

PAPER 4: TAXATION

SECTION A: INCOME TAX LAW

The Income-tax law, as amended by the Finance Act, 2020 including significant notifications/circulars issued upto 30th April, 2021, are applicable for November, 2021 examination. The relevant assessment year for November, 2021 examination is A.Y.2021-22. The October, 2020 edition of the Study Material is based on the provisions of Income-tax law as amended by the Finance Act, 2020 and hence, the same is relevant for November 2021 examination.

The significant notification issued upto 30.04.2021 which is relevant for November, 2021 examination but not covered in the October 2020 edition of the Study Material, is webhosted as Statutory Update at <https://resource.cdn.icai.org/65079bos52349.pdf> at BoS Knowledge Portal.

QUESTIONS AND ANSWERS

Case scenario

Mr. Animesh, an Indian citizen, aged 61 years, has set-up his business in Canada and is residing in Canada since 2009. He owns a house property in Canada, half of which is used by him for his residence and half is given on rent (converted into INR is ₹ 12,00,000 p.a.).

He purchased a flat in Delhi on 13.10.2018 for ₹ 42,00,000. The stamp duty value of the flat was ₹ 35,00,000. He has taken a loan from Canara Bank in India of ₹ 34,00,000 for purchase of this flat. The interest on such loan for the F.Y. 2020-21 was ₹ 3,14,000 and principal repayment was ₹ 80,000. Mr. Animesh has given this flat on monthly rent of ₹ 32,500 since April, 2019. The annual property tax of Delhi flat is ₹ 40,000 which is paid by Mr. Animesh, whenever he comes to India to meet his parents. Mr. Animesh visited India for 124 days during the previous year 2020-21. Before that he visited India in total for 366 days during the period 1.4.2016 to 31.3.2020.

He had a house in Ranchi which was sold in May 2017. In respect of this house, he received arrears of rent of ₹ 2,96,000 in February 2021 (not taxed earlier).

He also derived some other incomes during the F.Y. 2020-21 which are as follows:

- (i) Profit from business in Canada ₹ 2,75,000
- (ii) Interest on bonds of a Canadian Co. ₹ 6,20,000 out of which 50% was received in India.
- (iii) Income from Apple Orchard in Nepal given on contract and the yearly contract fee of ₹ 5,00,000 for F.Y. 2020-21, was received by Animesh in Nepal.

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Mr. Animesh has sold 10,000 listed shares @ ₹ 480 per share of A Ltd., an Indian company, on 15.9.2020, which he acquired on 05-04-2016 @ ₹ 100 per share. STT was paid both at the time of acquisition as well as at the time of transfer of such shares.

On 31-01-2018, the shares of A Ltd. were traded on a recognized stock exchange as under :

Highest price - ₹ 300 per share

Average price - ₹ 290 per share

Lowest price - ₹ 280 per share

Based on the above facts, choose the most appropriate answer to Q. Nos. 1 to 5:

1. What would be the residential status of Mr. Animesh for the A.Y. 2021-22?
 - (a) Resident and ordinarily resident in India
 - (b) Resident but not ordinarily resident in India
 - (c) Non-resident
 - (d) Deemed resident
2. What would be amount of income taxable under the head "Income from house property" in the hands of Mr. Animesh for the A.Y. 2021-22?
 - (a) ₹ 2,52,200
 - (b) ₹ 1,38,200
 - (c) ₹ 9,78,200
 - (d) ₹ 10,92,200
3. What amount of capital gain would arise in the hands of Mr. Animesh on transfer of shares of A Ltd?
 - (a) ₹ 18,00,000
 - (b) ₹ 19,00,000
 - (c) ₹ 20,00,000
 - (d) ₹ 38,00,000
4. What would be total income of Mr. Animesh for the A.Y. 2021-22, if he does not opt to pay tax u/s 115BAC?
 - (a) ₹ 22,82,200
 - (b) ₹ 22,68,200
 - (c) ₹ 22,48,200

- (d) ₹ 21,68,200
5. What would be the tax liability (computed in the manner so as to minimise his tax liability) of Mr. Animesh for the A.Y. 2021-22?
- (a) ₹ 1,82,950
(b) ₹ 1,87,110
(c) ₹ 1,80,350
(d) ₹ 1,84,510
6. Mr. T, an Indian Citizen and resident of India, earned dividend income of ₹ 4,500 from an Indian company, which was declared on 1.10.2020 and paid in cash to Mr. T. What are the tax implications with respect to the dividend in the hands of Mr. T and Indian Company?
- (a) Such dividend is taxable in the hands of Mr. T and Indian company is required to deduct tax at source @7.5%.
(b) Such dividend is taxable in the hands of Mr. T and Indian company is required to deduct tax at source @10%.
(c) Such dividend is taxable in the hands of Mr. T. However, Indian company is not required to deduct tax at source since it does not exceed ₹ 5,000.
(d) Such dividend is exempt in the hands of Mr. T. Hence, Indian company is not required to deduct tax at source.
7. Mr. X is a working partner and Mr. Y is a non-working partner of XYZ partnership firm. XYZ Partnership firm subjected to tax audit under section 44AB for the P.Y. 2020-21. What is the due date for filing return of income for Mr. X and Mr. Y for the A.Y. 2021-22?
- (a) 31st July, 2021 for both Mr. X and Mr. Y
(b) 31st October, 2021 for both Mr. X and Mr. Y
(c) 31st July, 2021 for Mr. X and 31st October, 2021 for Mr. Y
(d) 31st July, 2021 for Mr. Y and 31st October, 2021 for Mr. X
8. Mr. Arpit, an employee of MNO Ltd. has contributed ₹ 1,61,280 towards NPS and similar amount is contributed by his employer. His basic salary is ₹ 80,000 p.m. and dearness allowance is 40% of basic salary which forms part of retirement benefits. He also paid ₹ 55,000 towards LIC premium for himself and his wife and medical insurance premium of ₹ 35,000 by crossed cheque for his mother, being a senior citizen during the previous year 2020-21. How much deduction is available under Chapter VI-A while computing total income of Mr. Arpit for the A.Y. 2021-22?
- (a) ₹ 3,46,280
(b) ₹ 3,69,400

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- (c) ₹ 3,19,400
 (d) ₹ 3,96,280
9. A building was acquired on 1.4.1995 for ₹ 20,00,000 and sold for ₹ 80,00,000 on 01.06.2020. The stamp duty value on the date of transfer was ₹ 85,00,000. The fair market value of the building on 1.4.2001 was ₹ 25,00,000. Its stamp duty value on the same date was ₹ 22,00,000. Determine the capital gains on sale of such building for the A.Y. 2021-22?
 Cost Inflation Index for F.Y. 2001-02: 100; F.Y. 2020-21: 301
- (a) ₹ 13,78,000
 (b) ₹ 18,78,000
 (c) ₹ 9,75,000
 (d) ₹ 4,75,000
10. Mr. Vikas received a gold ring worth ₹ 60,000 on the occasion of his daughter's wedding from his best friend Mr. Vishnu. Mr. Vishnu also gifted a gold chain to Kavya, daughter of Mr. Vikas, worth ₹ 80,000 on the said occasion. Would such gifts be taxable in the hands of Mr. Vikas and Ms. Kavya?
- (a) Yes, the gift of gold ring and gold chain is taxable in the hands of Mr. Vikas and Ms. Kavya, respectively
 (b) Such gifts are not taxable in the hands of Mr. Vikas nor in the hands of Ms. Kavya
 (c) Value of gold ring is taxable in the hands of Mr. Vikas but value of gold chain is not taxable in the hands of Ms. Kavya
 (d) Value of gold chain is taxable in the hands of Ms. Kavya but value of gold ring is not taxable in the hands of Mr. Vikas
11. M/s Rajveer, a proprietorship has two units namely, Unit X and Unit Y. Unit X located in Special Economic Zone and Unit Y in Domestic Tariff Area (DTA). The following are the details for the financial year 2020-21:

Particulars	Unit Y (₹)	M/s Rajveer (₹)
Total sales	50,00,000	85,00,000
Export sales	28,00,000	55,00,000
Domestic sales	12,00,000	30,00,000
Net Profit	4,00,000	10,00,000

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Total Sales of F.Y. 2020-21 include freight of ₹ 5 lacs for delivery of goods outside India with respect to Unit X.

Both the units were set up and started manufacturing from 20.6.2017. Compute the amount of deduction available to M/s Rajveer under section 10AA for the A.Y. 2021-22.

12. Ms. Aarti, a resident individual, provides the following information of her income/losses for the year ended on 31st March, 2021:

S. No.	Particulars	(₹)
1.	Income from salary (Computed)	8,20,000
2.	Income from house property (let out) (Net Annual Value)	1,20,000
3.	Share of profit from firm in which she is partner	48,000
4.	Loss from specified business covered under section 35AD	67,000
5.	Income from textile business before adjusting the following items:	3,30,000
	(a) Current year depreciation	53,000
	(b) Unabsorbed depreciation of earlier year	1,85,000
	(c) Brought forward loss of textile business of the A.Y. 2018-19	1,90,000
6.	Long-term capital gain on sale of debentures (unlisted)	1,50,000
7.	Long-term capital loss on sale of equity shares (STT not paid)	1,50,000
8.	Long-term capital gain on sale of equity shares listed in recognized stock exchange (STT paid at the time of acquisition and sale)	2,50,000
9.	Dividend from units of UTI	1,15,000
10.	Repayment towards housing loan taken from a scheduled bank. Out of this ₹ 3,28,000 was towards payment of interest and rest towards principal.	4,85,000

Compute the Gross Total Income of Ms. Aarti and ascertain the amount of loss that can be carried forward. Ms. Aarti has always filed her return within the due date specified under section 139(1) of the Income-tax Act, 1961. She does not want to opt for 115BAC.

13. Mr. Uday Shankar (aged 67 years) is retired from a Public Sector Undertaking. He resides in Indore, Madhya Pradesh. He provides you the following particulars of his income and certain payments/investments for the previous year 2020-21:
- Pension income of ₹ 7,80,000
 - Interest from fixed deposits of ₹ 2,35,000 (Gross)

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- Life insurance premium paid by cheque ₹ 25,500 for insurance of his life. The insurance policy was taken on 08-09-2016 and the sum assured is ₹ 2,50,000.
- Premium of ₹ 36,000 paid by cheque for health insurance of self and his wife, who is also a senior citizen.
- ₹ 3,500 paid in cash for his health check-up and ₹ 4,500 paid through cheque for preventive health check-up of his mother aged 90 years.
- Paid interest of ₹ 9,500 on loan taken from bank for MBA course pursued by his daughter.
- A sum of ₹ 95,000 donated by cheque to an institution approved for the purpose of section 80G for promoting family planning.
- ₹ 20,000 contributed towards PM CARES Fund by cheque.

Compute the total income of Mr. Uday Shankar for the assessment year 2021-22, assuming he does not opt for section 115BAC.

14. Mr. Dheeraj, aged 48 years, a resident Indian has furnished the following particulars for the year ended 31.03.2021:
- (i) He occupies ground floor of his residential building and has let out first floor for residential use at an annual rent of ₹ 3,34,000. He has paid municipal taxes of ₹ 30,000 for the current financial year. Both these floors are of equal size.
 - (ii) As per interest certificate from ICICI bank, he paid ₹ 1,80,000 as interest and ₹ 95,000 towards principal repayment of housing loan borrowed for the above residential building in the year 2014.
 - (iii) He owns an industrial undertaking established in a SEZ and which had commenced operation during the financial year 2018-19. Total turnover of the undertaking was ₹ 400 lakhs, which includes ₹ 120 lakhs from export turnover. This industrial undertaking fulfills all the conditions of section 10AA of the Income-tax Act, 1961. Profit from this industry is ₹ 45 lakhs.
 - (iv) He employed 20 new employees for the said industrial undertaking during the previous year 2020-21. Out of 20 employees, 12 were employed on 1st May 2020 for monthly emoluments of ₹ 18,000 and remaining were employed on 1st August 2020 on monthly emoluments of ₹ 12,000. All these employees participate in recognised provident fund and they are paid their emoluments directly to their bank accounts.
 - (v) He earned ₹ 30,000 and ₹ 45,000 as interest on saving bank deposits and fixed deposits respectively.
 - (vi) He also sold his vacant land on 01.12.2020 for ₹ 13 lakhs. The stamp duty value of land at the time of transfer was ₹ 14 lakhs. The FMV of the land as on 1st April, 2001 was ₹ 4.8 lakhs and Stamp duty value on the said date was ₹ 4 lakhs. This land was

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acquired by him on 15.9.1997 for ₹ 2.80 lakhs. He had incurred registration expenses of ₹ 12,000 at that time.

The cost of inflation index for the financial year 2020-21 and 2001-02 are 301 and 100 respectively.

- (vii) He paid insurance premium of ₹ 49,000 towards life insurance policy of his son, who is not dependent on him.

You are requested to compute his total income and tax liability of Mr. Dheeraj for the Assessment Year 2021-22, in the manner so that he can make maximum tax savings.

15. (a) Mr. Ayaansh (aged 35 years), a resident individual, is a dealer of garments. During the previous year 2020-21, total turnover of his business was ₹ 105 lakhs (out of which ₹ 15 lakhs was received by way of account payee cheques and balance in cash). Mr. Ayaansh does not opt to pay tax as per the provisions of section 115BAC. What would be your advice to Mr. Ayaansh relating to the provisions of advance tax with its due date along with the amount payable, assuming that he wishes to make maximum tax savings without getting his books of account audited.
- (b) Can Mr. Raghuram file his return for the A.Y. 2021-22 belatedly u/s 139(4) in the previous year 2022-23, if he has failed to file said return on or before the due date of filing return of income for the A.Y. 2021-22, due to inadvertent reasons? Also, specify the consequences of non-filing of return within the due date under section 139(1).

SUGGESTED ANSWERS

MCQ No.	Most Appropriate Answer	MCQ No.	Most Appropriate Answer
1.	(b)	6.	(a)
2.	(b)	7.	(b)
3.	(a)	8.	(b)
4.	(d)	9.	(a)
5.	(c)	10.	(c)

11. Computation of deduction under section 10AA for A.Y. 2021-22

Since A.Y. 2021-22 is the 4th assessment year from A.Y. 2018-19, relevant to the previous year 2017-18, in which the SEZ unit began manufacturing of articles or things or provide any services, it shall be eligible for deduction of 100% of the profits derived from export of such articles or things or from services, assuming all the other conditions specified in section 10AA are fulfilled.

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=	Profits of Unit in SEZ	x	$\frac{\text{Export turnover of Unit in SEZ}}{\text{Total turnover of Unit in SEZ}}$	x	100%
=	6,00,000	x	$\frac{22,00,000}{30,00,000}$	x	100% = ₹ 4,40,000

Working Note:

Computation of total sales, export sales and net profit of Unit X

Particulars	M/s Rajveer (₹)	Unit Y (₹)	Unit X (₹)
Total sales	85,00,000	50,00,000	35,00,000
Export sales	55,00,000	28,00,000	27,00,000
Domestic sales	30,00,000	12,00,000	18,00,000
Net Profit	10,00,000	4,00,000	6,00,000

Export Turnover	
Sale proceeds	27,00,000
Less: Freight not includible in export turnover	<u>5,00,000</u>
	<u>22,00,000</u>
Total turnover	35,00,000
Less: Freight not includible [Since freight has been excluded from export turnover, the same has to be excluded from total turnover also].	<u>5,00,000</u>
	<u>30,00,000</u>

12.

Computation of gross total income of Ms. Aarti for the A.Y.2021-22

Particulars	₹	₹
Salary Income (computed)	8,20,000	
Less: As per section 71(3A), loss from house property of ₹ 2,44,000 can be set-off, to the extent of	<u>2,00,000</u>	6,20,000
Income from House Property		
Net Annual Value of House Property	1,20,000	
Less: Deduction u/s 24		
(a) 30% of NAV	36,000	
(b) Interest on housing loan	<u>3,28,000</u>	<u>3,64,000</u>

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Loss from house property	(2,44,000)	
Less: Loss eligible for set-off against salary income restricted to	<u>2,00,000</u>	
Loss to be carried forward to A.Y. 2022-23 for set-off against income from house property, if any, in that year.	<u>(44,000)</u>	
Profits and gains of business or profession		
Share of profit from firm [Exempt u/s 10(2A)]	-	
Loss from specified business u/s 35AD ₹ 67,000 [can be set-off only against income from any specified business. Hence, it has to be carried forward to A.Y.2022-23]	-	
Income from textile business	3,30,000	
Less: Current year depreciation	<u>53,000</u>	
	2,77,000	
Less: Brought forward loss of textile business	<u>1,90,000</u>	
	87,000	
Less: Set-off of unabsorbed depreciation to the extent of ₹ 87,000 against business income	<u>87,000</u>	Nil
Capital Gains		
Long-term capital gains on sale of listed equity shares (STT paid)	2,50,000	
Less: Balance unabsorbed depreciation of ₹ 98,000 set-off	<u>98,000</u>	
Long-term capital gains on sale of listed equity shares [No tax is payable u/s 112A, since the amount does not exceed ₹ 1,00,000]	1,52,000	1,52,000
Long-term capital gains on sale of debentures	1,50,000	
Less: Set-off of Long-term capital loss on sale of equity shares (STT not paid) [Since long-term capital gain on sale of unlisted debentures are taxable @20% and long-term term capital gain on sale of listed shares in excess of ₹1,00,000 taxable @10%, it is beneficial to set-off long-term capital loss against LTCG on sale of debentures]	<u>1,50,000</u>	Nil
Income from Other Sources		
Dividend from units of UTI [Taxable in the hands of the unitholders]		1,15,000
Gross Total Income		8,87,000

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Losses to be carried forward to A.Y.2022-23		₹
(i)	Losses from specified business [can be carried forward indefinitely for set-off against income from any specified business]	67,000
(ii)	Loss from house property [can be carried forward upto 8 successive assessment years for set-off against income from house property]	44,000

13.

Computation of total income of Mr. Uday Shankar for A.Y.2021-22

Particulars	₹	₹	₹
Income under the head "Salaries"			
Pension	7,80,000		
Less: Standard deduction u/s 16(ia) Lower of ₹ 50,000 or actual salary/pension	<u>50,000</u>		7,30,000
Income from Other Sources			
Interest from bank on fixed deposit (Gross)			<u>2,35,000</u>
Gross Total Income			9,65,000
Less: Deduction under Chapter VI-A			
Deduction under section 80C			
LIC premium of ₹ 25,500 (restricted to 10% of ₹ 2,50,000, being the sum assured, as the policy is taken after 31.3.2012)		25,000	
Deduction under section 80D			
Premium for health insurance for self and his wife paid by cheque, allowed upto ₹ 50,000 since Mr. Uday Shankar is a senior citizen	36,000		
Preventive health check-up for self, ₹ 3,500, and for his mother, ₹ 4,500, restricted to ₹ 5,000 (deduction allowed even if the same is paid in cash)	<u>5,000</u>		
		41,000	
Deduction under section 80E			
Interest on loan taken from bank for MBA course pursued by his daughter		9,500	
Deduction under section 80G			
Donation to PM CARES Fund – 100% allowable		20,000	
Donation to an approved institution for promoting family planning – 100% allowable subject to		83,950	

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qualifying limit of ₹ 83,950 i.e., 10% of ₹ 8,39,500 being the adjusted total income		
Deduction under section 80TTB		
Interest on fixed deposit with bank allowable as deduction upto ₹ 50,000, since Mr. Uday Shankar is a senior citizen	<u>50,000</u>	<u>2,29,450</u>
Total Income		7,35,550

14. Computation of total income of Mr. Dheeraj for A.Y. 2021-22

	Particulars	₹	₹	₹
I	Income from house property			
	Let out portion [First floor]			
	Gross Annual Value [Rent received is taken as GAV, in the absence of other information]		3,34,000	
	Less: Municipal taxes paid by him in the P.Y. 2020-21 pertaining to let out portion [₹ 30,000/2]		<u>15,000</u>	
	Net Annual Value (NAV)		3,19,000	
	Less: Deduction u/s 24			
	(a) 30% of ₹ 3,19,000	95,700		
	(b) Interest on housing loan [₹ 1,80,000/2]	<u>90,000</u>	<u>1,85,700</u>	
			1,33,300	
	Self-occupied portion [Ground Floor]			
	Annual Value		Nil	
	[No deduction is allowable in respect of municipal taxes paid]			
	Less: Interest on housing loan		<u>90,000</u>	
			<u>(90,000)</u>	
	Income from house property [₹ 1,33,300 – ₹ 90,000]			43,300
II	Profits and gains of business or profession			
	Income from SEZ unit			45,00,000
III	Capital Gains			
	Long-term capital gains on sale of land (since held for more than 24 months)			

Full Value of Consideration [Actual consideration of ₹ 13 lakhs, since stamp duty value of ₹ 14 lakhs does not exceed actual consideration by more than 10%]	13,00,000	
Less: Indexed Cost of acquisition [₹ 4,00,000 x 301/100]	<u>12,04,000</u>	96,000
Cost of acquisition		
Higher of -		
- Actual cost ₹ 2.80 lakhs + ₹ 0.12 lakhs = ₹ 2.92 lakhs and		
- Fair Market Value (FMV) as on 1.4.2001 = ₹ 4.8 lakhs but cannot exceed stamp duty value of ₹ 4 lakhs.		
IV Income from Other Sources		
Interest on savings bank deposits	30,000	
Interest on fixed deposits	<u>45,000</u>	<u>75,000</u>
Gross Total Income		47,14,300
Less: Deduction u/s 10AA		13,50,000
[Since the industrial undertaking is established in SEZ, it is entitled to deduction u/s 10AA@100% of export profits, since P.Y.2020-21 being the 3 rd year of operations]		
[Profits of the SEZ x Export Turnover/Total Turnover] x 100%		
[₹ 45 lakhs x ₹ 120 lakhs/ ₹ 400 lakhs x 100%]		
Less: Deduction under Chapter VI-A		
Deduction under section 80C		
Repayment of principal amount of housing loan	95,000	
Insurance premium paid on life insurance policy of son allowable, even though not dependent on Mr. Dheeraj	<u>49,000</u>	1,44,000
Deduction under section 80JJAA		9,43,200
30% of the employee cost of the new employees employed during the P.Y. 2020-21 allowable as deduction [30% of		

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₹ 31,44,000 [₹ 23,76,000 (12 x 18,000 x 11) + ₹ 7,68,000 (8 x 12,000 x 8)]		
Deduction under section 80TTA Interest on savings bank account, restricted to ₹ 10,000	10,000	
Total income		<u>10,97,200</u> <u>22,67,100</u>

**Computation of tax liability of Mr. Dheeraj for A.Y.2021-22
under the normal provisions of the Act**

Particulars	₹	₹
Tax on total income of ₹ 22,67,100		
Tax on LTCG of ₹ 96,000@20%		19,200
Tax on remaining total income of 21,71,100		
Upto ₹ 2,50,000	Nil	
₹ 2,50,001 – ₹ 5,00,000[@5% of ₹ 2.50 lakh]	12,500	
₹ 5,00,001 – ₹ 10,00,000[@20% of ₹ 5,00,000]	1,00,000	
₹ 10,00,001 – ₹ 21,71,100[@30% of ₹ 11,71,700]	<u>3,51,330</u>	<u>4,63,830</u>
		4,83,030
Add: Health and education cess@4%		<u>19,321</u>
Total tax liability		<u>5,02,351</u>
Tax liability (rounded off)		<u>5,02,350</u>

**Computation of tax liability of Mr. Dheeraj for A.Y.2021-22
under the special provisions of the Act (Alternate Minimum Tax)**

Particulars	₹
Computation of adjusted total income	
Total income as per the normal provisions of the Act	22,67,100
Add: Deduction u/s 10AA	13,50,000
Deduction u/s 80JJAA	9,43,200
	<u>45,60,300</u>
AMT@18.5%	8,43,656
Add: HEC@4%	<u>33,746</u>
AMT liability	<u>8,77,402</u>
AMT liability (rounded off)	<u>8,77,400</u>

Since the regular income tax payable is less than the AMT, the adjusted total income of ₹ 45,60,300 would be deemed to be the total income and tax would be payable @18.5%

plus HEC@4%. The total tax liability would be ₹ 8,77,400. In this case, AMT credit of ₹ 3,75,050 (₹ 8,77,400 – ₹ 5,02,350) can be carried forward.

Mr. Dheeraj also can opt to pay tax as per the provisions of section 115BAC if tax liability thereunder is lower. In such case, the AMT provisions would not apply on him. The computation of total income and tax liability as per the provisions of section 115BAC would be as follows:

Computation of total income of Mr. Dheeraj as per section 115BAC for A.Y. 2021-22

Particulars	₹	₹
Gross Total Income as per regular provisions of the Income-tax Act		47,14,300
Add: Interest on borrowing in respect of self-occupied house property not allowable as deduction as per section 115BAC		<u>90,000</u>
Gross Total Income as per section 115BAC		48,04,300
Less: Deduction under section 80JJAA		
30% of the employee cost of the new employees employed during the P.Y. 2020-21 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)]	9,43,200	
No deduction under section 10AA or under Chapter VI-A allowable except u/s 80JJAA		<u>9,43,200</u>
Total income		<u>38,61,100</u>

Computation of tax liability as per section 115BAC

Particulars	₹	₹
Tax on total income of ₹ 38,61,100		
Tax on LTCG of ₹ 96,000@20%		19,200
Tax on remaining total income of ₹ 37,65,100		
Upto ₹ 2,50,000	Nil	
₹ 2,50,001 – ₹ 5,00,000 [@5% of ₹ 2.50 lakhs]	12,500	
₹ 5,00,001 – ₹ 7,50,000 [@10% of ₹ 2.50 lakhs]	25,000	
₹ 7,50,001 – ₹ 10,00,000 [@15% of ₹ 2.5 lakhs]	37,500	
₹ 10,00,001 – ₹ 12,50,000 [@20% of ₹ 2.5 lakhs]	50,000	

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₹ 12,50,001 – ₹ 15,00,000 [@25% of ₹ 2.5 lakhs]	62,500	
₹ 15,00,001 – ₹ 37,65,100 [@30% of ₹ 22,65,100]	<u>6,79,530</u>	<u>8,67,030</u>
		8,86,230
Add: Health and education cess@4%		<u>35,449</u>
Total tax liability		<u>9,21,679</u>
Tax liability (rounded off)		9,21,680

Since tax liability as per section 115BAC is higher than the tax liability of ₹ 8,77,400 being higher of AMT liability and tax liability computed as per normal provisions of the Income-tax Act, 1961, it is beneficial for Mr. Dheeraj not to exercise option under section 115BAC. In such case, his tax liability, therefore, would be ₹ 8,77,400. Moreover, Mr. Dheeraj would also be eligible to claim carry forward of AMT credit of ₹ 3,75,050.

15. (a) **Computation of advance tax of Mr. Ayaansh under Presumptive Income scheme as per section 44AD**

The total turnover of Mr. Ayaansh, a dealer of garments, is ₹ 105 lakhs. Since his total turnover from such business is less than ₹ 200 lakhs and he does not wish to get his books of account audited, he can opt for presumptive tax scheme under section 44AD.

Profits and gains from business computed under section 44AD:

Particulars	₹
6% of ₹ 15 lakhs, being turnover effected through account payee cheque	90,000
8% of ₹ 90 lakhs, being cash turnover	<u>7,20,000</u>
	<u>8,10,000</u>

An eligible assessee opting for computation of profits and gains of business on presumptive basis under section 44AD in respect of eligible business is required to pay advance tax of the whole amount on or before 15th March of the financial year.

Computation of tax liability of Mr. Ayaansh as per normal provisions of Income-tax Act, 1961

Particulars	Amount in ₹	
Total Income	8,10,000	
Tax on 8,10,000		
Upto ₹ 2,50,000	Nil	
₹ 2,50,001 – ₹ 5,00,000@5%	12,500	

₹ 5,00,001 – ₹ 8,10,000@20%	<u>62,000</u>	74,500
Add: Health and Education cess@4%		<u>2,980</u>
Tax liability		<u>77,480</u>

Accordingly, he is required to pay advance tax of ₹ 77,480 on or before 15th March of the financial year. However, any amount by way of advance tax on or before 31st March of the financial year shall also be treated as advance tax paid during the financial year ending on that day for all the purposes of the Act.

(b) If any person fails to furnish a return within the time allowed to him under section 139(1), he may furnish the belated return for any previous year at any time -

- (i) before the end of the relevant assessment year; or
- (ii) before the completion of the assessment,

whichever is earlier.

The last date for filing return of income for A.Y.2021-22 is 31st March 2022. Thereafter, Mr. Raghuram cannot furnish his belated return. Since previous year 2022-23 begins on 1st April, 2022, Mr. Raghuram cannot file his return of income for the A.Y. 2021-22 u/s 139(4) in the previous year 2022-23.

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

Carry forward and set-off of certain losses: Carry forward and set-off of 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, would not be allowed to be carried forward, where a return of income is not furnished within the time allowed under section 139(1).

Interest under section 234A: Interest under section 234A@1% per month or part of the month for the period commencing from the date immediately following the due date under section 139(1) till the date of furnishing of return of income is payable, where the return of income is furnished after the due date. However, no interest u/s 234A shall be charged on self-assessment tax paid by the assessee on or before the due date of filing of return.

Fee under section 234F: Late fee of ₹ 5,000 would be payable under section 234F, if the return of income is not filed before the due date specified in section 139(1) and ₹ 10,000 would be the fee payable under section 234F where the return is furnished after 31st December of the assessment year.

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

SECTION B: INDIRECT TAXES

QUESTIONS

- (1) All questions should be answered on the basis of the provisions of GST law as amended by the Finance Act, 2020, which have become effective till 30.04.2021, and significant notifications and circulars issued upto 30.04.2021.
- (2) The GST rates for goods and services mentioned in various questions are hypothetical and may not necessarily be the actual rates leviable on those goods and services. Further, GST compensation cess should be ignored in all the questions, wherever applicable.

- I. MM Charitable Trust is registered under section 12AA of the Income-tax Act, 1961.
- The trust conducted a three day residential yoga camp among people on the occasion of International yoga day for the advancement of yoga and charged ₹ 7,500 per person inclusive of stay and food.
- The trust also conducted programmes for the advancement of education of persons aged above 65 years in metro cities. A nominal fee was charged for the same.
- The trust received following donations during the month of September:-
- Solid Steels Pvt. Ltd. donated a RO water plant to the trust costing ₹ 75,000 and displayed its company name in the RO system installed at the premises of the trust as "Donated by Solid Steels Private Limited-trusted by all".
 - Mr. Prasanna, a lawyer donated chairs to the trust costing ₹ 25,000 and 'Love all' is printed on all chairs donated by him to the trust.
- The following are the details of GST payment made by the firm-
- GST of ₹ 1,75,000 was paid for the purchase of motor vehicle for transportation of needy persons (Seating capacity including driver is 13).
 - GST of ₹ 2,45,000 was paid for works contract services availed from Super Builders for construction of Trust's office building.
- MM Charitable Trust also owns and manages a gurudwara. It rented the community hall located in the precincts of the gurudwara for a rent of ₹ 8,500 per day for a marriage function. It also rented the commercial shop located in the precincts of the gurudwara for a rent of ₹ 10,000 per month per shop.
- You can assume that the Trust is registered under GST and all the transactions are intra-State only. Conditions for availing ITC are fulfilled subject to the above- mentioned information.

Based on the information given above, choose the most appropriate answer for the following questions [1 to 4]-

1. Which of the following activities conducted by trust is exempt from GST?
 - (a) Advancement of Yoga
 - (b) Advancement of education
 - (c) Both (a) and (b)
 - (d) Neither of the activities
2. Determine the value of taxable supply in respect of donations received by the Trust?
 - (a) ₹ 25,000
 - (b) ₹ 75,000
 - (c) ₹ 1,00,000
 - (d) Nil
3. Compute the amount of input tax credit that can be claimed by the Trust?
 - (a) ₹ 1,75,000
 - (b) ₹ 2,45,000
 - (c) ₹ 4,20,000
 - (d) Nil
4. Which of the following statements is/are correct under GST law in respect of gurudwara managed by MM Charitable Trust?
 - (a) Renting of community hall is taxable while renting of commercial shop is exempt.
 - (b) Renting of community hall is exempt while renting of commercial shop is taxable.
 - (c) Both renting of community hall and renting of commercial shop are taxable.
 - (d) Both renting of community hall and renting of commercial shop are exempt.
5. Determine which of the following independent cases will be deemed as supply even if made without consideration in terms of Schedule I of the CGST Act, 2017?
 - (i) AB & Associates transfers stock of goods from its Mumbai branch to Kolkata depot for sale of such goods at the depot.
 - (ii) Mr. Raghuvver, a dealer of air-conditioners permanently transfers the motor vehicle free of cost. ITC on said motor vehicle is blocked.

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- (iii) Mrs. Riddhi, an employee of Sun Ltd., received gift from her employer on the occasion of Diwali worth ₹ 21,000.
- (a) (i)
 (b) (ii)
 (c) (iii)
 (d) Both (i) and (ii)
6. PZY Ltd. is engaged in manufacturing of motor car. The company paid following amount of GST to its suppliers against the invoices raised to it. Compute the amount of ineligible input tax credit under GST law:-

S.No.	Particulars	GST Paid (₹)
1.	General insurance taken on cars manufactured by PZY Ltd.	1,00,00,000
2.	Buses purchased for transportation of employees (Seating capacity 23)	25,00,000
3.	Life and health insurance for employees under statutory obligation	6,00,000
4.	Outdoor catering in Diwali Mela organized for employees	3,50,000

- (a) ₹ 9,50,000
 (b) ₹ 3,50,000
 (c) ₹ 1,31,00,000
 (d) ₹ 28,50,000
7. Which of the following statements is/are incorrect under GST law:-
- (i) If the supplier has erroneously declared a value which is more than the actual value of goods or services provided, then he can issue credit note for the same.
 (ii) If the supplier declared some special discount which is offered after the supply is over, then he cannot issue credit note under GST law for the discount offer.
 (iii) If quantity received by the recipient is more than what has been declared in the tax invoice, then supplier can issue debit note for the same.
 (iv) There is no time limit to declare the details of debit note in the return.
- (a) (i),(ii) and (iv)

- (b) (i) and (iv)
(c) (iv)
(d) (i) and (iii)
8. Ms. Pearl is a classical singer. She wants to organize a classical singing function, so she booked an auditorium on 10th August for a total amount of ₹ 20,000. She paid ₹ 5,000 as advance on that day. The classical singing function was organized on 10th October. The auditorium owner issued invoice to Ms. Pearl on 25th November amounting to ₹ 20,000. Pearl made balance payment of ₹ 15,000/- on 30th November. Determine the time of supply in this case.
- (a) Time of supply is 25th November for ₹ 20,000.
(b) Time of supply is 25th November for ₹ 5,000 & 30th November for ₹ 15,000.
(c) Time of supply is 10th August for ₹ 5,000 & 10th October for ₹ 15,000.
(d) Time of supply is 10th October for ₹ 20,000.
9. ABC Ltd. generated e-way bill on 12th February at 14.00 hrs. It used over-dimensional cargo for a distance of 100 km. When the validity period of the e-way bill will expire?
- (a) Midnight of 13th-14th February
(b) Midnight of 17th-18th February
(c) At 14.00 hrs. of 13th February
(d) At 14.00 hrs. of 14th February
10. Determine in which of the following independent cases, e-invoicing is applicable?
- (i) Harnam & Co., dealing in interior decoration products made supplies to various registered and unregistered persons in the preceding financial year. The aggregate turnover of Harnam & Co. in the preceding financial year is ₹ 60 crore.
- (ii) Rich & Poor Bank, registered under GST has an aggregate turnover of ₹ 75 crore in the preceding financial year.
11. Mr. Nikunj, a supplier of goods, pays GST under regular scheme. He is not eligible for any threshold exemption. He has made the following outward taxable supplies in the month of August :-

	₹
Intra State supplies of goods	6,00,000
Inter State supplies of goods	2,00,000

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He has also furnished following information in respect of purchases made by him from registered dealers during August :-

Intra State purchase of goods	4,00,000
Inter State purchase of goods	50,000

Balance of ITC available at the beginning of the August:-

	₹
CGST	15,000
SGST	35,000
IGST	20,000

Note:

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

Compute the minimum GST payable by Mr. Nikunj in cash for the month of August.

12. Namo Shankar Ltd., a registered supplier in Mumbai (Maharashtra), has supplied goods to Narad Traders and Nandi Motors Ltd. located in Ahmedabad (Gujarat) and Pune (Maharashtra) respectively. Namo Shankar Ltd. has furnished the following details for the current month:

S. No.	Particulars	Narad Traders (₹)	Nandi Motors Ltd. (₹)
(i)	Price of the goods (excluding GST)	10,000	30,000
(ii)	Packing charges	500	
(iii)	Commission	500	
(iv)	Weighment charges		2,000
(v)	Discount for prompt payment (recorded in the invoice)		1,000

Items given in points (ii) to (v) have not been considered while arriving at price of the goods given in point (i) above.

Compute the GST liability [CGST & SGST or IGST, as the case may be] of Namo Shankar Ltd. for the given month. Assume the rates of taxes to be as under:

PARTICULARS	Rate of tax
Central tax (CGST)	9%
State Tax (SGST)	9%
Integrated tax (IGST)	18%

Make suitable assumptions, wherever necessary.

Note: The supply made to Narad Traders is an inter-State supply.

13. Examine whether the liability to register compulsorily under section 24 of the CGST Act, 2017 arises in each of the independent cases mentioned below:
- (1) Heera, a supplier in Haryana, is exclusively engaged in supply of potatoes produced out of cultivation of his own land, within Haryana and also outside Haryana.
 - (2) Aanya of Telangana is exclusively engaged in intra-State supply of toys. Its aggregate turnover in the current financial year is ₹ 22 lakh.

SUGGESTED ANSWERS

1. (a)
2. (b)
3. (d)
4. (b)
5. (a)
6. (b)
7. (c)
8. (c)
9. (b)
10. All registered businesses with an aggregate turnover (based on PAN) in any preceding financial year from 2017-18 onwards greater than ₹ 50 crore are required to issue e-invoices in respect of B2B supplies (supply of goods and/or services to a registered person).
Further, following entities are exempt from the mandatory requirement of e-invoicing:-
 - (a) Special Economic Zone units
 - (b) Insurer or banking company or financial institution including NBFC

- (c) GTA supplying services in relation to transportation of goods by road in a goods carriage
- (d) Supplier of passenger transportation service
- (e) Person supplying services by way of admission to exhibition of cinematograph films in multiplex screens

Thus, above mentioned entities are not required to issue e-invoices even if their turnover exceeds ₹ 50 crore in the preceding financial year from 2017-18 onwards.

In view of the above mentioned provisions, the answer to the independent cases are as under:-

- (i) The aggregate turnover of Harnam & Co. exceeds the threshold limit of aggregate turnover applicable for e-invoicing. Thus, Harnam & Co. is mandatorily required to issue e-invoices in respect of supplies made to registered persons.
- (ii) Banking company is specifically exempt from mandatory requirement of e-invoicing even if the turnover exceeds ₹ 50 crore in the preceding financial year. Thus, e-invoicing is not applicable to Rich & Poor Bank.

11. Computation of GST liability of Mr. Nikunj for the month of August

S.No.	Particulars	(₹)	GST (₹)
(i)	Intra-State supply of goods		
	CGST @ 9% on ₹ 6,00,000	54,000	
	SGST @ 9% on ₹ 6,00,000	54,000	<u>1,08,000</u>
(ii)	Inter-State supply of goods		
	IGST @ 18% on ₹ 2,00,000		36,000

Computation of total ITC

Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
Opening ITC	15,000	35,000	20,000
Add: ITC on Intra-State purchases of goods valuing ₹ 4,00,000	36,000	36,000	
Add: ITC on Inter-State purchases of goods valuing ₹ 50,000			<u>9,000</u>
Total ITC	51,000	71,000	29,000

Computation of minimum GST payable in cash

Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
GST payable	54,000	54,000	36,000
Less: ITC credit of IGST to be first utilised towards payment of IGST			(29,000)
ITC of CGST to be utilised for payment of CGST and IGST in that order.	(51,000)		
ITC of SGST to be utilised for payment of SGST and IGST in that order.		(54,000)	
ITC of SGST to be utilised for payment of IGST, only after ITC of CGST has been utilised fully.			(7,000)-SGST
Minimum GST payable in cash	3,000	Nil	Nil

12. **Computation of GST liability**

S. No.	Particulars	Narad Traders (₹)	Nandi Motors Ltd. (₹)
(i)	Price of goods	10,000	30,000
(ii)	Add: Packing charges (Note-1)	500	
(iii)	Add: Commission (Note-1)	500	
(iv)	Add: Weighment charges (Note-1)	-	2,000
(v)	Less: Discount for prompt payment (Note-2)	<u>-</u>	<u>1,000</u>
	Value of taxable supply	11,000	31,000
	IGST payable @ 18% (Note-3)	1,980	
	CGST payable @ 9% (Note-4)		2,790
	SGST payable @ 9% (Note-4)		2,790

Notes:

- Incidental expenses, including commission and packing, charged by supplier to recipient of supply is includible in the value of supply. Weighment charges are also

incidental expenses, hence includible in the value of supply [Section 15 of the CGST Act, 2017].

2. Since discount is known at the time of supply, it is deductible from the value in terms of section 15 of the CGST Act, 2017.
 3. Since supply made to Narad Traders is an inter-State supply, IGST is payable in terms of section 5 of the IGST Act, 2017.
 4. Since supply made to Nandi Motors Ltd. is an intra-State supply, CGST & SGST is payable on the same.
13. (1) Section 24 of the CGST Act, 2017 provides that persons making any inter-State taxable supply of goods are required to obtain registration compulsorily under GST laws irrespective of the quantum of aggregate turnover.

However, as per section 23 of the CGST Act, 2017, an agriculturist, to the extent of supply of produce out of cultivation of land, is not liable to registration.

Heera is exclusively engaged in cultivation and supply of potatoes. Thus, he is not liable to registration irrespective of the fact that he is engaged in making inter-State supply of goods. Further, Heera will not be liable to registration, in the given case, even if his turnover exceeds the threshold limit.

- (2) As per section 22 of the CGST Act, 2017 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.

Since Aanya is making taxable supplies from Telangana, she will not be eligible for higher threshold limit available in case of exclusive supply of goods. The applicable threshold limit for registration for Aanya in the given case is ₹ 20 lakh. Thus, she is liable to get registered under GST.