

**MOCK TEST PAPER 1**  
**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.2023-24.*

**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. Kamal, an Indian citizen, aged 61 years, has set-up his business in Canada and is residing in Canada since 2010. He owns a house property in Canada, half of which is used by him for his residence and half is given on rent (converted into INR is ₹ 12,00,000 p.a.).

He purchased a flat in Delhi on 13.10.2020 for ₹ 42,00,000. The stamp duty value of the flat was ₹ 35,00,000. He has taken a loan from Canara Bank in India of ₹ 34,00,000 for purchase of this flat. The interest on such loan for the F.Y. 2022-23 was ₹ 3,14,000 and principal repayment was ₹ 80,000. Mr. Kamal has given this flat on monthly rent of ₹ 32,500 since April, 2022. The annual property tax of Delhi flat is ₹ 40,000 which is paid by Mr. Kamal, whenever he comes to India to meet his parents. Mr. Kamal visited India for 124 days during the previous year 2022-23. Before that he visited India in total for 366 days during the period 1.4.2018 to 31.3.2022.

He had a house in Ranchi which was sold in May 2019. In respect of this house, he received arrears of rent of ₹ 2,96,000 in February 2023 (not taxed earlier).

He also derived some other incomes during the F.Y. 2022-23 which are as follows:

- (i) Profit from business in Canada ₹ 2,75,000
- (ii) Interest on bonds of a Canadian Co. ₹ 6,20,000 out of which 50% was received in India.
- (iii) Income from Apple Orchid in Nepal given on contract and the yearly contract fee of ₹ 5,00,000 for F.Y. 2022-23, was received by Kamal in Nepal.

Mr. Kamal has sold 10,000 listed shares @ ₹ 480 per share of A Ltd., an Indian company, on 15.9.2022, which he acquired on 05-04-2017 @ ₹ 100 per share. STT was paid both at the time of acquisition as well as at the time of transfer of such shares.

On 31-01-2018, the shares of A Ltd. were traded on a recognized stock exchange as under:

Highest price - ₹ 300 per share

Average price - ₹ 290 per share

Lowest price - ₹ 280 per share

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

- (i) What would be the residential status of Mr. Kamal for the A.Y. 2023-24?

- (a) Resident and ordinarily resident in India
  - (b) Resident but not ordinarily resident in India
  - (c) Non-resident
  - (d) Deemed resident
- (ii) What would be the amount of income taxable under the head "Income from house property" in the hands of Mr. Kamal for the A.Y. 2023-24?
- (a) ₹ 2,52,200
  - (b) ₹ 1,38,200
  - (c) ₹ 9,78,200
  - (d) ₹ 10,92,200
- (iii) What amount of capital gain would arise in the hands of Mr. Kamal on transfer of shares of A Ltd?
- (a) ₹ 18,00,000
  - (b) ₹ 19,00,000
  - (c) ₹ 20,00,000
  - (d) ₹ 38,00,000
- (iv) What would be the total income of Mr. Kamal for the A.Y. 2023-24, if he does not opt to pay tax u/s 115BAC?
- (a) ₹ 22,82,200
  - (b) ₹ 22,68,200
  - (c) ₹ 22,48,200
  - (d) ₹ 21,68,200
- (v) What would be the tax liability (computed in the manner so as to minimise his tax liability) of Mr. Kamal for the A.Y. 2023-24?
- (a) ₹ 1,82,950
  - (b) ₹ 1,87,110
  - (c) ₹ 1,80,350
  - (d) ₹ 1,84,510

**(5 x 2 = 10 Marks)**

2. Mrs. Archana, wife of Mr. Raj, started a business of trading in beauty products on 15.5.2022. She invested ₹ 5 lakhs in the business on 15.5.2022 out of gift received from her husband, Mr. Raj. She further invested ₹ 4 lakhs from her own savings on 15.12.2022. She earned profits of ₹ 1,50,000 from her business for the financial year 2022-23. Which of the following statements is correct?
- (a) Share of profit of ₹ 1,50,000 is includible in the hands of Mrs. Archana.
  - (b) Share of profit of ₹ 66,667 is includible in the hands of Mr. Raj and share of profit of ₹ 83,333 is includible in the hands of Mrs. Archana.
  - (c) Share of profit of ₹ 83,333 is includible in the hands of Mr. Raj and share of profit of ₹ 66,667 is includible in the hands of Mrs. Archana.
  - (d) Share of profit of ₹ 1,50,000 is includible in the hands of Mr. Raj.

**(2 Marks)**

3. An amount of ₹ 60,000 was paid to Mr. Samar on 1.7.2022 towards fees for professional services without deduction of tax at source. Subsequently, another payment of ₹ 75,000 was due to Mr. Samar on 28.02.2023, from which tax @10% (amounting to ₹ 13,500) on the entire amount of ₹ 1,35,000 was deducted and the net amount was paid on the same day to Mr. Samar. However, this tax of ₹ 13,500 was deposited only on 22.6.2023. The interest chargeable under section 201(1A) would be:
- (a) ₹ 480
  - (b) ₹ 1,290
  - (c) ₹ 1,260
  - (d) ₹ 810
- (2 Marks)**

4. Mr. C, aged 35 years, is a working partner in M/s BCD, a partnership firm, with equal profit sharing ratio. During the P.Y. 2022-23, the firm has paid remuneration to Mr. B, Mr. C and Mr. D, being the working partners of the firm, of ₹ 2,00,000 each. The firm has paid interest on capital of ₹ 1,20,000 in toto to all the three partners and the same is within the prescribed limit of 12%. The firm had a loss of ₹ 1,12,000 after debiting remuneration and interest on capital.

**Note** – Remuneration and interest on capital is authorized by the partnership deed

You, being the CA of Mr. C, are in the process of computing his total income. What would be his taxable remuneration from the firm?

- (a) ₹ 2,00,000
  - (b) ₹ 1,51,600
  - (c) ₹ 1,27,600
  - (d) ₹ 1,50,000
- (2 Marks)**
5. Income derived from farm building situated in the immediate vicinity of an agricultural land (not assessed to land revenue) would be treated as agricultural income if such land is situated in –
- (a) an area at a distance of 3 kms from the local limits of a municipality and has a population of 80,000 as per last census
  - (b) an area within 1.5 kms from the local limits of a municipality and has a population of 12,000 as per last census
  - (c) an area within 2 kms from the local limits of a municipality and has a population of 11,00,000 as per last census
  - (d) an area within 8 kms from the local limits of a municipality and has a population of 10,50,000 as per last census
- (1 Mark)**
6. The Gupta HUF in Maharashtra comprises of Mr. Harsh Gupta, his wife Mrs. Nidhi Gupta, his son Mr. Deepak Gupta, his daughter-in-law Mrs. Deepti Gupta, his daughter Miss Preeti Gupta. Which of the members of the HUF are eligible for coparcenary rights?
- (a) Only Mr. Harsh Gupta and Mr. Deepak Gupta
  - (b) Only Mr. Harsh Gupta, Mr. Deepak Gupta and Miss Preeti Gupta
  - (c) Only Mr. Harsh Gupta, Mr. Deepak Gupta, Mrs. Nidhi Gupta and Mrs. Deepti Gupta
  - (d) All the members are co-parceners
- (1 Mark)**

## Division B – Descriptive Questions

Question No. 1 is compulsory

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

1. Mr. Samar, a resident individual, aged 43 years, provides professional services in the field of interior decoration. His Income & Expenditure A/c for the year ended 31st March, 2023 is as under:

Expenditure	₹	Income	₹
To Employees' Remuneration & Benefits	13,66,000	By Consultancy Charges	58,80,000
To Office & Administrative Exp.	3,14,000	By Interest on Public Provident Fund (PPF) Account	60,000
To General Expenses	75,000	By Interest on Savings Bank Account	20,000
To Electricity Expenses	65,000	By Interest on National Savings Certificates VIII Issue (for 3rd year)	21,000
To Medical Expenses	80,000		
To Purchase of Furniture	48,000		
To Depreciation	90,000		
To Excess of income over exp.	39,43,000		
	59,81,000		59,81,000

The following other information relates to financial year 2022-23:

- (i) The expenses on Employees' Remuneration & Benefits includes:
  - (a) Family Planning expenditure of ₹ 20,000 incurred for the employees which was revenue in nature. The same was paid through account payee cheque.
  - (b) Payment of salary of ₹ 25,000 per month to sister-in-law of Mr. Samar, who was in-charge of the Accounts & Receivables department. However, in comparison to similar work profile, the reasonable salary at market rates is ₹ 20,000 per month.
- (ii) Amount received by Mr. Samar as Employees' Contribution to EPF for the month of February, 2023 - ₹ 10,000 was deposited after the due date under the relevant Act relating to EPF.
- (iii) Medical Expenses of ₹ 80,000 as appearing in the Income & Expenditure A/c was expensed for the treatment of father of Mr. Samar. His father was 72 years old and was not covered by any health insurance policy. The said payment of ₹ 80,000 was made through account payee cheque.
- (iv) General expenses as appearing in the Income & Expenditure A/c, includes a sum of ₹ 25,000 paid to Ms. Anjaleen on 5th January, 2023 as commission for securing work from new clients. This payment was made to her without deduction of tax at source.
- (v) Written down value of the depreciable assets as on 1st April, 2022 were as follows:
  - Professional Books ₹ 90,000
  - Computers ₹ 35,000
- (vi) The new Furniture as appearing in the Income & Expenditure A/c was purchased on 31st August, 2022 and was put to use on the same day. The payment was made as under:
  - ₹ 18,000 paid in cash at the time of purchase of new furniture on 31.08.2022.

- ₹ 19,000 paid by account payee cheque on 05.09.2022 as balance cost of new furniture and
  - ₹ 11,000 paid in cash on 31.08.2022 to the transporter as freight charges for the new furniture.
- (vii) Mr. Samar purchased a car on 02.04.2021 for ₹ 3,35,000 for personal use. However, on 30.04.2022 he brought the said car for use in his profession. The fair market value of the car as on 30.04.2022 was ₹ 2,50,000.
- (viii) Mr. Samar made a contribution of ₹ 1,00,000 in his PPF A/c on 31.01.2023.
- (ix) The Gross Professional Receipts of Mr. Samar for P.Y. 2021-22 was ₹ 52,00,000.

Compute the total income and tax liability of Mr. Samar for A.Y. 2023-24, assuming that he has not opted for payment of tax under section 115BAC.

Ignore provisions under section 14A relating to disallowance of expenditure incurred in relation to income not includible in total income. **(14 Marks)**

2. (a) Determine the residential status of Mrs. Rose and compute her gross total income chargeable to tax for the A.Y. 2023-24 from the following information gathered from her documents:

Mrs. Rose is an Australian, got married to Mr. Ram of India in Australia on 2.01.2022 and came to India for the first time on 18.02.2022. She left for Australia on 15.9.2022. She returned to India again on 23.03.2023.

On 01.04.2022, she had purchased a Flat in Delhi, which was let out to Mr. Sahil on a rent of ₹ 25,000 p.m. from 1.5.2022. She had taken loan from an Indian bank for purchase of this flat on which bank had charged interest of ₹ 1,85,500 upto 31.03.2023.

While in India, during the previous year 2022-23, she had received a gold chain from her in-laws worth ₹ 1,50,000. **(6 Marks)**

- (b) State in brief the applicability of provisions of tax deduction at source, the rate and amount of tax deduction in the following cases for the financial year 2022-23 under Income-tax Act, 1961. Assume that all payments are made to residents:

(i) Mr. Amar has paid ₹ 6,00,000 on 15.10.2022 to M/s Fresh Cold Storage Pvt. Ltd. for preservation of fruits and vegetables. He is engaged in the wholesale business of fruits & vegetable in India having turnover of ₹ 3 crores during the previous year 2022-23.

(ii) Mr. Ramu, a salaried individual, has paid rent of ₹ 60,000 per month to Mr. Shiv Kumar from 1st July, 2022 to 31st March, 2023. Mr. Shiv Kumar has not furnished his Permanent Account Number. **(4 Marks)**

- (c) Examine the following transactions with reference to applicability of the provision of tax collected at source and the rate and amount of the TCS for the A.Y. 2023-24.

(i) Mr. Kalpit bought an overseas tour programme package for Singapore for himself and his family of ₹ 5 lakhs on 01-11-2022 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. Assuming Kalpit is not liable to deduct tax at source under any other provisions of the Act.

(ii) Mr. Anuj doing business of textile as a proprietor. His turnover in the business is ₹ 11 crores in the previous year 2021-22. He received payment against sale of textile goods from Mr. Ram of ₹ 75 lakhs against the sales made to him in the previous year 2022-23. Mr. Ram's turnover for the P.Y. 2021-22 was ₹ 5 crores. (Assuming all the sales are domestic sales). **(4 Marks)**

3. (a) Mr. Shiva purchased a house property on February 15, 1979 for ₹ 3,24,000. In addition, he has also paid stamp duty value @10% on the stamp duty value of ₹ 3,50,000.

In April, 2008, Mr. Shiva entered into an agreement with Mr. Mohan for sale of such property for ₹ 14,35,000 and received an amount of ₹ 1,11,000 as advance. However, the sale consideration did not materialize and Mr. Shiva forfeited the advance. In May 2015, he again entered into an agreement for sale of said house for ₹ 20,25,000 to Ms. Deepshikha and received ₹ 1,51,000 as advance. However, as Ms. Deepshikha did not pay the balance amount, Mr. Shiva forfeited the advance. In August, 2015, Mr. Shiva constructed the first floor by incurring a cost of ₹ 3,90,000.

On November 15, 2022, Mr. Shiva entered into an agreement with Mr. Manish for sale of such house for ₹ 30,50,000 and received an amount of ₹ 1,50,000 as advance through an account payee cheque. Mr. Manish paid the balance entire sum and Mr. Shiva transferred the house to Mr. Manish on February 20, 2023. Mr. Shiva has paid the brokerage @1% of sale consideration to the broker.

On April 1, 2001, fair market value of the house property was ₹ 11,85,000 and Stamp duty value was ₹ 10,70,000. Further, the Valuation as per Stamp duty Authority of such house on 15<sup>th</sup> November, 2022 was ₹ 39,00,000 and on 20<sup>th</sup> February, 2023 was ₹ 41,00,000.

Compute the capital gains in the hands of Mr. Shiva for A.Y.2023-24.

CII for F.Y. 2001-02: 100; F.Y. 2008-09: 137; F.Y. 2015-16: 254; F.Y. 2022-23: 331 (7 Marks)

- (b) Mr. Sonu, General Manager of Akon Ltd., Delhi, furnishes the following particulars for the financial year 2022-23:

- (i) Salary ₹ 46,000 per month
- (ii) Value of medical facility in a hospital maintained by the company ₹ 7,000
- (iii) Rent free accommodation owned by the company
- (iv) Housing loan of ₹ 6,00,000 given on 01.04.2018 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 01.04.2022 in respect of housing loan is 10%.
- (v) Gifts in kind made by the company on the occasion of wedding anniversary of Mr. Sonu ₹ 4,750.
- (vi) A four seater dining table was provided to Mr. Sonu at his residence. This was purchased by the company on 1.5.2019 for ₹ 60,000 and sold to Mr. Sonu on 1.8.2022 for ₹ 30,000.
- (vii) 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 Mr. Sonu.
- (viii) A Maruti Suzuki car which was purchased by the company on 16.7.2019 for ₹ 2,50,000 was sold to Mr. Sonu on 14.7.2022 for ₹ 80,000.

Other income received by the assessee during the previous year 2022-23:

	Particulars	₹
(a)	Interest on Fixed Deposits with a company	5,000
(b)	Income from specified mutual fund	3,000
(c)	Interest on bank fixed deposits of a minor married daughter	3,000

- (ix) Contribution to LIC towards premium under section 80CCC ₹ 1,00,000

(x) Deposit in PPF Account made during the year 2022-23 ₹ 40,000

Compute the taxable income of Mr. Sonu for the Assessment year 2023-24 assuming he is not opting for section 115BAC. **(7 Marks)**

4. (a) Mr. Rakesh furnishes the following information for the financial year 2022-23.

Particulars	₹
Loss from speculation business-X	85,000
Profit from speculation business-Y	45,000
Interest on borrowings in respect of self-occupied house property	3,18,000
Income from let out house property	1,20,000
Presumptive Income from trading and manufacturing business under section 44AD	1,00,000
Salary from XYZ (P) Ltd.	5,25,000
Interest on PPF deposit	75,000
Long term capital gain on sale of Vacant site	1,25,000
Brought forward loss of business of assessment year 2018-19	1,00,000
Donation to a charitable trust registered under section 12AB and approved under section 80G (payment made via credit card)	60,000

Compute total income of Mr. Rakesh for the assessment year 2023-24 also show the loss, eligible to be carried forward. Assume that he does not opt for section 115BAC. **(7 Marks)**

(b) Mr. Om has gifted a house property valued at ₹ 50 lakhs to his wife, Mrs. Uma, who in turn has gifted the same to Mrs. Pallavi, their daughter-in-law. The house was let out at ₹ 25,000 per month throughout the year. Compute the total income of Mr. Om and Mrs. Pallavi.

Will your answer be different if the said property was gifted to his son, husband of Mrs. Pallavi?

**(4 Marks)**

(c) Mr. Ram furnished his return of income for the A.Y. 2023-24 on 20.07.2022. Due to missing information for payment of taxes in the return of income, the Assessing Officer considers it defective under section 139(9) of the Income-tax Act, 1961.

(i) What are the consequences if defect is not rectified within the time allowed?

(ii) Specify the remedies available if not rectified within time allowed by the Assessing Officer?

**(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 CGST Act, 2017 and the IGST Act, 2017 as amended by the Finance Act, 2022, including significant notifications and circulars issued, up to 31<sup>st</sup> October 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**

Poorva Logistics, a Goods Transport Agency, is registered under GST. It did not exercise the option to itself pay GST on the services supplied by it in the preceding financial year. It provided goods transport services (taxable @ 5%) to the following persons in February of preceding financial year-

- (a) Kunal Traders, an unregistered partnership firm
- (b) Mr. Amar, who is not registered under GST
- (c) Small Traders Co-Operative Society registered under Societies Registration Act

In a particular consignment in March of preceding financial year, Poorva Logistics transported the following-

- (a) Defence Equipments
- (b) Railway Equipments
- (c) Organic Manure

Poorva Logistics exercises the option to itself pay GST on services supplied by it @ 12% from April, of the current financial year. It provided goods transport services to Bama Steels Pvt. Ltd. on 1<sup>st</sup> April and issued an invoice dated 5<sup>th</sup> May. Payment was received on 6<sup>th</sup> May.

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

1. Which of the following persons are liable to pay GST under reverse charge in respect of the GTA services provided by Poorva Logistics in February of the preceding financial year?
  - (i) Kunal Traders
  - (ii) Mr. Amar
  - (iii) Small Traders Co-operative society
  - (a) i & ii
  - (b) ii & iii
  - (c) i & iii
  - (d) i, ii & iii
2. Transportation of \_\_\_\_\_ by Poorva Logistics is exempt from GST.
  - (i) Defence Equipments
  - (ii) Railway Equipments

- (iii) Organic Manure
- (a) i
- (b) i & ii
- (c) i & iii
- (d) i , ii & iii
3. What will be the time of supply in respect of the services provided by Poorva Logistics to Bama Steels Pvt. Ltd.?
- (a) 6<sup>th</sup> May
- (b) 5<sup>th</sup> May
- (c) 30<sup>th</sup> May
- (d) 1<sup>st</sup> April

**(3 x 2 Marks = 6 Marks)**

4. Determine which of the following independent transactions even if made without consideration in terms of Schedule I of the CGST Act, 2017, will be deemed as supply?
- (i) AB & Associates transfers stock of goods from its Mumbai branch to Kolkata depot for sale of such goods at the depot.
- (ii) Mr. Raghuvver, a dealer of air-conditioners permanently transfers the motor vehicle free of cost. ITC on said motor vehicle was blocked and therefore, was not availed.
- (iii) Mrs. Riddhi, an employee of Sun Ltd., received gift from her employer on the occasion of Diwali worth ₹ 21,000.
- (a) (i)
- (b) (ii)
- (c) (iii)
- (d) Both (i) and (ii)

**(2 Marks)**

5. PZY Ltd. is engaged in manufacturing of motor car. The company paid following amount of GST to its suppliers against the invoices raised to it. Compute the amount of ineligible input tax credit under GST law:-

S. No.	Particulars	GST Paid (₹)
1.	General insurance taken on cars manufactured by PZY Ltd.	1,00,00,000
2.	Buses purchased for transportation of employees (Seating capacity 23)	25,00,000
3.	Life and health insurance for employees under statutory obligation	6,00,000
4.	Outdoor catering in Diwali Mela organized for employees	3,50,000

- (a) ₹ 9,50,000
- (b) ₹ 3,50,000
- (c) ₹ 1,31,00,000
- (d) ₹ 28,50,000

**(2 Marks)**

6. Ms. Pearl is a classical singer. She wants to organize a classical singing function, so she booked an auditorium on 10th August for a total amount of ₹ 20,000. She paid ₹ 5,000 as advance on that day. The classical singing function was organized on 10th October. The auditorium owner issued invoice to

Ms. Pearl on 25th November amounting to ₹ 20,000. Pearl made balance payment of ₹ 15,000 on 30th November. Determine the time of supply in this case.

- (a) Time of supply is 25th November for ₹ 20,000.  
 (b) Time of supply is 25th November for ₹ 5,000 & 30th November for ₹ 15,000.  
 (c) Time of supply is 10th August for ₹ 5,000 & 10th October for ₹ 15,000.  
 (d) Time of supply is 10th October for ₹ 20,000.

**(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. M/s. Flow Pro, a registered supplier, is engaged in manufacturing heavy steel fabrication machine. The details pertaining to pricing of each such machine is as follows:

S. No.	Particulars	Amount (₹)
(i)	Price of the machine [excluding taxes and other charges mentioned at S. Nos. (ii) and (iii)]	25,00,000
(ii)	Third party inspection charges [Such charges were payable by M/s Flow Pro but the same have been directly paid by BP Ltd. to the inspection agency. These charges were not recorded in the invoice issued by M/s Flo Pro.]	5,00,000
(iii)	Freight charges for delivery of the machine [M/s Flow Pro has agreed to deliver the goods at BP Ltd.'s premises]	2,00,000
(iv)	Subsidy received from the State Government on sale of machine under Skill Development Programme [Subsidy is directly linked to the price]	5,00,000
(v)	Discount of 2% is offered to BP 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.

M/s. Flow Pro has supplied one such machine in the month of October. It also provided the following details pertaining to the purchases made/services availed during said month:

S. No.	Inward supplies	IGST (₹)	Remarks
(i)	Inputs 'A'	1,00,000	One invoice on which IGST payable was ₹ 10,000, is missing
(ii)	Inputs 'B'	50,000	Inputs are to be received in two lots. First lot has been received in October
(iii)	Capital goods	1,20,000	M/s. Flow Pro has capitalised the capital goods at full invoice value inclusive of GST as it will avail depreciation on the full invoice value.
(iv)	Input services	2,25,000	One invoice dated 20 <sup>th</sup> January of preceding financial year on which GST payable was ₹ 50,000 was missing and has been found in October

Compute the net GST payable in cash by M/s. Flow Pro for October assuming that all the inward supplies are inter-State supplies and all outward supplies are intra-State supplies. Assume the rates of taxes to be as under:

Particulars	Rates of tax
Central tax (CGST)	9%
State Tax (SGST)	9%
Integrated tax (IGST)	18%

Make suitable assumptions, wherever necessary. All the conditions necessary for availing the ITC have been fulfilled. Opening balance of the input tax credit for the relevant period is Nil. The annual return for the previous financial year was filed on 15<sup>th</sup> September of the current year. **(8 Marks)**

2. (a) State with reasons, whether GST is payable in the following independent cases:-
- Food supplied by the canteen run by a hospital to the in-patients as advised by the doctors.
  - An RWA in a housing society, registered under GST, collects the maintenance charges of ₹ 6,500 per month per member. **(2 x 2 Marks = 4 Marks)**
- (b) M/s United Electronics, a registered dealer, is supplying all types of electronic appliances in the State of Karnataka. Its aggregate turnover in the preceding financial year by way of supply of appliances is ₹ 120 lakh.
- The firm also expects to provide repair and maintenance service of such appliances from the current financial year.
- With reference to the provisions of the CGST Act, 2017, examine:
- Whether the firm can opt for the composition scheme, under section 10(1) and 10(2), for the current financial year, as the turnover may include supply of both goods and services?
  - If yes, up to what amount, the services can be supplied? **(6 Marks)**
3. (a) Determine the effective date of registration in following cases:
- The aggregate turnover of Dhampur Footwear Industries of Delhi has exceeded the applicable threshold limit of ₹ 40 lakh on 1<sup>st</sup> September. It submits the application for registration on 20<sup>th</sup> September. Registration certificate is granted to it on 25<sup>th</sup> September.
  - Mehta Teleservices is an architect in Lucknow. Its aggregate turnover exceeds ₹ 20 lakh on 25<sup>th</sup> October. It submits the application for registration on 27<sup>th</sup> November. Registration certificate is granted to it on 5<sup>th</sup> December. **(2 x 3 Marks = 6 Marks)**
- (b) Udai Singh, a registered supplier, has received advance payment with respect to services to be supplied to Sujamal. His accountant asked him to issue the receipt voucher with respect to such services to be supplied. However, he is apprehensive as to what would happen in case a receipt voucher is issued, but subsequently no services are supplied. You are required to advise Udai Singh regarding the same. **(4 Marks)**
4. (a) A registered person must pay to the supplier, the value of the goods and/or services along with the tax within 180 days from the date of issue of invoice. State the exceptions to said rule. **(3 Marks)**
- (b) The goods supplied on hire purchase basis will be treated as supply of services. Examine the validity of the statement. **(2 Marks)**
- (c) Briefly elaborate the provisions relating to nil GSTR-3B. **(5 Marks)**

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

**Division A – Multiple Choice Questions**

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

**Division B – Descriptive Questions**

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

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

<sup>1</sup> As per section 2(41)

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

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

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

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

2. (a) Under section 6(1), an individual is said to be resident in India in any previous year, if he satisfies any one of the following conditions:

- (i) He has been in India during the previous year for a total period of 182 days or more, or
- (ii) He has been in India during the 4 years immediately preceding the previous year for a total period of 365 days or more and has been in India for at least 60 days in the previous year.

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

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

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

**P.Y. 2022-23**

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

**Four preceding previous years**

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

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

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

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

<sup>2</sup> 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.

<b>Income from Other Sources</b>		
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
<b>Gross Total income</b>		<b>7,000</b>

**(b) TDS implications**

- (i) The arrangement between Mr. Amar, the customer, and M/s. Fresh Cold Storage Pvt. Ltd., the cold storage owner, is basically contractual in nature and main object of the cold storage is to preserve perishable goods by mechanical process and storage of such goods is only incidental. Hence, the provisions of section 194C will be applicable to the amount of ₹ 6 lakh paid by Mr. Amar to the cold storage company<sup>3</sup>.

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

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

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

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

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

**(c) TCS implications**

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

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

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

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

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

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

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

<sup>3</sup> Circular No. 1/2008 dated 10.1.2008

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

**Notes:**

**(1) Computation of indexed cost of acquisition**

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

**(2) Computation of indexed cost of improvement**

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

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

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

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

**Working Note:**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**SECTION B - INDIRECT TAXES (40 MARKS)**

**SUGGESTED ANSWERS**

**Division A - Multiple Choice Questions**

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

**Division B - Descriptive Questions**

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

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

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

**Working note – 1**

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

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

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

### Working note – 2

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

supplies, being incurred by the recipient of the supply.

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

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

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

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