

Mock Test Paper - Series II: April, 2024

Date of Paper: 6 April, 2024

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

**INTERMEDIATE COURSE: GROUP - I**

**PAPER – 3: TAXATION**

**SECTION – A: INCOME TAX LAW**

**SOLUTIONS**

**Division A – Multiple Choice Questions**

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

**Division B – Descriptive Questions**

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

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

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

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

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

Particulars	₹	₹
<b>Tax on total income of ₹ 35,87,950</b>		
Tax on LTCG of ₹ 1,08,000@20%		21,600
<b>Tax on remaining total income of ₹ 34,79,950</b>		
Upto ₹ 3,00,000	Nil	
₹ 3,00,001 – ₹ 6,00,000 [@5% of ₹ 3 lakhs]	15,000	
₹ 6,00,001 – ₹ 9,00,000 [@10% of ₹ 3 lakhs]	30,000	
₹ 9,00,001 – ₹ 12,00,000 [@15% of ₹ 3 lakhs]	45,000	
₹ 12,00,001 – ₹ 15,00,000 [@20% of ₹ 3 lakhs]	60,000	
₹ 15,00,001 – ₹ 34,79,950 [@30% of ₹ 19,79,950]	<u>5,93,985</u>	<u>7,43,985</u>
		7,65,585
Add: Health and education cess@4%		<u>30,623</u>
<b>Total tax liability</b>		<u>7,96,208</u>
<b>Tax liability (rounded off)</b>		<b>7,96,210</b>

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

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

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

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

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

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

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

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

Since the regular income-tax payable is less than the alternate minimum tax payable, the adjusted total income shall be deemed to be the total income and tax is leviable @18.5% thereof plus cess@4%. Therefore, liability as per section 115JC is ₹ 7,88,020.

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

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

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

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

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

**P.Y. 2023-24**

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

**Four preceding previous years**

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

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

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

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

**(b) TDS implications**

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

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

TCS = ₹ 95,000

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

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

TDS = ₹ 2,75,000

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

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

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

**Working Note:**

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

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

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

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

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

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

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

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

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

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

Particulars	₹	₹
<b>Salaries</b>		
Shamita’s salary (₹ 25,000 × 12) [See Note 1]	3,00,000	



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

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

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

**Notes:**

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

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

**(b) First alternative**

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

**(b) Second alternative**

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

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

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

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

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

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



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**SECTION B – GOODS AND SERVICES TAX (50 MARKS)**

**SUGGESTED ANSWERS**

**Division A - Multiple Choice Questions**

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

**Division B - Descriptive Questions**

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

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

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

**Computation of total ITC available**

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

**Computation of net GST payable in cash**

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Or**

- (a)** In case of an event, if the recipient of service is registered, the place of supply of services for organizing the event is the location of such person. However, if the recipient is not registered, the place of supply is the place where event is held.

Since the event is being held in multiple states and a consolidated amount is charged for such services, the place of supply will be deemed to be in each State in proportion to the value for services determined in terms of the contract or agreement entered into in this regard.

In the absence of a contract or agreement between the supplier and recipient of services, the proportionate value of services made in each State (where the event is held) will be computed by the application of generally accepted accounting principles.

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

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

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

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

*Navigyan Edutech*  
*Sign of Trust*