aglasem.com

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

May 2024

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

(a) *Mr. Sahil, resident Indian aged 40 years, a Manufacturer at Chennai, gives the following Manufacturing, Trading and Profit & Loss Account for the year ended 31.03.2024.*

Manufacturing, Trading and Profit & Loss Account for the year ended 31.03.2024

Particulars	***₹***	***Particulars***	***₹***
To Opening Stock	*71,000*	*By Sales*	*43,50,000*
To Purchase of Raw Materials	*17,20,500*	*By Closing Stock*	*2,00,000*
To Manufacturing Wages & Expenses	*5,80,500*		
To Gross Profit	*21,78,000*		
Total	***45,50,000***	***Total***	***45,50,000***
To Administrative Charges	*2,90,000*	*By Gross Profit*	*21,78,000*
To SGST Penalty Paid (It is not compensatory nature)	*7,000*	*By Dividend From Domestic Companies*	*15,000*
		By Winning from	

SUGGESTED ANSWER **INTERMEDIATE EXAMINATION: MAY 2024**

To GST Paid	*1,10,000*	*Lotteries (Net of TDS) (TDS 4,500)*	*10,500*
To General Expenses	*55,000*	*By Profit on Sale of*	
To Miscellaneous Expenses	*1,50,500*	*Shares*	*45,000*
To Loss on Sale of Shares	*20,000*		
To Interest to Bank (on Machinery term loan)	*60,000*		
To Depreciation	*2,00,000*		
To Net Profit	*13,56,000*		
Total	***22,48,500***	***Total***	***22,48,500***

Following are the further information relating to Financial Year 2023-2024:

(i) Administrative Charges include ₹46,000 paid as commission to brother of Assessee. The Commission amount at the market rate in ₹36,000.

(ii) The assessee paid ₹33,000 in cash to a Transport Carrier on 26.12.2023. This amount is included in Manufacturing Expenses. (Assume that the provisions relating to TDS are not applicable on this payment.)

(iii) A Sum of ₹4,000 per month was paid as salary to a staff throughout the year and this has not been recorded in books of account.

(iv) Bank Term Loan Interest actually paid upto 31.03.2024 was ₹20,000 and the balance was paid in October 2024.

(v) Miscellaneous Expenses include ₹10,000 contributed to Prime Minister's Relief Fund.

(vi) Loss on Sale of Shares represents shares sold within a period of 6 months from the date of purchase.

(vii) Profit on Sale of Shares represents shares held for 2 years & Securities Transaction Tax was paid on it.

(viii) Housing Loan Principal repaid during the year was ₹50,000 and it relates to residential property occupied by him. Interest on Housing Loan was ₹2,60,000. Housing Loan was taken from Canara Bank. (Value of house property is ₹45 Lakhs, loan value ₹25 Lakhs and sanction date 31.03.2017).

These amounts were not dealt with in the Profit and Loss Account given above. (Assume this housing loan is eligible for 80EE deduction).

(ix) Deprecation allowable under the Act to be computed on the basis of following information:

Plant & Machinery (Depreciation Rate @15%)	₹
Opening WDV (as on 01.04.2023)	*12,00,000*
Additions During the year (Used for more than 180 Days)	*2,00,000*
Total Additions during the year	*4,00,000*
Note: Ignore Additional Depreciation u/s 32(1)(iia)	

Compute the total income and tax liability of Mr. Sahil for the A.Y. 2024-25 if he has exercised the option of shifting out of the default tax regime provided under Section 115BAC(1A). ***(15 Marks)***

Answer

Computation of total income and tax liability of Mr. Sahil for A.Y. 2024-25

	Particulars	₹	₹
I	**Income from house property**		
	Annual value of self-occupied property	Nil	
	Less: Deduction under section 24(b)		
	Interest on housing loan of ₹ 2,60,000 restricted to ₹ 2,00,000	2,00,000	
		(2,00,000)	
II	**Profits and gains of business or profession**		
	Net Profit	13,56,000	
	***Add:* Expenses debited to Profit and loss A/c but not allowable as deduction or to be considered under other head**		
	- Commission paid to brother [Commission paid to a related person/relative to the extent it is excessive to market rate is disallowed under section 40A(2)]	10,000	

-	Cash payment to a Transport Carrier [Not disallowed under section 40A(3) since the limit for one time cash payment is ₹ 35,000 in respect of payment to transport operators]	Nil
-	Interest to bank on term loan [Interest paid to bank after the due date of filing of return under section 139(1) is disallowed as per section 43B]	40,000
-	Contribution to Prime Minister's Relief Fund [Not allowable since the same is not incurred wholly and exclusively for business purpose]	10,000
-	SGST Penalty paid [SGST penalty paid is not compensatory in nature and therefore, not allowable]	7,000
-	Loss on sale of shares	20,000
-	Depreciation as per books of account	2,00,000
		16,43,000
***Less:* Incomes credited to profit and loss account but not taxable as business income**		
-	Dividend from Domestic Companies	15,000
-	Winnings from lotteries	10,500
-	Profit on sale of shares	45,000
		15,72,500
Less: Depreciation allowable as per Income-tax Rules,1962		
-	On Plant & Machinery [@15% on ₹ 14,00,000, being opening WDV of ₹ 12 lakhs and additions put to use for more than 180 days of ₹ 2 lakhs + @7.5% on ₹ 2,00,000, being additions put to use for less than 180 days]	2,25,000
		13,47,500

	[8% of sales i.e. ₹ 43,50,000 x 8%[1] assuming entire amount of sales are not received by A/c payee cheque or A/c payee draft or ECS or other electronic prescribed modes]	3,48,000	
	Business Income	13,47,500	
	[As per section 44AD, in case of Mr. Sahil, being an eligible assessee, a sum equal to ₹ 3,48,000 (8%[1] of total turnover i.e., ₹ 43,50,000) or as the case may be, a sum higher than the aforesaid sum claimed to have been earned by him would be deemed to be the business income. In this case, since Mr. Sahil has maintained books of account, he can claim the higher sum actually earned ₹ 13,47,500 as his income from business.] (See Note below the solution for alternate answer)		
	Less: Set off of loss from house property as per section 71(3A)	2,00,000	
		11,47,500	
	***Add**:* Salary paid to staff not recorded in the books [Assuming the expenditure is in the nature of unexplained expenditure, the same is deemed to be income as per section 69C of Mr. Sahil. No deduction would be allowed in respect of such expenditure.]	48,000	11,95,500
	Alternatively, it is possible to assume that the salary not recorded in the books of account was an erroneous omission and the assessee has offered satisfactory explanation about the source of such expenditure. In such a case, it would not be considered as deemed income and the same would be allowed as deduction		

[1] If it is assumed that the entire sales are received by A/c payee cheque or A/c payee draft or ECS or other electronic prescribed modes on or before due date of filing return of income, the presumptive rate would be 6%.

	while computing business income on the basis of books of accounts. In such a case, business income, total income and tax liability (rounded off) would be ₹ 10,99,500, ₹ 10,44,500 and ₹ 1,23,080.		
III	**Capital Gains**		
	Long term capital gains taxable u/s 112A [Since shares are held for 2 years and STT has been paid]	45,000	
	Less: Set off of short term capital loss as per section 70(2)	20,000	25,000
IV	**Income from Other Sources**		
	Dividend from Domestic Companies	15,000	
	Winning from lotteries (₹ 10,500 + ₹ 4,500)	15,000	
			30,000
	Gross Total Income		12,50,500
	***Less:* Deduction under Chapter VI-A**		
	Deduction under section 80C		
	Principal repayment of housing loan	50,000	
	Deduction under section 80EE		
	Interest on housing loan of ₹ 60,000 [₹ 2,60,000 – ₹ 2,00,000, allowed u/s 24(b)] allowable under section 80EE upto ₹ 50,000	50,000	
	Deduction under section 80G		
	Contribution to Prime Minister's Relief Fund[2]	10,000	1,10,000
	Total Income		11,40,500
	Tax Liability		
	Tax on LTCG of ₹ 25,000 u/s 112A [Exempt upto ₹ 1 lakh]		Nil
	Tax on winning from lotteries of ₹ 15,000 @30%		4,500

[2] Assuming contribution is made otherwise than by way of cash

	Tax on unexplained expenditure of ₹ 48,000 @60%		28,800
	Tax on balance income of ₹ 10,52,500 at slab rate		
	Upto ₹ 2,50,000	Nil	
	From ₹ 2,50,001 to ₹ 5,00,000 @5%	12,500	
	From ₹ 5,00,001 to ₹ 10,00,000 @20%	1,00,000	
	From ₹ 10,00,001 to ₹ 10,52,500 @30%	15,750	1,28,250
			1,61,550
	Add: Surcharge @25% on tax on unexplained expenditure of ₹ 28,800		7,200
			1,68,750
	Add: Health and education cess @4%		6,750
	Tax Liability		**1,75,500**

Note – *Alternatively, if Mr. Sahil claims his business income as ₹ 3,48,000 i.e., 8%[3] of total turnover under section 44AD, his total income and tax liability would undergo a change.*

Question 2

(a) Mr. Tilak aged 35 years, furnishes the following information regarding his income for the assessment year 2024-25. Compute the total income if he is:

(1) Resident and Ordinarily Resident.

(2) Resident but Not Ordinarily Resident

(Ignore the provisions of Section 115BAC).

(a) Remuneration of ₹ 50,000 for service rendered in Malaysia, credited to his bank account in Malaysia and immediately remitted to his bank account in India.

(b) Profits from a business in England controlled from Bombay ₹ 3,00,000 (out of which ₹ 25,000 is received in India).

[3] If it is assumed that the entire sales are received by A/c payee cheque or A/c payee draft or ECS or other electronic prescribed modes on or before due date of filing return of income, the presumptive rate would be 6%.

(c) *Amount brought to India out of past untaxed profits earned in Singapore ₹ 1,00,000.*

(d) *Capital gain on sale of land in India but received in Malaysia ₹ 2,00,000.*

(e) *Income from agriculture land at Nepal of ₹ 18,000, received there and then brought to India.*

(f) *He paid ₹ 50,000 towards principal payment of loan taken for construction of his self-occupied house in India.*

(g) *Interest on saving bank deposit in State Bank of India of ₹ 12,000.*

(6 Marks)

(b) *Examine the applicability of Tax Deduction at Sources (TDS) or Tax Collection at Source (TCS) as per the Income Act, 1961 for the assessment year 2024-25 in the following independent situations.*

(i) *ABC Limited paid rent of ₹ 75,000+18% GST per month to Mr. Ram for the office premises from 01.04.2023 to 31.03.2024. Mr. Ram has furnished his PAN and also filed his return of income before due date regularly.*

(ii) *XYZ Pvt. Ltd sells two cars to Mrs. Anju costing ₹ 4,00,000 and ₹ 12,00,000 respectively on 01.05.2023 and 25.12 2023. Mrs. Anju has furnished her PAN and filed her return of income regularly before the due date.* ***(4 Marks)***

Answer

(a) Computation of total income of Mr. Tilak for the A.Y. 2024-25

(if he is Resident and Ordinarily Resident - ROR)

	Particulars	₹
(a)	**Remuneration for services rendered in Malaysia** Global income is taxable in case of a ROR. ***[Note** – Alternatively, remuneration for services rendered in Malaysia can be taxable as "Salaries". In such case standard deduction of ₹ 50,000 would be reduced.]*	50,000

(b)	**Profit from business in England controlled from Bombay** Global income is taxable in case of a ROR.	3,00,000
(c)	**Past untaxed profits earned in Singapore and brought to India in current year**	Nil
(d)	**Capital gain on sale of land in India but received in Malaysia** Deemed to accrue or arises in India, since the property is situated in India.	2,00,000
(e)	**Income from agricultural land in Nepal, received there** Global income is taxable in case of a ROR	18,000
(f)	**Interest on saving bank deposit in SBI** Taxable since it is deemed to accrue or arises in India.	12,000
	Gross Total Income	**5,80,000**
	***Less:* Deduction under Chapter VI-A**	
	Deduction under section 80C - For repayment of housing loan	50,000
	Deduction under section 80TTA - Interest on savings bank account subject to a maximum of ₹ 10,000	10,000
	Total Income	**5,20,000**

Computation of total income of Mr. Tilak for the A.Y. 2024-25
(if he is Resident but Not Ordinarily Resident - RNOR)

	Particulars	₹
(a)	**Remuneration for services rendered in Malaysia** In case of RNOR, remuneration would not be taxable in India since neither services are rendered in India nor remuneration received in India.	Nil
(b)	**Profit from business in England controlled from Bombay** In case of RNOR, whole profits of ₹ 3,00,000 from business in England is taxable since business is controlled from India.	3,00,000

(c)	**Past untaxed profits earned in Singapore and brought to India in current year**	Nil
(d)	**Capital gain on sale of land in India but received in Malaysia** Deemed to accrue or arises in India, since the property is situated in India.	2,00,000
(e)	**Income from agricultural land in Nepal, received there** In case of RNOR, it would not be taxable in India, since neither it is deemed to accrue or arise in India nor received in India.	Nil
(f)	**Interest on saving bank deposit in SBI** Taxable since it is deemed to accrue or arises in India.	12,000
	Gross Total Income	**5,12,000**
	***Less:* Deduction under Chapter VI-A**	
	Deduction under section 80C - For repayment of housing loan	50,000
	Deduction under section 80TTA - Interest on savings bank account subject to a maximum of ₹ 10,000	10,000
	Total Income	**4,52,000**

(b) (i) ABC Limited is required to deduct tax at source under section 194-I @10% on rent of ₹ 75,000 per month exclusive of GST component, since the aggregate rent of ₹ 9,00,000 during the financial year exceeds the threshold limit of ₹ 2,40,000.

Tax has to be deducted at the time of payment or credit, whichever is earlier.

(ii) XYZ Pvt. Ltd. is not required to collect tax at source on sale of car of ₹ 4,00,000 to Mrs. Anju since its value does not exceed ₹ 10 lakhs.

However, it is required to collect tax at source u/s 206C(1F) @1% on the total sale consideration of ₹ 12 lakhs since the value of this car exceeds ₹ 10 lakhs.

Tax has to be collected at the time of receipt of ₹ 12 lakhs.

SUGGESTED ANSWER

TAXATION

Question 3

(a) (i) *Mr. Ravi received an advance of ₹ 2,00,000 on 10.5.2023 from a closely held manufacturing company (private company in which the public are not substantially interested) in which he holds 22% shareholding. The company had an accumulated profit of ₹ 1,00,000 at the time of giving the advance. Compute the amount of income to be included in the hands of Mr. Ravi for the assessment year 2024-25 and also state the head under which it is to be included.* ***(2 Marks)***

(ii) *Mr. Rao finished the following information regarding the payments made towards Scientific Research during the financial year 2023-24:*

(i) *Revenue expenditure on Scientific Research incurred during the year ₹ 1,00,000.*

(ii) *Capital Expenditure for Scientific Research ₹ 3,00,000.*

(iii) *Contribution to Notified approved research association ₹ 1,50,000.*

(iv) *Amount paid to H Limited an Indian company which has as its main object scientific research and approved by the prescribed authority ₹ 2,50,000.*

(v) *Expenditure of ₹ 2,50,000 towards purchase of Land for scientific research.*

(vi) *He also incurred revenue expenditure of ₹ 2,00,000 towards salary of research staff in the F.Y.2022-23 (before commencement of business) and certified by the prescribed authority.*

Compute the deduction allowable u/s 35 for the assessment year 2024-25, assuming that he has not opted for default tax regime u/s 115BAC.

(b) *Mr. Surinder furnishes the following particulars for the previous year ending 31.03.2024. He had a Residential House, inherited from his father in December 2009, the Fair Market Value of which on 01.04.2001 is ₹ 13 lakhs. In the year 2013-2014, further construction and improvements costing of ₹ 10 lakhs. The House was originally purchased by his father on 01.03.2000 for ₹ 10 Lakhs. On 10.05.2023, the House was sold for ₹ 75 Lakhs. Expenditure in connection with transfer is ₹ 50,000. On 20.12.2023, he purchased a Residential House for ₹ 12 lakhs and he does not own any other house.*

Compute the taxable Capital Gain for the assessment year 2024-25.

SUGGESTED ANSWER

INTERMEDIATE EXAMINATION: MAY 2024

(Cost Inflation Index: F.Y. 2013-14=220, F.Y.2023-24=348, F.Y. 2009-10 = 148 and F.Y. 2001-02=100) ***(4 Marks)***

Answer

(a) (i) In the present case, the amount of advance of ₹ 2,00,000 received by Mr. Ravi from closely held manufacturing company would be deemed as dividend to the extent of accumulated profit of ₹ 1,00,000, since Mr. Ravi holds 22% shareholding in the company which is not less than 10% of the voting power in the company.

Accordingly, deemed dividend of ₹ 1,00,000 would be taxable in the hands of Mr. Ravi under the head "Income from Other Sources" for the A.Y. 2024-25.

(ii) Computation of deduction allowable u/s 35 for the A.Y. 2024-25

	Particulars	₹
(i)	Revenue expenditure on scientific research allowable as deduction u/s 35(1)(i), assuming such expenditure is related to his business.	1,00,000
(ii)	Capital expenditure allowable as deduction u/s 35(1)(iv), assuming such expenditure is incurred for his business.	3,00,000
(iii)	Contribution to notified approved research association for scientific research – 100% of the amount paid is allowed as deduction u/s 35(1)(ii).	1,50,000
(iv)	Amount paid to H Ltd., an Indian company approved by the prescribed authority - 100% of the amount paid is allowed as deduction u/s 35(1)(iia)	2,50,000
(v)	Expenditure towards purchase of land – not allowed as deduction	Nil
(vi)	Revenue expenditure towards salary of research staff incurred in the F.Y. 2022-23 (before commencement of business) – allowed as deduction u/s 35(1)(i) in the P.Y. 2023-24 as it was expended within the 3 years immediately	2,00,000

	preceding the commencement of business (assuming business is commenced during the P.Y. 2023-24). ***Note*** **-** *Since the date of commencement of business is not given, an alternative view is possible that the business is commenced during the F.Y. 2022-23 itself. In that case, deduction for revenue expenditure incurred towards salary of research staff in F.Y. 2022-23 before commencement of business would have been allowed in the F.Y. 2022-23 and accordingly, no deduction would be available in F.Y. 2023-24.*	
Total deduction allowable		10,00,000

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

Particulars	₹
Full Value of Consideration	75,00,000
Less: Expenditure in connection with transfer	50,000
Net Sales Consideration	74,50,000
Less: Indexed cost of acquisition [₹ 13,00,000 (higher of actual cost to the previous owner of ₹ 10 lakhs and Fair market value as on 1.4.2001 of ₹ 13 lakhs) x 348/100]	45,24,000
Less: Indexed cost of improvements [₹ 10 lakhs x 348/220]	15,81,818
	13,44,182
Less**:** Exemption u/s 54 **–** in respect of residential house purchased on 20.12.2023	12,00,000
Taxable Long Term Capital Gains	**1,44,182**

Note *– The above answer is on the basis of the view expressed by Bombay High Court in CIT v. Manjula J. Shah 16 Taxman 42, wherein it was held that Indexed cost of acquisition in case of gifted asset has to be computed with reference to the year in which the previous owner first held the asset and not the year in which the assessee became the owner of the asset.*

Alternative answer is possible on basis of the plain reading of the provisions of section 48 wherein the indexed cost of acquisition would be determined by

taking the Cost Inflation Index (CII) for the year in which the asset is first held by the assessee i.e. F.Y.2009-10. In such a case, the Indexed cost of acquisition would ₹ 30,56,757 (₹ 13,00,000 x 348/148) and taxable long term capital gains would be ₹ 16,11,425.

Question 4

(a) Mr. Joshi, resident Indian, aged about 58 years, furnished the following details of his income for the previous year 2023-24:

(i) Income from House property (computed) ₹ 2,00,000.

(ii) Income from Proprietary Business ₹ 3,00,000.

(iii) Short Term Capital Gain on sale of Land ₹ 2,00,000.

(iv) Short Term Capital loss on sale of equity shares listed in recognized stock exchange (STT paid) ₹ 75,000.

(v) Interest on Bank fixed deposit ₹ 50,000 received by his son, aged 21 years, out of money gifted by Mr. Joshi in 2022.

(vi) Loss from Speculation Business ₹ 40,000.

(vii) Loss from Owning and Maintenance of Race Horses ₹ 50,000.

Following are the brought forward losses:

(a) Brought forward House property loss of assessment year 2021-22 ₹ 2,50,000.

(b) Brought forward business loss of Proprietary business from assessment year 2013-14 ₹ 50,000.

(c) Unabsorbed Depreciation relating to assessment year 2014-15 ₹ 1,00,000.

(d) Brought forward Long Term Capital Loss from assessment year 2018-19 ₹ 90,000. Return of income for that year was filed on 31.01.2019, after due date of filing the return.

Compute the total income of Mr. Joshi for the assessment year 2024-25 and show the items eligible for carry forward, assuming that he exercises the option of shifting out of the default tax regime provided under Section 115BAC(1A). ***(6 Marks)***

SUGGESTED ANSWER

TAXATION

(b) State with reason whether the following persons are required to file their return of income as per the provisions of the Income Tax Act, 1961 for the assessment year 2024-25:

(i) Mr. Aneesh aged 31 years, who opted for default tax regime u/s 115BAC(1A) had a total income of ₹ 2,90,000 for the previous year 2023-24.

(ii) Smt. Patel, aged 65 years, has a TDS credit of ₹ 55,000 during the previous year 2023-24.

(iii) The gross receipts of Mr. Ajit, aged 45 years, an architect for the previous year 2023-24 was ₹ 12,00,000, but his profit from profession was only ₹ 2,25,000 and he has no other income. ***(4 Marks)***

OR

(b) CBDT has vide Notification No. 37/2022 dated 21.04.2022, inserted Rule 12AB, notified which are all the person other than a company or firm who is not required to file return of income under Section 139(1) must file the return of Income. State who are required compulsorily to file return of Income.

(4 Marks)

Answer

(a) Computation of total income of Mr. Joshi for the A.Y.2024-25

Particulars	₹	
Income from house property	2,00,000	
Less: Set-off of brought forward loss from house property of A.Y. 2021-22 is allowed, since 8 years period not yet lapsed	2,00,000	Nil
Profits and gains from business or profession		
Income from proprietary business	3,00,000	
Less: Set off of brought forward business loss of A.Y. 2013-14 not allowable as 8 years' time has already lapsed in the A.Y. 2021-22	Nil	
Less: Set off of unabsorbed depreciation of A.Y. 2014-15	1,00,000	2,00,000

*[**Note –** Alternatively, unabsorbed depreciation can be set-off against short-term capital gains]*		
Capital Gains		
Short-term capital gain on sale of land	2,00,000	
Less: Set-off of short-term capital loss on sale of listed equity shares	75,000	1,25,000
Brought forward long-term capital loss is not allowed to be carried forward and set-off, since return of income for the A.Y. 2018-19 was filed after the due date of filing return of income.		
Income from Other Sources		
Interest on fixed deposit not includible in the hands of Mr. Joshi since his son is major		Nil
Gross Total Income		**3,25,000**
***Less:* Deduction under Chapter VI-A**		Nil
Total Income		**3,25,000**

Items eligible for carried forward	
(i)	Loss from speculation business of ₹ 40,000 can be set-off against income from speculation business only. Hence, such loss would be carried forward to subsequent assessment year.
(ii)	Loss from owning and maintenance of race horses ₹ 50,000, can be set-off against income from income from owning and maintenance of race horses only. Thus, such loss would be carried forward to subsequent assessment year.
(iii)	Brought forward loss from house property can be set off only against income of house property. Hence, remaining loss of ₹ 50,000 has to be carried forward to subsequent assessment year.

(b) [First Alternative]

(i) In this case, Mr. Aneesh is not required to file return of income, since his total income does not exceed ₹ 3,00,000, being the basic exemption limit as per the default tax regime u/s 115BAC, assuming Mr. Aneesh

has not claimed any deduction u/s 54/54D/54EC or 54F and deduction allowable under Chapter VI-A.

(ii) In the present case, since Smt. Patel, a senior citizen has a TDS credit of ₹ 55,000, which exceeds the threshold limit of ₹ 50,000, she is required to file her return of income even if it is assumed that her total income does not exceed the basic exemption limit.

(iii) In this case, since Mr. Ajit's gross receipts from the profession of architect was ₹ 12,00,000 for the P.Y. 2023-24, which is in excess of ₹ 10 lakhs, hence, he is required to file his return of income though his total income is ₹ 2,25,000 which does not exceed the basic exemption limit.

[Second Alternative]

The CBDT has, vide Notification No. 37/2022 dated 21.4.2022, inserted Rule 12AB to provide that a person, other than a company or a firm, who is not required to furnish a return under section 139(1), and who fulfils any of the following conditions during the previous year has to file their return of income on or before the due date in the prescribed form and manner –

(i) if his total sales, turnover or gross receipts, as the case may be, in the business > ₹ 60 lakhs during the previous year; or

(ii) if his total gross receipts in profession > ₹ 10 lakhs during the previous year; or

(iii) if the aggregate of TDS and TCS during the previous year, in the case of the person, is ₹ 25,000 or more; or

However, a resident individual who is of the age of 60 years or more, at any time during the relevant previous year (or senior citizen) would be required to file return of income only, if the aggregate of TDS and TCS during the previous year, in his case, is ₹ 50,000 or more

(iv) the deposit in one or more savings bank account of the person, in aggregate, is ₹ 50 lakhs or more during the previous year.

SUGGESTED ANSWER

INTERMEDIATE EXAMINATION: MAY 2024

SECTION B: GOODS AND SERVICES TAX

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 Finance Act, 2023 and the significant notifications/ circulars issued upto 31st October, 2023.*

Question 5

(a) Evershine Pvt. Ltd., a GST registered supplier located in Jaipur, Rajasthan is engaged in taxable supply of packaging goods and consultancy services. It provides following details of various activities undertaken during the month of September, 2023:

(A) Details of Outward Supplies:

(1) Supply of goods of ₹ 18,00,000 to Vaidehi Enterprises, a registered person of Udaipur, Rajasthan. Further, received ₹ 50,000 from Vaidehi Enterprises towards freight charges (as agreed to deliver the goods at Vaidehi Enterprises' premises) which was not included in above value of supply.

(2) Supply of goods worth ₹ 35,00,000 to Calc. Exim, a registered person of Prayagraj, Uttar Pradesh. Further, the amount of ₹ 60,000 charged separately (not included above) from Calc. Exim on account of municipal taxes levied in relation to such outward supply.

(3) Supply of services to Sunshine Ltd., a registered person in Jodhpur, Rajasthan before discount worth ₹ 6,00,000. Further, discount of ₹ 30,000 which has been given at the time of supply of service and duly recorded in the invoice.

(4) It delivered the goods worth ₹ 2,00,000 to Jeevan Solutions, a registered person located at Bikaner, Rajasthan on the direction of Raghu Enterprise, a registered person of Mumbai, Maharashtra and tax invoice was issued by Evershine Pvt. Ltd. to Raghu Enterprise of Mumbai, Maharashtra.

(B) Details of Inward Supplies:

(1) Purchased raw material goods worth ₹ 20,00,000 from PQR Ltd; a GST registered dealer, located at Kanpur, Uttar Pradesh. Goods worth ₹ 1,00,000 out of total purchases were not received during the month.

(2) Purchased machinery for manufacturing process worth ₹ 2,00,000 from MPQ Pvt. Ltd., a GST registered dealer, located at Bengaluru, Karnataka. Company has claimed depreciation under Income Tax Act 1961 on full value of the machine, including the GST component.

(3) Purchased truck worth ₹ 15,00,000 from GST registered dealer, located at Ajmer, Rajasthan for transportation of its goods. GST rate on truck is: CGST 14%, SGST 14%, IGST 28%.

(4) Purchased car (having seating capacity of 7 persons) costing to ₹ 10,00,000 excluding GST from Mihir Automobiles Pvt. Ltd., a GST registered dealer, located at Ajmer, Rajasthan for use of its director for official purpose. GST rate on car: CGST 14%, SGST 14%, IGST 28%

(5) Purchased goods worth ₹ 5,00,000 from DEF Buildwell Pvt. Ltd., a registered person of Jaipur, Rajasthan for construction of an additional floor of factory building, of Evershine Pvt. Ltd.

Opening balance of Input tax credit as on the beginning of September 2023-CGST ₹ 20,000, SGST ₹ 50,000 and IGST ₹ 75,000.

Rate of GST applicable on both inward and outward supply of goods & services: CGST 9%, SGST 9% and IGST @18%, except where otherwise provided.

Notes:

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

(ii) Subject to the information given above, conditions necessary for claiming ITC were complied with.

(iii) All inward supplies are used for taxable goods only.

(iv) Brief and suitable notes should form part of your answer.

Calculate the amount of net minimum GST payable in cash by Evershine Pvt. Ltd. for the month of September, 2023. ***(10 Marks)***

(b) *Mr. Ravindra, a registered person in Bhopal, Madhya Pradesh has provided the following information regarding outward transactions made during the month of January, 2024:*

(1) He was appointed by recognized sports body as a chief selector of hockey team and received ₹ 5,00,000 as remuneration.

(2) Services of pure labour contract was provided for construction of independent residential unit for ₹ 1,80,000.

(3) He rented out his warehouse for warehousing of sugarcane and received rental income of ₹ 75,000.

(4) Provided services to Municipal Corporation of Bhopal for slum improvement and upgradation for ₹ 6,50,000.

(5) He has charged consideration of ₹ 1,25,000 against western music dance performance in an event.

You are required to compute the taxable value of supply on which GST is to be paid by Mr. Ravindra for the month of January, 2024. All the amount stated above are exclusive of GST, wherever applicable.

Suitable Notes should form part of answer. ***(5 Marks)***

Answer

(a) Computation of minimum net GST payable in cash by Evershine Pvt. Ltd. for the month of September 2023

Particulars		**Value of supply (₹)**	**CGST @ 9% (₹)**	**SGST @ 9% (₹)**	**IGST @ 18% (₹)**
Output tax payable					
Intra-State supply of goods to Vaidehi Enterprises [Since arranging freight is the liability of	Place of supply is location where movement of goods terminates	18,50,000	1,66,500	1,66,500	Nil

supplier, it is a composite supply and thus, freight charges are added to the value of principal supply.]					
Inter-State supply to Calc. Exim [Municipal tax is includible in value since it is a tax levied under a law other than GST law and is charged separately.]		35,60,000	Nil	Nil	6,40,800
Intra-State supply to Sunshine Ltd. [Place of supply is location of recipient. Discount given at the time of supply is deductible from the value since duly recorded in the invoice.]		5,70,000	51,300	51,300	Nil
Inter-State supply to Raghu Enterprise [Place of supply in case of bill to ship model is principal place of business of a third person at whose instructions the goods are delivered by supplier to recipient. Thus, it		2,00,000	Nil	Nil	36,000

is considered as Inter State supply.]				
Total output tax		2,17,800	2,17,800	6,76,800
Less: ITC available [Refer note below] [IGST credit to be utilized first towards payment of IGST.]		Nil	Nil	(4,17,000)
CGST credit utilized for payment of CGST and IGST in that order		(2,17,800)	Nil	(12,200)
SGST credit utilized for payment of SGST and IGST in that order		Nil	(2,17,800)	(42,200)
Minimum net GST payable in cash		Nil	Nil	2,05,400

Working Note:

Computation of ITC available

Particulars		**Value (₹)**	**CGST (₹)**	**SGST (₹)**	**IGST (₹)**
Opening balance			20,000	50,000	75,000
Inter-State purchase of raw material [ITC is not available on goods worth ₹ 1,00,000 since not received during the month.]	Place of supply is location where movement of goods terminates.	19,00,000	Nil	Nil	3,42,000 [19,00,000 × 18%]
Purchase of machinery		2,00,000	Nil	Nil	Nil

[ITC is not available since depreciation has been claimed on the GST component.]					
Intra-State purchase of truck[1] [ITC on motor vehicles used for transportation of goods is available.]		15,00,000	2,10,000 [15,00,000 × 14%]	2,10,000 [15,00,000 × 14%]	Nil
Purchase of car [ITC on motor vehicles for transportation of persons with seating capacity up to 13 persons (including driver), is blocked, except when used for specified purposes.]		10,00,000	Nil	Nil	Nil
Purchase of goods for construction of an additional floor[2]		5,00,000	Nil	Nil	Nil

[1] *It is logically assumed that depreciation is not claimed on trucks.*

[2] *It is logically assumed that amount spent on purchase of goods is capitalized in the books.*

[ITC on goods used in construction of immovable property (other than plant or machinery) on one's own account is blocked if capitalized in the books.]					
Total			2,30,000	2,60,000	4,17,000
Note – In above answer, where location of supplier and place of supply are in two different States, it is an inter-State supply and where location of supplier and place of supply are in same State, it is an intra-State supply.					

(b) Computation of taxable value of supply on which GST is to be paid by Mr. Ravindra

Particulars	**Amount (₹)**
Remuneration received as a chief selector of hockey team. [Taxable since services provided to a recognised sports body by an individual only as a player, referee, umpire, coach or team manager are exempt.]	5,00,000
Service of pure labour contract for construction of independent residential unit [Services of pure labour contracts of construction of original works pertaining to a single residential unit otherwise than as a part of a residential complex are exempt.]	NIL
Rental income from warehousing of sugarcane [Warehousing of sugarcane being an agricultural produce is exempt.]	NIL

Services to Municipal Corporation of Bhopal for slum improvement and upgradation* [Services provided to a Local Authority by way of slum improvement and upgradation are exempt.]	NIL
Consideration received against western music dance performance in an event [Taxable, since the amount received for western music dance performance but the exemption is available for performance in folk or classical art forms of music or dance. if the consideration charged for such performance is not more than ₹ 1,50,000.]	1,25,000
Value of taxable supply on which GST is to be paid by Mr. Ravindra	**6,25,000**

**Note: It has been assumed that either the services provided are pure services or composite supply where value of supply of goods is upto 25% of value of such supply and consequently, said supply has been considered as exempt from GST.*

However, it is also possible to assume that it is a composite supply with value of supply of goods more than 25% of value of such supply. In that case, said supply will be liable to GST.

Question 6

(a) As per the CGST Act 2017, Vishnu Limited was not mandatorily required to get registered, however it opted for voluntary registration and applied for registration on 12th February 2024. Registration certificate has been granted by the Department on 24th February 2024, Vishnu Limited is not engaged in making inter-State outward taxable supplies. The CGST and SGST liability for the month of February, 2024 is ₹ 31,000 each. Vishnu Limited provides the following information of goods held in stock on 23rd February 2024:

Sr. No.	***Particulars***	***Amount (₹)***
1.	*Capital goods procured on 5th February 2024, (Rate of CGST and SGST @ 6% each) being intra State supply.*	*2,00,000*

2.	*Inputs contained in finished goods stock held were procured on 13th February 2023* *(Rate of IGST @18%) being inter-State supply.*	*3,00,000*
3.	*Value of Inputs received on 10th October, 2023 contained in semi–finished goods held in stock* *(Rate of CGST and SGST @ 6% each) being intra-State supply.*	*2,50,000*
4.	*Inputs procured on 1st February 2024 lying in stock of semi -finished goods* *(Rate of CGST and SGST @ 7.5 % each) being intra-State supply.*	*1,50,000*
5.	*Inputs procured on 8th February 2024 lying in stock of finished goods.* *(Rate of IGST @ 18%) being inter-State supply.*	*60,000*

You are required to determine the eligible ITC available and amount of net minimum GST to be paid in cash by Vishnu Limited for the month of February 2024. ***(5 Marks)***

(b) Examine the following independent cases and determine the place of supply:

(1) Mr. Joy, an unregistered person of Kolkata, West Bengal sends a courier through Kolkata, West Bengal based Mohan Courier Agency to his sister in Mumbai, Maharashtra.

(2) Mr. Nitin, an unregistered person, resides at Rewa, Madhya Pradesh books a two way air journey ticket from Prayagraj, Uttar Pradesh to Jaipur, Rajasthan on 6 September and back. He leaves Prayagraj on 11 September in a morning flight and land in Jaipur the same day. He leaves Jaipur on 15 September in a late night flight and lands in Prayagraj the next day.

(3) Rimjhim Pvt. Ltd, located at Lucknow, Uttar Pradesh, purchases a manufacturing machine from Manav Steel Industries Ltd., located at Jaipur, Rajasthan, for being installed in its factory located at Haridwar, Uttarakhand. ***(5 Marks)***

SUGGESTED ANSWER

INTERMEDIATE EXAMINATION: MAY 2024

Answer

(a) Computation of minimum net GST to be paid in cash by Vishnu Limited for the month of February 2024

Particulars	CGST (₹)	SGST (₹)
Output tax liability for the month	31,000	31,000
Less: Input tax credit (ITC) [Refer note below] IGST credit is utilized first for payment of CGST and SGST liability in equal proportion. CGST credit is utilized for payment of CGST liability and SGST credit is utilized for payment of SGST liability.	5,400 (IGST) 25,600 (CGST)	5,400 (IGST) 25,600 (SGST)
Net GST payable (in cash)	Nil	Nil

Note: Person taking voluntary registration can avail ITC on inputs contained in semi-finished or finished goods held in stock on the day immediately preceding the date of grant of registration, i.e. on 23.02.2024, only within 1 year from date of issue of tax invoice by supplier.

Computation of eligible ITC available[3]

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
Capital goods [Person taking voluntary registration cannot avail ITC on capital goods held on the day immediately preceding the date of grant of registration.]	Nil	Nil	Nil
Inputs procured on 13th February 2023	Nil	Nil	Nil

[3] *It is assumed that amounts mentioned in the question are exclusive of GST. However, it is also possible to solve the question by assuming the amounts given in the question to be inclusive of tax.*

Inputs procured on 10th October 2023	15,000	15,000	Nil
Inputs procured on 1st February 2024	11,250	11,250	Nil
Inputs procured on 8th February 2024	Nil	Nil	10,800
Total ITC	**26,250**	**26,250**	**10,800**

Note: In the above answer, minimum net GST to be paid in cash has been computed by setting off the IGST liability in equal proportion so as to minimize the amount of CGST and SGST payable in cash. Resultantly, Net GST payable (in cash) is Nil each under CGST and SGST.

However, since IGST credit can be set off against CGST and SGST liability in any order and in any proportion, the same can be set off against CGST and/or SGST liabilities in other possible ways as well.

(b) (1) The place of supply of services by way of transportation of goods by courier provided to an unregistered person is the location at which such goods are handed over for their transportation.

Therefore, the place of supply, in the given case is Kolkata, West Bengal.

(2) The place of supply of passenger transportation service to an unregistered person is place where the passenger embarks on the conveyance for a continuous journey wherein the return journey is treated as a separate journey, even if the tickets for onward and return journey is issued at the same time.

Therefore, the place of supply for the outward and return journey are the locations where Mr. Nitin embarked on the conveyance for the continuous journey, i.e. Prayagraj, Uttar Pradesh for outward journey and Jaipur, Rajasthan, for return journey.

(3) If the supply involves goods which are to be installed at site, the place of supply is the place of such installation.

Therefore, the place of supply, in the given case is Haridwar, Uttarakhand.

Question 7

(a) GSTR 3B for the month of January 2024 has been filed by M/s Avisha Limited, a registered person, within the due date prescribed by the CGST Act 2017 which is on February 20th, 2024. It came to the notice of the Co. that tax due

for the month of January, 2024 has been paid short by ₹ 16,000. The short fall of ₹ 16,000 has been paid through cash ledger and credit ledger at the time of filing GSTR 3B for the month of February 2024 on March 20th, 2024 in the following manner:

Particulars	***Cash Ledger***	***Credit Ledger***
Shortfall	*₹ 12,000*	*₹ 4,000*

Assume that electronic cash ledger and credit ledger carry sufficient balance for the above short fall.

(i) You are required to calculate the amount of interest payable if any under section 50 of the CGST Act 2017 and rule 88B of the CGST rules 2017.

(ii) Give the effect if GSTR3B for the month of January 2024 had been filed belatedly on March 20, 2024 and all other conditions remaining same.

Calculation should be rounded off to nearest rupee. As 2024 is leap year, give effect of same. ***(5 Marks)***

(b) Who is liable to collect TCS (collection of tax at source) under Section 52 of the CGST Act, 2017. Briefly explain the provisions relating to registration, filing of return and deposit of TCS to Government as per the provisions of section 52 of the CGST Act, 2017 and rule 12 of the CGST Rules, 2017.

(5 Marks)

Answer

(a) Interest is payable in case of delayed payment of tax @ 18% per annum from the date following the due date of payment to the actual date of payment of tax.

Above interest is payable on the net tax liability paid in cash only if return in Form GSTR-3B for a tax period has been filed after the due date to furnish such return. Otherwise, interest is payable on gross tax liability.

(i) Since Avisha Limited has furnished Form GSTR-3B for the month within the prescribed due date, interest is payable on the gross tax liability deposited with a delay of 29 days [21.02.2024 - 20.03.2024 (both inclusive)] as under:

= ₹ 16,000 x 18% x 29/366 = ₹ 228 (rounded off)

(ii) If Avisha Limited has filed Form GSTR-3B for the month after the due date, i.e. on 20.03.2024, interest is payable on the net tax liability paid through Electronic Cash Ledger only, for a delay of 29 days, as under:

= ₹ 12,000 x 18% x 29/366 = ₹ 171 (rounded off)

(b) Every Electronic Commerce Operator (ECO), not being an agent, is liable to collect tax at source (TCS).

Such ECO is required to submit a registration application in prescribed form through the common portal. The proper officer shall, after due verification, grant registration within 3 working days from the date of the application. On a request or upon an enquiry or pursuant to any other proceeding under GST law, if the proper officer is satisfied that a person is no longer liable to collect the tax at source, he may cancel his registration.

Such ECO shall furnish a monthly statement in prescribed form containing the details of the outward supplies of goods and/ or services effected through it, including supplies returned through it and the amount collected by it as TCS during the month within 10 days after the end of each month in which tax has been collected at source.

They also required to file annual statement[4] on or before 31st December following the end of the financial year.

The TCS amount collected by the ECO has to be deposited by 10th of the month succeeding the month in which TCS has been collected.

Question 8

(a) Describe the conditions to be satisfied for availing deduction of post supply discounts from the value of supply as per the provisions of section 15(3) of the CGST Act 2017.

OR

[4] *It may be noted that the annual statement (Form GSTR-9B) is yet to be notified.*

SUGGESTED ANSWER

INTERMEDIATE EXAMINATION: MAY 2024

(a) Examine the existence of "consideration" for donation received by charitable institutions from individual donors, without quid pro quo an important feature as defined in section 2(31) of the CGST Act, 2017. ***(5 Marks)***

(b) Mohan Enterprise is a registered person having principal place of business in Gandhinagar, Gujarat. They received services of Advocate Sameer, a registered person from Ahmedabad, Gujarat. Shekhar, an unregistered person provided services of labour to Mohan Enterprise. Explain the provisions relating to issue of invoice by recipient Mohan Enterprise if he is liable to pay tax under reverse charge under Section 9(3) or 9(4) of the CGST Act, 2017. ***(5 Marks)***

Answer

(a) Conditions to be satisfied for availing deduction of post supply discounts from the value of supply as per the provisions of section 15(3) of the CGST Act, 2017 are as follows:

(i) Discount is in terms of an agreement entered into

(ii) at or before the time of supply.

(iii) Discount can be specifically linked to relevant invoices.

(iv) Input tax credit as is attributable to the discount on the basis of document issued by supplier is reversed by the recipient of the supply.

(a) Alternative

Donations received by the charitable institutions from individual donors are treated as consideration only if there exists, quid pro quo, i.e., there is an obligation on part of recipient of the donation or gift to do anything.

If the name of the donor is displayed in charitable institution's premises as an expression of gratitude and public recognition of his act of philanthropy and is not aimed at advertising or promotion of his business, there is no supply for the payment in the form of donation.

(b) A registered person shall issue an invoice in respect of goods and/or services received by him provided:

(i) he is liable to pay tax under reverse charge [under section 9(3) or 9(4) of the CGST Act, 2017] on such supplies, and

(ii) supplies are received from the supplier who is not registered on the date of receipt of goods and/or services.

In the given case, tax on services received from advocate Sameer by Mohan Enterprise is payable under reverse charge[5].

However, Mohan Enterprises is not required to issue an invoice with respect to said supply as supplier Sameer is registered.

Further, tax on labour services received from unregistered person-Shekhar is not payable under reverse charge.

Therefore, Mohan Enterprises is not required to issue an invoice with respect to said supply.

[5] *It has been assumed that service provided by Mr Sameer is legal service.*