

CA INTER

(OLD COURSE)

MAY 2019

Roll No.....

Total No. of Printed Page –20

Total No. of Questions – 10

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 Questions (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 only. Answer to question in Part II are to be written on the descriptive type answer book. Answers to MCQs, if written in the descriptive type answer book, will not be evaluated.
6. OMR answer sheet 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. No bar code sticker is to be affixed on the OMR answer sheet.
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, (b) OMR answer sheet thereon and (c) the answer book in respect of descriptive type answer book to the invigilator before leaving the exam hall, after the conclusion of the exam.
10. The invigilator will give you acknowledgement of 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

70 marks

SECTION – A

1. Question paper comprises 5 questions. Answer Question No. 1 which is compulsory and any 3 out of the remaining questions.
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. Answers to all questions should relate to Assessment Year 2019-20 unless otherwise stated.

SECTION - B

1. Question paper comprises 5 questions. Answer Question No. 6 which is compulsory and any 3 out of the remaining questions.
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 should be answered on the basis of position of GST law as amended upto 31st October, 2018.

Part – II
Section – A

Question 1**Marks 14**

Mr. X working in a private company from last 10 years. His salary details for the financial year 2018-19 are:

		₹
i.	Basic Salary	1,50,000 p.m.
ii.	Dearness Allowance	55,000 p.m.
iii.	Commission	35,000 p.m.
iv.	Transport Allowance	5,000 p.m.
v.	Medical Reimbursement	20,000 paid during the year

Mr. X resigned from the services on 30th September, 2018. He was paid gratuity of ₹ 20 lakhs on his retirement. A lumpsum amount of ₹ 36 lakhs was also paid from unrecognized provident fund. The provident fund amount consisted of employee's contribution ₹ 13.20 lakhs and interest thereon ₹ 3 lakhs. The employer's contribution was ₹ 16.20 lakhs and interest thereon was ₹ 3.60 lakhs.

He had taken the possession of house on 28th February, 2019 after making payment of final installment of housing loan to bank. Loan was taken on 01-04-2017. The accumulated interest as on 31st March, 2018 was ₹ 1.5 lakh. He made payment of ₹ 2,20,000 during the year which included interest ₹ 1,10,000 for 11 months.

He started business of hiring of goods vehicle, purchased 3 small goods vehicle on 15th November, 2018 and 3 heavy vehicles having gross weight of 15 MTs each on 1st December, 2018. He did not maintain books of accounts for income and expenditure of hiring of goods vehicle. One of his friend gifted him ₹ 6 lakhs to purchase the vehicles.

He was holding 25% equity shares in CMF Ltd., an Indian company. The paid up share capital of company as on 31st March, 2018 was ₹ 20 lakh divided into 2 lakh shares of ₹ 10 each which were issued at a premium of ₹ 30 each. Company allotted shares to shareholders on 1st October, 2013. Company bought back 30% of its share on 30th April, 2018 under the provisions of Companies Act, 2013 on making payment of ₹ 60 per share.

He paid insurance premium of ₹ 20,000 on his life policy during the financial year 2018-19. The policy was taken in April 2011 and sum assured was ₹ 1,50,000. He also made payment of ₹ 25,000 L.I.C pension fund and premium of ₹ 40,000 towards mediclaim policy for self and wife.

Compute total income and tax payable thereon for the Assessment year 2019-20. There was no change in salary of Mr. X from last two years. Cost inflation Index is:

Financial Year	Cost Inflation Index
2013-14	220
2018-19	280

Solution:

Computation of Total Income and Net Tax Liability of Mr. X of A.Y. 19-20

Computation of Income under the head Salary

	₹
Basic Pay (1,50,000 x 6)	9,00,000
Dearness Allowance (55,000 x 6)	3,90,000
Commission (35,000 x 6)	2,10,000
Transport Allowance (5,000 x 6)	30,000
Medical Reimbursement	20,000
Gratuity {Sec10(10)}	12,50,000

Working Note:

Least of the following is exempt:

1. ₹ 20,00,000
2. ₹ 10,00,000
3. ₹ $1/2 \times (1,50,000 \times 10) / 10 \times 10 = ₹ 7,50,000$

Received = ₹ 20,00,000

Exempt = (₹ 7,50,000)

Taxable = (₹ 12,50,000)

Employer contribution from URPF (lumpsum)	13,20,000
Interest on Employer's contribution	3,00,000
Gross Salary	44,20,000
Less: Standard Deduction u/s 16(ia)	(40,000)
Income under the head Salary	43,80,000
Less: Loss under the head house property	(1,50,000)
Income under the head Salary	42,30,000

Income from house property

Gross Annual Value (GAV)	Nil
Less: Municipal taxes paid	Nil
Net Annual Value (NAV)	Nil
Less: Deductions u/s 24 (a) 30% of NAV	Nil
Less: Deductions u/s 24 (b) Interest	(1,50,000)
Current Period interest ₹ 1,20,000	
Prior period installment ₹ $1,50,000 / 5 = ₹ 30,000$ (assumed all the conditions has been satisfied)	
Loss from House Property	(1,50,000)

Income under the head business/profession

As per section 44AE

Small goods vehicle (3 x 7500 x 5)	1,12,500
Heavy goods vehicle (3 x 15000 x 4)	1,80,000

Income under the head business/profession	2,92,500
Income under the head other sources	
Interest on Employee contribution	3,60,000
Gift from friend (section 56(2)(x))	6,00,000
Income under the head other sources	9,60,000
Gross Total Income	
Income under the head salary	42,30,000
Income under the head business/profession	2,92,500
Income under the head other sources	9,60,000
Gross Total Income	54,82,500
Less: Deduction u/s 80C – LIC	(20,000)
Less: Deduction u/s 80CCC – LIC Pension fund	(25,000)
Less: Deduction u/s 80D (40,000 but limited to 25,000) (assumed payment made through cheque)	(25,000)
Total Income	54,12,000
Computation of Tax Liability	
Tax on normal income ₹ 54,12,500	14,36,250.00
Add: Surcharge @ 10%	1,43,625.00
Tax before health & education cess	15,79,875.00
Add: HEC @ 4%	63,195.00
Tax Liability	16,43,070.00

Note:

1. As per section 10 (34A), any income arising to an assessee being a shareholder on account of buy back of shares by the company shall be exempt from income tax
2. Dearness allowance is not forming part of salary hence not taken in salary computation.

Question 2(a)

Marks 4

Mr. Bachhan has provided the following details of his income for the year ended 31-3-2019.

	₹
(1) Short term capital gains on sale of shares in Indian company received in Japan.	85,000
(2) Dividend from a Chinese Company received in China	30,000
(3) Rent from property in Bangladesh deposited in a bank at Dhaka, later on remitted to India through approved banking channels.	96,000
(4) Dividend from ABC Ltd., an Indian Company	22,000

Compute his total income for the Assessment Year 2019-20 in case of he is:

- (i) Resident and ordinary resident;
- (ii) Resident but not ordinarily resident; or
- (iii) Non-resident

Solution:

As per section 5, All Global Income of ROR shall be taxable in India but in case of NOR/NR income accruing arising in India or received in India shall be taxable in India. In case of NOR, income accruing /

arising abroad and received abroad but from a business controlled from India or from a profession which was set up in India shall be taxable in India.

S.No.	Particulars	ROR	NOR	NR
(i)	Short term capital gains on sale of shares in Indian company received in Japan (income accruing/arising from India)	85,000	85,000	85,000
(ii)	Dividend from a Chinese Company received in China from India (income accruing arising abroad received abroad)	30,000	-	-
(iii)	Rent from property in Bangladesh deposited in a bank at Dhaka, later on remitted to India through approved banking channels (income accruing arising abroad received abroad) (96,000 – 30% of 96,000)	67,200	-	-
(iv)	Dividend form ABC Ltd., an Indian Company (income accruing arising from India but income is exempt)	-	-	-
	Gross Total Income	1,82,200	85,000	85,000
	Less: Deduction u/s 80C to 80U	-	-	-
	Total Income	1,82,200	85,000	85,000

Question 2(b)

Marks 3

The following issues arise in connection with the deduction of tax at sources under chapter XVII-B. Discuss the liability for tax deduction in these cases:

- An employee of the Central Government receives arrears of salary for the earlier 3 years. He inquires whether amount will be received after deduction of tax at source during the current year.
- A T.V. channel pays ₹ 10 lacs as prize money to the winner of a quiz programme.
- A Nationalized bank pays ₹ 50,000 per month as rent o the Central Government for a building in which one of its branch is situated.
- A television company pays ₹ 50,000 to a cameraman for shooting of a documentary film.

Answer:

(i) As per section 192, in respect of salary payments to employees of Government deduction of tax should be made after allowing relief under section 89. In the given case arrears of salary received in current year if the same was not taxed earlier year then same will be taxable and TDS is required to be deducted but if the same was considered earlier as part of salary then TDS is not required in the current year.

(ii) Every person (including individual and HUF even if limit prescribed under section 44AB has not exceeded in the preceding year) responsible for paying to any resident or non-resident, any income by way of **winnings from any lottery** or **crossword puzzle** or **card game** and **other game of any sort** shall deduct tax at source @ 30% provided the amount being paid or payable is exceeding ₹ 10,000.

In the given case a T.V. channel pays 10 lacs as prize hence TDS is required to be deducted @ 30%.

(iii) As per section 194I, TDS is required to be deducted in case of person responsible for paying to a resident any income by way of rent shall deduct tax @ 10% on renting of immovable property provided the amount paid or payable is more than ₹ 1,80,000 in a year.

In the given case Nationalized bank pays ₹ 50,000 per month which is more than ₹ 1,80,000 in a year hence TDS is required to be deducted @ 10% on ₹ 50,000 per month.

(iv) As per section 194C, tax has to be deducted in respect of payments made to resident for any work provided amount paid is exceeding 30,000 in a single payment or 1,00,000 during the year. TDS is required to be deducted @ 1% if the payee is individual or HUF and @ 2% in case of other person.

in the given case, A television company pays to an individual (i.e. cameraman) for shooting of documentary film and amount paid is ₹ 50,000 which is more than 30,000 hence TDS is required to be deducted @ 1%.

Question 3 (a)

Marks 3

Krishna furnishes the following particulars for the previous year 2017-18 and 2018-19 in respect of an industrial undertaking established in “Special Economic Zone” during the financial year 2013-14.

Particulars	2017-18 (₹)	2018-19 (₹)
Total sales	60,00,000	85,00,000
Export sales	48,00,000	55,00,000
Domestic sales	12,00,000	30,00,000
Money received in or brought to India in convertible foreign exchange up to 30-09-2018/30-09-2019.	43,20,000	40,00,000
Profit from the above undertaking	6,00,000	10,00,000

Total Sales of F.Y. of 2018-19 includes freight of ₹ 5 lacs for delivery of goods outside India. Compute the amount of deduction available to Mr. Krishna under section 10AA.

Solution:

Computation of the amount of deduction available to Mr. Krishna u/s 10AA

Exemption shall be allowed to the units in the Special Economic Zone for a continuous period of 15 years in the manner given below:

For first 5 Assessment Years	100% of export profits
For next 5 Assessment Years	50% of export profits
For next 5 Assessment Years	50% of export profit provided such profits have been credited to the Special Economic Zone Re-investment Reserve Account

Export profit means = Profit of business / Total Turnover x Export turnover

In the given case, deduction is calculating for P.Y. 18-19 and the business was established in P.Y. 2013-14 which is 6th year hence assessee is eligible for 50% of export profits.

Export profit = $10,00,000 \times (50,00,000) / 80,00,000 = 6,25,000$

Deduction allowed = $6,25,000 \times 50\% = 3,12,500$

Note: Freight shall not be included in export turnover.

Question 3(b)**Marks 4**

M/s. Keshav Enterprises, a sole proprietorship own four machines, put in use for business in March, 2017. The depreciation on these machines is charged @ 15%. The written down value of these machines as on 1st April, 2018 was ₹ 7,70,000. Two of the old machines were sold on 15th July, 2018 for ₹ 10,00,000. A second hand plant was bought for ₹ 6,10,000 on 30th December, 2018. You are required to:

- (i) Determine the claim of depreciation for Assessment Year 2019-20.
- (ii) Compute the capital gains liable to tax for Assessment Year 2019-20.
- (iii) If Keshav Enterprises has sold the two machines in July, 2018 for ₹ 15,00,000, explain, will there be any difference in your above workings?

Solution:**(i) Computation of Depreciation for the A.Y. 2019-20**

WDV of Machines as on 01 st April 2018	7,70,000
Add: Addition during the year (on 30 th December 2018)	6,10,000
Less: Sold during the year (on 15 th July 2018)	(10,00,000)
WDV as on 31 st March 2019	3,80,000
Depreciation during the year (3,80,000 x 7.5%)	28,500

(ii) Computation of Capital Gains for the A.Y. 2019-20

Since block of asset exists at the end of the year and WDV is also there at the end of the year hence no capital gains shall be computed.

(iii) If asset sold for 15,00,000

WDV of Machines as on 01 st April 2018	7,70,000
Add: Addition during the year (on 30 th December 2018)	6,10,000
Less: Sold during the year (on 15 th July 2018)	(15,00,000)
WDV as on 31 st March 2019	Nil
Depreciation during the year	Nil

If there is a negative balance at the end of the year, it will be considered to be short term capital gains as per section 50.

Short term Capital Gains

Sale Consideration	15,00,000
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Less: Cost of Asset	(13,80,000)
Short term capital gains	1,20,000

Question 4(a)**Marks 4**

Mr. Deepak has a residential house property taxable u/s 22. Such property was acquired on 12-08-2005 for ₹ 2,00,000. The property is sold for ₹ 23,00,000. The sub-register refused to register the documents for the said value, as according to him, stamp value valuation, based on State Government guidelines was 28,00,000. Mr. Deepak preferred an appeal to the revenue divisional officer who fixed the value of the house ₹ 25,00,000. He acquired another residential house on 31-03-2019 for ₹ 17,00,000 for self-occupation. On 01-03-2020, he sold such new residential house for ₹ 30,00,000. Compute his capital gain for the A.Y. 2019-20 and 2020-21. (Cost of indexation : 2001-02; 2005-06 and 2018-19 are, 100; 117 and 280)

Solution:**Computation of Capital Gains for the A.Y. 2019-2020 & 2020-21**

Sale consideration	₹ 23,00,000
Valuation made by Sub Register for stamp duty	₹ 28,00,000
Valuation made by the Divisional Revenue officer on a reference	₹ 25,00,000
Applying the provisions of section 50C to the present case, ₹ 45,00,000, being, the value adopted by the Divisional Revenue officer for stamp duty, shall be taken as the sale consideration for the purpose of charge of capital gain.	

A.Y. 2019-2020***Computation of Capital Gains***

Full value of consideration (section 50C)	25,00,000.00
Less: Indexed cost of acquisition = 2,00,000 / 117 x 280 = ₹ 4,78,632.48	(4,78,632.48)
Long Term Capital Gain	20,21,367.52
Less: Exemption u/s 54	(17,00,000.00)
Long Term Capital Gain	3,21,367.52

A.Y. 2020-2021

Since new house is sold within one year which is less than one year hence gain shall be treated as short term

Computation of Capital Gains

Full value of consideration	30,00,000.00
Less: cost of acquisition = (17,00,000-17,00,000)	Nil
Short Term Capital Gain	30,00,000.00

Question 4(b)**Marks 3**

Briefly explain with example, the meaning of Cross Transfer, the objective to make such transactions and implications thereof under the Income Tax Laws.

Answer: refer answer given in the book.

Question 5 (a)

Marks 3

Miss Himanshi (68 years) is a resident individual. During the assessment year 2019-20, she has income from Long-term capital gain on transfer of equity shares ₹ 1,80,000 (Securities transaction has been paid on acquisition and transfer of the said shares) and income from Other sources ₹ 2,75,000.

Compute her tax liability for Assessment year 2019-20.

Solution:

Computation of Total Income

	₹
Long term capital gains u/s 112A (1,80,000-1,00,000)	80,000
Income from other sources	2,75,000
Gross Total Income	3,55,000
Less: Deduction u/s 80C to 80U	(Nil)
Total Income	3,55,000

Computation of Tax Liability

Tax on Loan term capital gains 55,000 (80,000-25,000) @ 10% u/s 112A	5,500
Tax on normal income Nil (2,75,000-2,75,000)	Nil
Tax before health & education cess	5,500
Add: HEC @ 4%	220
Tax Liability	5,720

Note:

1. Rebate u/s 87A shall not be allowed since income is more than 3,50,000.
2. Basic exemption allowed is 3,00,000 as Miss Himanshi is 68 years old.

Question 5 (b)

Marks 4

Answer any one of the following:

(i) Prakash is retired Government Officer aged 65 years, resides in Cochin, derived following income:

	₹
Pension	6,60,000
Interest from bank on fixed deposits (Gross)	55,000

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

- (i) Life insurance premium paid by cheque ₹22,500 for insurance of his life. The insurance policy was taken on 08-09-2015 and the sum assured is ₹2,00,000.
- (ii) Premium of ₹ 26,000 paid by cheque for health insurance of self and his wife.
- (iii) ₹ 1,500 paid in cash for his health check-up and ₹ 4,500 paid through cheque for preventive health check-up of his parents, who are senior citizens.
- (iv) Paid interest ₹ 6,500 on loan taken from bank for MBA course pursued by his daughter.
- (v) A sum of ₹ 15,000 donated in cash to an institution approved for purpose of section 80G for promoting family planning.

Solution:**Computation of Total Income for the A.Y. 2019-20**

Income under the head salary	₹
Pension	6,60,000
Gross salary	6,60,000
Less: Standard deduction u/s 16(ia)	(40,000)
Income under the head salary	6,20,000
Income under the head other sources	
Interest income on Fixed Deposits	55,000
Income under the head other sources	55,000
Gross Total Income	6,75,000
Less: Deduction u/s 80C- LIC (22,500 limited to 10% of 2,00,000)	(20,000)
Less: Deduction u/s 80D- Health Insurance (26,000 limited to 25,000)	(25,000)
Less: Deduction u/s 80D- PHC of parents (6,000 limited to 5,000)	(5,000)
Less: Deduction u/s 80E Interest paid on higher studies	(6,500)
Less: Deduction u/s 80TTB - Interest on FD	(50,000)
Total Income	5,68,500

Note:

1. As per section 80D, Maximum deduction of PHC can be allowed is 5,000 whether paid in cash or by cheque.
2. As per section 80G, Deduction of Donation is not allowed if the payment is made in cash in excess of 2,000.
3. As per section 80TTB, Deduction shall be allowed in case of senior citizen receiving interest income from saving account or from FD. Maximum deduction can be 50,000.

OR

(ii) Mr. Rahman furnishes the following information for the financial year 2018-19.

Particulars	₹
Loss from speculation business – A	70,000
Profit from speculation business – B	30,000
Loss from self occupied house property	2,20,000
Income from let out house property	4,20,000
Income from trading and manufacturing business @ 8%	2,00,000
Salary income	3,70,000
Interest on PPF deposit	65,000
Long term capital gain on sale of Vacant site	1,10,000
Short term capital loss on sale of Jewellery	50,000
Investment in tax saver deposit on 31-03-19	60,000

Brought forward loss of business of assessment year 2013-14	1,00,000
Donation to a charitable trust recognized under section 12AA and approved under section 80G	1,40,000
Enhancement compensation received from government for compulsory acquisition of lands in the year 2006	3,00,000

Compute total income of Mr. Rahman for the assessment year 2019-20 and loss he is eligible to carry forward.

Solution:

Computation of Total Income of Mr. Rahman for the A.Y. 2019-20

₹

Income under the head salary

Salary Income (assumed computed)	3,70,000
Income under the head salary	3,70,000

Income under the head business/ profession

Income from speculation business -B	30,000
Less: Loss from speculation business-A	(30,000)
Income from trading business @8%	2,00,000
Less: Brought forward loss of A.Y. 2013-14	(1,00,000)
Income under the head business/ profession	1,00,000

Income under the head House Property

Income from let out house property	4,20,000
Less: Loss from self - occupied house property	(2,20,000)
Income under the head House Property	2,00,000

Income under the head capital gains

Long term capital gains	1,10,000
Less: ST capital loss on jewelry	(50,000)
Enhancement compensation received from govt. (assumed long term)	3,00,000
Income under the head capital gains	3,60,000

Gross Total Income

Income under the head salary	3,70,000
Income under the head business/ profession	1,00,000
Income under the head House Property	2,00,000

Income under the head capital gains	3,60,000
Gross Total Income	10,30,000

Less: Deduction u/s 80G Charitable Institution/ Social organization/ Religious organization	(33,500)
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Working Note:

Charitable Institution	3,00,000
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AGTI = GTI – LTCG – STCG u/s 111A – Deduction u/s 80C to 80U (except 80G)

= 10,30,000 – 3,60,000

= 6,70,000

Qualifying amount = 10% of AGTI or donation whichever is less

= 67,000 or 3,00,000 whichever is less

= 67,000

50% of the qualifying amount = 33,500

Total Income	9,96,500
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Carried forward

Speculation loss from Business-A	40,000
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Note:

1. Interest from PPF Deposits is exempt from income tax.
2. Enhanced compensation received from Govt is assumed as Long term.

PART – II
SECTION – B

Q. No. 6 is compulsory question. Out of remaining four questions (**Q.No. 7 to Q.No. 10**), candidates may attempt any **three**.

Question 6**Marks 8**

Mr. Uttam Kumar a registered supplier of service in Kolkata, has provided following information for the month of October,2018:

No.	Particulars	Amount in (₹)
1.	Intra-State taxable supply of service	6,40,000
2.	Amount received from Kapola Pvt. Ltd., for service provided to company. (He is a director in Kapola P. Ltd.), being Intra-State transaction.	5,00,000
3.	Paid legal fee to senior advocate for one legal matter within State, being Intra-State transaction.	50,000
4.	Amount received for service provided by him as a commentator to a local recognized sports body, being Intra-State transaction	1,20,000
5.	Amount received for acting as a coach in recreational activities relating to sports, from one local charitable entity registered under section 12AA of the Income Tax Act, 1961, being Intra-State transaction.	30,000

Compute the net GST liability (CGST, SGST or IGST) of Mr. Uttam Kumar for the month of October, 2018

Rate of CGST, SGST and IGST are 9%, 9% and 18% respectively.

All the amounts given are exclusive of CGST, SGST and IGST.

Solution:**Computation of Net GST Liability of Mr. Uttam Kumar****Output Tax****Intra-State supply of service**

	6,40,000
Add: CGST @ 9%	57,600
Add: SGST @ 9%	57,600
Total	7,55,200

Legal fee paid to senior advocate

Reverse charge shall be applicable, Mr. Uttam shall be liable to pay GST under reverse charge and ITC of the same also be allowed.

50,000

Add: CGST @ 9%	4,500
Add: SGST @ 9%	4,500
Total	59,000

Service provided to local recognized sports body

Service provided to local recognized sports body is not covered under exemption as local sports body is not recognized sports body hence GST shall be payable.

	1,20,000
Add: CGST @ 9%	10,800
Add: SGST @ 9%	10,800
Total	1,41,600

Service provided to local charitable entity

Service provided to local charitable entity is not covered under exemption hence GST shall be payable.

	30,000
Add: CGST @ 9%	2,700
Add: SGST @ 9%	2,700
Total	35,400

Computation of Net GST Liability

Particulars	CGST ₹
Output Tax	
Intra State supply	57,600
Services to local sports body	10,800
Services to Charitable Institution	2,700
Legal service taken from advocate (payable under reverse charge)	4,500
Total payable	75,600
Less: ITC (tax paid under reverse charge)	(4,500)
Net GST Liability	71,100

Computation of Net GST Liability

Particulars	SGST ₹
Output Tax	
Intra State supply	57,600
Services to local sports body	10,800
Services to Charitable Institution	2,700
Legal service taken from advocate (payable under reverse charge)	4,500
Total payable	75,600
Less: ITC (tax paid under reverse charge)	(4,500)
Net GST Liability	71,100

Note:

1. Service provided by Mr. Uttam to Kapola Pvt. Ltd. to company as director, in this case company is liable to pay GST under reverse charge and Mr. Uttam shall not charge GST.

Question 7 (a)

Marks 5

Koli Ltd. Supplies machinery to G Ltd. (Dealer in same State), provides following particulars regarding the same. Determine the value of taxable supply of machinery.

No.	Particulars	Amount(₹)
(i)	Price of Machinery (exclusive of taxes and discounts)	5,50,000
(ii)	One part is directly fitted in machinery at place of G Ltd. (Amount paid by G Ltd. Directly to supplier, as per contract this amount should be paid by Koli Ltd. and not included in price)	20,000
(iii)	Installation and testing charges for machinery, not included in price.	25,000
(iv)	Discount 2% on machinery price (Recorded in the invoice)	
(v)	Koli Ltd. Provides additional 1% discount at year end, based on additional purchase of other machinery.	

Solution:**Computation of taxable value of supply of machinery**

Particulars	Amount (₹)
(i) Price of Machinery (exclusive of taxes and discounts)	5,50,000
(ii) One part is directly fitted in machinery at place of G Ltd.	20,000
(iii) Installation and testing charges for machinery	25,000
(iv) Less: Discount 2% on machinery price (2% of 5,50,000)	(11,000)
Taxable value of supply	5,84,000

Notes:

1. If the supplier has given any discount before or at the time of supply, it will be allowed to be deducted and additional discount allowed at year end shall not be allowed to be deducted.
2. As per section 15, any amount that the supplier is liable to pay in relation to such supply but which has been incurred by the recipient of supply and not included in price then such amount shall be included.
3. Amount charged for any thing done at the time of or before the delivery of goods or supply of services shall be included in the transaction value. In this case Installation and testing charges done at the premises of the buyer hence shall not to be included.

Question 7 (b)**Marks 4**

Jamku Ltd. a registered person is engaged in the business of spices. It provides following details for GST paid during October. 2018.

No.	Particulars	GST Paid (₹)
1.	Raw spices purchase	

	- Raw spices used for furtherance of spices	50,000
	- Raw spices used for personal use of Directors	20,000
2.	Electric machinery purchased to be used in the manufacturing process.	25,000
3.	Motor vehicle used for transportation of the employee	55,000
4.	Payment made for material and to contractor for construction of staff quarter.	1,25,000

Determine the amount of ITC available to Jamku Ltd. for the month of October, 2018 with all related workings and explanations.

All the conditions necessary for availing the ITC have been fulfilled.

Solution:

Computation of ITC Available to Jamku Ltd. for the Month of October 2018

Particulars	GST Paid (₹)
1. Raw Spices used for furtherance of Business	50,000
2. Raw Spices for personal use (ITC not allowed)	Nil
3. Electric machinery purchased to be used in the manufacturing process.	25,000
4. Motor vehicle used for transportation of the employee (Not allowed)	Nil
5. Payment made for material and to contractor for construction of staff quarter. (Not allowed)	Nil
Total ITC Allowed	75,000

Notes:

1. Input tax credit shall be allowed only if the same is used for business purpose if it is used for personal purpose then no ITC shall be allowed. (section 16)
2. As per section 17(5), ITC of motor vehicle used for transportation of employee is not allowed.
3. As per section 17(5), ITC of material and payment to contractor (works contract service) for staff quarter is not allowed.

For Nov 2019 Students ITC of motor vehicle upto 13 seating capacity shall not be allowed.
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Question 8 (a)**Marks 2+2+1**

Examine the liability of compulsory registration under section 24 of the CGST Act, 2017, in each independent cases mentioned below:

(1) Meenu is a supplier in Maharashtra, is engaged in supply of potatoes within Maharashtra and also outside Maharashtra, whose turnover exceeds threshold limit under GST Law.

Answer:

As per section 23, If a person is supplying exclusively exempted goods then registration under GST is not required. In the given case Meenu is supplying potatoes which is exempted under GST hence GST registration is not required.

(2) Jinu Oils, Gujarat, is engaged in supplying machine oil as well as petrol. Total turnover of machine oil is ₹20 lakh and of petrol is ₹15 lakh.

Answer:

Jinu Oils, Gujarat, is engaged in supplying machine oil as well as petrol. Supply of petrol is not leviable to GST, but supply of machine oil is taxable. In order to determine whether Jinu Oils is liable for registration, turnover of both the supplies – non-taxable as well as taxable - would be taken into account and if the same exceeds ₹20 lakh, Jinu Oils is liable for registration.

In the given case, aggregate turnover is exceeding ₹20 lakh hence Jinu Oils is liable for registration.

For Nov attempt students, limit for registration is increased to ₹40 lakh hence Jinu Oils is not liable for registration.

(3) Tilu is working as an agent, he is supplying goods as an agent of Tiku (who is registered taxable person) and its aggregate turnover does not exceed ₹20 lakh during the financial year.

Answer:

As per section 24, if a person is supplying goods on behalf of another registered person then the person shall be liable to be registered under GST irrespective of turnover. In the given case Tilu is supplying goods as agent of Tiku (who is registered taxable person) hence Tilu is liable to registered under GST.

Question 8 (b)**Marks 4**

Jolla provides continuous supply of services regarding Annual Maintenance Contract (AMC) of Air conditioner and all electronic items in Khotu Ltd. He provides following details regarding same:

They made contract for the AMC. As mentioned in contract AMC will be starts from 01-10-2017 and AMC is valid for a year. AMC ends on 30-09-2018. Jolla receives payment for the AMC on 31-10-2018.

Explain time of issue of invoice in Continuous Supply of Service (CSS) as per provisions of CGST Act, 2017 and accordingly determine time of issue of Invoice in following different circumstances:

- (1) As mentioned in contract Khotu Ltd. have to make payment on 05-11-2018.
- (2) If terms of payment is not mentioned in AMC and also not agreed by both the parties.

Answer:

Invoice in case of Continuous supply of Services

As per section 31 (5) Subject to the provisions of clause (d) of sub-section (3), in case of continuous supply of services—

- (i) where the due date of payment is ascertainable from the contract, the invoice shall be issued on or before the due date of payment.
- (ii) where the payment is linked to the completion of an event, the invoice shall be issued on or before the date of completion of that event.
- (iii) where the due date of payment is not ascertainable from the contract, the invoice shall be issued before or at the time when the supplier of service receives the payment.

In the given case

- (1) where the due date of payment is ascertainable from the contract, the invoice shall be issued on or before the due date of payment i.e. 05-11-2018.
- (2) where the due date of payment is not ascertainable from the contract, the invoice shall be issued before or at the time when the supplier of service receives the payment i.e. 31-10-2018.

Question 9 (a)

Marks 1+2+2

Examine in relation to composition levy scheme under the CGST Act, 2017 and the rules made thereunder in the following individual cases:

- (1) Ketu is a manufacturer of Ice-cream and pan masala in State of Maharashtra. His turnover for the year does not exceed ₹ 1 Crore. He wants to register for composition levy scheme. Is he eligible for it?
- (2) Jadhu of Gujarat opts for composition scheme during a financial year 2017-18. But on 10-02-2018 his turnover crosses ₹ 1 Crore, can he continue under composition levy scheme.
- (3) X Ltd. has 2 branches K & L in Delhi, having same PAN. Branch K opts for normal scheme. X Ltd. want to continue composition levy in case of its branch L. Can X Ltd. continue Composition levy only for Branch L?

Answer:

(1) **As per section 10**, if a manufacturer is manufacturing Pan Masala and Ice-cream then he is not eligible for composition scheme. In the given case, Ketu is manufacturer of Ice-cream and pan masala hence he is not eligible for composition scheme

(2) **As per rule 6**, if a person crosses the threshold limit then he will be shifted to normal scheme with immediate effect. Hence Jadhu cannot continue under composition scheme.

(3) If any person has opted for composition scheme for any place of business in any state or union territory, shall be automatically covered in composition scheme for all other places of business in any other State / UT

i.e. same scheme will be applicable for all registration with same PAN. Hence X Ltd. cannot opt for composition scheme for its one branch.

Question 9 (b)

Marks 1+2+1

Please answer following individual independent cases with reference to Section 37 of the CGST Act, 2017 and rule-59 of CGST Rules, 2017:

(1) Mr. Kolly is registered supplier in the State of Gujarat. He is filling GSTR 1 every month. During the month of February, 2018 he was out of India and so did not do any transaction during the month. He believes that as there is no transaction there is no need to file GSTR 1 for the month of February, 2018. Is he correct?

Answer:

Not Correct: GSTR-1 needs to be filed even if there is no business transaction (Nil Return) in the tax period hence intention of Mr. Kolly is not correct and he is liable to file GSTR-1.

(2) Mr. Kaji is a registered dealer in Kerala. He was registered as a normal tax payer for FY 2017-18. But on 15-01-2018, he converted from normal tax payer to composition tax payer. Is he liable to file GSTR-1 for the month of February, 2018?

Answer:

Not Liable to File GSTR-1: In cases where a taxpayer has been converted from a normal scheme to composition scheme, GSTR-1 will be available for filing only for the period during which the taxpayer was registered as normal tax payer.

In the given case, Mr. Kaji is converted into composition scheme w.e.f. 15-01-2018 from normal scheme hence w.e.f. 15-01-2018 he is liable to file GSTR-4 and he is not liable to file GSTR-1 for the month of February.

(3) Mrs. Zeel a registered dealer in Rajasthan did not file GSTR1 for the month of June, 2018 but she wants to file GSTR1 for the month of July, 2018. Is it possible?

Answer:

Not possible: Filing of GSTR-1 for current period is possible only when GSTR-1 for the previous month has been filed. In the given case GSTR-1 for the month of June 2018 is pending hence she is not able to file GSTR-1 for the month of July 2018.

Question 10 (a)

Marks 4

Explain the meaning of consignment note in relation to Goods Transport Agency and state its contents as per provisions of the CGST Act, 2017.

Answer: Refer answer given in the book

OR

Explain the services provided by way of tolerating non-performance of a contract and its chargeability under the provisions of the CGST Act, 2017

Answer:

As per schedule II, agreeing to the obligation to refrain from an act, or to tolerate an act or a situation, or to do an act shall be treated as supply of services

As per section 2(102) "services" means anything other than goods, money and securities but includes activities relating to the use of money or its conversion by cash or by any other mode, from one form, currency or denomination, to another form, currency or denomination for which a separate consideration is charged.

Services provided by way of tolerating non-performance of a contract shall be treated as supply of services because agreeing to obligation to refrain from an act, or to tolerate an act or situation shall be treated as supply of service. (section 7(1A), schedule II)

Example: A Ltd given a contract to B Ltd. to complete a work in 4 years and B Ltd. did not completed the work within 4 years, in this case it a non - performance of a contract and shall be treated as supply of services and any consideration received for non-performance shall be treated as supply of service and GST shall be chargeable.

Question 10 (b)

Marks 5

What are the E-ledgers? State the entries to be debited to electronic liability register under the CGST Act, 2017 and the CGST Rules, 2017.

Answer: Refer answer given in the book