

MITTAL COMMERCE CLASSES

Intermediate Course: Group – I
 DATE: 21.08.2024

(Mock Test Paper – Series : 1)

MAXIMUM MARKS: 100

TIMING: 3¼ Hours

TAXATION

SECTION - A : INCOME TAX LAW (50 MARKS)

Working Notes should form part of the answer. Whenever necessary, suitable assumptions may be made by the candidates and disclosed by way of a note. However, in answers to Questions in Division A, working notes are not required.
THE RELEVANT ASSESSMENT YEAR IS A.Y. 2024-25

DIVISION A - MULTIPLE CHOICE QUESTIONS

TOTAL MARKS: 15 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.

Ans. 1 to Ans. 6:

CASE SCENARIO

1. Ans. b
2. Ans. d
3. Ans. b
4. Ans. a
5. Ans. a
6. Ans. a

MCQ [6 MCQ of 2 Marks Each : Total 12 Marks]

Ans. 7 to Ans. 9:

CASE SCENARIO

7. Ans. d
8. Ans. a
9. Ans. a

MCQ [3 MCQ of 1 Mark Each : Total 3 Marks]

DIVISION B - DESCRIPTIVE QUESTIONS

QUESTIONS NO. 1 IS COMPULSORY.

ATTEMPT ANY TWO QUESTIONS FROM THE REMAINING THREE QUESTIONS

TOTAL MARKS: 35 MARKS

Answer 1:

Computation of total income of Mr. Ayush for A.Y. 2024-25 under the regular provisions of the Act

	Particulars	Rs.	Rs.	Rs.
I	Income from business or profession			
	Net profit as per profit and loss account		82,45,000	
	Add: Items of expenditure not allowable while computing business income			

MITTAL COMMERCE CLASSES

	(i) Interest on loan taken for purchase of plant & machinery [Interest from the date on which capital was borrowed till the date on which asset was first put to use, not allowable as deduction under section 36(1)(iii). Accordingly, interest of Rs. 1,75,000 [Rs. 50,00,000 x 10.5% x 4/12] has to be added back, since the same is debited to the profit and loss account]	1,75,000		
	(ii) Purchase of goods at a price higher than the fair market value [The difference between the purchase price (Rs. 40 lakhs) and the fair market value (Rs. 35 lakhs) has to be added back as per section 40A(2) since the purchase is from a related party, i.e., his brother and at a price higher than the fair market value]	5,00,000		
			6,75,000	
			89,20,000	}{1 M}
	Less: Items of income to be treated separately under the respective head of income			
	(i) Income-tax refund including interest on refund of Rs. 4,550	15,550		
	(ii) Dividend from Indian companies	15,00,000		
	(iii) Short term capital gains on transfer of listed equity shares	10,00,000	25,15,550	
			64,04,450	}{1 M}
	Less: Depreciation on interest on loan capitalised to plant and machinery			
	Rs. 1,75,000, being the amount of interest on loan taken for purchase of plant and machinery from the date on which capital was borrowed till the date on which asset was first put to use, shall be capitalized			
	Normal depreciation @15% x 50% on such interest	13,125		
	Additional depreciation @20% x 50% on such interest [Since plant & machinery was put to use for less than 180 days in P.Y. 2023-24, it is eligible for 50% of the rate of depreciation]	17,500	30,625	}{2 M}
				63,73,825}{2 M}
	II Capital Gains			
	Short term capital gains on transfer of listed equity shares			10,00,000
	III Income from Other Sources			

MITTAL COMMERCE CLASSES

	Interest on income-tax refund	4,550	
	Dividend from Indian companies	15,00,000	15,04,550
	Gross Total Income		88,78,375 }{2 M}
	<i>Less: Deductions under Chapter VI-A</i>		
	- Deduction under section 80C Life insurance premium for married daughter [Allowable as deduction though she is not dependent, since child of an individual whether dependent or not falls within the meaning of term "Person". Accordingly, whole of the amount of Rs. 40,000 is allowable as it does not exceed 10% of the Rs. 5,00,000, being the sum assured]	40,000	
	- Deduction under section 80D Health insurance premium for self, spouse and children [Allowable as deduction, since it is paid otherwise than by way of cash. However, it is to be restricted to Rs.25,000]	25,000	65,000
	Total Income		88,13,375
	Total Income (Rounded off)		88,13,380 }{2 M}

**Computation of tax payable by Mr. Ayush for A.Y. 2024-25
under the regular provisions of the Act**

Particulars	Rs.	Rs.
Tax on total income of Rs. 88,13,380		
Tax on short term capital gains on transfer of listed equity shares @15% u/s 111A [Rs. 10,00,000x 15%]		1,50,000
Tax on other Income of Rs. 78,13,380		
Upto Rs. 2,50,000	Nil	
Rs. 2,50,001 – Rs. 5,00,000 [@5% of Rs. 2.50 lakh]	12,500	
Rs. 5,00,001 – Rs. 10,00,000 [@20% of Rs. 5,00,000]	1,00,000	
Rs. 10,00,001- Rs. 78,13,380 [@30% of Rs. 68,13,380]	20,44,014	21,56,514
		23,06,514 }{2 M}
<i>Add: Surcharge @10%, since total income exceeds Rs. 50,00,000 but does not exceed Rs. 1 crore</i>		2,30,651 }{1 M}
		25,37,165
<i>Add: Health and education cess@4%</i>		1,01,487
Total tax liability		26,38,652
<i>Less: TDS u/s 194N @ 2% on Rs. 50 lakhs, being the cash withdrawals exceeding Rs. 1 crore</i>	1,00,000	
<i>Less: Advance tax paid</i>	17,50,000	18,50,000
Tax payable		7,88,652
Tax payable (rounded off)		7,88,650 }{2 M}

MITTAL COMMERCE CLASSES

Answer 2:

(a) Computation of self-assessment tax payable and interest thereon –

Self-assessment tax payable					Rs.
Tax on Rs. 7,50,000					
Upto Rs. 3,00,000					Nil
Rs. 3,00,001 – Rs. 5,00,000 @ 5%					10,000
Rs. 5,00,001 – Rs. 7,50,000 @ 20%					50,000
					60,000
Add: Health and education cess @ 4%					2,400
					62,400
Less: Advance tax					10,000
Tax payable					52,400 }{1/2 M}
Add: Interest under section 234A [Interest u/s 234A would not be attracted, since Ms. Jiya has furnished her return of income on 15-06-2024 which is before the due date of filing return of income]					-
Add: Interest under section 234B would be levied on Rs. 52,400 at 1% for 3 months i.e., From April to June. The interest under section 234B amount to Rs. 1,572					1,572 }{1/2 M}
Add: Interest under section 234Cs					2,747
Date of installment	Specified % of estimated tax	Amount due and unpaid (round off to nearest Rs. 100, ignoring fraction)	Period	Interest @ 1%	
15 th June 2023	15%	9,300 [15% of Rs. 62,400]	3 months	279	}{1/2 M}
15 th September 2023	45%	28,000 [45% of Rs. 62,400]	3 months	840	}{1/2 M}
15 th December 2023	75%	36,800 [(75% of Rs. 62,400) – Rs. 10,000]	3 months	1,104	}{1/2 M}
15 th March 2024	100%	52,400	1 month	524	}{1/2 M}
				2,747	
Self-assessment tax payable and interest thereon					56,719
Self-assessment tax payable and interest thereon (round off)					56,720

Answer:

- (b) (a)** Since the rent paid for hire of machinery by B. Ltd. to Mr. Raman exceeds Rs. 2,40,000, the provisions of section 194-I for deduction of tax at source are attracted.
 The rate applicable for deduction of tax at source under section 194 -I on rent paid for hire of plant and machinery is 2%, assuming that Mr. Raman had furnished his permanent account number to B Ltd.
 Therefore, the amount of tax to be deducted at source:
 = Rs. 2,60,000 × 2% = Rs. 5,200.
 Note: In case Mr. Raman does not furnish his permanent account number to B Ltd., tax shall be deducted @ 20% on Rs. 2,60,000, by virtue of provisions of section 206AA. }{1 M}
- (b)** As per the provisions of section 194J, a Hindu Undivided Family is required to deduct tax at source on fees paid for professional services only if the total sales, gross receipts or turnover from the business or profession exceed Rs. 1 crore in case of business or Rs. 50 lakhs in case of profession, as the case may be, in the financial year preceding the current financial year and such payment made for professional services is not exclusively for the personal purpose of any member of Hindu Undivided Family. }{1 M}
 Section 194M, provides for deduction of tax at source by a HUF (which is not required to deduct tax at source under section 194J) in respect of fees for

MITTAL COMMERCE CLASSES

professional service if such sum or aggregate of such sum exceeds Rs. 50 lakhs during the financial year.

In the given case, the fees for professional service to Dr. Srivatsan is paid on 1.12.2023 for a personal purpose, therefore, section 194J is not attracted. Section 194M would have been attracted, if the payment or aggregate of payments exceeded Rs. 50 lakhs in the P.Y.2023-24. However, since the payment does not exceed Rs. 50 lakh in this case, there is no liability to deduct tax at source under section 194M also.

- (c) 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 other payment covered under section 194J is, however, not applicable in respect of sum paid to a director. {1 M}
- Therefore, tax@10% has to be deducted at source under section 194J in respect of the sum of Rs. 19,000 paid by ABC Ltd. to its director.
- Therefore, the amount of tax to be deducted at source:
= Rs. 19,000 x 10% = Rs. 1,900

Answer:

- (c) **Computation of total income of Mr. Chirayu, Mrs. Chirayu and their minor children for the A.Y. 2024-25:**

Particulars	Mr. Chirayu	Mrs. Chirayu	Naina, minor Daughter	Rohan, Minor son
	(₹)	(₹)	(₹)	(₹)
Income under the head "Salaries"				
Salaries (computed)	11,00,000			
Profits and gains from business or profession				
Income from Kathak performances		2,50,000		
Capital Gains				
Long term capital gains from sale of shares		5,50,000		
Less: Set off of short-term capital loss from long term capital gain [Short term capital loss to the extent of ₹ 2 lakhs would be included in the income of Mrs. Chirayu, since the shares are purchased by Mr. Chirayu from the amount of ₹ 2 lakhs gifted by Mrs. Chirayu out of her Stridhan. Clubbing provisions would be attracted even if it is a loss and not income] [Refer Note 1 and 2 below]		2,00,000		
The balance short-term capital loss of ₹ 3,10,000 has to be carried forward by Mr. Chirayu, since it cannot be set-off against salary income.		3,50,000	{1/2 M}	
Income [before considering income of minor son and minor daughter]	11,00,000	6,00,000		
Income of Naina, minor daughter, from performances in various quiz competitions would not be included in the hands of either parent, since such income arises			3,56,000	{1/2 M}

MITTAL COMMERCE CLASSES

from her own skills/talent.				
However, interest of ₹ 15,000 on saving bank account [after providing for deduction of ₹ 1,500, being exempt under section 10(32)] is to be included in the hands of Mr. Chirayu, since his income is higher than that of his wife [₹15,000-₹1,500]	13,500	}{1/2 M}		
Income of Rohan, minor son suffering from disability u/s 80U, from fixed deposits would not be included in the income of parent but would be taxable in his hands.				35,000
Gross Total Income	11,13,500	6,00,000	3,56,000	35,000
Less: Deductions under Chapter VI-A				
➤ Under Section 80TTA: In respect of interest on saving bank account to the extent of	10,000			
➤ Under Section 80U: Flat deduction of ₹ 75,000 to a person with disability. However, deduction would be restricted to gross total income				35,000
Total Income	11,03,500	6,00,000	3,56,000	Nil

Note –

- (1) The question mentions that Mrs. Chirayu gifted ₹ 2 lakh to Mr. Chirayu out of her Stridhan on 1-4-2024 and that Mr. Chirayu invested the entire amount in stock market but suffered a short-term capital loss of ₹ 5,10,000. It is not possible to invest ₹2 lakhs and incur short-term capital loss of ₹ 5.10 lakhs. Accordingly, in the above solution, it has been assumed that the remaining ₹ 3,10,000 is invested by Mr. Chirayu and hence the same would be a short-term capital loss to be carried forward by him.
- Due to the use of the words "invested the entire amount in the stock market" in the question, it is possible to take a view that the entire capital loss of ₹ 5,10,000 has to be set off against long-term capital gains of ₹ 5,50,000 in the hands of Mrs. Chirayu. In which case the total income of Mrs. Chirayu would be ₹ 2,90,000 instead of ₹ 6,00,000. Also, there would be no short-term capital loss in the hands of Mr. Chirayu.
- Since the relevant assessment year for May 2024 examination is A.Y. 2024-25, accordingly, the relevant previous year is P.Y. 2023-24. The above solution has been worked out considering the date of gift as 1-4-2023.
- (2) Item (iv) mentions that the gift was made by Mrs. Chirayu to Mr. Chirayu on 1-4-2024, which falls outside the P.Y. 2023-24. Since the date of gift has been mentioned as 1-4-2024 in the question, as per the plain reading, such short term capital loss cannot be set-off against long-term capital gains of ₹ 5,50,000. In such a case, the total income of Mr. Chirayu would be ₹ 8,00,000.

Answer 3:

(a) Computation of taxable income of Mr. Gupta for A.Y. 2024-25

Particulars	Rs.	Rs.	Rs.
Salaries			
Basic Salary = Rs. 30,000 x 12		3,60,000	
Rent free accommodation		54,000	
[Lower of lease rental paid or payable by the			

MITTAL COMMERCE CLASSES

employer (or) 15% of salary i.e., lower of Rs. 65,000 or Rs. 54,000, being 15% of Rs. 3,60,000]			
Gross Salary		4,14,000	
Less: Standard deduction u/s 16(ia) [Actual salary or Rs. 50,000, whichever is less]		50,000	
Net Salary			3,64,000 {2 M}
Income from house property	House 1	House 2	
Municipal value (A)	74,000	1,90,000	
Fair rent (B)	75,000	1,95,000	
Higher of (A) and (B) = (C)	75,000	1,95,000	
Actual rent received	65,000	2,85,000	
Gross Annual Value [Higher of (C) and Actual rent]	75,000	2,85,000	
Less: Municipal tax paid	18,000	70,000	
Net Annual Value (NAV)	57,000	2,15,000	
Less: Deductions u/s 24			
30% of NAV	17,100	64,500	
Interest on loan	Nil	17,000	
	<u>39,900</u>	<u>1,33,500</u>	
Income from house property [Rs. 39,900 + Rs. 1,33,500]			1,73,400 {1 M}
Income from Other Sources			
Purchase of rural agricultural land for a consideration less than stamp duty value [Not taxable under section 56(2)(x), since rural agricultural land is not a capital asset]			Nil
Total Income			5,37,400 {2 M}
Note - Expenditure on repairs, insurance premium on building and ground rent are not allowable under the head "Income from house property."			

Answer:

- (b) Where a person, who has been allotted PAN and is required to intimate his Aadhaar number, has failed to intimate the same on or before the 31.3.2022, the PAN of such person shall become inoperative. {1/2 M}

Consequences of failure to intimate Aadhar Number

A person, whose PAN has become inoperative, would be liable for further consequences for the period commencing from the date specified by the Board till the date it becomes operative, namely - {1/2 M}

- (i) refund of any amount of tax or part thereof, due under the provisions of the Act shall not be made;
- (ii) interest shall not be payable on such refund for the period, beginning with the date specified and ending with the date on which it becomes operative;
- (iii) where tax is deductible under Chapter XVIIB in case of such person, such tax shall be deducted at higher rate, in accordance with provisions of section 206AA; {3 M}
- (iv) where tax is collectible at source under Chapter XVII-BB in case of such person, such tax shall be collected at higher rate, in accordance with provisions of section 206CC.

The consequences specified above will be effective from 1.7.2023.

If Mr. Rahul wants to intimate his Aadhaar number to the prescribed authority on 1.9.2023, he would be liable to pay a fee of ₹ 1,000 as specified under section 234H. His PAN would become operative within 30 days from the date of intimation of Aadhaar number and would not be liable for the above consequences once his PAN becomes operative. {1 M}

MITTAL COMMERCE CLASSES

Answer 4:

(a) Computation of total income of Mr. Vimal for the A.Y. 2023-24

Particulars		Amount (Rs.)	Amount (Rs.)
I	Income from salaries		
	Basic Salary [Rs. 3,50,000 x 12]	42,00,000	
	Client entertainment reimbursement [Rs. 2,40,000 - Rs. 2,00,000]	40,000	
	Leave Travel Allowance [Rs. 4,00,000 - Rs. 1,00,000] [Note 1]	3,00,000	
	Performance Bonus (20% of Basic Salary)	8,40,000	
	Interest on Housing loan [Rs. 15,00,000 x (8% - 2.5%) x 10/12]	68,750	
	Sweat Equity allotted by the employer (Rs. 1,500 - Rs. 1,300) x 1,500	3,00,000	
	Gross Salary	57,48,750	{2 M}
	Less: Standard deduction	50,000	
	Taxable Salary		56,98,750
II	Income from house property		
	Gross Annual Value under section 23(1) [Rent received for 9 months has been taken as the Gross Annual Value in the absence of other information relating to Municipal Value, Fair Rent and Standard Rent] [Rs. 35,000 x 9]	3,15,000	
	Less: Municipal taxes paid [Paid by Mr. Vimal]	12,000	
	Net Annual Value (NAV)	3,03,000	
	Less: Deduction u/s 24		
	(a) @30% of NAV	90,900	
	(b) Interest on borrowed capital [15,00,000 x 2.5% x 10/12]	31,250	
			1,80,850 {1 M}
III	Capital gains		
	STCG on sale of sweat equity shares [1,500 X (Rs. 2,100 - Rs. 1,500)]		9,00,000
IV	Income from other sources		
	Dividend Income	5,00,000	
	Interest on RBI bonds [Rs. 30,00,000 X 7% X 4/12]	70,000	5,70,000
	Gross total Income		73,49,600 {1 M}
	Less: Deduction under Chapter VI-A		
	Deduction u/s 80C for LIC premium paid for self and wife [Note 2]	35,000	
	Deduction u/s 80 D [Note 3]	Nil	35,000
	Total Income		73,14,600 {1 M}

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

Particulars	Amount (Rs.)	Amount (Rs.)
Tax on STCG u/s 111A @15% on Rs. 9,00,000		1,35,000
Tax on other income of Rs. 64,14,600		
Upto Rs. 2,50,000	Nil	
Rs. 2,50,001 - Rs. 5,00,000 @5%	12,500	
Rs. 5,00,001 - Rs. 10,00,000 @20%	1,00,000	
Rs. 10,00,001 - Rs. 64,14,600 @30%	16,24,380	17,36,880
		18,71,880
Add: Surcharge@10% since total income exceeds Rs.		1,87,188

MITTAL COMMERCE CLASSES

50 lakhs but does not exceed Rs. 1 crore		
		20,59,068
<i>Add:</i> Health and Education cess @ 4%		82,363
Tax Liability		21,41,431
Tax Liability (Rounded off)		21,41,430 }

Notes:

- (1) Hotel Bookings and lodgings are not covered under leave travel facility. Hence, only Rs. 1,00,000 of cost of tickets would be exempt under section 10(5).
- (2) Premium for life insurance policy of father is not allowed as deduction under section 80C.
- (3) Medical insurance premium on the health of brother is not allowable since brother does not come within the meaning of family u/s 80D. In case of son, premium is paid in cash, hence, the same is not allowed.

Answer:

(b) Computation of total income of Mr. Ram for the A.Y. 2024-25

Particulars	Amount (Rs.)	Amount (Rs.)
Salaries		
Income from Salary	2,00,000	
<i>Less:</i> Loss from house property set-off against salary	1,90,000	
		10,000 }
Profits and gains from business or profession		
Income from speculative business B	1,50,000	
<i>Less:</i> Loss of Rs. 30,000 from speculative business A	30,000	
<i>Less:</i> Loss from cloth business [Loss from non-speculative business can be set off against profits from speculative business]	80,000	
		40,000 }
Capital Gains		
Long-term capital gain from sale of urban land	3,00,000	
<i>Less:</i> Long-term capital loss on sale of shares (STT not paid)	1,00,000	
<i>Less:</i> Long-term capital loss on sale of listed shares in recognizes stock exchange (STT paid at the time of acquisition and sale of shares)	1,50,000	
		50,000 }
Income from Other Sources		
Income from betting	80,000	
Interest on savings bank deposits	12,000	
Interest on fixed deposits with banks	40,000	1,32,000 }
Gross Total Income		2,32,000 }
<i>Less:</i> Deduction under section 80TTB (Maximum being Rs. 50,000, since Mr. Ram is a senior citizen)		50,000
Total Income		1,82,000 }

Notes:

- (i) Loss from specified business covered under section 35AD can be set off only against profits and gains of any other specified business. Therefore, such loss cannot be set off against any other income. The unabsorbed loss of Rs.

MITTAL COMMERCE CLASSES

- 20,000 has to be carried forward for set-off against profits and gains of any specified business in the following year.
- (ii) Loss from gambling can neither be set off against any other income, nor can be carried forward.

OR

Answer:

(b) Computation of taxable income of Mr. Sanjay for the A.Y. 2024-25

		Not ordinarily resident (RNOR)	Non-resident	
(1)	Interest on England Development Bonds (1/3 received in India), amount of ₹ 20,000 being received in India would be taxable in case of both RNOR and non-resident.	{1/2 M} 20,000	20,000	{1/2 M}
(2)	Interest received from non-resident against a loan given to him to run a business in India would be deemed to accrue or arise in India. Thus, such interest is taxable in case of both RNOR and non-resident	{1/2 M} 5,000	5,000	{1/2 M}
(3)	Royalty received from Akhil, a resident for technical services given to run a business outside India would not be deemed to accrue or arise in India, since such services are utilised for business carried outside India. Thus, royalty would not be taxable in case of both RNOR and non-resident.	{1/2 M} -	-	{1/2 M}
(4)	Income from business in Sri Lanka of ₹ 25,000 out of which ₹ 15,000 were received in India. Whole of the income from business in Sri Lanka is taxable in case of RNOR, since business is controlled from India. However, in case of non-resident only the amount received in India would be taxable.	{1/2 M} 25,000	15,000	{1/2 M}
Taxable Income		50,000	40,000	

MITTAL COMMERCE CLASSES

SECTION - B : GOODS AND SERVICES TAX (50 MARKS)

- (i) Working Notes should form part of the answers. However, in answers to Questions in Division A, working notes are not required.
- (ii) Whenever necessary, suitable assumptions may be made by the candidates and disclosed by way of a notes.
- (iii) All questions should be answered on the basis of position of the GST law as amended by provisions of the CGST Act, 2017 and the IGST Act, 2017 as amended by the Finance Act, 2023, including significant notifications and circulars issued, up to 31st October, 2023.

DIVISION A - MULTIPLE CHOICE QUESTIONS

TOTAL MARKS: 15 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.

Ans. 1 to Ans. 6:

CASE SCENARIO

1. Ans. b
2. Ans. b
3. Ans. a
4. Ans. d
5. Ans. a
6. Ans. c

MCQ [6 MCQ of 2 Marks Each : Total 12 Marks]

7. Ans. b

(2 Marks)

8. Ans. c

(1 Mark)

DIVISION B - DESCRIPTIVE QUESTIONS

QUESTION NO. 1 IS COMPULSORY

ATTEMPT ANY TWO QUESTIONS OUT OF REMAINING THREE QUESTIONS.

TOTAL MARKS: 35 MARKS

Answer 1:

(a)

Computation of GST payable on outward supplies

S. No.	Particulars	CGST @ 9% (Rs.)	SGST @ 9% (Rs.)	IGST @ 18% (Rs.)	Total (Rs.)
(i)	Intra-State supply of goods for Rs. 4,00,000 [Note-1]	36,000	36,000	Nil	72,000
(ii)	Services rendered by way of labour contracts for repairing a single residential unit otherwise than as a part of residential complex [Note-2]	9,000	9,000	Nil	18,000
(iii)	Services provided by way of training in recreational activities relating to sports [Note-3]	Nil	Nil	1,800	1,800
(iv)	Inter-State security services provided to ABC higher secondary school for their annual day function to be held in Fintex Auditorium. [Note-4]	Nil	Nil	2,700	2,700
	Total GST payable	1 M 45,000	1 M 45,000	1 M 4,500	94,500

MITTAL COMMERCE CLASSES

Notes:

1. As per Notification No. 66/2017 CT dated 15.11.2017, a registered person (excluding composition supplier) has to pay GST on the outward supply of goods at the time of supply as specified in section 12(2)(a) of the CGST Act, 2017, i.e. date of issue of invoice or the last date on which invoice ought to have been issued in terms of section 31. Thus, liability to pay tax on the advance received in January will also arise in the month of February, when the invoice for the supply is issued.
2. Services by way of pure labour contracts of construction, erection, commissioning, or installation of original works pertaining to a single residential unit otherwise than as a part of a residential complex are exempt vide Notification No. 12/2017 CT(R) dated 28.06.2017. Labour contracts for repairing are thus, taxable. {1/2 M Each}
3. Services by way of training or coaching in recreational activities relating to sports is exempt under GST vide Notification No. 12/2017 CT(R) dated 28.06.2017, only if provided by charitable entities registered under section 12AA of the Income-tax Act. Thus, in the given case, said service is taxable.
4. Security services provided to ABC higher secondary School for Annual Day function organised outside the school campus will be taxable as only the security services performed within the premises of the higher secondary school are exempt vide Notification No. 12/2017 CT(R) dated 28.06.2017.

Computation of total ITC

Particulars	CGST @ 9% (Rs.)	SGST @ 9% (Rs.)	IGST @ 18% (Rs.)	
Opening ITC	57,000	Nil	50,000	
Add: Purchase of goods from a composition dealer [No tax is payable on the goods purchased under composition scheme]	Nil	Nil	Nil	
Add: Membership of a club [Blocked credit]	Nil	Nil	Nil	
Add: Goods transport services received from GTA [As per Notification No. 13/2017 CT(R) dated 28.06.2017, GST is payable by the recipient on reverse charge basis on the receipt of services of transportation of goods by road from a goods transport agency (GTA), provided GST is not payable @ 12%. Since in the given case, services have been received from a GTA where GST is payable @ 12% and recipient is one of the specified recipients, reverse charge provisions will not be applicable. In this case, input tax credit is available for the services received from GTA.]	Nil	Nil	24,000	{1/2 M}
Add: Inputs to be received in 4 lots, out of which 2nd lot was received during the month [In case of goods received in lots, ITC can be taken only upon receipt of the last lot]	Nil	Nil	Nil	
Total ITC	57,000	Nil	74,000	{1/2 M}

Computation of minimum GST payable from electronic cash ledger

Particulars	CGST @ 9% (Rs.)	SGST @ 9% (Rs.)	IGST @ 18% (Rs.)	Total (Rs.)
GST payable	45,000	45,000	4,500	94,500
Less: ITC [First ITC of IGST should be utilized in full - first against IGST liability and then against CGST and SGST liabilities in a manner to minimize cash outflow]	(24,500) IGST (3)	(45,000) IGST (2)	(4,500) IGST (1)	74,000
	(20,500)			20,500

MITTAL COMMERCE CLASSES

	CGST			
Minimum GST payable in cash	Nil	Nil	Nil	Nil
	{1/2 M}	{1/2 M}	{1/2 M}	{1/2 M}

Note: 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, ITC of IGST has first been used to pay SGST (after paying IGST liability) and then CGST to minimize cash outflow. {1 M}

Answer:

(b) Section 24 of the said Act enlists certain categories of persons who are mandatorily required to obtain registration, irrespective of their turnover. Persons who supply goods or services or both through such electronic commerce operator (ECO), who is required to collect tax at source u/s 52, is one such person specified u/s 24(ix). However, where the ECO is liable to pay tax on behalf of the suppliers of services under a notification issued u/s 9(5), the suppliers of such services are entitled for threshold exemption. Besides this vide Notification No. 65/2017- CT dated 15-11-2017, it has been provided that persons who are suppliers of service and supplying services through e-commerce operator are not required to register under GST if their aggregate turnover is less than 20 lakhs per annum (Rs. 10 lakh in case of Special Category States of Mizoram, Tripura, Manipur and Nagaland) {1^{1/2} M}

E-commerce Operator: Section 2(45) of the CGST Act defines ECO as any person who owns, operates or manages digital or electronic facility or platform for electronic commerce. Electronic commerce is defined u/s 2(44) to mean the supply of goods or services or both, including digital products over digital or electronic network. Since Hi-Tech Indya Pvt. Ltd. owns and manages a website for e commerce where both goods and services are supplied, it will be classified as an ECO under Section 2(45). {1 M}

ECO liable for Registration: Notification No. 17/2017-CT (R) dated 28-06-2017 issued u/s 9(5) specifies services by way of house-keeping, except where the person supplying such service through ECO is liable for registration under Section 22(1), as one such service where the ECO is liable to pay tax on behalf of the suppliers. In the given case, Ajay Pvt. Ltd. provides house-keeping services through an ECO. It is presumed that Hi-Tech Indya is an ECO which is required to collect tax at source under Section 52. However, house-keeping services provided by Ajay Pvt. Ltd., which is not liable for registration under Section 22(1) as its turnover is less than 7 20 lakh, is a service notified under Section 9(5). Thus, Ajay Pvt. Ltd. will be entitled for threshold exemption for registration and will not be required to obtain registration even though it supplies services through ECO. {1^{1/2} M}

Supply of goods through ECO - Supplier liable for Compulsory Registration: In the second case, Ajay Pvt. Ltd. sells readymade garments through ECO. Such supply cannot be notified under Section 9(5) as only supplies of services are notified under that Section. Therefore, in the second case, Ajay Pvt. Ltd. will not be entitled for threshold exemption and will have to compulsorily obtain registration in terms of Section 24(ix). {1 M}

Answer 2:

(a) Section 49 of the CGST Act, 2017 stipulates that every taxable person shall discharge his tax and other dues under the GST law in the following order, namely:-
 (a) self-assessed tax, and other dues related to returns of previous tax periods;
 (b) self-assessed tax, and other dues related to the return of the current tax period; {1 M Each}

MITTAL COMMERCE CLASSES

- (c) any other amount payable under this Act or the rules made thereunder including the demand determined under section 73 or section 74. }

Answer:

- (b) (i) An activity qualifies as supply under GST only if it is for a consideration and is in course / furtherance of business. Donations received by the charitable organizations are treated as consideration only when there's an obligation on part of the recipient of the donation to do anything. Since in the given case, the display of products sold by the donor - Slory Ltd. - in charitable organization's premises aims at advertising / promotion of its business, it is supply for consideration in course / furtherance of business and thus, qualifies as supply under GST law. } **{2 M}**
- (ii) Supply includes importation of services, for a consideration whether or not in the course / furtherance of business. Thus, in the given case, the import of services by Mr. Swamy amounts to supply although it is not in course / furtherance of business. } **{1 M}**

Answer:

- (c) Computation of value of taxable supply made by Vivek Pvt. Ltd.:

Particulars	Amount (Rs.)	
List price of the goods (exclusive of taxes and discount)	50,000	} {1/2 M Each x 6 = 3 M}
Tax levied by Municipal Authority on the sale of such goods [Taxes other than GST, if charged separately, are includible in the value of supply.]	6,000	
Packing charges [Being incidental expenses, same are includible in the value of supply.]	2,500	
Subsidy received from NGO [Since subsidy is received from a non-Government body and directly linked to the price, the same is not includible in the value of supply.]	Nil	
Payment made by Ajeet Pvt. Ltd. in relation to service provided by vendor to Vivek Pvt. Ltd. [Amount that supplier is liable to pay, but incurred by the recipient, is includible in the value of supply.]	2,000	
Turnover discount [since discount is not known at the time of supply, it is not deductible from the value of supply.]	-	
Interest for delayed payment (rounded off) [Includible in the value of supply] [5,000 x 100/118]	4,237	
Value of taxable supply	64,737	} {1 M}

Answer 3:

- (a) **Computation of value of taxable supply made by Shri Ram Pvt. Ltd. to Shri Shyam Pvt. Ltd.**

Particulars	Amount (Rs.)	
Price of the goods	1,00,000	} {1 M}
Municipal tax [Includible in the value as per section 15(2)(a) of the CGST Act, 2017]	2,000	
Inspection charges [Any amount charged for anything done by the supplier in respect of the supply of goods at the time of/before delivery of goods is includible in the value as per section 15(2)(c) of the CGST Act, 2017]	15,000	} {1 M}
Subsidy received from Shri Ram Trust	50,000	} {1 M}

MITTAL COMMERCE CLASSES

[Since the subsidy is received from a non-Government body and directly linked to the supply, the same is includible in the value in terms of section 15(2)(e) of the CGST Act, 2017]		
Late fees for delayed payment [Not includible since the same is waived off]	Nil	{1 M}
Weighment charges paid to Radhe Pvt. Ltd. on behalf of Shri Ram Pvt. Ltd. [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) of the CGST Act, 2017]	2,000	{1 M}
Value of taxable supply	1,69,000	{1 M}

Answer:

- (b)**
- (i) A supplier engaged in the manufacture of goods as notified under section 10(2)(e) of the CGST Act, 2017, during the preceding FY is not eligible for composition scheme under section 10(1) and 10(2). Ice cream and other edible ice, whether or not containing cocoa, Pan masala, Tobacco and manufactured tobacco substitutes, aerated waters, fly ash bricks, fly ash aggregate, fly ash blocks, bricks of fossil meals or similar siliceous earths, building bricks, earthen or roofing tiles are notified under this category. However, in the given case, since Mohan Enterprises is engaged in trading of pan masala and not manufacture and his turnover does not exceed Rs. 1.5 crore, he is eligible for composition scheme subject to fulfilment of specified conditions. }{3 M}
- (ii) Since supplier of inter-State outward supplies of goods or services is not eligible for composition levy, Sugam Manufacturers is not eligible for composition levy. }{1 M}

Answer 4:

- (a)** Determination of POS in case of advertisement services to Government : As per section 12(14) of the IGST Act, 2017, the place of supply of advertisement services to the Central Government, a State Government, a statutory body or a local authority meant for the States or Union territories identified in the contract or agreement is taken as being in each of such States or Union territories (where the advertisement is broadcasted/run/ played/disseminated).
Therefore, in the given case, the place of supply of advertisement service is in the States of 'A', 'B', 'C', 'D' and 'E'.
The value of the supply of such advertisement services specific to each State/Union territory is in proportion to the amount attributable to the services provided by way of dissemination in the respective States/Union territories determined in terms of the contract or agreement entered into in this regard.
In the absence of such a contract or agreement between the supplier and recipient of services, the proportionate value of advertisement services attributable to different States/ Union territories (where the advertisement is broadcasted/run/played/ disseminated) is computed in accordance with rule 3 of the IGST Rules, 2017.
As per rule 3(f) of the IGST Rules, 2017, in the case of advertisement on television channels, the amount attributable to the value of advertisement service disseminated in a State shall be calculated on the basis of the viewership of such channel in such State, which in turn, shall be calculated in the following manner, namely: -

MITTAL COMMERCE CLASSES

- (i) the channel viewership figures for that channel for a State or Union territory shall be taken from the figures published in this regard by the Broadcast Audience Research Council;
- (ii) the figures published for the last week of a given quarter shall be used for calculating viewership for the succeeding quarter;
- (iii) where such channel viewership figures relate to a region comprising of more than one State or Union territory, the viewership figures for a State or Union territory of that region, shall be calculated by applying the ratio of the populations of that State or Union territory, as determined in the latest Census, to such viewership figures;
- (iv) the ratio of the viewership figures for each State or Union territory as so calculated, when applied to the amount payable for that service, shall represent the portion of the value attributable to the dissemination in that State or Union territory.

Therefore, value of supply attributable to 'A', 'B', 'C', 'D' and 'E', will be computed as under:

States	Viewership figures of 'Moon Plus' channel as provided by the Broadcast Audience Research Council in the last week of June 2023	Viewership ratio of 'Moon Plus' channel in the States 'A', ('B' + 'C') and ('D' + 'E')	Proportionate value of advertisement services for States 'A', ('B' + 'C') and ('D'+ 'E')
A	50,000	50,000:1,00,000: 50,000 = 1: 2: 1	Rs. 10,00,000 × 1/4 = 2,50,000
B + C	1,00,000		Rs. 10,00,000 × 2/4 = 5,00,000
D + E	50,000		Rs. 10,00,000 × 1/4 = 2,50,000

} {2 M}

States	Population as per latest census (in crores)	Population ratio in the States 'B' & 'C' 'D' & 'E'	Proportionate value of advertisement services in the States 'A', 'B', 'C', 'D' & 'E'
A	50	B:C = 180: 20 = 9: 1	Rs. 2,50,000
B	180		Rs. 5,00,000 × 9/10 = 3 4,50,000
C	20	D:E = 100: 25 = 4: 1	Rs. 5,00,000 × 1/10 = 3 50,000
D	100		Rs. 2,50,000 × 4/5 = 3 2,00,000
E	25		Rs. 2,50,000 × 1/5 = 3 50,000

} {2 M}

Different tax invoices to be issued for different POS : Since, there are five different places of supply in the given case, 'Moon Plus' channel will have to issue five separate invoices for each of the States namely, 'A', 'B', 'C', 'D' & 'E' indicating the value pertaining to that State. The GST liability of 'Moon Plus' channel will, therefore, be worked out as under:

Computation of GST liability of 'Moon Plus':

States	Proportionate value of advertisement services (Rs.)	CGST @ 9% (Rs.)	SGST @ 9% (Rs.)	IGST @ 18% (Rs.)
A	2,50,000	22,500	22,500	
B	4,50,000			81,000
C	50,000			9,000
D	2,00,000			36,000
E	50,000			9,000

} {1/2 M}

} {1/2 M}

} {1/2 M}

} {1/2 M}

Nature of supply : Only in case of supply of services in State 'A', the location of supplier (State 'A') and the place of supply are in the same State, hence the same is an intra-State supply in terms of section 8(1) of the IGST Act, 2017 and is thus, liable to CGST and SGST. In all the remaining cases of supply of services, the location of the supplier (State 'A') and the places of supply (States 'B', 'C', 'D' & 'E')

MITTAL COMMERCE CLASSES

are in two different States, hence the same are inter-State supplies liable to IGST [Section 7(1)(a) of the IGST Act, 2017 read with section 5(1) of that Act].

Answer:

- (b)** Yes, the view of Mr. Ajay Singh is correct. GST is payable under reverse charge in case of supply of services by an author by way of transfer/permitting the use or enjoyment of a copyright covered under section 13(1)(a) of the Copyright Act, 1957 relating to original literary work to a publisher located in the taxable territory in terms of reverse charge Notification No. 13/2017-CT(R) dated 28-06-2017. Therefore, in the given case, person liable to pay tax is the publisher - SBP. {1 M}
- However, since SBP has completely refused to deposit the tax on the given transaction, Mr. Ajay Singh has an option to pay tax under forward charge on the same. For the purpose, he needs to fulfill the following conditions: {3 M}
- (i) since he is unregistered, he has to first take registration under the CGST Act, 2017
 - (ii) he needs to file a declaration, in the prescribed form, that he exercises the option to pay CGST on the said service under forward charge in accordance with section 9(1) of the CGST Act and to comply with all the provisions as they apply to a person liable for paying the tax in relation to the supply of any goods and/or services and that he shall not withdraw the said option within a period of 1 year from the date of exercising such option;
 - (iii) he has to make a declaration on the invoice, which he would issue to SBP, in prescribed form.

OR

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 amendment in the details of those individual 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 M}
- As per section 39(9) of the CGST Act, 2017, omission or incorrect particulars discovered in the returns filed u/s 39 of the CGST Act, 2017 can be rectified in the return to be filed for the month during which such omission or incorrect particulars are noticed. Any tax payable as a result of such error or omission will be required to be paid along with interest. The rectification of errors/omissions is carried out by entering appropriate particulars in "Amendment Tables" contained in GSTR-1. {2 M}
- However, no such rectification of any omission or incorrect particulars is allowed after the due date for furnishing of return for the month of September or second quarter (in case of quarterly filers) following the end of the financial year to which such details pertain, or the actual date of furnishing of relevant annual return, whichever is earlier.

__**__