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FOR CA INTERMEDIATE EXAM PREPARATION

CA Intermediate 2022 Suggested Answers · Paper 4 Taxation (Old Scheme)

EXAM	YEAR	TYPE
CA Intermediate	2022	Suggested Answers

SUBJECT	DATE
Paper 4 Taxation (Old Scheme)	May 2022

PAPER – 4 : TAXATION

SECTION A : INCOME TAX LAW

Part - II

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

*Candidates are also required to answer any **two** questions from the remaining **three** questions.*

Working notes should form part of the respective answers.

All questions relate to assessment year 2022-23, unless otherwise stated.

Question 1

Mrs. Nisha, a resident individual aged 54 years, is carrying on business of manufacturing of textile fabrics, as a proprietor. The turnover in the previous year 2020-21 was ₹ 250 lakhs and in the current previous year 2021-22, it is ₹ 600 lakhs. The net profit as per the profit and loss account as on 31-03-2022 is ₹ 5,61,000. She provides the following additional information those were not considered while making the profit and loss account for the previous year 2021-22.

(i) Depreciation has not been debited to profit and loss account. The details of the plant & machinery employed in the business are given as under:

Date	PARTICULARS	AMOUNT
01-04-2021	Opening written down value of machinery used for manufacturing purpose	4,75,000
03-07-2021	New machinery purchased during the year, payment made by an account pay cheque.	7,25,000
10-03-2022	Sold one of the old machine	75,000

She does not have any other fixed assets employed in the business.

(ii) Received subsidy of 20% on new machine purchased on 03-07-2021 during the previous year under technology upgradation fund Scheme from the Central Government.

(iii) She paid a job charges for the value addition on the fabrics ₹ 90,000 without deduction of tax to job worker by an account payee cheque.

(iv) Commission paid to one agent allowed as deduction in earlier assessment year amounting ₹ 50,000, has now been received back during previous year 2021-22, from the agent due to settlement with commission agent.

(v) ₹ 25,000 paid to creditor for goods in cash.

The Suggested Answers for Paper 4A: Income-tax Law are based on the provisions of Income-tax Act as amended by the Finance Act, 2021 which are relevant for May, 2022 Examination. The relevant assessment year is A.Y.2022-23.

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(vi) Incurred loss of ₹1,17,500 from an eligible transaction carried out in respect of trading in derivatives in a recognised stock exchange.

(vii) Interest received amounting ₹2,00,000, duly authorised by partnership deed of M/s Ramji textiles @ 15% p.a. on the capital employed. She is sleeping partner in the Ramji textiles.

(viii) She Received ₹60,000 by pre-mature withdrawals from deposit including interest ₹5,000, in post office time deposit, eligible for deduction under Section 80C.

(ix) She sold her gold bracelet (jewellery), used by her for personal purposes, on 01-05-2021 for ₹5,00,000, which was acquired for ₹40,000 on 01-03-2005. A diamond was embedded onto bracelet on 01-05-2007 of ₹50,000. (cost inflation index 2004-05:113, 2007-08:129 and 2021-22:317)

(x) She received a gold coin (bullion) worth ₹55,000 (FMV) from her cousin (daughter of uncle) during the previous year 2021-22.

(xi) She incurred long term loss from sale of share of the Indian company. (The STT is paid on the sale and purchase of the shares) ₹75,000.

(xii) She deposited a sum of ₹50,000 with life insurance Corporation of India every year for the maintenance of her mother aged 70 years depended upon him and suffering from severe disability.

(xiii) She purchased the new residential house during the previous year and paid stamp duty and registration fee ₹1,55,000 to get transfer the property in her name.

You are required to compute the total income and tax payable by Mrs. Nisha for the assessment year 2022-23. (Ignore the provisions of Section 115BAC). Give brief note wherever necessary.

(14 Marks)

Answer

Computation of total income of Mrs. Nisha for A.Y. 2022-23

	Particulars	₹	₹	₹
I.	**Income from business or profession**			
	Net Profit as per profit and loss account		5,61,000	
	***Add*: Items not credited but taxable while computing business income**			
	- Commission from agent on settlement [Since deduction was allowed in respect of commission in earlier year and during the P.Y. 2021-22 Mrs. Nisha received back such amount due to settlement, the same would be deemed as her income]	50,000		

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	- Interest on capital from partnership firm [₹ 2,00,000/15% x 12%] [Since interest on capital from M/s Ramji textiles is authorized by partnership deed, interest@12% p.a. would be allowed as deduction in the hands of firm under section 40(b). Consequently, interest @ 12% p.a. would be the business income of Mrs. Nisha under section 28. For allowability of interest in the hands of the firm, there is no requirement that the partner should be a working partner]	1,60,000		
			2,10,000	
			7,71,000	
	***Less*: Items not debited but allowable while computing business income**			
	- Job charges without deduction of tax [₹ 90,000 – 30% of ₹ 90,000] [Mrs. Nisha's turnover for the P.Y. 2020-21 exceeds ₹ 1 crore, hence, she is liable to deduct tax at source u/s 194C on Job charges of ₹ 90,000. Since Mrs. Nisha has not deducted tax at source on ₹ 90,000, 30% would be disallowed under section 40(a)(ia). Remaining job charges paid would be allowable as deduction while computing business income	63,000		
	- Payment to creditor in cash [Payment to creditor in cash is not allowable as business expenditure, since such amount exceeds ₹ 10,000 and paid in cash by virtue of section 40A(3)]	-		
			63,000	
			7,08,000	
	Less: Depreciation as per Income-tax Rules			
	Opening WDV of machinery	4,75,000		
	Add: Purchase of machinery for ₹ 7,25,000 during the P.Y. 2021-22 by A/c payee cheque. Subsidy of ₹ 1,45,000, being 20% of cost, received from Central Government on new			

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	machinery is to be reduced from actual cost (₹ 7,25,000 – ₹ 1,45,000).	5,80,000			
		10,55,000			
	Less: Sale proceeds	75,000			
	WDV as on 31.3.2022 before depreciation for P.Y. 2021-22	9,80,000			
	Depreciation @15% on ₹ 9,80,000		1,47,000		
	Additional Depreciation@20% on ₹ 5,80,000		1,16,000		
	(As new machinery is used in manufacturing business and put to use for more than 180 days in the P.Y. 2021-22, depreciation and additional depreciation will be allowed in full)			2,63,000	
				4,45,000	
	Less: Loss from eligible transaction carried out in respect of trading in derivatives in a recognized stock exchange is not a speculative business and hence, the same is allowed to be set off from textile business income as per section 70.			1,17,500	
					3,27,500
II	**Capital Gains**				
	Long term capital gain on sale of gold bracelet since it is held for more than 36 months				
	Sales consideration		5,00,000		
	Less: Cost of acquisition (40,000 x 317/113)		1,12,212		
	Less: Cost of improvement (50,000 x 317/129)		1,22,868		
	Long- term capital gain on sale of gold bracelet			2,64,920	
	Note – *In the additional information (xiii), it is mentioned that Mrs. Nisha has purchased a new residential house during the previous year. In such a case, she would be eligible for exemption u/s 54F in respect of amount invested in purchase of new residential house from long term capital gain on sale of gold bracelet. However, the cost of new residential house is not provided in the question but only stamp*				

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	duty and registration fee is given which would also be the part of cost of house. In such case exemption u/s 54F would be ₹ 2,64,920 x 1,55,000/5,00,000 = ₹ 82,125. Accordingly, long term capital gain would be ₹ 1,07,795 (instead of ₹ 1,89,920). In such a case, Rebate u/s 87A would be ₹ 5,060 (instead of ₹ 12,500) and tax liability of Mrs. Nisha would be Nil (instead of ₹ 9,340).			
	Less: Long term capital loss from sale of STT paid shares of an Indian company allowed to be set off from long term capital gain on sale of gold bracelet as per section 70.		75,000	
				1,89,920
III	**Income from Other Sources**			
	Fair market value of gold coin received from cousin [Taxable u/s 56(2)(x), since cousin is not a relative and the fair market value exceeds ₹ 50,000]		55,000	
	Pre-mature withdrawal from post office time deposit [Amount including interest received on pre-mature withdrawal from post office time deposit, in respect of which deduction u/s 80C was claimed, would be deemed to be the income of Mrs. Nisha]		60,000	
				1,15,000
	Gross Total Income			**6,32,420**
	***Less:* Deduction under Chapter VI-A**			
	Deduction under section 80C			
	Stamp duty and registration fee of ₹ 1,55,000 for the purpose of transfer of house property, restricted to		1,50,000	
	Deduction under section 80DD			
	Sum deposited with LIC for the maintenance of her dependent mother and suffering from severe disability [Eligible for higher deduction ₹1,25,000 in case of severe disability irrespective of amount deposited with LIC]		1,25,000	
				2,75,000
	Total Income			**3,57,420**

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Computation of tax liability of Mrs. Nisha for A.Y.2022-23

Particulars	₹
Tax on long-term capital gains @20% on ₹ 1,07,420 [₹ 1,89,920 – ₹ 82,500, being unexhausted basic exemption limit (₹ 2,50,000 – ₹1,67,500)]	21,484
Tax on other income of ₹ 1,67,500 [₹ 3,57,420 – ₹ 1,89,920, being LTCG], being lower than the basic exemption limit	Nil
	21,484
Less: Rebate u/s 87A [Tax payable or ₹12,500, whichever is less]	**12,500**
	8,984
Add: Health and education cess@4%	359
Tax liability	**9,343**
Tax liability (rounded off)	9,340

Note - The last two lines in the first para of the question reads as follows–

"The net profit as per the profit and loss account as on 31.3.2022 is ₹5,61,000. ***She provides the following additional information those were not considered while making the profit and loss account for the previous year 2021-22"***

Items (i) to (xiii) are listed thereunder.

On a plain reading of the above sentences, it appears that none of the expenditures/receipts in (i) to (xiii) were considered while making the profit and loss account. The above solution has been prepared accordingly.

*Alternatively, it is possible to interpret the last sentence (**bold underlined above**) to mean that as far as items (iii) and (v) are concerned, wherein disallowance of expenditure is attracted u/s 40(a)(ia) and 40A(3), respectively, such disallowances (and not the expenditure itself) were not considered while making the profit and loss account of the previous year 2021-22. If so interpreted, then, for item (iii), instead of reducing ₹63,000, ₹27,000 has to be added back. Likewise for item (v), ₹25,000 has to be added back. In such a case, profits and gains from business and profession, Gross Total Income, Total Income and Tax Payable would change accordingly. An alternate solution based on this interpretation has been worked out as follows:*

Alternate solution

Computation of total income of Mrs. Nisha for A.Y. 2022-23

	Particulars	₹	₹	₹
I.	**Income from business or profession**			
	Net Profit as per profit and loss account		5,61,000	

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	***Add*: Items not credited but taxable while computing business income**			
	- Commission from agent on settlement [Since deduction was allowed in respect of commission in earlier year and during the P.Y. 2021-22 Mrs. Nisha received back such amount due to settlement, the same would be deemed as her income]	50,000		
	- Interest on capital from partnership firm [₹ 2,00,000/15% x 12%] [Since interest on capital from M/s Ramji textiles is authorized by partnership deed, interest@12% p.a. would be allowed as deduction in the hands of firm under section 40(b). Consequently, interest @ 12% p.a. would be the business income of Mrs. Nisha under section 28. For allowability of interest in the hands of the firm, there is no requirement that the partner should be a working partner]	1,60,000		
			2,10,000	
			7,71,000	
	***Add*: Disallowances not considered while computing business income**			
	- Job charges without deduction of tax [30% of ₹ 90,000] [Mrs. Nisha's turnover for the P.Y. 2020-21 exceeds ₹ 1 crore, hence, she is liable to deduct tax at source u/s 194C on Job charges of ₹ 90,000. Since Mrs. Nisha has not deducted tax at source on ₹ 90,000, 30% would be disallowed under section 40(a)(ia).	27,000		
	- Payment to creditor in cash [Payment to creditor in cash is not allowable as business expenditure, since such amount exceeds ₹ 10,000 and paid in cash as per section 40A(3)]	25,000		
			52,000	
			8,23,000	

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	Less: Depreciation as per Income-tax Rules				
	Opening WDV of machinery	4,75,000			
	Add: Purchase of machinery for ₹ 7,25,000 during the P.Y. 2021-22 by A/c payee cheque. Subsidy of ₹ 1,45,000, being 20% of cost, received from Central Government on new machinery is to be reduced from actual cost (₹ 7,25,000 – ₹ 1,45,000).	**5,80,000**			
		10,55,000			
	Less: Sale proceeds	75,000			
	WDV as on 31.3.2022 before depreciation for P.Y. 2021-22	9,80,000			
	Depreciation @15% on ₹ 9,80,000		1,47,000		
	Additional Depreciation@20% on ₹ 5,80,000		1,16,000		
	(As new machinery is used in manufacturing business and put to use for more than 180 days in the P.Y.2021-22, depreciation and additional depreciation will be allowed in full)			2,63,000	
				5,60,000	
	Less: Loss from eligible transaction carried out in respect of trading in derivatives in a recognized stock exchange is not a speculative business and hence, the same is allowed to be set off from textile business income as per section 70.			1,17,500	
					4,42,500
II	**Capital Gains**				
	Long term capital gain on sale of gold bracelet since it is held for more than 36 months		5,00,000		
	Sales consideration				
	Less: Cost of acquisition (40,000 x 317/113)		1,12,212		
	Less: Cost of improvement (50,000 x 317/129)		1,22,868		

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	Long- term capital gain on sale of gold bracelet		2,64,920	
	Note – *In the additional information (xiii), it is mentioned that Mrs. Nisha has purchased a new residential house during the previous year. In such a case, she would be eligible for exemption u/s 54F in respect of amount invested in purchase of new residential house from long term capital gain on sale of gold bracelet. However, the cost of new residential house is not provided in the question but only stamp duty and registration fee is given which would also be the part of cost of house. In such case, exemption u/s 54F would be ₹ 2,64,920 x 1,55,000/5,00,000 = ₹ 82,125. Accordingly, long term capital gain would be ₹ 1,07,795 (instead of ₹ 1,89,920). In such a case, Rebate u/s 87A would remain as ₹ 12,500 and tax liability of Mrs. Nisha would be ₹ 11,111, before rounding off (instead of ₹ 28,193).*			
	Less: Long term capital loss from sale of STT paid shares of an Indian company allowed to be set off from long term capital gain on sale of gold bracelet as per section 70		75,000	
				1,89,920
III	**Income from Other Sources**			
	Fair market value of gold coin received from cousin [Taxable u/s 56(2)(x), since cousin is not a relative and the fair market value exceeds ₹ 50,000]		55,000	
	Pre-mature withdrawal from post office time deposit [Amount including interest received on pre-mature withdrawn from post office time deposit, in respect of which deduction u/s 80C was claimed, would be deemed to be the income of Mrs. Nisha		60,000	1,15,000
	Gross Total Income			**7,47,420**
	Less: **Deduction under Chapter VI-A**			
	Deduction under section 80C			
	Stamp duty and registration fee of ₹ 1,55,000 for the purpose of transfer of house property, restricted to		1,50,000	

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	Deduction under section 80DD			
	Sum deposited with LIC for the maintenance of her dependent mother and suffering from severe disability [Eligible for higher deduction ₹1,25,000 in case of severe disability irrespective of amount deposited with LIC]		1,25,000	2,75,000
	Total Income			**4,72,420**

Computation of tax payable by Mrs. Nisha for A.Y.2022-23

Particulars	₹
Tax on long-term capital gains @20% on ₹1,89,920	37,984
Tax on other income of ₹ 2,82,500 [₹ 4,72,420 – ₹ 1,89,920, being LTCG] – 5% of ₹ 32,500 (₹ 2,82,500 – basic exemption limit ₹ 2,50,000)	1,625
	39,609
Less: Rebate u/s 87A [Tax payable or ₹ 12,500, whichever is less]	12,500
	27,109
Add: Health and education cess@4%	1,084
Tax Payable	**28,193**
Tax Payable (rounded off)	28,190

Question 2

(a) Discuss the liability of tax deduction at source under the Income-tax Act, 1961 in respect of the following cases with reference to A.Y. 2022-23.

(i) XY a partnership firm is selling its product 'R' through the E-commerce Platform provided by AB Ltd. (E-commerce Operator). AB Ltd., credited in its books of account, the account of XY on 28th February, 2022 by sum of ₹4,90,000 for the sale of product R, made during the month February, 2022.

Mr. Rai, who purchased product 'R' through the platform provided by AB Ltd. made payment of ₹60,000 directly to XY on 21st February, 2022.

(ii) ABC Ltd is a producer of natural gas. During the year it sold natural gas worth ₹26,50,000 to M/s Deep Co., a partnership firm. It also incurred ₹1,70,000 as freight for the transportation of gas. It raised the invoice and clearly segregated the value of gas as well as the transportation charges.

(iii) ABC LLP paid job charges to XYZ, a partnership firm for doing embroidery work on the fabric supplied by the ABC LLP during the previous year 2021-22 as under:

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BILL NO.	DATE	AMOUNT ₹
1	30-04-2021	27,000
57	30-06-2021	25,000
105	30-09-2021	28,000
151	30-12-2021	32,000

(6 Marks)

(b) *Mr. Harsh furnishes the following details for the year ended on 31-03-2022:*

PARTICULARS	AMOUNT (₹)
Salary received from partnership firm (the same was allowed to the firm)	8,50,000
Loss on sale of shares listed in stock exchange held for 18 months and the STT paid on the sale and acquisition	6,00,000
Long term capital gain on sale of land	5,00,000
Brought forward business loss of assessment year 2014-15	6,00,000
Loss of the specified business covered in Section 35AD	3,50,000
Loss from house property	2,50,000
Income from betting (gross)	50,000
Loss from card games	35,000

Compute the total income and show the item eligible for carry forward of Mr. Harsh for the assessment year 2022-23. **(4 Marks)**

(c) *Mr. Sarthak is a member of HUF. It consists of himself, his wife Juhi and his major son Arjun and his minor daughter Aditi. Mr. Sarthak transferred his house property acquired through his personal income to the HUF without any consideration.*

On 01-10-2021, HUF is partitioned and such property being divided equally. Net annual value of the property for the Previous Year 2021-22 is ₹ 1,00,000. Determine the tax implications. **(4 Marks)**

Answer

(a) (i) AB Ltd, an e-commerce operator is required to deduct tax @1% under section 194-O on ₹ 5,50,000 (i.e., ₹ 4,90,000 credited on 28.2.2022 *plus* deemed payment of ₹ 60,000 on 21.2.2022, being payment directly made by Mr. Rai to the e-commerce participant XY), being the gross amount of sale of product 'R' of XY, an e-commerce participant, since such sale is effected in February, 2022 is facilitated by AB Ltd. through its e-commerce platform.

Hence, TDS u/s 194O = 1% on ₹ 5,50,000 = ₹ 5,500

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(ii) Since ABC Ltd., being the producer of the natural gas, sells as well as transports the gas to M/s. Deep Co., the purchaser, till the point of delivery, where the ownership of gas is simultaneously transferred to M/s. Deep Co, the manner of raising the invoice (whether the transportation charges are embedded in the cost of gas or shown separately) does not alter the basic nature of such contract which remains essentially a 'contract for sale' and not a 'works contract' as envisaged in section 194C.

Therefore, in such circumstances, the TDS provisions would not be attracted on ₹1,70,000, being the component of gas transportation charges paid by M/s. Deep Co. to ABC Ltd.

Alternate Answer:

The above solution is based on Circular No. 9/2012 dated 17.10.2012, wherein it has been clarified that in case the Owner/Seller of the gas sells as well as transports the gas to the purchaser till the point of delivery, where the ownership of gas to the purchaser is simultaneously transferred, the manner of raising the sale bill, does not alter the basic nature of such contract which remains essentially a 'contract for sale' and not a 'works contract' as envisaged in section 194C of the Act.

Since, the question is silent on the timing of the transfer of ownership of the gas to the purchaser, an assumption that the ownership of the gas to the purchaser is transferred before its transportation is possible. In such a case, the transportation of gas after transfer of ownership may be considered as a separate contract for transportation of gas i.e. 'works contract' u/s 194C, and hence TDS @ 2% has to be deducted by M/s. Deep Co. on ₹ 1,70,000/- i.e. ₹ 3,400/-.

(iii) In this case, the individual contract payments (through the bills dated 30.4.2021, 30.6.2021 and 30.9.2021) made by ABC LLP to XYZ does not exceed ₹ 30,000. However, since the aggregate amount paid to XYZ during the P.Y. 2021-22 exceeds ₹ 1,00,000 (on account of the last payment of ₹ 32,000, due on 30.12.2021, taking the total from ₹ 80,000 to ₹ 1,12,000), the TDS provisions under section 194C would get attracted on the entire sum of ₹ 1,12,000.

Tax has to be deducted @ 2% (since payment is to a firm, XYZ) on the entire amount of ₹ 1,12,000, from the last payment of ₹ 32,000 on 30.12.2021.

Hence, TDS u/s 194C = ₹ 2,240.

(b) Computation of total income of Mr. Harsh for the A.Y.2022-23

Particulars	₹	₹
Profits and gains from business and profession		
Salary received from partnership firm (would be fully taxable in the hands of Mr. Harsh as business income, since the same was allowed to the firm as deduction)	8,50,000	

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Less: Loss from house property ₹ 2,50,000 (can be set-off against income from any other head only to the extent of ₹ 2 lakh)	2,00,000	
	6,50,000	
Less: Set-off of brought forward business loss of A.Y. 2014-15 (since the eight year time period for set-off has not expired)	6,00,000	
		50,000
Capital Gains		
Long-term capital gain on sale of land	5,00,000	
Less: Set-off of long-term capital losses (since held for 18 months i.e., more than 12 months) on sale of STT paid listed shares [Such set-off is permissible since it is a loss from a source of income taxable u/s 112A]	5,00,000	-
Income from Other Sources		
Income from betting (gross)		50,000
[No Loss can be set off against income from betting]		
Loss of ₹ 35,000 from card games can neither be set-off nor be carried forward		-
Total Income		**1,00,000**
Losses to be carried forward to A.Y. 2023-24		**₹**
Loss from house property (₹ 2,50,000 – ₹ 2,00,000)		50,000
Loss from specified business covered u/s 35AD [Entire loss is to be carried forward, since there is no income from any specified business for A.Y.2022-23. Such loss has to be carried forward for set-off against income from any specified business in A.Y.2023-24]		3,50,000
Long-term capital loss on sale of listed shares (STT paid) [₹ 6,00,000 – ₹ 5,00,000]		1,00,000

(c)

	₹
Since Mr. Sarthak, who is a member of the HUF, transfers the house property acquired by him out of his personal income to the HUF without any consideration, the income from such property would continue to be included in his total income upto the date of partition. Accordingly, income from such property for six months upto the date of partition i.e., 30.9.2021 (6/12 x ₹ 70,000 [Net Annual Value of ₹ 1,00,000 less	35,000

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deduction under section 24(a) @30%) would be included in the total income of Mr. Sarthak.	
Since the HUF was partitioned on 1.10.2021, the income derived from such converted house property as is received by Mr. Sarthak's spouse, Juhi, on partition will be deemed to arise to Mr. Sarthak from house property transferred indirectly by him to her and consequently, such income would also be included in the total income of Mr. Sarthak. Accordingly, Mr. Sarthak's share (25%) and Juhi's share (25%) would be included in the total income of Mr. Sarthak.	
Sarthak's Share [25% of ₹ 35,000 (₹ 70,000 x 6/12)]	8,750
Juhi's Share [25% of ₹ 35,000] included in the total income of Sarthak	8,750
Income from house property includible in the income of Mr. Sarthak	**52,500**
25% share of Sarthak's minor daughter, Aditi, i.e., ₹ 8,750, being 25% of ₹ 35,000, would be included in the total income of Mr. Sarthak or Juhi, whosoever's total income, before including Aditi's income, is higher. Such parent shall be entitled to an exemption of ₹ 1,500 under section 10(32). 25% share of Sarthak's major son, Arjun, i.e., ₹ 8,750, being 25% of ₹ 35,000, would be included in Arjun's total income. Distribution of house property on partition of HUF is **not** a transfer for levy of capital gains tax.	

Question 3

(a) Mr. Lalit, a dealer in shares and securities, has entered into following transactions during the previous year 2021-22:

(i) Received a motor car of ₹5,00,000 as gift from his friend Sunil on the occasion of his marriage anniversary.

(ii) Cash gift of ₹21,000 each from his four friends.

(iii) Land at Jaipur on 1st July,2021 as a gift from his friend Kabra, the stamp duty value of the land is ₹6 lakhs as on the date. The land was acquired by Mr. Kabra in the previous year 2001-02 for ₹2 lakhs.

Mr. Lalit purchased from his friend Mr. Abhishek, who is also a dealer in shares, 1000 shares of ABC Ltd. @400 each on 19th June,2021 the fair market value of which was ₹ 600 each on that date. Mr. Lalit sold these shares in the course of his business on 23rd June,2021.

Further, on 1st November, 2021, Mr. Lalit took possession of his residential house booked by him two years back at ₹ 20 lakh. The stamp duty value of the property as on 1st November, 2021 was ₹32 lakh and on the date of booking was ₹24 lakh. He had paid ₹1 lakh by account payee cheque as down payment on the date of booking.

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He received a shop (building) of the fair market value ₹ 1,50,000 and cash ₹ 50,000 in distribution from the ABC (P) Ltd at the time of liquidation process of the company in proportion of his share capital. The balance in general reserve of the company attributable to his share capital is ₹ 1,25,000.

On 1st March,2022, he sold the plot of land at Jaipur for ₹ 8 lakh.

The value of the cost inflation index is 100 and 317 for the previous year 2001-02 and 2021-22 respectively.

Compute the income of Mr. Lalit chargeable under the head "Income from other sources" and "Capital Gains" for A.Y. 2022-23. ***(8 Marks)***

(b) *Mrs. Shruti is an Indian citizen, is currently in employment with an overseas company located in UAE. During the previous year 2021-22, she comes to India for 157 days. She is in India for 200 days, 100 days, 76 days and 45 days in the financial years 2017-18, 2018-19, 2019-20 and 2020-21, respectively. Her annual income for the previous year 2021-22 is as follows:*

Particulars	*Amount (₹)*
Income from salary earned and received in UAE	*2,00,000*
Income earned and received from a house property situated in UAE	*5,00,000*
Income deemed to be accrued and arise in India	*5,00,000*
Income from retail business (accrued and received outside India, controlled from India)	*10,00,000*
Income accrued and arise in India	*3,00,000*
Life insurance premium paid by cheque in India	*1,50,000*

Determine the residential status of Mrs. Shruti for the assessment year 2022-23. (Support your Answer with computation) ***(4 Marks)***

(c) *The assessee is found to be the owner of the gold (market value of which is ₹ 50,00,000) during the financial year ending 31-03-2022 but he recorded to have spent ₹ 10,00,000 in acquiring the same. Explain how the Assessing Officer will deal with the issue.* ***(2 Marks)***

Answer

(a) Computation of "Income from Other Sources" of Mr. Lalit for the A.Y. 2022-23

	Particulars	₹
(i)	Motor car is not included in the definition of "property" for the purpose of section 56(2)(x), hence, value of the same is **not** taxable, even though it is received without any consideration.	-
(ii)	Cash gift is taxable under section 56(2)(x) [since the aggregate of ₹ 84,000 (₹ 21,000 x 4) exceeds ₹ 50,000]	84,000

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(iii)	Stamp value of plot of land at Jaipur, received without consideration, is taxable under section 56(2)(x), since the same exceeds ₹ 50,000	6,00,000
(iv)	Difference of ₹ 2 lakh [1000 shares x ₹ 200] in the value of shares of ABC Ltd. purchased from Mr. Abhishek, a dealer in shares, is **not** taxable as it represents the stock-in-trade of Mr. Lalit (since he is a dealer in shares) and not capital asset.[1]	-
(v)	Difference between the stamp duty value of ₹ 24 lakh on the date of booking (since advance was paid by account payee cheque on that date) and the actual consideration of ₹ 20 lakh paid is taxable under section 56(2)(x) since the difference exceeds ₹ 2,00,000, being the higher of ₹ 50,000 and 10% of consideration	4,00,000
(vi)	Distribution of assets by ABC (P) Ltd. on liquidation attributable to the accumulated profits (general reserve) of the company is taxable as dividend under section 2(22)(c).	1,25,000
Income taxable under the head "Income from other sources"		**12,09,000**

Computation of "Capital Gains" of Mr. Lalit for the A.Y.2022-23

Particulars	₹
Capital gains on sale of land at Jaipur	
Sale Consideration	8,00,000
Less: Cost of acquisition [deemed to be the stamp value charged to tax under section 56(2)(x)]	6,00,000
Short-term capital gains (since held for a period of not more than 24 months. Period of holding of previous owner, Mr. Kabra, not to be considered)	**2,00,000**
Capital gains on distribution of assets on liquidation of ABC (P) Ltd.	
Full value of consideration for capital gains on distribution of assets on liquidation of ABC (P) Ltd.	
FMV of assets distributed	1,50,000
Cash	50,000
	2,00,000
Less: Deemed dividend under section 2(22)(c)	1,25,000
Full value of consideration for computing capital gains	**75,000**

[1] *Since Mr. Lalit is a dealer in shares and it has been mentioned that the shares were subsequently sold in the course of his business, such shares represent the stock-in-trade of Mr. Lalit.*

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Note -

*(i) As cost of acquisition of shares in ABC(P) Ltd. is **not** given in the question, capital gains on distribution of assets on liquidation of ABC(P) Ltd. in the hands of Mr. Lalit has not been computed.*

(ii) As per section 56(1)(i), dividend income is chargeable under the head "Income from Other Sources". Hence, deemed dividend u/s 2(22)(c) would be taxable under the head "Income from Other Sources" in the hands of Mr. Lalit, who is a dealer in shares[2].

(b) Mrs. Shruti is an Indian citizen in employment in UAE. She comes on a visit to India during the P.Y.2021-22 for 157 days.

Her stay in India in the four immediately preceding previous years is as follows :

P.Y.	No. of days
P.Y.2017-18	200
P.Y.2018-19	100
P.Y.2019-20	76
P.Y.2020-21	45
Total	**421**

Computation of Total Income of Mrs. Shruti (excluding income from foreign sources)

Particulars	₹
Income from salary earned and received in UAE (income from a foreign source, hence, to be excluded)	-
Income earned and received from a house property situated in UAE (income from a foreign source, hence, to be excluded)	-
Income deemed to accrue or arise in India	5,00,000
Income from retail business (to be included since the business is controlled from India, even though such income accrues and is received outside India)	10,00,000
Income accrued and arising in India	3,00,000
	18,00,000
Less: Deduction u/s 80C (LIC premium paid by cheque in India) – Assuming other conditions are fulfilled	1,50,000
Total income (excluding income from foreign sources)	**16,50,000**
Mrs. Shruti, an Indian citizen visiting India in the P.Y.2021-22, would be a resident in India for A.Y.2022-23, if she satisfies either of the following conditions -	

[2] *Alternatively, as per the tutorials given on the website of the Income-tax department, if shares are held for trading purposes, then the dividend income would be taxable under the head "Profits and gains of business or profession".*

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(i)	She is in India for **182 days** or more during the P.Y.2021-22 or
(ii)	She is in India for a period of **120 days** or more during the P.Y.2021-22 and her stay in India in the **four** immediately preceding previous years is **365 days** or more**.** [This condition will apply to her since she comes on a visit to India during the previous year 2021-22 and her total income (excluding income from foreign sources) is ₹ 16.50 lakhs, which exceeds the threshold of ₹ 15 lakhs]
This first condition is not satisfied since she is in India only for 157 days during the P.Y.2021-22. The second condition is satisfied, since she has stayed in India for 157 days during the P.Y.2021-22 and 421 days in the four immediately preceding previous years. Since she has become resident in India for A.Y.2022-23 by satisfying this condition, by default, she would be treated as resident but not ordinarily resident.	
Conclusion – Mrs. Shruti's residential status for A.Y.2022-23 is resident but not ordinarily resident.	

***Note** – The provisions of section 6(1A) deeming an Indian citizen to be a resident but not ordinarily resident, irrespective of the period of her stay in India in the relevant previous year, if she is not liable to tax in any other country would not apply to Shruti, since she is a resident as per the provisions of section 6(1).*

(c) As per section 69B, if the assessee is found to be the owner of gold (market value of which is ₹ 50 lakhs) during the financial year ending 31.3.2022 but he has recorded to have spent only ₹ 10 lakhs in acquiring it, the Assessing Officer can add the difference of the market value of such gold and ₹ 10 lakhs i.e., ₹ 40 lakhs as the income of the assessee for A.Y.2022-23, if the assessee offers no satisfactory explanation thereof.

Such income would be chargeable to tax@78% (@60% plus surcharge @25% and cess @4%).

Question 4

(a) From the following particulars furnished by Mr. Suresh, aged 53 years, a resident Indian for the previous year ended March 31, 2022, you are requested to compute his total income and tax payable for the Assessment Year 2022-23. (Assuming he does not opt for the Section 115BAC):

(i) He sold his vacant land on 09.12.2021 for ₹ 15 lakhs. The Stamp Duty Value (SDV) of land at the time of transfer was ₹ 19 lakhs. The fair market value of the land as on 1st April, 2001 was ₹ 6 lakhs (SDV is ₹ 5,00,000). This land was acquired by him on 05.08.1996 for ₹ 3.40 lakhs. He had incurred registration expenses of ₹ 15,000 at that time. The cost of inflation index for the year 2021-22 and 2001-02 are 317 and 100, respectively.

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(ii) *He owns an industrial undertaking established in a Special Economic Zone (SEZ) and which had commenced operation during the financial year 2019-20. Total turnover of the undertaking was ₹ 300 lakhs, which includes ₹ 120 lakhs from export turnover. This industrial undertaking fulfils all the conditions of Section 10AA of the Income-tax Act, 1961. Profit from this industrial undertaking is ₹ 30 lakhs.*

(iii) *He has income of ₹ 10,000 from crossword puzzles and ₹ 15,000 gross interest from bank fixed deposit.*

(iv) *Tuition fees of ₹ 36,000 for his three children to a school. The fees being ₹ 12,000 p.a. per child.* **(6 Marks)**

(b) *Mr. Kabra is engaged in the business of growing and curing (further processing) coffee in the state of Karnataka. The whole of coffee grown in his plantation is cured. Relevant information pertaining to the year ended 31-03-2022 are given hereunder:*

PARTICULARS	AMOUNT ₹
Opening balance of the car as on 01-04-2021	3,00,000
Opening balance of machinery as on 01-04-2021	15,00,000
Expenses incurred in growing coffee	3,10,000
Expenses of curing coffee	3,00,000
Sale value of cured coffee	22,00,000

The car is used for the agricultural operations and the machine was used for coffee curing business operations. Compute the income arising from the above activities for the assessment year 2022-23 and the written down value as on 01-04-2022 (WDV as on 31-03-2022 less depreciation for the P.Y. 2021-22). **(4 Marks)**

(c) *Explain with brief reasons, whether the return of income can be revised under Section 139(5) of the Income-tax Act, 1961 in the following cases:*

(i) *Belated return filed under Section 139(4)*

(ii) *Return already revised twice under Section 139(5)*

(iii) *Return of loss filed under Section 139(3)*

OR

Due to some inconsistent information provided in the return of income furnished under Section 139(1), the Assessing Officer considers it defective under Section 139(9) of the Income-tax Act, 1961.

(i) *How, the Assessing Officer would deal with the issue?*

(ii) *What are the consequences if defect is not rectified within the time allowed?*

(iii) *Specify the remedies available if not rectified within time allowed by the Assessing Officer?* **(4 Marks)**

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Answer

(a) Computation of Total Income and Tax Payable by Mr. Suresh for A.Y. 2022-23

Particulars	Amount (₹)	Amount (₹)
Profits and gains from business or profession		
Profit from SEZ undertaking		30,00,000
Capital Gains		
Long term capital gain on sale of vacant land [since land held for a period of more than 24 months, it is long-term capital asset]		
As per section 50C, Full value of consideration would be stamp duty value since it exceeds 110% of actual sale consideration	19,00,000	
Less: Indexed cost of acquisition [₹ 5,00,000 x 317/100]	15,85,000	
Cost of acquisition, being higher of		3,15,000
- Actual cost (₹ 3,40,000 + ₹ 15,000) ₹ 3,55,000		
- lower of FMV of ₹ 6,00,000 and stamp duty value of ₹ 5,00,000 as on 1.4.2001 ₹ 5,00,000		
Income from other sources		
Income from crossword puzzles	10,000	
Interest on fixed deposit	15,000	
		25,000
Gross Total Income		**33,40,000**
***Less:* Deductions under Chapter VI-A**		
Under section 80C – Tuition fees of two children		24,000
Less: Deduction under section 10AA (₹ 30,00,000 x 120 lakhs/300 lakhs) x 100 %, being 3rd year of operation		12,00,000
Total Income		**21,16,000**
Computation of Tax payable on total income under the regular provisions of the Income-tax Act, 1961		
Tax on LTCG @ 20% of ₹ 3,15,000		63,000
Tax on income from crossword puzzles @30% of ₹ 10,000		3,000
Tax on remaining amount of ₹ 17,91,000 [₹ 2,37,300 (30% of ₹ 7,91,000) + ₹ 1,12,500]		3,49,800
		4,15,800

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Add: Health and education cess @4%		16,632
Tax Payable under the regular provisions of the Act		**4,32,432**
Tax Payable under the regular provisions of the Act (rounded off)		**4,32,430**

Computation of Adjusted Total Income and Alternate Minimum Tax (AMT) payable

Particulars	Amount (₹)
Total Income computed under the regular provisions of the Act	21,16,000
Add: Deduction u/s 10AA	12,00,000
Adjusted Total Income	**33,16,000**
Since Adjusted Total Income exceeds ₹ 20 lakhs, the provisions of Alternate Minimum Tax (AMT) are attracted in this case	
Alternate Minimum Tax@18.5%	6,13,460
Add: Health and Education cess@4%	24,538
AMT	**6,37,998**
AMT (rounded off)	6,38,000
Since the regular income-tax payable is less than the AMT payable, the adjusted total income of ₹ 33,16,000 shall be deemed as the total income and tax is leviable@18.5% thereof plus cess@4%. Therefore, his tax liability would be ₹ 6,38,000. However, he would be entitled to AMT credit of ₹ 2,05,570 (₹ 6,38,000 – ₹4,32,430)	

(b) Computation of Income from growing and curing coffee of Mr. Kabra for A.Y. 2022-23

Particulars	Amount (₹)	Amount (₹)
Income from growing and curing coffee		
Sale value of cured coffee		22,00,000
Less: Expenses incurred in growing coffee	3,10,000	
Depreciation on Car (15% of ₹ 3,00,000)	45,000	
		3,55,000
		18,45,000
Less: Expenses of curing coffee	3,00,000	
Depreciation on machinery (15% of ₹ 15,00,000)	2,25,000	
		5,25,000
		13,20,000
Business Income [25% of ₹ 13,20,000]		**3,30,000**
Agricultural Income [75% of ₹ 13,20,000]		**9,90,000**

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Computation of Written Down Value as on 1.4.2022		
Opening balance of Car as on 1.4.2021	3,00,000	
Less: Depreciation@15% on ₹ 3 lakh	45,000	
WDV of car as on 1.4.2022	**2,55,000**	
Opening balance of machinery as on 1.4.2021	15,00,000	
Less: Depreciation@15% on ₹ 15 lakh	2,25,000	
WDV of machinery as on 1.4.2022	**12,75,000**	

(c) First Alternative

Any person who has furnished a return under section 139(1) or 139(4) can file a revised return at any time

- before three months prior to the end of the relevant assessment year or
- before the completion of assessment,

whichever is earlier, if he discovers any omission or any wrong statement in the return filed earlier. Accordingly,

(i) A belated return filed under section 139(4) can be revised.

(ii) A return revised earlier can be revised again as the first revised return replaces the original return; and the second revised return replaces the earlier return filed.

(iii) A return of loss filed under section 139(3) is deemed to be return filed under section 139(1), and therefore, can be revised under section 139(5).

(c) Second Alternative

(i) Where the Assessing Officer considers that the return of income furnished by the assessee is defective,

- he may intimate the defect to the assessee and
- give him an opportunity to rectify the defect within a period of 15 days from the date of such intimation.

The Assessing Officer has the discretion to extend the time period beyond 15 days, on an application made by the assessee.

(ii) If the defect is not rectified within the period of 15 days or such further extended period, then, the return would be treated as an invalid return. The consequential effect would be the same as if the assessee had failed to furnish the return.

(iii) The Assessing Officer has the power to condone the delay and treat the return as a valid return, if the assessee has rectified the return after the expiry of 15 days or the further extended period, but before the assessment is made.

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SECTION B: INDIRECT TAXES

1. *Section B comprises of questions from 5-8. In Section B, answer question no. 5 which is compulsory and any two questions from question nos 6-8.*
2. *Working notes should form part of the answer.*
3. *All questions in Section B should be answered on the basis of position of GST law as amended by the significant notifications/ circulars issued upto 31st October, 2021.*

Question 5

Zeon Ltd., a GST registered supplier located in Ranchi, Jharkhand, is engaged in the manufacturing of washing machines & mixer grinders. It provides you the details of various activities undertaken during the month of September, 2021 as follows:

Sl. No.	Particulars			Amount (₹)
(i)	Outward supplies made during the month			
	a.	Within Jharkhand	₹ 24,00,000	29,00,000
	b.	Outside Jharkhand	₹ 5,00,000	
(ii)	Purchase of raw materials from registered dealers within Jharkhand which includes materials worth ₹ 2,00,000 purchased from Mr. Krishna, a registered person who is paying tax under composition scheme.			7,00,000
(iii)	Bus purchased from a registered dealer in Tatanagar, Jharkhand. Bus used to ferry its 25 workers to and from factory.			12,00,000

Assume the rates of GST applicable on various supplies as follows:

Nature of supply	CGST	SGST	IGST
Composition supplies	0.5%	0.5%	-
Bus	14%	14%	28%
Raw material	6%	6%	12%
Washing machines & mixer grinders	9%	9%	18%

Opening balances of input tax credit as on 01/09/2021 were as follows:

CGST (₹)	SGST (₹)	IGST (₹)
20,000	5,000	95,000

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Note:

(i) All the figures mentioned above are exclusive of taxes.

(ii) Both inward & outward supplies within the State of Jharkhand are to be considered intra-State supplies and outside the State of Jharkhand are inter-State supplies.

(iii) Subject to information given above, all the other conditions necessary for availing ITC have been fulfilled.

Calculate the amount of net minimum GST payable in cash by Zeon Ltd. for the month of September, 2021.

Brief and suitable notes should form part of your answer. ***(8 Marks)***

Answer

Computation of minimum net GST payable in cash by Zeon Ltd. for the month of September 2021

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
Outward supplies made within Jharkhand	2,16,000 [24,00,000 × 9%]	2,16,000 [24,00,000 × 9%]	
Outward supplies made outside Jharkhand			90,000 [5,00,000 × 18%]
Total output tax	2,16,000	2,16,000	90,000
Less: Input Tax Credit [Refer Working Note below]	-	5,000 (IGST)	(90,000) (IGST)
[IGST credit be first utilized for payment of IGST liability. Remaining IGST credit has been utilized for payment of SGST liability since the SGST liability is to be kept at minimum. After exhausting IGST credit, CGST and SGST credit to be utilized. CGST credit to be utilized for payment of CGST and SGST credit to be utilized for the payment of SGST. ITC of CGST cannot be utilized for payment of SGST and *vice versa*.]	2,16,000 (CGST)		
		2,03,000 (SGST)	

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Minimum net GST payable in cash	**Nil**	**8,000**	**Nil**
ITC to be carried forward next month	2,000		

Working Note:

Computation of ITC available

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
Opening balance	20,000	5,000	95,000
Purchase of raw materials from registered dealers within Jharkhand [7,00,000 – 2,00,000] [ITC on purchases of goods worth ₹ 2,00,000 on which tax has been paid under composition scheme is blocked. ITC on remaining purchases worth ₹ 5,00,000 is available, being supply of goods used/intended to be used in the course/furtherance of business.]	30,000 [5,00,000 × 6%]	30,000 [5,00,000 × 6%]	
Bus purchased from dealer in Jharkhand used to ferry 25 workers to and from factory [ITC on motor vehicles for transportation of persons with seating capacity > 13 persons (including the driver) used for any purpose is allowed.]	1,68,000 [12,00,000 × 14%]	1,68,000 [12,00,000 × 14%]	
Total ITC available	**2,18,000**	**2,03,000**	**95,000**

Question 6

(a) XYZ Pvt. Ltd. provided the following particulars relating to goods sold by it to ABC Pvt. Ltd.:

Particulars	***Amount (₹)***
List price of the goods (exclusive of taxes and discount)	*50,000*
Tax levied by the Municipal Authority on the sale of such goods	*6,000*
Packing charges (not included in the list price above)	*2,500*

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Subsidy received from a NGO, directly linked to price (included in the list price above)	*3,000*
Paid to one of the vendors by ABC Pvt.in relation to the service provided by the vendor to XYZ Pvt. Ltd. (not included in the list price above)	*2,000*

XYZ Pvt. Ltd. offers 2% turnover discount on the list price after reviewing the performance of ABC Pvt. Ltd. The discount was not known at the time of supply.

ABC Pvt. Ltd. delayed the payment and paid ₹ 5,000 (including GST of 18%) as interest to XYZ Pvt. Ltd.

Determine the value of taxable supply made by XYZ Pvt. Ltd. under GST law. ***(6 Marks)***

(b) Examine whether the following activities would amount to "supply" under GST law?

(i) Glory Ltd. is engaged in manufacturing and selling of cosmetic products. Seva Trust, a charitable organisation, approached Glory Ltd. to provide financial assistance for its charitable activities. Glory Ltd. donated a sum of ₹ 2 lakh to Seva Trust with a condition that Seva Trust will place a hoarding at the entrance of the trust premises displaying picture of products sold by Glory Ltd. ***(2 Marks)***

(ii) Mr. Swamy of Chennai is working as a manager with ABC Bank. He consulted M/s. Jacobs and Company of London and took its advice for buying a residential house in Mumbai and paid them consultancy fee of 200 UK Pound for this import of service. ***(2 Marks)***

Answer

(a) Computation of value of taxable supply made by XYZ Pvt. Ltd.

Particulars	Amount (₹)
List price of the goods (exclusive of taxes and discounts)	50,000
Tax levied by Municipal Authority on the sale of such goods [Taxes other than GST, if charged separately, are includible in the value of supply.]	6,000
Packing charges [Being incidental expenses, same are includible in the value of supply.]	2,500
Subsidy received from NGO [Since subsidy is received from a non-Government body and directly linked to the price, the same is includible in the value of supply.]	Nil

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Payment made by ABC Pvt. Ltd. in relation to service provided by vendor to XYZ Pvt Ltd[1]. [Amount that supplier is liable to pay, but incurred by the recipient, is includible in the value of supply.]	2,000
Turnover discount [Since discount is not known at the time of supply, it is not deductible from the value of supply.]	-
Interest for delayed payment (rounded off) [Includible in the value of supply]	4,237 [5,000 × 100/118]
Value of taxable supply	**64,737**

(b) (i) An activity qualifies as supply under GST only if it is for a consideration and is in course/furtherance of business. Donations received by the charitable organizations are treated as consideration only when there's an obligation on part of the recipient of the donation to do anything.

Since in the given case, the display of products sold by the donor – Glory Ltd. - in charitable organization's premises aims at advertising/promotion of its business, it is supply for consideration in course/furtherance of business and thus, qualifies as supply under GST law.

(ii) Supply includes importation of services, for a consideration whether or not in the course/furtherance of business. Thus, in the given case, the import of services by Mr. Swamy amounts to supply although it is not in course/furtherance of business.

Question 7

(a) M/s. Xing Trans of Kolkata is engaged in the trading of transmitters. On 20/05/2021, M/s. Xing Trans has sent 500 units of transmitters for exhibition at Chennai on sale or return basis. Out of the said 500 units, 300 units have been sold on 28/07/2021 at the exhibition. Out of remaining 200 units, 150 units have been brought back to Kolkata on 25/11/2021 and balance 50 units have neither been sold nor brought back.

Explain the provisions under GST law relating to issue of invoices with exact dates on which tax invoices need to be issued by M/s. Xing Trans. ***(4 Marks)***

(b) "One consolidated e-way bill can be generated for multiple invoices". Comment on the validity of the above statement with reference to GST law. ***(3 Marks)***

(c) "All taxpayers are required to file GSTR-1 only after the end of the current tax period."

Comment on the validity of the above statement with reference to GST law. ***(3 Marks)***

[1] *It has been most logically assumed that service provided by the vendor to XYZ Pvt. Ltd. is in relation to supply of goods by XYZ Pvt. Ltd. to ABC Pvt. Ltd.*

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Answer

(a) Where the goods being sent for sale or return are removed before the supply takes place, the tax invoice shall be issued before or at the time of supply or 6 months from the date of removal, whichever is earlier.

In the given case, 500 units of transmitters have been sent for exhibition on sale or return basis out of which 300 units are sold before 6 months from the date of removal. Thus, tax invoice for said 300 units needs to be issued before or at the time of supply of such goods, i.e. upto 28/07/2021.

Remaining 200 (150+ 50) units have neither been sold nor brought back till the expiry of 6 months from the date of removal goods, i.e. 20/11/2021. Thus, tax invoice for said 200 units needs to be issued upto 20/11/2021.

(b) The statement is invalid.

Multiple invoices cannot be clubbed to generate one e-way bill. If multiple invoices are issued by the supplier to recipient, for movement of such goods, multiple e-way bills have to be generated.

Thus, for each invoice, one e-way bill has to be generated, irrespective of the fact whether same or different consignors or consignees are involved.

However, after generating all these e-way bills, one consolidated e-way bill can be prepared for transportation purpose, if goods are going in one vehicle.

(c) The statement is partially valid.

A taxpayer cannot file Form GSTR-1 before the end of the current tax period.

However, following are the exceptions to this rule:

a. Casual taxpayers, after the closure of their business

b. Cancellation of GSTIN of a normal taxpayer.

A taxpayer who has applied for cancellation of registration will be allowed to file Form GSTR-1 after confirming receipt of the application.

Question 8

(a) "Under the GST law, taxes on taxable services supplied by the Central Government or the State Government to a business entity in India are payable by recipient of services".

State the exceptions of the above statement. ***(5 Marks)***

(b) Mr. B, a registered supplier of Uttar Pradesh, is doing the trading of taxable goods. He approaches you to understand the manner of utilisation of available Input Tax Credit (ITC). With reference to provisions of payment of tax, state the manner of uilisation of ITC under GST law. ***(5 Marks)***

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OR

State any five circumstances under which the proper officer can cancel the registration on his own under the CGST Act, 2017.

Answer

(a) Tax on following services supplied by the Central Government or State Government to a business entity in India is payable by the supplier of services:

(1) services of renting of immovable property provided to an unregistered business entity.

(2) services by the Department of Posts by way of speed post, express parcel post, life insurance, and agency services provided to a person other than Central Government, State Government or Union territory or local authority.

(3) services in relation to an aircraft or a vessel, inside or outside the precincts of a port or an airport.

(4) services of transport of goods or passengers.

(b) The manner of utlisation of ITC under GST law is as under:

1. IGST credit should first be utilized towards payment of IGST.
2. Remaining IGST credit, if any, can be utilized towards payment of CGST and SGST/UTGST in any order and in any proportion.
3. Entire ITC of IGST should be fully utilized before utilizing the ITC of CGST or SGST/UTGST.
4. Subsequently, ITC of CGST should be utilized for payment of CGST and IGST in that order.
5. ITC of SGST /UTGST should be utilized for payment of SGST/UTGST and IGST in that order.
6. ITC of SGST/UTGST should be utilized for payment of IGST, only after ITC of CGST has been utilized fully.
7. ITC of SGST/UTGST cannot be utilized for payment of CGST and vice versa.

Answer to Alternative

(b) Circumstances under which the proper officer can cancel the registration on his own under the CGST Act, 2017:

(i) A registered person has contravened any of the following prescribed provisions of the GST law:

(a) he does not conduct any business from the declared place of business.

(b) he issues invoice/bill without supply of goods/services in violation of the provisions of GST law.

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(c) he violates the provisions of anti-profeetering.

(d) he violates the provisions relating to furnishing of bank details.

(e) he avails ITC in violation of the provisions of the GST law.

(f) furnishes the details of outward supplies in GSTR-1 for one or more tax periods which is in excess of the outward supplies declared by him in his valid return for the said tax periods.

(g) he violates the provision relating to restrictions on use of amount available in electronic credit ledger

(ii) A person paying tax under composition levy has not furnished returns for 3 consecutive tax periods.

(iii) A registered person paying tax under regular scheme has not furnished returns for continuous period of 6 months.

(iv) Voluntarily registered person has not commenced the business within 6 months from the date of registration.

(v) Registration was obtained by means of fraud, wilful misstatement or suppression of facts.

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