



SUGGESTED SOLUTION

INTERMEDIATE

SUBJECT- TAXATION

Test Code - CIM 8725

BRANCH - () (Date :)

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SECTION A: INCOME TAX LAW

PART – I

ANSWER -1

1. A
2. D
3. D
4. C
5. B
6. A
7. D
8. D
9. A
10. D
11. B
12. B
13. B

PART – II

ANSWER -1

Computation of total income and tax liability of Mrs. Mitul for A.Y. 2020-21

	Particulars	Rs.	Rs.	Rs.
I	Income from Salaries:			
	Basic Pay (Rs. 13,000 x 12)		1,56,000	
	Transport Allowance (Rs. 2,000 x 12) [Fully taxable]		24,000	
	Cost of treatment for son in True Care Hospitals (P) Ltd. [Exempt, since value of medical treatment provided to an employee's family member in any hospital maintained by the employer is excluded from the definition of perquisite] ¹		<u>Nil</u>	
	Gross Salary		1,80,000	
	Less: Standard deduction u/s 16 [Actual salary or Rs.50,000, whichever is less]		<u>50,000</u>	
				1,30,000
II	Income from House Property			
	Let out portion [First floor] ²			
	Gross Annual Value [Rent received is taken as GAV = Rs. 10,000 p.m. x 6 months]		60,000	

Less: Municipal taxes paid by her in the P.Y.2018-19 pertaining to let out portion [(Rs. 5,000 + Rs. 5,000)/2], allowable since it is paid during the year, even if it relates to earlier years		<u>5,000</u>	
Net Annual Value (NAV)		55,000	
Less: Deduction u/s 24			
(a) 30% of Rs. 55,000	16,500		
(b) Interest on housing loan [(Rs. 60,000 (+) Rs.40,000)/2]	<u>50,000</u>	<u>66,500</u>	
		(11,500)	
Self-occupied portion [Ground Floor]			
Annual Value	Nil		
Less: Deduction u/s 24			
Interest on housing loan for reconstruction Rs. 50,000[(Rs. 60,000 + Rs. 40,000)/2] restricted to	<u>30,000</u>	<u>(30,000)</u>	
			<u>(41,500)</u>
			88,500
III Profits and gains of business or profession			
Net profit as per Income and Expenditure account		8,59,000	
Less: Items of income to be treated separately under the respective head of income			
(i) Salary received from True Care Hospitals (P) Ltd.	1,80,000		
(ii) Rent from house property	78,000		
(iii) Dividend from foreign companies	<u>10,000</u>		
		<u>2,68,000</u>	
		5,91,000	
Less: Allowable expenditure			
• Depreciation on Clinic equipments On Opening WDV Rs. 1,00,000@15%	15,000		
On additions during the year Rs. 25,000, no depreciation is allowable, since payment was made in cash and hence, it will not form part of actual cost.	Nil		
• Additional deduction of 50% for amount paid to scientific research association (Since weighted deduction of 150% is available in respect of such payment)	<u>12,500</u>	<u>27,500</u>	
		5,63,500	
Add: Items of expenditure not allowable while computing business income			
(i) Interest on housing loan for reconstruction of residential house	1,00,000		
(ii) Interest on education loan for son	26,000		

	(i) Conveyance expenses in relation to her employment with True Care Hospitals debited to Income and Expenditure A/c, not allowed	12,000		
	(ii) Power and fuel expenses incurred for providing power back up to tenant not deductible	6,000		
	(iii) Municipal tax paid relating to residential house included in administrative expenses, not deductible	<u>10,000</u>	<u>1,54,000</u>	7,17,500
	As per section 44ADA, Mrs. Mitul can opt to claim 50% of gross receipts (Rs. 6 lakhs, being 50% of Rs. 12 lakhs) or, as the case may be, a sum higher than the aforesaid sum claimed to have been earned by her. In this case, since Mrs. Mitul has maintained books of account, she can claim the higher sum actually earned Rs. 7,17,500 as her income from profession. This solution has been worked out by considering the higher sum actually earned by her i.e., Rs. 7,17,500 as her income from profession. ³			
IV	Income from Other Sources			
	Power back up charges from tenant (Rs. 3,000 p.m. x 6 months)	18,000		
	<i>Less:</i> Actual expenditure incurred for providing power back up	<u>6,000</u>		
			12,000	
	Dividend from foreign companies [not exempt u/s 10(34)]		<u>10,000</u>	<u>22,000</u>
	Gross Total Income			8,28,000
	<i>Less:</i> Deduction under Chapter VI-A			
	Deduction under section 80C – Tuition fee paid for grand child is not allowable		Nil	
	Deduction under section 80E - Interest on loan taken for higher education of her son is deductible [principal repayment is not deductible]			
			<u>26,000</u>	<u>26,000</u>
	Total income			<u>8,02,000</u>

¹ As per clause (i) of proviso to section 17(2)

² It is assumed that the ground floor and first floor are of equal area

³ Alternatively, if Rs. 6 lakhs, being 50% of Rs. 12 lakh, is considered as her professional income, her total income and tax liability would be Rs. 6,94,500 and Rs. 50,860, respectively.

(10 marks)

Computation of tax liability of Mrs. Mitul for A.Y.2020-21

Particulars	Rs.	Rs.
Tax on total income of Rs. 8,02,000		
Upto Rs. 3,00,000	Nil	
Rs. 3,00,001 – Rs. 5,00,000[@5% of Rs. 2 lakh]	10,000	
Rs. 5,00,000 – Rs. 8,02,000[@20% of Rs. 3,02,000]	<u>60,400</u>	
		70,400
Add: Health and education cess @4%		<u>2,816</u>
Total tax liability		<u>73,216</u>
Tax liability (rounded off)		73,200

Note: Loss from house property can also be set-off against business income. In such a case, salary income would be Rs. 1,30,000 and business income would be Rs. 6,76,000 (i.e., Rs. 7,17,500- Rs. 41,500). Gross total income, total income and tax liability would remain the same.

If professional income is computed based on presumptive provisions under section 44ADA, her business income would be Rs. 5,58,500 (i.e., Rs. 6,00,000 – Rs. 41,500) and salary income would be Rs. 1,30,000. Gross total income, total income and tax liability would remain the same.

(4 marks)

ANSWER -2

ANSWER -A

TDS implications

(i) On pre-mature withdrawal from EPF

No tax is deductible under section 192A even though the employee, Mr. Tandon, has not completed 5 years of continuous service, since termination of employment is on account of his ill-health. Hence, Rule 8 of Part A of the Fourth Schedule is applicable in this case.

(ii) On credit of interest on recurring deposit by a banking company

Since the interest on recurring deposit credited to the account of Mr. Hasan, a senior citizen, does not exceed Rs. 50,000 in the P.Y.2019-20, no tax is deductible at source under section 194A.

(iii) 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.

(iv) On payment of service fee to bank

Even though service fee is included in the definition of “interest” as defined under section 2(28A), no tax is deductible at source under section 194A, since the service fee are paid to a banking company, i.e., Finance Bank Ltd.

(v) On payment of rent exceeding Rs. 50,000 by a salaried individual

Mr. Ashok, a salaried individual, is liable to deduct tax at source @5% under section 194-IB on Rs. 1,56,000 (being rent for 3 months from December 2019 to February 2020) from the rent of Rs. 52,000 payable on 1st February, 2019, since the monthly rent exceeds Rs.50,000.

(7 marks)

ANSWER –B

Computation of total income of Mr. Ramesh & Mr. Suresh for the A.Y. 2020-21

S. No.	Particulars	Mr. Ramesh (Non-Resident) (Rs.)	Mr. Suresh (Resident) (Rs.)
1.	Interest on Canada Development Bond (See Note 2)	17,500	40,000
2.	Dividend from British Company received in London (See Note 3)	-	20,000
3.	Profits from a business in Nagpur but managed directly from London (See Note 2)	1,00,000	1,40,000
4.	Short term capital gain on sale of shares of an Indian company received in India (See Note 2)	60,000	90,000
5.	Income from a business in Chennai (See Note 2)	80,000	70,000
6.	Fees for technical services rendered in India, but received in Canada (See Note 2)	1,00,000	-
7.	Interest on savings bank deposit in UCO Bank, Delhi (See Note 2)	7,000	12,000
8.	Agricultural income from a land situated in Andhra Pradesh (See Note 4)	-	-
9.	Income from house property at Bhopal (See Note 5)	70,000	42,000
	Gross Total income	4,34,500	4,14,000
	Less: Deduction under chapter VI-A		

Section 80C - Life insurance premium paid	-	30,000
Section 80TTA (See Note 6)	7,000	10,000
Total Income	4,27,500	3,74,000

Notes:

- Mr. Ramesh is a non-resident since he has been living in Canada since 1996. Mr. Suresh, who is settled in Delhi, is a resident.
- In case of a resident, his global income is taxable as per section 5(1). However, as per section 5(2), in case of a non-resident, only the following incomes are chargeable to tax:
 - Income received or deemed to be received in India; and
 - Income accruing or arising or deemed to accrue or arise in India.

Therefore, fees for technical services rendered in India would be taxable in the hands of Mr. Ramesh, even though he is a non-resident.

The income referred to in Sl. No. 3,4,5 and 7 are taxable in the hands of both Mr. Ramesh and Mr. Suresh since they accrue or arise/ deemed to accrue or arise in India.

Interest on Canada Development Bond would be fully taxable in the hands of Mr. Suresh, whereas only 50%, which is received in India, is taxable in the hands of Mr. Ramesh.

- Dividend received from British company in London by Mr. Ramesh is not taxable since it accrued and is received outside India. However, dividend received by Mr. Suresh is taxable, since he is a resident. Exemption under section 10(34) would not be available in respect of dividend received from a foreign company.
- Agricultural income from a land situated in India is exempt under section 10(1) in the case of both non-residents and residents.
- Income from house property-

	Mr. Ramesh (Rs.)	Mr. Suresh (Rs.)
Rent received	1,00,000	60,000
Less: Deduction under section 24 @30%	<u>30,000</u>	<u>18,000</u>
Net income from house property	<u>70,000</u>	<u>42,000</u>

The net income from house property in India would be taxable in the hands of both Mr. Ramesh and Mr. Suresh, since the accrual and receipt of the same are in India.

- In case of an individual, interest upto Rs.10,000 from savings account with, inter alia, a bank is allowable as deduction under section 80TTA.

(7 marks)

ANSWER -3

ANSWER –A

Statement showing computation of depreciation allowable to Sai Ltd. & Shirdi Ltd. for A.Y. 2020-21

Particulars	Rs.
Written down value (WDV) as on 1.4.2019	40,00,000
Addition during the year (used for less than 180 days)	14,40,000
Total	54,40,000
Depreciation on Rs. 40,00,000 @ 15%	6,00,000
Depreciation on Rs. 14,40,000 @ 7.5%	1,08,000
Total depreciation for the year	7,08,000
Apportionment between two companies:	
(a) Amalgamating company, Sai Ltd.	
Rs. 6,00,000 × 275/366	4,50,820
Rs. 1,08,000 × 61/152	43,342
	4,94,162
(b) Amalgamated company, Shirdi Ltd.	
Rs. 6,00,000 × 91/366	1,49,180
Rs. 1,08,000 × 91/152	64,658
	2,13,838

Notes:

1. The aggregate deduction, in respect of depreciation allowable to the amalgamating company and amalgamated company in the case of amalgamation shall not exceed in any case, the deduction calculated at the prescribed rates as if the amalgamation had not taken place. Such deduction shall be apportioned between the amalgamating company and the amalgamated company in the ratio of the number of days for which the assets were used by them.
2. The price at which the assets were transferred, i.e., Rs. 60 lacs, has no implication in computing eligible depreciation.

(4 marks)

ANSWER –B

Computation of amount chargeable to tax under the head “Capital Gains” in the hands of Mr. Rajan

	Particulars	Rs.
(i)	<p><u>Sale of 10,000 shares of A Ltd. on 5.4.2019 @ 650 per share</u></p> <p>Sales consideration (10,000 x Rs.650) 65,00,000</p> <p>Less: Cost of acquisition Rs. <u>30,00,000</u></p> <p>Higher of:</p> <ul style="list-style-type: none"> - 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 31.1.2019 (Highest price of the shares traded on 31.01.2019); and • Rs. 65,00,000, being full value of consideration on transfer <p>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</p>	
(ii)	<p><u>Sale of 1,000 units of B Mutual Fund on 20.4.2019 @ Rs. 50 per unit</u></p> <p>Sale consideration (1,000 x Rs.50) 50,000</p> <p>Less: Cost of acquisition - Higher of - <u>50,000</u></p> <ul style="list-style-type: none"> - Actual cost (1,000 x Rs. 10) 10,000 - Lower of: 50,000 <ul style="list-style-type: none"> • Rs. 55,000 (Rs. 55 x 1,000), FMV, being Net Asset Value as on 31.1.2019; and • Rs. 50,000, being full value of consideration on transfer <p>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</p>	
(iii)	<p><u>Sale of 100 shares of C Ltd. on 25.4.2019 @ 200 per share</u></p> <p>Sale consideration (100 x Rs. 200) 20,000</p> <p>Less: Indexed Cost of acquisition [100 x Rs. 50 (being FMV on 1.4.2001) x 289/100] <u>14,450</u></p> <p>Long-term capital gain under section 112 [Since shares are unlisted and held for more than 24 months] <u>5,550</u></p>	

Computation of tax on such capital gains for A.Y. 2020-21

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 A Ltd.	3,40,000
Tax under section 112 @ 20% on long-term capital gains of Rs. 5,550 arising on sale of unlisted shares of C Ltd.	<u>1,110</u>
Total tax payable	<u>3,41,110</u>

(6 marks)

ANSWER –C

- (i) The deduction of Rs. 75,000 under section 80DD is allowed in full, irrespective of the amount of expenditure incurred or paid by the assessee. If the expenditure is incurred in respect of a dependant with severe disability, the deduction allowable is Rs. 1,25,000.
- (ii) The assessee Rajan has deposited Rs. 25,000 for maintenance of handicapped dependent. The assessee is, however, eligible to claim Rs. 75,000 since the deduction of Rs. 75,000 is allowed in full, irrespective of the amount deposited with LIC. In the case of dependant with severe disability, the deduction allowable is Rs. 1,25,000.
- (iii) Section 80DD allows a deduction of Rs. 75,000 irrespective of the actual amount spent on maintenance of handicapped dependent and/or actual amount deposited with LIC. Therefore, the deduction will be Rs. 75,000 even though the total amount incurred/deposited is only Rs. 45,000. If the dependant is a person with severe disability the quantum of deduction is Rs. 1,25,000.
- (iv) Amount paid by an Indian Company to an electoral trust is eligible for deduction under section 80GGB from gross total income, since such payment is made otherwise than by way of cash.

(4*1 = 4 marks)

ANSWER -4

ANSWER –A

Computation of Taxable income of Mr. Mahadev for A.Y. 2020-21

Particulars	Rs.
Professional income (bhajan singer)	5,65,000
Income of minor son – Golu	

- Income from winning singing reality show on T.V. Income derived by a minor child from any activity involving application of his/her skill, talent, specialized knowledge and experience is not to be included in the hands of parent. Hence, Rs. 2,50,000 earned by minor son Golu from reality show on TV would not be included in the income of either parent.	Nil
- Cash gift received by Golu from friend of Mr. Mahadev on winning the show The cash gift received by his minor son Golu (not on account of her skill) from his friends would not be taxable, since its value does not exceed Rs.50,000.	Nil
Income of minor married daughter – Gudia	
Interest income on deposit with Ramu & Jay Pvt. Ltd. 40,000	
Less: Exempt under section 10(32) <u>1,500</u>	
(Income of minor daughter would be included in the hands of Mr. Mahadev, since his income, before including minor daughter's income, is higher than his wife's income).	38,500
Taxable Income	6,03,500

Computation of Taxable income of Mrs. Dariya for A.Y. 2020-21

Particulars	Rs.
Salary income (computed)	3,80,000
Loan received from Ramu & Jay (Pvt.) Ltd. [Such loan amount would not be considered as deemed dividend under section 2(22)(e), even though Mrs. Dariya has substantial interest (holding 20% shares or more) in the Ramu & Jay (Pvt.) Ltd., a closely held company, since the company does not have any accumulated profits on account of losses incurred in last 2 years from inception]	Nil
Taxable Income	3,80,000

(5 marks)

ANSWER –B**Computation of Gross Total Income of Mr. Soohan for the A.Y. 2020-21**

Particulars	Rs.	Rs.
Salaries		
Income from salary	3,00,000	
<i>Less:</i> Loss from house property set-off against salary income as per section 71	(40,000)	2,60,000
Profits and gains of business or profession		
Income from sugar business	50,000	
<i>Less:</i> Brought forward loss from iron-ore business set-off as per section 72(1)	(50,000)	Nil
Balance business loss of Rs. 70,000 of P.Y. 2014-15 to be carried forward to A.Y. 2021-22		
Capital gains		
Long term capital gain	40,000	
<i>Less:</i> Short term capital loss set-off	(40,000)	Nil
Balance short-term capital loss of Rs. 20,000 to be carried forward		
Short-term capital loss of Rs. 10,000 under section 111A also to be carried forward		
Income from other sources		
Winnings from lottery	50,000	
Winnings from card games	6,000	
Bank interest	5,000	61,000
Gross Total Income		3,21,000
Losses to be carried forward to A.Y.2020-21		
Loss of iron-ore business (Rs. 1,20,000 – Rs. 50,000)	70,000	
Short term capital loss (Rs. 20,000 + Rs. 10,000)	30,000	

Notes:

- The following income are exempt under section 10 –
 - Dividend income [Exempt under section 10(34)], assuming that dividend is received from a domestic company.
 - Agricultural income [Exempt under section 10(1)].
- It is presumed that loss from iron-ore business relates to P.Y. 2013-14, the year in which the business was discontinued.

(5 marks)

ANSWER –C

Where regular books of account are not maintained by the assessee, the return should be accompanied by -

- (i) a statement indicating -
 - (1) the amount of turnover or gross receipts,
 - (2) gross profit,
 - (3) expenses; and
 - (4) net profitof the business or profession;
- (ii) the basis on which such amounts mentioned in (i) above have been computed,
- (iii) the amounts of total sundry debtors, sundry creditors, stock-in-trade and cash balance as at the end of the previous year.

Note: The above answer is based on the provisions of section 139(9) of the Income-tax Act, 1961. However, since returns are now required to be e-filed, many of the details need to be incorporated as part of the relevant return form itself.

(4 marks)

SECTION B: INDIRECT TAXES

PART – I

- 1. A
- 2. D
- 3. D
- 4. D
- 5. C
- 6. B
- 7. C
- 8. D
- 9. B
- 10.D

PART – II

Computation of minimum net GST payable in cash by M/s. Grey

for the month of April, 2019

ANSWER -1

Particulars	Value (Rs.)	CGST (Rs.)	SGST (Rs.)	IGST (Rs.)
<u>Total tax liability</u>				
Inter-State supply of goods	1,00,000			18,000
Intra-State supply of 500 packets of detergents along with a plastic bucket [Note-1]	2,00,000 (500 x 400)	28,000 (2,00,000 x 14%)	28,000 (2,00,000 x 14%)	
Supply of online educational journal to private coaching centre [Note-2]	50,000	4,500 (50,000 x 9%)	4,500 (50,000 x 9%)	
<i>Total tax liability (A)</i>		<i>32,500</i>	<i>32,500</i>	<i>18,000</i>
<u>Input tax credit (ITC)</u>				
Brought forward ITC		5,000	5,000	40,000
Inter-State purchase of goods [Note-3]	50,000			9,000
Repairing of bus with seating capacity of 20 passengers [Note-4]	50,000	4,500	4,500	
<i>Total ITC (B)</i>		<i>9,500</i>	<i>9,500</i>	<i>49,000</i>
<u>Minimum net GST payable in cash</u>				
Total tax liability		32,500	32,500	18,000
Less: Set off of IGST liability from IGST credit				(18,000)
<i>Set off IGST credit against CGST and SGST liability in any order and in any proportion</i>		(23,000)	(8,000)	
<i>Set off of CGST and SGST credit against CGST and SGST liability respectively</i>		(9,500) CGST	(9,500) SGST	
<i>Minimum net GST payable in cash</i>		<i>Nil</i>	<i>15,000</i>	<i>Nil</i>

Notes:-

1. Supply of detergent and bucket together with a single price of Rs. 400 is a mixed supply. Being a mixed supply comprising of two supplies, it shall be treated as supply of that particular supply that attracts highest rate of tax (28%).
2. Supply of online educational journal is exempt only when the same is provided to an

educational institution which provides a qualification recognised by law. Since, the private coaching centre does not provide any recognised qualification, the supply of online educational journals to the same will be taxable.

3. ITC can be taken only on the basis of a valid tax paying document. Thus, ITC will not be available on goods for which the invoice is missing.
4. ITC on motor vehicles for transportation of persons with seating capacity > 13 persons (including the driver) used for any purpose is allowed. Further, ITC is allowed on repair and maintenance services relating to motor vehicles, ITC on which is allowed.

Note: Under the amended position of law, the IGST credit, after being set off against IGST liability, can be utilised against CGST and SGST liability in any order and in any proportion. Thus, there cannot be one answer for the minimum net CGST and SGST payable in cash [i.e. GST liability] as the amount of CGST and SGST liabilities are the same as also the amount of ITC for CGST and SGST is also the same.

(8 marks)

ANSWER -2

ANSWER -A

- a. Since GST on services provided or agreed to be provided by an arbitral tribunal to any business entity located in the taxable territory is payable under reverse charge, in the given case, GST is payable by the recipient – business entity.
- b. GST on sponsorship services provided by any person to any body corporate or partnership firm located in the taxable territory is payable under reverse charge. Since in the given case, services have been provided to an individual, reverse charge provisions will not be attracted. GST is payable under forward charge by the supplier –company.
- c. GST on services supplied by Central Government, State Government, Union territory or local authority by way of renting of immovable property to a person registered under CGST Act, 2017 is payable under reverse charge. Therefore, in the given case, GST is payable under reverse charge by the recipient – registered business entity.

(3*2 = 6 marks)

ANSWER -B

GST on supply of services by an author by way of transfer or permitting the use or enjoyment of a copyright covered under section 13(1)(a) of the Copyright Act, 1957 relating to original literary works to a publisher is payable under reverse charge by such publisher, i.e. Know &

Grow Publishers.

The time of supply of service, on which GST is payable under reverse charge, is earlier of the following:

(a) Date of payment as entered in the books of account of the recipient or date on which payment is debited from the bank account, whichever is earlier

or

(b) 61st day from the date of issue of invoice by the supplier

(i) If the invoice is issued on 06.10.2018, time of supply is as under:

- For the payment of Rs. 50,000: 05.09.2018 [earlier of date of payment and 61st day from date of issue of invoice]
- For the payment of Rs. 1,50,000: 06.12.2018 [earlier of date of payment and 61st day from date of issue of invoice]

(ii) If the invoice is issued on 17.12.2018, time of supply is as under:

- For the payment of Rs. 50,000: 05.09.2018 [earlier of date of payment and 61st day from date of issue of invoice]
- For the payment of Rs. 1,50,000: 12.12.2018 [earlier of date of payment and 61st day from date of issue of invoice]

(4 marks)

ANSWER -3

ANSWER -A

In the given scenario, only one e-way bill is required to be issued.

Part A can be filled by either Mr. Shah or recipient of goods or Mehta Transporter on the appropriate authorisation.

Where the goods are transferred from one conveyance to another, the consignor or the recipient, who has provided information in Part A, or the transporter shall, before such transfer and further movement of goods, update the details of conveyance in the e-way bill on the common portal in Part B.

Thus, on reaching Kheda, Mr. Shah or the recipient of the goods, who has filled Part A of the e-way bill, or Mehta Transporter can, before the transfer and further movement of goods, update the details of conveyance in Part B of the e-way bill.

Further, the consignor or the recipient, who has furnished the information in Part A, or the transporter, may assign the e-way bill number to another registered or enrolled transporter for updating the information in Part B for further movement of the consignment.

Thus, on reaching Kheda, Mr. Shah or the recipient of the goods, or Mehta Transporter can assign the said e-way bill to Parikh Transporter who will thereafter update the details of conveyance in Part B.

However, upon updation of the details of the conveyance by Parikh transporter in Part B, Mr. Shah or recipient, as the case may be, who has furnished the information in Part A shall not be allowed to assign the e-way bill number to another transporter.

(5 marks)

ANSWER -B

- a. Every supplier becomes liable to registration if his turnover exceeds the applicable threshold limit (Rs. 40 lakh in this case) in a financial year (Section 22 read with notification no. 10/2019 CT dated 7.03.2019.) since in the given case, the turnover of Dhampur industries exceeded Rs. 40 lakh on 1st September, it becomes liable to registration on said date.

Further, since the application for registration has been submitted within 30 days from such date, the registration shall be effective from the date on which the person becomes liable to registration [Section 25 read with rule 10 of the CGST Rules, 2017]. Therefore, the effective date of registration is 1st September.

- b. Since in the given case, the turnover of Mehta Teleservices exceeds the applicable threshold limit [Rs. 20 lakh] on 25th October, it becomes liable to registration on said date.

Further, since the application for registration has been submitted after 30 days from the date such person becomes liable to registration, the registration shall be effective from the date of grant of registration. Therefore, the effective date of registration is 5th December.

(2.5*2 = 5 marks)

ANSWER -4

ANSWER -A

The registered person desirous of availing the option to pay concessional tax @ 3% (effective rate 6%) under Notification No. 2/2019 CT (R) dated 7-3-2019 should -

- (i) not be engaged in making any supply which is not leviable to tax.
- (ii) not be engaged in making any inter-State outward supply of goods and/or services.
- (iii) neither be a casual taxable person nor a non-resident taxable person.

- (iv) not be engaged in making any supply through an electronic commerce operator who is required to collect tax at source.
- (v) not be engaged in making supplies of notified goods.
- (vi) neither collect any tax from the recipient nor be entitled to any input tax credit.
- (vii) issue a bill of supply instead of tax invoice.
- (viii) not have the aggregate turnover in the preceding financial year exceeding Rs. 50 lakh
- (ix) not be eligible for composition scheme.

Note: Any five conditions may be mentioned out of the above mentioned nine conditions.

(5 marks)

ANSWER -B

- (i) If the taxable person under GST law files the GST return under section 39(1) of the CGST Act, 2017, but does not pay the self-assessment tax, the return is not considered as a valid return¹.

Since the input tax credit can be availed only on the basis of a valid return, the taxable person, in the given case, will not be able to claim any input tax credit.

He shall pay interest, penalty, fees or any other amount payable under the CGST Act for filing return without payment of tax.

- (ii) The items to be debited to electronic liability register of the taxable person are as under:-
- (a) all amounts payable towards tax, interest, late fee and any other amount as per return filed;
 - (b) all amounts payable towards tax, interest, penalty and any other amount determined in a proceeding by an Assessing authority or as ascertained by the taxable person;
 - (c) the amount of tax and interest as a result of mismatch.
 - (d) any interest amount that may accrue from time to time.

Note: Any three points may be mentioned out of the above mentioned four points.

(5 marks)