PAPER 4: TAXATION

SECTION A: INCOME TAX

PART I: STATUTORY UPDATE

The Income-tax law, as amended by the Finance Act, 2017, including significant notifications/ circulars issued upto 30th April, 2018, are applicable for November, 2018 examination. The relevant assessment year for November, 2018 examination is A.Y.2018-19. The significant notifications/circulars issued upto 30.04.2018, relevant for November, 2018 examination, but not covered in the July 2017 edition of the Study Material, are given hereunder:

CHAPTER 2: RESIDENCE AND SCOPE OF TOTAL INCOME

Clarification regarding liability to income-tax in India of a non-resident seafarer receiving remuneration in NRE (Non-Resident External) account maintained with an Indian Bank [Circular No.13/2017, dated 11.04.2017 and Circular No.17/2017, dated 26.04.2017]

Income by way of salary, received by non-resident seafarers, for services rendered outside India on-board foreign ships, is being subjected to tax in India for the reason that the salary has been received by the seafarer into the NRE bank account maintained in India by the seafarer. On receiving representations in this regard, the CBDT has examined the matter. It noted that section 5(2)(a) of the Income-tax Act, 1961 provides that only such income of a non-resident shall be subjected to tax in India that is either received or is deemed to be received in India.

Accordingly, the CBDT has, vide this circular, clarified that that salary accrued to a non-resident seafarer for services rendered outside India on a foreign going ship (with Indian flag or foreign flag) shall not be included in the total income merely because the said salary has been credited in the NRE account maintained with an Indian bank by the seafarer.

CHAPTER 4: HEADS OF INCOME
UNIT IV: CAPITAL GAINS

Long-term specified asset notified for the purpose of claiming exemption under section 54EC [Notification No. 47/2017, dated 08.06.2017 and Notification No. 79/2017, dated 08.08.2017]

Section 54EC provides exemption from chargeability of capital gain from the transfer of a long-term capital asset where the assessee has invested the whole or any part of the capital gain in a long-term specified asset. As per clause (ba) of *Explanation* to section 54EC "long term specified asset" means any bond redeemable after three years and issued on or after 01.04.07 by the National Highways Authority of India (NHAI) or by the Rural Electrification Corporation Limited (RECL) or any other bond notified by the Central Government in this behalf.

Accordingly, the Central Government has, vide these notifications, notified any bond redeemable after three years and issued by the **Power Finance Corporation Limited** on or

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after 15.06.17 or by the **Indian Railway Finance Corporation Limited** on or after 08.08.17 as 'long-term specified asset'.

CHAPTER 4: HEADS OF INCOME
UNIT V: INCOME FROM OTHER SOURCES

Clarification regarding trade advance not to be treated as deemed dividend under section 2(22)(e) – [Circular No. 19/2017, dated 12.06.2017]

Section 2(22)(e) provides that "dividend" includes any payment by a company in which public are not substantially interested, of any sum by way of **advance or loan** to a shareholder who is the beneficial owner of shares holding not less than 10% of the voting power, or to any concern in which such shareholder is a member or a partner and in which he has a substantial interest or any payment by any such company on behalf, or for the individual benefit, of any such shareholder, to the extent to which the company in either case possesses accumulated profits.

The CBDT observed that some Courts in the recent past have held that trade advances in the nature of commercial transactions would not fall within the ambit of the provisions of section 2(22)(e) and such views have attained finality.

In view of the above, the CBDT has, vide this circular, clarified that it is a settled position that trade advances, which are in the nature of commercial transactions, would not fall within the ambit of the word 'advance' in section 2(22)(e) and therefore, the same would not to be treated as deemed dividend.

CHAPTER 7: DEDUCTIONS FROM GROSS TOTAL INCOME

Contributory Health Service Scheme notified for the purpose of section 80D [Notification No. 9 /2018 dated 16-2-2018]

Under section 80D, a deduction to the extent of ₹ 25,000 (₹ 30,000, in case of resident senior citizens) is allowed in respect of premium paid to effect or keep in force an insurance on the health of self, spouse and dependent children or any contribution made to the Central Government Health Scheme or such other health scheme as may be notified by the Central Government.

Accordingly, the Central Government has, vide this notification, notified the Contributory Health Service Scheme of the Department of Atomic Energy, contribution to which would qualify for deduction under section 80D.

CHAPTER 9: ADVANCE TAX AND TAX DEDUCTION AT SOURCE

Deduction of tax at source on interest income accrued to minor child, where both the parents have deceased [Notification No. 05/2017, dated 29.05.2017]

Under Rule 31A(5) of the Income-tax Rules, 1962, the Director General of Income-tax (Systems) is authorized to specify the procedures, formats and standards for the purposes of furnishing and

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verification of, *inter alia*, the statements and shall be responsible for the day-to-day administration in relation to furnishing and verification of the statements in the manner so specified.

The Principal Director General of Income-tax (Systems) has, in exercise of the powers delegated by the CBDT under Rule 31A(5), specified that in case of minors where both the parents have deceased, TDS on the interest income accrued to the minor is required to be deducted and reported against PAN of the minor child unless a declaration is filed under Rule 37BA(2) that credit for tax deducted has to be given to another person.

Deduction of tax at source on interest on deposits made under Capital Gains Accounts Scheme, 1988 where depositor has deceased - Notification No. 08/2017, dated 13.09.2017

The Principal Director General of Income-tax (Systems) has, in exercise of the powers delegated by the CBDT under Rule 31A(5), vide this notification, specified that in case of deposits under the Capital Gains Accounts Scheme, 1988 where the depositor has deceased:

(i) TDS on the interest income accrued for and upto the period of death of the depositor is required to be deducted and reported against PAN of the depositor, and

(ii) TDS on the interest income accrued for the period after death of the depositor is required to be deducted and reported against PAN of the legal heir,

unless a declaration is filed under Rule 37BA(2) that credit for tax deducted has to be given to another person.

No requirement to deduct tax at source under section 194-I on remittance of Passenger Service Fees (PSF) by an Airline to an Airport Operator [Circular No. 21/2017, dated 12.06.2017]

Section 194-I requires deduction of tax at source at specified percentage on any income payable to a resident by way of rent. *Explanation* to this section defines the term "rent" as any payment, by whatever name called, under any lease, sub-lease, tenancy or any other agreement or arrangement for the use of any (a) land; or (b) building; or (c) land appurtenant to a building; or (d) machinery; (e) plant; (f) equipment (g) furniture; or (h) fitting, whether or not any or all of them are owned by the payee.

The primary requirement of any payment to qualify as rent is that the payment must be for the use of land and building and mere incidental/minor/insignificant use of the same while providing other facilities and service would not make it a payment for use of land and buildings so as to attract section 194-I.

Accordingly, the CBDT has, *vide* this circular, clarified that the provisions of section 194-I shall **not** be applicable on payment of PSF by an airline to Airport Operator.

Clarification regarding TDS on Goods and Services Tax (GST) component comprised in payments made to residents [Circular No. 23/2017 dated 19.07.2017]

The CBDT had, vide Circular No. 1/2014 dated 13.01.2014, clarified that wherever in terms of the agreement or contract between the payer and the payee, the service tax component

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comprised in the amount payable to a resident is indicated separately, tax shall be deducted at source on the amount paid or payable without including such service tax component.

In order to harmonize the same treatment with the new system for taxation of services under the GST regime w.e.f. 01.07.2017, the CBDT has, vide this circular, clarified that wherever in terms of the agreement or contract between the payer and the payee, the component of 'GST on services' comprised in the amount payable to a resident is indicated separately, tax shall be deducted at source on the amount paid or payable without including such 'GST on services' component.

GST shall include Integrated Goods and Services Tax, Central Goods and Services Tax, State Goods and Services Tax and Union Territory Goods and Services Tax.

Further, for the purposes of this Circular, any reference to "service tax" in an existing agreement or contract which was entered into prior to 01.07.2017 shall be treated as "GST on services" with respect to the period from 01.07.2017 onward till the expiry of such agreement or contract.

Guidance on income-tax deduction from salaries under section 192 during the financial year 2017-18 [Circular No. 29/2017, dated 05-12-2017]

This CBDT Circular contains the rates for deduction of income-tax from the payment of income chargeable under the head "Salaries" during the financial year 2017-18 and explains certain provisions of the Income-tax Act, 1961 and Income-tax Rules, 1962, including the broad scheme of TDS from Salaries, persons responsible for deducting tax at source from Salaries and their duties, computation of income under the head "Salaries" etc.

Students may read/download this circular by using the following link - https://www.incometaxindia.gov.in/communications/circular/circular29_2017.pdf

CHAPTER 10: PROVISIONS FOR FILING RETURN OF INCOME

Persons who are not required to quote Aadhar Number or Enrolment ID in application form for allotment of PAN and in return of income [Notification No. 37/2017 dated 11.05.2017]

Section 139AA requires every person who is eligible to obtain Aadhar Number to mandatorily quote Aadhar Number or Enrolment ID of Aadhar application form, on or after 1st July, 2017 in the application form for allotment of PAN and in the return of income. However, this provision shall not applicable to such person or class or classes of persons or any State or part of any State as may be notified by the Central Government.

Accordingly, the Central Government has, vide this notification effective from 01.07.2017, notified that the provisions of section 139AA relating to quoting of Aadhar Number would 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.

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Income Tax Return Forms notified for Assessment Year 2018-19 [Notification No. 16/2018, dated 3-4-2018]

The CBDT has notified Income-tax Return Forms (ITR Forms) for the Assessment Year 2018-19 *vide* this Notification. The ITR Forms and its applicability have been detailed below:

ITR Form No	Applicability
1	A one page simplified ITR 1 (SAHAJ) can be filed by an individual who **is resident other than not ordinarily resident**, having income from salaries, one house property, income from other sources (interest etc.). and having total income upto ₹ 50 lakh.
2	Individuals and HUFs having not having income from business or profession shall be eligible to file ITR 2.
3	Individuals and HUFs having income under the head "Profits and gains of business or profession" have to file ITR 3.
4	ITR 4 (SUGAM) can be used by eligible assessees having presumptive income from business or profession. Thus, eligible assessees having only presumptive income under section 44AD, 44ADA or 44AE, under the head "Profits and gains of business or profession" have to file return in ITR 4. In addition, they may have salary income, income from house property and income from other sources (excluding winnings from lottery and income from race horses, income taxable under section 115BBDA and income of the nature referred to in section 115BBE). Any person having agricultural income in excess of ₹ 5,000 cannot use ITR 4. Further, a person claiming relief of foreign tax paid under section 90, 90A or 91 cannot use this form. Also, this form cannot be used by a resident having any asset (including financial interest in any entity) located outside India or signing authority in any account located outside India and by a resident having income from any source outside India.
5	ITR 5 can be used by persons other than individual, HUF, company and person filing Form ITR 7.
6	ITR 6 can be used by companies other than companies claiming exemption under section 11.
7	ITR 7 can be used by persons including companies required to furnish return under sections 139(4A) or 139(4B) or 139(4C) or 139(4D) or 139(4E) or 139(4F).

All these ITR Forms are to be filed electronically. However, where return is furnished in ITR Form-1 (SAHAJ) or ITR-4 (SUGAM), the following persons have an option to file return in paper form:

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

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(ii) an Individual or HUF whose income does not exceed five lakh rupees and who has not claimed any refund in the Return of Income.

Amendments to the Tax Return Preparer Scheme, 2006 as notified u/s 139B [Notification No. 4/2018, dated 19-01-2018]

Section 139B provides that for the purpose of enabling any specified class or classes of persons in preparing and furnishing returns of income, the CBDT may, without prejudice to the provisions of section 139, frame a Scheme, by notification in the Official Gazette, providing that such persons may furnish their returns of income through a Tax Return Preparer (TRP) authorised to act as such under the Scheme.

Accordingly, *vide Notification No 358/2006 dated 28.11.2006*, the CBDT had notified the "Tax Return Preparer Scheme, 2006". Later on, the said scheme was amended vide Notification No 84/2010 dated 22.11.2010. Vide this notification, the said scheme is further amended so as to widen the scope of the Scheme. The amended portion is given in ***bold italics*** in the second column below:

Particulars	Contents
Applicability of the scheme	The scheme is applicable to all eligible persons.
Eligible person	Any person being an individual or a Hindu undivided family.
Tax Return Preparer	Any individual who has been issued a "Tax Return Preparer Certificate" and a "unique identification number" under this Scheme by the Partner Organisation to carry on the profession of preparing the returns of income in accordance with the Scheme. However, the following person are not entitled to act as TRP: (i) any officer of a scheduled bank with which the assessee maintains a current account or has other regular dealings. (ii) any legal practitioner who is entitled to practice in any civil court in India. (iii) an accountant.
Educational qualification for Tax Return Preparers	***An individual, who holds a bachelor degree from a recognised Indian University or institution, or has passed the intermediate level examination conducted by the Institute of Chartered Accountants of India or the Institute of Company Secretaries of India or the Institute of Cost Accountants of India, shall be eligible to act as TRP.***
Preparation of and furnishing the Return of Income by the TRP	An eligible person may, at his option, furnish his return of income u/s 139 for any assessment year after getting it prepared through a TRP:

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	However, the following eligible persons (an individual or a HUF) cannot furnish a return of income for an assessment year through a TRP: (i) who is carrying out business or profession during the previous year and accounts of the business or profession for that previous year are required to be audited under section 44AB or under any other law for the time being in force; or (ii) who is not a resident in India during the previous year. An eligible person cannot furnish a revised return of income for any assessment year through a TRP unless he has furnished the original return of income for that assessment year through such or any other TRP. Further, a return of income which is required to be furnished in response to a notice under section 142(1)(i) or under section 148 or under section 153A cannot be prepared or furnished through a TRP.

***Note** - The limit for gratuity notified under the Payment of Gratuity Act, 1972 has been increased from ₹ 10 lakh to ₹ 20 lakh with effect from 29.3.2018.*

PART II: QUESTIONS AND ANSWERS

QUESTIONS

1. Mr. Sahil, a citizen of India, serving in the Ministry of Human Resources in India, was transferred to Indian Embassy in Germany on 15th March 2017. His income during the financial year 2017-18 is given here under:

Particulars	₹
Rent from a house situated at Australia, received in Australia. Thereafter, remitted to Indian bank account.	4,80,000
Interest accrued on National Saving Certificate	25,600
Interest on Post office savings bank account	3,200
Salary from Government of India	8,15,000
Foreign Allowances from Government of India	9,00,000

Mr. Sahil did not come to India during the financial year 2017-18. Compute his Gross Total Income for the Assessment year 2018-19.

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2. Mr. Charan grows paddy and uses the same for the purpose of manufacturing of rice in his own Rice Mill. He furnished the following details for the financial year 2017-18:

   - Cost of cultivation of 40% of paddy produce is ₹ 9,00,000 which is sold for ₹ 18,50,000.
   - Cost of cultivation of balance 60% of paddy is ₹ 14,40,000 and the market value of such paddy is ₹ 28,60,000.
   - Incurred ₹ 3,60,000 in the manufacturing process of rice on the balance (60%) paddy. The rice was sold for ₹ 38,00,000.

   Compute the Business income and Agricultural Income of Mr. Charan for A.Y. 2018-19.

3. You are required to compute the income chargeable under the head Salaries in the hands of Mr. Narayan for the assessment year 2018-19 from the following details pertaining to the financial year 2017-18:

Particulars	₹
Basic salary	7,20,000
Dearness allowance	3,60,000
Commission	60,000
Entertainment allowance	7,500
Medical expenses reimbursed by the employer	25,000
Profession tax (of this, 50% paid by employer)	3,000
Health insurance premium paid by employer	9,000
Gift voucher given by employer on his birthday	15,000
Life insurance premium of Narayan paid by employer	42,000
Laptop provided for use at home. Actual cost of Laptop to employer [Children of the assessee are also using the Laptop at home]	45,000
Employer company owns a motor car, which was provided to the assessee, both for official and personal use. All repair and maintenance expenses are fully reimbursed by the employer. No driver was provided. (Engine cubic capacity less than 1.6 litres).	
Annual credit card fees paid by employer [Credit card is not exclusively used for official purposes]	5,000

4. Mr. Ranjan owns a shop whose construction got completed in August 2016. He took a loan of ₹ 22 lakhs from Bank of Baroda on 1-8-2015 and had been paying interest calculated at 9% per annum.

   During the financial year 2017-18, the shop was let out at a monthly rent of ₹ 45,000. He paid municipal tax of ₹ 18,000 each for the financial year 2016-17 and 2017-18 on 25-5-2017 and 15-4-2018, respectively.

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Compute income under the head 'House Property' of Mr. Ranjan for the Assessment year 2018-19, assuming that the entire amount of loan is outstanding on the last day of the current previous year.

5. Mr. Chauhan is having a trading business and his Trading and Profit & Loss Account for the financial year 2017-18 is as under:

Particulars	Amount (₹)	Particulars	Amount (₹)
To Opening stock	1,50,000	By Sales	2,70,00,000
To Purchase	2,49,00,000	By Closing stock	1,00,000
To Gross profit	20,50,000		
Total	**2,71,00,000**	**Total**	**2,71,00,000**
Salary to employees (Including Contribution to PF)	5,00,000	By Gross Profit b/d	20,50,000
Donation to Prime Minister Relief Fund	1,00,000		
Provision for bad debts	50,000		
Bonus to employees	50,000		
Interest on bank loan	50,000		
Family planning expenditure incurred on employees	20,000		
Depreciation	30,000		
Income-tax	1,00,000		
To Net profit	11,50,000		
Total	**20,50,000**	**Total**	**20,50,000**

Other information:

(i) He incurred expenditure on furniture & fixtures of ₹ 35,000, which is paid in cash on 25.7.2017 to M/s Décor World.

(ii) Depreciation allowable ₹ 40,000 [excluding depreciation on furniture & fixtures refer in (i) above] as per Income-tax Rules, 1962.

(iii) No deduction of tax at source on payment of interest on bank loan has been made.

(iv) Out of salary, ₹ 25,000 pertains to his contributions to recognized provident fund which was deposited after the due date of filing return of income. Further, employees contribution of ₹ 25,000 was also deposited after the due date of filing return of income.

Compute business income of Mr. Chauhan for the Assessment Year 2018-19.

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6. Mr. Sahu entered into an agreement with Mr. Devansh to sell his residential house located at New Delhi on 27.07.2017 for ₹ 82,00,000. Mr. Devansh was handed over the possession of the property on 16.12.2017 and the registration process was completed on 24.02.2018.

   Mr. Devansh had paid the sale proceeds in the following manner;

   (i) 25% through account payee bank draft on the date of agreement.

   (ii) 50% on the date of the possession of the property.

   (iii) Balance after the completion of the registration of the title of the property.

   The value determined by the Stamp Duty Authority on 27.07.2017 was ₹ 92,00,000 whereas on 24.02.2018 it was ₹ 94,50,000.

   Mr. Sahu had acquired the property on 01.04.2002 for ₹ 21,00,000. After recovering the sale proceeds from Devansh, he purchased another residential house property in Navi Mumbai for ₹ 35,00,000.

   Cost Inflation Index for Financial Year(s)

2001-02	-	100
2002-03	-	105
2017-18	-	272

   Compute the total income of Mr. Sahu for the Assessment Year 2018-19 and his net tax liability/refund due for that year, assuming that he has earned income of ₹ 12,000 from Savings Bank A/c and received income of ₹ 84,000 (Net of TDS) from lotteries. Assume that the tax deductible at source, if any, on consideration for sale of residential house has been deducted.

7. (a) Mr. Pranav has 15% shareholding in TRP(P) Ltd. (engaged in trading business of toys) and has also 50% share in Pranav & Sons, a partnership firm. The accumulated profit of TRP(P) Ltd. is ₹ 30 lakh. Pranav & Sons had taken a loan of ₹ 35 lakh from TRP(P) Ltd.

   Examine whether the above loan can be treated as dividend as per the provisions of the Income-tax Act, 1961.

   (b) Discuss the taxability or otherwise in the hands of the recipients, as per the provisions of the Income-tax Act, 1961:

   (i) MNS Private Limited, a closely held company, issued 12,000 shares at ₹ 125 per share. (The face value of the share is ₹ 80 per share and the fair market value of the share is ₹ 110 per share).

   (ii) Mr. Arun received an advance of ₹ 56,000 on 11-09-2017 against the sale of his house. However, due to non-payment of instalment in time, the contract has cancelled and the amount of ₹ 56,000 was forfeited.

   (iii) Mr. Nitin, transferred a house property to his son Mr. Raj without consideration. The value of the house is ₹ 12 lacs as per the Registrar of stamp duty.

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(iv) Mr. Tanmay gifted a refrigerator to his sister's daughter Tannu on her marriage. The fair market value of the refrigerator is ₹ 75,000.

8. Saharsh gifted ₹ 12 lakhs to his wife, Sandhya on her birthday on, 1st February, 2017. Sandhya lent ₹ 6,00,000 out of the gifted amount to Karuna on 1st April, 2017 for six months on which she received interest of ₹ 60,000. The said sum of ₹ 60,000 was invested in shares of a listed company on 3rd October, 2017, which were sold for ₹ 85,000 on 30th March, 2018. Securities transactions tax was paid on such sale. The balance amount of gift was invested on 1st April 2017, as capital by Sandhya in her new business. She suffered loss of ₹ 25,000 in the business in Financial Year 2017-18.

In whose hands the above income and loss shall be included in Assessment Year 2018-19, assume that capital invested in the business was entirely out of the funds gifted by her husband. Support your answer with brief reasons.

9. From following information furnished for the year ended 31-03-2018, compute the total income of Mr. Arihant for A.Y. 2018-19 and show the items eligible for carry forward and upto which assessment year:

Particulars	Amount (₹)
Long-term capital gain from sale of urban land	2,30,000
Long-term capital loss on sale of shares (STT not paid)	85,000
Long-term capital loss on sale of listed shares in recognized stock exchange (STT paid both at the time of acquisition and sale)	1,02,000
Loss from speculative business X	25,000
Income from speculative business Y	15,000
Loss from specified business covered under section 35AD	40,000
Income from salary	3,50,000
Loss from house property	2,20,000
Income from trading business	75,000

Following are details of unabsorbed depreciation and the brought forward losses:

(1) Unabsorbed depreciation of ₹ 11,000 pertaining to A.Y 2017-18.

(2) Losses from owning and maintaining of race horses pertaining to A.Y. 2017-18 ₹ 5,000.

(3) Brought forward loss from trading business ₹ 8,000 relating to A.Y.2014-15.

10. Mr. Anay manufactures toys in a factory located in Noida. His profit from the manufacture of toys for Assessment year 2018-19 is ₹ 1.85 crore and total turnover is ₹ 18.70 crore.

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On 1st April 2017, there were 100 employees engaged in his factory. Due to increase in demand of his products, he employed 140 additional employees during the previous year 2017-18 comprises of:

(a) 15 casual employees employed on 15th April 2017 till 31st January 2018 on monthly emolument of ₹ 22,000 per month

(b) 40 regular employees employed on 1st May, 2017 on monthly emolument of ₹ 22,000 per month

(c) 25 contractual employees employed on 1st July 2017 for 2 years on monthly emolument of ₹ 15,000 per month

(d) 35 regular employees employed on 1st August, 2017 on monthly emolument of ₹ 30,000 per month

(e) 25 regular employees employed on 1st October, 2017 on monthly emolument of ₹ 22,000 per month

Compute the deduction under Section 80JJAA, if available to Mr. Anay for Assessment year 2018-19, assuming that monthly emoluments were paid by use of ECS. The regular and contractual employees participate in the recognised provident fund while casual employees do not.

Would your answer be different if Mr. Anay is engaged in the manufacture of apparel? Examine.

*[**Note** - Ignore the amount of deduction available under section 80JJAA to Mr. Anay, for the employees employed in preceding previous years, while computing the deduction under 80JJAA for the assessment year 2018-19]*

11. You are required to compute the total income and tax liability of Mr. Anoop, a resident individual aged 55 years, for the Assessment Year 2018-19 from the following information shown in his Profit and Loss Account for the year ended 31st March 2018:

(i) The net profit was ₹ 8,40,000.

(ii) Depreciation debited in the books of account was ₹ 1,05,000.

(iii) The following incomes were credited in the Profit & Loss Account:

(a) Interest on notified government securities ₹ 32,000

(b) Dividend from a foreign company ₹ 28,000.

(c) Gold chain worth ₹ 78,000 received as gift from his mother.

(iv) Interest on loan amounting to ₹ 82,000 was paid in respect of capital of ₹ 8,20,000 borrowed for the purchase of new plant & machinery which has been put to use on 12th April, 2018.

(v) General expenses included:

(a) An expenditure of ₹ 18,500 which was paid by a bearer cheque.

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(b) Compensation of ₹ 4,500 paid to an employee while terminating his services in business unit.

Additional Information:

(1) Depreciation allowable as per Income-tax Act, 1961 was ₹ 1,16,000 [without considering depreciation on new plant & machinery referred to in (iv) above].

(2) He contributed the following amounts by cheque:

(a) ₹ 48,000 in Sukanya Samridhi Scheme in the name of his minor daughter Anya.

(b) ₹ 23,000 to the Clean Ganga Fund set up by the Central Government.

(c) ₹ 28,000 towards premium for health insurance and ₹ 2,500 on account of preventive health check up for self and his wife.

(d) ₹ 35,000 on account of medical expenses of his father aged 82 years (no insurance scheme had been availed on the health of his father).

12. Shurya Bank Ltd., a banking company to which the Banking Regulations Act, 1949 applies, has paid interest of ₹ 7,000 to Mr. Bhuwan, a resident Indian, from its Lucknow branch and ₹ 8,000 from Kanpur branch. If the bank has not adopted core banking solutions, is tax required to be deducted at source from such interest payments made on 31-3-2018? Examine the provisions of the Income-tax Act, 1961 in this regard.

Will your answer be different if the bank has adopted core banking solutions?

13. Mr. Shikhar, aged 52 years, provides you the following information and requests you to determine his advance tax liability with due dates for the financial year 2017-18.

Estimated tax liability for the financial year 2017-18	₹ 85,000
Tax deducted at source for this year	₹ 15,000

(i) Would your answer change if Mr. Shikhar is eligible for and has opted for presumptive tax provisions under section 44AD and his tax liability is entirely on account of such income (ignore TDS)?

(ii) What would be your answer if, instead of section 44AD, he is eligible for and has opted for presumptive tax provisions under section 44AE?

14. Mr. Atharv filed his return of income on 30th September, 2018 related to Assessment Year 2018-19. In the month of October 2018, his tax consultant found that the interest on fixed deposit was omitted in the tax return. Can Mr. Atharv file a revised return?

Assume that the due date for furnishing return of income in his case, was 31st July, 2018 and the assessment was not completed till the month of October 2018.

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SUGGESTED ANSWERS

1. Mr. Sahil is a non-resident for the A.Y.2018-19, since he was not present in India at any time during the previous year 2017-18 [Section 6(1)].

As per section 5(2), a non-resident is chargeable to tax in India only in respect of following incomes:

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

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

Computation of Gross Total Income of Mr. Sahil for A.Y. 2018-19

Particulars	₹
Salaries	
Salary from Government of India	8,15,000
(Income chargeable under the head 'Salaries' payable by the Government to a citizen of India for services rendered outside India is deemed to accrue or arise in India under section 9(1)(iii). Hence, such income is taxable in the hands of Mr. Sahil, a citizen of India, even though he is a non-resident and rendering services outside India)	
Foreign Allowances from Government of India	Nil
[Any allowances or perquisites paid or allowed as such outside India by the Government of India to a citizen of India for rendering service outside India is exempt under section 10(7)].	
Income from House Property	
Rent from a house situated at Australia, received in Australia	Nil
(Income from property situated outside India would not be taxable in India in the hands of a non-resident, since it is neither accruing or arising in India nor is it deeming to accrue or arise in India nor is it received in India)	
Income from Other Sources	
Interest accrued on National Savings Certificate is taxable[1]	25,600
Interest on Post office savings bank account – exempt upto ₹ 3,500	Nil
Gross Total Income	**8,40,600**

[1] *It is assumed that Mr. Sahil follows mercantile system of accounting.*

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2. Computation of Business Income and Agriculture Income of Mr. Charan for A.Y. 2018-19

Particulars	Business Income	Agricultural Income	
	₹	₹	₹
Sale of Rice			
Business income			
Sale Proceeds of Rice	38,00,000		
Less: Market Value of paddy (60%)	28,60,000		
Less: Manufacturing expenses	3,60,000		
	5,80,000		
Agricultural Income			
Market value of paddy (60%)		28,60,000	
Less: Cost of cultivation		14,40,000	
			14,20,000
Sale of Paddy			
Agricultural Income			
Sale proceeds of paddy produce (40%)		18,50,000	
Less: Cost of cultivation		9,00,000	
			9,50,000
			23,70,000

3. Computation of income chargeable under the head "Salaries" of Mr. Narayan for A.Y. 2018-19

Particulars	₹
Basic Salary	7,20,000
Dearness allowance	3,60,000
Commission	60,000
Entertainment allowance	7,500
Medical expenses reimbursed by the employer is an exempt perquisite to the extent of ₹ 15,000 [Clause (v) of proviso to section 17(2)]. Therefore, ₹ 10,000, being the reimbursement in excess of ₹ 15,000 is a taxable perquisite.	10,000

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Professional tax paid by the employer is a taxable perquisite as per section 17(2)(iv), since it is an obligation of the employee which is paid by the employer	1,500
Health insurance premium of ₹ 9,000 paid by the employer is an exempt perquisite [Clause (iii) of proviso to section 17(2)]	Nil
Gift voucher given by employer on Mr. Narayan's birthday (entire amount is taxable since the perquisite value exceeds ₹ 5,000) as per Rule 3(7)(iv) **[See Note below]**	15,000
Life insurance premium of Mr. Narayan paid by employer is a taxable perquisite as per section 17(2)(v)	42,000
Laptop provided for use at home is an exempt perquisite as per Rule 3(7)(vii)	Nil
Provision of motor car (engine cubic capacity less than 1.6 litres) owned by employer to employee for both official and personal purposes – perquisite value would be ₹ 21,600 [₹1,800 ×12] as per Rule 3(2)	21,600
Annual credit card fees paid by employer is a taxable perquisite as per Rule 3(7)(v) since the credit card is not exclusively used for official purposes.	5,000
Gross Salary	**12,42,600**
Less: **Deductions under section 16**	
Entertainment allowance (deduction under section 16(ii) not allowable since Mr. Narayan is not a Government employee)	Nil
Professional tax paid allowable as deduction as per section 16(iii)	3,000
Income chargeable under the head "Salaries"	**12,39,600**

***Note**: As per Rule 3(7)(iv), the value of any gift or voucher received by the employee or by member of his household on ceremonial occasions or otherwise from the employer shall be determined as the sum equal to the amount of such gift. However, the value of any gift or voucher received by the employee or by member of his household below ₹ 5,000 in aggregate during the previous year would be exempt as per the proviso to Rule 3(7)(iv). In this case, the gift voucher of ₹ 15,000 was received by Mr. Narayan from his employer on the occasion of his birthday.*

Since the value of the gift voucher exceeds the limit of ₹ 5,000, the entire amount of ₹ 15,000 is liable to tax as perquisite.

***An alternate view** possible is that only the sum in excess of ₹ 5,000 is taxable in view of the language of Circular No.15/2001 dated 12.12.2001, which states that such gifts upto ₹ 5,000 in the aggregate per annum would be exempt, beyond which it would be taxed as a perquisite. As per this view, the value of perquisite would be ₹ 10,000.*

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In such case, the gross salary and net salary would be, ₹ 12,37,600 and ₹ 12,34,600, respectively.

4. Computation of income under the head "House Property" of Mr. Ranjan for A.Y.2018-19

Particulars	**₹**	**₹**
[2]Gross Annual Value (₹ 45,000 x 12)		5,40,000
Less: Municipal taxes **(See Working Note 1)**		18,000
Net Annual Value (NAV)		5,22,000
Less: Deductions under section 24		
(i) 30% of NAV	1,56,600	
(ii) Interest on housing loan **(See Working Note 2)**	2,24,400	
		3,81,000
Income chargeable under the head "House Property"		**1,41,000**

Working Notes:

(1)	**Municipal taxes deductible from Gross Annual Value** As per proviso to section 23(1), municipal taxes **actually paid by the owner during the previous year** is allowed to be deducted from Gross Annual Value. Accordingly, only ₹ 18,000 paid on 25.05.2017 is allowed to be deducted from Gross Annual Value, while computing income from house property of the previous year 2017-18.[3]
(2)	**Interest on housing loan allowable as deduction under section 24** As per section 24(b), interest for the current year (₹ 22,00,000 x 9%) ₹ 1,98,000 **Pre-construction interest** For the period 01.08.2015 to 31.03.2016 (₹ 22,00,000 x 9% x 8/12) = ₹ 1,32,000 ₹ 1,32,000 allowed in 5 equal installments (₹ 1,32,000/5) from P.Y. 2016-17 to P.Y. 2020-21 ₹ 26,400 **₹ 2,24,400**
3.	Deduction under section 24(b), in respect of interest on housing loan for let out property, fully allowed without any limit.

[2] In the absence of information related to municipal value, fair rent and standard rent, the rent receivable has been taken as the Gross Annual Value

[3] The municipal tax of ₹ 18,000 paid on 15.4.2018 would be allowed as deduction while computing income from house property of the previous year 2018-19.

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5. Computation of Business Income of Mr. Chauhan for the A.Y. 2018-19

Particulars	₹	₹
Net profit as per Profit and Loss Account		11,50,000
***Add*: Expenses not deductible**		
Donation to Prime Minister Relief Fund (Refer Note 1)	1,00,000	
Provision for bad debts (Refer Note 2)	50,000	
Family planning expenditure incurred on employees (Refer Note 3)	20,000	
Depreciation as per Profit and Loss Account	30,000	
Income-tax (Refer Note 4)	1,00,000	
Employer's contribution to recognized provident fund (Refer Note 5)	25,000	3,25,000
		14,75,000
***Less*: Expense allowed**		
Depreciation as per Income-tax Rules, 1962 (Refer Note 6)		40,000
		14,35,000
***Add*:** Employee's contribution included in income as per Section 2(24)(x) (Refer Note 7)		25,000
Business Income		**14,60,000**

Notes:-

(1) Donation to Prime Minister Relief Fund is not allowed as deduction from the business income, since it is not incurred wholly and exclusively for business. It is allowed as deduction under section 80G from the gross total income.

(2) Provisions for bad debts is allowable as deduction under section 36(1)(viia) (subject to the limits specified therein) only in case of banks, public financial institutions, State Financial Corporation and State Industrial Investment Corporation. Therefore, it is not allowable as deduction in the case of Mr. Chauhan.

(3) Expenditure on family planning is allowed as deduction under section 36(1)(ix) only to a company assessee. Therefore, such expenditure is not allowable as deduction in the hands of Mr. Chauhan.

(4) Income-tax paid is not allowable as deduction as per the provisions of section 40(a)(ii).

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(5) Since Mr. Chauhan's contribution (Employer's Contribution) to recognized provident fund is deposited after the due date of filing return of income, the same is disallowed as per provisions of section 43B, in computing business income of A.Y. 2018-19.

(6) As per second proviso to section 43(1), the expenditure for acquisition of asset, in respect of which payment to a person in a day exceeds ₹ 10,000 has to be ignored for computing actual cost, if such payment is made otherwise than by way of A/c payee cheque/ bank draft or ECS. Accordingly, depreciation on furniture & fixtures would not be allowed, since payment exceeding ₹ 10,000 (₹ 35,000 in this case) is made in cash. Therefore, no adjustment is required to be made in the amount of depreciation computed as per Income-tax Rules, 1962, since such amount does not include depreciation on furniture & fixtures.

(7) Employee's contribution is includible in the income of the employer by virtue of Section 2(24)(x). The deduction for the same is not provided for as it was deposited after the due date under the Provident Fund Act.

(8) TDS provisions under section 194A are not attracted in respect of payment of interest on bank loan. Therefore, disallowance under section 40(a)(ia) is not attracted in this case.

6. Computation of income chargeable under the head "Capital Gains" for A.Y. 2018-19

Particulars	₹
Capital Gains on sale of residential house	
Actual sale consideration ₹ 82 lakhs	
Value adopted by Stamp Valuation Authority ₹ 92 lakhs	
Full value of sale consideration [Higher of the above]	92,00,000
[As per section 50C, in case the actual sale consideration declared by the assessee is less than the value adopted by the Stamp Valuation Authority for the purpose of charging stamp duty, then, the value adopted by the Stamp Valuation Authority shall be taken to be the full value of consideration. In a case where the date of agreement is different from the date of registration, stamp duty value on the date of agreement can be considered provided the whole or part of the consideration is paid by way of account payee cheque/bank draft or by way of ECS through bank account on or before the date of agreement. In this case, since 25% of ₹ 82 lakhs was paid through account payee bank draft on the date of agreement, stamp duty value on the date of agreement can be adopted as the full value of consideration]	
***Less:* Indexed cost of acquisition of residential house**	
[₹ 21 lakhs x 272/105]	54,40,000

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Long-term capital gains [Since the residential house property was held by Mr. Sahu for more than 24 months immediately preceding the date of its transfer]		**37,60,000**
Less: Exemption under section 54		35,00,000
The capital gain arising on transfer of a long-term residential property shall not be chargeable to tax to the extent such capital gain is invested in the purchase of one residential house property in India within one year before or two years after the date of transfer of original asset.		
Long-term capital gains chargeable to tax		**2,60,000**
Income from Other Sources		
- Interest on Savings Bank A/c	12,000	
- Income from lotteries [₹ 84,000 x 100/70]	1,20,000	
[Under section 194B, tax @ 30% is required to be deducted at source on lottery income at the time of payment, if the amount exceeds ₹ 10,000]		1,32,000
Gross Total Income		**3,92,000**
Less: Deduction under Chapter VI-A: Under section 80TTA, in respect of interest on Savings bank a/c, restricted to		10,000
Total Income		**3,82,000**
Tax Liability		
Tax on total income of ₹ 2,000 i.e., excluding LTCG & lotteries income		Nil
Tax on long-term capital gains @ 20% ₹ 12,000 (₹ 2,60,000 less unexhausted basic exemption limit of ₹ 2,48,000 [₹ 2,50,000 - ₹ 2,000, being total income excluding LTCG & income from lotteries]		2,400
Tax on income from lotteries @ 30%		36,000
		38,400
Add: Education cess @ 2%		768
Add: Secondary and higher education cess @ 1%		384
Tax liability		**39,552**
Less: Tax deducted at source		
- under section 194B on income from lotteries		36,000
- under section 194-IA on transfer of residential house (1% of ₹ 82,00,000)		82,000
Tax refundable		**78,448**

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7. (a) Section 2(22)(e) provides that any payment by a company, not being a company in which public are substantially interested, of any sum by way of advance or loan

- to a shareholder, being a person who is the beneficial owner of shares holding not less than 10% of voting power, or
- to any concern in which such shareholder is a partner and in which he has a substantial interest (i.e., he is beneficially entitled to not less than 20% of the income of such concern)

is deemed as dividend, to the extent the company possesses accumulated profits.

In the present case, the loan given by TRP(P) Ltd. to Pranav & Sons, a partnership firm would be deemed as dividend, since Mr. Pranav is the beneficial owner of 15% shareholding in TRP(P) Ltd. and also has substantial interest in Pranav & Sons (as he is beneficially entitled to 50% of the income of the firm).

However, the amount of loan would be deemed as dividend only to the extent TRP(P) Ltd. possesses accumulated profits. Therefore, out of the loan of ₹ 35 lakhs given to Pranav & Sons, only ₹ 30 lakhs, i.e., to the extent of accumulated profit of TRP(P) Ltd., would be deemed as dividend.

(b)

S. No.	Taxable / Not Taxable	Reason
(i)	**Taxable**	Since MNS Private Limited, a closely held company, issued 12,000 shares at a premium (i.e., issue price exceeds the face value of shares), the excess of the issue price of the shares over the fair market value would be taxable under section 56(2)(viib) in its hands under the head "Income from other sources". Therefore, ₹ 1,80,000 [12,000 × ₹ 15 (₹ 125 – ₹ 110)] shall be taxable as income in the hands of MNS Private Limited under the head "Income from other sources".
(ii)	**Taxable**	Any sum of money received as an advance or otherwise in the course of negotiations for transfer of a capital asset would be chargeable to tax under the head "Income from other sources", if such amount is forfeited and the negotiations do not result in transfer of such capital asset [Section 56(2)(ix)]. Therefore, the amount of ₹ 56,000 received as advance would be chargeable to tax in the hands of Mr. Arun under the head "Income from other sources", since it is forfeited on account of cancellation of contract for transfer of house, being a capital asset, due to non-payment of installment in time.

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(iii)	**Not Taxable**	As per section 56(2)(x), immovable property received without consideration by any person from his relative is **not** taxable. In the present case, since Mr. Nitin is the father of Mr. Raj, ₹ 12 lakhs, being the stamp duty value of house property received, without consideration, would not be chargeable to tax in the hands of Mr. Raj.
(iv)	**Not Taxable**	Refrigerator is **not** included in the definition of "property", for the purpose of taxability under section 56(2)(x) in the hands of the recipient under the head "Income from other sources". Further, the same has been received by Tannu on occasion of her marriage from her maternal uncle, being a relative. Hence, ₹ 75,000, being the fair market value of refrigerator received without consideration from a relative on the occasion of a her marriage is not taxable in the hands of Tannu, even though its value exceeds ₹ 50,000.

8. In computing the total income of any individual, there shall be included all such income as arises directly or indirectly, to the spouse of such individual from assets transferred directly or indirectly, to the spouse by such individual otherwise than for adequate consideration or in connection with an agreement to live apart.

Interest on loan: Accordingly, ₹ 60,000, being the amount of interest on loan received by Mrs. Sandhya, wife of Mr. Saharsh, would be includible in the total income of Mr. Saharsh, since such loan was given by her out of the sum of money received as gift from her husband.

Loss from business: As per *Explanation 2* to section 64, income includes loss. Thus, clubbing provisions would be attracted even if there is loss and not income.

Thus, the entire loss of ₹ 25,000 from the business carried on by Mrs. Sandhya would be includible in the total income of Mr. Saharsh, since as on 1st April 2017, the capital invested was entirely out of the funds gifted by her husband.

Short-term capital gain: The short-term capital gain of ₹ 25,000 (₹ 85,000, being the sale consideration ***less*** ₹ 60,000, being the cost of acquisition) arising in the hands of Mrs. Sandhya from sale of shares acquired by investing the interest income of ₹ 60,000 earned by her (from the loan given out of the sum gifted to her by her husband), would not be included in the hands of Mr. Saharsh. Since securities transaction tax has been paid, such short-term capital gain on sale of listed shares is taxable@15%

Income from the accretion of the transferred asset is not liable to be included in the hands of the transferor and, therefore, such income is taxable in the hands of Mrs. Sandhya.

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9. Computation of total income of Mr. Arihant for the A.Y. 2018-19

Particulars	₹	₹
Salaries		
Income from Salary	3,50,000	
Less: Loss from house property set-off against salary income as per section 71(3A), restricted to	2,00,000	1,50,000
Profits and gains of business or profession		
Income from trading business	75,000	
Less: Brought forward loss from trading business of A.Y. 2014-15 can be set off against current year income from trading business, as per section 72(1), since the eight-year time limit as specified under section 72(3), within which set-off is permitted has not expired.	8,000	
	67,000	
Less: Unabsorbed depreciation	11,000	56,000
Income from speculative business Y	15,000	
Less: Loss from speculative business X to be set-off as per section 73(1)	15,000	
Loss from speculative business X to be carried forward to A.Y.2019-20 as per section 73(2)	10,000	
Capital Gains		
Long term capital gain on sale of urban land	2,30,000	
Less: Long term capital loss on sale of shares (STT not paid) set-off as per section 70(3)]	85,000	1,45,000
Long-term capital loss of ₹ 1,02,000 on sale of listed shares on which STT is paid both at the time of acquisition and sale cannot be set-off against long-term capital gain on sale of urban land since loss from an exempt source cannot be set-off against profit from a taxable source.		
Total Income		**3,51,000**

Items eligible for carried forward to A.Y.2019-20

Particulars	₹
Loss from House Property	20,000
As per section 71(3A), Loss from house property can be set-off against any other head of income to the extent of ₹ 2,00,000 only.	

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As per section 71B, balance loss not set-off can be carried forward to the next year for set-off against income from house property of that year. It can be carried forward for a maximum of eight assessment years i.e., upto A.Y. 2026-27, in this case.	
Loss from speculative business X Loss from speculative business can be set-off only against profits from any other speculation business. As per section 73(2), balance loss not set-off can be carried forward to the next year for set-off against speculative business income of that year. Such loss can be carried forward for a maximum of four assessment years i.e., upto A.Y. 2022-23, in this case, as specified under section 73(4).	10,000
Loss from specified business under section 35AD Loss from specified business under section 35AD can be set-off only against profits of any other specified business. If loss cannot be so set-off, the same has to be carried forward to the subsequent year for set off against income from specified business, if any, in that year. As per section 73A(2), such loss can be carried forward indefinitely for set-off against profits of any specified business .	40,000
Loss from the activity of owning and maintaining race horses Losses from the activity of owning and maintaining race horses (current year or brought forward) can be set-off only against income from the activity of owning and maintaining race horses. If it cannot be so set-off, it has to be carried forward to the next year for set-off against income from the activity of owning and maintaining race horses, if any, in that year. It can be carried forward for a maximum of four assessment years, i.e., upto A.Y.2021-22, in this case as specified under section 74A(3).	5,000

10.

Computation of deduction under section 80JJAA
Mr. Anay is eligible for deduction under section 80JJAA since he is subject to tax audit under section 44AB for A.Y.2018-19, as his total turnover from business exceeds ₹ 1 crore and he has employed "additional employees" during the P.Y.2017-18.
Additional employee cost = [₹ 22,000 × 40 new regular employees × 11 months] + [₹ 15,000 per month × 9 months × 25 new contractual employees]
= ₹ 96,80,000 + ₹ 33,75,000 = ₹ 1,30,55,000
Deduction under section 80JJAA = 30% of ₹ 1,30,55,000 = ₹ 39,16,500.

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Working Note: Number of Additional employees employed during the P.Y.2017-18

Particulars		No. of additional employees	
Total number of additional employees employed during the year			140
Less:	Casual workmen employed on 15th April 2017, who do not participate in the recognised provident fund	15	
	Regular employees employed on 1st August 2017, since their total monthly emoluments exceed ₹ 25,000	35	
	Regular employees employed on 1st October 2017, for a period of less than 240 days during the P.Y.2017-18	25	75
Total number of additional employees employed during the P.Y.2017-18			65

Yes, the answer would be different, if Mr. Anay is engaged in the business of manufacture of apparel. Since the number of days of employment in a year has been relaxed from 240 days to 150 days in case of apparel industry, wages paid to regular employees employed on 1.10.2017 would also qualify for deduction under section 80JJAA for A.Y. 2018-19.

Additional employee cost = ₹ 1,30,55,000 + ₹ 33,00,000 (₹ 22,000 x 6 x 25)

= ₹ 1,63,55,000

Deduction under section 80JJAA = 30% of ₹ 1,63,55,000 = ₹ 49,06,500

11. Computation of total income of Mr. Anoop for the Assessment Year 2018-19

Particulars	₹	₹	₹
Profits and gains from business or profession			
Net profit as per profit and loss account		8,40,000	
Less: **Income credited to profit and loss account but not taxable under this head**			
Interest on notified government securities	32,000		
Dividend from foreign company	28,000		
Gift of gold chain received from his mother	78,000	1,38,000	
		7,02,000	
Add: Depreciation debited in the books of account		1,05,000	
		8,07,000	

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Add: **Expenses debited to profit and loss account but not allowable as deduction**			
Interest on capital borrowed for purchase of plant & machinery [As per the proviso to section 36(1)(iii), the interest on loan borrowed for purchase of new asset which is not put to use upto 31.3.2018 not allowable as deduction. The said amount has to be added to the cost of the asset[4]. Since the amount has been debited to profit and loss account, it has to be added back].	82,000		
Expenditure in excess of ₹ 10,000 paid by bearer cheque to be disallowed as per section 40A(3)	18,500		
Compensation paid to an employee on termination of his services in the business unit is allowable on the grounds of commercial expediency. Hence, no disallowance is attracted	-	1,00,500	
		9,07,500	
Less: Depreciation allowable under the Income-tax Act, 1961 [Depreciation on new plant & machinery would not be allowed, since it was not put to use during the previous year 2017-18]		1,16,000	7,91,500
Income from Other Sources			
Interest on notified Government Securities, exempt under section 10(15)		-	
Dividend from foreign company [(not exempt under section 10(34)]		28,000	
Gift of gold chain received from his mother is not taxable, since mother is a relative [clause (I) of proviso to section 56(2)(x)]		-	28,000
Gross Total Income			**8,19,500**

[4] No depreciation is allowable on such amount since the asset was not put to use during the P.Y. 2017-18.

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***Less*: Deductions under Chapter VI-A**			
Under section 80C			
Deposit in Sukanya Samridhi Scheme		48,000	
Under section 80D			
Medical insurance premium			
Self and wife ₹ 28,000 + ₹ 2,500 preventive health check up, subject to a maximum of	25,000		
Medical expenses of father, being a very senior citizen, ₹ 35,000, since there is no insurance policy in his name, restricted to	30,000	55,000	
Under section 80G			
Donation to Clean Ganga Fund (qualifies for 100% deduction)		23,000	1,26,000
Total Income			**6,93,500**
Tax on total income @ 5% on ₹ 2,50,000 (₹ 5,00,000 *less* ₹ 2,50,000, being the basic exemption limit) plus @20% on ₹ 1,93,500 (in excess of ₹ 5,00,000)			51,200
Add: Education cess @2%			1024
Add: Secondary and higher education cess @1%			512
Tax Payable			**52,736**
Tax Payable (rounded off)			**52,740**

12. Tax is deductible @10% under section 194A in respect of interest credited or paid by a banking company, if the same exceeds ₹ 10,000.

This threshold is with reference to interest credited or paid by a branch of the bank, where the bank has not adopted core banking solutions.

On the other hand, if the bank has adopted core banking solutions, then, the threshold of ₹ 10,000 would apply in respect of the aggregate interest credited or paid by all the branches of the bank.

Therefore, if Shurya Bank Ltd. has not adopted core banking solutions, it need not deduct tax on interest of ₹ 7,000 and ₹ 8,000 paid by its Lucknow Branch and Kanpur Branch, respectively, to Mr. Bhuwan, since the interest paid by each branch does not exceed ₹ 10,000.

However, if Shurya Bank Ltd. has adopted core banking solutions, it has to deduct tax at source@10% on ₹ 15,000 (₹ 7,000 + ₹ 8,000) under section 194A, since the aggregate interest paid by its Lucknow and Kanpur branches exceed ₹ 10,000.

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13. Determination of Advance Tax Liability of Mr. Shikhar

Particulars	₹
Estimated tax liability for the financial year 2017-18	85,000
Less: Tax deducted at source	15,000
Tax payable	**70,000**

Due Date of installment	Amount payable	₹
On or before 15th June, 2017	Not less than 15% of advance tax liability	10,500
On or before 15th September, 2017	Not less than 45% of advance tax liability *less* amount paid in earlier installment	21,000 (₹ 31,500, being 45% of ₹ 70,000 - ₹ 10,500)
On or before 15th December, 2017	Not less than 75% of advance tax liability *less* amount paid in earlier installment(s)	21,000 (52,500, being 60% of ₹ 70,000 - ₹ 31,500)
On or before 15th March, 2018	Whole of the advance tax liability *less* amount paid in earlier installment(s)	17,500 (70,000, being 100% of ₹ 70,000 - ₹ 52,500)

In case he is eligible for presumptive tax provisions under section 44AD and his entire tax liability is on account of such income, he can pay his entire advance tax liability in one installment on or before 15.3.2018, without attracting interest under section 243C.

This benefit would, however, not be available if he is eligible for and has opted for presumptive tax provisions under section 44AE, in which case he has to pay his advance tax in four installments as indicated above, failing which interest under section 234C would be attracted.

14. As per section 139(5), if any person, having furnished a return under section 139(1), within the due date or a belated return under section 139(4), discovers any omission or any wrong statement therein, he may furnish a revised return at any time –

(a) before the end of the relevant assessment year or

(b) before the completion of assessment,

whichever is earlier.

For assessment year 2018-19, the belated return has to be **furnished before 31st March 2019 or before completion of assessment**, whichever is earlier.

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Since Mr. Atharv has filed **his return after 31.7.2018**, being the due date of filing return of income under section 139(1) in his case, **but before 31.3.2019/completion of assessment**, the said return is a **belated return**.

Thus, in the present case, Mr. Atharv **can file a revised return**, since he has found an omission in the belated return filed by him for A.Y.2018-19 and assessment is yet to be completed[5] and 31.3.2019, being the end of A.Y.2018-19 has not elapsed.

[5] As of October 2018

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SECTION B: INDIRECT TAXES

QUESTIONS

(1) All questions should be answered on the basis of the position of GST law as amended up to 30.04.2018.

(2) The GST rates for goods and services mentioned in various questions are hypothetical and may not necessarily be the actual rates leviable on those goods and services. Further, GST compensation cess should be ignored in all the questions, wherever applicable.

1. M/s. Shri Durga Corporation Pvt. Ltd. is a supplier of goods and services at Kolkata. It has furnished the following information for the month of February, 20XX:

	Particulars	Amount (₹)
(i)	Intra-State sale of taxable goods including ₹ 1,00,000 received as advance in January, 20XX, the invoice for the entire sale value is issued on 15th February, 20XX	4,00,000
(ii)	Goods purchased from unregistered dealer on 20th February, 20XX (Inter-State purchases are worth ₹ 30,000 and balance purchases are intra-State)	1,00,000
(iii)	Services provided by way of labour contracts for repairing a single residential unit otherwise than as a part of residential complex (It is an intra-State transaction)	1,00,000
(iv)	Goods transport services received from a GTA. GTA is paying tax @12% (It is an inter-State transaction)	2,00,000

Compute net GST liability (CGST, SGST or IGST, as the case may be) of M/s Shri Durga Corporation Pvt. Ltd. for the month of February, 20XX.

Assume the rates of GST, unless otherwise specified, as under:

CGST	9%
SGST	9%
IGST	18%

Note:-

(i) The turnover of M/s. Shri Durga Corporation Pvt. Ltd. was ₹ 2.5 crore in the previous financial year.

(ii) All the amounts given above are exclusive of taxes.

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2. Cloud Seven Private Limited, a registered supplier, is engaged in the manufacture of taxable goods. The company provides the following information pertaining to GST paid on the purchases made/input services availed by it during the month of February, 20XX :

	Particulars	GST paid (₹)
(i)	Trucks used for the transport of raw material	1,20,000
(ii)	Foods and beverages for consumption of employees working in the factory	40,000
(iii)	Inputs are to be received in five lots, out of which third lot was received during the month	80,000
(iv)	Membership of a club availed for employees working in the factory	1,50,000
(v)	Capital goods (out of five items, invoice for one item was missing and GST paid on that item was ₹ 50,000)	4,00,000
(vi)	Raw material (to be received in March, 20XX)	1,50,000

Determine the amount of input tax credit available with Cloud Seven Private Limited for the month of February, 20XX by giving necessary explanations for treatment of various items. All the conditions necessary for availing the input tax credit have been fulfilled.

3. M/s. Handsome and Likemi Company, a partnership firm at Mumbai is running a mobile phone showroom. Along with mobile phone showroom, it is also engaged in providing health and fitness services.

Turnover of the mobile phone showroom was ₹ 78 lakh and receipts of the health and fitness service was ₹ 26 lakh in the preceding financial year.

(i) With reference to the provisions of the CGST Act, 2017, examine whether the firm can opt for the composition scheme,

(ii) Will your answer change, if the turnover of the mobile phone showroom was ₹ 74 lakh and receipts of the health and fitness service was ₹ 18 lakh in the preceding financial year?

(iii) If M/s. Handsome and Likemi Company obtain separate registration for their mobile phone showroom & for health fitness centre, can it opt for composition scheme only for mobile phone showroom?

4. Luv & Kush Pvt. Ltd. of Srinagar, Jammu & Kashmir engaged in the supply of gifts items provides you the following details:-

S.No.	Particulars	Date
1.	Commencement of the business of supplying goods	01.08.20XX
2.	Turnover exceeds ₹ 10,00,000 on	15.08.20XX

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3.	Turnover exceeds ₹ 20,00,000 on	05.09.20XX
4.	Application for registration made on	28.09.20XX
5.	Registration certificate granted on	06.10.20XX

The company seeks your advice as to how it should raise revised tax invoices for supplies made. Is there any specific provision for issuance of revised tax invoices to unregistered customers? Explain.

5. Red Pepper Ltd., Delhi, a registered supplier, is manufacturing taxable goods. It provides the following details of taxable inter-State supply made by it for the month of March, 20XX.

Particulars	Amount in (₹)
List price of goods supplied inter-state (exclusive of taxes)	15,00,000
Subsidy received from Central Government for supply of taxable goods to Government School.	2,10,000
Subsidy received from a NGO for supply of taxable goods to an old age home	50,000
Tax levied by Municipal Authority	20,000
Packing charges	15,000
Late fee paid by the recipient of supply for delayed payment of invoice	6,000

The list price of the goods takes into account the two subsidies received. However, the other charges/taxes/fee are charged to the customers over and above the list price. Calculate the value of taxable supply made by M/s Red Pepper Ltd. for the month of March, 20XX. Rate of IGST is 18%.

6. (i) Explain the meaning of the term "date of receipt of payment" as per section 13 of the CGST Act, 2017.

(ii) List any four activities which shall be neither treated as supply of goods nor a supply of services under the GST law.

7. Examine whether GST is payable in the following independent supply of services:

(i) Indiana Engineering College, a recognised educational institution, has conducted an entrance test examination for various courses run by it and charged entrance fees from the applicants.

(ii) Ramfal Lalaji, an agriculturist, has stored sugarcane in a warehouse. He has taken fumigation services in the said warehouse from Gupta Pest Control Co. for which he paid the consideration of ₹ 6,000.

8. (i) With reference to the provisions of GST law, briefly answer the following questions:-

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(a) Income is received by Maharashtra Government from renting of immovable property to Ganpati Morya Pvt. Ltd., registered in Maharashtra (Turnover of the company was ₹ 18 lakh in the preceding financial year). Is GST payable in the present case? If yes, who is liable to pay the same?

(b) Mr. Vivek Goyal, director of A2Z Pvt. Ltd. Company has received sitting fee amounting to ₹ 1 lakh from A2Z Pvt. Ltd for attending the Board meetings.

(ii) Explain the meaning of the term "input tax" under section 2(62) of CGST Act, 2017.

9. (i) Discuss the circumstances where registration is liable to be cancelled.

(ii) Explain the order in which liability of taxable person has to be discharged under GST laws.

10. Examine whether the activity of import of service in the following independent cases would amount to supply under section 7 of the CGST Act, 2017?

(i) Miss Shriniti Kaushik received vaastu consultancy services for her residence located at Bandra, Mumbai from Mr. Racheal of Sydney (Australia). The amount paid for the said service is 5,000 Australian dollar.

(ii) Miss Shriniti Kaushik received vaastu consultancy services for her residence located at Bandra, Mumbai from her brother, Mr. Varun residing in Sydney (Australia). Further, Miss Shriniti did not pay any consideration for the said service.

(iii) Miss Shriniti Kaushik received vaastu consultancy services for her business premises located at Bandra, Mumbai from her brother, Mr. Varun residing in Sydney (Australia). Further, Miss Shriniti did not pay any consideration for the said service.

SUGGESTED ANSWERS/HINTS

1. Computation of GST liability of M/s. Shri Durga Corporation Pvt. Ltd. for the month of February, 20XX

Particulars	Value of Supply	CGST (₹)	SGST (₹)	IGST (₹)
Intra -State sale of taxable goods [Note-1]	4,00,000	36,000	36,000	
Goods purchased from unregistered dealer on 20th February, 20XX [Note-2]	Nil	Nil	Nil	
Services rendered by way of labour contracts for repairing a single residential unit otherwise than as a part of residential complex [Note-3]	1,00,000	9,000	9,000	
Goods transport services received from GTA [Note-4]	2,00,000			Nil

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Total GST liability for the month of February, 20XX	45,000	45,000	Nil
Less: Input tax credit available [Note-5] (₹ 2,00,000 x 12%)	24,000		
Net GST liability for the month of February, 20XX	21,000	45,000	Nil

Notes:

1. Section 12 of CGST Act, 2017 read with *Notification No. 66/2017 CT dated 15.11.2017* provides that the time of supply for all suppliers of goods (excluding composition suppliers) is the time of issue of invoice, without any turnover limit. Thus, liability to pay tax on the advance received in January, 20XX will also arise in the month of February, when the invoice for the supply is issued.
2. All intra-State and inter-State procurements made by a registered person from unregistered person have been exempted from reverse charge liability, without any upper limit for daily procurements upto 30.06.2018*[1]. [*Notification No. 8/2017 CT (R) dated 28.06.2017 as amended and Notification No. 32/2017 IT(R) dated 13.10.2017 as amended]*
3. Services by way of pure labour contracts of construction, erection, commissioning, or installation of original works pertaining to a single residential unit otherwise than as a part of a residential complex are exempt vide *Notification No. 12/2017 CT(R) dated 28.06.2017*. Labour contracts **for repairing** are thus, taxable.
4. As per *Notification No. 13/2017 CT(R) dated 28.06.2017*, GST is payable by the recipient on reverse charge basis on the receipt of services of transportation of goods by road from a goods transport agency (GTA) provided such GTA has **not** paid GST @ 12%. Since in the given case, services have been received from a GTA who has paid GST @ 12%, reverse charge provisions will not be applicable.
5. Input tax credit is available for the services received from GTA. The input tax credit of IGST can be used against IGST, CGST and SGST in the respective order vide section 49(5) of CGST Act, 2017.

2. Computation of input tax credit (ITC) available with Cloud Seven Private Limited for the month of February, 20XX

Particulars	**₹**
Trucks used for the transport of raw material [Note-1]	1,20,000
Foods and beverages for consumption of employees working in the factory [Note-2]	Nil
Inputs are to be received in five lots, out of which third lot was received during the month [Note-3]	Nil

* The above exemptions have been extended till 30.09.2018 vide *Notification No. 12/2018 CT(R) dated 29.06.2018* and *Notification No. 13/2018 IT(R) dated 29.06.2018.*

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Membership of a club availed for employees working in the factory [Note-4]	Nil
Capital goods (out of five items, invoice for one item was missing and GST paid on that item was ₹ 50,000) [Note-5]	3,50,000
Raw material to be received in March, 20XX [Note-6]	Nil
Total ITC	**4,70,000**

Notes:-

1. ITC on motor vehicles is disallowed in terms of section 17(5) of the CGST Act, 2017, except when they are used *inter alia*, for transportation of goods.
2. 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)].
3. When inputs are received in instalments, ITC can be availed only on receipt of last instalment- [Section 16(2)].
4. Membership of a club is specifically disallowed under section 17(5) of the CGST Act, 2017.
5. ITC cannot be taken on missing invoice. The registered person should have the invoice in its possession to claim ITC [Section 16(2) of CGST Act, 2017] .
6. Input tax credit is available only upon the receipt of goods in terms of section 16(2) of CGST Act, 2017.

3. A registered person, whose aggregate turnover in the preceding financial year did not exceed ₹ 1 crore [₹ 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.

(i) In the given case, since M/s Handsome and Likemi Company is engaged in supply of health and fitness service, it is not eligible to opt for composition scheme irrespective of its turnover in the preceding financial year.

(ii) The answer will remain the same i.e., M/s. Handsome & Likemi Company will not be eligible to opt for composition scheme even with the change in the turnovers.

(iii) 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, M/s. Handsome and Likemi Company will not be able to opt for composition scheme only for mobile phone showroom as all the registrations under

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the same PAN have to opt for composition scheme and since the supply of health and fitness service is ineligible for composition scheme, supply of mobile phones too becomes ineligible for composition scheme.

4. A supplier whose aggregate turnover in a financial year exceeds ₹ 20 lakh in a State/UT [₹ 10 lakh in special category states except Jammu & Kashmir and Uttarakhand] 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 ₹ 20 lakh/ ₹ 10 lakh) vide section 22 of CGST Act, 2017.

Where the application is submitted within 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.

Every registered person who has been granted registration with effect from a date earlier than the date of issuance of registration certificate to him, may issue revised tax invoices in respect of taxable supplies effected during this period within 1 month from the date of issuance of registration certificate.

In the given case, Luv & Kush Pvt. Ltd is located in Jammu & Kashmir, a special category state. Though the turnover limit for special category states is ₹ 10 lakh, Jammu & Kashmir has opted for turnover limit of ₹ 20 lakh for the purpose of registration. Thus, since Luv & Kush Pvt. Ltd. has made the application for registration within 30 days of becoming liable for registration, the effective date of registration becomes the date on which the company becomes liable to registration i.e. 05.09.20XX.

Thus, Luv & Kush Pvt. Ltd. may issue revised tax invoices against the invoices already issued during the period between effective date of registration (05.09.20XX) and the date of issuance of registration certificate (06.10.20XX), within 1 month from 06.10.20XX.

Further, Luv & Kush Pvt. Ltd may issue a consolidated revised tax invoice in respect of all taxable supplies made to unregistered dealers during such period. However, in case of inter-State supplies made to unregistered dealers, a consolidated revised tax invoice cannot be issued if the value of a supply exceeds ₹ 2,50,000.

5. Computation of value of taxable supply made by Red Pepper Ltd. for the month of March, 20XX

Particulars	**₹**
List price of the goods	15,00,000
Add: Subsidy amounting to ₹ 2,10,000 received from Central Government	NIL
[Since subsidy is received from Government, the same is not includible in the value in terms of section 15 of the CGST Act, 2017]	
Subsidy received from NGO	50,000

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[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]	
Tax levied by the Municipal Authority	20,000
[Includible in the value as per section 15 of the CGST Act, 2017]	
Packing charges	15,000
[Being incidental expenses, the same are includible in the value as per section 15 of the CGST Act, 2017]	
Late fees paid by recipient of supply for delayed payment [Includible in the value as per section 15 of the CGST Act, 2017] (assumed to be inclusive of taxes) [₹ 6,000 x 100/118] rounded off	5,085
Value of taxable supply	**15,90,085**

6. **(i)** "Date of receipt of payment" in terms of section 13 of CGST Act, 2017 refers to the

(a) date on which the payment is recorded in the books of account of the entity (supplier of service) that receives the payment, or

(b) the date on which the payment is credited to the entity's bank account,

whichever is earlier.

(ii) Section 7(2)(a) of CGST Act, 2017 read with Schedule III specifies the activities or transactions which shall be treated neither as a supply of goods nor a supply of services:

1. Services by an employee to the employer in the course of or in relation to his employment.
2. Services by any court or Tribunal established under any law for the time being in force.
3. (a) Functions performed by the Members of Parliament, Members of State Legislature, Members of Panchayats, Members of Municipalities and Members of other local authorities;

   (b) Duties performed by any person who holds any post in pursuance of the provisions of the Constitution in that capacity; or

   (c) Duties performed by any person as a Chairperson or a Member or a Director in a body established by the Central Government or a State Government or local authority and who is not deemed as an employee before the commencement of this clause.
4. Services of funeral, burial, crematorium or mortuary including transportation of the deceased.

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5. Sale of land and, subject to paragraph 5(b) of Schedule II, sale of building.

6. Actionable claims, other than lottery, betting and gambling.

[Note:- Any four points may be mentioned.]

7. (i) Services provided by an educational institution by way of conduct of entrance examination against consideration in the form of entrance fee are exempt from GST vide *Notification No. 12/2017 CT (R) dated 28.06.2017* as amended.

Since in the given case, services provided by Indiana Engineering College, an educational institution are by way of conduct of entrance examination against entrance fee, the same is exempt and thus, GST is not payable in this case.

(ii) Services by way of fumigation in a warehouse of agricultural produce are exempt from GST vide *Notification No. 12/2017 CT (R) dated 28.06.2017* as amended. In the present case, since Gupta Pest Control Co. provides services by way of fumigation in the warehouse of sugarcane [being an agricultural produce], said services are exempt and GST is not payable on the same.

8. (i) (a) *Notification No. 12/2017 CT (R) dated 28.06.2017* has *inter alia* exempted the services provided by the State Government to a business entity with an aggregate turnover of up to ₹ 20 lakh (₹ 10 lakh in case of a Special Category States) in the preceding FY. However, the same shall not apply to services by way of renting of immovable property.

In the given case, services by way of renting of immovable property is provided by Maharashtra Government to Ganpati Morya Pvt. Ltd, registered in Maharashtra. Therefore, the above exemption will not apply in this case even though the turnover of the company was less than ₹ 20 lakh in the preceding financial year. Thus, GST is payable in the given case.

Notification No. 13/2017 CT (R) dated 28.06.2017 as amended *inter alia* provides that reverse charge is applicable in case of services supplied by the State Government by way of renting of immovable property to a person registered under the Central Goods and Services Tax Act, 2017. Thus, GST is payable by Ganpati Morya Pvt. Ltd., being a registered person in the present case.

(b) *Notification No. 13/2017 CT (R) dated 28.06.2017 inter alia* provides that GST on supply of services by director of a company to the said company located in the taxable territory is payable on reverse charge basis.

Therefore, in the given case, person liable to pay GST is the recipient of services, i.e., A2Z Pvt. Ltd. Company.

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(ii) As per section 2(62) of CGST Act, 2017, "**input tax"** in relation to a registered person, means the central tax, State tax, integrated tax or Union territory tax charged on any supply of goods or services or both made to him and includes—

(a) the integrated goods and services tax charged on import of goods;

(b) the tax payable under the provisions of sub-sections (3) and (4) of section 9;

(c) the tax payable under the provisions of sub-section (3) and (4) of section 5 of the IGST Act;

(d) the tax payable under the provisions of sub-section (3) and sub-section (4) of section 9 of the respective SGST Act; or

(e) the tax payable under the provisions of sub-section (3) and sub-section (4) of section 7 of the UTGST Act,

but does not include the tax paid under the composition levy.

9. (i) Section 29(1) of the CGST Act, 2017 provides that the proper officer may, either on his own motion or on an application filed by the registered person or by his legal heirs, in case of death of such person, cancel the registration, in such manner and within such period as may be prescribed, having regard to the circumstances where:

(a) the business has been discontinued, transferred fully for any reason including death of the proprietor, amalgamated with other legal entity, demerged or otherwise disposed of; or

(b) there is any change in the constitution of the business; or

(c) the taxable person, other than the person registered under sub-section (3) of section 25, is no longer liable to be registered under section 22 or section 24

Further, section 29(2) of the CGST Act, 2017 provides that the proper officer may cancel the registration of a person from such date, including any retrospective date, as he may deem fit, where,—

(a) a registered person has contravened such provisions of the Act or the rules made thereunder as may be prescribed; or

(b) a person paying tax under section 10 has not furnished returns for three consecutive tax periods; or

(c) any registered person, other than a person specified in clause (b), has not furnished returns for a continuous period of six months; or

(d) any person who has taken voluntary registration under sub-section (3) of section 25 has not commenced business within six months from the date of registration;

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or

(e) registration has been obtained by means of fraud, wilful misstatement or suppression of facts

Further, the proper officer shall not cancel the registration without giving the person an opportunity of being heard.

(ii) Section 49(8) of CGST Act, 2017 prescribes the chronological order in which the liability of a taxable person has to be discharged:

(a) self -assessed tax and other dues for the previous tax periods have to be discharged first.

(b) self -assessed tax and other dues for the current tax period have to be discharged next.

(c) Once these two steps are exhausted, thereafter any other amount payable including demand determined under section 73 or section 74 is to be discharged. In other words, the liability if any, arising out of demand notice and adjudication proceedings comes last. This sequence has to be mandatorily followed.

The expression "other dues" referred above mean interest, penalty, fee or any other amount payable under the Act or the rules made thereunder.

10. (i) Supply, under section 7 of the CGST Act, 2017, *inter alia,*

- includes import of services for a consideration
- even if it is not in the course or furtherance of business.

Thus, although the import of service for consideration by Miss. Shriniti Kaushik is not in course or furtherance of business, as the vaastu consultancy service has been availed in respect of residence, it would amount to supply.

(ii) Section 7 of the CGST Act, 2017 read with Schedule I provides 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, import of service without consideration by Miss Shriniti from her brother – Mr. Varun [brother, being member of the same family, is a related person] will not be treated as supply as it is not in course or furtherance of business.

(iii) Section 7 of the CGST Act, 2017 read with Schedule I provides that import of services by a taxable person from a related person located outside India, without

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consideration is treated as supply if it is provided in the course or furtherance of business.

Thus, import of service without consideration by Miss Shriniti from her brother – Mr. Varun (brother, being member of the same family, is a related person) will be treated as supply as she receives vaastu consultancy service for her business premises, i.e. in course or furtherance of business.

Note: GST law has been subject to frequent changes since its inception. Although many clarifications have been issued 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 above questions depending upon the view taken.

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