



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 30th June, 2024, is applicable for January, 2025 examination. The relevant assessment year for January, 2025 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 January, 2025 examination. The Statutory Update containing significant notifications/circulars issued between 1.5.2023 and 30.6.2024 which are relevant for January, 2025 is webhosted at <https://resource.cdn.icai.org/81242bos65468.pdf>



QUESTIONS

Case scenario

Sagar LLP is an LLP unit set up in Special Economic Zone (SEZ) in the financial year 2018-19 for manufacture of textiles. The unit fulfils all the conditions under section 10AA of the Income-tax Act, 1961. The details of this unit for the financial year 2023-24 are given:

Particulars	₹
Profits of unit located in SEZ	58,00,000
Export sales of above unit received in India in convertible foreign exchange on or before 30.9.2024	1,00,00,000
Domestic sales of above unit	60,00,000

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Sagar LLP has three partners, Mr. Ram, Mr. Shyam and Mr. Ganesh. Mr. Ram and Mr. Shyam are working partners while Mr. Ganesh is a non-working partner. All the three partners are receiving remuneration of ₹ 1 lakh per month from the LLP which is already debited to the profits and loss account of the LLP.

Apart from this, Mr. Ganesh was employed in XYZ Ltd. till 30.9.2023 and having a salary of ₹ 80,000 per month. He resigned then and decided to start his own business. He set up a warehousing facility in Pune for storage of agricultural produce, fulfilling the conditions for claim of deduction under section 35AD. Capital expenditure in respect of warehouse amounted to ₹ 90 lakhs (including cost of land ₹ 30 lakhs) was incurred during the P.Y. 2023-24. The warehouse became operational with effect from 1st December 2023. The profit from operation of warehousing facility (before considering deduction under section 35AD) during the F.Y. 2023-24 is ₹ 1,10,00,000.

He pays lumpsum premium of ₹ 90,000 towards health insurance for self and his wife (age 43 years) for 36 months on 01.10.2023 by account payee cheque. He also contributes ₹ 1,50,000 towards PPF.

From the information given above, choose the **most appropriate answer** to the following questions –

1. What is the amount of remuneration allowable as deduction to the LLP for A.Y.2024-25 under the head "Profits and gains of business or profession"?
 - (a) ₹ 36.00 lakhs
 - (b) ₹ 57.30 lakhs
 - (c) ₹ 35.70 lakhs
 - (d) ₹ 24.00 lakhs
2. What is the amount of deduction available under section 10AA to Sagar LLP and under section 35AD to Mr. Ganesh while computing income under the regular provisions of the Income-tax Act, 1961 for A.Y.2024-25?
 - (a) ₹ 36.25 lakhs and ₹ 60 lakhs, respectively

- (b) ₹ 21.875 lakhs and ₹ 60 lakhs, respectively
- (c) ₹ 18.125 lakhs and ₹ 60 lakhs, respectively
- (d) ₹ 21.875 lakhs and ₹ 90 lakhs, respectively
3. What is the total income of Mr. Ganesh under the regular provisions of the Income-tax Act, 1961 for A.Y.2024-25?
- (a) ₹ 52,57,500
- (b) ₹ 52,55,000
- (c) ₹ 53,05,000
- (d) ₹ 64,55,000
4. What is the tax liability (rounded off) of Mr. Ganesh under default tax regime under section 115BAC for A.Y.2024-25?
- (a) ₹ 37,42,280
- (b) ₹ 40,18,560
- (c) ₹ 36,34,640
- (d) ₹ 40,65,200
5. What is the tax liability (rounded off) of Mr. Ganesh if he has opted out of the default tax regime for A.Y.2024-25?
- (a) ₹ 15,89,870
- (b) ₹ 24,24,460
- (c) ₹ 15,89,020
- (d) ₹ 24,90,280
6. Mr. Akshay (aged 59 years), an Indian citizen, travelled frequently out of India for his business trip as well as for his outings. He left India from Delhi airport on 20th April 2023 and returned on 15th October 2023. He has been in India for less than 700 days during the 7 years immediately preceding the previous year. Determine his residential status and his total income for the assessment year 2024-25 from the following information:

- (1) Long term capital gain on sale of shares of Shama India Ltd., a listed Indian company, amounting to ₹ 1,12,000. The sale proceeds were credited to his bank account in UK.
- (2) Dividend amounting to ₹ 40,000 received from RIL Ltd., an Indian company. He had borrowed money from Mr. Abhay, a non-resident Indian, for the above-mentioned investment on 2nd April, 2023. Interest on the borrowed money for the P.Y. 2023-24 amounted to ₹ 10,000.
- (3) Interest on post office saving bank account amounting to ₹ 9,500.

Mr. Akshay has shifted out of the default tax regime and wants to pay tax under normal provisions of the Act.

7. Mr. Rohan, an employee of ABC Ltd. is posted at Mumbai. He was appointed on 1st March 2023 on the scale of ₹ 60,000 - ₹ 2,000 - ₹ 80,000. Details of his other income for the previous year 2023-24 are as follows:
- (i) Dearness allowance: 40% of basic salary (60% forms part of pay for retirement benefits)
 - (ii) Telephone allowance @₹500 per month
 - (iii) Both Mr. Rohan and the company contribute 15% of basic salary to RPF. Interest accrued in this Fund@12% p.a. amounted to ₹ 25,800.
 - (iv) The company has provided him with the rent free unfurnished accommodation in Mumbai owned by the company.
 - (v) The salary of ₹ 2,500 p.m. of domestic servant is reimbursed by the company.
 - (vi) Rohan has used his own motor car of 1.8 ltr engine capacity for both official and personal purposes. The running and maintenance costs of ₹ 50,000 are borne by the company.
 - (vii) Professional tax paid ₹ 2,500 of which ₹ 1,500 was paid by the employer.
 - (viii) During the year 2022-23, Mr. Rohan gifted a sum of ₹ 6,00,000 to Mrs. Rohan. She started a business by introducing such amount as

her capital. On 1st April, 2023, her total investment in business was ₹ 10,00,000. During the previous year 2023-24, she has suffered a loss of ₹ 1,20,000 from such business

Determine the gross total income of Mr. Rohan for the A.Y. 2024-25 under normal provisions of the Act.

8. Mr. Mayank, a resident individual, furnished the following information in respect of income earned and losses incurred by him for the F.Y. 2023-24

Particulars	Amount (₹)
Income from Salary (Computed)	27,40,000
Long term capital loss on sale of shares of Reliance Ltd. STT has been paid both at the time of acquisition and sale	(1,25,000)
Income from let out property in Kanpur	5,50,000
Loss from let out property in Delhi	(3,75,000)
Interest on self-acquired property in Mumbai	(1,50,000)
Net winnings from online games (Net of TDS)	35,000
Profit and gains from manufacturing business (after deducting normal depreciation of ₹ 2,00,000 and additional depreciation of ₹ 50,000)	36,86,000

The other details of losses and unabsorbed depreciation pertaining to A.Y. 2023-24 are as follows:

Particulars	Amount
Business loss from manufacturing business	(5,35,000)
Unabsorbed normal depreciation	(2,10,000)
Loss from the activity of owning and maintaining the race horses	(1,50,000)
Loss from let out property in Delhi	(2,10,000)

Mr. Mayank filed his return of income for A.Y. 2023-24 on 28.7.2023 and opted for section 115BAC. Compute the Gross total income of

Mr. Mayank for the A.Y. 2024-25 and the amount of loss, if any, that can be carried forward if he wants to continue with the provisions under section 115BAC.

9. Examine the applicability of Tax deduction at source (TDS) or Tax collection at source (TCS) as per the Income-tax Act, 1961 for the A.Y 2024-25 in the following situations
- (i) Mr. Arjun, a resident Indian, is in retail business in Delhi and his turnover for F.Y.2022-23 was ₹ 9.90 crores. He regularly purchases goods from another resident, Mr. Saurabh, a wholesaler in Noida. GST rate on such goods is 5%. The aggregate amount of sales made by Mr. Saurabh to Mr. Arjun during the F.Y.2023-24 was ₹ 49 lakhs (without GST). Mr Arjun made the payment for consideration of goods (₹ 21 lakhs on 8.7.2023, ₹ 26.25 lakhs on 27.8.2023 and ₹ 4.2 lakhs on 11.3.2024). Mr. Saurabh's turnover for F.Y.2022-23 was ₹ 10.10 crores.
 - (ii) Mr. Raja paid ₹ 12 lakhs on 1.11.2023 to M/s. Thomas Cook for a holiday package to Singapore for a week with his family, comprising of his wife and two children, being twins aged 22 years, in the last week of November. Mr. Raja also remitted ₹ 10 lakhs on 28.3.2024, out of his personal savings, under LRS through Bank of India, as gift to his sister residing in London, on the occasion of her 50th birthday.
10. Mr. Ramesh is an authorized wholesale distributor of fertilizers and other agricultural products. An analysis of his trading and profit & loss account for the previous year 31.3.2024 revealed the following information:
- (1) Net Profit ₹ 75,43,000.
 - (2) The following incomes were credited in the profit and loss account
 - (a) Rent received ₹ 5,40,000
 - (b) Income-tax refund ₹ 15,000
 - (c) Dividend from Indian companies ₹ 2,50,000 (Gross)

- (3) Rates and taxes debited to profit and loss account include ₹ 1,000 paid towards late filing of his IT return for A.Y. 2023-24 under section 234F of Income-tax Act.
- (4) Salaries debited to profit and loss account include ₹ 35,000 paid on single day by way of cash to his accountant.
- (5) Interest of ₹ 1,20,000 paid on loan of ₹ 10,00,000 taken from NBFC. Out of the loan, amount of ₹ 2 lakhs was used for personal purposes and the balance was used for business purposes. No TDS was deducted while paying interest. Interest of ₹ 1,20,000 is debited to profit and loss account.
- (6) Municipal Taxes of ₹ 10,000 paid for the building was debited to profit and loss account.

Additional Information

- (1) Closing stock was undervalued by ₹ 40,000
- (2) Income-tax refund includes ₹ 2,000 towards interest.
- (3) An amount of ₹ 45,000 was paid by cheque during the year towards health insurance policy covering himself, his spouse and his children.
- (4) Advance Tax paid during the year is ₹ 15 lakhs.
- (5) Half of the building is used for business purpose and remaining half let out to Mr. Anshul for residential purpose.
- (6) He also sold his vacant land on 10.11.2023 for ₹ 10 lakhs. The stamp duty value of land at the time of transfer was ₹ 14 lakhs. The FMV and stamp duty value of the land as on 1st April, 2001 was ₹ 4 lakhs and ₹ 3 lakhs, respectively. This land was acquired by him on 05.08.1995 for ₹ 1.80 lakhs. He had incurred registration expenses of ₹ 10,000 at that time. The cost of inflation index for the years 2023-24 and 2001-02 are 348 and 100, respectively.
- (7) Mr. Ramesh's turnover for the P.Y. 2022-23 was ₹ 3 crores

You are required to compute the total income and tax payable by Mr. Ramesh for the A.Y. 2024-25 under regular provisions of the Act.



SUGGESTED ANSWERS/HINTS

Answer Key

Question No.	Answer
1.	(d) ₹ 24.00 lakhs
2.	(b) ₹ 21.875 lakhs and ₹ 60 lakhs, respectively
3.	(a) ₹ 52,57,500
4.	(c) ₹ 36,34,640
5.	(b) ₹ 24,24,460

6. Determination of residential status

An individual is said to be resident in India in any previous year, if he satisfies any one of the following conditions:

- (i) He has been in India during the previous year for a total period of 182 days or more, or
- (ii) He has been in India for at least 60 days in the previous year and has been in India during the 4 years immediately preceding the relevant previous year for a total period of 365 days or more.

If the individual satisfies any one of the conditions mentioned above, he is a resident. If both the above conditions are not satisfied, the individual is a non-resident.

Mr. Akshay, an Indian citizen, has satisfied the first basic conditions for being a resident, since he was in India for 189 days (20+17+30+31+31+29+31) during the previous year 2023-24. Hence, he is a resident in India for A.Y.2024-25.

An individual would be resident but not ordinarily resident if he satisfies either one of the following conditions:

- (i) He has been non-resident in India in any 9 out of 10 previous years preceding the relevant previous year, or

- (ii) He has, during the 7 years immediately preceding the relevant previous year, been in India for a period of 729 days or less.

Since Mr. Akshay has been in India for less than 700 days during the 7 years immediately preceding the previous year, he would be a resident but not ordinarily resident for A.Y. 2024-25

Computation of total income of Mr. Akshay for A.Y.2024-25

	Particulars	Amount (₹)
(1)	Long-term capital gain on sale of shares of an Indian listed company is chargeable to tax in the hands of Mr. Akshay, since it has accrued and arisen in India even though the sale proceeds were credited to bank account in UK.	1,12,000
(2)	Dividend received from an Indian company taxable in the hands of the Akshay as Income from other sources since the income has accrued or arisen in India	40,000
	<i>Less:</i> Interest expenditure restricted to 20% of dividend	<u>8,000</u> 32,000
(3)	Interest on post office saving bank account is taxable in the hands of Mr. Akshay as Income from other sources, since it has accrued and arisen in India and is also received in India.	9,500
	<i>Less:</i> Exemption under section 10(15)	<u>3,500</u> 6,000
	Gross Total Income	1,50,000
	<i>Less:</i> Deduction under section 80TTA	6,000
	Total Income	1,44,000

7. Computation of gross total income of Mr. Rohan for the A.Y.2024-25

	Particulars	Amount (₹)	Amount (₹)
I	Salaries		
	Basic Salary (₹ 60,000 x 11 + ₹ 62,000 x 1)		7,22,000
	Dearness Allowance (40% of ₹ 7,22,000)		2,88,800
	Telephone allowance (₹ 500 x 12)		6,000
	Employer's contribution to RPF (15% of ₹ 7,22,000)	1,08,300	
	Less: Exempt [12% of salary i.e., 12% x 8,95,280 (7,22,000 + 60% of 2,88,800)]	1,07,434	866
	Interest accrued in the RPF@12%	25,800	
	Less: Exempt @9.5% p.a.	20,425	5,375
	Value of Rent Free accommodation		
	<u>From April 2023 to August 2023</u>	56,175	
	[15% of ₹ 3,74,500 i.e., ₹ 3,00,000 (60,000 x 5) + 72,000 (₹ 3,00,000 x 40% x 60%) + ₹ 2,500 (₹ 500 x 5)]		
	<u>From September 2023 to March 2024</u>	52,678	1,08,853
	[10% of ₹ 5,26,780 i.e., ₹ 4,22,000 (60,000 x 6 + 62,000 x 1) + 1,01,280 (₹ 4,22,000 x 40% x 60%) + ₹ 3,500 (₹ 500 x 7)]		
	Reimbursement of salary of domestic servant [₹ 2,500 x 12]		30,000
	Perquisite value of motor car		
	Running and maintenance costs incurred by employer	50,000	
	Less: Specified as per Rule 3 [₹ 2,400 x 12]	28,800	21,200
	Professional tax paid by employer		1,500
	Gross Salary		11,84,594

	Less: Deduction under section 16 Standard deduction Professional tax paid	50,000 2,500	52,500
	Taxable Salary		11,32,094
II	Profit and gains from business or profession Where the amount of Mr. Rohan (₹ 6 lakh, in this case) is invested by Mrs. Rohan in a business as her capital, proportionate share of profit or loss, as the case may be, computing taking into account the value of the investment as on 1.4.2023 to the total investment in the business (₹ 10 lakhs) would be included in the income of Mr. Rohan [loss of ₹ 1,20,000 x 6/10] [Business loss of ₹ 72,000 cannot be set off against salary income. It has to be carried forward to next year]	(72,000)	-
	Gross Total Income		11,32,094

8. Computation of gross total income of Mr. Mayank for A.Y. 2024-25

Particulars	Amount (₹)	Amount (₹)
Income from Salary (Computed)		27,40,000
Income from house property		
Income from let out property in Kanpur	5,50,000	
Less: Set off of loss from let out property in Delhi	(3,75,000)	
Less: Interest u/s 24(b) is not allowed in case of self-occupied property since Mr. Mayank is paying tax under section 115BAC]	-	

Less: Loss from let out property in Delhi of A.Y. 2023-24 cannot be set off against income from house property of A.Y. 2024-25 since Mr. Mayank has paid tax under section 115BAC during the A.Y. 2023-24 and no deduction in respect of loss of house property of that year will be allowed in any subsequent year.	-	
Profits and gains from business or profession		1,75,000
Profits from manufacturing business	36,86,000	
Add: Additional depreciation not allowable in case of section 115BAC	50,000	
	37,36,000	
Less: Brought forward business loss of A.Y. 2023-24	(5,35,000)	
Less: Unabsorbed normal depreciation	(2,10,000)	29,91,000
Capital Gains		
Long term capital loss on sale of shares of Reliance Ltd. on which STT has been paid can be set off only against long term capital gains. Hence, it has to be carried forward	(1,25,000)	-
Income from Other Sources		
Net winnings from online games [₹ 35,000/70%]		50,000
Gross Total Income		59,56,000

Losses to be carried forward to A.Y. 2025-26

Particulars	Amount (₹)
Brought forward loss from the activity of owning and maintaining the race horses of A.Y. 2023-24 can be set off only against the income from the activity of owning and	1,50,000

maintaining race horses. Hence, it has to be carried forward.	
Long term capital loss on sale of shares of Reliance Ltd. on which STT has been paid	1,25,000

9. (i) Since Mr. Arjun's turnover for the F.Y. 2022-23 does not exceed ₹ 10 crores, TDS provisions under section 194Q would not be attracted. However, TCS provisions under section 206C(1H) would be attracted in the hands of Mr. Saurabh since his turnover for the P.Y. 2022-23 exceeds ₹ 10 crores and his sales consideration (including GST) from Mr. Arjun exceeds ₹ 50 lakhs.

No tax is to be collected under section 206C(1H) on 8.7.2023 and 27.8.2023 since the aggregate receipts till that date i.e., ₹ 47.25 lakhs, has not exceeded the threshold limit of ₹ 50 lakhs.

Tax of ₹ 145 i.e., 0.1% of ₹ 1.45 lakhs has to be collected under section 206C(1H) on 11.3.2024 (₹ 4.20 lakhs - ₹ 2.75 lakhs, being the balance threshold limit)

- (ii) M/s. Thomas Cook, being a seller of an overseas tour programme package has to collect tax at source under section 206C(1G) from Mr. Raja on receiving amount for purchase of package. For the amount received on or after 1.10.2023, tax has to be collected @5% on upto ₹ 7 lakhs received and @20% on amount received above ₹ 7 lakhs.

M/s Thomas Cook has to collect tax of ₹ 1,35,000, being ₹ 35,000 (5% of ₹ 7 lakhs) and ₹ 1 lakh (20% of ₹ 5 lakhs).

Bank of India, being an authorized dealer has to collect tax at source under section 206C(1G) @20% on amount in excess of ₹ 7 lakhs remitted under the LRS on or after 1.10.2023 since the remittance of ₹ 10 lakhs is not for the purpose of education and medical treatment.

Bank of India has to collect tax of ₹ 60,000 i.e., 20% of ₹ 3 lakhs, being the amount remitted in excess of ₹ 7 lakhs.

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

Particulars	Amount (₹)	Amount (₹)
Income from house property		
Rent received (Rent received has been taken as gross annual value, due to absence of information relating to expected rent)	5,40,000	
Less: Municipal tax paid by Ramesh (₹ 10,000 x ½)	<u>5,000</u>	
Net Annual Value	5,35,000	
Less: Deduction u/s 24(a) – 30% of NAV	<u>1,60,500</u>	3,74,500
Profits and gains from business or profession		
Net profit as per profit and loss account	75,43,000	
Add: Expenses/Payments debited to profit and loss account but not allowed		
- Fee for late filing of income-tax return for A.Y. 2023-24 – disallowed	1,000	
- Salary paid to an accountant in cash exceeding ₹ 10,000 – disallowed under section 40A(3)	35,000	
- Interest paid to NBFC on loan which is used for personal purposes (₹ 1,20,000 x 2,00,000/10,00,000) – not allowed as per section 37	24,000	
- Interest paid to NBFC on which tax is not deducted attracts disallowance @30% of ₹ 96,000 under section 40(a)(ia) [Since Mr. Ramesh's turnover for the immediately preceding previous year i.e., P.Y. 2022-23 exceeds ₹ 1 crore, he is required to deduct tax at source.	28,800	

Disallowance @30% of interest is attracted for non-deduction of tax at source]		
- Municipal taxes paid for let out portion [₹ 10,000 x ½]	<u>5,000</u>	
	76,36,800	
Add: Undervaluation of Closing stock	<u>40,000</u>	
	76,76,800	
Less: Income chargeable under other heads and income not chargeable to tax but credited to profit and loss account		
- Rent received (Taxable under the head "Income from house property")	5,40,000	
- Income-tax refund	15,000	
- Dividend received from Indian companies (Taxable under the head "Income from other sources")	<u>2,50,000</u>	
		68,71,800
Capital Gains		
Long-term capital gains on sale of land (since held for more than 24 months)		
Full Value of Consideration [Higher of stamp duty value of ₹ 14 lakhs and Actual consideration of ₹ 10 lakhs, since stamp duty value exceeds actual consideration by more than 10%]	14,00,000	
Less: Indexed Cost of acquisition [₹ 3,00,000 x 348/100]	<u>10,44,000</u>	3,56,000
Cost of acquisition		
Higher of –		
- Actual cost ₹ 1.80 lakhs + ₹ 0.10 lakhs = ₹ 1.90 lakhs and		
- Fair Market Value (FMV) ₹ 4 lakhs as on		

1.4.2001 restricted to stamp duty value of ₹ 3 lakhs as on 1.4.2001 = ₹ 3 lakhs		
Income from Other Sources		
Interest on income-tax refund	2,000	
Dividend from Indian companies	<u>2,50,000</u>	<u>2,52,000</u>
Gross Total Income		78,54,300
Less: Deduction under Chapter VI-A		
Section 80D - Health insurance premium paid for self, spouse and his children allowable as deduction to the extent ₹ 25000		<u>25,000</u>
Total Income		<u>78,29,300</u>

Computation of tax payable by Mr. Ramesh for the A.Y.2024-25

Particulars	Amount (₹)
Tax on ₹ 3,56,000@20% under section 112	71,200
Tax on balance income of ₹ 74,73,300	
Upto ₹ 2,50,000	Nil
₹ 2,50,001 - ₹ 5,00,000 [i.e., ₹ 2,50,000 @5%]	12,500
₹ 5,00,001 - ₹ 10,00,000 [i.e., ₹ 5,00,000 @20%]	1,00,000
Above ₹ 10,00,000 [i.e., ₹ 64,73,300 @30%]	<u>19,41,990</u>
	21,25,690
<i>Add:</i> Surcharge @10%, since total income exceeds ₹ 50,00,000 but does not exceed ₹ 1 crore	<u>2,12,569</u>
	23,38,259
<i>Add:</i> Health and Education cess@4%	<u>93,530</u>
Tax liability	24,31,789
<i>Less:</i> Advance Tax	<u>15,00,000</u>
Tax Payable	<u>9,31,789</u>
Tax Payable (Rounded off)	<u>9,31,790</u>

SECTION B: GOODS AND SERVICES TAX

- (1) All questions should be answered on the basis of the position of GST law as amended up to 30.06.2024.**
- (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.**



QUESTIONS

Case Scenario

Vintage Cinemas Pvt. Ltd. (VCPL) is a leading chain of multiplexes operating in several States across India. The company has its corporate office in Mumbai, Maharashtra and is registered under GST in multiple States including Maharashtra. The company offers movie tickets, food and beverages and other entertainment-related services.

The turnover of the company in the preceding financial year as per the audited financial statements was ₹ 175 crore. The company crossed the aggregate turnover of ₹ 35 crore till June in the current year.

In July, VCPL opened a new multiplex in Gujarat wherein the commercial operations will commence from August 1.

Due to operations in multiple States, the finance and accounts operations are handled by a centralized team at the corporate office. The same team is also responsible for filing the GST returns for all the GST registrations of the company.

The company is also engaged in leasing of space to independent vendors in its food court against rental charges for the purpose of increasing the source of revenue.

The company obtained a new office building in Mumbai under a rental agreement and paid an amount of ₹ 5 crore as refundable security deposit to the owner of the premises. The term of the rental agreement is 5 years.

The company also dispatched advertisement material worth ₹ 35 lakh from Maharashtra to Gujarat Multiplex for the upcoming movies by way of transport through road in September. The company claimed input tax credit on such advertisement material at the time of receipt in Maharashtra.

The rate of tax applicable on all inward and outward supplies is 18% IGST, 9% CGST and 9% SGST unless otherwise specified.

On the basis of the facts given above, choose the most appropriate answer to Q.1 to Q.5 below -

1. Which of the following statements is correct under GST law in relation to the registration requirements of the company (VCPL) in relation to its operations to be commenced in the State of Gujarat?
 - (a) VCPL is not required to take GST registration for Gujarat multiplex till turnover of Gujarat multiplex does not cross ₹ 20 lakh.
 - (b) VCPL is required to take GST registration in Gujarat while commencing business in Gujarat as aggregate turnover of VCPL has already exceeded ₹ 20 lakh in the current financial year.
 - (c) VCPL is allowed to add Gujarat multiplex as additional place of business under the existing GST registration in Maharashtra.
 - (d) VCPL is required to take GST registration only from next financial year subject to the condition that turnover of current financial year for Gujarat multiplex exceeds ₹ 20 lakh.
2. Which of the following statements is true in relation to filing of return by VCPL?
 - (a) VCPL is required to file a single consolidated GST return for all States.
 - (b) VCPL is required to file separate GST return for each State where it is registered.

- (c) VCPL is required to file returns only for the Maharashtra State where its corporate office is located.
- (d) VCPL has an option to file return in the State with the highest turnover.
3. VCPL is required to levy GST on rental charges _____.
- (a) only if the turnover of tenant exceeds ₹ 20 lakh.
- (b) only if the turnover of tenant exceeds ₹ 1.5 crore.
- (c) only if the total rental charge collection in hands of VCPL exceeds ₹ 20 lakh.
- (d) irrespective of the turnover of the tenant or the amount of rental charge collection in the hands of VCPL.
4. In respect of the refundable security deposit given by VCPL, _____.
- (a) GST is payable on the deposit amount by the owner of the premises.
- (b) GST is payable on the deposit amount by VCPL.
- (c) there is no requirement to pay GST by the owner or VCPL.
- (d) GST is payable in equal proportion over the term of rent agreement by the owner of premises.
5. VCPL is _____ for the advertisement material sent from Maharashtra Office to Gujarat office in relation to the upcoming movies.
- (a) not liable to issue any document as the transaction is between entities having same PAN.
- (b) liable to issue only a delivery challan.
- (c) liable to issue only a bill of supply.
- (d) liable to generate a tax invoice as well as an E-Way Bill.
6. M/s Consultease Services Private Limited, a company registered under GST in Mumbai, Maharashtra, offers business consultancy, digital

marketing and project management services across India. The company recorded the following transactions in October:

1. **Consultancy services for market analysis:** Provided consultancy services for market analysis to XYZ Ltd., a registered client in Chennai, Tamil Nadu (Inter-State), for ₹ 4,50,000. Additionally, the company paid an amount of ₹ 4,500 as professional tax applicable in the State of Maharashtra as per requirement of local state legislation. The amount of professional tax was recovered separately from XYZ Ltd.
2. **Digital Marketing Services for Launch Event:** Conducted digital marketing for an upcoming product launch for Mr. A based in Rajasthan, who is an unregistered person under GST. The agreed fee for the said services is ₹ 3,00,000. Out of the agreed fee, an amount of ₹ 25,000 is incurred by Mr. A. The company was liable to pay the same in relation to the supply and the net payment received by the company was ₹ 2,75,000 (exclusive of any tax).
3. **Travelling payment for the team:** The employees incurred an amount of ₹ 50,000 on travel to Kolkata for client project and claimed a reimbursement of the same from the company. As a policy, company charged such expenses from the clients on actual basis.
4. **Discount passed on to customer:** Post supply discount was offered to a customer amounting to ₹ 50,000 against a supply for which invoice was issued in September. The customer has not reversed the input tax credit relating to such discount.
5. **Recovery of late payment charges:** The company received an amount of ₹ 1,00,000 as late payment charges for delay in payment for consideration from a client whose service contract was completed in June.
6. **Purchase of car:** A car was purchased in the name of company for use by the director. The total cost of car was ₹ 10,50,000 (inclusive of IGST amounting to ₹ 1,50,000).

7. **Insurance services:** The company paid for insurance of the above new car amounting to ₹ 25,000 which includes IGST amounting to ₹ 2,300.
8. **Procurement of services:** The company received inter-State supply of services used for business purpose on which GST paid was Rs. 45,000. Said credit was not restricted under any provision of GST laws.
9. **Sponsorship:** The company sponsored a sports event wherein it paid an amount of ₹ 2,00,000 to the event organizers.

You are required to compute the following for the month of October:

- (a) Total value of supply
- (b) output tax payable by the Company.
- (c) net GST payable in cash.

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) There was no opening balance of input tax credit.
 - (iv) The turnover of the company was ₹ 10 crores in the previous financial year.
 - (v) All the transactions are inter-State, unless otherwise specified.
7. Mr. Bholuram, a supplier located in Meerut, U.P. supplied the bedsheets, pillow covers and blankets to a Governmental agency, registered in U.P. under a contract. The total contract value is ₹ 4,61,000 excluding GST. The value of supply is bifurcated as below:
- | | |
|----------------------------------|------------|
| 400 Blankets for ₹ 600 each | ₹ 2,40,000 |
| 850 Bed Sheets for ₹ 180 each | ₹ 1,53,000 |
| 1700 Pillow Covers for ₹ 40 each | ₹ 68,000 |

Is Governmental agency required to deduct tax at source (while making the payment to Mr. Bholuram) under section 51 of the CGST Act, 2017 and if yes, determine the amount of tax to be deducted source?

8. Blue Panda Pvt. Ltd. is a manufacturing company that supplies goods to various registered dealers across India. The company had an aggregate turnover of ₹ 6 crore in the financial year 2023-24. The finance team of the company is not sure whether e-invoicing provisions are applicable to the company and is of the view that under e-invoicing system, invoices need to be generated directly on the e-invoicing portal instead of its ERP system.

You are required to advise the finance team on the following questions:-

- (a) What is e-invoicing, and whether it would apply to Blue Panda Pvt. Ltd.?
 - (b) Does Blue Panda Pvt. Ltd. need to create its invoices directly on the e-invoicing portal?
9. Briefly examine the place of supply in the following independent cases.
- (a) Ms. Shanti (unregistered resident of Gujarat) went to meet her parents at the native place Patna, Bihar and buys a medical insurance policy for her parents from an insurance company – MNT Insurers- of Patna (registered in Bihar). The location of the recipient of services in the records of the MNT Insurers is Patna.
 - (b) Lakhan Singh Transports Pvt. Ltd., a Goods Transportation Agency registered in Noida, Uttar Pradesh, is hired by Ram Trade Links (registered supplier in New Delhi) to transport its consignment of goods from its warehouse in Delhi to the house of a buyer located in Roorkee, Uttar Pradesh.
 - (c) Mr. Karan (Mumbai) takes a post-paid mobile connection in Mumbai from the service provider - Freesia Ltd. and gives his residence address at Mumbai as the address for billing with the said company.

10. List the accounts and records which are not required to be maintained by a supplier who has opted for composition scheme, as per the provisions of the GST laws.



SUGGESTED ANSWERS

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

6. (a) **Computation of total value of supply**

Particulars	IGST (₹)
Consultancy services provided to XYZ Ltd. (As per section 15 of the CGST Act, 2017, the value of supply includes the amount of any tax paid under any law other than GST. Accordingly, the amount of professional tax is includible in the value of services.)	4,54,500
Digital marketing services provided to Mr. A (The amount incurred by the recipient on behalf of the supplier is includible in the value of supply.)	3,00,000
Travelling expenses recovered from the client (Incidental expenses like travelling expenses incurred in course of supply is includible in value of supply.)	50,000

Post supply discount (No adjustment of post supply discount is allowed as the customer has not reversed the input tax credit.)	-
Late payment charges (The late payment charges recovered are includible in GST and liable to tax at the time of receipt of amount.)	1,00,000
Total value of supply for October	9,04,500

(b) Computation of output tax payable

Particulars	IGST (₹)
Total value of outward supply	9,04,500
Total output tax payable @ 18% (Company is liable to pay GST on sponsorship services under reverse charge, but the tax payable under reverse charge is not included in the value of output tax.)	1,62,810

(c) Computation of net GST payable in cash

Particulars	IGST (₹)
Total output tax	1,62,810
Less: Input Tax Credit [Refer Working Note below]	(81,000)
Net GST payable (A)	81,810
Add: GST payable under reverse charge for receipt of sponsorship services (B) [Tax on sponsorship services availed by a body corporate from any person is payable under reverse charge. Since the tax payable under reverse charge is not an output tax, ITC cannot be utilized to pay GST payable under reverse charge. Thus, it has to be paid in cash.]	36,000
Total GST payable in cash (A) +(B)	1,17,810

Working Note:

Computation of ITC available

Particulars	IGST (₹)
Purchase of car for use by director (ITC on motor vehicles for transportation of persons with seating capacity \leq 13 persons (including the driver) is blocked except when the same are used for (i) making further taxable supply of such motor vehicles (ii) making taxable supply of transportation of passengers (iii) making taxable supply of imparting training on driving such motor vehicles. Purchase of car for use by director is not a specified purpose.)	-
Insurance of car (ITC is not allowed on services of insurance relating to the motor vehicles on which ITC is blocked. Since, the car is not used for any of the eligible purposes, ITC thereon is blocked and thus, ITC on insurance taken on such car is also blocked)	-
ITC on receipt of services (ITC is available on services used in the course or furtherance of business.)	45,000
ITC on sponsorship services (ITC is available on services used in the course or furtherance of business.)	36,000
Total ITC available	81,000

7. As per section 51 of the CGST Act, 2017, it is mandatory for the following persons to deduct tax at source from payments made to the suppliers of taxable goods and/or services:-
- (a) Central/State Government department or establishment;
 - (b) local authority; or
 - (c) Governmental agencies; or
 - (d) such notified persons

The tax would be deducted @ 1% (each under CGST and SGST) of the payment made to the supplier of taxable goods and/or services, where the total value of such supply, under a contract, exceeds ₹ 2,50,000 (excluding the amount of Central tax, State tax, Union Territory tax, Integrated tax and cess indicated in the invoice). Thus, individual supplies may be less than ₹ 2,50,000/-, but if total value of supplies under a contract is more than ₹ 2,50,000/-, TDS has to be deducted.

In the given case, Mr. Bholuram has made supplies to a Governmental agency and total value of supply under a contract exceeds ₹ 2,50,000, it is mandatory for Governmental agency to deduct TDS @1% each under CGST and SGST on the net value of taxable supplies.

The amount of TDS required to be deducted each under CGST & SGST each is ₹ 4,610.

8. (a) E-invoicing is a system for electronically reporting Business-to-Business (B2B) invoices to the GST system for certain notified taxpayers whose turnover exceeds ₹ 5 crore in any financial year from 2017-18 onwards. Since Blue Panda Pvt. Ltd. had an aggregate turnover of ₹ 6 crore in FY 2023-2024, it is required to issue e-invoices for its B2B transactions.
- (b) No, Blue Panda Pvt. Ltd. does not need to create invoices directly on the e-invoicing portal. The company will continue generating its GST invoices using its own Accounting/Billing/ERP system. The only requirement is that these invoices must be reported to the Invoice Registration Portal (IRP) for validation and issuance of a unique Invoice Reference Number (IRN).
9. (a) The place of supply of insurance services provided to a person other than a registered person, be the location of the recipient of services on the records of the supplier of services. Thus, in the given case, the place of supply is the location of the recipient of services in the records of the supplier, i.e. Patna.
- (b) The place of supply of services by way of transportation of goods, including by mail or courier to a registered person, is the location of such person. Thus, in the given case, the recipient being

registered, the place of supply is the location of recipient, i.e. New Delhi.

- (c) The place of supply of telecommunication services including data transfer, broadcasting, cable and direct to home television services to any person in case of mobile connection for telecommunication and internet services provided on post-paid basis, be the location of billing address of the recipient of services on the record of the supplier of services. Thus, in the given case, the place of supply is the location of billing address of the recipient, i.e. Mumbai.

10. A supplier who has opted for composition scheme is not required to maintain following records:

- (a) **Stock of goods:** Accounts of stock in respect of goods received and supplied by him, and such accounts shall contain particulars of the opening balance, receipt, supply, goods lost, stolen, destroyed, written off or disposed of by way of gift or free sample and the balance of stock including raw materials, finished goods, scrap and wastage thereof.
- (b) **Details of tax:** Account, containing the details of tax payable (including tax payable under reverse charge), tax collected and paid, input tax, input tax credit claimed, together with a register of tax invoice, credit notes, debit notes, delivery challan issued or received during any tax period.