



J.K. SHAH[®]
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SUGGESTED ANSWERS

CA INTER

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Answers

Section A – Direct Tax

Division A: Multiple Choice Question

Q.1 Multiple Choice Questions

	1	2	(d)
(i)	(c)	3	(c)
(ii)	(c)	4	(d)
(iii)	(b)	5	(a)
(iv)	(a)	6	(c)
		7	(a)

Division B: Descriptive Questions

Q.1

Computation of Total Income of Mr. Gaurav for the A.Y.2020-21

Particulars	₹	₹
Profit and gains from business or profession		
Net income as per Income and Expenditure Account		60,35,500
Add: Expenses debited but not allowable		
- Excess salary of ₹ 4,000 per month to sister-in-law [not disallowed since sister-in-law does not fall within the definition of 'relative' under section 2(41)]	-	
- Motor car expenses attributable to personal use not allowable (₹78,000 x25%)	19,500	
- Depreciation as per books of account	87,500	
- Medical expenses of ₹ 25,000 for family planning expenditure for the employees [disallowed, since such expenditure is allowable to company assessee only as per section 36(1)]	25,000	
- Medical expenditure of ₹55,000 incurred for his father, not allowable as per section 37(1), since it is personal in nature]	55,000	

- Purchase of computer (not allowable since it is capital in nature)	80,000	
- Bonus (as per 43B disallowed since it is paid after the due date of filing of return of income i.e., on 30.11.2020).	25,000	
- Commission paid without deduction of tax at source [Mr. Gaurav would be liable to deduct tax at source under section 194-H on commission paid during the P.Y.2019- 20, since his gross receipts from profession during the P.Y.2018-19 exceeded the monetary limit specified in section 44AB i.e., ₹ 50 lakhs. Thus, 30% disallowance would be attracted since he has not deducted tax at source on the commission]	12,600	3,04,600
		63,40,100
Less: Income credited but not taxable or taxable under any other head		
- Share of profit from HUF (Exempt U/s 10(2))	25,000	
- Interest on Post office saving bank deposit	35,000	
- Interest on income-tax refund	26,000	86,000
		62,54,100
Less: Depreciation allowable under the Income-tax Act, 1961		72,175
[See Working Note]		61,81,925
Income from Other Sources		
- Interest on post office saving deposit (Upto ₹3500 exempt U/s 10(15))	31,500	
- Interest on income-tax refund	6,000	
- Value of gold coins received from a Nephew on the occasion of marriage anniversary (taxable under section 56(2)(x), as the fair market value of such coins exceeds ₹ 50,000 and nephew is not a relative)	85,000	
		1,22,500
Gross Total Income		63,04,425
Less: Deduction under Chapter VI-A		
Section 80D		50,000
Medical expenses for father (Deduction allowable to the extent of ₹ 50,000 since father, aged 81 years, is a senior		

citizen and is not covered under any medical insurance policy) Section 80TTB		31,500
Interest on deposits in post office savings account (As Mr.Gaurav is aged 61,for him 80TTB will apply)		
Total Income		62,22,925
Total Income (Rounded off)		62,22,930

Computation of tax liability of Mr. Gaurav for A.Y.2020-21

Particulars	₹	₹
Tax on total income of ₹ 62,22,930		
Upto ₹ 3,00,000	Nil	
₹3,00,001 – ₹5,00,000 @5%	10,000	
₹5,00,001 – ₹10,00,000 @20%	1,00,000	
Above ₹ 10,00,001 i.e.,62,22,930 @30%	15,66,879	
Add: Surcharge @10% [Since his total income exceed ₹ 50,00,000]		16,76,879
		1,67,688
		18,44,567
Add: Health & Education cess@4%		73,783
Tax liability		19,18,350

Working Note:

Computation of depreciation allowable as per Income-tax Act, 1961

Particulars	₹
On Motor Car	
₹ 3,50,000 x 15% x 75%	39,375
On Furniture and fittings	
₹ 80,000 x 10%	8,000
On Computer	
₹ 62,000 x 40% [Actual cost of the computer is ₹ 62,000 (i.e., ₹ 80,000 – ₹ 18,000). ₹ 18,000 paid otherwise than by way of account payee cheque/bank draft or use of ECS is not includible in actual cost.	24,800
	72,175

Markings for students:

For PGBP total 8 marks: 0.5 for all 10 adjustments in answer, 1 mark for commission adjustment, 1.5 marks for depreciation working & 0.5 mark for total.

For IFOS 2 marks: 1 mark for Interest on post office saving bank A/cs and 0.5 for each of rest 2 entries.

For deductions Total 2 marks-1 mark each for 2 deduction entries.

For total Income total-0.5 marks

For tax calculations: 1.5 marks.

Q.2**(a)****Computation of total Income of Mr. Ramesh for P.Y.2019-20**

Particulars		Resident and ordinarily	Not ordinarily resident	Non- resident resident
		(₹)	(₹)	(₹)
1.	Interest on Savings Bank Deposit	12,000	12,000	12,000
2.	Income from Agriculture in Africa	5,000	—	—
3.	Dividends received in USA	12,000	—	—
4.	Salary drawn for working in Indian Embassy in Australia	48,000	48,000	48,000
5.	Income from house property in Iraq (30000-24(a): 30% standard deduction)	21,000	—	—
6.	Pension received in Belgium for services rendered in India	10,000	10,000	10,000
Gross Total Income		1,08,000	70,000	70,000
Less: Deduction U/s 80TTA		(10000)	(10000)	(10000)
Total Income		98,000	60,000	60,000

Markings for students:

Per 6 entries 1 mark

For Deduction of 80TTA: 1 mark.

(b)

- (a) Since the annual premium exceeds 10% of sum assured in respect of a policy taken after 31.3.2012, the maturity proceeds of ₹ 2.00 lakhs due on 31.3.2020 are not exempt under section 10(10D) in the hands of Mr. Arjun. Therefore, tax is required to be deducted @ 5% under section 194DA on the amount of income comprised therein i.e., on ₹ 60,000 (₹ 2,00,000, being maturity proceeds - ₹ 1,40,000, being the entire amount of insurance premium paid).
- (b) SBI has to deduct tax at source @ 10% under section 194A, since the aggregate interest on fixed deposit with the three branches of the bank is ₹ 78,750 [5,00,000 x 3 x 7% x 9/12], which exceeds the threshold limit of ₹ 40,000. Since SBI bank has adopted CBS, the aggregate interest credited / paid by all branches has to be considered. Since the aggregate interest of ₹ 78,750 exceeds the threshold limit of ₹ 40,000 tax has to be deducted @ 10% under section 194A.
- (c) TDS u/s 194-IA is not attracted if actual consideration is lower than 50,00,000. Here even though stamp duty exceeds 50,00,000 but actual value is lower than that. Hence No TDS to be deducted by Mr. Sheikh.
- (d) U/s 194J a company has to compulsorily deduct TDS on director's sitting fees @10% irrespective of the amount. Hence Reliance industries will deduct TDS of Mr. shah on ₹10,000.

Markings for students:

For (a) 2.5 marks, for (b) 2 marks, for (c) 1.5 marks, for (d) 1 mark

Q.3**(a)****Computation of Total Income of Ms. Pooja for PY 2019-20(A.Y.2020-21)**

Particulars	Workings	Option-1: HRA	Option-2: Bonus
Basic Salary	20000*12	240,000	240,000
D.A. (40% of salary)	240,000*40%	96,000	96,000
Commission (Fixed amount)	2000*12	24,000	24,000
House rent allowance	60,000		-
Less: Exempt U/s 10(13A) (W.N.1)	(20160)	39840	

Bonus		-	50,000
Telephone Allowance	500*12	6000	6000
Laptop Facility	Not taxable	-	-
Gross Salary		4,05,840	416,000
Less: Deduction U/s 16 (ia)		(50,000)	(50,000)
Total Salary /GTI		3,55,840	3,66,000
Less: Deduction U/c VI-A			
Section 80GG (W.N.2)		-	(11,400)
Total Income		3,55,840	3,54,600

Advice: As Ms. Pooja is having lower total income in Option-2 it is beneficial for her to take Bonus instead of HRA.

Notes:

W.N.1: Exemption U/s 10(13A):

Salary = Basic+ D.A. (% forming part of retirement benefit) + Commission (% of turnover)

$$= 2,40,000 + (96000 * 40\%) + \text{NIL}$$

$$= ₹2,78,400$$

Whichever is lower is exempt:

Particulars	Working	₹
1. Actual HRA received	5,000*12	60,000
2. 40% of salary	2,78,400*40%	1,11,360
3. Rent paid (-) 10% of salary	48,000(-)27,840	20,160

W.N.2:

As per section 80GG individual who is self-employed or employee not in receipt of HRA can claim deduction u/s 80GG for rent paid by him. Assuming that Ms. Pooja or her spouse or minor child or HUF is not having any property in Ahmedabad in their names.

Here for option 2 Ms. Pooja can claim deduction U/s 80GG which will be lower of the following:

$$\begin{aligned} \text{Adjusted Total Income} &= \text{Gross total Income (-) deduction u/c VI-A (except 80GG)} \\ &= 3,66,000 (-) \text{NIL} \\ &= ₹3,66,000 \end{aligned}$$

Particulars	Working	₹
1. 5000 P.M.	5000*12	60,000
2. 25% of ATI	3,66,000 *25%	91,500
3. Rent paid (-) 10% of ATI	48,000 (-) 36,600	11,400

Markings for students:

1 mark for basic salary + DA + Commission (together for both option)

1.5 marks for calculating HRA exemption and net amount

1.5 marks combinly for Bonus, telephone allowance & laptop facility.

1 mark for standard deduction of salary.

1.5 marks for 80GG.

1 mark for total income.

0.5 mark for advice.

(b)**Computation of Total Income for Mr. Vyom for P.Y.2019-20**

Particulars	₹	₹	
Income From Salary			
Salary from Reliance Ltd.	3,00,000		
Less: Deduction U/s 16(ia)	(50,000)	2,50,000	
Income From House Property			
Gross Annual Value	100,000		
Less: Municipal Tax paid during the year	-		
Net Annual value	100,000		
Less: Deduction U/s 24			
(a) 30% of NAV	(30,000)		
(b) Interest on borrowed capital (No limit in case of LOP)	(3,00,000)		
Loss from house property	230,000		
Can be set off against Salary (Max. Upto ₹200,000 as per section 71(3A))		(200,000)	50,000
Balance loss of ₹30,000 can be c/f for next 8 years.			
Income From Other Sources			
Deemed dividend U/s 2(22)(e) (If a shareholder has more than 10% in any closely held company then loan received or R&S whichever is lower will be treated as deemed dividend. However it will be exempt		Nil	

for shareholder U/s 10(34) as company will pay DDT U/s 115-O & Section 115BBDA is N.A for deemed dividend U/s 2(22)(e))		
Dividend U/s 115BBDA (Dividend from domestic company above ₹10,00,000 is taxable @10% U/s 115BBDA to the shareholder)	200,000	
Less: Non speculative business loss (Against income of 115BBDA no loss can be setoff) So, this loss has to be c/f for 8 years as it can't be set off against salary income also.	-	2,00,000
Gross Total Income		2,50,000
Less: Deduction U/c VI-A		Nil
Total Income		2,50,000

Markings for students:

0.5 mark for salary

1 mark for house property income

1 mark for setoff 200000 against salary

1 mark for 2(22)(e)

1 mark for 115BBDA

0.5 mark for note of non set-off business loss.

1 mark for total Income.

Q.4**(a)****1. Computation of Total Income for Mr. Jay for PY 2019-20(A.Y.2020-21)**

Particulars	₹	₹
Capital Gain:		
Full value of consideration (Note-1)	2,90,000	
Less: Indexed cost of acquisition (Note-2) (60000*289/100)	(1,73,400)	
Long term capital Gain before exemption	1,16,600	
Less: Exemption U/s 54EC(Note-3)	NIL	
Long term Capital Gain(U/s 112)		1,16,600
Income From Other Source		2,30,000
Gross Total Income		3,46,600
Less: Deduction U/c VI-A		Nil
Total Income		3,46,600

2. Computation of Tax Liability for Mr. Jay For PY 2019-20

Particulars	₹
Tax on other Income	Nil
Tax on LTCG U/s 112(116600- unexhausted basic exemption limit ₹20000) (96600*20%)	19,320
Total Tax	19,320
Less: Rebate U/s 87A	(12,500)
	6820
Add: 4% of Health & Education Cess	273
Tax payable	7093
Tax Payable (Rounded off)	7090

3. Computation of Total Income for Mr. Rutvik for PY 2019-20

Particulars	₹	₹
Income From Other Sources		
Property received without adequate consideration (Note-4)	Nil	
Other Income	51,20,000	51,20,000
Gross Total Income		51,20,000
Less: Deduction U/c VI-A		-
Total Income		51,20,000

4. Computation of Tax Liability for Mr. Rutvik For PY 2019-20

Particular	₹
Basic Tax on total Income	13,48,500
Add: 10% Surcharge (As income exceeds 50,00,000)	1,34,850
Total	14,83,350
Less: Marginal Relief (14,83,350-14,32,500): (Tax on 50L: 1312500+difference of income ₹1,20,000)	(50,850)
Total Tax	14,32,500
Add: 4% of Health & Education Cess	57,300
Tax Payable	14,89,800

Notes:

- As per section 50C if stamp duty on the date of registration is more than 105% of actual consideration then stamp duty will become Full value of consideration. However, if on the date of agreement part consideration is paid otherwise than by account payee cheque, account payee draft, ECS, other e-mode then that stamp duty on that day will be take.
Here Mr. Jay has received full payment on date of registration. So, stamp duty on the date of agreement cannot be taken.
So, FVC=290,000.
- As per section 55(2) if capital asset is purchased prior to 1.4.2001 then fair market value on 1.4.1 can be taken as cost of acquisition. Here asset is held for more than 24 months so it will be long term capital asset.

3. If any long-term capital asset being immovable asset is transferred and capital gain thereof is invested in bonds of NHAI within 6 months from the date of transfer then exemption U/s 54EC is available. However here the amount is invested after 6 months from date of transfer. So, no exemption U/s 54EC available.
4. For Mr. Rutvik immovable property received without inadequate consideration will be considered as income of IFOS U/s 56(2)(x) if the difference between actual consideration and stamp duty as on date of registration exceeds ₹50000 or 5% of actual consideration whichever is higher.
Here the difference is ₹40000(290000-240000) is exceeding 5% of actual consideration but it is not exceeding ₹50,000.
So, nothing is taxable for Mr. Rutvik for this difference.

Markings for students:

- 1 mark for correct FVC & its note
- 1 mark for correct indexed COA & its note
- 0.5 mark for note of 54EC
- 1 mark for total income of Mr. Jay .
- 2.0 marks for correct tax calculation of Mr. Jay.
- 1.5 marks for IFOS & total income of Mr. Rutvik.
- 3.0 marks for tax calculations of Mr. Rutvik.

(b)**Followings cannot become TRP:**

- (i) any officer of a scheduled bank with which the assessee maintains a current A/c or has regular dealings;
- (ii) any legal practitioner who is entitled to practice in any civil court in India;
- (iii) a chartered accountant
- (iv) Employee other than employee of a company or a person whose accounts are required to be audited u/s 44AB (tax audit) or under any other existing law.

Markings for students:

- 1 mark for 1 point

Section B – Indirect Tax

Division A - Multiple Choice Questions

1.1 Time of supply of services as per section 13(2) where invoice is not issued within time, i.e before or within 30 days of supply of service shall be earlier of:

- Date of provision/completion of service – 2nd November
- Date of receipt of payment – 8th September

As per explanation to 13(2) date of payment = date of credit in bank a/c or date of payment entry in BOA/cs of supplier, whichever is earlier

Therefore the answer is (d) only i.

(2 Marks)

1.2 Amount of Eligible Input Tax Credit: 1,25,00,000

1. ITC Eligible: 15,00,000

Motor Vehicle used for transportation of persons where the seating capacity is more than 13 persons and used in the course of business is eligible for ITC and doesn't form a part of blocked credits u/s 17(5). **(1 Mark)**

2. Ineligible for ITC

Since seating capacity is upto 13 persons and it is not used for further supply/ imparting of driving skills/ transportation of passengers, it is covered u/s 17(5).

1. ITC eligible: 50,00,000

Motor Vehicle having seating capacity upto 13 persons but used for imparting driving skills is eligible for ITC.

2. ITC eligible: 60,00,000

Motor Vehicle meant for transportation of 'goods' doesn't fall under the ambit of 17(5), therefore ITC can be availed if used in course or furtherance of business.

(1 Mark)

1.3 Answer is (c) ii & iii

Import of designing services from his brother in London for consideration is considered as supply even though used for personal purpose as it is supply under 7(1)(b) and Architect services for his business received from a friend in London since without consideration is not considered as supply.

(1 Mark)

1.4 In case of RCM, Time of supply as per section 13(3) is earlier of:

- Date of payment as entered in Books of accounts – 15/11/20xx
- Date of Debit in bank account – 18/11/20xx
- 61st day from date of issue of invoice – 1/11/20xx

Therefore the time of supply here is: (b) 1/11/20xx

(1 Mark)

1.5 His aggregate turnover will be c.₹71 lakhs

Since calculation of turnover will include taxable supplies (₹55L) exempt supplies (16L) but not inward supply as per RCM (₹8L).

(1 Mark)

1.6 A composition dealer can supply services along with goods not exceeding 10% of the turnover in preceding financial year or ₹5 lakhs, whichever is higher

- 10% of Mandeep's turnover is ₹7.10 lakhs
- 5 lakhs

Therefore he can supply services of upto (a) ₹5 lakhs.

(1 Mark)

1.7 (d) No

(1 Mark)

1.8 (c) Within 20 days of the subsequent month.

(1 Mark)

1.9 (d) All of the above.

(1 Mark)

1.10 (d) I, iii, i

The turnover limit for Assam is ₹1.5 crores

A 'manufacturer' of aerated waters cannot opt for composition, but a trader can.

A person having interstate 'outward' supply of goods cannot opt for composition, but a person having interstate 'inward' supply can.

(1 Mark)

Division B: Descriptive Questions**Q.1****Input tax liability**

Input tax payable in cash on legal service procured from senior advocate.

$$\text{CGST} = 50,000 \times 9\% = 4,500$$

$$\text{SGST} = 50,000 \times 9\% = 4,500$$

Computation of net output tax liability payable in cash

Particulars	Value of supply (₹)
1. Intra State supply of service	6,40,000
2. Services provided as a director to a body corporate	-
3. Legal fees for service provided by senior advocate	50,000
4. Service provided as commentator	1,20,000
5. Service provided as coach	30,000
Value of supply u/s 15	7,90,000

	CGST	SGST
∴ GST Payable	71,100 (7.9 L x 9%)	71,100 (7.9 L x 9%)

(-) Input Tax Credit

Input tax payable as per RCM	(45,000)	(45,000)
Amount Payable in cash	<u>66,600</u>	<u>66,600</u>

Notes:

- Intra state supply of service: CGST & SGST both @9% of ₹6,40,000 i.e ₹57,600 each
- Services provided by a Director to a body corporate or company is covered under Reverse Charge Mechanism u/s 9(3) and therefore shall be payable by the body corporate @9% of ₹5,00,000 i.e ₹45,000 each CGST & SGST.
- Legal fees to senior advocate for services provided by him to a business entity is covered under Reverse Charge Mechanism u/s 9(3) and therefore shall be paid by Mr.Uttam Kumar @9% of ₹50,000 i.e ₹4,500 each CGST & SGST.

4. Service provided as a commentator to a recognised local sports body is not exempt therefore taxable @9% of ₹1,20,000 i.e ₹10,800 each CGST & SGST.
5. Amount received as a coach from local charitable entity registered under section 12AA of Income Tax Act, 1961 is taxable @9% of ₹30,000 i.e ₹2,700 each CGST & SGST because services provided BY such charitable entity is exempt but services provided TO such entity isn't.

(Computation: 3 Marks)

(For Every Note 1 Marks)

Q.2

(a)

1. Granting of liquor license is not a supply as per it is under the ambit of section 7(2).
2. Filing fees charged by Consumer District Redressal Commission is not supply as it is a part of section 7(2) and it is clothed with characteristics of Tribunal
3. Supplying tenancy rights against consideration in the form of tenancy premium is supply of service liable to GST and is considered a form of lease or renting of property.
4. Managing Director receiving remuneration is classified as salary as therefore represents employer-employee relations and anything received by employee in course of employment is inside the purview of section 7(2) and therefore not supply.

(Each Point 1 Mark)

(b)

Value of Supply:

List price of machine	1,00,000
Municipal Taxes charged	+10,000
Boxes used for packing	+1,000
Subsidy received from Delhi Govt. – section 15(2)(e)	Nil
Subsidy received from TATA LTD	+25,000
Waived Interest	Nil
Total	₹1,36,000

Therefore value of supply is ₹1,36,000.

Notes

1. List price is included in the value of supply as it is the TV u/s 15(1)
2. Municipal taxes are included in the value of supply as it is NON-GST Tax u/s 15(2)
 - (a)
3. All incidental expenses shall be included in the value of supply u/s 15(2)(c)

4. Subsidy by delhi govt shall have no effect since its effect is already factored in the list price
5. (Since the price given above is already factored in the effect of subsidy, it will be added as subsidy given by person other than CG/SG shall be added in the value of supply
6. Since interest is not collected from the recipient it will not be taken into the value of supply.

(Computation: 3 Marks)
(For Every Notes 0.5 Mark)

Q.3

(a)

As per given facts, registered supplier of motor vehicle has taken his motor vehicle for repairs at its other registered premises (authorised service station in UP). Post repair he will bring back goods to his registered showroom in Delhi This transaction of interstate movement of vehicles for repairs will not amount to supply within the meaning of section 7.

(4 Marks)

(b)

Rule 59 of the CGST Rules, 2017, inter alia, stipulates that the details of outward supplies of goods and/or services furnished in form GSTR-1 shall include the:

(a) **invoice wise details of all –**

- (i) inter-State and intra-State supplies made to the registered persons; and
- (ii) inter-State supplies with invoice value more than two and a half lakh rupees made to the unregistered persons:

(b) **consolidated details of all**

- (i) intra-State supplies made to unregistered persons for each rate of tax; and
- (ii) State wise inter-State supplies with invoice value upto two and a half lakh rupees made to unregistered persons for each rate of tax

Thus, in view of the above-mentioned provisions, Mr. Gauri Shiva should furnish the details of outward supplies of goods made by him during the quarter ending June 20XX in the following manner:

Supply Recipient	Nature of Supply	Value (₹)	Manner of furnishings details
1. Mr.A, a registered person	Intra state	2,20,000	Invoice wise
2. Mr.B, a registered person	Intra-State	2,55,000	Invoice wise
3. Mr.C, an unregistered person	Intra-State	1,80,000	Consolidated details of
4. Mr.D, an unregistered person	Intra-State	2,60,000	Supplier 3 & 4
5. Mr.M, an unregistered person	Interstate	3,00,000	Invoice wise
6. Mr.N, an unregistered person	Interstate	50,000	Consolidated details of
7. Mr.O, an unregistered person	Interstate	2,50,000	Supplier 6 & 7
8. Mr.P, an unregistered person	Interstate	2,80,000	Invoice wise
9. Mr.Q, a registered person	Intra-State	1,50,000	Invoice wise
10. Mr.R, a registered person	Intra-State	4,10,000	Invoice wise

(6 Marks)

Q.4**(a)**

Taxable value of services: ₹1,00,000

1. Exempt service since any services provided by Education to its student is exempt.
2. Transportation of defence equipment is exempt by Rail, Vessel, Road but not by Air, therefore ₹ 1,00,000 shall be taxable.
3. Amount charged by pathology clinic as it is included in the definition of clinical establishment is exempt.
4. Hotel accommodation service provided upto ₹1,000 is exempt, since the tariff amount is equal to ₹1,000 therefore this supply of ₹5,00,000 is exempt.

(Each Point 1 Marks)

(b)

Notification No. 2/2019: Provides option to registered person to pay CGST & SGST @3% each on supply of services upto an aggregate turnover of ₹50 lakhs made on or after 1st April of any Financial year subject to specified conditions:

It is clarified in the notification that first supplies of goods or services or both shall, for the purposes of determining eligibility of a person to pay tax under this notification, include the supplies from 1st April of a FY to the date from which he becomes liable for registration under the said Act, but for the purpose of determination of tax payable under

this notification, shall not include the supplies from the first day of April of a financial year to the date from which he becomes liable for registration under the Act.

Thus, Care & Care Beauty Centre is eligible to pay tax under this notification upto the turnover of 50 lakh. The total tax payable by it is as under:

Quarter 1: Since the turnover did not exceed ₹20 lakhs, it was not liable to be registered hence no tax to be paid

Quarter 2: Effective rate is 6% (3% CGST+ 3% SGST) on ₹30 lakhs (50L – 20L). Therefore tax liability is ₹1,80,000.

For the month of October, 20xx: Normal rate of GST@18% is to be applied on ₹20 lakhs (70L – 50L). Therefore tax liability is ₹3,60,000.

Total tax liability = ₹5,40,000.

(4 Marks)

(c)

1. Indian Railways is liable to deduct TDS u/s 51 but since it also makes taxable supplies and is not registered solely for tax deduction, the tax shall be payable by Indian Railways as per Reverse Charge Mechanism u/s 9(3).
2. Since Recovery Agent is supplying his services to a manufacturer and not a banking company/financial institution/NBFC, the tax shall be paid by recovery agent as per Forward Charge Mechanism.

(2 Marks)