

**MODEL TEST PAPER 1**  
**INTERMEDIATE COURSE: GROUP - I**  
**PAPER – 3: TAXATION**

**Time Allowed – 3 Hours**

**Maximum Marks – 100**

**SECTION – A: INCOME TAX LAW (50 MARKS)**

*Working Notes should form part of the answer. Wherever necessary, suitable assumptions may be made by the candidates and disclosed by way of a note. However, in answers to Questions in Division A, working notes are not required.*

*The relevant assessment year is A.Y.2025-26.*

**Division A – Multiple Choice Questions**

**Write the most appropriate answer to each of the following multiple choice questions by choosing one of the four options given. All questions are compulsory.**

1. Mr. Kamal, aged 45 years, commenced operations of the business of a new three-star hotel in Delhi on 1.4.2024. He incurred capital expenditure of ₹ 50 lakhs on land in March, 2024 exclusively for the above business, and capitalized the same in his books of account as on 1<sup>st</sup> April, 2024. Further, during the P.Y. 2024-25, he incurred capital expenditure of ₹ 2 crores (out of which ₹ 50 lakhs was for acquisition of land and ₹ 1.50 crore was for acquisition of building) exclusively for the above business. The payments in respect of the above expenditure were made by account payee cheque. The profits from the business of running this hotel (before claiming deduction under section 35AD) for the A.Y.2025-26 is ₹ 85 lakhs.

He has employed 220 new employees during the P.Y.2024-25, the details of whom are as follows –

	<b>No. of employees</b>	<b>Date of employment</b>	<b>Regular/ Casual</b>	<b>Total monthly emoluments per employee (₹)</b>
(i)	40	1.6.2024	Regular	24,000
(ii)	80	1.7.2024	Regular	24,500
(iii)	50	1.7.2024	Casual	25,500
(iv)	30	1.9.2024	Regular	25,000
(v)	20	1.12.2024	Casual	24,000

All regular employees participate in recognized provident fund and their emoluments are paid by account payee cheque. His gross revenue from the hotel is ₹ 11 crores. Mr. Kamal has opted out of the default tax regime under section 115BAC.

Mr. Kamal also has another existing business of running a four-star hotel in Ahmedabad, which commenced operations twenty years back, the profits from which are ₹ 140 lakhs for the A.Y.2025-26.

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

- (i) Assuming that Mr. Kamal has fulfilled all the conditions specified for claim of deduction under section 35AD and has not claimed any deduction under Chapter VI-A under the heading "C. – Deductions in respect of certain incomes", what would be the quantum of deduction under section 35AD, which he is eligible to claim as deduction for A.Y.2025-26?
- (a) ₹ 250 lakhs  
(b) ₹ 200 lakhs  
(c) ₹ 100 lakhs  
(d) ₹ 150 lakhs
- (ii) What would be the income chargeable/loss under the head "Profits and gains of business or profession" for the A.Y.2025-26 in the hands of Mr. Kamal?
- (a) ₹ 75 lakhs  
(b) ₹ 140 lakhs  
(c) ₹ 25 lakhs  
(d) (₹ 10 lakhs)
- (iii) Would Mr. Kamal be eligible for deduction under section 80JJAA in the A.Y.2025-26? If so, what is the quantum of deduction?
- (a) No, he would not be eligible for deduction u/s 80JJAA  
(b) Yes; ₹ 75,00,000  
(c) Yes; ₹ 81,72,000  
(d) Yes; ₹ 99,72,000
- (3 x 2 = 6 Marks)**

2. Mr. Arvind, an Indian citizen, wants to file his return of income for the previous year 2024-25. He required assistance for which he has approached you. He has shared the following details relevant to the P.Y. 2024-25.

Mr. Arvind owned a house property in Bangalore and the same was rented out for ₹ 65,000 p.m. to Mr. Arjun, a salaried employee. He claims that this was the only income which he earned during the P.Y. 2024-25. However, when you had sought for his bank statement, you observed the following information additionally.

There is a credit for ₹ 23,975 towards income-tax refund which includes ₹ 5,775 towards interest on income-tax refund. On 15th August, 2024, the bank statement showed a credit of ₹ 55,000 which he claimed to have received as a gift from his grandchildren on his 60th birthday. On further assessment you were able to understand that Mr. Arvind and his wife had

travelled to Mauritius during the P.Y. 2024-25 to spend some time with their son, who is staying in Mauritius. On scrutiny of their passport and relevant documents you conclude that they had left India on 27th September, 2024 and returned on 31st March, 2025. During the 4 years preceding previous year 2024-25, both had stayed in India for 320 days. Prior to that, they had been staying only in India.

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

- (i) What is the residential status of Mr. Arvind for the P.Y. 2024-25?
- (a) Resident and ordinarily resident
  - (b) Resident but not ordinarily resident
  - (c) Non-resident
  - (d) Deemed resident but not ordinarily resident
- (ii) Is there any requirement to deduct tax at source under section 194-IB on such rent by Mr. Arjun? If yes, what would be the amount of TDS to be deducted?
- (a) No, there is no requirement to deduct tax at source under section 194-IB, since Mr. Arjun is a salaried employee
  - (b) Yes, Mr. Arjun is required to deduct tax at source of ₹ 39,000 under section 194-IB
  - (c) Yes, Mr. Arjun is required to deduct tax at source of ₹ 15,600 under section 194-IB
  - (d) No, there is no requirement to deduct tax at source under section 194-IB, since Mr. Arvind is a non-resident
- (iii) Which of the following statements is correct with respect to advance tax liability of Mr. Arvind for P.Y. 2024-25?
- (a) Advance tax liability shall not arise to Mr. Arvind since he is a non-resident
  - (b) Advance tax liability shall not arise, since Mr. Arvind is a resident senior citizen and he has no income chargeable under the head "Profits and gains of business or profession"
  - (c) Advance tax liability shall arise, since he is a non-resident
  - (d) Advance tax liability shall arise, since his tax liability is not less than ₹ 10,000
- (3 x 2 = 6 Marks)**

3. Roshini Ltd. has two units, one unit at Special Economic Zone (SEZ) and other unit at Domestic Tariff Area (DTA). The unit in SEZ was set up and started manufacturing from 12.5.2015 and unit in DTA from 15.6.2018. Total turnover of Roshini Ltd. and Unit in DTA is ₹ 12,50,00,000 and 4,50,00,000, respectively. Export sales of units in SEZ and DTA is ₹ 3,50,00,000 and ₹ 2,25,00,000, respectively and net profit of Unit in SEZ and DTA is ₹ 95,00,000 and ₹ 80,00,000, respectively. Out of the export sales of ₹ 3,50,00,000, ₹ 2,00,00,000 have been received in convertible foreign

exchange by 30.9.2025. Roshini Ltd. would be eligible for deduction under section 10AA for -

- (a) ₹ 20,78,125
- (b) ₹ 41,56,250
- (c) ₹ 11,87,500
- (d) ₹ 23,75,000

**(2 Marks)**

4. What would be the tax liability of Ms. Savita, a resident, who attained the age of 60 years on 01.04.2025 on the total income of ₹ 7,25,000, comprising of salary income and interest on fixed deposits under default tax regime under section 115BAC?

- (a) ₹ 28,600
- (b) ₹ 26,000
- (c) ₹ 23,400
- (d) ₹ 2,600

**(1 Mark)**

### Division B – Descriptive Questions

*Question No. 1 is compulsory*

*Attempt any **two** questions from the remaining **three** questions*

1. Mr. Amit, having business of manufacturing of furniture, gives the following Trading and Profit & Loss Account for the year ended 31.03.2025:

#### Trading and Profit & Loss Account

Particulars	₹	Particulars	₹
Opening Stock	5,62,500	Sales	2,33,25,000
Purchases	1,88,62,500	Closing Stock	6,75,000
Freight & Cartage	1,89,000		
Gross profit	43,86,000		
	<b>2,40,00,000</b>		<b>2,40,00,000</b>
Bonus to staff	71,250	Gross profit	43,86,000
Rent of premises	80,250	Income-tax refund	30,000
Advertisement	7,500	Warehousing charges	22,50,000
Bad Debts	1,12,500		
Interest on loans	2,51,250		
Depreciation	1,07,250		
Goods and Services tax demand paid	1,62,525		

Salary	5,50,000		
Miscellaneous expenses	2,38,475		
Net profit	50,85,000		
	<b>66,66,000</b>		<b>66,66,000</b>

Following are the further information relating to the financial year 2024-25:

- (i) Income-tax refund includes amount of ₹ 4,570 of interest allowed thereon.
- (ii) Salary includes ₹ 30,000 paid to his brother which is unreasonable to the extent of ₹ 5,000.
- (iii) Advertisement expenses include an amount of ₹ 2,500 paid for advertisement published in the souvenir issued by a political party. The payment is made by way of an account payee cheque.
- (iv) Miscellaneous expenses include an amount of ₹ 1,00,000 paid to Political Party by cheque.
- (v) Goods and Services Tax demand paid includes an amount of ₹ 5,300 charged as penalty for delayed filing of returns and ₹ 12,750 towards interest for delay in deposit of tax.
- (vi) Mr. Amii had purchased a warehouse building of ₹ 20 lakhs in rural area for the purpose of storage of agricultural produce. This was made available for use from 15.07.2024 and the income from this activity is credited in the Profit and Loss account under the head "Warehousing charges".
- (vii) Depreciation under the Income-tax Act, 1961 works out at ₹ 65,000 excluding depreciation on warehouse building.
- (viii) Interest on loans includes an amount of ₹ 80,000 paid to Mr. Mohit, a resident, on which tax was not deducted.

Compute the total income and tax liability of Mr. Amit for the A.Y. 2025-26 in a most beneficial manner. **(15 Marks)**

2. (a) Mr. Akash, an Indian citizen aged 45 years, worked in XYZ Ltd. in Delhi. He got a job offer from ABC Inc., California on 01.06.2023. He left India for the first time on 31.07.2023 and joined ABC Inc. on 08.08.2023. During the P.Y. 2024-25, Mr. Akash visited India from 25.05.2024 to 22.09.2024. He has received the following income for the previous year 2024-25:

Particulars	₹
Salary from ABC Inc., California received in California (Computed)	7,00,000
Dividend from Indian companies	5,00,000
Agricultural income from land situated in Nepal, received in Nepal	4,00,000

Rent received/receivable from house property in Delhi	5,50,000
Profits from a profession in California, which was set up in India, received there	6,00,000

Determine the residential status of Mr. Akash and compute his total income for the A.Y. 2025-26 under default tax regime. **(6 Marks)**

(b) Examine and compute the liability for deduction of tax at source, if any, in the cases stated hereunder, for the financial year ended 31<sup>st</sup> March, 2025.

(i) State Bank of India pays ₹ 70,000 per month and ₹ 60,000 per month as rent to the Central Government and Mr. Kunal, respectively for building in which its branches are situated.

(ii) Payment of ₹ 2,50,000 to Mr. Deepak, a transporter who owns 8 goods carriages throughout the previous year. He does not furnish his PAN. **(4 Marks)**

3. (a) Mr. Sahil, a resident individual, aged 40 years, is an assistant manager of Fox Ltd. He is getting a salary of ₹ 55,000 per month. During the previous year 2024-25, he received the following amounts from his employer.

(i) Dearness allowance (10% of basic pay which forms part of salary for retirement benefits).

(ii) Bonus of ₹ 60,000.

(iii) Fixed Medical allowance of ₹ 50,000 for meeting medical expenditure.

(iv) He was also reimbursed the medical bill of his mother dependent on him amounting to ₹ 6,500.

(v) Mr. Sahil was provided;

- a laptop both for official and personal use. Laptop was acquired by the company on 1<sup>st</sup> June, 2022 at ₹ 35,000.
- a domestic servant at a monthly salary of ₹ 8,000 which was reimbursed by his employer.

(vi) Fox Ltd. allotted 700 equity shares in the month of October 2024 @ ₹ 170 per share against the fair market value of ₹ 280 per share on the date of exercise of option by Mr. Sahil. The fair market value was computed in accordance with the method prescribed under the Act.

(vii) Professional tax ₹ 2,200 (out of which ₹ 1,400 was paid by the employer).

Compute the Income under the head "Salaries" of Mr. Sahil for the assessment year 2025-26 if he is paying tax under default tax regime under section 115BAC. **(5 Marks)**

(b) Mr. Kushal is a resident but not ordinarily resident in India during the Assessment Year 2025-26. He furnishes the following information regarding his income/expenditure pertaining to his house properties for the previous year 2024-25:

- He owns two houses, one in New York and the other in Ahmedabad.
- The house in New York is let out there at a rent of \$ 5,000 p.m. The entire rent is received in India. He paid Property tax of \$ 1,250 and Sewerage Tax \$ 750 there. (\$ 1 = INR 81)
- The house in Ahmedabad is self-occupied. He had taken a loan of ₹ 30,00,000 to construct the house on 1<sup>st</sup> September, 2019 @10%. The construction was completed on 31<sup>st</sup> May, 2021 and he occupied the house on 1<sup>st</sup> June, 2021.

The entire loan is outstanding as on 31<sup>st</sup> March, 2025. Property tax paid in respect of the second house is ₹ 2,800.

Compute the income chargeable under the head "Income from House property" in the hands of Mr. Kushal for the Assessment Year 2025-26 if he has opted out of the default tax regime under section 115BAC.

**(5 Marks)**

4. (a) Mr. Vishal, aged 33 years, submits the information of following transaction/income during the P.Y. 2024-25

- (i) Mr. Vishal had a house in Delhi. During financial year 2023-24, he had transferred the said house to Ms. Deepika, daughter of his brother without any consideration. House would go back to Mr. Vishal after the life time of Ms. Deepika. The transfer was made with a condition that 10% of rental income from such house shall be paid to Mrs. Vishal. Rent received by Ms. Deepika during the previous year 2024-25 from such house property is ₹ 5,50,000.
- (ii) Mr. Vishal holds preference shares in M/s A Pvt. Ltd. He instructed the company to pay dividend to Ms. Chandni, daughter of his servant. The transfer is irrevocable for the lifetime of Chandni. Dividend receivable by Ms. Chandni during the previous year 2024-25 is ₹ 4,50,000.
- (iii) Mr. Vishal has a short term capital loss of ₹ 16,000 from sale of property and long term capital gain of ₹ 15,000 from sale of property.
- (iv) Other income/loss of Mr. Vishal includes
  - Interest from saving bank account of ₹ 1,75,000
  - Cash gift of ₹ 75,000 received from daughter of his sister on his birthday.
  - Income from betting of ₹ 25,000
  - Income from card games of ₹ 46,000
  - Loss on maintenance of race horses of ₹ 14,600

Compute the total income of Mr. Vishal for the Assessment Year 2025-26 if he has opted out of the default tax regime and the losses to be carried forward. **(6 Marks)**

- (b) Enumerate the cases where a return of loss has to be filed on or before the due date specified u/s 139(1) for carry forward of the losses. Also enumerate the cases where losses can be carried forward even though the return of loss has not been filed on or before the due date.

**(4 Marks)**

**OR**

- (b) Mr. Vishnu has undertaken certain transactions during the F.Y.204-25, which are listed below. You are required to identify the transactions in respect of which quoting of PAN is mandatory in the related documents—

<b>S. No.</b>	<b>Transaction</b>
1.	Sale of scooter for ₹ 70,000
2.	Payment of life insurance premium of ₹ 67,000 to insurance company
3.	Purchase of plot for ₹ 9 lakhs while the stamp duty of the same is ₹ 11 lakhs
4.	Applied to PNB for issue of credit card.

**(4 Marks)**



**MODEL TEST PAPER 2**  
**INTERMEDIATE COURSE: GROUP - I**  
**PAPER – 3: TAXATION**

**Time Allowed – 3 Hours**

**Maximum Marks – 100**

**SECTION – A: INCOME TAX LAW (50 MARKS)**

*Working Notes should form part of the answer. Wherever necessary, suitable assumptions may be made by the candidates and disclosed by way of a note. However, in answers to Questions in Division A, working notes are not required.*

*The relevant assessment year is A.Y.2025-26.*

**Division A – Multiple Choice Questions**

**Write the most appropriate answer to each of the following multiple choice questions by choosing one of the four options given. All questions are compulsory.**

1. Mr. Pankaj, an Indian resident, purchased a residential house property at Kanpur on 20.08.1998 for ₹ 20.5 lakhs. The fair market value and the stamp duty value of such house property as on 1.4.2001 was ₹ 28.5 lakhs and ₹ 25 lakhs, respectively. On 05.02.2016, Mr. Pankaj entered into an agreement with Mr. Gyan for the sale of such property for ₹ 61 lakhs and received an amount of ₹ 2.5 lakhs as advance. However, as Mr. Gyan did not pay the balance amount, Mr. Pankaj forfeited the advance.

On 10.05.2024, Mr. Pankaj sold the house property to Mr. Rohan for ₹ 1.50 crores, when the stamp duty value of the property was ₹ 2 crores. Further, he purchased two residential house properties at Delhi and Mumbai for ₹ 57 lakhs each on 28.09.2025. Mr. Pankaj has no other income during the P.Y. 2024-25. The due date for filing return of income for Mr. Pankaj is 31<sup>st</sup> July, 2025.

On 31.01.2026, Mr. Pankaj decided to sell the house property at Mumbai to his brother, Mr. Gaurav, for ₹ 58 lakhs, from whom ₹ 25,000 was received in cash on 15.01.2026 as advance for signing the agreement to sale. Sale deed was registered on 30.03.2026 on receipt of the balance amount through account payee cheque from Mr. Gaurav. The stamp duty value of house property at Mumbai on 31.01.2026 and 30.03.2026 was ₹ 61 lakhs and ₹ 64 lakhs, respectively.

Cost inflation index –

P.Y. 2024-25: 363; P.Y. 2015-16: 254; P.Y. 2001-02: 100

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

- (i) What shall be the indexed cost of acquisition of residential house property at Kanpur for computation of capital gains in the hands of Mr. Pankaj?

- (a) ₹ 81,67,500  
 (b) ₹ 90,75,000  
 (c) ₹ 94,38,000  
 (d) ₹ 1,03,45,500
- (ii) The amount of capital gains taxable for A.Y. 2025-26 in the hands of Mr. Pankaj for sale of residential house property at Kanpur is -  
 (a) Nil  
 (b) ₹ 81,67,500  
 (c) ₹ 52,25,000  
 (d) ₹ 1,09,25,000
- (iii) The amount of capital gains taxable for A.Y. 2026-27 in the hands of Mr. Pankaj for sale of residential house property at Mumbai is -  
 (a) ₹ 8 lakhs  
 (b) ₹ 7 lakhs  
 (c) ₹ 64 lakhs  
 (d) ₹ 1 lakh
- (iv) The amount taxable under section 56(2)(x) in the hands of Mr. Gaurav, if any, is -  
 (a) Nil  
 (b) ₹ 1 lakh  
 (c) ₹ 3 lakhs  
 (d) ₹ 6 lakhs
- (v) What shall be the tax credit available with Mr. Pankaj with respect to sale of property at Kanpur during P.Y. 2024-25 assuming the tax was fully deducted by Mr. Rohan?  
 (a) ₹ 2,00,000  
 (b) ₹ 1,50,000  
 (c) ₹ 1,00,000  
 (d) ₹ 87,000
- (vi) Is Mr. Pankaj required to file his return of income for A.Y. 2025-26?  
 (a) Yes, since his total income exceeds the basic exemption limit  
 (b) No, since his total income does not exceed the basic exemption limit  
 (c) Yes, since tax deducted in his case exceeds ₹ 25,000  
 (d) Yes, since his total income before exemption under section 54 exceeds the basic exemption limit **(6 x 2 = 12 Marks)**

2. Mrs. Deepika, wife of Mr. Santosh, started a business of trading in beauty products on 15.7.2024. She invested ₹ 5 lakhs in the business on 15.7.2024 out of gift received from her husband, Mr. Santosh. She invested ₹ 4 lakhs from her own savings on the same date. She earned profits of ₹ 9,00,000 from her business for the financial year 2024-25. Which of the following statements is correct?
- (a) Share of profit of ₹ 9,00,000 is includible in the hands of Mrs. Deepika
  - (b) Share of profit of ₹ 5,00,00 is includible in the hands of Mr. Santosh and share of profit of ₹ 4,00,000 is includible in the hands of Mrs. Deepika
  - (c) Share of profit of ₹ 4,00,000 is includible in the hands of Mr. Santosh and share of profit of ₹ 5,00,000 is includible in the hands of Mrs. Deepika
  - (d) Share of profit of ₹ 9,00,000 is includible in the hands of Mr. Santosh
- (2 Marks)**
3. Mr. X, a resident 47 years, has salary income (computed) of ₹ 7,25,000 and agricultural income of ₹ 1,00,000 for the P.Y. 2024-25. Compute his tax liability for A.Y. 2025-26 if he has opted out of the default tax regime under section 115BAC.
- (a) ₹ 59,800
  - (b) ₹ 72,500
  - (c) ₹ 75,400
  - (d) ₹ 80,600
- (1 Mark)**

### **Division B – Descriptive Questions**

*Question No. 1 is compulsory.*

*Attempt any **two** questions from the remaining **three** questions.*

1. Mr. Sunil, aged 48 years, a resident Indian has furnished the following particulars for the year ended 31.03.2025:
- (i) He occupies ground floor of his residential building and has let out first floor for residential use at an annual rent of ₹ 2,95,000. He has paid municipal taxes of ₹ 25,000 for the current financial year. Both these floors are of equal size.
  - (ii) As per interest certificate from HDFC bank, he paid ₹ 1,50,000 as interest and ₹ 80,000 towards principal repayment of housing loan borrowed for the above residential building in the year 2018.
  - (iii) He owns an industrial undertaking established in a SEZ and which had commenced operation during the financial year 2019-20. Total turnover of the undertaking was ₹ 400 lakhs, which includes ₹ 150 lakhs from export turnover. Out of ₹ 150 lakhs, only ₹ 120 lakhs have been received in India in convertible foreign exchange on or before

30.9.2025. This industrial undertaking fulfills all the conditions of section 10AA of the Income-tax Act, 1961. Profit from this industry is ₹ 40 lakhs.

- (iv) He employed 20 new employees for the said industrial undertaking during the previous year 2024-25. Out of 20 employees, 12 were employed on 1<sup>st</sup> May 2024 for monthly emoluments of ₹ 18,000 and remaining were employed on 1<sup>st</sup> September 2024 on monthly emoluments of ₹ 12,000. All these employees participate in recognised provident fund and they are paid their emoluments directly to their bank accounts.
- (v) He earned ₹ 30,000 and ₹ 40,000 as interest on saving bank deposits and fixed deposits, respectively.
- (vi) He also sold his vacant land on 01.12.2024 for ₹ 15 lakhs. The stamp duty value of land at the time of transfer was ₹ 16 lakhs. This land was acquired by him on 15.10.1998 for ₹ 2.80 lakhs. The FMV of the land as on 1<sup>st</sup> April, 2001 was ₹ 4.8 lakhs and Stamp duty value on the said date was ₹ 4 lakhs. He had incurred registration expenses of ₹ 12,000 at that time.

The cost of inflation index for the financial year 2024-25 and 2001-02 are 363 and 100, respectively.

- (vii) He paid insurance premium of ₹ 40,000 towards life insurance policy of his son, who is not dependent on him.

You are requested to compute total income and tax liability of Mr. Sunil for the Assessment Year 2025-26 under default tax regime.

**(15 Marks)**

2. (a) Mrs. Sia D'Souza is an American, got married to Mr. Kabir of India in New York on 14.02.2024 and came to India for the first time on 18.03.2024. She left for Australia on 16.08.2024. She returned to India again on 23.03.2025.

On 01.04.2024, she had purchased a Flat in Mumbai, which was let out to Mr. Sameer on a rent of ₹ 26,000 p.m. from 1.6.2024. She had taken loan from an Indian bank for purchase of this flat on which bank had charged interest of ₹ 2,05,000 upto 31.03.2025.

While in India, during the previous year 2024-25, she had received a gold chain from her in laws worth ₹ 1,50,000 and ₹ 1,65,000 from very close friends of her husband.

From the information given above, you are required to determine her the residential status and compute her total income chargeable to tax for the Assessment Year 2025-26 assuming she has shifted out of the default tax regime under section 115BAC. **(6 Marks)**

- (b) Briefly discuss the provisions of tax deduction/collection at source under the Income-tax Act, 1961 and determine the amount, if any, of TDS and TCS in respect of the following payments:

- (i) Mr. Harish bought an overseas tour programme package for Switzerland for himself and his family of ₹ 10 lakhs on 01-11-2024 from an agent who is engaged in organising foreign tours in course of his business. He made the payment by an account payee cheque and provided the permanent account number to the seller.
- (ii) Mr. Aditya pays ₹ 55,00,000 during April 2024 to Mr. Naresh, for supply of labour, for carrying out the construction work of his factory. During the P.Y. 2023-24, Mr. Aditya's turnover was ₹ 95 lakhs. **(4 Marks)**
3. (a) Ms. Priyanka, General Manager of ABC Ltd., Mumbai, furnishes the following particulars for the financial year 2024-25:
- (i) Salary ₹ 40,000 per month
- (ii) Value of medical facility in a hospital maintained by the company ₹ 10,000
- (iii) Rent free accommodation owned by the company during P.Y. 2024-25
- (iv) Housing loan of ₹ 7,00,000 given on 01.04.2024 at the interest rate of 6% p.a. (No repayment made during the year). The rate of interest charged by State Bank of India (SBI) as on 01.04.2024 in respect of housing loan is 9.5%.
- (v) A dining table was provided to Ms. Priyanka at her residence. This was purchased on 1.6.2021 for ₹ 60,000 and sold to Ms. Priyanka on 1.5.2024 for ₹ 30,000.
- (vi) Personal purchases through credit card provided by the company amounting to ₹ 10,000 was paid by the company. No part of the amount was recovered from Ms. Priyanka.
- (vii) A Maruti Suzuki car which was purchased by the company on 16.7.2022 for ₹ 2,50,000 was sold to the assessee on 14.7.2024 for ₹ 1,60,000.

Other income received by the assessee during the previous year 2024-25:

	Particulars	₹
(a)	Interest on Fixed Deposits with a company	7,000
(b)	Income from specified mutual fund	3,000
(c)	Interest on bank fixed deposits of a minor married daughter	4,000

- (viii) Deposit in PPF Account made during the year 2024-25 ₹40,000

Compute the gross total income of Ms. Priyanka for the Assessment year 2025-26 if she exercised the option to shift out of the default tax regime under section 115BAC. **(6 Marks)**

(b) M/s. Ravi & sons, a partnership firm consisting of two partners, reports a net profit of ₹ 7,50,000 before deduction of the following items:

- Salary of ₹ 25,000 each per month payable to two working partners of the firm (as authorized by the deed of partnership)
- Depreciation on plant and machinery under section 32 is ₹ 2,50,000
- Interest on capital 15% per annum (as per the deed of partnership).

The amount of capital eligible for interest is ₹ 6,00,000 for both partners

- Carry forward loss of P.Y. 2023-24 - ₹ 50,000

Compute for A.Y. 2025-26:

- (i) Book-profit of the firm under section 40(b) of the Income-tax Act, 1961.
- (ii) Amount of salary that can be paid to working partners as per section 40(b). **(4 Marks)**

4. (a) The following are the details relating to Mr. Roshan, a resident Indian, relating to the year ended 31.03.2025

Particulars	Amount (₹)
Short term capital gain	1,50,000
Loss from house property [let out property]	2,50,000
Loss from speculative business	50,000
Loss from card games	20,000
Brought forward long term capital loss of A.Y. 2022-23	86,000
Dividend from ABC Ltd.	11,00,000
Loss from tea business	1,06,000

Mr. Roshan's wife, Shamita is employed with Ray Ltd., at a monthly salary of ₹ 25,000, where Mr. Roshan holds 21% of the shares of the company. Shamita is not adequately qualified for the post held by her in Ray Ltd.

You are required to compute taxable income of Mr. Roshan for the A.Y. 2025-26 if he has exercised the option to shift out of the default tax regime under section 115BAC. Ascertain the amount of losses which can be carried forward. **(6 Marks)**

(b) In the following cases relating to P.Y.2024-25, the total income of the assessee or the total income of any other person in respect of which he/she is assessable under Income-tax Act does not exceed the basic

exemption limit. You are required to state with reasons, whether the assessee is still required to file the return of income or loss for A.Y.2025-26 in each of the following independent situations:

- (i) Manish & Sons (HUF) sold a residential house on which there arose a long term capital gain of ₹ 12 lakhs which was invested in Capital Gain Bonds u/s 54EC so that no long term capital gain was taxable.
- (ii) Samarth has incurred an expenditure of ₹ 1,20,000 towards consumption of electricity, the entire payment of which was made through banking channels. **(4 Marks)**

**OR**

- (b) Briefly mention the provisions of Income-tax Act, 1961 with regard to quoting Aadhaar Number under section 139AA of the Act. **(4 Marks)**

**MODEL TEST PAPER 3**  
**INTERMEDIATE COURSE: GROUP - I**  
**PAPER – 3: TAXATION**

**Time Allowed – 3 Hours**

**Maximum Marks – 100**

**SECTION – A: INCOME TAX LAW (50 MARKS)**

*Working Notes should form part of the answer. Wherever necessary, suitable assumptions may be made by the candidates and disclosed by way of a note. However, in answers to Questions in Division A, working notes are not required.*

*The relevant assessment year is A.Y.2025-26.*

**Division A – Multiple Choice Questions**

**Write the most appropriate answer to each of the following multiple choice questions by choosing one of the four options given. All questions are compulsory.**

1. Mr. Rudra is engaged in the business of trading since 2018. His turnover for the P.Y. 2023-24 was ₹ 6 crores. His minor daughter's marriage is fixed in December, 2024. He planned destination wedding in Goa for his minor daughter. For the wedding, he withdrew ₹ 40,00,000 cash in the month of September, 2024 and ₹ 65,00,000 cash in the month of October, 2024 from Hamara Paisa Bank.

He booked 30 rooms for 5 days for the accommodation of his relatives in Raho Hotel and paid ₹ 40,000 in cash as advance and balance by account payee cheque. He took the catering services of Tasty Caterers, a sole Proprietor, for the wedding for which he paid ₹ 10,20,000 on 15.10.2024. For her wedding, he gifted his daughter a house property, purchased from SK Builders on 10.10.2024 by account payee cheque for ₹ 15,00,000. The stamp duty value of the property on 10.10.2024 is ₹ 16,00,000 and on the date of transfer to minor daughter is ₹ 20,00,000.

Mr. Rudra paid ₹ 45,000 in cash and balance in cheque to travel agent for the return ticket of some of his relatives to US. He regularly files his return of income.

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

- (i) The amount of tax to be deducted by Hamara Paisa Bank on cash withdrawals by Mr. Rudra is -
- (a) ₹ 10,000
  - (b) ₹ 25,000
  - (c) ₹ 1,70,000
  - (d) ₹ 1,85,000



- (ii) The amount of tax to be deducted by Mr. Rudra on payment made to Tasty Caterers is -
- ₹ 10,200
  - ₹ 20,400
  - ₹ 51,000
  - Nil
- (iii) What shall be the amount taxable and in whose hands with respect to purchase of immovable property by Mr. Rudra from SK Builders and gift of the same to his daughter?
- ₹ 1,00,000 in the hands of Mr. Rudra and ₹ 20,00,000 in the hands of minor daughter
  - Nothing is taxable in the hands of Mr. Rudra and Minor daughter
  - ₹ 1,00,000 in the hands of Mr. Rudra and nothing is taxable in the hands of minor daughter
  - Nothing is taxable in the hands of Mr. Rudra but ₹ 20,00,000 is taxable in the hands of minor daughter **(3 x 2 = 6 Marks)**

2. Mr. Mayank had bought a residential house worth ₹ 2.5 crores at South Extension, Delhi in 2018 and let out the house on rent to Mr. Rihaan. The property was funded through loan from PNB. The interest due for F.Y. 2024-25 to PNB is ₹ 25 lakhs, out of which he paid only ₹ 20 lakhs during the year. Mr. Mayank then took a loan of ₹ 1.5 crores from SBI on 1.7.2024 for construction of first floor in that house for self-occupation. The construction is in progress as on 31.3.2025. Mr. Mayank started repaying EMIs due to SBI. During the P.Y. 2024-25, he repaid principal amount of ₹ 25 lakhs and ₹ 5 lakhs to PNB and SBI, respectively. He also paid interest of ₹ 8 lakhs to SBI out of ₹ 10 lakhs, being interest due for the period from 1.7.2024 to 31.3.2025.

Mr. Mayank owns another house in Haryana. He transferred that house to his minor daughter Miss Sia on her birthday as her birthday gift. Miss Sia gave the said house to the local Panchayat from September, 2024 at a rent of ₹ 5,000 per month. Mrs. Mayank's total income for A.Y.2025-26 is higher than that of Mr. Mayank. This is the first year when Miss Sia has any source of income.

Mr. Mayank bought electric vehicle worth ₹ 50 lakhs on loan from BSM Bank which it sanctioned on 1.4.2022. BSM Bank charged interest of ₹ 7 lakhs on electric vehicle for the P.Y.2024-25. Mr. Mayank has also taken loan from ABC Bank for his daughter's higher education. He paid ₹ 50,000 as interest to ABC Bank. He also paid mediclaim of ₹ 20,000 to New India Assurance Scheme for insuring his health.

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

- (i) What is the amount of interest allowable as deduction u/s 24 to Mr. Mayank for A.Y.2025-26?

- (a) ₹ 2 lakhs  
 (b) ₹ 25 lakhs  
 (c) ₹ 28 lakhs  
 (d) ₹ 35 lakhs
- (ii) What is the amount of deduction permissible to Mr. Mayank under Chapter VI-A of Income-tax Act, 1961 for A.Y. 2025-26 if he has opted out of the default tax regime?  
 (a) ₹ 1,70,000  
 (b) ₹ 2,20,000  
 (c) ₹ 3,70,000  
 (d) ₹ 9,20,000
- (iii) In whose hands would Sia's rental income from house property at Haryana be taxable and how much income would be taxable?  
 (a) In Sia's hands; ₹ 24,500  
 (b) In Mr. Mayank's hands; ₹ 24,500  
 (c) In Mrs. Mayank's hands; ₹ 23,000  
 (d) It would change every year depending on the parent whose income is higher in that year. **(3 x 2 = 6 Marks)**
3. Mr. Arpan (aged 35 years) submits the following particulars for the purpose of computing his total income:

Particulars	₹
Income from salary (computed)	4,00,000
Loss from let-out house property	(-) 2,20,000
Brought forward loss from let-out house property for the A.Y. 2024-25	(-)2,30,000
Business loss	(-)1,00,000
Bank interest (FD)	80,000

Compute the total income of Mr. Arpan for the A.Y.2025-26 and the amount of loss that can be carried forward for the subsequent assessment year under normal provisions of the Act?

- (a) Total income ₹ 2,00,000 and loss from house property of ₹ 2,50,000 and business loss of ₹ 20,000 to be carried forward to subsequent assessment year.
- (b) Total income ₹ 1,60,000 and loss from house property of ₹ 2,30,000 to be carried forward to subsequent assessment year.
- (c) Total income ₹ 4,00,000 and business loss of ₹ 20,000 to be carried forward to subsequent assessment year.
- (d) Total income is Nil and loss from house property of ₹ 70,000 to be carried forward to subsequent assessment year. **(2 Marks)**

4. Mr. Raja, aged 64 years, was not able to provide satisfactory explanation to the Assessing Officer for the investments of ₹ 7 lakhs not recorded in the books of accounts. What shall be the tax payable by him on the value of such investments considered to be deemed income as per section 69?
- (a) ₹ 2,18,400  
(b) ₹ 55,000  
(c) ₹ 5,46,000  
(d) ₹ 54,600
- (1 Mark)**

### **Division B – Descriptive Questions**

*Question No. 1 is compulsory.*

*Attempt any **two** questions from the remaining **three** questions.*

1. Mr. Ayush, a resident individual, aged 54 years, is engaged in the business of manufacturing textiles. He earned profit of ₹ 82,45,000 as per profit and loss account after debiting and crediting the following items:
- (i) Depreciation ₹ 15,40,000  
(ii) Short term capital gains on 01.05.2024 on transfer of listed equity shares in a company on which STT is paid ₹ 10,00,000  
(iii) He received income-tax refund of ₹ 15,550 which includes interest on refund of ₹ 4,550.  
(iv) Dividend income from Indian companies ₹ 15,00,000. Dividend received from each company is less than ₹ 5,000.

#### **Additional information –**

- (i) Mr. Ayush installed new plant and machinery for ₹ 65 lakhs on 1.10.2024 which was put to use on 1.1.2025. Depreciation (including additional depreciation) on this amount of ₹ 65 lakhs is included in the depreciation debited to profit and loss account which has been computed as per Income-tax Rules, 1962.  
(ii) Mr. Ayush took a loan from SBI of ₹ 50 lakhs on 1.9.2024 @10.5% p.a. to purchase such plant and machinery. Total interest upto 31.3.2025 has been paid on 31.3.2025 and the same has been debited to profit and loss account.  
(iii) Advance tax paid during the year is ₹17,50,000  
(iv) Ayush purchased goods for ₹ 40 lakhs from Mr. Ram, his brother. The market value of the goods is ₹ 35 lakhs.  
(v) He paid ₹ 40,000 as life insurance premium taken on the life of his married daughter who is not dependent on him. The sum assured is ₹ 5,00,000 and the policy was taken on 1.4.2017.  
(vi) He paid ₹ 45,000 by cheque towards health insurance policy covering himself, his spouse and his children.

- (vii) On 1.7.2024, Mr. Ayush withdrew ₹ 1.5 crores in cash from three current accounts maintained by him with SBI. There are no other withdrawals during the year. He regularly files his return of income.

You are required to compute the total income and tax payable by Mr. Ayush for the A.Y. 2025-26 assuming that he has shifted out of the default tax regime under section 115BAC. **(15 Marks)**

2. (a) Miss Geeta, a citizen of India, got married to Mr. Peter of Australia and left India for the first time on 20.8.2024. She has not visited India again during the P.Y. 2024-25. She has derived the following income for the year ended 31-3-2025:

	Particulars	₹
(i)	Income from sale of centrifuged latex processed from rubber plants grown in kanyakumari.	1,50,000
(ii)	Income from sale of coffee grown, cured, roasted and grounded in Colombo. Sale consideration was received in Chennai.	5,00,000
(iii)	Income from sale of tea grown and manufactured in West Bengal.	12,00,000
(iv)	Income from sapling and seedling grown in a nursery at Cochin. Basic operations were not carried out by her on land.	2,00,000

You are required to determine the residential status of Miss Geeta and compute the business income and agricultural income of Miss. Geeta for the Assessment Year 2025-26. **(6 Marks)**

- (b) Briefly discuss the provisions of tax deduction at source under the Income-tax Act, 1961 and determine the amount, if any, of TDS in respect of the following payments:
- (i) Mr. Vikas received a sum of ₹ 10,20,000 on 28.02.2025 as premature withdrawal from Employees Provident Fund Scheme before continuous service of 5 years on account of termination of employment due to ill-health.
- (ii) Indian Bank sanctioned and disbursed a loan of ₹ 12 crores to B Ltd. on 31-12-2024. B Ltd. paid a sum of ₹ 1,20,000 as service fee to Indian Bank for processing the loan application. **(4 Marks)**
3. (a) Mr. Jain and his wife Mrs. Jain are partners in a partnership firm holding 25% share each. During the F.Y. 2024-25, the firm paid ₹ 2,50,000 to each of them as remuneration. Apart from this, they provide you the following information in respect of F.Y. 2024-25:
- (i) Salary received by Mr. Jain from his employer ₹ 12,50,000.
- (ii) Interest on fixed deposit earned by Mrs. Jain ₹ 14,00,000. (The fixed deposit was opened by using her "Stridhan")
- (iii) Income of their three minor children Neeta, Meeta and Seeta was ₹ 15,000; ₹ 10,000 and ₹ 2,000 respectively.

You are required to compute the gross total income of Mr. and Mrs. Jain as per the provisions of Income-tax Act for the A.Y. 2025-26 assuming that they have shifted out of the default tax regime.

**(4 Marks)**

- (b) Mr. Ram, an employee of the Central Government is posted at New Delhi. He joined the service on 1<sup>st</sup> February, 2021. Details of his income for the previous year 2024-25, are as follows:
- (i) Basic salary: ₹ 3,80,000
  - (ii) Dearness allowance: ₹ 1,20,000 (40% forms part of pay for retirement benefits)
  - (iii) Both Mr. Ram and Government contribute 20% of basic salary to the pension scheme referred to in section 80CCD.
  - (iv) Gift received by Ram's minor son on his birthday from friend: ₹ 70,000. (No other gift is received by him during the previous year 2024-25)
  - (v) On 25.03.2024, Mr. Ram gifted a sum of ₹ 6,00,000 to Mrs. Ram to start a business by introducing such amount as her capital. On 1<sup>st</sup> April, 2024, her total investments in business was ₹ 10,00,000 which includes ₹ 6,00,000 gifted by Mr. Ram. During the previous year 2024-25, she has loss from such business ₹ 1,30,000.
  - (vi) Mr. Ram deposited ₹ 70,000 in Sukanya Samridhi account on 23.01.2025. He also contributed ₹ 40,000 in an approved annuity plan of LIC to claim deduction u/s 80CCC.
  - (vii) He has taken an educational loan from SBI for his major son who is pursuing MBA course from Gujarat University. He has paid ₹ 15,000 as interest on such loan.

Determine the total income of Mr. Ram for the assessment year 2025-26. Ignore provisions under section 115BAC. **(6 Marks)**

4. (a) 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 assesseees:
- (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

(4 Marks)

OR

- (a) Mr. Aman has furnished the following particulars relating to payments made and expenditure incurred towards scientific research for the year ended 31.3.2025:

Sl. No.	Particulars	₹ (in lakhs)
(i)	Payment made to AB University, an approved University	15
(ii)	Payment made to Siya College	17
(iii)	Payment made to IIT, Bangalore (under an approved programme for scientific research)	12
(iv)	Machinery purchased for in-house scientific research	25

Compute the deduction available under section 35 of the Income-tax Act, 1961 for A.Y. 2025-26, while computing his income under the head "Profits and gains of business or profession" under default tax regime under section 115BAC.

(4 Marks)

- (b) Mr. Sailesh is a Marketing Manager in Smile Ltd. From the following information, you are required to compute his income chargeable under the head Salary for assessment year 2025-26. He has opted out of the section 115BAC.
- Basic salary is ₹ 70,000 per month.
  - Dearness allowance @ 40% of basic salary
  - He is provided health insurance scheme approved by IRDA for which ₹ 20,000 incurred by Smile Ltd.
  - Received ₹ 10,000 as gift voucher on the occasion of his marriage anniversary from Smile Ltd.

- (v) Smile Ltd. allotted 800 sweat equity shares in August 2024. The shares were allotted at ₹ 450 per share and the fair market value on the date of exercising the option by Mr. Sailesh was ₹ 700 per share.
- (vi) He was provided with furniture during September 2020. The furniture is used at his residence for personal purpose. The actual cost of the furniture was ₹ 1,10,000. On 31<sup>st</sup> March, 2025, the company offered the furniture to him at free of cost. No amount was recovered from him towards the furniture till date.
- (vii) Received ₹ 10,000 towards entertainment allowance.
- (viii) Housing Loan@ 4.5% p.a. provided by Smile Ltd., amount outstanding as on 01.04.2024 is ₹ 15 Lakhs. ₹ 50,000 is paid by Mr. Sailesh every quarter towards principal starting from June 2024. The lending rate of SBI for similar loan as on 01.04.2024 was 8%.
- (ix) Facility of laptop costing ₹ 50,000

**(6 Marks)**

**MODEL TEST PAPER 4**  
**INTERMEDIATE COURSE: GROUP - I**  
**PAPER – 3: TAXATION**

**Time Allowed – 3 Hours**

**Maximum Marks – 100**

**SECTION – A: INCOME TAX LAW (50 MARKS)**

*Working Notes should form part of the answer. Wherever necessary, suitable assumptions may be made by the candidates and disclosed by way of a note. However, in answers to Questions in Division A, working notes are not required.*

*The relevant assessment year is A.Y.2025-26.*

**Division A – Multiple Choice Questions**

**Write the most appropriate answer to each of the following multiple choice questions by choosing one of the four options given. All questions are compulsory.**

1. Mr. Sambhav (aged 48 years) furnishes the following particulars for the previous year 2024-25 in respect of an industrial undertaking established in "Special Economic Zone" in March 2018. It began manufacturing in April 2018.

Particulars	(₹)
Total sales	85,00,000
Export sales [proceeds received in India by 30.9.2025]	45,00,000
Domestic sales	40,00,000
Profit from the above undertaking	20,00,000

Export Sales of F.Y. of 2024-25 include freight and insurance of ₹ 5 lakhs for delivery of goods outside India.

He received rent of ₹ 30,000 per month for a commercial property let out to Mr. Akash, a salaried individual. He earned interest on savings bank A/c of ₹ 15,000 and interest on Post Office savings A/c of ₹ 7,000 during the P.Y. 2024-25.

Mr. Sambhav has shifted out of the default tax regime under section 115BAC.

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

- (i) Compute the amount of export turnover and total turnover for purpose of computing deduction under section 10AA for A.Y. 2025-26.
- (a) ₹ 45,00,000 and ₹ 85,00,000, respectively
- (b) ₹ 40,00,000 and ₹ 80,00,000, respectively
- (c) ₹ 45,00,000 and ₹ 80,00,000, respectively
- (d) ₹ 40,00,000 and ₹ 85,00,000, respectively



- (ii) Compute the amount of deduction available to Mr. Sambhav under section 10AA for A.Y. 2025-26.
- (a) ₹ 10,00,000  
 (b) ₹ 4,70,577  
 (c) ₹ 5,62,500  
 (d) ₹ 5,00,000
- (iii) Compute the total income of Mr. Sambhav for A.Y. 2025-26.
- (a) ₹ 17,60,500  
 (b) ₹ 12,60,500  
 (c) ₹ 18,72,000  
 (d) ₹ 17,64,000
- (3 x 2 = 6 Marks)**

2. Mr. Anshul, aged 54 years, an Indian citizen, is working as Assistant Manager in ABC India Ltd. He is getting basic salary of ₹ 58,000 per month. He used to travel frequently out of India for his office work. He left India from Delhi Airport on 5<sup>th</sup> October, 2024 and returned to India on 2<sup>nd</sup> April, 2025.

For previous year 2024-25, following information are relevant;

- (a) Dearness Allowance - 10% of Basic Pay (considered for retirement purposes)  
 (b) Bonus - ₹ 98,000  
 (c) Medical allowance paid during P.Y. 2024-25 amounting to ₹ 60,000  
 (d) He was also reimbursed medical bill of his mother amounting to ₹ 15,000.  
 (e) He was also reimbursed salary of house servant of ₹ 4,000 per month.  
 (f) Professional tax paid by employer amounting to ₹ 2,400.  
 (g) 400 equity shares allotted by ABC India Ltd. at the rate of ₹ 250 per share against fair market value of share of ₹ 350 on the date of exercise of option.  
 (h) Mr. Anshul has exercised the option to shift out of the default tax regime under section 115BAC.

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

- (i) What is Mr. Anshul's residential status for the A.Y. 2025-26?
- (a) Resident but can't determine resident and ordinarily resident or resident but not ordinarily resident from the given information  
 (b) Non-Resident  
 (c) Resident but not ordinarily resident  
 (d) Resident and ordinarily resident

- (ii) What are his taxable perquisites for A.Y. 2025-26?
- (a) ₹ 55,000
  - (b) ₹ 90,400
  - (c) ₹ 1,05,400
  - (d) ₹ 1,03,000
- (iii) What is the income chargeable under the head "Salaries" in the hands of Mr. Anshul for A.Y. 2025-26?
- (a) ₹ 9,76,600
  - (b) ₹ 9,86,600
  - (c) ₹ 9,71,600
  - (d) ₹ 9,61,600

**(3 x 2 = 6 Marks)**

3. Mr. Ross, an Australian citizen, is employed in the Indian embassy in Australia. He is a non-resident in India for A.Y. 2025-26. He received salary and allowances in Australia from the Government of India for the year ended 31.03.2025 for services rendered by him in Australia. In addition, he was allowed perquisites by the Government. Which of the following statements are correct?

- (a) Salary, allowances and perquisites received outside India are not taxable in the hands of Mr. Ross, since he is non-resident
- (b) Salary, allowances and perquisites received outside India by Mr. Ross are taxable in India since they are deemed to accrue or arise in India
- (c) Salary received by Mr. Ross is taxable in India but allowances and perquisites are exempt
- (d) Salary received by Mr. Ross is exempt in India but allowances and perquisites are taxable

**(2 Marks)**

4. Which of the following returns can be revised under section 139(5)?

- (i) A return of income filed u/s 139(1)
- (ii) A belated return of income filed u/s 139(4)
- (iii) A return of loss filed u/s 139(3)

Choose the correct answer:

- (a) Only (i)
- (b) Only (i) and (ii)
- (c) Only (i) and (iii)
- (d) (i), (ii) and (iii)

**(1 Mark)**

## Division B – Descriptive Questions

*Question No. 1 is compulsory.*

*Attempt any **two** questions from the remaining **three** questions.*

1. Ms. Farah, aged 40 years, is an advocate (Taxation). She keeps her books of accounts on accrual basis. Her profit & loss account for the year ended on March 31, 2025 is as follows:

### Profit & Loss Account for the year ending March 31, 2025

	Amount (₹)			Amount (₹)
Staff salary	40,10,000	Fees Earned from:		
Rent	9,00,000	Taxation services	50,00,000	
Administrative expenses	6,50,000	Appeals	16,00,000	
Incentives to office staff	2,00,000	Consultancy	15,00,000	81,00,000
Meetings, Seminars and conferences	1,70,000	Dividend from an Indian company (gross)		11,00,000
Purchase of car (for official use) on 01.07.2024	3,00,000	Interest on deposit certificates issued under gold monetization scheme, 2015		25,000
Repairs and Maintenance of car	35,000	Honorarium received for valuation of answer papers		50,000
Travelling Expenses	5,00,000	Rent received in respect of house property		90,000
Municipal tax paid in respect of house property	9,000			
Net profit	<u>25,91,000</u>			
	<b>93,65,000</b>			<b>93,65,000</b>

#### Other information:

- (i) Administrative expenses include ₹ 50,000 paid to a tax consultant in cash for assisting Ms. Farah in one of the professional assignments.
- (ii) The traveling expenses include expenditure incurred on foreign professional tour of ₹ 50,000 which was within the RBI norms.
- (iii) Ms. Farah paid medical insurance premium for her parents (senior citizens and not dependent on her) online amounting ₹ 47,000. She also paid ₹ 8,500 by cash towards preventive health check-up for herself and her spouse.
- (iv) Repairs and maintenance of car is for the period from 1-10-2024 to 30-09-2025.

- (v) She has paid ₹ 1,00,000 towards advance tax during the P.Y. 2024-25. Compute Total Income and Net tax payable as per the most beneficial taxation scheme for Ms. Farah for the A.Y. 2025-26. **(15 Marks)**
2. (a) Sagar, a Chartered Accountant, is presently working in a firm in India. He has received an offer for the post of Chief Financial Officer from a company at New York. As per the offer letter, he should join the company at any time between 1st September, 2024 and 31st October, 2024. He approaches you for your advice on the following issues to mitigate his tax liability in India:
- (i) Date by which he should leave India to join the company;
- (ii) Direct credit of part of his salary to his bank account in Delhi maintained jointly with his mother to meet requirement of his family. **(6 Marks)**
- (b) Briefly discuss the provisions of tax deduction/collection at source under the Income-tax Act, 1961 and determine the amount, if any, of TDS and TCS in respect of the following payments:
- (i) Mr. Deepak wishes to purchase a residential house costing ₹ 60 lakhs from Ms. Priya. The house is situated at Chennai and its stamp duty value is ₹ 65 lakhs. He also wants to purchase agricultural lands in a rural area for ₹ 65 lakhs. Both the buyer as well as the sellers are residents in India.
- (ii) ABC & Co., a partnership firm is having a car dealership showroom – 2. They have purchased cars for ₹ 2 crores from XYZ Ltd., car manufacturers, the cost of each car being more than ₹12 lakhs. They sell the cars to individual buyers at a price yielding 10% margin on cost. Turnover of ABC & Co. and XYZ Ltd. was less than ₹ 10 crores during the P.Y. 2023-24. **(4 Marks)**
3. (a) Mr. Kamal, a resident but not ordinarily resident in India during the Assessment Year 2025-26. He owns two houses, one in Dubai and the other in Mumbai. The house in Dubai is let out there at a rent of DHS 20,000 p.m. (1DHS=INR 22). The entire rent is received in India. He paid property tax of DHS 2,500 and Sewerage Tax DHS 1,500 there, for the Financial Year 2024-25. The house in Mumbai is self-occupied. He had taken a loan of ₹ 10,00,000 to construct the house on 1<sup>st</sup> June, 2021 @12%. The construction was completed on 31<sup>st</sup> May, 2023 and he occupied the house on 1<sup>st</sup> June, 2023. The entire loan is outstanding as on 31<sup>st</sup> March, 2025. Property tax paid in respect of the second house is ₹ 2,400 for the Financial Year 2024-25. Compute the income chargeable under the head "Income from House property" in the hands of Mr. Kamal for the Assessment Year 2025-26 under regular provisions of the Act. **(5 Marks)**
- (b) Mr. Ashish entered into an agreement with Mr. Dhaval to sell his residential house located at Navi Mumbai on 16.08.2024 for ₹ 80,00,000.

The sale proceeds was 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 of the property.

Mr. Dhaval 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 on 16.08.2024 was ₹ 90,00,000 whereas on 14.01.2025 it was ₹ 91,50,000.

Mr. Ashish had acquired the property on 01.04.2001 for ₹ 20,00,000. After recovering the sale proceeds from Dhaval, he purchased another residential house property in Kanpur for ₹ 15,00,000 during April, 2025.

Compute the income under the head "Capital Gains" for the Assessment Year 2025-26.

Cost Inflation Index for Financial Year(s)

2001-02 - 100

2024-25 - 363

**(5 Marks)**

4. (a) Mr. Mohit submits the following information for the previous year 2024-25:

		(Amount in ₹)
(i)	Income from salary	6,50,000
(ii)	Income from House-I	55,000
(iii)	Loss from House-II (self-occupied property)	1,25,000
(iv)	Loss from House-III	190,000
(v)	Loss from leather business	68,000
(vi)	Profit from cloth business	1,70,000
(vii)	Short term capital loss in equity-oriented funds on which STT was paid	35,000
(viii)	Income from crossword puzzles	12,000
(ix)	Dividend from foreign company (Gross)	8,500
(x)	Loss on owning and maintenance of race horses	7,500
(xi)	Income from owning and maintenance of race bulls	9,000

Compute the gross total income and losses to be carried forward of Mr. Mohit for assessment year 2025-26 under regular provisions of the Act. Mr. Mohit has filed his return of income on 25.07.2025. **(6 Marks)**

- (b) What are the consequences of failure to intimate Aadhar Number. Is there any fee for such default? **(4 Marks)**

**OR**

- (b) (i) What is the fee for default in furnishing return of income u/s 234F?
- (ii) To whom the provisions of section 139AA relating to quoting of Aadhar Number do not apply? **(4 Marks)**

**MODEL TEST PAPER 5**  
**INTERMEDIATE COURSE: GROUP - I**  
**PAPER – 3: TAXATION**

**Time Allowed – 3 Hours**

**Maximum Marks – 100**

**SECTION – A: INCOME TAX LAW (50 MARKS)**

*Working Notes should form part of the answer. Wherever necessary, suitable assumptions may be made by the candidates and disclosed by way of a note. However, in answers to Questions in Division A, working notes are not required.*

*The relevant assessment year is A.Y.2025-26.*

**Division A – Multiple Choice Questions**

**Write the most appropriate answer to each of the following multiple choice questions by choosing one of the four options given. All questions are compulsory.**

1. Mr. Raja, an Indian citizen, aged 61 years, has set-up his business in Canada and is residing in Canada since 2009. He owns a house property in Canada, half of which is used by him for his residence and half is given on rent (converted into INR is ₹ 12,00,000 p.a.).

He purchased a flat in Delhi on 13.10.2019. He has taken a loan from Canara Bank in India of ₹ 34,00,000 for purchase of this flat. The interest on such loan for the F.Y. 2024-25 was ₹ 3,14,000 and principal repayment was ₹ 80,000. Mr. Raja has given this flat on monthly rent of ₹ 32,500 since April, 2024. The annual property tax of Delhi flat is ₹ 40,000 which is paid by Mr. Raja, whenever he comes to India to meet his parents. Mr. Raja visited India for 124 days during the previous year 2024-25. Before that he visited India in total for 366 days during the period 1.4.2020 to 31.3.2024.

He had a house in Ranchi which was sold in May 2021. In respect of this house, he received arrears of rent of ₹ 2,96,000 in February 2025 (not taxed earlier).

Mr. Raja has sold 10,000 listed shares @ ₹ 480 per share of A Ltd., an Indian company, on 15.9.2024, which he acquired 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.

On 31-01-2018, the shares of A 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

Mr. Raja wants to pay tax under default tax regime under section 115BAC.

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

- (i) What would be the residential status of Mr. Raja for the A.Y. 2025-26?
- (a) Resident and ordinarily resident in India
  - (b) Resident but not ordinarily resident in India
  - (c) Non-resident
  - (d) Deemed resident
- (ii) What would be amount of income taxable under the head "Income from house property" in the hands of Mr. Raja for the A.Y. 2025-26?
- (a) ₹ 2,52,200
  - (b) ₹ 1,38,200
  - (c) ₹ 9,78,200
  - (d) ₹ 10,92,200
- (iii) What amount of capital gain would arise in the hands of Mr. Raja on transfer of shares of A Ltd?
- (a) ₹ 18,00,000
  - (b) ₹ 19,00,000
  - (c) ₹ 20,00,000
  - (d) ₹ 38,00,000
- (3 x 2 = 6 Marks)**

2. Mr. Anay (aged 52 years), is a CEO of XYZ Enterprise Limited. During the previous year 2024-25, he earned salary of ₹ 1,65,00,000 and long-term capital gain on sale of listed equity shares (STT paid) amounting to ₹ 1,06,500. He earned interest of ₹ 4,82,778 on saving bank account.

Further, he has provided the following other information for filing his return of income:

He does not receive house rent allowance from his employer. Mr. Anay took a loan from State Bank of India on 27<sup>th</sup> October 2021 for repairing his house (self-occupied) at Delhi and paid interest on such borrowings of ₹ 80,000 and ₹ 1,50,000 towards principal amount during the previous year 2024-25.

Mr. Anay has made the following payments towards medical insurance premium for health policies taken for his family members:

Medical premium for his brother: ₹ 13,500 (by cheque)

Medical premium for his parents: ₹ 17,670 (by cheque)

Medical premium for self and his wife: ₹ 21,000 (by cheque).

He also incurred ₹ 6,400 towards preventive health check-up of his wife in cash. He deposited ₹ 1,00,000 towards PPF. He also deposited ₹ 50,000 and ₹ 2,50,000 towards Tier I and Tier II NPS A/c, respectively.



He has paid ₹ 5,30,000 as advance tax. His employer has deducted tax at source of ₹ 51,89,000. He is of the opinion that the balance amount of tax, if any, he will pay on 27<sup>th</sup> July 2025.

Mr. Anay shift out of the default tax regime under section 115BAC.

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

- (i) What would be the amount of deduction available to Mr. Anay under Chapter VI-A for the assessment year 2025-26?
- (a) ₹ 2,04,070  
(b) ₹ 2,42,670  
(c) ₹ 2,52,670  
(d) ₹ 2,02,670
- (ii) Assume that, for the purpose of answering this question alone, that Mr. Anay pays rent of ₹ 65,000 per month for his rented house at Mumbai to Mr. C, a resident individual. Is Mr. Anay liable to deduct TDS on such rent? If so, what would be the rate and amount of TDS?
- (a) Yes, Mr. Anay is liable to deduct TDS @ 3.75% amounting to ₹ 2,438 every month i.e., at the time of payment of such rent  
(b) Yes, Mr. Anay is liable to deduct TDS @2% amounting to ₹ 15,600 in the month of March 2025  
(c) Yes, Mr. Anay is liable to deduct TDS @5% amounting to ₹ 39,000 in the month of March 2025  
(d) No, Mr. Anay is not liable to deduct TDS, since he is a salaried person
- (iii) What would be the amount of interest chargeable under section 234B on account of short payment of advance tax?
- (a) ₹ 1,980  
(b) Nil  
(c) ₹ 3,130  
(d) ₹ 2,410
- (3 x 2 = 6 Marks)**

3. On 20.10.2024, Piya (minor child) gets a gift of ₹ 20,00,000 from her father's friend. On the same day, the amount is deposited as fixed deposit in Piya's bank account. On the said deposit, interest of ₹ 13,000 was earned during the P.Y. 2024-25. In whose hands the income of Piya shall be taxable? Also, compute the amount of income that shall be taxable if both parents pay tax under default tax regime.

- (a) Income of ₹ 20,11,500 shall be taxable in the hands of Piya's father.  
(b) Income of ₹ 20,13,000 shall be taxable in the hands of Piya's father.  
(c) Income of ₹ 20,11,500 shall be taxable in the hands of Piya's father or mother, whose income before this clubbing is higher.

- (d) Income of ₹ 20,13,000 shall be taxable in the hands of Piya's father or mother, whose income before this clubbing is higher. **(2 Marks)**
4. Rohit, a resident Indian, has incurred ₹ 15,000 for medical treatment of his dependent brother, who is a person with severe disability and has deposited ₹ 20,000 with LIC for his maintenance. Rohit shifts out of the default tax regime for A.Y. 2025-26. Rohit would be eligible for deduction under section 80DD of an amount equal to –
- (a) ₹ 15,000  
(b) ₹ 35,000  
(c) ₹ 75,000  
(d) ₹ 1,25,000 **(1 Mark)**

### Division B – Descriptive Questions

*Question No. 1 is compulsory.*

*Attempt any **two** questions from the remaining **three** questions.*

1. Mr. Amit, aged 45 years, a resident Indian has provided you the following information for the previous year ended 31.03.2025
- (i) He received royalty of ₹ 2,88,000 from abroad for a book authored by him in the nature of artistic. The rate of royalty as 18% of value of books and expenditure made for earning this royalty was ₹ 40,000. The amount remitted to India till 30th September, 2025 is ₹ 2,30,000.
- (ii) He owns an industrial undertaking established in a SEZ and which had commenced operation during the financial year 2021-22. Total turnover of the undertaking was ₹ 200 lakhs, which includes ₹140 lakhs from export turnover which have been received in India in convertible foreign exchange on or before 30.9.2025. Profit from this industry is ₹ 20 lakhs.
- (iii) He was holding 30% equity shares in TSP (P) Ltd., an Indian company. Company allotted shares to shareholders on 1st October, 2020. The paid up share capital of company is ₹ 20 lakh divided into 2 lakh shares of ₹ 10 each which were issued at a premium of ₹ 30 each.
- He sold all these shares on 30th April, 2024 for ₹ 60 per share. Equity shares of TSP (P) Ltd. are listed on National Stock Exchange and Mr. Amit has paid STT both at the time of acquisition and transfer of such shares. FMV on 31.1.2018 was ₹ 50 per share.
- (iv) Received ₹ 30,000 as savings bank deposits.
- (v) He occupies ground floor of his residential building and has let out first floor for residential use at an annual rent of ₹ 2,28,000. He has paid municipal taxes of ₹ 60,000 for the current financial year. Both floor are of equal size.

- (vi) He paid insurance premium of ₹ 39,000 on life insurance policy of son, who is not dependent on him and ₹ 48,000 on life insurance policy of his dependent father.
- (vii) He paid tuition fees of ₹ 42,000 for his three children to a school. The fees being ₹ 14,000 p.a. per child.

You are required to compute the total income and tax liability of Mr. Amit under normal provisions for the A.Y. 2025-26. **(15 Marks)**

2. (a) Mrs. Riya, aged 62 years, was born and brought up in New Delhi. She got married in Russia in 1996 and settled there since then. Since her marriage, she visits India for 60 days each year during her summer break. The following are the details of her income for the previous year ended 31.03.2025:

S. No.	Particulars	Amount (in ₹)
1.	Pension received from Russian Government	65,000
2.	Long-term capital gain on sale of land at New Delhi (computed)	3,00,000
3.	Short-term capital gain on sale of shares of Indian listed companies in respect of which STT was paid both at the time of acquisition as well as at the time of sale (computed)	60,000
4.	Premium paid for self to Russian Life Insurance Corporation at Russia	75,000
5.	Rent received (equivalent to Annual Value) in respect of house property in New Delhi	90,000

You are required to ascertain the residential status of Mrs. Riya and compute her total income in India for Assessment Year 2025-26 under default tax regime. **(6 Marks)**

- (b) Mr. Sameer, aged 52 years, provides you the following information and requests you to determine his advance tax liability with due dates for the financial year 2024-25.

Estimated tax liability for the financial year 2024-25	₹ 80,000
Tax deducted at source for this year	₹ 12,000

**(4 Marks)**

3. (a) Mr. Piyush runs a sole proprietorship firm and owns four machines which was put in use for business in March, 2023. The depreciation on these machines is charged @ 15%. The written down value of these machines as on 1<sup>st</sup> April, 2024 was ₹ 7,70,000. Two of the old machines were sold on 15th July, 2024 for ₹ 10,00,000. A second hand plant was bought for ₹ 6,10,000 on 30th December, 2024.

Further, Mr. Piyush has furnished the following particulars relating to payments made and expenditure incurred towards scientific research for the year ended 31.3.2025:

Sl. No.	Particulars	₹ (in lakhs)
(i)	Payment made to UV University, an approved University	15
(ii)	Payment made to Satywati College	17

Compute the following for Assessment Year 2025-26

- (i) Claim of depreciation  
(ii) Capital gains liable to tax  
(iii) Deduction available under section 35 if he has shifted out of the default tax regime **(6 Marks)**
- (b) 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) in 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 10-2-2025 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 NHAI bond: ₹ 45 lakhs on 29-5-2025 and ₹ 15 lakhs on 12-7-2025.

Compute the Capital Gain chargeable to tax for A.Y. 2025-26.

Cost Inflation Index:	F.Y. 2004-05	113	
	F.Y. 2006-07	122	
	F.Y. 2024-25	363	<b>(4 Marks)</b>

4. (a) Vijay Prasad, a non resident aged 50 years furnishes the following information of the income from India for the year ended on 31-03-2025:

Income by way of salary (computed)	2,75,000
Short term capital loss	(1,85,000)
Business income - Retail business	1,20,000
Business income - whole sale business	(1,00,000)
Brought forward business loss (A.Y. 2022-23)	(1,35,000)
Long term capital gain from sale of building in April 2024	2,00,000
Lottery winnings (gross)	45,000

Contribution to provident fund and NSC 1,50,000

Income of minor daughter Manisha from special talent 2,00,000

Compute his income tax liability assuming that he opts out of the default tax regime under section 115BAC. **(6 Marks)**

- (b) Mr. Kailash, a resident and ordinarily resident in India, could not file his return of Income for the assessment year 2025-26 before due date prescribed under section 139(1). Advise Mr. Kailash as a tax consultant.

What are the consequences for non-filing of return of Income within the due date under section 139(1)?

OR

- (b) Mr. Naksh has undertaken certain transactions during the F.Y.2024-25, which are listed below. You are required to identify the transactions in respect of which quoting of PAN is mandatory in the related documents—

S. No.	Transaction
1.	Payment of life insurance premium of ₹ 40,000 in the F.Y.2024-25 by account payee cheque to LIC for insuring life of self and spouse
2.	Payment of ₹ 1,10,000 to RBI for acquiring its bonds
3.	Applied for issue of credit card to SBI
4.	Payment of ₹ 1,00,000 by account payee cheque to travel agent for travel to Singapore for 3 days to visit

**(4 Marks)**

**MODEL TEST PAPER 6**  
**INTERMEDIATE COURSE: GROUP-I**  
**PAPER – 3: TAXATION**

**Time Allowed – 3 Hours**

**Maximum Marks – 100**

**SECTION – A: INCOME TAX LAW (50 MARKS)**

*Working Notes should form part of the answer. Wherever necessary, suitable assumptions may be made by the candidates and disclosed by way of a note. However, in answers to Questions in Division A, working notes are not required.*

*The relevant assessment year is A.Y.2025-26.*

**Division A – Multiple Choice Questions**

**Write the most appropriate answer to each of the following multiple choice questions by choosing one of the four options given. All questions are compulsory.**

1. Mr. Ashish born on 1.4.1964 furnished his return of income for Assessment Year 2025-26 on 10.07.2025. He has paid tax under default tax regime. He had shown the following income in his original return of income -
- Salary of ₹ 10.50 lakhs from PQR (P) Ltd (Computed)
  - Interest from savings bank account of ₹ 15,700
  - Interest from fixed deposits with SBI of ₹ 50,000.

During the P.Y. 2024-25, he paid interest on loan of ₹ 2,50,000 for purchase of self-occupied property. He contributed ₹ 1,50,000 towards the PPF. He paid health insurance premium of ₹ 40,000 by account payee cheque for self and wife. He paid ₹ 2,200 in cash for his health check-up and ₹ 4,000 by cheque for preventive health check-up of his parents. He also paid medical insurance premium of ₹ 29,000 during the year to insure the health of his mother, aged 80 years. He further incurred medical expenditure of ₹ 18,000 on his father, aged 81 years, who is staying with him. His father is not covered under any mediclaim policy.

He met one of his friends, CA. Ashwin on 01.02.2026. While discussing with his friend, his friend told him that the default tax regime under section 115BAC is not beneficial to him. He advised him to revise his return of income and shift out of the default tax regime. However, Mr. Ashish's son, who is employed in the accounts department of TQM (P) Ltd., is of the view that once tax is paid under section 115BAC in original return, it cannot be changed in revised return.

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

- (i) What is the total deduction under Chapter VI-A allowable to Mr. Ashish if he shifts out of the default tax regime under section 115BAC?
- (a) ₹ 2,34,800
  - (b) ₹ 2,35,000

- (c) ₹ 2,92,000  
 (d) ₹ 2,92,200
- (ii) What is total income of Mr. Ashish under normal provisions of the Act for A.Y. 2025-26?
- (a) ₹ 5,73,700  
 (b) ₹ 6,23,700  
 (c) ₹ 6,48,700  
 (d) ₹ 6,30,700
- (iii) Can Mr. Ashish file his revise return of income for A.Y. 2025-26 and declare income under the regular provisions of the Act?
- (a) Yes, Mr. Ashish can revise his return of income and declare income under the regular provisions of the Act  
 (b) No, though he can file a revised return of income, option to shift out from section 115BAC once not opted in original return of income cannot be opted in revised return of income if he is filing revised return after due date.  
 (c) No, Mr. Ashish cannot revise his return of income for A.Y. 2025-26  
 (d) No, he cannot do so since he is a salaried employee. He would have made a declaration to pay tax under section 115BAC to his employer, which cannot be changed subsequently at the time of filing of return of income **(3 x 2 = 6 Marks)**

2. Mr. Rajiv, an Indian resident, purchased a residential house property at Gwalior on 28.05.1999 for ₹ 28.5 lakhs. The fair market value and the stamp duty value of such house property as on 1.4.2001 was ₹ 33.5 lakhs and ₹ 32.4 lakhs, respectively. On 25.03.2014, Mr. Rajiv entered into an agreement with Mr. Virat for sale of such property for ₹ 74 lakhs and received an amount of ₹ 3.9 lakhs as advance. However, as Mr. Virat did not pay the balance amount, Mr. Rajiv forfeited the advance.

On 15.04.2024, Mr. Rajiv sold the house property to Mr. Suraj for ₹ 2.10 crores, when the stamp duty value of the property was ₹ 2.33 crores.

Cost inflation index –

P.Y. 2024-25: 363; P.Y. 2013-14: 220; P.Y. 2001-02: 100

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

- (i) What shall be the indexed cost of acquisition of residential house property at Gwalior for computation of capital gains in the hands of Mr. Rajiv?
- (a) ₹ 1,17,61,200  
 (b) ₹ 1,03,45,500  
 (c) ₹ 1,07,44,800

- (d) ₹ 1,05,27,200
- (ii) The amount of capital gains for A.Y. 2025-26 in the hands of Mr. Rajiv for sale of residential house property at Gwalior is -
- (a) ₹ 1,13,38,800
- (b) ₹ 1,15,38,800
- (c) ₹ 1,29,54,500
- (d) ₹ 1,25,55,200
- (iii) The amount required to be deducted as TDS by Mr. Suraj under section 194-IA, is -
- (a) ₹ 2,33,000
- (b) Nil
- (c) ₹ 2,10,000
- (d) ₹ 23,000 **(3 x 2 = 6 Marks)**

3. Mr. Sushil is a person of Indian origin, residing in Canada. During P.Y. 2024-25, he visited India on several occasions and his period of stay, in total, amounted to 129 days during P.Y. 2024-25 and his period of stay in India during P.Y. 2023-24, P.Y. 2022-23, P.Y.2021-22, P.Y. 2020-21 was 135 days, 115 days, 95 days and 125 days, respectively. He earned the following incomes during the P.Y. 2024-25:

Source of Income	Amount (₹)
Income received or deemed to be received in India	2,50,000
Income accruing or arising or which is deemed to accrue or arise in India	3,75,000
Income accruing or arising and received outside India from business controlled from India	5,50,000
Income accruing or arising and received outside India from business controlled outside India	6,50,000

What is the residential status of Mr. Sushil for A.Y. 2025-26 and his income liable to tax in India during A.Y. 2025-26?

- (a) Non-Resident; ₹ 6,25,000 is liable to tax in India
- (b) Resident and ordinary resident; ₹ 18,25,000 is liable to tax in India
- (c) Resident but not ordinarily resident; ₹ 11,75,000 is liable to tax in India
- (d) Non-Resident; ₹ 11,75,000 is liable to tax in India **(2 Marks)**
4. Mr. Arora made the following cash withdrawals during the P.Y.2024-25 -

Date	Amount	From
1.6.2024	₹ 70 lakhs	Canara Bank
1.8.2024	₹ 50 lakhs	Canara Bank
1.10.2024	₹ 60 lakhs	Repco Bank (Co-operative Bank)



1.11.2024	₹ 10 lakhs	SBI
1.12.2024	₹ 10 lakhs	Repco Bank (Co-operative Bank)
20.1.2025	₹ 20 lakhs	Repco Bank (Co-operative Bank)
1.2.2025	₹ 15 lakhs	Repco Bank (Co-operative Bank)
10.2.2025	₹ 75 lakhs	SBI
1.3.2025	₹ 15 lakhs	SBI

Which of the above banks are required to deduct tax at source on cash withdrawals made by Mr. Arora in the P.Y.2024-25 if he regularly files his return of income?

- (a) Canara Bank  
(b) SBI & Repco  
(c) Repco & Canara Bank  
(d) Repco

(1 Mark)

### Division B – Descriptive Questions

*Question No. 1 is compulsory*

*Attempt any **two** questions from the remaining **three** questions*

1. Mr. Ashok, aged 61 years, a resident individual, engaged in a wholesale business of stationary products provides you the following information for the year ended 31.3.2025. He is also a partner in UVW & Co., a partnership firm.

Sl. No.	Particulars	₹	₹
(i)	Interest on capital received from UVW & Co., at 14% [in accordance with the partnership deed]		1,40,000
(ii)	Share of profit from the firm		44,000
(iii)	Salary as working partner (fully allowed in the hands of the firm)		1,00,000
(iv)	Interest from bank on fixed deposit (Net of TDS)		49,500
(v)	Interest on saving bank account		13,300
(vi)	Income-tax refund received relating to assessment year 2024-25 including interest of ₹ 1,400		34,500
(vii)	Net profit from wholesale business		6,60,000
	Amounts debited include the following:		
	- Depreciation as per books	34,000	
	- Motor car expenses	40,000	
	- Municipal taxes for the shop	7,000	

	(For two half years; payment for one half year made on 12.7.2024 and for the other on 31.12.2025)		
	- Salary to manager by way of a single cash payment	22,000	
(viii)	The WDV of the assets (as on 1.4.2024) used in above wholesale business is as under:		
	- Computers	2,40,000	
	- Computer printer	1,50,000	
(ix)	Motor car acquired on 31.12.2024 (20% used for personal use)	6,80,000	
(x)	He owned a house property in Mumbai which was sold in January, 2021. He received arrears of rent in respect of the said property in October, 2024.		1,35,000
(x)	LIP paid for independent son	60,000	
(xi)	PPF of his wife	70,000	
(xii)	Health insurance premium paid by way of A/c payee cheque for self	35,000	
(xiii)	Contribution toward Prime Minister National Relief Fund	50,000	

You are required to compute the total income and tax liability of Mr. Ashok for the A.Y. 2025-26 assuming he opts out from the provisions of section 115BAC. **(15 Marks)**

2. (a) Mr. Sudesh (aged 58 years), a citizen of India, serving in the Ministry of Finance in India, was transferred to Indian Embassy in UK on 15<sup>th</sup> March 2024. His income during the financial year 2024-25 is given hereunder:

Particulars	₹
Rent from a house situated at UK, received in UK. Thereafter, remitted to Indian bank account.	5,25,000
Salary from Government of India	9,25,000
Foreign Allowances from Government of India	8,00,000

Mr. Sudesh did not come to India during the financial year 2024-25. Compute his total income for the Assessment year 2025-26. **(3 Marks)**

- (b) Mr. Sumit has submitted his income-tax return containing certain losses/deductions in respect of the P.Y. 2024-25 on 22.10.2025. The due date for filing the return for Mr. Sumit was 31<sup>st</sup> July, 2025 under section 139(1). You are required to examine with reference to the relevant provisions of Income-tax Act, 1961 whether the following losses/deductions can be carried forward/claimed in subsequent years by Mr. Sumit if he pays tax under default tax provisions of the Act.

- (i) Loss from the business carried on by him as a proprietor: ₹ 10,80,000 (computed)
- (ii) Unabsorbed Depreciation: ₹ 2,00,000 (computed)
- (iii) Loss from let out house property: ₹ 2,50,000 (computed)

**(3 Marks)**

(c) Briefly discuss the provisions of tax deducted at source under the Income-tax Act, 1961 in respect of the following payments:

- (i) Mr. Shamsher (a resident individual aged 65 years) has maintained two fixed deposits in two different branches of HFC Bank of India (working on core banking solution). During the year 2024-25, the bank paid ₹ 32,000 and ₹ 17,000 as interest on these fixed deposits.
- (ii) Mr. Chetan, a pensioner, pays ₹ 55,00,000 in November 2024 to Mr. Gopi, for contract payment for reconstruction of his residential house.

**(4 Marks)**

3. (a) Mr. Yogesh constructed a house in P.Y. 2017-18 with 3 independent units. During the P.Y. 2024-25, Unit - 1 (50% of floor area) is let out for residential purpose at monthly rent of ₹ 20,000. Rent of January, 2025 could not be collected from the tenant and a notice to vacate the unit was given to the tenant. No other property of Mr. Yogesh is occupied by the tenant. Unit - 1 remains vacant for February and March 2025 when it is not put to any use. Unit - 2 (25% of the floor area) is used by Mr. Yogesh for the purpose of his business, while Unit - 3 (the remaining 25%) is utilized for the purpose of his residence. Other particulars of the house are as follows:

Municipal valuation - ₹ 2,88,000

Fair rent - ₹ 2,98,000

Standard rent under the Rent Control Act - ₹ 2,78,000

Municipal taxes - ₹ 30,000 paid by Mr. Yogesh

Repairs - ₹ 7,000

Interest on capital borrowed for the construction of the property - ₹ 90,000,

Ground rent - ₹ 6,000 and

Fire insurance premium paid - ₹ 60,000.

Income of Yogesh from the business is ₹ 2,40,000 (without debiting house rent and other incidental expenditure).

Determine the taxable income of Mr. Yogesh for the assessment year 2025-26 if he pays tax under section 115BAC. **(5 Marks)**

- (b) 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. **(5 Marks)**

4. (a) Mr. Mohan, aged 30 years, submits the information of following transaction/income during the P.Y. 2024-25

(i) Mr. Mohan had a house in Delhi. During financial year 2020-21, he had transferred the said house to Ms. Veena, daughter of his brother without any consideration. House would go back to Mr. Mohan after the life time of Ms. Veena. The transfer was made with a condition that 15% of rental income from such house shall be paid to Mrs. Mohan. Rent received by Ms. Veena during the previous year 2024-25 from such house property is ₹ 6,50,000.

(iii) Mr. and Mrs. Mohan forms a partnership firm with equal share in profits. Mr. Mohan transferred a fixed deposit of ₹ 50 lakhs to such firm. Firm had no income or expense other than the interest of ₹ 6,00,000 received from such fixed deposit. Firm distributed the entire surplus to Mr. and Mrs. Mohan at the end of the year.

(iv) Mr. Mohan holds preference shares in M/s X Pvt. Ltd. He instructed the company to pay dividends to Ms. Roshni, daughter of his servant. The transfer is irrevocable for the life time of Roshni. Dividend received by Ms. Roshni during the previous year 2024-25 is ₹ 10,00,000.

(v) Mr. Mohan has a short term capital loss of ₹ 16,000 from sale of property and long term capital gain of ₹ 15,000 from sale of property.

(vi) Other income of Mr. Mohan includes

- Interest from saving bank account of ₹ 2,00,000
- Cash gift of ₹ 75,000 received from daughter of his sister on his birthday.
- Income from betting of ₹ 34,000
- Income from card games of ₹ 46,000
- Loss on maintenance of race horses of ₹ 14,600

Compute the total income of Mr. Mohan for the Assessment Year 2025-26 and the losses to be carried forward if he pays tax under default tax regime. **(7 Marks)**

(b) Mr. Prince, a senior citizen, has reported a Total Income ₹ 1,90,000. He has claimed exemption of ₹ 50,000 under section 54EC in respect of long term capital gain on sale of house property and deductions under Chapter VI-A amounting to ₹ 1,50,000 for the previous year

2024-25. Is he liable to file his return of income under section 139(1) for the Assessment year 2025-26? If so why? **(3 Marks)**

**OR**

(b) Examine with reasons, whether the following statements are true or false, with regard to the provisions of the Income-tax Act, 1961:

- (i) The Assessing Officer has the power, *inter alia*, to allot PAN to any person by whom no tax is payable.
- (ii) Where the Karta of a HUF is absent from India, the return of income can be verified by any male member of the family.

**(3 Marks)**

**MODEL TEST PAPER 7**  
**INTERMEDIATE COURSE: GROUP-I**  
**PAPER – 3: TAXATION**

**Time Allowed – 3 Hours**

**Maximum Marks – 100**

**SECTION – A: INCOME TAX LAW (50 MARKS)**

*Working Notes should form part of the answer. Wherever necessary, suitable assumptions may be made by the candidates and disclosed by way of a note.*

*However, in answers to Questions in Division A, working notes are not required.*

*The relevant assessment year is A.Y.2025-26.*

**Division A – Multiple Choice Questions**

***Write the most appropriate answer to each of the following multiple choice questions by choosing one of the four options given. All questions are compulsory.***

1. Mr. Amit, an Indian citizen, aged 61 years, has set-up his business in France and is residing in France since 2010. He owns a house property in France, half of which is used by him for his residence and half is given on rent (converted into INR is ₹ 12,00,000 p.a.).

Mr. Amit visited India for 65 days during the previous year 2024-25. Before that he visited India in total for 366 days during the period 1.4.2020 to 31.3.2024.

He derived some other incomes during the F.Y. 2024-25 which are as follows:

- (i) Profit from business in France ₹ 2,75,000
- (ii) Interest on bonds of a Co. in France ₹ 6,20,000 out of which 50% was received in India.
- (iii) Income from Apple Orchid in Nepal given on contract and the yearly contract fee of ₹ 5,00,000 for F.Y. 2024-25, was received by Amit in Nepal.

Mr. Amit has sold 10,000 listed shares @ ₹ 480 per share of ABC Ltd., an Indian company, on 15.9.2024, which he acquired on 05-04-2021 @ ₹ 100 per share. STT was paid both at the time of acquisition as well as at the time of transfer of such shares.

On 31-01-2018, the shares of ABC 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

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

- (i) What would be the residential status of Mr. Amit for the A.Y. 2025-26?
- (a) Resident and ordinarily resident in India
  - (b) Resident but not ordinarily resident in India
  - (c) Non-resident
  - (d) Deemed resident
- (ii) What amount of capital gain would arise in the hands of Mr. Amit on transfer of shares of ABC Ltd?
- (a) ₹ 18,00,000
  - (b) ₹ 19,00,000
  - (c) ₹ 20,00,000
  - (d) ₹ 38,00,000
- (iii) What would be the total income of Mr. Amit for the A.Y. 2025-26?
- (a) ₹ 41,10,000
  - (b) ₹ 38,00,000
  - (c) ₹ 21,10,000
  - (d) ₹ 49,50,000
- (3 x 2 = 6 Marks)**

2. Miss Himani transferred to his husband, Mr. Hemant, a residential property worth ₹ 45 lakhs located in Nagpur without any consideration. The expected rent of such property is ₹ 5 lakhs. Municipal tax of ₹ 5,000 paid by Miss Himani for this property during the previous year 2024-25. Miss Himani has three residential properties in Mumbai. The expected rent from the 3 properties situated in Mumbai is ₹ 10 lakhs, ₹ 11 lakhs and ₹ 12 lakhs respectively. She purchased the properties out of her own funds. Municipal taxes due are ₹ 15,000, ₹ 20,000 and ₹ 25,000. The same have, however, not been paid this year in respect of the three properties. The expected rent is lesser than the standard rent in case of all the aforementioned properties. Miss Himani does not have any income from any other source.

Miss Himani's father, aged 58 years had capital gains of ₹ 5 crores from sale of house property. He reinvested the proceeds from sale in another residential house of ₹ 4.98 crores and the remaining sale proceeds were deposited in his savings bank account. He has paid ₹ 1,50,000 towards LIC premium. He has no other source of income.

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

- (i) What is the amount of income liable to be taxed in the hands of Miss Himani under the head "Income from House Property" for A.Y.2025-26?
- (a) ₹ 7,00,000
  - (b) ₹ 10,46,500

- (c) ₹ 10,50,000  
 (d) ₹ 13,76,500
- (ii) What would be tax liability of Miss Himanil for the A.Y. 2025-26? Compute in a manner so that her tax liability is minimum.
- (a) ₹ 66,300  
 (b) ₹ 59,250  
 (c) ₹ 69,650  
 (d) ₹ 1,31,510
- (iii) Is Himani's father required to furnish his return of income in India for the A.Y.2025-26?
- (a) No, he is not required, since his income does not exceed basic exemption limit  
 (b) Yes, he is required to furnish return of income on or before 31<sup>st</sup> July, 2025  
 (c) Yes, he is required to furnish return of income on or before 30<sup>th</sup> September, 2025  
 (d) Yes, he is required to furnish return of income on or before 31<sup>st</sup> October, 2025

**(3 x 2 = 6 Marks)**

3. During the P.Y.2024-25, Mr. Ranjit has short-term capital gains of ₹ 95 lakhs taxable under section 111A, long-term capital gains of ₹ 110 lakhs taxable under section 112A and business income of ₹ 90 lakhs. Which of the following statements is correct if Mr. Ranjit is paying tax under default tax regime?
- (a) Surcharge @15% is leviable on income-tax computed on total income of ₹ 2.95 crore.  
 (b) Surcharge @25% is leviable on income-tax computed on total income of ₹ 2.95 crore, since total income exceeds ₹ 2 crore.  
 (c) Surcharge @15% is leviable in respect of income-tax computed on capital gains of ₹ 2.05 crore; in respect of business income, surcharge is leviable @25% on income-tax, since total income exceeds ₹ 2 crore.  
 (d) Surcharge @15% is leviable in respect of income-tax computed on capital gains of ₹ 2.05 crore; surcharge @10% is leviable on income-tax computed on business income, since the same exceeds ₹ 50 lakhs but is less than ₹ 1 crore.
- (2 Marks)**
4. Mr. Raj incurred short-term capital loss of ₹ 10,000 on sale of shares through the National Stock Exchange. Such loss -
- (a) can be set-off only against short-term capital gains  
 (b) can be set-off against both short-term capital gains and long-term capital gains.



- (c) can be set-off against any head of income.  
 (d) not allowed to be set-off.

(1 Mark)

**Division B – Descriptive Questions**

*Question No. 1 is compulsory*

*Attempt any **two** questions from the remaining **three** questions*

1. (a) Mr. Sahil, resident Indian aged 40 years, a Manufacturer at Chennai, gives the following Manufacturing, Trading and Profit & Loss Account for the year ended 31.03.2025.

**Manufacturing, Trading and Profit & Loss Account  
for the year ended 31.03.2025**

Particulars	₹	Particulars	₹
To Opening Stock	4,97,000	By Sales	3,04,50,000
To Purchase of Raw Materials	1,20,43,500	By Closing Stock	14,00,000
To Manufacturing Wages & Expenses	40,63,500		
To Gross Profit	1,52,46,000		
<b>Total</b>	<b>3,18,50,000</b>	<b>Total</b>	<b>3,18,50,000</b>
To Administrative Charges	20,30,000	By Gross Profit	1,52,46,000
To SGST Penalty Paid (It is not compensatory nature)	49,000	By Dividend From Domestic Companies	1,05,000
To GST Paid	7,70,000	By Winning from Lotteries (Net of TDS) (TDS 31,500)	73,500
To General Expenses	3,85,000	By Profit on Sale of Shares	3,15,000
To Miscellaneous Expenses	10,53,500		
To Loss on Sale of Shares	1,40,000		
To Interest to Bank for term loan	4,20,000		
To Depreciation	14,00,000		
To Net Profit	94,92,000		
<b>Total</b>	<b>1,57,39,500</b>	<b>Total</b>	<b>1,57,39,500</b>

Following are the further information relating to Financial Year 2024-2025:

- (i) Administrative Charges include ₹ 46,000 paid as commission to brother of the assessee. The Commission amount at the market rate in ₹ 36,000.
- (ii) The assessee paid ₹ 33,000 in cash to a Transport Carrier on 26.12.2024. This amount is included in Manufacturing Expenses. (Assume that the provisions relating to TDS are not applicable on this payment.)
- (iii) Bank Term Loan Interest actually paid upto 31.03.2025 was ₹ 1,40,000 and the balance was paid in October 2025.
- (iv) Miscellaneous Expenses include ₹ 10,000 contributed to Prime Minister's Relief Fund by account payee cheque.
- (v) Loss on Sale of Shares represents shares sold within a period of 6 months from the date of purchase.
- (vi) Profit on Sale of Shares represents shares sold in December 2024 and held for 2 years & Securities Transaction Tax was paid on it.
- (vii) Housing Loan Principal repaid during the year was ₹ 50,000 and it relates to residential property occupied by him. Interest on Housing Loan was ₹ 2,60,000. Housing Loan was taken from Canara Bank. (Value of house property is ₹ 45 lakhs, loan value ₹ 25 lakhs and sanction date 31.03.2020). These amounts were not dealt with in the Profit and Loss Account given above.
- (ix) Depreciation allowable under the Act to be computed on the basis of following information:

<b>Plant &amp; Machinery (Depreciation Rate @15%)</b>	<b>₹</b>
Opening WDV (as on 01.04.2024)	84,00,000
Additions During the year (Used for more than 180 Days)	14,00,000
Total Additions during the year	28,00,000
Note: Ignore Additional Depreciation u/s 32(1)(ia)	

Compute the total income and tax liability of Mr. Sahil for the A.Y. 2025-26 if he has exercised the option of shifting out of the default tax regime provided under section 115BAC(1A). **(15 Marks)**

2. (a) Mr. Tilak aged 35 years, furnishes the following information regarding his income for the assessment year 2025-26. Compute the total income if he is:
  - (1) Resident and Ordinarily Resident.
  - (2) Resident but Not Ordinarily Resident
 (Ignore the provisions of Section 115BAC).

- (i) FTS of ₹ 50,000 for service rendered in Malaysia to a non-resident for business in Malaysia, credited to his bank account in Malaysia and immediately remitted to his bank account in India.
  - (ii) Profits from a business in England controlled from Bombay ₹ 3,00,000 (out of which ₹ 25,000 is received in India).
  - (iii) Amount brought to India out of past untaxed profits earned in Singapore ₹ 1,00,000.
  - (iv) Capital gain on sale of land in India but received in Malaysia ₹ 2,00,000.
  - (v) Income from agriculture land at Nepal of ₹ 18,000, received there and then brought to India.
  - (vi) He paid ₹ 50,000 towards principal payment of loan taken for construction of his self-occupied house in India.
  - (vii) Interest on saving bank deposit in State Bank of India of ₹ 12,000. **(6 Marks)**
- (b) Examine the applicability of Tax Deduction at Sources (TDS) or Tax Collection at Source (TCS) as per the Income Act, 1961 for the assessment year 2025-26 in the following independent situations.
- (i) ABC Limited paid rent of ₹ 75,000+18% GST per month to Mr. Ram for the office premises from 01.04.2024 to 31.03.2025. Mr. Ram has furnished his PAN and also filed his return of income before due date regularly.
  - (ii) XYZ Pvt. Ltd sells two cars to Mrs. Anju costing ₹ 4,00,000 and ₹ 12,00,000 respectively on 01.05.2024 and 25.12 2024. Mrs. Anju has furnished her PAN and filed her return of income regularly before the due date. **(4 Marks)**
3. (a) (i) Mr. Ravi received an advance of ₹ 2,00,000 on 10.5.2024 from a closely held manufacturing company (private company in which the public are not substantially interested) in which he holds 22% shareholding. The company had an accumulated profit of ₹ 1,00,000 at the time of giving the advance. Compute the amount of income to be included in the hands of Mr. Ravi for the assessment year 2024-25 and also state the head under which it is to be included. **(2 Marks)**
- (ii) Mr. Rajo has commenced business on 1.4.2024. He finished the following information regarding the payments made towards Scientific Research during the financial year 2024-25:
- (i) Revenue expenditure on Scientific Research incurred during the year ₹ 1,00,000.
  - (ii) Capital Expenditure for Scientific Research ₹ 3,00,000.
  - (iii) Contribution to Notified approved research association ₹ 1,50,000.

- (iv) Amount paid to H Limited an Indian company which has as its main object scientific research and approved by the prescribed authority ₹ 2,50,000.
- (v) Expenditure of ₹ 2,50,000 towards purchase of Land for scientific research.
- (vi) He also incurred revenue expenditure of ₹ 2,00,000 towards salary of research staff in the F.Y.2023-24 and certified by the prescribed authority.

Compute the deduction allowable u/s 35 for the assessment year 2025-26 assuming that he has opted out of default tax regime u/s 115BAC. **(4 Marks)**

- (b) 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 ₹ 85 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) **(4 Marks)**

4. (a) Mr. Joshi, resident Indian, aged about 58 years, furnished the following details of his income for the previous year 2024-25:
- (i) Income from House property (computed) ₹ 2,00,000.
  - (ii) Income from Proprietary Business ₹ 3,00,000.
  - (iii) Short Term Capital Gain on sale of Land ₹ 2,00,000.
  - (iv) Short Term Capital loss on sale of equity shares listed in recognized stock exchange (STT paid) ₹ 75,000.
  - (v) Interest on Bank fixed deposit ₹ 50,000 received by his son, aged 21 years, out of money gifted by Mr. Joshi in 2023.
  - (vi) Loss from Speculation Business ₹ 40,000.
  - (vii) Loss from Owning and Maintenance of Race Horses ₹ 50,000.

Following are the losses:

- (a) Brought forward House property loss of assessment year 2022-23 ₹ 2,50,000.
- (b) Business loss of Proprietary business from assessment year 2014-15 ₹ 50,000.
- (c) Unabsorbed Depreciation relating to assessment year 2015-16 ₹ 1,00,000.

- (d) Brought forward Long Term Capital Loss from assessment year 2019-20 ₹ 90,000.

Return of income for all the years were filed before the due date except for A.Y. 2019-20.

Compute the total income of Mr. Joshi for the assessment year 2025-26 and show the items eligible for carry forward, assuming that he exercises the option of shifting out of the default tax regime provided under Section 115BAC(1A). **(6 Marks)**

- (b) State with reason whether the following persons are required to file their return of income as per the provisions of the Income Tax Act, 1961 for the assessment year 2025-26:
- (i) Mr. Aneesh aged 31 years, who pays tax under default tax regime u/s 115BAC(1A) had a total income of ₹ 2,90,000 for the previous year 2024-25.
  - (ii) Smt. Patel, aged 65 years, has a TDS credit of ₹ 55,000 during the previous year 2024-25.
  - (iii) The gross receipts of Mr. Ajit, aged 45 years, an architect for the previous year 2024-25 was ₹ 12,00,000, but his profit from profession was only ₹ 2,25,000 and he has no other income.

**(4 Marks)**

**OR**

- (b) State the persons who are required to file their return of income in pursuance of the notification issued by the CBDT has vide Notification No. 37/2022 dated 21.04.2022. **(4 Marks)**

**MODEL TEST PAPER 8**  
**INTERMEDIATE COURSE: GROUP-I**  
**PAPER – 3: TAXATION**

**Time Allowed – 3 Hours**

**Maximum Marks – 100**

**SECTION – A: INCOME TAX LAW (50 MARKS)**

*Working Notes should form part of the answer. Wherever necessary, suitable assumptions may be made by the candidates and disclosed by way of a note.*

*However, in answers to Questions in Division A, working notes are not required.*

*The relevant assessment year is A.Y.2025-26.*

**Division A – Multiple Choice Questions**

**Write the most appropriate answer to each of the following multiple choice questions by choosing one of the four options given. All questions are compulsory.**

1. Ms. Prerna is having a residential house property in Nagpur, of which 1/3<sup>rd</sup> is self-occupied and 2/3<sup>d</sup> is let out for commercial purposes at a monthly rent of ₹ 12,000. Fair rent (for let out portion only) was ₹ 30,000 p.m., Municipal value for the property was ₹ 2,40,000 and standard rent under the Rent Control Act was ₹ 3,00,000 for the entire property. Municipal taxes are 10% of municipal valuation and are paid by her on 30<sup>th</sup> July, 2024. She took a loan of ₹ 45,00,000 for the construction of this house from a scheduled bank on 1.4.2022. She repaid the entire loan along with interest on 30.6.2024. The interest rate for this loan was 10% p.a. The construction was completed on 30<sup>th</sup> June, 2023. She earns other income of ₹ 2,00,000 during the previous year 2024-25. She wishes to pay tax under default tax regime.

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

- (i) The Net Annual Value (NAV) of the house property for the A.Y. 2025-26 is:
- (a) ₹ 1,28,000
  - (b) ₹ 1,44,000
  - (c) ₹ 1,84,000
  - (d) ₹ 2,00,000
- (ii) Deduction in respect of interest on loan for the P.Y. 2024-25 shall be:
- (a) ₹ 2,02,500
  - (b) ₹ 1,35,000
  - (c) ₹ 5,62,500
  - (d) ₹ 1,12,500

(iii) Compute her total income for the assessment year 2025-26

- (a) ₹ 1,93,800
- (b) ₹ 2,00,000
- (c) Nil
- (d) ₹ 2,05,000

**(3 x 2 = 6 Marks)**

2. Mr. Desai (aged 52 years) is an Indian resident. He gives the following information to you relating to the P.Y. 2024-25:

- (i) Profit from the business carried out in Dubai controlled from Dubai ₹ 13,10,000 (received in a bank account in Dubai).
- (ii) Loss from a business in Delhi - ₹ 4,50,000
- (iii) During the F.Y. 2024-25, he also played some online games on a particular Indian website Game.com. Game.com is a manufacturer of men's shirts. During the year, Mr. Desai won 6 such shirts. The cost to manufacture such shirts by Game.com is ₹ 3,000 per piece and it sells these shirts at ₹ 10,000 per piece (excluding GST @18%). However, to play such games, Mr. Desai had to deposit a sum of ₹ 50,000 with the website as a refundable deposit.
- (iv) On 23<sup>rd</sup> May 2024, he gifted listed equity shares in an Indian company to his son's daughter, Ms. Shanaya. These shares were purchased by him on 1.4.2020 for ₹ 65,000. The market value as on the date of transfer was ₹ 1,00,000. Shanaya sold these shares for a consideration of ₹ 50,000 on 31.3.2025.
- (v) He had taken a loan of ₹ 25,00,000 for the purchase of an electric vehicle (for his personal purposes) on 1.4.2022 from a scheduled bank. He paid ₹ 5,00,000 as interest on such loan during the P.Y. 2024-25.
- (vi) He wants to pay tax under default tax regime.

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

- (i) What shall be the total income of Mr. Desai for the A.Y. 2025-26?
  - (a) ₹ 8,78,000
  - (b) ₹ 8,63,000
  - (c) ₹ 9,20,000
  - (d) ₹ 7,70,000
- (ii) Which of the following statement is correct in respect of deductions available to him under Chapter VI-A?
  - (a) He shall be eligible for a deduction of ₹ 1,50,000 in respect of interest on loan irrespective of the tax regime opted by him.
  - (b) He shall not be eligible for any deduction under Chapter VI-A irrespective of the tax regime opted by him.

- (c) He shall be eligible for a deduction of ₹ 1,50,000 in respect of interest on loan only if he opts out of the default tax regime.
  - (d) He shall be eligible for a deduction of ₹ 50,000 in respect of interest on loan only if he opts out of the default tax regime.
- (iii) What is the requirement of deduction of tax at source by Game.com in respect of such winning by Mr. Desai?
- (a) Game.com has to ensure, before releasing the winnings, that the tax amounting to ₹ 18,000 has been paid.
  - (b) Game.com has to ensure, before releasing the winnings, that the tax amounting to ₹ 5,400 has been paid.
  - (c) There is no requirement for deduction of tax at source. However, Mr. Desai need to collect tax at source from the security deposit.
  - (d) Game.com needs to deduct tax at source amounting to ₹ 18,000.

**(3 x 2 = 6 Marks)**

3. Mr. Sundaram owns two residential house properties in Chennai, one of which is used by him and his family for their residential purposes. Both the houses are exactly identical and their expected rent/municipal value etc. are also the same. He let out the other house for a rent of ₹ 1,15,000 p.m. He took two similar loans for the purchase of these two houses on 1.4.2023. The stamp duty value of these houses is ₹ 30 lakhs each. During the F.Y. 2024-25, he paid ₹ 4,00,000 as interest for each of the houses. He does not have any other income or investments during the year. He did not file his return of income within the due date under section 139(1). What shall be his total income chargeable to tax?

- (a) ₹ 2,16,000
- (b) ₹ 3,66,000
- (c) ₹ 5,66,000
- (d) ₹ 1,66,000

**(2 Marks)**

4. During the year 2024-25, Mrs. Kalis (aged 65 years), received ₹ 10,50,000 a family pension. She had to spend ₹ 26,000 to get such income towards documentation and processing charges. She does not have any other income. Assuming she pays tax under default tax regime, what shall be her total income chargeable to tax?

- (a) ₹ 10,35,000
- (b) ₹ 10,24,000
- (c) ₹ 10,50,000
- (d) ₹ 10,25,000

**(1 Mark)**



## Division B – Descriptive Questions

Question No. 1 is compulsory

Attempt any **two** questions from the remaining **three** questions

1. Mr. Raman, a resident individual aged 62 years, is engaged in the business of manufacturing and sales of spare parts for motor bikes, as a proprietor. He prepares his accounts on mercantile basis. This business is carried out on the ground floor of a two storied commercial building owned by him, the written down value of which is ₹ 8 lakhs as on April 1, 2024. The Statement of Profit and Loss for the previous year ended on March 31, 2025 shows a net profit of ₹ 9.25 lakhs (before taxation and depreciation) after debiting/crediting the following items:
- (i) Administrative expenses include ₹ 9,525 paid towards interest on delay in deposit of GST.
  - (ii) General expenses include a sum of ₹ 3,88,000 paid to a non-resident as fee for technical services without deduction of tax at source.
  - (iii) Fire insurance premium of ₹ 66,000 for the entire building remained unpaid till 31<sup>st</sup> March, 2025.
  - (iv) Expenditure of ₹ 75,000, was paid to a scientific research association approved under section 35. Out of ₹ 75,000, ₹ 50,000 was utilised towards the purchase of land by the research association.
  - (v) He let out first floor of his commercial building to Mr. Aman on April 1, 2024 and received rent of ₹ 35,000 per month. Municipal taxes ₹ 20,000 relating to the building were paid equally by both Mr. Raman and Mr. Aman. Rent received was credited and municipal taxes of ₹ 10,000 (relating to ground floor) was debited to the statement of profit and loss.
  - (vi) He sold a piece of land for ₹ 44 lakhs on 12<sup>th</sup> April, 2024. He had acquired the land for 40 lakhs on 1<sup>st</sup> January, 2023. The gain of 4,00,000 is credited to the statement of profit and loss.

(CII for F.Y. 2021-22:317; F.Y. 2024-25:363)

Additional Information:

- (i) Mr. Raman purchased raw material from M/s. Paul Industries, a micro enterprise, for ₹ 49,000 on March 10, 2025. However, the payment to M/s. Paul Industries was made on April 5, 2025 by cheque. No written agreement for payment existed between M/s. Paul Industries and Mr. Raman. Another supplier M/s. Kal Industries, a small enterprise, with whom also no written agreement existed for payment, was paid ₹ 1,34,000 in cash on April 5, 2025 for purchase of raw material on March 31, 2025. Both M/s. Paul Industries and M/s. Kal Industries follow mercantile system of accounting.
- (ii) Mr. Raman acquired a registered trademark on July 15, 2024 for ₹ 2,00,000. Mr. Raman started using this trademark for his business from January 15, 2025. Mr. Raman omitted to enter any transaction relating to this trademark in his books of accounts.

- (iii) Mr. Raman bought a car for personal use on 12<sup>th</sup> April, 2021 for ₹ 5,40,000. He started using this car for business purposes from 01.04.2024. As on that day, the market value of the car was ₹ 2,10,000. Assume the rate of depreciation to be 15%.
- (iv) He incurred ₹ 2,50,000 on the purchase of a new machinery to be used in the production of spare parts for motor bikes on May 15, 2024.
- (v) He has paid tuition fees of ₹ 25,000 for the education of his daughter to a college.
- (vi) During the year, Mr. Raman has incurred ₹ 9,500 in cash for preventive health check-up where ₹ 5,000 was for himself and ₹ 4,500 was for his parents who are super senior citizens.
- (vii) Donation paid to a registered political party by way of cheque ₹ 20,000.

Compute the total income and tax liability of assessment year 2025-26 of Mr. Raman under both the regimes. **(15 Marks)**

2. (a) Mr. Madan, a citizen of India and the Karta of an HUF, is employed in M/s. PCS Pvt. Ltd. He is drawing monthly salary of ₹ 65,500 in India. On June 1, 2024, he purchased one residential house property in Mumbai for ₹ 18,00,000 in his individual capacity. The market value of the property is ₹ 32,00,000 and value for the purpose of charging stamp duty is ₹ 23,00,000. On August 31<sup>st</sup>, 2024 he was transferred to the branch office of M/s. PCS Pvt. Ltd. in U.S.A. and he left India on September 1<sup>st</sup>, 2024. The overseas branch paid him a salary of \$ 2,500 per month in USA. He managed business of HUF from USA when he was not in India. He had also gone out of India for 99 days and 201 days in previous years 2023-24 and 2022-23, respectively. He had never gone out of India prior to that.

He visited India from January 1, 2025 to January 15, 2025 for training on a project and received 15 days salary in India as per his Indian monthly salary before being transferred.

Mr. Rajeev, one of his friends, gifted him a sculpture in India on August 10, 2024. The market value is ₹ 45,100.

Determine the residential status of Mr. Madan and his HUF and compute gross total income of Mr. Madan for the assessment year 2025-26 assuming he opted out of the default tax regime. The value of one USD (\$) may be taken as ₹ 70. **(4 Marks)**

- (b) Answer the following:
- (i) M/s. PQR & Co., a proprietary firm of Mr. Yogesh, paid an amount of ₹ 30,500 to Mr. Amit, a resident individual aged 45 years, on June 1, 2024 towards fees for professional services. Subsequently, another payment of ₹ 60,000 was due to Mr. Amit on January 30, 2025. Tax was not deducted from both the transactions. Mr. Amit has filed his return of income for assessment year 2025-26 on May 2, 2025, taking into account professional fees from M/s. PQR & Co. and paid the taxes due on the income declared in the return of

income. Firm's turnover for the P.Y. 2023-24 is ₹ 5 crores.

What are the TDS and interest obligations in the hands of M/s. PQR & Co.?

- (ii) M/s. Fastest Ltd. is an Indian car manufacturer. During the F.Y. 2024- 25, it sold cars for ₹ 150 lakhs to M/s. Race LLP, a distributor of cars where the sale price of each car was ₹ 7.5 lakhs. The turnover for the F.Y. 2023-24 of M/s. Fastest Ltd. was ₹ 15 crores and M/s. Race LLP was 8 crores. What shall be the TCS/TDS implications on M/s. Fastest Ltd. and M/s. Race LLP?

**(6 Marks)**

3. (a) The particulars given below are of Mr. Radhey's income (age 47 years) posted in a private company in Delhi, for the previous year 2024-25:

- (i) Basic Pay ₹ 35,000 per month till January 31, 2025, ₹ 40,000 p.m. from February 2025.
- (ii) Dearness allowance 30% of basic salary (54% of DA forms part of retirement benefits)
- (iii) His employer gave him a rent-free accommodation (fully furnished) in Delhi from 01.04.2024. This house is owned by his employer. The furniture and appliances provided with the house were bought by the employer at an aggregate cost of ₹ 1,50,000 on 01.04.2024. Electricity and water bills of ₹ 4,000 p.m. for the said house were paid by the employer.
- (iv) The employer also spent ₹ 50,000 on a refresher course for upgrading Mr. Radhey's skills.
- (v) During the previous year his wife had been admitted in a notified hospital for treatment of her kidney disease, the hospital bills amounting to ₹ 3,50,000 were paid by the employer.

You are required to compute the taxable salary income of Mr. Radhey for the Assessment Year 2025-26 under default tax regime under section 115BAC.

**(6 Marks)**

- (b) 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 rural land in rural area on January 1, 2025 for ₹ 40 lakhs and this land was sold by him on March 12, 2026 for ₹ 45 lakhs.

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.

**(4 Marks)**

4. (a) Mr. Suraj, (39 years), his wife Megha (35 years) and minor son Dev (12 years), provide the following details of their income/losses for the previous year 2024-25:

**Mr. Suraj**

- (i) Salary received as a partner from a partnership firm - ₹ 6,15,000  
He is a working partner in the firm and the salary is as per the limits prescribed under section 40(b).
- (ii) Income (loss) from house property:  
Brought forward loss from House -A (let out) - ₹ 96,000  
Current year loss from House B (let out) - ₹ 2,30,000
- (iii) Interest received on enhanced compensation - ₹ 2,00,000  
It relates to transfer of a piece of land in the financial year 2018-19.  
Out of the above ₹ 35,000 relates to previous year 2024-25 and the balance relate to preceding previous year.
- (iv) Gift from grandfather's younger sister by cheque - ₹ 1,25,000
- (v) Dividend on listed equity shares of domestic companies (Gross) - ₹ 50,000
- (vi) On 1<sup>st</sup> December 2024, Mr. Suraj received ₹ 75 lakhs as maturity proceeds from his life insurance policy which was taken on 1<sup>st</sup> May 2013. He paid ₹ 6,00,000 as annual premium and the sum assured was ₹ 65 lakhs.

**Mrs. Megha**

- (i) Current year loss from business. (She carried on this business with funds which Mr. Suraj gifted to her) - ₹ 8,10,000.
- (ii) Mrs. Megha purchased a house property from her "Stridhan" and gifted the same to her minor son, Dev on 1<sup>st</sup> April, 2024 out of love and affection. The FMV of the house on the date of transfer was ₹ 51 lakhs.

**Master Dev**

Rent received from house property received from Mrs. Megha - ₹ 35,000 p.m.

Compute gross total income of Mr. Suraj, Mrs. Megha and Dev for the assessment year 2025-26 assuming Mr. Suraj has decided to pay tax

under default tax regime provided under section 115BAC, whereas Mrs. Megha and Dev have opted out of the default tax regime. Briefly explain the reasons for the treatment of each item. **(6 Marks)**

(b) Answer the following:

- (i) Vegetable Ltd. filed its return of income for the A.Y. 2024-25, on 15<sup>th</sup> December 2024. On 2<sup>nd</sup> January 2025, the accountant of Vegetable Ltd. realised that he had forgotten to claim a genuine business expenditure amounting to ₹ 15 lakhs. He wants to file revised return to claim such expenditure as the assessment is not yet completed. Whether the action of the accountant of Vegetable Ltd. is valid?
- (ii) Mahendra, a resident individual aged 45 years earned a salary income of ₹ 2 crores during the F.Y. 2024-25. He also earned dividend from unlisted shares amounting to ₹ 4 lakhs. He wants to file his return of income for the A.Y. 2025-26 through a Tax Return Preparer. Can he do so? **(4 Marks)**

**OR**

(b) Rani, an Indian resident aged 34 years did not file her return of income for the A.Y. 2022-23, 2023-24 and 2024-25. She gives the following information regarding each of the A.Y.-

A.Y. 2022-23

- (i) Tax liability on the total income of Rani - ₹ 14,50,000  
(ii) TDS deducted - ₹ 5,00,000

A.Y. 2023-24

- (i) Tax liability on the total income of Rani - ₹ 5,60,000  
(ii) TDS deducted - ₹ 10,00,000

A.Y. 2024-25

- (i) Tax liability on the total income of Rani - ₹ 6,30,000  
(ii) TDS deducted - ₹ 2,00,000  
(iii) Interest payable under section 234A, 234B and 234C - ₹ 90,000 (calculated till 31<sup>st</sup> May 2025)  
(iv) Self-assessment tax paid - ₹ 1,00,000

She approaches you to file updated return under section 139(8A) on 16.5.2025. You are required to advise her for which years she can file an updated return and also the amount of tax to be paid. **(4 Marks)**

**MODEL TEST PAPER 1**  
**SECTION B – GOODS AND SERVICES TAX (50 MARKS)**  
**QUESTIONS**

- (i) Working Notes should form part of the answers. However, in answers to Questions in Division A, working notes are not required.
- (ii) Wherever necessary, suitable assumptions may be made by the candidates, and disclosed by way of notes.
- (iii) All questions should be answered on the basis of the provisions of the CGST Act, 2017 and the IGST Act, 2017 as amended by the Finance (No. 2) Act, 2024 including significant notifications and circulars issued and other legislative amendments made, which have become effective up to 31.10.2024.

**Division A - Multiple Choice Questions (MCQs)**

**Write the most appropriate answer to each of the following multiple-choice questions by choosing one of the four options given. All questions are compulsory.**

**Total Marks: 15 Marks**

XYZ Electronics Pvt. Ltd. is a leading electronic goods manufacturing company in Delhi. The company produces a wide range of products, including smartphones, laptops, and home appliances.

The sales by the Company are mainly through its distributors on the following credit terms:

For laptops – up to 15 days

For smartphones – up to 90 days

For other home appliances – up to 45 days

During the year, the Company purchased plant and machinery worth ₹ 1 crore exclusive of GST. The GST rate for such plant and machinery is 18%. The input tax credit on such plant and machinery is not blocked under any provision of the CGST Act, 2017.

The Company is planning to demerge its operations in relation to the laptops and other computer accessories from the next financial year. The demerged entity will be a separate legal entity of the Company in form of a wholly owned subsidiary of the Company having common Board of Directors.

The Company also participates in domestic and international level trade fairs to showcase its products and sale through those events. The Electronics Association of Rajasthan is organising a trade fair in Jaipur. The Company is keen to participate in the same. To ensure the GST compliances, the Company wants to obtain the GST registration as casual taxable person in the state of Rajasthan. The Company obtained the GST registration as casual taxable person in the state of Rajasthan with the validity period of 45 days.

The Company transferred the goods from one of its godown in Delhi to another godown in Gujarat wherein the Company has a registered place of business. The

value of goods transferred is ₹ 5 crores and the rate of GST applicable on such transfer is 18%. The tax invoice was issued, and GST was deposited by the Company. However, the consideration was not paid by the Gujarat office of the Company to the Delhi office even after 180 days of the invoice date. Further, there was no reverse movement of such goods from Gujarat godown to Delhi Godown.

Based on the facts of the case scenario given above, choose the most appropriate answer to Q. Nos. 1 to 6 below:

1. What shall be the time limit to issue invoice for supply of smartphones on credit:
  - (a) Invoice shall be issued on 31<sup>st</sup> day from the date of removal of smartphones to distributors.
  - (b) Invoice shall be issued before or at the time of removal of smartphones to distributors.
  - (c) Invoice shall be issued at the time of receiving payment from distributors.
  - (d) Invoice shall be issued upon completion of credit term, i.e. 90 days.
2. In relation to the plant and machinery purchased by the Company, select the correct alternative from the following:
  - (a) ITC of ₹ 18 lakh can be claimed and value of asset on which depreciation can be claimed under the provisions of Income- Tax Act, 1961 shall be ₹ 1.18 crore.
  - (b) ITC of ₹ 18 lakh can be claimed and value of asset on which depreciation can be claimed under the provisions of Income- Tax Act, 1961 shall be ₹ 1 crore.
  - (c) ITC cannot be claimed in such transaction and value of asset on which depreciation can be claimed under the provisions of Income- Tax Act, 1961 shall be ₹ 1 crore.
  - (d) ITC of ₹ 18 lakh can be claimed and value of asset on which depreciation can be claimed under the provisions of Income- Tax Act, 1961 shall be ₹ 82 lakh.
3. How shall the demerged entity be treated under the provisions of GST Law?
  - (a) The demerged entity shall be treated as related party of the Company.
  - (b) The demerged entity shall be treated as distinct entity of the Company.
  - (c) The demerged entity shall be treated as additional place of business of the Company.
  - (d) The demerged entity shall be treated as sole selling agent of the Company.
4. The period of retention of books of accounts related to period prior to demerger under GST Law is:
  - (a) 36 months from the end of financial year
  - (b) 60 months from the end of financial year
  - (c) 72 months from the end of financial year

- (d) 72 months from due date of furnishing annual return for the relevant financial year
5. The validity of GST registration as a casual taxable person in the state of Rajasthan is:
- (a) 45 days
  - (b) 90 days
  - (c) 180 days
  - (d) 135 days
6. Which of the following statements is true in relation to the non-payment of consideration by the Gujarat godown to Delhi godown?
- (a) The Gujarat godown shall reverse the ITC availed on the goods received from Delhi and also required to pay interest computed from the date of invoice till the date of reversal of ITC.
  - (b) The Gujarat godown shall reverse the ITC availed on the goods received from Delhi and no interest shall be applicable.
  - (c) The restriction of 180 days for payment of consideration is not applicable in the present case.
  - (d) The Delhi godown shall issue a credit note to Gujarat godown to reverse the supply. **(6 x 2 Marks = 12 Marks)**
7. Sanu Associates, Delhi dealing in garments has ordered ladies suits from Sahiba Garments in Ludhiana (Punjab) which is 350 km away from its warehouse. E-way bill is generated by Sahiba Garments and the order is coming by a normal cargo. For how many days will the e-way bill be valid from the time it is generated?
- (a) 24 hours
  - (b) 2 days
  - (c) 5 days
  - (d) 7 days **(2 Marks)**
8. 'Pihu' Ltd. has its registered office, under the Companies Act, 2013, in the State of Maharashtra from where it ordinarily carries on its business of taxable goods. It also has a warehouse in the State of Telangana for storing said goods. What will be the place of business of 'Pihu' Ltd. under the GST law?
- (a) Telangana
  - (b) Maharashtra
  - (c) Both (a) and (b)
  - (d) Neither (a) nor (b) **(1 Mark)**



## Division B - Descriptive Questions

### Question No. 1 is compulsory.

Attempt any two questions out of remaining three questions.

**Total Marks:35 Marks**

1. (a) Vishnu Pvt. Ltd., a registered supplier of goods and services at Kolkata has furnished the following information for the month of February:

S. No.	Particulars	Amount (₹)
(i)	Intra-State supply of taxable goods including ₹ 1,00,000 received as advance in January, the invoice for the entire sale value is issued on 15 <sup>th</sup> February	4,00,000
(ii)	Purchase of goods from a composition dealer, registered in Kolkata	5,50,000
(iii)	Services provided by way of labour contracts for repairing a single residential unit otherwise than as a part of residential complex (It is an intra-State transaction)	1,00,000
(iv)	Membership of a club availed for employees working in the factory (It is an intra-State transaction)	1,75,000
(v)	Goods transport services received from a GTA. GTA has exercised option to pay tax @12% (It is an inter-State transaction)	2,00,000
(vi)	Inter-State services provided by way of training in sports	10,000
(vii)	Inter-State security services provided to Bharat higher secondary school for their annual day function organised in Kaman Auditorium outside the School campus	15,000
(vii)	Inputs to be received in 4 lots, out of which 2 <sup>nd</sup> lot was received during the month	40,000

The company has following ITCs with it at the beginning of the tax period:

Particulars	Amount (₹)
CGST	57,000
SGST	Nil
IGST	50,000

Note:

- (i) Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively.
- (ii) Both inward and outward supplies are exclusive of taxes, wherever applicable.
- (iii) All the conditions necessary for availing the ITC have been fulfilled.

- (iv) The turnover of Vishnu Pvt. Ltd. was ₹ 2.5 crore in the previous financial year.

Compute the minimum GST, payable in cash, by Vishnu Pvt. Ltd. for the month of February. Make suitable assumptions as required.

**(10 Marks)**

- (b) Gulati Ltd., a registered supplier in Mumbai (Maharashtra), has supplied goods to Mridul Traders and Kalu Motors Ltd. located in Ahmedabad (Gujarat) and Pune (Maharashtra) respectively. Gulati Ltd. has furnished the following details for the current month:

S. No.	Particulars	Mridul Traders (₹)	Kalu Motors Ltd. (₹)
(i)	Price of the goods (excluding GST)	10,000	30,000
(ii)	Packing charges	500	
(iii)	Commission	500	
(iv)	Weighment charges		2,000
(v)	Discount for prompt payment (recorded in the invoice)		1,000

Items given in points (ii) to (v) have not been considered while arriving at price of the goods given in point (i) above.

Compute the GST liability [CGST & SGST or IGST, as the case may be] of Gulati Ltd. for the given month. Assume the rates of taxes to be as under:

Particulars	Rate of tax
Central tax (CGST)	9%
State Tax (SGST)	9%
Integrated tax (IGST)	18%

Make suitable assumptions, wherever necessary.

**(5 Marks)**

2. (a) Nath Services Limited, registered under GST, is engaged in providing various services to Government. The company provides the following information in respect of services provided during the month of April:

S. No.	Description of Services provided
(i)	Supply of manpower for cleanliness of roads not involving any supply of goods.
(ii)	Service provided by Fair Price Shops owned by Nath Services Limited by way of sale of sugar under Public Distribution System against consideration in the form of commission.
(iii)	Service of maintenance of street lights in a Municipal area involving replacement of defunct lights and other spares

	alongwith maintenance. Generally replacement of defunct lights and other spares constitutes 35% of the supply of service.
(iv)	Service of brochure distribution provided under a training programme for which 70% of the total expenditure is borne by the Government.

Comment on the taxability or otherwise of the above transactions under GST law. Also state the correct legal provisions for the same. **(4 Marks)**

- (b) Mr. Shubh, director of Star Company Private Limited, provided service to the company for remuneration of ₹ 1,25,000. Briefly answer whether GST is applicable in the below mentioned independent cases? If yes, who is liable to pay GST?
- (i) Mr. Shubh is an independent director of Star Company Private Limited and not an employee of the company.
- (ii) Mr. Shubh is an executive director, i.e. an employee of Star Company Private Limited. Out of total remuneration amounting to ₹ 1,25,000, ₹ 60,000 has been declared as salaries in the books of Star Company Private Limited and subjected to TDS under section 192 of the Income-Tax Act (IT Act). However, ₹ 65,000 has been declared separately other than salaries in the Star Company Private Limited's accounts and subjected to TDS under section 194J of the IT Act as professional services. **(6 Marks)**
3. (a) Examine whether the supplier of goods is liable to get registered in the following independent cases:
- (i) Om Sai 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.
- (ii) Hukum Chand 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. **(5 Marks)**
- (b) Mr. Mehta is engaged in the business of trading of books. He is eligible for composition scheme and has opted for the same. He seeks your advice for records which are not required to be maintained by him as composition taxable person. **(5 Marks)**
4. (a) An event management company provided services for organizing a sporting event for a Sports Federation which is held in multiple States? What would be the place of supply of services in this case? **(5 Marks)**

Or

- (a) Discuss taxability of shares held in a subsidiary company by holding company? **(5 Marks)**
- (b) How a return can be revised after filing of the same, if some changes are required to be made? **(5 Marks)**

**MODEL TEST PAPER 2**  
**SECTION B – GOODS AND SERVICES TAX (50 MARKS)**  
**QUESTIONS**

- (i) Working Notes should form part of the answers. However, in answers to Questions in Division A, working notes are not required.
- (ii) Wherever necessary, suitable assumptions may be made by the candidates, and disclosed by way of notes.
- (iii) All questions should be answered on the basis of the provisions of the CGST Act, 2017 and the IGST Act, 2017 as amended by the Finance (No. 2) Act, 2024 including significant notifications and circulars issued and other legislative amendments made, which have become effective up to 31.10.2024.

**Division A - Multiple Choice Questions (MCQs)**

**Write the most appropriate answer to each of the following multiple-choice questions by choosing one of the four options given. All questions are compulsory.**

**Total Marks: 15 Marks**

Ecotech Solutions Private Limited is engaged in manufacturing and supply of energy products and solutions across multiple States in India. The Company manufactures solar panels and also imports certain category of solar panels as per the customer orders. The company also provides installation services and annual maintenance contracts for its products.

The Company received an advance payment for a bulk order of goods in March 2024, but the delivery was completed in May 2024. The amount of advance received by the Company was ₹ 1 crore.

During the month of March 2024, the Company sold goods worth ₹ 5 crores and provided services amounting to ₹ 1 crore to its customers across India. The goods worth ₹ 1 crore sold under multiple invoices were returned by a customer due to defective quality in the month of March, 2024 which were originally sold by the Company in January, 2024. The Company issued a GST credit note against the returned goods in March, 2024.

The Company incurred an amount of ₹ 5 lakh on the repair of the returned goods to make them resalable in the market to customers other than a related party.

Further, the customers who returned the goods issued an invoice to Gujarat unit of the Company of ₹ 1 lakh for the expense related to return of goods. The goods were initially sold from the Gujarat unit of the Company but the same were returned to Maharashtra unit of the Company and subsequently moved by the Company from Maharashtra unit to Gujarat Unit i.e. the original place of supply. The Company is registered under GST in both the States i.e. Gujarat and Maharashtra.

Based on the facts of the case scenario given above, choose the most appropriate answer to Q. Nos. 1 to 6 below:

1. At what point of time, tax will be payable in relation to the advance received by the Company of ₹ 1 crore?

- (a) The tax is payable at the time of receipt of advance.
  - (b) The tax is payable at the time of supply of goods.
  - (c) 50% of tax is payable at the time of receipt of advance.
  - (d) Tax is payable at the time of issuance of receipt voucher.
2. The total amount of supply during the month of March, 2024 to be reported in GSTR -1 by the Company is \_\_\_\_\_.
- (a) ₹ 1 crore
  - (b) ₹ 5 crores
  - (c) ₹ 6 crores
  - (d) ₹ 7 crores
3. Which of the following options is correct in relation to the returned goods of value ₹ 1 crore ?
- (a) Company has an option to issue single credit note against multiple invoices.
  - (b) Company has to mandatorily issue separate credit note against each invoice.
  - (c) The Company cannot issue credit note in any subsequent period after the supply is made.
  - (d) The Company can only issue a commercial credit note and GST adjustment cannot be made.
4. In case returned goods are sold by the Company to customers other than the related parties, the value of supply of such goods under GST shall be \_\_\_\_\_.
- (a) equivalent to original value of supply only.
  - (b) equivalent to original value of supply plus the cost incurred on making the goods reusable
  - (c) 110% of original value of supply plus the cost incurred on making the goods reusable.
  - (d) transaction value subject to the conditions mentioned in Section 15(2) of the CGST Act, 2017.
5. Which of the following option(s) is correct in relation to the invoice of ₹ 1 lakh issued by the customer for the expenses relating to returned goods?
- (a) The Company shall be eligible to avail full input tax credit.
  - (b) The Company shall not be allowed to avail input tax credit.
  - (c) The Company shall not be allowed to avail input tax credit in excess of 50% of the tax amount charged on such invoice.
  - (d) The Company shall be allowed to claim input tax credit only if it has not issued any credit note to the customer against such returned goods.

6. While moving the goods from Maharashtra unit to Gujarat unit by the Company, goods shall be accompanied by \_\_\_\_\_.
- (a) Original invoice issued in January, 2024
  - (b) Invoice issued by the returning customer to the Gujarat unit of the Company
  - (c) Invoice by Maharashtra unit to the Gujarat unit of the Company
  - (d) Delivery challan issued by the Customer to the Company.

**(6 x 2 Marks = 12 Marks)**

7. 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?

- (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. **(2 Marks)**
8. Simmo Singh, a resident of Punjab, is having a residential property in Amritsar, Punjab which has been given on rent to a family for ₹ 72 lakh per annum for residence purposes. Determine whether Simmo Singh is liable to pay GST on such rent.
- (a) Yes, as services by way of renting is taxable supply under GST.
  - (b) No, service by way of renting of residential property is exempt.
  - (c) No, service by way of renting of residential property does not constitute supply.
  - (d) Simmo Singh, being individual, is not liable to pay GST. **(1 Mark)**

## Division B - Descriptive Questions

**Question No. 1 is compulsory.**

**Attempt any two questions out of remaining three questions.**

**Total Marks:35 Marks**

1. (a) Mr. Nandan lal, registered under GST, is engaged in supplying services (as discussed in the table below) in Hyderabad. He has furnished the following information with respect to the services provided/ received by him, during the month of February:

S. No.	Particulars	Amount (₹)
(i)	Carnatic music performance given by Mr. Nandan lal to promote a brand of readymade garments	1,40,000
(ii)	Outdoor catering services availed for a marketing event organised for his prospective customers	50,000
(iii)	Services of transportation of students provided to HSMG College providing education as part of a curriculum for obtaining a recognised qualification	1,00,000
(iv)	Legal services availed for official purpose from an advocate located in Chennai (Inter-State transaction)	1,75,000
(v)	Services provided to IFMP Bank as a business correspondent with respect to accounts in a branch of the bank located in urban area	2,00,000
(vi)	Recovery agent's services provided to a car dealer	15,000
(vii)	General insurance taken on a car (seating capacity 5) used for official purposes	40,000

**Note:**

- (i) Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively.
- (ii) All inward and outward supplies are exclusive of taxes, wherever applicable.
- (iii) All the conditions necessary for availing the ITC have been fulfilled.
- (iv) The turnover of Mr. Nandan lal was ₹ 2.5 crore in the previous financial year.
- (v) All the transactions mentioned above are intra-State unless otherwise specified.

Compute the net GST payable in cash, by Mr. Nandan lal for the month of February. **(10 Marks)**

- (b) LSP Ltd., a registered supplier, sold a machine to Balwant Ltd. It provides the following information in this regard: -

S. No.	Particulars	Amount (₹)
(i)	Price of the machine [excluding taxes and other charges mentioned at S. Nos. (ii) and (iii)]	20,000
(ii)	Third party inspection charges [Such charges were payable by LSP Ltd. but the same have been directly paid by Balwant Ltd. to the inspection agency. These charges were not recorded in the invoice issued by LSP Ltd.]	6,000
(iii)	Freight charges for delivery of the machine [LSP Ltd. has agreed to deliver the goods at Balwant Ltd.'s premises]	1,000
(iv)	Subsidy received from the State Government on sale of machine under Skill Development Programme [Subsidy is directly linked to the price]	5,000
(v)	Discount of 2% is offered to Balwant Ltd. on the price mentioned at S. No. (i) above and recorded in the invoice	

Note: Price of the machine is net of the subsidy received.

Determine the value of taxable supply made by LSP Ltd. to Balwant Ltd.

**(5 Marks)**

2. (a) State the person liable to pay GST in the following independent services provided:
- Sapna Builders, registered in Haryana, rented out 20 residential units owned by it in Jain Society to Anant Technologies, an IT based company registered in the State of Haryana, for accommodation of its employees.
  - M/s. Verma Consultants, a partnership firm registered in Delhi as a regular tax payer, paid sponsorship fees of ₹ 1,50,000 at a seminar organized by a private NGO (a partnership firm) in Delhi. **(4 Marks)**
- (b) "Little Smiles", a photography firm, has commenced providing photoshoot services in Delhi from the beginning of current financial year 2024-25. It has provided the following details of turnover for the various quarters till December, 2024 :-

S. No.	Quarter	Amount (₹ in lakh)
1	April,2024-June,2024	20
2	July,2024-September,2024	30
3	October,2024-December,2024	40



You may assume the applicable tax rate as 18%. Little Smiles wishes to pay tax at a lower rate and opts for the composition scheme. You are required to advise whether it can do so and calculate the amount of tax payable for each quarter? **(6 Marks)**

3. (a) Mr. Sohan, a trader registered under GST in Delhi is engaged in wholesale business of toys for kids. Mr. Roshan registered under GST in Patiala, a regular return filer supplies toys in bulk to Mr. Sohan for selling to end consumers.

Mr. Sohan paying tax in regular scheme in Delhi, has not filed GSTR-3B for last 2 months. Mr. Roshan wants to generate e-way bill for toys amounting to ₹ 5,00,000 to be supplied to Mr. Sohan. Also Mr. Mohan from Jammu approached Mr. Sohan for purchasing toys amounting to ₹ 75,000 for the purpose of return gift on his son's first birthday party. Sohan wants to generate an e-way bill in respect of an outward supply of goods to Mr. Mohan.

Examine with reference to the provisions under GST law, whether Mr. Roshan and Mr. Sohan can generate e-way bill? **(5 Marks)**

- (b) 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. **(5 Marks)**

4. (a) Discuss briefly the place of supply of goods purchased over the counter in one State and transported to another State by the buyer. **(5 Marks)**

Or

- (a) What would be the place of supply of services provided by an event management company for organizing a sporting event for a Sports Federation which is held in multiple States? **(5 Marks)**

- (b) Discuss whether the amount available in the electronic credit ledger can be used for making payment of any tax under the GST Laws?

**(5 Marks)**

### MODEL TEST PAPER 3

#### SECTION B – GOODS AND SERVICES TAX (50 MARKS)

##### QUESTIONS

- (i) Working Notes should form part of the answers. However, in answers to Questions in Division A, working notes are not required.
- (ii) Wherever necessary, suitable assumptions may be made by the candidates, and disclosed by way of notes.
- (iii) All questions should be answered on the basis of the provisions of the CGST Act, 2017 and the IGST Act, 2017 as amended by the Finance (No. 2) Act, 2024 including significant notifications and circulars issued and other legislative amendments made, which have become effective up to 31.10.2024.

##### Division A - Multiple Choice Questions (MCQs)

**Write the most appropriate answer to each of the following multiple-choice questions by choosing one of the four options given. All questions are compulsory.**

**Total Marks: 15 Marks**

Himadri started providing a bouquet of goods and services in the month of April of the current financial year under the regular scheme in the State of Telangana and obtained voluntary registration under GST before starting the business.

In the month of April, she availed the services of construction of a godown for the business from her brother-in-law who was financially dependent on him. She also availed professional consultancy services in April for her business from her son who is a well settled Chartered Accountant in Telangana. Himadri did not pay any consideration for both these services as both of them were her relative/ family member respectively.

In April, she supplied 1,000 packages to Natraj Traders each consisting of a pen holder, a pen and a pencil box at a single price of ₹ 150. Rates of GST for pen holder, pen and pencil box are 5%, 12% and 18% respectively.

She received following payments during the month of May:

- earned ₹ 1,60,000 by providing services as business facilitator to YYZ Bank with respect to accounts in its urban area branch
- earned ₹ 50,000 by providing services by way of renting of residential dwelling for use as a boutique to Supriya, an unregistered person.
- received ₹ 70,000 for supply of manpower for cleanliness of roads, public places, architect services, etc., not involving any supply of goods, to Municipality.

Himadri made supply of taxable Product A during June, details of which are as follows-

- Basic price of Product A before TCS under Income-tax Act, 1961– ₹ 45,000

- Tax collected at source under Income-tax Act, 1961 – ₹ 2,500
- She received a subsidy of ₹ 55,000 from Habitat Foundation Pvt. Ltd. for usage of green energy and the subsidy was linked to the units of green energy and not the aforesaid product.

Himadri provides the following information regarding receipt of inward supplies during July-

- purchased buses (seating capacity of 24 persons) for transportation of her employees from their residence to office and back. Depreciation is claimed on the GST component under the Income tax Act, 1961.
- purchased a truck having GST component of ₹ 1,50,000 for transportation of finished goods. No depreciation claimed on the GST component under the Income tax Act, 1961.
- availed outdoor catering services for a marketing event organised for her prospective customers.

All the amounts given above are exclusive of taxes, wherever applicable. Further, all the supplies referred above are intra-State supplies unless specified otherwise. Conditions necessary for claiming input tax credit (ITC) have been fulfilled subject to the information given above. The opening balance of input tax credit for the relevant tax period of Himadri is Nil.

Based on the facts of the case scenario given above, choose the most appropriate answer to Q. Nos. 1 to 6 below:-

1. Supply of package made by Himadri to Natraj Traders is a \_\_\_\_\_ and is taxable under GST @ \_\_\_\_\_.
  - (a) composite supply; 12%
  - (b) mixed supply; 18%
  - (c) composite supply; 18%
  - (d) mixed supply; 12%
2. Out of payments received by Himadri in month of May, value of exempt supply is \_\_\_\_\_.
  - (a) ₹ 50,000
  - (b) ₹ 70,000
  - (c) ₹ 1,20,000
  - (d) ₹ 1,60,000
3. Compute the value of supply under section 15 of the CGST Act, 2017 made by Himadri in the month of June.
  - (a) ₹ 45,000
  - (b) ₹ 47,500
  - (c) ₹ 48,500

- (d) ₹ 51,000
4. Compute the amount of input tax credit that can be claimed by Himadri in July.
- (a) ₹ 30,000  
(b) ₹ 37,000  
(c) ₹ 1,50,000  
(d) ₹ 1,57,000
5. In respect of services availed by Himadri in April, which of the following is a correct statement?
- (a) Godown construction service availed from her brother-in-law free of cost is considered as a deemed supply.  
(b) Professional service availed from her son free of cost is considered as a deemed supply.  
(c) Neither of the two services availed by her is a deemed supply.  
(d) Both services availed by her are deemed supply.
6. Out of payments received by Himadri in month of May, the value of supply on which tax payable by the recipient under reverse charge is \_\_\_\_\_.
- (a) ₹ 50,000  
(b) ₹ 70,000  
(c) ₹ 1,20,000  
(d) ₹ 1,60,000
- (6 x 2 Marks = 12 Marks)**
7. Suvidha Enterprises issued invoices pertaining to two independent outward supplies, where in one invoice value of supply was understated by ₹ 75,000 and in another invoice, value was overstated by ₹ 45,000. Which of the following is correct in respect of document to be issued by the firm for understatement and overstatement of invoice value?
- (i) Debit note is to be issued for ₹ 75,000.  
(ii) Credit note is to be issued for ₹ 75,000.  
(iii) Debit note is to be issued for ₹ 45,000.  
(iv) Credit note is to be issued for ₹ 45,000.
- (a) (i) & (iii)  
(b) (ii) & (iii)  
(c) (i) & (iv)  
(d) (ii) & (iv)
- (2 Marks)**

8. 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.?

- (a) 1<sup>st</sup> April  
 (b) 1<sup>st</sup> October  
 (c) 10<sup>th</sup> October  
 (d) 5<sup>th</sup> November

(1 Mark)

**PART II - Descriptive Questions (35 Marks)**

**Question No. 1 is compulsory.**

**Attempt any two questions out of remaining three questions.**

1. (a) M/s. ABC & Co., a chartered accountancy firm, has its office in Bengaluru. It is registered under GST in the State of Karnataka. In the month of April, it supplied statutory audit services to Dhruv Manufacturers of Karnataka for ₹ 1,20,000. Further, it charged ₹ 1,60,000 for the ITR filing services provided to the recipients located within Karnataka in said month. It also received ₹ 1,80,000 for internal audit services provided to a client registered in Mumbai, Maharashtra. All the amounts are exclusive of GST.

M/s. ABC & Co. has also provided following information regarding the expenses incurred in the month of April for the purpose of providing the taxable services:

Sr. No.	Particulars	CGST (₹)	SGST (₹)
1.	Membership fee of a club (located in Bengaluru) paid for a senior partner of the firm	2,000	2,000
2.	Rent paid to landlord, who is registered in State of Karnataka, for office located in Karnataka (Refer Note below)	3,850	3,850
3.	Professional fee paid to Mr. Jamnadas, a practicing Chartered Accountant, for professional services availed [TDS of ₹ 20,000 is deducted under section 194J of the Income-tax Act, 1961]	18,000	18,000
4.	Air conditioner purchased for office purpose	3,000	3,000

*Note - Landlord did not upload his GSTR-1 within the prescribed time resulting in the GST amount not being reflected in GSTR-2B of M/s. ABC & Co.*

Other suppliers have duly uploaded their GSTR-1 within the prescribed time and GST amount is reflected in GSTR-2B of M/s. ABC & Co.

Compute the net GST payable in cash by M/s. ABC & Co. for the month of April.

Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively assuming that all the remaining conditions of utilisation of ITC are fulfilled. **(10 Marks)**

- (b) Guru Enterprises (Delhi), a registered taxpayer, made a taxable supply to Y Ltd. (Delhi) for a price of ₹ 10,00,000 (excluding any tax or discounts). It received a price linked subsidy of ₹ 1,10,000 from Jiva Enterprises Pvt Ltd. The price of ₹ 10,00,000 is after consideration of such subsidy amount. Further, after delivery of the goods to Y Ltd., Guru Enterprises arranged post-delivery inspection of goods and charged ₹ 10,000 for the same.

In respect of above supply, Guru Enterprises had procured some raw material from X Ltd., for which it owed ₹ 25,000. The said amount was directly paid by Y Ltd. to X Ltd. and was not included in the price of goods of ₹ 10,00,000 mentioned above.

The payment of consideration for above supply was delayed by Y Ltd. Hence, an interest amount of ₹ 20,000 (in lumpsum) was also charged by Guru Enterprises.

The applicable tax rates are - CGST - 6%, SGST - 6% and IGST - 12%. You are required to determine value of taxable supply as well as the applicable tax liability for the above supply transaction. **(5 Marks)**

2. (a) Keshav Ltd., a registered company of Chennai, Tamil Nadu has provided following education related services for the month of October:

Particulars	Amount (₹)
Services of transportation of students, faculty and staff from home to college and back to Galgotian College, (a private college) providing degree courses in BBA, MBA, B.Com., M.Com.	2,50,000
Online monthly magazine containing articles and updates in law to students of Pariksha Law College offering degree courses in LLB and LLM	1,00,000
Housekeeping services to Career Coaching Institute	50,000
Security services to Happy Higher Secondary School for security in school premises	3,25,000
Services of providing breakfast, lunch and dinner to students of Ayushmann Medical College offering degree courses recognized by law in medical field	5,80,000

All the above amounts are exclusive of GST.

Compute the value of taxable supplies of Keshav Ltd. for the month of October with necessary explanations. **(6 Marks)**

- (b) Champak Ltd. avails legal services from a firm of advocates. The firm issues invoice for the services to Champak Ltd. on 17<sup>th</sup> Feb. However, Champak Ltd. was not happy with the services provided by the firm as its legal case was not handled by the firm in a professional manner and it resulted in the company losing the case. The company delayed the payment to the firm and finally made the payment on 3<sup>rd</sup> November.

Determine the time of supply of the legal services provided by the firm of advocates to Champak Ltd. **(4 Marks)**

3. (a) Answer the following questions:
- (i) Mr. Jagmag is a registered dealer in Kerala paying tax under composition levy from 1<sup>st</sup> April. However, he opts to pay tax under regular scheme from 1st December. Is he liable to file GSTR-4 for the said financial year during which he opted out of composition scheme? **(3 Marks)**
- (ii) Mrs. Gargi, a registered dealer in Rajasthan, did not file GSTR-3B for the month of June, but she wants to file GSTR-3B for the month of July. Is it possible? Answer with reference to section 39 of the CGST Act, 2017. **(2 Marks)**
- (b) Can a chartered accountant become a GST practitioner (GSTP)? Discuss. **(5 Marks)**
4. (a) What would be the place of supply of services provided by an event management company for organizing an event which is held in multiple States? **(5 Marks)**

**OR**

- (a) Services provided by an entity registered under section 12AB of the Income-tax Act, 1961 are exempt from GST if such services are provided by way of charitable activities. Elaborate the term 'charitable activities'. **(5 Marks)**
- (b) (i) List the details of outward supplies which can be furnished using Invoice Furnishing Facility (IFF). **(2 Marks)**
- (ii) Which are the commodities which have been kept outside the purview of GST? Examine the status of taxation of such commodities after introduction of GST. **(3 Marks)**

**MODEL TEST PAPER 4**  
**SECTION B – GOODS AND SERVICES TAX (50 MARKS)**  
**QUESTIONS**

- (i) *Working Notes should form part of the answers. However, in answers to Questions in Division A, working notes are not required.*
- (ii) *Wherever necessary, suitable assumptions may be made by the candidates, and disclosed by way of notes.*
- (iii) *All questions should be answered on the basis of the provisions of the CGST Act, 2017 and the IGST Act, 2017 as amended by the Finance (No. 2) Act, 2024 including significant notifications and circulars issued and other legislative amendments made, which have become effective up to 31.10.2024.*

**Division A - Multiple Choice Questions (MCQs)**

**Write the most appropriate answer to each of the following multiple-choice questions by choosing one of the four options given. All questions are compulsory.**

**Total Marks: 15 Marks**

M/s. Maahi & Co., a LLP registered dealer under GST, is engaged in various types of business activities.

It provided GTA services to Government Department, registered under GST for providing various services. Maahi & Co. did not exercise the option to pay GST.

The firm provided services of Direct Selling Agency (DSA Services) to a Banking Company located in Mumbai.

The firm provided free gift to each of its employees valuing ₹ 50,000 once in a financial year.

M/s Maahi & Co let out its warehouse to Mr. Shankar, who in turn let out to an agriculturist for warehousing of agricultural produce. The firm also undertakes catering service to "Vishwas" Anganwadi. The said Anganwadi has received fundings from Government.

The firm purchased following goods during the month of July:-

- (a) Capital goods amounting to ₹ 45,000 purchased on which depreciation has been taken on full value including GST paid thereon.
- (b) Raw materials purchased amounting to ₹ 55,000 for which invoice is missing but delivery challan is available.

Further, for the month of July, the GST liability of the firm was ₹ 20,000 IGST; ₹ 10,000 CGST; ₹ 10,000 SGST. The following credits were available in the said month-

IGST: ₹ 8,000

CGST: ₹ 12,000

SGST: ₹ 5,000



All the amounts given above are exclusive of taxes, wherever applicable. All the supply referred above is intra-State unless specified otherwise. Conditions for availing ITC are fulfilled subject to the information given above.

Based on the facts of the case scenario given above, choose the most appropriate answer to Q. Nos. 1 to 6 below:-

1. Choose the correct statement(s).
  - (i) For GTA services, Government is liable to pay GST under reverse charge
  - (ii) For DSA services, Banking Company is liable to pay GST under reverse charge
  - (iii) For GTA services, Maahi & Co is liable to pay GST under forward charge
  - (iv) For DSA services, Maahi & Co is liable to pay GST under forward charge
  - (a) i & ii
  - (b) iii & iv
  - (c) i & iv
  - (d) ii & iii
2. Which of the following options is correct in respect of GTA services provided to Government Department?
  - (a) GTA service is taxable @ 12% without restriction of availing input tax credit.
  - (b) GTA service is taxable @ 12%, but input tax credit cannot be availed for the same.
  - (c) GTA service is taxable @ 5% without restriction of availing input tax credit.
  - (d) GTA service is taxable @ 5%, but input tax credit cannot be availed for the same.
3. Gift of ₹ 50,000 in value provided by Maahi & Co to each of its employee will be:
  - (a) Supply of goods
  - (b) Supply of services
  - (c) Exempt supply
  - (d) Not a supply
4. Which of the following statements is correct:-
  - (i) Letting out of warehouse to Shankar is exempt
  - (ii) Catering service to "Vishesh" Anganwadi is exempt
  - (iii) Letting out of warehouse to Shankar is not exempt
  - (iv) Catering service to "Vishesh" Anganwadi is not exempt

- (a) i & ii  
 (b) iii & iv  
 (c) i & iv  
 (d) ii & iii
5. M/s Maahi & Co is eligible to claim input tax credit of \_\_\_\_\_  
 (a) ₹ 45,000  
 (b) ₹ 55,000  
 (c) ₹ 1,00,000  
 (d) Nil
6. Compute the GST liability of the firm for the month of July to be paid in cash, if rule 86B of the CGST Rules, 2017 is not applicable?  
 (a) IGST: ₹ 10,000; CGST: Nil, SGST: ₹ 5000  
 (b) IGST: ₹ 12,000; CGST: Nil; SGST: ₹ 5000  
 (c) IGST: Nil; CGST: ₹ 10,000, SGST: ₹ 5000  
 (d) IGST: 5,000; CGST: Nil, SGST: 10,000 **(6 x 2 Marks = 12 Marks)**
7. Kids Bazaar Pvt. Ltd., registered in Maharashtra sells kids clothing via an E-commerce operator Champ.com. Mr. Dhruv placed an order of 10 sets of Ethnic wear in different colours each costing ₹ 5,000 (GST @18% not included) on 20<sup>th</sup> October 2024. However, he returned 2 sets back after 2 days in accordance with the exchange policy of Champ.com. Determine the value of supply on which Champ.com should collect TCS from Kids Bazaar Pvt. Ltd.  
 (a) ₹ 40,000  
 (b) ₹ 59,000  
 (c) ₹ 50,000  
 (d) ₹ 47,200 **(2 Marks)**
8. 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?  
 (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. **(1 Mark)**

## Division B - Descriptive Questions

### Question No. 1 is compulsory.

**Attempt any two questions out of remaining three questions.**

**Total Marks:35 Marks**

1. (a) Vishwanath Ltd., a registered supplier in Karnataka has provided the following details for supply of one machine:

	Particulars	Amount in (₹)
(1)	List price of machine supplied [exclusive of items given below from (2) to (4)]	80,000
(2)	Tax levied by Local Authority on sale of such machine	6,000
(3)	Discount of 2% on the list price of machine was provided (recorded in the invoice of machine)	
(4)	Packing expenses for safe transportation charged separately in the invoice	4,000

Vishwanath Ltd. received ₹ 5,000 as price linked subsidy from a NGO on sale of each such machine, The Price of ₹ 80,000 of the machine is after considering such subsidy.

During the month of February, Vishwanath Ltd. supplied three machines to Intra-State customers and one machine to Inter-State customer.

Vishwanath Ltd. purchased inputs (intra-State) for ₹ 1,20,000 exclusive of GST for supplying the above four machines during the month.

The Balance of ITC at the beginning of February was:

CGST	SGST	IGST
₹ 18,000	₹ 4,000	₹ 26,000

Note:

- (i) Rate of CGST, SGST and IGST to be 9%,9% and 18% respectively for both inward and outward supplies.
- (ii) All the amounts given above are exclusive of GST.
- (iii) All the conditions necessary for availing the ITC have been fulfilled.

Compute the minimum net GST payable in cash by Vishwanath Ltd. for the month of February. **(10 Marks)**

- (b) Veda Ltd. procured the following goods in the month of August, 2024.

Inward Supplies	GST (₹)
(1) Goods used in constructing an additional floor of office building. The cost of construction of additional floor has been capitalized.	96,200

(2) Trucks used for transportation of inputs in the factory	11,000
(3) Inputs used in trial runs	8,350
(4) Confectionery items for consumption of employees working in the factory	4,325
(5) Cement used for making foundation and structural support to plant and machinery	9,550

Note: Depreciation has not been claimed on tax component in case of trucks.

Compute the amount of ITC available with Veda Ltd. for the month of August, 2024 by giving necessary explanations. Assume that all the other conditions necessary for availing ITC have been fulfilled. **(5 Marks)**

2. (a) Determine the place of supply in the following independent cases:-
- Harpreet (New Delhi) boards the New Delhi-Kota train at New Delhi. He sells the goods taken on board by him (at New Delhi), in the train, at Jaipur during the journey.
  - LP Refineries (Mumbai, Maharashtra) gives a contract to Bhansali Ltd. (Ranchi, Jharkhand) to supply a machine which is required to be assembled in a power plant in its refinery located in Kutch, Gujarat. **(5 Marks)**
- (b) Green Agro Services, a registered person provides the following information relating to its activities during the month of October, 2024:

Gross Receipts from	(₹)
Services relating to rearing of goats	3,75,000
Services by way of artificial insemination of horses	5,00,000
Processing of sugarcane into jaggery	7,00,000
Milling of paddy into rice	8,00,000
Services by way of warehousing of agricultural produce	2,25,000

All the above receipts are exclusive of GST.

Compute the value of taxable supplies under GST laws for the month of October, 2024. **(5 Marks)**

3. (a) Sheen Ltd. a registered supplier wishes to transport cargo by road between two cities situated at a distance of 372 kilometres. Calculate the validity period of e-way bill under rule 138(10) of the CGST Rules, 2017 for transport of the said cargo, if it is over dimensional cargo or otherwise. **(5 Marks)**
- (b) Apex Cinemas, a registered person engaged in making supply of services by way of admission to exhibition of cinematograph films in multiplex screens was issuing consolidated tax invoice for supplies at the close of each day in terms of section 31(3)(b) of the CGST Act, 2017 read with fourth proviso to rule 46 of the CGST Rules, 2017.

During the month of September, 2024, the Department raised objection for this practice and asked to issue separate tax invoices for each ticket. Advise Apex Cinemas for the procedure to be followed in this regard.

**(5 Marks)**

4. (a) Who are not eligible to opt for composition scheme for goods under GST laws? **(5 Marks)**

Or

- (a) Under the GST law, taxes on taxable services supplied by the Central Government or the State Government to a business entity in India are payable by recipient of services".

State the exceptions of the above statement. **(5 Marks)**

- (b) Who can be registered as Goods and Service Tax Practitioners under Section 48 of the CGST Act, 2017? **(5 Marks)**

**MODEL TEST PAPER 5**  
**SECTION B – GOODS AND SERVICES TAX (50 MARKS)**  
**QUESTIONS**

- (i) Working Notes should form part of the answers. However, in answers to Questions in Division A, working notes are not required.
- (ii) Wherever necessary, suitable assumptions may be made by the candidates, and disclosed by way of notes.
- (iii) All questions should be answered on the basis of the provisions of the CGST Act, 2017 and the IGST Act, 2017 as amended by the Finance (No. 2) Act, 2024 including significant notifications and circulars issued and other legislative amendments made, which have become effective up to 31.10.2024.

**Division A - Multiple Choice Questions (MCQs)**

**Write the most appropriate answer to each of the following multiple-choice questions by choosing one of the four options given. All questions are compulsory.**

**Total Marks: 15 Marks**

**Case Scenario 1**

FUTURE Insurance Ltd. is an insurance company providing life and general insurance services across India. The company has been carrying on its business for the past three years with the approval of IRDA.

FUTURE Insurance Ltd. secure its business through various insurance agents spread across India. Those agents include individuals, firm, LLP and private limited company also. However, all of them are licensed under the Insurance Act.

The company availed services of renting of motor vehicles for its employees in PAN India through 'RR Travels Private Limited', where cost of fuel is included in the consideration charged. The service provider charged 5% GST and informed the company that it is claiming ITC only in respect of the same line of business.

FUTURE Insurance Ltd. provided the following details of insurance business for the month of May-

Sl. No.	Nature of receipt	Amount in ₹
i.	Premium received on Pradhan Mantri Jan Dhan Yojana	5,00,000
ii.	Premium received on Aam Aadmi Bima Yojana	3,00,000
iii.	Premium received on Life micro-insurance product having a sum assured of ₹ 2.50 lakh	4,00,000
iv.	Premium received on reinsurance of Group Personal Accident Policy for Self-Employed Women	1,00,000
v.	Premium received on Fire and Special perils policy of various business units	7,00,000
vi.	Premium received on Money-back policies issued	12,00,000

FUTURE Insurance Ltd. received the following supplies in the month of May and the details of GST paid on such supplies are as follows-

- i GST paid on purchase of car for use of Managing Director – ₹ 5,00,000
- ii GST paid on bus (seating capacity for 14 persons) purchased by the company for transportation of its employees from their residence to office and back – ₹ 3,00,000
- iii GST of ₹ 80,000 was paid on general insurance taken from Amity Insurance Ltd. for motor vehicles for transportation of persons with seating capacity  $\leq$  13 persons (including the driver) which were used in transportation of staff of the company.

All the amounts given above are exclusive of taxes wherever applicable. All the supplies referred above are intra-State unless specified otherwise. Aggregate turnover of the company is not less than ₹ 10 crores for the past three years. Conditions necessary for availment of ITC are fulfilled subject to the information given.

Values given in the question, wherever required, are in accordance with the relevant CGST Rules, 2017.

Based on the facts of the case scenario given above, choose the most appropriate answer to Q. Nos. 1 to 3 below:

1. Determine the services on which the company is liable to pay tax under reverse charge?
  - (a) Service availed from insurance agents
  - (b) Service availed from RR Travels Private Limited
  - (c) None of the services availed attracts RCM
  - (d) Both (a) & (b)
2. Compute the total value of taxable supply made by FUTURE Insurance Ltd. for the month of May?
  - (a) ₹ 4,00,000
  - (b) ₹ 12,00,000
  - (c) ₹ 23,00,000
  - (d) ₹ 32,00,000
3. Determine the amount of ITC that can be claimed by FUTURE Insurance Ltd?
  - (a) ₹ 80,000
  - (b) ₹ 3,00,000
  - (c) ₹ 3,80,000
  - (d) ₹ 8,80,000

**(3 x 2 Marks = 6 Marks)**

## Case Scenario 2

Madurai Impex Ltd. ('company') is engaged in supplying sports goods. The company did not opt for registration under GST. The proper officer under GST, based on enquiry, finds that the company is liable for registration and he registers the firm on temporary basis on 15<sup>th</sup> June, 2024.

Further, in the month of February 2025, the company also generated an e-way bill for inter-State transport of goods. However, immediately on generation of the e-way bill, the buyer cancelled the order before it was dispatched from the factory for delivery.

In the month of March 2025, since the company was incurring heavy losses, it applied for cancellation of GST registration on 15<sup>th</sup> March 2025. The order for cancellation was made on 30<sup>th</sup> March 2025, effecting cancelling the registration with effect from 15<sup>th</sup> March 2025.

On the basis of the facts given above, choose the most appropriate answer to Q.4 to Q.6 below:

4. After the grant of temporary registration, Madurai Impex Ltd. needs to apply for registration within \_\_\_\_\_ from the date of grant of temporary registration, if no extension of period is to be granted for such temporary registration.
  - (a) 30 days
  - (b) 90 days
  - (c) 7 days
  - (d) 15 days
5. The Company needs to file its Final return by \_\_\_\_\_.
  - (a) 30<sup>th</sup> April, 2025
  - (b) 30<sup>th</sup> August, 2025
  - (c) 15<sup>th</sup> June, 2025
  - (d) 30<sup>th</sup> June, 2025
6. Which of the following statements is correct in respect of e-way bill generated for goods in the month of February for which order was cancelled?
  - (a) Once generated, E-way bill cannot be cancelled.
  - (b) E-way bill can be cancelled within 24 hours of generation
  - (c) E-way bill can be cancelled within 48 hours of generation
  - (d) E-way bill can be cancelled within 72 hours of generation

**(3 x 2 Marks= 6 Marks)**

7. ABC Insurance Ltd. received a proposal for pandemic insurance for cricket tournament organised by Lion's Club. Sum assured for said insurance was ₹ 20 Crores with a premium of ₹ 5 lakh. The company issued the said policy on 1<sup>st</sup> July. The invoice for the same was issued on 5<sup>th</sup> August. Premium was received on 14<sup>th</sup> August.



Determine the time of supply of service provided to Lion's Club?

- (a) 1<sup>st</sup> July
  - (b) 16<sup>th</sup> August
  - (c) 05<sup>th</sup> August
  - (d) 14<sup>th</sup> August
- (2 Marks)**

8. Mr. Naresh, a supplier of readymade garments issued an invoice to a customer and erroneously charged a higher value by ₹ 42,000. Such an invoice was issued on 28<sup>th</sup> October. Which document is required to be issued by the company in respect of the invoice issued on 28<sup>th</sup> October?

- (a) Debit note
  - (b) Credit note
  - (c) Bill of supply
  - (d) Revised Tax invoice
- (1 Mark)**

### Division B - Descriptive Questions

**Question No. 1 is compulsory.**

**Attempt any two questions out of remaining three questions.**

**Total Marks:35 Marks**

1. (a) Miss Shreya, proprietor of M/s. Happy Enterprise, a registered supplier of taxable goods and services in the state of West Bengal, pays GST under regular scheme. It is not eligible for any threshold exemption. It provided the following information for the month of December:

S. No.	Particulars	Amount (₹)
	<b><u>OUTWARD SUPPLY:</u></b>	
i.	Intra-state supply of goods to M/s. Reliable & Sons	7,00,000
ii.	Intra-state transfer of goods to its branch office in the state of West Bengal. Both places are under the same GSTIN.	1,00,000
iii.	Permanent transfer of old computers to orphanage home without consideration. Input tax credit was not availed on the same.	80,000
iv.	Advance received for Future supply of management consultancy service to Mr. Shubam (Intra-state supply)	40,000
	<b><u>INWARD SUPPLY: (Intra-state)</u></b>	
i.	Purchase of taxable goods from registered suppliers.	8,00,000
ii.	Availed Works Contract service for repair of office building. Amount of repair was debited in the profit & loss account.	30,000

iii.	Availed legal service from an advocate to represent the matter in the Court relating to collection of disputed proceed from customers.	50,000
------	--	--------

Notes:

(i) Rate of CGST, SGST and IGST on all supplies are as below:

Particulars	CGST	SGST	IGST
Goods	2.5%	2.5%	5%
Supply of services	9%	9%	18%

(ii) Both inward and outward supplies given above are exclusive of taxes.

(iii) All the conditions necessary for availing the ITC have been fulfilled.

(iv) The aggregate turnover of M/s Happy Enterprise in the preceding financial year exceeds the threshold limit for registration.

(v) Working note should form part of the answer.

Compute the net minimum GST payable in cash by M/s. Happy Enterprise for the month of December. **(10 Marks)**

(b) Renuka Sales, a registered supplier, receives 100 invoices (for inward supply of goods/ services) involving GST of ₹ 10 lakh, from various suppliers during the month of January. Out of 100 invoices, details of 80 invoices involving GST of ₹ 6 lakh have been furnished by the suppliers in their respective GSTR-1s filed on the prescribed due date therefor and such details have also been duly communicated to the recipients of such invoices in Form GSTR-2B.

Compute the ITC that can be claimed by Renuka Sales in its GSTR-3B for the month of January to be filed by 20<sup>th</sup> February assuming that GST of ₹ 10 lakh is otherwise eligible for ITC.

Make suitable assumptions, wherever necessary. **(5 Marks)**

2. (a) Comment on the taxability or otherwise of the following transactions under GST law. Also state the correct legal provisions for the same.

S. No.	Description of Services provided
(i)	Service provided by a private transport operator to Vintage Girls Higher Secondary School by way of transportation of students to and from the school.
(ii)	Services provided by way of vehicle parking to general public in a shopping complex.
(iii)	Food supplied by the canteen run by a hospital to the in-patients as advised by the doctors.

(iv)	An RWA in a housing society, registered under GST, collects the maintenance charges of ₹ 6,500 per month per member.
------	--

**(4 Marks)**

- (b) State the person liable to pay GST in the following independent case:
- (i) Legal Fees is received by Abhishek, an advocate, from M/s. Navya Trading Company, engaged in making taxable supplies and located in Maharashtra, having turnover of ₹ 50 lakh in preceding financial year.
- (ii) Padam Srivastav, an independent director, appointed in accordance with the provisions of the Companies Act, 2013, of One Fourth Pvt. Ltd., has received sitting fee amounting to ₹ 1 lakh from One Fourth Pvt. Ltd. for attending the Board meetings. **(6 Marks)**

3. (a) 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? **(5 Marks)**
- (b) Determine whether the suppliers in the following cases are eligible for composition levy, under section 10(1) & 10(2) of the CGST Act, 2017, provided their turnover in preceding year does not exceed ₹ 1.5 crore:
- (i) Shyam Enterprises is engaged only in trading of pan masala in Rajasthan and is registered in the same State.
- (ii) Sahaj Manufacturers has registered offices in Punjab and Haryana and sells goods manufactured by it in the neighbouring States. **(5 Marks)**
4. (a) An unregistered person Mr. Pappan from Faridabad travels by Air India flight from Pune to Delhi and gets his travel insurance done in Pune. What is the place of supply of insurance services? **(5 Marks)**

**Or**

- (a) GST is payable on advance received for supply of goods and services taxable under forward charge.
- Do you agree with the statement? Support your answer with legal provisions. **(5 Marks)**
- (b) "All taxpayers are required to file GSTR-1 only after the end of the tax period." Examine the validity of the statement. **(5 Marks)**

**MODEL TEST PAPER 6**  
**SECTION B – GOODS AND SERVICES TAX (50 MARKS)**  
**QUESTIONS**

- (i) *Working Notes should form part of the answers. However, in answers to Questions in Division A, working notes are not required.*
- (ii) *Wherever necessary, suitable assumptions may be made by the candidates, and disclosed by way of notes.*
- (iii) *All questions should be answered on the basis of the provisions of the CGST Act, 2017 and the IGST Act, 2017 as amended by the Finance (No. 2) Act, 2024 including significant notifications and circulars issued and other legislative amendments made, which have become effective up to 31.10.2024.*

**Division A - Multiple Choice Questions (MCQs)**

**Write the most appropriate answer to each of the following multiple-choice questions by choosing one of the four options given. All questions are compulsory.**

**Total Marks: 15 Marks**

**Case Scenario 1**

Anushka, registered under GST in the State of Madhya Pradesh, is engaged in supplying multiple taxable goods and services. She has undertaken the following activities/transactions in the month of October in the current financial year:

- (i) Donated some money to Netrajyoti Charitable Trust, Madhya Pradesh, in the memory of her late mother. The Netrajyoti Charitable Trust constructed a room in the school run by it from such donation and wrote “Donated by Miss. Anushka in the memory of her mother” on the door of the room so constructed.
- (ii) Organized a seminar in Indore which was sponsored by WE-WIN Cricket Academy, an LLP. Anushka received a sponsorship fee of ₹1,50,000.
- (iii) Ashoka Public School intended to distribute gift packages consisting of fountain pen, calculator and tape dispenser to its students on the occasion of Children’s Day. Therefore, it entered into a contract with Anushka on 28<sup>th</sup> October for supply of 2,000 packages at a single price of ₹ 250. Rates of GST for fountain pen, calculator and tape dispenser are 5%, 12% and 18% respectively.
- (iv) Received the following payments during the month of October:
  - earned ₹ 160,000 by performing at a western Indian cinematic concert in Indore
  - earned ₹ 50,000 for renting of space for use as a Textile Emporium
  - received ₹ 70,000 for supply of farm labour
- (v) Supplied machinery with a basic price of ₹ 45,000 (before TCS under Income Tax Act, 1961). Tax collected at source under Income-tax Act, 1961 on said machinery is ₹ 2,500. Further, a subsidy of ₹50,000 is received from Prakarti

Foundation Pvt. Ltd for usage of green energy and the subsidy was linked to energy saved during the month.

Anushka needs to transport one consignment to the transporter and then to the consignee. The distance, within the same State, between her godown and the transporter is 20 kms and from the place of transporter to consignee is 99 kms, respectively.

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

Based on the facts of the case scenario given above, choose the most appropriate answer to Q. Nos. 1 to 6 below:-

1. Donation made by Anushka to Netrajyoti Charitable Trust is \_\_\_\_\_.
  - (a) exempted from GST by way of a notification
  - (b) not a supply at all
  - (c) liable to GST under forward charge
  - (d) liable to GST under reverse charge
2. Which of the following statements is correct with respect to the sponsorship fee received by Anushka?
  - (a) Tax on sponsorship services is payable by Anushka under forward charge.
  - (b) Tax on sponsorship services is payable by WE-WIN Cricket Academy under reverse charge.
  - (c) Sponsorship services are exempt from GST since services provided to a sports academy are exempt.
  - (d) Tax on sponsorship services is payable by Anushka under reverse charge.
3. Determine the nature of supply and the applicable rate of GST for the packages supplied by Anushka to Ashoka Public School.
  - (a) composite supply & applicable rate of GST is 12%
  - (b) mixed supply & applicable rate of GST is 18%
  - (c) composite supply & applicable rate of GST is 18%
  - (d) mixed supply & applicable rate of GST is 12%
4. Out of all the payments received by Anushka in the month of October, value of exempt supply amounts to \_\_\_\_\_.
  - (a) ₹ 4,30,000
  - (b) ₹ 70,000
  - (c) ₹ 1,20,000

- (d) ₹ 2,20,000
5. The value of supply of machinery supplied by Anushka is \_\_\_\_\_.
- (a) ₹ 45,000  
 (b) ₹ 47,500  
 (c) ₹ 48,500  
 (d) ₹ 51,000
6. Which of the following statements is true in respect of furnishing of details of conveyance in Part B of e-way bill?
- (a) Part B need not be filed in respect of transport of consignment from Godown of Anushka to transporter location.  
 (b) Part B need not be filed in respect of transport of consignment from transporter location to consignee's location.  
 (c) Information in Part-B is neither required in transport of consignment from Godown of Anushka to transporter location nor from transporter location to consignee's location.  
 (d) Information in Part-B is mandatory in transport of consignment from Godown of Anushka to transporter location and from transporter location to consignee's location. **(6 x 2 Marks = 12 Marks)**
7. While filing return for the month of November, a firm - Vedika & Co. - registered under GST generated E-Challan on 5<sup>th</sup> December for making payment of GST through RTGS of their bank. Determine the validity of E-Challan generated by Vedika & Co. for payment of taxes for the month of November?
- (a) 5<sup>th</sup> December  
 (b) 15<sup>th</sup> December  
 (c) 20<sup>th</sup> December  
 (d) 31<sup>st</sup> December **(1 Mark)**
8. Vikas Nigam Limited (a Public Sector Undertaking) has placed an order to Bharti Steels registered in Bokaro, Orissa for supply of 70 Iron shields each costing ₹ 12000 (exclusive of GST). However, the supply will take place in 3 lots containing 10 shields, 20 shields, 40 shields on different days. Determine whether tax is required to be deducted under GST law by Vikas Nigam Limited on the above order?
- (a) No TDS will be deducted  
 (b) TDS to be deducted on the third lot of 40 shields only as value exceeds Rs. 2,50,000  
 (c) TDS to be deducted on entire order of 70 shields  
 (d) TDS to be deducted on supply of 2nd order of 20 shields **(2 Marks)**

## Division B - Descriptive Questions

**Question No. 1 is compulsory.**

**Attempt any two questions out of remaining three questions.**

**Total Marks:35 Marks**

1. (a) Aashima Limited, a registered dealer in Patna (Bihar), is engaged in various types of supplies. The company provided the following details for the month of January 2025:

Sl. No.	Particulars	Amount in ₹		
(i)	Outward supply of goods made during the month to various non-related persons:	As given in particulars column		
	<b>Particulars</b>		<b>Market value</b>	<b>Transaction Value (₹)</b>
	a. in the State of Bihar (Intra-State)		3,00,000	4,00,000
	b. to other States (Inter-State)		2,00,000	1,00,000
(ii)	Services by way of warehousing of potato chips (Inter-State transaction)	5,00,000		
(iii)	Stock transfer without consideration to its branch at Gaya (Bihar). Branch has separate GSTN for convenience of accounting and billing. Value under section 15 of the CGST Act, 2017 - ₹ 20,000 (Intra -State)	Nil		
(iv)	Intra-State inward supply of various services for use in the course or furtherance of business (30 invoices)	6,50,000		

### **Additional Information:**

- (a) All the amounts given above are exclusive of taxes.
- (b) During the course of arranging and filing documents, the accountant of Aashima Limited observed that an invoice for ₹ 30,000 (excluding tax) dated 02.12.2024 was omitted to be recorded in the books of accounts and no payment was made against the same till the end of January 2025. This invoice was issued by Mr. Suhaas of Patna, from whom Aashima Limited had taken cars on rental basis. Invoice included cost of fuel also. (Intra-State transaction).
- (c) Rate of GST applicable on various supplies are as follows:

Nature of supply	CGST	SGST	IGST
Car rental service	2.5%	2.5%	5%
All other inward and outward supplies	9%	9%	18%

- (d) No opening balance of input tax credit exists in the beginning of the month.
- (e) Out of the 30 invoices of inward supply received, 6 invoices with taxable value amounting to ₹ 1,50,000 were e-invoices in which Invoice Reference Number (IRN) was not mentioned. However, all the invoices were duly reflected in GSTR 2B for the month of January 2025, since the suppliers had filed their GSTR-1.
- (f) Subject to the information given above, conditions necessary for claiming ITC were complied with.
- (g) Aashima Ltd. is not engaged in renting of cars business.

You are required to calculate the amount of net GST liability payable in cash by Aashima Limited for the month of January 2025. Brief notes for treatment given for each item should form part of your answer.

**(10 Marks)**

- (b) Shri Narayan Pvt. Ltd., a registered supplier, furnishes the following information relating to goods sold by it to Shri Ram Pvt. Ltd.-

S. No.	Particulars	Amount (₹)
(i)	Price of the goods [excluding taxes and other charges mentioned at S. Nos. (iii), (v) and (vi)]	1,00,000
(ii)	Municipal tax	2,000
(iii)	Inspection charges	15,000
(iv)	Subsidy received from Shri Shyam Trust [Subsidy is directly linked to the goods supplied]	50,000
(v)	Late fees for delayed payment inclusive of GST [Shri Ram Pvt. Ltd. paid the late fees. However, these charges were ultimately waived by Shri Narayan Pvt. Ltd. and the amount was refunded to Shri Ram Pvt. Ltd. during the same month]	1,000
(vi)	Weighment charges [Such charges were paid by Shri Ram Pvt. Ltd. to Radhe Pvt. Ltd. on behalf of Shri Narayan Pvt. Ltd.]	2,000

Note: Price of the goods is net of the subsidy received.

Determine the value of taxable supply made by Shri Narayan Pvt. Ltd. to Shri Ram Pvt. Ltd. **(5 Marks)**



2. (a) Determine the time of supply from the given information in each of the following independent cases:

(i)

Particulars	Date
Supplier invoices goods taxable on reverse charge basis to Saroj & Co. (30 days from the date of issuance of invoice elapse on June 3)	May 4
Saroj & Co receives the goods	May 12
Saroj & Co makes the payment	May 30

(ii)

Particulars	Date
Supplier invoices goods taxable on reverse charge basis to Durable & Co. (30 days from the date of issuance of invoice elapse on June 3)	May 4
Durable & Co receives the goods, which were held up in transit	June 12
Payment made for the goods	July 3

**(4 Marks)**

- (b) Examine whether the following activities would amount to supply under section 7 read with Schedule I:

(i) Rimjhim Manufacturers have a factory in Delhi and a depot in Mumbai. Both these establishments are registered in respective States. Finished goods are sent from factory in Delhi to the Mumbai depot without consideration so that the same can be sold from the depot.

(ii) Mohan is an architect in Chennai. His brother who is settled in London is a well-known lawyer. Mohan has taken legal advice from him free of cost with regard to his family dispute. **(6 Marks)**

3. (a) World Fashions, a registered supplier of designer outfits in Delhi, decides to exhibit its products in a Fashion Show being organised at Hotel Green India, Delhi on 4<sup>th</sup> January. For the occasion, it gets the service by way of makeover of its models from Glamour Beauty Services Ltd., Mayur Vihar, on 4<sup>th</sup> January, for which a consideration of ₹ 5,00,000 (excluding GST) has been charged. Glamour Beauty Services Ltd. issued a duly signed tax invoice on 10<sup>th</sup> February showing the lumpsum amount of ₹ 5,90,000 inclusive of CGST and SGST @ 9% each for the services provided. Answer the following questions:

(i) Examine whether the tax invoice has been issued within the time limit prescribed under law.

(ii) Tax consultant of World Fashions objected to the invoice raised suggesting that the amount of tax charged in respect of the taxable

supply should be shown separately in the invoice raised by Glamour Beauty Services Ltd. However, Glamour Beauty Services Ltd. contended that there is no mandatory requirement of showing tax component separately in the invoice. You are required to examine the validity of the objection raised by tax consultant of World Fashions. **(5 Marks)**

- (b) M/s Balaji Electronics, a registered dealer, is supplying all types of electronic appliances in the State of Karnataka. Its aggregate turnover in the preceding financial year by way of supply of appliances is ₹ 120 lakh.

The firm also expects to provide repair and maintenance service of such appliances from the current financial year.

With reference to the provisions of the CGST Act, 2017, examine:

- (i) Whether the firm can opt for the composition scheme, under section 10(1) and 10(2), for the current financial year, as the turnover may include supply of both goods and services?
- (ii) If yes, up to what amount, the services can be supplied?

**(5 Marks)**

4. (a) What is the place of supply for mobile connection? Can it be the location of supplier? **(5 Marks)**

**Or**

- (a) What would be the place of supply of services provided by an event management company for organizing a sporting event for a Sports Federation which is held in multiple States? **(5 Marks)**
- (b) What are the documents and devices to be carried by person-in-charge of conveyance under rule 138A of CGST Rules, 2017? Also explain the meaning of consignment value of goods. **(5 Marks)**

**MODEL TEST PAPER 7**  
**SECTION B – GOODS AND SERVICES TAX (50 MARKS)**  
**QUESTIONS**

- (i) *Working Notes should form part of the answers. However, in answers to Questions in Division A, working notes are not required.*
- (ii) *Wherever necessary, suitable assumptions may be made by the candidates, and disclosed by way of notes.*
- (iii) *All questions should be answered on the basis of the provisions of the CGST Act, 2017 and the IGST Act, 2017 as amended by the Finance (No. 2) Act, 2024 including significant notifications and circulars issued and other legislative amendments made, which have become effective up to 31.10.2024.*

**Division A - Multiple Choice Questions (MCQs)**

**Write the most appropriate answer to each of the following multiple-choice questions by choosing one of the four options given. All questions are compulsory.**

**Total Marks: 15 Marks**

**Case Scenario 1**

Poorva Logistics, a Goods Transport Agency, is registered under GST. It did not exercise the option to pay GST itself on the services supplied by it in the preceding financial year. It provided goods transport services to the following persons in February of preceding financial year-

- (a) Kunal Traders, an unregistered partnership firm
- (b) Mr. Amar, a casual taxable person, who is not registered under GST
- (c) Small Traders Co-Operative Society registered under Societies Registration Act

In a particular consignment in March of preceding financial year, Poorva Logistics transported the following-

- (a) Defence Equipments
- (b) Railway Equipments
- (c) Organic Manure

Poorva Logistics exercises the option to itself pay GST on services supplied by it @ 12% from April, of the current financial year. It provided goods transport services to Bama Steels Pvt. Ltd. on 1<sup>st</sup> April and issued an invoice dated 5<sup>th</sup> May. Payment was received on 6<sup>th</sup> May.

Based on the facts of the case scenario given above, choose the most appropriate answer to Q. Nos. 1 to 3 below:

1. Which of the following persons are liable to pay GST under reverse charge in respect of the GTA services provided by Poorva Logistics in February of the preceding financial year?

- (i) Kunal Traders
  - (ii) Mr. Amar
  - (iii) Small Traders Co-operative society
  - (a) i & ii
  - (b) ii & iii
  - (c) i & iii
  - (d) i, ii & iii
2. Transportation of \_\_\_\_\_ by Poorva Logistics is exempt from GST.
- (i) Defence Equipments
  - (ii) Railway Equipments
  - (iii) Organic Manure
  - (a) i
  - (b) i & ii
  - (c) i & iii
  - (d) i , ii & iii
3. What will be the time of supply in respect of the services provided by Poorva Logistics to Bama Steels Pvt. Ltd.?
- (a) 6<sup>th</sup> May
  - (b) 5<sup>th</sup> May
  - (c) 30<sup>th</sup> May
  - (d) 1<sup>st</sup>April
- (3 x 2 Marks = 6 Marks)**

### **Case Scenario 2**

Ms. Chanchala, a doctor by profession, is a registered person under GST as a monthly return filer, having in-patient facility in her hospital wherein room charges are capped at ₹ 3000 per day.

Ms. Chanchala provided treatment of various diseases in her hospital and apart from that she also provided the following services in her hospital-

- (a) Plastic surgery to enhance the beauty of the face
- (b) Ambulance service for transportation of patients
- (c) Renting of space to run medical store in hospital premises

She is also a consultant in other hospitals and received ₹ 40,00,000 as consultancy fee from the other hospitals.

Further, she also provides canteen facility and received ₹ 55,000 from in-patients for supply of food as per advise of nutritionist, ₹ 35,000 from patients who are not admitted and ₹ 25,000 from visitors for the same facility.

She filed GSTR-3B for the month of June with some errors. She filed the Annual return for the said financial year on 31st October of the next financial year, whereas due date for the said Annual return was 31st December of the next financial year.

All the amounts given above are exclusive of taxes, wherever applicable. All the supplies referred above are intra-State unless specified otherwise.

Based on the facts of the case scenario given above, choose the most appropriate answer to Q. Nos. 4 to 6 below:

4. Compute the taxable value of supply of canteen service provided by Ms. Chanchala?
  - (a) ₹ 25,000
  - (b) ₹ 35,000
  - (c) ₹ 60,000
  - (d) ₹ 80,000
5. Maximum time permissible for rectification of error committed in monthly return of June is \_\_\_\_\_
  - (a) 30<sup>th</sup> November of the next year
  - (b) 31<sup>st</sup> October of the next year
  - (c) 20<sup>th</sup> October of the next year
  - (d) 31<sup>st</sup> December of the next year
6. Determine which of the following services provided by Ms. Chanchala and her hospital is exempt from GST?
  - (i) Plastic surgery to enhance the beauty of the face
  - (ii) Ambulance service for transportation of patients
  - (iii) Renting of space to run medical store in hospital premises
  - (iv) Consultancy service by Ms. Chanchala in other hospitals
  - (a) (i), (ii) & (iv)
  - (b) (i), (ii)
  - (c) (ii) & (iv)
  - (d) (i) & (iii)

**(3 x 2 Marks = 6 Marks)**

7. Leno Ltd., registered under GST has the balance of Rs. 90,000 in its electronic credit ledger. It has the balance of Rs. 85,000 in its electronic cash ledger. The liability under GST law at the end of tax period is-Penalty Rs. 20,000 and output tax-Rs. 55,000. Which of the following statement(s) is correct in relation to utilisation of e-ledger balance?
  - (i) Entire liability can be set off by using the balance of electronic credit ledger.
  - (ii) Entire liability can be set off by using the balance of electronic cash ledger.

- (iii) Electronic credit ledger balance can be used only for making payment of output tax.
  - (iv) Electronic cash ledger balance can be used only for making payment of penalty.
  - (a) (i) only
  - (b) (ii) only
  - (c) (ii) and (iii)
  - (d) (i) and (iv)
- (2 Marks)**

8. Mint Ltd, registered under GST is engaged in providing warehousing service of rice. During the month of May, Mr. Ghanshyam from Fazilka undertook the warehousing service from Mint Ltd. Mint Ltd. charged Rs. 15,000 as consideration for the said service but it did not issue any document to Mr. Ghanshyam. Which is the most appropriate answer in the given case?
- (a) Mint Ltd. is not required to issue any document.
  - (b) Mint Ltd. is required to issue tax invoice in the given case.
  - (c) Mint Ltd. is required to issue bill of supply in the given case.
  - (d) Mint Ltd. is required to issue payment voucher in the given case.

**(1 Mark)**

### **Division B - Descriptive Questions**

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

**Attempt any two questions out of remaining three questions.**

1. (a) Evershine Pvt. Ltd., a GST registered supplier located in Jaipur, Rajasthan is engaged in taxable supply of packaging goods and consultancy services. It provides following details of various activities undertaken during the month of September, 2024:
- (A) Details of Outward Supplies:
- (1) Supply of goods of ₹ 18,00,000 to Vaidehi Enterprises, a registered person of Udaipur, Rajasthan. Further, received ₹ 50,000 from Vaidehi Enterprises towards freight charges (as agreed to deliver the goods at Vaidehi Enterprises' premises) which was not included in above value of supply.
  - (2) Supply of goods worth ₹ 35,00,000 to Calc. Exim, a registered person of Prayagraj, Uttar Pradesh. Further, the amount of ₹ 60,000 charged separately (not included above) from Calc. Exim on account of municipal taxes levied in relation to such outward supply.
  - (3) Supply of services to Sunshine Ltd., a registered person in Jodhpur, Rajasthan before discount worth ₹ 6,00,000. Further, discount of ₹ 30,000 which has been given at the time of

supply of service and duly recorded in the invoice.

- (4) It delivered the goods worth ₹ 2,00,000 to Jeevan Solutions, a registered person located at Bikaner, Rajasthan on the direction of Raghu Enterprise, a registered person of Mumbai, Maharashtra and tax invoice was issued by Evershine Pvt. Ltd. to Raghu Enterprise of Mumbai, Maharashtra.

(B) Details of Inward Supplies:

- (1) Purchased raw material goods worth ₹ 20,00,000 from PQR Ltd; a GST registered dealer, located at Kanpur, Uttar Pradesh. Goods worth ₹ 1,00,000 out of total purchases were not received during the month.
- (2) Purchased machinery for manufacturing process worth ₹ 2,00,000 from MPQ Pvt. Ltd., a GST registered dealer, located at Bengaluru, Karnataka. Company has claimed depreciation under Income- tax Act 1961 on full value of the machine, including the GST component.
- (3) Purchased truck worth ₹ 15,00,000 from GST registered dealer, located at Ajmer, Rajasthan for transportation of its goods. GST rate on truck is: CGST 14%, SGST 14%, IGST 28%. No depreciation has been claimed on said truck under the Income-tax Act, 1961.
- (4) Purchased car (having seating capacity of 7 persons) costing to ₹ 10,00,000 excluding GST from Mihir Automobiles Pvt. Ltd., a GST registered dealer, located at Ajmer, Rajasthan for use of its director for official purpose. GST rate on car: CGST 14%, SGST 14%, IGST 28%
- (5) Purchased goods worth ₹ 5,00,000 from DEF Buildwell Pvt. Ltd., a registered person of Jaipur, Rajasthan for construction of an additional floor of factory building, of Evershine Pvt. Ltd. The amount has been capitalized in the books of Evershine Pvt. Ltd..

Opening balance of Input tax credit as on the beginning of September 2024-CGST ₹ 20,000, SGST ₹ 50,000 and IGST ₹ 75,000.

Rate of GST applicable on both inward and outward supply of goods & services: CGST 9%, SGST 9% and IGST @18%, except where otherwise provided.

Notes:

- (i) All the figures mentioned above are exclusive of taxes.
- (ii) Subject to the information given above, conditions necessary for claiming ITC were complied with.
- (iii) All inward supplies are used for taxable goods only.
- (iv) Brief and suitable notes should form part of your answer.

Calculate the amount of net minimum GST payable in cash by Evershine Pvt. Ltd. for the month of September, 2024 **(10 Marks)**

(b) Mr. Ravindra, a registered person in Bhopal, Madhya Pradesh has provided the following information regarding outward transactions made during the month of January:

- (1) He was appointed by recognized sports body as a chief selector of hockey team and received ₹ 5,00,000 as remuneration.
- (2) Services of pure labour contract was provided for construction of independent residential unit for ₹ 1,80,000.
- (3) Income received from warehousing of sugarcane ₹ 75,000.
- (4) Provided pure services to Municipal Corporation of Bhopal for slum improvement and upgradation for ₹ 6,50,000.
- (5) He has charged consideration of ₹ 1,25,000 against western music dance performance in an event.

You are required to compute the taxable value of supply on which GST is to be paid by Mr. Ravindra for the month of January. All the amount stated above are exclusive of GST, wherever applicable.

Suitable Notes should form part of answer. **(5 Marks)**

2. (a) As per the CGST Act 2017, Vishnu Limited was not mandatorily required to get registered, however it opted for voluntary registration and applied for registration on 12<sup>th</sup> February 2024. Registration certificate has been granted by the Department on 24<sup>th</sup> February 2024, Vishnu Limited is not engaged in making inter-State outward taxable supplies. The CGST and SGST liability for the month of February, 2024 is ₹ 31,000 each. Vishnu Limited provides the following information of goods held in stock on 23<sup>rd</sup> February 2024:

Sr. No.	Particulars	Amount (₹)
1.	Capital goods procured on 5 <sup>th</sup> February 2024, (Rate of CGST and SGST @ 6% each) being intra State supply.	2,00,000
2.	Inputs contained in finished goods stock held were procured on 13 <sup>th</sup> February 2023 (Rate of IGST @18%) being inter-State supply.	3,00,000
3.	Value of Inputs received on 10 <sup>th</sup> October, 2023 contained in semi-finished goods held in stock (Rate of CGST and SGST @ 6% each) being intra-State supply.	2,50,000
4.	Inputs procured on 1 <sup>st</sup> February 2024 lying in stock of semi -finished goods	1,50,000



	(Rate of CGST and SGST @ 7.5 % each) being intra-State supply.	
5.	Inputs procured on 8 <sup>th</sup> February 2024 lying in stock of finished goods. (Rate of IGST @ 18%) being inter-State supply.	60,000

The amounts mentioned above are exclusive of GST. You are required to determine the eligible ITC available and amount of net minimum GST to be paid in cash by Vishnu Limited for the month of February 2024. **(5 Marks)**

(b) Examine the following independent cases and determine the place of supply:

- (1) Mr. Joy, an unregistered person of Kolkata, West Bengal sends a courier through Kolkata, West Bengal based Mohan Courier Agency to his sister in Mumbai, Maharashtra.
- (2) Mr. Nitin, an unregistered person, resides at Rewa, Madhya Pradesh books a two way air journey ticket from Prayagraj, Uttar Pradesh to Jaipur, Rajasthan on 6 September and back. He leaves Prayagraj on 11 September in a morning flight and land in Jaipur the same day. He leaves Jaipur on 15 September in a late night flight and lands in Prayagraj the next day.
- (3) Rimjhim Pvt. Ltd, located at Lucknow, Uttar Pradesh, purchases a manufacturing machine from Manav Steel Industries Ltd., located at Jaipur, Rajasthan, for being installed in its factory located at Haridwar, Uttarakhand. **(5 Marks)**

3. (a) GSTR 3B for the month of January 2024 has been filed by M/s Avisha Limited, a registered person, within the due date prescribed by the CGST Act 2017 which is on February 20<sup>th</sup>, 2024. It came to the notice of the Co. that tax due for the month of January, 2024 has been paid short by ₹ 16,000. The short fall of ₹ 16,000 has been paid through cash ledger and credit ledger at the time of filing GSTR 3B for the month of February 2024 on March 20<sup>th</sup>, 2024 in the following manner:

Particulars	Cash Ledger	Credit Ledger
Shortfall	₹ 12,000	₹ 4,000

Assume that electronic cash ledger and credit ledger carry sufficient balance for the above short fall.

- (i) You are required to calculate the amount of interest payable if any under section 50 of the CGST Act 2017 and rule 88B of the CGST rules 2017.
- (ii) Give the effect if GSTR3B for the month of January 2024 had been filed belatedly on March 20, 2024 and all other conditions remaining same.

Calculation should be rounded off to nearest rupee. As 2024 is leap year, give effect of same. **(5 Marks)**

- (b) Who is liable to collect TCS (collection of tax at source) under Section 52 of the CGST Act, 2017. Briefly explain the provisions relating to registration, filing of return and deposit of TCS to Government as per the provisions of section 52 of the CGST Act, 2017 and rule 12 of the CGST Rules, 2017. **(5 Marks)**
4. (a) Describe the conditions to be satisfied for availing deduction of post supply discounts from the value of supply as per the provisions of section 15(3) of the CGST Act 2017. **(5 Marks)**

OR

- (a) Examine the existence of "consideration" for donation received by charitable institutions from individual donors, without quid pro quo an important feature as defined in section 2(31) of the CGST Act, 2017. **(5 Marks)**
- (b) Mohan Enterprise is a registered person having principal place of business in Gandhinagar, Gujarat. They received legal services of advocate -Sameer, a registered person from Ahmedabad, Gujarat. Shekhar, an unregistered person provided services of labour to Mohan Enterprise. Explain the provisions relating to issue of invoice by recipient Mohan Enterprise if he is liable to pay tax under reverse charge under Section 9(3) or 9(4) of the CGST Act, 2017. **(5 Marks)**

**MODEL TEST PAPER 8**  
**SECTION B – GOODS AND SERVICES TAX (50 MARKS)**  
**QUESTIONS**

- (i) Working Notes should form part of the answers. However, in answers to Questions in Division A, working notes are not required.
- (ii) Wherever necessary, suitable assumptions may be made by the candidates, and disclosed by way of notes.
- (iii) All questions should be answered on the basis of the provisions of the CGST Act, 2017 and the IGST Act, 2017 as amended by the Finance (No. 2) Act, 2024 including significant notifications and circulars issued and other legislative amendments made, which have become effective up to 31.10.2024.

**Division A - Multiple Choice Questions (MCQs)**

**Write the most appropriate answer to each of the following multiple-choice questions by choosing one of the four options given. All questions are compulsory.**

**Total Marks: 15 Marks**

**Case Scenario 1**

M/s. Veena & Co. of Jabalpur was registered under GST under composition scheme. Outward Supply of the firm for the month of July 2024 was ₹ 10 lakh, out of which ₹ 2 lakh was supply of services. In the preceding financial year, the firm was doing trading of taxable goods only. Turnover of the concern for the previous financial year was ₹ 100 lakh.

The firm imported the following services during August, 2024:

- (a) Architect services from Mr. Vinod, a partner of the firm, who resides in France for ₹ 1,00,000. The said service was paid but not used for the furtherance of the business.
- (b) Management consultancy services from Mr. Lal, a renowned lawyer in Sweden, who was an ex-employee of the firm. The value of the said service was ₹ 3,00,000. Even though it was used in the furtherance of the business, no consideration was paid by the firm.

Aggregate Turnover of the firm crossed the limit of ₹ 150 lakh on 25.09.2024 from which date the firm was liable to pay tax under regular scheme.

All the amounts given above are exclusive of taxes wherever applicable. All the supply referred above is intra-State unless specified otherwise.

From the information given above, choose the most appropriate answer for the 1-3 questions:

1. Tax liability of Veena & Co. for the month of July 2024 is ₹ \_\_\_\_\_ each under CGST and SGST.
  - (A) 5,000
  - (B) 9,000

- (C) 10,000  
(D) 14,000 **(2 Marks)**
2. Import of services by Veena & Co. that will be treated as supply is ₹ \_\_\_\_\_.
- (A) Nil  
(B) ₹ 1,00,000  
(C) ₹ 3,00,000  
(D) ₹ 4,00,000 **(2 Marks)**
3. Veena & Co. will be eligible to claim ITC held on Stock and Capital goods as on \_\_\_\_\_.
- (A) 01-09-2024  
(B) 24-09-2024  
(C) 25-09-2024  
(D) 30-09-2024 **(2 Marks)**

### Case Scenario 2

Pawan was engaged in providing various services within the State of Rajasthan since May 2024. His aggregate turnover crossed the threshold limit on 04.07.2024. He applied for registration under GST on 02.08.2024. He got his GST registration on 10.08.2024.

After taking registration, Pawan started a business across India including supply of goods also. He dispatched goods pan India based on orders he got for the goods dealt by him.

He received an order from Delhi for which he supplied taxable goods valuing ₹ 45,000. Applicable rate of IGST was 12%. He also supplied certain exempted goods valuing ₹ 4,000. He made one invoice for both taxable as well as exempted supply made to Delhi.

He asked his tax consultant for the requirement of generation of e-way bill for this order. Tax consultant informed him that the requirement of e-way bill is based on consignment value of goods supplied.

Even being a micro enterprise, Pawan did not receive timely payment from his customers as a result of which he ran into severe cash crunch and eventually could not make on-time payment to his suppliers. As a result, he decided to shut down his business and got placed in a software company as a senior programmer executive.

While shutting down his business, he informed his tax consultant to cancel the GST registration. Tax consultant surrendered his registration online in GST Portal on 25.10.2024 and his application for cancellation was approved by the Proper Officer on 31.10.2024.

All the amounts given above are exclusive of taxes wherever applicable.

From the information given above, choose the most appropriate answer for the 4-6 questions:

4. Effective date of registration of Pawan is \_\_\_\_\_.
- (A) 04.07.2024  
(B) 02.08.2024  
(C) 03.08.2024  
(D) 10.08.2024 **(2 Marks)**
- 5.. Consignment value of goods supplied to Delhi by Pawan is ₹ \_\_\_\_\_.
- (A) 45,000  
(B) 49,000  
(C) 50,400  
(D) 54,400 **(2 Marks)**
6. Due date by which Pawan is supposed to file Final return under GST is \_\_\_\_\_.
- (A) 25.11.2024  
(B) 30.11.2024  
(C) 25.01.2025  
(D) 31.01.2025 **(2 Marks)**
7. Smita Limited made an outward supply of garments at an agreed price of ₹ 5,00,000. The company charged 'Go Green Cess' levied by Local municipal corporation amounting to ₹ 10,000 for this supply. As the customer made payment within 3 days from the date of delivery, Smita Limited provide a discount of ₹ 5,000 separately as a customer friendly measure, even though no prior agreement was made on discount. Value of Supply made by Smita Limited u/s 15 is ₹ \_\_\_\_\_
- (A) 5,05,000  
(B) 5,10,000  
(C) 5,00,000  
(d) 5,15,000 **(2 Marks)**
8. 'Truth is God', a religious trust u/s 12AA of the Income-tax Act, 1961, provides service by way of renting of premises within the precincts of a religious place which is exempt upto ₹ \_\_\_\_\_.
- (A) ₹ 999 per day  
(B) ₹ 1,000 per day  
(C) ₹ 9,999 per day  
(D) ₹ 10,000 per day **(1 Mark)**

## Division B - Descriptive Questions

### Question No. 1 is compulsory.

Attempt any two questions out of remaining three questions.

#### Question 1

1. (a) DEF Pvt. Ltd., a registered supplier of goods and services in Pune, Maharashtra, has furnished the following details for the month of January, 2025. The turnover of DEF Pvt. Ltd. was ₹ 3.2 crores in last financial year.

Sr. No.	Particulars	Amount (₹)
1.	Intra State outward supply of taxable goods	5,00,000
2.	DEF Pvt. Ltd. had provided service of booking of flight tickets for employee of H Enterprise (registered in Delhi) in the economy class from Bagdogra (West Bengal) to Pune Maharashtra.	20,000 (service fee charged)
3.	DEF Pvt. had purchased goods worth ₹ 5,00,000 from R Ltd. (registered in Gujarat) on 15.03.2024. Now R Ltd. issued debit note on 15.01.2025 for post delivery service to DEF Pvt. Ltd. as per part of terms of sales.	25,000
4.	DEF Pvt. Ltd. had sold one of its unit in Pune as a going concern (with all goods and unexecuted orders) to H Ltd. (registered in New Delhi)	10,00,000
5.	DEF Pvt. Ltd. had provided service to Mr. Y (registered in Punjab) to organise business exhibition in Dubai.	5,00,000
6.	Inter-State outward supply of service	10,00,000
7.	Amount towards receipt of intra State services	6,00,000
8.	Purchase of confectionery items which are to be used to supply free of cost to customers in a customer meet organised by DEF Pvt. Ltd.	1,00,000

Opening balance of Input Tax credit at the beginning of Jan 2025.

CGST ₹ 25,000

SGST ₹ 25,000

IGST ₹ 30,000

#### Additional Information:

- (1) Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively unless otherwise mentioned.
- (2) Both inward and outward supplies are exclusive of taxes, wherever applicable.
- (3) All the conditions necessary for availing the ITC have been fulfilled.

From the information given above, compute the output tax liability and input tax credit available to DEF Pvt. Ltd., for the month of January, 2025. Make suitable assumptions wherever required. **(10 Marks)**

- (b) ABC Infra, is a partnership firm registered under GST. It furnishes the following details about services provided during the month of February:

	<b>Particulars</b>	<b>Amount (exclusive of GST)</b>
(i)	Consideration received from neighbouring Housing Cooperative Society as ABC Infra agrees to install effluent plant for treatment of wastewater even though is no legal requirement to do so.	5,50,000
(ii)	Consideration received from distribution of passes for cricket match organized as firm's annual event. Total 500 passes have been distributed.	2,42,500
(iii)	Services given of booking air tickets in economy class for flight between Mumbai to Manipur.	1,20,000 (service fee charged)
(iv)	Services given for construction of buildings to State Government in relation to function entrusted to Municipality under article 243W of the Constitution. Construction material used of ₹ 2,79,375 is included in the given figure.	8,20,000

All supplies mentioned above are intra-State supplies. GST rates for CGST, SGST, IGST are 9%, 9%, 18% respectively. Compute the GST payable by the ABC Infra for the month of February. **(5 Marks)**

2. (a) M/s. T is a registered dealer of Andhra Pradesh trading in different types of machinery and its related different types of services. Their aggregate turnover for the preceding financial year 2023-24 for sale of machinery was ₹ 1.32 crores, it was first year so they had not started for providing service related to machinery. From FY 2024-25 they are planning to provide repair and maintenance service of ₹ 6.25 lakh for which they have to purchase some raw material of ₹ 5 lakh from the other State (till date they are purchasing within State only).

From the information given above, examine whether M/s. T can opt for composition scheme under Section 10(1), 10(2A) or 10(2) of the CGST Act, 2017 for FY 2024-25? **(5 Marks)**

- (b) (i) Garima having its permanent residence in Bhavnagar, Gujarat purchased car from Kiara Motors of Jaipur, Rajasthan to take the advantage of lower registration charges and road tax. Garima took the delivery of the car from Jaipur and returned with car to her residence in Bhavnagar, Gujarat. Address of Garima recorded in the invoice issued by Kiara Motors mentions only the name of the

State i.e. Gujarat.

Garima is an unregistered person whereas Kiara Motors is a registered person under GST. Determine the place of supply for supply made by Kiara Motors to Garima. **(2 Marks)**

- (ii) Aakar Advertisement Agency, a registered person in Nagpur, Maharashtra, wants to display the products of its client's at most prominent places in different States. It took on rights to use the space on hoardings mounted on fixed surface attached to earth, situated in Udaipur, Rajasthan and in Gwalior, Madhya Pradesh from G.N. Enterprise registered in State of Chhattisgarh. Aakar Advertisement Agency has an exclusive right to use the space and also to manage the advertisements on the hoardings.

What will be the place of supply of services provided by the G.N. Enterprise to the Aakar Advertisement Agency? **(3 Marks)**

3. (a) Mohan, a registered person in Salem, Tamil Nadu, makes intra-State supply of taxable goods amounting to ₹ 13,57,000 (inclusive of GST) to a Public Sector Undertaking (PSU). Consideration for same is received in 5 equal instalments from the PSU.

Tax rates applicable: CGST 9%, SGST 9%, IGST 18%

What will be your view with respect to applicability of TDS provisions as per section 51 of the CGST Act, 2017 regarding above transaction?

What is the period by which TDS is required to be deposited to the Government account? **(5 Marks)**

- (b) Every registered person executing works contract shall keep separate accounts for works contract under CGST Rules, 2017.

List the details to be maintained. **(5 Marks)**

4. (a) Describe the provisions relating to import of services by a registered person as contained in the section 7(1)(b), 7(1)(c) and Schedule 1 of the CGST Act, 2017. **(5 Marks)**

- (b) (i) List out category of persons who are exempted from the E-invoicing provisions. **(2 Marks)**

(ii) No act or proceedings of the Goods and Services Tax Council shall be invalid merely by certain reasons. What are they? **(3 Marks)**

OR

- (b) Commissioner has notified some specified persons to maintain additional accounts or documents as mentioned in rule 56 of the CGST Rules 2017, Agent as defined under Section 2(5) of the CGST Act, 2017 is one of them.

List the additional accounts or documents to be kept by agent.

**(5 Marks)**



**ANSWERS OF MODEL TEST PAPER 1**  
**INTERMEDIATE COURSE: GROUP - I**  
**PAPER – 3: TAXATION**

**SECTION – A: INCOME TAX LAW**

**Division A – Multiple Choice Questions**

MCQ No.	Sub-part	Most Appropriate Answer	MCQ No.	Most Appropriate Answer
1.	(i)	(d)	3.	(c)
	(ii)	(a)	4.	(c)
	(iii)	(a)		
2.	(i)	(c)		
	(ii)	(d)		
	(iii)	(d)		

**Division B – Descriptive Questions**

1. **Computation of total income of Mr. Amit as per section 115BAC for A.Y. 2025-26**

Particulars	₹
Net profit as per profit and loss account	50,85,000
<b>Less:</b> Income-tax refund credited in the profit and loss account, out of which interest on such refund is only taxable, which is to be considered separately under the head “Income from other sources”	<div style="text-align: right;"> <u>30,000</u>                      50,55,000                 </div>
<b>Add: Expenses either not allowable or to be considered separately but charged in the profit &amp; loss account</b>	
- Salary paid to brother disallowed to the extent considered unreasonable [Section 40A(2)]	5,000
- Advertisement in the souvenir of political party not allowable as per section 37(2B) <b>(See Note 1)</b>	2,500
- Payment made to political party by cheque <b>(See Note 2)</b>	1,00,000
- Penalty levied by the Goods and Services tax department for delayed filing of returns not allowable as being paid for infraction of law <b>(See Note 3)</b>	5,300
- Depreciation as per books	1,07,250
- 30% of interest paid on loan paid to Mr. Mohit, a resident, without deduction of tax at source not allowable as per section 40(a)(ia)	24,000
	<b>52,99,050</b>

<i>Less:</i> Depreciation allowable as per Income-tax Act, 1961	65,000	
Depreciation on building [₹ 20 lakhs x 10%]	2,00,000	2,65,000
<b>Profits and gains from business or profession</b>		<b>50,34,050</b>
<b>Income from Other Sources</b>		
Interest on income-tax refund		4,570
<b>Gross Total Income</b>		<b>50,38,620</b>
<i>Less:</i> Deduction under section 80GGC [Contribution to Political Party] [Not allowable]		Nil
<b>Total Income</b>		<b>50,38,620</b>

**Notes –**

- (1) The amount of ₹ 2,500 paid for advertisement in the souvenir issued by a political party attracts disallowance under section 37(2B).
- (2) Payment to political party is not an expenditure incurred wholly and exclusively for business purpose and hence not allowance under section 37(1). Since the amount has been debited to profit and loss account, the same has to be added back for computing business income.
- (3) The interest of ₹ 12,750 paid on the delayed deposit of goods and services tax is for breach of contract and hence, is allowable as deduction. However, penalty of ₹ 5,300 for delay in filing of returns is not allowable since it is for breach of law.
- (4) Deduction under section 35AD is not allowable as per section 115BAC(2). However, normal depreciation u/s 32 is allowable.

**Computation of tax liability as per section 115BAC**

Particulars	₹	₹
<b>Tax on total income of ₹ 50,38,620</b>		
Upto ₹ 3,00,000	Nil	
₹ 3,00,001 – ₹ 7,00,000 [@5% of ₹ 4 lakhs]	20,000	
₹ 7,00,001 – ₹ 10,00,000 [@10% of ₹ 3 lakhs]	30,000	
₹ 10,00,001 – ₹ 12,00,000 [@15% of ₹ 2 lakhs]	30,000	
₹ 12,00,001 – ₹ 15,00,000 [@20% of ₹ 3 lakhs]	60,000	
₹ 15,00,001 – ₹ 50,38,620 [@30% of ₹ 35,38,620]	<u>10,61,586</u>	
		12,01,586
<i>Add:</i> Surcharge @10% [Since, the total income exceeds ₹ 50 lakhs but does not exceed ₹ 1 crore]		<u>1,20,159</u>
		13,21,745

Less: Marginal relief (See computation below)	<u>93,125</u>
	12,28,620
Add: Health and education cess@4%	<u>49,145</u>
<b>Total tax liability</b>	<b><u>12,77,765</u></b>
<b>Total tax liability (Rounded off)</b>	<b><u>12,77,770</u></b>

#### Computation of marginal relief

Particulars		₹
(A)	Tax payable including surcharge on total income of ₹ 50,38,620 as per section 115BAC	13,21,745
(B)	Tax payable on total income of ₹ 50 lakhs as per section 115BAC	<u>11,90,000</u>
(C)	Excess tax payable (A-B)	<u>1,31,745</u>
(D)	Marginal relief (₹1,31,745 – ₹ 38,620, being the amount of income in excess of ₹ 50 lakhs)	<b>93,125</b>

**Note** - An individual paying tax u/s 115BAC is not liable to alternate minimum tax u/s 115JC.

#### Computation of total income of Mr. Amit for A.Y. 2025-26 under normal provisions of the Act

Particulars	₹	₹
<b>Gross Total Income as per default tax regime under section 115BAC</b>		50,38,620
Add: Depreciation on building [₹ 20 lakhs x 10%]		<u>2,00,000</u>
		52,38,620
Less: Warehousing charges		<u>22,50,000</u>
<b>Gross Total Income excluding profits and gains from specified business under section 35AD</b>		29,88,620
<b>Profits and gains from specified business under section 35AD</b>		
Warehousing charges	22,50,000	
Less: Deduction under section 35AD (See Note 1)	<u>20,00,000</u>	<u>2,50,000</u>
<b>Gross Total Income as per normal provisions of the Act</b>		32,38,620
Less: Deduction under section 80GGC for contribution to Political Party (See Note 2)		1,00,000
<b>Total Income as per regular provisions of the Act</b>		<b>31,38,620</b>

**Notes –**

- (1) Deduction @100% of the capital expenditure is available under section 35AD in respect of specified business of setting up and operating a warehouse facility for storage of agricultural produce which commences operation on or after 1.04.2009.
- (2) Payment to political party qualifies for deduction under section 80GGC since the payment is made by way of a cheque.

**Computation of tax liability of Mr. Amit for A.Y. 2025-26 under the regular provisions of the Act**

Particulars	₹	₹
<b>Tax on total income of ₹ 31,38,620</b>		
Upto ₹ 2,50,000	Nil	
₹ 2,50,001 – ₹ 5,00,000 [@5% of ₹ 2.50 lakh]	12,500	
₹ 5,00,001 – ₹ 10,00,000 [@20% of ₹ 5,00,000]	1,00,000	
₹ 10,00,001- ₹ 31,38,620 [@30% of ₹ 21,38,620]	<u>6,41,586</u>	7,54,086
Add: Health and education cess@4%		<u>30,163</u>
<b>Total tax liability</b>		<b><u>7,84,249</u></b>
<b>Total tax liability (rounded off)</b>		<b>7,84,250</b>

**Computation of adjusted total income and AMT of Mr. Amit for A.Y. 2025-26**

Particulars	₹	₹
<b>Total Income (computed above as per regular provisions of income tax)</b>		<b>31,38,620</b>
Add: Deduction under section 35AD	20,00,000	
Less: Depreciation under section 32 on building [₹ 20 lakhs x 10%]	<u>(2,00,000)</u>	<b><u>18,00,000</u></b>
<b>Adjusted Total Income</b>		<b><u>49,38,620</u></b>
Alternative Minimum Tax@18.5%		9,13,645
Add: Health and education cess@4%		<u>36,546</u>
<b>Total tax liability</b>		<b><u>9,50,191</u></b>
<b>Total tax liability (rounded off)</b>		<b>9,50,190</b>

Since the regular income-tax payable is less than the alternate minimum tax payable, the adjusted total income shall be deemed to be the total income and tax is leviable @18.5% thereof plus cess@4%. Therefore, liability as per section 115JC is ₹ 9,50,190.

Since the tax liability of Mr. Amit under section 115JC is lower than the tax liability as computed u/s 115BAC, it would be beneficial for him to opt out of the default tax regime under section 115BAC for A.Y. 2025-26 and pays tax

under regular provisions of the Act. Moreover, benefit of alternate minimum tax credit is also available to the extent of tax paid in excess of regular tax.

**AMT credit to be carried forward under section 115JEE**

Particulars	₹
Tax liability under section 115JC	9,50,190
Less: Tax liability under the regular provisions of the Income-tax Act, 1961	7,84,250
	<b>1,65,940</b>

2. (a) As per section 6(1), an Indian citizen or a person of Indian origin who, being outside India, comes on a visit to India would be resident in India if he or she stays in India for a period of 182 days or more during the relevant previous year in case such person has total income, other than the income from foreign sources, not exceeding ₹ 15 lakhs. However, if such person has total income, other than the income from foreign sources, exceeding ₹ 15 lakhs, he would also be a resident if he has been in India for at least 120 days during the relevant previous year and has been in India during the 4 years immediately preceding the previous year for a total period of 365 days or more. In such a case, he would be resident but not ordinarily resident in India.

Income from foreign sources means income which accrues or arises outside India (except income derived from a business controlled in or a profession set up in India) and which is not deemed to accrue or arise in India.

In this case, total income, other than the income from foreign sources, of Mr. Akash for P.Y. 2024-25 would be

Particulars	Amount (₹)
Salary from ABC Inc., California received in California (Computed) (Not included in total income, since it is income from foreign source)	-
Dividend from Indian companies (Included in total income, since it is deemed to accrue or arise in India)	5,00,000
Agricultural income from land situated in Nepal (Not included in total income, since it is accrued or arisen outside India and received outside India)	-
Rent received/receivable from house property in Delhi (Included in total income, since it is deemed to accrue or arise in India)	5,50,000
Less: 30% of ₹ 5.50 lakhs	<u>1,65,000</u>
Profits from a profession in California, which was set up in India, received there	6,00,000
<b>Total income, other than the income from foreign sources</b>	<b>14,85,000</b>

Since Mr. Akash is an Indian citizen who comes on a visit to India only for 121 days in the P.Y. 2024-25 and his total income, other than income from foreign sources does not exceed ₹ 15 lakhs, he would be non-resident for the A.Y. 2025-26.

A non-resident is chargeable to tax in respect of income received or deemed to receive in India and income which accrues or arises or is deemed to accrue or arise to him in India. Accordingly, his total income would be as follow –

Particulars	Amount (₹)
Salary from ABC Inc., California received in California (Computed) (Not taxable, since it neither accrues or arises in India nor is it received in India)	-
Dividend from Indian companies (Taxable, since deemed to accrue or arise in India)	5,00,000
Agricultural income from land situated in Nepal (Not taxable, since it neither accrues or arises in India nor is it received in India)	-
Rent received/receivable from house property in Delhi (Taxable, since it is deemed to accrue or arise in India)	5,50,000
Less: 30% of ₹ 5.50 lakhs	<u>1,65,000</u>
	3,85,000
Profits from a profession in California, which was set up in India, received there	-
<b>Gross Total Income/ Total income</b>	<b>8,85,000</b>

**(b) TDS implications**

- (i) Section 194-I, which governs the deduction of tax at source @10% on payment of rent, exceeding ₹ 2,40,000 p.a., is applicable to all persons except individuals and HUF, whose turnover/gross receipts do not exceed ₹ 1 crore in case of business or ₹ 50 lakhs in case of profession during the financial year immediately preceding the financial year in which such rent is credited or paid.

In the present case, State Bank of India has to deduct at source @ 10% on rental payment to Mr. Kunal.

Tax deducted at source = ₹ 72,000 (₹ 7,20,000 x 10%)

Section 196, however, provides exemption in respect of payments made to Government from application of the provisions of tax deduction at source.

Therefore, no tax is required to be deducted at source by State Bank of India from rental payments to the Government.

- (ii) As per section 194C, no tax is required to be deducted at source on payment to transporter if the following conditions are satisfied:

- (1) He owns ten or less goods carriages at any time during the previous year.
- (2) He is engaged in the business of plying, hiring or leasing goods carriages;
- (3) He furnishes a declaration to this effect along with his PAN.

In the present case, since Mr. Deepak has not furnished his PAN, tax is required to be deducted at source @ 20% under section 206AA on ₹ 2,50,000, since the same exceeds the threshold limit of ₹ 1,00,000.

Tax deducted at source = ₹ 50,000 (₹ 2,50,000 x 20%)

**3. (a) Computation of Income under the head “Salaries” in the hands of Mr. Sahil for the A.Y. 2025-26**

Particulars	₹
Basic Salary [₹ 55,000 x 12]	6,60,000
Dearness allowance [10% of basic salary]	66,000
Bonus	60,000
Fixed Medical Allowance [Taxable]	50,000
Reimbursement of Medical expenditure incurred for his father [Fully taxable]	6,500
Facility of laptop [Facility of laptop is an exempt perquisite, whether used for official or personal purpose or both]	Nil
Reimbursement of salary of domestic servant [₹ 8,000 x 12] [Fully taxable, since perquisite includes any sum paid by the employer in respect of any obligation which would have been payable by the employee]	96,000
Value of equity shares allotted [700 equity shares x ₹ 110 (₹ 280, being the fair market value – ₹ 170, being the amount recovered)]	77,000
Professional tax paid by the employer [Perquisite includes any sum paid by the employer in respect of any obligation which would have been payable by the employee]	1,400
<b>Gross Salary</b>	<b>10,16,900</b>
Less: Deduction under section 16	
Professional tax paid [Not allowed]	-
Standard Deduction (Lower of ₹ 75,000 or amount of salary)	75,000
<b>Taxable Salary</b>	<b>9,41,900</b>

(b) **Computation of income from house property of Mr. Kushal for A.Y. 2025-26**

Particulars	₹	₹
<b>1. Income from let-out property in New York [See Note 1 below]</b>		
<sup>1</sup> Gross Annual Value (\$ 5,000 p.m. x 12 months x ₹ 81)		48,60,000
Less: Municipal taxes paid during the year [\$ 2,000 (\$ 1,250 + \$ 750) x ₹ 81] <sup>2</sup>		<u>1,62,000</u>
Net Annual Value (NAV)		46,98,000
Less: Deductions under section 24		
(a) 30% of NAV	14,09,400	
(b) Interest on housing loan	<u>-</u>	<u>14,09,400</u>
		<b><u>32,88,600</u></b>
<b>2. Income from self-occupied property in Ahmedabad</b>		
Annual Value [Nil, since the property is self-occupied]		NIL
[No deduction is allowable in respect of municipal taxes paid in respect of self-occupied property]		
Less: Deduction in respect of interest on housing loan [See Note 2 below]		<u>2,00,000</u>
		<b><u>(2,00,000)</u></b>
<b>Income from house property [₹ 32,88,600 – ₹ 2,00,000]</b>		<b>30,88,600</b>

**Notes:**

- (1) Since Mr. Kushal is a resident but not ordinarily resident in India for A.Y. 2025-26, income which is, *inter alia*, received in India shall be taxable in India, even if such income has accrued or arisen outside India by virtue of the provisions of section 5(1). Accordingly, rent received from house property in New York would be taxable in India since such income is received by him in India.
- (2) **Interest on housing loan for construction of self-occupied property allowable as deduction under section 24**  
Interest for the current year (₹ 30,00,000 x 10%)      ₹ 3,00,000

<sup>1</sup> In the absence of information related to municipal value, fair rent and standard rent, the rent receivable has been taken as the GAV

<sup>2</sup> Both property tax and sewerage tax qualify for deduction from gross annual value



**Pre-construction interest**

For the period 01.09.2019 to 31.03.2021  
 $(₹ 30,00,000 \times 10\% \times 19/12) = ₹ 4,75,000$

₹ 4,75,000 allowed in 5 equal installments ₹ 95,000  
 (₹ 4,75,000/5)

₹ 3,95,000

In case of self-occupied property, interest deduction to be restricted to ₹ 2,00,000

**4. (a) Computation of Total Income of Mr. Vishal for A.Y. 2025-26**

Particulars	Amount (₹)	Amount (₹)
<b>Income from house property</b>		
<b>House in Delhi</b> [Since Mr. Vishal receives direct or indirect benefit from income arising to his brother's daughter, Ms. Deepika, from the transfer of house to her without consideration, such income is to be included in the total income of Mr. Vishal, even though the transfer may not be revocable during lifetime of Ms. Deepika]		
Gross Annual Value <sup>3</sup>	5,50,000	
Less: Municipal taxes	-	
Net Annual Value	5,50,000	
Less: Deductions from Net Annual Value		
(a) 30% of Net Annual Value	1,65,000	
(b) Interest on loan	-	
		3,85,000
<b>Capital Gains</b>		
Long term capital gain from sale of property	15,000	
<b>Less:</b> Short-term capital loss can be set-off against both short-term capital gains and long-term capital gains. Short term capital loss of ₹ 16,000 set off against long-term capital gains to the extent of ₹15,000. Balance short term capital loss of ₹ 1,000 to be carry forward to A.Y.2026-27	<u>15,000</u>	-
<b>Income from other sources</b>		
Dividend on preference shares [Taxable in	4,50,000	

<sup>3</sup> Rent receivable has been taken as the gross annual value in the absence of other information.

the hands of Mr. Vishal as per section 60, since he transferred the income, i.e., dividend, without transferring the asset, i.e., preference shares]		
Interest from saving bank account	1,75,000	
Cash gift [Taxable as per section 56(2)(x), since sum of money exceeding ₹ 50,000 is received from his niece, who is not a relative]	75,000	
Income from betting [No loss is allowed to be set off against such income]	25,000	
Income from card games [No loss is allowed to be set off against such income]	<u>46,000</u>	<u>7,71,000</u>
<b>Gross Total Income</b>		<b>11,56,000</b>
<b>Less: Deduction under Chapter VI-A</b>		
Deduction under section 80TTA [Interest from savings bank account]	<u>10,000</u>	<u>10,000</u>
<b>Total Income</b>		<b>11,46,000</b>

**Losses to be carried forward to A.Y. 2026-27**

Particulars	Amount (₹)
Short term capital loss [₹ 16,000 – ₹ 15,000]	1,000
Loss on maintenance of race horses [Loss incurred on maintenance of race horses cannot be set-off against income from any source other than the activity of owning and maintaining race horses.	14,600

**(b) First alternative**

As per section 139(3), an assessee is required to file a return of loss within the due date specified u/s 139(1) for filing return of income.

As per section 80, certain losses which have not been determined in pursuance of a return filed under section 139(3) on or before the due date specified under section 139(1) cannot be carried forward and set-off. Thus, the assessee has to file a return of loss under section 139(3) within the time allowed u/s 139(1) in order to carry forward and set off of following losses:

- loss under the head “Capital Gains”,
- loss from activity of owning and maintaining race horses.
- business loss,
- speculation business loss and

- loss from specified business (in case assessee opts out of the default tax regime).

However, following can be carried forward for set-off even if the return of loss has not been filed before the due date:

- Loss under the head “Income from house property” (in case assessee opts out of the default tax regime) and
- Unabsorbed depreciation

**(b) Second alternative**

	<b>Transaction</b>	<b>Is quoting of PAN mandatory in related documents?</b>
1.	Sale of scooter for ₹ 70,000	No, quoting of PAN is not mandatory on sale of scooter.
2.	Payment of life insurance premium of ₹ 67,000 to insurance company	Yes, since the amount paid exceeds ₹ 50,000.
3.	Purchase of plot for ₹ 9 lakhs while the stamp duty of the same is ₹ 11 lakhs	Though the amount of consideration does not exceed ₹ 10 lakhs, Mr. Vishnu has to quote PAN since stamp duty of plot exceeds ₹ 10 lakhs.
4.	Applied to PNB for issue of credit card	Yes, quoting of PAN is mandatory on making an application to a banking company for issue of credit card.

**ANSWERS OF MODEL TEST PAPER 2**

**INTERMEDIATE COURSE: GROUP - I**

**PAPER – 3: TAXATION**

**SECTION – A: INCOME TAX LAW**

**Division A – Multiple Choice Questions**

MCQ No.	Sub-part	Most Appropriate Answer	MCQ No.	Most Appropriate Answer
1.	(i)	(b)	2.	(b)
	(ii)	(d)	3.	(c)
	(iii)	(b)		
	(iv)	(a)		
	(v)	(a)		
	(vi)	(a)		

**Division B – Descriptive Questions**

1. **Computation of total income of Mr. Sunil for A.Y. 2025-26 under default tax regime under section 115BAC**

	Particulars	₹	₹	₹
<b>I</b>	<b>Income from house property</b>			
	<b>Let out portion [First floor]</b>			
	Gross Annual Value [Rent received is taken as GAV, in the absence of other information]		2,95,000	
	Less: Municipal taxes paid by him in the P.Y. 2024-25 pertaining to let out portion [₹ 25,000/2]		<u>12,500</u>	
	<b>Net Annual Value (NAV)</b>		2,82,500	
	Less: Deduction u/s 24			
	(a) 30% of ₹ 2,82,500	84,750		
	(b) Interest on housing loan [₹ 1,50,000/2]	<u>75,000</u>	<u>1,59,750</u>	
			1,22,750	
	<b>Self-occupied portion [Ground Floor]</b>			
	Annual Value		Nil	
	[No deduction is allowable in respect of municipal taxes paid]			
	Less: Interest on housing loan [Not allowable under section 115BAC]		<u>Nil</u>	
			Nil	
	Income from house property			1,22,750

<b>II Profits and gains of business or profession</b>			
Income from SEZ unit			40,00,000
<b>III Capital Gains</b>			
<b>Long-term capital gains on sale of land (since held for more than 24 months)</b>			
Full Value of Consideration [Actual consideration of ₹ 15 lakhs, since stamp duty value of ₹ 16 lakhs does not exceed 110% of actual consideration of ₹ 15 lakhs]	15,00,000		
Less: Cost of acquisition [₹ 4,00,000] (As transfer is on or after 23.07.2024, the indexation benefit would not be available)	<u>4,00,000</u>		11,00,000
Cost of acquisition			
<b>Higher of -</b>			
- Actual cost ₹ 2.80 lakhs + ₹ 0.12 lakhs = ₹ 2.92 lakhs and			
- Fair Market Value (FMV) as on 1.4.2001 = ₹ 4.8 lakhs but cannot exceed stamp duty value of ₹ 4 lakhs.			
<b>IV Income from Other Sources</b>			
Interest on savings bank deposits	30,000		
Interest on fixed deposits	<u>40,000</u>		<u>70,000</u>
<b>Gross Total Income</b>			<b>52,92,750</b>
<b>Less: Deduction under Chapter VI-A</b>			
<b>Deduction under section 80JJAA</b>			7,12,800
30% of the employee cost of the new employees employed during the P.Y. 2024-25 for 240 days or more during the P.Y. 2024-25 allowable as deduction [30% of ₹ 23,76,000 (12 x 18,000 x 11)]			
As per section 115BAC, no deduction under section 10AA or under Chapter VI-A is allowable except u/s 80JJAA			
<b>Total Income</b>			<b>45,79,950</b>

### Computation of tax liability of Mr. Sunil under section 115BAC

Particulars	₹	₹
<b>Tax on total income of ₹ 45,79,950</b>		
<b>Tax on LTCG on sale of vacant land</b>		
As the asset is a long term capital asset, being land acquired before 23.07.2024 and transferred on or after 23.07.2024 by a resident individual, the tax shall be computed @20% with indexation benefit or @12.5% without indexation benefit, whichever is more beneficial to the assessee.		
<b><u>Tax @20% with indexation</u></b>		
Sale consideration = 15,00,000		
Cost of acquisition = 4,00,000 x 363/100 = 14,52,000		
Gain = 48,000		
Tax @20% = 48,000 x 20% = 9,600		
<b><u>Tax @12.5% without indexation</u></b>		
Tax @12.5% = 11,00,000 x 12.5% = 1,37,500		
<b>Tax on LTCG on sale of vacant land @20% with indexation</b>		9,600
<b>Tax on remaining total income of ₹ 34,79,950</b>		
Upto ₹ 3,00,000	Nil	
₹ 3,00,001 – ₹ 7,00,000 [@5% of ₹ 4 lakhs]	20,000	
₹ 7,00,001 – ₹ 10,00,000 [@10% of ₹ 3 lakhs]	30,000	
₹ 10,00,001 – ₹ 12,00,000 [@15% of ₹ 2 lakhs]	30,000	
₹ 12,00,001 – ₹ 15,00,000 [@20% of ₹ 3 lakhs]	60,000	
₹ 15,00,001 – ₹ 34,79,950 [@30% of ₹ 19,79,950]	<u>5,93,985</u>	
		<u>7,33,985</u>
		7,43,585
<i>Add: Health and education cess@4%</i>		<u>29,743</u>
<b>Total tax liability</b>		<u>7,73,328</u>
<b>Tax liability (Rounded off)</b>		<u><b>7,73,330</b></u>

**Note** - An individual paying tax u/s 115BAC is not liable to alternate minimum tax u/s 115JC.

2. (a) Under section 6(1), an individual is said to be resident in India in any previous year, if he satisfies any one of the following conditions:
- (i) He has been in India during the previous year for a total period of 182 days or more, or
  - (ii) He has been in India during the 4 years immediately preceding the previous year for a total period of 365 days or more and has been in India for at least 60 days in the previous year.

If an individual satisfies any one of the conditions mentioned above, he is a resident. If both the above conditions are not satisfied, the individual is a non-resident.

Therefore, the residential status of Mrs. Sia D'Souza, an American, for A.Y.2025-26 has to be determined on the basis of her stay in India during the previous year relevant to A.Y. 2025-26 i.e. P.Y.2024-25 and in the preceding four assessment years.

Her stay in India during the previous year 2024-25 and in the preceding four years are as under:

**P.Y. 2024-25**

01.04.2024 to 16.08.2024	-	138 days
23.03.2025 to 31.03.2025	-	<u>9 days</u>
	Total	<u>147 days</u>

**Four preceding previous years**

P.Y.2023-24 [1.4.2023 to 31.3.2024]	-	14 days
P.Y.2022-23 [1.4.2022 to 31.3.2023]	-	Nil
P.Y.2021-22 [1.4.2021 to 31.3.2022]	-	Nil
P.Y.2020-21 [1.4.2020 to 31.3.2021]	-	<u>Nil</u>
	Total	<u>14 days</u>

The total stay of Mrs. Sia D'Souza during the previous year in India was less than 182 days and during the four years preceding this year was for 14 days. Therefore, due to non-fulfillment of any of the two conditions for a resident, she would be treated as non-resident for the Assessment Year 2025-26.

**Computation of total income of Mrs. Sia D'Souza for the A.Y. 2025-26**

Particulars	₹	₹
<b>Income from house property</b>		
Flat located in Mumbai let-out from 01.06.2024 to 31.03.2025 @ ₹ 26,000 p.m.		
Gross Annual Value [26,000 x 10] <sup>1</sup>	2,60,000	
Less: Municipal taxes	<u>Nil</u>	
<b>Net Annual Value (NAV)</b>	<b>2,60,000</b>	
Less: Deduction under section 24		
30% of NAV	78,000	
Interest on loan [fully allowable as deduction, since property is let-out]	<u>2,05,000</u>	<u>2,83,000</u> (23,000)

<sup>1</sup> Actual rent received has been taken as the gross annual the value in absence of other information (i.e. Municipal value, fair rental value and standard rent) in the question.

<b>Income from other sources</b>		
- Gold chain worth ₹ 1,50,000 received from parents of husband would be exempt, since parents of husband fall within the definition of relatives and gifts from a relative are not chargeable to tax.	Nil	
- Gift received from friends of her husband aggregating to ₹ 1,65,000 is taxable under section 56(2)(x) since the amount of cash gifts of ₹ 1,65,000 exceeds ₹ 50,000.		
	<u>1,65,000</u>	<u>1,65,000</u>
<b>Gross Total income/ Total Income</b>		<b><u>1,42,000</u></b>

**(b) TDS implications**

- (i) Tax @ 5% till ₹ 7 lakhs and 20% thereafter, is required to be collected u/s 206C(1G) by the seller of an overseas tour programme package, from Mr. Harish, being the buyer of an overseas tour package, even if payment is made by account payee cheque.

Accordingly, tax has to be collected @5% on ₹ 7 lakh and 20% on ₹ 3 lakhs.

TCS = ₹ 95,000

- (ii) Mr. Aditya has to deduct tax at source @5% u/s 194M, although his turnover for the P.Y. 2023-24 does not exceed ₹ 1 crore and he is not liable to deduct tax at source under section 194C, since the payment to contractor, Mr. Naresh, exceeds ₹ 50 lakhs.

Accordingly, tax has to be deducted @5% on ₹ 55 lakhs.

TDS = ₹ 2,75,000

**3. (a) Computation of gross total income of Ms. Priyanka for the A.Y. 2025-26 under normal provisions of the Act**

	Particulars	₹	₹
(a)	Income from salaries ( <b>See Working Note below</b> )		5,71,000
(b)	Income from Other Sources		
	(i) Interest on fixed deposit with a company	7,000	
	(ii) Income from specified mutual fund	3,000	
	(iii) Interest on Fixed Deposit received by minor daughter (₹ 4,000 - ₹ 1500)	<u>2,500</u>	<u>12,500</u>
	<b>Gross total income</b>		<b>5,83,500</b>



**Working Note:****Computation of salary income of Ms. Priyanka for the  
A.Y. 2025-26**

Particulars	₹
Salary [₹ 40,000 x 12]	4,80,000
Medical facility [in the hospital maintained by the company is exempt]	—
<b>Rent free accommodation</b>	
10% of salary = 4,80,000 x 10%	48,000
<b>Valuation of perquisite of interest on loan</b>	
[Rule 3(7)(i)] – 9.5% is taxable which is to be reduced by actual rate of interest charged i.e. [9.5% - 6% = 3.5%]	24,500
<b>Use of dining table for 1 month</b>	
[₹ 60,000 x 10/100 x 1/12]	500
<b>Perquisite on sale of dining table</b>	
Cost	60,000
Less: Depreciation on straight line method @ 10% for 2 years	<u>12,000</u>
Written Down Value	48,000
Less: Amount paid by the assessee	<u>30,000</u>
Purchases through credit card	10,000
<b>Perquisite on sale of car</b>	
Original cost of car	2,50,000
Less: Depreciation from 16.7.2022 to 15.7.2023 @ 20%	<u>50,000</u>
Value as on 14.07.2024- being the date of sale to employee	2,00,000
Less: Amount received from the assessee on 14.07.2024	<u>1,60,000</u>
	<u>40,000</u>
Gross salary	6,21,000
Less: Standard deduction upto ₹ 50,000	<u>50,000</u>
Income from Salaries	<b><u>5,71,000</u></b>

**(b) (i) Computation of book profit of the firm under section 40(b)**

Particulars	Amount (₹)	Amount (₹)
Net Profit (before deduction of depreciation, salary and interest)		7,50,000
Less: Depreciation under section 32	2,50,000	
Interest @ 12% p.a. [being the maximum allowable as per section 40(b)] (₹ 6,00,000 x 12%)	<u>72,000</u>	<u>3,22,000</u>
<b>Book profit</b>		<b>4,28,000</b>

“Book profit” means the net profit as per the profit and loss account for the relevant previous year computed in the manner laid down in Chapter IV-D as increased by the aggregate amount of the remuneration paid or payable to the partners of the firm if the same has been already deducted while computing the net profit. Hence, brought forward loss of ₹ 50,000 of P.Y.2023-24 is not allowed to be set off for computation of “book profit”.

- (ii) Salary actually paid to working partners = ₹ 25,000 × 2 × 12 = ₹ 6,00,000.

As per the provisions of section 40(b)(v), the maximum allowable working partners’ salary for the A.Y. 2025-26 in this case would be:

Particulars	₹
On the first ₹ 6,00,000 of book profit [(₹ 3,00,000 or 90% of ₹ 4,28,000) whichever is more]	3,85,200
<b>Maximum allowable working partners’ salary</b>	<b>3,85,200</b>

Hence, allowable working partner’s salary for the A.Y. 2025-26 as per the provisions of section 40(b) is ₹ 3,85,200.

4. (a) **Computation of Taxable Income of Mr. Roshan for the A.Y. 2025-26 under normal provisions of the Act**

Particulars	₹	₹
<b>Salaries</b>		
Shamita’s salary (₹ 25,000 x 12)	3,00,000	
<b>[See Note 1]</b>		
Less: Standard deduction under section 16(a) upto ₹ 50,000	<u>50,000</u>	
	2,50,000	
Less: Loss from house property set off against salary income as per section 71(3A) <b>[See Note 2]</b>	<u>2,00,000</u>	50,000
<b>Capital Gains</b>		
Short term capital gain	1,50,000	
Less: Loss from tea business (₹ 1,06,000 x 40%) <b>[See Note 3 &amp; 4]</b>	<u>42,400</u>	1,07,600
<b>Income from Other Sources</b>		
Dividend income		<u>11,00,000</u>
<b>Taxable Income</b>		<b>12,57,600</b>

**The following losses can be carried forward for subsequent assessment years:**

- (i) Loss from house property to be carried forward and set-off against income from house property ₹ 50,000
- (ii) Long-term capital loss of A.Y. 2022-23 can be ₹ 86,000

carried forward and set-off against long-term capital gains

- (iii) Loss from speculative business to be carried forward and set-off against income from speculative business ₹ 50,000

**Notes:**

- (1) As per section 64(1)(ii), all the income which arises directly or indirectly, to the spouse of any individual by way of salary, commission, fees or any other form of remuneration from a concern in which such individual has a substantial interest shall be included in the total income of such individual. However, where spouse possesses technical or professional qualification and the income is solely attributable to the application of such knowledge and experience, clubbing provisions will not apply. Since, Mrs. Shamita is not adequately qualified for the post and Mr. Roshan has substantial interest in Ray Ltd by holding 21% of the shares of the Ray Ltd., the salary income of Mrs. Shamita to be included in Mr. Roshan's income.
- (2) As per section 71(3A), loss from house property can be set off against any other head of income to the extent of ₹ 2,00,000 only.
- (3) 60% of the losses from tea business is treated as agricultural income and therefore exempt under section 10(1). Loss from an exempt source cannot be set off against profits from a taxable source.
- (4) As per section 71(2A), business loss cannot be set off against salary income. Hence, 40% of the losses from tea business i.e., ₹ 42,400 can be set off against short term capital gains or dividend income.
- (5) Loss from card games can neither be set off against any other income, nor can it be carried forward.
- (6) Loss of ₹ 50,000 from speculative business can be set-off only against the income from the speculative business. Hence, such loss has to be carried forward.
- (7) As per section 74(1), brought forward long-term capital loss can be set-off only against long-term capital gain. Such loss can be carried forward for eight assessment years immediately succeeding the assessment year for which the loss was first computed. Since, 8 assessment years has not expired, such loss can be carried forward to A.Y. 2026-27 for set-off against long-term capital gains.

**(b) First alternative**

- (i) A HUF whose total income without giving effect to, *inter alia*, section 54EC, exceeds the basic exemption limit, is required to file a return of its income on or before the due date under section 139(1). In this case, since the total income without giving effect to exemption under section 54EC is ₹ 12 lakhs, exceeds the basic exemption limit, the HUF is required to file its return of income for A.Y. 2025-26 on or before the due date under section 139(1).
- (ii) If an individual has incurred expenditure exceeding ₹ 1 lakh towards consumption of electricity during the previous year, he would be required to file a return of income, even if his total income does not exceed the basic exemption limit. Since Mr. Samarth has incurred expenditure of ₹ 1,20,000 in the P.Y.2024-25 towards consumption of electricity, he has to file his return of income for A.Y. 2025-26 on or before the due date under section 139(1).

**(b) Second alternative**

Every person who is eligible to obtain Aadhaar Number is required to mandatorily quote Aadhaar Number:

- (a) in the application form for allotment of Permanent Account Number (PAN)
- (b) in the return of income

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

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

**ANSWERS OF MODEL TEST PAPER 3**

**INTERMEDIATE COURSE: GROUP - I**

**PAPER – 3: TAXATION**

**SECTION – A: INCOME TAX LAW**

**Division A – Multiple Choice Questions**

MCQ No.	Sub-part	Most Appropriate Answer	MCQ No.	Most Appropriate Answer
1.	(i)	(a)	3.	(a)
	(ii)	(d)	4.	(c)
	(iii)	(b)		
2.	(i)	(b)		
	(ii)	(c)		
	(iii)	(b)		

**Division B – Descriptive Questions**

1. Computation of total income of Mr. Ayush for A.Y. 2025-26 under the regular provisions of the Act

Particulars		₹	₹	₹
I	<b>Income from business or profession</b>			
	Net profit as per profit and loss account		82,45,000	
	<b>Add: Items of expenditure not allowable while computing business income</b>			
	(i) Interest on loan taken for purchase of plant & machinery [Interest from the date on which capital was borrowed till the date on which asset was first put to use, not allowable as deduction under section 36(1)(iii). Accordingly, interest of ₹ 1,75,000 [₹ 50,00,000 x 10.5% x 4/12] has to be added back, since the same is debited to the profit and loss account]	1,75,000		
	(ii) Purchase of goods at a price higher than the fair market value [The difference between the purchase price (₹ 40 lakhs) and the fair market value	<u>5,00,000</u>		

(₹ 35 lakhs) has to be added back as per section 40A(2) since the purchase is from a related party, i.e., his brother and at a price higher than the fair market value]		<u>6,75,000</u>	
		89,20,000	
<b>Less: Items of income to be treated separately under the respective head of income</b>			
(i) Income-tax refund including interest on refund of ₹ 4,550	15,550		
(ii) Dividend from Indian companies	15,00,000		
(iii) Short term capital gains on transfer of listed equity shares	<u>10,00,000</u>	<u>25,15,550</u>	
		64,04,450	
<b>Less: Depreciation on interest on loan capitalised to plant and machinery</b>			
₹ 1,75,000, being the amount of interest on loan taken for purchase of plant and machinery from the date on which capital was borrowed till the date on which asset was first put to use, shall be capitalized			
Normal depreciation @15% x 50% on such interest	13,125		
Additional depreciation @20% x 50% on such interest	<u>17,500</u>	<u>30,625</u>	
[Since plant & machinery was put to use for less than 180 days in P.Y. 2024-25, it is eligible for 50% of the rate of depreciation]			
			63,73,825
<b>II Capital Gains</b>			
Short term capital gains on transfer of listed equity shares			10,00,000
<b>III Income from Other Sources</b>			
Interest on income-tax refund		4,550	
Dividend from Indian companies		<u>15,00,000</u>	<u>15,04,550</u>
<b>Gross Total Income</b>			<b>88,78,375</b>
<b>Less: Deductions under Chapter VI-A</b>			
- Deduction under section 80C		40,000	
Life insurance premium for married daughter [Allowable as deduction			

though she is not dependent, since child of an individual whether dependent or not falls within the meaning of term "Person". Accordingly, whole of the amount of ₹ 40,000 is allowable as it does not exceed 10% of the ₹ 5,00,000, being the sum assured]		
- Deduction under section 80D		
Health insurance premium for self, spouse and children [Allowable as deduction, since it is paid otherwise than by way of cash. However, it is to be restricted to ₹ 25,000	<u>25,000</u>	<u>65,000</u>
<b>Total Income</b>		<b><u>88,13,375</u></b>
<b>Total Income (Rounded off)</b>		<b><u>88,13,380</u></b>

**Computation of tax payable by Mr. Ayush for A.Y. 2025-26  
under the regular provisions of the Act**

Particulars	₹	₹
<b>Tax on total income of ₹ 88,13,380</b>		
Tax on short term capital gains on transfer of listed equity shares @15% u/s 111A [₹ 10,00,000 x 15%]		1,50,000
Tax on other Income of ₹ 78,13,380		
Upto ₹ 2,50,000	Nil	
₹ 2,50,001 – ₹ 5,00,000 [@5% of ₹ 2.50 lakh]	12,500	
₹ 5,00,001 – ₹ 10,00,000 [@20% of ₹ 5,00,000]	1,00,000	
₹ 10,00,001- ₹ 78,13,380 [@30% of ₹ 68,13,380]	<u>20,44,014</u>	<u>21,56,514</u>
		23,06,514
<i>Add: Surcharge @10%, since total income exceeds ₹ 50,00,000 but does not exceed ₹ 1 crore</i>		<u>2,30,651</u>
		25,37,165
<i>Add: Health and education cess@4%</i>		<u>1,01,487</u>
<b>Total tax liability</b>		<b>26,38,652</b>
<i>Less: TDS u/s 194N @ 2% on ₹ 50 lakhs, being the cash withdrawals exceeding ₹ 1 crore</i>	1,00,000	
<i>Less: Advance tax paid</i>	<u>17,50,000</u>	<u>18,50,000</u>
<b>Tax payable</b>		<b><u>7,88,652</u></b>
<b>Tax payable (Rounded off)</b>		<b><u>7,88,650</u></b>

2. (a) Miss Geeta is said to be resident if she satisfies any one of the following basic conditions:

(i) Has been in India during the previous year for a total period of 182 days or more

(or)

(ii) Has been in India during the 4 years immediately preceding the previous year for a total period of 365 days or more and has been in India for at least 60 days during the previous year.

Miss Geeta's stay in India during the P.Y.2024-25 is 142 days [30+31+30+31+20] which is less than 182 days. However, her stay in India during the P.Y.2024-25 exceeds 60 days. Since, she left India for the first time, her stay in India during the four previous years prior to P.Y.2024-25 would be more than 365 days. Hence, she is a resident for P.Y.2024-25.

Further, Miss Geeta would be "Resident and ordinarily resident" in India in during the previous year 2024-25, since her stay in India in the last seven previous years prior to P.Y.2024-25 is more than 729 days and she must be resident in the preceding ten years.

**Computation of business income and agricultural income of Miss Geeta for A.Y. 2025-26**

Particulars		Income	Business Income	Agricultural Income
			₹	₹
(i)	Income from sale of centrifuged latex processed from rubber plants grown in Kanyakumari (Apportioned between business and agricultural income in the ratio of 35:65 as per Rule 7A of Income-tax Rules, 1962)	1,50,000	52,500	97,500
(ii)	Income from sale of coffee grown, cured, roasted and grounded in Colombo and received in Chennai [ <b>See Note 1 below</b> ]	5,00,000	5,00,000	-
(iii)	Income from sale of tea grown and manufactured in West Bengal (Apportioned between business and agricultural income in the ratio of			



	40:60 as per Rule 8 of the Income-tax Rules, 1962)	12,00,000	4,80,000	7,20,000
(iv)	Income from sapling and seedling grown in a nursery at Cochin. Basic operations were not carried out on land [See Note 2 below]	<u>2,00,000</u>	<u>-</u>	<u>2,00,000</u>
		<b><u>20,50,000</u></b>	<b><u>10,32,500</u></b>	<b><u>10,17,500</u></b>

**Notes:**

- (1) Since Ms. Geeta is resident and ordinarily resident in India for A.Y. 2025-26, her global income is taxable in India. Entire income from sale of coffee grown, cured, roasted and grounded in Colombo is taxable as business income since such income is earned from sale of coffee grown, cured, roasted and grounded outside India i.e., in Colombo.
- (2) As per *Explanation 3* to section 2(1A), income derived from sapling or seedlings grown in a nursery would be deemed to be agricultural income, whether or not the basic operations were carried out on land. Hence, income of ₹ 2,00,000 from sapling and seedling grown in a nursery at Cochin is agricultural income.

**(b) TDS implications**

**(i) On pre-mature withdrawal from EPF**

No tax is deductible under section 192A even though the employee, Mr. Vikas, has not completed 5 years of continuous service, since termination of employment is on account of his ill-health. Hence, Rule 8 of Part A of the Fourth Schedule is applicable in this case.

**(ii) On payment of service fee to bank**

Even though service fee is included in the definition of "interest" under section 2(28A), no tax is deductible at source under section 194A, since the service fee is paid to a banking company, i.e., Indian Bank.

**3. (a) Computation of Gross Total Income of Mr. Jain and Mrs. Jain for A.Y. 2025-26**

Particulars	Mr. Jain		Mrs. Jain	
	₹	₹	₹	₹
Salary	12,50,000		-	
Less: Standard deduction under section 16(ia)	<u>50,000</u>	12,00,000		

Interest on Fixed Deposit earned by Mrs. Jain	-		14,00,000
Total income (before including remuneration from firm and minor's income)	12,00,000		14,00,000
Remuneration from firm (assumed that the same is fully deductible in the hands of the firm)		2,50,000	
Remuneration of ₹ 2,50,000 received by Mr. Jain has to be included in the total income of Mrs. Jain, since both of them have substantial interest in the concern (i.e., each having 25% share in the firm, in the present case), and her total income of ₹14 lakh exceeds the total income of her spouse excluding this income (i.e., ₹ 12 lakh). It is assumed that such remuneration is fully deductible in the hands of the firm.		<u>2,50,000</u>	5,00,000
<b>Total Income (before including minor's income)</b>	12,00,000		19,00,000
Income of three minor children to be included in Mrs. Jain's income <sup>1</sup> , since her total income before including minor's income is higher than that of her husband.		-	
- Neeta		15,000	
- Meeta		10,000	
- Seeta		<u>2,000</u>	
		27,000	

<sup>1</sup> It is assumed that the income of the minor children are not on account of their skills.

Less: Exemption of ₹ 1,500 u/s 10(32) in respect of the income each child so included.		<u>4,500</u>	22,500
<b>Gross Total Income</b>	<b>12,00,000</b>		<b>19,22,500</b>

(b) **Computation of Total Income of Mr. Ram for A.Y. 2025-26**

Particulars	Amount ₹	Amount ₹
<b>Salaries</b>		
Basic Salary	3,80,000	
Dearness Allowance	1,20,000	
Employer contribution to NPS = 20% of ₹ 3,80,000	<u>76,000</u>	
	5,76,000	
Less: Standard deduction [₹ 50,000 or ₹ 5,76,000, whichever is lower]	<u>50,000</u>	5,26,000
<b>Profits and gains of business or profession</b>		
Where the amount gifted by Mr. Ram (₹ 6 lakh, in this case) is invested by Mrs. Ram in a business as her capital, proportionate share of profit or loss, as the case may be, computed by taking into account the value of the investment as on 1.4.2024 to the total investment in the business (₹ 10 lakh) would be included in the income of Mr. Ram [loss of ₹ 1,30,000 x 6/10]	<u>(78,000)</u>	
<b>Income from other sources</b>		
All income of the minor son would be included in the income of the parent Mr. Ram, since his income is higher than the income of Mrs. Ram (loss of ₹ 52,000, based on the information given in the question). Accordingly, ₹ 70,000, being amount of gift received by minor son during the P.Y. 2024-25, would be included in the income of Mr. Ram as the amount of gift exceeds ₹ 50,000.	70,000	
Less: Exemption in respect of income of minor child included in Mr. Ram's income	<u>1,500</u>	
	68,500	
Less: Business loss of ₹ 78,000 set-off to the extent of	68,500	

(Balance <b>business loss of ₹ 9,500 to be carried forward</b> to the next year, since the same cannot be set-off against salary income)		<u>Nil</u>
Gross Total Income		5,26,000
<b>Less: Deductions under Chapter VI-A</b>		
Under section 80C – deposit in Sukanya Samridhi Account	70,000	
Under section 80CCC – Contribution to LIC Annuity Plan	40,000	
Under section 80CCD(1) – Employee contribution to NPS (₹ 76,000 – ₹ 50,000 deduction claimed u/s 80CCD(1B)], since it is lower than ₹ 42,800, being 10% of salary (₹ 3,80,000 + ₹ 48,000)	<u>26,000</u>	
Allowable in full, since less than ₹ 1,50,000, being the maximum permissible deduction u/s 80C, 80CCC & 80CCD(1)	1,36,000	
Under section 80CCD(1B) – Employee contribution to NPS	50,000	
Under section 80CCD(2) – Employer contribution to NPS restricted to 14% of basic salary + DA forming part of pay, since employer is Central Government = 14% x (₹ 3,80,000 + ₹ 48,000)	59,920	
Under section 80E – Interest paid on loan taken for higher education	<u>15,000</u>	<u>2,60,920</u>
<b>Total Income</b>		<b>2,65,080</b>

**4. (a) First alternative**

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 1<sup>st</sup> 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 recognised stock exchange on the date of transfer, the FMV as on 31.1.2018 would be the highest trading price on recognised 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.

**(a) Second alternative**

**Computation of deduction allowable under section 35**

Particulars	Amount (₹ in lakhs)	Section	% of deductio n	Amount of deduction (₹ in lakhs)
<b>Payment for scientific research</b>				
AB University, an approved University	15	35(1)(ii)	Nil	Nil
Siya College	17	-	Nil	Nil
IIT Bangalore (under an approved programme for scientific research)	12	35(2AA)	Nil	Nil

<b>In-house research</b>				
Capital expenditure – Purchase of Machinery	25	35(1)(iv) r.w. 35(2)	100%	<u>25</u>
<b>Deduction allowable under section 35</b>				<u>25</u>

Deduction under section 35(1)(ii) and 35(2AA) is not allowable under default tax regime under section 115BAC.

**(b) Computation of income under the head “Salaries” of Mr. Sailesh for the A.Y.2025-26**

Particulars	₹	₹
Basic Salary [₹ 70,000 x 12 months]		8,40,000
Dearness allowance [40% of ₹8,40,000]		3,36,000
Entertainment allowance		10,000
Interest on housing loan given at concessional rate, would be perquisite, since the amount of loan exceeds ₹ 20,000, For computation, the lending rate of SBI on 1.4.2024 @8% has to be considered. Thus, perquisite value would be determined @ 3.5% (8% - 4.5%) [ <b>See Working Note</b> ]		49,291
Health insurance premium paid by the employer [tax free perquisite]		Nil
Gift voucher on the occasion of his marriage anniversary [As per Rule 3(7)(iv), the value of any gift or voucher or token in lieu of gift received by the employee or by member of his household exceeding ₹ 5,000 in aggregate during the previous year is fully taxable] ( <b>See note below</b> )		10,000
<b>Allotment of sweat equity shares</b>		
Fair market value of 800 sweat equity shares @ ₹ 700 each	5,60,000	
Less: Amount recovered @ ₹ 450 each	<u>3,60,000</u>	2,00,000
<b>Use of furniture by employee</b>		
10% p.a. of the actual cost of ₹ 1,10,000		11,000
<b>Use of Laptop</b>		
Facility of use of laptop is not a taxable perquisite		Nil

<b>Transfer of asset to employee</b>		
Value of furniture transferred to Mr. Sailesh	1,10,000	
Less: Normal wear and tear @10% for each completed year of usage on SLM basis [1,10,000 x 10% x 4 years (from September 2020 to September 2024)]	<u>44,000</u>	<u>66,000</u>
<b>Gross Salary</b>		<b>15,22,291</b>
Less: Standard deduction u/s 16 [Actual salary or ₹ 50,000, whichever is less]		<u>50,000</u>
<b>Net Salary</b>		<b><u>14,72,291</u></b>

**Working Note:**

**Computation of perquisite value of loan given at concessional rate**

For computation, the lending rate of SBI on 1.4.2024 @8% has to be considered. Thus, perquisite value would be determined @ 3.5% (8% - 4.5%)

Month	Maximum outstanding balance as on last date of month (₹)	Perquisite value at 3.5% for the month (₹)
April, 2024	15,00,000	4,375
May, 2024	15,00,000	4,375
June, 2024	14,50,000	4,229
July, 2024	14,50,000	4,229
August, 2024	14,50,000	4,229
September, 2024	14,00,000	4,083
October, 2024	14,00,000	4,083
November, 2024	14,00,000	4,083
December, 2024	13,50,000	3,937.50
January, 2025	13,50,000	3,937.50
February, 2025	13,50,000	3,937.50
March, 2025	13,00,000	3,792
<b>Total value of this perquisite</b>		<b>49,290.50</b>

**Note:** An alternate view possible is that only the sum in excess of ₹ 5,000 is taxable. In such a case, the value of perquisite would be ₹ 5,000 and gross salary and net salary would be ₹ 15,17,291 and ₹ 14,67,291, respectively.

**ANSWERS OF MODEL TEST PAPER 4**

**INTERMEDIATE COURSE: GROUP - I**

**PAPER – 3: TAXATION**

**SECTION – A: INCOME TAX LAW**

**Division A – Multiple Choice Questions**

MCQ No.	Sub-part	Most Appropriate Answer	MCQ No.	Most Appropriate Answer
1.	(i)	(b)	3.	(a)
	(ii)	(d)	4.	(d)
	(iii)	(a)		
2.	(i)	(a)		
	(ii)	(c)		
	(iii)	(a)		

**Division B – Descriptive Questions**

1. **Computation of Total Income of Ms. Farah for the A.Y.2025-26 under default tax regime under section 115BAC**

Particulars	₹	₹	₹
<b>Income from house property</b>			
Gross Annual Value <sup>1</sup>		90,000	
Less: Municipal taxes paid		<u>9,000</u>	
Net Annual Value (NAV)		81,000	
Less: Deduction under section 24(a) – 30% of NAV = 30% of ₹ 81,000		<u>24,300</u>	56,700
<b>Profits and gains of business or profession</b>			
Net profit as per Profit and loss account		25,91,000	
<i>Add:</i> Expenses debited but not allowable			
(i) Purchase of car [Amount paid for purchase of car is not allowable since it is a capital expenditure]	3,00,000		
(ii) Municipal tax paid in respect of house property [allowable as deduction under the head “Income from house property”]	9,000		
(iii) Payment made to tax consultant in cash [disallowed under section	50,000		

<sup>1</sup> Rent received has been taken as the Gross Annual Value in the absence of other information relating to Municipal Value, Fair Rent and Standard Rent.



40A(3), since such cash payment exceeds ₹ 10,000]			
(iv) Travel expenditure on foreign professional tour [Since it is incurred in connection with professional work, the same is allowable as deduction. As it has already been debited to profit and loss account, no further adjustment is required]	-		
(v) Repair and maintenance of car [Repairs and maintenance paid in advance for the period 1.4.2025 to 30.9.2025 i.e. for 6 months amounting to ₹ 17,500 is not allowable as deduction, since Ms. Farah is following the accrual system of accounting]	17,500	3,76,500	
		29,67,500	
<i>Less: Income credited but not taxable under this head:</i>			
(i) Dividend from an Indian company (taxable under the head "Income from Other Sources")	11,00,000		
(ii) Interest on deposit certificates issued under gold monetization scheme, 2015 (taxability or otherwise to be considered under the head "Income from Other Sources")	25,000		
(iii) Honorarium for valuation of answer papers	50,000		
(iv) Rent received in respect of house property	90,000	12,65,000	
		17,02,500	
<i>Less: Depreciation on car @15%</i>		45,000	
			16,57,500
<b>Income from Other Sources</b>			
Dividend from an Indian company		11,00,000	
Interest on deposit certificates issued under gold monetization scheme, 2015 [Exempt under section 10(15)]		-	
Honorarium for valuation of answer papers		50,000	11,50,000
<b>Gross Total Income</b>			<b>28,64,200</b>

<b>Less:</b> Deduction under Chapter VI-A [Deduction under section 80D would not be allowable]		-
<b>Total Income</b>		<b>28,64,200</b>

**Computation of tax payable under default tax regime under section 115BAC**

Particulars	₹
<b>Tax on total income of ₹ 28,64,200</b>	
Upto ₹ 3,00,000	Nil
₹ 3,00,001 – ₹ 7,00,000 [i.e., ₹ 4,00,000@5%]	20,000
₹ 7,00,001 – ₹ 10,00,000 [i.e., ₹ 3,00,000@10%]	30,000
₹ 10,00,001 – ₹12,00,000 [i.e., ₹ 2,00,000@15%]	30,000
₹ 12,00,001 – ₹ 15,00,000 [i.e., ₹ 3,00,000@20%]	60,000
₹ 15,00,001 – ₹ 28,64,200 [i.e., ₹ 13,64,200@30%]	<u>4,09,260</u>
	5,49,260
<i>Add:</i> Health and Education cess@4%	<u>21,970</u>
<b>Tax Liability</b>	<b>5,71,230</b>
<i>Less:</i> Advance Tax paid	1,00,000
<i>Less:</i> Tax deducted at source on dividend income from an Indian company under section 194 [₹ 11,00,000 x 10%]	<u>1,10,000</u>
<b>Tax payable</b>	<b><u>3,61,230</u></b>

**Computation of total income and tax payable by Ms. Farah for the A.Y.2025-26 under regular provisions of the Act**

Particulars	₹
<b>Gross Total Income</b>	28,64,200
[Income under the “Income from house property” “Profits and gains from business or profession” and “Income from other sources” would remain the same under regular provisions of the Act]	
<i>Less:</i> Deductions under Chapter VI-A	
<b><u>Section 80D</u></b>	
Medical insurance premium paid online for parents, being senior citizens	47,000
Payment made in cash of ₹ 8,500 for preventive health check-up for self and spouse restricted to	5,000
	52,000
<b>Total Income</b>	<b><u>28,12,200</u></b>

<b>Tax on total income of ₹ 28,12,200</b>	
Upto ₹ 2,50,000	Nil
₹ 2,50,001 – ₹ 5,00,000 [i.e., ₹ 2,50,000@5%]	12,500
₹ 5,00,001 – ₹ 10,00,000 [i.e., ₹ 5,00,000@20%]	1,00,000
₹ 10,00,001 – ₹ 28,12,200 [i.e., ₹ 18,12,200 @30%]	<u>5,43,660</u>
	6,56,160
Add: Health and Education cess@4%	<u>26,246</u>
<b>Tax Liability</b>	<b>6,82,406</b>
Less: Advance Tax paid	1,00,000
Less: Tax deducted at source on dividend income from an Indian company under section 194 [₹ 11,00,000 x 10%]	<u>1,10,000</u>
<b>Tax payable</b>	<b><u>4,72,406</u></b>
<b>Tax payable (Rounded off)</b>	<b><u>4,72,410</u></b>

**Note** – Since the tax payable under default tax regime under section 115BAC is lower than the tax payable under the regular provisions of the Act, it would be beneficial for Ms. Farah to pay tax under default tax regime under section 115BAC for A.Y. 2025-26.

2. (a) An Indian citizen, who leaves India in any previous year, *inter alia*, for purposes of employment outside India, would be resident in India during the relevant previous year if he stayed in India during that previous year for 182 days or more.
- (i) Since Sagar is leaving India for the purpose of employment outside India, he will be treated as resident only if the period of his stay during the previous year amounts to 182 days or more. Therefore, Sagar should leave India on or before 28<sup>th</sup> September, 2024, in which case, his stay in India during the previous year would be less than 182 days and he would become non-resident for the purpose of taxability in India. In such a case, only the income which accrues or arises in India or which is deemed to accrue or arise in India or received or deemed to be received in India shall be taxable.
- The income earned by him in New York would not be chargeable to tax in India for A.Y. 2025-26, if he leaves India on or before 28<sup>th</sup> September, 2024.
- (ii) If any part of Sagar's salary will be credited directly to his bank account in Delhi then, that part of his salary would be considered as income received in India during the previous year under section 5 and would be chargeable to tax under Income-tax Act, 1961, even if he is a non-resident. Therefore, Sagar should receive his entire salary in New York and then remit the required amount to his bank account in Delhi in which case, the salary earned by him in New York would not be subject to tax in India.

**(b) TDS implications**

- (i) Since the sale consideration or stamp duty value of residential house exceeds ₹ 50 lakhs, Mr. Deepak is required to deduct tax at source @1% of ₹ 65 lakhs, being higher of sale consideration of ₹ 60 lakh and stamp duty value of ₹ 65 lakhs under section 194-IA.

TDS provisions under section 194-IA are not attracted in respect of transfer of rural agricultural land, even if the consideration exceeds ₹ 50 lakh.

Tax deducted at source = ₹ 65 lakhs x 1% = ₹ 65,000

- (ii) Every person, being a seller, who receives any amount as consideration for sale of a motor vehicle of the value exceeding ₹ 10 lakhs, is required to collect tax at source @1% of the sale consideration from the buyer.

TCS provisions will, however, not apply on sale of motor vehicles by manufacturers to dealers/distributors. Hence, XYZ Ltd., the manufacturer-seller need not collect tax at source on sale of cars to the dealer, ABC & Co., even if the value of each car exceeds ₹ 10 lakhs.

However, TCS provisions would be attracted when ABC & Co., sells cars to individual buyers, since the value of each car exceeds ₹ 10 lakhs. ABC & Co. has to collect tax @1% of the consideration on sale of each car to an individual buyer.

**3. (a) Computation of income from house property of Mr. Kamal for A.Y. 2025-26**

Particulars	₹	₹
<b>1. Income from let-out property in Dubai [See Note 1 below]</b>		
<sup>2</sup> Gross Annual Value (DHS 20,000 p.m. x 12 months x ₹ 22)		52,80,000
Less: Municipal taxes paid during the year [DHS 4,000 (DHS 2,500 + DHS 1,500) x ₹ 22] <sup>3</sup>		<u>88,000</u>
Net Annual Value (NAV)		51,92,000
Less: Deductions under section 24		
(a) 30% of NAV	15,57,600	
(b) Interest on housing loan	<u>-</u>	<u>15,57,600</u>
		<b><u>36,34,400</u></b>

<sup>2</sup> In the absence of information related to municipal value, fair rent and standard rent, the rent receivable has been taken as the GAV

<sup>3</sup> Both property tax and sewerage tax qualify for deduction from gross annual value

<b>2. Income from self-occupied property in Mumbai</b>	
Annual Value [Nil, since the property is self-occupied]	NIL
[No deduction is allowable in respect of municipal taxes paid in respect of self-occupied property]	
Less: Deduction in respect of interest on housing loan [ <b>See Note 2 below</b> ]	<u>1,64,000</u>
	<b>(1,64,000)</b>
<b>Income from house property</b> [₹ 36,34,400 – ₹ 1,64,000]	<b>34,70,400</b>

**Notes:**

(1) Since Mr. Kamal is a resident but not ordinarily resident in India for A.Y. 2025-26, income which is, *inter alia*, received in India shall be taxable in India, even if such income has accrued or arisen outside India. Accordingly, rent received from house property in Dubai would be taxable in India since such income is received by him in India. Income from property in Mumbai would accrue or arise in India and consequently, interest deduction in respect of such property would be allowable while computing Mr. Kamal's income from house property because of self-occupied property.

(2) **Interest on housing loan for construction of self-occupied property allowable as deduction under section 24**

Interest for the current year (₹ 10,00,000 x 12%) ₹ 1,20,000

**Pre-construction interest**

For the period 01.06.2021 to 31.03.2023

(₹ 10,00,000 x 12% x 22/12) = ₹ 2,20,000

₹ 2,20,000 allowed in 5 equal installments

(₹ 2,20,000/5)

₹ 44,000

₹ 1,64,000

**(b) Computation of income chargeable under the head "Capital Gains" for A.Y. 2025-26**

Particulars	₹
<b>Capital Gains on sale of residential house</b>	
Actual sale consideration ₹ 80 lakhs	
Value adopted by Stamp Valuation Authority ₹ 90 lakhs	
<b>Full value of sale consideration [Higher of the above]</b>	90,00,000
[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 paid by way of account payee cheque/bank draft or by way of ECS through bank account on or before the date of agreement. In this case, since 20% of ₹ 80 lakhs is paid through account payee bank draft on the date of agreement, stamp duty value on the date of agreement can be adopted as the full value of consideration]	
<b>Less:</b> Cost of acquisition of residential house	<u>20,00,000</u>
<b>Long-term capital gains</b> [Since the residential house property was held by Mr. Ashish for more than 24 months immediately preceding the date of its transfer]	<b>70,00,000</b>
<b>Less: Exemption under section 54</b>	15,00,000
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 within one year before or two years after the date of transfer of original asset.	
<b>Long term capital gains chargeable to tax</b>	<b>55,00,000</b>

4. (a) **Gross Total Income of Mr. Mohit for A.Y. 2025-26**

Particulars	₹	₹
<b>Salaries</b>		
Income from salary	6,50,000	
<i>Less:</i> Loss from house property of ₹ 2,60,000, restricted to	<u>2,00,000</u>	4,50,000
<b>Income from house property</b>		
Income from House I	55,000	
<i>Less:</i> Loss from House II (self-occupied)	1,25,000	
Loss from House III	<u>1,90,000</u>	
	3,15,000	
	(2,60,000)	
Set-off of loss from house property against salary income, restricted to	<u>2,00,000</u>	
Loss to be carried forward to A.Y. 2026-27	<u>(60,000)</u>	
<b>Profits and gains of business or profession</b>		
Profit from cloth business	1,70,000	

Less: Loss from leather business	<u>68,000</u>	1,02,000
<b>Capital Gains</b>		
Short term capital loss in equity-oriented funds on which STT is paid ₹ 35,000 to be carried forward to A.Y. 2026-27 since such loss can be set-off only against capital gains and not against income under any other head	-	
<b>Income from other sources</b>		
Income from owning and maintenance of race bulls	9,000	
Loss of ₹ 7,500 from the activity of owning and maintenance of race horses cannot be set-off against any source other than income from the activity of owning and maintaining race horses. Hence, such loss has to be carried forward to A.Y. 2026-27.	Nil	
Income from crossword puzzles	12,000	
Dividend from foreign company	<u>8,500</u>	<u>29,500</u>
<b>Gross Total Income</b>		<b><u>5,81,500</u></b>

**Losses to be carried forward to A.Y.2026-27:**

Particulars	₹
<b>Loss from house property</b> [to be carried forward for set-off against income from house property]	60,000
<b>Short-term capital loss</b> in equity oriented funds on which STT was paid [to be carried forward for set-off against capital gains, long-term or short-term]	35,000
<b>Loss from owning and maintaining race horses</b> [to be carried forward for set-off against income from the activity of owning and maintaining race horses]	7,500

**Note:** Loss from house property can also be set-off to the extent of ₹ 1,02,000 from profits and gains from business or profession and balance i.e., ₹ 98,000 against Income under the head "Salaries".

**(b) First alternative**

If a person, who has been allotted PAN as on 1st July, 2017 and is required to intimate his Aadhaar number, has failed to intimate the same on or before 31st March, 2022, the PAN of such person would become

inoperative and he would be liable for payment of fee in accordance with section 234H read with Rule 114(5A) i.e., ₹ 1,000.

A person, whose PAN has become inoperative, would be liable for following further consequences for the period commencing from the date notified by the CBDT i.e., from 1.7.2023 till the date it becomes operative—

- (i) no refund of any amount of tax or part thereof, due under the provisions of the Act;
- (ii) interest would not be payable on such refund for the period, beginning with the date notified by the CBDT and ending with the date on which it becomes operative;
- (iii) where tax is deductible at source in case of such person, such tax shall be deducted at higher rate, in accordance with provisions of section 206AA;
- (iv) where tax is collectible at source in case of such person, such tax shall be collected at higher rate, in accordance with provisions of section 206CC.

**(b) Second alternative**

**(i) Fee for default in furnishing return of income u/s 234F**

Where a person who is required to furnish a return of income under section 139, fails to do so within the prescribed time limit under section 139(1), he shall pay, by way of fee, a sum of ₹ 5,000.

However, if the total income of the person does not exceed ₹ 5 lakhs, the fees payable shall not exceed ₹ 1,000

**(ii) Persons to whom provisions of section 139AA relating to quoting of Aadhar Number does not apply**

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

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



**ANSWERS OF MODEL TEST PAPER 5**  
**INTERMEDIATE COURSE: GROUP - I**  
**PAPER – 3: TAXATION**

**SECTION – A: INCOME TAX LAW**

**Division A – Multiple Choice Questions**

MCQ No.	Sub-part	Most Appropriate Answer	MCQ No.	Most Appropriate Answer
1.	(i)	(b)	3.	(d)
	(ii)	(b)	4.	(d)
	(iii)	(a)		
2.	(i)	(d)		
	(ii)	(b)		
	(iii)	(b)		

**Division B – Descriptive Questions**

1. **Computation of total income of Mr. Amit for A.Y. 2025-26**

	Particulars	₹	₹	₹
<b>I</b>	<b>Income from house property</b>			
	<b>Let out portion [First floor]</b>			
	Gross Annual Value [Rent received is taken as GAV, in the absence of other information]		2,28,000	
	Less: Municipal taxes paid by him in the P.Y. 2024-25 pertaining to let out portion [₹ 60,000/2]		30,000	
	<b>Net Annual Value (NAV)</b>		1,98,000	
	Less: Deduction u/s 24			
	(a) 30% of ₹ 1,98,000		59,400	
			1,38,600	
	<b>Self-occupied portion [Ground Floor]</b>			
	Annual Value		Nil	
	[No deduction is allowable in respect of municipal taxes paid]			1,38,600
<b>II</b>	<b>Profits and gains of business or profession</b>			
	Income from SEZ unit			20,00,000

<b>III</b>	<b>Capital Gains</b>		
	<b>On transfer of 60,000 shares (2,00,000 x 30%)</b>		
	Sales consideration [60,000 x ₹ 60 per share]	36,00,000	
	<i>Less:</i> Cost of acquisition [60,000 x 40]	<u>24,00,000</u>	
	Long-term capital gains u/s 112A (since shares are held for a period of more than 12 months before transfer)		12,00,000
<b>IV</b>	<b>Income from Other Sources</b>		
	Royalty from artistic book	2,88,000	
	<i>Less:</i> Expenses incurred for earning royalty	40,000	
		<u>2,48,000</u>	
	Interest on savings bank deposits	30,000	
			<u>2,78,000</u>
	<b>Gross Total Income</b>		<b>36,16,600</b>
	<i>Less: Deduction u/s 10AA</i> [Not available, since he commenced operation in P.Y. 2021-22]		-
	<i>Less: Deduction under Chapter VI-A</i>		
	<b>Deduction under section 80C</b>		
	Tuition fee paid for maximum of two children is allowable (₹ 14,000 x 2)	28,000	
	Insurance premium paid on life insurance policy of son allowable, even though not dependent on Mr. Amit	39,000	
	Insurance premium paid on life insurance policy of father <b>not</b> allowable, even though father is dependent on Mr. Amit	-	67,000
	<b>Deduction under section 80QQB</b>		
	Royalty [₹ 2,88,000 x 15/18 = ₹ 2,40,000, restricted to amount brought into India in convertible foreign exchange		1,90,000

₹ 2,30,000 minus ₹ 40,000 expenses already allowed as deduction while computing royalty income]		
<b>Deduction under section 80TTA</b>	10,000	
Interest on savings bank account, restricted to ₹ 10,000		<b>2,67,000</b>
<b>Total Income</b>		<b>33,49,600</b>

**Computation of tax liability of Mr. Amit for A.Y.2025-26 under the normal provisions of the Act**

Particulars	₹	₹
<b>Tax on total income of ₹ 33,49,600</b>		
Tax on LTCG of ₹ 10,75,000, being the sum exceeding ₹ 1.25 lakh @10% u/s 112A		1,07,500
<b>Tax on remaining total income of ₹ 21,49,600</b>		
Upto ₹ 2,50,000	Nil	
₹ 2,50,001 – ₹ 5,00,000[@5% of ₹ 2.50 lakh]	12,500	
₹ 5,00,001 – ₹ 10,00,000 [@20% of ₹ 5,00,000]	1,00,000	
₹ 10,00,001 – ₹ 21,49,600 [@30% of ₹ 11,49,600]	3,44,880	4,57,380
		5,64,880
<i>Add: Health and education cess@4%</i>		22,595
<b>Total tax liability</b>		<b>5,87,475</b>
Tax liability (rounded off)		<b>5,87,480</b>

**Computation of adjusted total income and AMT of Mr. Amit for A.Y. 2025-26**

Particulars	₹
<b>Computation of adjusted total income</b>	
<b>Total income as per the normal provisions of the Act</b>	<b>33,49,600</b>
<b>Add: Deduction u/s 80QQB</b>	1,90,000
<b>Adjusted Total Income</b>	<b>35,39,600</b>
<b>Alternative Minimum Tax@18.5%</b>	6,54,826
<i>Add: Health and education cess@4%</i>	26,193
<b>AMT liability</b>	6,81,019
AMT liability (Rounded off)	<b>6,81,020</b>

Since the regular income-tax payable is less than the alternate minimum tax payable, the adjusted total income shall be deemed to be the total income and tax is leviable @18.5% thereof plus cess@4%. Therefore, liability as per section 115JC is ₹ 6,81,020.

## AMT credit to be carried forward under section 115JEE

Particulars	₹
Tax liability under section 115JC	6,81,020
Less: Tax liability under the regular provisions of the Income-tax Act, 1961	5,87,480
	<b>93,540</b>

2. (a) An Indian citizen or a person of Indian origin who, being outside India, comes on a visit to India (and whose total income, other than from foreign sources, does not exceed ₹ 15,00,000) would be resident in India only if he or she stays in India for a period of 182 days or more during the previous year. Even if his total income, other than from foreign sources, exceeds ₹ 15,00,000, he would be resident in India if stays in India for 120 days or more during the relevant previous year and 365 days or more during the 4 previous years immediately preceding the relevant previous year.

Since Mrs. Riya is a person of Indian origin who comes on a visit to India only for 60 days in the P.Y.2024-25, she is non-resident for the A.Y. 2025-26.

A non-resident is chargeable to tax in respect of income received or deemed to be received in India and income which accrues or arises or is deemed to accrue or arise to her in India. Accordingly, her total income and tax liability would be determined in the following manner:

### Computation of total income and tax liability of Mrs. Riya for A.Y. 2025-26

Particulars	Amt (₹)
<b>Salaries</b>	
Pension received from Russian Government [Not taxable, since it neither accrues or arises in India nor it is received in India]	Nil
<b>Income from House Property</b>	
Annual Value [Rental Income from house property in New Delhi is taxable, since it is deemed to accrue or arise in India, as it accrues or arises from a property situated in India]	90,000
Less: Deduction u/s 24(a) @ 30%	27,000
	<b>63,000</b>
<b>Capital Gains</b>	
Long-term capital gains on sale of land at New Delhi [Taxable, since it is deemed to accrue or arise in India as it is arising from transfer of land situated in India]	3,00,000
Short-term capital gains on sale of shares of Indian listed companies in respect of which STT was paid [Taxable, since it is deemed to accrue or arise in India, as such	60,000

income arises on transfer of shares of Indian listed companies]	
<b>Gross Total Income</b>	<b>4,23,000</b>
<i>Less: Deduction under Chapter VI-A</i>	
Deduction under section 80C [Not available under default tax regime]	Nil
<b>Total Income</b>	<b>4,23,000</b>

**(b) Determination of Advance Tax Liability of Mr. Sameer**

Particulars		₹
Estimated tax liability for the financial year 2024-25		80,000
<b>Less: Tax deducted at source</b>		<u>12,000</u>
<b>Tax payable</b>		<b><u>68,000</u></b>
Due Date of installment	Amount payable	₹
On or before 15 <sup>th</sup> June, 2024	Not less than 15% of advance tax liability	10,200
On or before 15 <sup>th</sup> September, 2024	Not less than 45% of advance tax liability less amount paid in earlier installment	20,400 (₹ 30,600, being 45% of ₹ 68,000 - ₹ 10,200)
On or before 15 <sup>th</sup> December, 2024	Not less than 75% of advance tax liability less amount paid in earlier installment(s)	20,400 (51,000, being 75% of ₹ 68,000 - ₹ 30,600)
On or before 15 <sup>th</sup> March, 2025	Whole of the advance tax liability less amount paid in earlier installment(s)	17,000 (68,000, being 100% of ₹ 68,000 - ₹ 51,000)

**3. (a) (i) Computation of depreciation for A.Y.2025-26**

Particulars	₹
W.D.V. of the block as on 1.4.2024	7,70,000
<i>Add: Purchase of second hand plant during the year [in December, 2024]</i>	<u>6,10,000</u>
	13,80,000
<i>Less: Sale consideration of old machinery during the year [in July, 2024]</i>	<u>10,00,000</u>
W.D.V of the block as on 31.03.2025	<b><u>3,80,000</u></b>
Depreciation @ 15% but restricted to 50% thereon. ₹ 3,80,000 X 7.5%	<b>28,500</b>
[Since the value of the block as on 31.3.2025 represents part of actual cost of second hand plant purchased in December, 2024, which has	

been put to use for less than 180 days, depreciation is restricted to 50% of the prescribed percentage of 15% i.e. depreciation is restricted to 7½%. Therefore, the depreciation allowable for the year is ₹ 28,500 being 7½% of ₹ 3,80,000]

(ii) In the given case, no capital gains would arise, since the block of asset continues to exist, and some of the assets are sold for a price which is lesser than the written down value of the block as increased by the actual cost of asset purchased during the year

(iii) **Computation of deduction allowable under section 35**

Particulars	Amount (₹ in lakhs)	Section	% of weighted deduction	Amount of deduction (₹ in lakhs)
<b>Payment for scientific research</b>				
UV University, an approved University	15	35(1)(ii)	100%	15
Satyawati College [Since it is not mentioned as an approved University]	17	-	NIL	NIL

(b) **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 sale consideration (1% of ₹ 600 lakhs)	<u>6.00</u>
---	-------------

<b>Net Sale consideration</b>	664.00
-------------------------------	--------

**Less:** 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
--	----

- Construction cost of residential building	<u>100</u> <u>188.00</u>
---	--------------------------

<b>Long-term capital gains before exemption</b>	<b>476.00</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 09.08.2025) 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 09.08.2025 (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>426.00</b>

4. (a) **Computation of tax liability of Mr. Vijay Prasad for A.Y.2025-26**

Particulars	₹	₹
<b>Salary</b>		
Income by way of salary (computed)		2,75,000
<b>Profits and gains from business and profession</b>		
Business Income- Retail business	1,20,000	
Less: Set-off of business loss of ₹ 1,00,000 from wholesale business	<u>1,00,000</u>	
	20,000	
Less: Set-off of brought forward business loss of ₹ 1,35,000 of A.Y.2022-23 allowable to the extent of ₹ 20,000 by virtue of section 72(1)	<u>20,000</u>	Nil
[Balance brought forward business loss of ₹ 1,15,000 (i.e., ₹ 1,35,000 – ₹ 20,000) to be carry forward to A.Y. 2026-27 for set-off against business income of that year]		
<b>Capital Gains</b>		
Long-term capital gain on sale of building	2,00,000	
Less: Set-off of short term capital loss	<u>1,85,000</u>	15,000
<b>Income from Other Sources</b>		
Lottery winnings		45,000
Income of minor daughter from special talent [Not included in Vijay Prasad's income since it is earned from special talent]		-
<b>Gross Total Income</b>		<b>3,35,000</b>
<b>Less:</b> Deduction under section 80C		
Contribution to provident fund and NSC ₹ 1,50,000		<u>150,000</u>
<b>Total Income</b>		<b><u>1,85,000</u></b>
<b>Tax on ₹ 1,85,000</b>		
Tax on lottery income of ₹ 45,000 @30% [Unexhausted basic exemption limit can not be reduced from lottery income]	13,500	
Tax on LTCG of ₹ 15,000 @20% [Unexhausted basic exemption limit can not be reduced from	3,000	



LTCG as Mr. Vijay is a non resident]		
Tax on other income of ₹ 1,25,000 (since it does not exceed basic exemption limit)	-	
		16,500
Add: Health and education cess @4%		<u>660</u>
<b>Tax liability</b>		<b>17,160</b>

**(b) [First Alternative]**

**Consequences for non-filing return of income within the due date under section 139(1)**

**Interest under section 234A**

Interest under section 234A@1% per month or part of the month for the period commencing from the date immediately following the due date under section 139(1) till the date of furnishing of return of income is payable, where the return of income is furnished after the due date.

However, no interest u/s 234A shall be charged on self-assessment tax paid by the assessee on or before the due date of filing of return.

**Fee under section 234F**

Late fee of ₹ 5,000 would be payable under section 234F, if the return of income is not filed before the due date specified in section 139(1).

However, such fee cannot exceed ₹ 1,000, if the total income does not exceed ₹ 5,00,000.

**Carry forward and set-off of certain losses not permissible**

Following losses would not be allowed to be carried forward, where a return of income is not furnished within the time allowed under section 139(1):

- business loss, speculation business loss, loss from specified business (in case assessee opts out of default tax regime),
- loss under the head "Capital Gains"; and
- loss from the activity of owning and maintaining race horses.

**(b) [Second Alternative]**

	<b>Transaction</b>	<b>Is quoting of PAN mandatory in related documents?</b>
1.	Payment of life insurance premium of ₹ 40,000 in the F.Y.2024-25 by account payee cheque to LIC for insuring life of self and spouse	No, since the amount paid does not exceed ₹ 50,000 in the F.Y.2024-25.
2.	Payment of ₹ 1,10,000 to RBI for acquiring its bonds	Yes, since the amount paid exceeds ₹ 50,000

3.	Applied to SBI for issue of credit card.	Yes, quoting of PAN is mandatory on making an application to a banking company for issue of credit card.
4.	Payment of ₹ 1,00,000 by account payee cheque to travel agent for travel to Dubai for 3 days to visit	No, since the amount was paid by account payee cheque and not in cash, quoting of PAN is not mandatory even though the payment exceeds ₹ 50,000

**ANSWERS OF MODEL TEST PAPER 6**

**INTERMEDIATE COURSE: GROUP-I**

**PAPER – 3: TAXATION**

**SECTION – A: INCOME TAX LAW**

**Division A – Multiple Choice Questions**

MCQ No.	Sub-part	Most Appropriate Answer	MCQ No.	Most Appropriate Answer
1.	(i)	(c)	3.	(a)
	(ii)	(c)	4.	(c)
	(iii)	(c)		
2.	(i)	(b)		
	(ii)	(c)		
	(iii)	(a)		

**B – Descriptive Questions**

**1. Computation of total income of Mr. Ashok for the A.Y.2025-26**

Particulars	₹	₹
<b>Income from house property</b>		
Arrears of rent (Taxable under section 25A even if Mr. Ashok is not the owner of the house property in the P.Y.2024-25)	1,35,000	
Less: Deduction@30%	<u>40,500</u>	94,500
<b>Profits and gains of business or profession</b>		
<b>Income from wholesale business</b>		
Net profit as per books	6,60,000	
Add: Amount debited to P & L A/c, not allowable as deduction		
- Depreciation as per books	34,000	
- Disallowance of municipal taxes paid for the second half-year under section 43B, since the same was paid after the due date of filing of return of income (₹ 7,000/2)	3,500	
- Disallowance under section 40A(3) in respect of salary paid in cash since the same exceeds ₹ 10,000	22,000	
- 20% of car expenses for personal use	<u>8,000</u>	
	7,27,500	
Less: Depreciation allowable ( <b>Note 1</b> )	<u>1,96,800</u>	
	5,30,700	

<b>Income from firm</b>		
Share of profit from the firm is exempt under section 10(2A)	-	
Interest on capital from partnership firm	1,20,000	
<b>(Note 2)</b>		
Salary as working partner fully taxable	<u>1,00,000</u>	<u>2,20,000</u>
		7,50,700
<b>Income from other sources</b>		
Interest on bank fixed deposit (Gross) [₹ 49,500 x 100/90]	55,000	
Interest on saving bank account	13,300	
Interest on income-tax refund	<u>1,400</u>	<u>69,700</u>
<b>Gross total income</b>		<b>9,14,900</b>
Less: Deduction under Chapter VIA (Note 3)		<u>2,65,000</u>
<b>Total Income</b>		<b><u>6,49,900</u></b>

**Computation of tax liability of Mr. Ashok for the A.Y.2025-26**

Particulars	₹
Upto ₹ 3,00,000	Nil
₹ 3,00,001 – ₹ 5,00,000 [i.e., ₹ 2,00,000 @5%]	10,000
₹ 5,00,001 – ₹ 6,49,900 [i.e., ₹ 1,49,900 @20%]	<u>29,980</u>
	39,980
Add: Health and Education cess @4%	<u>1,599</u>
<b>Tax liability</b>	<b><u>41,579</u></b>
<b>Tax liability (Rounded off)</b>	<b><u>41,580</u></b>

**Notes:**

(1) **Depreciation allowable under the Income-tax Rules, 1962**

		Opening WDV/ Actual cost	Rate		Depreciation
Block 1	Computers	2,40,000	40%		96,000
	Computer printer	1,50,000	40%		60,000
Block 2	Motor Car	6,80,000	15%	51,000 [50% of 15% is allowable, since it is put to use for less than 180 days]	40,800
	<b>Less: 20% disallowance for personal use</b>			<u>10,200</u>	
					<b><u>1,96,800</u></b>

(2) Only to the extent the interest is allowed as deduction in the hands of the firm, the same is includible as business income in the hands of the partner. Since interest is paid in accordance with partnership deed, maximum interest allowable as deduction in the hands of the firm is 12% p.a. Therefore, interest @12% p.a. amounting to ₹ 1,20,000 would be treated as the business income of Mr. Ashok.

(3) **Deduction under Chapter VI-A**

Particulars	₹	₹
<b>Under section 80C</b>		
LIP for independent son	60,000	
PPF paid in wife's name	<u>70,000</u>	
		1,30,000
<b>Under section 80D</b>		
Health insurance premium taken for himself is fully allowable as deduction, since he is a senior citizen		35,000
<b>Under section 80G</b>		
Contribution towards PM National Relief Fund eligible for 100% deduction without any qualifying limit		50,000
<b>Under section 80TTB</b>		
Interest on deposits in case of senior citizen, restricted to		<u>50,000</u>
<b>Total deduction</b>		<b><u>2,65,000</u></b>

2. (a) Mr. Sudesh is a non-resident for the A.Y.2025-26, since he was not present in India at any time during the previous year 2024-25.

As per section 5(2), a non-resident is chargeable to tax in India only in respect of following incomes:

- (i) Income received or deemed to be received in India; and
- (ii) Income accruing or arising or income deemed to accrue or arise in India.

**Computation of Total Income of Mr. Sudesh for A.Y. 2025-26  
(As per default regime)**

Particulars	₹
<b>Salaries</b>	
Salary from Government of India (Income chargeable under the head 'Salaries' payable by the Government to a citizen of India for services rendered outside India is deemed to accrue or arise in India under section 9(1)(iii). Hence, such income is taxable in the hands of Mr. Sudesh, a citizen of India, even though he is a non-resident and rendering services outside India)	9,25,000

Foreign Allowance from Government of India [Any allowances or perquisites paid or allowed as such outside India by the Government to a citizen of India for rendering service outside India is exempt under section 10(7)].	<u>Nil</u>
<b>Gross Salary</b>	<b>9,25,000</b>
Less: Standard Deduction under section 16(ia) of ₹ 75,000, being lower of gross salary or ₹ 75,000	<u>75,000</u>
	<b>8,50,000</b>
<b>Income from House Property</b>	
Rent from a house situated at UK, received in UK (Income from property situated outside India would not be taxable in India in the hands of a non-resident, since it neither accrues or arises in India nor is it deemed to accrue or arise in India nor is it received in India)	Nil
<b>Gross Total Income/ Total Income</b>	<b>8,50,000</b>

- (b) Mr. Sumit has furnished his return of income under default tax regime for A.Y.2025-26 on 22.10.2025, i.e., after the due date specified under section 139(1) i.e., 31<sup>st</sup> July 2025. Hence, the return is a belated return under section 139(4).

As per section 80 read with section 139(3), specified losses, which have not been determined in pursuance of a return of loss filed within the time specified in section 139(1), cannot be carried forward to the subsequent year for set-off against income of that year. The specified losses include, *inter alia*, business loss but does not include loss from house property and unabsorbed depreciation.

Accordingly, business loss of ₹ 10,80,000 of Mr. Sumit for A.Y. 2025-26, not determined in pursuance of a return of loss filed within the time specified in section 139(1), cannot be carried forward to A.Y. 2026-27. The loss of ₹ 2,50,000 from let out house property cannot be carried forward since Mr. Sumit is paying tax under default tax regime.

However, unabsorbed depreciation of ₹ 2,00,000 pertaining to A.Y.2025-26, can be carried forward to A.Y.2026-27 for set-off, even though Mr. Sumit has filed the return of loss for A.Y.2025-26 belatedly.

- (c) (i) HFC Bank is not required to deduct tax at source under section 194A, since the aggregate interest on fixed deposit with the two branches of the bank ₹ 49,000 does not exceed the threshold limit of ₹ 50,000, applicable in case of senior citizen. Since HFC Bank has adopted core banking solution (CBS), the aggregate interest paid by both branches has to be considered.
- (ii) TDS provisions under section 194C are not attracted in this case, since Mr. Chetan is a pensioner. However, Mr. Chetan has to deduct tax at source@2% u/s 194M, since the payment to contractor, Mr. Gopi, exceeds ₹ 50 lakhs.

3. (a) Computation of taxable income of Mr. Yogesh for A.Y. 2025-26

Particulars	Amount (₹)	Amount (₹)
<b>Income from house property (A)</b>		
<u>Unit - 1 [50% of floor area - Let out]</u>		
Gross Annual Value, higher of		
- <b>Expected rent ₹ 1,39,000</b> [Higher of Municipal Value of ₹ 1,44,000 p.a. and Fair Rent of ₹ 1,49,000 p.a., but restricted to Standard Rent of ₹ 1,39,000 p.a.]		
- Actual rent ₹ 1,80,000 i.e., [₹ 20,000 x 10] less unrealized rent of January, 2025 ₹ 20,000		
Gross Annual Value	1,80,000	
Less: Municipal taxes [50% of ₹ 30,000]	<u>15,000</u>	
Net Annual Value	1,65,000	
Less: Deductions from Net Annual Value		
(a) 30% of Net Annual Value	49,500	
(b) Interest on loan [50% of ₹ 90,000]	<u>45,000</u>	70,500
<u>Unit – 3 [25% of floor area – Self occupied]</u>		
Net Annual Value	-	
Less: Interest on loan [Not allowed as Mr. Yogesh is paying tax under section 115BAC.]	<u>-</u>	<u>-</u>
		70,500
<b>Profits and gains from business or profession (B)</b>		
Business Income [without deducting expenditure of Unit – 2, 25% floor area used for business purposes]	2,40,000	
Less: Expenditure in respect of Unit -2		
- Municipal taxes [25% of ₹ 30,000]	7,500	
- Repairs [25% of ₹ 7,000]	1,750	
- Interest on loan [25% of ₹ 90,000]	22,500	
- Ground rent [25% of ₹ 6,000]	1,500	
- Fire Insurance premium [25% of ₹ 60,000]	<u>15,000</u>	
	<u>48,250</u>	<u>1,91,750</u>
<b>Taxable Income (A+B)</b>		<b><u>2,62,250</u></b>

**Note:** Alternatively, if as per income-tax returns, unrealised rent is deducted from GAV, then GAV would be ₹ 2,00,000, being higher of unexpected rent of ₹ 1,39,000 and actual rent of ₹ 2,00,000. Thereafter, unrealized rent of ₹ 20,000 and municipal taxes of ₹ 15,000

would be deducted from GAV of ₹ 2,00,000 to arrive at the NAV of ₹ 1,65,000

(b)

<b>I</b>	<b><u>Tax consequences in the hands of Mr. Soham</u></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>
<b>II</b>	<b><u>Tax consequences in the hands of Mr. Aman</u></b>
	<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.</p> <p>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>



4. (a) **Computation of Total Income of Mr. Mohan for A.Y. 2025-26**

Particulars	Amount (₹)	Amount (₹)
<b>Income from house property</b>		
<b>House in Delhi</b> [Since Mr. Mohan receives direct or indirect benefit from income arising to his brother's daughter, Ms. Veena, from the transfer of house to her without consideration, such income is to be included in the total income of Mr. Mohan as per proviso to section 62(1), even though the transfer may not be revocable during lifetime of Ms. Veena]		
Gross Annual Value <sup>1</sup>	6,50,000	
Less: Municipal taxes	-	
Net Annual Value	6,50,000	
Less: Deductions from Net Annual Value		
(a) 30% of Net Annual Value	1,95,000	
(b) Interest on loan	-	
		4,55,000
<b>Profits and gains from business or profession</b>		
Share of profit from firm [Exempt u/s 10(2A)]	-	
Exempt income cannot be clubbed		
<b>Capital Gains</b>		
Long term capital gain from sale of property	15,000	
<b>Less:</b> Short-term capital loss can be set-off against both short-term capital gains and long-term capital gains <sup>2</sup> . Short term capital loss of ₹ 16,000 set off against long-term capital gains to the extent of ₹ 15,000 <sup>3</sup> .	<u>15,000</u>	-
<b>Income from other sources</b>		
Dividend on preference shares [Taxable in the hands of Mr. Mohan as per section 60, since he transferred the income, i.e., dividend, without transferring the asset, i.e., preference shares]	10,00,000	
Interest from saving bank account	2,00,000	
Cash gift [Taxable as per section 56(2)(x), since sum of money exceeding ₹ 50,000 is	75,000	

<sup>1</sup> Rent receivable has been taken as the gross annual value in the absence of other information

<sup>2</sup> as per section 74(1)

<sup>3</sup> as per section 74(1)

received from his niece, who is not a relative]		
Income from betting [No loss is allowed to be set off against such income]	34,000	
Income from card games [No loss is allowed to be set off against such income]	<u>46,000</u>	<u>13,55,000</u>
<b>Gross Total Income</b>		<b>18,10,000</b>
<b>Less: Deduction under Chapter VI-A</b>		
Deduction under section 80TTA [Not allowable under default tax regime]	<u>Nil</u>	<u>Nil</u>
<b>Total Income</b>		<b>18,10,000</b>

**Losses to be carried forward to A.Y. 2026-27**

Particulars	Amount (₹)
Short term capital loss [₹ 16,000 – ₹ 15,000]	1,000
Loss on maintenance of race horses [Loss incurred on maintenance of race horses cannot be set-off against income from any source other than the activity of owning and maintaining race horses. Hence, such loss has to be carried forward to A.Y.2026-27]	14,600

**(b) First Alternative**

As per sixth proviso to section 139(1), every person, being an individual whose total income without giving effect to the provisions of, *inter alia*, section 54EC and Chapter VI-A exceeds the basic exemption limit, is compulsorily required to furnish return of income on or before the due date.

Therefore, in the present case, Mr. Prince, a senior citizen is required to file return of income, since his total income of ₹ 3,90,000 before giving effect to the exemption under section 54EC and deduction of ₹ 1,50,000 under Chapter VI-A, exceeds the basic exemption limit of ₹ 3,00,000 applicable in his case.

**(b) Second Alternative**

- (i) **True:** Section 139A(2) provides that the Assessing Officer may, having regard to the nature of transactions as may be prescribed, also allot a PAN to any other person, whether any tax is payable by him or not, in the manner and in accordance with the procedure as may be prescribed.
- (ii) **False:** Section 140(b) provides that where the Karta of a HUF is absent from India, the return of income can be verified by any other adult member of the family; such member can be a male or female member.

**ANSWERS OF MODEL TEST PAPER 7**

**INTERMEDIATE COURSE: GROUP-I**

**PAPER – 3: TAXATION**

**SECTION – A: INCOME TAX LAW**

**Division A – Multiple Choice Questions**

MCQ No.	Sub-part	Most Appropriate Answer	MCQ No.	Most Appropriate Answer
1.	(i)	(c)	3.	(a)
	(ii)	(d)	4.	(b)
	(iii)	(a)		
2.	(i)	(b)		
	(ii)	(b)		
	(iii)	(b)		

**Division B – Descriptive Questions**

1. Computation of total income and tax liability of Mr. Sahil for A.Y. 2025-26

	Particulars	₹	₹
<b>I</b>	<b><u>Income from house property</u></b>		
	Annual value of self-occupied property	Nil	
	Less: Deduction under section 24(b)		
	Interest on housing loan of ₹ 2,60,000 restricted to ₹ 2,00,000	2,00,000	
		(2,00,000)	
<b>II</b>	<b><u>Profits and gains of business or profession</u></b>		
	<b>Net Profit</b>	94,92,000	
	<b>Add: Expenses debited to Profit and loss A/c but not allowable as deduction or to be considered under other head</b>		
	- Commission paid to brother [Commission paid to a related person/relative to the extent it is excessive to market rate is disallowed under section 40A(2)]	10,000	
	- Cash payment to a Transport Carrier [Not disallowed under section 40A(3) since the limit for one time cash payment is ₹ 35,000 in respect of payment to transport operators]	Nil	

	- Interest to bank on term loan [Interest paid to bank after the due date of filing of return under section 139(1) is disallowed as per section 43B]	2,80,000	
	- Contribution to Prime Minister's Relief Fund [Not allowable since the same is not incurred wholly and exclusively for business purpose]	10,000	
	- SGST Penalty paid [SGST penalty paid is not compensatory in nature and therefore, not allowable]	49,000	
	- Loss on sale of shares	1,40,000	
	- Depreciation as per books of account	<u>14,00,000</u>	
		1,13,81,000	
	<b>Less: Incomes credited to profit and loss account but not taxable as business income</b>		
	- Dividend from Domestic Companies	1,05,000	
	- Winnings from lotteries	73,500	
	- Profit on sale of shares	<u>3,15,000</u>	
		1,08,87,500	
	Less: Depreciation allowable as per Income-tax Rules, 1962		
	- On Plant & Machinery [@15% on ₹ 98,00,000, being opening WDV of ₹ 84 lakhs and additions put to use for more than 180 days of ₹ 14 lakhs + @7.5% on ₹ 14,00,000, being additions put to use for less than 180 days]	<u>15,75,000</u>	
	Business Income	93,12,500	
	Less: Set off of loss from house property as per section 71(3A)	<u>2,00,000</u>	
			91,12,500
III	<b><u>Capital Gains</u></b>		
	Long term capital gains taxable u/s 112A [Since shares are held for 2 years and STT has been paid]	3,15,000	
	Less: Set off of short term capital loss as per section 70(2)	<u>1,40,000</u>	1,75,000
IV	<b><u>Income from Other Sources</u></b>		
	Dividend from Domestic Companies	1,05,000	
	Winning from lotteries (₹ 31,500 + ₹ 73,500)	<u>1,05,000</u>	
			2,10,000
	<b>Gross Total Income</b>		<u>94,97,500</u>

<b>Less: Deduction under Chapter VI-A</b>		
<u>Deduction under section 80C</u>		
Principal repayment of housing loan	50,000	
<u>Deduction under section 80EE</u>		
Interest on housing loan of ₹ 60,000 [₹ 2,60,000 – ₹ 2,00,000, allowed u/s 24(b)] allowable under section 80EEA	60,000	
<u>Deduction under section 80G</u>		
Contribution to Prime Minister's Relief Fund	<u>10,000</u>	<u>1,20,000</u>
<b>Total Income</b>		<u>93,77,500</u>
<b>Tax Liability</b>		
Tax on LTCG of ₹ 50,000 exceeding ₹ 1.25 lakhs] u/s 112A @12.5%		6,250
Tax on winning from lotteries of ₹ 1,05,000 @30%		31,500
Tax on balance income of ₹ 90,97,500 at slab rate		
Upto ₹ 2,50,000	Nil	
From ₹ 2,50,001 to ₹ 5,00,000 @5%	12,500	
From ₹ 5,00,001 to ₹ 10,00,000 @20%	1,00,000	
From ₹ 10,00,001 to ₹ 90,97,500 @30%	<u>24,29,250</u>	<u>25,41,750</u>
		25,79,500
<i>Add: Surcharge @10% since total income exceeds ₹ 50 lakhs but does not exceed ₹ 1 crore</i>		<u>2,57,950</u>
		28,37,450
<i>Add: Health and education cess @4%</i>		<u>1,13,498</u>
<b>Tax Liability</b>		<u>29,50,948</u>
<b>Tax liability (Rounded off)</b>		<u>29,50,950</u>

2. (a) **Computation of total income of Mr. Tilak for the A.Y. 2025-26**  
(if he is Resident and Ordinarily Resident - ROR)

	Particulars	₹
(i)	<b>FTS for services rendered in Malaysia</b> Global income is taxable in case of a ROR.	50,000
(ii)	<b>Profit from business in England controlled from Bombay</b> Global income is taxable in case of a ROR.	3,00,000
(iii)	<b>Past untaxed profits earned in Singapore and brought to India in current year</b>	Nil

(iv)	<b>Capital gain on sale of land in India but received in Malaysia</b> Deemed to accrue or arises in India, since the property is situated in India.	2,00,000
(v)	<b>Income from agricultural land in Nepal, received there</b> Global income is taxable in case of a ROR	18,000
(vi)	<b>Interest on saving bank deposit in SBI</b> Taxable since it is deemed to accrue or arises in India.	<u>12,000</u>
	<b>Gross Total Income</b>	<b>5,80,000</b>
	<b>Less: Deduction under Chapter VI-A</b>	
	Deduction under section 80C - For repayment of housing loan	50,000
	Deduction under section 80TTA - Interest on savings bank account subject to a maximum of ₹ 10,000	<u>10,000</u>
	<b>Total Income</b>	<b><u>5,20,000</u></b>

**Computation of total income of Mr. Tilak for the A.Y. 2025-26  
(if he is Resident but Not Ordinarily Resident - RNOR)**

	Particulars	₹
(a)	<b>FTS for services rendered in Malaysia to a non-resident</b> In case of RNOR, FTS would not be taxable in India since neither services are utilised for business in India nor FTS received in India.	Nil
(b)	<b>Profit from business in England controlled from Bombay</b> In case of RNOR, whole profits of ₹ 3,00,000 from business in England is taxable since business is controlled from India.	3,00,000
(c)	<b>Past untaxed profits earned in Singapore and brought to India in current year</b>	Nil
(d)	<b>Capital gain on sale of land in India but received in Malaysia</b> Deemed to accrue or arises in India, since the property is situated in India.	2,00,000
(e)	<b>Income from agricultural land in Nepal, received there</b> In case of RNOR, it would not be taxable in India, since neither it is deemed to accrue or arise in India nor received in India.	Nil
(f)	<b>Interest on saving bank deposit in SBI</b> Taxable since it is deemed to accrue or arises in India.	<u>12,000</u>

<b>Gross Total Income</b>	<b>5,12,000</b>
<b>Less: Deduction under Chapter VI-A</b>	
Deduction under section 80C - For repayment of housing loan	50,000
Deduction under section 80TTA - Interest on savings bank account subject to a maximum of ₹ 10,000	<u>10,000</u>
<b>Total Income</b>	<b><u>4,52,000</u></b>

- (b) (i) ABC Limited is required to deduct tax at source under section 194-I @10% on rent of ₹ 75,000 per month exclusive of GST component, since the aggregate rent of ₹ 9,00,000 during the financial year exceeds the threshold limit of ₹ 2,40,000.

Tax has to be deducted at the time of payment or credit, whichever is earlier.

- (ii) XYZ Pvt. Ltd. is not required to collect tax at source on sale of car of ₹ 4,00,000 to Mrs. Anju since its value does not exceed ₹ 10 lakhs.

However, it is required to collect tax at source u/s 206C(1F) @1% on the total sale consideration of ₹ 12 lakhs since the value of this car exceeds ₹ 10 lakhs.

Tax has to be collected at the time of receipt of ₹ 12 lakhs.

3. (a) (i) In the present case, the amount of advance of ₹ 2,00,000 received by Mr. Ravi from closely held manufacturing company would be deemed as dividend to the extent of accumulated profit of ₹ 1,00,000, since Mr. Ravi holds 22% shareholding in the company which is not less than 10% of the voting power in the company.

Accordingly, deemed dividend of ₹ 1,00,000 would be taxable in the hands of Mr. Ravi under the head "Income from Other Sources" for the A.Y. 2025-26.

- (ii) **Computation of deduction allowable u/s 35 for the A.Y. 2025-26**

	<b>Particulars</b>	<b>₹</b>
(i)	Revenue expenditure on scientific research allowable as deduction u/s 35(1)(i), assuming such expenditure is related to his business.	1,00,000
(ii)	Capital expenditure allowable as deduction u/s 35(1)(iv), assuming such expenditure is incurred for his business.	3,00,000
(iii)	Contribution to notified approved research association for scientific research – 100% of the amount paid is allowed as deduction u/s 35(1)(ii).	1,50,000

(iv)	Amount paid to H Ltd., an Indian company approved by the prescribed authority - 100% of the amount paid is allowed as deduction u/s 35(1)(iia)	2,50,000
(v)	Expenditure towards purchase of land – not allowed as deduction	Nil
(vi)	Revenue expenditure towards salary of research staff incurred in the F.Y. 2023-24 – allowed as deduction u/s 35(1)(i) in the P.Y. 2024-25 as it was expended within the 3 years immediately preceding the commencement of business	2,00,000
<b>Total deduction allowable</b>		<b>10,00,000</b>

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

Particulars	₹
Full Value of Consideration	85,00,000
Less: Expenditure in connection with transfer	<u>50,000</u>
Net Sales Consideration	84,50,000
<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]	<u>16,50,000</u>
	20,81,000
<b>Less:</b> Exemption u/s 54 – in respect of residential house purchased on 20.12.2024	<u>12,00,000</u>
<b>Taxable Long Term Capital Gains</b>	<b><u>8,81,000</u></b>

**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 ₹ 24,11,486.



4. (a) **Computation of total income of Mr. Joshi for the A.Y.2025-26**

Particulars	₹	
<b>Income from house property</b>	2,00,000	
Less: Set-off of brought forward loss from house property of A.Y. 2022-23 is allowed, since 8 years period not yet lapsed	<u>2,00,000</u>	Nil
<b>Profits and gains from business or profession</b>		
Income from proprietary business	3,00,000	
Less: Set off of brought forward business loss of A.Y. 2014-15 not allowable as 8 years' time has already lapsed in the A.Y. 2022-23	Nil	
Less: Set off of unabsorbed depreciation of A.Y. 2014-15	<u>1,00,000</u>	2,00,000
[ <b>Note</b> – Unabsorbed depreciation can be set-off against short-term capital gains]		
<b>Capital Gains</b>		
Short-term capital gain on sale of land	2,00,000	
Less: Set-off of short-term capital loss on sale of listed equity shares	<u>75,000</u>	1,25,000
Brought forward long-term capital loss is not allowed to be carried forward and set-off, since return of income for the A.Y. 2019-20 was filed after the due date of filing return of income.		
<b>Income from Other Sources</b>		
Interest on fixed deposit not includible in the hands of Mr. Joshi since his son is major		<u>Nil</u>
<b>Gross Total Income</b>		<b>3,25,000</b>
<b>Less: Deduction under Chapter VI-A</b>		Nil
<b>Total Income</b>		<b>3,25,000</b>

Items eligible for carried forward	
(i)	Loss from speculation business of ₹ 40,000 can be set-off against income from speculation business only. Hence, such loss would be carried forward to subsequent assessment year.
(ii)	Loss from owning and maintenance of race horses ₹ 50,000, can be set-off against income from owning and maintenance of race horses only. Thus, such loss would be carried forward to subsequent assessment year.
(iii)	Brought forward loss from house property can be set off only against income of house property. Hence, remaining loss of

₹ 50,000 has to be carried forward to subsequent assessment year.
---

**(b) [First Alternative]**

- (i) In this case, Mr. Aneesh is not required to file return of income, since his total income does not exceed ₹ 3,00,000, being the basic exemption limit as per the default tax regime u/s 115BAC, assuming Mr. Aneesh has not claimed any deduction u/s 54/54D/54EC or 54F and deduction allowable under Chapter VI-A.
- (ii) In the present case, since Smt. Patel, a senior citizen has a TDS credit of ₹ 55,000, which exceeds the threshold limit of ₹ 50,000, she is required to file her return of income even if her total income does not exceed the basic exemption limit.
- (iii) In this case, since Mr. Ajit's gross receipts from the profession of architect was ₹ 12,00,000 for the P.Y. 2024-25, which is in excess of ₹ 10 lakhs, hence, he is required to file his return of income though his total income is ₹ 2,25,000 which does not exceed the basic exemption limit.

**(b) [Second Alternative]**

The CBDT has, vide Notification No. 37/2022 dated 21.4.2022, inserted Rule 12AB to provide that a person, other than a company or a firm, who is not required to furnish a return under section 139(1), and who fulfils any of the following conditions during the previous year has to file their return of income on or before the due date in the prescribed form and manner –

- (i) if his total sales, turnover or gross receipts, as the case may be, in the business > ₹ 60 lakhs during the previous year; or
- (ii) if his total gross receipts in profession > ₹ 10 lakhs during the previous year; or
- (iii) if the aggregate of TDS and TCS during the previous year, in the case of the person, is ₹ 25,000 or more; or

However, a resident individual who is of the age of 60 years or more, at any time during the relevant previous year (or senior citizen) would be required to file return of income only, if the aggregate of TDS and TCS during the previous year, in his case, is ₹ 50,000 or more

- (iv) the deposit in one or more savings bank account of the person, in aggregate, is ₹ 50 lakhs or more during the previous year.

**ANSWERS OF MODEL TEST PAPER 8  
INTERMEDIATE COURSE: GROUP-I**

**PAPER – 3: TAXATION**

**SECTION – A: INCOME TAX LAW**

**Division A – Multiple Choice Questions**

MCQ No.	Sub-part	Most Appropriate Answer	MCQ No.	Most Appropriate Answer
1.	(i)	(c)	3.	(c)
	(ii)	(b)	4.	(d)
	(iii)	(b)		
2.	(i)	(c)		
	(ii)	(c)		
	(iii)	(a)		

**Division B – Descriptive Questions**

1. **Computation of total income and tax liability of Mr. Raman for A.Y. 2025-26 under default tax regime**

	Particulars	₹	₹
<b>I</b>	<b>Income from house property</b>		
	Gross Annual Value of first floor (Rent received has been taken as gross annual value in the absence of other information) [₹ 35,000 x 12]	4,20,000	
	Less: Municipal taxes (paid by tenant, Mr. Aman, hence not deductible)	Nil	
	Net Annual Value	4,20,000	
	Less: Deduction @30% of NAV	1,26,000	
			2,94,000
<b>II</b>	<b>Profits and gains of business or profession</b>		
	<b>Net Profit</b>	9,25,000	
	<b>Add: Expenses debited to Profit and loss A/c but not allowable as deduction or to be considered under other heads of income</b>		
	- Interest on delay in deposit of GST [Interest on delay in deposit in GST is compensatory in nature and hence, allowable as expenditure]	Nil	
	- Fee for technical services to non-resident [100% disallowed under section 40(a)(i) since the TDS was not deducted]	3,88,000	

- Fire insurance premium [Fire insurance premium for ground floor which is occupied for business purpose is allowed since Mr. Raman is following mercantile system of accounting. Remaining half for let out portion is disallowed] [₹ 66,000/2]	33,000
- Contribution to scientific research association approved u/s 35 [Not allowable under section 35(1)(ii) as per default tax regime]	75,000
- Municipal taxes for ground floor [Allowable since the ground floor is occupied for business purpose]	Nil
- Sum payable for purchase of raw material from M/s Paul Industries, a micro enterprise [Not allowable as per section 43B(h) since payment was made to a micro enterprise on 5.4.2025 which is beyond the time limit specified u/s 15 of the MSMED Act, 2006 i.e., within 15 days from 10.3.2025]	49,000
- Sum payable for purchase of raw material from M/s Kal Industries, a small enterprise [Allowable as per section 43B(h) since payment was made to a small enterprise on 5.4.2025 i.e., within 15 days from 31.3.2025.  However, since the payment is made in cash on 5.4.2025, ₹ 1,34,000 for purchase of raw material would be the deemed income of P.Y. 2025-26 as per section 40A(3A)]	Nil
	14,70,000
<b>Less: Incomes credited to profit and loss account but not taxable as business income</b>	
- Rent received for let out portion	4,20,000
- Gain on sale of land	4,00,000
	6,50,000
<b>Less: Depreciation</b>	
- On trademark [₹ 2,00,000 x 25% x 50%, since trademark is put to use for less than 180 days]	25,000
- On Car [₹ 5,40,000 x 15%]	81,000

	- On new Plant & machinery [₹ 2,50,000 x 15%]	37,500	
	- On Building [₹ 8,00,000 x 10%]	80,000	
	Additional depreciation		
	- On new Plant & machinery [Not allowable under default tax regime]	Nil	
	Income from Business		4,26,500
<b>III</b>	<b>Capital Gains</b>		
	Full value of consideration	44,00,000	
	Less: Cost of acquisition	40,00,000	
	Short term capital gains on land [Since land is held for less than 24 months]		4,00,000
	<b>Gross Total Income</b>		<b>11,20,500</b>
	Less: Deduction under Chapter VI-A [Not allowable under default tax regime]		Nil
	<b>Total Income</b>		<b>11,20,500</b>
	<b>Tax Liability</b>		
	Up to ₹ 3,00,000	Nil	
	From ₹ 3,00,001 to ₹ 7,00,000 @5%	20,000	
	From ₹ 7,00,001 to ₹ 10,00,000 @10%	30,000	
	From ₹ 10,00,001 to ₹ 11,20,500 @15%	18,075	
			68,075
	Add: Health and education cess @4%		2,723
	<b>Tax Liability</b>		<b>70,798</b>
	<b>Tax Liability (Rounded off)</b>		<b>70,800</b>

**Computation of total income and tax liability of Mr. Raman for  
A.Y. 2025-26 under normal provisions of the Act**

	Particulars	₹	₹
	<b>Gross Total Income as per default tax regime</b>		11,20,500
	Less: Additional depreciation on new Plant & machinery [₹ 2,50,000 x 20%]		50,000
	Less: Contribution to scientific research association approved u/s 35		75,000
	<b>Gross Total Income as per normal provisions of the Act</b>		<b>9,95,500</b>

<b>Less: Deduction under Chapter VI-A</b>		
<b>Deduction under section 80C</b>		
Tuition fees to a college for daughter's education	25,000	
<b>Deduction under section 80D</b>		
Preventive health check-up for self and parents restricted to	5,000	
<b>Deduction under section 80GGC</b>		
Donation to a registered political party since the payment is made otherwise than by cash	20,000	
		50,000
<b>Total Income as per normal provisions of the Act</b>		<b>9,45,500</b>
<b>Tax Liability</b>		
Up to ₹ 3,00,000	Nil	
From ₹ 3,00,001 to ₹ 5,00,000 @5%	10,000	
From ₹ 5,00,001 to ₹ 9,45,500 @20%	89,100	
		99,100
<i>Add: Health and education cess @4%</i>		3,964
<b>Tax Liability</b>		<b>1,03,064</b>
<b>Tax Liability (Rounded off)</b>		<b>1,03,060</b>

## 2. (a) Residential Status of Mr. Madan

Mr. Madan, an Indian citizen who left India on 1<sup>st</sup> September 2024 for the purpose of employment to USA, would be non-resident in India, since he stayed in India for 169 days (30+31+30+31+31+1+15) only during the P.Y. 2024-25 which is less than 182 days.

### Residential Status of HUF

Since Mr. Madan is managing the HUF for part of the year from India, control and management of its affairs is situated partly in India.

Hence, the HUF would be resident in India for the P.Y. 2024-25.

A HUF is said to be "Resident and ordinarily resident" in India during the previous year 2024-25, if Karta (Mr. Madan, in this case) satisfies both the following conditions:

- He is a resident in at least 2 out of 10 previous years preceding the relevant previous year; and
- His stay in India in the last 7 years preceding the relevant previous year is 730 days or more.

Mr. Madan has satisfied both the above conditions as he had never gone out of India except for 99 days and 201 days in the P.Y. 2023-24 and P.Y. 2022-23, respectively, the HUF would be ROR in India.

**Computation of Gross Total Income of Mr. Madan  
for the A.Y. 2025-26**

	Amount in ₹
<b>Income under the head “Salaries”</b>	
<u>Salary earned in India:</u> [₹ 65,500 x 5 + ₹ 65,500 x15/31]	3,59,194
<u>Salary paid in USA:</u> [Not taxable as Mr. Madan is a non-resident and such income does not accrue or arise or received in India]	Nil
Less: Standard Deduction	50,000
	3,09,194
<b>Income from other sources</b>	
Difference between the consideration of ₹ 18 lakhs and stamp duty value of ₹ 23 lakhs of the residential property acquired [Taxable, since the difference of ₹ 5 lakhs exceed ₹ 1,80,000, being the higher of 10% of the consideration and ₹ 50,000]	5,00,000
Sculpture received as gift from Rajeev, his friend in India [Not taxable as the value does not exceed ₹ 50,000]	Nil
<b>Gross Total Income</b>	<b>8,09,914</b>

- (b) (i) M/s PQR & Co. is required to deduct tax at source under section 194J @10% on the professional fees paid to Mr. Amit of ₹ 30,500 and ₹ 60,000 on 1<sup>st</sup> June 2024 and 30<sup>th</sup> January 2025, respectively, since M/s PQR & Co. turnover/gross receipts exceeds the prescribed threshold limit of ₹ 1 crore during the P.Y. 2023-24.

For non-deduction of tax at source, interest @1% would be leviable under section 201(1A)(i) for every month or part of the month on the amount of tax from the date on which such tax was deductible to the date such tax was paid by the payee i.e., 2.5.2025.

Interest @1% on ₹ 3,050 (10% of ₹ 30,500) from June 2024 to May 2025 = ₹ 366 and on ₹ 6,000 (10% of ₹ 60,000) from January, 2025 to May 2025 = ₹ 300 is payable by M/s PQR & Co.

- (ii) M/s. Fastest Ltd. is not required to collect tax at source u/s 206C(1F) on sale of cars of ₹ 150 lakhs to M/s. Race LLP, since such sale is to a distributor and sale price of each car does not exceed ₹ 10 lakhs.

M/s. Race LLP is also not required to deduct tax at source u/s 194Q, since its turnover, being a buyer in the P.Y. 2023-24 does not exceed ₹ 10 crores.

However, M/s Fastest Ltd. is required to collect tax at source u/s 206C(1H) @0.1% on the sale consideration exceeding ₹ 50 lakhs

i.e. on ₹ 100 lakhs since turnover of M/s Fastest Ltd. exceeds ₹ 10 crores and TCS u/s 206C(1F) and TDS u/s 194Q is not applicable.

3. (a) **Computation of taxable salary of Mr. Radhey for A.Y.2025-26**

Particulars	₹
Basic Pay [₹ 35,000 x 10 + ₹ 40,000 x 2]	4,30,000
Dearness Allowance [₹ 4,30,000 x 30%]	1,29,000
<b>Value of Rent-free accommodation</b>	
Value of Rent-free accommodation {10% of ₹ 4,99,660 i.e., [₹ 4,30,000, basic salary) + ₹ 69,660 (₹ 1,29,000 x 54%, DA)}	49,966
<i>Add:</i> Value of furniture [₹ 1,50,000 x 10% p.a.]	<u>15,000</u>
Facility of use of electricity [Electricity and water bills paid by the employer would be taxable as perquisite] [₹ 4,000 x 12]	48,000
Refresher course for upgrading skills [Tax free perquisite]	Nil
Value of medical treatment [Exempt, since medical treatment for wife is in notified hospital]	Nil
<b>Gross Salary</b>	<b>6,71,966</b>
<i>Less:</i> Deduction under section 16 - Standard deduction	75,000
<b>Taxable Salary</b>	<b>5,96,966</b>

(b) **Computation of Capital Gains of Mr. Raj for A.Y.2025-26**

Particulars	₹
<b>Capital gain on sale of urban agricultural land</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
<i>Less:</i> Expenditure in connection with transfer [1% of sale consideration i.e., ₹ 75 lakhs]	75,000
Net Sales Consideration	84,25,000
<i>Less:</i> Cost of acquisition	10,85,000
	73,40,000
<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	40,00,000



the urban agricultural land for agricultural purposes for more than 2 years preceding the date of its transfer.	
<b>Long term capital gain</b>	<b>33,40,000</b>

4. (a) **Computation of total income of Mr. Suraj, Mrs. Megha and minor son Dev for A.Y. 2025-26**

Particulars	Mr. Suraj [Under default tax regime] ₹	Mrs. Megha [Under normal provisions] ₹	Dev [Under normal provisions] ₹
<b>Income from house property</b>			
Annual Value [As per section 27, Mrs. Megha is the deemed owner of the house property transferred to minor son, Dev without consideration though such property is acquired from her "Stridhan"] [₹ 35,000 x12]		4,20,000	
Less: Deduction @30% of NAV		1,26,000	
		2,94,000	
Brought forward loss from House A [Not allowed to be set-off against income from other heads]	-		
Current year loss of Mr. Suraj from House – B [Not allowed to be set-off against income from other heads since Mr. Suraj is paying tax under default tax regime]	-		
<b>Profits and gains from business or profession</b>			
Salary from partnership firm	6,15,000		
Less: As per section 70, set off of current year loss from business of ₹ 8,10,000 to the extent of [Current year loss from business of his wife is allowed to be set off in the hands of Mr. Suraj since	6,15,000		

funds for business is gifted by him]			
<b>Income from Other Sources</b>	-		
Interest on enhanced compensation [Taxable in the year it is received]	2,00,000		
Less: Deduction @50%	1,00,000		
	1,00,000		
Gift from grandfather's sister [Taxable under section 56(2)(x), since grandfather's sister is not a relative and the amount of gift exceeds ₹ 50,000]	1,25,000		
Dividend on shares (gross)	50,000		
Maturity proceeds from LIC [Exempt under section 10(10D) since the annual premium payable does not exceed 10% of sum assured]	-		
	2,75,000		
Less: Set off of remaining business loss of ₹ 1,95,000	1,95,000		
	80,000		
Gift of house property from Mrs. Megha to Dev [Exempt since the gift is from a relative i.e., from his mother]			Nil
<b>Gross total income</b>	<b>80,000</b>	<b>2,94,000</b>	<b>-</b>

**(b) First Alternative**

- (i) The due date of filing return of income of Vegetable Ltd for the A.Y.2024-25 is 31<sup>st</sup> October, 2024 since it is a company.

However, it filed its return of income on 15.12.2024, which is a belated return.

If any omission is discovered even in a belated return, the same can also be revised up to 31.12.2024 being the date 3 months prior to the end of the relevant assessment year i.e. 31.03.2025 or completion of assessment, whichever is earlier.

However, it cannot file a revised return on 02.01.2025 since it is beyond 31.12.2024. Hence, the action of accountant of Vegetable Ltd is not valid.

- (ii) Since Mr. Mahendra is a resident individual, not being a company or a person whose accounts are required to be audited under section 44AB for the P.Y. 2024-25, and therefore he can file his return of income for A.Y. 2025-26 through a Tax Return Preparer.

**(b) Second Alternative**

An updated return can be furnished for the previous year relevant to the assessment year at any time within 24 months from the end of the relevant assessment year.

Accordingly, the following are the suggestions to Rani with respect to updated return on 16.5.2025 for A.Y. 2022-23, A.Y. 2023-24 and A.Y. 2024-25:

**A.Y. 2022-23:** Since the period of 24 months from the end of A.Y. 2022-23 expired on 31.3.2025 updated return cannot be furnished on 16.5.2025 for A.Y. 2022-23.

**A.Y. 2023-24:** For A.Y. 2023-24, updated return can be furnished up to 31.3.2026. Thus, updated return can be furnished on 16.5.2025.

Since updated return would be furnished after the expiry of 12 months but before 24 months from the end of 31.3.2024, additional income tax would be payable @50% of aggregate of tax (after taking into consideration tax deducted at source) and interest payable.

In this case, since the refund of ₹ 4,40,000 (₹ 5,60,000, being tax liability - ₹ 10,00,000, being TDS deducted) would arise, updated return cannot be furnished for A.Y. 2023-24.

**A.Y. 2024-25:** - For A.Y. 2024-25, updated return can be furnished up to 31.3.2027. Thus, updated return can be furnished on 16.5.2025.

Since updated return would be furnished before the expiry of 12 months from the end of 31.3.2025, additional income tax would be payable @25% of aggregate of tax (after taking into consideration tax deducted at source and self-assessment tax paid) and interest payable.

Accordingly, Rani is required to pay additional income-tax of ₹ 1,05,000 i.e., 25% of ₹ 4,20,000 [₹ 3,30,000 (₹ 6,30,000 – ₹ 2,00,000 – ₹ 1,00,000) + ₹ 90,000] in addition to tax payable of ₹ 3,30,000, interest payable of ₹ 90,000 and late fees of ₹ 5,000.

**ANSWERS OF MODEL TEST PAPER 1**  
**SECTION B – GOODS AND SERVICES TAX (50 MARKS)**  
**SUGGESTED ANSWERS**

**Division A - Multiple Choice Questions**

Question No.	Answer	
1	(b)	Invoice shall be issued before or at the time of removal of smartphones to distributors.
2	(b)	ITC of ₹ 18 lakh can be claimed and value of asset on which depreciation can be claimed under the provisions of Income-Tax Act, 1961 shall be ₹ 1 crore.
3	(a)	The demerged entity shall be treated as related party of the Company.
4	(d)	72 months from due date of furnishing annual return for the relevant financial year
5	(a)	45 days
6	(c)	The restriction of 180 days for payment of consideration is not applicable in the present case.
7	(b)	2 days
8	(c)	Both (a) and (b)

**Division B - Descriptive Questions**

**1. (a) Computation of GST payable on outward supplies**

S. No.	Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
(i)	Intra-State supply of goods for ₹ 4,00,000 [Note-1]	36,000	36,000	Nil
(ii)	Services rendered by way of labour contracts for repairing a single residential unit otherwise than as a part of residential complex [Note-2]	9,000	9,000	Nil
(iii)	Services provided by way of training in recreational activities relating to sports [Note-3]	Nil	Nil	1,800
(iv)	Inter-State security services provided to Bharat higher secondary school for their annual day function to be held in Kaman Auditorium.[Note-4]	Nil	Nil	2,700
	<b>Total GST payable</b>	<b>45,000</b>	<b>45,000</b>	<b>4,500</b>

## Notes

1. A registered person (excluding composition supplier and registered persons making supply of specified actionable claims) has to pay GST on the outward supply of goods at the time of supply as specified in section 12 of the CGST Act, 2017, i.e. date of issue of invoice or the last date on which invoice ought to have been issued. Thus, liability to pay tax on the advance received in January will also arise in the month of February, when the invoice for the supply is issued.
2. Services by way of pure labour contracts of construction, erection, commissioning, or installation of original works pertaining to a single residential unit otherwise than as a part of a residential complex are exempt. Labour contracts for repairing are thus, taxable.
3. Services by way of training in sports is exempt under GST, only if provided by charitable entities registered under section 12AA or section 12AB of the Income-tax Act, 1961. Thus, in the given case, said service is taxable.
4. Security services provided to Bharat higher secondary School for Annual Day function organised outside the school campus will be taxable as only the security services performed within the premises of the higher secondary school are exempt.

### Computation of total ITC

Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
Opening ITC	57,000	Nil	50,000
Add: Purchase of goods from a composition dealer [ITC is not available in case of supply of goods where tax has been paid under composition scheme]	Nil	Nil	Nil
Add: Membership of a club [Blocked credit]	Nil	Nil	Nil
Add: Goods transport services received from GTA [Input tax credit is available for the services received from GTA as the same are used in the course or furtherance of business.]	Nil	Nil	24,000
Add: Inputs to be received in 4 lots, out of which 2 <sup>nd</sup> lot was received during the month [In case of goods received in lots, ITC can be taken only upon receipt of the last lot]	Nil	Nil	Nil
<b>Total ITC</b>	<b>57,000</b>	<b>Nil</b>	<b>74,000</b>

**Computation of minimum GST payable from electronic cash ledger**

Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
GST payable	45,000	45,000	4,500
Less: ITC [First ITC of IGST should be utilized in full - first against IGST liability and then against CGST and SGST liabilities in a manner to minimize cash outflow]	(24,500) IGST (3)	(45,000) ) IGST (2)	(4,500) IGST (1)
Less: ITC of CGST to be used against CGST	(20,500) CGST		
Minimum GST payable in cash	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>

**Note:** Since sufficient balance of ITC of CGST is available for paying CGST liability and cross utilization of ITC of CGST and SGST is not allowed, ITC of IGST has first been used to pay SGST (after paying IGST liability) and then CGST to minimize cash outflow.

**(b) Computation of GST liability**

S. No.	Particulars	Mridul Traders (₹)	Kalu Motors Ltd. (₹)
(i)	Price of goods	10,000	30,000
(ii)	Add: Packing charges (Note-1)	500	
(iii)	Add: Commission (Note-1)	500	
(iv)	Add: Weightment charges (Note-1)	-	2,000
(v)	Less: Discount for prompt payment (Note-2)	-	<u>1,000</u>
	Value of taxable supply	11,000	31,000
	<b>IGST payable @ 18% (Note-3)</b>	<b>1,980</b>	
	<b>CGST payable @ 9% (Note-4)</b>		<b>2,790</b>
	<b>SGST payable @ 9% (Note-4)</b>		<b>2,790</b>

**Notes:**

- Incidental expenses, including commission and packing, charged by supplier to recipient of supply is includible in the value of supply. Weightment charges are also incidental expenses, hence includible in the value of supply [Section 15 of the CGST Act, 2017].
- Since discount is known at the time of supply, it is deductible from the value in terms of section 15 of the CGST Act, 2017.
- Section 10 of the IGST Act, 2017 provides that where the supply involves movement of goods, the place of supply of such goods

shall be the location of the goods at the time at which the movement of goods terminates for delivery to the recipient. Thus, place of supply is Gujarat.

Further, where the location of the supplier and the place of supply are in two different States, supply of goods shall be treated as a supply of goods in the course of inter-State trade or commerce. Since supply made to Mridul Traders is an inter-State supply, IGST is payable.

**2. (a)**

<b>S. No.</b>	<b>Particulars</b>	<b>Taxability</b>
(i)	Supply of manpower for cleanliness of roads not involving any supply of goods. [Pure services provided to Government are exempt.]	Exempt
(ii)	Service provided by Fair Price Shops by way of sale of sugar under Public Distribution System [Service provided by Fair Price Shops to Government by way of sale of sugar under Public Distribution System against consideration in the form of commission is exempt.]	Exempt
(iii)	Service of maintenance of street lights in a Municipal area involving replacement of defunct lights and other spares constituting 35% of the supply of service. [Composite supply of goods and services to Government in which the value of supply of goods constitutes not more than 25% of the value of the said composite supply is exempt. Since, in this case value of supply of goods constitutes 35% of the supply of composite service, same is taxable.]	Taxable
(iv)	Service of brochure distribution provided under a training programme. [Services provided to the Government under any training programme for which 75% or more of the total expenditure is borne by the Government is exempt. Since in the given case, 70% of the total expenditure is borne by the Government, it is taxable.]	Taxable

- (b) (i)** As per Para I of Schedule III of the CGST Act, 2017 services by an employee to the employer in the course of or in relation to his employment are non-supplies, i.e. they are neither supply of goods nor supply of services. Services provided by the independent directors who are not employees of the said company to such company, in lieu of remuneration as the consideration for the said services, are clearly outside the scope of Schedule III of the CGST

Act and are therefore taxable. Further, such remuneration paid to the directors is taxable in hands of the company, on reverse charge basis.

Thus, GST is applicable in this case and Star Company Private Limited is liable to pay GST.

- (ii) The part of director's remuneration which is declared as salaries in the books of a company and subjected to TDS under section 192 of the Income-tax Act (IT Act), is not taxable being consideration for services by an employee to the employer in the course of or in relation to his employment in terms of Schedule III of the CGST Act,2017.

Further, the part of employee director's remuneration which is declared separately other than salaries in the company's accounts and subjected to TDS under section 194J of the IT Act as fees for professional or technical services are treated as consideration for providing services which are outside the scope of Schedule III and is therefore, taxable. The recipient of the said services i.e. the company, is liable to discharge the applicable GST on it on reverse charge basis.

In lieu of the above provisions, ₹ 60,000 declared as salaries in the books of Star Company Private Limited and subjected to TDS under section 192 of the Income-Tax Act (IT Act), is not taxable being consideration for services by an employee to the employer in the course of or in relation to his employment in terms of Schedule III of the CGST Act,2017.

Further, ₹ 65,000 declared separately other than salaries in the Star Company Private Limited's accounts and subjected to TDS under section 194J of the IT Act as professional services is treated as consideration for providing services which is outside the scope of Schedule III of the CGST Act,2017 and is therefore, taxable. The recipient of the said services i.e. the Star Company Private Limited, is liable to discharge the applicable GST on it on reverse charge basis.

3. (a) 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:-
- (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) The benefit of enhanced threshold limit of registration of ₹ 40 lakh is not applicable for Om Sai 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 Om Sai 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.
  - (ii) Hukum Chand 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 Hukum Chand is engaged in supplying footwear from a Special Category State i.e. Nagaland, the threshold limit gets reduced to ₹ 10 lakh. Thus, Hukum Chand 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.
- (b) A supplier who has opted for composition scheme is not required to maintain records relating to;
- (i) **Stock of goods:** Accounts of stock in respect of goods received and supplied by him, and such accounts shall contain particulars of the opening balance, receipt, supply, goods lost stolen, destroyed, written off or disposed of by way of gift or free sample and the balance of stock including raw materials, finished goods, scrap and wastage thereof.
  - (ii) **Details of tax:** Account, containing the details of tax payable (including tax payable under reverse charge), tax collected and paid, input tax, input tax credit claimed, together with a register of tax invoice, credit notes, debit notes, delivery challan issued or received during any tax period.

Thus, Mr. Mehta is not required to maintain above mentioned records.

4. (a) In case of an event, if the recipient of service is registered, the place of supply of services for organizing the event is the location of such person. However, if the recipient is not registered, the place of supply is the place where event is held.

Since the event is being held in multiple states and a consolidated amount is charged for such services, the place of supply will be deemed to be in each State in proportion to the value for services determined in terms of the contract or agreement entered into in this regard.

In the absence of a contract or agreement between the supplier and recipient of services, the proportionate value of services made in each State (where the event is held) will be computed in accordance with IGST Rules by the application of generally accepted accounting principles.

**Or**

- (a)** It has been clarified vide a circular that securities are considered neither as goods nor as services in terms of definition of goods and the definition of services. Further, securities include 'shares' as per definition of securities.

This implies that the securities held by the holding company in the subsidiary company are neither goods nor services. Further, purchase or sale of shares or securities, in itself is neither a supply of goods nor a supply of services. For a transaction/activity to be treated as supply of services, there must be a supply as defined under section 7 of the CGST Act, 2017. It cannot be said that a service is being provided by the holding company to the subsidiary company, solely on the basis that there is a specific SAC entry in the scheme of classification of services, unless there is a supply of services by the holding company to the subsidiary company in accordance with section 7 of the CGST Act, 2017.

Therefore, the activity of holding of shares of subsidiary company by the holding company *per se* cannot be treated as a supply of services by a holding company to the said subsidiary company and cannot be taxed under GST.

- (b)** In GST since the returns are built from details of individual transactions, there is no requirement for having a revised return. Any need to revise a return may arise due to the need to change a set of invoices or debit/credit notes. Instead of revising the return already submitted, the system allows amendment in the details of those individual details of those transactions (invoices or debit/credit notes) that are required to be amended. They can be amended in any of the future GSTR-1 in the tables specifically provided for the purposes of amending previously declared details.

Omission or incorrect particulars discovered in the returns filed under section 39 of the CGST Act, 2017 can be rectified in the return to be filed for the month during which such omission or incorrect particulars are noticed. Any tax payable as a result of such error or omission will be required to be paid along with interest. The rectification of errors/omissions is carried out by entering appropriate particulars in "Amendment Tables" contained in GSTR-1. However, no such rectification of any omission or incorrect particulars is allowed after 30<sup>th</sup> November following the end of the financial year to which such details pertain, or the actual date of furnishing of relevant annual return, whichever is earlier.

**ANSWERS OF MODEL TEST PAPER 2**  
**SECTION B – GOODS AND SERVICES TAX (50 MARKS)**  
**SUGGESTED ANSWERS**

**Division A - Multiple Choice Questions**

Question No.	Answer
1	(b) The tax is payable at the time of supply of goods
2	(b) ₹ 5 crores
3	(a) Company has an option to issue single credit note against multiple invoices.
4	(d) transaction value subject to the conditions mentioned in Section 15(2) of the CGST Act, 2017.
5	(a) The Company shall be eligible to avail full input tax credit.
6	(c) Invoice by Maharashtra unit to the Gujarat unit of the Company
7	(c) Mr. Jambulal is liable to obtain registration as he makes the inter-State supply of goods.
8	(b) No, service by way of renting of residential property is exempt.

**Division B - Descriptive Questions**

1. (a) **Computation of GST payable**

Particulars	Value of supply (₹)	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
<b>GST payable under forward charge</b>				
Carnatic music performance given to promote a brand of readymade garments [Carnatic music performance by Mr. Nandan lal is not exempt from GST even though the consideration charged does not exceed ₹ 1,50,000 since said performance has been made by him as a brand ambassador.]	1,40,000	12,600	12,600	Nil
Services of transportation of students provided to HSMG College [Services of transportation of students provided to an educational institution other	1,00,000	9,000	9,000	Nil

than an institution providing pre-school education or education up to higher secondary school, are not exempt.]				
Services provided to IFMP Bank as a business correspondent. [Services provided by a business correspondent to a banking company are not exempt when such services are provided with respect to accounts in its urban area branch.]	2,00,000	18,000	18,000	Nil
Services provided as a recovery agent [Tax is payable under forward charge since recovery agent's services are being provided to a person other than banking company/financial institution/non-banking financial company.]	15,000	1,350	1,350	Nil
Total GST payable under forward charge (A)		40,950	40,950	Nil
<b>GST payable under reverse charge</b>				
Legal services availed from an advocate. [Legal services received by a business entity with aggregate turnover in the preceding financial year exceeding threshold limit for registration (₹ 20 lakh) are not exempt and tax on the same is payable under reverse charge.]	1,75,000	Nil	Nil	31,500
Total GST payable under reverse charge (B)		Nil	Nil	31,500
<b>Total GST payable [(A)+(B)]</b>		<b>40,950</b>	<b>40,950</b>	<b>31,500</b>

### Computation of total ITC available

Particulars	Value of supply (₹)	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
Outdoor catering services availed [ITC on outdoor catering services is blocked except when such services are (i) used by the taxpayer who is in the same line of business or (ii) provided by the employer to its employees under a statutory obligation.]	50,000	Nil	Nil	Nil
Legal services availed [ITC is available as said services are used in course or furtherance of business.]	1,75,000	Nil	Nil	31,500
General insurance taken on a car (seating capacity 5) used for official purposes [ITC on motor vehicles for transportation of persons with seating capacity ≤ 13 persons (including the driver) is blocked except when the same are used for (i) making further taxable supply of such motor vehicles (ii) making taxable supply of transportation of passengers (iii) making taxable supply of imparting training on driving such motor vehicles. Further, ITC is not allowed on services of general insurance relating to such ineligible motor vehicles.]	40,000	Nil	Nil	Nil
<b>Total ITC available</b>		<b>Nil</b>	<b>Nil</b>	<b>31,500</b>

### Computation of net GST payable in cash

Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
GST payable under forward charge	40,950	40,950	Nil

Less: ITC of IGST <sup>1</sup> [Refer Note]	(15,750) IGST	(15,750) IGST	-
	25,200	25,200	Nil
Add: GST payable under reverse charge in cash [Tax payable under reverse charge, being not an output tax, cannot be set off against ITC and thus, will have to be paid in cash.]	<u>Nil</u>	<u>Nil</u>	<u>31,500</u>
<b>Net GST payable in cash</b>	<b>25,200</b>	<b>25,200</b>	<b>31,500</b>

**Note:** ITC of IGST can be utilised towards payment of CGST and SGST in any proportion and in any order.

**(b) Computation of value of taxable supply made by M/s. LSP to Balwant Ltd.**

Particulars	Amount (₹)
Price of the machine [Since the price linked subsidy is received from the State Government, the same is not includible in the value of supply]	20,000
Third party inspection charges [Any amount that the supplier is liable to pay in relation to the supply but has been incurred by the recipient and not included in the price actually paid or payable for the goods, is includible in the value of supply]	6,000
Freight charges for delivery of the machine [Since arranging freight is the liability of supplier, it is a case of composite supply and thus, freight charges are added in the value of principal supply.]	1,000
Total	27,000
Less: Discount @ 2% on ₹ 20,000 being price charged to Balwant Ltd. [Discount given before or at the time of supply if duly recorded in the invoice is deductible from the value of supply]	<u>400</u>
<b>Value of taxable supply</b>	<b>26,600</b>

2. (a) (i) Services provided by way of renting of residential dwelling for use as residence except where the residential dwelling is rented to a registered person is exempt from GST. Further, tax on service provided by way of renting of residential dwelling to a registered

<sup>1</sup> Since IGST credit can be set off against CGST and SGST liability in any order and in any proportion, the same can be set off against CGST and/or SGST liabilities in different ways as well. In all such cases, net CGST and net SGST payable from Electronic Cash Ledger will differ though the total amount of net GST payable ( ₹ 81,900) in cash will remain the same.

person is payable by the recipient under reverse charge.

Therefore, in the given case, Anant Technologies is liable to pay GST on the residential dwellings taken on rent by it from Sapna Builders, under reverse charge mechanism.

- (ii) In case of services provided by any person by way of sponsorship to any body corporate or partnership firm, GST is liable to be paid under reverse charge by such body corporate or partnership firm located in the taxable territory.

Since in the given case, sponsorship services are being provided by the private NGO to a partnership firm – M/s. Verma Consultants, GST is payable by Verma Consultants on said services under reverse charge.

- (b) Section 10(2A) of the CGST Act, 2017 provides the turnover limit of ₹ 50 lakh in the preceding financial year for becoming eligible for composition levy for services. Little Smiles has started the supply of services in the current financial year (FY), thus, its aggregate turnover in the preceding FY is Nil. Consequently, in the current FY, Little Smiles is eligible for composition scheme for services. A registered person opting for composition levy for services shall pay tax @ 3% [Effective rate 6% (CGST+ SGST/UTGST)] of the turnover of supplies of goods and services in the State.

Further, Little Smiles becomes eligible for the registration when the aggregate turnover exceeds ₹ 20 lakh (the threshold limit of obtaining registration). While registering under GST, Little Smiles can opt for composition scheme for services.

The option of a registered person to avail composition scheme for services shall lapse with effect from the day on which his aggregate turnover during a financial year exceeds the threshold limit of ₹ 50 lakh.

However, for the purposes of determining the tax payable under composition scheme, the expression “turnover in State” shall not include the value of supplies from the first day of April of a FY up to the date when such person becomes liable for registration under the CGST Act.

Thus, for determining the turnover of the State for payment of tax under composition scheme for services, turnover of April, 2024 – June, 2024 quarter [₹ 20 lakh] shall be excluded. On next ₹ 30 lakh [turnover of July, 2024 – September, 2024 quarter], it shall pay tax @ 6% [3% CGST and 3% SGST].

For the purposes of computing aggregate turnover of a registered person for determining his eligibility to pay tax under this section, aggregate turnover includes value of supplies from the 1<sup>st</sup> April of a FY up to the date of his becoming liable for registration.

Thus, while computing aggregate turnover for determining Little Smiles’s eligibility to pay tax under composition scheme, value of supplies from the first day of April of a financial year up to the date when it becomes

liable for registration under this Act (i.e. turnover of April,2024 – June,2024 quarter), are included.

By the end of July, 2024 – September, 2024 quarter, the aggregate turnover reaches ₹ 50 lakh. Consequently, the option to avail composition scheme for services shall lapse by the end of July, 2024 – September, 2024 quarter and thereafter, it is required to pay tax at the normal rate of 18%.

Considering the above provisions, the tax payable for each quarter is as under:-

S. No.	Quarter	GST rate [CGST + SGST]	Turnover (₹ in lakh)	GST payable (₹ in lakh)
1	April, 2024 – June, 2024	-	20	-
2	July, 2024 – September, 2024	6%	30	1.8
3	October, 2024 – December, 2024	18%	40	7.2

3. (a) A user will not be able to generate e-way bill for a GSTIN if the said GSTIN is not eligible for e-way bill generation.

The blocking of GSTIN for e-way bill generation is only for the defaulting supplier GSTIN and not for the defaulting Recipient or Transporter GSTIN.

A person paying tax under regular scheme who has not furnished the returns for a consecutive period of 2 tax periods is considered as a defaulting person.

Suspended GSTIN cannot generate e-way bill as supplier. However, the suspended GSTIN can get the e-way bill generated as recipient or as transporter.

In other words, e-way bill generation facility is blocked only in respect of any outward movement of goods of the registered person who is not eligible for e-way bill generation. E-way bills can be generated in respect of inward supplies of said registered person.

Thus, applying the above provisions, there will be no restriction in generating e-way Bill by Mr. Roshan as Mr. Roshan who is making outward movement of goods is a regular return filer.

E-way bill generation is blocked in case of movement of goods made by Mr. Sohan to Mr. Mohan as it's an outward movement of goods of Mr. Sohan who has not filed GSTR-3B for past 2 months.

- (b) The proper officer may cancel the registration of a person from such date, including any retrospective date, as he may deem fit, where,-
- (a) a registered person has contravened the prescribed provisions; or
  - (b) 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

- (c) any registered person, other than a person specified in clause (b), has not furnished returns for a prescribed period; or
- (d) any person who has taken voluntary registration has not commenced business within six months from the date of registration; or
- (e) 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.

4. (a) There are cases where an unregistered person purchases goods over the counter (OTC) in one State and thereafter, transports the goods to another State (generally, the State where he resides). For instance, migrant workers, tourists, etc. who come to a State for work, tourism, etc. and purchase goods in that State to take it to their respective State. Similarly, in automobile sector, the residents of a State may travel to another State to purchase vehicle from that State to take advantage of lower registration charges and road tax, which vary from State to State and thereafter, take the vehicle to their State.

Where the supply of goods is made to a person other than a registered person, the place of supply shall be the location as per the address of the said person recorded in the invoice issued in respect of the said supply and the location of the supplier where the address of the said person is not recorded in the invoice.

For this purpose, recording of the name of the State of the said person in the invoice shall be deemed to be the recording of the address of the said person.

**Or**

- (a)** In case of an event, if the recipient of service is registered, the place of supply of services for organizing the event is the location of such person. However, if the recipient is not registered, the place of supply is the place where event is held.

Since the event is being held in multiple states and a consolidated amount is charged for such services, the place of supply will be deemed to be in each State in proportion to the value for services determined in terms of the contract or agreement entered into in this regard.

In the absence of a contract or agreement between the supplier and recipient of services, the proportionate value of services made in each State (where the event is held) will be computed by the application of generally accepted accounting principles.

- (b)** The amount available in the electronic credit ledger may be used for making any payment towards output tax under the CGST Act or the IGST Act, subject to the provisions relating to the order of utilisation of ITC.

Further, output tax in relation to a taxable person is defined as the tax chargeable on taxable supply of goods or services or both but excludes tax payable on reverse charge mechanism.

Accordingly, it is clarified that any payment towards output tax, whether self-assessed in the return or payable as a consequence of any proceeding instituted under the provisions of GST laws, can be made by utilization of the amount available in the electronic credit ledger of a registered person.

It is further reiterated that as output tax does not include tax payable under reverse charge mechanism, implying thereby that the electronic credit ledger cannot be used for making payment of any tax which is payable under reverse charge mechanism.

**ANSWERS OF MODEL TEST PAPER 3**  
**SECTION B – GOODS AND SERVICES TAX**  
**Division A – Multiple Choice Questions (MCQs)**

Question No.	Answer
1.	(b) mixed supply; 18%
2.	(b) ₹ 70,000
3.	(a) ₹ 45,000
4.	(c) ₹ 1,50,000
5.	(b) Professional service availed from her son free of cost is considered as a deemed supply.
6.	(d) ₹ 1,60,000
7.	(c) (i) & (iv)
8.	(b) 1st October

**Division B - Descriptive Questions**

1. (a) **Computation of net GST payable by ABC & Co. for the month of April**

Particulars	Value of supply	CGST (₹)	SGST (₹)	IGST (₹)
Intra-State statutory audit services	1,20,000	10,800	10,800	
Intra-State ITR filing services	1,60,000	14,400	14,400	
Inter-State internal audit services since place of supply is location of recipient, i.e. Mumbai, Maharashtra	1,80,000	-	-	<u>32,400</u>
Total output tax liability		25,200	25,200	32,400
Less: ITC [Refer Working Note] [CGST credit is set off against CGST liability and SGST credit is set off against SGST liability since CGST credit cannot be utilized towards payment of SGST liability and vice versa.]		<u>(21,000)</u>	<u>(21,000)</u>	
<b>Net GST payable</b>		<b>4,200</b>	<b>4,200</b>	<b>32,400</b>

**Working Note:****Computation of ITC that can be availed**

Particulars	CGST (₹)	SGST (₹)
<b>Computation of eligible ITC</b>		
Membership fee paid [ITC on membership of a club is blocked except when such services are provided by an employer to its employees under a statutory obligation.]	Nil	Nil
Office rent paid to landlord [No ITC since the supplier did not upload the details of invoice in his GSTR-1 and said details are not being reflected in GSTR-2B of the recipient.]	Nil	Nil
Professional fee paid [ITC on services used in the course/furtherance of the business is allowed.]	18,000	18,000
Air conditioner for office purpose [ITC on goods used in the course/furtherance of the business is allowed.]	<u>3,000</u>	<u>3,000</u>
<b>Total eligible ITC</b>	<b>21,000</b>	<b>21,000</b>

**(b) Computation of value of taxable supply and tax liability**

Particulars	Amount (₹)
Price of goods (exclusive of tax and discounts)	10,00,000
<i>Add:</i> Subsidy received from Jiva Enterprises Pvt. Ltd. [Subsidy provided by non-Government bodies and which is directly linked to the price, is includible.]	1,10,000
<i>Add:</i> Post-delivery inspection charges [Anything done by the supplier in respect of the supply of goods after the delivery of goods is not includible in value.]	-
<i>Add:</i> Amount directly paid by Y Ltd. to X Ltd. [Liability of the supplier, in relation to the supply being valued, if discharged by the recipient of supply and not included in the price, is includible in the value.]	25,000
<i>Add:</i> Interest [Interest for delayed payment of consideration is includible in the value. Since interest is received in lumpsum, amount is inclusive of GST [₹ 20,000 x 100/112] (rounded off).]	<u>17,857</u>
<b>Value of taxable supply</b>	<b>11,52,857</b>
<b>CGST @ 6% (rounded off)</b>	<b>69,171</b>
<b>SGST @ 6% (rounded off)</b>	<b>69,171</b>

2. (a) **Computation of value of taxable supplies of Keshav Ltd.**

Particulars	Amount (₹)
Services of transportation of students, faculty and staff to Galgotian College [Not exempt, since transportation services provided to an educational institution are exempt only if such institution provides pre-school education or education up to higher secondary school or equivalent.]	2,50,000
Online monthly magazine to students of Pariksha Law College [Services of supply of online educational journals provided to an educational institution providing qualification recognized by law are exempt.]	Nil
Housekeeping services to Career Coaching Institute [Not exempt since such services are provided to a non-educational institute.]	50,000
Security services to Happy Higher Secondary School [Security services provided to an educational institution providing education up to higher secondary school are exempt since such services are performed in the premises of educational institution.]	Nil
Services of providing breakfast, lunch and dinner to students of Ayushmann Medical College [Not exempt, since catering services provided to an educational institution are exempt only if such institution provides pre-school education or education up to higher secondary school or equivalent.]	5,80,000
<b>Value of taxable supplies</b>	<b>8,80,000</b>

(b) Tax on services supplied by a firm of advocates by way of legal services to any business entity is payable under reverse charge by such firm of advocates. Time of supply of services that are taxable under reverse charge is earliest of the following two dates in terms of section 13(3) of the CGST Act, 2017:

- Date of payment [3<sup>rd</sup> November]
- 61<sup>st</sup> day from the date of issue of invoice [19<sup>th</sup> April]

The date of payment comes subsequent to the 61<sup>st</sup> day from the issue of invoice by the supplier of service. Therefore, the 61<sup>st</sup> day from the date of supplier's invoice has to be taken as the time of supply. This fixes 19<sup>th</sup> April as the time of supply.

3. (a) (i) Where a taxpayer opts to withdraw from the composition scheme, he has to file GSTR-4 for the period for which he has paid tax under the composition scheme. Such return is required to be furnished till 30<sup>th</sup> day of April following the end of the financial year during

which such withdrawal falls. Therefore, in the given case, Mr. Jagmag is liable to file GSTR-4 for the said F.Y. during which he opted out of composition scheme by 30<sup>th</sup> April of next F.Y.

- (ii) A registered person is not allowed to furnish a return for a tax period if the return for any of the previous tax periods has not been furnished by him. Therefore, in the given case, Mrs. Gargi cannot file GSTR-3B for July, if she has not filed GSTR-3B for the preceding month, i.e., June.
  - (b) A chartered accountant can become a GST practitioner (GSTP). However, holding a certificate of practice as a chartered accountant and having GST registration does not imply that such chartered accountant is a GST practitioner as well. For becoming a GSTP, even a chartered accountant in practice has to follow the enrolment process of GSTP as provided under the GST law and only upon approval of such enrolment can a chartered accountant represent himself as a GSTP.
4. (a) In case of an event, if the recipient of service is registered, the place of supply of services for organizing the event is the location of such person. However, if the recipient is not registered, the place of supply is the place where event is held.

Since the event is being held in multiple states and a consolidated amount is charged for such services, the place of supply will be deemed to be in each State in proportion to the value for services determined in terms of the contract or agreement entered into in this regard.

In the absence of a contract or agreement between the supplier and recipient of services, the proportionate value of services made in each State (where the event is held) will be computed in accordance with relevant provisions of GST law by the application of generally accepted accounting principles.

#### **Alternative answer**

- (a) The term 'charitable activities' mean activities relating to-
- (i) public health by way of-
    - (A) care or counseling of
      - (I) terminally ill persons or persons with severe physical or mental disability;
      - (II) persons afflicted with HIV or AIDS;
      - (III) persons addicted to a dependence-forming substance such as narcotics drugs or alcohol; or
    - (B) public awareness of preventive health, family planning or prevention of HIV infection;
  - (ii) advancement of religion, spirituality or yoga;
  - (iii) advancement of educational programmes/skill development relating to,-

- (A) abandoned, orphaned or homeless children;
  - (B) physically or mentally abused and traumatized persons;
  - (C) prisoners; or
  - (D) persons over the age of 65 years residing in a rural area;
- (iv) preservation of environment including watershed, forests & wildlife.
- (b) (i)** Details of outward supplies which can be furnished using IFF are as follows:
- (a) invoice wise details of inter-State and intra-State supplies made to the registered persons;
  - (b) debit and credit notes, if any, issued during the month for such invoices issued previously.
- (ii)** Constitution defines the Goods and Services tax (GST) as a tax on supply of goods or services or both, except supply of alcoholic liquor for human consumption. Therefore, alcohol for human consumption is kept out of GST by way of definition of GST in the Constitution.

Five petroleum products viz. petroleum crude, motor spirit (petrol), high speed diesel, natural gas and aviation turbine fuel have temporarily been kept out of the purview of GST; GST Council shall decide the date from which they shall be included in GST. The erstwhile taxation system (CST/VAT & central excise) still continues in respect of the said commodities.

**ANSWERS OF MODEL TEST PAPER 4**  
**SECTION B – GOODS AND SERVICES TAX (50 MARKS)**

**Division A - Multiple Choice Questions**

Question No.	Answer	
1	(c)	i & iv
2	(d)	GTA service is taxable @ 5%, but input tax credit cannot be availed for the same.
3	(d)	Not a supply
4	(d)	ii & iii
5	(d)	Nil
6	(a)	IGST: ₹ 10,000; CGST: Nil, SGST: ₹ 5000
7	(a)	₹ 40,000
8	(c)	She needs to mandatorily have a place of business in Delhi.

**Division B - Descriptive Questions**

1. (a) **Computation of value of taxable supply**

Particulars	Amount (₹)
List price of the machine	80,000
Add: Tax levied by Local Authority on the sale of machine [Tax other than GST, if charged separately, are includible in the value in terms of section 15 of the CGST Act, 2017.]	6,000
Add: Packing expenses for safe transportation [Includible in the value as per section 15 of the CGST Act, 2017.]	4,000
Add: Price-linked subsidy received from a NGO on sale of each machine [Subsidy received from a non-Government body and which is directly linked to the price, the same is included in the value in terms of section 15 of the CGST Act, 2017.]	<u>5,000</u>
Total	95,000
Less: Discount @ 2% on ₹ 80,000 [Since discount is known at the time of supply and recorded in invoice, it is deductible from the value in terms of section 15 of the CGST Act, 2017.]	<u>1,600</u>
<b>Value of taxable supply</b>	<b>93,400</b>



**Computation of minimum net GST payable in cash by  
Vishwanath Ltd.**

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
Sale of machine [Intra-State sales = ₹ 93,400 × 3 machines = ₹ 2,80,200 Inter-State sales = ₹ 93,400 × 1 machine = ₹ 93,400]	25,218 [2,80,200 × 9%]	25,218 [2,80,200 × 9%]	16,812 [93,400 × 18%]
Total output tax	25,218	25,218	16,812
Less: Set off of IGST against IGST and SGST [IGST credit first be utilized towards payment of IGST, remaining amount can be utilized towards CGST and SGST in any order and in any proportion]		(9,188)	(16,812)
Less: Set off of CGST against CGST and SGST against SGST [CGST credit cannot be utilized towards payment of SGST and vice versa.]	(25,218)	(14,800)	
Minimum net GST payable in cash	Nil	1,230	

**Working Note:**

**Computation of total ITC available**

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
Opening balance of ITC	18,000	4,000	26,000
<b>Add: Inputs purchased during the month</b>	<b>10,800</b> [₹ 1,20,000 × 9%]	<b>10,800</b> [₹ 1,20,000 × 9%]	
Total ITC available	28,800	14,800	26,000

**(b) Computation of amount of ITC available for the month of  
August, 2024**

S. No.	Particulars	GST (₹)
(1)	Goods used in construction of additional floor of office building [ITC on goods received by a taxable person for construction of an immovable property on his own account is blocked even if the same is used in the course or furtherance of business.]	Nil
(2)	Trucks used for transportation of inputs in the factory [ITC on motor vehicles used for transportation of goods is not blocked.]	11,000

(3)	Inputs used in trial runs [Being used in trial runs, inputs are used in the course or furtherance of business and hence ITC thereon is allowed.]	8,350
(4)	Confectionary items for consumption of employees working in the factory [ITC on food or beverages is blocked unless the same is used in same line of business or as an element of the taxable composite or mixed supply. Further, ITC on goods and/or service used for personal consumption is blocked.]	Nil
(5)	Cement used for making foundation and structural support to plant and machinery [ITC on goods used for construction of plant and machinery is not blocked. Plant and machinery includes foundation and structural supports through which the same is fixed to earth.]	9,550
	<b>Total eligible ITC</b>	<b>28,900</b>

2. (a) (i) The place of supply of goods supplied on a board a conveyance like aircraft, train, vessel, motor vehicle is the location where such goods have been taken on board.

Place of supply of goods supplied on board a conveyance is determined under this provision even if the supply has been made by any of the passenger on board the conveyance and not by the carrier of the conveyance.

Thus, in the given case, the place of supply of goods is the location at which the goods are taken on board, i.e. New Delhi and not Jaipur where they have been sold.

- (ii) If the supply involves goods which are to be installed or assembled at site, the place of supply is the place of such installation or assembly.

This is a case of composite supply of goods wherein two supplies are involved, supply of goods and ancillary supply of installation/assembly service. The principal supply is supply of goods which are being installed.

Thus, the place of supply is the site of assembly of machine, i.e. Kutch even though LP refineries is located in Maharashtra.

(b) **Computation of value of taxable supplies**

Particulars	Amount (₹)
Services relating to rearing of goats [Exempt since services relating to rearing of all life forms of animals, except horses, for food etc. are exempt.]	Nil

Services by way of artificial insemination of horses [Not exempt since services of artificial insemination are exempt only of livestock other than horses.]	5,00,000
Processing of sugarcane into jaggery [Not exempt, since processes which alter the essential characteristics of agricultural produce are not exempt and processing of sugarcane into jaggery changes the essential characteristics of sugarcane.]	7,00,000
Milling of paddy into rice [Not exempt, since this process, being carried out after cultivation is over, is not an intermediate production process in relation to cultivation of plants and it also changes the essential characteristics of paddy.]	8,00,000
Services by way of warehousing of agricultural produce [Specifically exempt from GST.]	Nil
<b>Value of taxable supplies</b>	<b>20,00,000</b>

3. (a) The validity period of e-way bill under rule 138(10) of the CGST Rules, 2017 for transport of cargo by road between two cities situated at a distance of 372 km is as under:

(i) **If it is over dimensional cargo:** the validity period of the e-way bill is one day from relevant date upto 20 km and one additional day for every 20 km or part thereof thereafter.

Thus, validity period in given case:

= 1 day + 18 days

= 19 days

(ii) **If it is a cargo other than over dimensional cargo:** the validity period of the e-way bill is one day from relevant date upto 200 km and one additional day for every 200 km or part thereof thereafter.

Thus, validity period in given case:

= 1 day + 1 day

= 2 days

(b) The procedure to be followed by Apex Cinemas, a registered person engaged in making supply of services by way of admission to exhibition of cinematograph films in multiplex screens, is as under:-

The option to issue consolidated tax invoice is not available to a supplier engaged in making supply of services by way of admission to exhibition of cinematograph films in multiplex screens. Thus, Apex Cinemas cannot issue consolidated tax invoice for supplies made by it at the close of each day.

Apex Cinemas is required to issue an electronic ticket.

The said electronic ticket shall be deemed to be a tax invoice, even if such ticket does not contain the details of the recipient of service but contains the other information as prescribed to be mentioned.

4. (a) The registered person who is not eligible for composition scheme for goods under GST law are as under:
- (i) Supplier engaged in making any supply of goods or services which are not leviable to tax.
  - (ii) Supplier engaged in making any inter-State outward supplies of goods or services.
  - (iii) Person supplying any services through an electronic commerce operator who is required to collect tax at source (under section 52).
  - (iv) Manufacturer of ice cream, panmasala, tobacco, aerated waters, fly ash bricks; fly ash aggregate, fly ash blocks, bricks of fossil meals or similar siliceous earths, building bricks, earthen or roofing tiles.
  - (v) Supplier who is either a casual taxable person or a non-resident taxable person
  - (vi) Supplier of services exceeding an amount which is higher of 10% of the turnover in a State/U.T. in the preceding financial year or ₹ 5 lakh.

*Note: Any 5 points may be mentioned.*

**Or**

- (a) Tax on following services supplied by the Central Government or State Government to a business entity in India is payable by the supplier of services:
- (1) services of renting of immovable property provided to an unregistered business entity.
  - (2) services by the Department of Posts and the Ministry of Railways (Indian Railways)
  - (3) services in relation to an aircraft or a vessel, inside or outside the precincts of a port or an airport.
  - (4) services of transport of goods or passengers.
- (b) Following persons can be registered as Goods and Service Tax Practitioners:

Any person who, (i) is a citizen of India; (ii) is a person of sound mind; (iii) is not adjudicated as insolvent; (iv) has not been convicted by a competent court;

and satisfies any of the following conditions, namely that he:

- 1. is a retired officer of Commercial Tax Department of any State Govt./CBIC who, during service under Government had worked in a post not lower than the rank of a Group-B gazetted officer for a period  $\geq 2$  years, or

2. is enrolled as a Sales Tax Practitioner or Tax Return Preparer under the erstwhile indirect tax laws for a period of not less than 5 years, or
3. acquired any of the prescribed qualifications
4. has passed Graduate/postgraduate degree or its equivalent examination having a degree in specified disciplines, from any Indian University or a degree examination of any Foreign University recognised by any Indian University as equivalent to degree examination
5. has passed any other notified examination
6. has passed final examination of ICAI/ ICSI/ Institute of Cost Accountants of India

*Note: Any 5 points may be mentioned.*

**ANSWERS OF MODEL TEST PAPER 5**  
**SECTION B – GOODS AND SERVICES TAX (50 MARKS)**  
**SUGGESTED ANSWERS**

**Division A - Multiple Choice Questions**

Question No.	Answer	
1.	(a)	Service availed from Insurance Agents
2.	(c)	₹ 23,00,000
3.	(c)	₹ 3,80,000
4.	(b)	90 days
5.	(d)	30 <sup>th</sup> June, 2024
6.	(b)	E-way bill can be cancelled within 24 hours of generation
7.	(c)	5 <sup>th</sup> August
8.	(b)	Credit Note

**Division B - Descriptive Questions**

1. (a) **Computation of minimum net GST payable in cash by M/s Happy Enterprise for the month of December**

Particulars	Value (₹)	CGST (₹)	SGST (₹)	IGST (₹)
<b><u>GST payable under forward charge</u></b>				
Intra-State supply of goods to M/s Natural & Sons	7,00,000	17,500 [7,00,000 × 2.5%]	17,500 [7,00,000 × 2.5%]	
Intra-State branch transfer  [Such transfer is not a supply as the branch has the same GSTIN as that of the head office and thus, is not a distinct person.]	1,00,000	--	--	
Permanent transfer of old computers to orphanage home without consideration. [Permanent transfer or disposal of business assets was not treated as supply even if made without consideration in terms of Schedule-I of the CGST Act, 2017, as	80,000			--

ITC was not availed on the same.]				
Advance received for future intra-State supply of management consultancy service (In case of supply of service, tax is payable at the time of receipt of advance amount too)	40,000	3,600 [40,000 × 9%]	3,600 [40,000 × 9%]	
Total output tax		21,100	21,100	
Less: ITC utilized		27,200	27,200	
<b>Net GST payable [A]</b>		Nil	Nil	
Legal services availed [B]  [Tax on legal services availed by a business entity from an advocate is payable under reverse charge. Further, tax payable under reverse charge cannot be set off against ITC and thus, reverse charge has to be paid in cash since the tax payable under reverse charge is not an output tax.]	50,000	4,500 [50,000 × 9%]	4,500 [50,000 × 9%]	
<b>Minimum net GST payable in cash [A] + [B]</b>		<b>4,500</b>	<b>4,500</b>	

**Working Note:**

**Computation of ITC available**

Particulars	Value (₹)	CGST (₹)	SGST (₹)	IGST (₹)
Intra-State purchase of taxable goods  [ITC of goods used in the course/ furtherance of business is available.]	8,00,000	20,000 [8,00,000 × 2.5%]	20,000 [8,00,000 × 2.5%]	
Works contract service for repair of office [ITC is available since the repair amount is	30,000	2,700 [30,000 × 9%]	2,700 [30,000 × 9%]	

debited in the profit & loss account and not capitalized in the books of account.]				
Legal services availed  [ITC of services used in the course/ furtherance of business is available]	50,000	4,500 [50,000 × 9%]	4,500 [50,000 × 9%]	
<b>Total</b>		<b>27,200</b>	<b>27,200</b>	

- (b) ITC to be claimed by Renuka Sales in its GSTR-3B for the month of January to be filed by 20<sup>th</sup> February will be computed as under-

Invoices	Amount of ITC involved in the invoices (₹)	Amount of ITC that can be availed (₹)
80 invoices furnished in GSTR-1	6 lakh	6 lakh [Refer Note 1]
20 invoices not furnished in GSTR-1	4 lakh	Nil [Refer Note 2]
Total	10 lakh	6 lakh

**Notes:**

- (1) 100% ITC can be availed on invoices furnished by the suppliers in their GSTR-1.
- (2) Input tax credit in respect of any supply of goods or services or both is available to a registered person only, inter alia, if the details of the invoice/debit note in respect of said supply has been furnished by the supplier in the statement of outward supplies (GSTR-1) and such details have been communicated to the recipient of such invoice/debit note in the manner specified under section 37 of the CGST Act, 2017. Thus, in respect of 20 invoices not furnished in GSTR-1s, no ITC is available.

**2. (a)**

S. No.	Particulars	Taxability
(i)	Service provided by a private transport operator to Vintage Girls Higher Secondary School by way of transportation of students to and from the school. [Services provided TO an educational institution by way of transportation of students are exempted from GST]	Exempt
(ii)	Services provided by way of vehicle parking to general public in a shopping complex.	Taxable



	[Services provided by way of vehicle parking to general public are not exempted from GST. Therefore, it would be taxable.]	
(iii)	Food supplied by the canteen run by a hospital to the in-patients as advised by the doctors. [Services by way of health care services by a clinical establishment, an authorised medical practitioner or para-medics are exempt from GST. Food supplied to the in-patients by a canteen run by the hospital, as advised by the doctor/nutritionists, is a part of composite supply of healthcare and not separately taxable. Thus, said services are exempt from GST.]	Exempt
(iv)	An RWA in a housing society, registered under GST, collects the maintenance charges of ₹ 6,500 per month per member. [Supply of service by a RWA (unincorporated body or a non-profit entity registered under any law) to its own members by way of reimbursement of charges or share of contribution up to an amount of ₹ 7500 per month per member for providing services and goods for the common use of its members in a housing society/a residential complex are exempt from GST. Hence, in the given case, services provided by the RWA are exempt from GST since the maintenance charges collected per month per member do not exceed ₹ 7500.]	Exempt

- (b) (i)** If services provided by an individual advocate including a senior advocate or firm of advocates by way of legal services, directly or indirectly, then GST is payable on reverse charge basis.

Accordingly, in this case, GST on legal services supplied by an advocate [Mr. Abhishek] to any business entity [M/s. Navya Trading Company] located in the taxable territory is payable on reverse charge basis.

Therefore, in the given case, person liable to pay GST is the recipient of services, i.e., M/s. Navya Trading Company.

- (ii)** The part of director's remuneration which is declared as salaries in the books of a company and subjected to TDS under section 192 of the Income-tax Act (IT Act), is not taxable being consideration for services by an employee to the employer in the course of or in relation to his employment in terms of Schedule III of the CGST Act, 2017.

Further, the part of employee director's remuneration which is declared separately other than salaries in the company's accounts and subjected to TDS under section 194J of the IT Act as fees for professional or technical services are treated as consideration for

providing services which are outside the scope of Schedule III and is therefore, taxable. The recipient of the said services i.e. the company, is liable to discharge the applicable GST on it on reverse charge basis.

In lieu of the above provisions, Rs. 1 Lakh sitting fees paid to Padam Srivastav, an independent director, declared separately other than salaries in the company's accounts and subjected to TDS under section 194J of the IT Act as fees for professional or technical services, which is outside the scope of Schedule III and is therefore, taxable.

Therefore, recipient of the said services i.e. One 4th Private Limited, is liable to discharge the applicable GST on it on reverse charge basis.

**3. (a) (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 Right Oils from its branch located in Punjab	<u>10,00,000</u>
	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.

- (b) (i) A supplier engaged in the manufacture of notified goods during the preceding financial year is not eligible for composition scheme

under section 10(1) and 10(2) of the CGST Act, 2017. Ice cream and other edible ice, whether or not containing cocoa, Pan masala, Tobacco and manufactured tobacco substitutes, aerated waters, fly ash bricks, fly ash aggregate, fly ash blocks, bricks of fossil meals or similar siliceous earths, building bricks, earthen or roofing tiles are notified under this category. However, in the given case, since Shyam Enterprises is engaged in trading of pan masala and not manufacture and his turnover does not exceed ₹ 1.5 crore, he is eligible for composition scheme subject to fulfilment of specified conditions.

(ii) Since supplier of inter-State outward supplies of goods or services is not eligible for composition levy, Sahaj Manufacturers is not eligible for composition levy.

4. (a) section 12 of IGST Act, 2017 deals with the provisions of place of supply of services, where location of supplier of service and the location of the recipient of service is in India.

In accordance with sub-section (13) of section 12 of IGST Act, 2017, The place of supply of insurance services shall:-

(a) to a registered person, be the location of such person;

(b) to a person other than a registered person, be the location of the recipient of services on the records of the supplier of services.

So, in the given case, when insurance service is provided to an unregistered person, Mr. Pappan, the location of the recipient of services on the records of the supplier of insurance services is the place of supply. So, Faridabad is the place of supply.

**Or**

(a) The statement is not correct. While GST is payable on advance received for supply of services taxable under forward charge, the same is not payable in case of advance received for supply of goods taxable under forward charge.

As per section 13 of the CGST Act, 2017, the time of supply of services taxable under forward charge is –

➤ Date of issue of invoice or date of receipt of payment, whichever is earlier, if the same is issued within 30 days from the date of supply of service;

**OR**

➤ Date of provision of service or date of receipt of payment, whichever is earlier, if the invoice is not issued within 30 days from the date of supply of service.

Thus, in case of services, if the supplier receives any payment before the provision of service or before the issuance of invoice for such service, the time of supply gets fixed at that point in time and the liability

to pay tax on such payment arises. However, the tax can be paid by the due date prescribed with reference to such time of supply.

As regards time of supply of goods taxable under forward charge is concerned, *Notification No. 66/2017 CT dated 15.11.2017* provides that a registered person (excluding composition supplier and registered persons making supply of specified actionable claims) should pay GST on the outward supply of goods at the time of supply as specified in section 12(2)(a) of the CGST Act, 2017, i.e. date of issue of invoice or the last date on which invoice ought to have been issued in terms of section 31 of the CGST Act, 2017. Therefore, in case of goods, tax is not payable on receipt of advance payment.

- (b)** In accordance with section 37(1) of CGST Act, 2017, GSTR-1 for a particular tax period is filed on or before the 10<sup>th</sup> day of the immediately succeeding tax period. In other words, GSTR-1 of a month/quarter can be filed any time between 1<sup>st</sup> and 10<sup>th</sup> day of the succeeding month/quarter. The due date of filing GSTR-1 may be extended by the Commissioner/ Commissioner of State GST/ Commissioner of UTGST for a class of taxable persons by way of a notification.

So, the statement is partially valid.

A taxpayer cannot file Form GSTR-1 before the end of the current tax period. However, following are the exceptions to this rule:

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

A taxpayer who has applied for cancellation of registration will be allowed to file Form GSTR-1 after confirming receipt of the application.

**ANSWERS OF MODEL TEST PAPER 6**  
**SECTION B – GOODS AND SERVICES TAX (50 MARKS)**  
**SUGGESTED ANSWERS**

**Division A - Multiple Choice Questions**

Question No.	Answer	
1.	(b)	not a supply at all
2.	(b)	Tax on sponsorship services is payable by WE-WIN Cricket Academy under reverse charge.
3.	(b)	mixed supply & applicable rate of GST is 18%
4.	(b)	₹ 70,000
5.	(a)	₹ 45,000
6.	(a)	Part B need not be filed in respect of transport of consignment from Godown of Anushka to transporter location.
7.	(c)	20 <sup>th</sup> December
8.	(c)	TDS to be deducted on entire order of 70 shields

**Division B - Descriptive Questions**

1. (a) **Computation of net GST payable in cash by Aashima Ltd. for the month of January 2024**

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
Outward intra-State supply of goods made in the State of Bihar [Value of supply is the transaction value of the goods.]	36,000 [4,00,000 × 9%]	36,000 [4,00,000 × 9%]	
Outward supply of goods made to other States [Value of supply is the transaction value of the goods.]			18,000 [1,00,000 × 18%]
Services by way of warehousing of potato chips [Taxable since services by way of warehousing of only cereals, pulses, fruits & vegetables are exempt.]			90,000 [5,00,000 × 18%]
Intra-State stock transfer to Gaya Branch with separate registration	1,800 [20,000 × 9%]	1,800 [20,000 × 9%]	

[Supply of goods between distinct persons in course or furtherance of business qualifies as supply even if made without consideration.]			
<b>Total output tax</b>	<b>37,800</b>	<b>37800</b>	<b>1,08,000</b>
<b>Less:</b> Input Tax Credit [Refer Working Note below] [CGST credit should be utilized for payment of CGST and IGST in that order. Similarly, SGST credit should be utilized for payment of SGST and IGST in that order. ITC of CGST cannot be utilized for payment of SGST and vice versa.]	(37,800) (CGST)		(7,200) (CGST)
		(37,800) (SGST)	(7,200) (SGST)
<b>Net GST payable in cash</b>	<b>Nil</b>	<b>Nil</b>	<b>93,600</b>

**Working Note:**

**Computation of ITC available**

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
Intra-State inward supply of services [₹ 6,50,000 – ₹1,50,000] [ITC cannot be claimed on the e-invoices without IRN since an e-invoice without IRN is not treated as valid document for claiming ITC.]	45,000 [5,00,000 × 9%]	45,000 [5,00,000 × 9%]	--
Cars taken on rental basis from Mr. Suhaas [Tax on renting of motor car services wherein cost of fuel is included in consideration provided by a non-body corporate to a body corporate and invoice is issued charging CGST/SGST @ 2.5% is payable under reverse charge. Time of supply of such services is 1 <sup>st</sup> February being earlier of date of payment, or date	--	--	--

immediately following 60 days since issue of invoice by the supplier. Since the time of supply of renting of motor car services in the given case does not fall in January, tax liability on the same does not arise in said month. Further, ITC on renting of motor car services received is blocked since the recipient - Aashima Ltd. is not in the same line of business.]			
<b>Total ITC available</b>	<b>45,000</b>	<b>45,000</b>	<b>--</b>

**(b) Computation of value of taxable supply made by Shri Narayan Pvt. Ltd. to Shri Ram Pvt. Ltd.**

<b>Particulars</b>	<b>Amount (₹)</b>
Price of the goods	1,00,000
Municipal tax [Includible in the value as per section 15(2)(a) of the CGST Act, 2017]	2,000
Inspection charges [Any amount charged for anything done by the supplier in respect of the supply of goods at the time of/before delivery of goods is includible in the value as per section 15(2)(c) of the CGST Act, 2017]	15,000
Subsidy received from Shri Shyam Trust [Since the subsidy is received from a non-Government body and directly linked to the supply, the same is includible in the value in terms of section 15(2)(e) of the CGST Act, 2017]	50,000
Late fees for delayed payment [Not includible since the same is waived off]	Nil
Weighment charges paid to Radhe Pvt. Ltd. on behalf of Shri Narayan Pvt. Ltd. [Any amount that the supplier is liable to pay in relation to the supply but has been incurred by the recipient and not included in the price actually paid or payable for the goods, is includible in the value of supply in terms of section 15(2)(b) of the CGST Act, 2017]	<u>2,000</u>
<b>Value of taxable supply</b>	<b>1,69,000</b>



2. (a) Determination of time of supply:

	Particulars
(i)	May 12 will be the time of supply, being the earliest of the three stipulated dates namely, receipt of goods, date of payment and date immediately following 30 days of issuance of invoice [Section 12(3) of the CGST Act, 2017].
(ii)	June 4, 31 <sup>st</sup> day from the date of supplier's invoice, will be the time of supply, being the earliest of the three stipulated dates namely, receipt of goods, date of payment and date immediately following 30 days of issuance of invoice [Section 12(3) of the CGST Act, 2017].

- (b) (i) Schedule I read with section 7(1)(c) of the CGST Act, 2017, *inter alia*, stipulates that supply of goods or services or both between related persons or between distinct persons as specified in section 25 of the CGST Act, 2017, is supply even without consideration provided it is made in the course or furtherance of business. Further, a person who has obtained more than one registration, whether in one State/Union territory or more than one State/Union territory shall, in respect of each such registration, be treated as **distinct persons** [Section 25(4) of the CGST Act, 2017].

In view of the same, factory and depot of Rimjhim, Manufacturers are distinct persons. Therefore, supply of goods from Delhi factory of Rimjhim Manufacturers to Mumbai Depot without consideration, but in course/furtherance of business, is supply under section 7 of the CGST Act, 2017 read with Schedule I.

- (ii) Schedule I read with section 7(1)(c) of the CGST Act, 2017, *inter alia*, stipulates that import of services by a taxable person from a **related person** located outside India, without consideration is treated as supply if it is provided in the course or furtherance of business. Explanation to section 15 of the CGST Act, 2017, *inter alia*, provides that persons shall be deemed to be "**related persons**" if they are **members of the same family**. Further, as per section 2(49) of the CGST Act, 2017, family means, —

- (a) the spouse and children of the person, and  
 (b) the parents, grand-parents, brothers and sisters of the person **if they are wholly or mainly dependent on the said person.**

In the given case, Mohan has received free of cost legal services from his brother. However, in view of section 2(49)(ii) of the CGST Act, 2017 above, Mohan and his brother cannot be considered to be related as Mohan's brother is a well-known lawyer and so, not wholly/mainly dependent on Mohan. Further, Mohan has taken legal advice from him in personal matter and not in course or furtherance of business. Consequently, services provided by

Mohan's brother to him would not be treated as supply under section 7 of the CGST Act, 2017 read with Schedule I.

3. (a) (i) As per section 31 of the CGST Act, 2017 read with the CGST Rules, in case of taxable supply of services, invoices should be issued before or after the provision of service, but within a period of 30 days [45 days in case of insurer/ banking company or financial institutions including NBFCs] from the date of supply of service.

In view of said provisions, in the present case, the tax invoice should have been issued in the prescribed time limit of 30 days from the date of supply of service i.e. upto 3<sup>rd</sup> February. However, the invoice has been issued on 10<sup>th</sup> February.

- (ii) Section 31 of the CGST Act, 2017 read with the CGST Rules, *inter alia*, provides that tax invoice in addition to other mandatory details shall also contain the amount of tax charged in respect of taxable goods or services (central tax, State tax, integrated tax, Union territory tax or cess). Further, where any supply is made for a consideration, every person who is liable to pay tax for such supply shall prominently indicate in all documents relating to assessment, tax invoice and other like documents, the amount of tax charged in respect of taxable goods or services which shall form part of the price at which such supply is made.

The objection raised by the tax consultant of World Fashions suggesting that the amount of tax charged in respect of the taxable supply of makeover services should be shown separately in the invoice raised by Glamour Beauty Services Ltd., is valid in law.

- (b) (i) The registered person, whose aggregate turnover in the preceding financial year does not exceed ₹ 1.5 crore, may opt to pay tax under composition levy, under section 10(1) and 10(2) of the CGST Act, 2017.

The scheme can be availed by an intra-State supplier of goods and supplier of restaurant service.

However, the composition scheme permits supply of marginal services (other than restaurant services) for a specified value along with the supply of goods and restaurant service, as the case may be.

Thus, M/s Balaji Electronics can opt for composition scheme for the current financial year as its aggregate turnover is less than ₹ 1.5 crore in the preceding financial year and it is not engaged in inter-State outward supplies.

- (ii) The registered person opting for composition scheme, under section 10(1) and 10(2) of the CGST Act, 2017, can also supply services (other than restaurant services) for a value up to 10% of the turnover in the preceding year or ₹ 5 lakh, whichever is higher, in the current financial year.

Thus, M/s Balaji Electronics can supply repair and maintenance

services up to a value of ₹ 12 lakh [10% of ₹ 120 lakh or ₹ 5 lakh, whichever is higher] in the current financial year.

4. (a) The location of supplier of mobile services cannot be the place of supply as the mobile companies are providing services in multiple states and many of these services are inter-state. The consumption principle will be broken if the location of supplier is taken as place of supply and all the revenue may go to a few states where the suppliers are located.

The place of supply for mobile connection would depend on whether the connection is on postpaid or prepaid basis. In case of postpaid connections, the place of supply is the location of billing address of the recipient of services on the record of supplier of services.

In case of pre-paid connections, if the service is supplied:-

- (i) through a selling agent or a re-seller or a distributor of SIM card or re-charge voucher, the place of supply is the place address of the selling agent or re-seller or distributor as per the record of the supplier at the time of supply; or
- (ii) by any person to the final subscriber, the place of supply is the location where such prepayment is received or such vouchers are sold;
- (iii) in other cases, the place of supply is the address of the recipient as per the records of the supplier of services and where such address is not available, the place of supply shall be location of the supplier of services.

However, if the recharge is done through internet/e-payment, the location of recipient of service on record of the supplier will be taken as the place of supply.

**Or**

- (a) In case of an event, if the recipient of service is registered, the place of supply of services for organizing the event is the location of such person. However, if the recipient is not registered, the place of supply is the place where event is held.

Since the event is being held in multiple states and a consolidated amount is charged for such services, the place of supply will be deemed to be in each State in proportion to the value for services determined in terms of the contract or agreement entered into in this regard.

In the absence of a contract or agreement between the supplier and recipient of services, the proportionate value of services made in each State (where the event is held) will be computed in accordance with rule 5 of the IGST Rules by the application of generally accepted accounting principles.

- (b)** The person-in-charge of a conveyance has to carry -
- (a) the invoice or bill of supply or delivery challan, as the case may be; and
  - (b) a copy of the e-way bill in physical form or the e-way bill number in electronic form or mapped to a Radio Frequency Identification Device embedded on to the conveyance [except in case of movement of goods by rail or by air or vessel] in such manner as may be notified by the Commissioner

Consignment value of goods shall be the value:

- ◆ determined in accordance with the provisions of section 15 of the CGST Act, 2017,
- ◆ declared in an invoice, a bill of supply or a delivery challan, as the case may be, issued in respect of the said consignment and
- ◆ also includes the Central tax, State or Union territory tax, integrated tax and cess charged, if any, in the document and
- ◆ shall exclude the value of exempt supply of goods where the invoice is issued in respect of both exempt and taxable supply of goods.

**ANSWERS OF MODEL TEST PAPER 7**  
**SECTION B – GOODS AND SERVICES TAX (50 MARKS)**  
**ANSWERS**

**Division A - Multiple Choice Questions**

Question No.	Answer	
1.	(c)	i & iii
2.	(c)	i & iii
3.	(d)	1st April
4.	(c)	₹ 60,000
5.	(b)	31 <sup>st</sup> October of the next year
6.	(c)	(ii) & (iv)
7.	(c)	(ii) and (iii)
8.	(c)	Mint Ltd. is required to issue bill of supply in the given case.

**Division B - Descriptive Questions**

1. (a) **Computation of minimum net GST payable in cash by Evershine Pvt. Ltd. for the month of September 2024**

Particulars		Value of supply (₹)	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
<b>Output tax payable</b>					
Intra-State supply of goods to Vaidehi Enterprises [Since arranging freight is the liability of supplier, it is a composite supply and thus, freight charges are added to the value of principal supply.]	Place of supply is location where movement of goods terminates	18,50,000	1,66,500	1,66,500	Nil
Inter-State supply to Calc. Exim		35,60,000	Nil	Nil	6,40,800

[Municipal tax is includible in value since it is a tax levied under a law other than GST law and is charged separately.]					
Intra-State supply to Sunshine Ltd. [Place of supply is location of recipient. Discount given at the time of supply is deductible from the value since duly recorded in the invoice.]	5,70,000	51,300	51,300	Nil	
Inter-State supply to Raghu Enterprise [Place of supply in case of bill to ship model is principal place of business of a third person at whose instructions the goods are delivered by supplier to recipient. Thus, it is considered as Inter State supply.]	2,00,000	Nil	Nil	36,000	
Total output tax		2,17,800	2,17,800	6,76,800	
Less: ITC available [Refer note below] [IGST credit to be utilized first towards payment of IGST.]		Nil	Nil	(4,17,000)	
CGST credit utilized for payment of CGST and IGST in that order		(2,17,800)	Nil	(12,200)	
SGST credit utilized for payment of SGST and IGST in that order		Nil	<u>(2,17,800)</u>	<u>(42,200)</u>	
<b>Minimum net GST payable in cash</b>		Nil	Nil	2,05,400	

### Working Note:

#### Computation of ITC available

Particulars	Value (₹)	CGST (₹)	SGST (₹)	IGST (₹)
Opening balance		20,000	50,000	75,000

Inter-State purchase of raw material [ITC is not available on goods worth ₹ 1,00,000 since not received during the month.]	Place of supply is location where movement of goods terminates.	19,00,000	Nil	Nil	3,42,000 [19,00,000 × 18%]
Purchase of machinery [ITC is not available since depreciation has been claimed on the GST component.]		2,00,000	Nil	Nil	Nil
Intra-State purchase of truck [ITC on motor vehicles used for transportation of goods is available.]		15,00,000	2,10,000 [15,00,000 × 14%]	2,10,000 [15,00,000 × 14%]	Nil
Purchase of car [ITC on motor vehicles for transportation of persons with seating capacity up to 13 persons (including driver), is blocked, except when used for specified purposes.]		10,00,000	Nil	Nil	Nil
Purchase of goods for construction of an additional floor [ITC on goods used in construction of immovable property (other		5,00,000	Nil	Nil	Nil

than plant or machinery) on one's own account is blocked if capitalized in the books.]					
<b>Total</b>			2,30,000	2,60,000	4,17,000
<b>Note</b> – In above answer, where location of supplier and place of supply are in two different States, it is an inter-State supply and where location of supplier and place of supply are in same State, it is an intra-State supply.					

**(b) Computation of taxable value of supply on which GST is to be paid by Mr. Ravindra**

<b>Particulars</b>	<b>Amount (₹)</b>
Remuneration received as a chief selector of hockey team. [Taxable since services provided to a recognised sports body by an individual only as a player, referee, umpire, coach or team manager are exempt.]	5,00,000
Service of pure labour contract for construction of independent residential unit [Services of pure labour contracts of construction of original works pertaining to a single residential unit otherwise than as a part of a residential complex are exempt.]	NIL
Rental income from warehousing of sugarcane [Warehousing of sugarcane being an agricultural produce is exempt.]	NIL
Pure Services to Municipal Corporation of Bhopal for slum improvement and upgradation [Services provided to a Local Authority by way of slum improvement and upgradation are exempt.]	NIL
Consideration received against western music dance performance in an event [Taxable, since the amount received for western music dance performance but the exemption is available for performance in folk or classical art forms of music or dance. if the consideration charged for such performance is not more than ₹ 1,50,000.]	1,25,000
<b>Value of taxable supply on which GST is to be paid by Mr. Ravindra</b>	<b>6,25,000</b>



2. (a) **Computation of minimum net GST to be paid in cash by Vishnu Limited for the month of February 2024**

Particulars	CGST (₹)	SGST (₹)
Output tax liability for the month	31,000	31,000
Less: Input tax credit (ITC) [Refer note below]	5,400 (IGST)	5,400 (IGST)
IGST credit is utilized first for payment of CGST and SGST liability in equal proportion. CGST credit is utilized for payment of CGST liability and SGST credit is utilized for payment of SGST liability.	<u>25,600 (CGST)</u>	<u>25,600 (SGST)</u>
<b>Net GST payable (in cash)</b>	Nil	Nil

**Note:** Person taking voluntary registration can avail ITC on inputs contained in semi-finished or finished goods held in stock on the day immediately preceding the date of grant of registration, i.e. on 23.02.2024, only within 1 year from date of issue of tax invoice by supplier.

**Computation of eligible ITC available**

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
Capital goods [Person taking voluntary registration cannot avail ITC on capital goods held on the day immediately preceding the date of grant of registration.]	Nil	Nil	Nil
Inputs procured on 13 <sup>th</sup> February 2023	Nil	Nil	Nil
Inputs procured on 10 <sup>th</sup> October 2023	15,000	15,000	Nil
Inputs procured on 1 <sup>st</sup> February 2024	11,250	11,250	Nil
Inputs procured on 8 <sup>th</sup> February 2024	<u>Nil</u>	<u>Nil</u>	<u>10,800</u>
<b>Total ITC</b>	<b>26,250</b>	<b>26,250</b>	<b>10,800</b>

*Note: In the above answer, minimum net GST to be paid in cash has been computed by setting off the IGST liability in equal proportion so as to minimize the amount of CGST and SGST payable in cash. Resultantly, Net GST payable (in cash) is Nil each under CGST and SGST.*

*However, since IGST credit can be set off against CGST and SGST liability in any order and in any proportion, the same can be set off against CGST and/or SGST liabilities in other possible ways as well.*

- (b) (1) The place of supply of services by way of transportation of goods by courier provided to an unregistered person is the location at which such goods are handed over for their transportation.

Therefore, the place of supply, in the given case is Kolkata, West Bengal.

- (2) The place of supply of passenger transportation service to an unregistered person is place where the passenger embarks on the conveyance for a continuous journey wherein the return journey is treated as a separate journey, even if the tickets for onward and return journey is issued at the same time.

Therefore, the place of supply for the outward and return journey are the locations where Mr. Nitin embarked on the conveyance for the continuous journey, i.e. Prayagraj, Uttar Pradesh for outward journey and Jaipur, Rajasthan, for return journey.

- (3) If the supply involves goods which are to be installed at site, the place of supply is the place of such installation.

Therefore, the place of supply, in the given case is Haridwar, Uttarakhand.

3. (a) Interest is payable in case of delayed payment of tax @ 18% per annum from the date following the due date of payment to the actual date of payment of tax.

Above interest is payable on the net tax liability paid in cash only if return in Form GSTR-3B for a tax period has been filed after the due date to furnish such return. Otherwise, interest is payable on gross tax liability.

- (i) Since Avisha Limited has furnished Form GSTR-3B for the month within the prescribed due date, interest is payable on the gross tax liability deposited with a delay of 29 days [21.02.2024 - 20.03.2024 (both inclusive)] as under:

$$= ₹ 16,000 \times 18\% \times 29/366 = ₹ 228 \text{ (rounded off)}$$

- (ii) If Avisha Limited has filed Form GSTR-3B for the month after the due date, i.e. on 20.03.2024, interest is payable on the net tax liability paid through Electronic Cash Ledger only, for a delay of 29 days, as under:

$$= ₹ 12,000 \times 18\% \times 29/366 = ₹ 171 \text{ (rounded off)}$$

- (b) Every Electronic Commerce Operator (ECO), not being an agent, is liable to collect tax at source (TCS).

Such ECO is required to submit a registration application in prescribed form through the common portal. The proper officer shall, after due verification, grant registration within 3 working days from the date of the application. On a request or upon an enquiry or pursuant to any other proceeding under GST law, if the proper officer is satisfied that a person is no longer liable to collect the tax at source, he may cancel his registration.

Such ECO shall furnish a monthly statement in prescribed form containing the details of the outward supplies of goods and/ or

services effected through it, including supplies returned through it and the amount collected by it as TCS during the month within 10 days after the end of each month in which tax has been collected at source.

They also required to file annual statement<sup>1</sup> on or before 31<sup>st</sup> December following the end of the financial year.

The TCS amount collected by the ECO has to be deposited by 10<sup>th</sup> of the month succeeding the month in which TCS has been collected.

**4. (a)** Conditions to be satisfied for availing deduction of post supply discounts from the value of supply as per the provisions of section 15(3) of the CGST Act, 2017 are as follows:

- (i) Discount is in terms of an agreement entered into
- (ii) at or before the time of supply.
- (iii) Discount can be specifically linked to relevant invoices.
- (iv) Input tax credit as is attributable to the discount on the basis of document issued by supplier is reversed by the recipient of the supply.

**(a) Alternative**

Donations received by the charitable institutions from individual donors are treated as consideration only if there exists, quid pro quo, i.e., there is an obligation on part of recipient of the donation or gift to do anything.

If the name of the donor is displayed in charitable institution's premises as an expression of gratitude and public recognition of his act of philanthropy and is not aimed at advertising or promotion of his business, there is no supply for the payment in the form of donation.

**(b)** A registered person shall issue an invoice in respect of goods and/or services received by him provided:

- (i) he is liable to pay tax under reverse charge [under section 9(3) or 9(4) of the CGST Act, 2017] on such supplies, and
- (ii) supplies are received from the supplier who is not registered on the date of receipt of goods and/or services.

In the given case, tax on services received from advocate Sameer by Mohan Enterprise is payable under reverse charge.

However, Mohan Enterprises is not required to issue an invoice with respect to said supply as supplier Sameer is registered.

Further, tax on labour services received from unregistered person-Shekhar is not payable under reverse charge.

Therefore, Mohan Enterprises is not required to issue an invoice with respect to said supply.

<sup>1</sup> It may be noted that the annual statement (Form GSTR-9B) is yet to be notified.

**ANSWERS OF MODEL TEST PAPER 8**  
**SECTION B – GOODS AND SERVICES TAX (50 MARKS)**  
**SUGGESTED ANSWERS**

**Division A - Multiple Choice Questions**

Question No.	Answer	
1.	(A)	5,000
2.	(B)	₹ 1,00,000
3.	(B)	24-09-2024
4.	(A)	04.07.2024
5.	(C)	50,400
6.	(D)	31.01.2025
7.	(B)	₹ 5,10,000
8.	(C)	₹ 9,999 per day

**Division B - Descriptive Questions**

1. (a) (i) **Computation of output tax liability of DEF Pvt. Ltd. for January, 2025**

Particulars	Value (₹)	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
<b>Output tax payable</b>				
Intra-State supply of taxable goods	5,00,000	45,000	45,000	
Service of booking of flight tickets [Taxable since service of booking of air tickets is being provided here. Only the service of transportation of passengers in economy class embarking from Bagdogra is exempt. Further, the place of supply of	20,000			3,600

services made to a registered person is the location of such person, viz. Delhi in given case. Thus, same is inter-State supply.]				
Selling of Pune unit as going concern to H Ltd. [Services by way of transfer of a going concern is exempt.]	10,00,000	-	-	-
Service in relation to business exhibition in Dubai [Services by an organiser to any person in respect of a business exhibition held outside India is exempt.]	5,00,000	-	-	--
Inter-State supply of service	10,00,000	-	-	1,80,000
Total output tax liability		45,000	45,000	1,83,600

(ii) **Computation of input tax credit available to DEF Pvt. Ltd. for January, 2025**

Particulars	Value (₹)	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
Opening balance		25,000	25,000	30,000
Issue of debit note for post delivery service [ITC on debit notes issued in a financial year can be availed any time till 30 <sup>th</sup> November of the succeeding financial year or the date of filing of the relevant annual return, whichever is earlier, irrespective of the	25,000			4,500

date of original invoice/ supply. Further, place of supply being Pune in given case, same is inter-State supply.]				
Receipt of intra-State services [ITC on services used in the course or furtherance of business is allowed.]	6,00,000	54,000	54,000	
Purchase of confectionery items [ITC on food or beverages is specifically disallowed unless the same is used for making outward taxable supply of the same category or as an element of the taxable composite or mixed supply.]	1,00,000	-	-	--
<b>Total</b>		<b>79,000</b>	<b>79,000</b>	<b>34,500</b>

**(b) Computation of GST payable by the ABC Infra for February**

	<b>Particulars</b>	<b>CGST @ 9% (₹)</b>	<b>SGST @ 9% (₹)</b>
(i)	Consideration for agreeing to install effluent plant [Taxable since it is a supply of service of agreeing to the obligation to do an act.]	49,500	49,500
(ii)	Distribution of 500 passes of cricket match [Exempt since consideration for services by way of right to admission to unrecognised sporting event is not more than ₹ 500 per person <sup>1</sup> ]	-	-
(iii)	Booking air tickets in economy class [Taxable since service of booking of air tickets is being provided here. Only	10,800	10,800

<sup>1</sup> Consideration charged is ₹ 485 per person (₹ 2,42,500/500).

	the service of transportation of passengers in economy class terminating in Manipur is exempt.]		
(iv)	Service of construction of buildings provided to State Government [Taxable since value of supply of goods constitutes more than 25% of the value of the composite supply of goods and services.]	73,800	73,800
	Total GST payable by ABC Infra	1,34,100	1,34,100

2. (a) A registered person is eligible to opt for composition scheme for goods in the current financial year (FY) provided his aggregate turnover does not exceed ₹ 1.50 crore [other than in specified Special Category States] in the preceding FY.

Since aggregate turnover of M/s. T in the preceding FY does not exceed ₹ 1.5 crore, he is eligible for composition scheme for goods under section 10(1) and 10(2) of the CGST Act, 2017 in the current FY.

As per section 10(2A) of the CGST Act, 2017, a registered person who is eligible to pay tax under section 10(1) and (2) is not eligible for opting for composition under section 10(2A) of the CGST Act, 2017.

As per section 10(2A) of the CGST Act, 2017, person engaged in the supply of service is eligible for composition scheme for payment of tax @ 3% CGST and 3% SGST provided his aggregate turnover does not exceed ₹ 50 lakh in the preceding FY.

Since turnover of previous year is ₹ 1.32 crore and firm is not dealing in the service only, M/s T cannot opt for composition scheme under section 10(2A) of the CGST Act, 2017 for FY 2024-25.

A person who opts to pay tax under composition scheme under section 10(1) and 10(2) of the CGST Act, 2017 is also permitted to supply services [other than restaurant services] upto a value not exceeding:

- (a) 10% of the turnover in a State/U.T. in the preceding financial year,  
or  
(b) ₹ 5 lakh,

whichever is higher.

Thus, M/s T is permitted to supply services upto a value of ₹ 13,20,000 i.e. 10% of ₹ 1.32 crores, in current FY.

Further, there is no restriction on composition supplier to receive inter-State inward supplies of goods or services.

Thus, it can be concluded that M/s T can opt for composition scheme of goods under section 10(1) of the CGST Act, 2017 for FY 2024-25.

- (b) (i) Where the supply of goods is made to an unregistered person, the place of supply is the location as per the address of the unregistered person recorded in the invoice.

Further, recording of the name of the State of the unregistered person in the invoice is deemed to be the recording of the address of the unregistered person.

Thus, place of supply is Bhavnagar, Gujarat.

- (ii) The hoarding/structure erected on the land should be considered as immovable structure/fixture as it has been embedded in earth.

Therefore, the place of supply of service provided by way of supply of sale of space on hoarding/ structure for advertising or for grant of rights to use the hoarding/ structure for advertising is the location where such hoarding/ structure is located.

The place of supply of any service provided by way of supply/sale of space on an immovable property or grant of rights to use an immovable property is the location at which the immovable property is located, i.e. the location where such hoarding/ structure is located.

Thus, for hoarding located in Udaipur, place of supply is Udaipur, Rajasthan and for hoarding located in Gwalior, place of supply is Gwalior, Madhya Pradesh.

3. (a) In case of intra-State supply of goods by a supplier to a PSU, TDS @ 1% each under CGST and SGST is liable to be deducted by PSU only when the total value of supply under a contract exceeds ₹ 2,50,000 (exclusive of tax & cess), from the payment made or credited to the supplier.

Accordingly, in the given case, since the value of supply under the contract excluding taxes and cesses is ₹ 11,50,000 ( $₹ 13,57,000 \times 100/118$ ),

TDS @ 1% on payment of each of the instalment of ₹ 2,30,000 ( $₹ 11,50,000/5$ ), i.e. ₹ 2,300 each under CGST and SGST is to be deducted even though the individual payment is less than ₹ 2,50,000.

The amount of TDS deducted shall be paid to the Government by the deductor within 10 days after the end of the month in which such deduction is made or by 10<sup>th</sup> of the succeeding month.

- (b) Every registered person executing works contract shall keep separate accounts for works contract showing -
- the names and addresses of the persons on whose behalf the works contract is executed;
  - description, value and quantity (wherever applicable) of goods/services received for the execution of works contract;



- description, value and quantity (wherever applicable) of goods/services utilized in the execution of works contract;
  - the details of payment received in respect of each works contract; and
  - the names and addresses of suppliers from whom he received goods or services.
4. (a) As per the provisions of section 7(1)(b), 7(1)(c) and Schedule I of the CGST Act, 2017, import of services for a consideration shall be considered as supply, whether or not in the course or furtherance of business

Import of services by a person from a related person or from any of his other establishments outside India, in the course or furtherance of business shall be treated as supply even if made without consideration.

- (b) (i) Following entities are exempt from the mandatory requirement of e-invoicing even if their turnover exceeds ₹ 5 crore in any preceding financial year from 2017-18 onwards:

- Special Economic Zone units
- Insurer
- Banking company or financial institution including NBFC
- GTA supplying services in relation to transportation of goods by road in a goods carriage
- Supplier of passenger transportation service
- Person supplying services by way of admission to exhibition of cinematograph films in multiplex screens
- A Government Department
- A local authority

**Note:** Any two points may be mentioned.

- (ii) No act or proceedings of the Goods and Services Tax Council shall be invalid merely by reason of—
- (a) any vacancy in, or any defect in, the constitution of the Council; or
  - (b) any defect in the appointment of a person as a Member of the Council; or
  - (c) any procedural irregularity of the Council not affecting the merits of the case.