

# SOLUTION TO MCQs OF MTP-1 MAY 23 EXAM

## RELEASED BY ICAI

### INCOME TAX

1.

(i) Ans. (b)

Hint:

*In case of citizen of India or person of Indian origin having total income other than income from foreign sources, exceeding 15 lakhs during the year, such individual shall be resident in India if he stays for 120 days during the year and also for 365 days during 4 years preceding the relevant previous year. Further as per section 6 (6)(c), he will be considered to be NOR, if his stay is maximum upto 181 days. If stay is 182 days or more, he will be ROR/NOR as per section 6(6)(a) i.e. such person can stay in India for maximum 119 days to maintain his status of Non Resident.*

In this case, since Mr. Kamal has visited India for 124 days during the P.Y.2022-23, and 366 days during last 4 years he would be a Resident but not ordinary resident in India for that year.

(ii) Ans. (b)

#### Income under the head house property

Flat in Delhi

GAV (Rent received/receivable) (32,500 x 12) 3,90,000

Less: Municipal tax paid (40,000)

NAV 3,50,000

Less: Standard deduction u/s 24(a) @ 30% (1,05,000)

Less: interest on loan u/s 24(b) (3,14,000)

Income from flat in Delhi (69,000)

Arrears of rent (2,96,000-88,800) 2,07,200

Income from house property 1,38,200

(iii) Ans. (a)

Full value of consideration (480 x 10,000) 48,00,000

Less: Cost of Acquisition (30,00,000)

Higher of

1. Cost of acquisition 10,00,000

2. Lower of

(a) Fair market value of such asset on 31.01.2018 30,00,000

(b) Actual sale value 48,00,000

LTCG u/s 112A 18,00,000

#### Section 55(2) (ac),

In case of equity shares or units of equity oriented mutual funds or units of business trust which have been sold w.e.f. 01.04.2018 onwards, cost of acquisition shall be higher of

1. Cost of acquisition

## 2. Lower of

(a) Fair market value of such asset on 31.01.2018

(b) Actual sale value

If there are more than one value as on 31.01.2018, the highest of such value shall be taken in to consideration.

**(iv) Ans. (d)****Calculation of total Income**

Income under the head house property (as computed above)	1,38,200
Income under the head capital gains (as computed above)	18,00,000
Income under the head other sources	
Interest on bonds (50% received in India)	3,10,000
Gross Total Income	22,48,200
Less: Deduction u/s 80C (Repayment of housing loan)	(80,000)
Total Income	21,68,200

**(v) Ans. (c)****Computation of Tax Liability**

Tax on normal income 3,68,200 at slab rate	3,410
Tax on LTCG 112A 17,00,000 @ 10% (18,00,000-1,00,000)	1,70,000
Tax before HEC	1,73,410
Add: HEC @ 4%	6,936.40
Tax Liability	1,80,346.40
Rounded off u/s 288B	1,80,350.00

**2. Ans. (d)**

**Hint:** Where the asset transferred directly or indirectly by an individual to the spouse has been invested by the transferee in any business, the income arising out of the business to the transferee in any previous year shall be clubbed in the income of transferor but for this purpose capital as on first day of relevant previous year shall be taken into consideration.

**3. Ans. (b)****Calculation of Interest u/s 201 (1A)**

6,000 x 1% x 8 (from 1.7.2022 to 28.02.2023)	480
13,500 x 1.5% x 4 (from 28.2.2023 to 22.06.2023)	810
Total Interest	1,290

**4. Ans. (c)**

Hint: Loss after debiting salary	(1,12,000)
Add: Salary	6,00,000
Book Profit	4,88,000
<b><u>Allowed Salary</u></b>	
First 3,00,000 x 90%	2,70,000
Balance 1,88,000 x 60%	1,12,800
Total Allowed salary	3,82,800
Allowed per partner	1,27,600

**5. Ans. (a)**

Hint:

**Income from a Farm Building Section 2(1A)(c)**

If any building is in the agricultural field or is very near to the agricultural field and it is being used for storing agricultural produce or for storing agricultural implements or it is being used as dwelling unit by the farmer himself, such building is called farm building and its income shall be computed as per provisions given under the head house property and income shall be considered to be agricultural income however such land should be in the rural area. If it is in the urban area/jurisdiction of a municipality or cantonment board, its classified should be agricultural land i.e. it should be assessed to land revenue.

Also it should not be situated in any area within such distance, measured aerially, in relation to the range of population as shown hereunder, otherwise land should be classified as agricultural land.

	Shortest aerial distance from the local limits of a municipality or cantonment board referred to in item a.	Population according to the last preceding census of which the relevant figures have been published before the first day of the previous year
(i)	≤ 2 kilometers	> 10,000 ≤ 1,00,000
(ii)	≤ 6 kilometers	> 1,00,000 ≤ 10,00,000
(iii)	≤ 8 kilometers	> 10,00,000

**6. Ans. (b)**

## GST

### 1. Ans. (c)

Hint: Reverse charge shall be applicable only if GTA has given services to any of the following persons. Further under reverse charge tax shall be paid by the recipient of GTA service and Recipient of GTA service is the person who pays/is liable to pay freight for transportation of goods by road in goods carriage, located in the taxable territory.

- (a) any factory registered under or governed by the Factories Act, 1948; or
- (b) any society registered under the Societies Registration Act, 1860 or under any other law for the time being in force in any part of India; or
- (c) any co-operative society established by or under any law; or
- (d) any person registered under the CGST Act or the IGST Act or the SGST Act or the UTGST Act; or
- (e) any body corporate established, by or under any law; or
- (f) any partnership firm whether registered or not under any law including association of persons; or
- (g) any casual taxable person.

If services has been provided to any other person, it will be exempt from GST i.e. if services are given to individual or HUF who are unregistered, it will be exempt from GST.

In the given case, Kunal Traders and Small Traders co-operative society is liable to pay GST under Reverse charge.

### 2. Ans. (c)

**Hint: Entry No. 21:** Services provided by a goods transport agency, by way of transport in a goods carriage of the following goods are exempt from GST–

- (a) agricultural produce;
- (b) *omitted*
- (c) *omitted*
- (d) milk, salt and food grain including flour, pulses and rice;
- (e) organic manure;
- (f) newspaper or magazines registered with the Registrar of Newspapers;
- (g) relief materials meant for victims of natural or man-made disasters, calamities, accidents or mishap; or
- (h) defence or military equipments.

### 3. Ans. (d)

The liability to pay tax on services shall arise at the time of supply. Time of supply of services shall be the date of invoice or the date of receiving payment whichever is earlier but if invoice is not issued within 30 days of supply of service, TOS shall be the date of supply of service or the date of payment whichever is earlier.

In the given case, invoice is issued after 30 days of supply of service Hence TOS shall be date of supply (1<sup>st</sup> April) or payment (6<sup>th</sup> May) whichever is earlier i.e. 1<sup>st</sup> April.

**4. Ans. (a)**

**Hint: SCHEDULE I** [See section 7]

**ACTIVITIES TO BE TREATED AS SUPPLY EVEN IF MADE WITHOUT CONSIDERATION**

1. Permanent transfer or disposal of business assets where input tax credit has been availed on such assets.
2. Supply of goods or services or both between related persons or between distinct persons as specified in section 25, when made in the course or furtherance of business:

**Provided** that gifts not exceeding fifty thousand rupees in value in a financial year by an employer to an employee shall not be treated as supply of goods or services or both.

3. Supply of goods—

- (a) by a principal to his agent where the agent undertakes to supply such goods on behalf of the principal; or
- (b) by an agent to his principal where the agent undertakes to receive such goods on behalf of the principal.

4. Import of services by a person from a related person or from any of his other establishments outside India, in the course or furtherance of business.

**5. Ans. (b)**

ITC on Outdoor catering in Diwali Mela organized for employees is ineligible ITC as per section 17(5).

**6. Ans. (c)**

The liability to pay tax on services shall arise at the time of supply. Time of supply of services shall be the date of invoice or the date of receiving payment whichever is earlier but if invoice is not issued within 30 days of supply of service, TOS shall be the date of supply of service or the date of payment whichever is earlier.

In the given case, Invoice is issued after 30 days from the supply of service hence TOS shall be date of supply of service or date of payment whichever is earlier. So for 5,000 TOS is date of payment (i.e. 10<sup>th</sup> August) and for balance amount TOS shall be supply of service i.e. 10<sup>th</sup> October.