PAPER – 3: TAXATION

SECTION A: INCOME TAX LAW

The Income-tax law, as amended by the Finance Act, 2025, including significant notifications/ circulars issued upto 31st October, 2025, is applicable for May, 2026 examination. The relevant assessment year for May, 2026 examination is A.Y.2026-27. The July, 2025 edition of the Study Material is based on the provisions of Income-tax law as amended by the Finance Act, 2025 and significant notifications/circulars issued upto 15.07.2025. The said study material has to be read along with the Statutory Update containing notifications and circulars issued upto 31.10.2025 but not covered in the study material webhosted at https://resource.cdn.icai.org/89998bos-aps2378-int-p3a-statutory-may2026.pdf.

QUESTIONS

Case Scenario

Mr. Roshan, aged 45 years, is employed as a finance manager in XYZ Ltd., Mumbai. During the F.Y. 2025-26, he receives the following:

- Basic Salary - ₹ 60,000 p.m.
- DA - ₹ 12,000 p.m. (50% is forming part for retirement benefits)
- Employer's contribution to PF – 15% of basic salary

He owns a house property which is let out during the P.Y. 2025-26. He has taken a loan for acquisition of this house and paid interest of ₹ 2.20 lakhs during the year. Details of house property are as follows:

- Municipal Value – ₹ 1,80,000 per annum
- Fair Rent – ₹ 1,95,000 per annum
- Standard Rent – ₹ 1,80,000 per annum
- Actual Rent received – ₹ 1,70,000 per annum
- Municipal Tax (paid by tenant) – 7.5% of municipal value
- Repair Expenses (paid by Mr. Roshan) – ₹ 9,000

Other transactions during the Financial Year 2025–26 are as under:

(1) Household LED and refrigerator purchased in January 2017 for ₹ 56,000 were sold in February 2026 for ₹ 15,000.

(2) Advance of ₹ 4,00,000 was received from Mr. Vanraj on 1st May 2025 against sale of urban agricultural land for ₹ 11,00,000 which was being used by his father for agricultural purposes during last 2 years and 8 months. However, due to non-payment of balance amount, advance was forfeited.

(3) The same land was subsequently sold to Mr. Jain on 1st December 2025 for ₹ 10,50,000. The land was purchased on 20th January 2006 for ₹ 1,50,000. Mr. Roshan purchased new rural agricultural land on 10th March 2026 for ₹ 9,50,000.

(3) Interest credited in PPF account during the year amounted to ₹ 40,500.

(4) He paid ₹ 75,000 as premium towards life insurance cover for self and his wife and also contributed ₹ 1,00,000 towards PPF.

Cost Inflation Indices for the Financial Years are under:

2005-06: 117

2016-17: 264

2025-26: 376

Mr. Roshan wants to pay tax under default tax regime.

Based on the facts of the case scenario given above, choose the most appropriate answer to the following multiple-choice questions:

1. What would be the amount chargeable to tax under the head "Salaries" of Mr. Roshan for the A.Y. 2026-27?

   (a) ₹ 7,93,320

   (b) ₹ 8,01,960

   (c) ₹ 8,10,600

   (d) ₹ 8,26,960

2. Compute the amount of capital gains chargeable to tax in the hands of Mr. Roshan for the A.Y. 2026-27.

   (a) ₹ 9,00,000

   (b) ₹ 5,26,948

   (c) Nil

   (d) ₹ 4,59,000

3. What would be the total income of Mr. Roshan for the A.Y. 2026-27?

   (a) ₹ 12,01,960

   (b) ₹ 11,07,960

   (c) ₹ 20,16,600

   (d) ₹ 21,51,100

4. What would be the tax liability of Mr. Roshan for the A.Y. 2026-27?

   (a) ₹ 1,70,730

   (b) ₹ 1,87,370

   (c) Nil

   (d) ₹ 2,040

5. What would be the tax liability of Mr. Roshan for the A.Y. 2026-27 if he opts out of the default tax regime?

   (a) ₹ 1,13,460

(b) ₹ 1,03,060

(c) ₹ 2,35,990

(d) ₹ 2,33,680

6. Mr. Subhash, an Indian citizen, is currently in employment with an overseas company located in Country X. During the previous year 2025-26, he comes to India for 135 days. He is in India for 100 days, 50 days, 76 days and 45 days in the financial years 2021-22, 2022-23, 2023-24 and 2024-25, respectively. His annual income for the previous year 2025-26 is as follows:

Particulars	Amount (₹)
Income from salary earned and received in Country X	2,00,000
Income earned and received from a house property situated in Country X	5,00,000
Income deemed to be accrued and arise in India	2,00,000
Income from retail business (accrued and received outside India, controlled from India)	10,00,000
Income accrued and arise in India	4,00,000

Determine the residential status of Mr. Subhash for the assessment year 2026-27. He is not liable to pay tax in Country X.

7. Ms. Nisha is a marketing manager in Rose Ltd. She gives you the following details for P.Y. 2025-26:

(i) Basic salary of ₹ 45,000 p.m.

(ii) Dearness Allowance of ₹ 10,000 p.m. (30% is for retirement benefits)

(iii) Bonus of one-month basic salary

(iv) She contributes 18% of her salary (Basic Pay + DA) towards recognised provident fund and the company contributes the same amount.

(v) Motor car owned by the employer (cubic capacity of engine exceeds 1.6 litres) provided to Ms. Nisha from 1st November, 2025 which is used for both official and personal purposes. Repair and running expenses of ₹ 50,000 were fully met by Ms. Nisha. The motor car was self-driven by the employee.

(vi) The company pays medical insurance premium of ₹ 18,000 to effect insurance on the health of Ms. Nisha.

(vii) Her employer gave him a rent free accommodation in Mumbai from 1.4.2024. The house was taken on lease by Rose Ltd. for ₹ 12.000 p.m. The perquisite value of such accommodation for the P.Y. 2024-25 was ₹ 55,000.

CII – F.Y. 2024-25: 363; F.Y. 2025-26: 376

(viii) Company incurred expenses on the treatment of her daughter abroad including stay expenses of ₹ 1,50,000 as permitted by the RBI.

(ix) Company also incurred expenses in relation to the foreign travel for medical treatment of daughter of ₹ 80,000.

Compute the income chargeable to tax under the head "Salaries" in the hands of Ms. Nisha for the Assessment Year 2026-27 under optional tax regime.

8. Mr. Vipul furnished the following details for the previous year 2025-26:

(i) Loss from House Property (computed) in India – ₹ 2,60,000

(ii) Income from business in India – ₹ 8,60,000

(iii) Short Term Capital Gain on sale of equity shares listed in recognized stock exchange (STT paid) – ₹ 1,99,800

(iv) Income from card game (Gross) – ₹ 1,02,500

(v) Loss from betting (Gross) – ₹ 87,500

(vi) Expenses of Lottery Income – ₹ 7,500

(vii) Income from Lottery Income – ₹ 38,500 (Net of TDS)

(viii) Loss from the activity of owning and maintaining camels for races – ₹ 20,000

(ix) Income from the activity of owning and maintaining race horses – ₹ 97,800

(x) Long term capital gain on sale of land – ₹ 25,000

(xi) Income of minor daughter Riya from script writing for Television series - ₹ 15,000

(xii) Interest income of minor son Saurabh who suffers from disability specified in section 80U - ₹ 2,50,000

Following are the brought forward losses:

- Loss from Textile Business pertaining to A.Y. 2014-15 – ₹ 7,000
- Long-term capital loss pertaining to A.Y. 2017-18 – ₹ 1,12,500
- Short term capital loss pertaining to A.Y. 2018-19 – ₹ 90,200

Compute gross total income of Mr. Vipul as per optional tax regime and find out the amount of losses which can be carried forward.

9. Examine the applicability and determine the amount of tax deduction/ collection at source as per the Income-tax Act, 1961 for the A.Y. 2026-27 in the following situations:

(i) ABC Ltd. sells a flat to Mr. Jatin for ₹ 47 lakhs on 15.5.2025. The agreement to sell provides that in addition, Mr. Jatin has to pay maintenance charges of ₹ 10,000 per month for 24 months in advance, ₹ 3 lakhs for car parking, and ₹ 1 lakh for club membership fees to ABC Ltd. The stamp duty value of the flat is ₹ 48 lakhs.

(ii) State Government of Jharkhand grants a lease of coal mine to M/s XYZ Ltd. on 1.5.2025 and charged ₹ 7 crores for the lease. M/s XYZ Ltd. sold coal for ₹ 2 crores to M/s LMN, a public sector company, during the P.Y. 2025-26. The turnover of XYZ Ltd. and M/s LMN, PSU, for the F.Y. 2024-25 amounted to ₹ 5.5 crores and ₹ 11 crores, respectively.

10. Mr. Yuvaan, a resident individual, aged 45 years, is engaged in manufacturing of textile business, as a proprietor. He follows mercantile system of accounting. The net profit as per profit and loss account after debiting/crediting the following items was ₹ 20,00,000:

(i) ₹ 25,000 paid to creditor for goods in cash.

(ii) Gross interest received from saving bank account ₹ 15,000.

(iii) Contribution to notified approved research association for scientific research ₹ 1,10,000.

(iv) He paid a job charges for the value addition on the fabrics ₹ 1,10,000 without deduction of tax to job worker by an account payee cheque.

(v) Normal depreciation of ₹ 4,50,000 as per Income-tax Rules, 1962 including depreciation on ₹ 15 lakhs, being the cost of new machinery purchased and put to use on 01-09-2025.

(vi) Subsidy of 20% on new machinery under technology upgradation fund Scheme from the Central Government which was credited to profit and loss account.

(vii) Insurance expenses include ₹ 50,000 deposited with life insurance Corporation of India for the maintenance of her mother aged 70 years depended upon him and suffering from severe disability.

(viii) General expenses include revenue expenditure incurred for promoting family planning amongst its employees of ₹ 75,000.

(ix) On 01-03-2026, Mr. Yuvaan purchased raw material for ₹ 30,000 from Kanha & Co., a medium enterprise as per MSMED Act, 2006, for which the payment was made on 18-04-2026. There was no agreement for payment period between them.

Additional Information:

(a) Mr. Yuvaan repaid housing loan principal and interest of ₹ 75,000 and ₹ 80,000 respectively, availed for purchase of let-out house property.

(b) He received rent of ₹ 3,50,000 from his let-out house property. The municipal taxes of ₹ 40,000 for this house was paid by him on 30-04-2026.

(c) He received ₹ 75,000 by pre-mature withdrawals from deposit including interest ₹ 5,000, in post office time deposit, eligible for deduction under Section 80C.

(d) He sold a gold bracelet on 01-05-2025 for ₹ 5,00,000, which was acquired for ₹ 40,000 on 01-03-2005. A diamond was embedded onto bracelet on 01-05-2007 of ₹ 50,000. (cost inflation index 2004-05:113, 2007-08:129 and 2025-26:376)

Required:

Compute the total income and tax liability of Mr. Yuvaan for the assessment year 2026-27 under default tax regime and optional tax regime.

The turnover of the business for the financial year 2024-25 is ₹ 250 lakhs and for F.Y. 2025-26 is ₹ 300 lakhs.

SUGGESTED ANSWERS

Question No.	Answer
1.	**(b)** ₹ 8,01,960
2.	**(c)** Nil
3.	**(a)** ₹ 12,01,960
4.	**(d)** ₹ 2,040
5.	**(a)** ₹ 1,13,460

6. Mr. Subhash is an Indian citizen in employment in Country X. He comes on a visit to India during the P.Y.2025-26 for 135 days. His stay in India in the four immediately preceding previous years is as follows:

P.Y. 2021-22 – 100 days

P.Y. 2022-23 – 50 days

P.Y. 2023-24 – 76 days

P.Y. 2024-25 – 45 days

Total – 271 days

Mr. Subhash, an Indian citizen, visiting India in the P.Y.2025-26, would be a resident in India for A.Y.2026-27, if he satisfies either of the following conditions –

(i) He is in India for 182 days or more during the P.Y.2025-26 or

(ii) He is in India for a period of 120 days or more during the P.Y.2025-26 and his stay in India in the four immediately preceding previous years is 365 days or more if his total income (excluding income from foreign sources) exceeds ₹ 15 lakhs.

Since he did not satisfy either of the conditions, Mr. Subhash is a non-resident in P.Y. 2025-26 as per section 6(1).

However, he would be deemed resident under section 6(1A) if his total income (excluding income from foreign sources) exceeds ₹ 15 lakhs irrespective of the period of his stay in India in the relevant previous year.

Computation of Total Income (excluding income from foreign sources) of Mr. Subhash

Particulars	Amount (₹)
Income from salary earned and received in Country X (income from a foreign source, hence, to be excluded)	-
Income earned and received from a house property situated in Country X (income from a foreign source, hence, to be excluded)	-
Income deemed to be accrued and arise in India	2,00,000
Income from retail business (to be included since the business is controlled from India, even though such income accrues and is received outside India)	10,00,000
Income accrued and arise in India	4,00,000
Total Income (excluding income from foreign sources) of Mr. Subhash	**16,00,000**

Since Mr. Subhash is an Indian citizen having total income (excluding income from foreign sources) exceeding ₹ 15 lakhs and not liable to tax in Country X, he would be a deemed resident in P.Y. 2025-26 as per section 6(1A). He would be treated as resident but not ordinarily resident.

7. **Computation of income chargeable to tax under the head "Salaries" in the hands of Ms. Nisha for A.Y.2026-27**

Particulars		₹
Basic Salary [₹ 45,000 x 12]		5,40,000
Dearness allowance [₹ 10,000 x 12]		1,20,000
Bonus		45,000
Employer's contribution to recognized provident fund in excess of 12% of salary = 18% x [(₹ 45,000 + ₹ 10,000) x 12] – 12% x {[₹ 45,000 + ₹ 3,000 (being 30% of ₹ 10,000)] x 12} = ₹ 1,18,800 – ₹ 69,120 [Salary = Basic Salary + Dearness allowance, to the extent it forms part of pay for retirement benefits]		49,680
Perquisite value		
Provision of motor car (engine cubic capacity more than 1.6 litres) owned by employer to an employee without chauffeur for both official and personal purpose, where the expenses are fully met by the employee - the perquisite value would be ₹ 900 p.m. [₹ 900 × 5 months]		4,500
Medical insurance premium of ₹ 18,000 paid by the employer to effect an insurance on the health of an employee is an exempt perquisite		-

Value of rent free accommodation [Lower of ₹ 62,100 i.e., 10% of ₹ 6,21,000 (₹ 5,40,000, being salary + ₹ 36,000, being DA forming part of retirement benefit + ₹ 45,000, being bonus) or ₹ 1,44,000, being rent paid by the employer]	62,100	
As per Rule 3, value of perquisite in case of accommodation continued to be provided to an employee for more than one previous year, shall not exceed the amount calculated for first previous year, as multiplied by the amount which is a ratio of CII for the previous year for which the value is calculated and CII for the previous year in which accommodation was initially provided to the employee.		
Accordingly, value of perquisite for P.Y. 2025-26 to be restricted to = ₹ 55,000 x 376/363	56,970	56,970
Medical expenditure including stay expenses of ₹ 1,50,000 incurred by employer for treatment of her daughter outside India [Exempt since it is permitted under RBI guidelines]		-
Travel expense of ₹ 80,000 incurred by employer on foreign travel for medical treatment [Travel expenses would be exempt, since Ms. Nisha's gross total income before including travel expenditure does not exceed ₹ 8 lakhs.]		-
Gross Salary		**8,16,150**
Less: Standard deduction under section 16(ia)		50,000
Salary chargeable to tax		**7,66,150**

8. Computation of Gross total income of Mr. Vipul for the A.Y. 2026-27

	Particulars	Amount (₹)	Amount (₹)
(i)	**Profits and gains of business or profession**		
	Income from business in India	8,60,000	
	Less: Set-off of loss from activity of owning and maintaining camel for races	20,000	
		8,40,000	
	Less: Loss from house property of ₹ 2,60,000 can be set-off against any other head of income to the extent of ₹ 2,00,000.	2,00,000	
	Note – *Loss from activity of owning and maintaining camel for races and loss from house property can first be set off against short term capital gains and then against business income.*		
		6,40,000	
	Less: Unabsorbed loss from textile business pertaining to A.Y. 2014-15 cannot be set-off against the business income of the A.Y. 2026-27, since loss can be carried forward for a maximum of eight assessment years.	-	6,40,000
(ii)	**Capital Gains**		
	Short Term Capital Gain on sale of equity shares listed in a recognized stock exchange (STT paid)	1,99,800	
	Less: Short-term capital loss of A.Y. 2018-19	90,200	1,09,600

	Long term capital Gain on Sale of land	25,000	
	Less: Long-term capital loss pertaining to A.Y. 2017-18 cannot be set-off against LTCG of the A.Y. 2026-27, since such loss can be carried forward for a maximum of eight assessment years.	-	25,000
(iii)	**Income from other sources**		
	Income from card game	1,02,500	
	Income from Lottery [Expenses of Lottery income are not allowed as a deduction] [₹ 38,500/(100-30)]	55,000	
	Income from the activity of owning and maintaining race horses	97,800	
	Income of ₹ 15,000 of minor daughter Riya from script writing for television serials [Income derived by a minor child from any activity involving application of his/her skill, talent, specialized knowledge and experience is not to be included in the hands of the parent]	-	
	Income of ₹ 2,50,000 of minor son Saurabh who suffers from disability specified in section 80U [Since minor child Saurabh is suffering from disability specified under section 80U, hence, his income would not be included in the income of the parent but would be taxable in the hands of the minor child]	-	2,55,300
Gross Total Income			**10,29,900**

Item eligible for carried forward to A.Y. 2026-27

Particulars	Amount (₹)
Current year loss from House property	60,000
Loss from betting can neither be set off against any other income, nor can it be carried forward.	-

9. (i) Section 194-IA requires deduction of tax @1% of consideration for transfer or stamp duty value, whichever is higher, by every transferee responsible for paying any sum as consideration for transfer of immovable property (land, other than agricultural land, or building or part of building) to a resident transferor.

Tax is not required to be deducted at source where the total amount of consideration for the transfer of immovable property and the stamp duty value both are less than ₹ 50 lakhs. Consideration for transfer of any immovable property includes, *inter alia,* club membership fee, car parking fee, maintenance fee, which are incidental to transfer of the immovable property.

In the present case, since the consideration for transfer of flat by Mr. Jatin to ABC Ltd. is ₹ 53,40,000 (₹ 47 lakhs + ₹ 2,40,000, being ₹ 10,000 x 12 x 2 + ₹ 3 lakhs + ₹ 1 lakh) which is not less than ₹ 50 lakhs, Mr. Jatin is required to deduct tax @1% on ₹ 53,40,000, being higher of consideration and stamp duty value.

Tax deductible by Mr. Jatin would be ₹ 53,400.

(ii) State Government is required to collect tax at source @ 2% u/s 206C(1C) on ₹ 7 crores, being the charges for lease of coal mine.

Accordingly, TCS = 2% x ₹ 7 crores = ₹ 14,00,000

Every person, being a seller, is required to collect at source @1% under section 206C(1) on sale of coal to a buyer. However, a public sector company is not covered within the definition of buyer.

Accordingly, M/s XYZ Ltd. is not required to collect tax at source on sale of coal to M/s LMN, a PSU.

However, since the turnover of M/s LMN, a PSU exceeds ₹ 10 crores during the P.Y. 2024-25, it is required to deduct tax at source under section 194Q @0.1% of sum exceeding ₹ 50 lakhs paid to M/s XYZ Ltd.

Accordingly, TDS = 0.1% x ₹ 1.50 crores = ₹ 15,000.

10. Computation of total income of Mr. Yuvaan for A.Y. 2026-27 under default tax regime

	Particulars	₹	₹	₹
I	**Income from house property**			
	Rent received (GAV)		3,50,000	
	Less: Municipal taxes [Will be allowed only in the year of actual payment. Since it was paid on 30.4.2026 i.e., after the end of the relevant previous year, it will be allowed only in P.Y. 2026-27.		-	
	NAV		3,50,000	
	Less: Deduction under section 24			
	- 30% of NAV	1,05,000		
	- interest on housing loan	80,000	1,85,000	
				1,65,000
II	**Income from business or profession**			
	Net profit as per profit and loss account		20,00,000	
	***Add*: Items of expenditure not allowable while computing business income**			
	- Payment to creditor in cash [Payment to creditor in cash is not allowable as business expenditure by virtue of	25,000		

		section 40A(3), since such amount exceeds ₹ 10,000 and paid in cash]			
	-	Contribution to notified approved research association for scientific research [Not allowable under default tax regime]	1,10,000		
	-	Job charges without deduction of tax [30% of ₹ 1,10,000] [Mr. Yuvaan's turnover for the P.Y. 2024-25 exceeds ₹ 1 crore, hence, he is liable to deduct tax at source u/s 194C on Job charges of ₹ 1,10,000. Since he has not deducted tax at source on ₹ 1,10,000, 30% would be disallowed under section 40(a)(ia)]	33,000		
	-	Insurance deposited with LIC of India for the maintenance of her mother [Personal expenses not allowable under section 37]	50,000		
	-	Revenue expenditure incurred for promoting family planning [Allowable only in case of company and not allowable for non-corporate assessee]	75,000		
	-	Purchases made from Kanha & Co., a medium enterprise [Disallowance under section 43B(h) is not applicable on	-	2,93,000	

	payment to a medium enterprise. Accordingly, allowable on due basis during the P.Y. 2025-26]			
			22,93,000	
	***Less:* Items credited but not taxable or taxable under other heads**			
	- Gross interest received from saving bank account	15,000		
	- Subsidy on new machinery [Subsidy on new machinery has to be reduced from actual cost of machinery]	3,00,000	3,15,000	
			19,78,000	
	Add: Depreciation claimed on subsidy received for new machinery [₹ 15 lakhs x 20% x 15%]		45,000	
	Less: Additional depreciation on new machinery [Not allowable under default tax regime]		-	20,23,000
III	**Capital Gains**			
	Long term capital gain on sale of gold bracelet since it is held for more than 24 months			
	Sale consideration		5,00,000	
	Less: Cost of acquisition		40,000	
	Less: Cost of improvement		50,000	
	Long term capital gains			4,10,000
IV	**Income from other sources**			
	- Gross interest received from saving bank account		15,000	

- Pre-mature withdrawal from post office time deposit [Amount including interest received on pre-mature withdrawal from post office time deposit, in respect of which deduction u/s 80C was claimed, would be deemed to be the income of Mr. Yuvaan]		75,000	90,000
Gross Total Income			**26,88,000**
Less: Deduction under Chapter VI-A			
Deduction under section 80C			
Housing loan repayment [Not allowed under default tax regime]		-	
Deduction under section 80DD			
Deposit with life insurance Corporation of India for the maintenance of her mother [Not allowed under default tax regime]		-	
Deduction under section 80TTA			
Interest on saving bank account [Not allowed under default tax regime]		-	-
Total Income			**26,88,000**

Computation of tax liability of Mr. Yuvaan for A.Y. 2026-27 under default tax regime

Particulars	₹	₹
Tax @12.5% on LTCG of ₹ 4,10,000 on sale of gold bracelet		51,250
Tax at slab rate on balance income of ₹ 22,78,000		

Upto ₹ 4,00,000	Nil	
₹ 4,00,001 – ₹ 8,00,000 [@5% of ₹ 4 lakhs]	20,000	
₹ 8,00,001 – ₹ 12,00,000 [@10% of ₹ 4 lakhs]	40,000	
₹ 12,00,001 – ₹ 16,00,000 [@15% of ₹ 4 lakhs]	60,000	
₹ 16,00,001 – ₹ 20,00,000 [@20% of ₹ 4 lakhs]	80,000	
₹ 20,00,001 - ₹ 22,78,000 [@ 25% of ₹ 2,78,000]	69,500	2,69,500
		3,20,750
Add: Health and education cess@4%		12,830
Tax liability		**3,33,580**

Computation of total income of Mr. Yuvaan for A.Y. 2026-27 under optional tax regime

Particulars	**₹**
Gross Total Income as per default tax regime	**26,88,000**
Less: Contribution to notified approved research association for scientific research [Allowable as deduction under section 35(1)(ii) under optional tax regime]	1,10,000
Less: Additional depreciation on new machinery [(₹ 15,00,000 - ₹ 3,00,000) x 20%]	2,40,000
Gross Total Income as per optional tax regime	23,38,000
Less: Deduction under Chapter VI-A	
Deduction under section 80C	
Housing loan repayment	75,000
Deduction under section 80DD	
Deposit with life insurance Corporation of India for the maintenance of her mother	1,25,000
Deduction under section 80TTA	
Interest on saving bank account	10,000
Total Income as per optional tax regime	**21,28,000**

Computation of tax liability of Mr. Yuvaan for A.Y. 2026-27 under optional tax regime

Particulars	₹	₹
Tax @12.5% on LTCG of ₹ 4,10,000 on sale of gold bracelet		51,250
Tax at slab rate on balance income of ₹ 17,18,000		
Upto ₹ 2,50,000	Nil	
₹ 2,50,001 – ₹ 5,00,000 [@5% of ₹ 2.50 lakh]	12,500	
₹ 5,00,001 – ₹ 10,00,000 [@20% of ₹ 5,00,000]	1,00,000	
₹ 10,00,001 - ₹ 17,18,000 [@ 30% of ₹ 7,18,000]	2,15,400	3,27,900
		3,79,150
Add: Health and education cess@4%		15,166
Tax liability		3,94,316
Tax liability (Rounded off)		**3,94,320**

SECTION B: GOODS AND SERVICES TAX

(1)	*All questions should be answered on the basis of the position of GST law as amended up to 31.10.2025.*
(2)	*The GST rates for goods and services mentioned in various questions are hypothetical and may not necessarily be the actual rates leviable on those goods and services. Further, GST compensation cess should be ignored in all the questions, wherever applicable.*

QUESTIONS

Case Scenario

Apex Learning Hub is a registered person under the Goods and Services Tax law and is engaged in providing coaching services. The aggregate turnover during the previous financial year was more than ₹ 5 crore.

During the course of internal review and compliance verification, the following facts were noted:

1. Apex Learning Hub provides coaching services for competitive examinations and charges a consolidated fee from students.
2. The fee structure includes tuition fee, study material charges, and access to recorded online lectures, which are not shown separately on the invoice. Study material and recorded online lectures are otherwise not available.
3. During the financial year, Apex Learning Hub received an advance of ₹ 2,50,000 from corporate clients for conducting customized training programs, against which services were rendered in the subsequent financial year.
4. Apex Learning Hub purchased diesel for an amount of ₹ 50,000 for running the emergency power back up facility at its centre. The supplier was located at a distance of 20 KM from the location of the centre.

5. Apex Learning Hub opened an additional place of business in another State during the year. The classroom coaching services were being provided from such place. However, the invoices were issued from the original GST registration without obtaining separate registration.

6. The annual return was filed on 15 December of the succeeding financial year On the basis of the facts given above, you are required to choose the most appropriate answer to the Questions 1 to 5.

1. Which of the following statements is correct regarding taxability of consolidated fee charged from students as per the relevant provisions of the GST Law?

   (a) The supply qualifies as a composite supply, and the entire consideration shall be taxed at the rate applicable to coaching services.

   (b) The supply qualifies as a mixed supply, and the highest rate applicable to any individual component shall apply to the entire consideration.

   (c) Tuition fee is exempt, and only study material and online lectures are taxable.

   (d) Each component must be taxed separately even if a consolidated price is charged.

2. Whether GST is payable on the receipt of ₹ 2,50,000 received from corporate clients?

   (a) GST is payable at the time of receipt of ₹ 2,50,000

   (b) GST is payable only at the time of issuance of invoice

   (c) GST is payable at the time of supply of services

   (d) GST is not payable on coaching services at all

3. In case of diesel purchased by Apex Learning Hub, e-way bill is ________?

   (a) required to be generated as the value is equal to ₹ 50,000

   (b) not required to be generated as the consignment value is not more than ₹ 50,000

(c) not required to be generated as the transport location was not more than 50 KM

(d) not required to be generated at all irrespective of value of goods

4. Whether Apex Learning Hub was required to obtain separate GST registration for the additional place of business in another State?

(a) No, a single registration is sufficient across India

(b) Yes, as registration is State-specific under GST

(c) Yes, only if turnover exceeds the threshold limit

(d) Yes, only if goods are supplied from that State

5. What is the last date to avail input tax credit pertaining to the current financial year?

(a) 15^{th} December of the succeeding financial year

(b) 30^{th} November of the succeeding financial year

(c) 31^{st} March of the succeeding financial year

(d) The due date of furnishing the return for September of the succeeding financial year

6. M/s. Nivedita Private Limited is a manufacturer of Televisions at Mohali, Punjab and has a Service center at Bhatinda, Punjab. The company has taken a single registration of GST. It provides the following information for the month of November 2025:

S. No.	**Particulars**	**Amount (₹)**
	Outward Supply	
1.	Supply of televisions to M/s. Shine Electronics Ltd. located at Ludhiana, Punjab.	20,00,000
2.	Raw material transferred to Service Centre located at Bhatinda branch.	1,80,000

3.	Received advance from M/s. New Electro Divine registered at Delhi for purchase of television	3,50,000
4.	Received advance from M/s. New Electro Divine registered at Delhi for payment of Annual Maintenance Charges (AMC) of television as M/s. New Electro Divine also undertook optional AMC of television	50,000
	Inward Supply	**Amount (₹)**
1.	Purchase of raw material from M/s. Electro Enterprises Pvt. Ltd. registered at Ludhiana, Punjab.	25,00,000
2.	Freight paid for transportation of Television to a tempo owner registered as GTA at Mohali, Punjab. Tempo owner issued invoice without any GST.	50,000
3.	Paid rent of factory and service centre to Mr. Rakesh, who is an unregistered person	1,20,000
4.	Security services received from M/s. Safety-n-Security Services, sole proprietorship firm, registered under composition scheme at Jalandhar, Punjab.	25,000

M/s. Nivedita Private Limited provided the following additional information:

(1) Purchase of raw materials includes the raw material of ₹ 1,20,000 which was purchased on 10-03-2025 but the invoices were uploaded in GSTR-1 on 18-11-2025 and such details have been communicated to the recipient in Form GSTR-2B.

(2) Credit Note of ₹ 80,000 (excluding GST) was issued on 30-11-2025 to M/s. Shine Electronics Ltd. against invoice of ₹ 4,20,000 issued on 10-03-2024.

(3) The annual return for FY 2024-25 was filed on 30-10-2025.

(4) Turnover of M/s. Nivedita Private Limited for FY 2024-25 was ₹ 160 lakh.

(5) Rate of CGST, SGST and IGST is 2.5%, 2.5% and 5% in case of transporter and in other cases rate of CGST, SGST and IGST are 9%, 9% and 18% respectively for both inward and outward supply of goods and services.

(6) All figures are exclusive of taxes wherever applicable.

From the information given above, you are required to compute the GST payable on outward supply, GST payable under reverse charge mechanism and input tax credit (ITC) available for the month of November, 2025. Provide supporting explanatory notes for your conclusion wherever required.

7. Mr. Jitender engaged in providing various services is registered as a regular taxpayer under GST. He furnished the following information relating to various output transactions done for the financial year 2024-25:

S. No.	Particulars	Amount (₹)
(i)	Rent received for renting of land for fish farming.	6,00,000
(ii)	Received price linked subsidy from M/s Happy Days, a registered Charitable Trust.	2,00,000
(iii)	Provided services as National Testing Agency to M/s Fine Future Institute, a recognized educational institute for conducting an entrance examination for admission to educational institute.	1,80,000
(iv)	Provided services by way of pre-conditioning, pre-cooling, ripening and waxing of fruits. The essential characteristics of fruits remain same.	32,00,000
(v)	Providing rooms having room charges ₹ 4,500 per day to a person receiving health care services from his established health care clinic.	1,50,000

You are required to compute the amount of taxable supply of Mr. Jitender for FY 2024-25 showing each item separately. All amounts given above are exclusive of taxes wherever applicable. Correct legal reasoning of each item should form part of your answer.

8. Examine the taxability of supplies in the following independent cases in terms of the relevant provisions of the CGST Act, 2017. Brief reason should form part of your answer:

   (i) Services of health insurance business provided by Health & Bless Insurance Company to Mr. Krish Kinare and his family.

   (ii) A1 Hotels provided supply of accommodation services having value of supply equal to twenty thousand rupees per month to a MBBS student, Mr. Pranav Sachdeva for a continuous period of 180 days.

9. Determine the time of supply in case of following transactions on individual basis by briefly stating the relevant provisions:

   (i) M/s. Jhanvi Event Management, a registered firm, is engaged in the business of event management services. Mr. Jasbeer hired M/s. Jhanvi Event Management on 1st February, 2025 to organize Marriage Anniversary function to be held on 14th February, 2025 for a total consideration of ₹ 3,00,000. Mr. Jasbeer paid ₹ 25,000 as a booking amount on 4th February, 2025. M/s. Jhanvi Event Management issued a bill of ₹ 3,00,000 on 12th March, 2025. Mr. Jasbeer paid balance amount of ₹ 2,75,000 on 20th March, 2025.

   (ii) Mr. Shrawan Kumar, a registered person undertook the service of transportation of goods from M/s Longway Tempo Services (a Goods Transport Agency (GTA), a registered person, on 1st January, 2025 to transport goods from Gurgaon to Faridabad, Haryana. M/s Longway Tempo Services issued invoice for ₹ 30,000 on 2nd January, 2025. Mr. Shrawan Kumar issued a cheque of ₹ 30,000 on 18th February, 2025 and entered in the books of account on the same day. But the cheque was debited from bank on 19th February, 2025. Determine the time of supply for Mr. Shrawan Kumar for transportation services received by him.

10. M/s Alpha Distributors (registered in Maharashtra) supplies goods to M/s Beta Retailers (registered in Gujarat). Due to urgency, Part A of the e-way bill is furnished by Beta Retailers on 5th March at 2:00 PM.

The goods are delivered on 7th March at 10:00 AM. The details of the e-way bill are made available to Alpha Distributors on the common portal immediately upon generation.

Alpha Distributors does not communicate acceptance or rejection of the consignment.

Examine:

(a) To whom were the details of the e-way bill made available under relevant provisions of the e-way bill?

(b) What is the last date and time for communication of acceptance or rejection?

(c) When will deemed acceptance apply?

SUGGESTED ANSWERS

MCQ No.		Most Appropriate Answer
1.	(a)	**The supply qualifies as a composite supply, and the entire consideration shall be taxed at the rate applicable to coaching services.** **Reason:** The services and goods supplied (tuition, study material, and access to recorded lectures) are naturally bundled and supplied in conjunction with each other in the ordinary course of business. Coaching service is the principal supply. As per section 8 of the CGST Act, 2017, a composite supply is taxed at the rate applicable to the principal supply. Hence, the entire consolidated fee is taxable at the rate applicable to coaching services.
2.	(a)	**GST is payable at the time of receipt of ₹ 2,50,000** **Reason:** In case of supply of services, GST shall be paid at the

		time of receipt of advance. Unlike in case of goods, the GST in case of service is payable at the time of receipt of advance irrespective of provision of services or issuance of invoice.
3.	(d)	**Not required to be generated at all irrespective of value of goods** **Reason:** There is exemption from the requirement of generation of e-way bill in case of transport of specific goods like petroleum and diesel as per Rule 138(14) of the CGST Rules, 2017.
4.	(b)	**Yes, as registration is State-specific under GST** **Reason:** The registration requirement in GST is State specific. Once a person becomes liable to obtain registration, he is required to take registration in each State from where he makes a taxable supply.
5.	(b)	**30th November of the succeeding financial year** **Reason:** As per section 16 of the CGST Act, input tax credit for a financial year can be availed up to 30 November of the succeeding financial year or the date of filing of the annual return, whichever is earlier. Since the annual return was filed on 15 December, the earlier date is 30th November.

6. (i) Computation of GST payable on outward supply

Particulars	Value (₹)	CGST (₹)	SGST (₹)	IGST (₹)
Supply of televisions to M/s Shine Electronics Ltd. located at Ludhiana, Punjab [The credit note issued on 30.11.2025 is invalid as valid credit note can be issued till 30th November 2024 and thus, GST Liability will not be reduced in	20,00,000	1,80,000 [20,00,000 x 9%]	1,80,000 [20,00,000 x 9%]	Nil

respect to such credit Note.]				
Transfer of raw material to Service Centre located at Bathinda branch. [Transfer of goods between branches having same GST registration is NOT a supply]	1,80,000	Nil	Nil	
Advance received from M/s New Electro Divine for purchase of television [GST on advance received for supply of goods of ₹ 3,50,000 will be payable at the time of issuance of invoice.]				
Received advance from M/s. New Electro Divine for undertaking optional Annual Maintenance Charges (AMC) of television [GST on advance received for supply of services will be payable at the time of receipt of advance. Since, the place of supply of services made to a registered person is location of recipient	50,000	Nil	Nil	9,000 [50,000 x 18%]

i.e. Delhi, it would be Inter-state Supply.]				
GST Payable on outward supplies		**1,80,000**	**1,80,000**	**9,000**

(ii) GST Payable under Reverse Charge Mechanism

Particulars	**Value (₹)**	**CGST (₹)**	**SGST (₹)**	**IGST (₹)**
Freight paid for transportation of Television to a registered tempo owner who issued invoice without any GST. (RCM is applicable if GTA provides service of transportation of goods by road to a body corporate.)	50,000	1,250 [50,000 x 2.5%]	1,250 [50,000 x 2.5%]	Nil
Paid rent of factory and service centre to Mr. Rakesh who is an unregistered person (Renting of immovable property other than residential dwelling from an unregistered person to a registered person is taxable under reverse charge mechanism)	1,20,000	10,800 [1,20,000 x 9%]	10,800 [1,20,000 x 9%]	Nil
Security services received from M/s Safety-n-Security Services registered under composition scheme at Jalandhar, Punjab.	25,000	2,250 [25,000 x 9%]	2,250 [25,000 x 9%]	Nil

(Security services provided by any person other than a body corporate to a registered person is taxable under reverse charge mechanism (RCM)).				
Total GST payable under RCM		**14,300**	**14,300**	

(iii) Input Tax Credit

Particulars	**Value (₹)**	**CGST (₹)**	**SGST (₹)**	**IGST (₹)**
Purchase of raw material from M/s Electo Enterprises Pvt. Ltd. [ITC on purchase of raw materials of ₹ 1,20,000 is not allowed as invoice for supply of goods uploaded after filing of Annual Return for FY 2024-25]	23,80,000	2,14,200 [23,80,000 x 9%]	2,14,200 [23,80,000 x 9%]	
ITC is available on rent paid under reverse charge mechanism	1,20,000	10,800 [1,20,000 x 9%]	10,800 [1,20,000 x 9%]	Nil
ITC is available on freight paid for transportation of television under reverse charge mechanism	50,000	1,250 [50,000 x 2.5%]	1,250 [50,000 x 2.5%]	Nil
ITC is available on receipt of security services	25,000	2,250 [25,000 x 9%]	2,250 [25,000 x 9%]	Nil
Total ITC Available		**2,28,500**	**2,28,500**	

7. Computation of taxable supplies for the financial year 2024-25

S. No.	**Particulars**	**Amount (₹)**
(i)	Rent received for renting of land for fish farming. (Renting of vacant land for agricultural activity is exempt.)	-
(ii)	Received price linked subsidy from M/s Happy Days, a registered Charitable Trust. (Since price linked subsidy is received from the non-Government body, same is included in the value of taxable supply.)	2,00,000
(iii)	Provided services as National Testing Agency to M/s Fine Future Institute, a recognized educational institute for conducting an entrance examination for admission to educational institute. (Service provides by National Testing Agency to conduct entrance examination for admission to educational institution is exempt from GST.)	-
(iv)	Provided services by way of pre-conditioning, pre-cooling, ripening and waxing of fruits. The essential characteristics of fruits remain same. (Services by way of pre-conditioning, pre-cooling. ripening and waxing of fruits where the essential characteristics of fruits remain same is an exempt supply.)	Nil
(v)	Providing rooms having room charges ₹ 4,500 per day to a person receiving health care services from his established health care clinic. (The services provided by a clinical establishment by way of providing having room charges upto ₹ 5000 per day to a person receiving health care services are exempt.)	Nil
	Total Taxable Value	2,00,000

8. (i) Services of health insurance business provided by an insurer to the insured, where the insured is not a group are exempt from GST.

Further, this exemption is applicable to a contract of insurance where the insured is an individual, or an individual and family of the said individual. Family includes all individuals insured as family in the contract of insurance.

Thus, services provided by Health & Bless Insurance Company to Mr. Krish Kinare and his family is exempt from GST.

(ii) Supply of accommodation services having value of supply less than or equal to twenty thousand rupees per person per month provided that the accommodation service is supplied for a minimum continuous period of ninety days is exempt from GST.

Thus, supply of accommodation services provided by A1 Hotels having value of supply equal to twenty thousand rupees per month to a MBBS student, Mr. Pranav Sachdeva for a continuous period of 180 days is exempt from GST.

9. (i) The time for supply of services is the date of issue of invoice, if the same is issued within 30 days from the date of supply, OR the date of receipt of payment, whichever is earlier.

In the given case, time of supply for receipt of booking amount of ₹ 25,000 is the date of receipt of booking amount on 4th February 2025 as date of receipt of payment is earlier than date of issue of invoice.

The time of supply for ₹ 2,75,000 is the date of issue of invoice i.e. 12th March 2025 as the invoice is issued within 30 days of supply of service and date of issue of invoice is earlier than the date of receipt payment.

So, time of Supply is 4th February 2025 for ₹ 25,000 and 12th March 2025 for balance amount of ₹ 2,75,000.

(ii) Supply of services by a Goods Transport Agency (GTA) in respect of transportation of goods by road to any person registered under the CGST Act is taxable under Reverse Charge Mechanism (RCM) and the time for supply of services under RCM is earliest of the following dates:

(a) The date of payment, or

(b) The date immediately after 60 days from the date of issue of invoice by supplier, in case where the invoice is required to be issued by the supplier, or

(c) Date of issue of Invoice by the recipient, in cases where invoice is to be issued by the recipient.

"Date of payment" refers to the date on which the payment is recorded in the books of account of the recipient of service, or the date on which the payment is debited from the recipient's bank account, whichever is earlier.

Thus, date of payment is 18th February 2025.

In the given case, the time of supply is 18th February 2024**.**

10. Part A of the e-way bill is furnished by Beta Retailers (recipient) on 5th March at 2:00 PM.

(a) The details of the e-way bill generated shall be made available on the common portal to the -

(i) supplier, if registered, where the information in Part A has been furnished by the recipient/transporter; or

(ii) recipient, if registered, where the information in Part A has been furnished by the supplier/transporter,

Thus, in the given case, Part A is furnished by the recipient, the details of the e-way bill are made available to the supplier (if registered).

Since Alpha Distributors is a registered supplier, the details were made available to Alpha Distributors on 5th March at 2:00 PM.

(b) The acceptance or rejection of the e-way bill must be communicated within:

(i) 72 hours of details being made available [8th March, 2:00 PM], OR

(ii) Time of delivery of goods, [7th March, 10:00 AM]

whichever is earlier.

Since delivery of goods occurred earlier, the last date and time for communication of acceptance or rejection of the consignment covered by the e-way bill was 7th March at 10:00 AM.

(c) In case, the person to whom the information in Part-A is made available, does not communicate his acceptance or rejection within the specified time, it shall be deemed that he has accepted the said details.

Since Alpha Distributors did not communicate acceptance or rejection of the consignment covered by the e-way bill before 7th March, 10:00 AM, the e-way bill details are deemed to have been accepted at 7th March, 10:00 AM.