off to the extent of Rs. 2,00,000, as per section 71(3A)).		2,00,000	13,00,000
Capital gains			
Long term capital gain under section 112		4,00,000	
Less: Short term capital loss set off against long-term capital gain as per section 74		(4,00,000)	Nil
Income from other sources			
Income of minor son Rahul			
Income from company deposit includible in the hands of Mr. Raghav as per section 64(1A)	1,75,000		
Less: Exemption in respect of income of	1,500	1,73,500	

minor child u/s 10(32)			
Income of minor daughter Riya			
- Income of Rs. 20,00,000 of minor daughter Riya (professional dancer) not includible in the	Nil		
hands of parent, since such income is earned on account of her special skills			
Interest received on deposit with Canara Bank made out of amount earned on account of her special talent is includible as per section 64(1A), since interest income arises out of deposit made and not on account of her special skills	20,000		
Gift of Rs. 45,000 received by her from friends of Mr. Raghav is not taxable under section 56(2)(x), since the aggregate amount from non-relatives does not exceed Rs. 50,000	Nil	18,500	
Less: Exemption in respect of income of minor child u/s 10(32)	1,500		1,92,000
Total Income			14,92,000

**Losses to be carried forward to A.Y.2020-21**

Particulars	Rs.
Loss from house property [Rs. 2.50,000 – Rs. 2,00,000]	50,000

Short term capital loss under section 111A	10,00,000
Short term capital loss (other than above) [Rs. 6,00,000 – Rs. 4,00,000]	2,00,000

Note – Short-term capital loss under section 111A can also be set-off against longterm capital gains under section 112. In such a case, the losses to be carried forward to A.Y.2020-21 would be as under –

Particulars	Rs.
Loss from house property [Rs. 2.50,000 – Rs. 2,00,000]	50,000
Short term capital loss under section 111A [Rs. 10,00,000 – Rs. 4,00,000]	6,00,000
Short term capital loss (other than above)	6,00,000

**Question 17:**

The following are the details relating to Mr. Rajesh, a resident Indian, relating to the year ended 31.03.2020

Particulars	Amount (Rs)
Short term capital gain	1,40,000
Loss from house property	2,20,000
Loss from speculative business	50,000
Loss from card games	20,000
Brought forward Long term capital loss of A.Y. 2015-16	86,000
Dividend from Shaba Ltd.	11,00,000
Loss from tea business	96,000

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

post held by her in Shine Ltd. You are required to compute taxable income of Mr. Rajesh for the A.Y. 2020 -21. Ascertain the amount of losses which can be carried forward.

**Answer:**

Computation of Taxable Income of Mr. Rajesh for the A.Y. 2020-21

Particulars	Rs.	Rs.
Salaries		
Isha's salary (Rs.25,000 x 12) [See Note 1]	3,00,000	
Less: Standard deduction under section 16(IA) up to Rs.50,000	50,000	
	2,50,000	
Less: Loss from house property set off against salary income as per section 71(3A) [See Note 2]	2,00,000	50,000
Capital Gains		
Short term capital gain	1,40,000	
Less: Loss from tea business (Rs. 96,000 x 40%) [See Note 3 & 4]	38,400	1,01,600
Income from Other Sources		
Dividend income [See Note 5]		11,00,000
Taxable Income		12,51,600

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

(i) Loss from house property to be carried forward and set-off against income from house property	Rs.20,000
(ii) Long-term capital loss of A.Y. 2015-16 can be carried forward and set-off against long-term capital gains	Rs.86,000
(iii) Loss from speculative business to be carried forward and set-off against income from speculative business	Rs.50,000

Notes:

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

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

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

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

(5) Set off of losses is not permissible against such income. As per amendment dividend u/s 2(22)(a)/(b)/(c)/(d)/(e) from an Indian Company will now be taxable normal rates in the hands of the Shareholder Assessee. Interest Income incurred to earn such income will be allowed as a deduction but only upto 20% of such income. No deduction of commission/remuneration paid to any other person. DDT has been abolished.

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

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

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



assessment years has not expired, such loss can be carried forward to A.Y. 2021-22 for set-off against long-term capital gains.

**Question 18:**

**Mr. Mustafa submits the following information for the previous year 2019-20:**

	Particulars	(Amount in Rs.)
(i)	Income from salary	6,50,000
(ii)	Income from House-I	55,000
(iii)	Loss from House-II (self-occupied property)	1,25,000
(iv)	Loss from House-III	190,000
(v)	Loss from leather business	68,000
(vi)	Profit from cloth business	1,70,000
(vii)	Short term capital loss in equity oriented funds on which STT was paid	35,000
(viii)	Income from crossword puzzles	12,000
(ix)	Dividend from foreign company	8,500
(x)	Loss on owning and maintenance of race horses	7,500
(xi)	Income from owning and maintenance of race bulls	9,000

Compute the gross total income and losses to be carried forward of Mr. Mustafa for assessment year 2020-21. Mr. Mustafa has filed his return of income on 25.07.2020.

**Answer:**

**Gross Total Income of Mr. Mustafa for A.Y. 2020-21.**

Particulars	Rs.	Rs.
Salaries		
Income from salary	6,50,000	
Less: Loss from house property of Rs.2,60,000, restricted to	2,00,000	
4,50,000		
Income from house property		
Income from House I	55,000	
Less: Loss from House II (self-occupied) 1,25,000		
Loss from House III 1,90,000	3,15,000	
(2,60,000)		
Set-off of loss from house property against salary income, restricted to	2,00,000	
Loss to be carried forward to A.Y. 2021-22	(60,000)	
Profits and gains of business or profession		
Profit from cloth business	1,70,000	
Less: Loss from leather business	68,000	
1,02,000		
Capital Gains		
Short term capital loss in equity-oriented funds on which STT is paid Rs.35,000 to be carried forward to A.Y. 2021-22 since such loss can be set-off only against capital gains and not against income under any other head	-	

Income from other sources		
Income from owning and maintenance of race bulls	9,000	
Loss of Rs.7,500 from the activity of owning and maintenance of race horses cannot be set-off against any source other than income from the activity of owning and maintaining race horses. Hence, such loss has to be carried forward to A.Y. 2021-22.	Nil	
Income from crossword puzzles	12,000	
Dividend from foreign company	8,500	
29,500		
Gross Total Income	5,81,500	

**Losses to be carried forward to A.Y.2021-22:**

Particulars	Rs.
Loss from house property	60,000
[to be carried forward for set-off against income from house property]	
Short-term capital loss in equity oriented funds on which STT was paid	35,000
[to be carried forward for set-off against capital gains, long-term or short-term]	
Loss from owning and maintaining race horses	7,500
[to be carried forward for set-off against income from the activity of owning and	
maintaining race horses]	

Note: Loss from house property can also be set-off to the extent of Rs. 1,02,000 from profits and gains from business or profession and balance i.e., Rs. 98,000 against Income under the head "Salaries".

**Question 19:**

**Mr. Krishan, residing in Indore, provides the following information for the financial year 2019-20:**

Particulars	Rs.
Income from textile business	4,60,000
Income from speculation business	25,000
Loss from gambling	12,000
Loss on maintenance of race horse	15,000
Current year depreciation of textile business not adjusted in the income given above.	5,000
Unabsorbed depreciation of assessment year 2018-19	10,000
Speculation business loss of assessment year 2019-20	30,000

Compute the Gross Total Income of Mr. Krishan for the Assessment year 2020- 21 and also state the losses eligible for carry forward and period up to which such losses can be carried forward.

**Answer:**

**Computation of Gross Total Income of Mr. Krishan for A.Y. 2020-21**

Particulars	Rs.	Rs.
Profits and gains of business or profession		
Income from Textile business	4,60,000	

Less: Current year depreciation allowable under section 32(1)	5,000	
4,55,000		
Less: Unabsorbed depreciation brought forward from A.Y.2018-19 as per section 32(2)	10,000	4,45,000
Income from speculation business		
Current year income from speculation business	25,000	
Less: Speculation business loss for A.Y. 2019-20 set-off as per the provisions of section 73(2)	30,000	
Speculation business loss to be carried forward	(5,000)	Nil
Gross Total Income		4,45,000

#### Losses eligible for carry forward to A.Y.2021-22

	Particulars	Rs.
(1)	Loss from speculation business to be carried forward as per section 73 Loss from speculation business can be set off only against income from another speculation business. The remaining loss from speculation business can be carried forward for a maximum of four assessment years immediately succeeding the assessment year for which the loss was first computed. Thus, such loss can be carried forward upto A.Y.2023-24	5,000
(2)	Loss on maintenance of race horses to be carried forward as per section 74A(3) Loss on maintenance of race horses can be set-off only against income from the activity of owning and maintaining race horses. Such loss can be carried forward for a maximum of four assessment years immediately succeeding the assessment year for which the loss was first computed. Thus, such loss can be carried forward upto A.Y. 2024-25	5,000
(3)	Loss from gambling can neither be set-off nor be carried forward.	

**Question 20:**

Mr. Ram, a resident Individual aged 65 years, submits the following details of his income for the assessment year 2023-24:

Particulars	Rs.
Loss from speculative business A	30,000
Income from speculative business B	1,50,000
Loss from specified business covered under section 35AD	20,000
Income from Salary (computed)	2,00,000
Loss from let out house property	1,90,000
Loss from cloth business	80,000
Long-term capital gain from sale of urban land	3,00,000
Long-term capital loss on sale of shares (STT not paid)	1,00,000
Long-term capital loss on sale of listed shares in recognized stock exchange (STT paid at the time of acquisition and sale of shares)	1,50,000
Income from betting (Gross)	80,000
Loss from gambling	8,000
Interest on saving bank deposits	12,000
Interest on fixed deposits with banks	40,000

Compute the total income of Mr. Ram and show the items eligible for carry forward, assuming that he does not opt for the provisions of section 115BAC.

**Answer:**

**Computation of total income of Mr. Ram for the A.Y. 2023-24**

Particular s	Amount (Rs.)	Amount (Rs.)
Salaries		
Income from Salary		2,00,000
Less: Loss from house property set-off against salary		1,90,000
Profits and gains from business or profession		10,000

Income from speculative business B		1,50,000
Less: Loss of Rs. 30,000 from speculative business A		30,000
Less: Loss from cloth business [Loss from non- speculative business can be set off against profits from speculative business]		80,000
Capital Gains		40,000
Long-term capital gain from sale of urban land		3,00,000
Less: Long-term capital loss on sale of shares (STT not paid)		1,00,000
Less: Long-term capital loss on sale of listed shares in recognizes stock exchange (STT paid at the time of acquisition and sale of shares)		1,50,000
50,000		
Income from Other Sources		1,32,000
Income from betting		80,000
Interest on savings bank deposits		12,000
Interest on fixed deposits with banks		40,000
Gross Total Income		2,32,000
Less: Deduction under section 80TTB (Maximum being Rs. 50,000, since Mr. Ram is a senior citizen)		50,000
Total Income		1,82,000

Notes:

Loss from specified business covered under section 35AD can be set off only against profits and gains of any other specified business. Therefore, such loss cannot be set off against any other income. The unabsorbed loss of Rs. 20,000 has to be carried forward for set-off against profits and gains of any specified business in the following year.

Loss from gambling can neither be set off against any other income, nor can be carried forward.

**Question 21:**

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

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

You are required to determine the Gross total income of Mr. Rishi for Assessment Year 2019-20.

Answer:

Computation of gross total income of Mr. Rishi for the A.Y.2019-20



Particulars	(Rs.)	(Rs.)
Salary Income (computed)	3,60,000	
Less: Set-off of loss from house property Rs. 2,20,000, restricted to	2,00,000	1,60,000
Income from House Property		
Income from Property X	1,20,000	
Less: Loss from Property Y [inter-source set-off is permitted under section 70(1)]	3,40,000	
Loss from house property	2,20,000	
Less: Loss eligible for set-off against salary income as per section 71(3A), restricted to	2,00,000	
Loss to be carried forward to A.Y. 2020-21 as per section 71B, for set-off against income from house property, if any, in that year.	(20,000)	
Profits and gains of business or profession		
Income from business P	2,30,000	
Less: Loss from business Q (inter-source set-off is permitted)	12,000	2,18,000
Income from speculation business R	15,000	
Less: Loss from speculation business T [can be set-off only against income from speculation business as per section 73(1)]	25,000	
Loss to be carried forward to A.Y. 2020-21 for set-off against speculative business income of that year by virtue of section 73(2).	(10,000)	21,00
Income from Other Sources		
Income from card games	16,000	
Interest on securities	5,000	
Loss from owning & maintaining race horses	(7,000)	

[Not allowed to be set-off against any other income under this head or under any other head. Thus, such loss has to be carried forward to A.Y. 2020- 21 for set-off against income, if any, from owning and maintaining race horses in that year by virtue of section 74A(3)]		
Gross Total Income		3,99,000

**Note:** Loss from house property of Rs. 2 lakh can also be set-off against business income instead of salary income. In such a case, salary income would be Rs. 3,60,000 and business income would be Rs. 18,000. Gross total income would remain the same. Any other permutation for set-off of house property (other than income from card games), including partial set-off against one head and the remaining against another, is also possible.

**Question 22:**

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

PARTICULARS	AMOUNT (Rs.)
Salary received from partnership firm (the same was allowed to the firm)	8,50,000
Loss on sale of shares listed in stock exchange held for 18 months and the STT paid on the sale and acquisition	6,00,000
Long term capital gain on sale of land	5,00,000
Brought forward business loss of assessment year 2014-15	6,00,000
Loss of the specified business covered in Section 35AD	3,50,000
Loss from house property	2,50,000
Income from betting (gross)	50,000
Loss from card games	35,000

**Compute the total income and show the item eligible for carry forward of Mr. Harsh for the assessment year 2022-23.**

**Answer:**

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

Particulars	Rs.	Rs.
Profits and gains from business and profession	8,50,000	
Salary received from partnership firm (would be fully taxable in the hands of Mr. Harsh as business income, since the same was allowed to the firm as deduction)		
Less: Loss from house property Rs. 2,50,000 (can be set-off against income from any other head only to the extent of Rs. 2 lakh)	2,00,000	
	6,50,000	
Less: Set-off of brought forward business loss of A.Y. 2014-15 (since the eight year time period for set-off has not expired)	6,00,000	
Capital Gains		50,000
Long-term capital gain on sale of land	5,00,000	
Less: Set-off of long-term capital losses (since held for 18 months i.e., more than 12 months) on sale of STT paid listed shares [Such set-off is permissible since it is a loss from a source of income taxable u/s 112A]	5,00,000	-
Income from Other Sources		
Income from betting (gross)		50,000
[No Loss can be set off against income from betting]		
Loss of Rs. 35,000 from card games can neither be set-off nor be carried forward		-
Total Income		1,00,000
Losses to be carried forward to A.Y. 2023-24		Rs.
Loss from house property (Rs. 2,50,000 – Rs. 2,00,000)		50,000

Loss from specified business covered u/s 35AD [Entire loss is to be carried forward, since there is no income from any specified business for A.Y.2022-23. Such loss has to be carried forward for set-off against income from any specified business in A.Y.2023-24]		3,50,000
Long-term capital loss on sale of listed shares (STT paid) [Rs. 6,00,000 – Rs. 5,00,000]		1,00,000

**Question 23:**

Compute the total income of Mr. Praveen (aged 48), a resident Indian, from the following information relating to the financial year ended 31.3.2021. Also, show the items eligible for carry forward.

Particulars	Rs.
Income from salaries	2,20,000
Loss from house property	2,50,000
Loss from toy business	1,30,000
Income from speculation business	40,000
Loss from specified business covered by section 35AD	20,000
Long-term capital gains from sale of urban land	2,50,000
Long-term capital loss from sale of listed shares in recognized stock exchange (STT paid at the time of acquisition and sale of shares)	1,10,000
Loss from card games	32,000
Income from betting (Gross)	45,000
Life Insurance Premium paid (10% of the capital sum assured)	50,000

**Answer :**

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

Particulars	Rs.	Rs.
Salaries		
Income from salaries	2,20,000	
Less: Loss from house property set-off against salary as per section 71(1) & 71(3A)	2,00,000	20,000
<b>Profits and gains of business or profession</b>		
Income from speculation business	40,000	
Less: Loss from toy business set off	40,000	Nil
<b>Capital gains</b>		
Long-term capital gains from sale of urban land	2,50,000	
Less: Long term capital loss on sale of listed shares on which STT is paid can be set off as per section 74(1), since long-term capital gain arising on sale of such shares is taxable under section 112A	1,10,000	
	1,40,000	
Less: Loss from toy business set off	90,000	50,000
<b>Income from other sources</b>		
Income from betting		45,000
<b>Gross total income</b>		1,15,000
Less: Deduction under section 80C(life insurance premium paid)		20,000
Total income		95,000

**Losses to be carried forward:**

	Particulars	Rs.
(1)	Loss from house property (Rs.2,50,000 – Rs.2,00,000)	50,000

(2)	Loss from toy business (Rs.1,30,000 - Rs.40,000 - Rs.90,000)	Nil
(3)	Loss from specified business covered by section 35AD	20,000

**Notes:**

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

As per section 71B, balance loss not set-off can be carried forward to the next year for set-off against income from house property of that year. It can be carried forward for a maximum of eight assessment years i.e., up to A.Y. 2029-30, in this case.

Loss from specified business covered by section 35AD can be set-off only against profits and gains of any other specified business. Therefore, such loss cannot be set off against any other income. If loss cannot be so set-off, the same has to be carried forward to the subsequent year for set-off against profits and gains of any specified business, if any, in that year. As per section 73A (2), such loss can be carried forward indefinitely for set-off against profits of any specified business.

Business loss cannot be set off against salary income. However, business loss of Rs. 90,000 (Rs.1,30,000 – Rs. 40,000 set-off against income from speculation business) can be set-off against long-term capital gains from sale of urban land. Consequently, the taxable long-term capital gains would be Rs. 50,000.

Loss from card games can neither be set off against any other income, nor can it be carried forward.

For providing deduction under Chapter VI-A, gross total income has to be reduced by the amount of long-term capital gains and casual income. Therefore, the deduction under section 80C in respect of life insurance premium paid has to be restricted to Rs. 20,000 [i.e., Gross Total Income of Rs.1,15,000 – Rs. 50,000 (LTCG) – Rs. 45,000 (Casual income)].

Income from betting is chargeable at a flat rate of 30% under section 115BB and no expenditure or allowance can be allowed as deduction from such income, nor can any loss be set-off against such income.

**Question 24:**

**Mr. Ray, a resident individual, aged 37 years gives the following information with respect to various loans taken by him from scheduled banks for various purposes-**

**(i) A housing loan of Rs. 36,00,000/- taken on 15th March, 2022 for the purchase of a house to be used for self-residence at a cost of Rs. 47,00,000/-. The stamp duty value of the house was Rs. 42,00,000/- at the time of purchase. Amount of re-payment of loan during P.Y.2022-23 was:**

**(A) towards principal - Rs. 1,25,000/-**

**(B) towards interest - Rs. 3,65,000/-**

**This is the first and only residential house owned by Mr. Ray.**

**(ii) A vehicle loan of Rs. 16,00,000/- taken on 31st October, 2021 for the purchase of electric vehicle for personal use. Amount of re-payment of loan during P.Y.2022-23 was:**

**(A) towards principal - Rs. 75,000/-**

**(B) towards interest - Rs. 1,90,000/-**

**Besides these loans, he has also paid a sum of Rs. 15,000 to a political party as contribution. The entire amount was paid in cash. You are required to compute the amount of deduction(s) available to Mr. Ray under various provisions of Income-tax Act for A.Y.2023-24 so that he gets the maximum benefits assuming that he does not opt to pay tax under section 115BAC.**

**Answer:**

**Computation of amount of deductions available to Mr. Ray for A.Y. 2023-24**

	Amount (Rs.)

(i)	Deduction allowable while computing income under the head "Income from house property" Deduction under section 24(b) for interest on loan of Rs. 3,65,000 in respect of self-occupied property restricted to		2,00,000
(ii)	Deduction under Chapter VI-A from Gross Total Income Deduction under section 80C For repayment of loan of Rs. 1,25,000 to bank	1,25,000	
	Deduction under section 80EEA Since stamp duty value does not exceed Rs. 45 lakhs and Mr. Ray does not own any residential house, he is eligible for deduction of upto Rs. 1,50,000 in respect of such interest on loan since loan is sanctioned between 1.4.2019 and 31.3.2022. Rs. 3,65,000 – Rs. 2,00,000 [claimed as deduction u/s 24(b)] = Rs. 1,65,000 restricted to Rs. 1,50,000, being the maximum permissible deduction	1,50,000	
	Deduction under section 80EEB Deduction for interest on loan for purchase of electric vehicle of Rs. 1,90,000 restricted to Rs. 1,50,000, being the maximum permissible deduction, since loan is sanctioned between 1.4.2019 and 31.3.2023. No deduction in respect of principal repayment of loan for purchase of electric vehicle is allowable	1,50,000	
	Deduction under section 80GGC Contribution of Rs. 15,000 to political party not allowable since the sum is paid in cash Deduction under Chapter VI-A from Gross Total Income	Nil	4,25,000

**Question 25:**

In August 2016, Mr. Kailash, a first-time home buyer, borrowed a sum of Rs. 35 lakhs from the National Housing Bank for construction of a residential house for Rs. 48 lakhs. The loan was sanctioned on 12.5.2016. The loan amount was disbursed directly to the flat promoter by the bank. The construction was completed in May, 2018 and repayments towards principal and interest commenced immediately after disbursement of loan. In the light of the above facts, examine:



**(i) Whether Mr. Kailash can claim deduction under section 24 in respect of interest for the A.Y. 2018-19?**

**(ii) Whether deduction under Section 80C and 80EE can be claimed by him for the A.Y. 2018-19?**

**Answer :**

(i) As per section 24(b), interest payable on loans borrowed for the purpose of acquisition, construction, repairs, renewal or reconstruction of house property can be claimed as deduction. Interest payable on borrowed capital for the period prior to the previous year in which the property has been acquired or constructed, can be claimed as deduction over a period of 5 years in equal annual installments commencing from the year of acquisition or completion of construction. It is stated that the construction is completed only in May, 2018. Hence, deduction under section 24 in respect of interest on housing loan cannot be claimed in the assessment year 2018-19.

**Deduction under section 80C cannot be claimed**

Clause (xviii) of section 80C is attracted where there is any payment for the purpose of purchase or construction of a residential house property, the income from which is chargeable to tax under the head 'Income from house property'. Such payment covers repayment of any amount borrowed from the National Housing Bank.

However, deduction is prima facie eligible only if the income from such property is chargeable to tax under the head "Income from House Property". During the assessment year 2018-19, there is no such income chargeable under this head. Hence, deduction under section 80C cannot be claimed for A.Y. 2018-19.

Deduction under section 80EE can be claimed

As per section 80EE, interest payable on loan taken for the purpose of acquisition of a residential house from any financial institution qualifies for deduction, subject to a maximum of Rs. 50,000, provided following conditions are satisfied –

(i) Such loan is sanctioned during the P.Y. 2016-17

(ii) The value of the house does not exceed Rs. 50 lakhs

(iii) The amount of loan sanctioned does not exceed Rs. 35 lakhs and

(iv) the assessee does not own any residential house on the date of sanction of loan Section 80EE does not pose any restriction regarding the chargeability of the income from such property under the head "Income from House Property. Therefore, in this case, since Mr. Kailash satisfies all the conditions stipulated under section 80EE, interest on such loan would qualify for deduction under section 80EE, subject to a maximum of Rs. 50,000.

**Question 26:**

**Mr. Jain, a resident individual, aged 40 years, suffers from severe disability as certified by medical authority. He gives the following information for the previous year 2022-23 -**

**(i) He has paid life insurance premium by cheque Rs. 27,000 to insure his life. The insurance policy was taken on 27.8.2018 and the sum assured is Rs. 2,20,000.**

**(ii) He had written a literary book for Rochak Publication. A lump sum amount of royalty income earned in the previous year 2022-23 amounted to Rs. 9,00,000. Expenses incurred for writing the book amounted to Rs. 40,000.**

**(iii) His friends gifted a statue of Goddess Saraswati to his daughter Ms. Diya (aged 14 years) on the successful completion of her secondary school. Fair market value of the statue is Rs. 65,000.**

**(iv) He received a gold chain worth Rs. 68,000 from his in-laws on the occasion of his marriage anniversary**

**(v) He had deposited Rs. 70,000 in fixed deposit with SBI in the name of his minor son in September 2022. Interest earned on such deposit Rs. 5,500.**

**(vi) He donated Rs. 5,000 in cash to a NGO (the NGO was registered under section 80G of the Income-tax Act, 1961).**

**(vii) He had taken a loan of Rs. 38,00,000 for the purchase of a house property valuing Rs. 45,00,000 for self-occupation from a financial institution on 1<sup>st</sup> May 2020. He repaid Rs.**

1,80,000 during the P.Y. 2022-23 out of which Rs. 1,05,000 is towards principal payment and the balance is for interest on loan.

Compute the total income of Mr. Jain for the A.Y. 2023-24 if he does not opt for the provisions of section 115BAC.

**Answer:**

**Computation of total income of Mr. Jain for the A.Y.2023-24**

Particulars	Rs.	Rs.
Income from house property		
NAV	Nil	
Less: Interest on loan	75,000	(75,000)
Income from Other Sources		(75,000)
Royalty	9,00,000	
Less: Expenses incurred for writing book	40,000	8,60,000
Value of statue of Goddess Saraswati	65,000	
[The fair market value of the statue (sculpture) received by his minor daughter as gift (not on account of her skill) from his friends would be taxable, since its value exceeds Rs. 50,000. It would be included in the hands of Mr. Jain, assuming his income before considering clubbing provisions is higher than his wife].	1,500	
Less: Exemption under section 10(32)		63,500
Value of Gold Chain		-
[The Fair market value of Rs. 68,000 of gold chain received on occasion of his marriage anniversary would be exempt, since it		

is received from a relative.]			
Interest on fixed deposit in the name of his son  [It would be included in the hands of Mr. Jain, assuming his income before considering clubbing provisions is higher than his wife]		5,500	
Less: Exemption under section 10(32)		1,500	4,000
Gross Total Income	8,52,500		
Less: Deduction under Chapter VI-A			
Deduction under section 80C			
Life insurance premium [Since Mr. Jain suffers from severe disability, premium upto 15% of the sum assured Rs. 2,20,000 would be allowed, as the policy is taken after 31.3.2012]		27,000	
Repayment of principal amount for housing loan		1,05,000	1,32,000
Deduction under section 80G			
Donation to an NGO registered under section 80G [Not allowable since the donation is made in cash of a sum exceeding Rs. 2,000]			-
Deduction under section 80QQB			
Royalty income of a resident from literary book			3,00,000
Deduction under section 80U [Since Mr. Jain suffers from severe disability]			1,25,000
Total income			2,95,500

### Question 27

Compute the deduction available to Mr. Dhyanchand under Chapter VI-A for A.Y.2021-22. Mr. Dhyanchand, aged 65 years, is working with ABC Ltd. His income comprises of salary of 18,50,000 and interest on fixed deposits of 75,000. He submits the following particulars of investments and payments made by him during the previous year 2020-21:

- Deposit of 1,50,000 in public provident fund
- Payment of life insurance premium of 62,000 on the policy taken on 01.4.2017 to insure his life (Sum assured – 4,00,000).
- Deposit of 45,000 in a five year term deposit with bank.
- Contributed 2,10,000, being 15% of his salary (basic salary plus dearness allowance, which forms part of retirement benefits) to the NPS of the Central Government. A matching contribution was made by ABC Ltd.
- On 1.4.2020, mediclaim premium of 1,08,000 and 80,000 paid as lumpsum to insure his and his wife (aged 58 years) health, respectively for four years
- Incurred 46,000 towards medical expenditure of his father, aged 85 years, not dependent on him. No insurance policy taken for his father.
- He spent 6,000 for the preventive health-check up of his wife.
- He has incurred an expenditure of 90,000 for the medical treatment of his mother, being a person with severe disability.

Answer :

Deduction available to Mr. Dhyanchand under Chapter VI-A for A.Y.2021-22

Section	Particulars	Rs.	Rs.
80C	Deposit in public provident fund	1,50,000	
	Life insurance premium paid Rs.62,000 (deduction restricted to Rs.40,000, being 10% of Rs.4,00,000, which is the sum assured, since the policy was taken on or after 01.04.2012)	40,000	
		45,000	

	Five year term deposit with bank		
		2,35,000	
80CCD(1)	Restricted to Contribution to NPS of the Central Government, Rs.1,60,000 [Rs.2,10,000 – Rs.50,000, being deduction under section 80CCD(1B)], restricted to 10% of salary [Rs.2,10,000 x 10/15] [See Note 1]		1,50,000
			1,40,000
			2,90,000
80CCE	Aggregate deduction under section 80C and 80CCD(1), Rs.2,90,000, but restricted to		1,50,000
80CCD(1B)	Rs.50,000 would be eligible for deduction in respect of contribution to NPS of the Central Government		50,000
80CCD(2)	Employer contribution to NPS, restricted to 10% of salary [See Note 2]		1,40,000
80D	(i) (a) Medical insurance premium for self and his wife, deduction would be equal to Rs.47,000 (Rs.27,000 + Rs.20,000), being 1/4th of lumpsum premium, since policies would be in force for four previous years.	47,000	
	(b) Preventive health check up Rs.6,000 for wife restricted to Rs.3,000 (Rs.50,000 - Rs.47,000, since maximum allowable deduction is Rs.50,000 in case assessee or one of the family member is senior citizen)	3,000	
		50 000	

	(ii) Medical Expenditure for his father would be fully allowed as deduction, since no insurance policy is taken on his name	46,000	
	Total of (i) and (ii)	96,000	
80DD	Deduction of Rs.1,25,000 in respect of expenditure on medical treatment of his mother, being a person with severe disability would be allowed irrespective of the fact that amount of expenditure incurred is Rs.90,000		1,25,000
80TTB	Interest on fixed deposits with bank of Rs.75,000, deduction restricted to		50,000
Deduction under Chapter VI-A			6,11,000

**Notes:**

(1) The deduction under section 80CCD(1B) would not be subject to overall limit of Rs.1.50 lakh under section 80CCE. Therefore, it is more beneficial for Mr. Dhyanchand to claim deduction under section 80CCD(1B) first in respect of contribution to NPS. Thereafter, the remaining amount of Rs.1,60,000 can be claimed as deduction under section 80CCD(1), subject to a maximum limit of 10% of salary i.e. Rs.1,40,000.

(2) The entire employer's contribution to notified pension scheme has to be first included under the head "Salaries" while computing gross total income and thereafter, deduction under section 80CCD(2) would be allowed, subject to a maximum of 10% of salary. Deduction under section 80CCD(2) is also not subject to the overall limit of Rs.1,50,000 under section 80CCE.

## Question 28

(a) Miss Tara, resident individual aged 32 years, is a social media influencer. She makes videos reviewing various electronic items and posts those videos on social media. On 1st December 2022, XYZ Ltd., an Indian company manufacturer of electronic cars gave her a brand new car having fair market value of Rs. 6 lakhs to promote on her social media page. She used that car for then returned the car to the company. You are required to discuss the applicable provisions in the Income-tax Act regarding the deduction of tax at source in respect of such transaction.

(b) Ms. Aruna is a Chief Executive Officer of a multi-national company. She hires Mr. Suresh for supply of her housing staff (like gardener, chefs and drivers etc.) and makes the following payments to him:

25,00,000/- on 10th August, 2022 and Rs. 30,00,000 on 22nd November, 2022. Determine the amount of tax to be deducted/ collected at source, if any.

Would your answer be different, if Ms. Aruna is a business woman and her books are not audited in immediately preceding financial year and payment to Mr. Suresh is for business purposes.

(c) By virtue of an agreement with Nationalized Bank, M/s ABC Pvt Ltd., a company engaged in catering business received Rs. 60,000 p.m. towards supply of food, water, snacks, etc. during office hours to the employees of the bank. Discuss the TDS implication of this transaction/agreement.

**Answer:**

(i) Under section 194R, the person who is responsible for providing to a resident, any benefit or perquisite whether convertible into money or not, arising from business or the exercise of a profession by such resident, has to first ensure deduction of tax @10% of the value of such benefit or perquisite, if the same exceeds Rs. 20,000.



However, in case of benefit or perquisite being a product like car, mobile etc. if the product is returned to the manufacturing company after using for the purpose of rendering service, then it will not be treated as a benefit/perquisite for the purposes of section 194R.

Accordingly, in the present case, since Miss Tara has returned the car to XYZ Ltd., TDS provisions under section 194R would not apply.

(ii) The provisions of section 194C would not apply in the hands of Ms. Aruna since the amount paid to Mr. Suresh is for supply of her housing staff. Hence, it is used exclusively for her personal purposes.

In this case, tax is required to be deducted at source from such amount under section 194M @5%, since the aggregate payment made to Mr. Suresh for the said contract exceeds Rs.50 lakhs during the P.Y.2022-23.

Accordingly, Rs. 2,75,000, being 5% of Rs. 55,00,000 [Rs.25,00,000 + Rs. 30,00,000], is required to be deducted at source.

In case Ms. Aruna made payment to Mr. Suresh for business purposes and she is not required to get her books of account audited [assuming her turnover from such business does not exceed Rs. 1 crore in P.Y. 2021-22], she is not required to deduct tax at source under section 194C. In such case also, she is required to deduct tax at source of Rs. 2,75,000 under section 194M.

Note – In the question, it is mentioned that Ms. Aruna is a business woman and her books are not audited in immediately preceding financial year. However, whether the provisions of section 194C would be attracted are dependent on whether the turnover of business carried on by her during the financial year immediately preceding the financial year in which the sum credited or paid exceeds Rs. 1 crore. In the absence of this information, it is possible that audit may not be required in her case due to the following reasons-

(i) her turnover exceeds Rs. 1 crore but does not exceed Rs. 10 crores and receipts and payments in cash does not exceed 5% of such receipts or payments, respectively.

(ii) her turnover exceeds Rs. 1 crore but does not exceed Rs. 2 crore and she is declaring profits under the presumptive provisions of section 44AD.

Accordingly, following alternate answer is also possible based on the assumption that turnover of Ms. Aruna's business exceeds Rs. 1 crore.

Alternative answer - In case Ms. Aruna made payment to Mr. Suresh for business purposes during the P.Y. 2021-22, she would be required to deduct tax at source @1% under section 194C amounting to Rs. 55,000 (since payment is made to Mr. Suresh, an individual) of Rs. 55,00,000

(iii) According to section 194C, the definition of "work" include catering. In the present case, nationalised bank is required to deduct tax source @2% on Rs. 7,20,000 [Rs. 60,000 x 12] paid to ABC Pvt. Ltd. for providing catering services to the bank, since amount of Rs. 60,000 paid every month exceeds the threshold of Rs. 30,000.

Therefore, nationalised bank is required to deduct tax at source of Rs. 1,200 per month amounting to Rs. 14,400 for the year.

**Question 29:**

**Examine the applicability and the amount of TDS to be deducted in the following cases for F.Y. 2021-22:**

**(i) S and Co. Ltd. paid Rs. 25,000 to one of its Directors as sitting fees on 02-02- 2022.**

**(ii) Rs. 2,20,000 paid to Mr. Mohan, a resident individual, on 28 -02-2022 by the State of Haryana on compulsory acquisition of his urban land.**

**(iii) Mr. Purushotham, a resident Indian, dealing in hardware goods has a turnover of Rs. 12 crores in the previous year 2020-21. He purchased goods from Mr. Agarwal a resident seller, regularly in the course of his business. The aggregate purchase made during the previous year 2021-22 on various dates is Rs. 80 lakhs which are as under:**

<b>10-06-2021</b>	<b>Rs. 25,00,000</b>
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20-08-2021	Rs. 27,00,000
12-10-2021	Rs. 28,00,000

He credited Mr. Agarwal's account in the books of accounts on the same date and made the payment on the 28-02-2022 Rs. 80 lakh. Mr. Agarwal's turnover for the financial year 2020-21 is Rs. 20 crores.

**Answer:**

(i) Tax @10% has to be deducted by S and Co. Ltd. under section 194J on directors sitting fees of Rs. 25,000. The threshold limit of Rs. 30,000 is not applicable in respect of sum paid to a director.

The amount of tax to be deducted at source = Rs. 25,000 x 10% = Rs. 2,500

(ii) There is no liability to deduct tax at source under section 194LA, since the payment to Mr. Mohan, a resident, by State of Haryana on compulsory acquisition of his urban land does not exceed Rs. 2,50,000.

(iii) Since Mr. Purushotham's turnover for F.Y.2020-21 exceeds Rs. 10 crores, and value of goods purchased from Mr. Agarwal, a resident seller, exceeds Rs. 50 lakhs in the P.Y.2021-22, he is liable to deduct tax@0.1% on Rs. 30 lakhs (being the sum exceeding Rs. 50 lakhs), at the time of credit or payment, whichever is earlier.

On 10.6.21 = Nil (No tax is to be deducted u/s 194Q on the purchases made on 10.6.2021 since the purchases made till that date has not exceeded the threshold of Rs. 50 lakhs and TDS provisions u/s 194Q was effective from 1.7.2021)

On 20.8.2021 = 0.1% of Rs. 2 lakhs (amount exceeding Rs. 50 lakhs) = Rs. 200

On 12.10.2021 = 0.1% of Rs. 28 lakhs = Rs. 2,800.

**Question 30:**

(a) Examine & explain the TDS implications in the following cases along with reasons thereof, assuming that the deductees are residents and having a PAN which they have duly furnished to the respective deductors.

(i) Mr. Kunal received a sum of Rs. 10,20,000 on 28.02.2021 as pre-mature withdrawal from Employees Provident Fund Scheme before continuous service of 5 years on account of termination of employment due to ill-health.

(ii) Indian Bank sanctioned and disbursed a loan of Rs. 12 crores to B Ltd. on 31-12- 2020. B Ltd. paid a sum of Rs. 1,20,000 as service fee to Indian Bank for processing the loan application.

(iii) Mr. Agam, working in a private company, is on deputation for 5 months (from October, 2020 to February, 2021) at Mumbai where he pays a monthly house rent of Rs. 32,000 for those five months, totalling to Rs. 1,60,000. Rent is paid by him on the first day of the relevant month.

(b) Mr. Subhash engaged in the business of trading of electrical appliances. His turnover for F.Y. 2019-20 and F.Y. 2020-21 was Rs. 12 crore and 9.5 crore, respectively. During the previous year, XYZ Ltd. placed order for purchase of electric appliances for Rs. 55 lakhs on 01.08.2020. He again placed order for Rs. 35 lakhs on 01.11.2020. Mr. Subhash delivered both the orders within 15 days of receipt of orders. Discuss, whether Mr. Subhash is required to collect tax at source, on the consideration received from XYZ Ltd.

**Answer:**

**(a) TDS implications**

**(i) On pre-mature withdrawal from EPF**

No tax is deductible under section 192A even though the employee, Mr. Kunal, has not completed 5 years of continuous service, since termination of employment is on account of his ill-health. Hence, Rule 8 of Part A of the Fourth Schedule is applicable in this case.

**(ii) On payment of service fee to bank**

Even though service fee is included in the definition of “interest” under section 2(28A), no tax is deductible at source under section 194A, since the service fee is paid to a banking company, i.e., Indian Bank.

(iii) On payment of rent by a salaried individual

Mr. Agam, a salaried individual, is not liable to deduct tax at source @5% under section 194-IB on Rs. 1,60,000 (being rent for 5 months from October 2020 to February 2021) from the rent of Rs. 32,000 payable on 1st day of every month, since the monthly rent does not exceed Rs. 50,000.

(b) As per section 206(1H), tax is required to be collected at source @0.1% (@0.075%, if payment is received during the period between 14.5.2020 to 31.3.2021) on the sale consideration exceeding Rs. 50 lakhs at the time of receipt of consideration. Tax is required to be collected at source by a seller, being a person whose total turnover from the business exceeds Rs. 10 crore during the financial year immediately preceding the financial year in which sale of goods is carried out. Since, section 206C(1H) is applicable w.e.f.1st October, 2020, tax is not required to be collected at source on any sale consideration received before 1st October, 2020, even though such amount exceeds the threshold limit of Rs. 50 lakhs. Section 206C(1H), would apply on sale consideration (including advance received for sale) received on or after 1st October, 2020.

Since the threshold of Rs. 50 lakhs is with respect to the previous year, calculation of receipt of sale consideration for triggering TCS under section 206C(1H) shall be computed from 1st April, 2020. Hence, in the present case, since Mr. Subhash has sold electric appliance for sale consideration or in aggregate of such consideration, exceeding Rs. 50 lakhs, TCS is required to be collected at source @0.075%, on amount of Rs. 35 lakhs, being the amount of consideration received after 01.10.2020.

**Question 31:**

**Examine and compute the liability for deduction of tax at source, if any, in the cases stated hereunder, for the financial year ended 31st March, 2020**

**(a) State Bank of India pays Rs.50,000 per month as rent to the Central Government for a building in which one of its branches is situated.**

**(b) Karan, a part time director of ABC Pvt. Ltd. was paid an amount of Rs. 1,75,000 as fees which was actually in the nature of commission on sales for the period 1.6.2019 to 30.9.2019.**

**(c) Fee paid on 1.11.2019 to Dr. Kashyap by Varun (HUF) Rs. 5,00,000 for surgery performed on a member of his family.**

**(d) Payment of Rs. 1,50,000 made to John Cena, an American wrestler, by an Indian newspaper agency on 1.8.2019 for contribution of articles in relation to the spot of wrestling.**

**Answer:**

a. Section 194-I, which governs the deduction of tax at source on payment of rent, exceeding Rs.2,40,000 p.a., is applicable to all persons except individuals and HUFs, whose turnover/gross receipts do not exceed the monetary limits specified under 44AB(a)/(b). Section 196, however, provides exemption in respect of payments made to Government from application of the provisions of tax deduction at source.

Therefore, no tax is required to be deducted at source by State Bank of India from rental payments to the Government.

b. Section 194J provides for deduction of tax at source @10% on any remuneration or fees or commission, by whatever name called, paid to a director, which is not in the nature of salary in respect of which tax is deductible at source under section 192.

Hence, tax is to be deducted at source under section 194J @10% by ABC Pvt. Ltd. on the commission of Rs.1,75,000 paid to Karan, a part-time director. The tax deductible under section 194J would be Rs. 17,500, being 10% of Rs.1,75,000.

c. As per the provisions of section 194J, a Hindu Undivided Family is required to deduct tax at source on fees paid for professional services only if the total sales, gross receipts or turnover from the business or profession exceed Rs. 1 crore or Rs. 50 lakhs, as the case may be, in the financial year preceding the current financial year and such payment made for professional services is not exclusively for the personal purpose of any member of Hindu Undivided 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 lakhs during the financial year.

In the given case, the fees for professional service to Dr. Kashyap is paid on 1.11.2019 for personal purpose, therefore, section 194M would have been applicable if the payment or aggregate of payments exceeded Rs. 50 lakhs in the P.Y.2019-20. However, since the payment does not exceed Rs. 50 lakhs in this case, there is no liability to deduct tax at source under section 194M.

d. Section 194E provides that the person responsible for paying of any amount to a non-resident sportsman who is not a citizen of India for contribution of articles relating to any game or sport in India in a newspaper has to deduct tax at source @20%. Further, since, John Cena, an American wrestler, is a non-resident, Health and education cess @4% on TDS should also be added.

Therefore, tax to be deducted = Rs. 1,50,0000 x 20.80% = Rs. 31,200.

**Question 32:**

**Mr. Karan is engaged in the business of producing and selling toys. During the previous year 2019- 20, his turnover was Rs. 1.75 crores. He opted for paying tax as per presumptive taxation scheme laid down in section 44AD. He has no other income during the previous year. Is he liable to pay advance tax and if so, what is the minimum amount of advance tax to be paid and the due date for payment of such advance tax assuming that whole of the turnover represents cash receipts?**

**Answer:**

Particulars	Rs.
As per section 211(1)(b), an eligible assessee, opting for computation of profits or gains of business on presumptive basis in respect of an eligible business referred to in section 44AD, shall be required to pay advance tax of the whole amount on or before 15th	

March of the financial year. Thus, Mr. Karan is required		
to pay advance tax for F.Y.2019-20 on or before 15th March, 2020.		
However, any amount paid by way of advance tax on or before 31st March shall also be treated as advance tax		
paid during that financial year on or before 15 th March.		
The advance tax liability is computed as follows –		
Total Income being 8% of Rs.1,75,00,000, since Mr. Karan is an eligible assessee opting for presumptive taxation scheme under section 44AD  (Total income comprises of only income under the head “Profits and gains of business or profession”, since Mr. Karan is not having any other income during the previous year)		14,00,000
Tax liability		
Upton Rs. 2,50,000	Nil	
Rs. 2,50,001 to Rs. 5,00,000@5%	12,500	
Rs. 5,00,001 to Rs. 10,00,000@20%	1,00,000	
Above Rs. 10,00,000@30%	1,20,000	2,32,500
Add: Health and Education cess @4%		9,300
Total Tax Payable		2,41,800
Accordingly, Mr. Karan is required pay Rs. 2,41,800 as minimum amount of advance tax by 31st March 2020.		

**Question 33:**



Examine & explain the TDS implications in the following cases along with reasons thereof, assuming that the deducted are residents and having a PAN which they have duly furnished to the respective detectors.

(i) Ms. Sarla received a sum of Rs. 92,000 on 30th September 2020 towards maturity proceeds of LIC taken on 1st October 2014 for which sum assured was Rs. 80,000 and annual premium was Rs. 10,000.

(ii) Mr. Rohit transferred a residential house property to Mr. Arun for Rs. 45 lacs. The stamp duty value of such property is Rs. 55 lacs.

(iii) Akash (P) Limited pays the following amounts to Mr. Santosh during previous year 2020-21:

(1) Rs. 22,000 towards fee for professional services

(2) Rs. 18,000 towards royalty.

(iv) Payment of Rs. 1,75,000 made to Mr. Ankit for purchase of bag according to specifications of M/s. Packaging Limited. However, no material was supplied for such bag by Packaging Limited or its associates to Mr. Ankit.

(v) ABC Private Limited pays Rs. 12,000 to Ms. Deepika, its director, on 1.5.2020 towards sitting fee which is not taxable u/s 192.

(vi) Rashi Limited is engaged by Jigar Limited for the sole purpose of business of operation of call center. On 18-03-2021, the total amount credited by Jigar Limited in the ledger account of Rashi Limited is Rs. 70,000 regarding service charges of call center. The amount is paid through cheque on 28-03-2021 by Jigar Limited.

(vii) Ms. Mohit won a lucky draw prize of Rs. 21,000. The lucky draw was organized by M/s. Maximus Retail Ltd. for its customer.

**Answer:**

(i) On payment of LIC maturity proceeds - The annual premium exceeds 10% of sum assured in respect of a policy taken after 31.3.2012, and consequently, the maturity proceeds of Rs.

95,000 would not be exempt u/s 10(10D) in the hands of Ms. Sarla. However, tax deduction provisions u/s 194-DA are not attracted since the maturity proceeds are less than Rs. 1 lakh.

(ii) On payment of sale consideration for purchase of residential house property - Since the sale consideration of house property is less than Rs. 50 lakhs, Mr. Arun is not required to deduct tax at source u/s 194-IA, irrespective of the fact that the stamp duty value is more than the sale consideration as well as the threshold limit of Rs. 50 lakhs.

(iii) On payment of fee for professional services and royalty – Under section 194J, the threshold limit of Rs. 30,000 is specified separately for, inter alia, fees for professional services and royalty. Therefore, Akash (P) Limited is not required to deduct tax at source under section 194J either on fee of Rs. 22,000 for professional services or on royalty of Rs. 18,000 paid to Mr. Santosh, since the payment under each category does not exceed the independent threshold Rs. 30,000 specified thereunder.

(iv) On payment for purchase of bag according to specifications - As per section 194C, the definition of “work” does not include the manufacturing or supply of product according to the specification by customer in case the material is purchased from a person other than the customer or its associate, being a person related to the customer in such manner as defined u/s 40A(2)(b).

Therefore, M/s Packaging Limited is not required to deduct tax at source in respect of payment of Rs. 1,75,000 to Mr. Ankit, for purchase of bag according to its specifications, since it did not supply the material for such bag and nor was the material supplied by any of its associates. Hence, the contract is a contract for ‘sale’ and not a works contract.

(v) On payment of sitting fees to the director - ABC Private Limited is required to deduct tax at source @10% on sitting fees of Rs. 12,000 paid to its director, since the threshold limit of Rs. 30,000 u/s 194J is not applicable in respect of fees paid to a

1 In the alternative, an individual can be treated as not ordinarily resident if she is non-resident in any 9 out of 10 preceding assessment years. In this case, Miss Bhanushali is a non-resident in all 10 preceding assessment years. She was in India for only 47 days in A.Y.2020-21 and never visited India earlier director of a company.

(vi) On payment of call center service charges - Since Rashi Limited is engaged only in the business of operation of call center, Jigar Limited is required deduct tax at [source@1.5%](#) on the amount of Rs. 70,000 u/s 194J on 18.3.2021 i.e., at the time of credit of call center service charges to the account of Rashi Limited, since the said date is earlier than the payment date i.e., 28.3.2021.

(vii) On payment of prize winnings of Rs. 21,000 Tax is deductible @ 30% under section 194B by M/s. Maximus Retail Ltd., from the prize money of Rs. 21,000 payables to the customer, since the winnings exceed Rs.10,000.

**Question 34:**

**Examine TDS implications in case of following transactions, briefly explaining provisions involved assuming that all the payees are residents; state the rate and amount to be deducted, in case TDS is required to be deducted**

(i) Mrinal & Sons, a LLP withdrew from its bank account Rs. 40 lakhs by cash on 1.5.2021, Rs. 35 lakhs on 7.9.2021 and Rs. 55 lakhs on 28.2.2022. The purpose of withdrawal from bank was for buying agricultural produce, from farmers/ agriculturist, being raw material required for manufacture of finished products by it. Mrinal & Sons regularly files its return of income before the due date.

(ii) Mr. Mukesh, aged 75 years, holds 6½ Gold Bonds, 1977 of Rs. 2,50,000 and 7% Gold Bonds of Rs. 3,50,000. He received interest on these bonds on 31.1.2022.

**Answer:**

(i) Mrinal & Sons has withdrawn aggregate cash of Rs.1.30 crores during the previous year 2021-22. Since aggregate amount cash withdrawals exceed Rs. 1 crore, bank is required deducted tax at source @2% on the amount exceeding Rs. 1 crore i.e., Rs. 30 lakhs though he withdraws the same for buying agricultural produce from farmers, agriculturists, being raw material required for manufacture of finished products by it.

TDS = 2% of Rs.30 lakhs = Rs.60,000

(ii) Tax @10% under section 193 is to be deducted on interest on 6½ Gold Bonds, 1977 and 7% Gold Bonds 1980, since the nominal value of the bonds held by Mr. Mukesh

i.e.,

Rs. 6,00,000 exceed Rs.10,000.

Interest on 6½ Gold Bonds, 1977 = Rs. 2,50,000 x 6.5% = Rs.

16,250 Interest on 7% Gold Bonds 1980 = Rs. 3,50,000 x 7% = Rs.

24,500 Tax to be deducted at source = Rs. 40,750 x 10% = Rs. 4,075

### Question 35:

State Government of Madhya Pradesh grants a lease of coal mine to ABC Co. Ltd., an Indian company, on 1.10.2021 and charged Rs. 8 crores for the lease. ABC Co. Ltd. sold coal for Rs. 2 crores to Mahapower Ltd., another Indian company, during the previous year 2021-22. Mahapower Ltd. furnishes a declaration to ABC Co. Ltd. that the coal is to be utilized for the purpose of generation of power. The turnover of ABC Co. Ltd. and Mahapower Ltd. for the F.Y. 2020-21 amounted to Rs. 11 crores and Rs. 12 crores, respectively. What is the amount of tax required to be deducted or collected at source in respect of the above transactions, if any?

### Answer:

Section 206C(1C) provides for collection of tax @2% by every person who grants a lease in any mine or a quarry to another person for the use of such mine or quarry for the purposes of business. Accordingly, State Government of Madhya Pradesh is required to collect tax at source of Rs. 16,00,000, being 2% on Rs. 8 crores, being the charges for lease of coal mine.

Under section 206C (1), seller of certain goods, inter alia, coal is required to collect tax from the buyers @1%. However, no collection would be made under section 206C(1), in case of a resident buyer, if such buyer furnishes to the person responsible for collecting tax, a declaration to the effect that goods are to be utilized for the purpose of generation of power.

In the present case, ABC Co. Ltd. is not required to collect tax at source u/s 206C(1) in respect of coal sold to Mahapower Ltd. since Mahapower Ltd. has furnished a declaration to ABC Co. Ltd. that the coal is to be utilized for the purpose of generation of power.

As per section 206C(1H), tax is to be collected in respect of sale of goods other than the goods which have been covered under section 206C(1). In case of goods which are covered under section 206C(1) but exempted under section 206C(1A), tax will not be collectible under either section 206C(1) or section 206C(1H).

Section 194Q requires any person, being a buyer who is responsible for paying any sum to resident for purchase of any goods of the value exceeding Rs. 50 lakhs in any previous year, to deduct tax @0.1% of such sum exceeding Rs. 50 lakhs. The provisions of section 194Q do not apply in respect to those transactions where tax is collectible under section 206C [except under section 206C(1H)]. Buyer means a person whose turnover from the business carried on by him exceeds Rs. 10 crores during the financial year preceding the financial year in which goods are purchased.

In this case, since Mahapower Ltd.'s turnover for P.Y. 2020 -21 exceeds Rs. 10 crores, it is a buyer as per section 194Q. Since, tax is not required to be collected on sale of coal to Mahapower Ltd., the provisions of section 194Q would apply and Mahapower Ltd. is required to deduct tax of Rs. 15,000 under section 194Q, being 0.1% of Rs. 1.5 crores, being the sum exceeding Rs. 50 lakhs.

**Question 36:**

**Mr. Vikas, a resident in India aged 80 years, is having a house property in Mumbai. He has let out the house property to ABC Ltd. for a rent of Rs. 50,000 per month from 1.4.2021. He does not have any other source of income. Is Mr. Vikas required to file his return of income for A.Y. 2022-23. If yes, why?**

**Answer:**

An individual whose total income exceeds the maximum amount not chargeable to tax i.e., Rs. 5,00,000 in this case since Mr. Vikas is of 80 years, is required to file a return of income on or before the due date under section 139(1) i.e., 31st July, 2022.

Clause (iv) of seventh proviso to section 139(1) provides that a person (other than a company or a firm) who is not required to furnish a return u/s 139(1) has to furnish return on or before the due date if the person fulfills such other conditions as may be prescribed.

Accordingly, vide Notification no. 3/2022 dated 21.4.2022, the CBDT inserted Rule 12AB which prescribes, inter alia, that in case of resident individual who is aged 60 years or more at any time during the relevant P.Y. is required to file his return of income if the aggregate of tax deducted at source and tax collected at source, in his case, during the P.Y. is Rs. 50,000 or more.

In this case, Mr. Vikas's total income would comprise of only income from house property from let out of house property in Mumbai. His total income would be Rs. 4,20,000 [Rs. 6,00,000 – 30% under section 24(a)], which is below the basic exemption limit of Rs. 5,00,000.

ABC Ltd. is required to deduct tax at source u/s 194-I @10% of Rs. 6,00,000. Tax deductible would be Rs. 60,000. Since tax deducted at source in case of Mr. Vikas is more than Rs. 50,000, he has to furnish his return of income for A.Y. 2022-23 on or before 31.07.2022, even though his total income is below the basic exemption limit of Rs. 5,00,000.

Note – It is assumed that Mr. Vikas has neither made an application to the Assessing Officer u/s 197 nor furnished declaration to ABC Ltd. u/s 197A for non-deduction of tax. In case, he has obtained the certificate u/s 197 or furnished declaration to ABC Ltd. u/s 197A, no tax would have been deducted by ABC Ltd. on rental income. Consequently, Mr. Vikas would not be required to file his return of income.

### **Question 37:**

**Mr. Varun filed return on 30th September, 2020 related to Assessment Year 2020- 21. In the month of October 2020, his tax consultant found that the interest on fixed deposit was omitted in the tax return.**

**(i) What is the time limit for filing a belated return?**

**(ii) Can Mr. Varun file a revised return?**

**Justify the above with the relevant provisions under section 139. Assume that the due date for furnishing return of income was 31st July, 2020 and the assessment was not completed till the month of October 2020.**

**Answer:**

(i) As per section 139(4), a belated return for any previous year may be furnished at any time -

(a) before the end of the relevant assessment year; or

(b) before the completion of the assessment, whichever is earlier.

For assessment year 2020-21, the belated return has to be furnished before 31<sup>st</sup> March 2021 or before completion of assessment, whichever is earlier.

***(As per amendment from AY 2021-22 onwards a belated/revised return can be filed by 31<sup>st</sup> December of the relevant assessment year)***

(ii) As per section 139(5), if any person, having furnished a return within the due date or a belated return, discovers any omission or any wrong statement therein, he may furnish a revised return at any time –

a. before the end of the relevant assessment year or

b. before the completion of assessment, whichever is earlier.

Since Mr. Varun has filed his return after 31.7.2020, being the due date under section 139(1) in his case, but before 31.3.2021/completion of assessment, the said return is a belated return under section 139(4).

Thus, in the present case, Mr. Varun can file a revised return, since he has found an omission in the belated return filed by him for A.Y.2020-21 and assessment is yet to be completed and assessment year has not elapsed as of October, 2020.

**Question 38:**

Ms. Geetha submits her return of income on 29-09-2018 for A.Y 2018-19 consisting of income under the head “Salaries”, “Income from house property” and bank interest. On 01- 02-2019, she realized that she had not claimed deduction under section 80D in respect of medical insurance premium of Rs. 15,000 paid for her mother. She wants to revise her return of income. Can she do so? Examine. Would your answer be different if she discovered this omission on 02- 04-2019?

**Answer:**

Since Ms. Geetha has income only under the heads “Salaries”, “Income from house property” and “Income from other sources”, she does not fall under the category of a person whose accounts are required to be audited under the Income-tax Act, 1961. Therefore, the due date of filing return for A.Y.2018-19 under section 139(1), in her case, is 31st July, 2018. Since Ms. Geetha had submitted her return only on 29.9.2018, the said return is a belated return under section 139(4).

As per section 139(5), a return furnished under section 139(1) or a belated return u/s 139(4) can be revised, if she discovers any omission or wrong statement therein. Thus, a belated return under section 139(4) can also be revised. Therefore, Ms. Geetha can revise the return of income filed by her under section 139(4) in February 2019, to claim deduction under section 80D, since the time limit for filing a revised return is upto the end of the relevant assessment year, which is 31.03.2019.

However, she cannot revise return had she discovered this omission only on 02-04-2019, since it is beyond 31.03.2019, being the end of A.Y. 2018 -19.

**(As per amendment from AY 2021-22 onwards a belated/revised return can be filed by 31st December of the relevant assessment year)**

**Question 39:**



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

**Answer:**

Provisions of Income-tax Act, 1961 relating to quoting of Aadhar Number under section 139AA

Every person who is eligible to obtain Aadhar Number is required to mandatorily quote Aadhar Number, on or after 1st July, 2017:

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

(d) in the return of income

The provisions of section 139AA relating to quoting of Aadhar Number would, however, not apply to an individual who does not possess the Aadhar number or Enrolment ID and is:

(v) residing in the States of Assam, Jammu & Kashmir and Meghalaya;

(vi) a non-resident as per Income-tax Act, 1961;

(vii) of the age of 80 years or more at any time during the previous year;

(viii) not a citizen of India.

If a person does not have Aadhar Number, he is required to quote Enrolment ID of Aadhar application form issued to him at the time of enrolment in the application form for allotment of PAN or in the return of income furnished by him. Every person who has been allotted PAN as on 1st July, 2017, and who is eligible to obtain Aadhar Number, shall intimate his Aadhar Number to prescribed authority on or before a date as may be notified by the Central Government.

(As per amendment if a person fails to intimate the Aadhar Number, PAN allotted to such person should be made inoperative after the notified date.)

**Question 40:**

Mrs. Nisha, a resident individual aged 54 years, is carrying on business of manufacturing of textile fabrics, as a proprietor. The turnover in the previous year 2020-21 was Rs. 250 lakhs and in the current previous year 2021-22, it is Rs. 600 lakhs. The net profit as per the profit and loss account as on 31-03-2022 is Rs. 5,61,000. She provides the following additional information those were not considered while making the profit and loss account for the previous year 2021-22.

(i) Depreciation has not been debited to profit and loss account. The details of the plant & machinery employed in the business are given as under:

Date	PARTICULARS	AMOUNT
01-04- 2021	Opening written down value of machinery used for manufacturing purpose	4,75,000
03-07- 2021	New machinery purchased during the year, payment made by an account pay cheque.	7,25,000
10-03- 2022	Sold one of the old machine	75,000

She does not have any other fixed assets employed in the business.

(ii) Received subsidy of 20% on new machine purchased on 03-07-2021 during the previous year under technology upgradation fund Scheme from the Central Government.

(iii) She paid a job charges for the value addition on the fabrics Rs. 90,000 without deduction of tax to job worker by an account payee cheque.

(iv) Commission paid to one agent allowed as deduction in earlier assessment year amounting Rs. 50,000, has now been received back during previous year 2021-22, from the agent due to settlement with commission agent.

(v) Rs. 25,000 paid to creditor for goods in cash.

(vi) Incurred loss of Rs. 1,17,500 from an eligible transaction carried out in respect of trading in derivatives in a recognised stock exchange.

(vii) Interest received amounting Rs. 2,00,000, duly authorised by partnership deed of M/s Ramji textiles @ 15% p.a. on the capital employed. She is sleeping partner in the Ramji textiles.

(viii) She Received Rs. 60,000 by pre-mature withdrawals from deposit including interest Rs. 5,000, in post office time deposit, eligible for deduction under Section 80C.

(ix) She sold her gold bracelet (jewellery), used by her for personal purposes, on 01 -05-2021 for Rs. 5,00,000, which was acquired for Rs. 40,000 on 01-03-2005. A diamond was embedded onto bracelet on 01-05-2007 of Rs. 50,000. (cost inflation index 2004-05:113, 2007-08:129 and 2021-22:317)

(x) She received a gold coin (bullion) worth Rs. 55,000 (FMV) from her cousin (daughter of uncle) during the previous year 2021-22.

(xi) She incurred long term loss from sale of share of the Indian company. (The STT is paid on the sale and purchase of the shares) Rs.75,000.

(xii) She deposited a sum of Rs. 50,000 with life insurance Corporation of India every year for the maintenance of her mother aged 70 years depended upon him and suffering from severe disability.

(xiii) She purchased the new residential house during the previous year and paid stamp duty and registration fee Rs. 1,55,000 to get transfer the property in her name.

You are required to compute the total income and tax payable by Mrs. Nisha for the assessment year 2022-23. (Ignore the provisions of Section 115BAC). Give brief note wherever necessary.

**Answer:**

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

	Particulars	(Rs.)	(Rs.)	(Rs.)
I.	Income from business or profession			
	Net Profit as per profit and loss account		5,61,000	
	Add: Items not credited but taxable while			

	computing business income			
	- Commission from agent on settlement [Since deduction was allowed in respect of commission in earlier year and during the P.Y. 2021-22 Mrs. Nisha received back such amount due to settlement, the same would be deemed as her income]	50,000		
	- Interest on capital from partnership firm [Rs.2,00,000/15% x 12%] [Since interest on capital from M/s Ramji textiles is authorized by partnership deed, interest@12% p.a. would be allowed as deduction in the hands of firm under section 40(b). Consequently, interest @ 12% p.a. would be the business income of Mrs. Nisha under section 28. For allowability of interest in the hands of the firm, there is no requirement that the partner should be a working partner]	1,60,000		
			2,10,000	
			7,71,000	
	Less: Items not debited but allowable while computing business income			
	- Job charges without deduction of tax [Rs. 90,000 – 30% of Rs. 90,000] [Mrs. Nisha's turnover for the P.Y. 2020-21 exceeds Rs. 1 crore, hence, she is liable to deduct tax at source u/s 194C on Job charges of Rs. 90,000. Since Mrs. Nisha has not deducted tax at source on Rs. 90,000, 30% would be disallowed under section 40(a)(ia). Remaining job charges paid would be allowable as	63,000		

	deduction while computing business income			
	- Payment to creditor in cash [Payment to creditor in cash is not allowable as business expenditure, since such amount exceeds Rs. 10,000 and paid in cash by virtue of section 40A(3)]	63,000		
		7,08,000		
	Less: Depreciation as per Income-tax Rules			
	Opening WDV of machinery	4,75,000		
	Add: Purchase of machinery for Rs. 7,25,000 during the P.Y. 2021- 22 by A/c payee cheque. Subsidy of Rs. 1,45,000, being 20% of cost, received from Central Government on new machinery is to be reduced from actual cost(Rs.7,25,000 – Rs. 1,45,000).	5,80,000		
		10,55,000		
	Less: Sale proceeds	75,000		
	WDV as on 31.3.2022 before depreciation for P.Y. 2021-22	9,80,000		
	depreciation @ 15% on 9,80,000	1,47,000		
	Additional Depreciation@20% on Rs. 5,80,000	1,16,000		
	(As new machinery is used in manufacturing business and put to use for more than 180 days in the P.Y. 2021-22, depreciation and additional depreciation will be allowed in full)		2,63,000	
			4,45,000	
	Less: Loss from eligible transaction carried		1,17,500	

	out in respect of trading in derivatives in a recognized stock exchange is not a speculative business and hence, the same is allowed to be set off from textile business income as per section 70.			
				3,27,500
II.	Capital Gains			
	Long term capital gain on sale of gold bracelet since it is held for more than 36 months	5,00,000		
	Sales consideration			
	Less: Cost of acquisition (40,000 x 317/113)	1,12,212		
	Less: Cost of improvement (50,000 x 317/129)	1,22,868		
	Long- term capital gain on sale of gold bracelet		2,64,920	
	Note – In the additional information (xiii), it is mentioned that Mrs. Nisha has purchased a new residential house during the previous year. In such a case, she would be eligible for exemption u/s 54F in respect of amount invested in purchase of new residential house from long term capital gain on sale of gold bracelet. However, the cost of new residential house is not provided in the Question but only stamp duty and registration fee is given which would also be the part of cost of house. In such case exemption u/s 54F would be Rs. 2,64,920 x 1,55,000/5,00,000 =Rs. 82,125. Accordingly,			

	long term capital gain would be Rs. 1,07,795 (instead of Rs. 1,89,920). In such a case, Rebate u/s 87A would be Rs. 5,060 (instead of Rs. 12,500) and tax liability of Mrs. Nisha would be Nil (instead of Rs. 9,340).			
	Less: Long term capital loss from sale of STT paid shares of an Indian company allowed to be set off from long term capital gain on sale of gold bracelet as per section 70.		75,000	
				1,89,920
III.	Income from Other Sources			
	Fair market value of gold coin received from cousin [Taxable u/s 56(2)(x), since cousin is not a relative and the fair market value exceeds Rs. 50,000]		55,000	
	Pre-mature withdrawal from post office time deposit [Amount including interest received on pre-mature withdrawal from post office time deposit, in respect of which deduction u/s 80C was claimed, would be deemed to be the income of Mrs. Nisha]		60,000	1,15,000
	Gross Total Income			6,32,420
	Less: Deduction under Chapter VI-A			
	Deduction under section 80C			
	Stamp duty and registration fee of Rs. 1,55,000 for the purpose of transfer of house property, restricted to		1,50,000	
	Deduction under section 80DD			

	Sum deposited with LIC for the maintenance of her dependent mother and suffering from severe disability [Eligible for higher deduction Rs.1,25,000 in case of severe disability irrespective of amount deposited with LIC]		1,25,000	
				2,75,000
	Total Income			3,57,420

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

Particulars	Rs.
Tax on long-term capital gains @20% on Rs. 1,07,420 [Rs. 1,89,920 – Rs. 82,500, being unexhausted basic exemption limit (Rs. 2,50,000 – Rs.1,67,500)]	21,484
Tax on other income of Rs. 1,67,500 [Rs. 3,57,420 – Rs. 1,89,920, being LTCG], being lower than the basic exemption limit	Nil
	21,484
Less: Rebate u/s 87A [Tax payable or Rs.12,500, whichever is less]	12,500
	8,984
Add: Health and education cess@4%	359
Tax liability	9,343
Tax liability (rounded off)	9,340

Note - The last two lines in the first para of the Question reads as follows–

“The net profit as per the profit and loss account as on 31.3.2022 is Rs. 5,61,000. She **provides the following additional information those were not considered while making the profit and loss account for the previous year 2021-22**”



Items (i) to (xiii) are listed thereunder.

On a plain reading of the above sentences, it appears that none of the expenditures/receipts in.

(ii) to (xiii) were considered while making the profit and loss account. The above solution has been prepared accordingly.

Alternatively, it is possible to interpret the last sentence (bold underlined above) to mean that as far as items (iii) and (v) are concerned, wherein disallowance of expenditure is attracted u/s 40(a)(ia) and 40A(3), respectively, such disallowances (and not the expenditure itself) were not considered while making the profit and loss account of the previous year 2021 -22. If so interpreted, then, for item (iii), instead of reducing Rs. 63,000, Rs. 27,000 has to be added back. Likewise for item (v), Rs. 25,000 has to be added back. In such a case, profits and gains from business and profession, Gross Total Income, Total Income and Tax Payable would change accordingly. An alternate solution based on this interpretation has been worked out as follows:

### **Alternate solution.**

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

	Particulars	(Rs.)	(Rs.)	(Rs.)
I.	Income from business or profession		5,61,000	
	Net Profit as per profit and loss account			
	Add: Items not credited but taxable while computing business income			
	- Commission from agent on settlement [Since deduction was allowed in respect of commission in earlier year and during the P.Y. 2021-22 Mrs. Nisha received back such amount due to settlement, the same would be deemed as her income]	50,000		
	- Interest on capital from partnership firm [Rs. 2,00,000/15% x 12%] [Since	1,60,000		

<p>interest on capital from M/s Ramji textiles is authorized by partnership deed, interest@12% p.a. would be allowed as deduction in the hands of firm under section 40(b). Consequently, interest @ 12% p.a. would be the business income of Mrs. Nisha under section 28. For allowability of interest in the hands of the firm, there is no requirement that the partner should be a working partner]</p>			
		2,10,0 00	
		7,71,0 00	
<p>Add: Disallowances not considered while computing business income</p>			
<p>- Job charges without deduction of tax [30% of Rs. 90,000] [Mrs. Nisha's turnover for the P.Y. 2020-21 exceeds Rs. 1 crore, hence, she is liable to deduct tax at source u/s 194C on Job charges of Rs. 90,000. Since Mrs. Nisha has not deducted tax at source on Rs. 90,000, 30% would be disallowed under section 40(a)(ia).</p>	27,000		
<p>- Payment to creditor in cash [Payment to creditor in cash is not allowable as business expenditure, since such amount exceeds Rs. 10,000 and paid in cash as per section 40A(3)]</p>	25,000		
		52,000	
		8,23,0 00	

	Less: Depreciation as per Income-tax Rules			
	Opening WDV of machinery	4,75,000		
	Add: Purchase of machinery for Rs. 7,25,000 during the P.Y. 2021-22 by A/c payee cheque. Subsidy of Rs. 1,45,000, being 20% of cost, received from Central Government on new machinery is to be reduced from actual cost (Rs. 7,25,000 – Rs. 1,45,000).	5,80,000		
		10,55,00 0		
	Less: Sale proceeds	75,000		
	WDV as on 31.3.2022 before depreciation for P.Y. 2021-22	10,55,00 0		
	WDV as on 31.3.2022 before depreciation for P.Y. 2021-22	9,80,000		
	Depreciation @15% on Rs. 9,80,000	1,47,000		
	Additional Depreciation@20% on Rs. 5,80,000	1,16,000		
	(As new machinery is used in manufacturing business and put to use for more than 180 days in the P.Y.2021-22, depreciation and additional depreciation will be allowed in full)		2,63,0 00	
			5,60,0 00	
	Less: Loss from eligible transaction carried out in respect of trading in derivatives in a recognized stock exchange is not a speculative business and hence, the same is allowed to be set off from textile business income as per		1,17,5 00	

	section 70.			
				4,42,5 00
II.	Capital Gains			
	Long term capital gain on sale of gold bracelet since it is held for more than 36 months Sales consideration	5,00,000		
		1,12,212		
	Less: Cost of acquisition (40,000 x 317/113)	1,22,868		
	Less: Cost of acquisition (40,000 x 317/113)	1,12,212		
	Less: Cost of improvement (50,000 x 317/129)	1,22,868	2,64,9 20	
	Long- term capital gain on sale of gold bracelet			
	Note – In the additional information (xiii), it is mentioned that Mrs. Nisha has purchased a new residential house during the previous year. In such a case, she would be eligible for exemption u/s 54F in respect of amount invested in purchase of new residential house from long term capital gain on sale of gold bracelet. However, the cost of new residential house is not provided in the Question but only stamp duty and registration fee is given which would also be the part of cost of house. In such case, exemption u/s 54F would be Rs.2,64,920 x 1,55,000/5,00,000 = Rs.			

	82,125. Accordingly, long term capital gain would be Rs.1,07,795 (instead ofRs. 1,89,920). In such a case, Rebate u/s 87A would remain as Rs.12,500 and tax liability of Mrs. Nisha would be Rs. 11,111, before rounding off (instead ofRs. 28,193).			
	Less: Long term capital loss from sale of STT paid shares of an Indian company allowed to be set off from long term capital gain on sale of gold bracelet as per section 70		75,000	
				1,89,920
III	Income from Other Sources			
	Fair market value of gold coin received from cousin [Taxable u/s 56(2)(x), since cousin is not a relative and the fair market value exceeds Rs. 50,000]		55,000	
	Pre-mature withdrawal from post office time deposit [Amount including interest received on pre- mature withdrawn from post office time deposit, in respect of which deduction u/s 80C was claimed, would be deemed to be the income of Mrs. Nisha		60,000	1,15,000
	Gross Total Income			7,47,420
	Less: Deduction under Chapter VI-A Deduction under section 80C			
	Stamp duty and registration fee of Rs. 1,55,000 for the purpose of transfer of house property, restricted to		1,50,000	

	Deduction under section 80DD			
	Sum deposited with LIC for the maintenance of her dependent mother and suffering from severe disability [Eligible for higher deduction Rs.1,25,000 in case of severe disability irrespective of amount deposited with LIC]		1,25,000	2,75,000
	Total Income			4,72,420

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

Particulars	Rs.
Tax on long-term capital gains @20% on Rs.1,89,920	37,984
Tax on other income of Rs. 2,82,500 [Rs. 4,72,420 – Rs. 1,89,920, being LTCG] – 5% of Rs. 32,500 (Rs. 2,82,500 – basic exemption limit Rs. 2,50,000)	1,625
39,609	
Less: Rebate u/s 87A [Tax payable or Rs. 12,500, whichever is less]	12,500
27,109	
Add: Health and education cess@4%	1,084
Tax Payable	28,193
Tax Payable (rounded off)	28,190

**Question 41:**

**Mr. Rohit, working as Finance Manager in ABC Ltd., Kanpur, retired from the company on 31.10.2022 at the age of 60. The following amounts were received from the employer from 1<sup>st</sup> April, 2022 to 31st October, 2022:**

Basic Salary Rs. 30,000 p.m., Dearness Allowance Rs. 20,000 p.m. (40% reckoned for superannuation benefits) Ex-gratia (lump sum) Rs. 65,000 In addition to the above –

(i) The company had taken on lease a residential house at Kanpur, paying a lease rent of Rs. 9,000 p.m. Mr. Rohit, who was paying to the company Rs. 6,000 p.m. towards aforesaid rent, vacated the said premises on 31.10.2022.

(ii) The company had also provided to Mr. Rohit a cooking range and microwave oven owned by it. The original cost of these assets was Rs. 40,000 and the written down value as on 1.4.2022 was Rs. 22,000.

(iii) Mr. Rohit has two sons. His second son was studying in a school run by the employer-company throughout the financial year 2022-23. The education facility was provided free of cost. The cost of such education in a similar school is Rs. 1,800 p.m.

(iv) The employer-company was contributing Rs. 7,000 p.m. to Central Government Pension Scheme. Mr. Rohit contributed an equal amount.

(v) Professional tax paid by the employer Rs. 2,400.

(vi) Subsequent to his retirement, Mr. Rohit started his own business on 15-11-2022. The results of the said business from 15.11.2022 to 31.3.2023 were:

A. Business loss (excluding current depreciation) Rs. 90,000

B. Current year's depreciation Rs. 60,000

(vii) Mr. Rohit won a prize in a TV game show. He received a sum of Rs. 2,10,000 after deduction of tax at source to the tune of Rs. 90,000.

(viii) Mr. Rohit furnishes the under-mentioned data relating to savings, investments and outgoings:

A. Life insurance premium, with a private insurance company Rs. 30,000 for his son and Rs. 20,000 for his married daughter.

B. Medical insurance premium of Rs. 22,000 for himself and Rs. 26,000 for his mother (aged 82), paid by credit card. His mother is however not dependent on him.

You are required to compute the total income of Mr. Rohit (showing clearly the computation under various heads of income) and tax payable by him for the assessment year 2023-24. Assume Mr. Rohit does not opt for the provisions of under section 115BAC.

Answer:

Computation of total income of Mr. Rohit for A.Y. 2023-24.

Particulars		(Rs.)	(Rs.)
Basic salary (Rs. 30,000 x 7)		2,10,000	
Dearness Allowance (Rs. 20,000 x 7)		1,40,000	
Ex-gratia		65,000	
Employers' contribution to Central Government Pension Scheme (Rs. 7,000 x 7)		49,000	
Professional tax paid by employer		2,400	
Concessional accommodation (See Notes 1 & 2)		7,650	
Value of furniture (See Note 3)		2,333	
Value of concessional educational facility (Rs. 1,800 x 7) (See Note 4)		12,600	
Gross salary		4,88,983	
Less: Standard deduction under section 16(ia)	50,000		
Professional tax under section 16(iii)	2,400	52,400	
Net salary			4,36,583
Income from other sources			
Winnings from TV Game Show (Rs. 2,10,000 + Rs. 90,000)			3,00,000
Gross Total Income			7,36,583
Less: Deductions under Chapter VI-A			
Deduction under section 80C			



Life insurance premium (Rs. 30,000 + Rs. 20,000)		50,000	
Deduction under section 80CCD(1) (See Notes 5) Employee's contribution to pension scheme [to be restricted to 10% of salary i.e. 10% of Rs. 2,66,000 (Rs. 30,000 + Rs. 8,000) x 7]		26,600	
Total deduction under section 80C & 80CCD(1)		76,600	
Additional employee's contribution to pension scheme [49,000 – 26,600] [Section 80CCD(1B)]		22,400	
Employer's Contribution to pension scheme (to be restricted to 10% of salary) [Section 80CCD(2)]		26,600	
Deduction under section 80D (See Note 6)			1,73,600
Medical insurance premium (Rs. 22,000 + Rs. 26,000)		48,000	
Total Income (See Notes 7 & 8)		0	5,62,983
Total income (rounded off)			5,62,980

**Computation of tax payable by Mr. Rohit for the A.Y. 2023-24**

Particulars	Rs.
Tax @ 30% on winnings of Rs. 3,00,000 from game show	90,000
Tax on balance income of Rs. 2,62,980 (The basic exemption limit of Rs. 3,00,000 is applicable since Mr. Rohit is of the age of 60 years during the P.Y. 2022-23)	Nil
	90,000
Add: Health and Education cess @ 4%	3,600

Total Tax Liability	93,60 0
Less: TDS	90,00 0
Net Tax Payable	3,600

**Notes:**

(1)For computation of perquisite value of concessional accommodation, 40% of dearness allowance (i.e. Rs. 8,000) should be taken into consideration as forming part of salary, since the question clearly mentions that only 40% is to be reckoned for superannuation benefits. Therefore, salary for the purpose of perquisite valuation would be Rs. 3,31,000 [i.e., (Rs. 30,000 + Rs. 8,000) x 7 + 65,000].

(2)In a case where the accommodation is taken on lease or rent by the employer and provided to the employee, the value of perquisite would be lower of the actual amount of lease rental paid or payable by the employer [i.e. Rs. 63,000, being 9,000 x 7] and 15% of salary [ i.e., Rs. 49,650, being 15% of Rs. 3,31,000]. This value (i.e. Rs. 49,650) would be reduced by the rent paid by the employee (i.e., Rs. 42,000, being 6,000 x 7).

The value of concessional accommodation is Rs. 7,650 [i.e. Rs. 49,650 – Rs. 42,000].

(3)The value of furniture owned by employer and provided to the employee is 10% p.a. of actual cost which amounts to Rs. 2,333 [i.e. 10% of 40,000 x 7/12]. Therefore, the value of furnished accommodation will be Rs. 9,983 (Rs. 7,650 + Rs. 2,333) provided to the employee.

It is also possible to consider the cooking range and micro-wave oven provided by employer to the employee as a perquisite on account of use of movable assets of the employer by the employee. Even it is so assumed, there would be no change in the answer since in such a case also, the perquisite value is 10% p.a. of actual cost.

(4)In determining the value of perquisite resulting from the provision of free or concessional educational facilities, from a plain reading of the proviso to Rule 3(5), it is apparent that if the cost of education per child exceeds Rs. 1,000 per month, the entire cost will be taken as the

value of the perquisite. Accordingly, the full amount of Rs. 1,800 per month is taxable as perquisite. In such a case, the value of the perquisite would be Rs. 12,600 (i.e. Rs. 1,800 × 7).

Note – An alternate view possible is that only the sum in excess of Rs. 1,000 per month is taxable. In such a case, the value of perquisite would be Rs. 5,600. The gross salary in that case shall be Rs. 4,81,983 and net salary would be Rs. 4,29,583. The total income and tax liability shall accordingly vary.

(5) The entire employer's contribution to Central Government Pension scheme should be included in salary and deduction under section 80CCD(2) should be restricted to 10% of salary. The employer's contribution to pension scheme would be outside the overall limit of Rs. 1,50,000 stipulated under section 80CCE. Also, the deduction under section 80CCD(1) for the employee's contribution to the pension scheme is restricted to 10% of salary. Salary means basic salary and dearness allowance, if provided in the terms of employment for retirement benefits. The balance Rs. 22,400 (Rs.49,000 – 26,600) can be claimed as deduction under section 80CCD(1B).

(6) The deduction for medical insurance premium of Rs. 26,000 paid for mother is allowable in full under section 80D, as the maximum limit is Rs. 50,000, since his mother is a senior citizen. Therefore, the total deduction under section 80D would be Rs. 22,000 (for self) + Rs. 26,000 (for mother) = Rs. 48,000.

(7) Winnings from TV game show is chargeable at a flat rate of 30% under section 115BB. No loss can be set-off against such income. Therefore, business loss cannot be set-off against such income.

(8) As per section 71(2A), business loss cannot be set-off against salary income. Section 71(2A) provides that where the net result of the computation under the head "Profits and gains of business or profession" is a loss and the assessee has income chargeable under the head "Salaries", the assessee shall not be entitled to have such loss set-off against such income. Even depreciation cannot be set-off against salary income. Therefore, both business loss and current depreciation cannot be set-off against salary income.

(9) Deduction under section 80GG has not been provided in respect of rent paid by Mr. Rohit to his employer. Such deduction can be provided, if it is assumed that all conditions mentioned in section 80GG are satisfied.

**Question 42:**

Mr. Raj Kumar (aged 65 years) is retired from a Public Sector Undertaking. He resides in Delhi. He provides you the following particulars of his income and certain payments/investments for the previous year 2021-22:

- Pension income of Rs. 8,50,000
- Interest from fixed deposits with SBI of Rs. 3,35,000 (Gross)
- Life insurance premium paid by cheque Rs. 27,500 for insurance of his life. The insurance policy was taken on 10-07-2017 and the sum assured is Rs. 2,40,000.
- Premium of Rs. 37,500 paid by cheque for health insurance of self and his wife, who is also a senior citizen.
- Rs. 3,000 paid in cash for his health check-up and Rs. 4,500 paid through cheque for preventive health check-up of his father aged 90 years.
- Paid interest of Rs. 8,500 on loan taken from bank for MBA course pursued by his son.
- A sum of Rs. 1,20,000 donated by cheque to an institution approved for the purpose of section 80G for promoting family planning.
- Rs. 10,000 contributed towards PM CARES Fund by cheque.

Compute the total income of Mr. Raj Kumar for the assessment year 2022-23, assuming he does not opt for section 115BAC.

**Answer:**

**Computation of total income of Mr. Raj Kumar for A.Y.2022-23**

Particulars	Rs.	Rs.	Rs.
Income under the head "Salaries"			
Pension	8,50,000		
Less: Standard deduction u/s 16(ia)	50,000		8,00,000
Lower of Rs. 50,000 or actual salary/pension			
Income from Other Sources			
Interest from bank on fixed deposit (Gross)			3,35,000
Gross Total Income			11,35,000
Less: Deduction under Chapter VI-A			
Deduction under section 80C			
LIC premium of Rs. 27,500 (restricted to 10% of Rs. 2,40,000,		24,000	
being the sum assured, as the policy is taken after			
31.3.2012)			
Deduction under section 80D			
Premium for health insurance for self and his wife paid by cheque, allowed upto Rs. 50,000 since Mr. Raj Kumar is a	37,500		
senior citizen			
Preventive health check-up for self, Rs. 3,000, and for his			
father, Rs. 4,500, restricted to Rs. 5,000 (deduction allowed			
even if the same is paid in cash)	5,000		
		42,500	
Deduction under section 80E			
Interest on loan taken from bank for MBA course		8,500	

pursued			
by his son			
Deduction under section 80G			
Donation to PM CARES Fund – 100% allowable		10,000	
Donation to an approved institution for promoting family planning – 100% allowable subject to qualifying limit of		1,01,000	
Rs. 1,01,000 i.e., 10% of Rs. 10,10,000 being the adjusted total			
income			
Deduction under section 80TTB			
Interest on fixed deposit with bank allowable as deduction			
upto Rs. 50,000, since Mr. Raj Kumar is a senior citizen		50,000	
			2,36,000
Total Income			8,99,000

**Question 43:**

Mr. Sonu, aged 30 years, submits the information of following transaction/income during the P.Y.

2021-22

(i) Mr. Sonu owns two house properties in Delhi. The details in respect of these

properties are as under

	House 1 Self-occupied	House 2 Let-out
Rent received per month	Not applicable	Rs. 50,000

Municipal taxes paid	Rs. 7,500	Nil
Interest on loan (taken for purchase of property)	Rs. 2,50,000	Rs. 3,00,000
Principal repayment of loan (taken from HDFC bank)	Rs. 2,00,000	Rs. 3,00,000

(ii) Mr. Sonu had another house in Delhi. During financial year 2015-16, he had transferred the said house to Ms. Varsha, daughter of his brother without any consideration. House would go back to Mr. Sonu after the life time of Ms. Varsha. The transfer was made with a condition that 15% of rental income from such house shall be paid to Mrs. Sonu. Rent received by Ms. Varsha during the previous year 2021-22 from such house property is Rs. 6,50,000.

(iii) Mr. and Mrs. Sonu forms a partnership firm with equal share in profits. Mr. Sonu transferred a fixed deposit of Rs. 50 lakhs to such firm. Firm had no income or expense other than the interest of Rs. 6,00,000 received from such fixed deposit. Firm distributed the entire surplus to Mr. and Mrs. Sonu at the end of the year.

(iv) Mr. Sonu holds preference shares in M/s A Pvt. Ltd. He instructed the company to pay dividends to Ms. Chandni, daughter of his servant. The transfer is irrevocable for the life time of Chandni. Dividend received by Ms. Chandni during the previous year 2021-22 is Rs. 10,00,000.

(v) Mr. Sonu has a short term capital loss of Rs. 16,000 from sale of property and long term capital gain of Rs. 15,000 from sale of property.

(vi) Other income of Mr. Sonu includes

- Interest from saving bank account of Rs. 2,00,000
- Cash gift of Rs. 75,000 received from daughter of his sister on his birthday.
- Income from betting of Rs. 34,000
- Income from card games of Rs. 46,000
- Loss on maintenance of race horses of Rs.14,600

Compute the total income of Mr. Sonu for the Assessment Year 2022-23 and the losses to be carried forward assuming that he does not opt to be taxed under section 115BAC .

Answer:

**Computation of Total Income of Mr. Sonu for A.Y. 2022-23**

Particulars	Amount (Rs.)	Amount (Rs.)
Income from house property		
House 1 [Self-occupied]		
Net annual value	-	
Less: Interest on loan [upto Rs.2,00,000]	2,00,000	(2,00,000)
House 2 [Let out]		
Gross annual value <sup>1</sup> [Rs.50,000 x 12]	6,00,000	
Less: Municipal taxes	-	
Net annual value	6,00,000	
Less: Deductions from Net Annual Value		
(a) 30% of Net Annual Value	1,80,000	
(b) Interest on loan	3,00,000	1,20,000
House in Delhi [Since Mr. Sonu receives direct or indirect benefit from income arising to his brother's daughter, Ms. Varsha, from the transfer of house to her without consideration, such income is to be included in the total income of Mr. Sonu as per proviso to section 62(1), even though the transfer may not be revocable during lifetime of Ms. Varsha]		



Gross Annual Value <sup>2</sup>	6,50,000	
Less: Municipal taxes	-	
Net Annual Value	6,50,000	
Less: Deductions from Net Annual Value		
(a) 30% of Net Annual Value	1,95,000	
(b) Interest on loan	-	4,55,000
Profits and gains from business or profession		3,75,000
Share of profit from firm [Exempt u/s 10(2A)] Exempt income cannot be clubbed	-	
Capital Gains		
Long term capital gain from sale of property	15,000	
Less: Short-term capital loss can be set-off against both short-term capital gains and long-term capital gains <sup>3</sup> . Short term capital loss of Rs. 16,000 set off against long-term capital gains to the extent of Rs.15,000 <sup>4</sup> . Balance short term capital loss of Rs. 1,000 to be carry forward to A.Y.2023-24	15,000	-
Income from other sources		
Dividend on preference shares [Taxable in the hands of Mr. Sonu as per section 60, since he transferred the income, i.e., dividend, without transferring the asset, i.e., preference shares]	10,00,000	
Interest from saving bank account	2,00,000	
Cash gift [Taxable as per section 56(2)(x), since sum of money exceeding Rs. 50,000 is received from his niece, who is not a	75,000	

relative]		
Income from betting [No loss is allowed to be set off against such income]	34,000	
Income from card games [No loss is allowed to be set off against such income]	46,000	13,55,000
Gross Total Income		17,30,000
Less: Deduction under Chapter VI-A		
Deduction under section 80C [Principal repayment of loan Rs. 5 lakh, restricted to Rs.1,50,000]	1,50,000	
Deduction under section 80TTA [Interest from savings bank account]	10,000	1,60,000
Total Income		15,70,000

**Losses to be carried forward to A.Y. 2023-24.**

Particulars	Amount (Rs.)
Short term capital loss [Rs. 16,000 – Rs. 15,000]	1,000
Loss on maintenance of race horses [Loss incurred on maintenance of race horses cannot be set-off against income from any source other than the activity of owning and maintaining race horses. Hence, such loss has to be carried forward to A.Y.2023-24]	14,600

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

2 Rent receivable has been taken as the gross annual value in the absence of other information

3 as per section 74(1) 4 as per section 74(1)

**Question 44:**

Compute the total income of Mr. Sahil for the assessment year 2019-20 from the following particulars:

Particulars		Amount(Rs.)
Income from business before adjusting the following items:		2,50,000
(a)	Business loss brought forward from assessment year 2015 -16	85,000
(b)	Current year depreciation	30,000
(c)	Unabsorbed depreciation of earlier year	2,00,000
Income from house property (Gross Annual Value)		5,10,000
Municipal taxes paid		50,000
Mr. Sahil sold a plot at Noida on 12th September, 2018 for a consideration of Rs.7,90,000, which had been purchased by him on 20th December, 2016 at a cost of Rs.6,10,000		
Long-term capital loss on sale of shares sold through recognized stock exchange (STT paid at acquisition and sale)		90,000
Long-term capital gain on sale of debentures		1,35,000
Dividend on shares held as stock in trade		25,000
Dividend from a company carrying on agricultural business		15,000

**Answer:**

**Computation of total income of Mr. Sahil for the A.Y. 2019-20**

Particulars	Rs.	Rs.
<b>I. Income from house property</b>		
Gross Annual Value	5,10,000	

Less: Municipal taxes paid	50,000	
Net Annual Value (NAV)	4,60,000	
Less: Deductions under section 24		
30% of NAV	1,38,000	
Interest on housing loan	-	3,22,00 0
II Income from business	2,50,000	
Less : Current year depreciation under section 32(1)	30,000	
Less: Set-off of brought forward business loss of A.Y. 2015-16 under section 72	2,20,000	
	85,000	
	1,35,000	
Less:Unabsorbed depreciation set-off [See Note 3]	1,35,000	Nil
III.	Capital gains	
Long-term capital gain on sale of debentures	1,35,000	
Less: Long-term capital loss on sale of shares (STT is paid at acquisition and sale) [See Note 1]	90,000	
	45,000	
Less: Unabsorbed depreciation set-off [See Note 3]	45,000	Nil
Short term capital gain on sale of land [See Note 2]	1,80,000	
Less:Unabsorbed depreciation set-off [See Note 3]	20,000	1,60,00 0
IV Income from other sources	-	
Dividend on shares (whether held as stock-in-trade or from a company carrying on agricultural operations) – exempt under section 10(34) (As per amendment it is taxable)	-	40,000
Total income		5,12,00 0

**Notes:**

(1) Long-term capital loss on sale of listed equity shares through a recognized stock exchange on which STT is paid at the time of acquisition and sale of such shares can be set-off against long-term capital gains on sale of debentures applying the provisions of section 70(3).

(2) Since land is held for a period of less than 24 months, the gain of Rs.1,80,000 arising from sale of such land is a short-term capital gain.

(3) Brought forward unabsorbed depreciation can be adjusted against any head of income. However, it is more beneficial to set-off unabsorbed depreciation first against long-term capital gains, since it is taxable at a higher rate of 20% (the other income of the assessee falling in the 5% slab rate). Therefore, unabsorbed depreciation is first set - off against long- term capital gains to the extent of Rs.45,000. The remaining unabsorbed depreciation is adjusted against business income to the extent of Rs.1,35,000 and the balance of Rs.20,000 is adjusted against short-term capital gains. In the alternative, the balance of Rs.20,000 may also be set-off against income from house property, in which case, the net income from house property would be Rs.3,02,000 and short-term capital gains would be Rs.1,80,000. The gross total income and total income would, however, remain unchanged.

**Question 45:**

**Dr. Saxena (56 years), a resident individual furnished the following information for the previous year 2018-19.**

**Income and Expenditure A/c**

To	Rs.	By	Rs.
Salary to staff	3,78,000	Consultation fees	51,85,000
Cost of medicine	36,35,00 0	Cost of medicines recovered	7,85,000
Rent	66,000	Stock of medicine	25,000
Administrative cost	11,98,00 0	Interest on Post Office MIS	86,400
Advance tax	1,40,000	Interest on Time Deposit with bank (Net of TDS)	27,000
Membership fees	5,000	Rent received	20,000

Depreciation on apparatus	42,500	Winning from lotteries (Net of TDS)	7,000
Net profit	6,70,900		
	61,35,40 0		61,35,400

Other Information:

(iv) Depreciation as per Income-tax Rules, 1962 to be computed as follows:

WDV as on 1.4.2018                      Rs.3,00,000

Rate of depreciation                      @ 15%

(v) Cost of administration includes Rs. 3,000 paid for municipal tax for the house let out to a tenant.

(i) Cost of lottery tickets amounting to Rs. 350 has not been debited to Income and Expenditure account.

(ii) He received salary of Rs. 1,50,000 and commission of Rs. 50,000 from a nursing home in which Dr. (Mrs.) Saxena is also an equal partner. No TDS was deducted.

(iii) He received fees of Rs. 50,000 from University of Chennai as lecturer.

(iv) Received pension of Rs. 84,000 against Life insurance cum pension plan from LIC

(v) He paid lump sum payment of Rs. 1,05,000 by cheque as Mediclaim insurance premium for 3 years term for self and his wife medical treatment.

(vi) He paid LIC premium of Rs. 80,000 for his own life against a policy taken on 01.12.2017. Sum assured is Rs. 10,00,000

(vii) He has deposited Rs. 1,20,000 in PPF

(viii) He purchased 300 shares in C Ltd. on 12.1.2017 at a cost of Rs.2,500 per share. The Fair Market Value (FMV) of the share as on 31.1.2018 is Rs.1,800. He sold all the shares of C Ltd. on 15.7.2018 for Rs.3,200.

You are required to compute the total income and tax payable thereon by Dr. Saxena for the assessment year 2019-20.

**Answer:**

**Computation of total Income and tax payable by Dr. Saxena for the A.Y. 2019 -20**

Particulars	Rs.	Rs.
Income from House Property (Note 1)		11,900
Profits and gains of business or profession (Note 2)		8,71,000
Income from other sources (Note 3)		2,60,400
Long-term capital gain under section 112A [The cost of acquisition of equity shares of C Ltd. would be Rs. 2,500, being higher of actual cost i.e., Rs. 2,500 and Rs. 1,800 (being the lower of FMV of Rs. 1,800 as on 31.1.2018 and actual sale consideration of Rs. 3,200). Accordingly, the long- term capital gains would be Rs. 2,10,000 i.e., [ (Rs. 3,200 – Rs. 2,500) x 300].		2,10,000
<b>Gross Total income</b>		<b>13,53,300</b>
Less: Deductions under Chapter VIA		
(i) Deduction under section 80C		
Investment in PPF	1,20,000	
Life insurance premium paid [Fully allowable since it does not exceed 10% of sum assured]	80,000	
	2,00,000	
Deduction restricted to	1,50,000	

(ii) Deduction under section 80D	25,000	1,75,000
Medical insurance premium for self and his wife, pertaining to the previous year 2018-19 is Rs. 35,000, being 1/3rd of Rs. 1,05,000, the lumpsum premium, since the policy would be in force for three previous years. The said deduction would be restricted to		
<b>Total income</b>		11,78,300
<b>Components of Total Income</b>		
Special income :		
Long-term capital gains under section 112A		2,10,000
Winning from lotteries (chargeable at special rate @ 30% under section 115BB)		10,000
Normal income		9,58,300
<b>Computation of Tax</b>		11,78,300
Tax on long-term capital gains under section 112A @10% in excess of Rs. 1,00,000		11,000
Tax on winnings from lotteries @ 30%		3,000
Tax on normal income (Rs. 9,58,300)		
Upto Rs. 2,50,000	NIL	
Rs. 2,50,001-Rs. 5,00,000 @ 5%	12,500	
Rs. 4,58,300 (Rs. 5,00,001 – Rs. 9,58,300) @ 20%	91,660	1,04,160
Income tax payable		1,18,160
Add: Health & Education cess @4%		4,726
<b>Total Tax Payable</b>		<b>1,22,886</b>



Less: Tax deducted at source		
From Interest	3,000	
From lottery income	3,000	6,000
		1,16,886
Less : Advance tax paid		1,40,000
<b>Net Tax Refundable</b>		<b>(23,114)</b>
<b>Net Tax Refundable (rounded off)</b>		<b>(23,110)</b>

Notes:

### 1.Computation of Income from House Property

Particulars	Rs.
Gross Annual Value – Rent received (treated as fair rent)	20,000
Less : Municipal taxes paid	3,000
Net Annual Value (NAV)	17,000
Less : Statutory deduction under section 24 @ 30% of NAV	5,100
Income from House Property	11,900

### 2. Computation of Profits and gains of business or profession

Particulars	Rs.	Rs.
Net Profit as per Income & Expenditure Account		6,70,900
Add : Depreciation charged	42,500	

Municipal Taxes paid	3,000	
Advance Tax (See Note-4)	1,40,000	1,85,500
Less: Rent received	20,000	8,56,400
Interest on Post Office MIS	86,400	
Interest on Term Deposit with bank (Net of TDS)	27,000	
Winning from lotteries (Net of TDS)	7,000	
Depreciation as per Income-tax Act, 1961	45,000	1,85,400
Salary from Nursing Home as partner	1,50,000	6,71,000
Commission from Nursing home as partner	50,000	2,00,000
<b>Income from business</b>		<b>8,71,000</b>

### 3. Computation of Income from Other Sources

Particulars	Rs.
Interest Post Office MIS	86,400
Interest on Term Deposit with Bank (Gross)	30,000
Winning from lotteries (Gross) (See Note 7)	10,000
Fees from University of Chennai	50,000
Pension from LIC	84,000
<b>Income from Other Sources</b>	<b>2,60,400</b>

Advance Tax is not allowable as deduction.

Depreciation of Apparatus :

Particulars	Rs.
WDV as on 1.4.2018	3,00,000
Depreciation @15%	45,000
WDV as on 01.4.2019	2,55,000

2. Any salary, bonus, commission or remuneration by whatever name called due to or received by a partner of a firm from the firm shall not be treated as salary but it shall be treated as income from business or profession for the purposes of section 28.

3. As per section 58(4), no expenditure can be allowed against winnings from lotteries. Therefore, amount spent on lottery tickets being Rs. 350, cannot be allowed as deduction from income from winnings of lotteries.

4. Pension from LIC is taxable as Income from other sources.

**Question 46:**

**Mr. Rakesh, aged 45 years, a resident Indian has provided you the following information for the previous year ended 31.03.2021**

**(i) He received royalty of Rs. 2,88,000 from abroad for a book authored by him in the nature of artistic. The rate of royalty as 18% of value of books and expenditure made for earning this royalty was Rs. 40,000. The amount remitted to India till 30th September, 2021 is Rs. 2,30,000.**

**(ii) He owns an industrial undertaking established in a SEZ and which had commenced operation during the financial year 2018-19. Total turnover of the undertaking was Rs. 200 lakhs, which includes Rs.140 lakhs from export turnover. This industrial undertaking fulfills all the conditions of section 10AA of the Income-tax Act, 1961. Profit from this industry is Rs. 25 lakhs.**

(iii) He also sold his vacant land on 10.11.2020 for Rs.13 lakhs. The stamp duty value of land at the time of transfer was Rs. 17 lakhs. The FMV of the land as on 1st April, 2001 was Rs. 5 lakhs. This land was acquired by him on 05.08.1995 for Rs. 1.75 lakhs. He had incurred registration expenses of Rs. 20,000 at that time. The cost of inflation index for the year 2020-21 and 2001-02 are 301 and 100 respectively.

(iv) Received Rs. 40,000 as interest on saving bank deposits.

(v) He occupies ground floor of his residential building and has let out first floor for residential use at an annual rent of Rs. 2,28,000. He has paid municipal taxes of Rs. 60,000 for the current financial year. Both floor are of equal size.

(vi) He paid insurance premium of Rs. 39,000 on life insurance policy of son, who is not dependent on him and Rs. 48,000 on life insurance policy of his dependent father.

(vii) He paid tuition fees of Rs. 42,000 for his three children to a school. The fees being Rs. 14,000 p.a. per child. You are required to compute the total income and tax liability of Mr. Rakesh under normal provisions as well as under section 115BAC for the A.Y. 2021-22. Ignore AMT provisions.

Answer:

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

Particulars	Rs.	Rs.	Rs.
<b>I. Income from house property</b>			
<b>Let out portion [First floor]</b>			
Gross Annual Value [Rent received is taken as GAV, in the absence of other information]		2,28,000	
Less: Municipal taxes paid by him in the P.Y. 2020-21 pertaining to let out portion [Rs. 60,000/2]		30,000	
<b>Net Annual Value (NAV)</b>		1,98,000	
Less: Deduction u/s 24			
(a) 30% of Rs. 1,98,000		59,400	
1,38,600			

<b>Self-occupied portion [Ground Floor]</b>			
Annual Value		Nil	
[No deduction is allowable in respect of municipal taxes paid]			1,38,600
<b>II.Profits and gains of business or profession</b>			
Income from SEZ unit			25,00,000
<b>III Capital Gains</b>			
<b>Long-term capital gains on sale of land (since held for more than 24 months)</b>			
Full Value of Consideration [Higher of stamp duty value of Rs. 17 lakhs and Actual consideration of Rs. 13 lakhs, since stamp duty value exceeds actual consideration by more than 10%]		17,00,000	
Less: Indexed Cost of acquisition [Rs. 5,00,000 x 301/100]		15,05,000	1,95,000
Cost of acquisition			
Higher of -			
- Actual cost Rs. 1.75 lakhs + Rs. 0.20 lakhs = Rs. 1.95 lakhs and			
- Fair Market Value (FMV) as on 1.4.2001 = Rs. 5 lakhs			
<b>Iv Income from Other Sources</b>			
Royalty from artistic book		2,88,000	
Less: Expenses incurred for earning royalty		40,000	
2,48,000			
Interest on savings bank deposits		40,000	
			2,88,000
Gross Total Income			31,21,600
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			17,50,000

P.Y.2020-21, being the 3rd year of operations]			
[Profits of the SEZ x Export Turnover/Total Turnover] x 100%			
[Rs. 25 lakhs x Rs. 140 lakhs/ Rs. 200 lakhs x 100%]			
Less: Deduction under Chapter VI-A			
Deduction under section 80C			
Tuition fee paid for maximum of two children is allowable (Rs. 14,000 x 2)	28,000		
Insurance premium paid on life insurance policy of son allowable, even though not dependent on Mr. Rakesh	39,000		
Insurance premium paid on life insurance policy of father not allowable, even though father is dependent on Mr. Rakesh	-	67,000	
Deduction under section 80QQB		1,90,000	
Royalty [Rs. 2,88,000 x 15/18 = Rs. 2,40,000, restricted to amount brought into India in convertible foreign exchange Rs. 2,30,000 minus Rs. 40,000 expenses already allowed as deduction while computing royalty income]			
Deduction under section 80TTA		10,000	
Interest on savings bank account, restricted to Rs. 10,000			
			2,67,000
			11,04,600

**Computation of tax liability of Mr. Rakesh for A.Y.2021-22 under the normal provisions of the Act**

Particulars	Rs.	Rs.
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Tax on total income of Rs. 11,04,600		
Tax on LTCG of Rs. 1,95,000@20%		39,000
Tax on remaining total income of 9,09,600		
Upto Rs. 2,50,000	Nil	
Rs. 2,50,001 – Rs. 5,00,000[@5% of Rs. 2.50 lakh]	12,500	
Rs. 5,00,001 – Rs. 9,09,600[@20% of Rs. 4,09,600]	81,920	94,420
		1,33,420
Add: Health and education cess@4%		5,337
Total tax liability		1,38,757
Tax liability (rounded off)		1,38,760

**Computation of tax liability of Mr. Rakesh as per section 115BAC for A.Y.2021-22**

Particulars	Rs.
Gross total Income as per regular provisions of the Act	31,21,60 0
Less: Deduction u/s 10AA/ Deduction under Chapter VI-A [No deduction under section 10AA or under Chapter VI-A is allowed]	-
Total Income as per section 115BAC	31,21,60 0
Tax on total income of Rs. 31,21,600	
Tax on LTCG of Rs. 1,95,000@20%	39,000
Tax on remaining total income of 29,26,600	
Upto Rs. 2,50,000 Rs. 3,00,000 Nil	

Rs. Rs. 3,00,000 – Rs. 6,00,000 [Rs. 3,00,000 @ 5%] 15,000	
Rs. 6,00,001 – Rs. 9,00,000 [Rs. 3,00,000 @ 10%] 30,000	
Rs. 9,00,001 – Rs. 12,00,000 [Rs.3,00,000 @ 15%] 45,000	
Rs. 12,00,001 – Rs. 15,00,000 [Rs.3,00,000 @ 20%] 60,000	
Above Rs. 15,00,000 @30% = 4,27,980	5,77,980
6,16,9 80	
Add: Health and education cess@4%	24,67 9
Total tax liability	6,41,6 59
Tax liability (rounded off)	6,41,6 60
Since tax liability as per section 115BAC is higher than the tax liability under normal provisions of the Act, it is beneficial for Mr. Rakesh not to exercise option under section 115BAC.	

**Question 47:**

Mrs. Harsha purchased a land at a cost of Rs.45 lakhs in the financial year 2007- 08 and held the same as her capital asset till 31st March, 2017. She started her real estate business on 1st April, 2017 and converted the said land into stock-in-trade of her business on the said date, when the fair market value of the land was Rs.225 lakhs.

She constructed 15 flats of equal size, quality and dimension. Cost of construction of each flat is Rs.15 lakhs. Construction was completed in January, 2019. She sold 10 flats at Rs.40 lakhs per flat in 20th March, 2019. The remaining 5 flats were held in stock as on 31st March, 2019.

She invested Rs.50 lakhs in bonds issued by National Highways Authority of India on 31 st March, 2019 and another Rs.50 lakhs in bonds of Rural Electrification Corporation Ltd. in April, 2019.



Compute the amount of chargeable capital gain and business income in the hands of Mrs. Harsha arising from the above transactions for Assessment Year 2019 -20 indicating clearly the reasons for treatment for each item.[Cost Inflation Index: FY 2007-08: 129; FY 2017-18: 272; FY 2018-19: 280]

**Answer:**

**Computation of capital gains and business income of Harsha for A.Y. 2019 – 20**

Particulars	Rs.
Capital Gains	
Fair market value of land on the date of conversion deemed as the full value of consideration for the purposes of section 45(2)	2,25,00,000
Less: Indexed cost of acquisition [Rs.45,00,000 × 272/129]	94,88,372
	1,30,11,628
Proportionate capital gains arising during A.Y.2019-20 [Rs.1,30,11,628 × 2/3]	86,74,419
Less: Exemption under section 54EC	50,00,000
Capital gains chargeable to tax for A.Y.2019-20	36,74,419
Business Income	
Sale price of flats [10 × Rs.40 lakhs]	4,00,00,000
Less: Cost of flats	
Fair market value of land on the date of conversion [ Rs.225 lacs × 2/3]	1,50,00,000
Cost of construction of flats [10 × Rs.15 lakhs]	1,50,00,000
Business income chargeable to tax for A.Y.2019-20	1,00,00,000

**Notes:**

(1)The conversion of a capital asset into stock-in-trade is treated as a transfer under section 2(47). It would be treated as a transfer in the year in which the capital asset is converted into stock-in-trade.

(2) However, as per section 45(2), the capital gains arising from the transfer by way of conversion of capital assets into stock-in-trade will be chargeable to tax only in the year in which the stock-in-trade is sold.

(3) The indexation benefit for computing indexed cost of acquisition would, however, be available only up to the year of conversion of capital asset into stock-in-trade and not up to the year of sale of stock-in-trade.

(4) For the purpose of computing capital gains in such cases, the fair market value of the capital asset on the date on which it was converted into stock-in-trade shall be deemed to be the full value of consideration received or accruing as a result of the transfer of the capital asset.

In this case, since only 2/3rd of the stock-in-trade (10 flats out of 15 flats) is sold in the P.Y.2018-19, only proportionate capital gains (i.e., 2/3rd) would be chargeable to tax in the A.Y.2019-20.

(5) On sale of such stock-in-trade, business income would arise. The business income chargeable to tax would be the difference between the price at which the stock-in-trade is sold and the fair market value on the date of conversion of the capital asset into stock -in- trade.

(6) In case of conversion of capital asset into stock-in-trade and subsequent sale of stock-in-trade, the period of 6 months is to be reckoned from the date of sale of stock-in-trade for the purpose of exemption under section 54EC [CBDT Circular No.791 dated 2.6.2000]. In this case, since the investment in bonds of NHAI has been made within 6 months of sale of flats, the same qualifies for exemption under section 54EC. With respect to long-term capital gains arising on land or building or both in any financial year, the maximum deduction under section 54EC would be Rs.50 lakhs, whether the investment in bonds of NHAI or RECL are made in the same financial year or next financial year or partly in the same financial year and partly in the next financial year. Therefore, even though investment of Rs.50 lakhs has been made in bonds of NHAI during the P.Y.2018-19 and investment of Rs.50 lakhs has been made in bonds of RECL during the P.Y.2019-20, both within the stipulated six-month period, the maximum deduction allowable for A.Y.2019-20, in respect of long-term capital gain arising on sale of long-term capital asset(s) during the P.Y. 2018-19, is only Rs.50 lakhs.

**Question 48:**

**Discuss any two significant benefits of GST**

**Answer:**

GST is a win-win situation for the entire country. It brings benefits to all the stakeholders of industry, Government and the consumer. It will lower the cost of goods and services, give a boost to the economy and make the products and services globally competitive.

The significant benefits of GST are discussed hereunder:

- Creation of unified national market: GST aims to make India a common market with common tax rates and procedures and remove the economic barriers thus paving the way for an integrated economy at the national level.
- Mitigation of ill effects of cascading: By subsuming most of the Central and State taxes into a single tax and by allowing a set-off of prior-stage taxes for the transactions across the entire value chain, it would mitigate the ill effects of cascading, improve competitiveness and improve liquidity of the businesses.
- Elimination of multiple taxes and double taxation: GST has subsumed majority of existing indirect tax levies both at Central and State level into one tax i.e., GST which is levied uniformly on goods and services. This will make doing business easier and will also tackle the highly-disputed issues relating to double taxation of a transaction as both goods and services.

➤ Boos to 'Make in India' initiative: GST will give a major boost to the 'Make in India' initiative of the Government of India by making goods and services produced in India competitive in the national as well as international market.

➤ Buoyancy to the Government Revenue: GST is expected to bring buoyancy to the Government Revenue by widening the tax base and improving the taxpayer compliance.

(Note: Any two points may be mentioned)

**Question 49:**

**Explain with the help of examples how a particular transaction of goods and services is taxed simultaneously under Central GST (CGST) and State GST (SGST)?**

**Answer:**

The Central GST and the State GST is levied simultaneously on every intra-State supply of goods or services or both made by registered persons except the exempted goods and services as well as goods and services which are outside the purview of GST. Further, both are levied on the same price or transaction value. The same can be better understood with the help of following examples:

Example I: Suppose that the rate of CGST is 10% and that of SGST is 10%. When a wholesale dealer of steel in Uttar Pradesh supplies steel bars and rods to a construction company which is also located within the same State for, say Rs. 100, the dealer would charge CGST of Rs. 10 and SGST of Rs. 10 in addition to the basic price of the goods. The CGST component will go into a Central Government account while the SGST portion into the account of the concerned State Government (viz. U.P.).

It is important to note that he might not actually pay Rs. 20 (Rs. 10 + Rs. 10) in cash as he would be entitled to set-off this liability against the CGST or SGST paid on his eligible purchases (inputs, input services and capital goods) assuming that all his purchases are intra-State.

However, for paying CGST, he would be allowed to use only the credit of CGST paid on his purchases while for SGST he can utilize the credit of SGST alone. CGST credit cannot be used for payment of SGST and vice versa.

Example II: Suppose, again the rate of CGST is 10% and that of SGST is 10%. When an advertising company located in Mumbai supplies advertising services to a company manufacturing soap also located within the State of Maharashtra for, let us say Rs. 100, the ad company would charge CGST of

Rs. 10 as well as SGST of Rs. 10 at the basic value of the service. The CGST component will go into a Central Government account while the SGST portion into the account of the Maharashtra Government.

He might not actually pay Rs. 20 (Rs. 10+Rs. 10) in cash as it would be entitled to set-off this liability against the CGST or SGST paid on his eligible purchases (say, of inputs such as stationery, office equipment, services of an artist etc.) assuming that all his purchases are intra-State. However, for paying CGST, he would be allowed to use only the credit of CGST paid on its purchase while for SGST, he can utilise the credit of SGST alone. CGST credit cannot be used for payment of SGST and vice versa.

**Question 50:**

**GST is a destination-based tax on consumption of goods or services or both. Discuss the validity of the statement**

Answer:

The given statement is valid. GST is a destination-based tax on consumption of goods or services or both. GST is known as destination-based tax since the tax would accrue to the taxing authority which has jurisdiction over the place of consumption which is also termed as place of supply.

For example, if A in Delhi produces the goods and sells the goods to B in Haryana. In this case, the tax would accrue to the State of Haryana and not to the State of Delhi. On the other hand,

under pre-GST regime, origin- based taxation was prevailing in such cases. Under origin-based taxation, the tax used to accrue to the State from where the transaction originated. In the given case, under origin-based taxation, the central sales tax would have been levied by Centre and collected by the State of Delhi and not by the State of Haryana.

**Question 51:**

**List any 5 (Five) activities/transactions specified under Schedule III of the CGST Act, 2017 which shall be neither treated as supply of goods nor as supply of services. Detailed explanations is not required.**

Answer:

Activities or transactions which shall be treated neither as a supply of goods nor a supply of services are as under:-

- (1) Services by an employee to the employer in the course of or in relation to his employment.
- (2) Services by any court or Tribunal established under any law for the time being in force.
- (3) Functions performed by the Members of Parliament, Members of State Legislature, Members of Panchayats, Members of Municipalities and Members of other local authorities.
- (4) Duties performed by any person who holds any post in pursuance of the provisions of the Constitution in that capacity.
- (5) 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.
- (6) Services of funeral, burial, crematorium or mortuary including transportation of the deceased.
- (7) Sale of land and, subject to paragraph 5(b) of Schedule II, sale of building. (i.e. in case, where entire consideration for sale of building received after issuance of completion certificate or after its first occupation, whichever is earlier).

(8) Actionable claims, other than lottery, betting and gambling.

(9) 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 (OR) Merchant Trading / High-sea Sales

(10) Supply of warehoused goods to any person before clearance for home consumption.

(11) 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.

**Question 52:**

**Mr. Priyam, director of Sun Moon Company Private Limited, provided service to the company for remuneration of Rs. 1,25,000. Briefly answer whether GST is applicable in the below mentioned independent cases? If yes, who is liable to pay GST?**

**(i) Mr. Priyam is an independent director of Sun Moon Company Private Limited and not an employee of the company.**

**(ii) Mr. Priyam is an executive director, i.e. an employee of Sun Moon Company Private Limited. Out of total remuneration amounting to Rs. 1,25,000, Rs. 60,000 has been declared as salaries in the books of Sun Moon Company Private Limited and subjected to TDS under section 192 of the Income-Tax Act (IT Act). However, Rs. 65,000 has been declared separately other than salaries in the Sun Moon Company Private Limited's accounts and subjected to TDS under section 194J of the IT Act as professional services.**

**Answer:**

(I) As per Para I of Schedule III of the CGST Act, services by an employee to the employer in the course of or in relation to his employment are non-supplies, i.e. they are neither supply of goods nor supply of services. Services provided by the independent directors who are not employees of the said company to such company, in lieu of remuneration as the consideration for the said services, are clearly outside the scope of Schedule III of the CGST Act and are therefore taxable. Further, such remuneration paid to the directors is taxable in hands of the

company, on reverse charge basis. Thus, GST is applicable in this case and Sun Moon Company Private Limited is liable to pay GST.

(II) The part of director's remuneration which is declared as salaries in the books of a company and subjected to TDS under section 192 of the Income-tax Act (IT Act), is not taxable being consideration for services by an employee to the employer in the course of or in relation to his employment in terms of Schedule III.

Further, the part of employee director's remuneration which is declared separately other than salaries in the company's accounts and subjected to TDS under section 194J of the IT Act as fees for professional or technical services are treated as consideration for providing services which are outside

the scope of Schedule III and is therefore, taxable. The recipient of the said services i.e. the company, is liable to discharge the applicable GST on it on reverse charge basis.

In lieu of the above provisions, Rs. 60,000 declared as salaries in the books of Sun Moon Company Private Limited and subjected to TDS under section 192 of the Income-Tax Act (IT Act), is not taxable being consideration for services by an employee to the employer in the course of or in relation to his employment in terms of Schedule III.

Further, Rs. 65,000 declared separately other than salaries in the Sun Moon Company Private Limited's accounts and subjected to TDS under section 194J of the IT Act as professional services is treated as consideration for providing services which is outside the scope of Schedule III and is therefore, taxable. The recipient of the said services i.e. the Sun Moon Company Private Limited, is liable to discharge the applicable GST on it on reverse charge basis.

**Question 53:**

**Raman is an architect in Chennai. His brother who is settled in London is a well -known lawyer. Raman has taken legal advice from him free of cost with regard to his family dispute. Examine whether the said activity would amount to supply under section 7 read with Schedule I of the CGST Act Would your Answer be different if in the above case, Raman has taken advice in respect of his business unit in Chennai?**



**Answer:**

Schedule I of CGST Act, inter alia, stipulates 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. Explanation to section 15, inter alia, provides that persons shall be deemed to be “related persons” if they are members of the same family. Further, as per section 2(49) of the CGST Act, 2017, family means, —

(i) the spouse and children of the person, and

(ii) the parents, grand-parents, brothers and sisters of the person if they are wholly or mainly dependent on the said person.

In the given case, Raman has received free of cost legal services from his brother. However, in view of section 2(49) (ii) above, Raman and his brother cannot be considered to be related as Raman’s brother is a well-known lawyer and is not wholly/mainly dependent on Raman. Further, Raman has taken legal advice from him in personal matter and not in course or furtherance of business. Consequently, services provided by Raman’s brother to him would not be treated as supply under section 7 read with Schedule I of the CGST Act.

In the above case, if Raman has taken advice with regard to his business unit, services provided by Raman’s brother to him would still not be treated as supply under section 7 of the CGST Act read with Schedule I as although the same are provided in course or furtherance of business, such services have not been received from a related person.

**Question 54:**

**“Wedding Bells”, a wedding photographer, has commenced providing pre-wedding shoot services in Jaipur from the beginning of current financial year 2023-2024. It has provided the following details of turnover for the various quarters till December, 2023 :-**

S. No.	Quarter	Amount (Rs. in lakh)
1	April,2023-June,2023	20

2	July,2023-September,2023	30
3	October,2023-December,2023	40

You may assume the applicable tax rate as 18%. Wedding Bells wishes to pay tax at a lower rate and opts for the composition scheme. You are required to advise whether it can do so and calculate the amount of tax payable for each quarter?

Answer:

Section 10(2A) of the CGST Act, 2017 provides the turnover limit of Rs. 50 lakh in the preceding financial year for becoming eligible for composition levy for services. Wedding Bells has started the supply of services in the current financial year (FY), thus, it's aggregate turnover in the preceding FY is Nil. Consequently, in the current FY, Wedding Bells is eligible for composition scheme for services. A registered person opting for composition levy for services shall pay tax @ 3% [Effective rate 6% (CGST+SGST/UTGST)] of the turnover of supplies of goods and services in the State.

Further, Wedding Bells becomes eligible for the registration when the aggregate turnover exceeds Rs. 20 lakh (the threshold limit of obtaining registration). While registering under GST, Wedding Bells can opt for composition scheme for services.

The option of a registered person to avail composition scheme for services shall lapse with effect from the day on which his aggregate turnover during a financial year exceeds the threshold limit of Rs. 50 lakh.

However, for the purposes of determining the tax payable under composition scheme, the expression "turnover in State" shall not include the value of supplies from the first day of April of a FY up to the date when such person becomes liable for registration under this Act.

Thus, for determining the turnover of the State for payment of tax under composition scheme for services, turnover of April,2023 – June,2023 quarter [Rs. 20 lakh] shall be excluded. On next Rs. 30 lakh [turnover of July,2020 – September, 2020 quarter], it shall pay tax @ 6% [3% CGST and 3% SGST].

For the purposes of computing aggregate turnover of a registered person for determining his eligibility to pay tax under this section, aggregate turnover includes value of supplies from the 1st April of a FY up to the date of his becoming liable for registration.

Thus, while computing aggregate turnover for determining Wedding Bells's eligibility to pay tax under composition scheme, value of supplies from the first day of April of a financial year up to the date when it becomes liable for registration under this Act (i.e. turnover of April, 2023 – June, 2023 quarter), are included.

By the end of July, 2023 – September, 2023 quarter, the aggregate turnover reaches Rs. 50 lakh. Consequently, the option to avail composition scheme for services shall lapse by the end of July, 2023 – September, 2023

quarter and thereafter, it is required to pay tax at the normal rate of 18%.

Considering the above provisions, the tax payable for each quarter is as under:-

S. No.	Quarter	GST rate [CGST + SGST]	Turnover (Rs. in lakh)	GST payable (Rs. in lakh)
1	April, 2023 – June, 2023	-	20	-
2	July, 2023 – September, 2023	6%	30	1.8
3	October, 2023 – December, 2023	18%	40	7.2

**Question 55:**

(a) Chanchal started providing beauty and grooming services and inaugurated “Care & Care Beauty Centre” in Janak Puri, Delhi on 01st April, 20XX. She opted to pay tax under Notification No. 2/2019 CT (R) dated 07.03.2019 in the said financial year.

The aggregate turnover of Care & Care Beauty Centre for the quarter ending 30<sup>th</sup> June, 20XX was Rs. 20 lakh. Further, for the half year ending 30th September, 20XX, the turnover reached

Rs. 50 lakh. Care & Care Beauty Centre recorded a rapid growth and the turnover reached Rs. 70 lakh by the end of October, 20XX. Determine the total tax liability of Care & Care Beauty Centre by the end of October, 20XX.

(b) Care & Care Beauty Centre wishes to opt for composition scheme from the next financial year. You are required to advise it whether it can do so?

**Note: Rate of GST applicable on such services is 18%.**

**Answer:**

a) Notification No. 2/2019 CT (R) dated 07.03.2019 provides an option to a registered person to pay CGST @ 3% [Effective rate 6% (CGST+ SGST/ UTGST)] on first supplies of goods and/or services upto an aggregate turnover of Rs. 50 lakh made on/after 1st April in any financial year, subject to specified conditions.

It is clarified in the notification that first supplies of goods or services or both shall, for the purposes of determining eligibility of a person to pay tax under this notification, include the supplies from 1st April of a FY to the date from which he becomes liable for registration under the said Act, but for the purpose of determination of tax payable under this notification, shall not include the supplies from the first day of April of a financial year to the date from which he becomes liable for registration under the Act. Thus, Care & Care Beauty Centre is eligible to pay tax under this notification upto the turnover of Rs. 50 lakh. The total tax payable by it is as under: -

Period	Tax Rate	Turnover (Rs.)	Tax liability (Rs.)
I Quarter	Since turnover did not exceed Rs. 20 lakh, it was not required to obtain registration. Hence, no tax was required to be paid	20 Lakh	Nil
II Quarter	Effective rate is 6% (CGST+ SGST/ UTGST) under Notification No. 2/2019	30 Lakh [(50-20) lakh]	1,80,000

	CT (R)		
For the month of October, 20XX	Normal rate of GST of 18% is to be applied	20 lakh [(70-50) lakh]	3,60,000
Total tax payable			5,40,000

(b) No, Care & Care Beauty Centre cannot opt for composition scheme from the next financial year. Fundamentally, the composition scheme can be availed in respect of goods and only one service namely, restaurant service. As regards services other than restaurant services are concerned, only marginal supply of the such services for a specified value along with the supply of goods and/or restaurant service, as the case may be, is permitted under section 10(1) of CGST Act, 2017. Therefore, a person engaged exclusively in supply of services other than restaurant services is not eligible to opt for composition scheme.

**Question 56:**

**Examine given cases and determine the persons liable to pay tax in each of the following independent cases:**

**(i) Dharam Shastri, an independent director of Universe Pvt. Ltd., has received sitting fee amounting to Rs. 1 lakh from Universe Pvt. Ltd. for attending the Board meetings.**

**(ii) Chandan Associates provided sponsorship services to Virat Cricket Academy, an LLP.**

**(iii) Legal Fees is received by Gaba, an advocate, from M/s. Naveen Consultants having turnover of Rs. 50 lakh in preceding financial year.**

**Answer:**

(i) GST on supply of services by director of a company to the said company located in the taxable territory is payable on reverse charge basis.

Therefore, in the given case, person liable to pay GST is the recipient of services, i.e., Universe Pvt. Ltd.

(ii) In case of services provided by any person by way of sponsorship to any body corporate or partnership firm, GST is liable to be paid under reverse charge by such body corporate or partnership firm located in the taxable territory. Further, for the reverse charge purposes, Limited Liability Partnership formed and registered under the provisions of the Limited Liability Partnership Act, 2008 is also be considered as a partnership firm. Therefore, in the given case, Virat Cricket Academy is liable to pay GST under reverse charge.

(iii) GST on legal services supplied by an advocate [Mr. Gaba] to any business entity [M/s Naveen Consultants] located in the taxable territory is payable on reverse charge basis. Therefore, in the given case, person liable to pay GST is the recipient of services, i.e., M/s. Naveen Consultants.

**Question 57:**

**Determine the place of supply in the following independent cases:-**

**(i) Mr. Sahukaar (New Delhi) boards the New Delhi-Kota train at New Delhi. Mr. Sahukaar sells the goods taken on board by him (at New Delhi), in the train, at Jaipur during the journey.**

**(ii) Vidhyut Pvt. Ltd. imports electric food processors from China for its Kitchen Store in Noida, Uttar Pradesh. Vidhyut Pvt. Ltd. is registered in Uttar Pradesh.**

**(iii) Mr. Aatmaram, a manager in a Bank, is transferred from Bareilly, Uttar Pradesh to Bhopal, Madhya Pradesh. Mr. Aatmaram's family is stationed in Kanpur, Uttar Pradesh. He hires Gokul Carriers of Lucknow, Uttar Pradesh (registered in Uttar Pradesh), to transport his household goods from Kanpur to Bhopal.**

**(iv) Bholunath, a resident of New Delhi, opens his saving account in New Delhi branch of Best Bank after undergoing the KYC process. He goes to Amritsar for some official work and withdraws money from Best Bank's ATM in Amritsar thereby crossing his limit of free ATM withdrawals.**

**Answer:**

(i) Section 10(1)(e) of the IGST Act, 2017 lays down that place of supply of goods supplied on board a conveyance like aircraft, train, vessel, or a motor vehicle, is the location where such goods have been taken on board. Thus, in the given case, the place of supply of the goods sold by Mr. Sahukaar is the location at which the goods are taken on board, i.e. New Delhi and not Jaipur where they have been sold.

(ii) As per section 11(a) of the IGST Act 2017, if the goods have been imported in India, the place of supply of goods is the place where the importer is located. Thus, in the present case, the place of supply of the goods imported by Vidhyut Pvt. Ltd. is Noida, Uttar Pradesh.

(iii) As per section 12(8) of the IGST Act, 2017, the place of supply of services by way of transportation of goods, including by mail or courier provided to an unregistered person, is the location at which such goods are handed over for their transportation.

Since in the given case, the recipient – Aatmaram – is an unregistered person, the place of supply is the location where goods are handed to Gokul Carriers over for their transportation, i.e. Kanpur.

(iv) As per section 12(12) of the IGST Act, 2017, the place of supply of banking and other financial services, including stock broking services to any person is the location of the recipient of services in the records of the supplier of services. Thus, in the given case, the place of supply is the location of the recipient of services in the records of the supplier bank, i.e. New Delhi.

#### **Question 58:**

**Musicera Pvt. Ltd., owned by Nitish Daani - a famous classical singer – wishes to organise a ‘Nitish Daani Music Concert’ in Gurugram (Haryana). Musicera Pvt. Ltd. (registered in Ludhiana, Punjab) enters into a contract with an event management company, Supriya (P) Ltd. (registered in Delhi) for organising the said music concert at an agreed consideration of Rs. 10,00,000. Supriya (P) Ltd. books the lawns of Hotel Dumdum, Gurugram (registered in Haryana) for holding the music concert, for a lump sum consideration of Rs. 4,00,000. Musicera Pvt. Ltd. fixes the entry fee to the music concert at Rs. 5,000. 400 tickets for ‘Nitish Daani Music Concert’ are sold.**

You are required to determine the CGST and SGST or IGST liability, as the case may be, in respect of the supply(ies) involved in the given scenario. Will your answer be different if the price per ticket is fixed at Rs. 450?

**Note:** Rate of CGST and SGST is 9% each and IGST is 18%. All the amounts given above are exclusive of taxes, wherever applicable.

**Answer:**

In the given situation, three supplies are involved:

- (i) Services provided by Musicera Pvt. Ltd. to audiences by way of admission to music concert.
- (ii) Services provided by Supriya (P) Ltd. to Musicera Pvt. Ltd. by way of organising the music concert.
- (iii) Services provided by Hotel Dumdum to Supriya (P) Ltd. by way of accommodation in the Hotel lawns for organising the music concert.

**The CGST and SGST or IGST liability in respect of each of the above supplies is determined as under:**

(i) As per the provisions of section 12(6) of the IGST Act, 2017, the place of supply of services provided by way of admission to, inter alia, a cultural event shall be the place where the event is actually held.

Therefore, the place of supply of services supplied by Musicera Pvt. Ltd. To audiences by way of admission to the music concert is the location of the Hotel Dumdum, i.e. Gurugram, Haryana.

Since the location of the supplier (Ludhiana, Punjab) and the place of supply

(Gurugram, Haryana) are in different States, IGST will be leviable. Therefore, IGST leviable will be computed as follows:

Consideration for supply (400 tickets @ Rs. 5,000 per ticket) = Rs. 20,00,000  
IGST @18% on value of supply = Rs. 20,00,000 x 18% = Rs. 3,60,000.

(ii) Section 12(7)(a)(i) of IGST Act, 2017 stipulates that the place of supply of services provided by way of organization of, inter alia, a cultural event to a registered person is the location of such person.



Therefore, the place of supply of services supplied by Supriya (P) Ltd. to Musicera Pvt. Ltd. (Ludhiana, Punjab) by way of organising the music concert is the location of the recipient, i.e. Ludhiana (Punjab).

Since the location of the supplier (Delhi) and the place of supply (Ludhiana, Punjab) are in different States, IGST will be leviable. Therefore, IGST leviable will be computed as follows:

Consideration for supply = Rs. 10,00,000

IGST @ 18% on value of supply = Rs. 10,00,000 x 18% = Rs. 1,80,000

(iii) As per the provisions of section 12(3)(c) of the IGST Act, 2017, the place of supply of services, by way of accommodation in any immovable property for organizing, inter alia, any cultural function shall be the location at which the immovable property is located.

Therefore, the place of supply of services supplied by Hotel Dumdum (Gurugram, Haryana) to Supriya (P) Ltd. by way of accommodation in Hotel lawns for organising the music concert shall be the location of the Hotel Dumdum, i.e. Gurugram, Haryana.

Since the location of the supplier (Gurugram, Haryana) and the place of supply (Gurugram, Haryana) are in the same State, CGST and SGST will be leviable.

Therefore, CGST and SGST leviable will be computed as follows:

Consideration for supply = Rs. 4,00,000

CGST @ 9% on value of supply = Rs. 4,00,000 x 9% = Rs. 36,000  
SGST @ 9% on value of supply = Rs. 4,00,000 x 9% = Rs. 36,000

If the price for the entry ticket is fixed at Rs. 450, answer will change in respect of supply of service provided by way of admission to music concert, as mentioned in point (i) above. There will be no IGST liability if the consideration for the ticket is Rs. 450 as the inter-State services by way of right to admission to, inter alia, musical performance are exempt from IGST vide Notification No. 9/2017 IT

(R) dated 28.06.2017, if the consideration for right to admission to the event is not more than Rs. 500 per person. However, there will be no change in the answer in respect of supplies mentioned in point (ii) and (iii) above.

**Question 59:**

**Dhun Pvt. Ltd. owned by Jairaj - a famous classical singer - wishes to organise a 'Jairaj Music Concert' in Gurugram (Haryana). Dhun Pvt. Ltd. (registered in Ludhiana, Punjab) enters into a contract with an event management company, Dhanraj (P) Ltd. (registered in Delhi) for organising the said music concert at an agreed consideration of Rs. 10,00,000. Dhanraj (P) Ltd. books the lawns of Hotel Dumdum, Gurugram (registered in Haryana) for holding the music concert, for a lump sum consideration of Rs. 4,00,000. Dhun Pvt. Ltd. fixes the entry fee to the music concert at Rs. 5,000. You are required to determine the place of supply in respect of the supply(ies) involved in the given scenario.**

**Answer:**

**In the given situation, three supplies are involved:**

- (i) Services provided by Dhun Pvt. Ltd. to audiences by way of admission to music concert.
- (ii) Services provided by Dhanraj (P) Ltd. to Dhun Pvt. Ltd. by way of organising the music concert.
- (iii) Services provided by Hotel Dumdum to Dhanraj (P) Ltd. by way of accommodation in the Hotel lawns for organising the music concert.

The place of supply in respect of each of the above supplies is determined as under:

- (i) As per the provisions of section 12(6), the place of supply of services provided by way of admission to, inter alia, a cultural event shall be the place where the event is actually held.

Therefore, the place of supply of services supplied by Dhun Pvt. Ltd. (Ludhiana, Punjab) to audiences by way of admission to the music concert is the location of the Hotel Dumdum, i.e. Gurugram, Haryana.

- (ii) Section 12(7)(a)(i) stipulates that the place of supply of services provided by way of organization of, inter alia, a cultural event to a registered person is the location of such person.

Therefore, the place of supply of services supplied by Dhanraj (P) Ltd. (Delhi) to Dhun Pvt. Ltd. (Ludhiana, Punjab) by way of organising the music concert is the location of the registered person, i.e. Ludhiana (Punjab).

(iii) As per the provisions of section 12(3)(c) of the IGST Act, 2017, the place of supply of services, by way of accommodation in any immovable property for organizing, inter alia, any cultural function shall be the location at which the immovable property is located.

Therefore, the place of supply of services supplied by Hotel Dumdum(Gurugram, Haryana) to Dhanraj (P) Ltd. (Delhi) by way of accommodation in Hotel lawns for organising the music concert shall be the location of the Hotel Dumdum, i.e. Gurugram, Haryana.

**Question 60:**

**Kesar Maharaj, a registered supplier, gave a classical dance performance in an auditorium. The consideration charged for the said performance is Rs. 1,48,500. Is Kesar Maharaj liable to pay GST on the consideration received for the said performance if such performance is not for promotion of any product/services? If yes, determine his GST liability (CGST and SGST or IGST, as the case may be). Will your Answer be different if:?**

**(i) Kesar Maharaj is a brand ambassador of a food product and aforesaid performance is for the promotion of such food product?**

**(ii) the dance performance given by Kesar Maharaj is not a classical dance performance, but a contemporary Bollywood style dance performance?**

**(iii) consideration charged by Kesar Maharaj for the classical dance performance is Rs. 1,60,000?**

**Notes:**

- 1. Services provided by Kesar Maharaj are intra-State supplies.**
- 2. Wherever applicable, GST has been charged separately.**
- 3. Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively.**

**Answer:**

Notification No. 12/2017 CT (R) dated 28.06.2017 exempts services by an artist by way of a performance in folk or classical art forms of (I) music, or (ii) dance, or (iii) theatre, if the consideration charged for such performance is not more than Rs. 1,50,000. However, exemption will not apply to service provided by such artist as a brand ambassador.

In view of the aforesaid provisions, services provided by Kesar Maharaj are exempt from GST as consideration for the classical dance performance has not exceeded Rs. 1,50,000. Therefore, his GST liability is nil.

(i) If Kesar Maharaj is a brand ambassador of a food product and aforesaid performance is for the promotion of such food product, he will be liable to pay GST as aforesaid exemption is not applicable to service provided by an artist as a brand ambassador. His CGST and SGST liability would, therefore, be Rs. 13,365 (Rs. 1,48,500 × 9%) and Rs. 13,365 (Rs. 1,48,500 × 9%) respectively.

(ii) If Kesar Maharaj gives a contemporary Bollywood style dance performance, such performance will not be eligible for aforesaid exemption. The reason for the same is that although the consideration charged does not exceed Rs. 1,50,000, said performance is not in folk or classical art forms of dance. Hence, GST would be payable on the same.

His CGST and SGST liability would, therefore, be Rs. 13,365 (Rs. 1,48,500 × 9%) and Rs. 13,365 (Rs. 1,48,500 × 9%) respectively.

(iii) If the consideration charged for the classical dance performance by Kesar Maharaj is Rs. 1,60,000, he will be liable to pay GST on the same as although the performance is by way of classical art form of dance, consideration charged for such performance has exceeded Rs. 1,50,000. His CGST and SGST liability would, therefore, be Rs. 14,400 (Rs. 1,60,000 × 9%) and Rs. 14,400 (Rs. 1,60,000 × 9%) respectively.

#### **Question 61:**

**Sungrow Pvt. Ltd. (a registered taxable person) having the gross receipt of Rs. 50 lakh in the previous financial year provides the following information relating to their services for the month of July, 2023**

Sr.No	Particulars	Amount (Rs.)
(1)	Running a boarding school	2,40,000
(2)	Fees from prospective employer for campus interview	1,70,000
(3)	Education services for obtaining the qualification recognised by law of foreign country	3,10,000
(4)	Renting of furnished flats for temporary stay to different persons (Rent per day is less than Rs. 1,000 per flat)	1,20,000
(5)	Conducting Modular Employable Skill Course, approved by National Council of Vocational Training	1,40,000
(6)	Conducting private tuitions amount	3,00,000
(7)	Running martial arts academy for young children	55,000
(8)	Conducting career counselling session	1,65,000

Compute the value of taxable supply and the amount of GST payable. The above receipts don't include the GST amount. Rate of GST is 18%.

Answer:

Computation of value of taxable supply and amount of GST payable

S.No.	Particulars	Rs.
(1)	Running a boarding school [Services provided by an educational institution to its students, faculty and staff are exempt.]	Nil
(2)	Fees from prospective employer for campus interview [Not exempt.]	1,70,000
(3)	Education services for obtaining the qualification recognized by law of foreign country [An institution providing education services for obtaining qualification	3,10,000

	recognized by a foreign country does not qualify as educational institution. Thus, said services are not exempt.]	
(4)	<p>Renting of furnished flats for temporary stay of different persons</p> <p>[Services by a hotel, inn, guest house, club or campsite, by whatever name called, for residential or lodging purposes, having Value of Supply of a unit of accommodation below Rs. 1,000 per day or equivalent are exempt]</p> <p>As per amendment, notification dated 18.07.2022 Services by a hotel, inn, guest house, club or campsite, by whatever name called, for residential or lodging purposes, having value of supply of a unit of accommodation below or equal to Rs. 1,000 per day or equivalent is removed from the exemption list and is now taxable.</p>	<p>Nil</p> <p>1,20,000</p>
(5)	<p>Conducting Modular Employable Skill Course</p> <p>[An institution providing Modular Employable Skill Course qualifies as educational institution. Services provided by an educational institution to its students, faculty and staff are exempt.]</p>	Nil
(6)	<p>Conducting private tuitions</p> <p>[Not exempt.]</p>	3,00,000
(7)	Running martial arts academy for young children [Not exempt under GST laws]	55,000
(8)	Conducting career counselling session [Not exempt under GST laws]	1,65,000
	<b>Value of taxable supply</b>	<b>11,20,000</b>
	<b>GST payable @ 18%</b>	<b>2,01,600</b>

**Question 62:**

(i) "Richmondkidz" is a Play School located in Delhi. Richmond Kids has outsourced the catering services for supply of food and drink in the canteen of Play School to Ashoka Caterers, Delhi for a consideration of Rs. 8,00,000 per annum. Examine whether supply of food and drink/catering services from Ashoka Caterers to "Richmond kidz" is exempt from GST:

**(ii) Balaji Hospital, a clinical establishment located in Tirupati, is specialised in cardiac treatment. The hospital has its own canteen – Healthy Foods. The canteen serves the food and drink to the in-patients as advised by the doctors/nutritionists of the hospital. Apart from this, other patients (who are not admitted) or attendants or visitors of the in-patients also take food and drink from the canteen. Examine whether supply of food and drink/catering services to the in- patients and other patients (who are not admitted) or attendants or visitors of the in-patients is exempt from GST:**

**Answer:**

i. Services provided to an educational institution providing services by way of preschool education and education up to higher secondary school or equivalent, by way of catering is exempt from GST vide exemption notification under GST. Thus, in the given case, services provided by Ashoka Caterers to Richmond Kidz are exempt from GST.

ii. Services by way of health care services provided by a clinical establishment, an authorised medical practitioner or para-medics are exempt from GST vide exemption Notification under GST. In this regard, CBIC has clarified that food supplied by the hospital canteen to the in-patients as advised by the doctor/nutritionists is a part of composite supply of healthcare services and is not separately taxable. Thus, it is exempt from GST. However, other supplies of food by a hospital to patients (not admitted) or their attendants or visitors are taxable. In view of the same, GST is exempt on the food supplied by Healthy Foods to the inpatients as advised by doctors/nutritionists while other supplies of food by it to patients (not admitted) or attendants/visitors of the in-patients is taxable.

**Question 63:**

**GST is payable on advance received for supply of goods and services taxable under forward charge.**

**Do you agree with the statement? Support your answer with legal provisions.**

**Answer:**

The statement is not correct. While GST is payable on advance received for supply of services taxable under forward charge, the same is not payable in case of advance received for supply of goods taxable under forward charge.

As per section 13 of the CGST Act, 2017, the time of supply of services taxable under forward charge is –

- Date of issue of invoice or date of receipt of payment, whichever is earlier, if the same is issued within 30 days from the date of supply of service; OR
- Date of provision of service or date of receipt of payment, whichever is earlier, if the invoice is not issued within 30 days from the date of supply of service.

Thus, in case of services, if the supplier receives any payment before the provision of service or before the issuance of invoice for such service, the time of supply gets fixed at that point in time and the liability to pay tax on such payment arises. However, the tax can be paid by the due date prescribed with reference to such time of supply.

As regards time of supply of goods taxable under forward charge is concerned, Notification No. 66/2017 CT dated 15.11.2017 provides that a registered person (excluding composition supplier) should pay GST on the outward supply of goods at the time of supply as specified in section 12(2)(a) of the CGST Act,

2017, i.e. date of issue of invoice or the last date on which invoice ought to have been issued in terms of section 31 of the CGST Act, 2017. Therefore, in case of goods, tax is not payable on receipt of advance payment.

**Question 64:**

**Royal Sweet Co., Delhi, a registered supplier, has furnished the details of the following few transactions which took place in November, 20XX:**

S. No.	Date	Particulars	Date of invoice	Amount (Rs.)
(i)	11.11.20XX	Payment made to an advocate in Delhi	07.07.20XX	1,25,000



(ii)	20.11.20XX	Paid sitting fee to Director from Haryana for meeting held in Delhi on 15.10.20XX [Inter-State supply]	15.10.20XX	75,000
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Assume the rates of taxes to be as under:-

Particulars	Rate
CGST	9%
SGST	9%
IGST	18%

You are required to compute GST [CGST & SGST/IGST, as the case may be] payable for the month of November, 20XX along with time of supply of the aforementioned activities.

Answer:

Computation of GST payable for the month of November, 20XX

S. No.	Particulars	Time of supply of services	CGST (Rs.)	SGST (Rs.)	IGST (Rs.)	Interest (Rs.)
(i)	Services from an advocate in Delhi	06.09.20XX [Note-1 & 3]	11,250	11,250	-	244 [Note-4]
(ii)	Director's Sitting fee	20.11.20XX [Note-2 & 3]			-	13,500

Notes:-

- Services supplied by an individual advocate to any business entity located in the taxable territory is a notified service on which tax is payable on reverse charge basis by the recipient of services.
- Services supplied by a director of a company to the said company is a notified service on which tax is payable on reverse charge basis by the recipient of services.

3. As per section 13 of the CGST Act, 2017, the time of supply of services in case of reverse charge is earliest of the following:-

(a) Date of payment as entered in the books of account of the recipient or the date on which the payment is debited to his bank account, whichever is earlier, or

(b) Date immediately following 60 days since the date of issue of invoice.

Provisions of time of supply as provided under section 13 of the CGST Act are also applicable for inter-State supply vide section 20 of the IGST Act.

In view of the aforesaid provisions, the time of supply and due date for payment of tax in the given cases would be determined as under:

(i) Time of supply of the services is the date immediately following 60 days since the date of issue of invoice, i.e. 06.09.20XX. The due date for payment of tax is 20.10.20XX with return of September, 20XX.

(ii) Time of supply of service is 20.11.20XX and due date for payment of tax is 20.12.20XX with return of December, 20XX.

4. The due date for payment of tax in case (i) is 20.10.20XX with return of September, 20XX. However, the payment of tax is actually made on 11.11.20XX. Thus, payment of tax is delayed by 22 days.

In case of delayed payment of tax, interest @ 18% per annum is payable for the period for which the tax remains unpaid starting from the day succeeding the day on which such tax was due to be paid [Section 50 of the CGST Act, 2017 read with Notification

No. 13/2017 CT dated 28.06.2017]. In view of the same, in the given case, interest payable would be as follows:

Amount of interest payable = Rs. 22,500 × 18% × 22/365 = Rs. 244 (rounded off)

**Question 65:**

Know & Grow Publishers, a registered dealer in India, paid an advance of Rs. 50,000 to Mr. Ganatra, an author, for the copyright covered under Section 13(1)(a) of the Copyright Act, 1957, of his original literary work on 5-9-2023. It made the balance payment of Rs. 1,50,000 on 12-12-2023. You are required to determine the time of supply, if Mr. Ganatra raised the invoice on:

(I) 6-10-2023, or

(II) 17-12-2023

**Answer:**

GST on supply of services by an author by way of transfer or permitting the use or enjoyment of a copyright covered under section 13(1)(a) of the Copyright Act, 1957 relating to original literary works to a publisher is payable under reverse charge by such publisher, i.e. Know & Grow Publishers.

The time of supply of service, on which GST is payable under reverse charge, is earlier of the following:

(a) Date of payment as entered in the books of account of the recipient or date on which payment is debited from the bank account, whichever is earlier or

(b) 61st day from the date of issue of invoice by the supplier

(i) If the invoice is issued on 06.10.2023, time of supply is as under:

- For the payment of Rs. 50,000: 05.09.2023 [earlier of date of payment and 61st day from date of issue of invoice]

- For the payment of Rs. 1,50,000: 06.12.2023 [earlier of date of payment and 61st day from date of issue of invoice]

(ii) If the invoice is issued on 17.12.2023, time of supply is as under:

- For the payment of Rs. 50,000: 05.09.2023 [earlier of date of payment and 61st day from date of issue of invoice]

- For the payment of Rs. 1,50,000: 12.12.2023 [earlier of date of payment and 61st day from date of issue of invoice]

**Question 66:**

**Ajay Limited, a registered dealer in Patna (Bihar), is engaged in various types of supplies. The company provided the following details for the month of January 2024:**

Sl. No.	Particulars				Amount in Rs.
(i)	Outward supply of goods made during the month to various non-related persons:				As given in particulars column
					Transaction Value (Rs.)
		Particulars	Market Value	Transaction value (Rs.)	
	a.	in the State of Bihar (Intra- State)	3,00,000	4,00,000	
	b.	to other States (Inter-State)	2,00,000	1,00,000	
(ii)	Services provided to the State Government of Karnataka for conducting a computer training programme for its employees. Total expenditure incurred for the said programme was Rs. 90,000, of which Rs. 63,000 was borne by the State Govt. (Inter-State transaction)				5,00,000
(iii)	Stock transfer without consideration to its branch at Gaya (Bihar). Branch has separate GSTN for convenience of accounting and billing.  Value under section 15 - Rs. 20,000 (Intra -State)				Nil
(iv)	Intra - State inward supply of various services for use in the course or furtherance of business (30 invoices)				6,50,000

**Additional Information:**

(a) All the amounts given above are exclusive of taxes.

(b) During the course of arranging and filing documents, the accountant of Ajay Limited observed that an invoice for Rs. 30,000 (excluding tax) dated 02.12.2023 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. Mukesh of Patna, from whom Ajay Limited had taken cars on rental basis. Invoice included cost of fuel also. (Intra -State transaction).

(c) Rate of GST applicable on various supplies are as follows:

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

(d) No opening balance of input tax credit exists in the beginning of the month.

(e) Out of the 30 invoices of inward supply received, 6 invoices with taxable value amounting to Rs. 1,50,000 were e-invoices in which Invoice Reference Number (IRN) was not mentioned. However, all the invoices were duly reflected in GSTR 2B for the month of January 2024, since the suppliers had filed their GSTR-1.

(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 Ajay Limited for the month of January 2024. Brief notes for treatment given for each item should form part of your answer.

**Answer:**

**Computation of net GST payable in cash by Ajay Ltd. for the month of January 2024**

Particulars	CGST (Rs.)	SGST (Rs.)	IGST (Rs.)
Outward intra-State supply of goods made in the	36,000	36,000	

State of Bihar [Value of supply is the transaction value of the goods.]	[4,00,000 × 9%]	[4,00,000 × 9%]	
Outward supply of goods made to other States [Value of supply is the transaction value of the goods.]			18,000 [1,00,000 × 18%]
Inter-State services provided to State Government of Karnataka for conducting a computer training programme [Not exempt since the State Government has borne less than 75% of total expenditure of the training programme.]			90,000 [5,00,000 × 18%]
Intra-State stock transfer to Gaya Branch with separate registration [Supply of goods between distinct persons in course or furtherance of business qualifies as supply even if made without consideration.]	1,800 [20,000 × 9%]	1,800 [20,000 × 9%]	
Total output tax	37,800	37800	1,08,000
Less: Input Tax Credit [Refer Working Note below] [CGST credit should be utilized for payment of CGST and IGST in that order. Similarly, SGST credit should be utilized for payment of SGST and IGST in that order. ITC of CGST cannot be utilized for payment of SGST and vice versa.]	(37,80 0) (CGST )		(7,200 ) (CGST )
		(37,80 0) (SGST )	(7,200 ) (SGST )
Net GST payable in cash	Nil	Nil	93,600

### Working Note:

#### Computation of ITC available

Particulars	CGST (Rs.)	SGST (Rs.)	IGST (Rs.)
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Intra-State inward supply of services [Rs. 6,50,000 – Rs.1,50,000] [ITC cannot be claimed on the e-invoices without IRN since an e-invoice without IRN is not treated as valid document for claiming ITC.]	45,000 [5,00,000 × 9%]	45,000 [5,00,000 × 9%]	
Cars taken on rental basis from Mr. Mukesh [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 invoice is issued charging CGST/SGST @ 2.5% is payable under reverse charge.  Time of supply of such services is 1st 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, 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 - Ajay Ltd. is not in the same line of business1.]			
Total ITC available	45,000	45,000	

It has been most logically assumed that Ajay Ltd. is not engaged renting of cars business.

**Question 67:**

**Mr. Prithviraj, registered under GST, is engaged in supplying services (as discussed in the table below) in Maharashtra. He has furnished the following information with respect to the services provided/ received by him, during the month of February:**

S.No.	Particulars	Amount (Rs.)
(i)	Carnatic music performance given by Mr. Prithviraj to promote a brand of readymade garments (Intra-State transaction)	1,40,000
(ii)	Outdoor catering services availed for a marketing event organised	50,000

	for his prospective customers (Intra-State transaction)	
(iii)	Services of transportation of students provided to Subhaskar College providing education as part of a curriculum for obtaining a recognised qualification (Intra- State transaction)	1,00,000
(iv)	Legal services availed for official purpose from an advocate located in Gujarat (Inter-State transaction)	1,75,000
(v)	Services provided to Wealth Bank as a business correspondent with respect to accounts in a branch of the bank located in urban area (Intra-State transaction)	2,00,000
(vi)	Recovery agent's services provided to a car dealer (Intra- State transaction)	15,000
(vii)	General insurance taken on a car (seating capacity 5) used for official purposes (Intra-State transaction)	40,000

**Note:**

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

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

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

(iv) The turnover of Mr. Prithviraj was Rs. 2.5 crore in the previous financial year. Compute the net GST payable in cash, by Mr. Prithviraj for the month of February.

**Answer :**

Computation of GST payable

Particulars	Value of supply (Rs.)	CGST @ 9% (Rs.)	SGST @ 9% (Rs.)	IGST @ 18% (Rs.)
GST payable under forward charge				
Carnatic music performance given to promote a brand of readymade	1,40,000	12,600	12,600	Nil



garments [Carnatic music performance by Mr. Prithviraj is not exempt from GST even though the consideration charged does not exceed Rs. 1,50,000 since said performance has been made by him as a brand ambassador.]				
Services of transportation of students provided to Subhaskar College [Services of transportation of students provided to an educational institution other than an institution providing pre- school education or education up to higher secondary school, are not exempt.]	1,00,000	9,000	9,000	Nil
Services provided to Wealth Bank as a business correspondent [Services provided by a business correspondent to a banking company are not exempt when such services are provided with respect to accounts in its urban area branch.]	2,00,000	18,000	18,000	Nil
Services provided as a recovery agent [Tax is payable under forward charge since recovery agent's services are being provided to a person other	15,000	1,350	1,350	Nil

than banking company/financial institution/ non-banking financial company.]				
Total GST payable under forward charge (A)		40,950	40,950	Nil
GST payable under reverse charge				
Legal services availed from an advocate	1,75,000	Nil	Nil	31,500
[Legal services received by a business entity with aggregate turnover in the preceding financial year exceeding threshold limit for registration (Rs. 20 lakh) are not exempt and tax on the same is payable under reverse charge.]				
Total GST payable under reverse charge (B)		Nil	Nil	31,500
Total GST payable [(A)+(B)]		40,950	40,950	31,500

Computation of net GST payable in cash

<b>Particulars</b>	<b>CGST @ 9% (Rs.)</b>	<b>SGST @ 9% (Rs.)</b>	<b>IGST @ 18% (Rs.)</b>
GST payable under forward charge	40,950	40,950	Nil
Less: ITC of IGST1	(15,750)	(15,750)	-
25,200	25,200	Nil	

Add: GST payable under reverse charge in cash [Tax payable under reverse charge, being not an output tax, cannot be set off against ITC and thus, will have to be paid in cash.]	Nil	Nil	31,500
Net GST payable in cash	25,200	25,200	31,500

**Note:**

CGST and SGST is payable on the intra-State transaction and IGST is payable on the inter-State transactions.

1 ITC of IGST can be utilised towards payment of CGST and SGST in any proportion and in any order. Therefore, there can be multiple ways of setting off of IGST credit against CGST and SGST liability and accordingly, in the given case, amount of net GST payable in cash under the heads of CGST and SGST will vary. However, total amount of net GST payable in cash will be Rs. 81,900 in each case.

**Question 68:**

Sreshth Pvt. Ltd., a registered supplier of goods and services in Kolkata, has furnished the following information for the month of February:

S. No.	Particulars	Amount (Rs.)
(i)	Intra-State supply of taxable goods	4,00,000
(ii)	Purchase of goods destroyed due to fire before being put into the production process (It is an intra-State transaction)	5,50,000
(iii)	Services provided to a foreign diplomatic mission located in India (It is an intra-State transaction)	1,00,000
(iv)	Intra-State purchase of food items for being served to the customers, free of cost. (It is an intra-State transaction)	1,75,000

(v)	Goods transport services received from a GTA. GST is payable @ 5% (It is an inter-State transaction)	2,00,000
(vi)	Inter-State services provided to Dhruv Ltd. in respect of a business exhibition held in Delhi	10,000
(vii)	Inter-State security services provided to Torrent Higher Secondary School (unregistered under GST) for their annual day function organised in Katyani Auditorium outside the School campus	15,000
(vii)	Inputs to be received in 3 lots, out of which 2nd lot was received during the month	40,000

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

Particulars	Amount (Rs.)
CGST	57,000
SGST	Nil
IGST	50,000

Note:

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

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

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

(iv) The turnover of Sreshth Pvt. Ltd. was Rs. 2.5 crore in the previous financial year.

Compute the minimum GST, payable in cash, by Sreshth Pvt. Ltd. for the month of February. Make suitable assumptions as required.

Answer:

**Computation of GST payable on outward supplies**

<b>S. No.</b>	<b>Particulars</b>	<b>CGS T (Rs.)</b>	<b>SGS T (Rs.)</b>	<b>IGS T (Rs.)</b>	<b>Total (Rs.)</b>
<b>GST payable under forward charge</b>					
(i)	Intra-State supply of goods [Note-1]	36,000	36,000	Nil	72,000
(ii)	Services provided to a foreign diplomatic mission located in India [Note-2]	9,000	9,000	Nil	18,000
(iii)	Services provided to Dhruv Ltd. in respect of a business exhibition held in Delhi [Note-3]	Nil	Nil	1,800	1,800
(iv)	Inter-State security services provided to Torrent higher secondary school for their annual day function to be held in Katyani Auditorium. [Note-4]	Nil	Nil	2,700	2,700
<b>Total GST payable under forward charge</b>		<b>45,000</b>	<b>45,000</b>	<b>4,500</b>	<b>94,500</b>
<b>GST payable under reverse charge</b>					
	GTA services availed [As per Notification No. 13/2017 CT(R) dated 28.06.2017, GST is payable by the recipient on reverse charge basis on the receipt of services of transportation of goods by road from a goods transport agency (GTA), provided GST is not payable @ 12% and services have been received by the specified	Nil	Nil	10,000	10,000

recipient. Since in the given case, services have been received from a GTA where GST is payable @ 5% and recipient is one of the specified recipients, reverse charge provisions will be applicable.]				
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#### Notes

1. Intra-State supply of goods is leviable to CGST and SGST.
2. Services by a foreign diplomatic mission located in India are exempt vide Notification No. 12/2017 CT(R) dated 28.06.2017. However, no exemption is available with respect to the services provided to a foreign diplomatic mission located in India.
3. Services by an organiser to any person in respect of a business exhibition are exempt vide Notification No. 12/2017 CT(R) dated 28.06.2017, only if such business exhibition is held outside India. Thus, in the given case, said service is taxable.
4. Security services provided to Torrent higher secondary School for Annual Day function organised outside the school campus will be taxable as only the security services performed within the premises of the higher secondary school are exempt vide

**Notification No. 12/2017 CT(R) dated 28.06.2017.**

#### Computation of total ITC available

Particulars	CGST (Rs.)	SGST (Rs.)	IGST (Rs.)
Opening ITC	57,000	Nil	50,000
Add: Purchase of goods destroyed due to fire before being put into the production process [ITC is blocked on lost goods, stolen goods, destroyed goods and goods that are written off]	Nil	Nil	Nil
Add: Purchase of food items for being served to the customers, free of cost [Blocked credit]	Nil	Nil	Nil
Add: Goods transport services received from GTA [ITC is available for the services received from	Nil	Nil	10,000

GTA since it is used in course or furtherance of business.]			
Add: Inputs to be received in 3 lots, out of which 2nd lot was received during the month [In case of goods received in lots, ITC can be taken only upon receipt of the last lot]	Nil	Nil	Nil
Total ITC	57,000	Nil	60,000

### Computation of minimum GST payable from electronic cash ledger

Particulars	CGST (Rs.)	SGST (Rs.)	IGST (Rs.)	Total (Rs.)
GST payable under forward charge	45,000	45,000	4,500	94,500
Less: ITC [First ITC of IGST should be utilized in full - first against IGST liability and then against CGST and SGST liabilities in a manner to minimize cash outflow]	(10,500 ) IGST (3)	(45,000 ) IGST (2)	(4,500) IGST (1)	60,000
(34,500 ) CGST	34,500			
GST payable under reverse charge on GTA services [Payable in cash since tax payable under reverse charge, being not an output tax, cannot be set off against ITC and thus, will have to be paid in cash]			10,000	
Minimum GST payable in cash	Nil	Nil	10,000	Nil

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

### Question 69:

(i) Tirupati Traders, a registered supplier of goods, pays GST [CGST & SGST or IGST, as the case may be] under regular scheme. It has furnished the following particulars for a tax period:-

Particulars	Rs.
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Value of intra-State supply of goods	12,000
Value of intra-State purchase of goods	10,000

**Note:**

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

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

**(iii) All the conditions necessary for availing the input tax credit have been fulfilled.**

Compute the net GST payable by Tirupati Traders during the given tax period assuming that there is no opening balance of input tax credit (ITC). Make suitable assumptions wherever required.

**(ii) Govind, a registered supplier, is engaged in providing services in the neighbouring States from his registered office located in Mumbai. He has furnished the following details in respect of the inward and outward supplies made during a tax period:-**

Particulars	(Rs.)
Inter-State supply of services	1,80,000
Receipt of goods and services within the State	1,00,000

**Assume the rates of taxes to be as under:-**

Particulars	Rate
CGST	9%
SGST	9%
IGST	18%

**Note:**

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

**(ii) All the conditions necessary for availing the input tax credit have been fulfilled.**



Compute the net GST payable by Govind during the given tax period. Make suitable assumptions if required.

Answer:

**(i) Computation of net GST payable**

Particulars	CGST (Rs.)	SGST (Rs.)
GST payable on intra-State supply of goods [Being an intra-State supply, CGST and SGST is payable on the same]	1,080 (Rs.12,000 × 9%)	1,080 (Rs.12,000 × 9%)
Less: Input tax credit (ITC) on intra-State purchase of goods [CGST and SGST paid on the intra-State purchases of goods]	900 (Rs.10,000 × 9%)	900 (Rs.10,000 × 9%)
Net GST payable	180	180

**(ii) Computation of net GST payable by Govind**

Particulars	Rs.
IGST @ 18% payable on inter-State supply of services [Being an inter-State supply, IGST is payable on the same in terms of section 5 of the IGST Act, 2017]	32,400 [1,80,000 × 18%]
Less: ITC of CGST @ 9% paid on intra-State receipt of goods and services [Cross utilisation of CGST towards IGST]	9,000 [1,00,000 × 9%]
Less: ITC of SGST @ 9% paid on intra-State receipt of goods and services [Cross utilisation of SGST towards IGST]	9,000 [1,00,000 × 9%]
Net GST payable in cash	14,400

Note:

- CGST shall first be utilised towards payment of CGST and the amount remaining, if any, be utilised towards the payment of IGST [Section 49 of the CGST Act, 2017].
- SGST shall first be utilised towards payment of SGST and the amount remaining, if any, may be utilised towards the payment of IGST [Section 49 of the CGST Act, 2017].

**Question 70:**

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

**(b) Mamta Sales trades in exempt goods and provides taxable services. It is registered under GST. On 1st October, the exemption available on its goods gets withdrawn. Analyze the scenario and determine the eligibility of Mamta Sales for availing ITC, if any, on inputs and/or capital goods used in the supply of exempt goods.**

**Answer:**

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

(b) If the exempt supply made by a registered person becomes a taxable supply provisions of section 18(1)(d) of the CGST Act, 2017 become applicable. In the given case, since Mamta Sales is a registered person, section 18(1)(d) will be applicable. As per section 18(1)(d), Mamta Sales will be entitled to take credit of input tax in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock relating to such exempt supply and on capital goods exclusively used for such exempt supply on the day immediately preceding the date from which such supply becomes taxable, i.e. 30th September. Input tax credit on capital goods will be reduced by 5% per quarter or part thereof from the date of invoice.

**Question 71:**

Mr. Ekaant, a supplier, a registered supplier, is engaged in manufacturing taxable goods. It provides the following details of items purchased and services availed by it from Gujarat, for the month of March, 20XX:

S.No.	Particulars	IGST (Rs.)
1	Motor vehicle purchased for employees to be used for personal as well as business purposes	1,50,000
2	Motor vehicle purchased for transportation of goods within the factory	2,00,000
3	Food items for consumption of employees. These items were supplied free of cost to the employees in lieu of services rendered by them to the manufacturer in the course of employment.	2,000
4	Rent-a-cab facility availed for employees to fulfil a statutory obligation in this regard. The Government has notified such service under section 17(5)(b)(iii)(A) of the CGST Act, 2017.	36,000

Calculate the amount of eligible input tax credit for the month of March, 20XX.

Answer:

Computation of eligible input tax credit

Particulars	Eligible ITC (Rs.)
Motor vehicle purchased for employees to be used for personal as well as business purposes [Note-1]	-
Motor vehicle purchased for transportation of goods within the factory [Note-1]	2,00,000
Food items for consumption of employees [Note-2]	-
Rent-a-cab facility given to employees [Note-3]	36,000
Total eligible input tax credit	2,36,000

Notes:-

**As per section 17(5) of the CGST Act, 2017:**

1. ITC on motor vehicles and other conveyances is blocked except when they are used—

(i) for making the following taxable supplies, namely :—

(A) further supply of such vehicles or conveyances; or

(B) transportation of passengers; or

(C) imparting training on driving, flying, navigating such vehicles or conveyances;

(ii) for transportation of goods.

Thus, in the given case, ITC on motor vehicle purchased for transportation of goods within the factory will only be allowed

2. ITC in respect of food and beverages is blocked unless the same is used for making outward taxable supply of the same category or as an element of the taxable composite or mixed supply. Thus, in the given case, ITC of taxes paid on food for employees is not allowed.

3. ITC on supply of rent-a cab services is not blocked where the Government notifies the services which are obligatory for an employer to provide such service to its employees. Thus, ITC is available on said service.

**Question 72:**

**Cloud Seven Private Limited, a registered supplier, is engaged in the manufacture of taxable goods. The company provides the following information pertaining to GST paid on the purchases made/input services availed by it during the month of February, 20XX :**

	<b>Particulars</b>	<b>GST paid (Rs.)</b>
<b>(i)</b>	<b>Trucks used for the transport of raw material</b>	<b>1,20,000</b>
<b>(ii)</b>	<b>Foods and beverages for consumption of employees working in the factory</b>	<b>40,000</b>
<b>(iii)</b>	<b>Inputs are to be received in five lots, out of which third lot was received during the month</b>	<b>80,000</b>
<b>(iv)</b>	<b>Membership of a club availed for employees working in the factory</b>	<b>1,50,000</b>

(v)	Capital goods (out of five items, invoice for one item was missing and GST paid on that item was Rs. 50,000)	4,00,000
(vi)	Raw material (to be received in March, 20XX)	1,50,000

Determine the amount of input tax credit available with Cloud Seven Private Limited for the month of February, 20XX by giving necessary explanations for treatment of various items. All the conditions necessary for availing the input tax credit have been fulfilled.

**Answer:**

Computation of input tax credit (ITC) available with Cloud Seven Private Limited for the month of February, 20XX

Particulars	Rs.
Trucks used for the transport of raw material [Note-1]	1,20,000
Foods and beverages for consumption of employees working in the factory [Note-2]	Nil
Inputs are to be received in five lots, out of which third lot was received during the month [Note-3]	Nil
Membership of a club availed for employees working in the factory [Note- 4]	Nil
Capital goods (out of five items, invoice for one item was missing and GST paid on that item was Rs. 50,000) [Note-5]	3,50,000
Raw material to be received in March, 20XX [Note-6]	Nil
Total ITC	4,70,000

**Notes:-**

1. ITC on motor vehicles is disallowed in terms of section 17(5) of the CGST Act, 2017, except when they are used inter alia, for transportation of goods.
2. ITC on food or beverages is specifically disallowed unless the same is used for making outward taxable supply of the same category or as an element of the taxable composite or mixed supply- [Section 17(5)].

3. When inputs are received in instalments, ITC can be availed only on receipt of last instalment- [Section 16(2)].

4. Membership of a club is specifically disallowed under section 17(5) of the CGST Act, 2017.

5. ITC cannot be taken on missing invoice. The registered person should have the invoice in its possession to claim ITC [Section 16(2) of CGST Act, 2017] .

6. Input tax credit is available only upon the receipt of goods in terms of section 16(2) of CGST Act, 2017.

Question 73:

Mr. Bholenath, a registered supplier of goods, pays GST under regular scheme and provides the following information for the month of January, 20XX:

(i)	<b>Inter-state taxable supply of goods</b>	<b>10,00,000</b>
(ii)	<b>Intra state taxable supply of goods</b>	<b>2,00,000</b>
(iii )	<b>Intra state purchase of taxable goods</b>	<b>5,00,000</b>

He has the following input tax credit at the beginning of January 20XX:

<b>Nature</b>	<b>ITC Amount in (Rs.)</b>
<b>CGST</b>	<b>20,000</b>
<b>SGST</b>	<b>30,000</b>
<b>IGST</b>	<b>25,000</b>

Rate of CGST, SGST and IGST are 9%, 9% and 18% respectively. Both inward and outward supplies are exclusive of taxes wherever applicable. All the conditions necessary for availing the ITC have been fulfilled. Compute the net GST payable by Mr. Bholenath for the month of January, 20XX.

**Answer:**

Computation of net GST payable by Mr. Bholenath for the month of January, 20XX Working of GST payable on Outward supplies.

S.No.	Particulars	(Rs.)	(Rs.)
(i)	Inter-State taxable supply of goods		
	IGST @ 18% on Rs. 10,00,000		1,80,000
(ii)	Intra-State taxable supply of goods		
	CGST @ 9% on Rs. 2,00,000	18,000	
	SGST @ 9% on Rs. 2,00,000	18,000	36,000

**Computation of total ITC**

S. No.	Particulars	(Rs.)	(Rs.)
(i)	Inter-State taxable supply of goods		
	IGST @ 18% on Rs. 10,00,000		1,80,000
(ii)	Intra-State taxable supply of goods		
	CGST @ 9% on Rs. 2,00,000	18,000	
	SGST @ 9% on Rs. 2,00,000	18,000	36,000

**Computation of total ITC**

Particulars	CGST @ 9% (Rs.)	SGST @ 9% (Rs.)	IGST @ 18% (Rs.)
Opening ITC	20,000	30,000	25,000
Add: ITC on Intra-State purchases of taxable goods valuing Rs. 5,00,000	45,000	45,000	
Total ITC	65,000	75,000	25,000

### Computation of GST payable from cash ledger

Particulars	CGST @ 9% (Rs.)	SGST @ 9% (Rs.)	IGST @ 18% (Rs.)
GST payable	18,000	18,000	1,80,000
Less: ITC	(18,000)-CGST	(18,000)- SGST	(25,000)-IGST (47,000)-CGST (57,000)-SGST
Net GST payable	Nil	Nil	51,000

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

#### Question 74:

Mr. X of Haryana intends to start business of supply of building material to various construction sites in Haryana. He has taken voluntary registration under GST in the month of April. However, he has not commenced the business till December due to lack of working capital. The proper officer suo-motu cancelled the registration of Mr. X. You are required to examine whether the action taken by

proper officer is valid in law?

Mr. X has applied for revocation of cancellation of registration after 40 from the date of service of the order of cancellation of registration. Department contends that application for revocation of cancellation of registration can only be made within 30 days from the date of service of the order of cancellation of registration.

However, Mr. X contends that the period of submission of application may be extended on sufficient grounds being shown. You are required to comment upon the validity of contentions raised by Department and Mr. X.



## Answer

As per section 29 of the CGST Act, 2017, the proper officer may cancel the registration of a person from such date, including any retrospective date, as he may deem fit, where,-

(a) a registered person has contravened such provisions of the Act or the rules made thereunder as may be prescribed; or

(b) a person paying tax under composition scheme has not furnished returns for three consecutive tax periods (As per amendment -the return for a financial year beyond 3 months from the due date of furnishing the said return) or

(c) any registered person, other than a person specified in clause (b), has not furnished such continuous tax period as may be prescribed; or

(d) any person who has taken voluntary registration under sub-section (3) of section 25 has not commenced business within six months from the date of registration; or

(e) registration has been obtained by means of fraud, wilful misstatement, or suppression of facts:

Thus, in view of the above-mentioned provisions, suo-motu cancellation of registration of Mr. X by proper officer is valid in law since Mr. X, a voluntarily registered person, has not commenced his business within 6 months from the date of registration.

Further, where the registration of a person is cancelled suo-motu by the proper officer, such registered person may apply for revocation of the cancellation to such proper officer, within 30 days from the date of service of the order of cancellation of registration (As per Amendment: or within such time period as extended by the Additional Commissioner or the Joint Commissioner or the Commissioner, as the case may be, in exercise of the powers provided under the proviso to section 30(1).

However, the said period of 30 days may, on sufficient cause being shown and for reasons to be recorded in writing, be extended for a period not exceeding 30 days by Additional/Joint Commissioner and by further period not exceeding 30 days by Commissioner. Thus, considering the above provisions, the contention of Department is not valid in law as extension can be

sought in the prescribed time limit for revocation of cancellation of registration. The contention raised by Mr. X is valid in law as extension in time limit is allowed on sufficient cause being shown and for reasons to be recorded in writing.

**Question 75:**

**Examine whether the supplier is liable to get registered in the following independent cases:-**

**(v) Raghav of Assam is exclusively engaged in intra-State taxable supply of readymade garments. His turnover in the current financial year (FY) from Assam showroom is Rs. 28 lakh. He has another showroom in Tripura with a turnover of Rs. 11 lakh in the current FY.**

**(vi) Pulkit of Panjim, Goa is exclusively engaged in intra-State taxable supply of shoes. His aggregate turnover in the current financial year is Rs. 22 lakh.**

**(vii) Harshit of Himachal Pradesh is exclusively engaged in intra-State supply of pan masala. His aggregate turnover in the current financial year is Rs. 24 lakh.**

**(viii) Ankit of Assam is exclusively engaged in intra-State supply of taxable services. His aggregate turnover in the current financial year is Rs. 25 lakh.**

**(ix) Sanchit of Assam is engaged in intra-State supply of both taxable goods and services. His aggregate turnover in the current financial year is Rs. 30 lakh.**

**Answer:**

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 be 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:-

(c) Rs. 10 lakh for the States of Mizoram, Tripura, Manipur and Nagaland.

(d) Rs. 20 lakh for the States of States of Arunachal Pradesh, Meghalaya, Puducherry, Sikkim, Telangana and Uttarakhand.

(e) Rs. 40 lakh for rest of India. However, the higher threshold limit of Rs. 40 lakh is not available to persons engaged in making supplies of ice cream and other edible ice, whether or not containing cocoa, Pan masala and Tobacco and manufactured tobacco substitutes.

The threshold limit for a person making exclusive taxable supply of services or supply of both goods and services is as under:-

(a) Rs. 10 lakh for the States of Mizoram, Tripura, Manipur and Nagaland.

(b) Rs. 20 lakh for the rest of India.

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

(i) Raghav is eligible for higher threshold limit of turnover for registration, i.e. Rs. 40 lakh as he is exclusively engaged in intra-State supply of goods. However, since Raghav is engaged in supplying readymade garments from a Special Category State i.e. Tripura, the threshold limit gets reduced to Rs. 10 lakh. Thus, Raghav is liable to get registered under GST as his turnover exceeds Rs.10 lakh. Further, he is required to obtain registration in both Assam and Tripura as he is making taxable supplies from both the States.

(ii) The applicable threshold limit for registration for Pulkit in the given case is Rs. 40 lakh as he is exclusively engaged in intra-State taxable supply of goods. Thus, he is not liable to get registered under GST as his turnover is less than the threshold limit.

(iii) Harshit being exclusively engaged in supply of pan masala is not eligible for higher threshold limit of Rs.40 lakh. The applicable threshold limit for registration in this case is Rs.20 lakh. Thus, Harshit is liable to get registered under GST.

(iv) Though Ankit is dealing in Assam, he is not entitled for higher threshold limit for registration as the same is applicable only in case of exclusive supply of goods while he is exclusively engaged in providing services. Thus, the applicable threshold limit for registration in this case is Rs. 20 lakh and hence, Ankit is liable to get registered under GST.

(v) Since Sanchit is engaged in supply of both taxable goods and services, the applicable threshold limit for registration in his case is Rs. 20 lakh. Thus, Sanchit is liable to get registered under GST as his turnover is more than the threshold limit.

**Question 76:**

**The aggregate turnover of Sangri Services Ltd., Delhi, exceeded Rs. 20 lakhs on 12th August. He applied for registration on 3rd September and was granted the registration certificate on 6 the September. You are required to advise Sangri Services Ltd. as to what is the effective date of registration in its case. It has also sought your advice regarding period for issuance of Revised Tax Invoices.**

**Answer:**

As per section 25 read with CGST Rules, 2017, where an applicant submits application for registration within 30 days from the date he becomes liable to registration, effective date of registration is the date on which he becomes liable to registration. Since, Sangri Services Ltd.'s turnover exceeded Rs. 20 lakhs on 12<sup>th</sup> August, it became liable to registration on same day. Further, it applied for registration within 30 days of so becoming liable to registration, the effective date of registration is the date on which he becomes liable to registration, i.e. 12th August. As per section 31 read with CGST Rules, 2017, every registered person who has been granted registration with effect from a date earlier than the date of issuance of certificate of registration to him, may issue Revised Tax Invoices. Revised Tax Invoices shall be issued within 1 month from the date of issuance of certificate of registration. Revised Tax Invoices shall be issued within 1 month from the date of issuance of registration in respect of taxable supplies effected during the period starting from the effective date of registration till the date of issuance of certificate of registration.

Therefore, in the given case, Sangri Services Ltd. has to issue the Revised Tax Invoices in respect of taxable supplies effected during the period starting from the effective date of registration (12th August) till the date of issuance of certificate of registration (6th September) within 1 month from the date of issuance of certificate of registration, i.e. on or before 6th October.

**Question 77:**

**Utsav Pvt. Ltd. of Meghalaya engaged in the supply of gifts items and repair services, provides you the following details:-**

<b>S. No.</b>	<b>Particulars</b>	<b>Date</b>
<b>1.</b>	<b>Commencement of the business of supplying goods and services</b>	<b>1st August</b>
<b>2.</b>	<b>Turnover exceeds Rs. 10,00,000 on</b>	<b>15th August</b>
<b>3.</b>	<b>Turnover exceeds Rs. 20,00,000 on</b>	<b>5th September</b>
<b>4.</b>	<b>Application for registration made on</b>	<b>28th September</b>
<b>5.</b>	<b>Registration certificate granted on</b>	<b>6th October</b>

**The company seeks your advice as to how it should raise revised tax invoices for supplies made. Is there any specific provision for issuance of revised tax invoices to unregistered customers? Explain.**

**Answer:**

A supplier of both goods and services whose aggregate turnover in a financial year exceeds Rs. 20 lakh in a State/UT [Rs. 10 lakh in specified Special Category States] is liable to apply for registration within 30 days from the date of becoming liable to registration (i.e., the date of crossing the threshold limit of Rs. 20 lakh/ Rs. 10 lakh) in terms of section 22 of the CGST Act, 2017. Since Meghalaya is not a specified Special Category State, applicable threshold limit is Rs. 20 lakh.

Further, where the application is submitted within said period, the effective date of registration is the date on which the person becomes liable to registration; otherwise it is the date of grant of registration. Every registered person who has been granted registration with effect from a date earlier than the date of issuance of registration certificate to him, may issue revised tax invoices within 1 month from the date of issuance of registration certificate in respect of

taxable supplies effected during this period i.e. from the effective date of registration till the date of issuance of registration.

Since Utsav Pvt. Ltd. has made the application for registration within 30 days of becoming liable for registration, the effective date of registration becomes the date on which the company becomes liable to registration i.e. 5th September.

Thus, Utsav Pvt. Ltd. may issue revised tax invoices against the invoices already issued during the period between effective date of registration (5th September) and the date of issuance of registration certificate (6th October), within 1 month from 6<sup>th</sup> October.

Further, Utsav Pvt. Ltd may issue a consolidated revised tax invoice in respect of all taxable supplies made to unregistered dealers during such period. However, in case of inter -State supplies made to unregistered dealers, a consolidated revised tax invoice cannot be issued in respect of all the recipients located in a State, if the value of a supply exceeds Rs. 2,50,000.

**Question 78:**

**ABC Ltd., a registered supplier has made following taxable supplies to its customer Mr. P in the quarter ending 30th June, 20XX.**

Date	Bill No.	Particulars	Invoice value (including GST) [Rs.]
5th April, 20XX	102	Notebooks[10 in numbers]	1,200
10th May, 20XX	197	Chart Paper [4 in number]	600
20th May, 20XX	230	Crayon colors [2 packets]	500
2nd June, 20XX	254	Poster colors [5 packets]	900
22nd June, 20XX	304	Pencil box [4 sets]	700

**Goods in respect of bill no. 102, 230 and 254 have been returned by Mr. P. You are required to advise ABC Ltd. whether it can issue consolidated credit note against all the three invoices?**

**Answer:**

Where one or more tax invoices have been issued for supply of any goods and/or services

and

(a) the taxable value/tax charged in that tax invoice is found to exceed the taxable value/tax payable in respect of such supply, or

(b) where the goods supplied are returned by the recipient, or

(c) where goods and/or services supplied are found to be deficient, the registered person, who has supplied such goods and/or services, may issue to the recipient one or more credit notes for supplies made in a financial year containing prescribed particulars.

Thus, one (consolidated) or more credit notes can be issued in respect of multiple invoices issued in a financial year without linking the same to individual invoices.

Hence, in view of the above-mentioned provisions, M/s ABC Ltd. can issue a consolidated credit note for the goods returned in respect of all the three invoices.

**Question 79:**

(a) Eden Ltd., registered under GST and dealing in educational toys, has an aggregate turnover of Rs. 18 crore in the preceding financial year. The tax consultant of Eden Ltd. advised it to issue e-invoices mandatorily in the current financial year. However, Eden Ltd. is of the view that since its aggregate turnover is less than the threshold limit applicable for invoicing, so it is not required to issue e-invoices. You are required to comment upon the validity of the advice given by Tax consultant.

(b) A Government Department is registered under GST. Its aggregate turnover in the preceding financial year is Rs. 22 crore. You are required to comment with the help of relevant provisions whether the said Department is required to issue e-invoices in the current financial year.

**Answer:**

(a) E-invoicing has been made mandatory for all registered businesses (except specified class of persons) with an aggregate turnover in any preceding financial year from 2017-18 onwards

greater than Rs. 10 crore in respect of B2B supplies (supply of goods or services or both to a registered person) or for exports . Thus, the advice given by tax consultant of Eden Ltd. for issuance of e-invoices mandatorily in the current financial year is valid in law as the aggregate turnover of Eden Ltd. has exceeded the threshold limit i.e. Rs. 10 crore in the preceding financial year.

(b) Following entities are exempt from the mandatory requirement of e-invoicing:

- Special Economic Zone units
- Insurer or banking company or financial institution including NBFC
- GTA supplying services in relation to transportation of goods by road in a goods carriage
- Supplier of passenger transportation service
- Person supplying services by way of admission to exhibition of cinematograph films in multiplex screens
- Government Department and a local authority

Further, the above taxpayers exempted from the mandatory requirement of invoicing are required to provide a declaration on the tax invoice stating that though their aggregate turnover exceeds the notified aggregate turnover for invoicing, they are not required to prepare an e-invoice.

Thus, above mentioned entities are not required to issue e-invoices even if their turnover exceeds Rs. 10 crore in the preceding financial year from 2017-18 onwards but are required to provide a declaration as discussed above.

Thus, in the given case, the Government Department is not required to issue e-invoices in the current financial year even if it's aggregate turnover has exceeded Rs. 10 crore.

**Question 80:**



**Explain the provisions relating to period of retention of accounts as provided under section 36 of CGST Act, 2017?**

**Answer:**

Section 36 of the CGST Act explains the provisions relating to period of retention of accounts as under: -

Every registered person required to keep and maintain books of account or other records shall retain them until the expiry of 72 months from the due date of furnishing of annual return for the year pertaining to such accounts and records.

However, a registered person, who is a party to an appeal or revision or any other proceedings before any Appellate Authority or Revisional Authority or Appellate Tribunal or court, whether filed by him or by the Commissioner, or is under investigation for an offence under Chapter XIX, shall retain the books of account and other records pertaining to the subject matter of such appeal or revision or proceedings or investigation for a period of 1 year after final disposal of such appeal or revision or proceedings or investigation, or for the period specified above, whichever is later.

**Question 81:**

**List any four records required to be maintained by an agent under the CGST Rules, 2017.**

**Answer:**

Every agent shall maintain accounts depicting the-

- (a) particulars of authorisation received by him from each principal to receive or supply goods or services on behalf of such principal separately;
- (b) particulars including description, value and quantity (wherever applicable) of goods or services received on behalf of every principal;
- (c) particulars including description, value and quantity (wherever applicable) of goods or services supplied on behalf of every principal;

(d) details of accounts furnished to every principal; and

(e) tax paid on receipts or on supply of goods or services effected on behalf of every principal.

**Question 82:**

**Mr. Sky is engaged in the business of trading of mobiles. He is eligible for composition scheme and has opted for the same. He seeks your advice for records which are not required to be maintained by him as composition taxable person.**

**Answer:**

A supplier who has opted for composition scheme is not required to maintain records relating to;

(c) Stock of goods: Accounts of stock in respect of goods received and supplied by him, and such accounts shall contain particulars of the opening balance, receipt, supply, goods lost stolen, destroyed, written off or disposed of by way of gift or free sample and the balance of stock including raw materials, finished goods, scrap and wastage thereof.

(d) Details of tax: Account, containing the details of tax payable (including tax payable under reverse charge), tax collected and paid, input tax, input tax credit claimed, together with a register of tax invoice, credit notes, debit notes, delivery challan issued or received during any tax period. Thus, Mr. Sky is not required to maintain above mentioned records.

**Question 83:**

**Sindhi Toys Manufacturers, registered in Punjab, sold electronic toys to a retail seller in Gujarat, at a value of Rs. 48,000 (excluding GST leviable @ 18%). Now, it wants to send the consignment of such toys to the retail seller in Gujarat. You are required to advise Sindhi Toys Manufacturers whether e-way bill is mandatorily required to be generated in respect of such movement of goods?**

**Answer:**

Rule 138(1) of the CGST Rules, 2017 provides that e-way Bill is mandatorily required to be generated if the goods are moved, inter alia, in relation to supply and the consignment value exceeds Rs. 50,000. Further, explanation 2 to rule 138(1) stipulates that the consignment value of goods shall be the value, determined in accordance with the provisions of section 15, declared in an invoice, a bill of supply or a delivery challan, as the case may be, issued in respect of the said consignment and also includes CGST, SGST/UTGST, IGST and cess charged, if any, in the document and shall exclude the value of exempt supply of goods where the invoice is issued in respect of both exempt and taxable supply of goods.

Accordingly, in the given case, the consignment value will be as follows:

$$\begin{aligned} &= \text{Rs. } 48,000 \times 118\% \\ &= \text{Rs. } 56,640. \end{aligned}$$

Since the movement of goods is in relation to supply of goods and the consignment value exceeds Rs. 50,000, e-way bill is mandatorily required to be issued in the given case.

**Question 84:**

**Brief explain when is it not mandatory to furnish the details of conveyance in Part-B of the e-way bill?**

**Answer:**

E-way bill is valid for movement of goods by road only when the information in Part - B is furnished in terms of explanation 2 to rule 138(3) of the CGST Rules, 2017.

However, details of conveyance may not be furnished in Part-B of the e-way bill where the goods are transported for a distance of up to 50 km within the State/Union territory:

- from the place of business of the consignor to the place of business of the transporter for further transportation or
- from the place of business of the transporter finally to the place of business of the consignee.

**Question 85:**

**Whether action can be taken for transportation of goods without valid documents or if goods are attempted to be removed without proper record in books? If yes, explain the related provisions under the CGST Act, 2017.**

**Answer:**

Yes, action can be taken for transportation of goods without valid documents or if goods are attempted to be removed without proper record in books. If any person transports any goods or stores any such goods while in transit without the documents prescribed under the Act (i.e. invoice and a declaration) or supplies or stores any goods that have not been recorded in the books or accounts maintained by him, then such goods shall be liable for detention along with any vehicle on which they are being transported [Section 129 of CGST Act].

**Where owner comes forward:** - Such goods shall be released on payment of the applicable tax and penalty equal to 100% of the tax payable on such goods or upon furnishing of security equivalent to the said amount. In case of exempted goods, penalty is 2% of value of goods or Rs. 25,000/- whichever is less.

**Where owner does not come forward:** - Such goods shall be released on payment of the applicable tax and penalty equal to 50% of value of goods reduced by the tax amount paid thereon or upon furnishing of security equivalent to the said amount. In case of exempted goods, penalty is 5% of value of goods or Rs. 25,000/- whichever is lesser. Yes, action can be taken for transportation of goods without valid documents or if goods are attempted to be removed without proper record in books. If any person transports any goods or stores any such goods while in transit without the documents prescribed under the Act (i.e. invoice and a declaration) or supplies or stores any goods that have not been recorded in the books or accounts maintained by him, then such goods shall be liable for detention along with any vehicle on which they are being transported [Section 129 of CGST Act].

**Where owner comes forward:** - Such goods shall be released on payment of the applicable tax and penalty equal to 100% of the tax payable on such goods or upon furnishing of security equivalent to the said amount.

In case of exempted goods, penalty is 2% of value of goods or Rs. 25,000/- whichever is less.

**Where owner does not come forward:** - Such goods shall be released on payment of the applicable tax and penalty equal to 50% of value of goods reduced by the tax amount paid thereon or upon furnishing of security equivalent to the said amount.

In case of exempted goods, penalty is 5% of value of goods or Rs. 25,000/- whichever is lesser.

**Question 86:**

**Mr. Shambhu, a trader registered under GST in Delhi is engaged in wholesale business of toys for kids. Mr. Nandi registered under GST in Patiala, a regular return filer supplies toys in bulk to Mr. Shambhu for selling to end consumers.**

**Mr. Shambhu paying tax in regular scheme in Delhi, has not filed GSTR-3B for last 2 months. Mr. Nandi wants to generate e-way bill for toys amounting to Rs. 5,00,000 to be supplied to Mr. Shambhu. Also Mr. Narayan from Jammu approached Mr. Shambhu for purchasing toys amounting to Rs. 75,000 for the purpose of return gift on his son's first birthday party. Shambhu wants to generate an e-way bill in respect of an outward supply of goods to Mr. Narayan.**

**Examine with reference to the provisions under GST law, whether Mr. Nandi and Mr. Shambhu can generate e-way bill?**

**Answer:**

Rule 138E of the CGST Rules, 2017 contains provisions pertaining to blocking of e-way bill generation facility, i.e. disabling the generation of e-way bill.

A user will not be able to generate e-way bill for a GSTIN if the said GSTIN is not eligible for e-way bill generation as per rule 138E.

Rule 138E as amended vide Notification No. 15/2021 CT dated 18.05.2021 provides that blocking of GSTIN for e-way bill generation would only be for the defaulting supplier GSTIN and not for the defaulting Recipient or Transporter GSTIN.

**Question 87:**

Raghav Ltd., have filed their GSTR-3B for the month of July, 2023 within the due date prescribed under Section 39 i.e. 20.08.2023. Post filing of the return, the registered person has noticed during September 2023 that tax dues for the month of July, 2023 have been short paid for Rs. 40,000. Raghav Ltd., has paid the above shortfall of Rs. 40,000, through GSTR-3B of September 2023, filed on 20.10.2023 [payment through Cash ledger - Rs. 30,000 and Credit ledger Rs. 10,000]. Examine the Interest payable under the CGST Act, 2017. What would be your Answer if, GSTR-3B for the month of July 2023 has been filed belatedly on 20.10.2023 and the self-assessed tax of Rs. 40,000/- has been paid on 20.10.2023 [payment through electronic cash ledger - Rs. 30,000 and electronic credit ledger Rs. 10,000]

**Notes:**

- There exists adequate balance in Electronic Cash & Credit ledger as on 31.07.2023 for the above short fall
- No other supply has been made nor tax payable for the month of July, 2023 other than Rs. 40,000/- missed out to be paid on forward charge basis
- Ignore the effect of leap year, if applicable in this case.

**Answer:**

Interest is payable under Section 50 of the CGST Act, 2017 in case of delayed payment of tax @ 18% per annum from the date following the due date of payment to the actual date of payment of tax.

As per proviso to sub-section (1) of Section 50, interest is payable on the net tax liability paid in cash, only if the return to be filed for a tax period under Section 39, has been filed after the due date to furnish such return.

In the above scenario, Raghav Ltd., has defaulted in making the payment for Rs. 40,000 on self-assessment basis in the return for the month of July, 2023.

Accordingly, interest is payable on the gross liability and proviso of sub-section 50(1) shall not be applicable.

Thus, the amount of interest payable by Raghav Ltd., is as under:- Period of delay = 21st August, 2023 to 20th October, 2023 = 60 days

Hence, amount of interest = Rs. 40,000 x 18% x 60/365 = Rs. 1,184

Alternatively, if Raghav Ltd., have filed the return for the month of July, 2023 on

20.10.2023, beyond the stipulated due date of 20.08.2023 and if the self-assessed tax for July, 2023 has been paid on 20.10.2023, Interest under proviso to Section 50(1) shall be payable on the tax paid through Electronic Cash Ledger only. Hence Interest is payable from 21st

August 2023 till 20th October 2023 = 60 days Amount of Interest = Rs. 30,000 x 18% x 60/365 = Rs. 888.

**Question 88:**

M/s Salty & Spicy Limited reduced the amount of Rs. 1,50,000 from the output tax liability in contravention of provisions of section 42(10) of the CGST Act, 2017 for the month of April 20XX, which is ineligible credit. A show cause notice was issued by the Tax Department to pay tax along with interest. M/s Salty & Spicy Limited paid the tax and interest on 31st July, 20XX. Calculate Interest liability (Ignore Penalty).

**Answer:**

A taxable person who makes an undue or excess claim of input tax credit shall pay interest @ 24% p.a. on such undue or excess claim in terms of section 50 of CGST Act, 2017. The period of interest will be from the date following the due date of payment to the actual date of payment of tax. Due date of payment is 20th May, 20XX. Period for which interest is due = 21st May, 20XX to 31st July, 20XX = 72 days

Thus, interest liability = Rs. 1,50,000 x 24% x 72/365  
=Rs. 7,101 (approx.)

**Question 89:**

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

Further, advise him with regard to following issues:

(a) Are manual challans allowed under GST?

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

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

**Answer:**

As per the provisions of CGST Act, 2017 read with relevant rules, the deposit in electronic cash ledger can be made through any of the following modes, namely:-

- (i) Internet Banking through authorised banks;
- (ii) Credit card or Debit card through the authorised bank;
- (iii) National Electronic Fund Transfer or Real Time Gross Settlement from any bank; or
- (iv) Over the Counter payment through authorised banks for deposits up to ten thousand rupees per challan per tax period, by cash, cheque or demand draft.

Thus, offline mode is also permitted under GST subject to specified conditions.

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

(b) Challan is valid for a period of 15 days.

(c) A registered person may, on the common portal, transfer any amount of tax, interest, penalty, fee or any other amount available in the electronic cash ledger under the CGST Act,



2017 to the electronic cash ledger for integrated tax, central tax, State tax or Union territory tax or cess.

**Question 90:**

**Restrictions have been imposed on the use of amount available in the electronic credit ledger vide rule 86B of the CGST Rules, 2017. Is there any exceptions to rule 86B? If yes, state the exceptions.**

**Answer:**

Restrictions have been imposed on the use of amount available in electronic credit ledger vide rule 86B of the CGST Rules, 2017. Yes, there are exceptions to rule 86B. The exceptions to rule 86B are as under:-

(i) Payment of Income Tax more than Rs. 1 lakh

Rule 86B may not apply in cases whereby person mentioned below have deposited sum of more than Rs. 1 lakh as income tax under the Income-tax Act, 1961 in each of the last 2 financial years for which the time limit to file return of income under section 139(1) of the said Act has expired

- ❖ The registered person or
- ❖ The karta/proprietor/the managing director of the registered person;
- ❖ Any of the two partners, whole-time directors, members of Managing Committee of Associations or Board of Trustees of the registered person, as the case may be.

(ii) Receipt of refund of input tax credit of more than Rs. 1 lakh

Rule 86B may not apply whereby registered person has received a refund amount of more than Rs. 1 lakh on account of unutilized input tax credit under the following:

- ❖ zero-rated supplies made without payment of tax

❖ Inverted duty structure

It is pertinent to note that refund should have been received in the preceding financial year.

(iii) Payment of total output tax liability through electronic cash ledger in excess of 1% of total output tax liability If the registered person has paid more than 1% of total output tax liability using electronic cash ledger upto the said month in the current financial year, the restrictions as specified in Rule 86B shall not apply.

It is pertinent to note that GST liability paid under reverse charge mechanism should not be taken into account while calculating the total output liability paid through electronic cash ledger.

(iv) Specified registered person:

Rule 86B would not be applicable in case of below-mentioned registered person:

- ❖ Government Department; or
- ❖ a public sector undertaking; or
- ❖ a local authority; or
- ❖ a statutory body.

However, Commissioner or an officer authorised by him in this behalf may remove the said restriction after such verifications and such safeguards as he may deem fit.

**Question 91:**

**Manihar Enterprises, registered in Delhi, is engaged in supply of various goods and services exclusively to Government departments, agencies etc. and persons notified under section 51 of the CGST Act, 2017. It has provided the information relating to the supplies made, their contract values and the payment due against each of them in the month of October, 20XX as under:**

S.No.	Particulars	Total contract value	Payment due in
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		(inclusive of GST) (Rs.)	October, 20XX (Rs.)
(i)	Supply of stationery to Fisheries Department, Kolkata	2,60,000	15,000
(ii)	Supply of car rental services to Municipal Corporation of Delhi	2,95,000	20,000
(iii)	Supply of a heavy machinery to Public Sector Undertaking located in Uttarakhand	5,90,000	25,000
(iv)	Supply of taxable goods to Delhi office of National Housing Bank, a society established by Government of India under the Societies Registration Act, 1860	6,49,000	50,000
(v)	Interior decoration of Andhra Bhawan located in Delhi. Service contract is entered into with the Government of Andhra Pradesh (registered only in Andhra Pradesh).	12,39,000	12,39,000
(vi)	Supply of printed books and printed post cards to a West Delhi Post Office [Out of total contract value of Rs. 9,72,000, contract value for supply of books (exempt from GST) is Rs. 7,00,000 and for supply of printed post cards (taxable under GST) is Rs. 2,72,000.]	9,72,000	50,000 for books & 20,000 for printed post cards
(vii)	Maintenance of street lights in Municipal area of East Delhi* [The maintenance contract entered into with the Municipal Corporation of		

	<p><b>Delhi also involves replacement of defunct lights and other spares. However, the value of supply of goods is not more than 25% of the value of composite supply.] *an activity in relation to any function entrusted to a Municipality under article 243W of the Constitution</b></p>		
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You are required to determine amount of tax, if any, to be deducted from each of the receivable given above assuming the rate of CGST, SGST and IGST as 9%, 9% and 18% respectively. Will your answer be different, if Manihar Enterprises is registered under composition scheme?

**Answer:**

As per section 51 of the CGST Act, 2017 read with section 20 of the IGST Act, 2017 and Notification No. 50/2018 CT 13.09.2018, with effect from 01.10.2018, following persons are required to deduct CGST @ 1% [Effective tax 2% (1% CGST + 1% SGST/UTGST)] or IGST @ 2% from the payment made/credited to the supplier (deductee) of taxable goods or services or both, where the total value of such supply, under a contract, exceeds Rs. 2,50,000:

(a) a department or establishment of the Central Government or State Government;

Or

(b) local authority; or

(c) Governmental agencies; or

(d) an authority or a board or any other body, -

(i) set up by an Act of Parliament or a State Legislature; or

(ii) established by any Government, with 51% or more participation by way of equity or control, to carry out any function; or

(e) Society established by the Central Government or the State Government or a Local Authority under the Societies Registration Act, 1860, or

(f) Public sector undertakings.

Further, for the purpose of deduction of tax, the value of supply shall be taken as the amount excluding CGST, SGST/UTGST, IGST and GST Compensation Cess indicated in the invoice.

Since in the given case, Manihaar Enterprises is supplying goods and services exclusively to Government departments, agencies etc. and persons notified under section 51 of the CGST Act, 2017, applicability of TDS provisions on its various receivables is examined in accordance with the above-mentioned provisions as under:

S. No.	Particulars	Total contract value (Rs.)	Payment due (Rs.)	Tax to be deducted		
				CGST (Rs.)	SGST (Rs.)	IGST (Rs.)
(i)	Supply of stationery to Fisheries Department, Kolkata (Note-1)	2,60,000	15,000	--		
(ii)	Supply of car rental services to Municipal Corporation of Delhi (Note-2)	2,95,000	20,000	--		
(iii)	Supply of a heavy machinery to Public Sector Undertaking located in Uttarakhand (Note-3)	5,90,000	25,000			500
(iv)	Supply of taxable goods to Delhi office of National Housing Bank, a society established by Government of India	6,49,000	50,000	500	500	

	under the Societies Registration Act, 1860 (Note-4)					
(v)	Interior decoration of Andhra Bhawan located in Delhi (Note-5)	12,39,000	12,39,000	--		
(vi)	Supply of printed books and printed post cards to a West Delhi Post Office (Note-6)	9,72,000		--		
(vii)	Maintenance of street lights in Municipal area of East Delhi (Note-7)	3,50,000	3,50,000	--		

Notes:

1. Being an inter-State supply of goods, supply of stationery to Fisheries Department, Kolkata is subject to IGST @ 18%. Therefore, total value of taxable supply [excluding IGST] under the contract is as follows:

$$= \text{Rs. } 2,60,000 \times 100 / 118$$

$$= \text{Rs. } 2,20,339 \text{ (rounded off)}$$

Since the total value of supply under the contract does not exceed Rs. 2,50,000, tax is not required to be deducted.

2. Being an intra-State supply of services, supply of car rental services to Municipal Corporation of Delhi is subject to CGST and SGST @ 9% each. Therefore, total value of taxable supply [excluding CGST and SGST] under the contract is as follows:

$$= \text{Rs. } 2,95,000 \times 100 / 118$$

$$= \text{Rs. } 2,50,000$$

Since the total value of supply under the contract does not exceed Rs. 2,50,000, tax is not required to be deducted.

3. Being an inter-State supply of goods, supply of heavy machinery to PSU in Uttarakhand is subject to IGST @ 18%. Therefore, total value of taxable supply [excluding IGST] under the contract is as follows:

$$= \text{Rs. } 5,90,000 \times 100 / 118$$

$$= \text{Rs. } 5,00,000$$

Since the total value of supply under the contract exceeds Rs. 2,50,000, PSU in Uttarakhand is required to deduct tax @ 2% of Rs. 25,000, i.e. Rs. 500.

4. Being an intra-State supply of goods, supply of taxable goods to National Housing Bank, Delhi is subject to CGST and SGST @ 9% each. Therefore, total value of taxable supply [excluding CGST and SGST] under the contract is as follows:

$$= \text{Rs. } 6,49,000 \times 100 / 118$$

$$= \text{Rs. } 5,50,000 \text{ (rounded off)}$$

Since the total value of supply under the contract exceeds Rs. 2,50,000, National Housing Bank, Delhi is required to deduct tax @ 2% (1% CGST + 1% SGST) of Rs. 50,000, i.e. Rs. 1,000.

5. Proviso to section 51(1) of the CGST Act, 2017 stipulates that no tax shall be deducted if the location of the supplier and the place of supply is in a State or Union territory which is different from the State or as the case may be, Union territory of registration of the recipient.

Section 12(3) of the IGST Act, 2017, inter alia, stipulates that the place of supply of services, directly in relation to an immovable property, including services provided by interior decorators, shall be the location at which the immovable property is located or intended to be located. Accordingly, the place of supply of the interior decoration of Andhra Bhawan shall be Delhi. Since the location of the supplier (Manihar Enterprises) and the place of supply is Delhi and the State of registration of the recipient - Government of Andhra Pradesh is Andhra Pradesh, no tax is liable to be deducted in the given case.

6. If the contract is made for both taxable supply and exempted supply, tax shall be deducted if the total value of taxable supply in the contract exceeds Rs. 2,50,000. Being an intra-State supply of goods, supply of printed post cards to a West Delhi Post Office is subject to CGST and SGST @ 9% each. Therefore, total value of taxable supply [excluding CGST and SGST] under the contract is as follows:

$$= \text{Rs. } 2,72,000 \times 100 / 118$$

$$= \text{Rs. } 2,30,509 \text{ (rounded off)}$$

Since the total value of taxable supply under the contract does not exceed Rs. 2,50,000, tax is not required to be deducted.

7. Composite supply of goods and services in which the value of supply of goods constitutes not more than 25% of the value of the said composite supply provided to, inter alia, local authority by way of any activity in relation to any function entrusted to a Municipality under article 243W of the Constitution is exempt from GST. Thus, maintenance of street lights (an activity in relation to a function entrusted to a Municipality) in Municipal area of East Delhi involving replacement of defunct lights and other spares where the value of supply of goods is not more than 25% of the value of composite supply is a service exempt from GST. Since tax is liable to be deducted from the payment made or credited to the supplier of taxable goods or services or both, no tax is required to be deducted in the given case as the supply is exempt.

The answer will remain unchanged even if Manihar Enterprises is registered under composition scheme. Tax will be deducted in all cases where it is required to be deducted under section 51 of the CGST Act, 2017 including the scenarios when the supplier is registered under composition scheme.

#### **Question 92:**

**From the following information of independent cases, your expert advice, with appropriate reasoning, is sought on the applicability of TDS/TCS provisions of the CGST Act, 2017. You shall also quantify the amount of TDS/TCS, as the case be, if the same is applicable.**



(i) Top Fashions, a designer cloth dealer and registered in the State of West Bengal, effected supply through 'QUICK DEAL', an electronic commerce operator. Net value of taxable intra-State supplies effected for the month of October 2019 was Rs. 1,50,000.

(ii) M/s Super Builders, a registered supplier in Tamil Nadu, was awarded a works contract by Government of Tamil Nadu amounting to Rs. 4,30,000. Of this, value of exempt supply was Rs. 1,00,000.

(iii) Tasty Caterers, a registered supplier of Kerala, provided catering services in Kochi, Kerala to Government of Andhra Pradesh for its annual training camp held for its staff. Value of said services was Rs. 4,50,000.

**Answer:**

(i) An electronic commerce operator (ECO) is required to collect TCS - an amount @ 1% (CGST 0.5% and SGST @ 0.5%) of the net value of taxable supplies made through it by other suppliers.

$$= \text{Rs. } 1,50,000 \times 0.5\%$$

$$= \text{Rs. } 750 \text{ (CGST) \& Rs. } 750 \text{ (SGST)}$$

(ii) A State Government is required to deduct tax from the payment made to the supplier of taxable goods and/or services, where the total value of such supply [excluding GST] under a contract, exceeds Rs. 2,50,000. TDS to be deducted in the given intra-State supply (since place of supply and location of supplier is in Tamil Nadu) is as follows:

$$= \text{Rs. } (4,30,000 - 1,00,000) \times 1\%$$

$$= \text{Rs. } 3,300 \text{ (CGST)}$$

$$\text{Rs. } 3,300 \text{ (SGST)}$$

(iii) Since, in the given case, the location of supplier and place of supply are in the same State, i.e., Kerala and location of recipient is in Andhra Pradesh, Andhra Pradesh Government is not required to deduct TDS although the total value of supply under the contract is more than Rs. 2,50,000.

**Note:** In above question, it has been assumed that the value given is exclusive of GST, wherever applicable, since the rate of tax is not given in the question.

**Question 93:**

**(a) Mr. Ayushman, a registered person having intra-State aggregate turnover of ₹ 1.2 crores in the preceding financial year did not file GSTR-3B for the month of September, 2021 by 10th November, 2021. The amount of tax payable for the month of September, 2021 is ₹ 8 lakh. All his supplies are intra-State supplies. Is there any late fee payable for the same? If yes, what is the amount of late fee payable?**

**(b) Will your Answer be different in (a), if Mr. Ayushman has intra-State aggregate turnover of ₹ 5 crores in the preceding financial year?**

**(c) Will your Answer be different in (a), if total amount of tax payable in the GSTR- 3B for the month of September is Nil?**

**Answer:**

(I) As per section 47 of the CGST Act, 2017 read with Notification No 19/2021 CT dated 01.06.2021, the registered persons whose aggregate turnover is  $\leq$  ₹ 1.5 crores in the preceding FY, and who fails to furnish the returns required under section 39 by the due date shall pay a late fee of ₹ 2,000 (₹ 1,000 each under CGST & SGST or ₹ 2,000 under IGST).

Thus, late fee is payable in the given case and the amount of late fee payable is ₹ 2,000 (₹ 1,000 each under CGST & SGST).

(II) As per section 47 of the CGST Act, 2017 read with Notification No 19/2021 CT dated 01.06.2021, the registered persons whose aggregate turnover is more than ₹ 1.5 crores but less than equal to ₹ 5 crores in the preceding FY, and who fails to

furnish the returns required under section 39 by the due date shall pay a late fee of ₹ 5,000 (₹ 2,500 each under CGST & SGST or ₹ 5,000 under IGST).

Thus, late fee is payable in the given case and the amount of late fee payable is ₹ 5,000 (₹ 2,500 each under CGST & SGST).

(III) As per section 47 of the CGST Act, 2017 read with Notification No 19/2021 CT dated 01.06.2021, any registered person whose total amount of tax payable in the GSTR-3B is Nil and who fails to furnish the returns required under section 39 by the due date shall pay a late fee of ₹ 500 (₹ 250 each under CGST & SGST or ₹ 500 under IGST).

Thus, late fee is leviable even if total amount of tax payable in the GSTR-3B for the month of September is Nil. The amount of late fee would be ₹ 500 (₹ 250 each under CGST & SGST).

As per amendment Provided that no such rectification of any omission or incorrect particulars shall be allowed after the 30th day of November following the end of the financial year to which such details pertain, or the actual date of furnishing of relevant annual return, whichever is earlier.

**Question 94:**

**If a return has been filed, how can it be revised if some changes are required to be made?**

**Answer:**

In GST since the returns are built from details of individual transactions, there is no requirement for having a revised return. Any need to revise a return may arise due to the need to change a set of invoices or debit/ credit notes.

Instead of revising the return already submitted, the system allows amendment in the details of those individual details of those transactions (invoices or debit/credit notes) that are required to be amended. They can be amended in any of the future GSTR- 1 in the tables specifically provided for the purposes of amending previously declared details. Omission or incorrect particulars discovered in the returns filed under section 39 of the CGST Act, 2017 can be rectified in the return to be filed for the month during which such omission or incorrect particulars are noticed. Any tax payable as a result of such error or omission will be required to be paid along with interest. The rectification of errors/omissions is carried out by entering appropriate particulars in “Amendment Tables” contained in GSTR-1. However, no such rectification of any omission or incorrect particulars is allowed after the due date for furnishing of return for the month of September or second quarter (in case of quarterly filers) following the end of the

financial year to which such details pertain, or the actual date of furnishing of relevant annual return, whichever is earlier.

As per amendment Provided that no such rectification of any omission or incorrect particulars shall be allowed after the 30th day of November following the end of the financial year to which such details pertain, or the actual date of furnishing of relevant annual return, whichever is earlier.

**Question 95:**

**(a) Miss Kashi is a registered intra-State supplier of goods in Haryana. During the months of August and September, she was out of station on a religious pilgrimage with her family for 55 days. Thus, no business transaction was made during August. Miss Kashi is of the opinion that as there is no transaction, there is no need to file monthly return [GSTR-3B] for the month of August. However, her tax consultant has advised her to file nil GSTR-3B. Whether the advice given by tax consultant is correct? Explain.**

**(b) Will your Answer in (a) change, if Miss Kashi has placed an order for some purchases during August over her mobile phone, which has been received in her premises and she intends to take input tax credit on the same?**

**(c) Assuming in (a) above, Miss Kashi does not have internet facility in her mobile and there is no facilitation centre notified by the Commissioner, whether no return is required to be filed in the absence of means to file return? Explain.**

**Answer:**

(a) The advice given by tax consultant is correct.

Under GST law, filing of GSTR-3B is mandatory for all normal and casual taxpayers, even if there is no business activity in any particular tax period. For such tax period(s), a Nil GSTR-3B is required to be filed.

Therefore, in the given case, even though Miss Kashi was out of station on a religious pilgrimage with her family for 55 days and thus, could not do any business transaction during the month of August, she is still required to file Nil GSTR-3B for that month.

(b) Nil GSTR-3B means that the return has nil or no entry in all its Tables. Since in the present case, Miss Kashi has received certain purchases, she cannot file Nil GSTR-3B, as the said purchases will need to be disclosed in the “Table for Eligible ITC” in GSTR-3B.

Thus, Miss Kashi is required to file monthly return, GSTR-3B for the month of August.

(c) GSTR-3B can be submitted electronically on the common portal, either directly or through a Facilitation Centre notified by the Commissioner. Further, a Nil GSTR- 3B can be filed through an SMS using the registered mobile number of the taxpayer.

Thus, Miss Kashi is required to file Nil GSTR-3B for the month of August through an SMS using her registered mobile number even though there is no internet facility in her mobile and no Facilitation Centre notified by the Commissioner.

#### **Question 96:**

**List the details of outward supplies which can be furnished using Invoice Furnishing Facility (IFF). Also briefly list the cases where a registered person is debarred from furnishing details of outward supplies in GSTR-1/IFF.**

Answer:

Details of outward supplies which can be furnished using IFF are as follows:

- (a) invoice wise details of inter-State and intra-State supplies made to the registered persons;
- (b) debit and credit notes, if any, issued during the month for such invoices issued previously.

Cases where a registered person is debarred from furnishing details of outward supplies in GSTR-1/using IFF:

- (i) A registered person is not allowed to furnish Form GSTR-1, if he has not furnished the return in Form GSTR-3B for the preceding 2 months<sup>2/</sup> for the preceding 1 month<sup>3/</sup>.

(ii) A registered person, opting for QRMP (Quarterly Return Monthly Payment) scheme is not allowed to furnish Form GSTR-1/using IFF, if he has not furnished the return in Form GSTR-3B for preceding tax period.

2 Position of law till 31.12.2021

3 Position of law w.e.f. 01.01.2022

**Question 97:**

**Mr. Gauri Shiva, a registered person in Punjab, supplies goods taxable @ 12% [CGST @ 6%, SGST @ 6% & IGST @ 12%] in the States of Punjab and Haryana. He has furnished the following details in relation to independent supplies made by him in the quarter ending June, 20XX:-**

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

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

**Answer:**

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

(a) invoice wise details of all –

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

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

(b) consolidated details of all –

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

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

(c) Thus, in view of the above-mentioned provisions, Mr. Gauri Shiva should furnish the details of outward supplies of goods made by him during the quarter ending June 20XX in the following manner:-

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

**Question 98:**

**Briefly elaborate the provisions relating to nil GSTR-3B.**

**Answer:**

Filing of GSTR-3B is mandatory for all normal and casual taxpayers, even if there is no business activity in any particular tax period. For such tax period(s), a Nil GSTR-3B is required to be filed.

A Nil GSTR-3B does not have any entry in any of its tables. For example, a Nil GSTR- 3B for a tax period cannot be filed, if the taxpayer has made any outward supply (including nil-rated, exempt or non-GST supplies) or has received any supplies which are taxable under reverse charge or it intends to take ITC etc. A Nil GSTR-3B can be filed through an SMS using the registered mobile number of the taxpayer. GSTR-3B submitted through SMS is verified by registered mobile number based OTP facility.

A taxpayer may file Nil GSTR-3B, anytime on or after the 1st day of the subsequent month/quarter for which the return is being filed for.

**Question 99:**

**Discuss the eligibility for QRMP scheme under GST?**

**Answer:**

Registered persons (other than supplier of online information and database access or retrieval services (OIDAR) located in non-taxable territory and providing such services to a non-taxable online recipient), having an aggregate turnover up to Rs.5 crore in the preceding financial year, and who have opted to furnish quarterly return under QRMP scheme are eligible for QRMP scheme as the class of persons who shall furnish a return for every quarter from January, 2021 onwards, and pay the tax due every month.

Thus, the taxpayers whose aggregate turnover is up to Rs.5 crore in the preceding financial year are eligible for QRMP scheme. For computing aggregate turnover, details furnished in returns for tax periods in the preceding financial year shall be taken into account.



**Question 100:**

The aggregate turnover of Mr. Prithvi, a registered person for the FY 2017-18 and 2018-19 were Rs.140 lakh and Rs.170 lakh respectively. He has not filed the annual return (GSTR-9) under section 44(1) of CGST Act, 2017 before the due date. Discuss the penal provisions, if any, for not filing the returns before the due date.

**Answer:**

The penal provisions for not filing the annual return (GSTR-9) under section 44(1) of the CGST Act, 2017 before the due date are as under: -

(a)Rs.100 for every day during which such failure continues,

or

(b)0.25% of the turnover of the registered person in the State/Union Territory whichever is lower.

Note: - It may be noted that filing of GSTR-9 has been made voluntary in respect of financial years 2017-18 and 2018-19 for the registered persons whose turnover is less than Rs.2 crores and who have not furnished the said annual return before due date. Here, the annual return is deemed to be furnished on the due date if it has not been furnished before the due date.