



PAPER – 3: TAXATION

SECTION A: INCOME TAX LAW

The Income-tax law, as amended by the Finance (No. 2) Act, 2024, including significant notifications/ circulars issued upto 31st October, 2024, is applicable for May, 2025 examination. The relevant assessment year for May, 2025 examination is A.Y.2025-26. The October, 2024 edition of the Study Material is based on the provisions of Income-tax law as amended by the Finance (No. 2) Act, 2024 and significant notifications/circulars issued upto 30.09.2024, and hence, the same is relevant for May, 2025 examination. Since there is no significant notifications/circulars issued between 1.10.2024 and 31.10.2024, Statutory Update is not issued for May 2025 Examination.



QUESTIONS

Case Scenario

Mr. Raj, aged 38 years, an Indian citizen, is carrying on manufacturing business in Canada. He frequently visits India for business purpose on a regular basis. He was in India for the first time in the year 2021-22 for 190 days, in the year 2022-23 for 145 days and in the year 2023-24 for 155 days.

Afterwards he decided to close his business in Canada and shift permanently in India. So, he came to India on 1.11.2024 and started a business in Mumbai. His profits from business in Canada till 31.10.2024 is ₹ 15 lakhs and from Indian business is ₹ 5 lakhs.

He does not own any house property in Mumbai and is staying in a rented accommodation from 1.11.2024 on a monthly rent of ₹ 20,000. He made a

donation of ₹ 50,000 to PM Cares Fund and donation of ₹ 20,000 to Prime Minister's Drought Relief Fund by cheque during the P.Y. 2024-25.

He had purchased 10,000, 9% debentures of ABC (P) Ltd. in August 2020 @ ₹ 150 each. Face value of each debenture is ₹ 100. He sold 2,500 debentures in April, 2024 @ ₹ 175 each and remaining 7,500 debentures in August, 2024 @ ₹ 155 each. Interest on debenture is due on 30th June and 31st December of every year.

CII – F.Y. 2020-21: 301; F.Y. 2024-25: 363

Mr. Raj follows cash basis of accounting, and he wants to opt out of the default tax regime under section 115BAC.

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

1. What is the residential status of Mr. Raj for the previous year 2024-25?
 - (a) Resident but not ordinarily resident
 - (b) Resident and ordinary resident
 - (c) Non-resident
 - (d) Deemed resident
2. What is the amount of capital gains chargeable to tax in the hands of Mr. Raj on sale of debentures for the P.Y. 2024-25?
 - (a) LTCG of ₹ 1,00,000
 - (b) LTCG of (₹ 14,750) and STCG of ₹ 37,500
 - (c) LTCG of (₹ 2,09,000)
 - (d) LTCG of ₹ 62,500 and STCG of ₹ 37,500
3. What will be the gross total income of Mr. Raj for the A.Y. 2025-26?
 - (a) ₹ 21,00,000
 - (b) ₹ 6,33,750
 - (c) ₹ 5,37,500
 - (d) ₹ 5,71,500

4. What is the amount of deduction available under Chapter VI-A to Mr. Raj for A.Y. 2025-26?
 - (a) ₹ 60,000
 - (b) ₹ 85,000
 - (c) ₹ 70,000
 - (d) ₹ 1,20,000
5. What is the tax liability of Mr. Raj for A.Y. 2025-26?
 - (a) ₹ 25,290
 - (b) ₹ 28,340
 - (c) ₹ 29,380
 - (d) Nil
6. Mr. Kunal (age 27 years) is an employee in a private company posted in Delhi. He was appointed on 01.02.2023 in the scale of ₹ 60,000 - ₹ 1,000 - ₹ 70,000. He furnishes you the following information for the previous year 2024-25:
 - (i) Dearness allowance @25% of basic salary (60% of DA forms part of retirement benefits)
 - (ii) Bonus equal to one month salary. Paid in November 2024 on basic salary applicable for that month.
 - (iii) Leave encashment for P.Y. 2024-25 of ₹ 10,000.
 - (iv) He also received a motor car on 01.12.2024 (cubic capacity of engine exceeds 1.60 litres) along with chauffeur for both official and personal purpose. The motor car is owned by his employer and all expenses are met by the employer.
 - (v) His employer granted him a loan of ₹ 2,00,000 on 1st June, 2024 which is repayable in equal quarterly installments over 2 years starting from 1st October, 2024. The State Bank of India (SBI) lending rate for such loans is 9.5% per annum as on 01.04.2024, while the employer recovers interest @5.5% per annum from the employee.

- (vi) His employer gave him a rent-free accommodation (fully furnished) in Delhi from 01.04.2023. This house is owned by the employer. The perquisite value of such furnished rent-free accommodation during the previous year 2023-24 was valued at ₹ 92,000. Further, the accommodation is continued to be provided by the employer to the employee in P.Y. 2024-25 also.
- (vii) The furniture and appliances provided with the house were bought by the employer at an aggregate cost of ₹ 1,50,000 on 01.01.2023. Electricity and water bills of ₹ 5,000 p.m. for the said house were paid by the employer.

Cost Inflation Index

F.Y. 2023-24-348, F.Y. 2024-25-363.

- (viii) His colleagues gifted him a mobile phone worth ₹ 45,000 from their own contribution on account of his marriage.

You are required to compute the income chargeable under the head Salaries in the hands of Mr. Kunal for the Assessment Year 2025-26 assuming that he wants to pay tax under default tax regime under section 115BAC.

7. Ms. Priya has always been financially aware and strategic with her investments. In January 2022, she saw an opportunity in gold and purchased gold jewellery worth ₹ 3,25,000, believing it would be a safe investment for the future. In October 2024, gold prices increased and she decided to sell her jewellery on 31.10.2024 for ₹ 4,75,000.

She also sold her house property in Delhi on 01.12.2024 for ₹ 80 lakhs. The stamp duty value of property at the time of transfer was ₹ 90 lakhs.

She purchased this property on 15.07.1998 for ₹ 8.80 lakhs. The FMV of the property as on 1st April, 2001 was ₹ 10.8 lakhs and Stamp duty value on the said date was ₹ 10 lakhs. She had incurred brokerage and other expenses @1% on purchase price at that time.

Compute the capital gain tax to be paid by Ms. Priya for A.Y. 2025-26 assuming her other income exceeds the basic exemption limit.

CII – F.Y. 2001-02: 100; F.Y. 2021-22: 317; F.Y. 2024-25:363

8. Mr. Akshay, a resident individual, provides the following details of his income/losses for the year ended 31.03.2025:

	Particulars	Amount (₹)
(i)	Income from salary (computed)	35,20,000
(ii)	Rent received from house property situated in Delhi	5,00,000
(iii)	Repayment of loan taken for purchase of above property. Loan was taken from a friend. This repayment includes payment of interest of ₹ 7,00,000	15,25,000
(iv)	Rent received from house property situated in Jaipur	3,20,000
(v)	Interest on loan taken for repair of house properties situated in Mumbai and Delhi. The property in Mumbai is self-occupied. Loan was taken on 01.04.17 and was utilized in 50:50 ratio for house properties situated in Mumbai and Delhi, respectively.	1,50,000
(vi)	Long-term capital gains on sale of equity shares on which STT has been paid	7,95,000
(vii)	Interest on fixed deposit	73,000
(viii)	Loss from textile business	7,50,000
(ix)	Speculation business profit	2,30,000
(x)	Lottery income (Gross)	75,000
(xi)	Loss incurred by the firm in which he is a partner	1,60,000
(xii)	Salary received as a partner from partnership firm. The same was allowed to firm	50,000
(xiii)	Life insurance premium paid for his son who is 30 years of age and is working in USA	15,000

He has the following brought forward losses of A.Y. 2024-25

Brought forward short-term capital loss on sale of gold	2,75,000
Brought forward loss on sale of equity shares u/s 111A	25,000

Compute total income of Mr. Akshay for the assessment year 2025-26 and the amount of loss that can be carried forward. Mr. Akshay has opted out of the default tax regime.

9. Examine the applicability and amount of Tax deduction at source (TDS) or Tax collection at source (TCS) as per the Income-tax Act, 1961 for the A.Y 2025-26 in the following situations:
 - (i) Mr. Subhash is a salaried individual pays rent of ₹ 52,000 per month to Mr. Raj from April 2024. Mr. Subhash vacated the premises on 31st August, 2024. What if he vacates the premises on 31st October, 2024.
 - (ii) ABC Traders, a partnership firm, is engaged in the wholesale business of tendu leaves. Its turnover for the P.Y. 2023-24 was ₹ 9 crores. During the financial year 2024-25, it sold tendu leaves worth ₹ 12 lakhs to XYZ Ltd. XYZ Ltd. does not provide its PAN to ABC Trader.
10. Mr. Ganesh, a resident and ordinarily resident aged 61 years, is engaged in the business of manufacturing furniture. He is subject to tax audit under section 44AB of Income-tax Act, 1961. He has provided following information:

Profit & Loss account for the year ended 31st March, 2025

Particulars	(₹)	Particulars	(₹)
To Administrative expenses	64,30,000	By Gross Profit	2,57,30,000
To Salaries & wages	80,00,000	By Winning from lottery (Net of TDS @ 30%)	31,500
To Interest on loans	7,50,000	Bad debt recovered	3,00,000
To Depreciation	6,17,000		
To Professional fees	12,70,000		

To Rent, rates & taxes	22,80,000		
To Travelling & conveyance	11,40,000		
To Loss on sale of asset of scientific research	2,00,000		
To Net Profit	<u>53,74,500</u>		
Total	2,60,61,500	Total	2,60,61,500

Other information:

- (i) Opening and closing stock of finished goods were undervalued by 10%. Opening stock of ₹ 14,50,000 and Closing stock of ₹ 15,58,000 was shown.
- (ii) Salaries & wages include following items:
 - (a) Contributed 20% of basic salary in National Pension Scheme referred in section 80CCD regarding salary paid to an employee Mr. Ramesh who has withdrawn basic salary of ₹ 5,00,000 and Dearness allowance is 40% of basic salary. 50% of Dearness allowance forms part of the salary.
 - (b) Some of the employees opted for retirement under the voluntary retirement scheme; a sum of ₹ 3,40,000 was paid to them on 1st January, 2025.
- (iii) Interest on loan includes interest paid @ 15% per annum on loan of ₹ 12,00,000 which was taken from State Bank of India on 01.05.2022 for purchase of new electric car of ₹ 15,00,000. The car is used for personal purpose. No amount is repaid so far.
- (iv) Depreciation allowable as per Income-tax Rules, 1962 is ₹ 4,50,000 but during the calculation of such depreciation following addition was not considered:
Motor car purchased for ₹ 3,00,000 for supply of finished goods to dealers on 25-08-2024.
- (v) An asset was purchased for ₹ 6,00,000 on 23.7.2021 for conducting

scientific research and the deduction was claimed under section 35 of the Income-tax Act, 1961. This asset was sold on 05-09-2024 for a consideration of ₹ 4,00,000.

- (vi) Administrative expenses includes expenditure of ₹ 1,75,000, paid to a scientific research association approved under section 35. Out of ₹ 1,75,000, ₹ 50,000 was utilised towards the purchase of land by the research association.
- (vii) He received ₹ 3,00,000 from a debtor which was written off as bad in the year 2018-19. Amount due from the debtor (which was written off as bad) was ₹ 5,00,000, out of which tax officer had only allowed ₹ 3,00,000 as deduction in computing the total income for assessment year 2018-19.

Compute the total income and tax liability of Mr. Ganesh for the assessment year 2025-26 assuming that he wants to pay tax under section 115BAC.


SUGGESTED ANSWERS

Question No.	Answer
1.	(a) Resident but not ordinarily resident
2.	(d) LTCG of ₹ 62,500 and STCG of ₹ 37,500
3.	(b) ₹ 6,33,750
4.	(b) ₹ 85,000
5.	(a) ₹ 25,290

6. **Computation of income chargeable under the head "Salaries" of Mr. Kunal for A.Y.2025-26 under default tax regime**

	₹	₹
Basic Pay [₹ 61,000 x 10 + ₹ 62,000 x 2]		7,34,000
Dearness Allowance [₹ 7,34,000 x 25%]		1,83,500

Bonus		61,000
Leave encashment for P.Y. 2024-25		10,000
Value of perquisite		
Perquisite of Motor Car [₹ 3,300 x 4]		13,200
As per the provisions of Rule 3(2), in case a motor car (engine cubic capacity exceeding 1.60 litres) owned by the employer is provided to employee with chauffeur for both official and personal use, the value of perquisite shall be ₹ 3,300 (₹ 2,400 + ₹ 900). The car was provided to employee from 01.12.2024, therefore the perquisite value has been calculated for 4 months.		
Perquisite of interest on loan (Working Note Below)		5,917
Value of Rent-free accommodation		
Value of Rent-free accommodation {10% of ₹ 9,15,100 i.e., [₹ 7,34,000, basic salary + ₹ 1,10,100 (₹ 1,83,500 x 60%, DA forming part of retirement benefit) + ₹ 10,000, leave encashment + ₹ 61,000, bonus]}	91,510	
Add: Value of furniture [₹ 1,50,000 x 10% p.a.]	15,000	
	1,06,510	
As per Rule 3, value of perquisite in case of accommodation continued to be provided to an employee for more than one previous year, shall not exceed the amount calculated for first previous year, as multiplied by the amount which is a ratio of CII for the previous year for which the value is calculated and CII for the previous year in which accommodation was initially provided to the employee.		

Accordingly, value of perquisite for P.Y. 2024-25 to be restricted to = ₹ 92,000 × 363/348	95,966	95,966
Facility of use of electricity and water [Electricity and water bills paid by the employer would be taxable as perquisite] [₹ 5,000 × 12]		60,000
Mobile phone received as gift from colleagues (Not taxable under the head "Salaries")		Nil
Gross Salary		11,63,583
Less: Standard deduction under section 16 [Actual salary or ₹ 75,000, whichever is less]		75,000
Net Salary		10,88,583

Working Note:Perquisite of Interest on Loan

The value of the benefit to the assessee resulting from the concessional loan made to the employee during the relevant previous year by the employer shall be determined as the sum equal to the interest computed at the rate charged per annum by the State Bank of India (SBI) as on the 1st day of the relevant previous year in respect of loans for the same purpose advanced by it. This rate should be applied on the maximum outstanding monthly balance and the resulting amount should be reduced by the interest, if any, actually paid by him.

"Maximum outstanding monthly balance" means the aggregate outstanding balance for loan as on the last day of each month.

The perquisite value for computation is 9.5% - 5.5% = 4% p.a.

Month	Maximum outstanding balance as on last date of month (₹)	Perquisite value at 4% for the month (₹)
June, 2024	2,00,000	667
July, 2024	2,00,000	667

August, 2024	2,00,000	667
September, 2024	2,00,000	667
October, 2024	1,75,000	583
November, 2024	1,75,000	583
December, 2024	1,75,000	583
January, 2025	1,50,000	500
February, 2025	1,50,000	500
March, 2025	1,50,000	500
Taxable Value of perquisite		5,917

7. Computation of capital gain tax paid by Ms. Priya for A.Y. 2025-26

Particulars	₹	₹
<u>On sale of jewellery</u>		
Sale consideration	4,75,000	
Less: Cost of acquisition (As transfer is on or after 23.07.2024, the indexation benefit would not be available)	<u>3,25,000</u>	
Long term capital gains [Since jewellery is sold on or after 23.7.2024 and 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] (As transfer is on or after 23.07.2024, the indexation benefit would not be available)	<u>10,00,000</u>	<u>80,00,000</u>
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		<u>81,50,000</u>
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.]	<u>10,00,000</u>	
<u>Tax @20% with indexation –</u>		
Sale consideration ₹ 90,00,000		
Less: Indexed cost of acquisition ₹ 10,00,000 x 363/100 = ₹ 36,30,000		
LTCG = ₹ 53,70,000		
Tax @20% = ₹ 53,70,000 x 20% = ₹ 10,74,000		
<u>Tax @12.5% without indexation -</u>		
Tax @12.5% = ₹ 80,00,000 x 12.5% = ₹ 10,00,000		
		10,18,750
<i>Add: Surcharge @10% [Since total income exceeds ₹ 50 lakhs but does not exceed ₹ 1 crore]</i>		<u>1,01,875</u>
		11,20,625
<i>Add: HEC@4%</i>		<u>44,825</u>
Tax on capital gain		11,65,450

8. Computation of total income of Mr. Akshay for the A.Y.2025-26

Particulars	₹	₹	₹
Income from salary (computed)			35,20,000
Income from house property			
(i) House property at Delhi (Let out)			
Rent received (taken as Annual Value in the absence of information relating to Fair Rent and Municipal Value)	5,00,000		
Less: Deduction u/s 24			
(a) 30% of NAV 1,50,000			
(b) Interest on loan			
For purchase of property 7,00,000			
For repairs of property [₹ 1,50,000/2]	75,000		
	<u>9,25,000</u>	(4,25,000)	
(ii) House property at Jaipur (Let out)			
Rent received (taken as Annual Value in the absence of information relating to Fair Rent and Municipal Value)	3,20,000		
Less: Deduction u/s 24			
30% of NAV	<u>96,000</u>	2,24,000	
(iii) House property at Mumbai (Self-occupied)			
Annual Value of self-occupied property	Nil		

Less: Deduction u/s 24(b) Interest on loan for repairs (to be restricted to ₹ 30,000) Loss from house property As per section 71(3A), loss from house property to be set-off against salary income to the extent of	<u>30,000</u>	<u>(30,000)</u> <u>(2,31,000)</u>	<u>(2,00,000)</u> 33,20,000
<u>Profits and gains of business or profession</u> Speculation business profit Salary received as partner of firm is taxable in his hands since the entire salary was allowed as deduction in the hands of the firm		2,30,000 <u>50,000</u> 2,80,000	
Less: Set-off of loss from textile business to the extent of Share of loss incurred by the firm in which he is partner cannot be set-off against salary received as partner of firm or any other income, since loss from an exempt source cannot be set-off against profit from a taxable source.		<u>(2,80,000)</u>	Nil Nil
Capital Gains Long-term capital gains on sale of equity shares on which STT is paid		7,95,000	

Less: Set-off of brought forward short-term capital loss			
Brought forward short-term capital loss on sale of gold	2,75,000		
Brought forward short-term capital loss u/s 111A	25,000	<u>3,00,000</u>	
		4,95,000	
Less: Set-off of balance loss of textile business [₹ 7,50,000 – ₹ 2,80,000 – ₹ 73,000]		<u>(3,97,000)</u>	98,000
Income from Other Sources			
Interest on fixed deposit		73,000	
Less: Set off of loss of textile business against this income would be more beneficial than against LTCG, since it is taxable @30%		<u>(73,000)</u>	Nil
Lottery income		<u>75,000</u>	<u>75,000</u>
Gross Total Income			34,93,000
Less: Deduction under Chapter VI-A			
Under section 80C			
Life insurance premium paid			
Life insurance premium paid to insure the life of her son allowable as deduction even if he is major, resides abroad and is not dependent on her		15,000	
Repayment of housing loan			
₹ 8,25,000 for house property in Delhi, not allowable since loan is taken from a friend		<u>Nil</u>	
			<u>15,000</u>
Total Income			<u>34,78,000</u>

Loss to be carried forward to A.Y.2026-27:

Particulars	₹
Loss from house property (₹ 2,31,000 - ₹ 2,00,000)	31,000

9. (i) Since Mr. Subhash is a salaried individual and pays rent exceeding ₹ 50,000 per month in the F.Y. 2024-25, he is liable to deduct tax at source u/s 194-IB @5% till 30.9.2024 and thereafter @2%.

If Mr. Subhash vacated the premises on 31st August, 2024, tax has to be deducted from rent payable for August, 2024. Tax deductible would be ₹ 13,000 [₹ 52,000 x 5 x 5%].

If Mr. Subhash vacated the premises on 31st October, 2024, tax has to be deducted from rent payable for October, 2024. Tax deductible would be ₹ 7,280 [₹ 52,000 x 7 x 2%].

- (ii) Under section 206C(1), seller of certain goods, *inter alia*, tendu leaves is required to collect tax from the buyers @5%.

Seller u/s 206C(1) includes firm. In case of non-furnishing of PAN, tax to be collectible at the higher of twice the specified rate i.e., 10% or @5%.

In the present case, ABC Traders is required to collect tax at source u/s 206C(1) @10% on sale of tendu leaves of ₹ 12 lakhs to XYZ Ltd. at the time of debit or receipt, whichever is earlier.

10. Computation of total income of Mr. Ganesh for A.Y. 2025-26

	Particulars	₹	₹	₹
I.	<u>Income from business or profession</u>			
	Net Profit		53,74,500	
	Add: Items debited but not allowable/item not credited but taxable while computing business income			
	- Undervaluation of stock [(₹ 15,58,000 - ₹ 14,50,000) x 10/90]	1,20,000		

-	Employer's contribution to NPS in excess of 14% of salary - Employer's contribution to the extent of 14% of salary i.e., basic salary plus dearness allowance forming part of salary would be allowed as deduction. Thus, excess contribution i.e., ₹ 16,000 [₹ 1,00,000, being 20% of ₹ 5,00,000 less ₹ 84,000 being 14% of ₹ 6,00,000 (₹ 5,00,000 + 20% of ₹ 5,00,000)] has to be added back.	16,000		
-	VRS expenditure - 1/5th of expenditure on voluntary retirement scheme is allowable over a period of five years u/s 35DDA. Since whole amount of expenditure is debited to Profit and Loss A/c, 4/5th has to be added back [₹ 3,40,000 x 4/5].	2,72,000		
-	Interest on loan taken for purchase of electric car used for personal purpose not allowable as deduction while computing business income as being expense of personal nature. Thus, ₹ 1,80,000 [₹ 12,00,000 x 15%] has to be added back, since the same forms part of interest on loan debited to profit and loss account.	1,80,000		

- Loss on sale of asset of scientific research debited in Profit & Loss account [Not allowed]	2,00,000		
- Sale proceeds of asset acquired for conducting scientific research taxable as business income under section 41(3) in the year of sale to the extent of lower of amount of sale proceeds i.e., ₹ 4,00,000 or the amount of deduction allowed u/s 35 i.e., ₹ 6,00,000	4,00,000		
- Contribution to scientific research association approved u/s 35 [Not allowable under section 35(1)(ii) as per default tax regime]	1,75,000		
- Depreciation as per books of A/c	<u>6,17,000</u>	<u>19,80,000</u>	
		73,54,500	
Less: Depreciation as per Income-tax Rules	4,50,000		
Depreciation on Motor car purchased for supply of finished goods [₹ 3,00,000 x 15%]	<u>45,000</u>	<u>4,95,000</u>	
		68,59,500	
Less: Items of income credited to profit and loss account but not taxable or taxable under any other head of income			
- Bad debt recovered [The excess of amount recovered i.e., ₹ 3,00,000 over the	2,00,000		

	amount due after bad debt allowance i.e., ₹ 2,00,000 will be taxable as business income u/s 41(4). Since the entire ₹ 3 lakhs is credited to the profit and loss account, ₹ 2 lakhs has to be reduced]			
	- Winning from lottery [Taxable under the head "Income from other sources"]	<u>31,500</u>		
			<u>2,31,500</u>	66,28,000
II.	<u>Income from other sources</u>			
	Winning from lottery [₹ 31,500 x 100/70]			<u>45,000</u>
	Gross Total Income			66,73,000
	Less: Deduction under Chapter VI-A			
	Deduction under section 80EEB [Not allowable under default tax regime]			<u>Nil</u>
	Total Income			<u>66,73,000</u>

Computation of tax liability of Mr. Ganesh for A.Y.2025-26

Particulars	₹	₹
Tax on winning from lottery @30% of ₹ 45,000		13,500
Tax on total income (excluding winning from lottery) of ₹ 66,28,000		
Upto ₹ 3,00,000	Nil	
₹ 3,00,001 – ₹ 7,00,000[@5% of ₹ 4 lakhs]	20,000	
₹ 7,00,001 – ₹ 10,00,000[@10% of ₹ 3 lakhs]	30,000	
₹ 10,00,001- ₹ 12,00,000 [@15% of ₹ 2 lakhs]	30,000	

₹ 12,00,001- ₹ 15,00,000 [@20% of ₹ 3 lakhs]	60,000	
₹ 15,00,001- ₹ 66,28,000 [@30% of ₹ 51,28,000]	<u>15,38,400</u>	
		<u>16,78,400</u>
		16,91,900
<i>Add:</i> Surcharge @10% [Since total income exceeds ₹ 50 lakhs but does not exceed ₹ 1 crore]		<u>1,69,190</u>
		18,61,090
<i>Add:</i> Health and education cess@4%		<u>74,444</u>
Tax liability		<u>19,35,534</u>
Tax liability (rounded off)		19,35,530

SECTION B: GOODS AND SERVICES TAX

- (1) All questions have been answered on the basis of position of the GST law as amended by the Finance (No. 2) Act, 2024 including significant notifications and circulars and other legislative amendments made, which have become effective up to 31st October, 2024.
- (2) Unless otherwise specified, the section numbers and rules referred in questions and answers relating to GST pertain to the Central Goods and Services Tax Act, 2017 and the Central Goods and Services Tax Rules, 2017 respectively.
- (3) The GST rates for goods and services mentioned in various questions are hypothetical and may not necessarily be the actual rates leviable on those goods and services. Further, GST compensation cess should be ignored in all the questions, wherever applicable.



QUESTIONS

Case scenario

Sambhav Ltd., a company registered under GST and engaged in manufacturing and e-commerce operations, operates in multiple States across India. The company procures raw materials from various suppliers and supplies finished goods both domestically and internationally. It also acts as an e-commerce operator (ECO), facilitating third-party transactions as well supplying goods and services on its own account, through its portal round the clock. During its financial review, the management of Sambhav Ltd. observed the following:

The company discontinued its operations in the State of Assam from 15th December. The online application for cancellation of registration was furnished on 5th January. The registration was suspended from the same day. Further, the order for cancellation of registration was passed on 2nd February wherein the registration was cancelled with effect from 31st January.

The company paid an amount of ₹ 5,00,000 alongwith the tax payable thereon to its supplier – Rudraksh Enterprises - pursuant to the settlement of dispute in December month of current financial year. The company had earlier reversed the ITC related to supply received from Rudraksh Enterprises due to non-payment of consideration and tax amount. The invoice was issued by Rudraksh Enterprises in the month of September of the previous financial year.

The company provided accommodation services to Governmental Agency of Gujarat (registered under GST only in the State of Gujarat) in its own hotel located in the State of Rajasthan. The accommodation services were provided for the stay of employees of the Governmental Agency of Gujarat who had to attend a training programme organized by the Central Government. The total amount charged by the company for such service was ₹ 25,00,000.

During the month of January, Dumdum Ltd. supplied goods worth ₹ 75,00,000 through the company's e-commerce platform. Out of this supply, the goods amounting to ₹ 15,00,000 were returned in January. Further, the company also supplied its own products amounting to ₹ 20,00,000 through the e-commerce platform in said month. The amount of hotel accommodation services supplied through its e-commerce portal by hotel owners not required to obtain registration under GST [in terms of section 22(1)] amounted to ₹ 20,00,000 for the month of January.

The company also completed a project for the construction of road (taxable under GST) for a Government agency on 31st December. The total time taken for completion of project was more than 13 months. As per the contract signed with such agency, the last tranche of payment of 25% of the total contract value was linked to the date of issuance of completion certificate by the Government engineer. The completion certificate was issued by the Government engineer on 15th January. However, the invoice for such supply was issued on 5th February and payment was received on 20th February by the company.

Based on the facts of the case scenario given above, choose the most appropriate answer to Q. Nos. 1 to 5 below:

1. What is the due date for filing the final return in the State of Assam?
 - (a) within 3 months from 5th January

- (b) within 3 months from 31st January
 - (c) within 3 months from 2nd February
 - (d) within 3 months from 15th December
2. Which of the following statements is correct in relation to the re-availment of the input tax credit that had been reversed earlier, upon payment of disputed amount by the company to Rudraksh Enterprises?
- (a) The company could have re-availed the ITC only up to 30th November of the previous financial year.
 - (b) The company could have re-availed the ITC only up to 30th November of the current financial year.
 - (c) The company could have re-availed the ITC only up to the end of the previous financial year.
 - (d) ITC can be re-availed without any time limit after making the payment of disputed amount alongwith tax payable thereon to Rudraksh Enterprises.
3. The amount of tax to be deducted at source under GST law by Governmental Agency of Gujarat is _____.
- (a) IGST - ₹ 25,000
 - (b) CGST - ₹ 12,500 and SGST - ₹ 12,500
 - (c) nil
 - (d) IGST - ₹ 50,000
4. The amount of tax to be collected at source by the company under the GST law during January is _____ (ignore bifurcation of CGST, SGST and IGST).
- (a) ₹ 50,000
 - (b) ₹ 40,000

- (c) ₹ 37,500
- (d) ₹ 30,000
5. What is the last date for issuance of invoice in relation to construction of road by the company for the last tranche of payment received?
- (a) 31st December
- (b) 15th January
- (c) 5th February
- (d) 20th February
6. Surya is engaged in providing a bouquet of goods and services including services of renting of cars. It is registered in Jaipur, Rajasthan. It provides the following information for the month of January:

S. No.	Particulars	Amount (₹)
(i)	Organised a business exhibition in Gujarat for Jignesh Industries, registered in Surat, Gujarat	20,00,000
(ii)	Provided accommodation services to 10 CA students (originally from outside Rajasthan) in a hostel – Surya Homes, owned by it. Surya Homes is located in Jaipur, Rajasthan. [Hostel accommodation charges are ₹ 22,000 per student per month. As per agreement, minimum period of stay of the students in hostel is 4 months.]	2,20,000
(iii)	Performed the carnatic music to promote a brand of readymade garments – Rigley Garments, registered in Udaipur, Rajasthan.	1,45,000
(iv)	Intra-State services provided as a business correspondent of Manimani Bank, registered in Rajasthan, with respect to accounts in its Jaipur city branch.	1,20,000
(v)	Rented a commercial property in Jaipur, Rajasthan	3,00,000

	to Ganga Ltd., a supplier of goods and services registered in Jodhpur, Rajasthan. Surya is a director in Ganga Ltd.	
(vi)	Sponsored a Business Summit organized in Bikaner, Rajasthan, by Associated Chamber of Commerce and paid a sponsorship fee of ₹ 5,00,000 to Associated Chamber of Commerce, registered in Jaipur, Rajasthan.	
(vii)	Received the services of transportation of goods by road from Sindhu Transporters, an unregistered Goods Transport Agency of Jodhpur, Rajasthan.	2,00,000
(viii)	Taken cars on rental basis from Ajay Limited, registered in Jodhpur, Rajasthan.	1,50,000

Notes:

- (i) Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively for both inward and outward supply of goods and services except the car rental service and service of transportation of goods by GTA, on which the rates of CGST, SGST and IGST are 2.5%, 2.5% and 5% respectively.
- (ii) All the amounts given above are exclusive of taxes, wherever applicable.
- (iii) There was no opening balance of the ITC for the relevant period.

From the information given above, you are required to compute the minimum net GST liability payable in cash (CGST, SGST or IGST, as the case may be) for the month of January for Surya.

7. Mehul Enterprises, registered under GST in Uttar Pradesh and a monthly return filer, is engaged in making taxable supplies of goods and services. It furnished the details of its outward supplies in Form GSTR-1 for the month of January on 11th February.

However, on 14th February, the accountant of Mehul Enterprises noticed that one invoice issued to Vaishali Traders (registered in Gujarat) for supply of goods of value of ₹ 1,00,000 (taxable @ 18%) pertaining to

January has been inadvertently missed to be declared in Form GSTR-1 furnished for January. He has approached you for the advice before furnishing Form GSTR-3B for the said month. You are required to briefly discuss whether Mehul Enterprises can amend the details of outward supply furnished in Form GSTR-1 of January. If such amendment is permitted and details of Form GSTR-1 are amended, whether the details of said invoice will be available in Form GSTR-2B of Vaishali Traders for the month of January.

8. Mr. Bindusaar is an employee in Galgotia and Sons, working at its Mumbai (Maharashtra) office. Mr. Bindusaar is unregistered under GST law. His family is located in Bareilly, Uttar Pradesh. His son requires a laptop for his school project on urgent basis. Therefore, Mr. Bindusaar places an order on Amazing.in - an e-commerce platform - for supply of a laptop of latest configuration for his son, which is to be delivered at his residential address located in Bareilly, Uttar Pradesh.

Mr. Bindusaar, while placing the order on the e-commerce platform - Amazing.in, provides the billing address of his apartment located in Mumbai Maharashtra. You are required to determine the place of supply of the supply of laptop in the given case.

9. Determine the taxability or otherwise of the following services provided by Indian Railways:

S.No.	Particulars	Amount (₹)
(i)	Cloak room services provided to passengers	20,00,000
(ii)	Service of transportation of passengers in second class	20,00,000
(iii)	Platform tickets sold to passengers	50,00,000
(iv)	Renting of warehouse located in Bengaluru railway station to Paras Traders, registered in Chennai	1,50,000
(v)	Service of transportation of passengers in air-conditioned coaches	10,00,000

(vi)	Service of transportation of relief materials meant for victims of flood affected area	3,00,000
(vii)	Service of transportation of organic manure	2,00,000

10. Mr. Hridya has obtained a voluntary registration under the GST law in the State of Madhya Pradesh in January but has not commenced the business till the month of September. In October, the proper officer issues a show cause notice to him for cancellation of his registration. You are required to examine whether the action taken by the proper officer is justified in law. Also, list the other circumstances when the proper officer can cancel registration under section 29(2).


SUGGESTED ANSWERS

MCQ No.	Most Appropriate Answer
1.	(c)
2.	(d)
3.	(c)
4.	(d)
5.	(b)

6. **Computation of minimum net GST payable in cash for the month of January by Surya**

Particulars	Amount (₹)	CGST (₹)	SGST (₹)	IGST (₹)
GST payable under forward charge				
Business exhibition organized for Jignesh Industries	20,00,000	-	-	3,60,000 [20,00,000 x 18%]

[Taxable since services by an organiser to any person in respect of a business exhibition are exempt only when such exhibition is held outside India. Further, it is an inter-State supply since place of supply of organisation of a cultural, artistic, sporting, scientific, educational or entertainment event including supply of services in relation to an exhibition is location of recipient, i.e. Gujarat.]				
Provided accommodation services to CA students in hostel [Supply of accommodation services having value of supply upto ₹ 20,000 per person per month are exempt provided that the accommodation service is supplied for a minimum continuous period of	2,20,000	19,800 [2,20,000 x 9%]	19,800 [2,20,000 x 9%]	-

90 days. Since in the given case, hostel accommodation charges per student per month exceed ₹ 20,000, said services are taxable. Further, it is an intra-State supply since the place of supply of services in relation to immovable property is the location of immovable property, i.e. Rajasthan.]				
Carnatic music performance [Classical musical performance by the artist -Surya is not exempt even though consideration charged for such performance does not exceed ₹ 1,50,000 since he has performed as a brand ambassador. Further, it is an intra-State supply since the place of supply is location of recipient, i.e. Rajasthan.]	1,45,000	13,050 [1,45,000 x 9%]	13,050 [1,45,000 x 9%]	-

Business correspondent services provided [Taxable since services provided in the capacity of a business correspondent to a banking company are exempt only when said services are provided with respect to accounts in its rural area branch.]	1,20,000	10,800 [1,20,000 x 9%]	10,800 [1,20,000 x 9%]	-
Renting of commercial property to Ganga Ltd. [Taxable since renting of only residential dwelling for use as residence is exempt. Further, since services are being provided by director of the company in his personal capacity and supplier of services of renting of commercial property is a registered person, tax is payable under forward charge. Moreover, it is an intra-State supply since the place of supply of services in relation to	3,00,000	27,000 [3,00,000 x 9%]	27,000 [3,00,000 x 9%]	-

immovable property is the location of immovable property, i.e. Rajasthan.]				
Total output tax liability (A)		70,650	70,650	3,60,000
Less: ITC available				
Business Summit sponsored [Since recipient of sponsorship services is an individual (Surya), tax is not payable under reverse charge. It is an intra-State supply since place of supply of sponsorship services is location of recipient, i.e. Rajasthan. Further, ITC is available on said service since it is used in course or furtherance of business.]	5,00,000	45,000 [5,00,000 x 9%]	45,000 [5,00,000 x 9%]	
Services of transportation of goods received from unregistered GTA [It is intra-State supply since the place of supply of services by way of transportation of goods provided to a	2,00,000	5,000 [2,00,000 x 2.5%]	5,000 [2,00,000 x 2.5%]	-

registered recipient is location of such recipient, i.e., Rajasthan. Moreover, ITC is available on said service since it is used in course or furtherance of business.]				
Taken cars on rental basis from Ajay Limited. [Tax is not payable under reverse charge since the recipient, Surya is not a body corporate and supplier - Ajay Limited is a body corporate. It is an intra-State supply since place of supply of car rental services is location of recipient, i.e. Rajasthan. Further, ITC is available on said service since it is used in course or furtherance of business.]	1,50,000	3,750 [1,50,000 x 2.5%]	3,750 [1,50,000 x 2.5%]	-
Total ITC available (B)		53,750	53,750	Nil
Net GST (A)-(B) [ITC of CGST and		16,900	16,900	3,60,000

SGST has been utilized for payment of CGST and SGST liability respectively.]				
<u>GST payable under reverse charge</u>				
Services of transportation of goods received from unregistered GTA [Since GTA is unregistered, it has not exercised the option to pay tax itself; thus, tax on services of transportation of goods being provided to a registered person is payable under reverse charge by Surya @ 2.5% each under CGST and SGST.]	2,00,000	5,000 [2,00,000 x 2.5%]	5,000 [2,00,000 x 2.5%]	
Total net GST payable in cash		21,900	21,900	3,60,000

7. As per proviso to rule 59(1), a registered person may, after furnishing the details of outward supplies of goods or services or both in Form GSTR-1 for a tax period but before filing of return in Form GSTR-3B for the said tax period, at his own option, amend or furnish additional details of outward supplies of goods or services or both in Form GSTR-1A for the said tax period. Thus, Mehul Enterprises has the option to furnish the details of the invoice issued to Vaishali Traders in Form GSTR-1A on or after 14th February but before filing Form GSTR-3B

for January. The corresponding effect of the changes made through Form GSTR-1A on the liability of Mehul Enterprises shall be reflected in Form GSTR-3B for January.

Further, rule 60(7)(iia) provides that the additional details or amendments in details of outward supplies furnished by the supplier in Form GSTR-1A filed after the due date of furnishing of Form GSTR-1 for the previous tax period shall be reflected in Form GSTR-2B for the current tax period. This implies that the ITC for the supplies declared or amended by the suppliers through Form GSTR-1A will be available to the recipient in Form GSTR-2B generated for the next tax period.

Thus, the details of missing invoice of Vaishali Traders will be available in its Form GSTR-2B for the month of February.

8. As per the provisions of section 10(1)(ca) of the IGST Act, 2017, where the supply of goods is made to an unregistered person, the place of supply would be the location as per the address of said person recorded in the invoice and the location of the supplier where the address of the said person is not recorded in the invoice. Further, as per Explanation to the said clause, recording the name of the State of the said unregistered person on the invoice shall be deemed to be the recording of the address of the said person.

Accordingly, it is clarified vide *Circular No. 209/3/2024 GST dated 26.06.2024* that in the cases involving supply of goods to an unregistered person, where the address of delivery of goods recorded on the invoice is different from the billing address of the said unregistered person on the invoice, the place of supply of goods in accordance with the provisions of section 10(1)(ca) of the IGST Act, 2017, shall be the address of delivery of goods recorded on the invoice.

Also, in such cases involving supply of goods to an unregistered person, where the billing address and delivery address are different, the supplier may record the delivery address as the address of the recipient on the invoice for the purpose of determination of place of supply of the said supply of goods.

Thus, the place of supply of laptop in the given case is Bareilly, Uttar Pradesh.

9.

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.]
(vi)	Service of transportation of relief materials meant for victims of flood affected area [Exempt since service of transportation of relief materials meant for victims of natural or man-made disasters, calamities,

	accidents or mishap by rail is exempt.]
(vii)	Service of transportation of organic manure [Exempt since service of transportation of organic manure by rail is exempt.]

- 10.** As per section 29(2), one of the circumstances where registration can be cancelled by the proper officer from such date, including any retrospective date, as he may deem fit, after giving an opportunity of being heard is where any person who has taken voluntary registration under sub-section (3) of section 25 has not commenced business within six months from the date of registration. Thus, the action taken by the proper officer in the given case is justified in law.

As per section 29(2) read with rule 21, in the following cases, registration can be cancelled by the proper officer:

- (a) a person paying tax under composition scheme has not furnished the return for a financial year beyond three months from the due date of furnishing the said return.
- (b) any registered person required to file return under section 39(1) for each month or part thereof (i.e. monthly return filer), has not furnished returns for a continuous period of 6 months.
- (c) any registered person required to file return under proviso to section 39(1) for each quarter or part thereof (Quarterly return under QRMP scheme), has not furnished returns for a continuous period of 2 tax periods.
- (d) any person who has taken voluntary registration under sub-section (3) of section 25 has not commenced business within six months from the date of registration.
- (d) registration has been obtained by means of fraud, wilful misstatement or suppression of facts.
- (e) a registered person does not conduct any business from the declared place of business.

- (f) a registered person issues invoice/bill without supply of goods/services in violation of the provisions of the CGST Act, or the rules made thereunder.
- (g) a registered person violates the provisions of section 171. Section 171 contains provisions relating to anti-profiteering measure.
- (h) a registered person violates the provision of rule 10A.
- (i) a registered person avails input tax credit in violation of the provisions of section 16 of the CGST Act or the rules made thereunder.
- (j) a registered person furnishes the details of outward supplies in Form GSTR-1, as amended in Form GSTR-1A if any, under section 37 for one or more tax periods which is in excess of the outward supplies declared by him in his valid return under section 39 for the said tax periods.
- (k) a registered person violates the provision of rule 86B.
- (l) a registered person violates the provisions of third or fourth proviso to rule 23(1).