

Mock Test Paper - Series II: April, 2024

Date of Paper: 6 April, 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.

1. Mr. Pankaj, an Indian resident, purchased a residential house property at Kanpur on 20.08.1998 for ₹ 20.5 lakhs. The fair market value and the stamp duty value of such house property as on 1.4.2001 was ₹ 28.5 lakhs and ₹ 25 lakhs, respectively. On 05.02.2016, Mr. Pankaj entered into an agreement with Mr. Gyan for the sale of such property for ₹ 61 lakhs and received an amount of ₹ 2.5 lakhs as advance. However, as Mr. Gyan did not pay the balance amount, Mr. Pankaj forfeited the advance.

On 10.05.2023, Mr. Pankaj sold the house property to Mr. Rohan for ₹ 1.50 crores, when the stamp duty value of the property was ₹ 2 crores. Further, he purchased two residential house properties at Delhi and Mumbai for ₹ 57 lakhs each on 28.09.2024. Mr. Pankaj has no other income during the P.Y. 2023-24.

On 31.01.2025, Mr. Pankaj decided to sell the house property at Mumbai to his brother, Mr. Gaurav, for ₹ 58 lakhs, from whom ₹ 25,000 was received in cash on 15.01.2025 as advance for signing the agreement to sale. Sale deed was registered on 30.03.2025 on receipt of the balance amount through account payee cheque from Mr. Gaurav. The stamp duty value of house property at Mumbai on 31.01.2025 and 30.03.2025 was ₹ 61 lakhs and ₹ 64 lakhs, respectively.

Cost inflation index –

P.Y. 2023-24: 348; P.Y. 2015-16: 254; P.Y. 2001-02: 100

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

- (i) What shall be the indexed cost of acquisition of residential house property at Kanpur for computation of capital gains in the hands of Mr. Pankaj?
- (a) ₹ 78,30,000
 - (b) ₹ 87,00,000
 - (c) ₹ 90,48,000
 - (d) ₹ 99,18,000
- (ii) The amount of capital gains taxable for A.Y. 2024-25 in the hands of Mr. Pankaj for sale of residential house property at Kanpur is -
- (a) Nil
 - (b) (₹ 1,00,000)
 - (c) ₹ 63,00,000
 - (d) ₹ 1,13,00,000
- (iii) The amount of capital gains taxable for A.Y. 2025-26 in the hands of Mr. Pankaj for sale of residential house property at Mumbai is -
- (a) ₹ 8 lakhs
 - (b) ₹ 7 lakhs
 - (c) ₹ 4 lakhs
 - (d) ₹ 1 lakh
- (iv) The amount taxable under section 56(2)(x) in the hands of Mr. Gaurav, if any, is -
- (a) Nil
 - (b) ₹ 1 lakh
 - (c) ₹ 3 lakhs
 - (d) ₹ 6 lakhs
- (v) What shall be the tax credit available with Mr. Pankaj with respect to sale of property at Kanpur during P.Y. 2023-24 assuming the tax was fully deducted by Mr. Rohan?
- (a) ₹ 2,00,000
 - (b) ₹ 1,50,000
 - (c) ₹ 1,00,000
 - (d) ₹ 87,000
- (vi) Is Mr. Pankaj required to file his return of income for A.Y. 2024-25?
- (a) Yes, since his total income exceeds the basic exemption limit

- (b) No, since his total income does not exceed the basic exemption limit
- (c) Yes, since tax deducted in his case exceeds ₹ 25,000
- (d) Yes, since his total income before exemption under section 54 exceeds the basic exemption limit **(6 x 2 = 12 Marks)**
2. Mrs. Deepika, wife of Mr. Santosh, started a business of trading in beauty products on 15.7.2023. She invested ₹ 5 lakhs in the business on 15.7.2023 out of gift received from her husband, Mr. Santosh. She invested ₹ 4 lakhs from her own savings on the same date. She earned profits of ₹ 9,00,000 from her business for the financial year 2023-24. Which of the following statements is correct?
- (a) Share of profit of ₹ 9,00,000 is includible in the hands of Mrs. Deepika
- (b) Share of profit of ₹ 5,00,00 is includible in the hands of Mr. Santosh and share of profit of ₹ 4,00,000 is includible in the hands of Mrs. Deepika
- (c) Share of profit of ₹ 4,00,000 is includible in the hands of Mr. Santosh and share of profit of ₹ 5,00,000 is includible in the hands of Mrs. Deepika
- (d) Share of profit of ₹ 9,00,000 is includible in the hands of Mr. Santosh **(2 Marks)**
3. Mr. X, a resident 47 years, has salary income (computed) of ₹ 7,25,000 and agricultural income of ₹ 1,00,000 for the P.Y. 2023-24. Compute his tax liability for A.Y. 2024-25 if he is paying tax under default tax regime under section 115BAC.
- (a) ₹ 26,000
- (b) ₹ 33,800
- (c) Nil
- (d) ₹ 30,160 **(1 Mark)**

Division B – Descriptive Questions

Question No. 1 is compulsory.

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

1. Mr. Sunil, aged 48 years, a resident Indian has furnished the following particulars for the year ended 31.03.2024:
- (i) He occupies ground floor of his residential building and has let out first floor for residential use at an annual rent of ₹ 2,95,000. He has paid municipal taxes of ₹ 25,000 for the current financial year. Both these floors are of equal size.

- (ii) As per interest certificate from HDFC bank, he paid ₹ 1,50,000 as interest and ₹ 80,000 towards principal repayment of housing loan borrowed for the above residential building in the year 2018.
- (iii) He owns an industrial undertaking established in a SEZ and which had commenced operation during the financial year 2019-20. Total turnover of the undertaking was ₹ 400 lakhs, which includes ₹ 150 lakhs from export turnover. Out of ₹ 150 lakhs, only ₹ 120 lakhs have been received in India in convertible foreign exchange on or before 30.9.2024. This industrial undertaking fulfills all the conditions of section 10AA of the Income-tax Act, 1961. Profit from this industry is ₹ 40 lakhs.
- (iv) He employed 20 new employees for the said industrial undertaking during the previous year 2023-24. Out of 20 employees, 12 were employed on 1st May 2023 for monthly emoluments of ₹ 18,000 and remaining were employed on 1st September 2023 on monthly emoluments of ₹ 12,000. All these employees participate in recognised provident fund and they are paid their emoluments directly to their bank accounts.
- (v) He earned ₹ 30,000 and ₹ 40,000 as interest on saving bank deposits and fixed deposits, respectively.
- (vi) He also sold his vacant land on 01.12.2023 for ₹ 15 lakhs. The stamp duty value of land at the time of transfer was ₹ 16 lakhs. This land was acquired by him on 15.10.1998 for ₹ 2.80 lakhs. The FMV of the land as on 1st April, 2001 was ₹ 4.8 lakhs and Stamp duty value on the said date was ₹ 4 lakhs. He had incurred registration expenses of ₹ 12,000 at that time.

The cost of inflation index for the financial year 2023-24 and 2001-02 are 348 and 100, respectively.
- (vii) He paid insurance premium of ₹ 40,000 towards life insurance policy of his son, who is not dependent on him.

You are requested to compute total income and tax liability of Mr. Sunil for the Assessment Year 2024-25, in the manner so that he can make maximum tax savings. **(15 Marks)**

2. (a) Mrs. Sia D'Souza is an American, got married to Mr. Kabir of India in New York on 14.02.2023 and came to India for the first time on 18.03.2023. She left for Australia on 16.08.2023. She returned to India again on 23.03.2024.

On 01.04.2023, she had purchased a Flat in Mumbai, which was let out to Mr. Sameer on a rent of ₹ 26,000 p.m. from 1.6.2023. She had taken loan from an Indian bank for purchase of this flat on which bank had charged interest of ₹ 2,05,000 upto 31.03.2024.

While in India, during the previous year 2023-24, she had received a gold chain from her in laws worth ₹ 1,50,000 and ₹ 1,65,000 from very close friends of her husband.

From the information given above, you are required to determine her residential status and compute her total income chargeable to tax for the Assessment Year 2024-25 assuming she has shifted out of the default tax regime under section 115BAC. **(6 Marks)**

- (b) Briefly discuss the provisions of tax deduction/collection at source under the Income-tax Act, 1961 and determine the amount, if any, of TDS and TCS in respect of the following payments:
- (i) Mr. Harish bought an overseas tour programme package for Switzerland for himself and his family of ₹ 10 lakhs on 01-11-2023 from an agent who is engaged in organising foreign tours in course of his business. He made the payment by an account payee cheque and provided the permanent account number to the seller.
 - (ii) Mr. Aditya pays ₹ 55,00,000 during F.Y. 2023-24 to Mr. Naresh, for supply of labour, for carrying out the construction work of his factory. During the P.Y. 2022-23, Mr. Aditya's turnover was ₹ 95 lakhs. **(4 Marks)**
3. (a) Ms. Priyanka, General Manager of ABC Ltd., Mumbai, furnishes the following particulars for the financial year 2023-24:
- (i) Salary ₹ 40,000 per month
 - (ii) Value of medical facility in a hospital maintained by the company ₹ 10,000
 - (iii) Rent free accommodation owned by the company
 - (iv) Housing loan of ₹ 7,00,000 given on 01.04.2023 at the interest rate of 6% p.a. (No repayment made during the year). The rate of interest charged by State Bank of India (SBI) as on 01.04.2023 in respect of housing loan is 9.5%.
 - (v) A dining table was provided to Ms. Priyanka at her residence. This was purchased on 1.6.2020 for ₹ 60,000 and sold to Ms. Priyanka on 1.5.2023 for ₹ 30,000.
 - (vi) Personal purchases through credit card provided by the company amounting to ₹ 10,000 was paid by the company. No part of the amount was recovered from Ms. Priyanka.
 - (vii) A Maruti Suzuki car which was purchased by the company on 16.7.2021 for ₹ 2,50,000 was sold to the assessee on 14.7.2023 for ₹ 1,60,000.

Other income received by the assessee during the previous year 2023-24:

	Particulars	₹
(a)	Interest on Fixed Deposits with a company	7,000
(b)	Income from specified mutual fund	3,000
(c)	Interest on bank fixed deposits of a minor married daughter	4,000

(viii) Deposit in PPF Account made during the year 2023-24 ₹40,000

Compute the gross total income of Ms. Priyanka for the Assessment year 2024-25 if she exercised the option to shift out of the default tax regime under section 115BAC. **(6 Marks)**

(b) M/s. Ravi & sons, a partnership firm consisting of two partners, reports a net profit of ₹ 7,50,000 before deduction of the following items:

- Salary of ₹ 25,000 each per month payable to two working partners of the firm (as authorized by the deed of partnership)
- Depreciation on plant and machinery under section 32 is ₹ 2,50,000
- Interest on capital 15% per annum (as per the deed of partnership).

The amount of capital eligible for interest is ₹ 6,00,000 for both partners

- Carry forward loss of P.Y. 2022-23 - ₹ 50,000

Compute for A.Y. 2024-25:

- (i) Book-profit of the firm under section 40(b) of the Income-tax Act, 1961.
- (ii) Amount of salary that can be paid to working partners as per section 40(b). **(4 Marks)**

4. (a) The following are the details relating to Mr. Roshan, a resident Indian, relating to the year ended 31.03.2024

Particulars	Amount (₹)
Short term capital gain	1,50,000
Loss from house property [let out property]	2,50,000
Loss from speculative business	50,000
Loss from card games	20,000
Brought forward long term capital loss of A.Y. 2020-21	86,000
Dividend from ABC Ltd.	11,00,000
Loss from tea business	1,06,000

Mr. Roshan's wife, Shamita is employed with Ray Ltd., at a monthly salary of ₹ 25,000, where Mr. Roshan holds 21% of the shares of the company. Shamita is not adequately qualified for the post held by her in Ray Ltd.

You are required to compute taxable income of Mr. Roshan for the A.Y. 2024-25 if he has exercised the option to shift out of the default tax regime under section 115BAC. Ascertain the amount of losses which can be carried forward. **(6 Marks)**

- (b) In the following cases relating to P.Y.2023-24, the total income of the assessee or the total income of any other person in respect of which he/she is assessable under Income-tax Act does not exceed the basic exemption limit. You are required to state with reasons, whether the assessee is still required to file the return of income or loss for A.Y.2024-25 in each of the following independent situations:
- (i) Manish & Sons (HUF) sold a residential house on which there arose a long term capital gain of ₹ 12 lakhs which was invested in Capital Gain Bonds u/s 54EC so that no long term capital gain was taxable.
 - (ii) Samarth has incurred an expenditure of ₹ 1,20,000 towards consumption of electricity, the entire payment of which was made through banking channels. **(4 Marks)**

OR

- (b) Briefly mention the provisions of Income-tax Act, 1961 with regard to quoting Aadhaar Number under section 139AA of the Act. **(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

Ecotech Solutions Private Limited is engaged in manufacturing and supply of energy products and solutions across multiple States in India. The Company manufactures solar panels and also imports certain category of solar panels as per the customer orders. The company also provides installation services and annual maintenance contracts for its products.

The Company received an advance payment for a bulk order of goods in March 2024, but the delivery was completed in May 2024. The amount of advance received by the Company was ₹ 1 crore.

During the month of March 2024, the Company sold goods worth ₹ 5 crores and provided services amounting to ₹ 1 crore to its customers across India. The goods worth ₹ 1 crore sold under multiple invoices were returned by a customer due to defective quality in the month of March, 2024 which were originally sold by the Company in December, 2023. The Company issued a GST credit note against the returned goods in March, 2024.

The Company incurred an amount of ₹ 5 lakh on the repair of the returned goods to make them resalable in the market to customers other than a related party.

Further, the customers who returned the goods issued an invoice to Gujarat unit of the Company of ₹ 1 lakh for the expense related to return of goods. The goods were initially sold from the Gujarat unit of the Company but the same were returned to Maharashtra unit of the Company and subsequently moved by the Company from Maharashtra unit to Gujarat Unit i.e. the original place of supply. The Company is registered under GST in both the States i.e. Gujarat and Maharashtra.

Based on the facts of the case scenario given above, choose the most appropriate answer to Q. Nos. 1 to 6 below:-

1. At what point of time, tax will be payable in relation to the advance received by the Company of ₹ 1 crore?
 - (a) The tax is payable at the time of receipt of advance.

- (b) The tax is payable at the time of supply of goods.
 - (c) 50% of tax is payable at the time of receipt of advance.
 - (d) Tax is payable at the time of issuance of receipt voucher.
2. The total amount of supply during the month of March, 2024 to be reported in GSTR -1 by the Company is _____.
- (a) ₹ 1 crore
 - (b) ₹ 5 crores
 - (c) ₹ 6 crores
 - (d) ₹ 7 crores
3. Which of the following options is correct in relation to the returned goods of value ₹ 1 crore ?
- (a) Company has an option to issue single credit note against multiple invoices.
 - (b) Company has to mandatorily issue credit note against each invoice.
 - (c) The Company cannot issue credit note in any subsequent period after the supply is made.
 - (d) The Company can only issue a commercial credit note and GST adjustment cannot be made.
4. In case returned goods are sold by the Company to customers other than the related parties, the value of supply of such goods under GST shall be _____.
- (a) equivalent to original value of supply only.
 - (b) equivalent to original value of supply plus the cost incurred on making the goods reusable
 - (c) 110% of original value of supply plus the cost incurred on making the goods reusable.
 - (d) transaction value subject to the conditions mentioned in Section 15(2) of the CGST Act, 2017.
5. Which of the following option(s) is correct in relation to the invoice of 1 lakh issued by the customer for the expenses relating to returned goods?
- (a) The Company shall be eligible to avail full input tax credit.
 - (b) The Company shall not be allowed to avail input tax credit.
 - (c) The Company shall not be allowed to avail input tax credit in excess of 50% of the tax amount charged on such invoice.
 - (d) The Company shall be allowed to claim input tax credit only if it has not issued any credit note to the customer against such returned goods.
6. While moving the goods from Maharashtra unit to Gujarat unit by the Company, goods shall be accompanied by _____.
- (a) Original invoice issued in December, 2023

- (b) Invoice issued by the returning customer to the Gujarat unit of the Company
- (c) Invoice by Maharashtra unit to the Gujarat unit of the Company
- (d) Delivery challan issued by the Customer to the Company.

(6 x 2 Marks = 12 Marks)

7. Mr. Jambulal of Himachal Pradesh starts a new business and makes following supplies in the first month-

- (i) Intra-State supply of taxable goods amounting to ₹ 17 lakh
- (ii) Supply of exempted goods amounting to ₹ 1 lakh
- (iii) Inter-State supply of taxable goods amounting to ₹ 1 lakh

Whether he is required to obtain registration?

- (a) Mr. Jambulal is liable to obtain registration as the threshold limit of ₹ 10 lakh is crossed.
- (b) Mr. Jambulal is not liable to obtain registration as he makes exempted supplies.
- (c) Mr. Jambulal is liable to obtain registration as he makes the inter-State supply of goods.
- (d) Mr. Jambulal is not liable to obtain registration as the threshold limit of ₹ 20 lakh is not crossed. **(2 Marks)**

8. Simmo Singh, a resident of Punjab, is having a residential property in Amritsar, Punjab which has been given on rent to a family for ₹ 72 lakh per annum for residence purposes. Determine whether Simmo Singh is liable to pay GST on such rent.

- (a) Yes, as services by way of renting is taxable supply under GST.
- (b) No, service by way of renting of residential property is exempt.
- (c) No, service by way of renting of residential property does not constitute supply.
- (d) Simmo Singh, being individual, is not liable to pay GST. **(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) Mr. Nandan Lal, registered under GST, is engaged in supplying services (as discussed in the table below) in Hyderabad. He has furnished the following information with respect to the services provided/ received by him, during the month of February:

S. No.	Particulars	Amount (₹)
(i)	Carnatic music performance given by Mr. Nandan lal to promote a brand of readymade garments	1,40,000
(ii)	Outdoor catering services availed for a marketing event organised for his prospective customers	50,000
(iii)	Services of transportation of students provided to HSMG College providing education as part of a curriculum for obtaining a recognised qualification	1,00,000
(iv)	Legal services availed for official purpose from an advocate located in Chennai (Inter-State transaction)	1,75,000
(v)	Services provided to IFMP Bank as a business correspondent with respect to accounts in a branch of the bank located in urban area	2,00,000
(vi)	Recovery agent's services provided to a car dealer	15,000
(vii)	General insurance taken on a car (seating capacity 5) used for official purposes	40,000

Note:

- (i) Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively.
- (ii) All 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 Mr. Nandan lal was ₹ 2.5 crore in the previous financial year.
- (v) All the transactions mentioned above are intra-State unless otherwise specified.

Compute the net GST payable in cash, by Mr. Nandan lal for the month of February. **(10 Marks)**

- (b) LSP Ltd., a registered supplier, sold a machine to Balwant Ltd. It provides the following information in this regard: -

S. No.	Particulars	Amount (₹)
(i)	Price of the machine [excluding taxes and other charges mentioned at S. Nos. (ii) and (iii)]	20,000
(ii)	Third party inspection charges	6,000

	[Such charges were payable by LSP Ltd. but the same have been directly paid by Balwant Ltd. to the inspection agency. These charges were not recorded in the invoice issued by LSP Ltd.]	
(iii)	Freight charges for delivery of the machine [LSP Ltd. has agreed to deliver the goods at Balwant Ltd.'s premises]	1,000
(iv)	Subsidy received from the State Government on sale of machine under Skill Development Programme [Subsidy is directly linked to the price]	5,000
(v)	Discount of 2% is offered to Balwant Ltd. on the price mentioned at S. No. (i) above and recorded in the invoice	

Note: Price of the machine is net of the subsidy received.

Determine the value of taxable supply made by LSP Ltd. to Balwant Ltd.

(5 Marks)

2. (a) State the person liable to pay GST in the following independent services provided:

- (i) Sapna Builders, registered in Haryana, rented out 20 residential units owned by it in Jain Society to Anant Technologies, an IT based company registered in the State of Haryana, for accommodation of its employees.
- (ii) M/s. Verma Consultants, a partnership firm registered in Delhi as a regular tax payer, paid sponsorship fees of ₹ 1,50,000 at a seminar organized by a private NGO (a partnership firm) in Delhi.

(4 Marks)

- (b) "Little Smiles", a photography firm, has commenced providing photoshoot services in Delhi from the beginning of current financial year 2023-2024. It has provided the following details of turnover for the various quarters till December, 2023 :-

S. No.	Quarter	Amount (₹ in lakh)
1	April,2023-June,2023	20
2	July,2023-September,2023	30
3	October,2023-December,2023	40

You may assume the applicable tax rate as 18%. Little Smiles wishes to pay tax at a lower rate and opts for the composition scheme. You are required to advise whether it can do so and calculate the amount of tax payable for each quarter?

(6 Marks)

3. (a) Mr. Sohan, a trader registered under GST in Delhi is engaged in wholesale business of toys for kids. Mr. Roshan registered under GST in Patiala, a regular return filer supplies toys in bulk to Mr. Sohan for selling to end consumers.

Mr. Sohan paying tax in regular scheme in Delhi, has not filed GSTR-3B for last 2 months. Mr. Roshan wants to generate e-way bill for toys amounting to ₹ 5,00,000 to be supplied to Mr. Sohan. Also Mr. Mohan from Jammu approached Mr. Sohan for purchasing toys amounting to ₹ 75,000 for the purpose of return gift on his son's first birthday party. Sohan wants to generate an e-way bill in respect of an outward supply of goods to Mr. Mohan.

Examine with reference to the provisions under GST law, whether Mr. Roshan and Mr. Sohan can generate e-way bill? **(5 Marks)**

- (b) Mr. Raj of Rajasthan intends to start business of supply of building material to various construction sites in Rajasthan. He has taken voluntary registration under GST in the month of April. However, he has not commenced the business till December due to lack of working capital. The proper officer *suo-motu* cancelled the registration of Mr. Raj. You are required to examine whether the action taken by proper officer is valid in law?

Mr. Raj has applied for revocation of cancellation of registration after 40 days from the date of service of the order of cancellation of registration. Department contends that application for revocation of cancellation of registration can only be made within 30 days from the date of service of the order of cancellation of registration. You are required to comment upon the validity of contentions raised by Department. **(5 Marks)**

4. (a) Discuss briefly the place of supply of goods purchased over the counter in one State and transported to another State by the buyer. **(5 Marks)**

Or

- (a) What would be the place of supply of services provided by an event management company for organizing a sporting event for a Sports Federation which is held in multiple States? **(5 Marks)**

- (b) Discuss whether the amount available in the electronic credit ledger can be used for making payment of any tax under the GST Laws?

(5 Marks)

Mock Test Paper - Series II: April, 2024

Date of Paper: 6 April, 2024

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

INTERMEDIATE COURSE: GROUP - I**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)	(b)	2.	(b)
	(ii)	(d)	3.	(a)
	(iii)	(b)		
	(iv)	(a)		
	(v)	(a)		
	(vi)	(a)		

Division B – Descriptive Questions

1. Computation of total income of Mr. Sunil for A.Y. 2024-25 under default tax regime under section 115BAC

	Particulars	₹	₹	₹
I	Income from house property			
	Let out portion [First floor]			
	Gross Annual Value [Rent received is taken as GAV, in the absence of other information]		2,95,000	
	Less: Municipal taxes paid by him in the P.Y. 2023-24 pertaining to let out portion [₹ 25,000/2]		<u>12,500</u>	
	Net Annual Value (NAV)		2,82,500	
	Less: Deduction u/s 24			
	(a) 30% of ₹ 2,82,500	84,750		
	(b) Interest on housing loan [₹ 1,50,000/2]	<u>75,000</u>	<u>1,59,750</u>	
			1,22,750	
	Self-occupied portion [Ground Floor]			
	Annual Value			Nil

	[No deduction is allowable in respect of municipal taxes paid]		
	Less: Interest on housing loan [Not allowable under section 115BAC]	<u>Nil</u>	
		Nil	
	Income from house property		1,22,750
II	Profits and gains of business or profession		
	Income from SEZ unit		40,00,000
III	Capital Gains		
	Long-term capital gains on sale of land (since held for more than 24 months)		
	Full Value of Consideration [Actual consideration of ₹ 15 lakhs, since stamp duty value of ₹ 16 lakhs does not exceed actual consideration by more than 10%]	15,00,000	
	Less: Indexed Cost of acquisition [₹ 4,00,000 x 348/100]	<u>13,92,000</u>	1,08,000
	Cost of acquisition		
	Higher of -		
	- Actual cost ₹ 2.80 lakhs + ₹ 0.12 lakhs = ₹ 2.92 lakhs and		
	- Fair Market Value (FMV) as on 1.4.2001 = ₹ 4.8 lakhs but cannot exceed stamp duty value of ₹ 4 lakhs.		
IV	Income from Other Sources		
	Interest on savings bank deposits	30,000	
	Interest on fixed deposits	<u>40,000</u>	<u>70,000</u>
	Gross Total Income		43,00,750
	Less: Deduction under Chapter VI-A		
	Deduction under section 80JJAA		7,12,800
	30% of the employee cost of the new employees employed during the P.Y. 2023-24 for 240 days or more during the P.Y. 2023-24 allowable as deduction [30% of ₹ 23,76,000 (12 x 18,000 x 11)]		
	As per section 115BAC, no deduction under section 10AA or		

under Chapter VI-A is allowable except u/s 80JJAA		
Total Income		35,87,950

Computation of tax liability of Mr. Sunil under section 115BAC

Particulars	₹	₹
Tax on total income of ₹ 35,87,950		
Tax on LTCG of ₹ 1,08,000 @20%		21,600
Tax on remaining total income of ₹ 34,79,950		
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 – ₹ 34,79,950 [@30% of ₹ 19,79,950]	<u>5,93,985</u>	<u>7,43,985</u>
		7,65,585
Add: Health and education cess @4%		<u>30,623</u>
Total tax liability		<u>7,96,208</u>
Tax liability (rounded off)		7,96,210

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

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

Particulars	₹	₹
Gross Total Income as per default tax regime under section 115BAC		43,00,750
Less: Interest on borrowing in respect of self-occupied house property [₹ 1,50,000/2]		<u>75,000</u>
Gross Total Income as per section 115BAC		42,25,750
Less: Deduction u/s 10AA		12,00,000
[Since the industrial undertaking is established in SEZ, it is entitled to deduction u/s 10AA @100% of export profits, since P.Y.2023-24 being the 5 th year of operations]		
[Profits of the SEZ x Export Turnover received in convertible foreign exchange/Total Turnover] x 100%		
[₹ 40 lakhs x ₹ 120 lakhs/ ₹ 400 lakhs x 100%]		
Less: Deduction under Chapter VI-A		
Deduction under section 80C		
Repayment of principal amount of housing loan	80,000	

Insurance premium paid on life insurance policy of son allowable, even though not dependent on Mr. Sunil	<u>40,000</u>	1,20,000
Deduction under section 80JJAA [As computed above]		7,12,800
Deduction under section 80TTA Interest on savings bank account, restricted to ₹ 10,000		10,000
Total Income as per regular provisions of the Act		21,82,950

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

Particulars	₹	₹
Tax on total income of ₹ 21,82,950		
Tax on LTCG of ₹ 1,08,000 @20%		21,600
Tax on remaining total income of ₹ 20,74,950		
Upto ₹ 2,50,000	Nil	
₹ 2,50,001 – ₹ 5,00,000[@5% of ₹ 2.50 lakhs]	12,500	
₹ 5,00,001 – ₹ 10,00,000[@20% of ₹ 5 lakhs]	1,00,000	
₹ 10,00,001 – ₹ 20,74,950[@30% of ₹ 10,74,950]	<u>3,22,485</u>	<u>4,34,985</u>
		4,56,585
Add: Health and education cess@4%		<u>18,263</u>
Total tax liability		<u>4,74,848</u>
Tax liability (rounded off)		4,74,850

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

Particulars	₹
Computation of adjusted total income	
Total income as per the normal provisions of the Act	21,82,950
Add: Deduction u/s 10AA	12,00,000
Deduction u/s 80JJAA	<u>7,12,800</u>
Adjusted Total Income	<u>40,95,750</u>
Alternative Minimum Tax@18.5%	7,57,714
Add: Health and education cess@4%	<u>30,309</u>
AMT liability	<u>7,88,023</u>
AMT liability (rounded off)	7,88,020

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 ₹ 7,88,020.

Since, tax liability as per section 115BAC of ₹ 7,96,210 is higher than the tax liability of ₹ 7,88,020, being higher of AMT liability and tax liability computed as per normal provisions of the Income-tax Act, 1961, it is beneficial for Mr. Sunil to exercise the option to shift out of the default tax regime under section 115BAC. In such a case, his tax liability would be ₹ 7,88,020 and Mr. Sunil would be eligible to carry forward the AMT credit of ₹ 3,13,170 (₹ 7,88,020 - ₹ 4,74,850).

2. (a) Under section 6(1), an individual is said to be resident in India in any previous year, if he satisfies any one of the following conditions:
- (i) He has been in India during the previous year for a total period of 182 days or more, or
 - (ii) He has been in India during the 4 years immediately preceding the previous year for a total period of 365 days or more and has been in India for at least 60 days in the previous year.

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

Therefore, the residential status of Mrs. Sia D'Souza, an American, for A.Y.2024-25 has to be determined on the basis of her stay in India during the previous year relevant to A.Y. 2024-25 i.e. P.Y.2023-24 and in the preceding four assessment years.

Her stay in India during the previous year 2023-24 and in the preceding four years are as under:

P.Y. 2023-24

01.04.2023 to 16.08.2023	-	138 days
23.03.2024 to 31.03.2024	-	<u>9 days</u>
	Total	<u>147 days</u>

Four preceding previous years

P.Y.2022-23 [1.4.2022 to 31.3.2023]	-	14 days
P.Y.2021-22 [1.4.2021 to 31.3.2022]	-	Nil
P.Y.2020-21 [1.4.2020 to 31.3.2021]	-	Nil
P.Y.2019-20 [1.4.2019 to 31.3.2020]	-	<u>Nil</u>
	Total	<u>14 days</u>

The total stay of Mrs. Sia D'Souza during the previous year in India was less than 182 days and during the four years preceding this year was for 14 days. Therefore, due to non-fulfillment of any of the two conditions for a resident, she would be treated as non-resident for the Assessment Year 2024-25.

**Computation of total income of Mrs. Sia D'Souza for the
A.Y. 2024-25**

Particulars	₹	₹
Income from house property		
Flat located in Mumbai let-out from 01.06.2023 to 31.03.2024 @ ₹ 26,000 p.m.		
Gross Annual Value [26,000 x 10] ¹	2,60,000	
Less: Municipal taxes	<u>Nil</u>	
Net Annual Value (NAV)	2,60,000	
Less: Deduction under section 24		
30% of NAV	78,000	
Interest on loan [fully allowable as deduction, since property is let-out]	<u>2,05,000</u>	
	<u>2,83,000</u>	(23,000)
Income from other sources		
- Gold chain worth ₹ 1,50,000 received from parents of husband would be exempt, since parents of husband fall within the definition of relatives and gifts from a relative are not chargeable to tax.		Nil
- Gift received from friends of her husband aggregating to ₹ 1,65,000 is taxable under section 56(2)(x) since the amount of cash gifts of ₹ 1,65,000 exceeds ₹ 50,000.	<u>1,65,000</u>	<u>1,65,000</u>
Gross Total income/ Total Income		<u>1,42,000</u>

(b) TDS implications

- (i) Since overseas tour package is taken on or after 1.10.2023, tax @ 5% till ₹ 7 lakhs and 20% thereafter, is required to be collected u/s 206C(1G) by the seller of an overseas tour programme package, from Mr. Harish, being the buyer of an overseas tour package, even if payment is made by account payee cheque.

Accordingly, tax has to be collected @5% on ₹ 7 lakh and 20% on ₹ 3 lakhs.

TCS = ₹ 95,000

- (ii) Mr. Aditya has to deduct tax at source @5% u/s 194M, although his turnover for the P.Y. 2022-23 does not exceed ₹ 1 crore and he is not liable to deduct tax at source under section 194C, since the payment to contractor, Mr. Naresh, exceeds ₹ 50 lakhs.

Accordingly, tax has to be deducted @5% on ₹ 55 lakhs.

TDS = ₹ 2,75,000

¹ Actual rent received has been taken as the gross annual the value in absence of other information (i.e. Municipal value, fair rental value and standard rent) in the question.

3. (a) **Computation of gross total income of Ms. Priyanka for the A.Y. 2024-25 under normal provisions of the Act**

	Particulars	₹	₹
(a)	Income from salaries (See Working Note below)		5,81,000
(b)	Income from Other Sources		
	(i) Interest on fixed deposit with a company	7,000	
	(ii) Income from specified mutual fund	3,000	
	(iii) Interest on Fixed Deposit received by minor daughter (₹ 4,000 - ₹ 1500)	<u>2,500</u>	<u>12,500</u>
	Gross total income		5,93,500

Working Note:

Computation of salary income of Ms. Priyanka for the A.Y. 2024-25

Particulars	₹
Salary [₹ 40,000 x 12]	4,80,000
Medical facility [in the hospital maintained by the company is exempt]	—
Rent free accommodation	
15% of salary from 1.4.2023 to 31.8.2023 and 10% of salary from 1.9.2023 to 31.3.2024 (₹ 4,80,000 × 15% × 5/12) + (₹ 4,80,000 × 10% × 7/12)	58,000
Valuation of perquisite of interest on loan	
[Rule 3(7)(i)] – 9.5% is taxable which is to be reduced by actual rate of interest charged i.e. [9.5% - 6% = 3.5%]	24,500
Use of dining table for 1 month	
[₹ 60,000 × 10/100 × 1/12]	500
Perquisite on sale of dining table	
Cost	60,000
Less: Depreciation on straight line method @ 10% for 2 years	<u>12,000</u>
Written Down Value	48,000
Less: Amount paid by the assessee	<u>30,000</u>
Purchase through credit card	18,000
	10,000
Perquisite on sale of car	
Original cost of car	2,50,000
Less: Depreciation from 16.7.2021 to 15.7.2022 @ 20%	<u>50,000</u>

Value as on 14.07.2023- being the date of sale to employee	2,00,000	
Less: Amount received from the assessee on 14.07.2023	<u>1,60,000</u>	<u>40,000</u>
Gross salary		6,31,000
Less: Standard deduction upto ₹ 50,000		<u>50,000</u>
Income from Salaries		<u>5,81,000</u>

(b) (i) **Computation of book profit of the firm under section 40(b)**

Particulars	Amount (₹)	Amount (₹)
Net Profit (before deduction of depreciation, salary and interest)		7,50,000
Less: Depreciation under section 32	2,50,000	
Interest @ 12% p.a. [being the maximum allowable as per section 40(b)] (₹ 6,00,000 × 12%)	<u>72,000</u>	<u>3,22,000</u>
Book profit		<u>4,28,000</u>

“Book profit” means the net profit as per the profit and loss account for the relevant previous year computed in the manner laid down in Chapter IV-D as increased by the aggregate amount of the remuneration paid or payable to the partners of the firm if the same has been already deducted while computing the net profit. Hence, brought forward loss of ₹ 50,000 of P.Y.2022-23 is not allowed to be set off for computation of “book profit”.

(ii) Salary actually paid to working partners = ₹ 25,000 × 2 × 12 = ₹ 6,00,000

As per the provisions of section 40(b)(v), the maximum allowable working partners' salary for the A.Y. 2024-25 in this case would be:

Particulars	₹
On the first ₹ 3,00,000 of book profit [(₹ 1,50,000 or 90% of ₹ 3,00,000) whichever is more]	2,70,000
On the balance of book profit [60% of (₹ 4,28,000 – ₹ 3,00,000)]	76,800
Maximum allowable working partners' salary	<u>3,46,800</u>

4. (a) **Computation of Taxable Income of Mr. Roshan for the A.Y. 2024-25 under normal provisions of the Act**

Particulars	₹	₹
Salaries		
Shamita's salary (₹ 25,000 × 12)	3,00,000	
[See Note 1]		

Less: Standard deduction under section 16(ia) upto ₹ 50,000	<u>50,000</u>	
	2,50,000	
Less: Loss from house property set off against salary income as per section 71(3A) [See Note 2]	<u>2,00,000</u>	50,000
Capital Gains		
Short term capital gain	1,50,000	
Less: Loss from tea business (₹ 1,06,000 x 40%) [See Note 3 & 4]	<u>42,400</u>	1,07,600
Income from Other Sources		
Dividend income		<u>11,00,000</u>
Taxable Income		12,57,600

The following losses can be carried forward for subsequent assessment years:

- (i) Loss from house property to be carried forward and set-off against income from house property ₹ 50,000
- (ii) Long-term capital loss of A.Y. 2020-21 can be carried forward and set-off against long-term capital gains ₹ 86,000
- (iii) Loss from speculative business to be carried forward and set-off against income from speculative business ₹ 50,000

Notes:

- (1) As per section 64(1)(ii), all the income which arises directly or indirectly, to the spouse of any individual by way of salary, commission, fees or any other form of remuneration from a concern in which such individual has a substantial interest shall be included in the total income of such individual. However, where spouse possesses technical or professional qualification and the income is solely attributable to the application of such knowledge and experience, clubbing provisions will not apply. Since, Mrs. Shamita is not adequately qualified for the post and Mr. Roshan has substantial interest in Ray Ltd by holding 21% of the shares of the Ray Ltd., the salary income of Mrs. Shamita to be included in Mr. Roshan's income.
- (2) As per section 71(3A), loss from house property can be set off against any other head of income to the extent of ₹ 2,00,000 only.
- (3) 60% of the losses from tea business is treated as agricultural income and therefore exempt under section 10(1). Loss from an exempt source cannot be set off against profits from a taxable source.

- (4) As per section 71(2A), business loss cannot be set off against salary income. Hence, 40% of the losses from tea business i.e., ₹ 42,400 can be set off against short term capital gains or dividend income.
- (5) Loss from card games can neither be set off against any other income, nor can it be carried forward.
- (6) Loss of ₹ 50,000 from speculative business can be set-off only against the income from the speculative business. Hence, such loss has to be carried forward.
- (7) As per section 74(1), brought forward long-term capital loss can be set-off only against long-term capital gain. Such loss can be carried forward for eight assessment years immediately succeeding the assessment year for which the loss was first computed. Since, 8 assessment years has not expired, such loss can be carried forward to A.Y. 2025-26 for set-off against long-term capital gains.

(b) First alternative

- (i) A HUF whose total income without giving effect to, *inter alia*, section 54EC, exceeds the basic exemption limit, is required to file a return of its income on or before the due date under section 139(1). In this case, since the total income without giving effect to exemption under section 54EC is ₹ 12 lakhs, exceeds the basic exemption limit, the HUF is required to file its return of income for A.Y. 2024-25 on or before the due date under section 139(1).
- (ii) If an individual has incurred expenditure exceeding ₹ 1 lakh towards consumption of electricity during the previous year, he would be required to file a return of income, even if his total income does not exceed the basic exemption limit. Since Mr. Samarth has incurred expenditure of ₹ 1,20,000 in the P.Y.2023-24 towards consumption of electricity, he has to file his return of income for A.Y. 2024-25 on or before the due date under section 139(1).

(b) Second alternative

Every person who is eligible to obtain Aadhaar Number is required to mandatorily quote Aadhaar Number:

- (a) in the application form for allotment of Permanent Account Number (PAN)
- (b) in the return of income

The provisions of section 139AA relating to quoting of Aadhaar Number would, however, not apply to an individual who does not possess the Aadhaar number or Enrolment ID and is:

- (i) residing in the States of Assam, Jammu & Kashmir and Meghalaya;

- (ii) a non-resident as per Income-tax Act, 1961;
- (iii) of the age of 80 years or more at any time during the previous year;
- (iv) not a citizen of India.

If a person does not have Aadhaar Number, he is required to quote Enrolment ID of Aadhaar application form issued to him at the time of enrolment in the application form for allotment of PAN or in the return of income furnished by him.

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

Question No.	Answer
1	(b) The tax is payable at the time of supply of goods
2	(b) ₹ 5 crores
3	(a) Company has an option to issue single credit note against multiple invoices.
4	(d) transaction value subject to the conditions mentioned in Section 15(2) of the CGST Act, 2017.
5	(a) The Company shall be eligible to avail full input tax credit.
6	(c) Invoice by Maharashtra unit to the Gujarat unit of the Company
7	(c) Mr. Jambulal is liable to obtain registration as he makes the inter-State supply of goods.
8	(b) No, service by way of renting of residential property is exempt.

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

Particulars	Value of supply (₹)	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
GST payable under forward charge				
Carnatic music performance given to promote a brand of readymade garments [Carnatic music performance by Mr. Nandan Lal is not exempt from GST even though the consideration charged does not exceed ₹ 1,50,000 since said performance has been made by him as a brand ambassador.]	1,40,000	12,600	12,600	Nil
Services of transportation of students provided to HSMG College [Services of transportation of	1,00,000	9,000	9,000	Nil

students provided to an educational institution other than an institution providing pre-school education or education up to higher secondary school, are not exempt.]				
Services provided to IFMP Bank as a business correspondent [Services provided by a business correspondent to a banking company are not exempt when such services are provided with respect to accounts in its urban area branch.]	2,00,000	18,000	18,000	Nil
Services provided as a recovery agent [Tax is payable under forward charge since recovery agent's services are being provided to a person other than banking company/financial institution/non-banking financial company.]	15,000	1,350	1,350	Nil
Total GST payable under forward charge (A)		40,950	40,950	Nil
GST payable under reverse charge				
Legal services availed from an advocate [Legal services received by a business entity with aggregate turnover in the preceding financial year exceeding threshold limit for registration (₹ 20 lakh) are not exempt and tax on the same is payable under reverse charge.]	1,75,000	Nil	Nil	31,500
Total GST payable under reverse charge (B)		Nil	Nil	31,500
Total GST payable [(A)+(B)]		40,950	40,950	31,500

Computation of total ITC available

Particulars	Value of supply (₹)	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
Outdoor catering services availed [ITC on outdoor catering services is blocked except when such services are (i) used by the taxpayer who is in the same line of business or (ii) provided by the employer to its employees under a statutory obligation.]	50,000	Nil	Nil	Nil
Legal services availed [ITC is available as said services are used in course or furtherance of business.]	1,75,000	Nil	Nil	31,500
General insurance taken on a car (seating capacity 5) used for official purposes [ITC on motor vehicles for transportation of persons with seating capacity ≤ 13 persons (including the driver) is blocked except when the same are used for (i) making further taxable supply of such motor vehicles (ii) making taxable supply of transportation of passengers (iii) making taxable supply of imparting training on driving such motor vehicles. Further, ITC is not allowed on services of general insurance relating to such ineligible motor vehicles.]	40,000	Nil	Nil	Nil
Total ITC available		Nil	Nil	31,500

Computation of net GST payable in cash

Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
GST payable under forward charge	40,950	40,950	Nil

Less: ITC of IGST ¹ [Refer Note]	(15,750) IGST	(15,750) IGST	-
	25,200	25,200	Nil
Add: GST payable under reverse charge in cash [Tax payable under reverse charge, being not an output tax, cannot be set off against ITC and thus, will have to be paid in cash.]	<u>Nil</u>	<u>Nil</u>	<u>31,500</u>
Net GST payable in cash	25,200	25,200	31,500

Note: ITC of IGST can be utilised towards payment of CGST and SGST in any proportion and in any order.

(b) Computation of value of taxable supply made by M/s. LSP to Balwant Ltd.

Particulars	Amount (₹)
Price of the machine [Since the price linked subsidy is received from the State Government, the same is not includible in the value of supply]	20,000
Third party inspection charges [Any amount that the supplier is liable to pay in relation to the supply but has been incurred by the recipient and not included in the price actually paid or payable for the goods, is includible in the value of supply]	6,000
Freight charges for delivery of the machine [Since arranging freight is the liability of supplier, it is a case of composite supply and thus, freight charges are added in the value of principal supply.]	1,000
Total	27,000
Less: Discount @ 2% on ₹ 20,000 being price charged to Balwant Ltd. [Discount given before or at the time of supply if duly recorded in the invoice is deductible from the value of supply]	<u>400</u>
Value of taxable supply	26,600

2. (a) (i) Services provided by way of renting of residential dwelling for use as residence except where the residential dwelling is rented to a registered person is exempt from GST. Further, tax on service

¹ Since IGST credit can be set off against CGST and SGST liability in any order and in any proportion, the same can be set off against CGST and/or SGST liabilities in different ways as well. In all such cases, net CGST and net SGST payable from Electronic Cash Ledger will differ though the total amount of net GST payable (₹ 81,900) in cash will remain the same.

provided by way of renting of residential dwelling to a registered person is payable by the recipient under reverse charge.

Therefore, in the given case, Anant Technologies is liable to pay GST on the residential dwellings taken on rent by it from Sapna Builders, under reverse charge mechanism.

- (ii) In case of services provided by any person by way of sponsorship to any body corporate or partnership firm, GST is liable to be paid under reverse charge by such body corporate or partnership firm located in the taxable territory.

Since in the given case, sponsorship services are being provided by the private NGO to a partnership firm – M/s. Verma Consultants, GST is payable by Verma Consultants on said services under reverse charge.

- (b) Section 10(2A) of the CGST Act, 2017 provides the turnover limit of ₹ 50 lakh in the preceding financial year for becoming eligible for composition levy for services. Little Smiles has started the supply of services in the current financial year (FY), thus, its aggregate turnover in the preceding FY is Nil. Consequently, in the current FY, Little Smiles is eligible for composition scheme for services. A registered person opting for composition levy for services shall pay tax @ 3% [Effective rate 6% (CGST+ SGST/UTGST)] of the turnover of supplies of goods and services in the State.

Further, Little Smiles becomes eligible for the registration when the aggregate turnover exceeds ₹ 20 lakh (the threshold limit of obtaining registration). While registering under GST, Little Smiles can opt for composition scheme for services.

The option of a registered person to avail composition scheme for services shall lapse with effect from the day on which his aggregate turnover during a financial year exceeds the threshold limit of ₹ 50 lakh.

However, for the purposes of determining the tax payable under composition scheme, the expression “turnover in State” shall not include the value of supplies from the first day of April of a FY up to the date when such person becomes liable for registration under the CGST Act.

Thus, for determining the turnover of the State for payment of tax under composition scheme for services, turnover of April, 2023 – June, 2023 quarter [₹ 20 lakh] shall be excluded. On next ₹ 30 lakh [turnover of July, 2023 – September, 2023 quarter], it shall pay tax @ 6% [3% CGST and 3% SGST].

For the purposes of computing aggregate turnover of a registered person for determining his eligibility to pay tax under this section, aggregate turnover includes value of supplies from the 1st April of a FY up to the date of his becoming liable for registration.

Thus, while computing aggregate turnover for determining Little Smiles’s eligibility to pay tax under composition scheme, value of supplies from

the first day of April of a financial year up to the date when it becomes liable for registration under this Act (i.e. turnover of April, 2023 – June, 2023 quarter), are included.

By the end of July, 2023 – September, 2023 quarter, the aggregate turnover reaches ₹ 50 lakh. Consequently, the option to avail composition scheme for services shall lapse by the end of July, 2023 – September, 2023 quarter and thereafter, it is required to pay tax at the normal rate of 18%.

Considering the above provisions, the tax payable for each quarter is as under:-

S. No.	Quarter	GST rate [CGST + SGST]	Turnover (₹ in lakh)	GST payable (₹ in lakh)
1	April, 2023 – June, 2023	-	20	-
2	July, 2023 – September, 2023	6%	30	1.8
3	October, 2023 – December, 2023	18%	40	7.2

3. (a) A user will not be able to generate e-way bill for a GSTIN if the said GSTIN is not eligible for e-way bill generation.

The blocking of GSTIN for e-way bill generation is only for the defaulting supplier GSTIN and not for the defaulting Recipient or Transporter GSTIN.

A person paying tax under regular scheme who has not furnished the returns for a consecutive period of 2 tax periods is considered as a defaulting person.

Suspended GSTIN cannot generate e-way bill as supplier. However, the suspended GSTIN can get the e-way bill generated as recipient or as transporter.

In other words, e-way bill generation facility is blocked only in respect of any outward movement of goods of the registered person who is not eligible for e-way bill generation. E-way bills can be generated in respect of inward supplies of said registered person.

Thus, applying the above provisions, there will be no restriction in generating e-way Bill by Mr. Roshan as Mr. Roshan who is making outward movement of goods is a regular return filer.

E-way bill generation is blocked in case of movement of goods made by Mr. Sohan to Mr. Mohan as it's an outward movement of goods of Mr. Sohan who has not filed GSTR-3B for past 2 months.

- (b) The proper officer may cancel the registration of a person from such date, including any retrospective date, as he may deem fit, where,-
- (a) a registered person has contravened the prescribed provisions; or
 - (b) a person paying tax under composition scheme has not furnished returns for a financial year beyond 3 months from due date of furnishing return; or
 - (c) any registered person, other than a person specified in clause (b), has not furnished returns for a prescribed period; or
 - (d) any person who has taken voluntary registration has not commenced business within six months from the date of registration; or
 - (e) registration has been obtained by means of fraud, wilful misstatement, or suppression of facts:

Thus, in view of the above-mentioned provisions, *suo-motu* cancellation of registration of Mr. Raj by proper officer is valid in law since Mr. Raj, a voluntarily registered person, has not commenced his business within 6 months from the date of registration.

Further, where the registration of a person is cancelled *suo-motu* by the proper officer, such registered person may, subject to the provisions of rule 10B, apply for revocation of the cancellation of registration to such proper officer, within 90 days from the date of service of the order of cancellation of registration.

However, the said period of 90 days may, on sufficient cause being shown and for reasons to be recorded in writing, be extended by the Commissioner or an officer authorised by him in this behalf, not below the rank of Additional Commissioner or Joint Commissioner, as the case may be, for a further period not exceeding 180 days.

Thus, considering the above provisions, the contention of Department is not valid in law as he has applied for revocation within the time limit of 90 days.

4. (a) There are cases where an unregistered person purchases goods over the counter (OTC) in one State and thereafter, transports the goods to another State (generally, the State where he resides). For instance, migrant workers, tourists, etc. who come to a State for work, tourism, etc. and purchase goods in that State to take it to their respective State. Similarly, in automobile sector, the residents of a State may travel to another State to purchase vehicle from that State to take advantage of lower registration charges and road tax, which vary from State to State and thereafter, take the vehicle to their State.

Where the supply of goods is made to a person other than a registered person, the place of supply shall be the location as per the address of the said person recorded in the invoice issued in respect of the said supply and the location of the supplier where the address of the said person is not recorded in the invoice.

For this purpose, recording of the name of the State of the said person in the invoice shall be deemed to be the recording of the address of the said person.

Or

- (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 by the application of generally accepted accounting principles.

- (b)** The amount available in the electronic credit ledger may be used for making any payment towards output tax under the CGST Act or the IGST Act, subject to the provisions relating to the order of utilisation of ITC.

Further, output tax in relation to a taxable person is defined as the tax chargeable on taxable supply of goods or services or both but excludes tax payable on reverse charge mechanism.

Accordingly, it is clarified that any payment towards output tax, whether self-assessed in the return or payable as a consequence of any proceeding instituted under the provisions of GST laws, can be made by utilization of the amount available in the electronic credit ledger of a registered person.

It is further reiterated that as output tax does not include tax payable under reverse charge mechanism, implying thereby that the electronic credit ledger cannot be used for making payment of any tax which is payable under reverse charge mechanism.