

(GI-1, GI-2, GI-3, GI-4, VI-1 & SI-1)

DATE: 29.09.2019

MAXIMUM MARKS: 100

TIMING: 3¼ Hours

TAXATION**SECTION –A : INCOME TAX LAW (60 MARKS)**

Working Notes should form part of the answer. Whenever necessary, suitable assumptions may be made by the candidates and disclosed by way of a note. However, in answers to Question in Division A, working notes are not required.

Your answers should be based on the provisions of Income-tax law as amended by the Finance Act, 2018. The relevant assessment year is A.Y. 2019-20

DIVISION A – MULTIPLE CHOICE QUESTIONS**Total Marks: 18 Marks**

Write the most appropriate answer to each of the following multiple choice questions by choosing one of the four options given, All questions are compulsory.

- | | |
|------------|--------------|
| 1. Ans. c | } {2 M Each} |
| 2. Ans. b | |
| 3. Ans. a | |
| 4. Ans. d | |
| 5. Ans. b | } {1 M Each} |
| 6. Ans. d | |
| 7. Ans. b | |
| 8. Ans. a | |
| 9. Ans. c | |
| 10. Ans. c | |
| 11. Ans. b | |
| 12. Ans. b | |
| 13. Ans. c | |
| 14. Ans. b | |

DIVISION B : DESCRIPTIVE QUESTIONS

Questions No. 1 is compulsory

Attempt any two questions the remaining three questions

Total Marks: 42 Marks**Answer 1:****Computation of total income of Mr. Yusuf Khan for the A.Y. 2018-19**

Particulars		Rs.	Rs.
Income from house property			
Arrears of rent received in respect of the Chennai house taxable under section 25A		75,000	
[Note 1]			
Less: Deduction @ 30%		22,500	52,500
Profits and gains of business or profession			
(a) Own business [Note 3]			6,37,000
(b) Income from partnership firm [Note 2]			
Interest on capital	{1 M}	2,40,000	
[As per section 28(v), chargeable in the hands of the partner only to the extent allowable as deduction in the firm's hand i.e. @12%]			
Salary of working partner (Since the same has			

been fully allowed as deduction in the hands of the firm)		90,000	3,30,000	
Income from other sources				
(a) LIC Jeevan Dhara pension		24,000		
(b) Interest from bank FD (gross)		50,000	74,000	{1 M}
Gross Total Income			10,93,500	
Less: Deductions under Chapter VIA				
Section 80C				
Life insurance premium for policy in the name of major son qualifies for deduction even though he is not dependent on the assessee. However, the same has to be restricted to 10% of sum assured i.e. 10% of Rs. 2,00,000.	20,000			
Contribution to PPF	70,000	90,000		
Section 80D				
Mediclaim premium for father, a senior citizen (qualifies for deduction, even though the father is not dependent on the assessee, subject to a maximum of Rs. 50,000)	30,000	30,000	1,20,000	{2 M}
Total Income			9,73,500	

Notes:

- As per section 25A, any arrears of rent received will be chargeable to tax, after deducting a sum equal to 30% of such arrears, as income from house property in the year of receipt, whether or not the assessee is the owner of the house property. {1 M}
- The income by way of interest on capital and salary of Mr. Yusuf Khan from the firm, ABC & Co., in which he is a working partner, to the extent allowed as deduction in the hands of the firm under section 40(b), has to be included in the business income of the partner as per section 28(v). Accordingly, Rs. 3,30,000 [i.e., Rs. 90,000 (salary) + Rs. 2,40,000 (interest@12%)] should be included in his business income. {1 M}
- Computation of income from own business

Particulars	Rs.	Rs.
Net profit as per profit and loss account		4,32,000
Less: Items credited to profit and loss account not treated as business income		
Interest on bank FD (Net of TDS)	45,000	
Agricultural income	60,000	
Pension from LIC Jeevan Dhara	24,000	1,29,000
Add: Items debited to profit and loss account to be disallowed/considered separately		3,03,000
Advance tax	70,000	
Depreciation:		
- Car	3,00,000	{2 M}
- Machinery	1,25,000	
Car expenses disallowed for personal use (Rs. 50,000 x 1/5)	10,000	
Salary to manager disallowed under section 40A(3) since it is paid in cash and the same exceeds Rs. 10,000	15,000	5,20,000
		8,23,000
Less: Depreciation (See Working Note below)		1,86,000
Income from business		6,37,000

Working Note:

Computation of depreciation allowable under the income-tax Act, 1961

Particular		Rs.	Rs.
On Car:			
Depreciation @15% on 3,00,000		45,000	
Less: 1/5 th for personal use		9,000	
Depreciation on Car allowable as deduction			36,000 }
On Machinery:			
Opening WDV	6,50,000		
Additions during the year (used for more than 180 days)			
- New Machinery purchased on 23.9.18	2,00,000		
- Second hand machinery purchased on 12.4.18	1,25,000		
Additions during the year (used for less than 180 days)	3,00,000		
Normal Depreciation			
Depreciation @15% on Rs. 6,50,000		97,500	{1 M}
[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 Rs.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 second hand machinery purchased on 12.4.2018 and on new machinery purchased on 23.9.2018 is not allowable since the payment is made otherwise than by A/c payee cheque/A/c payee draft/ ECS to a person in a day]			
Depreciation @ 7.5% on Rs. 3,00,000		22,500	{1 M}
Total normal depreciation on machinery (A)		1,20,000	
Where an asset acquired during the year is put to use for less than 180 days, 50% of the rate of depreciation is allowable. This restriction does not apply to assets acquired in an earlier year.			
Additional depreciation (B)			
New machinery			
Used for less than 180 days = 10% of Rs. 3,00,000		30,000	{1 M}

Answer 2:

- (a) Since Mr. Honey stays in India for atleast 184 days every year, he is resident and ordinarily resident in India, every year. Therefore, his global income would be taxable in India. The salary received by him in India and outside India would be taxable in India as per the provisions of the Income-tax Act, 1961.

Computation of total income from salary of Mr. Honey for the A.Y. 2018 – 19

Particular	Rs.	Rs
Basic Salary		
Salary received outside India for 6 months (Rs. 50,000 x 6)	3,00,000	

Salary received in India for 6 months (Rs. 50,000 x 6)	3,00,000	6,00,000	{1 M}
Children Education and Hostel Allowance			
Amount received from employer (Rs. 3,000 x 12)	36,000		
[No exemption is available in respect of allowance received for any education or hostel facility of children outside India]	Nil	36,000	{1 M}
Perquisites:			
Value of rent-free accommodation in USA Lower of:			
- 15% of Rs. 6,36,000 (Basic Salary + Children Education and Hostel Allowance)	95,400		
- Rent paid by employer = Rs. 15,000 x 12	1,80,000	95,400	{1 M}
Value of guest house in India			
[not taxable, since it is provided for stay when he visits India wholly for official purposes]		48,000	{1 M}
Lunch facility provided by employer [Taxable perquisite, since the value exceeds Rs. 50 per meal] [See Note 1 below] Motor car provided by employer [Rs. 14,400 + Rs. 70,000] [See Note 2 below]			
Used for both official and personal purposes for 6 months when			
He is in US. Hence, the perquisite value is Rs. 14,400 [Rs. 2,400 x 6], since cubic capacity exceeds 1.6 litres, assuming that expenses are fully met by employer	14,400		
Used for personal purposes by his family members for 6 months when he is in India			
Actual running and maintenance expenditure ³ [Rs. 5,000 x 6]	30,000		
Normal wear and tear [10% of actual cost of motor car for 6 months] = Rs. 8,00,000 x 10% x 6/12	40,000	70,000	84,400 {1 M}
Education expenditure of elder son in India met by			12,000
Employer [Fully taxable perquisite] Life insurance premium paid by the employer – any sum payable by the employer to effect an assurance on the life of the employee is a taxable perquisite			10,000 {1 M}
Accident insurance premium paid by employer – exempt perquisite, since such policy is taken by the employer in business interest so as to indemnify the company from payment of compensation.			-
Gross Salary		8,85,000	
Less: Deductions under section 16 (ia) Std Deduction		40,000	
Taxable Salary		8,45,800	

Notes:

- Lunch facility provided to Mr. Honey is a taxable perquisite as per Rule 3(7)(iii). The benefit under the proviso to this Rule would be available only if the value does not exceed Rs. 50 per meal. In this case since the value far exceeds Rs. 50 per meal, the benefit under the proviso to Rule 3(7)(iii) is not available. The above solution has been worked out accordingly.
However, in page 17 of the CBDT Circular No. 29/2017 dated 5.12.2017, the method of valuation of perquisite of free lunch facility has been explained. As per the said circular, a fixed sum of Rs. 50 per meal has to be reduced to

arrive at the value of perquisite of free food provided by the employer. If the beneficial view given in the circular is considered for answering this question, an assumption as to the number of working days per month has to be made and thereafter, calculation for 6 months has to be made to arrive at the value of taxable and exempt perquisite of provision of lunch facility.

2. In the above solution, the perquisite value of motor car provided by employer has been worked out assuming that the employer fully meets the running and maintenance expenses. However, if expenses of running and maintenance of motor car are fully met by Mr. Honey himself, then, the value of perquisite of motor car would be as follows :

Particular	Rs.
Motor car provided by employer [Rs. 5,400 + Rs. 40,000]	
Used for both official and personal purposes for 6 months when he is in US. Hence, the perquisite value is Rs. 900 p.m., since cubic capacity exceeds 1.6 litres,	5,400
Used for personal purposes by his family members for 6 months when he is in India	
Normal wear and tear [10% of actual cost of motor car for 6 months] = Rs. 8,00,000 × 10% × 6/12	40,000
	45,400

In this case, the taxable salary would be Rs. 8,46,800.

Answer:

- (b) **Computation of capital gain on slump sale of Unit R for A.Y. 2018-19**

Particulars	Rs.	
Full value of consideration	9,30,00,000	
Less: Deemed cost of acquisition (Net worth is deemed to be the cost of acquisition) [Refer Working Note below]	8,40,00,000	}{3 M}
Long-term capital gain [Since the Unit is held for more than 36 months]	90,00,000	

Working Note : Net worth of Unit –R

Particular	Rs.
Cost of Land (Revaluation not to be considered)	1,10,00,000
WDV of other depreciable fixed assets as per the Income - tax	4,30,00,000
Other Assets (book value)	4,40,00,000
	9,80,00,000
Less: Liabilities	1,40,00,000
Net Worth	8,40,00,000

Notes:

- (1) In case of slump sale, net worth of the undertaking transferred shall be deemed to be the cost of acquisition and cost of improvement as per section 50B.
- (2) "Net worth" of the undertaking shall be the aggregate value of total assets of the undertaking or division as reduced by the value of liabilities of such undertaking or division as appearing in the books of accounts. However, any change in the value of assets on account of revaluation shall not be considered for this purpose
- (3) For calculating aggregate value of total assets of the undertaking or division in case of slump sale in case of depreciable assets, the written down value of block of assets

}{Each
1/2 M
for
any
four
point}

- determined in accordance with the provisions contained in section 43(6) of Income-tax Act, 1961 is to be considered and for all other assets, book value is to be considered.
- (4) Since Unit R is held by the assessee for more than 36 months, the capital gain arising from slump sale is a long-term capital gain.
 - (5) Indexation benefit is not available in case of slump sales

Answer:

- (c) (i) **Not taxable**
Cash gift of Rs. 51,000 received from his sister, being a relative, would not be taxable in the hands of Mr. Sanjay Kamboj under section 56(2)(x), even though the amount exceeds Rs. 50,000. }{1 M}
- (ii) **Not Taxable**
Car is not included in the definition of “property”, for the purpose of taxability of gifts in kind, in the hands of the recipient under the head “Income from other sources”.
Hence, Rs. 5,50,000, being the fair market value of car received for inadequate consideration from his friend is not taxable under section 56(2)(x) in the hands of Mr. Sanjay Kamboj, even though the difference between the purchase price and FMV exceeds Rs. 50,000 and the gift is received from a non – relative. }{1 M}

Answer 3:

(a) Computation of total income of Mr. Arihant for the A.Y. 2019-20

Particulars	Rs.	Rs.
Salaries		
Income from Salary	3,50,000	
Less: Loss from house property set-off against salary income as per section 71(3A), restricted to }{1 M}	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. 2015-16 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 }{1 M}
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. 2020-21 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	43,000 }{1 M}
Less: Long term Capital Loss on sales of listed shares on Which STT is paid	1,02,000	
Total Income		2,49,000

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

Loss from House Property: As per section 71(3A), Loss from house property can be set-off against any other head of income to the extent of Rs. 2,00,000 only.	20,000	{1 M}
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. 2027-28, 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., up to A.Y. 2023-24 in this case, as specified under section 73(4).	10,000	{1 M}
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	{1 M}
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., up to A.Y.2022-23, in this case as specified under section 74A (3).	5,000	{1 M}

Answer:

(b) Computation of total income of Mr. Anoop for the Assessment Year 2018-19

Particulars	Rs.	Rs.	Rs.
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 securities on notified government	32,000		
Dividend from foreign company	28,000		
Gift of gold chain received from his mother	78,000	1,38,000	{1 M}
		7,02,000	
Add: Depreciation debited in the books of account		1,05,000	
		8,07,000	

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 31.3.2019 not allowable as deduction. The said amount has to be added to the cost of the asset. Since the amount has been debited to profit and loss account, it has to be added back].	82,000	{1 M}	
Expenditure in excess of Rs. 10,000 paid by bearer cheque to be disallowed as per section 40A(3)	18,500	{1 M}	
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	
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 2018-19]		9,07,500	
		(1,16,000)	7,91,500 {1 M}
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 {1 M}
Gross Total Income			8,19,500
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 Rs. 28,000 + Rs. 2,500 preventive health checkup, subject to a maximum of	25,000		
Medical expenses of father, being a very senior citizen, Rs. 25,000, since there is no insurance policy in his name, restricted to 50,000	25,000	50,000	
Under section 80G	55,000		
Donation to Clean Ganga Fund (qualifies for 100% deduction)		23,000	1,21,000 {1 M}
Total Income			6,98,500

Tax on total income @ 5% on Rs. 2,50,000 (Rs. 5,00,000 less Rs. 2,50,000, being the basic exemption limit) plus @20% on Rs. 1,93,500 (in excess of Rs. 5,00,000)			52,200
Add: Health & Education cess @ 4%			2,088
Tax Payable			54,288
Tax Payable (rounded off)			54,290

Answer 4:

- (a) 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 2019-20, the belated return has to be furnished before 31st March 2019 or before completion of assessment, whichever is earlier.
- Since Mr. Atharv has filed his return after 31.7.2019, being the due date of filing return of income under section 139(1) in his case, but before 31.3.2020/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. 2019-20 and assessment is yet to be completed 5 and 31.3.2019, being the end of A.Y. 2019-20 has not elapsed.

Answer:

- (b) Mr. Sahil is a non-resident for the A.Y.2019-20, 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. 2019-20

Particulars	Rs.
Salaries (8,55,000 - 40,000) Salary from Government of India (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)	8,15,000
Foreign Allowances from Government of India [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)].	Nil
Income from House Property Rent from a house situated at Australia, received in Australia (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 deemed to accrue or arise in India nor is it received in India)	Nil

Income from Other Sources		
Interest accrued on National Savings Certificate is taxable	25,600	{1 M}
Interest on Post office savings bank account – exempt upto Rs. 3,500	Nil	
Gross Total Income	8,40,600	

Answer:

(c) Computation of Business Income of Mr. Chauhan for the A.Y. 2018-19

Particulars	Rs.	Rs.
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 {2 M}
Less: Expense allowed		
Depreciation as per Income-tax Rules, 1962 (Refer Note 6)		40,000
Add: Employee’s contribution included in income as per Section 2(24)(x) (Refer Note 7)		14,35,000
		25,000 {1 M}
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)(vii) (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. {1/2 M}
- (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. {1/2 M}
- (4) Income-tax paid is not allowable as deduction as per the provisions of section 40(a)(ii).
- (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. 2019-20.
- (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 Rs. 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 Rs. 10,000 (Rs. 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. {1/2 M}

- (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.
- } {1/2 M}

SECTION B - INDIRECT TAXES (40 MARKS)

QUESTIONS

- (i) Working Notes should form part of the answers. However, in answer to Question in Division A, working notes are not required.
- (ii) Wherever necessary, suitable assumptions may be made by the candidates, and disclosed by way of note.
- (iii) All questions should be answered on the basis of the position of GST law as amended up to 31st October, 2018.
- (iv) 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.

DIVISION A - MULTIPLE CHOICE QUESTIONS

Write the most appropriate answer to each of the following multiple choice questions by choosing one of the four options given. All questions are compulsory.

Total Marks: 12 Marks

1. Ans. c)
 2. Ans. c)
 3. Ans. b)
 4. Ans. b)
 5. Ans. b)
 6. Ans. d) {1 M Each}
 7. Ans. b)
 8. Ans. c)
 9. Ans. b)
 10. Ans. c)
 11. Ans. a)
 12. Ans. d)

DIVISION B - DESCRIPTIVE QUESTIONS

Question No. 1 is compulsory.
 Attempt any two questions out of remaining three questions.

Total Marks: 28 Marks

Answer 1:

(i) Computation of net GST payable for the financial year 20XX-XY

Particulars	Value (Rs.)	CGST (Rs.)	SGST (Rs.)
Tax liability			
Intra-State supplies made to registered persons	10,00,000	90,000	90,000

Intra State supplies made to unregistered persons	2,00,000	18,000	18,000
Total (A)		1,08,000	1,08,000
Input Tax credit		{1 M}	{1 M}
Supply of iron in lots by M/s Hard Limited [Note-1]	10,00,000	-	-
Supply of IT engineering service [Note-2]	11,00,000	99,000	99,000
Total (B)		99,000	99,000
Net GST payable (A)-(B)		9,000	9,000
		{1 M}	{1 M}

Notes:—

- Section 16 of CGST Act, 2017 provides that where the goods against an invoice are received in lots or installments, the registered person shall be entitled to take credit upon receipt of the last lot or installment. Although 900 tonnes of iron are received in financial year 20XX-XY, the last lot of iron has been received after FY 20XX-XY only, i.e. on 5, April 20XY, thus no input tax credit is available in FY 20XX-XY. }{1 M}
In view of above provisions, full input tax credit in respect of transaction (a) will be claimed in financial year 20XY-20YZ i.e. on receipt of last installment.
- Section 16 of CGST Act, 2017 *inter alia* provides that every registered person is entitled to take credit of input tax charged on supply of services to him which are used in the course of business on receipt of the said services. }{1 M}
Thus, in view of the above mentioned provisions full input tax credit of Rs. 1,98,000/- can be claimed in financial year 20XX-XY.

- (ii) Section 16 of CGST Act, 2017 provides that where a recipient fails to pay to the supplier of goods or services or both, other than the supplies on which tax is payable on reverse charge basis, the amount towards the value of supply along with tax payable thereon within a period of 180 days from the date of issue of invoice by the supplier, an amount equal to the input tax credit availed by the recipient shall be added to his output tax liability, along with interest thereon, in the prescribed manner.
- However, the recipient shall be entitled to avail of the credit of input tax on payment made by him of the amount towards the value of supply of goods or services or both along with tax payable thereon
- Since the full amount of value alongwith tax payable thereon has not been paid by M/s Comfortable (P) Ltd. to M/s Dynamic Infotech (P) Ltd within a period of 180 days from the date of issue of invoice, the proportionate amount of input tax credit availed needs to be reversed. However, the reversal will be done in the financial year 20XY-YZ during when the time period of 180 days expire.

Input tax credit to be reversed in financial year 20XY-YZ

Particulars	Amount (Rs.)
Total value of procurement of IT engineering service	11,00,000
Add: Total GST on the above value @ 18% [CGST + SGST]	1,98,000
Value including GST	12,98,000
Amount paid for the said service including GST [Rs.4,13,000 + Rs.2,95,000]	7,08,000
Amount [value alongwith tax payable thereon] not paid for the said service	5,90,000
ITC to be reversed [Rs. 5,90,000 x 18/118]	90,000

Answer 2:

- (a) A registered person, whose aggregate turnover in the preceding financial year did not exceed Rs. 1.5 crore [Rs. 75 lakh in case of 8 special category States], 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. But as per latest amendment other services can also be provided within the limit which is as follows – 10% of aggregate turnover or Rs. 5,00,000 whichever is higher. In the present case aggregate turnover is Rs. 104 lakh.
 10 % of Rs. 104 lakh will be Rs. 10.4 lakh
 Now limit for other services will be Rs. 10.4 lakh or Rs. 5 lakh whichever is higher ie Rs. 10.4 lakh
 In actual other services provided by M/s. Handsome and Likemi Company is Rs. 26 lakh which exceeds Rs. 10.4 lakh
- (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. **{1 M}**
- (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. **{1 M}**
- (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 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. **{2 M}**

Answer:

- (b) In GST since the returns are built from details of individual transactions, there is **no requirement for having a revised return.** Any need to revise a return may arise due to the need to change a set of invoices or debit/ credit notes. Instead of revising the return already submitted, the system allows changing the details of those transactions (invoices or debit/credit notes) that are required to be amended. They can be amended in any of the future GSTR- 1 in the tables specifically provided for the purposes of amending previously declared details. As per section 39(9), omission or incorrect particulars discovered in the returns filed u/s 39 can be rectified in the return to be filed for the month/quarter during which such omission or incorrect particulars are noticed. Any tax payable as a result of such error or omission will be required to be paid along with interest. The rectification of errors/omissions is carried out by entering appropriate particulars in "Amendment Tables" contained in GSTR-1. **{2 M}**

Answer 3 (a):

S.No.	Particulars	Rs.
(1)	Running a boarding school [Services provided by an educational institution to its students, faculty and staff are exempt.]	Nil
(2)	Fees from prospective employer for campus interview [Not exempt.]	1,70,000
(3)	Education services for obtaining the qualification recognised by law of	3,10,000

	foreign country [An institution providing education services for obtaining qualification recognized by a foreign country does not qualify as educational institution. Thus, said services are not exempt.]		
(4)	Renting of furnished flats for temporary stay of different persons [Services by a hotel, inn, guest house, club or campsite, by whatever name called, for residential or lodging purposes, having Value of Supply of a unit of accommodation below ` 1,000 per day or equivalent are exempt]	Nil	} {1/2 M for each point}
(5)	Conducting Modular Employable Skill Course [An institution providing Modular Employable Skill Course qualifies as educational institution. Services provided by an educational institution to its students, faculty and staff are exempt.]	Nil	
(6)	Conducting private tuitions [Not exempt.]	3,00,000	
(7)	Running martial arts academy for young children [Not exempt under GST laws]	55,000	
(8)	Conducting career counselling session [Not exempt under GST laws]	1,65,000	
	Value of taxable supply	10,00,000	} {1 M}
	GST payable @ 18%	1,80,000	} {1 M}

Answer:

(b) 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
- (iii) If goods supplied are returned by the recipient, or
- (iv) If goods and/or services supplied are found to be deficient.

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

Answer 4:

- (a)** A taxable person who makes an undue or excess claim of input tax credit shall pay interest @ 24% p.a. on such undue or excess claim in terms of section 50 of CGST Act, 2017. The period of interest will be from the date following the due date of payment to the actual date of payment of tax. } {1.5 M}
- Due date of payment is 20th May, 20XX.
- Period for which interest is due = 21st May, 20XX to 31st July, 20XX = 72 days } {1.5 M}
- Thus, interest liability = Rs. 1,50,000 x 24% x 72/365 = Rs. 7,101 (approx.)

Answer:

- (b)** Recipient of supply of goods or services or both, means –
- (a) Where a consideration is payable for the supply of goods or services or both, the person who is liable to pay that consideration;
 - (b) 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
 - (c) Where no consideration is payable for the supply of a service, the person to whom the service is rendered, and shall include an agent acting as such on behalf of the recipient in relation to the goods or services or both supplied.

Answer:

(c) As per section 22 of the CGST Act, 2017 read with *Notification No. 10/2019 CT dated 07.03.2019*, a supplier is liable to be registered in the State/Union territory from where he makes a taxable supply of goods and/or services, if his aggregate turnover in a financial year exceeds the threshold limit. The threshold limit for a person making exclusive intra - State taxable supplies of goods is as under:-

- (a) Rs. 10 lakh for the States of Mizoram, Tripura, Manipur and Nagaland.
- (b) Rs. 20 lakh for the States of States of Arunachal Pradesh, Meghalaya, Puducherry, Sikkim, Telangana and Uttarakhand.
- (c) Rs. 40 lakh for rest of India. However, the higher threshold limit of Rs. 40 lakh is not available to persons engaged in making supplies of ice cream and other edible ice, whether or not containing cocoa, Pan masala and Tobacco and manufactured tobacco substitutes.

The threshold limit for a person making exclusive taxable supply of services or supply of both goods and services is as under:-

- (a) Rs. 10 lakh for the States of Mizoram, Tripura, Manipur and Nagaland.
- (b) Rs. 20 lakh for the rest of India.

In the light of the afore-mentioned provisions, the answer to the independent cases is as under:-

- (i) Raghav is eligible for higher threshold limit of turnover for registration, i.e. Rs. 40 lakh as he is exclusively engaged in intra-State supply of goods. However, since Raghav is engaged in supplying readymade garments from a Special Category State **i.e. Tripura**, the threshold limit gets reduced to Rs. 10 lakh. Thus, **Raghav is liable to get registered under GST as his turnover exceeds Rs.10 lakh**. Further, he is required to obtain registration in both Assam and Tripura as he is making taxable supplies from both the States.
- (ii) The applicable threshold limit for registration for Pulkit in the given case is Rs. 40 lakh as he is exclusively engaged in intra-State taxable supply of goods. Thus, **he is not liable to get registered under GST** as his turnover is less than the threshold limit.
- (iii) Harshit being exclusively engaged in supply of pan masala is not eligible for higher threshold limit of Rs. 20 lakh. The applicable threshold limit for registration in this case is Rs.20 lakh. Thus, **Harshit is liable to get registered under GST**.
- (iv) Though Ankit is dealing in Assam, he is not entitled for higher threshold limit for registration as the same is applicable only in case of exclusive supply of goods while he is exclusively engaged in providing services. Thus, the applicable threshold limit for registration in this case is Rs. 20 lakh and hence, Ankit is **liable to get registered under GST**.
- (v) Since Sanchit is engaged in supply of both taxable goods and services, the applicable threshold limit for registration in his case is Rs. 20 lakh. Thus, **Sanchit is liable to get registered under GST** as his turnover is more than the threshold limit.

{1 M
for
each}
