

PAPER – 3 : TAXATION

Part I – Multiple Choice Questions

Case Scenario -I

Mr. Rudra, a resident individual, had purchased 1,000 equity shares of XYZ Ltd. on 15th June, 2023 for ₹ 1,20,000 (including brokerage). On 1st March, 2026, the company announced a right issue offering 1 new share for every 2 shares held at ₹ 100 per share, when the market price of the share was ₹ 150. Mr. Rudra decided not to subscribe to the right and instead renounced his entire entitlement in favour of Mr. Suresh for a lump sum consideration of ₹ 40,000 on 10th March, 2026.

Mr. Rudra also held 10,000 equity shares in PQR Ltd. (Demerged Company), acquired on 1st April, 2022 for a total cost of ₹ 25,00,000. On 15th September, 2025, the company underwent a demerger approved by NCLT, transferring one of its undertakings to ABC Ltd. (Resulting Company). As per the scheme, Mr. Rudra received 4,000 equity shares in ABC Ltd. The net book value of assets transferred to the ABC Ltd. was ₹ 80 crore, while the net worth of PQR Ltd. immediately before demerger was ₹ 200 crore. No consideration was paid for the new shares. Mr. Rudra sold 2,000 shares of ABC Ltd. on 20th February, 2026 for ₹ 18,00,000 (excluding brokerage ₹ 15,000).

(CII for 2023-24: 348; 2025-26:376)

Based on the facts of the case scenario given above, choose the most appropriate answer to the following questions number **1** to **3**:

1. What would be the amount of capital gain/loss in the hand of Mr. Rudra and the start date of holding period for the renounced right?
 - (A) Long-term Capital Gain of ₹ 40,000 and the holding period of renounced right will start from 15th June, 2023.
 - (B) Short-term Capital Gain of ₹ 40,000 and the holding period of renounced right will start from 1st March, 2026.
 - (C) Long-term Capital Loss of ₹ 24,828 and the holding period of renounced right will start from 15th June, 2023.

(D) Short-term Capital Loss of ₹ 10,000 and the holding period of renounced right will start from 1st March, 2026. **(2 Marks)**

2. What is the cost of acquisition per share of the shares received in ABC Ltd.?

(A) ₹ 250

(B) ₹ 100

(C) ₹ 500

(D) ₹ NIL

(2 Marks)

3. What would be the Capital gain on sale of 2,000 shares of ABC Ltd. on 20th February, 2026?

(A) Short-term Capital Gain of ₹ 17,85,000

(B) Long-term Capital Gain of ₹ 7,85,000

(C) Short-term Capital Gain of ₹ 15,85,000

(D) Long-term Capital Gain of ₹ 12,85,000

(2 Marks)

Case Scenario - II

Mrs. Manon, a resident individual, purchased a residential house property on 22.07.1999 for ₹ 10,00,000. The fair market value of the house as on 01.04.2001 was ₹ 12,00,000. She had incurred ₹ 5,08,000 on its improvement on 01.01.2016. The house was compulsory acquired by the Government on 01.08.2024 and compensation fixed is ₹ 60,00,000, half of which was paid by the Government on 30.10.2025 and the balance paid on 30.06.2026.

Mrs. Manon had filed an appeal for increasing the compensation and the court gave the final decision on 31.03.2026 directing the Government to pay additional compensation of ₹ 6,00,000. The Government has paid the additional compensation amount on 01.09.2026.

Miss Maina, her minor daughter, aged 16 years won a debate competition during the annual competition held at her school and received a cash award of ₹ 25,000 and she also earned interest of ₹ 8,500 on the balance maintained in her savings bank account.

Mr. Manon, a postgraduate resident individual, is engaged in a proprietary garment business and earned a net profit of ₹ 22,10,000 for the Previous Year

2025-26. In addition, he is employed as a sales manager with M/s CHA Private Limited and draws a monthly salary of ₹ 1,80,000. Mrs. Manon holds 30% equity shares in the said company. The school fees of Miss Maina were remitted from Mrs. Manon's bank account.

Mrs. Manon filed her return of income for the AY 2026-27 on 1st September, 2026 consisting of income from business, income from capital gain and interest from saving bank account. Subsequently, she realized that she had forgotten to claim a genuine business expenditure amounting to ₹ 2,50,000, so she wants to file a revised return to claim such expenditure.

(Cost Inflation Index: FY 2001-02: 100; 2015-16: 254; 2024-25: 363; 2025-26: 376.)

From the information given above, answer the multiple-choice questions number 4 to 6 on the assumption that both Mr. and Mrs. Manon opted to pay tax under default tax regime provided under section 115BAC(1A) for Assessment Year 2026-27.

4. What will be the amount of income taxable in the hands of Mrs. Manon under the head 'Capital Gains' for AY 2026-27?

- (A) Long-term Capital Gain of ₹ 48,92,000
- (B) Long-term Capital Gain of ₹ 42,92,000
- (C) Long-term Capital Gain of ₹ 15,18,000
- (D) Long-term Capital Gain of ₹ 9,18,000

(2 Marks)

5. In whose hands income of minor daughter will be clubbed for AY 2026-27?

- (A) ₹ 33,500 shall be taxable in the hands of Mrs. Manon and nothing will be taxable in the hands of Mr. Manon.
- (B) ₹ 7,000 shall be taxable in the hands of Mr. Manon and nothing will be taxable in the hands of Mrs. Manon.
- (C) ₹ 8,500 shall be taxable in the hands of Mrs. Manon and nothing will be taxable in the hands of Mr. Manon.
- (D) ₹ 8,500 shall be taxable in the hands of Mr. Manon and nothing will be taxable in the hands of Mrs. Manon.

(2 Marks)

6. As per the relevant provisions for filing of revised return what would be the most appropriate correct option out of the following?

- (A) Only a return furnished u/s 139(1) can be revised upto the end of relevant assessment year.
- (B) The return furnished u/s 139(1) or a return furnished u/s 139(4) can both be revised upto the end of the relevant assessment year or before the completion of assessment, whichever is earlier.
- (C) The return furnished u/s 139(1) or a return furnished u/s 139(4) can both be revised at any time before 3 months prior to the end of the relevant assessment year or before the completion of assessment, whichever is earlier.
- (D) The return furnished u/s 139(1) or a return furnished u/s 139(4) can both be revised at any time upto 3 months from the end of the relevant assessment year or before the completion of assessment, whichever is earlier.

(2 Marks)

7. Ms. Ananya is a freelance interior designer and opts for the presumptive taxation scheme under the Income-tax Act for the Financial Year 2025-26. Her gross professional receipts during the year amount to ₹ 42 lakhs. She does not maintain regular books of account.

Apart from her individual practice, Ms. Ananya is also a partner in Creative Spaces LLP, a firm engaged in providing architectural and interior design consultancy services. The gross receipts of Creative Spaces LLP for the Financial Year 2025-26 amount to ₹ 58 lakhs.

Considering the provisions relating to payment of advance tax applicable for the Assessment Year 2026-27, which of the following statements is correct?

- (A) Both Ms. Ananya and Creative Spaces LLP are required to discharge their entire advance tax liability in a single instalment on or before 15th March, 2026.
- (B) Ms. Ananya is not required to pay advance tax because she follows the presumptive taxation scheme; however, Creative Spaces LLP must pay its entire advance tax by 15th March, 2026.

(C) Ms. Ananya is required to pay her entire advance tax liability on or before 15th March, 2026, whereas Creative Spaces LLP must pay advance tax in the prescribed quarterly instalments.

(D) Both Ms. Ananya and Creative Spaces LLP are required to pay advance tax liability according to the normal quarterly schedule applicable under the Income-tax Act. **(2 Marks)**

8. Mr. Raju, a resident individual aged 61 years, is found to be the owner of five gold bars of 50 gms each not recorded in the books of account. The value of each gold bar is ₹ 3,50,000. He could only offer satisfactory explanation for ₹ 12 lakhs spent on acquiring these gold bars to Assessing Officer. What shall be the tax payable by him on the value of such bullion considered to be deemed income as per section 69?

(A) ₹ 3,43,200

(B) ₹ 10,92,000

(C) ₹ 4,29,000

(D) ₹ 13,65,000 **(1 Mark)**

Case Scenario - III

M/s AGTP Private Limited (AGTP) is engaged in providing various types of supplies of goods and services within the State of Karnataka since July 2025. Its aggregate turnover till 30.09.2025 was ₹ 19 lakh and on 01.10.2025, its Board of Directors passed the resolution to apply for the voluntary registration under GST keeping in view of the increasing turnover and to take advantage of the input tax credit. AGTP applied for the registration on 20.10.2025 and the registration was granted on 26.10.2025.

After taking registration, AGTP started its business operations across the country. It started dispatching the goods across the India based on purchase orders it got.

AGTP furnishes the following details related to outward supply for the month of November 2025:

Sr. No.	Particulars	Amount (₹)
1.	Received from M/s ABF Ltd. of Mumbai (unregistered under GST), who had promised to AGTP on 5 th August, 2025 to	1,50,000

	<i>complete the awarded contract within 3 months. But M/s ABF Ltd. was not able to complete committed contract within 3 months' time, hence AGTP received compensation for non-performance of contract on time as per the terms of the pre-written agreement.</i>	
2.	<i>Received interest on fixed deposit with AVY Bank Ltd., a Scheduled Bank which is not a Public-Sector Bank.</i>	<i>1,00,000</i>

AGTP entered a contract for supply of goods taxable under forward charge and where movement of goods was involved, with M/s Naman & Company, a partnership firm registered under GST in Chennai. Other related details are as follows:

- (i) Full advance payment received on 1st December, 2025.*
- (ii) Goods made available to M/s Naman & Company on 17th December, 2025.*
- (iii) Goods removed from warehouse for supply on 15th December, 2025.*
- (iv) Invoice issued on 18th December, 2025.*
- (v) You may assume that payment entered in the books and credited in the bank on the same day of receipt.*

During the month of January 2026, Mr. Yash (registered under GST in Punjab) had provided architectural services to AGTP related to its office building situated in Dubai (UAE) and the payment to Mr. Yash was made through account payee cheque in Mumbai.

Further, the AGTP also made the following outward supplies to the Government in the month of February 2026:

- (i) Supply of materials to Andhra Pradesh State GST Department for an invoice value of ₹ 2,95,000 inclusive of GST @ 18% and delivered at Amravati in the State of Andhra Pradesh.*
- (ii) Advertisement services to Haryana State Government, registered under GST in Haryana, for an invoice value of ₹ 3,00,900 inclusive of GST @ 18%. The advertisement was disseminated in the State of Karnataka only.*

Apart from the above, during the month of February 2026, AGTP supplied goods to M/s VGD & Company registered under GST in Maharashtra. Part A of the e-way bill was furnished by M/s VGD & Company being recipient on 6th February, 2026 at 3:00 PM. The goods were delivered on 10th February, 2026 at 7:00 PM. The details of the e-way bill were made available to AGTP on the common portal immediately upon generation, but AGTP did not communicate acceptance or rejection of the consignment.

Note: All the amount given above are excluding of GST except mentioned otherwise.

Based on the information given above, choose the most appropriate answer for the following questions number 9 to 14:

9. The effective date of registration is:

- (A) 01.10.2025
- (B) 26.10.2025
- (C) 20.10.2025
- (D) 25.10.2025

(2 Marks)

10. What is the taxable value of outward supplies for the month of November 2025?

- (A) ₹ 1,00,000
- (B) ₹ 1,50,000
- (C) ₹ Nil
- (D) ₹ 2,50,000

(2 Marks)

11. What is the place of supply for the transaction with Mr. Yash?

- (A) Punjab
- (B) Karnataka
- (C) Dubai
- (D) Mumbai

(2 Marks)

12. With reference to transaction with M/s Naman & Company, what is the time of supply for the purpose of payment of tax as per GST Law?

- (A) 1st December, 2025

(B) 17th December, 2025

(C) 15th December, 2025

(D) 18th December, 2025

(2 Marks)

13. In respect of Government related supplies in the month of February 2026, the company shall be subjected to a total GST TDS (ignoring bifurcation & CGST & SGST/IGST) of ₹:

(A) Nil

(B) 5,000

(C) 10,100

(D) 5,100

(2 Marks)

14. What is the last date and time for communication of acceptance or rejection of e-way bill by the AGTP?

(A) 11th February, 2026 at 7:00 PM

(B) 10th February, 2026 at 7:00 PM

(C) 7th February, 2026 at 3:00 PM

(D) 9th February, 2026 at 3:00 PM

(2 Marks)

15. Mr. Shankar was a registered taxpayer under GST and was required to file returns under section 39(1) of the CGST Act, 2017. His GST registration was cancelled on 8th October, 2025 and the cancellation order was issued on 15th October, 2025. By which date should Mr. Shankar file the Final Return in Form GSTR-10?

(A) 8th November, 2025

(B) 8th January, 2026

(C) 15th January, 2026

(D) 15th November, 2025

(2 Marks)

16. M/s Vinit Textile Ltd., a registered person dealing in supply of taxable goods all over India and having an aggregate turnover of ₹ 5.95 crore in the

preceding financial year 2024-25, is required to issue tax invoice with mandatory HSN Code of:

- (A) 4 digits for goods supplied to registered persons only (B2B).*
- (B) 4 digits for goods supplied to registered as well as unregistered persons (B2B and B2C).*
- (C) 6 digits for goods supplied to registered as well as unregistered persons (B2B and B2C).*
- (D) 6 digits for goods supplied to registered persons (B2B) and 4 digits for goods supplied to unregistered persons (B2C).* **(1 Mark)**

Answer Key

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

Part II – Descriptive Questions**SECTION A: INCOME TAX LAW**

Question No.1 is compulsory.

*Candidates are also required to answer any **two** questions from the remaining **three** questions.*

Working notes should form part of the respective answers.

All questions relate to Assessment Year 2026-27, unless otherwise stated.

Question 1

Mr. Siddharth aged 50 years, a resident Indian has furnished the following particulars for the year ended 31.03.2026:

- (i) He occupies ground floor of his residential building and has let out first floor for residential use at an annual rent of ₹ 3,95,000. He has paid municipal taxes of ₹ 25,000 for the current financial year. Both these floors are of equal size.*
- (ii) As per interest certificate from HDFC Bank, he paid ₹ 1,50,000 as interest and ₹ 80,000 towards principal repayment of housing loan borrowed for the above residential building. The home loan was taken in the year 2019.*
- (iii) He owns an industrial undertaking established in a SEZ which had commenced operation during the financial year 2019-20. Total turnover of the said undertaking was ₹ 500 lakhs, which includes ₹ 150 lakhs from export turnover. Out of such ₹ 150 lakhs, only 120 lakhs have been received in India in convertible foreign exchange on or before 30.09.2026. This industrial undertaking fulfills all the conditions of section 10AA of the Income-tax Act, 1961. Profit from this undertaking is ₹ 44 lakhs.*
- (iv) He employed 20 new employees for the said industrial undertaking during the previous year 2025-26. Out of 20 employees, 14 were employed on 1st May, 2025 for monthly emoluments of 20,000 and remaining were employed on 1st September, 2025 on monthly emoluments of ₹ 12,000. All these employees participate in recognized provident fund and they are paid their emoluments directly to their bank accounts.*
- (v) He earned ₹ 30,000 and ₹ 40,000 as interest on saving bank deposits and fixed deposits, respectively.*

- (vi) He also sold his vacant land on 01.12.2025 for ₹ 16 lakhs. The stamp duty value of land at the time of transfer was ₹ 17 lakhs. This land was acquired by him on 15.10.1998 for ₹ 2.80 lakhs. The FMV of the land as on 1st April, 2001 was ₹ 4.8 lakhs and stamp duty value on the said date was ₹ 4 lakhs. He had incurred registration expenses of ₹ 12,000 at the time of purchase.
- (vii) The cost of inflation index for the financial year 2025-26 and 2001-02 are 376 and 100, respectively.
- (viii) He paid insurance premium of ₹ 40,000 towards life insurance policy of his son, who is not dependent on him.
- You are requested to compute total income and tax liability of Mr. Siddharth for the Assessment Year 2026-27 under default tax regime. **(15 Marks)**

Answer

**Computation of total income and tax liability of Mr. Siddharth for
A.Y. 2026-27 under default tax regime under section 115BAC**

	Particulars	₹	₹
I	Income from house property		
	Ground Floor [Self-occupied]		
	Gross annual value	Nil	
	Less: Municipal tax paid [Not allowable in case of self-occupied property]	—	
	Net annual value	Nil	
	Less: Interest on loan [Not allowable under default tax regime]	—	
		Nil	
	First Floor [Let-out]		
	Gross Annual Value [Annual rent]	3,95,000	
	Less: Municipal tax paid [Allowable with respect to let out property]	<u>12,500</u>	
	Net annual value	3,82,500	
	Less: Deduction under section 24		
	- 30% of NAV	1,14,750	

	- Interest on housing loan [relating to let out portion is allowable in full even under default tax regime]	<u>75,000</u>	
		<u>1,92,750</u>	
	Income from house property		1,92,750
II	Profits and gains from business or profession		
	Profit from industrial undertaking set up in a SEZ		44,00,000
III	Capital Gains		
	Full value of consideration of Vacant land [Since stamp duty value does not exceed 110% of the actual sales consideration of ₹ 16 lakhs, the actual sales consideration would be deemed as the full value of consideration]	16,00,000	
	Less: Cost of acquisition [Since land was acquired before 1.4.2001, higher of	<u>4,00,000</u>	
	- the cost of acquisition of ₹ 2,92,000 (₹ 2,80,000 plus ₹ 12,000, registration expenses) or		
	- fair market value of ₹ 4,80,000 on 1.4.2001		
	but restricted to stamp duty value of ₹ 4,00,000 as on 1.4.2001 would be considered as cost of acquisition of vacant land]		
	Long-term capital gains [since held for more than 24 months]		12,00,000
IV	Income from Other Sources		
	- Interest on saving bank deposits	30,000	
	- Interest on fixed deposits	<u>40,000</u>	
			<u>70,000</u>
	Gross Total Income		58,62,750
	Less: Deduction under section 10AA [Not allowable under the default tax regime]	Nil	

<i>Less:</i> Deduction under Chapter VI-A - Deduction under section 80JJAA¹ in respect of new employees allowable as deduction even under the default tax regime [30% of ₹ 30,80,000 i.e., emoluments of 14 employees employed on 1st May 2025 [14 x 20,000 x 11] [6 employees employed on 1st September 2025 are not considered as additional employees since such employees are employed for less than 240 days during the P.Y. 2025-26]. - No deduction under Chapter VI-A is allowed under the default tax regime except under section 80JJAA.	9,24,000	
	-	
		9,24,000
Total Income		49,38,750

Computation of tax liability of Mr. Siddharth under section 115BAC

Particulars	₹	₹
Tax on total income of ₹ 49,38,750		
Tax on LTCG on sale of vacant land		19,200
As the asset is a long-term capital asset, being land acquired before 23.07.2024 and transferred on or after 23.07.2024 by a resident individual, the tax shall be computed @20% with indexation benefit or @12.5% without indexation benefit, whichever is more beneficial to the assessee.		
Tax @12.5% on LTCG of ₹ 12,00,000 without indexation	1,50,000	
Tax @20% on LTCG of ₹ 96,000 with indexation	19,200	
LTCG with indexation ₹ 96,000 [₹ 16,00,000 – ₹ 15,04,000 (₹ 4,00,000 x 376/100)]		

¹ Assuming that the provisions of section 44AB applies on Mr. Siddharth.

Tax on ₹ 37,38,750, being total income other than LTCG		
₹ 4,00,001 – ₹ 8,00,000 [₹ 4 lakhs @5%]	20,000	
₹ 8,00,001 – ₹ 12,00,000 [₹ 4 lakhs @10%]	40,000	
₹ 12,00,001 – ₹ 16,00,000 [₹ 4 lakhs @15%]	60,000	
₹ 16,00,001 – ₹ 20,00,000 [₹ 4 lakhs @20%]	80,000	
₹ 20,00,001 – ₹ 24,00,000 [₹ 4 lakhs @25%]	1,00,000	
₹ 24,00,001 – ₹ 37,38,750 [₹ 13,38,750 @30%]	<u>4,01,625</u>	
		7,01,625
		7,20,825
Add: Health and Education Cess@4%		28,833
Tax liability		<u>7,49,658</u>
Tax liability (Rounded off)		<u>7,49,660</u>
Note - An individual paying tax u/s 115BAC is not liable to alternate minimum tax u/s 115JC.		

Question 2

- (a) Mr. Tikam aged 35 years, furnishes the following information regarding his income for the assessment year 2026-27.
- Fees for Technical Services of ₹ 50,000 for services rendered in Malaysia to a non-resident for business in Malaysia, credited to his bank account in Malaysia and immediately remitted to his bank account in India.
 - Profits from a business in England controlled from Mumbai ₹ 3,00,000 (out of which ₹ 25,000 is received in India).
 - Amount brought to India out of past untaxed profits earned in Singapore ₹ 1,00,000.
 - Capital gain on sale of land in India but received in Malaysia ₹ 2,00,000.
 - Income from agriculture land in Nepal of ₹ 18,000, received there and then brought to India.
 - He paid ₹ 50,000 towards principal payment of loan taken for construction of his self-occupied house in India.

(vii) Interest on saving bank deposit maintained in India in State Bank of India of ₹ 12,000.

Compute the total income of Mr. Tikam assuming he is :

(1) Resident and Ordinarily Resident (Ignore the provisions of section 115BAC).

(2) Resident but Not Ordinarily Resident (Ignore the provisions of section 115BAC). **(6 Marks)**

(b) Examine the applicable provisions relating to deduction or collection of tax at source in the following independent cases for the assessment year 2026-27. Also, specify the rate and quantum of tax deductible or collectible, wherever relevant:

(i) Mr. Dinesh, a resident individual, has invested ₹ 49 lakhs on April 1, 2025 in a Nationalized Bank in Power Finance Corporation Limited (PFCL) section 54EC Capital Gain Bonds at the rate of interest of 5.25% per annum. Interest is payable annually and the bonds have a 5-year tenure with a lock-in period.

(ii) Mr. Vijay, a resident individual working as an accounts manager in a multinational company, enters into a contract with Mr. Rinkoo, another resident individual, for the repair of his residential house property.

Under this contract, Mr. Vijay made the following payments to Mr. Rinkoo:

₹ 16 lakh on 1st July, 2025

₹ 22 lakh on 10th August, 2025

₹ 15 lakh on 15th March, 2026.

(4 Marks)

Answer

**(a) Computation of total income of Mr. Tikam for the A.Y. 2026-27
(if he is Resident and Ordinarily Resident - ROR)**

	Particulars	₹
(i)	FTS for services rendered in Malaysia Global income is taxable in case of a ROR.	50,000

(ii)	Profit from business in England controlled from Mumbai Global income is taxable in case of a ROR.	3,00,000
(iii)	Past untaxed profits earned in Singapore and brought to India in current year is not taxable, since it does not represent income of the P.Y. 2025-26.	Nil
(iv)	Capital gain on sale of land in India but received in Malaysia Deemed to accrue or arise in India, since the property is situated in India.	2,00,000
(v)	Income from agricultural land in Nepal, received there Global income is taxable in case of a ROR	18,000
(vi)	Interest on saving bank deposit in SBI Taxable since it is deemed to accrue or arises in India.	<u>12,000</u>
	Gross Total Income	5,80,000
	Less: Deduction under Chapter VI-A	
	Deduction under section 80C - For repayment of housing loan	50,000
	Deduction under section 80TTA - Interest on savings bank account subject to a maximum of ₹ 10,000	<u>10,000</u>
	Total Income	<u>5,20,000</u>

**Computation of total income of Mr. Tikam for the A.Y. 2026-27
(if he is Resident but Not Ordinarily Resident - RNOR)**

	Particulars	₹
(i)	FTS for services rendered in Malaysia to a non-resident In case of RNOR, FTS would not be taxable in India since neither services are utilised for business in India nor FTS received in India.	Nil

(ii)	Profit from business in England controlled from Bombay In case of RNOR, whole profits of ₹ 3,00,000 from business in England is taxable since business is controlled from India.	3,00,000
(iii)	Past untaxed profits earned in Singapore and brought to India in current year is not taxable, since it does not represent income of the P.Y. 2025-26.	Nil
(iv)	Capital gain on sale of land in India but received in Malaysia Deemed to accrue or arises in India, since the property is situated in India.	2,00,000
(v)	Income from agricultural land in Nepal, received there and then brought to India In case of RNOR, it would not be taxable in India, since neither it is deemed to accrue or arise in India nor received in India.	Nil
(vi)	Interest on saving bank deposit in SBI Taxable since it is deemed to accrue or arises in India.	12,000
	Gross Total Income	5,12,000
	Less: Deduction under Chapter VI-A	
	Deduction under section 80C - For repayment of housing loan	50,000
	Deduction under section 80TTA - Interest on savings bank account subject to a maximum of ₹ 10,000	10,000
	Total Income	4,52,000

- (b) (i) Tax is required to be deducted at source @10% on interest on securities where the amount exceeds ₹ 10,000. However, no tax is required to be deducted at source on interest payable on "Power Finance Corporation Limited 54EC Capital Gains Bond"².
- (ii) TDS provisions under section 194C are not attracted since Mr. Vijay is a salaried individual.

² Vide Notification No. 27 & 28/2018, dated 18-06-2018

However, tax is required to be deducted at source @2% under section 194M, since the aggregate payment of ₹ 53 lakhs exceed the threshold of ₹ 50 lakhs.

Accordingly, tax is required to be deducted at source on 15th March 2026, on which the aggregate payment exceed ₹ 50 lakhs.

Thus, tax deducted at source would be ₹ 1,06,000.

Question 3

- (a) *Mr. Arvind Mehta, aged 53 years, is a resident individual employed as General Manager (Operations) with a Public Sector Undertaking. During the Previous Year 2025-26, he was entitled to a monthly basic salary of ₹ 1,20,000 and dearness allowance equal to 20% of basic salary. The following payments, benefits and perquisites were provided to him during the year:*
- (1) *In response to a severe earthquake that affected several districts of Uttarakhand, Mr. Mehta requested his employer to directly remit his salary plus DA for the month of August 2025 to the Prime Minister's National Relief Fund (PMNRF).*
 - (2) *During the year, he encashed a portion of his earned leave and received ₹ 86,400 from his employer, representing 18 days' salary (basic pay plus dearness allowance).*
 - (3) *The employer contributed ₹ 2,59,200 to his Recognised Provident Fund, being 15% of his annual basic salary and dearness allowance.*
 - (4) *The PSU incurred expenditure of ₹ 6,20,000 on the medical treatment of Mr. Mehta's dependent son in Germany. The amount included ₹ 1,40,000 towards travel expenses of the patient and one accompanying family member, and the travel was undertaken in accordance with the applicable foreign exchange regulations.*
 - (5) *House Rent Allowance (HRA) - ₹ 48,000 per month.*
 - ⇒ *Mr. Sharma resided in a rented house in Bengaluru till 31st December, 2025, and paid rent of ₹ 52,000 per month.*
 - ⇒ *From 1st January, 2026, he shifted to his self-owned house and continued to receive HRA.*

(6) The employer transferred ownership of a desktop computer to Mr. Sharma on 31st March, 2026. The computer was purchased on 1st April, 2022 for ₹ 1,20,000.

(7) He has taken interest free loan of ₹ 15,000 from employer for treatment of tuberculosis (prescribed diseases).

Compute the taxable salary income of Mr. Arvind Mehta for the Assessment Year 2026-27 (Assuming he has opted for default tax regime). Give reasons for the tax treatment of each item. **(6 Marks)**

(b) Who will authorize to verify the return of income tax in the case of following persons as per provisions of Income-tax Act, 1961 for Assessment Year 2026-27:

(i) Mr. Sohail, a resident individual, is mentally incapacitated from attending to his affairs.

(ii) M/s BAL & Associates, a partnership firm, whose managing partner is absent from India.

(iii) M/s PAL Private Limited, a company registered under Companies Act 2013, has made an application for initiation of corporate insolvency resolution process which has been admitted by Adjudicating Authority under the Insolvency and Bankruptcy Code, 2016.

(iv) M/s XYZ Private Limited, a company registered under Companies Act 2013, whose management has been taken over by the Central Government. **(4 Marks)**

Answer

(a) **Computation of Taxable Salary Income of Mr. Arvind Mehta for A.Y. 2026-27 as per the default tax regime**

Income from Salaries		
Basic Salary [₹ 1,20,000 x 12]		14,40,000
Dearness allowance [20% of ₹ 14,40,000]		2,88,000
Salary donated to PM National Relief Fund for August month still be taxable in the hands of Mr. Arvind Mehta since it is foregoing of salary/ application of income		-

Leave encashment received during service is taxable		86,400
Employer's contribution to RPF in excess of 12% of salary		
15% of ₹ 17,28,000 i.e., basic salary plus DA ³	2,59,200	
Less: 12% of ₹ 17,28,000 i.e., basic salary plus DA	<u>2,07,360</u>	
		51,840
Perquisite value of medical treatment		
Medical expenditure (other than travel expenses) to the extent permitted by RBI is exempt	Nil	
Travel expenses of the patient and one accompanying member would be taxable, since gross total income before including the said expenditure of Mr. Arvind Mehta exceeds ₹ 8,00,000	<u>1,40,000</u>	
		1,40,000
House Rent Allowance (₹ 48,000 x 12) [Fully Taxable under the default tax regime]		5,76,000
Perquisite Value on sale of desktop computer		
Original cost of computer	1,20,000	
Less: Depreciation for F.Y. 2022-23 @ 50%	<u>60,000</u>	
	60,000	
Less: Depreciation for F.Y. 2023-24 @50%	<u>30,000</u>	
	30,000	
Less: Depreciation for F.Y. 2024-25 @50%	<u>15,000</u>	
	15,000	
Less: Depreciation for F.Y. 2025-26 @50%	<u>7,500</u>	

³ Alternatively, it is possible to assume that DA does not form part of salary for retirement benefits.

Value as on 31.3.2026 - being the date of sale to Mr. Arvind Mehta ⁴	7,500	7,500
Note – The desktop computer was acquired on 01.04.2022. Accordingly, 31.03.2026 represents the completion of four years of usage. However, since the desktop computer is transferred on 31.03.2026 itself, it is possible not to provide depreciation for F.Y. 2025-26 while computing the perquisite value. In such a case, the perquisite value would be ₹ 15,000.		
Interest free loan of ₹ 15,000 would not be considered as perquisite, since the same is given for treatment of tuberculosis (prescribed diseases) or since the amount does not exceed ₹ 20,000".		Nil
Gross Salary		25,89,740
Less: Standard deduction u/s 16 [Actual salary or ₹ 75,000, whichever is less]		75,000
Taxable salary		25,14,740

- (b) (i) **Mr. Sohail, a resident individual mentally incapacitated from attending to his affairs:** Mr. Sohail's return shall be verified by his guardian or any other person competent to act on his behalf.
- (ii) **M/s BAL & Associates, a partnership firm:** Since the managing partner is absent from India, the return of partnership firm shall be verified by any partner, other than a minor.
- (iii) **Company undergoing corporate insolvency resolution process:** Where an application for corporate insolvency resolution process has been admitted, the return of the company shall be verified by **the insolvency professional** appointed by the Adjudicating Authority.

⁴ The name of Mr. Sharma has been inadvertently given in the question due to a typographical error. If the name of Mr. Sharma is considered to have been intentionally stated, no perquisite value would arise in the hands of Mr. Arvind Mehta in respect of the transfer of the desktop computer.

- (iv) **Company whose management is taken over by Central Government:** The return of the company shall be verified by the principal officer of the company.

Question 4

- (a) *Mrs. Rupil, a resident individual and widow of Mr. Rupil, furnishes the following details of her income and losses for the Previous Year 2025-26:*

Particulars	Amount (₹)
<i>Part-time coaching income earned from private tuitions</i>	45,000
<i>Income-tax refund received relating to Assessment Year 2024-25 including interest of ₹ 3,500</i>	66,356
<i>Income from the activity of owning and maintaining camel races</i>	1,45,000
<i>Brought forward loss from the activity of owning and maintaining race horses (relating to AY 2023-24)</i>	65,000
<i>Loss from speculative business</i>	35,000
<i>Presumptive Income from retail trade of garments business u/s 44AD</i>	3,75,000
<i>Brought forward business loss of AY 2022-23</i>	25,000
<i>Brought forward business loss of AY 2023-24. This does not include brought forward business loss of AY 2022-23</i>	30,000
<i>Salary from M/s FOX & Co., a partnership firm, in which she holds 25% profit share. ₹ 85,000 of salary is not allowed in the hands of firm while calculating income of the firm.</i>	3,60,000

Mr. Kapish the major son of Mrs. Rupil, is employed as an accounts manager with M/s FOX & Co. since July 2024 and receives a salary of ₹ 36,000 per month. He does not possess any technical or professional qualifications.

In October 2020, Mrs. Rupil's father gifted 5,000 unlisted equity shares of an Indian company to Master Dalip, the minor son of Mrs. Rupil. These shares were originally acquired by him on 2nd April, 2019 for ₹ 75,000. Subsequently, Master Dalip sold the said shares on 1st January, 2026 for ₹ 1,95,000.

Compute the total income of Mrs. Rupil and her two children for the assessment year 2026-27 under proper heads of income along with the

amount of losses to be carried forward on the assumption that Mrs. Rupil has opted for optional tax regime, while Mr. Kapish and Dalip have chosen the default tax regime. Mrs. Rupil filed her return of income for AY 2022-23 within the due date of filing return of income for that year but filed return of income for AY 2023-24 after the expiry of due date for filing return of income for that year.

(CII for FY 2019-20: 289; 2020-21:301; 2025-26:376)

(6 Marks)

- (b) Mr. Dhiraj, Proprietor of M/s Kunj Developers, a prominent real estate firm, has completed a ultra-luxury residential complex titled "The Horizon" and received the Completion Certificate on November 10, 2023. Unit 101 remained vacant throughout the year financial year 2025-26 as the sales team waited for a better market price, while Unit 102 was let out to a corporate client as a guest house for a monthly rent of ₹ 1,00,000 to cover maintenance costs. Meanwhile, to streamline operations, the firm used Unit 103 as its own regional administrative office instead of renting a separate space. Finally, on January 15, 2026, the firm successfully liquidated Unit 104 (originally constructed at a cost of ₹ 1.4 crores) by selling it to an NRI for a total consideration of ₹ 2 crores. Mr. Dhiraj has also paid medical insurance premium of ₹ 15,000 for dependent sister. You are required to determine the Total Income under the appropriate heads of income (assuming he has opted out of Default tax regime) for the AY 2026-27.

(4 Marks)

OR

- (b) Ms. Kavita Sharma (aged 55 years), who is engaged in a trading business, has a total income of ₹ 12,50,000 for the Previous Year 2025-26. Her total tax liability (including health and education cess) under optional tax regime is ₹ 1,95,000. Tax deducted at source during the year amounts to ₹ 75,000.

She discharged her advance tax liability by making the following payments:

Installment	Due Date	Advance Tax Paid
First	15 th June, 2025	₹ 10,000
Second	15 th September, 2025	₹ 22,000
Third	15 th December, 2025	₹ 28,000
Fourth	15 th March, 2026	₹ 30,000

You are required to calculate the interest payable under section 234C for deferment of advance tax instalments for the Assessment Year 2026-27.

Show all necessary calculations and workings.

(4 Marks)

Answer

- (a) Computation of Total Income of Mrs. Rupil for the A.Y. 2026-27 as per the Optional tax regime under the Income-tax Act, 1961**

Particulars	₹	₹
Profit and gains of business or profession		
Presumptive income from retail trade u/s 44AD	3,75,000	
Salary from M/s FOX & Co. a partnership firm [₹ 2,75,000 (₹ 3,60,000 – ₹ 85,000) taxable to the extent allowable as deduction to the partnership firm]	<u>2,75,000</u>	
	6,50,000	
Less: Set-off of brought forward loss of A.Y. 2022-23 is allowed since return of income filed within the due date of filing return of income	25,000	
Less: Set-off of brought forward loss from business of A.Y. 2023-24 is not allowed, since return of income is filed after the expiry of due date for filing return of income	-	
		6,25,000
Capital Gains		
Sales consideration of unlisted equity shares	1,95,000	
Less: Cost of acquisition [cost to the previous owner would be considered]	75,000	
Long-term capital gains [Capital gain on sale of unlisted equity shares gifted by Mrs. Rupil's father to his minor son would be clubbed in her hands]	1,20,000	
Less: Exemption under section 10(32)	1,500	
		1,18,500

Income from Other Sources		
Part-time coaching income ⁵	45,000	
Interest on income-tax refund [Income-tax refund is not taxable]	3,500	
Income from activity of owning and maintaining camel races	1,45,000	1,93,500
Gross Total Income/Total Income		9,37,000
Losses to be carried forward		
Loss from speculative business of A.Y. 2026-27		35,000
Loss from speculative business can be set-off from income from speculative business only. Thus, the same would be carried forward.		
Loss from activity of owning and maintaining race horses of A.Y. 2023-24		Nil
Loss from activity of owning and maintaining racehorses can be set-off against income from owning and maintaining of race horses only. However, since the return for the A.Y. 2023-24 was filed belatedly, such loss cannot be carried forward.		

Computation of Total Income of her major son, Mr. Kapish and minor son Master Dalip for A.Y. 2026-27 as per the default tax regime

Particulars	Mr. Kapish	Master Dalip
Income from Salaries		
Basic Salary [₹ 36,000 x 12]	4,32,000	
Less: Standard Deduction [Lower of actual salary or ₹ 75,000]	<u>75,000</u>	
Net Salary	<u>3,57,000</u>	

⁵ Alternatively, it is possible to tax part-time coaching income under the head "PGBP".

[Income of major child not clubbed in the hands of parents even if he does not possess any technical or professional qualification] Capital Gains [LTCG from sale of unlisted equity shares by Master Dalip clubbed in the hands of Mrs. Rupil] Gross Total Income/ Total Income		
	3,57,000	Nil

(b) First Alternative

**Computation of Total Income of Mr. Dhiraj for the A.Y. 2026-27
as per the normal provisions of the Income-tax Act, 1961**

Particulars		₹	₹
Income from House Property			
Unit 101			
Annual Value [Since Unit 101 is held as stock in trade, the annual value would be treated as NIL for a period of two years i.e., 2024-25 & 2025-26 from the end of the financial year i.e., 31 st March 2024 in which certificate of completion of construction of the property is obtained from the competent authority, if such property is not let-out] ⁶		Nil	
Unit 102			
Net Annual Value [Being actual rent (₹ 1,00,000 x 12)]	12,00,000		
Less: 30% of NAV	<u>3,60,000</u>		
		8,40,000	
Income from house property			8,40,000
Profit and gains of business or profession			
Unit 103			
Since, the unit is used for business purposes, depreciation in respect of such unit can be claimed under the head "PGBP".		-	

⁶ By virtue of Section 23(5)

Unit 104		
Sales Consideration of Unit 104	2,00,00,000	
Less: Cost of Construction	1,40,00,000	60,00,000
Gross Total Income		68,40,000
Less: Deduction under section 80D – No deduction is allowable for medical insurance premium paid for his sister as she does not fall within the meaning of “Family” for the purpose of deduction under section 80D.		Nil
Total Income		68,40,000

(b) Second Alternative

**Computation of Interest Payable under section 234C of
Ms. Kavita Sharma**

Particulars				₹
Tax liability for the financial year 2025-26.				1,95,000
Less: Tax deducted at source				<u>75,000</u>
Advance tax payable				<u>1,20,000</u>
Due Date of installment	Amount payable (₹)	Advance Tax Paid (₹)	Shortfall (₹)	Interest (₹)
On or before 15 th June, 2025	₹ 18,000, being not less than 15% of advance tax	10,000	8,000 (18,000 – 10,000)	240 (8,000 x 1% x 3 months)
On or before 15 th September, 2025	₹ 44,000 (₹ 54,000 – ₹ 10,000) Not less than 45% of advance tax liability less amount paid in earlier installment	22,000	22,000 (44,000 – 22,000)	660 (22,000 x 1% x 3 months)

On or before 15 th December, 2025	₹ 58,000 (₹ 90,000 – ₹ 32,000), being not less than 75% of advance tax liability less amount paid in earlier installment(s)	28,000	30,000 (58,000 - 28,000)	900 (30,000 x 1% x 3 months)
On or before 15 th March, 2026	₹ 60,000 (₹ 1,20,000 – ₹ 60,000), being whole of the advance tax liability less amount paid in earlier installment(s)	30,000	30,000 (60,000 - 30,000)	300 (30,000 x 1% x 1 month)
Interest Payable				2,100

Part II – Descriptive Questions

SECTION B: GOODS AND SERVICES TAX

1. For Part-II, Section B comprises of questions from 5-8. In Section B, answer question no. 5 which is compulsory and any two questions from question nos. 6-8.
2. Working notes should form part of the answer.
3. All questions in Section B should be answered on the basis of position of GST law as amended by the Finance Act, 2025 and the significant notifications/ circulars which have become effective up to 28th February, 2026.

Question 5

- (a) QTR Ltd. of Pune, a registered person under GST in the State of Maharashtra, is engaged in making various supplies of goods and services. QTR Ltd. has provided the following details regarding the transactions undertaken in the month of February 2026:

Sr. No.	Outward / Inward Transactions	Amount (₹)
(i)	Supply of goods to Kapil Enterprises, a registered person in Mumbai, Maharashtra. Further, this amount of ₹ 20,00,000 includes lump sum amount of ₹ 20,000 towards freight (transportation) charges as contract agrees to deliver the goods at Kapil Enterprises' premises.	20,00,000
	QTR Ltd. paid for freight to a Goods Transport Agency (GTA) for the delivery of the goods mentioned above to Kapil Enterprises. GTA is registered person under GST located in the State of Gujarat and opted to pay tax under forward charge.	25,000
(ii)	QTR Ltd. is also dealing in selling of WiFi headphones and portable speakers of the same OEM. Although portable speakers of the same OEM are not mandatorily required for functioning of the headphones. However, if both the products are purchased together in a single combo list price then a	As given in the inner column

	<i>pre-decided discount of 2% on single combo list price will be given through invoice itself.</i> <i>During the month, following details are available:</i> <i>(a) QTR Ltd. supplied 60 WiFi headphones with portable speakers to BCH Ltd. at the single combo list price of ₹ 5,45,000.</i> <i>(Single combo list price is not bifurcated separately in the invoice, the individual list price of portable speakers is ₹ 45,000 included in the above price but not reflected in the invoice.)</i> <i>(b) QTR Ltd. supplied 50 WiFi headphones only to ACH Ltd. of Jaipur, Rajasthan at the list price of ₹ 5,00,000.</i>	
(iii)	<i>Amount received for training to car drivers at Delhi in connection with the road safety week celebration of the Delhi Government. (In this training, 79.95% of the total expenditure is borne by the Delhi Government.)</i>	<i>2,50,000</i>
(iv)	<i>Provided warehousing services for storage of whole pulse grains such as whole gram, kidney beans (Rajma).</i>	<i>3,50,000</i>
(v)	<i>Availed and paid for services of an Arbitral Tribunal to settle a dispute relating to the Companies Act, 2013</i>	<i>7,00,000</i>
(vi)	<i>Purchased raw material from BHK Ltd., registered under GST in the State of Uttar Pradesh (U.P.)</i> <i>BHK Ltd. is mandatorily required to issue e-invoice. However, it did not issue e-invoice with Invoice Reference Number (IRN) but this invoice was reflected in GSTR-2B.</i>	<i>6,50,000</i>

Additional information:

- (i) *All the figures are exclusive of GST wherever applicable.*
- (ii) *All the conditions necessary for availing the input tax credit have been fulfilled and that details of GST paid on inward supplies are available in GSTR 2B.*

- (iii) There is an opening balance of SGST of ₹ 4,00,000 in e-credit ledger at the beginning of the month.
- (iv) Assume that all the inward supplies have been used only for providing taxable outward supplies.
- (v) Aggregate turnover of QTR Ltd. for the previous financial year was ₹ 210 lakh.
- (vi) Wherever details for determination of place of supply are not given in the question, it shall be taken as intra-State transaction.
- (vii) Assume the applicable rates of GST as below:

Sr. No.	Details	CGST	SGST	IGST
1	Portable speakers	14%	14%	28%
2	WiFi headphone	9%	9%	18%
3	Goods Transport Agency (GTA), only if taxable under RCM	2.50%	2.50%	5%
4	All other outward and inward supplies	9%	9%	18%

Compute the net minimum GST liability of QTR Ltd. to be paid in cash if any, for the month of February 2026 after utilizing input tax credit available.

Note: Calculate tax for each step separately and legal explanations for each step should form part of your answer but detailed provisions of law are not required. **(10 Marks)**

- (b) Mr. Satendra Yadav, engaged in providing various services, is registered as a regular taxpayer under GST. He furnished the following information relating to various output supply transactions for the month of February 2026:

Sr. No.	Particulars	Amount in INR
(i)	Received event management fees to organise a musical concert where ticket price for admission in musical concert was ₹ 300 per person.	5,00,000
(ii)	Provided services by way of artificial insemination of live horses.	1,00,000

(iii)	Provided services of collecting news as an independent journalist to a News Agency.	1,20,000
(iv)	Received fees for appointment as Team Manager of We Sports Academy, a registered recognised sports body, to participate in Football Championship organised by We Sports Academy.	1,00,000
(v)	Provided services of non-air-conditioned contract carriage used for conducting tours of M/s Shivani Enterprises	1,50,000

You are required to compute the amount of taxable supply of Mr. Satendra Yadav for the month of February 2026 along with explanation for each step. All amounts given are exclusive of taxes wherever applicable. **(5 Marks)**

Answer

(a) Computation of net minimum GST liability of QTR Ltd. to be paid in cash for the month of February 2026

	Particulars	Value	CGST (₹)	SGST (₹)	IGST (₹)
	Computation of outward tax liability				
(i)	Supply of goods to Kapil Enterprises [Since supplier has agreed to deliver goods at customer's premises and arranges transportation itself, contract of supply becomes a composite supply; principal supply being the supply of goods. Accordingly, GST is levied on the entire value of ₹ 20,00,000 (inclusive	20,00,000	1,80,000 [20,00,000 x 9%]	1,80,000 [20,00,000 x 9%]	-

	of freight). Further, it is an intra-State supply.]				
(ii)(a)	Supply of WiFi headphones with portable speakers to BCH Ltd. [Since supplies are not naturally bundled and a single price is being charged, it is a mixed supply. It is treated as supply of that particular supply which attracts highest tax rate (i.e., portable speakers). Further, 2% discount is deductible from the combo price since it is pre-agreed and linked to invoice. It is also an intra-State supply ¹ .]	5,34,100 [5,45,000 – 10,900 (5,45,000 x 2%)]	74,774 [5,34,100 x 14%]	74,774 [5,34,100 x 14%]	-
(ii)(b)	Supply of WiFi headphones to ACH Ltd. [Being individual supply of WiFi headphones, it will be charged at the rate of headphones. Further, it is an inter-State supply.]	5,00,000	-	-	90,000 [5,00,000 x 18%]

¹ It is specifically mentioned in the question that wherever details for determining the place of supply are not given in the question, it shall be treated as intra-State transaction.

(iii)	Training to car drivers [Since services are being provided to Delhi Government under a training programme for which more than 75% of total expenditure is borne by Delhi Government, said services are exempt.]	Nil	-	-	-
(iv)	Warehousing services [Services of warehousing of whole pulse grains being agricultural produce are exempt.]	Nil	-	-	-
	Total output tax liability		2,54,774	2,54,774	90,000
	Less: Total eligible ITC [Refer Working Note]				
	IGST credit is set off against IGST liability.				(4,500)
	CGST and SGST credit is set off against CGST and SGST liability respectively.		<u>(63,000)</u>	<u>(2,54,774)</u>	
	Remaining SGST credit is set-off against IGST liability.				<u>(85,500)</u>

	SGST credit cannot be set-off against CGST liability.				
	Net GST		1,91,774	Nil	Nil
	Add: GST payable under reverse charge on Arbitral Tribunal services availed [Services provided by an arbitral tribunal to a business entity are taxable under reverse charge (RCM)] Tax payable under reverse charge, being not an output tax, cannot be set off against ITC. It has to be paid in cash.]	7,00,000	63,000	63,000	
	Minimum net GST payable in cash		2,54,774	63,000	Nil

Working Note:**Computation of total ITC available for set off**

	Particulars	Value (₹)	CGST (₹)	SGST (₹)	IGST (₹)
(i)	Opening balance			4,00,000	
(ii)	Arbitral Tribunal services availed ² [ITC on services used in course or	7,00,000	63,000 [7,00,000 x 9%]	63,000 [7,00,000 x 9%]	

² It is specifically mentioned in the question that wherever details for determining the place of supply are not given in the question, it shall be treated as intra-State transaction.

	furtherance of business.]				
(iii)	Raw material purchased from BHK Ltd. [Since BHK Ltd. mandatorily required to issue invoice did not issue e-invoice with IRN, it cannot be treated as valid document for claiming ITC. Thus, ITC cannot be claimed.]	6,50,000	-	-	-
(iv)	GTA services availed [IGST @ 18% is payable under forward charge on services of GTA since location of supplier is Gujarat and place of supply (being location of recipient) is Maharashtra. ITC on services used in course or furtherance of business is allowed.]	25,000			4,500 [25,000 X 18%]
	Total input tax credit ³		63,000	4,63,000	4,500

³ Full credit is admissible for set-off since it has been provided in question that all inward supplies are used only for outward taxable supply.

(b) Computation of amount of taxable supply of Mr. Satendra Yadav:

	Particulars	Taxable value (₹)
(i)	Event management services [Taxable. Where the consideration for right to admission to a concert does not exceed ₹ 500 per person, services by way of right to admission to said concert are exempt. However, said exemption is not applicable to event management services provided to organize said concert.]	5,00,000
(ii)	Artificial insemination of live horses [Taxable, artificial insemination of livestock is exempt except when performed on horses.]	1,00,000
(iii)	Services of collecting news [Exempt since services of collecting news by an independent journalist are exempt.]	--
(iv)	Fees for appointment as Team Manager of We Sports Academy [Not Taxable since services provided by a team manager to a recognised sports body (RSB) for participation in a sporting event organised by said body are exempt.]	--
(v)	Services of non-air-conditioned contract carriage [Taxable. Services by non-air-conditioned contract carriage for transportation of passengers are exempt. However, said exemption is not applicable to conducted tours.]	1,50,000
	Total amount of taxable supply	7,50,000

Question 6

- (a) *M/s Sam International Co. Ltd., located at Japan, entered into an agreement with its associate enterprise M/s Dare International Private Limited, located in India and registered under GST in Delhi, to provide professional services for USD 60,000 with a condition of 50% payment immediately on the receipt*

of invoice and the balance 50% payment within 30 days of receipt of the invoice.

In case of delay of payment, interest at the rate of 3% per month or part of month will be charged. M/s Sam International Co. Ltd. issued invoice of USD 60,000 on 10th December, 2025. M/s Dare International Private Limited received and recorded invoice in its books of accounts on 12th December, 2025 and transferred 50% payment of USD 30,000 to the account of M/s Sam International Co. Ltd. on 12th December, 2025.

The balance amount of USD 30,000 and interest of USD 1,800 for delay in payment were paid on 20th February, 2026.

You are required to determine the time of supply for above transactions which are liable for payment of GST under RCM in the hands of M/s Dare International Private Limited. Necessary explanations should form part of your answer. **(5 Marks)**

- (b) M/s Mahesh Enterprises registered under GST at Bengaluru, Karnataka had purchased goods for ₹ 2,00,000 with IGST extra for ₹ 36,000 on it from M/s Deep Traders registered at Pune, Maharashtra on 1st March 2025.

M/s Deep Traders did not file any GST return since March 2025. The proper officer cancelled the GST registration of M/s Deep Traders on 25th October, 2025 with effect from 1st March, 2025 due to non-filing of GST returns.

M/s Deep Traders applied for revocation of cancellation of registration on 25th November, 2025. The proper officer approved application on 7th December, 2025 and activated its GST registration. M/s Deep Traders paid GST and filed its all pending GST returns on 2nd January, 2026. Whether M/s Mahesh Enterprises is eligible to claim GST input tax credit on goods purchased from M/s Deep Traders on 1st March, 2025? **(5 Marks)**

Answer

- (a) Time of supply of import of service from associated enterprise is

Earlier of:

- (i) Date of entry in the books of account of the recipient

or

- (ii) Date of payment.
- A. Time of supply of 50% payment immediately on the receipt of invoice:
Earlier of:
- (i) Date of entry in the books of account of the recipient (12th December 2025)
or
 - (ii) Date of payment (12th December 2025) .e. time of supply will be 12th December 2025.
- B. Time of supply of the remaining (balance) 50% payment:
Earlier of:
- (i) Date of entry in the books of account of the recipient (12th December 2025)
or
 - (ii) Date of payment (20th February 2026) i.e. time of supply will be 12th December 2025
- C. Time of supply of interest:
Time of supply of interest is the date on which the supplier receives such Interest / addition in value, i.e. time of supply will be 20th February 2026.
- (b)** One of the conditions for availing ITC is that supplier must upload the invoice details in his GSTR-1/IFF and such details are reflected in the recipient's Form GSTR-2B.
- Since Deep Traders did not file returns since March 2025, its GSTR-1 for March was not filed⁴. Hence, in the given case, above condition is not fulfilled and thus, ITC cannot be availed by M/s Mahesh Enterprises in the month of March, 2025.
- Further, ITC for a financial year can be claimed up to 30th November of the succeeding FY or the date of filing annual return, whichever is earlier.

⁴ Since Deep Traders has not filed any return since March 2025, it would not have filed GSTR-3B for February 2025 which was due in March 2025. This debars Deep Traders from furnishing details of outward supplies in GSTR-1 for the month of March 2025.

Even though Deep Traders subsequently filed its return within 30 days of revocation of cancellation, time limit for availing ITC has lapsed.

Hence, M/s Mahesh Enterprises is not eligible to claim ITC on goods purchased from M/s Deep Traders.

Question 7

- (a) *M/s Hanry Co., a registered supplier in Delhi had sold goods for ₹ 5,00,000 to M/s Chintu Sales Co. located and registered in Chennai. M/s Hanry Co. hires Shree Transporter to transport goods from Delhi to Chennai. M/s Hanry Co. handed over goods to transporter on 14th June, 2025 with e-way bill having validity up to 19th June, 2025.*

On 16th June, 2025, during the transit Shree Transporter handed over goods to Fasto Transporter at Bhopal due to failure of engine of the vehicle. Fasto Transporter loaded goods to another vehicle and delivered the goods to consignee at Chennai.

In the above situation, how many e-way bills are required to be generated and explain the process involved in the above situation for generation of e-way bill in brief. **(5 Marks)**

- (b) *What is eligible criteria for small tax payers to apply for electronic automatic registration and to withdraw from the option under rule 14A? Whether more than one registration can be applied in a particular state against the same PAN under rule 14A?*

OR

- (b) *'Notified registered persons are required to prepare e-invoice for the supplies made. State the notified registered persons and the supplies that require the preparation of e-invoices. Also, state the transactions or the scenarios by such notified registered person that do not attract e-invoicing.* **(5 Marks)**

Answer

- (a) Only one e-way bill is required in the given case

M/s Hanry Co. (or the Supplier) will fill Part A of the e-way bill and assign the e-way bill to Shree Transporter,

Shree Transporter (or the Transporter) will fill the details of the conveyance in Part B and transport the goods.

However, where goods are transferred to another conveyance during transit (including due to vehicle breakdown), the details of conveyance need to be updated in Part-B of the existing e-way bill. Such updating should be done within the validity period of the e-way bill.

Accordingly, on reaching Bhopal, Shree Transporter will hand over the goods along with the existing e-way bill to Fasto Transporter.

Fasto Transporter (or the second Transporter) will update the details of its conveyance in Part B of the existing e-way bill and move the goods from Bhopal to Chennai.

(b) A person is eligible to opt for registration under rule 14A provided:

- (1) He has made an application for registration under rule 8.
- (2) His total output tax liability on supply made to registered persons (or B2B) does not exceed ₹ 2.5 lakh per month.
- (3) He must opt for and undergo successful Aadhaar authentication⁵.

A registered person shall be allowed to file application for withdrawal of option only if:

- (1) he has furnished minimum 3 months' return, where such application is filed before 1st April, 2026.
- (2) he has furnished minimum 1 tax period's return, where such application is filed on or after 1st April, 2026.
- (3) he has furnished all the returns due for the period from the effective date of registration till the date of application for withdrawal.
- (4) no cancellation proceedings have been initiated against such registered person.

No, a taxpayer can have only one registration per State/UT under this option against the same PAN.

⁵ except cases notified under section 25(6D)

(b) Alternative

All registered businesses with an aggregate turnover (based on PAN) in any preceding financial year from 2017-18 onwards greater than ₹ 5 crore are the 'notified persons' who are required to issue e-invoices.

Supplies that require the preparation of e-invoices

- (i) Taxable supplies to a registered person (B2B supplies)
- (ii) Exports
- (iii) Invoice issued for the outward supply, tax on which payable under RCM

Transactions/scenarios by such notified registered person that do not attract e-invoicing

- (i) Supplies made to an unregistered person (B2C supplies)
- (ii) Supplies by Special Economic Zone (SEZ) units
- (iii) Supplies by an insurer
- (iv) Supplies by GTA supplying services in relation to transportation of goods by road in a goods carriage
- (v) Supplies by supplier of passenger transportation service
- (vi) Supplies by person supplying services by way of admission to exhibition of cinematograph films in multiplex screens
- (vii) Supplies by a Government Department and a local authority (any one)
- (viii) Supplies by Banking company or financial institution including NBFC (any one)
- (ix) Exempt supplies made by notified persons.

Question 8

- (a) *With reference to recent clarification issued vide Circular number 251/08/2025 GST dated 12.09.2025, discuss when "A Post-Sale Discount" offered by a manufacturer to its dealer / distributor would be treated as a consideration paid by the manufacturer for the dealer's supply of the same*

goods to the end customer and also discuss when it will not be treated as a consideration along with necessary explanation as per the above circular.

(5 Marks)

- (b) (i) *State the provisions of the CGST Act, 2017 regarding the period for which books of account and other records must be retained by a registered person when such a person is a party to an appeal or any other proceedings before any Authority or Tribunal.*

(2 Marks)

- (ii) *Write a note on the main constitutional pillars of GST.*

(3 Marks)

Answer

- (a) When post-sale discount is treated as consideration:** Where manufacturer has a pre-existing agreement with the end customer to supply goods at a discounted price and issues a financial/commercial credit note to dealer thereby enabling dealer to supply goods at discounted rate to end consumer, post-sale discount offered by a manufacturer to its dealer/distributor would be treated as a consideration paid by the manufacturer for the dealer's supply of the same goods to the end customer.

When post-sale discount is NOT treated as consideration: Where sale of goods by manufacturer to dealer/distributor is on principal-to-principal basis (i.e., title in the goods fully passes to the dealer) and dealer independently sells to end customer with no pre-existing agreement between manufacturer and end customer, post-sale discount offered by a manufacturer to its dealer/distributor would not be treated as a consideration paid by the manufacturer for the dealer's supply of the same goods to the end customer.

- (b) (i)** Period for which books of account and other records must be retained by a registered person when such a person is a party to an appeal or any other proceedings before any Authority or Tribunal: 72 months from due date of furnishing of annual return for the year pertaining to such accounts and records

or

1 year after final disposal (or order) of such appeal or any other proceedings,

whichever is later.

(ii) Main constitutional pillars of GST

Concurrent powers are given to Parliament and State Legislatures to make laws governing taxes on goods and services.

IGST (Integrated Goods and Services Tax) on inter-State transactions of goods and services is to be levied and collected by the Central Government and apportioned between the Union and the States in the manner provided by Parliament by Law as per the recommendation of the GST Council.

Parliament is empowered to formulate the principles for determining the place of supply and when a supply takes place in the course of inter-State trade or commerce.

Goods and Services Tax means any tax on supply of goods, or services or both except taxes on the supply of the alcoholic liquor for human consumption. Thus, GST can be levied on supply of all goods and services except alcoholic liquor for human consumption.

President is empowered to constitute a joint forum of the Centre and States namely, Goods and Services Tax Council (GST Council).

GST Council shall make recommendations to the Union and the States on:

- (a) taxes to be subsumed in GST,
- (b) goods to be taxed and to be exempted,
- (c) model GST laws,
- (d) GST rates,
- (e) registration threshold limits and
- (f) special provisions for Special Category States.