

Mock Test Paper - Series I: March, 2024**Date of Paper: 9 March, 2024****Time of Paper: 2 P.M. to 5 P.M.****INTERMEDIATE COURSE: GROUP - I****PAPER – 3: TAXATION****Time Allowed – 3 Hours****Maximum Marks – 100****SECTION – A: INCOME TAX LAW (50 MARKS)**

Working Notes should form part of the answer. Wherever 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

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.

- Mr. Kamal, aged 45 years, commenced operations of the business of a new three-star hotel in Delhi on 1.4.2023. He incurred capital expenditure of ₹ 50 lakhs on land in March, 2023 exclusively for the above business, and capitalized the same in his books of account as on 1st April, 2023. Further, during the P.Y. 2023-24, he incurred capital expenditure of ₹ 2 crores (out of which ₹ 50 lakhs was for acquisition of land and ₹ 1.50 crore was for acquisition of building) exclusively for the above business. The payments in respect of the above expenditure were made by account payee cheque. The profits from the business of running this hotel (before claiming deduction under section 35AD) for the A.Y.2024-25 is ₹ 85 lakhs.

He has employed 220 new employees during the P.Y.2023-24, the details of whom are as follows –

| | No. of employees | Date of employment | Regular/ Casual | Total monthly emoluments per employee (₹) |
|-------|-------------------------|---------------------------|----------------------------|--|
| (i) | 40 | 1.6.2023 | Regular | 24,000 |
| (ii) | 80 | 1.7.2023 | Regular | 24,500 |
| (iii) | 50 | 1.7.2023 | Casual | 25,500 |
| (iv) | 30 | 1.9.2023 | Regular | 25,000 |
| (v) | 20 | 1.12.2023 | Casual | 24,000 |

All regular employees participate in recognized provident fund and their emoluments are paid by account payee cheque. His gross revenue from the hotel is ₹ 11 crores. Mr. Kamal has opted out of the default tax regime under section 115BAC.

Mr. Kamal also has another existing business of running a four-star hotel in Ahmedabad, which commenced operations twenty years back, the profits from which are ₹ 140 lakhs for the A.Y.2024-25

Based on the facts of the case scenario given above, choose the most appropriate answer to the following questions:

- (i) Assuming that Mr. Kamal has fulfilled all the conditions specified for claim of deduction under section 35AD and has not claimed any deduction under Chapter VI-A under the heading "C. – Deductions in respect of certain incomes", what would be the quantum of deduction under section 35AD, which he is eligible to claim as deduction for A.Y.2024-25?
 - (a) ₹ 250 lakhs
 - (b) ₹ 200 lakhs
 - (c) ₹ 100 lakhs
 - (d) ₹ 150 lakhs
- (ii) What would be the income chargeable/loss under the head "Profits and gains of business or profession" for the A.Y.2024-25 in the hands of Mr. Kamal?
 - (a) ₹ 75 lakhs
 - (b) ₹ 140 lakhs
 - (c) ₹ 25 lakhs
 - (d) ₹ 10 lakhs
- (iii) Would Mr. Kamal be eligible for deduction under section 80JJAA in the A.Y.2024-25? If so, what is the quantum of deduction?
 - (a) No, he would not be eligible for deduction u/s 80JJAA
 - (b) Yes; ₹ 75,00,000
 - (c) Yes; ₹ 81,72,000
 - (d) Yes; ₹ 99,72,000

(3 x 2 = 6 Marks)

2. Mr. Arvind, an Indian citizen, wants to file his return of income for the previous year 2023-24. He required assistance for which he has approached you. He has shared the following details relevant to the P.Y. 2023-24.

Mr. Arvind owned a house property in Bangalore and the same was rented out for ₹ 65,000 p.m. to Mr. Arjun, a salaried employee. He claims that this was the only income which he earned during the P.Y. 2023-24. However, when you had sought for his bank statement, you observed the following information additionally.

There is a credit for ₹ 23,975 towards income-tax refund which includes ₹ 5,775 towards interest on income-tax refund. On 15th August, 2023, the bank statement showed a credit of ₹ 55,000 which he claimed to have received as a gift from his grandchildren on his 60th birthday. On further assessment you were able to understand that Mr. Arvind and his wife had travelled to Mauritius during the P.Y. 2023-24 to spend some time with their son, who is staying in Mauritius. On scrutiny of their passport and relevant documents you conclude that they had left India on 27th September, 2023 and returned on 31st March, 2024. During the 4 years preceding previous year 2023-24, both had stayed in India for 320 days. Prior to that, they had been staying only in India.

Based on the facts of the case scenario given above, choose the most appropriate answer to the following questions:

- (i) What is the residential status of Mr. Arvind for the P.Y. 2023-24?
 - (a) Resident and ordinarily resident
 - (b) Resident but not ordinarily resident
 - (c) Non-resident
 - (d) Deemed resident but not ordinarily resident
 - (ii) Is there any requirement to deduct tax at source under section 194-IB on such rent by Mr. Arjun? If yes, what would be the amount of TDS to be deducted?
 - (a) No, there is no requirement to deduct tax at source under section 194-IB, since Mr. Arjun is a salaried employee
 - (b) Yes, Mr. Arjun is required to deduct tax at source of ₹ 39,000 under section 194-IB
 - (c) Yes, Mr. Arjun is required to deduct tax at source of ₹ 78,000 under section 194-IB
 - (d) No, there is no requirement to deduct tax at source under section 194-IB, since Mr. Arvind is a non-resident
 - (iii) Which of the following statements is correct with respect to advance tax liability of Mr. Arvind for P.Y. 2023-24?
 - (a) Advance tax liability shall not arise to Mr. Arvind since he is a non-resident
 - (b) Advance tax liability shall not arise, since Mr. Arvind is a resident senior citizen and he has no income chargeable under the head "Profits and gains of business or profession"
 - (c) Advance tax liability shall arise, since he is a non-resident
 - (d) Advance tax liability shall arise, since his tax liability is not less than ₹ 10,000
- (3 x 2 = 6 Marks)**
3. Roshini Ltd. has two units, one unit at Special Economic Zone (SEZ) and other unit at Domestic Tariff Area (DTA). The unit in SEZ was set up and

started manufacturing from 12.5.2014 and unit in DTA from 15.6.2017. Total turnover of Roshini Ltd. and Unit in DTA is ₹ 12,50,00,000 and 4,50,00,000, respectively. Export sales of units in SEZ and DTA is ₹ 3,50,00,000 and ₹ 2,25,00,000, respectively and net profit of Unit in SEZ and DTA is ₹ 95,00,000 and ₹ 80,00,000, respectively. Out of the export sales of ₹ 3,50,00,000, ₹ 2,00,00,000 have been received in convertible foreign exchange by 30.9.2024. Roshini Ltd. would be eligible for deduction under section 10AA for -

- (a) ₹ 20,78,125
- (b) ₹ 41,56,250
- (c) ₹ 11,87,500
- (d) ₹ 23,75,000

(2 Marks)

4. What would be the tax liability of Ms. Savita, a resident, who attained the age of 60 years on 01.04.2024 on the total income of ₹ 7,25,000, comprising of salary income and interest on fixed deposits under default tax regime under section 115BAC?

- (a) ₹ 28,600
- (b) ₹ 26,000
- (c) ₹ 3,600
- (d) ₹ 2,600

(1 Mark)

Division B – Descriptive Questions

Question No. 1 is compulsory

*Attempt any **two** questions from the remaining **three** questions*

1. Mr. Amit, having business of manufacturing of furniture, gives the following Trading and Profit & Loss Account for the year ended 31.03.2024:

Trading and Profit & Loss Account

| Particulars | ₹ | Particulars | ₹ |
|-------------------|--------------------|---------------------|--------------------|
| Opening Stock | 5,62,500 | Sales | 2,33,25,000 |
| Purchases | 1,88,62,500 | Closing Stock | 6,75,000 |
| Freight & Cartage | 1,89,000 | | |
| Gross profit | 43,86,000 | | |
| | 2,40,00,000 | | 2,40,00,000 |
| Bonus to staff | 71,250 | Gross profit | 43,86,000 |
| Rent of premises | 80,250 | Income-tax refund | 30,000 |
| Advertisement | 7,500 | Warehousing charges | 22,50,000 |

| | | | |
|------------------------------------|------------------|--|------------------|
| Bad Debts | 1,12,500 | | |
| Interest on loans | 2,51,250 | | |
| Depreciation | 1,07,250 | | |
| Goods and Services tax demand paid | 1,62,525 | | |
| Salary | 5,50,000 | | |
| Miscellaneous expenses | 2,38,475 | | |
| Net profit | 50,85,000 | | |
| | 66,66,000 | | 66,66,000 |

Following are the further information relating to the financial year 2023-24:

- (i) Income-tax refund includes amount of ₹ 4,570 of interest allowed thereon.
- (ii) Salary include ₹ 30,000 paid to his brother which is unreasonable to the extent of ₹ 5,000.
- (iii) Advertisement expenses include an amount of ₹ 2,500 paid for advertisement published in the souvenir issued by a political party. The payment is made by way of an account payee cheque.
- (iv) Miscellaneous expenses include an amount of ₹ 1,00,000 paid to Political Party by cheque.
- (v) Goods and Services Tax demand paid includes an amount of ₹ 5,300 charged as penalty for delayed filing of returns and ₹ 12,750 towards interest for delay in deposit of tax.
- (vi) Mr. Amit had purchased a warehouse building of ₹ 20 lakhs in rural area for the purpose of storage of agricultural produce. This was made available for use from 15.07.2023 and the income from this activity is credited in the Profit and Loss account under the head "Warehousing charges".
- (vii) Depreciation under the Income-tax Act, 1961 works out at ₹ 65,000 excluding depreciation on warehouse building.
- (viii) Interest on loans includes an amount of ₹ 80,000 paid to Mr. Mohit, a resident, on which tax was not deducted.

Compute the total income and tax liability of Mr. Amit for the A.Y. 2024-25 in a most beneficial manner. **(15 Marks)**

2. (a) Mr. Akash, an Indian citizen aged 45 years, worked in XYZ Ltd. in Delhi. He got a job offer from ABC Inc., California on 01.06.2022. He left India for the first time on 31.07.2022 and joined ABC Inc. on 08.08.2022. During the P.Y. 2023-24, Mr. Akash visited India from 25.05.2023 to 22.09.2023. He has received the following income for the previous year 2023-24:

| Particulars | ₹ |
|--|----------|
| Salary from ABC Inc., California received in California (Computed) | 7,00,000 |
| Dividend from Indian companies | 5,00,000 |
| Agricultural income from land situated in Nepal, received in Nepal | 4,00,000 |
| Rent received/receivable from house property in Delhi | 5,50,000 |
| Profits from a profession in California, which was set up in India, received there | 6,00,000 |

Determine the residential status of Mr. Akash and compute his total income for the A.Y. 2024-25. **(6 Marks)**

- (b) Examine and compute the liability for deduction of tax at source, if any, in the cases stated hereunder, for the financial year ended 31st March, 2024.

(i) State Bank of India pays ₹ 70,000 per month and ₹ 60,000 per month as rent to the Central Government and Mr. Kunal, respectively for building in which its branches are situated.

(ii) Payment of ₹ 2,50,000 to Mr. Deepak a transporter who owns 8 goods carriages throughout the previous year. He does not furnish his PAN. **(4 Marks)**

3. (a) Mr. Sahil, a resident individual, aged 40 years, is an assistant manager of Fox Ltd. He is getting a salary of ₹ 55,000 per month. During the previous year 2023-24, he received the following amounts from his employer.

(i) Dearness allowance (10% of basic pay which forms part of salary for retirement benefits).

(ii) Bonus of ₹ 60,000.

(iii) Fixed Medical allowance of ₹ 50,000 for meeting medical expenditure.

(iv) He was also reimbursed the medical bill of his mother dependent on him amounting to ₹ 6,500.

(v) Mr. Sahil was provided;

- a laptop both for official and personal use. Laptop was acquired by the company on 1st June, 2021 at ₹ 35,000.
- a domestic servant at a monthly salary of ₹ 8,000 which was reimbursed by his employer.

(vi) Fox Ltd. allotted 700 equity shares in the month of October 2023 @ ₹ 170 per share against the fair market value of ₹ 280 per share on the date of exercise of option by Mr. Sahil. The fair

market value was computed in accordance with the method prescribed under the Act.

- (vii) Professional tax ₹ 2,200 (out of which ₹ 1,400 was paid by the employer).

Compute the Income under the head "Salaries" of Mr. Sahil for the assessment year 2024-25 if he is paying tax under default tax regime under section 115BAC. **(5 Marks)**

- (b) Mr. Kushal is a resident but not ordinarily resident in India during the Assessment Year 2024-25. He furnishes the following information regarding his income/expenditure pertaining to his house properties for the previous year 2023-24:

- He owns two houses, one in New York and the other in Ahmedabad.
- The house in New York is let out there at a rent of \$ 5,000 p.m. The entire rent is received in India. He paid Property tax of \$ 1,250 and Sewerage Tax \$ 750 there. (\$ 1 = INR 81)
- The house in Ahmedabad is self-occupied. He had taken a loan of ₹ 30,00,000 to construct the house on 1st September, 2018 @10%. The construction was completed on 31st May, 2020 and he occupied the house on 1st June, 2020.

The entire loan is outstanding as on 31st March, 2024. Property tax paid in respect of the second house is ₹ 2,800.

Compute the income chargeable under the head "Income from House property" in the hands of Mr. Kushal for the Assessment Year 2024-25 if he has opted out of the default tax regime under section 115BAC.

(5 Marks)

4. (a) Mr. Vishal, aged 33 years, submits the information of following transaction/income during the P.Y. 2023-24
- (i) Mr. Vishal had a house in Delhi. During financial year 2022-23, he had transferred the said house to Ms. Deepika, daughter of his brother without any consideration. House would go back to Mr. Vishal after the life time of Ms. Deepika. The transfer was made with a condition that 10% of rental income from such house shall be paid to Mrs. Vishal. Rent received by Ms. Deepika during the previous year 2023-24 from such house property is ₹ 5,50,000.
 - (ii) Mr. Vishal holds preference shares in M/s A Pvt. Ltd. He instructed the company to pay dividends to Ms. Chandni, daughter of his servant. The transfer is irrevocable for the lifetime of Chandni. Dividend received by Ms. Chandni during the previous year 2023-24 is ₹ 4,50,000.
 - (iii) Mr. Vishal has a short term capital loss of ₹ 16,000 from sale of property and long term capital gain of ₹ 15,000 from sale of property.

(iv) Other income/loss of Mr. Vishal includes

- Interest from saving bank account of ₹ 1,75,000
- Cash gift of ₹ 75,000 received from daughter of his sister on his birthday.
- Income from betting of ₹ 25,000
- Income from card games of ₹ 46,000
- Loss on maintenance of race horses of ₹ 14,600

Compute the total income of Mr. Vishal for the Assessment Year 2024-25 if he has opted out of the default tax regime and the losses to be carried forward. **(6 Marks)**

- (b) Enumerate the cases where a return of loss has to be filed on or before the due date specified u/s 139(1) for carry forward of the losses. Also enumerate the cases where losses can be carried forward even though the return of loss has not been filed on or before the due date.

(4 Marks)

OR

- (b) Mr. Vishnu has undertaken certain transactions during the F.Y.2023-24, which are listed below. You are required to identify the transactions in respect of which quoting of PAN is mandatory in the related documents –

| S. No. | Transaction |
|--------|---|
| 1. | Sale of scooter for ₹ 70,000 |
| 2. | Payment of life insurance premium of ₹ 67,000 to insurance company |
| 3. | Purchase of plot for ₹ 9 lakhs while the stamp duty of the same is ₹ 11 lakhs |
| 4. | Applied to PNB for issue of credit card. |

(4 Marks)

SECTION B – GOODS AND SERVICES TAX (50 MARKS)

QUESTIONS

- (i) Working Notes should form part of the answers. However, in answers to Questions in Division A, working notes are not required.
- (ii) Wherever necessary, suitable assumptions may be made by the candidates, and disclosed by way of 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 (MCQs)

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.

Total Marks: 15 Marks

XYZ Electronics Pvt. Ltd. is a leading electronic goods manufacturing company in Delhi. The company produces a wide range of products, including smartphones, laptops, and home appliances.

The sales by the Company are mainly through its distributors on the following credit terms:

For laptops – up to 15 days

For smartphones – up to 90 days

For other home appliances – up to 45 days

During the year, the Company purchased plant and machinery worth ₹ 1 crore exclusive of GST. The GST rate for such plant and machinery is 18%. The input tax credit on such plant and machinery is not blocked under any provision of the CGST Act, 2017.

The Company is planning to demerge its operations in relation to the laptops and other computer accessories from the next financial year. The demerged entity will be a separate legal entity of the Company in form of a wholly owned subsidiary of the Company having common Board of Directors.

The Company also participates in domestic and international level trade fairs to showcase its products and sale through those events. The Electronics Association of Rajasthan is organising a trade fair in Jaipur. The Company is keen to participate in the same. To ensure the GST compliances, the Company wants to obtain the GST registration as casual taxable person in the state of Rajasthan. The Company obtained the GST registration as casual taxable person in the state of Rajasthan with the validity period of 45 days.

The Company transferred the goods from one of its godown in Delhi to another godown in Gujarat wherein the Company has a registered place of business. The value of goods transferred is ₹ 5 crores and the rate of GST applicable on such transfer is 18%. The tax invoice was issued, and GST was deposited by the Company. However, the consideration was not paid by the Gujarat office of the Company to the Delhi office even after 180 days of the invoice date. Further, there was no reverse movement of such goods from Gujarat godown to Delhi Godown.

Based on the information provided above, choose the most appropriate answer for the following questions-

1. What shall be the time limit to issue invoice for supply of smartphones on credit:
 - (a) Invoice shall be issued on 31st day from the date of removal of smartphones to distributors.
 - (b) Invoice shall be issued before or at the time of removal of smartphones to distributors.
 - (c) Invoice shall be issued at the time of receiving payment from distributors.
 - (d) Invoice shall be issued upon completion of credit term, i.e. 90 days.
2. In relation to the plant and machinery purchased by the Company, select the correct alternative from the following:
 - (a) ITC of ₹ 18 lakh can be claimed and value of asset on which depreciation can be claimed under the provisions of Income- Tax Act, 1961 shall be ₹ 1.18 crore.
 - (b) ITC of ₹ 18 lakh can be claimed and value of asset on which depreciation can be claimed under the provisions of Income- Tax Act, 1961 shall be ₹ 1 crore.
 - (c) ITC cannot be claimed in such transaction and value of asset on which depreciation can be claimed under the provisions of Income- Tax Act, 1961 shall be ₹ 1 crore.
 - (d) ITC of ₹ 18 lakh can be claimed and value of asset on which depreciation can be claimed under the provisions of Income- Tax Act, 1961 shall be ₹ 82 lakh.
3. How shall the demerged entity be treated under the provisions of GST Law?
 - (a) The demerged entity shall be treated as related party of the Company.
 - (b) The demerged entity shall be treated as distinct entity of the Company.
 - (c) The demerged entity shall be treated as additional place of business of the Company.
 - (d) The demerged entity shall be treated as sole selling agent of the Company.
4. The period of retention of books of accounts related to period prior to demerger under GST Law is:
 - (a) 36 months from the end of financial year

- (b) 60 months from the end of financial year
 - (c) 72 months from the end of financial year
 - (d) 72 months from due date of furnishing annual return for the relevant financial year
5. The validity of GST registration as a casual taxable person in the state of Rajasthan is:
- (a) 45 days
 - (b) 90 days
 - (c) 180 days
 - (d) 135 days
6. Which of the following statements is true in relation to the non-payment of consideration by the Gujarat godown to Delhi godown?
- (a) The Gujarat godown shall reverse the ITC availed on the goods received from Delhi and also required to pay interest computed from the date of invoice till the date of reversal of ITC.
 - (b) The Gujarat godown shall reverse the ITC availed on the goods received from Delhi and no interest shall be applicable.
 - (c) The restriction of 180 days for payment of consideration is not applicable in the present case.
 - (d) The Delhi godown shall issue a credit note to Gujarat godown to reverse the supply.

(6 x 2 Marks = 12 Marks)

7. Sanu Associates, Delhi dealing in garments has ordered ladies suits from Sahiba Garments in Ludhiana (Punjab) which is 350 km away from its warehouse. E-way bill is generated by Sahiba Garments and the order is coming by a normal cargo. For how many days will the e-way bill be valid from the time it is generated?
- (a) 24 hours
 - (b) 2 days
 - (c) 5 days
 - (d) 7 days
- (2 Marks)**
8. 'Pihu' Ltd. has its registered office, under the Companies Act, 2013, in the State of Maharashtra from where it ordinarily carries on its business of taxable goods. It also has a warehouse in the State of Telangana for storing said goods. What will be the place of business of 'Pihu' Ltd. under the GST law?
- (a) Telangana
 - (b) Maharashtra
 - (c) Both (a) and (b)
 - (d) Neither (a) nor (b)
- (1 Mark)**

Division B - Descriptive Questions**Question No. 1 is compulsory.****Attempt any two questions out of remaining three questions.****Total Marks:35 Marks**

1. (a) Vishnu Pvt. Ltd., a registered supplier of goods and services at Kolkata has furnished the following information for the month of February:

| S. No. | Particulars | Amount (₹) |
|--------|---|------------|
| (i) | Intra-State supply of taxable goods including ₹ 1,00,000 received as advance in January, the invoice for the entire sale value is issued on 15 th February | 4,00,000 |
| (ii) | Purchase of goods from a composition dealer, registered in Kolkata | 5,50,000 |
| (iii) | Services provided by way of labour contracts for repairing a single residential unit otherwise than as a part of residential complex (It is an intra-State transaction) | 1,00,000 |
| (iv) | Membership of a club availed for employees working in the factory (It is an intra-State transaction) | 1,75,000 |
| (v) | Goods transport services received from a GTA. GTA has exercised option to pay tax @12% (It is an inter-State transaction) | 2,00,000 |
| (vi) | Inter-State services provided by way of training in sports | 10,000 |
| (vii) | Inter-State security services provided to Bharat higher secondary school for their annual day function organised in Kaman Auditorium outside the School campus | 15,000 |
| (vii) | Inputs to be received in 4 lots, out of which 2 nd lot was received during the month | 40,000 |

The company has following ITCs with it at the beginning of the tax period:

| Particulars | Amount (₹) |
|-------------|------------|
| CGST | 57,000 |
| SGST | Nil |
| IGST | 50,000 |

Note:

- Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively.
- Both inward and outward supplies are exclusive of taxes, wherever applicable.

- (iii) All the conditions necessary for availing the ITC have been fulfilled.
- (iv) The turnover of Vishnu Pvt. Ltd. was ₹ 2.5 crore in the previous financial year.

Compute the minimum GST, payable in cash, by Vishnu Pvt. Ltd. for the month of February. Make suitable assumptions as required.

(10 Marks)

- (b) Gulati Ltd., a registered supplier in Mumbai (Maharashtra), has supplied goods to Mridul Traders and Kalu Motors Ltd. located in Ahmedabad (Gujarat) and Pune (Maharashtra) respectively. Gulati Ltd. has furnished the following details for the current month:

| S. No. | Particulars | Mridul Traders (₹) | Kalu Motors Ltd. (₹) |
|--------|---|--------------------|----------------------|
| (i) | Price of the goods (excluding GST) | 10,000 | 30,000 |
| (ii) | Packing charges | 500 | |
| (iii) | Commission | 500 | |
| (iv) | Weighment charges | | 2,000 |
| (v) | Discount for prompt payment (recorded in the invoice) | | 1,000 |

Items given in points (ii) to (v) have not been considered while arriving at price of the goods given in point (i) above.

Compute the GST liability [CGST & SGST or IGST, as the case may be] of Gulati Ltd. for the given month. Assume the rates of taxes to be as under:

| Particulars | Rate of tax |
|-----------------------|-------------|
| Central tax (CGST) | 9% |
| State Tax (SGST) | 9% |
| Integrated tax (IGST) | 18% |

Make suitable assumptions, wherever necessary.

(5 Marks)

2. (a) Nath Services Limited, registered under GST, is engaged in providing various services to Government. The company provides the following information in respect of services provided during the month of April:

| S. No. | Description of Services provided |
|--------|--|
| (i) | Supply of manpower for cleanliness of roads not involving any supply of goods. |
| (ii) | Service provided by Fair Price Shops owned by Nath Services Limited by way of sale of sugar under Public |

| | |
|-------|--|
| | Distribution System against consideration in the form of commission. |
| (iii) | Service of maintenance of street lights in a Municipal area involving replacement of defunct lights and other spares alongwith maintenance. Generally replacement of defunct lights and other spares constitutes 35% of the supply of service. |
| (iv) | Service of brochure distribution provided under a training programme for which 70% of the total expenditure is borne by the Government. |

Comment on the taxability or otherwise of the above transactions under GST law. Also state the correct legal provisions for the same. **(4 Marks)**

- (b) Mr. Shubh, director of Star Company Private Limited, provided service to the company for remuneration of ₹ 1,25,000. Briefly answer whether GST is applicable in the below mentioned independent cases? If yes, who is liable to pay GST?

- (i) Mr. Shubh is an independent director of Star Company Private Limited and not an employee of the company.
- (ii) Mr. Shubh is an executive director, i.e. an employee of Star Company Private Limited. Out of total remuneration amounting to ₹ 1,25,000, ₹ 60,000 has been declared as salaries in the books of Star Company Private Limited and subjected to TDS under section 192 of the Income-Tax Act (IT Act). However, ₹ 65,000 has been declared separately other than salaries in the Star Company Private Limited's accounts and subjected to TDS under section 194J of the IT Act as professional services. **(6 Marks)**

3. (a) Examine whether the supplier of goods is liable to get registered in the following independent cases:

- (i) Om Sai Builders of Rohini, Delhi is exclusively engaged in intra-State taxable supply of building bricks. It's aggregate turnover in the current financial year is ₹ 23 lakh.
- (ii) Hukum Chand of Himachal Pradesh is exclusively engaged in intra-State taxable supply of footwear. His turnover in the current financial year (FY) from Himachal Pradesh showroom is ₹ 32 lakh. He has another showroom in Nagaland with a turnover of ₹ 11 lakh in the current FY. **(5 Marks)**

- (b) Mr. Mehta is engaged in the business of trading of books. He is eligible for composition scheme and has opted for the same. He seeks your advice for records which are not required to be maintained by him as composition taxable person. **(5 Marks)**

4. (a) An event management company provided services for organizing a sporting event for a Sports Federation which is held in multiple States? What would be the place of supply of services in this case? **(5 Marks)**

Or

- (a) Discuss taxability of shares held in a subsidiary company by holding company? **(5 Marks)**
- (b) How a return can be revised after filing of the same, if some changes are required to be made? **(5 Marks)**

Mock Test Paper - Series I: March, 2024

Date of Paper: 9 March, 2024

Time of Paper: 2 P.M. to 5 P.M.

INTERMEDIATE COURSE
PAPER – 3: 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) | (d) | 3. | (c) |
| | (ii) | (a) | 4. | (b) |
| | (iii) | (b) | | |
| 2. | (i) | (c) | | |
| | (ii) | (d) | | |
| | (iii) | (d) | | |

Division B – Descriptive Questions

1. **Computation of total income of Mr. Amit as per section 115BAC for A.Y. 2024-25**

| Particulars | ₹ |
|---|---------------|
| Net profit as per profit and loss account | 50,85,000 |
| Less: Income-tax refund credited in the profit and loss account, out of which interest on such refund is only taxable, which is to be considered separately under the head "Income from other sources" | <u>30,000</u> |
| | 50,55,000 |
| Add: Expenses either not allowable or to be considered separately but charged in the profit & loss account | |
| - Salary paid to brother disallowed to the extent considered unreasonable [Section 40A(2)] | 5,000 |
| - Advertisement in the souvenir of political party not allowable as per section 37(2B) (See Note 1) | 2,500 |
| - Payment made to political party by cheque (See Note 2) | 1,00,000 |
| - Penalty levied by the Goods and Services tax department for delayed filing of returns not allowable as being paid for infraction of law (See Note 3) | 5,300 |

| | | |
|---|----------|------------------|
| - Depreciation as per books | | 1,07,250 |
| - 30% of interest paid on loan paid to Mr. Mohit, a resident, without deduction of tax at source not allowable as per section 40(a)(ia) | | 24,000 |
| | | 52,99,050 |
| Less: Depreciation allowable as per Income-tax Act, 1961 | 65,000 | |
| Depreciation on building [₹ 20 lakhs x 10%] | 2,00,000 | 2,65,000 |
| Profits and gains from business or profession | | 50,34,050 |
| Income from Other Sources | | |
| Interest on income-tax refund | | 4,570 |
| Gross Total Income | | 50,38,620 |
| Less: Deduction under section 80GGC [Contribution to Political Party] [Not allowable] | | Nil |
| Total Income | | 50,38,620 |

Notes –

- (1) The amount of ₹ 2,500 paid for advertisement in the souvenir issued by a political party attracts disallowance under section 37(2B).
- (2) Payment to political party is not an expenditure incurred wholly and exclusively for business purpose and hence not allowance under section 37(1). Since the amount has been debited to profit and loss account, the same has to be added back for computing business income.
- (3) The interest of ₹ 12,750 paid on the delayed deposit of goods and services tax is for breach of contract and hence, is allowable as deduction. However, penalty of ₹ 5,300 for delay in filing of returns is not allowable since it is for breach of law.
- (4) Deduction under section 35AD is not allowable as per section 115BAC(2). However, normal depreciation u/s 32 is allowable.

Computation of tax liability as per section 115BAC

| Particulars | ₹ | ₹ |
|---|------------------|-----------|
| Tax on total income of ₹ 50,38,620 | | |
| Upto ₹ 3,00,000 | Nil | |
| ₹ 3,00,001 – ₹ 6,00,000 [@5% of ₹ 3 lakhs] | 15,000 | |
| ₹ 6,00,001 – ₹ 9,00,000 [@10% of ₹ 3 lakhs] | 30,000 | |
| ₹ 9,00,001 – ₹ 12,00,000 [@15% of ₹ 3 lakhs] | 45,000 | |
| ₹ 12,00,001 – ₹ 15,00,000 [@20% of ₹ 3 lakhs] | 60,000 | |
| ₹ 15,00,001 – ₹ 50,38,620 [@30% of ₹ 35,38,620] | <u>10,61,586</u> | |
| | | 12,11,586 |

| | | |
|--|--|-------------------------|
| Add: Surcharge @10% [Since, the total income exceeds ₹ 50 lakhs but does not exceed ₹ 1 crore] | | <u>1,21,159</u> |
| | | 13,32,745 |
| Less: Marginal relief (See computation below) | | <u>94,125</u> |
| | | 12,38,620 |
| Add: Health and education cess@4% | | <u>49,545</u> |
| Total tax liability | | <u>12,88,165</u> |
| Total tax liability (Rounded off) | | 12,88,170 |

Computation of marginal relief

| Particulars | | ₹ |
|-------------|---|------------------|
| (A) | Tax payable including surcharge on total income of ₹ 50,38,620 as per section 115BAC | 13,32,745 |
| (B) | Tax payable on total income of ₹ 50 lakhs as per section 115BAC | <u>12,00,000</u> |
| (C) | Excess tax payable (A-B) | <u>1,32,745</u> |
| (D) | Marginal relief (₹ 1,32,745 – ₹ 38,620, being the amount of income in excess of ₹ 50 lakhs) | 94,125 |

Note - An individual paying tax u/s 115BAC is not liable to alternate minimum tax u/s 115JC.

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

| Particulars | ₹ | ₹ |
|--|------------------|------------------|
| Gross Total Income as per default tax regime under section 115BAC | | 50,38,620 |
| Add: Depreciation on building [₹ 20 lakhs x 10%] | | <u>2,00,000</u> |
| | | 52,38,620 |
| Less: Warehousing charges | | <u>22,50,000</u> |
| Gross Total Income excluding profits and gains from specified business under section 35AD | | 29,88,620 |
| Profits and gains from specified business under section 35AD | | |
| Warehousing charges | 22,50,000 | |
| Less: Deduction under section 35AD (See Note 1) | <u>20,00,000</u> | <u>2,50,000</u> |
| Gross Total Income as per normal provisions of the Act | | 32,38,620 |
| Less: Deduction under section 80GGC for contribution to Political Party (See Note 2) | | 1,00,000 |
| Total Income as per regular provisions of the Act | | 31,38,620 |

Notes –

- (1) Deduction @100% of the capital expenditure is available under section 35AD in respect of specified business of setting up and operating a warehouse facility for storage of agricultural produce which commences operation on or after 1.04.2009.
- (2) Payment to political party qualifies for deduction under section 80GGC since the payment is made by way of a cheque.

Computation of tax liability of Mr. Amit for A.Y. 2024-25 under the regular provisions of the Act

| Particulars | ₹ | ₹ |
|--|-----------------|------------------------|
| Tax on total income of ₹ 31,38,620 | | |
| 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 ₹ 5,00,000] | 1,00,000 | |
| ₹ 10,00,001- ₹ 31,38,620 [@30% of ₹ 21,38,620] | <u>6,41,586</u> | 7,54,086 |
| Add: Health and education cess@4% | | <u>30,163</u> |
| Total tax liability | | <u>7,84,249</u> |
| Total tax liability (rounded off) | | 7,84,250 |

Computation of adjusted total income and AMT of Mr. Amit for A.Y. 2024-25

| Particulars | ₹ | ₹ |
|--|-------------------|-------------------------|
| Total Income (computed above as per regular provisions of income tax) | | 31,38,620 |
| Add: Deduction under section 35AD | 20,00,000 | |
| Less: Depreciation under section 32 on building [₹ 20 lakhs x 10%] | <u>(2,00,000)</u> | <u>18,00,000</u> |
| Adjusted Total Income | | <u>49,38,620</u> |
| Alternative Minimum Tax@18.5% | | 9,13,645 |
| Add: Health and education cess@4% | | <u>36,546</u> |
| Total tax liability | | <u>9,50,191</u> |
| Total tax liability (rounded off) | | 9,50,190 |

Since the regular income-tax payable is less than the alternate minimum tax payable, the adjusted total income shall be deemed to be the total income and tax is leviable @18.5% thereof plus cess@4%. Therefore, liability as per section 115JC is ₹ 9,50,190.

Since the tax liability of Mr. Amit under section 115JC is lower than the tax liability as computed u/s 115BAC, it would be beneficial for him to opt out of the default tax regime under section 115BAC for A.Y. 2024-25 and pays tax

under regular provisions of the Act. Moreover, benefit of alternate minimum tax credit is also available to the extent of tax paid in excess of regular tax.

AMT credit to be carried forward under section 115JEE

| Particulars | ₹ |
|--|-----------------|
| Tax liability under section 115JC | 9,50,190 |
| Less: Tax liability under the regular provisions of the Income-tax Act, 1961 | 7,84,250 |
| | 1,65,940 |

2. (a) As per section 6(1), an Indian citizen or a person of Indian origin who, being outside India, comes on a visit to India would be resident in India if he or she stays in India for a period of 182 days or more during the relevant previous year in case such person has total income, other than the income from foreign sources, not exceeding ₹ 15 lakhs. However, if such person has total income, other than the income from foreign sources, exceeding ₹ 15 lakhs, he would also be a resident if he has been in India for at least 120 days during the relevant previous year and has been in India during the 4 years immediately preceding the previous year for a total period of 365 days or more. In such a case, he would be resident but not ordinarily resident in India.

Income from foreign sources means income which accrues or arises outside India (except income derived from a business controlled in or a profession set up in India) and which is not deemed to accrue or arise in India.

In this case, total income, other than the income from foreign sources, of Mr. Akash for P.Y. 2023-24 would be

| Particulars | Amount (₹) |
|--|------------------|
| Salary from ABC Inc., California received in California (Computed) (Not included in total income, since it is income from foreign source) | - |
| Dividend from Indian companies (Included in total income, since it is deemed to accrue or arise in India) | 5,00,000 |
| Agricultural income from land situated in Nepal (Not included in total income, since it is accrued or arisen outside India and received outside India) | - |
| Rent received/receivable from house property in Delhi (Included in total income, since it is deemed to accrue or arise in India) | 5,50,000 |
| Less: 30% of ₹ 5.50 lakhs | <u>1,65,000</u> |
| Profits from a profession in California, which was set up in India, received there | 6,00,000 |
| Total income, other than the income from foreign sources | 14,85,000 |

Since, Mr. Akash is an Indian citizen who comes on a visit to India only for 121 days in the P.Y. 2023-24 and his total income, other than income from foreign sources does not exceed ₹ 15 lakhs, he would be non-resident for the A.Y. 2024-25.

A non-resident is chargeable to tax in respect of income received or deemed to receive in India and income which accrues or arises or is deemed to accrue or arise to him in India. Accordingly, his total income would be as follow –

| Particulars | Amount (₹) |
|---|-----------------|
| Salary from ABC Inc., California received in California (Computed) (Not taxable, since it neither accrues or arises in India nor is it received in India) | - |
| Dividend from Indian companies (Taxable, since deemed to accrue or arise in India) | 5,00,000 |
| Agricultural income from land situated in Nepal (Not taxable, since it neither accrues or arises in India nor is it received in India) | - |
| Rent received/receivable from house 5,50,000 property in Delhi (Taxable, since it is deemed to accrue or arise in India) | |
| Less: 30% of ₹ 5.50 lakhs | <u>1,65,000</u> |
| Profits from a profession in California, which was set up in India, received there | - |
| Gross Total Income/ Total income | 8,85,000 |

(b) TDS implications

- (i) Section 194-I, which governs the deduction of tax at source @10% on payment of rent, exceeding ₹ 2,40,000 p.a., is applicable to all persons except individuals and HUF, whose turnover/gross receipts do not exceed ₹ 1 crore in case of business or ₹ 50 lakhs in case of profession during the financial year immediately preceding the financial year in which such rent is credited or paid.

In the present case, State Bank of India has to deduct at source @ 10% on rental payment to Mr. Kunal.

Tax deducted at source = ₹ 72,000 (₹ 7,20,000 x 10%)

Section 196, however, provides exemption in respect of payments made to Government from application of the provisions of tax deduction at source.

Therefore, no tax is required to be deducted at source by State Bank of India from rental payments to the Government.

- (ii) As per section 194C, no tax is required to be deducted at source on payment to transporter if the following conditions are satisfied:

- (1) He owns ten or less goods carriages at any time during the previous year.
- (2) He is engaged in the business of plying, hiring or leasing goods carriages;
- (3) He furnishes a declaration to this effect along with his PAN.

In the present case, since Mr. Deepak has not furnished his PAN, tax is required to be deducted at source @ 20% under section 206AA on ₹ 2,50,000, since the same exceeds the threshold limit of ₹ 1,00,000.

Tax deducted at source = ₹ 50,000 (₹ 2,50,000 x 20%)

3. (a) Computation of Income under the head "Salaries" in the hands of Mr. Sahil for the A.Y. 2024-25

| Particulars | ₹ |
|---|------------------|
| Basic Salary [₹ 55,000 x 12] | 6,60,000 |
| Dearness allowance [10% of basic salary] | 66,000 |
| Bonus | 60,000 |
| Fixed Medical Allowance [Taxable] | 50,000 |
| Reimbursement of Medical expenditure incurred for his father [Fully taxable] | 6,500 |
| Facility of laptop [Facility of laptop is an exempt perquisite, whether used for official or personal purpose or both] | Nil |
| Reimbursement of salary of domestic servant [₹ 8,000 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] | 96,000 |
| Value of equity shares allotted [700 equity shares x ₹ 110 (₹ 280, being the fair market value – ₹ 170, being the amount recovered)] | 77,000 |
| 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 |
| Gross Salary | 10,16,900 |
| Less: Deduction under section 16 | |
| Professional tax paid [Not allowed] | - |
| Standard Deduction (Lower of ₹ 50,000 or amount of salary) | 50,000 |
| Taxable Salary | 9,66,900 |

(b) **Computation of income from house property of Mr. Kushal for A.Y. 2024-25**

| Particulars | ₹ | ₹ |
|---|-----------|--------------------------|
| 1. Income from let-out property in New York [See Note 1 below] | | |
| ¹ Gross Annual Value (\$ 5,000 p.m. x 12 months x ₹ 81) | | 48,60,000 |
| Less: Municipal taxes paid during the year [\$ 2,000 (\$ 1,250 + \$ 750) x ₹ 81] ² | | <u>1,62,000</u> |
| Net Annual Value (NAV) | | 46,98,000 |
| Less: Deductions under section 24 | | |
| (a) 30% of NAV | 14,09,400 | |
| (b) Interest on housing loan | <u>-</u> | <u>14,09,400</u> |
| | | <u>32,88,600</u> |
| 2. Income from self-occupied property in Ahmedabad | | |
| 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] | | <u>2,00,000</u> |
| | | <u>(2,00,000)</u> |
| Income from house property [₹ 32,88,600 – ₹ 2,00,000] | | 30,88,600 |

Notes:

- (1) Since Mr. Kushal is a resident but not ordinarily resident in India for A.Y. 2024-25, 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). Accordingly, rent received from house property in New York 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**
Interest for the current year (₹ 30,00,000 x 10%) ₹ 3,00,000

¹ In the absence of information related to municipal value, fair rent and standard rent, the rent receivable has been taken as the GAV

² Both property tax and sewerage tax qualify for deduction from gross annual value

Pre-construction interest

For the period 01.09.2018 to 31.03.2020

(₹ 30,00,000 x 10% x 19/12) = ₹ 4,75,000

₹ 4,75,000 allowed in 5 equal installments ₹ 95,000

(₹ 4,75,000/5)

₹ 3,95,000

In case of self-occupied property, interest deduction to be restricted to

₹ 2,00,000

4. (a) Computation of Total Income of Mr. Vishal for A.Y. 2024-25

| Particulars | Amount (₹) | Amount (₹) |
|--|---------------|---------------|
| Income from house property | | |
| <u>House in Delhi</u> [Since Mr. Vishal receives direct or indirect benefit from income arising to his brother's daughter, Ms. Deepika, from the transfer of house to her without consideration, such income is to be included in the total income of Mr. Vishal, even though the transfer may not be revocable during lifetime of Ms. Deepika] | | |
| Gross Annual Value ³ | 5,50,000 | |
| Less: Municipal taxes | - | |
| Net Annual Value | 5,50,000 | |
| Less: Deductions from Net Annual Value | | |
| (a) 30% of Net Annual Value | 1,65,000 | |
| (b) Interest on loan | - | |
| | | 3,85,000 |
| Capital Gains | | |
| Long term capital gain from sale of property | 15,000 | |
| Less: Short-term capital loss can be set-off against both short-term capital gains and long-term capital gains. Short term capital loss of ₹ 16,000 set off against long-term capital gains to the extent of ₹15,000. Balance short term capital loss of ₹ 1,000 to be carry forward to A.Y.2025-26 | <u>15,000</u> | - |

³ Rent receivable has been taken as the gross annual value in the absence of other information.

| | | |
|--|---------------|------------------|
| Income from other sources | | |
| Dividend on preference shares [Taxable in the hands of Mr. Vishal as per section 60, since he transferred the income, i.e., dividend, without transferring the asset, i.e., preference shares] | 4,50,000 | |
| Interest from saving bank account | 1,75,000 | |
| Cash gift [Taxable as per section 56(2)(x), since sum of money exceeding ₹ 50,000 is received from his niece, who is not a relative] | 75,000 | |
| Income from betting [No loss is allowed to be set off against such income] | 25,000 | |
| Income from card games [No loss is allowed to be set off against such income] | <u>46,000</u> | <u>7,71,000</u> |
| Gross Total Income | | 11,56,000 |
| Less: Deduction under Chapter VI-A | | |
| Deduction under section 80TTA [Interest from savings bank account] | <u>10,000</u> | 10,000 |
| Total Income | | 11,46,000 |

Losses to be carried forward to A.Y. 2025-26

| Particulars | Amount (₹) |
|--|-------------------|
| Short term capital loss [₹ 16,000 – ₹ 15,000] | 1,000 |
| Loss on maintenance of race horses [Loss incurred on maintenance of race horses cannot be set-off against income from any source other than the activity of owning and maintaining race horses.] | 14,600 |

(b) First alternative

As per section 139(3), an assessee is required to file a return of loss within the due date specified u/s 139(1) for filing return of income.

As per section 80, certain losses which have not been determined in pursuance of a return filed under section 139(3) on or before the due date specified under section 139(1) cannot be carried forward and set-off. Thus, the assessee has to file a return of loss under section 139(3) within the time allowed u/s 139(1) in order to carry forward and set off of following losses:

- loss under the head “Capital Gains”,
- loss from activity of owning and maintaining race horses.
- business loss,

- speculation business loss and
- loss from specified business.

However, following can be carried forward for set-off even if the return of loss has not been filed before the due date:

- Loss under the head “Income from house property” and
- Unabsorbed depreciation

(b) **Second alternative**

| | Transaction | Is quoting of PAN mandatory in related documents? |
|----|---|---|
| 1. | Sale of scooter for ₹ 70,000 | No, quoting of PAN is not mandatory on sale of scooter. |
| 2. | Payment of life insurance premium of ₹ 67,000 to insurance company | Yes, since the amount paid exceeds ₹ 50,000. |
| 3. | Purchase of plot for ₹ 9 lakhs while the stamp duty of the same is ₹ 11 lakhs | Though the amount of consideration does not exceed ₹ 10 lakhs, Mr. Vishnu has to quote PAN since stamp duty of plot exceeds ₹ 10 lakhs. |
| 4. | Applied to PNB for issue of credit card | Yes, quoting of PAN is mandatory on making an application to a banking company for issue of credit card. |

SECTION B – GOODS AND SERVICES TAX (50 MARKS)**SUGGESTED ANSWERS****Division A - Multiple Choice Questions**

| Question No. | Answer |
|--------------|--|
| 1 | (b) Invoice shall be issued before or at the time of removal of smartphones to distributors. |
| 2 | (b) ITC of Rs. 18 lakh can be claimed and depreciable value of asset in the books shall be Rs. 1 crore |
| 3 | (a) The demerged entity shall be treated as related party of the Company. |
| 4 | (d) 72 months from due date of furnishing annual return for the relevant financial year |
| 5 | (a) 45 days |
| 6 | (c) The restriction of 180 days for payment of consideration is not applicable in the present case. |
| 7 | (b) 2 days |
| 8 | (c) Both (a) and (b) |

Division B - Descriptive Questions**1. (a) Computation of GST payable on outward supplies**

| S. No. | Particulars | CGST @ 9% (₹) | SGST @ 9% (₹) | IGST @ 18% (₹) |
|--------|--|---------------|---------------|----------------|
| (i) | Intra-State supply of goods for ₹ 4,00,000 [Note-1] | 36,000 | 36,000 | Nil |
| (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 |
| (iii) | Services provided by way of training in recreational activities relating to sports [Note-3] | Nil | Nil | 1,800 |
| (iv) | Inter-State security services provided to Bharat higher secondary school for their annual day function to be held in Kaman Auditorium.[Note-4] | Nil | Nil | 2,700 |
| | Total GST payable | 45,000 | 45,000 | 4,500 |

Notes

1. 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 of the CGST Act, 2017, i.e. date of issue of invoice or the last date on which invoice ought to have been issued. 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. Labour contracts for repairing are thus, taxable.
3. Services by way of training in sports is exempt under GST, only if provided by charitable entities registered under section 12AA or section 12AB of the Income-tax Act, 1961. Thus, in the given case, said service is taxable.
4. Security services provided to Bharat 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.

Computation of total ITC

| Particulars | CGST @ 9% (₹) | SGST @ 9% (₹) | IGST @ 18% (₹) |
|--|---------------------|---------------------|----------------------|
| Opening ITC | 57,000 | Nil | 50,000 |
| Add: Purchase of goods from a composition dealer [ITC is not available in case of supply of goods where tax has been paid under composition scheme] | Nil | Nil | Nil |
| Add: Membership of a club [Blocked credit] | Nil | Nil | Nil |
| Add: Goods transport services received from GTA [Input tax credit is available for the services received from GTA as the same are used in the course or furtherance of business.] | Nil | Nil | 24,000 |
| Add: Inputs to be received in 4 lots, out of which 2 nd 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 |

Computation of minimum GST payable from electronic cash ledger

| Particulars | CGST @ 9% (₹) | SGST @ 9% (₹) | IGST @ 18% (₹) |
|---|-------------------------|------------------------------|------------------------|
| GST payable | 45,000 | 45,000 | 4,500 |
| 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) |
| Less: ITC of CGST to be used against CGST | (20,500) CGST | | |
| Minimum GST payable in cash | Nil | Nil | Nil |

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.

(b) Computation of GST liability

| S. No. | Particulars | Mridul Traders (₹) | Kalu Motors Ltd. (₹) |
|--------|--|-----------------------|-------------------------|
| (i) | Price of goods | 10,000 | 30,000 |
| (ii) | Add: Packing charges (Note-1) | 500 | |
| (iii) | Add: Commission (Note-1) | 500 | |
| (iv) | Add: Weighment charges (Note-1) | - | 2,000 |
| (v) | Less: Discount for prompt payment (Note-2) | <u>-</u> | <u>1,000</u> |
| | Value of taxable supply | 11,000 | 31,000 |
| | IGST payable @ 18% (Note-3) | 1,980 | |
| | CGST payable @ 9% (Note-4) | | 2,790 |
| | SGST payable @ 9% (Note-4) | | 2,790 |

Notes:

- Incidental expenses, including commission and packing, charged by supplier to recipient of supply is includible in the value of supply. Weighment charges are also incidental expenses, hence includible in the value of supply [Section 15 of the CGST Act, 2017].
- Since discount is known at the time of supply, it is deductible from the value in terms of section 15 of the CGST Act, 2017.
- Section 10 of the IGST Act, 2017 provides that where the supply

involves movement of goods, the place of supply of such goods shall be the location of the goods at the time at which the movement of goods terminates for delivery to the recipient. Thus, place of supply is Gujarat.

Further, where the location of the supplier and the place of supply are in two different States, supply of goods shall be treated as a supply of goods in the course of inter-State trade or commerce. Since supply made to Mridul Traders is an inter-State supply, IGST is payable.

2. (a)

| S. No. | Particulars | Taxability |
|---------------|--|-------------------|
| (i) | Supply of manpower for cleanliness of roads not involving any supply of goods. [Pure services provided to Government are exempt.] | Exempt |
| (ii) | Service provided by Fair Price Shops by way of sale of sugar under Public Distribution System [Service provided by Fair Price Shops to Government by way of sale of sugar under Public Distribution System against consideration in the form of commission is exempt.] | Exempt |
| (iii) | Service of maintenance of street lights in a Municipal area involving replacement of defunct lights and other spares constituting 35% of the supply of service. [Composite supply of goods and services to Government in which the value of supply of goods constitutes not more than 25% of the value of the said composite supply is exempt. Since, in this case value of supply of goods constitutes 35% of the supply of composite service, same is taxable.] | Taxable |
| (iv) | Service of brochure distribution provided under a training programme. [Services provided to the Government under any training programme for which 75% or more of the total expenditure is borne by the Government is exempt. Since in the given case, 70% of the total expenditure is borne by the Government, it is taxable.] | Taxable |

- (b) (i)** As per Para I of Schedule III of the CGST Act, 2017 services by an employee to the employer in the course of or in relation to his employment are non-supplies, i.e. they are neither supply of goods nor supply of services. Services provided by the independent directors who are not employees of the said company to such

company, in lieu of remuneration as the consideration for the said services, are clearly outside the scope of Schedule III of the CGST Act and are therefore taxable. Further, such remuneration paid to the directors is taxable in hands of the company, on reverse charge basis.

Thus, GST is applicable in this case and Star Company Private Limited is liable to pay GST.

- (ii) The part of director's remuneration which is declared as salaries in the books of a company and subjected to TDS under section 192 of the Income-tax Act (IT Act), is not taxable being consideration for services by an employee to the employer in the course of or in relation to his employment in terms of Schedule III of the CGST Act, 2017.

Further, the part of employee director's remuneration which is declared separately other than salaries in the company's accounts and subjected to TDS under section 194J of the IT Act as fees for professional or technical services are treated as consideration for providing services which are outside the scope of Schedule III and is therefore, taxable. The recipient of the said services i.e. the company, is liable to discharge the applicable GST on it on reverse charge basis.

In lieu of the above provisions, ₹ 60,000 declared as salaries in the books of Star Company Private Limited and subjected to TDS under section 192 of the Income-Tax Act (IT Act), is not taxable being consideration for services by an employee to the employer in the course of or in relation to his employment in terms of Schedule III of the CGST Act, 2017.

Further, ₹ 65,000 declared separately other than salaries in the Star Company Private Limited's accounts and subjected to TDS under section 194J of the IT Act as professional services is treated as consideration for providing services which is outside the scope of Schedule III of the CGST Act, 2017 and is therefore, taxable. The recipient of the said services i.e. the Star Company Private Limited, is liable to discharge the applicable GST on it on reverse charge basis.

3. (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 get 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:-
- (a) ₹ 10 lakh for the Special Category States of Mizoram, Tripura, Manipur and Nagaland.
 - (b) ₹ 20 lakh for the States, namely, States of Arunachal Pradesh,

Meghalaya, Puducherry, Sikkim, Telangana and Uttarakhand.

- (c) ₹ 40 lakh for rest of India except persons engaged in making supplies of fly ash bricks/blocks, building bricks, bricks of fossil meals, earthen/roofing tiles, ice cream and other edible ice, whether or not containing cocoa, Pan masala and Tobacco and manufactured tobacco substitutes.

In the light of the afore-mentioned provisions, the answer to the independent cases is as under:

- (i) The benefit of enhanced threshold limit of registration of ₹ 40 lakh is not applicable for Om Sai brothers even though it is exclusively engaged in intra-State taxable supply of goods in Delhi as it is engaged in making supplies of building bricks. Thus, the applicable threshold limit for registration for Om Sai Builders in the given case is ₹ 20 lakh. Thus, it is liable to get registered under GST as its turnover is more than the threshold limit.
 - (ii) Hukum Chand could have been eligible for enhanced threshold limit of turnover for registration, i.e. ₹ 40 lakh as he is exclusively engaged in intra-State supply of goods. However, since Hukum Chand is engaged in supplying footwear from a Special Category State i.e. Nagaland, the threshold limit gets reduced to ₹ 10 lakh. Thus, Hukum Chand is liable to get registered under GST as his turnover exceeds ₹ 10 lakh. Further, he is required to obtain registration in both Himachal Pradesh and Nagaland as he is making taxable supplies from both the States.
- (b) A supplier who has opted for composition scheme is not required to maintain records relating to;
- (i) **Stock of goods:** Accounts of stock in respect of goods received and supplied by him, and such accounts shall contain particulars of the opening balance, receipt, supply, goods lost stolen, destroyed, written off or disposed of by way of gift or free sample and the balance of stock including raw materials, finished goods, scrap and wastage thereof.
 - (ii) **Details of tax:** Account, containing the details of tax payable (including tax payable under reverse charge), tax collected and paid, input tax, input tax credit claimed, together with a register of tax invoice, credit notes, debit notes, delivery challan issued or received during any tax period.

Thus, Mr. Mehta is not required to maintain above mentioned records.

4. (a) In case of an event, if the recipient of service is registered, the place of supply of services for organizing the event is the location of such person. However, if the recipient is not registered, the place of supply is the place where event is held.

Since the event is being held in multiple states and a consolidated amount is charged for such services, the place of supply will be deemed to be in each State in proportion to the value for services determined in terms of the contract or agreement entered into in this regard.

In the absence of a contract or agreement between the supplier and recipient of services, the proportionate value of services made in each State (where the event is held) will be computed in accordance with IGST Rules by the application of generally accepted accounting principles.

Or

- (a)** It has been clarified vide a circular that securities are considered neither as goods nor as services in terms of definition of goods and the definition of services. Further, securities include 'shares' as per definition of securities.

This implies that the securities held by the holding company in the subsidiary company are neither goods nor services. Further, purchase or sale of shares or securities, in itself is neither a supply of goods nor a supply of services. For a transaction/activity to be treated as supply of services, there must be a supply as defined under section 7 of the CGST Act, 2017. It cannot be said that a service is being provided by the holding company to the subsidiary company, solely on the basis that there is a specific SAC entry in the scheme of classification of services, unless there is a supply of services by the holding company to the subsidiary company in accordance with section 7 of the CGST Act, 2017.

Therefore, the activity of holding of shares of subsidiary company by the holding company *per se* cannot be treated as a supply of services by a holding company to the said subsidiary company and cannot be taxed under GST.

- (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.

Omission or incorrect particulars discovered in the returns filed under section 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. However, no such rectification of any omission or incorrect particulars is allowed after 30th November 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.