

Question 1 is compulsory. Attempt any five from the rest.

Question 1

A)

Computation of total income of Mr. Yusuf Khan for the A.Y. 2018-19

Particulars			
<b>Income from house property (1 mark)</b>			
Arrears of rent received in respect of the Chennai house taxable under section 25A [Note 1]		75,000	
Less: Deduction @ 30%		<u>22,500</u>	52,500
<b>Profits and gains of business or profession (4 marks)</b>			
<b>(a) Own business [Note 3]</b>			6,37,000
<b>(b) Income from partnership firm [Note 2]</b>			
Interest on capital		2,40,000	
[As per section 28(v), chargeable in the hands of the partner only to the extent allowable as deduction in the firm's hand i.e. @12%]			
Salary of working partner (Since the same has been fully allowed as deduction in the		90,000	3,30,000
hands of the firm)		_____	
<b>Income from other sources (2 marks)</b>			
(a) LIC Jeevan Dhara pension		24,000	
(b) Interest from bank FD (gross)		<u>50,000</u>	<u>74,000</u>
<b>Gross Total Income</b>			<b>10,93,500</b>
Less: <b>Deductions under Chapter VIA (1 mark)</b>			
<b>Section 80C</b>			
Life insurance premium for policy in the name of major son qualifies for deduction even though he is not dependent on the assessee. However, the same has to be restricted to 10% of sum assured i.e. 10% of ` 2,00,000.	20,000		
Contribution to PPF	<u>70,000</u>	90,000	
<b>Section 80D</b>			
Mediclaim premium for father, a senior citizen (qualifies for deduction, even though the father is not dependent on the assessee, subject to a	32,000		
maximum of ` 30,000)		30,000	1,20,000
<b>Total Income</b>		_____	<b>9,73,500</b>

Notes:

- (1) As per section 25A, any arrears of rent received will be chargeable to tax, after deducting a sum equal to 30% of such arrears, as income from house property in the year of receipt, whether or not the assessee is the owner of the house property.

(2) The income by way of interest on capital and salary of Mr. Yusuf Khan from the firm, ABC & Co., in which he is a working partner, to the extent allowed as deduction in the hands of the firm under section 40(b), has to be included in the business income of the partner as per section 28(v). Accordingly, ₹ 3,30,000 [i.e., ₹ 90,000 (salary) + ₹ 2,40,000 (interest@12%)] should be included in his business income.

(3) **Computation of income from own business (1 mark)**

Particulars	₹	₹
<b>Net profit as per profit and loss account</b>		4,32,000
<i>Less:</i> Items credited to profit and loss account not treated as business income		
Interest on bank FD (Net of TDS)	45,000	
Agricultural income	60,000	
	24,000	1,29,000
Pension from LIC Jeevan Dhara	<u>0</u>	<u>0</u>
		3,03,000
<i>Add:</i> Items debited to profit and loss account to be disallowed/considered separately		
Advance tax	70,000	
Depreciation:		
- Car	3,00,000	
- Machinery	1,25,000	
Car expenses disallowed for personal use (₹ 50,000 x 1/5)	10,000	
Salary to manager disallowed under section 40A(3) since it is paid in cash and the same exceeds ₹ 10,000	15,000	5,20,000
	<u>0</u>	<u>0</u>
		<b>8,23,000</b>
		1,86,000
<i>Less:</i> Depreciation (See Working Note below)		<u>0</u>
<b>Income from business</b>		<b>6,37,000</b>

**Working Note:**

**Computation of depreciation allowable under the income-tax Act, 1961 (1 mark)**

Particulars	₹	₹
<b>On Car:</b>		
Depreciation @15% on 3,00,000	45,000	
<i>Less:</i> 1/5th for personal use	<u>9,000</u>	
<b>Depreciation on Car allowable as deduction</b>		<b>36,000</b>
<b>On Machinery:</b>		

Opening WDV	6,50,000	
Additions during the year (used for more than 180 days)		
- New Machinery purchased on 23.9.17	2,00,000	
- Second hand machinery purchased on 12.4.17	1,25,000	
Additions during the year (used for less than 180 days)		3,00,000
<b>Normal Depreciation</b>		
Depreciation @15% on ` 6,50,000		97,500
[As per second proviso to section 43(1), the expenditure for acquisition of asset, in respect of which payment to a person in a day exceeds `10,000 has to be ignored for computing actual cost, if such payment is made otherwise than by way of A/c payee cheque/ bank draft or ECS. Accordingly, depreciation on second hand machinery purchased on 12.4.2017 and on new machinery purchased on 23.9.2017 is not allowable since the payment is made otherwise than by A/c payee cheque/A/c payee draft/ ECS to a person in a day]		
Depreciation @ 7.5% on ` 3,00,000		<u>22,500</u>
<b>Total normal depreciation on machinery (A)</b>		<b>1,20,000</b>
Where an asset acquired during the year is put to use for less than 180 days, 50% of the rate of depreciation is allowable. This restriction does not apply to assets acquired in an earlier year.		
<b>Additional depreciation (B)</b>		
New machinery		
Used for less than 180 days = 10% of ` 3,00,000		<u>30,000</u>
<b>Total permissible depreciation on machinery (A) +</b>		<b><u>1,50,000</u></b>
<b>Depreciation allowable under section 32</b>		<b>1,86,000</b>

**B)** Section 18 of the CGST Act, 2017 read with the CGST Rules, 2017 provides that if capital goods or plant and machinery on which input tax credit has been taken are supplied outward by the registered person, he must pay an amount that is the higher of the following:

- (a) input tax credit taken on such goods reduced by 5% per quarter of a year or part thereof from the date of issue of invoice for such goods (i.e., input tax credit pertaining to remaining useful life of the capital goods), or
- (b) tax on transaction value. **(2 marks)**

Accordingly, the amount payable on supply of needle detecting machine shall be computed as follows: **(3 marks)**

Particulars		
Input tax credit taken on the machine ( ₹ 10,00,000 × 18%)		1,80,000
Less: Input tax credit to be reversed @ 5% per quarter for the period of use of machine	27,000	
	<u>27,000</u>	
(i) For the year 2017-18 = ( ₹ 1,80,000 × 5%) × 3 quarters		
(ii) For the year 2018-19 = ( ₹ 1,80,000 × 5%) × 3 quarters		54,000
Amount required to be paid <b>(A)</b>		1,26,000
Duty leviable on transaction value ( ₹ 7,50,000 × 18%) <b>(B)</b>		1,35,000
Amount payable towards disposal of machine is higher of <b>(A)</b> and <b>(B)</b>		1,35,000

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

- Supply should be of goods and/or services.
- Supply should be made for a consideration.
- Supply should be made in the course or furtherance of business. **(2 marks)**

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. **(2 marks)**

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. **(1 mark)**

## Question 2

### A) Computation of total income of Mr. Ramamurthy for A.Y.2017-18

Particulars	₹
<b>Presumptive business income under section 44AE</b>	
4 heavy goods vehicles for 2 months (4 x ₹ 7,500 x 2)	60,000
Balance 2 heavy goods vehicles for 10 months (2 x ₹ 7,500 x 10)	1,50,000
7 heavy goods vehicles for 10 months (7 x ₹ 7,500 x 10)	5,25,000
<b>Business Income</b>	<u>7,35,000</u>
Less: Brought forward business loss of discontinued business	50,000
<b>Total Income</b>	<u><b>6,85,000</b></u>

**Note:** The assessee is eligible for computing the income from goods carriages applying the presumptive provisions of section 44AE, since he does not own more than 10 goods carriages at any time during the previous year.

B) **Computation of total income of Mr. Gupta for the A.Y.2018-19 (5 marks)**

Particulars	`	`
<b>Salaries</b>		
Income from salaries	2,20,000	
Less: Loss from house property [See Note (i)]	<u>2,00,000</u>	20,000
<b>Profits and gains of business or profession</b>		
Income from speculation business	30,000	
Less: Loss from cloth business set off [See Note (iv)]	<u>30,000</u>	Nil
<b>Capital gains</b>		
Long-term capital gains from sale of urban land	2,50,000	
Less: Loss from cloth business set off [See Note (iv)]	<u>2,10,000</u>	40,000
<b>Income from other sources</b>		
Income from betting		<u>35,000</u>
<b>Gross Total Income</b>		<b>95,000</b>
Less: Deduction under section 80C (life insurance premium paid) [See Note (vi)]		<u>20,000</u>
<b>Total income</b>		<b><u>75,000</u></b>

**Losses to be carried forward: (1 mark)**

Particulars	`
(1) Loss from house property (` 2,50,000 - ` 2,00,000)	50,000
(2) Loss from cloth business (` 2,40,000 - ` 30,000 - ` 2,10,000) Loss from specified business covered by section	Nil
(3) 35AD	45,000

**Notes: (3 marks)**

- As per section 71(3A), loss from house property can be set-off against income under any other head to the extent of ` 2,00,000 only. As per section 71B, balance loss not set-off can be carried forward to the next year for set-off against income from house property of that year.
- Long-term capital gains from sale of listed shares in a recognized stock exchange on which STT is paid at the time of acquisition and sale is exempt under section 10(38). Loss from an exempt source cannot be set off against profits from a taxable source. Therefore, long-term capital loss on sale of listed shares on which STT is paid cannot be set-off against long-term capital gains from sale of urban land. Such loss cannot also be carried forward for set-off in the subsequent years.

- Loss from specified business covered by section 35AD can be set-off only against profits and gains of any other specified business. Therefore, such loss cannot be set off against any other income. The unabsorbed loss has to be carried forward for set-off against profits and gains of any specified business in the following year(s).
- Since inter-source set-off of losses is permissible as per section 70(1), loss from cloth business to the extent of ` 30,000 can be set-off against income from speculation business. The remaining business loss cannot be set off against salary income due to restriction contained in section 71(2A). However, the remaining business loss of 2,10,000 (` 2,40,000 – ` 30,000) can be set-off against long-term capital gains of 2,50,000 from sale of urban land. Consequently, the taxable long-term capital gains would be ` 40,000.
- Loss from card games can neither be set off against any other income, nor can it be carried forward.
- For providing deduction under Chapter VI-A, gross total income has to be reduced by the amount of long-term capital gains and casual income. Therefore, the deduction under section 80C in respect of life insurance premium paid has to be restricted to 20,000 [i.e., Gross Total Income of ` 1,05,000 – ` 40,000 (LTCG) – ` 45,000 (Casual income)].
- Income from betting is chargeable to tax at a flat rate of 30% under section 115BB and no expenditure or allowance can be allowed as deduction from such income, nor can any loss be set-off against such income.

- c) (i) As per section 31 of the CGST Act, 2017 read with the CGST Rules, 2017, in case of taxable supply of services, invoices should be issued before or after the provision of service, but within a period of 30 days [45 days in case of insurer/ banking company or financial institutions including NBFCs] from the date of supply of service.

In view of said provisions, in the present case, the tax invoice should have been issued in the prescribed time limit of 30 days from the date of supply of service i.e. upto 03.02.20XX. However, the invoice has been issued on 10.02.20XX.

In such a case, the time of supply as per section 13 of the CGST Act, 2017 would be 04.01.20XX i.e. earliest of the following:

- (a) Date of provision of service (04.01.20XX)
- (b) Date of receipt of payment (11.02.20XX) **(2 marks)**

- (i) Section 31 of the CGST Act, 2017 read with the CGST Rules, 2017, *inter alia*, provides that tax invoice shall contain the following particulars-

Total value of supply of goods or services or both;

Rate of tax (central tax, State tax, integrated tax, Union territory tax or cess);

Amount of tax charged in respect of taxable goods or services (central tax, State tax, integrated tax, Union territory tax or cess);

The objection raised by the tax consultant of Royal Fashions suggesting that the amount of tax charged in respect of the taxable supply should be shown separately in the invoice raised by Aura Beauty Services Ltd., is valid in law. In the present case, the tax amount has not been shown separately in the invoice. **(2 marks)**

**Question 3**

**A) Computation of total income and tax payable by Mr. Raja for the A.Y. 2018-19 (5 marks)**

Particulars	`	`
Gross total income including long term capital gain		8,00,000
Less: Long term capital gain		<u>2,50,000</u>
		5,50,000
<b>Less: Deductions under Chapter VI-A:</b>		
<b>Under section 80C</b> in respect of PPF deposit	1,40,000	
<b>Under section 80D</b> (it is assumed that premium of ` 35,000 is paid by otherwise than by cash. The deduction would be restricted to ` 30,000, since Mr. Raja is a resident senior citizen)	30,000	
<b>Under section 80G</b> (See Notes 1 & 2 below)	18,500	
<b>Under section 80TTA</b> (See Note 3 below)	<u>10,000</u>	<u>1,98,500</u>
<b>Total income (excluding long term capital gains)</b>		<b><u>3,51,500</u></b>
<b>Total income (including long term capital gains)</b>		
		<b>6,01,500</b>
Tax on total income (including long-term capital gains of ` 2,50,000)		
LTCG ` 2,50,000 x 20%		50,000
Balance total income ` 3,51,500: Tax @5% on ` 51,500 ( $\text{` } 3,51,500 - \text{` } 3,00,000$ , being the basic exemption limit for senior citizen)		<u>2,575</u>
		52,575
Add: Education cess @2% and Secondary and higher education cess @1%		<u>1,577</u>
<b>Total tax liability</b>		<b><u>54,152</u></b>
<b>Total tax liability (rounded off)</b>		<b>54,150</b>

**Notes: (3 marks)**

**1. Computation of deduction under section 80G:**

Particulars	₹
Gross total income (excluding long term capital gains)	5,50,000
Less: Deduction under section 80C, 80D & 80TTA	1,80,000
	<b>3,70,000</b>
10% of the above	37,000
Contribution made to Public Charitable Trust	50,000
Lower of the two eligible for deduction under section 80G	37,000
<b>Deduction under section 80G – 50% of ₹ 37,000</b>	<b>18,500</b>

2. Deduction under section 80G is allowed only if amount is paid by any mode other than cash, in case of amount exceeding ₹ 2,000. Therefore, the contribution made to public charitable trust is eligible for deduction since it is made by way of an account payee cheque.
3. Deduction of upto ₹ 10,000 under section 80TTA is allowed, *inter alia*, to an individual assessee if gross total income includes interest income from deposits in a saving account with bank. Since Gross Total Income of Mr. Raja includes interest income of ₹ 15,000 on savings bank deposit, he is eligible for deduction of ₹ 10,000 under section 80TTA.

**B) (1 mark for each point)**

The income of an assessee for a previous year is charged to income-tax in the assessment year following the previous year. However, in a few cases, the income is taxed in the previous year in which it is earned. These exceptions have been made to protect the interests of revenue. The exceptions are as follows:

1. Where a ship, belonging to or chartered by a non-resident, carries passengers, livestock, mail or goods shipped at a port in India, the ship is allowed to leave the port only when the tax has been paid or satisfactory arrangement has been made for payment thereof. 7.5% of the freight paid or payable to the owner or the charterer or to any person on his behalf, whether in India or outside India on account of such carriage is deemed to be his income which is charged to tax in the same year in which it is earned.
2. Where it appears to the Assessing Officer that any individual may leave India during the current assessment year or shortly after its expiry and he has no present intention of returning to India, the total income of such individual for the period from the expiry of the respective previous year up to the probable date of his departure from India is chargeable to tax in that assessment year.
3. If an AOP/BOI etc. is formed or established for a particular event or purpose and the Assessing Officer apprehends that the AOP/BOI is likely to be dissolved in the same year or in the next year, he can make assessment of the income up to the date of dissolution as income of the relevant assessment year.



4. During the current assessment year, if it appears to the Assessing Officer that a person is likely to charge, sell, transfer, dispose of or otherwise part with any of his assets to avoid payment of any liability under this Act, the total income of such person for the period from the expiry of the previous year to the date, when the Assessing Officer commences proceedings under this section is chargeable to tax in that assessment year.
5. Where any business or profession is discontinued in any assessment year, the income of the period from the expiry of the previous year up to the date of such discontinuance may, at the discretion of the Assessing Officer, be charged to tax in that assessment year.

c) Section 25(1) of the CGST Act stipulates the time-period within which registration needs to be obtained in various cases. It provides the following time-limits: **(2 marks)**

In case of	registration needs to be obtained
a person who is liable to be registered under section 22 or section 24	within 30 days from the date on which he becomes liable to registration
casual taxable person or a non-resident taxable person	at least 5 days prior to the commencement of business

In view of the aforesaid provisions:

- (a) A casual taxable person must obtain registration at least 5 days prior to the commencement of its business. **(1 mark)**
- (b) As per section 24 of the CGST Act, person making inter-State taxable supply is liable to get compulsorily registered. Therefore, such person must obtain registration within 30 days from the date on which he becomes liable to registration. **(1 mark)**

#### Question 4

**A) Computation of income under the head "Capital Gains" of Mr. Martin for A.Y. 2018-19 (5 marks)**

Particulars		
<b>Long-term capital gain</b>		
Full value of consideration [As per section 50C, in case the actual sale consideration (i.e., ₹ 70 lakhs, in this case) is less than the stamp duty value (i.e., ₹ 80 lakhs, in this case) assessed by the stamp valuation authority (Sub-registrar, in this case), the stamp duty value shall be deemed as the full value of consideration]	80,00,000	
<b>Less:</b> Expenses in connection with transfer (brokerage paid for sale of property)	1,00,000	
	79,00,000	
<b>Less:</b> Indexed cost of acquisition [ $\text{₹ } 20,50,000 \times$	45,70,492	33,29,508

272/122]		
<b>Less: Exemption under section 54:</b>		
-Purchase of new residential house property within two years from the date of sale of residential house	15,00,000	
-Deposit in Capital Gains Accounts Scheme on or before the due date of filing of return of income u/s 139(1) for construction of additional floor on such house property.	10,00,000	
	<b>25,00,000</b>	
<b>Exemption under section 54EC:</b>		
Investment in capital gains bond of NHAI within 6 months from the date of transfer (i.e., before 8.12.2017)	5,00,000	30,00,000
<b>Taxable Capital Gains/Total Income</b>		<b>3,29,508</b>
<b>Total Income (rounded off)</b>		<b>3,29,510</b>

**Computation of tax liability of Mr. Martin for A.Y. 2018-19  
(3 marks)**

Particulars	Amount
Tax on ₹ 79,510 @ 20% [i.e., long term capital gain less basic exemption limit (₹ 3,29,510 – ₹ 2,50,000)]	15,902
Less: Rebate under section 87A	2,500
	13,402
Add: Education cess@2% & SHEC@ 1%	402
<b>Tax Payable</b>	<b>13,804</b>
<b>Tax Payable (rounded off)</b>	<b>13,800</b>

**Notes:**

- (1) Since Mr. Martin is a resident individual, the basic exemption limit of ₹ 2,50,000 has been adjusted against long term capital gains and the balance long-term capital gains is chargeable to tax @ 20% under section 112. Further, since his total income is less than ₹ 3.5 lakh, he is eligible for rebate under section 87A.
- (2) Exemption under section 54 is available in respect of reinvestment of capital gains on sale of residential house in one residential house in India. In this case, exemption would be available for amount invested in purchase of new residential house and amount deposited for construction of additional floor in the same house, since they together constitute one residential house.

**B) Computation of income from house property of Smt. Poorna for A.Y.2018-19 (4 marks)**

Particulars	Amount

<b>Annual Value of one house used for self-occupation under section 23(2)</b>	Nil
<b>Less: Deduction under section 24</b>	
<b>Interest on borrowed capital</b>	
Interest on loan was taken for construction of house on or after 1.4.99 and same was completed within the prescribed time - interest paid or payable subject to a maximum of ₹ 2,00,000 (including apportioned pre-construction interest) will be allowed as deduction. In this case the total interest is ₹ 1,80,000 + ₹ 30,000 (Being 1/5 <sup>th</sup> of ₹ 1,50,000) = ₹ 2,10,000. However, the interest deduction is restricted to ₹ 2,00,000.	2,00,000
<b>Loss from house property</b>	-2,00,000

- c) 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. **(2 marks)**

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)**

#### Question 5

#### A) Computation of "Income from other sources" of Mr. A for the A.Y.2018-19 (5 marks)

	<b>Particulars</b>	₹
(1)	Cash gift is taxable under section 56(2)(x), since it exceeds ₹ 50,000	75,000
(2)	Since bullion is included in the definition of property, therefore, when bullion is received without consideration, the same is taxable, since the aggregate fair market value exceeds ₹ 50,000	60,000
(3)	Stamp value of plot of land at Faridabad, received without consideration, is taxable under section 56(2)(x)	5,00,000
(4)	Difference of ₹ 2 lakh in the value of shares of X Ltd. purchased from Mr. C, a dealer in shares, is not taxable as it represents the stock-in-trade of Mr. A. Since Mr. A is a dealer in shares and it has been mentioned that the shares were subsequently sold in the course of his business, such shares represent the stock-in-trade of Mr. A.	-
	<b>Particulars</b>	₹
(5)	Difference between the stamp duty value of ₹ 23 lakh on the date of booking and the actual consideration of ₹ 20 lakh	3,00,000

paid is taxable under section 56(2)(x).	
<b>Income from Other Sources</b>	<b>9,35,000</b>

**Computation of "Capital Gains" of Mr. A for the A.Y.2018-19 (3 mark)**

Particulars	
Sale Consideration	7,00,000
Less: Cost of acquisition [deemed to be the stamp value charged to tax under section 56(2)(x) as per section 49(4)]	5,00,000
<b>Short-term capital gains</b>	<b>2,00,000</b>

**Note** – The resultant capital gains will be short-term capital gains since for calculating the period of holding, the period of holding of previous owner is not to be considered.

B) (1 mark for each)

S. No.	Taxable/ Not Taxable	Amount liable to tax (₹)	Reason
(i)	Not Taxable	-	Share received by member out of the income of the HUF is exempt under section 10(2).
(ii)	Not Taxable	-	Pension received by Mr. Xavier, a former Central Government employee who is a 'Param Vir Chakra' awardee, is exempt under section 10(18).
(iii)	Taxable	-	Agricultural income from a land in any foreign country is taxable in the case of a resident taxpayer as income under the head "Income from other sources". Exemption under section 10(1) is not available in respect of such income.
(iv)	Taxable	72,000	Agricultural income is exempt from tax as per section 10(1). Agricultural income means, <i>inter alia</i> , any rent or revenue derived from land which is situated in India and is used for agricultural purposes. In the present case, rent is being derived from letting out of agricultural land for a movie shoot, which is not an agricultural purpose. In effect, the land is not being put to use for agricultural purposes. Therefore, ₹ 72,000, being rent received from letting out of agricultural land for movie shooting, is not exempt under section 10(1). The same is chargeable to tax under the head "Income from other sources".

C)

Continuous supply of service means, inter alia, supply of any service which is provided, or agreed to be provided continuously or on recurrent basis, under a contract, for a period exceeding 3 months with the periodic payment obligations. **(1 mark)**

Therefore, the given situation is a case of continuous supply of service as repair and maintenance services have been provided by MBM Caretakers on a quarterly basis, under a contract, for a period of one year with the obligation for quarterly payment. In terms of section 31, in case of continuous supply of service, where due date of payment is ascertainable from the contract (as in the given case), invoice shall be issued on or before the due date of payment. Therefore, in the given case, MBM Caretakers should issue quarterly invoices on or before April 1, July 1, October 1, and January 1. **(4 marks)**

#### Question 6

#### Computation of Gross Total Income of Mr. X for A.Y. 2018-19 (1 mark for each calculation)

Particulars	
Basic Salary = ₹ 20,000 x 10	2,00,000
Dearness Allowance = 50% of basic salary	1,00,000
Gift Voucher <b>(See Note - 1)</b>	6,000
Transfer of car <b>(See Note - 2)</b>	56,000
Gratuity <b>(See Note - 3)</b>	80,769
Leave encashment <b>(See Note - 4)</b>	1,30,000
Uncommuted pension (₹ 5000 x 2)	10,000
Commuted pension <b>(See Note - 5)</b>	1,50,000
<b>Taxable Salary /Gross Total Income</b>	<b>7,32,769</b>

#### Notes:

- (1) As per Rule 3(7)(iv), the value of any gift or voucher or token in lieu of gift received by the employee or by member of his household not exceeding ₹ 5,000 in aggregate during the previous year is exempt. In this case, the amount was received on his retirement and the sum exceeds the limit of ₹ 5,000.

Therefore, the entire amount of ₹ 6,000 is liable to tax as perquisite.

**Note** - An alternate view possible is that only the sum in excess of ₹ 5,000 is taxable in view of the language of Circular No.15/2001 dated 12.12.2001 that such gifts upto ₹ 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 ₹ 1,000 and gross taxable income would be ₹ 7,27,769.

- (2) **Perquisite value of transfer of car:** As per Rule 3(7)(viii), the value of benefit to the employee, arising from the transfer of an asset, being a motor car, by the employer is the actual cost of the motor car to the employer as reduced by 20% of such cost for each completed year during which such motor car was put to use

by the employer on a written down value basis. Therefore, the value of perquisite on transfer of motor car, in this case, would be:

Particulars	₹
Purchase price (1.2.2015)	5,00,000
Less: Depreciation @ 20%	1,00,000
WDV on 31.1.2016	4,00,000
Less: Depreciation @ 20%	80,000
WDV on 31.1.2017	3,20,000
Less: Depreciation @ 20%	64,000
WDV on 31.1.2018	2,56,000
Less: Amount recovered	2,00,000
<b>Value of perquisite</b>	<b>56,000</b>

The rate of 15% as well as the straight line method adopted by the company for depreciation of vehicle is not relevant for calculation of perquisite value of car in the hands of Mr. X.

(3) **Taxable gratuity**

Particulars	₹
Gratuity received	6,00,000
Less : Exempt under section 10(10) - Least of the following:	
(i) Notified limit = ₹ 10,00,000	
(ii) Actual gratuity = ₹ 6,00,000	
(iii) $15/26 \times ₹ 30,000 \times 30 = ₹ 5,19,231$	5,19,231
<b>Taxable Gratuity</b>	<b>80,769</b>

(4) **Taxable leave encashment**

Particulars	₹
Leave Salary received	3,30,000
Less : Exempt under section 10(10AA) - Least of the following:	
(i) Notified limit ₹ 3,00,000	
(ii) Actual leave salary ₹ 3,30,000	
(iii) 10 months x ₹ 20,000 (assuming that dearness allowance does not form part of pay for retirement benefit)	2,00,000

Particulars		
(iv)	Cash equivalent of leave to his credit	₹ 2,20,000
	$\left( \frac{330}{30} \times 20,000 \right)$	2,00,000
<b>Taxable Leave encashment</b>		<b>1,30,000</b>

**Note** – It has been assumed that dearness allowance does not form part of salary for retirement benefits. In case it is assumed that dearness allowance forms part of pay for retirement benefits, then, the third limit for exemption under section 10(10AA) in respect of leave encashment would be ₹ 3,00,000 (i.e. 10 x ₹ 30,000) and the fourth limit ₹ 3,30,000, in which case, the taxable leave encashment would be ₹ 30,000 (₹ 3,30,000 – ₹ 3,00,000). In such a case, the gross total income would be ₹ 6,32,769.

(5) **Commutated Pension**

Since Mr. X is a non-government employee in receipt of gratuity, exemption under section 10(10A) would be available to the extent of 1/3<sup>rd</sup> of the amount of the pension which he would have received had he commuted the whole of the pension.

Particulars		
	Amount received	3,00,000
	Exemption under section 10(10A) = $\frac{1}{3} \times \left[ 3,00,000 \times \frac{3}{2} \right]$	1,50,000
<b>Taxable amount</b>		<b>1,50,000</b>

(6) The taxability provisions under section 56(2)(x) are not attracted in respect of television received from colleagues, since television is not included in the definition of property therein.

- b) Since Ms. Geetha has income only under the heads “Salaries”, “Income from house property” and “Income from other sources”, she does not fall under the category of a person whose accounts are required to be audited under the Income-tax Act, 1961. Therefore, the due date of filing return for A.Y.2018-19 under section 139(1), in her case, is 31<sup>st</sup> July, 2018. Since Ms. Geetha had submitted her return only on 29.9.2018, the said return is a belated return under section 139(4). **(2 marks)**

As per section 139(5), a return furnished under section 139(1) or a belated return u/s 139(4) can be revised, if she discovers any omission or wrong statement therein. Thus, a belated return under section 139(4) can also be revised. Therefore, Ms. Geetha can revise the return of income filed by her under section 139(4) in February 2019, to claim deduction under section 80D, since the time limit for filing a revised return is upto the end of the relevant assessment year, which is 31.03.2019. **(2 marks)**

However, she cannot revise return had she discovered this omission only on 02-04-2019, since it is beyond 31.03.2019, being the end of A.Y. 2018-19. **(1 mark)**

c)

Time of supply of services that are taxable under reverse charge is earliest of the following two dates in terms of section 13(3):

- Date of payment [3rd November]
- 61st day from the date of issue of invoice [19th April] **(2 marks)**

The date of payment comes subsequent to the 61st day from the issue of invoice by the supplier of service. Therefore, the 61st day from supplier’s invoice has to be taken as the time of supply. This fixes 19th April as the time of supply. **(2 marks)**

**Question 7**

1. **Taxability of certain receipts in the hands of Mr. Kavin, a non-resident, for A.Y. 2018-19 (2 marks for each)**

	<b>Taxability</b>	<b>Reason</b>
(a)	<b>Taxable</b>	Amount of ` 20 lakhs received from a non-resident is deemed to accrue or arise in India by virtue of section 9(1)(vi)(c), since the patent was used for a business in India. Therefore, the amount is chargeable to tax in India.
(b)	<b>Not Taxable</b>	Foreign currency equivalent to ` 15 lakhs received in Korea from a non-resident for use of know-how for a business in Sri Lanka is not deemed to accrue or arise in India as per section 9(1)(vi)(c), since it is in respect of a business carried on outside India. Also, the amount was received outside India. Therefore, the same is not chargeable to tax in India.
(c)	<b>Taxable</b>	Amount of ` 7 lakhs received from RR Ltd., an Indian Company, is deemed to accrue or arise in India by virtue of section 9(1)(vii)(b), since it is for providing technical services in India. Therefore, the same is chargeable to tax in India.
(d)	<b>Not Taxable</b>	Amount of ` 5 lakhs received in Nepal from R & Co., a resident, for conducting feasibility study for the new project in Nepal is not deemed to accrue or arise in India as per section 9(1)(vii)(b), since such study was done for a project outside India. The amount was also received outside India. Therefore, the same is not chargeable to tax in India.

**B)** Where it is not possible to determine the time of supply in terms of date of invoice or date of provision of service or date of receipt of payment or date of receipt of services in the books of account of the recipient, and where periodical return is not to be filed (Mr. XYZ, being an employee in a multi-national company, is not a registered person), the date of payment of tax is taken as the time of supply [Section 13(5)(b)]. **(4 MARKS)**

Therefore, the date when Mr. XYZ pays the GST will be the time of supply.

C. . **Computation of interest payable under section 234B by Mr. Sachal (2 Marks)**

	<b>Particulars</b>	
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Tax on total income of ` 10,80,000 [Business income of ` 8,10,000 + Income from other sources of ` 2,70,000]	1,36,500
Add: Education cess and SHEC@3%	4,095
<b>Tax on total income</b>	<b>1,40,595</b>
Less: Tax deducted at source	25,000
<b>Assessed Tax</b>	<b>1,15,595</b>
90% of assessed tax	1,04,036
Advance tax paid	1,03,000
Interest under section 234B is leviable since advance tax of ` 1,03,000 paid is less than ` 1,04,036, being 90% of assessed tax	
Number of months from 1 <sup>st</sup> April, 2018 to 11 <sup>th</sup> December, 2018, being the date of processing of return	9
Interest under section 234B@1% per month or part of a month for 9 months on ` 12,500 [i.e., difference between assessed tax of ` 1,15,595 and advance tax of ` 1,03,000 paid, being ` 12,595 which is rounded off to ` 12,500 under Rule 119A of Income-tax Rules, 1962]	1,125

**Consequences for delay in filing return of income on or before the due date (2 marks)**

Interest under section 234A and fee under section 234F would be attracted for filing return of income beyond the due date specified under section 139(1).

**Interest under section 234A**

Since Mr. Sachal's accounts are audited under section 44AB, the due date for filing of return for A.Y. 2018-19, in his case, is 30.09.2018. Mr. Sachal has filed his return on 11.12.2018 i.e., interest under section 234A will be payable for 3 months (from 1.10.2018 to 11.12.2018) @ 1% per month or part of month on the amount of tax payable on the total income, as reduced by TDS and advance tax paid i.e., ` 12,595 rounded off to ` 12,500 under Rule 119A of Income-tax Rules, 1962

Interest u/s 234A = ` 12,500 x 1% x 3 = ` 375

**Fee for late filing of return under section 234F**

Since Mr. Sachal has furnished his return of income after the due date but before 31.12.2018 and his total income exceeds ` 5 lakhs, a fee of ` 5,000 will be payable by him.

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