

## PAPER – 3 : TAXATION

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### Part – I: Multiple Choice Questions

#### Case Scenario -I

Mr. Gopal (aged 33 years), a resident individual, sold one of his residential house properties for ₹ 60,00,000 on 31.08.2024 which was purchased on 14.10.2021 for ₹ 45,00,000. His old tenant paid him rent in arrear for the above said property on 12.11.2024 amounting to ₹ 75,000 which was treated as unrealized rent by Mr. Gopal during earlier years. He purchased a residential plot on 08.12.2024 for ₹ 5,00,000 but no construction was started till date although he earned ₹ 30,000 as rent from this plot in the last quarter of previous year 2024-25. Mr. Gopal is opting for<sup>1</sup> default taxation regime under section 115BAC of Income-tax Act, 1961.

Cost of Index for P.Y. 2024-25:363 and P.Y. 2021-22:317

Based on the above information, answer the following MCQ No. 1 to 3 for the assessment year 2025-26.

1. Determine income from capital gains and exemption available to Mr. Gopal for purchasing residential plot considering benefit of the assessee.
  - (A) Long-term capital gain of ₹ 15,00,000 after no exemption.
  - (B) Long-term capital gain of ₹ 8,47,003 after no exemption.
  - (C) Long-term capital gain of ₹ 3,47,003 after claiming exemption of ₹ 5,00,000 u/s 54.
  - (D) Long-term capital gain of ₹ 12,00,000 after claiming exemption of ₹ 5,00,000 u/s 54. **(2 Marks)**
2. Compute income from house property in the hands of Mr. Gopal.
  - (A) ₹ 75,000
  - (B) ₹ 1,05,000
  - (C) ₹ 73,500
  - (D) ₹ 52,500 **(2 Marks)**

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<sup>1</sup> Read "opting for" as "paying tax under"

3. Assuming Mr. Gopal has no other income, his total tax liability shall be -

- (A) ₹ 1,30,940
- (B) ₹ 44,670
- (C) ₹ 1,76,180
- (D) ₹ 1,02,340

**(2 Marks)**

**Case Scenario - II**

Mr. Satya (aged 59 years) is a resident Indian, opting for optional tax regime of the Income-tax Act, 1961 and provides following information for the A.Y.2025-26:

- (i) Profit from specified business (eligible for deduction u/s 35AD) is ₹ 6,00,000.
- (ii) Loss from trading of equity shares of ₹ 50,000 and from trading of commodity derivatives of ₹ 75,000.
- (iii) Taken loan of ₹ 40 lakh from State Bank of India for purchasing a house of stamp duty value of ₹ 42 lakh in January 2022. He has let out this house in February 2024 for rent of ₹ 15,000 per month. He has paid ₹ 1,60,000 against principal and ₹ 4,40,000 against interest during the previous year 2024-25.
- (iv) Loss from betting on horse races ₹ 25,000.

Based on the above information, answer the following MCQ No. 4 to 6 for the assessment year 2025-26.

4. What shall be the gross total income in the hands of Mr. Satya?

- (A) ₹ 6,00,000
- (B) ₹ 4,00,000
- (C) ₹ 3,25,000
- (D) ₹ 3,00,000

**(2 Marks)**

5. Compute total income of Mr. Satya for the assessment year 2025-26.

- (A) ₹ 61,000
- (B) ₹ 3,25,000
- (C) ₹ 1,25,000
- (D) ₹ 2,11,000

**(2 Marks)**

6. Which statement is correct in respect of losses to be carried forward in next assessment years?
- (A) Loss from trading of equity shares of ₹ 50,000 and loss from betting on horse races of ₹ 25,000 for 8 years
  - (B) Loss from trading of equity shares of ₹ 50,000 and loss from trading of commodity derivatives of ₹ 75,000 for 4 years
  - (C) Loss from trading of equity shares of ₹ 50,000 for 4 years and loss from betting on horse races of ₹ 25,000 for 8 years
  - (D) Loss from trading of equity shares of ₹ 50,000 for 4 years **(2 Marks)**
7. Mr. Shivam, a resident individual, has made following payments to M/s ABC Ltd. to purchase overseas tour programme packages:
- (i) ₹ 4 lakhs on 18-05-2024 to visit New York, USA.
  - (ii) ₹ 5 lakhs on 11-03-2025 to visit London, UK.
- Compute the amount of tax required to be collected u/s 206C(1G) by M/s ABC Ltd. assuming Mr. Shivam has furnished a valid PAN.
- (A) On 18-05-2024: Nil, On 11-03-2025: ₹ 10,000
  - (B) On 18-05-2024: ₹ 20,000, On 11-03-2025: ₹ 1,00,000
  - (C) On 18-05-2024: ₹ 20,000, On 11-03-2025: ₹ 55,000
  - (D) On 18-05-2024: Nil, On 11-03-2025: ₹ 40,000 **(2 Marks)**
8. On 18<sup>th</sup> June, 2024, unexplained money of ₹ 30 lakhs u/s 69A was detected of Mr. Mahesh. Expenses of ₹ 10 lakhs were incurred to earn the income. He has also a brought forward business loss of ₹ 4,00,000. Amount of income tax payable by Mr. Mahesh on such income shall be -
- (A) ₹ 23,40,000
  - (B) ₹ 19,36,000
  - (C) ₹ 12,48,000
  - (D) ₹ 15,60,000 **(1 Mark)**

**Case Scenario-III**

Sandeep, a registered person in Pune, Maharashtra, is engaged in the business of providing training services to various registered and unregistered persons. During the month of October, 2024, he conducted training camps at different cities in Uttar

Pradesh for general public and received ₹3,45,000 from such camps. He was hired by Arihant Pharma Limited, registered in Goa, to provide training to its employees for total consideration of ₹2,25,000. The training was given to 20 employees at Mumbai, Maharashtra. Sandeep also gave his residential property in Mumbai to Arihant Pharma Limited for the stay of employees who joined the training. ₹10,000 per person was additionally charged by Sandeep for period of stay of 30 days. Sandeep hired a bus from Ravi (Registered in Maharashtra) at ₹50,000 for 30 days to transport trainees. The bus has enough seating capacity to transport 20 trainees. Cost of fuel is included in the consideration paid to Ravi. Sandeep also received security services from Protect You Security Limited for ₹35,000.

All the amounts given above are exclusive of tax, wherever applicable.

Rates of GST are 9%, 9% and 18% for CGST/SGST/IGST respectively.

Subject to the information given above, all other conditions for availing ITC are complied with.

Based on the above information, choose the most appropriate answer for the questions 9 to 11:

9. Amount of inter-state outward supply on which Sandeep shall pay tax is:

- (A) ₹4,25,000
- (B) ₹5,70,000
- (C) ₹7,70,000
- (D) ₹3,45,000

**(2 Marks)**

10. Amount on which Sandeep is required to pay tax under RCM is:

- (A) ₹0
- (B) ₹35,000
- (C) ₹50,000
- (D) ₹85,000

**(2 Marks)**

11. Total tax payable in cash (including RCM) by Sandeep is:

- (A) ₹1,38,600
- (B) ₹1,02,600
- (C) ₹1,23,300
- (D) ₹87,300

**(2 Marks)**

**Case Scenario - IV**

*Raj Enterprises, a partnership firm registered under GST is engaged in the sale of both taxable and exempt goods and services in Bhubaneswar, Odisha. On 20-03-2024, it entered into a contract of providing painting services to one of its client for his office. The value of the whole contract was pre-decided for ₹ 2,00,000. The due date to complete contract was estimated to be 20-04-2024. However, due to some dispute with the client, painting service was stopped abruptly on 31-03-2024. Only 60% of work was completed upto 31-03-2024.*

*Raj Enterprises received a new order from Mr. Mathur of Kerala on 25-04-2024 for supply constituting both taxable and exempt goods. He sold goods amounting to ₹ 55,000 out of which goods worth ₹ 10,000 was exempt. The value of exempt goods is separately mentioned in the invoice and both goods are independent to each other. Applicable rate of IGST was 12%. He issued a single invoice in respect of both taxable and exempt supply of goods.*

*The Accountant of the firm advised the firm that the requirement of e-way bill is based on the requirement of consignment value of goods supplied.*

*The firm had received a GST refund of ₹ 50,000, which was sanctioned by the department erroneously and credited to cash ledger of the firm. An interest of ₹ 1,100 was also payable by the firm owing to the late payment of GST for previous tax periods. The firm's output tax liability for the month of April 2024 is ₹ 2,50,000 including output tax liability, if any, on the above-mentioned transactions. The opening balance lying in the electronic credit ledger of the firm was ₹ 2,60,000 and the opening balance of Electronic Cash ledger was ₹ 70,000. All the amounts given above are exclusive of GST wherever applicable.*

*From the information given above, choose the most appropriate answer for the questions 12-14:*

12. *The due date of issuance of invoice and the value of such invoice issued for work contract is:*

- (A) 18-04-2024 and ₹ 2,00,000
- (B) 31-03-2024 and ₹ 2,00,000
- (C) 31-03-2024 and ₹ 1,20,000
- (D) 30-04-2024 and ₹ 1,20,000

**(2 Marks)**

13. Consignment value of goods supplied to Kerala to Mr. Mathur, in order to determine applicability of issue of e-way bill, is

- (A) ₹ 61,600
- (B) ₹ 55,000
- (C) ₹ 45,000
- (D) ₹ 50,400

**(2 Marks)**

14. Remaining Balance of Electronic Credit ledger and Electronic Cash ledger after filing return of April, 2024 will be

- (A) ₹ 10,000 and ₹ 18,900
- (B) NIL and ₹ 28,900
- (C) ₹ 8,900 and ₹ 20,000
- (D) ₹ 28,900 and NIL

**(2 Marks)**

15. Mr. Arun, a registered person, is del-credere agent (DCA) of Udhay Limited and AST Limited. Mr. Arun reported following transactions for the month of October 2024:

- (i) Sale of Goods of Udhay Limited in DCA Capacity for ₹ 4,50,000 (Invoices are issued in the name of Udhay Limited)
- (ii) Sale of Goods of AST Limited in DCA Capacity for ₹ 2,20,000 (Invoices are issued by Mr. Arun in his own name)
- (iii) To both the principals he has given guarantee for the realization of payments from customers and to fulfil it, he extends short-term transaction-based loan to the customer and charged interest for the same.

Interest earned from customers of Udhay Limited ₹ 45,000

Interest earned from customer of AST Limited ₹ 22,000

The value of supply of goods to customers on which tax will be paid by Mr. Arun is \_\_\_\_\_ and value of exempt supply is \_\_\_\_\_.

- (A) ₹ 6,70,000 and ₹ 67,000
- (B) ₹ 2,20,000 and ₹ 67,000
- (C) ₹ 2,42,000 and ₹ 45,000
- (D) ₹ 2,87,000 and ₹ 45,000

**(2 Marks)**

16. Aggregate turnover of Techno India Private Limited, a registered person, is ₹ 800 crore.

Which of the following statements is correct in respect of QR Code?

- (A) Invoices issued are required to have QR Code irrespective of whether it is issued against B2B supply, B2C supply, export supply or supply to Government Department.
- (B) QR Code is required for Invoices issued for B2B supply, Export Supply and Supply to Government Department but not for B2C supply.
- (C) QR Code is required for Invoices issued for B2B supply, B2C supply, Export Supply but not for Supply to Government Department.
- (D) QR Code is required for Invoices issued for B2B supply, B2C supply and Supply to Government Department but not for Export Supply. **(1 Mark)**

#### Answer Key

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

**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**

*Mrs. S.C. Bose (aged 62 years) is a widow of a public sector employee who died during his service in 2011. She earns income from business of running a flower bouquet shop at Kolkata and income from royalty from writing books of science and sells in India and abroad. Profit & Loss account for the year ended 31<sup>st</sup> March, 2025 furnished by her is given below:*

<b>Particulars</b>	<b>₹</b>	<b>Particulars</b>	<b>₹</b>
To Opening stock	1,00,000	By Sales of flower bouquet	36,75,000
To Purchases	15,66,000	By Family pension from PSU through bank	3,60,000
To Salaries and wages	4,90,000	By Royalty form California University for books sold (Foreign exchange brought into India)	4,25,000
To Expenses relating to books authored by her	75,000	By Dividend (Net of TDS)	4,50,000
To Expenses in connection with dividends	12,000	By Interest on FDR (No TDS deducted)	76,000
To Repairs & Maintenance	3,25,000	By Closing stock	1,36,000
To Amount paid to IIT Chennai for scientific research projects	35,000		
To Computers and other electronic items (purchased on 01-12-2024)	4,50,000		



To Net Profit	<u>20,69,000</u>		
<b>Total</b>	<b>51,22,000</b>	<b>Total</b>	<b>51,22,000</b>

**Additional Information:**

- (i) Purchases include ₹2 lakhs relate to flowers and creepers directly purchased from a farmer in cash on 26.09.2024.
- (ii) Repairs & Maintenance includes one-time deposit of ₹ 2,00,000 paid to electricity and water department.
- (iii) Computers and other electronic items includes ₹ 1,00,000 paid for television and washing machine for her household use.
- (iv) Salary & wages includes salary paid ₹ 2,40,000 to her illiterate brother (reasonable salary as per market rate is ₹ 1,80,000)
- (v) She purchased a residential house for ₹ 110 lakhs for which loan of ₹ 75 lakhs was taken from State Bank of India. Accrued interest was ₹ 3,37,500 till 31-03-2025 which was paid on 10-04-2025. No principal amount and interest was paid by Mrs. S.C. Bose till 31-03-2025. Ground floor of the house was used for shop and first floor was occupied for her residence.
- (vi) She purchased an electric vehicle on 30-09-2024 for ₹ 25 lakhs for business purposes.
- (vii) She sold 10,000 listed shares of SBCL Ltd. for ₹ 11,66,000 on 11-12-2024 which were purchased for ₹ 2,65,000 on 16.08.2024. STT was paid on purchase and sale both.

Compute total income of Mrs. S.C. Bose under default tax regime u/s 115BAC and optional tax regime of the Income-tax Act, 1961 **(15 Marks)**

**Answer**

**Computation of total income of Mrs. S.C. Bose for A.Y. 2025-26 under default tax regime under section 115BAC(1A)**

	Particulars		₹	₹
<b>I</b>	<b>Income from house property</b>			
	<b>Self-occupied portion [First Floor]</b>			
	Annual Value		Nil	

	Less: Deduction u/s 24			
	Interest on housing loan [Not allowed under default tax regime]		<u>Nil</u>	
				Nil
<b>II</b>	<b>Profits and gains from business or profession</b>			
	Net profit		20,69,000	
	<b>Add: Items of expenditure not allowable while computing business income</b>			
	- Expenses relating to books authored by her [Allowed as deduction considering royalty income is taxable under the head "Profits and gains from business or profession"]	Nil		
	<i>[Note - Royalty income may be taxed under the head "Income from other Sources". In such case, expenses relating to books would not be allowed as deduction while computing business income and allowed from royalty income while computing "Income from Other Sources".]</i>			
	- Expenses in connection with dividends [Not allowed since expense is in respect of dividend taxable under the head "Income from Other Sources"]	12,000		
	- Amount paid to IIT Chennai from scientific research projects, not allowable under default tax regime	35,000		

- Computers and other electronic items [Capital expenditure not allowed as deduction]	4,50,000		
- Payment to a farmer exceeding ₹ 10,000 in cash for purchase of flower and creepers [Not disallowed under section 40A(3), since payment to farmer comes under exclusion]	Nil		
- One-time deposit to electricity and water department, not allowed as deduction	2,00,000		
- Excessive salary paid to brother [Disallowed under section 40A(2), since brother falls under the definition of relative and salary paid is in excess of market rate] [₹ 2,40,000 – ₹ 1,80,000]	<u>60,000</u>	<u>7,57,000</u>	
		28,26,000	
<b>Less: Items of income to be treated separately under the respective head of income</b>			
- Family pension from PSU [Taxable under the head "Income from Other Sources"]	3,60,000		
- Royalty from California University [No adjustment is required since royalty is taxable under the head "Profits and gains from business or profession"]	Nil		
<i>[Note - Royalty income may be taxed under the head "Income from Other Sources". In such case, the income has to be</i>			

<i>reduced while computing business income.]</i>			
- Dividend [Taxable under the head "Income from Other Sources"]	4,50,000		
- Interest on FDRs [Taxable under the head "Income from Other Sources"]	<u>76,000</u>	<u>8,86,000</u>	
		19,40,000	
<b>Less: Allowable expenditure</b>			
- Interest on residential house used for shop [₹ 3,37,500/2] <sup>2</sup> [Since the interest is paid on or before due date of filing return of income, disallowance under section 43B would not be attracted.]		1,68,750	
- <b>Depreciation</b>			
On Computer and other electronic items other than television and washing machine [₹ 3,50,000 x 40% x 50%, since it is purchased and put to use for less than 180 days]	70,000		
On residential house used for shop [₹ 1,10,00,000 x 10% x 50% for ground floor]	5,50,000		
On electric vehicle [₹ 25,00,000 x 40%]	<u>10,00,000</u>	<u>16,20,000</u>	
			1,51,250

<sup>2</sup> Assumed the portion of ground floor and first floor is equal.

<b>III</b>	<b>Capital Gains</b>			
	Sale consideration on sale of listed shares of SBCL Ltd.		11,66,000	
	Less: Cost of acquisition		<u>2,65,000</u>	
	Short term capital gains taxable under section 111A [Since shares are held for less than 12 months and STT has been paid]			9,01,000
<b>IV</b>	<b>Income from Other Sources</b>			
	Family pension from PSU	3,60,000		
	Less: Lower of 33-1/3% of ₹ 3,60,000 or ₹ 25,000 allowed as deduction	<u>25,000</u>	3,35,000	
	Dividend [₹ 4,50,000/90%]	5,00,000		
	Less: Expenditure to the extent of 20% of dividend	<u>12,000</u>	4,88,000	
	<i>[Note - If it is assumed that expenditure are in the nature of expenses other than interest expenses, no deduction would be allowed from dividend income.]</i>			
	Interest on FDRs		<u>76,000</u>	<u>8,99,000</u>
	<b>Gross Total Income</b>			<b>19,51,250</b>
	Less: Deduction under section 80QQB and 80TTB [Not allowable under default tax regime]			<u>Nil</u>
	<b>Total Income</b>			<b>19,51,250</b>

**Computation of total income of Mrs. S.C. Bose for A.Y. 2025-26  
under the optional tax regime of the Income-tax Act, 1961**

	Particulars	₹	₹
	<b>Gross Total Income as per default tax regime u/s 115BAC</b>		19,51,250

Less: Interest on borrowings for self-occupied property [₹ 3,37,500 / 2]	1,68,750	
100% deduction under section 35(2AA) for amount paid to IIT Chennai from scientific research projects	<u>35,000</u>	<u>2,03,750</u>
		17,47,500
Add: Excess deduction from family pension [₹ 25,000 - ₹ 15,000] [Lower of 33-1/3% of ₹ 3,60,000 or ₹ 15,000 as deduction is allowed from family pension under optional tax regime]		<u>10,000</u>
<b>Gross Total Income as per optional tax regime</b>		17,57,500
Less: Deduction under Chapter VI-A		
<b>Deduction under section 80QQB</b>		
Deduction for royalty income of ₹ 3,50,000 [₹4,25,000 – ₹ 75,000], restricted to ₹ 3,00,000	3,00,000	
<b>Deduction under section 80TTB</b>		
Interest on FDRs assuming FDRs are with banks, restricted to	50,000	
<i>[Note - If it is assumed that FDRs are not with banks, co-operative society engaged in banking business or post office, deduction under section 80TTB would not be available.]</i>		
		<u>3,50,000</u>
<b>Total Income</b>		<b>14,07,500</b>

**Question 2**

- (a) State with reasons whether income chargeable to tax in India for the A.Y. 2025-26 in the hands of recipients in following independent situations:
- (i) Mr. Mahesh received dividend of ₹7 lakhs declared and paid by a foreign company outside India. Such dividend has been declared in respect of shares which derive their value substantially from assets situated in India. He is resident and not ordinarily resident in India.

- (ii) Mr. Shivansh is a non-resident in India and residing in China has deposited ₹ 16 lakhs with M/s ABC Ltd., an Indian company, on 01-09-2024. He has received interest @ 12% per annum in China during the previous year 2024-25.
- (iii) Mr. Ramesh received royalty of ₹ 8,25,000 in consideration of providing patent rights to Mr. Sunil. Mr. Sunil has developed a new product in India by utilizing the patent rights. 30% of the royalty was received in India and 70% was received outside India. Mr. Ramesh and Sunil both have status of non-resident in India. **(6 Marks)**
- (b) Discuss the relevant provisions of Income-tax Act, 1961 with respect to tax deduction at source (TDS) and calculate amount of TDS also for the A.Y. 2025-26 in the following independent situations:
- (i) Marks Pictures Ltd. is a movie and short films production house having turnover of ₹ 15.22 crores during the previous year 2023-24. Solar Varanasi LLP also produces short films and clippings and it has already produced a short film namely 'Maha Kumbh'. On 16-10-2024, Marks Pictures Ltd. acquired television rights in consideration of ₹ 52 lakhs from Solar Varanasi LLP. (Both have valid PAN)
- (ii) Mr. Mayank, a salaried individual, paid rent for his residential house at Mumbai to the house owner Mr. Nikhil in the following manner:
- From April, 2024 to September, 2024: ₹ 75,000 per month; and
- From October, 2024 to March, 2025: ₹ 1,00,000 per month. **(4 Marks)**

**Answer**

- (a) (i) Dividend received by Mr. Mahesh from a foreign company outside India would not be deemed to accrue or arise in India even if shares of such company derive their value substantially from assets situated in India.
- Hence, such dividend of ₹ 7 lakhs would not be taxable in the hands of Mr. Mahesh.
- (ii) Interest on deposits with M/s ABC Ltd., an Indian Company, would be deemed to accrue or arise in India in the hands of Mr. Shivansh, being a non-resident since source of income is in India.

Thus, interest income of ₹ 1,12,000 ( $₹ 16 \text{ lakhs} \times 12\% \times 7/12$ ) would be taxable in his hands.

- (iii) Royalty received by Mr. Ramesh, a non-resident from Mr. Sunil, another non-resident would be deemed to accrue or arise in India, since such royalty is paid for patent rights used for a new product developed in India.

Thus, ₹ 8,25,000 would be taxable in the hands of Mr. Ramesh irrespective of the facts that only 30% such amount is received in India.

**(b) (i) Acquisition of television rights**

Payment made by Marks Pictures Ltd. for acquisition of television rights of the content already produced by the Solar Varanasi LLP, a production house would not be liable for tax deduction at source under section 194C, since there is no contract for "carrying out any work", as required in section 194C.

However, consideration for acquiring television right in respect of film would fall within the definition of royalty as defined in *Explanation 2* to section 9(1)(vi). Accordingly, tax is required to be deducted u/s 194J @10% on ₹ 52 lakhs or ₹ 5,20,000.

**(ii) Rent paid by a Salaried individual**

Since Mr. Mayank pays rent exceeding ₹ 50,000 per month in the F.Y. 2024-25, he is liable to deduct tax at source under section 194-IB @5% till 30.09.2024 and thereafter @2%.

The tax is to be deducted in the last month of the P.Y. 2024-25 i.e., March 2025 or in the last month of tenancy, if the property is vacated during the year.

Since property is not vacated during the year, ₹ 21,000  $\{₹ 10,50,000 [(₹ 75,000 \times 6) + (₹ 1,00,000 \times 6)] \times 2\%$  has to be deducted from rent payable for March 2025.

**Question 3**

- (a) *Mr. Sandeep, manager in CTL Pvt. Ltd. at Mumbai, furnishes following information for the year ended 31st March, 2025:*



Basic salary is ₹ 55,000 per month and entitled to a commission of ₹ 2,500 per month. A company owned accommodation is provided to him in Mumbai. Furniture costing ₹ 2,40,000 was also provided.

He took a personal loan of ₹ 3,00,000 on 1st September, 2024 on which the interest @7.75% per annum was charged by the company. The entire loan is still outstanding. SBI rate of interest on 1<sup>st</sup> April, 2024 is 12.75%.

Mr. Sandeep is the owner of a house property in Kolkata which he constructed during the financial year 2016-17. The property consists of four identical units.

He occupied one unit for his residence and three units were let out at a rent of ₹ 20,000 per month per unit. The municipal value is ₹ 9,00,000 and the municipal tax was paid @ 20% of municipal value. Fair rent and standard rent are ₹ 7,50,000 and ₹ 8,50,000, respectively. One of the let out units was vacant for six months during the year. Interest on loan taken for construction of the house is ₹ 2,00,000.

Compute total income of Mr. Sandeep for the A.Y. 2025-26 assuming he has opted out default tax regime u/s 115BAC(1A). **(6 Marks)**

(b) Discuss the taxability with reason in the hands of recipient for the assessment year 2025-26 in respect of following receipts or income:

- (i) Mr. Ram received a sum of ₹ 5,00,000 from his father on Ram's wedding anniversary.
- (ii) Mr. Govind sold his house property to Mrs. Radha for ₹ 1,25,00,000, whereas value determined by stamp valuation authority was ₹ 1,75,00,000.
- (iii) Ms. Agastha got a gift of car worth ₹ 7,00,000 from her friend on her wedding anniversary. **(4 Marks)**

### Answer

(a) **Computation of total income of Mr. Sandeep for A.Y. 2025-26 as per the optional tax regime**

	Particulars	₹	₹	₹
I	<b>Income from Salaries</b>			
	Basic Salary [₹ 55,000 x 12]		6,60,000	

Commission [₹ 2,500 x 12]		30,000	
<b>Value of Rent-free accommodation</b>			
10% of salary [₹ 6,60,000 + ₹ 30,000]	69,000		
Add: Value of furniture [₹ 2,40,000 x 10% p.a.]	<u>24,000</u>	93,000	
<b>Value of perquisite for interest on personal loan</b>			
Interest on loan as per SBI rate [₹ 3,00,000 x 12.75% x 7/12]	22,312.50		
Less: Interest charged by the company [₹ 3,00,000 x 7.75% x 7/12]	<u>13,562.50</u>	<u>8,750</u>	
<b>Gross Salary</b>		7,91,750	
Less: Standard deduction u/s 16 [Actual salary or ₹ 50,000, whichever is less]		<u>50,000</u>	
<b>Net salary</b>			7,41,750
<b>II Income from house property</b>			
<b>Let out portion [three units]</b>			
Municipal value [₹ 9,00,000 x $\frac{3}{4}$ ]	6,75,000		
Fair Rent [₹ 7,50,000 x $\frac{3}{4}$ ]	5,62,500		
Higher of Municipal value or fair rent	6,75,000		
Standard Rent [₹ 8,50,000 x $\frac{3}{4}$ ]	6,37,500		
Expected Rent [Higher of Municipal value or fair rent but restricted to standard rent]	6,37,500		
Actual rent received/ receivable [₹ 20,000 x 12 x 3 – ₹ 20,000 x 6]	6,00,000		
Actual rent of ₹ 6,00,000 is lower than the expected rent of ₹ 6,37,500 owing to vacancy since,			

had the property not been vacant the actual rent would have been ₹ 7,20,000. Therefore, the actual rent is Gross Annual Value.			
<b>Gross Annual Value</b>			6,00,000
Less: Municipal taxes (₹ 6,75,000 x 20%)			<u>1,35,000</u>
<b>Net Annual Value</b>			4,65,000
Less: Deduction under section 24			
- 30% of net annual value	1,39,500		
- Interest on loan [₹ 2,00,000 x ¾]	<u>1,50,000</u>	<u>2,89,500</u>	
			1,75,500
<b>Self-occupied portion [One Unit]</b>			
Annual Value	Nil		
Less: Deduction u/s 24			
Interest on loan for construction [₹ 2,00,000 x ¼]	<u>50,000</u>	(50,000)	
			<u>1,25,500</u>
<b>Gross Total Income/ Total Income</b>			<b>8,67,250</b>

(b)

	Taxable/ Non-taxable	Reason
(i)	Non-taxable	Sum of money exceeding ₹ 50,000 received without consideration by Mr. Ram from his father is not taxable under section 56(2)(x) since the sum is received from a relative i.e., father of Mr. Ram.
(ii)	Taxable	The difference of ₹ 50 lakhs between stamp duty value of ₹ 1,75,00,000 and actual consideration of ₹ 1,25,00,000 is taxable under section 56(2)(x) in the hands of Mrs. Radha since the difference

(iii)	Non-taxable	<p>exceeds ₹ 12,50,000, being the higher of ₹ 50,000 and 10% of consideration.</p> <p>₹ 50 lakhs is taxable in the hands of Mrs. Radha.</p> <p>₹ 175 lakhs is to be considered as deemed sale consideration for the purpose of computing capital gain in the hands of Mr. Govind.</p> <p>Car is not included in the definition of property for the purpose of section 56(2)(x). Therefore, the car received by Ms. Agastha from her friend is not taxable.</p>
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**Question 4**

(a) *Mr. Sanju, an individual assessee, aged 32 years, furnishes the following details for the year ended on 31st March, 2025:*

- (i) *Loss from Future & Option: ₹ 75,000*
- (ii) *Profit from restaurant business (computed): ₹ 2,21,000*
- (iii) *Share of profit in partnership firm M/s XL & Co. (19% share): ₹ 38,000*
- (iv) *Income from salary (computed): ₹ 3,15,000*
- (v) *Interest on loan paid for self-occupied house property: ₹ 1,75,000*  
*(Principal amount paid: ₹ 1,20,000)*
- (vi) *Short-term capital gain: ₹ 82,000*
- (vii) *Long-term capital gain u/s 112A: ₹ 1,10,000*
- (viii) *Long-term capital loss u/s 112: ₹ 68,000*
- (ix) *His wife received salary of ₹ 2,40,000 from a partnership firm XL & Co., where she is an accountant. She does not have any professional qualification related to accounting.*
- (x) *He paid ₹ 21,000 for medical insurance premium and ₹ 9,000 for preventive health check-up.*

*Brought forward speculative business loss: ₹ 26,000 (this being 3rd year from the year of loss) and brought forward short-term capital loss: ₹ 52,000 (this being the 4th year from the year of loss).*

Compute total income of Mr. Sanju for the A.Y. 2025-26 if he exercises the option to shift out of default tax regime u/s 115BAC(1A). Also state the losses eligible to carry-forward. **(6 Marks)**

- (b) State persons who are required to apply for the allotment of PAN under section 139A(1) of the Income-tax Act, 1961. Mention the time limit for making such application also. **(4 Marks)**

OR

- (b) Specify all the documents in which quoting of Aadhaar Number is mandatory u/s 139AA of the Income-tax Act, 1961. Also explain to whom provisions of section 139AA does not apply. **(4 Marks)**

### Answer

- (a) **Computation of Total Income of Mr. Sanju for the A.Y. 2025-26 as per the optional tax regime under the Income-tax Act, 1961**

Particulars	₹	₹
<b>Income from Salary</b>		
Salary (computed)	3,15,000	
Add: Salary received by his wife from M/s XL & Co., partnership firm of ₹ 2,40,000 shall not to be clubbed in the income of Mr. Sanju even if his wife does not have any professional qualification since he does not have substantial interest in the firm as his share of profit in such firm is less than 20%	Nil	
	3,15,000	
Less: Loss from self-occupied house property	(1,75,000)	
		1,40,000
<b>Income from House Property (Self-occupied Property)</b>		
Annual Value	-	
Less: Deductions under section 24		
Interest on loan paid for self-occupied property	(1,75,000)	
	(1,75,000)	

<b>Profit and gains of business or profession</b>		
Profit from restaurant business	2,21,000	
Less: Loss from Future & Option	<u>(75,000)</u>	
	1,46,000	
Share of profit from M/s XL & Co., partnership firm [Exempt under section 10(2A)]	<u>Nil</u>	
		1,46,000
<b>Capital Gain</b>		
Short term capital gain	82,000	
Less: Brought forward short-term capital loss	<u>(52,000)</u>	
		30,000
Long-term capital gain u/s 112A	1,10,000	
Less: Long term capital loss u/s 112	<u>(68,000)</u>	
		<u>42,000</u>
<b>Gross Total Income</b>		3,58,000
<b>Less: Deduction under Chapter VI-A</b>		
- <b>Under section 80C</b> – Repayment of housing loan	1,20,000	
- <b>Under section 80D</b> – Medical premium for self of ₹ 21,000 and preventive health checkup fees of ₹ 9,000 restricted to ₹ 5,000 subject to overall limit of ₹ 25,000	<u>25,000</u>	<u>1,45,000</u>
<b>Total Income</b>		<b>2,13,000</b>
<b>Losses to be carried forward to A.Y. 2026-27</b>		
<b>Loss from speculative business</b>		26,000
As per section 73(4), brought forward loss from speculation business 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.		

**(b) First Alternative**

As per section 139A(1), following persons are required to apply for the allotment of PAN within the specified time limit

	<b>Persons required to apply for PAN</b>	<b>Time limit for making such application</b>
(1)	Every person, if his total income or the total income of any other person in respect of which he is assessable under the Act during any previous year exceeds the maximum amount which is not chargeable to income-tax.	On or before 31 <sup>st</sup> May of the assessment year for which such income is assessable
(2)	Every person carrying on any business or profession whose total sales, turnover or gross receipts are or is likely to exceed ₹ 5 lakhs in any previous year.	Before the end of that financial year.
(3)	Every person being a resident, other than an individual, which enters into a financial transaction of an amount aggregating to ₹ 2,50,000 or more in a financial year.	On or before 31 <sup>st</sup> May of the immediately following financial year.
(4)	Every person who is a managing director, director, partner, trustee, author, founder, karta, chief executive officer, principal officer or office bearer of any person referred in (3) above or any person competent to act on behalf of such person referred in (3) above	On or before 31 <sup>st</sup> May of the immediately following financial year in which the person referred in (3) enters into financial transaction specified therein.
Every person who has not been allotted a PAN and intends to enter into the following prescribed transaction is also required to apply for PAN:		
(5)	Every person, who intends to deposit cash in his one or more	At least 7 days before the date on which he intends to deposit

	accounts with a banking company, co-operative bank or post office, if the cash deposit or the aggregate amount of cash deposit in such accounts during a financial year is ₹ 20 lakh or more.	cash over the specified limit, i.e., ₹ 20 lakh or more.
(6)	Every person, who intends to withdraw cash from his one or more accounts with a banking company, co-operative bank or post office, if the cash withdrawal or the aggregate amount of cash withdrawal from such accounts during a financial year is ₹ 20 lakh or more.	At least 7 days before the date on which he intends to withdraw cash over the specified limit, i.e., ₹ 20 lakh or more.
(7)	Any person, who intends to open a current account or cash credit account with a banking company or a co-operative bank, or a post Office.	At least 7 days before the date on which he intends to open such account.

**(b) Second Alternative**

Every person who is eligible to obtain Aadhaar number is required to mandatorily quote Aadhaar Number in the application form for allotment of Permanent Account Number and in the return of income.

The provisions of section 139AA relating to quoting of Aadhaar Number would not apply to an individual who does not possess the Aadhaar number or Enrolment ID and is:

- (i) residing in Assam, Jammu & Kashmir and Meghalaya;
- (ii) a non-resident as per the Income-tax Act, 1961;
- (iii) of the age of 80 years or more at any time during the previous year;
- (iv) not a citizen of India



## SECTION B: GOODS AND SERVICES TAX

1. 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 Finance (No. 2) Act, 2024 and the significant notifications/ circulars which have become effective upto 31<sup>st</sup> October, 2024.

### Question 5

- (a) MLM Private Limited, a registered person in Udaipur, Rajasthan engaged in various lines of business, provided the following details regarding the transactions undertook in the month of March, 2024:

Outward Transactions			Amount (₹)
Advance received from Mr. Gokul for Business support services to be supplied in the month of April, 2024.			2,00,000
Provided commissioning services under Pure labour contract to M/s Raj Builders of Jaipur, Rajasthan for Multi-storey residential complex.			5,00,000
Stock transferred without consideration to its branch in Jodhpur, Rajasthan. Branch has same GSTIN.			1,25,000
Outward sale of goods to various unrelated persons:			As provided in the column
Particulars	Market Value (₹)	Transaction Value (₹)	
Intra-State	5,00,000	5,75,000	
Provided warehousing services for Kidney beans (Rajma), Red lentils and other pulses.			50,000
Inward Transactions			Amount (₹)
Received Car rental services from Carman Private Limited, an unregistered company in Udaipur engaged in car renting services. MLM Private Limited paid rent on monthly basis (Cost of fuel also			1,20,000

included in the monthly rent). [Rate of CGST and SGST is 6% each]	
Intra-State inward supply of various goods and services for use in the course or furtherance of business.	7,50,000 [Goods] 2,50,000 [Services]

**Additional Information**

- (i) The Company paid ₹ 50,000 to Mr. Ajay, an independent director, as sitting fees.
- (ii) The Company made donation of ₹ 4,50,000 to a local old age home (a trust not registered under GST) for setting a Water Cooler at old age home with the name of company embedded on the water cooler to express their support for the good cause.
- (iii) All the figures are exclusive of GST.
- (iv) All inward and outward supplies are intra-State except where otherwise stated.
- (v) Subject to information given above, all the conditions necessary for availing the ITC have been fulfilled.
- (vi) Rates of GST are given below except where otherwise stated:

Particulars	CGST	SGST	IGST
Supply of Goods	6%	6%	12%
Supply of Services	9%	9%	18%

Calculate the net GST Payable in cash by MLM Private Limited for the month of March, 2024. Support your calculations with relevant reasons. **(10 Marks)**

- (b) Ajay, a registered person, provided the following details about transactions entered into by him in the month of July, 2024:
  - (i) He sold 3,000 units of goods to Wellness Pharma @ ₹ 400 each. Under section 206C(1H) of Income Tax Act, 1961, he is required to collect tax (TCS) of ₹ 2,000 from Wellness Pharma. He included ₹ 2,000 as TCS in tax invoice issued to the party.
  - (ii) Under a contract with State Government, he sold 1,000 units of goods (unit price is ₹ 400 per unit) @ ₹ 200 per unit to families of Economic

Weaker Section (identified by State Government). Balance ₹ 200 per unit will be paid to him by State Government as subsidy.

- (iii) Issued credit notes worth ₹ 1,50,000 net of GST as discount to its registered dealers who purchased more than 5,000 units between October, 2023 to December, 2023 under Festival Bonanza Scheme declared on 01.10.2023. The above discount was provided invoice wise with a condition of reversal of ITC by registered dealer.
- (iv) Sold goods to Old Age Home for consideration of ₹ 1,00,000 (Normal Sale Value is ₹ 2,00,000). SAMVEDNA, an NGO registered under Section 12AA of Income Tax Act, 1961 gave them a subsidy of ₹ 30,000 to acknowledge his services to elderly people living in old age home.
- (v) After analysis of sale report of first quarter, he decided to give discount of 1% to shopkeepers whose total purchases exceeds ₹ 25,00,000 during the quarter ending June, 2024. Total discount given to such shopkeepers is ₹ 1,30,000.

Compute the taxable value of supply for the month of July, 2024 on which Mr. Ajay shall pay GST. Suitable notes and assumptions should form part of your answer. All the amounts stated above are exclusive of GST. **(5 Marks)**

### Answer

#### (a) Computation of net GST payable in cash by MLM Private Limited for the month of March 2024

Particulars	Value (₹)	CGST (₹)	SGST (₹)
<b>GST payable under forward charge</b>			
Advance received from Mr. Gokul for business support services [Tax is payable at the time of receipt of advance for supply of services.]	2,00,000	18,000 [2,00,000 × 9%]	18,000 [2,00,000 × 9%]
Commissioning services under pure labour contract for multi-storied residential complex	5,00,000	45,000 [5,00,000 × 9%]	45,000 [5,00,000 × 9%]

[Taxable, since pure labour contract services pertain to a residential complex.]			
Intra-State branch transfer [Such transfer is not a supply as the branch has the same GSTIN as that of the head office and thus, is not a distinct person.]	--	--	--
Intra-State supply of goods to unrelated persons [Transaction value is the value of supply]	5,75,000	34,500 [5,75,000 × 6%]	34,500 [5,75,000 × 6%]
Warehousing services for pulses <sup>1</sup> [Exempt, since warehousing of pulses is exempt from GST]	--	_____	_____
Total output tax		97,500	97,500
Less: ITC available		<u>72,000</u>	<u>72,000</u>
Net GST payable [A]		<b>25,500</b>	<b>25,500</b>
<b>GST payable under reverse charge</b>			
Services of an independent director availed [B]  [Tax on services provided by a director to a company is payable under reverse charge. Further, tax payable under reverse charge cannot be set off against ITC and thus, has to be paid in cash since the tax payable under reverse charge is not an output tax.]	50,000	4,500 [50,000 × 9%]	4,500 [50,000 × 9%]
<b>Net GST payable in cash [A] + [B]</b>		30,000	30,000

<sup>1</sup> The reversal provisions under rule 42 of the CGST Rules, 2017 have not been given effect to in the above answer on account of specific exclusion of the same via Study guidelines applicable for May, 2025 examination.

**Working Note:****Computation of ITC available**

Particulars	Value (₹)	CGST (₹)	SGST (₹)	IGST (₹)
Car rental services [Tax is not payable under reverse charge mechanism since supplier is a body corporate. Further, no tax is payable under forward charge also since supplier is unregistered and thus, no ITC is available.]	--			
Intra-State inward supply of goods [ITC of goods used in the course/furtherance of business is available.]	7,50,000	45,000 [7,50,000 × 6%]	45,000 [7,50,000 × 6%]	
Intra-State inward supply of services [ITC of services used in the course/ furtherance of business is available.]	2,50,000	22,500 [2,50,000 × 9%]	22,500 [2,50,000 × 9%]	
Services of an independent director availed [ITC of services used in the course/ furtherance of business is available.]	50,000	4,500 [50,000 × 9%]	4,500 [50,000 × 9%]	
Donation made to local old age home there's no <i>quid pro quo</i> and thus, it is not a supply [Since the name of donor – the company – is displayed in such a manner:	--			

<ul style="list-style-type: none"> <li>• which can be said to be an expression of gratitude and public recognition of donor's act of philanthropy</li> <li>• which is not aimed at giving publicity/ advertisement/ promotion to the donor's business</li> </ul> <p>Hence, no ITC is available.]</p>				
Total		72,000	72,000	

**(b) Computation of taxable value of supply on which GST shall be paid by Mr. Ajay for July 2024:**

Particulars	Amount (₹)
Goods sold to Wellness Pharma [3,000 units × ₹ 400] [TCS collected under the Income Tax Act, 1961 is not includible as it is an interim levy / not having the character of tax.]	12,00,000
Goods sold to Economic Weaker Section families [1,000 units × ₹ 200] [Subsidy given by the State Government is not includible in the value of supply.]	2,00,000
Credit note issued [Post supply discount is allowed as deduction from the value of supply if (i) it is agreed at the time of supply, (ii) proportionate ITC is reversed by the recipient, and (iii) it is specifically linked to relevant invoices.]	(1,50,000)
Sold goods to old age home [Transaction value is the value of supply. Subsidy received from a non-Governmental organisation is includible in the value only if it is directly linked to the price of the goods.]	1,00,000

Thus, subsidy received from the NGO-SAMVEDNA is not includible in the value since it is blanket subsidy and not directly linked to the price of the goods]	
Discount given to shopkeepers [Post supply discount is not allowed as deduction from the value of supply since in the given case, the same is not agreed at the time of supply.]	-
Value of taxable supply on which GST is to be paid by Mr. Ajay	13,50,000

**Question 6**

- (a) *M/s Poorvi Ltd, a registered supplier of various goods and services, provided the following information pertaining to GST paid on inward supplies for the month of August, 2024.*

<b>Sr No.</b>	<b>Particulars</b>	<b>GST Paid (₹)</b>
1.	<i>Purchased goods which are used for activities related to his obligation under corporate social responsibility referred to in section 135 of The Companies Act, 2013.</i>	3,00,000
2.	<i>Purchased raw material worth ₹5,90,000 including GST in 5 lots. 3. lots of raw material worth ₹ 3,00,000 excluding GST received in the current month and remaining lots will be received in the month of September, 2024.</i>	90,000
3.	<i>Company paid for outdoor catering expenses for the lunch of its factory employees during the lunch hours as per the policy of the company. There is no legal obligation to provide such lunch facility to the employees.</i>	50,000
4.	<i>Purchased goods from M/s Om Traders -all goods and invoices were received by the company in August 2024, but one invoice out of these invoices has not been furnished by the supplier in the statement of outward supplies (using IFF). The GST paid on the invoice not furnished is ₹50,000.</i>	2,00,000

5.	<i>Purchased raw material to manufacture finished goods. Such finished goods to be sold to potential customers under Scheme 'Buy one get one free'.</i>	1,50,000
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*Compute the amount of net ITC available to M/s Poorvi Ltd. for the month of August 2024 with necessary explanations for the treatment of all the items in the table as per the provision of the CGST Act, 2017 or CGST Rules, 2017 wherever applicable. Subject to information given above, all other conditions necessary for availing the ITC have been fulfilled.* **(5 Marks)**

(b) *Examine the following independent cases and determine whether the services are taxable under GST Law:*

- (i) *Dhruv Printing Press, a registered entity under GST, received an order of ₹ 1,50,000 from Vishwakarma Technical Institute, a private ITI providing courses notified under Apprentices Act, 1961 for printing of pre-examination items like question papers, OMR sheets, Answer booklets required for conducting of examination by the institute.*
- (ii) *State Board of Education, a registered entity, charged ₹ 50,000 per year as affiliation charges from a school run by Dharampal Trust, registered under section 12AA of Income Tax Act, 1961 which gives education from class 1 to class 10.*
- (iii) *We care Hospital, a registered entity, charged ₹ 19,500 for 3 days from Mr. Sahil who was admitted in Intensive Cardiac Care Unit (ICCU) due to heart attack.*
- (iv) *Citcare Hospital, a registered entity, entered into an arrangement with Swadisht Caterers, a registered entity, to supply food to in-patients as per advice of doctor/nutritionist. Swadisht Caterers sends monthly bill to hospital for the food supplied by them to the admitted patients of hospital. Determine the taxability of Citcare Hospital.* **(5 Marks)**



**Answer****(a) Computation of net ITC available to M/s Poorva Ltd. for August 2024**

	Particulars	₹
1.	Goods used for activities related to corporate social responsibility [ITC in respect of goods used for activities relating to obligations under corporate social responsibility (CSR) is not available under section 17 of the CGST Act, 2017 as the same is blocked.]	-
2.	Raw material purchased in lots [When goods are received in lots, ITC can be taken only upon receipt of the last lot].	-
3.	Outdoor catering expenses [ITC on outdoor catering services is blocked as ITC is not available under section 17 since such services are being provided by employer to employee without any statutory obligation.]	-
4.	Goods purchased from M/s Om Traders [2,00,000 – 50,000] [ITC can be availed only if the details of the invoice have been furnished by the supplier in Statement of outward supplies or GSTR-1 OR using Invoice Furnishing Facility (IFF). Thus, ITC of GST amounting to ₹ 50,000 paid on supply in respect of which the details of invoice have not been furnished, is not available.]	1,50,000
5.	Raw material [“Buy one get one free” offer is not an individual supply of two goods, it is supply of two goods for the price of one. Thus, ITC is available on the inputs used in relation to supply of goods as part of said offer.]	1,50,000
	<b>Total ITC</b>	<b>3,00,000</b>

(b)

	Particulars	Taxability
(i)	Vishwakarma Technical Institute qualifies as an educational institution <sup>2</sup> . Thus, services provided by Dhruv Printing Press to Vishwakarma Technical Institute are exempt since services are being provided to an educational institution by way of services relating to conduct of examination by such institution.	Exempt
(ii)	Affiliation services by State educational boards are exempt only when they are provided to Government Schools. Thus, affiliation charges of ₹ 50,000 charged by State Board of Education from a school run by Dharampal Trust is taxable.	Taxable
(iii)	Renting of room by a clinical establishment to a person receiving health care services are exempt provided room charges are upto ₹ 5,000 per day. However, this limit does not apply to renting of Intensive Cardiac Care Unit (ICCU). Thus, amount of ₹ 19,500 <sup>3</sup> charged by Wecare Hospital from Mr. Sahil admitted in ICCU is exempt.	Exempt
(iv)	Food supplied to the in-patients as advised by the doctor/nutritionists is a part of composite supply of healthcare by Citcare Hospital and is not separately taxable. Thus, said supply is exempt.	Exempt

**Question 7**

- (a) Mr. Ranjan availed ITC of ₹ 1,00,000 in GSTR-3B for the month of June, 2024. The Output tax liability for June 2024 was Nil. His intra-State output supply for the month of July 2024 was ₹ 5,00,000 (excluding GST). He utilized the available ITC against the output tax liability for the month of July 2024 while

<sup>2</sup> Vishwakarma Technical Institute qualifies as an educational institution since it is an ITI which provides courses notified under Apprentices Act, 1961, i.e. approved vocational education courses.

<sup>3</sup> It has been most logically assumed that ₹ 19,500 is room rent charges for ICCU.

*filing GSTR-3B. Mr. Ranjan found on 22<sup>nd</sup> September, 2024 that he wrongly availed ITC of ₹ 1,00,000 in the month of June 2024. He reversed the unutilized amount of wrongly availed ITC standing in credit ledger on 30<sup>th</sup> September, 2024 and paid the utilized amount of ITC by cash. The GST rate is 18%. Calculate the interest payable under the applicable GST law, if Mr. Ranjan filed:*

- (i) Form GSTR-3B for the month of June 2024 on 19 July, 2024.
- (ii) Form GSTR-3B for the month of July 2024 was filed on 25 August, 2024.

*(Note: The due date of filing of GSTR-3B is 20<sup>th</sup> day of the following month. But the due date of filing of GSTR-3B was extended to 22<sup>nd</sup> August, 2024 for the month of July 2024)*

**(5 Marks)**

- (b) Briefly discuss the provisions related to inspection and verification of goods in transit as laid in Rule 138C of CGST Rules, 2017.

**(5 Marks)**

**Answer**

- (a) Output tax liability for the month of July, 2024

$$= ₹ 5,00,000 \times 18\%$$

$$= ₹ 90,000.$$

Mr. Ranjan has utilized wrongly availed ITC amounting to ₹ 90,000 for discharging this tax liability while filing GSTR-3B for the month of July 2024.

In case of wrongful availment and utilization of ITC, the interest shall be calculated on the amount of ITC wrongly availed and utilised, for the period starting from the date of utilisation of such wrongly availed ITC till the date of reversal of such credit or payment of tax in respect of such amount at the specified rate.

No interest is payable for ₹ 10,000 since it was not utilized even though wrongly availed.

The date of utilisation of such ITC shall be taken to be earlier of the following:-

- (a) Due date of filing of return [22nd August, 2024]

or

- (b) Actual date of filing of return [25th August, 2024].

i.e. 22<sup>nd</sup> August, 2024

Amount of ITC wrongly availed and utilized = ₹ 90,000

Date of utilization of wrongly availed ITC = 22<sup>nd</sup> August, 2024

Date of payment of tax = 30<sup>th</sup> September, 2024<sup>4</sup>

Period of delay = 23<sup>rd</sup> August, 2024 to 30<sup>th</sup> September, 2024 (Both days inclusive) = 39 days

Rate of interest - 18%

Interest will be as follows:

= ₹ 90,000 x 18% x 39/365

= ₹ 1,731 (rounded off) [₹ 865 each under CGST and SGST]

- (b) A summary report of every inspection of goods in transit shall be recorded online by the proper officer in Part A of a prescribed form within 24 hours of inspection and the final report in Part B of said form shall be recorded within 3 days of such inspection.

However, where the circumstances so warrant, the Commissioner, or any other officer authorised by him, may, on sufficient cause being shown, extend the time for recording of the final report in Part B of said form, for a further period not exceeding 3 days.

The period of 24 hours or, as the case may be, 3 days shall be counted from the midnight of the date on which the vehicle was intercepted.

Where the physical verification of goods being transported on any conveyance has been done during transit at one place within the State/Union territory or in any other State/Union territory, no further physical verification of the said conveyance shall be carried out again in the State/Union territory, unless a specific information relating to evasion of tax is made available subsequently.

### Question 8

- (a) *As per Section 7 of the CGST Act, 2017 for the purposes of Goods and Services Tax, the expression "supply" includes all forms of supply of goods or services or both such as sale, transfer, barter, exchange, licence, rental, lease or*

<sup>4</sup> It has been logically assumed that date of payment is same as date of reversal i.e 30.09.2024.

*disposal made or agreed to be made for a consideration by a person in the course or furtherance of business. Discuss as per the provisions of the CGST Act, 2017 (or rules thereunder), when an activity can be treated as supply even if there is no consideration, or even if it is not in the course or furtherance of business.* **(5 Marks)**

- (b) (i) *Explain the provisions relating to the validity period of the registration certificate issued to Casual Taxable Person and Non-Resident Taxable Person.* **(2 Marks)**
- (ii) *List the deficiencies in the erstwhile value-added taxation which led to evolution of Goods and Services Tax.* **(3 Marks)**

OR

- (b) *Section 31 of the CGST Act, 2017 requires that a tax invoice shall be issued before or at the time of delivery/ removal of goods. Specify the situations where a tax invoice can be issued after delivery of goods. Discuss the provisions related to issue of tax invoice and delivery challan in case of transportation of goods in a semi knocked down or completely knocked down condition or in batches or lots.* **(5 Marks)**

**Answer**

- (a) An activity can be treated as supply, even if there is no consideration in the following cases:
- (1) Permanent transfer or disposal of business assets where ITC has been availed on such assets.
  - (2) Supply of goods and/or services between related/distinct persons, when made in the course/furtherance of business.  
(However, gifts not exceeding ₹ 50,000 in value in a financial year by an employer to an employee shall not be treated as supply).
  - (3) Supply of goods —
    - (a) by a principal to his agent where the agent undertakes to supply such goods on behalf of the principal; or
    - (b) by an agent to his principal where the agent undertakes to receive such goods on behalf of the principal.

- (4) Import of services by a person from a related person or from any of his other establishments outside India, in the course/furtherance of business

In case where the services are imported for a consideration, whether or not in the course or furtherance of business, such activity is treated as supply.

- (b) (i)** Registration Certificate granted to Non-Resident Taxable Person and Casual Taxable Person will be valid for:

- (i) Period specified in the registration application, or
- (ii) 90 days from the effective date of registration\*\*

whichever is earlier.

\*\*The 90 days period can be extended by a further period not exceeding 90 days on sufficient cause being shown by the said taxable person.

- (ii)** List of deficiencies in the erstwhile value-added taxation which led to evolution of GST:

- a. Certain transactions were being double taxed as both goods and services due to unclear distinction between goods and services.
- b. There was cascading of taxes because CENVAT excluded value addition in distribution stage and in the State-level VAT, CENVAT load on the goods was not removed.
- c. Credit of CENVAT and State-Level VAT could not be set-off against each other.
- d. For a single transaction, multiple taxes in multiple forms were required to be paid. Several State taxes like Luxury Tax, Entertainment Tax, etc. were not subsumed in the VAT.
- e. State-level VAT and service tax were not integrated, thereby causing tax cascading.
- f. CST, being non-VATable, caused tax cascading. Being origin-based, it violated the consumption tax principles.

**(b) Alternative**

Situations where a tax invoice can be issued after delivery of goods are as follows:

- (1) Supply of liquid gas where the quantity at the time of removal from the place of business of the supplier is not known
- (2) Transportation of goods for reasons other than by way of supply
- (3) Such other supplies as may be notified by the Board

Where the goods are being transported in a semi knocked down or completely knocked down condition or in batches or lots:

- (a) Supplier shall issue the complete invoice before dispatch of the first consignment
- (b) Supplier shall issue a delivery challan for each of the subsequent consignments, giving reference of the invoice.
- (c) Copies of the corresponding delivery challan shall accompany each consignment along with a duly certified copy of the invoice.
- (d) Original copy of the invoice shall be sent along with the last consignment.