

PAPER 4: TAXATION

SECTION A: INCOME TAX LAW

The Income-tax law, as amended by the Finance Act, 2021, including significant notifications/circulars issued and legislative amendments made upto 30th April, 2022, are applicable for November, 2022 examination. The relevant assessment year for November, 2022 examination is A.Y.2022-23. The June, 2021 edition of the Study Material is based on the provisions of Income-tax law as amended by the Finance Act, 2021 and significant notifications/circulars issued and legislative amendments made upto 15.6.2021, and hence, the same is relevant for November 2022 examination. The statutory update containing significant notifications/circulars issued upto 30.04.2022 which are relevant for November, 2022 examination but not covered in the June 2021 edition of the Study Material is web hosted at <https://resource.cdn.icai.org/70930bos56927.pdf>

QUESTIONS AND ANSWERS

Case Scenario

High Tech Ltd., a real estate development company, entered into an agreement with Mr. Sakshar, a resident individual on 25.6.2019 as per which Mr. Sakshar agrees to transfer a plot of land measuring 12 acres in New Delhi to High Tech Ltd. Mr. Sakshar purchased such land on 14.7.2017 for ₹ 80,50,000.

High Tech Ltd. has planned to develop a high-rise society of 250 flats on such land. In consideration, High Tech Ltd. paid a part consideration of ₹ 1 crore to Mr. Sakshar on the date of agreement and would provide 3 flats in the society to him as final settlement.

The certificate of completion of society was issued by the authority as on 10.8.2021. On such date, stamp duty value of each flat in the society was ₹ 2,51,00,000. Subsequently on 31.8.2021, Mr. Sakshar sold 2 flats in the society to Mr. Kevin for a consideration of ₹ 2,70,00,000 each while the stamp duty value of each flat on such date was ₹ 2,98,00,000. During the P.Y. 2021-22, Mr. Kevin has earned salary income of ₹ 30,50,000.

Out of the proceeds received on sale of land, Mr. Sakshar has purchased a house on 08.09.2021 for a consideration of ₹ 47,00,000 and occupied for own residence. Mr. Sakshar has taken a loan of ₹ 35,00,000 (80% of stamp duty value) from SBI for purchase of such house which was sanctioned and disbursed at the interest rate of 12% p.a. on 01.07.2021. He does not own any other residential house on the date of sanction of loan. Mr. Kevin and Mr. Sakshar do not opt for section 115BAC.

Cost Inflation Index: 2021-22: 317; 2019-20: 289; 2017-18: 272

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

1. What would be the tax, if any, required to be deducted by High Tech Ltd. in respect of agreement entered into with Mr. Sakshar?
 - (a) ₹ 10,00,000
 - (b) ₹ 85,30,000
 - (c) ₹ 8,53,000
 - (d) ₹ 1,00,000
2. What would be the capital gain in the hands of Mr. Sakshar in respect of the agreement entered into with High Tech Ltd. and in which year it would be taxable?
 - (a) ₹ 7,59,18,199 in P.Y. 2021-22
 - (b) ₹ 7,20,46,875 in P.Y. 2021-22
 - (c) ₹ 7,72,50,000 in P.Y. 2021-22
 - (d) ₹ 7,67,46,875 in P.Y. 2019-20
3. Determine the capital gain/loss in the hands of Mr. Sakshar in respect of sale of 2 flats to Mr. Kevin during the P.Y. 2021-22.
 - (a) (₹ 28,66,666)
 - (b) ₹ 38,00,000
 - (c) ₹ 94,00,000
 - (d) ₹ 27,33,334
4. What would be the total income of Mr. Kevin for the P.Y. 2021-22?
 - (a) ₹ 30,50,000
 - (b) ₹ 86,50,000
 - (c) ₹ 86,00,000
 - (d) ₹ 30,00,000
5. What would be the total income (rounded off) of Mr. Sakshar for the P.Y. 2021-22?
 - (a) ₹ 7,46,30,210
 - (b) ₹ 7,96,68,330
 - (c) ₹ 8,50,03,200
 - (d) ₹ 7,35,65,210

6. Mr. Raj, aged 65 years, is a salaried person. He has taken a LIP on his major son's name on 01.11.2014. The sum assured of LIP is ₹ 16,00,000 and the premium payable is ₹ 1,70,000. He has also taken a medical policy of ₹ 10,00,000 for self and his wife on 01.11.2021. The medical policy is valid for 5 years. He has paid one time premium of ₹ 1,80,000. What is the total deduction available to Mr. Raj for A.Y. 2022-23?
- (a) ₹ 1,86,000
(b) ₹ 1,96,000
(c) ₹ 1,90,000
(d) ₹ 1,80,000
7. Mr. Karan completed his MBA in April 2021 and joined XYZ Ltd from 01.05.2021. His basic salary is ₹ 2,25,000 p.m. He is paid 12% of basic salary as D.A forming part of retirement benefits. He contributed 11% of his pay and D.A. towards recognized provident fund and the company contributes the same amount. Accumulated interest on provident fund as on 31.3.2022 is ₹ 49,325. What would be the income chargeable to tax under the head "Salaries" of Mr. Karan for the A.Y. 2022-23 if he does not opt for section 115BAC?
- (a) ₹ 27,26,442
(b) ₹ 27,30,884
(c) ₹ 27,22,000
(d) ₹ 27,71,325
8. Mrs. Kajal, the General Manager of M/s Gold Ltd. was paid a salary ₹ 4,50,000 per month. The above salary includes non-monetary perquisite of ₹ 50,000 per month. As per the terms of employment, tax on non-monetary perquisite is to be borne by M/s Gold Ltd. Mrs. Kajal's contribution towards PPF is ₹ 1,50,000. What would be the amount of tax to be deducted by M/s Gold Ltd. from the salary of Mrs. Kajal if she intimated M/s Gold Ltd. to opt for provisions of section 115BAC for A.Y. 2022-23?
- (a) ₹ 13,80,427
(b) ₹ 15,52,980
(c) ₹ 12,54,936
(d) ₹ 13,88,970
9. Mr. Dhanush, an Indian citizen aged 35 years, worked in ABC Ltd. in Mumbai. He got a job offer from XYZ Inc., USA on 01.06.2020. He left India for the first time on 31.07.2020 and joined XYZ Inc. on 08.08.2020. During the P.Y. 2021-22, Mr. Dhanush visited India from 25.05.2021 to 22.09.2021. He has received the following income for the previous year 2021-22 –

Particulars	₹
Salary from XYZ Inc., USA received in USA	7,00,000
Dividend from Indian companies	5,50,000
Agricultural income from land situated in Punjab	55,000
Rent received/receivable from house property in Lucknow	4,00,000
Profits from a profession in USA, which was set up in India, received there	6,00,000

Determine the residential status of Mr. Dhanush and compute his total income for the A.Y. 2022-23

10. Mr. Roy owns a house in Kolkata. During the previous year 2021-22, 3/4th portion of the house was self-occupied and 1/4th portion was let out for residential purposes at a rent of ₹ 12,000 p.m. The tenant vacated the property on 28th February, 2022. The property was vacant during March, 2022. Rent for the months of January 2022 and February 2022 could not be realised in spite of the owner's efforts. All the conditions prescribed under Rule 4 are satisfied.

Municipal value of the property is ₹ 4,50,000 p.a., fair rent is ₹ 4,70,000 p.a. and standard rent is ₹ 5,00,000. He paid municipal taxes @10% of municipal value during the year. A loan of ₹ 30,00,000 was taken by him during the year 2012 for acquiring the property. Interest on loan paid during the previous year 2021-22 was ₹ 1,51,000. Compute Roy's income from house property for the A.Y. 2022-23.

11. Mr. Ramesh, a property dealer, has developed an independent floor of 4 residential units. He sold one of its residential units to Mr. Vikas, who is a dealer in spare parts, for ₹ 55 lakhs on 01.06.2021. The agreement was, however, entered into on 01.04.2021. Mr. Ramesh had received a down payment of ₹ 5 lakhs by an account payee cheque from Mr. Vikas on the date of agreement.

Mr. Ramesh sold remaining 3 residential units to Mr. Raj, Mr. Ashok and Mr. Ashish for ₹ 60 lakhs each on 01.12.2021. All the units were transferred by way of first time allotment.

The stamp duty value of each residential unit on various dates are as follows -

01.04.2021 – ₹ 65 lakhs

01.06.2021 - ₹ 68 lakhs

01.12.2021 – ₹ 70 lakhs

Discuss the tax consequences of above transactions, in the hands of each one of them, viz, Mr. Ramesh, Mr. Vikas, Mr. Raj, Mr. Ashok and Mr. Ashish.

12. Mr. Kabir, a resident individual aged 45 years, furnishes the following particulars of his income and other details for the previous year 2021-22:

Particulars	Amount (₹)
Income from tea business	5,00,000
Losses from sugar business	4,00,000
Dividend from Indian company carrying on agricultural operations (gross)	1,00,000
Agricultural income	55,000
Salary received as a partner from a partnership firm. The same was allowed to the firm.	4,50,000
Net annual value of house property	4,20,000
Loss from gambling	1,00,000
Short term capital gains on sale of land	75,000
Loss on sale of shares listed in BSE. Shares were held for 15 months and STT paid on sale and acquisition	3,00,000
Life insurance premium paid (10% of the capital sum assured)	80,000
Bank interest on Fixed deposit (gross)	55,000
Interest on saving bank account	13,000

The other details of brought forward losses pertaining to A.Y. 2021-22 are as follow:

Particulars	Amount (₹)
Brought forward business loss from sugar business	1,00,000
Brought forward short term capital loss	45,000
Brought forward loss from house property	3,00,000
Brought forward loss from maintenance of race horses	60,000

Compute the total income of Mr. Kabir for the Assessment Year 2022-23 and the amount of loss, if any, that can be carried forward, if he does not opt for section 115BAC.

13. Mr. Kamal, having business of manufacturing of consumer items and other products, gives the following Trading and Profit & Loss Account for the year ended 31.03.2022:

Trading and Profit & Loss Account

Particulars	₹	Particulars	₹
Opening Stock	5,62,500	Sales	2,33,25,000
Purchases	1,88,62,500	Closing Stock	6,75,000

Freight & Cartage	1,89,000		
Gross profit	43,86,000		
	2,40,00,000		2,40,00,000
Bonus to staff	71,250	Gross profit	43,86,000
Rent of premises	80,250	Income-tax refund	30,000
Advertisement	7,500	Warehousing charges	22,50,000
Bad Debts	1,12,500		
Interest on loans	2,51,250		
Depreciation	1,07,250		
Goods and Services tax demand paid	1,62,525		
Miscellaneous expenses	7,88,475		
Net profit of the year	50,85,000		
	66,66,000		66,66,000

Following are the further information relating to the financial year 2021-22:

- (i) Income-tax refund includes amount of ₹ 4,570 of interest allowed thereon.
- (ii) Bonus to staff includes an amount of ₹ 7,500 relating to P.Y. 2020-21, paid in the month of December 2021.
- (iii) Advertisement expenses include an amount of ₹ 2,500 paid for advertisement published in the souvenir issued by a political party. The payment is made by way of an account payee cheque.
- (iv) Miscellaneous expenses include:
 - (a) amount of ₹ 15,000 paid towards penalty for non-fulfillment of delivery conditions of a contract of sale for the reasons beyond control,
 - (b) amount of ₹ 1,00,000 paid to Political Party by cheque.
- (v) Goods and Services Tax demand paid includes an amount of ₹ 5,300 charged as penalty for delayed filing of returns and ₹ 12,750 towards interest for delay in deposit of tax.
- (vi) Mr. Kamal had purchased a warehouse building of ₹ 20 lakhs in rural area for the purpose of storage of agricultural produce. This was made available for use from 15.07.2021 and the income from this activity is credited in the Profit and Loss account under the head "Warehousing charges".
- (vii) Depreciation under the Income-tax Act, 1961 works out at ₹ 65,000.

- (x) Interest on loans includes an amount of ₹ 80,000 paid to Mr. X, a resident, on which tax was not deducted.

Compute the total income and tax liability of Mr. Kamal for the A.Y. 2022-23 in a most beneficial manner.

14. State Government of Madhya Pradesh grants a lease of coal mine to ABC Co. Ltd., an Indian company, on 1.10.2021 and charged ₹ 8 crores for the lease. ABC Co. Ltd. sold coal for ₹ 2 crores to Mahapower Ltd., another Indian company, during the previous year 2021-22. Mahapower Ltd. furnishes a declaration to ABC Co. Ltd. that the coal is to be utilized for the purpose of generation of power. The turnover of ABC Co. Ltd. and Mahapower Ltd. for the F.Y. 2020-21 amounted to ₹ 11 crores and ₹ 12 crores, respectively. What is the amount of tax required to be deducted or collected at source in respect of the above transactions, if any?
15. Mr. Vikas, a resident in India aged 80 years, is having a house property in Mumbai. He has let out the house property to ABC Ltd. for a rent of ₹ 50,000 per month from 1.4.2021. He does not have any other source of income. Is Mr. Vikas required to file his return of income for A.Y. 2022-23. If yes, why?

SUGGESTED ANSWERS

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

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

9. As per section 6(1), an Indian citizen or a person of Indian origin who, being outside India, comes on a visit to India would be resident in India if he or she stays in India for a period of 182 days or more during the relevant previous year in case such person has total income, other than the income from foreign sources, not exceeding ₹ 15 lakhs. However, if such person has total income, other than the income from foreign sources, exceeding ₹ 15 lakhs, he would also be a resident if he has been in India for at least 120 days during the relevant previous year and has been in India during the 4 years immediately preceding the previous year for a total period of 365 days or more. In such a case, he would be resident but not ordinarily resident in India.

Income from foreign sources means income which accrues or arises outside India (except income derived from a business controlled in or a profession set up in India) and which is not deemed to accrue or arise in India.

In this case, total income, other than the income from foreign sources, of Mr. Dhanush for P.Y. 2021-22 would be

Particulars	Amount (₹)
Salary from XYZ Inc., USA received in USA (Not included in total income, since it is income from foreign source)	-
Dividend from Indian companies (Included in total income, since deemed to accrue or arise in India)	5,50,000
Agricultural income from land situated in Punjab [Exempt u/s 10(1)]	-
Rent received/receivable from house property in Lucknow 4,00,000 (Included in total income, since deemed to accrue or arise in India)	4,00,000
Less: 30% of ₹ 4 lakhs <u>1,20,000</u>	2,80,000
Profits from a profession in USA, which was set up in India, received there	6,00,000
Total income, other than the income from foreign sources	14,30,000

Since, Mr. Dhanush is an Indian citizen who comes on a visit to India only for 121 days in the P.Y. 2021-22 and his total income, other than income from foreign sources does not exceed ₹ 15 lakhs, he would be non-resident for the A.Y. 2022-23.

A non-resident is chargeable to tax in respect of income received or deemed to receive in India and income which accrues or arises or is deemed to accrue or arise to him in India. Accordingly, his total income would be as follow –

Particulars	Amount (₹)
Salary from XYZ Inc., USA received in USA (Not taxable, since it neither accrues or arises in India nor is it received in India)	-
Dividend from Indian companies (Taxable, since deemed to accrue or arise in India)	5,50,000
Agricultural income from land situated in Punjab [Exempt u/s 10(1)]	-
Rent received/receivable from house property in Lucknow 4,00,000 (Taxable, since it is deemed to accrue or arise in India)	4,00,000
Less: 30% of ₹ 4 lakhs <u>1,20,000</u>	2,80,000
Profits from a profession in USA, which was set up in India, received there	-
Gross Total Income/ Total income	8,30,000

10. There are two units of the house. Unit I with 3/4th area is used by Mr. Roy for self-occupation throughout the year and no benefit is derived from that unit, hence, it will be treated as self-occupied and its annual value will be nil. Unit 2 with 1/4th area is let-out during the previous year and its annual value has to be determined as per section 23(1).

Computation of Income from house property of Mr. Roy for the A.Y. 2022-23

Particulars	₹	
Unit I (3/4th area – self-occupied)		
Annual Value		Nil
Less: Deduction under section 24(b) 3/4th of ₹ 1,51,000		1,13,250
Income from Unit I (self-occupied)		(1,13,250)
Unit II (1/4th area – let out)		
Computation of GAV		
Step 1 – Computation of Expected Rent (ER)		
ER = Higher of municipal value (MV) and fair rent (FR), but restricted to standard rent (SR).	1,17,500	
However, in this case, standard rent of ₹ 1,25,000 (1/4th of ₹ 5,00,000) is more than the higher of MV of ₹ 1,12,500 (1/4th of ₹ 4,50,000) and FR of ₹ 1,17,500 (1/4th of ₹ 4,70,000). Hence the higher of MV and FR is the ER. In this case, it is the fair rent.		
Step 2 – Computation of actual rent received/ receivable		
₹ 12,000 × 9 = 1,08,000	1,08,000	
[The property was let-out for 11 months. However, rent for 2 months i.e., January and February, 2022 could not be realized. Actual rent should not include any amount of rent which is not capable of being realized. Therefore, actual rent has been computed for 9 months]		
Step 3 – Computation of GAV		
The actual rent of ₹ 1,08,000 is lower than expected rent of ₹ 1,17,500 owing to vacancy, since had the property not been vacant in March 2022, the actual rent would have been ₹ 1,20,000 (i.e. ₹ 1,08,000 + ₹ 12,000), which is higher than the ER of ₹ 1,17,500. Therefore, actual rent is the GAV.	1,08,000	
Gross Annual Value (GAV)		1,08,000
Less: Municipal taxes paid by the owner during the previous year relating to let-out portion		

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1/4th of (10% of ₹ 4,50,000) = ₹ 45,000/4 = ₹ 11,250		11,250
Net Annual Value (NAV)		96,750
Less: Deductions under section 24		
(a) 30% of NAV = 30% of ₹ 96,750	29,025	
(b) Interest paid on borrowed capital (relating to let out portion) [1/4th of ₹ 1,51,000]	37,750	66,775
Income from Unit II (let-out)		29,975
Loss under the head "Income from house property" (-1,13,250 + 29,975)		-83,275

Note – Alternatively, as per income-tax returns, unrealized rent can be deducted from GAV. In such a case, GAV would be ₹ 1,32,000, being higher of expected rent of ₹ 1,17,500 and actual rent of ₹ 1,32,000. Thereafter, unrealized rent of ₹ 24,000 and municipal taxes of ₹ 11,250 would be deducted from GAV of ₹ 1,32,000 to arrive at the NAV of ₹ 96,750.

11.

I	Tax consequences in the hands of Mr. Ramesh
	<p>In the hands of Mr. Ramesh, the provisions of section 43CA would be attracted, since he is a property dealer and he has transferred the residential units for a consideration less than the stamp duty value.</p> <p>The consideration received would be the full value of consideration if the stamp duty value does not exceed 110% of the consideration received.</p> <p>In case of transfer of a residential unit by way of first time allotment between 12.11.2020 to 30.06.2021, where the consideration does not exceed ₹ 2 crores, the consideration received would be the full value of consideration if the stamp duty value does not exceed 120% of the consideration received.</p> <p>Under section 43CA, the option to adopt the stamp duty value on the date of agreement can be exercised only if whole or part of the consideration has been received on or before the date of agreement by way of, <i>inter alia</i>, account payee cheque.</p> <p>In respect of residential unit sold to Mr. Vikas</p> <p>In case of residential unit sold to Mr. Vikas, since the down payment of ₹ 5 lakhs is received on the date of agreement by account payee cheque, stamp duty value on the date of agreement would be considered.</p> <p>Accordingly, in this case, business income would be computed in the hands of Mr. Ramesh for A.Y.2022-23, taking the consideration of ₹ 55 lakhs as the full value of consideration arising on transfer of residential unit, since the stamp duty value of ₹ 65 lakhs on the date of agreement does not exceed 120% of the actual consideration of ₹ 55 lakhs and all the other conditions are satisfied.</p>

	<p>In respect of residential unit sold to Mr. Raj, Mr. Ashok and Mr. Ashish</p> <p>In case of residential unit sold to Mr. Raj, Mr. Ashok and Mr. Ashish, business income would be computed in the hands of Mr. Ramesh for A.Y.2022-23, taking the stamp duty value of ₹ 70 lakhs as the full value of consideration arising on transfer of each residential unit, since the same exceeds 110% of the actual consideration of ₹ 60 lakhs. Therefore, the full value of consideration would be ₹ 210 lakhs (₹ 70 lakhs x 3).</p>
II	<p>Tax consequences in the hands of Mr. Vikas</p>
	<p>In case, immovable property is received for inadequate consideration, the difference between the stamp duty value and actual consideration would be taxable under section 56(2)(x) in the hands of the recipient, if such difference exceeds the higher of ₹ 50,000 or 10% of actual sales consideration. However, in case of a residential unit purchased by way of first time allotment between 12.11.2020 to 30.06.2021, where the consideration does not exceed ₹ 2 crores, difference would be taxable if such difference exceeds the higher of ₹ 50,000 or 20% of actual sales consideration.</p> <p>The option to adopt the stamp duty value on the date of agreement can be exercised only if whole or part of the consideration has been paid on or before the date of agreement by way of, <i>inter alia</i>, account payee cheque.</p> <p>In this case, since the down payment of ₹ 5 lakhs is paid on the date of agreement by account payee cheque, stamp duty value on the date of agreement would be considered.</p> <p>No income would be taxable in the hands of Mr. Vikas under the head “Income from Other Sources” in A.Y.2022-23 since the difference between the stamp duty value of ₹ 65 lakhs and actual consideration of ₹ 55 lakhs does not exceed ₹ 11,00,000, being the higher of ₹ 50,000 and 20% of actual sale consideration of ₹ 55 lakhs.</p>
III	<p>Tax consequences in the hands of Mr. Raj, Mr. Ashok and Mr. Ashish</p>
	<p>In case, immovable property is received for inadequate consideration, the difference between the stamp duty value and actual consideration would be taxable under section 56(2)(x) in the hands of the recipient, if such difference exceeds the higher of ₹ 50,000 or 10% of actual sales consideration.</p> <p>In this case, ₹ 10 lakhs would be taxable in the hands of Mr. Raj, Mr. Ashok and Mr. Ashish each under the head “Income from Other Sources” in A.Y. 2022-23 since the difference between the stamp duty value of ₹ 70 lakhs and actual consideration of ₹ 60 lakhs exceeds ₹ 6,00,000, being the higher of ₹ 50,000 and 10% of actual sale consideration of ₹ 60 lakhs.</p>

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12. **Computation of total income of Mr. Kabir for A.Y. 2022-23**

Particulars	Amount (₹)	Amount (₹)
Income from house property		
Net annual value	4,20,000	
Less: Deduction under section 24 (30% of ₹ 4,20,000)	<u>1,26,000</u>	
	2,94,000	
Less: Brought forward loss of ₹ 3 lakhs from house property set off to the extent of ₹ 2,94,000	<u>2,94,000</u>	-
Profit and gains from business or profession		
Income from tea business (40% is business income)	2,00,000	
Salary received as partner from a partnership firm is taxable under the head "Profits and gains from business or profession"	<u>4,50,000</u>	
	6,50,000	
Less: Losses from sugar business	<u>4,00,000</u>	
	2,50,000	
Less: Brought forward business loss from sugar business	<u>1,00,000</u>	1,50,000
Capital Gains		
Short term capital gains on sale of land	75,000	
Less: Brought forward short term capital loss	<u>45,000</u>	30,000
Income from Other Sources		
Dividend from Indian company	1,00,000	
Agricultural income (exempt)	-	
Bank interest on Fixed deposit	55,000	
Interest on saving bank account	<u>13,000</u>	<u>1,68,000</u>
Gross Total Income		3,48,000
Less: Deduction under section 80C (life insurance premium paid)	80,000	
Less: Interest on saving bank account under section 80TTA, to the extent of	<u>10,000</u>	<u>90,000</u>
Total Income		<u>2,58,000</u>

Losses to be carried forward to A.Y. 2023-24

Particulars	Amount (₹)
Loss from house property of A.Y. 2021-22	6,000

Loss from maintenance of race horses of A.Y. 2021-22	60,000
Long term capital loss on sale of STT paid listed shares	3,00,000

Notes –

- 60% of the income from tea business is treated as agricultural income and therefore, exempt from tax.
- Agricultural income is exempt under section 10(1).
- Loss from gambling can neither be set off against any other income, nor can be carried forward.
- Long term capital loss on sale of shares on which STT is paid at the time of acquisition and sale can be set off against long term capital gain only. Since there is no long term capital gains in A.Y. 2022-23, it has to be carried forward for set-off against long term capital gains, if any, during A.Y. 2023-24.
- As per section 74A(3), loss from maintenance of race horses (current year or brought forward) can be set-off only against income from the activity of owning and maintaining race horses. Since there is no income from the activity of owning and maintaining race horses in A.Y. 2022-23, it has to be set off against the income from the activity of owning and maintaining race horses, if any, in A.Y. 2023-24.

13. Computation of total income of Mr. Kamal for the A.Y.2022-23

Particulars	₹
Net profit as per profit and loss account	50,85,000
Less: Income-tax refund credited in the profit and loss account, out of which interest on such refund is only taxable, which is to be considered separately under the head "Income from other sources"	<u>30,000</u>
	50,55,000
Add: Expenses either not allowable or to be considered separately but charged in the profit & loss account	
- Advertisement in the souvenir of political party not allowable as per section 37(2B) (See Note 2)	2,500
- Payment made to political party by cheque (See Note 4)	1,00,000
- Penalty levied by the Goods and Services tax department for delayed filing of returns not allowable as being paid for infraction of law (See Note 5)	5,300
- Depreciation as per books	1,07,250

- 30% of interest paid on loan paid to Mr. X, a resident, without deduction of tax at source not allowable as per section 40(a)(ia)	24,000
	52,94,050
Less: Depreciation allowable as per Income-tax Act, 1961	65,000
	52,29,050
Less: Income from specified business (warehousing charges) credited to profit and loss account, to be considered separately	22,50,000
Income from business (other than specified business)	29,79,050
Computation of income/ loss from specified business	
Income from specified business	₹ 22,50,000
Less: Deduction under section 35AD @ 100% of ₹ 20 lakhs (See Note 6)	₹ 20,00,000
Income from specified business	2,50,000
Profits and gains from business or profession	32,29,050
Income from Other Sources	
Interest on income-tax refund	4,570
Gross Total Income	32,33,620
Less: Deduction under section 80GGC	
Contribution to Political Party (See Note 4)	1,00,000
Total Income	31,33,620

Notes –

- (1) Bonus for the previous year 2020-21 paid after the due date for filing return for that year would have been disallowed under section 43B for the P.Y.2020-21. However, when the same has been paid in December 2021, it should be allowed as deduction in the P.Y.2021-22 (A.Y.2022-23). Since it is already included in the figure of bonus to staff debited to profit and loss account of this year, no further adjustment is required.
- (2) The amount of ₹ 2,500 paid for advertisement in the souvenir issued by a political party attracts disallowance under section 37(2B).
- (3) The penalty of ₹ 15,000 paid for non-fulfilment of delivery conditions of a contract for reasons beyond control is not for the breach of law but was paid for breach of contractual obligations and therefore, is an allowable expense.
- (4) Payment to political party qualifies for deduction under section 80GGC since the payment is made by way of a cheque. However, since the amount has been debited

to profit and loss account, the same has to be added back for computing business income.

- (5) The interest of ₹ 12,750 paid on the delayed deposit of goods and services tax is for breach of contract and hence, is allowable as deduction. However, penalty of ₹ 5,300 for delay in filing of returns is not allowable since it is for breach of law.
- (6) Deduction @ 100% of the capital expenditure is available under section 35AD in respect of specified business of setting up and operating a warehouse facility for storage of agricultural produce which commences operation on or after 1.04.2009.

Computation of tax liability of Mr. Kamal for A.Y. 2022-23 under the regular provisions of the Act

Particulars	₹	₹
Tax on total income of ₹ 31,33,620		
Upto ₹ 2,50,000	Nil	
₹ 2,50,001 – ₹ 5,00,000 [@5% of ₹ 2.50 lakh]	12,500	
₹ 5,00,001 – ₹ 10,00,000 [@20% of ₹ 5,00,000]	1,00,000	
₹ 10,00,001- ₹ 31,33,620 [@30% of ₹ 21,33,620]	<u>6,40,086</u>	7,52,586
Add: Health and education cess@4%		<u>30,103</u>
Total tax liability		<u>7,82,689</u>
Total tax liability (rounded off)		7,82,690

Computation of adjusted total income and AMT of Mr. Kamal for A.Y. 2022-23

Particulars	₹	₹
Total Income (computed above as per regular provisions of income tax)		31,33,620
Add: Deduction under section 35AD	20,00,000	
Less: Depreciation under section 32 on building [₹ 20 lakhs x 10%]	<u>(2,00,000)</u>	18,00,000
Adjusted Total Income		<u>49,33,620</u>
Alternative Minimum Tax@18.5%		9,12,720
Add: Health and education cess@4%		<u>36,509</u>
Total tax liability		<u>9,49,229</u>
Total tax liability (rounded off)		9,49,230

Since the regular income-tax payable is less than the alternate minimum tax payable, the adjusted total income shall be deemed to be the total income and tax is leviable @18.5% thereof plus cess@4%. Therefore, liability as per section 115JC is ₹ 9,49,230.

Computation of total income of Mr. Kamal as per section 115BAC for A.Y. 2022-23

Particulars	₹	₹
Gross Total Income as per regular provisions of the Income-tax Act		32,33,620
Add: Deduction under section 35AD	20,00,000	
Less: Depreciation on building [₹ 20 lakhs x 10%]	<u>(2,00,000)</u>	<u>18,00,000</u>
Gross Total Income/Total Income as per section 115BAC [No deduction under Chapter VI-A allowable]		<u>50,33,620</u>

Computation of tax liability as per section 115BAC

Particulars	₹	₹
Tax on total income of ₹ 50,33,620		
Upto ₹ 2,50,000	Nil	
₹ 2,50,001 – ₹ 5,00,000 [@5% of ₹ 2.50 lakhs]	12,500	
₹ 5,00,001 – ₹ 7,50,000 [@10% of ₹ 2.50 lakhs]	25,000	
₹ 7,50,001 – ₹ 10,00,000 [@15% of ₹ 2.5 lakhs]	37,500	
₹ 10,00,001 – ₹ 12,50,000 [@20% of ₹ 2.5 lakhs]	50,000	
₹ 12,50,001 – ₹ 15,00,000 [@25% of ₹ 2.5 lakhs]	62,500	
₹ 15,00,001 – ₹ 50,33,620 [@30% of ₹ 35,33,620]	<u>10,60,086</u>	
		12,47,586
Add: Surcharge @10% [Since, the total income exceeds ₹ 50 lakhs but does not exceed ₹ 1 crore]		<u>1,24,759</u>
		13,72,345
Less: Marginal relief (See computation below)		<u>1,01,225</u>
		12,71,120
Add: Health and education cess@4%		<u>50,845</u>
Total tax liability		<u>13,21,965</u>
Total tax liability (Rounded off)		13,21,970

Computation of marginal relief

Particulars	₹
(A) Tax payable including surcharge on total income of ₹ 50,33,620 as per section 115BAC	13,72,345
(B) Tax payable on total income of ₹ 50 lakhs as per section 115BAC	<u>12,37,500</u>

(C)	Excess tax payable (A-B)	<u>1,34,845</u>
(D)	Marginal relief (₹ 1,34,845 – ₹ 33,620, being the amount of income in excess of ₹ 50 lakhs)	1,01,225

Notes:

- (1) Deduction under section 35AD is not allowable as per section 115BAC(2). However, normal depreciation u/s 32 is allowable.
- (2) An individual exercising option u/s 115BAC is not liable to alternate minimum tax u/s 115JC.

Since the tax liability of Mr. Kamal under section 115JC is lower than the tax liability as computed u/s 115BAC, it would be beneficial for him not to opt for section 115BAC for A.Y. 2022-23. Moreover, benefit of alternate minimum tax credit is also available to the extent of tax paid in excess of regular tax.

AMT credit to be carried forward under section 115JEE

Particulars	₹
Tax liability under section 115JC	9,49,230
Less: Tax liability under the regular provisions of the Income-tax Act, 1961	7,82,690
	1,66,540

14. Section 206C(1C) provides for collection of tax @2% by every person who grants a lease in any mine or a quarry to another person for the use of such mine or quarry for the purposes of business. Accordingly, State Government of Madhya Pradesh is required to collect tax at source of ₹ 16,00,000, being 2% on ₹ 8 crores, being the charges for lease of coal mine.

Under section 206C(1), seller of certain goods, *inter alia*, coal is required to collect tax from the buyers @1%. However, no collection would be made under section 206C(1), in case of a resident buyer, if such buyer furnishes to the person responsible for collecting tax, a declaration to the effect that goods are to be utilized for the purpose of generation of power.

In the present case, ABC Co. Ltd. is not required to collect tax at source u/s 206C(1) in respect of coal sold to Mahapower Ltd. since Mahapower Ltd. has furnished a declaration to ABC Co. Ltd. that the coal is to be utilized for the purpose of generation of power.

As per section 206C(1H), tax is to be collected in respect of sale of goods other than the goods which have been covered under section 206C(1). In case of goods which are covered under section 206C(1) but exempted under section 206C(1A), tax will not be collectible under either section 206C(1) or section 206C(1H).

Section 194Q requires any person, being a buyer who is responsible for paying any sum to resident for purchase of any goods of the value exceeding ₹ 50 lakhs in any previous year, to deduct tax @0.1% of such sum exceeding ₹ 50 lakhs. The provisions of section 194Q do not apply in respect to those transactions where tax is collectible under section 206C [except under section 206C(1H)].

Buyer means a person whose turnover from the business carried on by him exceeds ₹ 10 crores during the financial year preceding the financial year in which goods are purchased.

In this case, since Mahapower Ltd.'s turnover for P.Y. 2020-21 exceeds ₹ 10 crores, it is a buyer as per section 194Q. Since, tax is not required to be collected on sale of coal to Mahapower Ltd., the provisions of section 194Q would apply and Mahapower Ltd. is required to deduct tax of ₹ 15,000 under section 194Q, being 0.1% of ₹ 1.5 crores, being the sum exceeding ₹ 50 lakhs.

15. An individual whose total income exceeds the maximum amount not chargeable to tax i.e., ₹ 5,00,000 in this case since Mr. Vikas is of 80 years, is required to file a return of income on or before the due date under section 139(1) i.e., 31st July, 2022.

Clause (iv) of seventh proviso to section 139(1) provides that a person (other than a company or a firm) who is not required to furnish a return u/s 139(1) has to furnish return on or before the due date if the person fulfills such other conditions as may be prescribed.

Accordingly, vide Notification no. 3/2022 dated 21.4.2022, the CBDT inserted Rule 12AB which prescribes, *inter alia*, that in case of resident individual who is aged **60 years** or more at any time during the relevant P.Y. is required to file his return of income if the aggregate of tax deducted at source and tax collected at source, in his case, during the P.Y. is ₹ 50,000 or more.

In this case, Mr. Vikas's total income would comprise of only income from house property from let out of house property in Mumbai. His total income would be ₹ 4,20,000 [₹ 6,00,000 – 30% under section 24(a)], which is below the basic exemption limit of ₹ 5,00,000.

ABC Ltd. is required to deduct tax at source u/s 194-I @10% of ₹ 6,00,000. Tax deductible would be ₹ 60,000. Since tax deducted at source in case of Mr. Vikas is more than ₹ 50,000, he has to furnish his return of income for A.Y. 2022-23 on or before 31.07.2022, even though his total income is below the basic exemption limit of ₹ 5,00,000.

Note – It is assumed that Mr. Vikas has neither made an application to the Assessing Officer u/s 197 nor furnished declaration to ABC Ltd. u/s 197A for non-deduction of tax. In case, he has obtained the certificate u/s 197 or furnished declaration to ABC Ltd. u/s 197A, no tax would have been deducted by ABC Ltd. on rental income. Consequently, Mr. Vikas would not be required to file his return of income.

PAPER 4B - INDIRECT TAXES

- I. M/s. Delight Brothers, a partnership firm, is engaged in restaurant business. It is registered under the composition levy scheme under section 10(1) and 10(2) of the CGST Act, 2017 for the current financial year. It's turnover in the State for the month of April was ₹ 12,00,000.

It received new orders in the month of May to run a mess facility for supplying food at:

- i. Vishwas Public School, a higher secondary school;
- ii. Knowledge Institute of Technology, an engineering college, approved by AICTE and UGC; and
- iii. Frontline Hospital

It also provided catering services to a Coral limited company for their Annual General Meeting. Service was provided on 3rd July. But invoice was not issued by the firm to the company. However, payment was received on 25th July for which bank account was credited on 28th July. The turnover of restaurant business for the current financial year is ₹ 48,00,000.

From the inception of next financial year, M/s. Delight Brothers will close down the restaurant business and will provide service of repairing of air conditioners.

M/s Delight Brothers undertakes intra-State transactions only.

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

1. Compute the tax liability of M/s. Delight Brothers for the month of April?
 - (a) CGST & SGST of ₹ 6,000 each
 - (b) CGST & SGST of ₹ 12,000 each
 - (c) CGST & SGST of ₹ 30,000 each
 - (d) CGST & SGST of ₹ 60,000 each
2. Out of new orders received by the firm in May, which of the following services are exempt from GST?
 - (i) Service provided to Vishwas Public School
 - (ii) Service provided to Knowledge Institute of Technology
 - (iii) Service provided to Frontline Hospital
 - (a) (i) and (iii)
 - (b) (ii) and (iii)
 - (c) only (i)
 - (d) (i) and (ii)

3. Time of supply of catering services provided to a Coral limited company is
- (a) 3rd July
 - (b) 25th July
 - (c) 28th July
 - (d) 2nd August
4. Which of the following statements is most appropriate in respect of next financial year for M/s Delight Brothers?
- (a) M/s Delight Brothers can continue to avail composition levy scheme under section 10(1) and 10(2) of the CGST Act, 2017.
 - (b) M/s Delight Brothers is not eligible to avail composition levy scheme under section 10(1) and 10(2) of the CGST Act, 2017.
 - (c) M/s Delight Brothers is not eligible to avail composition levy scheme under section 10(1) and 10(2) of the CGST Act, 2017, but can avail benefit of composition levy under section 10(2A) of the CGST Act, 2017.
 - (d) M/s Delight Brothers can neither avail composition levy scheme under section 10(1) and 10(2) of the CGST Act, 2017 nor under section 10(2A) of the CGST Act, 2017.
5. Rate of GST applicable for service of repairing of air conditioners made by M/s Delight Brothers will be _____, assuming that it intends to pay the tax at the minimum rate available?
- (a) 1%
 - (b) 5%
 - (c) 6%
 - (d) 12%
6. Neelkanth Pvt. Ltd., a registered supplier of goods and services at Kolkata has furnished the following information for the month of February:

S. No.	Particulars	Amount (₹)
(i)	Intra-State supply of taxable goods including ₹ 1,00,000 received as advance in January, the invoice for the entire sale value is issued on 15 th February	4,00,000
(ii)	Purchase of goods from a composition dealer, registered in Kolkata	5,50,000
(iii)	Services provided by way of labour contracts for repairing a single residential unit otherwise than as a part of residential	1,00,000

	complex (It is an intra-State transaction)	
(iv)	Membership of a club availed for employees working in the factory (It is an intra-State transaction)	1,75,000
(v)	Goods transport services received from a GTA. GST is payable @12% (It is an inter-State transaction)	2,00,000
(vi)	Inter-State services provided by way of training in recreational activities relating to sports	10,000
(vii)	Inter-State security services provided to ABC higher secondary school for their annual day function organised in Fintex Auditorium outside the School campus	15,000
(viii)	Inputs to be received in 4 lots, out of which 2 nd lot was received during the month	40,000

The company has following ITCs with it at the beginning of the tax period:

Particulars	Amount (₹)
CGST	57,000
SGST	Nil
IGST	50,000

Note:

- (i) Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively.
- (ii) Both inward and outward supplies are exclusive of taxes, wherever applicable.
- (iii) All the conditions necessary for availing the ITC have been fulfilled.
- (iv) The turnover of Neelkanth Pvt. Ltd. was ₹ 2.5 crore in the previous financial year.

Compute the minimum GST, payable in cash, by Neelkanth Pvt. Ltd. for the month of February. Make suitable assumptions as required.

7. Rimjhim Sales, a registered supplier, receives 100 invoices (for inward supply of goods/ services) involving GST of ₹ 10 lakh, from various suppliers during the month of January, 2022. Out of 100 invoices, details of 80 invoices involving GST of ₹ 6 lakh have been furnished by the suppliers in their respective GSTR-1s filed on the prescribed due date therefor and such details have also been duly communicated to the recipients of such invoices in Form GSTR-2B.

Compute the ITC that can be claimed by Rimjhim Sales in its GSTR-3B for the month of January, 2022 to be filed by 20th February assuming that GST of ₹ 10 lakh is otherwise eligible for ITC.

8. Examine whether the supplier of goods is liable to get registered in the following independent cases:
- (i) Rudra Builders of Rohini, Delhi is exclusively engaged in intra-State taxable supply of building bricks. It's aggregate turnover in the current financial year is ₹ 23 lakh.
 - (ii) Heera of Himachal Pradesh is exclusively engaged in intra-State taxable supply of footwear. His turnover in the current financial year (FY) from Himachal Pradesh showroom is ₹ 32 lakh. He has another showroom in Nagaland with a turnover of ₹ 11 lakh in the current FY.
9. (a) Fashion Queen Ltd., registered under GST and dealing in baby products has an aggregate turnover of ₹ 40 crore in the preceding financial year. The tax consultant of Fashion Queen Ltd. advised it to issue e-invoices mandatorily. However, Fashion Queen Ltd. is of the view that since it's aggregate turnover is less than the threshold limit applicable for e-invoicing, it is not required to issue e-invoices. You are required to comment upon the validity of the advice given by Tax consultant.
- (b) Ministry of Communications and Information Technology, a Government Department registered under GST has an aggregate turnover of ₹ 52 crore in the preceding financial year. You are required to comment whether Ministry of Communications and Information Technology is required to issue e-invoices in the current financial year?
10. "Aadhaar authentication is not required for persons who are already registered under GST." Examine and discuss the correctness of the statement. You are required to elaborate the relevant legal provisions.

ANSWERS

Question No.	Answer
1	(c) CGST & SGST of ₹ 30,000 each
2	(c) only (i)
3	(a) 3 rd July
4	(c) M/s Delight Brothers is not eligible to avail composition levy scheme under section 10(1) and 10(2) of the CGST Act, 2017, but can avail benefit of composition levy under section 10(2A) of the CGST Act, 2017.
5	(c) 6%

6. Computation of GST payable on outward supplies

S. No.	Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)	Total (₹)
(i)	Intra-State supply of goods for ₹ 4,00,000 [Note-1]	36,000	36,000	Nil	72,000
(ii)	Services rendered by way of labour contracts for repairing a single residential unit otherwise than as a part of residential complex [Note-2]	9,000	9,000	Nil	18,000
(iii)	Services provided by way of training in recreational activities relating to sports [Note-3]	Nil	Nil	1,800	1,800
(iv)	Inter-State security services provided to ABC higher secondary school for their annual day function to be held in Fintex Auditorium. [Note-4]	Nil	Nil	2,700	2,700
	Total GST payable	45,000	45,000	4,500	94,500

Notes

- As per *Notification No. 66/2017 CT dated 15.11.2017*, a registered person (excluding composition supplier) has to pay GST on the outward supply of goods at the time of supply as specified in section 12(2)(a) of the CGST Act, 2017, i.e. date of issue of invoice or the last date on which invoice ought to have been issued in terms of section 31. Thus, liability to pay tax on the advance received in January will also arise in the month of February, when the invoice for the supply is issued.
- Services by way of pure labour contracts of construction, erection, commissioning, or installation of original works pertaining to a single residential unit otherwise than as a part of a residential complex are exempt vide *Notification No. 12/2017 CT(R) dated 28.06.2017*. Labour contracts **for repairing** are thus, taxable.
- Services by way of training or coaching in recreational activities relating to sports is exempt under GST vide *Notification No. 12/2017 CT(R) dated 28.06.2017*, only if provided by charitable entities registered under section 12AA of the Income-tax Act. Thus, in the given case, said service is taxable.
- Security services provided to ABC higher secondary School for Annual Day function organised outside the school campus will be taxable as only the security services performed within the premises of the higher secondary school are exempt vide *Notification No. 12/2017 CT(R) dated 28.06.2017*.

Computation of total ITC

Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
Opening ITC	57,000	Nil	50,000
Add: Purchase of goods from a composition dealer [No tax is payable on the goods purchased under composition scheme]	Nil	Nil	Nil
Add: Membership of a club [Blocked credit]	Nil	Nil	Nil
Add: Goods transport services received from GTA [As per <i>Notification No. 13/2017 CT(R) dated 28.06.2017</i> , GST is payable by the recipient on reverse charge basis on the receipt of services of transportation of goods by road from a goods transport agency (GTA), provided GST is not payable @ 12%. Since in the given case, services have been received from a GTA where GST is payable @ 12% and recipient is one of the specified recipients, reverse charge provisions will not be applicable. In this case, input tax credit is available for the services received from GTA.]	Nil	Nil	24,000
Add: Inputs to be received in 4 lots, out of which 2 nd lot was received during the month [In case of goods received in lots, ITC can be taken only upon receipt of the last lot]	Nil	Nil	Nil
Total ITC	57,000	Nil	74,000

Computation of minimum GST payable from electronic cash ledger

Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)	Total (₹)
GST payable	45,000	45,000	4,500	94,500
Less: ITC [First ITC of IGST should be utilized in full - first against IGST liability and then against CGST and SGST liabilities in a manner to minimize cash outflow]	(24,500) IGST (3)	(45,000) IGST (2)	(4,500) IGST (1)	74,000

	(20,500) CGST			20,500
Minimum GST payable in cash	Nil	Nil	Nil	Nil

Note: Since sufficient balance of ITC of CGST is available for paying CGST liability and cross utilization of ITC of CGST and SGST is not allowed, ITC of IGST has first been used to pay SGST (after paying IGST liability) and then CGST to minimize cash outflow.

7. ITC to be claimed by Rimjhim Sales in its GSTR-3B for the month of January to be filed by 20th February will be computed as under-

Invoices	Amount of ITC involved in the invoices (₹)	Amount of ITC that can be availed (₹)
80 invoices furnished in GSTR-1	6 lakh	6 lakh [Refer Note 1]
20 invoices not furnished in GSTR-1	4 lakh	Nil [Refer Note 2]
Total	10 lakh	6 lakh

Notes:

- (1) 100% ITC can be availed on invoices furnished by the suppliers in their GSTR-1.
 - (2) Input tax credit in respect of any supply of goods or services or both is available to a registered person only, *inter alia*, if the details of the invoice/debit note in respect of said supply has been furnished by the supplier in the statement of outward supplies (GSTR-1) and such details have been communicated to the recipient of such invoice/debit note in the manner specified under section 37. Thus, in respect of 20 invoices not furnished in GSTR-1s, no ITC is available.
8. As per section 22 of the CGST Act, 2017 read with *Notification No. 10/2019 CT dated 07.03.2019*, a supplier is liable to get registered in the State/Union territory from where he makes a taxable supply of goods and/or services, if his aggregate turnover in a financial year exceeds the threshold limit. The threshold limit for a person making exclusive intra-State taxable supplies of goods is as under:-
- (a) ₹ 10 lakh for the Special Category States of Mizoram, Tripura, Manipur and Nagaland.
 - (b) ₹ 20 lakh for the States, namely, States of Arunachal Pradesh, Meghalaya, Puducherry, Sikkim, Telangana and Uttarakhand.

- (c) ₹ 40 lakh for rest of India except persons engaged in making supplies of fly ash bricks/blocks, building bricks, bricks of fossil meals, earthen/roofing tiles, ice cream and other edible ice, whether or not containing cocoa, Pan masala and Tobacco and manufactured tobacco substitutes.

In the light of the afore-mentioned provisions, the answer to the independent cases is as under:

- (i) The benefit of enhanced threshold limit of registration of ₹ 40 lakh is not applicable for Rudra brothers even though it is exclusively engaged in intra-State taxable supply of goods in Delhi as it is engaged in making supplies of building bricks. Thus, the applicable threshold limit for registration for Rudra Builders in the given case is ₹ 20 lakh. Thus, it is liable to get registered under GST as its turnover is more than the threshold limit.
- (ii) Heera could have been eligible for enhanced threshold limit of turnover for registration, i.e. ₹ 40 lakh as he is exclusively engaged in intra-State supply of goods. However, since Heera is engaged in supplying footwear from a Special Category State i.e. Nagaland, the threshold limit gets reduced to ₹ 10 lakh. Thus, Heera is liable to get registered under GST as his turnover exceeds ₹10 lakh. Further, he is required to obtain registration in both Himachal Pradesh and Nagaland as he is making taxable supplies from both the States.
9. (a) With effect from 01.04.2022, e-invoicing has been made mandatory for all registered businesses (except specified class of persons) with an aggregate turnover in any preceding financial year from 2017-18 onwards greater than ₹ 20 crore, in respect of B2B supplies (supply of goods or services or both to a registered person) or for exports. Thus, the advice given by tax consultant of Fashion Queen Ltd. for issuance of e-invoices mandatorily in the current financial year is valid in law as the aggregate turnover of Fashion Queen Ltd. has exceeded the threshold limit i.e. ₹ 20 crore in the preceding financial year.
- (b) Following entities are exempt from the mandatory requirement of e-invoicing:
- Special Economic Zone units
 - Insurer or banking company or financial institution including NBFC
 - GTA supplying services in relation to transportation of goods by road in a goods carriage
 - Supplier of passenger transportation service
 - Person supplying services by way of admission to exhibition of cinematograph films in multiplex screens
 - Government Department and a local authority

Thus, above mentioned entities are not required to issue e-invoices even if their turnover exceeds ₹ 20 crore in the preceding financial year from 2017-18 onwards.

Thus, Ministry of Communications and Information Technology, being a Government Department is not required to issue e-invoices in the current financial year even if it's aggregate turnover has exceeded ₹ 20 crore.

10. The given statement is incorrect. Aadhaar authentication has been made mandatory for the new registrants as well as for the existing registrants. With regard to existing registrants, section 25(6A) of the CGST Act, 2017 stipulates that every registered person shall undergo authentication, or furnish proof of possession of Aadhaar number, in the prescribed form, manner and time. New rule 10B of the CGST Rules, 2017 prescribes the manner in which aadhaar authentication needs to be done by a registered person.

A registered person, who has been issued a certificate of registration under GST, shall undergo authentication of the Aadhaar number of:-

- Proprietor, in the case of proprietorship firm,
- Any partner, in the case of a partnership firm,
- Karta, in the case of a Hindu undivided family,
- Managing director or any whole-time director, in the case of a company,
- Any of the Members of the Managing Committee of an Association of persons or body of individuals or a Society, or
- Trustee in the Board of Trustees, in the case of a Trust;

and of the Authorized Signatory,

in order to be eligible for the following purposes:

- ✓ for filing of application for revocation of cancellation of registration [Rule 23]
- ✓ for filing of refund application in Form RFD-01 [Rule 89]
- ✓ for refund of the IGST paid on goods exported out of India [Rule 96]

First proviso to section 25(6A) of the CGST Act, 2017 provides that if an Aadhaar number is not assigned to an existing registered person, such person shall be offered alternate and viable means of identification in the prescribed manner. Such manner has been prescribed by rule 10B of the CGST Rules, 2017 as follows:

If Aadhaar number has not been assigned to the person required to undergo authentication of the Aadhaar number, such person shall furnish the following identification documents, namely: –

- (a) his/ her Aadhaar Enrolment ID slip; and
- (b) (i) Bank passbook with photograph; or
 - (ii) Voter identity card issued by the Election Commission of India; or
 - (iii) Passport; or
 - (iv) Driving license issued by the Licensing Authority

However, once Aadhaar number is allotted to such person, he shall undergo the authentication of Aadhaar number within a period of 30 days of the allotment of the Aadhaar number.

The afore-said rule 10B shall not be applicable to persons notified under section 25(6D) of the CGST Act, 2017, i.e. to persons exempt from aadhaar authentication.