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FOR CA INTERMEDIATE EXAM PREPARATION

CA Intermediate 2024 Suggested Answers · Paper 3 Taxation

EXAM	YEAR	TYPE	SUBJECT
CA Intermediate	2024	Suggested Answers	Paper 3 Taxation

DATE

September 2024

PAPER – 3 : TAXATION

SECTION A: INCOME TAX LAW

PART - I

Case Scenario 1

Ms. Prerna is having a residential house property in Nagpur, of which 1/3rd is self-occupied and 2/3d is let out for commercial purposes at a monthly rent of ₹ 12,000. Fair rent (for let out portion only) was ₹ 30,000 p.m., Municipal value for the property was ₹ 2,40,000 and standard rent under the Rent Control Act was ₹ 3,00,000 for the entire property. Municipal taxes are 10% of municipal valuation and are paid by her on 30th July, 2023. She took a loan of ₹ 45,00,000 for the construction of this house from a scheduled bank on 1.4.2021. She repaid the entire loan along with interest on 30.6.2023. The interest rate for this loan was 10% p.a. The construction was completed on 30th June, 2022. She earns other income of ₹ 2,00,000 during the previous year 2023-24. She wishes to opt for[1] default tax regime.

Based on the above information, answer multiple choice question no. 1-3:

1. *The Net Annual Value (NAV) of the house property for the A.Y. 2024-25 is:*

   (A) ₹ 1,28,000

   (B) ₹ 1,44,000

   (C) ₹ 1,84,000

   (D) ₹ 2,00,000 ***(2 Marks)***

2. *Deduction in respect of interest on loan for the P.Y. 2023-24 shall be:*

   (A) ₹ 2,02,500

   (B) ₹ 1,35,000

   (C) ₹ 5,62,500

   (D) ₹ 1,12,500 ***(2 Marks)***

[1] Read “opt for” as “pay tax under”

3. *Compute her total income for the assessment year 2024-25*

   (A) ₹ 1,93,800

   (B) ₹ 2,00,000

   (C) Nil

   (D) ₹ 2,05,000 ***(2 Marks)***

Case Scenario 2

Mr. Desai (aged 52 years) is an Indian resident. He gives the following information to you relating to the P.Y. 2023-24:

(i) Profit from the business carried out in Dubai controlled from Dubai ₹ 13,10,000 (received in a bank account in Dubai).

(ii) Loss from a business in Delhi - ₹ 4,50,000

(iii) During the F.Y. 2023-24, he also played some online games on a particular Indian website Game.com. Game.com is a manufacturer of men's shirts. During the year, Mr. Desai won 6 such shirts. The cost to manufacture such shirts by Game.com is ₹ 3,000 per piece and it sells these shirts at ₹ 10,000 per piece (excluding GST @18%). However, to play such games, Mr. Desai had to deposit a sum of ₹ 50,000 with the website as a refundable deposit.

(iv) On 23rd May 2023, he gifted listed equity shares in an Indian company to his son's daughter, Ms. Shanaya. These shares were purchased by him on 1.4.2020 for ₹ 65,000. The market value as on the date of transfer was ₹ 1,00,000. Shanaya sold these shares for a consideration of ₹ 50,000 on 31.3.2024.

(v) He had taken a loan of ₹ 25,00,000 for the purchase of an electric vehicle (for his personal purposes) on 1.4.2022 from a scheduled bank. He paid ₹ 5,00,000 as interest on such loan during the P.Y. 2023-24.

(vi) He opts[2] to be governed by the default provisions of taxation regime under the Act.

[2] Read “opts” as “wants”

SUGGESTED ANSWER

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Based on the above information, answer multiple choice question no. 4-6:

4. *What shall be the total income of Mr. Desai for the A.Y. 2024-25*

   (A) ₹ 8,78,000

   (B) ₹ 8,63,000

   (C) ₹ 9,20,000

   (D) ₹ 7,70,000 ***(2 Marks)***

5. *Which of the following statement is correct in respect of deductions available to him under Chapter VI-A?*

   (A) He shall be eligible for a deduction of ₹ 1,50,000 in respect of interest on loan irrespective of the tax regime opted by him.

   (B) He shall not be eligible for any deduction under Chapter VI-A irrespective of the tax regime opted by him.

   (C) He shall be eligible for a deduction of ₹ 1,50,000 in respect of interest on loan only if he opts out of the default tax regime.

   (D) He shall be eligible for a deduction of ₹ 50,000 in respect of interest on loan only if he opts out of the default tax regime. ***(2 Marks)***

6. *What is the requirement of deduction of tax at source by Game.com in respect of such winning by Mr. Desai?*

   (A) Game.com needs to deduct tax at source amounting to ₹ 18,000.

   (B) Game.com needs to deduct tax at source amounting to ₹ 5,400.

   (C) There is no requirement for deduction of tax at source. However, Mr. Desai need to collect tax at source from the security deposit.

   (D) Game.com needs to deduct tax at source amounting to ₹ 6,000.

   (2 Marks)

7. *Mr. Sundaram owns two residential house properties in Chennai, one of which is used by him and his family for their residential purposes. Both the houses are exactly identical and their expected rent/municipal value etc. are also the same. He let out the other house for a rent of ₹ 1,15,000 p.m. He took two similar loans for the purchase of these two houses on 1.4.2022. The stamp duty value of these houses is ₹ 30 lakhs each. During the*

F.Y. 2023-24, he paid ₹ 4,00,000 as interest for each of the houses. He does not have any other income or investments during the year. He did not file his return of income within the due date under section 139(1). What shall be his total income chargeable to tax?

(A) ₹ 2,16,000

(B) ₹ 3,66,000

(C) ₹ 5,66,000

(D) ₹ 1,66,000 ***(2 Marks)***

8. *During the year 2023-24, Mrs. Kalis (aged 65 years), received ₹ 10,50,000 a family pension. She had to spend ₹ 26,000 to get such income towards documentation and processing charges. She does not have any other income. Assuming she opts for[3] the default tax regime, what shall be her total income chargeable to tax?*

(A) ₹ 10,35,000

(B) ₹ 10,24,000

(C) ₹ 10,50,000

(D) ₹ 7,00,000 ***(1 Mark)***

Answer Key

MCQ No.	Correct Option
1.	(C)
2.	(B)
3.	(B)
4.	(C)
5.	(C)
6.	None of the options is correct
7.	(C)
8.	(A)

[3] Read "opts for" as "pays tax under"

SUGGESTED ANSWER

TAXATION

SECTION B: GOODS AND SERVICES TAX

PART - I

Case Scenario 3

M/s. Veena & Co. of Jabalpur was registered under GST under composition scheme. Outward Supply of the firm for the month of July 2023 was ₹ 10 lakh, out of which ₹ 2 lakh was supply of services. In the preceding financial year, the firm was doing trading of taxable goods only. Turnover of the concern for the previous financial year was ₹ 100 lakh.

The firm imported the following services during August, 2023:

(a) Architect services from Mr. Vinod, a partner of the firm, who resides in France for ₹ 1,00,000. The said service was paid but not used for the furtherance of the business.

(b) Management consultancy services from Mr. Lal, a renowned lawyer in Sweden, who was an ex-employee of the firm. The value of the said service was ₹ 3,00,000. Even though it was used in the furtherance of the business, no consideration was paid by the firm.

Aggregate Turnover of the firm crossed the limit of ₹ 150 lakh on 25.09.2023 from which date the firm was liable to pay tax under regular scheme.

All the amounts given above are exclusive of taxes wherever applicable. All the supply referred above is intra-State unless specified otherwise.

From the information given above, choose the most appropriate answer for the 9-11 questions:

9. *Tax liability of Veena & Co. for the month of July 2023 is ₹_____each under CGST and SGST.*

   (A) 5,000

   (B) 9,000

   (C) 10,000

   (D) 14,000 ***(2 Marks)***

10. *Import of services by Veena & Co. that will be treated as supply is ₹_____.*

    (A) Nil

(B) ₹ 1,00,000

(C) ₹ 3,00,000

(D) ₹ 4,00,000 ***(2 Marks)***

11. *Veena & Co. will be eligible to claim ITC held on Stock and Capital goods as on _____.*

(A) 01-09-2023

(B) 24-09-2023

(C) 25-09-2023

(D) 30-09-2023 ***(2 Marks)***

Case Scenario 4

Pawan was engaged in providing various services within the State of Rajasthan since May 2023. His aggregate turnover crossed the threshold limit on 04.07.2023. He applied for registration under GST on 02.08.2023. He got his GST registration on 10.08.2023.

After taking registration, Pawan started a business across India including supply of goods also. He dispatched goods pan India based on orders he got for the goods dealt by him.

He received an order from Delhi for which he supplied taxable goods valuing ₹ 45,000. Applicable rate of IGST was 12%. He also supplied certain exempted goods valuing ₹ 4,000. He made one invoice for both taxable as well as exempted supply made to Delhi.

He asked his tax consultant for the requirement of generation of e-way bill for this order. Tax consultant informed him that the requirement of e-way bill is based on consignment value of goods supplied.

Even being a micro enterprise, Pawan did not receive timely payment from his customers as a result of which he ran into severe cash crunch and eventually could not make on-time payment to his suppliers. As a result, he decided to shut down his business and got placed in a software company as a senior programmer executive.

While shutting down his business, he informed his tax consultant to cancel the GST registration. Tax consultant surrendered his registration online in GST Portal

on 25.10.2023 and his application for cancellation was approved by the Proper Officer on 31.10.2023.

All the amounts given above are exclusive of taxes wherever applicable.

From the information given above, choose the most appropriate answer for the 12-14 questions:

12. *Effective date of registration of Pawan is _____.*

(A) 04.07.2023

(B) 02.08.2023

(C) 03.08.2023

(D) 10.08.2023 ***(2 Marks)***

13. *Consignment value of goods supplied to Delhi by Pawan is ₹_____.*

(A) 45,000

(B) 49,000

(C) 50,400

(D) 54,400 ***(2 Marks)***

14. *Due date by which Pawan is supposed to file Final return under GST is _____.*

(A) 25.11.2023

(B) 30.11.2023

(C) 25.01.2024

(D) 31.01.2024 ***(2 Marks)***

15. *Smita Limited made an outward supply of garments at an agreed price of ₹ 5,00,000. The company charged 'Go Green Cess' levied by Local municipal corporation amounting to ₹ 10,000 for this supply. As the customer made payment within 3 days from the date of delivery, Smita Limited provide a discount of ₹ 5,000 separately as a customer friendly measure, even though no prior agreement was made on discount. Value of Supply made by Smita Limited u/s 15 is ₹_____*

(A) 5,05,000

(B) 5,10,000

(C) 5,00,000

(d) 5,15,000 ***(2 Marks)***

16. *'Truth is God', a religious trust u/s 12AA of the Income-tax Act, 1961, provides service by way of renting of premises within the precincts of a religious place which is exempt upto ₹_____.*

(A) ₹ 999 per day

(B) ₹ 1,000 per day

(C) ₹ 9,999 per day

(D) ₹ 10,000 per day ***(1 Mark)***

Answer Key

Question No.	Answer	
9.	**(A)**	5,000
10.	**(B)**	₹ 1,00,000
11.	**(B)**	24-09-2023
12.	**(A)**	04.07.2023
13.	**(C)**	50,400
14.	**(D)**	31.01.2024
15	**(B)**	₹ 5,10,000
16	**(C)**	₹ 9,999 per day

PAPER – 3 : TAXATION

Part - II

SECTION A: INCOME TAX LAW

*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 2024-25, unless otherwise stated.

Question 1

Mr. Raman, a resident individual aged 62 years, is engaged in the business of manufacturing and sales of spare parts for motor bikes, as a proprietor. He prepares his accounts on mercantile basis. This business is carried out on the ground floor of a two storied commercial building owned by him, the written down value of which is ₹ 8 lakhs as on April 1, 2023. He prepares his accounts on accrual basis. The Statement of Profit and Loss for the previous year ended on March 31, 2024 shows a net profit of ₹ 9.25 lakhs (before taxation and depreciation) after debiting/crediting the following items:

(i) Travelling expenses includes ₹ 2,40,000 being expenditure incurred on a foreign tour to Taiwan for attending a business exhibition and meeting with vendors, out of which ₹ 40,000 is incurred in Indian currency and ₹ 2,00,000 in foreign currency. Mr. Raman has spent 10 days in Taiwan, out of which 4 days were utilized by him for attending marriage ceremony of a vendor's son.

(ii) Administrative expenses include ₹ 9,525 paid towards interest on delay in deposit of GST.

(iii) General expenses include a sum of ₹ 3,88,000 paid to a non-resident as fee for technical services without deduction of tax at source.

(iv) Fire insurance premium of ₹ 66,000 for the entire building remained unpaid till 31st March, 2024.

(v) Expenditure of ₹ 75,000, was paid to a scientific research association approved under section 35. Out of ₹ 75,000, ₹ 50,000 was utilised towards the purchase of land by the research association.

(vi) He let out first floor of his commercial building to Mr. Aman on April 1, 2023 and received rent of ₹ 35,000 per month. Municipal taxes ₹ 20,000 relating to the building were paid equally by both Mr. Raman and Mr. Aman. Rent received was credited and municipal taxes of ₹ 10,000 (relating to ground floor) was debited to the statement of profit and loss.

(vii) He sold a piece of land for ₹ 44 lakhs on 12th April, 2023. He had acquired the land for 40 lakhs on 1st January, 2022. The gain of 4,00,000 is credited to the statement of profit and loss.

(CII for F.Y. 2021-22-317; F.Y. 2023-24-348)

Additional Information:

(i) Mr. Raman purchased raw material from M/s. Paul Industries, a micro enterprise, for ₹ 49,000 on March 10, 2024. However, the payment to M/s. Paul Industries was made on April 5, 2024 by cheque. No written agreement for payment existed between M/s. Paul Industries and Mr. Raman. Another supplier M/s. Kal Industries, a small enterprise, with whom also no written agreement existed for payment, was paid ₹ 1,34,000 in cash on April 5, 2024 for purchase of raw material on March 31, 2024. Both M/s. Paul Industries and M/s. Kal Industries follow mercantile system of accounting.

(ii) Mr. Raman acquired a registered trademark on July 15, 2023 for ₹ 2,00,000. Mr. Raman started using this trademark for his business from January 15, 2024. Mr. Raman omitted to enter any transaction relating to this trademark in his books of accounts.

(iii) Mr. Raman bought a car for personal use on 12th April, 2020 for ₹ 5,40,000. He started using this car for business purposes from 01.04.2023. As on that day, the market value of the car was ₹ 2,10,000. Assume the rate of depreciation to be 15%.

(iv) He incurred ₹ 2,50,000 on the purchase of a new machinery to be used in the production of spare parts for motor bikes on May 15, 2023.

(v) He has paid tuition fees of ₹ 25,000 for the education of his daughter to a college.

(vi) During the year, Mr. Raman has incurred ₹ 9,500 in cash for preventive health check-up where ₹ 5,000 was for himself and ₹ 4,500 was for his parents who are super senior citizens.

(vii) Donation paid to a registered political party by way of cheque ₹ 20,000.

Compute the total income and tax payable for assessment year 2024-25 by Mr. Raman under default tax regime and optional tax regime as per normal provisions of the Act. Which option is advantageous to Mr. Raman? ***(15 Marks)***

Answer

Computation of total income and tax payable by Mr. Raman for A.Y. 2024-25 under default tax regime

	Particulars	₹	₹
I	**Income from house property**		
	Gross Annual Value of first floor (Rent received has been taken as gross annual value in the absence of other information) [₹ 35,000 x 12]	4,20,000	
	Less: Municipal taxes (paid by tenant, Mr. Aman, hence not deductible)	Nil	
	Net Annual Value	4,20,000	
	Less: Deduction @30% of NAV	1,26,000	
			2,94,000
II	**Profits and gains of business or profession**		
	Net Profit	9,25,000	
	***Add:* Expenses debited to Profit and loss A/c but not allowable as deduction or to be considered under other heads of income**		
	- Travelling expenses [Allowable since the same is incurred wholly and exclusively for business purpose]	Nil	

	***[Note** - Alternatively, it is possible to assume that the proportionate foreign tour expenditure attributable to attending the marriage ceremony of a vendor's son is a personal expenditure. In such case, ₹ 2,40,000 X 4 /10 = ₹ 96,000 would be disallowed.]*		
	- Interest on delay in deposit of GST [Interest on delay in deposit in GST is compensatory in nature and hence, allowable as expenditure]	Nil	
	- Fee for technical services to non-resident [100% disallowed under section 40(a)(i) since the TDS was not deducted]	3,88,000	
	- Fire insurance premium [Fire insurance premium for ground floor which is occupied for business purpose is allowed since Mr. Raman is following mercantile system of accounting. Remaining half for let out portion is disallowed] [₹ 66,000/2]	33,000	
	- Contribution to scientific research association approved u/s 35 [Not allowable under section 35(1)(ii) as per default tax regime]	75,000	
	- Municipal taxes for ground floor [Allowable since the ground floor is occupied for business purpose]	Nil	
	- Sum payable for purchase of raw material from M/s Paul Industries, a micro enterprise [Not allowable as per section 43B(h) since payment was made to a micro enterprise on 5.4.2024 which is beyond the time limit specified u/s 15 of the MSMED Act, 2006 i.e., within 15 days from 10.3.2024]	49,000	

	- Sum payable for purchase of raw material from M/s Kal Industries, a small enterprise [Allowable as per section 43B(h) since payment was made to a small enterprise on 5.4.2024 i.e., within 15 days from 31.3.2024. However, since the payment is made in cash on 5.4.2024, ₹ 1,34,000 for purchase of raw material would be the deemed income of P.Y. 2024-25 as per section 40A(3A)]	Nil	
		14,70,000	
	***Less:* Incomes credited to profit and loss account but not taxable as business income**		
	- Rent received for let out portion	4,20,000	
	- Gain on sale of land	4,00,000	
		6,50,000	
	Less: Depreciation		
	- On trademark [₹ 2,00,000 x 25% x 50%, since trademark is put to use for less than 180 days]	25,000	
	- On Car [₹ 5,40,000 x 15%]	81,000	
	- On new Plant & machinery [₹ 2,50,000 x 15%]	37,500	
	- On Building [₹ 8,00,000 x 10%]	80,000	
	Additional depreciation		
	- On new Plant & machinery [Not allowable under default tax regime]	Nil	
	Income from Business		4,26,500
III	**Capital Gains**		
	Full value of consideration	44,00,000	

	Less: Cost of acquisition	40,00,000	
	Short term capital gains on land [Since land is held for less than 24 months]		4,00,000
	Gross Total Income		**11,20,500**
	Less: Deduction under Chapter VI-A [Not allowable under default tax regime]		Nil
	Total Income		**11,20,500**
	Tax Payable		
	Up to ₹ 3,00,000	Nil	
	From ₹ 3,00,001 to ₹ 6,00,000 @5%	15,000	
	From ₹ 6,00,001 to ₹ 9,00,000 @10%	30,000	
	From ₹ 9,00,001 to ₹ 11,20,500 @15%	33,075	
			78,075
	Add: Health and education cess @4%		3,123
	Tax Payable		**81,198**
	Tax Payable (Rounded off)		**81,200**

Computation of total income and tax payable by Mr. Raman for A.Y. 2024-25 under normal provisions of the Act

	Particulars	₹	₹
	Gross Total Income as per default tax regime		11,20,500
	Less: Additional depreciation on new Plant & machinery [₹ 2,50,000 x 20%]		50,000
	Less: Contribution to scientific research association approved u/s 35		75,000
	Gross Total Income as per normal provisions of the Act		**9,95,500**
	***Less:* Deduction under Chapter VI-A**		
	Deduction under section 80C		
	Tuition fees to a college for daughter's education	25,000	

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	Deduction under section 80D		
	Preventive health check-up for self and parents restricted to	5,000	
	Deduction under section 80GGC		
	Donation to a registered political party since the payment is made otherwise than by cash	20,000	
			50,000
	Total Income as per normal provisions of the Act		**9,45,500**
	Tax Payable		
	Up to ₹ 3,00,000	Nil	
	From ₹ 3,00,001 to ₹ 5,00,000 @5%	10,000	
	From ₹ 5,00,001 to ₹ 9,45,500 @20%	89,100	
			99,100
	Add: Health and education cess @4%		3,964
	Tax Payable		**1,03,064**
	Tax Payable (Rounded off)		**1,03,060**
Since tax payable under default tax regime is lower than the tax payable under normal provisions of the Act, it would be beneficial for Mr. Raman to pay tax under default tax regime u/s 115BAC.			

Question 2

(a) *Mr. Madan, a citizen of India and the Karta of an HUF, is employed in M/s. PCS Pvt. Ltd. He is drawing monthly salary of ₹ 65,500 in India. On June 1, 2023 he purchased one residential house property in Mumbai for ₹ 18,00,000 in his individual capacity. The market value of the property is ₹ 32,00,000 and value for the purpose of charging stamp duty is ₹ 23,00,000. On August 31st, 2023 he was transferred to the branch office of M/s. PCS Pvt. Ltd. in U.S.A. and he left India on September 1st, 2023. The overseas branch paid him a salary of $ 2,500 per month in USA. He managed business of HUF from USA when he was not in India.*

He had also gone out of India for 99 days and 201 days in previous years 2022-23 and 2021-22, respectively. He had never gone out of India prior to that.

He visited India from January 1, 2024 to January 15, 2024 for training on a project and received 15 days salary in India as per his Indian monthly salary before being transferred.

Mr. Rajeev, one of his friends, gifted him a sculpture in India on August 10, 2023. The market value is ₹45,100.

Determine the residential status of Mr. Madan and his HUF and compute gross total income of Mr. Madan for the assessment year 2024-25 assuming he opted out of the default tax regime. The value of one USD ($) may be taken as ₹70. ***(4 Marks)***

(b) Answer the following:

(i) M/s. PQR & Co., a proprietary firm of Mr. Yogesh, paid an amount of ₹30,500 to Mr. Amit, a resident individual aged 45 years, on June 1, 2023 towards fees for professional services. Subsequently, another payment of ₹60,000 was due to Mr. Amit on January 30, 2024. Tax was not deducted from both the transactions. Mr. Amit has filed his return of income for assessment year 2024-25 on May 2,2024, taking into account professional fees from M/s. PQR & Co. and paid the taxes due on the income declared in the return of income.

What are the tax obligations in the hands of M/s. PQR & Co. on the assumption that the accounts of the firm are audited under section 44AB of the Income-tax Act 1961?

(ii) M/s. Fastest Ltd. is an Indian car manufacturer. During the F.Y. 2023- 24, it sold cars for ₹150 lakhs to M/s. Race LLP, a distributor of cars where the sale price of each car was ₹7.5 lakhs. The turnover for the F.Y. 2022-23 of M/s. Fastest Ltd. was ₹15 crores and M/s. Race LLP was 8 crores. What shall be the TCS/TDS implications on M/s. Fastest Ltd. and M/s. Race LLP? ***(6 Marks)***

Answer

(a) Residential Status of Mr. Madan

Mr. Madan, an Indian citizen who left India on 1st September 2023 for the purpose of employment to USA, would be non-resident in India, since he stayed in India for 169 days (30+31+30+31+31+1+15) only during the P.Y. 2023-24 which is less than 182 days.

Residential Status of HUF

Since Mr. Madan is managing the HUF for part of the year from India, control and management of its affairs is situated partly in India.

Hence, the HUF would be resident in India for the P.Y. 2023-24.

A HUF is said to be "Resident and ordinarily resident" in India during the previous year 2023-24, if Karta (Mr. Madan, in this case) satisfies both the following conditions:

- He is a resident in at least 2 out of 10 previous years preceding the relevant previous year; and
- His stay in India in the last 7 years preceding the relevant previous year is 730 days or more.

Mr. Madan has satisfied both the above conditions as he had never gone out of India except for 99 days and 201 days in the P.Y. 2022-23 and P.Y. 2021-22, respectively, the HUF would be ROR in India.

Computation of Gross Total Income of Mr. Madan for the A.Y. 2024-25

	Amount in ₹
Income under the head "Salaries"	
Salary earned in India: [₹ 65,500 x 5 + ₹ 65,500 x15/31]	3,59,194
Salary paid in USA: [Not taxable as Mr. Madan is a non-resident and such income does not accrue or arise or received in India]	Nil
Less: Standard Deduction	50,000
	3,09,194
Income from other sources	
Difference between the consideration of ₹ 18 lakhs and stamp duty value of ₹ 23 lakhs of the residential property acquired [Taxable, since the difference of ₹ 5 lakhs exceed ₹ 1,80,000, being the higher of 10% of the consideration and ₹ 50,000]	5,00,000

Sculpture received as gift from Rajeev, his friend in India [Not taxable as the value does not exceed ₹ 50,000]	Nil
Gross Total Income	**8,09,914**

(b) (i) M/s PQR & Co. is required to deduct tax at source under section 194J @10% on the professional fees paid to Mr. Amit of ₹ 30,500 and ₹ 60,000 on 1st June 2023 and 30th January 2024, respectively, assuming M/s PQR & Co. turnover/gross receipts exceeds the prescribed threshold limit[1].

However, M/s PQR & Co. has not deducted the tax at source during the P.Y. 2023-24, disallowance of ₹ 27,150, being 30% of ₹ 90,500 would be attracted u/s 40(a)(ia) though Mr. Amit has filed his return of income considering the professional fees from M/s PQR & Co. and paid taxes on the same.

In such a case, M/s PQR & Co. would not be deemed as assessee in default by virtue of the first proviso to section 201(1) and the amount disallowed i.e., 27,150 would be allowed as deduction in A.Y. 2025-26.

For non-deduction of tax at source, interest @1% would be leviable under section 201(1A)(i) for every month or part of the month on the amount of tax from the date on which such tax was deductible to the date such tax was paid by the payee i.e., 2.5.2024.

Interest @1% on ₹ 3,050 (10% of ₹ 30,500) from June 2023 to May 2024 = ₹ 366 and on ₹ 6,000 (10% of ₹ 60,000) from January, 2024 to May 2024 = ₹ 300 is payable by M/s PQR & Co.

(ii) M/s. Fastest Ltd. is not required to collect tax at source u/s 206C(1F) on sale of cars of ₹ 150 lakhs to M/s. Race LLP, since such sale is to a distributor and sale price of each car does not exceed ₹ 10 lakhs.

M/s. Race LLP is also not required to deduct tax at source u/s 194Q, since its turnover, being a buyer in the P.Y. 2022-23 does not exceed ₹ 10 crores.

However, M/s Fastest Ltd. is required to collect tax at source u/s 206C(1H) @0.1% on the sale consideration exceeding ₹ 50 lakhs i.e. on

[1] since firm is required to get its books of accounts audited

₹ 100 lakhs since turnover of M/s Fastest Ltd. exceeds ₹ 10 crores and TCS u/s 206C(1F) and TDS u/s 194Q is not applicable.

Question 3

(a) The particulars given below are of Mr. Radhey's income (age 47 years) posted in a private company in Delhi, for the previous year 2023-24:

(i) Basic Pay ₹ 35,000 per month till January 31, 2024, ₹ 40,000 p.m. from February 2024.

(ii) Dearness allowance 30% of basic salary (54% of DA forms part of retirement benefits)

(iii) Leave encashment for P.Y. 2023-24 ₹ 10,000.

(iv) He received salary for the month of April 2024 in advance on 31st March 2024. Also, he received an arrear salary for the month of March 2023 on the same day.

(v) His employer gave him a rent-free accommodation (fully furnished) in Delhi from 01.04.2019. This house is owned by his employer. During the previous year 2019-20, the perquisite value of such rent-free furnished accommodation was valued at ₹ 39,000. The employer also provided him with the facility of a gardener to maintain this house. The salary of gardener paid by the employer was ₹ 1,000 p.m. The furniture and appliances provided with the house were bought by the employer at an aggregate cost of ₹ 1,50,000 on 01.01.2020. Electricity and water bills of ₹ 4,000 p.m. for the said house were paid by the employer.

Cost Inflation Index

F.Y. 2019-20-289, F.Y. 2020-21-301, F.Y. 2023-24-348.

(vi) The employer also spent ₹ 50,000 on a refresher course for upgrading Mr. Radhey's skills.

(vii) During the previous year his wife had been admitted in a notified hospital for treatment of her kidney disease, the hospital bills amounting to ₹ 3,50,000 were paid by the employer.

You are required to compute the taxable salary income of Mr. Radhey for the Assessment Year 2024-25 assuming that he has opted out of the default tax regime under section 115BAC. ***(6 Marks)***

SUGGESTED ANSWER INTERMEDIATE EXAMINATION: SEPTEMBER 2024

(b) *Mr. Raj a resident individual, aged 69 years sold an urban agricultural land for ₹ 75,00,000 to Mr. Vipul on December 15, 2023 when the stamp duty value of agricultural land was ₹ 95 lakhs. However, the "agreement to sell" the agricultural land was entered on July 15, 2023 and Mr. Vipul gave ₹ 4 lakhs as advance through IMPS. The stamp duty value at the time of agreement was ₹ 85 lakhs. Mr. Raj paid 1% of sale consideration as commission to a broker. The land was purchased by him on May 15, 2002 for ₹ 10.85 lakhs and it was being used for agricultural purposes by him since its purchase.*

Mr. Raj purchased another agricultural land in rural area on January 1, 2024 for ₹ 40 lakhs and this land was sold by him on March 12, 2024 for ₹ 45 lakhs and he invested the entire sale proceeds in fixed deposits with a nationalized bank on the same day.

Compute capital gain for assessment year 2024-25 if Mr. Raj exercises the option of shifting out of the default tax regime provided under section 115BAC(1A).

Cost Inflation Index for: F.Y. 2002-03 = 105; F.Y. 2023-24-348 ***(4 Marks)***

Answer

(a) Computation of taxable salary of Mr. Radhey for A.Y.2024-25

	₹	₹
Basic Pay [₹ 35,000 x 10 + ₹ 40,000 x 2]		4,30,000
Dearness Allowance [₹ 4,30,000 x 30%]		1,29,000
Leave encashment for P.Y. 2023-24		10,000
Advance salary for April 2024 received on 31.3.2024		40,000
*[**Note -** Alternatively, it is possible to assume that the advance salary is inclusive of DA. In such a case, advance salary for April 2024 would be ₹ 52,000.]*		
Arrear salary for March 2023, assumed it is taxed on due basis during the P.Y. 2022-23.		--

SUGGESTED ANSWER

TAXATION

Value of Rent-free accommodation			
From April 2023 to August 2023			
Value of Rent-free accommodation {15% of ₹ 2,07,515 i.e., [₹ 1,75,000 (35,000 x 5, basic salary) + ₹ 28,350 (1,75,000 x 30% x 54%, DA) + 4,167 (10,000/12 x 5, leave encashment]}	31,128		
Add: Value of furniture [₹ 1,50,000 × 10% p.a. for 5 months]	6,250		
		37,378	
From September 2023 to March 2024			
Value of Rent-free accommodation {10% of ₹ 3,02,143 i.e., [₹ 2,55,000 (35,000 x 5 + 40,000 x 2, basic salary) + ₹ 41,310 (2,55,000 x 30% x 54%, DA) + 5,833 (10,000/12 x 7, leave encashment]}	30,214		
Add: Value of furniture [₹ 1,50,000 × 10% p.a. for 7 months]	8,750		
		38,964	76,342
*[**Note -** In the absence of the information of the month in which leave encashment is received, leave encashment is proportionated in 5:7 months period. Alternatively, it is possible to assume that the amount of ₹ 10,000 is received either during the April to August month or September to March 2024. In such case, perquisite value of rent-free accommodation would undergo a change.*			
Facility of gardener [Salary of gardener paid by the employer would be taxable as perquisite] [₹ 1,000 x 12]			12,000
Facility of use of electricity [Electricity and water bills paid by the employer would be taxable as perquisite] [₹ 4,000 x 12]			48,000
Refresher course for upgrading skills [Tax free perquisite]			Nil

Value of medical treatment [Exempt, since medical treatment for wife is in notified hospital]	Nil
Gross Salary	**7,45,342**
Less: Deduction under section 16 - Standard deduction	50,000
Taxable Salary	**6,95,342**

(b) Computation of Capital Gains of Mr. Raj for A.Y.2024-25

Particulars		₹
Capital gain on sale of urban agricultural land		
Actual sale consideration	75,00,000	
Stamp duty value as on date of agreement i.e., on 15.7.2023 [Since part consideration is received through IMPS on the date of agreement]	85,00,000	
Full Value of Consideration [Stamp duty value on the date of agreement since it exceeds 110% of the actual sale consideration]		85,00,000
Less: Expenditure in connection with transfer [1% of sale consideration i.e., ₹ 75 lakhs]		75,000
Net Sales Consideration		84,25,000
Less: Indexed cost of acquisition [₹ 10,85,000 x 348/105]		35,96,000
		48,29,000
Less*: Exemption u/s 54B –** In respect of rural agricultural land purchased on 1.1.2024. Mr. Raj is eligible to claim exemption u/s 54B since he has used the urban agricultural land for agricultural purposes for more than 2 years preceding the date of its transfer. ***[See Note for alternative answer]		40,00,000
Long term capital gain		**8,29,000**
Capital gain on sale of rural agricultural land		
As per section 54B, if the new agricultural land is transferred within 3 years from the date of its purchase,		

while computing the capital gains on transfer of such new agricultural land, the cost of acquisition of such land would be reduced by the amount of capital gain claimed as exempted. However, since rural agricultural is not a capital asset, no capital gain would arise on sale of such land even though it is transferred within 3 years from the date of its purchase.	

Note [Alternative answer] – *Mr. Raj transferred urban agricultural land on 15.12.2023 and purchased rural agricultural land on 1.1.2024 which is sold on 12.3.2024. Since the rural agricultural land is sold within the same previous year in which original asset was transferred i.e., P.Y. 2023-24, a view can be taken that the exemption under section 54B would not be available as at the time of filing return of income such acquired land does not exist. In such case, long term capital gain would be ₹ 48,29,000.*

Question 4

(a) Mr. Suraj, (39 years), his wife Megha (35 years) and minor son Dev (12 years), provide the following details of their income/losses for the previous year 2023-24:

Mr. Suraj

(i) Salary received as a partner from a partnership firm - ₹ 6,15,000

He is a working partner in the firm and the salary is as per the limits prescribed under section 40(b).

(ii) Income (loss) from house property:

Brought forward loss from House -A (let out) - ₹ 96,000

Current year loss from House B (let out) - ₹ 2,30,000

(iii) Interest received on enhanced compensation - ₹ 2,00,000

It relates to transfer of a piece of land in the financial year 2018-19.

Out of the above ₹ 35,000 relates to previous year 2023-24 and the balance relate to preceding previous year.

(iv) *Gift from grandfather's younger sister by cheque - ₹ 1,25,000*

(v) *Dividend on listed equity shares of domestic companies (Gross) - ₹ 50,000*

(vi) *On 1st December 2023, Mr. Suraj received ₹ 75 lakhs as maturity proceeds from his life insurance policy which was taken on 1st May 2012. He paid ₹ 6,00,000 as annual premium and the sum assured was ₹ 65 lakhs.*

Mrs. Megha

(i) *Current year loss from business. (She carried on this business with funds which Mr. Suraj gifted to her) - ₹ 8,10,000.*

(ii) *Mrs. Megha purchased a house property from her "Stridhan" and gifted the same to her minor son, Dev on 1st April, 2023 out of love and affection. The FMV of the house on the date of transfer was ₹ 51 lakhs.*

Master Dev

Rent received from house property received from Mrs. Megha - ₹ 35,000 p.m.

Compute total income of Mr. Suraj, Mrs. Megha and Dev for the assessment year 2024-25 assuming Mr. Suraj has decided to pay tax under default tax regime provided under section 115BAC, whereas Mrs. Megha and Dev have opted out of the default tax regime. Briefly explain the reasons for the treatment of each item. ***(6 Marks)***

(b) *Answer the following:*

(i) *Vegetable Ltd. filed its return of income for the A.Y. 2023-24, on 15th December 2023. On 2nd January 2024, the accountant of Vegetable Ltd. realised that he had forgotten to claim a genuine business expenditure amounting to ₹ 15 lakhs. He wants to file revised return to claim such expenditure as the assessment is not yet completed. Whether the action of the accountant of Vegetable Ltd. is valid?*

(ii) *Mahendra, a resident individual aged 45 years earned a salary income of ₹ 2 crores during the F.Y. 2023-24. He also earned dividend from unlisted*

shares amounting to ₹4 lakhs. He wants to file his return of income for the A.Y. 2024-25 through a Tax Return Preparer. Can he do so? ***(4 Marks)***

OR

(b) Rani, an Indian resident aged 34 years did not file her return of income for the A.Y. 2021-22, 2022-23 and 2023-24. She gives the following information regarding each of the A.Y.-

A.Y. 2021-22

(i) Tax payable on the total income of Rani - ₹14,50,000

(ii) TDS deducted - ₹5,00,000

A.Y. 2022-23

(i) Tax payable on the total income of Rani - ₹5,60,000

(ii) TDS deducted - ₹10,00,000

A.Y. 2023-24

(i) Tax payable on the total income of Rani - ₹6,30,000

(ii) TDS deducted - ₹2,00,000

(iii) Interest payable under section 234A, 234B and 234C - ₹ 90,000 (calculated till 31st May 2024)

(iv) Self-assessment tax paid - ₹1,00,000

She approaches you to file updated return under section 139(8A) on 16.5.2024. You are required to prepare a suggestion to be given to her in this respect. Your suggestion should include the financial aspect also (like payment of tax) briefly outlining the relevant provisions of the Income-tax Act. ***(4 Marks)***

SUGGESTED ANSWER INTERMEDIATE EXAMINATION: SEPTEMBER 2024

Answer

(a) Computation of total income of Mr. Suraj, Mrs. Megha and minor son Dev for A.Y. 2024-25

Particulars	Mr. Suraj [Under default tax regime] ₹	Mrs. Megha [Under normal provisions] ₹	Dev [Under normal provisions] ₹
Income from house property			
Annual Value [As per section 27, Mrs. Megha is the deemed owner of the house property transferred to minor son, Dev without consideration though such property is acquired from her "Stridhan"] [₹ 35,000 x12]		4,20,000	
Less: Deduction @30% of NAV		1,26,000	
		2,94,000	
Brought forward loss from House A [Not allowed to be set-off against income from other heads]	-		
Current year loss of Mr. Suraj from House – B [Not allowed to be set-off against income from other heads since Mr. Suraj is paying tax under default tax regime]	-		

Profits and gains from business or profession			
Salary from partnership firm	6,15,000		
Less: As per section 70, set off of current year loss from business of ₹ 8,10,000 to the extent of [Current year loss from business of his wife is allowed to be set off in the hands of Mr. Suraj since funds for business is gifted by him]	6,15,000		
Income from Other Sources	-		
Interest on enhanced compensation [Taxable in the year it is received]	2,00,000		
Less: Deduction @50%	1,00,000		
	1,00,000		
Gift from grandfather's sister [Taxable under section 56(2)(x), since grandfather's sister is not a relative and the amount of gift exceeds ₹ 50,000]	1,25,000		
Dividend on shares (gross)	50,000		
Maturity proceeds from LIC [Exempt under section 10(10D) since the annual premium payable does not exceed 10% of sum assured]	-		

	2,75,000		
Less: Set off of remaining business loss of ₹ 1,95,000	1,95,000		
	80,000		
Gift of house property from Mrs. Megha to Dev [Exempt since the gift is from a relative i.e., from his mother]			Nil
Taxable Income	**80,000**	**2,94,000**	**-**

(b) First Alternative

(i) The due date of filing return of income of Vegetable Ltd for the A.Y.2023-24 is 31st October, 2023 since it is a company.

However, it filed its return of income on 15.12.2023, which is a belated return.

If any omission is discovered even in a belated return, the same can also be revised up to 31.12.2023 being the date 3 months prior to the end of the relevant assessment year i.e. 31.03.2024 or completion of assessment, whichever is earlier.

However, it cannot file a revised return on 02.01.2024 since it is beyond 31.12.2023. Hence, the action of accountant of Vegetable Ltd is not valid.

(ii) Since Mr. Mahendra is a resident individual, not being a company or a person whose accounts are required to be audited under section 44AB for the P.Y. 2023-24, and therefore he can file his return of income for A.Y. 2024-25 through a Tax Return Preparer.

(b) Second Alternative

An updated return can be furnished for the previous year relevant to the assessment year at any time within 24 months from the end of the relevant assessment year.

Accordingly, the following are the suggestions to Rani with respect to updated return on 16.5.2024 for A.Y. 2021-22, A.Y. 2022-23 and A.Y. 2023-24:

A.Y. 2021-22: Since the period of 24 months from the end of A.Y. 2021-22 expired on 31.3.2024 updated return cannot be furnished on 16.5.2024 for A.Y. 2021-22.

A.Y. 2022-23: For A.Y. 2022-23, updated return can be furnished up to 31.3.2025. Thus, updated return can be furnished on 16.5.2024.

Since updated return would be furnished after the expiry of 12 months but before 24 months from the end of 31.3.2023, additional income tax would be payable @50% of aggregate of tax (after taking into consideration tax deducted at source) and interest payable.

Accordingly, Rani is required to pay additional income-tax in addition to the tax payable of ₹ 5,60,000, interest and late fee of ₹ 5,000.

Alternate answer: *The main solution has been worked out in line with the provisions of section 140B taking tax payable as the net figure of tax after adjusting TDS. However, since the term "tax payable" used in the ITR form for updated return is before the adjustment of TDS, TCS, Advance tax, interest payable etc., it is possible to take a view that the amount of tax payable of ₹ 5,60,000 is before adjusting TDS of ₹ 10,00,000. In such case, since the refund of ₹ 4,40,000 would arise, updated return cannot be furnished for A.Y. 2022-23.*

A.Y. 2023-24: - For A.Y. 2023-24, updated return can be furnished up to 31.3.2026. Thus, updated return can be furnished on 16.5.2024

Since updated return would be furnished before the expiry of 12 months from the end of 31.3.2024, additional income tax would be payable @25% of aggregate of tax (after taking into consideration tax deducted at source and self-assessment tax paid) and interest payable.

Accordingly, Rani is required to pay additional income-tax of ₹ 1,80,000 i.e., 25% of ₹ 7,20,000 (₹ 6,30,000 + ₹ 90,000) in addition to tax payable of ₹ 6,30,000, interest payable of ₹ 90,000 and late fees of ₹ 5,000.

Alternate answer: *The main solution has been worked out in line with the provisions of section 140B taking tax payable as the net figure of tax after adjusting TDS and self-assessment tax paid. However, since the term "tax*

payable" used in the ITR form for updated return is before the adjustment of TDS, TCS, Advance tax, interest payable etc., it is possible to take a view that the amount of tax payable of ₹6,30,000 is before adjusting TDS of ₹2,00,000 and self-assessment tax paid of ₹1,00,000. In such case, Rani is required to pay additional income-tax of ₹1,05,000 i.e., 25% of ₹4,20,000 [₹3,30,000 (₹6,30,000 – ₹2,00,000 – ₹1,00,000) + ₹90,000] in addition to tax payable of ₹3,30,000, interest payable of ₹90,000 and late fees of ₹5,000.

SUGGESTED ANSWER

TAXATION

SECTION B: GOODS AND SERVICES TAX

1. *For Part-II, 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 Finance Act, 2023 and the significant notifications/ circulars issued upto 29th February, 2024.*

Part-II: Descriptive Questions

Question 5

(a) DEF Pvt. Ltd., a registered supplier of goods and services in Pune, Maharashtra, has furnished the following details for the month of January, 2024. The turnover of DEF Pvt. Ltd. was ₹ 3.2 crores in last financial year.

Sr. No.	***Particulars***	***Amount (₹)***
1.	*Intra State supply of taxable goods*	*5,00,000*
2.	*F Ltd. of Mumbai (unregistered) had promised to DEF Pvt. Ltd. in Oct 23 to complete contract within 3 months, but they were not able to complete committed contract, so DEF Pvt. Ltd. received consideration for non-performance of contract on time as decided by pre written agreement.*	*2,00,000*
3.	*DEF Pvt. Ltd. had provided service of booking of flight tickets for employee of H Enterprise (registered in Delhi) in the economy class from Bagdogra (West Bengal) to Pune Maharashtra.*	*20,000*
4.	*DEF Pvt. had purchased goods worth ₹ 5,00,000 from R Ltd. (registered in Gujarat) on 15.03.2023. Now R Ltd. issued debit note on 15.01.2024 for post delivery service to DEF Pvt. Ltd. as per part of terms of sales.*	*25,000*

5.	*DEF Pvt. Ltd. had sold one of its unit in Pune as a going concern (with all goods and unexecuted orders) to H Ltd. (registered in New Delhi)*	*10,00,000*
6.	*DEL Pvt. Ltd. had provided service to Mr. Y (registered in Punjab) to organise business exhibition in Dubai.*	*5,00,000*
7.	*Inter-State supply of service*	*10,00,000*
8.	*Amount towards receipt of intra State services*	*6,00,000*
9.	*Purchase of confectionery items which are to be used to supply free of cost to customers in a customer meet organised by DEF Pvt. Ltd.*	*1,00,000*

Opening balance of Input Tax credit at the beginning of Jan 2024.

CGST ₹ 25,000

SGST ₹ 25,000

IGST ₹ 30,000

Additional Information:

(1) Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively unless otherwise mentioned.

(2) Both inward and outward supplies are exclusive of taxes, wherever applicable.

(3) All the conditions necessary for availing the ITC have been fulfilled.

From the information given above, compute the output tax liability and input tax credit available to DEF Pvt. Ltd., for the month of January, 2024. Make suitable assumptions wherever required. ***(10 Marks)***

(b) ABC Infra, is a partnership firm registered under GST. It furnishes the following details about services provided during the month of February 2024:

	Particulars	***Amount***
(i)	*Consideration received from neighbouring Housing Cooperative Society as ABC Infra agrees to install effluent plant for treatment of wastewater even though is no legal requirement to do so.*	*5,50,000*

(ii)	*Consideration received from distribution of passes for cricket match organized as firm's annual event. Total 500 passes have been distributed.*	*2,42,500*
(iii)	*Services given of booking air tickets in economy class for flight between Mumbai to Manipur.*	*1,20,000*
(iv)	*Services given for construction of buildings to State Government in relation to function entrusted to Municipality under article 243W of the Constitution. Construction material used of ₹ 2,79,375 is included in the given figure.*	*8,20,000*

All supplies mentioned above are intra-State supplies. GST rates for CGST, SGST, IGST are 9%, 9%, 18% respectively. Compute the GST payable by the ABC Infra for the month of February, 2024. ***(5 Marks)***

Answer

(a) (i) Computation of output tax liability of DEF Pvt. Ltd. for January, 2024

Particulars	**Value (₹)**	**CGST @ 9% (₹)**	**SGST @ 9% (₹)**	**IGST @ 18% (₹)**
Output tax payable				
Intra-State supply of taxable goods [1]	5,00,000	45,000	45,000	
Consideration for non-performance of contract [Being 'liquidated damages', they are not the consideration for tolerating the non-performance of the contract. Hence, not a supply]	2,00,000	-	-	

[1] *Intra-State supply of taxable goods has been logically considered as outward supply in the above solution.*

Service of booking of flight tickets[2] [Taxable since service of booking of air tickets is being provided here. Only the service of transportation of passengers in economy class embarking from Bagdogra is exempt. Further, the place of supply of services made to a registered person is the location of such person, viz. Delhi in given case. Thus, same is inter-State supply.]	20,000			3,600
Selling of Pune unit as going concern to H Ltd. [Services by way of transfer of a going concern is exempt.]	10,00,000	-	-	-
Service in relation to business exhibition in Dubai [Services by an organiser to any person in respect of a business exhibition held outside India is exempt.]	5,00,000	-	-	--

[2] It has been assumed that entire ₹ 20,000 represents the service fee/convenience fee charged by DEF Pvt. Ltd.

Inter-State supply of service[3]	10,00,000	-	-	1,80,000
Total output tax liability		45,000	45,000	1,83,600

(ii) Computation of input tax credit available to DEF Pvt. Ltd. for January, 2024

Particulars	**Value (₹)**	**CGST @ 9% (₹)**	**SGST @ 9% (₹)**	**IGST @ 18% (₹)**
Opening balance		25,000	25,000	30,000
Issue of debit note for post delivery service [ITC on debit notes issued in a financial year can be availed any time till 30th November of the succeeding financial year or the date of filing of the relevant annual return, whichever is earlier, irrespective of the date of original invoice/ supply. Further, place of supply being Pune in given case, same is inter-State supply.]	25,000			4,500
Receipt of intra-State services [ITC on services used in the course or furtherance of business is allowed.]	6,00,000	54,000	54,000	

[3] *Inter-State supply of service has been logically considered as outward supply in the above solution.*

Purchase of confectionery items [ITC on food or beverages is specifically disallowed unless the same is used for making outward taxable supply of the same category or as an element of the taxable composite or mixed supply.]	1,00,000	-	-	--
Total		**79,000**	**79,000**	**34,500**

Note:

In the above solution, the words, "DEL Pvt. Ltd." be read as "DEF Pvt. Ltd." in Sr. no. 6 of the Question.

(b) Computation of GST payable by the ABC Infra for February, 2024

	Particulars	**CGST @ 9% (₹)**	**SGST @ 9% (₹)**
(i)	Consideration for agreeing to install effluent plant [Taxable since it is a supply of service of agreeing to the obligation to do an act.]	49,500	49,500
(ii)	Distribution of 500 passes of cricket match [Exempt since consideration for services by way of right to admission to unrecognised sporting event is not more than ₹ 500 per person[4]]	-	-
(iii)	Booking air tickets in economy class[5]	10,800	10,800

[4] *Consideration charged is ₹ 485 per person (₹ 2,42,500/500).*

[5] *It has been assumed that entire ₹ 1,20,000 represents the service fee/convenience fee charged by ABC Infra.*

	[Taxable since service of booking of air tickets is being provided here. Only the service of transportation of passengers in economy class terminating in Manipur is exempt.]		
(iv)	Service of construction of buildings provided to State Government [Taxable since value of supply of goods constitutes more than 25% of the value of the composite supply of goods and services.]	73,800	73,800
	Total GST payable by ABC Infra	1,34,100	1,34,100

Note: *In the given question, it has been assumed that the amounts given in the question are exclusive of GST. It is also possible to assume the given amounts as inclusive of GST and answer shall change accordingly.*

Question 6

(a) M/s. T is a registered dealer of Andhra Pradesh trading in different types of machinery and its related different types of services. Their aggregate turnover for the preceding financial year 2022-23 for sale of machinery was ₹ 1.32 crores, it was first year so they had not started for providing service related to machinery. From FY 2023-24 they are planning to provide repair and maintenance service of ₹6.25 lakh for which they have to purchase some raw material of ₹5 lakh from the other State (till date they are purchasing within State only).

From the information given above, examine whether M/s. T can opt for composition scheme under Section 10(1), 10(2A) or 10(2) of the CGST Act, 2017 for FY 2023-24? ***(5 Marks)***

(b) (i) Garima having its permanent residence in Bhavnagar, Gujarat purchased car from Kiara Motors of Jaipur, Rajasthan to take the advantage of lower registration charges and road tax. Garima took the delivery of the car from Jaipur and returned with car to her residence in Bhavnagar, Gujarat. Address of Garima recorded in the invoice issued by Kiara Motors mentions only the name of the State i.e. Gujarat.

Garima is an unregistered person whereas Kiara Motors is a registered person under GST. Determine the place of supply for supply made by Kiara Motors to Garima. ***(2 Marks)***

(ii) *Aakar Advertisement Agency, a registered person in Nagpur, Maharashtra, wants to display the products of its client's at most prominent places in different States. It took on rights to use the space on hoardings mounted on fixed surface attached to earth, situated in Udaipur, Rajasthan and in Gwalior, Madhya Pradesh from G.N. Enterprise registered in State of Chhattisgarh. Aakar Advertisement Agency has an exclusive right to use the space and also to manage the advertisements on the hoardings.*

What will be the place of supply of services provided by the G.N. Enterprise to the Aakar Advertisement Agency? ***(3 Marks)***

Answer

(a) A registered person is eligible to opt for composition scheme for goods in the current financial year (FY) provided his aggregate turnover does not exceed ₹ 1.50 crore [other than in specified Special Category States] in the preceding FY.

Since aggregate turnover of M/s. T in the preceding FY does not exceed ₹ 1.5 crore, he is eligible for composition scheme for goods under section 10(1) and 10(2) of the CGST Act, 2017 in the current FY.

As per section 10(2A) of the CGST Act, 2017, a registered person who is eligible to pay tax under section 10(1) and (2) is not eligible for opting for composition under section 10(2A) of the CGST Act, 2017.

As per section 10(2A) of the CGST Act, 2017, person engaged in the supply of service is eligible for composition scheme for payment of tax @ 3% CGST and 3% SGST provided his aggregate turnover does not exceed ₹ 50 lakh in the preceding FY.

Since turnover of previous year is ₹ 1.32 crore and firm is not dealing in the service only, M/s T cannot opt for composition scheme under section 10(2A) of the CGST Act, 2017 for FY 2023-24.

A person who opts to pay tax under composition scheme under section 10(1) and 10(2) of the CGST Act, 2017 is also permitted to supply services [other than restaurant services] upto a value not exceeding:

(a) 10% of the turnover in a State/U.T. in the preceding financial year, or

(b) ₹ 5 lakh,

whichever is higher.

Thus, M/s T is permitted to supply services upto a value of ₹ 13,20,000 i.e. 10% of ₹ 1.32 crores, in current FY.

Further, there is no restriction on composition supplier to receive inter-State inward supplies of goods or services.

Thus, it can be concluded that M/s T can opt for composition scheme of goods under section 10(1) of the CGST Act, 2017 for FY 2023-24.

(b) (i) Where the supply of goods is made to an unregistered person, the place of supply is the location as per the address of the unregistered person recorded in the invoice.

Further, recording of the name of the State of the unregistered person in the invoice is deemed to be the recording of the address of the unregistered person.

Thus, place of supply is Bhavnagar, Gujarat.

(ii) The hoarding/structure erected on the land should be considered as immovable structure/fixture as it has been embedded in earth.

Therefore, the place of supply of service provided by way of supply of sale of space on hoarding/ structure for advertising or for grant of rights to use the hoarding/ structure for advertising is the location where such hoarding/ structure is located.

The place of supply of any service provided by way of supply/sale of space on an immovable property or grant of rights to use an immovable property is the location at which the immovable property is located, i.e. the location where such hoarding/ structure is located.

Thus, for hoarding located in Udaipur, place of supply is Udaipur, Rajasthan and for hoarding located in Gwalior, place of supply is Gwalior, Madhya Pradesh.

SUGGESTED ANSWER INTERMEDIATE EXAMINATION: SEPTEMBER 2024

Question 7

(a) Mohan, a registered person in Salem, Tamil Nadu, makes intra-State supply of taxable goods amounting to ₹ 13,57,000 (inclusive of GST) to a Public Sector Undertaking (PSU). Consideration for same is received in 5 equal instalments from the PSU.

Tax rates applicable: CGST 9%, SGST 9%, IGST 18%

What will be your view with respect to applicability of TDS provisions as per section 51 of the CGST Act, 2017 regarding above transaction?

What is the period by which TDS is required to be deposited to the Government account? ***(5 Marks)***

(b) Every registered person executing works contract shall keep separate accounts for works contract under CGST Rules, 2017.

List the details to be maintained. ***(5 Marks)***

Answer

(a) In case of intra-State supply of goods by a supplier to a PSU, TDS @ 1% each under CGST and SGST is liable to be deducted by PSU only when the total value of supply under a contract exceeds ₹ 2,50,000 (exclusive of tax & cess), from the payment made or credited to the supplier.

Accordingly, in the given case, since the value of supply under the contract excluding taxes and cesses is ₹ 11,50,000 (₹ 13,57,000 × 100/118),

TDS @ 1% on payment of each of the instalment of ₹ 2,30,000 (₹ 11,50,000/5), i.e. ₹ 2,300 each under CGST and SGST is to be deducted even though the individual payment is less than ₹ 2,50,000.

The amount of TDS deducted shall be paid to the Government by the deductor within 10 days after the end of the month in which such deduction is made or by 10th of the succeeding month.

(b) Every registered person executing works contract shall keep separate accounts for works contract showing -

- the names and addresses of the persons on whose behalf the works contract is executed;
- description, value and quantity (wherever applicable) of goods/services received for the execution of works contract;

- description, value and quantity (wherever applicable) of goods/services utilized in the execution of works contract;
- the details of payment received in respect of each works contract; and
- the names and addresses of suppliers from whom he received goods or services.

Question 8

(a) Describe the provisions relating to import of services by a registered person as contained in the section 7(1)(b), 7(1)(c) and Schedule 1 of the CGST Act, 2017. ***(5 Marks)***

(b) (i) List out category of persons who are exempted from the E-invoicing provisions. ***(2 Marks)***

(ii) No act or proceedings of the Goods and Services Tax Council shall be invalid merely by certain reasons. What are they? ***(3 Marks)***

OR

(b) Commissioner has notified some specified persons to maintain additional accounts or documents as mentioned in rule 56 of the CGST Rules 2017, Agent as defined under Section 2(5) of the CGST Act, 2017 is one of them.

List the additional accounts or documents to be kept by agent. ***(5 Marks)***

Answer

(a) As per the provisions of section 7(1)(b), 7(1)(c) and Schedule I of the CGST Act, 2017, import of services for a consideration shall be considered as supply, whether or not in the course or furtherance of business

Import of services by a person from a related person or from any of his other establishments outside India, in the course or furtherance of business shall be treated as supply even if made without consideration.

(b) (i) Following entities are exempt from the mandatory requirement of e-invoicing even if their turnover exceeds ₹ 5 crore in any preceding financial year from 2017-18 onwards:

- Special Economic Zone units
- Insurer
- Banking company or financial institution including NBFC

- GTA supplying services in relation to transportation of goods by road in a goods carriage
- Supplier of passenger transportation service
- Person supplying services by way of admission to exhibition of cinematograph films in multiplex screens
- A Government Department
- A local authority

Note: Any two points may be mentioned.

(ii) No act or proceedings of the Goods and Services Tax Council shall be invalid merely by reason of—

(a) any vacancy in, or any defect in, the constitution of the Council; or

(b) any defect in the appointment of a person as a Member of the Council; or

(c) any procedural irregularity of the Council not affecting the merits of the case.

(b) Alternative

Additional accounts/documents to be kept by agent are as follows:

(a) particulars of authorisation received by him from each principal to receive/supply goods/services on behalf of such principal separately;

(b) particulars including description, value and quantity (wherever applicable) of goods/services received on behalf of every principal;

(c) particulars including description, value and quantity (wherever applicable) of goods/services supplied on behalf of every principal;

(d) details of accounts furnished to every principal; and

(e) tax paid on receipts/ supply of goods/services effected on behalf of every principal.