

EXAMINATION QUESTIONS

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

Roll No.....
Total No. of Questions – 8

Total No. of Printed Page-18
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. Answer 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 to 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 question 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 Question No 6 – 8.
2. Working notes should form part of the answer.
3. Answers to the question 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.

All questions should be answered in the basis of position of GST law as amended by significant notifications/circulars issued upto 31st October, 2018.

PART-II
Section-A

Question 1**Marks 14**

From the following particulars of Shri Jagdish (Aged 59 Years) for the Assessment Year 2020-21, you are required to find out his taxable income and net tax liability:

- (i) Basic Salary @ ₹ 51,000 per month, Dearness allowance @ ₹ 10,000 per month (Part of salary for retirement benefits), House rent allowance ₹ 4,000 per month and rent paid for house in Mumbai is ₹ 7,000 per month.
- (ii) He owns a commercial building at New Delhi, which is let out on 1/7/2019 at a monthly rent of ₹ 46,000. He paid for municipal taxes of ₹ 27,000 and ₹ 25,000 for the financial year 2018-19 and 2019-20 on 31-3-2020 and 20-4-2020 respectively.
- (iii) He deals in shares. During financial year 2019-20 he earned ₹ 1,70,000 from his share business and paid ₹ 30,000 as security transaction tax.
- (iv) He purchased 4000 unlisted shares of Shyam Limited on 16-1-2009 for ₹ 80,000. Company declared bonus in the ratio of 1:1 on 1st February, 2009. Shri Jagdish sold 3000 Bonus Shares on 28/12/2019 for ₹ 2,00,000 to his friend Mr. Mehul through unrecognized stock exchange. (Cost Inflation Index: 2008-09: 137, 2019-20 : 289)
- (v) He received dividend of ₹ 13,00,000 as dividend income from listed domestic company (on which dividend distribution tax is paid), Interest from saving bank account deposits with IDBI Bank ₹ 15,000 and lottery winnings (Net of TDS @ 30%) is ₹ 21,000.

He paid the following amount out of his taxable income :

- (a) Deposits in Public Provident Fund ₹ 2,00,000.
- (b) Medical insurance premium paid for health of his wife ₹ 19,000 and for health of dependent son ₹ 12,000 through cheque.

Solution:**Computation of Total Income and Net Tax Liability of Mr. Jagdish of A.Y. 20-21****Computation of Income under the head Salary**

Basic Pay	6,12,000
(51,000 x 12)	
Dearness Allowance	1,20,000
(10,000 x 12)	
House Rent Allowance {Sec 10 (13A), Rule 2A}	37,200

Working Note:**Least of the following is exempt:**

1. ₹ 84,000 – 73,200 = ₹ 10,800
 2. 50% of retirement benefit salary = ₹ 3,66,000
(Retirement benefit salary (₹ 51,000 + 10,000) x 12 = ₹ 7,32,000)
 3. ₹ 48,000
- Received = ₹ 48,000
Exempt = (₹ 10,800)
Taxable = ₹ 37,200

Gross Salary	7,69,200
Less: Standard Deduction u/s 16(ia)	(50,000)
Income under the head Salary	7,19,200

Income from house property

Gross Annual Value (GAV) (Rent receivable is taken as GAV in the absence of other information) (46,000 × 9)	4,14,000
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Less: Municipal taxes paid	(27,000)
Net Annual Value (NAV)	3,87,000
Less: Deductions u/s 24 (a) 30% of NAV	(1,16,100)
Less: Deductions u/s 24 (b) Interest	Nil
Income from House Property	2,70,900

Income under the head business/profession

Earned from his share business	1,70,000
Less: Securities Transaction tax paid (section 36(1)(xv))	(30,000)
Income under the head business/profession	1,40,000

Income under the head capital Gains

Full value of Consideration on Sale of Bonus shares	2,00,000
Less: Indexed cost of Acquisition	Nil
Long Term capital gains	2,00,000
Income under the head other sources	
Dividend Income in excess of ₹10,00,000	3,00,000
Interest from saving bank account	15,000
Lottery Winning (21,000/70%)	30,000
Income under the head other sources	3,45,000

Gross Total Income

Income under the head Salary	7,19,200
Income from House Property	2,70,900
Income under the head business/profession	1,40,000
Income under the head capital Gains	2,00,000
Income under the head other sources	3,45,000
Gross Total Income	16,75,100
Less: Deduction u/s 80C – PPF	(1,50,000)
Less: Deduction u/s 80D (19,000+12,000 = 31,000 but limited to 25,000)	(25,000)
Less: Deduction u/s 80TTA	(10,000)
Total Income	14,90,100

Computation of Tax Liability

Tax on ₹30,000 @ 30% u/s 115BB	9,000.00
Tax on ₹2,00,000 @ 20% u/s 112	40,000.00
Tax on ₹3,00,000 @ 10% u/s 115BBDA	30,000.00
Tax on normal income ₹9,60,100	1,04,520.00
Tax before health & education cess	1,83,520.00
Add: HEC @ 4%	7,340.80
Tax Liability	1,90,860.80
Less: TDS	(9,000.00)
Tax Payable	1,81,860.80
Rounded off u/s 288B	1,81,860.00

Question 2 (a)**Marks 7**

The following are the income of Shri Subhash Chandra, a citizen of India for the previous year 2019-20:

- (i) Income from business in India ₹ 2,00,000. The business is controlled from London and ₹ 60,000 were remitted to London.

- (ii) Profits from business earned in Japan ₹ 70,000 of which ₹ 20,000 were received in India. This business is controlled from India.
- (iii) Untaxed income of ₹ 1,30,000 for the year 2017-18 of a business in England which was brought in India on 3rd March, 2020.
- (iv) Royalty of ₹ 4,00,000 received from Shri Ramesh, a resident for technical service provided to run a business outside India.
- (v) Agricultural income ₹ 90,000 in Bhutan.
- (vi) Income of ₹ 73,000 from house property in Dubai, which was deposited in bank at Dubai.

Compute Gross total income of Shri Subhash Chandra for the A.Y. 2020-21, if he is –

- (1) A resident and Ordinarily Resident, and
- (2) A resident and Not Ordinarily Resident

Solution:

As per section 5, All Global Income of ROR shall be taxable in India but in case of NOR income accruing arising in India or received in India shall be taxable in India. In case of NOR, income accruing / arising aboard and received aboard but from a business controlled from India or from a profession which was set up in India shall be taxable in India.

S.No.	Particulars	ROR	NOR
(i)	Income from business in India, controlled from London	2,00,000	2,00,000
(ii)	Profit from business in Japan, controlled from India	70,000	70,000
(iii)	Past years untaxed foreign income brought to India	-	-
(iv)	Royalty Income from a resident for technical service to run business outside India (assumed amount received in India)	4,00,000	4,00,000
(v)	Agriculture Income from Bhutan (i.e. outside India) assumed received in Bhutan	90,000	-
(vi)	Income from house property in Dubai received in Dubai	73,000	-
	Gross Total Income	8,33,000	6,70,000

Note: Student can take assumption that royalty received outside India, in such case royalty shall be taxable in case of ROR only.

Note: In the above solution income of 73,000 is presumed to be computed income under the head house property. Student can also presume such amount as rent received (as the amount is deposited in bank account) and standard deduction u/s 24(a) @ 30% shall be allowed from 73,000 and taxable amount shall be 51,100

Question 2 (b)

(7 Marks)

Examine the TDS implications in the following cases along-with reasons thereof;

- (i) Ms. Varsha received a sum of ₹ 95,000 on 31st December 2019 towards maturity proceeds of LIC taken on 1st October 2013 for which sum assured was ₹ 80,000 and annual premium was ₹ 10,000.
- (ii) Mr. Deepak transferred a residential house property to Mr. Karan for ₹ 45 lacs. The stamp duty value of such property is ₹ 55 lacs.
- (iii) XYZ Private Limited pays the following amounts to Mr. Narayan during previous year 2019-20:
 - (1) ₹ 22,000 towards fee for professional services

- (2) ₹ 18,000 towards royalty
- (iv) Payment of ₹ 1,75,000 made to Mr. Vaibhav for purchase of calendar according to specification of M/s. ABC Limited. However, no material was supplied for such calendar by ABC Limited to Mr. Vaibhav.
- (v) Talent Private Limited pays ₹ 12,000 to Ms. Sudha, its director, towards sitting fee which is not taxable u/s 192.
- (vi) Radha Limited is engaged for Shyam Limited only in the business of operation of call centre. On 18-03-2020, the total amount credited by Shyam Limited in the ledger account of Radha Limited is ₹ 70,000 regarding service charges of call centre. The amount is paid through cheque on 28/03/2020 by Shyam Limited.

Answer:

(i) **As per section 194DA**, in general payment on maturity of Life policy is exempt from income tax under section 10(10D) however sometimes the amount is taxable (if premium paid has exceeded the prescribed percentage (i.e. 10% / 15% / 20%)) and in that case tax has to deducted at source @ **5% on the amount of income** provided the amount paid or payable to any resident during a particular financial year is ₹1,00,000 or more. In the given case, premium paid is more than 10% and the maturity proceeds is taxable but the amount is less than 1,00,000 hence TDS shall not be deducted.

(ii) **As per section 194-IA**, every person (including individual and HUF even if limit prescribed under section 44AB has not exceeded in the preceding year) making **payment to a resident** for purchase of **immovable property of ₹50 lakhs** or more shall deduct tax at source @ **1%** of such sum. In the given case, though the stamp duty value is exceeding **₹50 lakhs but payment is not exceeding ₹50 lakhs hence TDS is not applicable and Mr. Karan is not required to deduct TDS.**

(iii) **As per section 194J**, every person, who is responsible for paying to a **resident** any sum by way of –

- (i) fees for Professional services
- (ii) fees for Technical services
- (iii) any Remuneration or fees or commission to a director of a company (in case salary is being paid to a director, tax shall be deducted at source under section 192).
- (iv) Royalty
- (v) Non-compete fee referred to in section 28

shall deduct tax at source at the rate of 10% if amount paid or payable is more than ₹ 30,000 and limit shall be separately applicable for each of the above payments but there is no limit for payment to a director.

In the given case, amount paid is less than limit prescribed above hence no TDS shall be required to be deducted.

(iv) **As per section 194C**, every person responsible for making payment to a **resident contractor** in connection with any work shall deduct tax at source @ **2%** and in case of payment to individual or Hindu Undivided Family, the rate of TDS shall be **1%**. Tax shall be deducted at source only if the amount being paid is exceeding **₹30,000** or the amount paid or payable during a particular financial year to a particular person exceeds **₹1,00,000**.

If any person making payment for purchase of goods, no tax shall be deducted at source but if such person has supplied raw material etc. and contract is only for labour etc., tax shall be deducted at source.

In the given case, material is not supplied hence TDS is not required to be deducted.

(v) **As per section 194J**, TDS is required to be deducted if payment is made to a director and no limit of ₹30,000 is applicable in case of payment to director. In the given case, payment is made to director hence TDS is applicable and required to be deducted @ 10% on ₹12,000.

(vi) **As per section 194J**, TDS is required to be deducted @ 2% instead of 10% in case of person engaged in business of call centre . In the given case Radha Limited is engaged only in the business of operation of call centre. TDS is required to be deducted @ 2% on ₹ 70,000

Question 3 (a)**Marks 8**

Mr. Madhvan is a finance manager in Star Private Limited. He gets a salary of ₹ 30,000 per month. He owns two houses, one of which has been let out to his employer and which is in-turn provided to him as rent free accommodation. Following details (annual) are furnished in respect of two house properties for the Financial Year 2019-20.

	House 1	House 2
Fair rent	75,000	1,95,000
Actual rent	65,000	2,85,000
Municipal Valuation	74,000	1,90,000
Municipal taxes paid	18,000	70,000
Repairs	15,000	35,000
Insurance premium on building	12,000	17,000
Ground rent	7,000	9,000
Nature of occupation	Let-out to Star Private Limited	Let-out to Ms. puja

₹ 17,000 were paid as Interest on loan taken by mortgaging House 1 for construction of House 2.

During the Previous year 2019-20, Mr. Madhvan purchased a rural agricultural land for ₹ 2,50,000. Stamp valuation of such property is ₹ 3,00,000.

Determine the taxable income of Mr. Madhvan for the assessment year 2020-21. All workings should form part of your answer.

Solution:

Computation of Taxable Income of Mr. Madhvan for the A.Y. 2020-21

₹

Computation of income under the head Salary

Basic salary (30,000 x 12)	3,60,000
Rent free accommodation {Sec 17(2)(i) Rule 3(1)}	54,000

Working Note:

15% of rent free accommodation salary or rent paid whichever is less

Rent free accommodation salary = 3,60,000

15% of ₹3,60,000 = ₹54,000

Rent Paid = ₹65,000

Value of unfurnished house 54,000

Gross Salary	4,14,000
Less: Standard Deduction u/s 16(ia)	(50,000)
Income under the head Salary	3,64,000

Computation of income under the head House Property

House 1

Gross Annual Value	75,000
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Working Note:

(a) Fair Rent	75,000
(b) Municipal Value	74,000
(c) Expected Rent (higher of (a) or (b))	75,000
(d) Rent Received/Receivable	65,000
GAV = Higher of (c) or (d)	75,000

Less : Municipal Tax	(18,000)
Net Annual Value	57,000
Less: 30% of NAV u/s 24(a)	(17,100)
Less: Interest on capital borrowed u/s 24(b)	Nil
Income under the head House Property	39,900

House 2

Gross Annual Value	2,85,000
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Working Note:	₹
(a) Fair Rent	1,95,000
(b) Municipal Value	1,90,000
(c) Expected Rent (higher of (a) or (b))	1,95,000
(d) Rent Received/Receivable	2,85,000
GAV = Higher of (c) or (d)	2,85,000

Less: Municipal Tax	(70,000)
Net Annual Value	2,15,000
Less: 30% of NAV u/s 24(a)	(64,500)
Less: Interest on capital borrowed u/s 24(b)	(17,000)
Income under the head House Property	1,33,500

Income under the house property (1,33,500+39,900)	1,73,400
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Gross Total Income	5,37,400
Less: Deduction u/s	Nil
Total Income	5,37,400

Note:

1. As per section 56, if immovable property has been received for a consideration which is less than stamp duty value of the property by an amount exceeding ₹50,000 and also amount is exceeding 5% of the consideration, in that case taxable amount shall be the stamp duty value of such property as exceeds such consideration. In the given case amount is not exceeding 50,000 hence amount is not taxable.

2. Expenditure on repairs, insurance premium on building and ground rent are not allowable under the head house property.

Question 3 (b)**Marks 6**

Mr. Roy owned a residential house in Noida. It was acquired on 09.09.2009 for ₹ 30,00,000. He sold it for ₹ 1,57,00,000 on 07.01.2016.

Mr. Roy utilized the sale proceeds of the above property to acquire a residential house in Panchkula for ₹ 2,05,00,000 on 20.07.2017. The said house property was sold on 31.10.2019 and he purchased another residential house in Delhi for ₹ 2,57,00,000 on 02.03.2020. The property at Panchkula was sold for ₹ 3,25,00,000.

Calculate capital gains chargeable to tax for the assessment year 2016-17 and 2020-21. All workings should form part of your answer.

Cost inflation index for various financial years are as under:

2009-10	–	148
2015-16	–	254
2017-18	–	272
2019-20	–	289

Solution:**Computation of Capital Gains for the A.Y. 2016-2017 & 2020-21****A.Y 2016-2017*****Computation of Capital Gains***

Full value of consideration	1,57,00,000.00
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Less: Indexed cost of acquisition	
= $30,00,000 / 148 \times 254 = ₹51,48,648.65$	(51,48,648.65)
Long Term Capital Gain	1,05,51,351.35
Less: Exemption u/s 54	(1,05,51,351.35)
Long Term Capital Gain	Nil

A.Y 2020-2021***Computation of Capital Gains***

Full value of consideration	3,25,00,000.00
Less: Indexed cost of acquisition	
= $(205,00,000 - 105,51,351.35) / 272 \times 289 = ₹105,70,439.19$	(105,70,439.19)
Long Term Capital Gain	2,19,29,560.81
Less: Exemption u/s 54	(2,19,29,560.81)
Long Term Capital Gain	Nil

Question 4 (a)**Marks 10**

Ms. Geeta, a resident individual, provides following details of her income/losses for the year ended 31.03.2020:

	Particulars	Amount (₹)
(i)	Income from salary (computed)	41,20,000
(ii)	Rent received from house property situated in Delhi	5,00,000
(iii)	Interest on loan taken for purchase of above property. Loan was taken from a friend	7,50,000
(iv)	Rent received from house property situated in Jaipur	3,20,000
(v)	Interest on loan taken for house property in Mumbai which is self-occupied. Loan was taken from PNB on 01.01.1999 for purchase of this property	1,57,000
(vi)	Interest on loan taken for repair of house properties situated in Mumbai and Delhi. Loan was taken on 01.04.18 and was utilized in 50:50 ratio for house properties situated in Mumbai and Delhi, respectively.	1,50,000
(vii)	Loan term capital gains on sale of equity shares computed in accordance with Section 112A	8,95,000
(viii)	Interest on fixed deposit	73,000
(ix)	Loss from textile business	7,50,000
(x)	Speculation profit	2,30,000
(xi)	Lottery income	75,000
(xii)	Loss incurred by the firm in which she is a partner	1,60,000
(xiii)	Salary received as a partner from partnership firm. The same was allowed to firm	50,000
(xiv)	Brought forward short-term capital loss on sale of gold.	2,75,000
(xv)	Brought forward loss on sale of equity shares of the nature specified u/s 111A	25,000

(xvi)	Life insurance premium paid for her son who is 30 years of age and is working in USA	15,000
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Compute total income of Ms. Geeta for the assessment year 2020-21 and the amount of loss that can be carried forward.

For the above solution, you may assume principal repayment of loan as under:

- (1) Loan taken for purchase of house property in Delhi – ₹ 2,50,000
- (2) Loan taken for purchase of house property in Mumbai – ₹ 50,000
- (3) Loan taken for repair of house properties in Delhi and Mumbai – ₹ 75,000

Workings notes should form part of your answer. Wherever necessary, suitable assumptions may be made by the candidates and disclosed by way of note.

Solution:

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

Income under the head salary

Income from salary (computed)	41,20,000
Less: Loss from House Property maximum allowed 2,00,000	(2,00,000)
Income from salary	39,20,000

Income under the head House Property

House 1 (House in Delhi)

GAV	5,00,000
(Actual receipt of rent shall be treated as GAV in the absence of other information)	
Less: Municipal Tax	Nil
Net Annual Value	5,00,000
Less: 30% of NAV u/s 24(a)	(1,50,000)
Less: Interest on capital borrowed u/s 24(b) (7,50,000+75,000)	(8,25,000)
Loss from House 1	(4,75,000)

House 2 (House in Jaipur)

GAV	3,20,000
(Actual receipt of rent shall be treated as GAV in the absence of other information)	
Less: Municipal Tax	Nil
Net Annual Value	3,20,000
Less: 30% of NAV u/s 24(a)	(96,000)
Less: Interest on capital borrowed u/s 24(b)	Nil
Income from House 2	2,24,000

House 3 (House in Mumbai Self occupied)

GAV	Nil
Less: Municipal Tax	Nil
Net Annual Value	Nil
Less: 30% of NAV u/s 24(a)	Nil
Less: Interest on capital borrowed u/s 24(b)	(30,000)
Loss from House 3	(30,000)

Loss under the head house property (2,24,000-4,75,000-30,000)	(2,81,000)
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₹ 2,00,000 shall be adjusted from salary income and balance shall be carried forward.

Income under the head capital Gains

LTCG 112A	8,95,000
Less: Current year loss under the head business profession	(4,70,000)
Less: Brought forward loss short term loss	(2,75,000)
Less: Brought forward loss Short term loss u/s 111A	(25,000)
LTCG 112A	1,25,000

Income under the head business/profession

Speculation profit	2,30,000
Salary from partnership firm	50,000
Less: Loss from textile business	(2,80,000)
Income under the head business/profession	Nil

Income under the head other sources

Interest on Fixed Deposit	73,000
Lottery Income	75,000
Income under the head other sources	1,48,000

Computation of Total Income

Income under the head salary	39,20,000
Income under the head capital gains	1,25,000
Income under the head house property	Nil
Income under the head business/profession	Nil
Income under the head other sources	1,48,000
Gross Total Income	41,93,000
Less: Deductions u/s 80C	
– Repayment of Principal amount (Mumbai House)	50,000
– LIC Paid	<u>15,000</u>
	(65,000)
Total Income	41,28,000

Loss to be carried forward

Loss from House Property	81,000
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Note:

1. Loss incurred by the partnership firm shall be treated as loss of the partnership firm and shall not be adjusted from income of partner.
2. Loss under the house property shall be adjusted from other head income maximum upto ₹2,00,000 and balance shall be carried forward. (section 71)
3. As per section 74, brought forward short term capital loss shall be adjusted from income under the head capital gains only.
4. Loss from normal business shall be adjusted from speculation income but such loss shall not be allowed from salary income. (section 71)
5. Repayment of housing loan shall be allowed as deduction u/s 80C provided the same is taken from notified Institution and loan is taken for purchase or construction.

Alternate solution: Student can setoff business loss from other source income and balance from capital gains, in such case also total income will remain same.

Question 4 (b)

(Marks 4)

Discuss the provisions of Section 139A (1) which provides the persons who are compulsorily required to apply for allotment of Permanent Account Number (PAN) with the assessing officer.

Answer: Refer answer given in the book

OR

(i) What is the fee for default in furnishing return of income u/s 234F?

Answer: Refer answer given in the book

(ii) To whom the provision of section 139AA relating to quoting of Aadhar Number do not apply?

Answer:

The provisions of section 139AA relating to quoting of Aadhar Number would, however, not apply to such person or class or classes of persons or any State or part of any State as may be notified by the Central Government.

Accordingly, the Central Government has, vide Notification No. 37/2017 dated 11.05.2017 effective from 01.07.2017, notified that the provisions of section 139AA relating to quoting of Aadhar Number would not apply to an individual who does not possess the Aadhar number or Enrolment ID and is:

- (i) residing in the States of Assam, Jammu & Kashmir and Meghalaya;
- (ii) a non-resident as per Income-tax Act, 1961;
- (iii) of the age of 80 years or more at any time during the previous year;
- (iv) not a citizen of India

SECTION B - GST

Question 5**Marks 8**

Mr. Himanshu, a registered supplier of chemicals, pays GST under regular scheme. He is not eligible for any threshold exemption. He has made the following outward taxable supplies for the months of September 2019:

Intra-State supply of goods	₹25,00,000
Inter-State supply of goods	₹5,00,000

He has also made the following inward supply:

Intra-State purchase of goods from Registered Dealer	₹14,00,000
Intra-State purchase of goods from Unregistered Dealer	₹2,00,000
Inter-State purchase of goods from Registered Dealer	₹4,00,000

Balance of ITC at the beginning of September 2019:

CGST	₹ 95,000
SGST	₹ 60,000
IGST	₹ 50,000

Additional Information:

He purchased a car (Intra-State supply) used for business purpose at a price of ₹ 6,72,000/- (including CGST of ₹ 36,000 & SGST of ₹ 36,000) on September 15, 2019. He capitalized the full value including GST in the books on the same date to claim depreciation.

Out of Inter-State purchase from registered dealer, goods worth ₹ 1,00,000 were received on October 3, 2019 due to road traffic jams.

Note:

- (i) Rate of CGST, SGST and IGST to be 9%, 9% and 18% respectively.
- (ii) Both inward and outward supplies given above are exclusive of taxes, wherever applicable.
- (iii) All the conditions necessary for availing the ITC have been fulfilled except mentioned above.

Compute the net CGST, SGST and IGST payable in cash by Mr. Himanshu for the month of September 2019.

Solution:**Output Tax****Intra-State supply of Goods**

	25,00,000
Add: CGST @ 9%	2,25,000
Add: SGST @ 9%	2,25,000
Total	29,50,000

Inter-State supply of Goods

	5,00,000
Add: IGST @ 18%	90,000
Total	5,90,000

Input Tax Credit**Intra state purchase of goods**

	14,00,000
Add: CGST @ 9%	1,26,000
Add: SGST @ 9%	1,26,000
Total	16,52,000

ITC	
CGST	1,26,000
SGST	1,26,000

Intra State Purchase of goods from unregistered dealer

No ITC shall be allowed

Inter state purchase of goods

	3,00,000
Add: IGST @ 18%	54,000
Total	3,54,000

ITC	
IGST	54,000

ITC of goods received in the month of October shall be allowed in the month of October.

Computation of Net Tax

Particulars	IGST ₹
Output Tax	90,000
Less: opening ITC – IGST	(50,000)
Less: ITC -IGST	(40,000)
Net Tax Payable	Nil

Balance IGST credit of ₹14,000 can be adjusted either from CGST/SGST. In the given case we have adjusted from SGST.

Computation of Net Tax

Particulars	CGST ₹
Output Tax	2,25,000
Less: opening ITC – CGST	(95,000)
Less: ITC – CGST	(1,26,000)
Net Tax Payable	4,000

Computation of Net Tax

Particulars	SGST ₹
Output Tax	2,25,000
Less: ITC – IGST	(14,000)
Less: opening ITC – SGST	(60,000)
Less: ITC – SGST	(1,26,000)
Net Tax Payable	25,000

Note: As per section 17, ITC of car is not allowed

Question 6 (a)**Marks 6**

M/s. Apna Bank Limited as Scheduled Commercial Bank has furnished the following details for the month of August, 2019:

Particulars	Amount ₹ in Crores (Excluding GST)
Extended Housing Loan to its customers	100
Processing fees collected from its customers on sanction of loan	20
Commission collected from its customers on bank guarantee	30
Interest income on credit card issued by the bank	40
Interest received on housing loan extended by the bank	25
Minimum balance charges collected from current account and saving account holder	01

Compute the Value of Taxable supply. Give reasons with suitable assumptions.

Solution: Computation of value of taxable service and GST Payable by Apna Bank Limited.

Sl. No	Particulars	Amount (₹) in crores
(i)	Extended Housing Loan to its customers	Nil
(ii)	Processing fees collected from its customers on sanction of loan	20
(iii)	Commission collected from its customers on bank guarantee	30
(iv)	Interest income on credit card issued by the bank	40
(v)	Interest received on housing loan extended by the bank	Nil
(vi)	Minimum balance charges collected from current account and saving account holder	01
	Value of Taxable supply	91

Notes:

- Interest Income on credit card issued by the bank is not covered under exemption hence GST is payable.
- Extending Housing loan to its customer is covered under exemption hence no GST is payable.

Question 6 (b)**Marks 4**

Decide with reason whether the following independent services are exempt under CGST Act, 2017:

- Gokul Residents' Welfare Association received ₹ 9,000 per month as contribution from each member for sourcing of goods and services from third persons for common use of its members.
- Mr. Vikalp, a performing artist, has received ₹ 1,58,000 from performance of Classical Dance and ₹ 90,000 from acting in TV Serial during the month of June 2019.

Answer:

- (i) Service by an unincorporated body or a non-profit entity registered under any law to its own members - (a) as a trade union; (b) up to an amount of ₹7,500 per month per member by a housing society or a residential complex.

In the given case, amount is exceeding ₹7,500 per month per member hence GST is payable on ₹9,000.

(ii) **Services by an artist by way of a performance in folk or classical art forms of** – (a) music, or (b) dance, or (c) theatre, if the consideration charged for such performance is not more than **₹1,50,000** but if such artist is working as a brand ambassador, it will be taxable.

In the given case Mr. Vikalp has received ₹1,58,000 from classical dance performance which is more than ₹1,50,000 hence GST is payable.

Mr. Vikalp also received ₹90,000 from acting in TV Serial which is not covered under exemption hence GST is payable

Question 7 (a)

Marks 4

Examine the following independent cases of supply of goods and services and determine the time of issue of invoice under each of the cases as per the provisions of CGST Act, 2017:

- (i) Sakthi Enterprises, Kolkata entered into a contract with Suraj Enterprises, Surat for supply of goods on 3rd October, 2019. The goods were removed from the factory at Kolkata on 11th October, 2019. As per the agreement, the goods were to be delivered by 31st October, 2019. Suraj Enterprises has received the goods on 14th October, 2019.
- (ii) Trust and Fun Ltd, an event management company, has provided its services for an event at Kapoor Film Agencies, Mumbai on 5th June, 2019. Payment for the event was made on 19th June, 2019.

Answer:

(i) As per section 31(1), a registered person supplying taxable goods shall issue a tax invoice, before or at the time of delivery of goods or making available thereof to the recipient. If the supply involves movement of goods, invoice should be issued before removal of goods.

In the given case, supply involves movement of goods, invoice should be issued before removal of goods i.e before 11th October 2019.

(ii) As per Rule 47, the invoice referred to in rule 46, in the case of the taxable supply of services, shall be issued within a period of thirty days from the date of the supply of service.

In the given case, invoice shall be issued within 30 days from the date of supply of service i.e. 30 days from 5th June 2019.

Question 7 (b)

Marks 2

M/s. Daksha Enterprises has made a cash deposit of ₹ 10,000 under minor head 'tax' of major head 'SGST'. It has a liability of ₹ 2,000 for minor head "Interest" under the major head "SGST".

State whether M/s. Daksha Enterprises can utilize the amount available for payment of interest.

Answer:

The amount available in the electronic cash ledger can be utilized for payment of any liability for the respective major and minor heads. Cross utilization or transfer is not allowed.

In the given case, cash is deposited under minor head "tax" and liability is under head "Interest" so cross utilization is not allowed and M/s Daksha enterprises cannot utilize the amount available for payment of Interest.

Question 7 (c)

Marks 4

State with brief reason, whether following supplies of taxable goods are required to register under the GST Law:

(i) Mr. Raghav is engaged in wholesale cum retail trading of medicines in the State of Assam. His aggregate turnover during the financial year is ₹9,00,000 which consists of ₹8,00,000 as Intra-State supply and ₹1,00,000 as Inter-State supply.

(ii) Mr. S.N. Gupta of Rajasthan is engaged in trading of taxable goods on his own account and also acting as an agent of Mr. Rishi of Delhi. His turnover in the financial year 2019-20 is of ₹32 lakhs on his own account and ₹9 lakhs on behalf of principal. Both turnovers are Intra-State supply.

Answer:

(i) As per section 24, if any person making inter state supply of goods then registration is compulsory irrespective of turnover. In the given case, Mr. Raghav is supplying inter state hence registration is compulsory irrespective of turnover.

(ii) As per section 22, every supplier of goods shall be liable to be registered if his aggregate turnover in a financial year exceeds ₹40,00,000.

Aggregate turnover shall include all supplies made by the taxable person whether on his own or on behalf of his principals.

In the given case, aggregate turnover of Mr. S.N. Gupta is exceeding ₹40,00,000 (i.e. 32,00,000+9,00,000) hence GST registration is compulsory.

Question 8 (a)

Marks 5

Enumerate the persons who are not eligible to opt for Composition Scheme under section 10 of the CGST Act, 2017.

Answer: Refer answer given in the book

Question 8 (b)

Marks 5

List out the situation in which a Credit note / Debit note may be issued under the CGST Act, 2017

Answer: Refer answer given in the book

Question 8 (c)

Marks 5

Answer the following questions with respect to casual taxable person under the CGST Act, 2017:

- (i) Who is a casual taxable person?
- (ii) Can a casual taxable person opt for the composition scheme?
- (iii) When is the casual taxable person liable to get registered?
- (iv) What is the validity period of the registration certificate issued to a casual taxable person?
- (v) Can the validity of registration certificate issued to a casual taxable person be extended? If yes, what will be the period of extension?

Answer:

(i) As per section 2 (20), "casual taxable person" means a person who occasionally undertakes transactions involving supply of goods or services or both in the course or furtherance of business, whether as principal, agent or in any other capacity, in a State or a Union territory where he has no fixed place of business.

(ii) As per rule 5, a casual taxable person cannot opt for composition scheme.

(iii) As per section 24, Every casual taxable person shall also be required to take registration irrespective of the turnover and procedure shall be same. He should apply for registration **atleast 5 days** prior to

commencement of business. Registration shall be granted only after the applicant has paid estimated amount of GST in advance.

(iv) As per section 27, Certificate shall be valid for the specified period but **maximum 90 days.**

(v) Yes it can be extended. Proper officer may extend it further but for **maximum 90 days** i.e. total period can be **maximum 180 days.** Such person shall make advance deposit of GST as estimated by hi