

J.K. SHAH[®]

**TEST
SERIES**



SUGGESTED SOLUTION

CA INTERMEDIATE

SUBJECT- DIRECT TAX

Test Code – ISP 2409

BRANCH - () (Date :)

Head Office : Shraddha, 3rd Floor, Near Chinai College, Andheri (E), Mumbai – 69.

Tel : (022) 26836666

MULTIPLE CHOICE QUESTIONS

No.	ANSWER	MARKS
1.	(i) A ₹ 22,23,438 and ₹1,17,600, respectively	2
	(ii) C ₹ 45,000	2
	(iii) A ₹ 29,86,462	2
	(iv) C ₹ 34,42,712	2
	(v) B ₹ 7,36,780	2
2.	(i) A Company has an option to issue single credit note against multiple invoices.	2
3.	D ₹ 1,80,000	2
4.	B Loss from house property relating to a particular year can be set-off against income under any other head during that year only to the extent of ₹ 2 lakhs	1

ANSWER : 1(A)

Computation of tax liability of Mr. Gupta for the A.Y.2024-25 under default tax regime

(A) Income-tax (including surcharge) computed on total income of ₹ 1, 02, 00, 000		
₹ 3,00,000 - ₹ 6,00,000 @5%	₹ 15,000	
₹ 6,00,001 - ₹ 9,00,000 @ 10%	₹ 30,000	
₹ 9,00,001 - ₹ 12, 00, 000 @ 15%	₹ 45,000	
₹ 12, 00, 001 - ₹ 15, 00, 000 @20%	₹ 60,000	
₹ 15,00,001 - ₹ 1,02,00,000 @30%	₹ 26, 10, 000	
Total	₹ 27, 60, 000	
Add: Surcharge @ 15% [1 mark]	₹ 4, 14, 000	₹31, 74, 000
(B) Income-tax computed on total income of ₹ 1 crore (₹ 1, 50, 000 plus ₹ 25, 50, 000)		₹27, 00, 000
Add: Surcharge@10%		₹ 2, 70, 000
		₹29, 70, 000
(C) Total Income Less ₹ 1crore		₹ 2, 00, 000
(D) Income-tax computed on total income of ₹ 1 crore plus the excess of total income over ₹ 1 crore (+ C)		₹31, 70, 000
(E) Tax liability: lower of (A) and (D) [1 mark]		₹31, 70, 000
Add: Health and education cess @ 4%		₹ 1, 26, 800
Tax liability (including cess)		₹ 32, 96, 800
(F) Marginal Relief (A - D) [2 marks]		₹4, 000

Alternative method -

(A) Income-tax (including surcharge) computed on total income of ₹ 1, 02, 00, 000		
₹ 3,00,000 - ₹ 6,00,000 @5%	₹ 15,000	

₹ 6,00,001 - ₹ 9,00,000 @10%	₹ 30,000	
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₹ 9, 00, 001 - ₹ 12, 00, 000 @15%	₹45, 000	
₹12, 00, 001 - 15, 00, 000 @20%	₹60, 000	
₹15, 00, 001 - ₹ 1,02,00,000 @30%	₹26, 10, 000	
Total	₹27, 60, 000	
Add: Surcharge @ 15%	₹4, 14, 000	₹31, 74, 000
(B) Income-tax computed on total income of ₹ 1 crore		₹29, 70, 000
(C) Excess tax payable (A)-(B) [2 marks]		₹2, 04, 000
(D) Marginal Relief (₹ 2,04,000 - ₹ 2,00,000, being the amount of income in excess of ₹ 1,00,00,000)		₹4, 000
(E) Tax liability (A)-(D) [1 mark]		₹31, 70, 000
Add: Health and education cess @4%		₹1, 26, 800
Tax liability (including cess) [1 mark]		₹32, 96, 800

(4 MARKS)

ANSWER : 1(B)

(i) Computation of book profit of the firm under section 40(b)

Particulars	Amount (₹)	Amount (₹)
Net Profit (before deduction of depreciation, salary and interest)		7, 50, 000
Less: Depreciation under section 32	2, 50, 000	
Interest @ 12% p.a. [being the maximum allowable as per section 40(b)] (₹ 6,00,000 × 12%)	72,000	3, 22, 000
Book profit [2 marks]		4, 28, 000

"Book profit" means the net profit as per the profit and loss account for the relevant previous year computed in the manner laid down in Chapter IV-D as increased by the aggregate amount of the remuneration paid or payable to the partners of the firm if the same has been already deducted while computing the net profit. **Hence, brought forward loss of ₹ 50,000 of P.Y.2022-23 is not allowed to be set off for computation of "book profit". [1 mark]**

(ii) Salary actually paid to working partners = ₹25,000 × 2 × 12 = ₹6,00,000 [1 mark]

As per the provisions of section 40(b)(v), the maximum allowable working partners' salary for the A.Y. 2024-25 in this case would be:

Particulars	₹
On the first ₹3, 00, 000 of book profit [(₹ 1,50,000 or 90% of ₹3, 00, 000 whichever is more)]	2, 70, 000
On the balance of book profit [60% of (₹ 4,28,000-₹ 3,00,000)]	76,800
Maximum allowable working partners' salary [1 mark]	3, 46, 800

(5 MARKS)

Question 1 (C)-

Computation of total income of Mr. Raj for A.Y. 2024-25 under default tax regime

Particulars	Rs	Rs
I. Salaries		
Gross salary	18,00,000	
Less: Standard deduction under section 16(ia) [1 mark]	<u>50,000</u>	17,50,000
II. Income from house property		
<u>Rented property at Delhi</u>		
Step I - Computation of Expected Rent		
Expected Rent = Higher of Municipal Value of ₹ 2,05,000 and Fair Rent of ₹ 1,95,000, but restricted to Standard Rent of ₹ 1,72,000	1,72,000	
Step II - Actual Rent		
Actual rent received or receivable (₹ 15,000 x 12)	1,80,000	
Step III – Computation of Gross Annual Value		
GAV is the higher of Expected Rent and Actual rent received/ receivable [1 mark]	1,80,000	
Gross Annual Value	1,80,000	
Less: Municipal taxes (5% of ₹ 2,05,000)	<u>10,250</u>	
Net Annual value [1 mark]	1,69,750	
Less: Deductions under section 24 -		
(i) 30% of net annual value	50,925	

(ii) Interest on loan (` 35 lakhs x 12%) [1 mark]	<u>4,20,000</u>	(3,01,175)
<u>Self occupied property at Kanpur</u>		
Annual value [No deduction for municipal taxes is allowed in respect of self-occupied property]	Nil	
<i>Less: Deduction under section 24 -</i>		
Interest on borrowed capital [Not allowable under section 115BAC]	<u>Nil</u>	<u>Nil</u>
Income from house property		<u>(3,01,175)</u>
Gross Total Income [Loss from house property is not allowed to be set off against income under any other head while computing income under section 115BAC] [1 mark]		17,50,000
<i>Less: Deduction under section 80EEA</i>		<u>Nil</u>
[Not allowable under section 115BAC] [1 mark]		
Total Income		17,50,000

(6 marks)

ANSWER : 2(A)

Marking Scheme-

½ mark for each correct Authorised Person

Person authorized to verify return of income

S.No.	Assessee	Authorised Persons
(a)	HUF whose karta is absent from India	Any other adult member of the HUF
(b)	Company where the company is being wound up	Liquidator
(c)	Local authority	The principal officer
(d)	Individual who is mentally incapacitated from attending to his affairs	His guardian or any other person competent to act on his behalf

(2 MARKS)

ANSWER : 2(B)

Computation of Gross Total Income of Mr. Samrat and Mrs. Komal for A.Y. 2024 -25

Particulars	Mr. Samrat		Mrs, Komal	
	₹	₹	₹	₹
Salary of Samrat	8,50,000			
Less: Standard deduction under section 16(ia) [1 mark]	<u>50,000</u>	8,00,000		
Salary of Komal	5,50,000			
Less: Standard deduction under section 16(ia) [1 mark]	<u>50,000</u>	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] [2 marks]	[22,500/90 × 100 × 2]	50,000	5,000/90 × 100]	50,000
Interest on Fixed Deposit earned by Mrs. Komal [1 mark]				9,00,000
Total Income (before including minor's income) [1 mark]		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. [$54,000/90 \times 100$] [1 mark]	60,000			
Less: Exemption of ₹1,500 u/s 10(32) in respect of the income of each child so included. [1 mark]	<u>1,500</u>	58,500		
Gross Total Income		29,68,500		9,50,000

(8 MARKS)

ANSWER : 3(A)

Computation of advance tax liability in the hands of Mr. Karan opting for presumptive taxation scheme under section 44AD

Particulars		₹
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.2023-24 on or before 15th March, 2024. 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 15th March. [1 mark]		
The advance tax liability is computed as follows -		
Total Income being 8% of ₹1,75,00,000, since Mr. Karan is an eligible assessee opting for presumptive taxation scheme under section 44 AD (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) [1 mark]		14,00,000
Tax liability		
Upto ₹ 2,50,000	Nil	
₹ 2,50,001 to ₹ 5,00,000@5%	12,500	

₹5,00,001 to ₹ 10,00,000@20%	1,00,000	
Above ₹ 10,00,000@30%	1,20,000	2,32,500
Add: Health and Education cess @4%		9,300
Total Tax Payable [2 marks]		2,41,800
Accordingly, Mr. Karan is required pay ₹ 2,41,800 as minimum amount of advance tax by 15th March 2024. [1 mark]		

(5 MARKS)

ANSWER : 3(B)

Mr. Krishna is a non-resident for the A.Y.2024-25, since he was not present in India at any time during the previous year 2023-24 [Section 6(1)].

As per section 5(2), a non-resident is chargeable to tax in India only in respect of following incomes:

- (i) Income received or deemed to be received in India; and
- (ii) Income accruing or arising or income deemed to accrue or arise in India.

Computation of Total Income of Mr. Krishna for A.Y. 2024-25

Particulars	₹
Salaries	
Salary from Government of India (Income chargeable under the head 'Salaries' payable by the Government to a citizen of India for services rendered outside India is deemed to accrue or arise in India under section 9(1) (iii). Hence, such income is taxable in the hands of Mr. Krishna, a citizen of India, even though he is a non-resident and rendering services outside India)	9,25,000
Foreign Allowance from Government of India [Any allowances or perquisites paid or allowed as such outside India by the Government to a citizen of India for rendering service outside India is exempt under section 10(7)].	Nil
Gross Salary [1 mark]	9,25,000
Less: Standard Deduction under section 16 (ia) of ₹ 50,000 , being lower or ₹ 50,000	50,000
Income from Salary Computed [1 mark]	8,75,000
Income from House Property	
Rent from a house situated at UK, received in UK (Income from property situated outside India would not be taxable in India in the hands of a non-resident, since it neither accrues or arises in India nor is it deemed to accrue or arise in India nor is it received in India) [1 mark]	Nil
Income from Other Sources	
Interest on Post office savings bank account - exempt upto ₹ 3,500	1,000
Gross Total Income [1 mark]	8,76,000
Less: Deduction under section 80TTA	1,000
Total Income [1 mark]	8,75,000

(5 MARKS)

ANSWER : 4(A)

Section 145B provides that interest received by the assessee on enhanced compensation shall be deemed to be the income of the assessee of the year in which it is received, irrespective of the

method of accounting followed by the assessee and irrespective of the financial year to which it relates.

Section 56(2)(viii) states that such income shall be taxable as "Income from other sources".

50% of such income shall be allowed as deduction by virtue of section 57 (iv) and no other deduction shall be permissible from such Income. [1 mark]

Computation of interest on enhanced compensation taxable as "Income from other sources" for the A.Y 2024-25:

Particulars	₹
Interest on enhanced compensation taxable under section 56(2)(viii) [1 mark]	7,00,000
Less: Deduction under section 57(iv) (50% x ₹7,00,000) [2 marks]	3,50,000
Taxable interest on enhanced compensation	3,50,000

(4 MARKS)

ANSWER : 4(B)

Computation of Taxable Income of Mr. Roshan for the A.Y. 2024-25 under normal provisions of the Act

Particulars	₹	₹
Salaries	3,00,000	
Shamita's salary (₹ 25,000 x 12) [See Note 1]		
Less: Standard deduction under section 16(ia) upto ₹ 50,000	50,000	
Income from Salary before deduction [1 mark]	2,50,000	
Less: Loss from house property set off against salary income as per section 71(3A) [1 mark]	2,00,000	50,000
[See Note 2]		
Short term capital gain [1 mark]	1,50,000	
Less: Loss from tea business (₹ 1,06,000 x 40%) [See Note 3 & 4] [1 mark]	<u>42,400</u>	1,07,600
Income from Other Sources		
Dividend income		11,00,000
Taxable Income [1 mark]		12,57,600

[1 mark]The following losses can be carried forward for subsequent assessment years:

- (i) **Loss from house property to be carried forward and set-off against ₹ 50,000 income from house property**

- (ii) Long-term capital loss of A.Y. 2020-21 can be carried forward and set-off against long-term capital gains ₹86,000
- (iii) Loss from speculative business to be carried forward and set-off against income from speculative business ₹ 50,000

Notes:

- 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. Shamita is not adequately qualified for the post and Mr. Roshan has substantial interest in Ray Ltd by holding 21% of the shares of the Ray Ltd., the salary income of Mrs. Shamita to be included in Mr. Roshan's income.
- As per section 71(3A), loss from house property can be set off against any other head of income to the extent of ₹ 2,00,000 only.
- 60% of the losses from tea business is treated as agricultural income and therefore exempt under section 10(1). Loss from an exempt source cannot be set off against profits from a taxable source.
- As per section 71(2A), business loss cannot be set off against salary income. Hence, 40% of the losses from tea business i.e., ₹ 42,400 can be set off against short term capital gains or dividend income.
- Loss from card games can neither be set off against any other income, nor can it be carried forward.
- Loss of ₹ 50,000 from speculative business can be set-off only against the income from the speculative business. Hence, such loss has to be carried forward.
- As per section 74(1), brought forward long-term capital loss can be set-off only against long-term capital gain. Such loss can be carried forward for eight assessment years immediately succeeding the assessment year for which the loss was first computed. Since, 8 assessment years has not expired, such loss can be carried forward to A.Y. 2025-26 for set-off against long-term capital gains.

(6 MARKS)

ANSWER : OR 4(B)

Computation of taxable amount of Mr. L for the A.Y.2024-25

Particulars	₹
Income from other Sources	
(i) Dividend from LMN Ltd. would be chargeable to tax under the head "Income from Other Sources". Since dividend was declared by LMN Ltd. At its annual general meeting held in October 2022, the amount of dividend was	-

taxable in the A.Y. 2023-24. Accordingly, the dividend of ₹ 50,000 would not be taxable in the current A.Y. 2024-25 Refer Note [1 mark]	
Note - Since the exact amount of dividend to be taxable can be determined only at the time of payment or distribution of dividend, alternate view is possible to tax such dividend on receipt basis.4 Consequently, the amount of dividend received in April, 2022, would be chargeable to tax in the current A.Y. 2024-25. Accordingly, the total income of Mr. L for A.Y. 2023-24 would be ₹ 2,85,000	
(ii) Advance of ₹ 1,00,000 forfeited on 1.5.2022 - The advance received and forfeited on or after 1.4.2014 would be subject to tax under section 56(2) (ix) under the head "Income from Other Sources". [1 mark]	1,00,000
(iii) Cash gifts from non-relative on marriage of son of ₹ 51,000 – Since gift is received by Mr. L from a non-relative on the occasion of marriage of his son, it would be taxable in his hands under section 56(2)(x) under the head "Income from Other Sources". [1 mark]	51,000
(iv) Pension from employer of deceased wife of ₹ 99,000 - Pension after deducting lower of ₹ 33,000 i.e., 1/3 of such income or ₹ 15,000, is chargeable to tax under the head "Income from Other Sources". [₹ 99,000 ₹ 15,000] [1 mark]	84,000
Taxable amount [2 marks]	2,35,000

(6 MARKS)

Note: Alternatively, if dividend is considered as taxable in current AY of Rs 50,000/-, then consequently taxable amount shall be Rs 2,85,000/-

DIVISION - A

Multiple Choice Questions (MCQs)

No.	ANSWER	MARKS
1.	(i) B ₹ 8,08,000	2
	(ii) D 5th September; 5th September	2
	(iii) D ₹ 3,00,000	2
	(iv) D not a supply as per Schedule I of the CGST Act, 2017	2
	(v) D Nil	2
2	B Stock record is to be maintained by all registered dealers except the dealers registered under composition scheme.	2
3.	B 2 days	2
4.	C Time of supply is 10 th August for ₹ 5,000 & 10 th October for ₹ 15,000 .	1

DIVISION B – DESCRIPTIVE ANSWER

ANSWER : 1(A)**Computation of net GST payable in cash**

Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
Output tax liability [Refer Working Note 1] [1 mark]	31,500	31,500	54,000
Less: ITC available [Refer Working Note 2] [1 mark]	<u>2,250</u>	<u>2,250</u>	-
Net GST payable	29,250	29,250	54,000
Add: Tax Payable under reverse charge to be paid in cash [The amount available in the electronic credit ledger may be used for making any payment towards output tax. Further, output tax means the tax chargeable on taxable supply of goods and/or services but excludes tax payable on reverse charge basis. Thus, tax liability under reverse charge has to be paid in cash]	<u>2,250</u>	<u>2,250</u>	
Total GST Payable in cash [2 mark]	<u>31,500</u>	<u>31,500</u>	54,000

Working Notes

Computation of total value of taxable supplies made by M/s Cute & Co. for the month of October, 2023

Particulars	Amount	CGST	SGST	IGST
	(₹)	(₹)	(₹)	(₹)
Taxable under Forward Charge				
Intra-State taxable supply of DSA service	2,50,000	22,500	22,500	
[Since DSA services are provided by partnership firm, so taxable under forward charge] [1 mark]				
Services provided to a Governmental authority by way of sanitation conservancy		-	-	
[Specifically exempt under GST] [1 mark]				
Information Technology services [Import of services from a non-related person without consideration, in the course or furtherance of business is not a supply.] [1 mark]	Nil			
Training and performance appraisal services to ABC Private Limited [Taxable; the place of supply of services in relation to training and performance appraisal to a registered person, shall be the location of such person. Thus, place of supply is Kerala and hence an inter-State transaction.] [1 mark]	3,00,000			54,000
Training and performance appraisal services to Babu Cones. [Taxable, the place of supply of services in relation to training and performance appraisal to an unregistered person, shall be the location where the services are actually performed. Thus, place of supply is Bengaluru, hence Intra-State transaction] [1 mark]	1,00,000	9,000	9,000	

	7,49,900	31,500	31,500	54,000
Taxable under Reverse Charge				
Rent paid for residential unit [Service by way of renting of residential dwelling to a registered person is taxable under reverse charge mechanism] [1 mark]	25,000	2,250	2,250	
	7,74,900	33,750	33,750	54,000

(10 MARKS)

ANSWER : 1(B)

Interest is payable 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. [1 mark]

Thus, the amount of interest payable by Mr. Piyush is as under: -

Period of delay = 21st February, 2025 to 15th April, 2025 = 54 days [2 marks]

Hence, amount of interest = ₹36,500 × 18% × 54/365 = ₹972 [2 marks]

(5 MARKS)

ANSWER : 2(A)

Marking Scheme- 3 marks for each sub part [Highlighted in red, if those points are mentioned only then award marks]

- (i) GST is not payable by Dhruv Developers on sale of plot of land. Circular No. 177/09/2022 GST dated 03.08.2022 clarifies applicability of GST on sale of land after levelling, laying down of drainage lines etc. As per Para 5 of Schedule III of the CGST Act, 2017, **'sale of land' is neither**

a supply of goods nor a supply of services. Therefore, the sale of land does not attract GST. Land may be sold either as it is or after some development such as levelling, laying down of drainage lines, water lines, electricity lines, etc. **It is clarified that sale of such developed land is also sale of land and is covered by Para 5 of Schedule III and accordingly, does not attract GST.**

- (ii) Transportation of passenger services provided by the private operator - Deccan Shipping Pvt. Ltd. - are exempt from GST. Circular No. 177/09/2022 GST dated 03.08.2022 clarifies the applicability of GST on private ferry tickets. Transportation of passengers by public transport, other than predominantly for tourism purpose, in a vessel between places located in India is **exempt from GST** vide Notification No. 12/2017 CT (R) dated 28.06.2017. It is clarified that this exemption would apply to tickets purchased for transportation from one point to another **irrespective of whether the ferry is owned or operated by a private sector enterprise or by a PSU/Government.**

It is further clarified that, the expression 'public transport' used in the said exemption notification **only means that the transport should be open to public.** It can be privately or publicly owned. Only exclusion is on transportation which is predominantly for tourism, such as services which may combine with transportation, sightseeing, food and beverages, music, accommodation such as in shikara, cruise etc.

(6 MARKS)

ANSWER : 2(B)

Circular No. 177/09/2022 GST dated 03.08.2022 clarifies the applicability of GST on honorarium paid to Guest Anchors. Sansad TV and other TV channels invite guest anchors to participate in their shows and pay remuneration to them in the form of honorarium.

It is clarified that supply of all goods & services are taxable unless exempt or declared as 'neither a supply of goods nor a supply of service'. Services provided by the guest anchors in lieu of honorarium attract GST liability. [2 marks]

However, guest **anchors whose aggregate turnover in a financial year does not exceed 20 lakh (10 lakh in case of specified Special Category States) shall not be liable to take registration and pay GST [2 marks]**

(4 MARKS)

ANSWER : 3(A)

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 ₹ 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 under:

No.	Particulars	Total contract value (₹)	Payment due (₹)	Tax to be deducted		
				CGST (₹)	SGST (₹)	IGST (₹)
(i)	Supply of stationery to Fisheries Department, Kolkata (Note-1) [1 mark]	2,60,000	15,000	-		
(ii)	Supply of car rental services to Municipal Corporation of Delhi (Note-2) [2 mark]	2,95,000	20,000	-		
(iii)	Supply of a heavy machinery to Public Sector Undertaking located in Uttarakhand (Note-3) [2 mark]	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 under the Societies Registration Act, 1860 (Note-4) [2 mark]	6,49,000	50,000	500	500	
(v)	Interior decoration of Andhra Bhawan located in Delhi (Note-5) [1 mark]	12,39,000	12,39,000	-		
(vi)	Supply of printed books and printed post cards to a West Delhi Post Office (Note-6) [1 mark]	9,72,000		--		
(vii)	Maintenance of street lights in Municipal area of East Delhi (Note-7) [1 mark]	3,50,000	3,50,000	--		

Notes:

- 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:

$$= ₹2,60,000 \times 100/118$$

$$= ₹2,20,339 \text{ (rounded off)}$$

Since the total value of supply under the contract does not exceed ₹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:

$$= ₹2,95,000 \times 100/118$$

$$= ₹2,50,000$$

Since the total value of supply under the contract does not exceed ₹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: $= ₹5,90,000 \times 100/118$

$$= ₹5,00,000$$

Since the total value of supply under the contract exceeds ₹2,50,000, PSU in Uttarakhand is required to deduct tax @ 2% of ₹25,000, i.e. ₹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:

$$= ₹6,49,000 \times 100/118$$

$$= ₹5,50,000 \text{ (rounded off)}$$

Since the total value of supply under the contract exceeds ₹2,50,000, National Housing Bank, Delhi is required to deduct tax @ 2% (1% CGST + 1% SGST) of ₹50,000, i.e. ₹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 ₹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:

$$= ₹ 2,72,000 \times 100/118$$

$$= ₹ 2,30,509 \text{ (rounded off)}$$

Since the total value of taxable supply under the contract does not exceed ₹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 243 W 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.

(10 MARKS)

ANSWER : 4(A)

Marking Scheme-

1 mark for each correct point

Dynamic QR code is applicable to invoices issued in respect of supplies made to unregistered persons by a registered supplier provided its aggregate turnover in any financial year from 2017-18 onwards exceeds ₹ 500 crores.

However, it is not applicable to following suppliers issuing invoices to unregistered persons:-

- (i) Insurer or banking company or financial institution including NBFC**
- (ii) GTA supplying services in relation to transportation of goods by road in a goods carriage**
- (iii) Supplier of passenger transportation service**
- (iv) Person supplying services by way of admission to exhibition of cinematograph films in multiplex screens.**
- (v) Supplier of online information and database access or retrieval (OIDAR) service**

(5 MARKS)

ANSWER : OR 4(A)

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. [1 mark]**

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. [1 mark]**

- (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 [1 mark]**.

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). [1 mark]**

- (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. [1 mark]**

(5 MARKS)

ANSWER : 4(B)

Registration will confer following advantages to the business:

- Legally recognized as supplier of goods or services. **[1 mark]**
- Proper accounting of taxes paid on the input goods or services which can be utilized for payment of GST due on supply of goods or services or both by the business. **[2 marks]**
- Legally authorized to collect tax from his purchasers and pass on the credit of the taxes paid on the goods or services supplied to purchasers or recipients. **[1 mark]**
- Become eligible to avail various other benefits and privileges rendered under the GST laws. **[1 mark]**

(5 MARKS)

