

Mock Test Paper - Series I: March, 2024

Date of Paper: 9 March, 2024

Time of Paper: 2 P.M. to 5 P.M.

INTERMEDIATE COURSE
PAPER – 3: TAXATION
SECTION – A: INCOME TAX LAW
SOLUTIONS

Division A – Multiple Choice Questions

MCQ No.	Sub-part	Most Appropriate Answer	MCQ No.	Most Appropriate Answer
1.	(i)	(d)	3.	(c)
	(ii)	(a)	4.	(b)
	(iii)	(a)		
2.	(i)	(c)		
	(ii)	(d)		
	(iii)	(d)		

Division B – Descriptive Questions

1. **Computation of total income of Mr. Amit as per section 115BAC for A.Y. 2024-25**

Particulars	₹
Net profit as per profit and loss account	50,85,000
Less: Income-tax refund credited in the profit and loss account, out of which interest on such refund is only taxable, which is to be considered separately under the head "Income from other sources"	<u>30,000</u>
	50,55,000
Add: Expenses either not allowable or to be considered separately but charged in the profit & loss account	
- Salary paid to brother disallowed to the extent considered unreasonable [Section 40A(2)]	5,000
- Advertisement in the souvenir of political party not allowable as per section 37(2B) (See Note 1)	2,500
- Payment made to political party by cheque (See Note 2)	1,00,000
- Penalty levied by the Goods and Services tax department for delayed filing of returns not allowable as being paid for infraction of law (See Note 3)	5,300

- Depreciation as per books		1,07,250
- 30% of interest paid on loan paid to Mr. Mohit, a resident, without deduction of tax at source not allowable as per section 40(a)(ia)		24,000
		52,99,050
Less: Depreciation allowable as per Income-tax Act, 1961	65,000	
Depreciation on building [₹ 20 lakhs x 10%]	2,00,000	2,65,000
Profits and gains from business or profession		50,34,050
Income from Other Sources		
Interest on income-tax refund		4,570
Gross Total Income		50,38,620
Less: Deduction under section 80GGC [Contribution to Political Party] [Not allowable]		Nil
Total Income		50,38,620

Notes –

- (1) The amount of ₹ 2,500 paid for advertisement in the souvenir issued by a political party attracts disallowance under section 37(2B).
- (2) Payment to political party is not an expenditure incurred wholly and exclusively for business purpose and hence not allowance under section 37(1). Since the amount has been debited to profit and loss account, the same has to be added back for computing business income.
- (3) The interest of ₹ 12,750 paid on the delayed deposit of goods and services tax is for breach of contract and hence, is allowable as deduction. However, penalty of ₹ 5,300 for delay in filing of returns is not allowable since it is for breach of law.
- (4) Deduction under section 35AD is not allowable as per section 115BAC(2). However, normal depreciation u/s 32 is allowable.

Computation of tax liability as per section 115BAC

Particulars	₹	₹
Tax on total income of ₹ 50,38,620		
Upto ₹ 3,00,000	Nil	
₹ 3,00,001 – ₹ 6,00,000 [@5% of ₹ 3 lakhs]	15,000	
₹ 6,00,001 – ₹ 9,00,000 [@10% of ₹ 3 lakhs]	30,000	
₹ 9,00,001 – ₹ 12,00,000 [@15% of ₹ 3 lakhs]	45,000	
₹ 12,00,001 – ₹ 15,00,000 [@20% of ₹ 3 lakhs]	60,000	
₹ 15,00,001 – ₹ 50,38,620 [@30% of ₹ 35,38,620]	<u>10,61,586</u>	
		12,11,586

<i>Add:</i> Surcharge @10% [Since, the total income exceeds ₹ 50 lakhs but does not exceed ₹ 1 crore]	<u>1,21,159</u>
	13,32,745
<i>Less:</i> Marginal relief (See computation below)	<u>94,125</u>
	12,38,620
<i>Add:</i> Health and education cess@4%	<u>49,545</u>
Total tax liability	<u>12,88,165</u>
Total tax liability (Rounded off)	12,88,170

Computation of marginal relief

Particulars		₹
(A)	Tax payable including surcharge on total income of ₹ 50,38,620 as per section 115BAC	13,32,745
(B)	Tax payable on total income of ₹ 50 lakhs as per section 115BAC	<u>12,00,000</u>
(C)	Excess tax payable (A-B)	<u>1,32,745</u>
(D)	Marginal relief (₹ 1,32,745 – ₹ 38,620, being the amount of income in excess of ₹ 50 lakhs)	94,125

Note - An individual paying tax u/s 115BAC is not liable to alternate minimum tax u/s 115JC.

Computation of total income of Mr. Amit for A.Y. 2024-25 under normal provisions of the Act

Particulars	₹	₹
Gross Total Income as per default tax regime under section 115BAC		50,38,620
<i>Add:</i> Depreciation on building [₹ 20 lakhs x 10%]		<u>2,00,000</u>
		52,38,620
<i>Less:</i> Warehousing charges		<u>22,50,000</u>
Gross Total Income excluding profits and gains from specified business under section 35AD		29,88,620
Profits and gains from specified business under section 35AD		
Warehousing charges	22,50,000	
<i>Less:</i> Deduction under section 35AD (See Note 1)	<u>20,00,000</u>	<u>2,50,000</u>
Gross Total Income as per normal provisions of the Act		32,38,620
<i>Less:</i> Deduction under section 80GGC for contribution to Political Party (See Note 2)		1,00,000
Total Income as per regular provisions of the Act		31,38,620

Notes –

- (1) Deduction @100% of the capital expenditure is available under section 35AD in respect of specified business of setting up and operating a warehouse facility for storage of agricultural produce which commences operation on or after 1.04.2009.
- (2) Payment to political party qualifies for deduction under section 80GGC since the payment is made by way of a cheque.

Computation of tax liability of Mr. Amit for A.Y. 2024-25 under the regular provisions of the Act

Particulars	₹	₹
Tax on total income of ₹ 31,38,620		
Upto ₹ 2,50,000	Nil	
₹ 2,50,001 – ₹ 5,00,000 [@5% of ₹ 2.50 lakh]	12,500	
₹ 5,00,001 – ₹ 10,00,000 [@20% of ₹ 5,00,000]	1,00,000	
₹ 10,00,001- ₹ 31,38,620 [@30% of ₹ 21,38,620]	<u>6,41,586</u>	7,54,086
<i>Add: Health and education cess@4%</i>		<u>30,163</u>
Total tax liability		<u>7,84,249</u>
Total tax liability (rounded off)		7,84,250

Computation of adjusted total income and AMT of Mr. Amit for A.Y. 2024-25

Particulars	₹	₹
Total Income (computed above as per regular provisions of income tax)		31,38,620
<i>Add: Deduction under section 35AD</i>	20,00,000	
<i>Less: Depreciation under section 32 on building [₹ 20 lakhs x 10%]</i>	<u>(2,00,000)</u>	<u>18,00,000</u>
Adjusted Total Income		<u>49,38,620</u>
Alternative Minimum Tax@18.5%		9,13,645
<i>Add: Health and education cess@4%</i>		<u>36,546</u>
Total tax liability		<u>9,50,191</u>
Total tax liability (rounded off)		9,50,190

Since the regular income-tax payable is less than the alternate minimum tax payable, the adjusted total income shall be deemed to be the total income and tax is leviable @18.5% thereof plus cess@4%. Therefore, liability as per section 115JC is ₹ 9,50,190.

Since the tax liability of Mr. Amit under section 115JC is lower than the tax liability as computed u/s 115BAC, it would be beneficial for him to opt out of the default tax regime under section 115BAC for A.Y. 2024-25 and pays tax

under regular provisions of the Act. Moreover, benefit of alternate minimum tax credit is also available to the extent of tax paid in excess of regular tax.

AMT credit to be carried forward under section 115JEE

Particulars	₹
Tax liability under section 115JC	9,50,190
Less: Tax liability under the regular provisions of the Income-tax Act, 1961	7,84,250
	1,65,940

2. (a) As per section 6(1), an Indian citizen or a person of Indian origin who, being outside India, comes on a visit to India would be resident in India if he or she stays in India for a period of 182 days or more during the relevant previous year in case such person has total income, other than the income from foreign sources, not exceeding ₹ 15 lakhs. However, if such person has total income, other than the income from foreign sources, exceeding ₹ 15 lakhs, he would also be a resident if he has been in India for at least 120 days during the relevant previous year and has been in India during the 4 years immediately preceding the previous year for a total period of 365 days or more. In such a case, he would be resident but not ordinarily resident in India.

Income from foreign sources means income which accrues or arises outside India (except income derived from a business controlled in or a profession set up in India) and which is not deemed to accrue or arise in India.

In this case, total income, other than the income from foreign sources, of Mr. Akash for P.Y. 2023-24 would be

Particulars	Amount (₹)
Salary from ABC Inc., California received in California (Computed) (Not included in total income, since it is income from foreign source)	-
Dividend from Indian companies (Included in total income, since it is deemed to accrue or arise in India)	5,00,000
Agricultural income from land situated in Nepal (Not included in total income, since it is accrued or arisen outside India and received outside India)	-
Rent received/receivable from house property in Delhi (Included in total income, since it is deemed to accrue or arise in India)	5,50,000
Less: 30% of ₹ 5.50 lakhs	<u>1,65,000</u>
Profits from a profession in California, which was set up in India, received there	6,00,000
Total income, other than the income from foreign sources	14,85,000

Since, Mr. Akash is an Indian citizen who comes on a visit to India only for 121 days in the P.Y. 2023-24 and his total income, other than income from foreign sources does not exceed ₹ 15 lakhs, he would be non-resident for the A.Y. 2024-25.

A non-resident is chargeable to tax in respect of income received or deemed to receive in India and income which accrues or arises or is deemed to accrue or arise to him in India. Accordingly, his total income would be as follow –

Particulars	Amount (₹)
Salary from ABC Inc., California received in California (Computed) (Not taxable, since it neither accrues or arises in India nor is it received in India)	-
Dividend from Indian companies (Taxable, since deemed to accrue or arise in India)	5,00,000
Agricultural income from land situated in Nepal (Not taxable, since it neither accrues or arises in India nor is it received in India)	-
Rent received/receivable from house property in Delhi (Taxable, since it is deemed to accrue or arise in India)	5,50,000
Less: 30% of ₹ 5.50 lakhs	<u>1,65,000</u>
Profits from a profession in California, which was set up in India, received there	-
Gross Total Income/ Total income	8,85,000

(b) TDS implications

- (i) Section 194-I, which governs the deduction of tax at source @10% on payment of rent, exceeding ₹ 2,40,000 p.a., is applicable to all persons except individuals and HUF, whose turnover/gross receipts do not exceed ₹ 1 crore in case of business or ₹ 50 lakhs in case of profession during the financial year immediately preceding the financial year in which such rent is credited or paid.

In the present case, State Bank of India has to deduct at source @ 10% on rental payment to Mr. Kunal.

Tax deducted at source = ₹ 72,000 (₹ 7,20,000 x 10%)

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.

- (ii) As per section 194C, no tax is required to be deducted at source on payment to transporter if the following conditions are satisfied:

- (1) He owns ten or less goods carriages at any time during the previous year.
- (2) He is engaged in the business of plying, hiring or leasing goods carriages;
- (3) He furnishes a declaration to this effect along with his PAN.

In the present case, since Mr. Deepak has not furnished his PAN, tax is required to be deducted at source @ 20% under section 206AA on ₹ 2,50,000, since the same exceeds the threshold limit of ₹ 1,00,000.

Tax deducted at source = ₹ 50,000 (₹ 2,50,000 x 20%)

3. (a) Computation of Income under the head “Salaries” in the hands of Mr. Sahil for the A.Y. 2024-25

Particulars	₹
Basic Salary [₹ 55,000 x 12]	6,60,000
Dearness allowance [10% of basic salary]	66,000
Bonus	60,000
Fixed Medical Allowance [Taxable]	50,000
Reimbursement of Medical expenditure incurred for his father [Fully taxable]	6,500
Facility of laptop [Facility of laptop is an exempt perquisite, whether used for official or personal purpose or both]	Nil
Reimbursement of salary of domestic servant [₹ 8,000 x 12] [Fully taxable, since perquisite includes any sum paid by the employer in respect of any obligation which would have been payable by the employee]	96,000
Value of equity shares allotted [700 equity shares x ₹ 110 (₹ 280, being the fair market value – ₹ 170, being the amount recovered)]	77,000
Professional tax paid by the employer [Perquisite includes any sum paid by the employer in respect of any obligation which would have been payable by the employee]	1,400
Gross Salary	10,16,900
<i>Less:</i> Deduction under section 16	
Professional tax paid [Not allowed]	-
Standard Deduction (Lower of ₹ 50,000 or amount of salary)	50,000
Taxable Salary	9,66,900

(b) **Computation of income from house property of Mr. Kushal for A.Y. 2024-25**

Particulars	₹	₹
1. Income from let-out property in New York [See Note 1 below]		
¹ Gross Annual Value (\$ 5,000 p.m. x 12 months x ₹ 81)		48,60,000
Less: Municipal taxes paid during the year [\$ 2,000 (\$ 1,250 + \$ 750) x ₹ 81] ²		<u>1,62,000</u>
Net Annual Value (NAV)		46,98,000
Less: Deductions under section 24		
(a) 30% of NAV	14,09,400	
(b) Interest on housing loan	<u>-</u>	<u>14,09,400</u>
		<u>32,88,600</u>
2. Income from self-occupied property in Ahmedabad		
Annual Value [Nil, since the property is self-occupied]		NIL
[No deduction is allowable in respect of municipal taxes paid in respect of self-occupied property]		
Less: Deduction in respect of interest on housing loan [See Note 2 below]		<u>2,00,000</u>
		<u>(2,00,000)</u>
Income from house property [₹ 32,88,600 – ₹ 2,00,000]		30,88,600

Notes:

(1) Since Mr. Kushal is a resident but not ordinarily resident in India for A.Y. 2024-25, income which is, *inter alia*, received in India shall be taxable in India, even if such income has accrued or arisen outside India by virtue of the provisions of section 5(1). Accordingly, rent received from house property in New York would be taxable in India since such income is received by him in India.

(2) **Interest on housing loan for construction of self-occupied property allowable as deduction under section 24**

Interest for the current year (₹ 30,00,000 x 10%) ₹ 3,00,000

¹ In the absence of information related to municipal value, fair rent and standard rent, the rent receivable has been taken as the GAV

² Both property tax and sewerage tax qualify for deduction from gross annual value

Pre-construction interest

For the period 01.09.2018 to 31.03.2020
 (₹ 30,00,000 x 10% x 19/12) = ₹ 4,75,000

₹ 4,75,000 allowed in 5 equal installments ₹ 95,000
 (₹ 4,75,000/5)

₹ 3,95,000

In case of self-occupied property, interest deduction to be restricted to ₹ 2,00,000

4. (a) Computation of Total Income of Mr. Vishal for A.Y. 2024-25

Particulars	Amount (₹)	Amount (₹)
Income from house property		
House in Delhi [Since Mr. Vishal receives direct or indirect benefit from income arising to his brother's daughter, Ms. Deepika, from the transfer of house to her without consideration, such income is to be included in the total income of Mr. Vishal, even though the transfer may not be revocable during lifetime of Ms. Deepika]		
Gross Annual Value ³	5,50,000	
Less: Municipal taxes	<u>-</u>	
Net Annual Value	5,50,000	
Less: Deductions from Net Annual Value		
(a) 30% of Net Annual Value	1,65,000	
(b) Interest on loan	<u>-</u>	
		3,85,000
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. Short term capital loss of ₹ 16,000 set off against long-term capital gains to the extent of ₹15,000. Balance short term capital loss of ₹ 1,000 to be carry forward to A.Y.2025-26	<u>15,000</u>	-

³ Rent receivable has been taken as the gross annual value in the absence of other information.

Income from other sources		
Dividend on preference shares [Taxable in the hands of Mr. Vishal as per section 60, since he transferred the income, i.e., dividend, without transferring the asset, i.e., preference shares]	4,50,000	
Interest from saving bank account	1,75,000	
Cash gift [Taxable as per section 56(2)(x), since sum of money exceeding ₹ 50,000 is received from his niece, who is not a relative]	75,000	
Income from betting [No loss is allowed to be set off against such income]	25,000	
Income from card games [No loss is allowed to be set off against such income]	<u>46,000</u>	<u>7,71,000</u>
Gross Total Income		11,56,000
Less: Deduction under Chapter VI-A		
Deduction under section 80TTA [Interest from savings bank account]	<u>10,000</u>	10,000
Total Income		11,46,000

Losses to be carried forward to A.Y. 2025-26

Particulars	Amount (₹)
Short term capital loss [₹ 16,000 – ₹ 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.]	14,600

(b) First alternative

As per section 139(3), an assessee is required to file a return of loss within the due date specified u/s 139(1) for filing return of income.

As per section 80, certain losses which have not been determined in pursuance of a return filed under section 139(3) on or before the due date specified under section 139(1) cannot be carried forward and set-off. Thus, the assessee has to file a return of loss under section 139(3) within the time allowed u/s 139(1) in order to carry forward and set off of following losses:

- loss under the head “Capital Gains”,
- loss from activity of owning and maintaining race horses.
- business loss,

- speculation business loss and
- loss from specified business.

However, following can be carried forward for set-off even if the return of loss has not been filed before the due date:

- Loss under the head "Income from house property" and
- Unabsorbed depreciation

(b) **Second alternative**

	Transaction	Is quoting of PAN mandatory in related documents?
1.	Sale of scooter for ₹ 70,000	No, quoting of PAN is not mandatory on sale of scooter.
2.	Payment of life insurance premium of ₹ 67,000 to insurance company	Yes, since the amount paid exceeds ₹ 50,000.
3.	Purchase of plot for ₹ 9 lakhs while the stamp duty of the same is ₹ 11 lakhs	Though the amount of consideration does not exceed ₹ 10 lakhs, Mr. Vishnu has to quote PAN since stamp duty of plot exceeds ₹ 10 lakhs.
4.	Applied to PNB for issue of credit card	Yes, quoting of PAN is mandatory on making an application to a banking company for issue of credit card.

SECTION B – GOODS AND SERVICES TAX (50 MARKS)**SUGGESTED ANSWERS****Division A - Multiple Choice Questions**

Question No.	Answer
1	(b) Invoice shall be issued before or at the time of removal of smartphones to distributors.
2	(b) ITC of Rs. 18 lakh can be claimed and depreciable value of asset in the books shall be Rs. 1 crore
3	(a) The demerged entity shall be treated as related party of the Company.
4	(d) 72 months from due date of furnishing annual return for the relevant financial year
5	(a) 45 days
6	(c) The restriction of 180 days for payment of consideration is not applicable in the present case.
7	(b) 2 days
8	(c) Both (a) and (b)

Division B - Descriptive Questions**1. (a) Computation of GST payable on outward supplies**

S. No.	Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
(i)	Intra-State supply of goods for ₹ 4,00,000 [Note-1]	36,000	36,000	Nil
(ii)	Services rendered by way of labour contracts for repairing a single residential unit otherwise than as a part of residential complex [Note-2]	9,000	9,000	Nil
(iii)	Services provided by way of training in recreational activities relating to sports [Note-3]	Nil	Nil	1,800
(iv)	Inter-State security services provided to Bharat higher secondary school for their annual day function to be held in Kaman Auditorium.[Note-4]	Nil	Nil	2,700
	Total GST payable	45,000	45,000	4,500

Notes

1. A registered person (excluding composition supplier) has to pay GST on the outward supply of goods at the time of supply as specified in section 12 of the CGST Act, 2017, i.e. date of issue of invoice or the last date on which invoice ought to have been issued. Thus, liability to pay tax on the advance received in January will also arise in the month of February, when the invoice for the supply is issued.
2. Services by way of pure labour contracts of construction, erection, commissioning, or installation of original works pertaining to a single residential unit otherwise than as a part of a residential complex are exempt. Labour contracts for repairing are thus, taxable.
3. Services by way of training in sports is exempt under GST, only if provided by charitable entities registered under section 12AA or section 12AB of the Income-tax Act, 1961. Thus, in the given case, said service is taxable.
4. Security services provided to Bharat 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.

Computation of total ITC

Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
Opening ITC	57,000	Nil	50,000
Add: Purchase of goods from a composition dealer [ITC is not available in case of supply of goods where tax has been paid under composition scheme]	Nil	Nil	Nil
Add: Membership of a club [Blocked credit]	Nil	Nil	Nil
Add: Goods transport services received from GTA [Input tax credit is available for the services received from GTA as the same are used in the course or furtherance of business.]	Nil	Nil	24,000
Add: Inputs to be received in 4 lots, out of which 2 nd 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	74,000

Computation of minimum GST payable from electronic cash ledger

Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
GST payable	45,000	45,000	4,500
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]	(24,500) IGST (3)	(45,000)) IGST (2)	(4,500) IGST (1)
Less: ITC of CGST to be used against CGST	(20,500) CGST		
Minimum GST payable in cash	Nil	Nil	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.

(b) Computation of GST liability

S. No.	Particulars	Mridul Traders (₹)	Kalu Motors Ltd. (₹)
(i)	Price of goods	10,000	30,000
(ii)	Add: Packing charges (Note-1)	500	
(iii)	Add: Commission (Note-1)	500	
(iv)	Add: Weighment charges (Note-1)	-	2,000
(v)	Less: Discount for prompt payment (Note-2)	-	<u>1,000</u>
	Value of taxable supply	11,000	31,000
	IGST payable @ 18% (Note-3)	1,980	
	CGST payable @ 9% (Note-4)		2,790
	SGST payable @ 9% (Note-4)		2,790

Notes:

- Incidental expenses, including commission and packing, charged by supplier to recipient of supply is includible in the value of supply. Weighment charges are also incidental expenses, hence includible in the value of supply [Section 15 of the CGST Act, 2017].
- Since discount is known at the time of supply, it is deductible from the value in terms of section 15 of the CGST Act, 2017.
- Section 10 of the IGST Act, 2017 provides that where the supply

involves movement of goods, the place of supply of such goods shall be the location of the goods at the time at which the movement of goods terminates for delivery to the recipient. Thus, place of supply is Gujarat.

Further, where the location of the supplier and the place of supply are in two different States, supply of goods shall be treated as a supply of goods in the course of inter-State trade or commerce. Since supply made to Mridul Traders is an inter-State supply, IGST is payable.

2. (a)

S. No.	Particulars	Taxability
(i)	Supply of manpower for cleanliness of roads not involving any supply of goods. [Pure services provided to Government are exempt.]	Exempt
(ii)	Service provided by Fair Price Shops by way of sale of sugar under Public Distribution System [Service provided by Fair Price Shops to Government by way of sale of sugar under Public Distribution System against consideration in the form of commission is exempt.]	Exempt
(iii)	Service of maintenance of street lights in a Municipal area involving replacement of defunct lights and other spares constituting 35% of the supply of service. [Composite supply of goods and services to Government in which the value of supply of goods constitutes not more than 25% of the value of the said composite supply is exempt. Since, in this case value of supply of goods constitutes 35% of the supply of composite service, same is taxable.]	Taxable
(iv)	Service of brochure distribution provided under a training programme. [Services provided to the Government under any training programme for which 75% or more of the total expenditure is borne by the Government is exempt. Since in the given case, 70% of the total expenditure is borne by the Government, it is taxable.]	Taxable

- (b) (i)** As per Para I of Schedule III of the CGST Act, 2017 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 Star 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 of the CGST Act, 2017.

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, ₹ 60,000 declared as salaries in the books of Star 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 of the CGST Act, 2017.

Further, ₹ 65,000 declared separately other than salaries in the Star 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 of the CGST Act, 2017 and is therefore, taxable. The recipient of the said services i.e. the Star Company Private Limited, is liable to discharge the applicable GST on it on reverse charge basis.

3. (a) As per section 22 of the CGST Act, 2017 read with *Notification No. 10/2019 CT dated 07.03.2019*, a supplier is liable to get registered in the State/Union territory from where he makes a taxable supply of goods and/or services, if his aggregate turnover in a financial year exceeds the threshold limit. The threshold limit for a person making exclusive intra-State taxable supplies of goods is as under:-
- (a) ₹ 10 lakh for the Special Category States of Mizoram, Tripura, Manipur and Nagaland.
- (b) ₹ 20 lakh for the States, namely, States of Arunachal Pradesh,

Meghalaya, Puducherry, Sikkim, Telangana and Uttarakhand.

- (c) ₹ 40 lakh for rest of India except persons engaged in making supplies of fly ash bricks/blocks, building bricks, bricks of fossil meals, earthen/roofing tiles, ice cream and other edible ice, whether or not containing cocoa, Pan masala and Tobacco and manufactured tobacco substitutes.

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

- (i) The benefit of enhanced threshold limit of registration of ₹ 40 lakh is not applicable for Om Sai brothers even though it is exclusively engaged in intra-State taxable supply of goods in Delhi as it is engaged in making supplies of building bricks. Thus, the applicable threshold limit for registration for Om Sai Builders in the given case is ₹ 20 lakh. Thus, it is liable to get registered under GST as its turnover is more than the threshold limit.
- (ii) Hukum Chand could have been eligible for enhanced threshold limit of turnover for registration, i.e. ₹ 40 lakh as he is exclusively engaged in intra-State supply of goods. However, since Hukum Chand is engaged in supplying footwear from a Special Category State i.e. Nagaland, the threshold limit gets reduced to ₹ 10 lakh. Thus, Hukum Chand is liable to get registered under GST as his turnover exceeds ₹ 10 lakh. Further, he is required to obtain registration in both Himachal Pradesh and Nagaland as he is making taxable supplies from both the States.
- (b) A supplier who has opted for composition scheme is not required to maintain records relating to;
- (i) **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.
- (ii) **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. Mehta is not required to maintain above mentioned records.

4. (a) In case of an event, if the recipient of service is registered, the place of supply of services for organizing the event is the location of such person. However, if the recipient is not registered, the place of supply is the place where event is held.

Since the event is being held in multiple states and a consolidated amount is charged for such services, the place of supply will be deemed to be in each State in proportion to the value for services determined in terms of the contract or agreement entered into in this regard.

In the absence of a contract or agreement between the supplier and recipient of services, the proportionate value of services made in each State (where the event is held) will be computed in accordance with IGST Rules by the application of generally accepted accounting principles.

Or

- (a)** It has been clarified vide a circular that securities are considered neither as goods nor as services in terms of definition of goods and the definition of services. Further, securities include 'shares' as per definition of securities.

This implies that the securities held by the holding company in the subsidiary company are neither goods nor services. Further, purchase or sale of shares or securities, in itself is neither a supply of goods nor a supply of services. For a transaction/activity to be treated as supply of services, there must be a supply as defined under section 7 of the CGST Act, 2017. It cannot be said that a service is being provided by the holding company to the subsidiary company, solely on the basis that there is a specific SAC entry in the scheme of classification of services, unless there is a supply of services by the holding company to the subsidiary company in accordance with section 7 of the CGST Act, 2017.

Therefore, the activity of holding of shares of subsidiary company by the holding company *per se* cannot be treated as a supply of services by a holding company to the said subsidiary company and cannot be taxed under GST.

- (b)** 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 30th 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.

Mock Test Paper - Series II: April, 2024

Date of Paper: 6 April, 2024

Time of Paper: 2 P.M. to 5 P.M.

INTERMEDIATE COURSE: GROUP - I

PAPER – 3: TAXATION

SECTION – A: INCOME TAX LAW

SOLUTIONS

Division A – Multiple Choice Questions

MCQ No.	Sub-part	Most Appropriate Answer	MCQ No.	Most Appropriate Answer
1.	(i)	(b)	2.	(b)
	(ii)	(d)	3.	(a)
	(iii)	(b)		
	(iv)	(a)		
	(v)	(a)		
	(vi)	(a)		

Division B – Descriptive Questions

1. **Computation of total income of Mr. Sunil for A.Y. 2024-25 under default tax regime under section 115BAC**

	Particulars	₹	₹	₹
I	Income from house property			
	Let out portion [First floor]			
	Gross Annual Value [Rent received is taken as GAV, in the absence of other information]		2,95,000	
	Less: Municipal taxes paid by him in the P.Y. 2023-24 pertaining to let out portion [₹ 25,000/2]		<u>12,500</u>	
	Net Annual Value (NAV)		2,82,500	
	Less: Deduction u/s 24			
	(a) 30% of ₹ 2,82,500	84,750		
	(b) Interest on housing loan [₹ 1,50,000/2]	<u>75,000</u>	<u>1,59,750</u>	
			1,22,750	
	Self-occupied portion [Ground Floor]			
	Annual Value			Nil

	[No deduction is allowable in respect of municipal taxes paid]		
	Less: Interest on housing loan [Not allowable under section 115BAC]	<u>Nil</u>	
	Income from house property	Nil	1,22,750
II	Profits and gains of business or profession		
	Income from SEZ unit		40,00,000
III	Capital Gains		
	Long-term capital gains on sale of land (since held for more than 24 months)		
	Full Value of Consideration [Actual consideration of ₹ 15 lakhs, since stamp duty value of ₹ 16 lakhs does not exceed actual consideration by more than 10%]	15,00,000	
	Less: Indexed Cost of acquisition [₹ 4,00,000 x 348/100]	<u>13,92,000</u>	1,08,000
	Cost of acquisition		
	Higher of -		
	- Actual cost ₹ 2.80 lakhs + ₹ 0.12 lakhs = ₹ 2.92 lakhs and		
	- Fair Market Value (FMV) as on 1.4.2001 = ₹ 4.8 lakhs but cannot exceed stamp duty value of ₹ 4 lakhs.		
IV	Income from Other Sources		
	Interest on savings bank deposits	30,000	
	Interest on fixed deposits	<u>40,000</u>	<u>70,000</u>
	Gross Total Income		43,00,750
	Less: Deduction under Chapter VI-A		
	Deduction under section 80JJAA		7,12,800
	30% of the employee cost of the new employees employed during the P.Y. 2023-24 for 240 days or more during the P.Y. 2023-24 allowable as deduction [30% of ₹ 23,76,000 (12 x 18,000 x 11)]		
	As per section 115BAC, no deduction under section 10AA or		

under Chapter VI-A is allowable except u/s 80JJAA		
Total Income		35,87,950

Computation of tax liability of Mr. Sunil under section 115BAC

Particulars	₹	₹
Tax on total income of ₹ 35,87,950		
Tax on LTCG of ₹ 1,08,000@20%		21,600
Tax on remaining total income of ₹ 34,79,950		
Upto ₹ 3,00,000	Nil	
₹ 3,00,001 – ₹ 6,00,000 [@5% of ₹ 3 lakhs]	15,000	
₹ 6,00,001 – ₹ 9,00,000 [@10% of ₹ 3 lakhs]	30,000	
₹ 9,00,001 – ₹ 12,00,000 [@15% of ₹ 3 lakhs]	45,000	
₹ 12,00,001 – ₹ 15,00,000 [@20% of ₹ 3 lakhs]	60,000	
₹ 15,00,001 – ₹ 34,79,950 [@30% of ₹ 19,79,950]	<u>5,93,985</u>	<u>7,43,985</u>
		7,65,585
Add: Health and education cess@4%		<u>30,623</u>
Total tax liability		<u>7,96,208</u>
Tax liability (rounded off)		7,96,210

Note - An individual paying tax u/s 115BAC is not liable to alternate minimum tax u/s 115JC.

Computation of total income of Mr. Sunil for A.Y. 2024-25 under normal provisions of the Act

Particulars	₹	₹
Gross Total Income as per default tax regime under section 115BAC		43,00,750
Less: Interest on borrowing in respect of self-occupied house property [₹ 1,50,000/2]		<u>75,000</u>
Gross Total Income as per section 115BAC		42,25,750
Less: Deduction u/s 10AA		12,00,000
[Since the industrial undertaking is established in SEZ, it is entitled to deduction u/s 10AA@100% of export profits, since P.Y.2023-24 being the 5 th year of operations]		
[Profits of the SEZ x Export Turnover received in convertible foreign exchange/Total Turnover] x 100%		
[₹ 40 lakhs x ₹ 120 lakhs/ ₹ 400 lakhs x 100%]		
Less: Deduction under Chapter VI-A		
Deduction under section 80C		
Repayment of principal amount of housing loan	80,000	

Insurance premium paid on life insurance policy of son allowable, even though not dependent on Mr. Sunil	<u>40,000</u>	1,20,000
Deduction under section 80JJAA [As computed above]		7,12,800
Deduction under section 80TTA		10,000
Interest on savings bank account, restricted to ₹ 10,000		
Total Income as per regular provisions of the Act		21,82,950

Computation of tax liability of Mr. Sunil for A.Y. 2024-25 under the regular provisions of the Act

Particulars	₹	₹
Tax on total income of ₹ 21,82,950		
Tax on LTCG of ₹ 1,08,000 @20%		21,600
Tax on remaining total income of ₹ 20,74,950		
Upto ₹ 2,50,000	Nil	
₹ 2,50,001 – ₹ 5,00,000[@5% of ₹ 2.50 lakhs]	12,500	
₹ 5,00,001 – ₹ 10,00,000[@20% of ₹ 5 lakhs]	1,00,000	
₹ 10,00,001 – ₹ 20,74,950[@30% of ₹ 10,74,950]	<u>3,22,485</u>	<u>4,34,985</u>
		4,56,585
<i>Add: Health and education cess@4%</i>		<u>18,263</u>
Total tax liability		<u>4,74,848</u>
Tax liability (rounded off)		4,74,850

Computation of adjusted total income and AMT of Mr. Sunil for A.Y. 2024-25

Particulars	₹
Computation of adjusted total income	
Total income as per the normal provisions of the Act	21,82,950
Add: Deduction u/s 10AA	12,00,000
Deduction u/s 80JJAA	<u>7,12,800</u>
Adjusted Total Income	<u>40,95,750</u>
Alternative Minimum Tax@18.5%	7,57,714
<i>Add: Health and education cess@4%</i>	<u>30,309</u>
AMT liability	<u>7,88,023</u>
AMT liability (rounded off)	7,88,020

Since the regular income-tax payable is less than the alternate minimum tax payable, the adjusted total income shall be deemed to be the total income and tax is leviable @18.5% thereof plus cess@4%. Therefore, liability as per section 115JC is ₹ 7,88,020.

Since, tax liability as per section 115BAC of ₹ 7,96,210 is higher than the tax liability of ₹ 7,88,020, being higher of AMT liability and tax liability computed as per normal provisions of the Income-tax Act, 1961, it is beneficial for Mr. Sunil to exercise the option to shift out of the default tax regime under section 115BAC. In such a case, his tax liability would be ₹ 7,88,020 and Mr. Sunil would be eligible to carry forward the AMT credit of ₹ 3,13,170 (₹ 7,88,020 - ₹ 4,74,850).

2. (a) Under section 6(1), an individual is said to be resident in India in any previous year, if he satisfies any one of the following conditions:
- (i) He has been in India during the previous year for a total period of 182 days or more, or
 - (ii) He has been in India during the 4 years immediately preceding the previous year for a total period of 365 days or more and has been in India for at least 60 days in the previous year.

If an individual satisfies any one of the conditions mentioned above, he is a resident. If both the above conditions are not satisfied, the individual is a non-resident.

Therefore, the residential status of Mrs. Sia D'Souza, an American, for A.Y.2024-25 has to be determined on the basis of her stay in India during the previous year relevant to A.Y. 2024-25 i.e. P.Y.2023-24 and in the preceding four assessment years.

Her stay in India during the previous year 2023-24 and in the preceding four years are as under:

P.Y. 2023-24

01.04.2023 to 16.08.2023	-	138 days
23.03.2024 to 31.03.2024	-	<u>9 days</u>
	Total	<u>147 days</u>

Four preceding previous years

P.Y.2022-23 [1.4.2022 to 31.3.2023]	-	14 days
P.Y.2021-22 [1.4.2021 to 31.3.2022]	-	Nil
P.Y.2020-21 [1.4.2020 to 31.3.2021]	-	Nil
P.Y.2019-20 [1.4.2019 to 31.3.2020]	-	<u>Nil</u>
	Total	<u>14 days</u>

The total stay of Mrs. Sia D'Souza during the previous year in India was less than 182 days and during the four years preceding this year was for 14 days. Therefore, due to non-fulfillment of any of the two conditions for a resident, she would be treated as non-resident for the Assessment Year 2024-25.

**Computation of total income of Mrs. Sia D'Souza for the
A.Y. 2024-25**

Particulars	₹	₹
Income from house property		
Flat located in Mumbai let-out from 01.06.2023 to 31.03.2024 @ ₹ 26,000 p.m.		
Gross Annual Value [26,000 x 10] ¹	2,60,000	
Less: Municipal taxes	<u>Nil</u>	
Net Annual Value (NAV)	2,60,000	
Less: Deduction under section 24		
30% of NAV	78,000	
Interest on loan [fully allowable as deduction, since property is let-out]	<u>2,05,000</u>	(23,000)
Income from other sources		
- Gold chain worth ₹ 1,50,000 received from parents of husband would be exempt, since parents of husband fall within the definition of relatives and gifts from a relative are not chargeable to tax.	Nil	
- Gift received from friends of her husband aggregating to ₹ 1,65,000 is taxable under section 56(2)(x) since the amount of cash gifts of ₹ 1,65,000 exceeds ₹ 50,000.	<u>1,65,000</u>	<u>1,65,000</u>
Gross Total income/ Total Income		<u>1,42,000</u>

(b) TDS implications

- (i) Since overseas tour package is taken on or after 1.10.2023, tax @ 5% till ₹ 7 lakhs and 20% thereafter, is required to be collected u/s 206C(1G) by the seller of an overseas tour programme package, from Mr. Harish, being the buyer of an overseas tour package, even if payment is made by account payee cheque.

Accordingly, tax has to be collected @5% on ₹ 7 lakh and 20% on ₹ 3 lakhs.

TCS = ₹ 95,000

- (ii) Mr. Aditya has to deduct tax at source @5% u/s 194M, although his turnover for the P.Y. 2022-23 does not exceed ₹ 1 crore and he is not liable to deduct tax at source under section 194C, since the payment to contractor, Mr. Naresh, exceeds ₹ 50 lakhs.

Accordingly, tax has to be deducted @5% on ₹ 55 lakhs.

TDS = ₹ 2,75,000

¹ Actual rent received has been taken as the gross annual the value in absence of other information (i.e. Municipal value, fair rental value and standard rent) in the question.

3. (a) **Computation of gross total income of Ms. Priyanka for the A.Y. 2024-25 under normal provisions of the Act**

	Particulars	₹	₹
(a)	Income from salaries (See Working Note below)		5,81,000
(b)	Income from Other Sources		
	(i) Interest on fixed deposit with a company	7,000	
	(ii) Income from specified mutual fund	3,000	
	(iii) Interest on Fixed Deposit received by minor daughter (₹ 4,000 - ₹ 1500)	<u>2,500</u>	<u>12,500</u>
	Gross total income		5,93,500

Working Note:

Computation of salary income of Ms. Priyanka for the A.Y. 2024-25

Particulars	₹
Salary [₹ 40,000 x 12]	4,80,000
Medical facility [in the hospital maintained by the company is exempt]	—
Rent free accommodation	
15% of salary from 1.4.2023 to 31.8.2023 and 10% of salary from 1.9.2023 to 31.3.2024 (₹ 4,80,000 × 15% × 5/12) + (₹ 4,80,000 × 10% × 7/12)	58,000
Valuation of perquisite of interest on loan [Rule 3(7)(i)] – 9.5% is taxable which is to be reduced by actual rate of interest charged i.e. [9.5% - 6% = 3.5%]	24,500
Use of dining table for 1 month [₹ 60,000 × 10/100 × 1/12]	500
Perquisite on sale of dining table	
Cost	60,000
Less: Depreciation on straight line method @ 10% for 2 years	<u>12,000</u>
Written Down Value	48,000
Less: Amount paid by the assessee	<u>30,000</u>
Purchase through credit card	10,000
Perquisite on sale of car	
Original cost of car	2,50,000
Less: Depreciation from 16.7.2021 to 15.7.2022 @ 20%	<u>50,000</u>

Value as on 14.07.2023- being the date of sale to employee	2,00,000	
Less: Amount received from the assessee on 14.07.2023	<u>1,60,000</u>	<u>40,000</u>
Gross salary		6,31,000
Less: Standard deduction upto ₹ 50,000		<u>50,000</u>
Income from Salaries		<u>5,81,000</u>

(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%)	<u>72,000</u>	<u>3,22,000</u>
Book profit		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”.

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

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	3,46,800

4. (a) **Computation of Taxable Income of Mr. Roshan for the A.Y. 2024-25 under normal provisions of the Act**

Particulars	₹	₹
Salaries		
Shamita’s salary (₹ 25,000 × 12) [See Note 1]	3,00,000	

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

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 | ₹ 50,000 |
| (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:

- (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. 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.
- (2) 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.
- (3) 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.

- (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., ₹ 42,400 can be set off against short term capital gains or dividend income.
- (5) Loss from card games can neither be set off against any other income, nor can it be carried forward.
- (6) 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.
- (7) 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.

(b) First alternative

- (i) A HUF whose total income without giving effect to, *inter alia*, section 54EC, exceeds the basic exemption limit, is required to file a return of its income on or before the due date under section 139(1). In this case, since the total income without giving effect to exemption under section 54EC is ₹ 12 lakhs, exceeds the basic exemption limit, the HUF is required to file its return of income for A.Y. 2024-25 on or before the due date under section 139(1).
- (ii) If an individual has incurred expenditure exceeding ₹ 1 lakh towards consumption of electricity during the previous year, he would be required to file a return of income, even if his total income does not exceed the basic exemption limit. Since Mr. Samarth has incurred expenditure of ₹ 1,20,000 in the P.Y.2023-24 towards consumption of electricity, he has to file his return of income for A.Y. 2024-25 on or before the due date under section 139(1).

(b) Second alternative

Every person who is eligible to obtain Aadhaar Number is required to mandatorily quote Aadhaar Number:

- (a) in the application form for allotment of Permanent Account Number (PAN)
- (b) in the return of income

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

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

- (ii) a non-resident as per Income-tax Act, 1961;
- (iii) of the age of 80 years or more at any time during the previous year;
- (iv) not a citizen of India.

If a person does not have Aadhaar Number, he is required to quote Enrolment ID of Aadhaar 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.

SECTION B – GOODS AND SERVICES TAX (50 MARKS)

SUGGESTED ANSWERS

Division A - Multiple Choice Questions

Question No.	Answer	
1	(b)	The tax is payable at the time of supply of goods
2	(b)	₹ 5 crores
3	(a)	Company has an option to issue single credit note against multiple invoices.
4	(d)	transaction value subject to the conditions mentioned in Section 15(2) of the CGST Act, 2017.
5	(a)	The Company shall be eligible to avail full input tax credit.
6	(c)	Invoice by Maharashtra unit to the Gujarat unit of the Company
7	(c)	Mr. Jambulal is liable to obtain registration as he makes the inter-State supply of goods.
8	(b)	No, service by way of renting of residential property is exempt.

Division B - Descriptive Questions

1. (a) **Computation of GST payable**

Particulars	Value of supply (₹)	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
GST payable under forward charge				
Carnatic music performance given to promote a brand of readymade garments [Carnatic music performance by Mr. Nandan lal is not exempt from GST even though the consideration charged does not exceed ₹ 1,50,000 since said performance has been made by him as a brand ambassador.]	1,40,000	12,600	12,600	Nil
Services of transportation of students provided to HSMG College [Services of transportation of	1,00,000	9,000	9,000	Nil

students provided to an educational institution other than an institution providing pre-school education or education up to higher secondary school, are not exempt.]				
Services provided to IFMP 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 than banking company/financial institution/non-banking financial company.]	15,000	1,350	1,350	Nil
Total GST payable under forward charge (A)		40,950	40,950	Nil
GST payable under reverse charge				
Legal services availed from an advocate [Legal services received by a business entity with aggregate turnover in the preceding financial year exceeding threshold limit for registration (₹ 20 lakh) are not exempt and tax on the same is payable under reverse charge.]	1,75,000	Nil	Nil	31,500
Total GST payable under reverse charge (B)		Nil	Nil	31,500
Total GST payable [(A)+(B)]		40,950	40,950	31,500

Computation of total ITC available

Particulars	Value of supply (₹)	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
Outdoor catering services availed [ITC on outdoor catering services is blocked except when such services are (i) used by the taxpayer who is in the same line of business or (ii) provided by the employer to its employees under a statutory obligation.]	50,000	Nil	Nil	Nil
Legal services availed [ITC is available as said services are used in course or furtherance of business.]	1,75,000	Nil	Nil	31,500
General insurance taken on a car (seating capacity 5) used for official purposes [ITC on motor vehicles for transportation of persons with seating capacity ≤ 13 persons (including the driver) is blocked except when the same are used for (i) making further taxable supply of such motor vehicles (ii) making taxable supply of transportation of passengers (iii) making taxable supply of imparting training on driving such motor vehicles. Further, ITC is not allowed on services of general insurance relating to such ineligible motor vehicles.]	40,000	Nil	Nil	Nil
Total ITC available		Nil	Nil	31,500

Computation of net GST payable in cash

Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
GST payable under forward charge	40,950	40,950	Nil

Less: ITC of IGST ¹ [Refer Note]	(15,750) IGST	(15,750) IGST	-
	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.]	<u>Nil</u>	<u>Nil</u>	<u>31,500</u>
Net GST payable in cash	25,200	25,200	31,500

Note: ITC of IGST can be utilised towards payment of CGST and SGST in any proportion and in any order.

(b) Computation of value of taxable supply made by M/s. LSP to Balwant Ltd.

Particulars	Amount (₹)
Price of the machine [Since the price linked subsidy is received from the State Government, the same is not includible in the value of supply]	20,000
Third party inspection charges [Any amount that the supplier is liable to pay in relation to the supply but has been incurred by the recipient and not included in the price actually paid or payable for the goods, is includible in the value of supply]	6,000
Freight charges for delivery of the machine [Since arranging freight is the liability of supplier, it is a case of composite supply and thus, freight charges are added in the value of principal supply.]	1,000
Total	27,000
Less: Discount @ 2% on ₹ 20,000 being price charged to Balwant Ltd. [Discount given before or at the time of supply if duly recorded in the invoice is deductible from the value of supply]	<u>400</u>
Value of taxable supply	26,600

2. (a) (i) Services provided by way of renting of residential dwelling for use as residence except where the residential dwelling is rented to a registered person is exempt from GST. Further, tax on service

¹ Since IGST credit can be set off against CGST and SGST liability in any order and in any proportion, the same can be set off against CGST and/or SGST liabilities in different ways as well. In all such cases, net CGST and net SGST payable from Electronic Cash Ledger will differ though the total amount of net GST payable (₹ 81,900) in cash will remain the same.

provided by way of renting of residential dwelling to a registered person is payable by the recipient under reverse charge.

Therefore, in the given case, Anant Technologies is liable to pay GST on the residential dwellings taken on rent by it from Sapna Builders, under reverse charge mechanism.

- (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.

Since in the given case, sponsorship services are being provided by the private NGO to a partnership firm – M/s. Verma Consultants, GST is payable by Verma Consultants on said services under reverse charge.

- (b)** Section 10(2A) of the CGST Act, 2017 provides the turnover limit of ₹ 50 lakh in the preceding financial year for becoming eligible for composition levy for services. Little Smiles has started the supply of services in the current financial year (FY), thus, its aggregate turnover in the preceding FY is Nil. Consequently, in the current FY, Little Smiles 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, Little Smiles becomes eligible for the registration when the aggregate turnover exceeds ₹ 20 lakh (the threshold limit of obtaining registration). While registering under GST, Little Smiles 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 ₹ 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 the CGST 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 [₹ 20 lakh] shall be excluded. On next ₹ 30 lakh [turnover of July, 2023 – September, 2023 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 Little Smiles’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 ₹ 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 (₹ in lakh)	GST payable (₹ 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

3. (a) 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.

The blocking of GSTIN for e-way bill generation is only for the defaulting supplier GSTIN and not for the defaulting Recipient or Transporter GSTIN.

A person paying tax under regular scheme who has not furnished the returns for a consecutive period of 2 tax periods is considered as a defaulting person.

Suspended GSTIN cannot generate e-way bill as supplier. However, the suspended GSTIN can get the e-way bill generated as recipient or as transporter.

In other words, e-way bill generation facility is blocked only in respect of any outward movement of goods of the registered person who is not eligible for e-way bill generatio. E-way bills can be generated in respect of inward supplies of said registered person.

Thus, applying the above provisions, there will be no restriction in generating e-way Bill by Mr. Roshan as Mr. Roshan who is making outward movement of goods is a regular return filer.

E-way bill generation is blocked in case of movement of goods made by Mr. Sohan to Mr. Mohan as it's an outward movement of goods of Mr. Sohan who has not filed GSTR-3B for past 2 months.

- (b) 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 the prescribed provisions; or
 - (b) a person paying tax under composition scheme has not furnished returns for a financial year beyond 3 months from due date of furnishing return; or
 - (c) any registered person, other than a person specified in clause (b), has not furnished returns for a prescribed period; or
 - (d) any person who has taken voluntary registration 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. Raj by proper officer is valid in law since Mr. Raj, 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, subject to the provisions of rule 10B, apply for revocation of the cancellation of registration to such proper officer, within 90 days from the date of service of the order of cancellation of registration.

However, the said period of 90 days may, on sufficient cause being shown and for reasons to be recorded in writing, be extended by the Commissioner or an officer authorised by him in this behalf, not below the rank of Additional Commissioner or Joint Commissioner, as the case may be, for a further period not exceeding 180 days.

Thus, considering the above provisions, the contention of Department is not valid in law as he has applied for revocation within the time limit of 90 days.

4. (a) There are cases where an unregistered person purchases goods over the counter (OTC) in one State and thereafter, transports the goods to another State (generally, the State where he resides). For instance, migrant workers, tourists, etc. who come to a State for work, tourism, etc. and purchase goods in that State to take it to their respective State. Similarly, in automobile sector, the residents of a State may travel to another State to purchase vehicle from that State to take advantage of lower registration charges and road tax, which vary from State to State and thereafter, take the vehicle to their State.

Where the supply of goods is made to a person other than a registered person, the place of supply shall be the location as per the address of the said person recorded in the invoice issued in respect of the said supply and the location of the supplier where the address of the said person is not recorded in the invoice.

For this purpose, recording of the name of the State of the said person in the invoice shall be deemed to be the recording of the address of the said person.

Or

- (a)** In case of an event, if the recipient of service is registered, the place of supply of services for organizing the event is the location of such person. However, if the recipient is not registered, the place of supply is the place where event is held.

Since the event is being held in multiple states and a consolidated amount is charged for such services, the place of supply will be deemed to be in each State in proportion to the value for services determined in terms of the contract or agreement entered into in this regard.

In the absence of a contract or agreement between the supplier and recipient of services, the proportionate value of services made in each State (where the event is held) will be computed by the application of generally accepted accounting principles.

- (b)** The amount available in the electronic credit ledger may be used for making any payment towards output tax under the CGST Act or the IGST Act, subject to the provisions relating to the order of utilisation of ITC.

Further, output tax in relation to a taxable person is defined as the tax chargeable on taxable supply of goods or services or both but excludes tax payable on reverse charge mechanism.

Accordingly, it is clarified that any payment towards output tax, whether self-assessed in the return or payable as a consequence of any proceeding instituted under the provisions of GST laws, can be made by utilization of the amount available in the electronic credit ledger of a registered person.

It is further reiterated that as output tax does not include tax payable under reverse charge mechanism, implying thereby that the electronic credit ledger cannot be used for making payment of any tax which is payable under reverse charge mechanism.

Mock Test Paper - Series I: July, 2024

Date of Paper: 31st July, 2024

Time of Paper: 2 P.M. to 5 P.M.

INTERMEDIATE COURSE: GROUP - I

PAPER – 3: TAXATION

SECTION – A: INCOME TAX LAW

Division A – Multiple Choice Questions

MCQ No.	Sub-part	Most Appropriate Answer	MCQ No.	Most Appropriate Answer
1.	(i)	(a)	3.	(a)
	(ii)	(d)	4.	(c)
	(iii)	(b)		
2.	(i)	(b)		
	(ii)	(c)		
	(iii)	(b)		

Division B – Descriptive Questions

1. Computation of total income of Mr. Ayush for A.Y. 2024-25 under the regular provisions of the Act

Particulars		₹	₹	₹
I	Income from business or profession Net profit as per profit and loss account Add: Items of expenditure not allowable while computing business income (i) Interest on loan taken for purchase of plant & machinery [Interest from the date on which capital was borrowed till the date on which asset was first put to use, not allowable as deduction under section 36(1)(iii). Accordingly, interest of ₹ 1,75,000 [₹ 50,00,000 x 10.5% x 4/12] has to be added back, since the same is debited to the profit and loss account]		82,45,000	
		1,75,000		

	(ii) Purchase of goods at a price higher than the fair market value [The difference between the purchase price (₹ 40 lakhs) and the fair market value (₹ 35 lakhs) has to be added back as per section 40A(2) since the purchase is from a related party, i.e., his brother and at a price higher than the fair market value]	<u>5,00,000</u>	
			<u>6,75,000</u>
			89,20,000
	Less: Items of income to be treated separately under the respective head of income		
	(i) Income-tax refund including interest on refund of ₹ 4,550	15,550	
	(ii) Dividend from Indian companies	15,00,000	
	(iii) Short term capital gains on transfer of listed equity shares	<u>10,00,000</u>	<u>25,15,550</u>
			64,04,450
	Less: Depreciation on interest on loan capitalised to plant and machinery		
	₹ 1,75,000, being the amount of interest on loan taken for purchase of plant and machinery from the date on which capital was borrowed till the date on which asset was first put to use, shall be capitalized		
	Normal depreciation @15% x 50% on such interest	13,125	
	Additional depreciation @20% x 50% on such interest	<u>17,500</u>	<u>30,625</u>
	[Since plant & machinery was put to use for less than 180 days in P.Y. 2023-24, it is eligible for 50% of the rate of depreciation]		
			63,73,825
II	Capital Gains		
	Short term capital gains on transfer of listed equity shares		10,00,000
III	Income from Other Sources		
	Interest on income-tax refund		4,550

Dividend from Indian companies		<u>15,00,000</u>	<u>15,04,550</u>
Gross Total Income			88,78,375
Less: Deductions under Chapter VI-A			
- Deduction under section 80C Life insurance premium for married daughter [Allowable as deduction though she is not dependent, since child of an individual whether dependent or not falls within the meaning of term "Person". Accordingly, whole of the amount of ₹ 40,000 is allowable as it does not exceed 10% of the ₹ 5,00,000, being the sum assured]		40,000	
- Deduction under section 80D Health insurance premium for self, spouse and children [Allowable as deduction, since it is paid otherwise than by way of cash. However, it is to be restricted to ₹ 25,000]		<u>25,000</u>	<u>65,000</u>
Total Income			<u>88,13,375</u>
Total Income (Rounded off)			88,13,380

**Computation of tax payable by Mr. Ayush for A.Y. 2024-25
under the regular provisions of the Act**

Particulars	₹	₹
Tax on total income of ₹ 88,13,380		
Tax on short term capital gains on transfer of listed equity shares @15% u/s 111A [₹ 10,00,000 x 15%]		1,50,000
Tax on other Income of ₹ 78,13,380		
Upto ₹ 2,50,000	Nil	
₹ 2,50,001 – ₹ 5,00,000 [@5% of ₹ 2.50 lakh]	12,500	
₹ 5,00,001 – ₹ 10,00,000 [@20% of ₹ 5,00,000]	1,00,000	
₹ 10,00,001- ₹ 78,13,380 [@30% of ₹ 68,13,380]	<u>20,44,014</u>	<u>21,56,514</u>
		23,06,514
<i>Add: Surcharge @10%, since total income exceeds ₹ 50,00,000 but does not exceed ₹ 1 crore</i>		<u>2,30,651</u>
		25,37,165

Add: Health and education cess@4%		<u>1,01,487</u>
Total tax liability		26,38,652
Less: TDS u/s 194N @ 2% on ₹ 50 lakhs, being the cash withdrawals exceeding ₹ 1 crore	1,00,000	
Less: Advance tax paid	<u>17,50,000</u>	<u>18,50,000</u>
Tax payable		<u>7,88,652</u>
Tax payable (rounded off)		7,88,650

2. (a) Miss Geeta is said to be resident if she satisfies any one of the following basic conditions:

(i) Has been in India during the previous year for a total period of 182 days or more

(or)

(ii) Has been in India during the 4 years immediately preceding the previous year for a total period of 365 days or more and has been in India for at least 60 days during the previous year.

Miss Geeta's stay in India during the P.Y.2023-24 is 142 days [30+31+30+31+20] which is less than 182 days. However, her stay in India during the P.Y.2023-24 exceeds 60 days. Since, she left India for the first time, her stay in India during the four previous years prior to P.Y.2023-24 would be more than 365 days. Hence, she is a resident for P.Y.2023-24.

Further, Miss Geeta would be "Resident and ordinarily resident" in India in during the previous year 2023-24, since her stay in India in the last seven previous years prior to P.Y.2023-24 is more than 729 days and she must be resident in the preceding ten years.

Computation of business income and agricultural income of Miss Geeta for A.Y. 2024-25

Particulars		Income	Business Income ₹	Agricultural Income ₹
(i)	Income from sale of centrifuged latex processed from rubber plants grown in Kanyakumari (Apportioned between business and agricultural income in the ratio of 35:65 as per Rule 7A of Income-tax Rules, 1962)	1,50,000	52,500	97,500
(ii)	Income from sale of coffee grown, cured, roasted and grounded in Colombo and			

	received in Chennai [See Note 1 below]	5,00,000	5,00,000	-
(iii)	Income from sale of tea grown and manufactured in West Bengal (Apportioned between business and agricultural income in the ratio of 40:60 as per Rule 8 of the Income-tax Rules, 1962)	12,00,000	4,80,000	7,20,000
(iv)	Income from sapling and seedling grown in a nursery at Cochin. Basic operations were not carried out on land [See Note 2 below]	<u>2,00,000</u>	<u>-</u>	<u>2,00,000</u>
		<u>20,50,000</u>	<u>10,32,500</u>	<u>10,17,500</u>

Notes:

- (1) Since Ms. Geeta is resident and ordinarily resident in India for A.Y. 2024-25, her global income is taxable in India. Entire income from sale of coffee grown, cured, roasted and grounded in Colombo is taxable as business income since such income is earned from sale of coffee grown, cured, roasted and grounded outside India i.e., in Colombo.
- (2) As per *Explanation 3* to section 2(1A), income derived from sapling or seedlings grown in a nursery would be deemed to be agricultural income, whether or not the basic operations were carried out on land. Hence, income of ₹ 2,00,000 from sapling and seedling grown in a nursery at Cochin is agricultural income.

(b) TDS implications

(i) On pre-mature withdrawal from EPF

No tax is deductible under section 192A even though the employee, Mr. Vikas, 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.

3. (a) **Computation of Gross Total Income of Mr. Jain and Mrs. Jain for A.Y. 2024-25**

Particulars	Mr. Jain		Mrs. Jain	
	₹	₹	₹	₹
Salary	12,50,000		-	
Less: Standard deduction under section 16(ia)	<u>50,000</u>			
		12,00,000		
Interest on Fixed Deposit earned by Mrs. Jain	-			14,00,000
Total income (before including remuneration from firm and minor's income)		12,00,000		14,00,000
Remuneration from firm (assumed that the same is fully deductible in the hands of the firm)			2,50,000	
Remuneration of ₹ 2,50,000 received by Mr. Jain has to be included in the total income of Mrs. Jain, since both of them have substantial interest in the concern (i.e., each having 25% share in the firm, in the present case), and her total income of ₹14 lakh exceeds the total income of her spouse excluding this income (i.e., ₹ 12 lakh). It is assumed that such remuneration is fully deductible in the hands of the firm.			<u>2,50,000</u>	5,00,000
Total Income (before including minor's income)		12,00,000		19,00,000
Income of three minor children to be included in Mrs. Jain's income ¹ , since her total income before including minor's income is higher than that of her husband.			-	
- Neeta			15,000	
- Meeta			10,000	
- Seeta			<u>2,000</u>	
			27,000	

¹ It is assumed that the income of the minor children are not on account of their skills.

Less: Exemption of ₹ 1,500 u/s 10(32) in respect of the income each child so included.		<u>4,500</u>	22,500
Gross Total Income	12,00,000		19,22,500

(b) **Computation of Total Income of Mr. Ram for A.Y. 2024-25**

Particulars	Amount ₹	Amount ₹
Salaries		
Basic Salary	3,80,000	
Dearness Allowance	1,20,000	
Employer contribution to NPS = 20% of ₹ 3,80,000	<u>76,000</u>	
	5,76,000	
Less: Standard deduction [₹ 50,000 or ₹ 5,76,000, whichever is lower]	<u>50,000</u>	5,26,000
Profits and gains of business or profession		
Where the amount gifted by Mr. Ram (₹ 6 lakh, in this case) is invested by Mrs. Ram in a business as her capital, proportionate share of profit or loss, as the case may be, computed by taking into account the value of the investment as on 1.4.2023 to the total investment in the business (₹ 10 lakh) would be included in the income of Mr. Ram [loss of ₹ 1,30,000 x 6/10]	<u>(78,000)</u>	
Income from other sources		
All income of the minor son would be included in the income of the parent Mr. Ram, since his income is higher than the income of Mrs. Ram (loss of ₹ 52,000, based on the information given in the question). Accordingly, ₹ 70,000, being amount of gift received by minor son during the P.Y. 2023-24, would be included in the income of Mr. Ram as the amount of gift exceeds ₹ 50,000.	70,000	
Less: Exemption in respect of income of minor child included in Mr. Ram's income	<u>1,500</u>	
	68,500	
Less: Business loss of ₹ 78,000 set-off to the extent of	68,500	

(Balance business loss of ₹ 9,500 to be carried forward to the next year, since the same cannot be set-off against salary income)		<u>Nil</u>
Gross Total Income		5,26,000
Less: Deductions under Chapter VI-A		
Under section 80C – deposit in Sukanya Samridhi Account	70,000	
Under section 80CCC – Contribution to LIC Annuity Plan	40,000	
Under section 80CCD(1) – Employee contribution to NPS (₹ 76,000 – ₹ 50,000 deduction claimed u/s 80CCD(1B)], since it is lower than ₹ 42,800, being 10% of salary (₹ 3,80,000 + ₹ 48,000)	<u>26,000</u>	
Allowable in full, since less than ₹1,50,000, being the maximum permissible deduction u/s 80C, 80CCC & 80CCD(1)	1,36,000	
Under section 80CCD(1B) – Employee contribution to NPS	50,000	
Under section 80CCD(2) – Employer contribution to NPS restricted to 14% of basic salary + DA forming part of pay, since employer is Central Government = 14% x (₹ 3,80,000 + ₹ 48,000)	59,920	
Under section 80E – Interest paid on loan taken for higher education	<u>15,000</u>	
Total Income		<u>2,60,920</u> 2,65,080

4. (a) First alternative

For the purpose of computation of long-term capital gains chargeable to tax under section 112A, the cost of acquisition in relation to the long-term capital asset, being an equity share in a company or a unit of an equity oriented fund or a unit of a business trust acquired before 1st February, 2018 shall be the higher of

- (a) cost of acquisition of such asset, i.e., actual cost; and
- (b) lower of
 - (i) the fair market value of such asset as on 31.1.2018; and
 - (ii) the full value of consideration received or accruing as a result of the transfer of the capital asset.
- (i) The fair market value of listed equity shares as on 31.1.2018 is the highest price quoted on the recognized stock exchange as on that date.

Accordingly, long-term capital gain on transfer of STT paid listed equity shares by Mr. Shagun would be determined as follows:

The FMV of shares of A Ltd. would be ₹ 700, being the highest price quoted on National Stock Exchange on 31.1.2018. The cost of acquisition of each equity share in A Ltd. would be ₹ 700, being higher of actual cost i.e., ₹ 400 and ₹ 700 [being the lower of FMV of ₹ 700 as on 31.1.2018 (i.e., the highest trading price) and actual sale consideration of ₹ 1,200]. Thus, the long-term capital gain would be ₹ 1,50,000 i.e., (₹ 1,200 – ₹ 700) x 300 shares. The long-term capital gain of ₹ 50,000 (i.e., the amount in excess of ₹ 1,00,000) would be subject to tax@10% under section 112A (plus cess@4%), without benefit of indexation. The tax on capital gain @10.4% would be ₹ 5,200 (₹ 50,000 x 10.4%)

- (ii) In the case of units listed on recognised stock exchange on the date of transfer, the FMV as on 31.1.2018 would be the highest trading price on recognised stock exchange as on 31.1.2018 (if units are listed on that date), else, it would be the net asset value as on 31.1.2018 (where units are unlisted on that date).

Accordingly, the FMV of units of Fund A as on 31.1.2018 would be ₹ 750 (being the highest trading price on 31.1.2018, since the units of Fund A are listed on that date).

The cost of acquisition of a unit of Fund A would be ₹ 750, being higher of actual cost i.e., ₹ 550 and ₹ 750 (being the lower of FMV of ₹ 750 as on 31.1.2018 and actual sale consideration of ₹ 900). Thus, the long-term capital gains on sale of units of Fund A would be ₹ 30,000 (₹ 900 – ₹ 750) x 200 units.

Since the long term capital gains on sale of units of Fund A is ₹ 30,000, which is less than ₹ 1,00,000, the said sum is not chargeable to tax under section 112A.

(a) Second alternative

Computation of deduction allowable under section 35

Particulars	Amount (₹ in lakhs)	Section	% of deduction	Amount of deduction (₹ in lakhs)
Payment for scientific research				
AB University, an approved University	15	35(1)(ii)	Nil	Nil
Siya College	17	-	Nil	Nil
IIT Bangalore (under an approved programme for scientific research)	12	35(2AA)	Nil	Nil

In-house research				
Capital expenditure – Purchase of Machinery	25	35(1)(iv) r.w. 35(2)	100%	<u>25</u>
Deduction allowable under section 35				<u>25</u>

Deduction under section 35(1)(ii) and 35(2AA) is not allowable under default tax regime under section 115BAC.

(b) Computation of income under the head “Salaries” of Mr. Sailesh for the A.Y.2024-25

Particulars	₹	₹
Basic Salary [₹ 70,000 x 12 months]		8,40,000
Dearness allowance [40% of ₹8,40,000]		3,36,000
Entertainment allowance		10,000
Interest on housing loan given at concessional rate, would be perquisite, since the amount of loan exceeds ₹ 20,000, For computation, the lending rate of SBI on 1.4.2023 @8% has to be considered. Thus, perquisite value would be determined @ 3.5% (8% - 4.5%) [See Working Note]		49,291
Health insurance premium paid by the employer [tax free perquisite]		Nil
Gift voucher on the occasion of his marriage anniversary [As per Rule 3(7)(iv), the value of any gift or voucher or token in lieu of gift received by the employee or by member of his household exceeding ₹ 5,000 in aggregate during the previous year is fully taxable] (See note below)		10,000
Allotment of sweat equity shares		
Fair market value of 800 sweat equity shares @ ₹ 700 each	5,60,000	
Less: Amount recovered @ ₹ 450 each	<u>3,60,000</u>	2,00,000
Use of furniture by employee		
10% p.a. of the actual cost of ₹ 1,10,000		11,000
Use of Laptop		
Facility of use of laptop is not a taxable perquisite		Nil
Transfer of asset to employee		
Value of furniture transferred to Mr. Sailesh	1,10,000	

Less: Normal wear and tear @10% for each completed year of usage on SLM basis [1,10,000 x 10% x 4 years (from September 2019 to September 2023)]	<u>44,000</u>	<u>66,000</u>
Gross Salary		15,22,291
Less: Standard deduction u/s 16 [Actual salary or ₹ 50,000, whichever is less]		<u>50,000</u>
Net Salary		<u>14,72,291</u>

Working Note:

Computation of perquisite value of loan given at concessional rate

For computation, the lending rate of SBI on 1.4.2023 @8% has to be considered. Thus, perquisite value would be determined @ 3.5% (8% - 4.5%)

Month	Maximum outstanding balance as on last date of month (₹)	Perquisite value at 3.5% for the month (₹)
April, 2023	15,00,000	4,375
May, 2023	15,00,000	4,375
June, 2023	14,50,000	4,229
July, 2023	14,50,000	4,229
August, 2023	14,50,000	4,229
September, 2023	14,00,000	4,083
October, 2023	14,00,000	4,083
November, 2023	14,00,000	4,083
December, 2023	13,50,000	3,937.50
January, 2024	13,50,000	3,937.50
February, 2024	13,50,000	3,937.50
March, 2024	13,00,000	3,792
Total value of this perquisite		49,290.50

Note: An alternate view possible is that only the sum in excess of ₹ 5,000 is taxable. In such a case, the value of perquisite would be ₹ 5,000 and gross salary and net salary would be ₹ 15,17,291 and ₹ 14,67,291, respectively.

SECTION B – GOODS AND SERVICES TAX

Division A –Case Scenario based MCQs

Question No.	Answer
1.	(b) mixed supply; 18%
2.	(b) ₹ 70,000
3.	(a) ₹ 45,000
4.	(c) ₹ 1,50,000
5.	(b) Professional service availed from her son free of cost is considered as a deemed supply.
6.	(d) ₹ 1,60,000
7.	(c) (i) & (iv)
8.	(b) 1st October

Division B - Descriptive Questions

1. (a) Computation of net GST payable by ABC & Co. for the month of April

Particulars	Value of supply	CGST (₹)	SGST (₹)	IGST (₹)
Intra-State statutory audit services	1,20,000	10,800	10,800	
Intra-State ITR filing services	1,60,000	14,400	14,400	
Inter-State internal audit services since place of supply is location of recipient, i.e. Mumbai, Maharashtra	1,80,000	-	-	<u>32,400</u>
Total output tax liability		25,200	25,200	32,400
Less: ITC [Refer Working Note] [CGST credit is set off against CGST liability and SGST credit is set off against SGST liability since CGST credit cannot be utilized towards payment of SGST liability and vice versa.]		<u>(21,000)</u>	<u>(21,000)</u>	
Net GST payable		4,200	4,200	32,400

Working Note:**Computation of ITC that can be availed**

Particulars	CGST (₹)	SGST (₹)
Computation of eligible ITC		
Membership fee paid [ITC on membership of a club is blocked except when such services are provided by an employer to its employees under a statutory obligation.]	Nil	Nil
Office rent paid to landlord [No ITC since the supplier did not upload the details of invoice in his GSTR-1 and said details are not being reflected in GSTR-2B of the recipient.]	Nil	Nil
Professional fee paid [ITC on services used in the course/furtherance of the business is allowed.]	18,000	18,000
Air conditioner for office purpose [ITC on goods used in the course/furtherance of the business is allowed.]	<u>3,000</u>	<u>3,000</u>
Total eligible ITC	21,000	21,000

(b) Computation of value of taxable supply and tax liability

Particulars	Amount (₹)
Price of goods (exclusive of tax and discounts)	10,00,000
<i>Add:</i> Subsidy received from Jiva Enterprises Pvt. Ltd. [Subsidy provided by non-Government bodies and which is directly linked to the price, is includible.]	1,10,000
<i>Add:</i> Post-delivery inspection charges [Anything done by the supplier in respect of the supply of goods after the delivery of goods is not includible in value.]	-
<i>Add:</i> Amount directly paid by Y Ltd. to X Ltd. [Liability of the supplier, in relation to the supply being valued, if discharged by the recipient of supply and not included in the price, is includible in the value.]	25,000
<i>Add:</i> Interest [Interest for delayed payment of consideration is includible in the value. Since interest is received in lumpsum, amount is inclusive of GST [₹ 20,000 x 100/112] (rounded off).]	<u>17,857</u>
Value of taxable supply	11,52,857
CGST @ 6% (rounded off)	69,171
SGST @ 6% (rounded off)	69,171

2. (a) **Computation of value of taxable supplies of Keshav Ltd.**

Particulars	Amount (₹)
Services of transportation of students, faculty and staff to Galgotian College [Not exempt, since transportation services provided to an educational institution are exempt only if such institution provides pre-school education or education up to higher secondary school or equivalent.]	2,50,000
Online monthly magazine to students of Pariksha Law College [Services of supply of online educational journals provided to an educational institution providing qualification recognized by law are exempt.]	Nil
Housekeeping services to Career Coaching Institute [Not exempt since such services are provided to a non-educational institute.]	50,000
Security services to Happy Higher Secondary School [Security services provided to an educational institution providing education up to higher secondary school are exempt since such services are performed in the premises of educational institution.]	Nil
Services of providing breakfast, lunch and dinner to students of Ayushmann Medical College [Not exempt, since catering services provided to an educational institution are exempt only if such institution provides pre-school education or education up to higher secondary school or equivalent.]	5,80,000
Value of taxable supplies	8,80,000

(b) Tax on services supplied by a firm of advocates by way of legal services to any business entity is payable under reverse charge by such firm of advocates. Time of supply of services that are taxable under reverse charge is earliest of the following two dates in terms of section 13(3) of the CGST Act, 2017:

- Date of payment [3rd November]
- 61st day from the date of issue of invoice [19th April]

The date of payment comes subsequent to the 61st day from the issue of invoice by the supplier of service. Therefore, the 61st day from the date of supplier's invoice has to be taken as the time of supply. This fixes 19th April as the time of supply.

3. (a) (i) Where a taxpayer opts to withdraw from the composition scheme, he has to file GSTR-4 for the period for which he has paid tax under the composition scheme. Such return is required to be furnished

till 30th day of April following the end of the financial year during which such withdrawal falls. Therefore, in the given case, Mr. Jagmag is liable to file GSTR-4 for the said F.Y. during which he opted out of composition scheme by 30th April of next F.Y.

- (ii) A registered person is not allowed to furnish a return for a tax period if the return for any of the previous tax periods has not been furnished by him. Therefore, in the given case, Mrs. Gargi cannot file GSTR-3B for July, if she has not filed GSTR-3B for the preceding month, i.e., June.
 - (b) A chartered accountant can become a GST practitioner (GSTP). However, holding a certificate of practice as a chartered accountant and having GST registration does not imply that such chartered accountant is a GST practitioner as well. For becoming a GSTP, even a chartered accountant in practice has to follow the enrolment process of GSTP as provided under the GST law and only upon approval of such enrolment can a chartered accountant represent himself as a GSTP.
4. (a) In case of an event, if the recipient of service is registered, the place of supply of services for organizing the event is the location of such person. However, if the recipient is not registered, the place of supply is the place where event is held.

Since the event is being held in multiple states and a consolidated amount is charged for such services, the place of supply will be deemed to be in each State in proportion to the value for services determined in terms of the contract or agreement entered into in this regard.

In the absence of a contract or agreement between the supplier and recipient of services, the proportionate value of services made in each State (where the event is held) will be computed in accordance with relevant provisions of GST law by the application of generally accepted accounting principles.

Alternative answer

- (a) The term 'charitable activities' mean activities relating to-
 - (i) public health by way of-
 - (A) care or counseling of
 - (I) terminally ill persons or persons with severe physical or mental disability;
 - (II) persons afflicted with HIV or AIDS;
 - (III) persons addicted to a dependence-forming substance such as narcotics drugs or alcohol; or
 - (B) public awareness of preventive health, family planning or prevention of HIV infection;
 - (ii) advancement of religion, spirituality or yoga;

- (iii) advancement of educational programmes/skill development relating to,-
 - (A) abandoned, orphaned or homeless children;
 - (B) physically or mentally abused and traumatized persons;
 - (C) prisoners; or
 - (D) persons over the age of 65 years residing in a rural area;
 - (iv) preservation of environment including watershed, forests & wildlife.
- (b) (i)** 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.
- (ii)** Constitution defines the Goods and Services tax (GST) as a tax on supply of goods or services or both, except supply of alcoholic liquor for human consumption. Therefore, alcohol for human consumption is kept out of GST by way of definition of GST in the Constitution.

Five petroleum products viz. petroleum crude, motor spirit (petrol), high speed diesel, natural gas and aviation turbine fuel have temporarily been kept out of the purview of GST; GST Council shall decide the date from which they shall be included in GST. The erstwhile taxation system (CST/VAT & central excise) still continues in respect of the said commodities.

Mock Test Paper - Series II: August, 2024

Date of Paper: 20th August, 2024

Time of Paper: 2 P.M. to 5 P.M.

INTERMEDIATE COURSE: GROUP - I

PAPER – 3: TAXATION

SECTION – A: INCOME TAX LAW

ANSWERS

Division A – Multiple Choice Questions

MCQ No.	Sub-part	Most Appropriate Answer	MCQ No.	Most Appropriate Answer
1.	(i)	(b)	3.	(a)
	(ii)	(d)	4.	(d)
	(iii)	(a)		
2.	(i)	(a)		
	(ii)	(c)		
	(iii)	(a)		

Division B – Descriptive Questions

1. **Computation of Total Income of Ms. Farah for the A.Y.2024-25 under default tax regime under section 115BAC**

Particulars	₹	₹	₹
Income from house property			
Gross Annual Value ¹		90,000	
Less: Municipal taxes paid		<u>9,000</u>	
Net Annual Value (NAV)		81,000	
Less: Deduction under section 24(a) – 30% of NAV = 30% of ₹ 81,000		<u>24,300</u>	56,700
Profits and gains of business or profession			
Net profit as per Profit and loss account		25,91,000	
Add: Expenses debited but not allowable			
(i) Purchase of car [Amount paid for purchase of car is not allowable since it is a capital expenditure]	3,00,000		

¹ Rent received has been taken as the Gross Annual Value in the absence of other information relating to Municipal Value, Fair Rent and Standard Rent.

(ii) Municipal tax paid in respect of house property [allowable as deduction under the head "Income from house property"]	9,000		
(iii) Payment made to tax consultant in cash [disallowed under section 40A(3), since such cash payment exceeds ₹ 10,000]	50,000		
(iv) Travel expenditure on foreign professional tour [Since it is incurred in connection with professional work, the same is allowable as deduction. As it has already been debited to profit and loss account, no further adjustment is required]	-		
(v) Repair and maintenance of car [Repairs and maintenance paid in advance for the period 1.4.2024 to 30.9.2024 i.e. for 6 months amounting to ₹ 17,500 is not allowable as deduction, since Ms. Farah is following the accrual system of accounting]	17,500	3,76,500	
		29,67,500	
Less: Income credited but not taxable under this head:			
(i) Dividend from an Indian company (taxable under the head "Income from Other Sources")	11,00,000		
(ii) Interest on deposit certificates issued under gold monetization scheme, 2015 (taxability or otherwise to be considered under the head "Income from Other Sources")	25,000		
(iii) Honorarium for valuation of answer papers	50,000		
(iv) Rent received in respect of house property	90,000	12,65,000	
		17,02,500	
Less: Depreciation on car @15%		45,000	
			16,57,500
Income from Other Sources			
Dividend from an Indian company		11,00,000	

Interest on deposit certificates issued under gold monetization scheme, 2015 [Exempt under section 10(15)]	-	
Honorarium for valuation of answer papers	50,000	11,50,000
Gross Total Income		28,64,200
Less: Deduction under Chapter VI-A [Deduction under section 80D would not be allowable]		-
Total Income		28,64,200

Computation of tax payable under default tax regime under section 115BAC

Particulars	₹
Tax on total income of ₹ 28,64,200	
Upto ₹ 3,00,000	Nil
₹ 3,00,001 – ₹ 6,00,000 [i.e., ₹ 3,00,000@5%]	15,000
₹ 6,00,001 – ₹ 9,00,000 [i.e., ₹ 3,00,000@10%]	30,000
₹ 9,00,001 – ₹ 12,00,000 [i.e., ₹ 3,00,000@15%]	45,000
₹ 12,00,001 – ₹ 15,00,000 [i.e., ₹ 3,00,000@20%]	60,000
₹ 15,00,001 – ₹ 28,64,200 [i.e., ₹ 13,64,200 @30%]	<u>4,09,260</u>
	5,59,260
<i>Add:</i> Health and Education cess@4%	<u>22,370</u>
Tax Liability	5,81,630
<i>Less:</i> Advance Tax paid	1,00,000
<i>Less:</i> Tax deducted at source on dividend income from an Indian company under section 194 [₹ 11,00,000 x 10%]	<u>1,10,000</u>
Tax payable	<u>3,71,630</u>

Computation of total income and tax payable by Ms. Farah for the A.Y.2024-25 under regular provisions of the Act

Particulars	₹
Gross Total Income	28,64,200
[Income under the “Income from house property” “Profits and gains from business or profession” and “Income from other sources” would remain the same under regular provisions of the Act]	
<i>Less:</i> Deductions under Chapter VI-A	
<u>Section 80D</u>	
Medical insurance premium paid online for parents, being senior citizens	47,000

Payment made in cash of ₹ 8,500 for preventive health check-up for self and spouse restricted to	5,000	52,000
Total Income		28,12,200
Tax on total income of ₹ 28,12,200		
Upto ₹ 2,50,000	Nil	
₹ 2,50,001 – ₹ 5,00,000 [i.e., ₹ 2,50,000@5%]	12,500	
₹ 5,00,001 – ₹ 10,00,000 [i.e., ₹ 5,00,000@20%]	1,00,000	
₹ 10,00,001 – ₹ 28,12,200 [i.e., ₹ 18,12,200 @30%]	<u>5,43,660</u>	
		6,56,160
<i>Add: Health and Education cess@4%</i>		<u>26,246</u>
Tax Liability		6,82,406
<i>Less: Advance Tax paid</i>		1,00,000
<i>Less: Tax deducted at source on dividend income from an Indian company under section 194 [₹ 11,00,000 x 10%]</i>		<u>1,10,000</u>
Tax payable		<u>4,72,406</u>
Tax payable (Rounded off)		<u>4,72,410</u>

Note – Since the tax payable under default tax regime under section 115BAC is lower than the tax payable under the regular provisions of the Act, it would be beneficial for Ms. Farah to pay tax under default tax regime under section 115BAC for A.Y. 2024-25.

2. (a) An Indian citizen, who leaves India in any previous year, *inter alia*, for purposes of employment outside India, would be resident in India during the relevant previous year if he stayed in India during that previous year for 182 days or more.
- (i) Since Sagar is leaving India for the purpose of employment outside India, he will be treated as resident only if the period of his stay during the previous year amounts to 182 days or more. Therefore, Sagar should leave India on or before 28th September, 2023, in which case, his stay in India during the previous year would be less than 182 days and he would become non-resident for the purpose of taxability in India. In such a case, only the income which accrues or arises in India or which is deemed to accrue or arise in India or received or deemed to be received in India shall be taxable.
- The income earned by him in New York would not be chargeable to tax in India for A.Y. 2024-25, if he leaves India on or before 28th September, 2023.
- (ii) If any part of Sagar's salary will be credited directly to his bank account in Delhi then, that part of his salary would be considered as income received in India during the previous year under section 5 and would be chargeable to tax under Income-tax Act, 1961, even

if he is a non-resident. Therefore, Sagar should receive his entire salary in New York and then remit the required amount to his bank account in Delhi in which case, the salary earned by him in New York would not be subject to tax in India.

(b) TDS implications

- (i) Since the sale consideration or stamp duty value of residential house exceeds ₹ 50 lakhs, Mr. Deepak is required to deduct tax at source @1% of ₹ 65 lakhs, being higher of sale consideration of ₹ 60 lakh and stamp duty value of ₹ 65 lakhs under section 194-IA.

TDS provisions under section 194-IA are not attracted in respect of transfer of rural agricultural land, even if the consideration exceeds ₹ 50 lakh.

- (ii) Every person, being a seller, who receives any amount as consideration for sale of a motor vehicle of the value exceeding ₹ 10 lakhs, is required to collect tax at source @1% of the sale consideration from the buyer.

TCS provisions will, however, not apply on sale of motor vehicles by manufacturers to dealers/distributors. Hence, XYZ Ltd., the manufacturer-seller need not collect tax at source on sale of cars to the dealer, ABC & Co., even if the value of each car exceeds ₹ 10 lakhs.

However, TCS provisions would be attracted when ABC & Co., sells cars to individual buyers, since the value of each car exceeds ₹ 10 lakhs. ABC & Co. has to collect tax @1% of the consideration on sale of each car to an individual buyer.

3. (a) Computation of income from house property of Mr. Kamal for A.Y. 2024-25

Particulars	₹	₹
1. Income from let-out property in Dubai [See Note 1 below]		
² Gross Annual Value (DHS 20,000 p.m. x 12 months x ₹ 22)		52,80,000
Less: Municipal taxes paid during the year [DHS 4,000 (DHS 2,500 + DHS 1,500) x ₹ 22] ³		<u>88,000</u>
Net Annual Value (NAV)		51,92,000
Less: Deductions under section 24		
(a) 30% of NAV	15,57,600	

² In the absence of information related to municipal value, fair rent and standard rent, the rent receivable has been taken as the GAV

³ Both property tax and sewerage tax qualify for deduction from gross annual value

(b) Interest on housing loan	-	<u>15,57,600</u>
		<u>36,34,400</u>
2. Income from self-occupied property in Mumbai		
Annual Value [Nil, since the property is self-occupied]		NIL
[No deduction is allowable in respect of municipal taxes paid in respect of self-occupied property]		
Less: Deduction in respect of interest on housing loan [See Note 2 below]		<u>1,64,000</u>
		<u>(1,64,000)</u>
Income from house property [₹ 36,34,400 – ₹ 1,64,000]		34,70,400

Notes:

(1) Since Mr. Kamal is a resident but not ordinarily resident in India for A.Y. 2024-25, income which is, *inter alia*, received in India shall be taxable in India, even if such income has accrued or arisen outside India. Accordingly, rent received from house property in Dubai would be taxable in India since such income is received by him in India. Income from property in Mumbai would accrue or arise in India and consequently, interest deduction in respect of such property would be allowable while computing Mr. Kamal's income from house property because of self-occupied property.

(2) Interest on housing loan for construction of self-occupied property allowable as deduction under section 24

Interest for the current year (₹ 10,00,000 x 12%) ₹ 1,20,000

Pre-construction interest

For the period 01.06.2020 to 31.03.2022

(₹ 10,00,000 x 12% x 22/12) = ₹ 2,20,000

₹ 2,20,000 allowed in 5 equal installments

(₹ 2,20,000/5) ₹ 44,000

₹ 1,64,000

(b) Computation of income chargeable under the head "Capital Gains" for A.Y. 2024-25

Particulars	₹
Capital Gains on sale of residential house	
Actual sale consideration ₹ 80 lakhs	
Value adopted by Stamp Valuation Authority ₹ 90 lakhs	
Full value of sale consideration [Higher of the above]	90,00,000

[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 paid by way of account payee cheque/bank draft or by way of ECS through bank account on or before the date of agreement. In this case, since 20% of ₹ 80 lakhs is paid through account payee bank draft on the date of agreement, stamp duty value on the date of agreement can be adopted as the full value of consideration]

Less: Indexed cost of acquisition of residential house [₹ 20 lakhs x 348/100] 69,60,000

Long-term capital gains [Since the residential house property was held by Mr. Ashish for more than 24 months immediately preceding the date of its transfer] **20,40,000**

Less: Exemption under section 54 15,00,000

The capital gain arising on transfer of a long-term residential property shall not be chargeable to tax to the extent such capital gain is invested in the purchase of one residential house property in India within one year before or two years after the date of transfer of original asset.

Long term capital gains chargeable to tax **5,40,000**

4. (a) Gross Total Income of Mr. Mohit for A.Y. 2024-25

Particulars	₹	₹
Salaries		
Income from salary	6,50,000	
Less: Loss from house property of ₹ 2,60,000, restricted to	<u>2,00,000</u>	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	<u>1,90,000</u>	
	<u>3,15,000</u>	
	(2,60,000)	

Set-off of loss from house property against salary income, restricted to	<u>2,00,000</u>	
Loss to be carried forward to A.Y. 2025-26	<u>(60,000)</u>	
Profits and gains of business or profession		
Profit from cloth business	1,70,000	
Less: Loss from leather business	<u>68,000</u>	
		1,02,000
Capital Gains		
Short term capital loss in equity-oriented funds on which STT is paid ₹ 35,000 to be carried forward to A.Y. 2025-26 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 ₹ 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. 2025-26.	Nil	
Income from crossword puzzles	12,000	
Dividend from foreign company	<u>8,500</u>	
		<u>29,500</u>
Gross Total Income		<u>5,81,500</u>

Losses to be carried forward to A.Y.2025-26:

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

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

(b) First alternative

If a person, who has been allotted PAN as on 1st July, 2017 and is required to intimate his Aadhaar number, has failed to intimate the same on or before 31st March, 2022, the PAN of such person would become inoperative.

A person, whose PAN has become inoperative, would be liable for following further consequences for the period commencing from the date notified by the CBDT till the date it becomes operative –

- (i) no refund of any amount of tax or part thereof, due under the provisions of the Act;
- (ii) interest would not be payable on such refund for the period, beginning with the date notified by the CBDT and ending with the date on which it becomes operative;
- (iii) where tax is deductible at source in case of such person, such tax shall be deducted at higher rate, in accordance with provisions of section 206AA;
- (iv) where tax is collectible at source in case of such person, such tax shall be collected at higher rate, in accordance with provisions of section 206CC:

Where a person, who is required to intimate his Aadhaar Number under section 139AA(2), fails to do so on or before the notified date i.e., 31.3.2022, he shall be liable to pay such fee, as may be prescribed, at the time of making intimation under section 139AA(2) after 31.3.2022.

However, such fee shall not exceed ₹ 1,000.

(b) Second alternative

(i) Fee for default in furnishing return of income u/s 234F

Where a person who is required to furnish a return of income under section 139, fails to do so within the prescribed time limit under section 139(1), he shall pay, by way of fee, a sum of ₹ 5,000.

However, if the total income of the person does not exceed ₹ 5 lakhs, the fees payable shall not exceed ₹ 1,000

(ii) Persons to whom provisions of section 139AA relating to quoting of Aadhar Number does not apply

The provisions of section 139AA relating to quoting of Aadhar Number would not apply to an individual who does not possess the

Aadhar number or Enrolment ID and is:

- (i) residing in the States of Assam, Jammu & Kashmir and Meghalaya;
- (ii) a non-resident as per Income-tax Act, 1961;
- (iii) of the age of 80 years or more at any time during the previous year;
- (iv) not a citizen of India.

SECTION B – GOODS AND SERVICES TAX (50 MARKS)

Division A - Multiple Choice Questions

Question No.	Answer	
1	(c)	i & iv
2	(d)	GTA service is taxable @ 5%, but input tax credit cannot be availed for the same.
3	(d)	Not a supply
4	(d)	ii & iii
5	(d)	Nil
6	(a)	IGST: ₹ 10,000; CGST: Nil, SGST: ₹ 5000
7	(a)	₹ 40,000
8	(c)	She needs to mandatorily have a place of business in Delhi.

Division B - Descriptive Questions

1. (a) Computation of value of taxable supply

Particulars	Amount (₹)
List price of the machine	80,000
Add: Tax levied by Local Authority on the sale of machine [Tax other than GST, if charged separately, are includible in the value in terms of section 15 of the CGST Act, 2017.]	6,000
Add: Packing expenses for safe transportation [Includible in the value as per section 15 of the CGST Act, 2017.]	4,000
Add: Price-linked subsidy received from a NGO on sale of each machine [Subsidy received from a non-Government body and which is directly linked to the price, the same is included in the value in terms of section 15 of the CGST Act, 2017.]	<u>5,000</u>
Total	95,000
Less: Discount @ 2% on ₹ 80,000 [Since discount is known at the time of supply and recorded in invoice, it is deductible from the value in terms of section 15 of the CGST Act, 2017.]	<u>1,600</u>
Value of taxable supply	93,400

**Computation of minimum net GST payable in cash by
Vishwanath Ltd.**

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
Sale of machine [Intra-State sales = ₹ 93,400 × 3 machines = ₹ 2,80,200 Inter-State sales = ₹ 93,400 × 1 machine = ₹ 93,400]	25,218 [2,80,200 × 9%]	25,218 [2,80,200 × 9%]	16,812 [93,400 × 18%]
Total output tax	25,218	25,218	16,812
Less: Set off of IGST against IGST and SGST [IGST credit first be utilized towards payment of IGST, remaining amount can be utilized towards CGST and SGST in any order and in any proportion]		(9,188)	(16,812)
Less: Set off of CGST against CGST and SGST against SGST [CGST credit cannot be utilized towards payment of SGST and vice versa.]	(25,218)	(14,800)	
Minimum net GST payable in cash	Nil	1,230	

Working Note:

Computation of total ITC available

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
Opening balance of ITC	18,000	4,000	26,000
Add: Inputs purchased during the month	10,800 [₹ 1,20,000 × 9%]	10,800 [₹ 1,20,000 × 9%]	
Total ITC available	28,800	14,800	26,000

**(b) Computation of amount of ITC available for the month of
January, 2024**

S. No.	Particulars	GST (₹)
(1)	Goods used in construction of additional floor of office building [ITC on goods received by a taxable person for construction of an immovable property on his own account is blocked even if the same is used in the course or furtherance of business.]	Nil
(2)	Trucks used for transportation of inputs in the factory	11,000

	[ITC on motor vehicles used for transportation of goods is not blocked.]	
(3)	Inputs used in trial runs [Being used in trial runs, inputs are used in the course or furtherance of business and hence ITC thereon is allowed.]	8,350
(4)	Confectionary items for consumption of employees working in the factory [ITC on food or beverages is blocked unless the same is used in same line of business or as an element of the taxable composite or mixed supply. Further, ITC on goods and/or service used for personal consumption is blocked.]	Nil
(5)	Cement used for making foundation and structural support to plant and machinery [ITC on goods used for construction of plant and machinery is not blocked. Plant and machinery includes foundation and structural supports through which the same is fixed to earth.]	9,550
	Total eligible ITC	28,900

2. (a) (i) The place of supply of goods supplied on a board a conveyance like aircraft, train, vessel, motor vehicle is the location where such goods have been taken on board.

Place of supply of goods supplied on board a conveyance is determined under this provision even if the supply has been made by any of the passenger on board the conveyance and not by the carrier of the conveyance.

Thus, in the given case, the place of supply of goods is the location at which the goods are taken on board, i.e. New Delhi and not Jaipur where they have been sold.

- (ii) If the supply involves goods which are to be installed or assembled at site, the place of supply is the place of such installation or assembly.

This is a case of composite supply of goods wherein two supplies are involved, supply of goods and ancillary supply of installation/assembly service. The principal supply is supply of goods which are being installed.

Thus, the place of supply is the site of assembly of machine, i.e. Kutch even though LP refineries is located in Maharashtra.

(b) **Computation of value of taxable supplies**

Particulars	Amount (₹)
Services relating to rearing of goats	Nil

[Exempt since services relating to rearing of all life forms of animals, except horses, for food etc. are exempt.]	
Services by way of artificial insemination of horses [Not exempt since services of artificial insemination are exempt only of livestock other than horses.]	5,00,000
Processing of sugarcane into jaggery [Not exempt, since processes which alter the essential characteristics of agricultural produce are not exempt and processing of sugarcane into jaggery changes the essential characteristics of sugarcane.]	7,00,000
Milling of paddy into rice [Not exempt, since this process, being carried out after cultivation is over, is not an intermediate production process in relation to cultivation of plants and it also changes the essential characteristics of paddy.]	8,00,000
Services by way of warehousing of agricultural produce [Specifically exempt from GST.]	Nil
Value of taxable supplies	20,00,000

3. (a) The validity period of e-way bill under rule 138(10) of the CGST Rules, 2017 for transport of cargo by road between two cities situated at a distance of 372 km is as under:

(i) **If it is over dimensional cargo:** the validity period of the e-way bill is one day from relevant date upto 20 km and one additional day for every 20 km or part thereof thereafter.

Thus, validity period in given case:

= 1 day + 18 days

= 19 days

(ii) **If it is a cargo other than over dimensional cargo:** the validity period of the e-way bill is one day from relevant date upto 200 km and one additional day for every 200 km or part thereof thereafter.

Thus, validity period in given case:

= 1 day + 1 day

= 2 days

(b) The procedure to be followed by Apex Cinemas, a registered person engaged in making supply of services by way of admission to exhibition of cinematograph films in multiplex screens, is as under:-

The option to issue consolidated tax invoice is not available to a supplier engaged in making supply of services by way of admission to exhibition of cinematograph films in multiplex screens. Thus, Apex Cinemas cannot issue consolidated tax invoice for supplies made by it at the close of each day.

Apex Cinemas is required to issue an electronic ticket.

The said electronic ticket shall be deemed to be a tax invoice, even if such ticket does not contain the details of the recipient of service but contains the other information as prescribed to be mentioned.

4. (a) The registered person who is not eligible for composition scheme for goods under GST law are as under:
- (i) Supplier engaged in making any supply of goods or services which are not leviable to tax.
 - (ii) Supplier engaged in making any inter-State outward supplies of goods or services.
 - (iii) Person supplying any goods or services through an electronic commerce operator who is required to collect tax at source (under section 52).
 - (iv) Manufacturer of ice cream, panmasala, tobacco, aerated waters, fly ash bricks; fly ash aggregate, fly ash blocks, bricks of fossil meals or similar siliceous earths, building bricks, earthen or roofing tiles.
 - (v) Supplier who is either a casual taxable person or a non-resident taxable person
 - (vi) Supplier of services exceeding an amount which is higher of 10% of the turnover in a State/U.T. in the preceding financial year or ₹ 5 lakh.

Note: Any 5 points may be mentioned.

Or

- (a) Tax on following services supplied by the Central Government or State Government to a business entity in India is payable by the supplier of services:
- (1) services of renting of immovable property provided to an unregistered business entity.
 - (2) services by the Department of Posts and the Ministry of Railways (Indian Railways)
 - (3) services in relation to an aircraft or a vessel, inside or outside the precincts of a port or an airport.
 - (4) services of transport of goods or passengers.
- (b) Following persons can be registered as Goods and Service Tax Practitioners:
- Any person who, (i) is a citizen of India; (ii) is a person of sound mind; (iii) is not adjudicated as insolvent; (iv) has not been convicted by a competent court;
- and satisfies any of the following conditions, namely that he:

1. is a retired officer of Commercial Tax Department of any State Govt./CBIC who, during service under Government had worked in a post not lower than the rank of a Group-B gazetted officer for a period ≥ 2 years, or
2. is enrolled as a Sales Tax Practitioner or Tax Return Preparer under the erstwhile indirect tax laws for a period of not less than 5 years, or
3. acquired any of the prescribed qualifications
4. has passed Graduate/postgraduate degree or its equivalent examination having a degree in specified disciplines, from any Indian University or a degree examination of any Foreign University recognised by any Indian University as equivalent to degree examination
5. has passed any other notified examination
6. has passed final examination of ICAI/ ICSI/ Institute of Cost Accountants of India

Note: Any 5 points may be mentioned.