



**BOTH GROUPS ₹ 17,700**

**BOTH GROUPS ₹ 21,240**

**SINGLE GROUP ₹ 8,850**

**SINGLE GROUP ₹ 11,800**

**SINGLE SUBJECT ₹ 5,900**

**SINGLE SUBJECT ₹ 5,900**

USE CODE

**AUG20**

\*EXCLUSIVE OFFER FOR CA INTERMEDIATE STUDENTS APPEARING IN AUGUST 2020. ON SINGLE GROUP AND BOTH GROUPS VIEWS ARE UNLIMITED BUT ON SINGLE SUBJECT VIEWS ARE LIMITED TO 1.5 TIMES

USE CODE

**NOV20**

\*EXCLUSIVE OFFER FOR CA INTERMEDIATE STUDENTS APPEARING IN NOVEMBER 2020. ON SINGLE GROUP AND BOTH GROUPS VIEWS ARE UNLIMITED BUT ON SINGLE SUBJECT VIEWS ARE LIMITED TO 1.5 TIMES

### Contact Details

Call: 9228446565

Mail: [info@konceptca.com](mailto:info@konceptca.com)

# Test Paper 6 - Solution

## National Test Series

### Subject: - Taxation

Marks: 100 Marks

Duration: 3 Hrs.

#### PART - I

Multiple Choice Questions:

(30 × 1 Mark = 30 Marks)

#### Case Study Based MCQs

##### Case Study 1

Mr. Sarthak (age 37 years) a share broker, sold a building to his friend Anay, who is a dealer in automobile spare parts, for ₹ 120 lakh on 10.11.2019, when the stamp duty value was ₹ 150 lakh. The agreement was, however, entered into on 1.9.2019 when the stamp duty value was ₹ 140 lakh. Mr. Sarthak had received a down payment of ₹ 15 lakh by a crossed cheque from Anay on the date of agreement. Mr. Sarthak purchased the building for ₹ 95 lakh on 10.5.2017. Further, Mr. Sarthak also sold an agricultural land (situated in a village which has a population of 5,800) for ₹ 60 lakhs to Mr. Vivek on 01.03.2020, which he acquired on 15.06.2014 for ₹ 45 lakhs.

Stamp duty value of agricultural land as on 1.3.2020 is ₹ 75 lakhs CII for F.Y. 2014-15: 240; F.Y. 2017-18: 272; F.Y. 2019-20: 289.

In the light of the above facts, you are required to answer the following:

1. Is there any requirement to deduct tax at source on consideration paid or payable on transfer of building and agricultural land?
  - (a) No; no tax is required to be deducted at source on transfer of any capital asset
  - (b) Yes; Mr. Anay is required to deduct tax at source under section 194-IA.
  - (c) Yes; Mr. Vivek is required to deduct tax at source under section 194-IA.
  - (d) Yes; Mr. Sarthak is required to deduct tax at source under section 194-IA.

**Solution:** (b)

2. In respect of transfer of building, capital gains chargeable to tax in the hands of Mr. Sarthak would be –
  - (a) long-term capital gains of ₹ 49,06,250
  - (b) long-term capital gains of ₹ 39,06,250
  - (c) short-term capital gains of ₹ 45,00,000
  - (d) short-term capital gains of ₹ 55,00,000

**Solution:** (a)

3. Assuming that Mr. Sarthak has other income exceeding basic exemption limit, the tax payable (excluding surcharge and health and education cess) on transfer of building and agricultural land, would be –

- (a) ₹ 7,81,250
- (b) ₹ 13,97,500
- (c) ₹ 9,81,250
- (d) ₹ 10,97,500

**Solution:** (c)

4. In respect of purchase of building from Mr. Sarthak, income chargeable to tax in the hands of Mr. Anay would be –

- (a) ₹ 20 lakh
- (b) ₹ 30 lakh
- (c) ₹ 15 lakh
- (d) Nil

**Solution:** (b)

### Case Study 2

Mr. Hardik (age 45 years) is appointed as senior executive officer in Sky India Limited, Mumbai on 01.02.2019 in the scale of ₹ 35,000-35,000-65,000. He is paid dearness allowance @40% of salary forming part of retirement benefits.

He is given rent free unfurnished accommodation on 01.5.2019 which he occupied only from 01.10.2019. The company pays lease rent of ₹ 5,000 p.m.

He has been provided a car of 2000 cc capacity which is used by him for private purposes only. The actual cost of the car is ₹ 8,00,000. The monthly expenditure of car is ₹ 5,000, which is fully met by the employer.

He pays lumpsum premium of ₹ 1,50,000 towards health insurance for self and his wife for 48 months on 01.10.2019 by account payee cheque. He also contributes ₹ 1,50,000 towards PPF.

In the light of above facts, you are required to answer the following:

5. Value of rent-free accommodation chargeable to tax in the hands of Mr. Hardik, would be –

- (a) ₹ 44,835
- (b) ₹ 44,100
- (c) ₹ 45,570
- (d) ₹ 30,000

**Solution:** (d)

6. Mr. Hardik would be eligible for deduction in respect of health insurance premium paid during the previous year 2019-20, for –
- (a) ₹ 30,000
  - (b) ₹ 18,750
  - (c) ₹ 25,000
  - (d) ₹ 37,500

**Solution:** (c)

7. Perquisite value of car chargeable to tax in the hands of Mr. Hardik would be –
- (a) ₹ 28,800
  - (b) ₹ 21,600
  - (c) ₹ 60,000
  - (d) ₹ 1,40,000

**Solution:** (d)

#### **MCQs other than Case Study**

8. For the assessment year 2020-21, a firm is subject to income-tax at a flat rate of:
- (a) 30% + surcharge at 12% if the total income exceeds Rs 1 crore + health and education cess at 4%
  - (b) 30% + 5% surcharge + health and education cess at 4%
  - (c) 30% +10% surcharge if its total income exceeds Rs 1 crore + health and education cess at 4%
  - (d) 30% +15% surcharge if its total income exceeds Rs 1 crore + health and education cess at 4%

**Solution:** (a)

9. R, a foreign national but a person of Indian origin visited India during previous year 2018-19 for 181 days. During 4 preceding previous years he was in India for 400 days. R shall be:
- (a) resident in India
  - (b) non-resident in India
  - (c) not ordinarily resident in India
  - (d) resident and ordinarily resident in India

**Solution:** (b)

**10.**Cricket match organized by the Cricket Control Board of India for the benefit of Sunil Gavaskar where he received Rs 5 lakh, such receipt is:

- (a) Casual income
- (b) Exempt income
- (c) Fully taxable
- (d) Exempt upto Rs.2,00,000

**Solution:** (b)

**11.**Anirudh stays in New Delhi. His basic salary is Rs.10,000 p.m., D.A. (60% of which forms part of pay) is Rs.6,000 p.m., HRA is Rs.5,000 p.m. and he is entitled to a commission of 1% on the turnover achieved by him. Anirudh pays a rent of Rs.5,500 p.m. The turnover achieved by him during the current year is Rs.12 lakhs. The amount of HRA exempt under section 10(13A) is –

- (a) Rs.48,480
- (b) Rs.45,600
- (c) Rs.49,680
- (d) Rs.46,800

**Solution:** (a)

**12.**Following assessee(s) can considered a house property as self-occupied –

- (a) Individual & HUF
- (b) All assessee
- (c) All assessee other than company
- (d) None of the above

**Solution:** (a)

**13.**The preliminary expenses that can be amortized under the Income Tax Act, 1961 has to be restricted to \_\_\_\_\_ of the cost of project.

- (a) 3%
- (b) 8%
- (c) 5%
- (d) 20%

**Solution:** (c)

**14.** Amalgamation of company as per scheme of amalgamation shall not be regarded as transfer provided the amalgamated company is:

- (a) A domestic company
- (b) A public ltd. company
- (c) An Indian company
- (d) Any company

**Solution:** (a)

**15.** Alternate minimum tax is applicable in case of

- (a) individual or HUF
- (b) firm and a company
- (c) any person other than a company
- (d) all the above

**Solution:** (c)

**16.** Mr. X's minor daughter earned Rs. 50,000 from his special talent. This income will be clubbed with –

- (a) The income of Mr. X
- (b) The income of Mrs. X
- (c) Mr. X or Mrs. X, whoever's income is higher
- (d) It will not be clubbed

**Solution:** (d)

**17.** Accumulated losses of a firm which is converted into Limited Liability Partnership can be carried forward for –

- (a) 8 years
- (b) 7 years
- (c) 4 years
- (d) Cannot be carried forward

**Solution:** (a)

**18.** Deduction u/s 80GG is related to –

- (a) Donation to Charitable Institutions
- (b) Payment made to Educational Institutions
- (c) Donation to Research Associations
- (d) Payment of House Rent

**Solution:** (d)

### Case Study 3

Mr. Mandeep, a registered dealer, is doing building material business in the State of Assam. He availed architect services for his business from his friend in London free of cost. He also availed designing services from his brother in London for Rs. 5 Lakhs for his personal purposes.

He availed services which are liable to tax under reverse charge for which date of invoice was 01.09.20XX, payment date as per his books of account and as per his bank account was 15.11.20XX and 18.11.20XX respectively.

His turnover for the current financial year is as follows:

Taxable supply of goods – Rs. 55 Lakhs

Exempt supply of goods – Rs. 16 Lakhs

Inward supply liable to tax under reverse charge – Rs. 8 Lakh

He intends to start providing services also from the next financial year and also to avail composition scheme. He also wishes to make supplies to the Government.

Based on the information given above, choose the most appropriate answer for the following questions:-

**19.** In respect of services imported by Mr. Mandeep, which of the following is a correct statement?

- i. Architect services for his business from his friend in London free of cost is considered as a supply
- ii. Designing services from his brother in London for Rs. 5 Lakh for his personal purposes is considered as a supply.
- iii. Architect services for his business from his friend in London free of cost is not considered as a supply
- iv. Designing services from his brother in London for Rs. 5 Lakh for his personal purposes is not considered as a supply.

(a) i and ii

(b) i and iv

(c) ii and iii

(d) iii and iv

**Solution:** (c)

**20.** The time of supply of services, received by him and taxable under reverse charge, is

(a) 01.09.20XX

(b) 01.11.20XX

(c) 15.11.20XX

(d) 18.11.20XX

**Solution:** (b)

**21.** Aggregate turnover of Mr. Mandeep for the given financial year will be,

- (a) Rs. 63 Lakhs
- (b) Rs. 79 Lakhs
- (c) Rs. 71 Lakhs
- (d) Rs. 47 Lakhs

**Solution:** (c)

**22.** Mr. Mandeep will be eligible for composition scheme in the next financial year, but he can supply services only upto:

- (a) Rs. 5.00 Lakhs
- (b) Rs. 6.3 Lakhs
- (c) Rs. 7.90 Lakhs
- (d) Rs. 7.10 Lakhs

**Solution:** (d)

**23.** In case he supplies services to State Government by way of any activity in relation to any function entrusted to a Municipality under Article 243W of the Constitution, in the next financial year, which of the following will be exempt?

i. Pure Services

ii. Composite supply of goods and services in which value of supply of goods constitutes not more than 25% of value of said composite supply

iii. Composite supply of goods and services in which value of supply of service constitutes not more than 25% of value of said composite supply

- (a) i and iii
- (b) ii and iii
- (c) i, ii and iii
- (d) i and ii

**Solution:** (d)

### **MCQs other than Case Study**

**24.** Tax liability for mixed supply of two or more items will be

- (a) same tax rate
- (b) lowest tax rate
- (c) individual tax rate
- (d) highest tax rate

**Solution:** (d)

**25.** GST is payable by the recipient under reverse charge on:

- (a) Sponsorship Services
- (b) Transport of goods by rail
- (c) Transport of passengers by air
- (d) All of the above

**Solution:** (a)

**26.** GST rate for the restaurant within hotel room tariff more than Rs. 7500/- is

- (a) 5%
- (b) 12%
- (c) 18%
- (d) 28%

**Solution:** (d)

**27.** Which of the following statement is true for a composition tax payer?

- (a) A composition tax payer can avail only 50% of ITC on capital goods
- (b) A composition tax payer can avail 100% ITC on capital goods
- (c) ITC is not available on inward supplies made by a composition tax payer
- (d) Composition tax will be available as ITC to the resident only if the tax is mentioned separately in the invoice raised by the composition tax payer

**Solution:** (c)

**28.** Which of the following is the special category State as per Section 22 of CGST Act 2017?

- (a) Telangana
- (b) Chhattisgarh
- (c) Manipur
- (d) Himachal Pradesh

**Solution:** (c)

**29.** The document (challan) generated for payment of tax, penalty, fees will be valid for

- (a) 7 days
- (b) 10 days
- (c) 12 days
- (d) 15 days

**Solution:** (a)

30. The amount utilized for payment from the balance in electronics credit or cash ledger will be shown in

- (a) GST PMT - 1
- (b) GST PMT - 2
- (c) GST PMT - 3
- (d) GST PMT - 4

**Solution:** (a)



**BOTH GROUPS ₹ 17,700**

**SINGLE GROUP ₹ 8,850**

**SINGLE SUBJECT ₹ 5,900**

USE CODE  
**AUG20**

\*EXCLUSIVE OFFER FOR CA INTERMEDIATE STUDENTS APPEARING IN AUGUST 2020. ON SINGLE GROUP AND BOTH GROUPS VIEWS ARE UNLIMITED BUT ON SINGLE SUBJECT VIEWS ARE LIMITED TO 1.5 TIMES

**PART- II**

**SECTION - A**

**Question 1 is compulsory.  
Answer any two from remaining three questions**

**Question 1.**

R is a lawyer of Delhi High Court. He keeps his accounts on cash basis. His receipts and payments A/c for the year ending 31.3.2020 is given below:

	₹		₹
Balance B/d	7,500	Subscription and membership	6,000
Legal fees	1,80,000	Purchase of legal books	9,000
Special commission fees	7,000	Rent	51,000
Salary from Law College as part time lecturer	98,000	Car Expenses	17,000
Exam. Remuneration	2,500	Office Expenses	7,500
Interest on Saving Bank Deposit	6,000	Electricity Exps.	5,000
Sale proceeds of residential property	2,95,000	Income Tax	9,000
Dividend from Co-operative society	3,000	Gift to daughter	15,000
		Domestic Expenses	27,000
		Donation to Institutions approved u/s 80G	3,000
Dividend received from the units of U.T.I	6,000	Car purchased	2,30,000
		Life Insurance premium	7,000
		Balance C/fd	2,18,500
	6,05,000		6,05,000

Following information are available

1. The Rent and electric expenses are related to a house, of which half portion is used for self-residence and remaining half portion is used for office.
2. Car is used only for professional purposes.
3. Outstanding legal fees ₹25,000.
4. Rent has been paid for 10 months only.

5. Car was purchased on 25.9.2019. Law books being annual publications of ₹3,000 were purchased on 5.5.2019 and balance on 3.12.2019.

6. The house was purchased in January, 2003 for ₹80,000 and sold on 1.8.2019.

7. Rent of the property which has been sold was ₹6,000 p.m. The property was vacated by the tenant on 31.7.2019.

Compute his Total Income for the assessment year 2020-21 by assuming that:

(a) He does not want to opt for presumptive income u/s 44ADA

(b) He wants to opt for presumptive income u/s 44ADA

**(14 Marks)**

**Solution:**

(a) He does not want to opt for presumptive income u/s 44ADA

Computation of Total Income of R

(For the assessment year 2020-21)

	₹	₹	₹
1. Income from salary			
Salary as a part time lecturer		98,000	
Less: Standard deduction		50,000	48,000
2. Income from House Property			
(Gross Annual Value $6,000 \times 12 = 72,000$ )			
Proportionate for 4 months $72,000 \times 4/12$		24,000	
Less: Municipal taxes		-	
Net annual value		24,000	
Less: Standard deduction at 30%		7,200	16,800
3. Income from profession			
Professional Earnings:			
(i) Legal Fees		1,80,000	
(ii) Special commission		7,000	
		1,87,000	
Less: Allowable expenses			
(i) Subscription etc.	6,000		
(ii) $\frac{1}{2}$ Rent (Office)	25,500		
(iii) Car expenses	17,000		
(iv) $\frac{1}{2}$ electric charges	2,500		
(v) Office expenses	7,500		
(vi) Depreciation on car	34,500		

(vii) Depreciation on books	6,000	99,000	88,000
4. Capital gains			
Sale consideration		2,95,000	
Less: Indexed cost of acquisition			
₹80,000 × 289/100		2,31,200	63,800
5. Income from Others Sources			
Interest on savings bank deposit		6,000	
Examiner's fees		2,500	
Dividend from Co-operative Society		3,000	
Dividend from UTI		Exempt	11,500
Gross Total Income			2,28,100
Less: Deductions			
(i) U/s 80C		7,000	
(ii) U/s 80G Donation at 50% on 3,000		1,500	
(iii) U/s 80TTA		6,000	14,500
Total Income			2,13,600

**Notes:**

1. As the assessee follows the cash system of accounting, amount actually received and payment actually made on account of expenditure, during the year, shall be considered for computing the income. Therefore, any outstanding receipts will not be included in the Total Income. Similarly rent paid for two months will not be allowed as deduction.
2. The system of accounting does not affect the computation of income from salary, house property and capital gains. Therefore, in this case, rent for three months, though not received (as it has not been shown in the receipt and payment account) shall be taken into account in computing the income under the head house property.
3. Car was purchased and put to use for more than 180 days. Therefore, full depreciation at 15% has been claimed.
4. Law books worth ₹3,000 were purchased and put to use for more than 180 days and are, therefore, eligible for depreciation at 100%. The balance books worth ₹6,000 were purchased on 3.12.2019; therefore, 50% of the normal depreciation will be allowed as the books were purchased and put to use for less than 180 days. The total depreciation shall, therefore, be ₹3,000 + 50% of ₹6,000 = ₹6,000.

(b) He wants to opt for presumptive income u/s 44ADA

Computation of Total Income of R

(For the assessment year 2020-21)

	₹	₹
1. Income from salary		
Salary as a part time lecturer	98,000	
Less: Standard deduction	50,000	48,000
2. Income from House Property		
(Gross Annual Value $6,000 \times 12 = 72,000$ )		
Proportionate for 4 months $72,000 \times 4/12$	24,000	
Less: Municipal taxes	-	
Net annual value	24,000	
Less: Standard deduction at 30%	7,200	16,800
3. Income from profession		
50% of gross receipt for ₹1,87,000		93,500
4. Capital gains		
Sale consideration	2,95,000	
Less: Indexed cost of acquisition		
$₹80,000 \times 289/100$	2,31,200	63,800
5. Income from other sources		
Interest on saving bank deposit	6,000	
Examiner's fees	2,500	
Dividend from Co-operative Society	3,000	
Dividend from UTI	Exempt	11,500
Gross Total Income		2,33,600
Less: Deductions		
(i) U/s 80C	7,000	
(ii) U/s. 80G Donation at 50% on 3,000	1,500	
(iii) U/s 80TTA	6,000	14,500
Total Income		2,19,100

**Question 2.****(A)** Compute the taxable income in the following two situations.

	Situation I	Situation II
	₹	₹
Income/ loss from manufacturing business	1,50,000	(-) 3,60,000
Income/ loss from speculations business	(-) 80,000	(+) 3,50,000
Loss from a specified business referred to in section 35AD	(-) 40,000	(+) 40,000
Short-term capital gains/ loss	(-) 1,70,000	(-) 1,70,000
Agricultural income/ loss	(-) 40,000	(+) 60,000

**(6 Marks)****Solution:**

	Situation I	Situation II
	₹	₹
Income/ loss from manufacturing business	1,50,000	(-) 3,60,000
Income/ loss from speculations business	No set off	(+) 3,50,000
Loss from a specified business	No set off	(+) 40,000
Total income	1,50,000	30,000

Note – Short-term capital loss cannot be set off from any other head. No loss can be set off from agriculture income.

**(B)** R owns three identical houses in Delhi, all of which were self-occupied. From the particulars given below, suggest which two houses should be treated as self-occupied.

Particulars	House - I	House - II	House - III
Standard Rent under Deli Rent Control Act	3,30,000	3,30,000	3,30,000
Municipal valuation	3,00,000	3,00,000	3,00,000
Fair rent	3,60,000	3,60,000	3,60,000
Municipal taxes (paid)	30,000	10,000	20,000
Insurance Premium (Paid)	20,000	Nil	10,000

Construction of all the three houses was completed in September 2016. R had borrowed.

- (i) ₹ 25,00,000 @ 9%p.a. for construction of House II (Date of borrowing 1/6/2015) Date of repayment of loan 30/6/2019.

- (ii) ₹ 30,00,000 @ 9% p.a. for construction of House III (Date of borrowing 1/6/2015) Date of repayment of loan 30/6/2019.

(8 Marks)

**Solution:**

Particulars	₹	₹
Income from House I (Deemed to be let out) (See working note)		2,10,000
Income from House II (Self-occupied)	(-) 93,750	
Income from House III (Self-occupied)	(-) 1,12,500	
But limited to ₹ 2,00,000	2,06,250	2,00,000
Income from house property		10,000

**Working Note:**

Step I: Assume all the houses are deemed to be let out

Particulars		House - I		House - II		House - III
Gross Annual Value		3,30,000		3,30,000		3,30,000
Less: Municipal taxes paid		30,000		10,000		20,000
Net Annual value		3,00,000		3,20,000		3,10,000
Less: Deduction u/a 24						
(a) Statutory deduction @ 30%	90,000		96,000		93,000	
(b) Interest on loan for house II for three months ₹ 56,250 + 1/5 of preconstruction period i.e. from 1/6/2015 to 31/3/2016 ₹ 1,87,500 = ₹ 37,500	-		93,750			-
Interest on loan for house III for three months ₹ 67,500 + 1/5 of pre-construction period i.e. from 1/6/2015 to 31/3/2016 ₹ 2,25,000 = ₹ 45,000	-		-		1,12,500	
		90,000		1,89,750		2,05,500
		2,10,000		1,30,250		1,04,500

Step II:

(a) Assume House - I & II to be self-occupied and House - III deemed to be let out

Particulars	₹	₹
Income from House I (Self-occupied)	Nil	
Income from House II (Self-occupied)	(-) 93,750	(-) 93,750
Income from House III (Deemed let out)		1,04,500
Income from house property		10,750

(b) Assume House – I & III to be self-occupied and House – II deemed to be let out

Particulars	₹	₹
Income from House I (Self-occupied)	Nil	
Income from House III (Self-occupied)	(-) 1,12,500	(-) 1,12,500
Income from House II (Deemed let out)		1,30,250
Income from house property		17,750

(c) Assume House – II & III to be self-occupied and House – I deemed to be let out

Particulars	₹	₹
Income from House I (Deemed to be let out) (See working note)		2,10,000
Income from House II (Self-occupied)	(-) 93,750	
Income from House III (Self-occupied)	(-) 1,12,500	
But limited to ₹ 2,00,000	2,06,250	2,00,000
Income from house property		10,000

### Question 3.

(A) From the following information, compute the tax payable by R for the assessment year 2020 – 21

(1) Listed shares purchased on 31/8/2002 for ₹ 40,000 on 1/11/2019 through a recognized stock exchange FMV as on 31/1/2018 ₹ 2,70,000.

(2) Gold ornaments purchased for ₹ 2,00,000 on 1/9/2001 sold for ₹ 5,70,000 on 1/12/2019.

(3) His gross salary for the previous year ending 31/3/2020 was ₹ 5,10,000.

(5 Marks)

### Solution:

Computation of total income and tax payable by R for the assessment year 2020 – 21

Particulars	₹	₹	₹
Income under head "Salaries"			
Gross salary		5,10,000	
Less: Standard deduction		50,000	4,60,000
Long term capital gain			
(a) From shares			
Sold through recognized stock exchange			
Selling price		4,00,000	
Cost of acquisition (See note below)		2,70,000	
		1,30,000	
Long term capital gain/ loss from gold ornaments			
Consideration price	5,70,000		
Less: Indexed cost of acquisition -	5,78,000	(-) 8,000	1,22,000

₹ $2,00,000 \times \frac{289}{100}$			
Total income			5,82,000
Tax on ₹ 5,82,000			
LTCG u/s 112A in excess of ₹ 1,00,000 i.e. 10% of ₹ 22,000			2,200
Tax on balance total income ₹ 4,60,000			10,500
			12,700
Add: Health and Education cess @ 4%			508
Tax payable			13,210

Note:

Determination of cost of acquisition

Higher of the following:

(i) Cost of acquisition i.e. ₹ 40,000.

Or,

(ii) Lower of the following:

(a) FMV on 31/1/2018 i.e. ₹ 2,70,000

(b) Sale price of the shares i.e. ₹ 4,00,000

**(B)** Examine the applicability of the provisions for tax deduction at source under section 194DA in the following cases –

- (i) Mr. X, a resident, is due to receive ₹ 4.50 lakhs on 31.3.2020, towards maturity proceeds of LIC policy taken on 1.4.2017, for which the sum assured is ₹ 4 lakhs and the annual premium is ₹ 1,25,000.
- (ii) Mr. Y, a resident, is due to receive ₹ 3.25 lakhs on 31.3.2020 on LIC policy taken on 31.3.2012, for which the sum assured is ₹ 3 lakhs and the annual premium is ₹ 35,000.
- (iii) Mr. Z, a resident, is due to receive ₹ 95,000 on 1.8.2019 towards maturity proceeds of LIC policy taken on 1.8.2013 for which the sum assured is ₹ 90,000 and the annual premium was ₹ 12,000.

**(3 Marks)**

**Solution:**

(i) Since the annual premium exceeds 10% of sum assured in respect of a policy taken after 31.3.2012, the maturity proceeds of ₹ 4.50 lakhs due on 31.3.2020 are not exempt under section 10 (10D) in the hands of Mr. X. Therefore, tax is required to be deducted @5% under section 194DA on the amount of income comprised therein i.e., on ₹ 75,000 (₹4,50,000 being maturity proceeds - ₹3,75,000 being the entire amount of insurance premium paid).

(ii) Since the annual premium is less than 20% of sum assured in respect of a policy taken before 1.4.2012, the sum of ₹ 3.25 lakhs due to Mr. Y would be exempt under section 10 (10D) in his hands. Hence, no tax is required to be deducted at source under section 194DA on such sum payable to Mr. Y.

(iii) Even though the annual premium exceeds 10% of sum assured in respect of a policy taken after 31.3.2012, and consequently, the maturity proceeds of ₹ 95,000 would not be exempt under section 10 (10D) in the hands of Mr. Z, the tax deduction provisions under section 194DA are not attracted since the maturity proceeds are less than ₹ 1 lakh.

**(C)** The following incomes are received by Mr. Mohan during financial year 2019 – 20.

Particulars	Amount (₹)
(i) Director's fees	2,000
(ii) Income from agricultural land in Pakistan	5,000
(iii) Ground rent for land in Lahore	10,000
(iv) Interest on Postal Savings Bank A/c	100
(v) Interest on deposits with Industrial Finance of India	500
(vi) Dividend from a foreign company	700
(vii) Rent from subletting a house	26,250
(viii) Rent payable by Mr. Mohan for the sub-let house	12,000
(ix) Other expenses on sub-let house	1,000
(x) Winnings from horse race (Gross)	12,300
(xi) Interest on securities (gross)	4,000

You are required calculate Income from Other Sources of Mr. Mohan for the assessment year 2020 – 21

**(6 Marks)**

**Solution:**

Particulars	₹	₹	₹
(i) Director's Fees			2,000
(ii) Income from agricultural land in Pakistan			5,000
(iii) Ground rent for land in Pakistan			10,000
(iv) Interest on Deposits with IFCI			500
(v) Dividend from a foreign company (not to go grossed up)			700
(vi) Rent from sub-let house		26,250	
Less: Rent payable for the sublet house	12,000		
Other expenses	1,000	13,000	13,250
(vii) Winnings from horse race			12,300
(viii) Interest on Securities			4,000
Income from other sources			47,750

Note:

Interest of Postal Saving Bank account is exempt under section 10 up to ₹ 3,500.

**Question 4.**

**(A)** In the case of Mr. Hari, who turned 66 years on 28.3.2020, you are informed that the salary (computed) for the previous year 2019-20 is ₹ 10,20,000 and arrears of salary received is ₹ 3,45,000. Further, you are given the following details relating to the earlier years to which the arrears of salary received is attributable to:

Previous year	Taxable Salary (₹)	Arrears now received (₹)
2010-2011	7,10,000	1,03,000
2011-2012	8,25,000	1,17,000
2012-2013	9,50,000	1,25,000

Compute the relief available under section 89 and the tax payable for the A.Y. 2020-21.

**Note: Rates of Taxes:**

Assessment year	Slab rates of income-tax			
	For resident individuals of the age of 60 years or more at any time during the previous year		For other resident individuals	
	Slabs	Rate	Slabs	Rate
2011-12	Up to ₹ 2,40,000	Nil	Up to ₹ 1,60,000	Nil
	₹ 2,40,001 - ₹ 5,00,000	10%	₹ 1,60,001 - ₹ 5,00,000	10%
	₹ 5,00,001 - ₹ 8,00,000	20%	₹ 5,00,001 - ₹ 8,00,000	20%
	Above ₹ 8,00,000	30%	Above ₹ 8,00,000	30%
2012-13	Up to ₹ 2,50,000	Nil	Up to ₹ 1,80,000	Nil
	₹ 2,50,001 - ₹ 5,00,000	10%	₹ 1,80,001 - ₹ 5,00,000	10%
	₹ 5,00,001 - ₹ 8,00,000	20%	₹ 5,00,001 - ₹ 8,00,000	20%
	Above ₹ 8,00,000	30%	Above ₹ 8,00,000	30%
2013-14	Up to ₹ 2,50,000	Nil	Up to ₹ 2,00,000	Nil
	₹ 2,50,001 - ₹ 5,00,000	10%	₹ 2,40,001 - ₹ 5,00,000	10%
	₹ 5,00,001 - ₹ 10,00,000	20%	₹ 5,00,001 - ₹ 10,00,000	20%
	Above ₹ 10,00,000	30%	Above ₹ 10,00,000	30%

**Note** - Education cess@2% and secondary and higher education cess@1% was attracted on the income-tax for all above preceding years.

**(8 Marks)**

**Solution:**

Computation of tax payable by Mr. Hari for the A.Y.2020-21

Particulars	Incl. arrears of salary ₹	Excl. arrears of salary ₹
Current year salary (computed)	10,20,000	10,20,000
Add: Arrears of salary	3,45,000	-
Taxable Salary	13,65,000	10,20,000
Income-tax thereon	2,19,500	1,16,000
Add: Health and education cess @4%	8,780	4,640
<b>Total payable</b>	<b>2,28,280</b>	<b>1,20,640</b>

Computation of tax payable on arrears of salary if charged to tax in the respective AYs

Particulars	A.Y. 2011-12		A.Y. 2012-13		A.Y. 2013-14	
	Incl. Arrears (₹)	Excl. Arrears (₹)	Incl. Arrears (₹)	Excl. Arrears (₹)	Incl. Arrears (₹)	Excl. Arrears (₹)
Taxable salary	7,10,000	7,10,000	8,25,000	8,25,000	9,50,000	9,50,000
Add: Arrears of salary	1,03,000	-	1,17,000	-	1,25,000	-
<b>Taxable salary</b>	<b>8,13,000</b>	<b>7,10,000</b>	<b>9,42,000</b>	<b>8,25,000</b>	<b>10,75,000</b>	<b>9,50,000</b>
Tax on the above	97,900	76,000	1,34,600	99,500	1,47,500	1,15,000
Add: Cess @ 3%	2,937	2,280	4,038	2,985	4,425	3,450
<b>Tax payable</b>	<b>1,00,837</b>	<b>78,280</b>	<b>1,38,638</b>	<b>1,02,485</b>	<b>1,51,925</b>	<b>1,18,450</b>

Computation of relief under section 89

Particulars	₹	₹
Tax payable in A.Y.2019-20 on arrears:		
Tax on income including arrears	2,28,280	
Less: Tax on income excluding arrears	1,20,640	1,07,640

Tax payable in respective years on arrears :		
Tax on income including arrears (₹ 1,00,837 + ₹ 1,38,638 + ₹ 1,51,925)	3,91,400	
Less: Tax on income excluding arrears (₹ 78,280 + ₹ 1,02,485 + ₹ 1,18,450)	2,99,215	92,185
Relief under section 89 - difference between tax on arrears in A.Y 2020-21 and tax on arrears in the respective years		15,455

Tax payable for A.Y.2020-21 after relief under section 89

Particulars	₹
Income-tax payable on total income including arrears of salary	2,28,280
Less: Relief under section 89 as computed above	15,455
Tax payable after claiming relief	2,12,825

**(B)** Mr. Sudarshan, due to inadvertent reasons, failed to file his Income-tax return for the assessment year 2020-21 on or before the due date of filing such return of income.

- (i) Can he file the above return after due date of filing return of income? If yes, which is the last date for filing the above return?
- (ii) What are the consequences of non-filing the return within the due date under section 139(1)?

**(3 Marks)**

**Solution:**

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

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

The last date for filing return of income for A.Y.2020-21, therefore, is 31st March 2021. Thereafter, Mr. Sudarshan cannot furnish a belated return after this date.

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

Carry forward and set-off of certain losses: Business loss, speculation business loss, loss from specified business under section 35AD, loss under the head "Capital Gains"; and loss from the activity of owning and maintaining race horses, would not be allowed to be carried forward for set-off against income of subsequent years, where a return of income is not furnished within the time allowed under section 139(1).

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

Fee under section 234F: Fee of Rs.5,000 would be payable under section 234F, if the return of income is not filed on or before the due date specified in section 139(1) but filed on or before 31st December of the assessment year and Rs.10,000 would be the fee payable under section 234F where the return is furnished after 31st December of the assessment year. However, such fee cannot exceed Rs.1,000, if the total income does not exceed Rs.5,00,000.

(C) M submits the following information for previous year 2019-20 relevant to the assessment year 2020-21:

	Particulars	Amount (₹)
1.	Profit from Business A situated in Delhi	1,50,000
2.	Profit from Business B situated in Bombay	1,00,000
3.	Loss from Business C carried in New York (the business is controlled from India but profits are not received in India)	60,000
4.	Unabsorbed depreciation of business C	35,000
5.	Income from house property situated in India	10,000
6.	Income from house property situated in London (rent received in London)	20,000

Find out the Gross Total Income of M for the assessment year 2020-21 if he is (a) Resident in India (b) Not ordinarily resident in India and (c) Non-resident in India.

(3 Marks)

**Solution:**

Particulars	Resident ₹	Not Ordinarily Resident ₹	Non-Resident ₹
Business Income			
Business A (profit)	1,50,000	1,50,000	1,50,000
Business B (profit)	1,00,000	1,00,000	1,00,000
	2,50,000	2,50,000	2,50,000
Business C (Loss); (controlled from India but	(-) 60,000	(-) 60,000	Nil

received out of India)			
	1,90,000	1,90,000	2,50,000
Unabsorbed depreciation of business C	(-) 35,000	(-) 35,000	Nil
	1,55,000	1,55,000	2,50,000
Income from House property			
Property in India	10,000	10,000	10,000
Property in London	20,000	-	-
Gross Total Income	1,85,000	1,65,000	2,60,000



**BOTH GROUPS ₹ 21,240**

**SINGLE GROUP ₹ 11,800**

**SINGLE SUBJECT ₹ 5,900**

USE CODE

**NOV20**

\*EXCLUSIVE OFFER FOR CA INTERMEDIATE STUDENTS APPEARING IN NOVEMBER 2020. ON SINGLE GROUP AND BOTH GROUPS VIEWS ARE UNLIMITED BUT ON SINGLE SUBJECT VIEWS ARE LIMITED TO 1.5 TIMES

**SECTION -B**

**Question 5 is compulsory.**

**Answer any two from remaining three questions**

**Question 5.**

M/s. Grey, a registered taxable person under regular scheme provides following information in respect of supplies made by it during the month of April, 2019:

	<b>(All amount in rupees)</b>
(i) Inter-state supply of goods	1,00,000
(ii) Intra-state supply of 500 packets of detergent @ Rs.400 each alongwith a plastic bucket worth Rs.100 each with each packet, being a mixed supply. (Rate of GST on detergent is 18% and on plastic bucket is 28%)	
(iii) Supply of online educational journals to M/s. Pinnacle, a private coaching centre providing tuitions to students of Class X-XII, being intra-state supply.	50,000

M/s. Grey has also received the following inward supplies:

(iv) Inter-state supply of goods (out of which invoice for goods worth Rs.20,000 is missing and no other tax paying document is available)	70,000
(v) Repairing of bus with seating capacity of 20 passengers used to transport its employees from their residence, being intra-state supply.	50,000

Details of opening balances of ITC as on 1-4-2019 are as follows:

CGST	5,000
SGST	5,000
IGST	40,000

Following additional information is provided :

- (a) Rate of GST in respect of all inward and outward supplies except item (ii) above is 18%. i.e. CGST and SGST @ 9% and IGST @ 18%.
- (b) All figures mentioned above are exclusive of taxes.
- (c) All the conditions for availing the ITC have been fulfilled except specifically given and M/s. Grey is not eligible for any threshold exemption.

Compute the minimum net GST payable in cash by M/s. Grey for the month of April, 2019.

**(8 Marks)**

**Solution:**

Particulars	Value (Rs.)	CGST (Rs.)	SGST (Rs.)	IGST (Rs.)
<b>Total tax liability</b>				
Inter-State supply of goods	1,00,000			18,000
Intra-State supply of 500 packets of detergents along with a plastic bucket [Note-1]	2,00,000 (500 x 400)	28,000 (2,00,000 x 14%)	28,000 (2,00,000 x 14%)	
Supply of online educational journal to private coaching centre [Note-2]	50,000	4,500 (50,000 x 9%)	4,500 (50,000 x 9%)	
<b>Total tax liability (A)</b>		32,500	32,500	18,000
<b>Input tax credit (ITC)</b>				
Brought forward ITC		5,000	5,000	40,000
Inter-State purchase of goods [Note-3]	50,000			9,000
Repairing of bus with seating capacity of 20 passengers [Note-4]	50,000	4,500	4,500	
<b>Total ITC (B)</b>		9,500	9,500	49,000
<b>Minimum net GST payable in cash</b>				
Total tax liability		32,500	32,500	18,000
Less: Set off of IGST liability from IGST credit				(18,000)
Set off IGST credit against CGST and SGST liability in any order and in any proportion		(23,000)	(8,000)	
Set off of CGST and SGST credit against CGST and SGST liability respectively		(9,500) CGST	(9,500) SGST	
<b>Minimum net GST payable in cash</b>		Nil	15,000	Nil

**Notes:-**

- Supply of detergent and bucket together with a single price of Rs.400 is a mixed supply. Being a mixed supply comprising of two supplies, it shall be treated as supply of that particular supply that attracts highest rate of tax (28%).
- Supply of online educational journal is exempt only when the same is provided to an educational institution which provides a qualification recognised by law. Since, the private coaching centre does not provide any recognised qualification, the supply of online educational journals to the same will be taxable.
- ITC can be taken only on the basis of a valid tax paying document. Thus, ITC will not be available on goods for which the invoice is missing.
- ITC on motor vehicles for transportation of persons with seating capacity > 13 persons (including the driver) used for any purpose is allowed. Further, ITC is allowed on repair and maintenance services relating to motor vehicles, ITC on which is allowed.

Note: Under the amended position of law, the IGST credit, after being set off against IGST liability, can be utilised against CGST and SGST liability in any order and in any proportion. Thus, there

cannot be one answer for the minimum net CGST and SGST payable in cash [i.e. GST liability] as the amount of CGST and SGST liabilities are the same as also the amount of ITC for CGST and SGST is also the same.

### Question 6.

(A) Mrs. Lakshmi, intending to start a new business in January 2020, furnishes the following information pertaining to the period upto 31.03.2020

Estimated supplies	Rs.
Intra-State supplies of taxable goods	14,00,000
Intra-state supplies of exempt services	4,00,000
Export sales	3,20,000
Supplies made as agent of a principal	2,40,000

Ascertain the aggregate turnover. She wants to know whether she should get herself registered for GST purposes. You are required to help her. Further, what will be the GST payable by her, if the GST rate for taxable goods supplied is 18%?

(6 Marks)

### Solution:

Computation of aggregate turnover

Estimated supplies	Rs.
Intra-State supplies of taxable goods	14,00,000
Intra-state supplies of exempt services	4,00,000
Export sales	3,20,000
Supplies made as agent of a principal	2,40,000
Aggregate Turnover	23,60,000

Since the aggregate turnover exceeds Rs.20 lakhs, Mrs. Lakshmi has to get her registered.

Computation of taxable supplies and GST

Estimated supplies	Rs.
Intra-State supplies of taxable goods	14,00,000
Intra-state supplies of exempt services	Nil
Export sales	Nil
Supplies made as agent of a principal	Nil
Aggregate taxable supplies	14,00,000
Estimated GST payable:	
CGST @ 9%	1,26,000
SGST @ 9%	1,26,000

(B) PVR Multiplex has 8 screens, as the value of supply was less than Rs.200, recipient were unregistered and did not require tax invoice. PVR was issuing a consolidated tax invoice at the close of each day.

- (i) Can PVR continue to do so? If not, then what other option does PVR has now for pertaining to issuance of tax invoice?
- (ii) What if PVR was not a multiplex but a single screen cinema theatre?

**(4 Marks)**

**Solution:**

A registered person has an option to issue consolidated tax invoice for supplies at the close of each day where the value of goods or services supplies is less than Rs.200; recipient is unregistered and does not require tax invoice [in terms of section 31(3)(b) of the CGST Act read with fourth proviso to rule 46 of the CGST Rules].

As per Notification no. 33/2019 CT dated 18.07.2019, with effect from 01.09.2019, fourth proviso to rule 46 has been amended to disallow this option to a supplier engaged in making supply of services by way of admission to exhibition of cinematograph films in multiplex screens.

Further, with effect from 01.09.2019, a new sub-rule (4A) has been inserted in rule 54. Accordingly, a registered person who is supplying services by way of admission to exhibition of cinematograph films in multiplex screens shall be required to issue an electronic ticket. The said electronic ticket is deemed to be a tax invoice, even if such ticket does not contain the details of the recipient of service but contains the other information as mentioned under rule 46.

Moreover, supplier of such services in a screen other than multiplex screens also has been given an option to follow above procedure.

- (i) So, as per the above provisions, PVR cannot continue to do. It has to issue an electronic ticket for every supply as mentioned in the above notification.
- (ii) If PVR was a single screen cinema theatre, it would have an option to follow the above procedure.

**Question 7.**

(A) Queen Hotel Ltd., provider of rooms, charged rent per day per room as follows:

Particulars	Rs.
Room rent	550
Furniture rent	400
Air-conditioner rent	150
Refrigerator rent	50

Less: Discount	(50)
Net amount charged	1,100

During the month of Oct 20XX, 20 rooms are let out throughout the month, and balance 35 rooms are let out only for 15 days.

ITC available Rs.7,500.

The following GST rates are applicable for the hotel industry:

CGST 6% and SGST 6%.

Find the GST liability if any for the month of Oct 20XX.

**(5 Marks)**

**Solution:**

Working note:

(1) Since, value is Rs.1,100, Hotel Queen Ltd., is liable to pay GST:

Room rent	550
Furniture rent	400
Air-conditioner rent	150
Refrigerator rent	50
Less: Discount	(50)
Declared Tariff	1,100

(2) Taxable services

(20 rooms x 31 days x Rs.1,100)	6,82,000
(35 rooms x 15 days x Rs.1,100)	5,77,500
Total taxable services	12,59,500

Statement showing GST liability of Queen Hotel Ltd

Particulars	Value in Rs.	
Taxable supply of services:	12,59,500	
GST liability:		
	6% CGST	6%SGST
Output tax	75,570	75,570
Less: ITC	3,750	3,750
Total tax	71,820	71,820

**(B)** Would the following be considered as taxable supply of advertising/promoting or not?

- (i) "Good wishes from Mr. Rajesh" printed underneath a digital blackboard donated by Mr. Rajesh to a charitable Yoga institution.
- (ii) "Donated by Smt. Malati Devi in the memory of her father" written on the door or floor of a room or any part of a temple complex which was constructed from such donation.

**(3 Marks)**

**Solution:**

Individual donors provide financial help or any other support in the form of donation or gift to institutions such as religious institutions, charitable organisations, schools, hospitals, orphanages, old age homes etc. The recipient institutions place a name plate or similar such acknowledgement in their premises to express the gratitude.

When the name of the donor is displayed in recipient institution premises, in such a manner, which can be said to be an expression of gratitude and public recognition of donor's act of philanthropy and is not aimed at giving publicity to the donor in such manner that it would be an advertising or promotion of his business, then it can be said that there is no supply of service for a consideration (in the form of donation). There is no obligation (quid pro quo) on part of recipient of the donation or gift to do anything (supply a service). Therefore, there is no GST liability on such consideration.

In both (i) and (ii), there is no reference or mention of any business activity of the donor which otherwise would have got advertised. Here all the three conditions are satisfied namely the gift or donation is made to a charitable organization, the payment has the character of gift or donation and the purpose is philanthropic (i.e., it leads to no commercial gain) and not advertisement. Thus, GST is not leviable.

**(C)** Jal Ltd., a manufacturer of aerated water, makes Intra-State supplies with an aggregate turnover of Rs.21 lakh (in the previous AY 2019-20)

- (i) The owner of Jal Ltd. has asked your opinion on whether they can opt for composition scheme in the AY 2020-21?
- (ii) Would your answer be different if Jal Ltd. manufactured Ice cream?

**(2 Marks)**

**Solution:**

- (i) As per Notification No. 43/2019 CT dated 30.09.2019 & Notification No. 18/2019 CT (R) dated 30.09.2019, now a manufacturer of aerated water (Tariff item 2202 1010) will also not be eligible to opt for composition scheme.  
So, Jal Ltd. cannot opt for composition scheme as it manufactures aerated water.
- (ii) No, the answer would not be different if Jal Ltd. manufactured Ice cream because manufacturer of ice cream also cannot opt for composition scheme.

### Question 8.

(A)

- (i) X sells a mobile phone to Y. The cost of mobile phone is Rs. 40,000/- . However, X gives Y an option to pay in installments, Rs. 11,000/- every month before 10th day of the following month, over next four months (Rs. 11,000/-  $\times$  4 = Rs. 44,000/-). As per the contract, if there is any delay in payment by Y beyond the scheduled date, Y would be liable to pay additional/ penal interest amounting to Rs. 500/- per month for the delay. Will GST be applicable on additional /penal interest on the overdue loan?
- (ii) X sells a mobile phone to Y. The cost of mobile phone is Rs 40,000/- . Y has the option to avail a loan at interest of 2.5% per month for purchasing the mobile from M/s. ABC Ltd. The terms of the loan from M/s. ABC Ltd. allows Y a period of four months to repay the loan and an additional/ penal interest @ 1.25% per month for any delay in payment. Will GST be applicable on additional/penal interest on the overdue loan?

(5 Marks)

### Solution:

Circular No. 102/21/2019-GST dated 28.06.2019

As per the provisions of section 15(2)(d) of the CGST Act, the value of supply shall include interest or late fee or penalty for delayed payment of any consideration for any supply. Entry 27 of exemption notification, inter alia, exempts the services by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount (other than interest involved in credit card services).

Here, interest means interest payable in any manner in respect of any moneys borrowed/debt incurred (including a deposit, claim or other similar right or obligation), but does not include any service fee or other charge in respect of the moneys borrowed or debt incurred or in respect of any credit facility which has not been utilised.

- (i) In this case, the amount of penal interest is to be included in the value of supply [in terms of section 15(2)(d)]. The transaction between X and Y is for supply of taxable goods i.e. mobile phone. Accordingly, the penal interest would be taxable as it would be included in the value of the mobile, irrespective of the manner of invoicing.
- (ii) Here, the additional/ penal interest is charged for a transaction between Y and M/s. ABC Ltd., and the same is getting covered under exemption Entry 27. Consequently, in this case the 'penal interest' charged thereon on a transaction between Y and M/s. ABC Ltd. would not be subject to GST as the same would be covered under said exemption entry. However, any service fee/ charge or any other charges, if any, are levied by M/s. ABC Ltd.

in respect of the transaction related to extending deposits, loans or advances does not qualify to be interest as defined in exemption notification , and accordingly will not be exempt.

**(B)** Mr. Vijay, a registered supplier, receives 100 invoices (for inward supply of goods/ services) involving GST of Rs. 10 lakh, from various suppliers during the month of October 20XX.

Compute the ITC that can be claimed by Mr. Vijay in his GSTR-3B for the month of October 20XX to be filed by 20th November 20XX in the following independent cases assuming that GST of Rs. 10 lakh is otherwise eligible for ITC:

**Case I**

Out of 100 invoices, 80 invoices involving GST of Rs. 6 lakh have been uploaded by the suppliers in their respective GSTR-1s filed on the prescribed due date therefore.

**Case II**

Out of 100 invoices, 75 invoices involving GST of Rs. 8.5 lakh have been uploaded by the suppliers in their respective GSTR-1s filed on the prescribed due date therefore.

**(5 Marks)**

**Solution:**

As per sub-rule (4) of rule 36, ITC to be availed by a registered person in respect of invoices or debit notes, the details of which have not been uploaded by the suppliers in GSTR-1, cannot exceed 20% of the eligible credit available in respect of invoices or debit notes the details of which have been uploaded by the suppliers in GSTR-1.

**Case I**

ITC to be claimed by Mr. Vijay in his GSTR-3B for the month of October 20XX to be filed by 20<sup>th</sup> November 20XX will be computed as under-

<b>Invoices</b>	<b>Amount of ITC involved in the invoices (Rs.)</b>	<b>Amount of ITC that can be availed (Rs.)</b>
In respect of 80 invoices uploaded in GSTR-1	6 lakh	6 lakh [Refer Note 1 below]
In respect of 20 invoices not uploaded in GSTR-1	4 lakh	1.2 lakh [Refer Note 2 below]
<b>Total</b>	<b>10 lakh</b>	<b>7.2 lakh</b>

Notes:

(1) In respect of invoices uploaded by the suppliers in their GSTR-1, full ITC can be availed.

(2) The ITC in respect of invoices not uploaded has to be restricted to 20% of eligible ITC in respect of invoices uploaded in GSTR-1. Thus, in respect of 20 invoices not uploaded in GSTR-1s, the ITC has been restricted to Rs. 1.2 lakh [20% of Rs. 6 lakh].

## Case II

ITC to be claimed by Mr. Vijay in his GSTR-3B for the month of October 20XX to be filed by 20<sup>th</sup> November 20XX will be computed as under-

Invoices	Amount of ITC involved in the invoices (Rs.)	Amount of ITC that can be availed (Rs.)
In respect of 75 invoices uploaded in GSTR-1	8.5 lakh	8.5 lakh [Refer Note 1 below]
In respect of 25 invoices not uploaded in GSTR-1	1.5 lakh	1.5 lakh [Refer Note 2 below]
<b>Total</b>	<b>10 lakh</b>	<b>10 lakh</b>

Notes:

(1) In respect of invoices uploaded by the suppliers in their GSTR-1, full ITC can be availed.

(2) The ITC in respect of invoices not uploaded has to be restricted to 20% of eligible ITC in respect of invoices uploaded in GSTR-1. However, since in this case, the actual ITC [Rs. 1.5 lakh] in respect of 25 invoices not uploaded in GSTR-1 does not exceed 20% of the eligible ITC in respect of invoices uploaded in GSTR-1s [Rs. 1.7 lakh (20% of Rs. 8.5 lakh)], actual amount of ITC can be availed.

**USE CODE**

**AUG20**

<b>SINGLE SUBJECT</b> ₹ 5,900	<b>SINGLE GROUP</b> ₹ 8,850	<b>BOTH GROUPS</b> ₹ 17,700
----------------------------------	--------------------------------	--------------------------------

\*EXCLUSIVE OFFER FOR CA INTERMEDIATE STUDENTS APPEARING IN AUGUST 2020. ON SINGLE GROUP AND BOTH GROUPS VIEWS ARE UNLIMITED BUT ON SINGLE SUBJECT VIEWS ARE LIMITED TO 1.5 TIMES

**NOV20**

<b>SINGLE SUBJECT</b> ₹ 5,900	<b>SINGLE GROUP</b> ₹ 11,800	<b>BOTH GROUPS</b> ₹ 21,240
----------------------------------	---------------------------------	--------------------------------

\*EXCLUSIVE OFFER FOR CA INTERMEDIATE STUDENTS APPEARING IN NOVEMBER 2020. ON SINGLE GROUP AND BOTH GROUPS VIEWS ARE UNLIMITED BUT ON SINGLE SUBJECT VIEWS ARE LIMITED TO 1.5 TIMES

**CONCEPT**  
EDUCATION

## Contact Details

Call: 9228446565

Mail: [info@konceptca.com](mailto:info@konceptca.com)