

PAPER – 4 : TAXATION

SECTION – A: INCOME TAX

Question No.1 is compulsory. Attempt any **four questions** from the rest.

Working notes shall form part of the respective answers.

All questions pertaining to Income-tax relate to **Assessment Year 2018-19**, unless stated otherwise in the question.

Question 1

Mr. Murari, a resident individual, age 48 years provides consultancy services in the field of accountancy. His Income and Expenditure account for the year ended 31st March, 2018 is as follows:

Income and Expenditure account for the year ending 31st March, 2018

Expenditure	Amount (₹)	Income	Amount (₹)
To Salary	3,00,000	By Consulting fees	8,00,000
To Motor car expenses	58,000	By Share of Profit from HUF	25,000
To Depreciation	47,500	By Interest on saving bank deposits	15,000
To Medical expenses	70,000	By Interest on income tax refund	8,000
To Purchase of computer	80,000		
To Bonus	10,000		
To General expenses	55,000		
To Office & administrative	75,000		
To Excess of income over Expenditure	<u>1,52,500</u>		
	<u>8,48,000</u>		<u>8,48,000</u>

The following other information relates to the financial year 2017-18:

- (1) Salary includes a payment of ₹ 12,000 per month to his brother-in-law who is in-charge of the marketing department. However, in comparison to similar business, the reasonable salary of a marketing supervisor is ₹ 10,000 per month.

The Suggested Answers for Paper 4A: Income-tax are based on the provisions of income-tax law as amended by the Finance Act, 2017. The relevant assessment year is A.Y.2018-19.

- (2) Interest on saving bank deposit belongs to his wife who has deposited the money out of the pocket money given to her every month.
- (3) Written down value of the assets as on 1st April, 2017 are as follows:
- | | |
|---------------------------------------|------------|
| Motor Car (40% used for personal use) | ₹ 2,00,000 |
| Furniture and Fittings | ₹ 50,000 |
- (4) Medical expenses includes:
- Family planning expenditure ₹ 15,000 incurred for the employees which was revenue in nature.
 - Medical expenses for his father ₹ 35,000. (Father's age is 65 years)
- (5) The computer was purchased on 5th June, 2017 on credit. The total invoice was paid in the following manner:
- ₹ 18,000 paid in cash as down payment on the date of purchase.
 - Remaining amount was paid through account payee cheque on 10th August, 2017.
- (6) Bonus was paid on 30th September, 2018.
- (7) General expenses include commission payment of ₹ 22,000 to Mr. Sridhar for the promotion of business on 17th September, 2017 without deduction of tax at source.
- (8) He also received gold coins from a family friend on the occasion of marriage anniversary on 5th December, 2017. The market value of the coins on the said date was ₹ 55,000.

Compute the total income and the tax liability of Mr. Murari for the assessment year 2018-19. (10 Marks)

Answer

Computation of Total Income of Mr. Murari for the A.Y.2018-19

Particulars	₹	₹
Profit and gains from business or profession		
Net income as per Income and Expenditure Account		1,52,500
Add: Expenses debited but not allowable		
- Excess salary of ₹ 2,000 per month to brother-in-law [not disallowed since brother-in-law does not fall within the definition of 'relative' under section 2(41)]	-	
- Motor car expenses attributable to personal use not allowable (₹ 58,000 x 40%)	23,200	
- Depreciation as per books of account	47,500	
- Medical expenses of ₹ 15,000 for family planning expenditure for the employees [disallowed, since such expenditure is	15,000	

allowable to company assessee only]		
- Medical expenditure of ₹ 55,000 [including expenses of ₹ 35,000 for his father, not allowable, since it is personal in nature]	55,000	
Note: If it is assumed that only ₹ 35,000 is medical expenditure for father and balance ₹ 20,000 is expenditure for staff, then such expenditure is eligible for deduction. In such case, the disallowance would be limited to ₹ 35,000 instead of ₹ 55,000.		
- Purchase of computer (not allowable since it is capital in nature)	80,000	
- Bonus (allowed since it is paid on the due date of filing of return of income i.e., on 30.9.2018)	-	
Note: For the P.Y.2017-18, the gross receipts i.e., fees of Mr. Murari from consultancy services is ₹ 8 lakhs. Since his gross receipt in respect of such profession is less than ₹ 50 lakhs, he is eligible to opt for presumptive income scheme under section 44ADA. His profits and gains from profession would be ₹ 4,00,000, being 50% of ₹ 8,00,000. No deduction in respect of any expenditure is allowed while computing presumptive business income as per the provisions of section 44ADA. Since he is maintaining books of account and his profits and gains from profession as per books of account is ₹ 2,77,400, which is less than ₹ 4,00,000, it is more beneficial for him to declare profits and gains from such profession as per the regular provisions of the Act. For this purpose, he has to get his books of account audited under section 44AB, in which case, his due date for filing return of income would be 30.9.2018)		
- Commission paid without deduction of tax at source [Disallowance is not attracted since he is not liable to deduct tax at source, assuming that his gross receipts did not exceed ₹ 50 lakhs in the P.Y.2016-17 also] [See Note given at the end of the solution for alternate view]	-	2,20,700
		3,73,200
Less: Income credited but not taxable or taxable under any other head		
- Share of profit from HUF (Exempt)	25,000	
- Interest on saving bank deposit	15,000	
- Interest on income-tax refund	8,000	
		48,000
		3,25,200

Less: Depreciation allowable under the Income-tax Act, 1961 [See Working Note]		47,800
		2,77,400
Income from Other Sources		
- Interest on saving bank deposit of wife [Interest not to be included in the total income of Mr. Murari since the deposit was made out of pocket money given to her, assuming that pocket money is in the nature of pin money ¹].	-	
Note – It is also possible to assume that pocket money is not in the nature of pin money. If it is so assumed, the interest of ₹ 15,000 would be included in the hands of Mr. Murari. Consequently, he would be entitled to a deduction of ₹ 10,000 under section 80TTA.		
- Interest on income-tax refund		
- Value of gold coins received from a family friend on the occasion of marriage anniversary (taxable under section 56(2)(x), as the fair market value of such coins exceeds ₹ 50,000)	8,000	
	55,000	63,000
Gross Total Income		3,40,400
Less: Deduction under Chapter VI-A		
Section 80D		
Medical expenses for father (Deduction not allowable since father, aged 65 years, is not a very senior citizen)		Nil
Total Income		3,40,400

Computation of tax liability of Mr. Murari for A.Y. 2018-19

Particulars	₹	₹
Tax on total income of ₹ 3,40,400		
Upto ₹ 2,50,000	Nil	
₹ 2,50,001 – ₹ 3,40,400 [i.e., ₹ 90,400@5%]	<u>4,520</u>	4,520
Less: Rebate u/s 87A [Since his total income does not exceed ₹ 3,50,000]		<u>2,500</u>
		2,020
Add: Education cess@2%		40
Secondary and higher education cess@1%		<u>20</u>

¹ R. Dalmia vs. CIT (1982) 133 ITR 169 (Del.)

Tax liability		<u>2,081</u>
Tax liability (rounded off)		2,080

Working note:

Computation of depreciation allowable as per Income-tax Act, 1961

Particulars	₹
On Motor Car	
₹ 2,00,000 x 15% x 60%	18,000
On Furniture and fittings	
₹ 50,000 x 10%	5,000
On Computer	
₹ 62,000 x 40% [Actual cost of the computer is ₹ 62,000 (i.e., ₹ 80,000 – ₹ 18,000). ₹ 18,000 paid otherwise than by way of account payee cheque/bank draft or use of ECS is not includible in actual cost.]	24,800
	47,800

Note - Mr. Murari would be liable to deduct tax at source under section 194-H on commission paid during the P.Y.2017-18, only if his gross receipts from profession during the P.Y.2016-17 exceeded the monetary limit specified in section 44AB i.e., ₹ 50 lakhs. The figure of gross receipts from profession during the P.Y.2016-17 is not given in the question. Since his gross receipts from profession for P.Y.2017-18 is only ₹ 8 lakhs, it is logical to assume that the gross receipts for P.Y.2016-17 were less than ₹ 50 lakhs. Accordingly, assuming that his gross receipts for P.Y.2016-17 also did not exceed the specified limit of ₹ 50 lakhs, Mr. Murari would not be liable to deduct tax at source under section 194-H for the P.Y.2017-18. Hence, no disallowance would be attracted under section 40(a)(ia)

However, since the statement in item no. (7) under "Other Information" that commission is paid to Mr. Sridhar without deduction of tax at source may seem to indicate that Mr. Murari has the obligation to deduct tax at source under section 194-H, it is possible to take a view that his gross receipts in the P.Y.2016-17 exceeded ₹ 50 lakhs. Based on this view, ₹ 6,600, being 30% of ₹ 22,000 has to be disallowed for failure to deduct tax on commission paid to Mr. Sridhar.

Question 2

- (a) Mr. Surya, an Indian citizen, travelled frequently out of India for his business trip as well as for his outings. He left India from Mumbai airport on 15th May 2017 as stamped in the passport. He has been in India for less than 365 days during the 4 years immediately preceding the previous year and has not been in India for at least 60 days in the previous year.

Determine:

- (i) Residential status of Mr. Surya and
- (ii) Total income for the assessment year 2018-19 from the following information:
- (1) Dividend amounting to ₹ 20,000 received from Sassy Ltd., a Switzerland based company, which was transferred to his Swiss bank account. He had borrowed money from Mr. Sundarlal, a non-resident Indian, for the above mentioned investment on 2nd April, 2017. Interest on the borrowed money for the previous year 2017-18 amounted to ₹ 2,500.
 - (2) Short term capital gain on the sale of shares of Trena India Ltd. a listed Indian Company amounting to ₹ 35,000. The sale proceeds were credited to his Swiss bank account.
 - (3) Interest on fixed deposit with State Bank of India (Mumbai) amounting to ₹ 8,000 was credited to his saving account. **(5 Marks)**
- (b) Mr. Chakrobarty, a resident, aged 35 years, works as a deputy manager in Dews Limited, located in Noida since April 2010. He own two houses and uses it for self-purpose. The following information relates to the houses for the previous year 2017-18;

Location	House-I	House-II
	Noida	Gurgaon
	(He and his family reside)	(His parents reside)
Municipal value per annum (₹)	8,00,000	9,00,000
Fair rent (₹)	9,20,000	8,80,000
Standard rent per annum (₹)	8,40,000	9,20,000
Actual rent (per month) (₹)	-	-
Municipal taxes paid during the year	8%	10%
Date of completion of construction of properties	31 st March, 2010	25 th May, 2017

He had taken a loan of ₹ 18,00,000 for the construction of the House-II on 1st April, 2015. Interest was payable @ 10% per annum. Till date, no payment was made towards the principal amount.

Mr. Chakrobarty, seeks your professional advice to plan his tax liability. Give suggestions to Mr. Chakrobarty which house should be considered and treated as a self-occupied property so that his house property income is minimum for the assessment year 2018-19. **(5 Marks)**

Answer**(a) Determination of residential status and scope of total Income**

- (i) 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 the 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.

Mr. Surya, an Indian citizen, has not satisfied either of the basic conditions for being a resident. Hence, he is non-resident in India for A.Y.2018-19.

(ii) Computation of total income of Mr. Surya for A.Y.2018-19

Particulars		Amount (₹)
(1)	Dividend of ₹ 20,000 received from Switzerland based company transferred to Swiss bank account is not taxable in the hands of the non-resident since the income has neither accrued or arisen in India nor has it been received in India. Since dividend is not taxable in India, interest paid for investment is not allowable as deduction.	Nil
(2)	Short-term capital gain on sale of shares of an Indian listed company is chargeable to tax in the hands of Mr. Surya, since it has accrued and arisen in India even through the sale proceeds were credited to Swiss bank account.	35,000
(3)	Interest on fixed deposit with SBI credited to his savings bank account is taxable in the hands of Mr. Surya as Income from other sources, since it has accrued and arisen in India and is also received in India.	8,000
Total Income		43,000

(b) Computation of income from house property of Mr. Chakrobarty for the A.Y.2018-19

The income from each house property should first be calculated assuming that they are deemed to be let out.

Particulars	Amount in ₹	
	House I [Noida]	House II [Gurgaon]
Gross Annual Value (GAV) Expected Rent is the Gross Annual Value of house property Expected Rent = Higher of Municipal Value and Fair Rent, but restricted to Standard Rent When the house property comes into existence only during the previous year, the annual value shall be computed only for the period for which the house existed. In this case, the annual value is computed for 311 days i.e. from 25.05.2017 to 31.03.2018. ₹ 9,00,000 x 311 / 365	8,40,000	7,66,849
Less: Municipal taxes (paid by the owner during the previous year)	64,000	90,000
Net Annual Value (NAV)	7,76,000	6,76,849
Less: Deductions under section 24		
(a) 30% of NAV	2,32,800	2,03,055
(b) Interest on borrowed capital [House II] Current year interest 1,80,000 ₹ 18,00,000 x 10% Pre-construction interest (allowable in five installments) ₹ 18,00,000 x 10% x 2 years (from 1.4.2015 to 31.3.2017)/5	-	2,52,000
		<u>72,000</u>
Income from house property	5,43,200	2,21,794

OPTION 1 (House I – self-occupied and House II – deemed to be let out)

If House I is opted to be self-occupied, the income from house property shall be –

Particulars	Amount in ₹
House I (Self-occupied)	Nil
House II (Deemed to be let-out)	2,21,794
	2,21,794

OPTION 2 (House I – deemed to be let out and House II – self-occupied)

If House II is opted to be self-occupied, the income from house property shall be –

Particulars	Amount in ₹
House I (Deemed to be let-out)	5,43,200
House II (Self-occupied) (Interest deduction restricted to Rs 2,00,000)	(2,00,000)
Income from house property	3,43,200
Since Option 1 is more beneficial, Mr. Chakraborty should opt to treat House I (Noida) as self-occupied and House II (Gurgaon) as deemed to be let out. His income from house property would be ₹ 2,21,794 for the A.Y. 2018-19.	

Question 3

- (a) Ms. Nandini, a resident individual, aged 48 years, is an assistant manager of Dye Hard Ltd. She was appointed on 1st June, 2015 at a salary of ₹ 32,000 per month. During the previous year 2017-18, she received the following amounts from her employer.
- Dearness allowance (10% of basic pay which forms part of salary for retirement benefits).
 - Bonus for the previous year 2016-17 amounting to ₹ 32,000 was received on 1st October, 2017.
 - Fixed Medical allowance of ₹ 20,000 for meeting medical expenditure.
 - She was also reimbursed the medical bill of her father-in-law dependent on her amounting to ₹ 3,000.
 - Ms. Nandini was provided;
 - a laptop both for official and personal use. Laptop was acquired by the company on 1st June, 2015 at ₹ 15,000.
 - a domestic servant at a monthly salary of ₹ 1,000 which was reimbursed by her employer.
 - Dye Hard Ltd. allotted 500 equity shares in the month of December 2017 @ ₹ 150 per share against the fair market value of ₹ 250 per share on the date of exercise of option by Ms. Nandini. The fair market value was computed in accordance with the method prescribed under the Act.
 - Professional tax ₹ 2,500 (out of which ₹ 1,800 was paid by the employer).

Compute the total Income of Ms. Nandini for the assessment year 2018-19. (Assume that Ms. Nandini pays tax on the receipt basis). **(5 Marks)**

- (b) Mr. Sharma, a resident individual, aged 40 years, suffers from severe disability as certified by medical authority. He gives the following information for the previous year 2017-18;
- (i) He had written a book for Himalaya Publication on "Yoga and its benefits". A lump sum amount of royalty income earned in the previous year 2017-18 amounted to ₹ 6,00,000. Expenses incurred for writing the book amounted to ₹ 20,000.
 - (ii) His friends gifted a statue of Lord Ganesh to his daughter Ms. Diya (aged 14 years) on the successful completion of her secondary school. Fair market value of the statue is ₹ 55,000.
 - (iii) The following gift was received on the occasion of his son's (aged 10 years) thread ceremony;
 - from in-laws a gold chain worth ₹ 35,000
 - (iv) He had deposited ₹ 50,000 in fixed deposit with Bank of Baroda in the name of his son in March 2016. Interest earned on such deposit ₹ 5,000.
 - (v) He donated ₹ 5,000 in cash to Swabhimani, a NGO set up for the destitute (the association was registered under section 80G of the Income-tax Act, 1961).
 - (vi) He paid life insurance premium on his life ₹ 10,000 (sum assured ₹ 1,00,000)
- Compute the gross total income of Mr. Sharma for the assessment year 2018-19.

(5 Marks)

Answer**(a) Computation of total income of Ms. Nandini for the A.Y. 2018-19**

Particulars	₹
Basic Salary [₹ 32,000 x 12]	3,84,000
Dearness allowance [10% of basic salary]	38,400
Bonus [Taxable in the P.Y. 2017-18, assuming that the same was not subject to tax in P.Y. 2016-17]	32,000
Fixed Medical Allowance [Taxable]	20,000
Reimbursement of Medical expenditure incurred for her father-in law [Fully taxable, since father-in law is not included in the meaning of "family"].	3,000
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 [₹ 1,000 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]	12,000

Value of equity shares allotted to her [500 equity shares x ₹ 100 (₹ 250, being the fair market value – ₹ 150, being the amount recovered)]	50,000
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]	1,800
Gross Salary	5,41,200
Less: Deduction under section 16	
Professional tax paid	2,500
Taxable Salary/Gross Total Income	5,38,700
Less: Deduction under Chapter VI-A	Nil
Total Income	5,38,700

(b) Computation of gross total income of Mr. Sharma for the A.Y.2018-19

Particulars	₹	₹
Income from Other Sources		
Royalty	6,00,000	
Less: Expenses incurred for writing book	20,000	5,80,000
Value of Statue of Lord Ganesh [The fair market value of the statue (sculpture) received by his minor daughter as gift (not on account of her skill) from his friends would be taxable, since its value exceeds ₹ 50,000. It would be included in the hands of Mr. Sharma, assuming his income before considering clubbing provisions is higher than his wife].	55,000	
Less: Exemption	1,500	53,500
Value of Gold Chain [The Fair market value of ₹ 35,000 of gold chain received on occasion of his son's thread ceremony would be exempt, since it is received from a relative.]		Nil
Interest on Fixed Deposit in the name of his son [It would be included in the hands of Mr. Sharma, assuming his income before considering clubbing provisions is higher than his wife]	5,000	
Less: Exemption	1,500	3,500
Gross Total Income		6,37,000

Question 4

- (a) Mr. Dheeraj, a resident individual, is a dealer of food grains. During the previous year 2017-18, total turnover of his business was ₹ 80 lakhs (out of which ₹ 15 lakhs was received in account payee cheques and balance in cash). He estimates similar turnover in the previous year 2018-19. As suggested by his tax consultant, Mr. Dheeraj wants to opt for computation of profit and gains of business on presumption basis under section 44AD for the previous year 2018-19.

Guide Mr. Dheeraj relating to the provisions of advance tax with its due date along with the amount payable, if he opts for the above mentioned presumptive taxation. **(5 Marks)**

- (b) Mr. Sharad, set up a manufacturing unit of detergent powder in notified backward area on 20th April, 2017. He purchased the following machineries (falling under 15% block) during the previous year 2017-18.

		Amount (₹ lakhs)
(i)	Machinery A, Machinery B and Machinery C from XYZ Limited on credit (installed on 20 th June, 2017)	45
(ii)	Machinery D from Suyog Limited (installed on 5 th September, 2017). The Invoice was paid through a cash payment on the same day.	25
(iii)	Machinery E from Den Limited (a second hand Machine dealer) on 15 th December, 2017 (The payment for the purchase invoice was made through NEFT on 2 nd January, 2018)	5

Compute the depreciation allowance under section 32 of the Income-tax Act, 1961 for the assessment year 2018-19. **(5 Marks)**

Answer

- (a) **Computation of advance tax of Mr. Dheeraj under Presumptive Income scheme as per section 44AD**

The total turnover of Mr. Dheeraj, a dealer of food grain, is ₹ 80 lakhs. Since his total turnover from such business is less than ₹ 200 lakhs, he is eligible to opt for presumptive tax scheme under section 44AD.

Profits and gains from business computed under section 44AD:

Particulars	₹
6% of ₹ 15 lakhs, being turnover effected through account payee cheque	90,000
8% of ₹ 65 lakhs, being cash turnover	<u>5,20,000</u>
	<u>6,10,000</u>

An eligible assessee opting for computation of profits and gains of business on presumptive basis under section 44AD in respect of eligible business is required to pay advance tax of the whole amount on or before 15th March of the financial year.

Computation of tax liability of Mr. Dheeraj

Particulars	Amount in ₹	
Total Income	6,10,000	
<u>Tax on 6,10,000</u>		
Upto ₹ 2,50,000	Nil	
₹ 2,50,001 – ₹ 5,00,000@5%	12,500	
₹ 5,00,001 – ₹ 6,10,000@20%	<u>22,000</u>	34,500
Add: Education cess@2%		690
Secondary and higher education cess@1%		<u>345</u>
Tax liability		<u>35,535</u>
Tax liability (Rounded off)		35,540

Mr. Dheeraj is required to pay advance tax of ₹ 35,540 on or before 15th March of the financial year. However, any amount by way of advance tax on or before 31st March of the financial year shall also be treated as advance tax paid during the financial year ending on that day for all the purposes of the Act.

Note –

Though the total turnover and its components are stated to be the similar for P.Y.2017-18 and P.Y.2018-19, the question specifically states that Mr. Dheeraj wishes to opt for presumptive taxation for P.Y.2018-19. However, since A.Y.2018-19 is the relevant assessment year for November, 2018 examination, computation of tax liability is made on the basis of the rates and cess applicable for that year.

If the tax liability is computed applying the rates and cess applicable for A.Y.2019-20 as per the requirement of the question, the advance tax payable would be ₹ 35,880. The workings for computation of tax liability, in this case, would be as follows –

Computation of tax liability of Mr. Dheeraj

Particulars	Amount in ₹	
Total Income	6,10,000	
<u>Tax on 6,10,000</u>		
Upto ₹ 2,50,000	Nil	
₹ 2,50,001 – ₹ 5,00,000@5%	12,500	
₹ 5,00,001 – ₹ 6,10,000@20%	<u>22,000</u>	34,500
Add: Health and Education cess@4%		<u>1,380</u>

Tax liability		35,880
Tax liability (Rounded off)		35,880

(b) Computation of depreciation under section 32 for A.Y. 2018-19

Particulars	₹	₹
Machinery A. Machinery B and Machinery C acquired from XYZ Ltd. and installed on 20.06.2017 ²		45,00,000
Machinery D acquired from Suyog Ltd. in cash and installed on 5.9.2017 [Since payment of ₹ 25 lakhs is made otherwise than by account payee cheque/bank draft or use of ECS, the said amount will not be included in actual cost and hence, depreciation not allowable]		NIL
Second hand Machinery E from Den Ltd on 15.12.2017 assuming it is installed and put to use in P.Y. 2017-18.		<u>5,00,000</u>
Actual Cost		50,00,000
<u>Depreciation for P.Y.2017-18</u>		
Depreciation@15% on Machineries A, B and C on ₹ 45 lakhs	6,75,000	
Depreciation@7.5% (50% of 15%) on ₹ 5 lakhs for Machinery E since it is put to use for less than 180 days	<u>37,500</u>	
	7,12,500	
Additional Depreciation@35% on ₹ 45 lakhs, since the machinery is acquired and installed for a manufacturing unit set up in a notified backward area	15,75,000	
Additional depreciation is not allowable on second hand machinery	-	
Depreciation under section 32 for A.Y. 2018-19	22,87,500	

Note – It is assumed that the notified backward area is in one of the four States – Andhra Pradesh, Telangana, West Bengal or Bihar.

² Assuming that the payment is made to XYZ Ltd by way of account payee cheque/ bank draft or by use of ECS and the machineries were put to use for more than 180 days during the previous year.

Question 5

Mr. Rajeev submits the following information for the previous year 2017-18:

		(Amount in ₹)
(i)	Income from salary	6,50,000
(ii)	Income from House-I	55,000
(iii)	Loss from House-II (self-occupied property)	1,25,000
(iv)	Loss from House-III	190,000
(v)	Loss from leather business	68,000
(vi)	Profit from cloth business	1,70,000
(vii)	Business loss of chemical business acquired by inheritance	45,000
(viii)	Brought forward loss of discontinued business of textile relating to financial year 2012-13	50,000
(ix)	Long term capital gain on transfer of listed equity shares on which STT was paid	75,000
(x)	Short term capital loss in equity oriented funds on which STT was paid	35,000
(xi)	Income from crossword puzzles	12,000
(xii)	Dividend from foreign company	8,500
(xiii)	Loss on owning and maintenance of race horses	7,500
(xiv)	Income from owning and maintenance of race bulls	9,000
(xv)	Mr. Rajeev had taken an education loan from XYZ Bank for his niece who is dependent on him for pursuing full time MBA course on 2 nd April, 2017. During the year, interest on loan was due for ₹ 55,000. However, he paid towards principal and interest ₹ 90,000 and ₹ 30,000 respectively.	

Compute the gross total income and losses to be carried forward of Mr. Rajeev for assessment year 2018-19. **(10 Marks)**

Answer**Gross Total Income of Mr. Rajeev for A.Y. 2018-19**

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. 2019-20	<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	
Less: Business loss of chemical business acquired by inheritance	<u>45,000</u>	
	57,000	
Less: B/f loss of discontinued textile business relating to F.Y. 2012-13 (allowed to be set-off since the 8 years time limit has not expired)	<u>50,000</u>	7,000
Capital gains		
Long term capital gains of ₹ 75,000 on transfer of listed equity shares on which STT has been paid is exempt.	-	
Short term capital loss in equity-oriented funds on which STT is paid ₹ 35,000 to be carried forward to A.Y. 2019-20 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. 2019-20.	Nil	
Income from crossword puzzles	12,000	
Dividend from foreign company	<u>8,500</u>	
		<u>29,500</u>
Gross Total Income		<u>4,86,500</u>

Losses to be carried forward to A.Y.2019-20:

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 – It is assumed that Mr. Rajeev has filed his return on or before the due date under section 139(1). Hence, he is eligible to carry forward short-term capital loss and loss on owning and maintaining race horses.

Question 6

Answer any **two** from the following **three** questions:

- (a) Examine the applicability of the provisions for tax deduction at source under Income-tax Act, 1961.
- Mr. Z, a resident, is due to receive ₹ 95,000 on 01.10.2017 towards maturity proceeds of LIC policy taken on 01.10.2012 for which sum assured was ₹ 90,000 and the annual premium was ₹ 15,000.
 - Mudra Ltd., an advertising company, has retained a sum of ₹ 15 Lakhs, towards charges for procuring and canvassing advertisement, from payment of ₹ 1 crore due to Cloud TV, A television channel and remitting the balance amount of ₹ 85 Lakhs to the television channel. Would the provisions of Tax deduction at source under section 194H be attracted on the sum of ₹ 15 Lakhs retained by the advertising company?
 - Mr. X is salaried Individual pays rent of ₹ 55,000 per month to Mr. Y (does not have PAN) from June 2017. Is he required to deduct TDS? If so, when is he required to deduct tax? Mr. X vacated the premises on 31st December, 2017. **(5 Marks)**
- (b) Mr. Subramaniam, due to inadvertent reasons failed to file his Income Tax return for assessment year 2017-18.
- Can he file the above return in the year 2018-19? If yes, when is the last date to file the above return?
 - What are the consequences of non-filing the return within the due date under section 139(1)? **(5 Marks)**

- (c) The following details are provided by Mr. Pinto, an individual, for the assessment year 2018-19.

	Amount (₹)
Total estimated tax payable	2,00,000
TDS (estimated but not deducted)	55,000

Determine the advance tax payable with their due dates for the assessment year 2018-19. **(5 Marks)**

Answer

(a) (i) Maturity proceeds of LIC Policy

The annual premium exceeds 10% of sum assured in respect of a policy taken after 31.03.2012, and consequently, the maturity proceeds of ₹ 95,000 would not be exempt in the hands of Mr. Z.

However, the tax deduction provisions are not attracted since the maturity proceeds are less than ₹ 1 lakh.

(ii) Charges taken or retained by advertising companies from media companies for procuring and canvassing advertisement

The relationship between the media company and the advertising agency is that of a 'principal-to-principal' and, therefore, not liable for TDS. In view of the same, the CBDT has clarified that no liability to deduct tax at source is attracted on payments made by television channels to the advertising agency for booking or procuring of or canvassing for advertisements.

Accordingly, in view of the clarification given by CBDT, no tax is deductible at source on the amount of ₹ 15 lakhs retained by Mudra Ltd., the advertising company, from payment due to Cloud TV, a television channel.

(iii) Payment of rent by a salaried individual

Since Mr. X pays rent exceeding ₹ 50,000 per month in the F.Y. 2017-18, he is liable to deduct tax at source @5% of such rent for F.Y. 2017-18.

However, since Mr. Y does not provide his PAN to Mr. X, tax would be deductible @20%, instead of 5%.

Tax has to be deducted from rent payable for the last month of the P.Y.2017-18. However, since he vacated the premises in December, 2017, tax has to be deducted from rent payable for December, 2017.

- (b) (i)** If any person fails to furnish a return within the time allowed to him under section 139(1), he may furnish the belated return for any previous year at any time -
- (i) before the end of the relevant assessment year; or

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

The last date for filing return of income for A.Y.2017-18, therefore, is 31st March 2018.

Thereafter, Mr. Subramaniam cannot furnish a belated return after this date.

(ii) Consequences for non-filing return of Income within the due date under section 139(1)

Carry forward and set-off of certain losses

Carry forward and set-off of business loss, speculation business loss, loss from specified business, loss under the head "Capital Gains"; and loss from the activity of owning and maintaining race horses, would not be allowed to be carried forward, where a return of income is not furnished within the time allowed under section 139(1).

Interest under section 234A

Interest under section 234A@1% per month or part of the month for the period commencing from the date immediately following the due date under section 139(1) till the date of furnishing of return of income is payable, where the return of income is furnished after the due date.

Fee under section 234F: With effect from assessment year 2018-19, fee of ₹ 5,000 would be payable under section 234F, if the return of income is not filed before the due date specified in section 139(1) and ₹ 10,000 would be the fee payable under section 234F where the return is furnished after 31st December of the assessment year.

However, such fee cannot exceed ₹ 1,000, if the total income does not exceed ₹ 5,00,000.

(c) Computation of Advance Tax Payable for the A.Y 2018-19

Particulars	₹
Tax Payable	2,00,000
TDS (estimated but not deducted), cannot be reduced for computing advance tax liability	Nil
Net Tax Payable	2,00,000

Due dates for payment of advance tax

Due date of installment	Amount payable
On or before 15 th June, 2017	₹ 30,000 [15% of ₹ 2,00,000]
On or before 15 th September, 2017	₹ 60,000 [₹ 90,000 (45% of ₹ 2,00,000) less ₹ 30,000, (amount paid in earlier installment)]
On or before 15 th December, 2017	₹ 60,000 [₹ 1,50,000 (75% of ₹ 2,00,000) Less ₹ 90,000 (amount paid in earlier installment or installments)]
On or before 15 th March, 2018	₹ 50,000, [₹ 2,00,000 (whole amount of advance tax liability less ₹ 1,50,000 (amount paid in earlier installment or installments)]

PAPER – 4 : TAXATION

SECTION B: INDIRECT TAXES

“Question No. 7 is compulsory.

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

Working notes should form part of the respective answers.

All questions should be answered on the basis of the position of GST law as amended upto 30th April, 2018.”

Question 7

- (a) Worldwide Pvt. Ltd. (a registered taxable person) having the gross receipt of ₹ 50 lakh in the previous financial year provides the following information relating to their services for the month of July, 2018.

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

Compute the value of taxable supply and the amount of GST payable. The above receipts don't include the GST amount. Rate of GST is 18%. **(6 Marks)**

- (b) M/s J & Co. Chartered Accountants, a partnership firm, having its registered and head office in Mumbai and registered under the GST Act in the State of Maharashtra only. It does not have any branches in other State. The gross receipts of the firm in the Financial Year 2017-18 was ₹ 60 lakh. Firm has submitted following information for the month of August, 2018:

The Suggested Answers for Paper 4B: Indirect Taxes are based on the basis of the position of GST law as amended by the significant notifications/circulars issued till 30th April, 2018.

Particulars	Amount (₹) (excluding GST)
Professional services provided and bills raised during the month for providing services of ITR filing and income tax consultancy	1,00,000
Internal Audit of X Pvt. Ltd. at their office in Mumbai (registered in the State of Maharashtra)	50,000
Statutory audit services provided to M/s Tirupati Trading Pvt. Ltd. at Ahmedabad (registered in the State of Gujarat)	70,000

Firm has also furnished following information in respect of input services availed from registered dealers for providing output services during the month August, 2018:

Particulars	Amount (₹) (excluding GST)	CGST	SGST	IGST
Services availed from courier agency	5,000	450	450	Nil
Railway travelling expenses from Mumbai to Ahmedabad and Return Ticket for conducting of audit of M/s Tirupati Trading Pvt. Ltd. for 3 Tier AC	12,000	Nil	Nil	600
Service availed from another professional firm at Mumbai amount is paid without TDS u/s 194J of Income Tax Act	20,000	3,600	Nil	Nil

Notes:

- (i) Rate of CGST, SGST and IGST to be 9%, 9% & 18% respectively, on outward supplies.
- (ii) All the conditions necessary for availing the ITC have been fulfilled.
- (iii) Opening balance of available input tax credit is Nil for CGST, SGST and IGST.

Compute the net gst payable by M/s J & Co. for the month August, 2018 after adjusting the GST credit. Brief reasoning should form part of your answer. **(4 Marks)**

Answer

(a) Computation of value of taxable supply and amount of GST payable

S.No.	Particulars	₹
(1)	Running a boarding school [Services provided by an educational institution to its students, faculty and staff are exempt.]	Nil

(2)	Fees from prospective employer for campus interview [Not exempt.]	1,70,000
(3)	Education services for obtaining the qualification recognised by law of foreign country [An institution providing education services for obtaining qualification recognized by a foreign country does not qualify as educational institution. Thus, said services are not exempt.]	3,10,000
(4)	Renting of furnished flats for temporary stay of different persons [Exempt assuming that rent / declared tariff is less than ₹ 1,000 per day.**]	Nil
(5)	Conducting Modular Employable Skill Course [An institution providing Modular Employable Skill Course qualifies as educational institution . Services provided by an educational institution to its students, faculty and staff are exempt.]	Nil
(6)	Conducting private tuitions [Not exempt.]	3,00,000
	Value of taxable supply	7,80,000
	GST payable @ 18%	1,40,400

****Note:** It has been assumed that total rent per day is less than ₹ 1,000 per flat. However, if it is assumed that total rent per day exceeds ₹ 1,000 per flat, services of renting of flats become taxable and thus, value of taxable supply and GST payable is ₹ 9,00,000 and ₹ 1,62,000 respectively.

(b) Computation of net GST payable by M/s J & Co. for the month of August, 2018

S. No.	Particulars	CGST (₹)	SGST (₹)	IGST (₹)
(i)	Professional services and services of ITR filing and IT consultancy [₹ 1,00,000]	9,000	9,000	-
(ii)	Internal audit services [₹ 50,000]	4,500	4,500	--
(iii)	Statutory audit services [₹ 70,000]	-	-	12,600
	Total GST	13,500	13,500	12,600
	Less: ITC (Refer working note)	450	450	4,200
	Net GST payable	13,050	13,050	8,400

Working note: Computation of ITC available for set-off

S. No.	Particulars	CGST (₹)	SGST (₹)	IGST (₹)
(1)	ITC on courier services [₹ 5,000]	450	450	-
(2)	ITC on railway travelling expenses for conducting of audit of M/s Tirupati Pvt. Ltd. [₹ 12,000]	--	--	600
(3)	ITC on services availed from another professional firm at Mumbai [₹ 20,000]			3,600
	Total ITC	450	450	4,200

Note: Read amount of GST ₹ 3,600 given against services availed from another professional firm at Mumbai as given against IGST. However, it is also possible to assume the said amount of ₹ 3,600 as entirely the amount of CGST (as given in question) or as ₹ 1,800 - CGST and SGST each.

Question 8

- (a) *JP Charitable Institution, an entity registered under Section 12AA of Income Tax Act, 1961 and registered in GST, has furnished you the following details with respect to the activities undertaken by it during the month of January, 2018. You are required to compute its taxable value of GST from the information given below, assuming that the rate of GST is 18%. Brief reasoning should be part of your answer.*

Particulars	Amount (₹) Excluding GST
Membership fees received from members	10,00,000
Amount received for advancement of educational programs relating to abandoned or orphaned or homeless children	4,00,000
Amount received for renting of commercial property owned by Trust	5,00,000
Amount received for counselling of terminally ill person	3,50,000
Fees charged for Yoga Camp conducted by Trust	2,00,000
Amount received relating to preservation of forest & wildlife	6,00,000

(5 Marks)

- (b) *Mr. XYZ & Co., a firm of Chartered Accountants, issued invoice for services rendered to Mr. A on 7th September, 2017. Determine the time of supply in the following independent cases:*
- (1) *The provision of service was completed on 1st August, 2017.*

- (2) The provision of service was completed on 14th August, 2017.
- (3) Mr. A made the payment on 3rd August, 2017 where provision of service was remaining to be completed.
- (4) Mr. A made the payment on 15th September, 2017 where provision of service was remaining to be completed. **(5 Marks)**

Answer**(a) Computation of value of taxable supply of J P Charitable Institution for the month of January, 2018**

	Particulars	₹
(i)	Membership fees received from members	10,00,000
(ii)	Amount received for advancement of educational programs relating to abandoned/orphaned/homeless children	Nil
(iii)	Amount received for renting of commercial property owned by Trust ¹	5,00,000
(iv)	Amount received for counselling of terminally ill person	Nil
(v)	Fee charged for Yoga Camp conducted by Trust	Nil
(vi)	Amount received relating to preservation of Forest & Wildlife	Nil
	Taxable Value	15,00,000
	Charitable activities provided by an entity registered under section 12AA of the Income-tax Act, 1961 are exempt. Since JP Charitable Institution is registered under section 12AA of the Income-tax Act, 1961 and activities mentioned at points (ii), (iv), (v) and (vi) are included in charitable activities, the same are exempt.	

(b) Time of supply will be:

- (A) if the invoice is issued within 30 days of supply of service,
date of invoice
OR
date of receipt of payment,
whichever is earlier

¹ It has been logically assumed that the commercial property owned by the Charitable Trust is not within the precincts of a religious place meant for general public.

- (B) if the invoice is not issued within 30 days of supply of service,
date of provision of service
OR
date of receipt of payment,
whichever is earlier

In accordance with aforesaid provisions, time of supply is:

1. **01.08.2017** since the invoice is not issued within 30 days of supply of service.
2. **07.09.2017** since the invoice is issued within 30 days of supply of service.
3. **03.08.2017** viz. earlier of 07.09.2017 or 03.08.2017
4. **07.09.2017** viz. earlier of 07.09.2017 or 15.09.2017

Question 9

- (a) *M/s Maheshwari Corporation Pvt. Ltd. is a supplier of goods and services at Bangalore, registered in the State of Karnataka, having turnover of ₹ 200 lakhs in the last financial year. It has furnished the following information for the month of June, 2018.*

Sr. No.	Particulars	Amount (₹) Excluding GST
1	Services provide by way of labour contract for repairing a single residential unit otherwise than as a part of residential complex (It is an intra-State transaction.)	1,30,000
2	Intra-State sale of taxable goods including ₹ 50,000 received as advance in April, 2018. The invoice for the entire sale value is issued on 15th June, 2018	2,50,000
3	Goods transport services received from GTA, GTA is paying tax @ 12 % (It is an inter-State transaction.)	1,80,000
4	Goods purchased from unregistered dealer on 20 th June, 2018 (Inter-State purchases are worth ₹ 45,000 and balance purchases were intra-State).	80,000

Compute net GST liability (CGST, SGST, IGST as the case may be) of M/s Maheshwari Corporation Pvt. Ltd. for the month of June, 2018 assuming the rates of GST, unless otherwise specified, as under:

CGST – 9%, SGST – 9%, IGST – 18%

(5 Marks)

- (b) *Harshgeet Pvt. Ltd., a registered supplier, is engaged in the manufacture of taxable goods. The company provides the following information pertaining to GST paid on the purchases made/input services availed by it during the month of July, 2018:*

Sr. No	Particulars	GST paid
(1)	Raw Material (to be received in September, 2018)	2,50,000
(2)	Membership of a club availed for employees working in the factory	1,45,000
(3)	Inputs to be received in 5 lots, out of which 3 rd lot was received during the month	80,000
(4)	Trucks used for transport of raw material	40,000
(5)	Capital goods (out of 3 items, invoice for 2 items is missing and GST paid on that item is ₹ 80,000)	1,50,000

Determine the amount of tax credit available with Harshgeet Pvt. Ltd. for the month of July, 2018 by giving the necessary explanation for treatment of various items. All the conditions necessary for availing the ITC have been fulfilled. **(5 Marks)**

Answer

(a) Computation of net GST liability of M/s Maheshwari Corporation Pvt. Ltd.

Particulars	Value of Supply	CGST (₹)	SGST (₹)	IGST (₹)
Services provided by way of labour contracts for repairing a single residential unit otherwise than as a part of residential complex [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.]	1,30,000	11,700	11,700	-
Intra State sale of taxable goods [Time of supply of goods is the time of issue of invoice. So, advance received in April, 2018 will also be taxed in June, 2018]	2,50,000	22,500	22,500	
Goods purchased from unregistered dealer on 20 th June, 2018 [All intra-State and inter-State procurements made by a registered person from unregistered person have been exempted from reverse charge liability.]		Nil	Nil	Nil

Less: ITC of GST paid on GTA services received [Since GTA is paying tax @ 12%, tax is payable under forward charge. Further, ITC of IGST ($\text{₹ } 1,80,000 \times 12\% = 21,600$) paid on the same is available]		(21,600)		
Net GST liability		12,600	34,200	Nil
As per order of utilization of ITC, ITC of IGST has been used to pay CGST as there is no IGST liability.				

(b) Computation of ITC available with Harshgeet Pvt. Ltd. for the month of July, 2018

Particulars	₹
Raw Material [ITC not available as raw material is not received in July, 2018]	Nil
Membership of a club availed for employees working in the factory [Blocked credit in terms of section 17(5) of the CGST Act, 2017]	Nil
Inputs to be received in 5 lots, out of which 3rd 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
Trucks used for transport of raw material [ITC of GST paid on motor vehicles is allowed only when used, <i>inter alia</i> , for transportation of goods in terms of section 17(5) of the CGST Act, 2017]	40,000
Capital goods [ITC of GST paid on items for which invoice is missing is not available. So, ITC of ₹ 80,000 is not available]	70,000
Total ITC available	1,10,000

Question 10

- (a) (i) *There is a dairy farm selling milk and milk products in Delhi. The turnover of his dairy farm is as below:*
- Milk (Exempted): ₹ 19,90,000
- Butter (Taxable): ₹ 50,000
- What is the registration liability under GST for the above mentioned person assuming he has same PAN?* **(2 Marks)**
- (ii) *Amit, a taxable person, is operating in Tamilnadu, Punjab and West Bengal, with the same PAN. Can he operate with a single registration in West Bengal?* **(2 Marks)**

- (b) (i) Mr. X is running a consulting firm and also a readymade garment showroom in Kolkata registered in same PAN. Turnover of the showroom is ₹ 70 lakh and receipt of consultancy firm is ₹ 15 lakh in the preceding financial year. You are required to answer the following:
- (1) Is Mr. X eligible for composition scheme?
- (2) Is it possible for Mr. X to opt for composition scheme only for showroom?
- (2 Marks)**
- (ii) Differentiate between direct and indirect taxes (Give any two points) **(2 Marks)**
- (c) Can a person get himself voluntarily registered though he may not be liable to pay GST?
- (2 Marks)**

Answer

- (a) (i) Every supplier becomes liable to registration if his aggregate turnover in a financial year exceeds ₹ 20 lakh in a State/UT [₹ 10 lakh in case of Special Category States other than Jammu and Kashmir].
- Further, aggregate turnover, *inter alia*, means the aggregate value of all taxable supplies as well as exempt supplies.
- Thus, in the given case, aggregate turnover:
- $$= ₹ 19,90,000 + ₹ 50,000$$
- $$= ₹ 20,40,000$$
- Since aggregate turnover of the dairy farm in Delhi exceeds ₹ 20 lakh, it is liable to get registered.
- (ii) No, Amit cannot operate with a single registration in West Bengal if he is making taxable supplies from Tamilnadu and Punjab also. Every person who is liable to take a registration will have to get registered separately for each of the States where he has a business operation and is liable to pay GST.
- However, if he is not making taxable supplies from Tamilnadu and Punjab, he can operate with a single registration in West Bengal.
- (b) (i) A registered person, whose aggregate turnover in the preceding financial year did not exceed ₹ 1 crore in a State/UT [₹ 75 lakh in case of Special Category States except Jammu and Kashmir and Uttarakhand], may opt for composition scheme.
- However, he shall not be eligible to opt for composition scheme if, *inter alia*, he is engaged in the supply of services other than restaurant services.

- (1) In the given case, since Mr. X is engaged in the supply of consultancy service, he is not eligible to opt for composition scheme irrespective of its turnover in the preceding financial year.
- (2) No, it is not possible for Mr. X to opt for composition scheme only for showroom as all the registrations under the same PAN have to opt for composition scheme and since the supply of consultancy service is ineligible for composition scheme, supply of readymade garments too becomes ineligible for composition scheme.
- (ii) (a) In case of direct taxes, the person paying the tax to the Government directly bears the incidence of the tax whereas in case of indirect taxes, the person paying the tax to the Government collects the same from the ultimate consumer, i.e. incidence of tax is shifted to the other person.
- (b) Direct taxes are progressive in nature - high rate of taxes for people having higher ability to pay. However, indirect taxes are regressive in nature - All the consumers equally bear the burden, irrespective of their ability to pay.
- (c) Yes. a person, though not liable to be registered under sections 22 or 24 of CGST Act, 2017 may get himself registered voluntarily. Once a person obtains voluntary registration, he has to pay tax even though his aggregate turnover does not exceed ₹ 20 Lakhs / ₹ 10 Lakhs.

Question 11

- (a) *Insight Ltd. is operating in West Bengal. The tax liability for the month of August, 2017 is as follows :*

Sl. No.	Tax liability	West Bengal (₹)
(1)	Output CGST payable	24,000
(2)	Output SGST payable	9,000
(3)	Output IGST payable	3,000
(4)	Input CGST	7,000
(5)	Input SGST	14,000
(6)	Input IGST	12,000

Calculate tax payable and carry forward for the month of August, 2017. (4 Marks)

- (b) *M/s Software Limited reduced the amount of ₹ 2,00,000 from the output tax liability in contravention of provisions of section 42(10) of the CGST Act, 2017 in the month of December 2017, which is ineligible credit. A show cause notice was issued by the Tax Department to pay tax along with interest. M/s Software Limited paid the tax and interest on 31st March, 2018. Calculate interest liability (Ignore penalty). (4 Marks)*

- (c) The aggregate turnover of Vikas Enterprise of Mumbai (Maharashtra) has exceeded ₹ 20 lakh on 25th January, 2018. It submits the application for registration on 15th February, 2018. Registration certificate is granted on 20th February, 2018. Determine the effective date of registration under CGST Act, 2017. **(2 Marks)**

Answer

- (a) Computation of net tax payable and carry forward for the month of August, 2017

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
Output tax payable	24,000	9,000	3,000
Less: Input tax credit [Refer note below]	(7,000)-CGST	(14,000)-SGST	(3,000)-IGST
	(9,000)-IGST		
Net GST payable	8,000	(5000) Nil	Nil

Note: ITC of IGST has been used to pay IGST and CGST in that order. Further, ITC of SGST cannot be utilised towards payment of CGST.

- (b) A taxable person who makes an undue or excess claim of input tax credit shall pay interest @ 24% p.a. on such undue or excess claim. The period of interest will be from the date following the due date of payment to the actual date of payment of tax.

Due date of payment is 20th January, 2018².

Period for which interest is due = 21st January, 2018 to 31st March, 2018

= 70 days

Thus, interest liability = ₹ 2,00,000 x 24% x 70/365

= ₹ 9,205 (approx.)

- (c) A supplier whose aggregate turnover in a financial year exceeds ₹ 20 lakh in a State/UT [₹ 10 lakh in Special Category States except Jammu and Kashmir] is liable to apply for registration within 30 days from the date of becoming liable to registration.

Where the application is submitted within said period, the effective date of registration is the date on which the person becomes liable to registration; otherwise it is the date of grant of registration.

² It has been most logically assumed that the output tax liability for the month of November, 2017 is reduced at the time of payment of said liability in the month of December, 2017. However, it is also possible to assume that output tax liability for the month of December, 2017 is reduced. In that case, interest will be due for a period of 101 days and interest liability will be ₹ 13,282 (approx.).

Since Vikas Enterprise applied for registration within 30 days of becoming liable to registration, the effective date of registration is 25th January, 2018.

Question 12.

Attempt any **two** parts out of (a), (b) & (c).

- (a) What kinds of invoice details of outward supplies are required to be furnished in GSTR-1 for outward supplies? **(5 Marks)**
- (b) Discuss the provisions relating to issuance of credit notes and debit notes under CGST Act and rules there under. **(5 Marks)**
- (c) State whether the following supplies would be treated as supply of goods or supply of services as per Schedule II of CGST Act:
 - (i) Renting of immovable property
 - (ii) Transfer of right in goods without transfer of title in goods.
 - (iii) Works contract services
 - (iv) Temporary transfer of permitting use or enjoyment of any intellectual property right
 - (v) Sale of personal car to dealer. **(5 Marks)**

Answer

- (a) The invoice details of outward supplies required to be furnished in GSTR-1 are - name of Buyer, GSTN of buyer, invoice no., date, value, taxable value, rate of tax, amount of tax, HSN code in respect of supply of goods, accounting code in respect of supply of services and place of supply.

Further, following invoice details of outward supplies are required to be furnished invoice-wise in GSTR-1 –

- (i) intra-State supplies made to the registered persons
- (ii) inter-State supplies made to the registered persons;
- (iii) inter-State supplies made to unregistered persons with invoice value exceeding ₹ 2,50,000

Note: The question may be answered either on the basis of invoice details of outward supplies required to be furnished in GSTR-1 or on the basis of invoice details of outward supplies required to be furnished invoice-wise in GSTR-1.

- (b) Creditnote is required to be issued:-
 - (i) if taxable value charged in the tax invoice is found to exceed the taxable value in respect of supply of goods and/or services, or
 - (ii) if tax charged in the tax invoice is found to exceed the tax payable in respect of supply of goods and/or services, or

- (iii) if goods supplied are returned by the recipient, or
- (iv) if goods and/or services supplied are found to be deficient.

Debit note is required to be issued

- (i) if taxable value charged in the tax invoice is found to be less than the taxable value in respect of supply of goods and/or services or
 - (ii) if tax charged in the tax invoice is found to be less than the tax payable in respect of supply of goods and/or services
- (c) (i) Renting of immovable property would be treated as supply of services in terms of Schedule-II of CGST Act, 2017.
- (ii) As per Schedule-II of CGST Act, 2017, transfer of right in goods without transfer of title in goods would be treated as supply of services.
 - (iii) As per Schedule-II of CGST Act, 2017, works contract services would be treated as supply of services.
 - (iv) As per Schedule-II of CGST Act, 2017, temporary transfer of permitting use or enjoyment of any intellectual property right would be treated as supply of services.
 - (v) As per Schedule-II of CGST Act, 2017, sale of personal car to dealer would be treated as supply of goods as any transfer of the title in goods is a supply of goods. However, it is also possible to take view that sale of personal car to dealer is not a supply per se as supply is not made by the individual in the course or furtherance of business – in terms of CBIC FAQs [Q. 10 of Chapter 4 -Meaning and scope of supply].

Note: The question may be answered on the basis of either of the two views.