

(GI-11, GI-12+15, GI-13+14, SI-5)**DATE: 25.06.2020****MAXIMUM MARKS: 100****TIMING: 3¼ Hours****TAXATION****GENERAL INSTRUCTIONS TO CANDIDATES**

1. The question paper comprises two parts, Part I and Part II.
2. Part I comprises Multiple Choice Questions (MCQs).
3. Part II comprises questions which require descriptive type answers.
4. Ensure that you receive the question paper relating to both the parts. If you have not received both, bring it to the notice of the invigilator.
5. Answers to Questions in Part I are to be marked on the OMR answer sheet only. Answers to questions in Part II are to be written on the descriptive type answer book. Answers to MCQs, if written in the descriptive type answer book, will not be evaluated.
6. OMR answer sheet will be in English only for all candidates, including for Hindi medium candidates.
7. The bar coded sticker provided in the attendance register, is to be affixed only on the descriptive type answer book. No bar code sticker is to be affixed on the OMR answer sheet.
8. You will be allowed to leave the examination hall only after the conclusion of the exam. If you have completed the paper before time, remain in your seat till the conclusion of the exam.
9. Duration of the examination is 3 hours. You will be required to submit (a) Part I of the question paper containing MCQs, (b) OMR answer sheet thereon and (c) the answer book in respect of descriptive type answer book to the invigilator before leaving the exam hall, after the conclusion of the exam.
10. The invigilator will give you acknowledgement on Page 2 of the admit card, upon receipt of the above-mentioned items.
11. Candidate found copying or receiving or giving any help or defying instructions of the invigilators will be expelled from the examination and will also be liable for further punitive action.

PART – II

1. Section-A comprises questions 1-4. In Section-A, answer Question No. 1 which is compulsory and any 2 questions from question No. 2-4. All questions in Section-A relate to assessment year 2019-20, unless otherwise stated.
Section-B comprises questions 5-8. In Section-B, answer Question No. 5 which is compulsory and any 2 questions from question No. 6-8.
2. Working notes should form part of the answer.
3. Answers to the questions are to be given only in English except in the case of candidates who have opted for Hindi Medium. If a candidate has not opted for Hindi Medium, his/her answers in Hindi will not be evaluated.
4. All questions in Section B should be answered on the basis of position of GST law as amended by significant notifications / circulars issued upto 30th April, 2019.

SECTION – A

PART – I – MULTIPLE CHOICE QUESTIONS

TOTAL MARKS: 30 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) Answer: (b)
 (2) Answer: (c)
 (3) Answer: (b)
 (4) Answer: (b)
 (5) Answer: (c)
 (6) Answer: (c)
 (7) Answer: (a)
 (8) Answer: (c)
 (9) Answer: (a)
 (10) Answer: (a)
 (11) Answer: (d)
 (12) Answer: (a)
 (13) Answer: (c)
 (14) Answer: (a)
 (15) Answer: (d)
 (16) Answer: (b)
 (17) Answer: (d)
 (18) Answer: (d)
 (19) Answer: (d)
 (20) Answer: (d)
 (21) Answer: (c)
 (22) Answer: (d)

SECTION – A

PART – II - 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. Satish for the A.Y. 2020-21

Particulars		Rs.
Income from salaries [Working Note (1)]		9,66,000
Income from house property [Working Note (2)]		1,00,000
Capital gain [(Working Note 3)]		
Long-term capital gains		5,970
Short-term capital gains		2,490
Income from other sources: Interest on income-tax refund		750
Gross Total Income		10,75,210
Less: Deduction under Chapter VIA		
Deduction under section 80C		
-	Public Provident Fund	1,30,000
-	5 years Term deposit (not allowed as deduction in the name of minor son)	-

- Repayment of housing loan (principal)	65,000		
Restricted to	1,95,000	1,50,000	{1 M}
Deduction under section 80D [Working Note (4)]		25,000	
Total Income		9,00,210	

Computation of tax payable by Mr. Satish for the A.Y. 2020-21

Particulars	Rs.
Tax on LTCG of Rs. 5,970 [Exempt u/s 112A]	-
Tax on STCG of Rs. 2,490 u/s 111A @15%	374
Tax on balance income of Rs. 8,91,750	90,850
	91,224
Add: Health and Education cess@4%	3,649
Total tax payable	94,873
Tax liability (Rounded off)	94,870

Working Notes:

(1) Income from salaries

Particulars	Rs.	Rs.
Basic Salary		5,40,000
HRA (computed)		1,80,000
Transport allowance		22,000
Perquisites (relating to sale of movable assets by employer)		
Laptop		
Cost [September, 2018]	1,20,000	
Less: Depreciation at 50% for one completed year	60,000	
WDV [September, 2019]	60,000	
Less: Amount paid to the employer	20,000	
Perquisite value of laptop (A)	40,000	{1 M}
Car		
Cost [April, 2017]	8,50,000	
Less: Depreciation for the 1st year (April,16 to March,18) @ 20% of WDV	1,70,000	
WDV [April, 2018]	6,80,000	
Less: Depreciation for the 2nd year (April,18 to March,19) @ 20% of WDV	1,36,000	
WDV [April, 2019]	5,44,000	
Less: Amount paid to the employer	3,20,000	
Perquisite value of car (B)	2,24,000	{1 M}
Perquisite value (A) + (B)		2,64,000
Gross Salary		10,06,000
Less: Standard Deduction under section 16(ia)		50,000
Income chargeable under the head "Salaries"		9,56,000

(2) Income from house property

Section 23(2) provides that the annual value of a self-occupied house shall be taken as Nil. However, section 23(3) provides that the benefit of self-occupation would not be available if the house is actually let during the whole or part of the previous year. This implies that the benefit of taking the annual value as „Nil“ would be available only if the house is self-occupied for the whole year. In this case, therefore, the benefit of taking annual value as „Nil“ is not available since the house is self- occupied only for 3 months. In such a case, the gross annual value has to be computed as per section 23(1).

Accordingly, the fair rent for the whole year should be compared with the actual rent for the let-out period and whichever is higher shall be adopted as the Gross Annual Value.

Particulars	Rs.	Rs.
Gross Annual Value (higher of fair rent for the whole year and actual rent for the let-out period)		2,00,000
Fair rent for the whole year = Rs. 1,50,000 X12/9	2,00,000	
Actual rent received	1,35,000	
Less: Municipal taxes		Nil
Net Annual Value (NAV)		2,00,000
Less: Deductions under section 24		
30% of NAV	60,000	
Interest on loan [See Note below]	40,000	1,00,000
Income from house property		1,00,000

Note: It is presumed that the interest of Rs. 40,000 paid on housing loan represents the interest actually due for the year.

(3) Income chargeable as “Capital Gains”

Section 112A exempts long-term capital gain on sale of equity shares of a company upto Rs. 1 lakh, if securities transaction tax is paid both at the time of sale and acquisition of such shares. Such long-term capital gain in excess of Rs. 1 lakh is taxable @10%. Since Mr. Satish has held shares of A Ltd. for more than 12 months and securities transaction tax has been paid on such sale and at the time of acquisition of shares, the gains arising from sale of such shares is a long-term capital gain and the same would be taxable under section 112A. As per section 48, the benefit of indexation would not be applicable on such equity shares.

The long term capital gain arising from sale of shares of A Ltd.

Particulars	Rs.
Sale consideration (Rs. 150 x 200)	30,000
Less: Brokerage @ 0.1%	30
Net sale consideration	29,970
Less: Cost of acquisition (Rs. 120 x 200)	24,000
long-term capital gains	5,970

Since, the long term capital gain do not exceed Rs. 1 lakh, the same would be exempt under section 112A. Shares in B Ltd. are held for less than 12 months and hence the capital gains arising on sale of such shares is a short-term capital gain chargeable to tax @15% as per section 111A, since the transaction is subject to securities transaction tax. It may be noted, however, that securities transaction tax is not a deductible expenditure.

Short-term capital gains arising from sale of shares of B Ltd.

Particulars	Rs.
Sale consideration (Rs. 82 X 125)	10,250
Less: Brokerage @ 0.1%	10
Net sale consideration	10,240
Less: Cost of acquisition (Rs. 62 x 125)	7,750
Short-term capital gains	2,490

(4) Deduction under section 80D

As per section 80D, in a case where mediclaim premium is paid in lumpsum for more than one year by an individual, to effect or keep in force an insurance on his health or health of his spouse, then, the deduction allowable under this section for each of the relevant previous year would be equal to the appropriate fraction of such lump

sum payment. Hence, deduction under section 80D would be Rs. 20,000 i.e, Rs. 80,000 x ¼ in respect of mediclaim and Rs. 8,000 for preventive health check up, subject to maximum of Rs. 5,000. Thus, overall deduction under section 80D would be Rs. 25,000.

Answer 2:

(a) Taxability of certain receipts under the Income-tax Act, 1961

Sl. No.	Taxable/Not Taxable	Amount liable to tax (Rs.)	Reason
1	2	3	4
(i)	Taxable	20,00,000	Salaries payable by the Government to a citizen of India for service rendered outside India shall be deemed to accrue or arise in India as per section 9(1)(iii). Mr. Dinesh is a citizen of India. Therefore, salary paid by the Central Government to him for services rendered in London would be deemed to accrue or arise in India in his hands.
(ii)	Not Taxable	-	Royalty paid by a resident to a non-resident in respect of a business carried on outside India would not be taxable in the hands of the non-resident, as the same would not be deemed to accrue or arise in India as per the exception mentioned in section 9(1)(vi)(b). Therefore, royalty paid by Mukta, a resident, to Raja, a non-resident, for a business carried on in Sri Lanka would not be deemed to accrue or arise in India. Note - It is assumed that the royalty was not received in India.

Answer:

(b) Determination of residential status of Ms. Anjali for the A.Y. 2020-21

Ms. Anjali is a resident since she has stayed in India for 365 days during the P.Y.2019-20. Therefore, she satisfies the condition of stay in India for a period of 182 days or more in the relevant previous year as per the requirement under section 6(1).

As per section 6(6), an individual is said to be "not ordinarily resident" in India in any previous year, if he has:

- (a) been a non-resident in India in nine out of ten previous years preceding the relevant previous year; or
- (b) during the seven previous years immediately preceding the relevant previous year, been in India for a period of, or periods amount in all to, 729 days or less.

Ms. Anjali must, therefore, satisfy either of the conditions to qualify as a not-ordinarily resident.

Ms. Anjali was a non-resident in India up to A.Y.2018-19.

She was resident in India only for P.Y. 2018-19 (A.Y.2019-20) out of the ten previous years preceding P.Y. 2019-20 (A.Y.2020-21). This implies that she has been a non- resident in India in nine out of ten previous years preceding P.Y. 2019-20 (A.Y. 2020-21).

Further, she was in India only for a period of 406 days [i.e., 10 days in February, 2018 + 31 days in March 2018 + 365 days during the P.Y.2018-19] in the seven previous years preceding P.Y. 2019-20 (A.Y.2020- 21).
Therefore, since Ms. Anjali satisfies both the conditions for "not-ordinarily resident", her residential status for A.Y.2020-21 would be "Resident but not ordinarily resident".

Answer:

- (c) (i) Section 194E provides that the person responsible for payment of any amount to a non-resident sportsman for contribution of articles relating to any game or sport in India in a newspaper has to deduct tax at source @ 20%. Further, since John Smith, an Australian cricketer, is a non-resident, Health and education cess @4% on TDS should also be added. } {2 M}
Therefore, tax to be deducted = Rs. 33,000 x 20.80% = Rs. 6,864.
- (ii) Provisions of tax deduction at source under section 194C are attracted in respect of payment by a company to a sub-contractor. Under section 194C, tax is deductible at the time of credit or payment, whichever is earlier @ 1% if the payment is made to an individual or HUF. } {2 M}
The aggregate amount credited during the year is Rs. 4,85,000, tax is deductible @ 1% on Rs. 4,85,000.
Tax to be deducted = Rs. 4,85,000 x 1% = Rs. 4,850.

Answer:

- (d) (i) True : Section 139A(2) provides that the Assessing Officer may, having regard to the nature of transactions as may be prescribed, also allot a PAN to any other person, whether any tax is payable by him or not, in the manner and in accordance with the procedure as may be prescribed. } {1½ M}
- (ii) False: Section 140(b) provides that where the Karta of a HUF is absent from India, the return of income can be verified by any other adult member of the family; such member can be a male or female member. } {1½ M}

Answer 3:

- (a) Section 44AE would apply in the case of Mr. Satinder since he is engaged in the business of plying goods carriages and owns not more than ten goods carriages at any time during the previous year. } {2 M}
Section 44AE provides for computation of business income of such assessee on a presumptive basis. The income shall be deemed to be Rs. 1,000 per ton of gross vehicle weight or unladen weight, as the case may be, per month or part of the month for each heavy goods vehicle and Rs. 7,500 per month or part of month for each goods carriage other than heavy goods vehicle, owned by the assessee in the previous year or such higher sum as declared by the assessee in his return of income.
Mr. Satinder's business income calculated applying the provisions of section 44AE is Rs. 13,82,500 [See Notes (1) & (2) below] and his total income would be Rs. 14,52,500.
However, as per section 44AE, Mr. Satinder may claim lower profits and gains if he keeps and maintains proper books of account as per section 44AA and gets the same audited and furnishes a report of such audit as required under section 44AB. If he does so, then his income for tax purposes from goods carriages would be Rs. 5,23,000 instead of Rs. 13,82,500 and his total income would be Rs. 5,93,000.

Notes:

- (1) Computation of total income of Mr. Satinder for A.Y. 2020-21

Particulars	Presumptive income Rs.	Where books are maintained Rs.
Income from business of plying goods carriages [See Note (2) Below]	13,82,500	5,23,000
Other business and non-business income	70,000	70,000
Total Income	14,52,500	5,93,000

{1 M}

- (2) Calculation of presumptive income as per section 44AE

Type of carriage	No. of months	Rate per ton per month/ per month	Ton	Amount Rs.
(1)	(2)		(3)	(1) X (2) X (3) = (4)
Heavy goods vehicle				
1 goods carriage upto 5th May	2	1,000	17 (17,000/1,000)	34,000
4 goods carriage held throughout the year	12	1,000	17 (17,000/1,000)	8,16,000
Goods vehicle other than heavy goods vehicle				
1 goods carriage from 8th May	11	7,500	-	82,500
5 goods carriage held throughout the year	12	7,500	-	4,50,000
Total				13,82,500

{2 M}

Answer:

- (b) Section 145B provides that interest received by the assessee on enhanced compensation shall be deemed to be the income of the assessee of the year in which it is received, irrespective of the method of accounting followed by the assessee and irrespective of the financial year to which it relates. Section 56(2)(viii) states that such income shall be taxable as „Income from other sources“. 50% of such income shall be allowed as deduction by virtue of section 57 and no other deduction shall be permissible from such Income. {1 M}

Computation of interest on enhanced compensation taxable as “Income from other sources” for the A.Y 2020-21:

Particulars	Rs.
Interest on enhanced compensation taxable under section 56(2)(viii)	7,00,000
Less: Deduction under section 57(iv) (50% x Rs. 7,00,000)	3,50,000
Taxable interest on enhanced compensation	3,50,000

{1 M}

Answer:

- (c) Computation of capital gains and business income of Ms. Gunjan for A.Y. 2020-21.

Particulars	Rs.
Capital Gains	
Fair market value of land on the date of conversion deemed as the full value of consideration for the purposes of section 45(2)	3,20,00,000
Less: Indexed cost of acquisition [Rs. 50,00,000 x 254/167]	76,04,790
	2,43,95,210

Proportionate capital gains arising during the A.Y. 2020-21 (2,43,95,210 × 5/8)	1,52,47,006	
Less: Exemption under section 54EC (restricted to Rs. 50 lakh)	<u>50,00,000</u>	
Capital gains chargeable to tax for A.Y. 2020-21	1,02,47,006	}{2M}
Business Income		
Sale price of flats [5 × Rs. 90 lakh]	4,50,00,000	
Less: Cost of flats		
Fair market value of land on the date of conversion (3,20,00,000 × 5/8)	2,00,00,000	
Cost of construction of flats [5 × Rs. 36 lakh]	<u>1,80,00,000</u>	
	70,00,000	}{2M}

Notes:

- (1) The conversion of a capital asset into stock-in-trade is treated as a transfer under section 2(47). It would be treated as a transfer in the year in which the capital asset is converted into stock-in-trade.
- (2) However, as per section 45(2), the capital gains arising from the transfer by way of conversion of capital assets into stock-in-trade will be chargeable to tax only in the year in which the stock-in-trade is sold.
- (3) The indexation benefit for computing indexed cost of acquisition would be available only up to the year of conversion of capital asset to stock-in-trade and not up to the year of sale of stock-in-trade.
- (4) For the purpose of computing capital gains in such cases, the fair market value of the capital asset on the date on which it was converted into stock-in-trade shall be deemed to be the full value of consideration received or accruing as a result of the transfer of the capital asset.
In this case, since only 5/8th of stock-in trade (5 flats out of 8 flats) is sold in the P.Y. 2019-20 only proportionate capital gains (i.e. 5/8th) would be chargeable to tax in the A.Y. 2020-21.
- (5) On sale of such stock-in-trade (i.e., flats, in this case), business income would arise. The business income chargeable to tax would be the price at which the flats are sold as reduced by the fair market value on the date of conversion of the capital asset (i.e., land) into stock-in-trade and the cost of construction of flats.
- (6) In case of conversion of capital asset into stock-in-trade and subsequent sale of stock-in-trade, the period of 6 months, for the purpose of exemption under section 54EC, is to be reckoned from the date of sale of stock-in-trade [CBDT Circular No.791 dated 2.6.2000]. In this case, since the investment in bonds of NHA1 has been made within 6 months of sale of flats, the same qualifies for exemption under section 54EC, subject to a maximum of Rs. 50 lakh.

}{1/2 M
Each
Note = 3
M}

Answer 4:

- (a)** Tax implications under Section 56(2)
- (i) Since paintings are included in the definition of "property", therefore, when paintings are received without consideration, the same is taxable under section 56(2)(x), as the aggregate fair market value of paintings exceed Rs. 50,000. Therefore, Rs. 2,00,000, being the value of painting gifted by his nephew, would be taxable under section 56(2)(x) in the hands of Mr. Tejpal, since "nephew" is not included in the definition of "relative" thereunder.
 - (ii) Any property received without consideration by a HUF from its relative is not taxable under section 56(2)(x).
Since Verma's son is a member of Verma HUF, he is a "relative" of the HUF. Therefore, if Verma HUF receives any property (shares, in this case) from its member, i.e., Verma's son, without consideration, then, the fair market value

}{1 M}

}{1 M}

- of such shares will not be chargeable to tax in the hands of the HUF, since gift received from a "relative" is excluded from the scope of section 56(2)(x). }
- (iii) The difference between the aggregate fair market value of shares of a closely held company and the consideration paid for purchase of such shares is deemed as income in the hands of the purchasing company under section 56(2)(x), if the difference exceeds Rs. 50,000. } {1 M}
- Accordingly, in this case, the difference of Rs. 1,80,500 [i.e., (Rs. 105 – Rs. 86) × 9,500] is taxable under section 56(2)(x) in the hands of Sunshine (P) Ltd. }
- (iv) The provisions of section 56(2)(viib) are attracted in this case since the shares of a closely held company are issued at a premium (i.e., the issue price of Rs. 18 per share exceeds the face value of Rs. 10 per share) and the issue price exceeds the fair market value of such shares. } {1 M}
- The consideration received by the company in excess of the fair market value of the shares would be taxable under section 56(2)(viib). Therefore, Rs. 84,000 {i.e., (Rs. 18 – Rs. 15) × 28,000 shares} shall be the income chargeable under section 56(2)(viib) in the hands of Bijali (P) Ltd. }
- (v) Interest received on enhanced compensation shall be deemed to be the income of the previous year in which it is received, irrespective of the method of accounting followed by the assessee. Therefore, in this case, interest on enhanced compensation received by Mr. Sharan in January, 2020 shall be deemed to be the income of P.Y. 2019-20, i.e., the year of receipt, irrespective of the method of accounting followed by him. } {1 M}

Such interest is taxable under section 56(2)(viii):		
(Rs. 1,20,000 + Rs. 1,60,000 + Rs. 2,00,000+ Rs. 60,000)		Rs. 5,40,000
Less: Deduction under section 57(iv)@50% of Rs. 5,40,000		<u>Rs. 2,70,000</u>
Taxable interest income		<u>Rs. 2,70,000</u> } {2 M}

Answer:

- (b)** (i) Since the sale consideration of house property exceeds Rs. 50 lakh, Mr. Siddharth is required to deduct tax at source under section 194-IA. The tax to be deducted under section 194IA would be Rs. 80,000, being 1% of Rs. 80 lakh. TDS provisions under section 194-IA are not attracted in respect of transfer of rural agricultural land. }
- (ii) As per Section 194J, liability to deduct tax is attracted only in case the payment made as fees for professional services and royalty, individually, exceeds Rs. 30,000 during the financial year. In the given case, since, the individual payment for fee of Rs. 28,000 for professional services and royalty of Rs. 25,000 is less than Rs. 30,000 each, there is no liability to deduct tax at source. It is assumed that no other payment towards fees for professional services and royalty were made during the year to Mr. Varun. } {1 M}
- (iii) Section 194-I, which requires the deduction of tax at source on payment of rent exceeding Rs. 1,80,000 per annum is applicable to all persons other than individuals and HUF's, who are not subject to tax audit in the immediately preceding financial year. } {1 M}
- Therefore, the TDS provisions under section 194-I are applicable in respect of rental payments made by a bank. However, under Section 196, payments made to Government are exempt from the application of provisions of tax deduction at source.
- Hence, Punjab National Bank is not required to deduct tax at source on payment of Rs. 1,00,000 per month as rent to Central Government. }

- (iv) As per Section 194LA, any person responsible for payment to a resident, any sum in the nature of compensation or consideration on account of compulsory acquisition under any law, of any immovable property, is responsible for deduction of tax at source if such payment or the aggregate amount of such payments to the resident during the financial year exceeds Rs. 2,50,000. In the given case, no liability to deduct tax at source is attracted as the payment made does not exceed Rs. 2,50,000. } {1 M}

Answer:

(c) Computation of income from house property of Mr. Karan for A.Y. 2020-21

Particulars	Rs.	Rs.
Annual Value is nil (since house is self occupied)		Nil
Less : Deduction under section 24(b)		
Interest paid on borrowed capital Rs. 30,00,000 @ 11%	3,30,000	
Pre-construction interest Rs. 3,30,000 / 5	66,000	
	3,96,000	{1 M}
As per second proviso to section 24(b), interest deduction restricted to		2,00,000
Loss under the head "income from house property" of Mr. Karan		(2,00,000) {1 M}

Computation of income from house property of Mr. Kunal for A.Y. 2020-21

Particulars	Ground floor (Self occupied)	First floor
Gross Annual Value (See Note below)	Nil	1,25,000
Less : Municipal taxes (for first floor)		5,000
Net Annual Value (A)	Nil	1,20,000
Less : Deductions under section 24		
(a) 30% of Net Annual Value		36,000
(b) Interest on borrowed capital		
Current year interest Rs. 25,00,000 x 10% = Rs. 2,50,000	1,25,000	1,25,000
Pre-construction interest Rs. 25,00,000 x 10% x 9/12 = Rs. 1,87,500 Rs. 1,87,500 allowed in 5 equal installments Rs. 1,87,500 / 5 = Rs. 37,500 per annum	18,750	18,750
Total deduction under section 24 (B)	1,43,750	1,79,750
Income from house property (A)-(B) {1 M}	(1,43,750)	(59,750) {1 M}
Loss under the head "income from house property" of Mr. Kunal (both ground floor and first floor)		(2,03,500)

Note : Computation of Gross Annual Value (GAV) of first floor of Kunal's house

If a single unit of property (in this case the first floor of Kunal's house) is let out for some months and self-occupied for the other months, then the annual letting value (ALV) of the property shall be taken into account for determining the annual value. The ALV shall be compared with the actual rent and whichever is higher shall be adopted as the annual value. In this case, the actual rent shall be the rent for the period for which the property was let out during the previous year.

The Annual Letting Value (ALV) is the higher of fair rent and municipal value. This

should be considered for 9 months since the construction of property was completed only on 30.6.2019.

Annual letting value = Rs. 93,750, being higher of –
 Fair rent = 125,000 x 9 /12 = Rs. 93,750
 Municipal value = 80,000 x 9/12 = Rs. 60,000

Actual rent = Rs. 1,25,000 (Rs. 25,000 p.m. for 5 months from July to November, 2019) Gross annual value = Rs. 1,25,000 (being higher of ALV of Rs. 93,750 and actual rent of Rs. 1,25,000).

SECTION – B - DESCRIPTIVE QUESTIONS

QUESTION NO. 5 IS COMPULSORY

ATTEMPT ANY TWO QUESTIONS OUT OF REMAINING THREE QUESTIONS.

TOTAL MARKS: 28 MARKS

Answer 5:

(i) Computation of net GST payable for the financial year 2019-20

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			
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

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 2019-20, the last lot of iron has been received after FY 2019-20 only, i.e. on 5, April 2020, thus no input tax credit is available in FY 2019-20. In view of above provisions, full input tax credit in respect of transaction (a) will be claimed in financial year 2020-21 i.e. on receipt of last installment. }{1 M}
- 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. Thus, in view of the above mentioned provisions full input tax credit of Rs. 1,98,000/- can be claimed in financial year 2019-20. }{1 M}
- 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. }{1 M}

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 2020-21

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 6:

(a) Computation of value of taxable supply

Particulars	(Rs.)
Amount charged for loading, unloading, packing and warehousing of potato chips [Note-1]	25,000
Fees charged for yoga camp conducted by a charitable trust registered under section 12AA of the Income-tax Act, 1961 [Note-2]	Nil
Amount charged by business correspondent for the services provided to the rural branch of a bank with respect to Savings Bank Accounts [Note-3]	Nil
Amount charged by cord blood bank for preservation of stem cells [Note-4]	Nil
Service provided by commentator to a recognized sports body [Note-5]	6,00,000
Amount charged for service provided by way of right to admission to circus where consideration for the same is Rs. 750 per person. [Note-6]	12,000

Notes:

- Services by way of loading, unloading, packing, storage or warehousing of agricultural produce are exempt from GST. Further, potato chips are manufactured through processes which alter the essential characteristic of agricultural produce, thus is not covered under definition of agricultural produce. {1/2 M}
- Services by an entity registered under section 12AA of the Income-tax Act, 1961 by way of charitable activities are exempt from GST. The activities relating to advancement of yoga are included in the definition of charitable activities. So, such activities are exempt from GST. {1/2 M}
- Services by business facilitator or a business correspondent to a banking company with respect to accounts in its rural area branch have been exempted from GST. {1/2 M}
- Services provided by cord blood banks by way of preservation of stem cells or any other service in relation to such preservation are exempt from GST. {1/2 M}

5. Services provided to a recognized sports body only by an individual as a player, referee, umpire, coach or team manager for participation in a sporting event organized by a recognized sports body are exempt from GST. Thus, services provided by commentators are liable to GST. } {1/2 M}
6. Services provided by way of right to admission to circus where consideration for the same is upto Rs. 500 per person are exempt from GST. Since in the present case, the consideration is more than Rs. 500 per person, so the same is liable to GST. } {1/2 M}

Answer:

- (b)** (i) In case of services provided by any person by way of sponsorship to any body corporate or partnership firm / limited liability partnership (LLP), GST is liable to be paid under reverse charge by such body corporate or partnership firm / LLP located in the taxable territory. Therefore, in the given case, Indian Love Cricket Academy is liable to pay GST under reverse charge. } {2 M}
- (ii) In case of services provided by Goods Transport Agency (GTA) in respect of transportation of goods by road to, inter alia, any partnership firm whether registered or not under any law; GST is liable to be paid by such partnership firm. Therefore, in the given case, Amba & Co. is liable to pay GST under reverse charge. } {2 M}

Answer 7:

- (a)** (i) Where the due date of payment is not ascertainable from the contract, the invoice shall be issued before or at the time when the supplier of service receives the payment. Thus, in the given case, the invoice should be issued on or before 30.03.2020 (date of receipt of payment by Mr. Mayank). } {1 M}
- (ii) If payment is linked to the completion of an event, the invoice should be issued on or before the date of completion of that event. Since in the given case payment is linked to the completion of service, invoice should be issued on or before 31.01.2020 (date of completion of service). } {1 M}
- (iii) Where the due date of payment is ascertainable from the contract, the invoice should be issued on or before the due date of payment. If M/s. Omega Limited has to make payment on 25.03.2020 as per the contract between them, the invoice should be issued on or before 25.03.2020. } {1 M}

Answer:

- (b)** A registered person paying tax under the provisions of section 10 [composition levy] shall issue, instead of a tax invoice, a bill of supply containing such particulars and in such manner as may be prescribed. } {2 M}
- Therefore, in the given case, Draupad Fabrics cannot issue tax invoice. Instead, it shall issue a Bill of Supply. } {1 M}

Answer:

- (c)** 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. } {2 M}
- Due date of payment is 20th May, 2019.
 Period for which interest is due = 21st May, 2019 to 31st July, 2019 } {2 M}
- = 72 days
 Thus, interest liability = Rs. 1,50,000 x 24% x 72/366
 = Rs. 7,082 (approx.)

Answer 8:

- (a) Title as well as possession both have to be transferred for a transaction to be considered as a supply of goods. In case title is not transferred, the transaction would be treated as supply of service in terms of Schedule II(1)(b) of the CGST Act. In some cases, possession may be transferred immediately but title may be transferred at a future date like in case of sale on approval basis or hire purchase arrangement. Such transactions will also be termed as supply of goods. } {5 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. } {2^{1/2} M}

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^{1/2} M}

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