

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) Ans. d

Hint:

A senior citizen who don't have income from business shall be exempt from payment of advance tax.

(2) Ans. c

(3) Ans. d

(4) Ans. c

(5) Ans. d

(6) Ans. a

(7) Ans. a

(8) Ans. a

(9) Ans. c

(10) Ans. d

{1 M Each x 10 = 10 Marks}

(11) Ans. a

Hint:

Taxable Income (unexplained money section 69A)	2,40,000
Tax @ 60% as per section 115BBE	1,44,000
Add: Surcharge @ 25%	36,000
Tax before HEC	1,80,000
Add: HEC @ 4%	7,200
Tax Liability	1,87,200

(12) Ans. d

Hint:

115BBDA is not applicable for non - resident, dividend received from Indian company is exempt for non - resident assessee. Further 80TTA is allowed to non resident hence taxable amount shall be 15,000- 10,000 = 5,000.

(13) Ans. b

Hint:

Eligible deduction u/s 10AA

50% of export profit is allowed as deduction from 6th year to 10th year

Export profit = Profit of business in SEZ/Total Turnover of SEZ x Export turnover of SEZ
 = 80,00,000/5,25,00,000 x 2,50,00,000 = 38,09,524
 = 50% x 38,09,524 = 19,04,762

(14) Ans. d

Hint:

Computation of amount chargeable to tax under the head salaries

(i)	Perquisite value in case of Seminar fees is exempt	
(ii)	Tuition fees of son reimbursed by employer is fully taxable	25,000
(iii)	Studies in school owned and maintained by employer is taxable	42,000
	(5,250-1,000-750) x 12	
	Taxable perquisite	67,000

(15) Ans. b

Hint:

Computation of Gross Total Income of Mr. Hari

Income from house property	5,00,000
Income under the head business/profession	4,00,000
Income under the head capital gains	2,50,000
Income under the head other sources	10,00,000
Gross Total Income	21,50,000

(16) Ans. a

Hint:

Computation of Gross Total Income

Income from salary	5,20,000
Less: loss from House property (maximum from other head 2,00,000)	(2,00,000)
(balance amount can be carried forward)	
Income under the head salary	3,20,000
Income under the head capital gains	
Long term capital gains	1,60,000
Less: Loss from medical business	(1,20,000)
Income under the head capital gains	40,000
Income under head other sources	80,000
Gross Total Income	4,40,000

Loss from specified business can be setoff from income of specified business only.

(17) Ans. b

(18) Ans. d

Hint:

Since land is situated 3 km from the local limits having the population below 1,00,000 hence such land shall be treated as rural land and no capital gains shall be computed.

(19) Ans. b

(20) Ans. a

Hint : 11,00,000 x 18% = 1,98,000. Full credit can be availed in 19-20 and reversal will be done in the next year after 180 days from the date of invoice.

{2 M Each
x 10 = 20
Marks}

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:

(a) Computation of Total Income of Mr. Raghav for A.Y. 2020-21

Particulars	Rs.	
Profits and gains from business and profession		
Income from chartered accountancy profession	15,00,000	
Less: Loss from house property (can be set-off to the extent of Rs. 2,00,000, as per section 71(3A).	(2,00,000)	
	13,00,000	}{2 M}
Capital gains		
Long term capital gain under section 112	4,00,000	
Less: Short term capital loss set off against long-term capital gain as per section 74	(4,00,000)	
	Nil	}{2 M}
Income from other sources		
Income of minor son Rahul		
Income from company deposit includible in the hands of Mr. Raghav as per section 64(1A)	1,75,000	
Less: Exemption in respect of income of minor child u/s 10(32)	(1,500)	
	1,73,500	}{2 M}
Income of minor daughter Riya		
- Income of Rs. 20,00,000 of minor daughter Riya (professional dancer) not includible in the hands of parent, since such income is earned on account of her special skills	Nil	
- Interest received on deposit with Canara Bank made out of amount earned on account of her special talent is includible as per section 64(1A), since interest income arises out of deposit made and not on account of her special skills	20,000	
- Gift of Rs. 45,000 received by her from friends of Mr. Raghav is not taxable under section 56(2)(x), since the aggregate amount from non-relatives does not exceed Rs. 50,000	Nil	
Less: Exemption in respect of income of minor child u/s 10(32)	(1,500)	
	18,500	}{2 M}
Income from other source	1,92,000	
Total Income	14,92,000	

Losses to be carried forward to A.Y. 2020-21

Particulars	Rs.
Loss from house property [Rs. 2,50,000 – Rs. 2,00,000]	50,000
Short term capital loss under section 111A	10,00,000
Short term capital loss (other than above) [Rs. 6,00,000 – Rs. 4,00,000]	2,00,000

Note:

Short-term capital loss under section 111A can also be set-off against long-term capital gains under section 112. In such a case, the losses to be carried forward to A.Y.2020-21 would be as under –

Particulars	Rs.
Loss from house property [Rs. 2.50,000 – Rs. 2,00,000]	50,000
Short term capital loss under section 111A [Rs. 10,00,000 – Rs. 4,00,000]	6,00,000
Short term capital loss (other than above)	6,00,000

Answer:**(b) Computation of Total Income of Mr. Arihant for A.Y. 2020-21**

Particulars	Rs.
Gross Total Income	7,50,000
Less: Deduction under Chapter VI-A Under section 80C	
- Life insurance premium of Rs. 70,000 (restricted to Rs. 60,000 i.e., 15% of Rs. 4,00,000, being the sum assured, since the policy has been taken on or after 01.04.2013, in respect of his handicapped son suffering from disability u/s 80U)	(60,000)
- Tax saver deposit of Rs. 90,000 in the name of his major son does not qualify for deduction under section 80C, since such deposit has to be made in the name of the assessee himself to qualify for deduction u/s 80C	Nil
Under section 80D	
- Medical insurance premium for self and his wife, pertaining to the previous year 2019-20 is Rs. 26,000, being 1/3rd of Rs. 78,000, the lumpsum premium, since the policy would be in force for three previous years. The said deduction would be restricted to	(25,000)
- Deduction in respect of medical expenditure of Rs. 54,000 for his father, being a senior citizen would be allowable, since no insurance policy is taken in his name, to the extent of	(50,000)
Under section 80G	
- Contribution by a resident towards the Clean Ganga Fund, set up by the Central Government would be eligible for 100% deduction without any qualifying limit.	(25,000)
Total Income	5,90,000

Answer 2:**(a) Computation of depreciation under section 32 for A.Y. 2020-21**

Particulars	Rs.
Machinery X, Machinery Y and Machinery Z acquired from Sahaj Ltd. (Since payment is made to Sahaj Ltd by way of use of ECS and the machineries were put to use for more than 180 days during the previous year, depreciation is allowable @15%)	58,00,000
Machinery L acquired from Swayam Ltd. in cash and installed on 8.8.2019 [Since payment of Rs. 35 lakhs is made otherwise than by account payee cheque/bank draft or use of ECS, the said amount will not be included in actual cost and hence, depreciation not allowable]	Nil
Second hand Machinery M from Sunshine Ltd on 18.12.2019 assuming it is installed and put to use in P.Y. 2019-20. [Since payment is made to Sunshine Ltd by way of use of ECS]	15,00,000

Actual Cost	73,00,000	}{2 M}
Depreciation for P.Y.2019-20		
Depreciation@15% on Machineries X, Y and Z on Rs. 58 lakhs	8,70,000	
Depreciation@7.5% (50% of 15%) on Rs. 15 lakhs for Machinery M since it is put to use for less than 180 days	1,12,500	
Additional Depreciation @35% on Rs. 58 lakhs, since the machinery is acquired and installed for a manufacturing unit set up in a notified backward area in the state of Andhra Pradesh.	20,30,000	
Additional depreciation is not allowable on second hand machinery	--	
Depreciation under section 32 for A.Y. 2020-21	30,12,500	}{2 M}

Answer:

(b) Computation of tax liability of Mr. Sunil Patni for the A.Y. 2020-21

Particulars	Rs.	
Income from Salaries (computed)	26,56,000	
Income from house property (computed)	16,90,000	
Interest income from FDR's	7,34,000	
Total Income	50,80,000	}{1 M}
Tax Liability		
Tax on Rs. 50,80,000 at slab rate	13,36,500	
Add: Surcharge @ 10%	1,33,650	
Tax before marginal relief	14,70,150	
Less: Marginal Relief	(77,650)	}{1 M}

Working Note:

Tax + surcharge @10% on income of Rs. 50,80,000	14,70,150	
Tax on income of Rs. 50,00,000	(13,12,500)	
Increase in tax	1,57,650	
Increase in income	80,000	
Marginal Relief (1,57,650 – 80,000)	77,650	
Tax after marginal relief	13,92,500	
Add: HEC @ 4%	55,700	
Tax Liability	14,48,200	}{1 M}

Answer:

(c) Computation of total income of Ms. Radhika for A.Y. 2020-21

Particulars	Rs.	
Income from house property		
Arrears of rent [Taxable, even if Ms. Radhika is no longer the owner of house property]	2,85,000	
Less: 30% of arrears of rent	(85,500)	
	1,99,500	}{1 M}
Profits and gains of business or profession		
Interest on capital @12%, being the maximum allowable interest [Rs. 4,50,000/15% x 12%] assuming interest@12% is authorized by the partnership deed and has been allowed as deduction while computing the income of the firm	3,60,000	
Share of profit from TVA & Co., a firm [Exempt]	--	
Amount received under Keyman Insurance Policy	4,35,000	
	7,95,000	}{2 M}

Income from other sources	
Winning from a TV Game show (Gross) [Rs. 77,000 x 100/(100-30)]	1,10,000
Gift received from father's brother would be exempt, since father's brother falls within the definition of relative	--
Gift received from her close friend would be taxable, since it exceeds Rs. 50,000	80,000
Rent received for a vacant plot of land [Rs. 3,03,300/90 x 100]	3,37,000
Amount forfeited on cancellation of agreement for transfer of vacant plot	3,10,000
Agricultural income from agricultural land at Dhaka, Bangladesh [not exempt, since such income is derived from land outside India]	5,20,000
Interest credited in PPF account [Exempt]	--
	13,57,000
Gross Total Income	23,51,500
Less: Deductions under Chapter VI-A	
Section 80C	
PPF subscription in the name of minor daughter	(1,25,000)
Section 80G	
Donation of Rs. 22,000 to a charitable trust registered u/s 12AA is not allowable as deduction since the same is made in cash in excess of Rs. 2,000	--
Total Income	22,26,500

Computation of tax liability of Ms. Radhika for A.Y. 2020-21

Particulars	Rs.
Tax on winnings of Rs. 1,10,000 from TV game show @30%	33,000
Tax on balance income of Rs. 21,16,500	4,47,450
	4,80,450
Add: Health and Education cess @ 4%	19,218
Tax liability	4,99,668
Less: TDS Under section 194-I	(33,700)
Less: TDS Under section 194B	(33,000)
Tax payable	4,32,968
Tax payable (rounded off)	4,32,970

Answer 3:**(a) Determination of residential status**

An individual is said to be resident in India in any previous year, if he satisfies any one of the following conditions:

- (i) He has been in India during the previous year for a total period of 182 days or more, or
- (ii) He has been in India during the 4 years immediately preceding the previous year for a total period of 365 days or more and has been in India for at least 60 days in the previous year.

If the individual satisfies any one of the conditions mentioned above, he is a resident. If both the above conditions are not satisfied, the individual is a non-resident.

Mr. Rajesh Sharma, an Indian citizen, has not satisfied either of the basic conditions for being a resident, since he was in India for only 59 days during the previous year 2019-20. Hence, he is **non-resident** in India for A.Y. 2020-21.

Computation of total income of Mr. Rajesh Sharma for A.Y.2020-21

Particulars	Amount (Rs.)	
(1) Short-term capital gain on sale of shares of an Indian listed company is chargeable to tax in the hands of Mr. Rajesh Sharma, since it has accrued and arisen in India even through the sale proceeds were credited to bank account in Singapore.	58,000	{1 M}
(2) Dividend of Rs. 48,000 received from Singapore based company transferred to his bank account in Singapore is not taxable in the hands of the non-resident since the income has neither accrued or arisen in India nor has it been received in India. Since dividend is not taxable in India, interest paid for investment is not allowable as deduction.	Nil	{1 M}
(3) Interest on fixed deposit with Punjab National Bank, Delhi credited to his savings bank account is taxable in the hands of Mr. Rajesh Sharma as Income from other sources, since it has accrued and arisen in India and is also received in India. He would not be eligible for deduction under section 80TTB, since he is a non-resident.	9,500	{1 M}
Total Income	67,500	

Answer:**(b) Computation of Income under the head "Salaries" in the hands of Ms. Suhaani for the A.Y. 2020-21**

Particulars	Rs.	
Basic Salary [Rs. 48,000 x 12]	5,76,000	{1/2 M}
Dearness allowance [10% of basic salary]	57,600	{1/2 M}
Bonus [Taxable in the P.Y. 2019-20, since it is taxable on receipt basis]	52,000	{1/2 M}
Fixed Medical Allowance [Taxable]	48,000	{1/2 M}
Reimbursement of Medical expenditure incurred for her father [Fully taxable from A.Y. 2020-21, even though father is included in the meaning of "family" on account of standard deduction being introduced in lieu of reimbursement of medical expenditure].	4,900	{1 M}
Facility of laptop [Facility of laptop is an exempt perquisite, whether used for official or personal purpose or both]	Nil	{1 M}
Reimbursement of salary of domestic servant [Rs. 5,000 x 12] [Fully taxable, since perquisite includes any sum paid by the employer in respect of any obligation which would have been payable by the employee]	60,000	{1 M}
Value of equity shares allotted [700 equity shares x Rs. 110 (Rs. 280, being the fair market value – Rs. 170, being the amount recovered)]	77,000	{1 M}
Professional tax paid by the employer [Perquisite includes any sum paid by the employer in respect of any obligation which would have been payable by the employee]	1,400	{1 M}
Gross Salary	8,76,900	
Less: Deduction under section 16 Professional tax paid	(2,200)	{1/2 M}
Standard Deduction (Lower of Rs. 50,000 or amount of salary)	(50,000)	{1/2 M}
Taxable Salary	8,24,700	

Answer 4:**(a) Computation of income from house property of Mr. Vihaan for A.Y. 2020-21**

Particulars	Rs.
1. Income from let-out property in Singapore [See Note 1 below]	
Gross Annual Value (SGD 4,000 p.m. x 12 months x Rs. 51)	24,48,000
Less: Municipal taxes paid during the year [SGD 2,000 (SGD 1,250 + SGD 750) x Rs. 51]	(1,02,000)
Net Annual Value (NAV)	23,46,000 }{2 M}
Less: Deductions under section 24	
(a) 30% of NAV	(7,03,800)
	16,42,200
2. Income from self-occupied property in Pune	
Annual Value [Nil, since the property is self-occupied]	Nil
[No deduction is allowable in respect of municipal taxes paid in respect of self-occupied property]	
Less: Deduction in respect of interest on housing loan [See Note 2 below]	(2,00,000)
	(2,00,000)
Income from house property [Rs. 16,42,200 – Rs. 2,00,000]	14,42,200 }{2 M}

Notes:

- (1) Since Mr. Vihaan is a resident but not ordinarily resident in India for A.Y. 2020-21, income which is, *inter alia*, received in India shall be taxable in India, even if such income has accrued or arisen outside India by virtue of the provisions of section 5(1). }{1 M}
- Accordingly, rent received from house property in Singapore would be taxable in India since such income is received by him in India.
- (2) Interest on housing loan for construction of self-occupied property allowable as deduction under section 24 }{2 M}
- | | |
|--|--------------|
| Interest for the current year (Rs. 25,00,000 x 12%) | 3,00,000 |
| Pre-construction interest | |
| For the period 01.06.2015 to 31.03.2017 (Rs. 25,00,000 x 12% x 22/12) = Rs. 5,50,000 | |
| Rs. 5,50,000 allowed in 5 equal installments (Rs. 5,50,000/5) | 1,10,000 |
| Total | 4,10,000 |
| In case of self-occupied property, interest deduction to be restricted to | Rs. 2,00,000 |

Answer:

- (b) Mr. Sharma has furnished his return of income for A.Y.2020-21 on 25.9.2020, i.e., after 31st July 2020, being the due date specified under section 139(1). Hence, the return is a belated return under section 139(4). }{1 M}
- As per section 80 read with section 139(3), specified losses, which have not been determined in pursuance of a return of loss filed within the time specified in section 139(1), cannot be carried forward to the subsequent year for set-off against income of that year.
- The specified losses include, *inter alia*, business loss but does not include loss from house property and unabsorbed depreciation. }{1 M}
- Accordingly, business loss of Rs. 9,80,000 of Mr. Sharma for A.Y. 2020-21, not determined in pursuance of a return of loss, filed within the time specified in section 139(1), cannot be carried forward to A.Y.2021-22.

However, the loss of Rs. 50,000 from house property and unabsorbed depreciation of Rs. 3,25,000 pertaining to A.Y.2020-21, can be carried forward to A.Y.2021-22 for set-off, even though Mr. Sharma has filed the return of loss for A.Y.2020-21 belatedly. }{1 M}

Answer:

(c)

Chargeability	Amount liable to tax (Rs.)	Reason	
(i) Partly taxable	96000	Any allowance granted to an employee working in a transport system to meet his personal expenditure during his duty is exempt provided he is not in receipt of any daily allowance. The exemption is 70% of such allowance (i.e., Rs. 12,600 per month being, 70% of Rs. 18,000, in	}{1 M}
		the present case) or Rs. 10,000 per month, whichever is less. Hence, Rs. 1,20,000 (i.e., Rs. 10,000 x 12) is exempt. Balance Rs. 96,000 (Rs. 2,16,000 – Rs. 1,20,000) is taxable in the hands of Mr. Uttam Prakash.	
(ii) Not Taxable	-	As per section 10(34), dividend received upto Rs. 10 lakhs from Indian companies on which dividend distribution tax is paid by the company, is exempt in the hands of shareholder. As per section 10(35), income received from units of mutual fund is exempt. Hence, Rs. 9,63,000, being the dividend from Indian companies and Rs. 4,34,000, being the dividend from units of equity oriented mutual fund is not taxable in the hands of Mrs. Aadhya.	}{2 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:

**Output Tax
Intra-State supply of Goods**

	25,00,000	
Add: CGST @ 9%	2,25,000	
Add: SGST @ 9%	2,25,000	
Total	29,50,000	}{1 M}
Inter-State supply of Goods		
	5,00,000	
Add: IGST @ 18%	90,000	
Total	5,90,000	

Input Tax Credit		
Intra state purchase of goods		
	14,00,000	
Add: CGST @ 9%	1,26,000	
Add: SGST @ 9%	1,26,000	
Total	16,52,000	{1 M}
ITC		
CGST	1,26,000	{1 M}
SGST	1,26,000	{1 M}
Intra State Purchase of goods from unregistered dealer		
No ITC shall be allowed		
Inter state purchase of goods		
	3,00,000	
Add: IGST @ 18%	54,000	
Total	3,54,000	
ITC		
IGST	54,000	{1 M}

ITC of goods received in the month of October shall be allowed in the month of October.

Computation of Net Tax

Particulars	IGST Rs.	
Output Tax	90,000	
Less: opening ITC - IGST	(50,000)	
Less: ITC -IGST	(40,000)	
Net Tax Payable	Nil	{1 M}

Balance IGST credit of Rs. 14,000 can be adjusted either from CGST/SGST. In the given case we have adjusted from SGST.

Computation of Net Tax

Particulars	CGST Rs.	
Output Tax	2,25,000	
Less: opening ITC - CGST	(95,000)	
Less: ITC - CGST	(1,26,000)	
Net Tax Payable	4,000	{1 M}

Computation of Net Tax

Particulars	SGST Rs.	
Output Tax	2,25,000	
Less: ITC - IGST	(14,000)	
Less: opening ITC - SGST	(60,000)	
Less: ITC - SGST	(1,26,000)	
Net Tax Payable	25,000	{1 M}

Note: As per section 17, ITC of car is not allowed.

Answer 6:

- (a) (i) Services provided to a recognized sports body 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 vide Notification No. 12/2017 CT(R) dated 28.06.2017. Thus, GST is payable in case of services provided to a recognized sports body as curator of national team. } {1^{1/2} M}

- (ii) Service of transportation of passengers, with or without accompanied belongings, inter alia, by metered cabs are specifically exempt from GST vide Notification No. 12/2017 CT(R) dated 28.06.2017. Thus, GST is not payable in this case. }{1^{1/2} M}
- (iii) Services by way of public conveniences such as provision of facilities of bathroom, washrooms, lavatories, urinal or toilets are not liable to GST as it is specifically exempt as per Notification No. 12/2017 CT(R) dated 28.06.2017. Thus, GST is not payable in this case. }{1^{1/2} M}
- (iv) Services provided by a player to a franchisee which is not a recognized sports body is taxable as it is not exempt under Notification No. 12/2017 CT(R) dated 28.06.2017. Thus, GST is payable in this case. }{1^{1/2} M}

Answer:

- (b)** 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. }{1 M}
- 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. 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. Thus, in view of the above-mentioned provisions, Mr. Ajay is eligible to avail the benefit of concessional payment of tax under Notification No. 2/2019 CT (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. }{1 M}

Answer 7:

- (a)** Where one or more tax invoices have been issued for supply of any goods and/or services and }{1 M}
- (a) the taxable value/tax charged in that tax invoice is found to exceed the taxable value/tax payable in respect of such supply, or
 - (b) where the goods supplied are returned by the recipient, or
 - (c) where goods and/or services supplied are found to be deficient, the registered person, who has supplied such goods and/or services, may issue to the recipient one or more credit notes for supplies made in a financial year containing prescribed particulars. }{1 M}

Thus, one (consolidated) or more credit notes can be issued in respect of multiple invoices issued in a financial year without linking the same to individual invoices. Hence, in view of the above-mentioned provisions, M/s ABC Ltd. can issue a consolidated credit note for the goods returned in respect of all the three invoices. **{1 M}**

Answer:

- (b)** Mr. X can use the ITC to pay his output tax liability. The order of utilisation of ITC is as under:-
- (i) IGST credit should first be utilized towards payment of IGST.
 - (ii) Remaining IGST credit, if any, can be utilized towards payment of CGST and SGST/UTGST in any order and in any proportion. **{1 M}**
 - (iii) Entire ITC of IGST should be fully utilized before utilizing the ITC of CGST or SGST/UTGST.
 - (iv) ITC of CGST should be utilized for payment of CGST and IGST in that order.
 - (v) ITC of SGST /UTGST should be utilized for payment of SGST/UTGST and IGST in that order. However, ITC of SGST/UTGST should be utilized for payment of IGST, only after ITC of CGST has been utilized fully. CGST credit cannot be utilized for payment of SGST/UTGST and SGST/UTGST credit cannot be utilized for payment of CGST. **{1 M}**

Computation of minimum GST payable in cash

Particulars	CGST (Rs.)	SGST (Rs.)	IGST (Rs.)
GST payable	800	2,500	2,000
Less: ITC	-- (800)-CGST	(2,000)-IGST (500)-SGST	(2,000)-IGST
Net GST payable in cash	Nil	Nil	Nil

{1 M}

Since sufficient balance of ITC of CGST is available for paying CGST liability and cross utilization of ITC of CGST and SGST is not allowed, it is beneficial to use ITC of IGST to pay SGST (after paying IGST liability) to minimize cash outflow.

Answer:

- (c)**
- (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. Since in the given case, the mini bus has a seating capacity of 16 persons, the ITC thereon will not be blocked. **{1 M}**
 - (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. 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. **{1 M}**
 - (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. 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. **{1 M}**

- (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. 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. }{1 M}

Answer 8:

- (a) 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:- }{2 M}
- (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:- }{1/2 M}
- (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. }{1/2 M}
- (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. }{1/2 M}
- (iii) Harshit being exclusively engaged in supply of pan masala is not eligible for higher threshold limit of Rs. 40 lakh. The applicable threshold limit for registration in this case is Rs. 20 lakh. Thus, Harshit is liable to get registered under GST. }{1/2 M}
- (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. }{1/2 M}
- (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. }{1/2 M}

Answer:**(b) Computation of value of taxable supply**

Particulars	Rs.
Price of the machine (Price Rs. 30,000 - Rs. 5,000 subsidy) [Note-1]	25,000
Third party inspection charges [Note-2]	5,000
Freight charges for delivery of the machine value [Note-3]	2,000
Total	32,000
Less: Discount @ 2% on Rs. 30,000 being price charged to BP Ltd. [Note-4]	(600)
Value of taxable supply	31,400

{3 M}

Notes:

1. Since subsidy is received from State Government, the same is deductible to arrive at taxable value under section 15 of the CGST Act, 2017.
2. Any amount that the supplier is liable to pay in relation to such supply but has been incurred by the recipient, is includible in the value of supply under section 15 of the CGST Act, 2017.
3. Since arranging freight is the liability of supplier, it is a case of composite supply and thus, freight charges are added in the value of principal supply.
4. Discount given before or at the time of supply if duly recorded in the invoice is deductible from the value of supply under section 15 of the CGST Act, 2017.

{1/2 M
Each
Point}

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