

PUNJAB STATE TRANSMISSION CORPORATION LIMITED

Departmental Accounts Examination-2023 (2nd Session)

Category- SAS Part II

Paper-VII

Roll No.....

(Industrial, Commercial Laws and Direct/Indirect Taxes)

Time allowed: 3 hours

Max. marks :100

Note: All Questions are compulsory

Q.1.

- A. Write provision under Negotiable Instrument Act, if a cheque is dishonored due to insufficient funds?
- B. Difference between void and voidable contract.
- C. What is Employer's liability for compensation under Workmen Compensation Act?

(Marks: 10+5+5)

Q.2.

- A. Explain the measures to be taken by factories for the health of workers under Factories Act 1948?
- B. Define Holder in due Course.
- C. Difference between Fraud and Misrepresentation?

(Marks: 10+5+5)

Q.3.

From the following details, find out the salary chargeable to tax for the A.Y 2024-25 assuming he exercises the option of shifting out of the default tax regime provided under section 115BAC(1A) –

Mr. X is a regular employee of Rama & Co., in Gurgaon. He was appointed on 1.1.2023 in the scale of Rs.20,000 - Rs.1,000 - Rs.30,000. He is paid 10% D.A. & Bonus equivalent to one month pay based on salary of March every year. He contributes 15% of his pay and D.A. towards his recognized provident fund and the company contributes the same amount. D.A forms part of pay for retirement benefits.

He is provided free housing facility which has been taken on rent by the company at Rs.10,000 per month. He is also provided with following facilities:

- (i) Facility of laptop costing Rs.50,000.
- (ii) Company reimbursed the medical treatment bill of his brother of Rs 25,000, who is dependent on him.
- (iii) The monthly salary of Rs. 1,000 of a house keeper is reimbursed by the company.
- (iv) A gift voucher of Rs.10,000 on the occasion of his marriage anniversary.
- (v) Conveyance allowance of Rs. 1,000 per month is given by the company towards actual reimbursement of conveyance spent on official duty.
- (vi) He is provided personal accident policy for which premium of Rs. 5,000 is paid by the company.
- (vii) He is getting telephone allowance @Rs. 500 per month.

(Marks: 20)

Q.4.

(a) Mr. Raj Kumar whose gross total income was Rs. 6,40,000 for the financial year 2023-24, furnishes you the following information:

- i. Repayment of loan taken from SBI for acquisition of residential house (self-occupied) – Rs. 50,000.
 - ii. Five year post office time deposit – Rs. 20,000.
 - iii. Donation to a recognized charitable trust Rs. 25,000 which is eligible for deduction under section 80G at the applicable rate.
 - iv. Interest on loan taken for higher education of spouse paid during the year – Rs.10,000.
- Compute the total income of Mr. Raj Kumar for the A.Y. 2024-25 if he has exercised the option of shifting out of the default tax regime provided under section 115BAC(1A).

(b) Mention the categories of person who are liable and not liable to deduct TDS under section 51 of CGST Act, 2017. Also mention the rate of standard deductions under CGST Act 2017 and where no TDS is to be deducted.

(Marks: 10+10)

Q.5.

(a) Kartik & Co., a registered supplier under GST, provides the following information regarding various tax invoices issued by it during the month of March:

- I. Value of supply charged in invoice no. 1 was Rs. 2,50,000 against the actual taxable value of Rs. 2,30,000.
- II. Tax charged in invoice no. 4 was Rs.32,000 against the actual tax liability of Rs.68,000 due to wrong HSN code being chosen while issuing invoice.
- III. Value charged in invoice no. 8 was Rs.3,20,000 as against the actual value of Rs. 4,20,000 due to wrong quantity considered while billing.

Kartik & Co. asks you to answer the following:

- 1) Who shall issue a debit/credit note under CGST Act?
- 2) Whether debit note or credit note has to be issued in each of the above circumstances?
- 3) What is the maximum time-limit available for declaring the credit note in the GST Return?

(b) Sahil is a supplier of taxable goods in Karnataka. He got registered under GST in the month of September and wishes to pay his IGST liability for the month. Since he is making the GST payment for the first time, he is of the view that he needs to mandatorily have the online banking facility to make payment of GST; offline payment is not permitted under GST. You are required to apprise Sahil regarding the various modes of deposit in the electronic cash ledger. Further, advise him with regard to following issues:

1. Are manual challans allowed under GST?
2. What is the validity period of the challan?
3. Is cross utilization among Major and Minor heads of the electronic cash ledger permitted?

(Marks: 10+10)

PUNJAB STATE TRANSMISSION CORPORATION LIMITED
Departmental Accounts Examination-2023

Paper-VII

Solution to paper SAS-II

Industrial, Commercial Laws and Direct/Indirect Taxes

Ans 1(a)

Dishonour of cheque for insufficiency of funds in the accounts.

Sec 138, where any cheque drawn by a person on an account maintained by him with a banker for payment of any amount of money to another person from out of that account for the discharge, in whole or in part, of any debt or other liability is returned by the bank unpaid, either because of the amount of money standing to the credit of that account is insufficient to honour the cheque or that it exceeds the amount arranged to be paid from that account by an agreement made with that bank, such person shall be deemed to have committed an offence and shall without prejudice to any other provisions of this Act be punished with imprisonment for a term which may extend to one year, or with fine which may extend to twice the amount of the cheque or with both.

PROVIDED That nothing contained in this section shall apply unless

- a) The cheque has been presented to the bank within a period of three month from the date on which it is drawn or within the period of its validity, whichever is earlier.
- b) The payee or the holder in due course of the cheque, as the case may be makes a demand for the payment of the said amount of money by giving a notice in writing to the drawer of the cheque, with in fifteen days of the receipt of information by him from the bank regarding the return of the cheque as unpaid and
- c) The drawer of such cheque fails to make the payment of the said amount of money to the payee or, as the case may be, to the holder in due course of the cheque within fifteen days of the receipt of the said notice.

Explanation: For the purpose of this section, "debt or other liability" means a legally enforceable debt or other liability.

Comment: As the signature in the cheque is admitted to be that of the accused the presumption envisaged in Section 118 of the Act can legally be inferred that the cheque was made or drawn for consideration on the date which the cheque bears. Section 139 of the Act enjoins on the Court to presume that the holder of the cheque received it for the discharge of any debt or liability. The burden was on the accused to rebut the aforesaid presumption K Bhaskaran, Appellant Sankaran Vaidhyan Balan AIR -1999

1(b)

Difference between void and voidable contracts:

- i. **Enforceability-** Void Contracts are not enforceable by Law Voidable Contracts are enforceable by law at the option of one or more parties thereof.
- ii. **Claim for damages-** In void contracts no party can claim the damages for the non-performance of the contract. In voidable contracts, aggrieved party can claim damages for any loss sustainable.

- iii. **Validity**- Void contracts are initially valid but become invalid due to some reasons. Voidable contracts are valid until the party whose consent is not free does not revoke it.
- iv. **Formation** - Void contracts originates by an agreement made by minor, agreements without considerations, and agreements against public policy or illegal objective. Voidable contracts originate by contracts brought by coercion, undue influence and misrepresentation.

1(C)

Employer's liability for compensation(1) if personal injury is caused to a workman by accident arising out of and in the course of his employment, his employer shall be liable to pay compensation in accordance with the provisions of this chapter:

Provided that the employer shall not be so liable-

- (a) In respect of any injury which does not result in the total or partial disablement of the workman for a period exceeding 3*(three) days.
- (b) In respect of any 4*(injury not resulting in death, caused by) an accident which is directly attributable to
 - i. The workman having been at the time thereof under the influence of drink or drugs, or
 - ii. The willful disobedience of the workman to an order expressly given, or to a rule expressly framed, for the purpose of securing the safety of workmen, or
 - iii. The willful removal or disregard by the workman of any safety guard or other device which he knew to have been provided for the purpose of securing the safety of workmen 5**

Ans2 (a)

Health Measures and Safety Provisions as per Factories Act, 1948

- Section 11: Cleanliness in every factory
- Section 12: Disposal of effluents and wastes
- Section 13: Ventilation and Temperature
- Section 14: Dust and Fume
- Section 15: Artificial Humidification
- Section 16: Overcrowding
- Section 17: Lighting
- Section 18: Drinking Water
- Section 19: Latrines and Urinals
- Section 20: Spittoons

Section 11: Cleanliness in Every Factory: Under Section 11, every factory need to keep itself clean and free from effluvia arising from any drain, privy or other nuisance, and in particular-

- Accumulation of dirt and refuse should be removed daily by any effective method from the floors of workrooms and from staircases and passages and disposed of in a suitable and efficient manner.
- In case the floor is subject to become wet during the working time, then they should take proper drainage process or steps.
- Clean the worker's floor every week with proper disinfectant or any other effective method of cleaning.
- Paint or repaint walls, ceilings, and staircases of the factory once in every 5 years.
- Repaint the walls once in every 3 years in case of washable water paints.
- Paint and varnish all doors and window-frames and other wooden or metallic framework and shutters at least once in a period of 5 years.

Section 12: Disposal of Effluents and Wastes: Under this section following things should be considered:

- (a) It is necessary for the factories to arrange proper and effective waste treatment and its disposal.
- (b) The State Government may make rules prescribing the arrangements for the disposal and treatment of waste and effluents.

Section 13: Ventilation and Temperature: This section states:

- Effective and suitable provisions should be made in every factory for securing and maintaining in every workroom proper ventilation by circulation of fresh air. It also Involves providing an adequate temperature at the workplace. For this, they should select the material of the walls accordingly.
- The State Government may prescribe a standard of adequate ventilation and reasonable temperature for any factory or class or description of factories.
- Lastly, if it appears to the Chief Inspector that excessively high temperature in any factory can be reduced by the adoption of suitable measures, he can order them to use such a method.

Section 14: Dust and Fume: This section states that:

- If dust and fume release in the manufacturing process of a factory then they should take effective measures to prevent its inhalation and accumulation in the workplace. For this, they should use proper exhaust appliances in the workplace.
- In any factory, no stationary Internal combustion engine shall be operated unless the exhaust is conducted into the open air.

Section 15: Artificial Humidification: In respect of all factories in which the humidity of the air artificially increases, the State Government may make rules,-

- Firstly, prescribing standards of humidification;
- Secondly, regulating the methods used for artificially increasing the humidity of the air;
- Directing tests for determining the humidity of the air for correct carrying out and recording.
- Lastly, prescribing methods for securing adequate ventilation and cooling of the air in the workrooms.

Section 16: Overcrowding: This section states:

- Firstly, no room in any factory shall be overcrowded to an extent injurious to the health of the workers employed therein.
- Secondly, a factory built after the commencement of this Act at least 14.2 cubic meters of space for every worker employed therein, and for the purposes of this subsection, no account shall be taken of any space which is more than 4.2 meters above the level of the floor of the room.
- If the Chief Inspector by order in writing, may or may not post a notice specifying the maximum number of workers who may be employed in the room.

Section 17: Lighting: This section states:

Firstly, there should be proper lighting in all the places of the factory from where the workers of the factory pass.

In every factory, effective provision shall, so far as is practicable, be made for the prevention of-

- glare, either directly from a source of light or by reflection from a smooth or polished surface;
- the formation of shadows to such an extent as to cause eye-strain or the risk of accident to any worker.

Section 18: Drinking Water: This section states that in every factory, there should be proper arrangements for a sufficient supply of wholesome drinking water and shall be legibly marked as "drinking water".

Section 19: Latrines and Urinals: This section states that every factory should make arrangements of latrine and urinals for the employees and the rules are laid down by the State Government in this behalf.

Section 20: Spittoons: There should be a sufficient number of spittoons in the factories for the employees and they should be in clean and hygienic condition.

id take they

2(b)

HOLDER IN DUE COURSE (SEC. 9)

Section 9 of the Act provides that, "Holder in due course means any person who for consideration became the possessor of a promissory note, bill of exchange or cheque, if payable to the bearer, or the payee or indorsee thereof, if payable to the order, before the amount mentioned in it became payable, and without having sufficient cause to believe that any defect existed in the title of the person from whom he derived his title." Thus, a holder in due course is a person who has obtained the possession of a negotiable instrument for consideration in good faith without any notice of defect in the title of the person from whom he has taken it.

ESSENTIALS OF A PERSON CLAIMING TO BE A HOLDER IN DUE COURSE

- (1) The person must have acquired the possession of the instrument for valuable consideration.
- (2) The person must have obtained the possession before the amount mentioned therein
- (3) The person is a possessor of the instrument if it is a bearer instrument.
- (4) The person is the payee or indorsee if payable to order.
- (5) The person has taken the delivery of the instrument in good faith without the knowledge of any defect in the title of the person from whom he has taken its possession.
- (6) The instrument should be complete on the face of it.

2(c)

BASIS FOR COMPARISON	FRAUD	MISREPRESENTATION
Meaning	A deceptive act done intentionally by one party in order to influence the other party to enter into the contract is known as Fraud.	The representation of a misstatement, made innocently, which persuades other party to enter into the contract, is known as misrepresentation.
Defined in	Section 2 (17) of the Indian Contract Act, 1872	Section 2 (18) of the Indian Contract Act, 1872
Purpose to deceive the other party	The purpose of the contract to deceive the other party.	The purpose of the contract is not to deceive the other party.
Variation In extent of truth	In a fraud, the party making the representation knows that the statement is not true.	In misrepresentation, the party making the representation believes the statement made by him is true, which subsequently turned out as false.
Claim	The aggrieved party has the right to claim for damages.	The aggrieved party has no right to sue the other party for damages.
Voidable	The contract is voidable even if the truth can be discovered in normal diligence.	The contract is not voidable if the truth can be discovered in normal diligence.

Ans 3

Computation of taxable salary of Mr. X for A.Y. 2024-25

Particulars	Rs.
Basic pay [(Rs. 20,000×9) + (Rs. 21,000×3)] = Rs. 1,80,000 + Rs.63,000	2,43,000
Dearness allowance [10% of basic pay]	24,300
Bonus	21,000
Employer's contribution to Recognized Provident Fund in excess of 12% (15%-12% =3% of Rs. 2,67,300) [See Note 1 below]	8,019
Taxable allowances	
Telephone allowance	6,000
Taxable perquisites	
Rent-free accommodation [See Note 1 & 2 below]	44,145
Medical reimbursement	25,000
Reimbursement of salary of housekeeper	12,000
Gift voucher [See Note 5 below]	10,000
Gross Salary	3,93,464
Less: Deduction under section 16(ia) – Standard deduction	50,000
Salary income chargeable to tax	3,43,464

Notes:

- 1) Since dearness allowance forms part of salary for retirement benefits, the perquisite value of rent-free accommodation and employer's contribution to recognized provident fund have been accordingly worked out.
- 2) Where the accommodation is taken on lease or rent by the employer, the value of rent-free accommodation provided to employee would be actual amount of lease rental paid or payable by the employer or 15% of salary, whichever is lower.

For the purposes of valuation of rent free house, salary includes:

- (i) Basic salary i.e., Rs. 2,43,000
- (ii) Dearness allowance i.e. Rs. 24,300
- (iii) Bonus i.e., Rs. 21,000
- (iv) Telephone allowance i.e., Rs. 6,000

Therefore, salary works out to

$$\text{Rs. } 2,43,000 + \text{Rs. } 24,300 + \text{Rs. } 21,000 + \text{Rs. } 6,000 = \text{Rs. } 2,94,300.$$

$$15\% \text{ of salary} = \text{Rs. } 2,94,300 \times 15/100 = \text{Rs. } 44,145$$

Value of rent-free house = Lower of rent paid by the employer (i.e. Rs. 1,20,000) or 15% of salary (i.e., Rs. 44,145).

Therefore, the perquisite value is Rs. 44,145.

- 3) Facility of use of laptop is not a taxable perquisite.

- 4) Conveyance allowance is exempt since it is based on actual reimbursement for official purposes.
- 5) The value of any gift or voucher or token in lieu of gift received by the employee or by member of his household below ₹ 5,000 in aggregate during the previous year is exempt. In this case, the gift voucher was received on the occasion of marriage anniversary and the sum exceeds the limit of 5,000.

Therefore, the entire amount of 10,000 is liable to tax as perquisite.

Note - An alternate view possible is that only the sum in excess of 5,000 is taxable. In such a case, the value of perquisite would be 5,000.

- 6) Premium of 5,000 paid by the company for personal accident policy is not liable to tax.

Ans 4 (a)

Computation of total income of Mr. Raj Kumar for the A.Y.2024-25

Particulars	Rs.	Rs.
Gross Total Income		6,40,000
Less: Deduction under Chapter VI-A		
Under section 80C		
Repayment of loan taken for acquisition of residential house	50,000	
Five year time deposit with Post Office	20,000	
	70,000	
Under section 80E		
Interest on loan taken for higher education of spouse, being a relative.	10,000	
Under section 80G (See Note below)		
Donation to recognized charitable trust (50% of Rs. 25,000)	12,500	92,500
Total Income		5,47,500

Note: In case of deduction under section 80G in respect of donation to a charitable trust, the net qualifying amount has to be restricted to 10% of adjusted total income, i.e., gross total income less deductions under Chapter VI-A except 80G. The adjusted total income is, therefore, Rs. 5,60,000 (i.e. Rs. 6,40,000 – Rs.80,000), 10% of which is Rs. 56,000, which is higher than the actual donation of Rs. 25,000. Therefore, the deduction under section 80G would be Rs. 12,500, being 50% of the actual donation of Rs.25,000.

4(b)

Categories of persons who are liable to deduct TDS

Under the GST regime, section 51 of the CGST Act, 2017 prescribes the authority and procedure for 'tax deduction at source'. The TDS provisions empower the Central Government to make it mandatory for the following persons (the deductor) to deduct tax at source from payments made to the suppliers of taxable goods and/or services.

1. Central/State Government department or establishment [Section 51(1)(a)]
2. Local Authority [Section 51(1)(b)]
3. Governmental Agencies [Section 51(1)(c)]
4. Notified Persons/category of persons [Section 51(1)(d)]

With respect to deductors under section 51(1)(a), provisions of TDS are applicable to certain prescribed authorities of Ministry of Defence, remaining authorities under the Ministry of Defence are exempt. Detailed list has been specified under Notification 57/2018 CT dated 23.10.2018.

The following persons have been notified under clause (d) of sub-section (1) of section 51 of the CGST Act by the Central Government:

- (a) an authority or a board or any other body, -
- (i) set up by an Act of Parliament or a State Legislature; or
 - (ii) established by any Government,

with 51% or more participation by way of equity or control, to carry out any function; It has been clarified vide Circular No. 76/50/2018 GST dated 31.12.2018 that the rider of 51% or more participation by way of equity or control is applicable to both the items (i) and (ii). Thus, the provisions of section 51 of the CGST Act are applicable only to such authority or a board or any other body set up by an Act of parliament or a State legislature or established by any Government in which 51% or more participation by way of equity or control is with the Government.

- (b) society established by the Central Government or the State Government or a Local Authority under the Societies Registration Act, 1860;
- (c) public sector undertakings:

Categories of persons not liable to deduct TDS

Tax is not liable to be deducted at source in the following cases:-

- (i) When goods and/or services are supplied from a public sector undertaking (PSU) to another PSU, whether or not a distinct person [Notification No. 61/2018 CT dated 05.11.2018]
- (ii) When supply of goods and/or services takes place between one person to another person specified in clauses (a), (b), (c) and (d) of section 51(1) of the CGST Act.

[Notification No. 73/2018 CT dated 31.12.2018]

Standard Rate of deduction

The tax would be deducted @ 1% under CGST Act, 2017 of the payment made to the supplier (the deductee) of taxable goods and/or services, where the total value of such supply, under a contract, exceeds Rs. 2,50,000 (excluding the amount of Central tax, State tax, Union Territory tax, Integrated tax and cess indicated in the invoice). Thus, individual supplies may be less than Rs. 2,50,000/-, but if total value of supplies under a contract is more than Rs. 2,50,000/-, TDS has to be deducted.

The deductors have to deduct tax at the rate of 1% from the payment made or credited to the supplier of taxable goods and/or services under CGST Act, 2017.

Ans 5 (a)

- (1) The debit/credit note shall be issued by the registered person who has supplied the goods and/or services. i.e. Kartik & Co.
- (2) Yes, debit/credit note need to be issued in each of the circumstances as under:
 - i. A credit note is required to be issued as the taxable value in invoice no. 1 exceeds the actual taxable value.
 - ii. A debit note is required to be issued as the tax charged in the invoice no. 4 is less than the actual tax payable.
 - iii. 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 30th November 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.

5(b)

As per the provisions of CGST Act, 2017 read with relevant rules, the deposit in electronic cash ledger can be made through any of the following modes, namely:-

- (i) Internet Banking through authorised banks;
 - (ii) Unified Payment Interface (UPI) from any bank;
 - (iii) Immediate Payment Services (IMPS) from any bank;
 - (iv) Credit card or Debit card through the authorised bank;
 - (v) National Electronic Fund Transfer or Real Time Gross Settlement from any bank; or
 - (vi) Over the Counter payment through authorised banks for deposits up to ten thousand rupees per challan per tax period, by cash, cheque or demand draft.
- a) Manual or physical challans are not allowed under the GST regime. It is mandatory to generate challans online on the GST Portal.
 - b) Challan is valid for a period of 15 days from the date of generation of challan.
 - c) A registered person may, on the common portal, transfer any amount of tax, interest, penalty, fee or any other amount available in the electronic cash ledger under the CGST Act, 2017 to the electronic cash ledger for integrated tax, central tax, State tax or Union territory tax or cess.