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**INTERMEDIATE NOVEMBER 2018 EXAM**  
**SUBJECT- TAXATION**  
**Test Code - PIN 5028**  
**BRANCH - () (Date :)**

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**Answer 1:****Computation of Total income of Dr. Kumar for the Assessment Year 2018-19**

Particulars	Rs.
Profits and gains of business or profession ( <b>Working Note 1</b> )	2,68,050
Capital Gains ( <b>Working Note 2</b> )	3,12,000
Income from other sources ( <b>Working Note 3</b> )	64,000
<b>Gross Total Income</b>	<b>6,44,050</b>
Less: Deduction under Chapter VI-A ( <b>Working Note 4</b> )	1,55,000
<b>Total Income</b>	<b>4,89,050</b>

**Computation of tax liability of Dr. Kumar for the Assessment Year 2018-19**

Particulars	Rs.
Tax on winnings from lotteries [Rs. 40,000 @ 30%]	12,000
Tax on long term capital gains 20% of Rs. 1,99,050, being Rs. 3,12,000 – unexhausted basic exemption limit of Rs. 1,12,950 [i.e., Rs. 2,50,000 – (Rs. 2,68,050 + Rs. 24,000 – Rs. 1,55,000)]	39,810
	51,810
Add: Education cess@2% and secondary and higher education cess@1%	1,554
Total tax liability	53,364
Less: Tax deducted at source	12,000
<b>Net tax liability</b>	<b>41,364</b>
<b>Net tax liability (rounded off)</b>	<b>41,360</b>

**Working Notes:****Computation of income under the head “Profits and gains of business or profession”**

Particulars	Rs.	Rs.
Net income as per Income and Expenditure Account		2,51,800
Add: Expenditure debited to Income and Expenditure Account but to be disallowed		
Depreciation (Rs. 91,000 – Rs. 50,000)	41,000	
Medicine consumed for self and family (disallowed under section 37, being expenditure of personal nature) Medicine consumed for treating poor patients from whom fees was not charged is an allowable expense, since the same is incurred in the course of carrying on medical profession.	25,000	
Cash payment of salary disallowed under section 40A(3), since the same is in excess of Rs. 10,000	15,000	
Donation to Prime Minister’s National Children’s Fund (not allowable as deduction while computing income from profession)	5,000	
		86,000
		3,37,800
Less: Income credited to Income and Expenditure Account		

but not chargeable to income-tax or not chargeable under this head		
Dividend from Indian company	15,000	
Winning from lotteries (taxable under the head "Income from other sources")	28,000	
Income-tax refund (Not taxable)	2,750	
Honorarium for giving lectures at seminars (taxable under the head "Income from other sources")	24,000	69,750
<b>Income from profession</b>		<b>2,68,050</b>

### Computation of income under the head "Capital Gains"

Particulars	Rs.	Rs.
Sale consideration	12,00,000	
Valuation as per Stamp Valuation Authority (Value to be taken is the higher of the actual sale consideration or valuation adopted for stamp duty purpose as per section 50C)	14,00,000	
Full value of consideration		14,00,000
Less: Indexed cost of acquisition (Rs. 4,00,000 x 272/100)		10,88,000
<b>Long term Capital gains (Since Land was held from more than 24 months)</b>		<b>3,12,000</b>

### Computation of income under the head "Income from Other Sources"

Particulars	Rs.	Rs.
Dividend from Indian company [Exempt u/s 10(34)]		-
Honorarium for giving lectures at seminars		24,000
Winning from lotteries (Net)	28,000	
Add: TDS @30% (Rs. 28,000 x 30/70)	12,000	40,000
<b>Income from other sources</b>		<b>64,000</b>

**Note:** As per section 58(4), no expense or deduction is allowable in respect of winning from lotteries.

### Computation of deduction under Chapter VI-A

Section	Particulars	Rs.
80C	Life Insurance Premium [Rs. 25,000 restricted to 10% of Rs. 2,00,000 (i.e. sum assured) since the policy is issued on or after 1.4.2012]	20,000
	Contribution to Public Provident Fund	1,20,000
		<b>1,40,000</b>
80E	Interest on loan taken for higher education of daughter	10,000

80G	Donation to Prime Minister's National Children's Fund [100% deduction allowable, since it is made by a mode other than cash]	5,000
<b>Total deduction under Chapter VI-A</b>		<b>1,55,000</b>

Answer 2:  
(A)

**Computation of income chargeable under the head "Capital Gains" for A.Y. 2018-19**

Particulars	Rs.
<b>Capital Gains on sale of residential house</b>	
Actual sale consideration Rs. 82 lakhs	
Value adopted by Stamp Valuation Authority Rs. 92 lakhs	
<b>Full value of sale consideration [Higher of the above]</b>	<b>92,00,000</b>
[As per section 50C, in case the actual sale consideration declared by the assessee is less than the value adopted by the Stamp Valuation Authority for the purpose of charging stamp duty, then, the value adopted by the Stamp Valuation Authority shall be taken to be the full value of consideration.	
In a case where the date of agreement is different from the date of registration, stamp duty value on the date of agreement can be considered provided the whole or part of the consideration is paid by way of account payee cheque/bank draft or by way of ECS through bank account on or before the date of agreement. In this case, since 25% of Rs. 82 lakhs was paid through account payee bank draft on the date of agreement, stamp duty value on the date of agreement can be adopted as the full value of consideration]	
<b>Less: Indexed cost of acquisition of residential house</b>	
[Rs. 21 lakhs x 272/105]	<u>54,40,000</u>
<b>Long-term capital gains</b> [Since the residential house property was held by Mr. Sahu for more than 24 months immediately preceding the date of its transfer]	<b>37,60,000</b>
<b>Less:</b> Exemption under section 54	35,00,000
The capital gain arising on transfer of a long-term residential property shall not be chargeable to tax to the extent such capital gain is invested in the purchase of one residential house property in India within one year before or two years after the date of transfer of original asset.	_____
<b>Long-term capital gains chargeable to tax</b>	<b>2,60,000</b>
<b>Income from Other Sources</b>	
- Interest on Savings Bank A/c	12,000
- Income from lotteries [Rs. 84,000 x 100/70]	<u>1,20,000</u>
[Under section 194B, tax @ 30% is required to be deducted at source on lottery income at the time of payment, if the amount exceeds Rs. 10,000]	<u>1,32,000</u>
<b>Gross Total Income</b>	<b>3,92,000</b>
<b>Less:</b> Deduction under Chapter VI-A: Under section 80TTA, in respect of interest on Savings bank a/c, restricted to	<u>10,000</u>
<b>Total Income</b>	<b>3,82,000</b>

<b>Tax Liability</b>	
Tax on total income of Rs. 2,000 i.e., excluding LTCG & lotteries income	Nil
Tax on long-term capital gains @ 20% Rs. 12,000 (Rs. 2,60,000 less unexhausted basic exemption limit of Rs. 2,48,000 [Rs. 2,50,000 - Rs. 2,000, being total income excluding LTCG & income from lotteries])	2,400
Tax on income from lotteries @ 30%	<u>36,000</u>
	<b>38,400</b>
Add: Education cess @ 2%	768
Add: Secondary and higher education cess @ 1%	<u>384</u>
<b>Tax liability</b>	<b>39,552</b>
Less: Tax deducted at source	36,000
- under section 194B on income from lotteries	
- under section 194-IA on transfer of residential house (1% of Rs. 82,00,000)	<u>82,000</u>
<b>Tax refundable</b>	<b><u>78,448</u></b>

**Answer 3:**

**(A)**

Government, institutions notified under United Nations (Privileges and Immunities) Act 1947, and Embassies, Consulates, High Commission, Legation, Commission and trade representation of a foreign State shall not be liable to levy of TCS@1% under sub-section (1F) of section 206C.

**(B)**

**Computation of Total income of Mr. Shashank and Mrs. Kajal for the A.Y. 2018 -19**

Particulars	Mr. Shashank (Rs.)	Mrs. Kajal (Rs.)
Salary income (Rs. 30,000 x 12)	3,60,000	
Income from house property [Rs. 2,40,000 (Rs. 20,000 x 12) less standard deduction of 30%] <b>(Note 1)</b>	1,68,000	
<b>Income from other sources</b>		
Interest on fixed deposit with State bank of India (Rs. 4,00,000 x 10%) <b>(Note 2)</b>	40,000	
<b>Profits and gains from business or profession</b>		
Profits earned by Mrs. Kajal from her business <b>(Note 3)</b>	3,00,000	6,00,000
Income before including income of minor child under section 64(1A)	8,68,000	6,00,000
<b>Income from other sources</b>		
Minor son Sandeep - Income from company deposit <b>(Note 4)</b>	1,48,500	
<b>Total income</b>	<b>10,16,500</b>	<b>6,00,000</b>

**Notes:**

- (1) According to section 27(i), an individual who transfers any house property to his or her spouse otherwise than for adequate consideration or in connection with an agreement to live apart, shall be deemed to be the owner of the house property so transferred. Hence, Mr. Shashank shall be deemed to be the owner of the flat gifted to Mrs. Kajal and hence, the income arising from the same shall be computed in the hands of Mr. Shashank.

**Note:** The provisions of section 56(2)(x) would not be attracted in the hands of Mrs. Kajal, since she has received immovable property without consideration from a relative i.e., her husband.

- (1) As per section 60, in case there is a transfer of income without transfer of asset from which such income is derived, such income shall be treated as income of the transferor. Therefore, the fixed deposit interest of Rs. 40,000 transferred by Mr. Shashank to Mr. Ram shall be included in the total income of Mr. Shashank.
- (2) Section 64(1)(iv) provides for the clubbing of income in the hands of the individual, if the income earned is from the assets transferred directly or indirectly to the spouse of the individual, otherwise than for adequate consideration or in connection with an agreement to live apart. In this case Mrs. Kajal received a gift of Rs. 10,00,000 on 1.4.2017 from her husband which she invested in her business on the same day. The income to be clubbed in the hands of Mr. Shashank for the A.Y. 2018-19 is computed as under:

Particulars	Mrs. Kajal's capital contribution (Rs.)	Capital contribution out of gift from Mr. Shashank (Rs.)	Total (Rs.)
Capital as on 1.4.2017	20,00,000	10,00,000	30,00,000
Profit for P.Y. 2017-18 to be apportioned on the basis of capital employed on the first day of the previous year i.e. as on 1.4.2017 (2:1)	6,00,000 (9,00,000 x 2/3)	3,00,000 (9,00,000 x 1/3)	9,00,000

Therefore, the income to be clubbed in the hands of Mr. Shashank for the A.Y.2018-19 is Rs. 3,00,000.

**Note:** The provisions of section 56(2)(x) would not be attracted in the hands of Mrs. Kajal, since she has received a sum of money exceeding Rs. 50,000 without consideration from a relative i.e, her husband.

- (3) As per section 64(1A), the income of the minor child is to be included in the total income of the parent whose total income (excluding the income of minor child to be so clubbed) is greater. Further, as per section 10(32), income of a minor child which is includible in the income of the parent shall be exempt to the extent of Rs. 1,500 per child.

Therefore, the income of Rs. 1,50,000 received by minor son Sandeep from company deposit shall, after providing for exemption of Rs. 1,500 under section 10(32), be included in the income of Mr. Shashank, since Mr. Shashank's income of Rs. 8,68,000 (before including the income of the minor child) is greater than Mrs. Kajal's income of Rs. 6,00,000. Therefore, Rs. 1,48,500 (i.e., Rs. 1,50,000 – Rs. 1,500) shall be included in Mr. Shashank's income. It is assumed that this is the first year in which clubbing provisions are attracted.

(C)

Where in any financial year the assessee is found to be the owner of any money, bullion, jewellery or other valuable article and the same is not recorded in the books of account and the assessee offers no explanation about the nature and source of acquisition of such money, bullion etc. or the explanation offered is not satisfactory, the money and the value of bullion etc. may be deemed to be the income of the assessee for such financial year. Ownership is important and mere possession is not enough.

**Answer 4:****(A)**

Section 2(22)(e) provides that any payment by a company, not being a company in which public are substantially interested, of any sum by way of advance or loan

- to a shareholder, being a person who is the beneficial owner of shares holding not less than 10% of voting power, or
- to any concern in which such shareholder is a partner and in which he has a substantial interest (i.e., he is beneficially entitled to not less than 20% of the income of such concern)

is deemed as dividend, to the extent the company possesses accumulated profits.

In the present case, the loan given by TRP(P) Ltd. to Pranav & Sons, a partnership firm would be deemed as dividend, since Mr. Pranav is the beneficial owner of 15% shareholding in TRP(P) Ltd. and also has substantial interest in Pranav & Sons (as he is beneficially entitled to 50% of the income of the firm).

However, the amount of loan would be deemed as dividend only to the extent TRP(P) Ltd. possesses accumulated profits. Therefore, out of the loan of Rs. 35 lakhs given to Pranav & Sons, only Rs. 30 lakhs, i.e., to the extent of accumulated profit of TRP(P) Ltd., would be deemed as dividend.

**(B)****Monetary limit for mandatory quoting of PAN**

	<b>Transaction</b>	<b>Minimum amount above which quoting of PAN is mandatory</b>
(i)	Opening a demat account with a depository.	All such transactions (There is no minimum amount)
(ii)	Purchase of bank draft from a banking company	Payment in cash of an amount exceeding Rs. 50,000 during any one day
(iii)	Payment for purchase of any foreign currency at any one time	Payment in cash of an amount exceeding Rs. 50,000
(iv)	Payment to a company for acquiring debentures issued by it	Amount exceeding Rs. 50,000.
(v)	Payment as life insurance premium to an insurer	Amount aggregating to more than Rs. 50,000 in a financial year

**Answer 5:****Computation of income chargeable under the head "Salaries" of Mr. Narayan for A.Y. 2018-19**

<b>Particulars</b>	<b>Rs.</b>
Basic Salary	7,20,000
Dearness allowance	3,60,000
Commission	60,000
Entertainment allowance	7,500
Medical expenses reimbursed by the employer is an exempt perquisite to the extent of Rs. 15,000 [Clause (v) of proviso to section 17(2)]. Therefore, Rs. 10,000, being the reimbursement in excess of Rs. 15,000 is a taxable perquisite.	10,000

Professional tax paid by the employer is a taxable perquisite as per section 17(2)(iv), since it is an obligation of the employee which is paid by the employer	1,500
Health insurance premium of Rs. 9,000 paid by the employer is an exempt perquisite [Clause (iii) of proviso to section 17(2)]	Nil
Gift voucher given by employer on Mr. Narayan's birthday (entire amount is taxable since the perquisite value exceeds Rs. 5,000) as per Rule 3(7)(iv) <b>[See Note below]</b>	15,000
Life insurance premium of Mr. Narayan paid by employer is a taxable perquisite as per section 17(2)(v)	42,000
Laptop provided for use at home is an exempt perquisite as per Rule 3(7)(vii)	Nil
Provision of motor car (engine cubic capacity less than 1.6 litres) owned by employer to employee for both official and personal purposes – perquisite value would be Rs. 21,600 [Rs. 1,800 × 12] as per Rule 3(2)	21,600
Annual credit card fees paid by employer is a taxable perquisite as per Rule 3(7)(v) since the credit card is not exclusively used for official purposes.	<u>5,000</u>
<b>Gross Salary</b>	<b>12,42,600</b>
<b>Less: Deductions under section 16</b>	
Entertainment allowance (deduction under section 16(ii) not allowable since Mr. Narayan is not a Government employee)	Nil
Professional tax paid allowable as deduction as per section 16(iii)	<u>3,000</u>
<b>Income chargeable under the head "Salaries"</b>	<b><u>12,39,600</u></b>

**Note:** As per Rule 3(7)(iv), the value of any gift or voucher received by the employee or by member of his household on ceremonial occasions or otherwise from the employer shall be determined as the sum equal to the amount of such gift. However, the value of any gift or voucher received by the employee or by member of his household below Rs. 5,000 in aggregate during the previous year would be exempt as per the proviso to Rule 3(7)(iv). In this case, the gift voucher of Rs. 15,000 was received by Mr. Narayan from his employer on the occasion of his birthday.

Since the value of the gift voucher exceeds the limit of Rs. 5,000, the entire amount of Rs. 15,000 is liable to tax as perquisite.

**An alternate view** possible is that only the sum in excess of Rs. 5,000 is taxable in view of the language of Circular No.15/2001 dated 12.12.2001, which states that such gifts upto Rs. 5,000 in the aggregate per annum would be exempt, beyond which it would be taxed as a perquisite. As per this view, the value of perquisite would be Rs. 10,000.

In such case, the gross salary and net salary would be, Rs. 12,37,600 and Rs. 12,34,600, respectively.

**Answer 6:**  
**(A)**

As per section 139(5), if any person, having furnished a return under section 139(1), within the due date or a belated return under section 139(4), discovers any omission or any wrong statement therein, he may furnish a revised return at any time –

- (a) before the end of the relevant assessment year or
  - (b) before the completion of assessment,
- whichever is earlier.



For assessment year 2018-19, the belated return has to be **furnished before 31<sup>st</sup> March 2019 or before completion of assessment**, whichever is earlier.

Since Mr. Atharv has filed **his return after 31.7.2018**, being the due date of filing return of income under section 139(1) in his case, **but before 31.3.2019/completion of assessment**, the said return is a **belated return**.

Thus, in the present case, Mr. Atharv **can file a revised return**, since he has found an omission in the belated return filed by him for A.Y.2018-19 and assessment is yet to be completed<sup>5</sup> and 31.3.2019, being the end of A.Y.2018-19 has not elapsed.

(B)

#### Computation of income under the head "House Property" of Mr. Ranjan for A.Y.2018-19

Particulars	Rs.	Rs.
<sup>2</sup> Gross Annual Value (Rs. 45,000 x 12)		5,40,000
Less: Municipal taxes ( <b>See Working Note 1</b> )		<u>18,000</u>
Net Annual Value (NAV)		5,22,000
Less: Deductions under section 24		
(i) 30% of NAV	1,56,600	
	0	
(ii) Interest on housing loan ( <b>See Working Note 2</b> )	<u>2,24,400</u>	<u>3,81,000</u>
	0	
<b>Income chargeable under the head "House Property"</b>		<b><u>1,41,000</u></b>

#### Working Notes:

(1)	<p><b>Municipal taxes deductible from Gross Annual Value</b></p> <p>As per proviso to section 23(1), municipal taxes <b>actually paid by the owner during the previous year</b> is allowed to be deducted from Gross Annual Value. Accordingly, only Rs. 18,000 paid on 25.05.2017 is allowed to be deducted from Gross Annual Value, while computing income from house property of the previous year 2017-18.<sup>3</sup></p>
(2)	<p><b>Interest on housing loan allowable as deduction under section 24</b></p> <p>As per section 24(b), interest for the current year (Rs. 22,00,000 x 9%)</p> <p style="text-align: right;">Rs. 1,98,000</p> <p><b>Pre-construction interest</b></p> <p>For the period 01.08.2015 to 31.03.2016 (Rs. 22,00,000 x 9% x 8/12) = Rs. 1,32,000</p> <p>Rs. 1,32,000 allowed in 5 equal installments (Rs. 1,32,000/5) from P.Y. 2016-17 to P.Y. 2020-21</p> <p style="text-align: right;"><u>Rs.</u> <u>26,400</u></p> <p style="text-align: right;"><b><u>Rs.</u></b> <b><u>2,24,400</u></b></p>
3.	Deduction under section 24(b), in respect of interest on housing loan for let out property, fully allowed without any limit.

<sup>2</sup> In the absence of information related to municipal value, fair rent and standard rent, the rent receivable has been taken as the Gross Annual Value

<sup>3</sup> The municipal tax of Rs. 18,000 paid on 15.4.2018 would be allowed as deduction while computing income from house property of the previous year 2018-19.

**Answer 7:**

Under section 6(1), an individual is said to be resident in India in any previous year, if he satisfies any one of the following conditions:

- (i) He has been in India during the previous year for a total period of 182 days or more, or
- (ii) He has been in India during the 4 years immediately preceding the previous year for a total period of 365 days or more and has been in India for at least 60 days in the previous year.

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

Therefore, the residential status of Miss Kaira, an American National, for A.Y.2018-19 has to be determined on the basis of her stay in India during the previous year relevant to A.Y. 2018-19 i.e. P.Y.2017-18 and in the preceding four assessment years.

Her stay in India during the previous year 2017-18 and in the preceding four years are as under:

**P.Y. 2017-18**

01.04.2017 to 20.09.2017	-	173 days
27.03.2018 to 31.03.2018	-	<u>5 days</u>
Total		<u>178 days</u>

**Four preceding previous years**

P.Y.2016-17 [1.4.2016 to 31.3.2017]	-	12 days
P.Y.2015-16 [1.4.2015 to 31.3.2016]	-	Nil
P.Y.2014-15 [1.4.2014 to 31.3.2015]	-	Nil
P.Y.2013-14 [1.4.2013 to 31.3.2014]	-	<u>Nil</u>
Total		<u>12 days</u>

The total stay of the assessee during the previous year in India was less than 182 days and during the four years preceding this year was for 12 days. Therefore, due to non-fulfillment of any of the two conditions for a resident, she would be treated as non-resident for the Assessment Year 2018-19.

**Computation of total income of Mrs. Kaira for the A.Y. 2018-19**

S. No.	Particulars	(Non-Resident) (Rs.)
1.	Dividend from American company, received in America ( <b>Note 1</b> )	-
2.	Profit from profession in Delhi, but managed directly from America ( <b>Note 2</b> )	50,000
3.	Long-term capital gain on sale of shares of an Indian company ( <b>Note 2</b> )	60,000
4.	Interest on savings account with SBI (Note 2)	17,000
5.	Agricultural income from land in Tamilnadu [Exempt under section 10(1)]	-
6.	Rent (computed) from property in America deposited in a Bank at America, later on remitted to India (Note 1)	-
7.	Cash gift received from a friend on Mrs. Kaira birthday on 16.8.2017 Note: As per section 56(2)(x), cash gifts received from a non-relative would be taxable, if the amount exceeds Rs. 50,000 in aggregate	51,000

	during the previous year.	
8.	Past foreign untaxed income brought to India [Not taxable, since it does not represent income of the P.Y.2017-18].	-
<b>Total Income</b>		<b>1,78,000</b>

**Notes:**

(1) As per section 5(1), global income is taxable, in case of a resident. However, as per section 5(2), only the following incomes are chargeable to tax, in case of a non-resident:

- (i) Income received or deemed to be received in India; and
- (ii) Income accruing or arising or deemed to accrue or arise in India.

Therefore, dividend from American company received in America, rent from property in America by Mrs. Kaira, a non-resident, would not be taxable in India, since both the accrual and receipt are outside India.

(2) Profits from profession in Delhi, long term capital gains and interest on saving account with SBI are taxable in the hands of Mrs. Kaira, since such incomes are deemed to accrue or arise in India during the P.Y. 2017-18.

## PART B – INDIRECT TAX

Answer 8:

(A)

**Computation of input tax credit (ITC) available with Cloud Seven Private Limited for the month of February, 20XX**

Particulars	Rs.
Trucks used for the transport of raw material [Note-1]	1,20,000
Foods and beverages for consumption of employees working in the factory [Note-2]	Nil
Inputs are to be received in five lots, out of which third lot was received during the month [Note-3]	Nil
Membership of a club availed for employees working in the factory [Note-4]	Nil
Capital goods (out of five items, invoice for one item was missing and GST paid on that item was Rs. 50,000) [Note-5]	3,50,000
Raw material to be received in March, 20XX [Note-6]	Nil
<b>Total ITC</b>	<b>4,70,000</b>

**Notes:-**

1. ITC on motor vehicles is disallowed in terms of section 17(5) of the CGST Act, 2017, except when they are used *inter alia*, for transportation of goods.
2. ITC on food or beverages is specifically disallowed unless the same is used for making outward taxable supply of the same category or as an element of the taxable composite or mixed supply- [Section 17(5)].
3. When inputs are received in instalments, ITC can be availed only on receipt of last instalment- [Section 16(2)].
4. Membership of a club is specifically disallowed under section 17(5) of the CGST Act, 2017.
5. ITC cannot be taken on missing invoice. The registered person should have the invoice in its possession to claim ITC [Section 16(2) of CGST Act, 2017] .
6. Input tax credit is available only upon the receipt of goods in terms of section 16(2) of CGST Act, 2017.

\* The above exemptions have been extended till 30.09.2018 vide *Notification No. 12/2018 CT(R) dated 29.06.2018* and *Notification No. 13/2018 IT(R) dated 29.06.2018*.

(B)

Yes, advance tax is to be paid by Mr. Akash Malhotra at the time of obtaining registration. Since Mr. Akash Malhotra occasionally undertakes supply of goods in the course or furtherance of business in a State where he has no fixed place of business, thus he qualifies as casual taxable person in terms of section 2(20) of CGST Act, 2017.

While a normal taxable person does not have to make any advance deposit of tax to obtain registration, a casual taxable person shall, at the time of submission of application for registration is required, in terms of section 27(2) read with proviso thereto, to make an advance deposit of tax in an

amount equivalent to the estimated tax liability of such person for the period for which the registration is sought. If registration is to be extended beyond the initial period of 90 days, an advance additional amount of tax equivalent to the estimated tax liability is to be deposited for the period for which the extension beyond 90 days is being sought.

**Answer 9:**

**(A)**

**Computation of GST liability of M/s. Shri Durga Corporation Pvt. Ltd. for the month of February, 20XX**

Particulars	Value of Supply	CGST (Rs.)	SGST (Rs.)	IGST (Rs.)
Intra -State sale of taxable goods [Note-1]	4,00,000	36,000	36,000	
Goods purchased from unregistered dealer on 20 <sup>th</sup> February, 20XX [Note-2]	Nil	Nil	Nil	
Services rendered by way of labour contracts for repairing a single residential unit otherwise than as a part of residential complex [Note-3]	1,00,000	9,000	9,000	
Goods transport services received from GTA [Note-4]	2,00,000			Nil
Total GST liability for the month of February, 20XX		45,000	45,000	Nil
Less: Input tax credit available [Note-5] (Rs. 2,00,000 x 12%)		<u>24,000</u>		
Net GST liability for the month of February, 20XX		21,000	45,000	Nil

**Notes:**

- Section 12 of CGST Act, 2017 read with *Notification No. 66/2017 CT dated 15.11.2017* provides that the time of supply for all suppliers of goods (excluding composition suppliers) is the time of issue of invoice, without any turnover limit. Thus, liability to pay tax on the advance received in January, 20XX will also arise in the month of February, when the invoice for the supply is issued.
- All intra-State and inter-State procurements made by a registered person from unregistered person have been exempted from reverse charge liability, without any upper limit for daily procurements upto 30.06.2018\*<sup>1</sup>. [*Notification No. 8/2017 CT (R) dated 28.06.2017 as amended and Notification No. 32/2017 IT(R) dated 13.10.2017 as amended*]
- 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 vide *Notification No. 12/2017 CT(R) dated 28.06.2017*. Labour contracts **for repairing** are thus, taxable.
- As per *Notification No. 13/2017 CT(R) dated 28.06.2017*, GST is payable by the recipient on reverse charge basis on the receipt of services of transportation of goods by road from a goods transport agency (GTA) provided such GTA has **not** paid GST @ 12%. Since in the given case, services have been received from a GTA who has paid GST @ 12%, reverse charge provisions will not be applicable.
- Input tax credit is available for the services received from GTA. The input tax credit of IGST can be used against IGST, CGST and SGST in the respective order vide section 49(5) of CGST Act, 2017.

(B)

Yes, as per section 29(5) of the CGST Act, every registered person whose registration is cancelled shall pay an amount, by way of debit in the electronic cash ledger, equivalent to the credit of input tax in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock or capital goods or plant and machinery on the day immediately preceding the date of such cancellation or the output tax payable on such goods, whichever is higher.

**Answer 10:**

(A)

**Computation of value of taxable supply made by Red Pepper Ltd. for the month of March, 20XX**

Particulars	Rs.
List price of the goods	15,00,000
Add: Subsidy amounting to Rs. 2,10,000 received from Central Government [Since subsidy is received from Government, the same is not includible in the value in terms of section 15 of the CGST Act, 2017]	NIL
Subsidy received from NGO [Since subsidy is received from a non-Government body, the same is includible in the value in terms of section 15 of the CGST Act, 2017]	50,000
Tax levied by the Municipal Authority [Includible in the value as per section 15 of the CGST Act, 2017]	20,000
Packing charges [Being incidental expenses, the same are includible in the value as per section 15 of the CGST Act, 2017]	15,000
Late fees paid by recipient of supply for delayed payment [Includible in the value as per section 15 of the CGST Act, 2017] (assumed to be inclusive of taxes) [Rs. 6,000 x 100/118] rounded off	5,085
<b>Value of taxable supply</b>	<b>15,90,085</b>

(B)

(1) The given statement is false. A registered person paying tax under the provisions of section 10 [composition levy] is required to issue, instead of a tax invoice, a bill of supply containing the specified particulars in the prescribed manner [Section 31(3)(c) read with rule 49 of the CGST Rules].

(2) The given statement is false. Composition tax payer is required to furnish return under section 39 for every quarter even if no supplies have been effected during such period. In other words, filing of Nil return is also mandatory.

(C)

GST is a win-win situation for the entire country. It brings benefits to all the stakeholders of industry, Government and the consumer. It will lower the cost of goods and services, give a boost to the economy and make the products and services globally competitive.

The significant benefits of GST are discussed hereunder:

- **Creation of unified national market:** GST aims to make India a common market with common tax rates and procedures and remove the economic barriers thus paving the way for an integrated economy at the national level.
- **Mitigation of ill effects of cascading:** By subsuming most of the Central and State taxes into a single tax and by allowing a set-off of prior-stage taxes for the transactions across the entire value chain, it would mitigate the ill effects of cascading, improve competitiveness and improve liquidity of the businesses.
- **Elimination of multiple taxes and double taxation:** GST has subsumed majority of existing indirect tax levies both at Central and State level into one tax i.e., GST which is leviable uniformly on goods and services. This will make doing business easier and will also tackle the highly-disputed issues relating to double taxation of a transaction as both goods and services.
- **Boost to 'Make in India' initiative:** GST will give a major boost to the 'Make in India' initiative of the Government of India by making goods and services produced in India competitive in the national as well as international market.
- **Buoyancy to the Government Revenue:** GST is expected to bring buoyancy to the Government Revenue by widening the tax base and improving the taxpayer compliance.

**(Note: Any two points may be mentioned)**

**Answer 11:**

(A)

(i) Services provided by a tour operator to a foreign tourist are exempt from GST provided such services are in relation to a tour conducted wholly outside India. Thus, since in the given case, services provided by Relax & Co. are in relation to a tour conducted within India, the same are not exempt from GST.

(ii) Services provided by a coach to a recognised sports body for participation in a sporting event are exempt from GST provided said sporting event is organised by a recognised sports body. Thus, since in the given case, the sporting event is not organised by a recognised sports body, the services provided by Ms. Sneha are not exempt from GST.

(B)

Section 7 of the CGST Act, 2017 stipulates that in order to qualify as supply:

- (a) Supply should be of goods and/or services.
- (b) Supply should be made for a consideration.
- (c) Supply should be made in the course or furtherance of business.

Further, Schedule I of the CGST Act, 2017 illustrates the activities to be treated as supply even if made without consideration. One such activity is permanent transfer or disposal of business assets where input tax credit has been availed on such assets, i.e. said activity is to be treated as supply even if made without consideration. In view of said provisions, permanent transfer of air conditioners by Sahab Sales from its stock for personal use at its residence, though without consideration, would amount to supply.

However, sale of air-conditioner by Aakash to Sahab Sales will not qualify as supply

under section 7 of the CGST Act, 2017 as although it is made for a consideration, but its not in the course or furtherance of business.

**(C)**

Every registered person who is required to furnish a return under section 39(1) of the CGST Act, 2017 and whose registration has been surrendered or cancelled shall file a Final Return electronically in the prescribed form through the common portal.

Final Return has to be filed within 3 months of the:

(i) date of cancellation

or

(ii) date of order of cancellation whichever is later.

**Answer 12:**

**(A)**

**(ii)** Section 7(2)(a) of CGST Act, 2017 read with Schedule III specifies the activities or transactions which shall be treated neither as a supply of goods nor a supply of services:

1. Services by an employee to the employer in the course of or in relation to his employment.
2. Services by any court or Tribunal established under any law for the time being in force.
3. (a) Functions performed by the Members of Parliament, Members of State Legislature, Members of Panchayats, Members of Municipalities and Members of other local authorities;  
(b) Duties performed by any person who holds any post in pursuance of the provisions of the Constitution in that capacity; or  
(c) Duties performed by any person as a Chairperson or a Member or a Director in a body established by the Central Government or a State Government or local authority and who is not deemed as an employee before the commencement of this clause.  
(d) Services of funeral, burial, crematorium or mortuary including transportation of the deceased.
4. Sale of land and, subject to paragraph 5(b) of Schedule II, sale of building.
5. Actionable claims, other than lottery, betting and gambling.

**[Note:- Any four points may be mentioned.]**

**(B)**

As per *Notification No. 66/2017 CT dated 15.11.2017*, a registered person (excluding composition supplier) has to pay GST on the outward supply of goods at the time of supply as specified in section 12(2)(a) of CGST Act, 2017 i.e., date of issue of invoice or the last date on which invoice ought to have been issued in terms of section 31.

Therefore, the time of supply of goods is 3<sup>rd</sup> December which is the date on which the invoice for the consignment was issued.



**(C)**

Yes. In terms of sub-section (8) of section 25, where a person who is liable to be registered under GST law fails to obtain registration, the proper officer may, without prejudice to any action which may be taken under CGST Act, or under any other law for the time being in force, proceed to register such person in the manner as is prescribed in the CGST Rules, 2017.

**(D)**

Electronic cash ledger is maintained in prescribed form for each person, liable to pay tax, interest, penalty, late fee or any other amount, on the common portal for crediting the amount deposited and debiting the payment therefrom towards tax, interest, penalty, fee or any other amount.

The deposit can be made through any of the following modes, namely: -

- i. Internet Banking through authorised banks;
- ii. Credit card or Debit card through the authorised bank;
- iii. NEFT or RTGS from any bank; or

Over the Counter payment through authorised banks for deposits up to Rs. 10,000/- per challan per tax period, by cash, cheque or demand draft [Section 49 of the CGST Act read with rule 87 of the CGST Rules].