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SUGGESTED SOLUTION

CA INTERMEDIATE MAY'19

SUBJECT- TAXATION

Test Code - CIM 5071

BRANCH - () (Date :)

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PART A – DIRECT TAX

DIVISION - A

Answer 1:

(Que. 1 to 6 = 1 mark each
Que. 7 to 12 = 2 marks each)

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

DIVISION - B

Answer 1:

Computation of total income and tax liability of Mr. Krishan for A.Y. 2019-20

Particulars	Rs.	Rs.	Rs.
Income from house property			
Gross annual value ¹ (Rs. 35,000 x 12)		4,20,000	
Less: Municipal taxes paid by Mr. Krishan		<u>8,200</u>	
Net annual value		4,11,800	
Less: Deductions under section 24			
(a) 30% of Net Annual Value		1,23,540	
(b) Interest on house borrowing (allowed in full in case of let out property)		<u>2,01,500</u>	86,760
Profits and gains of business or profession			
Income from profession			
Fees from professional services		49,60,000	
Less: Expenses allowable as deduction			
- Staff salary, bonus and stipend	17,50,000		
- Other general and administrative expenses	22,00,000		
- Office rent	1,48,000		
- Motor car maintenance (Rs. 72,000 x 4/5)	57,600		
- Car loan interest – not allowable, since Mr. Krishan follows cash system of accounting and no interest is paid during the previous year)	<u>-</u>	<u>41,55,600</u>	

			8,04,400	
	Less: Depreciation u/s 32			
	- Motor car Rs. 9,50,000 x 15% x 50% x 4/5, being put to use for less than 180 days	57,000		
	- Books being annual publications [Rs. 80,000 x 40%]	32,000		
	- Computer @40% of Rs. 52,000 x 50%, since the same is put to use for less than 180 days	<u>10,400</u>	<u>99,400</u>	
	For the P.Y. 2018-19, the gross receipts of Mr. Krishan is Rs. 49,60,000. Since, it does not exceed Rs. 50,00,000, he is eligible to opt for presumptive tax scheme under section 44ADA		7,05,000	
	In such case, his professional income would be Rs. 24,80,000, being 50% of Rs.49,60,000			
	It is more beneficial for Mr. Krishan to declare profit of Rs. 7,05,000 as per books of accounts which is lower than the profits computed on presumptive basis under section 44ADA. However, for declaring lower profits, he has to maintain books of account under section 44AA and get the same audited under section 44AB			
	Income from share speculation business	1,20,000		
	Less: Loss from commodity speculation business set off against income from share speculation business.			
	Balance loss of Rs. 60,000 from commodity speculation business to be carried forward to A.Y. 2020-21	<u>1,20,000</u>	<u>Nil</u>	7,05,000
	Capital Gains			
	Long-term capital gains on sale of 5800 listed shares			
	Sale consideration		5,95,000	
	Less: Cost of acquisition is higher of		<u>4,35,000</u>	1,60,000
	- Cost of acquisition	1,21,800		
	- Lower of Rs. 4,35,000 (Rs. 75 x 5800), being fair market value as on 31.1.2018 and Rs. 5,95,000, being full value of consideration on transfer	4,35,000		
	Income from other sources			
	Cash Gift of Rs. 84,000 i.e., Rs. 21,000 x 4, received from his four friends is taxable u/s 56(2)(x), since aggregate amount of cash gifts exceeds Rs. 50,000			<u>84,000</u>

Gross Total Income			10,35,760
Less: Deductions under Chapter VI-A			
Section 80C			
Life insurance premium	49,000		
Repayment of housing loan	1,80,000		
PPF subscription	<u>1,50,000</u>		
	3,79,000		
Restricted to Rs.1,50,000		1,50,000	
Section 80G			
Contribution to Prime Minister's Drought Relief Fund (50% of Rs. 1,21,000) by way of bank draft		60,500	
Section 80GGC			
Donation to registered political party made by way of cheque		<u>3,50,000</u>	
			<u>5,60,500</u>
Total Income			<u>4,75,260</u>
Tax liability			
Tax @ 10% under section 112A on long-term capital gains exceeding Rs. 1,00,000 i.e., Rs.60,000			6,000
Tax @5% on Rs. 65,260 [Rs. 3,15,260 (total income excluding LTCG u/s 112A) - Rs. 2,50,000, being basic exemption limit]			<u>3,263</u>
			9,263
<i>Add: Health and Education cess@4%</i>			<u>371</u>
Tax liability			<u>9,634</u>
Tax liability (rounded off)			9,630

(14 marks)

Answer 2:

(A)

In computing the total income of any individual, there shall be included all such income as arises directly or indirectly, to the spouse of such individual from assets transferred directly or indirectly, to the spouse by such individual otherwise than for adequate consideration or in connection with an agreement to live apart.

Interest on loan: Accordingly, Rs.50,000, being the amount of interest on loan received by Mrs. Suman, wife of Mr. Akash, would be includible in the total income of Mr. Akash, since such loan was given by her out of the sum of money received by her as gift from her husband.

Short-term capital gain: The short-term capital gain of Rs.20,000 (Rs.70,000, being the sale consideration less Rs.50,000, being the cost of acquisition) arising in the hands of Ms. Suman from sale of shares acquired by investing the interest income of Rs.50,000 earned by her (from the loan given out of the sum gifted to her by her husband), would not be included in the hands of Mr. Akash. Since securities transaction tax has been paid, such short-term capital gain on sale of listed shares is taxable@15%

Income from the accretion of the transferred asset is not liable to be included in the hands of the transferor and, therefore, such income is taxable in the hands of Ms. Suman. **(4 marks)**

(B)

(a) Disagree

The return of income of LLP should be verified by a designated partner.

Any other partner can verify the Return of Income of LLP only in the following cases:-

- (i) where for any unavoidable reason such designated partner is not able to verify the return, or,
- (ii) where there is no designated partner.

(b) Disagree

In case Mr. A opts to offer his income as per the presumptive taxation provisions of section 44AD, then, the due date under section 139(1) for filing of return of income for the year ended 31.03.2019, shall be 31st July, 2019.

In case Mr. A does not opt for presumptive taxation provisions under section 44AD and, has to get his accounts audited under section 44AB, since his turnover exceeds Rs. 1 crore, the due date for filing return would be 30th September, 2019. **(4 marks)**

(C)

In cases where the assessee himself grows rubber plants and manufactures rubber processed from latex obtained from rubber plants in India, then, as per Rule 7A, 35% of profit on sale of rubber is taxable as business income under the head "Profits and gains from business or profession", and the balance 65% is agricultural income, which is exempt from tax.

Profits from manufacture and sale of rubber processed from latex = Rs. 47 lakhs – Rs. 25 lakhs – Rs. 7 lakhs = Rs. 15 lakhs

Agricultural Income = 65% of Rs. 15 lakhs = Rs. 9.75 lakhs Business Income = 35% of Rs. 15 lakhs = Rs. 5.25 lakhs.

The tax liability of Mr. Rana has to be computed applying the concept of partial integration, since his total income comprises of both agricultural income and non-agricultural income and his agricultural income exceeds Rs. 5,000 p.a and his non-agricultural income exceeds the basic exemption limit i.e., Rs. 2,50,000 (applicable, in his case). **(2 marks)**

Accordingly, his tax liability would be computed in the following manner:

Computation of tax liability of Mr. Rana for the A.Y. 2019-20

Particulars	Rs.
Tax on total income of Rs. 15,00,000, being agricultural income and non-agricultural income	2,62,500
Less: Tax on agricultural income and basic exemption limit i.e., Rs. 12,25,000 [Rs. 9,75,000 plus Rs.2,50,000]	<u>1,80,000</u>
	82,500
Add: Health and Education cess@4%	<u>3,300</u>
Total Tax liability	85,800

(4 marks)

Answer 3:
(A)

Determination of Advance Tax Liability of Mr. Sameer

Particulars		Rs.
Estimated tax liability for the financial year 2018-19		80,000
Less: Tax deducted at source		<u>12,000</u>
Tax payable		<u>68,000</u>
Due Date of installment	Amount payable	Rs.
On or before 15 th June, 2018	Not less than 15% of advance tax liability	10,200
On or before 15 th September, 2018	Not less than 45% of advance tax liability <i>less</i> amount paid in earlier installment	20,400 0 (Rs.30,600, being 45% of Rs.68,000 - Rs.10,200)
On or before 15 th December, 2018	Not less than 75% of advance tax liability <i>less</i> amount paid in earlier installment(s)	20,400 (51,000, being 75% of Rs.68,000 - Rs.30,600)
On or before 15 th March, 2019	Whole of the advance tax liability <i>less</i> amount paid in earlier installment(s)	17,000 (68,000, being 100% of Rs.68,000 - Rs.51,000)

(4 marks)

In case he is eligible for presumptive tax provisions under section 44AD and his entire tax liability is on account of such income, he can pay his entire advance tax liability in one installment on or before 15.3.2019, without attracting interest under section 243C.

(B)

Taxable portion of the amount received from the URPF in the hands of Mr. A for the A.Y. 2019-20 is computed hereunder:

Particulars	Rs.
Amount taxable under the head "Salaries":	
Employer's share in the payment received from the URPF	2,20,000
Interest on the employer's share	50,000
Total	2,70,000
Amount taxable under the head "Income from Other Sources" :	
Interest on the employee's share	60,000

Total amount taxable from the amount received from the fund

3,30,000

(5 marks)

Note: Since the employee is not eligible for deduction under section 80C for contribution to URPF at the time of such contribution, the employee's share received from the URPF is not taxable at the time of withdrawal as this amount has already been taxed as his salary income.

(C)

Computation of capital gains and business income of Harsha for A.Y. 2019 -20

Particulars	Rs.
Capital Gains	
Fair market value of land on the date of conversion deemed as the full value of consideration for the purposes of section 45(2)	2,25,00,000
Less: Indexed cost of acquisition [Rs.45,00,000 × 272/129]	94,88,372
	1,30,11,628
Proportionate capital gains arising during A.Y.2019-20 [Rs.1,30,11,628 × 2/3]	86,74,419
Less: Exemption under section 54EC	50,00,000
Capital gains chargeable to tax for A.Y.2019-20	36,74,419
Business Income	
Sale price of flats [10 × Rs.40 lakhs]	4,00,00,000
Less: Cost of flats	
Fair market value of land on the date of conversion [Rs.225 lacs × 2/3]	1,50,00,000
Cost of construction of flats [10 × Rs.15 lakhs]	1,50,00,000
Business income chargeable to tax for A.Y.2019-20	1,00,00,000

(5 marks)

Notes:

- (1) The conversion of a capital asset into stock-in-trade is treated as a transfer under section 2(47). It would be treated as a transfer in the year in which the capital asset is converted into stock-in-trade.
- (2) However, as per section 45(2), the capital gains arising from the transfer by way of conversion of capital assets into stock-in-trade will be chargeable to tax only in the year in which the stock-in-trade is sold.
- (3) The indexation benefit for computing indexed cost of acquisition would, however, be available only up to the year of conversion of capital asset into stock-in-trade and not up to the year of sale of stock-in-trade.
- (4) For the purpose of computing capital gains in such cases, the fair market value of the capital asset on the date on which it was converted into stock-in-trade shall be deemed to be the full value of consideration received or accruing as a result of the transfer of the capital asset.

In this case, since only 2/3rd of the stock-in-trade (10 flats out of 15 flats) is sold in the P.Y.2018-19, only proportionate capital gains (i.e., 2/3rd) would be chargeable to tax in the A.Y.2019-20.
- (5) On sale of such stock-in-trade, business income would arise. The business income

chargeable to tax would be the difference between the price at which the stock-in-trade is sold and the fair market value on the date of conversion of the capital asset into stock-in-trade.

- (6) In case of conversion of capital asset into stock-in-trade and subsequent sale of stock-in-trade, the period of 6 months is to be reckoned from the date of sale of stock-in-trade for the purpose of exemption under section 54EC [CBDT Circular No.791 dated 2.6.2000]. In this case, since the investment in bonds of NHAI has been made within 6 months of sale of flats, the same qualifies for exemption under section 54EC. With respect to long-term capital gains arising on land or building or both in any financial year, the maximum deduction under section 54EC would be Rs.50 lakhs, whether the investment in bonds of NHAI or RECL are made in the same financial year or next financial year or partly in the same financial year and partly in the next financial year.

Therefore, even though investment of Rs.50 lakhs has been made in bonds of NHAI during the P.Y.2018-19 and investment of Rs.50 lakhs has been made in bonds of RECL during the P.Y.2019-20, both within the stipulated six month period, the maximum deduction allowable for A.Y.2019-20, in respect of long-term capital gain arising on sale of long-term capital asset(s) during the P.Y. 2018-19, is only Rs.50 lakhs.

**Answer 4:
(A)**

Section 44AE would apply in the case of Mr. Satinder since he is engaged in the business of plying goods carriages and owns not more than ten goods carriages at any time during the previous year.

Section 44AE provides for computation of business income of such assessee on a presumptive basis. The income shall be deemed to be 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 the assessee in the previous year or such higher sum as declared by the assessee in his return of income.

Mr. Satinder's business income calculated applying the provisions of section 44AE is Rs.13,82,500 [See Notes (1) & (2) below] and his total income would be Rs.14,52,500.

However, as per section 44AE(7), Mr. Satinder may claim lower profits and gains if he keeps and maintains proper books of account as per section 44AA and gets the same audited and furnishes a report of such audit as required under section 44AB. If he does so, then his income for tax purposes from goods carriages would be Rs.5,23,000 instead of Rs.13,82,500 and his total income would be Rs.5,93,000.

Notes:

(1) Computation of total income of Mr. Satinder for A.Y. 2019-20

Particulars	Presumptive income Rs.	Where books are maintained Rs.
Income from business of plying goods carriages [See Note (2) Below]	13,82,500	5,23,000

Other business and non-business income	70,000	70,000
Total Income	14,52,500	5,93,000

(2) Calculation of presumptive income as per section 44AE

Type of carriage	No. of months	Rate per ton per month/per month	Ton	Amount Rs.
(1)	(2)		(3)	(1) x (2) x (3) = (4)
Heavy goods vehicle				
1 goods carriage upto 5 th May	2	1,000	17 (17,000/1,000)	34,000
4 goods carriage held throughout the year	12	1,000	17 (17,000/1,000)	8,16,000
Goods vehicle other than heavy goods vehicle				
1 goods carriage from 8 th May	11	7,500	-	82,500
5 goods carriage held throughout the year	12	7,500	-	4,50,000
Total				13,82,500

(5 marks)

(B)

A non-resident is chargeable to tax in respect of income received outside India only if such income accrues or arises or is deemed to accrue or arise to him in India.

The income deemed to accrue or arise in India under section 9 comprises, *inter alia*, income by way of fees for technical services, which includes any consideration for rendering of any managerial, technical or consultancy services. Therefore, payment to a management consultant relating to project financing is covered within the scope of "fees for technical services".

The *Explanation* below section 9(2) clarifies that income by way of, *inter alia*, fees for technical services, from services utilized in India would be deemed to accrue or arise in India in case of a non-resident and be included in his total income, whether or not such services were rendered in India or whether or not the non-resident has a residence or place of business or business connection in India.

In the instant case, since the services were utilized in India, the payment received by Mr. Kulasekhara, a non-resident, in Colombo is chargeable to tax in his hands in India, as it is deemed to accrue or arise in India.

(3 marks)

(C)

Deduction available to Mr. Darshan under Chapter VI -A for A.Y.2019-20

Section	Particulars	Rs.	Rs.
80C	Deposit in public provident fund	1,50,000	
	Life insurance premium paid Rs. 62,000 (deduction restricted to Rs. 30,000, being 10% of Rs. 3,00,000, which is the sum assured, since the policy was taken on or after 01.04.2012)	30,000	
	Five year term deposit with bank	55,000	
		2,35,000	
	Restricted to		1,50,000
80CCD(1)	Contribution to NPS of the Central Government, Rs. 1,45,000 [Rs. 1,95,000 – Rs. 50,000, being deduction under section 80CCD(1B)], restricted to 10% of salary [Rs.1,95,000 x 10/15] [See Note 1]		1,30,000
			2,80,000
80CCE	Aggregate deduction under section 80C and 80CCD(1), Rs. 2,80,000, but restricted to		1,50,000
80CCD(1B)	Rs. 50,000 would be eligible for deduction in respect of contribution to NPS of the Central Government		50,000
80CCD(2)	Employer contribution to NPS, restricted to 10% of salary [See Note 2]		1,30,000
80D	(i) (a) Medical insurance premium for self and his wife, deduction would be equal to Rs. 47,000 (Rs. 27,000 + Rs. 20,000), being 1/4 th of lumpsum premium, since policies would be in force for four previous years.	47,000	
	(b) Preventive health check up Rs. 6,000 for wife restricted to Rs. 3,000 (Rs. 50,000 - Rs. 47,000, since maximum allowable deduction is Rs. 50,000 in case assessee or one of the family member is senior citizen)	<u>3,000</u>	
		50,000	
	(ii) Medical Expenditure for his father would be fully allowed as deduction, since no insurance policy is taken on his name	<u>46,000</u>	
	Total of (i) and (ii)		96,000

80DD	Deduction of Rs. 1,25,000 in respect of expenditure on medical treatment of his mother, being a person with severe disability would be allowed irrespective of the fact that amount of expenditure incurred is Rs.90,000	1,25,000
80TTB	Interest on fixed deposits with bank of Rs. 75,000, deduction restricted to	50,000
Deduction under Chapter VI-A		6,01,000

(6 marks)

Notes:

- (1) The deduction under section 80CCD(1B) would not be subject to overall limit of Rs. 1.50 lakh under section 80CCE. Therefore, it is more beneficial for Mr. Darshan to claim deduction under section 80CCD(1B) first in respect of contribution to NPS. Thereafter, the remaining amount of Rs. 1,45,000 can be claimed as deduction under section 80CCD(1), subject to a maximum limit of 10% of salary i.e. Rs.1,30,000.
- (2) The entire employer's contribution to notified pension scheme has to be first included under the head "Salaries" while computing gross total income and thereafter, deduction under section 80CCD(2) would be allowed, subject to a maximum of 10% of salary. Deduction under section 80CCD(2) is also not subject to the overall limit of Rs. 1,50,000 under section 80CCE.
- (3) If the contribution towards NPS is Rs. 1,30,000, here again, it is beneficial for Mr. Darshan to first claim deduction of Rs. 50,000 under section 80CCD(1B) and the balance of Rs. 80,000 can be claimed under section 80CCD(1), since the deduction available under section 80CCD(1B) is over and above the aggregate limit of Rs. 1,50,000 under section 80CCE. In any case, the aggregate deduction of Rs. 2,30,000 [i.e., Rs. 1,50,000 under section 80C and Rs. 80,000 under section 80CCD(1)] cannot exceed the overall limit of Rs. 1,50,000 under section 80CCE. The total deduction under Chapter VIA would remain the same i.e., Rs. 6,01,000.

PART B – INDIRECT TAX

DIVISION - A

Answer 1:

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

DIVISION - B

Answer 1:

Computation of net GST liability of Mr. Ekaant

Particulars	Value (Rs.)	CGST (Rs.)	SGST (Rs.)	IGST (Rs.)
Total tax liability				
Value of intra-State legal consultancy services i.e. inward supplies liable to reverse charge mechanism (to be paid in cash) (A) [Note-1]	1,00,000	9,000	9,000	-
Value of inter-State outward supplies (B1)	30,00,000	-	-	5,40,000
Value of intra-State outward supplies to registered as well as unregistered persons (B2) (Rs. 50,00,000+ Rs. 15,00,000)	65,00,000	5,85,000	5,85,000	-
Total (B) = (B1) +(B2)		5,85,000	5,85,000	5,40,000
Input tax Credit				
Brought forward ITC		2,00,000	2,00,000	5,00,000
Value of intra-State inward supplies from registered person [Note-2]	10,00,000	90,000	90,000	
Value of inter-State inward supplies from registered person [Note-2]	5,00,000	-	-	90,000
Value of intra-State inward supplies from unregistered person [Note-3]	2,00,000	-	-	-
IGST credit of capital goods [Note- 2]				1,50,000
Credit on other inward supplies purchased in the month of July less credit on membership of a club [Note- 2 & 4]		45,000	45,000	-
Credit of legal consultancy services [Note-2]		<u>9,000</u>	<u>9,000</u>	<u>-</u>
Total (C)		3,44,000	3,44,000	7,40,000
Net liability (B)-(C)		2,41,000	2,41,000	(2,00,000)
Less: Set off from IGST credit [Note-5]		2,00,000	-	-
Liability after set off (D)		41,000	2,41,000	Nil
Net GST liability to be paid in cash (A) + (D)		50,000	2,50,000	Nil

Notes:-

1. Services supplied by an individual advocate to any business entity located in the taxable territory by way of legal services, directly or indirectly are taxable under reverse charge mechanism. Thus, tax is payable by the recipient (Mr. Ekaant) on said services to the Government.

Further, as per section 49(4) of the CGST Act, 2017, amount available in the electronic credit ledger [ITC amount] may be used for making payment towards output tax. However, tax payable under reverse charge is not an output tax in terms of section 2(82) of the CGST Act, 2017. Therefore, tax payable under reverse charge cannot be set off against the input tax credit and thus, will have to be paid in cash.

2. Every registered person is entitled to take credit of input tax charged on any inward supply of goods and/or services which are used or intended to be used in the course or furtherance of his business in terms of section 16 of CGST Act, 2017. Further "input tax" in relation to a registered person includes the tax payable under reverse charge mechanism in terms of section 2(62) of the CGST Act, 2017.
3. Intra-State supplies received by a registered person from any unregistered supplier, are exempt from the whole of the central tax leviable thereon under section 9(4) till 30.09.2019 [Notification No.8/2017 CT (R) dated 28.06.2017]. Since no tax has been paid, so no credit is available.
4. Input tax credit is not allowed in respect of membership of a club in terms of section 17(5) of CGST Act, 2017.
5. Input tax credit of IGST has been used to pay IGST and CGST in that order.

Answer 2:**(A)**

- (i) This is a supply that is valued as per transaction value under section 15(1) as the price is the sole consideration for the supply and the supply is made to unrelated person. The taxable value includes certain elements like interest which are actually payable. Once waived, the interest is not payable and is therefore, not to be added to the taxable value. **(3 marks)**
- (ii) The discounts were not known or agreed at the time of supply of goods to the dealers. Therefore, such discounts cannot be reduced from the price on which tax had been paid in terms of section 15(3). **(2 marks)**

(B)

A taxable person who makes an undue or excess claim of input tax credit shall pay interest @ 24% p.a. on such undue or excess claim in terms of section 50 of CGST Act, 2017. The period of interest will be from the date following the due date of payment to the actual date of payment of tax.

Due date of payment is 20th May, 20XX.

Period for which interest is due = 21st May, 20XX to 31st July, 20XX

=72 days

Thus, interest liability = Rs. 1,50,000 x 24% x 72/365

(5 marks)

Answer 3:

(A)

Computation of eligible input tax credit

Particulars	Eligible ITC (Rs.)
Motor vehicle purchased for employees to be used for personal as well as business purposes [Note-1]	-
Motor vehicle purchased for transportation of goods within the factory [Note-1]	2,00,000
Food items for consumption of employees [Note-2]	-
Rent-a-cab facility given to employees [Note-3]	<u>36,000</u>
Total eligible input tax credit	2,36,000

Notes:-

As per section 17(5) of the CGST Act, 2017:

1. ITC on motor vehicles and other conveyances is blocked except when they are used—
 - (i) for making the following taxable supplies, namely :— (A) further supply of such vehicles or conveyances; or (B) transportation of passengers; or (C) imparting training on driving, flying, navigating such vehicles or conveyances;
 - (ii) for transportation of goods.

Thus, in the given case, ITC on motor vehicle purchased for transportation of goods within the factory will only be allowed

2. ITC in respect of food and beverages is blocked 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. Thus, in the given case, ITC of taxes paid on food for employees is not allowed.
3. ITC on supply of rent-a cab services is not blocked where the Government notifies the services which are obligatory for an employer to provide such service to its employees. Thus, ITC is available on said service. **(5 marks)**

(B)

Title as well as possession both have to be transferred for a transaction to be considered as a supply of goods. In case title is not transferred, the transaction would

be treated as supply of service in terms of Schedule II(1)(b) of the CGST Act. In some cases, possession may be transferred immediately but title may be transferred at a future date like in case of sale on approval basis or hire purchase arrangement. Such transactions will also be termed as supply of goods. **(5 marks)**

Answer 4:

(A)

Services by an artist by way of a performance in folk or classical art forms of (i) music, or (ii) dance, or (iii) theatre are exempt from GST, if the consideration charged for such performance is not more than Rs. 1,50,000. However, such exemption is not available in respect of service provided by such artist as a brand ambassador.

Since Ms. Ahana Kapoor is the brand ambassador of 'Forever Young' soap manufactured by RXL Pvt. Ltd., the services rendered by her by way of a classical dance performance in the concert organized by RXL Pvt. Ltd. to promote its brand will not be eligible for the above-mentioned exemption and thus, be liable to GST. The fact that the proceeds of the concert will be donated to a charitable organization will not have any bearing on the eligibility or otherwise to the above-mentioned exemption. **(4 marks)**

(B)

Computation of value of taxable supply

Particulars	(Rs.)
Amount charged for loading, unloading, packing and warehousing of potato chips [Note-1]	25,000
Fees charged for yoga camp conducted by a charitable trust registered under section 12AA of the Income-tax Act, 1961 [Note-2]	Nil
Amount charged by business correspondent for the services provided to the rural branch of a bank with respect to Savings Bank Accounts [Note-3]	Nil
Amount charged by cord blood bank for preservation of stem cells [Note-4]	Nil
Service provided by commentator to a recognized sports body [Note-5]	6,00,000
Amount charged for service provided by way of right to admission to circus where consideration for the same is Rs. 750 per person. [Note-6]	12,000

Notes:

- Services by way of loading, unloading, packing, storage or warehousing of agricultural produce are exempt from GST. Further, potato chips are manufactured through processes which alter the essential characteristic of agricultural produce, thus is not covered under definition of agricultural produce.
- Services by an entity registered under section 12AA of the Income-tax Act, 1961 by way of charitable activities are exempt from GST. The activities relating to advancement of yoga are included in the definition of charitable activities. So, such activities are exempt from GST.
- Services by business facilitator or a business correspondent to a banking company

with respect to accounts in its rural area branch have been exempted from GST.

4. Services provided by cord blood banks by way of preservation of stem cells or any other service in relation to such preservation are exempt from GST.
5. Services provided to a recognized sports body only by an individual as a player, referee, umpire, coach or team manager for participation in a sporting event organized by a recognized sports body are exempt from GST. Thus, services provided by commentators are liable to GST.
6. Services provided by way of right to admission to circus where consideration for the same is upto Rs. 500 per person are exempt from GST. Since in the present case, the consideration is more than Rs. 500 per person, so the same is liable to GST.

(6 marks)