

EXAMINATION QUESTIONS

NOVEMBER-2019 **TAX (GROUP-1) NEW**

AUC2

Roll No.....

Total No. of Printed Pages-21

Total No. of Questions - 8

Maximum Marks - 70

GENERAL INSTRUCTIONS TO CANDIDATES

1. The question paper comprises two parts, Part I and Part II.
2. Part I comprises Multiple Choice Questions (MCQs).
3. Part II comprises questions which require descriptive type answers.
4. Ensure that you receive the question paper relating to both the parts. If you have not received both, bring it to the notice of the invigilator.
5. Answers to Questions in Part I are to be marked on the OMR answer sheet only. Answers to questions in Part II are to be written on the descriptive type answer book. Answers to MCQs, if written in the descriptive Type answer book, will not be evaluated.
6. OMR answer sheet will be in English only for all candidates, including for Hindi medium candidates.
7. The bar coded sticker provided in the attendance register, is to be affixed only on the descriptive type answer book. No bar code sticker is to be affixed on the OMR answer sheet.
8. You will be allowed to leave the examination hall only after the conclusion of the exam. If you have Completed the paper before time, remain in your seat till the conclusion of the exam.
9. Duration of the examination is 3 hours. You will be required to submit (a) Part I of the question paper containing MCQs, (b) OMR answer sheet thereon and (c) the answer book in respect of descriptive type answer book of the invigilator before leaving the exam hall, after the conclusion of the exam.
10. The invigilator will give you acknowledgement on Page 2 of the admit card, upon receipt of the above-mentioned items.
11. Candidate found copying or receiving or giving any help or defying instructions of the invigilators will be expelled from the examination and will also be liable for further punitive action.

PART-II

(70 Marks)

1. **Section-A** comprises questions **1-4**. In Section- A, answer Question No. **1** which is compulsory and any **2** questions from question No. **2-4**. All questions in Section-A relate to assessment year 2019-20, unless otherwise stated.
Section-B comprises questions **5-8**. In Section-B, answer Question No. **5** which is compulsory and any **2** Questions from question No. **6-8**.
2. Working notes should from part of the answer.
3. Answers to the questions are to be given only in English except in the case of candidates who have opted for Hindi Medium. If a candidate has not opted for Hindi Medium. his/her answers in Hindi will not be evaluated.
4. All questions is Section B should be answered on the basis of position of GST law as amended by significant notifications/ circulars issued upto 30th April, 2019.

PART-II
Section-A

Question.1**(14 Marks)**

Mrs. Mitul, a resident individual, aged 63 years, is a qualified medical practitioner. She runs her own clinic. Income & Expenditure A/c of Mrs. Mitul for the year ending March 31st 2020 is as under:

Expenditure	₹	Income	₹
To Salary to Staff	1,20,000	By Consultation Fees	12,00,000
To Administrative Exp.	2,90,000	By Salary received from True Care Hospitals (P) Ltd.	1,80,000
To Conveyance Expenses	24,000	By Rental Income from House Property	78,000
To Power & Fuel	24,000	By Dividend from Foreign Companies	10,000
To Interest on Housing Loan	1,00,000		
To Interest on Education Loan for son	26,000		
To Amount paid to scientific research association approved & Notified under Section 35	25,000		
To net profit	8,59,000		
Total	14,68,000	Total	14,68,000

Explanatory Information:

(i) She is working part-time with True Care Hospitals (P) Ltd. Her salary details are as under:

Basic Pay	₹ 13,000 p.m.
Transport Allowance	₹ 2,000 p.m.
Total	₹ 15,000 p.m.

Further, during P.Y. 2019-20, her son had undergone a medical treatment in True Care Hospitals (P) Ltd. free of cost. The hospital would have charged a sum of ₹ 60,000 for a similar treatment to un-related patients.

(ii) She owns a residential house. Ground floor of the house is self-occupied by her while first floor has been rented out since 01/10/2019. The reconstruction of the house was started on 01-04-2019 and was completed on 30-09-2019. The monthly rent is ₹ 10,000. The tenant also pays ₹ 3,000 p.m. as power back-up charges. She took a housing loan of ₹ 12 lakhs on 01-04-2019. Interest on housing loan for the period 01-04-2019 to 30-09-2019 was 60,000 and for the period 01-10-2019 to 31-03-2020 was ₹ 40,000. During the year, she also paid municipal taxes for the F.Y. 2018-19 ₹ 5,000 and for F.Y. 2019-20 ₹ 5,000.

(iii) Other informations:

(a) Conveyance expenses include a sum of ₹ 12,000 incurred for conveyance from house to True Care Hospital (P) Ltd. and vice-versa in relation to her employment.

(b) Power & fuel expenses include a sum of ₹ 6,000 incurred for generator fuel for providing power back-up to the tenant.

(c) Administrative expenses include a sum of ₹ 10,000 paid as Municipal Taxes for her house.

(d) Clinic equipment' details are:

Opening W.D.V. of clinic equipments as on 01-04-2019 was ₹ 1,00,000 and fresh purchase made on 28-08-2019 is ₹ 25,000 which was paid in cash.

- (e) She also paid tuition fee of ₹ 40,000 for her grand-daughter, which has been debited to her Capital A/c.
 (f) She availed a loan of ₹ 8,00,000 from bank for higher education of her son. She repaid principal of ₹ 50,000 and interest of ₹ 26,000 during P.Y. 2019-20.

You are required to compute her net taxable income and net tax liability for the Assessment Year 2020-21.

Solution:

Computation of taxable income and tax liability of Mrs. Mitul for the Assessment year 2020-21

Income under the business profession

Net Profit	8,59,000
Add: Expenditure not allowable	
Interest on housing loan	1,00,000
Interest on education loan	26,000
Conveyance expense in relation to her employment	12,000
Power & Fuel expensed incurred	6,000
Municipal taxes paid relating to residential house	10,000
Less:	
Salary received taxable under other head	(1,80,000)
Rent from house property	(78,000)
Dividend from foreign company	(10,000)
Amount paid to scientific research ((150% of 25,000) – 25000)	(12,500)
Depreciation (1,00,000 x 15%)	(15,000)
Income under the head business profession	7,17,500

Income under the head salary

Basic (13,000 x 12)	1,56,000
Transportation allowance (2,000 x 12)	24,000
Gross salary	1,80,000
Less: standard deduction u/s 16(ia)	(50,000)
Taxable salary	1,30,000
Less: Loss under the head house property	(41,500)
Income under the head salary	88,500

Income under the head house property

First floor (letout)

GAV	60,000
Less: Municipal tax (50%)	(5,000)
NAV	55,000
Less: 30% standard deduction u/s 24(a)	(16,500)
Less: Interest u/s 24(b) (1,00,000/2)	(50,000)
Loss from first floor	(11,500)

Ground floor (Self occupied)

GAV	Nil
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Less: Municipal tax (50%)	Nil
NAV	Nil
Less: 30% standard deduction u/s 24(a)	Nil
Less: Interest u/s 24(b) (1,00,000/2) but limited to 30,000	(30,000)
Loss from first floor	(30,000)
Loss under the head house property	41,500

Income under the head other sources

Dividend income	10,000
Income from power back up facility	
Gross receipts (3,000 x 6)	18,000
Less: Expense	(6,000)
Income	12,000
Income under the head other sources	22,000

Calculation of Total Income

Income under the head salary	88,500
Income under the head business profession	7,17,500
Income under the head other sources	22,000
Gross total income	8,28,000
Less: Deductions u/s 80E	(26,000)
Total income	8,02,000

Computation of tax payable

Tax on 8,02,000 at slab rate	70,400
Add: HEC @ 4%	2,816
Tax liability	73,216
Rounded off u/s 288B	73,220

Notes:

1. Medical facility given to employees or his family members, in employers own hospital is not taxable. (proviso to section 17(2))
2. Dividend from foreign companies is taxable under the head other sources.
3. Asset purchase in cash exceeding 10,000 is not considered for computing depreciation.
4. As per section 80C, Tuition fee of children is allowed but in the given case tuition fee of grand daughter is paid hence not allowed.
5. Renting of power backup facility is taxable under the head other sources.
6. In the above solution Loss from house property is adjusted from salary income but it can be setoff from business income also.

Alternative solution: Student can solve business income by taking 44ADA because Mrs. Mitul is a medical practitioner and gross receipts is below 50 lakhs. In such case business income shall be 50% of gross receipts i.e. 50% of 12,00,000 = 6,00,000.

Computation of taxable income and tax liability of Mrs. Mitul for the Assessment year 2020-21

Income under the business profession

Consultation fees	12,00,000
Income under the head business profession	6,00,000

(50% of 12,00,000 u/s 44ADA)

Income under the head salary

Basic (13,000 x 12)	1,56,000
Transportation allowance (2,000 x 12)	24,000
Gross salary	1,80,000
Less: standard deduction u/s 16(ia)	(50,000)
Taxable salary	1,30,000
Less: Loss under the head house property	(41,500)
Income under the head salary	88,500

Income under the head house property

First floor (letout)

GAV	60,000
Less: Municipal tax (50%)	(5,000)
NAV	55,000
Less: 30% standard deduction u/s 24(a)	(16,500)
Less: Interest u/s 24(b) (1,00,000/2)	(50,000)
Loss from first floor	(11,500)

Ground floor (Self occupied)

GAV	Nil
Less: Municipal tax (50%)	Nil
NAV	Nil
Less: 30% standard deduction u/s 24(a)	Nil
Less: Interest u/s 24(b) (1,00,000/2) but limited to 30,000	(30,000)
Loss from first floor	(30,000)
Loss under the head house property	41,500

Income under the head other sources

Dividend income	10,000
Income from power back up facility	
Gross receipts (3,000 x 6)	18,000
Less: Expense	(6,000)
Income	12,000
Income under the head other sources	22,000

Calculation of Total Income

Income under the head salary	88,500
Income under the head business profession	6,00,000
Income under the head other sources	22,000
Gross total income	7,10,500
Less: Deductions u/s 80E	(26,000)
Total income	6,84,500

Computation of tax payable

Tax on 6,84,500 at slab rate	46,900
Add: HEC @ 4%	1,876
Tax liability	48,776
Rounded off u/s 288B	48,780

Notes:

1. Medical facility given to employees or relative of employees is not taxable. (proviso to section 17(2))
2. Dividend from foreign companies is taxable under the head other sources.
3. Asset purchase in cash exceeding 10,000 is not considered for computing depreciation.
4. As per section 80C, Tuition fee of children is allowed but in the given case tuition fee of grand daughter is paid hence not allowed.
5. Let out facility alongwith building is taxable u/h other sources.
6. In the above solution Loss from house property is adjusted from salary income but it can be setoff from business income also.

Question.2. (a)**(7 Marks)**

Mr. Jagdish, aged 61 years, has set-up his business in Thailand and is residing in Thailand since last 20 years. He owns a house property in Bangkok, half of which is used as his residence and half is given on rent (such rent received, converted in INR is ₹ 6,00,000). The annual value of the house in Thailand is ₹ 50,00,000 i.e. converted value in INR.

He purchased a flat in Pune during F.Y. 2015-16, which has been given on monthly rent of ₹ 27,500 since 01.07.2018. The annual property tax of Pune flat is ₹ 40,000 which is paid by Mr. Jagdish whenever he comes to India. Mr. Jagdish last visited India in July 2018. He has taken a loan Union Bank of India for purchase of the Pune flat amounting to ₹ 15,00,000. The interest on such loan for the F.Y. 2019-20 was ₹ 84,000. However, interest for March 2020 quarter has not yet been paid by Mr. Jagdish.

He had a house in Jaipur which was sold in May 2015. In respect of this house he received amount of rent of ₹ 96,000 in Feb. 2020 (not taxed earlier).

He also derived some other incomes during F.Y. 2019-20 which are as follows.

Profit from business in Thailand ₹ 2,75,000

Interest on bonds of a Japanese Co. ₹ 45,000 out of which 50% was received in India.

Income from Apple Orchid in Nepal given on contract and the yearly contract fee of ₹ 5,00,000, for F.Y. 2019-20 was deposited directly by the contractor in Kathmandu branch of Union Bank of India in Mr. Jagdish's bank account maintained with Union Bank of India's Pune Branch.

Compute the total income of Mr. Jagdish for Assessment Year 2020-21 chargeable to income tax in India.

Solution:

Computation of total income of Mr. Jagdish for the A.Y. 2020-21

Mr. Jagdish is residing in Thailand since last 20 years hence status is non -resident.

Income under the head house property

Flat in pune

GAV (Rent received/receivable) (27,500 x 12)	3,30,000
Less: Municipal tax paid	(Nil)
NAV	3,30,000
Less: Standard deduction u/s 24(a) @ 30%	(99,000)
Less: interest on loan u/s 24(b)	(84,000)
Income from flat in pune	1,47,000
Arrears of rent (96,000-28,800)	67,200
Income from house property	2,14,200

Income from other sources

Interest on bonds (50% received in India)	22,500
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Gross total Income

Income under the head house property	2,14,200
Income under the head other sources	22,500
Gross Total income	2,36,700
Less: Deductions u/s 80C to 80U	Nil
Total Income	2,36,700

Notes:

1. Rent from Bangkok house property is assumed to be received in Bangkok.
2. Municipal tax paid in 18-19 and not paid in 19-20 hence not deducted from GAV.
3. Income from apple orchid is received in Nepal as deposited in Nepal hence not taxable in India in case of NR. Student can solve the answer by assuming received in India.

Question. 2. (b)

(7 Marks)

Examine & explain the TDS implications in the following cases along with reasons thereof, assuming that the deductees are residents and having a PAN which they have duly furnished to the respective deductors.

(i) Mr. Tandon received a sum of ₹ 1,75,000 as pre-mature withdrawal from Employees Provident Fund Scheme before continuous service of 5 years on account of termination of employment due to ill-health.

(ii) A sum of ₹ 42,000 has been credited as interest on recurring deposit by a banking company to the account of Mr. Hasan (aged 63 years).

(iii) Ms. Kaul won a lucky draw prize of ₹ 21,000. The lucky draw was organized by M/s. Maximus Retail Ltd. for its customer.

(iv) Finance Bank Ltd. sanctioned and disbursed a loan of ₹ 10 crores to Borrower Ltd. on 31-3-2020. Borrower Ltd. paid a sum of ₹ 1,00,000 as service fee to Finance Bank Ltd. for processing the loan application.

(v) Mr. Ashok, working in a private company, is on deputation for 3 months (from December, 2019 to February, 2020) at Hyderabad where he pays a monthly house rent of ₹ 52,000 for those three months, totaling to ₹ 1,56,000. Rent is paid by him on the first day of the relevant month.

Answer:

(i) As per section 192A, If person responsible for making payment of recognized provident fund to any person shall deduct tax @ 5% if amount paid/payable is taxable and amount is exceeding ₹50,000 but if amount is withdrawn before continuous period of five years due to ill health then it is not taxable and TDS shall not be deducted.

In the given case amount is withdrawn from Employees provident fund before continuous period of 5 years due to ill health hence the amount is not taxable hence TDS shall not be deducted.

(ii) As per section 194A, Tax shall be deducted @ 10% if interest paid by banking company is exceeding 50,000 for senior citizens. In the given case, interest is paid to senior citizen and amount is not exceeding 50,000 hence banking company is not liable to deduct TDS.

(iii) As per section 194B, Every person responsible for paying resident any income by way of winning and amount paid or payable is exceeding 10,000 then tax shall be deducted @ 30%.

In the given case, amount paid is exceeding 10,000 hence liable to deduct tax @ 30% on 21,000 = 6,300.

(iv) As per section 2(28A), Interest means interest payable in any manner and includes service fee also.

As per section 194A, TDS is not deductible in case any payment is made to a banking company.

In the given case, Service fee is paid to banking company and interest includes service hence TDS is not deductible in case of payment to a banking company.

(v) As per section 194IB, any person responsible for paying rent to a resident exceeding 50,000 for a month shall deduct tax @ 5%, in the given case rent paid is exceeding 50,000 hence Mr. Ashok is liable to deduct tax @ 5% on 1,56,000 = 7,800

Question.3. (a)

(4 Marks)

Mr. Prakash is in the business of operating goods vehicles. As on 1st April, 2019, he had the following vehicles:

Vehicle	Gross Vehicle Weighted (in Kgs.)	Date of Purchase	Put to use during F.Y. 2019-20
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A	8500	2-4-2018	Yes
B	13000	15-5-2018	Yes
C	12000	4-8-2018	No (as under repairs)

During P.Y. 2018-19, he purchased the following vehicles:

Vehicle	Gross Vehicle Weight (in Kgs.)	Date of Purchase	Date on which put to use
D	11000	30-4-2019	10-5-2019
E	15000	15-5-2019	18-5-2019

Compute his income under Section 44AE of the Income Tax Act, 1961 for A.Y. 2020-21.

Solution:

As per section 44AE, If any person is engaged in the business of plying, hiring or leasing goods carriages, he will have the option to compute income under the head business/profession on presumptive basis and it will be **₹7,500 per month or part of the month per goods carriage** provided it is not a heavy goods vehicle. Heavy goods vehicle means goods vehicle having gross weight more than 12 ton (12000 kg.) If it is a heavy goods vehicle income shall be presume to be ₹1000 per ton of gross weight.

Assessee **should not have more than 10 goods carriages** at any time during the year otherwise such option is not allowed.

In the given case, assessee does have more than 10 goods carriages and shall be eligible to opt for section 44AE.

Computation of Business Income

As per section 44AE

Goods vehicle

Vehicle A (₹7,500 x 1 x 12)	90,000
Vehicle C (₹7,500 x 1 x 12)	90,000
Vehicle D (₹7,500 x 1 x 12)	90,000

Heavy goods vehicle

Vehicle B (₹1,000 x 13 x 12)	1,56,000
Vehicle E (₹1,000 x 15 x 11)	1,65,000

Business Income	5,91,000
Gross Total Income	5,91,000
Less: Deduction u/s 80C to 80U	Nil
Total Income	5,91,000

Question.3. (b)

(6 Marks)

Mr. Rajan provides you the following details with regard to sale of certain securities by him during F.Y. 2019-20:

(i) Sold 10000 shares of A Ltd. on 05-04-2019 @ ₹ 650 per share

A Ltd. is a listed company. These shares were acquired by Mr. Rajan on 05-04-2016 @ ₹ 100 per share. STT was paid both at the time of acquisition as well as at the time of transfer of such shares which was affected through a recognized stock exchange. On 31-01-2018, the shares of A Ltd. were traded on a recognized stock exchange as under:

Highest price - ₹ 300 per share

Average price - ₹ 290 per share

Lowest price - ₹ 280 per share

(ii) Sold 1000 units of B Mutual Fund on 20-04-2019 @ ₹ 50 unit

B Mutual Fund is an equity oriented fund. These units were acquired by Mr. Rajan on 15-04-2017 @ ₹ 10 per unit. STT was paid only at the time of transfer of such units. On 31-01-2018, the Net Asset Value of the units of B Mutual Fund was ₹ 55 per unit.

(iii) Sold 100 per shares of C Ltd. on 25-04-2019 @ ₹ 200 per share

C Ltd. is an un-listed company. These shares were issued by the company as bonus shares on 30-09-1997. The Fair Value of these shares as on 01-04-2001 was ₹ 50 per share.

Cost Inflation Index for various financial year are as under:

2001-02 - 100

2016-17 - 264

2017-18 - 272

2019-20 - 289

Calculate the amount chargeable to tax under the head 'Capital Gains' and also calculate tax on such gains for A.Y. 2020-21 assuming that the other incomes of Mr. Rajan exceeds the maximum amount not chargeable to tax. (Ignore surcharges and cess).

Solution: Computation of amount chargeable to tax under the head capital gains(i) Sold 10000 shares of A Ltd. on 05-04-2019 @ ₹ 650 per share

Full value of consideration (10,000 x 650)		65,00,000
Cost of acquisition		(30,00,000)
Higher of		
1. Cost of acquisition (10,000 x 100)	10,00,000	
2. Lower of		
(a) Fair market value of such asset on 31.01.2018 (10,000 x 300)	30,00,000	
(b) Actual sale value	65,00,000	
LTCG u/s 112A		35,00,000

(ii) Sold 1000 units of B Mutual Fund on 20-04-2019 @ ₹ 50 unit

Full value of consideration (1,000 x 50)		50,000
Cost of acquisition		(50,000)
Higher of		
1. Cost of acquisition (1,000 x 10)	10,000	
2. Lower of		
(a) Fair market value of such asset on 31.01.2018 (1,000 x 55)	55,000	
(b) Actual sale value (1,000 x 50)	50,000	
LTCG u/s 112A		Nil

(iii) Sold 100 per shares of C Ltd. on 25-04-2019 @ ₹ 200 per share

Full value of consideration (100 x 200)		20,000
Less: Indexed Cost of Acquisition (100 x 50)/100 x 289		(14,450)
Long Term Capital Gain		5,550
Income under the head capital gains		35,05,550

Computation of Tax Liability

Tax on (35,00,000 – 1,00,000) @ 10% u/s 112A	3,40,000
Tax on ₹5,550 @ 20% u/s 112	1,110
Tax before health & education cess	3,41,110

Question.3. (c) (4 Marks)

MLX Investments (P) Ltd. was incorporated during P.Y. 2017-18 having a paid up capital of ₹ 10 LAKHS. In order to increase its capital, the company further issues, 1,00,000 shares (having face value of ₹ 100 each) during the year at par as on 01-08-2019. The FMV of such share as on 01-08-2019 was ₹ 85.

- (i) Determine the tax implications of the above transaction in the hands of company, assuming it is the only transaction made during the year.
- (ii) Will your answer change, if shares were issued at ₹ 105 each?
- (iii) What will be your answer, if shares were issued at ₹ 105 and FMV of the share was ₹ 120 as on 01-08-2019?

Answer:

As per section 56(2)(viib), where a company, not being a company in which public are substantially interested, receives in any previous year, from any resident person, any consideration for issue of shares that exceeds the face value of the shares, aggregate consideration received for such shares as exceeds the Fair market value of the shares shall be taxable under the head other sources.

(i) In the given case, shares are issued at face value and does not issue in price exceeding face value of the shares. Hence no amount is taxable.

(ii) In the given case, shares are issued exceeding face value hence taxable amount shall be

$$\begin{aligned} & \text{(Issue price – FMV of the share) x No. of shares} \\ & = (105-85) \times 1,00,000 = 20,00,000 \end{aligned}$$

(iii) In the given case, shares are issued exceeding face value but shares are issued lower than FMV, hence no amount shall be taxable.

Question.4. (a) (5 Marks)

Mr. Mahadev, a noted bhajan singer of Rajasthan and his wife Mrs. Dariya furnish the following information relating to the Assessment Year 2020-21.

		₹
1	Income of Mr. Mahadev- professional bhajan singer (computed)	5,65,000
2	Salary income of Mrs. Dariya (computed)	3,80,000
3	Loan received by Mrs. Dariya from Ramu & Jay (Pvt) Ltd. (Mrs. Dariya holds 35% shares of the Co. has incurred losses since its inception 2 years back)	2,50,000
4	Income of their minor son Golu winning signing reality show on T.V.	2,50,000
5	Cash gift received by Golu from friend of Mr. Mahadev on winning the show	21,000
6	Interest income received by minor married daughter Gudia from deposit with Ramu & Jay Pvt Ltd.	40,000

Compute total taxable income of Mr. Mahadev & Mrs. Dariya for the Assessment Year 2020-21.

Solution:**Computation of Taxable income of Mr. Mahadev for the A.Y. 2020-21****Income under the head business profession**

Professional income (computed) 5,65,000

Income under the head other sources

Interest income of daughter Gudia	40,000
Less: exemption u/s 10(32)	(1,500)
Income under the head other sources	38,500
Gross Total Income	6,03,500
Less: Deduction u/s 80C to 80U	Nil
Total Income	6,03,500

Computation of Taxable income of Mrs. Dariya for the A.Y. 2020-21

Income under the head salary	
Salary income (computed)	3,80,000
Gross Total Income	3,80,000
Less: Deduction u/s 80C to 80U	Nil
Total Income	3,80,000

Notes:

1. Income of Minor shall be clubbed in the income of parents who have higher income before clubbing the income of minor. In the given case income of father is greater than mother's income hence amount shall be clubbed in the income of Father.
2. Loan amount would not be considered as deemed dividend u/s 2(22)(e) as company does not have accumulated profits.
3. Income from skill and talent shall not be clubbed in the income of the parents and shall be taxable in the hands of children itself.
4. As per section 56(2)(x), Gift shall be taxable if amount received during the year exceed 50,000 but in the given case, cash gift received is less than 50,000 hence nothing shall be clubbed in the hands of the parent.

Question.4. (b)

(5 Marks)

Following are the details of incomes/ losses of Mr. Rishi for the F.Y. 2019-20:

(Figures in brackets represents losses)	₹
Taxable salary income (computed)	3,60,000
Taxable income from house property (computed)	
- from rented house property X	1,20,000
- from rented house property Y	(3,40,000)
Taxable profit from business (computed)	
- business P	2,30,000
- business Q	(12,000)
- business R (speculative business)	15,000
- business T (speculative business)	(25,000)
Taxable Income from other sources:	

- from card games	16,000
- from owning & maintenance of race horses	(7,000)
- interest on securities	5,000

You are required to determine the Gross total income of Mr. Rishi for Assessment year 2020-21.

Solution:

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

Income under the head Salary	
Taxable salary income (computed)	3,60,000
Less: Loss from property X	(2,00,000)
Income under the head salary	1,60,000
Income under the head House property	
Income from Property X	1,20,000
Less: Loss from property Y	(1,20,000)
Income under the head house property	Nil
Income under the head business profession	
Income from Business P	2,30,000
Less: Loss from Business Q	(12,000)
Income from normal business	2,18,000
Income from Business R (speculative)	15,000
Less: Loss from Business Q (speculative)	(15,000)
Income from speculative business	Nil
Income under the head business profession	2,18,000
Income under the head other sources	
Interest income	5,000
Income from card games	16,000
Income under the head other sources	21,000
Gross total income	
Income under the head salary	1,60,000
Income under the head business profession	2,18,000
Income under the head other sources	21,000
Gross total income	3,99,000
Losses to be carried forward	
House property	20,000
Speculative business loss	10,000
Loss from owning and maintain of race horses	7,000

Notes:

1. Loss from house property can be adjusted from other head income maximum upto 2,00,000 and balance can be carried forward. (Section 71)
2. Speculative loss can be adjusted only from speculative income and balance can be carried forward. (section 73)
3. Loss from owning and maintain race horses can be adjusted only from such income and not allowed from other income. (section 74A)
4. In the above solution HP loss is adjusted from salary income. Student can adjust such loss from business income also.

Question.4. (c)**(4 Marks)**

What are the clarifications made by CBDT with respect to Section 206 C (1F) relating to following issues:

- (i) Whether TCS on sale of motor vehicle is applicable only to luxury car?
- (ii) Whether TCS is applicable on each sale or aggregate value of sale motor vehicle, exceeding ₹ 10 lakhs?
- (iii) Whether TCS is applicable in case of an individual?
- (iv) Whether TCS on sale of motor vehicle is at retail level or only by manufacturer to distributor or dealer?

Answer:

- (i) No. As per section 206C, TCS shall be applicable on sale of motor vehicle of the value exceeding 10 lakhs.
- (ii) TCS @ 1% is collected on sale consideration of motor vehicle exceeding 10,00,000. It is applicable to each sale and not on aggregate value of sale during the year.
- (iii) An individual who is liable to tax audit during the financial year immediately preceding the financial year in which the motor vehicle is sold shall be liable for collection of tax at source.
- (iv) TCS on sale of motor vehicle is applicable on all transactions of retail sales only and not applicable on sale by manufacturer to distributor or dealer.

OR

Elaborate the conditions, non-fulfilment of which would render a return of income filed by an assessee not maintaining regular books of accounts, defective.

Answer:

Where regular books of accounts is not maintained by the assessee, return shall be accompanied by the followings:

- (i) amount of turnover or gross receipts
- (ii) gross profit
- (iii) expenses
- (iv) net profit
- (v) the amount of total sundry debtors, creditors, stock and cash balance at the end of the previous year.

Non fulfilment of above details return shall be treated as defective.

SECTION-B- GST

Question.5.**(8 Marks)**

M/s Grey, a registered taxable person under regular scheme provides following information in respect of supplies made by it during the month of April 2019:

	(All amount in rupees)
(i) Inter- state supply of goods	1,00,000
(ii) Intra- state supply of 500 packets of detergent @ ₹400 each alongwith a plastic bucket worth ₹ 100 each with each packet, being a mixed supply. (Rate of GST on detergent is 18% and on plastic bucket is 28%)	
(iii) Supply of online educational journals to M/s Pinnacle, a private coaching centre providing tuitions to students of Class X-XII, being intra-state supply.	50,000

M/s Grey has also received the following inward supplies:

(iv) Inter-state supply of goods (out of which invoice for goods worth ₹ 20,000 is missing and no other tax paying document is available)	70,000
(v) Repairing of bus with seating capacity of 20 passengers used to transport its employees from their residence, being intra-state supply,	50,000

Details of opening balances of ITC as on 1-4-2019 are as

Follows:

(₹)

CGST	5,000
SGST	5,000
IGST	40,000

Following additional information is provided:

- (a) Rate of GST in respect of all inward and outward supplies except item (ii) above is 18% i.e. CGST and SGST @ 9% and IGST @ 18%.
- (b) All figures mentioned above are exclusive of taxes.
- (c) All the conditions for availing the ITC have been fulfilled except specifically given and M/s. Grey is not eligible for any threshold exemption.

Compute the maximum net GST payable in cash by M/s. Grey for the month of April 2019.

Solution: Computation of Net GST Payable in cash for the month of April 2019

₹

Output Tax

(i) Inter state supply of goods	1,00,000
Add: IGST @ 18%	18,000
 (ii) Intra State Sale of Taxable goods	
Detergent (500 x 400)	2,00,000
Add: CGST @ 14%	28,000
Add: SGST @ 14%	28,000

(iii) Intra State Sale of educational journal

	50,000
Add: CGST @ 9%	4,500
Add: SGST @ 9%	4,500

Input Tax

Input inter state purchase	50,000
Add: IGST @ 18%	9,000
Repairing of bus	50,000
Add: CGST @ 9%	4,500
Add: SGST @ 9%	4,500

Computation of Net Tax Liability**CGST**

Output Tax (28,000+4,500)	32,500
Less: ITC -IGST	(23,000)
Less: ITC -CGST	(9,500)
Net Tax Liability	Nil

SGST

Output Tax (28,000+4,500)	32,500
Less: ITC -IGST	(8,000)
Less: ITC -SGST	(9,500)
Net Tax Liability	15,000

IGST

Output Tax	18,000
Less: ITC -IGST	(18,000)
Net Tax Liability	Nil

Note:

1. In case of mixed supply highest rate of tax shall be considered.

Question.6. (a)**(6 Marks)**

Mr. Zafar of Assam, provides the following information for the preceding financial year 2018-19. You are required to find out the aggregate turnover for the purpose of eligibility of composition levy scheme and determine whether he is eligible for composition levy scheme or not, for the F.Y. 2019-20.

Particulars	Amount (₹ in lakhs)
Value of taxable outward supplies (out of above ₹10 lakhs was in course of inter-state transactions).	50.00
Value of exempt supplies (which include ₹ 30 lakhs was received as a interest on loans & advances).	70.00
Value of inward supplies on which he is liable to pay tax under reverse charge	5.00

Value of exports	5.00
All the amounts are exclusive of GST.	

Solution:

As per section 2(6), "aggregate turnover" means the aggregate value of all taxable supplies (excluding the value of inward supplies on which tax is payable by a person on reverse charge basis), exempt supplies, exports of goods or services or both and inter-State supplies of persons having the same Permanent Account Number, to be computed on all India basis but excludes central tax, State tax, Union territory tax, integrated tax and cess.

As per the above definition aggregate turnover shall be:

Particulars	Amount (₹ in lakhs)
Value of taxable outward supplies	50.00
Value of exempt supplies (70-30)	40.00
Value of inward supplies on which he is liable to pay tax under reverse charge	Nil
Value of exports	5.00
Aggregate turnover	95.00

Since Assessee is staying in Assam hence limit of 1.5 crore shall be applicable and his aggregate turnover is below 1.5 crore hence he is eligible for composition scheme but in the given case assessee is supplying interstate hence he is not eligible for composition scheme.

Question.6. (b)**(4 Marks)**

Know & Grow Publishers, a registered dealer in India, paid an advance ₹ 50,000 to Mr. Ganatra, an author, for the copyright covered under Section 13(1) (a) of the Copyright Act, 1957, of his original literary work on 5-9-2019. It made the balance payment ₹ 1,50,000 on 12-12-2019. You are required to determine the time of supply, if Mr. Ganatra raised the invoice on:

- (i) 6-10-2019
- (ii) 17-12-2019

Answer: As per section 13(3), Time of supply of services in case of reverse charge shall be earlier of the following:

1. The date of payment or
2. The date immediately following 60 days from the date of issue of invoice.

(i)

(a) In the given case TOS shall be earlier of the following:

1. 05th September 2019
 2. 6th December 2019 (Oct -25, Nov – 30, December – 5)
- Hence, TOS shall be 5th September 2019.

(b) In the given case TOS shall be earlier of the following:

1. 12th December 2019
 2. 6th December 2019 (Oct -25, Nov – 30, December – 5)
- Hence, TOS shall be 6th December 2019.

(ii)

(a) In the given case TOS shall be earlier of the following:

1. 05th September 2019
2. 16th February 2020 (December – 14, January – 31, Feb - 15)

Hence, TOS shall be 5th September 2019.

(b) In the given case TOS shall be earlier of the following:

1. 12th December 2019
2. 16th February 2020 (December – 14, January – 31, Feb - 15)

Hence, TOS shall be 12th December 2019.**Question.7. (a)****(5 Marks)**

Explain the registration requirements under GST law in the following independent cases

(i) Mr. Ahmad of Jammu engaged in the business of supplying tobacco based Pan Masala with an aggregate turnover of ₹ 24 lacs.

(ii) Mr. Lepcha of Mizoram is engaged in the supply of papers with an aggregate turnover of ₹ 13 lacs.

Will your answer be different if Mr. Lepcha is located in Meghalaya?

Answer:**As per section 22**, every supplier of goods shall be liable to be registered in the State / Union Territory, if his aggregate turnover in a financial year exceeds the specified limit which is given below:**Limit for person supplying within the State/UT.**

SL.No	Name of State/UT	Limit for person supplying only goods
01	Mizoram	10,00,000
02	Meghalaya	20,00,000
03	Jammu	40,00,000

SL. No	Name of State/UT	Limit for person supplying Specified goods i.e. ice cream and other edible ice, pan masala, Tobacco etc.
01	Jammu	20,00,000

(i) As per the above limits Mr. Ahmad of Jammu is engaged in the supply of tobacco based pan masala with an aggregate turnover exceeding ₹20,00,000, hence he liable to registration.

(ii) As per the above limits Mr. Lepcha of Mizoram is engaged in the supply of paper with an aggregate turnover exceeding ₹10,00,000, hence he liable to registration.

Yes answer will change if Mr. Lepcha is located in Meghalaya limit of 20,00,000 shall be applicable and aggregate turnover is less than 20,00,000 hence he is not liable for registration.

Question.7. (b)**(5 Marks)**

Mr. Shah, a consignor is required to move goods from Ahmedabad (Gujarat) to Nadiad (Gujarat). He appoints Mehta Transporter for movement of goods. Mehta Transporter moves the goods from Ahmedabad (Gujarat) to Kheda (Gujarat). For completing the movement of goods from Kheda (Gujarat) to Nadiad (Gujarat), Mehta Transporter now hands over the goods to Parikh Transporter.

Explain the procedure regarding e-way bill to be followed by consignor and transporter as per provisions of GST law and rules made thereunder.

Answer:

In the given scenario, only one e-way bill is required to be issued. Part A can be filled by either Mr. Shah or recipient of goods or Mehta Transporter on the appropriate authorisation. Where the goods are transferred from one conveyance to another, the consignor or the recipient, who has provided information in Part A, or the transporter shall, before such transfer and further movement of goods, update the details of conveyance in the e-way bill on the common portal in Part B.

Thus, on reaching Kheda, Mr. Shah or the recipient of the goods, who has filled Part A of the e-way bill, or Mehta Transporter can, before the transfer and further movement of goods, update the details of conveyance in Part B of the e-way bill. Further, the consignor or the recipient, who has furnished the information in Part A, or the transporter, may assign the e-way bill number to another registered or enrolled transporter for updating the information in Part B for further movement of the consignment. Thus, on reaching Kheda, Mr. Shah or the recipient of the goods, or Mehta Transporter can assign the said e-way bill to Parikh Transporter who will thereafter update the details of conveyance in Part B. However, upon updation of the details of the conveyance by Parikh transporter in Part B, Mr. Shah or recipient, as the case may be, who has furnished the information in Part A shall not be allowed to assign the e-way bill number to another transporter.

Question.8. (a)**(5 Marks)**

Explain in brief the conditions to be fulfilled by a registered person under GST law for availing the option to pay concessional tax @ 3% (effective rate 6%) under GST as per the provisions of notification number 2/2019 CT(R) dt. 7-3-2019 as amended, with effect from 1st April, 2019.

Answer: Refer answer given in the book

Question.8. (b)**(5 Marks)**

Discuss the provisions of Section 39(9) of the CGST Act, 2017, relating to rectification of errors/ omissions in GST returns already filed and also state its exceptions. State the time limit for making such rectification.

Answer:

Omission or incorrect particulars discovered in the returns filed u/s 39 can be rectified in the return to be filed for the tax period during which such omission or incorrect particulars are noticed. Any tax payable as a result of such error or omission will be required to be paid along with interest.

Exception

It is important to note that section 39(9) does not permit rectification of error or omission discovered on account of scrutiny, audit, inspection or enforcement activities by tax authorities.

Hence, assessee may not be able to pass on the ITC to the receiver in respect of tax payments made by him in pursuance of any of the aforementioned situations.

Time limit for making rectification

The maximum time limit within which the rectification of errors/omissions is permissible is earlier of the following dates: Due date of filing of return for the month of September following the end of the financial year [i.e., 20th October of next financial year] or Actual date of filing of the relevant annual return. The last date of filing of annual return for a financial year is 31st December of next financial year. Hence, if annual return for the year 2017-18 is filed before 20th October 2018, then no rectification of errors/omissions in returns pertaining to FY 2017-18 would be permitted thereafter.

OR

Question.8. (c) (i)

(2 Marks)

Explain the consequence, if the taxable person under GST law files the GST return under Section 39(1) of the CGST Act, 2017, but does not make payment of self-assessment tax.

Answer:

If the taxable person under GST law files the GST return under section 39(1) of the CGST Act, 2017, but does not pay the self-assessment tax, the return is not considered as a valid return¹. Since the input tax credit can be availed only on the basis of a valid return, the taxable person, in the given case, will not be able to claim any input tax credit. He shall pay interest, penalty, fees or any other amount payable under the CGST Act for filing return without payment of tax.

Question.8. (c) (ii)

(3 Marks)

State the items which are to be debited to electronic liability register of the taxable person under the CGST Act, 2017 and rules thereunder.

Answer: Refer answer given in the book