

**MOCK TEST PAPER 2**  
**INTERMEDIATE COURSE**  
**PAPER – 4: TAXATION**  
**SECTION – A: INCOME TAX LAW**  
**SOLUTIONS**

**Division A – Multiple Choice Questions**

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

**Division B – Descriptive Questions**

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

	Particulars	₹	₹	₹
<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]		3,34,000	
	Less: Municipal taxes paid by him in the P.Y. 2022-23 pertaining to let out portion [₹ 30,000/2]		15,000	
	<b>Net Annual Value (NAV)</b>		3,19,000	
	Less: Deduction u/s 24			
	(a) 30% of ₹ 3,19,000	95,700		
	(b) Interest on housing loan [₹ 1,80,000/2]	90,000	1,85,700	
			1,33,300	
	<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		90,000	
			(90,000)	
	Income from house property [₹ 1,33,300 – ₹ 90,000]			43,300
<b>II</b>	<b>Profits and gains of business or profession</b>			
	Income from SEZ unit			45,00,000

<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 331/100]		13,24,000	1,76,000
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		45,000	75,000
<b>Gross Total Income</b>			47,94,300
<b>Less: Deduction u/s 10AA</b>			13,50,000
[Since the industrial undertaking is established in SEZ, it is entitled to deduction u/s 10AA@100% of export profits, since P.Y.2022-23 being the 4 <sup>th</sup> year of operations]			
[Profits of the SEZ x Export Turnover/Total Turnover] x 100%			
[₹ 45 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	95,000		
Insurance premium paid on life insurance policy of son allowable, even though not dependent on Mr. Raj	49,000		
		1,44,000	
<b>Deduction under section 80JJAA</b>		9,43,200	
30% of the employee cost of the new employees employed during the P.Y. 2022-23 allowable as deduction [30% of ₹ 31,44,000 [₹ 23,76,000 (12 x 18,000 x 11) + ₹ 7,68,000 (8 x 12,000 x 8)]			
<b>Deduction under section 80TTA</b>		10,000	
Interest on savings bank account, restricted to ₹ 10,000			
			10,97,200
<b>Total income</b>			<b>23,47,100</b>

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

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

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

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

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

2. (a) (i) As per section 9(1)(iii), salaries (*including, inter alia, allowances*) payable by the Government to a citizen of India for services rendered outside India shall be deemed to accrue or arise in India.

Thus, salary received from Government by Mr. Anand, being a non-resident of ₹ 7,50,000 for rendering services in Japan would be taxable in his hands, after allowing standard deduction of ₹ 50,000 under normal provisions of the Act.

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

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

Thus, income of ₹ 2,50,000 arising in the hands of Ms. Kajal would not be taxable in her hands in India, since her operations are confined to purchase of goods in India for the purpose of export.

- (iii) Royalty payable by a non-resident would be deemed to accrue or arise in India in the hands of the recipient only when such royalty is payable in respect of any right, property or information used for the purposes of a business or profession carried on by such non-resident in India or earning any income from any source in India.

In the present case, since Mr. Raj, a non-resident, paid the royalty of ₹ 3,00,000 for a patent right used for development of a product in India, the same would be taxable in India in the hands of the recipient, Mr. Vikas, a non-resident, irrespective of the fact that only 50% of the royalty is received in India.

- (iv) Interest payable by a non-resident on the money borrowed for any purpose other than a business or profession in India, would not be deemed to accrue or arise in India.

In the present case, since Mr. Jai, a non-resident borrowed the money for investment in shares of an Indian company, the interest on such borrowing of ₹ 1,20,000 (₹ 10,00,000 x 12%) payable to Mr. Aryan, a non-resident would not be deemed to accrue or arise to him in India. Hence, the same would not be taxable in India in the hands of Mr. Aryan.

**(b) TDS implications**

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

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

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

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

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

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

Hence, TDS u/s 194C = ₹ 2,240.

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

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

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

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

**Note: Interest on borrowed capital**

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

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

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

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

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

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

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

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

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

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

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

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

(b)

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

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



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

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

**Interest under section 234A**

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

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

**Fee under section 234F**

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

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

**Carry forward and set-off of certain losses not permissible**

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

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

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

**SUGGESTED ANSWERS**

**Division A - Multiple Choice Questions**

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

**Division B - Descriptive Questions**

**1. Computation of GST payable on outward supplies**

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

**Computation of total ITC**

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

**Computation of minimum GST payable from electronic cash ledger**

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

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

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

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

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

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

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

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

3. (a) As per section 22 read with *Notification No. 10/2019 CT dated 07.03.2019*, a supplier is liable to be registered in the State/Union territory from where he makes a taxable supply of goods and/or services, if his aggregate turnover in a financial year exceeds the threshold limit. The threshold limit for a person making exclusive intra-State taxable supplies of goods is as under:-
- (a) ₹ 10 lakh for the Special Category States of Mizoram, Tripura, Manipur and Nagaland.
  - (b) ₹ 20 lakh for the States, namely, States of Arunachal Pradesh, Meghalaya, Puducherry, Sikkim, Telangana and Uttarakhand.
  - (c) ₹ 40 lakh for rest of India except persons engaged in making supplies of ice cream and other edible ice, whether or not containing cocoa, pan masala and tobacco and manufactured tobacco substitutes, fly ash bricks; fly ash aggregates; fly ash blocks, bricks of fossil meals or similar siliceous earths, building bricks, earthen or roofing tiles.

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

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

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

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

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