

PAPER – 4 : TAXATION
SECTION A : INCOME TAX

Question No.1 is compulsory.

Candidates are also required to attempt any **three** questions from the rest.

Working notes should form part of the respective answers.

All questions pertaining to income-tax relate to Assessment Year 2020-21, unless stated otherwise in the questions.

Question 1

Mr. Jayaprakash, aged about 40 years, is an authorized wholesale distributor of Fertilizers Ltd. dealing with fertilizers and other Agricultural products. Given below is his Trading and Profit & Loss account for the previous year 2019-20.

Trading and Profit and Loss Account of Mr. Jayaprakash

Particulars	Amount in ₹	Particulars	Amount in ₹
To Opening Stock	24,21,000	By sales	3,12,50,100
To Purchases	2,28,00,500	By Closing stock	26,00,100
To Direct expenses	4,12,040		
To Freight inward	2,92,000		
To Gross Profit c/d	<u>79,24,660</u>		
	<u>3,38,50,200</u>		<u>3,38,50,200</u>
To Salaries and wages	17,12,000	By Gross Profit b/d	79,24,660
To General expenses	3,65,000	By Dividend received from Indian companies	17,20,000
To Rates and taxes	2,20,000	By Interest received on FDs (Net of tax)	1,08,000
To Interest paid on late filing of GST	2,845	By Rent received	7,20,000
To Income-tax paid for FY 2018-19	3,45,000	By Income-tax Refund	18,000

The Suggested Answers for Paper 4A: Income-tax are based on the provisions of income-tax law as amended by the Finance Act, 2019 and Finance (No.2) Act, 2019. The relevant assessment year is A.Y.2020-21.

To Interest paid to NBFC	1,20,000		
To Depreciation	1,82,000		
To Net Profit	<u>75,43,815</u>		
	<u>1,04,90,660</u>		<u>1,04,90,660</u>

The following additional information is provided by him :

- Closing stock of previous year was undervalued by ₹ 45,000.
- Rates and taxes include ₹ 1,000 paid towards late filing of his IT return for Assessment Year 2019-20 under section 234F of Income-tax Act.
- Salaries include ₹ 25,000 paid on single day by way of cash to his accountant.
- Interest paid on loan of ₹ 10,00,000 taken from a Non-Banking Finance company. Out of the loan, amount of ₹ 2 lakhs was used for personal purpose and the balance was used for business purpose. No TDS was deducted while repaying the loan².
- An amount of ₹ 45,000 was paid by cheque during the year towards health insurance policy covering himself, his spouse and his children.
- General expenses include Advertisement expense of ₹ 20,000 paid by cheque towards an advertisement in a souvenir published by local political party.
- Income-tax refund includes ₹ 2,000 towards interest.
- Depreciation charged is as per Income-tax Rules, however, it does not include depreciation on a new Maruti Van purchased on 23rd September, 2019 for his business use. The cost of the vehicle is ₹ 2,10,000.
- Advance Tax paid during the year is ₹ 15 lakhs.
- TDS has been deducted on interest received on FDs as per Income-tax Act.
- Turnover for the year ending 31.03.2019 was ₹ 3.08 crores.

You are required to compute the tax payable by him for the Assessment Year 2020-21.

(14 Marks)

Answer

Computation of Total Income of Mr. Jayaprakash for the A.Y.2020-21

Particulars	₹	₹	₹
Income from house property			
Annual value (rent received has been taken as annual value, due to absence of information relating		7,20,000	

² The phrase "repaying the loan" to be read as "paying the interest on loan"

to expected rent in the question)			
Less: Deduction u/s 24(a)			
30% of Annual Value		<u>2,16,000</u>	5,04,000
Profits and gains of business or profession			
Net profit as per profit and loss account		75,43,815	
Add: Expenses/Payments debited to profit and loss account but not allowed			
- Fee for late filing of income-tax return for A.Y. 2019-20 – disallowed	1,000		
- Salary paid to an accountant in cash exceeding ₹ 10,000 – disallowed under section 40A(3)	25,000		
- Interest paid to NBFC on loan which is used for personal purposes (₹ 1,20,000 x 2,00,000/10,00,000) – not allowed as per section 37	24,000		
- Interest paid to NBFC on which tax is not deducted attracts disallowance @30% of ₹ 96,000 under section 40(a)(ia) [Since Mr. Jayaprakash turnover for the immediately preceding previous year i.e., P.Y. 2018-19 exceeds ₹ 1 crore, being the limit specified under section 44AB, he is required to deduct tax at source. Disallowance@30% of interest is attracted for non-deduction of tax at source]	28,800		
- Income-tax paid for F.Y. 2018-19	3,45,000		
- Interest paid on late filing of GST, allowed, since it is not for infraction of law but is compensatory in nature.	Nil		
- Advertisement expenses towards an advertisement in a souvenir published by local political party [under section 37(2B)]	<u>20,000</u>	4,43,800	
Add: Undervaluation of Closing stock		<u>45,000</u>	
		80,32,615	
Less: Income chargeable under other heads and income not chargeable to tax but credited			

to profit and loss account			
- Dividend received from Indian companies (exempt under section 10(34) to the extent of ₹ 10,00,000 and balance is taxable under the head "Income from other sources")	17,20,000		
- Interest on FDs (Net of taxes) (Gross income taxable under the head "Income from other sources")	1,08,000		
- Rent received (taxable under the head "Income from house property")	7,20,000		
- Income-tax refund	<u>18,000</u>	<u>25,66,000</u>	
		54,66,615	
Less: Depreciation on Motor Car acquired on 23.9.2019 i.e., during the period between 23.8.2019 to 31.3.2020, is eligible for higher depreciation @30% [It is assumed that motor car is put to use on the date of acquisition]		<u>63,000</u>	54,03,615
Income from Other Sources			
Dividend of ₹ 7,20,000 i.e., in excess of ₹ 10,00,000 chargeable to tax under section 115BBDA		7,20,000	
Interest on fixed deposits (₹ 1,08,000 x 100/90, since tax was deducted at source @10%)		1,20,000	
Interest on income-tax refund		<u>2,000</u>	<u>8,42,000</u>
Gross Total Income			67,49,615
Less: Deduction under Chapter VI-A			
Section 80D			
Health insurance premium paid for self, spouse and his children allowable as deduction to the extent ₹ 25000		25,000	
Section 80GGC			
Expenditure towards advertisement in a souvenir published by local political party not allowable as deduction		<u>NIL</u>	<u>25,000</u>
Total Income			<u>67,24,615</u>
Total Income (rounded off)			67,24,620

Computation of tax payable by Mr. Jayaprakash for the A.Y.2020-21

Particulars	₹
Tax @10% on dividend of ₹ 7,20,000 under section 115BBDA	72,000
Tax on total income of ₹ 60,04,620 (₹ 67,24,620 – ₹ 7,20,000)	
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 above [i.e., ₹ 50,04,620 @30%]	<u>15,01,386</u>
	16,13,886
	16,85,886
Add: Surcharge @10%, since total income exceeds ₹ 50,00,000	<u>1,68,589</u>
	18,54,475
Add: Health and Education cess@4%	<u>74,179</u>
Tax Liability	<u>19,28,654</u>
Tax Liability (rounded off)	19,28,650
Less: Advance tax	15,00,000
Tax deducted at source on interest on FDs under section 194A	<u>12,000</u>
Tax payable	<u>4,16,650</u>

Note:

In point (a) of Additional information, it is stated that closing stock of previous year was undervalued by ₹ 45,000. "Previous year" in the context of income-tax law denotes the relevant previous year, namely, P.Y.2019-20 in this case. Accordingly, the above solution has been worked out considering that the closing stock of the relevant previous year, i.e., P.Y.2019-20, has been undervalued.

However, if the same is considered to be closing stock of the earlier previous year (i.e. Opening stock of the current previous year), the same has to be reduced while computing profits and gains of business and profession. In such a case business income would be ₹53,13,615, gross total income would be ₹66,59,615 and total income would be ₹66,34,620. Tax liability rounded off would work out to ₹18,97,770 and tax payable rounded off would be ₹3,85,770.

Question 2

- (a) Mr. Vinod aged 45 years earned the following incomes during the year ended on 31.03.2020. Compute his total income, if he is
- Resident and ordinarily resident
 - Resident but not ordinarily resident.

	Particulars	₹
(i)	Agricultural Income from Sri Lanka	25,000
(ii)	Long term capital gain on sale of property in Bombay but received in Burma	30,000
(iii)	Profit from business in Dubai controlled from India	2,50,000
(iv)	Rent from house property in Thailand received in India	1,00,000
(v)	Interest on Savings account from bank in India	8,000
(vi)	Past untaxed foreign income brought into India during the year	1,00,000

(5 Marks)

- (b) Determine residential status of Sundaram (HUF) which carries out its transactions in Malaysia. Its affairs are partly controlled from India. The Karta of HUF, Mr. Sundaram who is from Chennai visits India on 01.06.2019 and leaves to Malaysia on 10.02.2020. He has not visited India for the past 11 years.

(2 Marks)

Answer

- (a) Computation of total income of Mr. Vinod for the A.Y. 2020-21

Particulars	Resident and ordinarily resident (ROR)	Resident but not ordinarily resident (RNOR)
	₹	₹
Agricultural income from Sri Lanka [Taxable in his hands as ROR, since global income is taxable and exemption under section 10(1) is not available in respect of agricultural income arising outside India; however, such income is not taxable in his hands as RNOR, since the income accrues or arises outside India and it is not stated that such income is received in India]	25,000	NIL
Long-term capital gain on sale of property in Bombay but received in Burma [Taxable in his hands as ROR, since global income is taxable in the hands of ROR. Also, the income is taxable in his hands as RNOR, since income arises on sale of property situated in India and it is deemed to accrue/arise in India]	30,000	30,000
Profit from business in Dubai controlled from India [Taxable in his hands as ROR, since global income is taxable in the hands of ROR. Also, the income is taxable	2,50,000	2,50,000

in his hands as RNOR, since it is in respect of business controlled from India]		
Rent from house property in Thailand received in India [Taxable in his hands as ROR, since global income is taxable in the hands of ROR. Also, the income is taxable in his hands as RNOR, since it is received in India]	1,00,000	
Less: Deduction u/s 24(a)@30%	<u>30,000</u>	70,000
		70,000
Interest on savings account from bank in India [Since income accrues/arises in India, it is taxable in his hands, whether he is ROR or RNOR]	8,000	8,000
Past untaxed foreign income brought into India during the year [not taxable in the hands of ROR or RNOR, since it does not relate to current year]	NIL	NIL
	<u>-</u>	<u>-</u>
Gross Total Income	3,83,000	3,58,000
Less: Deduction under section Chapter VI-A		
Under section 80TTA, interest on saving A/c, allowable to him as ROR or RNOR in full, since it is within the permissible limit of ₹ 10,000	<u>8,000</u>	<u>8,000</u>
Total Income	<u>3,75,000</u>	<u>3,50,000</u>

(b) Determination of residential status of Sundaram (HUF)

A HUF is said to be resident, if control and management of its affairs is situated wholly or partly in India. Since in the present case, the affairs of the HUF are partly controlled from India, it is said to be resident in India.

A HUF is said to be RNOR, if its Karta is RNOR. In the present case, Mr. Sundaram, being a karta of the HUF has not visited India for the past 11 years and hence he satisfies the condition for being a RNOR i.e., he is non-resident in India in 9 out of 10 previous years immediately preceding the relevant previous year or has been in India for 729 days or less in 7 previous years immediately preceding the relevant previous year. Thus, Sundaram HUF is said to be RNOR for the previous year 2019-20.

Question 3

Mr. Rohan is a Finance Manager in Surya Ltd. He gives you the following information. Compute his income chargeable under the head "Salaries" for Assessment Year 2020-21.

- (a) Housing Loan@ 5% p.a. provided by Surya Ltd., amount outstanding as on 01.04.2019 is ₹ 15 Lakhs. ₹ 25,000 is paid by Mr. Rohan every month towards principal. The lending rate of SBI for similar loan as on 01.04.2019 was 8%.
- (b) ₹ 20,000 incurred by the employer Surya Ltd. towards premium for health insurance scheme approved by IRDA for Rohan.
- (c) Received ₹ 15,000 as gift voucher on the occasion of his marriage anniversary from Surya Ltd.
- (d) Surya Ltd. allotted 1000 sweat equity shares in August 2019. The shares were allotted at ₹ 415 per share and the fair market value on the date of exercising the option by Mr. Rohan was ₹ 700 per share.
- (e) He was provided with furniture during September 2015. The furniture is used at his residence for personal purpose. The actual cost of the furniture was ₹ 2,10,000. On 31st March, 2020, the company offered the furniture to him at free of cost. No amount was recovered from him towards the furniture till date.
- (f) Received ₹ 15,000 towards entertainment allowance.
- (g) Basic salary is ₹ 75,000 per month.

(7 Marks)

Answer**Computation of income under the head "Salaries" of Mr. Rohan for the A.Y.2020-21**

Particulars	₹	₹
Basic Salary [₹ 75,000 x 12 months]		9,00,000
Entertainment allowance		15,000
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 1.4.2019 @8% has to be considered. Thus, perquisite value would be determined @ 3% (8% - 5%) [See Working Note]		40,125
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)		15,000
Allotment of sweat equity shares		
Fair market value of 1000 sweat equity shares @ ₹ 700 each	7,00,000	
Less: Amount recovered @ ₹ 415 each	<u>4,15,000</u>	2,85,000

Use of furniture by employee		
10% p.a. of the actual cost of ₹ 2,10,000		21,000
Transfer of asset to employee		
Value of furniture transferred to Mr. Rohan	2,10,000	
Less: Normal wear and tear @10% for each completed year of usage on SLM basis [2,10,000 x 10% x 4 years (from September 2015 to September 2019)]	<u>84,000</u>	<u>1,26,000</u>
Gross Salary		14,02,125
Less: Standard deduction u/s 16(ia) [Actual salary or ₹ 50,000, whichever is less]		<u>50,000</u>
Net Salary		<u>13,52,125</u>

Working Note:**Computation of perquisite value of loan given at concessional rate**

For computation, the lending rate of SBI on 1.4.2019 @8% has to be considered. Thus, perquisite value would be determined @ 3% (8% - 5%)

Month	Maximum outstanding balance as on last date of month (₹)	Perquisite value at 3% for the month (₹)
April, 2019	14,75,000	3,687.50
May, 2019	14,50,000	3,625.00
June, 2019	14,25,000	3,562.50
July, 2019	14,00,000	3,500.00
August, 2019	13,75,000	3,437.50
September, 2019	13,50,000	3,375.00
October, 2019	13,25,000	3,312.50
November, 2019	13,00,000	3,250.00
December, 2019	12,75,000	3,187.50
January, 2020	12,50,000	3,125.00
February, 2020	12,25,000	3,062.50
March, 2020	12,00,000	3,000.00
Total value of this perquisite		40,125.00

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 ₹ 10,000 and gross salary and net salary would be ₹ 13,97,125 and ₹ 13,47,125, respectively.

Question 4

The following information is furnished by Mr. Shankar for the financial year 2019-20:

Particulars	₹
Income from let out house property (computed)	3,50,000
Interest paid on housing loan for self-occupied property	2,00,000
Income from Textile business	5,75,000
Brought forward business loss of Assessment Year 2016-17	1,05,000
Short-term capital loss	70,000
Brought forward long-term loss from Assessment Year 2018-19	90,000
Long-term capital gain on sale of house	75,000
Interest on enhanced compensation from Government for acquisition of land in 2015	5,00,000
Dividend received from ABC Ltd., Andhra Pradesh	15,000
Deposit made on 20.01.2020 in his Public Provident fund account	75,000
Loss from owning and maintaining race horse of Assessment Year 2018-19	20,000
Loss from Gambling	8,000

Mr. Shankar filed the return of income for assessment year 2016-17 after the expiry of due date for filing the return. Compute the total income of Mr. Shankar for the assessment year 2020-21 under proper heads and also state the loss that can be carried forward. **(7 Marks)**

Answer**Computation of total income of Mr. Shankar for A.Y.2020-21**

Particulars	₹	₹
Income from house property		
Income from let out house property	3,50,000	
Less: Set-off of loss from self-occupied house property by virtue of section 70(1) [Whole of interest i.e., ₹ 2,00,000 allowable as deduction, since it is within the permissible limit applicable to self-occupied property; The said amount represents loss from self-occupied property]	<u>(2,00,000)</u>	1,50,000
Profits and gains of business or profession		
Income from textile business	5,75,000	

[As per section 80, brought forward business loss of ₹ 1,05,000 of assessment year 2016-17 cannot be set-off, since return of income for that year was filed after the expiry of due date specified under section 139(1)]	<u>Nil</u>	5,75,000
Capital Gains		
Long-term capital gains on sale of house	75,000	
Less: Short-term capital loss can be set-off against long-term capital gains [section 70(2)]	<u>70,000</u>	
	5,000	
Less: Brought forward long- term capital loss of ₹ 90,000 from A.Y. 2018-19, set-off to the extent of ₹ 5,000	<u>5,000</u>	Nil
Income from Other Sources		
Interest on enhanced compensation from Government	5,00,000	
Less: Deduction @50%	<u>2,50,000</u>	
	2,50,000	
Dividend received from ABC Ltd. exempt under section 10(34)	<u>NIL</u>	<u>2,50,000</u>
Gross Total Income		9,75,000
Less: Deduction under section 80C – Deposit in PPF		<u>75,000</u>
Total Income		9,00,000
Losses to be carried forward to A.Y.2021-22		
Long-term capital loss of A.Y. 2018-19 (₹ 90,000 – ₹ 5,000) to be set-off against long-term capital gains, if any, in that year	85,000	
Loss from owning and maintaining racehorse of the A.Y. 2018-19 to be set-off against income, if any, from owning and maintaining racehorses in that year.	20,000	
Loss from gambling (it can neither be set-off against any income during the previous year nor can it be carried forward for set-off against any income in the subsequent assessment years).		

Question 5

(a) Answer **any one** of the following **two** sub-parts:

(I) Compute the amount of TDS on the following payments made:

- (i) Payment of royalty of ₹ 22,000 & fee for technical services of ₹ 28,000 to Mr. R, who is having PAN, were made during the Previous Year 2019-20 by M/s. Z Ltd.
- (ii) Z Ltd., paid ₹ 18,000 to one of its directors as sitting fees on 02.02.2020.

- (iii) Payment of ₹ 26,000 made to Mr. Y, a French footballer non-resident in India by an Indian Newspaper on 01.07.2019 for contribution of articles in relation to the sport of Football.
- (iv) ₹ 2,29,000 paid to Mr. S, a resident Individual on 26.12.2020 by State of Gujarat on Compulsory Acquisition of his urban land. **(4 Marks)**

OR

- (II) Mr. K furnished the following information for the year ended 31.03.2020

Particulars	Amount (₹)
Income from Business	40,000
Lottery Winnings (Gross)	6,00,000
Income by way of Salary (Computed)	90,000
Loss from House Property	20,000

Compute his total income, tax liability and advance tax obligations. **(4 Marks)**

- (b) State the conditions when a person is required to furnish Income-tax return in the prescribed form & manner on or before the due date even if such person (other than a company or a firm) is not otherwise required to furnish a return u/s 139(1). **(3 Marks)**

Answer

- (a) (I) (i) **Royalty & Fee for technical services**

Tax is not required to be deducted at source under section 194J on payment of royalty of ₹ 22,000 and fee for technical services of ₹ 28,000 to Mr. R, since the limit of ₹ 30,000 for non-deduction of tax at source is applicable for royalty and fees for technical services, separately.

- (ii) **Director's sitting fees**

Z Ltd. is required deduct tax at source @10% under section 194J, on the amount of sitting fees of ₹ 18,000 paid to a director, since the threshold limit of ₹ 30,000 is not applicable in respect of sum paid to a director.

Therefore, tax to be deducted at source = ₹ 18,000 @10% = ₹ 1,800

- (iii) **Payment to French Football player**

As per section 194E, tax is required to be deducted at source @20% plus health and education cess @4%, on the payment made to Mr. Y, a French football player, being a non-resident sportsman, for contribution of articles in relation to the sport of football.

Therefore, tax to be deducted at source = ₹ 26,000 x 20% = 5,200

Add: Health and Education cess @ 4% 208

Total **5,408**

(iv) Compensation on compulsory acquisition of urban land

As per section 194LA, no tax is required to be deducted at source on the amount of ₹ 2,29,000 paid to Mr. S by State Government on compulsory acquisition of his urban land, since amount does not exceed ₹ 2,50,000.

(OR)**(II) Computation of total income, tax liability and advance tax obligations of Mr. K**

Particulars	₹	₹
Income from salary (computed)	90,000	
Less: Set-off of loss from house property	<u>(20,000)</u>	70,000
Loss from house property	(20,000)	
Less: Set-off against salary income	<u>20,000</u>	-
Income from business		40,000
Lottery winnings		<u>6,00,000</u>
Total Income		<u>7,10,000</u>
Tax liability		
Tax @30% on lottery income		1,80,000
Tax on other income of ₹ 1,10,000 (Nil, since it does not exceed the basic exemption limit of ₹ 2,50,000)		<u>Nil</u>
		1,80,000
Add: Health and education cess @4%		<u>7,200</u>
Total tax liability		<u>1,87,200</u>
Less: Tax deducted at source on lottery winnings under section 194B ³		<u>1,80,000</u>
Net tax payable		<u>7,200</u>
Since tax payable for the previous year 2019-20 is less than ₹ 10,000, Mr. K is not liable to pay advance tax.		

(b) Conditions when a person is required to furnish return of income on or before the due date even if he is otherwise not required to furnish return under section 139(1)

Any person, other than a company or a firm, who is **not** required to furnish a return under section 139(1), is required to file income-tax return in the prescribed form and manner on or before the due date if, during the previous year, such person, *inter alia*,

³ It is assumed that the tax deductible has been duly deducted on lottery winnings.

- (i) has deposited an amount or aggregate of the amounts exceeding ₹ 1 crore in one or more current accounts maintained with a banking company or a co-operative bank; or
- (ii) has incurred expenditure of an amount or aggregate of the amounts exceeding ₹ 2 lakh for himself or any other person for travel to a foreign country; or
- (iii) has incurred expenditure of an amount or aggregate of the amounts exceeding ₹ 1 lakh towards consumption of electricity.

SECTION B: INDIRECT TAXES

Question No. 6 is compulsory.

Attempt any **three** questions from the rest.

“Working notes should form part of the respective answers.”

“Wherever necessary, suitable assumptions may be made by the candidates, and disclosed by way of note.”

“All questions should be answered on the basis of the position of GST law as amended by the significant notifications/circulars issued upto 30th April, 2020.”

Question 6

Anand Trust, Kolkata is registered under section 12AA of the Income Tax Act, 1961. It has provided following particulars relating to the activities carried out by it for the month of March, 2020.

Particulars	Amount (₹)
Donation received against display of name of a city based school in annual religious book published by the Trust	5,00,000
Receipts from sale of food in Anand food court, located in the Trust premises	2,00,000
Refundable deposit of ₹2,00,000 and annual fees of ₹1,00,000 received from restaurants (located in West Bengal) using brand name and logo of Anand Food Court	3,00,000
Donation received for Pooja organized in Trust premises on occasion of 'Shivratri'	1,00,000
Receipts from Skill Development Program for Senior Citizens (aged more than 65 years) residing in Kolkata	4,00,000
Amount received for activities relating to preservation of Tigers in Sunderbans, West Bengal	3,00,000
Letting out of precincts of a religious place owned by the Trust in Kolkata (Rent ₹10,000 per day)	2,00,000

From the given information, you are required to calculate the value of taxable supply.

(8 Marks)

Answer**Computation of value of taxable supply**

Particulars	Amount (₹)
Donation received against publishing the name of a school in annual religious publication of the Trust [Being a non-charitable activity, the service provided by the Trust is not eligible for exemption from GST.]	5,00,000
Receipts from sale of food in food court in the premises of the Trust [Being a non-charitable activity, the service provided by the Trust is not eligible for exemption from GST.]	2,00,000
Annual fees received from restaurants for use of brand name and logo of food court ² [Being a non-charitable activity, the service provided by the Trust is not eligible for exemption from GST. However, deposit being refundable in nature cannot be construed as consideration.]	1,00,000
Donation received for pooja organized in Trust premises on occasion of 'Shivratri' [Services of conduct of a religious ceremony are exempt from GST.]	Nil
Receipts from skill development program for senior citizens (aged more than 65 years) residing in Kolkata [Skill development program conducted by the Trust for persons over the age of 65 years is not a charitable activity since such persons are not residing in rural area, but in an urban area (Kolkata). Being a non-charitable activity, said service provided by the Trust is not eligible for exemption from GST.]	4,00,000
Amount received for activities relating to preservation of Tigers in Sunderbans, West Bengal [Being a charitable activity of preservation of wildlife, the service provided by the Trust is eligible for exemption from GST.]	Nil
Letting out of precincts of religious place owned by the Trust in Kolkata [Renting of precincts of a religious place meant for general public owned by a charitable trust is exempt only when the rent is less than ₹ 10,000 per day. Since the rent is ₹ 10,000 per day, the same is not eligible for exemption.]	<u>2,00,000</u>
Total value of taxable supply	14,00,000

² It has been assumed that the refundable deposit of ₹ 2,00,000 has not affected, in any manner, the consideration charged for use of brand name and logo of the food court.

Question 7

- (a) *Guru Enterprises (Delhi), a registered taxpayer, made a taxable supply to Y Ltd. (Delhi). The value related details of the said supply are as follows :*

Particulars	Amount (₹)
<i>Price of goods (Does not include any tax or discounts)</i>	<i>10,00,000</i>
<i>Tax levied by the Municipal Authority</i>	<i>10,000</i>
<i>Subsidy received from Jiva Enterprises Pvt Ltd. (The price above is after consideration of such subsidy amounts)</i>	<i>1,00,000</i>
<i>Amount incurred by Y Ltd. for post delivery inspection. (Charges incurred post receipt of goods by Y Ltd.)</i>	<i>5,000</i>

In respect of the above supply, Guru enterprises had procured some raw material from X Ltd., for which it owed ₹ 25,000.

The said amount was directly paid by Y Ltd. to X Ltd. and is not included in the price of goods mentioned above.

The payment of consideration for the said supply was delayed by Y Ltd. and hence an interest amount of ₹ 20,000 was also charged by Guru Enterprises.

The applicable tax rate on such supply is as follows CGST @ 6%, -SGST@6% and IGST@ 12%.

You are required to determine the taxable value as well as the applicable tax liability for the said transaction.

(5 Marks)

- (b) *ABC Ltd., is a contractor executing works contract service, situated in Tamil Nadu. It entered into an agreement with XYZ Ltd. (another registered person in Tamil Nadu) to provide works contract services in various States in South India. The precise location details were to be shared later. In this regard, ABC Ltd. received an advance of ₹ 1 Crore (including GST).*

You are to advise ABC Ltd. whether :

- (A) *ABC Ltd. is liable to pay GST on such advance amount.*
 (B) *Whether the tax liability is to be paid as CGST + SGST or IGST*
 (C) *What would be the tax rate at which such tax liability is to be paid?*

(4 Marks)

Answer**(a) Computation of taxable value and tax liability**

Particulars	Amount (₹)
Price of goods (exclusive of tax and discounts)	10,00,000
Add: Tax levied by Municipal Authority [Tax other than GST, if charged separately, are includible in the value in terms of section 15.]	10,000
Add: Subsidy received from Jiva Enterprises Pvt. Ltd. [Subsidy provided by non-Government bodies and which is directly linked to the price is includible in the value in terms of section 15.]	1,00,000
Add: Post-delivery inspection charges [As per section 15, anything done by the supplier in respect of the supply of goods after the delivery of goods is not includible in value.]	-
Add: 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 in terms of section 15.]	25,000
Add: Interest [Interest for delayed payment of consideration is includible in the value in terms of section 15. It has been presumed that interest is inclusive of GST ₹ 20,000 x 100/112 (rounded off).]	<u>17,857</u>
Value of taxable supply	11,52,857
CGST @ 6%	69,171
SGST @ 6%	69,171

- (b) (A) Supply includes *inter alia* all forms of supply made or agreed to be made. Thus, advance payment for a supply agreed to be made is liable to tax.
- In case of services, the time of supply is issue of invoice or receipt of payment, whichever is earlier.
- Therefore, in the given case, ABC Ltd. will be required to pay tax on advance of ₹ 1 crore at the time of receipt of advance.
- (B) Where at the time of receipt of advance, nature of supply is not determinable, the same is treated as inter-State supply and thus, IGST is charged thereon.
- (C) Where at the time of receipt of advance, rate of tax is not determinable, tax is paid at the rate of 18%.

Question 8

- (a) Seven Wonders Pvt Ltd., a registered supplier, is involved in manufacturing of taxable goods. Following information has been provided by the company pertaining to GST paid on purchases made/input services availed by it during the month of January, 2020.

Particulars	Amount (₹)
Raw Material (To be received in February, 2020)	2,00,000
Capital Goods (Invoice missing for one out of 5 items and GST paid on the same was ₹ 70,000)	5,00,000
GST paid on free samples distributed	6,000
Trucks used for transportation of raw materials	1,50,000
GST paid on health insurance policies (Not notified u/s 17(5)(b)(iii)(A) of the CGST Act)	80,000

It may be assumed that all the other necessary conditions for availing input tax credit have been complied with.

Determine the amount of input tax credit that can be availed by Seven Wonders Pvt. Ltd., in the month of January, 2020. **(5 Marks)**

- (b) Conditions for availing the concessional rate of tax under Notification No. 2/2019 CT(R) are primarily the same as the conditions for availing composition scheme under Central Goods and Services Tax Act, 2017, with few exceptions. Briefly discuss the said exceptions. **(4 Marks)**

Answer

- (a)

Particulars	(₹)
Raw material [Since the raw material is not received in January, 2020, ITC in respect of the same cannot be availed in January, 2020.]	-
Capital goods ITC can be availed only on the basis of a valid document. Thus, ITC in respect of the item for which the invoice is missing cannot be availed. ³]	4,30,000
GST paid on free samples distributed	-

³ It has been logically assumed that Seven Wonders Pvt Ltd. has not claimed depreciation under the Income-tax Act, 1961 on the GST component of the capital goods.

[ITC on goods written off or disposed of by way of free samples is blocked under section 17 of the CGST Act.].	
Trucks used for transportation of raw materials [ITC on motor vehicles used for transportation of goods is allowed unconditionally.]	1,50,000
GST paid on health insurance policies* [ITC on health insurance taken for employees is allowed only when there is a statutory obligation on the employer to provide the same.]	-
ITC that can be availed in the month of January 2020	5,80,000

Note: The words "GST paid on health insurance policies not notified u/s 17(5)(b)(iii)(A) of the CGST Act" in the question be read as "GST paid on health insurance policies without any statutory obligation."

- (b) The points of difference between the conditions for availing the concessional rate of tax under Notification No. 2/2019 CT (R) and the conditions for availing the composition scheme are tabulated below:

S. No.	Notification No. 2/2019 CT (R)	Composition Scheme	
		for goods under section 10(1) and 10(2)	for services under section 10(2A)
1	Supplies are made by a registered person who is not engaged in making any supply which is not leviable to tax.	Supplies are made by a registered person who is not engaged in making any supply of goods which is not leviable to tax.	Supplies are made by a registered person who is not engaged in making any supply of goods or services which are not leviable to tax.
2	Supplies are made by a registered person who is not engaged in making any inter-State outward supply – neither of goods nor of services.	Supplies are made by a registered person who is not engaged in making any inter-State outward supply of goods.	Supplies are made by a registered person who is not engaged in making any inter-State outward supplies of goods or services.
3	Supplies are made by a registered person who is not engaged in making supplies of notified goods.	Supplies are made by a registered person who is not a manufacturer of notified goods.	Supplies are made by a registered person who is not a manufacturer of notified goods or

			supplier of notified services.
4	Supplies are made by a registered person who is not engaged in making any supply through an electronic commerce operator who is required to collect tax at source under section 52.	Supplies are made by a registered person who is not engaged in making any supply of goods through an electronic commerce operator who is required to collect tax at source under section 52.	Supplies are made by a registered person who is not engaged in making any supply of goods or services through an electronic commerce operator who is required to collect tax at source under section 52.

Question 9

(a) *Examine eligibility of input tax credit in the following cases in accordance with GST laws:*

- (i) *Repairs and maintenance of tempos used by XYZ Limited for transportation of finished goods.*
- (ii) *Company procuring health insurance services for benefit of its employees (Procurement of health insurance is mandatory under Factories Act, 1948).*
- (iii) *Supply of outdoor catering services at the Annual General Meeting of ABC Ltd.*
- (iv) *Luxury motor vehicle (seating capacity of 5 persons) bought by XYZ Ltd. (engaged in soap manufacturing business) for its directors.*
- (v) *Motor Vehicle used by courier agency for transportation of courier consignments.*

(5 Marks)

- (b) (i) *The aggregate turnover of X Ltd. in Delhi exceeds the applicable threshold limit for registration on 1st December. The application for registration is submitted on 20th December. Registration certificate is granted on January 1. Determine the effective date of registration along with reasoning.*
- (ii) *M/s Sonu is an agent undertaking supply of goods on behalf of another taxable person i.e. Mr. Ghanshyam. The turnover of M/s Sonu does not exceed the applicable threshold limit. Is M/s Sonu required to obtain registration under GST? Explain in brief.*

(4 Marks)

Answer

- (a) (i) ITC on motor vehicles used for transportation of goods is allowed. Further, ITC is allowed on repair and maintenance services relating to motor vehicles, ITC on which is allowed.

Therefore, repairs and maintenance of tempos used by XYZ Limited for transportation of finished goods is eligible for ITC.

- (ii) ITC on health insurance services is allowed only when such services are provided by an employer to its employees under a statutory obligation.

Since in the given case, procurement of health insurance is mandatory under the Factories Act, 1948, health insurance service procured by the company for benefit of its employees is eligible for ITC.

- (iii) ITC on catering services is allowed only when such services are

(i) used by a registered person for making outward catering supply or as an element of a taxable composite or mixed supply, or

(ii) provided by an employer to its employees under a statutory obligation.

In view of the above, outdoor catering service supplied at the Annual General Meeting of ABC Ltd. is not eligible for ITC.

- (iv) ITC on motor vehicles for transportation of persons with seating capacity of up to 13 persons (including driver), can be availed only if the taxable person is in the business of transportation of passengers or is providing the services of imparting training on driving such motor vehicles or is in the business of supply of such motor vehicles.

In view of the above, luxury motor vehicle of seating capacity of 5 persons bought by XYZ Ltd. for its directors is not eligible for ITC as XYZ Ltd. is engaged in manufacturing business.

- (v) ITC on motor vehicles is allowed when such motor vehicle is used for transportation of goods.

Therefore, motor vehicle used by courier agency for transportation of courier consignments is eligible for ITC.

- (b) (i) Where a person submits the application for registration within 30 days of becoming liable for registration, the effective date of registration is the date on which the person becomes liable to registration; otherwise it is the date of grant of registration.

Since X Ltd. applied for registration within 30 days of becoming liable to registration, the effective date of registration is 1st December.

- (ii) A person who makes taxable supply of goods on behalf of other taxable persons whether as an agent or otherwise is mandatorily required to obtain registration irrespective of the quantum of the aggregate turnover.

Therefore, in the given case, M/s Sonu is mandatorily required to obtain registration irrespective of the fact that its turnover does not exceed the applicable threshold limit⁴.

Question 10

(a) Briefly discuss the following with reference to GST law:

- (i) Revised Tax Invoice
- (ii) Bill of Supply
- (iii) Receipt Voucher
- (iv) Payment Voucher
- (v) Refund Voucher

(5 Marks)

(b) (i) Briefly discuss GSTR-5 return

(ii) Mention persons who are not required to file annual return under GST.

OR

Briefly discuss Final Return under GST.

(4 Marks)

Answer

- (a) (i) A registered person who has been granted registration with effect from a date earlier than the date of issuance of certificate of registration to him may, issue a revised tax invoice against the invoices already issued during said period, within 1 month from the date of issuance of certificate of registration in prescribed manner.
- (ii) A registered person supplying exempted goods and/or services or paying tax under composition levy, shall issue in prescribed manner, a bill of supply instead of a tax invoice, containing prescribed particulars.
- (iii) A registered person shall, on receipt of advance payment with respect to any supply of goods and/or services, issue a receipt voucher or any other document, containing prescribed particulars, evidencing receipt of such payment.
- (iv) A registered person who is liable to pay tax under reverse charge under section 9(3)/(4) of the CGST Act shall issue a payment voucher at the time of making payment to the supplier.
- (v) Where, on receipt of advance payment with respect to any supply of goods and/or services the registered person issues a receipt voucher, but subsequently no supply is made and no tax invoice is issued in pursuance thereof, the said registered person may issue to the person who had made the payment, a refund voucher against such payment.

⁴ It has been logically presumed that M/s Sonu is undertaking taxable supply of goods on behalf of Mr. Ghanshyam.

- (b) (i) A registered non-resident taxable person is required to file a simplified monthly tax return in Form GSTR-5 for every calendar month or part thereof incorporating the details of its outward supplies and inward supplies.

GSTR-5 should be furnished within 20 days after the end of the calendar month or within 7 days after the last day of validity period of the registration, whichever is earlier.

- (ii) Following persons are not required to file the annual return:

- (i) Casual taxable persons.
- (ii) Non- resident taxable person
- (iii) Input service distributors
- (iv) Persons authorized to deduct/collect tax at source under section 51/52 of the CGST Act and
- (v) Person supplying OIDAR services from outside India to unregistered persons in India

Every registered person who is required to furnish return u/s 39(1) and whose registration has been surrendered or cancelled

is required to file a final return electronically in prescribed form within 3 months of the:

- (i) date of cancellation,
 - or,
 - (ii) date of order of cancellation,
- whichever is later.