PAPER – 3: TAXATION

SECTION A: INCOME TAX LAW

The Income-tax law, as amended by the Finance Act, 2023, including significant notifications/circulars issued upto 31st October, 2023, is applicable for May, 2024 examination. The relevant assessment year for May, 2024 examination is A.Y.2024-25. The June, 2023 edition of the Study Material is based on the provisions of Income-tax law as amended by the Finance Act, 2023 and significant notifications/circulars issued upto 30.04.2023, and hence, the same is relevant for May, 2024 examination. The Statutory Update containing significant notifications/circulars issued between 1.5.2023 and 31.10.2023 which are relevant for May, 2024 examination is webhosted at https://resource.cdn.icai.org/77982bos62599.pdf

QUESTIONS

Case Scenario

Mr. Akash (aged 47 years) is a CEO of BAC Enterprises (P) Ltd. During the P.Y.2023-24, he has earned the following income -

- Salary of ₹ 45 lakhs
- long-term capital gain on sale of listed equity shares (STT paid) amounting to ₹ 6,54,000
- dividend of ₹ 12,00,000 from shares of Indian companies
- interest on saving bank account with SBI of ₹ 16,000
- interest on fixed deposits with BOB of ₹ 45,000

Mr. Akash has made the following payments towards medical insurance premium for health policies taken for his family members:

- Medical premium for his spouse aged 43 years: ₹ 13,500 (by cheque)
- Medical premium for his mother aged 65 years: ₹ 26,670 (by cheque)
- Preventive health check-up of ₹ 5,500 each for his wife and mother in cash.

Mr. Akash also incurred medical expenses, by credit card, of ₹ 17,000 for the treatment of his mother and of ₹ 27,000 for his father who is 67 years old.

He has multiple life insurance policies. The details of such policies are given hereunder:

Particulars	**X**	**Y**	**Z**	**A**	**B (Term insurance policy)**
Date of issue	1.4.2017	1.4.2023	1.4.2025	1.4.2024	1.3.2023
Annual premium (excluding GST)	₹ 40,000	₹ 3,00,000	₹ 2,00,000	₹ 2,50,000	₹ 80,000
GST@18%	₹ 7,200	₹ 54,000	₹ 36,000	₹ 45,000	14,400
Total premium	₹ 47,200	₹ 3,54,000	₹ 2,36,000	₹ 2,95,000	₹ 94,400
Date of maturity	31.3.2026	31.3.2032	31.3.2034	31.3.2033	28.3.2056
Consideration received on maturity (including bonus)	₹ 7,00,000	₹ 36,00,000	₹ 28,00,000	₹ 30,00,000	-
Sum assured	₹ 5,00,000	₹ 33,00,000	₹ 25,00,000	₹ 27,00,000	₹ 2,00,00,000

On the basis of the facts given above, choose the most appropriate answer to Q.1 to Q.5 below, based on the provisions of the Income-tax Act, 1961 -

1. Which are the life insurance policies in respect of which Mr. Akash would be eligible for exemption under section 10(10D) in respect of maturity proceeds? Choose the option most beneficial to Mr. Akash.

(a) X, Y and Z

(b) X and Y

(c) X, Z and A

(d) Y and Z

2. What would be your answer to MCQ 1, if Mr. Akash surrendered LIC A in A.Y. 2026-27 and claimed exemption under section 10(10D) in respect of such LIC? This information is only for the purpose of this MCQ.

(a) X, Y and Z

(b) X and Y

(c) X, Z and A

(d) Y and Z

3. What would be the amount of deduction available to Mr. Akash under Chapter VI-A for the A.Y. 2024-25 if he has exercised the option to shift out of the default tax regime?

(a) ₹ 82,170

(b) ₹ 78,500

(c) ₹ 2,28,500

(d) ₹ 2,32,170

4. What is Mr. Akash's tax liability for A.Y.2024-25 under the default tax regime under section 115BAC?

(a) ₹ 16,97,350

(b) ₹ 16,80,190

(c) ₹ 18,41,270

(d) ₹ 18,84,170

5. What is Mr. Akash's tax liability for A.Y.2024-25 if he has exercised the option to shift out of the default tax regime?

(a) ₹ 17,30,470

(b) ₹ 18,93,720

(c) ₹ 17,29,210

(d) ₹ 17,27,500

6. Mr. Anil started business of manufacturing tables in February 2024. He follows mercantile system of accounting. He purchased wood from Mr. A, Mr. B and Mr. C. The details of purchases and payment made are as under:

	Date of purchase	Purchase amount (₹)	Payment due as per written agreement, if any	Date of payment
Mr. A, a micro enterprise	15.02.2024	5 lakhs	Within 30 days from the date of purchase	29.03.2024
Mr. B, a small enterprise	17.03.2024	7 lakhs	No written agreement	15.04.2024
Mr. A, a medium enterprise	25.03.2024	8 lakhs	Within 40 days from the date of purchase	30.11.2024

How much deduction would be available to Mr. Anil in A.Y. 2024-25 in respect of purchases made during the P.Y. 2023-24 while computing business income?

(a) Nil

(b) ₹ 5 lakhs

(c) ₹ 13 lakhs

(d) ₹ 12 lakhs

7. Mr. Sunil took an education loan of ₹ 8 lakhs on 1.7.2023 from State Bank of India, Mumbai, for his son's MBA from University of Oxford, UK and remitted the said amount through the same bank, which is an authorised dealer, under the Liberalised Remittance Scheme of RBI (LRS). He, further, remitted ₹ 2 lakhs on 15.10.2023 to his son for his personal

expenditure, out of his personal savings, through Bank of India, Mumbai which is also an authorised dealer, under LRS. Mr. Sunil also remitted ₹ 6 lakhs on 28.3.2024, out of his personal savings, under LRS through Union Bank of India, Mumbai, for his sister's medical treatment in London.

Mr. Sunil has furnished undertaking containing the details of earlier remittance to Bank of India and Union Bank of India.

What is the amount of tax to be collected from Mr. Sunil in respect of the remittance of amounts to his son and sister?

(a) TCS@0.5% of ₹ 1 lakh in respect of remittance for son's education; @5% of ₹ 2 lakhs in respect of remittance for son's personal expenditure and 5% of ₹ 6 lakhs in respect of remittance for sister's medical treatment.

(b) TCS@0.5% of ₹ 1 lakh in respect of remittance for son's education; @20% of ₹ 2 lakhs in respect of remittance for son's personal expenditure and 5% of ₹ 6 lakhs in respect of remittance for sister's medical treatment.

(c) TCS@0.5% of ₹ 1 lakh in respect of remittance for son's education; no TCS in respect of remittance for son's personal expenditure and sister's medical treatment since each transaction is of less than ₹ 7 lakhs.

(d) TCS@0.5% of ₹ 1 lakh in respect of remittance for son's education; @5% of ₹ 1 lakh in respect of remittance for sister's medical treatment.

8. Mr. Garg, aged 45 years and a resident in India, is having a total income of ₹ 5,70,000 comprising of long term capital gains taxable under section 112 of ₹ 70,000, long term capital gains taxable under section 112A of ₹ 1,50,000, short term capital gains taxable under section 111A of ₹ 1,00,000 and other income of ₹ 2,50,000. Compute his tax liability for A.Y. 2024-25 under the default tax regime under section 115BAC.

(a) Nil

(b) ₹ 5,200

(c) ₹ 9,360

(d) ₹ 19,760

9. Ms. Rita, an Indian citizen and an MBA from Howard University, was employed in AFL LLP of Country A since June, 2016. She came to India on 15.11.2023 and joined as CEO of Autofit Ltd. Ms. Rita was in India before she left for overseas education in May, 2012 and was subsequently employed outside India and never visited India thereafter. There is no income-tax in Country A. She has earned interest income of ₹ 2,40,000 (net) in Country A and salary income from AFL LLP of ₹ 15 lakhs up to the date of her return to India in the financial year 2023-24.

   Salary income (computed) of Ms. Rita from Autofit Ltd. up to 31.03.2024 is ₹ 13,50,000 and she earned dividend of ₹ 3,00,000 from shares of an Indian company.

   What would be the residential status of Ms. Rita and her total income for the A.Y. 2024-25?

10. Mr. Raj, a resident in India, owns two house property, one in Delhi and another in Kanpur. The property in Kanpur is self-occupied by Mr. Raj, however, the property in Delhi is let out throughout the year. The particulars of the Delhi house for the P.Y. 2023-24 are as under:

Standard rent	₹ 1,72,000 p.a.
Municipal valuation	₹ 2,05,000 p.a.
Fair rent	₹ 1,95,000 p. a
Rent received	15,000 p.m.
Municipal tax (Paid by Mr. Raj)	5% of municipal valuation

   Municipal tax paid by Mr. Raj on 10.6.2023 for Kanpur house is ₹ 3,500. Mr. Raj had taken a loan from SBI of ₹ 35 lakhs@12 p.a. in April, 2021 for purchase of Delhi house. The stamp duty value of this house was ₹ 40 lakhs. Mr. Raj purchased a plot in Kanpur in May, 2021 and the construction of the Kanpur house was began in June, 2021 and was completed on December, 2022. Mr. Raj took a loan of ₹ 25,00,000@10% on 1-7-2021 for the construction of this house. No repayment has been done so far for both the loans.

During the P.Y. 2023-24, Mr. Raj has earned a salary income of ₹ 18,00,000. Compute total income of Mr. Raj for the A.Y. 2024-25 under both tax regimes.

11. Mr. Rajkumar bought a residential house for ₹ 5 crores in March 2016. He entered into an agreement for sale of the said residential house with Ms. Nikita (not a relative) in July 2023 for ₹ 17 crores. The sale proceeds were to be paid in the following manner:

(i) 10% through account payee bank draft on the date of agreement.

(ii) 80% on the date of the possession of the property.

(iii) Balance after the completion of the registration of the title of the property.

Ms. Nikita was handed over the possession of the property on 10.11.2023 and the registration process was completed on 05.02.2024. She paid the sale proceeds as per the sale agreement.

Value of property for stamp duty in July 2023 was ₹ 19 crores. Subsequently, the State stamp valuation authority had revised the values, hence, the value of property for stamp duty purposes was ₹ 20 crores on 05.02.2024. Mr. Rajkumar paid 1% as brokerage on sale consideration received.

Subsequent to sale, he purchased another residential house for ₹ 13 crores in Mumbai in March 2024.

You are required to compute the capital gains chargeable to tax in the hands of Mr. Rajkumar for A.Y. 2024-25.

What would be the capital gain, if any, in A.Y. 2025-26 if Mr. Rajkumar transfers the new residential house in December 2024 for ₹ 15 crores?

CII: 2015-16: 254; 2023-24: 348

12. Mr. Rajesh is a working partner in M/s Sunflower Associates, a partnership firm. Mr. Rajesh has contributed ₹ 15 lakhs as capital in the firm.

Partnership deed authorises payment of interest to partners @ 13% and also payment of remuneration to partners @20,000 per month. Whole of the remuneration is allowable as deduction to M/s Sunflower Associates.

Mr. Rajesh has set up a unit in SEZ in May, 2017. The total turnover, export turnover and net profit for the year ended 31.3.2024 were ₹ 120 lakhs, ₹ 45 lakhs and ₹ 7.5 lakhs respectively. Out of the export turnover of ₹ 45 lakhs, only ₹ 40 lakhs has been received in convertible foreign exchange by 30.9.2024.

During the P.Y. 2023-24, Mr. Rajesh has commenced a business of warehousing facility for storage of edible oil. The net profit of this business as per profit & loss account is ₹ 7,50,000. The following items are debited to Profit & Loss Account:

(i) Personal drawings ₹ 70,000

(ii) Advance income-tax paid ₹ 1,00,000

(iii) Purchase of warehouse building of ₹ 10 lakhs on 10.6.2023 for the purpose of storage of edible oil.

The following items are credited to Profit & Loss account:

(i) Interest on saving bank account with post office ₹ 15,000

(ii) Interest on fixed deposit with SBI ₹ 20,000

(iii) Dividend from Indian companies (Gross) ₹ 32,000

He has paid the premium of ₹ 60,000 on life insurance policy in the name of her married daughter. The policy was taken on 1.10.2018 and the sum assured being ₹ 5,00,000.

Compute the total income and tax payable by Mr. Rajesh for the A.Y. 2024-25 under default tax regime and normal provisions of the Act.

13. Mr. Rahul, an Indian citizen residing in Mumbai, files his return of income every year on time. He has Aadhaar number as well. He has not intimated his Aadhaar number to the prescribed authority till August 2023. He approached you on 1.9.2023 and asked you the consequences for not doing so and the effective date form which those consequences would become effective?

What would be your answer if Mr. Rahul wants to intimate his Aadhaar number to the prescribed authority now?

SUGGESTED ANSWERS/HINTS

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

9. Determination of residential status of Ms. Rita for the A.Y. 2024-25

As per section 6(1), in order to be a resident of India in the P.Y.2023-24, Ms. Rita should satisfy either of the following two conditions -

(1) Her stay in India should be for a period of 182 days or more in the P.Y.2023-24; or

(2) Her stay in India should be for a period of 60 days or more in the P.Y.2023-24 and for a period of 365 days or more in the four immediately preceding previous years.

Ms. Rita's stay in India in the P.Y.2023-24 is 138 days (i.e., 16 days + 31 days +31 days + 29 days + 31 days). She left India in May, 2012 and never visited India thereafter. Her stay in India in the four immediately preceding previous years would be Nil.

Therefore, she does not satisfy either condition (1) or condition (2) for being a resident.

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

Ms. Rita's total income, other than income from foreign sources, would be ₹ 16,50,000 for A.Y.2024-25 as shown below -

Particulars	₹
Salary income from Autofit Ltd. [Computed] [Accrues or arises in India]	13,50,000
Dividend from shares of an Indian company [Accrues or arises in India]	3,00,000
	16,50,000

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

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

Ms. Rita's total income for A.Y. 2024-25

Particulars	₹
Salary income from AFL LLP [Not taxable since it accrues or arises outside India]	-
Salary income from Autofit Ltd. [Computed]	13,50,000
Interest income in Country A [Not taxable since it accrues or arises outside India]	-
Dividend from shares of an Indian company	3,00,000
Total Income	**16,50,000**

10. Computation of total income of Mr. Raj for A.Y. 2024-25 under default tax regime

Particulars	₹	₹
I. Salaries		
Gross salary	18,00,000	
Less: Standard deduction under section 16(ia)	50,000	17,50,000
II. Income from house property		
Rented property at Delhi		
Step I - Computation of Expected Rent		
Expected Rent = Higher of Municipal Value of ₹ 2,05,000 and Fair Rent of ₹ 1,95,000, but restricted to Standard Rent of ₹ 1,72,000	1,72,000	
Step II - Actual Rent		
Actual rent received or receivable (₹ 15,000 x 12)	1,80,000	
Step III – Computation of Gross Annual Value		
GAV is the higher of Expected Rent and Actual rent received/ receivable	1,80,000	
Gross Annual Value	**1,80,000**	
Less: Municipal taxes (5% of ₹ 2,05,000)	10,250	
Net Annual value	**1,69,750**	
Less: Deductions under section 24 -		
(i) 30% of net annual value	50,925	
(ii) Interest on loan (₹ 35 lakhs x 12%)	4,20,000	(3,01,175)
Self occupied property at Kanpur		
Annual value [No deduction for municipal taxes is allowed in respect of self-occupied property]	Nil	

Less: Deduction under section 24 -		
Interest on borrowed capital [Not allowable under section 115BAC]	Nil	Nil
Income from house property		(3,01,175)
Gross Total Income [Loss from house property is not allowed to be set off against income under any other head while computing income under section 115BAC]		17,50,000
***Less:* Deduction under section 80EEA** [Not allowable under section 115BAC]		Nil
Total Income		**17,50,000**

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

Particulars	₹	₹
I. Salaries		
Gross salary	18,00,000	
Less: Standard deduction under section 16(ia)	50,000	17,50,000
II. Income from house property		
Rented property at Delhi		
Step I - Computation of Expected Rent		
Expected Rent = Higher of Municipal Value of ₹ 2,05,000 and Fair Rent of ₹ 1,95,000, but restricted to Standard Rent of ₹ 1,72,000	1,72,000	
Step II - Actual Rent		
Actual rent received or receivable (₹ 15,000 x 12)	1,80,000	

Step III – Computation of Gross Annual Value		
GAV is the higher of Expected Rent and Actual rent received/ receivable	1,80,000	
Gross Annual Value	**1,80,000**	
Less: Municipal taxes (5% of ₹ 2,05,000)	10,250	
Net Annual value	**1,69,750**	
Less: Deductions under section 24 -		
(i) 30% of net annual value	50,925	
(ii) Interest on loan (₹ 35 lakhs x 12%) [₹ 4,20,000 - ₹ 1,50,000, being the interest for which deduction under section 80EEA is claimed]	2,70,000	(1,51,175)
Self occupied property at Kanpur		
Annual value [No deduction for municipal taxes is allowed in respect of self-occupied property]	Nil	
Less: Deduction under section 24 -		
Interest on borrowed capital [₹ 2,50,000 (₹ 25,00,000 x 10%) *plus* pre construction interest of ₹ 37,500, being 1/5th of (₹ 25,00,000 x 10% x 9/12)] [₹ 2,87,500, restricted to ₹ 2,00,000]	2,00,000	(2,00,000)
Income from house property		(3,51,175)
Gross Total Income [As per section 71(3A), loss from house property can be set off against income under any other head to the extent of ₹ 2,00,000 only. Balance loss of ₹ 1,51,175 to be carried forward to A.Y. 2025-26]		15,50,000

Less: **Deduction under section 80EEA** [Since the loan is sanctioned between 1.4.2019 and 31.3.2022 and the stamp duty value of the property does not exceed ₹ 45 lakhs, deduction of ₹ 1,50,000 is allowed in respect of interest on loan for Delhi house]		1,50,000
Total Income		**14,00,000**

11. Computation of capital gains of Mr. Rajkumar for A.Y. 2024-25

Particulars	₹ (in crores)
Actual sale consideration ₹ 17 crores	
Value adopted by Stamp Valuation Authority ₹ 19 crores	
[Where the actual sale consideration is less than the value adopted by the Stamp Valuation Authority for the purpose of charging stamp duty, and such stamp duty value exceeds 110% of the actual sale consideration, then, the value adopted by the Stamp Valuation Authority shall be taken to be the full value of consideration as per section 50C.	
However, where the date of agreement is different from the date of registration, stamp duty value on the date of agreement can be considered provided the whole or part of the consideration is received by way of account payee cheque/bank draft or by way of ECS through bank account or through prescribed electronic modes on or before the date of agreement.	
In this case, since advance of ₹ 1.7 crores is received by account payee bank draft, stamp duty value on the date of agreement can be adopted as the full value of consideration.	
Gross Sale consideration (Stamp duty value on the date of agreement, since it exceeds 110% of the actual consideration)	19

Less: Brokerage @1% of sale consideration (1% of ₹ 17 crores)	0.17
Net Sale consideration	18.83
Less: Indexed cost of acquisition	6.85
[₹ 5 crores x 348/254]	
Long term capital gains	11.98
[Since the residential house property was held by Mr. Rajkumar for more than 24 months immediately preceding the date of its transfer, the resultant gain is a long-term capital gain]	
***Less:* Exemption under section 54**	10
Where long-term capital gains exceed ₹ 2 crore, the capital gain arising on transfer of a long-term residential property shall not be chargeable to tax to the extent such capital gain is invested in the purchase of one residential house property in India, one year before or two years after the date of transfer of original asset. However, if the cost of new residential house exceeds ₹ 10 crores, the amount exceeding ₹ 10 crore would not be taken into account for exemption.	
Therefore, in the present case, the exemption would be available in respect of the residential house acquired in Mumbai and to the extent of ₹ 10 crores only.	
Long term capital gains chargeable to tax	**1.98**

Computation of capital gains of Mr. Rajkumar for A.Y. 2025-26

Particulars	**₹ (in crores)**
Sale consideration	15
Less: Cost of acquisition (-) capital gains exempt in A.Y. 2024-25 (₹ 13 – ₹ 10)	3
Short term capital gains chargeable to tax	12
Since the residential house property was held by Mr. Rajkumar for not more than 24 months immediately preceding the date of its transfer]	

12. Computation of total income of Mr. Rajesh for the A.Y. 2024-25 under default tax regime under section 115BAC

	Particulars	Amount (in ₹)	
I	**Profits and gains of business and profession**		
	Income from firm M/s Sunflower Associates		
	Interest on capital@13% p.a. on ₹ 15 lakhs, restricted to 12%, which is the maximum deduction allowable in the hands of the firm	1,80,000	
	Salary to Mr. Rajesh as a working partner, which is allowable as deduction in the hands of firm (₹ 20,000 x 12)	2,40,000	4,20,000
	Profit from SEZ unit		
	Net profit from SEZ unit		7,50,000
	Income from warehousing facility for storage of edible oil		
	Net profit as per profit and loss account	7,50,000	
	Less: **Income credited to profit and loss account but taxable under the head 'Income from Other Sources'**		
	Interest on savings bank A/c with post office	15,000	
	Interest on fixed deposit with SBI	20,000	
	Dividend from Indian companies (Gross)	32,000	
		6,83,000	

	Add: **Payments not allowable as deduction**		
	Advance income-tax paid disallowed u/s 40(a)(ii)	1,00,000	
	Personal drawings disallowed u/s 37	70,000	
	Purchase of building	10,00,000	
		18,53,000	
	Less: Depreciation on building [₹ 10,00,000 x 10%]	1,00,000	17,53,000
II	**Income from Other Sources**		
	Interest on savings bank A/c with post office 15,000		
	Less: Exempt under section 10(15) 3,500	11,500	
	Interest on fixed deposit with SBI	20,000	
	Dividend from Indian companies (Gross)	32,000	63,500
	Gross Total Income/ Total Income		29,86,500
	[No deduction under section 80C, 80TTA and 10AA would be allowable]		

Computation of tax payable under default tax regime for A.Y. 2024-25

	₹	₹
Tax on total income of ₹ 29,86,500		
On first ₹ 3,00,000	Nil	
₹ 3,00,001 – ₹ 6,00,000 [@5% of ₹ 3 lakhs]	15,000	
₹ 6,00,001 – ₹ 9,00,000 [@10% of ₹ 3 lakhs]	30,000	
₹ 9,00,001 – ₹ 12,00,000 [@15% of ₹ 3 lakhs]	45,000	
₹ 12,00,001 – ₹ 15,00,000 [@20% of ₹ 3 lakhs]	60,000	

₹ 15,00,001 - ₹ 29,86,500 [@30% of ₹ 14,86,500]	4,45,950	
		5,95,950
Add: Health and Education cess @4%		23,838
		6,19,788
Less: Advance income-tax paid		1,00,000
Tax payable		5,19,788
Tax Payable (Rounded off)		5,19,790

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

Particulars	**Amount (in ₹)**	
Gross Total Income as per section 115BAC	29,86,500	
***Less:* Deduction under section 10AA** [₹ 7,50,000 x 40,00,000/ ₹ 1,20,00,000 x 50%, being seventh year of operation]	1,25,000	**28,61,500**
***Less:* Deduction under Chapter VI-A**		
Deduction under section 80C		
Life insurance premium [maximum 10% of sum assured]	50,000	
Deduction under section 80TTA		
Interest on saving bank account with post office, restricted to	10,000	60,000
Total Income		**28,01,500**

Computation of tax payable by Mr. Rajesh for A.Y. 2024-25 under the regular provisions of the Act

Particulars	**₹**	**₹**
Tax on total income of ₹ 28,01,500		
Upto ₹ 2,50,000	Nil	

₹ 2,50,001 – ₹ 5,00,000 [@5% of ₹ 2.50 lakhs]	12,500	
₹ 5,00,001 – ₹ 10,00,000 [@20% of ₹ 5 lakhs]	1,00,000	
₹ 10,00,001 - ₹ 28,01,500 [@30% of ₹ 18,01,500]	5,40,450	6,52,950
Add: Health and education cess@4%		26,118
Total tax liability		**6,79,068**
Less: Advance income-tax paid		1,00,000
Tax payable		5,79,068
Tax payable (rounded off)		**5,79,070**

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

Particulars	₹	₹
Total Income (computed above as per regular provisions of income tax)		**28,01,500**
Add: Deduction under section 10AA		1,25,000
Adjusted Total Income		**29,26,500**
Alternative Minimum Tax@18.5%		5,41,403
Add: Health and education cess@4%		21,656
Total tax liability		**5,63,059**
Less: Advance income-tax paid		1,00,000
Tax payable		**4,63,059**
Tax payable (rounded off)		**4,63,060**

Since alternate minimum tax payable is less than the regular income-tax payable, tax payable under normal provisions of the Act is ₹ 5,79,070.

13. Where a person, who has been allotted PAN and is required to intimate his Aadhaar number, has failed to intimate the same on or before the 31.3.2022, the PAN of such person shall become inoperative.

Consequences of failure to intimate Aadhar Number

A person, whose PAN has become inoperative, would be liable for further consequences for the period commencing from the date specified by the Board till the date it becomes operative, namely –

(i) refund of any amount of tax or part thereof, due under the provisions of the Act shall not be made;

(ii) interest shall not be payable on such refund for the period, beginning with the date specified and ending with the date on which it becomes operative;

(iii) where tax is deductible under Chapter XVIIB in case of such person, such tax shall be deducted at higher rate, in accordance with provisions of section 206AA;

(iv) where tax is collectible at source under Chapter XVII-BB in case of such person, such tax shall be collected at higher rate, in accordance with provisions of section 206CC.

The consequences specified above will be effective from 1.7.2023.

If Mr. Rahul wants to intimate his Aadhaar number to the prescribed authority on 1.9.2023, he would be liable to pay a fee of ₹ 1,000 as specified under section 234H. His PAN would become operative within 30 days from the date of intimation of Aadhaar number and would not be liable for the above consequences once his PAN becomes operative.

SECTION B: GOODS AND SERVICES TAX

QUESTIONS

(1)	**All questions should be answered on the basis of the position of GST law as amended up to 31.10.2023.**
(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.**

ABC Ltd. has its manufacturing unit in the State of Rajasthan. Further, it has ancillary units in the State of Madhya Pradesh and Gujarat and is registered in each of these States. Moreover, ABC Ltd. owns and operates a hotel in Udaipur, Rajasthan.

In addition to the aforesaid, ABC Ltd. owns a commercial space which is rented out to a registered person at the monthly rent of ₹ 50,000. The maintenance of the premises is the responsibility of ABC Ltd. In pursuance of the same, during the month of April, ABC Ltd. incurred certain expenses on the purchase of maintenance related materials. The said expenses are recoverable from the tenant alongwith the invoice issued for rent. The rate of tax applicable on the material used for maintenance was 5%.

During the year, ABC Ltd. agreed to provide the hotel to Mr. X for a business conference to be held at Udaipur. Mr. X is an unregistered person residing in Maharashtra.

ABC Ltd. made a supply of machinery in the month of June, details of which are as follows-

- Basic price of the machinery 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 Green Foundation Pvt. Ltd. for usage of green energy and the subsidy was linked to the units of energy saved and not aforesaid machinery.

In addition to the aforesaid transactions, ABC Ltd. spent an amount of ₹ 5 lakh on the procurement of certain goods which were distributed as part of the corporate social responsibility [CSR] expenditure required under the provisions of the Companies Act, 2013.

During the scrutiny proceedings in the State of Gujarat, jurisdictional GST officer asked ABC Ltd to submit the copy of audited financial statements for Gujarat and was of the view that ABC Ltd. is required to get his accounts audited by a Chartered Accountant separately under GST Law for filing annual return and reconciliation statement in each State.

All above amounts are exclusive of GST, wherever applicable. The rate of GST on all inward and outward supplies is 18%, unless otherwise mentioned.

Assume that there is no other outward or inward transaction apart from aforesaid transactions.

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

1. For the transaction related to renting of commercial space, what should be the rate of tax charged by ABC Ltd.?

   (a) The rate of GST on rent and maintenance material related recovery shall be 18%.

   (b) The rate of GST on rent shall be 18% and, on the material, shall be 5%.

   (c) No GST shall be charged on the recovery related to material used in maintenance. Rate of GST on rent shall be 18%.

   (d) The rate of GST on rent and maintenance material related recovery shall be 5%.

2. Compute the value of supply under section 15 of the CGST Act, 2017 made by ABC Ltd. in the month of June?

   (a) ₹ 45,000

(b) ₹ 47,500

(c) ₹ 48,500

(d) ₹ 51,000

3. With respect to the hotel accommodation service provided to Mr. X, GST payable by ABC Ltd. is ___________.

(a) nil, GST on accommodation service is payable by the recipient, Mr. X, under reverse charge

(b) nil, GST on accommodation services provided to an unregistered person is exempt from GST

(c) in the nature of CGST and SGST

(d) in the nature of IGST

4. Which of the following options is correct with regard to the availability of ITC to ABC Ltd. in respect of GST paid on the procurement of goods meant for the purpose of corporate social responsibility activity?

(a) The amount of ITC related to such procurement of goods is not available to ABC Ltd.

(b) The amount of ITC related to such procurement of goods is available to ABC Ltd.

(c) The amount of ITC only to the extent of 50% of amount of such procurement of goods is available to ABC Ltd.

(d) The amount of ITC shall be available to the registered person to whom such goods are distributed under CSR activity.

5. Which of the following options is correct with regard to the advice given by GST officer in respect of auditing of accounts?

(a) There is no requirement of separate audit of the financial statements from the perspective of GST provisions.

(b) Only reconciliation statement shall be audited by a Chartered Accountant.

(c) The annual return as well as the reconciliation statement shall be audited by a Chartered Accountant.

(d) Separate audit of financial statements at each State level is required by ABC Ltd. under the GST law.

6. M/s Cute & Co., a partnership firm, registered supplier under GST in Bengaluru (Karnataka State), has provided the following information for the month of October, 2023:

S. No.	Details of transactions	Amount (₹)
(i)	Intra-State taxable supply of Direct Selling Agent (DSA) service to public sector Bank.	2,50,000
(ii)	Services provided to a Governmental authority by way of sanitation conservancy.	99,900
(iii)	Rent paid to a residential dwelling taken for running an office for providing DSA services; Owner of the residential property was not registered under GST; This is an intra-State supply availed.	25,000
(iv)	Purchased a car for the official use of managing partners of the Firm for business use (Inter-State purchase).	9,00,000
(v)	Availed Information Technology services for their business from Partner's friend Mr Allan Waugh from Melbourne, Australia. Mr. Waugh refused to take any consideration. Open Market value of said service was ₹ 1,25,000. (Inter-State transactions).	Nil
(vi)	Provided training and performance appraisal services in Bengaluru to following persons: (a) ABC Private Limited, a registered supplier in the State of Kerala (b) Babu Cones, a proprietorship concern of Rajasthan, which was not registered under GST	 3,00,000 1,00,000

Note:

(i) Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively.

(ii) All the amounts given above are exclusive of taxes.

(iii) All the conditions necessary for availing the ITC have been fulfilled.

(iv) There was no opening balance of any input tax credit.

(v) The turnover of M/s Cute & Co was ₹ 2 crore in the previous financial year.

Compute the net GST payable in cash, by M/s Cute & Co. for the month of October, 2023. Correct legal provisions should form part of your answer.

7. From the following information provided by M/s Sasta Bazaar. Determine the time of supply for the purpose of payment of GST:

(i) It issued coupon on 20.06.2023, worth ₹ 2,000 redeemable against purchase of specific plastic items. This coupon was redeemed on 31.07.2023.

(ii) It issued coupon on 01.08.2023 worth ₹ 3,000 which is redeemable against purchase of any item. This coupon was redeemed on 18.08.2023.

(iii) It received interest of ₹ 10,000 for late payment from a customer on 11.11.2023 for supply of goods which was originally made on 24.06.2023.

8. With reference to GST law, Determine the place of supply with reasons in the following independent circumstances:-

(i) Miss Kanika of Kolkata (West Bengal) visited to Jodhpur Law University (Rajasthan) and paid her college fees by purchasing a demand draft from a bank located in the University campus. Miss Kanika did not have any account with the bank.

(ii) Mizu Machine Ltd., registered in the State of Andhra Pradesh, supplied a machinery to Keyan Wind Farms Ltd., registered in the State of Karnataka. However, this machinery was assembled and installed at the wind mill of Keyan Wind Farms Ltd., which was located in the State of Tamilnadu.

9. (a) Happy Constructions Ltd., a registered builder under GST in Bengaluru, Karnataka has got permission to build five floors from the

Municipal Projects for one of its projects at Suraj Nagar. Aditya Constructions, a neighbouring housing project approached Happy Constructions Limited to discuss regarding blockage of sun light issue arising out of construction of five floors and asked it to build only three floors for which ₹ 20 lakh was offered as compensation. Happy Constructions Limited agreed to the offer. It may be noted that Aditya Constructions is not ready to pay any further amount to Happy Constructions Ltd. in addition to the amount already agreed.

Briefly explain with correct legal provision whether the above amount received as compensation is liable to GST or not? And if considered as taxable, then calculate the total GST payable by Happy Constructions Ltd. Assume the applicable rate of CGST and SGST is 9% each.

Also state the conditions to be complied with.

(b) The aggregate turnover of M/s Mangal & Co., a registered person, for the financial year 2022-2023 was ₹ 8 Crores. It approaches you as GST Consultant for the issue of e-invoicing.

Advice whether it is mandatory to issue e-invoice?

Also list out the entities which are exempt from the mandatory requirement of e-invoicing.

10. (a) Ramlala Enterprises, registered in Delhi, is engaged in supply of interior decoration services to Andhra Bhawan located in Delhi. Service contract is entered into with the Government of Andhra Pradesh (registered only in Andhra Pradesh). The total contract value inclusive of GST is Rs 15,50,000 and payment for the same is due in October, 2023.

You are required to determine amount of tax, if any, to be deducted in the above case assuming the rate of CGST, SGST and IGST as 9%, 9% and 18% respectively.

Will your answer be different, if Ramlala Enterprises is registered under composition scheme?

(b) Examine the implications of GST on supply of food and beverages at cinema halls.

SUGGESTED ANSWERS/HINTS

Question No.	Answer	
1.	**(a)**	The rate of GST on rent and maintenance material related recovery shall be 18%.
2.	**(a)**	₹ 45,000
3.	**(c)**	in the nature of CGST and SGST
4.	**(a)**	The amount of ITC related to such procurement of goods is not available to ABC Ltd.
5.	**(a)**	There is no requirement of separate audit of financial statements from the perspective of GST provisions.

6. Computation of net GST payable in cash

Particulars	**CGST @ 9% (₹)**	**SGST @ 9% (₹)**	**IGST @ 18% (₹)**
Output tax liability [Refer Working Note 1]	31,500	31,500	54,000
Less: ITC available [Refer Working Note 2]	2,250	2,250	-
Net GST payable	29,250	29,250	54,000
Add: Tax Payable under reverse charge to be paid in cash [The amount available in the electronic credit ledger may be used for making any payment towards output tax. Further, output tax means the tax chargeable on taxable supply of goods and/or services but excludes tax payable	2,250	2,250	

on reverse charge basis. Thus, tax liability under reverse charge has to be paid in cash]			
Total GST Payable in cash	**31,500**	**31,500**	**54,000**

Working Notes

1. **Computation of total value of taxable supplies made by M/s Cute & Co. for the month of October, 2023**

Particulars	**Amount (₹)**	**CGST (₹)**	**SGST (₹)**	**IGST (₹)**
Taxable under Forward Charge				
Intra-State taxable supply of DSA service [Since DSA services are provided by partnership firm, so taxable under forward charge]	2,50,000	22,500	22,500	
Services provided to a Governmental authority by way of sanitation conservancy [Specifically exempt under GST]	99,900	-	-	
Information Technology services [Import of services from a non-related person without consideration, in the course or furtherance of business is not a supply.]	Nil			
Training and performance appraisal services to ABC Private Limited [Taxable; the place of supply of services in relation to training and	3,00,000			54,000

performance appraisal to a registered person, shall be the location of such person. Thus, place of supply is Kerala and hence an inter-State transaction.]				
Training and performance appraisal services to Babu Cones. [Taxable, the place of supply of services in relation to training and performance appraisal to an unregistered person, shall be the location where the services are actually performed. Thus, place of supply is Bengaluru, hence Intra-State transaction]	1,00,000	9,000	9,000	
	7,49,900	**31,500**	**31,500**	**54,000**
Taxable under Reverse Charge				
Rent paid for residential unit [Service by way of renting of residential dwelling to a registered person is taxable under reverse charge mechanism]	25,000	2,250	2,250	
	7,74,900	**33,750**	**33,750**	**54,000**

2. **Computation of ITC that can be availed by M/s Cute & Co. for the month of October, 2023**

Particulars	**CGST (₹)**	**SGST (₹)**	**IGST (₹)**
Rent paid to residential dwelling for providing DSA services [ITC is available as services are used	2,250	2,250	-

in the course or furtherance of business.]			
Purchase of car [Blocked credit in terms of section 17(5) of the CGST Act, 2017]			Nil
Total ITC	**2,250**	**2,250**	**-**

7. As per section 12(4) of the CGST Act, 2017, the time of supply of vouchers exchangeable for goods is-

- Date of issue of the voucher, if the supply that it covers is identifiable at that point, or
- Date of redemption of the voucher in other cases.

(i) In the given case, supply can be identified at the time of purchase of the coupons. Therefore, the time of supply of the coupons is the date of their issue i.e. 20.06.2023.

(ii) In the given case, supply cannot be identified at the time of purchase of the coupons. Therefore, the time of supply of the coupons is the date of their redemption i.e. 18.08.2023.

(iii) Section 12(6) of the CGST Act, 2017 prescribes that time of supply in case of addition in value on account of interest/ late fee/penalty for delayed payment of consideration for goods is the date on which the supplier receives such addition in value. Therefore, time of supply in the given case is 11.11.2023.

8. **(i)** Section 12(12) of the IGST Act, 2017 provides that the place of supply of banking and other financial services, including stock broking services to any person is the location of the recipient of services in the records of the supplier of services. However, if the location of recipient of services is not available in the records of the supplier, the place of supply is the location of the supplier of services.

Therefore, since the location of recipient is not available in the records of the supplier, the place of supply is the location of the supplier of services, i.e. Rajasthan (or Jodhpur).

(ii) Section 10(1)(d) of the IGST Act, 2017 provides that if the supply involves goods which are to be installed or assembled at site, the place of supply is the place of such installation or assembly.

Thus, the place of supply is the site of assembly of machine, i.e. Tamilnadu.

9. (a) Agreeing to obligation to refrain from an act, or to tolerate an act or situation, or to do an act has been specifically declared to be a supply of service vide para 5(e) of Schedule II of the CGST Act, 2017 if the same constitutes a supply as per the CGST Act, 2017.

In the given case, Happy Constructions Limited has agreed to build only three floors, even though it is permitted to construct five floors by the Municipal Authorities, for a compensation of ₹ 20 lakh. This results in supply of service.

The conditions to be complied with for the above supply will be

(a) There must be an expressed or implied agreement or contract must exist.

(b) Consideration must flow in return to this contract/ agreement.

Since Aditya Constructions is not ready to pay any further amount to Happy Constructions Limited in addition to the amount already agreed, the amount received ₹ 20 lakh shall be treated as inclusive of GST and the GST payable will be ₹ 20,00,000 x 9/118 = ₹ 1,52,542.37 or ₹ 1,52,542 (rounded off) as CGST and SGST each.

(b) 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 ₹ 5 crore in respect of B2B supplies (supply of goods or services or both to a registered person) or for exports.

Hence, it is mandatory for M/s Mangal & Co. to issue e-invoices.

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 ₹ 5 crore in the preceding financial year from 2017-18 onwards but are required to provide a declaration as discussed above.

10. (a) As per section 51 of the CGST Act, 2017 read with section 20 of the IGST Act, 2017 and *Notification No. 50/2018 CT 13.09.2018,* following persons are required to deduct CGST @ 1% [Effective tax 2% (1% CGST + 1% SGST/UTGST)] or IGST @ 2% from the payment made/credited to the supplier (deductee) of taxable goods or services or both, where the total value of such supply, under a contract, exceeds ₹ 2,50,000:

(a) a department or establishment of the Central Government or State Government; or

(b) local authority; or

(c) Governmental agencies; or

(d) an authority or a board or any other body, -

(i) set up by an Act of Parliament or a State Legislature; or

(ii) established by any Government,

with 51% or more participation by way of equity or control, to carry out any function; or

(e) Society established by the Central Government or the State Government or a Local Authority under the Societies Registration Act, 1860, or

(f) Public sector undertakings.

Further, for the purpose of deduction of tax, the value of supply shall be taken as the amount excluding CGST, SGST/UTGST, IGST and GST Compensation Cess indicated in the invoice.

Proviso to section 51(1) of the CGST Act, 2017 stipulates that no tax shall be deducted if the location of the supplier and the place of supply is in a State or Union territory which is different from the State or as the case may be, Union territory of registration of the recipient.

Section 12(3) of the IGST Act, 2017, *inter alia,* stipulates that the place of supply of services, directly in relation to an immovable property, including services provided by interior decorators, shall be the location at which the immovable property is located or intended to be located. Accordingly, the place of supply of the interior decoration of Andhra Bhawan shall be Delhi.

Since the location of the supplier (Ramlala Enterprises) and the place of supply is Delhi and the State of registration of the recipient i.e. Government of Andhra Pradesh is Andhra Pradesh, no tax is liable to be deducted in the given case.

The answer will remain unchanged even if Ramlala Enterprises is registered under composition scheme.

(b) Eating joint is a wide term which includes refreshment or eating stalls/ kiosks/ counters or restaurant at a cinema also.

The cinema operator:

(i) may run these refreshment/eating stalls/kiosks/counters/

restaurant themselves

or

(ii) they may give it on contract to a third party.

The customer may like to avail the services supplied by these refreshment/snack counters or choose not to avail these services. Further, the cinema operator can also install vending machines, or supply any other recreational service such as through coin-operated machines etc. which a customer may or may not avail.

It is hereby clarified vide *Circular No. 201/13/2023 GST dated 01.08.2023* that:

(i) supply of food or beverages in a cinema hall is taxable as 'restaurant service' as long as:

  (a) the food or beverages are supplied by way of or as part of a service, and

  (b) supplied independent of the cinema exhibition service.

(ii) where the sale of cinema ticket and supply of food and beverages are clubbed together, and such bundled supply satisfies the test of composite supply, the entire supply will attract GST at the rate applicable to service of exhibition of cinema, the principal supply.