MOCK TEST PAPER - 2

INTERMEDIATE (IPC) COURSE

PAPER – 4: TAXATION

SECTION – A: INCOME TAX

SOLUTIONS

1. Computation of total income of Dr. K.P. Singh for the previous year ended 31.03.2018

Particulars	Rs.	Rs.
Income from Salaries		
Salary received @ Rs.5,000 per month		60,000
Income from house property		
Gross Annual Value (Rent is taken as GAV in the absence of any other information)	27,000	
Less: Municipal tax	2,000	
Net Annual Value	25,000	
Less: Deduction under section 24 @30%	7,500	17,500
Income from business or profession		
Net income as per Income & Expenditure Account	3,46,000	
Add: Rent paid for residence	40,000	
Medicines consumed – personal use	10,000	
Municipal tax relating to let out property included in administrative expenses – disallowed	2,000	
	3,98,000	
Less: Depreciation (Note 2)	90,000	
Rent credited to income & expenditure account	27,000	
Dividend from Indian companies	9,000	2,72,000
Capital Gains (Long term capital gains since held form more than 24 months)		
Sale consideration	7,50,000	
Less: Indexed cost acquisition (Rs.2,50,000 x 272/113) **(Note 3)**	6,01,770	
		1,48,230
Income from other sources		
Dividend from Indian companies	9,000	
Less: Exempt under section 10(34)	9,000	Nil
Gross Total income		**4,97,730**
Less: Deduction under Chapter VIA		
Under section 80GG, rent paid would be allowable as a deduction to the extent of the least of the following		
(i) 25% of total income = 25% of Rs.3,49,500 **(See Note 1)**	87,375	
(ii) Excess of rent paid over 10% of total income (Rs.40,000 – Rs.34,950)	5,050	
(iii) Rs.5,000 per month	60,000	
Least of the above		5,050
Total Income		**4,92,680**

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Computation of tax liability of Dr. K.P. Singh for the Assessment Year 2018-19

Particulars	Rs.
Tax on long term capital gains 20% of Rs.1,48,230	29,646
Tax on other income of Rs.3,44,450 [Rs. 4,92,680 – Rs. 1,48,230]	4,723
	34,369
Add: Education cess@2% and secondary and higher education cess@1%	1,031
Tax liability	**35,400**

Notes:

1. Deduction under section 80GG is to be made from Gross Total Income. Gross Total Income as defined under section 80B(5) means the total income computed in accordance with the provisions of this Act, before making any deduction under Chapter VI-A. Under section 112(2), Long term capital gains have to be reduced from Gross Total Income and Chapter VI-A deductions should be allowed as if the Gross Total income so reduced were the Gross Total Income of the assessee. Therefore, in this case, for the purpose of allowing deduction u/s 80GG, Gross Total Income = Rs.4,97,730 – Rs.1,48,230 = Rs.3,49,500.

2. Depreciation on plant & machinery

	Rs.
On opening WDV of Rs.5,00,000 @15%	75,000
On equipment acquired Rs.2,00,000 @7.5% (50% thereon, since acquired in December, 2017)	15,000
	90,000

3. Since the property was acquired by Dr. K.P. Singh through inheritance, the cost of acquisition to him would be the cost of acquisition to the previous owner. As per section 55(2)(b), Cost of acquisition to the previous owner would be the higher of cost of acquisition to the previous owner i.e., Rs.1,50,000 or Fair Market Value of the capital asset on 01.04.2001 i.e., Rs. 2,50,000. However, indexation will be from the year in which the assessee (i.e., Dr. K.P. Singh in this case) first held the asset i.e. F.Y. 2004-05.

   Alternative view: *In the case of CIT v. Manjula J. Shah 16 Taxmann 42 (Bom.), the Bombay High Court held that the indexed cost of acquisition in case of gifted asset can be computed with reference to the year in which the previous owner first held the asset.*

   As per this view, this indexed cost of acquisition of the vacant site would be Rs.6,80,000.

2. (a) Computation of total income and tax payable by Mr. Manas for the A.Y. 2018-19

Particulars	Rs.	Rs.
Gross total income including long term capital gain		8,18,240
Less: Long term capital gain		2,45,000
		5,73,240
Less: Deductions under Chapter VI-A:		
Under section 80C in respect of PPF deposit	1,40,000	
Under section 80D (it is assumed that premium of Rs.31,000 is paid by otherwise than by cash. The deduction would be restricted to Rs.30,000, since Mr. Manas is a senior citizen)	30,000	
Under section 80G **(See Notes 1 & 2 below)**	19,662	
Under section 80TTA **(See Note 3 below)**	10,000	1,99,662

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Total income (excluding long term capital gains)		**3,73,578**
Total income (including long term capital gains)		**6,18,578**
Total income (rounded off)		**6,18,580**
Tax on total income (including long-term capital gains of Rs.2,45,000)		
LTCG Rs.2,45,000 x 20%		49,000
Balance total income Rs.3,73,580		3,679
		52,679
Add: Education cess @2% and Secondary and higher education cess @1%		1,580
Total tax liability		**54,259**
Total tax liability (rounded off)		**54,260**

Notes:

1. **Computation of deduction under section 80G:**

Particulars	Rs.
Gross total income (excluding long term capital gains)	5,73,240
Less: Deduction under section 80C, 80D & 80TTA	1,80,000
	3,93,240
10% of the above	39,324
Contribution made	40,000
Lower of the two eligible for deduction under section 80G	39,324
Deduction under section 80G – 50% of Rs.39,324	**19,662**

2. Deduction under section 80G is allowed only if amount is paid by any mode other than cash, in case of amount exceeding Rs. 2,000. Therefore, the contribution made to public charitable trust is eligible for deduction since it is made by way of an account payee cheque.
3. Deduction of upto Rs. 10,000 under section 80TTA is allowed, *inter alia*, to an individual assessee if gross total income includes interest income from deposits in a saving account with bank.

(b) The income of an assessee for a previous year is charged to income-tax in the assessment year following the previous year. However, in a few cases, the income is taxed in the previous year in which it is earned. These exceptions have been made to protect the interests of revenue. The exceptions are as follows:

(i) Where a ship, belonging to or chartered by a non-resident, carries passengers, livestock, mail or goods shipped at a port in India, the ship is allowed to leave the port only when the tax has been paid or satisfactory arrangement has been made for payment thereof. 7.5% of the freight paid or payable to the owner or the charterer or to any person on his behalf, whether in India or outside India on account of such carriage is deemed to be his income which is charged to tax in the same year in which it is earned.

(ii) Where it appears to the Assessing Officer that any individual may leave India during the current assessment year or shortly after its expiry and he has no present intention of returning to India, the total income of such individual for the period from the expiry of the respective previous year up to the probable date of his departure from India is chargeable to tax in that assessment year.

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(iii) If an AOP/BOI etc. is formed or established for a particular event or purpose and the Assessing Officer apprehends that the AOP/BOI is likely to be dissolved in the same year or in the next year, he can make assessment of the income up to the date of dissolution as income of the relevant assessment year.

(iv) During the current assessment year, if it appears to the Assessing Officer that a person is likely to charge, sell, transfer, dispose of or otherwise part with any of his assets to avoid payment of any liability under this Act, the total income of such person for the period from the expiry of the previous year to the date, when the Assessing Officer commences proceedings under this section is chargeable to tax in that assessment year.

(v) Where any business or profession is discontinued in any assessment year, the income of the period from the expiry of the previous year up to the date of such discontinuance may, at the discretion of the Assessing Officer, be charged to tax in that assessment year.

*[**Note** – Any 3 may be given in the answer]*

3. Computation of Gross Total Income of Mrs. Heena for the A.Y. 2018-19

Particulars	Rs.	Rs.
Salaries		
Salary including dearness allowance		6,50,000
Bonus		50,000
Employer's contribution to recognized provident fund in excess of 12% of salary (i.e., 3% of Rs.6,50,000)		19,500
Conveyance allowance (Fully exempt under section 10(14)(i) read with Rule 2BB(1)(c), assuming that it is granted to meet the expenditure actually incurred on conveyance in performance of duties of an office or employment of profit).		Nil
Children education allowance (Rs.500 x 12)	6,000	
Less: Exempt under section 10(14) (Rs.100 x 2 x 12)	2,400	3,600
Value of perquisites:		
(i) Salary of servant [Rule 3(3)]	48,000	
(ii) Free gas, electricity and water [Rule 3(4)]	82,000	
(iii) Cost of free education provided by employer (Rs. 2,500 x 12) is fully taxable, since the cost of education exceeds Rs.1,000 per month [Rule 3(5)].	30,000	
(iv) Computer provided in the residence of employee by the employer-not chargeable to tax [Rule3(7)(vii)]	Nil	1,60,000
Income chargeable under the head "Salaries"		**8,83,100**
Income from house property		
Let-out property (At Dwarka)		
Gross Annual Value (GAV) (Lease rental is taken as GAV in the absence of other information) (Rs.35,000 × 12)	4,20,000	
Less: Municipal taxes paid	12,000	
Net Annual Value (NAV)	4,08,000	
Less: Deduction under section 24(a): 30% of NAV* **(A)**	1,22,400	
(A)	2,85,600	
Self-occupied property (At Rohini)		
Net Annual Value (NAV) [Since the property is self-occupied]	Nil	

* No separate deduction is allowable in respect of insurance.

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Less: Deduction under section 24(b)		
Interest on loan from State Bank of India @11% of Rs.18,50,000 = Rs.2,03,500 restricted to	(2,00,000)	
(B)	(2,00,000)	
Income from house property **[A - B]**		**85,600**
Income from Other Sources		
Gift received from two friends [taxable under section 56(2)(x)] since the aggregate amount received during the year exceeds Rs.50,000 (Rs.45,000 x 2)		90,000
Gross Total Income		**10,58,700**

4. The residential status of Mrs. Bhawna and Mrs. Prerna has to be determined on the basis of the number of days of their stay in India. Since Mrs. Bhawna is settled in Malaysia since 1986, she would be a non-resident for A.Y. 2018-19. Her visit to India for a month every year would not change her residential status. However, Mrs. Prerna would be resident and ordinarily resident for A.Y. 2018-19, since she is settled in India permanently since 1994.

Based on their residential status, the gross total income of Mrs. Bhawna and Mrs. Prerna would be determined as follows:

Computation of Gross Total Income of Mrs. Bhawna & Mrs. Prerna for the A.Y. 2018-19

S. No.	Particulars	Mrs. Bhawna (Non-Resident) (Rs.)	Mrs. Prerna (Resident) (Rs.)
(i)	Income from profession in Malaysia (set up in India) received there ***(See Note below)***	-	-
(ii)	Profit from business in Delhi, but managed directly from Malaysia ***(See Note below)***	40,000	-
(iii)	Rent (computed) from property in Malaysia deposited in a Bank at Malaysia, later on remitted to India through approved banking channels ***(See Note below)***	-	-
(iv)	Dividend from PQR Ltd. an Indian Company ***[Exempt under section 10(34), both in the hands of non-resident and resident]***	-	-
(v)	Agricultural income from land in Maharashtra ***[Exempt under section 10(1), both in the hands of non-resident and resident].***	-	-
(vi)	Past foreign untaxed income brought to India ***[Not taxable, since it does not represent income of the P.Y.2017-18].***	-	-
(vii)	Fees for technical services rendered in India, but received in Malaysia ***(See Note below)***	25,000	-
(viii)	Income from a business in Pune (Mrs. Bhawna receives 50% of the income in India) ***(See Note below)***	12,000	15,000
Gross Total income		**77,000**	**15,000**

Note:

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

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

Therefore, income from profession in Malaysia and rent from property in Malaysia received in Malaysia by Mrs. Bhawna, a non-resident, would not be taxable in India, since both the accrual and receipt are outside India.

However, profit from business in Delhi would be taxable in India in the hands of Mrs. Bhawna, even though it is managed directly from Malaysia.

Further, by virtue of section 9(1)(vii), fees for technical services rendered in India would also be taxable in the hands of Mrs. Bhawna, since it is deemed to accrue or arise in India.

The entire income from a business in Pune is taxable in the hands of both Mrs. Bhawna and Mrs. Prerna due to their accrual/deemed accrual in India, even though a part of income from business in Pune is received by Mrs. Bhawna outside India.

5 (a) Computation of Total Income of Mr. Prince for the A.Y.2018-19

Particulars	Rs.	Rs.
Salaries		
Income from salaries	2,20,000	
Less: Loss from house property	1,90,000	30,000
Profits and gains of business or profession		
Income from speculation business	30,000	
Less: Loss from toy business set off	30,000	Nil
Capital gains		
Long-term capital gains from sale of urban land	2,50,000	
Less: Loss from toy business set off	2,10,000	40,000
Income from other sources		
Income from betting		45,000
Gross total income/ Total Income		**1,15,000**

Losses to be carried forward:

	Particulars	Rs.
(1)	Loss from toy business**(Rs.2,40,000 – Rs.30,000 – Rs.2,10,000)**	Nil
(2)	Loss from specified business covered by section 35AD	20,000

Notes:

(i) Long-term capital gains from sale of listed shares in a recognized stock exchange is exempt under section 10(38). Loss from an exempt source cannot be set off against profits from a taxable source. Therefore, long-term capital loss on sale of listed shares cannot be set-off against long-term capital gains from sale of urban land.

(ii) Loss from specified business covered by section 35AD can be set-off only against profits and gains of any other specified business. Therefore, such loss cannot be set off against any other income. The unabsorbed loss has to be carried forward for set-off against profits and gains of any specified business in the following year.

(iii) Business loss cannot be set off against salary income. However, the balance business loss of Rs.2,10,000 (Rs.2,40,000 – Rs.30,000 set-off against income from speculation business) can be set-off against long-term capital gains of Rs.2,50,000 from sale of urban land. Consequently, the taxable long-term capital gains would be Rs. 40,000.

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(iv) Income from betting is chargeable at a flat rate of 30% under section 115BB and no expenditure or allowance can be allowed as deduction from such income, nor can any loss be set-off against such income.

(b) In the given case, Mr. Raju gifted a sum of Rs.10 lacs to his brother's minor daughter on 7.4.2017 and simultaneously, his brother gifted debentures worth Rs.12 lacs to Mr. Raju's wife on 16.4.2017. Mr. Raju's brother's minor daughter invested the gifted amount of Rs.10 lacs in fixed deposit with Bank of India.

These transfers are in the nature of cross transfers. Accordingly, the income from the assets transferred would be assessed in the hands of the deemed transferor because the transfers are so intimately connected to form part of a single transaction and each transfer constitutes consideration for the other by being mutual or otherwise.

If two transactions are inter-connected and are part of the same transaction in such a way that it can be said that the circuitous method was adopted as a device to evade tax, the implication of clubbing provisions would be attracted†.

As per section 64(1A), all income of a minor child is includible in the hands of the parent, whose total income, before including minor's income is higher. Accordingly, the interest income arising to Mr. Raju's brother's daughter from fixed deposits would be included in the total income of Mr. Raju's brother, assuming that Mr. Raju's brother's total income is higher than his wife's total income, before including minor's income. Mr. Raju's brother can claim exemption of Rs. 1,500 under section 10(32).

Interest on debentures arising in the hands of Mrs. Raju would be taxable in the hands of Mr. Raju as per section 64(1)(iv).

This is because both Mr. Raju and his brother are the indirect transferors of the income to their spouse and minor daughter, respectively, with an intention to reduce their burden of taxation.

In the hands of Mr. Raju, interest received by his spouse on debentures of Rs.10 lacs alone would be included and not the entire interest income on the debentures of Rs.12 lacs, since the cross transfer is only to the extent of Rs.10 lacs.

Hence, only proportional interest (i.e., 10/12th of Rs. 90,000, being interest on debentures received) Rs. 75,000 would be includible in the hands of Mr. Raju.

The provisions of section 56(2)(x) are not attracted in respect of sum of money transferred or value of debentures transferred, since in both the cases, the transfer is from a relative.

6. (a) The following persons (mentioned in Column III below) are authorised as per section 140, to verify the return of income filed under section 139:

I	II	III
(i)	Political party	Chief Executive Officer of such party (whether known as secretary or by any other designation).
(ii)	Local authority	Principal Officer thereof.
(iii)	Association of Persons	Any member of the association or the principal officer thereof.
(iv)	LLP	Designated partner, or Any partner,

† It was so held by the Apex Court in *CIT vs. Keshavji Morarji (1967) 66 ITR 142.*

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		- where the designated partner is not able to verify the return for any unavoidable reason; - where there is no designated partner.

OR

(a) A return of loss is a return which shows certain losses. Section 80 provides that the losses specified therein cannot be carried forward, unless such losses are determined in pursuance of return filed under the provisions of section 139(3).

Section 139(3) states that to carry forward the losses specified therein, the return should be filed within the time specified in section 139(1).

Following losses are covered by section 139(3):

- business loss to be carried forward under section 72(1),
- speculation business loss to be carried forward under section 73(2),
- loss from specified business to be carried forward under section 73A(2).
- loss under the head "Capital Gains" to be carried forward under section 74(1); and
- loss incurred in the activity of owning and maintaining race horses to be carried forward under section 74A(3)

However, loss from house property to be carried forward under section 71B and unabsorbed depreciation can be carried forward even if return of loss has not been filed as required under section 139(3).

(b) (i) Section 194J provides for deduction of tax at source @10% from any sum paid by way of any remuneration or fees or commission, by whatever name called, to a resident director, which is not in the nature of salary on which tax is deductible under section 192. The threshold limit of Rs. 30,000 upto which the provisions of tax deduction at source are not attracted in respect of every other payment covered under section 194J is, however, not applicable in respect of sum paid to a director.

Therefore, tax@10% has to be deducted at source under section 194J in respect of the sum of Rs. 19,000 paid by ABC Ltd. to its director.

(ii) Provisions of tax deduction at source under section 194C are attracted in respect of payment by a firm to a sub-contractor. Under section 194C, tax is deductible at the time of credit or payment, whichever is earlier @ 1% if the payment is made to an individual

The aggregate amount credited during the year is Rs.4,20,000. Tax is deductible @ 1% on Rs. 4,20,000.

(iii) As per the provisions of section 194J, a Hindu Undivided Family is required to deduct tax at source on fees paid for professional services only if it is subject to tax audit under section 44AB in the financial year preceding the current financial year.

However, if such payment made for professional services is exclusively for the personal purpose of any member of Hindu Undivided Family, then, the liability to deduct tax at source is not attracted.

Therefore, in the given case, even if Mr. A (HUF) is liable to tax audit in the immediately preceding financial year, the liability to deduct tax at source is not attracted in this case since, the fees for professional service to Dr. Khanna is paid for a personal purpose i.e. the surgery of a member of the family.

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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. Kanhaiya for the month of January, 2018

S.No.	Particulars	(Rs.)	GST (Rs.)
(i)	Intra-State supply of goods		
	CGST @ 9% on Rs. 6,00,000	54,000	
	SGST @ 9% on Rs. 6,00,000	54,000	1,08,000
(ii)	Inter-State supply of goods		
	IGST @ 18% on Rs. 2,00,000		36,000

Computation of total ITC

Particulars	CGST @ 9% (Rs.)	SGST @ 9% (Rs.)	IGST @ 18% (Rs.)
Opening ITC	15,000	35,000	20,000
Add: ITC on Intra-State purchases of goods valuing Rs. 4,00,000	36,000	36,000	
Add: ITC on Inter-State purchases of goods valuing Rs. 50,000			9,000
Total ITC	51,000	71,000	29,000

Computation of GST payable from cash ledger

Particulars	CGST @ 9% (Rs.)	SGST @ 9% (Rs.)	IGST @ 18% (Rs.)
GST payable	54,000	54,000	36,000
Less: ITC	(51,000)-CGST	(54,000)-SGST	(29,000)-IGST
			(7,000)-SGST
Net GST payable	**3,000**	**Nil**	**Nil**

Note: ITC of SGST has been used to pay SGST and IGST in that order.

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(b) Computation of ITC available with Radiance Soap Factory

Particulars	Amount (Rs.)
Soap making machine [Note-1]	50,000
Motor vehicles for transportation of inputs [Note-2]	70,000
Membership of 'Amaze' health and fitness centre for its employees [Note-3]	Nil
Inputs stolen from the factory [Note-4]	Nil
Total ITC available	1,20,000

Notes:-

1. ITC in respect of goods used in course/furtherance of business is available in terms of section 16 of the CGST Act.
2. ITC in respect of motor vehicles and conveyances is blocked, except when used, inter alia, for transportation of goods, in terms of section 17(5) of the CGST Act.
3. ITC in respect of membership of a club, health and fitness centre is blocked in terms of section 17(5) of the CGST Act.
4. ITC in respect of goods stolen is blocked in terms of section 17(5) of the CGST Act.

2. (a) Computation of value of taxable supply of product A made by Euphoria Ltd. for the month of March, 2018

Particulars	Rs.
List price of product A	15,00,000
Add: Subsidy amounting to Rs. 2,10,000 received from Central Government [Note-1]	NIL
Subsidy received from NGO [Note-2]	50,000
Tax levied by the Municipal Authority [Note-3]	20,000
Packing charges [Note-4]	15,000
Late fees received in March, 2018 from recipient of supply for delayed payment [Note-5] (assumed to be inclusive of taxes) [Rs. 6,000 x 100/118] rounded off	5,085
Value of taxable supply	**15,90,085**
GST payable (Rs. 15,90,085 x 18%) rounded off	**2,86,215**

Notes:-

1. Since subsidy is received from Government, the same is not includible in the value in terms of section 15 of the CGST Act, 2017.
2. Since subsidy is received from a non-Government body, the same is includible in the value in terms of section 15 of the CGST Act, 2017.
3. Tax levied by the Municipal Authority is includible in the value as per section 15 of the CGST Act, 2017.
4. Packing charges being incidental expenses, the same are includible in the value as per section 15 of the CGST Act, 2017.
5. Late fees paid by recipient of supply for delayed payment is includible in the value as per section 15 of the CGST Act, 2017.

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(b) Recipient of supply of goods or services or both, means —

(i) where a consideration is payable for the supply of goods or services or both, the person who is liable to pay that consideration;

(ii) where no consideration is payable for the supply of goods, the person to whom the goods are delivered or made available, or to whom possession or use of the goods is given or made available; and

(iii) where no consideration is payable for the supply of a service, the person to whom the service is rendered,

and (i) any reference to a person to whom a supply is made shall be construed as a reference to the recipient of the supply, and (ii) shall include an agent acting as such on behalf of the recipient in relation to the goods or services or both supplied.

3. (a) A registered person, whose aggregate turnover in the preceding financial year did not exceed Rs. 1 crore [Rs. 75 lakh in case of special category States except Jammu and Kashmir and Uttarakhand], may opt for composition scheme vide section 10 of CGST Act, 2017.

However, he shall not be eligible to opt for composition scheme if, *inter alia,* he is engaged in the supply of services other than restaurant services.

In the given case, since M/s Modish and Stylish Company is engaged in supply of interior decorator's service, it is not eligible to opt for composition scheme irrespective of its turnover in the preceding financial year.

Therefore, the answer will remain the same i.e., the company will not be eligible to opt for composition scheme even with the change in the turnovers as given in the second case.

Further, where more than one registered persons are having the same Permanent Account Number, the registered person shall not be eligible to opt for composition scheme unless all such registered persons opt to pay tax under composition scheme.

Therefore, the answer will not change in the third case also as all the registrations under the same PAN are required to opt for composition scheme and since the supply of interior decorator service is ineligible for composition scheme, supply of readymade garments too becomes ineligible for composition scheme.

(b) Section 12(4) of CGST Act, 2017 provides that in case of supply of vouchers by a supplier, the time of supply shall be the date of issue of invoice, if the supply is identifiable at that point; or the date of redemption of vouchers, in all other cases.

As the coupons can be used for a variety of food items, which are taxed at different rates, the supply cannot be identified at the time of purchase of the coupons. Therefore, the time of supply of the coupons is the date of their redemption in terms of section 12(4) of CGST Act.

4. (a) Debit note is required to be issued

(i) if taxable value charged in the tax invoice is found to be less than the taxable value in respect of supply of goods and/or services or

(ii) if tax charged in the tax invoice is found to be less than the tax payable in respect of supply of goods and/or services

Credit note is required to be issued:-

(i) If taxable value charged in the tax invoice is found to exceed the taxable value in respect of supply of goods and/or services, or

(ii) If tax charged in the tax invoice is found to exceed the tax payable in respect of supply of goods and/or services, or

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(iii) if goods supplied are returned by the recipient, or

(iv) if goods and/or services supplied are found to be deficient.

(b) (i) CIN is Challan Identification Number. It is generated by the banks indicating that the payment has been realized and credited to the appropriate government account against a generated challan.

(ii) The new payment system benefits the taxpayer and the commercial tax department in the following ways:-

Benefits to Taxpayer: -

- No more queues and waiting for making payments as payments can be made online 24 X 7.
- Electronically generated challan from GSTN common portal in all modes of payment and no use of manually prepared challan. Paperless transactions.
- Instant online receipts for payments made online.
- Tax consultants can make payments on behalf of the clients.
- Single challan form to be created online, replacing the three or four copy Challan.
- Greater transparency.

Benefits to the Commercial Tax Department:-

- Revenue will come earlier into the Government Treasury as compared to the old system.
- Logical tax collection data in electronic format.
- Speedy accounting and reporting.
- Electronic reconciliation of all receipts.
- Warehousing of digital challan.

Note – Any three points each may be mentioned for Tax payer and Commercial Tax Department.

5. (a) A supplier whose aggregate turnover in a financial year exceeds Rs. 20 lakh in a State/UT [Rs. 10 lakh in Special Category States except Jammu and Kashmir] is liable to apply for registration within 30 days from the date of becoming liable to registration (i.e., the date of crossing the threshold limit of Rs. 20 lakh/Rs. 10 lakh).

Where the application is submitted within the said period, the effective date of registration is the date on which the person becomes liable to registration; otherwise it is the date of grant of registration.

In the given case, the applicable turnover limit for registration will be Rs. 20 lakh as Punjab is not a Special Category State.

(i) Since Ganesh Ltd. applied for registration within 30 days of becoming liable to registration, the effective date of registration is 25th August, 2017.

(ii) In this case, since Ganesh Ltd. applies for registration after the expiry of 30 days from the date of becoming liable to registration, the effective date of registration is 5th October, 2017.

(b) (i) The given statement is false.

Where a registered person is supplying taxable as well as exempted goods or services or both to an unregistered person, a single "invoice-cum-bill of supply" may be issued for all such supplies.

(ii) The said statement is true.

A non-banking financial company is allowed to issue a consolidated tax invoice or any other document in lieu thereof for the supply of services made during a month at the end of the

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month.

(c) The State levies which are subsumed in GST are as under:-

- State surcharges and cesses in so far as they relate to supply of goods & services
- Entertainment Tax (except those levied by local bodies)
- Tax on lottery, betting and gambling
- Entry Tax (All Forms) & Purchase Tax
- VAT/ Sales tax
- Luxury Tax
- Taxes on advertisements

Note: *Any of the four points may be mentioned.*

6. (a) Every registered person, other than

- an Input Service Distributor,
- a person deducting/collecting tax at source,
- a casual taxable person and
- a non-resident taxable person,

shall furnish an annual return for every financial year electronically in prescribed form on or before 31st December following the end of such financial year.

Every registered person who is required to get his accounts audited under section 35(5) of the CGST Act, 2017 shall furnish the annual return electronically along with a copy of the audited annual accounts and a reconciliation statement, reconciling the value of supplies declared in the return furnished for the financial year with the audited annual financial statement, and other prescribed particulars.

(b) The explanation to section 15 of CGST Act, 2017 provides as under:-

(a) persons shall be deemed to be "related persons" if —

(i) such persons are officers or directors of one another's businesses;

(ii) such persons are legally recognised partners in business;

(iii) such persons are employer and employee;

(iv) any person directly or indirectly owns, controls or holds twenty-five per cent or more of the outstanding voting stock or shares of both of them;

(v) one of them directly or indirectly controls the other;

(vi) both of them are directly or indirectly controlled by a third person;

(vii) together they directly or indirectly control a third person; or they are members of the same family;

(b) the term "person" also includes legal persons;

(c) persons who are associated in the business of one another in that one is the sole agent or sole distributor or sole concessionaire, howsoever described, of the other, shall be deemed to be related.

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