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SUBJECT- TAXATION

Test Code – CIM 8826

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SECTION – A: INCOME TAX LAW (60 MARKS)

Division A – Multiple Choice Questions

ANSWER - 1

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

DIVISION B – DESCRIPTIVE QUESTIONS

ANSWER - 1

Computation of total income and tax liability of Mr. Ram (Amount in Rs.)

Income from Salaries :			
Basic Salary (Rs. 20,000 × 12)			2,40,000
CCA (Rs. 1,000 × 12)			12,000
HRA (Rs. 5,000 × 12)		60,000	
Less : Exempt u/s 10(13A)	[WN – 1]	48,000	12,000
Education Allowance (Rs. 500 × 12 × 3)		18,000	
Less : Exempt u/s 10(14) (Rs. 100 × 12 × 2)		2,400	15,600
Gross Salary			2,79,600
Less : Standard deduction u/s 16(ia)			50,000
Income from salary			2,29,600
Profits and gains from business or profession:			
Income from the business of letting on hire, a light vehicle u/s 44AE (Rs. 7,500 × 10)	[WN – 2]		75,000
Income from Other Sources :			
Interest from company deposits		15,000	
Bank interest on fixed deposit		85,000	
Less : Deduction u/s 57 (Rs. 1,00,000 @ 9% for 6 months towards loan interest)		1,00,000	
		4,500	95,500
Gross Total Income			4,00,100
Less : Deduction under Chapter VI – A			
Deduction u/s 80C	[WN – 4]	97,000	
Deduction u/s 80CCC	[WN – 5]	15,000	1,12,000

Total Income (rounded off)	2,88,100
Tax on total income	1905
Less : Tax rebate u/s under Section 87 A [100% of tax or Rs. 12,500 which ever is less]	1905
Balance Tax	Nil

Working Notes :

- (1) HRA is exempt to the extent of the least of the following under section 10 (13A) –
- 50% of salary (as the city is Chennai) i.e. 50% of Rs. 2,40,000 = Rs. 1,20,000.
 - Excess of rent paid over 10% of salary = Rs. 72,000 – Rs. 24,000 = Rs. 48,000
 - Actual HRA received = Rs. 5,000 × 12 = Rs. 60,000
- (2) In the case of a person owing not more than 10 vehicles at any time during the previous year, estimated income from each light vehicle will be deemed to be Rs. 7,500 for every month or part of the month during which the light vehicle is owned by the assessee during the previous year. [Section 44AE]

Presumptive income = Rs. 7,500 × 10 = 75,000

If, however, the assessee declares a higher amount, such amount will be considered as income. In the instant case, since the assessee declare a lower amount, it cannot be considered, since no books of account are maintained. Also, interest is not deductible, since under section 44AE, all deduction under section 30 to 38 are deemed to have been allowed.

- (3) Brought forward loss from speculation business can be set off only against income from speculation business and not against other business income.
- (4) Deduction u/s 80C :

Investment in NSC	12,000
Investment in Public provident Fund	52,000
Life Insurance premium on own life restricted to 20% of sum assured	8,000
Tuition fees paid for two of his children (Most favourable to Ram)	25,000
Total	97,000

- (5) Contribution to pension fund of LIC Rs. 15,000 is deductible under section 80CCC.

(14 MARKS)

ANSWER – 2

ANSWER – A

Computation of total income of Mrs. Geetha and Mrs. Leena (**amount in Rs.**) :

Particulars	Geetha	Leena
1. Income from Profession in Malaysia, (set up in India) [WN – 3] received there	-	-
2. Profit from business in Delhi, but managed directly from Malaysia	40,000	-
3. Rent (computed) from property in Malaysia deposited in a	-	-

Bank at Malaysia, later on remitted to India through approved banking channels. (Remittance in India is not taxable)		
4. Dividend from PQR Ltd. an Indian Company [Taxable in hands of shareholder]	5,000	9,000
5. Dividend from a Malaysian Company received in Malaysia	-	8,000
6. Cash gift received from a friend on Mrs. Leena's 50 th birthday	-	51,000
7. Agricultural income from land in Maharashtra [WN – 4]	-	-
8. Past foreign untaxed income brought to India [it is not taxable]	-	-
9. Fees for technical services rendered in India received in Malaysia [WN – 2]	25,000	-
10. Income from a business in Pune (Mrs. Geetha receives 50% of the income in India)	12,000	15,000
11. Interest on debentures in an Indian company (Mrs. Geetha received the same in Malaysia)	18,500	14,000
12. Short – term capital gain on sale of shares of an Indian company	15,000	25,500
13. Interest on savings account with SBI	12,000	8,000
Gross Total Income	1,27,500	1,30,500
Less : Deduction u/s 80C in respect of Life insurance premium paid	-	-30,000
Less : Deduction u/s 80TTA in respect of Interests on deposits in saving A/c. [WN – 5]	-10,000	-8,000
Total Income	1,17,500	92,500

Working Notes :

- (1) Mrs. Geetha is a non – resident since she has been living in Malaysia since 1988. Mrs. Leena, who is settled in Indore, is a resident.
- (2) In case of a resident, his global income is taxable as per section 5(1). However, as per section 5(2), in case of a non resident, only the following income are chargeable to tax :
 - (a) Income received or deemed to be received in India ; and
 - (b) Income accruing or arising or deemed to accrue or arise in India.
 Therefore, fees for technical services rendered in India would be taxable in the hands of Mrs. Geetha, even though she is a non – resident. The income referred to in Sl. No. 10, 11, 12 and 13 are taxable in the hands of both Mrs. Geetha and Mrs. Leena since they accrue or arise in India.
- (3) Income from Profession in Malaysia, (set up in India) received there by Mrs. Geetha is not taxable since it accrues and received outside India.
- (4) Agricultural income from a land situated in India is exempt under section 10(1) in the case of both non – residents and residents.
- (5) Interest on savings bank deposit is eligible for deduction u/s 80TTA subject to maximum limit of **Rs. 10,000**.

(7 MARKS)

ANSWER – B**(A) Business income if Mr. X does not opt for presumptive income scheme****(Amt. in Rs.)**

Net Profit as per Profit and Loss Account			60,000
Add : (a) Closing stock not included		18,000	
(b) Excess salary paid to brother	[WN – 1]	2,000	
(c) Whole of printing and stationery expenses paid in cash	[WN – 2]	13,000	
(d) Depreciation		1,05,000	
(e) Donations		2,000	
(f) Loss on shares		8,100	1,48,300
			2,08,300
Less : (a) Opening stock not included		9,000	
(b) Allowable depreciation	[WN – 3]	66,000	
(c) Income from UTI	[WN – 4]	2,400	77,400
Income from business			1,30,900

Working Note :

- Salary paid to his brother, which is unreasonable to the extent of Rs. 2,000 shall not be allowed as deduction in accordance with Section 40A(2).
- Since the whole amount of Printing and Stationery was paid in cash which exceeds Rs. 10,000 whole of such expenditure shall be disallowed in accordance with Section 40A(3).
- Computation of allowable depreciation **(amount in Rs.) :**

Opening WDV of plant and machinery	4,20,000
Add : Actual cost of plant acquired on 1.7.2020	70,000
Less : Sale proceeds of plant	-50,000
WDV as on 31.3.2021	4,40,000
Depreciation @ 15%	66,000

- Income from units of UTI is taxable in hands of unit holder under the head Income from sources.
 - Goods and Services Tax refund is taxable, as it would have been allowed as deduction earlier.
- (B) Business income if he opts for presumptive income scheme u/s 44AD :** Deemed income as per section 44AD = 6% of Turnover (since sale proceeds are received through account payee cheque) i.e. 6% of Rs. 12,11,500 = Rs. 72,690.

Conclusion : Since income as per Section 44AD works out to be lower than income as per normal provisions, the assessee should opt for presumptive taxation under Section 44AD.

(7 MARKS)**ANSWER – 3****ANSWER - A****Computation of total income (amount in Rs.) –**

Particulars	Arun	Bimal
Income from house property		
(1) Self – occupied portion (25%) : Annual Value	Nil	Nil
Less : Deduction u/s 24(b)	[WN – 1] 30,000	30,000
Income from self – occupied portion	-30,000	-30,000
(2) Let – out portion (75%)	[WN – 2] 1,25,850	1,25,850
Income from house property	95,850	95,850
Other Income	2,90,000	1,80,000
Total Income	3,85,850	2,75,850

Working Notes :

(1) Interest on loan taken for construction = 25% of Rs. 3 lakh = Rs. 75,000 – restricted to maximum of Rs. 30,000 for each co – owner.

(2) Computation of income from let – out portion (75%) of house property (amount in Rs.)

Since 6 units have been let out of 8 units, hence let out portion = $6/8 \times 100 = 75\%$

All expenses will be made proportionate (i.e. 75%) for calculating income from house property.

Municipal value (75% of Rs. 9 lakhs) (being expected rent)	6,75,000	
Actual rent (Rs. 12,000 × 6 × 12) – (Rs. 12,000 × 1 × 4) = Rs. 8,64,000 – Rs. 48,000	8,16,000	
Gross Annual Value, being the higher of : Municipal Value or Actual Rent		8,16,000
Less : Municipal taxes paid [75% of 20% of Rs. 9 lakhs]		1,35,000
Net Annual Value (NAV)		6,81,000
Less : Deduction under section 24 -		
(a) Standard deduction @ 30% of NAV	2,04,300	
(b) Interest on loan taken for the house (75% of Rs. 3 lakhs)	2,25,000	4,29,300
Income from let – out portion of house property		2,51,700
Share of each co – owner (50%)		1,25,850

(7 MARKS)**ANSWER – 3****ANSWER - B**

(i) **Computation of capital gains for A.Y. 2017 – 18 (amount in Rs.) :**

Sale of Residential House in Noida	
Full value of consideration	1,57,00,000
Less : Indened Cost of Acquisition (Rs. 30,00,000 × 264/148)	53,51,351
Long term capital gains	1,03,48,649
Less : Exemption u/s 54 (Since investment in new residential house in Panchkula exceeds the capital gains, entire capital gains shall be exempt from tax)	1,03,48,649
Taxable Long – term capital gains	Nil

(ii) **Computation of capital gains for A.Y. 2021 – 22 (amount in Rs.)**

Sale of Residential House in Panchkula	
Full value of consideration	3,25,00,000
Less : Index Cost of Acquisition (Rs. 30,00,000 × 264/148)	
Cost of Acquisition	2,05,00,000
Less : Exemption claimed u/s 54 (See Note)	1,03,48,649
(Rs. 1,01,51,351 × 301/272]	1,01,51,351
Long term capital gains	2,12,66,335
Less : Exemption u/s 54 (on purchase of new house at Delhi)	2,12,66,335
Taxable Long – term capital gains	Nil

Note : The house purchased in Panchkula has been transferred before 3 years form the date of its acquisition, hence cost of the asset will be reduced by capital gains exempted earlier for computing capital gains.

(7 MARKS)

ANSWER – 4

ANSWER – A

Computation of Taxable Salary of Nambi (Amount in Rs.) –

Basic salary	6,00,000
Dearness allowance	3,20,000
Commission	50,000
Entertainment allowance	7,500
Medical expense reimbursed by the employer [Fully Taxable]	21,000
Profession Tax (50% paid by employer shall be treated as perquisite)	3,500
Health insurance premium paid by employer [Exempt from tax]	-
Gift voucher given by employer on his birthday (Taxable, as it is not below Rs. 5,000)	12,000
Life insurance premium of Nambi paid by employer (Employees obligation met by employer, hence fully taxable)	34,000
Laptop facility [Use of Laptops and computers belonging to or hired by the employer is exempt]	-
Care facility for official and personal use [Rs. 1,800 p.m. is taxable, since engine cubic capacity less than 1.6 litres] [Rs. 1800 × 12]	21,600
Annual credit card fees paid by employer	2,000
Gross salary	10,71,600
Less : Standard Deduction u/s 16(ia)	50,000
Less : Professional Tax paid	7,000
Income chargeable to tax under 'Salaries'	10,14,600

(6 MARKS)

ANSWER – B

Computation of the Gross Total Income of Mr. Garg (amount in Rs.) :

(1) Income from Salary (Computed)		15,000
(2) Income from Business (before providing depreciation)	66,000	
Less : Unabsorbed depreciation	11,000	55,000
(3) Long term capital gain on sale of Land	10,800	
Less : Bought forward short term capital loss	9,800	1,000
Gross Total Income		71,000

Notes :

- Loss from Gambling cannot be set off from any head of income.
- Loss from maintenance of race horses cannot be set – off from any head of Income. The same shall be carried forward for 4 years in accordance with the provisions of Section 74A.
- 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. 2020 – 21 has to be carried forward to A.Y. 2022 – 23 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 4 years as per section 73(4), i.e. upto A.Y. 2023 – 24.

(4 MARKS)

ANSWER – C

- (a) **Disagree.** The return of income of LP 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 u/s 139 (1) for filing of return of income for the year ended 31.03.2021, shall be 31st July, 2021.

In case Mr. A does not opt for presumptive taxation provisions u/s 44AD and, has to get his accounts audited u/s 44AB, since his turnover exceeds Rs. 1 crore, the due date for filing return would be 31st October, 2021.

(4 MARKS)

OR

ANSWER - C

- (i) Interest on borrowed capital is allowed as deduction under section 24. Interest payable on loans borrowed for the purpose of acquisition, construction, repairs, renewal or reconstruction of house property can be claimed as deduction under section 24. Further, Interest payable on borrowed capital for the period prior to the previous year in which the property has been acquired or constructed, can be claimed as deduction over a period of 5 years in equal annual installments commencing from the year of acquisition or completion of construction. It is stated that the construction is completed in May, 2021. Hence, deduction in respect of interest on housing loan cannot be claimed in the assessment year 2021 – 22.
- (ii) Section 80C is attracted where there is any payment for the purpose of purchase or construction of a residential house property, the income from which is chargeable to tax under the head 'Income house property'. However, deduction is prima facie eligible only if the income from such property is chargeable to tax under the head "Income from House Property". During the assessment year 2021 – 22, there is no such income chargeable under this head, hence, deduction under section 80C cannot be claimed for assessment year 2021 – 22.

(4 MARKS)

SECTION – B: INDIRECT TAXES (40 MARKS)

Division A – Multiple Choice Questions

ANSWER – 1

1. D
2. B
3. B
4. A
5. D
6. B

7. A
8. B
9. A
10. C

DIVISION B –DESCRIPTIVE QUESTIONS

ANSWER -1

Computation of net GST liability of Mr. Uttam Kumar October, 2018

Particulars	Amount (Rs.)	CGST (Rs.)	SGST (Rs.)
Intra-State taxable supply of service	6,40,000	57,600	57,600
Add: Amount received from Kapola Pvt. Ltd. for service provided to company, being intra-State transaction 1 [Note-1]	5,00,000	Nil	Nil
Add: Legal fee paid to senior advocate for one legal matter within the State, being intra-State transaction2 [Note-2]	50,000	4,500	4,500
Add: Amount received for services provided as a commentator to a local recognized sports body, being intra-State transaction [Note-3]	1,20,0000	10,800	10,800
Add: Amount received for acting as a coach in recreational activities relating to sports from one local charitable entity registered under section 12AA of the Income Tax Act, 1961, being intra-State transaction [Note-4]	30,000	Nil	Nil
Total tax payable		72,900	72,900
Less: Cash paid towards tax payable under reverse charge [A] [Note-5]		4,500	4,500
Output tax payable against which ITC can be set off		68,400	68,400
Less: ITC of tax paid on legal fees paid to senior advocate 3		4,500	4,500
Output tax payable after set off of ITC [B]		63,900	63,900
Net GST liability [A] + [B]		68,400	68,400

(6 MARKS)

Notes:-

- Services supplied by a director of a company to the said company are taxable under reverse charge and thus, the tax leviable thereon will be paid by the company.
- Services provided by a senior advocate by way of legal services are taxable under reverse charge and thus, the tax leviable thereon will be paid by Mr. Uttam Kumar. Services provided to a recognized sports body by an individual as a player, referee, umpire, coach or team manager for participation in a sporting event organized by a recognized sports body is exempt from GST vide exemption notification. However, services provided as a commentator to a local recognized sports body is taxable..
- Services by way of coaching in recreational activities relating to sports by charitable entities registered under section 12AA of the Income-tax Act are exempt from GST vide exemption notification.

4. The amount available in the electronic credit ledger may be used for making payment towards output tax. However, tax payable under reverse charge is not an output tax. 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 MARKS)

ANSWER -2

ANSWER –A

Computation of Input tax credit eligible for the tax period October, 2020 (amount in Rs.) :

Particulars	CGST	SGST	IGST
Total Input tax in a tax period [T]	1,08,000	1,08,000	54,000
Less :			
Tax on input services exclusively used for effecting supply of service for personal use [T ₁]	10,800	10,800	5,400
Tax on input services exclusively used for effecting exempt supply of services [T ₂]	18,000	18,000	7,200
Tax on inputs which are ineligible under Section 17(5) [T ₃]	18,000	18,000	6,300
Amount of input tax credited to the electronic credit ledger [C ₁]	61,200	61,200	35,100
$C_1 = T - [T_1 + T_2 + T_3]$			
Less : Credit on input services exclusively used for supplying taxable services (including Zero rates supplies) [T ₄]	54,000	54,000	3,600
Common Credit of input and input services used for providing supply of services	7,200	7,200	31,500
$[C_1]C_2 = C_1 - T_4$			
Total inadmissible common credit as per Rule 42(1) [D ₁ + D ₂] [WN]	2,160	2,160	9,450
Net eligible common credit C₃ = C₂ - [D₁ + D₂]	5,040	5,040	22,050
Total credit eligible i.e. [T₄ + C₃]	59,040	59,040	25,650
Amount to be reversed by the X Ltd. in FORM GSTR – 3B [D₁ + D₂]	2,160	2,160	9,450

Working Note : Calculate of Amount of input tax credit towards exempt supplies and supply made for non business use (amount in Rs.) :

Particulars		CGST	SGST	IGST
Aggregate Value of Exempted supply of services [E]		15,00,000	15,00,000	15,00,000
Total Turnover for October, 2020 [F]		60,00,000	60,00,000	60,00,000
Credit attributable towards exempt supplies	$D_1 = [E + F] \times C_2$	1,800	1,800	7,875
Credit attributable for supplies made for non business purposes as per Clause (j) of Rule 42(1)	$[D_2 = 5\% \times C_2]$	360	360	1,575
Total inadmissible common credit as per Rule 42(1)	$[D_1 + D_2]$	2,160	2,160	9,450

(6 MARKS)

ANSWER –B

The cost to the ultimate consumer under two scheme is as under –

Particulars	Normal GST Scheme (Rs.)	Composition Scheme* (Rs.)
Cost of goods sold (*No credit under composition scheme, hence, cost of goods sold will be higher)	50,00,000	52,50,000
Add : Costs of maintaining records	1,20,000	50,000
Add : Normal Expenses	3,00,000	3,00,000
Total Costs	54,20,000	56,00,000
Sales (Inclusive of all taxes)	60,00,000	60,00,000
Less : Tax (GST = Rs. 60 lakh × 5 ÷ 105) ; (Composite Tax = Rs. 60 lakh × 1%)	2,85,714	60,000
Sales (net of taxes)	57,14,286	59,40,000
Profit of the dealer (Sales, net of taxes – Total Costs)	2,94,286	3,40,000

Conclusion : It is apparent that while cost to ultimate consumer, in both the cases remains same, the profit of the dealer is higher if the dealer opts for composition scheme. Hence, composition scheme should be opted.

(4 MARKS)

ANSWER – 3

ANSWER –A

- (i) As per Section 31 of the CGST Act, 2017 read with the CGST Rules, 2017, in case of taxable supply of services, invoice 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 03.02.2021. However, the invoice has been issued on 10.02.2021.

In such a case, the time of supply as per section 13 of the CGST Act, 2017 would be 04.01.2021 i.e. earlier of the following :

- (a) Date of provision of service (04.01.2021)
- (b) Date of receipt of payment (11.02.2021)
- (ii) Section 31 of the CGST Act, 2017 read with the CGST Rules, 2017, inter alia, provides that tax invoice shall contain the following particulars –
- (a) Total value of supply of goods or services or both ;
- (b) Rate of tax (central tax, State tax, integrated tax, Union territory tax or cess);
- (c) 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 Service Ltd., is valid in law. In the present case, the tax amount has not been shown separately in the invoice.

(4 MARKS)

ANSWER –B

- (i) **Exempt** : Renting of community hall by Ekta charitable trust is exempt from GST, as rent is less than Rs. 10,000 per day. The Exemption Notification No. 12/2017 CT (R) dated 28.06.2017/ Notification No. 9/ 2017 IT (R) dated 28.06.2017 has exempted the said services wholly from GST.

The said notification provides exemption to services by a person inter alia by way of renting of precincts of a religious place meant for general public, owned or managed by an entity registered as a trust or an institution under section 10 (23C) (v) of the Income – tax Act. However, this exemption does not apply where renting charges of premises, community halls, kalyanmandapam or open area are Rs. 10,000 or more per day.

- (ii) **Exempt** : GST is not payable in case of speed post services by Department of Post to Union territory of Daman & Diu. The Exemption Notification No. 12/2017 CT(R) dated 28.06.2017/Notification No. 9/2017 IT (R) dated 28.06.2017 has exempted the said service wholly from GST. Exemption Notification inter alia provides exemption to services by the Department of Posts by way of speed post, express parcel post, life insurance, and agency services provided to the Central Government, State Government, Union territory. Therefore GST is payable, if such service is provided to a person other than Central Government / State Government/ Union Territory.
- (iii) **Exempt** : GST is not payable in case of hiring of trucks to Titu Transporters. The Exemption Notification No. 12/2017 CT (R) dated 28.06.2017/ Notification No. 9/2017 IT (R) dated 28.06.2017 provides exemption to services by way of giving on hire inter alia to a goods transport agency, a means of transportation of goods.

(6 MARKS)

ANSWER – 4

ANSWER –A

Computation of value of taxable supply and GST liability (amount in Rs.) :

List price of the goods		3,30,000
Less : Subsidy from State Government for encouraging women entrepreneurs	[WN – 1]	-5,000
Add : Swachh Bharat cess levied on sale of the goods	[WN – 2]	12,500
Add : Packing expenses	[WN – 3]	10,800
Total		3,48,300
Less : Discount @ 1% on Rs. 3,30,000	[WN – 3]	3,300
Value of taxable supply		3,45,000
CGST @ 9%		31,050
SGST @ 9%		31,050
Total GST Liability		62,100

Working Notes :

- (1) The value of supply shall include subsidies directly linked to the price excluding subsidies provided by the Central Government and State Governments. Hence, subsidy received from State Government for encouraging women entrepreneurs will not be included in the value of taxable supply. [Section 15(2)(e) of CGST Act, 2017]

- (2) The value of supply shall include any taxes, duties, cess, fees and charges levied under any law for the time being in force other than the CGST Act, the SGST Act, the UTGST Act and The GST (Compensation to States) Act, if charged separately by the supplier. Thus, Swachh Bharat cess levied on sale of the goods shall be included in the value of taxable supply. [Section 15(2)(a) of CGST Act, 2017]
- (3) Any amount charged for anything done by the supplier in respect of the supply of goods at the time of, or before delivery of goods shall be included in the value of taxable supply. Hence, packing expenses shall form a part of the transaction value of the supply. [Section 15(2)(c) of CGST Act, 2017]
- (4) The value of supply shall not include any discount which is given before or at the time of supply. [Section 15(3)(a) of CGST Act, 2017]

(5 MARKS)

ANSWER –B

Registration requirements : As per section 22 of the CGST Act, 2017 read with Notification no. 10/2019 – CT dated 07.03. 2019, a supplier is liable to be registered in the State / Union territory from where he makes a taxable supply of goods and / or services, if his aggregate turnover in a financial year exceeds the threshold limit. The threshold limit for a person making exclusive intra-State taxable supplies of goods is as under :-

- (i) Rs. 10 lakh for the States of Mizoram, Tripura, Manipur and Nagaland.
- (ii) Rs. 20 lakh for the State of States of Arunachal Pradesh, Meghalaya, Puducherry, Sikkim, Telangana and Uttarakhand.
- (iii) Rs. 40 lakh for rest of India.

The threshold limit for a person making exclusive taxable supply of services or supply of both goods and services is as under :-

- (i) Rs. 10 lakh for the States of Mizoram, Tripura, Manipur and Nagaland.
- (ii) Rs. 20 lakh for the rest of India.

Aggregate turnover : As per section 2(6) of the CGST Act, 2017, aggregate turnover includes the aggregate value of :

- (i) all taxable supplies
- (ii) all exempt supplies,
- (iii) exports of goods and / or services and
- (iv) all inter – State supplies of person having the same PAN.

The above is computed on all India basis.

In the light of the afore – mentioned provisions, the aggregate turnover of Mahadev Enterprises is computed as under :

Computation of State – wise aggregate turnover of Mahadev Enterprises

Particulars	Himachal Pradesh	Uttarakhand	Tripura
Intra – State sale of taxable goods	22,50,500	-	7,00,000
Intra – State sale of exempted goods	-	-	6,00,000
Interest received from banks on the fixed deposits [WN – 1]	-	-	60,000
Intra – State sale of non – taxable goods [WN – 2]	-	21,00,000	40,000
Aggregate Turnover	22,50,000	21,00,000	14,00,000

Working Note :

- (1) Services by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount (other than interest involved in credit card services) is exempt vide Notification No. 12/2017 – CT (R) dated 28.06.2017. Since aggregate turnover includes exempt supply, interest received from banks on the fixed deposits, being exempt supply, is included in the aggregate turnover.
- (2) As per section 2(47) of the CGST Act, 2017, exempt supply includes non – taxable supply. Thus, intra – State Supply of non – taxable goods in Uttarakhand, being a non – taxable supply, is an exempt supply and is, therefore, included in the aggregate turnover.

In the given case, Mahadev Enterprises is engaged in exclusive intra – State supply of goods from Himachal Pradesh and Uttarakhand and in supply of both goods and exempted services from Tripura, the threshold limit for registration will be Rs. 40 lakh, Rs. 20 lakh and Rs. 10 lakh respectively.

Further, since Mahadev Enterprises also makes taxable supply of goods from one of the specified Category State (i.e. Tripura), the threshold limit for registration will be reduced to Rs. 10 lakhs.

- (1) Thus, in view of the above – mentioned provisions, Mahadev Enterprises is liable to be registered under GST law with the aggregate turnover amounting to Rs. 57,50,000 (computed on all India basis). The applicable threshold limit of registration in this case is Rs. 10 lakh.
- (2)
 - (a) If Mahadev Enterprises is dealing in supply of goods only from Himachal Pradesh, the applicable threshold limit of registration would be Rs. 40 lakh. Thus, Mahadev Enterprises will not be liable for registration as its aggregate turnover would be Rs. 22,50,000.
 - (b) If Mahadev Enterprises is dealing in taxable supply of goods and services only from Himachal Pradesh then higher threshold limit of Rs. 40 lakh will not be applicable as the same applies only increase of exclusive supply of goods. Therefore, in this case, the applicable threshold limit will be Rs. 20 lakh and hence, Mahadev Enterprises will be liable to registration.
 - (c) In case of inter – State supplies of taxable goods, section 24 of the CGST Act, 2017 require compulsory registration irrespective of the quantum of aggregate turnover. Thus, Mahadev Enterprises will be liable to registration.

(5 MARKS)

OR

ANSWER –4 (B)**(i) Computation of net GST payable by Shipra Traders :**

Particulars	CGST @ 9% (Rs.)	SGST @ 9% (Rs.)
GST payable on intra – State supply of goods	855	855
[Being an intra – State supply, CGST and SGST is payable on the same]	(Rs. 9,500 × 9%)	(Rs. 9,500 × 9%)
Less : ITC on intra – State purchase of goods [ITC of CGST and SGST paid on intra – state purchase is available in full, even if some inputs are lying in stock]	900 [10,000 × 9%]	900 [10,000 × 9%]
Net GST payable	Nil	Nil
Input tax credit carried forward in Electronic Credit Ledger	45	45

(3 MARKS)

- (ii)** As per provisions of Section 13(5)(b) of the CGST Act, 2017, where it is not possible to determine the time of supply in terms of date of invoice or date of provisions 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. X, being an employee in a multinational company, is not a registered person), the date of payment of tax is taken as the time of supply. Therefore, the date when Mr. X pays the GST will be the time of supply.

(2 MARKS)