PAPER – 3: TAXATION

Part I – Multiple Choice Questions

Case Scenario -I

Mrs. Anisha, an Indian citizen aged 50 years, left India on 29th September, 2024 for permanent settlement in the U.S.A. Prior to this, she had never travelled outside India. She owns a self-occupied residential house property in New York (U.S.A.). The expected rent from the house, when converted into Indian Rupees, is ₹ 20 lakh in the previous year 2024-25. She has earned interest income of ₹ 11,50,000 (gross) from USA Pension fund bond and received in her USA bank account.

In India, she owns two residential properties - House X and House Y. House X was self-occupied by her during the stay in India and the annual value of a similar property in the vicinity is ₹ 8 lakh. House Y was let out for generating regular rental income.

House Y is situated near a famous temple and was rented out to Mr. Amit for the entire financial year 2024-25 at a monthly rent of ₹ 60,000. However, due to the upcoming annual temple festival attracting millions of devotees, the tenant found it difficult to reside in this area and wanted to shift to any other place. He refused to pay rent for two months, though the tenancy remained bona fide. To maintain goodwill, Mrs. Anisha offered him another semi-constructed residential property, which Mr. Amit accepted and shifted to that house.

Mrs. Anisha also entered into an agreement with Mr. Nagesh, a renowned parking contractor, to lease out her garage for parking space at the ground floor of House Y for four months at rent of ₹ 55,000 per month during the financial year 2024-25. The business turnover of Mr. Nagesh during the financial year 2024-25 was ₹ 95 lakh and for the financial year 2023-24 was ₹ 1.1 crore.

All the rent and parking charges were received in the bank account maintained in India by the respective persons.

House X and House Y were acquired in the financial year 2023-24 with a bank loan of ₹ 25 lakh and ₹ 30 lakh, respectively. Mrs. Anisha paid interest of ₹ 2.5 lakh for House X but interest of ₹ 3 lakh accrued in house loan account could not be actually paid for House Y.

From the information given above, answer the multiple choice question No. 1-3 on the assumption that both Mrs. Anisha and Mr. Nagesh opted for[1] default tax regime for previous year 2024-25:

1. *What would be residential status of Mrs. Anisha for the financial year 2024-25?*

   (A) Deemed resident, because she is an Indian citizen whose total income exceeds ₹ 15 lakh (excluding income from foreign sources)

   (B) Resident but not ordinarily resident

   (C) Resident and ordinarily resident

   (D) Non-resident ***(2 Marks)***

2. *What would be the total Income under correct head of income of Mrs. Anisha for the previous year 2024-25?*

   (A) Total income ₹ 15,58,000 (₹ 4,08,000 under Income from house property and ₹ 11,50,000 under Income from other sources)

   (B) Total income ₹ 16,24,000 (₹ 2,54,000 under Income from house property, ₹ 2,20,000 under profit and gains from business or profession and ₹ 11,50,000 under Income from other sources)

   (C) Total income ₹ 15,74,000 (₹ 2,04,000 under Income from house property, ₹ 2,20,000 under profit and gains from business or profession and ₹ 11,50,000 under Income from other sources)

   (D) Total income ₹ 15,08,000 (₹ 3,58,000 under Income from house property and ₹ 11,50,000 under Income from other sources) ***(2 Marks)***

3. *How much TDS is deductible on payment of parking charges by Mr. Nagesh for the previous year 2024-25?*

   (A) ₹ 4,576

   (B) ₹ 2,200

   (C) ₹ 4,400

   (D) Nil ***(2 Marks)***

[1] *Read "opted for" as "are paying tax under"*

Case Scenario - II

Mr. Parkash, a resident Indian aged 61 years, purchased a shop for ₹ 15 lakh in November, 2004. Registration and other expenses were 12% of the cost. He entered into an agreement for the sale of shop to Mrs. Mani in January 2014. The sale consideration was fixed at ₹20 lakh. Mr. Parkash received ₹5 lakh as advance on that date by executing an agreement. However, in February 2014, due to failure on the part of Mrs. Mani, the said negotiation could not materialize and hence, the said amount of advance was forfeited by Mr. Parkash.

Mr. Parkash entered into another agreement in January 2024 for the sale of this shop to Mr. Madan at ₹ 25 lakh and received an advance of ₹ 8 lakh but on 15th April, 2024, Mr. Madan denied to complete the agreement due to non-availability of sufficient funds and Mr. Parkash forfeited and retained the advance as per the agreement on that date. Finally, Mr. Parkash sold this shop to Mr. Mohan on 23rd June, 2024 for ₹ 45 lakh.

Further, he has deposited ₹ 5 lakh out of the sale proceeds in a fixed deposit for 5 years with post office and earned interest of ₹26,700 (gross) on such FDR during the previous year 2024-25. He has opted to shift out of the default taxation regime under section 115BAC(1A) of Income-tax Act, 1961 for the assessment year 2025-26.

(Cost inflation index for F.Y. 2004-05: 113, F.Y. 2013-14: 220, F.Y. 2023-24: 348 and F.Y. 2024-25: 363)

From the information given above, answer the multiple choice question No. 4-6:

4. *What will be the amount of income taxable in the hands of Mr. Parkash under the head 'Income from capital gain' for the assessment year 2025-26?*

   (A) Long Term Capital Gain ₹ 7,09,381

   (B) Long Term Capital Gain ₹ 35,00,000

   (C) Long Term Capital Loss ₹ 3,18,584

   (D) Long Term Capital Gain ₹ 30,00,000 ***(2 Marks)***

5. *What will be the amount of income taxable in the hands of Mr. Parkash under the head 'Income from other source' for the assessment year 2025-26:*

   (A) ₹ 26,700

   (B) ₹ 8,26,700

(C) ₹ 13,26,700

(D) ₹ 5,26,700 **(2 Marks)**

6. *What would be the tax liability of Mr. Parkash for the assessment year 2025-26?*

(A) ₹ 1,39,210

(B) ₹ 1,41,880

(C) ₹ 1,94,710

(D) ₹ 1,89,150 **(2 Marks)**

7. *Pear Parking Plaza Ltd. has leased out one of its parking spaces to M/s Greater Park & Co., a partnership firm, for ₹ 50,000 per month on 01.05.2024 and received 6 months' lease rent in advance on the same date and rest on monthly basis from November, 2024 to March, 2025. It has also given another larger parking space to DP Park Ltd., a public sector company, on lease of ₹ 1,00,000 per month from 01.06.2024 which debits lease rent in its accounts at the end of each month but payment is made at the year-end only i.e. on 31.03.2025. You are required to determine the amount of tax to be collected at source by Pear Parking Plaza Ltd.*

(A) ₹ 12,000 from M/s Greater Park & Co. & Nil from DP Park Ltd.

(B) ₹ 11,000 from M/s Greater Park & Co. & ₹ 24,000 from DP Park Ltd.

(C) ₹ 11,000 from M/s Greater Park & Co. & Nil from DP Park Ltd.

(D) Nil from M/s Greater Park & Co. & ₹ 24,000 from DP Park Ltd. **(2 Marks)**

8. *An amount of ₹ 50 lakh is given by M/s Thapar Ltd. to a trust for construction of hostel under the Corporate Social Reasonability (CSR) as a mandatory spending u/s 135 of the Companies Act, 2013. The amount was subsequently charged to profit and loss account for the year ended 31st March 2025. While computing the business income of M/s Thapar Ltd., the treatment of this expenditure should be:*

(A) No adjustment is required, while computing the business income, as it is an expenditure incurred under the law.

(B) Disallowed such amount while computing the business income.

(C) *Disallowed such amount while computing the business income and capitalized in the books of account.*

(D) *Disallowed such amount while computing the business income and claim deduction under section 80G.* ***(1 Mark)***

Case Scenario - III

Shivanand Steel Ltd is a leading manufacturer of stainless-steel bars in Bhopal, Madhya Pradesh. It was registered under Composition Scheme but on July 15, 2024 the turnover of M/s Shivanand Steel Ltd. crossed ₹ 1.50 Crore. Now Shivanand Steel Ltd is a registered person under regular scheme of GST w.e.f. July 15, 2024.

Details of Stock as on 14 July, 2024 is as follows:

Particulars	***Amount (₹)***
Raw Material purchases made as follows:	*40,00,000*
(i) Invoice dated 12 April, 2023 ₹ 10,15,000	
(ii) Invoice dated 18 November, 2023 ₹ 14,50,000 from TS Traders registered in Bikaner, Jaipur	
(iii) Rest of Raw Material vide invoice dated 25 March, 2024	
Input contained in Semi-Finished Goods	*35,55,000*
Input contained in Finished Goods	*55,75,000*
Capital Goods purchased vide Invoice dated 01 September, 2023	*25,00,000*

The Company is charging depreciation @ 10% on Straight Line Method.

On 18th July, paid air fare of ₹ 20,000 for flight to Itanagar, Arunachal Pradesh in business class for manager who travelled for sales promotion of the firm.

On 23rd June, 2024 Shivanand Steel Ltd got order from M/s Sunil and Company located in the city of Kanpur (U.P.).

The goods were removed from the godown of Shivanand Steel Ltd. on 26th June, 2024 and an e-way bill is generated at 00:30 hrs. on 26th June, 2024. Assume that the distance from the godown of Shivanand Steel Ltd to location of M/s Sunil and Company is 403 km.

One of the old customer of Shivanand Steel Ltd. Mr. Devdaas of Bhopal approached the company and requested to arrange the transportation of another

goods purchased by him from a local supplier other than M/s Shivanand Steel Ltd.

Shivanand Steel Ltd arranged the transportation of said goods for Mr. Devdaas through a truck owned by it for local transport of goods. Shivanand Steel Ltd. did not issue a consignment note to Mr. Devdaas.

GST Rates under Regular Scheme of all goods and services (Including Capital Good) are:

CGST	SGST	IGST
9%	9%	18%

All amounts are exclusive of GST. All inputs & Capital Goods are intra-State purchases except wherever separately mentioned.

*Based on the information given above, choose the most appropriate answer for the following questions number **9** to **14**:*

9. *What will be the amount of ITC available to Shivanand Steel Ltd for goods held in stock other than capital goods?*

   (A) CGST ₹ 10,51,200, SGST ₹ 10,51,200, IGST ₹ 2,61,000

   (B) CGST ₹ 9,59,850, SGST ₹ 9,59,850, IGST Nil

   (C) CGST ₹ 9,59,850, SGST ₹ 9,59,850, IGST ₹ 2,61,000

   (D) CGST ₹ 14,06,700, SGST ₹ 14,06,700, IGST ₹ Nil ***(2 Marks)***

10. *What will be the amount of ITC available to Shivanand Steel Ltd on capital goods held in stock?*

    (A) ₹ 1,35,000, CGST ₹ 67,500, SGST ₹ 67,500

    (B) ₹ 4,50,000, CGST ₹ 2,25,000, SGST ₹ 2,25,000

    (C) ₹ 3,15,000, CGST ₹ 157,500, SGST ₹ 157,500

    (D) ₹ 3,37,500, CGST ₹ 1,68,750, SGST ₹ 1,68,750 ***(2 Marks)***

11. *Shivanand Steel Ltd is required to file return in form CMP-08 for the period:*

    (A) CMP-08 for April 01, 2024 to June 30, 2024 Quarter and separate CMP-08 for July 01, 2024 to July 14, 2024

    (B) Consolidated CMP-08 for April 01, 2024 to July 14, 2024

(C) *CMP-08 for April 01, 2024 to June 30, 2024 Quarter and from July 01, 2024 to July 31, 2024 GSTR 1 and GSTR 3B*

(D) *No CMP-08, Only Annual Return in form GSTR 4* ***(2 Marks)***

12. *Shivanand Steel Ltd is eligible for total ITC for the month of July 2024 of:*

(A) *CGST ₹ 1,27,700, SGST ₹ 1,27,700, IGST ₹ 2,30,500*

(B) *CGST ₹ 11,30,400, SGST ₹ 11,30,400, IGST ₹ 2,61,000*

(C) *CGST ₹ 11,28,600, SGST ₹ 11,28,600, IGST ₹ 2,61,000*

(D) *CGST ₹ 11,48,400, SGST ₹ 11,48,400, IGST ₹ Nil* ***(2 Marks)***

13. *The Validity of E Way Bill generated will be:*

(A) *00:30 Hrs of 30th June 1st July 2024*

(B) *12:00 midnight of 29th-30th June, 2024*

(C) *12:00 midnight of 28th June – 29th June 2024*

(D) *00:30 Hrs of 29th-30th June, 2024* ***(2 Marks)***

14. *GST on services of transportation of goods provided by Shivanand Steel Ltd. to Mr. Devdaas _____*

(A) *is payable by Mr. Devdaas*

(B) *is payable by Mr. Devdass and Shivanand Steel Ltd equally*

(C) *is not payable*

(D) *is payable by Shivanand Steel Ltd* ***(2 Marks)***

15. *A Local authority in the state of Madhya Pradesh entered into a contract in June, 2025 for supply of stationery items with Mr. Shankar a registered person under GST in Puri, Orissa. The total contract consideration is ₹ 300000 (inclusive of GST). Out of total consideration, the Items worth ₹ 4000 are exempt. The Rate of IGST is 18%. The amount of TDS to be deducted by the Local authority:*

(A) *₹ 6,000*

(B) *₹ 5,920*

(C) *₹ NIL*

(D) *₹ 5,017* ***(2 Marks)***

16. *Where a registered person, who is party to an appeal of revision or any other proceedings before any Appellate Authority or Revisional Authority or Appellate Tribunal or Court, then the period of retention of records under CGST Act, 2017 is:*

(A) 72 months from the due date of furnishing of Annual return for the year pertaining to such accounts and records

(B) 1 Year after final disposal of such appeal or revision or proceedings or investigation

(C) Earlier of (A) or (B)

(D) Later of (A) or (B) ***(2 Marks)***

Answer Key

MCQ No.	Correct Option
1.	(C)
2.	(D)
3.	(D)
4.	(A)
5.	(B)
6.	(D)
7.	(C)
8.	(B)
9.	(C)
10.	(D)
11.	(A)
12.	(B)
13.	(B)
14.	(C)
15.	(D)
16.	(D)

Part II – Descriptive Questions

SECTION A: INCOME TAX LAW

*Question No.**1** is compulsory.*

*Candidates are also required to answer any **two** questions from the remaining **three** questions.*

Working notes should form part of the respective answers.

All questions relate to Assessment Year 2025-26, unless otherwise stated.

Question 1

Mr. Niraj, a resident individual aged 55 years, is an interior designer. He had also started a business of publishing of books on interior designing on 1st April, 2022 for providing in depth knowledge to the builders and home buyers. His total turnover and gross receipt from the business and profession was ₹ 16 crore during the financial year 2024-25. The net profit as per the profit and loss account after debiting/crediting the following items was ₹ 1.27 crore:

(i) He purchased an annual publication on interior design from the local market for ₹ 8,500 on 10th May, 2024 and paid whole of the amount in cash. He claimed depreciation @40% on the publication.

(ii) Employee benefit expenses include a provision for gratuity of ₹ 8 lakh made as per the actuarial report, out of which ₹ 2 lakh has been paid on 30th December 2024, ₹ 3 lakh has been paid on 31st January, 2025 and ₹ 3 lakh has been paid on 30th April, 2025 before the due date of filing return of income.

(iii) Depreciation includes ₹ 50,000 charged on installation of solar lighting system on 10th November, 2024 at the factory premises which is used in the publishing of books on interior designing. The cost of installation was ₹ 4 lakh. He also received subsidy of ₹ 1 lakh from the Government of India for the installation of solar lighting system.

Additional Information:

(a) Mr. Niraj paid ₹ 20 lakh as tuition fees from his own sources, including ₹ 2 lakh as development fees, to a foreign university for his son's postgraduate course. He has also paid ₹ 4 lakh as interest on an education loan of ₹ 35 lakh taken during the financial year 2024-25 from a bank for MBA course pursued by his daughter.

(b) Mr. Niraj by oversight did not record depreciation of ₹ 1,500 on designer equipment in the books of account and, considering the amount insignificant, decided not to claim it.

(c) He had transferred ₹ 50,000 to his wife, Mrs. Sunita, in financial year 2022-23 without any consideration. This amount was given by Mrs. Sunita as a loan to Mr. Samrat. Mrs. Sunita earned ₹ 20,000 as interest during previous year 2023-24, which she also lent to Mr. Samrat. During the financial year 2024-25, Mrs. Sunita received interest at 20% p.a. on ₹ 70,000.

(d) His 17-year old daughter received ₹ 5 lakh for acting in a mythological TV show. The total income of Mrs. Sunita is ₹ 25 lakh (computed).

(e) He sold a large printing machine, the only asset in the block, which was originally acquired for ₹ 3 lakh on 2nd October 2022 and depreciated at 15% per annum. The machine was sold on 1st July 2024 for ₹ 2 lakh.

(f) During the previous year, he recruited 5 new regular employees on 1st June 2024, each receiving a monthly salary of ₹ 20,000 and 10 new regular employees joined on 1st July 2024, each receiving a monthly salary of ₹ 26,000. All the salaries were paid to employees by an account payee cheque and they participate in recognised provident fund.

(g) Royalty of ₹ 4.9 lakh was paid to Mr. Joy, a non-resident, on 30th June 2023 for the use of his brand 'Neo Home' without deduction of tax at source. The tax was subsequently deducted and paid in the financial year 2024-25.

Compute the total income of Mr. Niraj and determine his tax liability for the assessment year 2025-26 under both the default tax regime and the optional tax regime. Also, advise Mr. Niraj which regime is more beneficial to him.

(15 Marks)

Answer

Computation of total income and tax liability of Mr. Niraj for A.Y. 2025-26 under default tax regime under section 115BAC

	Particulars	₹	₹	₹
I	**Profits and gains from business or profession**			
	Net profit as per profit and loss account		1,27,00,000	
	***Add*: Items of expenditure not allowable while computing business income**			
	- Depreciation on books [Depreciation is allowed @40% on books since the payment made in cash is less than ₹ 10,000.]	-		
	- Provision for gratuity [Provision of ₹ 8 lakhs for gratuity based on actuarial report is not allowable as deduction. However, actual gratuity of ₹ 5 lakhs paid during the P.Y. 2024-25 is allowable as deduction. Hence, the difference of ₹ 3 lakhs has to be added back.]	3,00,000		
	- Depreciation on solar lighting system	50,000	3,50,000	
			1,30,50,000	
	***Less*:** 100% of royalty paid to non-resident [100% of ₹ 4.9 lakhs of royalty paid to non-resident during the P.Y. 2023-24 without		4,90,000	

	deducting the tax would have been disallowed while computing business income for P.Y.2023-24. Since the tax has been deducted and deposited in P.Y.2024-25, ₹ 4.9 lakhs would be allowable as deduction in the A.Y.2025-26 as per the proviso to section 40(a)(i)]			
			1,25,60,000	
	*[**Note –** If it is assumed that the subsidy of ₹ 1 lakh received from the Government mentioned in point (iii) has also been credited to the profit and loss account, the same has to be reduced while computing business income. In such case, total income and tax liability under default tax regime would be ₹ 1,21,42,750 and ₹ 39,86,060, respectively and total income and tax liability under optional tax regime would be ₹ 1,17,12,750 and ₹ 39,78,290, respectively.]*			
	Less: Depreciation as per the Income-tax Rules, 1962			
	Normal depreciation			
	Depreciation on solar lighting system [₹ 3 lakhs @40% x 50%, since it is put to use for less than 180 days] [Subsidy received from Government for the asset would not form part of actual cost of asset.]	60,000		

	Depreciation on designer equipment [Deduction for depreciation is compulsory]	1,500	61,500	
	Additional depreciation			
	Additional depreciation on solar lighting system used at factory premises [Not allowable under default tax regime]		-	1,24,98,500
II	**Capital Gains**			
	Short term capital gain on transfer of printing machine [Since the block cease to exist]			
	Full value of consideration		2,00,000	
	Less: WDV as on 1.4.2024		1,65,750	34,250
	Cost of machinery	3,00,000		
	Less: Depreciation for P.Y. 2022-23 @15%	45,000		
	Less: Additional depreciation for P.Y. 2022-23 @20%	60,000		
	WDV as on 1.4.2023	1,95,000		
	Less: Depreciation for P.Y. 2023-24 @15%	29,250		
	WDV as on 1.4.2024	1,65,750		
III	**Income from Other Sources**			
	Interest on amount transferred to wife, Mrs. Sunita [₹ 50,000 x 20%] [As per section 64(1)(iv), interest on amount transferred to spouse is to be included in the total income of transferor. Income from the accretion of transferred asset is not to be clubbed in the income of transferor.]		10,000	

	Income of minor daughter for acting in mythological TV Show [Not to be clubbed since it is from her skills and talent]		-	10,000
	Gross Total Income			1,25,42,750
	Less: Deduction under Chapter VI-A			
	Deduction under section 80E [Not allowable under default tax regime]		-	
	Deduction under section 80JJAA [₹ 20,000 x 10 x 5 x 30%]		3,00,000	3,00,000
	Total Income			**1,22,42,750**
	Tax on ₹ 1,22,42,750			
	₹ 3,00,000 – ₹ 7,00,000 [₹ 4 lakhs @5%]		20,000	
	₹ 7,00,000 – ₹ 10,00,000 [₹ 3 lakhs @10%]		30,000	
	₹ 10,00,000 – ₹ 12,00,000 [₹ 2 lakhs @15%]		30,000	
	₹ 12,00,000 – ₹ 15,00,000 [₹ 3 lakhs @20%]		60,000	
	₹ 15,00,000 – ₹ 1,22,42,750 [₹ 1,07,42,750 @30%]		32,22,825	
				33,62,825
	Add: Surcharge @15% [Since total income exceeds ₹ 1 crore but does not exceed ₹ 2 crores]			5,04,424
				38,67,249
	Add: HEC@4%			1,54,690
	Tax liability			**40,21,939**
	Tax liability (Rounded off)			**40,21,940**

Computation of total income of Mr. Niraj for A.Y. 2025-26 under the optional tax regime

Particulars	₹	₹
Total Income as per default tax regime u/s 115BAC		1,22,42,750
Less: Deduction under section 80C for tuition fees [Not allowed since it is paid to a foreign university]	-	
Less: Deduction under section 80E for interest on education loan for his daughter	4,00,000	4,00,000
		1,18,42,750
Less: Additional depreciation on solar lighting system [₹ 3 lakhs x 20% x 50% since it is put to use for less than 180 days]		30,000
Total Income as per optional tax regime		**1,18,12,750**
Tax on ₹ 1,18,12,750		
₹ 2,50,000 – ₹ 5,00,000 [₹ 2.50 lakhs @5%]	12,500	
₹ 5,00,000 – ₹ 10,00,000 [₹ 5 lakhs @20%]	1,00,000	
₹ 10,00,000 – ₹ 1,18,12,750 [₹ 1,08,12,750 @30%]	32,43,825	
		33,56,325
Add: Surcharge @15% [Since total income exceeds ₹ 1 crore but does not exceed ₹ 2 crores]		5,03,449
		38,59,774
Add: HEC@4%		1,54,391
Tax liability		**40,14,165**
Tax liability (Rounded off)		**40,14,170**
Since the tax liability of Mr. Niraj under optional tax regime is lower than the tax liability computed under section 115BAC, it would be beneficial for him to opt out of the default tax regime under section 115BAC for A.Y. 2025-26.		

Question 2

(a) Mr. Paul, an Indian citizen and karta of V P HUF, stays out of India during the various previous years as follows:

Previous year	***Stay outside India***
2019-20	*112 days*
2020-21	*221 days*
2024-25	*90 days*

Apart from above, he never went out of India in the past 15 years.

The VP HUF owns two agricultural lands in India, one in Mysore and the other in Saharanpur. The Mysore land is used for coffee cultivation. The cost of cultivation of coffee produce is ₹ 4 lakh and is sold directly in the Indian market for ₹ 15 lakh. The Saharanpur land is used for sugarcane cultivation which is further used for manufacturing of sugar in the factory owned by Mr. Paul. The sugarcane (worth ₹ 8 lakh) were processed into sugar with a job work cost of ₹ 3 lakh and is sold in the Indian market for ₹ 28 lakh. The cost of cultivation of sugarcane is ₹ 2 lakh.

Based on the above information, determine:

(i) Residential status of V P HUF for the assessment year 2025-26, and

(ii) Compute the total income under proper heads of income and net tax liability of V P HUF under the default tax regime. ***(6 Marks)***

(b) Examine the applicability of tax deduction at source as per the Income-tax Act, 1961 for the assessment year 2025-26 in the following independent situations:

(i) Dr. Ram Narayan (aged 63 years), an orthopaedic surgeon, borrowed ₹ 25 lakh from a friend to expand his clinic to include physiotherapy services and paid ₹ 2.5 lakh as interest on borrowed funds. His professional receipts were ₹ 52 lakh and ₹ 48 lakh during the financial years 2023-24 and 2024-25, respectively.

(ii) Mr. Mahesh intends to distribute cash to the people affected by a heavy flood in the state of Punjab. He maintains a bank account with a nationalised bank and has withdrawn ₹ 2 crore in cash in the months of August 2024 and September 2024. During the last four previous years,

Mr. Mahesh has filed his return of income only for the previous year 2023-24, as his income in the remaining three years was below the maximum amount not chargeable to tax under the Income-tax Act, 1961. ***(4 Marks)***

Answer

(a) (i) Determination of residential status of V P HUF for the A.Y. 2025-26

Since Mr. Paul, Karta of V P HUF, stayed outside India for only 90 days, the control and management of the affairs of the V P HUF can be said to be situated partly in India. Thus, V P HUF would be resident in India for the P.Y. 2024-25.

Since Mr. Paul was resident in at least 2 previous years out of 10 previous years immediately preceding P.Y. 2024-25 and he stayed for 730 days or more during 7 previous years immediately preceding P.Y. 2024-25, the V P HUF would be resident and ordinarily resident in India for the P.Y. 2024-25.

Note: *Alternatively, the answer can be presented as follows:*

Since Mr. Paul was neither a non-resident in 9 out of 10 previous years immediately preceding P.Y. 2024-25 nor stayed for less than 729 days during the 7 previous years preceding P.Y. 2024-25, the VP HUF would be resident and ordinarily resident in India for the P.Y. 2024-25.

(ii) Computation of total income of VP HUF

Particulars	₹	₹
Profits from Business or Profession		
Sale of Sugar		
Sale Proceeds of sugar	28,00,000	
Less: Manufacturing exp.	3,00,000	
	25,00,000	
Less: Market value of sugarcane	8,00,000	
		17,00,000

Income from Other Sources		
Sale of Sugarcane		
Market value of sugarcane	8,00,000	
Less: Cost of cultivation	2,00,000	
Agricultural income would be exempt under section 10(1)	6,00,000	
Sale of coffee produce		
Sale proceeds	15,00,000	
Cost of cultivation	4,00,000	
Agriculture income [Since coffee produce are directly sold in the Indian market without further processing, the income derived therefrom would be agriculture income and exempt under section 10(1)]	11,00,000	
Gross total income/Total income		17,00,000

Computation of net tax liability of VP HUF under default tax regime

Particulars	₹
Step I: Tax on agricultural income and non-agricultural income = ₹ 34,00,000 (₹ 17,00,000 + ₹ 17,00,000) (i.e., ₹ 1,40,000 upto ₹ 15,00,000 plus 30% of ₹ 19,00,000)	7,10,000
Step II: Tax on agricultural income plus basic exemption limit = ₹ 20,00,000 [₹ 17,00,000 + ₹ 3,00,000] (i.e., ₹ 1,40,000 upto ₹ 15,00,000 plus 30% of ₹ 5,00,000)	2,90,000
Step I – Step II	4,20,000
Add: Health and Education cess @4%	16,800
Net tax liability	**4,36,800**

(b) (i) As the gross receipts of the profession carried on by Dr. Ram Narayan for F.Y. 2023-24 has exceeded ₹ 50 lakhs, he is required to deduct tax at source under section 194A @10% on ₹ 2,50,000, being the interest on borrowed funds from a friend.

(ii) Since Mr. Mahesh has furnished his return of income for one of the assessment year's i.e., A.Y. 2024-25 out of the three assessment years relevant to the three previous years, for which the due date for filing return of income has expired at the time of cash withdrawals i.e., August and September 2024, the bank is required to deduct tax at source under section 194N @2% on the cash withdrawals of ₹ 1 crore, being the amount exceeding ₹ 1 crore.

Alternate answer – *If it is assumed that the due date for filing return of income for A.Y. 2024-25 for Mr. Mahesh is 31st October 2024, being the date after the months in which he made the cash withdrawals, alternate answer can be given as follows:*

Since Mr. Mahesh has not furnished the return of income for all the three assessment years relevant to the three previous years for which due date of filing return of income has expired at the time cash withdrawals, the bank is required to deduct tax at source under section 194N @ 2% on ₹ 80 lakhs, being the sum exceeding ₹ 20 lakhs but does not exceed ₹ 1 crore and @ 5% on ₹ 1 crore, being the amount exceeding ₹ 1 crore.

Question 3

(a) Mr. Suresh, aged 55 years, is a resident individual employed in a Government company. During the financial year 2024-25, he received a monthly basic salary of ₹ 1 lakh along with a dearness allowance (DA) of 25% of the basic pay. In addition, as per the company's policy, he was provided with the following allowances and perquisites during the year:

(i) On account of a natural calamity caused by a cloudburst in Himachal Pradesh, he instructed his employer to directly deposit his basic pay and dearness allowance for the month of September 2024 into the PM CARES Fund.

(ii) He received ₹ 62,500 as leave encashment during the year, equivalent to 15 days' basic pay and dearness allowance.

(iii) He received entertainment allowance of ₹ 95,000.

(iv) His employer incurred ₹ 5 lakh towards the medical treatment of his married daughter outside India, including ₹ 1 lakh for travel expenses of the patient and one attendant, as permitted under RBI guidelines.

(v) Upon his appointment as Director (Finance) during the year, the company provided free education to his child in a school maintained by it. The cost of similar education in a comparable institution is ₹ 900 per month.

Calculate the total income of Mr. Suresh, if he opted for the optional tax regime for the assessment year 2025-26. ***(6 Marks)***

(b) Examine whether the following are chargeable to tax in the hands of Mrs. Nitu and the amount liable to tax for the assessment year 2025-26:

(i) On the day of her marriage, Mrs. Nitu received gifts totalling ₹ 5,40,000, out of which ₹ 60,000 was received from non-relatives.

(ii) On 01.11.2024, Mrs. Nitu entered into an agreement to acquire a vacant land from her friend for ₹ 25 lakh. The applicable stamp duty value (SDV) fixed by the authority was ₹ 30 lakh. As per the terms of payment, 2% of the sale consideration was paid through an account payee cheque on the date of the agreement, and the remaining 98% was paid on registration. On 15.12.2024, the date of actual registration, the SDV was enhanced to ₹ 33 lakh by the authority.

(iii) Mrs. Nitu gifted ₹ 4 lakh on 1st September, 2024 to her husband Mr. Aman, to invest in the business. Mr. Aman started business with a capital of ₹ 12 lakh (including the amount gifted by his wife) and earned a profit of ₹ 5 lakh from this business during the financial year 2024-25.

(4 Marks)

Answer

(a) Computation of total income of Mr. Suresh for the A.Y. 2025-26 as per the optional tax regime

Particulars	₹
Basic Salary [₹ 1 lakh x 12]	12,00,000
Dearness Allowance [25% of Basic Salary]	3,00,000
[Salary and Dearness Allowance for the month of September 2024 would be taxable in the hands of Mr. Suresh, even if he forgone the same and instructed to directly deposit into PM CARES Fund]	

Leave encashment [Taxable, since it is received during the employment]	62,500
Entertainment allowance	95,000
Perquisite Valuation	
Medical expenditure of ₹ 4 lakhs incurred by employer outside India for married daughter [Exempt, since it is permitted under RBI guidelines]	-
Travel expense of ₹ 1 lakh incurred by employer on patient and one attendant [Travel expenses would not be exempt, since Mr. Suresh's Gross total income before including travel expenditure exceed ₹ 2 lakhs]	1,00,000
Provision of free educational facility to child [Exempt, since it is in a school maintained by the employer company and the cost does not exceed ₹ 1,000 per month]	-
Gross Salary	17,57,500
Less: Entertainment allowance [Allowed in case of government employee only]	-
Less: Standard deduction	50,000
Net Salary/ Gross Total Income	17,07,500
Less: Deduction under section 80G [Contribution to PM CARES Fund of Basic pay and DA of September month]	1,25,000
Total Income	**15,82,500**

(b) Amount liable to tax in the hands of Mrs. Nitu for A.Y. 2025-26

		Amount (₹)
(i)	**Gifts received on marriage** The amount of ₹ 5,40,000 received by Mrs. Nitu from relatives and non-relatives is not taxable under section 56(2)(x) since such gifts are received on her marriage.	-
(ii)	**The difference between stamp duty value on the date of agreement and actual consideration** The difference between stamp duty value on the date	5,00,000

	of agreement of ₹ 30 lakhs and actual consideration of ₹ 25 lakhs is taxable under section 56(2)(x) since the difference exceeds ₹ 2,50,000, being the higher of ₹ 50,000 and 10% of consideration. Stamp duty value on the date of agreement is considered since part payment i.e., 2% of sale consideration was paid through account payee cheque on the date of agreement.	
(iii)	**Profit from business of Mr. Aman** Since the amount of ₹ 12 lakhs invested in the business by Mr. Aman includes ₹ 4 lakhs gifted by Mrs. Nitu, the proportionate profit attributable to such gifted amount, computed by taking such investment as on the first day of the previous year i.e., on 1st September 2024 to total investment in the business, is to be included in the income of Mrs. Nitu [₹ 5 lakhs x ₹ 4 lakhs/ ₹ 12 lakhs]	1,66,667

Question 4

(a) Mr. Kunal, a resident individual, furnishes the following information of his income and losses for the assessment year 2025-26:

Particulars	***Amount ₹***
Gross salary received from part time employment in a company	*12 lakh*
Rent received from a let-out residential house property	*8 lakh*
Interest payment on loan taken for purchase of above house	*2.5 lakh*
Profit from a food delivery startup business	*5 lakh*
Profit from the business of production of fertilizers established in August, 2024 in India	*6 lakh*
On 01.04.2024, Kunal transferred ₹ 10 lakh to a charitable trust with a direction that the trust will pay ₹ 2,40,000 to Mrs. Sunita (Kunal's wife) annually. Mr. Kunal can take back the full amount as per his wish.	

Losses brought forward from the earlier years: -

(i) Loss from self-occupied property - ₹ 1.5 lakh for the previous year 2021-22.

(ii) Business losses from specified business covered under section 35AD - ₹ 10 lakh of financial year 2015-16.

You are required to compute the gross total income under proper heads of income of Mr. Kunal on the assumption that he has opted for[2] default tax regime for the assessment year 2025-26 and the amount of losses to be carried forward and the period upto which they are carried forward.

(6 Marks)

(b) Examine with reasons whether the following statements are true or false with regard to the provisions of the Income-tax Act, 1961:

(i) Mr. Rajiv is a non-working partner in a partnership firm M/s RKT & Co., whose turnover for the previous year 2024-25 is ₹ 18 crore and the books of account of the firm are required to be audited under section 44AB of the Income-tax Act, 1961 for the financial year ended on 31st March, 2025. The due date of filing the return of income by Mr. Rajiv is 31st July 2025 for the assessment year 2025-26, if he is getting only interest on capital from the firm and does not have any other source of income.

(ii) Mr. Kalra, a resident individual aged 55 years who has opted out of the default tax regime for the previous year 2024-25, is engaged in the business of trading of textile yarn. During the previous year 2024-25, the net profit from the business carried on by him is ₹ 3.9 lakh. He has no other source of income. He has contributed ₹ 1.5 lakh to the public provident fund. As his income does not exceed the maximum amount not chargeable to tax, he is of the opinion that he is not required to file his return of income for the assessment year 2025-26. ***(4 Marks)***

OR

(b) Mr. Solanki, aged 52 years, has income from business and profession and income from other sources for the financial year 2024-25. He has filed his return of income for the assessment year 2025-26 before the due date of

[2] *read "has opted for" as "is paying tax under"*

filing of return but due to some incorrect information provided in the return of income furnished under section 139(1), the Assessing Officer considers it defective under section 139(9) of the Income-tax Act, 1961. Discuss the provisions of the Income-tax Act, 1961 in respect of defective return.

(4 Marks)

Answer

(a) Computation of Gross Total Income of Mr. Kunal for the A.Y. 2025-26 as per the default tax regime under the Income-tax Act, 1961

Particulars	₹	₹
Income under the head "Salaries"		
Gross Salary	12,00,000	
Less: Standard Deduction	75,000	
Net Salary		11,25,000
Income from House Property (Let-out Property)		
Annual Value [Rent received]	8,00,000	
Less: Deductions under section 24		
- Standard deduction@30%	2,40,000	
- Interest on loan of ₹ 2,50,000 allowed as deduction	2,50,000	3,10,000
Carry forward and set off of loss from self-occupied house property is not allowed as deduction as per default tax regime under section 115BAC.		
Profit and gains of business or profession		
Profit from a food delivery start up business		5,00,000
Profit from business of production of fertilizers	6,00,000	
Less: Brought forward losses from specified business is allowed to be set-off against the	6,00,000	-

profits from a specified business only. Thus, losses to the extent of ₹ 6,00,000 is allowed assuming that such loss is not on account of deduction under section 35AD. *[**Note** - If it is assumed that loss from specified business is on account of deduction under section 35AD, the loss is not allowed to be set off as per default tax regime under section 115BAC. In such case, gross total income would be ₹ 27,75,000]*		
Income from Other Sources		
Income arising from the transfer of ₹ 10 lakhs to the charitable trust will be included in the hands of Mr. Kunal, since Mr. Kunal can take back the full amount as per his wish and thus, it is a revocable transfer		2,40,000
Gross Total Income		**21,75,000**

Losses to be carried forward to A.Y. 2026-27

Particulars	₹
Loss from self-occupied property Loss from self-occupied property of P.Y. 2021-22 shall be deemed to have been given full effect and no further deduction of such loss would be allowed for any subsequent year.	
Business Loss from specified business u/s 35AD Balance loss from specified business u/s 35AD of F.Y. 2015-16 can be carried forward for indefinite period, assuming the same is not on account of deduction u/s 35AD. ***Note –** If it is assumed that loss from specified business of F.Y. 2015-16 is on account of deduction under section 35AD, then such loss shall be deemed to have been given full effect and no further deduction of such loss would be allowed for any subsequent year.*	4,00,000

(b) First Alternative

(i) **False:** Since the firm M/s RKT & Co. is required to get its books of accounts audited for P.Y. 2024-25, the due date for filing return of income for Mr. Rajiv would be 31st October 2025 even if he is a non-working partner and getting only interest on capital from the firm and does not have any other source of income.

(ii) **False:** Since the total income of ₹ 3,90,000 of Mr. Kalra exceed the basic exemption limit of ₹ 2,50,000 without giving effect to the deduction of ₹ 1,50,000 under Chapter VI-A in respect of contribution to the public provident fund, he is required to file return of income for the A.Y. 2025-26.

(b) Second Alternative

Where the Assessing Officer considers that the return of income furnished by the assessee is defective, he may intimate the defect to the assessee and give him an opportunity to rectify the defect within 15 days from the date of intimation.

The Assessing Officer has the discretion to extend the time period beyond 15 days on an application made by the assessee in this behalf.

If the defect is not rectified within the period of 15 days or such further extended period, the return would be treated as an invalid return.

If the assessee rectifies the defect after the expiry of 15 days or the further extended period, but before the assessment is made, the Assessing Officer may condone the delay and treat the return as a valid return.

Part II – Descriptive Questions

SECTION B: GOODS AND SERVICES TAX

Question 5

(a) TTY Pvt. Ltd, a registered supplier in Bengaluru has provided the following information of supply received/made during the month of June, 2025:

S. No.	***Outward Transactions***	***Amount (₹)***
(i)	*Supply of taxable goods to Mr. Sudhir of Hubli (Karnataka) registered under Composition scheme in the state of Karnataka*	*4,00,000*
(ii)	*Hiring receipts for supply of Industrial heavy machines along with supply of machine operators. (out of ₹ 9,00,000, value of ₹ 2,25,000 belongs to supply of operators, but not separately charged).* *As per policy of the industry, these machines are always hired out along with operators, and operators are also supplied only when machines hired out with single price.*	*9,00,000*
(iii)	*Renting of dumpers including driver given for transport of minerals within the mining area in Jharkhand for a period of 18 months to Vanshika Builders, registered in the state of Bihar.*	*10,50,000*
(iv)	*Stock transferred without consideration to its branch in Shimoga, Karnataka. Branch has same GSTIN. (Value of goods as per Valuation Rules under GST law is ₹ 2,50,000)*	*-*
(v)	*Given on hire 26 motor vehicles (seating capacity of 14 persons excluding driver) to Karnataka State Road Transport Corporation (KSRTC)*	*12,00,000*
	Inward Transactions	***Amount (₹)***
(i)	*Purchased 4 electric scooters with engine capacity of 23 cc for use by its employees for commuting within*	*4,80,000*

	the office premises and nearby client locations. Scooters were supplied in Bengaluru (Karnataka) by a GST-registered dealer located in Rajasthan	
(ii)	*Mr. Vijay (Managing Director) went to Surat, Gujarat for a business meeting in June 2025 and stayed for 3 days in "Royal Residency Hotel" registered in the state of Gujarat. Hotel accommodation charges paid ₹ 18,000 (taxable value, excluding GST) for the stay.*	*18,000*

Additional Information:

(i) In the month of December, 2024, company had availed services in an inter-State transaction with a taxable value of ₹ 6,00,000; This transaction was liable to tax under reverse charge. Payment for the same to the supplier was not made till the current month (overdue for 181 days during June, 2025). However, tax due under the said transaction was paid to Government in December 2024 and input tax credit availed in the same month.

(ii) On 11th June 2025, received a debit note of ₹ 2,50,000 in respect of inward intra-State taxable supplies of service. The underlying invoice was issued in the month of October, 2023 in which it was found later that the supplier had erroneously declared a value which is less than the actual value of services provided.

(iii) All the figures are exclusive of GST wherever applicable

(iv) All the conditions necessary for availing the input tax credit have been fulfilled and also that details of GST paid on inward supplies are available in GSTR 2B. There was no Opening balance of input tax credit at the beginning of the month

(v) Assume that all the inward supplies are used only for outward taxable supply

(vi) Wherever details for determination of Place of Supply are not given in the question, it shall be taken as Inter-State transaction

(vii) Assume the applicable rates of GST as under:-

(a) Service of hiring of heavy machine IGST 12%, CGST 6% and SGST 6%

(b) *Service of Supply of machine operator without heavy machines IGST 18%, CGST 9% and SGST 9%*

(c) *All other inward and outward supply, IGST 18%, CGST 9% and SGST 9%*

You are required to compute the net minimum GST liability of TTY Pvt. Ltd to be paid in cash if any, for the month of June, 2025 after utilizing input tax credit.

Note: Calculate tax for each point separately and Legal explanations for each point should form part of your answer including Place of provision of supply.

(10 Marks)

(b) *M/s FRY Ltd. registered in the state of Rajasthan sold one Machine to M/s. BGC Ltd registered in the state of Rajasthan in the month of May, 2025, at contract price of ₹ 8,50,000. (Exclusive of taxes and discount). CGST and SGST (6% each) is chargeable on the machine*

The following amounts have been charged from M/s BCG Limited in addition to the Contract Price:-

S. No.	***Particulars***	***Amount (₹)***
(i)	*Outward freight Charges (Contract was to deliver machine at BGC Ltd.'s factory i.e. F.O.R. contract)*	*42,000*

Additional information:

(i)	*M/s FRY Ltd offers trade discount of 3% on the contract price of ₹ 8,50,000 which was duly recorded in invoice.*
(ii)	*M/s FRY Ltd normally gives an interest-free credit period of 15 days for payment from the date of issue of invoice failing which the interest @ 1.50% per month or part thereof shall be charged. The payment was made after 18 days from the date of issue of invoice. However, M/s FRY Ltd waived the interest payable for delay.*
(iii)	*M/s FRY Ltd. received following subsidies directly linked to the price,* *(a) ₹ 60,000 from one non-government organization (NGO) on sale of such machine.* *(b) ₹ 80,000 from the State Government on sale of such machine.* *Both the subsidies were not deducted while arriving the contract price of ₹ 8,50,000*

Compute the Taxable Value of supply as per provision of GST laws considering that the price is the sole consideration for the supply and both parties are unrelated to each other

***Note**: Correct legal provision for each item should form part of your answer.*
(5 Marks)

Answer

(a) Computation of net minimum GST liability of TTY Pvt. Ltd. to be paid in cash, for the month of June, 2025

	Particulars	Value	CGST (₹)	SGST (₹)	IGST (₹)
	Computation of outward tax liability				
(i)	Supply of taxable goods to Mr. Sudhir [It is an intra- State supply since place of supply is Karnataka being location of goods at the time at which movement terminates for delivery to recipient.]	4,00,000	36,000 [4,00,000 x 9%]	36,000 [4,00,000 x 9%]	-
(ii)	Hiring of industrial heavy machines with operators [Being composite supply wherein the principal supply is the hiring out of the heavy machine, GST	9,00,000	-	-	1,08,000 [9,00,000 x 12%[1]]

[1] *It is specifically mentioned in the question that wherever details for determining the place of supply are not given in the question, it shall be treated as inter-State transaction*

	rate of principal supply being 12% will apply.]				
(iii)	Renting of dumpers including driver [Taxable / Not specifically exempt as same is service of renting of transport vehicles with operator and not service of transportation of goods by road. Further, it is an inter-State supply since place of supply of services provided to the registered person is Bihar being location of such registered person.]	10,50,000	-	-	1,89,000 [10,50,00 x 18%]
(iv)	Stock transfer to branch in Karnataka [Such transfer is not a supply as the branch has the same GSTIN as that of the head office and thus, is not a distinct person.]	Nil	-	-	
(v)	Hiring 26 motor vehicles to KSRTC. [Services by way of giving on hire to a	12,00,000	Nil	Nil	-

	State Transport Undertaking (STU), a motor vehicle meant to carry more than 12 passengers is exempt.]				
	Total output tax liability		36,000	36,000	2,97,000
	Less: Total Eligible ITC [Refer Working Note]				
	IGST credit is set off against IGST liability				(86,400)
	CGST and SGST credit is set off against CGST and SGST liability respectively		(22,500)	(22,500)	
	Net GST payable in cash		**13,500**	**13,500**	**2,10,600**

Working Note:

Computation of total ITC available for set off

	Particulars		**CGST (₹)**	**SGST (₹)**	**IGST (₹)**
(i)	Purchased 4 electric scooters with engine capacity of 23 cc [Vehicle with less than 4 wheels fitted with engine capacity of upto 25cc is not a motor vehicle and thus, ITC on same is not blocked.	4,80,000	-	-	86,400

	Further, it is an inter-State supply since place of supply is Karnataka being location of goods at the time at which movement terminates for delivery to recipient and supplier is in Rajasthan.]				
(ii)	Hotel charges paid for accommodation. [It is an intra-State supply since place of supply is Surat/ Gujarat being the location of immovable property. However, ITC of the same will not be available since the recipient of said intra-State supply is located in a different State than that of place of supply.]	18,000	-	-	
(iii)	Availment of credit on services for which payment is overdue for 181 days [Reversal of credit availed is not required since the condition of payment of value of	6,00,000	-	-	

	supply plus tax within 180 days does not apply to supplies on which tax is payable under reverse charge.]				
(iv)	Debit note received in respect of inward intra-State taxable supplies of service. [ITC on debit notes issued in a FY can be availed in the month of issue of such debit note or at any time till 30th November of the succeeding FY or date of filing of annual return, whichever is earlier, irrespective of the date of original invoice/ supply.]	2,50,000	22,500	22,500	
	Total input tax credit[2]		22,500	22,500	86,400

(b) Computation of taxable value of supply

Particulars	**Taxable value (₹)**
Contract price of machinery	8,50,000
Outward freight charges for delivery of the machine [Since the supplier agrees to deliver the goods at the buyer's premises and arranges for transport, it is a	42,000

[2] *Full credit is admissible for set-off since it has been provided in question that all inward supplies are used only for outward taxable supply.*

composite supply, the principal supply being the supply of goods. Thus, freight charges are includible.]	
Trade discount [Deductible since discount is given at the time of supply and is recorded in invoice]	(25,500)
Interest for delayed payment [Not includible since the same is waived off.]	-
Price linked subsidy received from an NGO [Since the subsidy is received from a non-Government body and directly linked to the supply, the same is includible in the value.[3]]	-
Price linked subsidy received from State Government [Since the subsidy is received from the State Government, the same is not includible in the value of supply, and hence. deducted.]	(80,000)
Taxable value	**7,86,500**

Question 6

(a) M/s ABC & Co, an unregistered partnership firm having operations in Kerala, made a payment of advance amounting to ₹ 1,50,000/- to M/s K Transport, a Goods Transport Agency on 05.08.2025. The balance payment of ₹ 2,50,000 was made on 10.11.2025. You are required to determine the time of supply, if the invoices for services are raised by the supplier of the services on

(a) 05.09.2025

(b) 15.09.2025

The invoices are required to be issued by the Supplier. The supplier has not exercised the option to pay tax on the services of GTA in relation to transport of goods supplied by it under forward charge. ***(5 Marks)***

[3] *Since subsidy received from NGO has not been deducted from above contract price, so same shall not be added back.*

(b) Shanti Wellness Centre, an entity registered under Section 12AB of Income Tax Act, 1961 has furnished you the following details with respect to the activities undertaken by it during the month of June 2025:

Particulars	***Amount in ₹ (Excluding GST)***
Amount received for camps conducted for advancement of religion and spirituality for the old age people.	*1,00,000*
Provides skill development programme to abandoned, orphaned or homeless children. (₹ 1,00,000) and persons over the age of 65 years in an urban area (₹ 2,00,000)	*3,00,000*
Rents out a small portion of its premises to a bookshop selling spiritual literature for the purpose of Business [ONE MONTH RENTAL]	*12,000*
Grants advertising rights to a person for publicity, on the premises of the charitable/religious trust	*5,500*
Organized a 'Basketball Training Camp' for coaching of teenagers.	*10,000*

You are required to compute its taxable value from the information given above assuming the rate of GST is 18%. Brief reasons should form part of your answer ***(5 Marks)***

Answer

(a) Tax on services supplied by GTA in respect of transportation of goods by road is payable under reverse charge[4] since:

(i) said services are being provided to a partnership firm, and

(ii) the supplier (GTA) has not opted to pay tax under forward charge.

Time of supply of services taxable under reverse charge (where invoice is required to be issued by the supplier) is **earlier** of:

[4] Since the partnership firm is unregistered and tax is payable under reverse charge mechanism, Partnership firm is required to take compulsory registration under section 24 of the CGST Act, 2017.

(i) Date of payment, or

(ii) 61st day from the date of issue of invoice

	Invoice raised on	Time of Supply for advance payment of ₹ 1,50,000	Time of Supply for balance payment of ₹ 2,50,000
(a)	05.09.2025	Date of payment, i.e. **05.08.2025.**	Earlier of: (i) date of payment (10.11.2025) or (ii) 61st day from issue of invoice (05.09.2025), i.e. 05.11.2025. **05.11.2025 is time of supply**
(b)	15.09.2025	Date of payment, i.e. **05.08.2025.**	Earlier of: (i) date of payment (10.11.2025) or (ii) 61st day from issue of invoice (15.09.2025), i.e. 15.11.2025. **10.11.2025 is time of supply**

(b) Computation of taxable value for the month of June 2025

Services by entity registered under section 12AB of Income-tax Act are exempt only when they are charitable activities.

Particulars	Taxable Value (₹)
Camps conducted for advancement of religion and spirituality [Exempt since such activities are included in charitable activities.]	-

Activities relating to skill development programme to abandoned, orphaned or homeless children [Exempt since such activities are included in charitable activities.]	-
Activities relating to skill development programme to persons over the age of 65 years in an urban area [Not Exempt since such activities are included in charitable activities only when they relate to persons over the age of 65 years residing in a rural area.]	2,00,000
Renting of premises to bookshop for business [Taxable since such activities are not included in charitable activities.]	12,000
Grant of advertising rights for publicity on trust's premises [Taxable since such activities are not included in charitable activities.]	5,500
Organising "Basketball Training Camp" for teenagers' coaching [Services provided by entity registered under section 12AB of Income-tax Act by way of training or coaching in sports are exempt.]	-
Taxable value	**2,17,500**

Question 7

(a) Mr. A, a registered person of Haryana has filed his GSTR 3B return for the month of April 2025 on 10th June 2025. The due date of filing the GSTR 3B return was 20.05.2025. The following details were provided:

Sl. No	***Particulars***
(i)	*Deposited ₹80,000 in his Electronic Cash Ledger on 18th May 2025*
(ii)	*Debited the electronic cash ledger on 10th June 2025.*
(iii)	*No proceedings under Section 73, 74 or 74A were initiated.*
(iv)	*Rate of interest notified u/s 50(1) is 18% p.a.*

(v)	*Tax payable for the month: ₹ 2,00,000 is paid by* *a. Utilisation of ITC of ₹ 1,20,000* *b. ₹ 80,000 through Electronic Cash Ledger*

You are required to calculate the interest payable with reference to Rule 88B (1) of the CGST Rules, 2017.

Further, calculate the amount of Interest payable if the amount of ₹ 80,000 is deposited in Electronic Cash Ledger on 24.05.2025. ***(5 Marks)***

(b) Explain in brief the provisions requiring the issuance of an e-invoice. Also list out the entities which are exempt from issuing e-invoices.

Discuss the applicability of issuance of e-invoices by SEZ Developers.

(5 Marks)

Answer

(a) In case of delayed payment of tax, interest is payable from the day succeeding the due date of payment of tax till the date of payment of tax.

However, where the supplies made in a period are declared in the return for said period filed after due date, interest is calculated on tax paid by debiting electronic cash ledger. Accordingly, in given case, interest is payable on ₹ 80,000, viz. tax paid by debiting electronic cash ledger.

No interest is payable on the amount of ITC utilized for payment of tax.

Further, where any amount is credited in Electronic Cash Ledger on/ before due date of return, but is debited therefrom for tax payment while filing said return after due date, it is not considered while calculating such interest, if said amount is lying from due date till date of debit at the time of filing return.

Accordingly, **where ₹ 80,000 is deposited in electronic cash ledger on 18th May, 2025,** i.e. before due date of filing return of April, 2025 but debited while filing return of April, 2025 on 10th June, 2025, said amount shall not be taken into account for interest calculation as per above provisions.

Thus, interest payable is NIL on (₹ 2,00,000-₹ 1,20,000 -₹ 80,000).

However, **where ₹ 80,000 is deposited in electronic cash ledger on 24th May, 2025,** i.e. after due date of filing return of April, 2025, interest shall be calculated on ₹ 80,000 as follows:

Period of delay is from 20.05.2025 to 10.06.2025 = 21 days

Interest = ₹ 80,000 x 18% × 21/365 = ₹ 828 (rounded off)

(b) A registered person (except specified class of persons), whose aggregate turnover in any preceding financial year from 2017-18 onwards exceeds ₹ 5 crore, are required to issue e-invoice in respect of B2B supplies (supply made to a registered person) and for exports.

Following entities are exempt from the mandatory requirement of e-invoicing:-

(1) Special Economic Zone units

(2) Insurer or banking company or financial institution / NBFC

(3) Goods Transport Agency supplying services in relation to transportation of goods by road in a goods carriage

(4) Supplier of passenger transportation service

(5) Person supplying services by way of admission to exhibition of cinematograph films in multiplex screens

(6) a Government Department and

(7) a local authority

SEZ developers are not exempt from issuing e-invoices.

Thus, SEZ developers whose turnover exceeds ₹ 5 crore in any preceding financial year from 2017-18 onwards are mandatorily required to issue e-invoices.

Question 8

(a) State in which Schedule of the CGST Act, 2017 the following supplies have been covered. Also determine the category (i.e. Supply of Goods/ Services/ deemed supply) in which they shall be classified:

(i) Services by any court or tribunal established under any law for the time being in force

(ii) Any treatment or process which is applied to another person's goods

(iii) Goods forming part of business assets are transferred or disposed off by or under directions of person carrying on the business so as no longer to form part of those assets

(iv) Sale of land

(v) Permanent transfer or disposal of business assets where input tax credit has been availed on such assets ***(5 Marks)***

(b) (i) Explain the concept of "Seamless flow of credit" under GST Law.

(2 Marks)

(ii) "With reference to registration 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."

Discuss such means in brief as prescribed under rule 10B of the CGST Rules, 2017 ***(3 Marks)***

OR

(b) Determine the situations which can require the issuance of a Credit Note. What is the maximum time limit available for declaring the credit note in GST Return? Can a credit note under GST be issued in the case of secondary discounts allowed by supplier? ***(5 Marks)***

Answer

(a) (i) Services by any court or tribunal established under any law for the time being in force is covered in Schedule III of the CGST Act, 2017.

It is classified neither as supply of goods nor supply of services.

(ii) Any treatment or process which is applied to another person's goods is covered in Schedule II of the CGST Act, 2017, and it is classified as supply of services.

(iii) Goods forming part of business assets are transferred or disposed of by or under the directions of the person carrying on the business so as no longer to form part of those assets is covered in Schedule II of the CGST Act, 2017, and it is classified as supply of goods.

(iv) Sale of land is covered in Schedule III of the CGST Act, 2017. It is not a supply as same is classified neither as supply of goods nor supply of services.

(v) Permanent transfer or disposal of business assets where input tax credit has been availed on such assets is covered in Schedule I of the CGST Act, 2017. Same is treated as deemed supply.

(b) (i) Under GST, credit in respect of GST paid at the time of purchase of goods or availment of services can be continuously utilised for paying the output tax, throughout the supply chain without breaking the credit chain.

The credit chain is not broken in case of inter-State supplies also.

(ii) If Aadhaar number has not been assigned to the existing registered 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

(b) alternative

Situations requiring issuance of credit note under GST:

(1) The supplier has erroneously declared a value which is more than the actual value of the goods or services provided.

(2) The supplier has erroneously declared a higher tax rate than what is applicable for the kind of the goods or services or both supplied.

(3) The quantity received by the recipient is less than what has been declared in the tax invoice.

(4) The quality of the goods and/or services supplied is not to the satisfaction of the recipient thereby necessitating a partial or total reimbursement on the invoice value.

(5) Any other similar reasons

Maximum time limit for declaring the credit note:

The details of credit note shall be declared in the return for the month during which such credit note has been issued but not later than:

(a) 30th November following the end of the financial year in which such supply was made, or

(b) date of furnishing of the relevant annual return,

whichever is earlier.

Credit note under GST cannot be issued in case secondary discounts are allowed by the supplier since the tax liability of the supplier does not get reduced in such case.