

MOCK TEST PAPER 2
INTERMEDIATE COURSE
PAPER – 4: TAXATION

Time Allowed – 3 Hours

Maximum Marks – 100

SECTION – A: INCOME TAX LAW (60 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.2022-23.

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. Raj, aged 45 years, commenced operations of the business of a new three-star hotel in Mumbai, Maharashtra on 1.4.2021. He incurred capital expenditure of ₹ 90 lakh on land in March, 2021 exclusively for the above business, and capitalized the same in his books of account as on 1st April, 2021. Further, during the P.Y. 2021-22, he incurred capital expenditure of ₹ 2.50 crore (out of which ₹ 1 crore 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.2022-23 is ₹ 75 lakh. Mr. Raj is not opting for section 115BAC.

Mr. Viraj, brother of Mr. Raj, has commenced the business of manufacture of apparel on 1.10.2021. He employed 220 new employees during the P.Y.2021-22, the details of whom are as follows –

	No. of employees	Date of employment	Regular/ Casual	Total monthly emoluments per employee (₹)
(i)	40	1.10.2021	Regular	24,000
(ii)	80	1.10.2021	Regular	24,500
(iii)	50	1.11.2021	Casual	25,500
(iv)	30	1.11.2021	Regular	25,000
(v)	20	1.12.2021	Casual	24,000

All regular employees participate in Recognized Provident Fund and their emoluments are paid by account payee cheque. The profits and gains derived from manufacture of apparel that year is ₹ 80 lakhs and his total turnover is ₹ 11 crores.

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

- (i) Assuming that Mr. Raj 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.2022-23?
- (a) ₹ 340 lakh
(b) ₹ 250 lakh
(c) ₹ 190 lakh
(d) ₹ 150 lakh

- (ii) Assuming that Mr. Raj also has another existing business of running a four-star hotel in Ahmedabad, which commenced operations twenty years back, the profits from which are ₹ 130 lakh for the A.Y.2022-23, what would be its income chargeable/loss under the head “Profits and gains of business or profession” for the A.Y.2022-23?
- (a) ₹ 130 lakh
 (b) ₹ 55 lakh
 (c) (₹ 20 lakh)
 (d) ₹ 15 lakh
- (iii) If, out of the amount of ₹ 1 crore paid for acquisition of land in the P.Y.2021-22, ₹ 50 lakh was paid by way of cash, what would be the answer to questions (i) and (ii) above?
- (a) ₹ 150 lakh; ₹ 55 lakh, respectively
 (b) ₹ 100 lakh; ₹ 105 lakh, respectively
 (c) ₹ 290 lakh; (₹ 85 lakh), respectively
 (d) ₹ 140 lakh; ₹ 65 lakh, respectively
- (iv) Considering the assumption given in question (ii) above, what would be the tax payable (rounded off) by Mr. Raj for A.Y.2022-23?
- (a) ₹ 16,73,100
 (b) ₹ 42,03,940
 (c) ₹ 2,73,000
 (d) ₹ 15,21,000
- (v) Would Mr. Viraj be eligible for deduction under section 80JJAA in the A.Y.2022-23? If so, what is the quantum of deduction?
- (a) No, he would not be eligible for deduction u/s 80JJAA since the employees have not been employed for 240 days in the P.Y.2021-22. He can, however, claim deduction thereunder in the P.Y.2022-23
 (b) Yes; ₹ 63,81,000
 (c) Yes; ₹ 58,68,000
 (d) Yes; ₹ 52,56,000 **(5 x 2 = 10 Marks)**
2. Mr. Ashish’s total income comprises of long-term capital gains on sale of land ₹ 5 lakhs; short-term capital gains on sale of STT paid listed equity shares ₹ 2 lakhs; income from lottery ₹ 1 lakh and savings bank interest ₹ 30,000. He invests ₹ 1.50 lakhs in PPF. His tax liability for A.Y.2022-23, assuming that he is a resident Indian of the age of 40 years and does not opt for the provisions of section 115BAC, is –
- (a) ₹ 1,64,800
 (b) ₹ 1,66,400
 (c) ₹ 1,14,400
 (d) ₹ 1,13,300 **(2 Marks)**
3. Who among the following will qualify as non-resident for the previous year 2021-22?
- Mr. Bob, an Italian dancer, came on visit to India to explore Indian dance on 15.09.2021 and left on 25.12.2021. For past four years, he visited India for dance competition and stayed in India for 120 days each year.

- Mr. Samrat born and settled in USA, visits India each year for 100 days to meet his parents and grandparents, born in India in 1946, living in Delhi. His Indian income is ₹ 15,20,000.
- Mr. Joseph, an American scientist, left India to his home country for fixed employment there. He stayed in India for study and research in medicines from 01.01.2017 till 01.07.2021.

Choose the correct answer

- (a) Mr. Bob and Mr. Joseph
- (b) Mr. Samrat
- (c) Mr. Bob, Mr. Samrat and Mr. Joseph
- (d) None of the three **(2 Marks)**
4. Mr. Harish is an interior decorator declaring profits under 44ADA in the P.Y.2021-22 and the earlier previous years. Mr. Harish has to pay brokerage of ₹ 15 lakhs to Mr. Patel, a broker, to buy a residential house, and ₹ 50 lakhs to Mr. Suresh, a contractor for reconstruction of the residential house. Are TDS provisions attracted in the hands of Mr. Harish in respect of the above transactions?
- (a) No; TDS provisions are not attracted in the hands of Mr. Harish in respect of payments to Mr. Patel and Mr. Suresh
- (b) Yes; Mr. Harish has to deduct tax from payment to Mr. Patel and Mr. Suresh
- (c) Mr. Harish does not have to deduct tax on payment to Mr. Patel but has to deduct tax from payment to Mr. Suresh
- (d) Mr. Harish does not have to deduct tax on payment to Mr. Suresh but has to deduct tax from payment to Mr. Patel **(2 Marks)**
5. Mr. Akash is constructing a residential house property in Patna for self-occupation. He has taken a loan of ₹ 40 lakhs from SBI on 30.3.2021 for this purpose. He pays interest of ₹ 2.50 lakhs during the P.Y.2021-22. He repays ₹ 1.50 lakhs towards principal on 31.3.2022. The construction is completed in May, 2022. The stamp duty value of the house is ₹ 46 lakhs. This is the only house property of Mr. Akash. For A.Y. 2022-23 -
- (a) Mr. Akash is entitled for deduction of ₹ 2 lakhs under section 24 and ₹ 1.50 lakhs under section 80C
- (b) Mr. Akash is entitled for deduction of ₹ 2 lakhs under section 24, ₹ 50,000 under section 80EEA and ₹ 1.50 lakhs under section 80C
- (c) Mr. Akash is neither entitled for deduction under section 24 nor under section 80C. He is, however, entitled for deduction of ₹ 1.50 lakhs under section 80EEA
- (d) Mr. Akash is not entitled for deduction under section 24, section 80C and section 80EEA **(2 Marks)**

Division B – Descriptive Questions

Question No. 1 is compulsory

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

1. Mr. Anmol (aged 67 years), a manufacturer, reported a profit of ₹ 3,95,11,290 for the previous year 2021-22 after debiting/crediting the following items:
- Debits:**
- (a) ₹ 15,000 paid to a Gurudwara registered u/s 80G of the Income-tax Act, in cash where no cheques are accepted.

- (b) ₹ 35,500 contributed to an university approved and notified u/s 35(1)(ii) to be used for scientific research.
- (c) Interest paid ₹ 1,75,000 on loan taken for purchase of E-vehicle on 15-07-2021 from a bank. The E-vehicle was purchased for the personal use of his wife.
- (d) He has purchased timber under a forest lease of ₹ 25,00,000 for the purpose of business.

Credits:

- (i) Income of ₹ 3,50,000 from royalty on patent registered under the Patent Act received from different resident clients. No TDS was needed to be deducted by any of the clients.
- (ii) He received ₹ 3,00,000 from a debtor which was written off as bad in the year 2017-18. Amount due from the debtor (which was written off as bad) was ₹ 4,00,000, out of which tax officer had only allowed ₹ 2,50,000 as deduction in computing the total income for assessment year 2018-19.
- (iii) He sold some goods to his brother for ₹ 6,00,000. The fair market value of such goods was ₹ 9,00,000.

Other information:

1. Depreciation in books of accounts is computed by applying the rates prescribed under the Income tax laws.
2. Mr. Anmol purchased a new car of ₹ 14,00,000 on 1st August, 2021 and the same was put to use in the business on the same day. No depreciation for the same has been taken on car in the books of account.
3. Mr. Anmol had sold a house on 25th March, 2021 and deposited the long term capital gains of ₹ 20,00,000 in capital gain account scheme by the due date of filing return of income for that year. On 11th March, 2022, he sold another house property in which he resided for ₹ 1 crore. He earned a long term capital gain of ₹ 55,00,000 on sale of this property. On 25th March, 2022, he withdrew money out of his capital gain account and invested ₹ 1 crore on construction of one house.
4. Mr. Anmol also made the following payments during the previous year 2021-22
 - Lump-sum premium of ₹ 1,20,000 paid on 30th March, 2022 for the medical policy taken for self and spouse. The policy shall be effective for five years i.e. from 30th March, 2022 to 29th March, 2027.
 - ₹ 8,000 paid in cash for preventive health check-up of self and spouse.

Compute the total income and tax payable by Mr. Anmol for the assessment year 2022-23 assuming he does not opt for section 115BAC. **(14 Marks)**

2. (a) Examine the tax implications of the following transactions for the assessment year 2022-23: (Give brief reason)
 - (i) Mr. Akash, an Indian citizen, is a non-resident in India for the previous year 2021-22. He has been appointed by the Government of India as an ambassador in Japan. He received salary of ₹ 7,50,000 and allowances of ₹ 2,40,000 during the previous year 2021-22 for rendering his services in Japan.
 - (ii) Ms. Ahana, a non-resident in India, is engaged in operations which are confined to purchase of goods in India for the purpose of export. She has earned ₹ 3,50,000 during the previous year 2021-22.
 - (iii) Mr. Sumit, a non-resident in India, has earned ₹ 4,00,000 as royalty for a patent right made available to Mr. Vikas who is also a non-resident. Mr. Vikas has utilized patent rights for development of a product in India and 50% royalty is received in India and 50% outside India.

- (iv) Mr. Jimmy, a NRI, borrowed ₹ 10,00,000 on 01.04.2021 from Mr. Naveen who is also a non-resident and invested such money in the shares of an Indian Company. Mr. Naveen has received interest @ 12% per annum. **(2 + 1 + 2 + 2 Marks)**
- (b) State in brief the applicability of tax deduction at source provisions, the rate and amount of tax deduction in the following cases for the financial year 2021-22 under the Income-tax Act, 1961. Assume that all payments are made to residents:
- (i) Sahil, a resident Indian individual, not deriving any income from business or profession makes payments of ₹ 10 lakh in January, 2022, ₹ 25 lakh in February, 2022 and ₹ 25 lakh in March, 2022 to Madan, a contractor for reconstruction of his residential house.
- (ii) XYZ Ltd. makes the payment of ₹ 2,00,000 to Ramesh, an individual transporter who owned 6 goods carriages throughout the previous year. He does not furnish his PAN. **(4 Marks)**
- (c) State any three conditions when a person is required to furnish Income-tax return in the prescribed form & manner on or before the due date even if such person (other than a company or a firm) is not otherwise required to furnish a return u/s 139(1). **(3 Marks)**
3. (a) Mr. Suresh entered into an agreement with Mr. Mukesh to sell his residential house located at New Delhi on 25.05.2021 for ₹ 80,00,000. Mr. Mukesh was handed over the possession of the property on 15.12.2021 and the registration process was completed on 14.02.2022.

Mr. Mukesh had paid the sale proceeds in the following manner;

- (i) 25% through account payee bank draft on the date of agreement.
- (ii) 50% on the date of the possession of the property.
- (iii) Balance after the completion of the registration of the title of the property.

The value determined by the Stamp Duty Authority on 25.05.2021 was ₹ 92,00,000 whereas on 14.02.2022 it was ₹ 94,50,000.

Mr. Suresh had acquired the property on 01.04.2001 for ₹ 21,00,000. After recovering the sale proceeds from Mukesh, he purchased another residential house property in Kanpur for ₹ 22,00,000.

Cost Inflation Index for Financial Year(s)

2001-02	-	100
2021-22	-	317

Compute the capital gain arising in the hands of Mr. Suresh for the Assessment Year 2022-23.

(6 Marks)

- (b) Mr. Raju furnishes the following particulars for the previous year 2021-22 in respect of an industrial undertaking established in "Special Economic Zone" in March 2016. It began manufacturing in April 2016.

Particulars	(₹)
Total sales	1,70,00,000
Export sales [proceeds received in India]	90,00,000
Domestic sales	80,00,000
Profit from the above undertaking	40,00,000

Export Sales of F.Y. of 2021-22 include freight and insurance of ₹ 10 lakhs for delivery of goods outside India. Compute the amount of deduction available to Mr. Raju under section 10AA for A.Y. 2022-23. **(4 Marks)**

(c) Examine the following transactions in the context of Income-tax Act, 1961:

(i) Mr. Koshi transferred 300 shares of Style Pvt Ltd. to Moksh Pvt. Ltd. on 10.9.2021 for ₹ 3,00,000 when the market price was ₹ 5,00,000. The indexed cost of acquisition of shares for Mr. Koshi was computed at ₹ 4,45,000. The transfer was not subjected to securities transaction tax.

Determine the income chargeable to tax in the hands of Mr. Koshi and Moksh Pvt. Ltd. because of the above said transaction.

(ii) Mr. Chetan is employed in a company with taxable salary income of ₹ 4,00,000. He received a cash gift of ₹ 1,00,000 from Help Charitable Trust (registered under section 12AB) in March 2022 for meeting his medical expenses.

Is the cash gift so received from the trust chargeable to tax in the hands of Mr. Chetan?

(2 x 2 = 4 Marks)

4. (a) Compute total income of Mr. Mihir for the assessment year 2022-23 from the following information furnished by him for the financial year 2021-22.

Particulars	₹
Salary income (computed)	4,70,000
Loss from self-occupied house property	2,00,000
Loss from let out house property	80,000
Loss from speculation business-X	90,000
Profit from speculation business-Y	80,000
Income from trading and manufacturing business @ 8%	5,50,000
Interest on PPF deposit	95,000
Long term capital gain on sale of Vacant site (Computed)	1,10,000
Short term capital loss on sale of Jewellery	1,90,000
Investment in tax saver deposit on 31-03-2022	50,000
Brought forward loss of business of assessment year 2018-19	7,50,000
Donation to a charitable trust recognized under section 12AB and approved under section 80G paid by cheque	1,10,000
Enhanced compensation received from government for compulsory acquisition of land (held for a period of 5 years) in the year 2012	4,00,000

(7 Marks)

(b) Mr. Raja gifted a sum of ₹ 8 lakhs to his brother's minor son on 14-5-2021. On the same date, his brother gifted debentures worth ₹ 10 lakhs to Mrs. Raja. Son of Mr. Raja's brother invested the amount in fixed deposit with SBI@ 9% p.a. interest and Mrs. Raja received interest of ₹ 81,000 on these debentures during the previous year 2021-22. Discuss the tax implications under the provisions of the Income-tax Act, 1961.

(4 Marks)

(c) An amount of ₹ 50,000 was paid to Mr. Rakesh on 1.9.2021 towards fees for professional services without deduction of tax at source. Subsequently, another payment of ₹ 60,000 was due to Mr. Rakesh on 31.1.2022, from which tax@10% (amounting to ₹ 11,000) on the entire amount of ₹ 1,10,000 was deducted. However, this tax of ₹ 11,000 was deposited only on 22.7.2022. Compute the interest chargeable under section 201(1A).

(3 Marks)

SECTION B - INDIRECT TAXES (40 MARKS)

QUESTIONS

- (i) Working Notes should form part of the answers. However, in answers to Question 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 laws as amended by the Finance Act, 2021, including significant notifications and circulars issued, up to 30th April 2022.

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: 12 Marks

Sarabhai & Sarabhai Associates, a partnership firm registered under GST, is engaged in various types of business activities. It has provided the details of the following activities undertaken by it in the current financial year:

- (i) It supplies taxable goods to Dhanush Enterprises at a price of ₹ 8,00,000 in the month of April, with a credit period of 1 month for payment. Thereafter, interest @ 12% p.a. is chargeable on the consideration. The payment is received from Dhanush Enterprises after the lapse of two months from the date of supply.
- (ii) It enters into a contract for supply of 100 office chairs @ ₹ 15,000 with Ashoka Mart on 21st August. Chairs are removed from the warehouse of Sarabhai & Sarabhai Associates on 5th September along with the invoice of said date. Ashoka Mart has paid 30% of the total contract value on 21st August; balance 70% is paid after delivery of chairs on 10th September.
- (iii) In the month of October, it provides services by way of transportation of goods in a goods carriage by road to Fisheries Department of Government of India, registered under GST for the purpose of deducting tax at source and not for making any taxable supply. Sarabhai & Sarabhai Associates is a registered goods transport agency and charges ₹1,20,000 for the said services.
- (iv) It also provides services of Direct Selling Agent to an NBFC located in Mumbai in the month of December for ₹ 50,000.
- (v) It organises a business exhibition in the month of December for which it receives a sponsorship fee of ₹ 3,00,000 from Dhara Ltd.
- (vi) It provides free gifts to each of its employees valuing ₹ 50,000 at the end of each financial year.
- (vii) It avails services of Dhruv Travel Agency for organizing a free vacation for its top performing employees in the month of December. GST of ₹ 50,000 is paid on the same. In the same month, it also pays GST of ₹ 20,000 on the membership of Rudraksh Fitness Centre taken for its CEO.

All the amounts given above are exclusive of taxes, wherever applicable. All conditions for availing ITC are fulfilled subject to the information given above.

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

1. Value of supply made to Dhanush Enterprises, assuming the interest on delayed payment to be exclusive of GST, is _____.
(a) ₹ 8,00,000

- (b) ₹ 8,08,000
(c) ₹ 7,92,000
(d) ₹ 8,16,000
2. The time of supply of advance money of ₹ 4,50,000 received for supply of office chairs to Ashoka Mart is _____. For balance payment of ₹ 10,50,000 received, the time of supply is _____.
- (a) 21st August; 5th September
(b) 5th September; 10th September
(c) 21st August; 10th September
(d) 5th September; 5th September
3. Determine the value of outward supplies made by Sarabhai & Sarabhai Associates on which tax is payable under reverse charge.
- (a) ₹ 1,20,000
(b) ₹ 50,000
(c) ₹ 1,70,000
(d) ₹ 3,00,000
4. Free gifts of value of ₹ 50,000 provided by Sarabhai & Sarabhai Associates to each of its employee is:
- (a) considered as supply of goods.
(b) considered as supply of services.
(c) exempt from GST.
(d) not a supply as per Schedule I of the CGST Act, 2017.
5. Sarabhai & Sarabhai Associates is eligible to claim input tax credit of _____ in the month of December.
- (a) ₹ 50,000
(b) ₹ 20,000
(c) ₹ 3,70,000
(d) Nil **(5 x 2 Marks = 10 Marks)**
6. ITC on _____ is not blocked.
- (a) trucks purchased by a company for transportation of its finished goods
(b) aircraft purchased by a manufacturing company for official use of its CEO
(c) general insurance taken on a car used by employees of a manufacturing company for official purposes
(d) cars purchased by a manufacturing company for official use of its employees **(2 Marks)**

Division B - Descriptive Questions

Question No. 1 is compulsory.

Attempt any two questions out of remaining three questions.

Total Marks: 28 Marks

1. Sreshth Pvt. Ltd., a registered supplier of goods and services in Kolkata, has furnished the following information for the month of February:

S. No.	Particulars	Amount (₹)
(i)	Intra-State supply of taxable goods	4,00,000
(ii)	Purchase of goods destroyed due to fire before being put into the production process (It is an intra-State transaction)	5,50,000
(iii)	Services provided to a foreign diplomatic mission located in India (It is an intra-State transaction)	1,00,000
(iv)	Intra-State purchase of food items for being served to the customers, free of cost. (It is an intra-State transaction)	1,75,000
(v)	Goods transport services received from a GTA. GST is payable @ 5% (It is an inter-State transaction)	2,00,000
(vi)	Inter-State services provided to Dhruv Ltd. in respect of a business exhibition held in Delhi	10,000
(vii)	Inter-State security services provided to Torrent Higher Secondary School (unregistered under GST) for their annual day function organised in Katyani Auditorium outside the School campus	15,000
(viii)	Inputs to be received in 3 lots, out of which 2 nd lot was received during the month	40,000

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

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

Note:

- (i) Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively unless otherwise mentioned.
- (ii) 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 Sreshth Pvt. Ltd. was ₹ 2.5 crore in the previous financial year.

Compute the minimum GST, payable in cash, by Sreshth Pvt. Ltd. for the month of February. Make suitable assumptions as required. **(8 Marks)**

2. Determine the GST payable @ 18% with respect to each of the following independent services provided by the registered persons:

Particulars	Gross amount charged (₹)
Fees charged for 'Swasthya Yoga Camp' conducted by Chandra Prakash Charitable Trust, registered under section 12AB of the Income-tax Act, 1961	98,000
Amount charged by business correspondent from Wealthy Banking Company for the services provided to the rural branch of a bank with respect to Savings Bank Accounts	1,00,000
Amount charged by cord blood bank for preservation of stem cells	5,00,000
Amount charged for service provided by selectors to a recognized sports body	5,20,000

(4 Marks)

- (b) Examine given cases and determine the persons liable to pay tax in each of the following independent cases:
- Dharam Shastri, an independent director of Universe Pvt. Ltd., has received sitting fee amounting to ₹ 1 lakh from Universe Pvt. Ltd. for attending the Board meetings.
 - Chandan Associates provided sponsorship services to Virat Cricket Academy, an LLP.
 - Legal Fees is received by Gaba, an advocate, from M/s. Naveen Consultants having turnover of ₹ 50 lakh in preceding financial year.

(3 × 2 = 6 Marks)

3. (a) Madhav Oils, Delhi has supplied machine oil and high-speed diesel in the month of April as per the details given in table below. Madhav Oils is not yet registered.

Sl. No.	Particulars	Amount (₹)*
(i)	Supply of machine oil in Delhi	15,00,000
(ii)	Supply of high-speed diesel in Delhi	10,00,000
(iii)	Supply of machine oil made in Punjab by Madhav Oils from its branch located in Punjab	10,00,000

*excluding GST

Determine whether Madhav Oils is liable for registration.

(6 Marks)

- (b) Rajul is a registered software consultant. On account of her ill health, she could not provide any services during the month of October. However, she had to incur all the expenses relating to her office. She paid ₹ 75,000 to various vendors. The total input tax involved on the goods and services procured by her is ₹ 13,500. Out of the total bills paid by her, one bill for ₹ 15,000 relates to security services availed for security of her office, tax on which is payable under reverse charge. Input tax involved in such bill is ₹ 2,700.

Rajul is of the opinion that for the month of October, no GST is payable from electronic cash ledger as she has sufficient balance of ITC for payment of GST under reverse charge on security services.

Do you think Rajul is right? Explain with reasons.

(4 Marks)

4. (a) Discuss the ITC entitlement of a newly registered person under GST law. **(5 Marks)**
- (b) If a return has been filed, how can it be revised if some changes are required to be made?

(5 Marks)

MOCK TEST PAPER 2
INTERMEDIATE COURSE
PAPER – 4: TAXATION
SECTION – A: INCOME TAX LAW
SOLUTIONS

Division A – Multiple Choice Questions

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

Division B – Descriptive Questions

1. **Computation of total income of Mr. Anmol for A.Y. 2022-23**

	Particulars	₹	₹	₹
I	Income from business or profession			
	Net profit as per profit and loss account		3,95,11,290	
	Add: Items of expenditure debited but not allowable while computing business income			
	(a) Donation to Gurudwara in cash [not allowable as deduction since it is not incurred wholly and exclusively for business purpose. Since the amount is already debited, the same has to be added back while computing business income]	15,000		
	(b) Contribution to an university approved and notified u/s 35(1)(ii) for scientific research [Eligible for deduction @100%. Since, 100% of the expenditure is already debited to profit and loss account, no adjustment is required]	-		
	(c) Interest on loan taken for purchase of e-vehicle [Interest on loan for purchase of e-vehicle for personal purpose is not allowed as deduction from business income since the same is not incurred wholly and exclusively for business purpose. Since it is already debited, the same has to be added back while computing business income]	1,75,000		
	(iii) Sale of goods to brother at less than FMV [The provisions of section 40A(2) are not applicable in case of sale transaction, even if the same is to a related party. Therefore, no adjustment is necessary in respect of difference of ₹ 3 lakh]	-		
			<u>1,90,000</u>	
				<u>3,97,01,290</u>

	Less: Items of income credited but not taxable or taxable under any other head of income		
	(i) Royalty on patent [Not taxable as business income since Mr. Anmol is engaged in manufacturing business. Since the amount is already credited to profit and loss account, the same has to be reduced while computing business income]	3,50,000	
	(ii) Bad debt recovered [Actual bad debt is ₹ 1 lakhs i.e., ₹ 4 lakhs less ₹ 3 lakh, being the amount of bad debt recovered. Bad debt written off is ₹ 2.50 lakhs. Bad debt recovered to the extent of ₹ 1.50 lakh being excess of bad debt recovered over actual bad debt would be deemed to be business income. Since the entire ₹ 3 lakhs is credited to the profit and loss account, ₹ 1.50 lakhs has to be reduced]	<u>1,50,000</u>	<u>5,00,000</u>
			3,92,01,290
	Less: Allowable expenditure		
	7. Depreciation on car [₹ 14 lakh x 15%, since car is put to use for more than 180 days in the P.Y.2021-22]		<u>2,10,000</u>
			3,89,91,290
II	Capital Gain		
	Long term capital gain on sale of house property	55,00,000	
	Less: Exemption under section 54 [Since whole amount of long term capital gain is invested in construction of house within the stipulated time limit.]	<u>55,00,000</u>	-
	[Capital gain of ₹ 20 lakhs in capital gain account scheme is not taxable in P.Y. 2021-22, since the same is withdrawn and invested in construction of house within the stipulated time limit. The remaining amount of ₹ 80 lakhs invested in construction of house is eligible for exemption u/s 54, subject to a maximum of ₹55 lakhs being long-term capital gain on sale of house property during the P.Y.2021-22]		
III	Income from Other Sources		
	Royalty on patent [Taxable as “income from other sources”, since he is engaged in business of manufacturing]		<u>3,50,000</u>
	Gross Total Income		3,93,41,290
	Less: Deduction under Chapter VI-A		
	Deduction under section 80D		
	- Mediciam premium for self and spouse [In case of lump sum premium for medical policy, deduction is allowed for equally for each relevant previous years. [₹ 1,20,000/6 years,	20,000	

being relevant previous years in which the insurance is in force]			
- Preventive health check up of self and spouse [Preventive health check up paid in cash allowed to the extent of ₹ 5,000]	<u>5,000</u>	25,000	
Deduction under section 80EEB [Since the loan is sanctioned by Bank during the P.Y. 2021-22, interest on loan taken for purchase of e-vehicle is allowed to the extent of ₹ 1,50,000]		1,50,000	
Deduction under section 80G [Donation of ₹ 15,000 to Gurudwara not allowable as deduction since amount exceeding ₹ 2,000 paid in cash]		-	
Deduction under section 80RRB [Deduction in respect of royalty on patent registered under the Patent Act subject to a maximum of ₹ 3 lakh]		<u>3,00,000</u>	<u>4,75,000</u>
Total income			<u>3,88,66,290</u>

Computation of tax payable by Mr. Anmol for A.Y.2022-23

Particulars	₹	₹
Tax on total income of ₹ 3,88,66,290		
Upto ₹3,00,000	Nil	
₹3,00,001 – ₹ 5,00,000 [@5% of ₹2 lakh]	10,000	
₹5,00,001 – ₹10,00,000 [@20% of ₹5,00,000]	1,00,000	
₹10,00,001- ₹ 3,88,66,290 [@30% of ₹ 3,78,66,290]	<u>1,13,59,887</u>	1,14,69,887
Add: Surcharge @ 25%, since total income exceeds ₹ 2,00,00,000 but does not exceed ₹ 5,00,00,000		<u>28,67,472</u>
		1,43,37,359
Add: Health and education cess@4%		<u>5,73,494</u>
Total tax liability		<u>1,49,10,853</u>
Less: TCS u/s 206C(1) @ 2.5% on ₹ 25 lakh i.e., timber	62,500	
TCS u/s 206C(1F)@1% of ₹14 lakh i.e., sale of motor car where consideration exceeds ₹10 lakh	14,000	
TDS u/s 194-IA@1% of ₹1 crore i.e., sale of immovable property where consideration is ₹ 50 lakh or more	<u>1,00,000</u>	<u>1,76,500</u>
Tax payable		<u>1,47,34,353</u>
Tax payable (rounded off)		<u>1,47,34,350</u>

2. (a) (i) As per section 9(1)(iii), salaries (*including, inter alia, allowances*) payable by the Government to a citizen of India for services rendered outside India shall be deemed to accrue or arise in India.

Thus, salary received from Government by Mr. Akash, being a non-resident of ₹ 7,50,000 for rendering services in Japan would be taxable in his hands, after allowing standard deduction of ₹ 50,000.

However, any allowance or perquisites paid or allowed outside India by the Government to a citizen of India for rendering services outside India will be fully exempt u/s 10(7). Hence, ₹ 2,40,000, being the allowance would be exempt.

- (ii) In the case of a non-resident, no income shall be deemed to accrue or arise in India to him through or from operations which are confined to the purchase of goods in India for the purpose of export.

Thus, income of ₹ 3,50,000 arising in the hands of Ms. Ahana would not be taxable in her hands in India, since her operations are confined to purchase of goods in India for the purpose of export.

- (iii) Royalty payable by a non-resident would be deemed to accrue or arise in India in the hands of the recipient only when such royalty is payable in respect of any right, property or information used for the purposes of a business or profession carried on by such non-resident in India or earning any income from any source in India.

In the present case, since Mr. Vikas, a non-resident, paid the royalty of ₹ 4,00,000 for a patent right used for development of a product in India, the same would be taxable in India in the hands of the recipient, Mr. Sumit, a non-resident, irrespective of the fact that only 50% of the royalty is received in India.

- (iv) Interest payable by a non-resident on the money borrowed for any purpose other than a business or profession in India, would not be deemed to accrue or arise in India.

In the present case, since Mr. Jimmy, a non-resident borrowed the money for investment in shares of an Indian company, the interest on such borrowing of ₹ 1,20,000 (₹ 10,00,000 x 12%) payable to Mr. Naveen, a non-resident would not be deemed to accrue or arise to him in India. Hence, the same would not be taxable in India in the hands of Mr. Naveen.

(b) TDS implications

- (i) **On payments made to contractor**

Tax is deductible @5% under section 194M, since payments to Mr. Madan, a contractor, for reconstruction of his residential house exceeds ₹ 50 lakhs in aggregate during the F.Y.2021-22.

Amount of tax to be deducted = 5% of ₹ 60 lakhs = ₹ 3,00,000

- (ii) **Payment to transporter who has not furnished PAN**

Under section 194C, no tax is deductible in respect of payments to a transporter, who owns ten or less goods carriages at any time during the year and furnishes a declaration to that effect along with his PAN to the person paying or crediting such sum.

However, in this case, this exemption from TDS would not be available, since Ramesh has not furnished his PAN to XYZ Ltd. As per section 206AA, due to non-furnishing of PAN, tax would be deductible at a higher rate of 20% and not @1% provided under section 194C.

Amount of tax to be deducted = ₹ 2,00,000 x 20% = ₹ 40,000

(c) Conditions when a person is required to furnish return of income on or before the due date even if he is otherwise not required to furnish return under section 139(1)

Any person, other than a company or a firm, who is not required to furnish a return under section 139(1), is required to file income-tax return in the prescribed form and manner on or before the due date if, during the previous year, such person

- (i) has deposited an amount or aggregate of the amounts exceeding ₹ 1 crore in one or more current accounts maintained with a banking company or a co-operative bank; or
- (ii) has incurred expenditure of an amount or aggregate of the amounts exceeding ₹ 2 lakh for

- himself or any other person for travel to a foreign country; or
- (iii) has incurred expenditure of an amount or aggregate of the amounts exceeding ₹ 1 lakh towards consumption of electricity; or
- (iv) fulfils such other prescribed conditions.

Rule 12AA provides that a person, other than a company or a firm, who is not required to furnish a return under section 139(1), and who fulfils any of the following conditions during the previous year has to file their return of income on or before the due date in the prescribed form and manner -

- (a) if his total sales, turnover or gross receipts, as the case may be, in the business > ₹ 60 lakhs during the previous year; or
- (b) if his total gross receipts in profession > ₹ 10 lakhs during the previous year; or
- (c) if the aggregate of TDS and TCS during the previous year, in the case of the person, is ₹ 25,000 or more; or

However, a resident individual who is of the age of 60 years or more, at any time during the relevant previous year would be required to file return of income only, if the aggregate of TDS and TCS during the previous year, in his case, is ₹ 50,000 or more.

- (d) the deposit in one or more savings bank account of the person, in aggregate, is ₹ 50 lakhs or more during the previous year.

3. (a) **Computation of Capital Gain of Mr. Suresh for A.Y. 2022-23**

Particulars	₹
Capital Gains on sale of residential house	
Actual sale consideration	₹ 80 lakhs
Value adopted by Stamp Valuation Authority	₹ 92 lakhs
[As per section 50C, where the actual sale consideration is less than the value adopted by the Stamp Valuation Authority for the purpose of charging stamp duty and such stamp duty value exceeds 110% of the actual sale consideration, then, the value adopted by the Stamp Valuation Authority shall be taken to be the full value of consideration.	
In a case where the date of agreement is different from the date of registration, stamp duty value on the date of agreement can be considered provided the whole or part of the consideration is paid by way of account payee cheque/bank draft or by way of ECS through bank account or through such other electronic mode as may be prescribed, on or before the date of agreement.	
In this case, since 25% of ₹ 80 lakhs is paid through account payee bank draft on the date of agreement, stamp duty value on the date of agreement can be adopted as the full value of consideration]	
Full value of consideration [Stamp duty value on the date of agreement, since it exceeds 110% of the actual sale consideration]	92,00,000
Less: Indexed cost of acquisition of residential house	
[₹ 21 lakhs x 317/100]	<u>66,57,000</u>
Long-term capital gains [Since the residential house property was held by Mr. Suresh for more than 24 months immediately preceding the date of its transfer]	25,43,000
Less: Exemption under section 54	22,00,000

The capital gain arising on transfer of a long-term residential property shall not be chargeable to tax to the extent such capital gain is invested in the purchase of residential house property in India within one year before or two years after the date of transfer of original asset.	<u>3,43,000</u>
Long-term capital gains chargeable to tax	3,43,000

(b) **Computation of deduction under section 10AA for A.Y. 2022-23**

Since A.Y. 2022-23 is the 6 th assessment year from A.Y. 2017-18, relevant to the previous year 2016-17, in which the SEZ unit began manufacturing of articles or things, it shall be eligible for deduction of 50% of the profits derived from export of such articles or things, assuming all the other conditions specified in section 10AA are fulfilled.			
=	Profits of Unit in SEZ	x	$\frac{\text{Export turnover of Unit in SEZ}}{\text{Total turnover of Unit in SEZ}} \times 50\%$
=	40,00,000	x	$\frac{80,00,000}{1,60,00,000} \times 50\% = ₹ 10,00,000$

Working Note:

	₹
Export Turnover	
Sale proceeds received in India	90,00,000
Less: Freight and insurance for delivery of goods outside India to be excluded from export turnover	<u>10,00,000</u>
	80,00,000
Total turnover	1,70,00,000
Less: Freight and insurance not includible [Since freight and insurance has been excluded from export turnover, the same has to be excluded from total turnover also].	<u>10,00,000</u>
	1,60,00,000

- (c) (i) Any movable property received for inadequate consideration by any person is chargeable to tax under section 56(2)(x), if the difference between aggregate Fair Market Value of the property and consideration exceeds ₹ 50,000.

Thus, share received by Moksh Pvt. Ltd. from Mr Koshi for inadequate consideration is chargeable to tax under section 56(2)(x) to the extent of ₹ 2,00,000.

As per section 50CA, since, the consideration is less than the fair market value of unquoted shares of Style Pvt. Ltd., fair market value of shares of the company would be deemed to be the full value of consideration. It is presumed that the shares of Style Pvt. Ltd are unquoted shares.

The full value of consideration (₹ 5,00,000) less the indexed cost of acquisition (₹ 4,45,000) would result in a long term capital gains of ₹ 55,000 in the hands of Mr. Koshi.

- (ii) The provisions of section 56(2)(x) would not apply to any sum of money or any property received from any trust or institution registered under section 12AB. Therefore, the cash gift of ₹ 1 lakh received from Help Charitable Trust, being a trust registered under section 12AB, for meeting medical expenses would not be chargeable to tax under section 56(2)(x) in the hands of Mr. Chetan.

4. (a)

Computation of total income of Mr. Mihir for A.Y.2022-23

Particulars	₹	₹
Salaries		4,70,000
Profits and gains from business or profession		
Profit from speculation business Y	80,000	
Less: Loss of ₹ 90,000 from speculation business X set-off against profit from speculation business Y to the extent of such profit	<u>(80,000)</u>	
Loss of ₹ 10,000 from speculation business X to be carried forward to A.Y. 2023-24 for set-off against profits from speculation business.		
Income from trading and manufacturing business @8%	5,50,000	
Less: Brought forward business loss of A.Y. 2018-19 set-off since a period of eight assessment years has not expired. Balance loss of ₹ 2,00,000 to be carried forward to A.Y. 2023-24	<u>(5,50,000)</u>	Nil
Capital Gains		
Enhanced compensation received from government for compulsory acquisition [Taxable in P.Y. 2021-22 since enhanced compensation is taxable on receipt basis]	4,00,000	
Long term capital gain on sale of vacant site	1,10,000	
Less: Short term capital loss on sale of jewellery	<u>(1,90,000)</u>	
	3,20,000	
Less: Loss from house property can be set-off to the extent of ₹ 2,00,000 as per section 71(3A) [since long-term capital gains would be chargeable to tax @20%, it would be beneficial to set-off the loss from house property against LTCG]. Balance loss of ₹ 80,000 to be carried forward to A.Y. 2023-24.	<u>(2,00,000)</u>	1,20,000
Income from Other Sources		
Interest on PPF deposit	95,000	
Less: Exempt under section 10(11)	<u>(95,000)</u>	Nil
Gross Total Income		5,90,000
Less: Deduction under Chapter VI-A		
Deduction under section 80C		
Investment in tax saver deposit on 31.3.2022	50,000	
Deduction under section 80G		
Donation to recognized and approved charitable trust [Donation of ₹ 1,10,000 to be first restricted to ₹ 42,000, being 10% of adjusted total income of ₹ 4,20,000 i.e., [₹ 5,90,000 – ₹ 1,20,000 – ₹ 50,000]. Thereafter, deduction would be computed at 50% of ₹ 42,000.	<u>21,000</u>	71,000
Total Income		5,19,000

- (b) In the given case, Mr. Raja gifted a sum of ₹ 8 lakhs to his brother's minor son on 14.5.2021 and simultaneously, his brother gifted debentures worth ₹ 10 lakhs to Mr. Raja's wife on the same date. Mr. Raja's brother's minor son invested the gifted amount of ₹ 8 lakhs in fixed deposit with SBI.

These transfers are in the nature of cross transfers. Accordingly, the income from the assets transferred would be assessed in the hands of the deemed transferor because the transfers are so intimately connected to form part of a single transaction and each transfer constitutes consideration for the other by being mutual or otherwise.

If two transactions are inter-connected and are part of the same transaction in such a way that it can be said that the circuitous method was adopted as a device to evade tax, the implication of clubbing provisions would be attracted¹.

As per section 64(1A), all income of a minor child is includible in the hands of the parent, whose total income, before including minor's income is higher. Accordingly, the interest income arising to Mr. Raja's brother's son from fixed deposits would be included in the total income of Mr. Raja's brother, assuming that Mr. Raja's brother's total income is higher than his wife's total income, before including minor's income. Mr. Raja's brother can claim exemption of ₹ 1,500 under section 10(32).

Interest on debentures arising in the hands of Mrs. Raja would be taxable in the hands of Mr. Raja as per section 64(1)(iv).

This is because both Mr. Raja and his brother are the indirect transferors of the income to their spouse and minor son, respectively, with an intention to reduce their burden of taxation.

In the hands of Mr. Raja, interest received by his spouse on debentures of ₹ 8 lakhs alone would be included and not the entire interest income on the debentures of ₹10 lakhs, since the cross transfer is only to the extent of ₹ 8 lakhs.

Hence, only proportional interest (i.e., 8/10th of interest on debentures received) ₹ 64,800 would be includible in the hands of Mr. Raja.

The provisions of section 56(2)(x) are not attracted in respect of sum of money transferred or value of debentures transferred, since in both the cases, the transfer is from a relative.

(c) Interest under section 201(1A) would be computed as follows –

Particulars	₹
1% on tax deductible but not deducted i.e., 1% on ₹ 5,000 for 5 months	250
1½% on tax deducted but not deposited i.e. 1½% on ₹ 11,000 for 6 months ²	990
	1,240

¹ It was so held by the Apex Court in *CIT vs. Keshavji Morarji (1967) 66 ITR 142*.

² As per TRACES, interest is computed for 7 months

SECTION B - INDIRECT TAXES (40 MARKS)

SUGGESTED ANSWERS

Division A - Multiple Choice Questions

Question No.	Answer	
1	(b)	₹ 8,08,000
2	(d)	5 th September; 5 th September
3	(d)	₹ 3,00,000
4	(d)	not a supply as per Schedule I of the CGST Act, 2017
5	(d)	Nil
6	(a)	trucks purchased by a company for transportation of its finished goods

Division B - Descriptive Questions

1. Computation of GST payable on outward supplies

S. No.	Particulars	CGST (₹)	SGST (₹)	IGST (₹)	Total (₹)
GST payable under forward charge					
(i)	Intra-State supply of goods [Note-1]	36,000	36,000	Nil	72,000
(ii)	Services provided to a foreign diplomatic mission located in India [Note-2]	9,000	9,000	Nil	18,000
(iii)	Services provided to Dhruv Ltd. in respect of a business exhibition held in Delhi [Note-3]	Nil	Nil	1,800	1,800
(iv)	Inter-State security services provided to Torrent higher secondary school for their annual day function to be held in Katyani Auditorium. [Note-4]	Nil	Nil	2,700	2,700
Total GST payable under forward charge		45,000	45,000	4,500	94,500
GST payable under reverse charge					
	GTA services availed [As per Notification No. 13/2017 CT(R) dated 28.06.2017, GST is payable by the recipient on reverse charge basis on the receipt of services of transportation of goods by road from a goods transport agency (GTA), provided GST is not payable @ 12% and services have been received by the specified recipient. Since in the given case, services have been received from a GTA where GST is payable @ 5% and recipient is one of the specified recipients, reverse charge provisions will be applicable.]	Nil	Nil	10,000	10,000

Notes

- Intra-State supply of goods is leviable to CGST and SGST.

2. Services by a foreign diplomatic mission located in India are exempt vide *Notification No. 12/2017 CT(R) dated 28.06.2017*. However, no exemption is available with respect to the services provided to a foreign diplomatic mission located in India.
3. Services by an organiser to any person in respect of a business exhibition are exempt vide *Notification No. 12/2017 CT(R) dated 28.06.2017*, only if such business exhibition is held outside India. Thus, in the given case, said service is taxable.
4. Security services provided to Torrent higher secondary School for Annual Day function organised outside the school campus will be taxable as only the security services performed within the premises of the higher secondary school are exempt vide *Notification No. 12/2017 CT(R) dated 28.06.2017*.

Computation of total ITC available

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
Opening ITC	57,000	Nil	50,000
Add: Purchase of goods destroyed due to fire before being put into the production process [ITC is blocked on lost goods, stolen goods, destroyed goods and goods that are written off]	Nil	Nil	Nil
Add: Purchase of food items for being served to the customers, free of cost [Blocked credit]	Nil	Nil	Nil
Add: Goods transport services received from GTA [ITC is available for the services received from GTA since it is used in course or furtherance of business.]	Nil	Nil	10,000
Add: Inputs to be received in 3 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	60,000

Computation of minimum GST payable from electronic cash ledger

Particulars	CGST (₹)	SGST (₹)	IGST (₹)	Total (₹)
GST payable under forward charge	45,000	45,000	4,500	94,500
Less: ITC [First ITC of IGST should be utilized in full - first against IGST liability and then against CGST and SGST liabilities in a manner to minimize cash outflow]	(10,500) IGST (3)	(45,000) IGST (2)	(4,500) IGST (1)	60,000
	(34,500) CGST			34,500
GST payable under reverse charge on GTA services [Payable in cash since 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]			10,000	
Minimum GST payable in cash	Nil	Nil	10,000	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.

2. (a) **Computation of GST payable**

Particulars	Amount (₹)	GST payable @ 18% (₹)
Fees charged for 'Swasthya Yoga Camp' conducted by Chandra Prakash Charitable Trust, registered under section 12AB of the Income-tax Act, 1961 [Note-1]	Nil	Nil
Amount charged by business correspondent from Wealthy Banking Company for the services provided to the rural branch of a bank with respect to Savings Bank Accounts [Note-2]	Nil	Nil
Amount charged by cord blood bank for preservation of stem cells [Note-3]	Nil	Nil
Service provided by selectors to a recognized sports body [Note-4]	5,20,000	5,20,000

Notes:

1. Services by an entity registered under section 12AB of the Income-tax Act, 1961 by way of charitable activities are exempt from GST. The activities relating to advancement of yoga are included in the definition of charitable activities. So, such activities are exempt from GST.
 2. Services by business facilitator or a business correspondent to a banking company with respect to accounts in its rural area branch have been exempted from GST.
 3. Services provided by cord blood banks by way of preservation of stem cells/any other service in relation to such preservation are exempt from GST.
 4. Services provided to a recognized sports body only by an individual as a player, referee, umpire, coach or team manager for participation in a sporting event organized by a recognized sports body are exempt from GST. Thus, services provided by selectors are liable to GST.
- (b) (i) GST on supply of services by director of a company to the said company located in the taxable territory is payable on reverse charge basis.
- Therefore, in the given case, person liable to pay GST is the recipient of services, i.e., Universe Pvt. Ltd.
- (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.
- Further, for the reverse charge purposes, Limited Liability Partnership formed and registered under the provisions of the Limited Liability Partnership Act, 2008 is also be considered as a partnership firm. Therefore, in the given case, Virat Cricket Academy is liable to pay GST under reverse charge.
- (iii) GST on legal services supplied by an advocate [Mr. Gaba] to any business entity [M/s Naveen Consultants] located in the taxable territory is payable on reverse charge basis.
- Therefore, in the given case, person liable to pay GST is the recipient of services, i.e., M/s. Naveen Consultants.
3. (a) As per section 22 read with *Notification No. 10/2019 CT dated 07.03.2019*, a supplier is liable to be registered in the State/Union territory from where he makes a taxable supply of goods and/or services, if his aggregate turnover in a financial year exceeds the threshold limit. The threshold limit for a person making exclusive intra-State taxable supplies of goods is as under:-

- (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 notified products.

Aggregate turnover includes the aggregate value of:

- (i) all taxable supplies,
- (ii) all exempt supplies,
- (iii) exports of goods and/or services and
- (iv) all inter-State supplies of persons having the same PAN.

CGST is not leviable on five petroleum products i.e. petroleum crude, motor spirit (petrol), high speed diesel, natural gas and aviation turbine fuel. Exempt supply includes non-taxable supply. Thus, supply of high-speed diesel in Delhi, being a non-taxable supply, is an exempt supply and is, therefore, includible while computing the aggregate turnover.

In the backdrop of the above-mentioned discussion, the aggregate turnover of Madhav Oils for the month of April is computed as under:

S. No.	Particulars	Amount (in ₹)
(i)	Supply of machine oils in Delhi	15,00,000
(ii)	Add: Supply of high speed diesel in Delhi	10,00,000
(iii)	Add: Supply of machine oil made by Madhav Oils from its branch located in Punjab	<u>10,00,000</u>
	Aggregate Turnover	35,00,000

Madhav Oils is making exclusive supply of goods and hence the threshold limit for registration would be ₹ 40,00,000. Since the aggregate turnover does not exceed ₹ 40,00,000, Madhav Oils is not liable to be registered.

- (b) The amount available in the electronic credit ledger, i.e. ITC may be used for making any payment towards output tax. Output tax in relation to a taxable person, means the tax chargeable on taxable supply of goods or services or both made by him or by his agent but excludes tax payable by him on reverse charge basis.

Therefore, ITC cannot be used to pay the tax liability under reverse charge. The same is always required to be paid through electronic cash ledger and not electronic credit ledger. Thus, Rajul is wrong and she will need to pay the GST of ₹ 2,700 on security service through electronic cash ledger.

4. (a) A person applying for registration can take input tax credit of inputs held in stock and inputs contained in semi- finished or finished goods held in stock on the day immediately preceding the date of grant of registration. If the person was liable to take registration and he has applied for registration within thirty days from the date on which he became liable to registration, then ITC of inputs held in stock and inputs contained in semi- finished or finished goods held in stock on the day immediately preceding the date on which he became liable to pay tax can be taken.

In case of voluntary registration, ITC of such goods held in stock on the day immediately preceding the date of registration can be taken.

- (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 the due date for furnishing of return for the month of September or second quarter (in case of quarterly filers) following the end of the financial year to which such details pertain, or the actual date of furnishing of relevant annual return, whichever is earlier