

**PAPER – 4 : TAXATION**  
**SECTION A : INCOME TAX LAW**

*Question No.1 is compulsory.*

*Candidates are also required to answer any **two** questions from the remaining questions.*

*Working notes shall form part of the respective answers.*

*All questions pertaining to income-tax relate to assessment year 2021-22, unless stated otherwise in the question.*

**Question 1**

*Mr. Shivansh, a resident and ordinarily resident aged 61 years, is engaged in the business of manufacturing of motor parts. He is subject to tax audit under section 44AB of Income-tax Act, 1961. He has provided following information:*

**Profit & Loss account for the year ended 31<sup>st</sup> March, 2021**

<b>Particulars</b>	<b>(₹)</b>	<b>Particulars</b>	<b>(₹)</b>
To Administrative expenses	4,30,000	By Gross Profit	58,30,000
To Salaries & wages	20,00,000	By Profit on sale of asset of scientific research	2,00,000
To Interest on loans	7,50,000	By Winning from lottery (Net of TDS @ 30%)	31,500
To Depreciation	6,17,000		
To Professional fees	2,70,000		
To Rent, rates & taxes	2,80,000		
To Travelling & conveyance	1,40,000		
To Net Profit	<u>15,74,500</u>		
<b>Total</b>	<b>60,61,500</b>	<b>Total</b>	<b>60,61,500</b>

**Explanatory information:**

- (i) Opening and closing stock of finished goods were undervalued by 10%. Opening stock of ₹ 4,50,000 and Closing stock of ₹ 5,58,000 was shown.

*The Suggested Answers for Paper 4A: Income-tax Law are based on the provisions of Income-tax Act as amended by the Finance Act, 2020 which are relevant for December, 2021 Examination. The relevant assessment year is A.Y.2021-22.*

- (ii) Salaries & wages include following items:
- Contributed 20% of basic salary in National Pension Scheme referred in section 80CCD regarding salary paid to an employee Mr. Ganesh who has withdrawn basic salary of ₹ 3,00,000 and Dearness allowance is 40% of basic salary. 50% of Dearness allowance forms part of the salary.
  - Some of the employees opted for retirement under the voluntary retirement scheme; a sum of ₹ 2,40,000 was paid to them on 1<sup>st</sup> January, 2021.
- (iii) Interest on loan includes interest paid @ 15% per annum on loan of ₹ 12,00,000 which was taken from State Bank of India on 01.05.2020 for purchase of new electric car of ₹ 15,00,000. The car is used for personal purpose.
- (iv) Depreciation allowable as per Income-tax Rules, 1962 is ₹ 4,50,000 but during the calculation of such depreciation following addition was not considered:
- Motor car purchased for ₹ 3,00,000 for supply of finished goods to dealers on 25-08-2020.
- (v) An asset was purchased for ₹ 6,00,000 on 17-11-19 for conducting scientific research and the deduction was claimed under section 35 of the Income-tax Act, 1961. This asset was sold on 05-09-2020 for a consideration of ₹ 8,00,000.

**Other information:**

A plot of Industrial land which was used by Mr. Shivansh for business purpose for last 10 years was compulsorily acquired by Central Government on 07.05.2020. The compensation of ₹ 12,00,000 was received on 27.02.2021. Such property was purchased by him on 08.08.2005 for ₹ 2,00,000. He has purchased another plot of industrial land on 21.04.2021 for ₹ 6,00,000. Government has also paid ₹ 54,000 as interest on such compensation on 28.03.2021.

Cost Inflation Indices: FY 2020-21: 301, FY 2005-06: 117

Compute the total income and tax liability of Mr. Shivansh for the assessment year 2021-22 assuming that he has not opted for the provisions of section 115BAC. Ignore Provisions relating to AMT.

**(14 Marks)**

**Answer**

**Computation of total income of Mr. Shivansh for A.Y. 2021-22**

	Particulars	₹	₹	₹
I.	<b><u>Income from business or profession</u></b>			
	Net Profit		15,74,500	
	<b>Add: Items debited but not allowable/item not credited but taxable while computing business income</b>			
	- Employer's contribution to NPS in excess of			

	10% of salary - Employer's contribution to the extent of 10% of salary i.e., basic salary plus dearness allowance forming part of salary would be allowed as deduction. Thus, excess contribution i.e., ₹ 24,000 [₹ 60,000, being 20% of ₹ 3,00,000 less ₹ 36,000 being 10% of ₹ 3,60,000 (₹ 3,00,000 + 20% of ₹ 3,00,000)] has to be added back.	24,000	
-	VRS expenditure - 1/5th of expenditure on voluntary retirement scheme is allowable over a period of five years u/s 35DDA. Since whole amount of expenditure is debited to Profit and Loss A/c, 4/5th has to be added back [₹ 2,40,000 x 4/5].	1,92,000	
-	Interest on loan taken for purchase of electric car used for personal purpose not allowable as deduction while computing business income as being expense of personal nature. Thus, ₹ 1,65,000 [₹ 12,00,000 x 15% x 11/12] has to be added back, since the same forms part of interest on loan debited to profit and loss account.	1,65,000	
-	Sale proceeds of asset acquired for conducting scientific research taxable as business income under section 41(3) in the year of sale to the extent of lower of ₹ 6,00,000 (being the deduction allowed u/s 35) and ₹ 8,00,000 being the excess of sale proceeds and deduction allowed u/s 35 i.e., (₹ 8,00,000 + ₹ 6,00,000) over the capital expenditure incurred of ₹ 6,00,000	6,00,000	
-	Undervaluation of stock [(₹ 5,58,000 - ₹ 4,50,000) x 10/90]	12,000	
	<b>Note:</b> Alternatively, undervaluation of closing stock i.e., ₹ 62,000 can be added back and under valuation of opening stock i.e., ₹ 50,000 can be reduced from net profits.		
-	Depreciation as per books of A/c	<u>6,17,000</u>	
			<u>16,10,000</u>
			31,84,500

	Less: Depreciation as per Income-tax Rules	4,50,000		
	Depreciation on Motor car purchased for supply of finished goods [ $\text{₹ } 3,00,000 \times 15\%$ ]	<u>45,000</u>	<u>4,95,000</u>	
			26,89,500	
	<b>Less: Items of income credited to profit and loss account but not taxable or taxable under any other head of income</b>			
	- Profit on sale of asset of scientific research [Taxable under the head "Capital Gains"]	2,00,000		
	- Winning from lottery [Taxable under the head "Income from other sources"]	<u>31,500</u>	<u>2,31,500</u>	
				24,58,000
II.	<b><u>Capital Gain</u></b>			
	<b><u>Short-term capital gains</u></b>			
	<b>Sale of asset acquired for conducting scientific research</b>			
	Sales consideration	8,00,000		
	Less: Cost of acquisition	<u>6,00,000</u>		
	Short- term capital gain		2,00,000	
	<b><u>Long-term capital gains</u></b>			
	<b>Compulsory acquisition of industrial plot by the Central Government taxable as per section 45(5)</b>			
	Compensation received	12,00,000		
	Less: Indexed cost of acquisition [ $\text{₹ } 2,00,000 \times 301/117$ ]	<u>5,14,530</u>		
	Long-term capital gain [since such plot is held for more than 24 months]	6,85,470		
	Less: Exemption u/s 54D			
	- Acquisition of industrial plot within 3 years	<u>6,00,000</u>	<u>85,470</u>	2,85,470

<b>III. Income from other sources</b>			
Winning from lottery [₹ 31,500 x 100/70]		45,000	
Interest on enhanced compensation	54,000		
Less: 50% of enhanced compensation	<u>27,000</u>		
		<u>27,000</u>	<u>72,000</u>
<b>Gross Total Income</b>			28,15,470
Less: <b>Deduction under Chapter VI-A</b>			
<b>Deduction under section 80EEB</b>			
Interest on loan taken for purchase of electric vehicle allowable as deduction to the extent of			<u>1,50,000</u>
<b>Total Income</b>			<u>26,65,470</u>

**Computation of tax liability of Mr. Shivansh for A.Y.2021-22**

Particulars	₹	₹
Tax on long-term capital gains @20% of ₹ 85,470		17,094
Tax on winning from lottery @30% of ₹ 45,000		13,500
Tax on total income (excluding LTCG and winning from lottery) of ₹ 25,35,000		
Upto ₹ 3,00,000 [since Mr. Shivansh, a senior citizen, he is eligible for higher exemption limit]	Nil	
₹ 3,00,001 – ₹ 5,00,000[@5% of ₹ 2.00 lakh]	10,000	
₹ 5,00,001 – ₹10,00,000[@20% of ₹ 5 lakh]	1,00,000	
₹ 10,00,001- ₹ 25,35,000 [@30% of ₹ 15,35,000]	<u>4,60,500</u>	
		<u>5,70,500</u>
		6,01,094
Add: Health and education cess@4%		<u>24,044</u>
<b>Tax liability</b>		<u>6,25,138</u>
<b>Tax liability (rounded off)</b>		<b>6,25,140</b>

**Question 2**

- (a) Examine the tax implications of the following transactions for the assessment year 2021-22: (Give brief reason)
- (i) Government of India has appointed Mr. Rahul as an ambassador in Japan. He received salary of ₹ 7,50,000 and allowances of ₹ 2,40,000 during the previous year 2020-21 for rendering his services in Japan. He is an Indian citizen having status of non-resident in India for the previous year 2020-21.

- (ii) Ms. Juhi, 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 2020-21.
- (iii) Mr. Naveen, a non-resident in India, has earned ₹ 3,00,000 as royalty for a patent right made available to Mr. Rakesh who is also a non-resident. Mr. Rakesh has utilized patent rights for development of a product in India and 50% royalty is received in India and 50% outside India.
- (iv) Mr. James, a NRI, borrowed ₹ 10,00,000 on 01.04.2020 from Mr. Akash who is also a non-resident and invested such money in the shares of an Indian Company. Mr. Akash has received interest @ 12% per annum. **(7 Marks)**
- (b) Ms. Mishika has entered into an agreement with M/s CVM Build Limited on 25.04.2017 in which she agrees to allow such Company to develop a shopping mall on land owned by her in New Delhi. She purchased such land on 05.05.2009 for ₹ 15,00,000. In consideration, M/s CVM Build Limited will provide 20% share in shopping mall to Mishika. The certificate of completion of shopping mall was issued by authority as on 26.12.2020. On such date, Stamp duty value of shopping mall was ₹ 4,14,00,000. Subsequently on 18.03.2021, she sold her 15% share in shopping mall to Mr. Ketav in consideration of ₹ 65,00,000.

She has also purchased a house on 09.05.2020 in consideration of ₹ 46,00,000 and occupied for own residence. Punjab National Bank has sanctioned a loan of ₹ 35,50,000 (80% of stamp value) at the interest rate of 12% per annum on 01.05.2020 and disbursement was made on 01.06.2020. She does not own any other residential house on the date of sanction of loan. Principal amount of ₹ 1,30,000 was paid during the financial year 2020-21.

Cost Inflation Indices: 2020-21: 301, 2009-10: 148

Compute total income of Ms. Mishika for the assessment year 2021-22 assuming that she has not opted for the provisions under section 115BAC. **(7 Marks)**

### Answer

- (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. Rahul, being a non-resident of ₹ 7,50,000 for rendering services in Japan would be taxable in his hands, after allowing standard deduction of ₹ 50,000.

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

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

Thus, income of ₹ 2,50,000 arising in the hands of Ms. Juhi 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. Rakesh, 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. Naveen, 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. James, 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. Akash, 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. Akash.

(b) **Computation of total income of Ms. Mishika for the A.Y.2021-22**

Particulars	Amount (₹)	Amount (₹)
<b>Income from house property [Self-occupied]</b>		
Net Annual Value	Nil	
Less: Interest on housing loan of ₹ 3,55,000 [₹ 35,50,000 x 12% x 10/12 months] restricted to ₹ 2,00,000/-	<u>2,00,000</u> (2,00,000)	
Less: Set-off of loss against long-term capital gains	<u>2,00,000</u>	Nil
<b>Long-term capital gains on transfer of land under specified agreement</b>		
Since Ms. Mishika transferred her share in the project after issue of completion certificate, capital gains on transfer of land handed over to developer under specified agreement in the P.Y. 2017-18 would be taxable in the		

previous year 2020-21, being the year in which certificate of completion is issued as per section 45(5A). Accordingly, capital gain arising in respect of land would be-		
Full value of consideration, being 20% share in shopping mall [Stamp duty value on the date of issue of completion certificate (₹ 4,14,00,000 x 20%)]	82,80,000	
Less: Indexed of cost of acquisition [₹ 15,00,000 x 301/148]	<u>30,50,676</u>	
Long-term capital gain	52,29,324	
<b>Less: Deduction under section 54F</b>		
Deduction in respect of amount invested for purchase of a residential house acquired within one year prior to date of transfer would be allowable proportionately, since amount invested is less than the net consideration. Accordingly, deduction would be ₹ 29,05,180 (₹ 52,29,324 x ₹ 46,00,000 / ₹ 82,80,000)	<u>29,05,180</u>	
Long-term capital gains	23,24,144	
Less: Set-off of loss from house property [It is beneficial to set-off loss from house property against long-term capital gains, since in case of Ms. Mishika total income comprises of LTCG taxable@20% and STCG taxable at normal slab rates; and she can claim deduction of ₹ 2,80,000 under Chapter VI-A against STCG of ₹ 2,90,000. Moreover, the remaining STCG would also not be taxable since it would be below the basic exemption limit]	<u>2,00,000</u>	21,24,144
<b>Short-term capital gains</b>		
<b>Sale of 15% share in shopping mall</b> [short-term capital asset, since held for not more than 24 months]		
Net Sales consideration	65,00,000	
Less: Cost of acquisition, being the full value of consideration taxable on transfer of land [₹ 4,14,00,000 x 15%]	<u>62,10,000</u>	
Short-term capital gains		<u>2,90,000</u>
<b>Gross Total Income</b>		24,14,144
<b>Less: Deductions under Chapter VI-A</b> (allowable against short-term capital gains of ₹ 2,90,000)		



Deduction under section 80C – repayment of principal amount of housing loan	1,30,000	
Deduction under section 80EEA – Ms. Mishika would be eligible for deduction of interest on housing loan (₹ 3,55,000 - ₹ 2,00,000 = ₹ 1,55,000) to the extent of ₹ 1,50,000, since stamp duty value of the house does not exceed ₹ 45,00,000 [being ₹ 44,37,500 (₹ 35,50,000 x 100/80)] and she does not own any other residential house on the date of sanction of loan.	<u>1,50,000</u>	<u>2,80,000</u>
<b>Total Income</b>		<b><u>21,34,144</u></b>
<b>Total Income (rounded off)</b>		<b><u>21,34,140</u></b>

**Note -**

As per section 45(5A), any capital gains arising from the transfer of a capital asset, being land or building or both, under a specified agreement, is chargeable to income-tax as income of the previous year in which the certificate of completion is issued by the competent authority. In the above solution, the CII of F.Y.2020-21 has been considered on the basis of parity, since, as per section 45(5A), it is the stamp duty value of the developed property (shopping mall, in this case) on the date of issue of certificate of completion (26.12.2020), which is deemed as the full value of consideration for transfer of land handed over to the developer.

**Alternate view -**

The definition of transfer, *inter alia*, includes any arrangement or transaction where any rights are handed over in execution of part performance of contract, even though the legal title has not been transferred. Hence, in case of 'specified agreement(s)', 'transfer' takes place at the time when the owner of the immovable property hands over the same to the developer i.e., in F.Y.2017-18 in this case.

As per the plain reading of definition of 'indexed cost of acquisition', the CII of the year in which the asset (land, in this case) is transferred has to be considered. Accordingly, as per this interpretation, CII of F.Y. 2017-18 i.e., 272 can be considered for computing indexed cost of acquisition. If the CII of F.Y.2017-18 is considered on the basis of this line of reasoning, the figures of long-term capital gains and total income would accordingly change. However, the CII of F.Y.2017-18 has not been given in the question for the purpose of making such computation.

**Question 3**

- (a) 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 2020-21 under Income-tax Act, 1961. Assume that all payments are made to residents:

- (i) Mr. Mahesh has paid ₹ 6,00,000 on 15.10.2020 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 2019-20.
- (ii) Mr. Ramu, a salaried individual, has paid rent of ₹ 60,000 per month to Mr. Shiv Kumar from 1<sup>st</sup> July, 2020 to 31<sup>st</sup> March, 2021. Mr. Shiv Kumar has not furnished his Permanent Account Number. **(4 Marks)**
- (b) 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 Assessment year 2021-22.
- (i) Mr. Kalpit bought an overseas tour programme package for Singapore for himself and his family of ₹ 5 lakhs on 01-11-2020 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. Anu doing business of textile as a proprietor. His turnover in the business is ₹ 11 crores in the previous year 2019-20. He received payment against sale of textile goods from Mr. Ram of ₹ 75 lakhs against the sales made to him in the previous year and preceding previous years. (Assuming all the sales are domestic sales and Mr. Ram is neither liable to deduct tax on the purchase from Mr. Anu nor he deducted any tax at source). **(4 Marks)**
- (c) Mr. Ravi, a resident and ordinarily resident in India, owns a let out house property having different flats in Kanpur which has municipal value of ₹ 27,00,000 and standard rent of ₹ 29,80,000. Market rent of similar property is ₹ 30,00,000. Annual rent was ₹ 40,00,000 which includes ₹ 10,00,000 pertaining to different amenities provided in the building. One flat in the property (annual rent is ₹ 2,40,000) remains vacant for 4 months during the previous year. He has incurred following expenses in respect of aforesaid property:
- Municipal taxes of ₹ 4,00,000 for the financial year 2020-21 (10% rebate is obtained for payment before due date). Arrears of municipal tax of financial year 2019-20 paid during the year of ₹ 1,40,000 which includes interest on arrears of ₹ 25,000.
- Lift maintenance expenses of ₹ 2,40,000 which includes a payment of ₹ 30,000 which is made in cash.
- Salary of ₹ 88,000 paid to staff for collecting house rent and other charges.
- Compute the total income of Mr. Ravi for the assessment year 2021-22 assuming that Mr. Ravi has not opted for the provisions under section 115BAC. **(6 Marks)**

**Answer**

- (a) (i) The arrangement between Mr. Mahesh, 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. Mahesh to the cold storage company<sup>1</sup>.

Accordingly, tax has to be deducted @ 1.5%<sup>2</sup> on ₹ 6 lakh.

$$\text{TDS u/s 194C} = 1.5\% \times ₹ 6 \text{ lakh} = ₹ 9,000$$

- (ii) Mr. Ramu, being a salaried individual, has to deduct tax at source @ 3.75%<sup>3</sup> u/s 194-IB on the annual rent paid by him from the last month's rent (rent of March, 2021), 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 3.75%. However, the same cannot exceed ₹ 60,000, being rent for March, 2021.

$$\text{TDS u/s 194-IB} = ₹ 5,40,000 \text{ (₹ 60,000} \times 9) \times 20\% = ₹ 1,08,000, \text{ but restricted to ₹ 60,000, being rent for March, 2021.}$$

- (b) (i) Tax @ 5% is required to be collected u/s 206C 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. Anu is required to collect tax @ 0.075%<sup>4</sup> u/s 206C from Mr. Ram, since his turnover in the P.Y. 2019-20 exceeds ₹ 10 crores, and the sales receipts from Mr. Ram in the P.Y. 2020-21 exceeds ₹ 50 lakhs. Tax has to be collected by Mr. Anu on ₹ 25 lakhs, being the amount exceeding ₹ 50 lakhs, at the time of receipt. Since receipt is in the P.Y. 2020-21, TCS provisions are attracted even though part of the sales may relate to the preceding previous years.

$$\text{TCS} = 0.075\% \times ₹ 25 \text{ lakhs} = ₹ 1,875$$

**Note** – It is assumed that sales receipts to the tune of at least ₹ 25 lakhs were received on or after 1.10.2020, being the date when the provisions of section 206C(1H) became effective. Alternatively, it is also possible to assume that the

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

<sup>2</sup> Since the payment is on 15.10.2020, which falls in the period 14.5.2020 to 31.3.2021, the rate is 1.5% instead of 2%.

<sup>3</sup> Since tax is deductible on 31.3.2021, which falls in the period 14.5.2020 to 31.3.2021, the rate is 3.75% instead of 5%.

<sup>4</sup> Since tax is collectible on receipts between 1.10.2020 and 31.3.2021, the rate is 0.075% instead of 0.1%.

entire receipts of ₹ 75 lakhs was received before 1.10.2020. In such a case, the provisions of section 206C(IH) would not be applicable and no tax would be required to be collected.

(c) **Computation of total income of Mr. Ravi for A.Y. 2021-22 under the regular provisions of the Act**

Particulars	Amount (₹)	Amount (₹)
<b>Income from house property</b>		
Gross Annual Value		
- <b>Expected rent ₹ 29,80,000</b> [Higher of Municipal Value of ₹ 27,00,000 p.a. and Fair Rent of ₹ 30,00,000 p.a., but restricted to Standard Rent of ₹ 29,80,000 p.a.]		
- <b>Actual rent ₹ 29,40,000</b> [₹ 30,00,000, being annual rent for house property less rent of ₹ 60,000 ( $₹ 2,40,000 \times 4/12 \times 3/4$ ) due to vacancy]	29,40,000	
<b>Gross Annual Value</b>		
<i>In this case, the actual rent is lower than the expected rent due to vacancy. Otherwise, the actual rent of ₹ 30,00,000 would have been higher than the expected rent. In such a case, the actual rent would be the gross annual value, even if it is lower than the expected rent.</i>		
Less: Municipal taxes actually paid during the year: [₹ 4,00,000 – rebate of ₹ 40,000] = ₹ 3,60,000		
[₹ 1,40,000 arrears – ₹ 25,000 interest] = ₹ 1,15,000	<u>4,75,000</u>	
<b>Net Annual Value</b>	24,65,000	
Less: <b>Deduction from Net Annual Value</b> 30% of Net Annual Value	<u>7,39,500</u>	17,25,500
<b>Income from Other Sources/Profits and gains from business or profession</b>		
Rent for amenities	10,00,000	
Less: Loss due to vacancy [₹ 2,40,000 $\times 4/12 \times 1/4$ ]	<u>20,000</u>	
	9,80,000	
<b>Less: Expenditure in respect thereof</b>		
- Lift maintenance expenses [excluding cash payment of ₹ 30,000 disallowed] = ₹ 2,40,000 – ₹ 30,000	2,10,000	

- Salary to staff [₹ 88,000 x 1/4, being the proportion pertaining to amenities]	<u>22,000</u>	<u>2,32,000</u>	<u>7,48,000</u>
<b>Total Income</b>			<b><u>24,73,500</u></b>

**Question 4**

(a) Details of Income of Mr. R and his wife Mrs. R for the previous year 2020-21 are as under:

- (i) Mr. R transferred his self-occupied property without any consideration to the HUF of which he is a member. During the previous year 2020-21 the HUF earned an income of ₹ 50,000 from such property.
- (ii) Mr. R transferred ₹ 4,00,000 to his wife Mrs. R on 01.04.2006 without any consideration which was given as a loan by her to Mr. Girish. She earned ₹ 3,50,000 as interest during the earlier previous years which was also given as a loan to Mr. Girish. During the previous year 2020-21, she earned interest @ 11% per annum.
- (iii) Mr. R and Mrs. R both hold equity shares of 27% and 25% respectively in AMG Limited. They are also working as employees in such Company. During the financial year 2020-21 they have withdrawn a salary of ₹ 3,20,000 and 2,70,000 respectively.
- (iv) Mrs. R transferred 5,000 equity shares of RSB Ltd. on 17.09.2013 to Mr. R without any consideration. The Company issued 3,000 bonus shares to Mr. R in 2016. On 04.03.2021, Mr. R sold entire share holdings and earned ₹ 5,20,000 as capital gains.

Apart from above income, Mr. R has income from commission ₹ 4,00,000 and Mrs. R has interest income of ₹ 3,30,000.

Compute Gross Total income of Mr. R and Mrs. R for the assessment year 2021-22.

**(4 Marks)**

- (b) Mr. X, an employee of the Central Government is posted at New Delhi. He joined the service on 1<sup>st</sup> February, 2017. Details of his income for the previous year 2020-21, are as follows:
  - (i) Basic salary : ₹ 3,80,000
  - (ii) Dearness allowance : ₹ 1,20,000 (40% forms part of pay for retirement benefits)
  - (iii) Both Mr. X and Government contribute 20% of basic salary to the pension scheme referred to in section 80CCD.
  - (iv) Gift received by X's minor son on his birthday from friend: ₹ 70,000. (No other gift is received by him during the previous year 2020-21)

- (v) During the year 2013-14, Mr. X gifted a sum of ₹ 6,00,000 to Mrs. X. She started a business by introducing such amount as her capital. On 1<sup>st</sup> April, 2020, her total investments in business was ₹ 10,00,000. During the previous year 2020-21, she has loss from such business ₹ 1,30,000
- (vi) Mr. X deposited ₹ 70,000 in Sukanya Samridhi account on 23.01.2021. He also contributed ₹ 40,000 in an approved annuity plan of LIC to claim deduction u/s 80CCC.
- (vii) He has taken an educational loan for his major son who is pursuing MBA course from Gujarat University. He has paid ₹ 15,000 as interest on such loan which includes ₹ 5,000 for the financial year 2019-20.

Determine the total income of Mr. X for the assessment year 2021-22. Ignore provisions under section 115BAC. **(6 Marks)**

- (c) Mr. Kailash, a resident and ordinarily resident in India, could not file his return of Income for the assessment year 2021-22 before due date prescribed under section 139(1). Advise Mr. Kailash as a tax consultant.

What are the consequences for non-filing of return of Income within the due date under section 139(1)?

**OR**

Mr. Sitaram is engaged in the business of trading of cement having turnover of ₹ 10 crores during the financial year 2021-21<sup>5</sup>. As a tax consultant advise him what are the particulars to be furnished under section 139(6A) along with Return of Income?

**(4 Marks)**

**Answer**

- (a) **Computation of Gross Total Income of Mr. R and Mrs. R for A.Y. 2021-22**

	Particulars	Mr. R	Mrs. R
		Amount (₹)	
I.	<b>Income from house property</b> <b>Income from property transferred to HUF without consideration</b> Since Mr. R has transferred his property to his HUF without consideration, income of ₹ 50,000 <sup>6</sup> from such property would be included in the total income of Mr. R as per section 64(2).	50,000	

<sup>5</sup> To be read as 2020-21

<sup>6</sup> Assumed as computed figure.

II.	<b>Capital Gains</b>		
	<b>Income from equity shares transferred by Mrs. R to Mr. R without consideration</b>		
	Capital gains arising to Mr. R from transfer of equity shares of RSB Ltd. gifted to him by Mrs. R would be included in the hands of Mrs. R [ $\text{₹ } 5,20,000 \times 5,000/8,000$ ]		3,25,000
	Capital gains arising to Mr. R from transfer of bonus shares issued by RSB Ltd. on the basis of holding of the said equity shares would be included in the income of Mr. R and not Mrs. R, since income derived from accretion of the transferred asset cannot be clubbed with the income of transferor of the original asset i.e., Mrs. R [ $\text{₹ } 5,20,000 \times 3,000/8,000$ ] <sup>7</sup>	1,95,000	
III.	<b>Income from Other Sources</b>		
	Income from commission	4,00,000	
	Interest income		3,30,000
	<b>Interest income on ₹ 4 lakh transferred by Mr. R to Mrs. R without consideration</b>		
	Income of ₹ 44,000, i.e., 11% of ₹ 4,00,000, being the amount transferred by Mr. R to Mrs. R without any consideration and loaned by her to Mr. Girish, would be included in the income of Mr. R	44,000	
	Income of ₹ 38,500 i.e., 11% of ₹ 3,50,000, being the interest earned by Mrs. R out of amount gifted by Mr. R and thereafter, given by her as loan to Mr. Girish, would be included in the income of Mrs. R, as income derived by Mrs. R from accretion of the amount gifted by Mr. R (i.e., interest income) cannot be included in the income of Mr. R.		38,500
	Total income [before considering adjustment on account of item (iii) i.e., salary income from a company in which both Mr. R and Mrs. R have substantial interest]	6,89,000	6,93,500
IV.	<b>Salary income from a company in which both Mr. R and Mrs. R have substantial interest</b>		

<sup>7</sup> In the absence of any other information, the capital gains has been apportioned on the basis of number of original shares to number of bonus shares.

Since both Mr. R and Mrs. R have substantial interest in AMG Ltd. (on account of holding equity shares carrying 20% or more of voting power) and both are in receipt of income by way of salary from AMG Ltd., such <b>salary income would be includible in the hands of that spouse, whose total income, before including such salary income, is higher.</b> Accordingly, the salary income of both Mr. R and Mrs. R would be included in the hands of Mrs. R in this case, since her total income, before including such income, is higher than that of Mr. R.		
Salary income of Mr. R = ₹ 3,20,000 – ₹ 50,000 (standard deduction)		<b>2,70,000</b>
Salary income of Mrs. R = ₹ 2,70,000 – ₹ 50,000 (standard deduction)		<b>2,20,000</b>
<b>Gross Total Income</b>	<b>6,89,000</b>	<b>11,83,500</b>

(b)

**Computation of Total Income of Mr. X for A.Y. 2021-22**

Particulars	Amount ₹	Amount ₹
<b>Salaries</b>		
Basic Salary	3,80,000	
Dearness Allowance	1,20,000	
Employer contribution to NPS = 20% of ₹ 3,80,000	<u>76,000</u>	
	5,76,000	
Less: Standard deduction [₹ 50,000 or ₹ 5,76,000, whichever is lower]	<u>50,000</u>	
		5,26,000
<b>Profits and gains of business or profession</b>		
Where the amount gifted by Mr. X (₹ 6 lakh, in this case) is invested by Mrs. X in a business as her capital, proportionate share of profit or loss, as the case may be, computed by taking into account the value of the investment as on 1.4.2020 to the total investment in the business (₹ 10 lakh) would be included in the income of Mr. X [loss of ₹ 1,30,000 x 6/10]	<u>(78,000)</u>	
<b>Income from other sources</b>		
All income of the minor son would be included in the income of the parent Mr. X, since his income is higher than the	70,000	



income of Mrs. X (loss of ₹ 52,000, based on the information given in the question). Accordingly, ₹ 70,000, being amount of gift received by minor son during the P.Y.2021-22, would be included in the income of Mr. X as the amount of gift exceeds ₹ 50,000.		
Less: Exemption in respect of income of minor child included in Mr. X's income	<u>1,500</u>	
	68,500	
Less: Business loss of ₹ 78,000 set-off to the extent of (Balance <b>business loss of ₹ 9,500 to be carried forward</b> to the next year, since the same cannot be set-off against salary income)	68,500	
		<u>Nil</u>
Gross Total Income		5,26,000
<b>Less: Deductions under Chapter VI-A</b>		
Under section 80C – deposit in Sukanya Samridhi Account	70,000	
Under section 80CCC – Contribution to LIC Annuity Plan	40,000	
Under section 80CCD(1) – Employee contribution to NPS (₹ 76,000 – ₹ 50,000 deduction claimed u/s 80CCD(1B)], since it is lower than ₹ 42,800, being 10% of salary (₹ 3,80,000 + ₹ 48,000)	<u>26,000</u>	
Allowable in full, since less than ₹1,50,000, being the maximum permissible deduction u/s 80C, 80CCC & 80CCD(1)	1,36,000	
Under section 80CCD(1B) – Employee contribution to NPS	50,000	
Under section 80CCD(2) – Employer contribution to NPS restricted to 14% of basic salary + DA forming part of pay, since employer is Central Government = 14% x (₹ 3,80,000 + ₹ 48,000)	59,920	
Under section 80E – Interest paid on loan taken for higher education	<u>15,000</u>	
		<u>2,60,920</u>
<b>Total Income</b>		<b>2,65,080</b>

**Notes -** The following assumptions have been made while solving the question –

- Loan is taken from a financial institution or approved charitable institution, and hence, interest paid on such loan qualifies for deduction under section 80E.
- The question mentions that gift of ₹ 6 lakhs is given by Mr. X to Mrs. X during the P.Y.2013-14. However, the date of investment in business is not given. It has been

*assumed that it was invested between 2.4.2019 to 1.4.2020 for solving the problem, in the absence of other information in the question.*

**(c) [First Alternative]**

**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) and
- ₹ 10,000 would be the fee payable under section 234F where the return is furnished after 31st December, 2021.

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.

**(c) [Second Alternative]**

Since Mr. Sitaram's turnover from business of trading of cement is ₹ 10 crores which exceeds ₹ 1 crore, being the threshold limit for tax audit under section 44AB, he is subjected to tax audit.

Accordingly, Mr. Sitaram, is required to furnish the following particulars along with his return of income -

- (i) the report of audit referred to in section 44AB.
- (ii) the particulars of the location and style of the principal place where he carries on the business or profession and all the branches thereof.

**SECTION B: INDIRECT TAXES**

Question No. 5 is compulsory.

Candidates are also required to answer any **two** questions from the remaining **three** questions.

**All questions should be answered on the basis of position of GST law as amended upto 30<sup>th</sup> April, 2021.**

Working notes should form part of the answer.

Wherever necessary, suitable assumptions may be made by the candidates and disclosed by way of note.

**Question 5**

ABC Ltd., a registered supplier in Surat, Gujarat has calculated output net GST liability after adjusting ITC in the books for the month of February 2021:

CGST : ₹ 3,00,000

SGST : ₹ 2,50,000

IGST : ₹ 3,00,000

During the above month, the following additional information is provided by ABC Ltd.:

S. No.	Particulars	Amount (excluding GST) ₹
1	The company had given on hire 5 trucks to one of the transporters of Vadodara (a goods transport agency) for transporting goods for 10 days. The hiring charges for the trucks were ₹ 7,500 per truck per day	3,75,000
2	The company sold goods to X & Co. of Delhi on 6 <sup>th</sup> January 2021 with a condition that interest @ 2% per month will be charged on invoice value if X & Co. failed to make payment within 30 days of the delivery of the goods. Goods were delivered and also the invoice was issued on 6 <sup>th</sup> January 2021. X & Co. paid the consideration for the goods on 20 <sup>th</sup> February along with applicable interest.	5,00,000
3	The company sought legal consultancy services for its business from A & Advocates, a partnership firm of advocates situated at Bhuj, Gujarat.	1,50,000
4	The company ordered 3,000 packets of tools which are to be delivered by the supplier of Delhi via 3 lots of 1,000 packets monthly. The supplier raised the invoice for full	5,00,000

	quantity in February 2021 and the last lot would be delivered in April 2021.	
5	The company supplied 10,000 packets of tools to one of its customer at ₹ 10/- per packet in Gujarat in January 2021. Afterwards, the company re-values it at ₹ 9 per packet in February 2021 and the company issued credit note to the customer for ₹ 1 per packet.	

The rate of GST is 9% CGST, 9% SGST and 18% IGST.

You are required to compute the actual net liability of GST to be paid in cash along with working notes for the month of February 2021. **(8 Marks)**

**Answer**

**Computation of net GST liability of ABC Ltd. to be paid in cash for February 2021**

Particulars	Value (₹)	CGST (₹)	SGST (₹)	IGST (₹)
Net output GST liability as given		3,00,000	2,50,000	3,00,000
Add: Trucks given on hire to GTA [Services by way of giving a means of transportation of goods on hire to a goods transport agency are exempt.]	3,75,000	--	--	--
Add: Interest on delayed payment of 15 days <sup>1</sup> (6 <sup>th</sup> February, 2021 to 20 <sup>th</sup> February, 2021) [Includible in value in terms of section 15 of the CGST Act, 2017.]	5,900 [5,90,000 × 2% × 15/30]	--	--	900
<b>Total output tax liability</b>		<b>3,00,000</b>	<b>2,50,000</b>	<b>3,00,900</b>
Less: ITC in respect of legal services paid as reverse charge is available <sup>2</sup>	1,50,000	(13,500) [1,50,000 × 9%]	(13,500) [1,50,000 × 9%]	
<b>Net output tax liability (A)</b>		<b>2,86,500</b>	<b>2,36,500</b>	<b>3,00,900</b>

<sup>1</sup> Interest on delayed payment collected is assumed to be inclusive of GST. Further, the invoice value has been taken as inclusive of GST for computing said penal interest. However, it is also possible to assume the interest to be exclusive of GST and to compute the same by taking the values as exclusive of GST (i.e. ₹ 5,00,000).

<sup>2</sup> The reversal provisions under rule 42 of the CGST Rules, 2017 have not been given effect to in the above answer on account of specific exclusion of the same via Study guidelines applicable for November, 2021 examination.

Legal consultancy services received(B) [Tax is payable under reverse charge on legal services received by a business entity <sup>3</sup> from a partnership firm of advocates. Further, tax payable under reverse charge, being not an output tax, cannot be set off against ITC and thus, will have to be paid in cash.]	1,50,000	13,500 [1,50,000 × 9%]	13,500 [1,50,000 × 9%]	
<b>Total GST payable in cash [(A) + (B)]</b>		<b>3,00,000</b>	<b>2,50,000</b>	<b>3,00,900</b>

**Notes:**

- (1) ITC on goods received in lots is available on receipt of last lot. Hence, ITC on tools received will not be available in February 2021.
- (2) Since discount given by ABC Ltd. on the packets of tools was not known at the time of supply, it shall not be excluded from its value of supply.

**Question 6**

- (a) AB Ltd., a registered company of Chennai, Tamil Nadu has provided following services for the month of October, 2021

<b>Particulars</b>	<b>Amount (₹)</b>
Services of transportation of students, faculty and staff from home to college and back to Commerce College, (a private college) providing degree courses in BBA, MBA, B.Com., M.Com.	2,50,000
Online monthly magazine containing question bank and latest updates in law to students of PQR Law College offering degree courses in LLB and LLM	1,00,000
Housekeeping services to T Coaching Institute	50,000
Security services to N Higher Secondary School	3,25,000
Services of providing breakfast, lunch and dinner to students of ABC Medical College offering degree courses recognized by law in medical field	5,80,000

All the above amounts are exclusive of GST.

Compute the taxable supplies of AB Ltd. for the month of October 2021 with necessary explanations. **(6 Marks)**

<sup>3</sup> It has been most logically assumed that the aggregate turnover of ABC Ltd. in the preceding FY was above the threshold limit for registration under GST law.

- (b) Q Ltd. is engaged exclusively in supply of taxable goods from the following states. The particulars of intra-state supplies for the month of May 2021 are as follows:

State	Turnover (₹)
Madhya Pradesh	5,00,000
Gujarat	14,00,000
Tripura	12,00,000

- (i) Q Ltd. seeks to know whether it is liable for registration under GST. Give your explanation.
- (ii) Will your answer be different if Q Ltd. supplies only petrol & diesel from Tripura instead of any other taxable goods? **(4 Marks)**

### Answer

- (a) **Computation of value of taxable supplies of AB Ltd.**

Particulars	Amount (₹)
Services of transportation of students, faculty and staff to Commerce College [Not exempt, since transportation services provided to an educational institution are exempt only if such institution provides pre-school education or education up to higher secondary school or equivalent.]	2,50,000
Online monthly magazine to students of PQR Law College [Services of supply of online educational journals provided to an educational institution providing qualification recognized by law are exempt.]	Nil
Housekeeping services to T Coaching Institute [Not exempt]	50,000
Security services <sup>4</sup> to N Higher Secondary School [Security services provided to an educational institution providing education up to higher secondary school are exempt.]	Nil
Services of providing breakfast, lunch and dinner to students of ABC Medical College [Not exempt, since catering services provided to an educational institution are exempt only if such institution provides pre-school	5,80,000

<sup>4</sup>It has been assumed that security services are performed in N Higher Secondary School.

education or education up to higher secondary school or equivalent.]	
<b>Value of taxable supplies</b>	<b>8,80,000</b>

- (b) Every person engaged in making a taxable supply is required to obtain registration if his aggregate turnover exceeds ₹ 20 lakh in a financial year. An enhanced threshold limit for registration of ₹ 40 lakh is available to persons engaged exclusively in intra-State supply of goods in specified States. However, the applicable threshold limit for registration gets reduced to ₹ 10 lakh in case a person is engaged in making supply from a specified Special Category State provided such supply is a taxable supply.

- (i) Since Q Ltd. is making supply of taxable goods<sup>5</sup> from Tripura – a specified Special Category State, the applicable threshold limit will get reduced to ₹ 10 lakh.

Thus, it is liable to be registered under GST as its aggregate turnover [₹ 31 lakh] exceeds the said threshold limit.

- (ii) In case Q Ltd. is making supply of non-taxable goods [petrol and diesel] from Tripura, the applicable threshold limit will not be reduced to ₹ 10 lakh; enhanced threshold limit of ₹ 40 lakh will be applicable.

Thus, it is not liable to be registered under GST as its aggregate turnover [₹ 31 lakh] does not exceed the said threshold limit.

#### Question 7

- (a) (i) An order is placed to T & Co., Sholapur on 18<sup>th</sup> August, 2021 for supply of fabrics to make garments. Company delivered the fabrics on 4<sup>th</sup> September, 2021 and after completion of the order issued the invoice on 15<sup>th</sup> September, 2021. The payment against the same was received on 30<sup>th</sup> September, 2021. Determine the time of supply for the purpose of payment under CGST Act, 2017 with your explanations.
- (ii) HM Industries Ltd. engaged the services of a transporter for road transport of a consignment on 20<sup>th</sup> May, 2021. However, the consignment could not be sent immediately on account of a strike in the factory, and instead was sent on 20<sup>th</sup> July 2021. Invoice was received from the transporter on 20<sup>th</sup> June 2021 and payment was made on 25<sup>th</sup> August 2021.

What is the time of supply of the transporter's service?

**(5 Marks)**

- (b) PQR Ltd., have filed their GSTR-3B return for the month of August, 2020 within the due date i.e. 20.09.2020. It was noticed in October, 2020 that tax dues for the month of August, 2020 have been short paid by ₹ 10,000. The shortfall of ₹ 10,000 was paid through cash ledger and credit ledger amounting to ₹ 7,500 and ₹ 2,500 respectively while filing GSTR-3B of October, 2020 which was filed on 20.11.2020.

<sup>5</sup>It has been assumed that Q Ltd. is not engaged in making supplies of ice cream and other edible ice, whether or not containing cocoa [2105 00 00], Pan masala [2106 90 20] and all goods of Chapter 24, i.e. Tobacco and manufactured tobacco substitutes.

- (i) Examine and compute the interest payable if any under the CGST Act, 2017.
- (ii) What would be your answer if, GSTR-3B for the month of August 2020 had been filed belatedly on 20.11.2020 as above.

**Note:** Ignore the effect of the leap year. Electronic cash ledger and credit ledger carried sufficient balance for the above shortfall. **(5 Marks)**

**Answer**

- (a) (i) The time of supply of goods (where movement of goods involve) (fabric) for the purpose of payment of tax is the date of issue of invoice or the last date when the invoice ought to have been issued.

Further, a registered person is required to issue a tax invoice before or at the time of delivery of goods or making available thereof to the recipient.

Thus, in the given case, time of supply is 4<sup>th</sup> September, 2021.

- (ii) **Alternative 1: Assuming that services of transportation of goods by road have been provided by a GTA which has not paid GST @ 12%; i.e. GST is payable @ 5%.**

Tax on supply of transportation of goods by road services provided by a Goods Transport Agency (GTA) to a body corporate is payable under reverse charge by such body corporate.

Time of supply of services taxable under reverse charge is earliest of:-

- (a) date of making payment, or
- (b) 61<sup>st</sup> day from the date of issue of invoice by supplier

Thus, in the given case, time of supply is earlier of

- (a) 25<sup>th</sup> August

or

- (b) 20<sup>th</sup> August 2021 (61<sup>st</sup> day from 20<sup>th</sup> June)

Thus, in the given case, time of supply 20<sup>th</sup> August 2021

**Alternative 2: Assuming that services of transportation of goods by road have been provided by a GTA which has paid GST @ 12%. Thus, GST is payable under forward charge.**

The time of supply of services in case where the invoice is issued within 30 days of provision of service is the earlier of date of invoice or date of receipt of payment.

Thus, in the given case, time of supply is 20<sup>th</sup> June, 2021.



- (b) In case of delayed payment of tax, interest is payable @ 18% per annum from the date following the due date of payment to the actual date of payment of tax.

However, interest is payable only on the short-paid tax which is paid through electronic cash ledger if return under section 39 is furnished after the due date.

- (i) In the given case, PQR Ltd. has furnished the return for August 2020 by the due date. Hence, interest is payable on the entire amount of short payment of ₹ 10,000, as under:

$$= ₹ 10,000 \times 18\% \times 61/365 = ₹ 300.82 \text{ or } 301 (\text{rounded off})$$

- (ii) If PQR Ltd. has furnished the return for August 2020 after the due date, interest is payable only on the short payment which is paid through electronic cash ledger, i.e. ₹ 7,500, as under:

$$= ₹ 7,500 \times 18\% \times 61/365 = ₹ 225.62 \text{ or } 226 (\text{rounded off})$$

#### Question 8

- (a) Mr. Q, a casual taxable person of Gujarat state is a trader of taxable notified handicraft goods. It makes supplies to the states of Maharashtra, Rajasthan and Andhra Pradesh. Turnover for October, 2021 is ₹ 18 Lakh.

- (i) Explain the provisions of registration for casual taxable person under GST. Examine whether Mr. Q is liable for registration or not?

- (ii) What will be the answer if Mr. Q makes trading in taxable notified products instead of taxable notified handicraft goods which involves 75% making on machine and 25% by hand? **(5 Marks)**

- (b) Is Dynamic Quick Response (QR) Code applicable to suppliers who issue invoice to unregistered persons? If no, list the suppliers to whom Dynamic QR Code is not applicable. **(5 Marks)**

OR

- (i) What is 'e-invoicing'?
- (ii) What is the threshold limit for mandatory issuance of E-invoice for all registered businesses?
- (iii) A consignor hands over his goods for transportation on Friday to the transporter. However, assigned transporter starts the movement of goods from consigner's warehouse to its depot located at distance of 600 Km. on Monday.

When will the e-way bill be generated and for how many days it will be valid?

**(5 Marks)**

**Answer**

- (a) (i) A casual taxable person is required to obtain compulsory registration under GST irrespective of the quantum of its aggregate turnover.

However, a threshold limit of ₹ 20 lakh (₹ 10 lakh in case of specified Special Category States) is available for registration to a casual taxable person who:

- (i) is making inter-State taxable supplies of notified handicraft goods and notified hand-made goods,
- (ii) is availing the benefit of exemption from registration available to inter-State supply of above-mentioned goods upto the aggregate turnover of ₹ 20 lakh (₹ 10 lakh in case of specified Special Category States), and
- (iii) has obtained a PAN and
- (iv) has generated an e-way bill.

In the given case, since Mr. Q is engaged in supplying notified handicraft goods and its aggregate turnover<sup>6</sup> does not exceed ₹ 20 lakh, he will not be liable to registration provided he fulfills other conditions specified herein.

- (ii) In case Mr. Q is engaged in trading of notified products which are predominantly made by machine, he will not be eligible for the exemption from registration under aforesaid provisions and needs to take compulsory ( mandatory) registration.
- (b) Dynamic QR code is applicable to invoices issued in respect of supplies made to unregistered persons by a registered supplier provided its aggregate turnover in any preceding financial year from 2017-18 onwards exceeds ₹ 500 crores.

However, it is not applicable to following suppliers issuing invoices to unregistered persons:-

- (i) Insurer or banking company or financial institution including NBFC
- (ii) GTA supplying services in relation to transportation of goods by road in a goods carriage
- (iii) Supplier of passenger transportation service
- (iv) Person supplying services by way of admission to exhibition of cinematograph films in multiplex screens
- (v) Supplier of online information and database access or retrieval (OIDAR) services

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<sup>6</sup>It has been assumed that Mr. Q has started supply of goods in October 2021 itself.

**Alternative**

- (b) (i) E-invoicing is reporting of business to business (B2B) invoices to GST system for certain notified category of taxpayers.
- (ii) The threshold limit for mandatory issuance of e-invoice for all registered businesses is ₹ 50 crores.
- (iii) E-way bill will be generated before commencement of movement of goods by transporter on Monday.

The validity period of the e-way bill is one day from relevant date upto 200 km and one additional day for every 200 km or part thereof thereafter.

Thus, validity period in the given case<sup>7</sup>, is 3 days

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<sup>7</sup>*It has been assumed that goods transported are not over Dimensional cargo.*