

PAPER 3

# Taxation Reviewer

Chapter-wise compilation  
RTP, MTP and PYP questions

## KEY HIGHLIGHTS



Easy to Hard  
Difficulty Level



Importance levels  
marked as A, B or C



Reference to  
all questions



Quick recap of  
important concepts



Exam  
Insights



Last Day Revision  
Questions Marked

APPLICABLE  
FOR MAY'25,  
SEPT'25 AND  
JAN'26

# **TAXATION REVIEWER**

**CA Intermediate  
May 2025,  
September 2025 & January 2026**

**Publisher:**



**VIVITSU**  
STRIVING TOWARDS KNOWLEDGE

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# Taxation Reviewer

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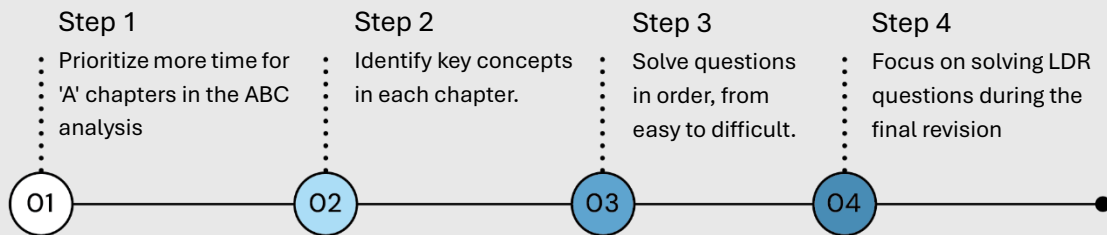
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YOU MUST BE WONDERING

## How to Read this book?



### Step 1: Prioritize your chapters

Chapters in the index are categorized as A, B, or C based on their importance. Focus more on 'A' chapters, as they carry the most weight, and give adequate attention to 'B' chapters. While all chapters must be covered, this approach helps manage time efficiently for better results.



### Step 2: Identify key concept

Identify the key concepts for each chapter using the list provided at the start of the chapter. Ensure you understand them thoroughly. If you struggle with a question, revisit the concepts, review them, and strengthen your understanding before moving forward.



### Step 3: Start easy

Start with Question 1, as they progress from easy to difficult, helping you build confidence throughout the chapter. Pay close attention to the "EXAM INSIGHTS" to avoid common mistakes. Questions are segregated topic wise where possible.



### Step 4: Last Day Revision (LDR)

Focus on solving LDR questions during the final revision. In the 1.5 days before the exam, prioritize these questions as they cover the most critical concepts from each chapter. You'll find a quick summary of LDR question numbers listed right before each chapter for easy reference.

## CHAPTER 3.4: CAPITAL GAINS

### CONCEPTS OF THIS CHAPTER

- Scope of income chargeable under capital gains
- Assets classified as “capital assets” for tax purposes
- Meaning of short-term vs long-term capital assets
- Computing holding period to determine asset type
- Transactions considered as transfer for capital gains
- Transactions not regarded as transfer
- Computing capital gains from asset transfer
- Determining cost of acquisition and indexed cost for long-term assets
- Capital gains on depreciable assets
- Capital gains on market-linked debentures and specified securities
- Capital gains on slump sale
- Exemption on investment of capital gains/net consideration
- Calculating capital gains after exemptions
- Concessional tax treatment for short-term/long-term gains on listed shares/equity funds
- Tax liability on short-term/long-term capital gains applying special tax rates



### LDR Questions

Q 13

Q 17

Q 21

Q 22

### QUICK REVIEW OF IMPORTANT CONCEPTS

#### Short-term capital asset/ long-term capital asset

Capital Asset	STCG, if held for	LTCG, if held for
<b>In case transfer takes place before 23.7.2024</b>		
<ul style="list-style-type: none"> <li>• Security (other than unit) listed in a recognize stock exchange</li> <li>• Unit of equity-oriented fund/unit of UTI</li> <li>• Zero coupon bond</li> </ul>	≤ 12 Months immediately preceding the date of its transfer	> 12 Months immediately preceding the date of its transfer
<ul style="list-style-type: none"> <li>• Unlisted shares</li> </ul>	≤ 24 Months immediately preceding the date of its transfer	> 24 Months immediately preceding the date of its transfer
<ul style="list-style-type: none"> <li>• Unlisted securities other than shares</li> <li>• Other capital assets</li> </ul>	≤ 36 Months immediately preceding the date of its transfer	> 36 Months immediately preceding the date of its transfer
<b>In case transfer takes place on or after 23.7.2024</b>		
<ul style="list-style-type: none"> <li>• Security listed in a recognize stock exchange</li> </ul>	≤ 12 Months immediately preceding the date of its transfer	> 12 Months immediately preceding the date of its transfer
<ul style="list-style-type: none"> <li>• Unity of equity-oriented fund/unit of UTI</li> <li>• Zero Coupon bond</li> </ul>		
<ul style="list-style-type: none"> <li>• Other capital assets</li> </ul>	≤ 24 Months immediately preceding the date of its transfer	> 24 Months immediately preceding the date of its transfer

#### Transactions not regarded as transfer [Section 47]:

- distribution of capital total or partial partition of a HUF



- transfer of capital asset by an individual or HUF under a gift or will or an irrevocable trust (by any person up-to A.Y. 2024-25)
- holding company to its 100% subsidiary Indian company or by a subsidiary company to its 100% holding Indian company
- Issue of shares by the resulting company, in a scheme of demerger
- By a Shareholder in a scheme of amalgamation
- of conversion of bonds, debentures, debenture stock, deposit certificates of a company, into shares or debentures of that company.
- Conversion of preference share of a company into equity shares
- Transaction of reverse mortgage

### Capital Gains: Special Provisions

50	Any Income From transfer of depreciable assets is deemed to be capital gains arising from transfer of short – term capital assets, irrespective of the period of holding	
50B	Net worth is deemed to be the cost of acquisition and the cost of improvement – ‘Net worth’ shall be aggregate value of total assets minus value of liabilities of such undertaking as per books of account.	
	Fair market value is deemed to be the full value of consideration	
	Fair market value (FMV) of capital assets would be the higher of -	
	(i) <b>FMV 1</b> , being the fair market value of capital assets transferred by way of slump sale	
	(ii) <b>FMV 2</b> , being the fair market value of the consideration received or accruing as a result of transfer by way of slump sale	
	<b>Capital gains = Fair market value – Net worth</b>	
50C	1. Stamp duty value > actual consideration	Stamp Duty Value
	If Stamp duty value > 110% of actual consideration	Actual sale consideration
	If Stamp duty value ≤ 110% of actual consideration	Actual sale consideration
	2. Actual consideration > stamp Duty value	Stamp Duty Value
3. Value ascertained by valuation officer > stamp duty value	Stamp Duty Value	
4. Value ascertained by valuation officer < stamp duty value	Value ascertained by valuation officer	
51	<b>Advance money received and forfeited up-to 31.3.2014</b>	
	the advance money forfeited by the assessee has to be reduced from the cost of acquisition	
	<b>Advance money received and forfeited on or after 1.4.2014</b>	
	Therefore, advance money received and forfeited on or after 1.4.2014 should not be deducted from the cost for determining the indexed cost of acquisition while computing capital gains arising on transfer of the asset.	

### Cost of Acquisition [Section 55]

1	Good will	NIL
	- Self-generated	
	- Acquired from previous owner	Purchase price
2	<b>Bonus shares</b>	FMV on 1.4.2001
	If bonus shares are allotted before 1.4.2001	Nil
	If bonus shares are allotted on or after 1.4.2001	The higher of – Actual cost of acquisition Nil, on or after 1.4.2001 FMV on 1.4.2001 Lower of-
	Bonus shares allotted before 1.2.2018, on which STT has been paid at the time of transfer	(a) FMV as on 31.1.2018 and (b) Actual sale consideration
3	<b>Rights Shares</b>	Amount actually paid for acquiring the original shares
	Original shares	Amount actually paid for acquiring the rights shares
	Rights shares subscribed for by the assessee	Nil
	Right entitlement	
4	Long term capital assets equity shares unit of equity oriented fund acquired before 1st February, 2018	Cost of acquisition shall be the higher of - (i) cost of acquisition of such



		(ii) lower of - the FMV of such asset on 31.1.2018 - the full value of consideration recd or accruing as a result of the transfer of the capital asset.
5	<b>Any other capital asset</b> Capital asset became the property of the assessee before 1.4.2001	Cost of the asset to the assessee, or FMV as on 1.4.2001, at the option of the assessee. However, in case of capital asset being land or building, FMV as on 1.4.2001 shall not exceed stamp duty value as on 1.4.2001.

#### Exemption of Capital Gains [Sections 54 to 54F]

S. No.	Particulars	Section 54	Section 54B	Section 54D	Section 54EC	Section 54F
1	<b>Eligible Assessee</b>	Individual/ HUF	Individual/ HUF	Any assessee	Any assessee	Individual/ HUF
2	<b>Asset transferred</b>	Residential House (LTCA)	Urban Agricultural Land	Land & building forming part of an industrial undertaking	Land or building or both (LTCA)	Any LTCA other than Residential House.
3	<b>Other Conditions</b>	Income from such house should be chargeable under the head "Income from house property"	Land used for agricultural purposes by assessee or his parents or HUF for 2 years immediately preceding the date of transfer	Land & building have been used for business of undertaking for at least 2 years immediately preceding the date of transfer. The transfer by way of compulsory acquisition of the industrial undertaking	-	Assessee should <b>not</b> own more than one residential house on the date of transfer. He should <b>not</b> purchase within 2 years or construct within 3 years after the date of transfer, another residential house.
4	<b>Qualifying asset i.e., Asset in which capital gains has to be invested</b>	One Residential House/Two residential houses in India, at the option of the assessee, where capital gains does <b>not</b> exceed ₹ 2 crore	Land for being used for agricultural purpose (Urban/ Rural)	Land or Building or right in land or building	Bonds of NHAI or RECL or any other bond notified by C.G. (Redeemable after 5 years)	One Residential House situated in India
5	<b>Time limit for purchase/ construction</b>	Purchase within 1 year before or 2 years after the date of transfer <b>(or)</b> construct within 3 years after the date of transfer	Purchase within a period of 2 years after the date of transfer	Purchase/ construct within 3 years after the date of transfer, for shifting or re-establishing the existing undertaking or setting up a new industrial undertaking.	Purchase within a period of 6 months after the date of transfer	Purchase within 1 year before or 2 years after the date of transfer <b>(or)</b> Construct within 3 years after the date of transfer





<b>6</b>	<b>Amount of Exemption</b>	Cost of new Residential House or two houses, as the case may be or Capital Gain, whichever is lower, is exempt. 10 Cr limit on exemption	Cost of new Agricultural Land or Capital Gain, whichever is lower, is exempt	Cost of new asset or Capital Gain, whichever is lower.	Capital Gain or amount invested in specified bonds, whichever is lower. Maximum Investment is ₹ 50 lakhs.	Cost of new Residential House ≥ Net sale consideration of original asset, entire Capital gain is exempt. 10 Cr limit on exemption
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Section	Income	Rate of Tax
112	(i) Long term capital gains (a) From transfer of capital asset which takes place before 23.7.2024 (b) From transfer of capital asset which takes place on or after 23.7.2024 - From transfer of any land or building or both by an individual or a HUF, Being a resident acquired before 23.7.2024 - From transfer of other capital asset	20% with indexation Lower of 20% with indexation or 12.5% without indexation  12.5% without indexation
	(ii) Long-term capital gains arising from transfer of unlisted securities or share of company in which public are not substantially interested by non-resident assesses - If transfer takes place before 23.7.2024 - If transfer takes place on or after 23.7.2024	10% without indexation 12.5% without indexation
112A	Long term capital gains on transfer of – • Equity share in a company • Unit of an equity oriented fund • Unit of business trust Condition for availing the benefit of this concessional rate is that securities transaction tax (STT) should have been paid	10% on LTCG > ₹ 1.25 lakhs if transfer takes place before 23.7.2024 12.5% on LTCG > ₹ 1.25 lakhs if transfer takes place on or after 23.7.2024
111A	Short-term capital gains on transfer of – • Equity shares in a company • Unit of an equity oriented fund • Unit of business trust conditions for availing the benefit of this concessional rate are – (i) the transaction of the transaction of sale of such equity share or unit should be entered into on or after 1.10.2004; and (ii) such transaction should be chargeable STT.	15% if transfer takes place before 23.7.2024  20% if transfer takes place on or after 23.7.2024

### Questions & Answers

#### Question 1

**Aggarwal & Sons, HUF purchased a house property in the year 1950 for ₹50,000. On 31.10.2024, the HUF was totally partitioned and the aforesaid house property was given to Mr. Subhash Aggarwal, a member of the family. Fair Market value of the house as on 31.10.2024 was ₹21,00,000. FMV of the house as on 1.4.2001 was ₹3,50,000. What will be the tax implications in the hands of Mr. Subhash Aggarwal and the HUF? (MTP 3 Marks, Oct'21)**

#### Answer 1

##### **Tax implications in the hands of HUF**

As per section 47, any distribution of capital assets on the total or partial partition of a HUF would not be regarded as transfer for the purpose of capital gains tax.

In this case, Aggarwal & Sons, HUF transferred the asset to Mr. Subhash Aggarwal, a member of HUF on total partition of the HUF. Hence, the transaction would not be regarded as transfer.



### **Tax implications in the hands of Mr. Subhash Aggarwal**

If an immovable property is received by any person without consideration, the stamp duty value of such property would be taxed as the income of the recipient under section 56(2)(x), if it exceeds ₹50,000. However, it would not be taxable as income if the transfer is by way of a transfer, inter alia, on total or partial partition of a HUF.

In the give case, since Mr. Subhash Aggarwal received the house property on total partition of the HUF, it would not be taxable in his hand.

### **Question 2**

**(Includes concepts from Income from Other Sources)**

**Mrs. Neha transferred 100 shares of ABC (P) Ltd. to M/s. XYZ Co. (P) Ltd. on 10.9.2024 for ₹ 3,00,000 when the market price was ₹ 5,00,000. The indexed cost of acquisition of shares for Mrs. Neha was computed at ₹ 4,30,000. The transfer was not subjected to securities transaction tax.**

**Determine the income chargeable to tax in the hands of Mrs. Neha and M/s. XYZ Co. (P) Ltd. because of the above said transaction. (MTP 2 Marks, Nov'21)**

### **Answer 2**

Any movable property received for inadequate consideration by any person is chargeable to tax under section 56(2)(x), if the difference between aggregate Fair Market Value of the property and consideration exceeds ₹ 50,000.

Thus, share received by M/s XYZ (P) Ltd. from Mrs. Neha for inadequate consideration is chargeable to tax under section 56(2)(x) to the extent of ₹ 2,00,000.

As per section 50CA, since, the consideration is less than the fair market value of unquoted shares of ABC (P) Ltd., fair market value of shares of the company would be deemed to be the full value of consideration. It is presumed that the shares of ABC (P) Ltd are unquoted shares.

The full value of consideration (₹ 5,00,000) less the indexed cost of acquisition (₹ 4,30,000) would result in a long term capital gains of ₹ 70,000 in the hands of Mrs. Neha.

### **Question 3**

**Aarav converts his plot of land purchased in July, 2004 for ₹ 80,000 converted into stock-in-trade on 31<sup>st</sup> March, 2024. The fair market value as on 31.3.2024 was ₹ 3,00,000. The stock-in-trade was sold for ₹ 3,25,000 in the month of January, 2025.**

**Find out the taxable income, if any, and if so under which head of income andfor which Assessment Year? Cost Inflation Index: 2004-05:113; F.Y. 2023-24: 348; F.Y. 2024-25: 363. (SM)**

### **Answer 3**

Conversion of a capital asset into stock-in-trade is a transfer within the meaning of section 2(47) in the previous year in which the asset is so converted. However, the capital gains will be charged to tax only in the year in which the stock-in-trade is sold.

The cost inflation index of the financial year in which the conversion took place should be considered for computing indexed cost of acquisition. Further, the fair market value on the date of conversion would be deemed to be the full value of consideration for transfer of the asset as per section 45(2). The sale price less the fair market value on the date of conversion would be treated as the business income of the year in which the stock-in-trade is sold.

Therefore, in this problem, both capital gains and business income would be charged to tax in the A.Y. 2025-26.

Particulars	₹	
<b>Profits &amp; Gains of Business or Profession</b>		
Sale price of stock-in-trade	3,25,000	
Less: Fair market value on the date of conversion	3,00,000	
<b>Capital Gains</b>		<b>25,000</b>
Full value of consideration (Fair market value on the date of conversion)	<b>3,00,000</b>	
Less: Indexed cost of acquisition (₹ 80,000 × 348/113)	<b>2,46,372</b>	
Long-term Capital gain		<b>53,628</b>
Taxable income		<b>78,628</b>



#### Question 4

Mr. Gyaanchand purchased 1200 shares of "A" limited at ₹130 per share on 26.02.1979. "A" limited issued him 600 bonus shares on 20.02.2005. The fair market value of these shares at Mumbai Stock Exchange as on 1.04.2001 was ₹900 per share and ₹2,000 per share as on 31.01.2018. On 07.07.2024 Mr. Gyaanchand sold all 1800 shares @ ₹ 2,400 per share at Mumbai Stock Exchange and securities transaction tax was paid. Compute capital gain chargeable to tax in the hands of Mr. Gyaanchand for the A.Y.2025-26. (MTP 4 Marks, Oct'21)

#### Answer 4

##### Computation of capital gain of Mr. Gyaanchand for the A.Y.2025-26

Particulars	₹	₹
<b>Capital Gains</b>		
<b>In respect of 600 shares (bonus shares)</b>		
Full value of consideration [600 shares x ₹2,400 per share]	14,40,000	
Less: Cost of acquisition [600 shares x ₹2,000]	<u>12,00,000</u>	2,40,000
Higher of (I) and (ii), below		
(I) Nil, being cost of acquisition		
(ii) ₹2,000 per share, being the lower of FMV as on 31.1.2018 - ₹2,000 per share		
Sale consideration – ₹2,400 per share		
<b>In respect of 1,200 original shares</b>		
Full value of consideration [1,200 shares x ₹2,400]	28,80,000	
Less: Cost of acquisition [1,200 shares x ₹2,000]	<u>24,00,000</u>	4,80,000
Higher of (I) and (ii), below		
(I) ₹900, being original cost of acquisition (₹ 130) or FMV as on 1.4.2001 (₹900), at the option of the assessee		
(ii) ₹2,000 per share, being the lower of		
FMV as on 31.1.2018 - ₹2,000 per share		
Sale consideration – ₹2,400 per share		
<b>Long term capital gain</b>		<b>7,20,000</b>

#### Question 5

Mr. Raj is carrying on business of manufacture and sale of art-silk cloth. He purchased machinery worth ₹ 4 lacs on 1.5.2021 and insured it with United India Assurance Ltd against fire, flood, earthquake etc., The written down value of the asset as on 01.04.2024 was ₹ 1,87,850. The insurance policy contained a reinstatement clause requiring the insurance company to pay the value of the machinery, as on the date of fire etc., in case of destruction of loss. A fire broke out in August, 2024 causing extensive damage to the machinery of the assessee rendering them totally useless. The assessee company received a sum of ₹ 4 lacs from the insurance company on 15th March, 2025. Examine the issues arising on account on the transactions and their tax treatment. (Cost inflation index for financial year 2020-21 & 2024-25 are 301 and 363 respectively) (MTP 4 Marks, Nov'21)

#### Answer 5

As per section 45(1A), where any person receives any money or other assets under an insurance from an insurer on account of damage to or destruction of capital asset as a result of, inter alia, accidental fire then, any profits and gains arising from the receipt of such money or other assets, shall be chargeable to income tax under the head "Capital Gains" and shall be deemed to be the income of such person of the previous year in which such money or asset was received.

For the purpose of section 48, the money received or the market value of the asset shall be deemed to be the full value of the consideration accruing as a result of the transfer of such capital asset. Since the asset was



destroyed and the money from the insurance company was received in the previous year, there will be a liability to compute capital gains in respect of the insurance moneys received by the assessee.

Under section 45(1A) any profits and gains arising from receipt of insurance moneys is chargeable under the head "Capital gains". For the purpose of section 48, the moneys received shall be deemed to be the full value of the consideration accruing or arising. Under section 50 the capital gains in respect of depreciable assets had to be computed in the following manner (assuming it was the only asset in the block).

The computation of capital gain and tax implication is given below:

Full value of the consideration	₹ 4,00,000
Less: Written down value as on April 1st, 2024	₹ 1,87,850
Short term capital gains	₹ 2,12,150

### Question 6

Examine the taxability of capital gains in the following scenarios for the Assessment Year 2025-26, determine the taxable amount and rate of tax applicable:

- (i) On 20th December, 2024 5,000 shares of AB Ltd., a listed company are sold by Mr. Wiwsu @ 500 per share and STT was paid at the time of sale of shares. These shares were acquired by him on 5th June, 2017 @ ₹ 425 per share by paying STT at the time of purchase. On 31st January, 2018, the shares of AB Ltd. were traded on a recognized stock exchange at the Fair Market Value of ₹ 450 per share.
- (ii) Mr. Satish is the owner of a residential house which was purchased on 1st July, 2017 for ₹ 10,50,000. He sold the said house on 14th October, 2024 for ₹ 25,00,000. Valuation as per stamp valuation authorities was ₹ 45,00,000. He invested ₹ 15,00,000 in RECL Bonds on 20th March, 2025.

The Cost Inflation index for-

F.Y.	2017-18	272
F.Y.	2024-25	363

(MTP 2 Marks, Sep'22, PYP 4 Marks July 21)

### Answer 6

(i)	<b>Long-term capital gain on transfer of 5,000 shares of AB Ltd. [taxable u/s 112A @12.5% on amount exceeding ₹ 1,25,000]</b>	
	Full value of consideration [5,000 x ₹ 500]	25,00,000
	Less: Cost of acquisition	
	Higher of	
	Cost of acquisition [5,000 x ₹ 425]	21,25,000
	Lower of fair market value per share as on 31.1.2018	22,50,000
	i.e., ₹ 450 per share and sale consideration i.e., ₹ 500 per share [5,000 x ₹ 450]	<u>22,50,000</u>
	Long term capital gain taxable u/s 112A	<u>2,50,000</u>
	Long-term capital gain exceeding ₹ 1.25 lakh i.e., ₹ 1,25,000 would be taxable @12.5%	
(ii)	<b>Sale of residential house [long-term capital asset, since held for more than 24 months]</b>	
a	<b>20% with Indexation Benefits</b>	
	Full value of consideration [stamp duty value, since it exceeds 110% of actual sale consideration]	45,00,000
	Less: Indexed Cost of acquisition (10,50,000 x 363/272)	14,01,287
		30,98,713
	Less: Deduction under section 54EC	15,00,000
	Since ₹ 15,00,000 is invested in RECL bonds on 20th March 2025 i.e., before six months from the date of transfer	
	Long-term capital gain	15,98,713
	<b>Long-term capital gain taxable u/s 112 @ 20%</b>	<b>3,19,743</b>
b	<b>12.5% without Indexation Benefits</b>	
	Full value of consideration [stamp duty value, since it exceeds 110% of actual sale consideration]	45,00,000
	Less: Cost of acquisition (Read Note)	10,50,000



		34,50,000
	Less: Deduction under section 54EC	15,00,000
	Since ₹ 15,00,000 is invested in RECL bonds on 20th March 2025 i.e., before six months from the date of transfer	
	Long-term capital gain	19,50,000
	Long-term capital gain taxable u/s 112 @ 12.5%	2,43,750

Hence 12.5% without Indexation Benefits is more beneficial for the Assessee.

**Note:**

(i) As transfer is after 23.07.2024, tax rates will be LTCG on equity shares 112A= 12.5%

(ii) When transfer takes place after 23.07.2024 Land or building or both if acquired before 23.7.2024 then the individual can choose between 12.5% without indexation or 20% with indexation benefit, whichever is more beneficial to the assessee.

### Question 7

Mr. Aryan, a resident individual aged 58 years, sells (unlisted) shares in a private sector company on May 17, 2024 for ₹ 10,00,000. The shares were bought on 01.08.2012 for a consideration of ₹ 2,00,000. Mr Aryan paid ₹ 2,000 as brokerage on sale of shares.

Mr. Aryan deposited ₹ 5,00,000 in Capital Gain Account Scheme on 15.06.2025 (Before filing the return of income for the Assessment Year 2025-26).

On April 30, 2026 he withdraws ₹ 4,50,000 and purchases a residential house properly at Delhi on May 1, 2026 for ₹ 4,50,000.

Cost Inflation Index (CII) – F.Y. 2012-13 - 200, F.Y. 2024-25 - 363.

Ascertain –

- The amount of Capital Gain chargeable to tax for the A.Y. 2025-26.
- Tax treatment (with mention of relevant assessment year) of the unutilized amount. (PYP 4 Marks Nov'23)

### Answer 7

#### (i) Computation of Capital Gains on sale of unlisted shares for A.Y.2025-26

Particulars	₹
Net Sales Consideration [₹ 10,00,000 – ₹ 2,000]	9,98,000
Less: Indexed cost of acquisition [₹ 2,00,000 x 363/200]	<u>3,63,000</u>
	6,35,000
<b>Less: Exemption u/s 54F</b>	
Deposit in Capital Gains Accounts Scheme on or before the due date of filing return of income would be deemed to be cost of new asset.	
Accordingly, exemption u/s 54F would be ₹ 3,34,168 [₹ 5,00,000 x ₹ 6,35,000 / ₹ 9,98,000]	<u>3,18,136</u>
<b>Capital Gains chargeable to tax</b>	<b><u>3,16,864</u></b>

**Note:** Since the sale is before 23.07.2024 indexation benefit will be allowed.

#### (ii) Tax treatment of unutilized amount in Capital Gains Accounts Scheme

The unutilized amount will be chargeable to tax as capital gains on proportionate basis in the previous year in which the 3 years period from the date of transfer expires. In this case, the 3 year period from 17.5.2024 expires on 16.5.2027. Consequently, the proportional capital gains on the unutilized amount will be taxable in the A.Y. 2028- 29, relevant to the P.Y. 2027-28.

The amount of capital gains for A.Y. 2028-29 would be ₹ 30,541 [₹ 3,16,864 – ₹ 2,86,323 (₹ 4,50,000 x ₹ 6,35,000 / ₹ 9,98,000)].

**EXAM INSIGHTS:** Many examinees failed to compute the amount of exemption under section 54F correctly and the tax treatment of unutilized amount lying in Capital Gain Accounts Scheme.



## Question 8

Mr. Mithun purchased 100 equity shares of M/s Good money Co. Ltd. on 01- 04-2007 at rate of ₹ 1,000 per share in public issue of the company by paying securities transaction tax.

Company allotted bonus shares in the ratio of 1:1 on 01.12.2023. He has also received dividend of ₹ 10 per share on 01.05.2024.

He has sold all the shares on 01.10.2024 at the rate of ₹ 4,000 per share through a recognized stock exchange and paid brokerage of 1% and securities transaction tax of 0.02%.

Compute his total income and tax liability for A.Y. 2025-26 if Mr. Mithun pays tax under default tax regime, assuming that he is having no income other than given above. Fair market value of shares of M/s Goodmoney Co. Ltd. on 31.1.2018 is ₹ 2,000. (SM)

## Answer 8

### Computation of total income & tax liability of Mr. Mithun for A.Y. 2025-26

Particulars		₹
<b>Long term capital gains on sale of original shares</b>		
Gross sale consideration (100 x ₹ 4,000)		4,00,000
Less: Brokerage@1%		4,000
Net sale consideration		3,96,000
Less: Cost of acquisition (100 x ₹ 2,000) (Refer Note 1)		2,00,000
<b>Long term capital gains</b>		<b>1,96,000</b>
<b>Short term capital gains on sale of bonus shares</b>		
Gross sale consideration (100 x ₹ 4,000)		4,00,000
Less: Brokerage@1%		4,000
Net sale consideration		3,96,000
Less: Cost of acquisition of bonus shares [Nil as such shares are allotted after 1.04.2001]		NIL
<b>Short term capital gains</b> [Since bonus shares are held for less than 12 months before sale]		<b>3,96,000</b>
<b>Income from other sources</b>		
Dividend received from M/s Goodmoney Co. Ltd. is taxable in the hands of shareholders [200 shares x 10 per share]		2,000
Other income		8,00,000
<b>Total Income</b>		<b>13,94,000</b>
<b>Tax Liability</b>		
<b>Tax on STCG u/s 111A</b>		
20% of ₹ 3,96,000		79,200
<b>Tax on LTCG u/s 112A</b> 12.5% of (₹ 1,96,000 - ₹ 1,25,000) since it is transferred on or after 23.7.2024		8,875
<b>Tax on other income of ₹ 8,02,000</b>		
₹ 3,00,000 to ₹ 7,00,000@5%	20,000	
₹ 7,00,000 to ₹ 8,02,000 @10%	10,200	30,200
		1,18,275

### Notes:

- Cost of acquisition of such equity shares acquired before 1.2.2018 is higher of
  - Cost of acquisition i.e., ₹ 1,000 per share and
  - lower of Fair market value of such asset i.e., ₹ 2,000 per share and Full value of consideration i.e., ₹ 4,000 per share.
 Therefore, the cost of acquisition of original share is ₹ 2,000 per share.
- Securities transaction tax is not allowable as deduction.



### Question 9

Mr. Kalyan has a residential house property which was acquired on 12-08-2005 for ₹ 2,00,000. The property is sold for ₹ 22,00,000 in December 2024. The sub-registrar refused to register the documents for the said value, as according to him, stamp duty value based on State Government guidelines was ₹ 28,00,000. Mr. Kalyan preferred an appeal to the revenue divisional officer who fixed the value of the house ₹ 25,00,000. He acquired another residential house on 31 -03-2025 for ₹ 17,00,000 for self-occupation. On 01-03-2026, he sold such new residential house for ₹ 30,00,000.

Compute his capital gain for the A.Y. 2025-26 and 2026-27. (Cost Inflation Index: 2001-02; 2005-06 and 2024-25 are, 100; 117 and 363)(MTP 4 Marks, Oct'23)

### Answer 9

#### Computation of capital gain in the hands of Mr. Kalyan for A.Y. 2025-26

*When transfer takes place after 23.07.2024 Land or building or both if acquired before 23.7.2024 then the individual can choose between 12.5% without indexation or 20% with indexation benefit, whichever is more beneficial to the assessee.*

#### (i) 20% with Indexation Benefits

Particulars	₹
Full value of consideration	25,00,000
[As per section 50C, in case the actual sale consideration (i.e., ₹ 22 lakhs, in this case) is less than the stamp duty value (i.e., ₹ 28 lakhs, in this case) assessed by the stamp valuation authority (Sub-registrar, in this case), the stamp duty value shall be deemed as the full value of consideration if it exceeds 110% of the sale consideration However, if assessee has preferred an appeal to the Valuation Officer (i.e., revenue divisional officer, in this case) and the Valuation Officer has fixed the value of the house (i.e., ₹ 25 lakh, in this case) less than stamp duty value (i.e., ₹ 28 lakh, in this case), such value determined by the Valuation Officer shall be deemed as the full value of consideration.]	
Less: Indexed cost of acquisition [₹ 2,00,000 x 363/117]	<u>6,20,513</u>
Long-term capital gain [Since the residential house is held for more than 24 months]	18,79,487
<b>Less: Exemption under section 54</b>	
Purchase of new residential house property on 31.3.2025 (i.e., within two years from the date of transfer of residential house)	17,00,000
<b>Taxable long term capital gain</b>	<b>1,79,487</b>
<b>LTCG Tax</b>	<b>35,897</b>

#### (ii) 12.5% without Indexation Benefits

Particulars	₹
Full value of consideration (Same as above)	25,00,000
Less: Cost of Acquisition	<u>2,0,000</u>
Long-term capital gain [Since the residential house is held for more than 24 months]	23,00,000
<b>Less: Exemption under section 54</b>	
Purchase of new residential house property on 31.3.2025 (i.e., within two years from the date of transfer of residential house)	17,00,000
<b>Taxable long term capital gain</b>	<b>6,00,000</b>
<b>LTCG Tax</b>	<b>75,000</b>

Hence 20% with indexation is more beneficial for the the Assessee.

#### Computation of capital gains in the hands of Mr. Kalyan for A.Y. 2026-27

Particulars	₹
Full value of consideration	30,00,000
Less: Cost of acquisition [As per section 54, if the new residential house purchased (i.e., on	



31.3.2025, in this case) is transferred within 3 years of its purchase (i.e., on 1.3.2026, in this case), and the cost of acquisition of the new house (i.e., ₹ 17 lakhs, in this case) is lower than the long-term capital gain (i.e., ₹ 18,79,487, in this case), the cost of acquisition of such new residential house shall be taken as Nil, while computing capital gains on sale of the new residential house]	Nil
Short term capital gain [Since the residential house is held for a period less than 24 months]	<b>30,00,000</b>

### Question 10

Determine the capital gains/loss on transfer of listed equity shares (STT paid both at the time of acquisition and transfer of shares) and units of equity oriented mutual fund (STT paid at the time of transfer of units) for the A.Y.2025-26 and tax, if any, payable thereon, in the following cases, assuming that these are the only transactions covered under section 112A during the P.Y.2024-25 in respect of these assessees:

- (i) Mr. Shagun purchased 300 shares in A Ltd. on 20.5.2017 at a cost of ₹ 400 per share. He sold all the shares of A Ltd. on 31.5.2024 for ₹ 1200. The price at which these shares were traded in National Stock Exchange on 31.1.2018 is as follows –

Particulars	Amount in ₹
Highest Trading Price	700
Average Trading Price	680
Lowest Trading Price	660

- (ii) Mr. Raj purchased 200 units of equity oriented fund, Fund A on 1.2.2017 at a cost of ₹ 550 per unit. The units were not listed at the time of purchase. Subsequently, units of Fund A were listed on 1.1.2018 on the National Stock Exchange. Mr. Raj sold all the units on 3.4.2024 for ₹ 900 each. The details relating to quoted price on National Stock Exchange and net asset value of the units are given hereunder:

Particulars	Fund A
	Amount in ₹
Highest Trading Price	750 (on 31.1.2018)
Average Trading Price	700 (on 31.1.2018)
Lowest Trading Price	650 (on 31.1.2018)
Net Asset Value on 31.1.2018	800

(MTP 4 Marks, Jul'24)

### Answer 10

For the purpose of computation of long-term capital gains chargeable to tax under section 112A, the cost of acquisition in relation to the long-term capital asset, being an equity share in a company or a unit of an equity oriented fund or a unit of a business trust acquired before 1st February, 2018 shall be the higher of

- (a) cost of acquisition of such asset, i.e., actual cost; and  
 (b) lower of  
 (i) the fair market value of such asset as on 31.1.2018; and  
 (ii) the full value of consideration received or accruing as a result of the transfer of the capital asset.  
 (i) The fair market value of listed equity shares as on 31.1.2018 is the highest price quoted on the recognized stock exchange as on that date.

Accordingly, long-term capital gain on transfer of STT paid listed equity shares by Mr. Shagun would be determined as follows:

The FMV of shares of A Ltd. would be ₹ 700, being the highest price quoted on National Stock Exchange on 31.1.2018. The cost of acquisition of each equity share in A Ltd. would be ₹ 700, being higher of actual cost i.e., ₹ 400 and ₹ 700 [being the lower of FMV of ₹ 700 as on 31.1.2018 (i.e., the highest trading price) and actual sale consideration of ₹ 1,200]. Thus, the long-term capital gain would be ₹ 1,50,000 i.e., (₹ 1,200 – ₹ 700) x 300 shares. The long-term capital gain of ₹ 25,000 (i.e., the amount in excess of ₹ 1,25,000) would be subject to tax@10% under section 112A (plus cess@4%), without benefit of indexation. The tax on capital gain @10.4% would be ₹ 2,600 (₹ 25,000 x 10.4%)

- (ii) In the case of units listed on recognized stock exchange on the date of transfer, the FMV as on 31.1.2018 would be the highest trading price on recognized stock exchange as on 31.1.2018 (if units are listed on that date), else, it would be the net asset value as on 31.1.2018 (where units are unlisted on that date).





Accordingly, the FMV of units of Fund A as on 31.1.2018 would be ₹ 750 (being the highest trading price on 31.1.2018, since the units of Fund A are listed on that date).

The cost of acquisition of a unit of Fund A would be ₹ 750, being higher of actual cost i.e., ₹ 550 and ₹ 750 (being the lower of FMV of ₹ 750 as on 31.1.2018 and actual sale consideration of ₹ 900). Thus, the long-term capital gains on sale of units of Fund A would be ₹ 30,000 (₹ 900 – ₹ 750) x 200 units.

Since the long term capital gains on sale of units of Fund A is ₹ 30,000, which is less than ₹ 1,25,000, the said sum is not chargeable to tax under section 112A.

### Question 11

Calculate the amount chargeable to tax under the head 'Capital Gains' and also calculate tax on such gains for A.Y. 2025-26 from the following details provided by Mr. Naveen with respect to sale of certain securities during F.Y. 2024-25, assuming that the other incomes of Mr. Naveen exceed the maximum amount not chargeable to tax. (Ignore surcharge and cess):

(i) Sold 10,000 shares of Y Ltd. on 05-04-2024 @ ₹ 650 per share

Y Ltd. is a listed company. These shares were acquired by Mr. Naveen on 05-04-2017 @ ₹ 100 per share. STT was paid both at the time of acquisition as well as at the time of transfer of such shares which was affected through a recognized stock exchange.

On 31-01-2018, the shares of Y Ltd. were traded on a recognized stock exchange as under:

Highest price - ₹ 300 per share

Average price - ₹ 290 per share

Lowest price - ₹ 280 per share

(ii) Sold 1,000 units of AB Mutual Fund on 20-05-2024 @ ₹ 50 per unit

AB Mutual Fund is an equity oriented fund. These units were acquired by Mr. Naveen on 10-03-2017 @ ₹ 10 per unit. STT was paid only at the time of transfer of such units. On 31-01-2018, the Net Asset Value of the units of AB Mutual Fund was ₹ 55 per unit. The units of AB Mutual Fund were not listed on the stock exchange as on 31.1.2018.

(iii) Sold 100 shares of C Ltd. on 27-09-2024 @ ₹ 200 per share.

C Ltd. is an unlisted company. These shares were issued by the company as bonus shares on 30-09-1997. The Fair Market Value of these shares as on 01-04-2001 was ₹ 50 per share.

Cost Inflation Index for various financial years are as under (MTP 7 Marks, Apr'21, PYP 6 Marks Nov 19)

2001-02	100
2016-17	264
2017-18	272
2020-21	301
2024-25	363

### Answer 11

#### Computation of amount chargeable to tax under the head "Capital Gains" in the hands of Mr. Naveen

	Particulars	₹
(i)	<b>Sale of 10,000 shares of Y Ltd. on 5.4.2024 @ 650 per share</b>	
	Sales consideration (10,000 x ₹ 650)	65,00,000
	Less: Cost of acquisition Higher of:	₹ <u>30,00,000</u>
	- Actual cost (10,000 x ₹ 100)	10,00,000
	- Lower of:	30,00,000
	<ul style="list-style-type: none"> <li>₹ 30,00,000 (₹ 300 x 10,000), being fair market value as on 31.1.2018 (Highest price of the shares traded on 31.1.2018); and</li> <li>₹ 65,00,000, being full value of consideration on transfer</li> </ul> Long-term capital gain under section 112A [Since shares held for more than 12 months and STT is paid both at the time of purchase and sale. Benefit of indexation is, however, not available on LTCG taxable u/s 112A].	35,00,000



(ii)	<b>Sale of 1,000 units of AB Mutual Fund on 20.5.2024 @ ₹ 50 per unit</b>		
	Sale consideration (1,000 x ₹ 50)		50,000
	Less: Cost of acquisition - Higher of -		<u>50,000</u>
	- Actual cost (1,000 x ₹ 10)	10,000	
	- Lower of:	50,000	
	<ul style="list-style-type: none"> <li>• ₹ 55,000 (₹ 55 x 1,000), FMV, being Net Asset Value as on 31.1.2018; and</li> <li>• ₹ 50,000, being full value of consideration on transfer</li> </ul> Long-term capital gain under section 112A [Since shares are held for more than 12 months and STT is paid at the time of sale]		Nil
(iii)	<b>Sale of 100 shares of C Ltd. on 27.9.2024 @ 200 per share</b>		
	Sale consideration (100 x ₹ 200)		20,000
	Less: Cost of acquisition [100 x ₹ 50 (being FMV on 1.4.2001) (No indexation as transfer is after 23.07.2024)]		<u>5,000</u>
	Long-term capital gain under section 112 [Since shares are unlisted and held for more than 24 months]		<u>15,000</u>

**Computation of tax on such capital gains for A.Y. 2024-25**

Particulars	₹
Tax under section 112A @ 10% on long-term capital gains of ₹ 34,00,000 [LTCG of ₹ 35,00,000 (-) ₹ 1,00,000] arising on sale of shares of Y Ltd.	3,40,000
Tax under section 112 @ 20% on long-term capital gains of ₹ 2,600 arising on sale of unlisted shares of C Ltd.	<u>520</u>
<b>Total tax payable</b>	<b><u>3,40,520</u></b>

**EXAM INSIGHTS:** This question requires computation of “Capital Gains” on transfer of listed shares of A Ltd., units of B Mutual Fund and unlisted shares of C Ltd. However, many examinees could not correctly compute the cost of acquisition of 10,000 listed shares of A Ltd.

**Question 12**

Mr. Ramesh entered into an agreement with Mr. Vivitzu to sell a plot on 5.4.2024 for ₹ 45 lakhs. He received an advance of ₹ 15 lakhs from him on the date of agreement by account payee cheque. Transfer took place on 10-9-2024. The valuation determined by the stamp valuation authority on the date of agreement and transfer was ₹ 49 lakhs and ₹ 53 lakhs, respectively.

Mr. Vivitzu has sold this plot to Ms. Babli on 21-3-2025 for ₹ 55 lakhs.

The valuation as per stamp valuation authority was ₹ 54 lakhs on 21-3-2025. Discuss the tax consequences of above, in the hands of Mr. Ramesh and Mr. Vivitzu. Also, compute the capital gain in the hands of Mr. Vivitzu.

Note: None of the parties viz Mr. Ramesh, Mr. Vivitzu & Ms. Babli are related to each other; the transactions are between outsiders. (MTP 7 Marks, Apr'23, RTP Nov 22)

**Answer 12**

I.	<b>Tax consequences in the hands of Mr. Ramesh</b>
	As per section 50C, where the actual sale consideration is less than the value adopted by the Stamp Valuation Authority for the purpose of charging stamp duty, and such stamp duty value exceeds 110% of the actual sale consideration, then, the value adopted by the Stamp Valuation Authority shall be taken to be the full value of consideration.  In a case where the date of agreement is different from the date of registration, stamp duty value on the date of agreement can be considered provided the whole or part of the consideration is received by way



of account payee cheque/bank draft or by way of ECS through bank account or through such other electronic mode as may be prescribed, on or before the date of agreement.

In this case, since ₹ 15 lakhs is received through account payee cheque on the date of agreement, stamp duty value on the date of agreement would be considered for determining the full value of consideration. Accordingly, in this case, capital gains would be computed in the hands of Mr. Ramesh, for A.Y.2025-26, taking the actual consideration of ₹ 45 lakh of plot as the full value of consideration arising on transfer of such plot, since the stamp duty value on the date of agreement does not exceed 110% of the actual consideration.

**Note** – If it is assumed that Mr. Ramesh is a property dealer, the income would be taxable as his business income under section 43CA

**II. Tax consequences in the hands of Mr. Vivitzu**

In case, immovable property is received for inadequate consideration, the difference between the stamp duty value and actual consideration would be taxable under section 56(2)(x) in the hands of the recipient, if such difference exceeds the higher of ₹ 50,000 or 10% of actual sales consideration.

In a case where the date of agreement is different from the date of registration, stamp duty value on the date of agreement can be considered provided the whole or part of the consideration is paid by way of account payee cheque/bank draft or by way of ECS through bank account or through such other electronic mode as may be prescribed, on or before the date of agreement.

In this case, since ₹ 15 lakhs is paid through account payee cheque on the date of agreement, stamp duty value on the date of agreement would be considered.

Therefore, nothing would be taxable in the hands of Mr. Vivitzu under the head “Income from Other Sources” in A.Y.2025-26 since the difference between stamp duty value on the date of agreement and actual consideration does not exceed ₹ 4,50,000, being the higher of ₹ 50,000 and 10% of consideration.

At the time of subsequent sale of property by Mr. Vivitzu to Ms. Babli (on 21.3.2025), short-term capital gains would arise in the hands of Mr. Vivitzu in A.Y.2025-26, since the property is held by him for less than 24 months.

Particulars	₹
Full value of consideration (Since actual consideration of ₹ 55 lakh is higher than stamp duty value of ₹ 54 lakh)	55 lakh
Less: Cost of acquisition	45 lakh
<b>Short-term capital gains</b>	<b>10 lakh</b>

**Question 13**



Mr. Riyaan owned a residential house in Noida. It was acquired on 09.09.2014 for ₹ 30,00,000. He sold it for ₹ 1,57,00,000 on 07.01.2022.

Mr. Riyaan utilized the sale proceeds of the above property to acquire a residential house in Panchkula for ₹ 2,05,00,000 on 20.07.2022. The said house property was sold on 31.10.2024 and he purchased another residential house in Delhi for ₹ 2,57,00,000 on 02.03.2025. The property at Panchkula was sold for ₹ 3,25,00,000.

Calculate capital gains chargeable to tax for the assessment year 2022-23 and 2025-26. All workings should form part of your answer: Cost inflation index for various financial years are as under:

(MTP 7 Marks, Sep'23, PYP 6 Marks May'19)

2014-15	-	240
2021-22	-	317
2022-23	-	331
2024-25	-	363



**Answer 13**

**Computation of capital gains chargeable to tax for A.Y. 2022-23**

Particulars	₹
Full value of consideration received on sale of residential house in Noida	1,57,00,000
Less: Indexed cost of acquisition [₹ 30,00,000 x 317/240]	<b>39,62,500</b>
Long-term capital gain	1,17,37,500
<b>Less: Exemption under section 54</b>	
Purchase of new residential house property at Panchkula for ₹ 2,05,00,000 on 20.7.2022 i.e., within two years from the date of transfer of residential house in Noida; exemption restricted to long term capital gain, since cost of new house exceeds long-term capital gain	<u>1,17,37,500</u>
<b>Taxable long term capital gain</b>	<u>Nil</u>

**Computation of capital gains chargeable to tax for A.Y. 2025-26**

Particulars	₹
<b>(i) 20% with Indexation Benefits</b>	
Full value of consideration received on sale of residential house at Panchkula	3,25,00,000
Less: Indexed cost of acquisition [As per section 54, if the new residential house purchased (i.e., on 20.7.2022, in this case) is transferred within 3 years of its purchase (i.e., on 31.10.2024, in this case), and the cost of acquisition of the new house (i.e., ₹ 2,05,00,000) is higher than the long-term capital gain (i.e., ₹ 1,17,37,500,) then, the cost of acquisition of such new residential house shall be reduced by long term capital gain exempted earlier, while computing capital gains on sale of the new residential house] [₹ 85,62,500 (₹ 2,05,00,000 – ₹ 1,17,37,500) x 363/331]	<u>96,09,630</u>
Long-term capital gain [Since the residential house is held for more than 24 months]	<b>2,28,90,370</b>
<b>Less: Exemption under section 54</b>	
Purchase of new residential house property in Delhi for ₹ 2,57,00,000 on 2.3.2025 i.e., within two years from 31.10.2024, being the date of transfer of residential house at Panchkula; exemption restricted to long term capital gain, since cost of new house exceeds long-term capital gains	<u>2,28,90,370</u>
<b>Taxable long term capital gain</b>	<u>Nil</u>
<b>(ii) 12.5% without Indexation Benefits</b>	
Full value of consideration received on sale of residential house at Panchkula	3,25,00,000
Less: Cost of acquisition ((₹ 2,05,00,000 – ₹ 1,17,37,500)	<u>87,62,500</u>
	<b>2,37,37,500</b>
<b>Less: Exemption under section 54</b>	<u>2,37,37,500</u>
<b>Taxable long term capital gain</b>	<u>Nil</u>

Hence Long term Capital Gains is Nil irrespective of 20% with indexation or 12.5% without indexation.

**Question 14**

Mr. Patel is a proprietor of Star Stores since 20-05-2022. He has transferred his shop by way of slump sale for a total consideration of ₹ 40 Lakh. The professional fees & brokerage paid for this sale are ₹ 80,000. His Balance Sheet as on 31-03-2025 is as under

Liabilities	₹	Assets	₹
Own Capital	10,50,000	Building	5,00,000
Bank Loan	5,00,000	Furniture	5,00,000
Trade Creditors	2,50,000	Debtors	2,00,000



Unsecured Loan	<u>2,00,000</u>	Other Assets	<u>8,00,000</u>
	<u>20,00,000</u>		<u>20,00,000</u>

**Other Information:**

1. No individual value of any asset is considered in the transfer deed.
2. Other assets include trademarks valuing ₹ 2,00,000 as on 01-04-2024 on which no depreciation has been provided.
3. Furniture of ₹ 1,50,000 purchased on 05-11-2024 on which no depreciation has been provided.
4. Unsecured loan includes ₹ 50,000 as advance received from his wife, which she has agreed to waive off.  
Compute the capital gain for A.Y. 2025-26. (PYP 4 Marks, Jul'21)

**Answer 14**

**Computation of capital gains on slump sale of shop**

Particulars		₹
*Sale value		40,00,000
Less: Expenses on sale [professional fees & brokerage]		<u>80,000</u>
Net sale consideration		39,20,000
Less: Net worth (See Working Note below)		<u>10,42,500</u>
<b>Short-term capital gain</b> [Since shop is held for not more than 36 months immediately preceding the date of transfer]		<b><u>28,77,500</u></b>
<b>Working Note:</b>		
<b>Computation of net worth of shop</b>		
Building		5,00,000
Furniture	5,00,000	
Less: Deprecation on ₹1,50,000 @ 5%, being 50% of 10% since furniture is put to use for less than 180 days during the previous year	<u>7,500</u>	4,92,500
Debtors		2,00,000
Other assets	8,00,000	
Less: Deprecation on ₹ 2,00,000, being intangible asset @ 25%	<u>50,000</u>	<u>7,50,000</u>
<b>Total assets</b>		<b><u>19,42,500</u></b>
Less: Bank loan	5,00,000	
Trade creditors	2,50,000	
Unsecured loan ₹ 2,00,000 less ₹ 50,000, being the amount waived off by his wife	<u>1,50,000</u>	<u>9,00,000</u>
<b>Net worth</b>		<b><u>10,42,500</u></b>

**Question 15**

Mr. Surinder furnishes the following particulars for the previous year ending 31.03.2025. He had a Residential House, inherited from his father in December 2009, the Fair Market Value of which on 01.04.2001 is ₹ 13 lakhs. In the year 2013-2014, further construction and improvements costing of ₹ 10 lakhs. The House was originally purchased by his father on 01.03.2000 for ₹ 10 Lakhs. On 10.05.2024, the House was sold for ₹ 75 Lakhs. Expenditure in connection with transfer is ₹ 50,000. On 20.12.2024, he purchased a Residential House for ₹ 12 lakhs and he does not own any other house. Compute the taxable Capital Gain for the assessment year 2025-26.

(Cost Inflation Index: F.Y. 2013-14=220, F.Y.2024-25=363, F.Y. 2009-10 = 148 and F.Y. 2001-02=100)

(PYP 4 Marks, May'24)

**Answer 15**

**Computation of Taxable Capital Gains for A.Y.2025-26**

Particulars	₹
Full Value of Consideration	75,00,000
<b>Less:</b> Expenditure in connection with transfer	<u>50,000</u>



Net Sales Consideration	74,50,000
<b>Less:</b> Indexed cost of acquisition [₹ 13,00,000 (higher of actual cost to the previous owner of ₹ 10 lakhs and Fair market value as on 1.4.2001 of ₹ 13 lakhs) x 363/100]	47,19,000
<b>Less:</b> Indexed cost of improvements [₹ 10 lakhs x 363/220]	16,50,000
	10,81,000
<b>Less:</b> Exemption u/s 54 – in respect of residential house purchased on 20.12.2024 of Rs 12L	10,81,000
Taxable Long Term Capital Gains	NIL

**Note** – The above answer is on the basis of the view expressed by Bombay High Court in CIT v. Manjula J. Shah 16 Taxman 42, wherein it was held that Indexed cost of acquisition in case of gifted asset has to be computed with reference to the year in which the previous owner first held the asset and not the year in which the assessee became the owner of the asset.

Alternative answer is possible on basis of the plain reading of the provisions of section 48 wherein the indexed cost of acquisition would be determined by taking the Cost Inflation Index (CII) for the year in which the asset is first held by the assessee i.e. F.Y.2009-10. In such a case, the Indexed cost of acquisition would ₹ 31,88,514 (₹ 13,00,000 x 363/148) and taxable long term capital gains would be ₹ 14,11,486.

### Question 16

Mrs. Harshita purchased a land at a cost of ₹ 35 lakhs in the F.Y. 2004-05 and held the same as her capital asset till 20th March, 2024.

She started her real estate business on 21st March, 2024 and converted the said land into stock-in-trade of her business on the said date, when the fair market value of the land was ₹ 210 lakhs.

She constructed 15 flats of equal size, quality and dimension. Cost of construction of each flat is ₹ 10 lakhs. Construction was completed in February, 2025. She sold 10 flats at ₹ 30 lakhs per flat in March, 2025. The remaining 5 flats were held in stock as on 31st March, 2025.

She invested ₹ 50 lakhs in bonds issued by National Highways Authority of India on 31st March, 2024 and another ₹ 50 lakhs in bonds of Rural Electrification Corporation Ltd. in April, 2025.

Compute the amount of chargeable capital gain and business income in the hands of Mrs. Harshita arising from the above transactions for A.Y. 2025-26 indicating clearly the reasons for treatment for each item. [Cost Inflation Index: F.Y. 2004-05: 113; F.Y. 2023-24: 348; F.Y. 2024-25: 363]. (SM)

### Answer 16

#### Computation of capital gains and business income of Harshita for A.Y. 2025-26

Particulars	₹
<b>Business Income</b>	
Sale price of flats [10 × ₹ 30 lakhs]	3,00,00,000
<b>Less:</b> Cost of flats	
Fair market value of land on the date of conversion [₹ 210 lacs × 2/3]	1,40,00,000
Cost of construction of flats [10 × ₹ 10 lakhs]	1,00,00,000
<b>Business income chargeable to tax for A.Y.2025-26</b>	<b>60,00,000</b>
<b>Capital Gains</b>	
Fair market value of land on the date of conversion deemed as the full value of consideration for the purposes of section 45(2)	2,10,00,000
<b>Less:</b> Indexed cost of acquisition [₹ 35,00,000 × 348/113]	1,07,78,761
	1,02,21,239
Proportionate capital gains arising during A.Y. 2025-26 [₹ 1,02,21,239 × 2/3]	68,14,159
<b>Less:</b> Exemption under section 54EC	50,00,000
<b>Capital gains chargeable to tax for A.Y.2025-26</b>	<b>18,14,159</b>

### Notes:

- (1) The conversion of a capital asset into stock-in-trade is treated as a transfer under section 2(47). It would be treated as a transfer in the year in which the capital asset is converted into stock-in-trade (i.e.,



P.Y.2023-24, in this case).

- (2) As per section 45(2), the capital gains arising from the transfer by way of conversion of capital assets into stock-in-trade will be chargeable to tax only in the year in which the stock-in-trade is sold.
- (3) The indexation benefit for computing indexed cost of acquisition would, however, be available only up to the year of conversion of capital asset into stock-in-trade (i.e., P.Y.2023-24) and not up to the year of sale of stock-in-trade (i.e., P.Y.2024-25).
- (4) For the purpose of computing capital gains in such cases, the fair market value of the capital asset on the date on which it was converted into stock-in-trade shall be deemed to be the full value of consideration received or accruing as a result of the transfer of the capital asset.  
In this case, since only 2/3rd of the stock-in-trade (10 flats out of 15 flats) is sold in the P.Y.2024-25, only proportionate capital gains (i.e., 2/3rd) would be chargeable to tax in the A.Y.2025-26.
- (5) On sale of such stock-in-trade, business income would arise. The business income chargeable to tax would be the difference between the price at which the stock-in-trade is sold and the fair market value on the date of conversion of the capital asset into stock-in-trade.
- (6) In case of conversion of capital asset into stock-in-trade and subsequent sale of stock-in-trade, the period of 6 months is to be reckoned from the date of sale of stock-in-trade for the purpose of exemption under section 54EC [CBDT Circular No.791 dated 2.6.2000]. In this case, since the investment in bonds of NHAI has been made within 6 months of sale of flats, the same qualifies for exemption under section 54EC. With respect to long-term capital gains arising on land or building or both in any financial year, the maximum deduction under section 54EC would be ₹ 50 lakhs, whether the investment in bonds of NHAI or RECL are made in the same financial year or next financial year or partly in the same financial year and partly in the next financial year.  
Therefore, even though investment of ₹ 50 lakhs has been made in bonds of NHAI during the P.Y. 2024-25 and investment of ₹ 50 lakhs has been made in bonds of RECL during the P.Y. 2025-26, both within the stipulated six month period, the maximum deduction allowable for A.Y. 2025-26, in respect of long-term capital gain arising on sale of long-term capital asset(s) during the P.Y. 2024-25, is only ₹ 50 lakhs.

#### Question 17

LDR

**Mr. Aditya is a proprietor of Star Stores having 2 units. On 1.4.2024, he has transferred Unit 2, which he started in 2004-05, by way of slump sale for a total consideration of ₹ 18 lakhs. The professional fees & brokerage paid for this transfer are ₹ 78,000. His Balance Sheet as on 31-03-2024 is as under:**

Liabilities	₹	Assets	Unit 1 ₹	Unit 2 ₹	Total
Own Capital	20,50,000	Land	12,75,000	7,50,000	20,25,000
Revaluation reserve	2,50,000	Furniture	2,00,000	5,00,000	7,00,000
Bank Loan (70% for Unit 1)	8,50,000	Debtors	2,00,000	3,50,000	5,50,000
Trade Creditors (20% for Unit 2)	4,50,000	Patents	-	7,25,000	7,25,000
Unsecured Loan (30% for Unit 2)	4,00,000				
	40,00,000		16,75,000	23,25,000	40,00,000

#### Other Information:

1. Land of Unit 2 was purchased at ₹ 5,00,000 in the year 2005 and revalued at ₹ 7,50,000 as on 31.3.2024.
2. No individual value of any asset is considered in the transfer deed.
3. Patents were acquired on 01-12-2022 on which no depreciation has been provided.
4. Furniture of Unit 2 of ₹ 5,00,000 were purchased on 01-12-2023 on which no depreciation has been provided.
5. Fair market value of capital asset transferred by way of slump sale of Unit 2 is ₹ 18,10,000.  
Compute the capital gain for A.Y. 2025-26. (RTP May'22)



### Answer 17

As per section 50B, any profits and gains arising from the slump sale effected in the previous year shall be chargeable to income-tax as capital gains arising from the transfer of capital assets and shall be deemed to be the income of the previous year in which the transfer took place.

If the assessee owned and held the undertaking transferred under slump sale for more than 36 months before slump sale, the capital gain shall be deemed to be long-term capital gain. Indexation benefit is not available in case of slump sale as per section 50B(2).

#### Computation of capital gain on slump sale of Unit 2

Particulars	₹
Full value of consideration for slump sale of Unit 2 [Fair market value of capital asset transferred by way of slump sale (i.e., ₹ 18,10,000) or fair market value of the consideration received (value of the monetary consideration received i.e., ₹ 18,00,000) whichever is higher]	18,10,000
<i>Less:</i> Expenses on sale [professional fees & brokerage]	<u>78,000</u>
Net full value of consideration	17,32,000
<i>Less:</i> Cost of acquisition, being the net worth of Unit 2 (Note 1)	<u>13,35,781</u>
<b>Long term capital gains arising on slump sale</b> (The capital gains is long-term as the Unit 2 is held for more than 36 months)	<b><u>3,96,219</u></b>

#### Notes

##### 1. Computation of net worth of Unit 2

Particulars		₹
(1) Book value of non-depreciable assets		
(i) Land (Revaluation not to be considered)		5,00,000
(ii) Debtors		3,50,000
(2) Written down value of depreciable assets under section 43(6)		
(i) Furniture ( <b>See Note 2</b> )		4,75,000
(ii) Patents ( <b>See Note 3</b> )		<u>4,75,781</u>
Aggregate value of total assets		18,00,781
<i>Less:</i> Current liabilities of Unit 2		
Bank Loan [₹ 8,50,000 x 30%]	2,55,000	
Trade Creditors [₹ 4,50,000 x 20%]	90,000	
Unsecured Loan [₹ 4,00,000 x 30%]	<u>1,20,000</u>	<u>4,65,000</u>
<b>Net worth of unit 2</b>		<b><u>13,35,781</u></b>

##### 2. Written down value of furniture as on 1.4.2024

Value of patents	₹
Cost as on 1.12.2023	5,00,000
<i>Less:</i> Depreciation @ 10% x 50% for Financial Year 2023-24	<u>25,000</u>
<b>WDV as on 1.4.2024</b>	<b><u>4,75,000</u></b>

##### 3. Written down value of patents as on 1.4.2024

Value of patents	₹
Cost as on 1.12.2022	7,25,000
<i>Less:</i> Depreciation @ 25% x 50% for Financial Year 2022-23	<u>90,625</u>
WDV as on 1.4.2023	6,34,375
<i>Less:</i> Depreciation@25% for Financial Year 2023-24	<u>1,58,594</u>
<b>WDV as on 1.4.2024</b>	<b><u>4,75,781</u></b>





### Question 18

Determine the capital gains/loss and tax liability in the following scenarios for the A.Y. 2024-25 assuming the assessee does not have any other source of income:

- (i) On 12<sup>th</sup> December, 2024, 1,200 shares of X Ltd., a listed company are sold by Mr. Vishal, a non-resident, @ ₹ 1,550 per share and STT was paid at the time of sale of shares. These shares were acquired by him on 25<sup>th</sup> May, 2017 @ ₹ 425 per share by paying STT at the time of purchase. The price at which these shares were traded in National Stock Exchange on 31<sup>st</sup> January, 2018 is as follows –

Particulars	Amount in ₹
Highest Trading Price	680
Average Trading Price	610
Lowest Trading Price	540

- (ii) Mr. Kabir, a resident aged 45 years, is the owner of residential house which was purchased on 1<sup>st</sup> August, 2021 for ₹ 19,00,000. He sold the said house on 25<sup>th</sup> September, 2024 for ₹ 24,50,000. Valuation as per stamp valuation authorities was ₹ 25,50,000 as on the date of sale. CII – 2021-22: 317; 2024-25: 363 (RTP Nov'23)

### Answer 18

	Particulars	Amount ₹
(i)	<b>Long-term capital gain on transfer of 1,200 shares of X Ltd. [Taxable u/s 112A @12.5% on amount exceeding ₹ 1,25,000]</b>	
	Full value of consideration [1,200 x ₹ 1,550]	18,60,000
	Less: Cost of acquisition	8,16,000
	Higher of	
	(i) Cost of acquisition [1,200 x ₹ 425]	5,10,000
	(ii) Lower of fair market value of such shares as on 31.1.2018 and sale consideration [1,200 x 680]	8,16,000
	Fair market value of listed equity shares as on 31.1.2018 [Highest price quoted on the recognized stock exchange i.e., ₹ 680 per share sale consideration ₹ 1,550 per share]	
	Long term capital gain taxable u/s 112A/ Total Income	10,44,000
	Tax on long-term capital gain exceeding ₹ 1.25 lakh i.e., ₹ 9,19,000 @12.5%	1,14,875
	Add: Health and Education Cess @ 4%	4,595
	Tax liability	<u>1,19,470</u>
	Tax liability (Rounded off)	1,19,470
	Since Mr. Vishal is a non-resident, benefit of unexhausted basic exemption limit would not be available to him.	
(ii)	<b>Sale of residential house [Long-term capital asset, since held for more than 24 months]</b>	
	<b>(i) 20% with indexation benefits</b>	
	Full value of consideration [Actual consideration, since stamp duty value does not exceeds 110% of actual sale consideration]	24,50,000
	Less: Indexed cost of acquisition [₹ 19,00,000 x 363/317]	21,75,710
	Long term capital gain/ Total Income	<b>2,74,290</b>
	Long-term capital gain taxable u/s 112 @20% on NIL [₹ 2,74,290 – ₹ 3,00,000, being unexhausted basic exemption limit]	<b>NIL</b>
	<b>(ii) 12.5% with indexation benefits</b>	
	Full value of consideration	24,50,000
	Less: cost of acquisition	19,00,000



Long term capital gain/ Total Income		5,50,000
Long-term capital gain taxable u/s 112 @12.5% on 2,50,000 [₹ 5,50,000 – ₹ 3,00,000, being unexhausted basic exemption limit]		31,250
<b>Hence 20% with indexation is more beneficial for the the Assessee</b>		

### Question 19

Mrs. Yuvika bought a vacant land for ₹ 80 lakhs in May 2005. Registration and other expenses were 10% of the cost of land. She constructed a residential building on the said land for ₹ 100 lakhs during the financial year 2007-08.

She entered into an agreement for sale of the above said residential house with Mr. Johar (not a relative) in April 2015. The sale consideration was fixed at ₹ 700 lakhs and on 23-4-2015, Mrs. Yuvika received ₹ 20 lakhs as advance in cash by executing an agreement. However, due to failure on part of Mr. Johar, the said negotiation could not materialise and hence, the said amount of advance was forfeited by Mrs. Yuvika.

Mrs. Yuvika, again entered into an agreement on 01.05.2024 for sale of this house at ₹ 810 lakhs. She received ₹ 80 lakhs as advance by RTGS. The stamp duty value on the date of agreement was ₹ 890 lakhs. The sale deed was executed and registered on 14-07-2024 for the agreed consideration. However, the State stamp valuation authority had revised the values, hence, the value of property for stamp duty purposes was ₹ 900 lakhs. Mrs. Yuvika paid 1% as brokerage on sale consideration received.

Subsequent to sale, Mrs. Yuvika made following acquisition/investments:

- Acquired two residential houses at Delhi and Chandigarh for ₹ 130 lakhs and ₹ 50 lakhs, respectively, on 31.1.2025 and 15.5.2025
- Acquired a residential house at UK for ₹ 180 lakhs on 23.3.2025.
- Subscribed to NHA capital gains bond (approved under section 54EC) for ₹ 50 lakhs on 30-11-2024 and for ₹ 40 lakhs on 9-1-2025.

Compute the income chargeable under the head 'Capital Gains' of Mrs. Yuvika for A.Y.2025-26. The choice of exemption must be in the manner most beneficial to the assessee.

Cost Inflation Index: F.Y. 2005-06 – 117; F.Y. 2007-08 – 129; F.Y. 2024-25 - 363. (SM)

### Answer 19

#### Computation of income chargeable under the head “Capital Gains” of Mrs. Yuvika for A.Y.2025-26

Particulars	Rs. (in lakhs)	Rs (in lakhs)
<b>Capital Gains on sale of residential building</b>		
Actual sale consideration Rs.810 lakhs		
Value adopted by Stamp Valuation Authority Rs.890 lakhs		
[Where the actual sale consideration is less than the value adopted by the Stamp Valuation Authority for the purpose of charging stamp duty, and such stamp duty value exceeds 110% of the actual sale consideration, then, the value adopted by the Stamp Valuation Authority shall be taken to be the full value of consideration as per section 50C.		
However, where the date of agreement is different from the date of registration, stamp duty value on the date of agreement can be considered provided the whole or part of the consideration is received by way of account payee cheque/bank draft or by way of ECS through bank account or through prescribed electronic modes on or before the date of agreement.		
In this case, since advance of Rs. 80 lakh is received by RTGS, i.e., one of the prescribed modes, stamp duty value on the date of agreement can be adopted as the full value of consideration. However, in the present case since stamp duty value on the date of agreement does not exceed 110% of the actual consideration, actual sale consideration would be taken as the full value of consideration)		
Gross Sale consideration (actual consideration, since stamp duty value on the date		810.00



of agreement does not exceed 110% of the actual consideration)		
<b>Less:</b> Brokerage @1% of sale consideration (1% of Rs.810 lakhs)		8.10
<b>Net Sale consideration</b>		801.90
<b>Less:</b> Indexed cost of acquisition		
- Cost of vacant land, Rs. 80 lakhs, plus registration and other expenses i.e., Rs. 8 lakhs, being 10% of cost of land [₹ 88 lakhs × 363/117]	273.03	
- Construction cost of residential building(₹100 lakhs x 363/129)	281.40	554.43
<b>Long-term capital gains</b>		<b>247.47</b>
Since the residential house property was held by Mrs. Yuvika for more than 24 months immediately preceding the date of its transfer, the resultant gain is a long-term capital gain]		
<b>Less: Exemption under section 54</b>		130.00
Where long-term capital gains exceed Rs. 2 crore, the capital gain arising on transfer of a long-term residential property shall not be chargeable to tax to the extent such capital gain is invested in the purchase of one residential house property in India, one year before or two years after the date of transfer of original asset. Therefore, in the present case, the exemption would be available only in respect of the one residential house acquired in India and not in respect of the residential house in UK. It would be more beneficial for her to claim the cost of acquisition of residential house at Delhi, i.e., Rs. 130 lakhs as exemption.		
<b>Less: Exemption under section 54EC</b>		50.00
Amount invested in capital gains bonds of NHAI within six months after the date of transfer (i.e., on or before 13.1.2025), of long-term capital asset, being land or building or both, would qualify for exemption, to the maximum extent of Rs. 50 lakhs, whether such investment is made in the current financial year or subsequent financial year. Therefore, in the present case, exemption can be availed only to the extent of Rs. 50 lakh out of Rs. 90 lakhs, even if the both the investments are made on or before 13.1.2025(i.e., within six months after the date of transfer).		
<b>Long term capital gains chargeable to tax</b>		<b>67.47</b>

**Note:** Advance of ₹ 20 lakhs received from Mr. Johar, would have been chargeable to tax under the head "Income from other sources", in the A.Y. 2016-17, as per section 56(2)(ix), since the same was forfeited on or after 01.4.2014 as a result of failure of negotiation. Hence, the same should not be deducted while computing indexed cost of acquisition.

#### Question 20

(To keep the essence of the question we have not changed the AY to 2024 – 25)

Ms. Mishika has entered into an agreement with M/s CVM Build Limited on 25.04.2017 in which she agrees to allow such Company to develop a shopping mall on land owned by her in New Delhi. She purchased such land on 05.05.2009 for ₹ 15,00,000. In consideration, M/s CVM Build Limited will provide 20% share in shopping mall to Mishika. The certificate of completion of shopping mall was issued by authority as on 26.12.2020. On such date, Stamp duty value of shopping mall was ₹ 4,14,00,000. Subsequently on 18.03.2021, she sold her 15% share in shopping mall to Mr. Ketav in consideration of ₹ 65,00,000.

She has also purchased a house on 09.05.2020 in consideration of ₹ 46,00,000 and occupied for own residence. Punjab National Bank has sanctioned a loan of ₹ 35,50,000 (80% of stamp value) at the interest rate of 12% per annum on 01.05.2020 and disbursement was made on 01.06.2020. She does not own any other residential house on the date of sanction of loan. Principal amount of ₹ 1,30,000 was paid during the financial year 2020-21. Cost Inflation Indices: 2020-21: 301, 2009-10: 148

Compute total income of Ms. Mishika for the assessment year 2021 -22 assuming that she has not opted for the provisions under section 115BAC. (PYP 7 Marks, Dec'21)



Answer 20

Computation of total income of Ms. Mishika for the A.Y.2021 -22

Particulars	Amount (₹)	Amount (₹)
<b>Income from house property [Self-occupied]</b>		
Net Annual Value	Nil	
Less: Interest on housing loan of ₹ 3,55,000 [₹ 35,50,000 x 12% x 10/12 months] restricted to ₹ 2,00,000/-	<u>2,00,000</u>	
	(2,00,000)	
Less: Set-off of loss against long-term capital gains	<u>2,00,000</u>	Nil
<b>Long-term capital gains on transfer of land under specified agreement</b> Since Ms. Mishika transferred her share in the project after issue of completion certificate, capital gains on transfer of land handed over to developer under specified agreement in the P.Y. 2017-18 would be taxable in the previous year 2020-21, being the year in which certificate of completion is issued as per section 45(5A). Accordingly, capital gain arising in respect of land would be-		
Full value of consideration, being 20% share in shopping mall [Stamp duty value on the date of issue of completion certificate (₹ 4,14,00,000 x 20%)]	82,80,000	
Less: Indexed of cost of acquisition [₹ 15,00,000 x 301/148]	<u>30,50,676</u>	
Long-term capital gain	52,29,324	
<b>Less: Deduction under section 54F</b>		
Deduction in respect of amount invested for purchase of a residential house acquired within one year prior to date of transfer would be allowable proportionately, since amount invested is less than the net consideration. Accordingly, deduction would be ₹ 29,05,180 (₹ 52,29,324 x ₹46,00,000 / ₹ 82,80,000)	<u>29,05,180</u>	
Long-term capital gains	23,24,144	
Less: Set-off of loss from house property [It is beneficial to set-off loss from house property against long-term capital gains, since in case of Ms. Mishika total income comprises of LTCG taxable @20% and STCG taxable at normal slab rates; and she can claim deduction of ₹ 2,80,000 under Chapter VI-A against STCG of ₹ 2,90,000. Moreover, the remaining STCG would also not be taxable since it would be below the basic exemption limit]	<u>2,00,000</u>	
		21,24,144
<b>Short-term capital gains</b>		
<b>Sale of 15% share in shopping mall</b> [short-term capital asset, since held for not more than 24 months]		
Net Sales consideration	65,00,000	
Less: Cost of acquisition, being the full value of consideration taxable on transfer of land [₹ 4,14,00,000 x 15%]	<u>62,10,000</u>	
Short-term capital gains		<u>2,90,000</u>
<b>Gross Total Income</b>		24,14,144
<b>Less: Deductions under Chapter VI-A</b> (allowable against short-term capital gains of ₹ 2,90,000)		
Deduction under section 80C – repayment of principal amount of housing loan	1,30,000	
Deduction under section 80EEA – Ms. Mishika would be eligible for deduction of interest on housing loan (₹ 3,55,000 - ₹ 2,00,000 = ₹ 1,55,000) to the extent of ₹ 1,50,000, since stamp duty value of the house does not exceed ₹ 45,00,000 [being ₹ 44,37,500 (₹ 35,50,000 x 100/80)] and she does not own any other residential house on the date of sanction of loan.	<u>1,50,000</u>	<u>2,80,000</u>



<b>Total Income</b>		<b>21,34,144</b>
<b>Total Income (rounded off)</b>		<b>21,34,140</b>

**Note -**

As per section 45(5A), any capital gains arising from the transfer of a capital asset, being land or building or both, under a specified agreement, is chargeable to income-tax as income of the previous year in which the certificate of completion is issued by the competent authority. In the above solution, the CII of F.Y.2020-21 has been considered on the basis of parity, since, as per section 45(5A), it is the stamp duty value of the developed property (shopping mall, in this case) on the date of issue of certificate of completion (26.12.2020), which is deemed as the full value of consideration for transfer of land handed over to the developer.

**Alternate view -**

The definition of transfer, inter alia, includes any arrangement or transaction where any rights are handed over in execution of part performance of contract, even though the legal title has not been transferred. Hence, in case of 'specified agreement(s)', 'transfer' takes place at the time when the owner of the immovable property hands over the same to the developer i.e., in F.Y.2017-18 in this case.

As per the plain reading of definition of 'indexed cost of acquisition', the CII of the year in which the asset (land, in this case) is transferred has to be considered. Accordingly, as per this interpretation, CII of F.Y. 2017-18 i.e., 272 can be considered for computing indexed cost of acquisition. If the CII of F.Y.2017-18 is considered on the basis of this line of reasoning, the figures of long-term capital gains and total income would accordingly change. However, the CII of F.Y.2017-18 has not been given in the question for the purpose of making such computation.

**EXAM INSIGHTS:** Examinees failed to provide for deduction under section 54F while computing taxable long-term capital gains, set-off of loss from house property against long-term capital gains and deduction under section 80EEA while computing total income of Ms. Mishika.

**Question 21**

Mr. Shiva purchased a house property on February 15, 1979 for ₹ 3,24,000. In addition, he has also paid stamp duty value @10% on the stamp duty value of ₹ 3,50,000.

In April, 2008, Mr. Shiva entered into an agreement with Mr. Mohan for sale of such property for ₹ 14,35,000 and received an amount of ₹ 1,11,000 as advance. However, the sale consideration did not materialize and Mr. Shiva forfeited the advance. In May 2015, he again entered into an agreement for sale of said house for ₹ 20,25,000 to Ms. Deepshikha and received ₹ 1,51,000 as advance. However, as Ms. Deepshikha did not pay the balance amount, Mr. Shiva forfeited the advance. In August, 2015, Mr. Shiva constructed the first floor by incurring a cost of ₹ 3,90,000.

On November 15, 2024, Mr. Shiva entered into an agreement with Mr. Manish for sale of such house for ₹ 30,50,000 and received an amount of ₹ 1,50,000 as advance through an account payee cheque. Mr. Manish paid the balance entire sum and Mr. Shiva transferred the house to Mr. Manish on February 20, 2025. Mr. Shiva has paid the brokerage @1% of sale consideration to the broker.

On April 1, 2001, fair market value of the house property was ₹ 11,85,000 and Stamp duty value was ₹ 10,70,000. Further, the Valuation as per Stamp duty Authority of such house on 15<sup>th</sup> November, 2024 was ₹ 39,00,000 and on 20<sup>th</sup> February, 2025 was ₹ 41,00,000.

Compute the capital gains in the hands of Mr. Shiva for A.Y.2025-26. Also, Compute the tax liability under section 112, assuming that the basic exemption limit has been fully exhausted against other income.

CII for F.Y. 2001-02: 100; F.Y. 2008-09: 137; F.Y. 2015-16: 254; F.Y. 2024-25: 363 (SM, MTP 7 Marks, Mar'23 & Aug '18,)

**Answer 21****Computation of Capital gains in the hands of Mr. Shiva for A.Y. 2025-26**

Particulars	Amount (₹)	Amount (₹)
Actual sale consideration	30,50,000	
Valuation as per Stamp duty Authority on the date of agreement	39,00,000	



(Where the actual sale consideration is less than the value adopted by the Stamp Valuation Authority for the purpose of charging stamp duty, and such stamp duty value exceeds 110% of the actual sale consideration then, the value adopted by the Stamp Valuation Authority shall be taken to be the full value of consideration as per section 50C.		
However, where the date of agreement is different from the date of registration, stamp duty value on the date of agreement can be considered, provided the whole or part of the consideration is received by way of account payee cheque/bank draft or by way of ECS through bank account or such other electronic mode as may be prescribed on or before the date of agreement. In the present case, since part of the payment is made by account payee cheque on the date of agreement, the stamp duty value on the date of agreement would be considered as full value of consideration)		
Deemed Full value of consideration [Since stamp duty value on the date of agreement exceeds 110% of the actual consideration, stamp duty value would be deemed as Full Value of Consideration]		39,00,000
Less: Expenses on transfer (Brokerage @1% of ₹ 30,50,000)		30,500
Net sale consideration		38,69,500
Less: Cost of acquisition (Note 1)	9,59,000	
Less: Cost of improvement	3,90,000	13,49,000
Long term capital gain		25,20,500

#### Computation of tax liability u/s 112

Particulars	Amount (₹)	Amount (₹)
On LTCG of ₹ 25,20,500 x 12.5%		3,15,063
Add: Health and Education cess @4%		12,603
On LTCG with indexation benefit		3,27,666
Net Sale consideration	38,69,500	
Less: Indexed cost of acquisition (₹ 9,59,000 x 363/100)	34,81,170	
Less: Indexed cost of Improvement [₹ 3,90,000 x 363/254]	5,57,362	
Long-term capital loss	(1,69,032)	
Since the computation results in a long term capital loss, if indexation benefit is given, the tax u/s 112 would be Nil. However, this computation is only for determining tax liability, the said loss can neither be set-off nor carried forward.		

#### Notes:

##### (1) Computation of cost of acquisition

Particulars	Amount (₹)	Amount (₹)
Cost of acquisition,		10,70,000
Being the higher of		
(i) lower of Fair market value i.e., ₹ 11,85,000 and Stamp duty value i.e., ₹ 10,70,000, on April 1, 2001	10,70,000	
(ii) Actual cost of acquisition (₹ 3,24,000 + ₹ 35,000, being stamp duty @10% of ₹ 3,50,000)	3,59,000	
Less: Advance money taken from Mr. Mohan and forfeited		1,11,000
Cost of acquisition		9,59,000

- (2) Where advance money has been received by the assessee, and retained by him, as a result of failure of the negotiations, section 51 will apply. The advance retained by the assessee will go to reduce the cost of acquisition. Accordingly, cost of acquisition after reducing the advance money



forfeited would be ₹ 9,59,000 [i.e. ₹ 10,70,000 – ₹ 1,11,000 (being the advance money forfeited during the P.Y. 2008-09)]. However, where the advance money is forfeited during the previous year 2014-15 or thereafter, the amount forfeited would be taxable under the head “Income from Other Sources” and such amount will not be deducted from the cost of acquisition of such asset while calculating capital gains. Hence, ₹ 1,51,000, being the advance received from Ms. Deepshikha and retained by him, would have been taxable under the head “Income from other sources” in the hands of Mr. Shiva in A.Y.2016-17.

### Question 22

LDR

Mr. Sarthak entered into an agreement with Mr. Jaikumar to sell his residential house located at Kanpur on 16.08.2024 for ₹ 1,50,00,000.

The sale proceeds were to be paid in the following manner:

- (i) 20% through account payee bank draft on the date of agreement.
- (ii) 60% on the date of the possession of the property.
- (iii) Balance after the completion of the registration of the title to the property.

Mr. Jaikumar was handed over the possession of the property on 15.12.2024 and the registration process was completed on 14.01.2025. He paid the sale proceeds as per the sale agreement.

The value determined by the Stamp Duty Authority-

- (a) on 16.08.2024 was ₹ 1,70,00,000;
- (b) on 15.12.2024 was ₹ 1,71,00,000; and
- (c) on 14.01.2025 was ₹ 1,71,50,000.

Mr. Sarthak had acquired the residential house at Kanpur on 01.04.2001 for ₹ 30,00,000. After recovering the sale proceeds from Jaikumar, he purchased two residential house properties, one in Kanpur for ₹ 20,00,000 on 24.3.2025 and another in Delhi for ₹ 35,00,000 on 28.5.2025.

Compute the income chargeable under the head "Capital Gains" of Mr. Sarthak for the Assessment Year 2025-26.

Cost Inflation Index for Financial Year(s): 2001-02 - 100; 2024-25 – 363 (SM) (Same concepts different figures RTP May'24, MTP 7 Marks Oct'19, MTP Aug'24, MTP 6 Marks, Oct'22, RTP Nov'18)

### Answer 22

#### Computation of income chargeable under the head “Capital Gains” of Mr. Sarthak for A.Y. 2025-26

Particulars	₹
<b>Capital Gains on sale of residential house</b>	
Actual sale consideration	₹ 1,50,00,000
Value adopted by Stamp Valuation Authority on the date of agreement	₹ 1,70,00,000
<p>[As per section 50C, where the actual sale consideration is less than the value adopted by the Stamp Valuation Authority for the purpose of charging stamp duty, and such stamp duty value exceeds 110% of the actual sale consideration, then, the value adopted by the Stamp Valuation Authority shall be taken to be the full value of consideration.</p> <p>In a case where the date of agreement is different from the date of registration, stamp duty value on the date of agreement can be considered provided the whole or part of the consideration is paid by way of account payee cheque/bank draft or by way of ECS through bank account or through such other electronic mode as may be prescribed, on or before the date of agreement.</p> <p>In this case, since 20% of ₹ 150 lakhs is paid through account payee bank draft on the date of agreement, stamp duty value on the date of agreement would be considered for determining the full value of consideration]</p>	



<b>Full value of sale consideration</b> [Stamp duty value on the date of agreement, since it exceeds 110% of the actual sale consideration]	1,70,00,000
<b>Less:</b> Cost of acquisition of residential house	30,00,000
<b>Long-term capital gains</b> [Since the residential house property was held by Mr. Sarthak for more than 24 months immediately preceding the date of its transfer]	<b>1,40,00,000</b>
<b>Less: Exemption u/s 54</b>	55,00,000
Since, long-term capital gains does not exceed ₹ 2 crore, he would be eligible for exemption in respect of both the residential house properties purchased in India. The capital gain arising on transfer of a long-term residential property shall not be chargeable to tax to the extent such capital gain is invested in the purchase of these residential house properties in India within one year before or two years after the date of transfer of original asset. Thus, he would be eligible for exemption of ₹ 55,00,000 being ₹ 20,00,000 and ₹ 35,00,000 invested on acquisition of residential house property in Kanpur and Delhi, respectively.	
<b>Long term capital gains chargeable to tax</b>	<b>85,00,000</b>

**Note:** It may be noted that since Sarthak has transferred residential house property on or after 23.7.2024 which was acquired before the said date, he can opt to pay tax @20% on LTCG (computed with indexation) or 12.5% on LTCG (computed without indexation) whichever is beneficial to him.

### Question 23

Mr. Asif bought a vacant land for ₹ 80 lakhs in March 2005. Registration and other expenses were 10% of the cost of land. He constructed a residential building on the said land for ₹ 100 lakhs during the financial year 2006-07.

He entered into an agreement for sale of the above said residential house with Mr. Hari (not a relative) on 1<sup>st</sup> July 2024. The sale consideration was fixed at ₹ 600 lakhs and on the date of agreement, Mr. Asif received ₹ 20 lakhs as advance in cash. The stamp duty value on that date was ₹ 620 lakhs.

The sale deed was executed and registered on 20-7-2024 for the agreed consideration. However, the State stamp valuation authority had revised the values, hence, the value of property for stamp duty purposes was ₹ 670 lakhs. Mr. Asif paid 1% as brokerage on sale consideration received.

Subsequent to sale, Mr. Asif made investments in NHA1 bond: ₹ 45 lakhs on 29-10-2024 and ₹ 15 lakhs on 12-12-2024.

Compute the Capital Gain chargeable to tax for A.Y. 2024-25. Cost Inflation Index:

F.Y. 2004-05	113
F.Y. 2006-07	122
F.Y. 2024-25	363 (MTP 4 Marks Nov'24)

### Answer 23

#### Computation of income chargeable under the head "Capital Gains" for A.Y. 2025-26

Particulars	₹ (in lakhs)	₹ (in lakhs)
<b>Capital Gains on sale of residential building</b>		
Actual sale consideration ₹ 600 lakhs		
Value adopted by Stamp Valuation Authority ₹ 670 lakhs		
Full Value of Consideration		670.00
[In case the actual sale consideration declared by the assessee is less than the value adopted by the Stamp Valuation Authority for the purpose of charging stamp duty, then, the value adopted by the Stamp Valuation Authority shall be taken to be the full value of consideration as per section 50C. In a case where the date of agreement is different from the date of registration, stamp duty value on the date of agreement can be considered provided the whole or part of the consideration is paid by way of account		





payee cheque/bank draft or by way of ECS through bank account on or before the date of agreement. However, where the stamp duty value does not exceed 110% of the sale consideration received or accruing as a result of the transfer, the consideration so received or accruing shall be deemed to be the full value of the consideration. In this case, since advance of ₹ 20 lakh is paid by cash, stamp duty value of ₹ 620 lakhs on the date of agreement cannot be adopted as the full value of consideration and stamp duty value on the date of registration would be considered. However, since stamp duty value on the date of registration exceeds 110% of the actual consideration, stamp duty value on the date of registration would be the full value of consideration]		
<b>Less:</b> Brokerage@1% of saleconsideration (1% of ₹600 lakhs)		6.00
<b>Net Sale consideration</b>		664.00
<b>Less:</b> Indexed cost of acquisition - Cost of vacant land, ₹ 80 lakhs, plus registration and other expenses i.e., ₹ 8 lakhs, being 10% of cost of land [₹ 88 lakhs × 363/113]	282.69	
- Construction cost of residentialbuilding (₹100 lakhs × 363/122)	297.54	580.23
<b>Long-term capitalgains before exemption</b>		<b>83.77</b>
<b>Less: Exemption under section 54EC</b>		50.00
Amount deposited in capital gains bonds of NHAI within six months from the date of transfer (i.e., on or before 20.01.2025) would qualify for exemption, to the maximum extent of ₹50 lakhs. Therefore, in the present case, exemption can be availed only to the extent of ₹ 50 lakh out of ₹ 60 lakhs, even if the both the investments are made on or before 20.01.2025 (i.e., within six months from the date of transfer).		
<b>Long Term Capital Gains</b> [Since it was held for more than 24 months]		<b>33.77</b>

#### Question 24

Mr. Soham, a builder, entered into an agreement on 1.4.2024 with Mr. Aman to transfer 4<sup>th</sup> Floor in Tower A of a new project for ₹ 1,50,00,000. He received ₹ 25 lakhs as advance in cash on 1.4.2024. The stamp duty value of such floor on that date was ₹ 1,70,00,000. The sale deed was executed and registered on 15.6.2024 for the agreed consideration. However, the stamp duty value on that date was ₹ 1,75,00,000. Discuss the tax consequences of above, in the hands of Mr. Soham and Mr. Aman. (MTP 5 Marks Dec'24) (Same concepts different figures MTP 7 Marks, Apr'22)

#### Answer 24

I	<b>Tax consequences in the hands of Mr. Soham</b>
	<p>As per section 43CA, where the consideration received or accruing is less than the stamp duty value of an asset (other than capital asset), being land or building or both and such stamp duty value exceeds 110% of the consideration received or accruing, then the stamp duty value shall be deemed to be the full value of the consideration.</p> <p>However, where the date of agreement is different from the date of registration, stamp duty value on the date of agreement can be considered provided whole or part of the considered is received by way of account payee cheque/ bank draft/ ECS or through any other prescribed modes on or before the date of agreement.</p> <p>In this case, since ₹ 25 lakhs is received by cash on the date of agreement, stamp duty value on the date of registration is to be considered. Since such stamp duty value (₹ 1.75 crores) exceed 110% of the consideration received (₹ 1.50 crores), business income would be computed in the hands of Mr. Soham, for A.Y.2025-26, taking sale consideration of ₹ 1,75,00,000 as the full value of consideration arising on transfer.</p>



II	Tax consequences in the hands of Mr. Aman
	<p>In case, immovable property is received for inadequate consideration, the difference between the stamp duty value and actual consideration would be taxable under section 56(2)(x) in the hands of the recipient, if such difference exceeds the higher of ₹ 50,000 and 10% of actual sales consideration. Where the date of agreement is different from the date of registration, stamp duty value on the date of agreement can be considered provided whole or part of the considered is received by way of account payee cheque/ bank draft/ ECS or through any other prescribed modes on or before the date of agreement.</p> <p>In this case, since ₹ 25 lakhs is received by cash on the date of agreement, stamp duty value on the date of registration is to be considered. Accordingly, ₹ 25,00,000 would be taxable in the hands of Mr. Aman under the head "Income from Other Sources" in A.Y.2025-26 since the difference of ₹ 25,00,000 exceed ₹ 15,00,000, being the higher of ₹ 50,000 and ₹ 15,00,000 (10% of consideration).</p>

### Question 25

Mr. Raj a resident individual, aged 69 years sold an urban agricultural land for ₹ 75,00,000 to Mr. Vipul on December 15, 2024 when the stamp duty value of agricultural land was ₹ 95 lakhs. However, the "agreement to sell" the agricultural land was entered on July 15, 2024 and Mr. Vipul gave ₹ 4 lakhs as advance through IMPS. The stamp duty value at the time of agreement was ₹ 85 lakhs. Mr. Raj paid 1% of sale consideration as commission to a broker. The land was purchased by him on May 15, 2002 for ₹ 10.85 lakhs and it was being used for agricultural purposes by him since its purchase.

Mr. Raj purchased another agricultural land in rural area on January 1, 2025 for ₹ 40 lakhs and this land was sold by him on March 12, 2025 for ₹ 45 lakhs and he invested the entire sale proceeds in fixed deposits with a nationalized bank on the same day.

Compute capital gain for assessment year 2025-26 if Mr. Raj exercises the option of shifting out of the default tax regime provided under section 115BAC(1A).

Cost Inflation Index for: F.Y. 2002-03 = 105; F.Y. 2024-25-363 (PYP 4 Marks Sep'24)

### Answer 25

#### Computation of Capital Gains of Mr. Raj for A.Y.2025-26

Particulars		₹
<b>Capital gain on sale of urban agricultural land</b>		
<b>(i) 20% with indexation benefits</b>		
Actual sale consideration	75,00,000	
Stamp duty value as on date of agreement i.e., on 15.7.2024 [Since part consideration is received through IMPS on the date of agreement]	85,00,000	
Full Value of Consideration [Stamp duty value on the date of agreement since it exceeds 110% of the actual sale consideration]		85,00,000
Less: Expenditure in connection with transfer [1% of sale consideration i.e., ₹75 lakhs]		75,000
Net Sales Consideration		84,25,000
Less: Indexed cost of acquisition [₹10,85,000 x 363/105]		37,51,000
		<b>46,74,000</b>
<b>Less: Exemption u/s 54B</b> – In respect of rural agricultural land purchased on 1.1.2025. Mr. Raj is eligible to claim exemption u/s 54B since he has used the urban agricultural land for agricultural purposes for more than 2 years preceding the date of its transfer. <b>[See Note for alternative answer]</b>		40,00,000
<b>Long term capital gain</b>		<b>6,74,000</b>
<b>(ii) 12.5% without indexation benefits</b>		
Net Sales Consideration		84,25,000
Less: cost of acquisition		10,85,000
		<b>73,40,000</b>
<b>Less: Exemption u/s 54B</b>		40,00,000
<b>Long term capital gain</b>		<b>33,40,000</b>
<b>Hence 20% with indexation is more beneficial for the the Assessee</b>		



### Capital gain on sale of rural agricultural land

As per section 54B, if the new agricultural land is transferred within 3 years from the date of its purchase, while computing the capital gains on transfer of such new agricultural land, the cost of acquisition of such land would be reduced by the amount of capital gain claimed as exempted. However, since rural agricultural is not a capital asset, no capital gain would arise on sale of such land even though it is transferred within 3 years from the date of its purchase.

**Note [Alternative answer]** – Mr. Raj transferred urban agricultural land on 15.12.2024 and purchased rural agricultural land on 1.1.2025 which is sold on 12.3.2025. Since the rural agricultural land is sold within the same previous year in which original asset was transferred i.e., P.Y. 2024-25, a view can be taken that the exemption under section 54B would not be available as at the time of filing return of income such acquired land does not exist. In such case, long term capital gain would be ₹ 46,74,000.

### MULTIPLE CHOICE QUESTIONS (MCQS)

1. In P.Y. 2024-2025, Mr. A has transferred the following assets:

Asset transferred	Full Value of Consideration (₹)	Indexed Cost of Acquisition (₹)	Transfer Date
Residential house property	8 crores	6 crores	25.11.2024
Jewellery	3 crores	2 crores	05.01.2025

Mr. A bought a new residential house property on 01.04.2023 for ₹ 1 crore and on 28.02.2025 deposited ₹ 3 crores in a capital gains deposit account scheme. On 30.07.2025, Mr. A has withdrawn ₹ 3 crores from capital gains deposit account and acquired a residential house property worth ₹ 2.5 crore. What would be the capital gains in the hands of Mr. A for A.Y. 2025-26, if the expenses in connection with transfer of jewellery were ₹ 2,00,000? (MTP 2 Marks, Mar'22)

- (a) ₹ 80,50,000
- (b) ₹ 81,55,705
- (c) ₹ 98,00,000
- (d) ₹ 48,00,000

Ans: (b)

2. A building was acquired on 1.4.1995 for ₹ 20,00,000 and sold for ₹ 80,00,000 on 01.06.2024. The stamp duty value on the date of transfer was ₹ 85,00,000. The fair market value of the building on 1.4.2001 was ₹ 25,00,000. Its stamp duty value on the same date was ₹ 22,00,000. Determine the capital gains on sale of such building for the A.Y. 2024-25?

Cost Inflation Index for F.Y. 2001-02: 100; F.Y. 2023-24: 363 (RTP Nov'21)

- (a) ₹ 14,000
- (b) ₹ 10,75,000
- (c) ₹ 7,40,000
- (d) ₹ 4,75,000

Ans: (a)

3. Mr. Kashyap, CEO of SHY Ltd., purchased a BMW of ₹ 1.15 crores on 23<sup>rd</sup> September, 2021 for his personal use. On 28.2.2025, he sold this car for ₹ 1 crore and incurred an expenditure of ₹ 2.74 lakhs for transferring the ownership of car. Compute the taxable capital gain/loss, if any, to Mr. Kashyap for the A.Y. 2024-25.

CII-2020-21: 301; 2022-23: 331; 2024-25: 363 (RTP Nov'23)

- (a) Short term capital loss of ₹ 0.1774 crores
- (b) Long term capital loss of ₹ 0.3445 crores
- (c) Nil
- (d) Long term capital loss of ₹ 0.317 crores

Ans: (c)



4. Mr. Vivitzu transferred 600 unlisted shares of XYZ (P) Ltd. to ABC (P) Ltd. on 15.07.2024 for ₹ 3,50,000 when the market price was ₹ 5,15,000. The indexed cost of acquisition of shares for Mr. Vivitzu was computed at ₹ 4,25,000.

Determine the income chargeable to tax in the hands of Mr. Vivitzu and ABC (P) Ltd. in respect of the above transaction. (RTP May'21, MTP 2 Marks, Oct'23)

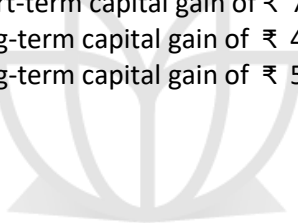
- (a) ₹ 90,000 chargeable to tax in the hands of Mr. Vivitzu as long-term capital gains and nothing is taxable in the hands of ABC (P) Ltd.
- (b) ₹ 75,000 chargeable to tax in the hands of Mr. Vivitzu as long-term capital gains and nothing is taxable in the hands of ABC (P) Ltd.
- (c) ₹ 90,000 chargeable to tax in the hands of Mr. Vivitzu as long-term capital gains and ₹ 1,65,000 is taxable under the head "Income from other sources" in the hands of ABC (P) Ltd.
- (d) ₹ 75,000 chargeable to tax in the hands of Mr. Vivitzu as long-term capital gains and ₹ 1,65,000 is taxable under the head "Income from other sources" in the hands of ABC (P) Ltd.

Ans: (c)

5. Mr. A, aged 45 years sold an agricultural land for ₹ 52 lakhs on 04.10.2024 acquired at a cost of ₹ 49.25 lakhs on 13.09.2023 situated at 7 kms from the jurisdiction of municipality having population of 4,00,000 and also sold another agricultural land for ₹ 53 lakhs on 12.12.2024 acquired at a cost of ₹ 46 lakhs on 15.02.2023 situated at 1.5 kms from the jurisdiction of municipality having population of 12,000. What would be the amount of capital gain chargeable to tax in the hands of Mr. A for the assessment year 2025-26? Cost inflation index for F.Y. 2017-18: 272; 2018-19: 280; 2019-20: 289; F.Y. 2024-25: 363. (RTP Nov'20, MTP 2 Marks, Apr'23)

- (a) Short-term capital gain of ₹ 9.75 lakhs
- (b) Short-term capital gain of ₹ 7 lakhs
- (c) Long-term capital gain of ₹ 4,12,500
- (d) Long-term capital gain of ₹ 5,29,196

Ans: (b)



VIVITSU  
STRIVING TOWARDS KNOWLEDGE

## CHAPTER 19: REGISTRATION

### CONCEPTS OF THIS CHAPTER

- Concept of a taxable person.
- Liability for GST registration.
- Scenarios for compulsory registration.
- Persons exempt from registration.
- GST registration procedure.
- Registration amendment process.
- Cancellation and revocation of registration.



LDR Questions

Q 9

Q 23

### QUICK REVIEW OF IMPORTANT CONCEPTS

Taxable Supplies + Exempt supplies + Exports + Inter State supplies = **Aggregate Turnover**

#### Applicable threshold limit

- |  |   |
|--|---|
| <ul style="list-style-type: none"> <li>• States with threshold limit of ₹ 10 lakh for supplier of goods and/or services</li> <li>• States with threshold limit of ₹ 20 lakh for supplier of goods and/or services</li> <li>• States with threshold limit of ₹ 20 lakh for supplier of services/both goods and services and threshold limit of ₹ 40 lakh for supplier of goods (Intra-State)</li> </ul> | <ul style="list-style-type: none"> <li>• Manipur, Mizoram, Nagaland and Tripura</li> <li>• Arunachal Pradesh, Meghalaya, Sikkim, Uttarakhand, Puducherry and Telangana</li> <li>• Jammu and Kashmir, Assam, Himachal Pradesh, All other States</li> </ul> |
|--|---|

#### Compulsory registration in certain cases

- Persons making any inter-State taxable supply
- Casual taxable person who does not have a fixed place of business in the State or Union Territory from where he wants to make supply
- A person receiving supplies on which tax is payable by recipient on reverse charge basis
- Those e-commerce operators who are notified as liable for tax payment under section 9(5)
- Non-resident taxable persons who do not have a fixed place of business in India
- Persons who are required to deduct tax under section 51 (TDS)
- A person who supplies on behalf of some other taxable person (i.e. an Agent of some Principal)
- Suppliers other than notified under section 9(5) who supply through an e-commerce operator
- Every e-commerce operator who is required to collect TCS
- Every person supplying OIDAR services from a place outside India to a person in India other than a registered person
- Input Service Distributor, whether or not separately registered
- Person supplying online money gaming from a place outside India to a person in India
- Person/ class of persons notified by the Central/ State Government

#### Persons not liable for registration

- Person engaged exclusively in supplying goods/ services/ both not liable to tax/ wholly exempt from tax
- Agriculturist limited to supply of produce out of cultivation of land
- Persons making only reverse charge supplies
- Persons making inter-State supplies of taxable services up to ₹ 20 lakh\*\*



- Persons making inter-State taxable supplies of notified handicraft goods and notified hand-made goods up to ₹ 20 lakh\*\*
- Casual Taxable Persons making inter-State taxable supplies of notified handicraft goods and notified hand-made goods up to ₹ 20 lakh\*\*
- Persons making intra-State supplies of goods through an ECO with aggregate turnover not exceeding threshold limit and not making supply in more than one State/UT, with one enrolment no.
- Persons making supplies of services through an ECO [other than supplies specified under section 9(5)] with aggregate turnover up to ₹ 20 lakh\*\*
- \*\*₹10 lakh in case of Special Category States of Mizoram, Tripura, Manipur and Nagaland

### Where and by when to apply for registration?

Person who is liable to be registered under section 22 or section 24	A casual taxable person or a non-resident taxable person
<ul style="list-style-type: none"> <li>• in every such State/UT in which he is so liable</li> </ul>	<ul style="list-style-type: none"> <li>• in every such State/UT in which he is so liable</li> </ul>
<ul style="list-style-type: none"> <li>• within 30 days from the date on which he becomes liable to registration</li> </ul>	<ul style="list-style-type: none"> <li>• at least 5 days prior to the commencement of business</li> </ul>

### Effective date of registration

Application submitted **within 30 days** of the applicant becoming liable to registration= Effective date is the date on which he becomes liable to registration

Application submitted after **30 days** of the applicant becoming liable to registration =Effective date is date of grant of registration

### Amendment of Registration

1. Changes in non-core registration details can be made by the taxable person without tax authority approval.
2. For core information changes, the taxable person must apply within 15 days of the change, and the Proper Officer will approve it within 15 days
3. Non-core field amendments require no officer approval and can be made directly on the portal.

### Cancellation or suspension of registration and revocation of cancellation of registration

#### Registration Cancellation

Can be initiated by the registered person or the Proper Officer. Reasons include:

- Business discontinued, transferred, amalgamated, demerged, or otherwise disposed of.
- Change in business constitution.
- Taxable person no longer required to register or opts out of voluntary registration.

#### Cancellation by Proper Officer

- Registered person violates prescribed provisions.
- Non-filing of returns for 6 consecutive months or 2 tax periods (over 3 months delay for composition taxpayers).
- Voluntarily registered person fails to commence business within 6 months of registration.
- Registration obtained through fraud, misstatement, or suppression of facts.

#### Suspension of Registration

The Proper Officer may suspend registration while cancellation proceedings are pending

#### Revocation of cancellation

1. If registration is cancelled Suo-motu, the taxable person may apply for revocation within 90 days (extendable by 180 days by a Commissioner or authorized officer) of the cancellation order.
2. Before applying, the person must rectify defaults, file pending returns, and pay dues.
3. The officer may revoke the cancellation if satisfied.
4. If rejecting the request, the officer must issue notice and provide a hearing.
5. Revocation is deemed upon filing pending GST returns unless cancelled under Rule 22 of the CGST Rules.



## Question & Answers

### Question 1

**What is the validity period of the registration certificate issued to a casual taxable person and non-resident taxable person?(MTP 5 Marks, Mar'22, SM)**

#### Answer 1

In terms of section 27(1) of the CGST Act, 2017 read with proviso thereto, the certificate of registration issued to a “casual taxable person” or a “non-resident taxable person” shall be valid for a period specified in the application for registration or 90 days from the effective date of registration, whichever is earlier. However, the proper officer, at the request of the said taxable person, may extend the validity of the aforesaid period of 90 days by a further period not exceeding 90 days.

### Question 2

**Under the provision of section 29(1) of CGST Act, 2017 read with rule 21A of CGST Rules, 2017 related to suspension of registration if the registered person has applied for cancellation of registration, what is the period and manner of suspension of registration ? (PYP 5 Marks, Jan'21)**

#### Answer 2

Where a registered person has applied for cancellation of registration, the registration shall be deemed to be suspended from:

- the date of submission of the application or
- the date from which the cancellation is sought, whichever is later, pending the completion of proceedings for cancellation of registration.

Such person shall not make any taxable supply during the period of suspension and shall not be required to furnish any return.

The expression “shall not make any taxable supply” mean that the registered person shall not issue a tax invoice and, accordingly, not charge tax on supplies made by him during the suspension period.

### Question 3

**Answer the following, after reading the below given paragraph:**

- Briefly discuss the relevant provision
- decide the correct conclusion and
- determine the validity of the given advice (Correct/Incorrect)

**Dharun provides service as a business facilitator to Zio Bank Limited by facilitating in opening of bank accounts to villagers in its rural branches in Punjab and earned a commission of ₹ 22 lakh in the month of April, 20XX. So far he is not registered under GST. Dharun's tax consultant advised him that he is liable for registration under GST as his gross receipts exceeded ₹ 20 lakh. Dharun has no other receipt/ business activity other than the above.(PYP 2 Marks, Nov'22)**

#### Answer 3

Services by a business facilitator to a banking company with respect to accounts in its rural area branch is exempt from GST.

Since in the given case, Dharun is engaged exclusively in providing the exempt services, it is not liable to obtain registration even though his aggregate turnover exceeds ₹ 20 lakh.

Thus, the advice given by his tax consultant is not correct.

**EXAM INSIGHTS:** Service by a business facilitator to a banking company with respect to accounts in its rural area branch has been wrongly considered as taxable on reverse charge basis by large number of examinees. However, the said service is exempt under GST law.



#### Question 4

**Does cancellation of registration impose any tax obligations on the person whose registration is so cancelled? (MTP 5 Marks, Apr'22, MTP 3 Marks, Aug'18, SM)**

#### Answer 4

Yes, as per section 29(5) of the CGST Act, 2017, every registered person whose registration is cancelled shall pay an amount, by way of debit in the electronic credit ledger or electronic cash ledger, equivalent to the credit of input tax in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock or capital goods or plant and machinery on the day immediately preceding the date of such cancellation or the output tax payable on such goods, whichever is higher.

#### Question 5

**Determine the effective date of registration in following cases:**

- (a) The aggregate turnover of Dhampur Footwear Industries of Delhi has exceeded the applicable threshold limit of ₹ 40 lakh on 1st September. It submits the application for registration on 20th September. Registration certificate is granted to it on 25th September.
- (b) Mehta Teleservices is an architect in Lucknow. Its aggregate turnover exceeds ₹ 20 lakh on 25th October. It submits the application for registration on 27<sup>th</sup> November. Registration certificate is granted to it on 5th December.

*(MTP 6 Marks, Mar'23, MTP 6 Marks May'20, MTP 4 Marks Oct'19, SM)*

#### Answer 5

- (a) Every supplier becomes liable to registration if his turnover exceeds the applicable threshold limit [₹ 40 lakh in this case] in a financial year. Since in the given case, the turnover of Dhampur Industries exceeded ₹ 40 lakh on 1st September, it becomes liable to registration on said date. Further, since the application for registration has been submitted within 30 days from such date, the registration shall be effective from the date on which the person becomes liable to registration. Therefore, the effective date of registration is 1<sup>st</sup> September.
- (b) Since in the given case, the turnover of Mehta Teleservices exceeds the applicable threshold limit [₹ 20 lakh] on 25th October, it becomes liable to registration on said date. Further, since the application for registration has been submitted after 30 days from the date such person becomes liable to registration, the registration shall be effective from the date of grant of registration. Therefore, the effective date of registration is 5<sup>th</sup> December.

#### Question 6

**Viv Tsu Limited, a registered entity under GST has demerged its operations with effect from 31st October, 2024. The registration of Viv Tsu Limited has been cancelled suo-motu by the Proper Officer. The order of cancellation of registration was passed on 4th November, 2024 and was served on 7th November, 2024. Viv Tsu Limited wishes to apply for revocation of cancellation of registration on 4th February, 2025. The tax consultant of Viv Tsu Limited advised that application for revocation of cancellation or registration is time barred and hence not valid in law.**

**You are required to examine the technical veracity of the advice given by Tax Consultant of Viv Tsu Limited. (RTP Sep'24)**

#### Answer 6

A registered person, whose registration is cancelled by the proper officer on his own motion, may, subject to the provisions of rule 10B of the CGST Rules, 2017, submit an application for revocation of cancellation of registration, in prescribed form, to such proper officer, within a period of 90 days from the date of the service of the order of cancellation of registration.

However, such period may, on sufficient cause being shown, and for reasons to be recorded in writing, be extended by the Commissioner or an officer authorised by him in this behalf, not below the rank of Additional Commissioner or Joint Commissioner, as the case may be, for a further period not exceeding 180 days.





Thus, in the given case, Viv Tsu Limited can apply for revocation of cancellation of registration within a period of 90 days from the date of the service of the order of cancellation of registration, i.e. within 90 days from 7th November, 2024.

The application submitted for revocation of cancellation of registration is valid in law as the same has been submitted within the prescribed time limits.

Thus, the advice given by Tax Consultant of Viv Tsu Limited is not valid in law.

### Question 7

**Examine whether the supplier is liable to get registered in the following independent cases: -**

- (i) **Aadi of Assam is exclusively engaged in intra-State supply of taxable services. His aggregate turnover in the current financial year is ₹ 25 lakhs.**
- (ii) **Atri of Assam is engaged in intra-State supply of both taxable goods and services. His aggregate turnover in the current financial year is ₹ 30 lakhs. (MTP 6 Marks, Apr'21)(SM)**

### Answer 7

As per section 22 of the CGST Act, 2017 read with Notification No. 10/2019 CT dated 07.03.2019, a supplier is liable to be registered in the State/Union territory from where he makes a taxable supply of goods and/or services, if his aggregate turnover in a financial year exceeds the threshold limit. The threshold limit for a person making exclusive taxable supply of services or supply of both goods and services is as under: -

- (a) ₹ 10 lakhs for the Special Category States of Mizoram, Tripura, Manipur and Nagaland.
- (b) ₹ 20 lakhs for the rest of India.
  - (i) Though Audi is dealing in Assam, he is not entitled for higher threshold limit for registration as the same is applicable only in case of exclusively supply of goods and he is exclusively engaged in providing services. Thus, the applicable threshold limit for registration in this case is ₹ 20 lakhs and hence, Audi is liable to get registered under GST.
  - (ii) Since Atri is engaged in supply of both taxable goods and services, the applicable threshold limit for registration in his case is Rs. 20 lakhs. Thus, Atri is liable to get registered under GST as his turnover is more than the threshold limit.

### Question 8

**Examine whether the liability to register compulsorily under section 24 of the CGST Act, 2017 arises in each of the independent cases mentioned below:**

- (1) **Heera, a supplier in Haryana, is exclusively engaged in supply of potatoes produced out of cultivation of his own land, within Haryana and also outside Haryana.**
- (2) **Aanya of Telangana is exclusively engaged in intra-State supply of toys. Its aggregate turnover in the current financial year is ₹ 22 lakh.(RTP Nov'21)**

### Answer 8

- (1) Section 24 of the CGST Act, 2017 provides that persons making any inter -State taxable supply of goods are required to obtain registration compulsorily under GST laws irrespective of the quantum of aggregate turnover.

However, as per section 23 of the CGST Act, 2017, an agriculturist, to the extent of supply of produce out of cultivation of land, is not liable to registration.

Heera is exclusively engaged in cultivation and supply of potatoes. Thus, he is not liable to registration irrespective of the fact that he is engaged in making inter -State supply of goods. Further, Heera will not be liable to registration, in the given case, even if his turnover exceeds the threshold limit.

- (2) As per section 22 of the CGST Act, 2017 read with Notification No. 10/2019 CT dated 07.03.2019, a supplier is liable to be registered in the State/Union territory from where he makes a taxable supply of goods and/or services, if his aggregate turnover in a financial year exceeds the threshold limit. The threshold limit for a person making exclusive intra-State taxable supplies of goods is as under:-
  - (a) ₹ 10 lakh for the Special Category States of Mizoram, Tripura, Manipur and Nagaland.
  - (b) ₹ 20 lakh for the States, namely, States of Arunachal Pradesh, Meghalaya, Puducherry, Sikkim, Telangana and Uttarakhand.



- (c) ₹ 40 lakh for rest of India except persons engaged in making supplies of ice cream and other edible ice, whether or not containing cocoa, Pan masala and Tobacco and manufactured tobacco substitutes. Since Aanya is making taxable supplies from Telangana, she will not be eligible for higher threshold limit available in case of exclusive supply of goods. The applicable threshold limit for registration for Aanya in the given case is ₹ 20 lakh. Thus, she is liable to get registered under GST.

### Question 9



**Mr. Raj of Rajasthan intends to start business of supply of building material to various construction sites in Rajasthan. He has taken voluntary registration under GST in the month of April. However, he has not commenced the business till December due to lack of working capital. The proper officer suo-motu cancelled the registration of Mr. Raj. You are required to examine whether the action taken by proper officer is valid in law?**

**Mr. Raj has applied for revocation of cancellation of registration after 40 days from the date of service of the order of cancellation of registration. Department contends that application for revocation of cancellation of registration can only be made within 30 days from the date of service of the order of cancellation of registration. You are required to comment upon the validity of contentions raised by Department.**

**(MTP 5 Marks, Apr'24, RTP May '22)**

### Answer 9

The proper officer may cancel the registration of a person from such date, including any retrospective date, as he may deem fit, where,-

- a registered person has contravened the prescribed provisions; or
- a person paying tax under composition scheme has not furnished returns for a financial year beyond 3 months from due date of furnishing return; or
- any registered person, other than a person specified in clause (b), has not furnished returns for a prescribed period; or
- any person who has taken voluntary registration has not commenced business within six months from the date of registration; or
- registration has been obtained by means of fraud, wilful misstatement, or suppression of facts:

Thus, in view of the above-mentioned provisions, suo-motu cancellation of registration of Mr. Raj by proper officer is valid in law since Mr. Raj, a voluntarily registered person, has not commenced his business within 6 months from the date of registration.

Further, where the registration of a person is cancelled suo-motu by the proper officer, such registered person may, subject to the provisions of rule 10B, apply for revocation of the cancellation of registration to such proper officer, within 90 days from the date of service of the order of cancellation of registration.

However, the said period of 90 days may, on sufficient cause being shown and for reasons to be recorded in writing, be extended by the Commissioner or an officer authorised by him in this behalf, not below the rank of Additional Commissioner or Joint Commissioner, as the case may be, for a further period not exceeding 180 days.

Thus, considering the above provisions, the contention of Department is not valid in law as he has applied for revocation within the time limit of 90 days.

### Question 10

**Examine whether the supplier of goods is liable to get registered in the following independent cases:**

- Rudra Builders of Rohini, Delhi is exclusively engaged in intra-State taxable supply of building bricks. It's aggregate turnover in the current financial year is ₹ 23 lakh.**
- Heera of Himachal Pradesh is exclusively engaged in intra-State taxable supply of footwear. His turnover in the current financial year (FY) from Himachal Pradesh showroom is ₹ 32 lakh. He has another showroom in Nagaland with a turnover of ₹ 11 lakh in the current FY.**

**(RTP Nov'22, MTP 5 Marks, Mar'24)**



### Answer 10

As per section 22 of the CGST Act, 2017 read with Notification No. 10/2019 CT dated 07.03.2019, a supplier is liable to get registered in the State/Union territory from where he makes a taxable supply of goods and/or services, if his aggregate turnover in a financial year exceeds the threshold limit. The threshold limit for a person making exclusive intra-State taxable supplies of goods is as under: -

- ₹ 10 lakh for the Special Category States of Mizoram, Tripura, Manipur and Nagaland.
- ₹ 20 lakh for the States, namely, States of Arunachal Pradesh, Meghalaya, Puducherry, Sikkim, Telangana and Uttarakhand.
- ₹ 40 lakh for rest of India except persons engaged in making supplies of fly ash bricks/blocks, building bricks, bricks of fossil meals, earthen/roofing tiles, ice cream and other edible ice, whether or not containing cocoa, Pan masala and Tobacco and manufactured tobacco substitutes.

In the light of the afore-mentioned provisions, the answer to the independent cases is as under:

- The benefit of enhanced threshold limit of registration of ₹ 40 lakh is not applicable for Rudra's brothers even though it is exclusively engaged in intra-State taxable supply of goods in Delhi as it is engaged in making supplies of building bricks. Thus, the applicable threshold limit for registration for Rudra Builders in the given case is ₹ 20 lakh. Thus, it is liable to get registered under GST as its turnover is more than the threshold limit.
- Heera could have been eligible for enhanced threshold limit of turnover for registration, i.e. ₹ 40 lakh as he is exclusively engaged in intra-State supply of goods. However, since Heera is engaged in supplying footwear from a Special Category State i.e. Nagaland, the threshold limit gets reduced to ₹ 10 lakh. Thus, Heera is liable to get registered under GST as his turnover exceeds ₹10 lakh. Further, he is required to obtain registration in both Himachal Pradesh and Nagaland as he is making taxable supplies from both the States.

### Question 11

Examine the following cases and explain with reasons whether the supplier of goods is liable to get registered in GST:

- Krishna of Himachal Pradesh is exclusively engaged in intra-State taxable supply of readymade suits. His turnover in the current financial year from Himachal Pradesh showroom is ₹ 25 lakh. He has two more showrooms one in Manipur & another in Sikkim with a turnover of ₹ 15 lakh and ₹ 18 lakh respectively in the current financial year.**
- Viwitsu of Telangana is exclusively engaged in intra-State taxable supply of footwears. His aggregate turnover in the current financial year is ₹ 25 lakh:**
- Aakash of Uttar Pradesh is exclusively engaged in intra-State supply of pan masala. His aggregate turnover in the current financial year is ₹ 30 lakh. (PYP 5 Marks, Jul'21)**

### Answer 11

Every person engaged in making a taxable supply is required to obtain registration if his aggregate turnover exceeds ₹ 20 lakh in a financial year. An enhanced threshold limit for registration of ₹ 40 lakh is available to persons engaged exclusively in intra-State supply of goods in specified States.

- The applicable threshold limit for registration gets reduced to ₹ 10 lakh in case a person is engaged in making taxable supply from a Special Category State.  
Since Krishna is making taxable supply from Manipur – a Special Category State, the applicable threshold limit will get reduced to ₹ 10 lakh. Thus, it is liable to be registered under GST as its aggregate turnover exceeds the said threshold limit.
- Since Viwitsu is exclusively engaged in intra-State supply of goods in Telangana, which is not a specified State for enhanced threshold limit, the applicable threshold limit for registration is ₹ 20 lakh.  
Thus, Viwitsu is liable to be registered under GST as its aggregate turnover exceeds the said threshold limit.
- Though the enhanced threshold limit for registration of ₹ 40 lakh is available to Uttar Pradesh, the same will not be applicable if the person is engaged in supply of pan masala.  
In view of the same, the applicable threshold limit for Aakash is ₹ 20 lakh. Thus, it is liable to be registered under GST as its aggregate turnover exceeds the said threshold limit.



## Question 12

Q Ltd. is engaged exclusively in supply of taxable goods from the following states. The particulars of intra-state supplies for the month of May are as follows:

State	Turnover (₹)
Madhya Pradesh	5,00,000
Gujarat	14,00,000
Tripura	12,00,000

- (i) Q Ltd. seeks to know whether it is liable for registration under GST. Give your explanation.
- (ii) Will your answer be different if Q Ltd. supplies only petrol & diesel from Tripura instead of any other taxable goods? (PYP 4 Marks, Dec'21)

### Answer 12

Every person engaged in making a taxable supply is required to obtain registration if his aggregate turnover exceeds ₹ 20 lakh in a financial year. An enhanced threshold limit for registration of ₹ 40 lakh is available to persons engaged exclusively in intra-State supply of goods in specified States. However, the applicable threshold limit for registration gets reduced to ₹ 10 lakh in case a person is engaged in making supply from a specified Special Category State provided such supply is a taxable supply.

- (i) Since Q Ltd. is making supply of taxable goods from Tripura – a specified Special Category State, the applicable threshold limit will get reduced to ₹ 10 lakh.  
Thus, it is liable to be registered under GST as its aggregate turnover [₹ 31 lakh] exceeds the said threshold limit.
- (ii) In case Q Ltd. is making supply of non-taxable goods [petrol and diesel] from Tripura, the applicable threshold limit will not be reduced to ₹ 10 lakh; enhanced threshold limit of ₹ 40 lakh will be applicable.  
Thus, it is not liable to be registered under GST as its aggregate turnover [₹ 31 lakh] does not exceed the said threshold limit.

<sup>5</sup>It has been assumed that Q Ltd. is not engaged in making supplies of ice cream and other edible ice, whether or not containing cocoa [2105 00 00], Pan masala [2106 90 20] and all goods of Chapter 24, i.e. Tobacco and manufactured tobacco substitutes

## Question 13

Mr. Q, a casual taxable person of Gujarat state is a trader of taxable notified handicraft goods. It makes supplies to the states of Maharashtra, Rajasthan and Andhra Pradesh. Turnover for October is ₹ 18 Lakh.

- (i) Explain the provisions of registration for casual taxable person under GST. Examine whether Mr. Q is liable for registration or not?
- (ii) What will be the answer if Mr. Q makes trading in taxable notified products instead of taxable notified handicraft goods which involves 75% making on machine and 25% by hand?  
(PYP 5 Marks, Dec'21)

### Answer 13

- (i) A casual taxable person is required to obtain compulsory registration under GST irrespective of the quantum of its aggregate turnover.

However, a threshold limit of ₹ 20 lakh (₹ 10 lakh in case of specified Special Category States) is available for registration to a casual taxable person who:

- (i) is making inter-State taxable supplies of notified handicraft goods and notified hand-made goods,
- (ii) is availing the benefit of exemption from registration available to inter-State supply of above-mentioned goods upto the aggregate turnover of ₹ 20 lakh (₹ 10 lakh in case of specified Special Category States), and
- (iii) has obtained a PAN and
- (iv) has generated an e-way bill.

In the given case, since Mr. Q is engaged in supplying notified handicraft goods and its aggregate turnover does not exceed ₹ 20 lakh, he will not be liable to registration provided he fulfills other conditions specified herein.

- (ii) In case Mr. Q is engaged in trading of notified products which are predominantly made by machine, he



will not be eligible for the exemption from registration under aforesaid provisions and needs to take compulsory (mandatory) registration.<sup>6</sup> It has been assumed that Mr. Q has started supply of goods in October itself.

#### Question 14

**State any five circumstances under which the proper officer can cancel the registration on his own under the CGST Act, 2017. (PYP 5 Marks, May'22, Jan'21)**

#### Answer 14

Answer to Alternative

Circumstances under which the proper officer can cancel the registration on his own under the CGST Act, 2017:

- (i) A registered person has contravened any of the following prescribed provisions of the GST law:
  - (a) he does not conduct any business from the declared place of business.
  - (b) he issues invoice/bill without supply of goods/services in violation of the provisions of GST law.
  - (c) he violates the provisions of anti-profiteering.
  - (d) he violates the provisions relating to furnishing of bank details.
  - (e) he avails ITC in violation of the provisions of the GST law.
  - (f) furnishes the details of outward supplies in GSTR-1 for one or more tax periods which is in excess of the outward supplies declared by him in his valid return for the said tax periods.
  - (g) he violates the provision relating to restrictions on use of amount available in electronic credit ledger
- (ii) A person paying tax under composition levy has not furnished returns for 3 consecutive tax periods.
- (iii) A registered person paying tax under regular scheme has not furnished returns for continuous period of 6 months.
- (iv) Voluntarily registered person has not commenced the business within 6 months from the date of registration.
- (v) Registration was obtained by means of fraud, wilful misstatement or suppression of facts.

#### Question 15

**Explain the procedure for revocation of cancellation of registration where the registration of a person is cancelled suo-motu by the proper officer as per the provisions of CGST Act, 2017. (PYP 5 Marks, Nov'23)**

#### Answer 15

Where the registration of a person is cancelled suo-motu by the proper officer, such registered person may apply for revocation of the cancellation of registration to such proper officer, within 90 days (or within extended time period) from the date of service of the order of cancellation of registration.

If the proper officer is satisfied that there are sufficient grounds for revocation of cancellation, he may revoke the cancellation of registration, by an order within 30 days of receipt of application and communicate the same to applicant.

Otherwise, he may reject the revocation application. However, before rejecting the application, he has to first issue SCN to the applicant who shall furnish the clarification within 7 working days of service of SCN.

The proper officer shall dispose the application (accept/reject the same) within 30 days of receipt of clarification.

**EXAM INSIGHTS:** Question requires the examinees to mention the exceptions to rule 86B of CGST Rules, 2017. However, some examinees ended up in writing general answers instead of correct legal provisions.

#### Question 16

**Examine whether the supplier of goods is liable to get registered in the following independent cases: -**

- (i) **Aryabhata of Assam is exclusively engaged in intra-State taxable supply of readymade garments. His turnover in the current financial year (FY) from Assam showroom is ₹ 12 lakh. He has another showroom**



in Manipur with a turnover of ₹ 11 lakh in the current FY.

- (ii) **Bharat of Panjim, Goa is exclusively engaged in intra-State taxable supply of shoes. His aggregate turnover in the current financial year is ₹ 22 lakh.**
- (iii) **Vikramaditya of Himachal Pradesh is exclusively engaged in intra-State supply of bricks of fossil meals. His aggregate turnover in the current financial year is ₹ 24 lakh. (MTP 6 Marks, Sep'22)**

#### Answer 16

A supplier is liable to get registered in the State/Union territory from where he makes a taxable supply of goods and/or services, if his aggregate turnover in a financial year exceeds the threshold limit. The threshold limit for a person making exclusive intra-State taxable supplies of goods is as under: -

- (a) ₹ 10 lakh for the Special Category States of Mizoram, Tripura, Manipur and Nagaland.
- (b) ₹ 20 lakh for the States, namely, States of Arunachal Pradesh, Meghalaya, Puducherry, Sikkim, Telangana and Uttarakhand.
- (c) ₹ 40 lakh for rest of India except persons engaged in making supplies of fly ash bricks/blocks, building bricks, bricks of fossil meals, earthen/roofing tiles, ice cream and other edible ice, whether or not containing cocoa, Pan masala and Tobacco and manufactured tobacco substitutes.

In the light of the afore-mentioned provisions, the answer to the independent cases is as under: -

- (i) Aryabhatt is eligible for enhanced threshold limit of turnover for registration, i.e. ₹ 40 lakh as he is exclusively engaged in intra-State supply of goods. However, since Aryabhatt is engaged in supplying readymade garments from a specified Special Category State i.e. Manipur also, the threshold limit gets reduced to ₹ 10 lakh.

Thus, Aryabhatt is liable to get registered under GST as his turnover exceeds ₹ 10 lakh. Further, he is required to obtain registration in both Assam and Manipur as he is making taxable supplies from both the States.

- (ii) The applicable threshold limit for registration for Bharat in the given case is ₹ 40 lakh as he is exclusively engaged in intra-State taxable supply of goods in Goa. Thus, he is not liable to get registered under GST as his turnover is less than the applicable threshold limit.
- (iii) Vikramaditya being exclusively engaged in supply of bricks of fossil meals is not eligible for enhanced threshold limit of ₹ 40 lakh. The applicable threshold limit for registration in this case is ₹20 lakh. Thus, Vikramaditya is liable to get registered under GST as his aggregate turnover exceeds the threshold limit for registration.

#### Question 17

**“Aadhaar authentication is not required for persons who are already registered under GST.” Examine and discuss the correctness of the statement. You are required to elaborate the relevant legal provisions. (RTP Nov'22)**

#### Answer 17

The given statement is incorrect. Aadhaar authentication has been made mandatory for the new registrants as well as for the existing registrants. With regard to existing registrants, section 25(6A) of the CGST Act, 2017 stipulates that every registered person shall undergo authentication, or furnish proof of possession of Aadhaar number, in the prescribed form, manner and time. New rule 10B of the CGST Rules, 2017 prescribes the manner in which aadhaar authentication needs to be done by a registered person.

A registered person, who has been issued a certificate of registration under GST, shall undergo authentication of the Aadhaar number of :-

- Proprietor, in the case of proprietorship firm,
- Any partner, in the case of a partnership firm,
- Karta, in the case of a Hindu undivided family,
- Managing director or any whole-time director, in the case of a company,
- Any of the Members of the Managing Committee of an Association of persons or body of individuals or a Society, or
- Trustee in the Board of Trustees, in the case of a Trust; and of the Authorized Signatory,

In order to be eligible for the following purposes:

- for filing of application for revocation of cancellation of registration [Rule 23]
- for filing of refund application in Form RFD-01 [Rule 89]



- for refund of the IGST paid on goods exported out of India [Rule 96]

First proviso to section 25(6A) of the CGST Act, 2017 provides that if an Aadhaar number is not assigned to an existing registered person, such person shall be offered alternate and viable means of identification in the prescribed manner. Such manner has been prescribed by rule 10B of the CGST Rules, 2017 as follows:

If Aadhaar number has not been assigned to the person required to undergo authentication of the Aadhaar number, such person shall furnish the following identification documents, namely: –

- his/ her Aadhaar Enrolment ID slip; and
- (i) Bank passbook with photograph; or  
(ii) Voter identity card issued by the Election Commission of India; or  
(iii) Passport; or  
(iv) Driving license issued by the Licensing Authority

However, once Aadhaar number is allotted to such person, he shall undergo the authentication of Aadhaar number within a period of 30 days of the allotment of the Aadhaar number.

The afore-said rule 10B shall not be applicable to persons notified under section 25(6D) of the CGST Act, 2017, i.e. to persons exempt from aadhaar authentication.

### Question 18

**Briefly enumerate the contraventions which make a registered person liable to cancellation of registration, as prescribed under rule 21 of the CGST Rules, 2017. (RTP May'23)**

#### Answer 18

Rule 21 of the CGST Rules, 2017 prescribes the contraventions which make a registered person liable to cancellation of registration. As per said rule, the registration granted to a person is liable to be cancelled, if the said person -

- does not conduct any business from the declared place of business.
- issues invoice/bill without supply of goods/services in violation of the provisions of this Act, or the rules made thereunder.
- violates the provisions of section 171 of the CGST Act. Section 171 contains provisions relating to anti-profiteering measure.
- violates the provision of rule 10A of the CGST Rules relating to furnishing of bank account details.
- avails input tax credit in violation of the provisions of section 16 of the CGST Act or the rules made thereunder.
- furnishes the details of outward supplies in Form GSTR-1 as amended in Form GSTR-1A if any, under section 37 of the CGST Act for one or more tax periods which is in excess of the outward supplies declared by him in his valid return under section 39 for the said tax periods.
- Violates the provisions of 86B
- violates the provisions of third or fourth proviso to rule 23(1).
- being a registered person required to file return under section 39(1) of the CGST Act for each month or part thereof (i.e. monthly return filer), has not furnished returns for a continuous period of 6 months.
- being a registered person required to file return under proviso to section 39(1) of the CGST Act for each quarter or part thereof (i.e. quarterly return filer), has not furnished returns for a continuous period of 2 tax periods.

### Question 19

**B Enterprises started its business activities in the month of January, in the State of Karnataka. It provides the following information:**

Sr. No.	Particulars	Amount (₹)
1.	Value of intra-State outward taxable supply of goods	7,00,000
2.	Value of inter-State outward taxable supply of services	6,00,000
3.	Value of intra-State outward supply on which tax is payable under reverse charge mechanism.	1,00,000



4.	Value of intra-State outward supply of exempted good from its other place of business in the State of Manipur (under same PAN)	5,00,000
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From the information given above, you are required to calculate the aggregate turnover of B Enterprises with necessary explanations and also, specify with reason whether it is liable to get registered under CGST Act or not. (MTP 6 Marks, Apr'23)

#### Answer 19

#### Computation of aggregate turnover of B Enterprises, Karnataka, for January

Particulars	(₹)
Intra-State outward taxable supply of goods [Aggregate turnover includes value of all taxable supplies.]	7,00,000
Inter-State outward taxable supply of services [Aggregate turnover includes value of inter-State supplies.]	6,00,000
Intra-State outward supply on which tax is payable under reverse charge mechanism [Aggregate turnover includes value of all taxable supplies whether taxable under reverse charge or forward charge.]	1,00,000
Intra-State outward supply of exempted goods from Manipur [Aggregate turnover includes value of exempt supplies made in all the States under the same PAN]	<u>5,00,000</u>
<b>Aggregate turnover</b>	<b>19,00,000</b>
Persons making any inter-State taxable supply of goods are required to obtain compulsory registration, but in case of inter-State supply of taxable services, threshold limit of ₹ 20 lakh is available. Such threshold limit gets reduced to ₹ 10 lakh in case of specified Special Category State provided taxable supply is being made therefrom. Since B Enterprises is making exempt supplies from Manipur - a specified Special Category State, the applicable threshold limit of registration for B Enterprises is ₹ 20 lakh. Thus, it is not liable to be registered as its aggregate turnover does not exceed the threshold limit.	

#### Question 20

P Ltd, a registered person provided following information for the month of October, 20XX:

Particulars	Amount (₹)
Intra-State outward supply	8,00,000
Inter-State exempt outward supply	4,00,000
Turnover of exported goods	20,00,000
Payment of IGST	1,20,000
Payment of CGST and SGST	45,000 each
Payment of custom duty on export	40,000
Payment made for availing GTA services	3,00,000

GST is payable on Reverse Charge for GTA services. Explain the meaning of aggregate turnover u/s 2(6) of the CGST Act and compute the aggregate turnover of P Ltd. for the month of October 20XX. All amounts are exclusive of GST. (PYP 5 Marks, Jul'21)

#### Answer 20

The term aggregate turnover means the aggregate value of:

- all taxable supplies
- exempt supplies,
- exports of goods or services or both and
- inter-State supplies of persons having the same Permanent Account Number, to be computed on all India basis but excluding
  - central tax, State tax, Union territory tax, integrated tax and cases.
  - the value of inward supplies on which tax is payable by a person on reverse charge basis





### Computation of aggregate turnover of P Ltd. for the month of October, 20XX

Particulars	Amount (₹)
In terms of the definition of the aggregate turnover given above, the aggregate turnover of P Ltd. has been computed as follows:	
Intra-State outward supply	8,00,000
Inter-State exempt outward supply	4,00,000
Turnover of exported goods	20,00,000
Payment of IGST	Nil
Payment of CGST and SGST	Nil
Payment of customs duty on export	40,000
Payment made under reverse charge for availing GTA services	Nil
<b>Aggregate turnover</b>	<b>32,40,000</b>

#### Question 21

Wiwtsu started his business activities in the month of February 20XX in the State of Orissa. He provided the following details:

Particulars	Amount in ₹
(i) Outward supply of petrol (Intra State)	4,00,000
(ii) Transfer of exempt goods to his branch in Rajasthan (Inter- State)	2,00,000
(iii) Outward supply of taxable goods by his branch in Uttar Pradesh (Intra State)	5,00,000
(iv) Outward supply of services on which tax is payable under RCM by the recipient of services (Intra-State)	6,00,000
(v) Inward supply of services on which tax is payable under RCM (Intra- State)	2,00,000

From the information given above, compute the aggregate turnover of Wiwtsu and also decide whether he is required to get registration under GST. Assume that the amounts given above are exclusive of taxes. (PYP 5 Marks, Nov'22)

#### Answer 21

Particulars	Amount (₹)
Computation of aggregate turnover of Wiwtsu	
Outward supply of petrol [Supply of petrol being a non-taxable supply is an exempt supply. Value of exempt supply is includible in aggregate turnover.]	4,00,000
Inter-State stock transfer of exempt goods [Supply of taxable/exempt goods between distinct persons is includible.]	2,00,000
Outward supply of taxable goods from Uttar Pradesh branch [Value of outward supplies under same PAN are includible.]	5,00,000
Outward supply of services taxable under reverse charge [Includible in aggregate turnover.]	6,00,000
Inward supply of services taxable under reverse charge [Excludible from the aggregate turnover.]	--
<b>Aggregate turnover</b>	<b>17,00,000</b>

For a supplier engaged in supply of goods and services from the States of Orissa and Uttar Pradesh, the threshold limit of aggregate turnover to obtain registration is ₹ 20 lakh. However, a person required to pay tax under reverse charge has to obtain registration compulsorily irrespective of the quantum of turnover.

Since in the given case, Wiwtsu is required to pay tax under reverse charge, it is liable to obtain registration compulsorily irrespective of his quantum of turnover.

**EXAM INSIGHTS:** Although aggregate turnover was correctly worked out by most of the examinees but registration requirements were not correctly stated by them. They were ignorant of the provision that a person required to pay tax under reverse charge has to obtain registration compulsorily irrespective of the quantum of turnover.



## Question 22

Examine whether the supplier of goods is liable to get registered in the following independent cases:

- (i) Raghav of Assam is exclusively engaged in intra-State taxable supply of readymade garments. His turnover in the current financial year (FY) from Assam showroom is ₹ 33 lakh. He has another showroom in Tripura with a turnover of ₹ 11 lakh in the current FY.
- (ii) Pulkit of Panjim, Goa is exclusively engaged in intra-State taxable supply of shoes. His aggregate turnover in the current financial year is ₹ 22 lakh.
- (iii) Harshit of Himachal Pradesh is exclusively engaged in intra-State supply of pan masala. His aggregate turnover in the current financial year is ₹ 24 lakh. (MTP 6 Marks, Nov'21 & Oct '23, SM)

### Answer 22

As per section 22 read with Notification No. 10/2019 CT dated 07.03.2019, a supplier is liable to be registered in the State/Union territory from where he makes a taxable supply of goods and/or services, if his aggregate turnover in a financial year exceeds the threshold limit. The threshold limit for a person making exclusive intra-State taxable supplies of goods is as under: -

- (a) ₹10lakh for the Special Category States of Mizoram, Tripura, Manipur and Nagaland.
- (b) ₹ 20 lakh for the States, namely, States of Arunachal Pradesh, Meghalaya, Puducherry, Sikkim, Telangana and Uttarakhand.
- (c) ₹ 40 lakh for rest of India except persons engaged in making supplies of ice cream and other edible ice, whether or not containing cocoa, Pan masala and Tobacco and manufactured tobacco substitutes.

In the light of the afore-mentioned provisions, the Answer to the independent cases is as under: -

- (i) Raghav is eligible for a higher threshold limit of turnover for registration, i.e. ₹ 40 lakh as he is exclusively engaged in intra-State supply of goods. However, since Raghav is engaged in supplying readymade garments from a Special Category State i.e. Tripura, the threshold limit gets reduced to ₹ 10 lakh. Thus, Raghav is liable to get registered under GST as his turnover exceeds ₹10 lakh. Further, he is required to obtain registration in both Assam and Tripura as he is making taxable supplies from both the States.
- (ii) The applicable threshold limit for registration for Pulkit in the given case is ₹ 40 lakh as he is exclusively engaged in intra-State taxable supply of goods in Goa. Thus, he is not liable to get registered under GST as his turnover is less than the threshold limit.
- (iii) Harshit being exclusively engaged in supply of pan masala is not eligible for higher threshold limit of ₹40 lakh. The applicable threshold limit for registration in this case is ₹20 lakh. Thus, Harshit is liable to get registered under GST.

## Question 23



**Right Oils, an unregistered entity located in U.P. is engaged in supply of machine oil and high-speed diesel. During the month of April, it supplied machine oil in U.P. amounting to ₹ 15,00,000. Also, it supplied high speed diesel in U.P. amounting to ₹ 10,00,000. Further, it supplied machine oil in Punjab from its branch located in Punjab amounting to ₹ 10,00,000.**

**Note: All the amounts mentioned above are excluding GST.**

- (i) Determine whether Right Oils is liable for registration.
- (ii) What will be your answer if, Right Oils supplies the high speed diesel in U.P. in the capacity of an agent of Center Oils Ltd., (non- registered), where invoices to customers are issued in name of Right oils? Would your answer be different in case if Center Oils Ltd. is registered entity? (MTP 5 Marks Nov'24, SM)

### Answer 23

(i) A supplier is liable to be registered in the State/Union territory from where he makes a taxable supply of goods and/or services, if his aggregate turnover in a financial year exceeds the threshold limit. The threshold limit for a person making exclusive intra-State taxable supplies of goods is as under:-

- (a) ₹ 10 lakh for the Special Category States of Mizoram, Tripura, Manipur and Nagaland.
- (b) ₹ 20 lakh for the States, namely, States of Arunachal Pradesh, Meghalaya, Puducherry, Sikkim, Telangana and Uttarakhand.
- (c) ₹ 40 lakh for rest of India except persons engaged in making supplies of ice cream and other edible ice,



whether or not containing cocoa, pan masala and tobacco and manufactured tobacco substitutes, fly ash bricks; fly ash aggregates; fly ash blocks, bricks of fossil meals or similar siliceous earths, building bricks, earthen or roofing tiles.

The threshold limit for a person making exclusive taxable supply of services or supply of both goods and services is as under:-

- (a) ₹10 lakh for the Special Category States of Mizoram, Tripura, Manipur and Nagaland.
- (b) ₹20 lakh for the rest of India.

Aggregate turnover includes the aggregate value of:

1. all taxable supplies,
2. all exempt supplies,
3. exports of goods and/or services and
4. all inter-State supplies of persons having the same PAN.

The above aggregate turnover is computed on all India basis. Further, the aggregate turnover excludes central tax, State tax, Union territory tax, integrated tax and cess. Moreover, the value of inward supplies on which tax is payable under reverse charge is not taken into account for calculation of 'aggregate turnover'.

CGST is not leviable on five petroleum products i.e. petroleum crude, motor spirit (petrol), high speed diesel, natural gas and aviation turbine fuel. Exempt supply includes non-taxable supply. Thus, supply of high speed diesel in U.P., being a non-taxable supply, is an exempt supply and is, therefore, includible while computing the aggregate turnover.

In the backdrop of the above-mentioned discussion, the aggregate turnover of Right Oils for the month of April is computed as under:

S. No.	Particulars	Amount (in ₹)
(i)	Supply of machine oils in U.P.	15,00,000
(ii)	Add: Supply of high speed diesel in U.P.	10,00,000
(iii)	Add: Supply of machine oil made by RightOils from its branch located in Punjab	10,00,000
	Aggregate Turnover	35,00,000

Right Oils is making exclusive supply of goods and hence the threshold limit for registration would be ₹ 40,00,000. Since the aggregate turnover does not exceed ₹ 40,00,000, Right Oils is not liable to be registered till April. However, if in remaining months of the financial year, its turnover exceeds the said limit, then it would be liable to be registered.

(ii) In case Right Oils makes the supply in capacity of an agent of Center Oils Ltd.:

Section 24 of the CGST Act, 2017 provides that an agent who is engaged in making taxable supplying of goods on behalf of other taxable persons, shall be liable to obtain registration irrespective of the threshold turnover limit. However, in the present case, if Right Oils supply high speed diesel on behalf of Center Oil Ltd. in U.P. as its agent where invoices to customers are issued in name of Right Oils, it shall still not be liable to obtain registration in U.P. since section 24 comes into play only when agent or in other capacity is making taxable supply of goods on behalf of taxable persons (principal) whereas in the given case, Right Oils is supplying non-taxable goods on behalf of Center Oils Ltd., who is non-registered.

In case if Center Oils Ltd. is registered entity, then also the answer would remain unchanged as attraction of section 24 of the CGST Act, 2017, inter-alia, requires that there should be taxable supply by agent and here, Right Oils is supplying non-taxable goods on behalf of Center Oils Ltd.

### MULTIPLE CHOICE QUESTIONS (MCQS)

1. **Aanya, an individual, based in Gujarat, is in employment and earning ₹ 10 lakh as salary. She is also providing consultancy services to different organizations on GST implications of business. Her turnover from the supply of such services is ₹ 12 lakh. Determine whether Aanya is liable for taking registration as per provisions of the CGST Act? (MTP 2 Marks, Apr'22)**
  - (a) Yes, as her aggregate turnover is more than ₹ 20 lakh.
  - (b) No, as her aggregate turnover is less than ₹ 40 lakh.
  - (c) No, as services in the course of employment does not constitute supply and therefore, aggregate turnover is less than ₹ 20 lakh.



(d) Yes, since she is engaged in taxable supply of services.

**Ans: (c)**

2. Riya & Co., a partnership firm, is engaged in retail trade since 1st April. The firm became liable for registration on 1st October. However, it applied for registration on 10th October and was granted certificate of registration on 5th November.

**Determine the effective date of registration of Riya & Co.? (MTP 1 Mark, Jul'24)**

- (a) 1st April
- (b) 1st October
- (c) 10th October
- (d) 5th November

**Ans: (b)**

3. Miss Gyati, a jeweller registered under GST in Mumbai, wants to sell her jewellery in a Trade Expo held in Delhi. Which of the following statements is false in his case? (MTP 1 Mark, Aug'24)

- (a) She needs to get registration in Delhi as casual taxable person.
- (b) She needs to pay advance tax on estimated tax liability.
- (c) She needs to mandatorily have a place of business in Delhi.
- (d) She needs to file GSTR-1/ IFF and GSTR-3B for Delhi GSTIN for the month or quarter, as the case may be, when she gets registered in Delhi.

**Ans: (c)**

4. Mr. Jambulal of Himachal Pradesh starts a new business and makes following supplies in the first month-

(i) Intra-State supply of taxable goods amounting to ₹ 17 lakh

(ii) Supply of exempted goods amounting to ₹ 1 lakh

(iii) Inter-State supply of taxable goods amounting to ₹ 1 lakh

**Whether he is required to obtain registration? (MTP 2 Marks, Apr'24) (RTP May'21)**

- (a) Mr. Jambulal is liable to obtain registration as the threshold limit of ₹ 10 lakh is crossed.
- (b) Mr. Jambulal is not liable to obtain registration as he makes exempted supplies.
- (c) Mr. Jambulal is liable to obtain registration as he makes the inter-State supply of goods.
- (d) Mr. Jambulal is not liable to obtain registration as the threshold limit of ₹ 20 lakh is not crossed.

**Ans: (c)**

5. Rama Ltd. has provided following information for the month of September:

(i) Intra-State outward supply ₹ 8,00,000/-

(ii) Inter-State exempt outward supply ₹ 5,00,000/-

(iii) Turnover of exported goods ₹ 10,00,000/-

(iv) Payment made for availing GTA services ₹ 80,000/- Calculate the aggregate turnover of Rama Ltd. (MTP 2 Marks, Mar'19, RTP Nov'21)

- (a) ₹ 8,00,000/-
- (b) ₹ 23,80,000/-
- (c) ₹ 23,00,000/-
- (d) ₹ 18,00,000/-

**Ans: (c)**