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SOLUTION AS PER FA 2021

(FOR MAY/NOV 2022)

TAXATION

DEC – 2021

ETM2

Roll No.....

Total No. of printed Pages – 22

Total No. of Questions – 8

Maximum Marks – 70

GENERAL INSTRUCTIONS TO CANDIDATES

1. The question paper comprises two parts, Part I and Part II.
2. Part I comprises Multiple Choice Question (MCQs).
3. Part II comprises questions which require descriptive type answers.
4. Ensure that you receive the question paper relating to both the parts. If you have not received both, bring it to the notice of the invigilator.
5. Answers to Questions in Part I are to be marked on the OMR answer sheet given on the Cover Page of Section A of descriptive type answer book. Answers to questions in Part II are to be written on the same descriptive type answer book. Answers to MCQs, if written inside the descriptive answer book, will not be evaluated.
6. OMR answer sheet given on the Cover Page of Section A of descriptive answer book will be in English only for all candidates, including for Hindi medium candidates.
7. The bar coded sticker provided in the attendance register, is to be affixed only on the descriptive type answer book.
8. You will be allowed to leave the examination hall only after the conclusion of the exam. If you have completed the paper before time, remain in your seat till the conclusion of the exam.
9. Duration of the examination is 3 hours. You will be required to submit (a) Part I of the question paper containing MCQs, and (b) the answer book in respect of descriptive type answer book with OMR Cover Page to the invigilator before leaving the exam hall, after the conclusion of the exam.
10. The invigilator will give you acknowledgement on Page 2 of the admit card, upon receipt of the above-mentioned items.
11. Candidate found copying or receiving or giving any help or defying instructions of the invigilators will be expelled from the examination and will also be liable for further punitive action.

PART II

1. **Section – A** comprises questions 1-4. In Section – A, answer question No.1 which is compulsory and any 2 questions from question Nos. 2-4. All questions in Section – A relate to assessment year 2022-23, unless otherwise stated.

Section – B comprises questions **5-8**. In Section – B, answer question No.5 which is compulsory and any 2 questions from question Nos. **6-8**

2. Working notes should form part of the answer.

3. Answers to the questions are to be given only in English except in the case of candidates who have opted for Hindi Medium. If a candidate has not opted for Hindi Medium, his/her answers in Hindi will not be evaluated.

4. All questions in Section – B should be answered on the basis of position of GST law as amended by significant notification/circulars issued upto 31st Oct, 2021.

PART – II

SECTION – A

1. Mr. Shivansh, a resident and ordinarily resident aged 61 years, is engaged in the business of manufacturing of motor parts. He is subject to tax audit under section 44AB of Income Tax Act, 1961. He has provided following information:

Profit & Loss account for the year ended 31st March, 2022

Particulars	(₹)	Particulars	(₹)
To Administrative expenses	4,30,000	By Gross Profit	58,30,000
To Salaries & wages	20,00,000	By Profit on sale of asset of scientific research	2,00,000
To Interest on loans	7,50,000	By Winning from lottery (Net of TDS @ 30%)	31,500
To Depreciation	6,17,000		
To Professional fees	2,70,000		
To Rent, rates & taxes	2,80,000		
To Travelling & conveyance	1,40,000		
To Net Profit	15,74,500		
Total	60,61,500	Total	60,61,500

Explanatory information:

- (i) Opening and closing stock of finished goods were undervalued by 10%. Opening stock of ₹4,50,000 and closing stock of ₹5,58,000 was shown.
- (ii) Salaries & wages include following items:
 - (a) Contributed 20% of basic salary in National Pension Scheme referred to section 80CCD regarding salary paid to an employee Mr. Ganesh who has withdrawn basic salary of ₹3,00,000, and Dearness allowance is 40% of basic salary. 50% of Dearness allowance forms part of the salary.
 - (b) Some of the employees opted for retirement under the voluntary retirement scheme; a sum of ₹2,40,000 was paid to them on 1st January, 2022.
- (iii) Interest on loan includes interest paid @ 15% per annum on loan of ₹12,00,000 which was taken from State Bank of India on 01.05.2021 for purchased of new electric car of ₹15,00,000. The car is used for personal purpose.
- (iv) Depreciation allowable as per Income Tax Rules, 1962 is ₹4,50,000 but during the calculation of such depreciation following addition was not considered:
Motor car purchased for ₹3,00,000 for supply of finished goods to dealers on 25.08.2020.

- (v) An asset was purchased for ₹6,00,000 on 17.11.20 for conducting scientific research and the deduction was claimed under section 35 of the Income-tax Act, 1961. This asset was sold on 05.09.2021 for a consideration of ₹8,00,000.

Other information:

A plot of Industrial land which was used by Mr. Shivansh for business purpose for last 10 years was compulsorily acquired by Central Government on 07.05.2021. The compensation of ₹ 12,00,000 was received on 27.02.2022. Such property was purchased by him on 08.08.2005 for ₹2,00,000. He has purchased another plot of industrial land on 21.04.2022 for ₹6,00,000. Government has also paid ₹54,000 as interest on such compensation on 28.03.2022.

Cost Inflation Indices: FY 2021-22: 317, FY 2005-06: 117

Compute the total income and tax liability of Mr. Shivansh for the assessment year 2022-23 assuming that he has not opted provisions of section 115BAC. Ignore Provisions relating to AMT. **(14 Marks)**

Solution:

Computation of Total Income and Tax Liability of Mr. Shivansh for the assessment year 2022-23

₹

Income under the head business profession

Net Profit as per profit and loss account	15,74,500
Less: Income considered in Profit and loss but taxable under other heads/Expenses allowed	
Winning from lottery	(31,500)
Profit on sale of asset on scientific research	(2,00,000)
Opening stock undervalued (4,50,000 / 90% x 10%)	(50,000)
Depreciation allowed as per income tax	(4,50,000)
Depreciation allowed on motor car (3,00,000 x 15%)	(45,000)
Add: Expenses disallowed/Income allowed	
VRS expenditure 1/5 th allowed and 4/5 th is disallowed (2,40,000 x 4/5)	1,92,000
Employer contribution to NPS in excess of 10% of salary (60,000 (20% of 3,00,000) – 36,000 (10% of 3,60,000))	24,000
Depreciation	6,17,000
Closing stock undervalued (5,58,000 / 90% x 10%)	62,000
Sale of asset used for scientific research	6,00,000
Interest on loan for new electric car used for personal purpose (12,00,000 x 15% x 11/12)	1,65,000
Income under the head Business/Profession	24,58,000

Income under the head capital gains

STCG on sale of asset on scientific research (8,00,000-6,00,000)	2,00,000
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Sale of plot

Full value of consideration	12,00,000
Less: Indexed Cost of Acquisition (2,00,000 / 117 x 317)	(5,41,880)
Long term capital gains	6,58,120
Less: Exemption u/s 54D	(6,00,000)
Long term capital gains	58,120
Income under the head capital gains	2,58,120

Income under the head other sources

Winning from lottery (31,500/70%)	45,000
Interest on compensation (54,000 – 27,000) (Deduction of 50% is allowed as per section 57)	27,000
Income under the head other sources	72,000

Computation of Total Income

Income under the head Business/Profession	24,58,000
Income under the head capital gains	2,58,120
Income under the head other sources	72,000
Gross Total Income	27,88,120
Less: Deduction u/s 80EEB 1,65,000 but limited to 1,50,000	(1,50,000)
Total Income	26,38,120

Computation of Tax Liability

Tax on LTCG 58,120 @ 20% u/s 112	11,624.00
Tax on casual income 45,000 @ 30% u/s 115BB	13,500.00
Tax on Normal Income 25,35,000 at slab rate	5,70,500.00
Tax before HEC	5,95,624.00

Add: HEC @ 4%	23,824.96
Tax liability	6,19,448.96
Rounded off u/s 288B	6,19,450.00

2. (a) Examine the tax implications of the following transactions for the assessment year 2022-23: (Give brief reason)

- (i) Government of India has appointed Mr. Rahul as an ambassador in Japan. He received salary of ₹7,50,000 and allowances of ₹2,40,000 during the previous year 2021-22 for rendering his services in Japan. He is an Indian citizen having status of non-resident in India for the previous year 2021-22.
- (ii) Ms. Juhi, a non-resident in India is engaged in operations which are confined to purchase of goods in India for the purpose of export. She has earned ₹2,50,000 during the previous year 2021-22.
- (iii) Mr. Naveen, a non-resident in India, has earned ₹3,00,000 as royalty for a patent right made available to Mr. Rakesh who is also a non-resident. Mr. Rakesh has utilized patent rights for development of a product in India and 50% royalty is received in India and 50% outside India.
- (iv) Mr. James, a NRI, borrowed ₹10,00,000 on 01.04.2021 from Mr. Akash who is also non-resident and invested such money in the shares of an Indian Company. Mr. Akash has received interest @ 12% per annum. **(7 Marks)**

Answer:

(i) As per section 9, salaries (including, inter alia, allowances) payable by the Government to a citizen of India for services rendered outside India shall be deemed to accrue or arise in India. Thus, salary received from Government by Mr. Rahul, being a non-resident of ₹7,50,000 for rendering services in Japan would be taxable in his hands, after allowing standard deduction of ₹50,000. However, any allowance or perquisites paid or allowed outside India by the Government to a citizen of India for rendering services outside India will be fully exempt u/s 10(7). Hence, ₹2,40,000, being the allowance would be exempt

(ii) As per Section 9, In the case of a non-resident, no income shall be deemed to accrue or arise in India to him through or from operations which are confined to the purchase of goods in India for the purpose of export. Thus, income of ₹ 2,50,000 arising in the hands of Ms. Juhi would not be taxable in her hands in India, since her operations are confined to purchase of goods in India for the purpose of export.

(iii) As per section 9, Royalty payable by a non-resident would be deemed to accrue or arise in India in the hands of the recipient only when such royalty is payable in respect of any right, property or information used for the purposes of a business or profession carried on by such non-resident in India or earning any income from any source in India. In the present case, since Mr. Rakesh, a non-resident, paid the royalty of ₹3,00,000 for a patent right used for development of a product in India, the same would be taxable in India in the hands of the recipient, Mr. Naveen, a non-resident, irrespective of the fact that only 50% of the royalty is received in India.

(iv) As per section 9, Interest payable by a non-resident on the money borrowed for any purpose other than a business or profession in India, would not be deemed to accrue or arise in India. In the present case, since Mr. James, a non-resident borrowed the money for investment in shares of an Indian company, the interest on such borrowing of ₹1,20,000 (₹10,00,000 x 12%) payable to Mr. Akash, a non-resident would not be deemed to accrue or arise to him in India. Hence, the same would not be taxable in India in the hands of Mr. Akash.

(b) Ms. Mishika has entered into an agreement with M/s CVM Build Limited on 25.04.2017 in which she agrees to allow such Company to develop a shopping mall on land owned by her in New Delhi. She purchased such land on 05.05.2009 in ₹15,00,000. In consideration, M/s CVM Build Limited will provide 20% share in shopping mall to Mishika. The certificate of completion of shopping mall was issued by authority as on 26.12.2021. On such date, Stamp duty value of shopping mall was ₹4,14,00,000. Subsequently on 18.03.2022, she sold her 15% share in shopping mall to Mr. Ketav in consideration of ₹65,00,000.

She has also purchased a house on 09.05.2021 in consideration of ₹46,00,000 and occupied for own residence. Punjab National Bank has sanctioned a loan of ₹35,50,000 (80% of stamp value) at the interest rate of 12% per annum on 01.05.2021 and disbursement was made on 01.06.2020. She does not own any other residential house on the date of sanction of loan. Principal amount of ₹1,30,000 was paid during the financial year 2020-21.

Cost Inflation Indices: 2021-22: 317,2009-10: 148

Compute total income of Ms. Mishika for the assessment year 2022-23 assuming that she has not opted provisions under section 115BAC. **(7 Marks)**

Solution:

Computation of total income of Ms. Mishika for the assessment year 2022-23

As per section 45(5A), Capital gains arising from transfer shall be chargeable to income tax as income of the previous year in which the certificate of completion for the whole or part of the project is issued by the competent authority. For this purpose full value of consideration shall be the stamp duty value of his share in the project.

Full value of consideration	82,80,000
(4,14,00,000 x 20%)	
Less: Indexed cost of Acquisition	(32,12,838)
(15,00,000 / 148 x 317)	
Long term Capital Gains	50,67,162
Less: Exemption u/s 54F	(28,15,090)
(50,67,162/82,80,000 X 46,00,000)	
Long term Capital Gains	22,52,072
Less: Loss of House property	(2,00,000)
Long term capital Gains	20,52,072
<u>Sale of 15% share</u>	
Full value of consideration	65,00,000
Less: cost of Acquisition	(62,10,000)
(4,14,00,000 x 15%)	
Short term Capital Gains	2,90,000

Income under the head House Property (Self occupied house)

Gross Annual Value/NAV	Nil
Less: Interest on loan	(2,00,000)
$(35,50,000 \times 12\% \times 10/12) = 3,55,000$ but maximum upto 2,00,000	
Loss under the head House property	(2,00,000)

Note: Assumed satisfied all the conditions for higher interest.

Gross Total Income	23,42,072
Less: Deduction u/s 80C – Repayment of Principal	(1,30,000)
Less: Deduction u/s 80EEA –	(1,50,000)
Total Income	20,62,072
Rounded off u/s 288A	20,62,070

Note: In the above solution loss under the head house property is adjusted with long term capital gains alternatively student can solve the answer by adjusting the loss with short term capital gains and in that case deduction from Gross total income shall be maximum allowed upto 90,000. Alternative treatment is as follows:

Full value of consideration	82,80,000
$(4,14,00,000 \times 20\%)$	
Less: Indexed cost of Acquisition	(32,12,838)
$(15,00,000 / 148 \times 317)$	
Long term Capital Gains	50,67,162
Less: Exemption u/s 54F	(28,15,090)
$(50,67,162/82,80,000 \times 46,00,000)$	
Long term Capital Gains	22,52,072

Sale of 15% share

Full value of consideration	65,00,000
Less: cost of Acquisition	(62,10,000)
$(4,14,00,000 \times 15\%)$	
Short term Capital Gains	2,90,000
Less: Loss of House property	(2,00,000)
Short term capital Gains	90,000

Income under the head House Property (Self occupied house)

Gross Annual Value/NAV	Nil
Less: Interest on loan	(2,00,000)

$(35,50,000 \times 12\% \times 10/12) = 3,55,000$ but maximum upto 2,00,000

Loss under the head House property (2,00,000)

Note: Assumed satisfied all the conditions for higher interest.

Gross Total Income	23,42,072
Less: Deduction u/s 80C – Repayment of Principal	(90,000)
Total Income	22,52,072
Rounded off u/s 288A	22,52,070

Note: It is beneficial to setoff the loss from Long term capital gains.

3.(a) State in brief the applicability of provisions of tax deduction at source, the rate and amount of tax deduction in the following cases for the financial year 2021-22 under Income Tax Act, 1961. Assume that all payments are made to residents:

- (i) Mr. Mahesh has paid ₹6,00,000 on 15.10.2021 to M/s Fresh Cold Storage Pvt. Ltd. for preservation of fruits and vegetables. He is engaged in the wholesale business of fruits & vegetable in India having turnover of ₹3 Crores during the previous year 2020-21.
- (ii) Mr. Ramu, a salaried individual, has paid rent of ₹60,000 per month to Mr. Shiv Kumar from 1st July, 2021 to 31st March, 2022. Mr. Shiv Kumar has not furnished his Permanent Account Number. **(4 Marks)**

Answer:

(i) The arrangement between Mr. Mahesh, the customer, and M/s. Fresh Cold Storage Pvt. Ltd., the cold storage owner, is basically contractual in nature and main object of the cold storage is to preserve perishable goods by mechanical process and storage of such goods is only incidental.

Hence, the provisions of section 194C will be applicable to the amount of ₹6 lakh paid by Mr. Mahesh to the cold storage company. Accordingly, tax has to be deducted @ 2% on ₹6 lakh.

TDS u/s 194C = $2\% \times ₹6 \text{ lakh} = ₹12,000$

(ii) Mr. Ramu, being a salaried individual, has to deduct tax at source @ 5% u/s 194-IB on the annual rent paid by him from the last month's rent (rent of March, 2022), since the rent paid by him exceeds ₹50,000 p.m. Since his landlord Mr. Shiv Kumar has not furnished his PAN to Mr. Ramu, tax has to be deducted @ 20% instead of 5%.

However, the same cannot exceed ₹60,000, being rent for March, 2022.

TDS u/s 194-IB = $₹ 5,40,000 (₹60,000 \times 9) \times 20\% = ₹1,08,000$, but restricted to ₹60,000, being rent for March, 2022.

(b) Examine the following transactions with reference to applicability of the provision of tax collected at source and the rate and amount of the TCS for the Assessment year 2022-23.

- (i) Mr. Kalpit bought an overseas tour programme package for Singapore for himself and his family of ₹5 lakhs on 01.11.2021 from an agent who is engaged in organising foreign tours in course of his business. He made the payment by an account payee cheque and provided the permanent account number to the seller. Assuming Kalpit is not liable to deduct tax at source under any other provisions of the Act.

- (ii) Mr. Anu doing business of textile as a proprietor. His turnover in the business is ₹11 crores in the previous year 2020-21. He received payment against sale of textile goods from Mr. Ram ₹75 lakhs against the sales made to him in the previous year and preceding previous years. (Assuming all the sales are domestic sales and Mr. Ram is neither liable to deduct tax on the purchase from Mr. Anu nor he deducted any tax at source). **(4 Marks)**

Answer:

(i) **As per section 206C (1G)**, Every seller who is selling overseas tour program package shall collect at source at a rate of 5%, irrespective of the amount. In the given case agent is selling overseas tour package and liable to collect tax @ 5% on 5,00,000 = ₹25,000

(ii) **As per 206C(1H)**, every seller whose turnover in the preceding year was exceeding ₹ 10 crores shall collect tax at source from a buyer at a rate of 0.1% provided sale consideration is exceeding ₹ 50 lakh and TDS shall be only on the amount exceeding ₹ 50 lakhs. The provisions shall not apply in case of goods being exported out of India or in case of goods covered u/s 206 C(1), 206C(1F) and 206C(1G).

In the given case, Turnover is exceeding 10 crore in the preceding year and amount received is exceeding 50 lakhs hence Mr. Anu is liable to collect tax @ 0.1% on 25,00,000 = ₹2,500

(c) Mr. Ravi, a resident and ordinarily resident in India, owns a let out house property having different flats in Kanpur which has municipal value of ₹27,00,000 and standard rent of ₹29,80,000. Market rent of similar property is ₹30,00,000. Annual rent was ₹40,00,000 which includes ₹10,00,000 pertaining to different amenities provided in the building. One flat in the property (annual rent is 2,40,000) remains vacant for 4 months during the previous year. He has incurred following expenses in respect of aforesaid property:

Municipal taxes of ₹4,00,000 for the financial year 2021-22 (10% rebate is obtained for payment before due date.) Arrears of municipal tax of financial year 2020-21 paid during the year of ₹1,40,000 which includes interest on arrears of ₹25,000.

Lift maintenance expenses of ₹2,40,000 which includes a payment of ₹30,000 which made in cash.

Salary of ₹88,000 paid to staff for collecting house rent and other charges. .

Compute the total income of Mr. Ravi for the assessment year 2022-23 assuming that Mr. Ravi has not opted provisions under section 115BAC. **(6 Marks)**

Solution:

Computation of Total Income of Mr. Ravi for the assessment year 2022-23

Computation of income under the head house property

Gross Annual Value

₹
29,40,000.00

Working Note:	₹
(a) Fair Rent	30,00,000
(b) Municipal Valuation	27,00,000
(c) Higher of (a) or (b)	30,00,000
(d) Standard Rent	29,80,000
(e) Expected Rent {Lower of (c) or (d)}	29,80,000
(f) Rent received /receivable	29,40,000
(30,00,000 – (2,40,000/12 x 4 x 3/4)	
Actual rent is lower due to vacancy i.e if there is no vacancy then actual rent would be 30,00,000 which is higher then expected rent hence actual rent shall be considered as GAV	
(g) Higher of (e) or (f) shall be GAV	29,40,000

Less: Municipal Tax (3,60,000 + 1,15,000)	(4,75,000.00)
Net Annual Value	24,65,000.00
Less: 30% of NAV u/s 24(a)	(7,39,500.00)
Less: Interest on capital borrowed u/s 24(b)	Nil
Income under the head House Property	17,25,500.00

Income under the head other sources

Rent for other amenities	10,00,000.00
Less: Loss due to vacancy [2,40,000 x 4/12 x ¼]	(20,000.00)
Less: Lift maintenance charges [2,40,000 – 30,000]	(2,10,000.00)
Less: salary to staff [88,000 x ¼]	(22,000.00)
Income under the head other sources	7,48,000.00
Gross Total Income	24,73,500.00
Less: Deduction u/s 80C to 80U	Nil
Total Income	24,73,500.00

Note:

1. Interest paid on municipal tax is not allowed to be deducted from GAV.
2. Rebate of 10% is deducted from current year municipal tax for early payment of tax.

4. (a) Details of Income of Mr. R and his wife Mrs. R for the previous year 2021-22 are as under :

- (i) Mr. R transferred his self-occupied property without any consideration to the HUF of which he is a member. During the previous year 2021-22 the HUF earned an income of ₹50,000 from such property.
- (ii) Mr. R transferred ₹4,00,000 to his wife Mrs. R on 01.04.2006 without any consideration which was given as a loan by her to Mr. Girish. She earned ₹3,50,000 as interest during the earlier previous years which was also given as a loan to Mr. Girish. During the previous year 2021-22, she earned interest @ 11% per annum.
- (iii) Mr. R and Mrs. R both hold equity shares of 27% and 25% respectively in AMG Limited. They are also working as employees in such Company. During the financial year 2021-22 they have withdrawn a salary of ₹3,20,000 and ₹ 2,70,000 respectively.
- (iv) Mrs. R transferred 5,000 equity shares of RSB Ltd. on 17.09.2013 to Mr. R without any consideration. The Company issued 3,000 bonus shares to Mr. R in 2016. On 04.03.2022, Mr. R sold entire share holdings and earned ₹5,20,000 as capital gains.

Apart from above income, Mr. R has income from commission ₹4,00,000 and Mrs. R has interest income of ₹3,30,000.

Compute Gross Total income of Mr. R and Mrs. R for the assessment year 2022-23.

(4 Marks)

Answer:

Computation of Gross Total Income of Mr. R for the assessment year 2022-23

Income under the head house property

Income by HUF on transferred property by Mr. R (section 64(2))

50,000

Income under the head other sources

Interest from Mr. Girish clubbed (4,00,000 x 11%) (section 64(1))	44,000
Commission income	4,00,000
Income under the head other sources	4,44,000

Income under the head capital gainsSale of 3000 bonus shares (Section 64(1))

(5,20,000 / 8,000 x 3,000)	1,95,000
Gross Total Income	6,89,000

Computation of Gross Total Income of Mrs. R for the assessment year 2022-23**Income under the head salary**

Salary to Mrs. R from AMG limited	2,70,000
Salary to Mr. R from AMG limited (Section 64(1))	3,20,000
Gross salary	5,90,000
Less: Standard Deduction u/s 16(ia) for Mrs. R	(50,000)
Less: Standard Deduction u/s 16(ia) for Mr. R	(50,000)
Taxable salary	4,90,000

Income under the head other sources

Interest from Mr. Girish (3,50,000 x 11%)	38,500
Interest Income	3,30,000

Income under the head capital gainsSale of 5000 shares transferred by Mrs. R to Mr. R

(5,20,000 / 8,000 x 5,000)	3,25,000
Gross Total Income	11,83,500

Note:

1. If any person has transferred the asset to the spouse and there is accretion to the asset, income from such accretion shall not be clubbed, as decided in case of **M. P. Birla (HC)**. **Since exact calculation is not given for capital gains hence income shall be clubbed on proportionate basis.**
2. **As per section 64(1)**, Where both husband and wife have substantial interest in a concern and both are in receipt of income by way of salary etc. without technical qualification from the said concern, such income will be includible in the hands of that spouse, whose total income, excluding such income is higher. In the question it is not mentioned that they have withdrawn salary without technical qualification, hence it is assumed that salary withdrawn is without technical qualification hence

clubbing provision shall be applicable. In the given case income of Mrs. R is higher hence salary shall be clubbed in the income of Mrs. R.

3. **As per section 64(2)**, If any member of HUF has gifted any asset to the HUF, income from such asset shall be clubbed in the income of such member.

(b) Mr. X, an employee of the Central Government is posted at New Delhi. He joined the service on 1st February, 2017. Details of his income for the previous year 2021-22, are as follows :

- (i) Basic salary: ₹3,80,000
- (ii) Dearness allowance : ₹1,20,000 (40% forms part of pay for retirement benefits)
- (iii) Both Mr. X and Government contribute 20% of basic salary to the pension scheme referred to in Section 80CCD.
- (iv) Gift received by X's minor son on his birthday from friend : ₹70,000. (No other gift is received by him during the previous year 2021-22)
- (v) During the year 2013-14, Mr. X gifted a sum of ₹6,00,000 to Mrs. X. She started a business by introducing such amount as her capital. On 1st April, 2021, her total investments in business was ₹10,00,000. During the previous year 2021-22, she has loss from such business ₹1,30,000.
- (vi) Mr. X deposited ₹70,000 in Sukanya Samridhi account on 23.01.2022. He also contributed ₹40,000 in an approved annuity plan of LIC to claim deduction u/s 80CCC.
- (vii) He has taken an educational loan for his major son who is pursuing MBA course from Gujarat University. He has paid ₹15,000 as interest on such loan which includes ₹5,000 for the financial year 2020-21.

Determine the total income of Mr. X for the assessment year 2022-23. Ignore provisions under section 115BAC. **(6 Marks)**

Solution:

Computation of Total Income of Mr. X for the assessment year 2022-23

Income under the head salary

Basic salary	3,80,000
Dearness Allowance	1,20,000
Employer contribution to 80CCD (20% of 3,80,000)	76,000
Gross salary	5,76,000
Less: Standard deduction u/s 16(ia)	(50,000)
Taxable salary	5,26,000

Income under the head other sources

Gift received by Minor son (Section 64(1A))	70,000
Less: Exemption u/s 10(32)	(1,500)
Income under the head other sources	68,500

Less: Loss under the head business profession section 71	(68,500)
Income under the head other sources	Nil

Income under the head Business profession

Loss by Mrs. X (1,30,000/10,00,000 X 6,00,000)	(78,000)
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Loss of 68,500 is adjusted with other sources and balance shall be carried forward

Gross total income **5,26,000**

Less: Deduction u/s 80C – Sukanya Samridhi (70,000)

Less: Deduction u/s 80CCC – Annuity plan (40,000)

Less: Deduction u/s 80CCD(1) (10% of 4,28,000) = (26,000) (1,36,000)

(Maximum allowed 42,800 but subject to contribution i.e. 76,000-50,000= 26,000)

Less: Deduction u/s 80CCD(1B) (50,000)

(Note: We can make other combination also for claiming deduction but maximum in any case can be 1,86,000)

Less: Deduction u/s 80CCD(2) (14% of 4,28,000) = (59,920)

Less: Deduction for Interest u/s 80E (15,000)

Total Income **2,65,080**

Note:

1. Business loss is not allowed to be setoff from salary income.
2. As per section 80CCE Maximum deduction allowed shall be 1,50,000 for 80C+80CCC+80CCD(1)

(c) Mr. Kailash, a resident and ordinarily resident in India, could not file his return of Income for the assessment year 2022-23 before due date prescribed under section 139(1). Advise Mr. Kailash as a tax consultant:

What are the consequences for non-filing of return of Income within the due date under section 139(1)?

(4 Marks)

Answer:

Consequences for non-filing of return of Income within the due date u/s 139(1)

Carry forward and set-off of certain losses: Carry forward and set-off of business loss, speculation business loss, loss from specified business, loss under the head “Capital Gains”; and loss from the activity of owning and maintaining race horses, would not be allowed to be carried forward, where a return of income is not furnished within the time allowed under section 139(1).

Interest under section 234A: Interest under section 234A @1% per month or part of the month for the period commencing from the date immediately following the due date under section 139(1) till the date of furnishing of return of income is payable, where the return of income is furnished after the due date. However, no interest u/s 234A shall be charged on self-assessment tax paid by the assessee on or before the due date of filing of return.

Fee under section 234F: Late fee of ₹ 5,000 would be payable under section 234F, if the return of income is not filed before the due date specified in section 139(1)

However, such fee cannot exceed ₹ 1,000, if the total income does not exceed ₹ 5,00,000.

OR

Mr. Sitaram is engaged in the business of trading of cement having turnover of ₹10 crores during the financial year 2021-22. As a tax consultant advise him what are the particulars to be furnished under section 139(6A) along with Return of Income? **(4 Marks)**

Answer: As per section 139(6A),

Since Mr. Sitaram's turnover from business of trading of cement is ₹10 crores which exceeds ₹1 crore, being the threshold limit for tax audit under section 44AB, he is subjected to tax audit. Accordingly, Mr. Sitaram, is required to furnish the following particulars along with his return of income –

- (i) the report of audit referred to in section 44AB.
- (ii) the particulars of the location and style of the principal place where he carries on the business or profession and all the branches thereof.

SECTION-B

5. M/s ABC Ltd., a registered supplier in Surat, Gujarat and it has calculated output net GST liability after adjusting ITC in the books for the month of February 2022:

CGST : ₹3,00,000

SGST : ₹2,50,000

IGST : ₹3,00,000

During the above month, the following additional information provided by M/s ABC Ltd:

S. No.	Particulars	Amount (excluding GST) ₹
1	The company had given on hire 5 trucks to one of the transporters of Vadodara (a goods transport agency) for transporting goods for 10 days. The hiring charges for the trucks were ₹7,500 per truck per day	3,75,000
2	The company sold goods to X & Co. of Delhi on 6th January 2022 with a condition that interest @ 2% per month will be charged on invoice value if X & Co. failed to make payment within 30 days of the delivery of the goods. Goods were delivered and also the invoice was issued on 6 th January 2022. X & Co. paid the consideration for the goods on 20 th February along with applicable interest.	5,00,000
3	The company sought legal consultancy services for it's business from A & Advocates, a partnership firm of advocates situated at Bhuj, Gujarat.	1,50,000
4	The company ordered 3,000 packets of tools which are to be delivered by the supplier of Delhi via 3 lots of 1,000 packets monthly. The supplier raised the invoice for full quantity in February 2022 and the last lot would be delivered in April 2022.	5,00,000
5	The company supplied 10,000 packets of tools to one of it's customer at ₹10/- per packet in Gujarat in January 2022. Afterwards, the company re-values it at ₹9 per packet in February 2022 and the company issued credit note to the customer for ₹1 per packet.	

The rate of GST is 9% CGST, 9% SGST and 18% IGST.

You are required to compute the actual net liability of GST to be paid in cash along with working notes for the month of February 2022. **(8 Marks)**

Solution:

Computation of Actual Net Liability of GST to be paid in cash

Particulars	CGST	SGST	IGST
Computed Tax	3,00,000	2,50,000	3,00,000
Add: Output tax for letting out of 5 trucks 3,75,000 (Services by way of giving a means of transportation of goods on hire to a Goods	-	-	-

Transport agency are exempt.)			
Add: Interest on delay in payment of 15 days inconsideration (5,00,000 x 2% x ½) x 18%	-	-	900
Less: ITC on tax paid under reverse charge	(13,500)	(13,500)	-
Net Output tax	2,86,500	2,36,500	3,00,900
Add: Tax payable under reverse charge	13,500	13,500	-
GST to be paid in cash	3,00,000	2,50,000	3,00,900

The Company sought legal services in this case the company have to pay GST under Reverse charge and he claim ITC of the same.

Value	1,50,000
CGST @ 9%	13,500
SGST @ 9%	13,500

Note:

1. If goods are received in lots then ITC can be claimed when the last installment is received in the given case, last lot is received in April hence company can claim ITC in the month of April.
2. Interest on delay payment is includible as per section 15.
3. Since discount given by ABC Ltd. on the packets of tools was not known at the time of supply, it shall not be excluded from its value of supply

6. (a) M/s AB Ltd., a registered company of Chennai, Tamil Nadu has provided following services for the month of October 2022

Particulars	Amount (₹)
Services of transportation of students, faculty and staff from home to college and back to Commerce College, (a private college) providing degree courses in BBA, MBA, B.Com., M.Com	2,50,000
Online monthly magazine containing question bank and latest updates in law to students of PQR Law College offering degree courses in LLB and LLM	1,00,000
Housekeeping services to T Coaching Institute	50,000
Security services to N Higher Secondary School	3,25,000
Services of providing breakfast, lunch and dinner to students of ABC Medical College offering degree courses recognized by law in medical field	5,80,000

All the above amounts are exclusive of GST.

Compute the taxable supplies of M/s AB Ltd. for the month of October 2022 with necessary explanations.

(6 Marks)

Solution:**Computation of taxable supplies of M/s AB Ltd.**

Particulars	Amount (₹)
Services of transportation of students, faculty and staff from home to college and back to Commerce College, (a private college) providing degree courses in BBA, MBA, B.Com., M.Com – Taxable	2,50,000
Online monthly magazine to students of PQR Law College (Services of supply of online educational journals provided to an educational institution providing qualification recognized by law are exempt)	-
Housekeeping services to T Coaching Institute – Taxable	50,000
Security services to N Higher Secondary School (Security services provided to an educational institution providing education upto higher secondary school are exempt.)	Nil
Services of providing breakfast, lunch and dinner to students of ABC Medical College. (Not exempt, since catering services provided to an educational institution are exempt only if such institution provides pre-school education or education upto higher secondary school or equivalent.)	5,80,000
Taxable value of supply	8,80,000

Note:

Services **provided to** an educational institution relating to admission, or conduct of examination.

Educational institution" means an institution providing services by way of,—

- (i) pre-school education and education up to higher secondary school or equivalent;
- (ii) education as a part of a curriculum for obtaining a qualification recognised by any law for the time being in force;
- (iii) education as a part of an approved vocational education course

services to an educational institution, by way of,—

- (i) transportation of students, faculty and staff;
- (ii) catering, including any mid-day meals scheme sponsored by the Central Government, State Government or Union territory;
- (iii) security or cleaning or house-keeping services performed in such educational institution;

Educational Institution for the purpose of point (i),(ii),(iii) means an institution providing services by way of pre-school education and education up to higher secondary school or equivalent.

(b) Q Ltd. is engaged exclusively in supply of taxable goods from the following states. The particulars of intra-state supplies for the month of May 2022 are as follows :

STATE	TURNOVER (₹)
Madhya Pradesh	5,00,000
Gujarat	14,00,000
Tripura	12,00,000

- (i) Q Ltd. seeks to know whether it is liable for registration under GST. Give your explanation.
- (ii) Will your answer be different if Q Ltd. supplies only petrol & diesel from Tripura instead of any other taxable goods? **(4 Marks)**

Answer:

As per section 22 of the CGST Act, 2017, 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 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.

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

(i) Q Ltd. is exclusively engaged in intra-State supply of taxable goods. Its turnover in the current FY from Gujarat is ₹ 14 lakh and from Madhya Pradesh 5,00,000. It has also supplying taxable goods in Tripura with a turnover of ₹ 12 lakh in the current FY. Since Raghav is engaged in supplying taxable goods from a Special Category State as per section 22, the applicable threshold limit for him gets reduced to ₹ 10 lakh. Further, Raghav is liable to get registered under GST in all the States on his aggregate turnover crossing the threshold limit of ₹ 10 lakh.

(ii) Yes answer will be different if Q Ltd. supplies only petrol and diesel from Tripura instead of any taxable goods. In this case since Q Ltd. is not supplying taxable goods from Tripura hence enhanced limit is applicable i.e 40 lakhs hence Q Ltd is not eligible for registration.

7.(a)(i) An order is placed to T & Co., Sholapur on 18th August, 2021 for supply of fabrics to make garments. Company delivered the fabrics on 4th September, 2021 and after completion of the order issued the invoice on 15th September, 2021. The payment against the same was received on 30th September, 2021. Determine the time of supply for the purpose of payment under CGST Act, 2017 with your explanations.

Answer:

As per section 12, Liability to pay GST shall arise at the time of supply of goods which will be the date of issue of invoice or delivery of goods whichever is earlier.

In the given case, Date of delivery is earlier than the date of issue of invoice hence date of delivery of goods shall be considered as time of supply i.e. 4th September.

(ii) HM Industries Ltd. engaged the services of a transporter for road transport of a consignment on 20th May 2021. However, the consignment could not be sent immediately on account of a strike in the factory, and instead was sent on 20th July 2021. Invoice was received from the transporter on 20th June 2021 and payment was made on 25th August 2021.

What is the time of supply of the transporter's service?

(5 Marks)

Answer;

Alternate 1: Forward Charge: (GTA has paid 12% GST)

As per section 13, 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 before supply of service hence date of invoice shall be considered as time of supply i.e. 20th June 2021.

Alternate 2: Reverse Charge: (GTA has not paid 12% GST)

Tax of supply of transportation of goods by road services provided by Goods Transport Agency to a body corporate is payable under reverse charge.

Time of supply is earlier of date of making payment and 61st day from the date of issue of invoice by supplier.

In the given case, 25th August or 20th August (61st day from 20th June)

Time of supply is 20th August

(b) M/s PQR Ltd., have filed their GSTR3B return for the month of August, 2021 within the due date i.e. 20.09.2021. It was noticed in October 2021 that tax dues for the month of August, 2021 have been short paid for by ₹10,000. The shortfall of ₹10,000 was paid through cash ledger and credit ledger amounting to ₹7,500 and ₹2,500 respectively while filing GSTR3B of October 2021 which was filed on 20.11.2021.

(i) Examine and compute the Interest payable if any under the CGST Act, 2017.

(ii) What would be your answer if, GSTR-3B for the month of August 2021 had been filed belatedly on 20.11.2021 and the tax of ₹10,000/- has been paid on 20.11.2021 as above.

Note: Ignore the effect of the leap year. Electronic cash ledger and credit ledger carried sufficient balance for the above shortfall.

(5 Marks)

Answer:

Interest is payable under Section 50 of the CGST Act, 2017 in case of delayed payment of tax @ 18% per annum from the date following the due date of payment to the actual date of payment of tax.

As per Section 50, interest is payable on the net tax liability paid in cash, only if the return to be filed for a tax period under Section 39, has been filed after the due date to furnish such return.

In the above scenario, M/s PQR Ltd., has defaulted in making the payment for ₹10,000 on self-assessment basis in the return for the month of August, 2021. Accordingly, interest is payable on the gross liability.

Thus, the amount of interest payable by M/s ABC Ltd., is as under:-

Period of delay = 21st September, 2021 to 20th November, 2021 = 61 days

Hence, amount of interest = ₹ 10,000 x 18% x 61/365 = ₹ 301

Alternatively, if M/s PQR Ltd., have filed the return for the month of August, 2021 on 20.11.2021, beyond the stipulated due date of 20.09.2021 and if the self-assessed tax for August, 2021 has been paid on 20.11.2021, Interest shall be payable on the tax paid through Electronic Cash Ledger only.

Hence Interest is payable from 21st September, 2021 to 20th November, 2021 = 61 days

Amount of Interest = ₹ 7,500 x 18% x 61/365 = ₹ 226

Note: In the second part we have assumed that 7500 is paid through cash ledger.

8. (a) Mr. Q, a Casual Taxable Person of Gujarat state is a trader of taxable notified handicraft goods. It makes supplies to the states of Maharashtra, Rajasthan and Andhra Pradesh. Turnover for October 2021 is 18 Lakhs.

(i) Explain the provisions of registration for Casual Taxable person under GST. Examine whether Mr. Q is liable for registration or not?

Answer: A casual taxable person is required to obtain compulsory registration under GST irrespective of the quantum of its aggregate turnover. However, a threshold limit of ₹20 lakh (₹10 lakh in case of specified Special Category States) is available for registration to a casual taxable person who:

- (i) is making inter-State taxable supplies of notified handicraft goods and notified hand-made goods,
- (ii) is availing the benefit of exemption from registration available to inter-State supply of above-mentioned goods upto the aggregate turnover of ₹20 lakh (₹10 lakh in case of specified Special Category States), and
- (iii) has obtained a PAN and
- (iv) has generated an e-way bill.

In the given case, since Mr. Q is engaged in supplying notified handicraft goods and its aggregate turnover does not exceed ₹20 lakh, he will not be liable to registration provided he fulfills other conditions specified herein

(ii) What will be the answer if Mr. Q makes trading in taxable notified products instead of taxable notified handicraft goods which involves 75% making on machine and 25% by hand? (5 Marks)

Answer: In case Mr. Q is engaged in trading of notified products which are predominantly made by machine, he will not be eligible for the exemption from registration under aforesaid provisions and needs to take compulsory (mandatory) registration.

(b) Is Dynamic Quick Response (QR) Code applicable to suppliers who issue invoice to unregistered persons? If no, list the suppliers to whom Dynamic QR Code is not applicable. (5 Marks)

Answer:

All B2C invoices issued by a registered person whose aggregate turnover in any preceding financial year from 2017-18 onwards exceeds 500 crores will have a QR code. Hence Dynamic Quick Response Code if applicable to suppliers who issue invoices to unregistered person.

Dynamic QR code is not applicable to an invoice issued to an unregistered person by following suppliers:

- (i) Insurer or banking company or financial institution including NBFC

- (ii) Goods transport agency supplying services in relation to transportation of goods by road in a goods carriage
- (iii) Supplier of passenger transportation service
- (iv) Person supplying services by way of admission to exhibition of cinematograph films in multiplex screens
- (v) Supplier of online information and database access or retrieval (OIDAR) services

OR

- (i) What is 'e-invoicing'?

Answer: E-invoicing

E-invoicing is not generation of invoice by a Government portal. Taxpayers will continue to create their GST invoices on their own Accounting/Billing/ERP Systems as per e-invoice schema. These invoices will then be reported to 'Invoice Registration Portal (IRP)'. On such reporting, IRP will generate a unique 'Invoice Reference Number (IRN)', digitally sign it and return the e-invoice to the supplier. A GST e-invoice will be valid only with a valid IRN.

Presently, invoices, credit notes and debit notes, when issued by notified persons (to registered persons (B2B) or for the purpose of exports) are covered under e-invoice. Though different documents are covered, for ease of reference and understanding, the system is referred as 'e-invoicing'.

- (ii) What is the threshold limit for mandatory issuing of E-invoice for all registered businesses?**

Answer: All registered businesses with an aggregate turnover (based on PAN) in any preceding financial year from 2017-18 onwards greater than ₹ 50 crore will be required to issue e-invoices.

- (iii) A consignor hands over his goods for transportation on a Friday to the transporter. However, assigned transporter starts the movement of goods from consigner's warehouse to its depot located at distance of 600 Km. on Monday.**

When will the e-way bill be generated and for how many days it will be valid?

(5 Marks)

Answer:

E-way bill will be generated before commencement of movement of goods by transporter on Monday.

The validity period of the e-way bill is one day from relevant date upto 200 km and one additional day for every 200 km or part thereof thereafter. Thus, validity period in the given case, is 3 days