

# MOCK TEST PAPER MAY 2019

## MOCK TEST PAPER – 1

### INTERMEDIATE (NEW) COURSE

#### PAPER – 4: TAXATION

**Time Allowed – 3 Hours**

**Maximum Marks – 100**

#### SECTION – A: INCOME TAX LAW (60 MARKS)

Working Notes should form part of the answer. Wherever necessary, suitable assumptions may be made by the candidates and disclosed by way of a note. However, in answers to Question in Division A, working notes are not required.

Your answers should be based on the provisions of Income-tax law as amended by the Finance Act, 2019. The relevant assessment year is A.Y.2020-21.

#### Division A – Multiple Choice Questions

**Write the most appropriate answer to each of the following multiple choice questions by choosing one of the four options given. All questions are compulsory.**

#### Question 1.

**(1 Mark)**

A, a resident individual, is engaged in the business of money lending. For the purpose of lending money to various persons, A borrows money from other persons. As a part of his business, A took a loan from B of an amount of ₹10 lacs. B is a non-resident. On the said loan, A paid an amount of ₹1 lac as interest during the P.Y. 2019-20 to B in India. A did not deduct tax at source while crediting/paying the interest amount to B. A is of the view that the amount of ₹1 lac shall be allowed to him as a deduction under the Income-tax Act, 1961. Whether A's view is correct?

- (a) Correct, interest expenses incurred for business are allowed as deduction u/s 36(1)(iii).
- (b) Incorrect, as tax at source has not been deducted by A on the interest amount, full amount of interest of ₹1 lac shall be disallowed in A.Y. 2020-21.
- (c) Incorrect, as tax at source has not been deducted by A on the interest amount, amount of interest of ₹30,000 shall be disallowed in A.Y. 2020-21.
- (d) Correct, interest expenses incurred for business are allowed as deduction u/s 37(1).

**Answer: (b)**

#### Question 2.

**(1 Mark)**

Mrs. Gupta, resident in India, holds many equity shares of reputed domestic companies. During the previous year 2019-20, total dividend earned by her is ₹11,00,000. She is of the belief that dividend income earned by her is tax free. She approaches you to assist her in filing her income tax return. As her tax consultant, will you advise her that any dividend income earned by her is tax free?

- (a) Yes, as dividend earned by her is fully exempt from tax u/s 10(34).
- (b) No, as any dividend income earned by an individual is fully chargeable to tax.
- (c) No, as dividend income earned above ₹10,00,000 is chargeable to tax in her hands.
- (d) Yes, as dividend income above ₹10,00,000 is chargeable to tax only in the hands of the companies and not in her hands.

**Answer: (c)**

#### Question 3.

**(1 Mark)**

Mr. X receives the following gifts during the previous year 2019-20:

- On 20.09.2019, he gets a gift of ₹7,00,000 from his grandmother.
- On 30.12.2019, he gets by way of gift a commercial flat from the elder brother of his father-in-law (stamp duty value is ₹25,00,000).
- On 20.01.2020, he gets a wrist watch by gift from his friend B (Fair market value: ₹1,00,000).
- On 10.02.2020, he gets by way of gift a plot of land in Pune from a partnership firm. The partnership firm has only two partners- father of Mr. X and Mrs. X. The stamp duty value of the plot of land is ₹19,00,000.

Compute the amount chargeable to tax in the hands of X under the head “Income from other sources” for the A.Y. 2020-21.

- (a) ₹25,00,000
- (b) ₹44,00,000
- (c) ₹45,00,000
- (d) ₹52,00,000

**Answer: (b)**

**Question 4.**

**(1 Mark)**

Which of the following statements is true for companies in the context of the Income-tax Act, 1961?

- (a) Residential status of a company has an impact on the tax rate of company
- (b) Tax Rate of a company depends upon the place of incorporation
- (c) Residential status of a company helps to classify the company as domestic company and foreign company
- (d) Residential status of company helps classification of closely held company and widely held company.

**Answer: (b)**

**Question 5.**

**(1 Mark)**

Which of the following is not a consequence of late filing of return?

- (a) Levy of interest under section 234A
- (b) Loss (other than loss under the head “Income from house property”) cannot be carried forward
- (c) No deduction under Chapter VI-A under the heading „B” – Deduction in respect of certain payments
- (d) All of the above

**Answer: (c)**

**Question 6.**

**(1 Mark)**

Mr. Devansh has agricultural income of ₹2,30,000 and business income of ₹2,45,000. Which of the following statements are correct?

- (a) Agricultural income has to be aggregated with business income for tax rate purposes.
- (b) No aggregation is required since agricultural income is less than basic exemption limit.
- (c) No aggregation is required since business income is less than basic exemption limit.
- (d) Agricultural income is exempt under section 10(1) but the same has to be aggregated with business income, since it exceeds ₹5,000.

**Answer: (c)**

**Question 7.**

**(2 Marks)**

X is an employee of Z Ltd who receives ₹1,25,000 as gratuity (he is covered under the Payment of Gratuity Act, 1972). He retires on 31.01.2020 after service of 29 years and 8 months. At the time of retirement, X

drew monthly salary of ₹5,200 and monthly bonus of ₹2,000. Compute the amount of gratuity exempt from tax in the instant case u/s 10(10) of the Income-tax Act, 1961.

- (a) ₹90,000
- (b) ₹1,25,000
- (c) ₹78,000
- (d) ₹87,000

**Answer: (a)**

**Question 8.**

**(2 Marks)**

Mr. Krishna is a philanthropic person. During the P.Y. 2019-20, out of his total receipts, he gave away ₹8,00,000 in cash to Prime Minister's National Relief Fund and was left with only ₹2,00,000 which is just enough money to meet his personal requirements. On these facts, Mr. Krishna is of the view that as ₹2,00,000 is below the maximum amount not chargeable to tax, no income of him is chargeable to tax during the previous year. He approaches you to file his income tax return showing ₹2,00,000 as his gross total income. Do you agree with the view of Mr. Krishna? Also, compute the amount of his total income.

- (a) Yes, as income actually left in Mr. Krishna's hands is ₹2,00,000 only. His total income shall be ₹2,00,000.
- (b) No, as what is done after income is earned by Mr. Krishna will not give him any tax exemption. His total income shall be ₹10,00,000.
- (c) His gross total income and total income are ₹10 lakhs, since this is a case of application of income and donation made in cash will not qualify for deduction under section 80G.
- (d) Yes, as ₹8,00,000 is exempt from tax, the gross total income as well as total income of Mr. Krishna shall be ₹2,00,000 only.

**Answer: (c)**

**Question 9.**

**(2 Marks)**

Ms. Jaya acquires 5,000 equity shares on 01.01.2016 at ₹500. The Fair Market Value of the said share on 31.01.2018 is ₹250 and on 31.03.2018 is ₹600. She sells the said shares on 30.04.2019 at ₹700. Calculate the amount of long term capital gain in the hands of Ms. Jaya assuming that Securities Transaction Tax has been paid by her on acquisition and transfer of the said equity share.

CII – F.Y. 2015-16: 254; F.Y. 2019-20: 289

- (a) ₹10 lakh, out of which ₹9 lakh is taxable@10%
- (b) ₹22.50 lakh, out of which ₹21.5 lakh is taxable@10%
- (c) ₹7.45 lakh, out of which ₹6.45 lakh is taxable @10%
- (d) ₹5 lakh, out of which ₹4 lakh is taxable@10% (2 Marks)

**Answer: (a)**

**Question 10.**

**(2 Marks)**

Which of the following persons are compulsorily required to get their accounts audited u/s 44AB of the Income-tax Act, 1961?

- (i) An assessee, who has not opted for presumptive taxation and his turnover during the P.Y. is ₹2 crore.
- (ii) A professional whose gross receipts during the previous year amounts to ₹50 lakh, who declares his profits and gains from profession u/s 44ADA.
- (iii) An assessee having turnover of ₹1.5 crore, who declares his profits and gains from business u/s 44AD.

- (iv) A lawyer having gross receipts of ₹40 lakhs during the P.Y. who claims his profits and gains from the legal profession to be 40% of the gross receipts.
- (v) An individual who opts out of the presumptive taxation scheme u/s 44AD during the P.Y., however, his total income for the said year is ₹2,00,000.

- (a) (i), (iv)
- (b) (i), (iv), (v)
- (c) (i), (ii), (iv)
- (d) (iv), (v)

**Answer: (a)**

**Question 11.**

**(2 Marks)**

The following information is available with respect to Tina:

- Capital Asset acquired on 01.04.2001 for ₹85,200
- The capital asset was converted into stock-in-trade on 30.09.2018. On the said date, the fair market value of the said asset was ₹6,00,000.
- The stock-in-trade so converted was sold on 15.07.2019 for ₹8,50,000.

Determine the tax implications in the hands of Tina for A.Y. 2020-21.

Cost Inflation Index Financial year 2001-02: 100, 2018-19: 280, 2019-20: 289]

- (a) Only business profits of ₹2,50,000 shall be chargeable to tax in the hands of Tina in A.Y. 2020-21.
- (b) Only long term capital gain of ₹ 6,11,440 shall be chargeable to tax in the hands of Tina in A.Y. 2020-21.
- (c) Business profits of ₹2,50,000 and long term capital gain of ₹3,61,440 shall be chargeable to tax in the hands of Tina in A.Y. 2020-21.
- (d) Business profits of ₹2,50,000 and long term capital gain of ₹3,68,256 shall be chargeable to tax in the hands of Tina in A.Y. 2020-21.

**Answer: (d)**

**Question 12.**

**(2 Marks)**

Mr. Happy, a US citizen, came to India for an assignment from 11.01.2016 to 09.10.2017 and went back to his home country on completion of the same. He thereafter, visited India on 05.07.2018 again for an assignment, which ended on 26.05.2019. What is the latest date by which Mr. Happy should depart from India after completing the assignment so as to qualify as non-resident for P.Y. 2019-20? (Assume that he shall not be visiting India again during the year)

- (a) 29-05-2019
- (b) 30-05-2019
- (c) 31-05-2019
- (d) 28-09-2019

**Answer: (a)**

### Division B – Descriptive Questions

Question No. 1 is compulsory

Attempt any **two** questions from the remaining **three** questions

**Question 1.**

**(14 Marks)**

Mr. Satish, aged 47 years, is serving in a public limited company as General Manager (Finance). His total emoluments for the year ended 31st March, 2020 are as follows:

Basic Salary	₹5,40,000
HRA (Computed)	₹1,80,000
Transport allowance	₹22,000

Apart from the above, his employer has sold the following assets to him on 1st January, 2020:

- Laptop for ₹20,000 (Acquired in September, 2018 for ₹1,20,000)
- Car 1800 cc for ₹3,20,000 (purchased in April, 2017 for ₹8,50,000)

He also owns a residential house, let out for a monthly rent of ₹15,000. The fair rental value of the property for the let out period is ₹1,50,000. The house was self-occupied by him from 1st January, 2019 to 31st March, 2020. He has taken a loan from bank of ₹20 lacs for the construction of the property, and has repaid ₹1,05,000 (including interest ₹40,000) during the year.

(iii) Mr. Satish sold equity shares of different Indian companies on 14th March, 2020:

Name	Sale value (per share)	Purchase price (per share)	Acquired on	No. of shares
A Ltd.	₹150	₹120 (STT paid at acquisition)	2nd Feb, 2019	200
B Ltd.	₹82	₹62	16th April, 2019	125

CII – F.Y. 2019-20: 289; F.Y. 2018-19: 280

Sale proceeds were subject to brokerage of 0.1% and securities transaction tax of 0.125% on the gross consideration. He received income-tax refund of ₹5,750 (including interest ₹750) relating to the assessment year 2018-19.

- Mr. Satish made payment of ₹80,000 vide cheque no. 245315 towards medical insurance as lumpsum premium for himself and his wife for 4 years. He also made cash payment of ₹8,000 towards preventive health checkup for himself and his wife.
- Mr. Satish deposited ₹1,30,000 in Public Provident Fund and ₹80,000 in 5 years term deposit in the name of his minor son, Aryan.

Compute the total income and tax liability of Mr. Satish for the Assessment Year 2020-21.

**Answer:**

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

Particulars	₹
Income from salaries [Working Note (1)]	9,66,000
Income from house property [Working Note (2)]	1,00,000
Capital gain [(Working Note 3)]	
Long-term capital gains	5,970
Short-term capital gains	2,490
Income from other sources: Interest on income-tax refund	750
<b>Gross Total Income</b>	<b>10,75,210</b>
Less: <b>Deduction under Chapter VIA</b>	
Deduction under section 80C	
- Public Provident Fund	1,30,000
- 5 years Term deposit (not allowed as deduction in the name of minor son)	-
- Repayment of housing loan (principal)	65,000
Restricted to	1,95,000
Deduction under section 80D [Working Note (4)]	25,000

<b>Total Income</b>	<b>9,00,210</b>
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**Computation of tax payable by Mr. Satish for the A.Y. 2020-21**

Particulars	₹
Tax on LTCG of ₹5,970 [Exempt u/s 112A]	-
Tax on STCG of ₹2,490 u/s 111A @15%	374
Tax on balance income of ₹8,91,750	90,850
	91,224
Add: Health and Education cess@4%	3,649
<b>Total tax payable</b>	<b>94,873</b>
<b>Tax liability (Rounded off)</b>	<b>94,870</b>

Working Notes:

(1) Income from salaries

Particulars	₹	₹
Basic Salary		5,40,000
HRA (computed)		1,80,000
Transport allowance		22,000
Perquisites (relating to sale of movable assets by employer)		
Laptop		
Cost [September, 2018]	1,20,000	
Less: Depreciation at 50% for one completed year	60,000	
WDV [September, 2019]	60,000	
Less: Amount paid to the employer	20,000	
<b>Perquisite value of laptop (A)</b>	<b>40,000</b>	
Car		
Cost [April, 2017]	8,50,000	
Less: Depreciation for the 1st year (April,16 to March,18) @ 20% of WDV	1,70,000	
WDV [April, 2018]	6,80,000	
Less: Depreciation for the 2nd year (April,18 to March,19) @ 20% of WDV	1,36,000	
WDV [April, 2019]	5,44,000	
Less: Amount paid to the employer	3,20,000	
<b>Perquisite value of car (B)</b>	<b>2,24,000</b>	
Perquisite value (A) + (B)		2,64,000
Gross Salary		10,06,000
Less: Standard Deduction under section 16(ia)		1,50,000
<b>Income chargeable under the head "Salaries"</b>		<b>9,56,000</b>

**(2) Income from house property**

Section 23(2) provides that the annual value of a self-occupied house shall be taken as Nil. However, section 23(3) provides that the benefit of self-occupation would not be available if the house is actually let during the whole or part of the previous year. This implies that the benefit of taking the annual value as „Nil“ would be available only if the house is self-occupied for the whole year.

In this case, therefore, the benefit of taking annual value as „Nil“ is not available since the house is self-occupied only for 3 months. In such a case, the gross annual value has to be computed as per section 23(1).

Accordingly, the fair rent for the whole year should be compared with the actual rent for the let-out period and whichever is higher shall be adopted as the Gross Annual Value.

Particulars	₹	₹
Gross Annual Value (higher of fair rent for the whole year and actual rent for the let-out period)		2,00,000
Fair rent for the whole year = ₹1,50,000 X12/9	2,00,000	
Actual rent received	1,35,000	
Less: Municipal taxes		Nil
<b>Net Annual Value (NAV)</b>		<b>2,00,000</b>
Less: Deductions under section 24		
30% of NAV	60,000	
Interest on loan [See Note below]	40,000	1,00,000
<b>Income from house property</b>		<b>1,00,000</b>

**Note:** It is presumed that the interest of ₹40,000 paid on housing loan represents the interest actually due for the year.

### (3) Income chargeable as “Capital Gains”

Section 112A exempts long-term capital gain on sale of equity shares of a company upto ₹1 lakh, if securities transaction tax is paid both at the time of sale and acquisition of such shares. Such long-term capital gain in excess of ₹1 lakh is taxable @10%. Since Mr. Satish has held shares of A Ltd. for more than 12 months and securities transaction tax has been paid on such sale and at the time of acquisition of shares, the gains arising from sale of such shares is a long-term capital gain and the same would be taxable under section 112A. As per section 48, the benefit of indexation would not be applicable on such equity shares.

The long term capital gain arising from sale of shares of A Ltd.

Particulars	₹
Sale consideration (₹150 x 200)	30,000
Less: Brokerage @ 0.1%	30
Net sale consideration	29,970
Less: Cost of acquisition (₹120 x 200)	24,000
<b>long-term capital gains</b>	<b>5,970</b>

Since, the long term capital gain do not exceed ₹1 lakh, the same would be exempt under section 112A.

Shares in B Ltd. are held for less than 12 months and hence the capital gains arising on sale of such shares is a short-term capital gain chargeable to tax @15% as per section 111A, since the transaction is subject to securities transaction tax. It may be noted, however, that securities transaction tax is not a deductible expenditure.

Short-term capital gains arising from sale of shares of B Ltd.

Particulars	₹
Sale consideration (₹ 82 X 125)	10,250
Less: Brokerage @ 0.1%	10
Net sale consideration	10,240
Less: Cost of acquisition (₹ 62 x 125)	7,750
<b>Short-term capital gains</b>	<b>2,490</b>

### (4) Deduction under section 80D

As per section 80D, in a case where mediclaim premium is paid in lumpsum for more than one year by an individual, to effect or keep in force an insurance on his health or health of his spouse, then, the deduction allowable under this section for each of the relevant previous year would be equal to the appropriate fraction of such lump sum payment. Hence, deduction under section 80D would be ₹20,000 i.e., ₹80,000 x ¼ in respect of mediclaim and ₹8,000 for preventive health check up, subject to maximum of ₹5,000. Thus, overall deduction under section 80D would be ₹25,000.

**Question 2. (a) I.****(4 Marks)**

Explain with reasons whether the following transactions attract income-tax in India in the hands of recipients:

- (i) Salary paid to Mr. Dinesh, a citizen of India ₹20,00,000 by the Central Government for the services rendered in London.
- (ii) Royalty paid to Raja, a non-resident by Ms. Mukta, a resident for a business carried on in Sri Lanka.

**Answer:****Taxability of certain receipts under the Income-tax Act, 1961**

Sl.No.	Taxable/Not Taxable	Amount liable to tax (₹)	Reason
1	2	3	4
(i)	Taxable	20,00,000	Salaries payable by the Government to a citizen of India for service rendered outside India shall be deemed to accrue or arise in India as per section 9(1)(iii). Mr. Dinesh is a citizen of India. Therefore, salary paid by the Central Government to him for services rendered in London would be deemed to accrue or arise in India in his hands.
(ii)	Not Taxable	-	Royalty paid by a resident to a non-resident in respect of a business carried on outside India would not be taxable in the hands of the non-resident, as the same would <b>not</b> be deemed to accrue or arise in India as per the exception mentioned in section 9(1)(vi)(b). Therefore, royalty paid by Mukta, a resident, to Raja, a non-resident, for a business carried on in Sri Lanka would <b>not</b> be deemed to accrue or arise in India. <b>Note</b> - It is assumed that the royalty was not received in India.

**Question 2. (a) II.****(3 Marks)**

Ms. Anjali, a non-resident, residing in London since 1990, came back to India on 19-02-2018 for permanent settlement in India. Explain the residential status of Ms. Anjali for the Assessment Year 2020-21 in accordance with the various provisions of Income-tax Act, 1961.

**Answer:****Determination of residential status of Ms. Anjali for the A.Y. 2020-21**

Ms. Anjali is a resident since she has stayed in India for 365 days during the P.Y.2019-20. Therefore, she satisfies the condition of stay in India for a period of 182 days or more in the relevant previous year as per the requirement under section 6(1).

As per section 6(6), an individual is said to be “not ordinarily resident” in India in any previous year, if he has:

- (a) been a non-resident in India in nine out of ten previous years preceding the relevant previous year; or
- (b) during the seven previous years immediately preceding the relevant previous year, been in India for a period of, or periods amount in all to, 729 days or less.

Ms. Anjali must, therefore, satisfy either of the conditions to qualify as a not-ordinarily resident.

Ms. Anjali was a non-resident in India up to A.Y.2018-19.

She was resident in India only for P.Y. 2018-19 (A.Y.2019-20) out of the ten previous years preceding P.Y. 2019-20 (A.Y.2020-21). This implies that she has been a non-resident in India in nine out of ten previous years preceding P.Y. 2019-20 (A.Y. 2020-21).

Further, she was in India only for a period of 406 days [i.e., 10 days in February, 2018 + 31 days in March 2018 + 365 days during the P.Y.2018-19] in the seven previous years preceding P.Y. 2019-20 (A.Y.2020-21).

Therefore, since Ms. Anjali satisfies both the conditions for “not-ordinarily resident”, her residential status for A.Y.2020-21 would be “Resident but not ordinarily resident”.

**Question 2. (b) I.**

**(4 Marks)**

Examine the applicability of tax deduction at source provisions, the rate and amount of tax deduction in the following cases for the financial year 2019-20:

- (i) Payment of ₹33,000 made to John Smith, an Australian cricketer, by an Indian newspaper agency on 22-08-2019 for contribution of articles in relation to the sport of cricket.
- (ii) Payment made by a company to sub-contractor, Mr. X, ₹3,50,000 with outstanding balance of ₹1,35,000 shown in the books as on 31-03-2020.

**Answer:**

- (i) Section 194E provides that the person responsible for payment of any amount to a non-resident sportsman for contribution of articles relating to any game or sport in India in a newspaper has to deduct tax at source @ 20%. Further, since John Smith, an Australian cricketer, is a non-resident, Health and education cess @4% on TDS should also be added.

Therefore, tax to be deducted = ₹33,000 x 20.80% = ₹ 6,864.

- (ii) Provisions of tax deduction at source under section 194C are attracted in respect of payment by a company to a sub-contractor. Under section 194C, tax is deductible at the time of credit or payment, whichever is earlier @ 1% if the payment is made to an individual or HUF.

The aggregate amount credited during the year is ₹4,85,000, tax is deductible @ 1% on ₹4,85,000.

Tax to be deducted = ₹4,85,000 x 1% = ₹4,850

**Question 2. (b) II.**

**(3 Marks)**

Examine with reasons, whether the following statements are true or false, with regard to the provisions of the Income-tax Act, 1961:

- (i) The Assessing Officer has the power, inter alia, to allot PAN to any person by whom no tax is payable.
- (ii) Where the Karta of a HUF is absent from India, the return of income can be verified by any male member of the family.

**Answer:**

- (i) True : Section 139A(2) provides that the Assessing Officer may, having regard to the nature of transactions as may be prescribed, also allot a PAN to any other person, whether any tax is payable by him or not, in the manner and in accordance with the procedure as may be prescribed.
- (ii) False: Section 140(b) provides that where the Karta of a HUF is absent from India, the return of income can be verified by any other adult member of the family; such member can be a male or female member.

**Question 3. (a)**

**(5 Marks)**

Mr. Satinder is engaged in the business of plying goods carriages. On 1st April, 2019, he owns 10 trucks (out of which 5 are heavy goods vehicles, the gross vehicle weight of such goods vehicle is 17,000 kg each). On 5th May, 2019, he sold one of the heavy goods vehicles and purchased a light goods vehicle on 8th May, 2019. This new vehicle could however be put to use only on 15th July, 2019.

Compute the total income of Mr. Satinder for the assessment year 2020-21, taking note of the following data:

Particulars	₹	₹
Freight charges collected		12,50,500
Less : Operational expenses	5,25,500	

Depreciation as per section 32	1,85,000	
Other office expenses	17,000	7,27,500
Net Profit		5,23,000
Other business and non-business income		70,000

**Answer:**

Section 44AE would apply in the case of Mr. Satinder since he is engaged in the business of plying goods carriages and owns not more than ten goods carriages at any time during the previous year.

Section 44AE provides for computation of business income of such assessee on a presumptive basis. The income shall be deemed to be ₹1,000 per ton of gross vehicle weight or unladen weight, as the case may be, per month or part of the month for each heavy goods vehicle and ₹7,500 per month or part of month for each goods carriage other than heavy goods vehicle, owned by the assessee in the previous year or such higher sum as declared by the assessee in his return of income.

Mr. Satinder's business income calculated applying the provisions of section 44AE is ₹13,82,500 [See **Notes (1) & (2) below**] and his total income would be ₹14,52,500.

However, as per section 44AE, Mr. Satinder may claim lower profits and gains if he keeps and maintains proper books of account as per section 44AA and gets the same audited and furnishes a report of such audit as required under section 44AB. If he does so, then his income for tax purposes from goods carriages would be ₹5,23,000 instead of ₹13,82,500 and his total income would be ₹5,93,000.

**Notes:****(1) Computation of total income of Mr. Satinder for A.Y. 2020-21**

Particulars	Presumptive income ₹	Where books are maintained ₹
Income from business of plying goods carriages [See Note (2) Below]	13,82,500	5,23,000
Other business and non-business income	70,000	70,000
Total Income	14,52,500	5,93,000

**(2) Calculation of presumptive income as per section 44AE**

Type of carriage	No. of months	Rate per ton per month/ per month	Ton	Amount ₹
(1)	(2)		(3)	(1) X (2) X (3)=(4)
<b>Heavy goods vehicle</b>				
1 goods carriage upto 5th May	2	1,000	17 (17,000/1,000)	34,000
4 goods carriage held throughout the year	12	1,000	17 (17,000/1,000)	8,16,000
<b>Goods vehicle other than heavy goods vehicle</b>				
1 goods carriage from 8th May	11	7,500	-	82,500
5 goods carriage held throughout the year	12	7,500	-	4,50,000
<b>Total</b>				<b>13,82,500</b>

**Question 3. (b)****(2 Marks)**

On 29.12.2019, Mr. Gaurav (a bank employee) received ₹7,00,000 towards interest on enhanced compensation from State Government in respect of compulsory acquisition of his land effected during the financial year 2015-16.

Out of this interest, ₹2,00,000 relates to the financial year 2015-16; ₹3,45,000 to the financial year 2016-17; and ₹1,55,000 to the financial year 2017-18.

How much of interest on enhanced compensation would be chargeable to tax for the assessment year 2020-21?

**Answer:**

Section 145B provides that interest received by the assessee on enhanced compensation shall be deemed to be the income of the assessee of the year in which it is received, irrespective of the method of accounting followed by the assessee and irrespective of the financial year to which it relates.

Section 56(2)(viii) states that such income shall be taxable as „Income from other sources“.

50% of such income shall be allowed as deduction by virtue of section 57 and no other deduction shall be permissible from such Income.

**Computation of interest on enhanced compensation taxable as “Income from other sources”**

**for the A.Y 2020-21:**

Particulars	₹
Interest on enhanced compensation taxable under section 56(2)(viii)	7,00,000
Less: Deduction under section 57(iv) (50% x ₹7,00,000)	3,50,000
<b>Taxable interest on enhanced compensation</b>	<b>3,50,000</b>

**Question 3. (c)**

**(7 Marks)**

M<sup>rs</sup> Harsha purchased a land at a cost of ₹45 lakhs in the financial year 2007-08 and held the same as her capital asset till 31st March, 2017. She started her real estate business on 1st April, 2017 and converted the said land into stock-in-trade of her business on the said date, when the fair market value of the land was ₹225 lakhs.

She constructed 15 flats of equal size, quality and dimension. Cost of construction of each flat is ₹15 lakhs. Construction was completed in January, 2019. She sold 10 flats at ₹40 lakhs per flat in 20th March, 2019. The remaining 5 flats were held in stock as on 31st March, 2019.

She invested ₹50 lakhs in bonds issued by National Highways Authority of India on 31 st March, 2019 and another ₹50 lakhs in bonds of Rural Electrification Corporation Ltd. in April, 2019.

Compute the amount of chargeable capital gain and business income in the hands of Mrs. Harsha arising from the above transactions for Assessment Year 2019 -20 indicating clearly the reasons for treatment for each item.

[Cost Inflation Index: FY 2007-08: 129; FY 2017-18: 272; FY 2018-19: 280].

**Answer:**

**Computation of capital gains and business income of Harsha for A.Y. 2019 -20**

Particulars	₹
<b>Capital Gains</b>	
Fair market value of land on the date of conversion deemed as the full value of consideration for the purposes of section 45(2)	2,25,00,000
Less: Indexed cost of acquisition [₹45,00,000 X 272/129]	94,88,372
	1,30,11,628
Proportionate capital gains arising during A.Y.2019-20 [₹1,30,11,628 X 2/3]	86,74,419
Less: Exemption under section 54EC	50,00,000
<b>Capital gains chargeable to tax for A.Y.2019-20</b>	<b>36,74,419</b>
<b>Business Income</b>	
Sale price of flats [10 × ₹40 lakhs]	4,00,00,000
Less: Cost of flats	

Fair market value of land on the date of conversion [ $\text{₹}225 \text{ lacs} \times 2/3$ ]	1,50,00,000
Cost of construction of flats [ $10 \times \text{₹}15 \text{ lakhs}$ ]	1,50,00,000
<b>Business income chargeable to tax for A.Y.2020-21</b>	<b>1,00,00,000</b>

**Notes:**

- (1) The conversion of a capital asset into stock-in-trade is treated as a transfer under section 2(47). It would be treated as a transfer in the year in which the capital asset is converted into stock-in-trade.
- (2) However, as per section 45(2), the capital gains arising from the transfer by way of conversion of capital assets into stock-in-trade will be chargeable to tax only in the year in which the stock-in-trade is sold.
- (3) The indexation benefit for computing indexed cost of acquisition would, however, be available only up to the year of conversion of capital asset into stock-in-trade and not up to the year of sale of stock-in-trade.
- (4) For the purpose of computing capital gains in such cases, the fair market value of the capital asset on the date on which it was converted into stock-in-trade shall be deemed to be the full value of consideration received or accruing as a result of the transfer of the capital asset.

In this case, since only 2/3rd of the stock-in-trade (10 flats out of 15 flats) is sold in the P.Y.2018-19, only proportionate capital gains (i.e., 2/3rd) would be chargeable to tax in the A.Y.2019-20.

- (5) On sale of such stock-in-trade, business income would arise. The business income chargeable to tax would be the difference between the price at which the stock-in-trade is sold and the fair market value on the date of conversion of the capital asset into stock-in-trade.
- (6) In case of conversion of capital asset into stock-in-trade and subsequent sale of stock-in-trade, the period of 6 months is to be reckoned from the date of sale of stock-in-trade for the purpose of exemption under section 54EC [CBDT Circular No.791 dated 2.6.2000]. In this case, since the investment in bonds of NHAI has been made within 6 months of sale of flats, the same qualifies for exemption under section 54EC. With respect to long-term capital gains arising on land or building or both in any financial year, the maximum deduction under section 54EC would be ₹50 lakhs, whether the investment in bonds of NHAI or RECL are made in the same financial year or next financial year or partly in the same financial year and partly in the next financial year.

Therefore, even though investment of ₹50 lakhs has been made in bonds of NHAI during the P.Y.2018-19 and investment of ₹50 lakhs has been made in bonds of RECL during the P.Y.2019-20, both within the stipulated six month period, the maximum deduction allowable for A.Y.2019-20, in respect of long-term capital gain arising on sale of long-term capital asset(s) during the P.Y. 2018-19, is only ₹50 lakhs.

**Question 4. (a)****(7 Marks)**

Compute the total income of Mr. Sahil for the assessment year 2019-20 from the following particulars:

Particulars	Amount (₹)
Income from business before adjusting the following items:	2,50,000
(a) Business loss brought forward from assessment year 2015 -16	85,000
(b) Current year depreciation	30,000
(c) Unabsorbed depreciation of earlier year	2,00,000
Income from house property (Gross Annual Value)	5,10,000
Municipal taxes paid	50,000
Mr. Sahil sold a plot at Noida on 12th September, 2018 for a consideration of ₹7,90,000, which had been purchased by him on 20th December, 2016 at a cost of ₹6,10,000	
Long-term capital loss on sale of shares sold through recognized stock exchange (STT paid at acquisition and sale)	90,000
Long-term capital gain on sale of debentures	1,35,000
Dividend on shares held as stock in trade	25,000
Dividend from a company carrying on agricultural business	15,000

**Answer:****Computation of total income of Mr. Sahil for the A.Y. 2019 -20**

Particulars		₹	₹
<b>I</b>	<b>Income from house property</b>		
	Gross Annual Value	5,10,000	
	Less: Municipal taxes paid	50,000	
	Net Annual Value (NAV)	4,60,00	
	Less: Deductions under section 24 30% of NAV	1,38,000	
	Interest on housing loan	-	3,22,000
<b>II</b>	<b>Income from business</b>		
		2,50,000	
	Less : Current year depreciation under section 32(1)	30,000	
		2,20,000	
	Less: Set-off of brought forward business loss of A.Y. 2015-16 under section 72	85,000	
	1,35,000		
	Less: Unabsorbed depreciation set-off [See Note 3]	1,35,000	Nil
<b>III</b>	<b>Capital gains</b>		
	Long-term capital gain on sale of debentures	1,35,000	
	Less: Long-term capital loss on sale of shares (STT is paid at acquisition and sale) [See Note 1]	90,000	
		45,000	
	Less: Unabsorbed depreciation set-off [See Note 3]	45,000	Nil
	Short term capital gain on sale of land [See Note 2]	1,80,000	
	Less: Unabsorbed depreciation set-off [See Note 3]	20,000	1,60,000
<b>IV</b>	<b>Income from other sources</b>		
	Dividend on shares (whether held as stock-in-trade or from a company carrying on agricultural operations) – exempt under section 10(34)	-	Nil
<b>Total income</b>			<b>4,82,000</b>

**Notes:**

- (1) Long-term capital loss on sale of listed equity shares through a recognized stock exchange on which STT is paid at the time of acquisition and sale of such shares can be set-off against long-term capital gains on sale of debentures applying the provisions of section 70(3).
- (2) Since land is held for a period of less than 24 months, the gain of ₹1,80,000 arising from sale of such land is a short-term capital gain.
- (3) Brought forward unabsorbed depreciation can be adjusted against any head of income. However, it is more beneficial to set-off unabsorbed depreciation first against long-term capital gains, since it is taxable at a higher rate of 20% (the other income of the assessee falling in the 5% slab rate). Therefore, unabsorbed depreciation is first set -off against long- term capital gains to the extent of ₹45,000. The remaining unabsorbed depreciation is adjusted against business income to the extent of ₹1,35,000 and the balance of ₹20,000 is adjusted against short-term capital gains.

In the alternative, the balance of ₹20,000 may also be set-off against income from house property, in which case, the net income from house property would be ₹3,02,000 and short-term capital gains would be ₹1,80,000. The gross total income and total income would, however, remain unchanged.

**Question 4. (b)****(3 Marks)**

Akash gifted ₹5 lakhs to his wife, Suman on her birthday on, 1st March, 2018. Suman lent such amount of ₹5,00,000 to Karuna on 1st April, 2018 for six months on which she received interest of ₹50,000. The said

sum of ₹50,000 was invested in shares of a listed company on 13th October, 2018, which were sold for ₹70,000 on 30th March, 2019. Securities transactions tax was paid on such sale.

In whose hands the above income and loss shall be included in Assessment Year 2019-20.

**Answer:**

In computing the total income of any individual, there shall be included all such income as arises directly or indirectly, to the spouse of such individual from assets transferred directly or indirectly, to the spouse by such individual otherwise than for adequate consideration or in connection with an agreement to live apart.

**Interest on loan:** Accordingly, ₹50,000, being the amount of interest on loan received by Mrs. Suman, wife of Mr. Akash, would be includible in the total income of Mr. Akash, since such loan was given by her out of the sum of money received by her as gift from her husband.

**Short-term capital gain:** The short-term capital gain of ₹20,000 (₹70,000, being the sale consideration less ₹50,000, being the cost of acquisition) arising in the hands of Ms. Suman from sale of shares acquired by investing the interest income of ₹50,000 earned by her (from the loan given out of the sum gifted to her by her husband), would not be included in the hands of Mr. Akash. Since securities transaction tax has been paid, such short-term capital gain on sale of listed shares is taxable@15%

Income from the accretion of the transferred asset is not liable to be included in the hands of the transferor and, therefore, such income is taxable in the hands of Ms. Suman.

**Question 4. (c)**

**(4 Marks)**

Mr. Sameer, aged 52 years, provides you the following information and requests you to determine his advance tax liability with due dates for the financial year 2018 -19.

Estimated tax liability for the financial year 2018-19	₹ 80,000
Tax deducted at source for this year	₹12,000

Would your answer change if, Mr. Sameer is eligible for and has opted for presumptive tax provisions under section 44AD and his tax liability is entirely on account of such income (ignore TDS)?

**Answer:**

**Determination of Advance Tax Liability of Mr. Sameer**

Particulars		₹
Estimated tax liability for the financial year 2018-19		80,000
<b>Less:</b> Tax deducted at source		<u>12,000</u>
<b>Tax payable</b>		<b><u>68,000</u></b>
Due Date of installment	Amount payable	₹
On or before 15th June, 2018	Not less than 15% of advance tax liability	10,200
On or before 15th September, 2018	Not less than 45% of advance tax liability less amount paid in earlier installment	20,400 (₹30,600, being 45% of ₹68,000- ₹10,200)
On or before 15th December, 2018	Not less than 75% of advance tax liability less amount paid in earlier installment(s)	20,400 (51,000, being 75% of ₹68,000 - ₹30,600)
On or before 15th	March, 2019	17,000 (68,000, being 100% of ₹68,000 - ₹51,000)

In case he is eligible for presumptive tax provisions under section 44AD and his entire tax liability is on account of such income, he can pay his entire advance tax liability in one installment on or before 15.3.2019, without attracting interest under section 243C.

## SECTION B - INDIRECT TAXES (40 MARKS)

### QUESTIONS

- (i) Working Notes should form part of the answers. However, in answers to Question in Division A, working notes are not required.
- (ii) Wherever necessary, suitable assumptions may be made by the candidates, and disclosed by way of note.
- (iii) The GST rates for goods and services mentioned in various questions are hypothetical and may not necessarily be the actual rates leviable on those goods and services. Further, GST compensation cess should be ignored in all the questions, wherever applicable.

#### Division A - Multiple Choice Questions

**Write the most appropriate answer to each of the following multiple choice questions by choosing one of the four options given. All questions are compulsory.**

**Total Marks: 12 Marks**

**Question Nos. 1 and 2 carries 2 Marks each**

**Question 1.**

**(2 Marks)**

Rama Ltd. has provided following information for the month of September:

- |   |               |
|---|---------------|
| (i) Intra-State outward supply              | ₹ 8,00,000/-  |
| (ii) Inter-State exempt outward supply      | ₹ 5,00,000/-  |
| (iii) Turnover of exported goods            | ₹ 10,00,000/- |
| (vi) Payment made for availing GTA services | ₹ 80,000/-    |

Calculate the aggregate turnover of Rama Ltd.

- (a) ₹ 8,00,000/-
- (b) ₹ 23,80,000/-
- (c) ₹ 23,00,000/-
- (d) ₹ 18,00,000/-

**Answer: (c)**

**Question 2.**

**(2 Marks)**

Which of the following services received without consideration amount to supply?

- (1) Import of services by a person in India from his son well-settled in USA
  - (2) Import of services by a person in India from his brother well-settled in Germany
  - (3) Import of services by a person in India from his brother (wholly dependent on such person in India) in France
  - (4) Import of services by a person in India from his daughter (wholly dependent on such person in India) in Russia
- (a) (1), 3) and 4)
  - (b) (2), 3) and 4)
  - (c) (2) and 3)
  - (d) (1) and 2)

**Answer: (a)**

**Question Nos. 3 to 10 are of 1 mark each.**

**Question 3.**

**(1 Mark)**

Services by way of admission to \_\_\_\_\_ are exempt from GST.

- (a) Museum
- (b) National park
- (c) Tiger reserve
- (d) All of the above

**Answer: (d)**

**Question 4.**

**(1 Mark)**

A supplier takes deduction of depreciation on the GST component of the cost of capital goods as per Income-tax Act, 1961. The supplier can-

- (a) avail only 50% of the said tax component as ITC
- (b) not avail ITC on the said tax component
- (c) avail 100% ITC of the said tax component
- (d) avail only 25% of the said tax component as ITC

**Answer: (b)**

**Question 5.**

**(1 Mark)**

Which of the following persons is not eligible for composition scheme even though their aggregate turnover does not exceed ₹ 1 crore in preceding FY, in Uttar Pradesh?

- (a) A person supplying restaurant services
- (b) A person supplying restaurant services and earning bank interest
- (c) A person supplying restaurant services and warehousing of rice
- (d) A person supplying restaurant services and warehousing of processed tea.

**Answer: (d)**

**Question 6.**

**(1 Mark)**

The time of supply of service in case of reverse charge mechanism is

- (a) Date on which payment is made to the supplier
- (b) Date immediately following 60 days from the date of issue of invoice
- (c) Date of invoice
- (d) Earlier of (a) and (b)

**Answer: (d)**

**Question 7.**

**(1 Mark)**

Which of the following services does not fall under reverse charge provisions as contained under section 9(3) of the CGST Act?

- (a) Services supplied by arbitral tribunal to business entity
- (b) Sponsorship provided to any partnership firm
- (c) Sponsorship provided to any body corporate
- (d) None of the above

**Answer: (d)**

**Question 8.****(1 Mark)**

Transport of \_\_\_\_\_ by rail are exempt from GST:

- (a) Milk
- (b) Salt
- (c) Defence equipments
- (d) All of the above

**Answer: (d)****Question 9.****(1 Mark)**

Alcoholic liquor for human consumption is subjected to

- (a) State excise duty
- (b) Central Sales Tax/Value Added Tax
- (c) Both (a) and (b)
- (d) GST

**Answer: (c)****Question 10.****(1 Mark)**

Taxes subsumed in GST are

- (a) Service tax
- (b) Luxury tax
- (c) VAT
- (d) All of the Above

**Answer: (d)****Division B - Descriptive Questions****Question No. 1 is compulsory.****Attempt any two questions out of remaining three questions.****Total Marks: 28 Marks****Question 1.****(8 Marks)**

M/s. Comfortable (P) Ltd. is registered under GST in Chennai, Tamil Nadu. It is engaged in the manufacture of iron and steel products. It has carried out following transactions in the financial year 20XX-XY:-

- (a) Purchased 1,000 Metric Ton (MT) iron @ 1,000 per MT (excluding GST) from M/s. Hard Ltd. of Chennai. M/s. Hard Ltd. has fulfilled the order as follows:

Date	Quantity (MT)	Taxable Value
28-Feb-2020	200	2,00,000/-
10-Mar-2020	250	2,50,000/-
25-Mar-2020	250	2,50,000/-
28-Mar-2020	200	2,00,000/-

Balance order requirement has been fulfilled by Hard Ltd. on 5-Apr-2020. However, Hard Ltd. has raised the invoice for full order at the time of dispatch of first lot, i.e. on 28-Feb-2020. M/s. Comfortable (P) Ltd. has made the full payment on 28-Feb-2019 for the order.

- (b) Company has received IT engineering service from M/s. Dynamic Infotech (P) Ltd. of Chennai for ₹11,00,000/- (excluding GST) on 28-Oct-2019. Invoice for service rendered was issued on 5-Nov-2019. M/s Comfortable (P) Ltd. made part-payment of ₹ 4,13,000/- on 31-Dec-2019. Being unhappy with service provided by M/s Dynamic Infotech (P) Ltd., it did not make the balance payment. Deficiency in

service rendered was made good by M/s Dynamic Infotech (P) Ltd. by 15-Feb-2020. M/s. Comfortable (P) Ltd. made payment of ₹ 2,95,000/- on 15-Feb-2020 towards full and final settlement of the dues and did not pay the balance amount.

(c) Company has made the following intra State supplies (excluding GST) for the financial year 2019-20:-

S.No.	Particulars	Amount (₹)
1.	Value of intra-State supplies made to registered persons	10,00,000
2.	Value of intra- State supplies made to unregistered persons	2,00,000

- (i) Compute the GST liability (CGST, SGST or IGST, as the case may be) of M/s. Comfortable (P) Ltd. for the financial year 2019-20:-
- (ii) Compute the amount of input tax credit to be reversed in the FY 2019-20 and/or in the next FY 2020-21, if any.

Assume the rates of GST as under:

CGST 9%

SGST 9%

IGST 18%

Note:

- (i) All the conditions necessary for availing input tax credit have been fulfilled.
- (ii) Ignore interest, if any

**Answer:**

(i) **Computation of net GST payable for the financial year 2019-20**

Particulars	Value (₹)	CGST (₹)	SGST (₹)
<b>Tax liability</b>			
Intra-State supplies made to registered persons	10,00,000	90,000	90,000
Intra State supplies made to unregistered persons	2,00,000	<u>18,000</u>	<u>18,000</u>
<b>Total (A)</b>		<b>1,08,000</b>	<b>1,08,000</b>
<b>Input Tax credit</b>			
Supply of iron in lots by M/s Hard Limited [Note-1]	10,00,000	-	-
Supply of IT engineering service [Note-2]	11,00,000	<u>99,000</u>	<u>99,000</u>
<b>Total (B)</b>		<b>99,000</b>	<b>99,000</b>
<b>Net GST payable (A)-(B)</b>		<b>9,000</b>	<b>9,000</b>

**Notes:-**

1. Section 16 of CGST Act, 2017 provides that where the goods against an invoice are received in lots or installments, the registered person shall be entitled to take credit upon receipt of the last lot or installment. Although 900 tonnes of iron are received in financial year 2019-20, the last lot of iron has been received after FY 2019-20 only, i.e. on 5, April 2020, thus no input tax credit is available in FY 2019-20.

In view of above provisions, full input tax credit in respect of transaction (a) will be claimed in financial year 2020-21 i.e. on receipt of last installment.

2. Section 16 of CGST Act, 2017 inter alia provides that every registered person is entitled to take credit of input tax charged on supply of services to him which are used in the course of business on receipt of the said services.

Thus, in view of the above mentioned provisions full input tax credit of ₹ 1,98,000/- can be claimed in financial year 2019-20.

- (ii) Section 16 of CGST Act, 2017 provides that where a recipient fails to pay to the supplier of goods or services or both, other than the supplies on which tax is payable on reverse charge basis, the

amount towards the value of supply along with tax payable thereon within a period of 180 days from the date of issue of invoice by the supplier, an amount equal to the input tax credit availed by the recipient shall be added to his output tax liability, along with interest thereon, in the prescribed manner.

However, the recipient shall be entitled to avail of the credit of input tax on payment made by him of the amount towards the value of supply of goods or services or both along with tax payable thereon.

Since the full amount of value along with tax payable thereon has not been paid by M/s Comfortable (P) Ltd. to M/s Dynamic Infotech (P) Ltd within a period of 180 days from the date of issue of invoice, the proportionate amount of input tax credit availed needs to be reversed. However, the reversal will be done in the financial year 20XY-YZ during when the time period of 180 days expire.

**Input tax credit to be reversed in financial year 2020-21**

Particulars	Amount (₹)
Total value of procurement of IT engineering service	11,00,000
Add: Total GST on the above value @ 18% [CGST + SGST]	<u>1,98,000</u>
Value including GST	12,98,000
Amount paid for the said service including GST [₹ 4,13,000 + ₹ 2,95,000]	<u>7,08,000</u>
Amount [value along with tax payable thereon] not paid for the said service	5,90,000
<b>ITC to be reversed [₹ 5,90,000 x 18/118]</b>	<b>90,000</b>

**Question 2. (a)**

**(6 Marks)**

Determine taxable value of supply under GST law with respect to each of the following independent services provided by the registered persons:

Particulars	Gross amount charged (₹)
Amount charged for loading, unloading, packing and warehousing of potato chips	25,000
Fees charged for yoga camp conducted by a charitable trust registered under section 12AA of the Income-tax Act, 1961	50,000
Amount charged by business correspondent for the services provided to the rural branch of a bank with respect to Savings Bank Accounts	1,00,000
Amount charged by cord blood bank for preservation of stem cells	5,00,000
Amount charged for service provided by commentator to a recognized sports body	6,00,000
Amount charged for service provided by way of right to admission to circus where consideration for the same is ₹ 750 per person.	12,000

**Answer:**

**Computation of value of taxable supply**

Particulars	(₹)
Amount charged for loading, unloading, packing and warehousing of potato chips [Note-1]	25,000
Fees charged for yoga camp conducted by a charitable trust registered under section 12AA of the Income-tax Act, 1961 [Note-2]	Nil
Amount charged by business correspondent for the services provided to the rural branch of a bank with respect to Savings Bank Accounts [Note-3]	Nil
Amount charged by cord blood bank for preservation of stem cells [Note-4]	Nil
Service provided by commentator to a recognized sports body [Note-5]	6,00,000
Amount charged for service provided by way of right to admission to circus where consideration for the same is ₹ 750 per person. [Note-6]	12,000

**Notes:**

1. Services by way of loading, unloading, packing, storage or warehousing of agricultural produce are exempt from GST. Further, potato chips are manufactured through processes which alter the essential characteristic of agricultural produce, thus is not covered under definition of agricultural produce.
2. Services by an entity registered under section 12AA of the Income-tax Act, 1961 by way of charitable activities are exempt from GST. The activities relating to advancement of yoga are included in the definition of charitable activities. So, such activities are exempt from GST.
3. Services by business facilitator or a business correspondent to a banking company with respect to accounts in its rural area branch have been exempted from GST.
4. Services provided by cord blood banks by way of preservation of stem cells or any other service in relation to such preservation are exempt from GST.
5. Services provided to a recognized sports body only by an individual as a player, referee, umpire, coach or team manager for participation in a sporting event organized by a recognized sports body are exempt from GST. Thus, services provided by commentators are liable to GST.
6. Services provided by way of right to admission to circus where consideration for the same is upto ₹500 per person are exempt from GST. Since in the present case, the consideration is more than ₹ 500 per person, so the same is liable to GST.

**Question 2. (b)****(4 Marks)**

Decide which person is liable to pay GST in the following independent cases, where the recipient is located in the taxable territory. Ignore the Aggregate Turnover and Exemption available.

- (i) Miss Shinu Ambani provided sponsorship services to Indian Love Cricket Academy, a Limited Liability Partnership.
- (ii) “Fast move”, a Goods Transport Agency, transported goods of Amba & Co., a partnership firm which is not registered under GST.

**Answer:**

- (i) In case of services provided by any person by way of sponsorship to any body corporate or partnership firm / limited liability partnership (LLP), GST is liable to be paid under reverse charge by such body corporate or partnership firm / LLP located in the taxable territory. Therefore, in the given case, Indian Love Cricket Academy is liable to pay GST under reverse charge.
- (ii) In case of services provided by Goods Transport Agency (GTA) in respect of transportation of goods by road to, inter alia, any partnership firm whether registered or not under any law; GST is liable to be paid by such partnership firm. Therefore, in the given case, Amba & Co. is liable to pay GST under reverse charge.

**Question 3. (a)****(3 Marks)**

Mr. Mayank provides Continuous Supply of Services (CSS) to M/s. Omega Limited. He furnishes the following further information:

- |  |            |
|--|------------|
| (i) Date of commencement of Providing CSS      | 01-10-2019 |
| (ii) Date of completion of Providing CSS       | 31-01-2020 |
| (iii) Date of receipt of payment by Mr. Mayank | 30-03-2020 |

Determine the time of issue of invoice as per provisions of CGST Act, 2017, in the following circumstances:

- (i) If no due date for payment is agreed upon by both under the contract of CSS.
- (ii) If payment is linked to the completion of service.
- (iii) If M/s. Omega Limited has to make payment on 25-03-2020 as per the contract between them.

**Answer:**

- (i) Where the due date of payment is not ascertainable from the contract, the invoice shall be issued before or at the time when the supplier of service receives the payment.

Thus, in the given case, the invoice should be issued on or before 30.03.2020 (date of receipt of payment by Mr. Mayank).

- (ii) If payment is linked to the completion of an event, the invoice should be issued on or before the date of completion of that event.

Since in the given case payment is linked to the completion of service, invoice should be issued on or before 31.01.2020 (date of completion of service).

- (iii) Where the due date of payment is ascertainable from the contract, the invoice should be issued on or before the due date of payment.

If M/s. Omega Limited has to make payment on 25.03.2020 as per the contract between them, the invoice should be issued on or before 25.03.2020.

**Question 3. (b)**

**(3 Marks)**

Draupad Fabrics has opted for composition levy scheme in the current financial year. It has approached you for advice whether it is mandatory for it to issue a tax invoice. You are required to advise him regarding same.

**Answer:**

A registered person paying tax under the provisions of section 10 [composition levy] shall issue, instead of a tax invoice, a bill of supply containing such particulars and in such manner as may be prescribed.

Therefore, in the given case, Draupad Fabrics cannot issue tax invoice. Instead, it shall issue a Bill of Supply.

**Question 3. (c)**

**(4 Marks)**

M/s Salty & Spicy Limited reduced the amount of ₹ 1,50,000 from the output tax liability in contravention of provisions of section 42(10) of the CGST Act, 2017 for the month of April 2019, which is ineligible credit. A show cause notice was issued by the Tax Department to pay tax along with interest. M/s Salty & Spicy Limited paid the tax and interest on 31st July, 2019. Calculate Interest liability (Ignore Penalty).

**Answer:**

A taxable person who makes an undue or excess claim of input tax credit shall pay interest @ 24% p.a. on such undue or excess claim in terms of section 50 of CGST Act, 2017. The period of interest will be from the date following the due date of payment to the actual date of payment of tax.

Due date of payment is 20th May, 2019.

Period for which interest is due = 21st May, 2019 to 31st July, 2019

=72 days

Thus, interest liability = ₹ 1,50,000 x 24% x 72/366

= ₹ 7,082 (approx.)

**Question 4. (a)**

**(5 Marks)**

Whether transfer of title and/or possession is necessary for a transaction to constitute supply of goods?

**Answer:**

Title as well as possession both have to be transferred for a transaction to be considered as a supply of goods. In case title is not transferred, the transaction would be treated as supply of service in terms of Schedule II(1)(b) of the CGST Act. In some cases, possession may be transferred immediately but title may be transferred at a future date like in case of sale on approval basis or hire purchase arrangement. Such transactions will also be termed as supply of goods.

**Question 4. (b)**

**(5 Marks)**

If a return has been filed, how can it be revised if some changes are required to be made?

**Answer:**

In GST since the returns are built from details of individual transactions, there is no requirement for having a revised return. Any need to revise a return may arise due to the need to change a set of invoices or debit/credit notes. Instead of revising the return already submitted, the system allows changing the details of those transactions (invoices or debit/credit notes) that are required to be amended. They can be amended in any of the future GSTR- 1 in the tables specifically provided for the purposes of amending previously declared details.

As per section 39(9), omission or incorrect particulars discovered in the returns filed u/s 39 can be rectified in the return to be filed for the month/quarter 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. The rectification of errors/omissions is carried out by entering appropriate particulars in “Amendment Tables” contained in GSTR-1.