Booster Class for CA-IPC / Intermediate - May 2018

PART "A" - Indirect-Tax

(1) Update of Amendments:

The Update on Amendments is given separately.

(2) Analysis of Questions set out in ICAI Study Material and RTP for May 2018:

Chapter No.	Chapter Title	ICAI Study Material			RTP	
		Examples	Illustrations	TYKs	Questions	Total
1	Introduction	0	2	14	-	16
2	Important definitions and Concept of supply	25	0	14	1	40
3	Charge of tax – Levy and Collection	7	0	16		23
4	Exemptions	0	0	11		11
5-I	Time of Supply	6	8	18	2	34
5-II	Value of Supply	8	2	10	1	21
6	ITC	17	3	20	3	43
7	Registration	8	0	26	1	35
8	Tax Invoice, Debit Note and Credit Note	5	1	16		22
9	Payment of tax	2	0	18		20
10	Return	19	0	18		37
	Total	97	16	181	8	302

(3) How to attend paper:

❖ **Rule 1 – Don't panic:**
Remember that you are not required to score 90% or above (this is not CBSE exam). Even if you are not able to write any question, do not panic at all.

❖ **Rule 2 – Attend full:**
Never leave any question unanswered. Attempt all questions. Be cautious of time-management.

❖ **Rule 3 - Read question carefully:**
- Read carefully what is required by question? Answer fully what is required.
- Understand yourself what is not required by question? Do not answer what is not required.
- If the questions requires multiple things – answer all those points

❖ **Rule 4 – Write answer carefully and properly:**

(i) Try to use keywords, legal words

(ii) How to answer Practical Question?
Use following format:

COMPUTATION OF TOTAL INCOME / TAX LIABILITY / GST LIABILITY

Particulars	Working Note No.	Amount
	1	
	2	

Working Notes:
(1) ___________________
(2) ___________________

Working Notes carry marks. Always mention brief working notes / assumptions. It's better to mention working notes separately under the heading "Working Notes". Don't include Working Notes in the Main Answer. Refer some questions and answers set out in RTP for a better understanding.

(iii) How to answer General Theory Questions / Narrative Question:
Use following format:
(a) Write the opening paragraph (It is very easy. You can extract from the language of question)
(b) Narrate / Explain the provision

(iv) How to answer Case-Study/True-False/State with reasons/Statement Validity Question:
Use following format:
(a) Write the Issue / Statement (It is very easy. You can extract from the language of question)
(b) Write the relevant provision of law
(c) Apply law to the Issue / Statement given in question
(d) Write your conclusion (whether true-false / valid-invalid, etc.)

(4) Discussion of some questions from ICAI Material:

Page No.	Q. No.	Point
2.44	3	Which of the activities are "outside the scope of supply"
2.45	7	What is taxable event under GST?
2.45	9	Supply of all goods/services/both is taxable?
2.45	11	Following would amount to supply u/s 7?
3.75	12	Person other than supplier or recipient
4.41	6	" in lieu of lump sum payment"
4.42	8	fee charged for yoga camp
5.12	2	
5.15	4	Calculation of 31st day
5.29	8	Date of e-mail is not relevant
5.36	9	Make 4 columns in answer
5.36	10	Make 3 columns in answer
5.37	13	Part application of section 12(2)
5.38	15	"food items"
5.59	1	2% of list price
5.62	4	"transaction value be rejected"
5.63	9	"waived the interest"
6.52	2	"First instalment has been received in Oct, 2018"
6.52	2	Depreciation claimed. Hence ITC not allowed
6.71	12	"Reason therefor"
9.35	2	Deposits towards ….
9.38	18	Read the answer carefully

(5) Discussion of some questions from RTP for May 2018:

Q.No.	Point
3	Instant credit is allowed even if inputs are lying in stock
4	Part of the quarter is taken as full

(6) Some more points for discussion:

- While calculating question on "Time of Supply", do not forget to write 4 information / 3 information in answer and thereafter give conclusion.

- Understand the difference of "Details of outward supplies to be given in GSTR-1" Vs. "Contents of GSTR-1"

- Understand the difference of "Details of inward supplies to be given in GSTR-2" Vs. "Contents of GSTR-2"

- Understand the difference of – Utilisation of input credit Vs. Transfer of credit Vs. Credit in case of change in constitution

- Value of supply – Page Number 3.52 of ICAI Material:

Value of "service and goods" portion in construction of complex involving transfer of property in land / undivided share in land	Since component of immovable property is not taxable, 1/3rd abatement for value of land shall be allowed. Hence the value of supply shall be 2/3rd of "Total amount charged for supply". Here "total amount charged for supply" shall be = Consideration charged for supply of service + Consideration charged for transfer of land / undivided share in land (if any).
Value of supply of lottery – in case of lottery run by State Govt.	100 / 112 of face value or price notified in the official gazette by the organizing State, whichever is higher
Value of supply of lottery – in case of lottery authorized by State Govt.	100 / 128 of face value or price notified in the official gazette by the organizing State, whichever is higher

- Consolidation of Invoice

Consolidated Revised Tax Invoice	*A registered person may issue a consolidated Revised Tax Invoice in respect of all taxable supplies made to* ***a recipient*** *who is not registered under the Act.* *Provided further that in the case of inter-State supplies, where the value of a supply does not exceed 2,50,000 rupees, a consolidated Revised Invoice may be issued separately in respect of* ***all the recipients located in a State****, who are not registered under the Act.*
Consolidated daily tax invoice	A registered person **may not issue** a **"Tax Invoice"** if all of the following conditions are satisfied – (i) the value of goods/services/both supplied is ***less than*** Rs. 200, (ii) the recipient is unregistered, and (iii) the recipient does not require Tax Invoice. However, in such a case, the registered person shall have to issue a consolidated tax invoice for such supplies at the close of each day in respect of all such supplies.
Consolidated daily Bill of Supply	A registered person **may not issue** a **"Bill of Supply"** if all of the following conditions are satisfied – (i) the value of goods/services/both supplied is ***less than*** Rs. 200,

	(ii) the recipient is unregistered, and (iii) the recipient does not require Bill of Supply. However, in such a case, the registered person shall have to issue a Consolidated Bill of Supply for such supplies at the close of each day in respect of all such supplies.
Consolidated Monthly invoice of RCM	If the aggregate value of the supplies covered u/s 9(4) exceeds Rs. 5,000 in a day from any or all the suppliers, the registered person may issue a consolidated invoice at the end of a month. ***[Presently section 9(4) is deferred till 31.03.2018. Hence this provision is not relevant upto 31.03.2018]***
Consolidated Monthly Invoice by Insurer / Banking Company / Financial Institution / NBFC	**Where the supplier of taxable service is an Insurer / Banking company / Financial institution / Non-banking financial company (NBFC):** The supplier shall issue a tax invoice or any other document in lieu thereof (by whatever name called) --- -- whether issued or made available, physically or electronically, -- whether or not serially numbered, and -- whether or not containing the address of the recipient of taxable service but containing other information as mentioned under rule 46. It is further prescribed that the supplier can, in place of a Tax Invoice, issue a "Consolidated Tax Invoice" for the supply of services made during a month at the end of the month.

- Example on Apportionment of ITC of capital goods – Shall be posted on Whatsapp.

- Services provided by a Goods Transport Agency (GTA), by way of transport in a goods carriage of:
  (i) any goods, where the consideration charged for the transportation of goods on a consignment transported in a single carriage does not exceed Rs. 1,500.
  (ii) any goods, where the consideration charged for transportation of all goods for a single consignee does not exceed Rs. 750.

PART “B” – DT (Income-Tax)

(1) Update of Amendments:

The Update on Amendments is given separately.

(2) Analysis of Questions set out in ICAI Study Material and RTP for May 2018:

No.	Chapter	ICAI Study Material				RTP	Total
		Examples	Illustrations	Exercise	TYK	Questions	
1	Basic concepts	3	4	3	12	0	22
2	Residential status	3	11	7	10	1	32
3	Exempted Incomes	3	7	6	10	1	27
4-I	Salaries	8	28	5	10	1	52
4-II	House Property	0	9	5	13	1	28
4-III	Business or Profession	6	24	10	10	1	51
4-IV	Capital gains	7	27	9	10	1	54
4-V	Other sources	0	7	7	12	1	27
5	Clubbing of Income	0	9	5	13	1	28
6	Aggregation of Income, Set off of losses	0	5	12	10	1	28
7	Deductions from GTI	0	18	5	13	0	36
8	Computation of total income and tax payable	0	0	13	10	2	25
9	Adv. Tax, TDS and TCS	0	11	5	12	2	30
10	Return	0	3	4	12	1	20
	Total - DT	**30**	**163**	**96**	**157**	**14**	**460**

(3) How to attend paper:

Same as discussed in Indirect tax.

(4) Some points compiled from Study material / RTP / Books:

Income from subletting of HP	Taxable under BPV or OS Head depending upon situation
Income from letting out of HP constructed over leasehold land	Taxable under HP head. Ownership of land is not relevant. Ownership of HP is relevant.
Income from letting out of HP constructed over a land / site taken on rent.	Taxable under HP head. Ownership of land is not relevant. Ownership of HP is relevant.
Treatment of HP or portion of HP is used for own business by assessee	HP head is not applicable. The expenses of such property or portion of property shall be allowed as deduction in computing BPV income
Rent of a commercial building	HP head
Rent of a building let out to bank	HP head [If the questions clearly states that the letting out is useful for business of assessee, then only taxable under BPV head]
Rent recovered from employees Rent recovered from users of guest house	BPV head.
Rent of HP in case of a property dealer. Rent of HP held as stock-in-trade.	HP head
Rent of HP in case of a person engaged in the business of letting out properties	BPV head

Income from letting of land / site without superstructure	BPV or OS head, depending upon situation.
Income from letting of plant, machinery and furniture	BPV or OS head, depending upon situation.
Share in income of HUF	Exempted.
Share in partnership firm	Exempted.
Salary, commission, bonus, remuneration received by a partner from firm	BPV head
Interest received by a partner from a firm	BPV head
Capital asset converted into stock and thereafter stock is sold	CG + BPV head
Winning from lottery by a person having the same as a business activity	OS head
Salary of MP / MLA	OS head
Honorarium received from various universities for valuation of answer papers	OS head
Interest received by an employee on URPF	OS head
Receipts without consideration	OS head
Advance forfeited upto 31.03.2014	Not taxable. It shall be deducted from COA of asset.
Advance forfeited on or after 01.04.2014	OS head
Dividend received on shares held as stock in trade or Dividend received by a dealer of shares or Dividend received by an investor	Always taxable under OS head. The dividend covered u/s 2(22)(a)(b)(c)(d) from a domestic company upto Rs. 10 lakh is exempted. Extra is taxable.
Gift from employer	Salary head
Gift from clients	BPV head
Gift from any other	OS head
Interest on compensation	OS head. Claim standard deduction.
Ex-gratia received from employer	Taxable under Salary
Commuted pension from employer	Salary head. Claim exemption as allowable.
Uncommuted pension from employer	Salary head.
Family pension	OS head. Allow standard deduction
Pension received from insurance company	OS head.
Pension received from LIC jeevan dhara / Jeevan Suraksha	Taxable OS
Director fee	Normally, OS head. If large amount, assume BPV head.
Income from undisclosed sources	OS head
7 special incomes (lottery etc.)	OS head – It is a casual income
Winning from TV game show	OS – It is a casual income
Interest on loan given to a relative	OS head
Interest on debenture of a company	OS head
Interest on securities	OS head
Interest on Govt. securities	OS head.
Interest on PO SB A/c	OS head. Claim exemption upto 3500 / 7000. Further claim deduction u/s 80TTA
Interest on PO MIS	OS head.
Interest on PO RD	OS head.
Interest on bank FD	OS head.
Interest on bank SB	OS head. Claim deduction u/s 80TTA
Interest on deposit / advance given to supplier of raw material / fixed assets for business	BPV head
Honorarium for giving lectures at seminars	OS head.
Income from UTI / Dividend from units of UTI	Exempted.
Maturity proceeds of LIC	If low premium policy – Exempted u/s 10(10D) If high premium policy – It is taxable under OS.

Royalty income	If small amount, OS head. If big amount / the assessee is engaged in business or profession of earning royalty income – BPV head. Mention a note in answer.
IT refund	It can have two portions, viz. principal and (ii) Interest. Principal is not taxable. Interest is taxable under OS head.

Residential Status:

- While computing “Residential status” of a person, please show calculation of days in your answer
- Past untaxed foreign income brought to India during the previous yea 2017-18 -- Not taxable in AY 2018-19 because it does not relate to PY 2017-18.

Salary:

- Loan taken by employee from Provident fund – This is a liability and not an income. Hence not taxable
- Computer kept by employer at the residence of employee (or provided by employer at the residence of employee) – This facility is not taxable.
- Telephone provided at the residence of employee – This facility is not taxable
- Gas, electricity and water provided at the residence of employee - Taxable
- Professional tax paid by employer – First include in gross salary because it is a taxable perquisite. Thereafter claim deduction u/s 16.
- Professional tax paid by employee – Claim deduction u/s 16 only.
- Facility of laptop costing Rs. 50,000 – Use of laptop is exempted. Ownership is not transferred.
- Reimburshment of salary of house keeper – This is a taxable perquisite.
- Gift voucher received from employer on the occasion of marriage anniversary / Gift in kind made by employer on the occasion of wedding anniversary. The gift was given by the employer to all employees – This facility is taxable under salary head (Exemption upto Rs. 5000 may be taken with a suitable remark in answer).
- Employer has provided personal accident policy and paid premium – This is not taxable.
- Telephone allowance – This is taxable.
- Medical insurance premium paid by employer for family – Exempted assuming family members are the persons falling within the meaning of “family”.
- Salary of servant provided by employer – Taxable
- Night duty allowance – Taxable
- Medical treatment of self-employed daughter – Even if daughter is self-employed or independent, she is a member of “family”. Hence the perquisite is eligible for exemption.
- Tax on non-monetary perquisite paid by employer – Exempted.
- Tiffin allowance 5000 (actual expenditure – 3700) – fully taxable

HP:

- Interest on unpaid interest – not allowed as deduction.
- Interest on new loan taken for repayment of old loan – allowed as deduction.
- Light charges, water charges, insurance, lease money, repairs, painting expenditure, recovery expenses, litigation expenses – not allowed as deduction.
- Recovery of arrears of rent – This is taxable u/s 25A. Please allow standard deduction @ 30%.
- Recovery of unrealized rent which was earlier allowed as deduction – This is taxable u/s 25A. Please allow standard deduction @ 30%.
- Recovery of unrealized rent which was earlier not allowed as deduction – This is not taxable.

BPV:

- Second hand assets (used in India, prior to purchase by assessee) purchased by assessee:

Section	The asset was used in India, prior to purchase by assessee	The asset was used outside India, prior to purchase by assessee
Additional depreciation	Not allowed	Not allowed
32AD	Not allowed	Not allowed
35AD	Treated as “Old asset”	Treated as “New asset”

- Maximum depreciation rate shall be 40%.

- If the question is silent, assume 15% depreciation rate on P&M.
- If the cost of building includes cost of land, exclude cost of land and claim depreciation only on cost of building.
- Depreciation is allowed even if the assessee follows cash method of accounting.
- While calculating depreciation / additional depreciation, plase take care of dates/years given in question.
- Section 35AD – 100% deduction is allowed (Now 150% deduction is not allowed).
- Section 40A(3) – Limit is 35,000 if payment is made for carriage of goods.
- Tax on non-monetary perquisites, paid by employer is disallowed u/s 40(a).
- Family planning expenditure is allowed only to a company. This is not allowed to a non-company.
- Employer's contribution to NPS – Maximum deduction allowed to employer is 10% of salary. Extra is disallowed.
- Stipend / incentive paid to articled assistants – This is a business expenditure for a CA. Hence deduction is allowed.

Other sources:

- Cell phone / car received by way of gift – Not taxable.
- Gift received from relatives – full exempt
- Gifts received from non-relatives – Taxable under other sources – Take care of limit of 50,000
- Scholarship receipt – Exempted
- Interest on Non-Resident External A/c – Exempted
- Total dividend received from one or more Indian / domestic companies – Exempt upto Rs. 10 lakh. Extra is taxable. Expenses not allowed as deduction.

Clubbing:

- Income of minor married daughter / son – Clubbing.
- Income of minor son from sports – No clubbing
- Income of minor son from fixed deposit which was gifted by his uncle – clubbing
- Gifts received by minor child during the year – Clubbing
- Scholarship received by minor child – No clubbing because scholarship is exempted.
- Income of minor child from sale of a own painting – assuming the painting was prepared by his own skill, no clubbing
- Income of minor child from participation in TV show – Income due to skill. Hence no clubbing.
- Casual income of minor child – Clubbing.
- Allow exemption of 1500 while clubbing income of minor child.
- Section 27 Vs. Section 64 -- Treatment of House-Property transferred by a person to his spouse without consideration or for inadequate consideration – Section 27 shall apply.
- Section 27 Vs. Section 64 -- Treatment of House-Property transferred by a person to his minor child without consideration or for inadequate consideration – Section 27 shall apply.

Agricultural income:

- Sale of plants from nursery – fully agricultural income. Hence exempt.
- Remember the formulas for disintegration of composite income i.e. partly agriculture and partly non-agriculture.

Set off of losses:

- Long-term loss of equity shares / equity oriented mutual fund (STT paid) – not allowed because it is exempt.
- Long-term loss of equity shares / equity oriented mutual fund (STT not paid) – It is allowed. But it can be set off only against long-term gain.
- Short-term loss of equity shares / equity oriented mutual fund (STT paid) – It is allowed.
- Short-term loss of equity shares / equity oriented mutual fund (STT not paid) – It is allowed.
- Loss from gambling or card game can neither be set off nor be carried forward.
- Casual loss cannot be set off against casual income.
- Loss from maintenance of race-horses can be set off against income from maintenance of race-horses. Further, this loss can be carried forward to 4 years.
- Business loss cannot be set off against salary income.

Deduction:

- Deposit in PPF or LIC premium in the name of assessee, spouse or children (major / minor / dependent / independent) allowed u/s 80C. Parents not allowed.
- 80C – Tax saver FD in the name of son – not allowed
- Payment to LIC pension fund – deduction u/s 80CCC
- 80C + 80CCC + 80CCD – cannot exceed 150000 (Please read relevant sections for further detail)
- Medical insurance premium paid in cash – not eligible for 80D
- Learn 80C and 80D carefully. These are very important provisions.
- Donation to a public charitable institution – Deduction u/s 80G (B-2 category).
- Donation to a political party – allowed u/s 80GGB / 80GGC

Individual / combined chapters:

- Check carefully, whether the question requires (i) computation of total income only, (ii) computation of tax liability only, (iii) both.
- Take care of pattern of question:
  (a) If P&L A/c is given in question
  (b) If P&L is not given in question. Only information is given in question.

Tax calculation:

Income	R&OR / R&NOR		NR	
	Tax Rate	MANCT	Tax Rate	MANCT
Casual income	30%	Not allowed	30%	Not allowed
Dividend u/s 115BBDA	10%	Not allowed	10%	Not allowed
Undisclosed income u/s 115BBE	60%+Surcharge	Not allowed	60%+Surcharge	Not allowed
LTCG	10% or 20%	Allowed	10% or 20%	Not allowed
STCG 111A	15%	Allowed	15%	Not allowed
Normal income	Slab Rate	2,50,000 or 3,00,000 or 5,00,000	Slab Rate	2,50,000
Rebate u/s 87A	Maximum 2,500	Allowed	Not allowed	Not allowed

- ***Non-resident is not important for examination. Please concentrate more upon resident.***
- ***Don't forget to allow Rebate u/s 87A while calculating practical questions in examination.***
- ***Don't forget rounding off of total income and tax liability in examination.***

******** Happy reading. Best of luck ********

******* Contact Whatsapp # 9414130248 for any query *******