

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.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. Sahil, aged 45 years, working in Sky Pvt. Limited as Senior Manager - Finance. His yearly pay slip for the financial year 2022-23 is as follows:

<u>Earnings</u>	<u>₹</u>	<u>Deduction</u>	<u>₹</u>
Basic Pay	6,34,068	Employee's contribution to RPF	1,14,132
Dearness allowance	1,26,814	Profession tax	2,400
HRA	3,17,040	Income-tax	2,32,830
Transport Allowance	19,200	Net Pay	13,03,848
Personal Allowance	5,09,088		
Children Education Allowance for two children	12,000		
Medical Allowance	15,000		
Bonus	20,000		
Total Earnings	16,53,210		16,53,210

- (i) His employer also contributes equivalent amount of contribution towards RPF.
- (ii) Dearness allowance forms part of retirement benefits.
- (iii) He has intimated to his company that he would opt for section 115BAC for the A.Y. 2023-24. Consequently, he has not submitted any investment proof to company.
- (iv) He has paid ₹ 55,212 towards mediclaim premium for his parents (resident and aged above 65 years) by account payee cheque.
- (v) He has purchased a house of ₹ 38,00,000 during the year 2020 and taken a loan of ₹ 28,00,000 from HDFC to purchase this house. Stamp duty value of such house was ₹ 35,00,000. He is paying EMI of ₹ 22,835. Possession of house is received on 01.04.2022. He himself is occupying this house. Total principal and interest paid for full year is ₹ 55,037 and ₹ 2,18,983, respectively, as per interest certificate received from bank for F.Y. 2022-23.
- (vi) He has 3 children, studying in Sandalwood International School. The following are the components of school fees paid for the Academic Session 2022-23:

School Fees Component	Child 1	Child 2	Child 3	Total
Tuition fees	30,000	37,000	40,000	1,07,000

Admission fees	20,000	-	-	20,000
Books, stationery and uniform	8,000	12,000	15,000	35,000
Infrastructure Fund	25,000	30,000	35,000	90,000
Commute cost	8,000	8,000	8,000	24,000
Activity Fees	6,000	7,000	8,000	21,000
Total Fees	97,000	94,000	1,06,000	2,97,000

- (vii) He has invested ₹ 5000 in HDFC ULIP and taken a LIC policy for his wife for ₹ 10,000.
- (viii) He has invested ₹ 12,500 and ₹ 25,000 towards NPS Tier I A/c and Tier II A/c, respectively.
- (ix) He has also donated ₹ 50,000 in PM CARES fund.
- (x) He has invested ₹ 40,000 in listed equity shares of Shaktimaan Power Solution Limited on 01.03.2022 at ₹ 200 per share and sells 100 shares at ₹ 350 per share on 01.11.2022. STT is paid both at the time of sale and purchase of these shares.

Based on the above information, choose the most appropriate option of the following Multiple Choice Questions (MCQs):

- (i) What would be the amount of income chargeable to tax under the head "Salaries" in the hands of Mr. Sahil for the A.Y. 2023-24?
- (a) ₹ 16,53,210
(b) ₹ 16,21,236
(c) ₹ 16,76,036
(d) ₹ 16,71,236
- (ii) Whether the tax deducted at source by Sky Pvt. Ltd. on the salary paid to Mr. Sahil based on the intimation submitted by him, is correct?
- (a) Yes, the amount of ₹ 2,32,830 deducted as tax at source is correct.
(b) No, the correct amount of tax to be deducted at source is ₹ 2,49,920.
(c) No, the correct amount of tax to be deducted at source is ₹ 2,42,800.
(d) No, the correct amount of tax to be deducted at source is ₹ 2,41,300.
- (iii) What would be the total income (without rounding off) of Mr. Sahil for the A.Y. 2023-24, assume that he does not opt for section 115BAC?
- (a) ₹ 11,73,736
(b) ₹ 11,76,699
(c) ₹ 11,61,699
(d) ₹ 11,54,753
- (iv) What would be tax liability of Mr. Sahil for the A.Y. 2023-24, if he does not opt for section 115BAC?
- (a) ₹ 1,66,530
(b) ₹ 1,68,870
(c) ₹ 1,71,210
(d) ₹ 1,62,940

(v) Assuming for the purpose of answering this question only that no contribution is made by Mr. Sahil and his employer towards RPF, what amount of deduction is available to Mr. Sahil under Chapter VI-A for the previous year 2022-23, if he does not opt for section 115BAC?

- (a) ₹ 2,78,520
- (b) ₹ 2,59,537
- (c) ₹ 2,50,000
- (d) ₹ 2,04,500

(5 x 2 = 10 Marks)

2. During the A.Y.2022-23, Mr. A has a loss of ₹ 8 lakhs under the head "Income from house property" which could not be set off against any other head of income as per the provisions of section 71. The due date for filing return of income u/s 139(1) in case of Mr. A has already expired and Mr. A forgot to file his return of income within the said due date. However, Mr. A filed his belated return of income for A.Y.2022-23. Now, while filing return of income for A.Y.2023-24, Mr. A wishes to set off the said loss against income from house property for the P.Y. 2022-23. Determine whether Mr. A can claim the said set off.

- (a) No, Mr. A cannot claim set off of loss of ₹ 8 lakhs during A.Y. 2023-24 as he failed to file his return of income u/s 139(1) for A.Y. 2022-23.
- (b) Yes, Mr. A can claim set off of loss of ₹ 2 lakhs, out of ₹ 8 lakhs, from his income from house property during A.Y. 2023-24, if any, and the balance has to be carried forward to A.Y.2024-25.
- (c) Yes, Mr. A can claim set off of loss of ₹ 2 lakhs, out of ₹ 8 lakhs, from his income from any head during A.Y. 2023-24 and the balance has to be carried forward to A.Y.2024-25.
- (d) Yes, Mr. A can claim set off of loss of ₹ 8 lakhs during A.Y. 2023-24 from his income from house property, if any, and the balance has to be carried forward to A.Y.2024-25. **(2 Marks)**

3. Mr. Vikas transferred 600 unlisted shares of XYZ (P) Ltd. to ABC (P) Ltd. on 15.12.2022 for ₹ 3,50,000 when the market price was ₹ 5,15,000. The indexed cost of acquisition of shares for Mr. Vikas was computed at ₹ 4,25,000.

Determine the income chargeable to tax in the hands of Mr. Vikas and ABC (P) Ltd. in respect of the above transaction.

- (a) ₹ 90,000 chargeable to tax in the hands of Mr. Vikas as long-term capital gains and nothing is taxable in the hands of ABC (P) Ltd.
- (b) ₹ 75,000 chargeable to tax in the hands of Mr. Vikas as long-term capital gains and nothing is taxable in the hands of ABC (P) Ltd.
- (c) ₹ 90,000 chargeable to tax in the hands of Mr. Vikas as long-term capital gains and ₹ 1,65,000 is taxable under the head "Income from other sources" in the hands of ABC (P) Ltd.
- (d) ₹ 75,000 chargeable to tax in the hands of Mr. Vikas as long-term capital gains and ₹ 1,65,000 is taxable under the head "Income from other sources" in the hands of ABC (P) Ltd. **(2 Marks)**

4. Mr. Sameer, an Indian Citizen, left India permanently with his wife and two children, for extending his retail trade business of toys in Canada in the year 2016. From Canada, he is managing his retail business of toys in India. For the purpose of his Indian business, he visits India every year from 1st September to 31st January. His business income is ₹ 23.50 lakhs and ₹ 18 lakhs from retail trade business in Canada and in India, respectively for the F.Y. 2022-23. He has no other income during the P.Y. 2022-23. Determine his residential status and income taxable in his hands for the A.Y. 2023-24.

- (a) Resident and ordinarily resident in India and income of ₹ 18 lakhs and ₹ 23.50 lakhs would be taxable.
- (b) Non-Resident and ₹ 18 lakhs from Indian retail trade business would only be taxable.

- (c) Resident but not ordinarily Resident and ₹ 18 lakhs from Indian retail trade business would only be taxable.
- (d) Deemed resident and ₹ 18 lakhs from Indian retail trade business would only be taxable.

(2 Marks)

5. Ms. Rachna (aged 32 years), an interior decorator, has professional receipts of ₹ 25,60,000 for the previous year 2022-23. She also earned ₹ 1,25,000 as dividend and ₹ 4,65,000 as interest income on fixed deposits. She incurred expenses of ₹ 13,00,000 for her profession and ₹ 30,000 as interest on loan for making investment in shares on which she received dividend. What would be her total income for the A.Y. 2023-24, assuming that she wishes to make maximum tax savings without getting her books of account audited?

- (a) ₹ 18,45,000
- (b) ₹ 18,70,000
- (c) ₹ 18,40,000
- (d) ₹ 18,25,000

(2 Marks)

Division B – Descriptive Questions

Question No. 1 is compulsory

Attempt any two questions from the remaining three questions

1. Mr. Raj, aged 52 years a resident Indian, has furnished the following particulars for the year ended 31.03.2023:
- (i) He occupies ground floor of his residential building and has let out first floor for residential use at an annual rent of ₹ 3,34,000. He has paid municipal taxes of ₹ 30,000 for the current financial year. Both these floors are of equal size.
- (ii) As per interest certificate from ICICI bank, he paid ₹ 1,80,000 as interest and ₹ 95,000 towards principal repayment of housing loan borrowed for the above residential building.
- (iii) He owns an industrial undertaking established in a SEZ and which had commenced operation during the financial year 2019-20. Total turnover of the undertaking was ₹ 400 lakhs, which includes ₹ 120 lakhs from export turnover. This industrial undertaking fulfills all the conditions of section 10AA of the Income-tax Act, 1961. Profit from this industry is ₹ 45 lakhs.
- (iv) He employed 20 new employees for the said industrial undertaking during the previous year 2022-23. Out of 20 employees, 12 were employed on 1st May 2022 for monthly emoluments of ₹ 18,000 and remaining were employed on 1st August 2022 on monthly emoluments of ₹ 12,000. All these employees participate in recognised provident fund and they are paid their emoluments directly to their bank accounts.
- (v) He earned ₹ 30,000 and ₹ 45,000 as interest on saving bank deposits and fixed deposits respectively.
- (vi) He also sold his vacant land on 01.12.2022 for ₹ 15 lakhs. The stamp duty value of land at the time of transfer was ₹ 16 lakhs. The FMV of the land as on 1st April, 2001 was ₹ 4.8 lakhs and Stamp duty value on the said date was ₹ 4 lakhs. This land was acquired by him on 15.09.1997 for ₹ 2.80 lakhs. He had incurred registration expenses of ₹ 12,000 at that time.
- The cost of inflation index for the financial year 2022-23 and 2001-02 are 331 and 100 respectively.
- (vii) He paid insurance premium of ₹ 49,000 towards life insurance policy of his son, who is not dependent on him.

You are requested to compute his total income and tax liability of Mr. Raj for the Assessment Year 2023-24, Assume Mr. Raj does not opt for the provisions of section 115BAC. **(14 Marks)**

2. (a) Examine the tax implications of the following transactions for the assessment year 2023-24: (Give brief reason)

- (i) Government of India has appointed Mr. Anand as an ambassador in Japan. He received salary of ₹ 7,50,000 and allowances of ₹ 2,40,000 during the previous year 2022-23 for rendering his services in Japan. He is an Indian citizen having status of non-resident in India for the previous year 2022-23.
- (ii) Ms. Kajal, 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 ₹ 2,50,000 during the previous year 2022-23.
- (iii) Mr. Vikas, a non-resident in India, has earned ₹ 3,00,000 as royalty for a patent right made available to Mr. Raj who is also a non-resident. Mr. Raj has utilized patent rights for development of a product in India and 50% royalty is received in India and 50% outside India.
- (iv) Mr. Jai, a NRI, borrowed ₹ 10,00,000 on 01.04.2022 from Mr. Aryan who is also a non-resident and invested such money in the shares of an Indian Company. Mr. Aryan has received interest @ 12% per annum. **(8 Marks)**

(b) Discuss the liability of tax deduction at source under the Income-tax Act, 1961 in respect of the following cases with reference to A.Y. 2023-24.

- (i) ABC a partnership firm is selling its product 'R' through the E-commerce Platform provided by XYZ Ltd. (E-commerce Operator). XYZ Ltd., credited in its books of account, the account of ABC on 28th February, 2023 by sum of ₹ 4,90,000 for the sale of product R, made during the month February, 2023.
Mr. Ramesh, who purchased product 'R' through the platform provided by XYZ Ltd. made payment of ₹ 60,000 directly to ABC on 21st February, 2023.
- (ii) ABC Ltd. is a producer of natural gas. During the year, it sold natural gas worth ₹ 26,50,000 to M/s XYZ Co., a partnership firm. It also incurred ₹ 1,70,000 as freight for the transportation of gas. The ownership of the gas is simultaneously transferred by ABC Ltd. with transportation. It raised the invoice and clearly segregated the value of gas as well as the transportation charges.
- (iii) Design LLP paid job charges to ABC, a partnership firm for doing embroidery work on the fabric supplied by the Design LLP during the previous year 2022-23 as under:

Bill No.	Date	Amount (₹)
1	30.4.2022	27,000
57	30.6.2022	25,000
105	30.09.2022	28,000
151	30.12.2022	32,000

(6 Marks)

3. (a) Mr. Manish, a citizen of the Country Y, is a resident but not ordinarily resident in India during the financial year 2022-23. He owns two house properties in Country Y, one is used as his residence. Another house property is rented for a monthly rent of \$ 18,000. Fair rent of the house property is \$ 20,000. The value of one CYD (\$) may be taken as ₹ 78.

He took ownership and possession of a flat in Delhi on 01.10.2022, which is used for self-occupation, while he is in India. The flat was used by him for 3 months at the time when he

visited India during the previous year 2022-23. The municipal valuation is ₹ 4,58,000 p.a. and the fair rent is ₹ 3,60,000 p.a. He paid property tax of ₹ 13,800 and ₹ 2,800 as Sewerage tax to Municipal Corporation of Delhi.

He had taken a loan of ₹ 18,00,000 @9.5% from HDFC Bank on 1st August, 2020 for purchasing this flat. No amount is repaid by him till 31.03.2023.

He also had a house property in Bangalore which is let out on a monthly rent of ₹ 40,000. The fair rent of which is ₹ 4,58,000 p.a. and Municipal value of ₹ 3,58,000 p.a. and Standard Rent of ₹ 4,20,000 p.a. He had taken a loan of ₹ 25,00,000 @ 10% from one of his friends, residing in Country Y for this house. Municipal tax of ₹ 5,400 is paid by him in respect of this house during the previous year 2022-23.

Compute the income chargeable from house property of Mr. Manish for the assessment year 2023-24. **(6 Marks)**

- (b) M/s. Kumar Enterprises, a sole proprietorship own four machines, put in use for business in March, 2021. The depreciation on these machines is charged @ 15%. The written down value of these machines as on 1st April, 2022 was ₹ 7,70,000. Two of the old machines were sold on 15th July, 2022 for ₹ 10,00,000. A second hand plant was bought for ₹ 6,10,000 on 30th December, 2022. You are required to:

- (i) Determine the claim of depreciation for Assessment Year 2023-24.
(ii) Compute the capital gains liable to tax for Assessment Year 2023-24.
(iii) If Kumar Enterprises had sold the two machines in July, 2022 for ₹ 15,00,000, explain, will there be any difference in your above workings? **(4 Marks)**

- (c) Mr. Kalyan has a residential house property which was acquired on 12-08-2005 for ₹ 2,00,000. The property is sold for ₹ 22,00,000 in December 2022. The sub-registrar refused to register the documents for the said value, as according to him, stamp duty value based on State Government guidelines was ₹ 28,00,000. Mr. Kalyan preferred an appeal to the revenue divisional officer who fixed the value of the house ₹ 25,00,000. He acquired another residential house on 31-03-2023 for ₹ 17,00,000 for self-occupation. On 01-03-2024, he sold such new residential house for ₹ 30,00,000.

Compute his capital gain for the A.Y. 2023-24 and 2024-25. (Cost Inflation Index: 2001-02; 2005-06 and 2022-23 are, 100; 117 and 331) **(4 Marks)**

4. (a) Mr. Dinesh who is 45 years old and his wife Mrs. Heena who is 42 years old furnished the following information:

S. No.	Particulars	Amount (₹)
(i)	Salary income (computed) of Mrs. Heena	9,60,000
(ii)	Income of minor son "Sameer" who suffers from disability specified in section 80U	3,08,000
(iii)	Income of minor daughter "Nisha" from script writing for Television Serials	1,86,000
(iv)	Income from garment trading business of Mr. Dinesh	17,50,000
(v)	Cash gift received by minor daughter "Nisha" on 02-10-2022 from friend of Mrs. Heena, on winning of a story writing competition	45,000
(vi)	Income of minor son "Harsh" form scholarship received from his school to meet the cost of education	1,00,000
(vii)	Income of minor son "Harsh" from fixed deposit with Punjab National Bank, made out of income earned from scholarship	5,000

Compute the total income of Mr. Dinesh and his wife Mrs. Heena for Assessment Year 2023-24 assuming that they have not opted to be taxed under section 115BAC. **(5 Marks)**

- (b) Mr. Nigam a resident individual submits the following information, relevant to the previous year ending March 31, 2023:

S. No.	Particulars	Amount (₹)
(i)	Income from Salary (Computed)	2,22,000
(ii)	Income from House Property	
	- House in Delhi	22,000
	- House in Chennai	(-) 2,60,000
	- House in Mumbai (self-occupied)	(-) 20,000
(iii)	Profit and gains from business or profession	
	- Textile business	18,000
	- Cosmetics business	(-) 22,000
	- Speculative business- 1	(-) 74,000
	- Speculative business-2	46,000
(iv)	Capital gains	
	Short term capital loss from sale of property	(-) 16,000
	Long term capital gains from sale of property	15,400
(v)	Income from other sources (Computed)	
	- Income from betting	34,000
	- Income from card games	46,000
	- Loss on maintenance of race horses	(-)14,600

Determine the gross total income of Mr. Nigam for the assessment year 2023-24 and the losses to be carried forward assuming that he does not opt to be taxed under section 115BAC.

(5 Marks)

- (c) Mr. Kabir, a resident and ordinarily resident in India, could not file his return of Income for the assessment year 2023-24 before due date prescribed under section 139(1). Advise Mr. Kabir as a tax consultant, what are the consequences for non-filing of return of Income within the due date under section 139(1)? **(4 Marks)**

SECTION B - INDIRECT TAXES (40 MARKS)

QUESTIONS

- (i) Working Notes should form part of the answers. However, in answers to Questions in Division A, working notes are not required.
- (ii) Wherever necessary, suitable assumptions may be made by the candidates, and disclosed by way of notes.
- (iii) All questions should be answered on the basis of position of the GST law as amended by provisions of the CGST Act, 2017 and the IGST Act, 2017 as amended by the Finance Act, 2022, including significant notifications and circulars issued, up to 30th April 2023.

Division A - Multiple Choice Questions (MCQs)

Write the most appropriate answer to each of the following multiple-choice questions by choosing one of the four options given. All questions are compulsory.

Total Marks: 12 Marks

M/s. Neelkanth & Co., a registered supplier under GST, is dealing in supply of taxable goods in the State of Karnataka.

The firm had opted for Composition Scheme from April month of last financial year. It's turnover crossed ₹ 1.50 Crores on 9th May of current financial year and had opted for withdrawal of composition scheme on the said date.

Neelkanth & Co. removed goods on 10th June for delivery to Chandra & Co. on 'Sale or Return Basis'. Chandra & Co. accepted the goods vide its confirmation mail dated 15th December.

The firm has paid GST for various items during the month of August. It comprised of the following -

- (a) GST paid on input services intended to be used for personal purposes – ₹ 12,000
- (b) GST paid on purchase of Motor Vehicle for business use (being a two-wheeler having engine capacity of 25CC) – ₹ 9,000
- (c) GST paid on purchase of computer – ₹ 19,000

(GST portion was included as part of cost to claim depreciation under Income-tax Act, 1961)

During May, Neelkanth and Co. had reversed ITC of ₹ 10,000 for not making payment to Vendors within the time prescribed under CGST Act, 2017. This pending payment was cleared in the month of August.

Out of purchases made and ITC availed during earlier months, the following information is made available as on September:

Supplier Name	Payment is due for (Number of days)	Related ITC Component
XYZ	165	₹ 13,000
ABC	199	₹ 15,000
PQR	99	₹ 20,000

Neelkanth & Co received accounting services from Raghu & Co., an associated enterprise, located in Sri Lanka. Raghu & Co. issued invoice for the service on 1st September, which was entered by Neelkanth & Co. in its book on 10th October. But payment was made on 30th September.

All the supply referred above is intra-State unless specified otherwise. Conditions applicable for availment of 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. Neelkanth & Co. needs to furnish a statement containing details of stock of inputs/ inputs held in semi-finished / finished goods on the withdrawal of composition scheme by _____
 - (a) 9th May
 - (b) 23rd May
 - (c) 8th June
 - (d) 7th July
2. In respect of the goods sent on sale or return basis, Neelkanth & Co. shall issue the invoice by _____
 - (a) 10th June
 - (b) 10th September
 - (c) 10th December
 - (d) 15th December
3. Determine the amount of eligible input tax credit that can be availed by Neelkanth & Co for the month of August?
 - (a) Nil
 - (b) ₹ 19,000
 - (c) ₹ 22,000
 - (d) ₹ 50,000
4. Compute the amount of ITC to be reversed for the month of September? Ignore interest liability, if any.
 - (a) Nil
 - (b) ₹ 28,000
 - (c) ₹ 15,000
 - (d) ₹ 13,000
5. Time of supply in respect of service imported by Neelkanth & Co from its Associated Enterprise is _____
 - (a) 1st September
 - (b) 30th September
 - (c) 1st October
 - (d) 10th October

(5 x 2 Marks = 10 Marks)
6. Subhas & Co., a registered person, supplies taxable goods to unregistered persons. It need not issue tax invoice, if the value of supply of goods to such persons is-----and the recipient does not require such invoice.
 - (a) ₹1,200
 - (b) ₹600
 - (c) ₹150
 - (d) ₹200

(1 Mark)

7. Balance in electronic credit ledger can be utilized against payment of _____.
- (a) output tax
(b) interest
(c) penalty
(d) late fees

(1 Marks)

Division B - Descriptive Questions

Question No. 1 is compulsory.

Attempt any two questions out of remaining three questions.

Total Marks: 28 Marks

1. Paritosh & Co., a supplier of goods, pays GST under regular scheme. It has made the following outward taxable supplies in a tax period:

Particulars	Amount (₹)
Intra-State supply of goods	10,00,000
Inter-State supply of goods	8,00,000

It has also furnished the following information in respect of purchases made by it in that tax period:

Particulars	Amount (₹)
Intra-State purchases of goods	3,00,000
Inter-State purchases of goods	2,50,000

Paritosh & Co. has following opening balance of ITCs for the tax period:

Particulars	Amount (₹)
CGST	57,000
SGST	60,000
IGST	1,40,000

Note:

- (i) Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively.
(ii) Both inward and outward supplies are exclusive of taxes, wherever applicable.
(iii) All the conditions necessary for availing ITC have been fulfilled.

Compute the minimum GST, payable in cash, by Paritosh & Co. for the tax period and the ITC to be carried forward to the next month. Make suitable assumptions as required. **(8 Marks)**

2. (a) Red Pepper Ltd., Delhi, a registered supplier, manufactures taxable goods. It provides the following details of taxable inter-State supply made by it during the month of March.

S. No.	Particulars	Amount (₹)
(i)	List price of taxable goods supplied inter-State (exclusive of taxes)	15,00,000
(ii)	Subsidy received from the Central Government for supply of taxable goods to Government School (exclusively related to supply of goods included at S. No. 1)	2,10,000

(iii)	Subsidy received from an NGO for supply of taxable goods to an old age home (exclusively related to supply of goods included at S. No. 1)	50,000
(iv)	Tax levied by Municipal Authority	20,000
(v)	Packing charges	15,000
(vi)	Late fee paid by the recipient of supply for delayed payment of consideration (Recipient has agreed to pay ₹ 6,000 in lump sum and no additional amount is payable by him over and above such amount)	6,000

The list price of the goods is net of the two subsidies received. However, the other charges/taxes/fee are charged to the customers over and above the list price.

Calculate the total value of taxable supplies made by Red Pepper Ltd. during the month of March. Rate of IGST is 18%. **(6 Marks)**

- (b) Gagan Engineering Pvt. Ltd., registered in Haryana, is engaged in providing maintenance and repair services for heavy steel machinery. For carrying out the repair work, Gagan Engineering Pvt. Ltd. sends its container trucks equipped with items like repair equipments, consumables, tools, parts etc. from Haryana workshop to its own repairing centres (registered under GST law) located in other States across India where the clients' machinery are being brought and are being repaired.

Discuss the levability of GST on the inter-State movement of trucks from the workshop of Gagan Engineering Pvt. Ltd. in Haryana to its own repairing centres located in other States across India.

(4 Marks)

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

(i) Raghav of Assam is exclusively engaged in intra-State taxable supply of readymade garments. His turnover in the current financial year (FY) from Assam showroom is ₹ 33 lakh. He has another showroom in Tripura with a turnover of ₹ 11 lakh in the current FY.

(ii) Prince of Panjim, Goa is exclusively engaged in intra-State taxable supply of shoes. His aggregate turnover in the current financial year is ₹ 22 lakh.

(iii) Heera of Himachal Pradesh is exclusively engaged in intra-State supply of pan masala. His aggregate turnover in the current financial year is ₹ 24 lakh. **(6 Marks)**

- (b) Kidzee Toys Ltd., a wholesaler of toys registered in Chandigarh, is renowned in the local market for the variety of toys and their reasonable prices. Kidzee Toys Ltd. makes supply of 100 pieces of baby's learning laptops and chat learning phones to Nancy General Store on 25th September by issuing a tax invoice amounting to ₹ 1,00,000.

However, the said toys were returned by Nancy General Store on 30th September. Discuss which document Kidzee Toys Ltd. is required to issue in such a case? **(4 Marks)**

4. (a) Services provided by an entity registered under section 12AB of the Income-tax Act, 1961 are exempt from GST if such services are provided by way of charitable activities. Elaborate the term 'charitable activities'. **(5 Marks)**

- (b) Explain the meaning of consignment value of goods. **(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)	(c)	2.	(d)
	(ii)	(b)	3.	(c)
	(iii)	(d)	4.	(c)
	(iv)	(d)	5.	(a)
	(v)	(a)		

Division B – Descriptive Questions

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

	Particulars	₹	₹	₹
I	Income from house property			
	Let out portion [First floor]			
	Gross Annual Value [Rent received is taken as GAV, in the absence of other information]		3,34,000	
	Less: Municipal taxes paid by him in the P.Y. 2022-23 pertaining to let out portion [₹ 30,000/2]		15,000	
	Net Annual Value (NAV)		3,19,000	
	Less: Deduction u/s 24			
	(a) 30% of ₹ 3,19,000	95,700		
	(b) Interest on housing loan [₹ 1,80,000/2]	90,000	1,85,700	
			1,33,300	
	Self-occupied portion [Ground Floor]			
	Annual Value		Nil	
	[No deduction is allowable in respect of municipal taxes paid]			
	Less: Interest on housing loan		90,000	
			(90,000)	
	Income from house property [₹ 1,33,300 – ₹ 90,000]			43,300
II	Profits and gains of business or profession			
	Income from SEZ unit			45,00,000

III Capital Gains			
Long-term capital gains on sale of land (since held for more than 24 months)			
Full Value of Consideration [Actual consideration of ₹ 15 lakhs, since stamp duty value of ₹ 16 lakhs does not exceed actual consideration by more than 10%]	15,00,000		
Less: Indexed Cost of acquisition [₹ 4,00,000 x 331/100]	13,24,000	1,76,000	
Cost of acquisition			
Higher of -			
- Actual cost ₹ 2.80 lakhs + ₹ 0.12 lakhs = ₹ 2.92 lakhs and			
- Fair Market Value (FMV) as on 1.4.2001 = ₹ 4.8 lakhs but cannot exceed stamp duty value of ₹ 4 lakhs.			
IV Income from Other Sources			
Interest on savings bank deposits	30,000		
Interest on fixed deposits	45,000	75,000	
Gross Total Income			47,94,300
Less: Deduction u/s 10AA			13,50,000
[Since the industrial undertaking is established in SEZ, it is entitled to deduction u/s 10AA@100% of export profits, since P.Y.2022-23 being the 4 th year of operations]			
[Profits of the SEZ x Export Turnover/Total Turnover] x 100%			
[₹ 45 lakhs x ₹ 120 lakhs/ ₹ 400 lakhs x 100%]			
Less: Deduction under Chapter VI-A			
Deduction under section 80C			
Repayment of principal amount of housing loan	95,000		
Insurance premium paid on life insurance policy of son allowable, even though not dependent on Mr. Raj	49,000		
		1,44,000	
Deduction under section 80JJAA		9,43,200	
30% of the employee cost of the new employees employed during the P.Y. 2022-23 allowable as deduction [30% of ₹ 31,44,000 [₹ 23,76,000 (12 x 18,000 x 11) + ₹ 7,68,000 (8 x 12,000 x 8)]			
Deduction under section 80TTA		10,000	
Interest on savings bank account, restricted to ₹ 10,000			
			10,97,200
Total income			23,47,100

**Computation of tax liability of Mr. Raj for A.Y.2023-24
under the normal provisions of the Act**

Particulars	₹	₹
Tax on total income of ₹ 23,47,100		
Tax on LTCG of ₹ 1,76,000@20%		35,200
Tax on remaining total income of 21,71,100		
Upto ₹ 2,50,000	Nil	
₹ 2,50,001 – ₹ 5,00,000[@5% of ₹ 2.50 lakh]	12,500	
₹ 5,00,001 – ₹ 10,00,000[@20% of ₹ 5,00,000]	1,00,000	
₹ 10,00,001 – ₹ 21,71,100[@30% of ₹ 11,71,100]	3,51,330	4,63,830
		4,99,030
Add: Health and education cess@4%		19,961
Total tax liability		5,18,991
Tax liability (rounded off)		5,18,990

**Computation of tax liability of Mr. Raj for A.Y.2023-24
under the special provisions of the Act (Alternate Minimum Tax)**

Particulars	₹
Computation of adjusted total income	
Total income as per the normal provisions of the Act	23,47,100
Add: Deduction u/s 10AA	13,50,000
Deduction u/s 80JJAA	9,43,200
	46,40,300
AMT@18.5%	8,58,456
Add: HEC@4%	34,338
AMT liability	8,92,794
AMT liability (rounded off)	8,92,790

Since the regular income tax payable is less than the AMT, the adjusted total income of ₹ 46,40,300 would be deemed to be the total income and tax would be payable @18.5% plus HEC@4%. The total tax liability would be ₹ 8,92,790. In this case, AMT credit of ₹ 3,73,800 (₹ 8,92,790 – ₹ 5,18,990) can be carried forward.

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. Anand, 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 under normal provisions of the Act.

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 ₹ 2,50,000 arising in the hands of Ms. Kajal 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. Raj, a non-resident, paid the royalty of ₹ 3,00,000 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. Vikas, 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. Jai, 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. Aryan, 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. Aryan.

(b) TDS implications

- (i) XYZ Ltd, an e-commerce operator is required to deduct tax @1% under section 194-O on ₹ 5,50,000 (i.e., ₹ 4,90,000 credited on 28.2.2023 plus deemed payment of ₹ 60,000 on 21.2.2023, being payment directly made by Mr. Ramesh to the e-commerce participant ABC), being the gross amount of sale of product 'R' of ABC, an e-commerce participant, since such sale is effected in February, 2023 is facilitated by XYZ Ltd. through its e-commerce platform.

Hence, TDS u/s 194O = 1% on ₹ 5,50,000 = ₹ 5,500

- (ii) Since ABC Ltd., being the producer of the natural gas, sells as well as transports the gas to M/s. XYZ Co., the purchaser, till the point of delivery, where the ownership of gas is simultaneously transferred to M/s. XYZ Co, the manner of raising the invoice (whether the transportation charges are embedded in the cost of gas or shown separately) does not alter the basic nature of such contract which remains essentially a 'contract for sale' and not a 'works contract' as envisaged in section 194C.

Therefore, in such circumstances, the TDS provisions would not be attracted on ₹1,70,000, being the component of gas transportation charges paid by M/s. XYZ Co. to ABC Ltd.

- (iii) In this case, the individual contract payments (through the bills dated 30.4.2022, 30.6.2022 and 30.9.2022) made by Design LLP to ABC does not exceed ₹ 30,000. However, since the aggregate amount paid to ABC during the P.Y. 2022-23 exceeds ₹ 1,00,000 (on account of the last payment of ₹ 32,000, due on 30.12.2022, taking the total from ₹ 80,000 to ₹ 1,12,000), the TDS provisions under section 194C would get attracted on the entire sum of ₹ 1,12,000.

Tax has to be deducted @ 2% (since payment is to a firm, ABC) on the entire amount of ₹ 1,12,000, from the last payment of ₹ 32,000 on 30.12.2022.

Hence, TDS u/s 194C = ₹ 2,240.

3. (a) Since Mr. Manish, is a resident but not ordinarily resident in India, only the income in respect of properties situated in India would be taxable in his hands.

Thus, the rental income which accrues or arises in Country Y from the let-out property and annual value of self-occupied property would not be taxable in his hands. However, income arising from properties in India are taxable in the hands of Mr. Manish.

Accordingly, the income from house property of Mr. Manish for A.Y.2023-24 will be calculated as under:

Particulars		₹	₹
1.	Self-occupied house at Delhi		
	Annual value		Nil
	Less: Deduction under section 24	Nil	
	Interest on borrowed capital (See Note below)	2,00,000	2,00,000
	Chargeable income from this house property		(2,00,000)
2.	Let out house property at Bangalore		
	Expected rent, being higher of ₹ 3,58,000 municipal value and fair rent of ₹ 4,58,000 but restricted to Standard rent of ₹ 4,20,000	4,20,000	
	Actual rent [40,000 x 12]	4,80,000	
	Gross Annual Value, being higher of expected rent and actual rent		4,80,000
	Less: Municipal taxes		5,400
	Net Annual Value		4,74,600
	Less: Deduction under section 24		
	- 30% of net annual value [30% x ₹ 4,74,600]	1,42,380	
	- Interest on borrowed capital (actual allowable as deduction without any ceiling limit)	2,50,000	3,92,380
			82,220
	Loss under the head "Income from house property" (₹ 2,00,000 - ₹ 82,220)		(1,17,780)

Note: Interest on borrowed capital

Particulars	₹
Interest for the current year [18,00,000 x 9.5%]	1,71,000
Add: 1/5th of pre-construction interest (₹ 2,85,000 x 1/5)	57,000
1.8.2020 to 31.03.2021 – (₹ 18,00,000 x 9.5% x 8/12)	1,14,000
1.4.2021 to 31.03.2022 – (₹ 18,00,000 x 9.5%)	1,71,000
	2,28,000
Interest deduction allowable under section 24, restricted to	2,00,000

(b) (i) **Computation of depreciation for A.Y.2023-24**

Particulars	₹
W.D.V. of the block as on 1.4.2022	7,70,000
Add: Purchase of second hand plant during the year [in December, 2022]	6,10,000
	13,80,000
Less: Sale consideration of old machinery during the year [in July, 2022]	10,00,000
W.D.V of the block as on 31.03.2023	3,80,000

Depreciation @ 15% but restricted to 50% thereon. ₹ 3,80,000 X 7.5% [Since the value of the block as on 31.3.2023 represents part of actual cost of second hand plant purchased in December, 2022, which has been put to use for less than 180 days, depreciation is restricted to 50% of the prescribed percentage of 15% i.e. depreciation is restricted to 7½%. Therefore, the depreciation allowable for the year is ₹ 28,500 being 7½% of ₹ 3,80,000]	28,500
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- (ii) In the given case, no capital gains would arise, since the block of asset continues to exist, and some of the assets are sold for a price which is lesser than the written down value of the block as increased by the actual cost of asset purchased during the year.
- (iii) If the two machines are sold in July, 2022 for ₹ 15,00,000, then short term capital gains would arise, since the sale consideration is more than the aggregate of the written down value of the block at the beginning of the year and the additions made during the year.

Particulars	₹	₹
Sale consideration		15,00,000
Less: W.D.V. of the machines as on 1.4.2022	7,70,000	
Purchase of second plant during the year	6,10,000	
		13,80,000
Short term capital gains		1,20,000

(c) **Computation of capital gain in the hands of Mr. Kalyan for A.Y. 2023-24**

Particulars	₹
Full value of consideration [As per section 50C, in case the actual sale consideration (i.e., ₹ 22 lakhs, in this case) is less than the stamp duty value (i.e., ₹ 28 lakhs, in this case) assessed by the stamp valuation authority (Sub-registrar, in this case), the stamp duty value shall be deemed as the full value of consideration if it exceeds 110% of the sale consideration However, if assessee has preferred an appeal to the Valuation Officer (i.e., revenue divisional officer, in this case) and the Valuation Officer has fixed the value of the house (i.e., ₹ 25 lakh, in this case) less than stamp duty value (i.e., ₹ 28 lakh, in this case), such value determined by the Valuation Officer shall be deemed as the full value of consideration.]	25,00,000
Less: Indexed cost of acquisition [₹ 2,00,000 x 331/117]	5,65,812
Long-term capital gain [Since the residential house is held for more than 24 months] Less: Exemption under section 54	19,34,188
Purchase of new residential house property on 31.3.2023 (i.e., within two years from the date of transfer of residential house)	17,00,000
Taxable long term capital gain	2,34,188

Computation of capital gains in the hands of Mr. Kalyan for A.Y. 2024-25

Particulars	₹
Full value of consideration	30,00,000
Less: Cost of acquisition [As per section 54, if the new residential house purchased (i.e., on 31.3.2023, in this case) is transferred within 3 years of its	

purchase (i.e., on 1.3.2024, in this case), and the cost of acquisition of the new house (i.e., ₹ 17 lakhs, in this case) is lower than the long-term capital gain (i.e., ₹ 19,34,188, in this case), the cost of acquisition of such new residential house shall be taken as Nil, while computing capital gains on sale of the new residential house]	Nil
Short term capital gain [Since the residential house is held for a period less than 24 months]	30,00,000

4. (a) **Computation of Total Income of Mr. Dinesh and Mrs. Heena for A.Y. 2023-24**

Particulars	Mr. Dinesh	Mrs. Heena
	Amount (₹)	
Salary income (computed)		9,60,000
Income from garment trading business	17,50,000	
Total Income before including income of minor children	17,50,000	9,60,000
<u>Income of minor son "Sameer"</u>		
Income of ₹ 3,08,000 of minor son Sameer who suffers from disability specified in section 80U [Since minor child Sameer is suffering from disability specified under section 80U, hence, his income would not be included in the income of the parent but would be taxable in the hands of the minor child]	-	
<u>Income of minor son "Harsh"</u>		
Income of ₹ 1,00,000 from scholarship [Exempt u/s 10(16)]	-	
Income from fixed deposit with PNB 5,000		
[Since Mr. Dinesh's income is greater than that of Mrs. Heena, income of minor son Harsh from fixed deposit would be included in the hands of Mr. Dinesh. Interest from bank deposit has to be included in Mr. Dinesh's income, even if deposit is made out of income earned from scholarship]		
Less: Exemption under section 10(32) 1,500	3,500	
<u>Income of minor daughter "Nisha"</u>		
Income of ₹ 1,86,000 from script writing for television serials [Income derived by a minor child from any activity involving application of his/her skill, talent, specialized knowledge and experience is not to be included in the hands of the parent]		
Hence, clubbing provisions will not apply in this case/no adjustment is required.	Nil	
Cash gifts of ₹ 45,000 received from friend of Mrs. Heena [Gift not exceeding ₹ 50,000 received from a non-relative is not taxable under section 56(2)(x)]		
Hence, clubbing provisions will not apply in this case / no adjustment is required.	Nil	
Gross Total Income/ Total Income	17,53,500	9,60,000

(b)

Computation of Gross Total Income of Mr. Nigam for A.Y. 2023-24

Particulars	Amount	Amount
Salaries		
Income from salary (computed)	2,22,000	
Less: Set-off of loss from house property of ₹ 2,58,000 to the extent of ₹ 2 lakhs by virtue of section 71(3A)	2,00,000	22,000
Income from house property		
- House in Delhi	22,000	
- House in Chennai	(2,60,000)	
- House in Mumbai (self-occupied)	(20,000)	
	(2,58,000)	
Loss upto ₹ 2 lakhs can be set off against income from salary. Balance loss of ₹ 58,000 from house property has to be carried forward to A.Y.2024-25.		
Profits and gains from business or profession		
Profits from Speculative business – 2	46,000	
Less: Loss of ₹ 74,000 from speculation business - 1 set off to the extent of profits of ₹ 46,000 as per section 73(1) from another speculation business. Loss from speculation business cannot be set-off against any income other than profit and gains of another speculation business.	(46,000)	-
Hence, the balance loss of ₹ 28,000 from speculative business has to be carried forward to A.Y.2024-25.		
Profits from textile business	18,000	
Less: Loss from cosmetic business of ₹ 22,000 set off against profits from textile business to the extent of ₹ 18,000 as per section 70(1).	(18,000)	-
Balance loss of ₹ 4,000 from cosmetic business has to be carried forward to A.Y.2024-25, since the same cannot be set-off against salary income.		
Capital Gains		
Long term capital gain from sale of property	15,400	
Less: Short-term capital loss can be set-off against both short-term capital gains and long-term capital gains. Short term capital loss of ₹ 16,000 set off against long-term capital gains to the extent of ₹ 15,400 as per section 74(1).	(15,400)	-
Balance short term capital loss of ₹ 600 has to be carry forward to A.Y.2024-25		
Income from Other Sources		
Income from betting [No loss is allowed to be set off against such income]	34,000	
Income from card games [No loss is allowed to be set off against such income]	46,000	
Loss on activity of owning and maintenance of race horses [Loss incurred on activity of owning and maintenance of race horses cannot be set-off against income from any source other than the		

activity of owning and maintaining race horses. Hence, such loss of ₹ 14,600 has to be carried forward to A.Y.2024-25]	Nil	80,000
Gross Total Income		1,02,000

(c) Consequences for non-filing return of income within the due date under section 139(1)

Interest under section 234A

Interest under section 234A@1% per month or part of the month for the period commencing from the date immediately following the due date under section 139(1) till the date of furnishing of return of income is payable, where the return of income is furnished after the due date.

However, no interest u/s 234A shall be charged on self-assessment tax paid by the assessee on or before the due date of filing of return.

Fee under section 234F

Late fee of ₹ 5,000 would be payable under section 234F, if the return of income is not filed before the due date specified in section 139(1).

However, such fee cannot exceed ₹ 1,000, if the total income does not exceed ₹ 5,00,000.

Carry forward and set-off of certain losses not permissible

Following losses would not be allowed to be carried forward, where a return of income is not furnished within the time allowed under section 139(1):

- business loss, speculation business loss, loss from specified business,
- loss under the head "Capital Gains"; and
- loss from the activity of owning and maintaining race horses.

SECTION B - INDIRECT TAXES (40 MARKS)

SUGGESTED ANSWERS

Division A - Multiple Choice Questions

Question No.	Answer	
1	(c)	8 th June
2	(c)	10 th December
3	(b)	₹ 19,000
4	(c)	₹ 15,000
5	(b)	30 th September
6	(c)	₹ 150
7	(a)	Output tax

Division B - Descriptive Questions

1. Computation of GST payable on outward supplies

S. No.	Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)	Total (₹)
(i)	Intra-State supply of goods for ₹ 10,00,000	90,000	90,000		1,80,000
(ii)	Inter-State supply of goods for ₹ 8,00,000			1,44,000	1,44,000
	Total GST payable				3,24,000

Computation of total ITC

Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
Opening ITC	57,000	60,000	1,40,000
Add: ITC on Intra-State purchases of goods valuing ₹ 3,00,000	27,000	27,000	Nil
Add: ITC on Inter-State purchases of goods valuing ₹ 2,50,000	Nil	Nil	45,000
Total ITC	84,000	87,000	1,85,000

Computation of minimum GST payable from electronic cash ledger

Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)	Total (₹)
GST payable	90,000	90,000	1,44,000	3,24,000
Less: ITC [First ITC of IGST should be utilized in full - first against IGST liability and then against CGST or SGST liabilities in any order to minimize cash outflow]	(22,000) IGST	(19,000) IGST	(1,44,000) IGST	1,85,000
CGST and SGST ITC utilized against CGST and SGST output Tax liability respectively	(68,000) CGST	(71,000) SGST		1,39,000
Minimum GST payable in cash	Nil	Nil	Nil	Nil
ITC balance to be carried forward next month	16,000	16,000	Nil	32,000

Note : The above computation is one of the many ways to set off the ITC of IGST (₹ 41,000-after set off against IGST liability) against CGST and SGST liability to compute minimum GST payable in cash and carry forward both CGST and SGST ITC equally. To illustrate, IGST of ₹ 10,000 can be set off against SGST payable and IGST of ₹ 31,000 can be set off against CGST payable. In this situation also, the net GST payable will be nil but the ITC of CGST and SGST to be carried forward will be ₹ 25,000 and ₹ 7,000 (totaling to ₹ 32,000), respectively. However, if the entire ITC of ₹ 41,000 is set off against CGST payable, then SGST of ₹ 3,000 will be payable in cash thus, increasing the cash outflow. Therefore, such a set-off would not be advisable for computing the minimum GST payable.

2. (a) **Computation of total value of taxable supplies made by Red Pepper Ltd. during the month of March**

Particulars	Amount (₹)
List price of the goods	15,00,000
Subsidy amounting to ₹ 2,10,000 received from the Central Government [Since the subsidy is received from the Government, the same is not includible in the value in terms of section 15(2)(e) of the CGST Act, 2017]	NIL
Subsidy received from NGO [Since the subsidy is received from a non-Government body and directly linked to the supply, the same is includible in the value in terms of section 15(2)(e) of the CGST Act, 2017]	50,000
Tax levied by the Municipal Authority [Includible in the value as per section 15(2)(a) of the CGST Act, 2017]	20,000
Packing charges [Being incidental expenses, the same are includible in the value as per section 15(2)(c) of the CGST Act, 2017]	15,000
Late fees paid by recipient of supply for delayed payment [Includible in the value as per section 15(2)(d) of the CGST Act, 2017 - As the amount of interest received is a lump sum amount, the same has to be taken as <u>inclusive</u> of GST] [₹ 6,000 x 100/118] rounded off	<u>5,085</u>
Total value of taxable supplies	15,90,085

(b) As per section 25(4) of the CGST Act, 2017, a person who has obtained more than one registration, whether in one State or Union territory or more than one State or Union territory shall, in respect of each such registration, be treated as 'distinct persons'.

Schedule I to the CGST Act specifies situations where activities are to be treated as supply even if made without consideration. Supply of goods and/or services between 'distinct persons' as specified in section 25 of the CGST Act, 2017, when made in the course or furtherance of business is one such activity included in Schedule I under para 2.

However, as per CBIC circular, the inter-State movement of various modes of conveyance including, *inter alia*, trucks, carrying goods or passengers or both or for repairs and maintenance, between 'distinct persons' as specified in section 25(4) of the CGST Act, 2017, not involving further supply of such conveyance, may be treated 'neither as a supply of goods nor supply of service' and therefore, will not be leviable to IGST. Applicable CGST/SGST/IGST, however, shall be leviable on repairs and maintenance done for such conveyance [Circular No. 1/1/2017 IGST dated 07.07.2017].

Thus, in the given case, inter-State movement of trucks from the workshop of Gagan Engineering Pvt. Ltd. located in Haryana to its repair centres located in other States is 'neither a supply of goods nor supply of service'.

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 ice cream and other edible ice, whether or not containing cocoa, pan masala and tobacco and manufactured tobacco substitutes, fly ash bricks; fly ash aggregates; fly ash blocks, bricks of fossil meals or similar siliceous earths, building bricks, earthen or roofing tiles.

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

- (i) Raghav is eligible for higher threshold limit of turnover for registration, i.e. ₹ 40 lakh as he is exclusively engaged in intra-State supply of goods. However, since Raghav is engaged in supplying readymade garments from a Special Category State i.e. Tripura, the threshold limit gets reduced to ₹ 10 lakh. Thus, Raghav is liable to get registered under GST as his turnover has exceeded limit of ₹10 lakh. Further, he is required to obtain registration in both Assam and Tripura as he is making taxable supplies from both the States.
 - (ii) The applicable threshold limit for registration for Prince in the given case is ₹ 40 lakh as he is exclusively engaged in intra-State taxable supply of goods in Goa. Thus, he is not liable to get registered under GST as his turnover is less than the threshold limit.
 - (iii) Heera being exclusively engaged in supply of pan masala is not eligible for higher threshold limit of ₹40 lakh. The applicable threshold limit for registration in this case is ₹20 lakh. Thus, Heera is liable to get registered under GST.
- (b) Kidzee Ltd. is required to issue a credit note in such a case.

As per section 34 of the CGST Act, 2017, where one or more tax invoices have been issued for supply of any goods or services or both and the goods supplied are returned by the recipient the registered person, who has supplied such goods or services or both, may issue to the recipient one or more credit notes for supplies made in a financial year containing such particulars as may be prescribed. Therefore, Kidzee Ltd. is required to issue a credit note to Nancy General Store for the good returned.

4. (a) The term 'charitable activities' mean activities relating to-
- (i) public health by way of-
 - (A) care or counseling of
 - (I) terminally ill persons or persons with severe physical or mental disability;
 - (II) persons afflicted with HIV or AIDS;
 - (III) persons addicted to a dependence-forming substance such as narcotics drugs or alcohol; or
 - (B) public awareness of preventive health, family planning or prevention of HIV infection;
 - (ii) advancement of religion, spirituality or yoga;
 - (iii) advancement of educational programmes/skill development relating to,-
 - (A) abandoned, orphaned or homeless children;
 - (B) physically or mentally abused and traumatized persons;

- (C) prisoners; or
 - (D) persons over the age of 65 years residing in a rural area;
 - (iv) preservation of environment including watershed, forests & wildlife.
- (b)** Consignment value of goods shall be the value:
- ◆ determined in accordance with the provisions of section 15,
 - ◆ declared in an invoice, a bill of supply or a delivery challan, as the case may be, issued in respect of the said consignment and
 - ◆ also includes the Central tax, State or Union territory tax, integrated tax and cess charged, if any, in the document and
 - ◆ shall exclude the value of exempt supply of goods where the invoice is issued in respect of both exempt and taxable supply of goods.