

MOCK TEST PAPER 2
INTERMEDIATE COURSE
PAPER – 4: TAXATION
SECTION – A: INCOME TAX LAW
SOLUTIONS

Division A – Multiple Choice Questions

MCQ No.	Sub-part	Most Appropriate Answer	MCQ No.	Most Appropriate Answer
1.	(i)	(b)	2.	(c)
	(ii)	(c)	3.	(d)
	(iii)	(b)	4.	(a)
	(iv)	(a)	5.	(c)
	(v)	(c)		

Division B – Descriptive Questions

1. **Computation of total income of Mr. Neeraj for the A.Y.2022-23**

Particulars	₹	₹
Income from house property		
Arrears of rent (taxable under section 25A even if Mr. Neeraj is not the owner of the house property in the P.Y.2021-22)	1,35,000	
Less: Deduction@30%	<u>40,500</u>	94,500
Profits and gains of business or profession		
Income from wholesale business		
Net profit as per books	6,60,000	
Add: Amount debited to P & L A/c, not allowable as deduction		
- Depreciation as per books	34,000	
- Disallowance of municipal taxes paid for the second half-year under section 43B, since the same was paid after the due date of filing of return of income (₹ 7,000/2)	3,500	
- Disallowance under section 40A(3) in respect of salary paid in cash since the same exceeds ₹ 10,000	22,000	
- 20% of car expenses for personal use	<u>8,000</u>	
	7,27,500	
Less: Depreciation allowable (Note 1)	<u>1,96,800</u>	
	5,30,700	
Income from firm		
Share of profit from the firm is exempt under section 10(2A)	-	1
Interest on capital from partnership firm (Note 2)	1,20,000	
Salary as working partner fully taxable	<u>1,00,000</u>	<u>2,20,000</u>
		7,50,700

Income from other sources		
Interest on bank fixed deposit (Gross) [₹49,500 x 100/90]	55,000	
Interest on saving bank account	13,300	
Interest on income-tax refund	<u>1,400</u>	<u>69,700</u>
Gross total income		9,14,900
Less: Deduction under Chapter VIA (Note 3)		<u>2,65,000</u>
Total Income		<u>6,49,900</u>

Computation of tax liability of Mr. Neeraj for the A.Y.2022-23

Particulars	₹
Upto ₹ 3,00,000	Nil
₹ 3,00,001 – ₹ 5,00,000 [i.e., ₹ 2,00,000@5%]	10,000
₹ 5,00,001 – ₹ 6,49,900 [i.e., ₹ 1,49,900@20%]	<u>29,980</u>
	39,980
Add: Health and Education cess@4%	<u>1,599</u>
Tax Liability	<u>41,579</u>
Tax payable (Rounded off)	<u>41,580</u>

Notes:

(1) Depreciation allowable under the Income-tax Rules, 1962

		Opening WDV/ Actual cost	Rate		Depreciation
Block 1	Computers	2,40,000	40%		96,000
	Computer printer	1,50,000	40%		60,000
Block 2	Motor Car	6,80,000	15%	51,000 [50% of 15% is allowable, since it is put to use for less than 180 days]	40,800
	Less: 20% disallowance for personal use			<u>10,200</u>	
					<u>1,96,800</u>

- (2) Only to the extent the interest is allowed as deduction in the hands of the firm, the same is includible as business income in the hands of the partner. Since interest is paid in accordance with partnership deed, maximum interest allowable as deduction in the hands of the firm is 12% p.a. Therefore, interest @12% p.a. amounting to ₹ 1,20,000 would be treated as the business income of Mr. Neeraj.

(3) Deduction under Chapter VI-A

Particulars	₹	₹
Under section 80C		
LIP for independent son	60,000	
PPF paid in wife's name	<u>70,000</u>	
	1,30,000	

Since the maximum deduction under section 80C is ₹ 1,50,000, the entire sum of ₹ 1,30,000 would be allowed as deduction		1,30,000
Under section 80D		
Health insurance premium taken for himself is fully allowable as deduction, since he is a senior citizen		35,000
Under section 80G		
Contribution towards PM National Relief Fund eligible for 100% deduction without any qualifying limit		50,000
Under section 80TTB		
Interest on deposits in case of senior citizen, restricted to		<u>50,000</u>
Total deduction		<u>2,65,000</u>

2 (a) **Computation of tax liability of Ms. Kajal under section 115BAC for the A.Y.2022-23**

	₹	₹
(A) Tax payable including surcharge on total income of ₹ 2,00,50,000		
Upto ₹2,50,000	Nil	
₹ 2,50,001 – ₹ 5,00,000 @5%	12,500	
₹ 5,00,001 – ₹ 7,50,000 @10%	25,000	
₹ 7,50,001 – ₹ 10,00,000 @15%	37,500	
₹ 10,00,001 – ₹ 12,50,000 @20%	50,000	
₹ 12,50,000 – ₹ 15,00,000 @25%	62,500	
Above ₹ 15,00,000 @30%	<u>55,65,000</u>	
	57,52,500	
Add: Surcharge @ 25% (since total income exceeds ₹ 2 crore but does not exceed ₹ 5 crore)	<u>14,38,125</u>	71,90,625
(B) Tax payable on total income of ₹ 2 crore [(₹ 12,500 plus ₹ 25,000 plus ₹ 37,500 plus ₹ 50,000 plus ₹ 62,500 plus ₹ 55,50,000) plus surcharge @15%]		65,98,125
(C) Excess tax payable (A)-(B)		5,92,500
(D) Marginal Relief (₹ 5,92,5000 – ₹ 50,000, being the amount of income in excess of ₹ 2,00,00,000)		5,42,500
(E) Tax payable before cess (A – D)		66,48,125
Add: Health and education cess @4%		2,65,925
Tax payable		69,14,050

Alternative Presentation

Computation of tax liability of Ms. Kajal for the A.Y.2022-23

	₹	₹
(A) Tax payable including surcharge on total income of ₹ 2,00,50,000	1	
Upto ₹ 2,50,000	Nil	
₹ 2,50,001 – ₹ 5,00,000 @5%	12,500	

	₹ 5,00,001 – ₹ 7,50,000 @10%	25,000	
	₹ 7,50,001 – ₹ 10,00,000 @15%	37,500	
	₹ 10,00,001 – ₹ 12,50,000 @20%	50,000	
	₹ 12,50,000 – ₹ 15,00,000 @25%	62,500	
	Above ₹ 15,00,000 @30%	<u>55,65,000</u>	
		57,52,500	
	Add: Surcharge @25% (since total income exceeds ₹ 2 crore but does not exceed ₹ 5 crore)	<u>14,38,125</u>	71,90,625
(B)	Tax payable on total income of ₹ 2 crore [(₹ 12,500 plus ₹ 25,000 plus ₹ 37,500 plus ₹ 50,000 plus ₹ 62,500 plus ₹ 55,50,000) plus surcharge @15%]		65,98,125
(C)	Total income less ₹ 2 crore		50,000
(D)	Tax payable on total income of ₹ 2 crore plus excess of total income over ₹ 2 crore (B + C)		66,48,125
(E)	Tax payable: Lower of A and D		66,48,125
	Add: Health and education cess @4%		2,65,925
	Tax payable		69,14,050
(F)	Marginal Relief (A -D)		5,42,500

- (b) Mr. Krishna is a non-resident for the A.Y.2022-23, since he was not present in India at any time during the previous year 2021-22 [Section 6(1)].

As per section 5(2), a non-resident is chargeable to tax in India only in respect of following incomes:

- Income received or deemed to be received in India; and
- Income accruing or arising or income deemed to accrue or arise in India.

Computation of Total Income of Mr. Krishna for A.Y. 2022-23

Particulars	₹
Salaries	
Salary from Government of India	9,25,000
(Income chargeable under the head 'Salaries' payable by the Government to a citizen of India for services rendered outside India is deemed to accrue or arise in India under section 9(1)(iii). Hence, such income is taxable in the hands of Mr. Krishna, a citizen of India, even though he is a non-resident and rendering services outside India)	
Foreign Allowance from Government of India	
[Any allowances or perquisites paid or allowed as such outside India by the Government to a citizen of India for rendering service outside India is exempt under section 10(7)].	
	<u>Nil</u>
Gross Salary	9,25,000
Less: Standard Deduction under section 16(ia) of ₹ 50,000, being lower of gross salary or ₹ 50,000	<u>50,000</u>
	8,75,000

Income from House Property	
Rent from a house situated at UK, received in UK (Income from property situated outside India would not be taxable in India in the hands of a non-resident, since it neither accrues or arises in India nor is it deemed to accrue or arise in India nor is it received in India)	Nil
Income from Other Sources	
Interest on Post office savings bank account – exempt upto ₹ 3,500	<u>1,000</u>
Gross Total Income	8,76,000
Less: Deduction under section 80TTA	<u>1,000</u>
Total Income	<u>8,75,000</u>

- (c) Mr. Rakesh has furnished his return of income for A.Y.2022-23 on 22.10.2022, i.e., after the due date specified under section 139(1) i.e., 31st July 2022. Hence, the return is a belated return under section 139(4).

As per section 80 read with section 139(3), specified losses, which have not been determined in pursuance of a return of loss filed within the time specified in section 139(1), cannot be carried forward to the subsequent year for set-off against income of that year. The specified losses include, *inter alia*, business loss but does not include loss from house property and unabsorbed depreciation.

Accordingly, business loss of ₹ 10,80,000 of Mr. Rakesh for A.Y. 2022-23, not determined in pursuance of a return of loss, filed within the time specified in section 139(1), cannot be carried forward to A.Y.2023-24.

However, the loss of ₹ 2,50,000 from house property and unabsorbed depreciation of ₹ 2,00,000 pertaining to A.Y.2022-23, can be carried forward to A.Y.2023-24 for set-off, even though Mr. Rakesh has filed the return of loss for A.Y.2022-23 belatedly.

- (d) (i) ABC Bank is not required to deduct tax at source under section 194A, since the aggregate interest on fixed deposit with the two branches of the bank ₹ 49,000 does not exceed the threshold limit of ₹ 50,000, applicable in case of senior citizen. Since ABC Bank has adopted core banking solution (CBS), the aggregate interest paid by both branches has to be considered.
- (ii) TDS provisions under section 194C are not attracted in this case, since Mr. Avinash is a pensioner. However, Mr. Avinash has to deduct tax at source@5% u/s 194M, since the payment to contractor, Mr. Raju, exceeds ₹ 50 lakhs.

3. (a) **Computation of taxable income of Mr. Sailesh for A.Y. 2022-23**

Particulars	Amount	Amount
Income from house property		
<u>Unit - 1 [50% of floor area - Let out]</u>		
Gross Annual Value, higher of		
- Expected rent ₹ 1,39,000 [Higher of Municipal Value of ₹ 1,44,000 p.a. and Fair Rent of ₹ 1,49,000 p.a., but restricted to Standard Rent of ₹ 1,39,000 p.a.]		
- Actual rent ₹ 1,80,000 i.e., [₹ 20,000 x 10] less unrealized rent of January, 2022 ₹ 20,000	1	
Gross Annual Value	1,80,000	
Less: Municipal taxes [50% of ₹30,000]	<u>15,000</u>	

Net Annual Value	1,65,000	
Less: Deductions from Net Annual Value		
(a) 30% of Net Annual Value	49,500	
(b) Interest on loan [50% of ₹ 90,000]	<u>45,000</u>	70,500
<u>Unit – 3 [25% of floor area – Self occupied]</u>		
Net Annual Value	-	
Less: Interest on loan [Not allowed as Mr. Sailesh is opting for section 115BAC.]	-	-
Income from house property		70,500
Profits and gains from business or profession		
Business Income [without deducting expenditure of Unit - 2 25% floor area used for business purposes]	2,40,000	
Less: Expenditure in respect of Unit -2		
- Municipal taxes [25% of ₹ 30,000]	7,500	
- Repairs [25% of ₹ 7,000]	1,750	
- Interest on loan [25% of ₹ 90,000]	22,500	
- Ground rent [25% of ₹ 6,000]	1,500	
- Fire Insurance premium [25% of ₹ 60,000]	<u>15,000</u>	
	<u>48,250</u>	<u>1,91,750</u>
Taxable Income		<u>2,62,250</u>

Note: Alternatively, if as per income-tax returns, unrealised rent is deducted from GAV, then GAV would be ₹ 2,00,000, being higher of unexpected rent of ₹ 1,39,000 and actual rent of ₹ 2,00,000. Thereafter, unrealized rent of ₹ 20,000 and municipal taxes of ₹ 15,000 would be deducted from GAV of ₹ 2,00,000 to arrive at the NAV of ₹ 1,65,000

(b)

I	<u>Tax consequences in the hands of Mr. Ramesh</u>
	<p>As per section 43CA, where the consideration received or accruing is less than the stamp duty value of an asset (other than capital asset), being land or building or both and such stamp duty value exceeds 110% of the consideration received or accruing, then the stamp duty value shall be deemed to be the full value of the consideration.</p> <p>However, where the date of agreement is different from the date of registration, stamp duty value on the date of agreement can be considered provided whole or part of the considered is received by way of account payee cheque/ bank draft/ ECS or through any other prescribed modes on or before the date of agreement.</p> <p>Further, in case of transfer of an asset, being a residential unit, if the stamp duty value of the residential unit does not exceed 120% of the consideration received or accruing, then, such consideration shall be deemed to be the full value of consideration for the purpose of computing profits and gains from transfer of such asset, subject to the satisfaction of following conditions –</p> <p>(i) The transfer of residential unit takes place during the period between 12.11.2020 and 30.6.2021</p> <p>(ii) Such transfer is by way of first time allotment of the residential unit to any person</p> <p>(iii) The consideration received or accruing as a result of such transfer ≤ ₹ 2 crores</p> <p>Accordingly, in this case, since ₹ 25 lakhs is received by cash on the date of agreement, stamp duty value on the date of registration is to be considered. Since such stamp duty value (₹ 1.75 crores) does not exceed 120% of the consideration received</p>

	(₹ 1.50 crores), business income would be computed in the hands of Mr. Ramesh, for A.Y.2022-23, taking sale consideration of ₹ 1,50,00,000 as the full value of consideration arising on transfer.
II	<u>Tax consequences in the hands of Mr. Vikas</u>
	<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>However, in case the property is a residential unit and conditions of section 43CA are satisfied, the difference would be taxable if such difference exceeds the higher of ₹ 50,000 or 20% of actual sales consideration.</p> <p>In this case, 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 of ₹25,00,000 does not exceed ₹30,00,000, being the higher of ₹50,000 and 20% of consideration.</p>

4. (a) **Computation of Total Income of Mr. Sonu for A.Y. 2022-23**

Particulars	Amount (₹)	Amount (₹)
Income from house property		
<u>House 1 [Self-occupied]</u>		
Net annual value	-	
Less: Interest on loan [upto ₹2,00,000]	<u>2,00,000</u>	(2,00,000)
<u>House 2 [Let out]</u>		
Gross annual value ¹ [₹50,000 x 12]	6,00,000	
Less: Municipal taxes	<u>-</u>	
Net annual value	6,00,000	
Less: Deductions from Net Annual Value		
(a) 30% of Net Annual Value	1,80,000	
(b) Interest on loan	<u>3,00,000</u>	1,20,000
<u>House in Delhi</u> [Since Mr. Sonu receives direct or indirect benefit from income arising to his brother's daughter, Ms. Varsha, from the transfer of house to her without consideration, such income is to be included in the total income of Mr. Sonu as per proviso to section 62(1), even though the transfer may not be revocable during lifetime of Ms. Varsha]		
Gross Annual Value ²	6,50,000	
Less: Municipal taxes	<u>-</u>	
Net Annual Value	6,50,000	
Less: Deductions from Net Annual Value		
(a) 30% of Net Annual Value	1,95,000	
(b) Interest on loan	<u>-</u>	<u>4,55,000</u>
		3,75,000
Profits and gains from business or profession		
Share of profit from firm [Exempt u/s 10(2A)]	-	
Exempt income cannot be clubbed	1	

¹ Rent receivable has been taken as the gross annual value in the absence of other information

² Rent receivable has been taken as the gross annual value in the absence of other information

Capital Gains		
Long term capital gain from sale of property	15,000	
Less: Short-term capital loss can be set-off against both short-term capital gains and long-term capital gains ³ . Short term capital loss of ₹ 16,000 set off against long-term capital gains to the extent of ₹15,000 ⁴ . Balance short term capital loss of ₹ 1,000 to be carry forward to A.Y.2023-24	<u>15,000</u>	-
Income from other sources		
Dividend on preference shares [Taxable in the hands of Mr. Sonu as per section 60, since he transferred the income, i.e., dividend, without transferring the asset, i.e., preference shares]	10,00,000	
Interest from saving bank account	2,00,000	
Cash gift [Taxable as per section 56(2)(x), since sum of money exceeding ₹ 50,000 is received from his niece, who is not a relative]	75,000	
Income from betting [No loss is allowed to be set off against such income]	34,000	
Income from card games [No loss is allowed to be set off against such income]	<u>46,000</u>	<u>13,55,000</u>
Gross Total Income		17,30,000
Less: Deduction under Chapter VI-A		
Deduction under section 80C [Principal repayment of loan ₹ 5 lakh, restricted to ₹1,50,000]	1,50,000	
Deduction under section 80TTA [Interest from savings bank account]	<u>10,000</u>	<u>1,60,000</u>
Total Income		15,70,000

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

Particulars	Amount (₹)
Short term capital loss [₹ 16,000 – ₹ 15,000]	1,000
Loss on maintenance of race horses [Loss incurred on maintenance of race horses cannot be set-off against income from any source other than the activity of owning and maintaining race horses. Hence, such loss has to be carried forward to A.Y.2023-24]	14,600

- (b) If a person, who has been allotted PAN as on 1.7.2017 and is required to intimate his Aadhar number under section 139AA(2), has failed to intimate the same on or before 31.3.2022, the PAN of such person would become inoperative immediately after 31.3.2022 for the purpose of furnishing, intimating or quoting under the Income-tax Act, 1961.

Where a person, whose PAN has become inoperative, is required to furnish, intimate or quote his PAN under the Act, it shall be deemed that he has not furnished, intimated or quoted the PAN, as the case may be, in accordance with the provisions of the Act and he would be liable for all the consequences under the Act for not furnishing, intimating or quoting the PAN.

Where a person, who is required to intimate his Aadhar Number under section 139AA(2), fails to do so on or before the notified date i.e., 31.3.2022, he shall be liable to pay such fee, as may be prescribed, at the time of making intimation under section 139AA(2) after 31.3.2022.

However, such fee shall not exceed ₹ 1,000.

³ as per section 74(1)

⁴ as per section 74(1)

SECTION B - INDIRECT TAXES (40 MARKS)

SUGGESTED ANSWERS

Division A - Multiple Choice Questions

Question No.	Answer
1.1	(b) Professional service availed from his son free of cost is considered as a deemed supply
1.2	(a) ₹ 20 lakh
1.3	(d) Nil as it is exempt
1.4	(b) Mr. Lala is liable to register in the month of January for effecting inter-State outward supply of goods.
1.5	(a) 4 th January
2	(c) No, as services in the course of employment does not constitute supply and therefore, aggregate turnover is less than ₹ 20 lakh.

Division B - Descriptive Questions

1. **Computation of value of taxable supply and net GST liability to be paid in cash by AIM for April, 2021**

Particulars		Amount (₹)
Tuition fee received from students pursuing recognized management courses [Note-1]		Nil
Tuition fee received from students pursuing under-graduate courses recognized by Foreign University [Note-2]		8,50,000
Fee received from students of Competitive Exam Training Academy [Note-3]		5,40,000
Mess fees received from students [Note-4]		<u>Nil</u>
Total value of taxable supply		13,90,000
Particulars	CGST (₹)	SGST (₹)
GST liability under forward charge @ 9% [Note-5]	1,25,100	1,25,100
Services on which tax is payable under reverse charge:		
Rent paid to Local Municipal Corporation [Note-6]	4,500	4,500
Legal services received from Top Care & Co., a partnership firm of advocates [Note-7]	<u>1,800</u>	<u>1,800</u>
GST liability under reverse charge payable in cash [A] [Note-8]	<u>6,300</u>	<u>6,300</u>
Output tax payable against which ITC can be set off	1,25,100	1,25,100
Less: ITC of renting immovable property and legal services	<u>6,300</u>	<u>6,300</u>
Output tax payable after set off of ITC [B]	1,18,800	1,18,800
Net GST liability payable in cash [A] + [B]	1,25,100	1,25,100

Notes:-

- Services provided by an educational institution to its students are exempt¹. Further, educational institution means *inter alia* an institution providing services by way of education as a part of a curriculum for obtaining a qualification recognised by an Indian law. Therefore, tuition fee

received by Punjab University, being an educational institution, is exempt, since it provides qualification recognised by Indian law.

2. Tuition fee received by Stan University is taxable since Stan University is not an educational institution as qualification provided by it is not recognised by Indian law.
 3. Fee received from students of competitive exam training academy is taxable as Department of AIM is not an educational institution since competitive exam training does not lead to grant of a recognized qualification.
 4. Catering services provided by educational institutions to its students are exempt.
 5. Since all the services provided are intra-State, CGST and SGST @ 9% is charged
 6. GST is payable under reverse charge in case of renting of immovable property services supplied by a local authority to a registered person.
 7. GST is payable under reverse charge in case of legal services supplied by a firm of advocates to a business entity.
 8. The amount available in the electronic credit ledger may be used for making payment towards output tax. However, tax payable under reverse charge is not an output tax. Therefore, tax payable under reverse charge cannot be set off against the input tax credit and thus, will have to be paid in cash.
2. (a) Computation of value of taxable supply of M/s. Paisa Saver Bank Limited for the month of September:

Particulars	Amount in lakh (₹)
Housing loan extended to customers [Since money does not constitute goods, extending housing loan is not a supply.]	Nil
Processing fee collected on sanction of loan [Interest does not include processing fee on sanction of the loan. Hence, the same is taxable.]	20
Commission collected on bank guarantee [Any commission collected over and above interest on loan, advance or deposit are not exempt.]	30
Interest income on credit card issued by the bank [Services by way of extending loans in so far as the consideration is represented by way of interest are exempt from tax. However, interest involved in credit card services is specifically excluded from this exemption entry.]	40
Interest received on housing loan [Services by way of extending loans in so far as the consideration is represented by way of interest are exempt from tax.]	Nil
Minimum balance charges collected from current account and saving account holder [Any charges collected over and above interest on loan, advance or deposit are not exempt.]	03
Value of taxable supply	93

(b) Computation of total value of taxable supplies made by Blue Stone Ltd. during the month of March

Particulars	Amount (₹)
List price of the goods	12,00,000
Subsidy amounting to ₹ 1,75,000 received from the Central Government [Since the subsidy is received from the Government, the same is not includible in the value in terms of section 15(2)(e) of the CGST Act]	NIL
Subsidy received from NGO [Since the subsidy is received from a non-Government body and directly linked to the supply, the same is includible in the value in terms of section 15(2)(e) of the CGST Act]	50,000
Tax levied by the Municipal Authority [Includible in the value as per section 15(2)(a) of the CGST Act]	20,000
Packing charges [Being incidental expenses, the same are includible in the value as per section 15(2)(c) of the CGST Act]	15,000
Late fees paid by recipient of supply for delayed payment [Includible in the value as per section 15(2)(d) of the CGST Act - As the amount of interest received is a lump sum amount, the same has to be taken as inclusive of GST] [₹ 6,000 x 100/118] rounded off	<u>5,085</u>
Total value of taxable supplies	12,90,085

3. (a) (1) The debit/credit note shall be issued by the registered person who has supplied the goods and/or services, i.e. Namu & Co.
- (2) Yes, debit/credit note need to be issued in each of the circumstances as under:
- A credit note is required to be issued as the taxable value in invoice no. 1 exceeds the actual taxable value.
 - A debit note is required to be issued as the tax charged in the invoice no. 4 is less than the actual tax payable.
 - A debit note is required to be issued as the value of supply charged in the invoice no. 8 is less than the actual value.
- (3) The details of the credit note cannot be declared later than the return for the month of September following the end of the financial year in which such supply was made or the date of furnishing of the relevant annual return, whichever is earlier.
- (b) Interest is payable under Section 50 of the CGST Act, 2017 in case of delayed payment of tax @ 18% per annum from the date following the due date of payment to the actual date of payment of tax.

As per proviso to sub-section (1) of Section 50, interest is payable on the net tax liability paid in cash, only if the return to be filed for a tax period under Section 39, has been filed after the due date to furnish such return.

In the above scenario, Raghav Ltd., has defaulted in making the payment for ₹ 40,000 on self-assessment basis in the return for the month of July, 2021. Accordingly, interest is payable on the gross liability and proviso of sub-section 50(1) shall not be applicable.

Thus, the amount of interest payable by Raghav Ltd., is as under:-

Period of delay = 21st August, 2021 to 20th October, 2021 = 60 days

Hence, amount of interest = ₹ 40,000 x 18% x 60/365 = ₹ 1,184

Alternatively, if Raghav Ltd., have filed the return for the month of July, 2021 on 20.10.2021, beyond the stipulated due date of 20.08.2021 and if the self-assessed tax for July, 2021 has been paid on 20.10.2021, Interest under proviso to Section 50(1) shall be payable on the tax paid through Electronic Cash Ledger only.

Hence Interest is payable from 21st August 2021 till 20th October 2021 = 60 days

Amount of Interest = ₹ 30,000 x 18% x 60/365 = ₹ 888

4. (a) In case of supply of capital goods or plant and machinery on which ITC has been taken, the registered person shall pay an amount equal to the ITC taken on the said capital goods or plant and machinery reduced by 5% per quarter or part thereof from the date of invoice or the tax on the transaction value of such capital goods, whichever is higher.

However, in case of refractory bricks, moulds and dies, jigs and fixtures when these are supplied as scrap, the person can pay tax on the transaction value.

- (b) Yes, as per section 29(5) of the CGST Act, 2017, every registered person whose registration is cancelled shall pay an amount, by way of debit in the electronic credit ledger or electronic cash ledger, equivalent to the credit of input tax in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock or capital goods or plant and machinery on the day immediately preceding the date of such cancellation or the output tax payable on such goods, whichever is higher.