

**GUIDELINE ANSWERS
JUNE 2024 EXAMINATION
TAX LAWS AND PRACTICE
GROUP 2 PAPER 7
EXECUTIVE PROGRAMME
(SYLLABUS 2022)**

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|-----------------------|---|
| Question Paper | https://www.icsi.edu/media/webmodules/examination/june2024/527.pdf |
| Weblink | |

PART – I

Answer to Question No. 1 (a)

Computation of Taxable Capital Gain in the hands of Mr. Bajrang for the AY 2024-25

| Particulars | Amount (Rs.) |
|--|---------------------|
| Actual Sale Consideration | 14,00,000 |
| Value of vacant land for stamp duty purposes | 15,00,000 |
| Since the difference between sale consideration and value of stamp duty purposes is less than 10% of the actual sale consideration, therefore, actual sale consideration is to be considered | 14,00,000 |
| Less: Indexed Cost of Acquisition (Rs. 200000 * 348/167) | (4,16,766) |
| Long Term Capital Gains | 9,83,234 |
| Less: Exemption u/s 54EC [Deposited in CG bond pf REC Ltd.) | (9,00,000) |
| Taxable Long Term Capital Gains | 83,234 |

Answer to Question No. 1 (b)

Computation of Taxable HRA in the hands of Mrs. Usha for the AY 2024-25

| Particulars | Amount (Rs.) | Amount (Rs.) |
|---|---------------------|---------------------|
| HRA Received (Rs. 30,000 x 12) | | 3,60,000 |
| Less: Exempt u/s 10(13A) | | |
| a) 50% of salary since the accommodation is at Chennai salary = Rs. 14,40,000 + 3,60,000 = Rs. 18,00,000 | 9,00,000 | |
| b) Rent paid minus 10% of salary | 3,00,000 | |

| | | |
|--|----------|------------|
| Rent paid 40,000 x 12 = Rs. 4,80,000 – Rs. 1,80,000 [10% of Rs. (14.40 lakhs + 3.6 lakhs)] | | |
| c) Actual HRA received Rs. 30,000 * 12 | 3,60,000 | |
| Least of (a), (b) or (c) is deductible | | (3,00,000) |
| Taxable HRA | | 60,000 |

Answer to Question No. 1 (c)

Computation of total income of Mr. Bajrang for the AY 2024-25

| Particulars | | Amount |
|--|------------|------------------|
| Income from Salary | | |
| Arrear salary from Ex-employer | 1,50,000 | |
| Less: Standard deduction | (50,000) | |
| Taxable Income from Salary | | 1,00,000 |
| Income from House Property | | |
| Rent from house property at Chennai | 4,80,000 | |
| Less: Statutory Deduction u/s 24 @ 30% | (1,44,000) | |
| Taxable Income from House Property | | 3,36,000 |
| Income from Business | | |
| Income from wholesale trade of garments u/s 44AD @ 8% of Rs. 120 lakhs | 9,60,000 | |
| Less: Brought forward loss for AY 2022-23 | (3,00,000) | |
| Taxable Income from Business & Profession | | 6,60,000 |
| Capital Gains: As computed above | | 83,234 |
| Income from Other Sources | | |
| Rent from vacant site at Chennai | 96,000 | |
| Gift received from relatives on the occasion of birthday [exempt] | Nil | |
| Gift of motor car from a friend residing outside India. Motor Car is not a 'property' as per clause (d) of Explanation to section 56(2)(x). Hence not taxable. | Nil | |
| Taxable Income from Other Sources | | 96,000 |
| Gross Total Income / Total Income | | 12,75,234 |

Answer to Question No. 1 (d)**Computation of Total Income of Mrs. Usha for the AY 2024-25**

| Particulars | | Amount |
|--|----------|------------|
| Income from Salary | | |
| Basic Salary (Rs. 1,20,000 * 12 month) | | 14,40,000 |
| Dearness Allowance (Rs. 60,000 * 12 month) | | 7,20,000 |
| Lunch allowance 10,000 per month fully taxable | | 1,20,000 |
| Medical allowance 5,000 per month fully taxable | | 60,000 |
| Children education allowance (2,000 x 2 x 12) | 48,000 | |
| Less: Education allowance deductible (Rs. 100 per month x 12 x 2 child) | (2400) | 45,600 |
| Health Club membership fee provided similarly to all staff by employer is exempted | | Nil |
| House rent allowance (taxable calculated as above) | | 60,000 |
| Gross Salary | | 24,45,600 |
| Less: Standard Deduction | | (50,000) |
| Taxable Income from Salary | | 23,95,600 |
| Income from Other Sources | | |
| Bank FD Interest | 50,000 | |
| Saving bank account interest | 15,000 | |
| Taxable Income from Other Sources | | 65,000 |
| Gross Total Income | | 24,60,600 |
| Less: Deduction under Chapter VI-A | | |
| Under section 80C in respect of contribution to PPF 1,80,000 (Rs. 1,00,000 + 40,000 + 40,000) but restricted to 1,50,000 | 1,50,000 | |
| Under section 80TTA in respect of saving bank interest | 10,000 | (1,60,000) |
| Total Income | | 23,00,600 |

Answer to Question No. 2 (a)

| Computation of Income from House Property of Mr. Sanjay | | |
|---|----------------------|----------------|
| Particulars | Self-occupied | Let out |
| Gross annual value | Nil | 3,60,000 |
| Less: Municipal tax paid | Nil | (35,000) |
| Net Annual Value | Nil | 3,25,000 |
| Less: Deduction u/s 24 | | |
| (i) Statutory deduction @ 30% of NAV | Nil | (97,500) |
| (ii) Interest on Loan: | (18,000) | (18,000) |
| (a) Capital Interest: Pre-construction period interest (from 01.07.2021 till 31.03.2021) $(30,00,000 * 8\% \times 9/12) = 180000$. Allowable in 5 equal instalments $(180000/5)$ | | |
| (b) Revenue Interest: Current period Interest (Allowed on due basis) $(30,00,000 * 8\%)$ | (1,20,000) | (1,20,000) |
| Income from house property | (1,38,000) | 89,500 |
| Net Loss from house property | (48,500) | |

Answer to Question No. 2 (b)

Capital gains on conversion of capital asset into stock-in-trade:

Where a capital asset is converted into stock-in-trade, the capital gain arising on such conversion will have to be computed. However, the same will be chargeable to tax only in the year in which such converted asset is sold in the business.

In the given situation, the capital gain, though arising in the PY 2022-23, will be taxable only in the AY 2024-25 i.e. 2023-24, being the year in which the plot is actually sold by the assessee, as per section 45(2) of the Income tax Act, 1961.

Computation of Income chargeable to tax of Giriraj in the AY 2024-25

| Particulars | Amount |
|--|-------------|
| Income from Capital Gain: | |
| Sales Consideration (FMV on date of conversion is deemed as Consideration, since in the question, FMV is not given, Stamp duty value as on date of conversion is taken as Consideration) | 28,00,000 |
| Less: Cost of Acquisition (Original purchase price i.e. 22,00,000) | |
| Indexed cost of acquisition (Rs. 22,00,000 x 331/280) | (26,00,714) |
| Long-term capital gain | 1,99,286 |
| Income from Business & Profession: | |
| Sales consideration form Business (Stamp duty valuation) | 40,00,000 |
| Less: Brokerage on sale (2% of Rs. 34,00,000) | (68,000) |
| Net Sale Consideration | 39,32,000 |
| Less: Cost of Acquisition (as taken while computing capital gains) | (28,00,000) |
| Income from PGBP | 11,32,000 |

Answer to Question No. 2 (c)

Computation of Total Income

| Particulars | Section 44AD | Section 44AE |
|--------------------------------------|--------------|-------------------------------|
| Name | Umesh | Suresh |
| Nature of activity | Retail trade | Plying of heavy goods vehicle |
| Presumptive income @ 6% on 25,00,000 | 1,50,000 | |

| | | |
|---|---|----------|
| Presumptive income @ 8% on 47,00,000 | 3,76,000 | |
| Presumptive income for 3 heavy goods vehicles of 15 tonnes each @ Rs. 1,000 per tonne per month per vehicle. (15* Rs. 1000 * 3 *12) | - | 5,40,000 |
| Income as per presumptive taxation | 5,26,000 | 5,40,000 |
| Less: Set off of loss brought forward | Not allowed to set-off long term capital loss | (90,000) |
| Total Income | 5,26,000 | 450,000 |

Answer to Question No. 3(a)

Computation of Total Income of Ms. Laxmi for AY 2024-25

| Particulars | Amount (Rs.) | Amount (Rs.) |
|---|--------------|--------------|
| Income from Salary | | |
| Pension from State Government | 6,80,000 | |
| Less: Standard deduction (allowed under New Scheme) | (50,000) | |
| | | 6,30,000 |
| Income from Other Sources: | | |
| Family pension (her husband died 3 years ago) | 1,20,000 | |
| Less: Deduction u/s 57(iia) (allowed under New Scheme) | (15,000) | |
| | | 1,05,000 |
| Dividend from Indian companies | 90,000 | |
| Less: Interest on moneys borrowed for investment in shares of Indian companies referred above but limited to 20% of dividend income | (18,000) | |
| Consultant fee for portfolio investment in shares fetching dividend income - not eligible for deduction | Nil | |
| | | 72,000 |
| Agricultural income from land located outside India taxable | | 60,000 |
| Total Income | | 8,67,000 |

Answer to Question No. 3(b)**Computation of Normal depreciation**

| Opening WDV | Used for > 180 days | Rate of Dep. | Used for < 180 days | Rate of Dep. | Normal Depreciation |
|----------------------------------|---------------------|--------------|---------------------|--------------|---------------------|
| 32,00,000 | | 15% | | | 4,80,000 |
| | 25,00,000 | 15% | | | 3,75,000 |
| | | | 18,00,000 | 7.5% | 1,35,000 |
| Total Normal Depreciation | | | | | 9,90,000 |

Computation of Additional Depreciation

| Date of purchase | Type of asset | Amount (Rs.) | Rate of Additional Depreciation | Additional Depreciation |
|--|---|--------------|---------------------------------|-------------------------|
| 12.01.2023 | Machinery (New) Note 1 | 10,00,000 | 10% | 1,00,000 |
| 23.05.2023 | Machinery (New) | 12,20,000 | 20% | 2,44,000 |
| 14.06.2023 | Motor Car (Not eligible) | 12,80,000 | | Nil |
| 12.01.2024 | Machinery (Second hand - not eligible for additional depreciation) | 18,00,000 | | Nil |
| Total Additional Depreciation | | | | 3,44,000 |
| Total Depreciation allowable u/s 32 (Normal depreciation + additional Depreciation) | | | | 13,34,000 |

Note 1 - In the AY 2023-24, additional depreciation on this asset was allowed only at 10%. balance 10% can be claimed in the current assessment year 2024-25.

Answer to Question No. 3(c)

Computation of Income from Salary of Mr. Ramesh for the Assessment Year 2024-25

| Particulars | Amount | Amount |
|---|------------|-----------|
| Basic salary (1,25,000 x 12) | | 15,00,000 |
| Commission on sales | | 40,000 |
| Employer's contribution to recognized provident fund | 3,00,000 | |
| Less: Exempt @ 12% of Salary and commission (15,40,000 x 12%) (Note 1) | (1,84,800) | 1,15,200 |
| Employer's contribution to National Pension Fund | | 1,00,000 |
| Employer's contribution to Superannuation Fund As per sec 17(2)(vii) of the Income tax Act, 1961, Employer contribution to Recognised Provident Fund + Approved Superannuation fund + Notified Pension scheme in excess of 7.5 lakhs per annum is deemed as perquisite. Since total of all three does not exceed 7.5 lakh, no perquisites is deemed u/s 17(2)(vii) of the Act. | | - |
| Interest free Loan Facility (15,00,000 x 9.5% x 10/12) | 1,18,750 | |
| Less: Interest recovered from employee (15,00,000 x 6% x 10/12) | (75 000) | 43,750 |
| Gross salary | | 17,98,950 |
| Less: Standard deduction u/s 16 (ia) | | (50,000) |
| Income chargeable under the head 'Salary' | | 17,48,950 |

Note 1: It is assumed that commission is not fixed at 40,000 per annum but based on 2% of turnover. If sales commission is assumed as fixed 40,000 p.a., then it will not be included while calculating limit of 12% of salary for the purpose of computing exempt value of Employer's contribution to recognized provident fund.

Attempt all parts of either Q. No. 4 or Q. No. 4A

Answer to Question No. 4(a)

The Income of minor child is to be clubbed in the hands of either of his parents. Such income shall be clubbed in the hands of that parents whose total income (excluding the income of the minor) is higher. If the marriage of his parents does not subsist, the income shall be clubbed in the hands of that parent who maintains the minor child during the previous year.

Where the income of a minor child has been clubbed in the total income of a parent, such parent shall be entitled to an exemption to the extent of such income or 1500 whichever is less, in respect of each minor child whose income is so included.

The following income of minor child shall be taxable in the hands of minor child only and not to be clubbed in the hands of parents:

- Any income of a minor child suffering any disability specified u/s 80U.
- Income on account of manual work done by the minor child.
- Income on account of any activity involving application of skill, talent or specialized knowledge and experience

Answer to Question No. 4(b)

As per section 208 of Income Tax Act, 1961, Advance Tax, shall be payable during a financial year, only when the amount of such tax during that year is 10,000 or more. In order to reduce the compliance burden on senior citizen who does not have income chargeable under the head of profits and gains from business or profession are not required to pay advance tax.

| Due Dates for Payment of Advance Tax | |
|---|---|
| Due date of instalment | Amount Payable |
| On or before the 15 th June | Not less than 15% of such advance tax. |
| On or before the 15 th September | Not less than 45% of such advance tax, as reduced by the amount, if any paid in the earlier instalment. |

| | |
|--|---|
| On or before the 15 th December | Not less than 75% of such advance tax, as reduced by the amount or amounts, if any paid in the earlier instalment or instalments. |
| On or before the 15 th March | 100 % of such advance tax, as reduced by the amount or amounts, if any paid in the earlier instalment or instalments. |

Note: A person covered u/s 44AD or 44ADA of the Income tax Act, 1961, is required to pay 100% advance tax upto 15th March of the Financial Year.

Answer to Question No. 4(c)

Verification of Return of Income 'ROI'

| S. No. | Type of person | To be verified by |
|--------|--|---|
| (i) | When an individual is unable to verify due to ill health | By any person duly authorized by the individual in this behalf. |
| (ii) | In the case an HUF, when the karta is unable to verify | By any other adult member of the family. |
| (iii) | Scientific research association | Any member of the association or the Principal Officer thereof. |
| (iv) | Limited liability partnership | Designated partner |
| (v) | Political party | by the chief executive officer of such party (whether such chief executive officer is known as secretary or by any other designation) |

OR (Alternative question to Q. No. 4)

Answer to Question No. 4A(i)

Computation of Total Income of Vinod for the AY 2024-25

| Particulars | Amount |
|---|-----------|
| Income from Business & Profession | |
| Net profit as per Profit & Loss Account | 6,75,000 |
| Add: disallowed Expenses | |
| Income tax | 45,000 |
| Depreciation | 60,000 |
| Interest paid to non-resident without TDS disallowed @ 100% | 30,000 |
| Provision for bad debts | 3,10,000 |
| Life insurance premium (self) | 30,000 |
| Amount outstanding to MSME disallowed under section 43B(h) | 25,000 |
| | 11,75,000 |
| Less: Income not taxable under this head: | |
| Agricultural Income (exempt) | (70,000) |
| PPF interest credited to P & L account (exempt) | (80,000) |
| | 10,25,000 |
| Less: Allowed Depreciation u/s 32 | (52,000) |
| Income from Business and Profession | 9,73,000 |
| Gross total income | 9,73,000 |
| Less: Deduction under section 80C (Life Insurance premium) | (30,000) |
| Total income | 9,43,000 |

Note: Interest Paid to non-resident without deducting TDS is fully disallowed.

Answer to Question No. 4A(ii)

| TDS applicability and effective rate of TDS |
|--|
| (a) When a partnership firm has paid rent exceeding 2,40,000 for business premises during the previous year, such payment is liable for deduction of tax at source under section 194I @ 10%. The amount liable for tax deduction is 36,000. [Rs. 360000 x 10%] |
| (b) In respect of payment to a payee engaged in the business of operation of call centre, tax is deductible at source @ 2% under section 194J. In this case, the payment exceeds 30,000 and therefore tax is deductible @ 2%. The amount liable for tax deduction is 1,200. [Rs. 60000 x 2%] |
| (c) When packing material is manufactured as per the specification of the assessee and raw material is procured by job worker from other than from customer, it does not attract TDS. Therefore, no tax is deductible at source. |
| (d) Commission paid when exceeds 15,000 tax is deductible at source @ 5% of the total amount. In this case the amount of commission is 70,000 for which the tax deductible at source would be 3,500. [Rs. 70000 x 5%] |
| (e) Director sitting fee is liable for TDS under section 194J@ 10%. There is no threshold limit for non-deduction of tax at source. The tax deductible is 2,000 each in respect of the payment made to each director by way of sitting fee. |

Answer to Question No. 4A(iii)

Determination of residential status of Mrs. Tina for the AY 2024 - 25

According to section 6(1), in order to be treated as a resident of India in the PY 2023-24, Mrs. Tina should satisfy either of the following two conditions:

1. Her stay in India should be for a period of 182 days or more in the PY 2023-24; or
2. Her stay in India should be for a period of 60 days or more in the PY 2023-24 and for a period of 365 days or more in the four immediately preceding previous years.

Mrs. Tina's stay in India in the PY 2023-24 was 91 days only (i.e., 31 days + 29 days + 31 days). Her stay in India in the four immediately preceding previous years was 56 days. Consequently, she does not satisfy either condition (1) or condition (2) for being treated as a resident.

Further, according to section 6(1A) of the Income tax Act, 1961, an individual who is a citizen of India would be deemed to be a resident of India if his total income, other than income from foreign sources, exceed Rs. 15 lakh during the relevant previous year and he is not liable to tax in any other country by reason of his domicile or residence or any other criteria of similar nature.

In the given problem, the friends of Mrs. Tina have presented her with cash gifts to the tune of Rs. 21,00,000, which is to be treated as Income from other sources. Hence, her Indian income exceeds 15 lakhs.

Since Mrs. Tina is a citizen of India who is not liable to pay income-tax in Dubai and her total income, other than income from foreign sources, exceed 15 lakhs, she would be deemed resident in India under section 6(1A) of the Act for AY 2024-25. A deemed resident is, by default, a resident but not ordinarily resident.

In case of a resident but not ordinarily resident, income accrues or arises, deemed to accrue or arise and received or deemed to be received in India, is taxable. In addition, Income which accrues or arises outside India would also be taxable if it is derived from a business controlled in or a profession set up in India.

The Finance Act, 2020, w.e.f. Assessment Year 2021-22 has amended the above exception to provide that the period of 60 days as mentioned in (2) above shall be substituted with 120 days, if an Indian citizen or a person of Indian origin whose Total Income, other than Income from Foreign Sources, exceeds ₹ 15 lakh during the previous year.

The Finance Act, 2020 has also introduced new Section 6(1A) which is applicable from Assessment Year 2021-22. It provides that an Indian citizen earning Total Income in excess of ₹ 15 lakh (other than income from foreign sources) shall be deemed to be Resident in India if he / she is not liable to pay tax in any country.

Computation of total income of Mrs. Tina for AY 2024-25

| Particulars | Amount |
|---|-----------|
| Salary earned in Dubai (Does not form part of total income, since it accrues or arises outside India) | Nil |
| Income from other sources (Cash gifts received from friends) | 21,00,000 |
| Total Income | 21,00,000 |

PART - II

Answer to Question No. 5(a)

Computation of eligible input tax credit for Majumdar Industries for the Month of December, 2023

| Particulars | Amount |
|---|----------|
| Purchase of raw materials received in instalments: Input tax credit shall be allowed only when the last instalment has been received. In the given case, last instalment was received in January, 2024 hence input tax credit shall be allowed in the month of January, 2024. | Nil |
| Purchase of consumables which were delivered directly to job workers is eligible for input tax credit though only invoice was received by Majumdar Industries. | 1,50,000 |
| Purchase of bus (seating capacity 18) for transport of employees from residence to factory and back is eligible for input tax credit. | 8,40,000 |
| Input tax credit in respect of general insurance taken on motor cars of the firm used by Chief Engineers and Supervisors for official purposes not eligible for input tax credit. | Nil |
| Payment made to ABC Caterers for providing breakfast and lunch to the workers as voluntary labour welfare measure is not eligible for input tax credit. | Nil |
| Total input tax credit for the month of December, 2023 | 9,90,000 |

Answer to Question No. 5(b)

| Time limit for return of semi-finished goods sent to job worker |
|--|
| The inputs by way of semi-finished goods sent to the job worker should be brought back to the premises of the principal or alternatively supplied by the principal directly from the job workers premises within the time period as given below: |
| Within one year in the case of inputs; |

| |
|---|
| And within 3 years in the case of capital goods. |
| Moulds and dies, jigs and fixtures or tools sent out to a job worker are not to be treated as capital goods and therefore need not be brought back within 3 years' time referred above. |
| If the goods are not sold or brought back within the stipulated time as mentioned above, the activity between the principal and the job worker would be treated as 'supply' from the date of original dispatch of goods by the principal and accordingly tax is payable thereon by the principal. |
| Job work includes intermediate goods arising from any treatment or process carried out on the inputs by the principal or the job worker. |

Answer to Question No. 5(c)

| Separate registration for multiple places of business within a State |
|--|
| Any person having multiple places of business within a State or a Union Territory requiring separate registration for any such place of business under section 25(2) shall be granted separate registration in respect of each place of business subject to the following conditions, viz. |
| (i) Such person has more than one place of business as defined in section 2(85); |
| (ii) Such person shall not be allowed to pay tax under section 10 (composition levy) for any of his places of business if he is paying tax under section 9 for any other place of business. |
| (iii) All separately registered places of business of such person shall pay tax under the Act on supply of goods or services or both made to another registered place of business of such person and issue a tax invoice or a bill of supply, as the case may be, for such supply. |
| For the purpose of (ii) above, it is clarified that where any place of business of a registered person has been granted a separate registration it becomes ineligible to pay tax under section 10 for all other registered places of business. |
| A registered person opting to obtain separate registration for a place of business shall submit a separate application in Form GST REG 01 in respect of each such place of business. |
| The provisions of rule 9 and rule 10 relating to the verification and the grant of registration shall, mutatis mutandis, apply to an application submitted under this rule. |

Answer to Question No. 5(d)

Under Rule 138 of the CGST Rules, 2017, an e-way bill is required to generated for the transportation of goods where the consignment value is Rs. 50,000 or more in relation to-

- (a) supply i.e. supply to customer;
- (b) other than supply i.e. movement of goods for job work, repairs, etc;
- (c) due to inward supply from unregistered persons (any procurement made from any unregistered persons).
- (d) Where the goods are sent for job work located in a different state or Union Territory, e-waybill is required to be generated without any value threshold.

Salient features of e-way bill:

- (i) For the purpose of calculating the threshold of Rs. 50,000, the value shall be such as shown on the tax invoice / bill of supply / delivery challan, as the case may be, including the value of taxes but excluding the value of goods which are exempted from payment of tax, where the invoice is issued in respect of both exempt and taxable goods.
- (ii) The limit of Rs. 50,000 is not applicable where goods sent by principal in one State/UT to job worker in other State/UT or handicraft goods sent from one State/UT to another State/UT + by person exempted from registration u/s 24(i)(ii).
- (iii) E-way bill can be generated voluntarily even if the value of goods is less than Rs. 50,000.
- (iv) E-way bill has to be generated for each movement of goods whether it constitutes a taxable supply or an exempt supply or for reasons other than supply.
- (v) E-way bill is also required to be generated regardless of the mode of transportation i.e. Railways, air, vessel or road. However, it is not required where the goods are transported in a non-motorized conveyance.
- (vi) It is required even where the goods are transported through a transporter or by own conveyance.

Attempt all parts of either Q. No. 6 or 6A

Answer to Question No. 6(a)

| S. No. | Time of Supply 'TOS' | Reason |
|--------|--|---|
| (i) | 05.09.2023 10.09.2023 | For Payment of 50% i.e. Rs. 45,000 received on 05.09.2023 In this case Invoice is issued within 30 days from the date of providing service. Hence Time of supply is (a) Date of Invoice, or (b) date of receipt of payment; whichever is earlier. For Payment of 50% i.e. Rs. 45,000 received on 05.10.2023 In this case Invoice is issued within 30 days from the date of providing service. Hence Time of supply is (a) Date of Invoice, or (b) date of receipt of payment; whichever is earlier. |
| (ii) | 15-07-2023 Date of goods received | Time of supply in case of Reverse Charge Mechanism 'RCM' is (a) date of receipt of goods; or (b) date of payment; or (c) the date immediately following 30 days from the date of issue of invoice whichever is earlier. |
| (iii) | 27-12-2023 | Time of supply for advance exceed 1000 is on the date when advance money is actually received. |
| (iv) | 15-03-2024 | Time of supply for voucher: When the supply is identifiable at the point of issue of vouchers, the Time of supply of voucher is the date of issue of voucher. When the supply is not identifiable at the point of issue of vouchers, the Time of supply of voucher is the date of Redemption of voucher. <i>Note: Questions says voucher can be redeemed against the purchase of any garments but does not specify which garments and different garments may have different GST Rates. So, it is assumed that the purchase of garments is identifiable.</i> |
| (v) | 20-04-2024 | In this case, the supply was not identifiable at the point of issue of vouchers as Arun can purchase anything from Shoppers Paradise. Therefore, the time of supply would be the date of redemption of voucher. |

Answer to Question No. 6(b)**Determination of taxable or exempt supply**

| S. No. | Particulars |
|--------|--|
| (i) | As per Notification No. 12/2017 dated 28 th June, 2017 services by way of transfer of division as a going concern, as a whole or independent part is exempt from GST. |
| (ii) | Service rendered by person by way of conducting any religious ceremony is exempted service as per Notification No. 12/2017. |
| (iii) | <p>Services provided by incubate is exempt if:</p> <ul style="list-style-type: none"> its total turnover had not exceeded 50 lakhs during preceding financial year; and a period of 3 years has not been elapsed from the date of entering in to an agreement as an incubate. <p>In the present case, since the turnover of the incubate exceeds Rs. 50 lakhs in the previous financial year, it would not satisfy the first condition, it is not exempt from GST.</p> |
| (iv) | Service by way of fumigation in a warehouse of agricultural produce is taxable under GST. Earlier it used to be exempt but after amendment in Notification No.12/2017, it has become a taxable service. |
| (v) | Services by an artist by way of a performance in folk or classical art forms of theatre is not liable for GST if the consideration is not more than Rs. 150000. In this case, the amount paid is more than the monetary limit of Rs. 1,50,000, hence it is not exempt from GST. |

Answer to Question No. 6(c)

| S. No. | Determination of Value of Supply |
|--------|---|
| (i) | <p>As per section 15(3) and rule 31A, the value of supply of lottery shall be deemed to be 100/128 of the face value of ticket or the price as notified in the official gazette by the organizing State whichever is higher.</p> <p>Therefore, the value of supply shall be $640 \times 100/128 = \text{Rs. } 500$ as it is higher than the price notified in the official gazette being Rs. 450.</p> |
| (ii) | <p>As per section 15(3) read with rule 32, the difference in the buying rate or the selling rate and RBI reference rate for that currency would be adopted for the total units of currency exchanged.</p> <p>In this case, $\text{Rs. } 80 - \text{Rs. } 78 = \text{Rs. } 2 \times \text{USD } 10,000 = \text{Rs. } 20,000$ shall be the value of supply of service on purchase of USD (foreign currency) for conversion into INR.</p> |

| | |
|-------|---|
| (iii) | As per section 15(3) read with rule 32(3), the value of supply in relation to domestic booking shall be 5% of the basic fare. Therefore, the value of supply would be Rs. 60,000 x 5% = Rs. 3,000. |
| (iv) | As per section 15(3) read with rule 27, the value of supply of goods or services where the consideration is not wholly in money, the sum of total consideration in money and such further amount in its equivalent shall be the value of supply. In this case, the mobile handsets would have been sold for 35,000 if there was no exchange and therefore, that would be the value of supply when the new mobile handset is supplied for 30,000 along with an exchange of an old handset. |
| (v) | As per section 15(3) read with rule 29, the value of supply between principal and his agent shall be the open market value of the goods being supplied or 90% of the price charged for the supply of goods of like kind and quality by the recipient to his customer (not being related person) - at the option of the supplier. In this case 90% of the like kind and quality amounts to Rs. 4,500 (90% of Rs. 5,000) or the value of supply made by another independent supplier being Rs. 4,600 (being an open market value). The choice is open to the supplier regarding adoption of value of taxable supply. So as more beneficial for supplier is Rs. 4,500 will be treated as value of supply. |

Answer to Question No. 6(d)

Computation of Assessable Value under Custom Law

| Particulars | Amount (USD) |
|---|---------------|
| Cost of machine at the factory of the exported country | 50,000.00 |
| Transport charges incurred by exporter from his factory to port for shipment | 3,000.00 |
| Handling charges paid for loading the machine in the ship | 500.00 |
| Design charges for the machine | 9,500.00 |
| FOB Value | 63,000.00 |
| Buying commission paid to the agent - not includible | - |
| Freight charges from foreign country to port in India | 8,000.00 |
| Insurance charges @ 1.125% of FOB (63,000 x 1.125%) | 708.75 |
| CIF value / assessable value in USD | 71,708.75 |
| Assessable value in Indian Currency (CBIC Exchange rate is taken on the date of bill of entry for Import duty purpose) (71,708.75 x Rs. 80) | Rs. 57,36,700 |

OR (Alternative Question to Q. No. 6)

Answer to Question No. 6A(i)(a)

| |
|---|
| Particulars |
| Discount offered by suppliers to customers shall be excluded to determine the value of supply. This discount can either be given in the tax invoice itself or at later date through credit notes provided it satisfies the conditions under section 15(3) CGST Act. |
| The conditions for providing discount after the supply has been affected are — i. such discount is established in terms of an agreement entered into at or before the time of such supply and specifically linked to relevant invoices; and ii. input tax credit as is attributable to the discount on the basis of document issued by the supplier has been reversed by the recipient of the supply. |
| In the present case, Abdul & Co can offer discount through credit note as there is already an agreement entered between the parties towards such discount. Further, Khan & Co must reverse ITC while accounting the credit note towards the discount. |

Answer to Question No. 6A(i)(b)

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|--|
| Particulars |
| In this case, since the discount is being allowed after the supply is affected and there is no agreement between the parties for allowing such discount on or before the supply, the value shall be computed without considering the discount. |
| These discounts shall not be excluded while determining the value of supply. There is no impact on the availability or otherwise of ITC in the hands of the supplier. |
| Therefore, the value of taxable supply shall be Rs. 2,00,000. (10000 packets @ Rs. 20) [Ignoring the discount given subsequently amounting to 10,000]. |

Answer to Question No. 6A(ii)

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|---|
| Procedure to be followed for change over to Composition Scheme: |
| <p>In the present case, Lamb & Co. is already registered under GST in regular scheme. Now, from 1.4.2024 onwards, it wants to opt for composition scheme under section 10 of CGST Act. The procedure in this regard is as below.</p> <p>Lamb & Co. shall intimate electronically in form GST CMP 02 prior to the commencement of the financial year 2024-25.</p> |
| <p>The amount of input tax credit relating to inputs held in stock, inputs contained in semi-finished and finished goods held in stock, and capital goods held in stock shall, be determined in the following manner, namely, -</p> <ul style="list-style-type: none">a. for inputs held in stock and inputs contained in semi-finished and finished goods held in stock, the input tax credit shall be calculated proportionately on the basis of the corresponding invoices on which credit had been availed by the registered taxable person on such inputs;b. for capital goods held in stock, the input tax credit involved in the remaining useful life in months shall be computed on <i>pro rata</i> basis, taking the useful life as five years. <p>On determination of credit liable to be reversed, it shall further furnish the statement in Form GST ITC 03 i.e. ITC reversal on stock within a period of 60 days from the date of commencement of the relevant financial year. [Rule 3(3)].</p> <p>The credit if any remained in electronic credit ledger after such reversal shall lapse.</p> |

Having opted for section 10, the registered person shall not collect any tax from the appointed day but shall issue bill of supply for supplies made after the said day.
[Proviso to rule 3(1)]

The intimation filed by Lamb & Co. shall be applicable shall be deemed to be an intimation in respect of all other places of business registered on the same PAN.
[Rule 3(5)]

The option to pay tax under section 10 shall be effective from the beginning of the financial year i.e. w.e.f. 1.4.2024. Composite dealer not to collect tax & not claim Input Tax Credit [Section 10(4)]

Answer to Question No. 6A(iii)

| Particulars |
|---|
| <p>Taxability of compensation received: Agreeing to obligation to refrain from an act, or to tolerate an act or situation, or to do an act has been specifically declared to be a supply of service vide para 5(e) of Schedule II of the CGST Act, 2017 if the same constitutes a supply as per the CGST Act, 2017.</p> |
| <p>In the given case, B Homes Ltd. has agreed to build only six floors, even though it is permitted to construct ten floors by the Corporation, for at one time compensation of Rs. 75 lakh. As a consequence, supply of service emerges.</p> |
| <p>The conditions to be fulfilled are:</p> <ol style="list-style-type: none"> There must be an expressed or implied agreement or contract must exist. Consideration must flow in return to this contract/agreement. |
| <p>Assuming that the amount of Rs.75 lakhs is all inclusive, it has to be treated as inclusive of GST component; hence, GST will be $75,00,000 \times 18/118 = 11,44,068$ (CGST Rs. 5,72,034 and SGST Rs. 5,72,034)</p> |

Answer to Question No. 6A(iv)

Correctness of the given propositions

(i) The given statement is true.

The definition of customs area as provided under section 2(11) of the Customs Act, 1962 has been amended vide the Taxation Laws (Amendment) Act, 2017 to include within its ambit a warehouse also.

As a logical corollary, the customs area is now defined to mean the area of a customs station or a warehouse and includes any area in which imported goods or export goods are ordinarily kept before clearance by customs authorities.

(ii) This statement is false.

The Finance Act, 2017 has included international courier terminal and foreign post office within the scope of customs station as defined under section 2(13) of the Customs Act, 1962.

As per the amended section 2(13), a customs station means any customs port, customs airport, international courier terminal, foreign post office or land customs station.
