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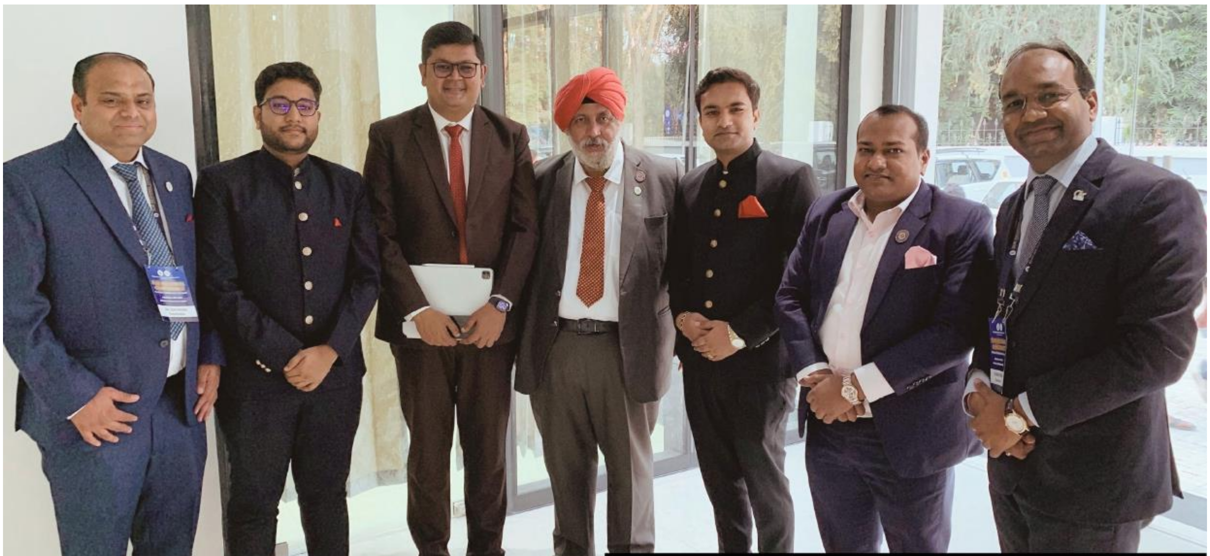

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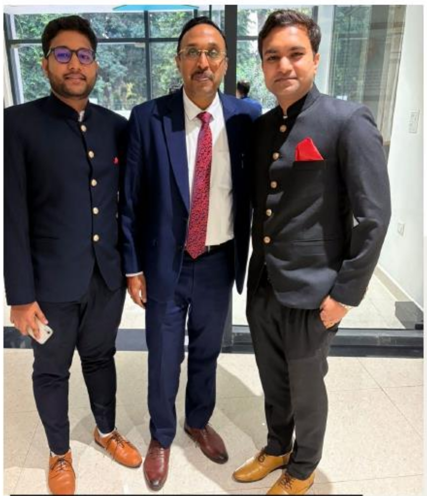

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CA Inter

Taxation

100 Important Questions 2025

Q-1. Compute the tax liability in the following cases if the assessee has exercised the option of shifting out of the default tax regime provided under section 115BAC(1A).

Assessee	Status	Total income (in Rs.)
Mr. Mohan	Resident Individual of 40 years	4,90,000
Mrs. Swati	Non-resident Individual of 65 years	2,75,000
Mr. Bansal	Resident Individual of 25 years	5,50,000
Mrs. Priyanka	Resident Individual of 21 years	15,10,000
Mrs. Resham	Resident individual of 60 years	12,00,000
Mrs. Radhika	Resident Individual of 80 years	18,00,000
Mr. Ganshyam	Resident Individual of 40 years	50,00,000
Ms Madhuri	Resident Individual of 21 years	2,50,000

Ans. The computation of tax liability is given below – (Amount in Rs.)

Assessee	Total	Income	Rebate	Income tax after	HEC	Total Tax	Total Tax

	income	tax	u/s 87A	rebate	@ 4%		(rounded off)
Mr. Mohan	4,90,000	12,000	12,000	-	-	-	-
Mrs. Swati	2,75,000	1,250	-	1,250	50	1,300	1,300
Mr. Bansal	5,50,000	22,500	-	22,500	900	13,400	23,400
Mrs. Priyanka	15,10,000	2,65,500	-	2,65,500	10,620	2,76,120	2,76,120
Mrs. Resham	12,00,000	1,70,000	-	1,70,000	6,800	1,76,800	1,76,800
Mrs. Radhika	18,00,000	3,40,000	-	3,40,000	13,600	3,53,600	3,53,600
Mr. Ganshyam	50,00,000	13,12,500	-	13,12,500	52,500	13,65,000	13,65,000
Ms Madhuri	2,50,000	-	-	-	-	-	-

Q-2. Mr. Sharma aged 62 years and a resident in India, has a total income of Rs. 2,30,00,000, comprising long term capital gain taxable under section 112 of Rs. 52,00,000, short term capital gain taxable under section 111A of Rs. 64,00,000 and other income of Rs. 1,14,00,000. Compute his tax liability for assessment year 2025-26 under the default tax regime and optional tax regime as per the normal provisions of the Act assuming that the total income and its components are the same in both tax regimes.

Ans. Computation of tax liability of Mr. Sharma for the A.Y. 2025-26 under default tax regime :

Particulars	**Rs.**	**Rs.**
Tax on total income of Rs. 2,30,00,000		
Tax @ 12.5% of Rs. 52,00,000		6,50,000
Tax @ 20% of Rs. 64,00,000		12,80,000
Tax on other income of Rs. 1,14,00,000		
Rs. 3,00,000 – Rs. 7,00,000 @ 5%	20,000	
Rs. 7,00,000 – Rs. 10,00,000 @ 10%	30,000	
Rs. 10,00,000 – Rs. 12,00,000 @ 15%	30,000	
Rs. 12,00,000 – Rs. 15,00,000 @ 20%	60,000	
Rs. 15,00,000 – Rs. 1,14,00,000 @ 30%	29,70,000	31,10,000
		50,40,000
Add: Surcharge @ 15%		7,56,000
		57,96,000
Add: Health and education cess @ 4%		2,31,840
Tax Liability		**60,27,840**

Computation of tax liability of Mr. Sharma for the A.Y. 2025-26 under normal provisions of the Act:

Particulars	Rs.	Rs.
Tax on total income of Rs. 2,30,00,000		
Tax @ 12.5% of Rs. 52,00,000		6,50,000
Tax @ 20% of Rs. 64,00,000		12,80,000
Tax on other income of Rs. 1,14,00,000		
Rs. 3,00,000 – Rs. 5,00,000 @ 5%	10,000	
Rs. 5,00,000 – Rs. 10,00,000 @ 20%	1,00,000	
Rs. 10,00,000 – Rs. 1,14,00,000 @ 30%	31,20,000	32,30,000
		51,60,000
Add: Surcharge @ 15%		7,74,000
		59,34,000
Add: Health and education cess @ 4%		2,37,360
Tax Liability		**61,71,360**

Q-3. A makes intrastate supply of goods valued at Rs. 50,000 to B within State of Karnataka. B makes inter-state supply to X Ltd. (located in Telangana) after adding 10% as his margin. Thereafter X Ltd. sells it to Y in Telangana (Intrastate sale) after adding 10% as its margin.

Assume that the rate of GST chargeable is 18% (CGST 9% plus SGST 9%) and IGST chargeable is 18%. Calculate tax payable at each stage of the transactions detailed above. Wherever input tax credit is available and can be utilized calculate the net tax payable in cash. At each stage of the transaction indicate which government will receive the tax paid and to what extent.

Ans. In case of inter-State supply of goods, the supplier would charge IGST at specified rates on the supply.

(i) Supply of goods by A of Karnataka to B of Karnataka:

Particulars	**Rs.**
Value charged for supply of goods	50,000
Add: CGST @ 9%	4,500
Add: SGST @ 9%	4,500
Total price charged by A from B for intra-State supply of goods	**59,000**

A is the first stage supplier of goods and hence, does not have any credit of CGST, SGST or IGST.

(ii) Supply of goods by B of Karnataka to X Ltd. of Telangana – Value addition @ 10% :

Particulars	**Rs.**
Value charged for supply of goods (Rs. 50,000 × 110%)	55,000
Add: IGST @ 18%	9,900
Total price charged by B from X Ltd. for inter-State supply of goods	**64,900**

Computation of IGST payable to Government :

Particulars	**Rs.**

IGST payable	9,900
Less: Credit of CGST	4,500
Less: Credit of SGST	4,500
IGST payable to Central Government	**900**

The IGST charged on X Ltd. of Telangana for supply of goods will be remitted by B of Karnataka to the appropriate account of the Central Government. Karnataka Government will transfer SGST credit of Rs. 4500 utilised in the payment of IGST to the Central Government.

(iii) Supply of goods by X Ltd. of Telangana to Y of Telangana – Value addition @ 10% : X Ltd. Will avail credit of IGST paid by him on the purchase of goods and will utilise such credit for being set off against the CGST and SGST payable on the local supply of goods made by him to Y.

Particulars	**Rs.**
Value charged for supply of goods/ services (Rs. 55,000 × 110%)	60,500
Add: CGST @ 9%	5,445
Add: SGST @ 9%	5,445
Total price charged by X Ltd. from Y for local supply of goods	**71,390**

Computation of CGST, SGST payable to Government :

Particulars	**Rs.**
CGST payable	5,445

Less: Credit of IGST to the extent of CGST payable	5,445
CGST payable to Central Government	Nil
SGST payable	5,445
Less: Credit of IGST (Rs. 9,900 – Rs. 5,445)	4,455
SGST payable to State Government	**900**

Central Government will transfer IGST credit of Rs. 4,455 utilised in the payment of SGST to Telangana (Importing State).

Statement of revenue earned by Central and State Governments :

Transaction	**Revenue to Central Government**	**Revenue to Government of Karnataka**	**Revenue to Government of Telangana**
Supply of goods by A to B	4,500	4,500	
Supply of goods by B to X Ltd.	900		
Transfer by Karnataka State to Centre	4,500	-4,500	
Supply of goods by X Ltd. to Y	Nil	-	990
Transfer by Centre to Telangana State	-4,455		4,455
Total	**5,445**	**Nil**	**5,445**

Q-4. No act or proceedings of the Goods and Services Tax Council shall be invalid merely by certain reasons. What are they?

Ans. 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.

Q-5. Mrs. Karuna Kapoor, is a Hollywood actress. Her passport reveals the following information about her stay in India.

2024-25	From April 3rd	To	July 11th
2023-24	From June 22nd	To	July 11th
2022-23	From February 10th	To	March 26th
2021-22	From September 7th	To	March 26th
2020-21	From May 17th	To	September 30th
2019-20	From April 3rd	To	July 11th
2018-19	From April 3rd	To	July 11th
2017-18	From April 3rd	To	July 11th
2016-17	From April 3rd	To	July 11th

Find out her residential status for the assessment year 2025-26.

Ans. An individual is said to be a Resident in India in any previous year if he satisfies one or both of the basic conditions as given under section 6(1).

(i) Basic conditions :

- He must be in India for a period of 182 days or more during the previous year; or
- He must be in India for a period of 60 days or more during the previous year and 365 days or more during the four years preceding the previous year.

(ii) If he does not satisfy either of these conditions, he would be a non resident.

During the previous year 2024-25, Mrs. Karuna Kapoor was in India for 100 days (April: 28 + May: 31 + June: 30 + July : 11) and during the immediately preceding 4 previous years, she was in India for 404 days as shown below,–

Year	**2020-21**	**2021-22**	**2022-23**	**2023-24 (leap year)**	**Total**
No. of days stayed in India	137	202	45	20	404

Thus, she satisfies one basic condition and thus, she is a resident in India for the previous year 2024-25.

As per Section 6(6), a person will be "Not ordinarily Resident" in India in any previous year, if such person :

(i) has been a non-resident in 9 out of 10 previous years preceding the relevant previous year; or

(ii) has during the 7 previous years immediately preceding the relevant previous year been in India for 729 days or less.

(iii) a citizen of India, or a person of Indian origin, having total income, other than the income from foreign sources, exceeding Rs. 15 lakh during the previous year, and he comes to India for the purpose of visit to

India during the relevant previous year and he has been in India for a period or periods amounting in all to 120 days or more but less than 182 days; or

(iv) a citizen of India who is deemed to be resident in India under section 6(1A).

Year	2017-18	2018-19	2019-20 (Leap Year)	2020-21	2021-22	2022-23	2023-24 (Leap Year)	Total
No. of days stayed in India	100	100	100	137	202	45	20	704

She also satisfies the second additional condition, hence she is resident but not ordinarily resident.

Q-6. Mr. Soham, an Indian Citizen left India on 20-04-2020 for the first time to setup a software firm in Singapore. On 10-04-2024, he entered into an agreement with LK Limited, an Indian Company for the transfer of technical documents and designs to setup an automobile factory in Faridabad. He reached India along with his team to render the requisite services on 15-05-2024 and was able to complete his assignment on 20-08-2024. He left for Singapore on 21-08-2024. He charged Rs. 50 lakhs for his services from LK Limited. Determine the residential status of Mr. Soham for the Assessment Year 2025-26 and explain as to the taxability of the fees charged from LK limited as per the Income-tax Act, 1961.

Ans. As per Section 6 an Indian citizen or a person of Indian origin, who being outside India, comes on a visit to India shall be resident in India if he is in India for a period of 182 days or more during the previous year or he comes on a visit to India in the previous year for a period of more than 120 days and was in India for a period of 365 days or more during 4 years preceding the previous year and having total income, other than the income from foreign sources, exceeding Rs. 15 lakh during the previous year.

In this case Mr. Soham came to India on 15-05-2024 and left for Singapore on 21-08-2024, hence he was in India for a period of 99 days during previous year 2024-25. Hence, he is non resident in India.

According to Section 9(1)(vi), Income by way of royalty shall be deemed to accrue or arise in India in hands of recipient (Mr. Soham) if it is payable by a person who is resident (LK Limited), except where the royalty are payable in respect of services utilised in a business or profession carried on by such person outside India or for the purposes of making or earning any income from any source outside India. Hence, the income of Rs. 50,00,000 shall be deemed to accrue in India. The income of a non-resident shall be deemed to accrue or arise in India u/s 9(1)(vi) and shall be included in the total income of the non-resident, whether or not,—

(i) the non-resident has a residence or place of business or business connection in India; or

(ii) the non-resident has rendered services in India.

Hence, sum of Rs. 50,00,000 will be taxable in hands of Mr. Soham.

Q-7. Explain with reasons whether the following transactions attract income-tax in India in the hands of recipients?

(i) Salary (Computed) paid to Mr. David, a citizen of India Rs. 15,00,000 by the Central Government for the services rendered in Canada.

(ii) Legal charges of Rs. 7,50,000 paid to Mr. Johnson, a lawyer of London, who visited India to represent a case at the Supreme Court.

(iii) Royalty paid to Rajeev, a non-resident by Mr. Kukesh, a resident for a business carried on in Sri Lanka.

(iv) Interest received of Rs. 1,00,000, on money borrowed from France, by Ms. Dyana, a non-resident for the business at Bangalore.

Ans.

	Taxable / Not Taxable	Amount liable to tax (Rs.)	Reason
(i)	Taxable	15,00,000	As per Section 9(1)(iii), salaries payable by the Government to a citizen of India for service rendered outside India shall be deemed to accrue or arise in India. Therefore, salary paid by Central Government to Mr. David for services rendered outside India would be deemed to accrue or arise in India since he is a citizen of India.
(ii)	Taxable	7,50,000	Legal charges paid to Mr. Johnson, a lawyer of London, who visited India to represent a case at the Supreme Court, since it accrues or arises in India.
(iii)	Not taxable	-	Royalty paid by a resident to a non-resident in respect of a business carried outside India would not be taxable in the hands of the non-resident provided the same is not received in India. This has been provided as an exception to deemed accrual mentioned in Section 9(1)(vi)(b).
(iv)	Taxable	1,00,000	As per Section 9(1)(v)(c), interest payable by a non-resident on moneys borrowed and used for the purposes of business carried on by such person in India shall be deemed to accrue or arise in India in the hands of the recipient.

Q-8. 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 Rs. 65,500 in India. On June 1, 2024 he purchased one residential house property in Mumbai for Rs. 18,00,000 in his individual capacity. The market value of the property is Rs. 32,00,000 and value for the purpose of charging stamp duty is Rs. 23,00,000. On August 31st, 2024 he was transferred to the branch office of M/s. PCS Pvt. Ltd. in U.S.A. and he left India on September 1st, 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 Rs. 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 Rs. 70.

Ans. Residential Status of Mr. Madan:

Mr. Madan, an Indian citizen who left India on 1st 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 :

Particulars	**Amount in Rs.**
Income under the head "Salaries"	
Salary earned in India: [Rs. 65,500 × 5 + Rs. 65,500 × 15/31]	3,59,194
Salary paid in USA: [Not taxable as Mr. Madan is a nonresident and such income does not accrue or arise or received in India]	Nil
Less: Standard Deduction	50,000
	3,09,194
Income from other sources	
Difference between the consideration of Rs. 18 lakhs and stamp duty value of Rs. 23 lakhs of the residential property acquired [Taxable, since the difference of Rs. 5 lakhs exceed Rs. 1,80,000, being the higher of 10% of the consideration and Rs. 50,000]	5,00,000
Sculpture received as gift from Rajeev, his friend in India [Not taxable as the value does not exceed Rs. 50,000]	Nil

Gross Total Income	**8,09,194**

Q-9. Sahab Sales, an air-conditioner dealer in Janakpuri, Delhi, needs 4 air-conditioners for his newly constructed house in Safdarjung Enclave. Therefore, he transfers 4 air-conditioners [on which ITC has already been availed by it] from its stock, for the said purpose. Examine whether the said activity amounts to supply under section 7 of the CGST Act, 2017.

Further, a Janakpuri resident, Aakash, approached Sahab Sales. He sold an air-conditioner to Sahab Sales for Rs. 5,000. Aakash had bought the said air-conditioner 6 months before, for his residence. Does sale of the air conditioner by Aakash to Sahab Sales amount to supply u/s 7 of the CGST Act, 2017?

Ans. Section 7 of the CGST Act, 2017 stipulates that in order to qualify as supply:

(a) Supply should be of goods and/or services.

(b) Supply should be made for a consideration.

(c) Supply should be made in the course or furtherance of business.

Further, Schedule I of the CGST Act, 2017 illustrates the activities to be treated as supply even if made without consideration. One such activity is permanent transfer or disposal of business assets where input tax credit has been availed on such assets, i.e. said activity is to be treated as supply even if made without consideration. In view of said provisions, permanent transfer of air conditioners by Sahab Sales from its stock for personal use at its residence, though without consideration, would amount to supply.

However, sale of air-conditioner by Aakash to Sahab Sales will not qualify as supply u/s 7 of the CGST Act, 2017 as although it is made for a consideration, but its not in the course or furtherance of business.

Q-10. Examine whether the following activities would amount to "supply" under GST law?

(i) Glory Ltd. is engaged in manufacturing and selling of cosmetic products. Seva Trust, a charitable organisation, approached Glory Ltd. to provide financial assistance for its charitable activities. Glory Ltd. donated a sum of Rs. 2 lakh to Seva Trust with a condition that Seva Trust will place a hoarding at the entrance of the trust premises displaying picture of products sold by Glory Ltd.

(ii) Mr. Swamy of Chennai is working as a manager with ABC Bank. He consulted M/s. Jacobs and Company of London and took its advice for buying a residential house in Mumbai and paid them consultancy fee of 200 UK Pound for this import of service.

Ans. (i) An activity qualifies as supply under GST only if it is for a consideration and is in course/furtherance of business. Donations received by the charitable organizations are treated as consideration only when there's an obligation on part of the recipient of the donation to do anything.

Since in the given case, the display of products sold by the donor – Glory Ltd. - in charitable organization's premises aims at advertising/promotion of its business, it is supply for consideration in course/furtherance of business and thus, qualifies as supply under GST law.

(ii) Supply includes importation of services, for a consideration whether or not in the course/furtherance of business. Thus, in the given case, the import of services by Mr. Swamy amounts to supply although it is not in course/ furtherance of business.

Q-11. List any 5 (Five) activities/transactions specified under Schedule III of the CGST Act, 2017 which shall be neither treated as supply of goods nor as supply of services. Detailed explanations is not required.

Ans. Activities or transactions which shall be treated neither as a supply of goods nor a supply of services are as under:-

(1) Services by an employee to the employer in the course of or in relation to his employment.

(2) Services by any court or Tribunal established under any law for the time being in force.

(3) Functions performed by the Members of Parliament, Members of State Legislature, Members of Panchayats, Members of Municipalities and Members of other local authorities.

(4) Duties performed by any person who holds any post in pursuance of the provisions of the Constitution in that capacity.

(5) Duties performed by any person as a Chairperson or a Member or a Director in a body established by the Central Government or a State Government or local authority and who is not deemed as an employee before the commencement of this clause.

(6) Services of funeral, burial, crematorium or mortuary including transportation of the deceased.

(7) Sale of land and, subject to paragraph 5(b) of Schedule II, sale of building. (i.e. in case, where entire consideration for sale of building received after issuance of completion certificate or after its first occupation, whichever is earlier).

(8) Actionable claims, other than lottery, betting and gambling.

(9) Supply of goods from a place in the non-taxable territory to another place in the non-taxable territory without such goods entering into India (OR) Merchant Trading/ High-sea Sales.

(10) Supply of warehoused goods to any person before clearance for home consumption.

(11) Supply of goods by the consignee to any other person, by endorsement of documents of title to the goods, after the goods have been dispatched from the port of origin located outside India but before clearance for home consumption.

Q-12. Examine whether the following activities would be treated as supply under GST law?

(i) Mr. Sonu from Chandigarh purchased a water cooler from Malhotra Bros. of Hoshiarpur for ₹ 25,000 to donate it to a temple situated in Hoshiarpur. Mr. Sonu directed Malhotra Bros. to engrave the words on the water cooler- "Donated by Mr. Sonu from Chandigarh" and dispatch the water cooler directly to the temple.

(ii) Wesco Ltd, a registered person in Ahmedabad (Gujarat) having head office located in Singapore, received management consultancy services free of cost from its head office.

Ans. (i) Donations received by the charitable organisations 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 (supply a service).

Since the name of the donor, Mr. Sonu is displayed in temple as an expression of gratitude and public recognition of his act of philanthropy and is not aimed at advertising or promotion of his business, hence, donation of water cooler by Mr. Sonu to temple is without quid pro quo and is, thus, not a supply under GST law.

However, supply of water cooler by Malhotra Bros. to Mr. Sonu is supply as it is made for consideration in course or furtherance of business.

(ii) As per schedule I, in case of import of services by a person from a related person or from his establishments located outside India, without consideration, in the course or furtherance of business shall be treated as “supply”.

Hence, services3 received by Wesco Ltd. qualify as supply even though such services have been provided free of cost by the head office.

Q-13. Mr. Vicky Frankyn, an unregistered famous author, received Rs. 3 crore of consideration from Shiv Bhawan Publications (SBP) located in Indore for supply of services by way of temporary transfer of a copyright covered under section 13(1)(a) of the Copyright

Act, 1957 relating to original literary works of his new book. He finished his work & made available the book to the publisher, but has yet not raised the invoice.

Mr. Vicky Frankyn is of the view that SBP is liable to pay tax under reverse charge on services provided by him. SBP does not concur with his view and is not ready to deposit the tax under any circumstances.

Examine whether the view of Mr. Vicky Frankyn is correct. Further, if the view of Mr. Vicky Frankyn is correct, what is the recourse available with Mr. Vicky Frankyn to comply with the requirements of GST law as SBP has completely refused to deposit the tax.

Ans. Yes, the view of Mr. Vicky Frankyn is correct. GST is payable under reverse charge in case of supply of services by an author by way of transfer/permitting the use or enjoyment of a copyright covered under section 13(1)

(a) of the Copyright Act, 1957 relating to original literary work to a publisher located in the taxable territory in terms of reverse charge Notification No. 13/2017-CT(R) dated 28-06-2017. Therefore, in the given case,person liable to pay tax is the publisher – SBP.

However, since SBP has completely refused to deposit the tax on the given transaction, Mr. Vicky Frankyn has an option to pay tax under forward charge on the same. For the purpose, he needs to fulfill the following conditions:

(i) since he is unregistered, he has to first take registration under the CGST Act, 2017

(ii) he needs to file a declaration, in the prescribed form, that he exercises the option to pay CGST on the said service under forward charge in accordance with section 9(1) of the CGST Act and to comply with all the provisions as they apply to a person liable for paying the tax in relation to the supply of any goods and/or services and that he shall not withdraw the said option within a period of 1 year from the date of exercising such option;

(iii) he has to make a declaration on the invoice, which he would issue to SBP, in prescribed form.

Q-14. In the following independent cases, decide, who is liable to pay GST, if any. You may assume that recipient is located in the taxable territory. Ignore the aggregate turnover and exemption available.

(i) 'Veer Transport', a registered Goods Transport Agency (GTA) paying IGST @ 12%, transported goods by road of Dilip & Company, a sole proprietary firm (other than specified person) which is not registered under GST or any other Law.

(ii) Mr. Kamal Jain, an unregistered famous author, received Rs. 20 lakh of consideration from PQR Publications Ltd. for supply of services by way of temporary transfer of a copyright covered under section 13(1)(a) of the Copyright Act, 1957 relating to original literary works of his new book.

Ans. (i) In case of a GTA service, where GST is payable @ 5% and recipient is one of the specified recipients, tax is payable by the recipient of service under reverse charge unless GTA has exercised the option to pay GST under forward charge mechanism.

However, where GST is payable @ 12%, tax is payable under forward charge by the supplier of service. Therefore, in the given case, tax is payable under forward charge by "Veer Transport", a registered GTA.

Note: In the given case, since the recipient of service is other than specified recipient, i.e., unregistered sole proprietorship firm, GTA service is exempt from GST. However, in the above answer, the said exemption has been ignored since the question specifically requires the students to ignore the exemptions, if any, available.

(ii) Supply of services by an author by way of transfer of a copyright covered under section 13(1)(a) of the Copyright Act, 1957 relating to original literary works to a publisher located in the taxable territory is taxable under reverse charge mechanism.

Thus, in the given case, the recipient of service, i.e. PQR Publications Ltd. is liable to pay GST. The tax can be paid by the author under forward charge if the author is a registered person. Since in the given case, the author is an unregistered person, the said option is not available to him.

Q-15. M/s. Ginny and John Company is a partnership firm of interior decorators and also running a readymade garment showroom. Turnover of the showroom was Rs. 130 lakh and Receipts of the interior decorators service was Rs. 22 lakh in the preceding financial year.

With reference to the provision of the CGST Act, 2017, examine whether the firm can opt for the composition scheme?

Will your answer change, if the turnover of the showroom was Rs. 120 lakh and Receipts of the interior decorators service was Rs. 22 lakh in the preceding financial year ?

Also discuss whether it is possible for M/s. Ginny and John Company to opt for composition scheme only for Showroom ?

Ans. Section 10 of the CGST Act, 2017 provides that a registered person, whose aggregate turnover in the preceding financial year did not exceed Rs. 1.5 crore (Rs. 75 lakh in Special Category States except Assam, Himachal Pradesh and Jammu and Kashmir), may opt to pay, in lieu of the tax payable by him, an amount calculated at the specified rates. Hence Ginny and John Company cannot opt for composition scheme since its aggregate turnover exceeds Rs. 1.5 crore.

In second case also though his aggregate turnover is Rs. 142 lakhs, if he cannot opt opt for composition scheme as he is supplying interior decorator services also. If he opts for composition scheme, he can supply services not exceeding –

- 10% of turnover in a State or Union territory in the preceding financial year; or
- Rs. 5,00,000,

whichever is higher.

As per Section 10(2), all registered persons having the same Permanent Account Number (PAN) have to opt for composition scheme. If one registered person opts for normal scheme, others become ineligible for composition scheme. Thus, he cannot opt for composition scheme only for showroom.

Q-16. 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 Rs. 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 Rs. 6.25 lakh for which they have to purchase some raw material of Rs. 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?

Ans. 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 Rs. 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 Rs. 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 Rs. 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) Rs. 5 lakh,

Whichever is higher.

Thus, M/s. T is permitted to supply services upto a value of Rs. 13,20,000 i.e. 10% of Rs. 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.

Q-17. Mrs. Padma (age : 25 years) is offered an employment by Pritam Ltd. at a basic salary of Rs. 24,000 per month; other allowances according to rules of the company are -

Dearness allowance : 18% of basic pay (not forming part of salary for calculating retirement benefits);

Bonus : 1 month basic pay (received in November month); and Project allowance : 6% of basic pay. The company gives Mrs. Padma an option either to take a rent-free unfurnished accommodation at Mumbai for which the company would directly bear the rent of Rs. 15,000 per month or to accept a house rent allowance of Rs. 15,000 per month and find out her own accommodation. If Mrs. Padma opts for house rent allowance, she will have to pay Rs. 15,000 per month for an unfurnished house. Which one of the two options should be opted by Mrs. Padma in order to minimize her tax liability?

Ans. **Computation of Total taxable income of Mrs. Padma :**

Particulars	**Receipt of**	**Rent-free**

	HRA (Rs.)	accommodation (Rs.)
Basic Salary (Rs. 24,000 × 12)	2,88,000	2,88,000
Dearness Allowance (18% of basic salary i.e. 18% of Rs. 2,88,000)	51,840	51,840
Bonus (1 month basic pay)	24,000	24,000
Project Allowances (6% of basic salary i.e. 6% of Rs. 2,88,000)	17,280	17,280
House Rent Allowance [WN-1]	36,000	-
Rent Free Accommodation [WN-2]	-	32,928
Salary Income	**4,17,120**	**4,14,048**

Hence, Mrs. Padma should opt for HRA so as to minimize her tax liability.

Working Notes :

(1) Computation of taxable HRA :

Particulars	**Rs.**	**Rs.**
HRA received		1,80,000
Least of following amount is exempt		
(a) Actual amount received	1,80,000	
(b) Rent paid less 10% of salary i.e. Rs. 1,80,000 – Rs. 28,800	1,51,200	
(c) 50% of salary	1,44,000	1,44,000

Taxable HRA		**36,000**

(2) Salary for rent free accommodation :

Particulars		**April to March Rs.**
Basic Salary		2,88,000
Bonus		24,000
Project Allowance		17,280
Total		**3,29,280**
10% of salary	[I]	32,928
Actual rent paid	[II]	1,05,000
Value of rent free accommodation (lower of I and II)		**32,928**

Q-18. Following benefits have been granted by Ved Software Ltd. to one of its employees Mr. Badri :

(i) Housing loan @ 6% per annum. Amount outstanding on 01-4-2024 is Rs. 6,00,000. Mr. Badri pays Rs. 12,000 per month, on 5th of each month.

(ii) Air conditioners purchased 4 years back for Rs. 2,00,000 have been given to Mr. Badri for Rs. 90,000.

Compute the chargeable perquisite in the hands of Mr. Badri for the assessment year 2025 26.

The lending rate of SBI as on 1-4-2024 for housing loan may be taken as 10%.

Ans. Computation of Taxable Perquisite in the hands of Mr. Badri –

Particulars	**Rs.**	**Rs.**
(1) Concessional loan (See Note)		20,880
(2) Transfer of movable asset : Actual cost of the air conditioner	2,00,000	
Less: (i) 10% depreciation on SLM basis for 4 years	80,000	
(ii) Amount paid by Mr. Badri	90,000	30,000
Total value of taxable perquisite		50,880

Note: Total maximum monthly outstanding balance means the amount outstanding on the last day of the concerned month.

Month	**Maximum outstanding monthly balance (amount in Rs.)**	**Perquisite value**
April 2024	5,88,000	1,960
May 2024	5,76,000	1,920
June, 2024	5,64,000	1,880
July, 2024	5,52,000	1,840
August, 2024	5,40,000	1,800
September, 2024	5,28,000	1,760
October, 2024	5,16,000	1,720
November, 2024	5,04,000	1,680

December, 2024	4,92,000	1,640
January, 2025	4,80,000	1,600
February, 2025	4,68,000	1,560
March, 2025	4,56,000	1,520
	Total	**20,880**

Q-19. Mr. Narendra, who retired from the services of Hotel Samode Ltd., on 31-1-2025 after putting on service for 5 years, received the following amounts from the employer for the year ending on 31-3-2025 :

(i) Salary @ Rs. 16,000 p.m. comprising of basic salary of Rs. 10,000, Dearness allowance of Rs. 3,000, City compensatory allowance of Rs. 2,000 and Night duty allowance of Rs. 1,000.

(ii) Pension @ 30% of basic salary from 1-2-2025.

(iii) Leave salary of Rs. 75,000 for 225 days of leave accumulated during 5 year @ 45 days leave per year.

(iv) Gratuity of Rs. 50,000.

Compute the total income of Mr. Narendra if he has exercised the option of shifting out of the default tax regime provided under section 115BAC(1A).

Ans. Computation of Total income of Mr. Narendra –

Particulars	**Rs.**
Basic Salary (Rs. 10,000 × 10)	1,00,000

Dearness Allowance (Rs. 3,000 × 10)	30,000
City Compensatory Allowances (Rs. 2,000 × 10) – Fully taxable	20,000
Night Duty Allowance (Rs. 1,000 × 10) – Fully taxable	10,000
Pension (30% of Rs. 10,000 × 2) [February, 2025 to March, 2025]	6,000
Taxable leave encashment [WN-1]	25,000
Gratuity [WN-2]	25,000
Gross Salary	**2,16,000**
Less: Standard Deduction u/s 16(ia)	50,000
Salary Income/ Total Income	**1,66,000**

Working Notes:

(1) Computation of taxable leave encashment:

Particulars	**Rs.**	**Rs.**
Leave salary received		75,000
Exemption : Least of the following is exempt –		
Actual earned leave salary received	75,000	
10 months' Average salary	1,00,000	
Earned leave to the credit × Average Salary (5 × Rs. 10,000)	50,000	
Amount notified by the Central Government	25,00,000	50,000

Taxable Leave Encashment = Sum Received – Exemption		**25,000**

Computation of leave of at the credit of an employee:

Particulars	Company	Income-tax
Leave entitlement for completed year	45 days	30 days
Completed years of service	5	5
Total leave entitlement (days)	225	150
Leave availed while in service (days)	0	0
Balance leave at his credit (days)	**225**	**150**

(2) Computation of taxable gratuity –

Particulars	**Rs.**	**Rs.**
Gratuity received		50,000
Exemption u/s 10(10) : The least of the following is exempt –		
(a) Gratuity received	50,000	
(b) 1/2 × Average Salary (Rs. 10,000) × Completed Years (5)	25,000	
(c) Specified limit	20,00,000	25,000
Taxable Gratuity = Gratuity Received – Exemption		**25,000**

Q-20. From the following details, find out the salary chargeable to tax of Mr. Anand for the assessment year 2025-26 : Mr. Anand is a regular employee of Malpani Ltd. in Mumbai. He was appointed on 01-03-2024 in the scale of 25,000 - 2,500 - 35,000. He is paid dearness allowance (which forms part of salary for retirement benefits) @ 15% of basic pay and bonus equivalent to one and a half month's basic pay as at the end of the year. He contributes 18% of his salary (basic pay plus dearness allowance) towards recognized provident fund and the Company contributes the same amount.

He is provided free housing facility which has been taken on rent by the Company at Rs. 15,000 per month. He is also provided with following facilities.

(i) The company reimbursed the medical treatment bill of Rs. 40,000 of his daughter, who is dependent on him.

(ii) The monthly salary of Rs. 2,000 of a house keeper is reimbursed by the Company.

(iii) He is getting telephone allowance @ Rs. 1,000 per month.

(iv) A gift voucher of Rs. 4,700 was given on the occasion of his marriage anniversary.

(v) The Company pays medical insurance premium to effect an insurance on the health of Mr. Anand Rs. 12,000.

(vi) Motor car running and maintenance charges fully paid by employer of Rs. 36,600. (The motor car is owned and driven by Mr. Anand. The engine cubic capacity is below 1.60 litres. The motor car is used for both official and personal purpose by the employee.)

(vii) Value of free lunch provided during office hours is Rs. 2,200.

Note: He has exercised the option of shifting out of the default tax regime provided under section 115BAC(1A).

Ans. **Computation of Salary chargeable to tax of Mr. Anand –**

Particulars	Rs.

Basic pay [(Rs. 25,000 × 11) + (Rs. 27,500 × 1)]	3,02,500
Dearness allowance (15% of basic pay)	45,375
Bonus (Rs. 27,500 × 1.5) [WN-1]	41,250
Telephone allowance (Rs. 1,000 × 12)	12,000
Car facility (Rs. 36,600 - Rs. 1,800 × 12) [WN-2]	15,000
Employer's contribution to RPF in excess of 12% [WN-3]	20,873
Rent-free accommodation [WN-4]	40,113
Medical reimbursement [Fully Taxable]	40,000
Reimbursement of salary of housekeeper – Taxable u/s 17(2)(iv)	24,000
Medical insurance premium paid by employer on health of Mr. Anand [WN-5]	Exempt
Gift voucher [WN-6]	Exempt
Free lunch provided during office hours shall be exempt from tax (assuming value per meal doesn't exceed Rs. 50)	Exempt
Gross Salary	**5,41,111**
Less: Standard Deduction u/s 16(ia)	50,000
Salary income chargeable to tax	**4,91,111**

Working Notes :

(1) Bonus has been taken as 1.5 month's basic pay as at the end of year i.e. Rs. 27,500.

(2) In case motor car is owned by the employee and repair and maintenance expenses are met by employer, then perquisite value shall be actual expenses incurred by employer as reduced by Rs. 1,800 p.m., since cubic capacity of engine does not exceed 1.6 litres.

(3) Taxable part of employer's contribution to RPF = 6% of (Basic pay + DA) = 6% of (Rs. 3,02,500 + Rs. 45,375) = Rs. 20,873.

Since employer contributes to RPF on basic pay plus DA, hence, even the DA forms the part of salary for computing retirement benefits.

(4) Value of taxable RFA = Lower of the two –

(a) 10% of salary (Rs. 4,01,125) i.e. Rs. 40,113

(b) Lease rent Rs. 15,000 × 12 = Rs. 1,80,000.

Salary for rent free accommodation :

Particulars	**Rs.**
Basic pay	3,02,500
Dearness allowance	45,375
Bonus	41,250
Telephone allowance	12,000
Total	**4,01,125**

(5) Premium of Rs. 12,000 paid by company for medical insurance premium on health of Anand is not liable to tax.

(6) Gifts below Rs. 5,000 are not taxable.

Q-21. Mr. Krishna owns a residential house in Delhi. The house is having two identical units. First unit of the house is self-occupied by Mr. Krishna and another unit is rented for Rs.

12,000 p.m. The rented unit was vacant for three months during the year. The particulars of the house for the previous year 2024-25 are as under:

Standard Rent	Rs. 2,20,000 p.a.
Municipal Valuation	Rs. 2,44,000 p.a.
Fair Rent	Rs. 2,35,000 p.a.
Muncipal tax paid by Mr. Krishna	12% of the Municipal Valuation
Light and water charges	Rs. 800 p.m.
Interest on borrowed capital	Rs. 2,000 p.m.
Insurance charges	Rs. 3,500 p.a.
Painting expenses	Rs. 16,000 p.a.

Compute income from house property of Mr. Krishna if he exercises the option of shifting out of the default tax regime provided under section 115BAC(1A).

Ans. Computation of Income from House Property of Mr. Krishna –

(i) In case of Unit-I (Self-occupied):

Particulars	Rs.
Net Annual Value	Nil
Less: Interest on the borrowed capital u/s 24(b) (Rs. 2,000 × 12 × 1/2)	12,000
Net Income from Unit - I	**-12,000**

(ii) In case of Unit-II (Let-out) :

Particulars	Rs.
Expected Rent [WN-1]	1,10,000
Actual rent received (Rs. 12,000 × 9)	1,08,000
Proportionate Expected Rent (PER) [WN-2]	82,500
Gross Annual Value [WN-3]	**1,08,000**
Less: Municipal taxes paid (12% of Rs. 2,44,000 × 1/2)	14,640
Net Annual Value	**93,360**
Less: Deductions under section 24 -	
(a) Statutory deduction @ 30% of NAV	28,008
(b) Interest on the borrowed capital (Rs. 2,000 × 12 × 1/2)	12,000
Net Income from Unit - II	**53,352**

Thus, total Income from House Property = Rs. -12,000 + Rs. 53,352 = Rs. 41,352.

Working Notes :

(1) ER = Fair Rent Rs. 1,17,500 or Municipal Value Rs. 1,22,000 whichever is higher; subject to maximum of Standard Rent Rs. 1,10,000.

(2) PER = Expected Rent × 9 ÷ 12 = Rs. 1,10,000 × 9 ÷ 12 = Rs. 82,500.

(3) Since ARR is greater than PER, therefore, ARR is less than ER on account of vacancy hence ARR is GAV.

Q-22. A and B construct their houses on a piece of land purchased by them at New Delhi. The built up area of each house is 1,000 sq. ft. (ground floor and an equal area in the first floor). A starts construction on April 1, 2023 and completes it on March 31, 2024. B starts the construction on April 1, 2023 and completes on June 30, 2024 and lets out the first floor for a rent of Rs. 15,000 per month. The tenant vacates the house on December 31, 2024 and B occupies the entire house during the period January 1, 2025 to March 31, 2025.

The following are the other information :

	Rs.
Fair rental value of each unit (ground floor/first floor) (per annum)	72,000
Municipal value of each unit (ground floor/first floor) (per annum)	1,00,000
Municipal taxes paid by – A	8,000
– B	8,000
Repair and maintenance charges paid by – A	28,000
– B	30,000

A has availed a housing loan of Rs. 20 lakhs @ 12% on April 1, 2023. B has availed a housing loan of Rs. 12 lakh @ 10% on July 1, 2023. No repayment is made by either of them till March 31, 2025.

Compute the Income from house property if they exercises the option of shifting out of the default tax regime provided under section 115BAC(1A).

Ans. Computation of Income from House Property of A and B –

(1) In case of Mr. A :

Particulars	**Rs.**
Net Annual Value (self-occupied)	Nil
Less: Interest on borrowed capital [WN]	2,00,000

Income from House Property	**-2,00,000**

Working Note : 'A' started construction on 01-04-2023, which ended on 31-03-2024. Since A had taken loan on 01-04-2023 and the construction was completed on 31-03-2024, there is no preconstruction period. Thus, interest from 01-4-2024 to 31-03-2025 i.e. Rs. 2,40,000 shall be deductible, subject to maximum of Rs. 2,00,000.

(2) In case of Mr. B :

Particulars	**Unit 1 – Self occupied**	**Unit 2 – Partly SOP and partly let out**
Expected Rent [WN-1]	-	75,000
ARR (Rs. 15,000 × 6)	-	90,000
Gross Annual Value [WN-2]	-	90,000
Less: Municipal taxes (50% of 8,000)	-	4,000
Net Annual Value	**Nil**	**86,000**
Less: Deductions under section 24 —		
(a) Statutory deduction @ 30% of NAV	-	25,800
(b) Interest on borrowed capital [WN-3]	69,000	69,000
Income from House Property	**-69,000**	**-8,800**

Working Notes :

(1) ER = Municipal value (of 9 months) or Fair rent (of 9 months), whichever is higher = higher of Rs. 75,000 or Rs. 54,000 = Rs. 75,000. B has occupied the ground floor for self-occupation from 01-07-2024. Its annual value will be computed as per Section 23(2). The first floor is let for a part of the year and then it is self-occupied. Its annual value will also be

computed as per Section 23(1). However, since the house has come into existence on 01-07-2024, the annual fair value and annual municipal value for the period when the property was in existence (9 months) shall be considered for computing GAV.

(2) Since ARR is greater than ER, hence GAV = ARR.

(3) The pre-construction period starts from 01-07-2023 (date of loan) and ends on 31-03-2024. The interest for the said period i.e. for 9 months shall be – Rs. 12,00,000 × 10% × (9 ÷ 12) = Rs. 90,000; Rs. 45,000 for ground floor and Rs. 45,000 for 1st floor. Such interest is deductible in 5 equal annual instalments starting with previous year 2024-25, each installment being Rs. 9,000 (i.e., Rs. 45,000 ÷5). Interest of Rs. 1,20,000 for current year will be apportioned between the 2 units at Rs. 60,000 each. Therefore, total interest deductible = Rs. 69,000 (i.e., Rs. 60,000 + Rs. 9,000) in each case.

Q-23. Two brothers Arun and Bimal are co-owners of a house property with equal share. The property was constructed during the financial year 1997-98. The property consists of eight identical units and is situated at Cochin. During the current year, each co-owner occupied one unit for residence and the balance of six units were let out at a rent of Rs. 12,000 per month per unit. The municipal value of the house property is Rs. 9,00,000 and the municipal taxes are 20% of municipal value,

which were paid during the year. The other expenses were as follows :

		Rs.
(i)	Repairs	40,000
(ii)	Insurance premium (paid)	15,000
(iii)	Interest payable on loan taken for construction of house	3,00,000

One of the let out units remained vacant for four months during the year. Arun could not occupy his unit for six months as he was transferred to Chennai. He does not own any other house. The other income of Mr. Arun and Mr. Bimal are Rs. 2,90,000 and Rs. 1,80,000 respectively for the year. Compute the income under the head 'Income from House Property' and the total income of two brothers if they exercises the option of shifting out of the default tax regime provided under section 115BAC(1A).

Ans. Computation of total income –

Particulars	**Arun (Rs.)**	**Bimal (Rs.)**
Income from house property		
(1) Self-occupied portion (25%) : Annual value	Nil	Nil
Less: Deduction u/s 24(b) [WN-1]	30,000	30,000
Income from self-occupied portion	-30,000	-30,000
(2) Let-out portion (75%) [WN-2]	1,25,850	1,25,850
Income from house property	95,850	95,850
Other Income	2,90,000	1,80,000
Total Income	**3,85,850**	**2,75,850**

Working Notes :

(1) Interest on loan taken for construction = 25% of Rs. 3 lakhs = Rs. 75,000 – restricted to maximum of Rs. 30,000 for each co-owner.

(2) Computation of income from let-out portion (75%) of house property –

Since 6 units have been let out out of 8 units, hence let out portion = 6/8 × 100 = 75%.

All expenses will be made proportionate (i.e. 75%) for calculating income from house property.

Particulars	**Rs.**	**Rs.**

Municipal value (75% of Rs. 9 lakhs) (being expected rent)	6,75,000	
Actual rent [(Rs. 12,000 × 6 × 12) – (Rs. 12,000 × 1 × 4)] = Rs. 8,64,000 – Rs. 48,000	8,16,000	
Gross Annual Value, being the higher of : Municipal Value or Actual Rent		8,16,000
Less: Municipal taxes paid [75% of 20% of Rs. 9 lakhs]		1,35,000
Net Annual Value (NAV)		**6,81,000**
Less: Deduction under section 24 –		
(a) Standard deduction @ 30% of NAV	2,04,300	
(b) Interest on loan taken for the house (75% of Rs. 3 lakhs)	2,25,000	4,29,300
Income from let-out portion of house property		**2,51,700**
Share of each co-owner (50%)		**1,25,850**

Q-24. Mrs. Disha Khanna, a resident of India, owns a house property at Bhiwani in Haryana. The Municipal value of the property is Rs. 7,50,000, Fair Rent of the property is Rs. 6,30,000 and Standard Rent is Rs. 7,20,000 per annum.

The property was let out for Rs. 75,000 per month for the period April 2024 to December 2024.

Thereafter, the tenant vacated the property and Mrs. Disha Khanna used the house for self-occupation. Rent for the months of November and December 2024 could not be realized from the tenant. The tenancy was bonafide but the defaulting tenant was in occupation of another property of the assessee, paying rent regularly.

She paid municipal taxes @ 12% during the year and paid interest of Rs. 35,000 during the year for amount borrowed towards repairs of the house property.

You are required to compute her income from "House Property" for the A.Y. 2025-26.

Ans. Computation of Income from House Property –

Particulars	Rs.
Annual value [WN-1]	7,20,000
Less: Municipal taxes paid (Rs. 7,50,000 × 12%)	90,000
Net Annual Value (NAV)	6,30,000
Less: Deductions u/s 24 –	
(a) Standard deduction @ 30% of NAV	1,89,000
(b) Interest on borrowed capital	35,000
Income from House Property	4,06,000

Working Notes :

(1) Where the property is let for a part of a year and self-occupied for remaining period, the benefit of self-occupation shall not be available and the annual value shall be determined as per Section 23(1)(a).

Thus, annual value =

(a) Expected Rent i.e. Municipal Value (Rs. 7,50,000) or Fair Rent (Rs. 6,30,000) whichever is higher subject to maximum of Standard Rent (Rs. 7,20,000) i.e. Rs. 7,20,000; or

(b) Actual Rent i.e. Rs. 75,000 × 9 = Rs. 675000;

whichever is higher.

(2) Unrealised Rent cannot be deducted from actual rent since the conditions of Rule 4 have not been satisfied.

Q-25. Raman Row, a registered supplier under GST inMumbai, is directed by Nero Enterprises, Kolkata to deliver goods valued at Rs. 12,00,000 to Fabricana of

Aurangabad in Maharashtra. Raman Row makes out an invoice at 9% tax rate under CGST and SGST respectively (scheduled rate) and delivers it locally in Maharashtra. Discuss and comment on the above levy of tax and determine the tax liability of goods in the above circumstances.

Ans. Where three parties are involved i.e. to say a supplier, a buyer who is not the recipient of goods (referred as third person) and the recipient who actually receives the goods on the directions of the buyer, a fiction is introduced by Section 10(1)(b) of IGST Act, 2017, whereby the third person on whose direction the goods are delivered will be considered the recipient of the goods and the place of supply is deemed to be the principal place of business of the said third person (being the first buyer).

There are two parts to this transaction :

(i) First part of the transaction – between Raman Row and Nero Enterprises Raman Row Mumbai is the supplier of goods, and Nero Enterprises, Kolkatta is the buyer. Accordingly, Raman Row bills the transaction to Nero Enterprises, and as per the instruction, delivers the goods to Fabricana in Maharashtra.

Over here, on the instruction from Nero Enterprises, Kolkatta, Raman Row delivers the goods to Fabricana located in Maharasthra. Here, Nero Enterprises is deemed as the third person. Therefore, the place of supply will be the principal place of business of the Nero Enterprises, i.e., Kolkatta. Since the location of supplier is in Maharashtra and place of supply is in West Bengal, the supply is interstate supply. Accordingly, Raman Row will have to charge IGST on billing to Nero Enterprises. Since in Raman Row has charged CGST and SGST treating the supply as intra State supply, it has to claim refund of CGST and SGST and deposit IGST as the supply is Inter State supply. Thus, IGST liability of Raman Row will be 18% of Rs. 12,00,000 = Rs. 216000.

(ii) The second part of the transaction – between Nero Enterprises, Kolkata and Fabricana, Maharashtra : Nero Enterprises, Kolkata is the supplier, and Fabricana, Maharashtra is the buyer. Nero Enterprises, Kolkata bills the transaction to Fabricana, Maharashtra, and endorses the lorry receipt (goods shipped in a lorry by Raman Row) in favour of Fabricana, Maharashtra. This lorry receipt (LR) will enable Fabricana, Maharashtra to take the delivery of the goods. The second part of the transaction between Nero Enterprises, Kolkata and Fabricana, Maharashtra will also be interstate, and IGST will be charged.

Q-26. Musicera Pvt. Ltd., owned by Nitish Daani - a famous classical singer - wishes to organise a 'Nitish Daani Music Concert' in Gurugram (Haryana). Musicera Pvt. Ltd. (registered in Ludhiana, Punjab) enters into a contract with an event management company, Supriya (P) Ltd. (registered in Delhi) for organising the said music concert at an agreed consideration of Rs. 10,00,000. Supriya (P) Ltd. books the lawns of Hotel Dumdum, Gurugram (registered in Haryana) for holding the music concert, for a lump sum consideration of Rs. 4,00,000. Musicera Pvt. Ltd. fixes the entry fee to the music concert at Rs. 5,000. 400 tickets for 'Nitish Daani Music Concert' are sold.

You are required to determine the CGST and SGST or IGST liability, as the case may be, in respect of the supplie(s) involved in the given scenario. Will your answer be different if the price per ticket is fixed at Rs. 450?

Note: Rate of CGST and SGST is 9% each and IGST is 18%. All the amounts given above are exclusive of taxes, wherever applicable.

Ans. In the given situation, three supplies are involved :

(i) Admission to events: Services provided by Musicera Pvt. Ltd. to audiences by way of admission to music concert.

(ii) Organization of event : Services provided by Supriya (P) Ltd. to Musicera Pvt. Ltd. by way of organising the music concert.

(iii) Accommodation services : Services provided by Hotel Dumdum to Supriya (P) Ltd. by way of accommodation in the Hotel lawns for organising the music concert.

The CGST and SGST or IGST liability in respect of each of the above supplies is determined as under:

(i) Admission to event – POS – Place where event is held : As per the provisions of section 12(6) of the IGST Act, 2017, the place of supply of services provided by way of admission to, inter alia, a cultural event shall be the place where the event is actually held.

Therefore, the place of supply of services supplied by Musicera Pvt. Ltd. to audiences by way of admission to the music concert is the location of the Hotel Dumdum, i.e. Gurugram, Haryana.

Since the location of the supplier (Ludhiana, Punjab) and the place of supply (Gurugram, Haryana) are in different States, IGST will be leviable. Therefore, IGST leviable will be computed as follows :

Consideration for supply (400 tickets @ Rs. 5,000 per ticket) = Rs. 20,00,000

IGST @ 18% on value of supply = Rs. 20,00,000 × 18% = Rs. 3,60,000.

(ii) Organization of event – POS – Location of registered person : Section 12(7)(a)(i) of IGST Act, 2017 stipulates that the place of supply of services provided by way of organization of, inter alia, a cultural event to a registered person is the location of such person.

Therefore, the place of supply of services supplied by Supriya (P) Ltd. to Musicera Pvt. Ltd. (Ludhiana, Punjab) by way of organising the music concert is the location of the recipient, i.e. Ludhiana (Punjab).

Since the location of the supplier (Delhi) and the place of supply (Ludhiana, Punjab) are in different

States, IGST will be leviable. Therefore, IGST leviable will be computed as follows:

Consideration for supply = Rs. 10,00,000

IGST @ 18% on value of supply = Rs. 10,00,000 × 18% = Rs. 1,80,000

(iii) Accommodation service – POS – place where immovable property is located : As per the provisions of section 12(3)(c) of the IGST Act, 2017, the place of supply of services, by way of accommodation in any immovable property for organizing, inter alia, any cultural function shall be the location at which the immovable property is located.

Therefore, the place of supply of services supplied by Hotel Dumdum (Gurugram, Haryana) to Supriya (P) Ltd. by way of accommodation in Hotel lawns for organising the music concert shall be the location of the Hotel Dumdum, i.e. Gurugram, Haryana.

Since the location of the supplier (Gurugram, Haryana) and the place of supply (Gurugram, Haryana) are in the same State, CGST and SGST will be leviable. Therefore, CGST and SGST leviable will be computed as follows :

Consideration for supply = Rs. 4,00,000

CGST @ 9% on value of supply = Rs. 4,00,000 × 9% = Rs. 36,000

SGST @ 9% on value of supply = Rs. 4,00,000 × 9% = Rs. 36,000

If the price for the entry ticket is fixed at Rs. 450, answer will change in respect of supply of service provided by way of admission to music concert, as mentioned in point (i) above. There will be no IGST liability if the consideration for the ticket is Rs. 450 as the inter-State services by way of right to admission to, inter alia, musical performance are exempt from IGST vide Notification No. 9/2017-IT (R) dated 28-06-2017, if the consideration for right to admission to the event is not more than Rs. 500 per person. However, there will be no change in the answer in respect of supplies mentioned in point (ii) and (iii) above.

Q-27. Determine Place of Supply along with reasons in the following cases :

(i) Mr. A (a Chartered Accountant registered in Kolkata) supplies services to his client in Bhubaneswar (Registered in Bhubaneswar, Odisha)

(ii) Mr. X, registered in Guwahati, has availed land-line services from BSNL. The telephone is installed in residential premises in Kolkata and the billing address is office of Mr. X in Guwahati.

(iii) Mr. X residing in Chennai is travelling with an Indian Airline aircraft and is provided with movie-ondemand service for Rs. 100 as on board entertainment during Delhi-Chennai leg of a Bangkok-Delhi-Chennai flight.

(iv) Mr. X of Kolkata purchased online tickets for Aquatica water park in Mumbai.

(v) Mr. Z, an unregistered person of Kolkata sends a courier from New Delhi to his friend in Chennai, Tamil Nadu while he was on trip to New Delhi.

(vi) Mr. X, a registered person in Ranchi, Jharkhand buys shares from a broker in Patna on NSE, Mumbai. Determine the place of supply of brokerage service.

(vii) XYZ Ltd. New Delhi entered into contract with an Indian airline for the supply of biscuit packets for further supply by airline to the passengers in Kolkata-Guwahati route. The biscuits were loaded on board in Lucknow.

Ans. The relevant provisions are as under —

	Place of supply	**Reason**
(i)	**Bhubaneshwar (Odisha)**	The place of supply of services, except the specified services made to a registered person, is the location of such person.
(ii)	**Kolkata**	The place of supply of services by way of fixed telecommunication line is the location where the telecommunication line is installed for receipt of services.
(iii)	**Bangkok**	The place of supply of services on board an aircraft is the location of

		the first scheduled point of departure of that aircraft or flight for the journey
(iv)	**Mumbai**	The place of supply of services provided by way of admission to an amusement park is the place where the park is located.
(v)	**New Delhi**	The place of supply of services by way of transportation of goods by courier to a person other than a registered person is the location at which such goods are handed over for their transportation.
(vi)	**Ranchi (Jharkhand)**	The place of supply of stock broking services to any person shall be the location of the recipient of services on the records of the supplier of services.
(vii)	**Lucknow**	Where the supply involves movement of goods, the place of supply of such goods is the location of the goods at the time at which the movement of goods terminates for delivery to the recipient. Therefore, the place of supply of biscuit packets sold by XYZ Ltd. to Indian Airlines is Lucknow. Further, where the goods are supplied on board an aircraft, the place of supply shall be the location at which such goods are taken on board. Thus, the place of supply of biscuit packets sold by Indian Airlines to the passengers in Kolkata-Guwahati route is Lucknow.

Q-28. 'PQ', a statutory body, deals with the all the advertisement and publicity of the Government. It has issued a release order to 'Moon Plus' channel (registered in State 'A') for telecasting an advertisement relating to one of the schemes of the Government in the month of September 2024. The advertisement will be telecasted in the States of 'A', 'B', 'C', 'D' and 'E'. The total value of the service contract entered into between 'Moon Plus' and 'PQ' is Rs. 10,00,000 (exclusive of GST).

You are required to determine the place of supply of the services in the instant case as also the value of supply attributable to the States of 'A', 'B', 'C', 'D' and 'E'.

Further, compute the GST liability [CGST & SGST or IGST, as the case may be] of 'Moon Plus' as also advise it as to whether it should issue one invoice for the entire contract value or separate State-wise invoices.

The other relevant information is given hereunder:

Table 1

States	Viewership figures of 'Moon Plus' channel in the last week of June 2024 as provided by the Broadcast Audience Research Council
A	50,000
B+C	1,00,000
D+E	50,000

Table 2

States	Population as per latest census (in crores)
A	50
B	180
C	20
D	100

E	25

The applicable rate of tax is as under –

CGST	SGST	IGST
9%	9%	18%

Ans. Determination of POS in case of advertisement services to Government : As per section 12(14) of the IGST Act, 2017, the place of supply of advertisement services to the Central Government, a State Government, a statutory body or a local authority meant for the States or Union territories identified in the contract or agreement is taken as being in each of such States or Union territories (where the advertisement is broadcasted/ run/ played/ disseminated).

Therefore, in the given case, the place of supply of advertisement service is in the States of ‘A’, ‘B’, ‘C’, ‘D’ and ‘E’.

The value of the supply of such advertisement services specific to each State/Union territory is in proportion to the amount attributable to the services provided by way of dissemination in the respective States/Union territories determined in terms of the contract or agreement entered into in this regard.

In the absence of such a contract or agreement between the supplier and recipient of services, the proportionate value of advertisement services attributable to different States/Union territories (where the advertisement is broadcasted/ run/ played/ disseminated) is computed in accordance with rule 3 of the IGST Rules, 2017.

As per rule 3(f) of the IGST Rules, 2017, in the case of advertisement on television channels, the amount attributable to the value of advertisement service disseminated in a State shall be calculated on the basis of the viewership of such channel in such State, which in turn, shall be calculated in the following manner, namely: -

(i) the channel viewership figures for that channel for a State or Union territory shall be taken from the figures published in this regard by the Broadcast Audience Research Council;

(ii) the figures published for the last week of a given quarter shall be used for calculating viewership for the succeeding quarter ;

(iii) where such channel viewership figures relate to a region comprising of more than one State or Union territory, the viewership figures for a State or Union territory of that region, shall be calculated by applying the ratio of the populations of that State or Union territory, as determined in the latest Census, to such viewership figures;

(iv) the ratio of the viewership figures for each State or Union territory as so calculated, when applied to the amount payable for that service, shall represent the portion of the value attributable to the dissemination in that State or Union territory.

Therefore, value of supply attributable to 'A', 'B', 'C', 'D' and 'E', will be computed as under :

States	**Viewership figures of 'Moon Plus' channel as provided by the Broadcast Audience Research Council in the last week of June 2024**	**Viewership ratio of 'Moon Plus' channel in the States 'A', ('B' + 'C') and ('D' + 'E')**	**Proportionate value of advertisement services for States A', ('B' + 'C') and ('D' + 'E')**
A	50,000	50,000 : 1,00,000 : 50,000 = 1:2:1	Rs. 10,00,000 × 1/4 = Rs. 2,50,000
B+C	1,00,000		Rs. 10,00,000 × 2/4 = Rs. 5,00,000
D+E	50		Rs. 10,00,000 × 1/4 = Rs. 2,50,000

States	Population as per latest census (in crores)	Population ratio in the States 'B' & 'C' and 'D' & 'E'	Proportionate value of advertisement services in the States 'A', 'B', 'C', 'D' & 'E'
A	50		Rs. 2,50,000
B	180	B:C = 180:20 = 9:1	Rs. 5,00,000 × 9/10 = Rs. 4,50,000
C	20		Rs. 5,00,000 × 1/10 = Rs. 50,000
D	100	D:E = 100:25 = 4:1	Rs. 2,50,000 × 4/5 = Rs. 2,00,000
E	25		Rs. 2,50,000 × 1/5 = Rs. 50,000

Different tax invoices to be issued for different POS : Since, there are five different places of supply in the given case, 'Moon Plus' channel will have to issue five separate invoices for each of the States namely, 'A', 'B', 'C', 'D' & 'E' indicating the value pertaining to that State. The GST liability of 'Moon Plus' channel will, therefore, be worked out as under:

Computation of GST liability of 'Moon Plus' :

States	Proportionate value of advertisement services (Rs.)	CGST @ 9% (Rs.)	SGST @ 9% (Rs.)	IGST @ 18% (Rs.)
A	2,50,000	22,500	22,500	
B	4,50,000			81,000

C	50,000			9,000
D	2,00,000			36,000
E	50,000			9,000

Nature of supply : Only in case of supply of services in State 'A', the location of supplier (State 'A') and the place of supply are in the same State, hence the same is an intra-State supply in terms of section 8(1) of the IGST Act, 2017 and is thus, liable to CGST and SGST. In all the remaining cases of supply of services, the location of the supplier (State 'A') and the places of supply (States 'B', 'C', 'D' & 'E') are in two different States, hence the same are inter-State supplies liable to IGST [Section 7(1)(a) of the IGST Act, 2017 read with section 5(1) of that Act].

Q-29. AB Ltd., a registered company of Chennai, Tamil Nadu has provided following services for the month of October, 2024 :

Particulars	**Amount (Rs.)**
Services of transportation of students, faculty and staff from home to college and back to Commerce College, (a private college) providing degree courses in BBA, MBA, B.Com., M.Com.	2,50,000
Online monthly magazine containing question bank and latest updates in law to students of PQR Law College offering degree courses in LLB and LLM	1,00,000
Housekeeping services to T Coaching Institute	50,000
Security services to N Higher Secondary School	3,25,000
Services of providing breakfast, lunch and dinner to students of ABC	5,80,000

Medical College offering degree courses recognized by law in medical field	

All the above amounts are exclusive of GST.

Compute the taxable supplies of AB Ltd. for the month of October 2024 with necessary explanations.

Ans. Computation of value of taxable supplies of AB Ltd. :

Particulars	Amount (Rs.)
Services of transportation of students, faculty and staff to Commerce 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 PQR 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 T Coaching Institute [Not exempt]	50,000
Security services to N Higher Secondary School [Security services provided to an educational institution providing education up to higher secondary school are exempt.]	Nil
Services of providing breakfast, lunch and dinner to students of ABC 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
Value of taxable supplies	**8,80,000**

Q-30. Satya Sai Residents Welfare Association, a registered person under GST has 30 members each paying Rs. 8,000 as maintenance charges per month for sourcing of goods and services from third persons for common use of its members.

The Association purchased a water pump for Rs. 59,000 (inclusive of GST of Rs. 9,000) and availed input services for Rs. 23,600 (inclusive of GST of Rs. 3,600) for common use of its members during February 2025.

Compute the total GST payable, if any, by Satya Sai Residents Welfare Association, for February 2025.

GST rate is 18%. All transactions are intra-State.

There is no opening ITC and all conditions for ITC are fulfilled.

Ans. Computation of total GST payable by Satya Sai Residents Welfare Association :

Particulars	**Amount**	**GST @ 18%**
Maintenance charges received [Rs. 8,000 × 30 members] [Services by RWA to its members for sourcing of goods or services from a third person for the common use of its members in a housing society are exempt provided the share of contribution per month per member is upto Rs. 7,500. Otherwise, entire amount is taxable.]	2,40,000	
Total GST payable [It has been logically presumed that maintenance charges are exclusive of GST.]		43,200
Less: Input tax credit—		
(i) GST paid on Water pump	9,000	
(ii) GST paid on Input services	3,600	12,600
Net GST payable		**30,600**

Note: Residents Welfare Association is entitled to take ITC of GST paid by them on capital goods,goods and input services, used by it for making supplies to its members and use such ITC for discharge of GST liability on such supplies where the amount charged for such supplies is more than Rs. 7,500 per month per member.

Q-31. Mr. Jayesh, a registered supplier of Mumbai, received the following amounts in respect of the various activities undertaken by him during the month of October, 2024.

	Particulars	**Amount (Rs.)**
(i)	Commission received as a recovery agent from a Non-Banking Finance Company (NBFC)	80,000
(ii)	Actionable claim received from normal business debtors	10,50,000
(iii)	Amount received from ABC Ltd. for performance of classical dance in one program.	1,74,500
(iv)	Business assets (old computers) given to a friend free of cost, the market value of all the computers was Rs. 51,000. No input tax credit has been availed on such computers when used for business.	No amount Charged
(v)	Consideration received for one month rent from a registered individual person for renting of residential dwelling for use as residence.	15,200

Details of Input services:

Particulars	**Amount (Rs.)**
Paid to an unregistered Goods Transport agency for various consignments of transportation of goods by road.	15,100

(Each individual consignment in a single carriage was of less than Rs. 1,450.)	

Notes:

(i) All the amount stated above in both the tables are exclusive of GST, wherever applicable.

(ii) Aggregate turnover of Mr. Jayesh in previous year was Rs. 42,00,000.

You are required to compute Gross value of supplies, on which GST to be paid by Mr. Jayesh for the month of October, 2024.

Ans. Computation of gross value of taxable supply on which GST is to be paid by Mr. Jayesh :

Particulars	Amount (Rs.)
Commission received as a recovery agent from Non-Banking Financial Company [Tax is payable by NBFC under reverse charge.]	-
Actionable claim received from normal business debtors [No tax is payable as actionable claims other than lottery, betting and gambling are covered under Schedule III, i.e. they are neither supply of goods nor supply of services.]	-
Amount received from ABC Ltd. for performance of classical dance [Taxable since consideration for classical dance performance exceeds Rs. 1,50,000.]	1,74,500
Business assets given free of cost [Not a supply as it is made without consideration and not covered in Schedule I because ITC is not availed on the same.]	-
Rent from registered individual person [Tax is payable by the registered individual person under reverse charge]	-

Services from unregistered GTA [Tax on services provided by unregistered GTA is payable under reverse charge by Mr. Jayesh being a registered person.]	15,100
Gross value of taxable supply on which GST is to be paid by Mr. Jayesh	**1,89,600**

Q-32. Mr. Dhanwan, an individual registered supplier of Ahmedabad (Gujarat), received the following amount towards rendering of the intra-State supply of various services in the month of January 2025:

	Particulars	**Amount (₹)**
(i)	Consideration received from security and housekeeping services provided to "Holy Foundation", an educational institution providing services by way of pre-school education, outside the school premises on its annual day function.	60,000
(ii)	Amount received as an honorarium for participation as guest anchor on "Apna TV" in relation to a debate.	2,25,000
(iii)	Sum received as hiring charges for provision of non-air conditioned contract carriage for transportation of employees to and from the work to M/s. Siddhi Pvt. Ltd, a registered person under the GST. Such hiring is for 3 months. Use of the contract carriage is at the disposal of the company.	1,50,000
(iv)	Amount received for provision of training in recreation activities of music.	90,000
(v)	Renting of residential flat to Mr. Sahil, proprietor of M/s. Dayaram & Sons, a registered person under GST for the purpose of his own	30,000

	residence (in personal capacity)	

You are required to compute the value of supply on which GST is to be paid by Mr. Dhanwan for the month of January, 2025. All the amounts stated above are exclusive of GST, wherever applicable. Suitable notes should form part of the answer.

Ans. Computation of value of supply on which GST is to be paid by Mr. Dhanwan :

	Particulars	**Amount (₹)**
(i)	Security and housekeeping services provided to an educational institution [Not exempted, since security and housekeeping services are performed outside the educational institution.]	60,000
(ii)	Honorarium for participation as guest anchor [Liable to GST since it is not specifically exempt and it is also not covered in Schedule III of the CGST Act, 2017 (neither supply of good nor supply of service).]	2,25,000
(iii)	Hiring charges for non-air conditioned contract carriage [Not exempt, since exemption available only where transportation take place over pre-determined route and pre-determined schedule and contract carriage is hired for a period of time, during which the contract carriage is at the disposal of the recipient]	1,50,000
(iv)	Training in recreational activities of music [Services by way of training in recreational activities relating to arts or culture, by an individual are exempt.]	-
(v)	Renting of residential flat to Mr. Sahil [Renting of residential dwelling to a proprietor (registered under GST) of a proprietorship concern in his personal capacity for use as his own residence and on his own account is exempt.]	-
	Value of taxable supply on which GST is to be paid by Mr. Dhanwan	4,35,000

Q-33. From the following data, calculate the depreciation admissible to an individual carrying on trading business :

	Rs.
Factory Building (WDV)	5,00,000
Plant and Machinery (WDV) :	8,00,000
Additions – 30-06-2024	1,00,000
31-12-2024	1,00,000
Sales – 01-12-2024	6,00,000
Computer Addition 1-1-2025 (Rs.60,000 is paid through A/c payee cheque and balance in cash)	80,000
Furniture and Fixtures (WDV)	1,00,000
Motor-car (WDV)	60,000

Ans. The admissibility of depreciation shall be computed as follows –

Particulars	**Block 1 Plant & Machinery & Motor Car (15%)**	**Block 2 Furniture & Fittings (10%)**	**Block 3 Factory Building (10%)**	**Block 5 Computer (40%)**
WDV as on 1-4-2024	8,60,000	1,00,000	5,00,000	Nil
Add: Actual cost of asset acquired during the year –				

30-06-2024	1,00,000	Nil	Nil	Nil
31-12-2024 & 1-1-2025	1,00,000	Nil	Nil	60,000
	10,60,000	1,00,000	5,00,000	60,000
Less: Sales (1-12-2024)	6,00,000	Nil	Nil	Nil
WDV as on 31-3-2025	4,60,000	1,00,000	5,00,000	60,000
Less: Depreciation at block rate	61,500	10,000	50,000	12,000
WDV as on 1-4-2025	**3,98,500**	**90,000**	**4,50,000**	**48,000**

Working Notes :

(1) Since assessee is carrying on trading business, no additional depreciation is admissible.

(2) Since the new plant acquired during the previous year is put to use for less than 180 days depreciation on such plant is calculated at half of the block rate. Hence, depreciation on Plant & Machinery and motor car = 15% of Rs. 3.6 lakh + 50% of 15% of Rs. 1 lakh (since used for less than 180 days) = Rs. 61,500

(3) Though purchase price of computer is Rs. 80,000 but Rs. 20,000 is paid in cash, hence its actual cost will be Rs. 80,000 – Rs. 20,000 = Rs. 60,000. Since the new computer acquired during the previous year is put to use for less than 180 days, hence depreciation on such computer is calculated at half of the block rate. Depreciation on computer = 50% of 40% of Rs. 60,000 = Rs. 12,000.

Q-34. Sai Ltd. has a block of assets carrying 15% rate of depreciation, whose written down value on 01-04-2024 was Rs. 40 lacs. It purchased another asset of the same block on 01-11-

2024 for Rs. 14.40 lacs and put to use on the same day. Sai Ltd. was amalgamated with Shirdi Ltd. With effect from 01-01-2025.

Compute the depreciation allowable to Sai Ltd. & Shirdi Ltd. for the previous year ended on 31-03-2025 assuming the assets transferred of Shirdi Ltd. at Rs. 60 lacs.

Ans. The amount of depreciation in any previous year, on tangible and intangible assets, allowable to amalgamating company and amalgamated company shall not exceed the depreciation calculated at prescribed rates, had such amalgamation not taken place. Such depreciation determined shall be apportioned between amalgamating company and amalgamated company, in the ratio of the number of days of use of assets by them during that previous year.

Apportionment of Depreciation : Number of days in the year = 365; Date of amalgamation = 01-01-2025.

Asset	Total Depreciation (Rs.)	Total Days used	Days used by Sai	Days used by Shirdi	Sai Ltd. (Rs.)	Shirdi Ltd. (Rs.)
(a) On opening balance [WN-1]	6,00,000	365	275	90	4,52,055	1,47,945
(b) Additions made by by Sai Ltd. [WN-2]	1,08,000	151	61	90	43,629	64,371
Total	**7,08,000**				**4,95,684**	**2,12,316**

Working Notes :

(1) Statement showing computation of depreciation :

Particulars	Rs.
WDV as on 1-04-2024	40,00,000
Add: Actual cost of asset acquired during the year (used for less than 180 days)	14,40,000
Depreciation on Rs. 40,00,000 @ 15%	6,00,000
Depreciation on Rs. 14,40,000 @ 7.5%	1,08,000

(2) The price at which the assets were transferred, i.e., Rs. 60 lacs, has no effect on depreciation.

Q-35. Mr. Sukhvinder is engaged in the business of plying goods carriages. On 1st April 2024, he owns 10 trucks (out of which 6 are heavy goods vehicles (gross unladen weight 31,000 kgs). On 2nd May 2024, he sold one of the heavy goods vehicles and purchased a light goods vehicle on 6th May 2024. This new vehicle could however be put to use only on 15th June 2024. Compute the total income of Mr. Sukhvinder for the assessment year 2025-26 taking note of the following data :

Particulars	**Rs.**	**Rs.**
Freight charges collected		75,00,000
Less: Operational expenses	45,00,000	
Depreciation as per section 32	5,56,000	
Other office expenses	2,15,000	52,71,000
Net Profit		**22,29,000**

Other business and non-business income		70,000

Ans. In this case, provisions of Section 44AE apply since assessee does not own more than 10 goods carriages at any time during the previous year.

Computation of total income of Mr. Sukhvinder (amounts in Rs.) –

Particulars	**Presumptive Income Rs.**	**Where books are Maintained Rs.**
Income from plying goods carriages [WN]	23,64,500	22,29,000
Other income	70,000	70,000
Total income	**24,34,500**	**22,99,000**

Since income as per books of accounts is lower than presumptive income computed under section 44AE, hence, Mr. Sukhwinder should keep and maintain books and get his accounts audited and his total income shall be Rs. 22,99,000.

Working Note : Calculation of presumptive income as per section 44AE –

Type of Carriage	**No. of goods carriages**	**Period during which trucks owned**	**Months**	**Deemed Income p.m.**	**Amount (Rs.)**
Light Goods Vehicles	4 1	01-04-2024 to 31-03-2025 06-05-2024 to 31-03-2025	12 11	7,500 7,500	3,60,000 82,500
Heavy Goods Vehicle	5 1	01-04-2024 to 31-03-2025 01-04-2024 to 02-05-2024	12 2	Rs. 1,000 × 31	18,60,000 62,000

				Rs. 1,000 × 31	
Total					**23,64,500**

Q-36. Discuss the taxability of the following transactions giving reasons, in the light of relevant provisions, for your conclusion.

(i) Mr. Rajpal took a land on rent from Ms. Shilpa on monthly rent of Rs. 10,000. He sublets the land to Mr. Manish for a monthly rent of Rs. 11,500. Manish uses the land for grazing of cattle required for agricultural activities. Mr. Rajpal wants to claim deduction of Rs. 10,000 (being rent paid by him to Ms. Shilpa) from the rental income received by it from Mr. Manish.

(ii) Mr. Pratham, a non-resident in India, received a sum of Rs. 1,14,000 from Mr. Rakesh, a resident and ordinarily resident in India. The amount was paid to Pratham on account of transfer of right to use the manufacturing process developed by Pratham. The manufacturing process was developed by

Mr. Pratham in Singapore and Mr. Rakesh uses such process for his business carried on by him in Dubai.

(iii) Mr. Netram grows paddy on land. He then employs mechanical operations on grain to make it fit for sale in the market, like removing hay and chaff from the grain, filtering the grain and finally packing the rice in gunny bags. He claims that entire income earned by him from sale of rice is agricultural income not liable to income tax since paddy as grown on land is not fit for sale in its original form.

Ans. (i) The rent or revenue derived from land situated in India and used for agricultural purposes would be agricultural income under section 2(1A)(a). Therefore, rent received from sub-letting of the land used for grazing of cattle required for agriculture activities is agricultural income. The rent can either be received by the owner of the land or by the original tenant from the sub-tenant.

Accordingly, rent received by Mr. Rajpal from Mr. Manish for using land for grazing of cattle required for agricultural activities is agricultural income exempt u/s 10(1).

As per section 14A, no deduction is allowable in respect of exempt income.

(ii) Consideration for transfer of right to use the manufacturing process falls within the definition of royalty. Income by way royalty payable by Mr. Rakesh, a resident and ordinarily resident, is not deemed to accrue or arise in India in the hands of Mr. Pratham as per section 9(1)(vi)(b), since royalty is payable in respect of right used for the purposes of a business carried on by Mr. Rakesh outside India i.e., in Dubai.

(iii) The income from the process ordinarily employed to render the produce fit to be taken to the market would be agricultural income under section 2(1A)(b)(ii). The process of making the rice ready from paddy for the market may involve manual operations or mechanical operations, both of which constitute processes ordinarily employed to make the product fit for the market.

Accordingly, the entire income earned by Mr. Netram from sale of rice is agricultural income.

Q-37. Mr. A is an individual carrying on business. His stock and machinery were damaged and destroyed in a fire which broke on 15-08-2024. The value of stock lost (total damaged) was Rs. 6,50,000. Certain portion of the machinery could be salvaged. The opening WDV of the block as on 1-4-2024 was Rs. 10,80,000. During the process of safeguarding machinery and in the fire fighting operations, Mr. A lost his gold chain and a diamond ring, which he had purchased in April, 2005 for Rs. 1,20,000. The market value of these two items as on the date of fire accident was Rs. 1,80,000.

Mr. A received the following amounts from the insurance company :

(i) Towards loss of stock = Rs. 4,80,000

(ii) Towards damage of machinery = Rs. 6,00,000

(iii) Towards gold chain and diamond ring = Rs. 4,00,000

Briefly comment on the tax treatment of the above three items.

Cost Inflation Index : Financial year 2005-06 = 117.

Ans. The taxability of the aforesaid items has been discussed herein below –

(i) Treatment of compensation in respect of stock-in-trade : Stock-in-trade is not a capital asset, hence its loss is a trading loss which will be allowed as deduction in computing income under the head Profits and gains of business or profession.

The whole of the value of stock can be claimed as deduction; and the insurance compensation received can be assessed as taxable business receipt. Alternatively net loss of stock-in-trade = Value of stock – Insurance compensation received = Rs. 6,50,000 – Rs. 4,80,000 = Rs. 1,70,000 can be claimed as deduction.

(ii) Treatment of compensation in respect of machinery : Since the machinery has been directly destroyed by fire, therefore, the compensation has been received under circumstances referred to in section 45(1A). Accordingly, the capital gains shall be computed as follows –

Particulars	**Machinery (Rs.)**
Full value of consideration (being insurance compensation received)	6,00,000
Less: Cost of acquisition being : WDV of the block of machinery	10,80,000
Short-term Capital Loss	**-4,80,000**

(iii) Treatment of compensation in respect of gold chain and ring : Since the gold chain and diamond ring has been destroyed during fire fighting operation (the immediate cause thereof being the fire).

Therefore, the compensation has been received under circumstances referred to in Section 45(1A). Accordingly, the capital gains shall be computed as follows –

Particulars	**Gold Chain & Ring (Rs.)**
Full value of consideration (being insurance compensation received)	4,00,000
Less: Cost of acquisition diamond ring and Gold chain (No indexation benefit will be available as transfer takes place after 23-07-2024.)	1,20,000
Long-term Capital Gains	**2,80,000**

Note : It is assumed that whole of the insurance compensation has been received in cash.

Q-38. 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 2013-14, 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 ₹ 80 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. 2025-26 = 363, F.Y. 2009-10 = 148 and F.Y. 2001-02 = 100)

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

Particulars	**Rs.**
Full Value of Consideration	80,00,000

Less: Expenditure in connection with transfer	50,000
Net Sales Consideration	79,50,000
Less: 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) × 363/100]	47,19,000
Less: Indexed cost of improvements [₹ 10 lakhs × 363/220]	16,50,000
Long Term Capital Gains	15,81,000
Less: Exemption u/s 54 – in respect of residential house purchased on 20.12.2024	12,00,000
Taxable Long Term Capital Gains	3,81,000

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.

Q-39. Mr. Govind purchased 600 shares of "Y" limited at Rs. 130 per share on 26-02-1979. "Y" limited issued him, 1,200 bonus shares on 20-02-1984. The fair market value of these share at Mumbai Stock Exchange as on 01-04-2001 was Rs. 900 per share and Rs. 2,000 per share as on 31-01-2018. On 31-01-2024 he converted 1000 shares as his stock in trade. The shares was traded at Mumbai Stock Exchange on that date at a high of Rs. 2,200 per share and closed for the day at Rs. 2,100 per share. On 07-07-2024 Mr. Govind sold all 1800 shares @ Rs. 2,400 per share at Mumbai Stock Exchange and securities transaction tax was paid. Compute total income of Mr. Govind for the A.Y. 2025-26.

Ans. Computation of total income of Mr. Govind for the A.Y. 2025-26 :

	Particulars	Rs.	Rs.
I	Profits and gains of business and profession : Full value of consideration [1000 shares × Rs. 2,400 per share]	24,00,000	
	Less: FMV on the date of conversion (Rs. 2,100 × 1000 shares] [See Note below]	21,00,000	3,00,000
II	Capital Gains : In respect of 800 shares held as capital asset up-to the date of sale - Full value of consideration [800 shares × Rs. 2,400 per share]	19,20,000	
	Less: Cost of acquisition [800 shares × Rs. 2,000] (See Working Note below)	16,00,000	3,20,000
	In respect of 1,000 shares converted into stock in trade on 31-1-2024 (Capital gains is taxable in the P.Y. 2024-25, when the stock in trade is sold) Full value of consideration [1000 shares × Rs. 2,100, being FMV on the date of conversion]	21,00,000	
	Less: Cost of acquisition [1000 shares × Rs. 2,000] (See Working Note below)	20,00,000	1,00,000
	Total Income		**7,20,000**

Working Note : Cost of acquisition (per share) –

Higher of (i) and (ii), below	**2,000**	

(i) Rs. 900 per share, being – In case of shares purchased - Original cost of acquisition (Rs.130) or FMV as on 1-4-2001 (Rs. 900), at the option of the assessee In case of bonus shares - FMV as on 1-4-2001 (Nil or Rs. 900, at the option of the assessee) (ii) Rs. 2,000 per share, being the lower of – FMV as on 31-1-2018 – Rs. 2,000 per share Sale consideration – Rs. 2,400 per share		

Working Note : Explanation to section 55(2)(ac) defines "fair market value" as the highest price of capital asset quoted on the stock exchange only for the purpose of the said clause (ac) i.e., to arrive at the FMV as on 31-1-2018 for computing cost of acquisition of shares.

However, the question states two prices on 31-1-2024, being the date of conversion of capital asset into stock in trade for which we have to consider the definition of "fair market value" as per section 2(22B). As per this definition, FMV refers to the price that the capital asset would ordinarily fetch on sale in the open market on the relevant date. In the question, two prices are given on the relevant date i.e., the date of conversion of capital asset into stock in trade, namely, the highest price and the closing price. The above solution is given considering the closing price as the FMV as on 31-1-2024.

Q-40. Examine the taxability of Capital gains in the following scenarios for the Assessment Year 2025-26, determine the taxable amount and rate of tax applicable :

(i) On 28th February, 2025 10,000 shares of XY Ltd., a listed company are sold by Mr. B @ 550 per share and STT was paid at the time of sale of shares. These shares were acquired by him on 5th April, 2017 @ Rs. 395 per share by paying STT at the time of purchase. On 31st January, 2018, the shares of XY Ltd. were traded on a recognized stock exchange at the Fair Market Value of Rs. 390 per Share.

(ii) Mr. A is the owner of residential house which was purchased on 1st September, 2016 for Rs. 9,00,000. He sold the said house on 4th June, 2024 for Rs. 19,00,000. Valuation as per stamp valuation authorities was Rs. 45,00,000. He invested Rs. 19,00,000 in NHAI Bonds on 21st March, 2025.

Cost Inflation Index : F.Y. 2016-2017 : 264 and F.Y. 2024-25 – 363

Ans. (i) Long-term capital gain on transfer of 10,000 shares of XY Ltd. [taxable u/s 112A @ 12.5% on amount exceeding Rs. 1,25,000] :

Particulars		**Rs.**
Full value of consideration [10,000 × Rs. 550]		55,00,000
Less: Cost of acquisition Higher of—		
Cost of acquisition [10,000 × Rs. 395]	39,50,000	
Lower of fair market value per share as on 31-1-2018 i.e., Rs. 390 per share and sale consideration i.e., Rs. 550 per share [10,000 × Rs. 390]	39,00,000	39,50,000
Long term capital gain taxable u/s 112A		**15,50,000**
Long-term capital gain exceeding Rs. 1.25 lakh i.e., Rs. 14,25,000 would be taxable @ 12.5%		

(ii) Sale of residential house [long-term capital asset, since held for more than 24 months]:

Particulars	Rs.
Full value of consideration [stamp duty value, since it exceeds 110% of actual sale consideration]	45,00,000
Less: Indexed cost of acquisition [Rs. 9,00,000 × 363/264]	12,37,500
	32,62,500
Less: Deduction u/s 54EC [No deduction u/s 54EC would be allowed on investment of Rs. 19,00,000 in NHAI bonds, since such investment is made on 21st March 2025 i.e., after six months from the date of transfer i.e., 4th June, 2024]	Nil
Long-term capital gain taxable u/s 112 @ 20%	**32,62,500**

Q-41. M/s. Mansh & Vansh Trading Company, a registered supplier, is liable to pay GST under forward charge. Determine the time of supply from the following information furnished by it :

(i) Goods were supplied on 03-10-2024

(ii) Invoice was issued on 05-10-2024

(iii) Payment received on 09-10-2024

Ans. As per Section 12(2), the time of supply of goods shall be the earlier of the following dates, namely:—

(a) (i) the date of issue of invoice by the supplier; or

(ii) the last date on which he is required, u/s 31(1), to issue the invoice with respect to the supply; or

(b) the date on which the supplier receives the payment with respect to the supply.

As per Section 31(1) of the Act, a registered person supplying taxable goods shall issue invoice before or at the time of,-

(i) removal of goods for supply to the recipient, where the supply involves movement of goods; or

(ii) delivery of goods or making available thereof to the recipient, in any other case.

Thus, in this case the time of supply of goods shall be 03-10-2024 i.e. the last date on which he is required to issue the invoice with respect to the supply.

Q-42. On 4th September, 2024, V.R. Mehman a famous music composer, received Rs. 3 crore of consideration from Zilmil Music Co. Ltd. for sale of copyright of his original music album. He finished his work & made available the CD to the music company on 20th July, 2024 & raised the invoice on 24th July, 2024. What will be the time of supply as per CGST Act, 2017 ?

Note: Above Service is taxable under reverse charge basis.

Ans. Supply of services by music composer by way of transfer or permitting the use or enjoyment of a copyright covered under Section 13(1)(a) of the Copyright Act, 1957 relating to original musical works to music company is liable to be taxed on reverse charge basis.

As per Section 13(3) of CGST Act, 2017, in case of supplies in respect of which tax is paid or liable to be paid on reverse charge basis, the time of supply shall be the earlier of the following dates, namely :–

(a) (i) the date of payment as entered in the books of account of the recipient; or

(ii) the date on which the payment is debited in his bank account, whichever is earlier; or

(b) the date immediately following 60 days from the date of issue of invoice or any other document, by whatever name called, in lieu thereof by the supplier.

Since the payment is made within 60 days from the date of invoice, the time of supply shall be 04-09-2024.

Q-43. Know & Grow Publishers, a registered dealer in India, paid an advance Rs. 50,000 to Mr. Ganatra, an author, for the copyright covered under Section 13(1)(a) of the Copyright Act, 1957, of his original literary work on 5-9-2024. It made the balance payment Rs. 1,50,000 on 12-12-2024. You are required to determine the time of supply, if Mr. Ganatra raised the invoice on :

(i) 06-10-2024, or

(ii) 17-12-2024

Ans. Supply of services by author by way of transfer or permitting the use or enjoyment of a copyright covered under Section 13(1)(a) of the Copyright Act, 1957 relating to original literary works to publisher is liable to be taxed on reverse charge basis.

As per Section 13(3) of CGST Act, 2017, in case of supplies in respect of which tax is paid or liable to be paid on reverse charge basis, the time of supply shall be the earlier of the following dates, namely :–

(a) (i) the date of payment as entered in the books of account of the recipient; or

(ii) the date on which the payment is debited in his bank account,

whichever is earlier; or

(b) the date immediately following 60 days from the date of issue of invoice or any other document, by whatever name called, in lieu thereof by the supplier.

When Invoice is raised on 06-10-2024 – For advance payment of Rs. 50,000, time of supply shall be the date of payment i.e. 05-09-2024. For balance payment of Rs. 1,50,000, since payment is not made within 60 days from the date of invoice, TOS shall be 61st days from the date of invoice. i.e. 06-12-2024.

When Invoice is raised on 17-12-2024 – For advance payment of Rs. 50,000, time of supply shall be the date of payment i.e. 05-09-2024. For balance payment of Rs. 1,50,000, since payment is made before the date of invoice, TOS shall be the date of payment i.e. 12-12-2024.

Q-44. HM Industries Ltd. engaged the services of a transporter for road transport of a consignment on 20th May, 2024. However, the consignment could not be sent immediately on account of a strike in the factory, and instead was sent on 20th July 2024. Invoice was received from the transporter's on 20th June 2024 and payment was made on 25th August 2024. What is the time of supply of the transporter's service?

Ans. The time of supply of goods (where movement of goods involve) (fabric) for the purpose of payment of tax is the date of issue of invoice or the last date when the invoice ought to have been issued.

Further, a registered person is required to issue a tax invoice before or at the time of delivery of goods or making available thereof to the recipient.

Thus, in the given case, time of supply is 4th September, 2024.

Alternative 1 : Assuming that services of transportation of goods by road have been provided by a GTA which is taxable under reverse charge mechanism.

Tax on supply of transportation of goods by road services provided by a Goods Transport Agency (GTA) to a body corporate is payable under reverse charge by such body corporate.

Time of supply of services taxable under reverse charge is earliest of :-

(a) date of making payment, or

(b) 61st day from the date of issue of invoice by supplier

Thus, in the given case, time of supply is earlier of—

(a) 25th August or

(b) 20th August 2024 (61st day from 20th June)

Q-45. Rahul, holding 28% of equity shares in a company, took a loan of Rs. 5,00,000 from the same company. On the date of granting the loan, the company had accumulated profits of Rs. 4,00,000. The company is engaged in some manufacturing activity.

(i) Is the amount of loan taxable as deemed dividend in the hands of Rahul, if the company is a company in which the public are substantially interested ?

(ii) What would be your answer, if the lending company is a private limited company (i.e.) a company in which the public are not substantially interested ?

Ans. The given case requires application of Section 2(22)(e) as follows –

(i) The provisions of section 2(22)(e) will not apply where the loan is given by a company in which public are substantially interested. In the given case, the loan would not be taxable as deemed dividend in the hands of Rahul as the company which has extended loan is a company in which public are substantially interested.

(ii) If the loan is taken from a private limited company (i.e. a company in which the public are not substantially interested), which is a manufacturing company and not a company where lending of money is a substantial part of the business of the company, then, the provisions of section 2(22)(e) would be attracted.

Since Rahul is holding more than 10% of the equity shares in the company, thus loan granted by the company to him is treated as deemed dividend to the extent of accumulated profits.

Hence, the loan of Rs. 5 lakhs shall be deemed to be dividend in the hands of Mr. Rahul only upto the extent of accumulated profits of Rs. 4 lakhs. Accordingly, Rs. 4 lakhs shall be taxable in the hands of Mr. Rahul under section 2(22)(e) as deemed dividend.

Q-46. The following details have been furnished by Mrs. Hemali, pertaining to the year ended 31-3-2025 :

(i) Cash gift of Rs. 51,000 received from her friend on the occasion of her "Shastiaptha Poorthi", a wedding function celebrated on her husband completing 60 years of age. This was also her 25th wedding anniversary.

(ii) On the above occasion, a diamond necklace worth Rs. 2 lakhs was presented by her sister living in Dubai.

(iii) When she celebrated her daughter's wedding on 21-2-2025, her friend assigned in Mrs. Hemali's favour, a fixed deposit held by the said friend in a scheduled bank; the value of the fixed deposit and the accrued interest on the said date was Rs. 51,000.

Compute the income, if any, assessable as income from other sources.

Ans. Computation of income assessable as income from other sources :

Particulars	**Rs.**
Cash gift from friend on the occasion of a wedding function / anniversary [WN-1]	51,000
Diamond necklace received from sister [WN-2]	Not Taxable

Gift from friend on the occasion of marriage of her daughter [WN-3]	51,000
Income from Other Sources	**1,02,000**

Working Notes :

(1) Any sum received by an individual on the occasion of the marriage of the individual is not liable to tax under section 56(2)(x). However, in this case, the gift is received on wedding anniversary or birthday of her husband, hence the same shall be taxable.

(2) Gift from sister i.e. 'relative' is not liable to tax under section 56(2)(x).

(3) Gifts received on the occasion of the marriage of "the individual" i.e. on the marriage of the recipient of the gift, is outside the scope of tax. In the given case, the gift has been received on the occasion of the marriage of "daughter", hence, the same is not exempt. Section 56(2)(x) refers to any sum of money, which includes fixed deposits.

Q-47. From the following particulars of Pankaj for the previous year ended 31st March, 2025 compute the Income under the head "Income from other Sources":

	Particulars	Rs.
i.	Directors Fee from a Company	10,000
ii.	Interest on Bank Deposits	3,000
iii.	Income from undisclosed source	12,000
iv.	Winnings from Lotteries (Net)	33,963
v.	Royalty on a book written by him	9,000
vi.	Lectures in Seminars	5,000

vii.	Interest on loan given to a relative	7,000
viii.	Interest on Debentures of a Company (listed in a Recognized Stock Exchange) Net of Taxes	7,200
ix.	Interest on Post Office Savings Bank Account	500
x.	Interest on Government Securities	2,200
xi.	Interest on Monthly Income Scheme of Post office	33,000

He paid Rs. 1,000 for typing the manuscript of book written by him.

Ans. Computation of the Income under the head "Income from other Sources" –

	Particulars	**Rs.**
i.	Directors Fee from a Company	10,000
ii.	Interest on Bank Deposits	3,000
iii.	Income from undisclosed source	12,000
iv.	Winnings from Lotteries [WN-1]	48,480
v.	Royalty on a book written by him [WN-2]	8,000
vi.	Lectures in Seminars	5,000
vii.	Interest on loan given to a relative	7,000
viii.	Interest on Debentures of a Company (listed in a Recognized Stock Exchange) Net of Taxes [WN-3]	8,000
ix.	Interest on Post Office Savings Bank Account [WN-4]	Exempt
x.	Interest on Government Securities	2,200

xi.	Interest on Monthly Income Scheme of Post office	33,000
Income from Other Sources		**1,36,680**

Working Notes :

(1) Gross winnings from lotteries = Income (net of TDS) × 100 ÷ (100 – TDS rate) = Rs. 33,936 × 100 ÷ 70 = Rs. 48,480.

(2) Royalty income is taxed under the head 'Profits and gains of Business or Profession' only if the assessee is an author by profession. In the given case, it is assumed that the royalty income doesn't fall under PGBP head, hence the same shall be taxable under the head 'Income from Other Sources'.

Taxable Amount = Royalty Less Expenses on typing manuscript = Rs. 9,000 – Rs. 1,000 = Rs. 8,000.

(3) Gross interest on debentures = Rs. 7,200 × 100 ÷ 90 = Rs. 8,000.

(4) Interest on Post Office Savings Bank Account is exempt under section 10(15) upto Rs. 3,500.

Q-48. Mr. Lalit, a dealer in shares and securities, has entered into following transactions during the previous year 2024-25 :

(i) Received a motor car of Rs. 5,00,000 as gift from his friend Sunil on the occasion of his marriage anniversary.

(ii) Cash gift of Rs. 21,000 each from his four friends.

(iii) Land at Jaipur on 1st July, 2024 as a gift from his friend Kabra, the stamp duty value of the land is Rs. 6 lakhs as on the date. The land was acquired by Mr. Kabra in the previous year 2001-02 for Rs. 2 lakhs.

Mr. Lalit purchased from his friend Mr. Abhishek, who is also a dealer in shares, 1000 shares of ABC Ltd.

@ 400 each on 19th June, 2024 the fair market value of which was Rs. 600 each on that date. Mr. Lalit sold these shares in the course of his business on 23rd June, 2024.

Further, on 1st November, 2024, Mr. Lalit took possession of his residential house booked by him two years back at Rs. 20 lakh. The stamp duty value of the property as on 1st November, 2024 was Rs. 32 lakh and on the date of booking was Rs. 24 lakh. He had paid Rs. 1 lakh by account payee cheque as down payment on the date of booking.

He received a shop (building) of the fair market value Rs. 1,50,000 and cash Rs. 50,000 in distribution from the ABC (P) Ltd. at the time of liquidation process of the company in proportion of his share capital. The balance in general reserve of the company attributable to his share capital is Rs. 1,25,000.

On 1st March, 2025, he sold the plot of land at Jaipur for Rs. 8 lakh.

The value of the cost inflation index is 100 and 363 for the previous year 2001-02 and 2024-25 respectively.

Compute the income of Mr. Lalit chargeable under the head "Income from other sources" and "Capital Gains" for Assessment Year 2025-26.

Ans. Computation of "Income from Other Sources" of Mr. Lalit for the A.Y. 2025-26 :

	Particulars	**Rs.**
i	Motor car is not included in the definition of "property" for the purpose of section 56(2) (x), hence, value of the same is not taxable, even though it is received without any consideration.	-
ii	Cash gift is taxable u/s 56(2)(x) [since the aggregate of Rs. 84,000 (Rs. 21,000 × 4) exceeds Rs. 50,000]	84,000
iii	Stamp value of plot of land at Jaipur, received without	6,00,000

	consideration, is taxable u/s 56(2) (x), since the same exceeds Rs. 50,000	
iv	Difference of Rs. 2 lakh [1000 shares × Rs. 200] in the value of shares of ABC Ltd. Purchased from Mr. Abhishek, a dealer in shares, is not taxable as it represents the stock-in-trade of Mr. Lalit (since he is a dealer in shares) and not capital asset. [Since Mr. Lalit is a dealer in shares and it has been mentioned that the shares were subsequently sold in the course of his business, such shares represent the stock-in-trade of Mr. Lalit.]	-
v	Difference between the stamp duty value of Rs. 24 lakh on the date of booking (since advance was paid by account payee cheque on that date) and the actual consideration of Rs. 20 lakh paid is taxable u/s 56(2)(x) since the difference exceeds Rs. 2,00,000, being the higher of Rs. 50,000 and 10% of consideration	4,00,000
vi	Distribution of assets by ABC (P) Ltd. on liquidation attributable to the accumulated profits (general reserve) of the company is taxable as dividend u/s 2(22)(c).	1,25,000
	Income taxable under the head "Income from other sources"	**12,09,000**

Computation of "Capital Gains" of Mr. Lalit for the A.Y. 2025-26 :

Particulars	**Rs.**
Capital gains on sale of land at Jaipur	
Sale Consideration	8,00,000
Less: Cost of acquisition [deemed to be the stamp value charged to tax u/s 56(2)(x)]	6,00,000

Short-term capital gains [since held for a period of not more than 24 months. Period of holding of previous owner, Mr. Kabra, not to be considered]	2,00,000
Capital gains on distribution of assets on liquidation of ABC (P) Ltd. Full value of consideration for capital gains on distribution of assets on liquidation of ABC (P) Ltd.	
FMV of assets distributed	1,50,000
Cash	50,000
	2,00,000
Less: Deemed dividend under section 2(22)(c)	1,25,000
Full value of consideration for computing capital gains	**75,000**

Note :

(i) As cost of acquisition of shares in ABC(P) Ltd. is not given in the question, capital gains on distribution of assets on liquidation of ABC(P) Ltd. in the hands of Mr. Lalit has not been computed.

(ii) As per section 56(1)(i), dividend income is chargeable under the head "Income from Other Sources".

Hence, deemed dividend u/s 2(22)(c) would be taxable under the head "Income from Other Sources" in the hands of Mr. Lalit, who is a dealer in shares.

Q-49. Shri Krishna Pvt. Ltd., a registered dealer, furnishes the following information relating to goods sold by it to Shri Balram Pvt. Ltd. in the course of Intra-State.

Particulars	Amount (Rs.)
(i) Price of the goods	1,00,000
(ii) Municipal tax	2,000
(iii) Inspection charges	15,000
(iv) Subsidies received from Shri Ram Trust (As the product is going to be used by blind association)	50,000
(v) Late fees for delayed payment. (Though Shri Balram Pvt. Ltd. made late payment but these charges are waived by Shri Krishna Pvt. Ltd.)	1,000
(vi) Shri Balram Pvt. Ltd. paid to Radhe Pvt. Ltd. (on behalf of Shri Krishna Pvt. Ltd.) weightment charges.	2,000

According to GST Law, determine the value of taxable supply made by Shri Krishna Pvt. Ltd., Items given in Point (ii) to (vi) are not considered while arriving at the price of the goods given in point no. (i).

Ans. Computation of value of taxable supply :

Particulars	Amount (Rs.)
Price of the goods	1,00,000
Add: Municipal tax [WN-1]	2,000
Inspection charges [WN-2]	15,000
Subsidies received from Shri Ram Trust [WN-3]	50,000
Late fees for delayed payment [WN-4]	-
Weighment charges [WN-5]	2,000

Value of taxable supply	**1,69,000**

Working Notes :

(1) The value of supply shall include any taxes, duties, cess, fees and charges levied under any law for the time being in force other than the CGST Act, the SGST Act, the UTGST Act and the GST (Compensation to States) Act, if charged separately by the supplier. [Section 15(2)(a) of CGST Act, 2017]

(2) Any amount charged for anything done by the supplier in respect of the supply of goods at the time of, or before delivery of goods shall be included in the value of taxable supply. Hence, inspection charges shall form a part of the transaction value of the supply. [Section 15(2)(c) of CGST Act, 2017]

(3) The value of supply shall include subsidies directly linked to the price excluding subsidies provided by the Central Government and State Governments. Since subsidy is received from non government body, the same is includible in the value of taxable supply. [Section 15(2)(e) of CGST Act, 2017]

(4) Charges for delayed payment shall form part of the value of supply. Since the same has been waived by the recipient, it will not be included in the value of taxable supply.

(5) Any amount that the supplier is liable to pay in relation to such supply but which has been incurred by the recipient of the supply and not included in the price actually paid or payable for the goods or services or both shall form part of transaction value. Hence weighment charges shall form part of value of taxable supply. [Section 15(2)(b) of CGST Act, 2017]

Q-50. Kamal Book Depot, a wholesaler of stationery items, registered in Mumbai, has received order for supply of stationery items worth Rs. 2,00,000/- on 12th November, 2024 from another local registered dealer, Mr. Mehta, Mumbai. Kamal Book Depot charged the following additional expenses from Mr. Mehta :

	Particulars	Rs.
i	Packing charges	5,000
ii	Freight & Cartage	2,000
iii	Transit insurance	1,500
iv	Extra designing charges	6,000
v	Taxes by Municipal Authority	500

The goods were delivered to Mr. Mehta on 14th November, 2024. Since Mr. Mehta was satisfied with the quality of the goods, he made the payment of goods the same day and simultaneously placed another order on Kamal Book Depot of stationery items amounting to Rs. 10,00,000 to be delivered in the month of December, 2024**. On receipt of second order, Kamal Book Depot allowed a discount of Rs. 20,000 on the first order placed by Mr. Mehta.

Compute the GST liability of Kamal Book Depot for the month of November, 2024 assuming the rates of GST on the goods supplied as under : CGST 9% & SGST 9%

Would your answer be different if expenses (i) to (v) given in above table are already included in the price of Rs. 2,00,000?

Note:

(i) All the amounts given above are exclusive of GST.

(ii) Kamal Book Depot and Mr. Mehta are not related persons and price is the sole consideration of the supply.

**Payment and invoice for the second order will also be made in the month of December, 2024 only.

Ans. Computation of value of taxable supply and tax liability :

	Particulars	Rs.
i	Price of the goods [WN-1]	2,00,000
ii	Packing charges [WN-2]	5,000
iii	Freight & Cartage [WN-3]	2,000
iv	Transit insurance [WN-4]	1,500
v	Extra designing charges [WN-5]	6,000
vi	Taxes by Municipal Authority [WN-6]	500
	Value of taxable supply	**2,15,000**
	CGST @ 9%	**19,350**
	SGST @ 9%	**19,350**

Working Notes :

(1) As per section 15(1) of the CGST Act, 2017, the value of a supply is the transaction value i.e. the price actually paid or payable for the said supply.

(2) All incidental expenses including packing charged by the supplier to the recipient are includible in the value of supply in terms of section 15(2) of the CGST Act, 2017.

(3) The given supply is a composite supply involving supply of goods (stationery items) and services (transit insurance and freight) where the principal supply is the supply of goods.

As per section 8(a) of the CGST Act, 2017, a composite supply is treated as a supply of the principal supply involved therein and charged to tax accordingly.

(4) Any amount charged for anything done by the supplier in respect of the supply of goods or services or both at the time of, or before delivery of goods or supply of services; is includible in the value of supply vide section 15(2) of the CGST Act, 2017. Thus, extra designing charges are to be included in the value of supply.

(5) The taxes by Municipal Authorities are includible in the value of supply in terms of section 15(2) of the CGST Act, 2017.

(6) In the given case, Mr. Mehta is allowed a discount of Rs. 20,000 on the goods supplied to him in the month of November, 2024. Since the said goods have already been delivered by Kamal Book Depot, this discount will be a post-supply discount.

Further, value of supply shall not include any discount which is given after the supply has been effected, if—

(i) such discount is established in terms of an agreement entered into at or before the time of such supply and specifically linked to relevant invoices; and

(ii) input tax credit as is attributable to the discount on the basis of document issued by the supplier has been reversed by the recipient of the supply [Section 15(3) of the CGST Act, 2017].

However, in the given case, post-supply discount given to Mr. Mehta will not be allowed as a deduction from the value of supply since the discount policy was not known before the time of such supply although the discount can be specifically linked to relevant invoice (invoice pertaining to stationery items supplied to Mr. Mehta in November, 2024).

In case the expenses (i) to (v) given in above table are already included in the price of Rs. 2,00,000 :

Since these expenses are includible in the value of supply by virtue of the reasons mentioned in explanatory notes above, no further addition will be required. Resultantly, the value of taxable supply will be Rs. 2,00,000 and CGST and SGST will be Rs. 18,000 and Rs. 18,000 respectively.

Q-51. Following are the particulars, relating to one of the machine sold by SQM Ltd. To ACD Ltd. in the month of February 2025 at list price of Rs. 9,50,000. (exclusive of taxes and discount) Further, following additional amounts have been charged from ACD Ltd :

Particulars	Amount (Rs.)
(i) Municipal taxes chargeable on the machine	45,000
(ii) Outward freight charges (Contract was to deliver machine at ACD Ltd.'s factory i.e. F.O.R. contract)	65,000

Additional information :

(i) SQM Ltd. normally gives an interest-free credit period of 30 days for payment, after that it charges interest @ 1% p.m. or part thereof on list price.

ACD Ltd. paid for the supply after 45 days, but SQM Ltd. waived the interest payable.

(ii) SQM Ltd. received Rs. 50,000 as subsidy, from one non-government organization (NGO) on sale of such machine. This subsidy was not linked to the price of machine and also not considered in list price of Rs. 9,50,000.

(iii) ACD Ltd. deducted discount of Rs. 15,000 at the time of final payment, which was not as per agreement.

(iv) SQM Ltd. collected Rs. 9,500 as TCS (tax collected at source) under the provisions of the Income-tax Act, 1961.

Compute the value of taxable supply as per the provision of GST laws, considering that the price is the sole consideration for the supply and both parties are unrelated to each other.

Note: Correct legal provision should form part of your answer.

Ans. Computation of value of taxable supply :

Particulars	Amount (Rs.)
List price (exclusive of taxes and discount)	9,50,000
(i) Municipal taxes [WN-1]	45,000

(ii) Outward freight charges [WN-2]	65,000
Value of taxable supply	**10,60,000**

Working Notes:

(1) Tax other than GST, if charged separately, are includible in the value in terms of section 15.

(2) Since contract is to deliver machine at buyer's factory, it is a composite supply wherein the freight charges will be added to the value of principal supply of machine.

(3) Value of supply includes interest charged for delayed payment. However, since the interest on delayed payment has been waived off, the same has not been added to the value.

(4) Subsidy provided by non-Government bodies is includible in the value in terms of section 15 provided the same is directly linked to the price. Since subsidy received from NGO is not directly linked to the price of the machine, the same has not been added to the value.

(5) Since the discount was not known or agreed to at the time of supply of goods to the buyers, such discount cannot be reduced from the price, in terms of section 15.

(6) TCS is not includible in the value of supply as it is an interim levy not having the character of tax.

Q-52. 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.

Ans. 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.

Q-53. On 21-3-2024, Mr. Janak gifted to his wife Mrs. Thilagam 200 listed shares, which had been bought by him on 19-4-2023 at Rs. 2000 per share. On 1-6-2024, bonus shares were allotted in the ratio of 1 : 1. All these shares were sold by Mrs. Thilagam as under—

Date of Sale	Manner of Sale	No. of Shares	Net sales value (Rs.)
21-05-2024	Sold in recognized stock exchange, STT paid	100	2,50,000
21-07-2024	Private sale, to an outsider	All bonus shares	1,25,000
28-02-2025	Private sale to her friend Mrs. Hema (Market value on this date was Rs. 2,10,000)	100	1,70,000

Briefly state the income-tax consequences in respect of the sale of the shares by Mrs. Thilagam, showing clearly the person in whose hands the same is chargeable, the quantum and the head of income in respect of the above transactions. Detailed computation of total income is NOT required.

Ans. Where an asset has been transferred by an individual to his spouse otherwise than for adequate consideration, the income arising from the sale of the said asset by the spouse will be clubbed in the hands of the individual.

Where there is any accretion to the asset transferred, income arising to the transferee from such accretion will not be clubbed. Hence, the profit from sale of bonus shares allotted to Mrs. Thilagam will be chargeable to tax in the hands of Mrs. Thilagam.

Therefore, the capital gains arising from the sale of the original shares has to be included in the hands of Mr. Janak, and the capital gains arising from the sale of bonus shares would be taxable in the hands of Mrs. Thilagam.

Where an asset received by way of gift has been sold, the period of holding of the previous owner should be considered for determining whether the capital gain is long term or short term. The cost to the previous owner has to be taken as the cost of acquisition.

(1) Computation of capital gains on the sale of shares : (amount in Rs.)

Particulars	**Sale on 21-5-2024** **(100 gifted shares)**	**Sale on 28-2-2025** **(100 gifted shares)**
Net full value of consideration	2,50,000	1,70,000
Less: Cost of acquisition (No benefit of indexation is available as per Section 112A) [Private sale to friend will not be taxable under Section 112A of the Act but indexation benefit will not be available as transfer takes place after22-07-2024]	2,00,000	2,00,000
Long-term Capital Gains	**50,000**	**-30,000**
Taxable LTCG in hands of Janak		**20,000**
Since, Long-term Capital gains is does not exceed Rs. 1,25,000, hence no tax shall be levied as per Section 112A.		

(2) Computation of capital gains on the sale of bonus shares :

Particulars	Sale on 21-7-2024 (100 Bonus shares) (Rs.)
Net full value of consideration	1,25,000
Less: Cost of acquisition (Nil, in case of bonus shares)	Nil
Short-term Capital Gains	**1,25,000**
Taxable in hands of Mrs. Thilagam (Accretion in income)	

Q-54. During the previous year 2024-25 the following transactions occurred in respect of Mr. A :

(a) Mr. A had a fixed deposit of Rs. 5,00,000 in Bank of India. He instructed the bank to credit the interest on the deposit @ 9% from 01-04-2024 to 31-03-2025 to the savings bank account of Mr. B, son of his brother, to help him in his education.

(b) Mr. A holds 75% share in a partnership firm. Mrs. A received a commission of Rs. 25,000 from the firm for promoting the sales of the firm. Mrs. A possesses no technical or professional qualification.

(c) Mr. A Gifted a flat to Mrs. A on April 1, 2023. During the previous year the flat generated a net income of Rs. 52,000 to Mrs. A.

(d) Mr. A gifted Rs. 2,00,000 to his minor son who invested the same in a business and he got a share income of Rs. 20,000 from the investment.

(e) Mr. A's minor son derived an income of Rs. 20,000 through a business activity involving application of his skill and talent.

During the year Mr. A got a monthly pension of Rs. 10,000. He had no other income. Mrs. A received salary of Rs. 20,000 per month from a part time job.

Discuss the tax implications of each transaction and compute the total income of Mr. A, Mrs. A and their minor child assuming that they have exercised the option of shifting out of the default tax regime provided under section 115BAC(1A).

Ans. Computation of total income of Mr. A, Mrs. A and their minor child:

Particulars	**Mr. A (Rs.)**	**Mrs. A (Rs.)**	**Minor Son (Rs.)**
Income under the "Salaries"			
Salary income (of Mrs. A)	-	2,40,000	
Pension income (of Mr. A) (Rs. 10,000 × 12)	1,20,000		
Less: Standard deduction under section 16(ia)	50,000	50,000	
Gross Salary	**70,000**	**1,90,000**	
Income from House Property [WN-3]	52,000		
Income from other sources :			
Interest on Mr. A's fixed deposit with Bank of India (Rs. 5,00,000 × 9%) [WN-1]	45,000		
Commission received by Mrs. A from a partnership firm, in which Mr. A has substantial interest [WN-2]	25,000		
Income before including income of minor son u/s 64(1A)	**1,92,000**	**1,90,000**	
Income of the minor son from the investment made in the	18,500	-	-

business out of the amount gifted by Mr. A [WN-4]			
Income of the minor son through a business activity involving application of his skill and talent [WN-5]	-	-	20,000
Total Income	**2,10,500**	**1,90,000**	**20,000**

Working Notes :

(1) As per section 60, in case there is a transfer of income without transfer of asset from which such income is derived, such income shall be treated as income of the transferor. Therefore, the fixed deposit interest of Rs. 45,000 transferred by Mr. A to Mr. B shall be included in the total income of Mr. A.

(2) As per section 64(1)(ii), in case the spouse of the individual receives any amount by way of income from any concern in which the individual has substantial interest (i.e. holding shares carrying at least 20% voting power or entitled to at least 20% of the profits of the concern), then, such income shall be included in the total income of the individual. The only exception is in a case where the spouse possesses any technical or professional qualifications and the income earned is solely attributable to the application of her technical or professional knowledge and experience, in which case, the clubbing provisions would not apply. In this case, the commission income of Rs. 25,000 received by Mrs. A from the partnership firm has to be included in the total income of Mr. A, as Mrs. A does not possess any technical or professional qualification for earning such commission and Mr. A has substantial interest in the partnership firm as he holds 75% share in the firm.

(3) According to section 27(i), an individual who transfers any house property to his or her spouse otherwise than for adequate consideration or in connection with an agreement to live apart, shall be deemed to be the owner of the house property so transferred. Hence, Mr. A shall be deemed to be the owner of the flat gifted to Mrs. A and hence, the income arising from the same shall be computed in the hands of Mr. A.

(4) As per section 64(1A), the income of the minor child is to be included in the total income of the parent whose total income (excluding the income of minor child to be so clubbed) is

greater. Further, as per section 10(32), income of a minor child which is includible in the income of the parent shall be exempt to the extent of Rs. 1,500 per child.

Therefore, the income of Rs. 20,000 received by minor son from the investment made out of the sum gifted by Mr. A shall, after providing for exemption of Rs. 1,500 under section 10(32), be included in the income of Mr. A, since Mr. A's income of Rs. 1,92,000 (before including the income of the minor child) is greater than Mrs. A's income of Rs. 1,90,000. Therefore, Rs. 18,500 (i.e., Rs. 20,000 – Rs.1,500) shall be included in Mr. A's income. It is assumed that this is the first year in which clubbing provisions are attracted.

Note : The provisions of section 56(2)(x) would not be attracted in the hands of the minor son, since he has received a sum of money exceeding Rs. 50,000 without consideration from a relative i.e., his father.

(5) In case the income earned by the minor child is on account of any activity involving application of any skill or talent, then, such income of the minor child shall not be included in the income of the parent, but shall be taxable in the hands of the minor child.

Therefore, the income of Rs. 20,000 derived by Mr. A's minor son through a business activity involving application of his skill and talent shall not be clubbed in the hands of the parent. Such income shall be taxable in the hands of the minor son.

Q-55. Mr. Mahadev, a noted bhajan singer of Rajasthan and his wife Mrs. Dariya furnish the following information relating to the Assessment Year 2025-26.

	Particulars	**Rs.**
1.	Income of Mr. Mahadev – professional bhajan singer (computed)	5,65,000
2.	Salary income of Mrs. Dariya (computed)	3,80,000
3.	Loan received by Mrs. Dariya from Ramu & Jay (Pvt.) Ltd. (Mrs. Dariya	2,50,000

	holds 35% shares of the Co. The Co. has incurred losses since its inception 2 years back)	
4.	Income of their minor son Golu from winning singing reality show on T.V.	2,50,000
5.	Cash gift received by Golu from friend of Mr. Mahadev on winning the show	21,000
6.	Interest income received by minor married daughter Gudia from deposit with Ramu & Pvt. Ltd.	40,000

Compute total taxable income of Mr. Mahadev & Mrs. Dariya for the A.Y. 2025-26 assuming that they have exercised the option of shifting out of the default tax regime provided under section 115BAC(1A).

Ans. Computation of total income Mr. Mahadev & Mrs. Dariya for the Assessment Year 2025-26 :

Particulars	**Mr. Mahadev (Rs.)**	**Mrs. Dariya (Rs.)**
Income from profession/Income from salary	5,65,000	3,80,000
Income from other sources :		
Loan received from Mrs. Dariya from Ramu and Jaya (Pvt.) Ltd. (shall not be regarded as Income)		-
Interest Income of minor married daughter received from Ramu and Jay Pvt. Ltd. [WN-3]	40,000	
Less: Exemption u/s 10(32)	-1,500	
Total Income	**6,03,500**	**3,80,000**

Working Notes :

(1) As per section 64(1A) any income, accruing or arising to a minor child on account of activity involving application of his skill, talent or specialized knowledge and experience, is not to be clubbed. Therefore, income of minor son Golu from special talent shall not be clubbed.

(2) Cash Gift received by minor son Golu is not taxable since, as per section 56(2)(x), gift received from non-relatives is taxable only when the aggregate amount from one or more person exceeds Rs. 50,000.

(3) Income earned by minor married daughter shall be clubbed in hands of his parent whose other income is greater.

Q-56. From the following transactions compute the total income of Mr. Raman and his wife Savita for the Assessment year 2025-26 assuming that they have exercised the option of shifting out of the default tax regime provided under section 115BAC(1A).

(i) Mr. Raman had a fixed deposit of Rs. 5,00,000 in the bank. He instructed the bank to credit the interest on deposit @ 6% from 01-04-2024 to 31-03-2025 to the savings account of his brother's son for his education.

(ii) Savita is a B.com graduate and working in the ABC Private Limited as an accountant with a monthly salary of Rs. 25,000. Raman holds 30% equity shares of the ABC Private Limited.

(iii) Raman started proprietary business on 01-04-2001 with a capital of Rs. 10,00,000. He incurred a loss of Rs. 2,00,000 during the previous year 2023-24. To overcome the financial position, Savita gifted a sum of Rs. 4,00,000 to him on 01-04-2024 which was immediately invested in the business by Mr. Raman. He earned a profit of Rs. 3,00,000 during the previous year 2024-25.

(iv) Sajan, younger son of Raman, aged 17 years won in a debate competition during the annual competitions held at his school and received a cash award of Rs. 10,000 and he also earned interest of Rs. 7,000 on balance maintained in his savings bank account.

Ans. Computation of Total Income of Mr. Raman and Mrs. Savita for A.Y. 2025-26

Particulars	Mr. Raman Amount (Rs.)	Mrs. Savita Amount (Rs.)
(i) Interest on fixed deposits [Income would be included in the hands of Raman, since he has transferred income to his brother's son without transfer of the asset, being fixed deposit] [Rs. 5,00,000 × 6%]	30,000	
(ii) Salary income [Rs. 3,00,000 (Rs. 25,000 × 12) less standard deduction of Rs. 50,000] [Mrs. Savita's salary would not be included in the income of Raman, who has substantial interest in the company, since she possesses the relevant professional qualifications for working as an accountant]		2,50,000
(iii) Savita gifted Rs. 4,00,000 to Mr. Raman, which Mr. Raman has invested in the business. In such case, proportionate income (i.e., 1/3 × Rs. 3,00,000) arising from such investment is to be included in the total income of Savita. Mr. Raman's contribution in capital as on 1-4-2023 = Rs. 8,00,000 [Rs. 10,00,000 – Rs. 2,00,000] Mrs. Savita's contribution on 1-4-2024 = Rs. 4,00,000 Rs. 3,00,000, being the profit for P.Y. 2024-25 to be apportioned on the basis of capital employed on the first day of the previous year i.e., as on 1-4-2024 (8:4 or 2:1)	2,00,000	1,00,000
Total income [before considering minor income from interest on savings account]	**2,30,000**	**3,50,000**

(iv) Cash award won in a debate by Sajan, minor son, would not be included in the hands of either parent, since such income arises from his own skills/talent.	-	-
However, interest of Rs. 7,000 on savings bank account (after providing for deduction of Rs. 1,500) is to be included in the hands of Mrs. Savita, since her income is higher than that of her husband [Rs. 7,000 – Rs. 1,500]	-	5,500
Gross Total Income	**2,30,000**	**3,55,500**
Less: Deduction under section 80TTA (Interest on savings bank account)	-	5,500
Total Income	**2,30,000**	**3,50,000**

Q-57. Mr. Ramesh gifted a sum of Rs. 5 lacs to his brother's minor son on 16-04-2024. On 18-04-2024, his brother gifted debentures worth Rs. 6 lacs to Mrs. Ramesh. Son of Mr. Ramesh' brother invested the amount in fixed deposit with Bank of India @ 9% p.a. interest and Mrs. Ramesh received interest of Rs. 45,000 on debentures received by her. Discuss the implications under the provisions of the Income-tax Act, 1961.

Ans. In the given case, Mr. Ramesh gifted a sum of Rs. 5 lakhs to his brother’s minor son on 16-04-2024 and simultaneously, his brother gifted debentures worth Rs. 6 lakhs to Mr. Ramesh’s wife on 18-04-2024. The gifted amounts were invested as fixed deposits in banks by brother’s minor son. These transfers are in the nature of cross transfers.

Accordingly, the income from the assets transferred would be assessed in the hands of the deemed transferor because the transfers are so intimately connected to form part of a single transaction and each transfer constitutes consideration for the other by being mutual or otherwise.

If two transactions are inter-connected and are part of the same transaction in such a way that it can be said that the circuitous method was adopted as a device to evade tax, the implication of clubbing provisions would be attracted. It was so held by the Apex Court in CIT vs. Keshavji Morarji [1967] 66 ITR 142.

Accordingly, the interest income arising to Mrs. Ramesh in the form of interest on debentures i.e. Rs. 45,000 would be included in the total income of Mr. Ramesh and interest income arising in the hands of his brother's minor son would be taxable in the hands of Mr. Ramesh's brother as per section 64(1).

This is because both Mr. Ramesh and his brother are the indirect transferors of the income to their relatives with an intention to reduce their burden of taxation.

Note : In the hands of Mr. Ramesh, interest income earned by his spouse on debentures of Rs. 5 lakhs alone would be included and not the interest income on the entire debentures of Rs. 6 lakhs, since the cross transfer is only to the extent of Rs. 5 lakhs. Hence, only proportional interest (i.e., 5/6th of interest on debentures received) Rs. 37,500 would be includible in the hands of Mr. Ramesh.

The provisions of section 56(2)(x) are not attracted in respect of sum of money transferred or value of debentures transferred, since in both the cases, the transfer is from a relative.

Q-58. CANWIN Ltd., a registered supplier, is engaged in the manufacture of Tanks. The company provides the following information pertaining to GST paid on the purchases made/input services availed by it during the month of January 2025 :

	Particulars	**GST Paid Rs.**
i.	Purchase of Machinery where debit note is issued	1,15,000
ii.	Input purchased was directly delivered to Mr. Joe, a job worker and a registered supplier	80,000

iii.	Computers purchased (Depreciation was claimed on the said GST portion under the Income-tax Act, 1961)	50,000
iv.	Works Contract services availed for construction of Staff quarters within the company premises	4,25,000

Determine the amount of ITC available to M/s. CANWIN Ltd. for the month of January 2025 by giving brief explanations for treatment of various items. Subject to the information given above, all the conditions necessary for availing the ITC have been fulfilled.

Ans. Determination of the amount of ITC available to M/s. CANWIN Ltd. :

Particulars	**GST Paid ₹**
(i) Purchase of Machinery where debit note is issued [ITC can be availed on the basis of debit note issued by the supplier in accordance with Rule 36 of CGST Rules, 2017]	1,15,000
(ii) Input purchased was directly delivered to Mr. Joe, a job worker and a registered supplier [As per Explanation to Section 16(2), it shall be deemed that the registered person has received the goods where the goods are delivered by the supplier to a recipient or any other person on the direction of such registered person, whether acting as an agent or otherwise, before or during movement of goods, either by way of transfer of documents of title to goods or otherwise. Thus, ITC can be availed in case the goods are directly delivered to job-worker on direction of CANWIN Ltd.]	80,000
(iii) Computers purchased (Depreciation was claimed on the said GST portion under the Income-tax Act, 1961) [As per Section 16(3), where the registered person has claimed depreciation on the tax component of the cost of capital goods and plant and machinery under the provisions of the Income-tax Act, 1961, the input tax credit on the said tax component shall not be allowed.]	-

(iv) Works Contract services availed for construction of Staff quarters within the company premises [The same comes under the ambit of blocked credit u/s 17(5)(c), hence ITC shall not be admissible]	-
Total Input tax credit available	**1,95,000**

Q-59. From the following information, compute the Net GST payable for the month of March 2025 :

	Output GST Amount in (Rs.)	**Opening ITC as per credit ledger Amount in (Rs.)**
CGST	2,000	Nil
SGST	15,000	1,000
IGST	24,000	37,000

Ans. Computation of Net GST payable :

Particulars	**CGST (Rs.)**	**SGST (Rs.)**	**IGST (Rs.)**
Output tax liability	2,000	15,000	24,000
Less: Input tax credit [IGST credit to be used for payment of IGST and balance for CGST and SGST in any order]	- 2,000	11,000	- 24,000

Remaining Liability	Nil	4,000	Nil
Less: Extra credit of SGST can to be used for payment of SGST		-1,000	
Net amount of CGST/ SGST/ IGST payable	Nil	3,000	Nil

Q-60. Mr. Thiraj, a registered supplier of service in Bangalore (Karnataka State) has provided the following information for the month of February 2025 :

Particulars	**Amount in Rs.**
(i) Intra-state taxable supply of service	5,20,000
(ii) Legal fee paid to a Lawyer located within the state	20,000
(iii) Rent paid to the State Government for his office building	30,000
(iv) Received for services towards conduct of exams to Love all University, Pune (recognized by law), being an inter-State transaction	16,000

Compute the net GST liability (CGST, SGST or IGST) of Mr. Thiraj for the month of February 2025.

Rate of CGST, SGST and IGST are 9%, 9% and 18% respectively. All the amounts given above are exclusive of taxes.

Ans. Computation of the net GST liability of Mr. Thiraj :

Particulars	**CGST (Rs.)**	**SGST (Rs.)**	**IGST (Rs.)**
Output tax liability :			
Inter state supply of services to Loveall University,	-	-	-

Pune towards conduct of exam is exempt from tax vide Entry 66 of Notification No. 12/2017-CT (Rate)			
Intra-State taxable supply of service : Rs. 5,20,000 [CGST @ 9% and SGST @ 9%]	46,800	46,800	-
Total output tax liability under Forward charge [A]	**46,800**	**46,800**	**-**
Tax to be paid under reverse charge as recipient of service through electronic cash ledger :			
Legal services : Rs. 20,000 [CGST @ 9% and SGST @ 9%] [Chargeable to tax under reverse charge vide Entry 2 Notification No. 13/2017-CT (Rate)]	1,800	1,800	-
Rent paid to State Govt. for office building : Rs. 30,000 [CGST @ 9% and SGST @ 9%] [Chargeable to tax under reverse charge vide Entry 5A Notification No. 13/2017-CT (Rate)]	2,700	2,700	-
Total GST liability under reverse charge to be deposited through Electronic cash ledger [B]	**4,500**	**4,500**	**-**
Total GST Liability [A + B]	**51,300**	**51,300**	**-**
Less: Input tax credit [GST paid under reverse charge can be availed as credit to be used for payment of output tax liability under forward charge]	4,500	4,500	-
Net GST Liability	**46,800**	**46,800**	**Nil**

Q-61. As per CGST Act 2017, Vishnu Limited was not mandatorily required to get registered, however they opted for voluntary registration and applied for registration on 12th February

2025. Registration certificate has been granted by department on 24th February 2025. Vishnu Limited is not engaged in making interstate outward taxable supplies. The CGST and SGST liability for the month of February 2025 is ₹ 31,000 each. Vishnu Limited provides the following information of inputs held in stock on 23rd February 2025 :

Sr. No.	Particulars	Amount (₹)
1.	Capital goods procured on 5th February 2025, (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 13th February 2024 (Rate of IGST @ 18) being inter-State supply.	3,00,000
3.	Value of Inputs received on 10th October 2024 contained in semi-finished goods held in stock (Rate of CGST and SGST @ 6% each) being intra-State supply.	2,50,000
4.	Input procured on 1st February 2025 lying in stock of semi-finished goods (Rate of CGST and SGST @ 7.5% each) being intra-State supply.	1,50,000
5.	Inputs procured on 8th February 2025 lying in stock of finished goods. (Rate of IGST @ 18%) being inter-State supply.	60,000

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 2025.

Ans. Computation of minimum net GST to be paid in cash by Vishnu Limited for the month of February 2025 :

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.	25,600 CGST	25,600 CGST
Net GST payable (in cash)	**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 23.02.2025, only within 1 year from date of issue of tax invoice by supplier.

Computation of eligible ITC available

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
[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 13th February 2024	Nil	Nil	Nil
Inputs procured on 10th October 2024	15,000	15,000	Nil
Inputs procured on 1st February 2025	11,250	11,250	Nil
Inputs procured on 8th February 2025	Nil	Nil	10,800
Total ITC	**26,250**	**26,250**	**10,800**

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.

Q-62. Simran, engaged in various types of activities, gives the following particulars of her income for the year ended 31-3-2025:

	Particulars	**Rs.**
i.	Profit of business of consumer and household products	50,000
ii.	Loss of business of ready-made garments	10,000
iii.	Brought forward loss of catering business which was closed in A.Y. 2024-25	15,000
iv.	Short-term loss on sale of securities and shares	15,000
v.	Profit of speculative transactions entered into during the year	12,500
vi.	Loss of speculative transactions of A.Y. 2018-19 not set off till A.Y. 2024-25	15,000

Compute the total income of Simran if she has exercised the option of shifting out of the default tax regime provided under section 115BAC(1A).

Ans. Computation of total income of Simran :

Particulars	**Rs.**	**Rs.**
Profits of business of consumer and household products	50,000	
Less: Loss of business of ready-made garments set-off as per section 70(1)	10,000	

	40,000	
Less: Brought forward loss of catering business closed in A.Y. 2024-25 shall be set-off against business income for the year as per section 72(1)	15,000	25,000
Profit of speculative transaction		12,500
Total Income		**37,500**

Working Notes :

(1) Brought-forward speculation loss of A.Y. 2018-19 cannot be set-off as the period of 4 years as specified under section 73 has expired.

(2) Short-term capital loss of the current year can be set-off only against capital gains, hence the same shall be carried forward.

(3) Brought forward loss of catering business can be set-off against business income even after business is discontinued.

Q-63. Mr. Garg, a resident individual, furnishes the following particulars of his income and other details for the previous year 2024-25.

	Particulars	Rs.
1.	Income from Salary (Computed)	15,000
2.	Income from Business (before providing depreciation)	66,000
3.	Long term capital gain on sale of Land	10,800
4.	Loss on maintenance of Race Horses	15,000
5.	Loss from Gambling	9,100

The other details of unabsorbed depreciation and brought forward losses pertaining to assessment year 2024-25 are as follows :

	Particulars	**Rs.**
1.	Unabsorbed depreciation	11,000
2.	Loss from Speculative business	22,000
3.	Short term capital loss	9,800

Compute the Gross Total Income of Mr. Garg for the A.Y. 2025-26 and the amount of loss, if any, that can be carried forward, or not, if he has exercised the option of shifting out of the default tax regime provided under section 115BAC(1A).

Ans. Computation of the Gross Total Income of Mr. Garg for the A.Y. 2025-26:

	Particulars	**Rs.**	**Rs.**
1.	Income from Salary (Computed)		15,000
2.	Income from Business (before providing depreciation)	66,000	
	Less: Unabsorbed depreciation	11,000	55,000
3.	Long term capital gain on sale of Land	10,800	
	Less: Brought forward short term capital loss	9,800	1,000
	Gross Total Income		**71,000**

Notes :

- Loss from Gambling cannot be set off from any head of income.

- Loss from maintenance of race horses cannot be set-off from any head of Income. The same shall be carried forward for 4 years in accordance with the provisions of Section 74A.
- Loss from a speculative business can be set-off only against income from another speculative business. Since there is no income from speculative business in the current year, the entire loss of Rs. 22,000 brought forward from A.Y. 2024-25 has to be carried forward to A.Y. 2026-27 for set-off against speculative business income of that year. It may be noted that speculative business loss can be carried forward for a maximum of 4 years as per section 73(4).

Q-64. Mr. Harsh furnishes the following details for the year ended on 31-03-2025 :

Particulars	Amount (Rs.)
Salary received from partnership firm (the same was allowed to the firm)	8,50,000
Loss on sale of shares listed in stock exchange held for 18 months and the STT paid on the sale and acquisition	6,00,000
Long term capital gain on sale of land	5,00,000
Brought forward business loss of assessment year 2017-18	6,00,000
Loss of the specified business covered in Section 35AD	3,50,000
Loss from house property	2,50,000
Income from betting (gross)	50,000
Loss from card games	35,000

Compute the total income and show the item eligible for carry forward of Mr. Harsh for the assessment year 2025-26 if he has exercised the option of shifting out of the default tax regime provided under section 115BAC(1A).

Ans. Computation of total income of Mr. Harsh for the A.Y. 2025-26 :

Particulars	Rs.	Rs.
Profits and gains from business and profession		
Salary received from partnership firm (would be fully taxable in the hands of Mr. Harsh as business income, since the same was allowed to the firm as deduction)	8,50,000	
Less: Loss from house property Rs. 2,50,000 (can be set-off against income from any other head only to the extent of Rs. 2 lakh)	2,00,000	
	6,50,000	
Less: Set-off of brought forward business loss of A.Y. 2017-18 (since the eight year time period for set-off has not expired)	6,00,000	50,000
Capital Gains		
Long-term capital gain on sale of land	5,00,000	
Less: Set-off of long-term capital losses (since held for 18 months i.e., more than 12 months) on sale of STT paid listed shares [Such set-off is permissible since it is a loss from a source of income taxable u/s 112A]	5,00,000	-
Income from Other Sources		
Income from betting (gross) [No Loss can be set off against income from betting]		50,000

Loss of Rs. 35,000 from card games can neither be set-off nor be carried forward		-
Total Income		**1,00,000**
Losses to be carried forward to A.Y. 2026-27 :		
Loss from house property (Rs. 2,50,000 – Rs. 2,00,000)		50,000
Loss from specified business covered u/s 35AD [Entire loss is to be carried forward, since there is no income from any specified business for A.Y. 2025-26. Such loss has to be carried forward for set-off against income from any specified business in A.Y. 2026-27]		3,50,000
Long-term capital loss on sale of listed shares (STT paid) [Rs. 6,00,000 – Rs. 5,00,000]		1,00,000

Q-65. Mr. Jai, a resident individual, furnishes the following particulars of his income and other details for the previous year 2024-25:

Particulars	**Amount (Rs.)**
Income from the activity of owning and maintaining race horses	40,000
Income from crossword puzzle solving	30,000
Income from Agricultural land in Haryana	25,000
Dividend Income from domestic company (gross)	15,000
(Expenditure incurred in collecting the aforesaid dividend)	2,500

Income from cycling business	1,50,000
Loss from warehousing facility for storage of edible oils	1,00,000
Share of loss form PR associates, a firm (having 4 equal partners) in which he is a partner	23,000
The following items have been brought forward from the assessment year 2022-23:	
Brought forward loss form house property	1,00,000
Loss from the activity of owning and maintaining race horses	37,000
Loss from gambling	10,000
Unabsorbed depreciation	15,000
Speculation Loss	20,000

Mrs. Jai (wife of Mr. Jai) got a salary of ₹ 1,20,000 from PR associates during the year 2024-25. She is not qualified for the job.

Compute the gross total income of Mr. Jai for the assessment year 2025-26 ignoring the provisions of section 115BAC.

Ans. Computation of gross total income of Mr. Jai for the A.Y. 2025-26

Particulars	Rs.	Rs.
Income under the head "Salaries"		
Salary of Mrs. Jai from PR associates	1,20,000	
Less: Standard deduction under section 16	50,000	70,000
[Salary of Mrs. Jai would be includible in the income of Mr. Jai,		

since Mr Jai has a substantial interest in PR associates by having 25% share of profit in it and Mrs. Jai is not qualified for the job]		
Profits and gains from business and profession		
Income from cycling business	1,50,000	
Share of loss from PR associate [Exempt under section 10(2A)]	-	
Less: Set off of loss from warehousing facility for storage of edible oils	1,00,000	
	50,000	
Less: Set off of unabsorbed depreciation of A.Y. 2022-23	15,000	35,000
Income from Other Sources		
Income from crossword puzzle solving	30,000	
Income from agricultural land in Haryana [Exempt under section 10(1)]	-	
Dividend from domestic company (gross)	15,000	
[No deduction is allowed from dividend income other than interest expenses]		
Income from the activity of owning and maintaining race horses 40,000		
Less: Set-off of brought loss from the activity of owning and maintaining race horses of A.Y. 2022-23, since four years has not lapsed 37,000	3,000	48,000
Gross Total Income		**1,53,000**

Notes: (i) Brought forward loss from house property can be set-off only against income of house property. Hence, such loss has to be carried forward to A.Y. 2026-27.

(ii) Loss from gambling can neither be set-off nor be carried forward.

(iii) Brought forward loss from speculative business can be set-off against income of any other speculative business. Hence, such loss has to be carried forward to A.Y. 2026-27.

Q-66. Explain the procedure for revocation of cancellation of registration where the registration of a person is cancelled suo-motu by the proper officer as per the provisions of CGST Act, 2017.

Ans. Where the registration of a person is cancelled suo-motu by the proper officer, such registered person may apply for revocation of the cancellation of registration to such proper officer, within 30 days (or within extended time period) from the date of service of the order of cancellation of registration.

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

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

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

Q-67. BBD Pvt. Ltd. of Gujarat exclusively manufactures and sells product 'Z' which is exempt from GST vide notifications issued under relevant GST legislations. The company sells 'Z' only within Gujarat and is not registered under GST laws. The turnover of the company in the previous year 2023-24 was Rs. 50 lakh. The company expects the sales to grow by 10% in the current year 2024-25.

However, effective 01-01-2025, exemption available on 'Z' was withdrawn by the Central Government and GST @ 5% was imposed thereon. The turnover of the company for the nine months ended on 31-12-2024 was Rs. 42 lakh.

BBD Pvt. Ltd. is of the opinion that it is not required to get registered under GST for current financial year 2024-25.

Examine the above scenario and advise BBD Pvt. Ltd. whether it needs to get registered under GST or not.

Ans. For a supplier exclusively engaged in intra-State supply of goods, the threshold limit of turnover to obtain registration in the State of Gujarat is Rs. 40 lakh. However, a person exclusively engaged in the business of supplying goods and/or services that are not liable to tax or are wholly exempt from tax is not liable to registration.

Therefore, since BBD Pvt. Ltd. was engaged exclusively in supplying exempted goods till 31-12-2024, it was not required to be registered till that day; though voluntary registration was allowed.

The position, however, will change from 01-01-2025 as the supply of goods become taxable from that day and the turnover of BBD Pvt. Ltd. is more than Rs. 40 lakh. Since the aggregate turnover limit of Rs. 40 lakh includes exempt turnover also, turnover of 'Z' till 31-12-2024 will be considered for determining the

threshold limit even though the same was exempt from GST. Therefore, BBD Pvt. Ltd. needs to register within 30 days from 01-01-2025.

Q-68. Ayesha started his business activities in the month of February 2025 in the State of Orissa. He provided the following details:

Particulars	Amount in Rs.
(i) Outward supply of petrol (Intra State)	3,00,000
(ii) Transfer of exempt goods to his branch in Rajasthan (Inter-State)	2,00,000
(iii) Outward supply of taxable goods by his branch in Uttar Pradesh (Intra State)	5,00,000
(iv) Outward supply of services on which tax is payable under RCM by the recipient of services (Intra-State)	6,00,000
(v) Inward supply of services on which tax is payable under RCM (Intra- State)	1,80,000

From the information given above, compute the aggregate turnover of Nesamani and also decide whether he is required to get registration under GST. Assume that the amounts given above are exclusive of taxes.

Ans. Computation of aggregate turnover of Nesamani :

Particulars	**Amount in Rs.**
Outward supply of petrol [Supply of petrol being a non-taxable supply is an exempt supply. Value of exempt supply is includible in aggregate turnover.]	3,00,000
Inter-State stock transfer of exempt goods [Supply of taxable/exempt goods between distinct persons is includible.]	2,00,000
Outward supply of taxable goods from Uttar Pradesh branch [Value of outward supplies under same PAN are includible.]	5,00,000
Outward supply of services taxable under reverse charge [Includible in aggregate turnover.]	6,00,000

Inward supply of services taxable under reverse charge [Excludible from the aggregate turnover.]	-
Aggregate turnover	**17,00,000**

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

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

Q-69. Q Ltd. is engaged exclusively in supply of taxable goods from the following states. The particulars of intra-state supplies for the month of May 2024 are as follows:

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

(i) Q Ltd. seeks to know whether it is liable for registration under GST. Give your explanation.

(ii) Will your answer be different if Q Ltd. supplies only petrol & diesel from Tripura instead of any other taxable goods?

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

(i) Since Q Ltd. is making supply of taxable goods from Tripura – a specified Special Category State, the applicable threshold limit will get reduced to Rs. 10 lakh.

Thus, it is liable to be registered under GST as its aggregate turnover [Rs. 31 lakh] exceeds the said threshold limit.

(ii) In case Q Ltd. is making supply of non-taxable goods [petrol and diesel] from Tripura, the applicable threshold limit will not be reduced to Rs.10 lakh; enhanced threshold limit of Rs. 40 lakh will be applicable.

Thus, it is not liable to be registered under GST as its aggregate turnover [Rs. 31 lakh] does not exceed the said threshold limit.

Q-70. Mr. Kalpesh borrowed a sum of Rs. 30 lakhs from the National Housing Bank towards purchase of a residential flat. The loan amount was disbursed directly to the flat promoter by the bank. Though the construction was completed in May 2025, repayments towards principal and interest had been made during the year-ended 31-3-2025.

In the light of the above facts, state :

(i) Whether Mr. Kalpesh can claim deduction u/s 24 in respect of interest for assessment year 2025-26.

(ii) Whether deduction under Section 80C can be claimed for the above assessment year, even though the construction was completed only after the closure of the year ?

Ans. (i) Interest on borrowed capital is allowed as deduction under section 24.

Interest payable on loans borrowed for the purpose of acquisition, construction, repairs, renewal or reconstruction of house property can be claimed as deduction under section 24. Further, Interest payable on borrowed capital for the period prior to the previous year in which the property has been acquired or constructed, can be claimed as deduction over a period of 5 years in equal annual installments commencing from the year of acquisition or completion of construction.

It is stated that the construction is completed in May, 2025. Hence, deduction in respect of interest on

housing loan cannot be claimed in the assessment year 2025-26.

(ii) Section 80C is attracted where there is any payment for the purpose of purchase or construction of a residential house property, the income from which is chargeable to tax under the head 'Income from house property'.

However, deduction is prima facie eligible only if the income from such property is chargeable to tax under the head "Income from House Property". During the assessment year 2025-26, there is no such income chargeable under this head, hence, deduction under section 80C cannot be claimed for assessment year 2025-26.

Q-71. Mr. Raghu, Marketing Manager of KL Ltd. based at Mumbai, furnishes you the following information for the previous year :

Basic salary	Rs. 1,00,000 per month
Dearness allowance	Rs. 50,000 per month
Bonus	2 Months basic salary
Contribution of employer to Recognised Provident Fund	@ 15% of Basic salary plus Dearness allowance

Rent free unfurnished accommodation was provided by the company at Mumbai (accommodation owned by the company) :

	Particulars	Rs.
i.	Recognised Provident Fund contribution made by Raghu	1,60,000
ii.	Health insurance premium for his family	30,000
iii.	Health insurance premium in respect of parents (senior citizens)	68,000
iv.	Medical expenses of dependent brother with 'severe disability' (covered by Section 2(o) of National Trust for Welfare of Persons with Autism, Cerebral Palsy, Mental Retardation and Multiple Disabilities Act, 1999).	60,000
v.	Interest on loan taken for education of his son studying B.Com (full-time) in a recognised college.	24,000
vi.	Interest on loan taken for education of a student for whom Mr. Raghu is the legal guardian for pursuing B. Sc. (Physics) (full-time) in a recognised university.	20,000

Compute the total income of Mr. Raghu if he has exercised the option of shifting out of the default tax regime provided under section 115BAC(1A).

Ans. Computation of total income of Mr. Raghu :

Particulars	Rs.
Basic salary	12,00,000
Dearness allowance	6,00,000
Bonus	2,00,000

Employer contribution to RPF in excess of 12% [WN-1]	54,000
Rent free accommodation [WN-2]	2,00,000
Gross salary	**22,54,000**
Less: Standard Deduction u/s 16(ia)	50,000
Income chargeable under the head Salaries/GTI	**22,04,000**
Less: Deductions under Chapter VI A –	
(i) Contribution to RPF [Section 80C] [WN-3]	1,50,000
(ii) Health insurance premium [Section 80D] [WN-4]	75,000
(iii) Medical treatment of dependent brother with severe disability [Section 80DD] [WN-5]	1,25,000
(iv) Interest on loan taken for full-time education of his son studying B.Com and for a student studying B.Sc. for whom he is the legal guardian [Section 80E]	44,000
Total income	**18,10,000**

Working Notes :

(1) Employer's contribution to Recognised Provident Fund in excess of 12% of salary (Basic salary + DA) is taxable. Therefore, taxable amount = Rs. 18,00,000 × 3% = Rs. 54,000.

DA forms the part of salary for the purpose of retirement benefits being it is given that employer contributes @ 15% of basic salary plus DA.

(2) Since population of Mumbai exceeds 40 lakhs, therefore value of RFA = 10% of (basic salary + DA + bonus) = Rs. 2,00,000.

(3) Deduction in respect of contribution to RPF shall be restricted to Rs. 1,50,000.

(4) Deduction in respect of health insurance premium paid shall be restricted to, in case of his family Rs. 25,000, and in case of his parents (being senior citizens) Rs. 50,000. Therefore, total amount of deduction = (Rs. 25,000 + Rs. 50,000) = Rs. 75,000.

(5) A fixed deduction of Rs. 1,25,000, irrespective of expenditure incurred, shall be allowed.

Q-72. Mr. Chaturvedi having gross total income of Rs. 6,35,000 for the previous year 2024-25 furnishes you the following information :

(i) Deposited Rs. 50,000 in tax saver deposit in the name of major son in a nationalized bank.

(ii) Paid Rs. 25,000 towards premium on life insurance policy of his married daughter.

(iii) Purchased units of UTI for Rs. 25,000 in January 2025.

(iv) Contributed Rs. 10,000 to Prime Minister's National Relief Fund through account payee cheque.

(v) Donated Rs. 20,000 to a Government recognized institution for scientific research.

Note : Assume that the gross total income of Mr. Chaturvedi does not include any income under the head 'profits and gains of business or profession'.

Compute the total income of Mr. Chaturvedi assuming that if he has exercised the option of shifting out of the default tax regime provided under section 115BAC(1A).

Ans. Computation of total income of Mr. Chaturvedi :

Particulars	Rs.	Rs.
Gross Total Income		6,35,000
Less: Deductions under Chapter VI-A -		

– Deposit of Rs. 50,000 in tax saver deposit in the name of major son in a nationalized bank [WN-1]	-	
– Purchase of units of UTI [Section 80C]	25,000	
– Premium on life insurance policy of his married daughter [WN-2]	25,000	
– Contribution to PM's National Relief Fund u/s 80G [WN-3]	10,000	
– Payment to a Government recognized institution for scientific research [WN-4]	20,000	80,000
Total Income		**5,55,000**

Working Notes :

(1) Fixed deposit in the name of son does not qualify for deduction under section 80C.

(2) Life insurance premium paid in respect of any child of the individual is eligible for deduction under section 80C.

(3) Contribution to Prime Minister's National Relief Fund is eligible for 100% deduction under section 80G.

(4) Since the assessee doesn't have any income under the head profits and gains of business or profession, hence the donation to Government recognized institution for scientific research is eligible for deduction u/s 80GGA.

Q-73. From the following details furnished by Mr. Dinesh, a marketing manager of XL Corporation Ltd., Delhi. Compute the gross total income 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).

Particulars	Rs.
Salary including Dearness Allowance	6,50,000
Conveyance allowance of Rs. 900 p.m.	10,800
Bonus	50,000
Salary of servant provided by the employer	48,000
Bills paid by the employer for gas, electricity and water provided free of cost at the residence of Mr. Dinesh.	82,000

Dinesh purchased a flat in a co-operative housing society in Dwarka, Delhi for self occupation for Rs. 35,00,000 in April 2013, which was finance by a loan from Bank of India of Rs. 20,00,000 @ 11% interest and his own savings of Rs. 5,00,000 and a deposit of Rs. 10,00,000 from Bank of Baroda, to whom he let out his another house in Rohini, Delhi on lease for ten years. The rent payable by Bank of Baroda is Rs. 35,000 per month.

Other relevant particulars are given below :

(i) Municipal taxes paid by Dinesh for his flat in Dwarka are Rs. 18,000 per annum and for his house in Rohini are Rs. 12,000 per annum.

(ii) Principal loan amount outstanding as on 01-04-2024 was Rs. 18,50,000.

(iii) He also paid Rs. 8,000 towards insurance of both the houses.

(iv) In the financial year 2024-25, he had gifted Rs. 40,000 each to his wife and minor son. The gifted amounts were advanced to Mr. Sandeep, who is paying interest @ 18% per annum.

(v) Mr. Dinesh's son is studying in a school run by the employer company throughout the financial year 2024-25. The education facility was provided free of cost. The cost of such education in similar school is Rs. 2,500 per month.

(vi) Dinesh also received gifts of Rs. 45,000 each from his two friends during the financial year 2024-25.

Ans. Computation of Gross Total Income of Mr. Dinesh for the A.Y. 2025-26 :

Particulars	Rs.	Rs.
Income under the head Salary :		
Salary including dearness allowance	6,50,000	
Conveyance allowance (Rs. 10,800 – Rs. 10,800) [WN-1]	-	
Bonus	50,000	
Salary of servant provided by the employer (Taxable as perquisite)	48,000	
Bill paid by employer for gas, electricity and water provided free of cost at the residence of Dinesh (Taxable as perquisite)	82,000	
Education facility (Rs. 2,500 × 12) [WN-2]	30,000	
Gross salary	**8,60,000**	
Less: Standard deduction u/s 16(ia)	50,000	8,10,000
Income from House Property :		
Flat at Dwarka (Self Occupied) Annual Value	 Nil	

Less: Interest on borrowed capital (Rs. 18,50,000 × 11% subject to maximum of Rs. 2,00,000)	-2,00,000	
House at Rohini (let out)		
Gross Annual Value (GAV) (Rent receivable is taken as GAV in the absence of other information) [Rs. 35,000 × 12]	4,20,000	
Less: Municipal taxes paid	12,000	
Net Annual Value (NAV)	4,08,000	
Less: Standard Deduction @ 30% of NAV	1,22,400	
	2,85,600	85,600
Income from Other Sources :		
Income on account of interest earned from advancing money gifted to his minor son is includible in the hands of Dinesh as per Section 64(1A) (Rs. 40,000 × 18%) = Rs. 7,200. However, as per Section 10(32) an exemption of Rs. 1,500 shall be available (Rs. 7,200 – Rs. 1,500)	5,700	
Interest income earned from advancing money gifted to wife has to be clubbed with the income of the assessee as per Section 64(1) (Rs. 40,000 × 18%)	7,200	
Gift from two friends @ Rs. 45,000 each – Since the aggregate amount exceeds Rs. 50,000, hence, whole of the sum will be taxable u/s 56(2)(x)	90,000	1,02,900
Gross Total Income		**9,98,500**

Working Notes :

(1) Conveyance Allowance is exempt from tax to the extend expended for official purpose. Assuming that entire amount is expended the same is claimed as exempt from tax.

(2) In determining the value of perquisite resulting from the provision of free or concessional educational facilities, from a plain reading of the proviso to Rule 3(5), it is apparent that if the cost of education per child exceeds Rs. 1,000 per month, the entire cost will be taken as the value of the perquisite.

Accordingly, the full amount of Rs. 2,500 per month is taxable as perquisite. In such a case, the value of the perquisite would be Rs. 30,000 (i.e. Rs. 2,500 × 12).

Q-74. Mr. Suraj, an Indian citizen, gives the following details of his income and expenses during the year 2024-25:

Particulars	Rs.
Income from profession	11,70,000
Winning from lottery	70,000
Contribution to ULIP 1971 plan for spouse	70,000
Cheque donation to National Defence Fund	60,000
Cheque donation to Government for promoting family planning	35,000
Cheque the deduction to approved public charitable institute	1,20,000

Compute the deduction u/s 80G allowable to him for the assessment year 2025-26.

Ans. Computation of deduction available to Mr. Suraj under section 80G for A.Y. 2025-26 :

	Particulars	Amount (₹)

(i)	Donation to National Defence Fund by cheque [100% of ₹ 60,000 is allowed as deduction without any qualifying limit]	60,000
(ii)	Donation to Government for promoting family planning by cheque - 100% of ₹ 35,000, subject to qualifying limit of ₹ 1,17,000 [See Note below] is allowed as deduction	35,000
(iii)	Donation to approved public charitable institute by cheque is to be restricted to lower of — - ₹ 60,000 (50% of ₹ 1,20,000); or 60,000 - ₹ 41,000 [50% of qualifying limit after adjusting donation for family planning i.e., ₹ 82,000 (₹ 1,17,000 – ₹ 35,000)] 41,000	41,000
	Deduction under section 80G	**1,36,000**

Note - Qualifying limit is ₹ 1,17,000 (10% of ₹ 11,70,000, being adjusted total income) Adjusted total income = ₹ 11,70,000 (₹ 11,70,000, being income from profession + ₹ 70,000, being winnings from lottery – ₹ 70,000, being deduction under section 80C)

Q-75. Mr. Krishan provides Continuous Supply of Services (CSS) to M/s. TNB Limited. He furnishes the following further information :

(i) Date of commencement of Providing CSS - 01-10-2024

(ii) Date of completion of Providing CSS - 31-01-2025

(iii) Date of receipt of payment by Mr. Krishan - 30-03-2025

Determine the time of issue of invoice as per provisions of CGST Act, 2017, in the following circumstances :

(i) If no due date for payment is agreed upon by both under the contract of CSS.

(ii) If payment is linked to the completion of service.

(iii) If M/s. TNB Limited has to make payment on 25-03-2025 as per the contract between them.

Ans. As per Section 31(5) of CGST Act, 2017, in case of continuous supply of services the time limit for issuance of invoice is as under —

	Particulars	**Time limit**
(i)	where the due date of payment is ascertainable from the contract	the invoice shall be issued on or before the due date of payment.
(ii)	where the due date of payment is not ascertainable from the contract	the invoice shall be issued before or at the time when the supplier of service receives the payment.
(iii)	where the payment is linked to the completion of an event	the invoice shall be issued on or before the date of completion of that event.

Thus,

(a) If no due date for payment is agreed upon by both under the contract of CSS, the invoice shall be issued on or before 30-03-2025.

(b) If payment is linked to the completion of service, the invoice is to be issued on or before 31-01-2025.

(c) If M/s. TNB Limited has to make payment on 25-03-2025 as per the contract between them, the invoice is to be issued on or before the due date of payment as per the contract - 25-03-2025.

Q-76. List out category of persons who are exempted from the E-invoicing provisions.

Ans. Following entities are exempt from the mandatory requirement of e-invoicing even if their turnover exceeds Rs. 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.

Q-77. Mohan Enterprise is a registered person having principal place of business in Gandhinagar, Gujarat. They received 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.

Ans. 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.

Q-78. Dream World Pvt. Ltd is registered under GST in the State of Haryana. During the Financial Year 2024-25, its annual aggregate turnover was ₹ 12 crore. In the month of April 2025, it supplied goods worth ₹ 12 lakh to Nightmare Ltd (a registered taxable person).

(i) You are required to ascertain whether issue of e-invoice is mandatory in respect of this transaction?

(ii) What would be your answer if Nightmare Ltd is a SEZ (Special Economic Zone) unit?

Ans. (i) All registered businesses with an aggregate turnover (based on PAN) in any preceding financial year from 2017-18 onwards greater than ₹ 10 crore are required to issue e-invoices.

Thus, issuance of e-invoice is mandatory in respect of the given transaction as the aggregate turnover of Dream World Pvt. Ltd. in the preceding financial year exceeded ₹ 10 crore.

(ii) Issue of e-invoice is exempt in respect of supply BY the SEZ (Special Economic Zone) unit.

Here SEZ unit is receiver of supply. Thus, the issuance of e-invoice is mandatory in respect of given transaction even in case where Nightmare Ltd. is a SEZ (Special Economic Zone) unit.

Q-79. Every registered person executing works contract shall keep separate accounts for works contract under CGST Rules, 2017.

List the details to be maintained.

Ans. 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.

Q-80. 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 u/s 2(5) of the CGST Act, 2017 is one of them.

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

Ans. Additional accounts/documents to be kept by agent are as follows:

(a) particulars of authorisation received by him from each principal to receive/supply goods/services on behalf of such principal separately;

(b) particulars including description, value and quantity (wherever applicable) of goods/services received on behalf of every principal;

(c) particulars including description, value and quantity (wherever applicable) of goods/services supplied on behalf of every principal;

(d) details of accounts furnished to every principal; and

(e) tax paid on receipts/ supply of goods/services effected on behalf of every principal.

Q-81. JK Manufacturers Ltd. engages RK & Sons as an agent to sell goods on its behalf. For the purpose, JK Manufacturers Ltd. has supplied the goods to RK & Sons located in Haryana. Enumerate the accounts required to maintained by RK & Sons as per rule 56(11) of the CGST Rules, 2017.

Ans. As per provisions of Rule 56(11) of CGST Rules, 2017, every agent shall maintain accounts depicting,—

(a) particulars of authorisation received by him from each principal to receive or supply goods or services on behalf of such principal separately;

(b) particulars including description, value and quantity (wherever applicable) of goods or services received on behalf of every principal;

(c) particulars including description, value and quantity (wherever applicable) of goods or services supplied on behalf of every principal;

(d) details of accounts furnished to every principal; and

(e) tax paid on receipts or on supply of goods or services effected on behalf of every principal.

Q-82. Maintenance Services Ltd. is a supplier of maintenance and repair services. It has approached you to ascertain the period for which the books of accounts or other records need to be maintained?

Ans. According to Section 36 of CGST Act, 2017, every registered person required to keep and maintain books of account or other records shall retain them until the expiry of 72 months from the due date of furnishing of annual return for the year pertaining to such accounts and records.

Besides this, a registered person, who is a party to an appeal or revision or any other proceedings before any Appellate Authority or Revisional Authority or Appellate Tribunal or court, whether filed by him or by the Commissioner, or is under investigation for an offence under Chapter XIX, shall retain the books of account and other records pertaining to the subject-matter of such appeal or revision or proceedings or investigation for—

- A period of 1 year after final disposal of such appeal or revision or proceedings or investigation, or
- The period specified above i.e. until the expiry of 72 months from the due date of furnishing of annual return for the year pertaining to such accounts and records, whichever is later.

Q-83. Ashwin doing manufacture and wholesale trade furnishes you the following information :

Total turnover for the financial year:

2023-24	Rs. 1,05,00,000
2024-25	Rs. 1,25,00,000

State whether tax deduction at source provisions are attracted for the below said expenses incurred during the financial year 2024-25 :

Particulars	Rs.
Interest paid to UCO Bank	41,000
Contract payment to Raj (2 contracts of Rs. 12,000 each)	24,000

Shop rent paid (one payee)	2,50,000
Commission paid to Balu	17,000

Ans. As the turnover of Ashwin for financial year 2023-24 i.e. Rs. 105 lakhs, has exceeded Rs. 100 lakhs, he has to comply with the tax deduction provisions during the financial year 2024-25, subject to the exemptions provided for under the relevant sections for applicability of TDS provisions.

(1) Interest paid to UCO Bank : TDS u/s 194A is not attracted in respect of interest paid to a banking company.

(2) Contract payment of Rs. 24,000 to Raj for 2 contracts of Rs. 12,000 each : TDS provisions under section 194C would not be attracted if the amount paid to a contractor does not exceed Rs. 30,000 in a single payment or Rs. 1,00,000 in the aggregate during the financial year. Therefore, TDS provisions under section 194C are not attracted in this case.

(3) Shop rent paid to one payee : Tax is to be deducted under section 194-I @ 10% as the rental payment exceeds Rs. 2,40,000.

(4) Commission paid to Balu : Tax is to be deducted under section 194H @ 2% as the commission exceeds Rs. 15,000.

Q-84. During the financial year 2024-25, the following payments/expenditure were made/ incurred by Mr. Yuvan Raja, a resident individual (whose turnover during the year ended 31-3-2024 was Rs. 99 lakhs) :

(i) Interest of Rs. 12,000 was paid to Rehman & Co., a resident partnership firm, without deduction of tax at source;

(ii) Interest of Rs. 4,000 was paid as interest to Mr. R.D. Burman, a non-resident, without deduction of tax at source;

(iii) Rs. 3,00,000 was paid as salary to a resident individual without deduction of tax at source;

(iv) He had sold goods worth Rs. 5 lakhs to Mr. Deva. He gave Mr. Deva a cash discount of Rs. 12,000 later. Commission of Rs. 20,000 was paid to Mr. Vidyasagar on 02-7-2024. In none of these transactions, tax was deducted at source.

Briefly discuss whether any disallowance arises under the provisions of Section 40(a)(i)/40(a)(ia) of the Income-tax Act, 1961.

Ans. Disallowance under section 40(a)(i)/40(a)(ia) of the Income-tax Act, 1961 is attracted where the assessee fails to deduct tax at source as is required under the Act, or having deducted tax at source, fails to remit the same to the credit of the Central Government within the stipulated time limit.

The assessee is a resident individual, whose turnover does not exceeded Rs. 100 lakhs in the immediately preceding previous year i.e., previous year 2023-24 (as his turnover is less than Rs. 100 lakhs in that year) and the TDS obligations have to be considered bearing this in mind.

(i) The obligation to deduct tax at source from interest paid to a resident arises under section 194A in the case of an individual, only where his turnover exceeded Rs. 100 lakhs in the preceding financial year i.e., previous year 2023-24. From the data given, it is clear that his turnover from business does not exceed Rs. 100 lakh in previous year 2023-24. Hence, disallowance u/s 40(a)(ia) is not attracted in this case.

(ii) In the case of interest paid to a non-resident, there is obligation to deduct tax at source under section 195, hence non-deduction of tax at source will attract disallowance under section 40(a)(i).

(iii) Disallowance under section 40(a)(ia) is attracted for failure to deduct tax at source under section 192 from salaries. Hence, 30% of Rs. 3,00,000 i.e. Rs. 90,000 shall be disallowed.

(iv) The obligation to deduct tax at source under section 194H from commission paid in excess of Rs.15,000 to a resident arises in the case of an individual, only where his turnover from business exceed Rs. 100 lakh in the immediately preceding previous year. From the data given, it is clear that his turnover did not exceeded Rs. 100 lakh in the previous year 2023-24. Hence, there is no obligation to deduct tax at source under section 194H during the previous year 2024-25. Therefore, disallowance under section 40(a)(ia) is not attracted in this case.

Q-85. Examine & explain the TDS implications in the following cases along with reasons thereof, assuming that the deductees are residents and having a PAN which they have duly furnished to the respective deductors.

(i) Mr. Tandon received a sum of Rs. 1,75,000 as per-mature withdrawal from Employees Provident Fund Scheme before continuous service of 5 years on account of termination of employment due to illhealth.

(ii) A sum of Rs. 42,000 has been credited as interest on recurring deposit by a banking company to the account of Mr. Hasan (aged 63 years).

(iii) Ms. Kaul won a lucky draw prize of Rs. 21,000. The lucky draw was organized by M/s. Maximus Retails Ltd. for its customer.

(iv) Finance Bank Ltd. sanctioned and disbursed a loan of Rs. 10 crores to Borrower Ltd. on 31-03-2025. Borrower Ltd. paid a sum of Rs. 1,00,000 as service fee to Finance Bank Ltd. for processing the loan application.

(v) Mr. Ashok, working in a private company, is on deputation for 3 months (from December, 2024 to February, 2025) at Hyderabad where he pays a monthly house rent of Rs. 52,000 for those three months, totalling to Rs. 1,56,000. Rent is paid by him on the first day of the relevant month.

Ans. The TDS implications are as under—

(i) No TDS liability : Section 192A provides for deduction of tax @ 10% on premature taxable withdrawal from employees provident fund scheme. Accordingly, in a case where the accumulated balance due to an employee participating in a recognized provident fund is includible in his total income, tax is to be deducted at source. In given case the amount received on pre-mature withdrawal from EPF on account of termination of employment due to ill health of Mr. Tandon is exempt from tax in his hands. Hence no tax is required to be deducted at source under section 192A of the Act.

(ii) No TDS liability : As per Section 194A, tax has to be deducted u/s 194A @ 10% of the interest income on recurring deposit as "recurring deposit" is included in the definition of "time deposit". However, as per the third proviso to section 194A(3), no tax is required to be deducted at source in the case of senior citizens where the amount of interest or the aggregate of the amount of interest credited or paid during the financial year by a banking company, co-operative society engaged in banking business or post office does not exceed Rs. 50,000.

Since in this case Mr. Hasan is senor citizen and the amount on interest credit to RD account is Rs. 42,000, tax is not required to be deducted at source.

(iii) TDS liability @ 30% : In respect of lucky dip conducted by M/s. Maximus Retails Ltd., the provisions of Section 194B would apply. As per Section 194B, winning from lottery or crossword puzzle or card game of any sort exceeding Rs. 10,000 payable by any person to any other person, is subject to tax deduction @ 30%. Since the value of prize is Rs. 21,000, therefore, tax is deductible at source @ 30% of Rs. 21,000 = Rs. 6,300

(iv) No TDS liability : Tax is deducted at source under Section 194A in respect of Interest other than Interest on securities. As per Section 2(28A) of Income-tax Act, 1961, the term "interest" means interest payable in any manner in respect of any moneys borrowed or debt incurred (including a deposit, claim or other similar right or obligation) and includes any service fee or other charge in respect of the moneys borrowed or debt incurred or in respect of any credit facility which has not been utilised. Though service fees falls under the ambit of interest but no tax is to be deducted at source in respect of interest income credited or paid to, any banking company or any co-operative society engaged in carrying on the business of banking (including a co-operative land mortgage bank).

Therefore, there is no liability to deduct tax at source in respect of payment of Rs. 1,00,000 to Finance Bank Ltd.

(v) Since Mr. Ashok pays rent exceeding Rs. 50,000 per month in the F.Y. 2024-25, he is liable to deduct tax at source @ 2% of such rent for F.Y. 2024-25 under section 194-IB. Thus, Rs. 3,120 [Rs. 52,000 × 2% × 3] has to be deducted from rent payable for February, 2025.

Q-86. Examine the applicability of Tax Deduction at Sources (TDS) or Tax Collection at Source (TCS) as per the Income-tax 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 of 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.

Ans. (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.

Q-87. Mr. Kumar, a consignor is required to move goods from Ahmedabad (Gujarat) to Nadiad (Gujarat). He appoints Mehta Transporter for moves the goods from Ahmedabad (Gujarat) to Kheda (Gujarat). For completing the movement of goods from Kheda (Gujarat) to Nadiad (Gujarat). Mehta Transporter now hands over the goods to Parikh Transporter.

Explain the procedure regarding e-way bill to be followed by consignor and transporter as per provisions of GST law and rules made thereunder.

Ans. As per Rule 138(5A) of the CGST rules, 2017, the consignor or the recipient, who has furnished the information in Part A of FORM GST EWB-01, or the transporter, may assign the e-way bill number to another registered or enrolled transporter for updating the information in Part B of FORM GST EWB-01 for further movement of the consignment.

However, after the details of the conveyance have been updated by the transporter in Part B of FORM GST EWB-01, the consignor or recipient, as the case may be, who has furnished the information in Part A of FORM GST EWB-01 shall not be allowed to assign the e-way bill number to another transporter.

In this case Mr. Kumar (consignor) is required to move goods from Ahmedabad (Gujarat) to Nadiad (Gujarat). He appoints Transporter Mehta for movement of his goods. Transporter Mehta moves the goods from Ahmedabad (Gujarat) to Kheda (Gujarat). For completing the movement of goods i.e., from Kheda (Gujarat) to Nadiad (Gujarat), Transporter Mehta now hands over the goods to Transporter Parikh. Thereafter, the goods are moved to the destination i.e. from Kheda (Gujarat) to Nadiad (Gujarat) by Transporter Parikh. In such a scenario, only one e-way bill would be required. Part A can be filled by the consignor and then the eway bill will be assigned by the consignor to Transporter Mehta. Transporter Mehta will fill the vehicle details, etc. in Part B and will move the goods from Ahmedabad (Gujarat) to Kheda (Gujarat). On reaching Kheda (Gujarat). Transporter Mehta will assign the said e-way bill to the Transporter Parikh. Thereafter, Transporter Parikh will be able to update the details of Part B. Transporter Parikh will fill the details of his vehicle and move the goods from Kheda (Gujarat) to Nadiad (Gujarat).

Q-88. Mr. Venaram proprietor of M/s. Lalit Kirana Stores is registered as a composition dealer in the Jodhpur district of Rajasthan. He has not furnished the statement for payment of self-assessment tax in the form GST CMP-08 for two consecutive quarters. He placed an order for purchase of taxable goods worth ₹ 5,50,000 with M/s. Bob & Sons (a partnership firm), a registered dealer in the Bikaner district of Rajasthan. M/s. Bob & Sons has been regularly filing its GST returns. M/s. Bob & Sons wants to generate E-way bill with respect to intra- state supply to be made to M/s. Lalit Kirana Stores. Whether M/s. Bob & Sons is allowed to generate E-way bill as per the provisions of CGST Act, 2017? Answer with proper reasoning.

Ans. Where a person paying tax under composition scheme has not furnished the statement for payment of self assessed tax for 2 consecutive quarters, e-way bill shall not be allowed to be generated in respect of any outward movement of goods by such person.

However, this restriction does not apply to generation of e-way bill in respect of inward movement of goods by the defaulter.

Hence, in the given case, M/s. Bob & Sons is allowed to generate e-way bill with respect to supply to be made to M/s. Lalit Kirana Stores since M/s. Bob & Sons, who is making the outward movement of goods, is a regular return filer.

Q-89. When goods are transferred by principal to job worker, there is no need to issue e-way bill. Comment on the validity of the above statement with reference to GST Laws.

Ans. The said statement is not valid.

When goods are transferred by principal to job worker, e-way bill is required to be mandatorily issued:

- In case of intra-State transfer, if consignment value exceeds Rs. 50,000, and
- In case of inter-State transfer, irrespective of the value of the consignment.

Q-90. Mr. Prakash furnishes you the following details in respect of the Financial Year 2024 25.

(i) Loss from the business carried on by him as a proprietor : Rs. 11,20,000(*)

(ii) Deduction u/s 80-IB : Rs. 5,50,000 (*)

(iii) Unabsorbed Depreciation : Rs. 4,80,000 (*)

(iv) Loss from House property : Rs. 2,50,000 (*)

(*) Computed as per the Income-tax Act, 1961

The due date for filing the return for Mr. Prakash was 31st July, 2025 under section 139(1). However, he filed the return on 29-9-2025. Discuss with reference to the relevant provisions of Income-tax Act, 1961 if the losses and deductions could be carried forward/claimed by Mr. Prakash.

Ans. (1) As per Section 139(3), If any person has sustained a loss in any previous year under the,–

(a) Profits and Gains of Business or Profession under section 72(1), or

(b) Speculation loss under section 73(2), or

(c) Specified business loss under Section 73A(2), or

(d) Capital Gains under section 74(1), or

(e) Loss from the activity of owning and maintaining race horses under section 74A(3),

then, such loss can be carried forward and set-off, only if the person furnishes a return of loss in prescribed form and containing prescribed particulars on or before the due date specified in Section 139(1).

Notes:

(i) Loss from house property under section 71B can be carried forward and set off even if return of loss is not filed under section 139(3).

(ii) "Unabsorbed depreciation" under section 32(2) can be carried forward and set off even if no return of loss is furnished under section 139(3).

(2) As per Section 80AC, it is mandatory to furnish return of income on or before due date for claiming deduction under sections 80-IA to Section 80RRB. The effect of this provision is that in case of failure to file return of income on or before the stipulated due date, the assessee would lose the benefit of deduction under these sections.

(3) Conclusion : In this case since the return is filed on 29-09-2025 after due date of furnishing return of Income, hence, it is belated return.

Thus, from the above,—

(a) Loss from the business carried on by him as a proprietor amounting Rs. 11,20,000 cannot be carried forward.

(b) Deduction under section 80-IB amounting Rs. 5,50,000 shall not be admissible as per provisions of Section 80AC.

(c) Unabsorbed depreciation amounting Rs. 4,80,000 shall be carried forward even if return is not furnished as per due dates under section 139(1).

(d) Loss from House property amounting Rs. 2,50,000 shall be carried forward even if return is not furnished as per due dates under section 139(1).

Q-91. What is the time limit within which an updated return can be filed? Also enumerate the circumstances in which updated return cannot be furnished.

Ans. Any person may furnish an updated return of his income or the income of any other person in respect of which he is assessable, for the previous year relevant to the assessment year at any time within 24 months from the end of the relevant assessment year.

Circumstances in which updated return cannot be furnished :

No updated return can be furnished by any person for the relevant assessment year, where

(a) an updated return has been furnished by him for the relevant assessment year

(b) any proceeding for assessment or reassessment or recomputation or revision of income is pending or has been completed for the relevant assessment year in his case;

(c) he is such person or belongs to such class of persons, as may be notified by the CBDT.

(d) an updated return is a loss return

(e) the updated return has the effect of decreasing the total tax liability determined on the basis of return furnished under section 139(1)/(4)/(5) / original or revised return

(f) the updated return results in refund or increases the refund due on the basis of return furnished under section 139(1)/(4)/(5)/original or revised return.

Q-92. In the context of Tax Return Preparer Scheme, 2006, explain the following:

(i) Eligible Persons

(ii) Educational Qualifications of Tax Return Preparer

(iii) Persons not entitled to act as return preparer

Ans. In the context of Tax Return Preparer scheme, 2006

(i) Eligible Persons

Any person being an individual or a Hindu undivided family

(ii) Educational Qualifications of Tax Return Preparer

An individual, who

- holds a bachelor degree from a recognised Indian University or institution, or
- has passed the intermediate level examination conducted by

  − the Institute of Chartered Accountants of India (ICAI) or

  − the Institute of Company Secretaries of India (ICSI) or

  − the Institute of Cost Accountants of India (ICWAI)

(iii) Person not entitled to act as return preparer

An individual who is -

(a) any officer of a scheduled bank with which the assessee maintains a current account or has other regular dealings.

(b) a legal practitioner, entitled to practice in any civil court in India.

(c) an accountant

(d) an employee of the “specified class or classes of persons” i.e., any person other than a company or a person whose accounts are required to be audited under section 44AB (tax audit) or under any other existing law, who is required to furnish a return of income under the Act.

Q-93. Mrs. Rohini, aged 62 years, was born and brought up in New Delhi. She got married in Russia in 1998 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 :

	Particulars	Amount (Rs.)
1.	Pension received from Russian Government	65,000
2.	Long-term capital gain on sale of land at New Delhi (computed without indexation)	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 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. Rohini and compute her total income and tax liability in India for Assessment Year 2025-26 if she has exercised the option of shifting out of the default tax regime provided under section 115BAC(1A).

Ans. 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 Rs. 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.

Since Mrs. Rohini is a person of Indian origin who comes on a visit to India only for 60 days in the previous year 2024-25 and her income other than from foreign sources does not exceed Rs. 15,00,000, she is nonresident for the A.Y. 2025-26. [Even if her total income exceeds Rs. 15 lakh, still, she would be non-resident since the minimum period of stay required in the current year for being a resident is 120 days.]

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. Rohini for the A.Y. 2025-26 :

Particulars		Rs.
Salaries		
Pension received from Russian Government [Not taxable, since it neither accrues or arises in India nor is it received in India]		Nil
Income from House Property		
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	63,000
Capital Gains		
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 income arises on transfer of shares of Indian listed companies]		60,000
Gross Total Income		4,23,000
Less: Deduction under Chapter VI-A		

Deduction u/s 80C : Life insurance premium of Rs. 75,000 [Premium paid to Russian LIC allowable as deduction. However, the same has to be restricted to gross total income excluding LTCG and STCG, as Chapter VI-A deductions are not allowable against such income chargeable to tax u/s 112 and 111A, respectively]	63,000
Total Income	**3,60,000**
Computation of tax liability :	
Long-term capital gains taxable @ 12.5% u/s 112 [Rs. 3,00,000 × 12.5%]	37,500
Short-term capital gains taxable @ 20% u/s 111A [Rs. 60,000 × 20%]	12,000
	49,500
Add: Health and Education Cess @ 4%	1,980
Tax liability	**51,480**

Note : The benefit of adjustment of unexhausted basic exemption limit against long-term capital gains taxable u/s 112 and short-term capital gains taxable u/s 111A is not available in case of non-resident. Further, rebate u/s 87A is not allowable to a non-resident, even if his income does not exceed Rs. 5 lakh.

Q-94. Mr. Pandey, a resident individual, aged 45 years, is a Chartered Accountant in practice. He maintains his accounts on cash basis. His Profit & Loss Account for the year ended 31st March, 2025 is as follows :

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

Expenditure	(Rs.)	Income	(Rs.)

Staff Salary	18,25,000	Fees earned	23,00,000
Rent of the office premises	6,00,000	Audit	14,50,000
Administrative expenses	5,75,000	Taxation	10,00,000
Stipend to Articled clerks	1,85,000	Consultancy services relating to syndication of loan from financial institution	47,50,000
Meeting, seminars and conferences	36,500	Gifts	1,00,000
Depreciation	55,000	Dividends from Indian companies	12,00,000
Printing and Stationery	8,75,000	Interest on deposit	15,000
Net Profit	19,13,500		
	60,65,000		**60,65,000**

Other information :

(1) Depreciation allowable under Income-tax Act Rs. 25,000.

(2) Administrative expenses include Rs. 55,000 paid to a tax consultant in cash for assisting Mr. Pandey in one of the professional assignments.

(3) Gifts represent fair market value of a LED TV which was given by one of the clients for successful presentation of case in the Income Tax Appellate Tribunal.

(4) Last month's rent of Rs. 50,000 was paid without deduction of tax at source.

(5) Mr. Pandey had taken a loan of Rs. 32,00,000 for the purchase of a house property stamp duty value Rs. 46,00,000 from a recognized financial institution on 1st May, 2024. He repaid Rs. 1,50,000 on 31st

March, 2025 out of which Rs. 1,00,000 is towards principal payment and the balance is for interest on loan. The possession of the property will be handed over to him in October 2025.

(6) Mr. Pandey paid medical insurance premium of his parents (senior citizens and not dependent on him) by cheque amounting to Rs. 27,000. He also paid Rs. 8,500 by cash towards preventive health checkup for himself and his spouse.

Compute the total income of Mr. Pandey and tax payable by him for Assessment Year 2025-26, assuming that Mr. Pandey does not want to opt for presumptive taxation scheme u/s 44ADA and if he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A).

Ans. Computation of total income and tax payable for the A.Y. 2025-26 :

Particulars	Rs.	Rs.
Income under the head Profits & Gains of Business and Profession Net profit as per Profit and Loss Account	19,13,500	
Add: Expenses debited but not allowable –		
Depreciation debited in Profit and loss Account [WN-1]	55,000	
Payment to tax consultant in cash is disallowed u/s 40A(3), since such cash payment is in excess of Rs. 10,000 in a day	55,000	
Payment of rent of office premises without deducting tax at source [30% of Rs. 50,000] [WN-2]	15,000	
Gifts from client [WN-3]	Nil	

Less: Income credited but not taxable under this head –		
Dividend on shares of Indian Companies not to be taxed under this head	12,00,000	
Interest on deposit Certificates issued under Gold Monetization Scheme, 2015 is exempt u/s 10(15)	15,000	
Depreciation allowable under Income-tax Act [WN-1]	1,25,000	6,98,500
Income from other sources :		
Dividend from shares of Indian company [Fully taxable in hands of shareholder]	12,00,000	
Interest on deposit Certificates issued under Gold Monetization Scheme, 2015 is exempt u/s 10(15)	-	12,00,000
Gross Total Income		**18,98,500**
Less: Deduction u/s 80C (Repayment of loan taken for purchase of house) [WN-4]	Nil	
Deduction u/s 80D (Health Insurance Premium) [WN-5]	32,000	32,000
Total Income (rounded off to nearest Rs. 10)		**18,66,500**
Tax on total income		3,72,450
Add: HEC @ 4%		14,898
Tax liability (rounded off to nearest Rs. 10)		**3,87,350**

Working Notes :

(1) Depreciation debited to profit and loss account will be added back and allowable depreciation as per Income tax Act, shall be reduced.

(2) An individual is liable to deduct tax at source on rent payments if his turnover in preceding financial year exceeds Rs. 1 crore. Presuming that turnover Mr. Pandey in preceding financial year exceeded Rs. 1 crore, he was liable to deduct tax at source. Since he has not deducted tax at source, 30% of rent payments shall be disallowed under Section 40(a)(ia) of the Act.

(3) Gifts given by one of the clients for successful presentation of case in the Income Tax Appellate Tribunal is value of benefit received from clients during the course of profession is taxable under section 28(iv) under the head Profits and gains from business or profession. Since the same has already been credited to profit and loss account, hence no adjustment is required.

(4) (i) Interest on borrowed capital is allowed as deduction under section 24.

Interest payable on loans borrowed for the purpose of acquisition, construction, repairs, renewal or reconstruction of house property can be claimed as deduction under section 24. Further, Interest payable on borrowed capital for the period prior to the previous year in which the property has been acquired or constructed, can be claimed as deduction over a period of 5 years in equal annual installments commencing from the year of acquisition or completion of construction.

It is stated that the possession of property will be handed over in October, 2025. Hence, deduction under Section 24 in respect of interest on housing loan cannot be claimed in the assessment year 2025-26.

(ii) Section 80C is attracted where there is any payment for the purpose of purchase or construction of a residential house property, the income from which is chargeable to tax under the head 'Income from house property'.

However, deduction is prima facie eligible only if the income from such property is chargeable to tax under the head "Income from House Property". During the assessment year 2025-26, there is no such income chargeable under this head, hence, deduction under section 80C cannot be claimed for assessment year 2025-26.

(5) (a) Premium paid to insure the health of his parents being senior citizen is eligible for deduction under section 80D upto Rs. 30,000, even though they are not dependent.

(b) Expenditure on preventive health check up for himself and spouse is eligible for deduction up to Rs. 5,000 even if payment is made in cash.

Q-95. From the following particulars furnished by Mr. Ganesh, aged 58 years, a resident Indian for the previous year ended 31-03-2025, you are requested to compute his total income and tax liability under normal as well as special provisions (AMT), if any, applicable to him for the Assessment Year 2025-26 if he has exercised the option of shifting out of the default tax regime provided under section 115BAC(1A).

(i) He occupies ground floor of his residential building and has let out first floor for residential use at an annual rent of Rs. 2,28,000. He has paid municipal taxes of Rs. 60,000 for the current financial year.

(ii) 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 Rs. 200 lakhs, which includes Rs. 140 lakhs from export turnover. This industrial undertaking fulfills all the conditions of section 10AA of the Income-tax Act, 1961. Profit from this industry is Rs. 25 lakhs.

(iii) He received royalty of Rs. 2,88,000 from abroad for a book authored by him on the nature of artistic. The rate of royalty as 18% of value of books and expenditure made for earning this royalty was Rs. 40,000. The amount remitted to India till 30th September, 2025 is Rs. 2,30,000.

(iv) Received, 40,000 as interest on saving bank deposits.

(v) Received Rs. 47,000 as share of profit from an AOP where all the members are individual and which had paid the tax by normal rates of income tax.

(vi) He also sold his vacant land on 10-06-2024 for Rs. 10 lakhs. The stamp duty value of land at the time of transfer was Rs. 14.68 lakhs. The FMV of the land as on 1st April, 2001 was Rs. 4 lakhs. This land was acquired by him on 05-08-1995 for Rs. 1.80 lakhs. He had incurred registration expenses of Rs. 10,000 at that time. The cost of inflation index for the year 2024-25 and 2001-02 are 363 and 100 respectively.

(vii) He paid the following amounts, out of his taxable income :

(a) Insurance premium of Rs. 39,000 paid on life insurance policy of son, who is not dependent on him.

(b) Insurance premium of Rs. 48,000 on policy of his dependent father,

(c) Tuition fees of Rs. 42,000 for his three children to a school. The fees being Rs. 14,000 p.a. per child.

Ans. Computation of total income of Mr. Ganesh for A.Y. 2025-26 :

	Particulars	**Rs.**	**Rs.**	**Rs.**
I	**Income from house property**			
	Let out portion [First floor]			
	Gross Annual Value [Rent received is taken as GAV, in the absence of other information]		2,28,000	
	Less: Municipal taxes paid by him during the PY pertaining to let out portion [Rs. 60,000/2]		30,000	
	Net Annual Value (NAV)		1,98,000	
	Less: Deduction u/s 24			
	Standard Deduction - 30% of Rs. 1,98,000		59,400	
			1,38,600	

	Self-occupied portion [Ground Floor]			
	Annual Value [No deduction is allowable in respect of municipal taxes paid]		Nil	1,38,600
II	**Profits and gains of business or profession**			
	Income from SEZ unit		25,00,000	
	Share income from AOP (since AOP has paid tax at normal rates, share income from AOP will be included in computation of total income of a member as per section 86)		47,000	25,47,000
III	**Capital Gains**			
	Long-term capital gains on sale of land (since held for more than 24 months)			
	Full Value of Consideration [Higher of stamp duty value of Rs. 14.68 lakhs and Actual consideration of Rs. 10 lakhs, since stamp duty value exceeds actual consideration by more than 10%]		14,68,000	
	Less: Indexed Cost of acquisition [Rs. 4,00,000 × 363/100] (Since tax liability will be lower after indexation benefit, hence he will take the benefit of indexation,) **Cost of acquisition :** **Higher of –** ➢ Actual cost Rs. 1.80 lakhs + Rs. 0.10 lakhs = Rs.		14,52,000	16,000

	1.90 lakhs; and ➢ Fair Market Value (FMV) as on 1-4-2001 = Rs. 4 lakhs			
IV	**Income from Other Sources**			
	Royalty from artistic book		2,88,000	
	Less: Expenses incurred for earning royalty		40,000	
			2,48,000	
	Interest on savings bank deposits		40,000	
				2,88,000
	Gross Total Income			**29,89,600**
	Less: Deduction under section 10AA [Since the industrial undertaking is established in SEZ, it is entitled to deduction under section 10AA @ 100% of export profits, since P.Y. 2024-25 being the 6th year of operations] [Profits of the SEZ × Export Turnover/Total Turnover] × 50% [Rs. 25 lakhs × Rs. 140 lakhs/ Rs. 200 lakhs × 50%]			8,75,000
	Less: Deduction under Chapter VI-A **Deduction under section 80C**			
	Tuition fee paid for maximum of two children is allowable (Rs. 14,000 × 2)	28,000		
	Life Insurance premium paid on policy of son allowable, even though not dependent on Mr. Ganesh	39,000		

	Insurance premium paid on life insurance policy of father not allowable, even though father is dependent on Mr. Ganesh	-	67,000	
	Deduction under section 80QQB			
	Royalty [Rs. 2,88,000 × 15/18 = Rs. 2,40,000, restricted to amount brought into India in convertible foreign exchange Rs. 2,30,000 minus Rs. 40,000 expenses already allowed as deduction while computing royalty income]		1,90,000	
	Deduction under section 80TTA			
	Interest on savings bank account, restricted to Rs. 10,000		10,000	
				2,67,000
	Total income			**18,47,600**

Computation of tax liability of Mr. Ganesh for A.Y. 2025-26 under the normal provisions of the Act :

Particulars	**Rs.**
Tax on total income	
Tax on LTCG of Rs. 16,000 @ 20%	3,200
Tax on remaining total income of 18,31,600	3,61,980
	3,65,180
Add: Health and education cess @ 4%	14,607

Total tax liability	**3,79,790**

Computation of tax liability of Mr. Ganesh for A.Y. 2025-26 under the special provisions of the Act :

Particulars	Rs.
Computation of adjusted total income :	
Total income as per the normal provisions of the Act	18,47,600
Add: Deduction u/s 10AA	8,75,000
Deduction u/s 80QQB	1,90,000
Adjusted Total Income	**29,12,600**
AMT @ 18.5%	5,38,831
Add: HEC @ 4%	21,553
AMT liability (rounded off)	**5,60,380**

Since the regular income tax payable is less than the AMT, the adjusted total income of Rs. 29,12,600 would be deemed to be the total income and tax would be payable @ 18.5% plus HEC @ 4%. The total tax liability would be Rs. 5,60,380.

Q-96. XYZ Ltd. has supplied goods to local authority for Rs. 11,80,000 (inclusive of GST @ 18%). Determine the amount of tax to be deducted at source. Also determine the interest liability if the tax deducted at source on 25-12-2024 is deposited on 28-03-2025.

Ans. As per provisions of Section 51(1) of the Act, the local authority has to deduct tax @ 2% (1% CGST and 1% SGST) from the payment made or credited to the supplier of taxable goods or services or both, where the total value of such supply, under a contract, exceeds Rs. 2,50,000. Such tax has to be paid to the Government by the deductor within 10 days after the end of the month in which such deduction is made, in such manner as may be prescribed otherwise interest shall be levied @ 18% p.a. for the period for which the tax or any part thereof remains unpaid. Hence, the amount of tax to be deducted at source shall be 2% of Rs. 10,00,000 = Rs. 20,000 [i.e. Rs. 10,000 - CGST and Rs. 10,000- SGST]

Computation of Interest on delay in deposit of TDS :

Particulars		**Rs.**
Due date for deposit of TDS	[A]	10-01-2025
Date of payment of GST	[B]	28-03-2025
Period of delay (in days)	[C = B - A]	77
Amount of TDS	[D]	20,000
Interest payable @ 18 % p.a. for delay in payment of days [D × 18% × C ÷ 365 days]		759

Q-97. M/s. Manmohak Apparels, is registered under GST in Madhya Pradesh. It sells leather handbags across India through e-commerce operator Pingpong. Pingpong, is also registered with Madhya Pradesh GST Authority as TCS collector. M/s. Manmohak Apparels made sales of Rs. 3,45,000/- and received sales returns of Rs. 67,700/- in the month of October, 2024. Sales are inclusive of tax. Leather handbags are taxable @ 18% GST. Determine the amount of tax to be collected at source.

Ans. As per Section 52 of CGST Act, every electronic commerce operator not being an agent, shall collect an amount calculated @ 0.25% CGST and @ 0.25% SGST, of the net value of taxable supplies made through it by other suppliers where the consideration with respect to such supplies is to be collected by the operator.

"Net value of taxable supplies" shall mean the aggregate value of taxable supplies of goods or services or both, other than services notified under Section 9(5), made during any month by all registered persons through the operator reduced by the aggregate value of taxable supplies returned to the suppliers during the said month.

The amount of tax to be collected at source shall be determined as under –

Particulars	Rs.
Value of taxable supplies of goods made by Manmohak Apparels.	3,45,000
Less: Value of taxable supplies of goods returned to Manmohak Apparels.	67,700
Net Value of taxable supplies inclusive of 18% GST	2,77,300
Less: GST [Rs. 2,77,300 × 18 ÷ 118]	42,300
Net Value of taxable supplies on which tax is to be collected at source	2,35,000
Rate of TCS [0.25% CGST and 0.25% SGST]	0.5%
Amount of TCS	**1,175**

Q-98. Mohan, a registered person in Salem, Tamil Nadu, makes intra-State supply of taxable goods amounting to Rs. 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?

Ans. 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 Rs. 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 Rs. 11,50,000 (Rs. 13,57,000 × 100/118),

TDS @ 1% on payment of each of the instalment of Rs. 2,30,000 (Rs. 11,50,000/5), i.e. Rs. 2,300 each under CGST and SGST is to be deducted even though the individual payment is less than Rs. 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 10th of the succeeding month.

Q-99. Mr. X, a registered taxpayer under regular scheme, did not make any taxable supply during the month of July. Is he required to file a GSTR-3B if he is monthly filer?

Ans. A registered taxpayer is required to furnish a return under section 39 for every month (every quarter in case of quarterly filers) even if no supplies have been effected during such period. In other words, filing of Nil GSTR-3B is also mandatory.

Therefore, being a monthly filer, Mr. X is required to file GSTR-3B even if he did not make any taxable supply during the month of July.

Q-100. List the details of outward supplies which can be furnished using Invoice Furnishing Facility (IFF). Also briefly list the cases where a registered person is debarred from furnishing details of outward supplies in GSTR-1/IFF.

Ans. 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.

Cases where a registered person is debarred from furnishing details of outward supplies in GSTR-1/using IFF:

(i) A registered person is not allowed to furnish Form GSTR-1, if he has not furnished the return in Form GSTR-3B for the preceding for the preceding 1 month.

(ii) A registered person, opting for QRMP (Quarterly Return Monthly Payment) scheme is not allowed to furnish Form GSTR-1/using IFF, if he has not furnished the return in Form GSTR-3B for preceding tax period.

(iii) a registered person, to whom an intimation has been issued on the common portal under the provisions of rule 88C(1) in respect of a tax period, shall not be allowed to furnish the details of outward supplies in Form GSTR-1 or using IFF for a subsequent tax period, unless he has either deposited the amount specified in the said intimation or has furnished a reply explaining the reasons for any amount remaining unpaid, as required under the provisions of rule 88C(2).

(iv) Excess ITC claimed in GSTR 3B in comparison of ITC as per GSTR-2B for which intimation has been issued and such tax has not been not paid or reasons not explained.

(v) Non furnishing of bank account details as per the provisions of rule 10A.