

DATE - 11/10/2020

NAME - SHRUTI VARMA

NTP II - TAXATION

T = 3  
OT = -

Total 90 Marks out of 100 Marks

PART I

CASE STUDY 1

- 1 D ✓
- 2 C ✓
- 3 C ✓
- 4 B ✓

CASE STUDY 2

- 1 D ✓
- 2 C ✓
- 3 D ✓

30 Marks

CASE STUDY 3

- 1 B ✓
- 2 C ✓
- 3 B ✓
- 4 A ✓
- 5 C ✓

MCQs OTHER THAN CASE STUDIES

- 1 B ✓
- 2 D ✓
- 3 A ✓
- 4 B ✓
- 5 A ✓
- 6 C ✓

## PART II

## SECTION A

## QUESTION 2A

2A] INCOME FROM HOUSE PROPERTY OF MS PIHU FOR PY 2019-20

NOTE: From the Assessment Year 2020-21, if any assessee has occupied more than two house properties, then assessee at his option can consider any two houses as self occupied properties and the remaining house properties shall be considered as deemed let out property.

Thus Pihu should consider the most beneficial option while deciding which house properties shall be treated as self occupied.

OPTION I: House II and House III will be treated as self occupied property and House I to be treated as deemed let out property

6 Marks

PARTICULARS	HOUSE I	HOUSE II	HOUSE III
Gross Annual Value	100,000	NIL	NIL
↳ Municipal Taxes	-	-	-
Net Annual Value	100,000	NIL	NIL
↳ Standard deduction u/s 24(a)	(30,000)	-	-
↳ Interest on Housing loan u/s 24(b)	-	(50,000)	-
INCOME FROM HOUSE PROPERTY	70,000	(50,000)	NIL

∴ Income from House Property (Net) under this option  
= ₹40,000

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OPTION II: House I and House III will be treated as self occupied property and House II will be treated as deemed let out

PARTICULARS	HOUSE I	HOUSE II	HOUSE III
Gross Annual Value	NIL	1,85,000	NIL
(-) Municipal Taxes	-	(10,500)	-
Net Annual Value	NIL	1,74,200	NIL
(-) Standard deduction u/s 24(a)	-	(52,260)	-
(-) Interest on Housing loan u/s 24(b)	-	(35,000)	-
∴ INCOME FROM HOUSE PROPERTY	NIL	1,49,940	NIL

∴ Net Income from House Property under this option  
= ₹ 46,940

OPTION III: House I and House II will be treated as self occupied properties and House III will be treated as deemed let out property.

PARTICULARS	HOUSE I	HOUSE II	HOUSE III
Gross Annual Value	NIL	NIL	1,30,000
(-) Municipal Taxes	-	-	(12,000)
Net Annual Value	NIL	NIL	1,18,000
(-) Standard deduction u/s 24(a)	-	-	(35,400)
(-) Interest on Housing loan u/s 24(b)	-	(30,000)	-
∴ INCOME FROM HOUSE PROPERTY	NIL	(30,000)	82,600

∴ Net Income from House Property under this option  
= ₹ 52,600

CONCLUSION -

Since the most beneficial option for Mr. Pihu is option I, Mr. Pihu should opt to treat House II and

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House III as self occupied properties and House I as deemed let out property. The income from house property under this option will be ₹40,000, for PY 2019-20 (AY 2020-21).

QUESTION 2B

Q2B] GROSS TOTAL INCOME OF MR. MUSTOFA FOR FY 2019-20 (AY 2020-21)

SR NO	PARTICULARS	AMOUNT (₹)	AMOUNT (₹)
1	INCOME FROM SALARY	65,000	
	↳ Loss from House Property	(20,000)	45,000
2	INCOME FROM HOUSE PROPERTY	55,000	
	↳ Loss from House Property	(85,000)	NIL
3	PROFITS AND GAINS FROM BUSINESS		
	Income from Cloth Business	1,30,000	
	↳ Loss from Leather Business	(68,000)	1,02,000
4	CAPITAL GAINS		-
5	INCOME FROM OTHER SOURCES		
	Net Income from owning and maintaining race <del>horse</del> horse	<del>1500</del>	
	Income from crossword puzzle	12,000	
	Dividend from foreign company	8,500	<del>22,000</del>
	<b>GROSS TOTAL INCOME</b>		<b>5,74,000</b>

STATEMENT SHOWING CARRY FORWARD OF LOSSES

SR NO	PARTICULARS	AMOUNT (₹)
1	Loss from House Property	60,000
	It can be carried forward <sup>upto</sup> <del>for</del> eight assessment years immediately succeeding the assessment year for which the loss was computed.	
	It can be carried forward upto AY 2028-29.	

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9. Short Term capital loss in equity oriented funds on which STT

4 Marks

35000

it can be carried forward for 3 assessment ~~financial~~ years immediately succeeding the assessment year for which the loss was computed.

It can be carried forward upto AY 2028-29.

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QUESTION 3A

838] DETERMINATION OF RESIDENTIAL STATUS OF MR. DINESH FOR  
FY 2019-20 (AY 20-21)

→ An individual is said to be a resident in India if he satisfies any one of the following two conditions. If he does not satisfy any condition, he becomes non resident in India.

CONDITION I:

He is in India for a period of 182 days or more in the relevant previous year.

CONDITION II

He is in India for 60 days or more during the relevant previous year and he is 365 days or more during the four previous years immediately preceding the relevant previous year.

6 marks

→ However the period of 60 days is replaced by 182 days in the following conditions:

An Indian citizen who leaves India during the FY as a member of the crew of an Indian ship on call of foreign bound ship where the destination is outside India, there is uncertainty with regards to the basis of determination of the period of stay in India for crew members of such ships who are Indian citizen.

→ Therefore the period starting on ~~and~~ entry date or continuous discharge certificate and ending on exit date as per continuous discharge certificate shall be

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excluded from computing period of stay in India.

→ Hence the period of <sup>stay of</sup> Mr. Dinesh in India during PY 19-20 is 130 days which is less than 182 days, therefore Mr. Dinesh would be a NON RESIDENT for AY 20-21.

→ Since the residential status of Mr. Dinesh is Non Resident for AY 20-21 consequent to the number of days of stay in India, his period of stay in earlier days PYs in India become irrelevant.



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QUESTION 3B

Q3B) <sup>A</sup> No tax is required to be deducted at source by SBI from Rental payment to the government.

B) Tax is to be deducted at source by ABC Pvt Ltd on the commission of ~~₹4,00,000~~ ₹1,75,000 paid to Karan, a part time director. The tax deductible would be @ 10% i.e. ₹17,500.

C) Fees for professional service to Dr Kashyap paid on 11/1/2019 for personal purpose, is not liable to deduct tax at source.

D) John Cena, an American wrestler is a non resident and according to Income Tax Act any person responsible for paying an amount to a non resident person sports person who is not a citizen of India for contribution of articles relating to a India in a newspaper has to deduct tax @ 20%. Therefore Health and Education Cess @ 4% should also be added to TDS

$$\begin{aligned} \text{TDS} &= ₹1,50,000 \times 20.8\% \\ &= ₹31,200 \end{aligned}$$

7 Marks

QUESTION 1

(i) TOTAL TAXABLE INCOME AND TAX LIABILITY OF MR. R FOR FY 19-20 (AY 20-21)

SR No	PARTICULARS	AMOUNT (₹)	AMOUNT (₹)
A	COMPUTATION OF INCOME FROM HOUSE PROPERTY		
	Gross Annual Value	300000	
	(+) Municipal Taxes	(118000)	
	Net Annual Value	2,52,000	
	(-) Standard deduction u/s 24(a)	(75,600)	
	(-) Interest on Housing loan u/s 24(b)	-	
	∴ INCOME FROM HOUSE PROPERTY		1,76,400

10 Marks

B)	PROFITS AND GAINS FROM BUSINESS / PROFESSION		
	Net Profit as per Profit and Loss A/c		10,26,850
	Add: Disallowances		
	Bad debt recovered	24,000	
	Donation to Political Party	40,000	
	Book depreciation	1,40,950	
	Advance Tax for FY 2019-20	20,000	
	Municipal Taxes in respect of house property	49,000	
	Insurance Premium of let out property	12,000	3,81,750
	Less: Allowances		
	Tax depreciation	1,90,000	
	Rent for House Property received	3,00,000	
	Interest on debentures	8,000	
	Agricultural Income	1,80,000	
	Dividend from Indian company	20,000	(7,26,000)
	∴ INCOME FROM BUSINESS		6,99,800

C COMPUTATION OF CAPITAL GAIN

→ Shares of B Ltd:

Net Sale Consideration	₹ 3,000	
(-) Cost of Acquisition	(28,000)	
∴ Short Term Capital Loss u/s 50		(1,000)

→ Shares of C Ltd

Net Sale Consideration	40,500	
(-) Cost of Acquisition	(37,500)	
∴ Short Term Capital Gain u/s 50		3,000

→ Shares of X Ltd

Net Sale Consideration	67,500	
(-) Cost of Acquisition	(67,500)	
∴ Long Term Capital Gain		NIL
CAPITAL GAIN		2,000

d) COMPUTATION OF INCOME FROM OTHER SOURCES

Interest on Debentures	40,000	
Interest on Income Tax Refund	3,900	43,900

GROSS TOTAL INCOME 9,02,100

(-) Deduction u/s 80C (Fixed deposit)	(15,000)
(-) Deduction u/s 80DB (dependent father)	(50,500)
(-) Deduction u/s 80GBC (Political party)	(40,000)

TOTAL INCOME 7,96,600

TAX LIABILITY 1,12,029

(-) Relief under partial Integration (9360)

(-) Advance Tax (4,000)

(-) TDS on debentures (1,20,000)

INCOME TAX REFUND DUE 81,330

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Q.11 Computation of tax on Non Agricultural Income  
Since the assessee has agricultural income amounting to ₹1,80,000 it is subject to partial integration scheme.

STEP 1 Tax on (Agricultural + Non Agricultural Income) (Basic Tax)  
ie Tax on (₹1,80,000 + ₹3,94,600 + ₹50,000)  
= ₹1,64,700

STEP 2 Tax on (Agricultural Income + Basic Exemption Limit) (Basic Tax)  
ie Tax on (₹1,80,000 + ₹9,50,000)  
= ₹9,000

∴ Relief u/s under partial integration scheme = ₹9,000 + 4%

NOTES

1) In the absence of Municipal Value and Fair Rental value, actual rent received is considered as Gross Annual Value.

2) Insurance Premium in respect of House Property is not deductible separately as it is already considered in standard deduction u/s 24(c).

3) Cost of Acquisition of shares of ~~X~~ Ltd would be higher of Cost of shares AND (FMV as on 31/12/19 or Sale Price) whichever is lower.

Accordingly the same has been taken into consideration while computing LTCG of X Ltd.

4) Agricultural Income, dividend received from Indian Companies and maturity of life Insurance Policy is exempt from tax under prescribed sections.

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SECTION B

QUESTION #5

Q5] COMPUTATION OF MINIMUM GST PAYABLE BY MR CHAUHAN FOR THE MONTH OF APRIL 20XX

Sr. No	PARTICULARS	VALUE (₹)	CGST (₹)	SGST (₹)	IGST (₹)
a)	TOTAL TAX LIABILITY				
1	Inter state supply of goods	10,00,000	-	-	1,80,000
2	Intra state supply of goods	8,00,000	72,000	72,000	-
	TOTAL TAX LIABILITY		72,000	72,000	1,80,000
b)	INPUT TAX CREDIT				
1	Brought forward ITC		50,000	50,000	1,00,000
2	Inter state purchase of goods	5,00,000	-	-	90,000
3	Intra state purchase of goods	2,50,000	22,500	22,500	-
	TOTAL INPUT TAX CREDIT		72,500	72,500	1,90,000

8 Marks

MINIMUM GST PAYABLE IN CASH				
	Total Tax Liability	72,000	72,000	1,80,000
(+)	Set off of IGST ITC	-	(10,000)	(1,30,000)
(+)	Set off of CGST ITC	(72,000)	-	-
(+)	Set off of SGST ITC	-	(50,500)	-
=	Net Tax payable in cash	NIL	9,500	NIL
	Net ITC available	500	NIL	NIL

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QUESTION SA

QSA) Non performance of contract is the failure to fulfill the obligations in a contract. It is generally one of the conditions stipulated in any contract for supply of goods/ services.

Terminating non performance of a contract damages/ fines is treated as supply <sup>of service</sup> as it is made for a consideration by a person in the course of furtherance of business.

4 Marks

However, in case of supplies to Government, Non performance of contract by supplier of service for which consideration in the form of fines/ liquidated damages is payable is exempt from GST.

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QUESTION 8B

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Q8B] In GST returns are made from details of individual transactions, there is no requirement for having a revised return.

- Any need to revise a return may arise due to need to change a set of invoices of debit/credit notes. Instead of revising the return already submitted, the system of allows changing the details of transactions which are required to be updated. This can be done through the system which specifically provides tables for amending such records.
- Omissions / incorrect particulars discovered in the return can be rectified in the returns to be filed for the next month/quarter during which such discrepancies were noticed. Any tax payable as a result of such omission/error will be required to pay with interest.

5 marks

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QUESTION 7A

Q7A CGST Rules 2017 stipulates that the details of outward supplies of goods and / or services furnished in form GSTR1 shall include

→ Invoice wise details

A) Inter State and Intra State supplies made to registered person

B) Inter State supplies with invoice value of more than ₹2,50,000 made to unregistered person

→ consolidated details of

A) Inter State supplies made to ~~un~~ unregistered person for each tax rate

B) State wise Inter State supplies with ~~to~~ invoice value upto ₹250000 made to unregistered person for each rate of tax.

Therefore Mrs. Gauri Shankar should furnish the details of outward supplies of goods in the following manner.

SUPPLY	RECIPIENT	NATURE OF SUPPLY	VALUE	MANNER OF FURNISHING DETAIL
1.	Mr. A, a registered person	Inter State	2,20,000	Invoice wise details
2.	Mr. B, a registered person	Inter State	2,55,000	Invoice wise details
3.	Mr. C an unregistered person	Intra State	1,80,000	Consolidated details of 3 and 4
4.	Mr. D, an unregistered person	Intra State	2,60,000	—



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- |    |                             |             |          |                                |
|----|-----------------------------|-------------|----------|--------------------------------|
| 5  | Mr M an unregistered person | Intra state | 2,00,000 | Invoice <del>and</del> detail  |
| 6  | Mr N an unregistered person | Intra state | 50,000   | Consolidated details of        |
| 7  | Mr O an unregistered person | Intra state | 2,50,000 | Supply (B7)                    |
| 8  | Mr P an unregistered person | Intra state | 2,90,000 | Invoice <del>and</del> details |
| 9  | Mr Q a registered person    | Intra state | 1,50,000 | Invoice <del>and</del> details |
| 10 | Mr R a registered person    | Intra state | 4,10,000 | Invoice <del>and</del> details |

6 Marks

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QUESTION 8B

Q7B) Computation of net GST liability of Multi Service Pvt limited

Particulars	Value of Supply	CGST	SGST	IGST
1. Fees for coaching provided to students	6,24,000	9%	9%	18%
2. Service towards conduct of examination	19,000	-	-	-
3. Service of transportation for students and faculty	31,000	-	-	-
4. Security and Housekeeping services	36,000	-	-	-
Total GST Liability		56,160	56,160	NIL

NOTES

1. Since coaching service run by Multi Service private limited do not grant qualification recognised by law, fees for coaching provided shall be liable to GST.
2. Since parent university provides qualification recognised by law, it is an educational institution, services provided in relation to examination is exempt from GST.
3. An educational institution providing services for transportation of students and faculty is exempt from tax.
4. Security and house keeping services provided within the premises of educational institutions are exempt from tax.

4 marks