

MOCK TEST PAPER 2
INTERMEDIATE (NEW) COURSE
PAPER – 4: TAXATION

Time Allowed – 3 Hours

Maximum Marks – 100

SECTION – A: INCOME TAX LAW (60 MARKS)

Working Notes should form part of the answer. Wherever necessary, suitable assumptions may be made by the candidates and disclosed by way of a note. However, in answers to Questions in Division A, working notes are not required.

The relevant assessment year is A.Y.2021-22.

Division A – Multiple Choice Questions

Write the most appropriate answer to each of the following multiple choice questions by choosing one of the four options given. All questions are compulsory.

1. Mr. Alishaan is engaged in the business of clothes trading since 2015. His minor daughter's marriage is fixed in December, 2020. He planned destination wedding in Udaipur for his minor daughter. For the wedding, he withdrew Rs. 40,00,000 cash in the month of August, 2020 and Rs. 65,00,000 cash in the month of September, 2020 from Aapka Paisa Bank.

He booked 30 rooms for 5 days for the accommodation of his relatives in Raho Hotel and paid Rs. 40,000 in cash as advance and balance by account payee cheque. He took the catering services of Daana Caterers, a sole proprietor, for the wedding for which he paid Rs. 10,20,000 on 15.10.2020. For her wedding, he gifted his daughter a house property, purchased from RK Builders on 10.10.2020 by account payee cheque for Rs. 15,00,000. The stamp duty value of the property on 10.10.2020 is Rs. 16,00,000 and on the date of transfer to minor daughter is Rs. 20,00,000.

Mr. Alishaan paid Rs. 45,000 in cash and balance in cheque to travel agent for the return ticket of some of his relatives to US. He has not filed his return of income from P.Y. 2017-18. His daughter let out the house property received from him at a monthly rent of Rs. 40,000 from 01.11.2020.

Based on the above information, choose the most appropriate option of the following Multiple Choice Questions (MCQs):-

- (i) The amount of tax to be deducted by Aapka Paisa Bank on cash withdrawals by Mr. Alishaan is -
- (a) Rs. 10,000
 - (b) Rs. 25,000
 - (c) Rs. 1,70,000
 - (d) Rs. 1,85,000 **(2 Marks)**
- (ii) The amount of tax to be deducted by Mr. Alishaan on payment made to Daana Caterers is -
- (a) Rs. 1,200
 - (b) Rs. 900
 - (c) Rs. 150
 - (d) Nil **(2 Marks)**
- (iii) For which of the following transactions, Mr. Alishaan is required to quote his PAN?
- (a) Purchase of immovable property from RK Builders
 - (b) Payment to Raho Hotel

- (c) Payment to Travel agent
- (d) All of the above **(1 Mark)**
- (iv) What shall be the amount taxable and in whose hands with respect to purchase of immovable property by Mr. Alishaan from RK Builders and gift of the same to his daughter?
- (a) Rs. 1,00,000 in the hands of Mr. Alishaan, Rs. 1,00,000 in the hands of RK builders and Rs. 20,00,000 in the hands of minor daughter
- (b) Nothing is taxable in the hands of Mr. Alishaan, RK Builders and minor daughter
- (c) Rs. 1,00,000 in the hands of Mr. Alishaan, Rs. 1,00,000 in the hands of RK builders and nothing is taxable in the hands of minor daughter
- (d) Nothing is taxable in the hands of Mr. Alishaan and RK Builders but Rs. 20,00,000 is taxable in the hands of minor daughter **(2 Marks)**
- (v) What shall be the amount taxable under "Income from House property" with respect to let out of house property by daughter of Mr. Alishaan and in whose hands it will taxable?
- (a) Rs. 1,40,000 taxable in the hands of daughter of Mr. Alishaan
- (b) Rs. 1,40,000 taxable in the hands of husband of daughter of Mr. Alishaan
- (c) Rs. 1,38,500 taxable in the hands of Mr. Alishaan
- (d) Rs. 1,40,000 taxable in the hands of Mr. Alishaan **(2 Marks)**
2. Pankaj gifted an amount of Rs 3,00,000 to his wife, Pinky and Rs. 2,00,000 to his daughter, Rinky aged 20 years, on 1st April 2017. Both Pinky and Rinky invested the amounts on the same date in Government of India 11% Taxable Bonds. The interest accrues yearly and is reinvested in the same bonds. Determine what will be the amount taxable in hands on Pinky for A.Y. 2021-22?
- (a) Rs. 4,473
- (b) Rs. 12,132
- (c) Rs. 33,000
- (d) Nil **(2 Marks)**
3. Mr. Mango, an Indian citizen, lives in New York, USA since the last 10 years. He has a penthouse in Mumbai, given on rent @2,00,000 per month. During the year 2020-21, he came to India for 152 days in aggregate. His total stay in India in the immediately preceding 4 previous years is 366 days. You are, being the tax consultant of Mr. Mango, advise him about his residential status for the A.Y. 2021-22.
- (a) Non Resident
- (b) Resident but not ordinary resident
- (c) Resident and ordinary resident
- (d) Deemed resident **(2 Marks)**
4. Mr. C aged 35 years is a working partner in M/s BCD, a partnership firm, with equal profit sharing ratio. During the P.Y. 2020-21, the firm has paid remuneration to Mr. B, Mr. C and Mr. D, being the working partners of the firm, of Rs. 2,00,000 each. The firm has paid interest on capital of Rs. 1,20,000 in total to all the three partners and the same is within the prescribed limit of 12%. The firm had a loss of Rs. 1,12,000 after debiting remuneration and interest on capital.

Note – Remuneration and interest on capital is authorized by the partnership deed

You, being the CA of Mr. C, are in the process of computing his total income. What would be his taxable remuneration from the firm?

- (a) Rs. 2,00,000
- (b) Rs. 1,51,600
- (c) Rs. 1,27,600
- (d) Rs. 1,50,000

(2 Marks)

5. Lister Internationals Inc., a non resident, engaged in business of selling "Good Z" appoints Mr. Risky as an agent in India for selling such product. Mr. Risky works as an agent for several other persons also including non residents aiding them in selling their products. The appointment of Mr. Risky will -

- (a) lead to business connection in India as he is not independent agent
- (b) lead to business connection in India as he is an independent agent
- (c) not lead to business connection in India as he is not independent agent
- (d) not lead to business connection in India as he is an independent agent

(1 Mark)

6. Mr. Krishna, a resident Indian aged 61 years, maintains a saving account with a co-operative land development bank and he earns Rs. 20,000 as interest on saving account for the Financial Year 2020-21. Mr. Krishna also maintains a fixed deposit and recurring deposit account with Mani Finance (A Non-Banking Finance Company) and earns Rs. 25,000 and 10,000 as interest on fixed deposit and recurring deposit, respectively. What would be the deduction allowable to Mr. Krishna under Chapter VI-A if he does not opt for the section 115BAC for the A.Y. 2021-22?

- (a) Rs. 55,000
- (b) Rs. 10,000
- (c) Rs. 20,000
- (d) Rs. 50,000

(2 Marks)

Division B – Descriptive Questions

Question No. 1 is compulsory

Attempt any **two** questions from the remaining **three** questions

1. You are required to compute the total income and tax payable by Mr. Josh, aged 48 years, from the following information provided by him for the Assessment Year 2021-22. Mr. Josh does not want to opt for section 115BAC for the A.Y. 2021-22:

- (i) Basic Salary @ Rs. 51,000 per month, Dearness allowance @ Rs. 10,000 per month (Part of salary for retirement benefits), House rent allowance Rs. 4,000 per month and rent paid for house in Chennai is Rs. 7,000 per month.
- (ii) He owns a commercial building at Mumbai, which is let out on 1.7.2020 at a monthly rent of Rs. 46,000 to ABC Ltd. He paid municipal taxes of Rs. 27,000 and Rs. 25,000 for the financial year 2019-20 and 2020-21 on 31-3-2021 and 20-4-2021, respectively. Fair rent of the building is Rs. 33,000 p.m.
- (iii) He purchased 4000 unlisted shares of Maharaja Limited on 25-2-2008 for Rs. 80,000. Company declared bonus in the ratio of 1:1 on 15th March, 2008. Mr. Josh sold 3000 bonus shares on 15.01.2021 for Rs. 2,00,000 to his friend Mr. Mehl through unrecognized stock exchange. (Cost Inflation Index: 2007-08: 129, 2020-21: 301)
- (iv) In April, 2020, he received dividend of Rs. 9,00,000 from ABC Ltd., an Indian company. The dividend is declared by the company in P.Y. 2019-20, and the company has paid dividend distribution tax on the same.

- (v) Interest from saving bank account with SBI Bank Rs. 15,000 and lottery winnings (Net of TDS@30%) is Rs. 21,000.

He paid the following amounts during the P.Y. 2020-21:

- (a) Deposits in Public Provident Fund Rs. 1,50,000.
(b) Medical insurance premium paid for health of his wife Rs. 19,000 and for health of dependent son Rs. 12,000 through cheque. **(14 Marks)**

2. (a) Miss Bhanushali, an American National, got married to Mr. Vikas of India in New York on 3rd February, 2020 and came to India for the first time on 14-02-2020. She left for New York on 11-08-2020. She returned to India again on 20-02-2021.

She received the following gifts from her relatives and friends during 01-04-2020 to 31-03-2021 in India:

- | | |
|--|--------------|
| - From parents of husband | Rs. 71,000 |
| - From married sister of husband | Rs. 21,000 |
| - From two very close friends of her husband Rs. 1,41,000 and Rs. 1,21,000 | Rs. 2,62,000 |

- (i) Determine her residential status and compute the total income chargeable to tax for the Assessment Year 2021-22.
(ii) Will the residential status change if she had returned to India again on 20-01-2021 instead of 20-02-2021? **(7 Marks)**

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

- (i) Ms. Sarla received a sum of Rs. 92,000 on 30th September 2020 towards maturity proceeds of LIC taken on 1st October 2014 for which sum assured was Rs. 80,000 and annual premium was Rs. 10,000.
(ii) Mr. Rohit transferred a residential house property to Mr. Arun for Rs. 45 lacs. The stamp duty value of such property is Rs. 55 lacs.
(iii) Akash (P) Limited pays the following amounts to Mr. Santosh during previous year 2020-21:
(1) Rs. 22,000 towards fee for professional services
(2) Rs. 18,000 towards royalty.
(iv) Payment of Rs. 1,75,000 made to Mr. Ankit for purchase of bag according to specifications of M/s. Packaging Limited. However, no material was supplied for such bag by Packaging Limited or its associates to Mr. Ankit.
(v) ABC Private Limited pays Rs. 12,000 to Ms. Deepika, its director, on 1.5.2020 towards sitting fee which is not taxable u/s 192.
(vi) Rashi Limited is engaged by Jigar Limited for the sole purpose of business of operation of call centre. On 18-03-2021, the total amount credited by Jigar Limited in the ledger account of Rashi Limited is Rs. 70,000 regarding service charges of call centre. The amount is paid through cheque on 28-03-2021 by Jigar Limited.
(vii) Ms. Mohit won a lucky draw prize of Rs. 21,000. The lucky draw was organized by M/s. Maximus Retail Ltd. for its customer. **(7 Marks)**

3. (a) M/s. Moksh Enterprises, a sole proprietorship owns four machines, put in use for business in March, 2019. The depreciation on these machines is charged @ 15%. The written down value of these machines as on 1st April, 2020 was Rs. 7,70,000. Two of the old machines were sold on 15th July, 2020 for Rs. 10,00,000. A second hand plant was bought for Rs. 6,10,000 on 30th December, 2020. You are required to:
- Determine the claim of depreciation for Assessment Year 2021-22.
 - Compute the capital gains liable to tax for Assessment Year 2021-22.
 - If Moksh Enterprises had sold the two machines in July, 2020 for Rs. 15,00,000, explain, will there be any difference in your above workings? **(4 Marks)**
- (b) Mr. Yogesh is in the business of operating goods vehicles. As on 1st April, 2020, he had the following vehicles:

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

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

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

Compute his income under section 44AE of the Income-tax Act, 1961 for A.Y. 2021-22. **(3 Marks)**

- (c) Calculate the amount chargeable to tax under the head 'Capital Gains' and also calculate tax on such gains for A.Y. 2021-22 from the following details provided by Mr. Naveen with respect to sale of certain securities during F.Y. 2020-21, assuming that the other incomes of Mr. Naveen exceeds the maximum amount not chargeable to tax. (Ignore surcharge and cess):
- Sold 10,000 shares of Y Ltd. on 05-04-2020 @ Rs. 650 per share**
 Y Ltd. is a listed company. These shares were acquired by Mr. Naveen on 05-04-2016 @Rs. 100 per share. STT was paid both at the time of acquisition as well as at the time of transfer of such shares which was affected through a recognized stock exchange.
 On 31-01-2018, the shares of Y Ltd. were traded on a recognized stock exchange as under :
 Highest price - Rs. 300 per share
 Average price - Rs. 290 per share
 Lowest price - Rs. 280 per share
 - Sold 1,000 units of AB Mutual Fund on 20-05-2020 @Rs. 50 per unit**
 AB Mutual Fund is an equity oriented fund. These units were acquired by Mr. Naveen on 10-03-2017 @ Rs. 10 per unit. STT was paid only at the time of transfer of such units. On 31-01-2018, the Net Asset Value of the units of AB Mutual Fund was Rs. 55 per unit. The units of AB Mutual Fund were not listed on the stock exchange as on 31.1.2018.
 - Sold 100 shares of C Ltd. on 27-09-2020 @ Rs. 200 per share**
 C Ltd. is an unlisted company. These shares were issued by the company as bonus shares on 30-09-1997. The Fair Market Value of these shares as on 01-04-2001 was Rs. 50 per share.

Cost Inflation Index for various financial years are as under :

2001-02	-	100
2016-17	-	264
2017-18	-	272
2020-21	-	301

(7 Marks)

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

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

(7 Marks)

- (b) Deepak is retired Government Officer, aged 65 years, resides in Hyderabad, derived following income:

	Rs.
Pension	6,60,000
Interest from bank on fixed deposits (Gross)	55,000

Compute the total income of Mr. Deepak for the assessment year 2021-22 from the following particulars:

- Life insurance premium paid by cheque Rs. 22,500 for insurance of his life. The insurance policy was taken on 08-09-2015 and the sum assured is Rs. 2,00,000.
 - Premium of Rs. 26,000 paid by cheque for health insurance of self and his wife.
 - Paid interest of Rs. 6,500 on loan taken from bank for MBA course pursued by his daughter.
 - A sum of Rs. 15,000 donated in cash to an institution approved for the purpose of section 80G for promoting family planning. **(3 Marks)**
- (c) (i) What is the fee for default in furnishing return of income u/s 234F?
- (ii) To whom the provisions of section 139AA relating to quoting of Aadhar Number do not apply? **(4 Marks)**

SECTION B - INDIRECT TAXES (40 MARKS) NEW COURSE

QUESTIONS

- (i) Working Notes should form part of the answers. However, in answers to Question in Division A, working notes are not required.
- (ii) Wherever necessary, suitable assumptions may be made by the candidates, and disclosed by way of note.
- (iii) All questions should be answered on the basis of the position of GST law as amended up to 31st October, 2020.
- (iv) The GST rates for goods and services mentioned in various questions are hypothetical and may not necessarily be the actual rates leviable on those goods and services. Further, GST compensation cess should be ignored in all the questions, wherever applicable.

Division A - Multiple Choice Questions (MCQs)

Write the most appropriate answer to each of the following multiple choice questions by choosing one of the four options given. All questions are compulsory.

Total Marks: 12 Marks

Each MCQ under Question No. 1 carries 2 Marks each

1. Ms. Anjali is engaged in supply of services. She is registered under GST and has opted to pay tax under composition scheme for service provider under section 10(2A) of the CGST Act. The turnover for the quarter ending June was Rs. 12,00,000.

During July, she crossed the aggregate turnover of Rs. 50 lakh and opted out of composition scheme. She also started trading of goods in July.

She supplied an order to Breathe Well LLP on ex-factory basis, the details of which are as follows-

- i. Basic price of the product – Rs. 53,000
- ii. Outward freight – Rs. 12,000
- iii. Packing Charges – Rs. 5,000
- iv. Discount given on receiving payment – Rs. 2,000
(not included in invoice)

For supplies, provided to Breathe Well LLP, she received half of the amount as advance on 22nd July. The goods were dispatched from her factory on 25th July and delivered on 28th July. She raised the invoice on 30th July and the balance payment was also received on the same date.

Ms. Anjali received 25 invoices from various suppliers involving GST of Rs. 1,50,000 for the month of July. While filing GSTR-3B for the said month on 20th August, she found that only 20 invoices involving GST of Rs. 1,00,000 were uploaded by the suppliers.

Ms. Anjali supplied goods to the following persons-

Sl. No.	Recipient	Value of Supply
1	Mr. Pawan - an unregistered person	Rs. 150
2	Mr. Umesh, a registered person	Rs. 110
3	Rains Trust, an unregistered entity	Rs. 250

None of the above persons requires a tax invoice.

All the amounts given above are exclusive of taxes, wherever applicable. All the supply referred above is intra-State unless specified otherwise. Conditions applicable for availment of ITC are fulfilled subject to the information given above.

Based on the information provided above, choose the most appropriate answer for the following questions 1.1 to 1.5-

1.1 Compute the tax liability for the quarter ending June under CGST and SGST?

- (a) Rs. 30,000 each
- (b) Rs. 12,000 each
- (c) Rs. 6,000 each
- (d) Rs. 36,000 each

1.2 Compute the value of Supply made by Ms. Anjali to Breathe Wall LLP?

- (a) Rs. 56,000
- (b) Rs. 58,000
- (c) Rs. 68,000
- (d) Rs. 75,000

1.3 Determine the amount of ITC that can be claimed by Ms. Anjali for the month of July?

- (a) Rs. 1,00,000
- (b) Rs. 1,10,000
- (c) Rs. 1,20,000
- (d) Rs. 1,50,000

1.4 Determine the time of supply made to Breathe Wall LLP?

- (a) 22nd July
- (b) 25th July
- (c) 28th July
- (d) 30th July

1.5 Ms. Anjali need not issue invoice to which of the following persons?

- (a) Mr. Pawan
- (b) Mr. Pawan and Umesh
- (c) Mr. Pawan and Rains Trust
- (d) Need not issue invoice to all the three persons

(5 x 2 Marks = 10 Marks)

2. An exempt supply includes-

- (i) Supply of goods or services or both which attracts Nil rate of tax
- (ii) Non-taxable supply
- (iii) Supply of goods or services or both which are wholly exempt from tax under section 11 of the CGST Act or under section 6 of IGST Act

- (a) (i)
- (b) (i) and (ii)
- (c) (ii) and (iii)
- (d) (i), (ii) and (iii)

(2 Marks)

Division B - Descriptive Questions

Question No. 1 is compulsory.

Attempt any two questions out of remaining three questions.

Total Marks: 28 Marks

1. Hari & Co., a supplier of goods, pays GST under regular scheme. It has made the following outward taxable supplies in a tax period:

Particulars	Amount (Rs.)
Intra-State supply of goods	10,00,000
Inter-State supply of goods	8,00,000

It has also furnished the following information in respect of purchases made by it in that tax period:

Particulars	Amount (Rs.)
Intra-State purchases of goods	3,00,000
Inter-State purchases of goods	2,50,000

Hari & Co. has following ITCs with it at the beginning of the tax period:

Particulars	Amount (Rs.)
CGST	57,000
SGST	60,000
IGST	1,40,000

Note:

- (i) Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively.
- (ii) Both inward and outward supplies are exclusive of taxes, wherever applicable.
- (iii) All the conditions necessary for availing ITC have been fulfilled.

Compute the minimum GST, payable in cash, by Hari & Co. for the tax period and the ITC to be carried forward to the next month. Make suitable assumptions as required. **(8 Marks)**

2. (a) Kavya Ltd., a registered supplier, has supplied machinery to Ayesha Ltd. (a supplier registered in the same State). It provides following particulars regarding the same:

S. No.	Particulars	Amount (Rs.)
(i)	Price of machinery (exclusive of taxes and discounts)	5,50,000
(ii)	Part fitted in the machinery at the premises of Ayesha Ltd. [Amount has been paid by Ayesha Ltd. directly to the supplier. However, it was Kavya Ltd.'s liability to pay the said amount. The said amount has not been recorded in the invoice issued by Kavya Ltd.]	20,000
(iii)	Installation and testing charges for machinery, not included in price	25,000
(iv)	Discount @ 2% on price of the machinery mentioned at S. No. (i) above (recorded in the invoice)	
(v)	Kavya Ltd. provides additional discount @ 1% at year end, based on additional purchase of other machinery for which adjustment is made at the end of the financial year without any change in individual transactions.	

Determine the value of taxable supply made by Kavya Ltd. to Ayesha Ltd.

(6 Marks)

- (b) Kashi Enterprises, an event organizer, provided services to Brisk n Frisk Ltd. by way of organizing business exhibition in New Delhi as part of Make in India initiative. Kashi Enterprises claims that it is not required to pay GST as the services provided by way of organizing business exhibition are exempt from GST. Examine the technical veracity of the claim of Kashi Enterprises, in the given case. **(4 Marks)**
3. (a) Examine whether the supplier is liable to get registered in the following independent cases:-
- (i) Aadi of Assam is exclusively engaged in intra-State supply of taxable services. His aggregate turnover in the current financial year is Rs. 25 lakh.
 - (ii) Atri of Assam is engaged in intra-State supply of both taxable goods and services. His aggregate turnover in the current financial year is Rs. 30 lakh. **(6 Marks)**
- (b) SBS Ltd., has availed input tax credit for Rs. 54,000/- IGST during February, 2020 on a particular purchase. Accounting records for the above purchase, indicate that IGST paid to the supplier is Rs. 45,000/- as per the bill received. GSTR-1 uploaded by the supplier for the above supply indicates Rs. 45,000/- as tax paid. Examine as per GST provisions, what value shall be updated in the ledgers maintained on behalf of SBS Ltd., on the common portal **(4 Marks)**
4. (a) GST is a simplified tax structure. Justify the statement. **(5 Marks)**
- (b) Brief explain when is it not mandatory to furnish the details of conveyance in Part-B of the e-way bill? **(5 Marks)**

MOCK TEST PAPER 2
INTERMEDIATE (NEW) COURSE
PAPER – 4: TAXATION
SECTION – A: INCOME TAX LAW
SOLUTIONS

Division A – Multiple Choice Questions

MCQ No.	Sub-part	Most Appropriate Answer	MCQ No.	Most Appropriate Answer
1.	(i)	(d)	2.	(b)
	(ii)	(d)	3.	(b)
	(iii)	(a)	4.	(c)
	(iv)	(b)	5.	(d)
	(v)	(c)	6.	(c)

Division B – Descriptive Questions

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

Particulars	Rs.	Rs.
Salaries		
Basic Salary = Rs. 51,000 x 12	6,12,000	
Dearness Allowance (DA) = Rs. 10,000 x 12	1,20,000	
House Rent Allowance (HRA) = Rs. 4,000 x 12 Rs. 48,000	Rs. 48,000	
Less: Least of the following exempt u/s 10(13A) <u>Rs. 10,800</u>	37,200	
(i) HRA actually received = Rs. 4,000 x 12 = Rs. 48,000		
(ii) Rent paid (-) 10% of salary [Rs. 84,000 (i.e., Rs. 7,000 x 12) (-) Rs. 73,200 (10% of salary i.e., 10% of Rs. 7,32,000 (Basic Salary + DA))] = Rs. 10,800		
(iii) 50% of salary [50% of Rs. 7,32,000 (Basic Salary + DA)] = Rs. 3,66,000		
Gross Salary	7,69,200	
Less: Standard deduction u/s 16(ia)	50,000	
		7,19,200
Income from house property		
Gross Annual Value [Rs. 46,000 x 9, being the higher of actual rent received and fair rent]	4,14,000	
Less: Municipal tax paid during the P.Y. 2020-21	<u>27,000</u>	
Net Annual Value	3,87,000	
Less: Deduction u/s 24 [30% of Net Annual Value]	<u>1,16,100</u>	
		2,70,900

Capital Gains		
Full value of consideration	2,00,000	
Less: Cost of acquisition of bonus shares allotted on or after 1.4.2001	<u>Nil</u>	
Long-term capital gains (since bonus shares are held for a period of more than 24 months)		2,00,000
Income from Other Sources		
Dividend received from ABC Ltd., an Indian company	9,00,000	
Less: Exempt under section 10(34), since dividend distribution tax has been paid on such dividend	<u>9,00,000</u>	
		Nil
Interest from saving bank account with SBI Bank	15,000	
Lottery winnings [21,000 x 100/70]	<u>30,000</u>	
		<u>45,000</u>
Gross Total Income		12,35,100
Less: Deduction under Chapter VI-A		
Section 80C		
Deposits in PPF	1,50,000	
Section 80D		
Medical insurance premium for wife and dependent son Rs. 31,000, restricted to	25,000	
Section 80TTA		
Interest on saving bank account with SBI	<u>10,000</u>	
		<u>1,85,000</u>
Total Income		<u>10,50,100</u>

Computation of tax liability of Mr. Josh for A.Y. 2021-22

Particulars	Rs.	Rs.
Tax on total income of Rs. 10,50,100		
Tax on long-term capital gains of Rs. 2,00,000@20% u/s 112	40,000	
Tax on lottery income of Rs. 30,000 @30% u/s 115BB	9,000	
Tax on other income of Rs. 8,20,100 [Rs. 10,50,100 – Rs. 2,00,000, capital gains – Rs. 30,000, lottery income]		
Upto Rs. 2,50,000	Nil	
Rs. 2,50,001 – Rs. 5,00,000 [i.e., Rs. 2,50,000@5%]	12,500	
Rs. 5,00,001 – Rs. 8,20,100 [i.e., Rs. 3,20,100@20%]	<u>64,020</u>	
		1,25,520
Add: Health and education cess@4%		<u>5,021</u>
Tax liability		1,30,541
Less: Tax deducted at source		
TDS on lottery income	9,000	
TDS on rent u/s 194I [Rs. 4,14,000 x 7.5%]	<u>31,050</u>	
		<u>40,050</u>
Tax Payable		<u>90,491</u>
Tax Payable (rounded off)		90,490

2. (a) (i) **Determination of residential status and computation of total income of Miss Bhanushali (if she returned to India on 20.2.2021)**

Particulars	Rs.																																
<p>Under section 6(1), an individual is said to be resident in India in any previous year, if he/she satisfies any one of the following conditions:</p> <p>(i) He/she has been in India during the previous year for a total period of 182 days or more, or</p> <p>(ii) He/she 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.</p> <p>If an individual satisfies any one of the conditions mentioned above, he/she is a resident. If both the above conditions are not satisfied, the individual is a non-resident.</p> <p>Therefore, the residential status of Miss Bhanushali, an American National, for A.Y.2021-22 has to be determined on the basis of her stay in India during the previous year relevant to A.Y. 2021-22 i.e. P.Y.2020-21 and in the preceding four assessment years.</p> <p>Her stay in India during the previous year 2020-21 and in the preceding four years are as under:</p> <p><u>P.Y. 2020-21</u></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">01.04.2020 to 11.08.2020</td> <td style="width: 5%; text-align: center;">-</td> <td style="width: 35%; text-align: right;">133 days</td> </tr> <tr> <td>20.02.2021 to 31.03.2021</td> <td style="text-align: center;">-</td> <td style="text-align: right;"><u>40 days</u></td> </tr> <tr> <td style="text-align: center;">Total</td> <td></td> <td style="text-align: right;"><u>173 days</u></td> </tr> </table> <p>Four preceding previous years</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">P.Y.2019-20 [14.2.2020 to 31.3.2020]</td> <td style="width: 5%; text-align: center;">-</td> <td style="width: 35%; text-align: right;">47 days</td> </tr> <tr> <td>P.Y.2018-19</td> <td style="text-align: center;">-</td> <td style="text-align: right;">Nil</td> </tr> <tr> <td>P.Y.2017-18</td> <td style="text-align: center;">-</td> <td style="text-align: right;">Nil</td> </tr> <tr> <td>P.Y.2016-17</td> <td style="text-align: center;">-</td> <td style="text-align: right;"><u>Nil</u></td> </tr> <tr> <td style="text-align: center;">Total</td> <td></td> <td style="text-align: right;"><u>47 days</u></td> </tr> </table> <p>The total stay of Miss Bhanushali during the previous year in India was less than 182 days and during the four years preceding this year was for 47 days.</p> <p>Therefore, due to non-fulfillment of any of the two conditions for a resident, she would be treated as non-resident for the Assessment Year 2021-22.</p> <p>Computation of total income of Miss Bhanushali for the A.Y. 2021-22</p> <p>Income from other sources</p> <p>Gifts received from non-relatives is chargeable to tax as per section 56(2) (x) if the aggregate value of such gifts exceeds Rs. 50,000.</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 75%;">- Rs. 71,000 received from parents of husband would be exempt, since parents of husband fall within the definition of 'relatives' and gifts from a relative are not chargeable to tax.</td> <td style="width: 25%; text-align: right;">Nil</td> </tr> <tr> <td>- Rs. 21,000 received from married sister-in-law is exempt, since sister of husband falls within the definition of relative and gifts from a relative are not chargeable to tax.</td> <td style="text-align: right;">Nil</td> </tr> <tr> <td>- Gift received from two friends of her husband Rs. 1,41,000 and Rs. 1,21,000 aggregating to Rs. 2,62,000 is taxable under section 56(2)(x) since the aggregate of Rs. 2,62,000 exceeds Rs. 50,000.</td> <td style="text-align: right;"><u>2,62,000</u></td> </tr> <tr> <td>Total Income</td> <td style="text-align: right;"><u>2,62,000</u></td> </tr> </table>	01.04.2020 to 11.08.2020	-	133 days	20.02.2021 to 31.03.2021	-	<u>40 days</u>	Total		<u>173 days</u>	P.Y.2019-20 [14.2.2020 to 31.3.2020]	-	47 days	P.Y.2018-19	-	Nil	P.Y.2017-18	-	Nil	P.Y.2016-17	-	<u>Nil</u>	Total		<u>47 days</u>	- Rs. 71,000 received from parents of husband would be exempt, since parents of husband fall within the definition of 'relatives' and gifts from a relative are not chargeable to tax.	Nil	- Rs. 21,000 received from married sister-in-law is exempt, since sister of husband falls within the definition of relative and gifts from a relative are not chargeable to tax.	Nil	- Gift received from two friends of her husband Rs. 1,41,000 and Rs. 1,21,000 aggregating to Rs. 2,62,000 is taxable under section 56(2)(x) since the aggregate of Rs. 2,62,000 exceeds Rs. 50,000.	<u>2,62,000</u>	Total Income	<u>2,62,000</u>	
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(ii) **Determination of residential status of Miss Bhanushali (if she returned to India on 20.1.2021)**

Particulars	Rs.
Yes, the answer would change, if she had returned to India again on 20.1.2021 instead of 20.2.2021.	
In such case, her stay in India during the previous year 2020-21 would be:	
01.04.2020 to 11.08.2020	- 133 days
20.01.2021 to 31.03.2021	- <u>71 days</u>
Total	<u>204 days</u>
Since she satisfies the condition of stay in India for more than 182 days during the previous year 2020-21, she would become resident in India. She would be a resident but not ordinarily resident in India for A.Y. 2021-22, since her stay in India in the preceding seven years is less than 730 days (it is only 47 days) ¹ .	

(b)

- (i) **On payment of LIC maturity proceeds** - The annual premium exceeds 10% of sum assured in respect of a policy taken after 31.3.2012, and consequently, the maturity proceeds of Rs. 95,000 would not be exempt u/s 10(10D) in the hands of Ms. Sarla. However, tax deduction provisions u/s 194-DA are not attracted since the maturity proceeds are less than Rs. 1 lakh.
- (ii) **On payment of sale consideration for purchase of residential house property** - Since the sale consideration of house property is less than Rs. 50 lakhs, Mr. Arun is not required to deduct tax at source u/s 194-IA, irrespective of the fact that the stamp duty value is more than the sale consideration as well as the threshold limit of Rs. 50 lakhs.
- (iii) **On payment of fee for professional services and royalty** – Under section 194J, the threshold limit of Rs. 30,000 is specified separately for, *inter alia*, fees for professional services and royalty. Therefore, Akash (P) Limited is not required to deduct tax at source under section 194J either on fee of Rs. 22,000 for professional services or on royalty of Rs. 18,000 paid to Mr. Santosh, since the payment under each category does not exceed the independent threshold Rs. 30,000 specified thereunder.
- (iv) **On payment for purchase of bag according to specifications** - As per section 194C, the definition of “work” does not include the manufacturing or supply of product according to the specification by customer in case the material is purchased from a person other than the customer or its associate, being a person related to the customer in such manner as defined u/s 40A(2)(b).
Therefore, M/s Packaging Limited is not required to deduct tax at source in respect of payment of Rs. 1,75,000 to Mr. Ankit, for purchase of bag according to its specifications, since it did not supply the material for such bag and nor was the material supplied by any of its associates. Hence, the contract is a contract for ‘sale’ and not a works contract.
- (v) **On payment of sitting fees to the director** - ABC Private Limited is required to deduct tax at source @10% on sitting fees of Rs. 12,000 paid to its director, since the threshold limit of Rs. 30,000 u/s 194J is not applicable in respect of fees paid to a

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

director of a company.

- (vi) **On payment of call centre service charges** - Since Rashi Limited is engaged only in the business of operation of call centre, Jigar Limited is required deduct tax at source @ 1.5% on the amount of Rs. 70,000 u/s 194J on 18.3.2021 i.e., at the time of credit of call centre service charges to the account of Rashi Limited, since the said date is earlier than the payment date i.e., 28.3.2021.
- (vii) **On payment of prize winnings of Rs. 21,000**
Tax is deductible @ 30% under section 194B by M/s. Maximus Retail Ltd., from the prize money of Rs. 21,000 payable to the customer, since the winnings exceed Rs. 10,000.

3. (a) (i) **Computation of depreciation for A.Y.2021-22**

Particulars	Rs.
W.D.V. of the block as on 1.4.2020	7,70,000
Add: Purchase of second hand plant during the year [in December, 2020]	<u>6,10,000</u>
	13,80,000
Less: Sale consideration of old machinery during the year [in July, 2020]	<u>10,00,000</u>
W.D.V of the block as on 31.03.2021	<u>3,80,000</u>
Depreciation @ 15% but restricted to 50% thereon. Rs. 3,80,000 X 7.5% [Since the value of the block as on 31.3.2021 represents part of actual cost of second hand plant purchased in December, 2020, which has been put to use for less than 180 days, depreciation is restricted to 50% of the prescribed percentage of 15% i.e. depreciation is restricted to 7½%. Therefore, the depreciation allowable for the year is Rs. 28,500 being 7½% of Rs. 3,80,000]	28,500

- (ii) In the given case, no capital gains would arise, since the block of asset continues to exist, and some of the assets are sold for a price which is lesser than the written down value of the block as increased by the actual cost of asset purchased during the year.
- (iii) If the two machines are sold in July, 2020 for Rs. 15,00,000, then short term capital gains would arise, since the sale consideration is more than the aggregate of the written down value of the block at the beginning of the year and the additions made during the year.

Particulars	Rs.	Rs.
Sale consideration		15,00,000
Less: W.D.V. of the machines as on 1.4.2020	7,70,000	
Purchase of second plant during the year	6,10,000	
		13,80,000
Short term capital gains		1,20,000

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

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

Calculation of presumptive income as per section 44AE

Type of carriage	No. of months the vehicle is owned by Mr. Prakash	Rate per ton per month	Ton	Amount Rs.
(1)	(2)	(3)	(4)	(5) [(2) x (3) x (4)]
Heavy goods vehicle				
Vehicle B (15,000 kgs) held throughout the year	12	Rs. 1,000	15 (15,000/1,000)	1,80,000
Vehicle E (14,000 kgs) purchased on 15.5.2020	11	Rs. 1,000	14 (14,000/1,000)	1,54,000
Goods vehicles other than heavy goods vehicle				
Vehicle A held throughout the year	12	Rs. 7,500	-	90,000
Vehicle C held throughout the year	12	Rs. 7,500	-	90,000
Vehicle D purchased on 20.4.2020	12	Rs. 7,500	-	90,000
Total				6,04,000

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

(b) Computation of amount chargeable to tax under the head “Capital Gains” in the hands of Mr. Naveen

	Particulars	Rs.
(i)	<u>Sale of 10,000 shares of Y Ltd. on 5.4.2020 @ 650 per share</u>	
	Sales consideration (10,000 x Rs. 650)	65,00,000
	Less: Cost of acquisition	Rs. <u>30,00,000</u>
	Higher of:	
	- Actual cost (10,000 x Rs. 100)	10,00,000
	- Lower of:	30,00,000
	<ul style="list-style-type: none"> • Rs. 30,00,000 (Rs. 300 x 10,000), being fair market value as on 31.1.2018 (Highest price of the shares traded on 31.1.2018); and • Rs. 65,00,000, being full value of consideration on transfer 	
	Long-term capital gain under section 112A [Since shares held for more than 12 months and STT is paid both at the time of purchase and sale. Benefit of indexation is, however, not available on LTCG taxable u/s 112A].	35,00,000
(ii)	<u>Sale of 1,000 units of AB Mutual Fund on 20.5.2020 @ Rs. 50 per unit</u>	
	Sale consideration (1,000 x Rs. 50)	50,000

	Less: Cost of acquisition - Higher of -		<u>50,000</u>
	- Actual cost (1,000 x Rs. 10)	10,000	
	- Lower of:	50,000	
	• Rs. 55,000 (Rs. 55 x 1,000), FMV, being Net Asset Value as on 31.1.2018; and		
	• Rs. 50,000, being full value of consideration on transfer		
	Long-term capital gain under section 112A [Since shares are held for more than 12 months and STT is paid at the time of sale]		Nil
(iii)	<u>Sale of 100 shares of C Ltd. on 27.9.2020 @ 200 per share</u>		
	Sale consideration (100 x Rs. 200)		20,000
	Less: Indexed Cost of acquisition [100 x Rs. 50 (being FMV on 1.4.2001) x 301/100]		<u>15,050</u>
	Long-term capital gain under section 112 [Since shares are unlisted and held for more than 24 months]		<u>4,950</u>

Computation of tax on such capital gains for A.Y. 2021-22

Particulars	Rs.
Tax under section 112A @ 10% on long-term capital gains of Rs. 34,00,000 [LTCG of Rs. 35,00,000 (-) Rs. 1,00,000] arising on sale of shares of Y Ltd.	3,40,000
Tax under section 112 @ 20% on long-term capital gains of Rs. 4,950 arising on sale of unlisted shares of C Ltd.	<u>990</u>
Total tax payable	<u>3,40,990</u>

4. (a) Computation of total income of Mr. Praveen for the A.Y.2021-22

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

Less: Deduction under section 80C(life insurance premium paid)	<u>20,000</u>
Total income	<u>95,000</u>

Losses to be carried forward:

Particulars	Rs.
(1) Loss from house property (Rs.2,50,000 – Rs.2,00,000)	50,000
(2) Loss from toy business (Rs.1,30,000 - Rs.40,000 - Rs.90,000)	Nil
(3) Loss from specified business covered by section 35AD	20,000

Notes:

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

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

- (ii) Loss from specified business covered by section 35AD can be set-off only against profits and gains of any other specified business. Therefore, such loss cannot be set off against any other income. If loss cannot be so set-off, the same has to be carried forward to the subsequent year for set-off against profits and gains of any specified business, if any, in that year. As per section 73A(2), such loss can be carried forward indefinitely for set-off against profits of any specified business.
- (iii) Business loss cannot be set off against salary income. However, business loss of Rs.90,000 (Rs.1,30,000 – Rs.40,000 set-off against income from speculation business) can be set-off against long-term capital gains from sale of urban land. Consequently, the taxable long-term capital gains would be Rs.50,000.
- (iv) Loss from card games can neither be set off against any other income, nor can it be carried forward.
- (v) For providing deduction under Chapter VI-A, gross total income has to be reduced by the amount of long-term capital gains and casual income. Therefore, the deduction under section 80C in respect of life insurance premium paid has to be restricted to Rs.20,000 [i.e., Gross Total Income of Rs.1,15,000 – Rs.50,000 (LTCG) – Rs.45,000 (Casual income)].
- (vi) Income from betting is chargeable at a flat rate of 30% under section 115BB and no expenditure or allowance can be allowed as deduction from such income, nor can any loss be set-off against such income.

(b) Computation of total income of Mr. Deepak for A.Y.2021-22

Particulars	Rs.	Rs.
Income under the head "Salaries"		
Pension	6,60,000	
Less: Standard deduction u/s 16(ia)		
Lower of Rs. 50,000 or actual salary/pension	<u>50,000</u>	6,10,000
Income from Other Sources		
Interest from bank on fixed deposit (Gross)		<u>55,000</u>
Gross Total Income		<u>6,65,000</u>

Less: Deduction under Chapter VI-A		
Deduction under section 80C		
LIC premium of Rs. 22,500 (restricted to 10% of Rs. 2,00,000, being the sum assured, as the policy is taken after 31.3.2012)	20,000	
Deduction under section 80D		
Premium for health insurance for self and his wife paid by cheque, allowed upto Rs. 50,000 since Mr. Deepak is a senior citizen	26,000	
Deduction under section 80E		
Interest on loan taken from bank for MBA course pursued by his daughter	6,500	
Deduction under section 80G		
Donation to an approved institution for promoting family planning not allowed since the amount exceeding Rs. 2,000 is paid in cash	Nil	
Deduction under section 80TTB		
Interest on fixed deposit with bank allowable as deduction upto Rs. 50,000, since Mr. Deepak is a senior citizen	<u>50,000</u>	<u>1,02,500</u>
Total Income		5,62,500

(c)

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

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

Fee	Circumstances
Rs. 5,000	If the return is furnished on or before the 31 st December of the assessment year;
Rs. 10,000	In any other case
Note - However, if the total income of the person does not exceed Rs. 5 lakhs, the fees payable shall not exceed Rs. 1,000	

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

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

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

SECTION B - INDIRECT TAXES (40 MARKS)

SUGGESTED ANSWERS

Division A - Multiple Choice Questions

Question No.	Answer
1.1	(d) Rs. 36,000 each
1.2	(b) Rs. 58,000
1.3	(b) Rs. 1,10,000
1.4	(b) 25 th July
1.5	(a) Mr. Pawan
2.	(d) (i), (ii) and (iii)

Division B - Descriptive Answer

1. **Computation of GST payable on outward supplies**

S.No.	Particulars	CGST @ 9% (Rs.)	SGST @ 9% (Rs.)	IGST @ 18% (Rs.)	Total (Rs.)
(i)	Intra-State supply of goods for Rs. 10,00,000	90,000	90,000		1,80,000
(ii)	Inter-State supply of goods for Rs. 8,00,000			1,44,000	1,44,000
	Total GST payable				3,24,000

Computation of total ITC

Particulars	CGST @ 9% (Rs.)	SGST @ 9% (Rs.)	IGST @ 18% (Rs.)
Opening ITC	57,000	60,000	1,40,000
Add: ITC on Intra-State purchases of goods valuing Rs. 3,00,000	27,000	27,000	Nil
Add: ITC on Inter-State purchases of goods valuing Rs. 2,50,000	Nil	Nil	45,000
Total ITC	84,000	87,000	1,85,000

Computation of minimum GST payable from electronic cash ledger

Particulars	CGST @ 9% (Rs.)	SGST @ 9% (Rs.)	IGST @ 18% (Rs.)	Total (Rs.)
GST payable	90,000	90,000	1,44,000	3,24,000
Less: ITC [First ITC of IGST should be utilized in full - first against IGST liability and then against CGST and SGST liabilities in a manner to minimize cash outflow]	(38,000) IGST	(3,000) IGST	(1,44,000) IGST	1,85,000
	(52,000) CGST	(87,000) SGST		1,39,000
Minimum GST payable in cash	Nil	Nil	Nil	Nil
ITC balance to be carried forward next month	32,000	Nil	Nil	32,000

Note : The above computation is one of the many ways to set off the ITC of IGST (Rs. 41,000-after set off against IGST liability) against CGST and SGST liability to compute minimum GST payable in

cash. To illustrate, IGST of Rs. 10,000 can be set off against SGST payable and IGST of Rs. 31,000 can be set off against CGST payable. In this situation also, the net GST payable will be nil but the ITC of CGST and SGST to be carried forward will be Rs. 25,000 and Rs. 7,000 (totalling to Rs. 32,000) respectively. However, if the entire ITC of Rs. 41,000 is set off against CGST payable, then SGST of Rs. 3,000 will be payable in cash thus, increasing the cash outflow. Therefore, such a set off would not be advisable for computing the minimum GST payable.

2. (a) **Computation of value of taxable supply made by Kavya Ltd. to Ayesha Ltd.**

Particulars	Amount (Rs.)
Price of machinery (exclusive of taxes and discounts)	5,50,000
Amount paid by Ayesha Ltd. directly to the supplier for the part fitted in the machinery [Any amount that the supplier is liable to pay in relation to a supply but which has been incurred by the recipient of the supply and not included in the price actually paid or payable for the goods is includible in the value of supply in terms of section 15(2)(b) of the CGST Act, 2017.]	20,000
Installation and testing charges [Any amount charged for anything done by the supplier in respect of the supply of goods at the time of/before delivery of goods is includible in the value of supply in terms of section 15(2)(c) of the CGST Act, 2017.]	25,000
Less: Discount @ 2% on the price of machinery [Rs.5,50,000 x 2%] [Since discount is given at the time of supply of machinery and recorded in the invoice, the same is deductible from the value of the supply in terms of section 15(3)(a) of the CGST Act, 2017.]	11,000
Less: Additional 1% discount at year end [Though the additional discount is established before/at the time of supply, it is not deductible from the value of supply in terms of section 15(3)(b) of the CGST Act, 2017 as the same is not linked to any specific transaction and is adjusted by the parties at the end of the financial year.]	Nil
Value of taxable supply	5,84,000

(b) No, the claim made by Kashi Enterprises that it is not required to pay GST is not correct. Services provided by an organiser to any person in respect of a business exhibition are exempt from GST only when such business exhibition is held outside India. However, since in the given case, the exhibition is being organized in India, the services of organization of event by Kashi Enterprises will not be exempt from GST.

3. (a) As per section 22 of the CGST Act, 2017 read with *Notification No. 10/2019 CT dated 07.03.2019*, a supplier is liable to be registered in the State/Union territory from where he makes a taxable supply of goods and/or services, if his aggregate turnover in a financial year exceeds the threshold limit. The threshold limit for a person making exclusive taxable supply of services or supply of both goods and services is as under:-

(a) Rs. 10 lakh for the Special Category States of Mizoram, Tripura, Manipur and Nagaland.

(b) Rs. 20 lakh for the rest of India.

(i) Though Aadi is dealing in Assam, he is not entitled for higher threshold limit for registration as the same is applicable only in case of exclusively supply of goods and he is exclusively engaged in providing services. Thus, the applicable threshold limit for registration in this case is Rs. 20 lakh and hence, Aadi is liable to get registered under GST.

(ii) Since Atri is engaged in supply of both taxable goods and services, the applicable threshold limit for registration in his case is Rs. 20 lakh. Thus, Atri is liable to get registered under GST as his turnover is more than the threshold limit.

(b) SBS Ltd., have accounted and paid Rs. 45,000/- as IGST to the supplier concerned. However, availment of input tax credit has been made for Rs. 54,000/-.

As per Section 49(2) of CGST Act, 2017 "The input tax credit as self-assessed in the return of a registered person shall be credited to his electronic credit ledger, in accordance with section 41, to be maintained in such manner as may be prescribed."

Accordingly, electronic credit ledger of SBS Ltd., shall be updated with a value of Rs. 54,000/- as per self- assessed return to be filed for February 2020, though the input tax credit shown by the supplier is only Rs. 45,000/-.

4. (a) GST is a simplified tax structure. The statement is justified. Simpler tax regime with fewer exemptions along with reduction in multiplicity of taxes under GST has led to simplification and uniformity in tax structure. The uniformity in laws, procedures and tax rates across the country makes doing business easier. Common system of classification of goods and services across the country ensures certainty in tax administration across India.

(b) E-way bill is valid for movement of goods by road only when the information in Part-B is furnished in terms of explanation 2 to rule 138(3) of the CGST Rules, 2017. However, details of conveyance may not be furnished in Part-B of the e-way bill where the goods are transported **for a distance of upto 50 km** within the State/Union territory:

- from the place of business of the consignor to the place of business of the transporter for further transportation or
- from the place of business of the transporter finally to the place of business of the consignee.