MOCK TEST PAPER – 1

INTERMEDIATE (IPC) COURSE

PAPER – 4: TAXATION

SECTION – A: INCOME TAX

SOLUTIONS

1. Computation of Total income of Dr. Kumar for the Assessment Year 2018-19

Particulars	Rs.
Profits and gains of business or profession **(Working Note 1)**	2,68,050
Capital Gains (**Working Note 2)**	3,12,000
Income from other sources **(Working Note 3)**	64,000
Gross Total Income	**6,44,050**
Less: Deduction under Chapter VI-A **(Working Note 4)**	1,55,000
Total Income	**4,89,050**

Computation of tax liability of Dr. Kumar for the Assessment Year 2018-19

Particulars	Rs.
Tax on winnings from lotteries [Rs. 40,000 @ 30%]	12,000
Tax on long term capital gains 20% of Rs. 1,99,050, being Rs. 3,12,000 – unexhausted basic exemption limit of Rs. 1,12,950 [i.e., Rs. 2,50,000 – (Rs. 2,68,050 + Rs. 24,000 – Rs. 1,55,000)]	39,810
	51,810
Add: Education cess@2% and secondary and higher education cess@1%	1,554
Total tax liability	53,364
Less: Tax deducted at source	12,000
Net tax liability	**41,364**
Net tax liability (rounded off)	**41,360**

Working Notes:

1. Computation of income under the head "Profits and gains of business or profession"

Particulars	Rs.	Rs.
Net income as per Income and Expenditure Account		2,51,800
Add: Expenditure debited to Income and Expenditure Account but to be disallowed		
Depreciation (Rs. 91,000 – Rs. 50,000)	41,000	
Medicine consumed for self and family (disallowed under section 37, being expenditure of personal nature)	25,000	
Medicine consumed for treating poor patients from whom fees was not charged is an allowable expense, since the same is incurred in the course of carrying on medical profession.	-	
Cash payment of salary disallowed under section 40A(3), since the same is in excess of Rs. 10,000	15,000	

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Donation to Prime Minister's National Children's Fund (not allowable as deduction while computing income from profession)	5,000	86,000
		3,37,800
Less: **Income credited to Income and Expenditure Account but not chargeable to income-tax or not chargeable under this head**		
Dividend from Indian company	15,000	
Winning from lotteries (taxable under the head "Income from other sources")	28,000	
Income-tax refund (Not taxable)	2,750	
Honorarium for giving lectures at seminars (taxable under the head "Income from other sources")	24,000	69,750
Income from profession		**2,68,050**

2. Computation of income under the head "Capital Gains"

Particulars	Rs.	Rs.
Sale consideration	12,00,000	
Valuation as per Stamp Valuation Authority	14,00,000	
(Value to be taken is the higher of the actual sale consideration or valuation adopted for stamp duty purpose as per section 50C)		
Full value of consideration		14,00,000
Less: Indexed cost of acquisition (Rs. 4,00,000 x 272/100)		10,88,000
Long term Capital gains (Since Land was held from more than 24 months)		**3,12,000**

3. Computation of income under the head "Income from Other Sources"

Particulars	Rs.	Rs.
Dividend from Indian company [Exempt u/s 10(34)]		-
Honorarium for giving lectures at seminars		24,000
Winning from lotteries (Net)	28,000	
Add: TDS @30% (Rs. 28,000 x 30/70)	12,000	40,000
Income from other sources		**64,000**

Note: As per section 58(4), no expense or deduction is allowable in respect of winning from lotteries.

4. Computation of deduction under Chapter VI-A

Section	Particulars	Rs.
80C	Life Insurance Premium [Rs. 25,000 restricted to 10% of Rs. 2,00,000 (i.e. sum assured) since the policy is issued on or after 1.4.2012]	20,000
	Contribution to Public Provident Fund	1,20,000
		1,40,000
80E	Interest on loan taken for higher education of daughter	10,000

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80G	Donation to Prime Minister's National Children's Fund [100% deduction allowable, since it is made by a mode other than cash]	5,000
Total deduction under Chapter VI-A		**1,55,000**

2. (a) Computation of Capital gains in the hands of Mr. Shiva for A.Y. 2018-19

Particulars	Amount (Rs.)	Amount (Rs.)
Actual sale consideration	30,50,000	
Valuation as per Stamp duty Authority	30,00,000	
(As per section 50C, value to be taken is the higher of actual sale price or valuation adopted for stamp duty purpose. In case date of agreement and date of registration are not the same, the vale adopted for the stamp duty purpose on the date of agreement may be taken if the amount of consideration or a part thereof has been received, *inter alia*, by way of an account payee cheque)		
Deemed sale consideration		**30,50,000**
Less: Expenses on transfer (Brokerage @1% of Rs. 30,50,000)		**30,500**
Net sale consideration		**30,19,500**
Less: Indexed cost of acquisition **(Note 1)**	**26,08,480**	
Less: Indexed cost of improvement **(Note 2)**	**4,42,000**	**30,50,480**
Long term capital loss		**(30,980)**

Notes:

(1) **Computation of indexed cost of acquisition**

Particulars	Amount (Rs.)	Amount (Rs.)
Cost of acquisition,		10,70,000
Being the higher of		
(i) Fair market value on April 1, 2001	10,70,000	
(ii) Actual cost of acquisition (Rs. 3,24,000 + Rs. 35,000, being stamp duty @10% of Rs. 3,50,000	3,59,000	
Less: Advance money taken from Mr. Mohan and forfeited		1,11,000
Cost of acquisition for indexation		9,59,000
Indexed cost of acquisition (Rs. 9,59,000 x 272/100)		26,08,480

(2) **Computation of indexed cost of improvement**

Particulars	Amount (Rs.)
Cost of construction on first floor in August, 2014	3,90,000
Indexed cost of improvement (Rs. 3,90,000 x 272/240)	4,42,000

(3) Where advance money has been received by the assessee, and retained by him, as a result of failure of the negotiations, section 51 will apply. The advance retained by the assessee will go to reduce the cost of acquisition. Indexation is to be done on the cost of acquisition so

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arrived at after reducing the advance money forfeited i.e. Rs. 10,70,000 – Rs. 1,11,000 = Rs. 9,59,000. It may be noted that in cases where the advance money is forfeited during the previous year 2014-15 or thereafter, the amount forfeited would be taxable under the head "Income from Other Sources" and such amount will not be deducted from the cost of acquisition of such asset while calculating capital gains. Hence, Rs. 1,51,000, being the advance received from Ms. Deepshikha and retained by him, is taxable under the head "Income from other sources".

(b) Difference between Circulars and notifications

Circulars	Notifications
Circulars are issued by CBDT.	Notifications are issued by the Central Government. The CBDT is also empowered to issue notifications.
Circular are issued with certain specific problems and to clarify doubt regarding the scope and meaning of certain provisions of the Act.	Central Government issues notifications to effect the provisions of the Act and CBDT issues notifications to make and amend Income-tax Rules.
The department is bound by the circulars. While such circulars are not binding on the assessees, they can take advantage of beneficial circulars.	Notifications are binding in nature. Both department and assessees are bound by the notifications.

3. (a) Computation of Total income of Mr. Shashank and Mrs. Kajal for the A.Y. 2018-19

Particulars	Mr. Shashank (Rs.)	Mrs. Kajal (Rs.)
Salary income (Rs. 30,000 x 12)	3,60,000	
Income from house property [Rs. 2,40,000 (Rs. 20,000 x 12) *less* standard deduction of 30%] **(Note 1)**	1,68,000	
Income from other sources		
Interest on fixed deposit with State bank of India (Rs. 4,00,000 x 10%) **(Note 2)**	40,000	
Profits and gains from business or profession		
Profits earned by Mrs. Kajal from her business **(Note 3)**	3,00,000	6,00,000
Income before including income of minor child under section 64(1A)	8,68,000	6,00,000
Income from other sources		
Minor son Sandeep - Income from company deposit **(Note 4)**	1,48,500	
Total income	**10,16,500**	**6,00,000**

Notes:

(1) According to section 27(i), an individual who transfers any house property to his or her spouse otherwise than for adequate consideration or in connection with an agreement to live apart, shall be deemed to be the owner of the house property so transferred. Hence, Mr. Shashank shall be deemed to be the owner of the flat gifted to Mrs. Kajal and hence, the income arising from the same shall be computed in the hands of Mr. Shashank.

Note: The provisions of section 56(2)(x) would not be attracted in the hands of Mrs. Kajal, since she has received immovable property without consideration from a relative i.e., her husband.

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(2) As per section 60, in case there is a transfer of income without transfer of asset from which such income is derived, such income shall be treated as income of the transferor. Therefore, the fixed deposit interest of Rs. 40,000 transferred by Mr. Shashank to Mr. Ram shall be included in the total income of Mr. Shashank.

(3) Section 64(1)(iv) provides for the clubbing of income in the hands of the individual, if the income earned is from the assets transferred directly or indirectly to the spouse of the individual, otherwise than for adequate consideration or in connection with an agreement to live apart. In this case Mrs. Kajal received a gift of Rs. 10,00,000 on 1.4.2017 from her husband which she invested in her business on the same day. The income to be clubbed in the hands of Mr. Shashank for the A.Y. 2018-19 is computed as under:

Particulars	Mrs. Kajal's capital contribution (Rs.)	Capital contribution out of gift from Mr. Shashank (Rs.)	Total (Rs.)
Capital as on 1.4.2017	20,00,000	10,00,000	30,00,000
Profit for P.Y. 2017-18 to be apportioned on the basis of capital employed on the first day of the previous year i.e. as on 1.4.2017 (2:1)	6,00,000 (9,00,000 x 2/3)	3,00,000 (9,00,000 x 1/3)	9,00,000

Therefore, the income to be clubbed in the hands of Mr. Shashank for the A.Y.2018-19 is Rs. 3,00,000.

Note: *The provisions of section 56(2)(x) would not be attracted in the hands of Mrs. Kajal, since she has received a sum of money exceeding Rs. 50,000 without consideration from a relative i.e, her husband.*

(4) As per section 64(1A), the income of the minor child is to be included in the total income of the parent whose total income (excluding the income of minor child to be so clubbed) is greater. Further, as per section 10(32), income of a minor child which is includible in the income of the parent shall be exempt to the extent of Rs. 1,500 per child.

Therefore, the income of Rs. 1,50,000 received by minor son Sandeep from company deposit shall, after providing for exemption of Rs. 1,500 under section 10(32), be included in the income of Mr. Shashank, since Mr. Shashank's income of Rs. 8,68,000 (before including the income of the minor child) is greater than Mrs. Kajal's income of Rs. 6,00,000. Therefore, Rs. 1,48,500 (i.e., Rs. 1,50,000 – Rs. 1,500) shall be included in Mr. Shashank's income. It is assumed that this is the first year in which clubbing provisions are attracted.

(b)

S.No.	Taxable	Reason
(i)	Taxable	As per Sec 56(2)(x), where any person receives, in any previous year from any person or persons, any sum the aggregate value of which exceeds Rs. 50,000, the whole of the aggregate value of such sum shall be included in the total income of such person under the head "Income from other sources". Though the gifts range from Rs. 500 to Rs. 1000, the aggregate value exceeds Rs. 50,000. Hence, Rs. 2 lakhs is taxable in her hands.
(ii)	Not taxable	Immovable property received by Mr. Krishna from the deceased Mrs. Chandraben as per a WILL is not taxable since any sum of money or any property received under a will is excluded under section 56(2)(x).

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(iii)	Taxable	Where any immovable property is received by any person without consideration the stamp duty value of which exceeds Rs. 50,000, the stamp duty value shall be included in the total income of such person under the head "Income from other sources". Therefore, Rs. 75,000 being the stamp duty value of the immovable property received as gift by Mr. King is taxable in his hands.
(iv)	Taxable	The provisions of section 56(2)(x) are not attracted in respect of any sum of money or property received from a relative. However, sister's daughter in law is not a relative as per section 56(2)(x). Since, the fair market value of diamonds exceeds Rs. 50,000, the value of diamonds is taxable in the hands of sister's daughter in law.

4. Under section 6(1), an individual is said to be resident in India in any previous year, if he satisfies any one of the following conditions:

(i) He has been in India during the previous year for a total period of 182 days or more, or

(ii) He has been in India during the 4 years immediately preceding the previous year for a total period of 365 days or more and has been in India for at least 60 days in the previous year.

If an individual satisfies any one of the conditions mentioned above, he is a resident. If both the above conditions are not satisfied, the individual is a non-resident.

Therefore, the residential status of Miss Kaira, an American National, for A.Y.2018-19 has to be determined on the basis of her stay in India during the previous year relevant to A.Y. 2018-19 i.e. P.Y.2017-18 and in the preceding four assessment years.

Her stay in India during the previous year 2017-18 and in the preceding four years are as under:

P.Y. 2017-18

01.04.2017 to 20.09.2017	-	173 days
27.03.2018 to 31.03.2018	-	5 days
Total		178 days

Four preceding previous years

P.Y.2016-17 [1.4.2016 to 31.3.2017]	-	12 days
P.Y.2015-16 [1.4.2015 to 31.3.2016]	-	Nil
P.Y.2014-15 [1.4.2014 to 31.3.2015]	-	Nil
P.Y.2013-14 [1.4.2013 to 31.3.2014]	-	Nil
Total		12 days

The total stay of the assessee during the previous year in India was less than 182 days and during the four years preceding this year was for 12 days. Therefore, due to non-fulfillment of any of the two conditions for a resident, she would be treated as non-resident for the Assessment Year 2018-19.

Computation of total income of Mrs. Kaira for the A.Y. 2018-19

S. No.	Particulars	(Non-Resident) (Rs.)
1.	Dividend from American company, received in America (***Note 1)***	-
2.	Profit from profession in Delhi, but managed directly from America ***(Note 2)***	50,000
3.	Long-term capital gain on sale of shares of an Indian company ***(Note 2)***	60,000

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4.	Interest on savings account with SBI ***(Note 2)***	17,000
5.	Agricultural income from land in Tamilnadu ***[Exempt under section 10(1)]***	-
6.	Rent (computed) from property in America deposited in a Bank at America, later on remitted to India (***Note 1)***	-
7.	Cash gift received from a friend on Mrs. Kaira birthday on 16.8.2017 ***Note:*** *As per section 56(2)(x), cash gifts received from a non-relative would be taxable, if the amount exceeds Rs. 50,000 in aggregate during the previous year.*	51,000
8.	Past foreign untaxed income brought to India ***[Not taxable, since it does not represent income of the P.Y.2017-18].***	-
Total Income		**1,78,000**

Notes:

(1) As per section 5(1), global income is taxable, in case of a resident. However, as per section 5(2), only the following incomes are chargeable to tax, in case of a non-resident:

(i) Income received or deemed to be received in India; and

(ii) Income accruing or arising or deemed to accrue or arise in India.

Therefore, dividend from American company received in America, rent from property in America by Mrs. Kaira, a non-resident, would not be taxable in India, since both the accrual and receipt are outside India.

(2) Profits from profession in Delhi, long term capital gains and interest on saving account with SBI are taxable in the hands of Mrs. Kaira, since such incomes are deemed to accrue or arise in India during the P.Y. 2017-18.

5. (a) Allowable deduction to Mr. Bhardwaj from Gross Total Income

(i) Contribution towards Clean Ganga Fund set up by the Central Government: Whole of the contribution i.e., Rs. 2 lakh towards Clean Ganga Fund, set up by the Central Government, is allowable as deduction under section 80G to Mr. Bharadwaj, since he is a resident of India.

(ii) Medical Expenditure of Rs. 50,000 towards surgery of his grandmother: Deduction is allowable under section 80D, in respect of medical expenditure incurred by an assessee for himself or any member of the family or parents, if any of such person(s) is of the age of 80 years or more and no payment has been made to keep in force an insurance on the health of such person(s).

In the present case, no deduction is allowable to Mr. Bharadwaj, since he incurred medical expenditure towards surgery of his grandmother, who does **not** fall within the definition of "family" under section 80D. Apart from family, deduction is only allowable in respect of premium paid for parents, and not grandparents.

(b) Computation of total income of Ms. Kareena for the A.Y.2018-19

Particulars	Rs.	Rs.
Profits and gains from business or profession		
Business income	5,50,000	
Less: Loss from house property of Rs. 3,50,000 to be restricted to Rs. 2,00,000 by virtue of section 71(3A) **[Note 2]**	2,00,000	3,50,000
Capital Gains		
Long term capital gains on sale of house	1,50,000	
Short term capital gains on sale of shares in B Pvt. Ltd	50,000	2,00,000

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Income from other sources		
Interest from saving account in post office	15,000	
Less: Exempt under section 10(15) to the extent of Rs. 3,500	3,500	
	11,500	
Prize winnings from a T.V. show	20,000	31,500
Gross Total Income		**5,81,500**
Less: **Deduction under Chapter VI-A**		
Deduction under section 80C		
Life insurance premium for self and husband	70,000	
Tuition fees to University for full time education	50,000	
	1,20,000	
Deduction under section 80TTA – Interest on saving account in post office	10,000	**1,30,000**
Total Income		**4,51,500**

Computation of tax payable by Ms. Kareena for the A.Y.2018-19

	Particulars	**Rs.**	**Rs.**
	Step 1		
	Agricultural income and Non-agricultural income (Rs. 1,10,000 + Rs. 4,51,500)	5,61,500	
	Tax on the above income		
(i)	Tax on long-term capital gain of Rs. 1,50,000 @ 20%	30,000	
(ii)	Tax on winnings of Rs. 20,000 from a T.V. show @ 30%	6,000	
(iii)	Tax on balance income of Rs. 3,91,500	7,075	43,075
	Total tax on Rs. 5,61,500		**43,075**
	Step 2		
	Basic exemption limit to agricultural income (Rs. 2,50,000 + Rs. 1,10,000)	3,60,000	
	Tax on Rs. 3,60,000		**5,500**
	Step 3		
	Tax on non-agricultural income (Tax under step 1 – Tax under step 2) (Rs. 43,075 – Rs. 5,500)		37,575
	Add: Education cess @ 2%		751
	Add: Secondary and higher education cess @ 1%		376
	Tax payable by Ms. Kareena		**38,702**
	Tax payable (Rounded off)		**38,700**

Notes:

1. Short-term capital gains on sale of shares in B Pvt. Ltd. is taxable at normal rates.
2. The balance loss of Rs. 1,50,000 from house property to be carried forward to next assessment year for set-off against income from house property of that year.

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6. (a) Monetary limit for mandatory quoting of PAN

	Transaction	Minimum amount above which quoting of PAN is mandatory
(i)	Opening a demat account with a depository.	All such transactions (There is no minimum amount)
(ii)	Purchase of bank draft from a banking company	Payment in cash of an amount exceeding Rs. 50,000 during any one day
(iii)	Payment for purchase of any foreign currency at any one time	Payment in cash of an amount exceeding Rs. 50,000
(iv)	Payment to a company for acquiring debentures issued by it	Amount exceeding Rs. 50,000.
(v)	Payment as life insurance premium to an insurer	Amount aggregating to more than Rs. 50,000 in a financial year

OR

(a) Every person who is eligible to obtain Aadhar Number is required to mandatorily quote Aadhar Number, on or after 1st July, 2017:

(a) in the application form for allotment of Permanent Account Number (PAN)

(b) in the return of income.

The provisions of section 139AA relating to quoting of Aadhar Number would, however, not apply to an individual who does not possess the Aadhar number or Enrolment ID and is:

(i) residing in the States of Assam, Jammu & Kashmir and Meghalaya;

(ii) a non-resident as per Income-tax Act, 1961;

(iii) of the age of 80 years or more at any time during the previous year;

(iv) not a citizen of India.

If a person does not have Aadhar Number, he is required to quote Enrolment ID of Aadhar application form issued to him at the time of enrolment in the application form for allotment of PAN or in the return of income furnished by him.

Every person who has been allotted PAN as on 1st July, 2017, and who is eligible to obtain Aadhar Number, shall intimate his Aadhar Number to prescribed authority on or before a date as may be notified by the Central Government.

(b) (i) As per section 194J, liability to deduct tax is attracted only in case the payment made as fees for professional services and royalty, individually, exceeds Rs.30,000 during the financial year. In the given case, since, the individual payments for fee of professional services i.e. Rs. 20,000 and royalty Rs. 27,000 is less than Rs. 30,000 each, there is no liability to deduct tax at source. It is assumed that no other payment towards fees for professional services and royalty were made during the year to Ms. Kajal.

(ii) According to section 194C, the definition of "work" does not include the manufacturing or supply of product according to the specification by customer in case the material is purchased from a person other than the customer.

Therefore, there is no liability to deduct tax at source in respect of payment of Rs. 1,05,000 to Mr. Ram, since the contract is a contract for 'sale'.

(iii) As per section 194-I, tax is to be deducted @ 2% on payment of rent for plant and machinery, only if the payment exceeds Rs. 1,80,000 during the financial year. Since rent of Rs. 1,70,000 paid by a partnership firm does not exceed Rs. 1,80,000, tax is not deductible.

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SECTION B - INDIRECT TAXES (50 MARKS)

SUGGESTED ANSWERS

Notes

(i) Section/sub-section/rule/notification numbers mentioned in the answers are solely for the ease of reference. The students are not expected to cite the same in their answers under examination conditions.

(ii) GST law is in its nascent stage and has been subject to frequent changes. Although various clarifications have been issued in the last few months by way of FAQs or otherwise, many issues continue to arise on account of varying interpretations on several of its provisions. Therefore, alternate answers may be possible for the questions depending upon the view taken.

For the sake of brevity, Central Goods and Services Tax, Integrated Goods and Services Tax, Central Goods and Services Tax Act, 2017, Integrated Goods and Services Tax Act, 2017 and Central Goods and Services Tax Rules, 2017 have been referred to as CGST, IGST, CGST Act, IGST Act and CGST Rules respectively.

1. (a) Computation of net GST payable by Mr. Bholenath for the month of January, 20XX

Working of GST payable on Outward supplies

S.No.	Particulars	(Rs.)	GST (Rs.)
(i)	Inter-State taxable supply of goods		
	IGST @ 18% on Rs. 10,00,000		1,80,000
(ii)	Intra-State taxable supply of goods		
	CGST @ 9% on Rs. 2,00,000	18,000	
	SGST @ 9% on Rs. 2,00,000	18,000	36,000

Computation of total ITC

Particulars	CGST @ 9% (Rs.)	SGST @ 9% (Rs.)	IGST @ 18% (Rs.)
Opening ITC	20,000	30,000	25,000
Add: ITC on Intra-State purchases of taxable goods valuing Rs. 5,00,000	45,000	45,000	
Total ITC	**65,000**	**75,000**	**25,000**

Computation of GST payable from cash ledger

Particulars	CGST @ 9% (Rs.)	SGST @ 9% (Rs.)	IGST @ 18% (Rs.)
GST payable	18,000	18,000	1,80,000
Less: ITC	(18,000)-CGST	(18,000)-SGST	(25,000)-IGST
			(47,000)-CGST
			(57,000)-SGST
Net GST payable	**Nil**	**Nil**	**51,000**

Note: ITC of IGST, CGST & SGST have been used to pay IGST in that order.

(b) Computation of ITC available with Shridhar Co. Ltd. for the month of March

S. No.	Items	ITC (Rs.)
(i)	Sweets for consumption of employees working in the factory [Note-1]	Nil
(ii)	Raw material [Note-2]	1,00,000

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(iii)	Trucks used for the transport of raw material [Note-3]	2,00,000
(iv)	Electrical transformers [Note-4]	4,00,000
	Total ITC	**7,00,000**

Notes:-

1. 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-Section 17(5)(b)(i).
2. Being goods used in the course or furtherance of business, ITC thereon is available in terms of section 16(1).
3. Though ITC on motor vehicles has been specifically disallowed under section 17(5)(a), ITC on motor vehicles used for transportation of goods is allowed under section 17(5)(a)(ii).
4. Being goods used in the course or furtherance of business, ITC thereon is available in terms of section 16(1).

2. (a) Computation of value of special machine

Particulars	**Rs.**
Price of machinery	5,00,000
Add: Freight [Note 1]	13,000
Packing charges [Note 2]	10,000
Designing charges [Note 3]	17,000
Total	5,40,000
Less: 2% cash discount on price of machinery [Rs. 5,00,000 x 2%] [Note 4]	10,000
Value of taxable supply	5,30,000

Notes:

(1) Supply of machinery (goods) with supply of ancillary services like freight is a composite supply, the principle supply of which is the supply of machinery. Thus, value of such ancillary supply is includible in the value of composite supply.

(2) All incidental expenses including packing charged by the supplier to the recipient of a supply are includible in the value of supply in terms of section 15(2)(c) of CGST Act, 2017.

(3) Designing charges are includible in the value of supply as any amount charged for anything done by the supplier in respect of the supply of goods at the time of, or before delivery of goods is so includible in terms of section 15(2)(c) of CGST Act, 2017.

(4) Cash discount was given at the time of supply and also recorded in invoice, so the same is not to be included while computing value of supply in terms of section 15(3)(a) of CGST Act, 2017.

(b) The following four conditions are to be satisfied by the registered person for obtaining input tax credit:-

(i) he is in possession of tax invoice or debit note or such other tax paying documents as may be prescribed;

(ii) he has received the goods or services or both;

(iii) the supplier has actually paid the tax charged in respect of the supply to the Government; and

(iv) he has furnished the return under section 39.

3. (a) (i) Services provided by a tour operator to a foreign tourist are exempt from GST provided such services are in relation to a tour conducted wholly outside India. Thus, since in the given case, services provided by Relax & Co. are in relation to a tour conducted within India, the

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same are not exempt from GST.

(ii) Services provided by a coach to a recognised sports body for participation in a sporting event are exempt from GST provided said sporting event is organised by a recognized sports body. Thus, since in the given case, the sporting event is not organised by a recognised sports body, the services provided by Ms. Sneha are not exempt from GST.

(b) As per *Notification No. 66/2017 CT dated 15.11.2017*, a registered person (excluding composition supplier) has to pay GST on the outward supply of goods at the time of supply as specified in section 12(2)(a) of CGST Act, 2017 i.e., date of issue of invoice or the last date on which invoice ought to have been issued in terms of section 31.

Therefore, the time of supply of goods is 3rd December which is the date on which the invoice for the consignment was issued.

4. (a) As per section 50 of the CGST Act, 2017, interest is payable in the following cases:-

- failure to pay tax, in full or in part within the prescribed period,
- undue or excess claim of input tax credit,
- undue or excess reduction in output tax liability.

The maximum rate of interest chargeable for the same is as under-

(i) 18% p.a. in case of failure to pay full/part tax within the prescribed period

(ii) 24% p.a. in case of undue or excess claim of input tax credit or undue or excess reduction in output tax liability.

(b) Every registered person who is required to furnish a return under section 39(1) of the CGST Act, 2017 and whose registration has been surrendered or cancelled shall file a Final Return electronically in the prescribed form through the common portal.

Final Return has to be filed within 3 months of the:

(i) date of cancellation

or

(ii) date of order of cancellation

whichever is later.

(c) Yes, as per section 29(5) of the CGST Act, every registered person whose registration is cancelled shall pay an amount, by way of debit in the electronic cash ledger, equivalent to the credit of input tax in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock or capital goods or plant and machinery on the day immediately preceding the date of such cancellation or the output tax payable on such goods, whichever is higher.

5. (a) The advice given by tax manager is valid in law. Payment of taxes by the normal tax payer is to be done on monthly basis by the 20th of the succeeding month. Cash payments will be first deposited in the Cash Ledger and the tax payer shall debit the ledger while making payment in the monthly returns and shall reflect the relevant debit entry number in his return. However, payment can also be debited from the Credit Ledger. Payment of taxes for the month of March shall be paid by the 20th of April. Composition tax payers will need to pay tax on quarterly basis.

(b) Yes, advance tax is to be paid by Mr. Akash Malhotra at the time of obtaining registration. Since Mr. Akash Malhotra occasionally undertakes supply of goods in the course or furtherance of business in a State where he has no fixed place of business, thus he qualifies as casual taxable person in terms of section 2(20) of CGST Act, 2017.

While a normal taxable person does not have to make any advance deposit of tax to obtain registration, a casual taxable person shall, at the time of submission of application for registration

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is required, in terms of section 27(2) read with proviso thereto, to make an advance deposit of tax in an amount equivalent to the estimated tax liability of such person for the period for which the registration is sought. If registration is to be extended beyond the initial period of 90 days, an advance additional amount of tax equivalent to the estimated tax liability is to be deposited for the period for which the extension beyond 90 days is being sought.

(c) The functions of the GSTN include:

- facilitating registration;
- forwarding the returns to Central and State authorities;
- computation and settlement of IGST;
- matching of tax payment details with banking network;
- providing various MIS reports to the Central and the State Governments based on the taxpayer return information;
- providing analysis of taxpayers' profile; and running the matching engine for matching, reversal and reclaim of input tax credit.

(Note: Any two points may be mentioned)

6. (a) (1) The given statement is false. Composition tax payer is required to furnish return under section 39 for every quarter even if no supplies have been effected during such period. In other words, filing of Nil return is also mandatory.

(2) The given statement is false. A registered person paying tax under the provisions of section 10 [composition levy] is required to issue, instead of a tax invoice, a bill of supply containing the specified particulars in the prescribed manner [Section 31(3)(c) read with rule 49 of the CGST Rules].

(b) (i) Section 7 of the CGST Act, *inter alia*, provides that supply must be made for a consideration except the activities specified in Schedule I and in course or furtherance of business. Since, both these elements are missing, donation of clothes and foods to children living in slum area would not amount to supply under section 7 of the CGST Act.

(ii) Schedule I of CGST Act, *inter alia*, stipulates that import of services by a taxable person from a related person located outside India, without consideration is treated as supply if it is provided in the course or furtherance of business. In the given case, Simran has received legal services from her brother free of cost in a personal matter and not in course or furtherance of business. Hence, services provided by Simran's brother to her would not be treated as supply under section 7 of the CGST Act.

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