Mock Test Paper - Series I: July, 2026

Date of Paper: 29th July, 2026

Time of Paper: 10 A.M. to 1 P.M.

INTERMEDIATE COURSE: GROUP - I

PAPER – 3: TAXATION

SECTION – A: INCOME TAX LAW

SOLUTIONS

Division A – Multiple Choice Questions

MCQ No.	Most Appropriate Answer	
1.	**(c)**	₹ 1,84,000
2.	**(b)**	₹ 1,35,000
3.	**(b)**	₹ 2,00,000
4.	**(c)**	Non-resident
5.	**(d)**	No, there is no requirement to deduct tax at source under section 194-IB, since Mr. Prakash is a non-resident
6.	**(d)**	Advance tax liability shall arise, since his tax liability is not less than ₹ 10,000
7.	**(c)**	₹ 13 lakhs
8.	**(c)**	₹ 5,46,000

Division B – Descriptive Questions

1. **Computation of Total Income of Ms. Sana for the A.Y.2026-27 under default tax regime under section 115BAC**

Particulars	₹	₹	₹
Income from house property			
Gross Annual Value[1]		90,000	
Less: Municipal taxes paid		9,000	

[1] *Rent received has been taken as the Gross Annual Value in the absence of other information relating to Municipal Value, Fair Rent and Standard Rent.*

Net Annual Value (NAV)			81,000	
Less: Deduction under section 24(a) – 30% of NAV = 30% of ₹ 81,000			24,300	56,700
Profits and gains of business or profession				
Net profit as per Profit and loss account			25,91,000	
Add: Expenses debited but not allowable				
(i)	Purchase of car [Amount paid for purchase of car is not allowable since it is a capital expenditure]	3,00,000		
(ii)	Municipal tax paid in respect of house property [allowable as deduction under the head "Income from house property"]	9,000		
(iii)	Payment made to tax consultant in cash [disallowed under section 40A(3), since such cash payment exceeds ₹ 10,000]	50,000		
(iv)	Travel expenditure on foreign professional tour [Since it is incurred in connection with professional work, the same is allowable as deduction. As it has already been debited to profit and loss account, no further adjustment is required]	-		
(v)	Repair and maintenance of car [Repairs and maintenance paid in advance for the period 1.4.2026 to 30.9.2026 i.e. for 6 months amounting to ₹ 17,500 is not allowable as deduction, since Ms. Sana is following the accrual system of accounting]	17,500	3,76,500	
			29,67,500	
Less: Income credited but not taxable under this head:				
(i)	Dividend from an Indian company (taxable under the head "Income from Other Sources")	11,00,000		
(ii)	Interest on deposit certificates issued under gold monetization scheme, 2015 (taxability or otherwise to be considered under the head "Income from Other Sources")	25,000		

(iii) Honorarium for valuation of answer papers	50,000		
(iv) Rent received in respect of house property	90,000	12,65,000	
		17,02,500	
Less: Depreciation on car @15%		45,000	16,57,500
Income from Other Sources			
Dividend from an Indian company		11,00,000	
Interest on deposit certificates issued under gold monetization scheme, 2015 [Exempt under section 10(15)]		-	
Honorarium for valuation of answer papers		50,000	11,50,000
Gross Total Income			**28,64,200**
Less: Deduction under Chapter VI-A [Deduction under section 80D would not be allowable]			-
Total Income			**28,64,200**

Computation of tax payable under default tax regime under section 115BAC

Particulars		**₹**
Tax on total income of ₹ 28,64,200		
Upto ₹ 4,00,000	Nil	
₹ 4,00,001 – ₹ 8,00,000 [i.e., ₹ 4,00,000@5%]	20,000	
₹ 8,00,001 – ₹ 12,00,000 [i.e., ₹ 4,00,000@10%]	40,000	
₹ 12,00,001 – ₹ 16,00,000 [i.e., ₹ 4,00,000@15%]	60,000	
₹ 16,00,001 – ₹ 20,00,000 [i.e., ₹ 4,00,000@20%]	80,000	
₹ 20,00,001 – ₹ 24,00,000 [i.e., ₹ 4,00,000@25%]	1,00,000	
₹ 24,00,001 – ₹ 28,64,200 [i.e., ₹ 4,64,200 @30%]	1,39,260	4,39,260
Add: Health and Education cess@4%		17,570
Tax Liability		**4,56,830**

Computation of total income and tax payable by Ms. Sana for the A.Y.2026-27 under regular provisions of the Act

Particulars		₹
Gross Total Income		28,64,200
[Income under the "Income from house property" "Profits and gains from business or profession" and "Income from other sources" would remain the same under regular provisions of the Act]		
Less: Deductions under Chapter VI-A		
Section 80D		
Medical insurance premium paid online for parents, being senior citizens	47,000	
Payment made in cash of ₹ 8,500 for preventive health check-up for self and spouse restricted to	5,000	52,000
Total Income		**28,12,200**
Tax on total income of ₹ 28,12,200		
Upto ₹ 2,50,000	Nil	
₹ 2,50,001 – ₹ 5,00,000 [i.e., ₹ 2,50,000@5%]	12,500	
₹ 5,00,001 – ₹ 10,00,000 [i.e., ₹ 5,00,000@20%]	1,00,000	
₹ 10,00,001 – ₹ 28,12,200 [i.e., ₹ 18,12,200 @30%]	5,43,660	
		6,56,160
Add: Health and Education cess@4%		26,246
Tax Liability		**6,82,406**
Tax Liability (Rounded off)		**6,82,410**

Note *– Since the tax liability under default tax regime under section 115BAC is lower than the tax liability under the regular provisions of the Act, it would be beneficial for Ms. Sana to pay tax under default tax regime under section 115BAC for A.Y. 2026-27.*

2. (a) Computation of capital gain tax paid by Mr. Sharma for A.Y. 2026-27

Particulars	Amount (₹)	Amount (₹)
On sale of jewellery		
Sale consideration	4,75,000	
Less: Cost of acquisition	3,25,000	
Long term capital gains [Since jewellery held for more than 24 months]		1,50,000

<u>On sale of house property</u>		
Full Value of Consideration [Stamp duty value of ₹ 90 lakhs, since stamp duty value of ₹ 90 lakhs exceed actual consideration of ₹ 80 lakhs by more than 10%]	90,00,000	
Less: Cost of acquisition [₹ 10,00,000]	10,00,000	80,00,000
Cost of acquisition **Higher of -**Actual cost ₹ 8,80,000 + ₹ 8,800 = ₹ 8,88,800 and - Lower of Fair Market Value (FMV) as on 1.4.2001 of ₹ 10.8 lakhs and stamp duty value of ₹ 10 lakhs.		
Capital Gain chargeable to tax		**81,50,000**
Tax on capital gains		
Tax on LTCG on sale of jewellery [₹ 1,50,000 x 12.50%]	18,750	
Tax @12.5% on LTCG on sale of house property [As the asset is a long term capital asset, being land or building acquired before 23.07.2024 and transferred on or after 23.07.2024 by a resident individual, the tax shall be computed with indexation @20% and without indexation @12.5%, whichever is beneficial to the assessee.]	10,00,000	
Tax @20% with indexation – Sale consideration ₹ 90,00,000 *Less:* Indexed cost of acquisition ₹ 10,00,000 x 376/100 = ₹ 37,60,000 LTCG = ₹ 52,40,000 Tax @20% = ₹ 52,40,000 x 20% = ₹ 10,48,000 Tax @12.5% without indexation - Tax @12.5% = ₹ 80,00,000 x 12.5% = ₹ 10,00,000		
		10,18,750
Add: Surcharge @10% [Since total income exceeds ₹ 50 lakhs but does not exceed ₹ 1 crore]		1,01,875
		11,20,625
Add: HEC@4%		44,825
Tax on capital gain		**11,65,450**

(b) Determination of Residential Status:

An individual is said to be a resident in India for a previous year if he fulfills any one of the following basic conditions:

(i) stays in India for a total period of 182 days or more during the relevant previous year, or

(ii) stays in India for at least 60 days during the previous year and stayed for 365 days or more during the 4 years immediately preceding that previous year.

Mr. Kabir, being an Indian citizen, satisfies the first basic condition as he was present in India for 188 days (20+17+30+31+31+28+31) during the previous year 2025-26. Therefore, he is a resident in India for the A.Y. 2026-27.

Furthermore, a resident individual would be "Resident but Not Ordinarily Resident" (RNOR) if he fulfils any of the following additional conditions:

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

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

Since Mr. Kabir's stayed in India during the 7 years immediately preceding the previous year 2025-26 was less than 700 days, his status would be "Resident but Not Ordinarily Resident (RNOR)" for the A.Y. 2026-27.

Computation of Total Income of Mr. Kabir for the A.Y. 2026-27 as per normal provision of the Act

Particulars	Amount (₹)	Amount (₹)
Long-term capital gains on the sale of listed equity shares of an Indian company (Alpha India Ltd.) is taxable in India since the income accrued or arisen in India, regardless of the fact that the proceeds were credited to a bank account in the UK.		1,12,000
Income from Other Sources		
Dividend received from Beta Industries Ltd. (taxable as it accrued/arisen in India)	40,000	
Less: Interest expenditure on loan taken for investment (restricted to 20% of dividend income)	(8,000)	32,000

Interest on post office savings bank account	9,500	
Less: Exemption under section 10(15)	(3,500)	6,000
Gross Total Income		**1,50,000**
Less: Deduction under Section 80TTA (Interest on Post office savings bank account allowed up to a maximum of ₹ 10,000)		(6,000)
Total Income		**1,44,000**

3. (a) Computation of Taxable Salary of Mr. Vikram for A.Y. 2026-27 as per normal provision of the Act

Particulars		**₹**	**₹**
Basic Salary [(₹ 75,000 x 8) + (₹ 85,000 x 4)]			9,40,000
Dearness allowance [50% of basic salary]			4,70,000
Employer's contribution to recognized provident fund [18% x ₹ 9,40,000]		1,69,200	
Less: Exempt upto 12% of basic salary and D.A. forms part of retirement benefit [12% x ₹ 11,28,000]		1,35,360	33,840
Taxable allowances			
Entertainment allowance			10,000
Conveyance allowance [Exempt, since it is based on actual reimbursement for official purpose]			-
House rent allowance		1,92,000	
Less: Least of the following exempt under section 10(13A)		91,200	1,00,800
(i) HRA received	1,92,000		
(ii) Rent paid (-) 10% of salary [₹ 2,04,000 – 10% x ₹ 11,28,000]	91,200		
(iii) 40% of salary [40% x ₹ 11,28,000]	4,51,200		
Taxable Perquisite			
Professional tax paid by the employer [Perquisite includes any sum paid by the employer in respect of any obligation which would have been payable by the employee]			1,800

Interest on loan [Not a perquisite, since loan is for medical treatment of his brother for tuberculosis treatment assuming his brother is dependent on him]		-
Provision of education facility [₹ 900 x 12]		10,800
Leave travel concession	45,000	
Less: Exempt	45,000	-
[Mr. Vikram can avail exemption on the entire amount of ₹ 45,000 reimbursed by the employer towards leave travel concession since the leave travel concession was availed for himself, wife and three children and the journey was undertaken by economy class airfare. The restriction imposed for two children is not applicable in case of multiple birth which take place after the first child.]		
Gross Salary		15,67,240
Less: Deduction under section 16		
Professional tax paid	2,200	
Standard Deduction, lower of salary or ₹ 50,000	50,000	52,200
Taxable Salary		15,15,040

(b) (i) If an individual has total sales, turnover or gross receipts, as the case may be, in the business exceeding ₹ 60 lakhs during the previous year, he would be required to file a return of income, even if his total income does not exceed the basic exemption limit.

Since, Mr. Rajesh's turnover from the business is ₹ 65,00,000 he is required to file his return of income for A.Y. 2026-27 on or before the due date under section 139(1).

(ii) If an individual has incurred aggregate amount of expenditure exceeding ₹ 1 lakh towards consumption of electricity during the previous year, he would be required to file a return of income, even if his total income does not exceed the basic exemption limit.

Since Mr. Suresh does not have total income exceeding the basic exemption limit and has incurred a total expenditure of ₹ 90,000 only in the P.Y.2025-26 towards consumption of electricity, he is not required to file his return of income for A.Y. 2026-27.

(iii) Even though the total income of an individual does not exceed the basic exemption limit, he would be required to file his return of income if

- he has deposited an amount or aggregate of the amounts exceeding ₹ 1 crore in one or more current accounts maintained with a banking company or a co-operative bank during the previous year or
- the deposit in one or more savings bank account of the person, in aggregate, is ₹ 50 lakhs or more during the previous year.

In this case, he has deposited only ₹ 75 lakhs in current account in Axis account during the P.Y. 2025-26 but has deposited ₹ 65 lakhs in savings bank account (₹ 40 lakhs in SBI and ₹ 25 lakhs in HDFC) during the P.Y. 2025-26, hence, he is required to file a return of income for A.Y. 2026-27 on or before the due date under section 139(1).

(iv) If an individual has aggregate TDS and TCS credit of ₹ 25,000 or more during the previous year, he would be required to file a return of income, even if his total income does not exceed the basic exemption limit.

In this cash, TDS of ₹ 40,000 i.e., @2% on ₹ 20 lakhs, would have been deducted by HDFC Bank under section 194N on cash exceeding ₹ 1 crore withdrawn by Mr. Kamal during the P.Y. 2025-26. Hence, he is required to file his return of income for A.Y. 2026-27 on or before the due date under section 139(1).

4. (a) Computation of the gross total income of Mr. Sharma for the A.Y. 2026-27

Particulars	Amount (₹)	Amount (₹)
Income from Salary (Computed)		27,40,000
Income from house property		
Income derived from the let-out property situated in Jaipur	5,50,000	
Less: Set-off of the loss incurred from the let-out property situated in Agra	(3,75,000)	
Less: Interest under section 24(b) is not allowed for the self-occupied property because Mr. Sharma opted for the tax regime under section 115BAC.	-	
Less: Loss from the let out property in Agra for the A.Y. 2025-26 cannot be set-off against the current year's house property income, since Mr. Sharma paid tax under section 115BAC during the A.Y.		1,75,000

2025-26, and no deduction for such house property loss from that year is permitted in subsequent years.		
Profits and gains from business or profession		
Profits derived from the manufacturing business	36,86,000	
Add: Additional depreciation, not allowable under section 115BAC	50,000	
	37,36,000	
Less: Brought forward business loss from the A.Y. 2025-26	(5,35,000)	
Less: Unabsorbed normal depreciation	(2,10,000)	29,91,000
Capital Gains		
Long-term capital loss from the sale of Tech Corp Inc. equity shares (where STT was paid) can be set-off only against long term capital gains. Therefore, this loss has to be carried forward.	-	
Income from Other Sources		
Net winnings from online games [35,000/70%]		50,000
Gross Total Income		**59,56,000**

Losses to be carried forward to the A.Y. 2027-28

Particulars	Amount (₹)
Brought forward loss from the activity of owning and maintaining racehorses for the A.Y. 2025-26 can be set-off only against income from the same activity. Thus, it has to be carried forward.	1,50,000
Long term capital loss arising from the sale of equity shares of TechCorp Inc. shares on which STT was paid.	1,25,000

(b) First Alternative

(i) Since Mr. Singh's turnover for F.Y.2024-25 exceeds 10 crores, and payments made by him to Mr. Sabharwal, a resident seller exceed ₹ 50 lakhs in the P.Y.2025-26, he is liable to deduct tax@0.1% of ₹ 45 lakhs (being the sum exceeding ₹ 50 lakhs) in the following manner –

No tax is to be deducted u/s 194Q on the payments made on 1.6.2025 and 12.8.2025, since the aggregate payments till that date i.e. ₹ 45 lakhs, has not exceeded the threshold of ₹ 50 lakhs.

Tax of ₹ 1,700 (i.e., 0.1% of ₹ 17 lakhs) has to be deducted u/s 194Q from the payment/ credit of ₹ 22 lakh on 23.11.2025 [₹ 22 lakh – ₹ 5 lakhs, being the balance unexhausted threshold limit].

Tax of ₹ 2,800 (i.e., 0.1% of ₹ 28 lakhs) has to be deducted u/s 194Q from the payment/credit of ₹ 28 lakhs on 25.3.2026.

(ii) M/s. Global Travels, being a seller of an overseas tour programme package has to collect tax at source under section 206C(1G) from Mr. Karthik on receiving amount for purchase of package. Accordingly, tax has to be collected @5% upto ₹ 10 lakhs received and @20% on amount exceeding above ₹ 10 lakhs.

M/s. Global Travels has to collect tax of ₹ 90,000, being ₹ 50,000 (5% of ₹ 10 lakhs) and ₹ 40,000 (20% of ₹ 2 lakhs).

State Bank of India, being an authorized dealer has to collect tax at source under section 206C(1G) @20% on amount in excess of ₹ 10 lakhs remitted under the LRS.

Since in the present case, amount remitted under LRS is ₹ 10 lakhs only, State Bank of India is not required to collect tax at source under section 206C(1G).

OR

(b) Second Alternative

An updated return can be furnished for the previous year relevant to the assessment year at any time within 48 months from the end of the relevant assessment year. Accordingly, the following are the suggestions to Ms. Pooja with respect to furnishing of the updated return on 28.5.2026 for A.Y. 2024-25 and A.Y. 2025-26:

A.Y. 2024-25:

For A.Y. 2024-25, an updated return can be furnished up to 31.3.2029. Thus, an updated return can be furnished on 28.5.2026.

Since the updated return would be furnished after the expiry of 12 months but before 24 months from the end of 31.3.2025, additional income tax would be payable @50% of the aggregate of tax (after taking into consideration tax deducted at source) and interest payable.

However in this case, since a refund of ₹ 4,40,000 (₹ 5,60,000, being tax liability - ₹ 10,00,000, being TDS deducted) would arise, an updated return cannot be furnished for A.Y. 2024-25.

A.Y. 2025-26:

For A.Y. 2025-26, an updated return can be furnished up to 31.3.2030. Thus, an updated return can be furnished on 28.5.2026.

Since the updated return would be furnished before the expiry of 12 months from the end of 31.3.2026, additional income tax would be payable @25% of the aggregate of tax (after taking into consideration tax deducted at source and self-assessment tax paid) and interest payable.

Accordingly, Ms. Pooja is required to pay additional income-tax of ₹ 1,05,000 i.e., 25% of ₹ 4,20,000 [₹ 3,30,000 (₹ 6,30,000 – ₹ 2,00,000 – ₹ 1,00,000) + ₹ 90,000] in addition to tax payable of ₹ 3,30,000, interest payable of ₹ 90,000 and late fees of ₹ 5,000.

SECTION B – GOODS AND SERVICES TAX (50 MARKS)

SUGGESTED ANSWERS

Division A - Multiple Choice Questions

Question No.	Answer
9.	**(a)** Reliance Retail Ltd.; Ronn Traders Pvt. Ltd.
10.	**(c)** ₹ 3,00,000; ₹ 30,000
11.	**(a)** Priyanka & Co. since it is registered under GST.
12.	**(a)** ₹ 2,30,000
13.	**(b)** CGST - ₹ 10,080; SGST - ₹ 10,080
14.	**(c)** 10th December
15.	**(a)** The entire contract is supply of service under GST.
16.	**(c)** Credit note

Division B - Descriptive Questions

5. (a) Computation of net GST payable in cash

Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
Output tax liability [Refer Working Note 1]	31,500	31,500	54,000
Less: ITC available [Refer Working Note 2]	2,250	2,250	-
Net GST payable	29,250	29,250	54,000
Add: Rent paid for residential unit [Service by way of renting of residential dwelling to a registered person is taxable under reverse charge mechanism. Further, tax payable under reverse charge has to be paid in cash since amount available in the electronic credit ledger can be used only for making any payment towards output tax.	2,250	2,250	

Tax payable on reverse charge basis is not an output tax.]			
Total GST payable in cash	**31,500**	**31,500**	**54,000**

Working Notes

1. **Computation of output tax payable by M/s Rudra & Co. for the month of October**

Particulars	Amount (₹)	CGST (₹)	SGST (₹)	IGST (₹)
Intra-State taxable supply of DSA service [Since DSA services are provided by partnership firm, so taxable under forward charge]	2,50,000	22,500	22,500	
Training and performance appraisal services to Fabor Private Limited [Taxable; the place of supply of services in relation to training and performance appraisal to a registered person, shall be the location of such person. Thus, place of supply is Kerala and hence an inter-State transaction.]	3,00,000			54,000
Training and performance appraisal services to Dhruv Enterprises [Taxable, the place of supply of services in relation to training and performance appraisal to an unregistered person, shall be the location where the services are actually	1,00,000	9,000	9,000	

performed. Thus, place of supply is Bengaluru, hence Intra-State transaction]				
Total output tax		**31,500**	**31,500**	**54,000**

2. **Computation of ITC that can be availed by M/s Rudra & Co. for the month of October**

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
Information Technology services availed [Import of services from a non-related person without consideration, in the course or furtherance of business is not a supply.]	-	-	-
Rent paid to residential dwelling for providing DSA services [ITC is available as services are used in the course or furtherance of business.]	2,250	2,250	-
Purchase of car [Blocked credit in terms of section 17(5) of the CGST Act, 2017]			Nil
Total ITC	**2,250**	**2,250**	**-**

(b)

S. No.	Particulars
(i)	Cloak room services provided to passengers [Exempt since services provided by Ministry of Railways (Indian Railways) to individuals by way of cloak room services are exempt.]
(ii)	Service of transportation of passengers in second class [Exempt since service of transportation of passengers by railways in a class other than first class or an air-conditioned coach is exempt.]
(iii)	Platform tickets sold to passengers [Exempt since services provided by Ministry of Railways (Indian Railways) to individuals by way of sale of platform tickets are exempt.]

(iv)	Renting of warehouse located in Bengaluru railway station to Paras Traders, registered in Chennai [Taxable since services supplied by the Ministry of Railways (Indian Railways) by way of renting of immovable property to a person registered under GST law are not exempt. Further, tax on said services is payable by the Railways under forward charge.]
(v)	Service of transportation of passengers in air-conditioned coaches [Service of transportation of passengers by railways in a class other than first class or an air-conditioned coach is exempt. Thus, service of transportation of passengers in air-conditioned coaches is taxable.]

6. **(a)** In respect of goods, the place of supply is the location at which such goods are taken on board.

However, in respect of services, the place of supply is the location of the first scheduled point of departure of that conveyance for the journey.

Accordingly, place of supply in given case will be as follows:

(i) **Packaged sandwich (goods):** The place of supply of goods supplied on board a conveyance is the location at which the goods are taken on board, i.e., Vijayawada, Andhra Pradesh.

(ii) **Wi-Fi service (services):** The place of supply of services supplied on board a conveyance is the location of the first scheduled point of departure of the conveyance for that journey, i.e., Chennai.

(b) If the supply involves goods which are to be installed or assembled at site, the place of supply is the place of such installation or assembly.

Thus, the place of supply is the site of assembly of air-conditioners, i.e. Tamil Nadu.

(c) **(i)** If the composite supply of goods and services provided to local authority, in which the value of supply of goods constitutes not more than 25% of the value of the said composite supply, by way of any activity in relation to any function entrusted to a Municipality under article 243W of the Constitution, then it would be exempt under GST.

Further, it has been clarified vide a Circular that civil maintenance services received for the upkeep of the MCD office are not in relation to any function entrusted under Article 243W of the Constitution and thus not covered under the exemption. Therefore, such civil maintenance services are not exempt and hence taxable.

(ii) Services provided by a partnership firm of advocates to the Central Government, State Government, Union territory, local authority, Governmental Authority or Government Entity are exempted from GST. Thus, legal services provided by Balbeer Associates, a firm of advocates, to the State Government for representation before the High Court are exempted from GST.

(iii) Services provided by way of vehicle parking to general public are not specifically exempted from GST. Therefore, GST is payable on the same.

(iv) Services by way of transportation of students provided to an educational institution which is engaged in providing services by way of pre-school education and education up to higher secondary school or equivalent are exempted from GST. Therefore, in the given case, the services provided by private transport operator are exempt.

7. **(a)** 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 Dhaniram Kirana Stores since M/s. Bob & Sons, who is making the outward movement of goods, is a regular return filer.

(b) The order of discharge of GST liability under section 49(8) of the CGST Act is as under:

(i) self-assessed tax, interest, penalty, fee or any other amount related to returns of the previous tax periods.

(ii) self-assessed tax, interest, penalty, fee or any other amount related to returns of the current tax period.

(iii) any other amount payable including demand determined under section 74A,

In view of the above provisions, Mr. Dharam cannot clear his liability of demand notice under section 74A first.

The order of discharge of liability of Mr. Dharam will be as under:

1. Tax, interest and penalty for the month of May, ₹ 30,000

2. Tax due for the month of June, ₹ 35,000

3. Liability arising out of demand notice u/s 74A, ₹ 48,000

8. (a) It is clarified by way of a circular that:

(i) supply of food or beverages in a cinema hall is taxable as 'restaurant service' as long as:

(a) the food or beverages are supplied by way of or as part of a service, and

(b) supplied independent of the cinema exhibition service.

(ii) where the sale of cinema ticket and supply of food and beverages are clubbed together, and such bundled supply satisfies the test of composite supply, the entire supply will attract GST at the rate applicable to service of exhibition of cinema, the principal supply.

OR

(a) The applicability of GST on honorarium paid to Guest Anchors is as under:

It is clarified that supply of all goods & services are taxable unless exempt or declared as 'neither a supply of goods nor a supply of service'. Services provided by the guest anchors in lieu of honorarium attract GST liability.

However, guest anchors whose aggregate turnover in a financial year does not exceed ₹ 20 lakh (₹ 10 lakh in case of specified Special Category States) shall not be liable to take registration and pay GST.

(b) Rule 88D of the CGST Rules, 2017 provides as follows:

Where the amount of ITC availed by a registered person in the return for a tax period(s) furnished by him in Form GSTR-3B exceeds the ITC available to such person in accordance with the auto-generated statement containing the details of ITC in Form GSTR-2B in respect of the said tax period(s), by specified amount and percentage, the said registered person shall be given an intimation in prescribed form electronically on the common portal, and a copy of such intimation shall also be sent to his e-mail address provided at the time of registration or as amended from time to time. Said intimation shall highlight the said difference and will direct him to—

(a) pay an amount equal to the excess ITC availed in the said Form GSTR-3B, along with interest payable under section 50 of the CGST Act, 2017, through prescribed form, or

(b) explain the reasons for the aforesaid difference in ITC on the common portal,

within a period of 7 days.

Such registered person shall, upon receipt of said intimation, either,

(a) pay an amount equal to the excess ITC, as specified in intimation, fully or partially, along with interest payable, through prescribed form and furnish the details thereof, electronically on the common portal, or

(b) furnish a reply, electronically on the common portal, incorporating reasons in respect of the amount of excess ITC that has still remained to be paid,

within 7 days' period.

Where any amount specified in the intimation remains to be paid within 7 days' period and where no explanation/reason is furnished by the registered person in default or where the explanation/reason furnished by such person is not found to be acceptable by the proper officer, the said amount shall be liable to be demanded in accordance with the provisions of section 74A of the CGST Act, 2017.