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**INTERMEDIATE M'19 EXAM**

**SUBJECT- TAXATION**

**Test Code - PIN 5056**

**BRANCH - () (Date :)**

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**ANSWER-1****(18\*1 = 18 MARKS)**

1. B
2. A
3. D
4. B
5. B
6. B
7. B
8. B
9. C
- 10.C
- 11.A
- 12.C
- 13.B
- 14.D
- 15.D
- 16.D
- 17.A
- 18.A

**ANSWER-2****Computation of total income of Mr. X for A.Y.2019-20**

<b>Particulars</b>	<b>Rs.</b>	<b>Rs.</b>
Income from Salaries		
Basic salary (Rs. 25,000 x 9 months)		2,25,000
House rent allowance		
Actual amount received (Rs. 6,000 x 9 months)	54,000	
Less : Exemption under section 10(13A)(Note 1)	36,000	18,000
Gratuity		
Actual amount received	3,50,000	
Less: Exemption under section 10(10)(iii) (Note 2)	3,50,000	-
Leave encashment		

Actual amount received	3,15,000	
Less : Exemption under section 10(10AA) (Note 3)	2,45,000	70,000
Gross Salary		3,13,000
Less: Standard deduction under section 16(ia)		40,000
		2,73,000
Profits and gains of business or profession		
Business loss of Rs. 80,000 to be carried forward as the same cannot be set off against salary income		Nil
Gross Total income		2,73,000
Less : Deduction under section 80C		
Deposit in Public Provident Fund		1,00,000
Total income		1,73,000
Tax on total income		Nil

(4 MARKS)

**Notes:**

(4\*2 = 8 MARKS)

- (1) As per section 10(13A), house rent allowance will be exempt to the extent of least of the following three amounts:

	Rs.
(i) HRA actually received (Rs. 6,000 x 9)	54,000
(ii) Rent paid in excess of 10% of salary (Rs. 6,500 – Rs. 2,500) x 9 months	36,000
(iii) 50% of salary	1,12,500

- (2) Gratuity of Rs. 3,50,000 is exempt under section 10(10)(iii), being the minimum of the following amounts :

	Rs.
(i) Actual amount received	3,50,000
(ii) Half month salary for each year of completed service [(Rs 25,000 x 15/26) x 26 years]	3,75,000

(iii) Statutory limit

20,00,000

(3) Leave encashment is exempt upto the least of the following:

	Rs.
(i) Actual amount received	3,15,000
(ii) 10 months average salary (Rs. 24,500 x 10)	2,45,000
(iii) Cash equivalent of unavailed leave calculated on the basis of maximum 30 days for every year of actual service rendered to the employer from whose service he retired	3,06,250
<b>(See Note 4 below)</b>	
(iv) Statutory limit	3,00,000

(4) Since the leave entitlement of Mr. X as per his employer's rules is 30 days credit for each year of service and he had accumulated 15 days per annum during the period of his service, he would have availed/taken the balance 15 days leave every year.

Leave entitlement of Mr. X on the basis of 30 days for every year of actual service rendered by him to the employer = 30 days/year x 25 = 750 days

Less: Leave taken /availed by Mr. X during the period of his service = 15 days/year x 25 = 375 days

Earned leave to the credit of Mr. X at the time of his retirement 375 days

Cash equivalent of earned leave to the credit of Mr. X at the time of his retirement = 375 x Rs. 24,500 /30 = Rs. 3,06,250

### ANSWER-3

### ANSWER-A

#### Computation of Income from Salary of Mr. X for the A.Y. 2019-20

Particulars	Rs.	Rs.
Basic salary [Rs. 25,000 × 12]		3,00,000
Commission [Rs. 1,000 × 12]		12,000
Entertainment allowance [Rs. 1,000 × 12]		12,000

Rent free accommodation [ <b>Note 1</b> ]	48,600	
Add : Value of furniture [Rs. 2,40,000 × 10% p.a. for 8 months]	16,000	64,600
Interest on personal loan [ <b>Note 2</b> ]		22,500
Use of motor cycle [Rs. 60,000 × 10% p.a. for 4 months]		2,000
Transfer of motor cycle [ <b>Note 3</b> ]		12,000
<b>Gross Salary</b>		<b>4,25,100</b>
Less : Deduction under section 16		
Under section 16(ia) – Deduction of upto Rs.40,000	40,000	
Under section 16(iii) - Professional tax paid	2,000	42,000
<b>Income from Salary</b>		<b>3,83,100</b>

(5 MARKS)

**Note 1:** Value of rent free unfurnished accommodation

= 15% of salary for the relevant period

= 15% of (Rs. 3,00,000 + Rs. 12,000 + Rs. 12,000) = Rs. 48,600

**Note 2:** Value of perquisite for interest on personal loan

= [Rs. 5,00,000 × (12.75% - 6.75%) for 9 months] = Rs. 22,500

**Note 3:** Depreciated value of the motor cycle

= Original cost – Depreciation @ 10% p.a. for 3 completed years.

= Rs. 60,000 – (Rs. 60,000 × 10% p.a. × 3 years) = Rs. 42,000.

Perquisite = Rs. 42,000 – Rs. 30,000 = Rs. 12,000.

(3\*1 = 3 MARKS)

## ANSWER-B

As per the provisions of section 194J, a Hindu Undivided Family is required to deduct tax at source on fees paid for professional services only if it is subject to tax audit under section 44AB in the financial year preceding the current financial year.

However, if such payment made for professional services is exclusively for the personal purpose of any member of Hindu Undivided Family, then, the liability to deduct tax is not attracted.

Therefore, in the given case, even if Sundar (HUF) is liable to tax audit in the immediately preceding financial year, the liability to deduct tax at source is not attracted in this case since, the fees for professional service to Dr. Srivatsan is paid for a personal purpose i.e. the surgery of a member of the family.

(2 MARKS)

## ANSWER-4

Mrs. Rohini Ravi Previous Year : 2018 – 2019 Assessment Year : 2019 – 2020

### Computation of Income from House Property

SOP = assumed Self Occupied DLOP = assumed Deemed Let Out	Option I		Option II	
	US Prop. SOP	Indian Prop. DLOP	US Prop. DLOP	Indian Prop. SOP
Annual Value u/s 23(1)(a)/(b)/23(2)	Rs.	Rs.	Rs.	Rs.
Take Fair Rent or Municipal Value, whichever is higher. India : 32,000 × 9 = 2,88,000 or (4,20,000 × 9/12) = 3,15,000 US : \$ 15,000 × Rs. 60 (given) Less : Municipal Taxes paid (16,200 + 1,800)	Nil NA	3,15,000 (18,000)	9,00,000 Nil	Nil NA
Net Annual value	Nil	2,97,000	9,00,000	Nil
<b>Less : Deductions u/s 24</b>				
(a) 30% of Net Annual Value	-	(89,100)	(2,70,000)	-
(b) Interest on borrowings (Refer Note 2)	-	(1,91,840)	-	(1,91,840)
<b>Income from House Property (A)</b>	<b>Nil</b>	<b>16,060</b>	<b>6,30,000</b>	<b>(1,91,840)</b>
(before considering Arrears of Rent)	<b>16,060</b>		<b>4,38,160</b>	
Arrears of Rent received 60,000 <b>Less : Deduction u/s 25A = 30% of Arrears received</b> <b>(18,000)</b> Net Arrears of Rent (B)	42,000		42,000	
Net Income from House Property (A +B)	<b>58,060</b>		<b>4,80,160</b>	

**Conclusion :** Option I is chosen, due to lower chargeable Income. Hence, Income from House Property is Rs. 58,060.

#### Notes :

- Since Mrs. Rohini Ravi is a resident in India, her global income is taxable in India.
- Deductions for Interest on Capital borrowed :**  
Prior Period Interest = 49,200/5 = Rs. 9,840 (assuming conditions u/s 24 are satisfied)  
Interest for the Indian Property = 9,840 + 50,800 + 1,31,200 = 1,91,840  
If the Indian Property is considered as Self Occupied, deduction for interest is restricted to Rs. 2,00,000  
If the Indian Property is considered as Deemed Let Out, then there is no ceiling limit for interest deduction.
- Since the ownership of the Indian property is from 01.07.2018, Income shall be computed only for 9 months.

(10 MARKS)

**ANSWER-5****ANSWER-A****Computation of Gross Total Income of Mr. Garg for the A.Y. 2019-20**

Particulars	Rs.	Rs.
<b>(i) Income from salary</b>		15,000
<b>(ii) Profits and gains of business or profession</b>	66,000	
Less: Unabsorbed depreciation brought forward from A.Y.2017-18	<u>11,000</u>	55,000
(Unabsorbed depreciation can be set-off against any head of income other than "salary")		
<b>(iii) Capital gains</b>		
Long-term capital gain on sale of land	10,800	
Less: Brought forward short-term capital loss		
[Short-term capital loss can be set-off against both short-term capital gains and long-term capital gains as per section 74(1)]	9,800	1,000
<b>Gross Total Income</b>		<b>71,000</b>

**(3 MARKS)****Amount of loss to be carried forward to A.Y. 2020-21**

	Particulars	Rs.
<b>(1)</b>	<b>Loss from speculative business [to be carried forward as per section 73]</b>	22,000
	[Loss from a speculative business can be set off only against income from another speculative business. Since there is no income from speculative business in the current year, the entire loss of Rs. 22,000 brought forward from A.Y.2017-18 has to be carried forward to A.Y. 2020-21 for set-off against speculative business income of that year. It may be noted that speculative business loss can be carried forward for a maximum of four years as per section 73(4), i.e., upto A.Y.2021-22]	

(2)	<b>Loss on maintenance of race horses [to be carried forward as per section 74A]</b>  [As per section 74A(3), the loss incurred in the activity of owning and maintaining race horses in any assessment year	15,000
	<b>cannot be set-off against income from any other source other than the activity of owning and maintaining race horses. Such loss can be carried forward for a maximum of four assessment years i.e., upto A.Y.2023-24]</b>	
(3)	<b>Loss from gambling can neither be set-off nor be carried forward.</b>	

(3 MARKS)

**ANSWER-B**

	<b>Taxable/ Non-taxable</b>	<b>Amount liable to tax (Rs.)</b>	<b>Reason</b>
(i)	Taxable	75,000	Sum of money exceeding Rs. 50,000 received without consideration from a non-relative is taxable under section 56(2)(x). Daughter of Mr. Akhil's sister is not a relative of Akhil HUF, since she is not a member of Akhil HUF.
(ii)	Non-taxable	Nil	Immovable property received without consideration by a HUF from its relative is not taxable under section 56(2)(x). Since Nitisha is a member of the HUF, she is a relative of the HUF. However, income from such asset would be included in the hands of Nitisha under 64(2).
(iii)	Taxable	55,000	As per provisions of section 56(2)(x), in case the aggregate fair market value of property, other than immovable property, received without consideration exceeds Rs. 50,000, the whole of the aggregate value shall be taxable. In this case, the aggregate fair market value of shares (Rs. 10,000) and jewellery (Rs. 45,000) exceeds Rs. 50,000. Hence, the entire amount of Rs. 55,000 shall be taxable.
(iv)	Non-taxable	Nil	Car is not included in the definition of property for the purpose of section 56(2)(x), therefore, the same shall not be taxable.

(4\*1 = 4 MARKS)



**ANSWER-6****ANSWER-A**

Assssee : Mr. Mithun Previous Year : 2018 – 2019 Assessment Year : 2019 – 2020

**Computation of Total Income and Tax Liability**

Particulars		Rs.	Rs.
<b>Income from Capital Gains : [WN 1]</b>			
<b>Long Term Capital Gains on Purchased Shares</b>			
Fair Value Consideration (purchased shares)	3,30,000		
<b>Less : Brokerage at 1% (Rs. 3,30,000 × 1%)</b>	(3,300)		
<b>Net Consideration</b>	<b>3,26,700</b>		
<b>Less : Cost of Acquisition (100 shares × Rs. 2000 FMV on 31.01.2018)</b>	(2,00,000)	1,26,700	
<b>Long Term Capital Gains on Bonus Shares</b>			
Fair Value Consideration (Bonus Shares)	3,30,000		
<b>Less : Brokerage at 1% (Rs. 3,30,000 × 1%)</b>	(3,300)		
<b>Net Consideration</b>	<b>3,26,700</b>		
<b>Less : Cost of Acquisition (100 Shares × Rs. 2000 FMV on 31.01.2018)</b>	(2,00,000)	1,26,700	<b>2,53,400</b>
<b>Income from Other Sources :</b>			
Dividend Received (200 Shares × Rs. 10 per share)		2,000	
<b>Less : Fully Exempt u/s 10(34)</b>		(2,000)	NIL
<b>Gross Total Income</b>			<b>2,53,400</b>
<b>Less : Deduction under Chapter VI A</b>			NIL
<b>Total Income</b>			<b>2,53,400</b>
Tax on Total Income (Refer WN 2)			Nil

**(6 MARKS)****WN : 1****(2\*1 = 2 MARKS)**

- Shares purchased originally are held for more than 12 months and so they are Long – Term Capital Gains
- Bonus Shares are held for more than 12 months and hence they are Short – Term Capital Gains.
- STT paid on Sale of Shares shall not allowed as deduction while computing Expenses for Transfer.

**WN: 2 Special Benefit for Resident Individuals/ HUF u/s 112A :****Applicability :** Resident Individual or Resident HUF**Condition :** Total income excluding Long – Term Capital Gains is less than the basic exemption.**Benefit :** Tax on Long – Term Capital Gain is determined as follows – **Tax on LTCG = 10% [Total Income including LTCG – Basic Exemption] – 1,00,000]**

### ANSWER-B

As per section 2(7), assessee means a person by whom tax or any other sum of money is payable under the Income-tax Act, 1961.

In addition, the term includes –

- Every person in respect of whom any proceeding under the Act has been taken for the assessment of –
  - his income; or
  - the income of any other person in respect of which he is assessable; or
  - the loss sustained by him or by such other person; or
  - the amount of refund due to him or to such other person.
- Every person who is deemed to be an assessee under any provision of this Act;
- Every person who is deemed to be an assessee in default under any provision of this Act.

(2 MARKS)

### ANSWER-7

(12\*1 = 12 MARKS)

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

### ANSWER-8

(A)

#### Determination of ITC of Fun Pharma Private Ltd. for the Month of September

Particulars	Rs.	Reasoning
Purchase of Cabs used for transportation of Employees	Nil	ITC on motor vehicles has been specifically disallowed under section 17 (5)(a). However ITC on motor vehicles used for transportation of goods is (Vehicles used for transportation of Employees not allowed)
Inputs received in Lots	Nil	When inputs are received in instalments, ITC can be availed only on receipt of last instalment
Capital Goods (Fully Capitalized)	2,25,000	a) Input tax paid on capital goods cannot be availed as ITC, if depreciation has been claimed on such tax component. In the given

		case, it is assumed that Depreciation is not claimed on Tax Component. b) ITC cannot be taken on missing invoice. Registered person should have the invoice in its possession to claim ITC. Hence GST paid of Rs. 25,000 on missing invoice is not allowed.
Outdoor Catering (Food to Employees)	Nil	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)(b) (i)] The fact that it is availed on Women’s day does not alter the provision.
<b>Input Credit for September</b>	<b>2,25,000</b>	

**(4 Marks)**

**(B)**

Sl. No.	Effective Date of Registration	Remarks
(i)	25 <sup>th</sup> August 2017	The registration shall be effective from the date on which the person becomes liable to registration, when the application for registration has been submitted within 30 days such date.
(ii)	5 <sup>th</sup> October 2017	Where an application for registration has been submitted by the applicant after expiry of 30 days from the date of his becoming liable to registration, the effective date of registration shall be the date of grant of registration under Rule 9(1)/(3)/(5).

**(4 Marks)**

**ANSWER-9**

**ANSWER-A**

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.

**(2 MARKS)**

**ANSWER-B**

The time of supply of services, if the invoice is not issued in time, is the date of payment or the date of provision of service, whichever is earlier [Section 13(2)(b)]. In this case, the service is provided on 5<sup>th</sup> September but not invoiced within the prescribed time limit. Therefore, the date of provision of service, i.e., 5<sup>th</sup> September, will be the time of supply.

**(2 MARKS)**

**ANSWER-C**

- (i) Prem being a supplier of consultancy services is not eligible for composition scheme under CGST Act.

- (ii) It is not possible to opt for composition Scheme for one type of supply and normal scheme for the other. Hence Prem is not eligible to opt for composition scheme only for fancy store.
- (iii) If Prem is running a restaurant with Turnover of Rs. 65,00,000, he is eligible to opt for composition scheme. Since restaurant services is an eligible supply and the total turnover is less than Rs. 1.5 crore.

(2\* 3 = 6 MARKS)

### ANSWER-10

#### ANSWER-A

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) i.e., date of issue of invoice or the last date on which invoice ought to have been issued in terms of section 31.

In this case, the invoice is issued before the removal of the goods and is thus, within the time limit prescribed under section 31(1). Therefore, time of supply is the date of issue of invoice, which is 2<sup>nd</sup> December.

(4 MARKS)

#### ANSWER-B

##### Computation of value of taxable supply

Particulars	Rs.
List price of the goods (exclusive of taxes and discounts)	50,000
Tax levied by Municipal Authority on the sale of such goods [Includible in the value as per section 15(2)(a)]	5,000
CGST and SGST chargeable on the goods [Not includible in the value as per section 15(2)(a)]	
Packing charges [Includible in the value as per section 15(2)(c)]	1,000
Subsidy received from a non-Government body [Since subsidy is received from a non-Government body, the same is included in the value in terms of section 15(2)(e)]	<u>2,000</u>
Total	58,000
Less: Discount @ 2% on Rs. 50,000 [Since discount is known at the time of supply, it is deductible from the value in terms of section 15(3)(a)]	<u>1,000</u>
<b>Value of taxable supply</b>	<b>57,000</b>

**ANSWER-11**

**ANSWER-A**

A revised tax invoice/ credit or debit note shall contain the following particulars –

- (a) the word “Revised Invoice”, wherever applicable, indicated prominently,
- (b) name, address and GSTIN of the supplier,
- (c) nature of the document,
- (d) a consecutive serial number not exceeding 16 characters, in one or multiple series, containing alphabets or numerals or special characters – hyphen or dash and slash symbolized as “-“ and “/” respectively, and any combination thereof, unique for a financial year.
- (e) Date of issue of the document,
- (f) Name, address and GSTIN or UIN, if registered, of the recipient,
- (g) Name and address of the recipient and the address of delivery, along with the name of State and its code, if such recipient is un – registered,
- (h) Serial number and date of the corresponding tax invoice or, as the case may be, bill of supply,
- (i) Value of taxable supply of goods or services, rate of tax and the amount of the tax credited or, as the case may be, debited to the recipient, and
- (j) Signature or digital signature of the supplier or his authorized representative.

(6 MARKS)

**ANSWER-B**

**Non – Payment of Tax :** Every person who is liable to pay tax in accordance with the provisions of this Act or the rules made thereunder, but fails to pay the tax or any part thereof to the Government within the period prescribed, shall for the period for which the tax or any part thereof remains unpaid, pay, on his own, interest at such rate, not exceeding 18% as may be notified by the Government on the recommendations of the Council. W.e.f 01.07.2017, rate of interest has been notified as 18% p.a. **[Notification no. 13/2017, dt 28.06.2017]**

(2 MARKS)

**Excess claim of Credit / reduction in Output tax liability :** A Taxable Person who makes an undue or excess claim of Input Tax Credit u/s 42(10) or undue or excess reduction in output tax liability u/s 43(10), shall pay interest on such undue or excess claim or on such undue or excess reduction, as the case may be, at such rate not exceeding 24% as may be notified by the Government on the recommendations of the Council.

W.e.f 01.07.2017, rate of interest has been notified as 24% p.a. **[Notification no. 13/2017, dt 28.06.2017].**

(2 MARKS)