



PAPER – 3: TAXATION

SECTION A: INCOME TAX LAW

The Income-tax law, as amended by the Finance (No. 2) Act, 2024, including significant notifications/ circulars issued upto 28th February, 2025, is applicable for September, 2025 examination. The relevant assessment year for September, 2025 examination is A.Y.2025-26. The October, 2024 edition of the Study Material is based on the provisions of Income-tax law as amended by the Finance (No. 2) Act, 2024 and significant notifications/circulars issued upto 30.09.2024, and hence, the same is relevant for September, 2025 examination. Since there is no significant notifications/circulars issued between 1.10.2024 and 28.02.2025, Statutory Update is not issued for September 2025 Examination.



QUESTIONS

Case Scenario

Mr. Manish is a real estate developer. His main business is construction, development and sale of residential properties. He developed a project named Ashiyana Heaven which has both residential and commercial units. He obtained certificate of completion for the said project on 1.2.2023. He sold majority of the units, however, 15 residential units and 10 commercial units were not sold and held as stock in trade. To earn some income from such units, he let out 10 residential and 5 commercial units from 1st May 2024 at ₹ 15,000 p.m. and ₹ 20,000 p.m. each, respectively. Expected rent of each residential unit is ₹ 14,000 p.m. and ₹ 22,000 p.m. for each commercial unit. All units are identical.

Mr. Manish is also engaged with the firm Zoco & associates as a sleeping partner. The firm has 3 partners. His capital in the firm is ₹ 10,00,000. Each

partner received interest @15% on capital from the firm and remuneration @ ₹ 30,000 p.m. Interest and remuneration are authorized by partnership deed. The book profit of the firm for the P.Y. 2024-25 is ₹ 9,50,000.

He has taken four life insurance policies. The details of such policies are given hereunder:

Particulars	A	B	C	D
Date of Issue	1.4.2021	1.4.2023	1.2.2024	1.7.2024
Annual Premium	₹ 4,00,000 (excluding GST@18%)	₹ 1,50,000 (excluding GST @18%)	₹ 2,00,000 (excluding GST@18%)	₹ 3,00,000 (excluding GST@18%)
Date when premium falls due every year	1 st April	1 st April	1 st Feb	1 st July
Date of maturity	31.3.2030	31.3.2032	31.1.2033	30.6.2033
Consideration received on maturity (including bonus)	₹ 40,00,000	₹ 20,00,000	₹ 25,00,000	₹ 32,00,000
Sum assured	₹ 35,00,000	₹ 14,00,000	₹ 22,00,000	₹ 31,00,000

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

- How much amount would be taxable in respect of income earned by Mr. Manish for let out of the residential and commercial units and under which head?
 - ₹ 11,55,000 from residential unit and ₹ 8,47,000 from commercial unit both under the head "Income from house property".
 - ₹ 11,55,000 from residential unit under the head "Income from house property"; ₹ 7,70,000 from commercial unit under the head "Income from house property".
 - ₹ 10,78,000 from residential unit under the head "Income from house property"; ₹ 8,47,000 from commercial unit under the head "Profits and gains from business or profession".
 - ₹ 11,55,000 from residential unit under the head "Income from house property"; ₹ 12,10,000 from commercial unit under the head "Profits and gains from business or profession".

2. What would be your answer to MCQ 1, if Mr. Manish is not a real estate developer and has a business of letting out of properties?
- (a) ₹ 16,50,000 from residential unit under the head "Profits and gains from business or profession"; ₹ 11,00,000 from commercial unit under the head "Profits and gains from business or profession".
 - (b) ₹ 11,55,000 from residential unit under the head "Income from house property"; ₹ 8,47,000 from commercial unit under the head "Income from house property".
 - (c) ₹ 16,50,000 from residential unit under the head "Profits and gains from business or profession"; ₹ 12,10,000 from commercial unit under the head "Profits and gains from business or profession".
 - (d) ₹ 11,55,000 from residential unit under the head "Income from house property"; ₹ 11,00,000 from commercial unit under the head "Profits and gains from business or profession".
3. What would be the tax treatment of vacant residential and commercial units held as stock in trade during the P.Y. 2024-25?
- (a) No tax treatment would be there as the units were not let out and held as stock in trade and 2 years have not lapsed from the end of the F.Y. in which certificate of completion is obtained.
 - (b) Vacant units would be deemed to be let out for 2 months i.e., February and March 2025 and expected rent would be taxable under the head "Income from house property".
 - (c) Vacant units would be deemed to be let out for 2 months i.e., February and March 2025 and expected rent of residential units would be taxable under the head "Income from house property" and expected rent of commercial units would be taxable under the head "Profits and gains from business or profession".
 - (d) Vacant units would be deemed to be let out for 2 months i.e., February and March 2025 and expected rent would be taxable under the head "Profits and gains from business or profession".

4. Which of the life insurance policies would be exempt at the time of maturity proceeds?
 - (a) LIC "B", "C" and "D"
 - (b) None
 - (c) LIC "C" and "D"
 - (d) All

5. What would be the income taxable in the hands of Mr. Manish from the firm, Zoco & associates, for A.Y. 2025-26?
 - (a) ₹ 4,80,000
 - (b) ₹ 1,20,000
 - (c) ₹ 3,70,000
 - (d) ₹ 3,90,000

6. Mr. Varun, an Indian citizen, engaged in consultancy business in India. He shifted to Dubai in the year 2019 to expand his consultancy business overseas. He visits India every year to supervise his office in Delhi. His stay in India for current as well as past years is as follows:
 - P.Y. 2020-21: 95 days
 - P.Y. 2021-22: 105 days
 - P.Y. 2022-23: 95 days
 - P.Y. 2023-24: 75 days
 - P.Y. 2024-25: 100 days

During the P.Y. 2024-25, he earned the following income:

 1. Income from consultancy business in India – ₹ 10,00,000
 2. Income from consultancy business in Dubai - ₹ 4,00,000
 3. Agricultural income from land situated in Kerala - ₹ 70,000
 4. Dividend from an Indian company, received in Dubai - ₹ 50,000
 5. Interest expenditure on investment in above shares - ₹ 15,000

You are required to:

- (a) Determine Mr. Varun's residential status for A.Y. 2025-26, assuming he is not liable to tax in Dubai.
 - (b) Compute the Total income of Mr. Varun for P.Y. 2024-25 if he opts out of the default tax regime.
7. Mr. Aryan, a resident individual, is working in Nishchay Ltd. and earns salary of ₹ 90,000 per month during P.Y. 2024-25. He holds 20,000 equity shares of Alpha Ltd., an Indian listed company, purchased on 1st January 2016 at ₹ 200 per share. These were acquired through a recognized stock exchange and STT was paid on both acquisition and sale.

In August, 2024, Mr. Aryan transferred a plot in Chandigarh for ₹ 70 lakhs which was acquired by him in May 2016 for ₹ 22 lakhs. He paid brokerage of 1% on transfer.

In November, 2024, Alpha Ltd. decided to buy back 50% of its shares at ₹ 250 per share. Alpha Ltd. bought back proportionate shares of Mr. Aryan. In May 2025, Mr. Aryan acquired a residential house property in Kanpur for ₹ 40 lakhs. Fair Market value of equity shares of Alpha Ltd. as on 31.1.2018 was ₹ 190 per share.

You are required to compute the total income of Mr. Aryan if he is paying tax under default tax regime.

CII for F.Y. 2015-16: 254; F.Y. 2016-17: 264; F.Y. 2017-18: 272; F.Y. 2024-25: 363

8. Mr. Suraj, aged 40 years, submits the following information for the financial year ending 31.3.2025:
 - (i) He is employed in ABC Ltd. and earned salary income of ₹ 10,50,000 (computed).
 - (ii) He is engaged in a speculation and a non-speculation business. He earned profit from speculation business of ₹ 60,000 and suffered loss from non-speculation business of ₹ 40,000.
 - (iii) He reported short-term capital gain of ₹ 80,000. He also received lottery winnings of ₹ 20,000 (Gross).

- (iv) He has a brought forward long-term capital loss of ₹ 30,000 from A.Y. 2023–24.
- (v) Mr. Suraj has two children: one married daughter Riya aged 17 years, and a son Raj aged 16 years. The interest income of Riya and Raj is ₹ 1,200 p.a. and ₹ 2,000 p.a., respectively.
- (vi) He transferred a flat to Riya on 1st April 2024, on account of natural love and affection. This flat was let out from that date and generated rental income of ₹ 5,000 per month.
- (vii) Mr. Suraj paid a medical insurance premium of ₹ 22,000 during the financial year to insure his health, his spouse and dependent children. Additionally, he paid ₹ 33,000 to insure the health of his mother, aged 67 years, who is not dependent on him. He also incurred ₹ 20,000 as medical expenditure for his father, aged 71 years, who is not dependent and is not covered under any insurance policy. He contributed ₹ 6,000 during the year to the Central Government Health Scheme (CGHS).

Compute the total income of Mr. Suraj assuming that Mr. Suraj's total income is higher than Mrs. Suraj's total income, before including the income of minor children. Mr. Suraj exercises the option of shifting out of the default tax regime provided under section 115BAC(1A).

9. Examine the applicability and determine the amount of tax deduction at source (TDS) as per the Income-tax Act, 1961 for the A.Y. 2025-26 in the following situations:
- (i) Nexus Tech Pvt. Ltd., a company engaged in the business of manufacturing electronic goods, reported a turnover of ₹ 12 crore during the F.Y. 2023–24. During the F.Y. 2024–25, the company made the following purchases from resident sellers:
 - **From Vendor A** – Raw materials worth ₹ 60,00,000 (₹ 25 lakh in April, ₹ 35 lakh in July). Payment of ₹ 20 lakhs was made in June and remaining payment in September. Vendor A has not furnished his PAN.

- **From Vendor B** – Trading goods worth ₹ 48,00,000 on instalments (₹ 15 lakh in May, ₹ 20 lakh in October, ₹ 13 lakh in December). Entire payment was made in March, 2025.

It is to be noted that Nexus Tech Pvt. Ltd. made the entry in its books on the date of purchase and TCS provisions are not applicable on vendors.

- (ii) In January 2025, Mr. Sumit, engaged in business having turnover of ₹ 1.20 crores during the P.Y. 2023-24, enters into an annual maintenance contract (AMC) with ABC Ltd., a resident company, for ₹ 5,40,000 *plus* GST@18%. Mr. Sumit made the payment in February 2025 and ABC Ltd. has not provided its PAN to Mr. Sumit.
10. Mr. Shobhit, a resident individual aged 54 years, engaged in the manufacture of spare parts of cars. He follows the mercantile system of accounting and regularly files his return of income. The profit and loss account for the year ended 31.3.2025 shows a net profit of ₹ 57,25,000 after debiting/crediting the following:
- (i) During the year, Mr. Shobhit purchased plant and machinery for ₹ 55 lakhs for which he took loan from a scheduled bank. (Date of loan 1.5.2024 and rate of interest 11% p.a.). The asset was acquired on 1.7.2024 and put to use on 1.9.2024. The entire interest amount is debited to the profit and loss account.
 - (ii) On 1.4.2024, the production manager working in the factory of Mr. Shobhit took voluntary retirement from the services. Mr. Shobhit paid him ₹ 8,00,000 as compensation for his services under the Voluntary Retirement Scheme.
 - (iii) Mr. Shobhit purchased raw material from M/s Kamal & Sons, a micro enterprise, and M/s Hitesh & Sons, a medium enterprise, for ₹ 51,000 and ₹ 75,000, respectively on 15.3.2025. As per the written agreement with them, both the payment has to be made by 10.4.2025. Mr. Shobhit made the payment to M/s Kamal & Sons on 9.4.2025 and to M/s Hitesh & Sons on 15.11.2025.
 - (iv) He contributed 20% of basic salary to the account of each employee under a pension scheme referred to in section 80CCD which is debited to the profit and loss account. Basic salary of the

employees aggregate to ₹ 10 lakhs and dearness allowance is 40% of basic salary and it forms part of retirement benefit.

- (v) Depreciation debited to profit and loss account is ₹ 27,50,000.
- (vi) He received ₹ 13,850 as income-tax refund out of which ₹ 3,850 is interest on refund. The entire amount is credited to profit and loss account.

Additional Information:

- (a) Mr. Shobhit purchased a new computer on 31st August, 2024 and was put to use on the same day in his office. The payment was made as under:
 - ₹ 28,000 paid in cash at the time of purchase of new computer on 31/08/2024
 - ₹ 25,000 paid by account payee cheque on 05/09/2024 as balance cost of new computer
- (b) WDV (as per the Income-tax Act, 1961) of different assets as on 1.4.2024:
 - Plant and machinery ₹ 8,00,000;
 - Factory Building ₹ 6,45,000
- (c) He paid ₹ 50,000 as life insurance premium taken on the life of his father who is dependent on him. The sum assured is ₹ 8,00,000 and the policy was taken on 1.4.2015.
- (d) He also paid ₹ 45,000 as life insurance premium taken on the life of his married daughter who is not dependent on him. The sum assured is ₹ 5,00,000 and the policy was taken on 1.4.2017.
- (e) On 1.10.2024, he withdrew ₹ 1.50 crores in cash from two current accounts maintained by him with PNB Bank of India. There are no other withdrawals during the year.
- (f) Mr. Shobhit had sold a house on 30th March, 2022 and deposited the long term capital gains of ₹ 25,00,000 in capital gain account scheme by the due date of filing return of income for that year. On 1st July, 2024, he sold another house property in which he resided

for ₹ 1 crore. He earned a long-term capital gain (without indexation benefit) of ₹ 50,00,000 on sale of this property. On 5th January, 2025, he withdrew the whole money out of his capital gain account and invested ₹ 60 lakhs on construction of a house in Mumbai. The construction of the house completed on 23rd March 2025. The indexed cost of acquisition of the house property is ₹ 60 lakhs.

You are required to compute the total income of Mr. Shobhit and also the tax payable by him after TDS/TCS credit, if any, for the A.Y. 2025-26 if he is opting out of the default tax regime.


SUGGESTED ANSWERS

Question No.	Answer
1.	(a) ₹ 11,55,000 from residential unit and ₹ 8,47,000 from commercial unit both under the head "Income from house property"
2.	(d) ₹ 11,55,000 from residential unit under the head "Income from house property"; ₹ 11,00,000 from commercial unit under the head "Profits and gains from business or profession"
3.	(a) No tax treatment would be there as the units were not let out and held as stock in trade and 2 years have not lapsed from the end of the F.Y. in which certificate of completion is obtained.
4.	(c) LIC "C" and "D"
5.	(b) ₹ 1,20,000

6. (a) Determination of residential status

As per section 6(1), an Indian citizen who, being outside India comes on a visit to India during the relevant previous year is said to be resident in India if he has been in India during the previous year for a total period of 182 days or more.

However, if his total income, other than the income from foreign sources exceeds ₹ 15 lakhs during the previous year, he will also be treated as resident in India if he has been in India for at least 120 days in the previous year and has been in India during the 4 years immediately preceding the relevant previous year for a total period of 365 days or more.

Mr. Varun visited India only for 100 days during the P.Y. 2024-25, hence he is a non-resident as per section 6(1) irrespective of whether his total income, other than the income from foreign sources exceeds ₹ 15 lakhs or not.

As per section 6(1A), an Indian citizen, having total income, other than the income from foreign sources, exceeding ₹ 15 lakhs during the previous year would be deemed to be resident in India in that previous year, if he is not liable to tax in any other country or territory by reason of his domicile or residence or any other criteria of similar nature.

Computation of total income, other than the income from foreign sources, of Mr. Varun

Particulars	₹	₹
Income from consultancy business in India [Accrued or arisen in India]		10,00,000
Income from consultancy business in Dubai [Income derived from a profession set up in India]		4,00,000
Agricultural income from land in Kerela [Exempt u/s 10(1)]		-
Dividend from Indian company	50,000	

Less: Deduction for interest expenses upto 20%	10,000	40,000
		14,40,000

Since Mr. Varun's total income, other than the income from foreign sources, does not exceed ₹ 15 lakhs, he is not deemed resident as per section 6(1A).

Thus, Mr. Varun is a non-resident for A.Y. 2025-26.

(b) Computation of total income of Mr. Varun, a non-resident, for A.Y. 2025-26

Particulars	₹	₹
Income from consultancy business in India [Taxable as income accrued or arisen in India]		10,00,000
Income from consultancy business in Dubai [Not taxable since neither income accrued or arisen in India nor received in India]		-
Agricultural income from land in Kerela [Exempt u/s 10(1)]		-
Dividend from Indian company	50,000	
Less: Deduction for interest expenses upto 20%	10,000	40,000
		10,40,000

7. Computation of total income of Mr. Aryan for A.Y. 2025-26

Particulars	₹	₹
I Salaries		
Salary from Nishchay Ltd. [₹ 90,000 x 12]	10,80,000	
Less: Deduction under section 16 - Standard deduction upto ₹ 75,000	<u>75,000</u>	10,05,000

II	Capital Gains		
	On buy back of equity shares of Alpha Ltd.		
	Consideration received on buy back of shares	Nil	
	Less: Cost of acquisition	<u>20,00,000</u>	
	Higher of		
	- Actual cost of acquisition of ₹ 20 lakhs [10,000 shares @ ₹ 200 per share]		
	- Lower of FMV as on 31.1.2018 i.e., ₹ 19 lakhs and full value of consideration i.e., Nil		
	Long term capital loss on buy back of shares	(20,00,000)	
	On sale of plot		
	Sale consideration	70,00,000	
	Less: Brokerage @1%	<u>70,000</u>	
	Net sale consideration	69,30,000	
	Less: Cost of acquisition [Indexation benefit is not available on transfer which took place on or after 23.7.2024]	<u>22,00,000</u>	
		47,30,000	
	Less: Exemption under section 54F	<u>27,30,159</u>	
	Amount invested in residential house within 2 years would qualify for exemption against long term capital gain arising from transfer of plot. Since the amount invested is less than the net consideration, proportionate capital gains is exempt [₹ 47,30,000 x ₹ 40,00,000/₹ 69,30,000]		

	Long term capital gain on transfer of plot	19,99,841	
	Less: Set off of long term capital loss on buy back of original shares against long term capital gain on transfer of plot to the extent of Balance long term capital loss of ₹ 159 on buy back of original shares is to be carried forward to A.Y. 2026-27	<u>19,99,841</u>	Nil
III	Income from Other Sources		
	Dividend on buy back of shares [10,000 x 250]		<u>25,00,000</u>
	Total Income		<u>35,05,000</u>

8. Computation of total income of Mr. Suraj for the A.Y.2025-26

Particulars		₹	₹
I	Salaries		
	Income from Salary (computed)		10,50,000
II	Income from business		
	Income from speculation business	60,000	
	Less: Loss from non-speculation business	<u>(40,000)</u>	20,000
	As per section 73(1), loss from speculation business cannot be set off against profit from non-speculation business. However, there is no restriction under section 72 to set off loss from non-speculation business against profit from speculation business.		
III	Capital Gains		
	Short-term capital gain		80,000
	As per section 74(1), long term capital loss can be set off only against long		

term capital gain. Therefore, long term capital loss of ₹ 30,000 has to be carried forward to A.Y. 2026-27			
IV Income from Other Sources			
Winnings from lotteries			<u>20,000</u>
Gross Total income before including income of minor children			11,70,000
Income of minor married daughter Riya			
(i) Interest income		1,200	
(ii) GAV [Rental income from house property] [₹ 5,000 x 12]	60,000		
[Section 27 is not attracted if the house property is transferred by a parent to a minor married daughter. Hence, Mr. Suraj is not a deemed owner of the house property. However, by virtue of section 64(1A), all income of a minor child is includible in the hands of parent whose income is higher.]			
Less: 30% of GAV	<u>18,000</u>	<u>42,000</u>	
		43,200	
Less: Exempt under section 10(32)		<u>1,500</u>	41,700
Income of Minor Son Raj			
Interest income		2,000	
Less: Exempt under section 10(32)		<u>1,500</u>	<u>500</u>
Gross Total Income			12,12,200
Less: Deduction under section 80D (Refer working note below)			<u>75,000</u>
Total Income			11,37,200

Working Note
Deduction allowable under section 80D for the A.Y.2025-26

	Particulars	₹	₹
(i)	Medical insurance premium paid for self, spouse and dependent children	22,000	
(ii)	Contribution to CGHS	<u>6,000</u>	
		28,000	
	restricted to		25,000
(iii)	Mediclaime premium paid for mother, who is over 60 years of age	33,000	
(iv)	Medical expenditure incurred for father, who is over 60 years of age and not covered by any insurance	<u>20,000</u>	
		53,000	
	restricted to		<u>50,000</u>
			75,000

9. (i) Since the turnover of Nexus Tech Pvt. Ltd. exceeds ₹ 10 crores during the P.Y. 2023-24, it is required to deduct tax at source under section 194Q for paying any sum to a resident for purchase of goods of the value exceeding ₹ 50 lakhs in a previous year, at the time of payment or credit, whichever is earlier.

The rate of TDS would be 0.1% of sum exceeding ₹ 50 lakhs. In case of non-furnishing of PAN, TDS @5% would be deducted as per section 206AA. TDS liability in respect of the purchases made by Nexus Tech Pvt. Ltd. is as follows -

- **Purchase of raw material from Vendor A**

The threshold limit of ₹ 50 lakhs is exhausted in July at the time of credit; accordingly, tax would be deducted by Nexus Tech Pvt. Ltd. on ₹ 10 lakhs, being the sum exceeding ₹ 50 lakhs in July.

Since Vendor A has not provided his PAN to Nexus Tech Pvt. Ltd., tax at higher rate of 5% would be deducted.

Accordingly, the tax to be deducted by Nexus Tech Pvt. Ltd. would be ₹ 50,000.

- **Purchase of trading goods from Vendor B**

The threshold limit of ₹ 50 lakhs is per resident seller per buyer. On purchase of trading goods from Vendor B, no tax is required to be deducted since the threshold of ₹ 50 lakhs is not exhausted.

- (ii) Since the turnover of Mr. Sumit exceeds ₹ 1 crore during the P.Y. 2023-24 and the contract payments made to ABC Ltd. exceeds ₹ 1,00,000, the TDS provisions under section 194C would be attracted. The rate of TDS under section 194C is 2%. However, as per section 206AA, in case of non-furnishing of PAN, TDS @20% would be deducted.

In the present case, ABC Ltd. has not provided its PAN to Mr. Sumit, hence, TDS@20% is applicable on ₹ 5,40,000 being the amount excluding GST as GST is separately mentioned. The amount of tax to be deducted by Mr. Sumit would be ₹ 1,08,000.

10. Computation of total income of Mr. Shobhit for A.Y. 2025-26

Particulars		₹	₹	₹
I	Income from business or profession			
	Net profit as per profit and loss account		57,25,000	
	Add: Items of expenditure not allowable while computing business income			
	- Depreciation as per books of accounts	27,50,000		

- Interest on loan taken for purchase of plant & machinery [Interest from the date on which capital was borrowed till the date on which asset as first put to use not allowable as deduction. Accordingly, interest of ₹ 2,01,667 [₹ 55,00,000 x 11% x 4/12] has to be added back, since the same is debited to the profit and loss account]	2,01,667		
- Compensation on voluntary retirement [Only 1/5 th of the compensation paid is allowable in the current year. The remaining are allowable in the four succeeding years in equal installments. Hence, 4/5 th of ₹ 8 lakh debited to profit and loss account has to be added back]	6,40,000		
- Payment to M/s Kamal & Sons, a micro enterprise, for purchase of raw material [Allowable as	Nil		

	per section 43B(h) since payment was made to a micro enterprise and the same was within the time specified in the written agreement which is within 45 days from 15.3.2025]			
-	Payment to M/s Hitesh & Sons, a medium enterprise, for purchase of raw material [Allowable, as section 43B which mandates allowability of expenditure on actual payment basis is not applicable on medium enterprise and Mr. Shobhit follows mercantile system of accounting]	Nil		
-	Excess Contribution towards employees' pension scheme [Contribution to the extent of 14% of salary (basic salary + dearness allowance, if it forms part of pay for retirement benefits) is allowable as deduction under section 36(1)(iva). Accordingly,	4,000	35,95,667	

disallowance is required to be made since contribution made is not within the prescribed limit. Disallowance under section 40A(9) = 2,00,000 (20% of ₹ 10 lakh) - 14% of ₹ 14,00,000 (₹ 10 lakh + ₹ 4 lakh) = ₹ 4,000]			
Less: Items of income to be treated separately under the respective head of income			93,20,667
- Income-tax refund including interest on refund of ₹ 3,850			13,850
Less: Allowable expenditure			93,06,817
Normal depreciation on			
(i) Opening WDV			
- Factory Building ₹ 6,45,000 @10%	64,500		
- Plant & Machinery ₹ 8,00,000 @15%	1,20,000		
(ii) Computer acquired on 31.8.2024 for ₹ 25,000 @40% [Since payment of ₹ 28,000 made in cash in a day to a person exceeds ₹ 10,000, the same	10,000		

	would not be included in the actual cost of computer. Hence, only actual cost of ₹ 25,000 is eligible for depreciation]			
	(iii) On Plant & Machinery acquired on 1.5.2024 for ₹ 57,01,667 @15% [₹ 55,00,000 <i>plus</i> ₹ 2,01,667, being the amount of interest on loan taken for purchase of this plant and machinery from the date on which capital was borrowed till the date on which asset as first put to use shall be capitalized]	8,55,250	10,49,750	
	Additional depreciation on Plant & Machinery acquired on 1.5.2024 for ₹ 57,01,667 @20%		11,40,333	
II	Capital Gains			71,16,734
	Sale consideration		1,00,00,000	
	Less: Indexed cost of acquisition		60,00,000	
	Long term capital gains [Indexation benefit is available since the property is transferred before 23.7.2024]		40,00,000	

	<i>Less:</i> Exemption under section 54 [Since ₹ 35 lakhs is invested in construction of house within the stipulated time limit.] Capital gain of ₹ 25 lakhs in capital gain account scheme is not taxable in P.Y. 2024-25, since the same is withdrawn and invested in construction of house within the stipulated time limit. The remaining amount of ₹ 35 lakhs invested in construction of house is eligible for exemption u/s 54 against the long-term capital gain on sale of house property during the P.Y.2024-25]		35,00,000	
				5,00,000
III	Income from Other Sources			
	Interest on income-tax refund			3,850
	Gross Total Income			76,20,584
	<i>Less:</i> Deduction under Chapter VI-A			
	Deduction under section 80C			
	- Life insurance premium of his father [Not allowable as deduction, since not covered within the meaning of term "person" in case of an individual, though he is dependent on him]		Nil	

- Life insurance premium for married daughter [Allowable as deduction though she is not dependent, since child of an individual whether Dependent or not falls within the meaning of term "Person" and the premium does not exceed 10% of the ₹ 5,00,000, being the sum assured]		45,000	45,000
Total Income			75,75,584
Total Income (Rounded off)			75,75,580

Computation of tax payable by Mr. Shobhit for A.Y. 2025-26

Particulars	₹	₹
Tax @20% on LTCG of ₹ 5 lakhs on sale of house property [Since the property is transferred before 23.7.2024]		1,00,000
Tax at slab rate on balance income of ₹ 70,75,580		
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 - ₹ 70,85,580 [@ 30% of ₹ 60,75,580]	18,22,674	
		19,35,174
		20,35,174
Add: Surcharge @10%, since total income exceeds ₹ 50,00,000 but does not exceed ₹ 1 crore		2,03,517
		22,38,961

Add: Health and education cess@4%	89,548
Tax liability	23,28,239
Less: TDS u/s 194N @ 2% on ₹ 50 lakhs, being the cash withdrawals exceeding ₹ 1 crore	1,00,000
Tax payable	22,28,239
Tax payable (Rounded off)	22,28,240

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 28.02.2025.
- (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

Rapidmove Logistics Pvt. Ltd. (hereinafter referred as RLPL), a registered company based in Pune, Maharashtra, is engaged in providing logistics and warehousing services, including transport of goods by road, cold storage warehousing for perishables, and consultancy services. It also deals in activities like storage of agricultural produce.

During the quarter April to June of current year, the company undertook following transactions:

- (i) Logistics services provided to M/s Hanuman Enterprises, registered in Amravati, Maharashtra for ₹ 28,00,000 and to M/s Shiv Industries, registered in Gwalior, Madhya Pradesh for ₹ 22,00,000.
- (ii) Services by way of warehousing of vegetables provided to M/s Safal Farms registered in Solapur, Maharashtra and M/s Fresh Veggies registered in Vapi, Gujarat for ₹ 8,00,000 and ₹ 4,00,000 respectively
- (iii) Sale of land to Mr. Amit in Pune for ₹ 1,20,00,000, excluding stamp duty of ₹ 2,50,000 (stamp duty is charged at 2%).

- (iv) It also received consultancy services from Mr. Shreyas, an architect in the month of March of the previous financial year, for ₹ 80,000 (exclusive of GST @18%), but input tax credit (ITC) was not availed until now. The related invoice was dated 20th March of previous financial year.
- (v) Supplied goods to its newly opened warehouse in Bengaluru Unit valued at ₹ 6,00,000 (exclusive of GST @18%). The company has paid the GST but, Bengaluru unit did not make payment against this invoice within 180 days.
- (vi) In addition to the aforesaid transactions, RLPL spent an amount of ₹ 5,00,000 on the procurement of certain goods which were distributed as part of the corporate social responsibility [CSR] expenditure required under the provisions of the Companies Act, 2013.

During the same quarter, it also received a subsidy of ₹ 40,000 from an environmental NGO for adopting green refrigeration technology and using the Electric Vehicles for logistics. This subsidy was linked to a performance metric (carbon reduction), not to the price of services.

The company has been compliant in filing periodic returns and statements on time during the year and has filed the annual return for preceding financial year on 15th October, of current financial year.

Multiple choice Questions

1. What would be the aggregate turnover of RLPL for the quarter April–June?
 - (a) ₹ 1,88,00,000
 - (b) ₹ 1,93,00,000
 - (c) ₹ 1,82,00,000
 - (d) ₹ 68,00,000
2. Which of the following options is correct regarding the availability of ITC to RLPL in respect of GST paid on the procurement of goods meant for the purpose of corporate social responsibility activity?
 - (a) The amount of ITC related to such procurement of goods is not available to RLPL.

- (b) The amount of ITC related to such procurement of goods is available to RLPL.
 - (c) The amount of ITC only to the extent of 50% of amount of such procurement of goods is available to RLPL.
 - (d) The amount of ITC shall be available to the registered person to whom such goods are distributed under CSR activity.
3. RLPL can claim ITC for the invoice dated 20th March of the previous FY upto _____ of the current financial year.
- (a) 30th September
 - (b) 31st December
 - (c) 15th October
 - (d) 30th November
4. Subsidy received from the environmental NGO is to be _____:
- (a) treated as part of consideration as it is received in connection with business
 - (b) excluded from transaction value as it is not directly linked to price of supply
 - (c) included in value, as it is consideration flown from third-party.
 - (d) included only if received before completion of supply
5. Which of the following statements is true in relation to the non-payment of consideration by the Bengaluru Unit to Pune office?
- (a) The Bengaluru Unit shall reverse the ITC availed on the goods received from Pune and also required to pay interest computed from the date of invoice till the date of reversal of ITC.
 - (b) The Bengaluru Unit shall reverse the ITC availed on the goods received from Pune and no interest shall be applicable.
 - (c) The restriction of 180 days for payment of consideration is not applicable in the present case.
 - (d) The Pune godown shall issue a credit note to Bengaluru Unit to reverse the supply.

6. Mr. Sagar Chaturvedi, registered under GST, is engaged in supplying multiple services (as discussed in the table below) in Mumbai, Maharashtra. He has furnished the following information with respect to the services supplied and received by him, during the month of April:

S. No.	Particulars	Amount (₹)
(i)	Services of transportation of students provided to Sanskar College offering the degree courses recognized by law.	90,000
(ii)	Outward supply of services of milling of paddy into rice	1,80,000
(iii)	Received the services by way of transportation of goods by road from Sindhu Transporters, an unregistered Goods Transport Agency of Nagpur, Maharashtra.	2,00,000
(iv)	Organized a business exhibition in Gujarat for Ramesh Industries, registered in Delhi.	20,00,000
(v)	Provided training to employees of Aashiyana Interiors, a proprietorship concern of Rajasthan, which was not registered under GST	1,00,000
(vi)	Recovery agent's services provided to a car dealer	30,000
(vii)	Legal services availed for official purpose from an individual advocate located in Gujarat	1,60,000
(ix)	Sponsored his business in a Cricket Match, organized by Mumbai Cricket Association, Maharashtra wherein he paid an amount of ₹ 1,50,000 to the association.	

Note:

- (i) Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively for both inward and outward supply of services except the service of transportation of goods by GTA, on which the rates of CGST, SGST and IGST are 2.5%, 2.5% and 5% 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.
- (iv) The turnover of Sagar was ₹ 1.8 crore in the previous financial year.
- (v) All the above mentioned supplies are intra-state, wherever the information for determining the place of supply is not provided.

Compute the net GST payable in cash, by Sagar for the month of April.

7. Regal Foundation of Commerce organized a business summit in Surat, Gujarat, in which all the startups were invited to pitch their business ideas. Pandit Jewels Pvt Ltd., registered in the State of Maharashtra, sponsored the summit and paid a sponsorship fee of ₹ 1,50,000 to Regal Foundation of Commerce.

You are required to determine, who is the person liable to pay tax if:

- (I) Regal Foundation of Commerce is a body corporate.
 - (II) Regal Foundation of Commerce is not a body corporate.
8. Examine whether GST is exempted in the following independent cases of supply of services:
- (i) Apex Facilities provided civil maintenance services for the upkeep of the Municipal Corporation of Delhi (MCD) head office building. Value of supply of goods constitute 20% while providing such maintenance services.
 - (ii) M/s Talreja & Talreja, a firm of advocates, provides legal services to the State Government for representation in the High Court.
 - (iii) BLF Mall, Noida provides services by way of vehicle parking to general public in the basement of mall.
 - (iv) Service provided by a private transport operator to Scholar Boys Higher Secondary School by way of transportation of students to and from the school.
9. Mr. Muttswami, an electronics dealer registered in Bangalore, Karnataka hired M/s Parivahan Logistics, an unregistered Good Transport Agency (GTA), to deliver his goods at the place of business of customer in Jaipur,

Rajasthan. M/s Parivahan Logistics charged ₹ 60,000 for the transportation of goods, which was paid by Muttswami on 4th January through account payee cheque. The delivery was also made on the same day.

M/s Parivahan Logistics did not raise the tax invoice for these services, since it was unregistered.

In this case, you are required to determine:

- (i) Person liable to issue the tax invoice
- (ii) Time limit for issuance of the tax invoice
- (iii) Time of supply of transportation services provided by GTA, assuming that tax invoice is issued on the last day on which it should have been issued.

10. Mascot Motors Private Limited (hereinafter referred as MMPL), a dealer of motor vehicles, registered in Udaipur, Rajasthan, has given an ex-works contract to M/s Ganesh Traders, registered in Ahmedabad, Gujarat for manufacturing 10 units of Pick-Up vans.

M/s Ganesh Traders manufactured the vans and handed them over to transporter on behalf of MMPL on 29th April and delivery on its part is complete at it's factory gate in Ahmedabad.

Further, it raised the invoice for all ten Pick-Up vans on same day. MMPL has recorded the invoice in it's books on the same day.

Price of the vans (ex-factory) was ₹ 10 lakh each (excluding GST @ 28%).

However, the vans were physically received by MMPL at its showroom in Udaipur, Rajasthan on 2nd May and payment was also made on the same day. After the payment, two Vans got damaged completely in a fire in the showroom in first week of May and therefore, they were written off in the books in the month of receipt by MMPL.

Discuss the availability of ITC on pick-up vans to MMPL with reference to the provisions under GST law. In which month, MMPL is eligible to avail ITC on the purchase of vans and how much ITC is available in respect of the vans?

**SUGGESTED ANSWERS/HINTS**

MCQ No.	Most Appropriate Answer
1.	(d)
2.	(a)
3.	(c)
4.	(b)
5.	(c)

6. Computation of GST payable

Particulars	Value of supply (₹)	CGST (₹)	SGST (₹)	IGST (₹)
GST payable under forward charge				
Services of transportation of students provided to Sanskar College [Services of transportation of students provided to an educational institution other than an institution providing pre-school education or education up to higher secondary school or equivalent, are not exempt.]	90,000	8,100 [90,000 x 9%]	8,100 [90,000 x 9%]	Nil
Services of milling of paddy into rice. [Milling of paddy into rice cannot be considered as an intermediate production process in relation to	1,80,000	16,200 [1,80,000 x 9%]	16,200 [1,80,000 x 9%]	Nil

cultivation of plants for food, fibre or other similar products or agricultural produce. Thus, it is not eligible for exemption.]				
Business exhibition organized for Ramesh Industries [Taxable since services by an organizer to any person in respect of a business exhibition are exempt only when such exhibition is held outside India. Further, it is an inter-State supply since the place of supply of services by way of organization of a cultural, artistic, sporting, scientific, educational or entertainment event including supply of services in relation to an exhibition in case of a registered recipient is location of such recipient, i.e. Delhi.]	20,00,000	Nil	Nil	3,60,000 [20,00,000 x 18%]
Training to employees of Aashiyana Interiors. [Taxable. Further, the place of supply of services in relation to training and performance appraisal provided to an unregistered person, shall be the location where the services are actually performed. Thus,	1,00,000	9,000 [1,00,000 x 9%]	9,000 [1,00,000 x 9%]	Nil

place of supply is Mumbai. Hence, it is an Intra-State supply.]				
Services provided as a recovery agent [Tax is payable under forward charge since recovery agent's services are being provided to a person other than banking company/financial institution/ non-banking financial company.]	30,000	2,700 [30,000 x 9%]	2,700 [30,000 x 9%]	Nil
Total GST payable under forward charge (A)		36,000	36,000	3,60,000
GST payable under reverse charge				
Services of transportation of goods received from unregistered GTA [It is intra-State supply since the place of supply of services by way of transportation of goods provided to a registered recipient is location of such recipient, i.e., Maharashtra.]	2,00,000	5,000 [2,00,000 x 2.5%]	5,000 [2,00,000 x 2.5%]	Nil
Legal services availed from an advocate [Legal services received by a business entity with aggregate turnover in the preceding financial year exceeding threshold limit	1,60,000	Nil	Nil	28,000 [1,60,000 x 18%]

for registration (₹ 20 lakh) are not exempt and tax on the same is payable under reverse charge. Further, place of supply of services provided to a registered person is the location of such person. Thus, place of supply is Mumbai. Resultantly, same is an inter-State supply as supplier is located in Gujarat.]				
Total GST payable under reverse charge (B)		5,000	5,000	28,000

Computation of total ITC available

Particulars	Value of supply (₹)	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
Services of transportation of goods received from unregistered GTA [ITC is available on said service since it is used in course or furtherance of business.]	2,00,000	5,000 [2,00,000 x 2.5%]	5,000 [2,00,000 x 2.5%]	Nil
ITC on sponsorship services (It is an intra-State supply, since place of supply is Mumbai, Maharashtra, being the location of recipient. ITC is available on services used in the course or furtherance of business.)	1,50,000	13,500 [1,50,000 x 9%]	13,500 [1,50,000 x 9%]	Nil

Legal services availed from an advocate [ITC is available on services used in the course or furtherance of business.]	1,60,000	Nil	Nil	28,000 [1,60,000 x 18%]
Total ITC available		18,500	18,500	28,000

Computation of net GST payable in cash

Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
GST payable under forward charge	36,000	36,000	3,60,000
Less: ITC	<u>18,500</u>	<u>18,500</u>	<u>28,000</u>
	17,500	17,500	3,32,000
Add: GST payable under reverse charge in cash [Tax payable under reverse charge, being not an output tax, cannot be set off against ITC and thus, will have to be paid in cash.]	<u>5,000</u>	<u>5,000</u>	<u>28,000</u>
Net GST payable in cash	22,500	22,500	3,60,000

7. (i) In case of services provided by way of sponsorship service to any body corporate or partnership firm by any person other than a body corporate, the recipient is liable to pay tax under reverse charge mechanism.

Since Regal Foundation of Commerce, the supplier, is a body corporate in this case, so reverse charge provisions are not applicable in this case.

Thus, Regal Foundation of Commerce is required to pay tax under forward charge on the supply of the sponsorship services.

- (ii) In case of services provided by way of sponsorship to any body corporate or partnership firm by any person other than a body

corporate, the recipient is liable to pay tax under reverse charge mechanism.

Since Regal Foundation of Commerce, the supplier, is not a body corporate in this case, so reverse charge provisions are applicable in this case.

Accordingly, Pandit Jewels Pvt Ltd is required to pay tax under the reverse charge on sponsorship fees paid to Regal Foundation of Commerce.

8. (i) If the composite supply of goods and services provided to local authority, in which the value of supply of goods constitutes not more than 25% of the value of the said composite supply, by way of any activity in relation to any function entrusted to a Municipality under article 243W of the Constitution, then it would be exempt under GST.

Further, it has been clarified vide a Circular that civil maintenance services received for the upkeep of the MCD office are not in relation to any function entrusted under Article 243W of the Constitution and thus not covered under the exemption. Therefore, such civil maintenance services are not exempt and hence taxable.

- (ii) Services provided by a partnership firm of advocates to the Central Government, State Government, Union territory, local authority, Governmental Authority or Government Entity are exempted from GST. Thus, legal services provided by Talreja & Talreja, a firm of advocates, to the State Government for representation before the High Court are exempted from GST.
- (iii) Services provided by way of vehicle parking to general public are not specifically exempted from GST. Therefore, GST is payable on the same.
- (iv) Services by way of transportation of students provided to an educational institution which is engaged in providing services by way of pre-school education and education up to higher secondary school or equivalent are exempted from GST. Therefore, in the given case the services provided by private transport operator are exempt.

9. Supply of services by a Goods Transport Agency (GTA) in respect of transportation of goods by road to any person registered under the GST is taxable under reverse charge mechanism in terms of section 9(3) of the CGST Act, 2017. Thus, Mr. Muttswami, being the registered recipient is liable to pay tax under reverse charge mechanism in respect of services received from unregistered GTA.

(i) Person liable to issue the tax invoice

As per section 31(3)(f) of the CGST Act, 2017, a registered person who is liable to pay tax under reverse charge mechanism under section 9(3)/ 9(4), shall within the period as may be prescribed issue an invoice in respect of goods or services or both received by him from the supplier who is not registered on the date of receipt of goods or services or both.

Since, M/s Parivahan Logistics is an unregistered GTA, Mr. Muttswami, being liable to pay the tax under reverse charge mechanism under section 9(3) is required to issue the tax invoice.

(ii) Time limit for issuance of the tax invoice

Rule 47A of the CGST Rules, 2017 provides that where an invoice referred to in rule 46 is required to be issued under section 31(3)(f) by a registered person, who is liable to pay tax under section 9(3)/ 9(4), he shall issue the said invoice within a period of 30 days from the date of receipt of the said supply of goods and/or services, as the case may be.

Thus, Mr. Muttswami is required to issue a tax invoice till 3rd February (i.e. within 30 days of receipt of services).

(iii) Time of supply of transportation services supplied by GTA.

As per section 13(3) of the CGST Act, 2017, in case of supplies in respect of which tax is paid or liable to be paid on reverse charge basis, the time of supply shall be the earlier of the following dates, namely:—

- (a) the date of payment as entered in the books of account of the recipient or the date on which the payment is debited in his bank account, whichever is earlier; or

- (b) the date immediately following sixty days from the date of issue of invoice or any other document, by whatever name called, in lieu thereof by the supplier, in cases where invoice is required to be issued by the supplier, or
- (c) the date of issue of invoice by the recipient, in cases where invoice is to be issued by the recipient.

Since, in this case the reverse charge mechanism is applicable on receipt of services provided by GTA and invoice is issued by recipient, time of supply would be earliest of the following date:

- (a) Date of payment i.e. 4th January
- (b) The date of issue of invoice by the recipient i.e. 3rd February.

So, the time of supply in this case will be 4th January.

- 10.** Section 16(2)(b) of the CGST Act, 2017 provides that no registered person shall be entitled to the credit of any input tax in respect of any supply of goods or services or both to him unless he has received the goods or services or both.

Explanation to section 16(2)(b) of the CGST Act, 2017 provides that it shall be deemed that the registered person has received the goods or, as the case may be, services, where the goods are delivered by the supplier to a recipient or any other person on the direction of such registered person, whether acting as an agent or otherwise, before or during movement of goods, either by way of transfer of documents of title to goods or otherwise.

Further, it has been clarified vide a circular that in case of Ex-works contract, the property in the goods can be considered to have been passed on to the dealer by the Original Equipment Manufacturer (OEM) upon handing over of the said goods to the transporter at his factory gate, meaning thereby that the goods can be considered to have been delivered to the registered person (the dealer), through the transporter, by the supplier (the OEM) at his factory gate and the supply of the said goods can be considered to have fructified at the factory gate of the OEM, even though the goods may be physically received by the registered person (the dealer) after the transit period.

In the given case, since the contract between M/s Ganesh Traders (OEM) and MMPL (dealer) is ex-works, pick up vans are considered to be received by MMPL on 29th April i.e. the date on which the vans are handed over to the transporter, even though they were physically received in the month of May.

So, initially on 29th April, full ITC of ₹28 lakh [$₹10 \text{ lakh} \times 10 \text{ vans} \times 28\%$] can be availed while filing the return of the month of April.

Subsequently, after the receipt of vans in the showroom, 2 vans were destroyed due to fire and written off in the books.

So, ITC in respect of such vans, which was already availed has to be reversed while filing the return of the next month-May, since ITC on the goods, which are destroyed is not available in accordance with section 17(5) of the CGST Act, 2017.

The Amount of ITC which has to be reversed in the return of next month is = ₹5.6 lakh [$₹10 \text{ lakh} \times 2 \text{ vans} \times 28\%$].