Test Series: October, 2020

MOCK TEST PAPER

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.

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.

1. Mr. Rajesh Sharma, aged 54 years, an Indian citizen, is working as Assistant Manager in ABC India Ltd. He is getting basic salary of ₹ 58,000 per month. He used to travel frequently out of India for his office work. He left India from Delhi Airport on 5th Oct, 2019 and returned to India on 2nd Apr,2020.

   For previous year 2019-20, following information are relevant;

   (a) Dearness Allowance - 10% of Basic Pay (considered for retirement purposes)

   (b) Bonus - ₹ 98,000

   (c) Medical allowance paid during P.Y. 2019-20 amounting to ₹60,000

   (d) He was also reimbursed medical bill of his mother amounting to ₹15,000.

   (e) He was also transferred a laptop by company for ₹ 15,000 on 31st Dec 2019. The laptop was acquired by company on 1st Oct,2016 for ₹ 1,00,000. Company was charging depreciation at 31.666% assuming useful life of laptop as 3 years.

   (f) He was also reimbursed salary of house servant of ₹ 4,000 per month during P.Y. 2019-20.

   (g) Professional Tax paid by employer during P.Y. 2019-20 amounting to ₹ 2,400.

   (h) 400 equity shares allotted by ABC India Ltd. during P.Y. 2019-20 at the rate of ₹ 250 per share against fair market value of share of ₹ 350 on the date of exercise of option.

   (i) Short-term capital gain on sale of shares of listed company on which STT is paid amounting to ₹ 94,000.

   (j) Mr. Rajesh was also found owner of ₹ 5 lakh worth jewellery, of which he could not provide any satisfactory explanation.

   Based on the above information, choose the most appropriate option of the following Multiple Choice Questions (MCQs) for A.Y. 2020-21:-

   (i) What is Mr. Rajesh Sharma's residential status for the A.Y. 2020-21?

(a) Resident but can't determine resident and ordinarily resident or resident but not ordinarily resident from the given information

(b) Non-Resident

(c) Resident but not ordinarily resident

(d) Resident and ordinarily resident

(ii) What is his taxable perquisite for A.Y. 2020-21?

(a) ₹ 55,000

(b) ₹ 90,400

(c) ₹1,05,400

(d) ₹1,90,400

(iii) What is the income chargeable under the head "Salaries" in the hands of Mr. Rajesh Sharma for A.Y. 2020-21?

(a) ₹ 9,76,600

(b) ₹ 9,86,600

(c) ₹ 9,71,600

(d) ₹ 9,61,600

(iv) The tax liability (without considering surcharge and Health and education cess, if any) of Mr. Rajesh Sharma towards unexplained jewellery would be ____

(a) ₹ 1,00,000

(b) ₹ 1,50,000

(c) ₹ 3,00,000

(d) ₹ 2,50,000

(v) The total tax liability of Mr. Rajesh Sharma for A.Y. 2020-21 is _______

(a) ₹ 5,16,800

(b) ₹ 5,18,880

(c) ₹ 4,38,800

(d) ₹ 4,40,880 **(5 x 2 Marks)**

2. Mr. Ajay Sahu, proprietor of M/s Blue Bird Enterprises having turnover of ₹ 65 lakhs and not subject to tax audit under the Income-tax Act, 1961 during P.Y. 2018-19, has received two bills for payment. The first bill is for ₹ 42,00,000 from Vijay Associates, an advocate and property dealer firm, for his daughter's hearing and ₹ 21,00,000 from same Vijay Associates for brokerage service provided in relation to purchase of one property. Both bills were raised on 21-12-2019 but payment were made in instalments. 1st Instalment of ₹ 5,00,000 as advance was payment on 15-11-2019, 2nd Instalment of ₹ 45,00,000

on 25-03-2020 and balance amount ₹ 13,00,000 on 11-05-2020. Determine the TDS liability for Mr. Ajay Sahu, if any, for A.Y. 2020-21?

(a) ₹ 2,50,000

(b) ₹ 3,15,000

(c) ₹ 65,000

(d) Nil **(2 Marks)**

3. Sham Singh spends ₹ 1,00,000 on cultivation and harvesting of his agricultural produce. 50% of the production is sold for ₹1,10,000 and rest is stored for self consumption. What is the amount of the agricultural income?

(a) ₹ 60,000

(b) ₹ 1,10,000

(c) ₹ 1,20,000

(d) ₹ 1,00,000 **(2 Marks)**

4. Mr. Square, an Indian citizen, currently resides in Dubai. He came to India on a visit and his total stay in India during the F.Y. 2019-20 was 135 days. He has no source of Income in India. Following is his details of stay in India in the preceding previous years:

Financial Year	Days of Stay in India
2018-19	125
2017-18	106
2016-17	83
2015-16	78
2014-15	37
2013-14	40
2012-13	35

You are his tax consultant. Advise him on his residential status for the P.Y. 2019-20.

(a) Resident but Not Ordinary Resident (RNOR)

(b) Resident and Ordinary Resident

(c) Non-Resident

(d) Resident but information incomplete to know whether resident but not ordinarily resident or resident and ordinarily resident **(2 Marks)**

5. Ms. Dilar who is not required to furnish return u/s 139(1) as his gross total income itself is less than basic exemption limit, has incurred expenditure of ₹ 2,00,000 for her daughter for travel to U.S.A. during P.Y. 2019-20. Is she required to file return for A.Y. 2020-21? If yes, what is the due date?

(a) Yes; 31st July, 2020

(b) Yes; 30th September, 2020

(c) Yes; 31st August, 2020

(d) No, she is not required to file return of income for A.Y. 2020-21 **(2 Marks)**

Division B – Descriptive Questions

*Question No. **1** is compulsory*

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

1. From the following information provided by Mr. Raj, aged 42 years working as a manager in XYZ Limited, for the year ended 31.3.2020, you are required to compute his total income and tax payable for the A.Y. 2020-21.

Basic salary	₹ 25,000 p.m.
DA (50% of it is meant for retirement benefits)	50% Basic Pay
Own contribution to Recognized Provident Fund (R.P.F.)	₹ 30,000
Employer's contribution to R.P.F.	20% of basic salary
Interest credited in the R.P.F account@15% p.a.,	₹ 15,000
Arrears of rent received from XYZ Limited	₹ 75,000

Received interest ₹ 10,000 from Axis Bank Savings account during the year, and interest of ₹ 12,040 (gross) from the debentures of M/s. Coal India Ltd.

He made payment through cheque ₹ 15,370 towards premium on Life insurance policies and ₹ 22,500 for Mediclaim Insurance Policy for his major dependent daughter.

He had contributed ₹ 1,196 pm towards Atal Pension Yojana and ₹ 5,000 pm towards Sukanya Sarnridhi account.

XYZ Limited has taken residential house of Mr. Raj as Company's guest house and later purchased from him in the year 2018 at market value for ₹ 75 lakhs. Purchase cost was only ₹ 10 lakhs in April, 2004.

During August, 2019, Mr. Raj had sold his gold chain and a diamond ring for ₹ 3,40,000 which he had purchased in April, 2004 for ₹ 1,13,000.

Donation of ₹ 11,000 to Prime Minister's National Relief Fund were given during the year by way of cheque.

(CII for 2004-05:113, 2018-19: 280, and 2019-20: 289) **(14 Marks)**

2. (a) Miss Deepika, a citizen of India, got married to Mr. John of Australia and left India for the first time on 20.8.2019. She has not visited India again during the P.Y. 2019-20. She has derived the following income for the year ended 31-3-2020:

	Particulars	**₹**
(i)	Income from sale of centrifuged latex processed from rubber plants grown in kanyakumari.	1,50,000
(ii)	Income from sale of coffee grown and cured in Kodagu, Karnataka	2,00,000
(iii)	Income from sale of coffee grown, cured, roasted and grounded in Colombo. Sale consideration was received in Chennai.	5,00,000
(iv)	Income from sale of tea grown and manufactured in West Bengal.	12,00,000
(v)	Income from sapling and seedling grown in a nursery at Cochin. Basic operations were not carried out by her on land.	2,00,000

You are required to determine the residential status of Miss Deepika and compute the business income and agricultural income of Miss. Deepika for the Assessment Year 2020-21. **(7 Marks)**

(b) Mr. Karan is engaged in the business of producing and selling toys. During the previous year 2019-20, his turnover was ₹ 1.75 crores. He opted for paying tax as per presumptive taxation scheme laid down in section 44AD. He has no other income during the previous year. Is he liable to pay advance tax and if so, what is the minimum amount of advance tax to be paid and the due date for payment of such advance tax assuming that whole of the turnover represents cash receipts?

(3 Marks)

(c) Mr. Varun filed return on 30th September, 2020 related to Assessment Year 2020-21. In the month of October 2020, his tax consultant found that the interest on fixed deposit was omitted in the tax return.

(i) What is the time limit for filing a belated return?

(ii) Can Mr. Varun file a revised return?

Justify the above with the relevant provisions under section 139.

Assume that the due date for furnishing return of income was 31st July, 2020 and the assessment was not completed till the month of October 2020. **(4 Marks)**

3. (a) Mr. Abhimanyu has furnished the following particulars relating to payments made and expenditure incurred towards scientific research for the year ended 31.3.2020:

Sl. No.	Particulars	₹ (in lakhs)
(i)	Payment made to AB University, an approved University	15
(ii)	Payment made to Siya College	17
(iii)	Payment made to IIT, Madras (under an approved programme for scientific research)	12
(iv)	Machinery purchased for in-house scientific research	25

Compute the deduction available under section 35 of the Income-tax Act, 1961 for A.Y. 2020-21, while computing his income under the head "Profits and gains of business or profession".

(4 Marks)

(b) Mr. Yusuf bought a vacant land for ₹ 80 lakhs in March 2005. Registration and other expenses were 10% of the cost of land. He constructed a residential building on the said land for ₹ 100 lakhs during the financial year 2006-07.

He entered into an agreement for sale of the above said residential house with Mr. John (not a relative) in July 2019. The sale consideration was fixed at ₹ 600 lakhs and on the date of agreement, Mr. Yusuf received ₹ 20 lakhs as advance in cash. The stamp duty value on that date was ₹ 620 lakhs.

The sale deed was executed and registered on 10-2-2020 for the agreed consideration. However, the State stamp valuation authority had revised the values, hence, the value of property for stamp duty purposes was ₹ 650 lakhs. Mr. Yusuf paid 1% as brokerage on sale consideration received.

Subsequent to sale, Mr. Yusuf made following investments:

(i) Acquired a residential house at Delhi for ₹ 80 lakhs.

(ii) Acquired a residential house at London for ₹ 40 lakhs.

(iii) Subscribed to NHAI bond: ₹ 45 lakhs on 29-5-2020 and ₹ 15 lakhs on 12-7-2020.

Compute the income chargeable under the head "Capital Gains" for A.Y. 2020-21. The choice of exemption must be in the manner most beneficial to the assessee.

Cost Inflation Index:	F.Y. 2004-05	113	
	F.Y. 2006-07	122	
	F.Y. 2019-20	289	**(7 Marks)**

(c) From the following transactions relating to Mrs. Natasha, determine the amount chargeable to tax in her hands for the A.Y. 2020-21. Your answer should be supported by reasons:

(i) On 1-1-2020, being her birthday, she received a gift of ₹ 40,000 by means of cheque from her father's maternal uncle.

(ii) On 12-2-2020, she acquired a vacant site from her friend for ₹ 1,32,000. The State stamp valuation authority fixed the value of site at ₹ 2,00,000 for stamp duty purpose.

(iii) She bought 50 equity shares of a private company from another friend for ₹ 75,000. The fair market value of such shares on the date of purchase was ₹ 1,33,000. **(3 Marks)**

4. (a) Nishant gifted ₹ 10 lakhs to his wife, Nisha on her birthday on, 1st January, 2019. Nisha lent ₹ 5,00,000 out of the gifted amount to Krish on 1st April, 2019 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 15th October, 2019, which were sold for ₹ 75,000 on 30th December, 2019. Securities transaction tax was paid on such sale. The balance amount of gift was invested as capital by Nisha in a newly business started on 1.4.2019. She suffered loss of ₹ 15,000 in the business in Financial Year 2019-20.

In whose hands the above income and loss shall be included in Assessment Year 2020-21? Support your answer with brief reasons. **(4 Marks)**

(b) The following are the details relating to Mr. Rajesh, a resident Indian, relating to the year ended 31.03.2020

Particulars	Amount (₹)
Short term capital gain	1,40,000
Loss from house property	2,20,000
Loss from speculative business	50,000
Loss from card games	20,000
Brought forward Long term capital loss of A.Y. 2015-16	86,000
Dividend from Shaiba Ltd.	11,00,000
Loss from tea business	96,000

Mr. Rajesh's wife, Isha is employed with Shine Ltd., at a monthly salary of ₹ 25,000, where Mr. Rajesh holds 21% of the shares of the company. Isha is not adequately qualified for the post held by her in Shine Ltd.

You are required to compute taxable income of Mr. Rajesh for the A.Y. 2020-21. Ascertain the amount of losses which can be carried forward. **(7 Marks)**

(c) Mention the significant differences between TDS and TCS. **(3 Marks)**

SECTION B - INDIRECT TAXES (40 MARKS) NEW COURSE

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) All questions should be answered on the basis of the position of GST law as amended up to 30th April, 2020.

(iv) 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 (MCQs)

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

Each MCQ under Question No. 1 carries 2 Marks each

1. M/s. Shanky Consultants, a partnership firm registered in Delhi, renders following services during the year:

   (i) Security services: ₹ 2,00,00,000/ to registered business entities.

   (ii) Manpower services (Accountants): ₹ 5,00,000/-

   (iii) Auditing services: ₹ 1,00,00,000/-

   Other Information:

   (i) Shanky Consultants also paid sponsorship fees of ₹ 70,000/- at seminar organized by a private NGO (a partnership firm) in Delhi.

   (ii) Shanky Consultant pays rent amounting to ₹ 6,00,000/- for a building owned by MCD.

   (iii) Assume all services are taxable at 18% and all transactions to be intra-State supplies.

   Based on the above information, answer the following questions:

   I. What is the aggregate turnover of Shanky Consultants?

      (a) ₹ 3,05,00,000/-

      (b) ₹ 3,05,70,000/-

      (c) ₹ 1,05,00,000/-

      (d) ₹ 1,05,70,000/-

   II. GST liability paid under reverse charge by Shanky Consultants is?

      (a) CGST: ₹ 60,300/-, SGST: ₹ 60,300/-

      (b) CGST: ₹ 6,300/-, SGST: ₹ 6,300/-

      (c) CGST: ₹ 54,000/-, SGST: ₹ 54,000/-

      (d) None of the above

III. State which of the following statement is true in respect of security services provided by Shanky Consultants to registered business entities:

(a) Shanky Consultants shall issue GST compliant tax invoice.

(b) Shanky Consultants shall issue bill of supply stating “Tax to be paid by service recipient under reverse charge”.

(c) Shanky Consultants can issue any document in lieu of tax invoice.

(d) Shanky Consultants shall issue receipt voucher every time Shanky Consultants receives payment. **(3 x 2 Marks = 6 Marks)**

2. Akash Ltd. a registered person in Punjab has purchased Air Conditioner for invoice value of ₹ 32,000 (which includes GST at 18%) from Mukesh Ltd. registered in Punjab. Akash Ltd. had capitalized Air Conditioner in his books of accounts for full value of ₹ 32,000 and taking the benefit of depreciation on the same. Keeping in view of the above situation the input tax credit which Akash Ltd. is required to take in his books of accounts will be;

(a) Nil

(b) ₹4,881

(c) ₹5,760

(d) ₹2,880 **(2 Marks)**

3. Which document is required in case of movement of goods of consignment value of ₹ 1,05,000 for reasons other than supply:-

(a) Bill of supply

(b) Receipt Voucher

(c) Payment voucher

(d) E-way bill **(2 Mark)**

4. Which of the following services are exempt under GST?

(i) testing of agricultural produce

(ii) supply of farm labour

(iii) warehousing of agricultural produce

(a) (i)

(b) (i) and (ii)

(c) (ii) and (iii)

(d) (i), (ii) and (iii) **(2 Mark)**

Division B - Descriptive Questions

Question No. 1 is compulsory.

Attempt any two questions out of remaining three questions.

Total Marks: 28 Marks

1. Mr. Harihar, a supplier of goods, pays GST under regular scheme. He has made the following outward taxable supplies in a tax period:

Particulars	(₹)
Intra-State supply of goods	10,00,000
Inter-State supply of goods	8,00,000

He has also furnished the following information in respect of purchases made by him in that tax period:

Particulars	(₹)
Intra-State purchases of goods	3,00,000
Inter-State purchases of goods	2,50,000

Mr. Harihar has following ITCs with him at the beginning of the tax period:

Particulars	(₹)
CGST	57,000
SGST	60,000
IGST	1,40,000

Note:

(i) Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively.

(ii) Both inward and outward supplies are exclusive of taxes, wherever applicable.

(iii) All the conditions necessary for availing the ITC have been fulfilled.

Compute the minimum GST payable in cash, by Mr. Harihar for the tax period and the ITC to be carried forward to the next month. Make suitable assumptions as required. **(8 Marks)**

2. (a) Shri Krishna Pvt. Ltd., a registered supplier, furnishes the following information relating to goods sold by it to Shri Balram Pvt. Ltd.-

S. No.	Particulars	Amount (₹)
(i)	Price of the goods [excluding taxes and other charges mentioned at S. Nos. (iii), (v) and (vi)]	1,00,000
(ii)	Municipal tax	2,000
(iii)	Inspection charges	15,000
(iv)	Subsidy received from Shri Ram Trust [Subsidy is directly linked to the goods supplied]	50,000
(v)	Late fees for delayed payment inclusive of GST [Shri Balram Pvt. Ltd. paid the late fees. However, these charges were ultimately waived by Shri Krishna Pvt. Ltd. and the amount was refunded to Shri Balram Pvt. Ltd. during the same month]	1,000
(vi)	Weighment charges [Such charges were paid by Shri Balram Pvt. Ltd. to Radhe Pvt. Ltd. on behalf of Shri Krishna Pvt. Ltd.]	2,000

Note: Price of the goods is net of the subsidy received.

Determine the value of taxable supply made by Shri Krishna Pvt. Ltd. to Shri Balram Pvt. Ltd.

(6 Marks)

(b) Modern Security Co. provides service of testing of electronic devices. In one case, it tested a batch of devices on 4th and 5th September but could not raise invoice till 19th November because of some dispute about the condition of the devices on return. The payment was made in December.

What is the method to fix the time of supply of the service? **(4 Marks)**

3. (a) Examine whether the supplier is liable to get registered in the following independent cases:-

(i) Happy Ltd. of Himachal Pradesh is exclusively engaged in intra-State supply of pan masala. It's aggregate turnover in the current financial year is ₹ 24 lakh.

(ii) Akki Ltd. of Assam is exclusively engaged in intra-State supply of taxable services. It's aggregate turnover in the current financial year is ₹ 25 lakh.

(iii) Aaru Ltd. of Assam is engaged in intra-State supply of both taxable goods and services. It's aggregate turnover in the current financial year is ₹ 30 lakh. **(6 Marks)**

(b) Angira Ltd. is a supplier of taxable goods in Karnataka. It got registered under GST in the month of September, 20XX and wishes to pay its IGST liability for the month. Since it is making the GST payment for the first time, it is of the view that it needs to mandatorily has the online banking facility to make payment of GST; offline payment is not permitted under GST. You are required to apprise Angira Ltd. regarding the various modes of deposit in the electronic cash ledger. Further, advise it with regard to following issues:

(a) Are manual challans allowed under GST?

(b) What is the validity period of the challan? **(4 Marks)**

4. (a) Explain the meaning of the term "recipient of supply of goods and/or services" under the CGST Act, 2017. (**5 Marks)**

(b) List out the situations in which a Credit note/Debit note may be issued under the CGST Act, 2017. **(5 Marks)**

Test Series: October, 2020

MOCK TEST PAPER
INTERMEDIATE (NEW) COURSE
PAPER – 4: TAXATION
SECTION – A: INCOME TAX LAW
SOLUTIONS
Division A – Multiple Choice Questions

MCQ No.	Sub-part	Most Appropriate Answer
1.	(i)	(a)
	(ii)	(c)
	(iii)	(a)
	(iv)	(c)
	(v)	(a)

MCQ No.	Most Appropriate Answer
2.	(b)
3.	(a)
4.	(c)
5.	(d)

Division B – Descriptive Questions

1. **Computation of Total Income and tax payable by Mr. Raj for the A.Y.2020-21**

Particulars	₹	₹
Income from Salaries		
Basic Salary (₹ 25,000 x 12)		3,00,000
Dearness Allowance (₹ 3,00,000 x 50%)		1,50,000
Employer's contribution to recognized provident fund:		
Actual contribution [20% of ₹ 3,00,000]	60,000	
Less: Exempt [12% of ₹ 3,75,000 (basic salary + 50% of dearness allowance, which forms part of retirement benefits)]	45,000	15,000
Interest credited in recognized provident fund account@15% p.a.	15,000	
Less: Exempt up to 9.5% p.a.	9,500	5,500
Gross Salary		**4,70,500**
Less: Standard deduction u/s 16(ia)		50,000
Net Salary		**4,20,500**
Income from house property		
Arrears of rent [Taxable under section 25A, even if Mr. Raj is no longer the owner of house property]	75,000	
Less: 30% of arrears of rent	22,500	52,500
Capital gain on sale of guest house:		
As the sale was made in the year 2018, the capital gain does not relate to assessment year 2020-21.		Nil
Capital Gain on jewellery [Long term, since the capital assets are held for more than 36 months]		
Full value of consideration	3,40,000	
Less: Indexed cost of acquisition [₹ 1,13,000 x 289/113]	2,89,000	51,000

Income from Other Sources			
Interest from savings bank account		10,000	
Interest on debentures		12,040	
			22,040
Gross total Income			**5,46,040**
Less: **Deductions under Chapter VI-A**			
Section 80C			
Own contribution to RPF	30,000		
LIC premium [It is assumed that premium does not exceed 10%/20% of sum assured, as the case may be]	15,370		
Deposit in Sukanya Samridhi Scheme [₹ 5,000 x 12]	60,000	1,05,370	
Section 80CCD(1B)			
Contribution to Atal Pension Yojana, a notified pension scheme		14,352	
Section 80D - Mediclaim Insurance for major dependent daughter		22,500	
Section 80G – Donation to PM National Relief Fund [100%]		11,000	
Section 80TTA – Interest on savings bank account (allowed in full upto ₹ 10,000)		10,000	1,63,222
Total Income			**3,82,818**
Total Income (rounded off)			**3,82,820**
Tax Liability			
Tax on Long-term Capital Gains @20% of ₹ 51,000		10,200	
Tax on balance income of ₹ 3,31,820		4,091	
			14,291
Less: Rebate under section 87A would be lower of ₹12,500 or tax liability, since the total income does not exceed ₹ 5,00,000			12,500
			1,791
Add: Health and Education cess @4%			72
Tax liability			1,863
Less: TDS on interest on debenture			1,204
Tax payable			659
Tax payable (Rounded off)			**660**

2. (a) Miss Deepika is said to be resident if she satisfies any one of the following basic conditions:

(i) Has been in India during the previous year for a total period of 182 days or more

(or)

(ii) Has been in India during the 4 years immediately preceding the previous year for a total period of 365 days or more and has been in India for at least 60 days during the previous year.

Miss Deepika's stay in India during the P.Y.2019-20 is 142 days [30+31+30+31+20] which is less than 182 days. However, her stay in India during the P.Y.2019-20 exceeds 60 days. Since, she left India for the first time, her stay in India during the four previous years prior to P.Y.2019-20 would be more than 365 days. Hence, she is a resident for P.Y.2019-20.

Further, Miss Deepika would be "Resident and ordinarily resident" in India in during the previous year 2019-20, since her stay in India in the last seven previous years prior to P.Y.2019-20 is more than 730 days and she must be resident in the preceding ten years.

Computation of business income and agricultural income of Miss Deepika for A.Y. 2020-21

Particulars		Income	Business Income ₹	Agricultural Income ₹
(i)	Income from sale of centrifuged latex processed from rubber plants grown in Kanyakumari (Apportioned between business and agricultural income in the ratio of 35:65 as per Rule 7A of Income-tax Rules, 1962)	1,50,000	52,500	97,500
(ii)	Income from sale of coffee grown and cured in Kodagu, Karnataka (Apportioned between business and agricultural income in the ratio of 25:75, as per Rule 7B(1) of the Income-tax Rules, 1962)	2,00,000	50,000	1,50,000
(iii)	Income from sale of coffee grown, cured, roasted and grounded in Colombo and received in Chennai [**See Note 1 below]**	5,00,000	5,00,000	-
(iv)	Income from sale of tea grown and manufactured in West Bengal (Apportioned between business and agricultural income in the ratio of 40:60 as per Rule 8 of the Income-tax Rules, 1962)	12,00,000	4,80,000	7,20,000
(v)	Income from sapling and seedling grown in a nursery at Cochin. Basic operations were not carried out on land **[See Note 2 below]**	2,00,000	-	2,00,000
		22,50,000	**10,82,500**	**11,67,500**

Notes:

(1) Since Ms Deepika is resident and ordinarily resident in India for A.Y. 2020-21, her global income is taxable in India. Entire income from sale of coffee grown, cured, roasted and grounded in Colombo is taxable as business income since such income is earned from sale of coffee grown, cured, roasted and grounded outside India i.e., in Colombo.

(2) As per *Explanation 3* to section 2(1A), income derived from sapling or seedlings grown in a nursery would be deemed to be agricultural income, whether or not the basic operations were carried out on land. Hence, income of ₹ 2,00,000 from sapling and seedling grown in a nursery at Cochin is agricultural income.

(b) Computation of advance tax liability in the hands of Mr. Karan opting for presumptive taxation scheme under section 44AD

Particulars	₹
As per section 211(1)(b), an eligible assessee, opting for computation of profits or gains of business on presumptive basis in respect of an eligible business referred to in section 44AD, shall be required to pay advance tax of the whole amount on or before 15th March of the financial year. Thus, Mr. Karan is	

required to pay advance tax for F.Y.2019-20 on or before 15th March, 2020. However, any amount paid by way of advance tax on or before 31st March shall also be treated as advance tax paid during that financial year on or before 15th March.		
The advance tax liability is computed as follows –		
Total Income being 8% of ₹1,75,00,000, since Mr. Karan is an eligible assessee opting for presumptive taxation scheme under section 44AD (Total income comprises of only income under the head "Profits and gains of business or profession", since Mr. Karan is not having any other income during the previous year)		14,00,000
Tax liability		
Upto ₹ 2,50,000	Nil	
₹ 2,50,001 to ₹ 5,00,000@5%	12,500	
₹ 5,00,001 to ₹ 10,00,000@20%	1,00,000	
Above ₹ 10,00,000@30%	1,20,000	2,32,500
Add: Health and Education cess @4%		9,300
Total Tax Payable		**2,41,800**
Accordingly, Mr. Karan is required pay ₹ 2,41,800 as minimum amount of advance tax by 31st March 2020.		

(c) **(i)** As per section 139(4), a belated return for any previous year may be furnished at any time -

(a) before the end of the relevant assessment year; or

(b) before the completion of the assessment,

whichever is earlier.

For assessment year 2020-21, the belated return has to be furnished before 31st March 2021 or before completion of assessment, whichever is earlier.

(ii) As per section 139(5), if any person, having furnished a return within the due date or a belated return, discovers any omission or any wrong statement therein, he may furnish a revised return at any time –

(a) before the end of the relevant assessment year or

(b) before the completion of assessment,

whichever is earlier.

Since Mr. Varun has filed his return after 31.7.2020, being the due date under section 139(1) in his case, but before 31.3.2021/completion of assessment, the said return is a belated return under section 139(4).

Thus, in the present case, Mr. Varun can file a revised return, since he has found an omission in the belated return filed by him for A.Y.2020-21 and assessment is yet to be completed and assessment year has not elapsed as of October, 2020.

3. (a) **Computation of deduction allowable under section 35**

Particulars	Amount (₹ in lakhs)	Section	% of weighted deduction	Amount of deduction (₹ in lakhs)
Payment for scientific research				
AB University, an approved University	15	35(1)(ii)	150%	22.5
Siya College **[See Note 1]**	17	-	NIL	NIL
IIT Madras (under an approved programme for scientific research)	12	35(2AA)	150%	18
In-house research [See Note 2]				
Capital expenditure – Purchase of Machinery	25	35(1)(iv) r.w. 35(2)	100%	25
Deduction allowable under section 35				**65.50**

Notes:-

1. **Payment to Siya College:** Since the question clearly mentions that AB University (mentioned in item (i)) is approved research institutions, it is logical to conclude that Siya College mentioned in item (ii) is not an approved research institution. Therefore, payment to Siya College would not qualify for deduction under section 35.
2. **Deduction for in-house research and development:** Only company assessees are entitled to weighted deduction @150% under section 35(2AB) in respect of expenditure on scientific research on in-house research and development facility. However, in this case, the assessee is an individual. Therefore, he would be entitled to deduction@100% of the capital expenditure incurred under section 35(1)(iv) read with section 35(2), assuming that such expenditure is laid out or expended on scientific research related to his business.

(b) **Computation of income chargeable under the head "Capital Gains" for A.Y.2020-21**

Particulars	₹ (in lakhs)	₹ (in lakhs)
Capital Gains on sale of residential building		
Actual sale consideration ₹ 600 lakhs		
Value adopted by Stamp Valuation Authority ₹ 650 lakhs		
Gross Sale consideration		650.00
[Where the actual sale consideration is less than the value adopted by the Stamp Valuation Authority for the purpose of charging stamp duty, and such stamp duty value exceeds 105% of the actual sale consideration, then, the value adopted by the Stamp Valuation Authority shall be taken to be the full value of consideration as per section 50C.		
In a case where the date of agreement is different from the date of registration, stamp duty value on the date of agreement can be considered provided the whole or part of the consideration is paid by way of account payee cheque/bank draft or by way of ECS through bank account or through any other prescribed electronics mode on or before the date of agreement.		
In this case, since advance of ₹ 20 lakh is received in cash on		

the date of agreement, stamp duty value on the date of registration has to be considered. Since stamp duty value on the date of registration exceeds 105% of the actual consideration, such stamp duty value on the date of registration would be taken as full value of consideration]		
Less: Brokerage@1% of sale consideration (1% of ₹ 600 lakhs)		6.00
Net Sale consideration		644.00
Less: Indexed cost of acquisition		
- Cost of vacant land, ₹ 80 lakhs, *plus* registration and other expenses i.e., ₹ 8 lakhs, being 10% of cost of land [₹ 88 lakhs × 289/113]	225.06	
- Construction cost of residential building (₹ 100 lakhs x 289/122)	236.89	461.95
Long-term capital gains before exemption		**182.05**
***Less:* Exemption under section 54**		80.00
Since the amount of capital gain does not exceed ₹ 2 crore, the capital gain arising on transfer of a long-term residential property shall not be chargeable to tax to the extent such capital gain is invested in the purchase of two residential house property in India one year before or two years after the date of transfer of original asset, at the option of the assessee.		
However, in the present case, the exemption would be available only in respect of the residential house acquired at Delhi and not in respect of the residential house in London since the residential house property should be purchased or constructed in India		
***Less:* Exemption under section 54EC**		50.00
Amount deposited in capital gains bonds of NHAI within six months from the date of transfer (i.e., on or before 09.08.2020) would qualify for exemption, to the maximum extent of ₹ 50 lakhs.		
Therefore, in the present case, exemption can be availed only to the extent of ₹ 50 lakh out of ₹ 60 lakhs, even if the both the investments are made on or before 09.08.2020 (i.e., within six months from the date of transfer).		
Long term capital gains chargeable to tax		**52.05**

Note: Since the residential house property was held by Mr. Yusuf for more than 24 months immediately preceding the date of its transfer, the resultant gain is a long-term capital gain.

(c) Computation of amount chargeable to tax in hands of Mrs. Natasha for A.Y. 2020-21

	Particulars	₹
(i)	Even though father's maternal uncle does not fall within the definition of "relative" under section 56(2)(x), gift of ₹ 40,000 received from him by cheque is not chargeable to tax since the aggregate sum of money received by Mrs. Natasha without consideration from non-relatives (other than on the occasion of marriage) during the previous year 2019-20 does not exceed ₹ 50,000.	Nil

(ii)	Purchase of vacant site for inadequate consideration on 12.2.2020 would attract the provisions of section 56(2)(x). Where any immovable property is received for a consideration which is less than the stamp duty value of the property by an amount and the difference between stamp duty value and consideration is more the higher of ₹50,000 and 5% of consideration, the difference between the stamp duty value and consideration is chargeable to tax in the hands of Individual. Therefore, in the given case ₹ 68,000 (₹ 2,00,000 - ₹ 1,32,000) is taxable in the hands of Mrs. Natasha, since the difference exceeds ₹50,000, being the higher of ₹50,000 and 5% of consideration.	68,000
(iii)	Since shares are included in the definition of "property" and difference between the purchase value and fair market value of shares is ₹ 58,000 (₹ 1,33,000 - ₹ 75,000) i.e. it exceeds ₹ 50,000, the difference would be taxable under section 56(2)(x).	58,000
Amount chargeable to tax		**1,26,000**

4. **(a) Interest on loan**

As per section 64(1)(iv), 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.

Accordingly, ₹ 50,000, being the amount of interest on loan received by Ms. Nisha, wife of Mr. Nishant, would be includible in the total income of Mr. Nishant, since such loan was given by her out of the sum of money received by her as gift from her husband.

Loss from business

Since the capital was invested in business by Ms. Nisha on 1st April, 2019, and capital invested was entirely out of the funds gifted by her husband, the entire loss of ₹15,000 from the business carried on by Ms. Nisha would also be includible in the total income of Mr. Nishant.

Since income includes loss as per *Explanation 2* to section 64, clubbing provisions would be attracted even if there is loss and not income.

Capital Gain on sale of shares of listed company

The short-term capital gain of ₹ 25,000 (₹ 75,000, being the sale consideration *less* ₹ 50,000, being the cost of acquisition) arising in the hands of Ms. Nisha 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. Nishant.

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. Nisha. Since securities transaction tax has been paid, such short-term capital gain on sale of listed shares is taxable@15% in the hands of Ms. Nisha.

(b) Computation of Taxable Income of Mr. Rajesh for the A.Y. 2020-21

Particulars	₹	₹
Salaries		
Isha's salary (₹ 25,000 x 12) **[See Note 1]**	3,00,000	
Less: Standard deduction under section 16(ia) upto ₹50,000	50,000	
	2,50,000	
Less: Loss from house property set off against salary income as		

per section 71(3A) **[See Note 2]**	2,00,000	50,000
Capital Gains		
Short term capital gain	1,40,000	
Less: Loss from tea business (₹ 96,000 x 40%) **[See Note 3 & 4]**	38,400	1,01,600
Income from Other Sources		
Dividend income **[See Note 5]**		1,00,000
Taxable Income		**2,51,600**

The following losses can be carried forward for subsequent assessment years:

(i)	Loss from house property to be carried forward and set-off against income from house property	₹ 20,000
(ii)	Long-term capital loss of A.Y. 2015-16 can be carried forward and set-off against long-term capital gains	₹ 86,000
(iii)	Loss from speculative business to be carried forward and set-off against income from speculative business	₹50,000

Notes:

(1) As per section 64(1)(ii), all the income which arises directly or indirectly, to the spouse of any individual by way of salary, commission, fees or any other form of remuneration from a concern in which such individual has a substantial interest shall be included in the total income of such individual. However, where spouse possesses technical or professional qualification and the income is solely attributable to the application of such knowledge and experience, clubbing provisions will not apply. Since, Mrs. Isha is not adequately qualified for the post and Mr. Rajesh has substantial interest in Shine Ltd by holding 21% of the shares of the Shine Ltd., the salary income of Mrs. Isha to be included in Mr. Rajesh's income.

(2) As per section 71(3A), loss from house property can be set off against any other head of income to the extent of ₹ 2,00,000 only.

(3) 60% of the losses from tea business is treated as agricultural income and therefore exempt. Loss from an exempt source cannot be set off against profits from a taxable source.

(4) As per section 71(2A), business loss cannot be set off against salary income. Hence, 40% of the losses from tea business i.e., ₹ 38,400 set off against short term capital gains.

(5) Dividend received from Shaiba Ltd, an Indian Company upto ₹ 10,00,000 is exempt under section 10(34). ₹ 1,00,000, being dividend received in excess of ₹ 10 lakh would be taxable @ 10% as per section 115BBDA. Set off of losses is not permissible against such income.

(6) Loss from Card games can neither be set off against any other income, nor can it be carried forward.

(7) Loss of ₹50,000 from speculative business can be set-off only against the income from the speculative business. Hence, such loss has to be carried forward.

(8) As per section 74(1), brought forward Long-term capital loss can be set-off only against long-term capital gain. Such loss can be carried forward for eight assessment years immediately succeeding the assessment year for which the loss was first computed. Since, 8 assessment years has not expired, such loss can be carried forward to A.Y. 2021-22 for set-off against long-term capital gains.

(c) Significant Differences between TDS and TCS

	TDS	TCS
(1)	TDS is tax deduction at source	TCS is tax collection at source.
(2)	Person responsible for paying is required to deduct tax at source at the prescribed rate.	Seller of certain goods or provider of services is responsible for collecting tax at source at the prescribed rate from the buyer. Person who grants licence or lease (in respect of any parking lot, toll plaza, mine or quarry) is responsible for collecting tax at source at the prescribed rate from the licensee or lessee, as the case may be.
(3)	Generally, tax is required to be deducted at the time of credit to the account of the payee or at the time of payment, whichever is earlier. However, in case of payment of salary, payment in respect of life insurance policy etc., tax is required to be deducted at the time of payment.	Generally, tax is required to be collected at source at the time of debiting of the amount payable by the buyer of certain goods to the account of the buyer or at the time of receipt of such amount from the said buyer, whichever is earlier. However, in case of sale of motor vehicle of the value exceeding ₹ 10 lakhs, tax collection at source is required at the time of receipt of sale consideration.

SECTION B - INDIRECT TAXES (40 MARKS)

SUGGESTED ANSWERS

Division A - Multiple Choice Questions Answer

1. (I) (a)

(II) (a)

(III) (a)

2. (a)

3. (d)

4. (d)

Division B - Descriptive Answer

1. Computation of GST payable on outward supplies

S.No.	Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)	Total (₹)
(i)	Intra-State supply of goods for ₹ 10,00,000	90,000	90,000		1,80,000
(ii)	Inter-State supply of goods for ₹ 8,00,000			1,44,000	1,44,000
	Total GST payable				**3,24,000**

Computation of total ITC

Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
Opening ITC	57,000	60,000	1,40,000
Add: ITC on Intra-State purchases of goods valuing ₹3,00,000	27,000	27,000	Nil
Add: ITC on Inter-State purchases of goods valuing ₹ 2,50,000	Nil	Nil	45,000
Total ITC	**84,000**	**87,000**	**1,85,000**

Computation of minimum GST payable from cash ledger

Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)	Total GST (₹)
GST payable	90,000	90,000	1,44,000	3,24,000
Less: ITC [First ITC of IGST should be utilized in full - first against IGST liability and then against CGST and SGST liabilities in a manner to minimize cash outflow]	(38,000) IGST	(3,000) IGST	(1,44,000) IGST	1,85,000 IGST
	(52,000) CGST	(87,000) SGST		1,39,000
Minimum GST payable in cash	**Nil**	**Nil**	**Nil**	**Nil**
ITC balance to be carried forward next month	**32,000**	**Nil**	**Nil**	**32,000**

Note : The above computation is one of the many ways to set off the ITC of IGST

(₹ 41,000-after set off against IGST liability) against CGST and SGST liability to compute minimum GST payable in cash. To illustrate, IGST of ₹ 10,000 can be set off against SGST payable and IGST of ₹ 31,000 can be set off against CGST payable. In this situation also, the net GST payable will be nil but the ITC of CGST and SGST to be carried forward will be ₹ 25,000 and ₹ 7,000 (totaling to ₹ 32,000) respectively. However, if the entire ITC of ₹ 41,000 is set off against CGST payable, then SGST of ₹ 3,000 will be payable in cash thus, increasing the cash outflow. Therefore, such a set off would not be advisable for computing the minimum GST payable.

2. (a) Computation of value of taxable supply made by Shri Krishna Pvt. Ltd. to Shri Balram Pvt. Ltd.

Particulars	**Amount (₹)**
Price of the goods	1,00,000
Municipal tax [Includible in the value as per section 15(2)(a)]	2,000
Inspection charges [Any amount charged for anything done by the supplier in respect of the supply of goods at the time of/before delivery of goods is includible in the value as per section 15(2)(c)]	15,000
Subsidy received from Shri Ram Trust [Since the subsidy is received from a non-Government body and directly linked to the supply, the same is includible in the value in terms of section 15(2)(e)]	50,000
Late fees for delayed payment [Not includible since the same is waived off]	Nil
Weighment charges paid to Radhe Pvt. Ltd. on behalf of Shri Krishna Pvt. Ltd. [Any amount that the supplier is liable to pay in relation to the supply but has been incurred by the recipient and not included in the price actually paid or payable for the goods, is includible in the value of supply in terms of section 15(2)(b)]	2,000
Value of taxable supply	1,69,000

(b) The time of supply of services, if the invoice is not issued in time, is the date of payment or the date of provision of service, whichever is earlier [Section 13(2)(b)]. In this case, the service is provided on 5th September but not invoiced within the prescribed time limit. Therefore, 5th September, the date of provision of service, being earlier than the date of payment, will be the time of supply.

3. (a) As per section 22 of the CGST Act, 2017 read with *Notification No. 10/2019 CT dated 07.03.2019,* a supplier is liable to be registered in the State/Union territory from where he makes a taxable supply of goods and/or services, if his aggregate turnover in a financial year exceeds the threshold limit. The threshold limit for a person making exclusive intra-State taxable supplies of goods is as under:-

(a) ₹ 10 lakh for the Special Category States of Mizoram, Tripura, Manipur and Nagaland.

(b) ₹ 20 lakh for the States of States of Arunachal Pradesh, Meghalaya, Puducherry, Sikkim, Telangana and Uttarakhand.

(c) ₹ 40 lakh for rest of India. However, the higher threshold limit of ₹ 40 lakh is not available to persons engaged in making supplies of ice cream and other edible ice, whether or not containing cocoa, Pan masalas and Tobacco and manufactured tobacco substitutes.

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

(a) ₹ 10 lakh for the Special Category States of Mizoram, Tripura, Manipur and Nagaland.

(b) ₹ 20 lakh for the rest of India.

In the light of the afore-mentioned provisions, the answer to the independent cases is as under:-

(i) Happy Ltd. being exclusively engaged in supply of pan masala is not eligible for higher threshold limit of ₹40 lakh. The applicable threshold limit for registration in this case is ₹20 lakh. Thus, Happy Ltd. is liable to get registered under GST.

(ii) Though Akki Ltd.is dealing in Assam, it is not entitled for higher threshold limit for registration as the same is applicable only in case of exclusive supply of goods while it is exclusively engaged in providing services. Thus, the applicable threshold limit for registration in this case is ₹ 20 lakh and hence, Akki Ltd. is liable to get registered under GST.

(iii) Since Aaru Ltd. is engaged in supply of both taxable goods and services, the applicable threshold limit for registration in this case is ₹ 20 lakh. Thus, Aaru Ltd. is liable to get registered under GST as it's turnover is more than the threshold limit.

(b) As per the provisions of CGST Act, 2017 read with relevant rules, the deposit in electronic cash ledger can be made through any of the following modes, namely:-

(i) Internet Banking through authorised banks;

(ii) Credit card or Debit card through the authorised bank;

(iii) National Electronic Fund Transfer or Real Time Gross Settlement from any bank; or

(iv) Over the Counter payment through authorised banks for deposits up to ten thousand rupees per challan per tax period, by cash, cheque or demand draft.

Thus, offline mode is also permitted under GST subject to specified conditions.

(a) Manual or physical Challans are not allowed under the GST regime. It is mandatory to generate Challans online on the GST Portal.

(b) Challan is valid for a period of 15 days.

4. (a) Recipient of supply of goods or services or both, means —

(i) where a consideration is payable for the supply of goods or services or both, the person who is liable to pay that consideration;

(ii) where no consideration is payable for the supply of goods, the person to whom the goods are delivered or made available, or to whom possession or use of the goods is given or made available; and

(iii) where no consideration is payable for the supply of a service, the person to whom the service is rendered,

and

(i) any reference to a person to whom a supply is made shall be construed as a reference to the recipient of the supply, and

(ii) shall include an agent acting as such on behalf of the recipient in relation to the goods or services or both supplied.

(b) Credit note is required to be issued by the Supplier:-

(i) If taxable value charged in the tax invoice is found to exceed the taxable value in respect of supply of goods and/or services, or

(ii) If tax charged in the tax invoice is found to exceed the tax payable in respect of supply of goods and/or services, or

(iii) if goods supplied are returned by the recipient, or

(iv) if goods and/or services supplied are found to be deficient.

Debit note is required to be issued by the Supplier:-

(i) if taxable value charged in the tax invoice is found to be less than the taxable value in respect of supply of goods and/or services or

(ii) if tax charged in the tax invoice is found to be less than the tax payable in respect of supply of goods and/or services.

SOLUTION OF MTP NOV 2020 (MCQs)

INCOME TAX

Hint of Q1

(i) Answer: (a)

Since stay of Mr. Rajesh is 188 days in the current years hence he is resident in India. From the given data, it cannot be determined whether he is ROR/NOR because the period of stay of earlier years is not given.

(ii) Answer: (c)

Computation of taxable perquisite

Medical reimbursement fully taxable	15,000
Reimbursement of Servent salary	48,000
Laptop (not taxable since value of laptop is less than the sale value)	Nil
Professional tax	2,400
Equity shares (400 x (350-250))	40,000
Taxable perquisite	1,05,400

(iii) Answer: (a)

Computation of income chargeable under the head salaries

Basic salary (58,000 x 12)	6,96,000
Dearness Allowance (10%)	69,600
Bonus	98,000
Medical allowance	60,000
Medical reimbursement fully taxable	15,000
Reimbursement of Servent salary	48,000
Laptop (not taxable since value of laptop is less than the sale value)	Nil
Professional tax	2,400
Equity shares (400 x (350-250))	40,000
Gross salary	10,29,000
Less: Standard deduction u/s 16(ia)	(50,000)
Less: Professional tax u/s 16(iii)	(2,400)
Income under the head salary	9,76,600

(iv) Answer: (c)

Computation of tax without surcharge and cess on unexplained jewellery

Unexplained income	5,00,000
Tax @ 60%	3,00,000

(v) Answer: (a)

Computation of total tax liability

Tax on 9,76,600 at slab rate	1,07,820
Tax on STCG 111A 94,000 @ 15%	14,100
Tax on unexplained jewellery (60% + surcharge @ 25%)	3,75,000
Tax before cess	4,96,920
Health and education cess @ 4%	19,876.80
Total tax liability	5,16,796.80
Rounded off u/s 288B	5,16,800.00

Hint of Q2

As per section 194M, any individual and HUF (not liable to deduct tax at source u/s 194C/194J/194H) is liable to deduct tax at source @ 5% if aggregate of such payment is exceeding 50,00,000. Payment is for commission or brokerage or by way of fees for professional services.

In the given case, it is covered u/s 194M, hence TDS shall be deducted @ 5% on 63,00,000 = 3,15,000

Hint of Q3

Amount of agricultural income

Sales	1,10,000
Less: cost of cultivation and harvesting (50%)	(50,000)
Agricultural income	60,000

Hint of Q4

As per section 6(1),Mr. Square is covered under special category and second condition i.e 60 + 365 days is not applicable. It means stay of Mr. Square in the current year must be 182 days or more. But in the given case his stay is 135 days hence he is considered to be Non-resident.

Hint of Q5

Persons, who has incurred expenditure of amount exceeding 2,00,000 for himself or for other person for travel to a foreign country shall be required to file Income tax return even if his gross total income is below the basic exemption limit. In the given case amount is not exceeding 2,00,000 hence she is not required to file Income tax return.

INDIRECT TAXES

Hint of Q1

(i) Aggregate turnover of Shanky consultants

Security services	2,00,00,000
Manpower services	5,00,000
Auditing services	1,00,00,000
Total	3,05,00,000

(ii) GST liability under reverse charge

Sponsorship fees and payment of Rent to MCD is covered under reverse charge.

Sponsorship fees	70,000
Rent of immovable property	6,00,000
Total	6,70,000
CGST @ 9%	60,300
SGST @ 9%	60,300

Hint of Q2 : Answer: (a)

As per section 16(3), While claiming depreciation on capital assets, such ITC shall not form part of actual cost i.e. if registered person has taken tax credit, input tax shall not be added to the cost of capital assets. If person has added tax on cots of the asset then ITC shall not be allowed.

Hint of Q3 : Answer: (d)

In case of movement of goods of consignment value 1,05,000 e-way bill is required.