

PAPER – 3 : TAXATION

Part I – Multiple Choice Questions

Case Scenario -I

Reenu, a resident individual aged 48 years, owns 2 flats (A and B) in Hyderabad. She lives in flat A and gave flat B to her in-laws for their residential purposes. She does not charge any rent from them. In the month of April 2024, she entered into an agreement to buy flat C from a builder in the same area as her other flats are situated. In the month of September 2024, she took possession of flat C and started spending her weekends there after paying a token amount of ₹ 11,000 to the builder. However, flat C is still not registered in her name. All the three flats are identical in size and other aspects.

She had one more flat D which was let out at a monthly rent of ₹ 45,000 to Mr. Shubh during the financial year 2021-22 (from 01.04.2021 to 31.03.2022). Mr. Shubh did not pay rent for 3 months. Reenu sold the flat on 31.03.2024.

She owned 5,000 shares of PQR Ltd. (listed on a recognised stock exchange in India), an Indian company which were acquired on 01.02.2022 for ₹ 180 per share. On 01.01.2025, the company bought 2,000 shares back from her and paid ₹ 420 per share to Reenu.

Based on the above facts, answer the following multiple choice questions 1 to 3:

1. Which of the following statements is correct as far as the taxability of income from house property is concerned?
 - (A) Any two flats (of her choice) will be treated as self-occupied whereas the third flat will be treated as deemed to be let out.
 - (B) One flat (of her choice) will be treated as self-occupied whereas the other two flats will be treated as deemed to be let out.
 - (C) Flat A will be treated as self-occupied, flat B will be treated as deemed to be let out and flat C will not have any impact on her income as the flat is not yet registered in her name.
 - (D) All three flats will be treated as self-occupied.

(2 Marks)

2. Assume Shubh pays the arrear rent to Reenu on 28th June 2024. What shall be the treatment of such rent received if she had to spend ₹5,000 for such collection?

(A) ₹1,30,000 shall be taxable in the hands of Reenu as income from other sources in the P.Y. 2024-25 as she is not the owner of the flat anymore.

(B) Nothing shall be taxable in the hands of Reenu as she is not the owner of the flat anymore.

(C) ₹94,500 shall be taxable in the hands of Reenu as income from house property in the P.Y. 2024-25, even if she is not the owner of the flat anymore.

(D) ₹89,500 shall be taxable in the hands of Reenu as income from house property in the P.Y. 2024-25, even if she is not the owner of the flat anymore. **(2 Marks)**

3. Which of the following statements is correct as far as the taxability of buy-back of shares by PQR Ltd. is concerned? (Cost Inflation Index: F.Y. 2021-22:317; F.Y. 2024-25:363)

(A) ₹8,40,000 will be treated as deemed dividend in the hands of Reenu.

(B) PQR Ltd. shall be liable to pay ₹1,95,686 as additional income-tax and the income arising in respect of such buy-back shall be exempt in the hands of Reenu.

(C) ₹4,80,000 will be treated as long-term capital gains in the hands of Reenu and it will be taxable at the rate of 12.5% after deducting ₹1,25,000 from the LTCG.

(D) ₹4,80,000 will be treated as deemed dividend in the hands of Reenu. **(2 Marks)**

Case Scenario - II

Sudipto, a resident individual aged 54 years, gifted shares of an Indian company listed on a recognised stock exchange in India, to his friend Shantu to help him financially on 01.04.2024. The gift deed states that the shares will be transferred back to Sudipto in the event of death of Shantu. The FMV of the shares on the date of transfer was ₹54,00,000. Shantu received a gross dividend of ₹4,50,000 on these shares during the F.Y. 2024-25.

Sudipto is engaged in the business of retail trade as proprietor. During the F.Y. 2021-22, he paid ₹ 25,000 p.m. to his wife, Swati as salary, being the marketing in-charge. Swati does not have any professional qualification or experience for the job. This income was clubbed in the hands of Sudipto as per clubbing provisions in the F.Y. 2021-22. Swati started her MBA studies and did not get any salary from 01.04.2022 to 01.12.2024. She completed her MBA (Marketing) course on 01.12.2024 and again joined her husband's business and started getting ₹ 55,000 p.m. as salary which is as per the market norms.

During the F.Y. 2024-25, Sudipto paid ₹ 54,000 as medical insurance premium by way of an account payee cheque for his senior citizen parents who are non-residents.

Based on the above facts, answer the following multiple choice questions 4 to 6:

4. *Assume other incomes of Sudipto and Sharu is ₹ 55 lakhs and ₹ 11 lakhs, respectively. Which of the following statements is correct in this respect?*
 - (A) *Dividend income shall be clubbed in the hands of Sudipto as this is a case of transfer of asset without adequate consideration.*
 - (B) *Dividend income shall be taxable in the hands of Sharu as clubbing provisions will not apply in this case.*
 - (C) *Dividend income shall be taxable in the hands of Sudipto as his income other than dividend is higher than that of Sharu.*
 - (D) *Dividend income is exempt from taxation.* **(2 Marks)**
5. *Which of the following statements is correct as far as clubbing of salary of Swati for the F.Y. 2024-25 is concerned ?*
 - (A) *Salary of Swati will continue to be clubbed in the hands of Sudipto till the assessing officer is satisfied.*
 - (B) *Salary of Swati will be taxed in her hands as now she has the required qualification for the job.*
 - (C) *Salary of Swati will be taxed in the hands of Sudipto or Swati whose income before such salary is higher.*
 - (D) *As a part of tax planning, Swati has the option to decide in whose hands the salary will be taxable to minimise the overall tax liability.* **(2 Marks)**

6. *What shall be the amount of deduction under section 80D in the hands of Sudipto assuming he has opted out of the default tax regime?*

(A) ₹54,000
(B) ₹25,000
(C) NIL
(D) ₹50,000 **(2 Marks)**

7. *Ravi, an Indian resident, bought an overseas tour package from Kartik, also a resident Indian and a seller of overseas tour programmes, and paid ₹7 lakhs as cost. He also remitted ₹ 12 lakhs to USA under Liberalised Remittance Scheme of RBI for the purpose of investment in USA share market via Jones, a resident authorized dealer. What shall be the aggregate amount of tax to be collected at sources from the remittances/payments made by Ravi?*

(A) ₹35,000
(B) ₹1,35,000
(C) ₹95,000
(D) ₹60,000 **(2 Marks)**

8. *A.P. & Sons HUF is controlled by Amarendra, the Karta of the HUF. Amarendra (an Indian citizen) stays in country T and regularly visits India. During the F.Y. 2024-25, he visited India for 190 days and managed the affairs of the HUF.*

During the immediately preceding 5 years, he visited India for 70 days each year and prior to that he was in India for 185 days in every year. Residential status of A.P. & Sons HUF for the assessment year 2025-26 is:

(A) *Resident and ordinarily resident because Karta of the HUF is an resident and ordinarily resident.*
(B) *Non-resident because Karta of the HUF is a non-resident.*
(C) *Non-resident because control and management of its affairs is partly managed from outside India.*

(D) Resident because control and management of its affairs is partly managed from India and not ordinarily resident because the status of the Karta is resident but not ordinarily resident. **(1 Mark)**

Case Scenario - III

Mahadev Housing Society (MHS) is registered under GST in Lucknow, Uttar Pradesh. The society has in all 200 flats and 20 shops as under

| Block | Type | Units (nos.) |
|-------|------------|--------------|
| A | 3BHK Flats | 50 |
| B | 4BHK Flats | 50 |
| C | 3BHK Flats | 50 |
| D | 4BHK Flats | 50 |
| E | Shops | 10 |
| F | Shops | 10 |

The society received/paid the following amounts in the month of January, 2025:

| S. No. | Particulars | Amount for each unit of a 3BHK flat (₹) | Amount for each unit of a 4BHK flat (₹) |
|--------|---|---|---|
| 1 | Maintenance charges collected (including property tax ₹ 1,000 for a 3BHK flat and ₹ 1,500 for a 4BHK flat collected on behalf of the Municipal Corporation) | 8,000 | 10,000 |

Additional information:

- (i) Maintenance charges collected from each shop is ₹ 7,000 during the month.
- (ii) Interest ₹ 75,000 received on fixed deposit with a nationalized bank.
- (iii) 4 generators each costing ₹ 1,00,000 were purchased from a registered supplier for power backup of the blocks, of which 2 were installed for 3BHK blocks and 2 for 4BHK blocks. The amount capitalised in the books but no depreciation charged.

(iv) Pipes and other sanitary fittings costing ₹25,000 were purchased for Block A from a registered supplier and debited in the Profit and Loss account.

(v) 3 members own 2 units (flats) each of the 3BHK type.

(vi) All inward and outward supplies are Intra-State supplies.

(vii) Ignore the effect of common credit, if any.

Assume that all conditions necessary for claiming Input Tax Credit (ITC) were complied with and not claimed any depreciation on any assets.

All the figures given are exclusive of GST wherever applicable.

Assume rate of CGST @ 9%, SGST @ 9% and IGST @ 18% on all inward and outward supplies wherever applicable.

Based on the facts of the case scenario given above, choose the most appropriate answer for the following question no. 9 to 11:

9. The total value of exempted outward supply of the society for the month of January, 2025 is

(A) ₹11,65,000
(B) ₹10,90,000
(C) ₹10,25,000
(D) ₹7,75,000 **(2 Marks)**

10. The amount of Input Tax Credit (ITC) that the society can avail for the month of January, 2025 is

(A) ₹2,250 CGST and ₹2,250 SGST
(B) ₹18,000 CGST and ₹18,000 SGST
(C) ₹36,000 CGST and ₹36,000 SGST
(D) ₹38,250 CGST and ₹38,250 SGST **(2 Marks)**

11. The gross GST liability (before reduction of ITC) for the month of January, 2025 is

(A) ₹76,500 CGST and ₹76,500 SGST

(B) ₹89,100 CGST and ₹89,100 SGST
(C) ₹1,02,600 CGST and ₹1,02,600 SGST
(D) ₹1,52,100 CGST and ₹1,52,100 SGST

(2 Marks)

Case Scenario - IV

Raghu Impex Limited, registered in the State of Uttar Pradesh was involved in supplying stationery items pan India basis. The company did not opt for registration under GST. The proper officer of GST based on enquiry finds that the company is liable for registration and he registers it on temporary basis on 21.01.2023.

The company made the following outward supplies of printing materials in the month of February, 2025:

- (i) to Telangana State Agriculture Department for an invoice value of ₹2,60,400 inclusive of GST @ 5%, delivering at Hyderabad, Telangana State.
- (ii) to UPGST, State GST Department for an invoice value of ₹2,80,000 inclusive of GST @ 12%, delivering at Noida, in the State of Uttar Pradesh.
- (iii) to Delhi Transport Corporation, Government owned transport corporation registered in the Union Territory of Delhi for supply to its Central Stores located in Ghaziabad, in the State of Uttar Pradesh, for an invoice value of ₹2,97,360 inclusive of GST @ 18%.

In the month of September, 2024 company found that while issuing invoice to a customer, the company erroneously charged higher value by ₹ 52,000. Such invoice was issued on 31.03.2024. Company issued the credit note on 01.10.2024. The company filed relevant annual return on 15.06.2025 and return for the month of September 2024 and October 2024 were filed on 31.10.2024 & 19.11.2024 respectively.

Based on the facts of the case scenario given above, choose the most appropriate answer for the following question no. 12 to 14:

12. On getting temporary registration, Raghu Impex Limited needs to apply for registration upto _____.

(A) 20.02.2023
(B) 22.03.2023

(C) 21.04.2023
(D) 21.05.2023 **(2 Marks)**

13. *In respect of printing materials supplied in the month of February 2025, the company shall be subjected to a total GST TDS of ₹____, ignoring bifurcation as CGST & SGST/IGST.*
(A) NIL
(B) 5,000
(C) 5,040
(D) 10,040 **(2 Marks)**

14. *What is the maximum time limit available for declaring the details of the such credit note in the GST return with respect of said transaction?*
(A) 30.11.2024
(B) 31.10.2024
(C) 19.11.2024
(D) 15.06.2025 **(2 Marks)**

15. *Mr. Anant an unregistered person rented his commercial building to M/s ABC and Co., a registered partnership firm under GST in the state of Tamil Nadu. For the month of November, 2024 the firm paid rent (by NEFT) on 29th November, 2024 whereas the invoice was issued by Mr. Anant in advance on 25th November, 2024. The time of supply for the purpose of payment of GST for the above transaction will be _____, if payment entered in the books of firm on 29th November, 2024.*
(A) 25th November, 2024
(B) 25th January, 2025
(C) 26th December, 2024
(D) 29th November, 2024 **(2 Marks)**

16. *Nilanchol Chamber of Commerce organised a business summit. Safal Private Limited, a registered manufacturer of readymade garments, sponsored the summit and paid a sponsorship fee of ₹ 1,50,000 to Nilanchol Chamber of Commerce. Mr. Godbole, an independent director of Safal Private Limited,*

provided the taxable services worth ₹ 40,000 to the Safal Private Limited in the capacity of director in this regards. The total value on which Safal Private Limited is liable to pay GST (as per provision applicable till 28th February 2025) is _____.

- (A) ₹ 1,50,000
- (B) ₹ 1,90,000
- (C) ₹ 40,000
- (D) NIL

(1 Mark)

Answer Key

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

Part II – Descriptive Questions**SECTION A: INCOME TAX LAW**

Question No. 1 is compulsory.

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

Working notes should form part of the respective answers.

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

Question 1

Mr. Ram, a resident individual aged 58 years, is engaged in the manufacturing of textile items. Statement of Profit and Loss shows a net profit (after depreciation but before tax) of ₹ 52,00,000 for the financial year ended 31st March, 2025 after debiting/crediting the following items:

- (i) *Depreciation as per Income-tax Rules: ₹ 28,00,000 including additional depreciation on new plant & machinery of ₹ 1,50,000.*
- (ii) *Interest amounting to ₹ 2,10,000 for short payment of advance tax as per section 234B relating to the assessment year 2024-25.*
- (iii) *₹ 3,50,000 paid to a contractor for carrying out whitewash work at factory premises. Tax was not deducted at source on this payment and the contractor did not file his return of income for the relevant PY.*
- (iv) *Contribution to Prime Minister National Relief Fund - ₹ 3,00,000 paid by way of cheque.*
- (v) *Expenditure towards advertising charges in a brochure of a political party registered under section 29A of Representation of the People Act, 1951 - ₹ 40,000 paid by way of cheque.*
- (vi) *Interest on term loans obtained from a co-operative bank not paid before the due date of filing of return of income - ₹ 2,60,000.*
- (vii) *Contribution towards pension scheme of employees - ₹ 1,50,000. The eligible salary and dearness allowance for the pension scheme referred to under section 80CCD is ₹ 10,00,000.*
- (viii) *Industrial power tariff concession of ₹ 2,50,000 received from the Central Government.*

(ix) *Interest from banks on fixed deposits (gross) - ₹ 1,50,000*

(x) *Cash gift from father - ₹ 90,000*

Additional Information:

- (i) *Expenditure pertaining to previous financial year (F.Y. 2023-24) was allowed on due basis, but paid in current financial year in cash on 18.01.2025: ₹ 35,000*
- (ii) *Audit fee for the previous year 2023-24: ₹ 75,000. TDS deducted but not deposited in the relevant previous year. However, TDS was deposited on 31.12.2024.*

You are required to compute the total income and tax liability of Mr. Ram under both the taxation regimes (normal as well as under section 115BAC) and suggest the one which is more beneficial to him. Ram prepares his accounts on mercantile basis.

Cost Inflation Index for F.Y. 2021-22: 317; F.Y. 2024-25: 363.

Answer

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

| | Particulars | ₹ | ₹ |
|----------|--|-----------|---|
| I | Profits and gains from business or profession | | |
| | Net profit as per Statement of Profit and Loss | 52,00,000 | |
| | Add: Items of expenditure not allowable while computing business income | | |
| | - Additional depreciation [Not allowable under default tax regime] | 1,50,000 | |
| | - Interest u/s 234B on short payment of advance tax [Not allowed] | 2,10,000 | |
| | - Payment to contractor without deduction of TDS [30% of | 1,05,000 | |

| | | | | |
|--|--|---------------|------------------|--|
| | payment made to contractor is disallowed under section 40(a)(ia) since tax was not deducted at source and contractor did not file his return of income] | | | |
| - | Contribution to Prime Minister Relief Fund [Disallowed since it is not wholly and exclusively incurred for business purpose] | 3,00,000 | | |
| - | Advertising charges in a brochure of a political party [Disallowed under section 37(2B)] | 40,000 | | |
| - | Interest on term loan to co-operative bank [Disallowed under section 43B, since interest is not paid before due date of filing of return of income] | 2,60,000 | | |
| - | Contribution towards pension scheme of employees [14% of salary and dearness allowance is allowed as deduction in respect of contribution towards pension scheme. Accordingly, excess contribution of ₹ 10,000, being ₹ 1,50,000 – ₹ 1,40,000 (14% of ₹ 10 lakhs) is disallowed] | <u>10,000</u> | <u>10,75,000</u> | |
| | | | 62,75,000 | |
| <i>Less: Items of income to be treated separately under the respective head of income</i> | | | | |
| - | Industrial power tariff concession received from Central Government [Any assistance in the form of concession received from the Central Government would be treated as income. Since it is already credited to statement of | - | | |

| | | | | |
|-----------|---|---------------|-----------------|---------------|
| | profit and loss, no adjustment is required] | | | |
| | - Interest from banks on fixed deposits [Taxable or otherwise under the head "Income from Other Sources"] | 1,50,000 | | |
| | - Cash gift from father [Taxable or otherwise under the head "Income from Other Sources"] | <u>90,000</u> | <u>2,40,000</u> | |
| | | 60,35,000 | <u>35,000</u> | |
| | Add: Disallowance under section 40A(3A) for aggregate cash payment exceeding ₹ 10,000 in a single day which was allowed in the P.Y. 2023-24 on due basis | | 60,70,000 | <u>22,500</u> |
| | Less: 30% of ₹ 75,000, representing audit fees for the P.Y. 2023-24 for which tax was deducted but not deposited would have been disallowed while computing deduction for P.Y. 2023-24. Since the tax is deposited in P.Y. 2024-25, ₹ 22,500 would be allowable as deduction in the A.Y. 2025-26 | | | 60,47,500 |
| II | Income from Other Sources | | | |
| | Interest from banks on fixed deposits | 1,50,000 | | |
| | Cash gift from father [Cash gift received from father, being a relative is not taxable] | <u>—</u> | <u>1,50,000</u> | |
| | Gross Total Income | | | 61,97,500 |

| | | |
|---|------------------|------------------|
| Less: Deduction under section 80G [Not allowable under default tax regime] | | Nil |
| Total Income | | 61,97,500 |
| Tax on ₹ 61,97,500 | | |
| Upto ₹ 3,00,000 | Nil | |
| ₹ 3,00,000 – ₹ 7,00,000 [₹ 4 lakhs @5%] | 20,000 | |
| ₹ 7,00,000 – ₹ 10,00,000 [₹ 3 lakhs @10%] | 30,000 | |
| ₹ 10,00,000 – ₹ 12,00,000 [₹ 2 lakhs @15%] | 30,000 | |
| ₹ 12,00,000 – ₹ 15,00,000 [₹ 3 lakhs @20%] | 60,000 | |
| ₹ 15,00,000 – ₹ 61,97,500 [₹ 46,97,500 @30%] | <u>14,09,250</u> | |
| | | 15,49,250 |
| Add: Surcharge @10% [Since total income exceeds ₹ 50 lakhs but does not exceed ₹ 1 crore] | | <u>1,54,925</u> |
| | | 17,04,175 |
| Add: HEC@4% | | <u>68,167</u> |
| Tax liability | | 17,72,342 |
| Tax liability (Rounded off) | | 17,72,340 |

Computation of total income and tax liability of Mr. Ram for A.Y. 2025-26 under the optional tax regime of the Income-tax Act, 1961

| Particulars | ₹ | ₹ |
|--|---|-----------------|
| Gross Total Income/ Total Income as per default tax regime u/s 115BAC | | 61,97,500 |
| Less: Additional depreciation | | <u>1,50,000</u> |
| Gross Total Income as per optional tax regime | | 60,47,500 |

| | | |
|--|------------------|------------------|
| Less: Deduction under Chapter VI-A | | |
| Deduction under section 80G | | |
| Contribution to Prime Minister Relief Fund | | 3,00,000 |
| Deduction under section 80GGC – Expenditure towards advertising charges in a brochure of a political party incurred by an individual not allowed as deduction | | Nil |
| Total Income | | 57,47,500 |
| Tax on ₹ 57,47,500 | | |
| Upto ₹ 2,50,000 | | Nil |
| ₹ 2,50,000 – ₹ 5,00,000 [₹ 2.50 lakhs @5%] | 12,500 | |
| ₹ 5,00,000 – ₹ 10,0000 [₹ 5 lakhs @20%] | 1,00,000 | |
| ₹ 10,00,000 – ₹ 57,47,500 [₹ 47,47,500 @30%] | <u>14,24,250</u> | |
| | | 15,36,750 |
| Add: Surcharge @10% [Since total income exceeds ₹ 50 lakhs but does not exceed ₹ 1 crore] | | <u>1,53,675</u> |
| | | 16,90,425 |
| Add: HEC@4% | | <u>67,617</u> |
| Tax liability | | 17,58,042 |
| Tax liability (Rounded off) | | 17,58,040 |
| Since the tax liability of Mr. Ram under optional tax regime is lower than the tax liability computed under section 115BAC, it would be beneficial for him to opt out of the default tax regime under section 115BAC for A.Y. 2025-26. | | |

Question 2

(a) *Swetha, a citizen of India, is a chartered accountant. She is a working partner in Swetha and Varun Associates, which was set up in Chennai, India. She visits foreign country A quite often and provides accounting services to corporates there in her individual capacity. In country A, she is not subject to any income tax. The details of her income for the financial year 2024-25 is as follows:*

(i) *Remuneration from her CA firm in India (amount received in India) - ₹ 16 lakhs (Deductible while computing the income of the firm)*

- (ii) *Income received from providing accounting services in country A (received in a bank account in country A) - ₹5 lakhs*
- (iii) *Dividend (from companies incorporated in country A and received in a bank account in country A)- ₹8 lakhs*
- (iv) *Income from a business in country A which was set up in country A but is controlled from Chennai, India (received in country A) - ₹7 lakhs*

Ascertain her residential status (briefly explaining relevant provisions) along with the taxability of income for the assessment year 2025-26 in the following independent situations:

- (i) *She did not visit India during the F.Y. 2024-25.*
- (ii) *She visits and stays in India for 200 days every year since 12 preceding previous years including F.Y. 2024-25.*
- (iii) *She did not visit India during the previous year 2024-25 and her income from profession in India is ₹ 4 lakhs for the financial year 2024-25, instead of ₹ 16 lakhs.*

(b) *Aryan, a resident individual engaged in the retail trade of auto parts through various stores across Delhi-NCR, had total turnover of ₹15 crores during the financial year 2023-24. The following data is furnished relating to the financial year ended 31-3-2025:*

- (i) *He purchased goods for ₹ 105 lakhs (excluding GST @ 18%) on 21.05.2024 from Diva LLP, a limited liability partnership firm resident in India. Out of these purchases, goods worth ₹ 5 lakhs (excluding GST) were returned on 20.07.2024 due to quality issues for which Diva LLP refunded the money on 20.02.2025. Assume that the turnover of Diva LLP during the financial year 2023-24 was ₹8 crores.*
- (ii) *Aryan paid ₹77,000 every month to Mr. Kulveer, a resident individual for providing catering services in his shop under a contract.*

Discuss the TDS/TCS implications in respect of the above-mentioned transactions assuming PAN of all the concerned parties are available.

Answer**(a) (i) She did not visit India during the F.Y. 2024-25**

Swetha is a citizen of India who is not liable to tax in Country A. She will be a deemed resident under section 6(1A) if her 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 | ₹ |
|--|------------------|
| Remuneration from CA firm as partner [Accrued or arisen in India] | 16,00,000 |
| Income from providing accounting services in Country A and received in Country A [Income from a foreign source, hence, to be excluded] | - |
| Dividend from companies incorporated in Country A and received in Country A [Income from a foreign source, hence, to be excluded] | - |
| Income from a business in Country A but controlled from Chennai (To be included since the business is controlled from India, even though such income accrued and received outside India) | 7,00,000 |
| Total income (excluding income from foreign sources) | 23,00,000 |

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

Her total income would be ₹ 23 lakhs as computed above.

(ii) She visits and stays in India for 200 days every year since 12 preceding years including F.Y. 2024-25

Swetha is a resident in India since she stayed in India for 182 days or more during the P.Y. 2024-25. She is a resident and ordinarily resident in India since her stay in 7 previous years immediately preceding the

P.Y. 2024-25 exceeds ₹ 729 days and she is resident in 2 or more previous years out of 10 previous years preceding P.Y. 2024-25.

In such case, her global income is taxable in India. Accordingly, her total income would be as follows:

| Particulars | ₹ |
|--|------------------|
| Remuneration from CA firm as partner | 16,00,000 |
| Income from providing accounting services in Country A and received in Country A | 5,00,000 |
| Dividend from companies incorporated in Country A and received in Country A | 8,00,000 |
| Income from a business in Country A but controlled from Chennai | 7,00,000 |
| Total income | 36,00,000 |

(iii) She did not visit India during the P.Y. 2024-25 and her income from profession in India is ₹ 4 lakhs instead of ₹ 16 lakhs.

In such case, Swetha's total income excluding income from foreign sources would be ₹ 11 lakhs (₹ 4 lakhs + ₹ 7 lakhs) which is not exceeding ₹ 15 lakhs. Accordingly, she will be a non-resident in India during the P.Y. 2024-25. Her total income would be ₹ 4 lakhs comprising of income from profession only.

(b) (i) Mr. Aryan is required to deduct tax at source under section 194Q @0.1% on the purchase of goods exceeding ₹ 50 lakhs without GST since his turnover for the P.Y. 2023-24 exceeds ₹ 10 crores. The tax is to be deducted at the time of payment or at the time of credit of such sum to the account of Diva, LLP, whichever is earlier. Accordingly, Aryan has to deduct tax of ₹ 5,500, being 0.1% of ₹ 55 lakhs on 21.5.2024.

In case of purchase return of ₹ 5 lakhs and amount is refunded by Diva LLP, tax deducted of ₹ 500 (0.1% of ₹ 5 lakhs) may be adjusted against the next purchase from Diva LLP.

(ii) Since Mr. Aryan paid for catering services exceeding ₹ 30,000 and his turnover for the P.Y. 2023-24 exceeds ₹ 1 crore, he is liable to deduct tax at source under section 194C @1%. The tax is to be deducted at

the time of payment or at the time of credit of such sum to the account of Mr. Kulveer, whichever is earlier.

Amount of TDS = ₹ 77,000 x 12 x 1% = ₹ 9,240

Question 3

(a) *Mr. Mani, a resident individual aged about 45 years, acquired a plot of land in March 2002 for ₹ 12,25,000 and paid stamp duty of ₹ 1,00,000 on registry of the land. He sold this land on 10th October 2024 for ₹ 80,00,000. The stamp duty valuation assessed by sub registrar was ₹ 83,50,000. Advise Mani about which option of computation of capital gains is most suitable for him as far as his tax liability is concerned on the assumption that he has no other income chargeable to tax and has not opted out of the provision of section 115BAC.*

Costs Inflation Index for various financial years are as under:

| | |
|---------|-----|
| 2001-02 | 100 |
| 2002-03 | 105 |
| 2006-07 | 122 |
| 2024-25 | 363 |

(b) *Prabhu, a resident individual aged 45 years, is employed with a private limited company as HR manager, on a basic salary of ₹ 80,000 p.m. He has been provided with the following other benefits:*

- (i) *A rent-free unfurnished accommodation (owned by the company) in Mumbai from 01.05.2024. However, he occupied the accommodation only from 01.12.2024. The company had bought this house in the financial year 2023-24 at a cost of ₹ 2 crores.*
- (ii) *A mobile phone for his personal use on 01.04.2024. The cost of the phone was ₹ 90,000. The company also gives him a telephone allowance amounting to ₹ 1,000 p.m. to cover his mobile phone bill. During the F.Y. 2024-25, his aggregate mobile phone bill was ₹ 15,000.*
- (iii) *Company had purchased a car on 01.07.2022 for ₹ 10 lakhs. This car is sold to Prabhu on 01.08.2024 for ₹ 2,50,000.*

(iv) *He was allowed to use the video camera and laptop belonging to the company from 01.04.2024. The company had purchased these assets for ₹50,000 and ₹2,00,000, respectively on 01.04.2022.*

Compute the taxable salary of Prabhu assuming he has opted out of default tax regime.

Cost Inflation Index: F.Y. 2023-24:348; F.Y. 2024-25:363

Answer

(a) Computation of tax liability of Mr. Mani for the A.Y. 2025-26 as per the default tax regime

| Particulars | ₹ | ₹ |
|---|------------------|------------------|
| Capital Gain | | |
| Actual sale consideration | 80,00,000 | |
| Valuation as per Stamp duty Authority on the date of agreement | <u>83,50,000</u> | 80,00,000 |
| (Since the stamp duty value does not exceed 110% of the actual sale consideration, the actual sales consideration shall be taken to be the full value of consideration as per section 50C) | | |
| Less: Cost of acquisition of Plot (₹ 12,25,000 + ₹ 1,00,000) | | (13,25,000) |
| Long Term Capital Gain/ Total Income | | 66,75,000 |
| Tax on LTCG u/s 112 | | |
| Since land is acquired before 23.7.2024 and transferred on or after 23.7.2024, Mr. Mani has an option to pay tax @12.5% on LTCG computed without indexation benefit or @20% on LTCG computed with indexation benefit. | | |
| Capital Gain without Indexation (Tax @12.5%) | | |
| [₹ 80,00,000 - ₹ 13,25,000] = ₹ 66,75,000 | | |
| Tax = ₹ 66,75,000 - ₹ 3,00,000, being | | |

| | |
|---|----------|
| unexhausted basic exemption limit] x 12.5% = ₹ 7,96,875 (A) | |
| Capital Gain with Indexation (Tax @20%) [₹ 80,00,000 - (₹ 13,25,000 x 363/100)] = ₹ 31,90,250 Tax = [₹ 31,90,250 - ₹ 3,00,000, being unexhausted basic exemption limit] x 20% = ₹ 5,78,050 (B) Lower of (A) or (B) | 5,78,050 |
| Add: Surcharge @10% [Since the total income exceeds ₹ 50,00,000 but does not exceed ₹ 1 crore] | 57,805 |
| Add: HEC @4% | 6,35,855 |
| Tax liability | 25,434 |
| Tax liability (Rounded off) | 6,61,289 |
| Note: Indexation option is more beneficial to the assessee | 6,61,290 |

Alternative solution - As per second proviso to section 112(1)(a), in the case of transfer of a long-term capital asset, being land or building or both, which is acquired before the 23.7.2024, where the income-tax computed under item (B) exceeds the income-tax computed in accordance with the provisions of this Act, as they stood immediately before their amendment by the Finance (No. 2) Act, 2024, such excess shall be ignored.

As per item (B), long-term capital gains arising from transfer on or after 23.7.2024 are taxed @12.5%. Such tax is to be computed considering the first proviso to section 112(1)(a), which provide for utilization of unexhausted basic exemption limit.

On literal interpretation of the provisions of section 112(1)(a), the excess of tax will be determined after adjusting the unexhausted basic exemption limit while computing tax @12.5% on LTCG computed without indexation and tax @20% on LTCG computed with indexation. Accordingly, the main solution is given.

However, alternative solution is possible considering the manner followed in ITR utility for computation of tax on long-term capital gains in case of transfer of land acquired on or before 23.7.2024 but transferred thereafter.

**Computation of tax liability of Mr. Mani for the A.Y. 2025-26
as per the default tax regime**

| Particulars | ₹ | ₹ |
|---|------------------|------------------|
| Capital Gain | | |
| Actual sale consideration | 80,00,000 | |
| Valuation as per Stamp duty Authority on the date of agreement | <u>83,50,000</u> | 80,00,000 |
| (Since the stamp duty value does not exceed 110% of the actual sale consideration, the actual sales consideration shall be taken to be the full value of consideration as per section 50C) | | |
| Less: Cost of acquisition of Plot (₹ 12,25,000 + ₹ 1,00,000) | | (13,25,000) |
| Long Term Capital Gain/ Total Income | | 66,75,000 |
| Tax on LTCG u/s 112 | | |
| Since land is acquired before 23.7.2024 and transferred on or after 23.7.2024, Mr. Mani has an option to pay tax @12.5% on LTCG computed without indexation benefit or @20% on LTCG computed with indexation benefit. | | |
| Capital Gain without Indexation (Tax @12.5%) | | |
| [₹ 80,00,000 - ₹ 13,25,000] = ₹ 66,75,000 | | |
| Tax = ₹ 66,75,000 x 12.5% = ₹ 8,34,375 (A) | | |
| Capital Gain with Indexation (Tax @20%) | | |
| [₹ 80,00,000 - (₹ 13,25,000 x 363/100)] = ₹ 31,90,250 | | |
| Tax = ₹ 31,90,250 x 20% = ₹ 6,38,050 (B) | | |

| | | |
|---|-----------------|--|
| Excess of (A) over (B) to be ignored | 1,96,325 | |
| Tax @ 12.5% on ₹ 63,75,000 [₹ 66,75,000 – ₹ 3,00,000, being unexhausted basic exemption limit] | 7,96,875 | |
| <i>Less: Amount to be ignored</i> | 1,96,325 | |
| | 6,00,550 | |
| <i>Add: Surcharge @10% [Since the total income exceeds ₹ 50,00,000 but does not exceed ₹ 1 crore]</i> | 60,055 | |
| | 6,60,605 | |
| <i>Add: HEC @4%</i> | 26,424 | |
| Tax liability | 6,87,029 | |
| Tax liability (Rounded off) | 6,87,030 | |
| Note: Indexation option is more beneficial to the assessee | | |

(b) Computation of taxable salary of Mr. Prabhu for A.Y. 2025-26 as per the optional tax regime

| Particulars | ₹ | ₹ | ₹ |
|--|---|---|----------|
| Income from Salaries | | | |
| Basic Salary [₹ 80,000 x 12] | | | 9,60,000 |
| Perquisite Value of Rent-free accommodation | | | |
| 10% of salary [₹ 9,60,000 x 10% x 4/12] | | | 32,000 |
| Mr. Prabhu has occupied the accommodation from 01.12.2024. Therefore, the value of rent-free accommodation will be calculated for 4 months only. | | | |
| Mobile phone given for personal use is not taxable perquisite. Since telephone allowance of ₹ 12,000 is | | | - |

| | | | |
|---|-----------|------------------|--|
| less than the actual mobile phone bill of ₹ 15,000, nothing is taxable as perquisite. | | | |
| Perquisite Value on sale of car | | | |
| Original cost of car | 10,00,000 | | |
| <i>Less: Depreciation from 01.7.2022 to 30.6.2023 @20%</i> | 2,00,000 | | |
| | 8,00,000 | | |
| <i>Less: Depreciation from 01.7.2023 to 30.6.2024 @20%</i> | 1,60,000 | | |
| | 6,40,000 | | |
| Value as on 01.08.2024- being the date of sale to Mr. Prabhu | 2,50,000 | 3,90,000 | |
| <i>Less: Amount received from the Mr. Prabhu on 01.08.2024</i> | | | |
| Perquisite value on use of moveable assets | | | |
| Use of Laptop [Not taxable as perquisite] | | - | |
| Use of Video Camera [₹ 50,000 x 10%] | | 5,000 | |
| Gross Salary | | 13,87,000 | |
| <i>Less: Standard deduction u/s 16 [Actual salary or ₹ 50,000, whichever is less]</i> | | 50,000 | |
| Net salary | | 13,37,000 | |

Question 4

(a) *Surbhi, a resident individual aged 35 years, is a working partner in two firms (A and B) engaged in the retail business of garments. She provides the following details of her income/losses for the year ended 31st March 2025:*

- Remuneration received as a partner from partnership firm "A" - ₹ 9.7 lakhs (Deductible while computing the income of the firm).*
- Loss from intra-day trading in shares of Indian companies listed on a recognised stock exchange (no delivery of shares was taken) - ₹ 4 lakhs.*

- (iii) *Income from the activity of owning and maintaining race horses - ₹ 7 lakhs.*
- (iv) *Long term capital gains on sale of property (computed as per the provisions of the Income-tax Act, 1961) - ₹ 9.2 lakhs.*
- (v) *Interest paid on loan taken for repair of self-occupied house property - ₹ 1.2 lakhs.*
- (vi) *Amount received as advance towards sale of a shop which was later forfeited as the buyer could not comply with the conditions specified in agreement of sale - ₹ 5 lakhs.*
- (vii) *Share of loss from partnership firm "B" - ₹ 1.1 lakhs.*
- (viii) *Loss on betting - ₹ 0.20 lakhs.*
- (ix) *Interest on fixed deposit (gross) - ₹ 0.80 lakhs. The fixed deposit of ₹ 10 lakhs was gifted to her by her father-in-law on 01.04.2024.*

Following are the losses bought forward:

- (i) *Long term capital loss on sale of unlisted shares (pertaining to A.Y. 2024-25) - ₹ 3.8 lakhs.*
- (ii) *Loss from the activity of owning and maintaining race horse (pertaining to A.Y. 2024-25) - ₹ 25,000.*

Compute gross total income of Surbhi for assessment year 2025-26 under appropriate heads of income and the amount of loss that can/cannot be carried forward assuming that she has opted out of default tax regime. Will your answer be different in case she does not opt out from default tax regime. There is no need to compute the tax payable under any of the regimes.

- (b) *Specify the persons who are not required to pay advance tax as per the provisions of the Income-tax Act, 1961.*

OR

- (b) *State, with appropriate reasons, whether the following statements are "true" or "false".*
 - (i) *An income-tax return can be revised only once.*
 - (ii) *Updated return under section 139(8A) cannot be filed if original return is a loss return under section 139(3).*

Answer

(a) Computation of Gross Total Income of Mrs. Surbhi for the A.Y. 2025-26 as per the optional tax regime

| Particulars | ₹ | ₹ |
|---|------------|----------|
| Income from House Property (Self-occupied Property) | | |
| Annual Value | - | |
| <i>Less: Deductions under section 24(b)</i> | (30,000) | |
| Interest on loan for repair of self-occupied property (Restricted to ₹ 30,000) | (30,000) | |
| | | 9,40,000 |
| Profit and gains of business or profession | | |
| Remuneration from partnership firm | 9,70,000 | |
| Share of loss from partnership firm [Not allowed for set-off as it is from exempt source] | - | |
| <i>Less: Set off of loss from House Property</i> | (30,000) | |
| <i>[Alternatively, loss from house property can be set off from advance forfeited.]</i> | | |
| | | 5,40,000 |
| Capital Gain | | |
| Long-term capital gain on sale of property | 9,20,000 | |
| <i>Less: Brought forward long-term capital loss on sale of unlisted shares</i> | (3,80,000) | |
| | | |
| Income from Other Sources | | |
| Income from owning and maintaining race horse | 7,00,000 | |
| <i>Less: Brought forward loss of owning and maintaining race horse</i> | (25,000) | |
| | | 6,75,000 |
| Advance forfeited as the buyer could not comply with the conditions of the sale agreement | 5,00,000 | |

| | | |
|---|----------|------------------|
| FD received from Father-in-Law [Sine Father-in-law falls within the definition of relative, the gift will not be taxable in her hands] | - | |
| As per section 64(1)(vi), interest on fixed deposit (Since fixed deposit was gifted by father-in law, interest on FD will be clubbed in the hands of Father-in-law) | - | 11,75,000 |
| Gross Total Income | | 26,55,000 |
| Losses to be carried forward to A.Y. 2026-27 | | |
| Loss from speculative business Loss from speculation business (intra day trading in shares) cannot be set off against any income other than profit and gains of another speculation business. Such loss can, however, be carried forward to A.Y. 2026-27 for set off against income from speculation business of that year. | 4,00,000 | - |
| Loss on betting Loss from betting cannot be set off or carried forward for future years. | | - |

**Computation of Gross Total Income of Mrs. Surbhi for the
A.Y. 2025-26 as per the default tax regime**

| Particulars | ₹ | ₹ |
|--|-----------|-----------|
| Gross Total Income as per optional tax regime | 26,55,000 | |
| <i>Add: Loss from House Property [Interest under section 24(b) is not allowable in respect of self-occupied house property while computing total income as per section 115BAC]</i> | 30,000 | |
| Gross Total Income as per default tax regime | | 26,85,000 |

(b) First Alternative

An assessee is not liable to pay advance tax if the advance tax payable, in his case, is less than ₹ 10,000 during the financial year.

An individual resident, who is of the age of 60 years or more at any time during the previous year and does not have any income chargeable under the head "Profits and gains of business or profession" is also not required to pay advance tax.

(b) Second Alternative

- (i) **False:** A return revised earlier can be revised again as the first revised return replaces the original return. Therefore, if an assessee discovers any omission or wrong statement in such a revised return, he can furnish a second revised return within the prescribed time i.e. at any time before three months prior to the end of the relevant assessment year or before the completion of assessment, whichever is earlier.
- (ii) **False:** If any person has a loss in any previous year and has furnished a return of loss on or before the due date of filing return of income under section 139(1), he shall be allowed to furnish an updated return if such updated return is a return of income.

Part II – Descriptive Questions**SECTION B: GOODS AND SERVICES TAX**

1. For Part-II, Section -B comprises of questions from 5-8. In Section B, answer question no. 5 which is compulsory and any two questions from question nos. 6-8.
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 (No. 2) Act, 2024 and the significant notifications/ circulars which have become effective upto 28th February, 2025.

Question 5

(a) Mr. Karan, a registered supplier in Kochi (Kerala State) has provided the following information of supply received/made during the month of February, 2025:

| S. No. | Particulars | Amount (₹) |
|--------|--|------------|
| (i) | On 5 th February 2025 Supplied goods to Jaara Enterprises, an unregistered partnership firm in Bikaner, Rajasthan. Discount of 10% offered to Jaara Enterprises on this invoice price of ₹ 2,00,000 as per pre agreement but not recorded in the invoice. Discount given for this invoice by way of credit note on 28 th February 2025. | 2,00,000 |
| (ii) | Made a supply of machinery to Cool & Co. registered in the State of Kerala. The machinery was installed at Factory site of Cool & Co. in the State of Tamil Nadu as per agreement. | 6,00,000 |
| (iii) | Provided supply of online educational journals on monthly basis to St. Peters High School, situated in the State of Kerala. | 25,000 |
| (iv) | Provided renting of his own commercial property situated at Thrissur (Kerala) to Safe Volt Limited of Kerala, in which he is an independent director. | 70,000 |

| | | |
|------|--|----------|
| (v) | <i>Supplied a consignment of Office uniform to Rasool Tea Estate situated at Munnar (Kerala).</i> | 2,00,000 |
| (vi) | <i>Payment made to Mr. Manish, a contractor of Bengaluru for construction of staff quarters within the factory premises at Kochi. Staff quarters capitalised in the books and no depreciation charged.</i> | 1,25,000 |

Mr. Karan provided the following additional information:

- (i) *During the month, supply for ₹13,000 was made against redemption of foods coupons issued during December 2024 for use against specific Pizza available in a food court run by Mr. Karan in Kochi, coupons were valid till 28.02.2025.*
- (ii) *In respect of supply made to Munnar, being a hill station, local levy of Green tax of ₹10,000 was charged by Mr. Karan in the invoice made to Rasool Tea Estate.*
- (iii) *Mr. Karan was advised by his accountant that since he is a director in the company to whom he let out his property, GST is to be paid by the company under Reverse Charge Mechanism [RCM].*
- (iv) *Assume rate of CGST, SGST and IGST are 9%, 9% and 18% respectively for both inward and outward supplies of goods and services, except where otherwise provided.*
- (v) *All the amount given above in the table are exclusive of GST and Green Tax or any other tax wherever applicable.*
- (vi) *Subject to the information given above, conditions for availing ITC have been complied with.*
- (vii) *All the inward and outward supplies to be considered in the course of Intra-State except where information provided to determine the Place of supply.*
- (viii) *Assume all the inward supplies used for the taxable outward supplies only.*
- (ix) *There was opening balance of Input Tax Credit (ITC) of ₹1,50,000 of IGST and ₹30,000 of CGST and Nil of SGST.*

From the information given above, you are required to compute the net minimum GST liability payable in cash after deduction of ITC by Mr. Karan for the month of February 2025.

Note: Correct relevant legal provision and individual tax amount (if any) for each item should form part of your answer.

(b) M/s. ABC Corporation Pvt. Ltd., a registered dealer of Mumbai furnishes you following information for the month of February 2025:

| S. No. | Particulars | Amount (₹) |
|--------|---|------------|
| (i) | <i>Intra-State sale of taxable goods (₹50,000 was received as advance in January, 2025 out of the total amount of ₹2,00,000)</i> | ₹2,00,000 |
| (ii) | <i>Provided accommodation Services in Mumbai with charges per person per month of ₹18,000. (The accommodation is supplied for a minimum continuous period of 99 days) (It is Intra-State transaction)</i> | ₹2,34,000 |
| (iii) | <i>Received for services by way of pure labour contracts for repairing a single residential unit otherwise than as a part of residential complex (It is Intra-State transaction)</i> | ₹50,000 |
| (iv) | <i>Professional fees paid for taxable service to Ms. Udan Mehta located in a non-taxable territory (It amounts to Inter-State transaction)</i> | ₹70,000 |

Other Information:

- (i) Turnover of M/s. ABC Corporation Pvt. Ltd. was ₹2 Crore in the previous financial year.
- (ii) All the amounts given above are exclusive of GST.

Compute the GST liability of M/s. ABC Corporation Pvt. Ltd. for the month of February 2025. Assume the rates of CGST @ 9%, SGST 9% and IGST @ 18%.

Note: Correct legal provision and individual tax amount (if any) for each item should form part of your answer.

Answer

(a) Computation of minimum net GST liability payable in cash by Mr. Karan for the month of February 2025:

| Particulars | Value (₹) | CGST (₹) | SGST (₹) | IGST (₹) |
|--|-----------------------------------|---------------------------|---------------------------|---------------------------------|
| Supplied goods to Jaara Enterprises [Inter State supply as the place of supply is Rajasthan being the location of the goods at the time when the movement of goods terminates. Further, post supply discount of ₹ 20,000 ($₹ 2,00,000 \times 10\%$) is deductible from value of supply since such discount is as per pre-agreement.] | 1,80,000 [2,00,000- 20,000] | - | - | 32,400 [1,80,000 x 18%] |
| Supply of machinery to Cool & Co. [Inter-State supply as place of supply is Tamil Nadu being the place of installation of machinery.] | 6,00,000 | - | - | 1,08,000 [6,00,000 x 18%] |
| Supply of online educational journals to St. Peters High School | 25,000 | 2,250 [25,000 x 9%] | 2,250 [25,000 x 9%] | - |

| | | | | |
|---|--------|---------------------------|---------------------------|---|
| <p>[Supply of online educational journals to an institution providing services by way of education up to higher secondary school is taxable and not exempt. Further, it's an intra-State supply as place of supply is Kerala being location of recipient.]</p> | | | | |
| <p>Renting of commercial property to Safe Volt Limited</p> <p>[Intra-State supply as place of supply is Kerala being location of immovable property.</p> <p>Further, it is taxable under forward charge and not payable under reverse charge since Mr. Karan rented his commercial property in his personal capacity and not in the capacity of a director.</p> | 70,000 | 6,300 [70,000 × 9%] | 6,300 [70,000 × 9%] | - |

| | | | | |
|---|------------------------------------|------------------------------|------------------------------|---|
| Further, it is taxable under forward charge since Mr. Karan - supplier of services of renting of commercial property - is a registered person.] | | | | |
| Supply of consignment of office uniform to Rasool Tea Estate [Green tax of ₹10,000 is includible in the value of supply, since any taxes levied under any law for the time being in force except: (i) under the CGST/ SGST/ UTGST Act and GST Compensation Cess Act OR (ii) under GST law, if charged separately by the supplier, is includible in the value of supply. Further, it's an intra-State supply as place of supply is Kerala | 2,10,000 [2,00,000 + 10,000] | 18,900 [2,10,000 x 9%] | 18,900 [2,10,000 x 9%] | - |

| | | | | |
|--|--------|---------------|---------------------|-----------------|
| being location of recipient.] | | | | |
| Supply against redemption of foods coupons issued during December 2024 [No tax is payable in February. Since supply was identifiable at the time of issue of voucher. Hence, the time of supply was the date of issue of voucher, i.e. December 2024.] | 13,000 | - | - | |
| Total output tax liability | | 27,450 | 27,450 | 1,40,400 |
| Less: ITC available [Refer Working Note below] IGST credit is first utilized for payment of IGST and then for payment of SGST CGST credit is utilized for payment of CGST liability. Remaining CGST credit cannot be utilized for payment of SGST as cross utilization of CGST | | | (9,600) (27,450) | (1,40,400) |

| | | | | |
|--|--|------------|---------------|------------|
| and SGST is not permissible.] | | | | |
| Minimum net GST liability payable in cash | | Nil | 17,850 | Nil |

Working Note:**Computation of ITC available for set off**

| Particulars | Value (₹) | CGST (₹) | SGST (₹) | IGST (₹) |
|---|-----------|---------------|------------|-----------------|
| Opening ITC | -- | 30,000 | Nil | 1,50,000 |
| Payment made for construction of staff quarters within the factory premises [ITC in respect of works contract services used for construction of an immovable property (other than plant and machinery) is blocked] | 1,25,000 | Nil | Nil | - |
| Total | | 30,000 | Nil | 1,50,000 |

(b) Computation of the GST liability of M/s. ABC Corporation Pvt. Ltd. for the month of February 2025

| Particulars | Value (₹) | CGST @ 9% (₹) | SGST @ 9% (₹) | IGST @ 18% (₹) |
|---|-----------|---------------------------|---------------------------|----------------|
| GST liability under forward charge | | | | |
| Intra-State supply of taxable goods [In case of supply of goods, GST is not payable at the time of receipt of advance, | 2,00,000 | 18,000 [2,00,000 x 9%] | 18,000 [2,00,000 x 9%] | Nil |

| | | | | |
|---|----------|------------------------|------------------------|---|
| but at the earlier of the date of issue of invoice or last date of issue of invoice (when the goods are removed).] | | | | |
| Accommodation services provided in Mumbai [Exempt since supply of accommodation services having value of supply less than or equal to ₹ 20,000 per person per month is exempt provided it is supplied for a minimum continuous period of 90 days.] | 2,34,000 | Nil | Nil | - |
| Intra-State supply of services by way of pure labour contracts for repairing a single residential unit [Taxable, since pure labour contracts of only construction/erection/commissioning/installation of original works pertaining to a single residential unit otherwise than as a part of a residential complex are exempt.] | 50,000 | 4,500 [50,000 x 9%] | 4,500 [50,000 x 9%] | - |

| | | | | |
|---|--------|---------------|---------------|---------------------------------|
| Thus, pure labour contracts of repairing of a single residential unit otherwise than as a part of a residential complex are not exempt.] | | | | |
| GST liability under forward charge [A] | | 22,500 | 22,500 | Nil |
| GST liability under reverse charge | | | | |
| Professional fees paid to Ms. Udan Mehta located in a non-taxable territory [B] [Tax on a service supplied by a person located in non-taxable territory to a person located in taxable territory is payable under reverse charge. Thus, in case of import of service, tax is payable by the person importing such service under reverse charge.] | 70,000 | - | - | 12,600 [70,000 x 18%] |
| Total GST liability = [A] + [B] | | 22,500 | 22,500 | 12,600 |

Question 6

(a) *Veer Trading Private Limited (VTPL) is a registered entity under GST in Jaipur, Rajasthan. It is engaged in wholesale trading of various sports items. VTPL furnishes the following information regarding its inward supplies during the month of February 2025:*

| S. No. | Particulars | Amount (Excluding any tax) (₹) |
|-----------|--|--------------------------------------|
| (i) | <p><i>As per the policy of the company, the Managing Director (MD) of the company has taken membership of local sports club on behalf of company. The company paid fees monthly. Applicable rate of GST is 6% each of CGST and SGST.</i></p> | 20,000 |
| (ii) | <p><i>Purchased equipment from Original Equipment Manufacturer (OEM) as an Ex-Works (EXW) contract basis on 26th February 2025. As per terms of the contract, the goods are to be delivered by the OEM to transporter on behalf of the recipient, at supplier's (OEM) place of business.</i></p> <p><i>The OEM handed over the equipment to transporter on 28th February, 2025 but equipment physically received by VTPL on 2nd March, 2025. Applicable rate of GST is 6% each of CGST and SGST.</i></p> | 10,00,000 |
| (iii) | <p><i>On 5th year of its incorporation, VTPL arranged an event from M/s Daksh Event company for customer's meet. M/s Daksh Event company charges single price of Event charge as ₹ 2,50,000 which is inclusive of food charges of ₹ 40,000 as per the general trend followed by the industry.</i></p> <p><i>Applicable rate of CGST and SGST @ 9% each for event and @ 14% each for food supply.</i></p> | 2,50,000 |
| (iv) | <p><i>Purchased Truck for transport of Goods (Rate of CGST and SGST @ 14% each)</i></p> <p><i>Claimed ₹ 2,10,000 (₹ 14,00,000 @ 15%) as depreciation under the Income Tax Act, 1961</i></p> | 14,00,000 |

Assume all the above transactions are in the course of Intra-State.

Subject to information given above, assume that all the other conditions necessary for availing ITC (unless specified otherwise) have been fulfilled and all the suppliers are registered under regular scheme.

Determine the amount of Input Tax Credit (ITC) that can be availed by Veer Trading Private Limited (VTPL) for each individual item as well as total eligible ITC for the month of February 2025 by giving necessary explanations for treatment of each item.

(b) *Examine the following independent cases and determine the Place of supply under the GST law along with the relevant legal provisions:*

- (i) *Mr. Mukul, a bank manager is transferred from Kolkata, West Bengal to Jodhpur, Rajasthan. His family resides at Ranchi, Jharkhand. He hires Fastman Couriers Private Limited, a registered company in Kolkata, to transport his household goods from Ranchi to Jodhpur.*
- (ii) *M/s Ravi Builders of Pune, Maharashtra hired M/s Builder and Co. an architectural firm registered under the GST law at Ahmedabad, Gujarat for designing an architectural plan for a 21 floor building to be constructed by them in Canada.*

Answer

(a) Computation of ITC that can be availed by Veer Trading Private Limited (VTPL) for February, 2025

| | Particulars | Amount (₹) | ITC of CGST (₹) | ITC of SGST (₹) |
|------|--|---------------|----------------------------|----------------------------|
| (i) | Membership of local sports club [Since membership of club is not obligatory for employer to provide the same under any law, ITC on the same is blocked] | 20,000 | - | - |
| (ii) | Purchase of equipment from Original Equipment | 10,00,000 | 60,000 [10,00,000 x 6%] | 60,000 [10,00,000 x 6%] |

| | | | | |
|-------|--|----------|--------------------------------------|--------------------------------------|
| | <p>Manufacturer (OEM) on Ex-Works (EXW) contract basis</p> <p>[In order to take ITC, goods must have been actually received. In case of ex-works contract, equipment will be considered to have been "received" by the recipient at the time of handing over of said equipment by OEM to the transporter, at OEM's place of business.]</p> | | | |
| (iii) | <p>Event arrangement inclusive of food supply</p> <p>[Being naturally bundled, supply of event arrangement and food is a composite supply; taxable at the rate applicable to event, being the principal supply.</p> <p>ITC on event arrangement services being used in course or furtherance of business is available. Further, ITC on food used an element of a taxable composite supply is available.]</p> | 2,50,000 | <p>22,500</p> <p>[2,50,000 x 9%]</p> | <p>22,500</p> <p>[2,50,000 x 9%]</p> |

| | | | | |
|------|--|-----------|-------------------------------|-------------------------------|
| (iv) | Truck purchased for transport of goods [GST paid on truck is available as ITC since depreciation has not been claimed on the GST component.] | 14,00,000 | 1,96,000 [14,00,000 x 14%] | 1,96,000 [14,00,000 x 14%] |
| | Total eligible ITC | | 2,78,500 | 2,78,500 |

(b) (i) The place of supply (PoS) of services by way of transportation of goods provided to an unregistered person is the location at which such goods are handed over for their transportation.

In the given case the place of supply is Ranchi, Jharkhand.

(ii) The place of supply of architect services provided directly in relation to an immovable property, intended to be located outside India, shall be the location of the recipient of the services.

In the given case the place of supply is Pune, Maharashtra.

Question 7

(a) *In the month of February 2025, Mr. Venkatesh started supply of both goods and services from the states of Rajasthan and Tripura. His statistics for the month of February 2025 are as under:*

| S. No. | Particulars | Rajasthan (₹) | Tripura (₹) |
|---------------|---|----------------------|--------------------|
| (i) | <i>Intra-State taxable supplies</i> | 11,00,000 | 5,00,000 |
| (ii) | <i>Intra-State sale by Mr. Venkatesh as an agent of Ganesh enterprises, a non-taxable person of Rajasthan</i> | 1,00,000 | - |
| (iii) | <i>Intra-State supply of non-taxable goods</i> | 2,00,000 | - |

Additional Information:

(i) *In the State of Rajasthan, Intra-State taxable supply includes commission received as an insurance agent from an insurance company worth ₹50,000.*

(ii) In the State of Tripura, Intra-State taxable supplies includes inward supply of service on which tax is payable under reverse charge worth ₹ 1,00,000.

(iii) For sale by Mr. Venkatesh in the capacity of agent for Ganesh Enterprises, the invoice was issued in the name of Mr. Venkatesh only.

Assume all the above figures are excluding GST and given amount to be considered as value determined as per the GST law.

Based on the above-mentioned information, you are required to determine the following along with the relevant provision in brief:

(1) Compute the aggregate turnover of Mr. Venkatesh for the purpose of registration under GST law.

(2) Decide whether Mr. Venkatesh is liable to be registered under GST or not.

Also discuss whether your answer to the (2) above will change or not if in the state of Tripura Mr. Venkatesh is engaged only in intra-State supply of exempt goods and other information will remain same.

(b) State in brief the requirement of generation of an E-way Bill with reference to Rule 138(1) of the CGST Rules, 2017.

Also discuss in brief the provision of generation of E-way Bill in case of supply of goods on behalf of the third person (i.e. "Bill to Ship to" Model).

Answer

(a)

| | Particulars | Rajasthan Amount (₹) | Tripura Amount (₹) |
|-----|---|----------------------|-----------------------------------|
| (1) | Computation of aggregate turnover of Mr. Venkatesh | | |
| | Intra-State taxable supplies [Includible in aggregate turnover. Further, value of inward supplies on which tax is payable on reverse charge basis are excludible from the aggregate turnover, but | 11,00,000 | 4,00,000 [5,00,000 – 1,00,000] |

| | | | |
|------------|--|------------------|-----------------|
| | outward supplies on which tax is payable under reverse charge are includable (insurance commission)] | | |
| | Intra-State supply by Mr. Venkatesh as an agent of Ganesh Enterprises in Rajasthan [Since Mr. Venkatesh issues invoice in his own name, the given principal-agent relationship falls within the ambit of the Para 3 of Schedule I of the CGST Act, 2017. All supplies made by an agent on behalf of all his principals are includable in aggregate turnover.] | 1,00,000 | |
| | Intra-State supply of non-taxable goods [Includible, since exempt supplies are includable in aggregate turnover and exempt supply includes non-taxable supply.] | 2,00,000 | |
| | Aggregate Turnover | 14,00,000 | 4,00,000 |
| | Aggregate turnover on all India basis | 18,00,000 | |
| (2) | The applicable threshold limit of turnover for registration in the given case will be reduced to ₹ 10 lakh since Mr. Venkatesh is engaged in making taxable supplies from Tripura – a Special Category State. Since the turnover of Mr. Venkatesh exceeds ₹ 10 lakh, he is liable to obtain registration under GST in Rajasthan and Tripura. | | |

| | |
|-----|--|
| | However, Mr. Venkatesh is liable to obtain registration compulsorily since he is required to pay tax under reverse charge mechanism in Tripura. |
| (3) | <p>In case Mr. Venkatesh makes only exempt supplies of goods from the Special Category State - Tripura, the applicable threshold limit of turnover for registration will not be reduced to ₹ 10 lakh. The applicable threshold limit, in that case, will be ₹ 20 lakh since Mr. Venkatesh is engaged in making supply of goods as well as services. Since the turnover of Mr. Venkatesh does not exceed ₹ 20 lakh, he is not liable to obtain registration under GST.</p> <p>However, Mr. Venkatesh is liable to obtain registration compulsorily since he is required to pay tax under reverse charge mechanism in Tripura.</p> |

(b) Whenever there is a movement of goods of consignment value exceeding ₹ 50,000:

- (i) in relation to a supply; or
- (ii) for reasons other than supply; or
- (iii) due to inward supply from an unregistered person,

the registered person causing such movement of goods is required to generate an e-way bill before commencement of such movement.

In case of supply of goods on behalf of the "Third person" ("Bill to Ship to" model), by "Supplier" to "Recipient", either "Third person" or "Supplier" can generate the e-way bill.

For instance, if A ordered B to send goods to C – Either A or B can generate the e-way bill.

In any case, only one e-way bill is required to be generated even though there are two supplies and two invoices being issued.

Question 8

(a) "Rule 86B of the CGST Rules, 2017 impose restrictions on the use of amount available in Electronic Credit Ledger if the value of taxable supply is more than ₹50 lakh in the month."

Read the above statement with reference to provision of Input Tax Credit (ITC) and discuss in brief the nature of restriction imposed under this Rule 86B and also list out the exceptions of this rule.

Note: Detailed discussion of exceptions is not required.

(b) "A taxpayer cannot file GSTR-1 before the end of the tax period."

State the exceptions to the statement. Further, discuss in brief any four circumstances where a registered person is debarred from furnishing details of outward supplies in GSTR-1/IFF.

OR

(b) "Unregistered persons with aggregate turnover upto threshold limit of registration and supplying goods through an ECO (E-Commerce Operator) are exempted from obtaining registration subject to fulfilment of certain conditions."

State any five such conditions with reference to the Notification No. 34/2023 CT dated 31.07.2023 and provisions of section 23 of the CGST Act, 2017.

Answer

(a) As per rule 86B of the CGST Rules, 2017, a registered person cannot use ITC to discharge the output tax liability in excess of 99% of such tax liability.

Thus, amount available in electronic credit ledger shall be utilized only to the extent of 99% of the output tax liability while discharging such tax liability.

Minimum 1% of the output tax liability needs to be discharged from electronic cash ledger.

Exceptions to rule 86B are as under:-

- (1) Payment of income tax of more than ₹ 1 lakh has been made in each of the last two FYs for which the time limit to file original income tax return has expired.
- (2) Receipt of Refund of ITC of more than ₹ 1 lakh in the preceding FY on account of unutilized ITC.
- (3) Payment of output tax liability through electronic cash ledger in excess of 1% of total output tax liability, applied cumulatively, upto the said month in the current FY.

(4) Specified registered persons (Government Department; or a Public Sector Undertaking; or a local authority; or a statutory body).

(b) A taxpayer cannot file GSTR-1 before the end of the current tax period.

However, the following are the exceptions to this rule:

- a. Casual taxpayers, after the closure of their business.
- b. Cancellation of GSTIN of a normal taxpayer.

A registered person is debarred from furnishing details of outward supplies in GSTR-1/IFF if:

- (1) he has not furnished the return in Form GSTR-3B for the preceding month.
- (2) such registered person, opting for Quarterly Return Monthly Payment (QRMP) scheme, has not furnished the return in Form GSTR-3B for preceding tax period.
- (3) an intimation has been issued to such person under rule 88C of the CGST Rules, 2017 for an earlier tax period, unless he deposits the amount mentioned in intimation or furnishes a reply explaining reasons for unpaid amount
- (4) an intimation has been issued to such person under rule 88D of the CGST Rules, 2017 for an earlier tax period, unless he pays the amount of excess ITC mentioned in intimation or furnishes a reply in respect of excess ITC
- (5) he has not furnished the details of the bank account as per the provisions of rule 10A of the CGST Rules, 2017.

(b) Alternative

The prescribed conditions are as under:-

- (1) such persons shall not make any inter-State supply of goods
- (2) such persons shall not make supply of goods through ECO in more than one State/Union territory
- (3) such persons shall be required to have a PAN issued under the Income-tax Act, 1961.

- (4) such persons shall, before making any supply of goods through ECO, declare on the common portal:
 - (a) their PAN
 - (b) address of their place of business and
 - (c) State/UT in which such persons seek to make such supply, which shall be subjected to validation on the common portal.
- (5) such persons have been granted an enrolment number on the common portal on successful validation of the PAN declared above.
- (6) such persons shall not be granted more than one enrolment number in a State/UT.
- (7) no supply of goods shall be made by such persons through ECO unless such persons have been granted an enrolment number on the common portal; and
- (8) where such persons are subsequently granted registration under section 25 of the CGST Act, 2017, the enrolment number shall cease to be valid from the effective date of registration.