



**INTERMEDIATE EXAMINATION**  
**MODEL ANSWERS**  
**PAPER - 7**  
**DIRECT AND INDIRECT TAXATION**

**SET 2**  
**TERM - JUNE 2023**

**Time Allowed: 3 Hours**

**Full Marks: 100**

The figures in the margin on the right side indicate full marks.  
Where considered necessary, suitable assumptions may be made and  
clearly indicated in the answer.

**ANSWER:**

**SECTION - A : (Direct Taxation)**

Answer Question No. 1 and any three from Question No. 2, 3, 4 and 5.

1. (a)

(i)	(ii)	(iii)	(iv)	(v)	(vi)
d.	b.	b.	a.	a.	d.

(b)

(i)	(ii)	(iii)	(iv)
True	True	False	False

(c)

(i)	(ii)	(iii)	(iv)
2,00,000	taxable	10,000	8

2. (a) Status of different assessee are as under:

Case	Status
i) Howrah Municipal Corporation	Local authority
ii) Corporation Bank Ltd.	Company
iii) Mr. Amitabh Bachchan	Individual
iv) Amitabh Bachchan Corporation Ltd.	Company
v) A joint family of Sri Ram, Smt. Ram and their son Lav & Kush	HUF
vi) Calcutta University	Artificial juridical person
vii) X and Y who are legal heirs of Z	BOI
viii) Sole proprietorship business	Individual



(b) Computation of Income from Other Sources of Mrs. Mala for the A.Y. 2023-24

Particulars	Amount	Amount
Winning from lottery [₹ 1,40,000/70%]		2,00,000
Gift received at the time of marriage ceremony		1,01,000
Dividend from Tata Steel	30,000	
Less: Interest [Subject to maximum of 20% of dividend income]	6,000	24,000
Family Pension	48,000	
Less: Standard Deduction [Lower of ₹ 15,000 or 1/3 <sup>rd</sup> of pension]	15,000	33,000
Income from agriculture land situated in Bangladesh		24,000
<b>Income from Other Sources</b>		<b>3,82,000</b>

It is assumed that she is an ordinarily resident.

3. (a)

Computation of Taxable Salary of Mr. Amar for the A.Y. 2023-24

Particulars	Workings	Details	Amount	Amount
Basic				60,000
<u>Allowances:</u>				
Education allowance		14,400		
Less: Exempted	₹ 100 * 2 * 12 months	2,400	12,000	
Entertainment Allowance	₹ 500 * 12		6,000	18,000
<u>Perquisites u/s 17(2): Car</u>	₹ 2,400 * 12			28,800
Contribution to RPF	14% of salary i.e. 60,000	8,400		
Less: Exempted	12% of salary i.e. 60,000	7,200	1,200	
Interest on RPF	@ 13%	7,800		
Less: Exempted	@ 9.5%	5,700	2,100	3,300
	[being (7,800/13) * 9.5]			
<b>Gross Taxable Salary</b>				<b>1,10,100</b>
Less: <u>Deduction u/s</u>				
16(ia) Standard Deduction			50,000	
16(ii) Entertainment allowance	As non-government employee		Nil	50,000
<b>Taxable Salary</b>				<b>60,100</b>

Note: Director's fee is taxable under the head income from other sources.



(b) Computation of total income of Mr. Chaturvedi for A.Y. 2023-24

Particulars	Details	Amount
Gross total income		1,68,240
Less: Deduction u/s		
- 80C (for contribution to PPF)	60,000	
- 80D (for payment of Medical insurance premium)	11,000	
- 80G (for Donation to Public Charitable Trust) [Note]	2,612	73,612
<b>Total Income (Rounded off u/s 288A)</b>		<b>94,630</b>

Note: Computation of deduction u/s 80G

Computation of Adjusted GTI:

$$\begin{aligned}\text{Adj. GTI} &= \text{GTI} - \text{Long term capital gain} - \text{Deduction u/s 80C to 80U other than 80G} \\ &= ₹ 1,68,240 - ₹ 45,000 - ₹ 11,000 - ₹ 60,000 = ₹ 52,240\end{aligned}$$

$$\begin{aligned}\text{Qualifying amount for donation} &= 10\% \text{ of Adjusted GTI} \\ &= 10\% \text{ of ₹ } 52,240 \\ &= ₹ 5,224\end{aligned}$$

Deduction: In case of donation to public charitable trust, rate of deduction is 50% of qualifying amount. Hence, deduction u/s 80G shall be ₹ 2,612 (being 50% of ₹ 5,224).

4. (a) Following income are considered as an agricultural income:

1. Income from growing trade or commercial products like jute, cotton, etc. is an agro income.
2. Income from growing flowers and creepers is an agro income.
3. Plants sold in pots are an agro income provided basic operations are performed.
4. Any remuneration (salary, commission, etc.) received by a partner from a firm engaged in agricultural operation is an agro income. Interest on capital received by a partner from a firm, engaged in agricultural operation is an agro income.
5. Any fee derived from land used for grazing of cattle, being used for agricultural operation, is an agro income.
6. Any income derived from saplings or seedlings grown in a nursery shall be deemed to be agricultural income.



(b) Computation of tax liability of A for the previous year 2022-23

Particulars	₹
Tax on ₹ 5,97,000 (i.e. agricultural income ₹ 86,000 + non-agricultural income ₹ 5,11,000)	31,900
Less: Tax on ₹ 3,36,000 (i.e. agro income ₹ 86,000 + maximum exempted limit ₹ 2,50,000)	4,300
Tax liability	27,600
Less: Rebate u/s 87A	Nil
	27,600
Add: Health & Education cess	1,104
Tax and cess payable	28,704
Less: TDS	4,704
<b>Advance tax payable</b>	<b>24,000</b>

Advance tax to be paid on specified dates –

Date	Alternate 1		Alternate 2	
	Working	Amount	Working	Amount
15-06-2022	15% of ₹ 24,000	3,600	15% of ₹ 24,000	3,600
15-09-2022	30% of ₹ 24,000	7,200	[(45% of ₹ 24,000) – ₹ 3,600]	7,200
15-12-2022	30% of ₹ 24,000	7,200	[(75% of ₹ 24,000) – (₹ 3,600 + ₹ 7,200)]	7,200
15-03-2023	25% of ₹ 24,000	6,000	[100% of ₹ 24,000 – (₹ 3,600 + ₹ 7,200 + ₹ 7,200)]	6,000
<b>Total</b>		<b>24,000</b>	<b>Total</b>	<b>24,000</b>

5. (a)

Computation of total income of Mr. Swarup for the A.Y. 2023-24

Particulars	Amount	Amount	Amount
Income from salary			5,20,000
Income from house property			95,000
<i>Capital Gains</i>			
Long-term capital gains		30,000	
Short-term capital loss		5,000	25,000
<i>Income from other sources</i>			
Bank Interest on fixed deposit			18,000
Gross Total Income			6,58,000



<i>Less: Deductions</i>			
- u/s 80C			
LIP on own life (Subject to max. of 10% of sum assured)	20,000		
LIP on wife's life	10,000		
Deposit in PPF	18,000	48,000	
- u/s 80D (mediclaim)		12,000	
- u/s 80DD (Medical expenses on treatment of dependent)		75,000	
- u/s 80G			
Donation to Prime Minister's National Relief Fund	10,000		
Donation to Ramkrishna Mission (50%#)	6,000	16,000	1,51,000
Total Income			5,07,000
<b>Tax on above (Rounded off)</b>			17,260
<b>[104% of {(₹ 25,000 * 20%)} + {(₹ 2,50,000 * 0%)+ (₹ 2,32,000 * 5%)}]</b>			

# As payment is within limit

- (b) In case of firm, preliminary expenditure is restricted to 5% of cost of project. Hence, eligible preliminary expenditure is ₹1,50,000 (being 5% of ₹30,00,000). Further, eligible preliminary expenditure is deducted in five equal instalments. Therefore, deduction u/s 35D in respect of preliminary expenditure for the A.Y.2023-24 is ₹30,000 (being 1/5<sup>th</sup> of ₹1,50,000).



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**SECTION – B : (Indirect Taxation)**

Answer Question No. 6 and any three from Question No. 7, 8, 9 and 10.

6. (a)

(i)	(ii)	(iii)	(iv)	(v)	(vi)
a.	c.	d.	d.	d.	a.

(b)

(i)	(ii)	(iii)	(iv)
True	True	False	True

(c)

(i)	(ii)	(iii)	(iv)
25	CBIC	VII	mixed

7. (a)

- In pre-GST regime, Indian indirect tax was highly fragmented. Centre and States were separately taxing Goods and services. There were many taxes like excise duty, service tax, VAT, CST, purchase tax, entertainment tax, octroi.
- In addition, there was multiplicity of rates. Law and procedures. This caused heavy compliance burden.
- Imposition of tax on tax was another serious problem. For example, VAT was levied on a value that included excise duty.
- Input tax credit chain broke as goods moved from one state to another, resulting in hidden cost for the business.
- Further, pre-GST, there were tax nakas at every inter-state border, creating bottlenecks in inter-state transport of goods.
- As a result, logistics sector remained inefficient and it adversely impacted the businesses.
- Every state was effectively a distinct market for the industry as well as consumer.
- Industry's choice of locating factories or warehouses was heavily influenced by the prevailing tax regime rather than pure business consideration.
- This made our industry uncompetitive

To curb all these, Goods and Services Tax (GST) was introduced in the system with the idea of One Nation One Tax. Various indirect tax levied by Central and State Government was subsumed into one tax called GST.

**(b) Computation of Customs Duty, SWS, anti-dumping duty and IGST**

Particulars	Details	₹
Assessable Value		12,62,500
Basic Customs Duty @ 10% on ₹ 12,62,500 [A]		1,26,250
Add: SWS @ 10% [B]		12,625
Landed value of imported goods [C]		14,01,375
Rate of commodity as per Anti Dumping Notification per kg.	US\$ 50	
Quantity Imported	500 Kg	
Value as per notification (500 x 50)	US\$ 25,000	
Exchange rate 1US\$	₹ 70	
Market Value in ₹ [D]	17,50,000	
Add: Anti-dumping Duty [E = D - C]		3,48,625
Value for levying IGST [F]		17,50,000
Add: IGST @ 18% of [F]		3,15,000
<b>Total Customs Duty Payable [A + B + E + F]</b>		<b>8,02,500</b>

8. (a) When a supplier exclusively engaged in intra-State supply of goods, the threshold limit of turnover to obtain registration in the State of West Bengal is ₹40 lakh. However, a person exclusively engaged in the business of supplying goods and/or services that are not liable to tax or are wholly exempt from tax is not liable to registration [however, voluntary registration is allowed].

However, w.e.f. 01.01.2023, the supply of goods become taxable and the turnover of the company is more than ₹40 lakh. It is to be noted that for the purpose of computing threshold limit, exempt supply shall also be considered. Since the aggregate turnover limit of ₹40 lakh includes exempt turnover also, turnover of 'R' till 31.12.2022 will be considered for determining the threshold limit even though the same was exempt from GST. Therefore, the company needs to register within 30 days from 01.01.2023.

**(b) Computation of ITC available to W Ltd. for the month of Jan 2023**

Particulars	₹
Purchase of Machinery where debit note is issued	2,15,000
Input purchased was directly delivered to Mr. X, a job worker and a registered supplier	1,00,000
Computers purchased (As depreciation was claimed on the said GST portion under the Income-Tax Act, 1961)	-
Works Contract services availed for construction of Staff quarters within the company premises [Block credit u/s 17(5)]	-
<b>Available ITC for the month of Jan 2023</b>	<b>3,15,000</b>



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**9. (a) Transfer of credit on sale, merger, amalgamation, lease or transfer of a business [Rule 41]**

1. A registered person shall, in the event of sale, merger, demerger, amalgamation, lease or transfer or change in the ownership of business for any reason, furnish the details of sale, merger, demerger, amalgamation, lease or transfer of business, in Form GST ITC-02, electronically on the common portal along with a request for transfer of unutilized input tax credit lying in his electronic credit ledger to the transferee.

In the case of demerger, the input tax credit shall be apportioned in the ratio of the value of assets of the new units as specified in the demerger scheme.

"Value of assets" means the value of the entire assets of the business, whether or not input tax credit has been availed thereon.

2. The transferor shall also submit a copy of a certificate issued by a practicing chartered accountant or cost accountant certifying that the sale, merger, demerger, amalgamation, lease or transfer of business has been done with a specific provision for the transfer of liabilities.
3. The transferee shall, on the common portal, accept the details so furnished by the transferor and, upon such acceptance, the un-utilized credit specified in Form GST ITC-02 shall be credited to his electronic credit ledger
4. The inputs and capital goods so transferred shall be duly accounted for by the transferee in his books of account.

**(b) Computation of value of taxable supply**

<b>Particulars</b>	<b>₹</b>
List price of goods supplied inter-state	12,40,000
Subsidy from Central Government for supply of biscuits to Government School	-
Subsidy from Trade Association for supply of quality biscuits	50,000
Tax levied by Municipal Authority	25,000
Packing Charges	20,000
Late fee paid by the recipient of supply for delayed payment of invoice	5,000
<b>Value of taxable supply</b>	<b>13,40,000</b>

- 10. (a)** The relevant rate of exchange for the purpose of valuation of imported goods is the rate of exchange (being notified by CBIC) as in force on the date on which a bill of entry in relation to imported goods is presented, i.e. 1 US \$ = ₹ 64.50. Further, rate of exchange notified by CBIC is relevant. Rate notified by RBI is not relevant.





## (b) Computation of available ITC

Particulars	IGST (₹)	CGST (₹)	SGST (₹)
Opening balance	80,000	10,000	10,000
ITC on Inter-state purchase of goods (excluding missing invoice) [₹ 1,00,000 x 18%]	18,000	-	-
ITC on Repairing of bus [₹ 1,00,000 x 9%]	-	9,000	9,000
<b>Available ITC</b>	<b>98,000</b>	<b>19,000</b>	<b>19,000</b>

## Computation of tax payable on outward supplies

S.N.	Particulars	Taxable Value	CGST @ 9%	SGST @ 9%	IGST @ 18%
(i)	Inter-State supply of goods	2,00,000	-	-	36,000
(ii)	Intra-state mixed supply	4,00,000	56,000	56,000	-
(ii)	Intra-State supply of services	1,00,000	9,000	9,000	-
Total			65,000	65,000	36,000

## Computation of GST payable in cash

Particulars	CGST @ 9%	SGST @ 9%	IGST @ 18%
Total GST payable	65,000	65,000	36,000
Less: ITC-IGST	(31,000)	(31,000)	(36,000)
Less: ITC-CGST / SGST	(19,000)	(19,000)	-
<b>GST payable in cash</b>	<b>15,000</b>	<b>15,000</b>	<b>-</b>

Note: Balance credit of IGST may be first utilized in the discharging CGST of ₹ 46,000. In that case, SGST of ₹ 30,000 would be payable.