PAPER – 3 : TAXATION

Part – I: Multiple Choice Questions

Case Scenario -I

Mr. Jayesh, a resident individual aged 45 years, is a proprietor of M/s Jayesh Enterprises having 2 units viz. Unit A and Unit B. The total sales of M/s Jayesh Enterprises for previous three financial years were ₹ 12 crores for 2025-26; ₹ 25 crores for 2024-25 and ₹ 22 crores for 2023-24. He transferred Unit A to M/s Rose Ltd. by way of slump sale on 12/01/2026, which was set up in October 2012. Mr. Jayesh paid professional fees and commission in connection with this transfer amounting to ₹20,000 and ₹35,000 respectively to Mr. Naresh, a resident individual. The Balance Sheet of M/s Jayesh Enterprises as on that date is given below:

Liabilities	*(₹ in lakhs)*	*Assets*	*(₹ in lakhs)*
Owner Capital	*4,100*	*Land (at revalued figure (Unit A: 40%)*	*2,500*
Accumulated balance in P & L Account	*1,333.33*	*Plant & Machinery (at WDV) (Unit A: 40%)*	*2,500*
Revaluation Reserve (created due to upward revaluation of land)	*500*	*Sunday Debtors (Unit A: 25%)*	*600*
Bank Loan (Unit A: 60%)	*600*	*Closing Stock (Unit A: 40%)*	*833.33*
Sundry Creditors (Unit A: 20%)	*700*	*Other Assets (Unit A: 40%)*	*800*
Total	***7,233.33***	***Total***	***7,233.33***

Other Information:

i. Slump sale consideration on transfer of Unit A was ₹ 1,600 lakhs. Fair market value of the Unit A on 12/01/26 was ₹ 1,750 lakhs.

ii. Land was purchased on April 10, 2012 at ₹ 1,200 lakhs.

iii. No individual value of any asset is considered in the transfer deed.

iv. Other assets of Unit A include goodwill acquired and put to use on September 1, 2024 for ₹ 200 lakhs on which no depreciation has been charged. Remaining amount of other asset represents cash & bank balances.

*Based on the facts of the case scenario given above, choose the most appropriate answer to the following questions: (**MCQ 1 to 3**)*

1. Compute the amount of net worth of Unit A for the purpose of slump sale for the assessment year 2026-27.

(A) ₹ 2,053.33 lakhs

(B) ₹ 2,103.33 lakhs

(C) ₹ 2,253.33 lakhs

(D) ₹ 2,170.00 lakhs ***(2 Marks)***

2. Compute the amount of capital gain/loss arising from slump sale of Unit A for assessment year 2026-27.

(A) Short term capital gain of ₹ 304.43 lakhs

(B) Long term capital loss of ₹ 303.33 lakhs

(C) Short-term capital loss of ₹ 353.88 lakhs

(D) Long term capital loss of ₹ 303.88 lakhs ***(2 Marks)***

3. Compute the amount of tax deductible at source by Mr. Jayesh for assessment year 2026-27 on the amounts paid to Mr. Naresh.

(A) ₹ 1,750

(B) ₹ 2,700

(C) ₹ 700

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

Case Scenario - II

Vijay, a resident individual aged 57 years, is employed with a private sector Indian company. His basic salary was ₹ 1,20,000 p.m. during the FY 2025-26. Both, Vijay and his employer contribute 15% of basic salary to the pension scheme referred to in section 80CCD notified by the Central Government.

Vijay gifted a house property valued at ₹ 51 lakhs to his wife, Rashmi on 01/04/2025. On the same day, Rashmi gifted the same to her daughter-in-law, Anushka. Anushka let out the house for a monthly rent of ₹ 54,000 to Prabhas on 01/05/2025. All of these assessees did not opt out of default tax regime for the AY 2026-27.

Rashmi is a Chartered Accountant having gross receipts from profession amounting to ₹ 45 lakhs. For the FY 2025-26, she opted for the provisions of section 44ADA (she fulfilled all the conditions prescribed to opt for presumptive taxation).

*Based on the facts of the case scenario given above, choose the most appropriate answer to the following questions: (**MCQ 4 to 7**)*

4. *In whose hands the rental income will be taxed - Vijay, Rashmi or Anushka?*

   (A) ₹ 4,15,800 shall be taxable in the hands of Vijay and nothing shall be taxable in the hands of Rashmi and Anushka.

   (B) ₹ 4,15,800 shall be taxable in the hands of Anushka and nothing shall be taxable in the hands of Rashmi and Vijay.

   (C) ₹ 4,15,800 shall be taxable in the hands of Rashmi and nothing shall be taxable in the hands of Vijay and Anushka.

   (D) ₹ 4,15,800 shall be taxable either in the hands of Vijay or Rashmi, whose total income before clubbing this rental income is higher. ***(2 Marks)***

5. *Assume the property was gifted by Vijay to Bhanu, his major son, instead of his wife Rashmi, in whose hands the rental income will be taxed - Vijay or Bhanu? Bhanu let-out the property to Prabhas on 01/05/2025 for a monthly rent of ₹ 54,000.*

   (A) ₹ 4,15,800 shall be taxable in the hands of Vijay and nothing shall be taxable in the hands of Bhanu.

   (B) ₹ 4,15,800 shall be taxable in the hands of Bhanu and nothing shall be taxable in the hands of Vijay.

(C) ₹ 4,15,800 shall be taxable 50-50 in the hands of Vijay and Bhanu.

(D) ₹ 4,15,800 shall be taxable either in the hands of Vijay or Bhanu, whose total income before clubbing this rental income is higher. ***(2 Marks)***

6. *What shall be the amount of deduction available to Vijay in respect of the contribution to the pension scheme ?*

   (A) ₹ 1,44,000 under section 80CCD(1), ₹ 36,000 under section 80CCD(1B).

   (B) ₹ 1,50,000 under section 80CCD(2) only.

   (C) ₹ 2,01,600 under section 80CCD(2) only.

   (D) Nil since he did not opt out of the default tax regime. ***(2 Marks)***

7. *Examine the applicability of advance tax provisions in the hands of Rashmi, assuming she does not have any other income chargeable to tax (ignoring the income from house property gifted by her to her family as mentioned above)*

   (A) Rashmi does not have any liability to deposit advance tax since she has opted for the default tax regime.

   (B) The due dates for deposit of advance tax by Rashmi is – 15^{th} June - 15%, 15^{th} September-45%, 15^{th} December-75% and 15^{th} March - 100%.

   (C) Rashmi needs to deposit the entire amount of advance tax by 15^{th} March of the relevant financial year.

   (D) Rashmi needs to deposit at least 75% of the entire tax liability as advance tax by 15^{th} March of the relevant financial year. ***(2 Marks)***

8. *M/s YKR LLC, a foreign portfolio investor, non-resident in India, trading in listed shares and securities throughout the world, bought and sold equity shares of Indian company listed on a recognised stock exchange in India amounting to ₹ 15 crores. Under which head of income such profit shall be taxed in India?*

   (A) Profits and gains from business or profession

   (B) Income from Other Sources

   (C) Capital Gains

   (D) Not taxable in India in the hands of a non-resident ***(1 Mark)***

Case Scenario - III

HHG & Co., a partnership firm (hereinafter referred as firm), is engaged in manufacturing of semiconductors located in Sanand (Gujarat). The firm became liable for registration on 14th April 2025 as its turnover crossed ₹ 40 lakh. It applied for registration on 12th May 2025 and was granted registration certificate on 16th May 2025.

HHG & Co. opted for composition levy at the time of registration. The total turnover of the firm for the quarter ending June 2025 was ₹ 112 lakh, out of which taxable supply amounted to ₹ 102 lakh and exempt supply amounted to ₹ 10 lakh. Exempt supply has been undertaken only during the month of June 2025. The turnover of the firm crossed ₹ 150 lakh on 11th July 2025. Hence, HHG & Co. opted for withdrawal from the composition scheme on the said date and opted for monthly filing of return.

The firm imported following services during the month of October 2025:

(a) Management consultancy services from Mr. Vijay Kapoor, a renowned lawyer in Dubai, who was an ex-employee of the firm. The value of the said service was ₹ 2,00,000. Even though it was used in the furtherance of the business, no consideration was paid by the firm.

(b) Architect services from Mr. Sunil, a partner in HHG & Co., who resides in France, for ₹ 1,50,000. The said service was paid but not used for the furtherance of the business.

It also entered into a contract with VGT Ltd. of Chennai on 12th September 2025 for the supply of taxable goods worth ₹ 14 lakh. The payment for the same was received on 14th September 2025. The goods were scheduled for delivery on 27th September 2025 but were removed from the factory on 26th September 2025. On 10th October 2025, HHG & Co. supplied taxable goods in the territorial waters which is located at a distance of 11 nautical miles from the baseline of Kerala and 9 nautical miles from the baseline of Tamil Nadu to SLM Ltd., registered person in the State of Karnataka, for ₹ 8,00,000.

All figures are exclusive of GST.

Based on the information given above, choose the most appropriate answer for the following Question Nos. ***9 to 14.***

9. *The effective date of registration for HHG & Co. will be:*

   (A) 14^{th} May, 2025

   (B) 16^{th} May, 2025

   (C) 14^{th} April, 2025

   (D) 12^{th} May, 2025 **(2 Marks)**

10. *Compute the tax payable by HHG & Co. for the quarter ending June 2025.*

    (A) ₹ 31,000 each under CGST and SGST

    (B) ₹ 36,000 each under CGST and SGST

    (C) ₹ 56,000 each under CGST and SGST

    (D) ₹ 51,000 each under CGST and SGST **(2 Marks)**

11. *Import of services during the month of October 2025 that will be treated as supply is ________.*

    (A) ₹ 150000

    (B) Nil

    (C) ₹ 350000

    (D) ₹ 200000 **(2 Marks)**

12. *The date by which an invoice must be issued to VGT Ltd. is:*

    (A) 12^{th} September 2025

    (B) 14^{th} September 2025

    (C) 27^{th} September 2025

    (D) 26^{th} September 2025 **(2 Marks)**

13. *What will be the place of supply for the transaction with SLM Ltd.?*

    (A) Karnataka

(B) *Tamil Nadu*

(C) *Gujarat*

(D) *Kerala* ***(2 Marks)***

14. *HHG & Co. needs to furnish a statement containing details of stock of inputs/inputs held in semi-finished/finished goods on the withdrawal of composition scheme by ___________.*

 (A) *25th July 2025*

 (B) *11th July 2025*

 (C) *10th August 2025*

 (D) *9th August 2025* ***(2 Marks)***

15. *Mr. Aman, a registered person, regular monthly return filer, filed GSTR 3B for the month of June 2025 on 25th September 2025. The GST liability worked out to be of ₹ 30,000 (CGST+SGST) for the supplies made in the month of June 2025, which was paid with GSTR 3B for June 2025 on 25th September, 2025.*

 What will be the total interest amount (rounded off) payable under CGST Act, 2017?

 (Assume 365 days in a year)

 (A) *₹ 962*

 (B) *₹ 976*

 (C) *₹ 1,006*

 (D) *₹ 991* ***(2 Marks)***

16. *M/s. Suraj Apparels is registered under GST in the State of Rajasthan. It sells leather handbags across India through e-commerce operator Y-kart.*

 Y-kart, not being an agent, is registered with Madhya Pradesh GST Authority as TCS collector and collects TCS on supplies made through it.

M/s. Suraj Apparels made sales of ₹ 4,60,000 and received sales returns of ₹ 88,500 in the month of October 2025. Sales are exclusive of tax whereas sales return is inclusive of tax. Leather handbags are taxable @ 18% IGST.

Determine the amount of TCS (IGST) to be collected by Y-kart for the month of October 2025.

Rounded off to nearest rupee.

(A) ₹ 2,272

(B) ₹ 3,850

(C) ₹ 1,925

(D) ₹ 2,300 ***(1 Mark)***

Answer Key

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

**Correct answer is "Long-term capital Loss of ₹ 353.33 lakhs"*

Part – II: Descriptive Questions

SECTION A: INCOME TAX LAW

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

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

Working notes should form part of the respective answers.

All questions relate to Assessment Year 2026-27, unless otherwise stated.

Question 1

Mr. Prakash, a resident individual aged 64 years, is in the business of manufacturing tyres. He prepares his accounts on mercantile basis. His Statement of Profit and Loss showed a net profit of ₹ 1,20,00,000 for the year ended 31st March 2026 after debiting or crediting the following items:

i. *Depreciation as per books - ₹ 10,00,000*

ii. *Interest paid on loan taken from a scheduled bank to buy pollution control equipment (see point (iii) in additional information) - Amount of loan ₹ 8,52,000 @10% p.a. which was taken on 1st June 2025. Entire interest paid was debited to the Statement of Profit and Loss.*

iii. *Purchase of raw materials includes an amount of ₹ 1,00,000 towards purchases made from a micro-enterprise (as per section 15 of the Micro, small, Medium Enterprises Development Act, 2006). The purchase was made on 1st February 2026, but the payment was made on 20th July 2026 (within the due date of filing of return of income). There was no agreement as regards the payment terms with the seller.*

iv. *Interest of ₹ 2,50,000 (gross) on enhanced compensation on compulsory acquisition of his factory building by the Government based on a court order. However, he actually received the amount in his bank account on 20th May 2026.*

V. *₹ 50,000 given as the contribution through an account payee cheque for a brochure of a political party actively working in the vicinity of factory and registered u/s 29A of the Representation of the People Act, 1951.*

vi. *₹ 2,00,000 received as dividend from Indian companies during the year and credited to P&L. Interest of ₹ 65,000 was incurred on loan taken to earn* *dividend income has been debited to Statement of Profit and Loss account. All dividends were below the ambit of TDS provisions.*

Additional information:

i. *He had taken a housing loan from a scheduled bank for purchase of a flat for self-occupation on 1st April 2025. Interest of ₹ 2,15,000 and principal repayment of loan of ₹ 1,10,000 is reflected in his bank statement. Municipal tax of ₹ 20,000 was paid during the year from his savings bank account.*

ii. *A new machinery costing ₹ 50,00,000 (first machinery in the 15% block) was purchased on 1st September 2024. It was installed and put to use on 24th October 2024. He did not own any other depreciable asset on the date of the acquisition of this machine.*

iii. *He also imported an air pollution control equipment (falling under 15% block), which was previously used outside India by the seller, at a cost of ₹ 10,00,000 on 1st June 2025. For this purpose, he took a loan from a scheduled bank amounting to ₹ 8,52,000 at an interest rate of 10% p.a. on 1st June 2025. The equipment was delivered on 15th September 2025 and was put to use on 1st October 2025.*

iv. *During the Financial Year 2023-24, the Central Government compulsorily acquired factory building which had been used by him for manufacturing rubber products for the past five years. He received compensation of ₹ 20,00,000 on 15th March 2025 and deposited the whole amount in the Capital Gains Account Scheme within the due date of filing the return of income. The building was purchased by him for ₹ 5,08,052 on 1st April 2018. The written down value (WDV) of the building block as on 31st March 2023 was ₹ 3,00,000. He has shifted the production to a leasehold building till the purchase of new factory building. On 1st April 2025, Mr. Prakash purchased a new factory building which is falling under 10% block at a cost of ₹ 15,00,000.*

CII for FY 2023-24: 348, FY 2025-26:376

You are required to compute the total income and tax liability of Mr. Prakash under both the regimes and suggest the one which is more beneficial to him for the AY 2026-27 assuming he has never opted for the default tax regime since the relevant assessment year. ***(15 Marks)***

Answer

Computation of total income and tax liability of Mr. Prakash for A.Y. 2026-27 under default tax regime under section 115BAC

	Particulars		₹	₹
I	**Income from house property**			
	Gross annual value		Nil	
	Less: Municipal tax paid [Not allowable in case of self-occupied property]		-	
	Net annual value		Nil	
	Less: Interest on loan [Nor allowable under default tax regime]		-	-
II	**Profits and gains from business or profession**			
	Net profit as per Statement of Profit and Loss		1,20,00,000	
	***Add*: Items of expenditure not allowable while computing business income**			
	- **Depreciation as per books**	10,00,000		
	- **Interest on loan for acquisition of pollution control equipment** [Interest from the date on which loan was borrowed till the date on which asset was first put to use not allowable as deduction. Accordingly, interest of ₹ 28,400 [₹ 8,52,000 x 10% x 4/12] has to be added back, since the	28,400		

	same is debited to the statement of profit and loss]			
	- **Payment to a micro enterprise for purchase of raw material** [Not allowable as per section 43B(h) since payment was made to a micro enterprise and the same was not made within 15 days.]	1,00,000		
	- **Expenditure in brochure of a political party** [Expenditure in a brochure of a political party is not allowable as deduction from business profits.]	50,000		
	- **Interest on loan taken to earn dividend**	65,000	12,43,400	
			1,32,43,400	
	***Less*: Items credited but not taxable or taxable under other heads**			
	- Interest on enhanced compensation on compulsory acquisition	2,50,000		
	- Dividend from Indian companies	2,00,000	4,50,000	
			1,27,93,400	
	Less: Depreciation as per the Income-tax Rules, 1962			
	- Depreciation on machinery purchased in 2024-25 [₹ 41,25,000 x 15%]	6,18,750		
	Actual cost on 24.10.2024 | 50,00,000			

		Less: Depreciation for P.Y. 2024-25 (₹ 50 lakhs x 15% x 50% since put to use for less than 180 days in P.Y. 2024-25)	3,75,000			
		Less: Additional depreciation for P.Y. 2024-25 (₹ 50 lakhs x 20% x 50%, since put to use for less than 180 days in P.Y. 2024-25)	5,00,000			
		WDV as on 1.4.2025	41,25,000			
	-	Depreciation on air pollution control equipment [₹ 10,28,400 (₹ 10 lakhs + interest of ₹ 28,400) x 15%]		1,54,260		
	-	Depreciation on factory building [₹ 15 lakhs x 10%]		1,50,000		
	-	Balance additional depreciation on machinery purchased in 2024-25 [Not allowable under default tax regime]		-		
	-	Additional depreciation on air pollution control equipment [Not allowable under default tax regime]		-	9,23,010	
						1,18,70,390
III	**Capital Gains**					
	Long term **capital gain** on compulsory acquisition of factory					-

	building is not taxable in P.Y. 2025-26 since the compensation was received in P.Y. 2024-25 and taxable in P.Y. 2024-25			
IV	**Income from Other Sources**			
	- Interest on enhanced compensation [Taxable in the P.Y. 2026-27, being the year of receipt of interest]		-	
	- Dividend from Indian companies	2,00,000		
	Less: Interest on loan of ₹ 65,000 [allowed to the extent of 20%]	40,000	1,60,000	
				1,60,000
	Gross Total Income			1,20,30,390
	Less: Deduction under Chapter VI-A			
	Deduction under section 80C [Not allowable under default tax regime]		-	
	Deduction under section 80GGC [Not allowable under default tax regime]		-	-
	Total Income			1,20,30,390
	Tax on ₹ 1,20,30,390			
	₹ 4,00,000 – ₹ 8,00,000 [₹ 4 lakhs @5%]		20,000	
	₹ 8,00,000 – ₹ 12,00,000 [₹ 4 lakhs @10%]		40,000	
	₹ 12,00,000 – ₹ 16,00,000 [₹ 4 lakhs @15%]		60,000	

	₹ 16,00,000 – ₹ 20,00,000 [₹ 4 lakhs @20%]		80,000	
	₹ 20,00,000 – ₹ 24,00,000 [₹ 4 lakhs @25%]		1,00,000	
	₹ 24,00,000 – ₹ 1,20,30,390 [₹ 96,30,390 @30%]		28,89,117	
				31,89,117
	Add: Surcharge @15% [Since total income exceeds ₹ 1 crore but does not exceed ₹ 2 crores]			4,78,368
				36,67,485
	Add: HEC@4%			1,46,699
	Tax liability			38,14,184
	Tax liability (Rounded off)			38,14,180

Computation of total income and tax liability of Mr. Prakash for A.Y. 2026-27 under the optional tax regime of the Income-tax Act, 1961

Particulars	₹	₹
Total Income as per default tax regime u/s 115BAC		1,20,30,390
Less: Deduction under section 80C for principal repayment of loan to bank	1,10,000	
Less: Deduction under section 80GGC [Not allowable in respect of expenditure in brochure of political party]	-	1,10,000
		1,19,20,390
Less: Balance additional depreciation on machinery purchased in 2024-25	5,00,000	
Less: Additional depreciation on air pollution control equipment [Not allowable since it was previously used outside India]	-	
Less: Interest on loan for self-occupied property [allowed to the extent of ₹ 2 lakhs] [Loss from	2,00,000	7,00,000

house property can be set off against business income or income from other sources]		
Total Income as per optional tax regime		1,12,20,390
Tax on ₹ 1,12,20,390		
₹ 3,00,000 – ₹ 5,00,000 [₹ 2 lakhs @5%]	10,000	
₹ 5,00,000 – ₹ 10,00,000 [₹ 5 lakhs @20%]	1,00,000	
₹ 10,00,000 – ₹ 1,12,20,390 [₹ 1,02,20,390 @30%]	30,66,117	
		31,76,117
Add: Surcharge @15% [Since total income exceeds ₹ 1 crore but does not exceed ₹ 2 crores]		4,76,418
		36,52,535
Add: HEC@4%		1,46,101
Tax liability		37,98,636
Tax liability (Rounded off)		**37,98,640**

Since the tax liability of Mr. Prakash under optional tax regime is lower than the tax liability computed under section 115BAC, it would be beneficial for him to opt out of the default tax regime under section 115BAC for A.Y. 2026-27.

Question 2

(a) *Mr. Shankar, aged 44 years, is an Indian citizen. He graduated from ABC University, UAE and was employed in Nomad Skills LLC, UAE since April 2016. He never visited India in between. He resigned from Nomad Skills LLC in November 2025, completed all the formalities while staying in UAE till 10/12/2025 and came back to India on 11/12/2025 to join Shakin Pro Limited as CEO of the company.*

He received gross salary amounting to ₹ 36,00,000 from Nomad Skills LLC upto November 2025 in UAE for 2025-26 in his bank account maintained in UAE. His salary was not taxable in UAE since UAE does not tax individuals on their incomes.

He received gross salary from Shakin Pro Limited from December 2025 to March 2026 amounting to ₹ 8,50,000. He also sold listed equity shares of Indian companies, which were sold by him in October 2025, as per the following details:

Name of Company	*No. of Shares*	*Date of acquisition*	*Cost of acquisition (₹)*	*Date of Transfer*	*Sale Price per share (₹)*	*FMV as on 31.1.2018 (₹)*
X Ltd.	*300*	*15.2.2016*	*1400*	*23.10.2025*	*3200*	*1800*
Y Ltd.	*250*	*1.8.2023*	*2300*	*8.10.2025*	*3300*	*1900*

STT was paid both at the time of purchase and sale.

He also received winning from online games in India amounting to ₹ 70,000 in March 2026.

Determine the residential status of Mr. Shankar, as per the provisions of Income-tax Act, 1961 and compute his total income for AY 2026-27 assuming he did not opt out of default tax regime. ***(6 Marks)***

(b) Examine the applicability of tax deducted/ collected at source as per the provisions of the Income-tax Act, 1961 and calculate the amount of TDS/TCS for A.Y. 2026-27 in the following independent situations:

(i) M/s. Stylo Enterprises, an Indian partnership firm deals in branded handbags and wristwatches. It opened a showroom at a luxury mall in Delhi in April 2025. Mr. X, a resident bollywood star, purchased a handbag of "GICCI" brand worth ₹ 12,00,000 from M/s. Stylo Enterprises for his wife as anniversary gift on 10/01/2026. He also purchased a wrist watch of RAWO brand worth ₹ 9,22,000 on 15/01/2026 for his son as his birthday gift.

(ii) M/s Robo Ltd., an Indian company, made a payment of ₹ 3,00,000 to Mrs. Sandhya, a resident individual, on 12/04/2025, for the supply of new year diaries manufactured as per the specifications of M/s Robo Ltd. However, no material was supplied by M/s Robo Ltd. to Mrs. Sandhya for the production of such diaries. ***(4 Marks)***

Answer

(a) Determination of residential status of Mr. Shankar and computation of total income under default tax regime for the A.Y. 2026-27

Mr. Shanker is an Indian citizen who stayed in India during the P.Y. 2025-26 for 111 days and never visited India since April, 2016. Since he is not a resident by virtue of section 6(1) and he is not liable to tax in UAE, he will be a deemed resident under section 6(1A) if his total income, other than the income from foreign sources exceeds ₹ 15 lakhs during the previous year.

Computation of total income, other than the income from foreign sources

Particulars			₹
Income from "Salaries"			
Salary from Nomad Skills LLC (Not Taxable in India since it accrues or arise outside India)			Nil
Gross Salary from Shakin Pro Limited		8,50,000	
Less: Standard Deduction		75,000	7,75,000
Capital Gains			
Transfer of shares of X Ltd. [300 shares]			
Sales Consideration [300 x 3200]		9,60,000	
Less: Cost of acquisition, being higher of -		5,40,000	4,20,000
Cost of acquisition [1400 x 300]	4,20,000		
Lower of			
- FMV as on 31.1.2018 [1800 x 300]	5,40,000		
- Sale consideration [3200 x 300]	9,60,000		
Transfer of Shares of Y Ltd.			
Sales Consideration [250 x 3300]		8,25,000	
Less: Cost of acquisition [2300 x 250]		5,75,000	2,50,000
Income from Other Sources			
Winning from online games			70,000
***Note: (Alternate answer)** – Since the word "received" is used with winning from online games, it is possible to take a view that such amount is net of TDS on which tax is deductible u/s 194BA @30%. If such view is taken, then the amount of winning from online games would be grossed up*			

to ₹ 1,00,000 (₹ 70,000 x 100/70) and total income would be ₹ 15,45,000.	
Total income (excluding income from foreign sources)	**15,15,000**

Since Mr. Shankar has total income excluding income from foreign sources exceeding ₹ 15 lakhs, he is a **deemed resident** and **resident but not ordinarily resident** in India by default.

His total income would be ₹ 15,15,000 as computed above.

(b) (i) M/s Stylo Enterprises, being a seller, is required to collect tax at source @1% at the time of receipt of ₹ 12,00,000, the consideration for sale of handbag, a notified good, since its value of such goods exceed ₹ 10 lakhs.

However, since the value of wristwatch does not exceed ₹ 10 lakhs, no tax would be collected by M/s Stylo Enterprises on sales consideration of wrist watch.

Accordingly, the amount of TCS would be ₹ 12,000 (1% of ₹ 12,00,000)

(ii) Since no material was supplied by M/s Robo Ltd. to Mrs. Sandhya for production of new year diaries, the same would not fall within the scope of work.

Accordingly, there is no liability to deduct tax at source in respect of payment of ₹ 3,00,000 to Mrs. Sandhya, since the contract is a contract for 'sale'.

Question 3

(a) Mr. Pratham is employed with a private sector company as Manager (Production) stationed in the city of Dhanbad, Jharkhand. His monthly basic salary is ₹ 80,000. The company also maintains and runs an engineering college in Ranchi, Jharkhand where his son is admitted to study mining engineering. He gives you the following additional details regarding his other receipts/ perquisites from his employer or from others during the financial year 2025-26:

(i) On 02/09/2025, he was transferred from Dhanbad to Jamshedpur, Jharkhand where he was provided with a room in a prominent hotel as a residence for his stay in Jamshedpur from 02/09/2025 to 12/09/2025. The rent of hotel room was ₹ 4,500 per day.

(ii) His employer sold a car to him on 01/08/2025 for ₹ 2,50,000. The company had purchased this car on 01/07/2023 for ₹ 5 lakhs. The car fell under the 15% block of assets in the books of the company.

(iii) His employer entered into a staff group insurance scheme with a Government Insurance Agency. During the FY 2025-26, his employer paid ₹ 2.50 lakhs as the premium on the life of Mr. Pratham.

(iv) The annual fee for other students in the same college in which his son studies is ₹ 2,00,000. However, his company provides education to his son for free of cost.

(v) He went on a holiday within India with his 3 children (one major son and 2 twin minor daughters) and his brother who is dependent on him. The total air and train cost incurred by him on the travel was ₹ 3,00,000 (₹ 60,000 per person). He travelled in economy class flights or 3-AC train compartments. The entire amount was reimbursed by his employer since it was his first trip in the last 20 years.

(vi) His wife expired in May 2024 on duty. She was employed with Government School as a school teacher. The family pension received by Mr. Pratham during F.Y. 2025-26 is ₹ 2,50,000.

(vii) Pratham received a sum of ₹ 10 lakh from a trust registered under section 12AB of the Income-tax Act.

Compute the total income of Mr. Pratham assuming he has opted out of default tax regime for the A.Y. 2026-27. Provide brief reasons for the treatment of items wherever necessary. ***(6 Marks)***

(b) Mr. Avinash, a resident individual aged 45 years, booked an apartment in Pune in the financial year 2020-21 for ₹ 50,00,000. He took possession of this apartment on 01/04/2025. The stamp duty value of the apartment as per the municipal records was on 01/04/2025 was ₹ 75,00,000 and on the date of booking was ₹ 60,00,000. He had paid ₹ 5,00,000 by demand draft as a down payment on the date of booking.

Also, on 16/01/2026 his gold chain costing ₹ 6,00,000 (which was purchased on 20/08/2025) was stolen during the marriage party (when the FMV of the chain was ₹ 13,00,000). On 28/03/2026 he received insurance claim of ₹ 4,50,000 towards this loss.

Discuss the taxability of these transactions in the hands of Avinash. Assume he did not opt out of the default tax regime for the AY 2026-27, and did not have any other income during the year. ***(4 Marks)***

Answer

(a) Computation of Total Income of Mr. Pratham for A.Y. 2026-27 as per the normal tax regime

Income from Salaries			
Basic Salary [₹ 80,000 x 12]		9,60,000	
Perquisite Value of Rent-free accommodation			
Mr. Pratham has been provided with hotel accommodation for a period not exceeding in aggregate 15 days on his transfer from Dhanbad to Jamshedpur, hence, there would be no perquisite.		Nil	
Perquisite Value on sale of car			
Original cost of car	5,00,000		
Less: Depreciation from 01.7.2023 to 30.6.2024 @ 20%	1,00,000		
	4,00,000		
Less: Depreciation from 01.7.2024 to 30.6.2025 @ 20%	80,000		
Value as on 01.08.2025 - being the date of sale to Mr. Pratham	3,20,000		
Less: Amount received from Mr. Pratham on 01.08.2025	2,50,000	70,000	
Premium paid by the employer in a staff group insurance scheme would not be considered as perquisite.		Nil	
Education facility provided by the employer free of cost – Cost of such education in similar		2,00,000	

institution in or near the locality would be taxable as perquisite.			
Leave Travel Concession – Entire amount of expenditure reimbursed by the employer would be exempt, since the same was availed for himself, his dependent brother and three children and the journey was undertaken by economy class airfare. The restriction imposed for two children is not applicable in case of multiple births which take place after the first child.		Nil	
Note: *Alternatively, if it is assumed that the travel assistance provided to Mr. Pratham does not qualify as Leave Travel Concession (LTC), since the term "LTC" has not been specifically mentioned in the question, then the reimbursement shall be treated as a taxable perquisite for holiday expenses under Rule 3(7)(ii) of the Income-tax Rules, 1962. Consequently, the entire reimbursement of ₹ 3,00,000 would be taxable. In such a case, Net Salary and Gross Total Income / Total Income would be ₹ 14,80,000 and ₹ 17,15,000, respectively.*			
Gross Salary		**12,30,000**	
Less: Standard deduction u/s 16 [Actual salary or ₹ 50,000, whichever is less]		50,000	
Net salary			**11,80,000**
Income from other sources			
Family Pension	2,50,000		

Less: Deduction [Lower of ₹ 15,000 or ₹ 83,333 being 1/3rd of ₹ 2,50,000]	15,000		
		2,35,000	
Amount received from a trust registered u/s 12AB would not be taxable under section 56(2)(x)		NIL	2,35,000
Gross Total Income/Total Income			**14,15,000**

(b) (i) Difference between the stamp duty value of ₹ 60,00,000 on the date of booking and the actual consideration of ₹ 50,00,000 paid would be taxable in the hands of Mr. Avinash under section 56(2)(x) since the difference exceeds ₹ 5,00,000, being the higher of ₹ 50,000 and 10% of consideration. Stamp duty value on the date of booking can be considered since Mr. Avinash has paid down payment by a demand draft on such date.

(ii) Insurance receipt for loss of gold chain due to theft is not covered under section 45(1A) since such loss does not occur due to the circumstances specified thereunder. Hence, insurance claim of ₹ 4,50,000 is a capital receipt and not taxable.

Question 4

(a) Mr. Navyam, a resident individual, aged 39 years, gives you the following particulars about his income for the previous year 2025-26:

(i) Profit from chemical dealership business - ₹ 2,73,000

(ii) Income from speculative business- ₹ 1,90,000

(iii) Loss from betting- ₹ 1,60,000

(iv) Gross dividend from Indian Companies- ₹ 1,47,000

(v) Loss on maintenance of race-horses - ₹ 1,20,000

(vi) Rental income (computed as per the relevant provisions of the Income-tax Act) - ₹ 2,52,000

(vii) Loss from self-occupied house property - ₹ 2,00,000

(viii) His minor daughter has won the award from the dance performance on TV. This amount was given to his father - ₹ 3,00,000

(ix) Profit from a business specified under section 35AD - ₹ 6,50,000

The other details of unabsorbed depreciation and brought forward losses (pertaining to different assessment years) are:

(i) Unabsorbed depreciation for the A.Y 2023-24- ₹ 6,80,000

(ii) Loss from Happy Stay Business (pertaining to A.Y. 2023-24) - ₹ 2,10,000

(iii) Loss from speculative business -

- *pertaining to A. Y. 2022-23- ₹ 1,60,000*
- *pertaining to A. Y. 2020-21- ₹ 2,20,000*

(iv) Loss from let out house property of ₹ 1,60,000 related to A.Y. 2024-25 for which belated income tax return was filed.

(v) Loss from business specified under section 35AD (pertaining to A.Y. 2023-24) - ₹ 4,50,000

Required:

(i) Compute the gross total income of Mr. Navyam for the Assessment Year 2026-27 assuming he has opted for default tax regime provided under Section 115BAC of the Income-tax Act, 1961.

(ii) List out the losses to be carried forward to further assessment years specifying the Assessment Year up to which such losses can be carried forward. ***(4 Marks)***

(b) Mention the due dates/time limit up to which action can be taken in the following cases as per the relevant provisions of the Income-tax Act, 1961-

(i) Filing of updated return of the income as per sub-section (8A) of section 139 in case of a partnership firm.

(ii) Income-tax return under section 139(1) in respect of a non-working partner of a firm whose accounts are required to be audited under the provisions of the Income-tax Act,

(iii) Filing revised return under section 139(5) in case of an Indian company.

(iv) Applying for permanent account number in respect of a resident individual, if his total income during the FY 2025-26 exceeded the maximum amount which is not chargeable to income-tax on 31/08/2025. ***(4 Marks)***

OR

(b) *In the following independent cases, state whether the assessee is required to file an Income Tax Return for Assessment Year 2026-27. Give reasons in support of your answer.*

(i) *Mr. Dhruv, aged 62 years, having interest from fixed deposits amounting to ₹ 2,70,000. The TDS deducted on his fixed deposit interest by the bank amounts to ₹ 26,000. No other tax was deducted or collected at source. He also made a cash deposit of ₹ 10,00,000 in his savings bank account, but the total deposits in his savings bank account (including the cash deposit and other credits) aggregated to ₹ 48,00,000. (assuming he has opted out of default tax regime).*

(ii) *Dr. Nirav (aged 50 years) is a renowned heart surgeon practicing as a sole proprietor. His gross receipts from the medical profession during the year were ₹ 10,50,000. After deducting allowable business expenditure of ₹ 8,10,000, his net profit is ₹ 2,40,000. During the year, he has earned ₹ 10,000 as an interest from saving bank a/c. (assuming he has opted for default tax regime).* ***(4 Marks)***

Answer

(a) Computation of Gross Total Income of Mr. Navyam for the A.Y. 2026-27 as per the default tax regime under the Income-tax Act, 1961

Particulars	₹	₹
Income from House Property		
Rental income (computed)	2,52,000	
Less: Loss from self-occupied house property [Interest deduction u/s 24(b) is not allowed in case of self-occupied property under default tax regime, hence, there cannot be loss from self-occupied property]	-	
	2,52,000	
Less: Set-off of brought forward loss from let out house property of A.Y. 2024-25 is allowed even if belated income-tax return was filed, since 8 years period not yet lapsed	1,60,000	92,000

Profit and gains of business or profession		
Profit from chemical dealership business	2,73,000	
Profit from a business specified u/s 35AD	6,50,000	
	9,23,000	
Less: Set-off of brought forward loss from happy stay business of A.Y. 2023-24 is allowed since 8 years period not yet lapsed	2,10,000	
Less: Set-off of brought forward loss from business specified u/s 35AD of A.Y. 2023-24 is not allowed under default tax regime	-	
Less: Unabsorbed depreciation of A.Y. 2023-24	6,80,000	33,000
Note: *If it is assumed that the loss from specified business is not attributable to deduction u/s 35AD, then the loss of ₹ 4,50,000 of specified business for A.Y. 2023-24 shall be set off against the profit from specified business of ₹6,50,000. In such case, remaining available profits will be adjusted against unabsorbed depreciation to the extent of ₹ 2,63,000. Thereafter, remaining unabsorbed depreciation of ₹ 4,17,000 will be adjusted against other income from speculative business, house property and other sources. In such a case, the Gross Total Income would be Nil.*		
Income from speculative business	1,90,000	
Less: Set-off of loss from speculative business of A.Y. 2020-21 is not allowed since 4 years period have lapsed	-	
Less: Set-off of brought forward loss from speculative business of A.Y. 2022-23 is allowed since 4 years period not yet lapsed	1,60,000	30,000
Income from Other Sources		
Gross dividend from Indian companies	1,47,000	
Award to minor daughter from the dance performance on TV will not be included in the hands of Mr. Navyam, since it is earned from her skill and talent.	-	1,47,000
Gross Total Income		**3,02,000**

Losses to be carried forward to A.Y. 2027-28 and the years upto which such losses can be carried forward	
Loss from business specified u/s 35AD of A.Y. 2023-24 Carry forward and set off of losses from specified business is not allowed as per default tax regime under section 115BAC. Loss from specified business u/s 35AD of A.Y. 2023-24 shall be deemed to have been given full effect and no further deduction of such loss would be allowed for any subsequent year. ***[Note:** Alternatively, if it is assumed that the loss from specified business under section 35AD for A.Y. 2023-24 is not on account of deduction under section 35AD, then such loss would also stand fully adjusted against the profit from other specified business and, consequently, the carried forward loss would be Nil. In that case, the remaining unabsorbed depreciation for A.Y. 2023-24 amounting to ₹ 1,48,000 (₹ 6,80,000 – ₹ 5,32,000) shall be carried forward for an indefinite period.]*	Nil
Loss from betting Loss from betting can neither be set off nor be carried forward.	Nil
Loss on maintenance of race horses of A.Y. 2026-27 Loss from owning and maintenance of race horses can be set-off against income from income from owning and maintenance of race horses only. Thus, such loss would be carried forward for a maximum of four assessment years i.e., upto A.Y. 2030-31.	1,20,000

(b) First Alternative

(i) Filing of updated return of income as per section 139(8A) in case of partnership firm: Updated return can be filed for the previous year relevant to the assessment year at any time within 48 months from the end of the relevant assessment year.

(ii) Income-tax return u/s 139(1) in respect of non-working partner of a firm whose accounts are required to be audited: On or before 31st October of the assessment year

(iii) Revised return u/s 139(5) in case of an Indian company: Revised return can be filed at any time, before three months prior to the end of the relevant assessment year or 31st December 2026 or before completion of assessment, whichever is earlier.

(iv) Applying for PAN on 31.8.2025 in respect of resident individual if his total income during FY 2025-26 exceeded the maximum amount not chargeable to tax: Application for allotment of PAN to Assessing officer to be furnished on or before 31st May of the assessment year for which such income is assessable i.e., 31.5.2026

(b) Second Alternative

(i) Not required to file his return of income: Mr. Dhruv's total income does not exceed ₹ 3,00,000, being the basic exemption limit for senior citizen as per optional tax regime. In the present case, since Mr. Dhruv, a senior citizen has a TDS credit of ₹ 26,000, which does not exceed the threshold limit of ₹ 50,000 and deposit in saving account in aggregate of ₹ 48 lakhs which does not exceed the threshold limit of ₹ 50 lakhs, he is not required to file his return of income.

(ii) Required to file his return of income: In this case, since Dr. Nirav's gross receipts from medical profession was ₹ 10,50,000 for the P.Y. 2025-26, which is in excess of ₹ 10 lakhs, hence, he is required to file his return of income though his total income is ₹ 2,50,000 which does not exceed ₹ 4,00,000, being the basic exemption limit as per default tax regime.

SECTION B: GOODS AND SERVICES TAX

1. *Section B comprises of questions from 5 to 8. In Section B, answer question no. 5, which is compulsory and any two questions from question nos. 6 to 8.*
2. *Working notes should form part of the answer.*
3. *All questions in Section B should be answered on the basis of position of GST law as amended by the Finance Act, 2025 and the significant notifications/circulars which have become effective upto 31st October, 2025.*

Question 5

(a) SSP Ltd., a registered person under GST in Gandhinagar (Gujarat), is engaged in making various supplies of goods and services. It provides the following details regarding the transactions undertaken in the month of October 2025:

Sr. No.	Outward transactions	Amount (₹)
(i)	*Supply of goods to Mr. Kartik of Bharuch (Gujarat) who is an unregistered person.* *Out of supply of goods for ₹ 6,00,000, ₹ 1,00,000 is for exempted goods but no separate invoice has been made for exempt supply and both supplies were shown in the same invoice as different items.*	*6,00,000*
(ii)	*Issued voucher on 15/10/2025 to AVC Ltd. of Kanpur (Uttar Pradesh) which can be redeemed against the combo of one personal pizza and one vegetable burger before 14/11/2025.*	*50,000*
(iii)	*Provided local delivery service of goods through M/s B-kart, a registered Electronic Commerce Operator (ECO), registered in the State of Gujarat.*	*10,50,000*
(iv)	*Stock transferred without consideration to branch of SSP Ltd. in Ahmedabad. Branch has a different GSTIN as it operates in a different segment.* *(The value of goods for such branch transfer can be taken as ₹ 3,50,000 as per Valuation Rules under the GST law)*	------

(v)	*Provided pure labour services of construction of single commercial unit located in Rajasthan not forming part of any residential complex to a customer in Jaipur (Rajasthan).*	*6,00,000*
	Inward transactions	***Amount (₹)***
(i)	*Fees paid to CA Vijay Jain, a practicing Chartered Accountant of Mumbai, not registered under GST.* *(₹ 2,00,000 for the statutory audit and ₹ 25,000 for certification work)*	*2,25,000*
(ii)	*On 02/10/2025, SSP Ltd. purchased taxable goods valued ₹ 15,00,000 from VXT Ltd., a registered person in State of Rajasthan. VXT Ltd. raised taxable invoice for ₹ 15,00,000. However, the SSP Ltd. paid only ₹ 14,50,000 to VXT Ltd. as full and final payment on 25/10/2025 and the supplier VXT Ltd. issued a commercial/ financial credit note of ₹ 50,000 on the same date of payment.*	*15,00,000*

Additional information:

(i) SSP Ltd. paid ₹ 75,000 as monthly rent to its full-time director Mr. Rajan Yadav, an unregistered person located in Ahmedabad (Gujarat) for using building owned by Mr. Rajan Yadav as Head Office of SSP Ltd. Mr. Rajan Yadav rented the building in his personal capacity.

(ii) Accountant of SSP Ltd. is of the view that since local delivery service of goods is provided as Goods Transport Agency, it is exempt. He is also of the view that, even if the supply is considered taxable, SSP Ltd. is not required to pay tax, since M/s B-Kart is a registered Electronic Commerce Operator (ECO), and M/s B-Kart will pay the tax under the Reverse Charge Mechanism (RCM).

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

(iv) All the conditions necessary for availing the input tax credit have been complied with and details of GST paid on inward supplies are available in GSTR 2B. There is an opening balance of CGST of ₹ 1,75,000 as input tax credit at the beginning of the month.

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

(vi) *Turnover for the previous financial year was ₹ 290 lakh.*

(vii) *Wherever details for determination of place of supply are not given in the question, it shall be taken as intra-State transaction.*

(viii) *Assume the applicable rates of GST for all outward and inward supplies are IGST 18%, CGST 9% and SGST 9%.*

Compute the minimum net GST liability of SSP Ltd. to be paid in cash if any, for the month of October 2025, after utilising input tax credit.

Note: Calculate GST for each point separately and legal explanations for each point should form part of the answer but detailed provision for place of supply is not required. ***(10 Marks)***

(b) *Kabira Industries (a proprietorship concern registered under GST) trades in taxable goods.*

Details for the month of July 2025 are as follows:

Sr. No.	**Particulars**	**Amount (₹)**
1	Total outward taxable supplies	53,00,000
2	Total inward supplies	48,00,000
3	Opening balance of electronic credit ledger	1,12,500

Additional information:

1. *Income tax paid by proprietor in financial year 2022-2023 and 2023-2024 was ₹ 90,000 and ₹ 1,20,000 respectively.*
2. *Input tax credit refund on export supplies without payment of tax of ₹ 1,05,000 was received in FY 2023-2024 & ₹ 83,000 in FY 2024-2025.*
3. *Tax liability and tax payment in cash for last 3 months are:*

Month	**GST payable on outward supply under forward charge (₹)**	**GST paid through cash ledger (₹)**
April 2025	3,60,000	5,500 (includes ₹ 1,000 RCM payment)

May 2025	*3,20,000*	*5,000 (includes ₹ 500 RCM payment)*
June 2025	*4,20,000*	*4,000*

4. *Inward supplies mentioned above are eligible for Input Tax Credit (ITC).*
5. *All the conditions necessary for availing ITC have been complied with.*
6. *GST to be calculated at the rate of 18%. Bifurcation of CGST, SGST and IGST to be ignored.*
7. *All inward and outward supply figures are exclusive of GST.*

Calculate maximum input tax credit (ITC) that can be utilized for payment of GST and net GST liability to be paid through electronic cash ledger for the month of July 2025 by Kabira Industries, considering the provisions of rule 86B of CGST Rules, 2017. ***(5 Marks)***

Answer

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

Particulars	Value (₹)	CGST (₹)	SGST (₹)	IGST (₹)
GST payable on forward charge				
Supply of goods to Mr. Kartik, unregistered person [Tax is payable on taxable supply only and not on exempted supply. Further, it is an intra-State supply.]	5,00,000 [6,00,000 -1,00,000]	45,000 [5,00,000 × 9%]	45,000 [5,00,000 × 9%]	-
Voucher issued to AVC Ltd. [Vouchers are not supply as they are neither supply of goods nor supply of services.]	50,000	-	-	-

Local delivery service provided through ECO - M/s B-kart)[1] [Even though local delivery services provided through an ECO are notified services, tax is not payable by ECO (M/s B-Kart) because supplier (SSP Ltd.) is registered. Thus, tax is payable by the supplier itself[2].	10,50,000	94,500 [10,50,000 x 9%]	94,500 [10,50,000 x 9%]	-
Stock transfer to Ahmedabad branch with different GSTIN [Since branch has a separate GSTIN, it is a distinct person. Thus, stock transfer to said branch without consideration also qualifies as supply. Further, it is an intra-State supply.]	3,50,000	31,500 [3,50,000 x 9%]	31,500 [3,50,000 x 9%]	-
Pure labour construction service for commercial unit	6,00,000	-	-	1,08,000 [6,00,000 x 18%]

[1] *Services by way of transportation of goods are exempt under GST. However, this exemption shall not apply to local delivery services provided by an Electronic Commerce Operator.*

[2] *The question clearly states that wherever details required to determine the place of supply are not given, the transaction should be treated as an intra-State supply. Since the recipient's location for the local delivery services is not provided in question, it is an intra-State supply.*

[Pure labour services are exempt only when provided for construction of a single residential unit not forming part of residential complex. Since in the given case, pure labour services are being provided for construction of a commercial unit, same is not exempt. Further, it is an inter-State supply]				
Total output tax liability		**1,71,000**	**1,71,000**	**1,08,000**
Less: Total eligible ITC [Refer working note]				
IGST credit is first set off against IGST liability and then against SGST liability since CGST has opening balance of ITC.			(1,62,000)	(1,08,000)
CGST and SGST credit is set off against the CGST and SGST liability respectively.		(1,71,000)	(6,750)	
Net GST payable		**Nil**	**2,250**	**Nil**
Add: GST payable under reverse charge [Tax payable under reverse charge, being not an output tax, cannot be set off against ITC and has to be paid in cash.]				
Rent paid for office building	75,000	6,750	6,750	-

[Since commercial immovable property has been rented out by unregistered person to registered person, tax is payable under reverse charge.]				
Minimum GST liability to be paid in cash		**6,750**	**9,000**	**Nil**

Working Note:

Computation of total ITC available for set off:

Particulars	**Value (₹)**	**CGST (₹)**	**SGST (₹)**	**IGST (₹)**
Opening Balance		1,75,000	-	-
Fees paid to practicing Chartered Accountant [Since supplier is not registered, no GST would have been charged and thus, no ITC is available. Further, tax on CA services is not payable under reverse charge even if supplier is unregistered.]	2,25,000	**-**	**-**	**-**
Purchase of taxable goods from VXT Ltd. [Full ITC is available since commercial/financial credit note issued does not reduce the GST liability. Further, it is an inter-State supply.]	15,00,000	-	-	2,70,000 [15,00,000 x 18%]

Rent paid for office building[3] [Since commercial immovable property has been rented out by unregistered person to registered person, tax is payable under reverse charge and ITC on same is available. It is an intra-State supply,]	75,000	6,750 [75,000 x 9%]	6,750 [75,000 x 9%]	-
Total input tax credit[4] available		**1,81,750**	**6,750**	**2,70,000**

(b) Computation of GST on outward supplies

Particulars	Amount (₹)
GST on outward taxable supplies for July 2025	**9,54,000** [53,00,000 x 18%]

Computation of amount available in electronic credit ledger

Opening balance available in electronic credit ledger	1,12,500
ITC on total inward supplies [₹ 48,00,000 x 18%]	8,64,000
Total amount available in electronic credit ledger	**9,76,500**

It is important to note that where value of taxable supply of a registered person in a month exceeds ₹ 50 lakh, he cannot use the amount available in its electronic credit ledger to discharge the output tax liability beyond

[3] *Since director, Mr. Rajan Yadav, has provided services of renting of immovable property to the company - SSP Ltd. – in his personal capacity, reverse charge provisions are not applicable under Entry 6 of Notification No. 13/2017 CT (R) dated 28.06.2017. However, reverse charge provisions are applicable under Entry 5AB.*

[4] *Although SSP Ltd. has made exempt supplies, full credit is admissible for set-off since it has been provided in question that all inward supplies are used only for outward taxable supply.*

99% of output tax liability. Above restriction is not applicable subject to specified exceptions.

However, in the given case, these exceptions will not be applicable since:

(1) income tax paid in one of the last 2 financial years is not more than ₹ 1 lakh.

(2) ITC refund on exports made without payment of tax in preceding financial year is not more than ₹ 1 lakh.

(3) amount of output tax liability discharged in cash till June

= ₹ 13,000 [₹ 4,500 (₹ 5,500 -₹ 1,000) + ₹ 4,500 (₹ 5,000- ₹ 500) + ₹ 4,000]

1% of total output tax liability, applied cumulatively, upto July month in the current financial year

= ₹ 20,540 [₹ 20,54,000 (3,60,000+3,20,000+4,20,000+9,54,000) × 1%]

Thus, amount of output tax liability discharged in cash does not exceed 1% of the total output tax liability, applied cumulatively, upto the said month in the current financial year.

Hence, rule 86B will be applicable in given case since such exceptions are not applicable in the given case:

Accordingly, for the month of July 2025:

(i) Maximum input tax credit (ITC) that can be utilized for payment of GST

= ₹ 9,44,460 [9,54,000 x 99%]

(ii) Net GST liability to be paid through electronic cash ledger

= ₹ 9,540 [9,54,000 x 1%]

Question 6

(a) BVG Ltd., a registered supplier of Bengaluru (Karnataka), is a manufacturer and trader of goods. Following information has been provided by BVG Ltd. pertaining to GST on inward supplies during the month of October 2025:

Sr. No.	***Particulars***	***GST (₹)***
(i)	*Purchased raw material which has been used for zero rated supply.*	*70,000*

(ii)	*Works contract service for making foundation and structural support to plant and machinery which has been capitalised in the books.*	*10,250*
(iii)	*Purchase of raw material from M/s. Amber Enterprises Pvt. Ltd., registered in the State of Punjab.* *(It includes the GST of ₹ 40,000 on raw material purchased on 15-03-2025, but the invoices were uploaded in GSTR-1 on 27-10-2025 and such details were communicated to the recipient in Form GSTR-2B.)*	*4,00,000*
(iv)	*Purchased a new truck from a dealer in Bengaluru (Karnataka) for transport of raw material. BVG Ltd. claimed depreciation under the Income-tax Act, 1961 on the value of new truck purchased including all applicable taxes.*	*12,00,000*
(v)	*BVG Ltd. ordered 3 independent orders for tools to be used in repair of machine to ABG Ltd which consists GST of ₹ 1,00,000 for each order, the tools will be delivered in various lots. However, out of these 3rd orders, tools for 2 orders were delivered in the month of October 2025 whereas 50% of the tools for the 3rd order had been delivered in the month of October 2025 and remaining 50% were delivered in the month of November 2025, although GST had already been paid for all orders.*	*3,00,000*

Other information:

All the above inward supplies except at Sr. No. (i) above have been used in the manufacture of taxable goods. Inward supplies at Sr. No. (i) above have been used in the manufacture of exempt goods.

Annual return for the financial year 2024-25 has been filed on 25/10/2025.

Ignore the bifurcation of the CGST, SGST and IGST.

Subject to the information given above, assume that all the other conditions necessary for availing ITC have been complied with.

Compute the amount of total eligible Input Tax Credit (ITC) that can be availed by BVG Ltd. in the month of October 2025, with necessary explanations for the treatment of each item separately as per the provisions of the GST Law. ***(5 Marks)***

(b) Sky Airways Pvt Ltd. (referred as SAPL), operating Sky Airlines, registered under GST in Chennai, Tamil Nadu, reported following supplies:

(1) Ravi, an unregistered person from Mumbai (Maharashtra), booked a round-trip ticket from Delhi to Jaipur on 07.04.2025 for a consolidated payment.

(2) On booking ticket, Ravi entered into the Silver Tier of the SAPL which unlocked a concessional ticket which could be used by him in future for travel between any two domestic locations.

(3) While his journey back from Jaipur to Delhi, Ravi paid to SAPL (Sky Airlines) for watching a movie.

You are required to determine place of supply for above supplies. ***(5 Marks)***

Answer

(a) Computation of total eligible ITC that can be availed by BVG Ltd.

Particulars	**Amount of eligible ITC (₹)**
Raw material used for zero-rated supply	70,000
Works contract service [Plant and machinery includes foundation and structural support to it. Thus, in given case, ITC on works contract services availed for construction of plant and machinery is allowed.]	10,250
Purchase raw material from Amber Enterprises Pvt. Ltd. [ITC on an invoice can be availed only upto earliest of: 30th November of subsequent financial year or Date of filing the annual return, i.e. 25.10.2025, in given case.	3,60,000

Since the invoice of GST of ₹ 40,000 of raw material purchased on 15-03-2025 is uploaded in GSTR-1 after 25.10.2025, ITC on said invoice is not allowed.]	
Purchase of new truck for transport of raw material [Since depreciation has been claimed under the Income-tax Act, 1961 on GST component of the truck, ITC of same is not allowed.]	Nil
Tools purchased under 3 independent orders [In October, ITC is admissible only for two orders that were fully received and not on third order since 50% of third order (second lot) was delivered in the month of November and ITC is available only upon receipt of final lot/installment.]	2,00,000
Total eligible ITC	**6,40,250**

(b) The place of supply of passenger transportation service to an unregistered person, is the place where the passenger embarks on conveyance for a continuous journey. The return journey shall be treated as a separate journey.

Accordingly, place of supply

(i) For onward journey/Delhi to Jaipur is Delhi and

(ii) For return journey/Jaipur to Delhi is Jaipur

The place of supply for unregistered recipient of concessional ticket that could be used for future travel is address/location of the recipient as per the records of the supplier of services and where such address is not available, the place of supply shall be location of the supplier of services.

In case that address of Ravi is available in the records of SAPL, place of supply is Mumbai, Maharashtra. However, if the address of Ravi is not available in the records of SAPL, place of supply is Chennai, Tamil Nadu.

Where the services are supplied on board a conveyance, including an aircraft, the place of supply shall be the first scheduled point of the departure of the conveyance

So, the place of supply for services of watching the movie is Jaipur.

Question 7

(a) HIM Corporation, a public sector undertaking registered under section 51(1)(d) of the CGST Act, 2017 in Shimla (Himachal Pradesh) for deduction of tax at source, provided the following details regarding payment of bills during the month of May 2025:

Sr. No.	Particulars	Value of supply (₹)
1	*Hilux Traders, registered in the State of Himachal Pradesh, for supply of lab equipment.*	*2,45,000*
2	*Arun, labour contractor registered in the State of Himachal Pradesh, for supply of manpower.*	*2,60,000*
3	*Adhunik Heavy Electricals, a registered public sector undertaking registered in Raipur (Chhattisgarh), for supply of goods.*	*3,80,000*
4	*Jain & Sons registered in Ludhiana (Punjab):*	
	(a) for providing rights to use space for hoarding mounted on the ground in the State of Himachal Pradesh	*4,20,000*
	(b) for providing rights to use space for hoarding mounted on the ground in Chandigarh (Punjab)	*3,00,000*

Additional information:

1. *All the amounts given are exclusive of GST.*
2. *Rate of GST for goods supplied by Adhunik Heavy Electricals is IGST 5%, CGST 2.5%, SGST 2.5%. For all other transactions, rate of GST is IGST 18%, CGST 9%, SGST 9%*

Calculate the amount of tax deducted at source (TDS) to be deposited by HIM Corporation for the month of May 2025. ***(5 Marks)***

(b) Reproduce the list of additional accounts and records to be maintained by the person executing works contract under the provisions of rule 56(14) of the CGST Rules, 2017. ***(5 Marks)***

Answer

(a) Computation of TDS to be deposited by HIM Corporation

Particulars	**Value of supply (₹)**	**TDS to be deposited**		
		CGST (₹)	**SGST (₹)**	**IGST (₹)**
Payment to Hilux Traders [Since total contract value of taxable supply does not exceed ₹ 2,50,000, TDS is not deductible]	2,45,000	-	-	-
Payment to Arun [TDS is deductible @ 1% each under CGST & SGST, since total contract value of taxable supply exceeds ₹ 2,50,000 and it is an intra-State supply since location of supplier and place of supply (being location of recipient) is Himachal Pradesh.]	2,60,000	2,600	2,600	-
Payment to Adhunik Heavy Electricals [No TDS is deductible since the supply has been made by a PSU to another PSU]	3,80,000	-	-	--
Payment to Jain & Sons (a) For providing right to use hoarding space in Himachal Pradesh [TDS is deductible @ 2% under IGST since the contract value exceeds ₹ 2,50,000 and it is an inter-State supply since place of supply being the location where the hoardings are located is Himachal	4,20,000			8,400

Pradesh while location of supplier is Punjab.] (b) For providing right to use hoarding space in Punjab [No TDS is deductible, since location of the supplier (Punjab) and the place of supply (being the location where the hoardings are located, i.e. Punjab) is in a State which is different from the State of registration of the recipient (Himachal Pradesh).]	3,00,000	--	--	--
Total amount of TDS to be deposited		**2,600**	**2,600**	**8,400**

(b) Additional accounts and records to be maintained by the person executing works contract are as follows:

1. Names of the persons on whose behalf works contract is executed
2. Addresses of persons on whose behalf works contract is executed
3. Description, value and quantity (wherever applicable) of goods/services received for the execution of works contract
4. Description, value and quantity (wherever applicable) of goods/services utilized in the execution of works contract
5. Details of payment received in respect of each works contract
6. Names of suppliers from whom he received goods or services.
7. Addresses of suppliers from whom he received goods or services.

Question 8

(a) Expand the meaning of "Specified Actionable Claims" as per the provisions of section 2(102A) of the CGST Act, 2017. Explain the treatment of specified actionable claims and other actionable claims under the CGST Act, 2017.

(5 Marks)

(b) *As per the explanation to section 31 of the CGST Act, 2017, the expression "tax invoice" shall include any revised tax invoice issued by the supplier in respect of a supply made earlier.*

With reference to the above explanation and as per the provisions of section 31(3)(a) of the CGST Act, 2017 and rule 53 of the CGST Rules, 2017:

(i) Describe the condition under which revised tax invoice can be issued.

(ii) Whether registered person is required to issue consolidated revised tax invoice in respect of taxable supplies made to an unregistered person.

(5 Marks)

OR

(b) *Section 44(1) of the CGST Act, 2017 provides that the Commissioner may on the recommendations of the Council, by notification, exempt any class of registered persons from filing annual return.*

(i) In accordance with provisions of section mentioned above, list out the registered persons who are exempt or not required to file annual return.

(ii) Mention the due date by which annual return is required to be filed for a financial year. ***(5 Marks)***

Answer

(a) Specified actionable claims means the actionable claim involved in or by way of:

(i) betting;

(ii) casinos;

(iii) gambling;

(iv) horse racing;

(v) lottery; or

(vi) online money gaming.

Treatment of specified actionable claims and other actionable claims under the CGST Act, 2017: Only specified actionable claims are considered as supply and are taxable under GST. Actionable claims, other than specified actionable claims, are neither supply of goods nor supply of services since they are covered under negative list under Schedule III of the CGST Act, 2017.

(b) (i) A person who applies for registration within 30 days of becoming liable for registration and registration is granted, the effective date of registration is the date on which the person became liable for registration. Thus, there would be a time lag between the date of grant of certificate of registration and the effective date of registration. For supplies made by such person during this intervening period, the law enables the issuance of revised invoice(s).

(ii) Yes, in the following cases consolidated revised tax invoice is required for supply to unregistered person.

A Consolidated Revised Tax Invoice may be issued in respect of all taxable supplies made to an unregistered recipient during aforesaid period.

However, in case of inter-State supplies where the value of supply does not exceed ₹ 2.5 lakh, a consolidated revised invoice may be issued separately in respect of all unregistered recipients located in a State. Otherwise, a recipient-wise consolidated revised invoice may be issued.

(b) Alternative

(i) Following persons are exempt or not required to file annual return:

1. Casual taxable persons (CTP)
2. Non-resident taxable person (NRTP)
3. Input service distributors (ISD)
4. Persons authorized to deduct tax at source (TDS) under section 51.
5. Persons authorized to collect tax at source (TCS) under section 52.
6. A registered person whose aggregate turnover is up to ₹ 2 crore in any financial year from 2024-25 onwards.

(ii) The annual return for a financial year needs to be filed by 31st December of the next financial year.