

MOCK TEST PAPER 1
INTERMEDIATE COURSE
PAPER – 4: TAXATION
SECTION – A: INCOME TAX LAW
SOLUTIONS

Division A – Multiple Choice Questions

MCQ No.	Sub-part	Most Appropriate Answer	MCQ No.	Most Appropriate Answer
1.	(i)	(b)	2.	(d)
	(ii)	(b)	3.	(b)
	(iii)	(a)	4.	(c)
	(iv)	(d)	5.	(a)
	(v)	(c)	6.	(b)

Division B – Descriptive Questions

1. **Computation of total income of Mr. Samar for A.Y. 2023-24**

	Particulars	₹	₹	₹
I	Income from business or profession			
	Excess of income over expenditure		39,43,000	
	Add: Items debited but not allowable while computing business income			
	- Family planning expenditure incurred for employees [not allowable as deduction since expenditure on family planning for employees is allowed only to a company assessee / not allowed in case of individuals. Since the amount is debited to Income and Expenditure Account, the same has to be added back for computing business income]	20,000		
	- Salary payment to sister-in-law in excess of market rate [Any expenditure incurred for which payment is made to a relative, to the extent it is considered unreasonable is disallowed. However, sister-in-law is not included in the definition of "relative" ¹ for the purpose of section 40A(2). Therefore, no adjustment is required for excess salary paid to Mr. Samar's sister-in-law]	Nil		
	- Medical expenses for the treatment of father [Not allowed as deduction since it is a personal expenditure / not an expenditure incurred for the purpose of business of Mr. Samar. Since the amount is debited to Income and Expenditure	80,000		

¹ As per section 2(41)

Account, the same has to be added back for computing business income]			
- Commission to Ms. Anjaleen without deduction of tax at source [Mr. Samar would be liable to deduct tax at source on commission since his gross receipts from profession exceeded ₹ 50 lakhs during F.Y.2021-22. Since commission has been paid without deduction of tax at source, hence 30% of ₹ 25,000, being commission paid without deducting tax at source, would be disallowed under section 40(a)(ia) while computing the business income of A.Y.2023-24]	7,500		
- Depreciation as per books of account	90,000		
- Purchase of Furniture [not allowable, since it is a capital expenditure]	48,000	2,45,500	
		41,88,500	
<i>Add:</i> Employees' Contribution to EPF [Sum received by the assessee from his employees as contribution to EPF is income of the employer. Since the amount is not credited to Income and Expenditure Account, the same has to be added for computing business income. Deduction in respect of such sum is allowed only if such amount is credited to the employee's account on or before due date under the relevant Act. Since, the employees contribution to EPF for February 2023 is deposited after the due date under the relevant Act, no deduction would be available]		10,000	
		41,98,500	
<i>Less:</i> Depreciation as per Income-tax Rules			
- On Professional Books [₹ 90,000 x 40%]	36,000		
- On Computers [₹ 35,000 x 40%]	14,000		
- On Furniture [₹ 19,000 x 10%, since it has been put to use for more than 180 days during the year] [Any expenditure for acquisition of any asset in respect of which payment or aggregate of payment made to a person, otherwise than by an A/c payee cheque/ bank draft or use of ECS or through prescribed electronic mode, exceeds ₹ 10,000 in a day, such expenditure would not form part of actual cost of such asset. Hence, ₹ 18,000 and ₹ 11,000 paid on 31.8.2022 in cash would not be included in the actual cost of furniture]	1,900		
- On Car [₹ 3,35,000 x 15%] [Actual cost of car would be the purchase price of the car to Mr. Samar, i.e., ₹ 3,35,000]	50,250	1,02,150	
		40,96,350	

II	Less: Items of income credited but not taxable or taxable under any other head of income			
	- Interest on Public Provident Fund [Exempt]	60,000		
	- Interest on savings bank account [Taxable under the head "Income from other sources"]	20,000		
	- Interest on National Savings Certificates VIII Issue (3 rd Year) [Taxable under the head "Income from other sources"]	21,000	1,01,000	
				39,95,350
	Income from Other Sources			
	Interest on savings bank account		20,000	
	Interest on National Savings Certificates VIII Issue (3 rd Year)		21,000	41,000
	Gross Total Income			40,36,350
	Less: Deduction under Chapter VI-A			
<u>Deduction under section 80C</u>				
Contribution to PPF	1,00,000			
Interest on NSC (3 rd Year) (Reinvested)	21,000	1,21,000		
<u>Deduction under section 80D</u>				
Medical expenses for the treatment of father [Since Mr. Samar's father is a senior citizen and not covered by any health insurance policy, payment for medical expenditure by a mode other than cash would be allowed as deduction to the extent of ₹ 50,000]		50,000		
<u>Deduction under section 80TTA</u>				
Interest on savings bank account to the extent of ₹ 10,000		10,000	1,81,000	
Total Income			38,55,350	

Computation of tax liability of Mr. Samar for A.Y.2023-24

Particulars	₹	₹
Tax on total income of ₹ 38,55,350		
Upto ₹ 2,50,000	Nil	
₹ 2,50,001 – ₹ 5,00,000[@5% of ₹ 2.50 lakh]	12,500	
₹ 5,00,001 – ₹ 10,00,000[@20% of ₹ 5 lakh]	1,00,000	
₹ 10,00,001- ₹ 38,55,350 [@30% of ₹ 28,55,350]	8,56,605	
		9,69,105
<i>Add: Health and education cess@4%</i>		38,764
Tax liability		10,07,869
Tax liability (rounded off)		10,07,870

2. (a) Under section 6(1), 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 an 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.

Therefore, the residential status of Mrs. Rose, an Australian, for A.Y.2023-24 has to be determined on the basis of her stay in India during the previous year relevant to A.Y. 2023-24 i.e. P.Y.2022-23 and in the preceding four previous years.

Her stay in India during the previous year 2022-23 and in the preceding four years are as under:

P.Y. 2022-23

01.04.2022 to 15.09.2022	-	168 days
23.03.2023 to 31.03.2023	-	<u>9 days</u>
Total		<u>177 days</u>

Four preceding previous years

P.Y.2021-22 [1.4.2021 to 31.3.2022]	-	42 days
P.Y.2020-21 [1.4.2020 to 31.3.2021]	-	Nil
P.Y.2019-20 [1.4.2019 to 31.3.2020]	-	Nil
P.Y.2018-19 [1.4.2018 to 31.3.2019]	-	<u>Nil</u>
Total		<u>42 days</u>

The total stay of Mrs. Rose during the previous year in India was less than 182 days and during the four years preceding this year was for 42 days. Therefore, due to non-fulfillment of any of the two conditions for a resident, she would be treated as non-resident for the Assessment Year 2023-24.

Computation of gross total income of Mrs. Rose for the A.Y. 2023-24

Particulars	₹	₹
Income from house property		
Flat located in Delhi let-out from 01.05.2022 to 31.03.2023 @ ₹ 25,000/- p.m.		
Gross Annual Value [₹ 25,000 x 11] ²	2,75,000	
Less: Municipal taxes	<u>Nil</u>	
Net Annual Value (NAV)	2,75,000	
Less: Deduction under section 24		
30% of NAV	82,500	
Interest on loan [fully allowable as deduction, since property is let-out]	<u>1,85,500</u>	7,000
	<u>2,68,000</u>	

² Actual rent received has been taken as the gross annual the value in absence of other information (i.e. Municipal value, fair rental value and standard rent) in the question.

Income from Other Sources		
Gold chain worth ₹ 1,50,000 received from parents of husband would be exempt, since parents of husband fall within the definition of relatives and gifts from a relative are not chargeable to tax.		Nil
Gross Total income		7,000

(b) TDS implications

- (i) The arrangement between Mr. Amar, the customer, and M/s. Fresh Cold Storage Pvt. Ltd., the cold storage owner, is basically contractual in nature and main object of the cold storage is to preserve perishable goods by mechanical process and storage of such goods is only incidental. Hence, the provisions of section 194C will be applicable to the amount of ₹ 6 lakh paid by Mr. Amar to the cold storage company³.

Accordingly, tax has to be deducted @ 2% on ₹ 6 lakh.

$$\text{TDS u/s 194C} = 2\% \times ₹ 6 \text{ lakh} = ₹ 12,000$$

- (ii) Mr. Ramu, being a salaried individual, has to deduct tax at source @ 5% u/s 194-IB on the annual rent paid by him from the last month's rent (rent of March, 2023), since the rent paid by him exceeds ₹ 50,000 p.m.

Since his landlord Mr. Shiv Kumar has not furnished his PAN to Mr. Ramu, tax has to be deducted @ 20% instead of 5%. However, the same cannot exceed ₹ 60,000, being rent for March, 2023.

$$\text{TDS u/s 194-IB} = ₹ 5,40,000 (\text{₹ } 60,000 \times 9) \times 20\% = ₹ 1,08,000, \text{ but restricted to } ₹ 60,000, \text{ being rent for March, 2023.}$$

(c) TCS implications

- (i) Tax @ 5% is required to be collected u/s 206C(1G) by the seller of an overseas tour programme package from Mr. Kalpit, being the buyer of an overseas tour package, even if payment is made by account payee cheque.

Accordingly, tax has to be collected @ 5% on ₹ 5 lakh.

$$\text{TCS} = 5\% \times ₹ 5 \text{ lakh} = ₹ 25,000$$

- (ii) Mr. Anuj is required to collect tax @ 0.1% u/s 206C(1H) from Mr. Ram, since his turnover in the P.Y.2021-22 exceeds ₹10 crores, and the sales receipts from Mr. Ram in the P.Y.2022-23 exceeds ₹ 50 lakhs. Tax has to be collected by Mr. Anuj on ₹ 25 lakhs, being the amount exceeding ₹ 50 lakhs, at the time of receipt.

$$\text{TCS} = 0.1\% \times ₹ 25 \text{ lakhs} = ₹ 2,500$$

3. (a) Computation of Capital gains in the hands of Mr. Shiva for A.Y. 2023-24

Particulars	Amount (₹)	Amount (₹)
Actual sale consideration	30,50,000	
Valuation as per Stamp duty Authority on the date of agreement	39,00,000	
(Where the actual sale consideration is less than the value		

³ Circular No. 1/2008 dated 10.1.2008

<p>adopted by the Stamp Valuation Authority for the purpose of charging stamp duty, and such stamp duty value exceeds 110% of the actual sale consideration then, the value adopted by the Stamp Valuation Authority shall be taken to be the full value of consideration as per section 50C.</p> <p>However, where the date of agreement is different from the date of registration, stamp duty value on the date of agreement can be considered, provided the whole or part of the consideration is received by way of account payee cheque/bank draft or by way of ECS through bank account or such other electronic mode as may be prescribed on or before the date of agreement.</p> <p>In the present case, since part of the payment is made by account payee cheque on the date of agreement, the stamp duty value on the date of agreement would be considered as full value of consideration)</p> <p>Deemed Full value of consideration [Since stamp duty value on the date of agreement exceeds 110% of the actual consideration, stamp duty value would be deemed as Full Value of Consideration]</p> <p>Less: Expenses on transfer (Brokerage @1% of ₹ 30,50,000)</p> <p>Net sale consideration</p> <p>Less: Indexed cost of acquisition (Note 1)</p> <p>Less: Indexed cost of improvement (Note 2)</p> <p>Long term capital gain</p>			
			39,00,000
			30,500
			38,69,500
	31,74,290		
	5,08,228		36,82,518
			1,86,982

Notes:

(1) Computation of indexed cost of acquisition

Particulars	Amount (₹)	Amount (₹)
Cost of acquisition, Being the higher of		10,70,000
(i) lower of Fair market value i.e., ₹ 11,85,000 and Stamp duty value i.e., ₹ 10,70,000, on April 1, 2001	10,70,000	
(ii) Actual cost of acquisition (₹ 3,24,000 + ₹ 35,000, being stamp duty @10% of ₹ 3,50,000)	3,59,000	
Less: Advance money taken from Mr. Mohan and forfeited		1,11,000
Cost of acquisition for indexation		9,59,000
Indexed cost of acquisition (₹ 9,59,000 x 331/100)		31,74,290

(2) Computation of indexed cost of improvement

Particulars	Amount (₹)
Cost of construction of first floor in August, 2015	3,90,000
Indexed cost of improvement (₹ 3,90,000 x 331/254)	5,08,228

- (3) Where advance money has been received by the assessee, and retained by him, as a result of failure of the negotiations, section 51 will apply. The advance retained by the assessee will go to reduce the cost of acquisition. Indexation is to be done on the cost of acquisition so arrived at after reducing the advance money forfeited [i.e. ₹ 10,70,000 ₹ 1,11,000 (being the advance money forfeited during the P.Y.2008-09) = ₹ 9,59,000]. However, where the advance money is forfeited during the previous year 2014-15 or thereafter, the amount forfeited would be taxable under the head "Income from Other Sources" and such amount will not be deducted from the cost of acquisition of such asset while calculating capital gains. Hence, ₹ 1,51,000, being the advance received from Ms. Deepshikha and retained by him, would have been taxable under the head "Income from other sources" in the hands of Mr. Shiva in A.Y.2016-17.

(b) **Computation of taxable income of Mr. Sonu for the A.Y. 2023-24**

	Particulars	₹	₹
(a)	Income from Salaries (See Working Note below)		7,12,800
(b)	Income from Other Sources		
	(i) Interest on fixed deposit with a company	5,000	
	(ii) Income from specified mutual fund	3,000	
	(iii) Interest on Fixed Deposit received by minor daughter (₹ 3,000 - ₹ 1500)	1,500	9,500
	Gross total income		7,22,300
	Less: Deductions under Chapter VI-A		
	Section 80C – PPF	40,000	
	Section 80CCC	1,00,000	1,40,000
	Total Income		5,82,300

Working Note:

Computation of salary income of Mr. Sonu for the A.Y. 2023-24

Particulars	₹
Salary [₹ 46,000 x 12]	5,52,000
Medical facility [in the hospital maintained by the company is exempt]	–
Rent free accommodation	
15% of salary is taxable (i.e. ₹ 5,52,000 × 15% as per Rule 3(1))	82,800
Valuation of perquisite of interest on loan	
[Rule 3(7)(i)] – Perquisite value would be 10% as reduced by actual rate of interest charged i.e. [10% - 6% = 4% x ₹ 6,00,000]	24,000
Gift given on the occasion of wedding anniversary ₹ 4,750 is exempt, since its value is less than ₹ 5,000	-
Use of dining table for 4 months [₹ 60,000 x 10 /100 x 4 /12]	2,000
Perquisite on sale of dining table	
Cost	60,000
Less: Depreciation on straight line method @ 10% for 3 years	18,000
Written Down Value	42,000
Less: Amount paid by the assessee	30,000
	12,000

Purchase through credit card – not being a privilege but covered by section 17(2)(iv)		10,000
Perquisite on sale of car		
Original cost of car	2,50,000	
Less: Depreciation from 16.7.2019 to 15.7.2020 @ 20%	50,000	
	2,00,000	
Less: Depreciation from 16.7.2020 to 15.7.2021 @ 20%	40,000	
Value as on 14.07.2022- being the date of sale to employee	1,60,000	
Less: Amount received from the assessee on 14.07.2022	80,000	80,000
Gross Salary		7,62,800
Less: Standard deduction under section 16(ia)		50,000
Taxable Salary		7,12,800

Note: Under Rule 3(7)(viii), while calculating the perquisite value of benefit to the employee arising from the transfer of any movable asset, the normal wear and tear is to be calculated in respect of each completed year during which the asset was put to use by the employer. In the given case the third year of use of car is completed on 15.7.2022 whereas the car was sold to the employee on 14.7.2022. The solution worked out above provides for wear and tear for only two years.

4. (a) **Computation of total income of Mr. Rakesh for A.Y.2023-24**

Particulars	₹	₹
Salary from XYZ (P) Ltd.	5,25,000	
Less: Standard Deduction u/s 16(ia)	50,000	4,75,000
Income from house property		
Income from let out house property	1,20,000	
Less: Loss from self-occupied house property to the extent of ₹ 2 lakhs, allowable as deduction u/s 24(b) in respect of interest on borrowings	2,00,000	
	(80,000)	
Profits and gains from business or profession		
Profit from speculation business Y	45,000	
Less: Loss of ₹ 85,000 from speculation business X set-off against profit from speculation business Y to the extent of such profit	(45,000)	Nil
Presumptive Income from trading and manufacturing business	1,00,000	
Less: Brought forward business loss of A.Y. 2018-19 set-off since the period of eight assessment years has not expired	(1,00,000)	Nil
Capital Gains		
Long term capital gain on sale of vacant site	1,25,000	
Less: Loss from house property to be set-off (It is more beneficial for Mr. Rakesh to set-off the loss from house property against the long-term capital gains, since it is taxable @20%)	(80,000)	45,000

Income from Other Sources		
Interest on PPF deposit	75,000	
Less: Exempt	75,000	Nil
Gross Total Income		5,20,000
Less: Deduction under Chapter VI-A		
Deduction under section 80G		
Donation to recognized and approved charitable trust [Donation of ₹ 60,000 to be first restricted to ₹ 47,500, being 10% of adjusted total income of ₹ 4,75,000 (₹ 5,20,000 – ₹ 45,000). Thereafter, deduction would be computed at 50% of ₹ 47,500.		23,750
Total Income		4,96,250

Losses to be carried forward to A.Y.2024-25	
Particulars	₹
Loss from speculation business X (₹ 85,000 - ₹ 45,000)	40,000
Loss from speculation business can be set-off only against profits of any other speculation business. If loss cannot be so set-off, the same has to be carried forward to the subsequent year for set off against income from speculation business, if any, in that year.	

- (b) As per section 27(i), an individual who transfers otherwise than for adequate consideration any house property to his spouse, not being a transfer in connection with an agreement to live apart, shall be deemed to be the owner of the house property so transferred.

Therefore, in this case, Mr. Om would be the deemed owner of the house property transferred to his wife Mrs. Uma without consideration.

As per section 64(1)(vi), income arising to the son's wife from assets transferred, directly or indirectly, to her by an individual otherwise than for adequate consideration would be included in the total income of such individual.

Income from let-out property is ₹ 2,10,000 [i.e., ₹ 3,00,000, being the actual rent calculated at ₹ 25,000 per month less ₹ 90,000, being deduction under section 24@30% of ₹ 3,00,000]

In this case, income of ₹ 2,10,000 from let-out property arising to Mrs. Pallavi, being Mr. Om's son's wife, would be included in the income of Mr. Om, applying the provisions of section 27(i) and section 64(1)(vi). Such income would, therefore, not be taxable in the hands of Mrs. Pallavi.

In case the property was gifted to Mr. Om's son, the clubbing provisions under section 64 would not apply, since the son is not a minor child. Therefore, the income of ₹ 2,10,000 from letting out of property gifted to the son would be taxable in the hands of the son.

It may be noted that the provisions of section 56(2)(x) would not be attracted in the hands of the recipient of house property, since the receipt of property in each case was from a "relative" of such individual. Therefore, the stamp duty value of house property would not be chargeable to tax in the hands of the recipient of immovable property, even though the house property was received by her or him without consideration.

Note - The first part of the question can also be answered by applying the provisions of section 64(1)(vi) directly to include the income of ₹ 2,10,000 arising to Mrs. Pallavi in the hands of Mr. Om. [without first applying the provisions of section 27(i) to deem Mr. Om as the owner of the house property transferred to his wife Mrs. Uma without consideration], since section 64(1)(vi) speaks of clubbing of income arising to son's wife from indirect transfer of assets to her by her husband's parent, without consideration. Gift of house property by Mr. Om to Mrs. Pallavi, via Mrs. Uma, can be viewed as an indirect transfer by Mr. Om to Mrs. Pallavi.

- (c) (i) If the defect is not rectified within the period of 15 days or such further extended period, then, the return would be treated as an invalid return. The consequential effect would be the same as if the assessee had failed to furnish the return.
- (iii) The Assessing Officer has the power to condone the delay and treat the return as a valid return, if the assessee has rectified the return after the expiry of 15 days or the further extended period, but before the assessment is made.

SECTION B - INDIRECT TAXES (40 MARKS)

SUGGESTED ANSWERS

Division A - Multiple Choice Questions

Question No.	Answer	
1	(c)	i & iii
2	(c)	i & iii
3	(d)	1 st April
4	(a)	(i)
5	(b)	₹ 3,50,000
6	(c)	Time of supply is 10th August for ₹ 5,000 & 10th October for ₹ 15,000.

Division B - Descriptive Questions

1. Computation of net GST payable by Prithviraj Pvt. Ltd. for the month of July

Particulars	CGST (₹)	SGST (₹)
GST payable on outward supplies (Refer Working note – 1)	2,83,500	2,83,500
Less: ITC (Refer Working note – 2) [ITC of IGST can be utilised for payment of CGST and SGST in any proportion and in any order.]	1,32,500	1,32,500
Net GST payable in cash	1,51,000	1,51,000

Note: ITC of IGST can be utilised towards payment of CGST and SGST in any proportion and in any order. Therefore, there can be multiple ways of setting off of IGST credit against CGST and SGST liability and accordingly, in the given case, amount of net GST payable in cash under the heads of CGST and SGST will vary. However, total amount of net GST payable in cash will be ₹ 3,02,000 in each case

Working note – 1

Computation of GST payable on outward supply made by M/s. Flo Pro for the month of July

Particulars	Amount (₹)
Price of the machine [Since the subsidy is received from the State Government, the same is not includible in the value of supply in terms of section 15(2)(e)]	25,00,000
Third party inspection charges [Any amount that the supplier is liable to pay in relation to the supply but has been incurred by the recipient and not included in the price actually paid or payable for the goods, is includible in the value of supply in terms of section 15(2)(b)]	5,00,000
Freight charges for delivery of the machine [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.]	2,00,000
Total	32,00,000

Less: Discount @ 2% on ₹ 25,00,000 being price charged to BP Ltd. [Discount given before or at the time of supply if duly recorded in the invoice is deductible from the value of supply in terms of section 15(3)(a)]	<u>50,000</u>
Value of taxable supply	31,50,000
GST payable on outward supplies	
CGST @ 9%	2,83,500
SGST @ 9%	2,83,500
[Since all the outward supplies are intra-State supplies, CGST and SGST are payable on the same.]	

Working note – 2

Computation of ITC available with M/s Flow Pro for the month of July

S. No.	Inward supplies	ITC (₹)
(i)	Inputs 'A' [ITC cannot be taken on missing invoice. The registered person should have the invoice in its possession to claim ITC.]	90,000
(ii)	Inputs 'B' [When inputs are received in lots, ITC can be availed only on receipt of last lot.]	Nil
(iii)	Capital goods [Input tax paid on capital goods cannot be availed as ITC, if depreciation has been claimed on such tax component.]	Nil
(iv)	Input services [ITC on an invoice cannot be availed after 30 th November following the end of financial year to which such invoice pertains or the date of filing annual return, whichever is earlier. Since the annual return for the previous financial year has been filed on 15 th September, ITC on the invoice pertaining to previous financial year cannot be availed after 15 th September.]	1,75,000
	Total ITC (IGST)	2,65,000

Note - CGST @ 9% and SGST @ 9% are payable on the outward supplies since they are intra-State supplies and IGST @ 18% is payable on the inward supplies since they are inter-State supplies.

2. (a) (i) Services by way of health care services by a clinical establishment, an authorised medical practitioner or para-medics are exempt from GST. Food supplied to the in-patients by a canteen run by the hospital, as advised by the doctor/nutritionists, is a part of composite supply of healthcare and not separately taxable. Thus, said services are exempt from GST.
- (ii) Supply of service by a RWA (unincorporated body or a non-profit entity registered under any law) to its own members by way of reimbursement of charges or share of contribution up to an amount of ₹ 7500 per month per member for providing services and goods for the common use of its members in a housing society/a residential complex are exempt from GST. Hence, in the given case, services provided by the RWA are exempt from GST since the maintenance charges collected per month per member do not exceed ₹ 7500.

- (b) (i) The registered person, whose aggregate turnover in the preceding financial year does not exceed ₹ 1.5 crore, may opt to pay tax under composition levy, under section 10(1) and 10(2). The scheme can be availed by an intra-State supplier of goods and supplier of restaurant service.

However, the composition scheme permits supply of marginal services (other than restaurant services) for a specified value along with the supply of goods and restaurant service, as the case may be.

Thus, M/s United Electronics can opt for composition scheme for the current financial year as its aggregate turnover is less than ₹ 1.5 crore in the preceding financial year and it is not engaged in inter-State outward supplies.

- (ii) The registered person opting for composition scheme, under section 10(1) and 10(2), can also supply services (other than restaurant services) for a value up to 10% of the turnover in the preceding year or ₹ 5 lakh, whichever is higher, in the current financial year.

Thus, M/s United Electronics can supply repair and maintenance services up to a value of ₹ 12 lakh [10% of ₹ 120 lakh or ₹ 5 lakh, whichever is higher] in the current financial year.

3. (a) (a) Every supplier becomes liable to registration if his turnover exceeds the applicable threshold limit [₹ 40 lakh in this case] in a financial year. Since in the given case, the turnover of Dhampur Industries exceeded ₹ 40 lakh on 1st September, it becomes liable to registration on said date.

Further, since the application for registration has been submitted within 30 days from such date, the registration shall be effective from the date on which the person becomes liable to registration. Therefore, the effective date of registration is 1st September.

- (b) Since in the given case, the turnover of Mehta Teleservices exceeds the applicable threshold limit [₹ 20 lakh] on 25th October, it becomes liable to registration on said date.

Further, since the application for registration has been submitted after 30 days from the date such person becomes liable to registration, the registration shall be effective from the date of grant of registration. Therefore, the effective date of registration is 5th December.

- (b) Udai Singh is required to issue a receipt voucher at the time of receipt of advance payment with respect to services to be supplied to Sujamal. A receipt voucher is a document evidencing receipt of advance money towards a supply of goods and/or services or both. A registered person, on receipt of advance payment with respect to any supply of goods or services or both, shall issue a receipt voucher or any other document, evidencing receipt of such payment.

Where, on receipt of advance payment with respect to any supply of goods or services or both the registered person issues a receipt voucher, but subsequently no supply is made and no tax invoice is issued in pursuance thereof, the said registered person may issue to the person who had made the payment, a refund voucher against such payment. Therefore, in case subsequently no services are supplied by Udai Singh, and no tax invoice is issued in pursuance thereof, Udai Singh may issue a refund voucher against such payment to Sujamal.

4. (a) The condition of payment of value of supply plus tax within 180 days does not apply in the following situations:

- (a) Supplies on which tax is payable under reverse charge
(b) Deemed supplies without consideration
(c) Additions made to the value of supplies on account of supplier's liability, in relation to such

supplies, being incurred by the recipient of the supply.

- (b) The statement is not correct. Supply of goods on hire purchase shall be treated as supply of goods as there is transfer of title, albeit at a future date.
- (c) Filing of GSTR-3B is mandatory for all normal and casual taxpayers, even if there is no business activity in any particular tax period. For such tax period(s), a Nil GSTR-3B is required to be filed.

A Nil GSTR-3B does not have any entry in any of its tables. For example, a Nil GSTR-3B for a tax period cannot be filed, if the taxpayer has made any outward supply (including nil-rated, exempt or non-GST supplies) or has received any supplies which are taxable under reverse charge or it intends to take ITC etc.

A Nil GSTR-3B can be filed through an SMS using the registered mobile number of the taxpayer. GSTR-3B submitted through SMS is verified by registered mobile number-based OTP facility.

A taxpayer may file Nil GSTR-3B, anytime on or after the 1st day of the subsequent month/quarter for which the return is being filed for.