

PAPER 4: TAXATION

SECTION A: INCOME TAX LAW

The Income-tax law, as amended by the Finance Act, 2022, including significant notifications/circulars issued upto 30th April, 2023, is applicable for November, 2023 examination. The relevant assessment year for November, 2023 examination is A.Y.2023-24. The May, 2022 edition of the Study Material is based on the provisions of Income-tax law as amended by the Finance Act, 2022 and significant notifications/circulars issued upto 30.04.2022, and hence, the same is relevant for November 2023 examination. The Statutory Update containing significant notifications/circulars issued between 1.5.2022 and 30.04.2023 which are relevant for November, 2023 examination is webhosted at <https://resource.cdn.icai.org/74469bos60408.pdf>

QUESTIONS AND ANSWERS

Case Scenario

Mr. Shaan, a resident aged 42 years, is employed in an MNC in Gurugram since 2013. He submitted his resignation on 31st July, 2022 for starting his own business and gave a notice period of one month to the employer. He received the following emoluments from his employer for the period from 1st April, 2022 to 31st August, 2022:

Basic pay	₹ 45,000 p.m.
Dearness Allowance (Forming part of retirement benefits)	10% of Basic pay
Medical allowance	₹ 5,000 p.m.
Entertainment allowance	₹ 2,500 p.m.
Commission	₹ 10,000 p.m.
Employee's contribution to RPF	₹ 7,500 p.m.
Employer's contributed the same amount to the RPF	
Interest accrued in the RPF@13%	₹ 14,300

In October, 2022, he started the business of manufacturing of footwear under the brand name "COMFORT". He withdrew the entire amount from his RPF account in September, 2022 to invest in his business. He has employed 75 regular employees on 1.11.2022 at a salary of ₹ 23,000 p.m. and they participate in recognized provident fund. For the P.Y. 2022-23, the profits and gains derived from such business is ₹ 51 lakhs (computed) and the turnover is ₹ 7 crores. Mr. Shaan received 12% of the sales in cash.

On 1st December, 2022, he has purchased a house property for ₹ 90 lakhs for self-occupation by taking a loan of ₹ 45 lakhs@10% p.a. on the same day. He has paid stamp duty of

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₹ 6,25,000 on purchase of such house property. Mr. Shaan does not want to opt for the provisions of section 115BAC.

Based on the above facts, choose the **most appropriate answer** to Q. No. 1 to 5 –

1. What is the amount of salary chargeable under the head “Salaries” to Mr. Shaan for A.Y. 2023-24?
 - (a) ₹ 2,85,000
 - (b) ₹ 2,99,300
 - (c) ₹ 2,96,650
 - (d) ₹ 2,84,150
2. What is the amount of deduction available to Mr. Shaan under Chapter VI-A for A.Y. 2023-24?
 - (a) ₹ 1,50,000
 - (b) ₹ 25,87,500
 - (c) ₹ 26,25,000
 - (d) ₹ 27,37,500
3. What is the total income of Mr. Shaan for A.Y. 2023-24?
 - (a) ₹ 25,09,150
 - (b) ₹ 24,59,150
 - (c) ₹ 24,61,800
 - (d) ₹ 25,59,150
4. Compute the tax liability of Mr. Shaan for A.Y. 2023-24.
 - (a) ₹ 5,87,860
 - (b) ₹ 10,78,660
 - (c) ₹ 10,62,520
 - (d) ₹ 5,72,250
5. Compute the tax liability of Mr. Shaan for A.Y. 2023-24 if he opts for the provisions of section 115BAC. Assume that the figure of profits and gains from business or profession remains the same under section 115BAC also.
 - (a) ₹ 15,68,990
 - (b) ₹ 5,56,650
 - (c) ₹ 5,72,250

- (d) ₹ 6,19,060
6. Mr. Kashyap, CEO of SHY Ltd., purchased a BMW of ₹ 1.15 crores on 23rd September, 2019 for his personal use. On 28.2.2023, he sold this car for ₹ 1 crore and incurred an expenditure of ₹ 2.74 lakhs for transferring the ownership of car. Compute the taxable capital gain/loss, if any to Mr. Kashyap for the A.Y. 2023-24.
- CII - 2019-20:289; 2022-23: 331
- (a) Short term capital loss of ₹ 0.1774 crores
(b) Long term capital loss of ₹ 0.3445 crores
(c) Nil
(d) Long term capital loss of ₹ 0.317 crores
7. Mr. Sunil has filed his return of loss for A.Y. 2022-23 on 31.7.2022 and received a total refund of ₹ 44,500. On 15.9.2023, he would like to furnish his updated return of income for additional income. In case he furnished his updated return of income for additional income, he would be liable to pay ₹ 57,000 towards tax and ₹ 6,700 towards interest for additional income to be reported in updated return. Compute the additional income-tax payable by Mr. Sunil at the time of filing his updated return.
- (a) ₹ 27,050
(b) ₹ 15,925
(c) ₹ 14,250
(d) ₹ 31,850
8. XYZ Ltd. is engaged in the manufacture of mobile phones with a brand name “JUST SAY”. There are five dealers in Delhi and Mumbai to sell “JUST SAY” mobile phones. A Ltd., a dealer in Delhi, receives two mobile phones and X Ltd., a dealer in Mumbai, receives one mobile phone from XYZ Ltd. in January, 2023 on achieving the sales target in the third quarter of 2022-23. The manufacturing cost of each such mobile phone is ₹ 15,000 while the MRP is ₹ 25,000. The price charged from the customers for such mobile phone is after providing 22% discount on MRP. Is XYZ Ltd. liable to deduct tax at source before giving mobile phones to A Ltd. and X Ltd.? And if yes, how much?
- (a) Yes; ₹ 3,900 from A Ltd. and No TDS from X Ltd.
(b) Yes; ₹ 3,000 from A Ltd. and No TDS from X Ltd.
(c) Yes; ₹ 5,000 from A Ltd. and ₹ 2,500 from X Ltd.
(d) Yes; ₹ 3,900 from A Ltd. and ₹ 1,950 from X Ltd.

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9. Miss Asha is an Indian citizen. She is a lawyer by profession. She started her consultancy profession in India in 2019 with the name "New way associates". In May 2021, she got married to Mr. Ram, an American citizen. Mr. Ram came to India for the first time on 1st May 2020 when he joined an MNC in India. He got a promotion and was transferred to Dubai. He left for Dubai on 1st October, 2021. Mrs. Asha accompanied him to Dubai. She started providing consultancy there. Both of them came to India for 3 months from June to August in 2022 to spend time with Asha's family. Following incomes were earned by Mr. Ram and Mrs. Asha during the P.Y. 2022-23.

	Income of Mr. Ram	₹
1	Salary from company in Dubai (not liable to tax in Dubai)	13,00,000
2	Long term capital gain on sale of shares of an Indian company	2,50,000
3	Income from house property in Delhi (computed)	4,60,000
4	Dividend from shares of an Indian company	65,000

	Income of Mrs. Asha	₹
1	Profit from consultancy profession in Dubai which was set up in India (not liable to tax in Dubai)	12,00,000
2	Profit from consultancy profession in India	3,00,000
3	Long term capital gain on sale of shares of British company, credited to her Dubai bank account	60,000
4	Short term capital loss on sale of listed shares of an Indian company	(42,000)

Determine the residential status of Mr. Ram and Mrs. Asha and their total income for the A.Y. 2023-24 ignoring the provisions of section 115BAC.

10. Examine with reasons whether the following statements are correct/incorrect with regard to the provisions of Income-tax Act, 1961:
- Akash, aged 17 years, received ₹ 3,50,000 as educational scholarship from M/s ABC Ltd. As a part of public welfare program, ABC Ltd. gave the above scholarship for his exceptional performance in Higher Secondary Examinations and to meet the cost of his further studies. The scholarship so received by Akash is taxable in his hands under the head "Income from other sources".
 - M/s XY & Co., a partnership firm, is engaged in the business of operating goods vehicles and computes its income on presumptive basis under section 44AE. Since the income is computed under section 44AE, no further deduction of any kind is allowable from the income so computed.

- (iii) Cash credit of ₹ 1,50,000 were traced in the books of accounts of Mr. Yogesh for which no explanation about its source was provided. Such income is taxable @30% under section 115BB in the hands of Yogesh.
- (iv) Mr. Shyam is a salaried individual. He purchased a painting and sculpture from his friends Mr. Kamal and Mr. Ashish for ₹ 45,000 and ₹ 35,000, respectively. The fair market value of painting and sculpture on the date of purchase was ₹ 80,000 and ₹ 60,000, respectively. Since the difference between fair market value and consideration of painting and sculpture does not exceed ₹ 50,000 individually, nothing would be taxable in the hands of Mr. Shyam.
11. AB Light LLP consists of 2 working partners, Mr. Anand and Mr. Bheem with 60% and 40% share, respectively. As per the partnership deed, they are eligible for interest on capital @15% p.a. on their capital contribution of ₹ 15 lakhs each and remuneration of ₹ 50,000 p.m. to Anand and ₹ 40,000 p.m. to Bheem. The firm is engaged in manufacturing business. During the year ended 31.3.2023, the net profit as per profit and loss account was ₹ 25,86,000 before considering interest on capital and remuneration to partners as well as the following items:

		₹
(i)	Current year revenue expenditure on scientific research	2,40,000
(ii)	Unabsorbed capital expenditure on scientific research relating to P.Y. 2019-20	85,000
(iii)	Brought forward business loss of A.Y. 2014-15	40,000
(iv)	Unabsorbed depreciation of A.Y. 2011-12	52,000
(v)	Current year depreciation under section 32	4,70,000
(vi)	Brought forward business loss of A.Y. 2018-19	49,000
(vii)	Current year capital expenditure on scientific research	3,45,000

You are required to compute the total income of AB Light LLP for A.Y. 2023-24 after considering the above items. Also, determine the amount of remuneration taxable in the hands of Mr. Anand and Mr. Bheem.

12. Determine the capital gains/loss and tax liability in the following scenarios for the A.Y. 2023-24 assuming the assessee does not have any other source of income:
- (i) On 12th December, 2022, 1,200 shares of X Ltd., a listed company are sold by Mr. Vishal, a non-resident, @ ₹ 1,550 per share and STT was paid at the time of sale of shares. These shares were acquired by him on 25th May, 2017 @ ₹ 425 per share by paying STT at the time of purchase. The price at which these shares were traded in National Stock Exchange on 31st January, 2018 is as follows –

Particulars	Amount in ₹
Highest Trading Price	680
Average Trading Price	610
Lowest Trading Price	540

- (ii) Mr. Kabir, a resident aged 45 years, is the owner of residential house which was purchased on 1st August, 2020 for ₹ 19,00,000. He sold the said house on 25th September, 2022 for ₹ 24,50,000. Valuation as per stamp valuation authorities was ₹ 25,50,000 as on the date of sale. CII – 2020-21: 301; 2022-23:331
13. Mr. Jain, a resident individual, aged 40 years, suffers from severe disability as certified by medical authority. He gives the following information for the previous year 2022-23 -
- (i) He has paid life insurance premium by cheque ₹ 27,000 to insure his life. The insurance policy was taken on 27.8.2018 and the sum assured is ₹ 2,20,000.
- (ii) He had written a literary book for Rochak Publication. A lump sum amount of royalty income earned in the previous year 2022-23 amounted to ₹ 9,00,000. Expenses incurred for writing the book amounted to ₹ 40,000.
- (iii) His friends gifted a statue of Goddess Saraswati to his daughter Ms. Diya (aged 14 years) on the successful completion of her secondary school. Fair market value of the statue is ₹ 65,000.
- (iv) He received a gold chain worth ₹ 68,000 from his in-laws on the occasion of his marriage anniversary
- (v) He had deposited ₹ 70,000 in fixed deposit with SBI in the name of his minor son in September 2022. Interest earned on such deposit ₹ 5,500.
- (vi) He donated ₹ 5,000 in cash to a NGO (the NGO was registered under section 80G of the Income-tax Act, 1961).
- (vii) He had taken a loan of ₹ 38,00,000 for the purchase of a house property valuing ₹ 45,00,000 for self-occupation from a financial institution on 1st May 2020. He repaid ₹ 1,80,000 during the P.Y. 2022-23 out of which ₹ 1,05,000 is towards principal payment and the balance is for interest on loan.
- Compute the total income of Mr. Jain for the A.Y. 2023-24 if he does not opt for the provisions of section 115BAC.
14. Mrs. Kashish, a resident individual, aged 62 years, is a qualified medical practitioner. She runs her own clinic. Income & Expenditure A/c of Mrs. Kashish for the year ending 31.3.2023 is as under:

Expenditure	₹	Income	₹
To Salary to Staff	7,20,000	By Consultation Fees	74,28,000
To Administrative Exp.	11,64,000	By Salary received from True Care Hospitals (P) Ltd.	10,80,000
To Rent of clinic	5,76,000	By Rental Income from House Property	2,40,000
To Conveyance Expenses	1,44,000	By Dividend from Foreign Companies (gross)	60,000
To Power & Fuel	1,44,000		
To Interest on Housing Loan	2,20,000		
To Interest on Education Loan for son	1,56,000		
To Amount paid to scientific research association approved & Notified under section 35	1,50,000		
To net profit	55,34,000		
Total	88,08,000	Total	88,08,000

- (i) She is working part-time with True Care Hospitals (P) Ltd. Her salary details are as under:

Basic Pay	₹ 85,000 p.m.
Transport Allowance	₹ 5,000 p.m.
Total	₹ 90,000 p.m.

Further, during P.Y. 2022-23, her son had undergone a medical treatment in True Care Hospitals (P) Ltd. free of cost. The hospital would have charged a sum of ₹ 1,60,000 for a similar treatment to unrelated patients.

- (ii) She owns a residential house. The reconstruction of the house was started on 01-04-2022 and was completed on 30-09-2022. After reconstruction, ground floor of the house is self-occupied by her while first floor has been rented out since 1.10.2022. Both the floors are of equal area. The monthly rent is ₹ 40,000. The tenant also pays ₹ 3,000 p.m. as power back-up charges. She took a housing loan of ₹ 25 lakhs for reconstruction on 01-04-2022. Interest on housing loan for the period 01-04-2022 to 30-09-2022 was ₹ 1,20,000 and for the period 01-10-2022 to

31-03-2023 was ₹ 1,00,000. During the year, she also paid municipal taxes for the F.Y. 2021-22 ₹ 5,000 and for F.Y. 2022-23 ₹ 5,000.

(iii) **Other information:**

- (a) Conveyance expenses include a sum of ₹ 48,000 incurred for conveyance from house to True Care Hospitals (P) Ltd. and *vice versa* in relation to her employment.
- (b) Power & fuel expenses include a sum of ₹ 10,000 incurred for generator fuel for providing power back-up to the tenant.
- (c) Administrative expenses include a sum of ₹ 10,000 paid as Municipal Taxes for her house.
- (d) Clinic equipments' details are:
Opening W.D.V. of clinic equipments as on 01-04-2022 was ₹ 5,00,000 and fresh purchase made on 28-08-2022 is ₹ 75,000 which was paid in cash.
- (e) She also paid tuition fee of ₹ 40,000 for her grand-daughter, which has been debited to her Capital A/c.
- (f) She availed a loan of ₹ 25,00,000 from bank for higher education of her son. She repaid principal of ₹ 3,00,000 and interest of ₹ 1,56,000 during P.Y. 2022-23.

You are required to compute the total income and tax liability of Mrs. Kashish for the A.Y. 2023-24 assuming she is not opting for the provisions of section 115BAC.

15. Who is authorized to verify the return of income of the following assesseees?
- (a) HUF whose Karta is absent from India
 - (b) Company where the company is being wound up
 - (c) Local authority
 - (d) Individual who is mentally incapacitated from attending to his affairs

SUGGESTED ANSWERS

MCQ No.	Most Appropriate Answer
1.	(c)
2.	(d)
3.	(a)
4.	(c)

MCQ No.	Most Appropriate Answer
5.	(d)
6.	(c)
7.	(a)
8.	(a)

9. Determination of residential status of Mr. Ram

Mr. Ram is an American citizen who comes on a visit to India during the P.Y. 2022-23 for 3 months. He has been in India from 1st May 2020 to 1st October 2021. Since Mr. Ram has been in India for a period of more than 60 days (i.e., 92 days) during the P.Y. 2022-23 and for a period of more than 365 days (i.e., 519 days) during the 4 immediately preceding previous years, he satisfies one of the basic conditions and he is a resident for the A.Y. 2023-24.

Since his period of stay in India during the preceding 7 previous years is less than 730 days (i.e., 519 days), he is a resident but not-ordinarily resident in India during the A.Y. 2023-24.

Since Mr. Ram is a resident but not-ordinarily resident, income which accrues or arises in India, deemed to accrue or arises in India, received in India, deemed to be received in India and income derived from business controlled in or a profession set up in India is chargeable to tax in India in his hands.

Computation of total Income of Mr. Ram for the A.Y. 2023-24

Particulars of income		(₹)
1	Salary from company in Dubai [Not taxable, since it accrues and arises outside India]	-
2	Long term capital gain on sale of shares of an Indian company [Taxable, since it accrues and arises in India]	2,50,000
3	Income from house property in Delhi [Taxable, since it accrues and arises in India]	4,60,000
4	Dividend from shares of an Indian company [Taxable, since it accrues and arises in India]	65,000
		7,75,000

Determination of residential status of Mrs. Asha

Mrs. Asha is an Indian citizen who comes on a visit to India during the P.Y. 2022-23 for 3 months i.e., 92 days. Since she does not satisfy any of the basic conditions of staying in India for 182 days or 120 days during the P.Y. 2022-23, she is not a resident in India as per section 6(1).

Mrs. Asha would be a deemed resident under section 6(1A) if her total income other than the income from foreign sources exceeds ₹ 15 lakhs during the P.Y. 2022-23 as she is an Indian citizen and is not liable to tax in Dubai.

Computation of total Income other than the income from foreign sources of Mrs. Asha

Particulars of income		(₹)
1	Profit from consultancy profession in Dubai which was set up in India [Includible]	12,00,000
2	Profit from consultancy profession in India [Includible]	3,00,000
3	Long term capital gain on sale of shares of British company [Not includible, since it is a foreign source income]	-
4	Short term capital loss on sale of listed shares of an Indian company [It accrues and arises in India. However, short term capital loss is not allowed to be set off from business or profession income, hence, not includible]	-
		15,00,000

Since, total income other than the income from foreign sources of Mrs. Asha does not exceed ₹ 15 lakhs, she would not be a deemed resident. Hence, Mrs. Asha is a non-resident during the A.Y. 2023-24.

Since Mrs. Asha is a non-resident, income which accrues or arises in India, deemed to accrue or arises in India, received in India and deemed to be received in India is chargeable to tax in India in her hands.

Particulars of income		(₹)
1	Profit from consultancy profession in Dubai which was set up in India [Not taxable]	-
2	Profit from consultancy profession in India [Taxable, since it accrues and arises in India]	3,00,000
3	Long term capital gain on sale of shares of British company [Not taxable, since it accrues and arises outside India]	-
4	Short term capital loss on sale of listed shares of an Indian company [Since, it accrues and arises in India, it is allowed to be carry forward to A.Y. 2024-25]	-
		3,00,000

10. (i) The statement is incorrect.

Income of Akash, being a minor child, from his skill or talent would be taxable in his hands. However, as per section 10(16), the value of scholarship granted to meet the cost of education would be exempt from tax in the hands of the recipient irrespective of the amount or source of scholarship.

(ii) The statement is incorrect.

If the income is computed under presumptive taxation under section 44AE, deduction allowable under section 30 to 38 shall be deemed to have been given full effect to and no further deduction shall be allowed. However, in case of firm, salary and interest paid to partners is deductible subject to the conditions and limits prescribed in section 40(b).

(iii) The statement is incorrect.

Unexplained cash credit are taxable @60% plus surcharge @25% plus cess @4% under section 115BBE.

(iv) The statement is incorrect.

In case movable property is received for inadequate consideration and the difference between **aggregate fair market value** of the property and such consideration exceeds ₹ 50,000, such difference would be taxed as the income of the recipient. Since the difference between aggregate fair market value of painting and sculpture (i.e., ₹ 1,40,000) and consideration (i.e., ₹ 80,000) exceeds ₹ 50,000, the difference of ₹ 60,000 would be taxable in the hands of Mr. Shyam under the head "Income from other sources".

11. **Computation of total income of AB Light LLP for the A.Y. 2023-24**

Particulars		Amount (₹)
Net profit as per profit and loss account before interest on capital and remuneration to partners and other items		25,86,000
Less: Expenditure allowable from business income		
- Interest @ 12% p.a. [being the maximum allowable as per section 40(b)] (₹ 15,00,000 × 12% × 2)	3,60,000	
- Current year revenue expenditure on scientific research under section 35(1)(i)	2,40,000	6,00,000
		19,86,000
- Current year depreciation under section 32(1)	4,70,000	
- Current year capital expenditure on scientific research under section 35(1)(iv)	3,45,000	
- Unabsorbed depreciation of A.Y. 2011-12 under section 32(2)	52,000	
- Unabsorbed capital expenditure on scientific research relating to P.Y. 2019-20 under section 35(4)	85,000	9,52,000

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Book Profit		10,34,000
Less: Partners' remuneration allowable under section 40(b)		
(i) As per limit prescribed in section 40(b)		
On first ₹ 3,00,000 90%	2,70,000	
On the balance ₹ 7,34,000 60%	4,40,400	
	7,10,400	
(ii) Remuneration actually paid or payable [₹ 50,000 x 12 + ₹ 40,000 x 12]	10,80,000	
(i) or (ii) whichever is less, is deductible		7,10,400
Profit from manufacturing business		3,23,600
Less: Brought forward business loss of A.Y. 2014-15 [Not allowed to set off since 8 years have been already expired]	-	
Less: Brought forward business loss of A.Y. 2018-19	49,000	49,000
Profits and gains of business or profession		2,74,600

Remuneration taxable in the hands of Mr. Anand as business income = ₹ 7,10,400 x 6,00,000/10,80,000 = ₹ 3,94,667

Remuneration taxable in the hands of Mr. Bheem as business income = ₹ 7,10,400 x 4,80,000/10,80,000 = ₹ 3,15,733

12.

	Particulars	Amount ₹
(i)	Long-term capital gain on transfer of 1,200 shares of X Ltd. [Taxable u/s 112A @10% on amount exceeding ₹ 1,00,000]	
	Full value of consideration [1,200 x ₹ 1,550]	18,60,000
	Less: Cost of acquisition	8,16,000
	Higher of	
	(i) Cost of acquisition [1,200 x ₹ 425]	5,10,000
	(ii) Lower of fair market value of such shares as on 31.1.2018 and sale consideration [1,200 x 680]	8,16,000
	Fair market value of listed equity shares as on 31.1.2018 [Highest price quoted on the recognized stock exchange i.e., ₹ 680 per share sale consideration ₹ 1,550 per share	
	Long term capital gain taxable u/s 112A/ Total Income	10,44,000

	Tax on long-term capital gain exceeding ₹ 1 lakh i.e., ₹ 9,44,000 @10%	94,400
	Add: Health and Education Cess@4%	3,776
	Tax liability	98,176
	Tax liability (Rounded off)	98,180
	Since Mr. Vishal is a non-resident, benefit of unexhausted basic exemption limit would not be available to him.	
(ii)	Sale of residential house [Long-term capital asset, since held for more than 24 months]	
	Full value of consideration [Actual consideration, since stamp duty value does not exceeds 110% of actual sale consideration]	24,50,000
	Less: Indexed cost of acquisition [₹ 19,00,000 x 331/301]	20,89,369
	Long term capital gain/ Total Income	3,60,631
	Total Income (Rounded off)	3,60,630
	Long-term capital gain taxable u/s 112 @20% on ₹ 1,10,630 [₹ 3,60,630 – ₹ 2,50,000, being unexhausted basic exemption limit]	22,126
	Less: Rebate under section 87A [Since the total income does not exceed ₹ 5 lakhs]	12,500
		9,626
	Add: Health and Education Cess@4%	385
	Tax liability	10,011
	Tax liability (Rounded off)	10,010

13. Computation of total income of Mr. Jain for the A.Y.2023-24

Particulars	₹	₹
Income from house property		
NAV	Nil	
Less: Interest on loan	75,000	(75,000)
		(75,000)
Income from Other Sources		
Royalty	9,00,000	
Less: Expenses incurred for writing book	40,000	8,60,000
Value of statue of Goddess Saraswati	65,000	

[The fair market value of the statue (sculpture) received by his minor daughter as gift (not on account of her skill) from his friends would be taxable, since its value exceeds ₹ 50,000. It would be included in the hands of Mr. Jain, assuming his income before considering clubbing provisions is higher than his wife].		
Less: Exemption under section 10(32)	1,500	63,500
Value of Gold Chain		-
[The Fair market value of ₹ 68,000 of gold chain received on occasion of his marriage anniversary would be exempt, since it is received from a relative.]		
Interest on fixed deposit in the name of his son	5,500	
[It would be included in the hands of Mr. Jain, assuming his income before considering clubbing provisions is higher than his wife]		
Less: Exemption under section 10(32)	1,500	4,000
Gross Total Income		8,52,500
Less: Deduction under Chapter VI-A		
Deduction under section 80C		
Life insurance premium [Since Mr. Jain suffers from severe disability, premium upto 15% of the sum assured ₹ 2,20,000 would be allowed, as the policy is taken after 31.3.2012]	27,000	
Repayment of principal amount for housing loan	1,05,000	1,32,000
Deduction under section 80G		
Donation to an NGO registered under section 80G [Not allowable since the donation is made in cash of a sum exceeding ₹ 2,000]		-
Deduction under section 80QQB		
Royalty income of a resident from literary book		3,00,000
Deduction under section 80U [Since Mr. Jain suffers from severe disability]		1,25,000
Total income		2,95,500

14. Computation of total income and tax liability of Mrs. Kashish for A.Y. 2023-24

	Particulars	₹	₹	₹
I	Income from Salaries:			
	Basic Pay (₹ 85,000 x 12)		10,20,000	
	Transport Allowance (₹ 5,000 x 12) [Fully taxable]		60,000	
	Cost of treatment for son in True Care Hospitals (P) Ltd. [Exempt, since value of medical treatment provided to an employee's family member in any hospital maintained by the employer is excluded from the definition of perquisite]		Nil	
	Gross Salary		10,80,000	
	Less: Standard deduction u/s 16 [Actual salary or ₹ 50,000, whichever is less]		50,000	
				10,30,000
II	Income from House Property			
	Let out portion [First floor]			
	Gross Annual Value [Rent received is taken as GAV = ₹ 40,000 p.m. x 6 months]		2,40,000	
	Less: Municipal taxes paid by her in the P.Y.2022-23 pertaining to let out portion [(₹ 5,000 + ₹ 5,000)/2], allowable since it is paid during the year, even if it relates to earlier years		5,000	
	Net Annual Value (NAV)		2,35,000	
	Less: Deduction u/s 24			
	(a) 30% of ₹ 2,35,000	70,500		
(b) Interest on housing loan [(₹ 1,20,000 (+) ₹ 1,00,000)/2]	1,10,000	1,80,500		
			54,500	

	Self-occupied portion [Ground Floor]			
	Annual Value	Nil		
	Less: Deduction u/s 24			
	Interest on housing loan for reconstruction			
	₹ 1,10,000 [(₹ 1,20,000 + ₹ 1,00,000)/2] restricted to	30,000	(30,000)	
				24,500
III	Profits and gains of business or profession			
	Net profit as per Income and Expenditure account		55,34,000	
	Less: Items of income to be treated separately under the respective head of income			
	(i) Salary received from True Care Hospitals (P) Ltd.	10,80,000		
	(ii) Rent from house property	2,40,000		
	(iii) Dividend from foreign companies (gross)	60,000		
			13,80,000	
			41,54,000	
	Less: Allowable expenditure			
	• Depreciation on Clinic equipments			
	On Opening WDV ₹ 5,00,000 @15%	75,000		
	On additions during the year ₹ 75,000, no depreciation is allowable, since payment was made in cash and hence, it will not form part of actual cost.	Nil	75,000	
			40,79,000	

	Add: Items of expenditure not allowable while computing business income			
	(i) Interest on housing loan for reconstruction of residential house	2,20,000		
	(ii) Interest on education loan for son	1,56,000		
	(iii) Conveyance expenses in relation to her employment with True Care Hospitals debited to Income and Expenditure A/c, not allowed	48,000		
	(iv) Power and fuel expenses incurred for providing power back up to tenant not deductible	10,000		
	(v) Municipal tax paid relating to residential house included in administrative expenses, not deductible	10,000	4,44,000	45,23,000
IV	Income from Other Sources			
	Power back up charges from tenant (₹ 3,000 p.m. x 6 months)	18,000		
	Less: Actual expenditure incurred for providing power back up	10,000	8,000	
	Dividend from foreign companies		60,000	68,000
	Gross Total Income			56,45,500
	Less: Deduction under Chapter VI-A			
	Deduction under section 80C – Tuition fee paid for grand child is not allowable		Nil	
	Deduction under section 80E - Interest on loan taken for higher education of her son is deductible [principal repayment is not deductible]		1,56,000	1,56,000
	Total income			54,89,500

Computation of tax liability of Mrs. Kashish for A.Y.2023-24

Particulars	₹	₹
Tax on total income of ₹ 54,89,500		
Upto ₹ 3,00,000	Nil	
₹ 3,00,001 – ₹ 5,00,000 [@5% of ₹ 2 lakhs]	10,000	
₹ 5,00,000 – ₹ 10,00,000 [@20% of ₹ 5 lakhs]	1,00,000	
₹ 10,00,000 – ₹ 54,89,500 [@30% of ₹ 44,89,500]	13,46,850	
		14,56,850
<i>Add:</i> Surcharge @10% [Since the total income > ₹ 50 lakhs but ≤ ₹ 1 crore]		1,45,685
		16,02,535
<i>Add:</i> Health and education cess @4%		64,101
Tax liability		16,66,636
Tax liability (rounded off)		16,66,640

15. Person authorized to verify return of income

S.No.	Assessee	Authorised Persons
(a)	HUF whose karta is absent from India	Any other adult member of the HUF
(b)	Company where the company is being wound up	Liquidator
(c)	Local authority	The principal officer
(d)	Individual who is mentally incapacitated from attending to his affairs	His guardian or any other person competent to act on his behalf

PAPER 4B - INDIRECT TAXES

QUESTIONS

- (1) All questions should be answered on the basis of the position of GST law as amended up to 30.04.2023.
- (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.

Bali Bells Ltd. (hereinafter referred as Bali Bells), a private limited company registered in Chennai, Tamil Nadu, provides the following outward supplies in the month of September:

Particulars	Amount (₹)	
	Taxable	Exempt
Intra-State outward supplies	40,00,000	15,00,000
Inter-State outward supplies	30,00,000	10,00,000

Bali Bells Ltd. sold land for ₹ 2,00,00,000 (excluding GST) in the month of September. Bali Bells purchased one heavy steel machinery in the month of September for ₹ 1,00,000 (excluding GST @ 18%). Bali Bells capitalized the value of machinery along with GST paid on the same in its books of accounts and claimed depreciation on the full value of machinery as well as on GST amount.

Apart from this, Bali Bells has a tax invoice dated 25th July of last financial year with respect to an inward supply of ₹ 50,000 (excluding GST @ 18%). The company has not availed ITC on said invoice yet.

Bali Bells distributed some free samples of goods in the month of October to its customers to promote its sales.

Bali Bells made a supply during November, details of which are as follows-

- Basic price of the product before TCS under Income Tax Act, 1961 – ₹ 45,000
- Tax collected at source under Income-tax Act, 1961 – ₹ 2,500
- It received a subsidy of ₹ 3,500 from Bharat Foundation Pvt. Ltd. for usage of green energy and the subsidy was linked to the units of energy saved and not aforesaid product.

Bali Bells has not furnished its annual return for the preceding financial year till the end of November and will furnish it in the month of December of the current financial year.

Assume that there is no other outward or inward supply transaction apart from aforesaid transactions, in the months of September, October and November. All the amounts given above are exclusive of taxes, unless otherwise specified.

Based on the facts of the case scenario given above, choose the most appropriate answer to Q. Nos. 1 to 5 below:-

1. Determine the aggregate turnover of Bali Bells for the month of September.
 - (a) ₹ 2,70,00,000
 - (b) ₹ 95,00,000
 - (c) ₹ 2,95,00,000
 - (d) ₹ 70,00,000
2. Bali Bells wants to avail ITC on GST paid on the heavy steel machinery purchased in September. Which of the following statements is true in this regard?
 - (a) ITC on the machinery cannot be availed since depreciation has been claimed on the GST paid on the machinery under Income-tax Act, 1961.
 - (b) ITC on the machinery shall be allowed to the extent of 50% in the current financial year and balance 50% in the subsequent financial year.
 - (c) ITC on the machinery shall be allowed in the current financial year only to the extent of the depreciation claimed on GST paid on machinery.
 - (d) Full ITC of GST paid on the machinery can be availed in the current year.
3. Whether Bali Bells can avail ITC on the free samples of goods distributed in the month of October?
 - (a) Yes; ITC is available on outward supplies even if made without consideration in the course or furtherance of business.
 - (b) No; ITC is not available since supply of samples is without consideration.
 - (c) No; ITC on free samples is blocked under section 17(5) of the CGST Act, 2017.
 - (d) No; ITC is not available since supply of free samples is not in course or furtherance of business.

4. Bali Bells can claim ITC on inputs received in July of preceding financial year upto _____ of the current financial year.
- (a) 30th November
(b) 25th July
(c) 31st December
(d) 30th September
5. Compute the value of supply under section 15 of the CGST Act, 2017 made by Bali Bells in the month of November?
- (a) ₹ 45,000
(b) ₹ 47,500
(c) ₹ 48,500
(d) ₹ 51,000
6. Chill Ltd., Delhi, a registered supplier, manufacturing machineries has made a taxable supply of machinery during the month of March. It furnished the following details for each such machinery supplied: -

S. No.	Particulars	Amount (₹)
(i)	List price of machinery (exclusive of taxes)	10,00,000
(ii)	Subsidy received from the Central Government for supply of machinery to Government School (exclusively related to supply of machinery included at S. No. 1)	2,10,000
(iii)	Subsidy received from an NGO for supply of machinery to an old age home (exclusively related to supply of goods included at S. No. 1)	2,00,000
(iv)	Tax levied by Municipal Authority	2,50,000
(v)	Packing charges	1,25,000

Additional information:-

The list price of the machinery is after considering the two subsidies received. However, the other charges/taxes/fee are charged to the customers over and above the list price.

Further, the company has provided the following information pertaining to purchases made/services availed by it in respect of supply of said machinery during the month of March:

S. No	Particulars	GST (₹)
(1)	Raw material (to be received in the month of April)	8,50,000
(2)	Membership of a club availed for employees working in the factory (not obligatory to be provided under any law)	4,00,000
(3)	Inputs to be received in 6 lots, out of which 1st lot was received during the month	3,50,000
(4)	Trucks used for transport of raw material	1,50,000
(5)	Capital goods (out of 3 items, invoice for 2 items is missing and GST paid on those items is ₹ 2,82,000)	3,50,000

Note:

- (i) Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively.
- (ii) All inward and outward supplies are exclusive of taxes, wherever applicable.
- (iii) All the conditions necessary for availing the ITC have been fulfilled, subject to the information given above.
- (iv) All inward and outward supplies are inter-State supplies.

Compute the net GST payable in cash, by Chill Ltd. for the month of March.

7. (a) Eden Ltd., registered under GST and dealing in educational toys, has an aggregate turnover of ₹ 18 crore in the preceding financial year. The tax consultant of Eden Ltd. advised it to issue e-invoices mandatorily in the current financial year. However, Eden Ltd. is of the view that since it's aggregate turnover is less than the threshold limit applicable for e-invoicing, so it is not required to issue e-invoices. You are required to comment upon the validity of the advice given by Tax consultant.
- (b) A Government Department is registered under GST. It's aggregate turnover in the preceding financial year is ₹ 22 crore. You are required to comment with the help of relevant provisions whether the said Department is required to issue e-invoices in the current financial year.
8. Batra Ltd., a normal taxpayer, is winding up its business in Rajkot. The Tax Consultant of Batra Ltd. has suggested that Batra Ltd. will have to file either the annual return or the final return at the time of voluntary cancellation of registration in the State of Rajkot.

Do you agree with the stand taken by Tax Consultant of Batra Ltd.? Offer your comments. Ignore the aggregate turnover of Batra Ltd.

9. Mr. Shyam Nath, a registered person has caused movement of goods of consignment value exceeding ₹ 50,000 in relation to a supply and thus, generated e-way bill. However, after generation of e-way bill, he found a mistake in the e-way bill and wants to edit it. You are required to advise Mr. Shyam Nath whether he can do so with the help of relevant provisions.
10. Examine the implications of GST on payment of honorarium to the Guest Anchors.

SUGGESTED ANSWERS

Question No.	Answer
1.	(b) ₹ 95,00,000
2.	(a) ITC on the machinery cannot be availed since depreciation has been claimed on the GST paid on the machinery under Income-tax Act, 1961.
3.	(c) No; ITC on free samples is blocked under section 17(5) of the CGST Act, 2017.
4.	(a) 30 th November
5.	(a) ₹ 45,000
6.	Computation of net GST payable in cash

Particulars	Value of supply (₹)	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
Supply of machinery [Refer Working Note]	15,75,000			2,83,500
Less: ITC available				<u>2,18,000</u>
Net GST payable in cash				65,500

Note: IGST is payable on the inter-State transactions.

Computation of total value of taxable supply made by Chill Ltd. during the month of March

Particulars	Amount (₹)
List price of the machinery	10,00,000
Subsidy amounting to ₹ 2,10,000 received from the Central Government	Nil
[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]	
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]	2,00,000
Tax levied by the Municipal Authority [Includible in the value as per section 15(2)(a) of the CGST Act, 2017]	2,50,000
Packing charges [Being incidental expenses, the same are includible in the value as per section 15(2)(c) of the CGST Act, 2017]	1,25,000
Total value of taxable supplies	15,75,000

Computation of ITC that can be availed by Chill Ltd. for the month of March

Particulars	ITC (₹)
Raw Material [ITC not available as raw material is not received in March]	Nil
Membership of a club availed for employees working in the factory (not obligatory to be provided under any law) [ITC is blocked in terms of section 17(5) of the CGST Act, 2017]	Nil
Inputs to be received in 6 lots, out of which 1 st lot was received during the month [In case of goods received in lots, ITC can be taken only upon receipt of the last lot]	Nil
Trucks used for transport of raw material [ITC of GST paid on motor vehicles used for transportation of goods is allowed unconditionally]	1,50,000
Capital goods [ITC can be availed only on the basis of a valid document (invoice). Thus, GST paid on items for which invoice is missing, i.e. ₹ 2,82,000, is not available.]	68,000
Total ITC	2,18,000

7. (a) E-invoicing has been made mandatory for all registered businesses (except specified class of persons) with an aggregate turnover in any preceding financial year from 2017-18 onwards greater than ₹ 10 crore in respect of B2B supplies (supply of goods or services or both to a registered person) or for exports. Thus, the advice given by tax consultant of Eden Ltd. for issuance of e-invoices mandatorily in the current financial year is valid in law as the aggregate turnover of

Eden Ltd. has exceeded the threshold limit i.e. ₹ 10 crore in the preceding financial year.

(b) Following entities are exempt from the mandatory requirement of e-invoicing:

- Special Economic Zone units
- Insurer or banking company or financial institution including NBFC
- GTA supplying services in relation to transportation of goods by road in a goods carriage
- Supplier of passenger transportation service
- Person supplying services by way of admission to exhibition of cinematograph films in multiplex screens
- Government Department and a local authority

Further, the above taxpayers exempted from the mandatory requirement of e-invoicing are required to provide a declaration on the tax invoice stating that though their aggregate turnover exceeds the notified aggregate turnover for e-invoicing, they are not required to prepare an e-invoice.

Thus, above mentioned entities are not required to issue e-invoices even if their turnover exceeds ₹ 10 crore in the preceding financial year from 2017-18 onwards but are required to provide a declaration as discussed above.

Thus, in the given case, the Government Department is not required to issue e-invoices in the current financial year even if its aggregate turnover has exceeded ₹ 10 crore.

8. No, the stand taken by Tax Consultant of Batra Ltd. is not correct.

Annual return is required to be filed by every registered person paying tax as a normal taxpayer. Final return is filed by the registered persons who have applied for cancellation of registration within three months of the date of cancellation or the date of cancellation order.

In the given case, Batra Ltd., a registered person, is winding up its business and has thus, applied for cancellation of registration. Therefore, it is required to file both annual return and final return.

9. If there is a mistake, incorrect or wrong entry in the e-way bill, then it cannot be edited or corrected. Only option is cancellation of e-way bill within 24 hours of generation and generate a new one with correct details.

Thus, in view of the above-mentioned provisions, Mr. Shyam Nath cannot edit the e-way bill. However, he can cancel the e-way bill within 24 hours of generation and generate a new one with correct details.

10. *Circular No. 177/09/2022 GST dated 03.08.2022* clarifies the applicability of GST on honorarium paid to Guest Anchors. Sansad TV and other TV channels invite guest anchors to participate in their shows and pay remuneration to them in the form of honorarium.

It is clarified that supply of all goods & services are taxable unless exempt or declared as 'neither a supply of goods nor a supply of service'. Services provided by the guest anchors in lieu of honorarium attract GST liability.

However, guest anchors whose aggregate turnover in a financial year does not exceed ₹ 20 lakh (₹ 10 lakh in case of specified Special Category States) shall not be liable to take registration and pay GST.