Mock Test Paper - Series II: December, 2025

Date of Paper: 10th December, 2025

Time of Paper: 10 A.M. to 1 P.M.

INTERMEDIATE COURSE: GROUP - I

PAPER – 3: TAXATION

Time Allowed – 3 Hours **Maximum Marks – 100**

SECTION – A: INCOME TAX LAW (50 MARKS)

Working Notes should form part of the answer. Wherever necessary, suitable assumptions may be made by the candidates and disclosed by way of a note. However, in answers to Questions in Division A, working notes are not required.

The relevant assessment year is A.Y.2025-26.

Division A – Multiple Choice Questions

Write the most appropriate answer to each of the following multiple choice questions by choosing one of the four options given. All questions are compulsory.

1. Mr. Rohan Mehta, aged 45 years, a resident individual, is a retail trader. He is an eligible assessee under section 44AD of the Income-tax Act, 1961 and follows the mercantile system of accounting.

   For the financial year 2024-25, his total turnover amounts to ₹ 130 lakhs. The breakup of turnover and mode of receipts are as follows:

   - ₹ 25 lakhs received by account payee cheque during the previous year;
   - ₹ 50 lakhs received by cash during the previous year;
   - ₹ 25 lakhs received by account payee bank draft before the due date of filing of return under section 139(1);
   - ₹ 30 lakhs not received till the due date of filing of return.

   Rohan had taken a housing loan of ₹ 15,00,000 on 1st April 2021 from a nationalized bank at 10% per annum for constructing his self-occupied residential house. The construction commenced in June 2021 and was completed on 30th June 2024. No repayment of the loan has been made so far.

During the year, he sold two pieces of land:

1. On 4th October 2024, he sold a piece of agricultural land for ₹ 52 lakh which he had acquired on 13th September 2023 at a cost of ₹ 49.25 lakh. The land is located 7 km away from the municipal limits of a town having a population of 4,00,000.

2. On 12th December 2024, he sold another agricultural land for ₹ 53 lakh which he had acquired on 15th February 2023 at a cost of ₹ 46 lakh. The said land is located 1.5 km from the municipal limits of an area having a population of 12,000.

CII for F.Y. 2022-23: 331; 2023-24: 348; 2024-25: 363

From the information given above, choose the most appropriate answer to the following questions –

(i) The amount of interest deduction u/s 24(b) for A.Y. 2025-26, if he has exercised the option of shifting out of the default regime provided under section 115BAC(1A), is

(a) ₹ 1,50,000

(b) ₹ 1,80,000

(c) ₹ 2,00,000

(d) ₹ 2,10,000

(ii) What shall be the amount of deemed profits of Mr. Rohan under section 44AD(1) for A.Y. 2025-26?

(a) ₹ 10.40 lakhs

(b) ₹ 7 lakhs

(c) ₹ 5.50 lakhs

(d) ₹ 9.40 lakhs

(iii) What would be the amount of capital gain chargeable to tax in the hands of Mr. Rohan for the A.Y. 2025-26?

(a) Short-term capital gain of ₹ 9.75 lakhs

(b) Short-term capital gain of ₹ 7 lakhs

(c) Long-term capital gain of ₹ 2,72,212

(d) Long-term capital gain of ₹ 2,50,158 **(3 x 2 = 6 Marks)**

2. Mr. Mahesh Verma, aged 64 years, is a resident individual running a small trading business and maintaining regular books of account. On 1st April 2021, he gifts ₹ 3,00,000 to his wife, Nisha, and ₹ 2,00,000 to his daughter, Ria, who is 20 years old. Both Nisha and Ria invest the gifted amounts on the same date in Government of India 11% Taxable Bonds. The interest on these bonds accrues annually and is automatically reinvested in the same bonds in their respective names.

In the financial year 2024-25, Mahesh maintains a savings bank account with a co-operative land development bank, from which he earns interest of ₹ 20,000. He further holds a fixed deposit and a recurring deposit with Mani Finance Ltd., a Non-Banking Finance Company (NBFC), earning interest of ₹ 25,000 and ₹ 10,000, respectively.

During the scrutiny assessment of A.Y. 2025-26, the Assessing Officer examines Mahesh's balance sheet and bank statements and discovers investments of ₹ 7,00,000 not recorded in the books of account. Mahesh is unable to offer a satisfactory explanation regarding the nature and source of these investments.

From the information given above, choose the most appropriate answer to the following questions –

(i) What is the amount of interest taxable in hands of Nisha for A.Y. 2025-26.

(a) ₹ 4,473

(b) ₹ 12,132

(c) ₹ 33,000

(d) ₹ 36,630

(ii) Determine the amount of tax payable by Mahesh on the value of investments considered to be deemed income as per section 69?

(a) ₹ 2,18,400

(b) ₹ 55,000

(c) ₹ 5,46,000

(d) ₹ 54,600

(iii) What would be the deduction allowable to Mr. Mahesh under Chapter VI-A if he has exercised the option of shifting out of the default regime provided under section 115BAC(1A) for the A.Y. 2025-26?

(a) ₹ 55,000

(b) ₹ 10,000

(c) ₹ 20,000

(d) ₹ 50,000 **(3 x 2 = 6 Marks)**

3. Mr. X, aged 61 years, earned dividend of ₹ 12,00,000 from ABC Ltd. in P.Y. 2024-25. Interest on loan taken for the purpose of investment in ABC Ltd., is ₹ 3,00,000. Income included in the hands of Mr. X for P.Y. 2024-25 would be -

(a) ₹ 12,00,000

(b) ₹ 9,60,000

(c) ₹ 9,00,000

(d) ₹ 2,00,000 **(2 Marks)**

4. Mr. Shivam made a donation of ₹ 50,000 to PM Cares Fund and ₹ 20,000 to Prime Minister's Drought Relief Fund. He made a cash donation of ₹ 10,000 to a public charitable trust registered under section 80G. The deduction allowable to him under section 80G for A.Y.2025-26 is –

(a) ₹ 80,000

(b) ₹ 70,000

(c) ₹ 60,000

(d) ₹ 35,000 **(1 Mark)**

Division B – Descriptive Questions

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

*Attempt any **two** questions from the remaining **three** questions*

1. Mr. Kamal, a resident and ordinarily resident aged 58 years, is engaged in the business of manufacturing steel. He is subject to tax audit under section 44AB of Income-tax Act, 1961. He has provided following information:

Profit & Loss account for the year ended 31st March, 2025

Particulars	(₹)	Particulars	(₹)
To Administrative expenses	6,45,000	By Gross Profit	88,45,000
To Salaries & wages	30,00,000	By Winning from lottery (Net of TDS @30%)	47,250

To Interest on loan	11,25,000		
To loss on sale of asset of scientific research	1,00,000		
To Depreciation	9,25,500		
To Professional fees	4,05,000		
To Rent, rates & taxes	4,20,000		
To Travelling & conveyance	2,10,000		
To Net Profit	20,61,750		
Total	**88,92,250**	**Total**	**88,92,250**

Additional information:

(i) Opening and closing stock of finished goods were undervalued by 10%. Opening stock ₹ 3,30,000 and Closing stock ₹ 4,38,000 was shown.

(ii) Salaries & wages include following items:

a. Contributed 20% of basic salary in National Pension Scheme referred in section 80CCD for an employee Mr. Ganesh who has withdrawn basic salary of ₹ 4,00,000 and Dearness allowance is 40% of basic salary. 50% of Dearness allowance forms part of the salary.

b. Some of the employees opted for retirement under the voluntary retirement scheme; a sum of ₹ 3,50,000 was paid to them on 1st January, 2025.

(iii) Interest on loan includes interest paid @ 15% per annum on loan of ₹ 18,00,000 which was taken from State Bank of India on 01.07.2022 for purchase of new electric car of ₹ 20,00,000. The car is used for personal purpose.

(iv) Depreciation allowable as per Income-tax Rules, 1962 is ₹ 5,50,000 but during the calculation of such depreciation following addition was not considered:

Motor car purchased for ₹ 3,50,000 for supply of finished goods to dealers on 25-09-2024.

(v) An asset was purchased for ₹ 7,00,000 on 17-11-2023 for conducting scientific research and the deduction was claimed under section 35 of the Income-tax Act, 1961. This asset was sold on 05-10-2024 for a consideration of ₹ 6,00,000.

Other information:

A plot of Industrial land which was used by Mr. Kamal for business purposes for last 10 years was compulsorily acquired by Central Government on 07.04.2024. The compensation of ₹ 15,00,000 was received on 13.07.2024. Such property was purchased by him on 08.10.2010 for ₹ 2,50,000. He purchased another plot of industrial land on 15.04.2025 for ₹ 7,00,000. Government has also paid ₹ 1,05,000 as interest on such compensation on 28.10.2024.

Cost Inflation Indices: F.Y. 2024-25: 363, F.Y. 2010-11: 167

Compute the total income and tax liability of Mr. Kamal for the assessment year 2025-26 assuming that he has opted out of the provisions of section 115BAC. **(15 Marks)**

2. (a) Determine the residential status and total income of Mr. Arvind under optional tax regime for the A.Y.2025-26 based on the following details:

- Mr. Arvind, aged 62, is a Canadian citizen employed in a senior research position with a multinational corporation based in Gurugram since 2009.
- To share his research expertise, he traveled to group companies abroad while remaining based at the Gurugram office.
- His travel schedule for Financial Year 2024-25 was as follows:

Country	Period of stay
USA	25th August, 2024 to 10th November, 2024
UK	20th November, 2024 to 23rd December, 2024
Germany	10th January, 2025 to 24th March, 2025

Additional information on his stay in India:

- Present in India for 380 days during the last 4 years preceding P.Y. 2024-25
- Present in India for 700 days during the last 7 years preceding P.Y. 2024-25

Income earned during P.Y 2024-25:

1. Salary of ₹ 15,80,000 fully credited to his Indian bank account.
2. Dividend of ₹ 48,000 from Treat Ltd., a Singapore-based company, deposited in his Singapore bank account.
3. Interest income of ₹ 10,500 credited to his savings account in Punjab National Bank (Delhi branch). **(6 Marks)**

(b) Examine TDS implications in case of following transactions, briefly explaining provisions involved; state the rate and amount to be deducted, assuming that the deductees are residents and having a PAN which they have duly furnished to the respective deductors.

(i) Rohit, a resident individual in India who does not have any income from business or profession, made payments of ₹ 10 lakhs in January 2025,

₹ 25 lakhs in February 2025, and ₹ 25 lakhs in March 2025 to Suresh, a contractor, towards the reconstruction of his residential house.

(ii) ABC Pvt. Ltd. made a payment of ₹ 2,00,000 to Rajesh, an individual transporter who owned 6 goods carriages throughout the P.Y. 2024-25. Rajesh did not furnish his PAN to ABC Pvt. Ltd. **(4 Marks)**

3. (a) Mr. Krishna, aged 38 years, is entitled to a salary of ₹ 40,000 per month. He is given an option by his employer either to take house rent allowance of ₹ 8,000 per month or a rent free accommodation which is owned by the company. The monthly rent for the hired accommodation is ₹ 6,500.

Advice Mr. Krishna whether it would be beneficial for him to avail HRA or Rent Free Accommodation. Give your advice on the basis of "Net Take Home Cash benefits". Assume Mr. Krishna opts out from the provisions of section 115BAC?

(6 Marks)

(b) Examine the following transactions in the context of Income-tax Act, 1961:

(i) Ms. Ritu transferred 100 shares of PQR (P) Ltd. to M/s. LMN Co. (P) Ltd. on 10th September 2024 for ₹ 3,00,000 when the market value of the shares was ₹ 5,00,000. Ms. Ritu purchased these shares in 2018 for ₹ 2,50,000. The transfer was not subjected to securities transaction tax.

Determine the income chargeable to tax in the hands of Ms. Ritu and M/s. LMN Co. (P) Ltd. as a result of this transaction.

(ii) Mr. Rajat, who has a taxable salary income of ₹ 5,50,000, received a sum of ₹ 1,00,000 from "Sankalp Charitable Trust" (registered under section 12AB) by account payee cheque in December 2024 to cover his medical expenses.

Is the sum of money so received from the trust chargeable to tax in the hands of Mr. Rajat? **(4 Marks)**

4. (a) Mr. Sanjeev, aged 30 years, submits the information of following transaction/ income during the P.Y. 2024-25

(i) Mr. Sanjeev had a house in Delhi. During financial year 2022-23, he had transferred the said house to Ms. Veena, daughter of his brother without any consideration. House would go back to Mr. Sanjeev after the life time of Ms. Veena. The transfer was made with a condition that 15% of rental income from such house shall be paid to Mrs. Sanjeev. Rent received by Ms. Veena during the previous year 2024-25 from such house property is ₹ 6,50,000.

(ii) Mr. and Mrs. Sanjeev forms a partnership firm with equal share in profits. Mr. Sanjeev transferred a fixed deposit of ₹ 50 lakhs to such firm. Firm had no income or expense other than the interest of ₹ 6,00,000 received from such fixed deposit. Firm distributed the entire surplus to Mr. and Mrs. Sanjeev at the end of the year.

(iii) Mr. Sanjeev holds preference shares in M/s A Pvt. Ltd. He instructed the company to pay dividends to Ms. Chanchal, daughter of his servant. The transfer is irrevocable for the life time of Chanchal. Dividend received by Ms. Chanchal during the previous year 2024-25 is ₹ 2,00,000 (Gross).

(iv) Mr. Sanjeev has a short term capital loss of ₹ 16,000 from sale of property and long term capital gain of ₹ 15,000 from sale of property.

(v) Other income of Mr. Sanjeev includes

- Interest from saving bank account of ₹ 2,00,000
- Cash gift of ₹ 75,000 received from daughter of his sister on his birthday.
- Income from betting of ₹ 34,000
- Income from card games of ₹ 46,000
- Loss on maintenance of race horses of ₹14,600

Compute the total income of Mr. Sanjeev for the A.Y.2025-26 and the losses to be carried forward assuming that he opts out from default regime under section 115BAC. **(6 Marks)**

(b) What are the consequences of failure to intimate Aadhar Number. Is there any fee for such default? **(4 Marks)**

OR

(b) Briefly discuss the provisions relating to payment of advance tax on income arising from capital gains and casual income. **(4 Marks)**

SECTION B – GOODS AND SERVICES TAX (50 MARKS)

QUESTIONS

(i) *Working Notes should form part of the answers. However, in answers to Questions in Division A, working notes are not required.*

(ii) *Wherever necessary, suitable assumptions may be made by the candidates, and disclosed by way of notes.*

(iii) *All questions in Section B should be answered on the basis of position of GST law as amended by Finance (No. 2) Act 2024, which became effective till 30.06.2025, and significant notifications and circulars issued upto 30.06.2025.*

Division A –Case Scenario based MCQs (15 Marks)

Write the most appropriate answer to each of the following multiple choice questions by choosing one of the four options given. All questions are compulsory.

Case Scenario 1

Jyoti Transport Co., a Goods Transport Agency, is registered under GST. It did not exercise the option to pay GST itself on the services supplied by it in the preceding financial year. It provided goods transport services to the following persons in February of preceding financial year-

(a) Gaurav Traders, an unregistered partnership firm

(b) Mr. Amar, a casual taxable person, who is not registered under GST

(c) Vyapar Mandal Co-Operative Society registered under Societies Registration Act

In a particular consignment in March of preceding financial year, Jyoti Transport Co. transported the following-

(a) Defence Equipments

(b) Railway Equipments

(c) Organic Manure

Jyoti Transport Co. exercises the option to itself pay GST on services supplied by it @ 12% from April, of the current financial year. It provided goods transport services to Rathi Industries Pvt. Ltd. on 1st April and issued an invoice dated 5th May. Payment was received on 6th May.

Based on the facts of the case scenario given above, choose the most appropriate answer to Q. Nos. 1 to 3 below:

1. Which of the following persons are liable to pay GST under reverse charge in respect of the GTA services provided by Jyoti Transport Co. in February of the preceding financial year?

(i) Gaurav Traders

(ii) Mr. Amar

(iii) Vyapar Mandal Co-operative society

(a) i & ii

(b) ii & iii

(c) i & iii

(d) i, ii & iii

2. Transportation of _________ by Jyoti Transport Co. is exempt from GST.

(i) Defence Equipments

(ii) Railway Equipments

(iii) Organic Manure

(a) i

(b) i & ii

(c) i & iii

(d) i , ii & iii

3. What will be the time of supply in respect of the services provided by Jyoti Transport Co. to Rathi Industries Pvt. Ltd.?

(a) 6th May

(b) 5th May

(c) 30th May

(d) 1st April **(2 Marks x 3 = 6 Marks)**

Case Scenario 2

Anjani was engaged in providing various services within the State of Rajasthan since April. His Aggregate turnover crossed the threshold limit on 04th June He applied for registration under GST on 2nd July. He got his GST registration on 10th July.

After taking registration, Anjani started a business across India including supply of goods also. He dispatched goods pan India based on orders he got for the goods dealt by him.

He received an order from Delhi for which he supplied taxable goods valuing ₹ 45,000. The applicable rate of IGST was 12%. He also supplied certain exempted goods valuing ₹ 4,000. He made one invoice for both taxable as well as exempted supply made to Delhi.

He asked his tax consultant for the requirement of the generation of e-way bill for this order. The tax consultant informed him that the requirement of e-way bill is based on consignment value of goods supplied.

Even being a micro enterprise, Anjani did not receive timely payment from his customers because of which he ran into severe cash crunch and eventually could not make on-time payment to his suppliers. As a result, he decided to shut down his business and got placed in a software company as a senior programmer executive.

While shutting down his business, he informed his tax consultant to cancel the GST registration. The tax consultant surrendered his registration online on GST Portal on 25th September and his application for cancellation was approved by the Proper Officer on 31st September.

All the amounts given above are exclusive of taxes wherever applicable.

Based on the facts of the case scenario given above, choose the most appropriate answer to Q. Nos. 4 to 6 below:

4. Effective date of registration of Anjani is ____________.

   (a) 04th June

   (b) 02nd July

   (c) 03rd July

   (d) 10th July

5. Consignment value of goods supplied to Delhi by Anjani is ₹___________.

   (a) 45,000

   (b) 49,000

   (c) 50,400

   (d) 54,400

6. Due date by which Anjani is supposed to file Final return under GST is ____________.

   (a) 25th October

   (b) 30th October

   (c) 25th December

   (d) 31st December

7. Udit Associates, Delhi dealing in garments has ordered ladies suits from Pakiza Garments in Ludhiana (Punjab) which is 350 km away from its warehouse. E-way bill is generated by Sahiba Garments and the order is coming by a normal cargo. For how many days will the e-way bill be valid from the time it is generated?

(a) 24 hours

(b) 2 days

(c) 5 days

(d) 7 days **(2 Marks)**

8. Harjeet Kaur, a resident of Punjab, is having a residential property in Amritsar, Punjab which has been given on rent to a family for ₹ 72 lakh per annum for residence purposes. Determine whether Harjeet Kaur is liable to pay GST on such rent.

(a) Yes, as services by way of renting is taxable supply under GST.

(b) No, service by way of renting of residential property is exempt.

(c) No, service by way of renting of residential property does not constitute supply.

(d) Harjeet Kaur, being individual, is not liable to pay GST. **(1 Mark)**

PART II - Descriptive Questions (35 Marks)

Question No. 1 is compulsory.

Attempt any two questions out of remaining three questions.

1. (a) Resty Ltd., Delhi, a registered supplier, manufacturing machineries has made a taxable supply of machinery during the month of March. It furnished the following details for each such machinery supplied:

S. No.	Particulars	Amount (₹)
(i)	List price of machinery (exclusive of taxes)	10,00,000
(ii)	Subsidy received from the Central Government for supply of machinery to Government School (exclusively related to supply of machinery included at S. No. 1)	2,10,000
(iii)	Subsidy received from an NGO for supply of machinery to an old age home (exclusively related to supply of goods included at S. No. 1)	2,00,000
(iv)	Tax levied by Municipal Authority	2,50,000
(v)	Packing charges	1,25,000

Additional information:

The list price of the machinery is after considering the two subsidies received. However, the other charges/taxes/fee are charged to the customers over and above the list price.

Further, the company has provided the following information pertaining to purchases made/services availed by it in respect of supply of said machinery during the month of March:

S. No	Particulars	GST (₹)
(1)	Raw material (to be received in the month of April)	8,50,000
(2)	Membership of a club availed for employees working in the factory (not obligatory to be provided under any law)	4,00,000
(3)	Inputs to be received in 6 lots, out of which 1st lot was received during the month	3,50,000
(4)	Trucks used for transport of raw material	1,50,000
(5)	Capital goods (out of 3 items, invoice for 2 items is missing and GST paid on those items is ₹ 2,82,000)	3,50,000

Note:

(i) Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively.

(ii) All inward and outward supplies are exclusive of taxes, wherever applicable.

(iii) All the conditions necessary for availing the ITC have been fulfilled, subject to the information given above.

(iv) All inward and outward supplies are inter-State supplies.

Compute the net GST payable in cash, by Resty Ltd. for the month of March.

(10 Marks)

(b) Punto Ltd. procured the following goods in the month of January:

Inward Supplies		GST (₹)
(1)	Goods used in constructing an additional floor of office building. The cost of construction of additional floor has been capitalized.	96,200
(2)	Trucks used for transportation of inputs in the factory	11,000
(3)	Inputs used in trial runs	8,350

(4)	Confectionery items for consumption of employees working in the factory	4,325
(5)	Cement used for making foundation and structural support to plant and machinery	9,550

Note: Depreciation has not been claimed on tax component in case of trucks.

Compute the amount of ITC available with Punto Ltd. for the month of January by giving necessary explanations. Assume that all the other conditions necessary for availing ITC have been fulfilled. **(5 Marks)**

2. (a) Comment on the taxability or otherwise of the following transactions under GST law. Also state the correct legal provisions for the same.

S. No.	Description of Services provided
(i)	Service provided by a private transport operator to Kanya Shiksha Girls Higher Secondary School by way of transportation of students to and from the school.
(ii)	Services provided by way of vehicle parking to general public in a shopping complex.
(iii)	Food supplied by the canteen run by a hospital to the in-patients as advised by the doctors.
(iv)	An RWA in a housing society, registered under GST, collects the maintenance charges of ₹ 6,500 per month per member.

(4 Marks)

(b) Determine the time of supply from the given information in each of the following independent cases:

(i)

Particulars	Date
Supplier invoices goods taxable on reverse charge basis to Mithlesh & Sons	May 4
Mithlesh & Sons receives the goods	May 12
Mithlesh & Sons makes the payment	May 30

(ii)

Particulars	Date
Supplier invoices goods taxable on reverse charge basis to Prompts & Co.	May 4

Prompts & Co. receives the goods, which were held up in transit	June 12
Payment made for the goods	July 3

(6 Marks)

3. (a) Examine whether the supplier of goods is liable to get registered in the following independent cases:

Examine whether the supplier of goods is liable to get registered in the following independent cases:

(i) Mohit of Assam is exclusively engaged in intra-State taxable supply of readymade garments. His turnover in the current financial year (FY) from Assam showroom is ₹ 33 lakh. He has another showroom in Tripura with a turnover of ₹ 11 lakh in the current FY.

(ii) Shobhit of Panjim, Goa is exclusively engaged in intra-State taxable supply of shoes. His aggregate turnover in the current financial year is ₹ 22 lakh.

(5 Marks)

(b) M/s. Virtus Trans of Kolkata is engaged in the trading of transmitters. On 20th May, M/s. Virtus Trans has sent 500 units of transmitters for exhibition at Chennai on sale or return basis. Out of the said 500 units, 300 units have been sold on 28th August at the exhibition. Out of remaining 200 units, 150 units have been brought back to Kolkata on 25th November and balance 50 units have neither been sold nor brought back.

Explain the provisions under GST law relating to issue of invoices with exact dates on which tax invoices need to be issued by M/s. Virtus Trans. **(5 Marks)**

4. (a) Are post-supply discounts eligible for deduction from the value of supplies in all situations? Explain. **(5 Marks)**

OR

(a) What is the place of supply for mobile connection? Can it be the location of supplier?

(b) Who can be registered as Goods and Service Tax Practitioners under Section 48 of the CGST Act, 2017? **(5 Marks)**

Mock Test Paper - Series II: December, 2025

Date of Paper: 10th December, 2025

Time of Paper: 10 A.M. to 1 P.M.

INTERMEDIATE COURSE: GROUP-I

PAPER – 3: TAXATION

SECTION – A: INCOME TAX LAW

SOLUTIONS

Division A – Multiple Choice Questions

MCQ No.	Sub-part	Most Appropriate Answer
1.	(i)	(c)
	(ii)	(d)
	(iii)	(b)
2.	(i)	(b)
	(ii)	(c)
	(iii)	(c)

MCQ No.	Most Appropriate Answer
3.	(b)
4.	(c)

Division B – Descriptive Questions

1. Computation of total income of Mr. Kamal for A.Y. 2025-26

	Particulars	₹	₹	₹
I.	<u>**Income from business or profession**</u>			
	Net Profit		20,61,750	
	***Add*: Items debited but not allowable/item not credited but taxable while computing business income**			
	- **Employer's contribution to NPS in excess of 14% of salary -** Employer's contribution to the extent of 14% of salary i.e., basic salary plus dearness allowance forming part of salary would be allowed as deduction. Thus, excess contribution i.e., ₹ 12,800 [₹ 80,000, being 20% of ₹ 4,00,000 *less* ₹ 67,200 being 14% of	12,800		

		₹ 4,80,000 (₹ 4,00,000 + 20% of ₹ 4,00,000] has to be added back.			
	-	**VRS expenditure -** 1/5th of expenditure on voluntary retirement scheme is allowable over a period of five years u/s 35DDA. Since whole amount of expenditure is debited to Profit and Loss A/c, 4/5th has to be added back [₹ 3,50,000 x 4/5].	2,80,000		
	-	**Interest on loan** taken for purchase of electric car used for personal purpose not allowable as deduction while computing business income as being expense of personal nature. Thus, ₹ 2,70,000 [₹ 18,00,000 x 15%] has to be added back, since the same forms part of interest on loan debited to profit and loss account.	2,70,000		
	-	**Sale proceeds of asset** acquired for conducting scientific research taxable as business income under section 41(3) in the year of sale to the extent of lower of ₹ 7,00,000 (being the deduction allowed u/s 35) and ₹ 6,00,000 being the excess of sale proceeds and deduction allowed u/s 35 i.e., (₹ 6,00,000 + ₹ 7,00,000) over the capital expenditure incurred of ₹ 7,00,000	6,00,000		
	-	Loss on sale of asset of scientific research, not allowable	1,00,000		
	-	Undervaluation of stock [(₹ 4,38,000 - ₹ 3,30,000) x 10/90]	12,000		
		Note: *Alternatively, undervaluation of closing stock i.e., ₹ 48,667 can be added back and under valuation of opening stock i.e., ₹ 36,667 can be reduced from net profits.*			
	-	Depreciation as per books of A/c	9,25,500	22,00,300	
				42,62,050	

	Less: Depreciation as per Income-tax Rules, 1962	5,50,000		
	Depreciation on Motor car purchased for supply of finished goods [₹ 3,50,000 x 15%]	52,500	6,02,500	
			36,59,550	
	***Less:* Items of income credited to profit and loss account but not taxable or taxable under any other head of income**			
	- Winning from lottery [Taxable under the head "Income from other sources"]		47,250	
				36,12,300
II.	**Capital Gain**			
	Long-term capital gains			
	Compulsory acquisition of industrial plot by the Central Government taxable as per section 45(5)			
	Compensation received		15,00,000	
	Less: Indexed Cost of acquisition [₹ 2,50,000 x 363/167]		5,43,413	
	Long-term capital gain [Since such plot is held for more than 24 months]		9,56,587	
	Less: Exemption u/s 54D			
	Acquisition of industrial plot within 3 years		7,00,000	
				2,56,587
III.	**Income from other sources**			
	Winning from lottery [₹ 47,250 x 100/70]		67,500	
	Interest on enhanced compensation	1,05,000		
	Less: 50% of enhanced compensation	52,500		
			52,500	1,20,000
	Gross Total Income			39,88,887
	Less: **Deduction under Chapter VI-A**			
	Deduction under section 80EEB			
	Interest on loan taken for purchase of electric vehicle allowable as deduction to the extent of			1,50,000

	Total Income			**38,38,887**
	Total Income (Rounded off)			**38,38,890**

Computation of tax liability of Mr. Kamal for A.Y.2025-26

Particulars	₹	₹
Tax on long-term capital gains @20% of ₹ 2,56,587		51,317
Tax on winning from lottery @30% of ₹ 67,500		20,250
Tax on total income (excluding LTCG and winning from lottery) of ₹ 35,14,803		
Upto ₹ 2,50,000	Nil	
₹ 2,50,001 – ₹ 5,00,000[@5% of ₹ 2.50 lakhs]	12,500	
₹ 5,00,001 – ₹10,00,000[@20% of ₹ 5 lakhs]	1,00,000	
₹ 10,00,001- ₹ 35,14,803 [@30% of ₹ 25,14,803]	7,54,441	
		8,66,941
		9,38,508
Add: Health and education cess@4%		37,540
Tax liability		9,76,048
Tax liability (rounded off)		**9,76,050**

2. (a) Determination of residential status

Mr. Arvind would be a resident in India during the P.Y. 2024-25, if he satisfies any one of the following conditions:

(i) He has been in India during the P.Y. 2024-25 for a total period of 182 days or more, or

(ii) He has been in India during the 4 years immediately preceding the P.Y. 2024-25 for a total period of 365 days or more and has been in India for at least 60 days in the P.Y. 2024-25.

If he satisfies any one of the conditions mentioned above, he is a resident. If both the above conditions are not satisfied, he would be a non-resident.

During the P.Y. 2024-25 Mr. Arvind stayed in India for 179 days i.e., 365 days – 186 days [78 days + 34 days + 74 days] and 380 days i.e., more than 365 days during the 4 years preceding P.Y. 2024-25. He satisfies the second basic condition for being a resident. Hence, he is a resident in India for A.Y.2025-26.

A person would be "Not ordinarily Resident" in India in any previous year, if such person, *inter alia*:

(a) has been a non-resident in 9 out of 10 previous years preceding the P.Y. 2024-25; or

(b) has during the 7 previous years immediately preceding the P.Y. 2024-25 been in India for 729 days or less.

For the previous year 2024-25, Mr. Arvind would be "Resident but not ordinarily resident" since he stayed for less than 729 days during the 7 previous years immediately preceding P.Y. 2024-25.

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

	Particulars		Amount (₹)
(1)	Salary received in a bank account in India	15,00,000	
	Less: Standard deduction u/s 16(ia)	50,000	14,50,000
(2)	Dividend of ₹ 48,000 received from Singapore based company deposited to his bank account in Singapore is not taxable in the hands of the resident but not ordinarily resident since the income has neither accrued or arisen in India nor has it been received in India.		Nil
(3)	Interest credited to his savings bank account in PNB is taxable in the hands of Mr. Arvind as Income from other sources, since it has accrued and arisen in India and is also received in India.		10,500
Gross Total Income			**14,60,500**
Less: Deduction u/s 80TTB			10,500
Total Income			**14,50,000**

(b) (i) On payments made to contractor

Tax is deductible @2% under section 194M, since payments to Mr. Suresh, a contractor, for reconstruction of his residential house exceeds ₹ 50 lakhs in aggregate during the F.Y.2024-25.

Amount of tax to be deducted = 2% of ₹ 60 lakhs = ₹ 1,20,000

(ii) Payment to transporter who has not furnished PAN

Under section 194C, no tax is deductible in respect of payments to a transporter, who owns ten or less goods carriages at any time during the year and furnishes a declaration to that effect along with his PAN to the person paying or crediting such sum.

However, in this case, this exemption from TDS would not be available, since Rajesh has not furnished his PAN to ABC Pvt. Ltd. As per section 206AA, due to non-furnishing of PAN, tax would be deductible at a higher rate of 20% and not @1% provided under section 194C.

Amount of tax to be deducted = ₹ 2,00,000 x 20% = ₹ 40,000

3. (a) Computation of tax liability of Krishna under both the options

Particulars		**Option I – HRA (₹)**	**Option II – RFA (₹)**
Basic Salary (₹ 40,000 x 12 Months)		4,80,000	4,80,000
Perquisite value of rent-free accommodation (10% of ₹ 4,80,000)		N.A.	48,000
House rent Allowance (₹ 8,000 x 12 Months)	₹ 96,000		
Less: Exempt u/s 10(13A) – least of the following -			
- 50% of Basic Salary ₹ 2,40,000			
- Actual HRA received ₹ 96,000			
- Rent paid *less* 10% of salary ₹ 30,000	₹ 30,000	66,000	
Gross Salary		5,46,000	5,28,000
Less: Standard deduction u/s 16(ia)		50,000	50,000
Net Salary		4,96,000	4,78,000
Less: Deduction under Chapter VI-A		-	-
Total Income		**4,96,000**	**4,78,000**
Tax on total income		12,300	11,400
Less: Rebate under section 87A - Lower of ₹ 12,500 or income-tax, since total income does not exceed ₹ 5,00,000		12,300	11,400
Total tax payable		**Nil**	**Nil**

Cash Flow Statement

Particulars	Option I - HRA	Option II - RFA
Inflow: Salary	5,76,000	4,80,000
Less: Outflow: Rent paid	(78,000)	-
Tax on total income	Nil	Nil
Net Inflow	**4,98,000**	**4,80,000**

Since the net cash inflow under Option I (HRA) is higher than in Option II (RFA), it is beneficial for Mr. Krishna to avail Option I, i.e., House Rent Allowance

(b) (i) Any movable property received for inadequate consideration by any person is chargeable to tax under section 56(2)(x), if the difference between aggregate Fair Market Value of the property and consideration exceeds ₹ 50,000.

Thus, share received by M/s. LMN Co. (P) Ltd. from Ms. Ritu for inadequate consideration is chargeable to tax under section 56(2)(x) to the extent of ₹ 2,00,000.

As per section 50CA, since the consideration is less than the fair market value of unquoted shares of PQR (P) Ltd., fair market value of shares of the company would be deemed to be the full value of consideration. It is presumed that the shares of PQR (P) Ltd. Ltd are unquoted shares.

The full value of consideration (₹ 5,00,000) less the cost of acquisition (₹ 2,50,000) would result in a long term capital gains of ₹ 2,50,000 in the hands of Ms. Ritu.

(ii) The provisions of section 56(2)(x) would not apply to any sum of money or any property received from any trust or institution registered under section 12AB. Therefore, the sum of ₹ 1 lakh received from Sankalp Charitable Trust, being a trust registered under section 12AB, to cover his medical expenses would not be chargeable to tax under section 56(2)(x) in the hands of Mr. Rajat

4. **(a)** **Computation of Total Income of Mr. Sanjeev for A.Y. 2025-26**

Particulars	Amount (₹)	Amount (₹)
Income from house property **<u>House in Delhi</u>** [Since Mr. Sanjeev receives direct or indirect benefit from income arising to his brother's daughter, Ms. Veena, from the transfer of		

house to her without consideration, such income is to be included in the total income of Mr. Sanjeev as per proviso to section 62(1), even though the transfer may not be revocable during lifetime of Ms. Veena]		
Gross Annual Value[1]	6,50,000	
Less: Municipal taxes	-	
Net Annual Value	6,50,000	
Less: Deductions from Net Annual Value		
(a) 30% of Net Annual Value	1,95,000	
(b) Interest on loan	-	4,55,000
Profits and gains from business or profession		
Share of profit from firm [Exempt u/s 10(2A)] Exempt income cannot be clubbed	-	
Capital Gains		
Long term capital gain from sale of property	15,000	
Less: Short-term capital loss can be set-off against both short-term capital gains and long-term capital gains. Short term capital loss of ₹ 16,000 set off against long-term capital gains to the extent of ₹ 15,000. Balance short term capital loss of ₹ 1,000 to be carry forward to A.Y.2026-27	15,000	-
Income from other sources		
Dividend on preference shares [Taxable in the hands of Mr. Sanjeev as per section 60, since he transferred the income, i.e., dividend, without transferring the asset, i.e., preference shares]	2,00,000	
Interest from saving bank account	2,00,000	
Cash gift [Taxable as per section 56(2)(x), since sum of money exceeding ₹ 50,000 is received from his niece, who is not a relative]	75,000	
Income from betting [No loss is allowed to be set off against such income]	34,000	

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

Income from card games [No loss is allowed to be set off against such income]	46,000	5,55,000
Gross Total Income		**10,10,000**
Less: **Deduction under Chapter VI-A**		
Deduction under section 80TTA [Interest from savings bank account]	10,000	10,000
Total Income		**10,00,000**

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

Particulars	Amount (₹)
Short term capital loss [₹ 16,000 – ₹ 15,000]	1,000
Loss on maintenance of race horses [Loss incurred on maintenance of race horses cannot be set-off against income from any source other than the activity of owning and maintaining race horses. Hence, such loss has to be carried forward to A.Y.2026-27]	14,600

(b) If a person, who has been allotted PAN as on 1st July, 2017 and is required to intimate his Aadhaar number, has failed to intimate the same on or before 31st March, 2022, the PAN of such person would become inoperative.

A person, whose PAN has become inoperative, would be liable for following further consequences for the period commencing from the date as specified i.e., 1.7.2023 till the date it becomes operative –

(i) no refund of any amount of tax or part thereof, due under the provisions of the Act;

(ii) interest would not be payable on such refund for the period, beginning with the date specified i.e., 1.7.2023 and ending with the date on which it becomes operative;

(iii) where tax is deductible at source in case of such person, such tax shall be deducted at higher rate, in accordance with provisions of section 206AA;

(iv) where tax is collectible at source in case of such person, such tax shall be collected at higher rate, in accordance with provisions of section 206CC:

Where a person, who is required to intimate his Aadhar Number under section 139AA(2), failed to intimate the same on or before 31.3.2022, he would be liable for payment of fee in accordance with section 234H read with Rule 114(5A) i.e., ₹ 1,000.

OR

(b) The proviso to section 234C contains the provisions for payment of advance tax in case of capital gains and casual income.

Advance tax is payable by an assessee on his/its total income, which includes capital gains and casual income like income from lotteries, crossword puzzles, etc.

Since it is not possible for the assessee to estimate his capital gains, or income from lotteries etc., it has been provided that if any such income arises after the due date for any instalment, then, the entire amount of the tax payable (after considering tax deducted at source) on such capital gains or casual income should be paid in the remaining instalments of advance tax, which are due.

Where no such instalment is due, the entire tax should be paid by 31st March of the relevant financial year.

No interest liability on late payment would arise if the entire tax liability is so paid.

SECTION B – GOODS AND SERVICES TAX

Division A –Case Scenario based MCQs

Question No.	Answer	
1.	(c)	i & iii
2.	(c)	i & iii
3.	(d)	1st April
4.	(a)	04th June
5.	(c)	50,400
6.	(d)	31st December
7.	(b)	2 days
8.	(b)	No, service by way of renting of residential property is exempt.

Division B - Descriptive Questions

1. (a) Computation of net GST payable in cash

Particulars	Value of supply (₹)	IGST@ 18% (₹)
Supply of machinery [Refer Working Note]	15,75,000	2,83,500
Less: ITC available		2,18,000
Net GST payable in cash		**65,500**

Working Note:

Computation of total value of taxable supply made by Resty Ltd. during the month of March

Particulars	Amount (₹)
List price of the machinery	10,00,000
Subsidy amounting to ₹ 2,10,000 received from the Central Government	Nil
[Since the subsidy is received from the Government, the same is not includible in the value in terms of section 15 of the CGST Act, 2017]	
Subsidy received from NGO	2,00,000
[Since the subsidy is received from a non-Government body and	

directly linked to the supply, the same is includible in the value in terms of section 15 of the CGST Act, 2017]	
Tax levied by the Municipal Authority [Includible in the value as per section 15 of the CGST Act, 2017]	2,50,000
Packing charges [Being incidental expenses, the same are includible in the value as per section 15 of the CGST Act, 2017]	1,25,000
Total value of taxable supplies	**15,75,000**

Computation of ITC that can be availed by Resty Ltd. for the month of March

Particulars	**ITC (₹)**
Raw Material [ITC not available as raw material is not received in March]	Nil
Membership of a club availed for employees working in the factory (not obligatory to be provided under any law) [ITC is blocked in terms of section 17(5) of the CGST Act, 2017]	Nil
Inputs to be received in 6 lots, out of which 1st lot was received during the month [In case of goods received in lots, ITC can be taken only upon receipt of the last lot]	Nil
Trucks used for transport of raw material [ITC of GST paid on motor vehicles used for transportation of goods is allowed unconditionally]	1,50,000
Capital goods [ITC can be availed only on the basis of a valid document (invoice). Thus, GST paid on items for which invoice is missing, i.e. ₹ 2,82,000, is not available.]	68,000
Total ITC	**2,18,000**

(b) Computation of amount of ITC available for the month of January

S. No.	**Particulars**	**GST (₹)**
(1)	Goods used in construction of additional floor of office building [ITC on goods received by a taxable person for construction of an immovable property on his own account is blocked	Nil

	even if the same is used in the course or furtherance of business.]	
(2)	Trucks used for transportation of inputs in the factory [ITC on motor vehicles used for transportation of goods is not blocked.]	11,000
(3)	Inputs used in trial runs [Being used in trial runs, inputs are used in the course or furtherance of business and hence ITC thereon is allowed.]	8,350
(4)	Confectionary items for consumption of employees working in the factory [ITC on food or beverages is blocked unless the same is used in same line of business or as an element of the taxable composite or mixed supply. Further, ITC on goods and/or service used for personal consumption is blocked.]	Nil
(5)	Cement used for making foundation and structural support to plant and machinery [ITC on goods used for construction of plant and machinery is not blocked. Plant and machinery includes foundation and structural supports through which the same is fixed to earth.]	9,550
	Total eligible ITC	**28,900**

2. (a)

S. No.	Particulars	Taxability
(i)	Service provided by a private transport operator to Kanya Shiksha Girls Higher Secondary School by way of transportation of students to and from the school. [Services provided TO an educational institution by way of transportation of students are exempted from GST]	Exempt
(ii)	Services provided by way of vehicle parking to general public in a shopping complex. [Services provided by way of vehicle parking to general public are not exempted from GST. Therefore, it would be taxable.]	Taxable
(iii)	Food supplied by the canteen run by a hospital to the in-patients as advised by the doctors. [Services by way of health care services by a clinical establishment, an authorised medical practitioner or para-medics are exempt from GST. Food supplied to the in-patients	Exempt

	by a canteen run by the hospital, as advised by the doctor/nutritionists, is a part of composite supply of healthcare and not separately taxable. Thus, said services are exempt from GST.]	
(iv)	An RWA in a housing society, registered under GST, collects the maintenance charges of ₹ 6,500 per month per member. [Supply of service by a RWA (unincorporated body or a non-profit entity registered under any law) to its own members by way of reimbursement of charges or share of contribution up to an amount of ₹ 7500 per month per member for providing services and goods for the common use of its members in a housing society/a residential complex are exempt from GST. Hence, in the given case, services provided by the RWA are exempt from GST since the maintenance charges collected per month per member do not exceed ₹ 7500.]	Exempt

(b) Determination of time of supply:

(i) The time of supply of goods on which GST is payable on reverse charge basis will be the earliest of the following dates:

(a) Date on which the goods are received i.e. May 12, or

(b) Date on which payment is recorded in the books of account of the recipient, or the date on which the same is debited in his bank account, whichever is earlier i.e. May 30, or

(c) Date immediately following 30 days from the date of issue of invoice by the supplier i.e. June 3.

Accordingly, in the above case, time of supply shall be May 12, being earliest of above three dates.

(ii) The time of supply of goods on which GST is payable on reverse charge basis will be the earliest of the following dates:

(a) Date on which the goods are received i.e. June 12, or

(b) Date on which payment is recorded in the books of account of the recipient, or the date on which the same is debited in his bank account, whichever is earlier i.e. July 3, or

(c) Date immediately following 30 days from the date of issue of invoice by the supplier i.e. June 4.

Accordingly, in the above case, time of supply shall be June 4, being earliest of above three dates.

3. **(a)** A supplier is liable to be registered in the State/Union territory from where he makes a taxable supply of goods and/or services, if his aggregate turnover in a financial year exceeds the threshold limit. The threshold limit for a person making exclusive intra-State taxable supplies of goods is as under:

(a) ₹ 10 lakh for the Special Category States of Mizoram, Tripura, Manipur and Nagaland.

(b) ₹ 20 lakh for the States, namely, States of Arunachal Pradesh, Meghalaya, Puducherry, Sikkim, Telangana and Uttarakhand.

(c) ₹ 40 lakh for rest of India except persons engaged in making supplies of ice cream and other edible ice, whether or not containing cocoa, pan masala and tobacco and manufactured tobacco substitutes, fly ash bricks; fly ash aggregates; fly ash blocks, bricks of fossil meals or similar siliceous earths, building bricks, earthen or roofing tiles.

In the light of the afore-mentioned provisions, the answer to the independent cases is as under:

(i) Mohit is eligible for higher threshold limit of turnover for registration, i.e. ₹ 40 lakh as he is exclusively engaged in intra-State supply of goods. However, since Mohit is engaged in supplying readymade garments from a Special Category State i.e. Tripura, the threshold limit gets reduced to ₹ 10 lakh. Thus, Mohit is liable to get registered under GST as his turnover has exceeded limit of ₹10 lakh. Further, he is required to obtain registration in both Assam and Tripura as he is making taxable supplies from both the States.

(ii) The applicable threshold limit for GST registration for Shobhit in the given case is ₹ 40 lakh as he is exclusively engaged in intra-State taxable supply of goods in Goa. Thus, he is not liable to get registered under GST as his turnover is less than the threshold limit.

(b) Where the goods being sent for sale or return are removed before the supply takes place, the tax invoice shall be issued before or at the time of supply or 6 months from the date of removal, whichever is earlier.

In the given case, 500 units of transmitters have been sent for exhibition on sale or return basis out of which 300 units are sold before 6 months from the date of removal. Thus, tax invoice for said 300 units needs to be issued before or at the time of supply of such goods, i.e. upto 28th August.

Remaining 200 (150+ 50) units have neither been sold nor brought back till the expiry of 6 months from the date of removal goods, i.e. 20th November. Thus, tax invoice for said 200 units needs to be issued upto 20th November.

4. **(a)** No, the post-supply discounts are not eligible for deduction from the value of supplies in all situations. Such discounts are allowed as a deduction from the value of supply only in the situations where the following two conditions are satisfied cumulatively:

(i) The discount is in terms of an agreement that existed at or before the time of supply and can be worked out invoice-wise; and

(ii) Proportionate input tax credit (ITC) is reversed by the recipient - The buyer would have availed ITC of GST payable on the gross value specified in the invoice. Thus, when a credit note is issued to him by the supplier for the discount, the buyer will reverse the proportionate credit; consequent to which, the supplier's output tax liability will be reduced by the same amount.

If any of the above conditions are not satisfied, post-supply discount is not allowed as a deduction from the value of supply and consequently, GST liability of the supplier does not get reduced.

Alternative

The location of supplier of mobile services cannot be the place of supply as the mobile companies are providing services in multiple states and many of these services are inter-state. The consumption principle will be broken if the location of supplier is taken as place of supply and all the revenue may go to a few states where the suppliers are located.

The place of supply for mobile connection would depend on whether the connection is on postpaid or prepaid basis. In case of postpaid connections, the place of supply is the location of billing address of the recipient of services on the record of supplier of services.

In case of pre-paid connections, if the service is supplied:

(i) through a selling agent or a re-seller or a distributor of SIM card or re-charge voucher, the place of supply is the place of address of the selling agent or re-seller or distributor as per the record of the supplier at the time of supply; or

(ii) by any person to the final subscriber, the place of supply is the location where such prepayment is received or such vouchers are sold;

(iii) in other cases, the place of supply is the address of the recipient as per the records of the supplier of services and where such address is not available, the place of supply shall be location of the supplier of services.

However, if the recharge is done through internet/e-payment, the location of recipient of service on record of the supplier will be taken as the place of supply.

(b) Following persons can be registered as Goods and Service Tax Practitioners:

Any person who, (i) is a citizen of India; (ii) is a person of sound mind; (iii) is not adjudicated as insolvent; (iv) has not been convicted by a competent court;

and satisfies any of the following conditions, namely that he:

1. is a retired officer of Commercial Tax Department of any State Govt./CBIC who, during service under Government had worked in a post not lower than the rank of a Group-B gazette officer for a period ≥ 2 years, or
2. is enrolled as a Sales Tax Practitioner or Tax Return Preparer under the erstwhile indirect tax laws for a period of not less than 5 years, or
3. acquired any of the prescribed qualifications
4. has passed Graduate/postgraduate degree or its equivalent examination having a degree in specified disciplines, from any Indian University or a degree examination of any Foreign University recognized by any Indian University as equivalent to degree examination
5. has passed any other notified examination
6. has passed final examination of ICAI/ ICSI/ Institute of Cost Accountants of India

Note: Any 5 points may be mentioned.