

SOLUTION TO MCQs of RTP MAY 22 EXAM

RELEASED BY ICAI

INCOME TAX

1. Ans. (b)

TDS u/s 194Q is applicable w.e.f. 01.07.2021

If any person is purchasing goods of aggregate value during a particular year exceeding ₹50 lakh, such person shall deduct tax at source @ 0.1% of the sum exceeding ₹50 lakh however such buyer should also be engaged in a business and turnover from such business should exceed ₹10 crores in financial year immediately preceding the year in which goods are being purchased.

TDS u/s 194Q, it is clarified that when tax is deducted at the time of credit of amount in the account of seller and in terms of the agreement or contract between the buyer and the seller, the component of GST comprised in the amount payable to the seller is indicated separately, tax shall be deducted u/s 194Q on the amount credited without including such GST. However, if the tax is deducted on payment basis because the payment is earlier than the credit, the tax would be deducted on the whole amount as it is not possible to identify that payment with GST component of the amount to be invoiced in future.

In the given case, TDS is required to be deducted u/s 194Q @ 0.1%

Payment is made earlier than invoice so TDS is required to be deducted including GST $25,37,000 \times 0.1\% = 2,537$

Payment is made after the invoice so TDS is required to be deducted excluding GST $10,50,000 \times 0.1\% = 1,050$

2. Ans. (c)

Cross application of section 194Q and section 206(1H), If for any reason Tax has not been deducted u/s 194Q then TCS u/s 206(1H) is applicable.

In the given case, TDS is not deducted before 01.07.2021 hence TCS is applicable and TCS shall be collected @ 0.1% on amount exceeding 50 Lakhs.

In the given case , total payment is $47,20,000 + 17,70,000 = 64,90,000 - 50,00,000 = 14,90,000 \times 0.1\% = 1,490$.

3. Ans. (c)

If Mr. Subhash has started the retail business of car spare parts in May 2021 hence his turnover in the preceding year is Nil, hence 194Q is not applicable and section 206(1H) shall be applicable and Car accessories is required to collect tax at source.

On 30.06.2021 = $64,90,000 - 50,00,000 = 14,90,000 \times 0.1\% = 1490$

On 17.08.2021 = $25,37,000 \times 0.1\% = 2537$

On 28.02.2021 = $12,39,000 \times 0.1\% = 1239$

4. Ans. (d)

E-Commerce operators should deduct TDS @1% at the time of credit of the amount of sale of goods, services, or both to the account of an e-commerce participant or at the time of making payment to an e-Commerce participant by any other mode, whichever is earlier.

If tax has been deducted by the e-commerce operator on a transaction u/s 194-O [including transactions on which tax is not deducted on account of section 194-O(2)], that transaction shall not be subjected to tax deduction u/s 194Q. hence carparts.com is required to deduct tax at source @1%

5. Ans. (c)

As per section 206AA, Every person on whose behalf, tax is being deducted at source shall submit his PAN to the person deducting tax at source otherwise rate of TDS shall be the actual rate or 20% whichever is higher. The person deducting tax at source has to mention such PAN in the quarterly statement. However, if the assessee, whose tax is required to be deducted under section 194-O or 194Q, does not submit his PAN or Aadhar, rate of TDS shall be 5% instead of 20%.

In the given case, Subhash has furnished his AADHAR hence normal rate will apply @ 0.1%.

6. Ans. (a)**Mr. Suraj**

Full value of consideration (Section 50C)	61,00,000
Less: Cost of Acquisition	(50,00,000)
STCG	11,00,000

Since stamp duty is higher than the sales consideration by more than 10% of sale consideration hence stamp value shall be taken as Full value of consideration.

Mr. Prakash

If immovable property has been received for a consideration which is less than the stamp duty value of the property by an amount exceeding fifty thousand rupees and also stamp duty value is exceeding by more than 10% of the actual consideration, in such cases taxable amount shall be the stamp duty value of such property as exceeds such consideration. Hence 8,00,000 is taxable under the other sources as a gift.