

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. (i) Ans. d
 (ii) Ans. a
 (iii) Ans. d
 (iv) Ans. a } {2 M Each x 8 = 16 Marks}
2. Ans. c
 3. Ans. c
 4. Ans. c
 5. Ans. d } {1 M Each x 14 = 14 Marks}
6. Ans. b
 7. Ans. a
 8. Ans. d
 9. Ans. c
 10. Ans. d
 11. Ans. a
 12. Ans. b
 13. Ans. a
 14. Ans. a
 15. Ans. a
 16. Ans. c
 17. Ans. d
 18. Ans. c
 19. Ans. 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 and tax liability of Mr. Jagdish (amount in Rs.):

Income from salaries :		
Basic salary (Rs. 51,000 x 12)	6,12,000	
Dearness allowance (Rs. 10,000 x 12)	1,20,000	
House Rent Allowance [WN-1]	37,200	
Gross Salary	7,69,200	
Less: Standard Deduction u/s 16(ia)	50,000	7,19,200 {1 ^{1/2} M}
Income from House Property :		
Actual rent being Gross Annual Value [Rs. 46,000 x 9]	4,14,000	
Less: Municipal taxes paid [taxes paid during FY 2018-19 shall be allowed as deduction on actual payment basis]	27,000	

Net Annual Value	3,87,000		
Less: Deductions under section 24-			
(a) Statutory Deduction @ 30% of NAV	1,16,100		
(b) Interest on loans	Nil	2,70,900	{1 M}
Profits and gains from business or profession :			
Income from business in dealing in shares	1,70,000		
Less: Security transaction tax [Same is allowed as deduction as per provisions of Sec. 36(1)(xv)]	30,000	1,40,000	{1 M}
Capital gains			
Sale consideration on sale of bonus shares	2,00,000		
Less: Indexed cost of acquisition [WN-2]	Nil	2,00,000	{1 M}
Income from other sources :			
Dividend from shaes of Indian company on which the company has paid dividend distribution tax u/s 115-O	13,00,000		
Less: Dividend exempt under Section 10(34)	10,00,000		
Taxable dividends	3,00,000		
Gross Winnings from lottery [WN-3]	30,000		
Saving bank interest	15,000	3,45,000	
Gross Total Income		16,75,100	{1 ^{1/2} M}
Less: Deduction u/s 80C (PPF subject to maximum of Rs. 1,50,000)	1,50,000		
Less: Deduction u/s 80D for medical insurance premium paid [(Wife 19,000 and dependent son 12,000) subject to maximum of Rs. 25,000]	25,000		
Less: Deduction u/s 80TTA – Interest on savings bank account. However, deduction cannot exceed Rs. 10,000.	10,000	1,85,000	
Total Income (rounded off)		14,90,100	{2 M}
Dividend taxable under Section 115BBDA @ 10% (Rs. 3,00,000 x 10%) [WN-4]	30,000		
Long term capital gains taxable under Section 112 @ 20% (Rs. 2,00,000 x 20%)	40,000		
Winnings from lottery taxable under Section 115BB @ 30% (Rs. 30,000 x 30%)	9,000		
Balance Income taxable at normal rates Rs. (14,90,000 – 3,00,000 – 30,000 – 2,00,000) i.e. Rs. 9,60,100	1,04,520		
Total Tax	1,83,520		
Add: HEC @ 4%	7,341		
Total tax liability (rounded off)	1,90,860		
Less: TDS on lottery winnings	9,000		
Tax payable		1,81,860	{2 M}

Working Notes:

(1) HRA is exempt to the extent least of the following (amount in Rs.)-

(1)	Actual HRA received [Rs. 4,000 x 12]	48,000	}
(2)	Rent paid – 10% of salary [Rs. 7,000 x 12 – 10% of (Rs. 6,12,000 + Rs. 1,20,000)]	10,800	
(3)	50% of the salary [50% of [Rs. 6,12,000 + Rs. 1,20,000]]	3,66,000	
	Exempted HRA	10,800	
	Taxable HRA	37,200	

- (2) Cost of acquisition of bonus shares is Nil as per section 55. Since the bonus shares were allotted on 01.02.2008, the period of holding of bonus shares exceeds 2 years, therefore, it is a long-term capital asset.
- (3) Winnings from lottery should be grossed up for the changeability under the head "Income from other sources". Hence, taxable amount is Rs. $(21,000 \times 100 \div 70) = \text{Rs. } 30,000$.
- (4) As per Section 115BBDA dividend from shares of Indian company in excess of Rs. 10,00,000 is chargeable to tax @ 10%.

}{1/2 M Each}

Answer 2:

(a) The TDS implications are as under –

- (i) Even though the annual premium exceeds 10% of sum assured in respect of a policy taken after 31.03.2012, and consequently, the maturity proceeds of Rs. 95,000 would not be exempt under section 10(10D) in the hands of Ms. Varsha the tax deduction provisions under section 194DA are not attracted since the maturity proceeds are less than Rs. 1 lakh.
- (ii) Since the sale consideration of residential house property does not exceed Rs. 50 lakh, Mr. Karan is not required to deduct tax at source under section 194-IA.
- (iii) TDS provisions under section 194J would not get attracted, since the limit of Rs. 30,000 is applicable for fees for professional services and royalty, separately. It is assumed that there is no other payment to Mr. Narayan towards fees for professional services and royalty during the P.Y. 2019-20.
- (iv) According to section 194C, the definition of "work" does not include the manufacturing or supply of product according to the specification by customer in case the material is purchased from a person other than the customer. Therefore, there is no liability to deduct tax at source in respect of payment of Rs. 1,75,000 to Mr. Vaibhav, since the contract is a contract for 'sale'.
- (v) Section 194J provides for deduction of tax at source @10% from any sum paid by way of any remuneration or fees or commission, by whatever name called, to a resident director, which is not in the nature of salary on which tax is deductible under section 192. The threshold limit of Rs. 30,000 upto which the provisions of tax deduction at source are not attracted in respect of every payment covered under section 194J is, however, not applicable in respect of sum paid to a director.
Therefore, tax@10% has to be deducted at source under section 194J in respect of the sum of Rs. 12,000 paid by Talent Private Limited to its director Ms. Sudha. Amount of TDS = Rs. 12,000 x 10% = Rs. 1200.
- (vi) According to Section 194J, in case of a payee, engaged only in the business of operation of call centre, the tax shall be deducted at source @2% if the amount credited to the account of the payee exceeds Rs. 30,000. Thus the amount of tax to be deducted at source = Rs. 70,000 x 2% = Rs. 1,400.

}{1 M Each}

Answer:

(b) (a) Computation of Gross Total Income of Mr. Rajat (amount in Rs.):

Income from House Property:		
House No. I : Income from house property	72,000	
House No. II : Current year's loss (Inter-source set-off u/s 70)	-30,000	42,000
Profits and Gains of Business and Profession :		
Profits from leather business	1,00,000	
Share in profit from firm	[WN-1]	Exempt

}{1 M}

Recovery of Bad debts deemed to be income u/s 41(4) [WN-2]	35,000		
Current year's loss of taxable business (Inter-source adjusted)	-40,000		
Balance Income	95,000		
Brought forward textile business loss of A.Y. 2016-17	-95,000	Nil	{1 M}
Capital Gains:			
Short term Capital Gains		60,000	
Gross Total Income		1,02,000	{1 M}
Less: Deduction u/s 80C in respect of contribution to LIC		10,000	
Total Income		92,000	{1 M}

Working Notes:

- (1) Share in profit is exempt under section 10(2). It is assumed that the share in profit doesn't represent any Salary, interest or other remuneration. } {2 M}
- (2) Recovery of bad debts earlier allowed as deduction is taxable under the head Profit and gains of business or profession in accordance with the provisions of Section 41(4). } {2 M}
- (b) Statement of the amount of losses that can be carried forward (amount in Rs.): } {2 M}
 - Brought forward business loss of chemical business to be carried forward under section 72 50,000
 - Long term Capital loss to be carried forward under section 74 35,000

Answer 3:

(a)

Total sum received from the tenant		1,20,000	
Less: Sum incurred towards tenant's amenities [WN-1]			
Extension of water connection		-3,000	
Water charges		-1,500	
Lift maintenance		-1,500	
Salary of gardener		-1,800	
Lighting of stairs		-1,200	
Maintenance of swimming pool		-750	
Total Rent received for the property		1,10,250	{1 M}
Less: Municipal taxes [WN-2]		Nil	
Net annual value		1,10,250	
Less: Standard Deduction u/s 24 @ 30% [WN-3]		33,075	
Income from house property		77,175	{1 M}

Working Notes:

- (1) The expenses borne by the landlord towards amenities of the tenant is included in the rent of 1,20,000, hence the same is to be excluded for calculating actual rent as the same have been incurred on behalf of the tenant, for his personal amenities. } {1 M}
- (2) No deduction shall be allowed for municipal taxes as the same have been paid by the tenant. } {1/2 M}

- (3) No deduction is allowed for repair and collection charges and land revenue paid by the landlord, only a standard deduction under section 24 @ 30% of the NAV shall be allowed. } {1/2 M}

Answer:

- (b) Computation of Taxable Salary of Sehwaq (amount in Rs.)-

Basic salary @ Rs. 25,000 p.m. (Rs. 25,000 x 12)		3,00,000	} {3 M}
Rent free accommodation (15% of salary)		45,000	
Concessional housing loan	[WN-1]	7,500	
Free gift of watch	[WN-2]	Exempt	
Credit card facility (Rs. 12,000 + Rs. 2,000)		14,000	
Telephone facility	[WN-3]	Exempt	
Use of Video camera	[WN-4]	2,000	
Sale of video camera	[WN-5]	12,000	
Sale of car	[WN-6]	80,000	
Gross Salary		4,60,500	
Less : Standard Deduction u/s 16(ia)		50,000	
Income under the head salaries		4,10,500	

Working Notes:

- (1) Value of concessional housing loan = Rs. 5,00,000 x 2% x 9/12 = Rs. 7,500.
 (2) The value of gift received is exempt from tax as the amount is below Rs. 5,000.
 (3) Telephone facility provided is an exempt perquisite, hence not liable to tax.
 (4) Taxable value for use of video camera = Rs. 60,000 x 10 % x 4/12 = Rs. 2,000.
 (5) Taxable value for use of video camera = WDV - Sale price = (Rs. 60,000 - Depreciation @ 10% for 3 years Rs. 18,000) - Rs. 30,000 = Rs. 42,000 - Rs. 30,000 = 12,000.
 (6) Total depreciation for two completed years on motor car = Rs. 90,000, computed as follows -
- | | |
|---|----------|
| Depreciation for the 1 st year @ 20% of cost | 50,000 |
| WDV at the end of 1 st year | 2,60,000 |
| Depreciation for 2 nd year @ 20% | 40,000 |
- Hence, taxable value for sale of car = Rs. 2,50,000 - Rs. 90,000 - Rs. 80,000 = Rs. 80,000. } {1/2 M Each}

Answer:

- (c) Computation of interest payable by Abdul (amounts in Rs.):

Interest under section 234A [WN]		Nil	} {4 M}
Interest under section 234B for 6 months i.e. 1.4.2020 to 30.09.2020 (Rs. 1,50,000 x 1% x 6)		9,000	
Interest under section 234C as follows-			
15% of Rs. 1,50,000 i.e. Rs. 22,500 x 1% x 3 months		675	
45% of Rs. 1,50,000 i.e. Rs. 67,500 x 1% x 3 months		2,025	
75% of Rs. 1,50,000 i.e. Rs. 1,12,500 x 1% x 3 months		3,375	
100% of Rs. 1,50,000 i.e. Rs. 1,50,000 x 1% x 1 month		1,500	
		7,575	

Answer 4:

- (a) Computation of total income of Mr. X for the A.Y. 2020-21 (amount in Rs.):

Income from salary (Computed)		3,80,000	} {2 M}
Income from house property		2,00,000	

Net agricultural income [Rs. 2,80,000 – Rs. 1,70,000]	1,10,000	
Less: Exempt under section 10(1)	-1,10,000	--
Gross Total Income		5,80,000
Less: Deductions under Chapter VI-A		--
Total Income		5,80,000

Computation of tax payable by Mr. X (amount in Rs.):

Tax on business income including agricultural income (Rs. 5,80,000 + Rs. 1,10,000)	50,500	} {2 M}
Less: Tax on agricultural income + basic exemption (Rs. 1,10,000 + Rs. 2,50,000)	5,500	
Tax payable	45,000	
ADD: HEC @ 4%	1,800	
Tax liability (rounded off)	46,800	

Answer:

- (b)** (1) Tax implications in the hands of the company :
- (i) According to Section 46(1) of the Act, distribution of capital assets amongst the shareholders on liquidation of the company is not regarded as "transfer" in the hands of the company. Consequently, there will be no capital gains in the hands of the company. } {1 M}
 - (ii) According to Section 2(22)(c), any distribution made to the shareholders of a company on its liquidation, to the extent to which distribution is attributable to the accumulated profits of the company immediately before its liquidation would be deemed as dividend. Therefore, Rs. 40,00,000, being the amount of general reserves on the date of liquidation would be deemed as dividend. } {1 M}
- Company is liable to pay dividend distribution tax @ 20.5552941% on such deemed dividend of Rs. 40,00,000 i.e. Rs. 40,00,000 x 20.5552941% = Rs. 822.212:
- (2) Tax implications in the hands of Mr. Raghu (shareholder):
- (i) On liquidation (31.07.2019) : Where a shareholder on the liquidation of a company receives any money or other assets from the company, he shall be chargeable to income- tax under the head "capital gains" in respect of the money so received or the market value of the other assets on the date of the distribution, as reduced by the amount assessed as dividend and the sum so arrived at shall be deemed to be the full value of consideration. } {1 M}
- | | | |
|--|-----------|---------|
| Mr. Raghu holds 1/6 th of the shareholding of the company
Market value of agricultural land received (Rs. 60 lakhs x 1/6 th) + Cash at bank [1/6 th of (Rs. 32,22213 – Rs. 8,22,212)] | 14,00,000 | } {2 M} |
| Less : Deemed dividend u/s 2(22)(c) i.e. 1/6 th of Rs. 40,00,000 | 6,66,667 | |
| Full value of consideration | 7,33,333 | |
| Less: Indexed cost of acquisition of Shares (Rs. 1,20,000 x 289/113) | 3,06,903 | |
| Long term capital gains | 4,26,431 | |

- (ii) On sale of agriculture land : Hence, the short-term capital gains in the hands of Mr. Raghu (shareholder) at the time of sale of urban agricultural land should be computed as follows :

	(amount in Rs.)
Full value of consideration	15,00,000
Less: Fair market value of the agricultural land on the date of distribution [WN]	10,00,000
Short term capital gain	5,00,000

{2 M}

Working Note:

Where the capital asset became the property of the assessee on the distribution of the capital assets of a company on its liquidation and the assessee has been assessed to capital gains in respect of that asset, the cost of acquisition means the fair market value of the asset on the date of distribution.

Dividend under section 2(22)(c) amounting to Rs. 6,66,667 will be exempt under section 10(34).

{1 M}

Answer:

- (c) (i) Not taxable : Gift from sister i.e. 'relative' is not liable to tax under section 56(2)(x). {1 M}
- (ii) Not taxable : Car is not included in the definition of property for the purpose of Section 56(2)(x), therefore, the same shall not be taxable. {1 M}

SECTION – B - DESCRIPTIVE QUESTIONS

QUESTION NO. 5 IS COMPULSORY

ATTEMPT ANY TWO QUESTIONS OUT OF REMAINING THREE QUESTIONS.

TOTAL MARKS: 28 MARKS

Answer 5:

Computation of net GST liability of Mr. Ekaant

Particulars	Value (Rs.)	CGST (Rs.)	SGST (Rs.)	IGST (Rs.)
Total tax liability				
Value of intra-State legal consultancy services i.e. inward supplies liable to reverse charge mechanism (to be paid in cash) (A) [Note-1]	1,00,000	9,000	9,000	-
Value of inter-State outward supplies (B1)	30,00,000	-	-	5,40,000
Value of intra-State outward supplies to registered as well as unregistered persons (B2) (Rs. 50,00,000+ Rs. 15,00,000)	65,00,000	5,85,000	5,85,000	-
Total (B) = (B1) +(B2)		5,85,000	5,85,000	5,40,000
Input tax Credit				
Brought forward ITC		2,00,000	2,00,000	5,00,000
Value of intra-State inward supplies from registered person [Note-2]	10,00,000	90,000	90,000	
Value of inter-State inward supplies from registered person [Note-2]	5,00,000	-	-	90,000
IGST credit of capital goods [Note-2]				1,50,000
Credit on other inward supplies purchased in				

{1 M}

the month of July less credit on membership of a club [Note-2 & 4]		45,000	45,000	-	
Credit of legal consultancy services [Note-2]		9,000	9,000	-	
Total (C)		3,44,000	3,44,000	7,40,000	{1 M}
Net liability (B)-(C)		2,41,000	2,41,000	(2,00,000)	{1 M}
Less: Set off from IGST credit [Note-5]		2,00,000	-	-	
Liability after set off (D)		41,000	2,41,000	Nil	
Net GST liability to be paid in cash (A) + (D)		50,000	2,50,000	Nil	{1 M}

Notes:-

- Services supplied by an individual advocate to any business entity located in the taxable territory by way of legal services, directly or indirectly are taxable under reverse charge mechanism. Thus, tax is payable by the recipient (Mr. Ekaant) on said services to the Government.
Further, as per section 49(4) of the CGST Act, 2017, amount available in the electronic credit ledger [ITC amount] may be used for making payment towards output tax. However, tax payable under reverse charge is not an output tax in terms of section 2(82) of the CGST Act, 2017. Therefore, tax payable under reverse charge cannot be set off against the input tax credit and thus, will have to be paid in cash.
- Every registered person is entitled to take credit of input tax charged on any inward supply of goods and/or services which are used or intended to be used in the course or furtherance of his business in terms of section 16 of CGST Act, 2017.
Further "input tax" in relation to a registered person includes the tax payable under reverse charge mechanism in terms of section 2(62) of the CGST Act, 2017.
- Input tax credit is not allowed in respect of membership of a club in terms of section 17(5) of CGST Act, 2017.
- Input tax credit of IGST has been used to pay IGST and CGST in that order. Alternatively, balance IGST can also be used to pay SGST instead of CGST.

Answer 6:

- (a) Section 49(1) of CGST Act, 2017 read with rule 87 of CGST Rules, 2017 provides that the deposit in electronic cash ledger can be made through any of the following modes, namely:-
- (i) Internet Banking through authorised banks;
 - (ii) Credit card or Debit card through the authorised bank;
 - (iii) National Electronic Fund Transfer or Real Time Gross Settlement from any bank; or
 - (iv) Over the Counter payment through authorised banks.
- Thus, offline mode is also permitted under GST.
- (a) Manual or physical Challans are not allowed under the GST regime. It is mandatory to generate Challans online on the GST Portal.
 - (b) E-challan is valid for a period of 15 days.
 - (c) Amount entered under any Minor head (Tax, Interest, Penalty, etc.) and Major Head (CGST, IGST, SGST/UTGST) of the Electronic Cash Ledger can be utilized only for that liability. Cross-utilization among Major and Minor heads is not possible.

Answer:

- (b) Section 37 of the CGST Act, 2017 stipulates that GSTR-1 for a particular month is required to be filed on or before the 10th day of the immediately succeeding month, i.e. on a monthly basis.

However, presently, as a measure of easing the compliance requirement for small tax payers, GSTR-1 has been allowed to be filed quarterly by small tax payers with aggregate annual turnover up to Rs. 1.5 crore in the preceding financial year or the current financial year. Tax payers with annual aggregate turnover above Rs. 1.5 crore will however continue to file GSTR- 1 on a monthly basis. }{1 M}

In view of the same, M/s Cavenon Enterprises can file its GSTR-1 on quarterly basis as its aggregate turnover does not exceed Rs. 1.5 crore in the preceding financial year. }{1 M}

Further, GSTR-1 needs to be filed even if there is no business activity in a tax period. Thus, in the present case, even if no supply has been made by M/s Cavenon Enterprises, a NIL return is required to be filed for the relevant tax period. }{1 M}

Answer 7:

(a) Computation of eligible input tax credit

Particulars	Eligible ITC (Rs.)	}{2 M}
Motor vehicle purchased for employees to be used for personal as well as business purposes [Note-1]	-	
Motor vehicle purchased for transportation of goods within the factory [Note-1]	2,00,000	
Food items for consumption of employees [Note-2]	-	
Rent-a-cab facility given to employees [Note-3]	36,000	
Total eligible input tax credit	2,36,000	

Notes:-

As per Section 17(5) of the CGST Act, 2017:

- ITC on Motor vehicles for transportation of persons with seating capacity ≤ 13 persons (including the driver) is blocked, EXCEPT WHEN USED FOR
 - making further taxable supply of such motor vehicles;
 - making taxable supply of transportation of passengers;
 - making taxable supply of imparting training on driving such motor vehicles}{2 M}

Thus, in the given case, ITC on motor vehicle purchased for transportation of goods within the factory will only be allowed.

- ITC in respect of food and beverages is blocked unless the same is provided by an employer to its employees under a statutory obligation or used for making outward taxable supply of the same category or as an element of the taxable composite or mixed supply. Thus, in the given case, ITC of taxes paid on food for employees is not allowed. }{1 M}

- ITC on supply of rent-a cab services is not blocked where the Government notifies the services which are obligatory for an employer to provide such service to its employees. Thus, ITC is available on said service. }{1 M}

Answer:

- (b)**
- Services provided to an educational institution providing services by way of pre-school education and education up to higher secondary school or equivalent, by way of catering is exempt from GST vide Notification No. 12/2017 CT (R) dated 28.06.2017 as amended. Thus, in the given case, services provided by BTV Caterers to Smart Kids are exempt from GST. }{1 M}
 - Services by way of health care services provided by a clinical establishment, an authorised medical practitioner or para-medics are exempt from GST vide Notification No. 12/2017 CT (R) dated 28.06.2017 as amended. }{1 M}

In this regard, CBIC has clarified that food supplied by the hospital canteen to the in-patients as advised by the doctor/nutritionists is a part of composite supply of healthcare services and is not separately taxable. Thus, it is exempt from GST. However, other supplies of food by a hospital to patients (not admitted) or their attendants or visitors are taxable. {1 M}

In view of the same, GST is exempt on the food supplied by Tasty Foods to the in-patients as advised by doctors/nutritionists while other supplies of food by it to patients (not admitted) or attendants/visitors of the in-patients is taxable. {1 M}

Answer 8:

(a) Section 10 of the CGST Act, 2017 provides that a registered person, whose aggregate turnover in the preceding financial year did not exceed Rs. 1.5 crore (Rs. 75 lakh in Special Category States except Assam, Himachal Pradesh and Jammu and Kashmir), may opt to pay, in lieu of the tax payable by him, an amount calculated at the specified rates. However, if, inter alia, such registered person is engaged in the supply of services other than restaurant services, he shall not be eligible to opt for composition levy. {1½ M}

In the given case, since Mr. Ajay is a supplier of repair services, he is not eligible for composition scheme even though his aggregate turnover in the preceding FY does not exceed Rs. 1.5 crore. Therefore, he has to discharge his tax liability under regular provisions at the applicable rates. {1 M}

However, with effect from 01.04.2019, Notification No. 2/2019 CT (R) dated 07.03.2019 has provided an option to a registered person whose aggregate turnover in the preceding financial year is upto Rs. 50 lakh and who is not eligible to pay tax under composition scheme, to pay tax @ 3% [Effective rate 6% (CGST+SGST/UTGST)] on first supplies of goods and/or services upto an aggregate turnover of Rs. 50 lakh made on/after 1st April in any FY, subject to specified conditions. {1 M}

Thus, in view of the above-mentioned provisions, Mr. Ajay is eligible to avail the benefit of concessional payment of tax under Notification No. 2/2019CT (R) dated 07.03.2019 as his aggregate turnover in the preceding FY does not exceed Rs. 50 lakh and he is not eligible to opt for the composition scheme. {1 M}

Thus, the amount of tax payable by him under Notification No. 2/2019 CT (R) dated 07.03.2019 is Rs. 2,10,000 [6% of Rs. 35 lakh].

A registered person cannot opt for Notification No. 2/2019 CT(R) dated 07.03.2019, if inter alia, he is engaged in making any inter-State outward supplies. However, there is no restriction on inter-State procurement of goods. Hence, answer will remain the same even if Mr. Ajay procures few items from neighbouring State of Madhya Pradesh. {1½ M}

NOTE – Composition scheme u/s Section 10(2A) is effective from 01/01/2020. Hence, above question/solution is not drafted as per Section 10(2A).

Answer:

(b) (i) Section 17(5) of the CGST Act, 2017, inter alia, blocks input tax credit in respect of motor vehicles for transportation of persons having approved seating capacity of not more than 13 persons (including the driver), except when they are used for certain specified purposes. {1 M}

Since in the given case, the mini bus has a seating capacity of 16 persons, the ITC thereon will not be blocked.

(ii) Section 17(5) of the CGST Act, 2017, inter alia, blocks input tax credit in respect of motor vehicles for transportation of persons with certain exceptions. Thus, ITC on motor vehicles for transportation of goods is allowed unconditionally. {1 M}

- Therefore, ITC on trucks purchased by Bangur Ceramics Ltd for transportation of its finished goods from the factory to dealers located in various locations within the country is allowed. }
- (iii) Section 17(5) of the CGST Act, 2017, inter alia, blocks input tax credit in respect of motor vehicles for transportation of persons having approved seating capacity of not more than 13 persons (including the driver), except when they are used for making further supply of such motor vehicles. } **{1 M}**
Being a dealer of cars, "Hans Premium" has purchased the cars for further supply. Therefore, ITC on such cars is allowed even though seating capacity is less than 13.
- (iv) Section 17(5) of the CGST Act, 2017 inter alia, blocks input tax credit in respect of outdoor catering services. However, ITC is available on such services, when the same are provided by an employer to its employees under a statutory obligation. } **{1 M}**
Thus, in view of the above- mentioned provisions, Sun & Moon packers Pvt. Ltd. can avail ITC in respect of outdoor catering services availed by it as the same is being provided under a statutory obligation.

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